

# HALF-YEAR REPORT 2012

## CEZ GROUP



CEZ GROUP

## Presentation of CEZ Group

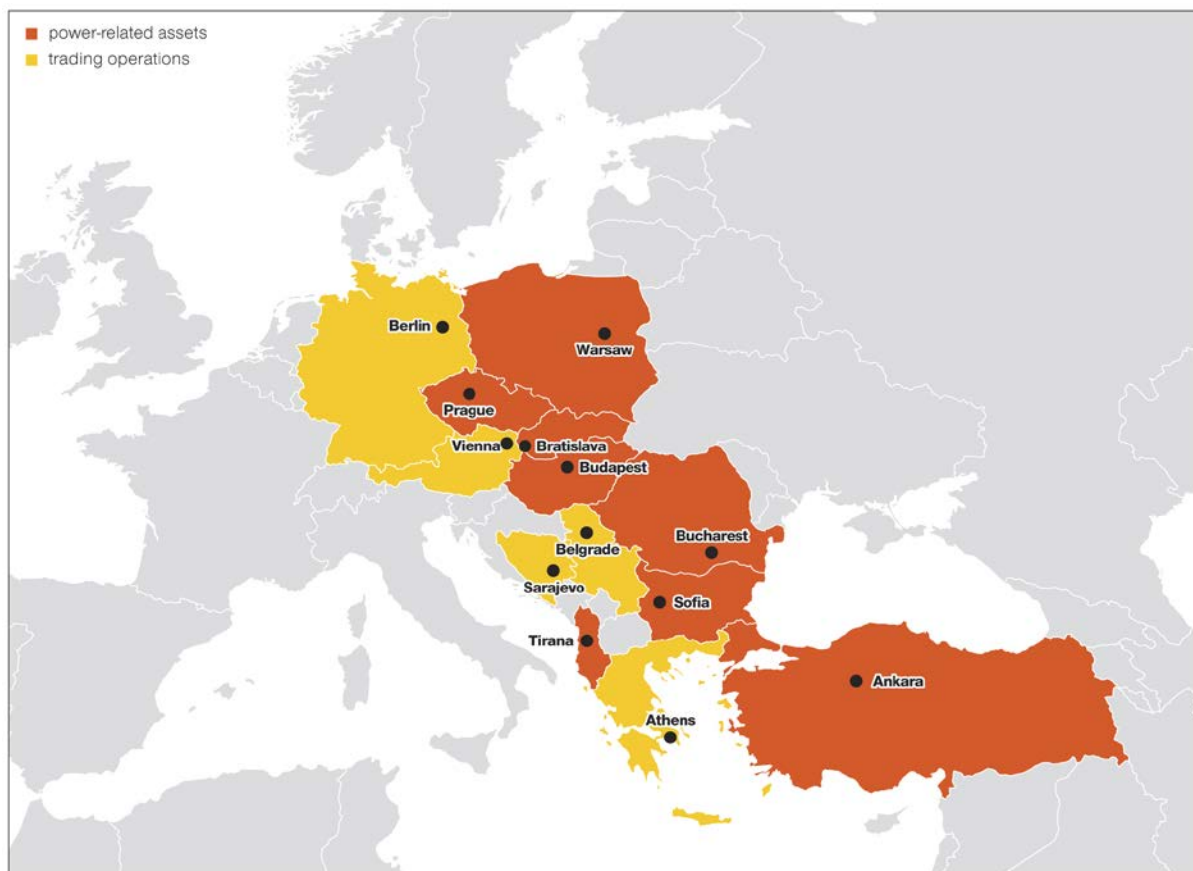
CEZ Group is an established, integrated energy conglomerate, headquartered in the Czech Republic, with operations in a number of Central and Southeastern European countries and Turkey. The Group's core business is the generation of, trade in, and distribution of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group gives work to 31,500 employees.

As of June 30, 2012, the largest shareholder of its parent company, ČEZ, a. s., remains to be the Czech Republic with a nearly 70% stake in the Company's share capital. Shares of ČEZ, a. s. are traded on the Prague and Warsaw stock exchanges and included in their PX and WIG-CEE exchange indexes.

A key part of the CEZ Group mission is to maximize the return on investments and to ensure the long-term growth of value for its shareholders. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and operates its power facilities at the highest level of safety possible. Its corporate culture focuses on performance and continual growth in internal efficiency; however, CEZ Group's business activities are also governed by strict ethical standards that include responsible behavior toward the surroundings, society, and the environment.

CEZ Group companies in the Czech Republic generate and distribute electricity and heat, trade in electricity and other commodities, sell electricity and natural gas to end customers, and are involved in coal extraction. Their power generation portfolio consists of nuclear, coal, gas, hydroelectric, and renewable sources. CEZ Group's power generation portfolio is being renewed and upgraded extensively and new, efficient plants are being constructed in order to ensure continuity of its successful market presence in the Czech Republic, which it considers crucial in terms of its business focus.

### CEZ Group Territory



Abroad, CEZ Group focuses mainly on Central and Southeastern European markets, especially on the distribution, sales, and generation of electricity from coal and renewable sources and on trading in

electricity and other commodities. In Poland, CEZ Group has two coal-fired power plants near the country's border with the Czech Republic and a subsidiary preparing the construction of wind power plants. In Slovakia, CEZ Group sells electricity and natural gas to end customers. In Hungary, CEZ Group sells electricity to end customers and is preparing other power projects with its local partner. In Romania, CEZ Group is involved in the generation of electricity from renewable sources, especially wind, as well as in electricity distribution and sales. In Serbia it is involved in electricity trading. In Bulgaria, it distributes and sells electricity in the western part of the country and generates electricity in its own coal-fired power plant near the Black Sea port of Varna. In Albania, CEZ Group operates the country's sole power distribution company. In Turkey, CEZ Group and its local partner operate a distribution company and generate electricity in gas and hydroelectric power plants and at wind farms. CEZ Group subsidiaries in the Netherlands are ownership intermediaries and companies providing financing of the Group.

The objective of CEZ Group's strategy is to seize the current opportunities to grow, with emphasis on increasing the stability of future cash flows and creating the conditions for implementing its top strategic priority: construction of two new power units at the Temelín Nuclear Power Plant in the Czech Republic. In addition to continued intensive preparations for the construction of new nuclear power units, whether using its own funds or in cooperation with a strategic or financial partner, CEZ Group focuses on its internal performance, on procuring fuel for its coal-fired plants, and strives to increase the volume of its activities in regulated industries, especially the development of renewable energy sources in areas with favorable natural conditions abroad, district heating, as well as the development of local-level energy sources in the Czech Republic.

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Annex:

Chart of the CEZ Consolidated Group as at June 30, 2012

## **Responsibility for the CEZ Group Half-Year Report**

### **Statutory declaration:**

With the use of all due care and to the best of our knowledge, this consolidated half-year report provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the past half-year period, as well as of the prospects for future development in the financial situation, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

In Prague on August 27, 2012



Daniel Beneš  
Chairman  
of the Board of Directors, ČEZ, a. s.



Martin Novák  
Vice Chairman  
of the Board of Directors, ČEZ, a. s.

**This report has not been audited.**

## Selected Indicators of CEZ Group

### Selected Indicators of CEZ Group (in accordance with IFRS)

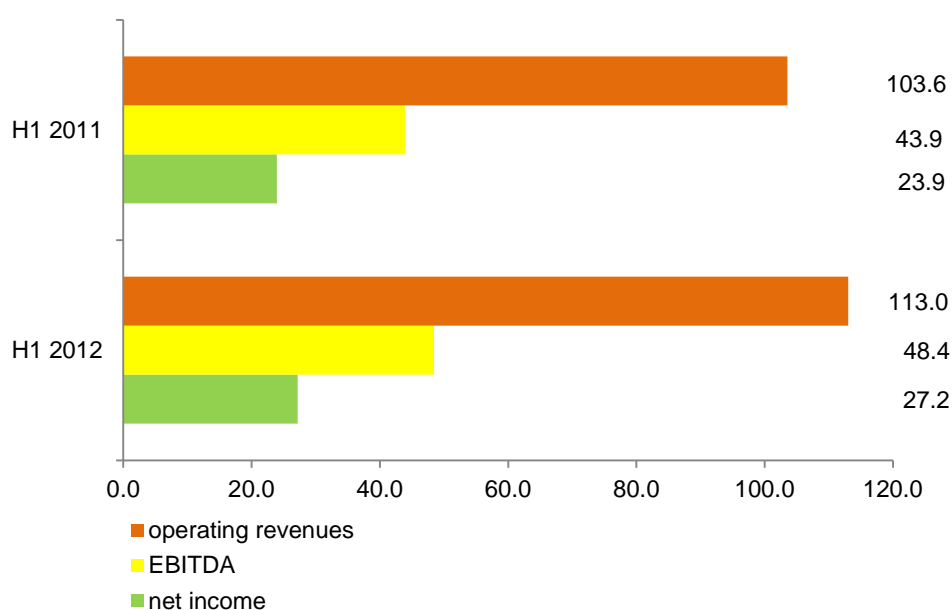
	Units	H1 2011	H1 2012	Index 2012 / 2011 %
Electricity generated (gross)	GWh	34,767	35,727	102.8
Installed capacity	MW	15,040	15,688	104.3
Electricity sold <sup>1)</sup>	GWh	21,867	21,482	98.2
Heat sold	TJ	8,707	8,829	101.4
Operating revenues	CZK millions	103,554	113,024	109.1
Operating expenses (excluding depreciation and amortization)	CZK millions	(59,663)	(64,594)	108.3
EBITDA	CZK millions	43,891	48,430	110.3
Depreciation and amortization	CZK millions	(12,223)	(12,990)	106.3
EBIT	CZK millions	31,668	35,440	111.9
Net income	CZK millions	23,929	27,168	113.5
Net income per share - basic	CZK / share	44.9	51.8	115.4
Net income per share - diluted	CZK / share	44.9	51.8	115.4
Dividend per share ČEZ, a. s. (gross) <sup>2)</sup>	CZK / share	50.0	45.0	90.0
Capital expenditure (CAPEX)	CZK millions	(18,974)	(22,924)	120.8
Return on Equity (ROE), net <sup>3)</sup>	%	20.2	19.9	98.5
Net debt / EBITDA <sup>3)</sup>	1	1.5	1.7	113.3
Work force head count as of June 30	persons	31,803	31,461	98.9

<sup>1)</sup> Sold to end customers (outside of CEZ Group)

<sup>2)</sup> Approved in the given year

<sup>3)</sup> 12-month, sliding figure

### CEZ Group Results of Operations (CZK billions)



## Selected Events

### **Selected Events in H1 2012**

<b>January</b>	<ul style="list-style-type: none"><li>- An organizational change was made in ČEZ, a. s., cancelling the position of Chief Operating Officer and reducing the number of other divisions directly managed by the CEO or COO from nine to seven.</li><li>- The company bought back its own bonds worth approx. EUR 350 million in total (approx. CZK 8.9 billion).</li><li>- A loan contract for EUR 40 million (approx. CZK 1.0 billion) was concluded with Goldman Sachs Bank USA.</li></ul>
<b>February</b>	<ul style="list-style-type: none"><li>- The first portion of a loan of up to EUR 100 million (approx. CZK 2.5 billion) signed with the European Investment Bank.</li><li>- The modernized turbine at the Tisová Power Plant put into regular operation.</li></ul>
<b>March</b>	<ul style="list-style-type: none"><li>- Ceremonial start of construction of a new gas-fired source (840 MW) within the Počeradý Power Plant area. The construction should be finished in 2013.</li></ul>
<b>April</b>	<ul style="list-style-type: none"><li>- An organizational change was made in ČEZ, a. s., merging the Distribution and International divisions into a single Distribution and International division.</li></ul>
<b>May</b>	<ul style="list-style-type: none"><li>- License to operate Unit 2 of the Temelín Nuclear Power Plant until May 31, 2022 obtained from the State Office for Nuclear Safety.</li><li>- The second portion of a loan of up to EUR 100 million (approx. CZK 2.5 billion) signed with the European Investment Bank.</li><li>- Notice of intention to examine the possibility of a strategic or financial partner's participation in the construction of new units at the Temelín Nuclear Power Plant. The partner would probably be able to join the project only after an EPC contract is signed with the contractor selected in the ongoing public tender.</li></ul>
<b>June</b>	<ul style="list-style-type: none"><li>- Comprehensive renewal of the Tušimice II Power Plant finished.</li><li>- A proposal was submitted to end the investigation conducted by the European Commission since 2009 by means of a settlement, in which ČEZ, a. s. would undertake to sell one or more of its coal-fired power plants with a capacity of at least 800 MW.</li><li>- Annual ČEZ, a. s. General Meeting was held.</li><li>- A transaction in which CEZ Group acquired a 100% stake in the Czech company Energotrans and sold a 50% stake in the MIBRAG German mines was settled.</li><li>- The 20<sup>th</sup> CEZ Group electric vehicle charging station was put into operation.</li></ul>

### **Selected Events until the closing date for the Half-Year Report**

<b>July</b>	<ul style="list-style-type: none"><li>- Envelopes with offers from three qualified bidders for the construction of two new units at the Temelín Nuclear Power Plant received and opened.</li><li>- The selection of a financial advisor for the sale of ČEZ, a. s. coal-fired power plants whom potential buyers can contact was reported.</li><li>- The Czech Republic authorized by the European Commission's Directorate-General for Climate Action to directly allocate emission allowances in 2013-2020.</li><li>- Investigation into ČEZ Měření's steps in the detection of unauthorized electricity consumption terminated. The Supreme Court of the Czech Republic dismissed the Supreme Prosecutor's appellate review.</li></ul>
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## **Strategic Objectives**

H1 2012 was still dominated by uncertainty over the development of key factors affecting the European energy industry; in particular, the price of greenhouse gas emission allowances and development in electricity prices were rather negative. Simultaneously, there was continuing uncertainty about a solution for the debt crisis in European countries and persistent risk of economic slowdown in Europe.

A number of European energy companies face a high level of debt in proportion to worsening economic results at the moment. In this situation, most utilities take similar measures - they sell selected assets, strive to achieve internal savings, develop generation of energy from renewable sources, or expand somewhere completely elsewhere than in Europe.

CEZ Group reacted to the uncertain development on energy markets and uncertain development of the European economy by updating its NEW VISION program in autumn of 2011, extending it with five strategic initiatives whose implementation should stabilize CEZ Group's financial results and make its value grow.

### **1. New Nuclear Power Plant**

The main strategic plan is to construct Units 3 and 4 at the Temelín Nuclear Power Plant. This concerns creating the conditions that will allow undertaking and financing the construction project and handling risks associated with the construction and regulation.

### **2. Provision of Fuels**

The objective of this strategic initiative is to ensure sufficient fuel for the operation of coal-fired power plants by optimizing relationships with contractors and using as much alternative fuel as possible.

### **3. Performance**

The goal of the initiative, in relation to the current NEW VISION optimization measures, is to ensure availability of sufficient funds and long-term improvement in CEZ Group's performance.

### **4. Regional Power**

Under this initiative, CEZ Group will aim to build a strong position in regions by investing in local-level generation units, district heating, CHP, and energy from waste and biomass.

### **5. Renewable Sources**

The initiative aims to increase the total installed capacity of wind turbines and hydroelectric plants by 2016 in locations with climatic conditions suitable for these types of units, especially abroad, in order to achieve an attractive rate of return and increase the share of stable sources of cash income for CEZ Group.

In the individual segments of the CEZ Group value chain, provisions have been developed in the past months whose combination should ensure sufficient and stable funds to maintain an optimum debt level and thus the current rating of ČEZ, a. s. A number of such provisions in the major segments have already been included in the NEW VISION Action Plan. Their priorities include, in particular, the development of carbon-free sources for electricity generation, maximum efficiency in the use of existing coal resources, and development of regulated assets. Cost effectiveness and financial discipline constitute a priority shared by all segments.

CEZ Group's development activities in the target Central and Southeastern European markets have a common goal: to reduce CEZ Group's exposure in the production of greenhouse gas regulated by the European Union. To this end, CEZ Group's priority is to develop projects contributing to a reduction of the overall pollutant emission factor, including the development of nuclear power, construction of gas-steam power plants, and capital investments in facilities based on the use of renewables.

In the field of nuclear power, ČEZ, a. s. delivered a call for bids, including specifications, to qualified bidders in the public tender for the Completion of the Temelín Nuclear Power Plant in October 2011. In early July, CEZ Group received bids from three prospective contractors and started the process of review, evaluation and negotiations with the bidders. As part of its preparations for the construction of new units at the Temelín Nuclear Power Plant, CEZ Group will examine the possibility of a strategic or financial partner's participation in the project. A feasibility study has been worked on as part of preparations for the possible construction of Unit 5 at the Dukovany Nuclear Power Plant. The

Dukovany Site Long-Term Strategy was prepared in a subsequent step, dealing with various scenarios for the long-term operation of the existing units and construction of new units.

One of the crucial parts of the Performance strategic program is the "Service Provisioning Strategy in CEZ Group" project. The creation of a shared-service center is based on the principle of greater integration of the Group's current process companies in the Czech Republic.

A feasibility study was prepared in the first stage of the project to examine the possibility of savings from reorganization of support functions and establishing the organizational model of shared-service centers. The structure of supporting companies providing services within CEZ Group will involve three segments: corporate services, grid services, and customer service. The new form of organization and provision of services within CEZ Group should not only be efficient and cost-effective but also ensure the required level of services and streamline cooperation between departments and companies.

Besides the defined strategic initiatives, CEZ Group participates in expert debates and preparations within industrial associations and other initiatives concerning an update to the state energy strategy. Its expected result is stabilizing the legal and investment environment to get the future development of the energy industry into line with the European Union's strategic goals, including the security of deliveries, competitiveness and sustainability. The achievement of the goals will be aided by optimum use of available lignite reserves and development of competitive sources, including nuclear units. The presented draft State Energy Strategy of the Czech Republic (covering the period until 2040) is counting on the expansion of power generation at nuclear power plants and gradual winding-up of ageing coal-fired plants. Because of the decreasing reserves, coal should be used primarily for combined heat and power generation. This should be aided by the proposed fee for burning coal during low-efficiency electricity generation. As for the future development of renewable sources, the government wants to support it by easier licensing and increased availability of grid capacity instead of financial support.

### **FutureMotion, or the Energy of Tomorrow**

This is a strategic initiative that originated four years ago as CEZ Group's response to new trends in energy and related technologies. At first, the project served as an organizational umbrella for several clearly defined new projects in the pre-commercial phase, which could not be managed in the same way as other projects within the standard line management structures and which deserved wide publicity. In the course of time, the initiative turned into a platform representing an incubator for projects focusing on promising topics, which it will guide from the conception to the stage of pilot projects taken over by standard line management structures.

The Smart Region project in Vrchlabí (covering the area with a smart grid) proceeded in line with expectations in 2012. Local generation units constitute an important element of the project. Three cogeneration units are being installed at the moment, with a total electrical output of 3,920 kW and a heat output of 4,351 kW. All the cogeneration units will be integrated into the grid and managed so that their operation contributes to a balanced relationship between generation and consumption in the area.

Under the Electromobility project, the installation of public charging stations was started after the public tender for the supplier of technology was finished. 14 public standard charging stations (each fitted with two independent outlets) and 6 non-public stations for partners were in operation on June 30, 2012. More charging stations are expected to be built in H2 2012. Under this project, ČEZ, a. s. cooperates with vehicle manufacturers, namely with Avacom and CityBikes, manufacturers of electric bicycles, Akumoto, a manufacturer of electric scooters, SOR Libchavy, a manufacturer of electric buses whose bus was tested in public city transportation in Vrchlabí, or SMITH Electric Vehicles, a manufacturer of electric trucks. Testing also involves electric cars made by ŠKODA AUTO a.s. (VW Group). ČEZ, a. s. plans to construct fast charging stations at the company's site in Mladá Boleslav and its vicinity in 2013.

### **A Brief Forecast of the Development of the Power Sector from CEZ Group's Perspective**

Europe's energy sector will continue to be affected by the macroeconomic development in particular as well as the focus of the EU's energy policy. The economic situation in European countries is not improving; on the contrary, uncertainty about the solution to the ongoing debt crisis in the euro-zone makes the outlook for economic growth in the next few years worse. The forthcoming period is thus very likely to be characterized by rather difficult access to funding and a drop in the government expenditure together with postponement of household consumption and investment. This will

adversely affect the level of economic activity and be reflected in a lower rate of growth in electricity consumption.

The European Union's policy in the energy sector is characterized by market liberalization and integration as well as climate policy. As part of the EU's efforts to improve energy efficiency, a new energy efficiency directive was passed in June 2012, introducing a set of additional measures to improve energy utilization and increase savings. In its updated version, the directive envisions smaller savings than the original target (15% savings in comparison with a situation without any changes in behavior) but remains highly ambitious with respect to today's situation.

However, political consensus concerning the long-term set-up of the EU's energy sector will depend largely on the development of EU member states' economies, whose prospects are less optimistic due to the debt crisis.

## **Developments in the World Markets**

### **Developments in the Markets**

World markets linked to the power sector (electricity, coal, emission allowances, natural gas) experienced a minor growth at the beginning of 2012.

During the first two months, the price of the EEX BL 2013 one-year forward power contract (2013 baseload) grew by more than EUR 2/MWh to the level of EUR 54.3/MWh.

The market in emission allowances was affected mainly by debate on the final plan for emission reduction in 2013-2020 (NAP III) concerning the withdrawal of some allowances from the market. The price of a forward contract with delivery in December 2012 increased to a level of EUR 9.5 per ton, which was a 40% growth since the beginning of the year.

The electricity spot market remained at low prices throughout H1 2012. The only exception was a sharp increase in February due to extremely cold weather. However, this was a short-term phenomenon.

Late February marked a turning point in the development in energy markets and more or less all commodities went down for the rest of the first half of the year. They responded to a combination of unfavorable macroeconomic indicators, the situation in the euro-zone, and investors' taking profits after the previous growth.

With the EEX BL 2013 electricity, this meant a drop of EUR 5/MWh, which represented a price of around EUR 48.5/MWh. The market in emission allowances was also affected by weak support for the NAP III draft by some EU countries.

### **Greenhouse Gas Emission Allowances**

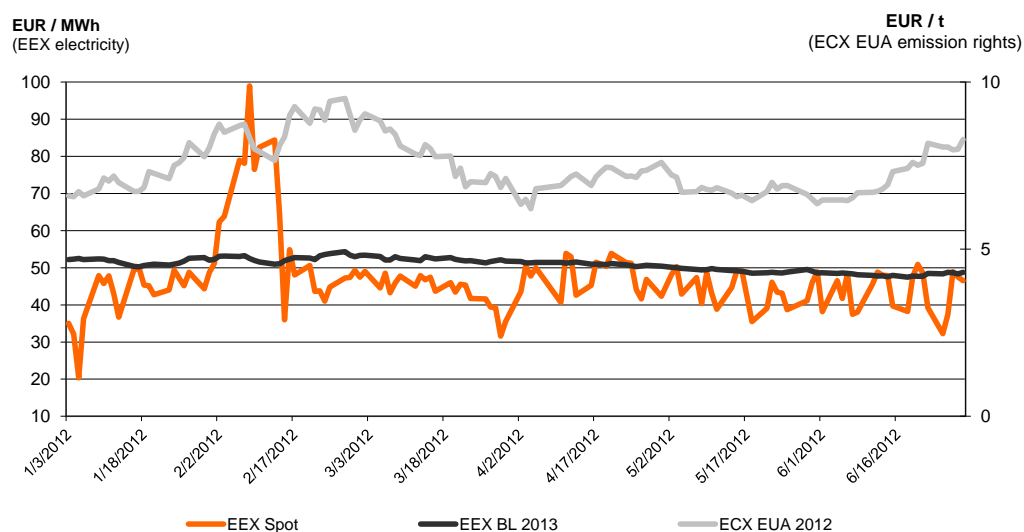
The prices of emission allowances dropped radically from the end of February 2012 to May 2012 due to a decline in the energy markets. Macroeconomic pressures in combination with slumping energy markets brought the price of emission allowances down to a level of EUR 6 per ton in May. At the end of the first half of the year, emission allowances maturing in December 2012 were traded at about EUR 8 per ton.

