

# Half-year Report 2015



CEZ GROUP



## CEZ Group's Profile

Headquartered in the Czech Republic, CEZ Group is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. Its core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. ČEZ and its subsidiaries employ around 25,800 people.

The largest shareholder of its parent company, ČEZ, a. s., is the Czech Republic with a nearly 70% stake in the Company's share capital. ČEZ, a. s. shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. Its goal is to bring innovation for resolving energy needs and to help improve the quality of life. As part of its strategic priority—To be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century—CEZ Group wants to operate its power assets as efficiently as possible and to participate in the creation of innovations and trends to contribute to the power sector's future design. Another of its strategic priorities is to address customers' energy needs by offering a wide range of products and services in synergy with electricity and gas sales. As part of its third strategic priority—To strengthen and consolidate CEZ Group's position in Central Europe—CEZ Group strives to remain one of Europe's 10 largest energy companies with a focus on regions that are close to both ČEZ and the Czech Republic.

CEZ Group's Presence in the Energy Sector by Territory



At the same time, CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and the promotion of business segments' and employees' initiative in order to increase CEZ Group's value.

CEZ Group companies in the Czech Republic extract and sell coal, generate and distribute electricity and heat, trade in electricity and other commodities, sell electricity, heat, and natural gas to end customers, and provide other services. Their power generation portfolio consists of nuclear, coal-fired, gas, hydroelectric, photovoltaic, wind, and biogas facilities. To ensure continuity of CEZ Group's successful market presence in the Czech Republic, which it considers crucial for its business, CEZ

Group's power generation portfolio and distribution networks are renewed, upgraded, and developed extensively, and intelligent distribution solutions are put into practice.

CEZ Group's activities abroad consist mainly of electricity distribution, generation, trading, and sales. CEZ Group is the owner or co-owner of generation and distribution assets in Poland, Romania, Bulgaria, Turkey, and Slovakia. CEZ Group's subsidiaries in the Netherlands and Ireland are ownership intermediaries and companies providing financing.

In many European countries, CEZ Group trades in electricity and other commodities on wholesale markets. Besides the Czech Republic, CEZ Group sells electricity or natural gas to end customers in Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

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## Statutory Declaration of Persons Responsible for the CEZ Group Half-Year Report

With the use of all reasonable care, to the best of our knowledge the consolidated half-year report provides a true and fair description of the financial situation, business activities, and results of operations of the issuer and its consolidated group for H1 2015 and of the outlook for the future development of 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.

Prague, August 24, 2015



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



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

## Selected Indicators of CEZ Group

### Selected Indicators of CEZ Group in Accordance with IFRS

	Unit	H1 2014	H1 2015	2015/2014 index (%)
Installed capacity	MW	15,193	15,926	104.8
Electricity generated (gross)	GWh	31,891	32,235	101.1
Electricity sold <sup>1)</sup>	GWh	17,820	19,197	107.7
Heat sold <sup>1)</sup>	TJ	12,019	13,055	108.6
Gas sold <sup>1)</sup>	GWh	2,997	3,837	128.0
Workforce head count as at June 30	persons	26,380	25,752	97.6
Operating revenues	CZK millions	101,706	102,895	101.2
of which: sales of electricity and related services	CZK millions	86,538	90,458	104.5
EBITDA	CZK millions	39,941	35,524	88.9
EBIT	CZK millions	24,098	21,300	88.4
Net income	CZK millions	17,241	15,414	89.4
Adjusted net income	CZK millions	19,313	15,703	81.3
Earnings per share—basic	CZK/share	32.3	28.8	89.2
Dividend per ČEZ, a. s. share (gross) <sup>2)</sup>	CZK/share	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	36,449	28,709	78.8
Capital expenditures (CAPEX) <sup>3)</sup>	CZK millions	(13,914)	(13,409)	96.4
Total assets	CZK millions	627,870 <sup>5)</sup>	614,106	97.8
of which: property, plant, and equipment <sup>4)</sup>	CZK millions	426,542 <sup>5)</sup>	423,880	99.4
Equity (including non-controlling interests)	CZK millions	265,851 <sup>5)</sup>	263,514	99.1
Net debt	CZK millions	135,901	131,083	96.5
Return on Equity, net (ROE)	%	9.6	8.0	83.3
Net debt / EBITDA	1	1.87	1.93	103.2

<sup>1)</sup> Sales to end customers (outside CEZ Group).

<sup>2)</sup> Declared in a given year to be paid out of the previous year's income.

<sup>3)</sup> Additions to property, plant, and equipment and intangibles.

<sup>4)</sup> Property, plant, and equipment (including nuclear fuel and construction work in progress).

<sup>5)</sup> Data as at Dec 31, 2014

### Credit Rating

Standard & Poor's Credit Market Services France S.A.S. affirmed its long-term credit rating of A- with a stable outlook on December 17, 2014, which remained unchanged in H1 2015. Moody's Investors Service Ltd. lowered its long-term credit rating by one notch to A3 with a stable outlook (from the previous A2 with a negative outlook) on June 23, 2015. This aligned Moody's credit rating with that of Standard & Poor's.

