CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2014

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ČEZ, a. s.:

We have audited the accompanying consolidated financial statements of CEZ Group which comprise the consolidated balance sheet as at December 31, 2014, and consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of CEZ Group see Notes 1 and 8 to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young Audit, s.r.o.
License No. 401

Martin Skácelík, Auditor
License No. 2119

March 2, 2015
Prague, Czech Republic

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2014

in CZK Millions

	2014	2013 (restated *)	Jan 1, 2013 (restated *)
Assets			
Property, plant and equipment:			
Plant in service	701,316	665,354	656,386
Less accumulated provision for depreciation	(371,515)	(340,888)	(320,537)
Net plant in service (Note 3)	329,801	324,466	335,849
Nuclear fuel, at amortized cost	10,953	10,688	9,702
Construction work in progress (Note 3)	85,788	90,508	73,738
Total property, plant and equipment	426,542	425,662	419,289
Other non-current assets:			
Investment in joint-ventures (Note 8)	12,277	12,999	14,807
Investments and other financial assets, net (Note 4)	36,348	25,746	38,374
Intangible assets, net (Note 5)	20,611	20,701	21,507
Deferred tax assets (Note 28)	1,738	824	750
Total other non-current assets	70,974	60,270	75,438
Total non-current assets	497,516	485,932	494,727
Current assets:			
Cash and cash equivalents (Note 9)	20,095	25,003	17,955
Receivables, net (Note 10)	50,864	67,485	54,692
Income tax receivable	1,618	1,065	1,798
Materials and supplies, net	8,462	8,054	7,670
Fossil fuel stocks	1,481	2,552	4,031
Emission rights (Note 11)	5,097	8,505	12,153
Other financial assets, net (Note 12)	39,438	38,400	39,476
Other current assets (Note 13)	3,299	3,398	3,321
Total current assets	130,354	154,462	141,096
Total assets	627,870	640,394	635,823

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2014

continued

	2014	2013 (restated *)	Jan 1, 2013 (restated *)
Equity and liabilities			
Equity:			
Equity attributable to equity holders of the parent:			
Stated capital	53,799	53,799	53,799
Treasury shares	(4,382)	(4,382)	(4,382)
Retained earnings and other reserves	211,891	208,659	200,818
Total equity attributable to equity holders of the parent (Note 14)	261,308	258,076	250,235
Non-controlling interests	4,543	4,690	3,658
Total equity	265,851	262,766	253,893
Long-term liabilities:			
Long-term debt, net of current portion (Note 15)	160,852	168,196	176,106
Accumulated provision for nuclear decommissioning and fuel storage (Note 18)	47,302	43,827	42,415
Other long-term liabilities (Note 19)	25,917	26,840	22,542
Total long-term liabilities	234,071	238,863	241,063
Deferred tax liability (Note 28)	20,609	19,201	21,810
Current liabilities:			
Short-term loans (Note 20)	7,608	2,716	4,784
Current portion of long-term debt (Note 15)	15,674	28,104	12,005
Trade and other payables (Note 21)	60,331	63,297	73,383
Income tax payable	830	1,719	1,613
Accrued liabilities (Note 22)	22,896	23,728	27,272
Total current liabilities	107,339	119,564	119,057
Total equity and liabilities	627,870	640,394	635,823

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CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013 (restated *)
Revenues:		
Sales of electricity and related services	173,819	189,356
Gains and losses from electricity, coal and gas derivative trading, net	2,861	1,579
Sales of gas, coal, heat and other revenues	23,977	26,053
Total revenues (Note 23)	200,657	216,988
Operating expenses:		
Fuel	(12,686)	(13,808)
Purchased power and related services	(76,005)	(79,030)
Repairs and maintenance	(4,991)	(5,477)
Depreciation and amortization	(27,705)	(27,902)
Impairment of property, plant and equipment and intangible assets including goodwill (Note 6)	(8,025)	(8,469)
Salaries and wages (Note 24)	(18,852)	(18,698)
Materials and supplies	(4,334)	(5,609)
Emission rights, net (Note 11)	(1,959)	(76)
Other operating expenses (Note 25)	(9,154)	(12,229)
thereof: Gain from settlement agreement with Republic of Albania (Note 7)	*2,562*	-
Total expenses	(163,711)	(171,298)
Income before other income (expenses) and income taxes	36,946	45,690
Other income (expenses):		
Interest on debt, net of capitalized interest (Note 2.8)	(3,650)	(4,565)
Interest on nuclear and other provisions (Note 2.24, 18 and 19)	(1,834)	(1,802)
Interest income (Note 26)	608	1,438
Foreign exchange rate gains (losses), net	(297)	1,070
Gain on sale and loss of control of subsidiaries and joint-ventures (Note 7)	73	4,750
Other income (expenses), net (Note 27)	(1,967)	(1,222)
Share of profit (loss) from joint-ventures (Note 2.2)	(1,223)	(953)
Total other income (expenses)	(8,290)	(1,284)
Income before income taxes	28,656	44,406
Income taxes (Note 28)	(6,224)	(9,199)
Net income	22,432	35,207
Net income attributable to:		
Equity holders of the parent	22,403	35,886
Non-controlling interests	29	(679)
Net income per share attributable to equity holders of the parent (CZK per share) (Note 31)		
Basic	41.9	67.2
Diluted	41.9	67.2

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013 (restated *)
Net income	22,432	35,207
Other comprehensive income - items that may be reclassified subsequently to statement of income:		
Change in fair value of cash flow hedges recognized in equity	4,891	(9,543)
Cash flow hedges reclassified from equity	(4,028)	(3,018)
Change in fair value of available-for-sale financial assets recognized in equity	(865)	(597)
Available-for-sale financial assets reclassified from equity	1,783	(77)
Translation differences	875	3,910
Translation differences reclassified from equity	14	229
Share on equity movements of joint-ventures	(121)	89
Deferred tax related to other comprehensive income (Note 28)	(389)	2,516
Net other comprehensive income that may be reclassified to statement of income in subsequent periods	2,160	(6,491)
Other comprehensive income - items not to be reclassified subsequently to statement of income:		
Re-measurement losses on defined benefit plans	(26)	(33)
Deferred tax related to other comprehensive income (Note 28)	3	1
Net other comprehensive income not to be reclassified to statement of income in subsequent periods	(23)	(32)
Other comprehensive income, net of tax	2,137	(6,523)
Total comprehensive income, net of tax	24,569	28,684
Total comprehensive income attributable to:		
Equity holders of the parent	24,498	29,004
Non-controlling interests	71	(320)

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CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	Attributable to equity holders of the parent								
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2012, as previously reported	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219
Effect of adoption of IFRS 11 (Note 2.3.c)	-	-	-	-	5	(5)	-	(326)	(326)
January 1, 2013 restated *	53,799	(4,382)	(11,977)	1,506	1,807	209,482	250,235	3,658	253,893
Net income	-	-	-	-	-	35,886	35,886	(679)	35,207
Other comprehensive income	-	-	3,779	(10,177)	(542)	58	(6,882)	359	(6,523)
Total comprehensive income	-	-	3,779	(10,177)	(542)	35,944	29,004	(320)	28,684
Dividends	-	-	-	-	-	(21,294)	(21,294)	(4)	(21,298)
Share options	-	-	-	-	33	-	33	-	33
Transfer of forfeited share options within equity	-	-	-	-	(97)	97	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	49	49
Acquisition of non-controlling interests (Note 7)	-	-	-	-	-	-	-	(14)	(14)
Loss of control of subsidiary	-	-	-	-	-	-	-	1,341	1,341
Put options held by non-controlling interest	-	-	-	-	-	98	98	(20)	78
December 31, 2013 (restated *)	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	4,690	262,766

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

continued

	Attributable to equity holders of the parent								
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2013 (restated *)	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	4,690	262,766
Net income	-	-	-	-	-	22,403	22,403	29	22,432
Other comprehensive income	-	-	848	699	692	(144)	2,095	42	2,137
Total comprehensive income	-	-	848	699	692	22,259	24,498	71	24,569
Dividends	-	-	-	-	-	(21,301)	(21,301)	(228)	(21,529)
Share options	-	-	-	-	26	-	26	-	26
Transfer of forfeited share options within equity	-	-	-	-	(70)	70	-	-	-
Acquisition of subsidiaries (Note 7)	-	-	-	-	-	-	-	15	15
Acquisition of non-controlling interests (Note 7)	-	-	-	-	-	(2)	(2)	(31)	(33)
Sale of subsidiaries	-	-	-	-	-	-	-	(7)	(7)
Put options held by non-controlling interest	-	-	-	-	-	11	11	33	44
December 31, 2014	53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013 (restated *)
Operating activities:		
Income before income taxes	28,656	44,406
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	27,871	28,400
Amortization of nuclear fuel	3,356	3,065
Gain on fixed asset retirements, net	(326)	(5,100)
Foreign exchange rate losses (gains), net	297	(1,070)
Interest expense, interest income and dividend income, net	2,240	2,783
Provision for nuclear decommissioning and fuel storage	(337)	(241)
Valuation allowances, other provisions and other adjustments	4,264	5,290
Share of (profit) loss from joint-ventures	1,223	953
Changes in assets and liabilities:		
Receivables	2,348	1,975
Materials and supplies	(480)	(614)
Fossil fuel stocks	1,061	1,519
Other current assets	448	3,079
Trade and other payables	11,387	(565)
Accrued liabilities	(1,195)	(39)
Cash generated from operations	80,813	83,841
Income taxes paid	(7,538)	(9,087)
Interest paid, net of capitalized interest	(3,677)	(4,304)
Interest received	516	1,408
Dividends received	806	344
Net cash provided by operating activities	70,920	72,202
Investing activities:		
Acquisition of subsidiaries and joint-ventures, net of cash acquired (Note 7)	(68)	(962)
Disposal of subsidiaries and joint-ventures, net of cash disposed of (Note 7)	101	4,126
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(35,798)	(45,626)
Proceeds from sale of fixed assets	1,381	3,456
Loans made	(33)	(1,008)
Repayment of loans	362	910
Change in restricted financial assets	(625)	(728)
Total cash used in investing activities	(34,680)	(39,832)

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

continued

	2014	2013 (restated *)
Financing activities:		
Proceeds from borrowings	80,769	69,044
Payments of borrowings	(100,076)	(74,763)
Proceeds from other long-term liabilities	119	1,796
Payments of other long-term liabilities	(368)	(478)
Dividends paid to Company's shareholders	(21,320)	(21,336)
Dividends paid to non-controlling interests	(229)	(4)
Total cash used in financing activities	(41,105)	(25,741)
Net effect of currency translation in cash	(43)	419
Net increase (decrease) in cash and cash equivalents	(4,908)	7,048
Cash and cash equivalents at beginning of period	25,003	17,955
Cash and cash equivalents at end of period	20,095	25,003

	2014	2013 (restated *)
Supplementary cash flow information		
Total cash paid for interest	8,165	7,917

* Certain numbers presented were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.3.c).

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014

CONTENT:

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 69.8% (70.3% of voting rights) at December 31, 2014 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group ("the Group"). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas and coal mining (see Notes 2.2 and 8). ČEZ is an electricity generation company, which in 2014 produced approximately 57% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates fourteen fossil fuel plants, sixteen hydroelectric plants, one solar plant, one combined cycle gas turbine plant and two nuclear plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, biomass, biogas) in the Czech Republic, two fossil fuel plants and two hydroelectric plants in Poland, one fossil fuel plant and one solar plant in Bulgaria and a wind farm and a complex of hydroelectric plants in Romania. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria and Romania. The average number of employees of the Company and its consolidated subsidiaries was 26,248 and 26,682 in 2014 and 2013, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector. All customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial statements are prepared under the historical cost convention, except when IFRS require other measurement basis as disclosed in the accounting policies below.

2.2. Group Accounting

a. Group Structure

The financial statements of CEZ Group include the accounts of ČEZ, a. s., its subsidiaries and joint-ventures, which are shown in the Note 8.

b. Subsidiaries

Subsidiaries are those entities which the Group controls. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred are attributed to the non-controlling interest even if that results in a deficit balance.

Put options held by non-controlling interests are recorded as a derecognition of non-controlling interest and recognition of a liability at the end of the reporting period. The liability is recognized at the present value of the amount payable on exercise, and any difference between the amount of non-controlling interest derecognized and this liability is accounted for within equity. Subsequent changes to the present value of the amount payable on exercise are recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the Group’s share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group’s investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Joint-ventures

A joint-venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary considerations to determine control over subsidiaries. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2.c).

The financial statements of the joint-venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

e. Transactions Involving Entities under Common Control

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. The difference between the cost of acquisition of subsidiaries from entities under common control and the share of net assets acquired in book values is recorded directly in equity.

2.3. Changes in Accounting Policies

a. Adoption of New IFRS Standards in 2014

The accounting policies adopted are consistent with those of the previous financial year, except for as follows. The Group has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2014:

- IAS 28 Investments in Associate and Joint Ventures (revised), effective January 1, 2014
- IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities), effective January 1, 2014
- IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets), effective January 1, 2014
- IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting), effective January 1, 2014
- IFRS 10 Consolidated Financial Statements, effective January 1, 2014
- IFRS 11 Joint Arrangements, effective January 1, 2014
- IFRS 12 Disclosure of Involvement with Other Entities, effective January 1, 2014
- Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)
- IFRIC 21 Levies, effective January 1, 2014

The impact of the adoption of standards or interpretations on the financial statements or performance of the Group is described below:

IAS 28 Investments in Associate and Joint Ventures (revised)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group. The Group has already been applying the equity method for investments in joint ventures prior to the issue of this revised standard.

IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
In December 2011, International Accounting Standards Board ("IASB") issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment had no impact on the Group's financial statements.

IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)
The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonizes disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Group's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)
The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Group's financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee
  and
- The ability to use its power over the investee to affect the amount of the investor's returns.

This standard is effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The standard had no impact on the Group's financial statements, but may affect the treatment of future acquisitions.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The impact of the adoption of the standard IFRS 11 on the Group's financial statements is described in Note 2.3.c.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and affects the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)
In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The standard had no effect on the consolidated financial statements as the parent company does not meet the definition of an investment entity.

IFRIC 21 Levies
The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after January 1, 2014. The new interpretation had no impact on the Group.

All other standards and interpretations whose application was mandatory for the period beginning on or after January 1, 2014 have no material impact on the Group's consolidated financial statements.

b. New IFRS Standards and Interpretations either not yet Effective or not yet Adopted by the EU

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2015 or later. Standards and interpretations most relevant to the Group's activities are detailed below:

IFRS 9 Financial Instruments – Classification and measurement
The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets
Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
  and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortized cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 *Leases*.

Entities are generally required to recognize either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognized.

Hedge accounting
New chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The standard has not yet been endorsed by EU. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets and liabilities.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The standard has not yet been endorsed by EU. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the balance sheet may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The standard has not yet been endorsed by EU. These amendments are not expected to have a significant impact to the Group, but will assist in in applying judgment when meeting the presentation and disclosure requirements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to IAS 19 are intended to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to

specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Annual Improvements to IFRSs 2010 - 2012
In December 2013 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment
IAS 24	Related Party Disclosures
IAS 38	Intangible Assets

The Group will apply these improvements from January 1, 2015.

Annual Improvements to IFRSs 2011 - 2013
In December 2013 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

The Group will apply these improvements from January 1, 2015.

Annual Improvements to IFRSs 2012 - 2014
In September 2014 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

These improvements have not yet been endorsed by EU.

These changes will have no significant impact on the Group's consolidated financial statements.

c. Impact of Adoption of IFRS 11 Joint Arrangements

Certain numbers in the Statement of Income were reclassified in 2014 and the prior year figures were changed accordingly to provide comparative information on the same basis. The Group changed the way of presentation of expenses related to write-off of cancelled investments on the statement of income. The write-off of cancelled investments was moved from the line item Other operating expenses to line item of Impairment of property, plant and equipment and intangible assets including goodwill, which also affected EBITDA. The write-off of cancelled investments for the comparative period presented for 2013 amounted to CZK 46 million.

The following tables summarize the effect of application of IFRS 11 and reclassification of write-off of cancelled investments to basic items of the consolidated financial statements of CEZ Group (in CZK millions):

	2013 as previously reported	Effect of restatement	2013 restated	2012 as previously reported	Effect of restatement	Jan 1, 2013 restated
Total non-current assets	486,518	(586)	485,932	494,897	(170)	494,727
Total current assets	154,618	(156)	154,462	141,173	(77)	141,096
Total assets	641,136	(742)	640,394	636,070	(247)	635,823
Equity attributable to equity holders of the parent	258,076	-	258,076	250,235	-	250,235
Non-controlling interests	5,049	(359)	4,690	3,984	(326)	3,658
Long-term liabilities	239,071	(208)	238,863	241,080	(17)	241,063
Deferred tax liability	19,224	(23)	19,201	21,828	(18)	21,810
Total current liabilities	119,716	(152)	119,564	118,943	114	119,057
Total equity and liabilities	641,136	(742)	640,394	636,070	(247)	635,823

	2013 as previously reported	Effect of restatement	2013 restated
Total revenues	217,273	(285)	216,988
Impairment of plant, property and equipment and intangible assets including goodwill	(8,422)	(47)	(8,469)
Other operating expenses	(12,267)	38	(12,229)
Total expenses	(171,518)	220	(171,298)
Income before other income (expenses) and income taxes	45,755	(65)	45,690
Share of profit (loss) from joint-ventures	(981)	28	(953)
Total other income (expenses)	(1,315)	31	(1,284)
Income before income taxes	44,440	(34)	44,406
Net income	35,234	(27)	35,207
Net income attributable to:			
Equity holders of the parent	35,885	1	35,886
Non-controlling interests	(651)	(28)	(679)
EBITDA	82,054	(60)	81,994
Other comprehensive income, net of tax	(6,518)	(5)	(6,523)
Total comprehensive income, net of tax	28,716	(32)	28,684
Total comprehensive income attributable to:			
Equity holders of the parent	29,004	-	29,004
Non-controlling interests	(288)	(32)	(320)
Net cash provided by operating activities	72,556	(354)	72,202
Total cash used in investing activities	(40,273)	441	(39,832)
Total cash used in financing activities	(25,541)	(200)	(25,741)
Net increase in cash and cash equivalents	7,161	(113)	7,048

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services provided to third parties is recognized when the services are rendered.

Connection fees received from customers are recognized in income in the period when the fees are received. Connection fees received from customers prior 2009 are presented as deferred revenues in the line Other long-term liabilities.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included in the line item of Receivables, net or Trade and other payables.

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 3,356 million and CZK 3,065 million for the years ended December 31, 2014 and 2013, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 18). Such charges amounted to CZK 275 million and CZK 339 million in 2014 and 2013, respectively.

2.8. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 4,056 million and CZK 3,691 million and the interest capitalization rate in 2014 and 2013 was 4.5%.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost and related accumulated depreciation of the disposed item or its replaced part are derecognized from the balances sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

At each reporting date, an assessment is made whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable useful lives used for property, plant and equipment are as follows:

	Useful lives (years)
Buildings and structures	20 – 50
Machinery and equipment	4 – 25
Vehicles	8 – 25
Furniture and fixtures	8 – 15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 26,038 million and CZK 26,297 million for the years ended December 31, 2014 and 2013, which was equivalent to a composite depreciation rate of 4.1% and 4.3%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization and presented as part of property, plant and equipment. Amortization of fuel in the reactor is based on the amount of power generated.

2.11. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 25 years. The assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. Improvements are capitalized.

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 531 million in 2014 and CZK 372 million in 2013.

Intangible assets are tested for impairment (for goodwill see Note 2.12) whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

For assets excluding goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

2.12. Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint-ventures is included in investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.13. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plans certain companies of the Group have been granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

On April, 30 of the following year, at the latest, these companies are required to remit a number of allowances representing the number of tones of CO_2 actually emitted in previous year. If a company does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2.

The emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. In the Czech Republic the allocation of emission rights granted free of charge to an entity operating certain electricity generation facilities specified by the law was the subject to a gift tax in 2011 and 2012. As a result, granted emission rights, which were subject to the gift tax, are initially recognized at the amount of related gift tax as of the grant date. Purchased emission rights are carried at cost (except for emission rights for trading). Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. The Group recognizes a provision to cover emissions made. This provision is measured firstly with regard to the cost of emission rights resulting from hedging strategy, and then considering granted and purchased emission rights and credits up to the level of granted and purchased emission rights and credits held and then at the market price ruling at the balance sheet date. The amount of the gift tax on granted emission rights, which is charged to profit or loss as part of the charge of the provision, the eventual cost of emission rights sold or as part of the consumption of emission rights when the allowances are remitted from the register, is included in the line Other income (expenses), net.

The Group also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of the cash- generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) or credits are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

Green and similar certificates are initially recognized at fair value and subsequently treated similarly to purchased emission rights.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments, loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if the Group intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

The carrying amounts of such available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of 6 months or less. Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.16. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenses which have been incurred in respect of the acquisition of materials and supplies including transportation costs. When consumed, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision charged to the income statement. At December 31, 2014 and 2013 the provision for obsolescence amounted to CZK 524 million and CZK 459 million, respectively.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at actual cost using weighted average cost method.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the balance sheet such derivatives are presented as part of Investments and other financial assets, net, Other financial assets, net, Other long-term liabilities and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

b. Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other income (expenses), net.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Commodity Contracts

According to IAS 39, certain commodity contracts are treated as financial instruments and fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- A physical delivery takes place under such contracts;
- The volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- The contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement. The Group presents revenues and expenses related to commodity trading net in the line Gains and losses from electricity, coal and gas derivative trading, net.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are provided at a rate of 19% for the years ended December 31, 2014 and 2013, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2014 and on is 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the reported net income nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.23. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors (see Note 18).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted at December 31, 2014 and 2013 using a long-term real rate of interest of 1.75% per annum and 2.0% per annum, respectively, to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2014 and 2013 the estimate for the effect of inflation is 1.25% and 1.5%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín power plant and sixty-year period for Dukovany power plant subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2084 when the process should be finished. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Group's current estimates.

Changes in a decommissioning liability and in liability for final storage of spent nuclear fuel that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating lives (see Note 19). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted at December 31, 2014 and 2013 using a long-term real rate of interest of 1.75% per annum and 2.0% per annum, respectively, to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2014 and 2013 the estimate for the effect of inflation is 1.25% and 1.5%, respectively.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangements is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in determination of whether fulfillment is dependent on a specified asset; or
- There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction in equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.29. Share Options

Members of Board of Directors and selected managers have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2014 and 2013 the expense recognized in respect of the share option plan amounted to CZK 26 million and CZK 33 million, respectively.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

Exchange rates used as at December 31, 2014 and 2013 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2014	2013
CZK per 1 EUR	27.725	27.425
CZK per 1 USD	22.834	19.894
CZK per 1 PLN	6.492	6.603
CZK per 1 BGN	14.193	14.023
CZK per 1 RON	6.185	6.135
CZK per 100 JPY	19.090	18.957
CZK per 1 TRY	9.789	9.275

2.31. Non-current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

Net plant in service at December 31, 2014 and 2013 is as follows (in CZK millions):

	Buildings	Plant and Equipment	Land and Other	Total
Cost at January 1, 2013	247,651	401,360	7,375	656,386
Plant additions	8,789	11,876	150	20,815
Disposals	(865)	(1,509)	(71)	(2,445)
Reclassification to assets classified as held for sale	(3,905)	(7,213)	(38)	(11,156)
Acquisition of subsidiaries	265	63	71	399
Loss of control over subsidiary	(649)	(5,644)	(186)	(6,479)
Change in capitalized part of provisions	59	1,397	(451)	1,005
Reclassification and other	(25)	39	(8)	6
Currency translation differences	3,044	3,721	58	6,823
Cost at December 31, 2013	254,364	404,090	6,900	665,354
Plant additions	12,792	24,304	123	37,219
Disposals	(2,976)	(2,749)	(54)	(5,779)
Acquisition of subsidiaries	16	9	9	34
Loss of control over subsidiary	-	-	(1)	(1)
Change in capitalized part of provisions	289	3,542	170	4,001
Reclassification and other	(33)	23	(2)	(12)
Currency translation differences	262	233	5	500
Cost at December 31, 2014	264,714	429,452	7,150	701,316
Accumulated depreciation and impairment at January 1, 2013	(98,703)	(220,998)	(836)	(320,537)
Depreciation	(7,075)	(19,189)	(33)	(26,297)
Net book value of assets disposed	(268)	(51)	-	(319)
Disposals	865	1,509	3	2,377
Reclassification to assets classified as held for sale	2,899	6,842	-	9,741
Loss of control over subsidiary	153	1,985	-	2,138
Reclassification and other	(7)	(16)	-	(23)
Impairment losses recognized	(2,361)	(3,873)	(119)	(6,353)
Impairment losses reversed	202	205	-	407
Currency translation differences	(862)	(1,150)	(10)	(2,022)
Accumulated depreciation and impairment at December 31, 2013	(105,157)	(234,736)	(995)	(340,888)
Depreciation	(6,982)	(19,043)	(13)	(26,038)
Net book value of assets disposed	(605)	(62)	(1)	(668)
Disposals	2,976	2,749	7	5,732
Reclassification and other *	(389)	(1,532)	-	(1,921)
Impairment losses recognized	(1,992)	(5,646)	(22)	(7,660)
Impairment losses reversed	104	3	11	118
Currency translation differences	(101)	(87)	(2)	(190)
Accumulated depreciation and impairment at December 31, 2014	(112,146)	(258,354)	(1,015)	(371,515)
Net plant in service at December 31, 2013	149,207	169,354	5,905	324,466
Net plant in service at December 31, 2014	152,568	171,098	6,135	329,801

* CZK 1,905 million relates to impairment provision for Počerady gas power plant that was transferred from construction work in progress due to the plant's put into operation in 2014.

Group's plant in service pledged as security for liabilities at December 31, 2014 and 2013 is CZK 173 million and CZK 263 million, respectively.

Construction work in progress contains mainly refurbishments performed on Ledvice, Prunéřov, Dukovany and Temelín power plants and the electricity distribution network of subsidiary ČEZ Distribuce, a. s. It also contains costs of CZK 2,261 million for the preparation of construction of additional two units in nuclear power plant Temelín.

4. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2014 and 2013 consist of the following (in CZK millions):

	2014	2013
Restricted debt securities available-for-sale	14,820	12,334
Restricted cash	2,651	3,164
Total restricted financial assets	17,471	15,498
Financial assets in progress, net	4	130
Term deposits	10	-
Debt securities held-to-maturity	-	105
Debt securities available-for-sale	-	633
Equity securities available-for-sale	611	571
Investment in Dalkia	3,166	3,166
Investment in MOL	7,788	-
Derivatives	5,456	4,551
Long-term receivable from settlement with Albania (Note 7)	1,705	-
Other long-term receivables, net	137	1,092
Total	36,348	25,746

In January 2008 the Group acquired a 7% share in MOL. At that time the Group granted to MOL a call option, which enabled MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share and in 2009 the period over which MOL could reacquire the shares was extended until January 2014. The amount originally paid to MOL after deduction of option premium received was EUR 560 million. The transaction was recorded as a receivable (presented as Receivables, net as at December 31, 2013) together with a written put option (presented as Trade and other payables as at December 31, 2013). The call option to buy the MOL's shares was not exercised by MOL and the option period lapsed on January 23, 2014. Since this date, the investment in MOL is classified as available-for-sale investment with changes in fair value recorded in other comprehensive income. In 2014 the Group identified an impairment of CZK 1,828 million and the cumulative loss was reclassified from other comprehensive income and was recognized in the income statement in line item Other income (expenses), net.

On February 4, 2014 the Group issued EUR 470.2 million exchangeable bonds due 2017 exchangeable for existing ordinary shares of MOL. The deal has been priced on January 28, 2014 with a coupon of 0.00% and initial exchange price has been set at EUR 61.25 per share, reflecting a premium of 35%. Bondholders will have the right to exchange the bonds for shares from January 25, 2017, subject to the issuer's right to elect to deliver an equivalent amount in cash for all or part of the shares. Embedded conversion option was separated and is shown as a separate liability from derivatives in Trade and other payables.

Movements in impairment provisions (in CZK millions):

	2014		2013	
	Available-for-sale financial assets	Long-term receivables	Available-for-sale financial assets	Long-term receivables
Opening balance	44	768	44	-
Additions	9	-	-	768
Derecognition of impaired fin. assets	-	(768)	-	-
Closing balance	53	-	44	768

Debt instruments at December 31, 2014 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables
Due in 2016	660
Due in 2017	585
Due in 2018	581
Due in 2019	3
Thereafter	13
Total	1,842

Debt instruments at December 31, 2013 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale
Due in 2015	361	-	106
Due in 2016	114	-	186
Due in 2017	102	105	341
Due in 2018	101	-	-
Thereafter	414	-	-
Total	1,092	105	633

Debt instruments at December 31, 2014 have following effective interest rate structure (in CZK millions):

	Long-term receivables
Less than 2.00%	1,842
Total	1,842

Debt instruments at December 31, 2013 have following effective interest rate structure (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale
Less than 2.00%	150	-	186
From 2.00% to 2.99%	935	-	106
From 4.00% to 4.99%	-	105	341
From 5.00% to 5.99%	7	-	-
Total	1,092	105	633

The following table analyses the debt instruments at December 31, 2014 by currency (in CZK millions):

	Long-term receivables
CZK	117
EUR	1,721
Other	4
Total	1,842

The following table analyses the debt instruments at December 31, 2013 by currency (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale
CZK	94	105	633
EUR	988	-	-
Other	10	-	-
Total	1,092	105	633

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2014 and 2013 are as follows (in CZK millions):

	Software	Rights and Other	Goodwill	Total 2014	Total 2013
Cost at January 1	11,289	11,561	9,513	32,363	31,861
Additions	1,085	797	-	1,882	878
Disposals	(121)	(83)	-	(204)	(445)
Reclassification to assets classified as held for sale	-	-	-	-	(15)
Acquisition of subsidiaries	-	-	33	33	8
Loss of control over subsidiary	-	(7)	-	(7)	(88)
Impairment of goodwill	-	-	(135)	(135)	(452)
Reclassification and other	1	-	-	1	(4)
Currency translation differences	1	(31)	1	(29)	620
Cost at December 31	12,255	12,237	9,412	33,904	32,363
Accumulated amortization and impairment at January 1	(8,722)	(3,646)	-	(12,368)	(10,976)
Amortization	(1,211)	(456)	-	(1,667)	(1,605)
Net book value of assets disposed	(4)	(44)	-	(48)	(40)
Disposals	121	83	-	204	445
Reclassification to assets classified as held for sale	-	-	-	-	15
Loss of control over subsidiary	-	-	-	-	71
Impairment losses recognized	(2)	(26)	-	(28)	(133)
Currency translation differences	-	13	-	13	(145)
Accumulated amortization and impairment at December 31	(9,818)	(4,076)	-	(13,894)	(12,368)
Net intangible assets at December 31	2,437	8,161	9,412	20,010	19,995

At December 31, 2014 and 2013, intangible assets presented in the balance sheet include intangible assets in progress of CZK 601 million and CZK 706 million, respectively.

6. Impairment of Property, Plant and Equipment and Intangible Assets including Goodwill

At December 31, 2014 and 2013 goodwill allocated to cash-generating units is as follows (in CZK millions):

	2014	2013
Romanian distribution and sale	2,621	2,600
Czech distribution and sale	2,210	2,210
Energotrans	1,675	1,675
Polish power plants (ELCHO, Skawina)	1,273	1,295
ČEZ Teplárenská	727	727
Energetické centrum	261	396
TMK Hydroenergy Power	303	300
Other	342	310
Total carrying amount of goodwill	9,412	9,513

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2014 (in CZK millions):

	Impairment losses				Impairment reversals	
	Goodwill	Other intangible assets	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution and sale	-	-	23	23	(13)	10
Bulgarian distribution and sale	-	26	713	739	-	739
Czech distribution and sale	-	-	1	1	(1)	-
Energetické centrum	135	-	-	135	-	135
Romanian wind power farms	-	2	6,591	6,593	-	6,593
TEC Varna	-	-	199	199	-	199
Polish power plants (ELCHO, Skawina)	-	-	9	9	-	9
Severočeské doly	-	-	11	11	(10)	1
ČEZ Korporátní služby	-	-	110	110	(73)	37
Other	-	-	337	337	(35)	302
Total	135	28	7,994	8,157	(132)	8,025

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2013 (in CZK millions):

	Impairment losses				Impairment reversals	
	Goodwill	Other intangible assets	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution and sale	-	-	77	77	(62)	15
Bulgarian distribution and sale	-	89	2,273	2,362	-	2,362
Czech distribution and sale	-	-	24	24	(55)	(31)
CCGT Počerady	-	-	1,905	1,905	-	1,905
Teplárna Trmice	325	-	-	325	-	325
Energetické centrum	111	-	-	111	-	111
Romanian wind power farms	-	-	2,946	2,946	(5)	2,941
TEC Varna	-	5	617	622	-	622
Polish power plants (ELCHO, Skawina)	-	-	141	141	-	141
Severočeské doly	-	-	38	38	(211)	(173)
ČEZ Korporátní služby	-	-	123	123	(120)	3
Other	16	52	188	256	(8)	248
Total	452	146	8,332	8,930	(461)	8,469

In 2014 and 2013 the Group performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired. Recognized impairment of property, plant and equipment of cash-generating unit Romanian wind power farms in 2014 was caused mainly by the drop in market prices of green certificates while considering the outlook of the market of green certificates and with regard to new legislation of the construction tax in Romania. Recognized impairment of cash-generating unit Bulgarian distribution and sale in 2014 is caused mainly by updated outlook of electricity distribution regulation and subsequent decrease in expected revenues.

Recognized impairments in 2013 are mainly a result of the outlook for electricity distribution regulation and deterioration of current market conditions.

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Polish power plants has been determined based on a value in use calculation. Those cash flow projections are based on financial budgets approved by management covering a period until the end of useful life of power plants and discount rate of 4.4%. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale, Energotrans and ČEZ Teplárenská. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 4.0%. Cash flows beyond the five-year period for Czech distribution and sale is based on the terminal value of regulatory asset base. No growth rate is considered for cash flows beyond five-year period for Energotrans and ČEZ Teplárenská. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Energetické centrum. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 4.0%. Cash flows beyond the five-year period are extrapolated using 1.5% growth rate. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances.

The value in use calculation was also used to calculate the recoverable amount of Romanian distribution and sale. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 6.6%. Cash flows beyond the five-year period are based on the terminal value of regulatory asset base. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The recoverable amount of TMK Hydroenergy Power has been determined based on a value in use calculation. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 6.6%. There is no growth rate considered for cash flows beyond five-year period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Romanian wind power farms. Those cash flow projections are based on financial budgets approved by management covering the period of expected useful life of wind farms, considering approved renewable energy support in the form of granted green certificates and a discount rate of 6.1%. The projection of the cash flows includes assumption of receiving two green certificates. Receiving of two green certificates is subject to approval of accreditation by Romanian government and subsequently by European Commission. The issuance of one of the two green certificates in the expected amount of 4.2 million pieces is postponed until March 2017. The recovery of these deferred green certificates is expected in the period from 2018 to 2020. One of the main factors influencing the value of future cash flows is the price of green certificates. Current value of the green certificate in the model is EUR 29.7 and expected growth rate is 2%. Change in the price of green certificate by 1% every year, all other variables held constant, would result in change of value in use by approximately CZK 80 million. Change of the discount rate by 1%, all other variables held constant, would result in change of value in use by approximately CZK 1,400 million.

The value in use calculation was also used to calculate the recoverable amount of Bulgarian distribution and sale. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 5.9%. Cash flows beyond the five-year period do not consider any growth rate. Change of discount rate by 1%, all other variables held constant, would result in change of value in use by approximately CZK 1,700 million.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the forecast of market and regulatory environment, where subsidiaries conduct the business.

7. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in 2014

On December 19, 2014, the Group acquired 75% interest in EVČ s.r.o., which specializes in engineering and construction of energy facilities including energy performance projects.

The fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	EVČ
Share acquired in 2014	75%
Property, plant and equipment	35
Investments and other financial assets, net	38
Cash and cash equivalents	11
Receivables, net	74
Income tax receivable	2
Materials and supplies, net	7
Other financial assets, net	6
Other current assets	27
Other long-term liabilities	(32)
Deferred tax liability	(1)
Short-term loans	(34)
Trade and other payables	(41)
Accrued liabilities	(31)
Total net assets	61
Share of net assets acquired	46
Goodwill	33
Total purchase consideration	79
Less:	
Cash and cash equivalents in the subsidiary acquired	(11)
Cash outflow on acquisition of the subsidiary	68

If the combination had taken place at the beginning of the year 2014, the profit for CEZ Group as of December 31, 2014 would have been CZK 22,439 million and revenues from continuing operations would have been CZK 200,906 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2014

On July 30, 2014 the Group increased the ownership interest from 85% to 95% in the company Areál Třeboradice, a.s. by calling the option to acquire the non-controlling interest.

The following table summarizes the critical terms of this transaction (in CZK millions):

Acquired share of net assets derecognized from non-controlling interests	31
Amount directly recognized in equity	2
Total purchase consideration	33

The following table summarizes the cash flows related to acquisitions during 2014 (in CZK millions):

Investment in subsidiaries	79
Acquisitions of non-controlling interests	33
Change in payables from acquisitions	(33)
Less cash acquired	(11)
Total cash outflows on acquisitions	68

Acquisitions of subsidiaries from third parties in 2013

On June 28, 2013, the Group acquired 85% interest in Areál Třeboradice, a.s., which deals with the asset management of property mainly used as a reserve source of heat for Prague.

The fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	Areál Třeboradice
Share acquired in 2013	85%
Property, plant and equipment	399
Intangible assets	1
Cash and cash equivalents	6
Receivables, net	1
Deferred tax liability	(72)
Trade and other payables	(11)
Total net assets	324
Share of net assets acquired	275
Goodwill	7
Total purchase consideration	282
Less:	
Cash and cash equivalents in the subsidiary acquired	(6)
Cash outflow on acquisition of the subsidiary	276

If the combination had taken place at the beginning of the year 2013, the profit for CEZ Group as of December 31, 2013 would have been CZK 35,194 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2013

On March 19, 2013 the Group decided to acquire the non-controlling interest in company SD - KOMES, a.s. through the squeeze-out transaction which increased the ownership interest from 92.65% to 100%.

The following table summarizes the critical terms of this transaction (in CZK millions):

	SD - KOMES
Acquired share of net assets derecognized from non-controlling interests	14
Amount directly recognized in equity	-
Total purchase consideration	14

The following table summarizes the cash flows related to acquisitions during 2013 (in CZK millions):

Investment in subsidiaries	282
Acquisitions of non-controlling interests	14
Change in payables from acquisitions	676
Received cash and cash equivalents previously used on acquisitions in progress	(4)
Less cash acquired	(6)
Total cash outflows on acquisitions	962

Loss of control of subsidiary CEZ Shpërndarje Sh.A.