The European Commission began seeking measures to increase the price. Debate over the withdrawal of some allowances from the market represented the major factor affecting the market in Q2. The plan for emission reduction in 2013-2020 lacks sufficient support in some member states. A set-aside to future years or permanent cancellation of some of the allowances was always vetoed by Poland, so no measure has been approved to date. The most likely form will be a set-aside; however, there are other regulation options that can be considered, such as an amendment to the directive or a change in the auction procedure. Everything depends on the European Commission's proposal and its approval by EU member states.

The prices of emission allowances are expected to range between EUR 6 to 9 (see the chart below), depending on the condition of the euro-zone and other economically strong countries that affect the world economy. In addition to the above-mentioned measures taken by the European Commission, the prices of commodities represent another factor that also might adversely affect the price of emission allowances.

The European Commission is discussing the possibility of keeping a portion of emission allowances in the Czech Republic, Romania and Bulgaria allocated for free after 2013. However, companies would have to invest the equivalent of the value of such allowances in upgrades. The possibility to directly allocate emission allowances was authorized by the European Commission's Directorate-General for Climate Action on July 6, 2012. It is now being assessed as potential state aid by the European Commission's Directorate-General for Competition. Its decision is expected in October.

## Electricity and Emission Allowances

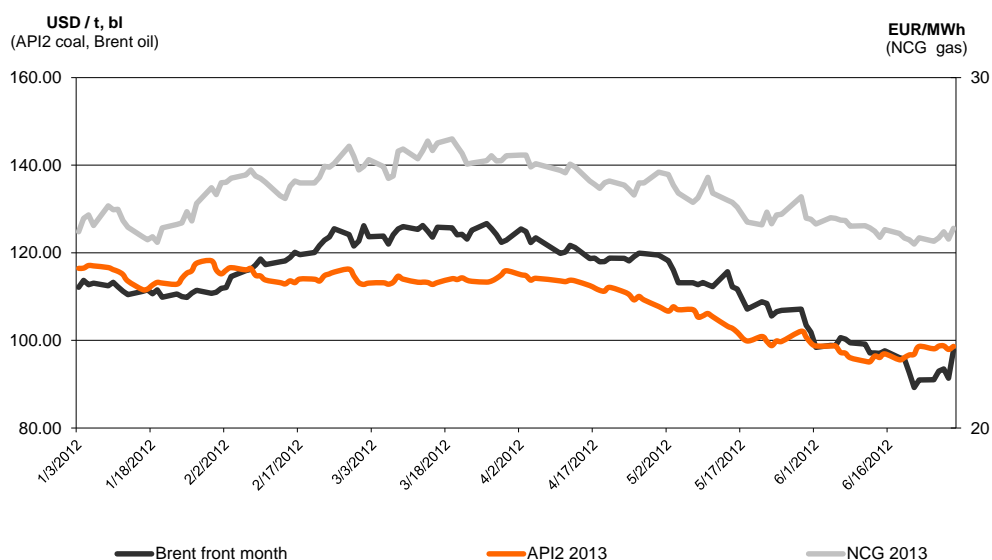


EEX Spot—electricity spot contract at EEX

EEX BL 2013—1-year electricity futures contract at EEX, baseload delivery during 2013

ECX EUA 2012—emission allowance futures contract with delivery in December 2012 at ICE

## Coal, Oil, and Gas



Brent front month—front month (current month) contracts on Brent oil at ICE

API2 2013—1-year futures contract on API2 coal at ICE, delivery during 2013 (only financial settlement without physical delivery)

NCG 2013—1-year natural gas futures contract at NCG (NetConnect Germany—natural gas trading point in Germany), delivery during 2013

## Financial Performance of CEZ Group

As of June 30, 2012, the CEZ Consolidated Group comprised a total of 119 companies including the parent company, ČEZ, a. s. Of those, 100 companies were fully consolidated and 19 companies were consolidated using the equity method.

### Categorization of Companies by Segment

The companies of the consolidated accounting unit of CEZ Group are divided into seven operating segments:

#### Power Production & Trading Central Europe

ČEZ, a. s.  
3 L invest a.s.  
A.E. Wind sp. z o.o.  
AREA-GROUP CL a.s.  
Bioplyn technologie s.r.o.  
Bohemian Development, a.s.  
CEZ Bosna i Hercegovina d.o.o.  
CEZ Deutschland GmbH  
CEZ Finance B.V.  
CEZ Chorzow B.V.  
CEZ MH B.V.  
CEZ Nowa Skawina S.A.  
CEZ Poland Distribution B.V.  
CEZ Produkty Energetyczne Polska sp. z o.o.  
CEZ Silesia B.V.  
CEZ Srbija d.o.o.  
CEZ Towarowy Dom Maklerski sp. z o.o.  
CEZ Trade Albania Sh.P.K.  
CEZ Trade Romania S.R.L.  
ČEZ Bohunice a.s.  
ČEZ Energetické produkty, s.r.o.  
ČEZ Energo, s.r.o.  
ČEZ Obnovitelné zdroje, s.r.o.  
ČEZ OZ uzavřený investiční fond a.s.  
ČEZ Teplárenská, a.s.  
DOMICA FPI s.r.o.  
Eco-Wind Construction S.A.  
eEnergy Hodonín a.s.  
eEnergy Ralsko a.s.  
eEnergy Ralsko – Kuřívody a.s.  
Elektrárna Chvaletice a.s.  
Elektrárna Počerady, a.s.  
Elektrociepłownia Chorzów ELCHO sp. z o.o.  
Elektrownia Skawina S.A.  
Elektrownie Wiatrowe Lubiechowo sp. z o.o.  
Energetické centrum s.r.o.  
Energotrans, a.s.  
F.W. Tolkowiec sp. z o.o.  
Farma Wiatrowa Leśce sp. z o.o.  
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.  
FVE Buštěhrad a.s.  
FVE Vranovská Ves a.s.  
GENTLEY a.s.  
KEFARIUM, a.s.  
MARTIA a.s.  
Mega Energy sp. z o.o.  
PPC Úžín, a.s.

#### Power Production & Trading Southeastern Europe

CEZ Bulgarian Investments B.V.  
CEZ Elektroprodukcija Bulgaria AD  
Free Energy Project Oreshets EAD  
M.W. Team Invest S.R.L.  
NERS d.o.o.  
Ovidiu Development S.R.L.  
Taidana Limited  
TEC Varna EAD  
TMK Hydroenergy Power S.R.L.  
Tomis Team S.R.L.  
Aken B.V.<sup>\*)</sup>  
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.<sup>\*)</sup>  
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.<sup>\*)</sup>  
Akenerji Elektrik Üretim A.S.<sup>\*)</sup>  
Akka Elektrik Üretim A.S.<sup>\*)</sup>  
Akkur Enerji Üretim Ticaret ve Sanayi A.S.<sup>\*)</sup>  
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.<sup>\*)</sup>  
AK-EL Yalova Elektrik Üretim A.S.<sup>\*)</sup>  
Egemen Elektrik Üretim A.S.<sup>\*)</sup>  
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.<sup>\*)</sup>

Tepelné hospodářství města Ústí nad Labem s.r.o.  
 Teplárna Trmice a.s.  
 CM European Power International B.V.<sup>\*)</sup>  
 CM European Power International s.r.o.<sup>\*)</sup>  
 CM European Power Slovakia s.r.o.<sup>\*)</sup>  
 Jadrová energetická spoločnosť Slovenska, a. s.<sup>\*)</sup>  
 JESS Invest, s. r. o.<sup>\*)</sup>  
 MOL – CEZ European Power Hungary Kft.<sup>\*)</sup>

#### **Distribution & Sale Central Europe**

CEZ Magyarország Kft.  
 CEZ Slovensko, s.r.o.  
 CEZ Trade Polska sp. z o.o.  
 ČEZ Distribuce, a. s.  
 ČEZ Prodej, s.r.o.

#### **Mining Central Europe**

CEZ International Finance B.V.  
 Severočeské doly a.s.  
 LOMY MOŘINA spol. s r.o. <sup>\*)</sup>

#### **Other Central Europe**

Centrum výzkumu Řež s.r.o.  
 CEZ Finance Ireland Ltd.  
 CEZ International Finance Ireland Ltd.  
 CEZ Polska sp. z o.o.  
 ČEZ Distribuční služby, s.r.o.  
 ČEZ Energetické služby, s.r.o.  
 ČEZ ENERGOSEKVIS spol. s r.o.  
 ČEZ ICT Services, a. s.  
 ČEZ Logistika, s.r.o.  
 ČEZ Měření, s.r.o.  
 ČEZ Správa majetku, s.r.o.  
 ČEZ Zákaznické služby, s.r.o.  
 PRODECO, a.s.  
 SD – 1.strojírenská, a.s.  
 SD – Autodoprava, a.s.  
 SD – Kolejová doprava, a.s.  
 SD – KOMES, a.s.  
 SD – Rekultivace, a.s.  
 STE – obchodní služby spol. s r.o. in liquidation  
 ŠKODA PRAHA a.s.  
 ŠKODA PRAHA Invest, s.r.o.  
 Ústav jaderného výzkumu Řež a.s.

<sup>\*)</sup> associate or joint-venture

#### **Distribution & Sale Southeastern Europe**

CEZ Albania Sh.A.  
 CEZ Distributie S.A.  
 CEZ Elektro Bulgaria AD  
 CEZ Razpredelenie Bulgaria AD  
 CEZ Shpërndarje Sh.A.  
 CEZ Trade Bulgaria EAD  
 CEZ Vanzare S.A.  
 Akcez Enerji A.S. <sup>\*)</sup>  
 Sakarya Elektrik Dagitim A.S. <sup>\*)</sup>

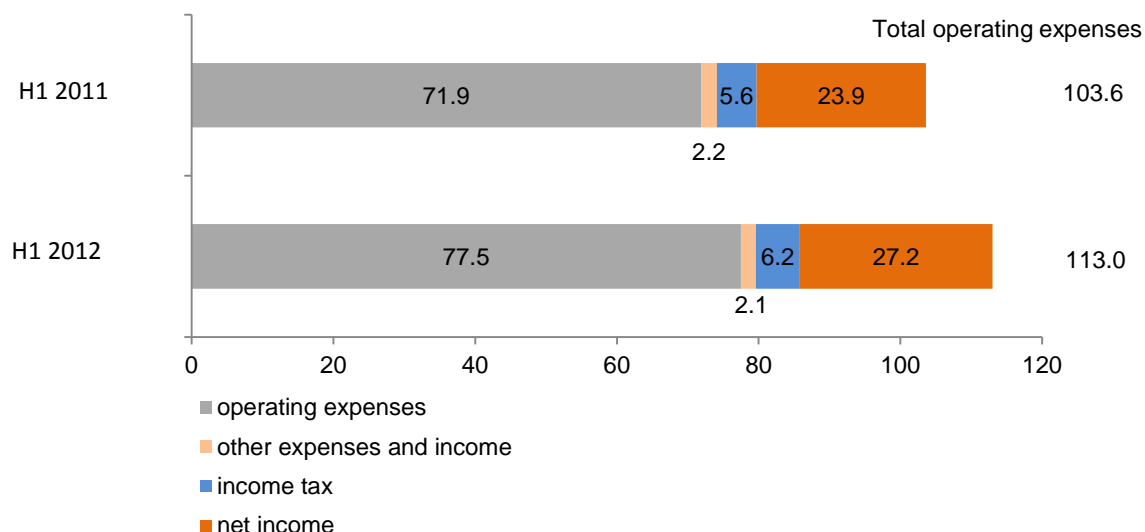
#### **Other Southeastern Europe**

CEZ Bulgaria EAD  
 CEZ Laboratories Bulgaria EOOD – in liquidation  
 CEZ Romania S.A.  
 CEZ RUS OOO  
 CEZ Ukraine LLC

## CEZ Group Results of Operations

Net profit grew year-on-year by CZK 3.3 billion to CZK 27.2 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) grew year-on-year by CZK 4.5 billion to CZK 48.4 billion.

### Net Income Breakdown (CZK billions)



The growth in net profit resulted mainly from an improvement in operating results, especially an increase in the generation of electricity from CEZ Group's own sources accompanied by an increase in the realization price of electricity. Besides electricity generation, CEZ Group was also successful in the sales of electricity and natural gas in the Czech Republic and Slovakia. The generation of electricity from renewable sources grew and the payment behavior of an important customer improved in Romania. By contrast, year-on-year deterioration of the regulatory environment in Albania had a negative effect.

Other expenses and revenues accounted for a net year-on-year increase in profit of CZK 0.1 billion. The gift tax on emission allowances dropped by CZK 1.3 billion year-on-year which was the result of a decrease in the price of the allowances. The taxation of emission allowances allocated to electricity producers free of charge in 2011 and 2012 was introduced by an amendment to Act No. 180/2005 Coll. on the promotion of uses of renewable sources. The price of an emission allowance for taxation purposes in 2012 was defined as the mean market price of an emission allowance from January 1, 2012 to February 29, 2012.

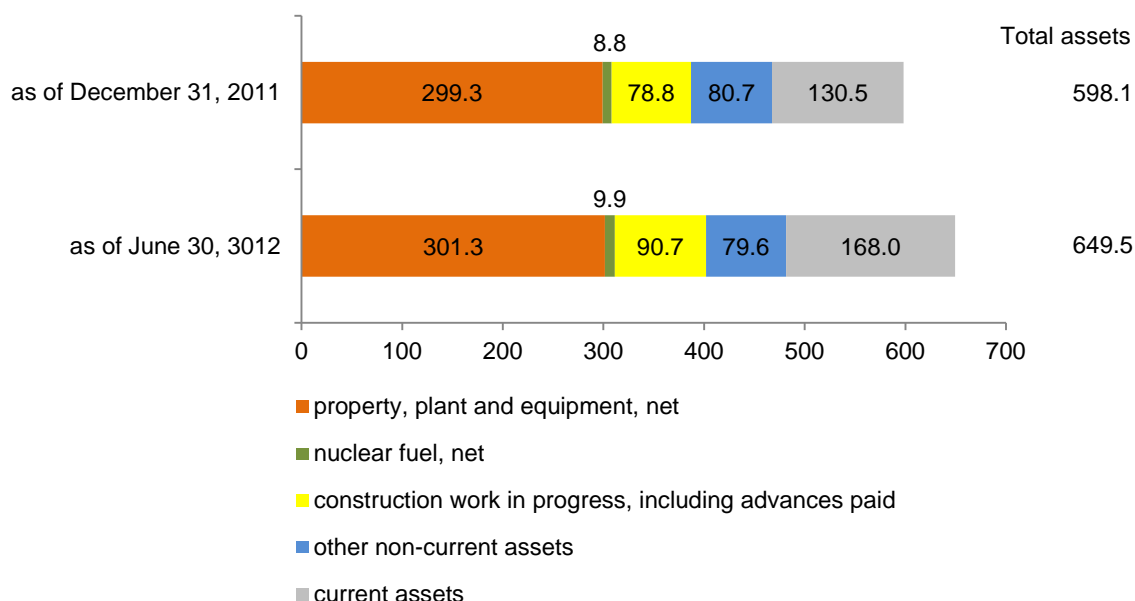
The gain/loss from associates and joint-ventures affected the year-on-year change in profit positively by CZK 0.7 billion. It includes shares in the profit/loss of the joint-ventures of ČEZ and MOL, the MIBRAG mines, and the results of the Turkish companies Sakarya Elektrik Dagitim and Akenerji. The improvement of the 2012 results in Turkey is mainly caused by foreign exchange rate gains on USD loan re-valuation.

Received dividends dropped by CZK 0.5 billion year-on-year; the main reason was the payment of an extra dividend from Dalkia ČR in 2011. Another negative effect was that of the balance of foreign exchange rate gains/losses and financial derivatives, which decreased by CZK 1.7 billion year-on-year, mainly due to extra income from the revaluation of the MOL option in H1 2011.

Income tax was up by CZK 0.6 billion year-on-year, primarily due to the increased income.

## Structure of Properties and Assets

### Structure of Assets (CZK billions)

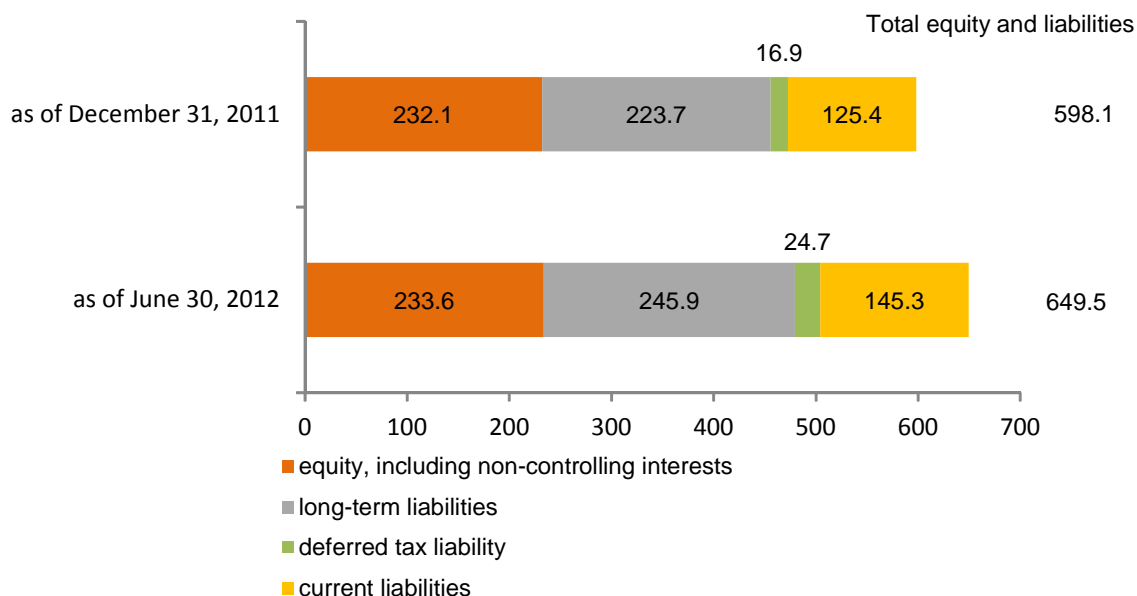


CEZ Group's consolidated assets grew by CZK 51.4 billion in comparison to the end of 2011, to CZK 649.5 billion.

Property, plant, and equipment, nuclear fuel, and investments grew by CZK 15.0 billion, to CZK 401.9 billion. This increase is primarily due to the retrofitting of old facilities and construction of new power generating facilities. Other non-current assets decreased by CZK 1.1 billion due to a drop in investments and other financial assets (by CZK 10.4 billion) in connection with a loan installment, partially compensated by a growth of CZK 7.7 billion in intangible assets. The CZK 1.7 billion increase in the value of investment in associates and joint-ventures was contributed to by better results in Turkey.

Current assets increased by CZK 37.5 billion during H1 2012, to CZK 168.0 billion, primarily due to a CZK 19.3 billion increase in cash and cash equivalents and a CZK 9.8 billion increase in the volume of short-term securities. Receivables from derivatives grew by CZK 10.2 billion due to a higher volume of trading and re-valuation of hedges. Income tax receivables increased by CZK 4.2 billion and materials and supplies by CZK 1.7 billion. Assets classified as held for sale dropped by CZK 3.8 billion due to the sale of the MIBRAG company. There was also a CZK 1.1 billion decrease in trade receivables, including unbilled electricity and allowance, and a CZK 1.2 billion decrease in prepayments. Other current assets decreased by CZK 1.6 billion.

## Structure of Equity and Liabilities (CZK billions)



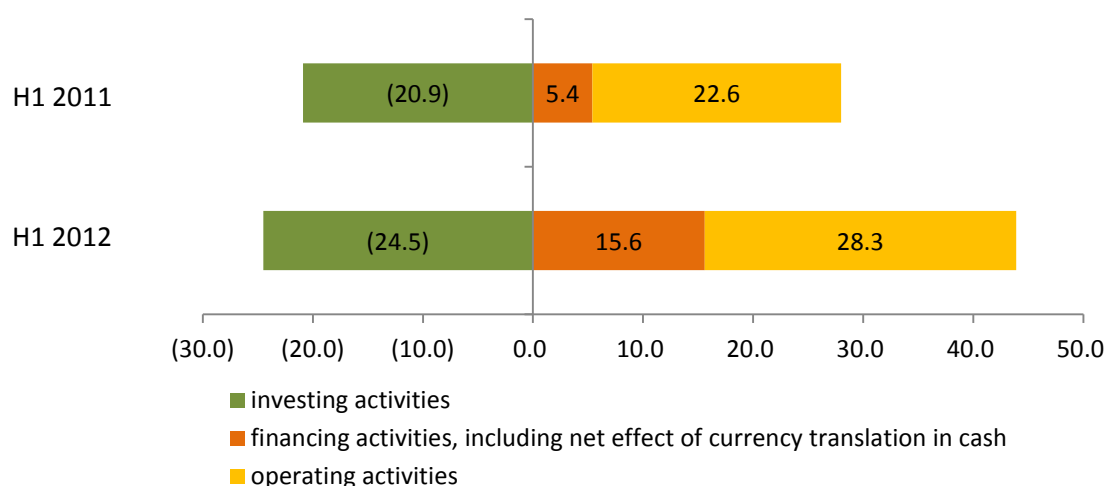
Equity, including non-controlling interests, grew by CZK 1.5 billion to CZK 233.6 billion in H1 2012. Net profit generated in H1 2012 resulted in a CZK 27.2 billion increase in equity but the growth was cut down by granted dividends amounting to CZK 24.0 billion and by CZK 1.6 billion due to changes in equity associated with other comprehensive income, particularly due to hedge accounting operations.

Long-term liabilities grew by CZK 22.2 billion to CZK 245.9 billion, primarily on new bond issues and growth in long-term bank loans.

Deferred tax liability grew year-on-year to CZK 24.7 billion. This resulted mainly from the differences in the tax calculation methods during the year and at the year-end as taxes are not divided into payable and deferred during the year but the entire tax liability is reported as deferred.

Current liabilities rose, as a result of several contradictory influences, by CZK 19.9 billion to CZK 145.3 billion. The rise was caused primarily by increased payables to shareholders resulting from granted dividends amounting to CZK 24.0 billion; at the same time, liabilities from derivatives grew by CZK 6.6 billion due to a greater volume of trading. In contrast, short-term bank loans and current portions of long-term debt dropped by CZK 6.0 billion; trade payables, incl. received electricity prepayments, dropped as well, by CZK 5.2 billion. The CZK 1.8 billion drop in the emission allowance provision was more than outweighed by an increase in unbilled goods and services. Other short-term payables grew by CZK 0.5 billion.

## Cash Flows (CZK billions)



Net cash flow from operating activities for H1 2012 was up CZK 5.7 billion year-on-year. Non-cash operations contributed to an operating cash flow decrease of CZK 4.9 billion but working capital grew by CZK 6.3 billion. The major factors of the working capital year-on-year increase included increase in receivables by CZK 8.9 billion, in accruals and deferrals by CZK 3.2 billion, and in emission allowances by CZK 1.7 billion. The opposite effect was produced by greater purchases of liquid securities decreasing the working capital by CZK 7.1 billion and by other payables decreasing it by CZK 0.4 billion.

Cash used in investing activities grew to CZK 24.5 billion year-on-year. The main reason was investment in non-current assets increased by CZK 3.9 billion year-on-year, especially capital expenditures (CAPEX) associated with the investment and source renewal program. At the same time, the cost of acquisition of subsidiaries grew by CZK 3.8 billion, especially as a result of the acquisition of Energotrans. These expenditures were compensated by higher proceeds from repayments of loans CZK 2.9 billion and higher proceeds from the sale of fixed assets CZK 1.6 billion. Other operations, especially greater loans provided, increased cash used in investment activities by a total of CZK 0.5 billion.

Net cash flow from financing activities was up CZK 9.1 billion year-on-year. The main reason was a year-on-year decrease in the payment of borrowings.

The net effect of currency translation in cash increased cash flows by CZK 1.1 billion year-on-year.