Both credit rating agencies are included in the list of credit rating agencies pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council and Regulation (EU) No. 462/2013 of the European Parliament and of the Council. When selecting credit rating agencies, ČEZ, a. s. complies with Article 8d of the above-mentioned Regulation.

## Shares

Four CEZ Group companies have publicly traded shares.

### 1) ČEZ, a. s.

The company's shares have been traded on the stock exchanges in Prague, Czech Republic, and Warsaw, Poland. Their ISIN is CZ0005112300. As at June 30, 2015, the stated capital of ČEZ, a. s. totaled CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a face value of CZK 100.

#### Structure of Shareholders—by Entity Type (%)

	Stake in stated capital as at June 20, 2014 <sup>1)</sup>	Stake in voting rights as at June 20, 2014 <sup>1)</sup>	Stake in stated capital as at June 5, 2015 <sup>2)</sup>	Stake in voting rights as at June 5, 2015 <sup>2)</sup>
<b>Legal entities, total</b>	<b>92.84</b>	<b>92.79</b>	<b>93.06</b>	<b>93.01</b>
of which: Czech Republic	69.78	70.29	69.78	70.27
ČEZ, a. s.	0.72		0.70	
Other legal entities	22.34	22.5	22.58	22.74
<b>Private individuals, total</b>	<b>7.16</b>	<b>7.21</b>	<b>6.94</b>	<b>6.99</b>

<sup>1)</sup> Record date for participation in the 22nd annual general meeting.

<sup>2)</sup> Record date for participation in the 23rd annual general meeting.

#### Entities Holding 1% or More of the Shares of ČEZ, a. s.

Entities with a stake amounting to at least 1% of the stated capital of ČEZ, a. s., as registered on June 5, 2015, included:

1. Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic, with a combined total stake of 69.78% in the stated capital
2. Clearstream Banking, S.A., having a stake of 3.06% in the stated capital
3. Chase Nominees Limited, having a stake of 1.82% in the stated capital
4. Nortrust Nominees Limited, having a stake of 1.79% in the stated capital
5. State Street Bank and Trust Co., having a stake of 1.64% in the stated capital
6. Brown Brothers Harriman, having a stake of 1.01% in the stated capital

These entities have rights pursuant to Section 365 et seq. of the Business Corporations Act.

#### Treasury Shares

At the beginning of 2015, there were 3,875,021 treasury shares with a nominal value of CZK 387,502,100, i.e. 0.720% of the stated capital, on ČEZ's asset account with the Central Securities Depository. During H1, ČEZ used 120,000 shares to satisfy three beneficiaries of the Company's stock option plan. The average price was CZK 565.54 per share. The total amount received for the transfer of shares to the beneficiaries was CZK 67.9m (including interest). As at June 30, 2015, the above-mentioned asset account contained 3,755,021 treasury shares with a nominal value of CZK 375,502,100, i.e. 0.698% of the stated capital.

## Dividend Payments to Shareholders and Dividend Policy

In accordance with the General Meeting's decision, the amount allocated to dividends is CZK 21,519,590,000, i.e. CZK 40 per share before tax. The above-mentioned amount of the dividend is calculated from the total number of shares issued by the Company. The dividend allocated to treasury shares held by the Company at the record date will not be paid. Accordingly, CZK 21,369,390,000 is allocated to outstanding shares. The record date for entitlement to the dividend was June 18, 2015. Entities that were shareholders of the Company on that date are entitled to the dividend.

The dividend is payable on August 3, 2015 and can be claimed until August 1, 2019.

ČEZ updated its dividend policy in May 2015. It increased the dividend payout ratio from a range of 50–60% to 60–80% of consolidated net income adjusted for extraordinary effects. The dividend proposed by the Board of Directors and approved by the General Meeting in 2015 was CZK 40 per share, which corresponds to a payout ratio of 73%.

### ČEZ, a. s. Share Prices in H1 2015 (CZK/Share)



## 2) Akenerji Elektrik Üretim A.S.

The company's shares are traded freely on the stock exchange. A portion of the shares representing a 25.3% stake in its stated capital has been freely traded on the Istanbul stock exchange since July 3, 2000. Their ISIN is TRAAKENR91L9. The shares are not traded on any other public markets. ČEZ, a. s. held a 37.4% stake in the company's stated capital as at June 30, 2015.

## 3) CEZ Elektro Bulgaria AD

The company's shares have been traded on the BSE stock exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100024113. The shares are not traded on any other public markets. ČEZ, a. s. held a 67% stake in the company's stated capital as at June 30, 2015.

## 4) CEZ Razpredelenie Bulgaria AD

The company's shares have been traded on the BSE stock exchange (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100025110. The shares are not traded on any other public markets. ČEZ, a. s. held a 67% stake in the company's stated capital as at June 30, 2015.

## Selected Events

### Selected Events in H1 2015

#### January

- Operation of the coal-fired power plant in Varna, Bulgaria is suspended.
- CEZ Group's Code of Conduct enters into effect as a comprehensive summary of the rules of ethical conduct, with a focus on external relations, employee relations, the environment, occupational safety and health, and security of CEZ Group.