In May 2009, ČEZ acquired a 76% shareholding in the sole Albanian distribution company CEZ Shpërndarje Sh.A. ("CEZ SH"). The remaining 24% was owned by the Albanian government.

On January 21, 2013 the Albanian regulator decided to revoke the CEZ SH's licenses for the distribution and sale of electricity to tariff customers and appointed the administrator of CEZ SH. As a result, the Group lost control of CEZ SH as of the same date. The administrator took control over the company including the decision making powers and responsibility for its operations. Both the rights of statutory bodies of CEZ SH and the ČEZ shareholder rights were transferred to the administrator.

In May 2013, the arbitration proceedings with the International Arbitration Tribunal for damage incurred due to its non-protected investment were formally initiated between ČEZ and the Republic of Albania. In 2014 a Settlement Agreement was signed with the Albanian state in the presence of a mediator from the Energy Community Secretariat in Vienna. The total amount of compensation for receivables and shares is EUR 95 million in favor of CEZ Group. Its discounted value of CZK 2,562 million was recorded in 2014 in the income statement (see Note 25). In 2014 the Company received EUR 10 million and the remaining amount will be received in four annual installments until 2018 and is guaranteed by reputable European bank. Upon the effective date of the Settlement Agreement, the Company transferred 76% share in CEZ SH back to Albanian state. At the same time, the arbitration proceedings were closed.

As a result of the loss of control, the Group has recognized the following items in 2013 (in CZK millions):

Derecognized balance sheet items:	
Plant in service	6,479
Less accumulated provision for depreciation	(2,138)
Net plant in service	4,341
Construction work in progress	77
Total property, plant and equipment	4,418
Intangible assets, net	26
Total non-current assets	4,444
Cash and cash equivalents	151
Receivables, net	2,699
Income tax receivable	396
Materials and supplies, net	64
Other current assets	456
Total current assets	3,766
Total assets	8,210
Long-term debt, net of current portion	2,114
Other long-term liabilities	2
Total long-term liabilities	2,116
Current portion of long-term debt	349
Trade and other payables	5,747
Accrued liabilities	4,253
Total current liabilities	10,349
Total liabilities	12,465
Net excess of derecognized liabilities over assets	4,255
Less:	
Non-controlling interest	(1,341)
Translation differences	(229)
Recognition of provision for issued guarantee	(900)
Gain from loss of control of CEZ Shpërndarje Sh.A.	1,785

Cash and cash equivalents of CZK 151 million disposed of in relation to loss of control were presented in the Statement of Cash Flows in the line item Disposal of subsidiaries and joint-ventures, net of cash disposed of.

Sale of subsidiary Elektrárna Chvaletice a.s.

In March 2013 ČEZ concluded an agreement to sell its 100% interest in the subsidiary Elektrárna Chvaletice a.s. which operates a coal fired power plant in East Bohemia. The sale transaction was realized on September 2, 2013.

As a result of the sale, the Group recorded the following items (in CZK millions):

Derecognized balance sheet items:	
Net plant in service	1,414
Other non-current assets	14
Cash and cash equivalents	172
Receivables, net	289
Other current assets	473
Long-term debt, net of current portion	(57)
Deferred tax liability	(171)
Trade and other payables	(48)
Accrued liabilities	(166)
Net assets derecognized from balance sheet	1,920
Effect of intercompany balances:	
Receivables, net	(180)
Trade and other payables	3,234
Accrued liabilities	11
Total cost of sale of the Group	4,985
Revenue on sale	7,950
Gain on sale	2,965

The following table summarizes the cash flows related to sale and loss of control of subsidiaries during 2013 (in CZK millions):

Current proceeds from the sale of the subsidiary Elektrárna Chvaletice a.s.	4,449
Cash disposed on sale	(172)
Cash disposed on loss of control	(151)
Total proceeds from disposal of subsidiaries	4,126

8. Investments in Subsidiaries and Joint-ventures

The consolidated financial statements include the financial figures of ČEZ, a. s. and its subsidiaries and joint-ventures listed in the following table:

Subsidiaries	Country of incorporation	% equity interest * 2014	% equity interest * 2013	% voting interest 2014	% voting interest 2013
Areál Třeboradice, a.s.	Czech Republic	95.00%	85.00%	95.00%	85.00%
A.E. Wind sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green I sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green V sp. z o.o.	Poland	75.00%	-	100.00%	-
Baltic Green VI sp. z o.o.	Poland	75.00%	-	100.00%	-
Baltic Green VII sp. z o.o.	Poland	75.00%	-	100.00%	-
Baltic Green VIII sp. z o.o.	Poland	75.00%	-	100.00%	-
Bara Group OOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Centrum výzkumu Řež s.r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	100.00%	100.00%
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Bulgarian Investments B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ RUS OOO [1)]	Russia	-	100.00%	-	100.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%	100.00%
CEZ Towarowy Dom Maklerski sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Albania Sh.P.K.	Albania	100.00%	100.00%	100.00%	100.00%
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine LLC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ČEZ Bohunice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%

[1)] The company CEZ RUS OOO was liquidated on October 30, 2014.

Subsidiaries	Country of incorporation	% equity interest * 2014	2013	% voting interest 2014	2013
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ENERGOSERVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ESCO, a.s. [2)]	Czech Republic	100.00%	-	100.00%	-
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Inženýring, s.r.o. [2)]	Czech Republic	100.00%	-	100.00%	-
ČEZ Korporátní služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Nová energetika, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Recyklace, s.r.o. [2)]	Czech Republic	99.00%	-	99.00%	-
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ECO Etropol AD [3)]	Bulgaria	-	100.00%	-	100.00%
Eco-Wind Construction S.A.	Poland	75.00%	75.00%	75.00%	75.00%
Elektrárna Dětmarovice, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Mělník III, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Počerady, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Tisová, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Elektrownia Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energotrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
EVČ s.r.o.	Czech Republic	75.00%	-	75.00%	-
Farma Wiatrowa Leśce sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
MARTIA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Mega Energy sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
NERS d.o.o. [4)]	Bosnia and Herzegovina	-	51.00%	-	51.00%
Operatori i Shpërndarjes së Energjisë Elektrike Sh.A. [5)]	Albania	-	76.00%	-	-
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PPC Úžín, a.s. [6)]	Czech Republic	-	100.00%	-	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Revitrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - KOMES, a.s. [7)]	Czech Republic	-	100.00%	-	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Shared Services Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%

2) The company was newly established in 2014.
3) The interest in the company ECO Etropol AD was sold on September 5, 2014.
4) The interest in the company NERS d.o.o. was sold on December 30, 2014.
5) The former company name CEZ Shpërndarje Sh.A. was changed to Operatori i Shpërndarjes së Energjisë Elektrike Sh.A. in July 2014. The interest in the company was sold on October 16, 2014 (see Note 7).
6) The company merged with the succession company ČEZ, a. s. with the effective date of January 1, 2014.
7) The company merged with the succession company PRODECO, a.s. with the effective date of January 1, 2014.

Subsidiaries	Country of incorporation	% equity interest * 2014	2013	% voting interest 2014	2013
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Taidana Limited	Cyprus	100.00%	100.00%	100.00%	100.00%
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Telco Pro Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%
TMK Hydroenergy Power S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Tomis Team S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
ÚJV Řež, a. s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

Joint-ventures	Country of incorporation	% equity interest * 2014	2013	% voting interest 2014	2013
Akcez Enerji A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Aken B.V. in liquidation [8)]	Netherlands	-	37.36%	-	50.00%
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Yalova Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
ČEZ Energo, s.r.o.	Czech Republic	50.10%	50.10%	50.10%	50.10%
Egemer Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Jadrová energetická spoločnosť Slovenska, a. s.	Slovakia	49.00%	49.00%	50.00%	50.00%
JESS Invest, s. r. o.	Slovakia	49.00%	49.00%	50.00%	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	51.05%	51.05%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
MOL - CEZ European Power Hungary Ltd. [9)]	Hungary	-	50.00%	-	50.00%
Sakarya Elektrik Dagitim A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Perakende Satis A.S.	Turkey	50.00%	50.00%	50.00%	50.00%

* The equity interest represents effective ownership interest of the Group.

8) The company Aken B.V. in liquidation was liquidated on September 18, 2014.
9) The interest in the company MOL - CEZ European Power Hungary Ltd. was sold on October 31, 2014.

Subsidiaries with non-controlling interests

The following table shows the composition of Group's non-controlling interests and dividends paid to non-controlling interests by respective subsidiaries (in CZK millions):

	2014		2013	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
CEZ Razpredelenie Bulgaria AD	3,367	223	3,667	-
ÚJV Řež, a. s.	692	-	672	-
CEZ Elektro Bulgaria AD	374	-	255	-
Other	110	6	96	4
Total	4,543	229	4,690	4

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2014 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	11,240	1,662	56
Non-current assets	1,354	814	4,467
Current liabilities	(708)	(510)	(128)
Non-current liabilities	(1,634)	(513)	(3,261)
Equity	10,252	1,453	1,134
Attributable to:			
Equity holders of parent	6,885	761	760
Non-controlling interests	3,367	692	374
Revenues	5,056	1,223	20,130
Expenses	(5,482)	(1,164)	(19,747)
Other income (expenses)	(8)	(14)	3
Income before income taxes	(434)	45	386
Income taxes	84	(2)	(37)
Net income (loss)	(350)	43	349
Attributable to:			
Equity holders of parent	(234)	23	234
Non-controlling interests	(116)	20	115
Total comprehensive income	(228)	42	361
Attributable to:			
Equity holders of parent	(151)	22	242
Non-controlling interests	(77)	20	119
Operating cash flow	300	130	283
Investing cash flow	(639)	(141)	-
Financing cash flow	(783)	10	(7)
Net effect of currency translation in cash	8	-	9
Net increase (decrease) in cash and cash equivalents	(1,114)	(1)	285

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2013 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	11,943	1,712	90
Non-current assets	2,532	806	3,340
Current liabilities	(938)	(482)	(134)
Non-current liabilities	(2,285)	(625)	(2,524)
Equity	11,252	1,411	772
Attributable to:			
Equity holders of parent	7,585	739	517
Non-controlling interests	3,667	672	255
Revenues	8,021	1,453	18,820
Expenses	(10,082)	(1,381)	(19,066)
Other income (expenses)	5	(6)	4
Income before income taxes	(2,056)	66	(242)
Income taxes	200	(26)	24
Net income (loss)	(1,856)	40	(218)
Attributable to:			
Equity holders of parent	(1,244)	21	(146)
Non-controlling interests	(612)	19	(72)
Total comprehensive income	(897)	41	(146)
Attributable to:			
Equity holders of parent	(620)	21	(98)
Non-controlling interests	(277)	20	(48)
Operating cash flow	1,686	172	(694)
Investing cash flow	(1,505)	(208)	-
Financing cash flow	(278)	(46)	(8)
Net effect of currency translation in cash	72	9	68
Net increase (decrease) in cash and cash equivalents	(25)	(73)	(634)

Interests in joint-ventures

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2014 (in CZK millions):

			Group's share of joint-venture's:		
	Carrying amount of investment	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji A.S.	2,778	-	(367)	108	(259)
Sakarya Elektrik Dagitim A.S.	65	-	67	(28)	39
Sakarya Elektrik Perakende Satis A.S.	80	-	281	50	331
Total Akcez Group	2,923	-	(19)	130	111
Akenerji Elektrik Üretim A.S.	6,012	-	(315)	249	(66)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	(349)	-	(24)	52	28
Egemer Elektrik Üretim A.S.	(1,128)	-	(678)	(95)	(773)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	(260)	-	(59)	30	(29)
Other subsidiaries of Akenerji Group	(116)	-	(119)	14	(105)
Total Akenerji Group	4,159	-	(1,195)	250	(945)
CM European Power International B.V.	646	-	(24)	27	3
CM European Power Slovakia s.r.o.	873	2	50	(9)	41
Jadrová energetická spoločnosť Slovenska, a. s.	2,981	-	(63)	14	(49)
ČEZ Energo, s.r.o.	494	-	34	4	38
Other	201	3	(6)	6	-
Total	12,277	5	(1,223)	422	(801)

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2013 (in CZK millions):

	Carrying amount of investment	Dividends received	Group's share of joint-venture's: Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji A.S.	2,907	-	(610)	(311)	(921)
Sakarya Elektrik Dagitim A.S.	27	-	(96)	73	(23)
Sakarya Elektrik Perakende Satis A.S.	(122)	-	368	(60)	308
Total Akcez Group	2,812	-	(338)	(298)	(636)
Akenerji Elektrik Üretim A.S.	5,996	-	16	(660)	(644)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	(378)	-	(98)	(74)	(172)
Egemer Elektrik Üretim A.S.	(355)	-	(299)	59	(240)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	(231)	-	(139)	5	(134)
Other subsidiaries of Akenerji Group	(10)	-	19	(51)	(32)
Total Akenerji Group	5,022	-	(501)	(721)	(1,222)
CM European Power International B.V.	876	-	5	77	82
CM European Power Slovakia s.r.o.	812	-	165	87	252
Jadrová energetická spoločnosť Slovenska, a. s.	3,012	-	(55)	253	198
ČEZ Energo, s.r.o.	456	-	28	4	32
Other	9	-	(257)	9	(248)
Total	12,999	-	(953)	(589)	(1,542)

The joint-ventures Akcez Enerji A.S.and Akenerji Elektrik Üretim A.S. are formed by partnership of CEZ Group and Akkök Group in Turkey to invest mainly into power generation and electricity distribution projects. The joint-venture Jadrová energetická spoločnosť Slovenska, a. s. is a joint-venture formed by CEZ Group and the Slovak Government to prepare the project of building a new nuclear power source in Slovakia.