## Comprehensive Income

Total comprehensive income, net of tax, was up CZK 2.6 billion year-on-year to CZK 25.5 billion. Of this figure, net income was up CZK 3.3 billion year-on-year to CZK 27.2 billion. Changes in equity lowered the comprehensive income by CZK 0.6 billion year-on-year. Operations related to cash flow hedges reduced comprehensive income by CZK 4.5 billion year-on-year; in contrast, changes in the rates of exchange between CZK and the local currencies of CEZ Group subsidiaries increased it by CZK 2.4 billion year-on-year. A change in fair value of available-for-sale financial assets and deferred income tax increased other comprehensive income by CZK 0.8 billion and CZK 0.7 billion year-on-year, respectively.

## Sources and Use of Funds

In H1 2012, CEZ Group earned CZK 28.3 billion through its operating activities. The volume of bonds issued and the volume of long-term borrowings (including their current portion), net of the repayment of loans, contributed CZK 17.4 billion to financial resources in H1 2012, proceeds from the sale of fixed assets contributed CZK 2.3 billion, proceeds from the sale of a joint venture contributed CZK 0.7 billion, and currency translation contributed CZK 0.7 billion. The resources, at a total level of CZK 49.4 billion, were used to finance investments in non-current assets (CZK 25.4 billion), acquisition of subsidiaries, associates and joint-ventures (CZK 3.4 billion), and deposited on restricted accounts (CZK 1.2 billion); the remaining CZK 19.4 billion was a net increase in cash and equivalents.

## Segment Analysis

Segment	Revenues other than intersegment	Intersegment revenues	Total revenues	EBITDA	Depreciation and amortization	EBIT	Income tax	Net income	Total assets <sup>1), 2)</sup>	CAPEX	Work force head count as of June 30
	CZK millions	CZK millions	CZK millions	CZK millions	CZK millions	CZK millions	CZK millions	CZK millions	CZK millions	CZK millions	persons
<b>Power Production &amp; Trading CE</b>											
H1 2011	33,870	24,118	57,988	28,907	(6,959)	21,948	(3,669)	29,724	241,729	(11,780)	7,469
H1 2012	39,621	23,932	63,553	32,446	(7,388)	25,058	(3,978)	31,317	253,459	(13,113)	7,688
<b>Distribution &amp; Sale CE</b>											
H1 2011	46,927	4,419	51,346	7,832	(1,704)	6,128	(1,140)	4,847	67,712	(4,296)	1,479
H1 2012	50,793	2,752	53,545	8,096	(1,775)	6,321	(1,176)	5,042	69,373	(3,476)	1,463
<b>Mining CE</b>											
H1 2011	2,324	3,079	5,403	2,468	(885)	1,583	(284)	1,526	20,318	(1,611)	3,448
H1 2012	2,480	3,294	5,774	2,981	(1,023)	1,958	(506)	2,015	20,104	(807)	3,459
<b>Other CE</b>											
H1 2011	1,371	17,317	18,688	2,741	(1,077)	1,664	(422)	1,233	15,327	(8,245)	8,663
H1 2012	1,441	19,397	20,838	3,401	(1,099)	2,302	(476)	1,812	13,707	(11,085)	8,570
<b>Power Production &amp; Trading SEE</b>											
H1 2011	1,855	433	2,288	1,780	(454)	1,326	(174)	894	30,659	(602)	593
H1 2012	1,244	539	1,783	1,298	(524)	774	12	82	33,447	(2,795)	533
<b>Distribution &amp; Sale SEE</b>											
H1 2011	17,190	178	17,368	1,475	(1,115)	360	(146)	143	30,063	(1,197)	8,870
H1 2012	17,436	280	17,716	167	(1,149)	(982)	(81)	(745)	30,527	(1,606)	8,527
<b>Other SEE</b>											
H1 2011	17	1,043	1,060	74	(29)	45	(2)	31	82	(328)	1,281
H1 2012	9	1,114	1,123	80	(32)	48	(5)	60	72	(491)	1,221
<b>Elimination</b>											
H1 2011		(50,587)	(50,587)	(1,386)		(1,386)	264	(14,469)	(7,735)	9,085	
H1 2012		(51,308)	(51,308)	(39)		(39)	2	(12,415)	(5,817)	10,449	
<b>Consolidated</b>											
H1 2011	103,554	0	103,554	43,891	(12,223)	31,668	(5,573)	23,929	398,155	(18,974)	31,803
H2 2012	113,024	0	113,024	48,430	(12,990)	35,440	(6,208)	27,168	414,872	(22,924)	31,461

<sup>1)</sup> Identifiable assets + investment in associates and joint-ventures, do not include unallocated assets.

<sup>2)</sup> Information for 2011 is stated as at December 31, 2011

## Financial Results by Segments

EBITDA (earnings before interest, taxes, depreciation, and amortization) in the **Power Production & Trading Central Europe** segment grew by CZK 3.5 billion year-on-year to CZK 32.4 billion. Most of the growth was achieved in the Czech Republic as the gross margin of ČEZ, a. s., incl. the Chvaletice power plant, mainly as a result of increased realization prices of electricity and a weaker CZK/EUR exchange rate. A positive effect was also produced by an increase in the volume of electricity generated in the segment (1.5 TWh), mainly in coal-fired plants, especially as a result of the completion of comprehensive renewal at the Tušimice Power Plant. The year-on-year comparison of earnings before depreciation and amortization was negatively affected by the fact that the emission allowance provision dissolved in earnings was CZK 1.3 billion higher in 2011 than in 2012.

EBITDA in the **Distribution and Sale Central Europe** segment grew by CZK 0.3 billion year-on-year to CZK 8.1 billion especially thanks to a higher margin on the sales of electricity and gas in the Czech Republic and Slovakia. The growth in margin on electricity sales in the Czech Republic was affected not only by lower electricity purchase costs but also by more favorable selling prices. Earnings before depreciation and amortization were also aided by sales of natural gas in the Czech Republic, especially by an increase in the volume sold, as ČEZ Prodej became the largest alternative supplier of natural gas in terms of the number of connection points in 2012. Similarly positive development in both commodities was achieved, to a lesser extent, in Slovakia. Electricity distribution grew by 0.1 TWh year-on-year in the Czech Republic; however, this growth is outweighed in operation income before depreciation and amortization by increased costs of mandatory purchases of electricity generated from renewable sources, which resulted in a drop in EBITDA.

EBITDA in the **Mining Central Europe** segment grew by CZK 0.5 billion year-on-year to CZK 3.0 billion, thanks to a year-on-year growth in the volume of coal extraction by 0.8 million tons, resulting mainly from increased demand by ČEZ, a. s. (increased power production in coal-fired power plants) as well as external customers.

EBITDA in the **Other Central Europe** segment grew by CZK 0.7 billion year-on-year to CZK 3.4 billion, thanks to a higher volume of activities at the subsidiaries of Severočeské doly in reclamation and the subsidiaries of ČEZ, a. s. in the renewal of coal-fired units and management of non-energy assets.

EBITDA in the **Power Production & Trading Southeastern Europe** segment decreased by CZK 0.5 billion year-on-year to CZK 1.3 billion. Power production at the power plant in Varna, Bulgaria, dropped by 41% year-on-year, primarily due to lower demand on the regulated market with a slightly negative impact on the operating result. Power production at the Fântânele and Cogeaalac wind farms in Romania grew by 30% year-on-year as new wind turbines were being connected to the grid.

EBITDA in the **Distribution and Sale Southeastern Europe** segment decreased by CZK 1.3 billion year-on-year to CZK 0.2 billion. The decrease in earnings before depreciation and amortization was caused by a deteriorating legislative and regulatory environment in Albania, which was manifested in the regulatory authority's decision on customer tariffs, a decision on increased purchase prices of electricity from the state producer accompanied by a decrease in margin from the biggest customers caused by a legal regulation, and a higher market price of electricity imported for losses and a higher volume of losses in the grid.

This negative development is partially compensated by improved year-on-year results in Romania and Bulgaria, especially by dissolving provisions for Romanian Railways' debt in connection with the repayment of overdue debts as well as by increased volumes of electricity sold and distributed in Bulgaria accompanied by the regulatory authority's decision on increase in tariffs.

## Overview of Receivables and Liabilities to Related Parties (in CZK millions)

	Receivables		Liabilities	
	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012
Akcezní Enerji A.S.	55		73	49
Akenerji Elektrik Üretim A.S.	1,414	1,442		
CM European Power International B.V.	292	490		
CM European Power International s.r.o.	18			
CM European Power Slovakia s.r.o.	542	656		
JTSD - Braunkohlebergbau GmbH <sup>1)</sup>	1,756			
LACOMED, spol. s r.o.	14			
LOMY MOŘINA spol. s r.o.	5	6	21	22
MOL - CEZ European Power Hungary Kft.	33	2		
OSC, a.s.			24	1
SINIT,a.s.	1	1	33	2
Ústav aplikované mechaniky Brno, s.r.o.	3		18	
Výzkumný a zkušební ústav Plzeň s.r.o.			20	
Others	19	19	29	16
<b>Total</b>	<b>4,152</b>	<b>2,616</b>	<b>218</b>	<b>90</b>

<sup>1)</sup> Member of CEZ Group until June 29, 2012.

## Sales to and Purchases from Related Parties (in CZK millions)

	Sales to related parties		Purchase from related parties	
	H1 2011	H1 2012	H1 2011	H1 2012
Akcezní Enerji A.S.	42	81		
Akenerji Elektrik Üretim A.S.	38	37		
CM European Power International s.r.o.	12	3		
Jadrová energetická spoločnosť Slovenska, a.s.	33			
LOMY MOŘINA spol. s r.o.	14	15	78	107
Mitteldeutsche Braunkohlengesellschaft GmbH <sup>1)</sup>				62
MOL - CEZ European Power Hungary Kft.	1	29		
OSC, a.s.			32	27
SINIT,a.s.	3	1	18	11
Výzkumný ústav pro hnědé uhlí a.s.	1	1	8	11
Others	5	24	10	15
<b>Celkem</b>	<b>149</b>	<b>191</b>	<b>146</b>	<b>233</b>

<sup>1)</sup> Member of CEZ Group until June 29, 2012

## CEZ Group Capital Expenditures

In H1 2012, CEZ Group companies made capital expenditures of CZK 22,924 million, which is CZK 3,950 million more than in the same period of 2011.

### Capital Expenditure by Field (CZK millions)

	Central Europe		Southeastern Europe		Total	
	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012
Nuclear energy, including fuel procurement	4,267	4,256			4,267	4,256
Coal and CCGT power plants	5,139	9,010	3	1	5,142	9,011
of which: retrofits	2,195	2,482	3		2,198	2,482
new-build	2,735	6,296			2,735	6,296
other	209	232		1	209	233
Hydro sources, not including renewables	42	19			42	19
Renewables	815	115	609	2,833	1,424	2,948
Distribution of electricity	4,296	3,476	1,181	1,577	5,477	5,053
Generation and distribution of heat	139	55			139	55
Mining of raw materials	1,611	801			1,611	801
Environmental	187	36			187	36
Information systems	337	222	7	7	344	229
Other	340	504	1	12	341	516
<b>Total</b>	<b>17,173</b>	<b>18,494</b>	<b>1,801</b>	<b>4,430</b>	<b>18,974</b>	<b>22,924</b>

### Additions to Property, Plant and Equipment and Other Non-Current Assets, Including Capitalized Interest (CZK millions)

	H1 2011	H1 2012
Additions to property, plant and equipment	18,608	22,643
of which: nuclear fuel procurement	2,500	1,954
Additions to intangibles	366	281
Additions to long-term financial assets	418	499
Change in balance of liabilities attributable to capital expenditure	1,089	1,978
<b>Total</b>	<b>20,481</b>	<b>25,401</b>

## **Anticipated Economic and Financial Situation**

CEZ Group anticipates a slight year-on-year growth at the level of consolidated financial indicators of performance for the entire year 2012. It expects achieving consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) of CZK 87.9 billion, which represents a year-on-year growth of 0.7%. CZK 41.0 billion is expected to be achieved at the level of net consolidated profit, i.e. also 0.7% more year-on-year. The expectations reflect the probable stagnation of economy in European countries, the uncertain solution to the euro-zone's debt crisis, and especially the anticipated impacts of development in the energy market and known year-on-year factors.

Positive factors for the year-on-year prediction of growth in profit include anticipated increase in power production at nuclear and coal-fired power plants. The production and profit of CEZ Group wind farms in Romania are also anticipated to grow. Growth is also anticipated for trading in natural gas. In addition, CEZ Group expects a year-on-year decrease in gift tax on allocated greenhouse gas emission allowances caused by a drop in their market price. The inclusion of Energotrans in the Group is also expected to have a positive effect.

A major adverse year-on-year effect will be produced by the Albanian regulatory authority's decision on customer tariffs, decision on increased purchase prices of electricity from the state producer, a decrease in margin from the biggest customers caused by a legal regulation, a higher market price of electricity imported for losses and a higher volume of losses in the grid in Albania. There is also the negative impact of correction factors on distribution in the Czech Republic, by which the regulatory authority makes continual adjustments (however, with a two-year delay) for the difference between achieved and permitted revenue and cost of electricity distribution. CEZ Group also expects a year-on-year growth in depreciation in connection with the ongoing extensive investment program and completion of individual investments.

Current forecast of annual consolidated results of 2012 is subject to a number of risks, particularly the further development in Albania, the risk of economic slowdown, the development of the debt crisis in Europe and the future development of European energy regulation.

In general, CEZ Group anticipates a slight recovery of the energy markets together with stabilization of the wholesale prices of electricity in 2012. A significant external factor will be the development of regulation of CO<sub>2</sub> emissions, development of regulation of and support for nuclear power in Europe, and the overall development of euro-zone countries' economy.

## Commodities Procured and Sold

### Electricity Procured and Sold (GWh)

	H1 2011	H1 2012	Index 2012/2011 (%)
<b>Electricity procured</b>	<b>31,581</b>	<b>32,289</b>	<b>102.2</b>
Generated in-house	34,767	35,727	102.8
In-house and other consumption, including pumping in pumped-storage plants	(3,186)	(3,438)	107.9
<b>Sold to end customers</b>	<b>(21,867)</b>	<b>(21,482)</b>	<b>98.2</b>
<b>Wholesale balance</b>	<b>(5,731)</b>	<b>(6,279)</b>	<b>109.6</b>
Sold in the wholesale market	(103,815)	(114,038)	109.8
Purchased in the wholesale market	98,084	107,759	109.9
<b>Grid losses</b>	<b>(3,983)</b>	<b>(4,528)</b>	<b>113.7</b>

Electricity Generation, by Source of Energy (GWh)

	Czech Republic		Albania		Bulgaria		Poland		Romania		Total	
	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012
Nuclear	14,840	14,862									14,840	14,862
Coal	15,685	16,889			1,561	927	959	885			18,205	18,701
Hydro	967	1,144					3	3		29	970	1,176
Biomass	201	196					123	235			324	431
Photovoltaic	73	75				2					73	77
Wind	5	6							350	455	355	461
Natural gas	0	19									0	19
<b>Total</b>	<b>31,771</b>	<b>33,191</b>	<b>0</b>	<b>0</b>	<b>1,561</b>	<b>929</b>	<b>1,085</b>	<b>1,123</b>	<b>350</b>	<b>484</b>	<b>34,767</b>	<b>35,727</b>

Electricity Sold to End Customers (GWh)

	Czech Republic		Albania		Bulgaria		Poland		Romania		Other countries		Consolidated	
	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012
Large end customers	(5,184)	(5,160)	(665)	(415)	(1,402)	(1,509)	(45)	(112)	(420)	(472)	(1,201)	(1,379)	(8,917)	(9,039)
Retail - commercial	(1,951)	(1,704)	(413)	(367)	(1,437)	(1,456)			(468)	(466)		(7)	(4,269)	(4,000)
Residential	(4,353)	(4,274)	(1,312)	(963)	(2,237)	(2,333)			(779)	(825)		(47)	(8,681)	(8,443)
<b>End customers, total</b>	<b>(11,488)</b>	<b>(11,138)</b>	<b>(2,390)</b>	<b>(1,745)</b>	<b>(5,076)</b>	<b>(5,298)</b>	<b>(45)</b>	<b>(112)</b>	<b>(1,667)</b>	<b>(1,763)</b>	<b>(1,201)</b>	<b>(1,433)</b>	<b>(21,867)</b>	<b>(21,482)</b>

## Other Commodities

### Useful Supplies of Heat from Power Heating Plants (TJ)

	Useful supplies of heat from power heating plants		Sold to customers outside CEZ Group	
	H1 2011	H1 2012	H1 2011	H1 2012
<b>Czech Republic</b>				
ČEZ, a. s.	6,209	6,138	1,358	633
ČEZ Energetické služby, s.r.o.	43	43	39	38
ČEZ Energo, s.r.o.		209		201
ČEZ Teplárenská, a.s.	237	157	2,982	3,591
Energetické centrum s.r.o.	64	62	64	61
Elektrárna Chvaletice a.s.	106	102	5	5
Teplárna Trmice, a.s.	1,393	1,306	1,385	1,299
<b>Czech Republic, total</b>	<b>8,052</b>	<b>8,017</b>	<b>5,833</b>	<b>5,828</b>
<b>Poland</b>				
Elektrociepłownia Chorzów	1,355	1,411	1,330	1,382
ELCHO sp. z o.o.				
Elektrownia Skawina S.A.	1,566	1,641	1,539	1,615
<b>Poland, total</b>	<b>2,921</b>	<b>3,052</b>	<b>2,869</b>	<b>2,997</b>
<b>Bulgaria</b>				
TEC Varna EAD	5	4	5	4
<b>Bulgaria, total</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>4</b>
<b>CEZ Group, total</b>	<b>10,978</b>	<b>11,073</b>	<b>8,707</b>	<b>8,829</b>

### Natural Gas Procured and Sold (MWh)

	H1 2011	H1 2012	Index 2012/2011 (%)
<b>Procured</b>	<b>3,530,645</b>	<b>9,959,204</b>	<b>282.1</b>
Outside suppliers	3,514,106	9,823,632	279.5
OTE	16,539	135,572	819.7
<b>Removed from storage</b>	<b>133,380</b>	<b>605,138</b>	<b>453.7</b>
<b>Sold</b>	<b>(3,013,946)</b>	<b>(9,037,598)</b>	<b>299.9</b>
External large end customers	(2,295,302)	(7,111,585)	309.8
Medium-sized end customers	(234,542)	(327,308)	139.6
Small end customers	(162,024)	(347,374)	214.4
Residential	(296,514)	(1,144,868)	386.1
OTE	(25,564)	(106,463)	416.5
<b>Placed in storage</b>	<b>(389,802)</b>	<b>(1,226,996)</b>	<b>314.8</b>
<b>Consumed in-house</b>	<b>(260,277)</b>	<b>(299,748)</b>	<b>115.2</b>

Note: The "Sold" item includes both supplies to end customers and derivative trades with natural gas physically delivered.

## **Changes in CEZ Group Ownership Interests**

### **Czech Republic**

April 1, 2012 - A new company, Elektrárna Počerady, a.s., was founded.  
In June, the General Meeting of ČEZ, a. s., approved contribution of part of ČEZ, a. s. undertaking - Počerady Power Plant - into the company.

June 28, 2012 - Purchase of 100% of shares of Energotrans, a.s.

### **Poland**

May 21, 2012 - CEZ Group's ownership interest in Eco-Wind Construction S.A. increased by 2.03% to 69.03%.

### **Republic of Kosovo**

April 19, 2012 - Liquidation of New Kosovo Energy L.L.C. completed. The company was removed from the local commercial register.

### **Federal Republic of Germany**

June 29, 2012 - Sold 50% of shares of JTSD-Braunkohlebergbau GmbH.

## CEZ Group Operations in the Czech Republic

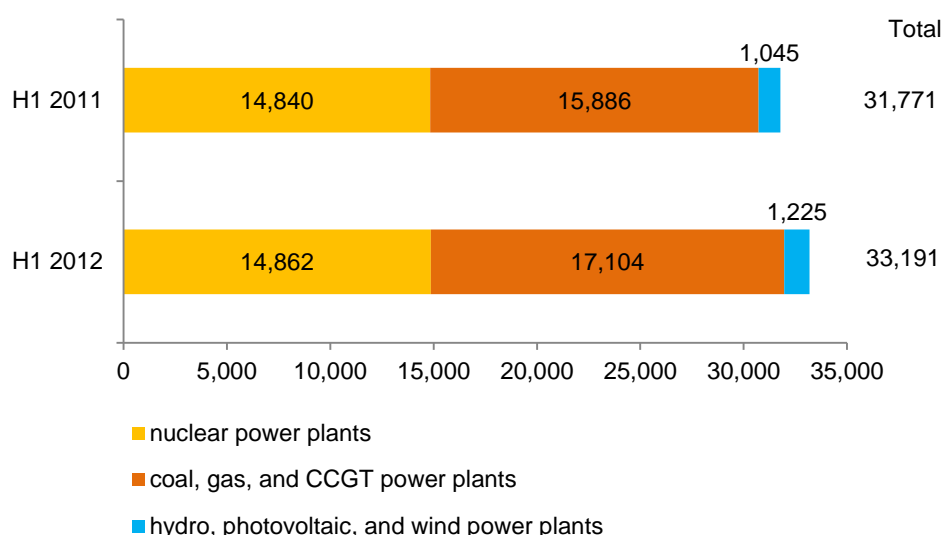
### Generation of Electricity and Heat

#### Installed Capacity

As at June 30, 2012, the total installed electric capacity of all power plants within CEZ Group in the Czech Republic was 13,235 MW, including 4,040 MW in nuclear power plants, 7,125 MW in coal-fired and gas-fired power plants, 1,935 MW in hydroelectric and pumped-storage power plants, and 135 MW in other power plants with renewable sources. In a year-on-year comparison, the installed capacity is higher by 503.5 MW, mostly thanks to the acquisition of Energotrans, a.s. representing 352 MW with 6 lignite-fired units (4 x 60 MW and 2 x 56 MW) in Mělník site, where CEZ Group already operates its Mělník II and Mělník III plants. The installed capacity was also increased by 140 MW thanks to investment projects undertaken at Units 2 and 3 of the Dukovany Nuclear Power Plant. Since H2 2011, CEZ Group's installed capacity has included ČEZ Energo, s.r.o., which operates cogeneration units with a total installed capacity of 11 MW. ČEZ Obnovitelné zdroje, s.r.o., put a 0.5MW biogas station into operation in Číčov.

#### Generation of Electricity

##### Electricity Generated by CEZ Group in the Czech Republic, Gross (GWh)



CEZ Group power plants in the Czech Republic generated 33,191 GWh of electricity in H1 2012, which represents a 1,420 GWh increase in production. The biggest growth occurred at coal-fired power plants whose production grew by 1,218 GWh. The main reason was an increase in production after the completion of the Comprehensive Renewal of Tušimice II Power Plant. There was a rather significant growth in the production of power from renewable sources, mostly at hydroelectric power plants, which took advantage of good hydrologic conditions.

#### Investments

##### Nuclear Energy

##### Temelín Nuclear Power Plant

A fourth of the fuel was replaced during the planned shutdown of Unit 2. Linear step drives, which are part of the mechanism used to maintain the reactor at a certain power output level or shut it down quickly, were also replaced.

### **Construction of Units 3 and 4 at the Temelín Nuclear Power Plant**

All of the three qualified bidders—Westinghouse Electric Corporation (together with Westinghouse Electric Company Czech Republic), AREVA NP, and the consortium of Skoda JS together with Atomstroyexport and JSC OKB Gidropress—delivered their bids prepared on the basis of specifications on the planned day, i.e. July 2, 2012. Bid evaluation then started; the winner of the public tender should be known in September 2013.

Preparations for the authorization and licensing process took place and projects for associated and induced investments were prepared and some of them also implemented in H1 2012. The process of environmental impact assessment (EIA) of the construction of Units 3 and 4 at the Temelín Nuclear Power Plant continued—the expert review was published in February 2012, then public debates took place in Germany and Austria in May and June 2012, and a public hearing took place in the Czech Republic on June 22, 2012. The process will continue with the Czech Ministry of the Environment's evaluating comments on the expert review.

### **Dukovany Nuclear Power Plant**

Two planned unit shutdowns took place at the Dukovany Nuclear Power Plant in H1 2012. Extensive renovation of equipment was carried out during the shutdown of Unit 2, increasing the unit power output to 510 MW and completing the power output increase projects at all 4 units. The management control system was successfully renovated during the shutdown of Unit 3.