The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2014 (in CZK millions):

	Current assets	Out of which: Cash and cash equiva-lents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Contri-bution to JV's group equity	Share of the Group	Goodwill	Total carrying amount of the invest-ment
Akcez Enerji A.S.	819	236	9,440	1,041	5,357	3,861	3,861	1,931	847	2,778
Sakarya Elektrik Dagitim A.S.	1,147	30	6,670	3,157	1,626	3,034	130	65	-	65
Sakarya Elektrik Perakende Satis A.S.	5,295	1,644	161	2,523	1,047	1,886	160	80	-	80
Total Akcez Group							4,151	2,076	847	2,923
Akenerji Elektrik Üretim A.S.	1,249	728	22,490	3,649	7,245	12,845	12,845	4,799	1,213	6,012
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	516	4	4,547	521	1,541	3,001	(934)	(349)	-	(349)
Egemer Elektrik Üretim A.S.	2,609	549	14,181	1,940	13,052	1,798	(3,019)	(1,128)	-	(1,128)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	471	27	2,635	473	916	1,717	(696)	(260)	-	(260)
Other subsidiaries of Akenerji Group							(311)	(116)	-	(116)
Total Akenerji Group							7,885	2,946	1,213	4,159
CM European Power International B.V.	1,070	13	640	418	-	1,292	1,292	646	-	646
CM European Power Slovakia s.r.o.	5,095	121	147	627	2,251	2,364	1,746	873	-	873
Jadrová energetická spoločnosť Slovenska, a. s.	2,190	2,171	3,914	18	2	6,084	6,084	2,981	-	2,981
ČEZ Energo, s.r.o.	205	44	1,178	206	381	796	796	398	96	494

	Revenues	Depre-ciation and amorti-zation	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji A.S.	241	-	88	(295)	-	(476)	217	(259)
Sakarya Elektrik Dagitim A.S.	3,964	(168)	52	(132)	(97)	134	200	334
Sakarya Elektrik Perakende Satis A.S.	14,659	-	226	(52)	(134)	561	101	662
Akenerji Elektrik Üretim A.S.	2,954	(381)	93	(730)	(51)	(772)	674	(98)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	275	(160)	6	(51)	12	(63)	162	99
Egemer Elektrik Üretim A.S.	3,416	(490)	11	(432)	160	(1,814)	96	(1,718)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	175	(88)	15	(88)	(16)	(158)	92	(66)
CM European Power International B.V.	-	-	24	-	(5)	(475)	16	(459)
CM European Power Slovakia s.r.o.	2,363	-	389	(67)	(100)	99	25	124
Jadrová energetická spoločnosť Slovenska, a. s.	21	(31)	23	(16)	(5)	(128)	66	(62)
ČEZ Energo, s.r.o.	704	(77)	2	(8)	(10)	67	10	77

The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2013 (in CZK millions):

	Current assets	Out of which: Cash and cash equiva-lents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Contri-bution to JV's group equity	Share of the Group	Goodwill	Total carrying amount of the invest-ment
Akcez Enerji A.S.	1,087	209	8,937	675	5,229	4,120	4,120	2,060	847	2,907
Sakarya Elektrik Dagitim A.S.	1,366	208	6,185	2,902	1,895	2,754	54	27	-	27
Sakarya Elektrik Perakende Satis A.S.	4,250	1,498	212	2,420	567	1,475	(244)	(122)	-	(122)
Total Akcez Group							3,930	1,965	847	2,812
Akenerji Elektrik Üretim A.S.	4,252	1,940	18,473	1,884	7,906	12,935	12,935	4,833	1,163	5,996
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	504	15	4,475	1449	628	2,902	(1,012)	(378)	-	(378)
Egemer Elektrik Üretim A.S.	3,248	115	11,694	2,070	9,356	3,516	(950)	(355)	-	(355)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	444	98	2,594	723	2,243	72	(618)	(231)	-	(231)
Other subsidiaries of Akenerji Group							(26)	(10)	-	(10)
Total Akenerji Group							10,329	3,859	1,163	5,022
CM European Power International B.V.	1,688	3	870	807	-	1,751	1,751	876	-	876
CM European Power Slovakia s.r.o.	5,512	163	114	593	2,790	2,243	1,624	812	-	812
Jadrová energetická spoločnosť Slovenska, a. s.	2,305	2,294	3,853	9	3	6,146	6,146	3,012	-	3,012
ČEZ Energo, s.r.o.	273	115	946	269	231	719	719	360	96	456

	Revenues	Depre-ciation and amorti-zation	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji A.S.	120	-	61	(256)	-	(45)	(621)	(666)
Sakarya Elektrik Dagitim A.S.	5,913	(251)	199	(187)	(44)	(192)	(621)	(813)
Sakarya Elektrik Perakende Satis A.S.	16,026	-	199	(10)	(182)	736	(120)	616
Akenerji Elektrik Üretim A.S.	3,516	(467)	283	(499)	(20)	238	(1,893)	(1,655)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	739	(174)	-	(130)	103	(263)	(257)	(520)
Egemer Elektrik Üretim A.S.	-	-	3	(2)	200	(801)	163	(638)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	393	(94)	11	(170)	77	(374)	(21)	(395)
CM European Power International B.V.	-	-	27	-	(5)	(273)	154	(119)
CM European Power Slovakia s.r.o.	6,002	-	188	(26)	(138)	330	174	504
Jadrová energetická spoločnosť Slovenska, a. s.	22	(26)	15	-	(5)	(112)	512	400
ČEZ Energo, s.r.o.	622	(42)	2	(4)	(6)	55	9	64

9. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2014 and 2013 is as follows (in CZK millions):

	2014	2013
Cash on hand and current accounts with banks	13,015	11,465
Short-term securities	907	856
Term deposits	6,173	12,682
Total	20,095	25,003

At December 31, 2014 and 2013, cash and cash equivalents included foreign currency deposits of CZK 2,423 million and CZK 5,811 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2014 and 2013 was 0.5% and 0.8%, respectively. For the years 2014 and 2013 the weighted average interest rate was 0.6% and 1.0%, respectively.

10. Receivables, Net

The composition of receivables, net, at December 31, 2014 and 2013 is as follows (in CZK millions):

	2014	2013
Unbilled electricity supplied to retail customers	6,328	8,583
Received advances from retail customers	(4,256)	(7,005)
Unbilled supplies to retail customers, net	2,072	1,578
Trade receivables	44,819	48,086
Taxes and fees, excluding income taxes	2,097	3,084
Investment in MOL (see Note 4)	-	15,458
Other receivables	7,873	6,498
Allowance for doubtful receivables	(5,997)	(7,219)
Total	50,864	67,485

The information about receivables from related parties is included in Note 29.

At December 31, 2014 and 2013, the ageing analysis of receivables, net is as follows (in CZK millions):

	2014	2013
Not past due	49,318	64,556
Past due but not impaired [1]:		
Less than 3 months	864	1,675
3 – 6 months	145	737
6 – 12 months	282	399
more than 12 months	255	118
Total	50,864	67,485

[1] Past due but not impaired receivables include net receivables, for which the Group recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions):

	2014	2013
Opening balance	7,219	15,186
Additions	2,205	4,290
Reversals	(3,475)	(3,082)
Acquisition of subsidiaries	18	-
Loss of control over subsidiary	(1)	(9,590)
Currency translation differences	31	415
Closing balance	5,997	7,219

11. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2014 and 2013 (in CZK millions):

	2014		2013	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits granted and purchased for own use:				
Granted and purchased emission rights and credits at January 1	24,371	6,584	60,281	9,374
Emission rights granted	35,532	-	326	-
Disposal of subsidiary	-	-	(1,776)	(143)
Settlement of prior year actual emissions with register	(29,010)	(3,422)	(30,440)	(2,341)
Emission rights purchased	3,650	644	2,492	268
Emission rights sold	(5,403)	(99)	(10,036)	(796)
Emission credits purchased	2,427	3	3,524	191
Currency translation differences	-	(6)	-	31
Granted and purchased emission rights and credits at December 31	31,567	3,704	24,371	6,584
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	4,045	424	12,647	819
Settlement of prior year actual emissions with register	-	-	(4,571)	(23)
Emission rights purchased	1,002	141	817	236
Emission rights sold	-	-	(4,853)	(588)
Emission credits purchased	517	2	10	-
Emission credits sold	(522)	(2)	(5)	-
Fair value adjustment	-	452	-	(20)
Emission rights and credits held for trading at December 31	5,042	1,017	4,045	424

During 2014 and 2013 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 27,514 thousand tons and 30,787 thousand tons of CO_2, respectively. At December 31, 2014 and 2013 the Group recognized a provision for CO_2 emissions in total amount of CZK 4,525 million and CZK 3,920 million, respectively (see Notes 2.13 and 22).

At December 31, 2014 and 2013 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 376 million and CZK 1,497 million, respectively.

The allocation of 2013 granted emission rights for companies in the Czech Republic in an equivalent of 18,784 thousand tons was approved by the European Union in January 2014 and this allocation was reflected when creating the provision for CO_2 emissions at December 31, 2013.

The following table shows the impact of transactions with emission rights and credits, green and similar certificates on income for the years ended December 31, 2014 and 2013 (in CZK millions):

	2014	2013
Gain on sales of granted emission rights	1,067	1,281
Net gain from trading with emission rights and credits	-	346
Gain on green and similar certificates	934	1,045
Net gain (loss) from derivatives	(388)	710
Creation of provisions for emission rights	(4,459)	(3,480)
Settlement of provisions for emission rights	3,857	1,116
Remitted emission rights and credits	(3,422)	(1,074)
Fair value adjustment	452	(20)
Net loss related to emission rights, emission credits and green and similar certificates	(1,959)	(76)

The expense related to the gift tax on granted emission rights is included in the line Other income (expenses), net (see Notes 2.13 and 27).

12. Other Financial Assets, Net

Other financial assets, net, at December 31, 2014 and 2013 were as follows (in CZK millions):

	2014	2013
Debt securities held-to-maturity and term deposits	14,672	16,627
Debt securities available-for-sale	-	49
Equity securities available-for-sale	2,112	278
Equity securities held for trading	6	-
Derivatives	22,648	21,446
Total	39,438	38,400

Derivatives balance comprises mainly the positive fair values of commodity trading contracts. Equity securities available-for-sale balance includes investments in money market fund.

Short-term debt securities at December 31, 2014 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity and term deposits
Less than 2.00%	14,672
Total	14,672

Short-term debt securities at December 31, 2013 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity and term deposits	Debt securities available-for-sale
Less than 2.00%	16,627	49
Total	16,627	49

ČEZ, a. s. concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts ČEZ, a. s. has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s. to Vršanská uhelná a.s. First option can be exercised in 2016 for cash consideration of CZK 8.5 billion less CZK 0.4 billion per each block of the power plant not modernized. Second option can be exercised in 2024 for cash consideration of CZK 2 billion. The contracts represent derivatives that will be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s. is not quoted on any market, there is no similar power plant in the Czech Republic for sale and also no similar transaction took place. There is also significant variability in the range of reasonable fair values for this equity instrument and it is difficult to reasonably assess the probabilities of various estimates. As a result the fair value cannot be reliably measured. Consequently, the put options will be measured at cost. There was no option premium paid on the options and therefore the cost of these instruments is zero.

13. Other Current Assets

The composition of other current assets at December 31, 2014 and 2013 is as follows (in CZK millions):

	2014	2013
Advances paid	2,026	2,265
Prepayments	1,273	1,133
Total	3,299	3,398

14. Equity

As at December 31, 2014, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed and do not convey any special rights.

There were no changes in number of treasury shares in 2014 and 2013. Treasury shares remaining at end of period (3,875,021 pieces at December 31, 2014 and 2013) are presented at cost as a deduction from equity.

Declared dividends per share were CZK 40 in 2014 and CZK 40 in 2013. Dividends from 2014 profit will be declared on the general meeting, which will be held in the first half of 2015.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains current credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. Considering the current structure and stability of cash flow of the Group, the goal is to keep this ratio below 2.3. In addition, the Group also monitors capital using a total debt to total capital ratio. The Group's policy is to keep the total debt to total capital ratio below 50% in the long term.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill and less gain (or loss) on sale of property, plant and equipment. The Group includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Highly liquid financial assets consist for capital management purposes of short-term equity and debt securities available-for-sale, short-term debt securities held-to-maturity, long-term debt securities available-for-sale and both short-term and long-term deposits. Total capital is total equity attributable to equity holders of the parent plus total debt.

The composition of EBITDA changed compared to prior year presentation. This year's EBITDA does not include the amount of write-off of cancelled investments (see Note 2.3.c). Prior year figures were amended accordingly.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2014	2013
Total long-term debt	176,526	196,300
Total short-term loans	7,608	2,716
Total debt	184,134	199,016
Less:		
Cash and cash equivalents	(20,095)	(25,003)
Highly liquid financial assets:		
Short-term equity securities available-for-sale (Note 12)	(2,112)	(278)
Short-term debt securities available-for-sale (Note 12)	-	(49)
Short-term debt securities held-to-maturity and term deposits (Note 12)	(14,672)	(16,627)
Long-term deposits (Note 4)	(10)	-
Long-term debt securities available-for-sale (Note 4)	-	(633)
Total net debt	147,245	156,426
Income before income taxes and other income (expenses)	36,946	45,690
Depreciation and amortization	27,705	27,902
Impairment of property, plant and equipment and intangible assets including goodwill	8,025	8,469
Gain on sale of property, plant and equipment (Note 25)	(178)	(67)
EBITDA	72,498	81,994
Total equity attributable to equity holders of the parent	261,308	258,076
Total debt	184,134	199,016
Total capital	445,442	457,092
Net debt to EBITDA ratio	2.03	1.91
Total debt to total capital ratio	41.3%	43.5%

15. Long-term Debt

Long-term debt at December 31, 2014 and 2013 is as follows (in CZK millions):

	2014	2013
6.000% Eurobonds, due 2014 (EUR 600 million)	-	16,421
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,283	2,267
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	42	39
5.750% Eurobonds, due 2015 (EUR 460 million) [1)]	12,749	16,408
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,523	1,512
5.000% Eurobonds, due 2021 (EUR 750 million)	20,715	20,480
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,380	1,364
3M Euribor + 0.36% Eurobonds, due 2014 (EUR 150 million)	-	4,114
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,219	-
4.875% Eurobonds, due 2025 (EUR 750 million)	20,701	20,469
4.500% Eurobonds, due 2020 (EUR 750 million)	20,633	20,381
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,195	2,180
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million) [2)]	9,397	13,653
2.150%*IRp Eurobonds, due 2021 (EUR 100 million)	2,773	2,742
4.102% Eurobonds, due 2021 (EUR 50 million)	1,382	1,366
4.250% U.S. bonds, due 2022 (USD 700 million)	15,847	13,790
5,625% U.S. bonds, due 2042 (USD 300 million)	6,775	5,900
4.375% Eurobonds, due 2042 (EUR 50 million)	1,358	1,343
4.500% Eurobonds, due 2047 (EUR 50 million)	1,358	1,343
4.383% Eurobonds, due 2047 (EUR 80 million)	2,218	2,194
3.000% Eurobonds, due 2028 (EUR 500 million)	13,655	13,492
4.500% registered bonds, due 2030 (EUR 40 million)	1,086	1,072
4.750% registered bonds, due 2023 (EUR 40 million)	1,096	1,083
4.700% registered bonds, due 2032 (EUR 40 million)	1,102	1,090
4.270% registered bonds, due 2047 (EUR 61 million)	1,662	1,643
3.550% registered bonds, due 2038 (EUR 30 million)	828	819
9.220% Debentures, due 2014 (CZK 2,500 million) [3)]	-	2,500
Exchangeable bonds, due 2017 (EUR 470.2 million) [4)]	12,560	-
Total bonds and debentures	157,785	170,913
Less: Current portion	(12,749)	(23,035)
Bonds and debentures, net of current portion	145,036	147,878
Long-term bank and other loans:		
Less than 2.00% p. a.	18,266	24,811
2.00% to 2.99% p. a.	471	568
3.00% to 3.99% p. a.	4	8
Total long-term bank and other loans	18,741	25,387
Less: Current portion	(2,925)	(5,069)
Long-term bank and other loans, net of current portion	15,816	20,318
Total long-term debt	176,526	196,300
Less: Current portion	(15,674)	(28,104)
Total long-term debt, net of current portion	160,852	168,196

1) In April 2014, the original nominal value of the issue (EUR 600 million) was reduced by bought back own bonds at a nominal value of EUR 140 million.

2) In April 2014, the original nominal value of the issue (EUR 500 million) was reduced by bought back own bonds at a nominal value of EUR 160 million.

3) Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2013 was 5.6%.

4) Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC (see Note 4). The bonds carry no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43%.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.20.

The future maturities of long-term debt are as follows (in CZK millions):

	2014	2013
Current portion	15,674	28,104
Between 1 and 2 years	11,518	19,394
Between 2 and 3 years	15,845	16,627
Between 3 and 4 years	2,010	2,815
Between 4 and 5 years	3,390	2,764
Thereafter	128,089	126,596
Total long-term debt	176,526	196,300

The following table analyses the long-term debt by currency (in millions):

	2014		2013	
	Foreign currency	CZK	Foreign currency	CZK
EUR	5,271	146,134	6,063	166,270
USD	991	22,622	990	19,690
JPY	31,435	6,001	31,434	5,959
BGN	33	471	41	568
CZK	-	1,298	-	3,813
Total long-term debt		176,526		196,300

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2014 and 2013 without considering interest rate hedging (in CZK millions):

	2014	2013
Floating rate long-term debt		
with interest rate fixed for 1 month	-	39
with interest rate fixed from 1 to 3 months	1,265	7,011
with interest rate fixed from 3 months to 1 year	19,567	25,731
with interest rate fixed more than 1 year	471	568
Total floating rate long-term debt	21,303	33,349
Fixed rate long-term debt	155,223	162,951
Total long-term debt	176,526	196,300

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 16 and Note 17.

16. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

Investments

The fair values of instruments, which are publicly traded on active markets, are determined based on quoted market prices. For unquoted equity instruments the Group considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost and the fair value information is not disclosed.

Short-term receivables and payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2014 and 2013 are as follows (in CZK millions):

		2014		2013	
	Cate-gory	Carrying amount	Fair value	Carrying amount	Fair value
Assets:					
Investments:					
Restricted debt securities available-for-sale	AFS	14,820	14,820	12,334	12,334
Restricted cash	LaR	2,651	2,651	3,164	3,164
Financial assets in progress	LaR	4	4	130	130
Term deposits	LaR	10	10	-	-
Debt securities held-to-maturity	HTM	-	-	105	118
Debt securities available-for-sale	AFS	-	-	633	633
Equity securities available-for-sale *	AFS	9,900	9,900	607	607
Long-term receivables	LaR	1,842	1,842	1,092	1,092
Current assets:					
Receivables	LaR	48,767	48,767	64,401	64,401
Cash and cash equivalents	LaR	20,095	20,095	25,003	25,003
Debt securities held-to-maturity and term deposits	HTM	14,672	14,672	16,627	16,627
Equity securities held for trading	HFT	6	6	-	-
Debt securities available-for-sale	AFS	-	-	49	49
Equity securities available-for-sale	AFS	2,112	2,112	278	278
Other current assets	LaR	2,026	2,026	2,265	2,265
Liabilities:					
Long-term debt	AC	(176,526)	(200,746)	(196,300)	(209,280)
Short-term loans	AC	(7,608)	(7,608)	(2,716)	(2,716)
Accounts payable	AC	(44,068)	(44,068)	(43,328)	(43,328)
Derivatives:					
Cash flow hedges:					
Short-term receivables	HFT	211	211	6	6
Long-term receivables	HFT	4,519	4,519	3,933	3,933
Short-term liabilities	HFT	(173)	(173)	(84)	(84)
Long-term liabilities	HFT	(3,464)	(3,464)	(4,799)	(4,799)
Total cash flow hedges		1,093	1,093	(944)	(944)

	Cate-gory	2014 Carrying amount	2014 Fair value	2013 Carrying amount	2013 Fair value
Electricity, coal and gas trading contracts:					
Short-term receivables	HFT	21,038	21,038	19,639	19,639
Short-term liabilities	HFT	(15,327)	(15,327)	(14,020)	(14,020)
Total electricity, coal and gas trading contracts		5,711	5,711	5,619	5,619
Other derivatives:					
Short-term receivables	HFT	1,399	1,399	1,801	1,801
Long-term receivables	HFT	937	937	618	618
Short-term liabilities	HFT	(763)	(763)	(5,865)	(5,865)
Long-term liabilities	HFT	(2,386)	(2,386)	(1,501)	(1,501)
Total other derivatives		(813)	(813)	(4,947)	(4,947)

* Some of the equity securities available-for-sale are carried at cost as the fair value cannot be reliably measured.

LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between the levels in 2014 and 2013.

As at December 31, 2014, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	21,038	1,144	19,894	-
Cash flow hedges	4,730	996	3,734	-
Other derivatives	2,336	367	1,969	-
Equity securities held for trading	6	6	-	-
Available-for-sale restricted debt securities	14,820	14,820	-	-
Available-for-sale equity securities *	9,900	9,900	-	-

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(15,327)	(2,190)	(13,137)	-
Cash flow hedges	(3,637)	(110)	(3,527)	-
Other derivatives	(3,149)	(95)	(3,054)	-

Assets and liabilities for which fair values are disclosed

	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity and term deposits	14,682	-	14,682	-
Long-term debt	(200,746)	(154,073)	(46,673)	-

As at December 31, 2013, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	19,639	245	19,394	-
Cash flow hedges	3,939	141	3,798	-
Other derivatives	2,419	322	2,097	-
Available-for-sale restricted debt securities	12,334	12,334	-	-
Available-for-sale debt securities	682	682	-	-
Available-for-sale equity securities *	607	607	-	-

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(14,020)	(58)	(13,962)	-
Cash flow hedges	(4,883)	(332)	(4,551)	-
Other derivatives	(7,366)	(66)	(7,300)	-

Assets and liabilities for which fair values are disclosed

	Total	Level 1	Level 2	Level 3
Debt securities held-to-maturity and term deposits	16,745	-	16,745	-
Long-term debt	(209,280)	(152,643)	(56,637)	-

* Some of the available-for-sale equity securities are carried at cost as the fair value cannot be reliably measured.

The Group enters into derivative financial instruments with various counterparties, principally large power and utility groups and financial institutions with high credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps and options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and option pricing models (e.g. Black-Scholes). The models incorporate various inputs including the forward rate curves of the underlying commodity, foreign exchange spot and forward rates and interest rate curves.

Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2014 and 2013 (in CZK millions):

	2014		2013	
	Financial asset	Financial liability	Financial asset	Financial liability
Derivatives	28,104	(22,113)	25,997	(26,269)
Other financial instruments *	24,593	(19,944)	25,076	(19,538)
Collaterals paid (received) **	3,345	(2,117)	3,137	(400)
Gross financial assets / liabilities	56,042	(44,174)	54,210	(46,207)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	56,042	(44,174)	54,210	(46,207)
Effect of master netting agreement	(38,577)	38,577	(35,932)	35,932
Net amount after master netting agreement	17,465	(5,597)	18,278	(10,275)

* Other financial instruments consist of invoices due from derivative trading and are included in Receivables, net or Trade and other payables.

** Collaterals paid are included in Receivables, net and collaterals received are included in Trade and other payables.

When trading with derivative instruments, ČEZ enters into the EFET and ISDA framework contracts. These contracts generally allow mutual offset of receivables and payables upon the premature termination of agreement. The reason for premature termination is insolvency or non-fulfillment of agreed terms by the counterparty. The right to mutual offset is either embedded in the framework contract or results from the security provided. There is CSA (Credit Support Annex) concluded with some counterparties defining the permitted limit of exposure. When the limit is exceeded, there is a transfer of cash reducing exposure below an agreed level. Cash security (collateral) is also included in the final offset.

The information about offset of unbilled electricity supplied to retail customers with advances received is included in Note 10 and 21.

Short-term derivative assets are included in the balance sheet in Other financial assets, net, long-term derivative assets in Investments and other financial assets, net, long-term derivative liabilities in Other long-term liabilities and short-term derivative liabilities in Trade and other payables.

17. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Since 2009 the main Business Plan market risks are quantified (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closing long-term contracts for electricity sale and emission allowances purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating. Risks of Investment Projects are also managed and monitored based on unified quantification of all kinds of risk according to Group methodology.

Risk management organization

The supreme authority responsible for risk management in ČEZ, a. s. is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s. Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of an integrated system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	**2. Credit risks**	**3. Operation risks**	**4. Business risks**
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s. based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants)
- Credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic, investment risks.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

17.1. Qualitative description of risks associated with financial instruments

<u>Commodity risks</u>

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of the Group's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities within the whole Group (the potential risk is managed on the VaR basis).

<u>Market financial risks (currency, interest and stock price risks)</u>

The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall expected cash flows of the Group (including operational and investment foreign currency flows).

<u>Credit risks</u>

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses.

The Group's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2014 and 2013 is the carrying value of each class of financial assets except for financial guarantees.

Credit risk from balances with banks and financial institutions is managed by the Group's risk management department in cooperation with Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

<u>Liquidity risks</u>

The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group's expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group.

17.2. Quantitative description of risks associated with financial instruments

<u>Commodity risks</u>

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) or Monte-Carlo VaR for the commodity options which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (the underlying commodities in the Group's derivative transactions are: electricity, EUA and CER/ERU emission allowances, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products)
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series
- the source of market data is mainly EEX, PXE and ICE.

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2014	2013
Monthly VaR (95%) – impact of changes in commodity prices	721	673

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs expected in 2015 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments
- the relevant currency positions reflect all significant foreign-currency flows of the Group companies in the monitored basket of foreign currencies
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg.