### **Construction of Unit 5 at the Dukovany Nuclear Power Plant**

In H1 2012, detailed surveys of the area were conducted, land was purchased, and zoning documents were updated in line with the updated Dukovany Site Long-Term Strategy.

### **New Nuclear Fuel**

The Temelín Nuclear Power Plant continued successfully with operation on new fuel and fuel licensing for 4% higher power output.

For the Dukovany Nuclear Power Plant, fuel licensing for a higher output level is conditional on review by the chief designers of the fuel and the power plant.

## **Conventional Power**

### **Comprehensive Renewal of Tušimice II Power Plant**

The first stage of the comprehensive renewal is finished and Units 23 and 24 are operated under warranty. The second stage of the comprehensive renewal is also finished and Units 21 and 22 are also operated under warranty. The construction project is being prepared for final inspection. In July 2012, a fire damaged the building with vacuum belts for gypsum dehydration, necessary for the operation of all units, and the power plant was put into the plant-wide shutdown mode.

### **Comprehensive Renewal of Pruněrov II Power Plant**

The project's legal process is underway. Administrative actions were brought against the effective zoning decision and effective change to the integrated permit. An appeal was filed against the construction permit.

### **Construction of a CCGT Installation at Počerady Power Plant**

The project is in the execution stage. Gas turbines and generators were installed, installation work on both generator sets continued, and installation of electrical cables and an automatic equipment control system was started. Putting into test operation is expected in mid-2013.

### **Construction of a New 660MW Unit at Ledvice Power Plant**

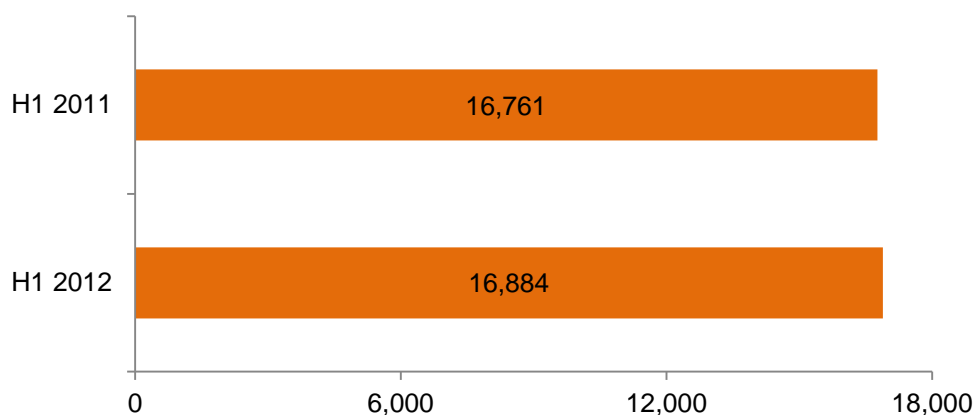
The installation of the turbine and generator was completed and the final structural and pressure tests of piping were conducted in H1 2012. Putting into test operation is expected in late 2014.

## **Distribution**

In the Czech Republic, distribution of electricity within CEZ Group is secured by ČEZ Distribuce, a. s., which distributed 16.9 TWh of electricity to customers in H1 2012 (0.12 TWh more than in the same period of the previous year).

There was a year-on-year decrease of the supply on the high and medium voltage level. By contrast, there was an increase on the low-voltage level, resulting partially from the effects of temperature and partially from increased demand for electricity.

### **Electricity Distributed by CEZ Group to End Customers in the Czech Republic (GWh)**



## **Investments**

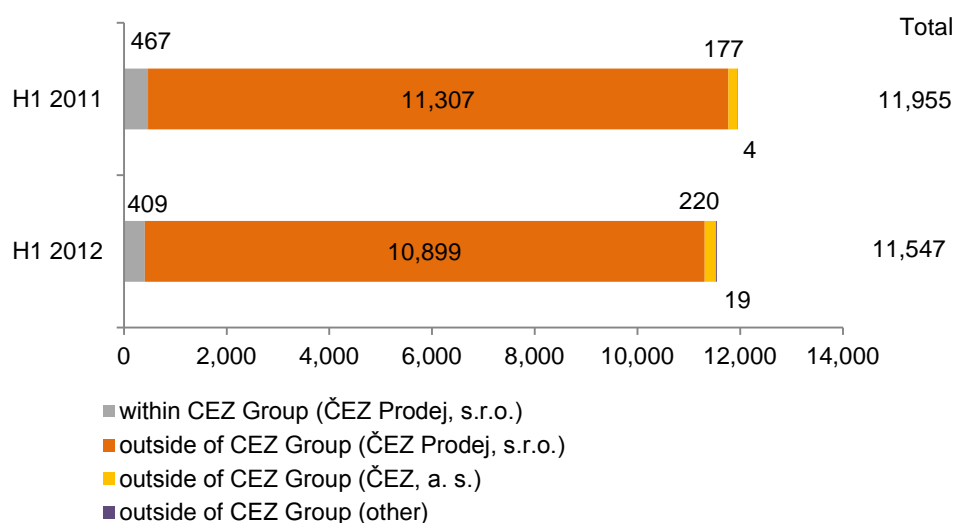
In the Czech Republic, capital outlays of CEZ Group in the area of distribution amounted to CZK 3.5 billion in H1 2012, i.e. 19% less year-on-year. The flow of investments was mainly directed into low and medium-voltage power lines and transformer station construction. Investments in projects initiated by customers totaled CZK 1.7 billion. Some of the investments also went into a regional smart grid construction project (Smart Region) which will allow efficiently combining electricity from traditional and alternative sources.

## Sales

### Electricity Sold to End Customers

In the Czech Republic, CEZ Group sells electricity largely through ČEZ Prodej, s.r.o., which sold a total of 10.9 TWh of electricity to end customers outside of CEZ Group in H1 2012, i.e. 0.4 TWh less than in the same period of 2011. The decrease is caused mainly by loss of customers. However, the loss is being successfully reduced in spite of the ever stronger competition for customers in energy markets (there were 267,000 electricity supplier changes in the Czech Republic in H1 2012). The volume sold inside CEZ Group also decreased due to lower supplies of electricity for losses to ČEZ Distribuce, a. s.

#### Electricity Sold to End Customers in the Czech Republic (GWh)



### Sales of Natural Gas

From its successful entry into the natural gas market in 2010, CEZ Group (through ČEZ Prodej, s.r.o.) constantly increases its market share in the end customer segment in the Czech Republic, with a growth in the number of customers and volume of gas supplied in all customer segments. In the household category alone, 64,000 new contracts were received in H1 2012 (similarly to H1 2011). Out of almost 300,000 contractual customers in this segment, two-thirds of connection points have already been supplied; the rest of them are being processed. Customers who entered into a gas supply contract with ČEZ Prodej are guaranteed, for one year, a fixed price that is at least 5% lower than the price offered by the dominant natural gas supplier in the given distribution service area.

### Sales of Heat

#### Sales of Heat in the Czech Republic (TJ)

	H1 2011	H1 2012	Index 2012/2011 (%)
ČEZ, a. s.	1,358	633	46.6
ČEZ Teplárenská, a.s.	2,982	3,591	120.4
ČEZ Energetické služby, s.r.o.	39	38	97.4
Elektrárna Chvaletice a.s.	5	5	100.0
Energetické centrum s.r.o.	64	61	95.3
Teplárna Trmice, a.s.	1,385	1,299	93.8
ČEZ Energo, s.r.o.	-	201	-
<b>Total</b>	<b>5,833</b>	<b>5,828</b>	<b>99.9</b>

Sales of heat remained at the same level year-on-year. The sales of heat by CEZ Group companies originally dealing with this commodity dropped in H1 2012 over the same period of 2011; however, the decrease was compensated by the inclusion of ČEZ Energo, s.r.o. in the sales of heat reported by CEZ Group since H2 2011.

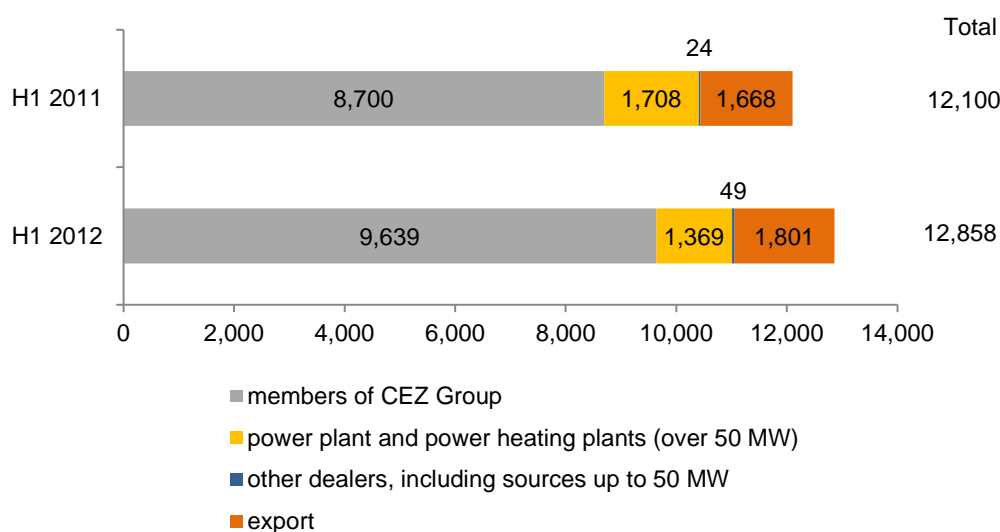
## Mining

### Coal Mining and Sales

In the Czech Republic, the mining segment is represented by Severočeské doly a.s., which mines brown coal in its Nástup Tušimice and Bílina mines. These mines extracted 526,000 tons and 232,000 tons of coal more over the year before, respectively.

In H1 2012, Severočeské doly sold 12.9 million tons of coal, which is 0.8 million tons more than in the same period of 2011. Sales grew both in sorted coal for external customers (by 0.2 million tons) and in coal for sources within CEZ Group (by 0.9 million tons).

#### Coal Sales, by Customer (thousands of tons)



### Investments

In H1 2012, Severočeské doly invested CZK 824.1 million in capital construction. The major part of capital construction in 2012 consists of projects reacting to the progress of extraction in the two mines. New mining equipment was purchased, existing mining, dressing and crushing equipment was renovated and upgraded, and auxiliary machinery was renewed. A significant part of capital expenditure goes to the renovation of existing and construction of new sections of long-distance conveyor systems based on mining procedures. A fair amount of capital expenditure goes to other projects within mine drainage.

## Development of Energy Legislative Framework

The most important news in the legislation shaping the business environment in the power sector in the Czech Republic is the publication of a new act, Act No. 165/2012 Coll., on promoted energy sources and on amendments to some acts from May 30, 2012, which replaced Act No. 180/2005 Coll., on promotion of the generation of electricity from renewable energy sources and on amendments to some acts (Renewable Sources Promotion Act) from March 31, 2005. The Act comes into full effect on January 1, 2013, with everything except a change in the method of implementation of promotion of generating electricity from renewable energy sources coming into effect on the day of publication, i.e. May 30, 2012. In principle, it is an amendment that primarily implements Directive 2009/28/EC of the European Parliament and of the Council of April 23, 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

The Act creates the conditions for gradually downscaling the need for financial aid in the generation of electricity from renewables. When setting down aid for renewables, the Energy Regulatory Office will take into account the target values for electricity generation at each type of production facilities, established by the National Action Plan for Energy from Renewable Sources approved by the Czech Government. This means that it will be possible to set the aid to zero when the target values are reached. The Act restores support for island systems in power plants that were put into operation before January 1, 2013. It also cancels capacity reservations obtained before April 1, 2010 for photovoltaic power stations that have not been put into operation yet.

Promotion of the generation of electricity from renewable energy sources will continue to be funded from the “regulated components of the price of electricity” and “subsidies from the state budget” but the method of aid settlement is going to change significantly. Since January 2013, producers of electricity from renewable sources can sell their electricity to a trader of their choice or to the mandatory purchaser in the region. The producer has to choose a method of aid—either by the green bonus or the purchase price. For the green bonus, settlement with the market organizer, OTE a.s., will be carried out by the producer choosing that method. When taking advantage of aid in the form of the purchase price defined by the Energy Regulatory Office, differences between the purchase price and the valid price in the daily market will have to be settled with OTE a.s. by the mandatory purchaser. By the end of 2012, the existing model will be used, with electricity generated in renewable sources purchased and paid for by the operator of distribution grid to which the production facility is connected.

## **Safety of Nuclear Power Plants**

### **Nuclear Power Plant Stress Tests**

After the accident at the Fukushima I nuclear power plant (Fukushima Daiichi) in Japan, ČEZ, a. s. performed “stress tests”, i.e. assessment of selected aspects of the safety and safety margins of nuclear power plants operated in the Czech Republic. After the assessment was reviewed by the State Office for Nuclear Safety, it was subjected to peer review by representatives of all 27 member states of ENSREG (European Nuclear Safety Regulators Group) in March and April 2012. To verify that the evaluation report corresponds to the current situation, ENSREG representatives visited one power plant in each country—the Dukovany Nuclear Power Plant was selected in the Czech Republic. Based on debate in the European Commission, additional Follow-Up/Site Specific Visits will be conducted in order to verify adopted and/or planned measures. In the Czech Republic, a visit to the Temelín Nuclear Power Plant is planned for September 2012.

ENSREG's final evaluation report confirmed the expected robustness of both nuclear power plants in case of unlikely accidents without any risk for their vicinity. It also confirmed that measures proposed to further improve the safety of the two nuclear power plants are in line with the steps taken at other nuclear power plants in the EU. The results were also acknowledged by the European Council at the European Summit held at the end of June in Brussels. Specific measures were discussed with the State Office for Nuclear Safety, which bound ČEZ, a. s. to implement the measures according to the presented schedule for both nuclear power plants. For the Dukovany Nuclear Power Plant, they will be implemented by 2015 when ČEZ, a. s. will apply for the renewal of operation of Unit 1 of this power plant. The proposed measures are part of “Safety Improvement Programs” (valid until 2015 for the Dukovany power plant, and until 2020 for the Temelín power plant).

### **Insurance of the Dukovany Nuclear Power Plant**

On May 16-18, 2012, the Dukovany Nuclear Power Plant was subjected to a periodical risk assessment inspection conducted jointly by the Czech Nuclear Insurance Pool (CNIP) and the European Mutual Association for Nuclear Insurance (EMANI). The regular inspection focused on the operation, maintenance, maintenance procedures, fire safety, nuclear safety, order, cleanliness, and overall condition of the power plant. During the final discussion, CNIP and EMANI representatives expressed their overall satisfaction with the course of the inspection, saying that a number of recommendations from the previous risk assessment inspections can be closed. The summary report on the risk assessment inspection will be presented to ČEZ, a. s. by August 31, 2012.

A similar inspection took place at the Temelín Nuclear Power Plant in 2011.

## CEZ Group Operations Abroad

### Republic of Poland

#### Generation of Electricity

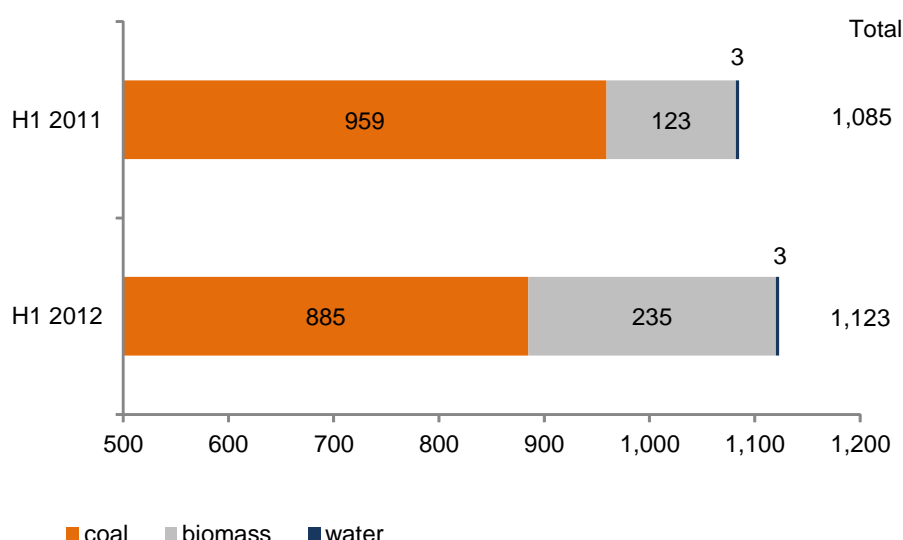
##### Installed Capacity

As at June 30, 2012, CEZ Group owned power plants with a total installed capacity of 730 MW in the Republic of Poland, of which 728 MW in black coal-fired power plants and 2 MW in hydroelectric power plants.

##### Generation of Electricity

In H1 2012, CEZ Group power plants in Poland generated 1,123 GWh of electricity, i.e. 38 GWh (3.5%) more than in the same period of 2011. There was a significant increase in the generation of electricity from renewable sources, resulting mainly from improvement in the efficiency of the biomass combustion process at both black coal-fired power plants. The increase in the share of biomass combustion at the Skawina power plant was made possible by investment in technology for direct injection of biomass into boilers together with an improvement of the internal transportation system; at the ELCHO power plant, biomass combustion was maximized as a result of investment in a biomass conveyor.

##### Electricity Generated in Poland, Gross (GWh)



#### Investments

Most capital expenditure in Poland went to technology for direct injection of biomass into boilers at the Skawina power plant and some also to the construction of the Borek small hydroelectric power plant on the Skawina site, with an expected installed capacity of 0.885 MW.

#### Heat

In H1 2012, Polish power plants supplied 2,997 TJ of heat, i.e. 129 TJ more than in the same period of 2011. The main reason was an increase in the potential of the heat market, especially in areas supplied by the Skawina power plant.

#### Changes in Ownership Interests in Poland

On May 21, 2012, CEZ Poland Distribution B.V. increased its stake in **Eco-Wind Construction S.A.** by 2.028% to 69.03%. The transaction (Early Closing) resulted from the consolidation of some projects being performed earlier than originally expected.

## Republic of Bulgaria

### Generation of Electricity

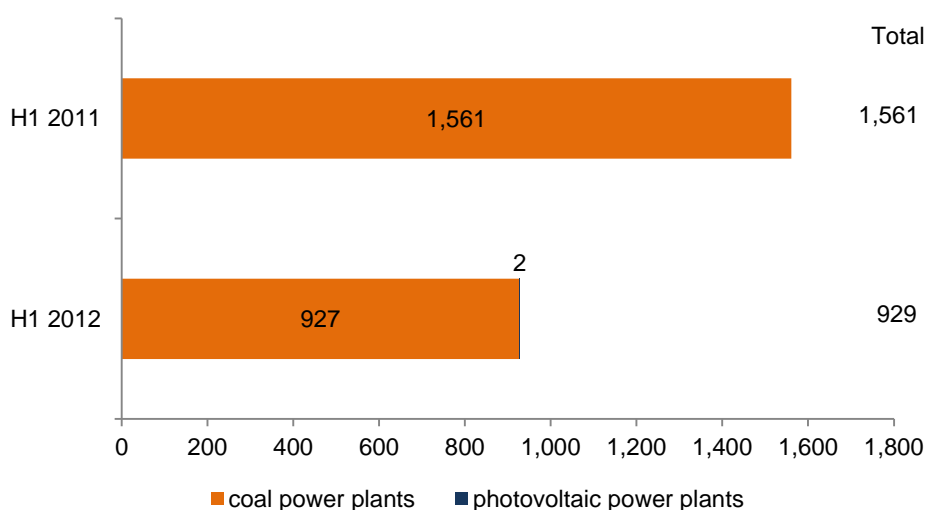
#### Installed Capacity

In the Republic of Bulgaria, CEZ Group owns the Varna black coal-fired power plant with 1,260 MW installed capacity. In 2012, it expanded its production portfolio with the Oreshets photovoltaic power station with 5 MW installed capacity.

#### Generation of Electricity

The Varna Power Station generated 927 GWh of electricity in H1 2012, i.e. 634 GWh less than in the same period of 2011. The main reason for the year-on-year decrease in production was lower activation of the cold reserve by the Bulgarian operator, ESO EAD, in H1 2012. The Oreshets photovoltaic power station generated 2 GWh of electricity.

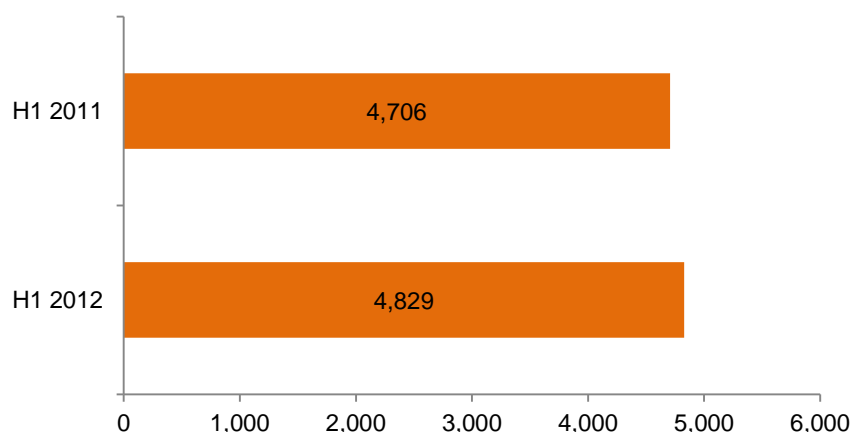
#### Electricity Generated in Bulgaria, Gross (GWh)



### Distribution of Electricity

In Bulgaria, electricity is distributed by CEZ Razpredelenie Bulgaria AD, which distributed a total volume of 4,829 GWh of electricity to end customers in H1 2012, i.e. 123 GWh more than in the same period of 2011. The reason for the growth is higher consumption by corporate customers at the medium and low-voltage levels, resulting from an improved economic situation.

#### Electricity Distributed to End Customers in Bulgaria (GWh)

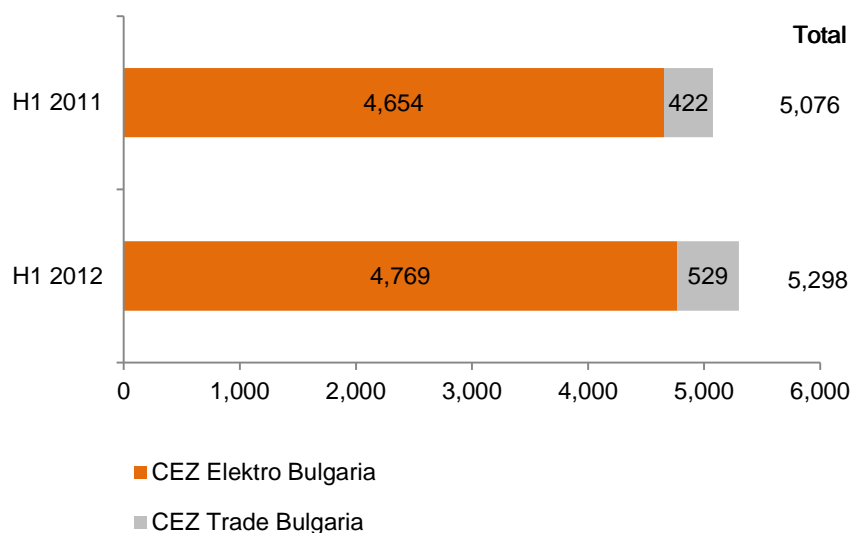


## Sale of Electricity

Electricity is sold in Bulgaria by CEZ Elektro Bulgaria AD. In H1 2012, it sold 4,769 GWh of electricity, which represents a growth of 115 GWh over the same period of 2011. The increased sales are caused mainly by higher consumption by corporate customers.

Electricity is also sold to end customers in Bulgaria by CEZ Trade Bulgaria EAD. This company also achieved a year-on-year growth in 2012, by 107 GWh.

### Electricity Sold to End Customers in Bulgaria (GWh)



## Investments

A total of CZK 886 million was spent on capital construction in Bulgaria. Like last year, capital expenditures were directed primarily at the construction of medium and low-voltage networks, at increasing transformers density in the grid, at new connections, and at electric meter replacements and relocations (CZK 713 million in total). The fund for investing in renewable sources projects in Bulgaria, which ČEZ, a. s. undertook to create when acquiring the Varna power plant, was used to create and put into operation the first project—the Oreshets solar farm.