Potential impact of the currency risk as at December 31 (in CZK millions):

	2014	2013
Monthly currency VaR (95% confidence)	833	1,289

Interest risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification (as at December 31) was based on the following assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk
- the P/L sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31
- the considered interest positions reflect all significant interest-sensitive positions of the Group companies
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

Potential impact of the interest risk as at December 31 (in CZK millions):

	2014	2013
IR sensitivity* to parallel yield curve shift (+10bp)	(7)	(16)

* Negative result denotes higher increase in interest costs than in interest revenues

Stock price risks

The required quantitative information on risks (i.e. a potential change of financial instruments market value resulting from the effects of stock price risk as at December 31) was based on the assumptions given below:

- monthly parametric VaR (95% confidence) was selected as the indicator of stock price risk
- the relevant stock position is defined as market value of stocks/stock options as at December 31
- the considered stock positions reflect all significant stock-sensitive deals of the CEZ Group companies
- the relevant volatility and standard deviation is determined from risk module IS Bloomberg
- the source of market data is IS Bloomberg and ČNB data.

Potential impact of the stock price risk as at December 31 (in CZK millions):

	2014	2013
Monthly stock VaR (95% confidence)	1,016	1,027

Maximum credit exposure from provided guarantees at December 31 (in CZK millions):

	2014	2013
Guarantees provided to joint ventures	* 3,073	3,648

* Some of the guarantees could be called until August 2021 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2014 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Due in 2015	10,673	19,136	44,168	329,327	3,073
Due in 2016	2,231	15,049	282	54,418	-
Due in 2017	2,152	19,090	15	14,206	-
Due in 2018	2,082	5,306	-	7,442	-
Due in 2019	2,068	6,686	1,750	3,965	-
Thereafter	7,799	156,915	-	70,057	-
Total	27,005	222,182	46,215	479,415	3,073

Contractual maturity profile of financial liabilities at December 31, 2013 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Due in 2014	7,586	30,835	43,416	326,257	3,648
Due in 2015	3,046	23,295	1,952	58,288	-
Due in 2016	3,022	19,605	106	21,028	-
Due in 2017	2,854	5,488	11	5,326	-
Due in 2018	2,798	5,488	-	5,726	-
Thereafter	8,939	163,809	-	69,611	-
Total	28,245	248,520	45,485	486,236	3,648

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 16.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The committed credit facilities available to the Group as at December 31, 2014 and 2013 amounted to CZK 24.4 billion and CZK 27.0 billion, respectively.

17.3. Hedge accounting

The Group enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2015 to 2019. The hedging instruments as at December 31, 2014 and 2013 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.8 billion and EUR 5.0 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (1,749) million and CZK (4,550) million at December 31, 2014 and 2013, respectively.

The Group enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in the period from 2015 to 2016. The hedging instruments as at December 31, 2014 and 2013 are the futures contracts for the purchase of allowances equivalent to 13.1 million tons and 12.5 million tons of CO_2 emissions, respectively. The fair value of these derivative hedging instruments amounted to CZK 513 million and CZK (273) million at December 31, 2014 and 2013, respectively.

The Group also enters into cash flow hedges of highly probable future sales of electricity in the Czech Republic from 2015 to 2020. The hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK 2,329 million and CZK 3,880 million at December 31, 2014 and 2013, respectively.

In 2014 and 2013 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity and related services, Gains and losses from electricity, coal and gas derivative trading, net, Emission rights, net and Other income (expenses), net. In 2014 and 2013 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 197 million and CZK (126) million, respectively. The ineffectiveness in 2014 and 2013 mainly relates to transactions for which the hedged items are no more highly probable to occur.

18. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four units which were put into service from 1985 to 1987. Nuclear power plant Temelín has two units which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. A 2013 Dukovany and a 2014 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 22.4 billion and CZK 18.4 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet as part of Investments and other financial assets, net (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste. Contribution to the nuclear account was stated by a government decision at 50 CZK per MWh produced at nuclear power plants. In 2014 and 2013, the payments to the nuclear account amounted to CZK 1,516 million and CZK 1,537 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Group has established provisions as described in Note 2.24, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2014 and 2013 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommis-sioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at December 31, 2012	12,038	6,794	23,583	42,415
Movements during 2013:				
Discount accretion and effect of inflation	421	238	825	1,484
Provision charged to income statement	-	460	-	460
Effect of change in estimate charged to income statement	-	249	-	249
Effect of change in estimate added to fixed assets (Note 2.24)	1,295	-	19	1,314
Current cash expenditures	(8)	(550)	(1,537)	(2,095)
Balance at December 31, 2013	13,746	7,191	22,890	43,827
Movements during 2014:				
Discount accretion and effect of inflation	481	252	801	1,534
Provision charged to income statement	-	472	-	472
Effect of change in estimate charged to income statement	-	156	-	156
Effect of change in estimate added to fixed assets (Note 2.24)	2,582	-	954	3,536
Current cash expenditures	(1)	(706)	(1,516)	(2,223)
Balance at December 31, 2014	16,808	7,365	23,129	47,302

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers and other related equipment.

In 2014 the Group recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Temelín and change in discount rate and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants and change in discount rate.

In 2013 the Group recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

19. Other Long-term Liabilities

Other long-term liabilities at December 31, 2014 and 2013 are as follows (in CZK millions):

	2014	2013
Provision for decommissioning and reclamation of mines and mining damages	6,749	6,561
Provision for waste storage reclamation	1,574	1,518
Other long-term provisions	1,545	1,393
Deferred connection fees	5,510	6,131
Derivatives	5,850	6,300
Other	4,689	4,937
Total	25,917	26,840

The following table shows the movements of provisions for the years ended December 31, 2014 and 2013 (in CZK millions):

	Mine reclamation and damages	Waste storage
Balance at December 31, 2012	6,915	1,739
Movements during 2013:		
Discount accretion and effect of inflation	234	56
Provision charged to income statement	86	-
Effect of change in estimate deducted from fixed assets (Note 2.25)	(451)	(73)
Disposal of subsidiary	-	(21)
Reversal of provision	-	(140)
Current cash expenditures	(223)	(43)
Balance at December 31, 2013	6,561	1,518
Movements during 2014:		
Discount accretion and effect of inflation	219	53
Provision charged to income statement	102	-
Effect of change in estimate added to fixed assets (Note 2.25)	170	93
Current cash expenditures	(303)	(90)
Balance at December 31, 2014	6,749	1,574

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

20. Short-term Loans

Short-term loans at December 31, 2014 and 2013 are as follows (in CZK millions):

	2014	2013
Short-term bank loans	7,466	1,965
Short-term debentures	-	274
Bank overdrafts	142	477
Total	7,608	2,716

Interest on short-term loans is variable. The weighted average interest rate was 0.3% and 0.6% at December 31, 2014 and 2013, respectively. For the years 2014 and 2013 the weighted average interest rate was 1.2% and 1.9%, respectively.

21. Trade and Other Payables

Trade and other payables at December 31, 2014 and 2013 are as follows (in CZK millions):

	2014	2013
Advances received from retail customers	15,360	14,457
Unbilled electricity supplied to retail customers	(9,888)	(10,329)
Received advances from retail customers, net	5,472	4,128
Trade payables	33,518	36,041
Fair value of option (see Note 4)	70	5,238
Derivatives	16,193	14,731
Other	5,078	3,159
Total	60,331	63,297

The information about payables to related parties is included in Note 29.

22. Accrued Liabilities

Accrued liabilities at December 31, 2014 and 2013 consist of the following (in CZK millions):

	2014	2013
Provision for CO_2 emissions	4,525	3,920
Other provisions	2,537	2,023
Accrued interest	2,958	3,740
Taxes and fees, except income tax	2,176	1,803
Unbilled goods and services	10,145	11,329
Contingent liabilities from acquisitions	-	89
Deferred variation margin on “own use” electricity futures	217	436
Deferred income	221	281
Other	117	107
Total	22,896	23,728

Deferred variation margin represents the net variation margin paid to or by energy exchange POWER EXCHANGE CENTRAL EUROPE, a.s. in respect of the electricity future contracts treated as own use, which will be delivered after the balance sheet date.

23. Revenues

The composition of revenues for the years ended December 31, 2014 and 2013 is as follows (in CZK millions):

	2014	2013
Sales of electricity and related services:		
Sales of electricity to end customers	52,229	52,560
Sales of electricity through energy exchange	3,365	2,036
Sales of electricity to traders	34,134	38,170
Sales to distribution and transmission companies	159	743
Other sales of electricity	15,626	17,189
Effect of hedging (see Note 17.3)	1,267	2,627
Sales of ancillary, system, distribution and other services	67,039	76,031
Total sales of electricity and related services	173,819	189,356
Electricity, coal and gas derivative trading:		
Sales	214,813	215,233
Purchases	(207,247)	(207,948)
Effect of hedging (see Note 17.3)	(270)	13
Changes in fair value of commodity derivatives	(4,435)	(5,719)
Total gains and losses from electricity, coal and gas derivative trading, net	2,861	1,579
Sales of gas, coal, heat and other revenues:		
Sales of gas	6,306	7,421
Sales of coal	4,484	4,931
Sales of heat	6,059	6,656
Other	7,128	7,045
Total sales of gas, coal, heat and other revenues	23,977	26,053
Total revenues	200,657	216,988

In 2014 the line item Total gains and losses from electricity, coal and gas derivative trading, net also includes CZK 1,952 million for the termination of contract with Crédit Agricole Corporate and Investment Bank.

24. Salaries and Wages

Salaries and wages for the years ended December 31, 2014 and 2013 were as follows (in CZK millions):

	2014		2013	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages including remuneration of the board members and royalties	(13,142)	(296)	(13,090)	(291)
Share options	(26)	(26)	(33)	(33)
Social and health security	(4,166)	(48)	(4,177)	(47)
Other personal expenses	(1,518)	(43)	(1,398)	(25)
Total	(18,852)	(413)	(18,698)	(396)

1) Key management personnel represent members of Supervisory Board, Audit Committee and Board of Directors of the parent company, Chief Executive Officer, divisional directors and selected managers of departments of the parent company with group field of activity. The remuneration of former members of company bodies is also included in personal expenses.

At December 31, 2014 and 2013, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,575 thousand and 2,388 thousand, respectively.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure according to rules of the share option plan. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficent has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2014 and 2013 the Company recognized a compensation expense of CZK 26 million and CZK 33 million, respectively, related to the granted options.

The following table shows changes during 2014 and 2013 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors '000s	Selected managers '000s	Total '000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2012	1,657	786	2,443	852.85
Options granted	550	295	845	559.43
Options forfeited	(585)	(315)	(900)	970.06
Share options at December 31, 2013 [1)]	1,622	766	2,388	704.84
Options granted	610	177	787	586.77
Movements	(120)	120	-	764.34
Options forfeited	(285)	(315)	(600)	814.75
Share options at December 31, 2014 [1)]	1,827	748	2,575	643.14

1) At December 31, 2014 and 2013 the number of exercisable options was 1,128 thousand and 947 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 737.24 per share and CZK 809.74 per share at December 31, 2014 and 2013, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2014	2013
Weighted average assumptions:		
Dividend yield	4.6%	6.7%
Expected volatility	23.2%	22.4%
Mid-term risk-free interest rate	0.5%	0.8%
Expected life (years)	1.4	1.4
Share price (CZK per share)	571.2	549.7
Weighted average grant-date fair value of options (CZK per 1 option)	42.3	37.5

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at December 31, 2014 and 2013 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2014	2013
CZK 450 – 600 per share	1,000	650
CZK 600 – 800 per share	1,445	1,233
CZK 800 – 950 per share	130	505
Total	2,575	2,388

The options granted which were outstanding as at December 31, 2014 and 2013 had an average remaining contractual life of 1.8 years and 1.9 years, respectively.

25. Other Operating Expenses

Other operating expenses for the years ended December 31, 2014 and 2013 consist of the following (in CZK millions):

	2014	2013
Services	(12,065)	(12,395)
Travel expenses	(189)	(206)
Gain on sale of property, plant and equipment	178	67
Gain on sale of material	90	209
Capitalization of expenses to the cost of assets and change in own inventory	3,752	4,952
Fines, penalties and penalty interest, net	986	873
Change in provisions and valuation allowances	1,260	1,764
Taxes and fees	(3,024)	(3,054)
Write-off of bad debts	(448)	(2,132)
Gifts	(350)	(408)
Gain from settlement agreement with Republic of Albania (Note 7)	2,562	-
Other, net	(1,906)	(1,899)
Total	(9,154)	(12,229)

Taxes and fees include the contributions to the nuclear account (see Note 18). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

26. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2014 and 2013 is as follows (in CZK millions):

	2014	2013
Loans and receivables	112	796
Held-to-maturity investments	87	139
Available-for-sale investments	262	292
Bank accounts	147	211
Total	608	1,438

27. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2014 and 2013 consist of the following (in CZK millions):

	2014	2013
Derivative losses, net	(362)	(1,333)
Gains on sales of available-for-sale financial assets	79	405
Change in impairment of financial investments	(49)	(130)
Gift tax on emission allowances	(99)	(179)
Impairment of MOL shares (Note 4)	(1,828)	-
Other, net	292	15
Total	(1,967)	(1,222)

28. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2014 and 2013. The Czech corporate income tax rate enacted for 2015 and on is 19%. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have a potential effect on reported income.

The components of the income tax provision are as follows (in CZK millions):

	2014	2013
Current income tax charge	(6,100)	(9,454)
Adjustments in respect of current income tax of previous periods	1	21
Deferred income taxes	(125)	234
Total	(6,224)	(9,199)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2014	2013
Income before income taxes	28,656	44,406
Statutory income tax rate in Czech Republic	19%	19%
“Expected” income tax expense	(5,445)	(8,437)
Tax effect of:		
Change in tax rates and laws	(184)	(67)
Gain (loss) from derivatives	8	(265)
Non-deductible impairment of AFS investment	(366)	-
Non-deductible expenses related to shareholdings	(23)	(27)
Goodwill and other non-current assets impairment	(26)	(549)
Other non-deductible items, net	(582)	(738)
Non-taxable income from settlement agreement with Republic of Albania	454	-
Non-deductible share based payment expense	(5)	(6)
Gift tax on emission allowances	-	(34)
Profit (loss) from joint-ventures	(245)	(185)
Income already taxed or exempt	268	347
Tax credits	11	12
Gain on sale and loss of control over subsidiary	14	902
Adjustments in respect of current income tax of previous periods	1	21
Effect of different tax rate in other countries	(109)	(253)
Change in unrecorded deferred tax asset	5	80
Income taxes	(6,224)	(9,199)
Effective tax rate	22%	21%

Deferred income taxes, net, at December 31, 2014 and 2013 consist of the following (in CZK millions):

	2014	2013
Accumulated provision for nuclear decommissioning and spent fuel storage	7,424	6,847
Financial statement depreciation in excess of tax depreciation	878	318
Revaluation of financial instruments	1,882	2,039
Allowances	1,038	1,162
Other provisions	2,549	2,292
Tax loss carry forwards	407	220
Other temporary differences	598	556
Unrecorded deferred tax asset	(65)	(70)
Total deferred tax assets	14,711	13,364
Tax depreciation in excess of financial statement depreciation	(30,819)	(29,517)
Revaluation of financial instruments	(497)	(247)
Other provisions	(674)	(805)
Penalty receivables	(246)	(165)
Other temporary differences	(1,346)	(1,007)
Total deferred tax liability	(33,582)	(31,741)
Total deferred tax liability, net	(18,871)	(18,377)
Reflected in the balance sheet as follows:		
Deferred tax assets	1,738	824
Deferred tax liability	(20,609)	(19,201)
Total deferred tax liability, net	(18,871)	(18,377)

Movements in net deferred tax liability, net, in 2014 and 2013 were as follows (in CZK millions):

	2014	2013
Opening balance	18,377	21,060
Deferred tax recognized in profit or loss	125	(233)
Deferred tax charged directly to equity	386	(2,517)
Sale of subsidiaries	-	(171)
Acquisition of subsidiaries	1	72
Currency translation differences	(18)	166
Closing balance	18,871	18,377

At December 31, 2014 and 2013 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 35,888 million and CZK 42,433 million, respectively.

Tax effects relating to each component of other comprehensive income (in CZK millions):

	2014			2013		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	4,891	(929)	3,962	(9,543)	1,810	(7,733)
Cash flow hedges reclassified from equity	(4,028)	765	(3,263)	(3,018)	574	(2,444)
Change in fair value of available-for-sale financial assets recognized in equity	(865)	(236)	(1,101)	(597)	113	(484)
Available-for-sale financial assets reclassified from equity	1,783	11	1,794	(77)	19	(58)
Translation differences	875	-	875	3,910	-	3,910
Translation differences reclassified from equity	14	-	14	229	-	229
Share on equity movements of joint-ventures	(121)	-	(121)	89	-	89
Re-measurement losses on defined benefit plans	(26)	3	(23)	(33)	1	(32)
Total	2,523	(386)	2,137	(9,040)	2,517	(6,523)

29. Related Parties

The Group purchases from and sells to related parties products, goods and services in the ordinary course of business.

At December 31, 2014 and 2013, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2014	2013	2014	2013
Akcez Enerji A.S.	119	104	-	-
Akenerji Elektrik Üretim A.S.	6	19	-	-
CM European Power International B.V.	199	401	-	-
CM European Power Slovakia s.r.o.	507	642	-	-
ČEZ Energo, s.r.o.	22	107	12	12
LOMY MOŘINA spol. s r.o.	-	3	21	23
SINIT,a.s.	7	1	4	10
Ústav aplikované mechaniky Brno, s.r.o.	1	4	9	15
Others	43	32	69	55
Total	904	1,313	115	115

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2014	2013	2014	2013
Akcez Enerji A.S.	42	32	-	-
Akenerji Elektrik Üretim A.S.	44	70	-	-
ČEZ Energo, s.r.o.	62	304	29	31
in PROJEKT LOUNY ENGINEERING s.r.o.	33	30	23	45
LOMY MOŘINA spol. s r.o.	26	31	187	179
OSC, a.s.	-	-	128	99
SINIT,a.s.	5	5	29	87
Ústav aplikované mechaniky Brno, s.r.o.	2	7	32	40
Others	151	120	101	75
Total	365	599	529	556

Information about compensation of key management personnel is included in Note 24.

30. Segment Information

The Group reports its result based on operating segments which are defined with respect to geographical location of the assets with similar economic environment and characteristics, e.g. similar long-term average gross margins, similar nature of the products and services and with regard to regulatory environment.

According to geographical location, the Group distinguishes the following two regions that in combination with products and services form the reportable segments: Central Europe (CE) and South East Europe (SEE). The Central Europe region includes the Czech Republic, the Netherlands, Poland, Germany, Hungary, Ireland and Slovakia except for the Dutch company Aken B.V. in liquidation which is included in the South East Europe region. The South East Europe region consists of the operations of the Group in Bulgaria, Romania, Turkey, Albania, Cyprus, Serbia, Kosovo, Bosnia and Herzegovina, Russia and the Ukraine except for trading operations that are provided at the Group headquarters and therefore presented in the Central Europe region.

According to nature of the products and services the Group distinguishes four categories as follows:

(1) The power production and trading which includes production of electricity and heat and the commodity trading activities of the Group;
(2) The distribution and sale which sells electricity to end customers through the power distribution grid and provides power distribution services;
(3) The mining that produces coal and limestone used by the power production business operations or sold to third parties; and
(4) The other business activities.

The Group has seven reportable segments as a result of the combination of geographical location and nature of products and services as follows:

- Power Production and Trading / Central Europe
- Distribution and Sale / Central Europe
- Mining / Central Europe
- Other / Central Europe
- Power Production and Trading / South East Europe
- Distribution and Sale / South East Europe
- Other / South East Europe

The accounting policies of the operating segments are the same as those described in Note 2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments based on EBITDA (see Note 14).

The following tables summarize segment information by operating segments for the years ended December 31, 2014 and 2013 (in CZK millions):

Year 2014:	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	57,093	100,059	4,700	2,687	1,500	34,594	24	200,657	-	200,657
Intersegment sales	35,775	4,888	5,415	29,350	1,307	447	2,142	79,324	(79,324)	-
Total revenues	92,868	104,947	10,115	32,037	2,807	35,041	2,166	279,981	(79,324)	200,657
EBITDA	39,523	19,290	4,163	4,666	606	3,869	84	72,201	297	72,498
Depreciation and amortization	(16,300)	(3,834)	(2,313)	(2,146)	(1,257)	(1,784)	(71)	(27,705)	-	(27,705)
Impairment of property, plant and equipment and intangible assets including goodwill	(443)	-	(1)	(38)	(6,794)	(749)	-	(8,025)	-	(8,025)
EBIT	22,792	15,463	1,856	2,621	(7,444)	1,347	14	36,649	297	36,946
Interest on debt and provisions	(5,253)	(401)	(224)	(20)	(568)	(20)	(23)	(6,509)	1,025	(5,484)
Interest income	1,263	14	259	9	9	60	19	1,633	(1,025)	608
Share of profit (loss) from joint-ventures	(15)	-	6	-	(1,195)	(19)	-	(1,223)	-	(1,223)
Income taxes	(3,222)	(2,798)	(352)	(559)	899	(132)	(3)	(6,167)	(57)	(6,224)
Net income	27,604	12,266	2,168	2,048	(8,406)	1,235	46	36,961	(14,529)	22,432
Identifiable assets	271,636	80,211	21,267	10,102	20,840	24,052	100	428,208	(1,666)	426,542
Investment in joint-ventures	5,005	-	190	-	4,159	2,923	-	12,277	-	12,277
Unallocated assets										189,051
Total assets										627,870
Capital expenditure	21,122	7,712	2,474	14,522	60	1,813	673	48,376	(13,964)	34,412
Average number of employees	7,205	1,500	2,950	9,171	360	3,923	1,139	26,248	-	26,248

Year 2013:	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	63,338	112,644	5,145	2,804	1,025	32,006	26	216,988	-	216,988
Intersegment sales	43,148	3,980	6,466	39,354	1,725	770	2,475	97,918	(97,918)	-
Total revenues	106,486	116,624	11,611	42,158	2,750	32,776	2,501	314,906	(97,918)	216,988
EBITDA	46,770	19,502	5,095	5,357	2,021	2,968	155	81,868	126	81,994
Depreciation and amortization	(16,454)	(3,620)	(2,431)	(2,094)	(1,438)	(1,796)	(69)	(27,902)	-	(27,902)
Impairment of property, plant and equipment and intangible assets including goodwill	(2,630)	31	174	(75)	(3,572)	(2,378)	(19)	(8,469)	-	(8,469)
EBIT	27,699	15,919	2,951	3,256	(2,989)	(1,188)	67	45,715	(25)	45,690
Interest on debt and provisions	(6,215)	(389)	(239)	(20)	(582)	(30)	(47)	(7,522)	1,155	(6,367)
Interest income	2,159	8	257	9	19	104	37	2,593	(1,155)	1,438
Gain on loss of control over subsidiary	-	-	-	-	-	1,785	-	1,785	-	1,785
Share of profit (loss) from joint-ventures	(116)	-	2	-	(501)	(338)	-	(953)	-	(953)
Income taxes	(5,077)	(2,846)	(594)	(700)	36	(8)	(17)	(9,206)	7	(9,199)
Net income	31,076	12,717	2,933	2,590	(4,529)	336	53	45,176	(9,969)	35,207
Identifiable assets	266,638	76,444	20,962	11,066	28,405	24,530	103	428,148	(2,486)	425,662
Investment in joint-ventures	4,978	-	187	-	5,022	2,812	-	12,999	-	12,999
Unallocated assets										201,733
Total assets										640,394
Capital expenditure	28,574	7,693	2,438	23,029	556	2,961	1,071	66,322	(22,736)	43,586
Average number of employees	7,420	1,476	3,257	8,929	443	3,998	1,159	26,682	-	26,682

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues according to the location of the entity where the revenues are originated (in CZK million):

	2014	2013
Czech Republic	152,716	173,214
Bulgaria	24,295	22,165
Romania	11,809	11,097
Poland	4,285	3,965
Other	7,552	6,547
Total revenues	200,657	216,988

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2014 and 2013 (in CZK million):

	2014	2013
Czech Republic	372,707	363,341
Bulgaria	11,379	12,348
Romania	33,612	40,685
Poland	8,843	9,283
Other	1	5
Total property, plant and equipment	426,542	425,662

31. Net Income per Share

	2014	2013
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	22,403	35,886
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	534,115	534,115
Dilutive effect of share options	64	7
Diluted:		
Adjusted weighted average shares	534,179	534,122
Net income per share (CZK per share)		
Basic	41.9	67.2
Diluted	41.9	67.2

32. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2014 to total CZK 144.0 billion over the next five years, as follows: CZK 37.9 billion in 2015, CZK 28.4 billion in 2016, CZK 25.7 billion in 2017, CZK 25.5 billion in 2018 and CZK 26.5 billion in 2019. These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Group will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2014 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations for energy generation purposes is liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other nuclear installations and activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry.

The Group also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third party liability insurance in connection with main operations of the Group.

Contingent Liabilities

The Company has a dispute with Sokolovská uhelná, právní nástupce, a.s. related to the quantity and price of coal supplied to the Company. In relation to this dispute there are proceedings with Specialized Tax Office and Anit-trust Office under way. Although the management believes the outflow of resources embodying economic benefits is not probable, the final outcome of these proceedings cannot be anticipated.

In 2012 Romanian company Electrica S.A. started the arbitration proceedings against the Company with the International Arbitration Tribunal for the deemed breach of privatization agreement from April 5, 2005 and claims the compensation of EUR 81.6 million. Based on this agreement the Company acquired a share in former subsidiary of the claimant Electrica Oltenia S.A. The Company considers the claim as ungrounded and in its response in October 2013 suggested to reject the claim. It is expected the arbitration proceedings will come to an end during first half of 2015. The final outcome of these proceedings cannot be anticipated.

These consolidated financial statements have been authorized for issue on March 2, 2015.

Daniel Beneš	Martin Novák
Chairman of Board of Directors	Vice-chairman of Board of Directors