## Romania

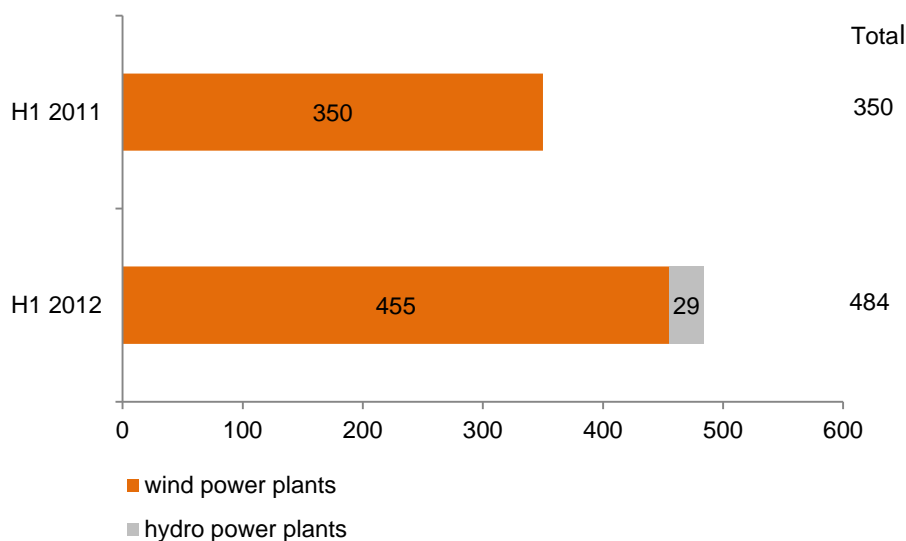
### Installed Capacity

In 2012, CEZ Group is finishing the construction of the Fântânele and Cogeaalac wind farms in Constanța County, with a target installed capacity of 600 MW. As at June 30, 2012, the number of wind turbines in operation was 176. After the anticipated completion of the wind park by the end of 2012, the total number of wind turbines should be 240. In July 2012, small hydroelectric power plants at Reșița site were closed down for planned upgrade and installed capacity increase to 20.6 MW.

### Generation of Electricity

In H1 2012, the Fântânele and Cogeaalac wind farm generated 455 GWh of electricity, 105 GWh more than in the same period of 2011. Another 29 GWh were generated by the small hydroelectric power plants at Reșița site.

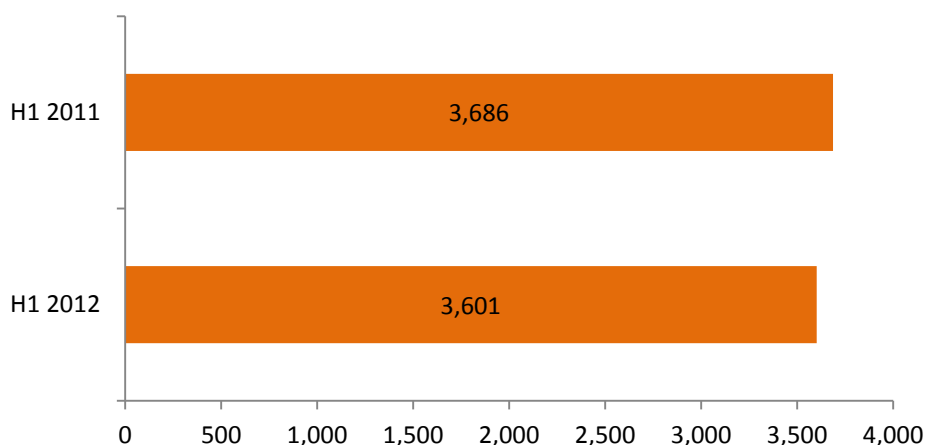
### Power Production in Romania, Gross (GWh)



### Distribution of Electricity

In Romania, distribution of electricity within CEZ Group is secured by CEZ Distribuție S.A. The amount of electricity distributed in H1 2012 reached 3,601 GWh, which is 85 GWh less than in the same period of the previous year. The main reason for the decrease is lower consumption by a major corporate customer.

### Electricity Distributed to End Customers in Romania (GWh)

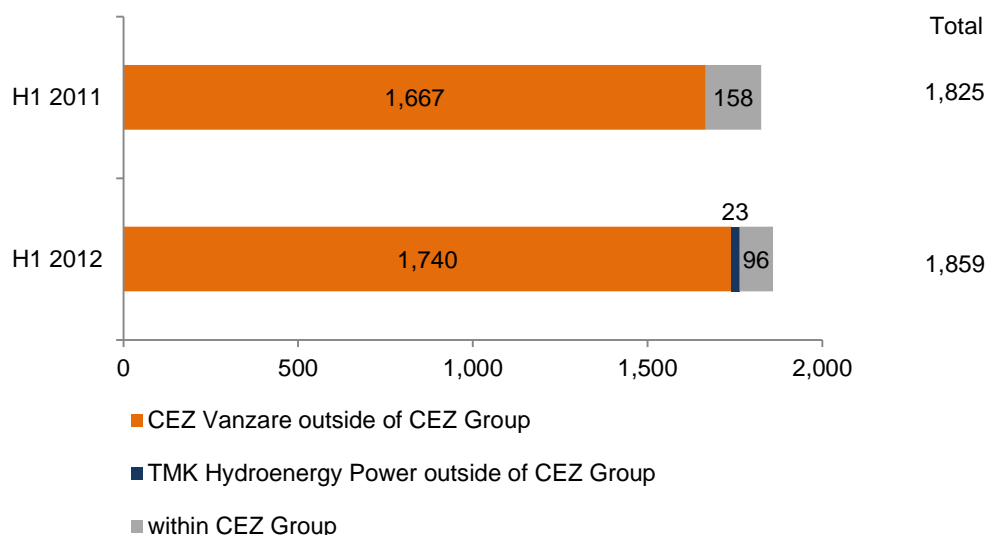


## Sale of Electricity

CEZ Group sells electricity in Romania through CEZ Vanzare S.A., which sold a total of 1,836 GWh to end customers in H1 2012, which represents an 11 GWh increase year-on-year.

Another 23 GWh of electricity was sold by TMK Hydroenergy Power S.R.L. from the production at its small hydroelectric power plants.

### Electricity Sold to End Customers in Romania (GWh)



## Investments

A total of CZK 3,447 million was spent on capital projects in Romania. Investment outlays were mainly directed at the construction of the Fântânele and Cogeaalac wind farms (CZK 2,470 million), distribution assets, and new electric meters (CZK 767 million).

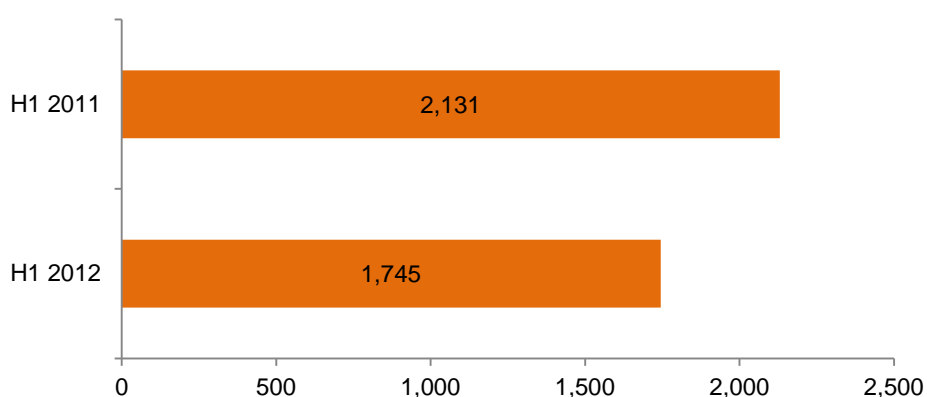
Investment in the upgrade of the Reșița group of small hydroelectric plants was CZK 200 million in H1. The objective of the upgrade is increasing the capacity of the power plants from 18 MW to about 20.6 MW.

## Republic of Albania

### **Distribution of Electricity**

In H1 2012, the company CEZ Shpërndarje distributed a total of 1,745 GWh of electricity to its customers, i.e. 386 GWh less than in the same period of 2011. The lower amount of electricity distributed was mainly associated with the regulation of economic loss invoicing to customers. A higher amount of electricity distributed and a lower share of losses in the grid is expected for H2.

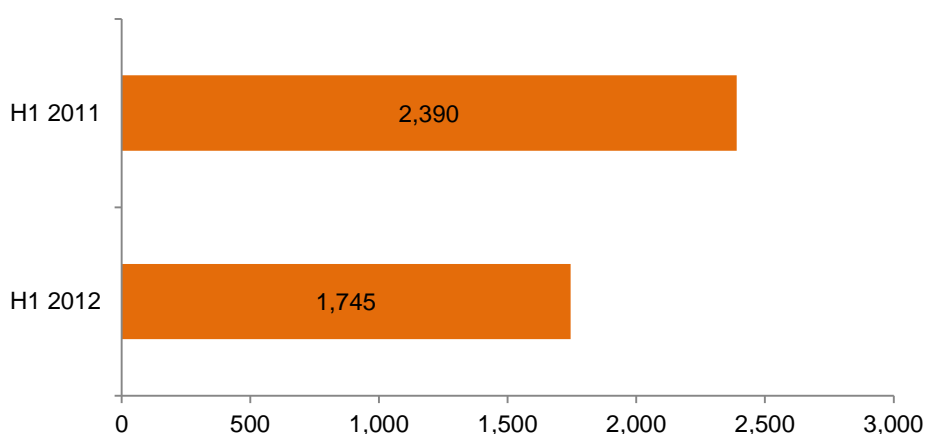
#### **Electricity Distributed to End Customers in Albania (GWh)**



### **Sale of Electricity**

CEZ Shpërndarje Sh. A. sold 1,745 GWh of electricity to end customers in H1 2012, which represents a year-on-year drop of 645 GWh (-27%). The main reason is the fact that customers that are connected directly to the transmission system instead of the distribution grid at the medium-voltage level were ordered by legislation to switch to the state-controlled producer of electricity (this customer category mostly consists of industrial enterprises). When the above is excluded, the amount of electricity sold and distributed in H1 2012 was the same and we expect growth in the volume of distributed electricity as well as in sales in H2 2012.

#### **Electricity Sold to End Customers in Albania (GWh)**



### **Investments**

Investment outlays over the first six months of 2012 were CZK 97 million. Funds were expended mostly on the refurbishment and renovation of the distribution grid and electric meter installation.

## **Comments on the Development of the Business Environment in Albania in H1 2012**

Intensive negotiations with the Albanian regulatory authority concerning a revision of its tariff decision for the regulatory period of 2012-2014 have been underway since the beginning of 2012. Pursuant to the tariff decision, since January 2012, the distribution company CEZ Shpërndarje has to purchase electricity from the Albanian state-owned power company KESH, sh.a. at higher regulated prices than last year. However, the higher purchase cost of electricity was not reflected in prices for end customers. CEZ Shpërndarje thus made a loss in H1.

In June 2012, the Albanian regulatory authority, following negotiations involving the World Bank, approved a previously submitted study on the fair value of the distribution company's irrecoverable debt and undertook to transpose it in its revised tariff decision. Considering the lack of liquidity in the entire Albanian energy sector, a comprehensive solution to the situation in the industry will require further negotiations involving all interested parties. In spite of that, the Albanian regulatory authority made the first step towards rectification of the regulatory environment in June, deciding that the 2012 regulated input price of electricity for CEZ Shpërndarje would drop from ALL 2,830 to ALL 2,200 per MWh, with retroactive effect from January 1, 2012.

In H2 2012, CEZ Group will continue with negotiations concerning the rectification of all regulatory conditions for business and take conditional steps to restore investments in the distribution grid, which are necessary for improving the stability and further development of the Albanian energy sector. Future steps depend on the development in negotiations with the Albanian party.

## **Republic of Turkey**

### **Installed Capacity**

Generation of electricity is secured by Akenerji Elektrik Üretim A.Ş. and its subsidiaries, Akkur Enerji Elektrik Üretim A.Ş. and Mem Enerji Elektrik Üretim A.Ş. Akenerji operates 3 CCGT, 1 wind, and 2 hydroelectric power plants. Akkur and Mem operate another 5 hydroelectric power plants, two of which were put into operation in H1 2012. As at June 30, 2012, the total installed capacity of power plants with CEZ Group's ownership interest in Turkey was 710 MW (357 MW gas, 338 MW hydroelectric, 15 MW wind).

### **Generation of Electricity**

Electricity generation at the CCGT plants in Çerkezköy, Bozüyük, and İzmir-Kemalpaşa was adversely affected by frequent shutdowns in H1 2012, associated with fluctuating electricity prices. In contrast, production has been increased by the hydroelectric power plants Uluabat, Akoçak, Feke I, Feke II, Burçbendi, Bulam and Himmetli, which generate power at minimum operating costs and are therefore able to weather out marked drops in prices.

The total power production of Akenerji Group was 1,366 GWh in H1 2012, including 664 GWh in gas-fired power plants, 680 GWh in hydroelectric power plants, and 22 GWh in wind power installations.

At present, Turkey is not part of the European Union's CO<sub>2</sub> emission allowance market. Thus, the gas-fired power plants operated by Akenerji are neither obligated to purchase emission allowances nor are they subject to any other special carbon tax.

### **Distribution & Sale of Electricity**

Electricity distribution and sales in Turkey are fully liberalized and secured by regulated regional distribution companies. One of them is Sakarya Elektrik Dağıtım A.Ş., indirectly controlled by ČEZ (together with the Turkish partner, AKKÖK).

The volume of electricity distributed to end customers by Sakarya Elektrik Dağıtım A.Ş. was 3,925 GWh in H1 2012, which is 95 GWh more than in the comparable period in 2011.

Sakarya Elektrik Dağıtım A.Ş. sells electricity to end customers connected to the distribution and transmission grid within its serviced distribution area. The company underwent an extensive transformation in the area of distribution services and customer care in 2010 and 2011 and, at present, it focuses on implementing an active selling strategy. The volume of electricity sold in H1 2012 was 3,196 GWh, which is 130 GWh more than in the same period of 2011.

### **Investments**

In May 2012, construction work was finished and operation was commenced at the Himmetli hydroelectric power plant (27 MW) and then the Feke I power plant (29 MW) was put into operation in June.

The largest capital project is an 872 MW CCGT at Hatay on Turkey's southeastern coast. This will be an exceptionally efficient power plant, with efficiency exceeding 57% and at least a 30-year service life. Project execution was initiated in October 2011 and commissioning is planned for July 2014.

A capital project is being prepared for the construction of a pumped-storage power plant with 198 MW installed capacity in the Erzincan region in eastern Turkey.

#### **Note:**

*Power plants and distribution companies in Turkey are not included (technical units and number of employees) in CEZ Group's total figures since they are owned by associates.*

## Federal Republic of Germany

CEZ Group terminated its activities in electricity generation and coal mining in Germany by selling its share in JTSD - Braunkohlebergbau GmbH. In future, CEZ Group's presence on the German energy market will only involve trading in electricity and other commodities.

### **Changes in Ownership Interests in Germany**

Through Severočeské doly, CEZ Group held a 50% stake in **JTSD - Braunkohlebergbau GmbH**. The other owner of the joint venture was LIGNITE INVESTMENTS 1 LIMITED. JTSD - Braunkohlebergbau GmbH is the direct 100% owner of the German company **Mitteldeutsche Braunkohlengesellschaft mbH**.

LIGNITE INVESTMENTS 1 LIMITED became part of Energetický a průmyslový holding a.s. corporation in 2011.

The agreement made on July 28, 2011 between ČEZ, a. s., Severočeské doly a.s., and ČEZ International Finance B.V. on the one part and LIGNITE INVESTMENTS 1 LIMITED and EP Energy a.s. on the other part, concerning the sale of the 50% share in JTSD-Braunkohlebergbau GmbH previously owned by Severočeské doly a.s. to companies from the EPH group, was settled (closed) on June 29, 2012. After the closing, the sole owner of JTSD-Braunkohlebergbau GmbH is LIGNITE INVESTMENTS 1 LIMITED.

## **Other Countries**

### **Bosnia and Herzegovina**

On February 17, 2012, the registered capital of NERS d.o.o. was raised to a total of KM 7,821,000 (about CZK 101.0 million). Both partners took part in the increase according to their shares so that the company had money for its further operations during the ongoing arbitration. The arbitration proceedings before the International Court of Arbitration of the International Chamber of Commerce that have been initiated in relation to the Gacko Project are still in progress. The parties to the dispute continue to be bound by confidentiality obligations concerning the dispute.

### **Republic of Kosovo**

New Kosovo Energy L.L.C. was wound up on April 19, 2012, which completed the process of suppression of CEZ Group's activities on this territory.

### **Hungary, Slovak Republic**

The electricity markets of the Czech Republic, Hungary, and Slovakia are planned to be coupled on September 11, 2012. Bids and offers of traders registered in the three countries' day-ahead markets will thus be traded together up to the available transmission capacity. This will eliminate the need to reserve cross-border capacities between Hungary and Slovakia.

In 2012, ČEZ Slovensko continued to actively sell electricity and natural gas to customers in the household and SMB segments. The number of concluded contracts was 84,000 as at June 30, 2012. As far as construction project of new nuclear power plant Jaslovske Bohunice is concerned, feasibility study was completed in July 2012. CEZ Group participates in this project through an associate.

## Securities, Shareholders, and the General Meeting of ČEZ, a. s.

As at June 30, 2012, the total stated capital of ČEZ, a. s. was CZK 53,798,975,900. The company's stated capital comprises 537,989,759 shares with a nominal value of CZK 100.

### Structure of Shareholders (%)

	Stake in stated capital		Stake in voting rights	
	at May 25, 2011 <sup>1)</sup>	at June 19, 2012 <sup>2)</sup>	at May 25, 2011 <sup>1)</sup>	at June 19, 2012 <sup>2)</sup>
<b>Legal entities, total</b>	<b>95,64</b>	<b>95,54</b>	<b>95,61</b>	<b>95,51</b>
Czech Republic	69,78	69,78	70,30	70,29
Other legal entities	2,78	13,50	2,06	12,88
o which: domestic	1,13	1,59	0,39	0,88
of which: ČEZ, a. s.	0,74	0,72		
third parties	0,39	0,87	0,39	0,88
foreign	1,65	11,91	1,67	12,00
Asset managers	23,08	12,26	23,25	12,34
<b>Private individuals, total</b>	<b>4,36</b>	<b>4,46</b>	<b>4,39</b>	<b>4,49</b>
of which: domestic	4,22	4,32	4,25	4,35
foreign	0,14	0,14	0,14	0,14

<sup>1)</sup> strike date for participation in the 19<sup>th</sup> Annual General Meeting

<sup>2)</sup> strike date for participation in the 20<sup>th</sup> Annual General Meeting

### Entities Holding Over 3% of the Shares of ČEZ, a. s. as of June 19, 2012

On the strike date for attendance at the 20<sup>th</sup> General Meeting, ČEZ, a. s. registered these entities:

1. Czech Republic, represented by the Ministry of Finance of the Czech Republic, the Ministry of Labor and Social Affairs of the Czech Republic, and the Office for Government Representation in Property Affairs with a combined total stake of 69.78% in the stated capital.
2. Chase Nominees Limited, with a registered office in London, United Kingdom, with a stake of 5.18% in the stated capital.
3. The Administrator Citibank Europe plc, administering 87 accounts with stocks amounting to 4.33% of the stated capital.
4. The Administrator Československá obchodní banka, a.s., administering 203 accounts with stocks amounting to 3.88% of the stated capital.

### Credit Rating

The rating of ČEZ, a. s. remained unchanged in H1 2012. Standard & Poor's reaffirmed its long-term credit rating of A- with a stable outlook on January 11, 2012 and August 6, 2012. Moody's reaffirmed its long-term credit rating of A2, also with a stable outlook, on April 13, 2012.

### Stock Inclusion in Stock Indices

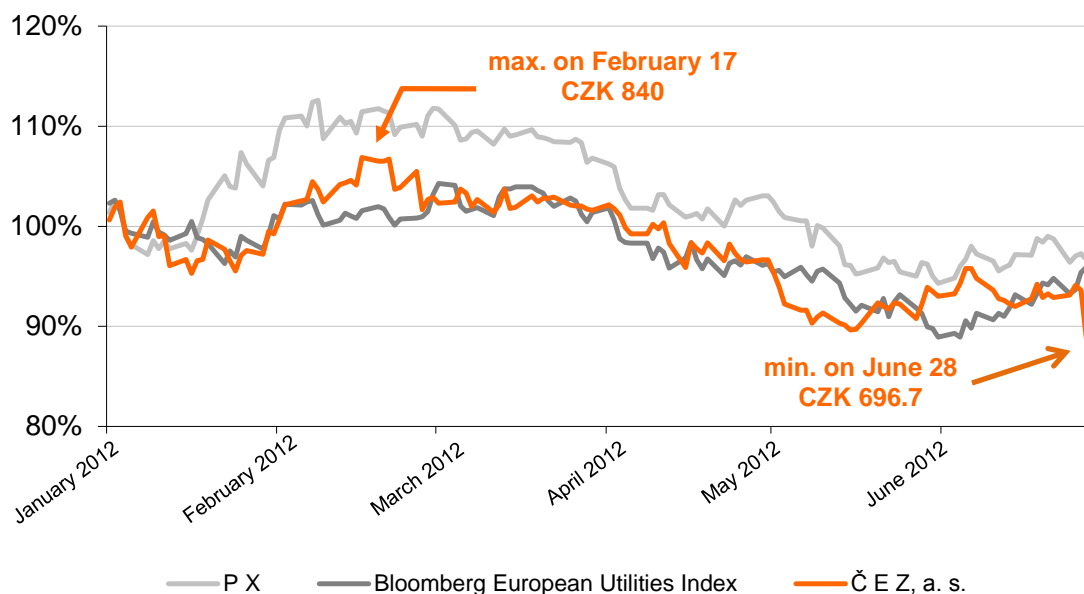
Stocks of the parent company, ČEZ, a. s., are traded on the Prague and Warsaw stock exchanges. Since May 30, 2012, the Warsaw stock exchange has published its WIG-CEE index including stocks of companies from Central and Eastern Europe. The index currently includes the stocks of ČEZ and its Hungarian partner, MOL Nyrt. The Prague stock exchange has long included the stocks of ČEZ, a. s. in its PX index.

### Payout of Dividends to Shareholders

In accordance with the decision taken by the General Meeting held on June 26, 2012, company shareholders are being paid a dividend of CZK 45 before tax per CZK 100 share for 2011. Entities who were shareholders of ČEZ, a. s. on the strike date, i.e. July 2, 2012, are entitled to dividend payout. The dividend was distributed to 534,114,738 shares.

The dividend is payable from August 1, 2012 to August 2, 2016.

**Development of the Price of ČEZ, a. s. Stock in Comparison with the PX Index and Bloomberg Utilities Index, %, for January 1 – June 30, 2012**



### General Meeting

The 20<sup>th</sup> Annual General Meeting of ČEZ, a. s. was held on June 26, 2012. Among other things, the General Meeting:

- Heard the Report of the Board of Directors on the Company's Business Operations and the State of Its Assets for the Year 2011, and the Summary Report Pursuant to Section 118(8) of the Act on Capital Market Undertakings
- Heard the Report of the Supervisory Board on the Results of Its Inspection Activities
- Heard the Report of the Audit Committee on the Results of Its Activities
- Approved the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group for the year 2011
- Approved the distribution of its 2011 profit as follows:
  - Dividends of CZK 45 per share (before tax) calculated from the total number of shares outstanding—CZK 24,209,539,000 in total
  - Bonuses for members of the Board of Directors and Supervisory Board—CZK 25,500,000
  - Retained earnings—CZK 13,102,418,000.

The strike date for dividend payout is July 2, 2012. The dividend on treasury shares held by the Company as of the strike date will not be paid out. The amount corresponding to the dividend on treasury shares held by the Company as of the strike date for dividend payout will be transferred to the retained earnings account.

The General Meeting of ČEZ, a. s. approved an equal distribution of bonuses among members of the Board of Directors and Supervisory Board. The share of each board member will be determined according to the time over which he or she served in the relevant body in the year 2011. Members of the Supervisory Board appointed by a government agency of which they were employees were not eligible for bonuses over the entire period during which they met these ineligibility criteria.

- Appointed Ernst & Young Audit, s.r.o as the auditor that will perform the statutory audit, including the audit of the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group for the accounting period covering the calendar year of 2012
- Approved an amendment to the company's Articles of Association proposed by the Board of Directors
- Approved funds appropriated for gifts, amounting to CZK 221 million in 2013, and for non-monetary gifts, totaling CZK 648,000 in 2012 and CZK 21 million in 2013
- Confirmed Martin Roman as a member of the Supervisory Board of ČEZ, a. s.
- Removed Ján Dzvoník and Liběna Dobrovolná from the Supervisory Board of ČEZ, a. s.
- Elected new members of the Supervisory Board: Milan Bajgar, Robert Vacek, and Jiří Volf
- Confirmed Ivo Foltýn as a member of the Audit Committee of ČEZ, a. s.
- Approved contracts on service on the Supervisory Board between ČEZ, a. s. and Liběna Dobrovolná, Ján Dzvoník, Aleš Klepek, and Martin Roman and Amendments 1 to contracts on service on the Supervisory Board between ČEZ, a. s. and Ivo Foltýn and Martin Říman
- Approved contracts on service on the Audit Committee between ČEZ, a. s. and Ján Dzvoník and Ivo Foltýn
- Authorized the contract on the contribution of part of undertaking of ČEZ, a. s., the "Počerady Power Plant" organizational unit, to the stated capital of Elektrárna Počerady, a.s. that is to be concluded between ČEZ, a. s. (contributor) and Elektrárna Počerady, a.s. (transferee)
- Authorized the contract on the contribution of part of undertaking of ČEZ, a. s., "EVI Heat Distribution System and Off-Site Networks" to the stated capital of ČEZ Teplárenská, a.s. that is to be concluded between ČEZ, a. s. (contributor) and ČEZ Teplárenská, a.s. (transferee).

List of Bonds Outstanding as at June 30, 2012 Issued by CEZ Group

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since
7 <sup>th</sup> bond issue	ČEZ, a. s.	CZ0003501058	January 26, 1999	CZK 2.5 billion	9.22% <sup>1)</sup>	2014	booked to owner	CZK 1,000,000	ING Barings Capital Markets	Citibank, a.s.	PSE Official Free Market RM Systém	January 26, 1999 December 5, 2001
4 <sup>th</sup> Eurobond issue <sup>8)</sup>	ČEZ, a. s.	XS0271020850	October 17, 2006	EUR 500 million	4.125%	2013	booked to owner	EUR 50,000	Société Générale Corporate & Investment Banking	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	October 17, 2006
5 <sup>th</sup> Eurobond issue <sup>8)</sup>	ČEZ, a. s.	XS0324693968	October 12, 2007	EUR 500 million	5.125%	2012	booked to owner	EUR 50,000	BNP Paribas, Citi	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	October 12, 2007
6 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0376701206	July 18, 2008	EUR 600 million	6.00%	2014	booked to owner	EUR 50,000	BNP Paribas, Deutsche Bank AG, ING Bank N.V., Erste Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	July 18, 2008
7 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0384970652	September 17, 2008	JPY 12 billion <sup>2)</sup>	3.005%	2038	booked to owner	JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 17, 2008
8 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0387052706	September 22, 2008	EUR 6 million	zero coupon <sup>3)</sup>	2038	booked to owner	EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 22, 2008
11 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0430082932	May 26, 2009	EUR 600 million	5.75%	2015	booked to owner	EUR 50,000	Banca IM S.p.A., Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 26, 2009
12 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0447067843	September 8, 2009	JPY 8 billion <sup>2)</sup>	2.845%	2039	booked to owner	JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 8, 2009
13 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0458257796	October 19, 2009	EUR 600 million <sup>4)</sup>	5.00%	2021	booked to owner	EUR 50,000	BNP Paribas, Société Générale, The Royal Bank of Scotland plc, Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	October 19, 2009
14 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0462797605	November 4, 2009	EUR 50 million	6M Euribor + 1.25%	2019	booked to owner	EUR 50,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	November 4, 2009
16 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0470983197	December 9, 2009	USD 100 million	3M USD Libor + 0.7 %	2012	booked to owner	USD 75,000	HSBC Bank plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	December 9, 2009
18 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0473872306	December 21, 2009	CZK 3 billion	6M Pribor + 0.62 %	2012	booked to owner	CZK 1,500,000	Česká spořitelna, a.s., Československá obchodní banka, a.s.	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	December 21, 2009

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since
19 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0502286908	April 16, 2010	EUR 750 million	4.875%	2025	booked to owner	EUR 50,000	Bayerische Landesbank, Erste Group Bank AG, HSBC Bank plc, Société Générale, UniCredit Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	April 16, 2010
20 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0521158500	June 28, 2010	EUR 500 million <sup>5)</sup>	4.500%	2020	booked to owner	EUR 50,000	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Erste Group Bank AG, The Royal Bank of Scotland plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	June 28, 2010
1 <sup>st</sup> NSV (Namensschuldverschreibungen) registered bond issue	ČEZ, a. s.	XF00000NS9FM8	November 29, 2010	EUR 40 million	4.500%	2030	Global Depository Receipt (GDR)	EUR 500,000	-	-	-	-
2 <sup>nd</sup> emise NSV (Namensschuldverschreibungen) registered bond issue	ČEZ, a. s.	XF00000NS9TZ1	January 31, 2011	EUR 40 million	4.75%	2023	Global Depository Receipt (GDR)	EUR 500,000	-	-	-	-
21 <sup>st</sup> Eurobond issue	ČEZ, a. s.	XS0592280217	February 17, 2011	JPY 11.5 billion <sup>6)</sup>	2.160%	2023	booked to owner	JPY 100,000,000	Credit Agricole Corporate and Investment Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	February 17, 2011
22 <sup>nd</sup> Eurobond issue	ČEZ, a. s.	XS06222499787	May 3, 2011	CZK 1.25 billion	4.600%	2023	booked to owner	CZK 5,000,000	Česká spořitelna, a.s.	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 3, 2011
23 <sup>rd</sup> Eurobond issue	ČEZ, a. s.	XS0630397213	May 27, 2011	EUR 500 million	3.625%	2016	booked to owner	EUR 100,000	Banka IM S.p.A., BNP Paribas, Erste Group Bank AG, HSBC Bank plc, UniCredit Bank AG, Commerzbank Aktiengesellschaft	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 27, 2011
24 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0635263394	June 21, 2011	EUR 100 million	2.15% * Index Ratio CPI <sup>7)</sup>	2021	booked to owner	EUR 100,000	Barclays Bank plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	-	-
25 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0713866787	December 5, 2011	EUR 50 million	4.102 %	2021	booked to owner	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	December 5, 2011
3 <sup>rd</sup> NSV (Namensschuldverschreibungen) registered bond issue	ČEZ, a. s.	XF00000B03489	April 2, 2012	EUR 40 million	4.7 %	2032	Global Depository Receipt (GDR)	EUR 1,000,000	Commerzbank AG	-	-	-

Security	Issuer	ISIN	Issue date	Value	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since
1 <sup>st</sup> US bond issue <sup>9)</sup>	ČEZ, a. s.	US157214AA57	April 3, 2012	USD 700 million	4.25%	2022	booked to owner	USD 200,000	Barclays Bank plc, Citigroup Global Markets Inc., Goldman Sachs International, SG Americas Securities, LLC	Citibank, N.A., London Branch	Bourse de Luxembourg	April 3, 2012
2 <sup>nd</sup> US bond issue <sup>9)</sup>	ČEZ, a. s.	US157214AB31	April 3, 2012	USD 300 million	5.625%	2042	booked to owner	USD 200,000	Barclays Bank plc, Citigroup Global Markets Inc., Goldman Sachs International, SG Americas Securities, LLC	Citibank, N.A., London Branch	Bourse de Luxembourg	April 3, 2012

#### CEZ Group's outstanding bonds after June 30, 2012

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since
26 <sup>th</sup> Eurobond issue	ČEZ, a. s.	XS0814711775	August 8, 2012	EUR 50 million	4.375%	2042	booked to owner	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	August 8, 2012

1) Starting in 2006, the bonds bear interest at a variable rate of CPI + 4.2%.

2) Proceeds of issue in Japanese Yen were swapped for Euros through a Credit Linked Swap.

3) Yield is determined by difference between issue price (EUR 1,071,696) and face value (EUR 6,000,000) of the bond.

4) In February 2010, EUR 60 million and, subsequently, EUR 90 million in bonds was issued and added to the EUR 600 million issue of October 19, 2009, increasing the issue volume to EUR 750 million.

5) In December 2010, EUR 250 million in bonds was issued and added to the EUR 500 million bond issue of June 28, 2010, increasing the issue volume to EUR 750 million.

6) The proceeds of the issue were converted to EUR via a swap.

7) Using a swap, the coupon tied to inflation was fixed to a value that ensures an effectively fixed interest expense for ČEZ, regardless of movements in inflation.

8) Issue bought back in January 2012; original value of issue is EUR 500 million.

9) The issue was sold within a non-public bond offer to qualified institutional buyers pursuant to Rule 144A of the United States Securities Act of 1933, as amended ("Securities Act"), and outside the United States to certain non-U.S. entities pursuant to Regulation S of the Securities Act.

The 3<sup>rd</sup> issue of NSV (Namensschuldverschreibungen) securities was issued in April 2012.

The 1<sup>st</sup> and 2<sup>nd</sup> issue of U.S. bonds were issued in April 2012.

The 26<sup>th</sup> issue of euro bonds under the EMTN euro-bond program was issued in August 2012.

ČEZ, a. s. has not issued any convertible bonds. Under the issue terms, the bonds are not guaranteed by the State or by any bank.

No CEZ Group company other than ČEZ, a. s. has issued bonds that are outstanding as at June 30, 2012.

## **Changes in ČEZ, a. s. Governance Bodies**

### **Supervisory Board**

The General Meeting held on June 26, 2012 confirmed Martin Roman as a member of the Supervisory Board. It removed Liběna Dobrovolná and Ján Dzvoník from the Board and elected new members of the Board: Milan Bajgar, Robert Vacek, and Jiří Volf.

### **Audit Committee**

The General Meeting held on June 26, 2012 confirmed Ivo Foltýn as a member of the Audit Committee of ČEZ, a. s.

### **Board of Directors**

On May 22, 2012, the Board of Directors of ČEZ, a. s. re-elected Martin Novák as Vice-Chairman of the Board of Directors because of the beginning of his second term in the Board of Directors.

## Litigation and Other Proceedings

### **Litigation**

1. In the litigation of the State of Upper Austria against ČEZ, a. s. initiated in 2001 and demanding cease-and-desist from generating alleged ionizing radiation from the Temelín Nuclear Power Plant, the court of first instance finished the hearing of the case in October 2011. On January 4, 2012, the Linz Regional Court delivered a judgment dismissing the action on account of arguments presented by ČEZ, a. s., based primarily on previous judgments of the European Court of Justice and documents related to the Protocol of Melk signed by the governments of the Czech Republic and the Republic of Austria in 2000. The State of Upper Austria filed an appeal, which was dismissed by the Linz Court of Appeal on April 12, 2012. The State of Upper Austria filed an appellate review with the Supreme Court in Vienna within the statutory time limit.
2. ČEZ, a. s. registers suits relating to the implementation of security take-over offers and squeeze-outs in the former regional electricity distribution companies, as well as in Severočeské doly a.s. and ČEZ Teplárenská, a.s.:
  - In the suit seeking review of the consideration paid and stipulation of a different consideration amount in the squeeze-out in Severomoravská energetika, a. s., a decision of the court of appeal came into effect on April 2, 2012 in which the court confirmed the obligation to pay up the additional payment determined in an expert opinion ordered by the court but rejected the late charges adjudicated by the court of first instance. Under these circumstances, the maximum amount of additional payment is estimated at approx. CZK 74 million.
  - A suit for payment of the difference from a takeover offer for shares of Severomoravská energetika, a. s. made in 2005. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 1,030 million. The outcome of the proceedings is impossible to predict.
  - A suit seeking review of the consideration paid and stipulation of a different consideration amount in the squeeze-out in Západočeská energetika, a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 786 million. The outcome of the proceedings is impossible to predict.
  - A suit seeking review of the consideration paid and stipulation of a different consideration amount in the squeeze-out in Východočeská energetika, a.s. An expert opinion on the matter was prepared at the order of the court. Should the complainants win the suit, the total additional payment could be up to CZK 193 million. The outcome of the proceedings is impossible to predict.
  - A suit seeking review of the consideration paid and stipulation of a different consideration amount in the squeeze-out in Severočeská energetika, a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 843 million. The outcome of the proceedings is impossible to predict.
  - Suits seeking review of the consideration paid and stipulation of a different consideration amount in the squeeze-out in Středočeská energetická a.s. An expert opinion on the matter was prepared at the order of the court. Should the complainants win the suit, the total additional payment could be up to CZK 551 million. The outcome of the proceedings is impossible to predict.
  - A suit seeking review of the consideration paid and stipulation of a different consideration amount in the squeeze-out in Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 1,650 million. The outcome of the proceedings is impossible to predict.
  - A suit against ČEZ Teplárenská, a.s. seeking review of the consideration paid in the squeeze-out in United Energy, a.s., i.e. the legal predecessor of ČEZ Teplárenská, a.s. The proceedings are pending before the court of first instance. The possible impact of this suit on ČEZ Teplárenská, a.s. is impossible to determine at this phase of the proceedings.
3. In all cases of General Meetings that decided on squeeze-outs in five former regional electricity distribution companies, in Severočeské doly a.s., and in ČEZ Teplárenská, a.s., minority

shareholders have filed suits seeking that the resolutions of these General Meetings be declared null and void. In three of the regional distribution company cases, the actions for nullity of the resolutions of the General Meetings have been finally and conclusively discontinued.

4. In connection with the restructuring of CEZ Group, minority shareholders have also filed suits for the nullification of contributions of parts of the enterprise of the former regional electricity distribution company Středočeská energetická a.s. to certain subsidiaries of ČEZ, a. s., as well as suits for the nullification of General Meeting resolutions by which these contributions of parts of the enterprise were approved:
  - A suit for the nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on October 17, 2005, and for the nullification of contracts on the contribution of a part of the enterprise. The proceedings before the court of first instance in the actual matter have not yet been closed upon a final judgment and their outcome is impossible to predict.
  - A suit for the nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on June 21, 2006, and for the nullification of contracts on the contribution of a part of the enterprise. The proceedings before the court of first instance have not yet been closed upon a final judgment and their outcome is impossible to predict.
5. Additionally, the company faces 15 lawsuits initiated by the same claimant, Lesy České republiky s.p. All the suits have the same grounds, namely a claim for compensation of damage caused by the operations of ČEZ, a. s. to forest crops in 1997-2009. The oldest suit is from 1999; the latest one is from 2011. The total amount claimed is CZK 235.1 million plus accessions thereof.
6. In insolvency proceedings against Lignit Hodonín, s.r.o., ČEZ, a. s. submitted a claim for over CZK 115 million, CZK 23 million of which is loss arising from failure to pay for electricity supplied. The remainder of the receivable consists of sanction claims ensuing from signed contracts. The receivable was recognized in full. The debtor's enterprise was sold on September 2, 2010 and settlement of creditors is currently underway. The amount of settlement for ČEZ, a. s. can be expected to be nearly zero. At the same time, the receiver filed a suit against ČEZ, a. s. for damages amounting to CZK 196.2 million, allegedly resulting from abuse of a dominant position by ČEZ, a. s. in determining the purchase price of lignite deliveries. ČEZ, a. s. denies the claim in full. By a resolution of the Municipal Court in Prague from May 17, 2012, a new claimant replaced the original claimant in the proceedings, namely UVR Mníšek pod Brdy a.s., which bought the debtor's enterprise. No hearing of the case has been ordered yet.
7. In insolvency proceedings against PORCELA PLUS and BCT group companies (8 companies in total), ČEZ Prodej, s.r.o. submitted its claims totaling over CZK 285 million. All of the claims of ČEZ Prodej, s.r.o. were recognized at review hearings. An absolute majority of the assets of all the debtors was realized in previous years; claim settlement will be minimal or none, as was the case with Sklo Bohemia, a.s., where a resolution to discontinue the bankruptcy proceedings was issued on January 3, 2012.
8. Since June 2, 2010, ČEZ Prodej, s.r.o. has been involved in a lawsuit with Správa železniční dopravní cesty, státní organizace (in English: The Railway Infrastructure Administration, state organization), abb. SŽDC, in which it is seeking CZK 805 million in damages. The suit is held by the City Court in Prague with ČEZ Prodej, s.r.o. as the claimant. A compulsory payment order was issued in the case, SŽDC filed a protest; no hearing has been ordered yet. The ground of the suit is a breach of an electricity supply contract by SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2010, and the resulting damage.
9. Since May 2012, ČEZ Prodej, s.r.o. has been involved in a lawsuit with VÍTKOVICE, a.s., held by the Regional Court in Ostrava, in which it is seeking CZK 407 million in damages as a result of a breach of an electricity supply contract in 2011; in addition, CZK 10 million is claimed from the company on account of unpaid but consumed electricity in 2011. A compulsory payment order was issued in the case against which the defendant filed a protest.
10. In insolvency proceedings against MORAVIA ENERGO, a.s., ČEZ, a. s. submitted a claim for CZK 1,505.9 million, which was fully recognized. On August 1, 2011, a partial distribution resolution was issued, according to which the claim of ČEZ, a. s. was settled in the amount of CZK 71.3 million. The realization of the debtor's asset continues in the ongoing insolvency proceedings.

11. In insolvency proceedings against PLP a.s., Teplárna Trmice, a.s. submitted a claim for CZK 191 million, consisting of losses arising from failure to pay for electricity, heat and raw water supplied, and a claim for CZK 59 million arising from the penalty requested. Both claims were recognized in review hearings that took place in H1 2011.
12. On October 15, 2010, ČEZ, a. s. filed an action against Czech Coal a.s., Czech Coal Services a.s., and Vršanská uhelná a.s. for protection against unfair competition, in which it is seeking adequate satisfaction amounting to CZK 11 billion; at the same time, it claimed a penalty of approximately CZK 327 million and damages amounting to approximately CZK 14 million. ČEZ, a. s. also extended the claim to include another penalty amounting to approx. CZK 9 million. The court admitted the extension of the claim. The case is being heard by the Regional Court in Ústí nad Labem.
13. There is a dispute between ČEZ, a. s. and Sokolovská uhelná, právní nástupce, a.s. (SU) over the amount and price of lignite supplied by SU for ČEZ, a. s., under a long-term purchase contract (valid until lignite reserves in SU mines are depleted or until 2027). SU is questioning the validity of the long-term purchase contract. In connection with the dispute, ČEZ, a. s., already initiated a lawsuit with SU on July 13, 2011, in which ČEZ, a. s. is seeking the recovery of unjust enrichment resulting on the part of SU from payments for lignite deliveries from January 2011 to May 2011, totaling approx. CZK 56 million with accessions thereof. The case is being heard by the Regional Court in Plzeň, which has not decided yet.
14. In connection with the Fântânele and Cogeaalac wind farm construction project in Romania, the pertinent project companies of CEZ Group are involved in lawsuits initiated by the municipality of Cogeaalac and other Romanian natural and legal persons that contest some of the construction permits and other administrative permits issued and the ownership of some plots involved in the project and request that some construction work be stopped in relation to this. Some of the lawsuits are being heard by the Curtea Constituțională a României (Constitutional Court). The project companies also lodged criminal charges with the investigation authority in Constanța. In spite of these facts, the construction of the wind farms continues and is expected to be completed in full.
15. As at December 31, 2011, CEZ Distribuție S.A. and CEZ Vanzare S.A. had brought a suit against state-owned companies in the group representing the Romanian Railways, Compania Națională de Căi Ferate "CFR", for debts amounting to RON 175.7 million (approx. CZK 1.0 billion). During H1 2012, the debts were settled based on agreements between CEZ Distribuție S.A. and CEZ Vanzare S.A. and CFR and the Ministry of Transportation and Infrastructure. Therefore, CEZ Distribuție S.A. and CEZ Vanzare S.A. withdrew their petitions and there is no litigation in the matter as at the closing date for the Half-Year Report.
16. CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, and TPP Varna appealed against the decision of the State Commission for Energy and Water Regulation (DKEVR), stipulating prices for the period from July 1, 2011 to June 30, 2012. The Commission had not approved the prices and necessary revenues as proposed by the three companies and, in the opinion of the companies, had breached the rules of procedure and the law a number of times when making its decision. The suit of CEZ Elektro Bulgaria AD was dismissed by the court of first instance in a decision from June 2012; the company filed an appeal. Expert opinions were allowed in the cases of CEZ Razpredelenie Bulgaria AD and TPP Varna heard by courts of first instance.
17. The state-owned energy company KESH, sh.a., requested a judicial order to pay ALL 3.4 billion (approx. CZK 680 million) served to CEZ Shpërndarje Sh.A. in relation to unpaid liabilities of CEZ Shpërndarje Sh.A. The liabilities originated from the purchase of electricity in January – July 2011. The court issued the order to pay in spite of the fact that the invoices issued by KESH, sh.a., cannot be deemed a valid payment title under Albanian law and there was no due trial. CEZ Shpërndarje Sh.A. challenged the validity of the order to pay and achieved a preliminary ruling of a court that suspended the payment until a final decision on the legitimacy of the payment title. The court of first instance decided that the order to pay was invalid; however, KESH, sh.a. lodged an appeal.
18. In December 2011, the Albanian regulatory authority, ERE, issued a decision on new tariffs for the next three-year regulatory period addressed to CEZ Shpërndarje Sh.A. (decisions No. 147 and 148). The decision is not in compliance with several principles contained in the Statement of Regulation that has been a law since 2009, when ČEZ, a. s. acquired an ownership interest in

the Albanian distribution and sales company. CEZ Shpërndarje Sh.A. contested the tariff decision after it was published in the official bulletin.

19. When the stake in CEZ Shpërndarje Sh.A. was acquired, the Statement of Regulation stipulated that, due to inaccuracy and incompleteness of some data used as parameters for regulation, such as the amount of losses or bad debts, independent experts would prepare additional, independent studies to verify such data. The results of the studies were to be taken into consideration by the regulatory authority when defining tariffs. CEZ Shpërndarje Sh.A. provided the regulatory authority, ERE, with a detailed study of bad debts, showing a much higher ratio of bad debts than originally expected. In spite of the Statement of Regulation, ERE neither approved the study nor used its results in its decision on tariffs for 2012-2014. CEZ Shpërndarje Sh.A. brought an action against ERE's decision. The District Court in Tirana partially admitted the action and revoked the ERE decision in the part disregarding the bad debt study. In response to the judgment, ERE issued a new decision on June 14, 2012, in which the bad debts were taken into consideration in accordance with the study.
20. In March 2011, ERE made a decision approving the electricity purchase contract concluded between CEZ Shpërndarje Sh.A. and KESH, sh.a. for 2011. It did so despite the objections raised by CEZ Shpërndarje Sh.A. The contract contains provisions that violate Albanian law. They entitle KESH, sh.a. to request compensation from CEZ Shpërndarje Sh.A. in excess of what is stipulated by the Statement of Regulation, namely for the difference between the amount of electricity estimated for 2011 and the amount actually withdrawn. CEZ Shpërndarje Sh.A. brought an action against ERE's decision. KESH, sh.a. stated in writing that it would invoice compensation exceeding ALL 5 billion (approx. CZK 1 billion). However, there has been no significant progress in the suit yet.

## Other Proceedings

On November 24, 2009, ČEZ, a. s. received a decision of the European Commission ("Commission") dated November 16, 2009, ordering it, together with its subsidiaries and other controlled undertakings, to submit to inspections pursuant to Article 20(4) of Council Regulation (EC) No. 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty (now Articles 101 and 102 of the Treaty on the Functioning of the European Union). A similar inspection also took place in Severočeské doly a.s. On July 11, 2011, the Commission issued a Decision on the Opening of Proceedings pursuant to Chapter III of Council Regulation (EC) No. 1/2003 against ČEZ, a.s. and the entities controlled by it. By contrast with the initial focus of the inspection, the Commission restricted the scope of investigation to a suspected breach of Article 102 of the Treaty on the Functioning of the EU (abuse of a dominant position). The suspicion concerned alleged preventing of entry of competitors into the wholesale electricity generation market, consisting in ČEZ's reserving transmission grid capacities greater than needed for its existing and prepared projects.

On June 28, 2012, ČEZ, a. s. presented to the Commission a proposal for commitments in which it undertook to sell one of its coal-fired power plants. On July 10, 2012, the European Commission invited comments on the proposed commitments of ČEZ, a. s. in a Market Test Notice, containing an overview of the proposed measures, published in the Official Journal of the EU. If the market test confirms that the proposed commitments remedy the Commission's preliminary competition concerns, the Commission will issue a decision that will make the offered commitments legally binding on ČEZ, a. s. According to the contents of the proposed commitments, the company may choose which of the power plants in Počerady, Chvaletice, Tisová together with Mělník 3, or Dětmarovice it will sell. These are coal-fired power plants with an installed capacity of approx. 800 MW (1,000 MW at the Počerady Power Plant). Terminating proceedings by a settlement is common practice in the EU's competition law. In such a case, the Commission will accept the commitments offered by the investigated entity and terminate the proceedings if it comes to the conclusion that the settlement results in sufficient increase in competition on the market so that no further investigation is needed. ČEZ, a. s. is thus eliminating the risk of having to go through the lengthy and costly process of proving that it did not infringe any antitrust rules, while making a sale in line with its own development strategy for coal-fired plants, i.e. operating only modern low-emission plants with secured fuel supplies.

## Contacts

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Customer line for Albania	CEZ Shpërndarje Sh.A.	kujdesi_abonentit@cez.al	0808 181 (when calling from Albania)
Customer line for Bulgaria		zaklienta@cez.bg	0700 10 010 (when calling from Bulgaria)
Customer line for Romania		cez_crc@cez.ro	0251-929 (when calling from Romania)
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Web Self Service Area for Customers		<a href="http://www.cez.cz/cs/pro-zakazniky/virtualni-obchodni-kancelar.html">www.cez.cz/cs/pro-zakazniky/virtualni-obchodni-kancelar.html</a>	
CEZ Group Ombudsman	Josef Sedlák	<a href="http://www.cez.cz/edee/qf/cs/quickforms/ombudsman">www.cez.cz/edee/qf/cs/quickforms/ombudsman</a> Mailing address: ČEZ Ombudsman Hvězdova 1716/2b 140 62 Prague 4	No phone contact

### CEZ Group's Electronic Presentation

CEZ Group presents itself by a comprehensive information service including multimedia at [www.cez.cz](http://www.cez.cz), where a version for mobile devices can also be found.

Information is available on the website in Czech and English and partially also in German. Selected news is also published in Polish.

CEZ Group's internet presentations in the countries it operates in form a set of websites with uniform design. The unique multi-language web portal based on the Czech website can be found at

[www.cez.al](http://www.cez.al) for Albania, [www.cez.bg](http://www.cez.bg) for Bulgaria, [www.cez.hu](http://www.cez.hu) for Hungary, [www.cez.ro](http://www.cez.ro) for Romania, [www.cezpolska.pl](http://www.cezpolska.pl) for Poland, and [www.cez.sk](http://www.cez.sk) for Slovakia. All the websites but the last two also offer certain information in English. Each website contains a description of activities in the country, an overview of local events and information for customers.

Apart from the websites, additional information is provided by specialized microsites (internet presentations complementing the primary website):

- 1) [www.cezregiony.cz](http://www.cezregiony.cz) presents CEZ Group's community involvement projects in the individual regions of the Czech Republic.
- 2) [www.kdejinde.cz](http://www.kdejinde.cz) provides information on vacancies and the advantages of working for CEZ Group.
- 3) [www.futuremotion.cz](http://www.futuremotion.cz) and [www.elektromobilita.cz](http://www.elektromobilita.cz) present the FutureMotion project.
- 4) [www.levnyplynodcez.cz](http://www.levnyplynodcez.cz) and [www.cez.cz/etarif](http://www.cez.cz/etarif) are sales sites informing about advantageous offers for customers and including practical price calculators.

CEZ Group videos can be seen at [www.youtube.com/user/SkupinaCEZ](http://www.youtube.com/user/SkupinaCEZ).

CEZ Group also publishes a number of specialized magazines whose full or online versions can be found on the internet:

- 1) ČEZ Info, a quarterly for corporate customers with news from CEZ Group and the energy sector: [www.cez.cz/cs/pro-zakazniky/ke-stazeni/magazin-cez-info.html](http://www.cez.cz/cs/pro-zakazniky/ke-stazeni/magazin-cez-info.html)
- 2) Šťáva, a lifestyle magazine for retail customers: [www.stava.cz](http://www.stava.cz)
- 3) ČEZ News, a magazine for employees (11 issues per year) that provides detailed information about events within CEZ Group: [www.cez.cz/cs/pro-media/casopis-cez-news](http://www.cez.cz/cs/pro-media/casopis-cez-news)
- 4) Dukovany Nuclear Power Plant's magazine named Zpravodaj for people living near the power plant: [www.cez.cz/cs/vyroba-elektriny/jaderna-energetika/jaderne-elektrarny-cez/edu/informacni-centrum/zpravodaj.html](http://www.cez.cz/cs/vyroba-elektriny/jaderna-energetika/jaderne-elektrarny-cez/edu/informacni-centrum/zpravodaj.html) or its online version at [www.zpravodajedu.cz](http://www.zpravodajedu.cz)
- 5) Temelín Nuclear Power Plant's magazine named Temelínky informs about current activities and events around the power plant: [www.cez.cz/cs/vyroba-elektriny/jaderna-energetika/jaderne-elektrarny-cez/ete/informacni-centrum/temelinky.html](http://www.cez.cz/cs/vyroba-elektriny/jaderna-energetika/jaderne-elektrarny-cez/ete/informacni-centrum/temelinky.html)
- 6) Třetí pól is a popular science and technology e-zine (online magazine) with focus on the energy sector: [3pol.cz](http://3pol.cz)
- 7) An information site with news from the realm of energy and the energy sector sponsored by CEZ Group in Hungary can be found at: [www.energiainfo.hu](http://www.energiainfo.hu)
- 8) Energetika v EU, a monthly bulletin informing about the European integration activities in the energy sector: [www.cez.cz/cs/o-spolecnosti/evropska-agenda/bulletin-energetika-eu.html](http://www.cez.cz/cs/o-spolecnosti/evropska-agenda/bulletin-energetika-eu.html).

There are two sites in English intended primarily for the expert public: a presentation for investors at [www.cez.cz/cs/pro-investory/prezentace-pro-investory/](http://www.cez.cz/cs/pro-investory/prezentace-pro-investory/) and records of conference calls made on each day on which a press conference is held at [www.cez.cz/cs/pro-investory/kalendar-ir-akci.html](http://www.cez.cz/cs/pro-investory/kalendar-ir-akci.html). In both cases, the required year needs to be selected to view the information.

CEZ Group also presents itself on Facebook and Twitter.

## **Glossary of Terms**

### **List of Units Used**

Unit	Commentary
J.kg <sup>-1</sup>	Joules per kilogram; unit of heating value
t	Metric ton; unit of weight
TJ	Terajoule; unit of work (energy)
V	Volt; unit of electric potential (voltage)
W	Watt; unit of power
Wh	Watt-hour, unit of work

### **Method Used to Calculate Key Indicators of CEZ Group**

Indicator	Calculation
Total Debt	Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans
Total Capital	Total Equity Attributable to Equity Holders of the Parent + Total Debt
Net Debt	Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets)
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
Return on Equity, ROE (Net)	Net Profit Attributable to Parent Company Shareholders / Parent Company Shareholders' Average Equity

### **Events in the Financial Calendar**

Financial Calendar	Date
Non-audited consolidated results of CEZ Group operations in Q1-Q3 2012	11/08/2012
Non-audited results of ČEZ, a. s. operations in Q1-Q3 2012	11/08/2012
Interim Consolidated Financial Statements as at September 30, 2012	11/08/2012
Press Conference	11/08/2012
Conference Call (in English)	11/08/2012
Audited Consolidated Financial Statements of CEZ Group for 2012	02/28/2013
Audited Financial Statements of ČEZ, a. s. for 2012	02/28/2013
Press Conference	02/28/2013
Conference Call (in English)	02/28/2013

## **Interim Consolidated Financial Statements**

### **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF JUNE 30, 2012

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2012**

in CZK Millions

	June 30, 2012	December 31, 2011
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	617,978	605,063
Less accumulated provision for depreciation	(316,659)	(305,813)
Net plant in service	301,319	299,250
Nuclear fuel, at amortized cost	9,855	8,844
Construction work in progress	90,720	78,769
Total property, plant and equipment	401,894	386,863
Other non-current assets:		
Investment in associates and joint-ventures	12,978	11,292
Investments and other financial assets, net	41,430	51,810
Intangible assets, net	24,471	16,788
Deferred tax assets	724	826
Total other non-current assets	79,603	80,716
Total non-current assets	481,497	467,579
Current assets:		
Cash and cash equivalents	41,379	22,062
Receivables, net	51,379	54,732
Income tax receivable	4,889	678
Materials and supplies, net	7,296	6,215
Fossil fuel stocks	3,232	2,657
Emission rights	6,299	6,013
Other financial assets, net	49,560	29,569
Other current assets	3,998	4,779
Assets classified as held for sale	-	3,823
Total current assets	168,032	130,528
<b>Total assets</b>	<b>649,529</b>	<b>598,107</b>

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

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2012**

continued

	June 30, 2012	December 31, 2011
<b>Equity and liabilities</b>		
Equity attributable to equity holders of the parent:		
Stated capital	53,799	53,799
Treasury shares	(4,382)	(4,382)
Retained earnings and other reserves	179,389	177,296
Total equity attributable to equity holders of the parent	228,806	226,713
Non-controlling interests	4,796	5,365
Total equity	233,602	232,078
Long-term liabilities:		
Long-term debt, net of current portion (Note 7)	186,574	164,685
Accumulated provision for nuclear decommissioning and fuel storage	37,450	37,285
Other long-term liabilities	21,894	21,721
Total long-term liabilities	245,918	223,691
Deferred tax liability	24,666	16,946
Current liabilities:		
Short-term loans (Note 8)	4,549	5,500
Current portion of long-term debt (Note 7)	14,208	19,264
Trade and other payables	103,171	78,186
Income tax payable	671	1,701
Accrued liabilities	22,744	20,741
Total current liabilities	145,343	125,392
<b>Total equity and liabilities</b>	<b>649,529</b>	<b>598,107</b>

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

in CZK Millions

	1-6/2012	1-6/2011	4-6/2012	4-6/2011
<b>Revenues:</b>				
Sales of electricity	93,912	89,089	46,238	41,088
Gains and losses from electricity, coal and gas derivative trading, net	3,977	4,331	(520)	1,211
Sales of gas, coal, heat and other revenues	15,135	10,134	6,513	4,450
Total revenues	113,024	103,554	52,231	46,749
<b>Operating expenses:</b>				
Fuel	(7,930)	(8,834)	(3,028)	(3,683)
Purchased power and related services	(39,930)	(33,071)	(18,270)	(15,376)
Repairs and maintenance	(2,000)	(2,011)	(1,249)	(1,375)
Depreciation and amortization	(12,990)	(12,223)	(6,508)	(6,153)
Salaries and wages	(8,865)	(8,838)	(4,533)	(4,499)
Materials and supplies	(2,318)	(2,182)	(1,196)	(1,143)
Emission rights, net	797	1,436	432	137
Other operating expenses	(4,348)	(6,163)	(2,271)	(3,517)
Total expenses	(77,584)	(71,886)	(36,623)	(35,609)
<b>Income before other income (expenses) and income taxes</b>	35,440	31,668	15,608	11,140
<b>Other income (expenses):</b>				
Interest on debt, net of capitalized interest	(1,899)	(2,090)	(961)	(1,072)
Interest on nuclear and other provisions	(1,029)	(1,008)	(518)	(503)
Interest income	915	953	512	487
Foreign exchange rate gains (losses), net	(382)	95	(220)	(769)
Other income (expenses), net	(120)	119	751	(465)
Share of profit (loss) from associates and joint-ventures	451	(235)	195	(366)
Total other income (expenses)	(2,064)	(2,166)	(241)	(2,688)
<b>Income before income taxes</b>	33,376	29,502	15,367	8,452
Income taxes	(6,208)	(5,573)	(2,609)	(1,728)
<b>Net income</b>	27,168	23,929	12,758	6,724
<b>Net income attributable to:</b>				
Equity holders of the parent	27,685	23,974	12,862	6,739
Non-controlling interests	(517)	(45)	(104)	(15)
<b>Net income per share attributable to equity holders of the parent (CZK per share)</b>				
Basic	51.8	44.9	24.1	12.6
Diluted	51.8	44.9	24.1	12.6
<b>Average number of shares outstanding (000s)</b>				
Basic	534,115	533,966	534,115	534,028
Diluted	534,120	533,995	534,115	534,078

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

in CZK Millions

	1-6/2012	1-6/2011	4-6/2012	4-6/2011
<b>Net income</b>	27,168	23,929	12,758	6,724
<b>Other comprehensive income:</b>				
Change in fair value of cash flow hedges recognized in equity	1,119	2,723	(6,582)	2,632
Cash flow hedges removed from equity	(3,519)	(656)	(3,713)	(869)
Change in fair value of available-for-sale financial assets recognized in equity	793	17	678	167
Available-for-sale financial assets removed from equity	(24)	2	(17)	(6)
Translation differences	(317)	(2,746)	1,896	(1,576)
Share on equity movements of associates and joint-ventures	2	20	1	10
Deferred tax relating to other comprehensive income (Note 10)	309	(404)	1,830	(373)
<b>Other comprehensive income, net of tax</b>	<u>(1,637)</u>	<u>(1,044)</u>	<u>(5,907)</u>	<u>(15)</u>
<b>Total comprehensive income, net of tax</b>	<u>25,531</u>	<u>22,885</u>	<u>6,851</u>	<u>6,709</u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	26,096	23,056	6,819	6,759
Non-controlling interests	(565)	(171)	32	(50)

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

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, 2010	53,799	(4,619)	(10,193)	3,009	907	178,528	221,431	5,621	227,052
Net income	-	-	-	-	-	23,974	23,974	(45)	23,929
Other comprehensive income	-	-	(2,620)	1,674	8	20	(918)	(126)	(1,044)
Total comprehensive income	-	-	(2,620)	1,674	8	23,994	23,056	(171)	22,885
Dividends	-	-	-	-	-	(26,705)	(26,705)	(4)	(26,709)
Sale of treasury shares	-	237	-	-	-	(68)	169	-	169
Share options	-	-	-	-	37	-	37	-	37
Transfer of exercised and forfeited share options within equity	-	-	-	-	(41)	41	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	355	355
June 30, 2011	53,799	(4,382)	(12,813)	4,683	911	175,790	217,988	5,801	223,789
December 31, 2011	53,799	(4,382)	(10,647)	(4,826)	950	191,819	226,713	5,365	232,078
Net income	-	-	-	-	-	27,685	27,685	(517)	27,168
Other comprehensive income	-	-	(268)	(1,944)	622	1	(1,589)	(48)	(1,637)
Total comprehensive income	-	-	(268)	(1,944)	622	27,686	26,096	(565)	25,531
Dividends	-	-	-	-	-	(24,035)	(24,035)	(4)	(24,039)
Share options	-	-	-	-	42	-	42	-	42
Transfer of exercised and forfeited share options within equity	-	-	-	-	(169)	169	-	-	-
Put options held by non-controlling interest	-	-	-	-	-	75	75	8	83
Acquisition of non-controlling interests	-	-	-	-	-	(85)	(85)	(8)	(93)
June 30, 2012	53,799	(4,382)	(10,915)	(6,770)	1,445	195,629	228,806	4,796	233,602

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

in CZK Millions

	1-6/2012	1-6/2011
<b>Operating activities:</b>		
Income before income taxes	33,376	29,502
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,008	12,226
Amortization of nuclear fuel	1,423	1,817
Gain on fixed asset retirements, net	(85)	(38)
Foreign exchange rate losses (gains), net	382	(95)
Interest expense, interest income and dividend income, net	681	355
Provision for nuclear decommissioning and fuel storage	31	29
Valuation allowances, other provisions and other adjustments	(5,841)	(479)
Share of (profit) loss from associates and joint-ventures	(451)	235
Changes in assets and liabilities:		
Receivables	4,758	(4,043)
Materials and supplies	(1,061)	(678)
Fossil fuel stocks	(465)	(849)
Other current assets	(18,765)	(13,915)
Trade and other payables	3,542	4,870
Accrued liabilities	4,220	496
Cash generated from operations	34,753	29,433
Income taxes paid	(5,494)	(6,252)
Interest paid, net of capitalized interest	(1,959)	(1,837)
Interest received	692	508
Dividends received	270	739
Net cash provided by operating activities	28,262	22,591
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	(3,348)	407
Proceeds from sale of subsidiaries, associates and joint-ventures, net of cash acquired	686	-
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(25,401)	(20,481)
Proceeds from sale of fixed assets	2,261	638
Loans made	(1,319)	(411)
Repayment of loans	3,752	866
Change in decommissioning and other restricted funds	(1,167)	(1,870)
Total cash used in investing activities	(24,536)	(20,581)

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

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

continued

	1-6/2012	1-6/2011
<b>Financing activities:</b>		
Proceeds from borrowings	58,384	55,870
Payments of borrowings	(43,420)	(50,104)
Proceeds from other long-term liabilities	86	33
Payments of other long-term liabilities	(56)	(89)
Dividends paid to Company's shareholders	(44)	(30)
(Dividends paid to) contributions received from non-controlling interests, net	(4)	(4)
(Acquisition) Sale of treasury shares, net	-	169
Total cash provided by (used in) financing activities	14,946	5,845
Net effect of currency translation in cash	645	(462)
<b>Net increase in cash and cash equivalents</b>	19,317	7,123
<b>Cash and cash equivalents at beginning of period</b>	22,062	22,186
<b>Cash and cash equivalents at end of period</b>	41,379	29,309
<b>Supplementary cash flow information</b>		
Total cash paid for interest	3,947	3,353

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

**CEZ GROUP**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2012**

**1. The Company**

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech joint-stock company, owned 69.8% (70.3% of voting rights) at June 30, 2012 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"), which is primarily engaged in the business of production, distribution and sale of electricity.

**2. Summary of Significant Accounting Policies**

**2.1. Financial Statements**

The interim consolidated financial statements for the six months ended June 30, 2012 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2011.

**2.2. Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011.

**3. Seasonality of Operations**

The seasonality within the segments Power Production and Trading and Distribution and Sale usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

#### 4. Changes in the Group Structure

##### Acquisitions of subsidiaries from third parties in the first half of 2012

In June 2012, the Group acquired a 100% interest in the company Energotrans, a.s., which deals with the production and sale of electricity and heat, which supplies to Prague.

Due to the fact that the fair values of acquired identifiable assets and liabilities of the company Energotrans, a.s. have not been finalized yet, the Group has made a provisional accounting of business combination based only on the preliminary results of the purchase price allocation. The provisional fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	<u>Energotrans</u>
Share acquired in the first half of 2012	100%
Property, plant and equipment	7,059
Investments and other financial assets	297
Intangible assets	5,303
Cash and cash equivalents	2,134
Receivables, net	1,869
Income tax receivable	152
Materials and supplies, net	12
Fossil fuel stocks	91
Emission rights	510
Other current assets	45
Other long-term liabilities	(6)
Deferred tax liability	(2,290)
Trade and other payables	(172)
Accrued liabilities	<u>(298)</u>
Total net assets	14,706
Share of net assets acquired	14,706
Goodwill	<u>3,288</u>
Total purchase consideration	17,994
Less:	
Cash and cash equivalents in the subsidiary acquired	(2,134)
Payables from acquisition	(1,460)
Consideration paid in previous periods	<u>(11,963)</u>
Cash outflow on acquisition of the subsidiary	<u><u>2,437</u></u>

If the combination had taken place at the beginning of the year 2012, the profit for CEZ Group as of June 30, 2012 would have been CZK 27,647 million and revenues from continuing operation would have been CZK 114,687 million. The provisional 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 interest from third parties in the first half of 2012

In May 2012 the Group increased its capital share in Eco-Wind Construction S.A. ("EWC") from 67% to 69.03%.

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

	EWC
Share of net assets acquired	8
Amount directly recognized in equity	85
Total purchase consideration	93

The following table summarizes the cash flows related to acquisitions in the first six months of 2012 (in CZK millions):

Investment in subsidiary	6,031
Cash outflows on acquisitions of non-controlling interests	93
Cash contribution to joint-venture	780
Change in payables from acquisitions	(1,422)
Less cash acquired	(2,134)
Total cash outflows on acquisitions	3,348

## 5. Investments in Subsidiaries, Associates and Joint-ventures

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

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
3 L invest a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
A.E. Wind sp. z o.o.	Poland	69.03 %	67.00%	100.00%	100.00%
AREA-GROUP CL a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Bioplyn technologie s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Bohemian Development, a.s.	Czech Republic	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 Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%
	Bosnia and Herzegovina				
CEZ Bosna i Hercegovina d.o.o.	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 Elektroproizvodstvo Bulgaria AD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ FINANCE B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
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 Laboratories Bulgaria EOOD – in liquidation	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Nowa Skawina S.A.	Poland	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	Russia	100.00%	100.00%	100.00%	100.00%
CEZ Shpërndarje Sh.A.	Albania	76.00%	76.00%	76.00%	76.00%
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%

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
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%
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energo, s.r.o.	Czech Republic	50.11%	50.11%	50.11%	50.11%
ČEZ ENERGOSERVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Logistika, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Měření, s.r.o.	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 Správa majetku, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
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%
DOMICA FPI s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Eco-Wind Construction S.A.	Poland	69.03%	67.00%	69.03%	67.00%
eEnergy Hodonín a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
eEnergy Ralsko a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
eEnergy Ralsko - Kuřívody a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Chvaletice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Počerady, a.s.	Czech Republic	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	69.03%	67.00%	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%	-
Farma Wiatrowa Leśce sp. z o.o.	Poland	69.03%	67.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	69.03%	67.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
FVE Buštěhrad a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
FVE Vranovská Ves a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
F.W. Tolkowiec sp. z o.o.	Poland	69.03%	67.00%	100.00%	100.00%
GENTLEY a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
KEFARIUM,a.s.	Czech Republic	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	69.03%	67.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
NERS d.o.o.	Bosnia and Herzegovina	51.00%	51.00%	51.00%	51.00%
New Kosovo Energy L.L.C.	Kosovo	-	100.00%	-	100.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PPC Úžín, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - 1.strojírenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Autodoprava, 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.	Czech Republic	92.65%	92.65%	92.65%	92.65%
SD - Rekultivace, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	100.00%	100.00%	100.00%	100.00%
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%
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%
Teplárna Trmice, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
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%
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

Associates and joint-ventures	Country of incorporation	% equity interest		% voting interest	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Akcez Enerji A.S.	Turkey	44.31%	44.31%	50.00%	50.00%
Aken B.V.	Netherlands	37.36%	37.36%	50.00%	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	33.63%	33.63%	45.00%	45.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
Akka Elektrik Üretim A.S.	Turkey	33.63%	33.63%	45.00%	45.00%
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	Turkey	36.99%	36.99%	49.50%	49.50%
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	33.65%	33.65%	45.54%	45.54%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power International s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
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%
JTSD - Braunkohlebergbau GmbH <sup>1)</sup>	Germany	-	50.00%	-	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	50.00%	50.00%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	36.99%	36.99%	49.50%	49.50%
Mitteldeutsche Braunkohlengesellschaft mbH <sup>1)</sup>	Germany	-	50.00%	-	50.00%
MOL - CEZ European Power Hungary Ltd.	Hungary	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Dagitim A.S.	Turkey	44.31%	44.31%	50.00%	50.00%

The equity interest represents effective ownership interest of the Group.

<sup>1)</sup> Interest of the Group in these companies was sold in June 2012.

## 6. Equity

On June 26, 2012 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share of CZK 45.0. The total amount of dividend approved amounts to CZK 24,035 million.

## 7. Long-term Debt

Long-term debt at June 30, 2012 and December 31, 2011 is as follows (in CZK millions):

	June 30, 2012	December 31, 2011
4.125% Eurobonds, due 2013 (EUR 372 million) <sup>1)</sup>	9,523	12,863
5.125% Eurobonds, due 2012 (EUR 278 million) <sup>2)</sup>	7,134	12,891
6.000% Eurobonds, due 2014 (EUR 600 million)	15,335	15,419
3.005% Eurobonds, due 2038 (JPY 12,000 million)	3,070	3,087
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	34	33
5.750% Eurobonds, due 2015 (EUR 600 million)	15,346	15,436
2.845% Eurobonds, due 2039 (JPY 8,000 million)	2,048	2,060
5.000% Eurobonds, due 2021 (EUR 750 million)	19,175	19,292
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,278	1,285
3M Libor + 0.70% Eurobonds, due 2012 (USD 100 million)	2,035	1,992
6M Pribor + 0.62% Eurobonds, due 2012 (CZK 3,000 million)	2,999	2,999
4.875% Eurobonds, due 2025 (EUR 750 million)	19,124	19,239
4.500% Eurobonds, due 2020 (EUR 750 million)	19,014	19,119
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,944	2,962
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,247	1,247
3.625% Eurobonds, due 2016 (EUR 500 million)	12,730	12,798
2.150%*IRp Eurobonds, due 2021 (EUR 100 million)	2,564	2,580
4.102% Eurobonds, due 2021 (EUR 50 million)	1,276	1,284
4.250% U.S. bonds, due 2022 (USD 700 million)	14,089	-
5.630% U.S. bonds, due 2042 (USD 300 million)	6,035	-
4.500% Registered bonds, due 2030 (EUR 40 million)	1,001	1,006
4.750% Registered bonds, due 2023 (EUR 40 million)	1,010	1,016
4.700% Registered bonds, due 2023 (EUR 40 million)	1,019	-
9.220% Debentures, due 2014 (CZK 2,500 million) <sup>3)</sup>	2,499	2,499
Total bonds and debentures	162,529	151,107
Less: Current portion	(12,168)	(17,882)
Bonds and debentures, net of current portion	150,361	133,225
Long-term bank and other loans:		
Total long-term bank and other loans	38,253	32,842
Less: Current portion	(2,040)	(1,382)
Long-term bank and other loans, net of current portion	36,213	31,460
Total long-term debt	200,782	183,949
Less: Current portion	(14,208)	(19,264)
Total long-term debt, net of current portion	186,574	164,685

<sup>1)</sup> In January 2012, the original nominal value of the issue (EUR 500 million) was reduced by bought back own bonds at a nominal value of EUR 128 million.

<sup>2)</sup> In January 2012, the original nominal value of the issue (EUR 500 million) was reduced by bought back own bonds at a nominal value of EUR 222 million.

<sup>3)</sup> Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%.

## 8. Short-term Loans

Short-term loans at June 30, 2012 and December 31, 2011 are as follows (in CZK millions):

	June 30, 2012	December 31, 2011
Short-term bank loans	3,400	4,333
Bank overdrafts	1,149	1,167
Total	4,549	5,500

## 9. Share options

At June 30, 2012 and December 31, 2011, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,340 thousand and 2,663 thousand, respectively.

The following table shows changes during the first half of 2012 in the number of granted share options and the weighted average exercise prices of these options:

	Number of share options			Weighted average exercise price (CZK per share)
	Board of Directors '000s	Selected managers '000s	Total '000s	
Share options at December 31, 2011	1,903	760	2,663	1,011.70
Options granted	334	208	542	748.28
Options exercised	(800)	(65)	(865)	1,146.82
Share options at June 30, 2012	1,437	903	2,340	900.73

As at June 30, 2012 and December 31, 2011 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	June 30, 2012	December 31, 2011
CZK 700 – 900 per share	1,370	883
CZK 900 – 1,400 per share	970	1,780
Total	2,340	2,663

In the period of six months ended June 30, 2012 and 2011, the Company recognized a compensation expense of CZK 42 million and CZK 37 million, respectively, related to the granted options.

## 10. Income Taxes

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

	1-6/2012			1-6/2011		
	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	1,119	(213)	906	2,723	(518)	2,205
Cash flow hedges removed from equity	(3,519)	669	(2,850)	(656)	125	(531)
Change in fair value of available-for-sale financial assets recognized in equity	793	(152)	641	17	(11)	6
Available-for-sale financial assets removed from equity	(24)	5	(19)	2	-	2
Translation differences	(317)	-	(317)	(2,746)	-	(2,746)
Share on equity movements of associates and joint-ventures	2	-	2	20	-	20
<b>Total</b>	<b>(1,946)</b>	<b>309</b>	<b>(1,637)</b>	<b>(640)</b>	<b>(404)</b>	<b>(1,044)</b>

## 11. 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. The Group has identified seven reportable segments on this basis:

- 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 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 and allocates resources to them based on EBITDA (income before income taxes and other income (expenses) plus depreciation and amortization).

The following tables summarize segment information by operating segments for the six months ended June 30, 2012 and 2011 and at December 31, 2011 (in CZK millions):

June 30, 2012:

	Power Produc- tion and Trading CE	Distribu- tion and Sale CE	Mining CE	Other CE	Power Produc- tion and Trading SEE	Distribu- tion and Sale SEE	Other SEE	Combi- ned	Elimina- tion	Consoli- dated
Sales other than intersegment sales	39,621	50,793	2,480	1,441	1,244	17,436	9	113,024	-	113,024
Intersegment sales	23,932	2,752	3,294	19,397	539	280	1,114	51,308	(51,308)	-
Total revenues	63,553	53,545	5,774	20,838	1,783	17,716	1,123	164,332	(51,308)	113,024
EBITDA	32,446	8,096	2,981	3,401	1,298	167	80	48,469	(39)	48,430
Depreciation and amortization	(7,388)	(1,775)	(1,023)	(1,099)	(524)	(1,149)	(32)	(12,990)	-	(12,990)
EBIT	25,058	6,321	1,958	2,302	774	(982)	48	35,479	(39)	35,440
Interest on debt and provisions	(2,854)	(112)	(153)	(25)	(218)	(79)	12	(3,429)	501	(2,928)
Interest income	1,080	13	236	30	13	67	(23)	1,416	(501)	915
Share of profit (loss) from associates and joint-ventures	(59)	-	32	-	178	300	-	451	-	451
Income taxes	(3,978)	(1,176)	(506)	(476)	12	(81)	(5)	(6,210)	2	(6,208)
Net income	31,317	5,042	2,015	1,812	82	(745)	60	39,583	(12,415)	27,168
Identifiable assets	249,073	69,373	19,914	13,707	27,314	28,258	72	407,711	(5,817)	401,894
Investment in associates and joint- ventures	4,386	-	190	-	6,133	2,269	-	12,978	-	12,978
Unallocated assets										234,657
Total assets										649,529
Additions to non-current assets	13,113	3,476	807	11,085	2,795	1,606	491	33,373	(10,449)	22,924

June 30, 2011:	Power Production and Trading CE				Power Production and Trading SEE				Power Production and Trading SEE				Consolidated
	Distribution and Sale CE	Mining CE	Other CE		Distribution and Sale SEE	Other SEE			Distribution and Sale SEE	Other SEE			
Sales other than intersegment sales	33,870	46,927	2,324	1,371	1,855	17,190	17	103,554	-	103,554	-	103,554	
Intersegment sales	24,118	4,419	3,079	17,317	433	178	1,043	50,587	(50,587)	-		-	
Total revenues	57,988	51,346	5,403	18,688	2,288	17,368	1,060	154,141	(50,587)	103,554		103,554	
EBITDA	28,907	7,832	2,468	2,741	1,780	1,475	74	45,277	(1,386)	43,891		43,891	
Depreciation and amortization	(6,959)	(1,704)	(885)	(1,077)	(454)	(1,115)	(29)	(12,223)	-	(12,223)		(12,223)	
EBIT	21,948	6,128	1,583	1,664	1,326	360	45	33,054	(1,386)	31,668		31,668	
Interest on debt and provisions	(2,935)	(131)	(151)	(17)	(240)	(85)	(44)	(3,603)	505	(3,098)		(3,098)	
Interest income	1,077	16	203	21	28	81	32	1,458	(505)	953		953	
Share of profit (loss) from associates and joint-ventures	32	-	(123)	-	(91)	(53)	-	(235)	-	(235)		(235)	
Income taxes	(3,669)	(1,140)	(284)	(422)	(174)	(146)	(2)	(5,837)	264	(5,573)		(5,573)	
Net income	29,724	4,847	1,526	1,233	894	143	31	38,398	(14,469)	23,929		23,929	
Additions to non-current assets	11,780	4,296	1,611	8,245	602	1,197	328	28,059	(9,085)	18,974		18,974	
December 31, 2011:													
Identifiable assets	237,266	67,712	20,128	15,327	25,859	28,224	82	394,598	(7,735)	386,863		386,863	
Investment in associates and joint-ventures	4,463	-	190	-	4,800	1,839	-	11,292	-	11,292		11,292	
Unallocated assets										199,952		199,952	
Total assets										598,107		598,107	

## **12. Events after the Balance Sheet Date**

In August 2012 ČEZ, a. s. issued thirty-year private placement bond in the total nominal amount of EUR 50 million within the framework of established EMTN (Euro Medium Term Notes) programme. The coupon was set at 4.375% p. a.

## Identification of ČEZ, a. s.

ČEZ, a. s.  
Duhová 2/1444  
140 53 Prague 4  
Czech Republic

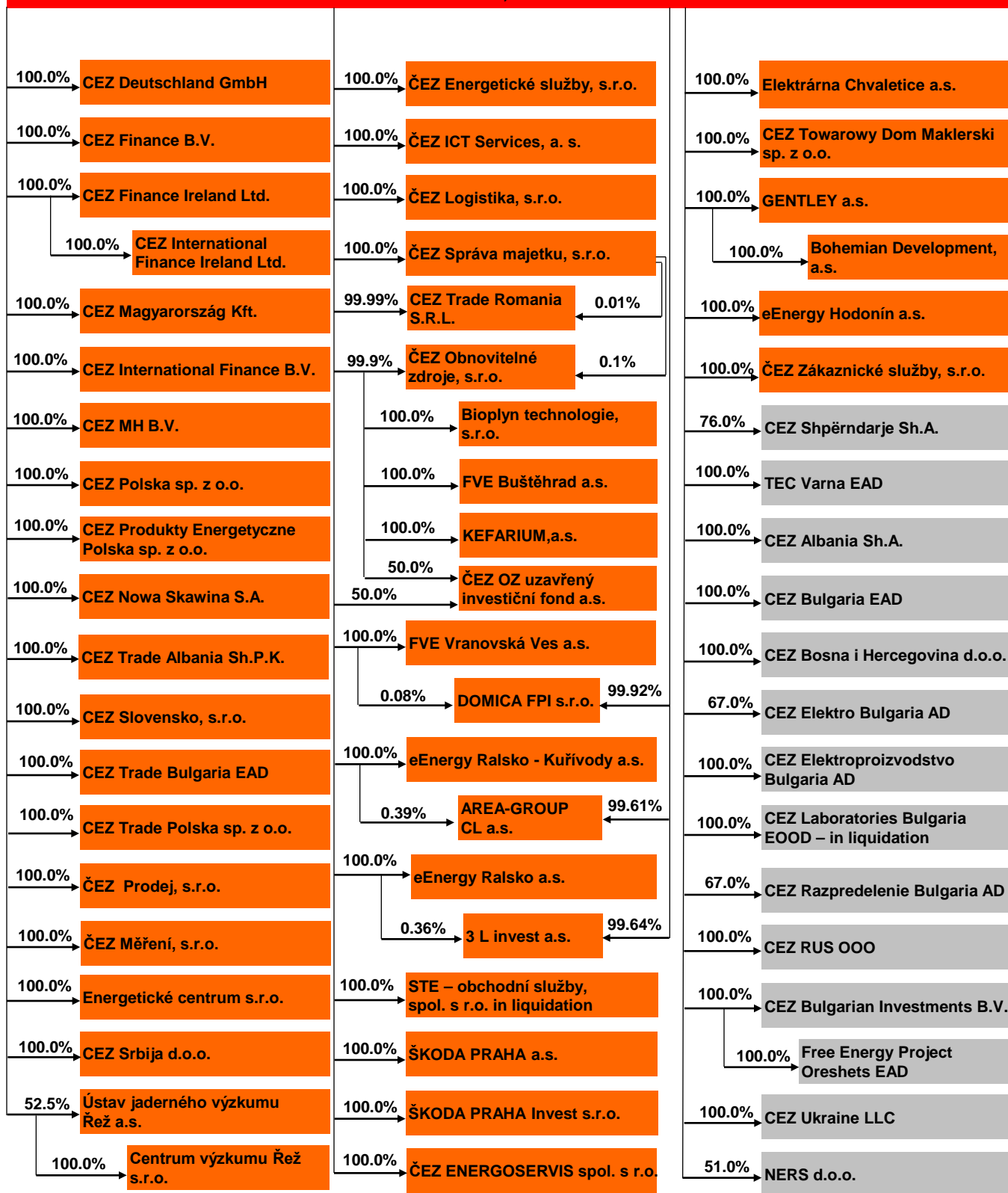
Registered in the Commercial Register kept by the  
Municipal Court in Prague, Section B, File 1581

Established:	1992
Legal form:	joint-stock company
Company ID No:	452 74 649
VAT No.:	CZ45274649
Bank details:	KB Prague 1, account No. 71504011/0100
Phone:	+420 211 041 111
Fax:	+420 211 042 001
Internet:	<a href="http://www.cez.cz">www.cez.cz</a>
E-mail:	<a href="mailto:cez@cez.cz">cez@cez.cz</a>

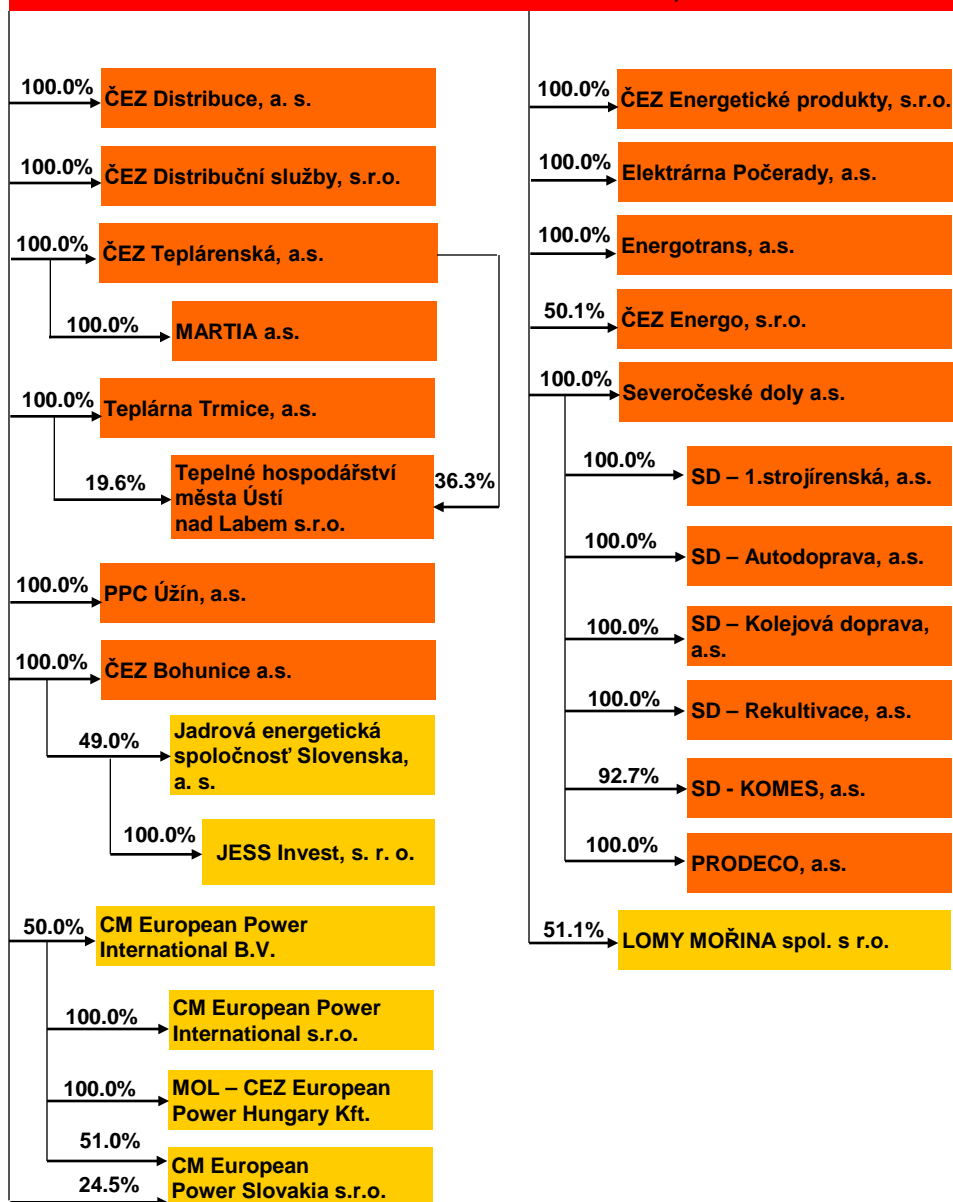
Closing date of the 2012 Half-Year Report: August 13, 2012

**Chart of the CEZ Consolidated Group as at June 30, 2012**

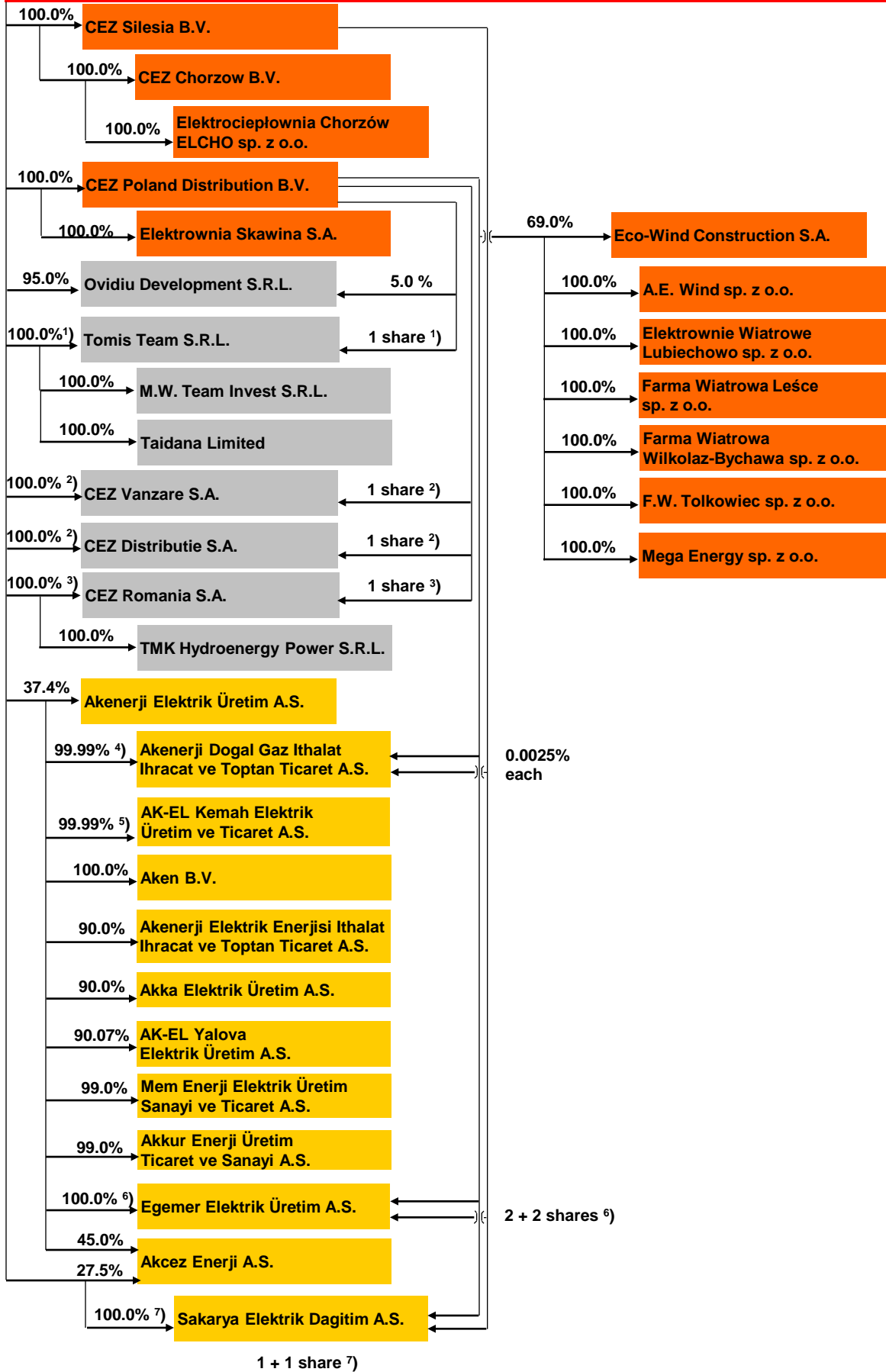
# ČEZ, a. s.







# ČEZ, a. s.



ČEZ, a. s.



Percentages show the controlling entity's share in the company's registered capital

-  Parent company
-  Subsidiary in Central Europe
-  Subsidiary in Southeastern Europe
-  Associate or joint venture

- 1) In Tomis Team—ČEZ, a. s. owns 46,777,102 shares and CEZ Poland Distribution B.V. owns 1 share of a total of 46,777,103 shares. The share of ČEZ, a. s. is 99.999998%, the share of CEZ Poland Distribution B.V. is 0.000002%.
- 2) In CEZ Vanzare and CEZ Distributie—ČEZ, a. s. owns 71,523,468 shares and CEZ Poland Distribution B.V. owns 1 share of a total of 71,523,469 shares. The share of ČEZ, a. s. is 99.9999986%, the share of CEZ Poland Distribution B.V. is 0.00000140%.
- 3) In CEZ Romania S.A.—ČEZ, a. s. owns 192,118 shares and CEZ Poland Distribution B.V. owns 1 share of a total of 192,119 shares. The share of ČEZ, a. s. is 99.9995%, the share of CEZ Poland Distribution B.V. is 0.0005%.
- 4) In Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.—Akenerji Elektrik Üretim A.S. owns 3,312,714 shares, CEZ Poland Distribution B.V. owns 83 shares and CEZ Silesia B.V. owns 83 shares of a total of 3,313,046 shares. The share of Akenerji Elektrik Üretim A.S. is 99.99%, the share of CEZ Poland Distribution B.V. is 0.0025% and the share of CEZ Silesia B.V. is 0.0025%.
- 5) In AK-EL Kemah Elektrik Üretim ve Ticaret A.S.—Akenerji Elektrik Üretim A.S. owns 46,601 shares of a total of 46,605 shares. The share of Akenerji Elektrik Üretim A.S. is 99.9914172%.
- 6) In Egemer Elektrik Üretim A.S.—Akenerji Elektrik Üretim A.S. owns 134,999,992 shares, CEZ Poland Distribution B.V. owns 2 shares and CEZ Silesia B.V. owns 2 shares of a total of 135,000,000 shares. The share of Akenerji Elektrik Üretim A.S. is 99.9999944%, the share of CEZ Poland Distribution B.V. is 0.0000014% and the share of CEZ Silesia B.V. is 0.0000014%.
- 7) In Sakarya Elektrik Dagitim—Akcez Enerji A.S. owns 232,994,896 shares, CEZ Poland Distribution B.V. owns 1 share and CEZ Silesia B.V. owns 1 share. The share of Akcez Enerji A.S. is 99.99999828%, the share of CEZ Poland Distribution B.V. is 0.00000043% and the share of CEZ Silesia B.V. is 0.00000043%.