#### March

- An extraordinary exercise with a secret scenario is successfully performed at the Temelín Nuclear Power Plant, with the objective of testing reactions to an unplanned situation.
- A new product, ČEZ WITH REWARD, is launched for natural gas supplies; with a three-year contract, customers are guaranteed prices 7%, 8%, and even 10% below the standard product of the main supplier in the given distribution area in the first, second, and third year, respectively; customers also get an immediate bonus depending on their consumption when entering a contract.

#### April

- The International Court of Arbitration of the ICC in Paris dismisses an overwhelming majority of claims exceeding EUR 81m (CZK 2.2bn) brought against ČEZ by the Romanian company Electrica (and its successor in the case, Societatea de Administrare a Participațiilor în Energie S.A.) for alleged breach of ČEZ's obligations under the 2005 privatization agreement; the Court admits only a bare minimum of the claimant's claims, which is not of material nature.
- The second coordinated exercise in the restoration of the Czech Republic's electricity system following a major power outage (blackout) takes place.

#### May

- ČEZ, a. s. decides not to exercise its first option to sell the Počerady power plant to Vršanská uhelná a.s., a mining company from the Czech Coal group.
- ČEZ, a. s. updates its dividend policy, increasing the dividend payout ratio to 60–80% of consolidated net income adjusted for extraordinary effects.
- The OSART 2015 Corporate Follow-Up Mission takes place, verifying that most findings from the OSART 2013 Mission have been resolved; the remaining three findings are found to show sufficient progress.
- The Government of the Czech Republic approves the updated State Energy Policy, which anticipates, among other things, greater diversification of sources and preservation of the existing full independence in heat and electricity supply but without any major exports of generated electricity.
- The project for "Teplice District Heating—Reducing Heating Costs and Emissions in Teplice" (a district heating system) is named Project of the Year 2014 in the "Development of Heat Supply Systems" category.

#### June

- The 23rd annual general meeting of ČEZ, a. s. is held, adopting a decision to pay a dividend of CZK 40 per share.
- CEZ Group announces its plan to reduce its greenhouse gas emissions to zero by 2050.
- Based on a court decision, ČEZ Prodej receives a total of CZK 1.1bn from Správa železniční dopravní cesty (Railway Infrastructure Administration) on account of a 2010 electricity supply contract.

## **Selected Events Until the Half-Year Report Closing Date**

### **July**

- The Albanian government duly pays another installment of EUR 21.75m (approx. CZK 0.6bn) under the EUR 95m Settlement Agreement, having paid a total of EUR 31.75m since the start of payments; further payments are to be made in yearly installments until 2018.
- CEZ Group acquires a minority stake, together with the right to participate in the German company's strategic decision-making, in Sonnenbatterie GmbH, the world leader in the production of battery energy storage systems.

### **August**

- New regulatory conditions for distribution and sales in Bulgaria are announced with effect from August 1, 2015; the end-customer price is lowered by 1.99%.

## Developments in Relevant Energy Markets

### Electricity

#### Electricity Spot Prices

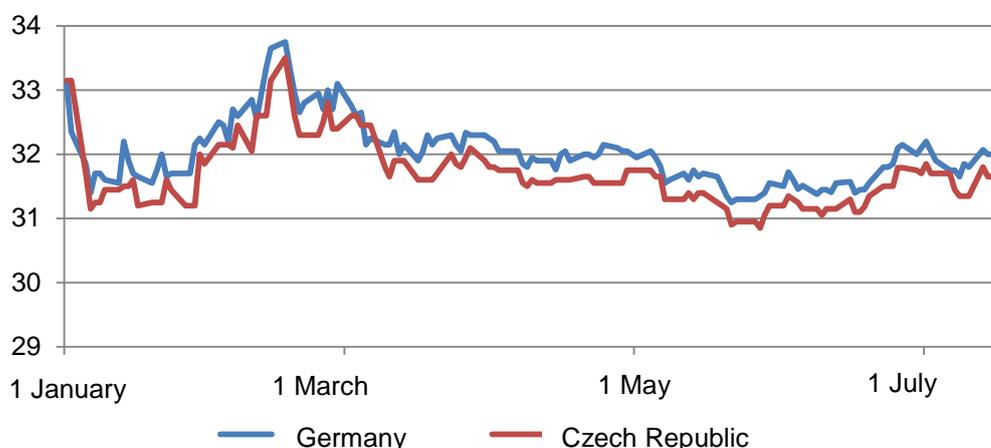
	Unit	Czech Republic—OTE	Germany—EEX
Average baseload price	EUR/MWh	30.3	30.3
Year-on-year change	%	(7.3)	(13.4)
Average peakload price	EUR/MWh	33.4	33.1
Year-on-year change	%	(7.9)	(7.6)

Average prices are calculated from H1 data.

Wholesale prices of electricity in the Czech Republic are linked to prices in Germany due to the close interconnection of these two markets. Electricity prices are influenced by the following factors in particular:

- Commodity prices determining variable generation costs, i.e. especially the prices of coal and natural gas, as well as the price of emission allowances
- Macroeconomic developments, which affect the level of demand for electricity
- Developments in generation capacities in Europe, especially those of renewable sources

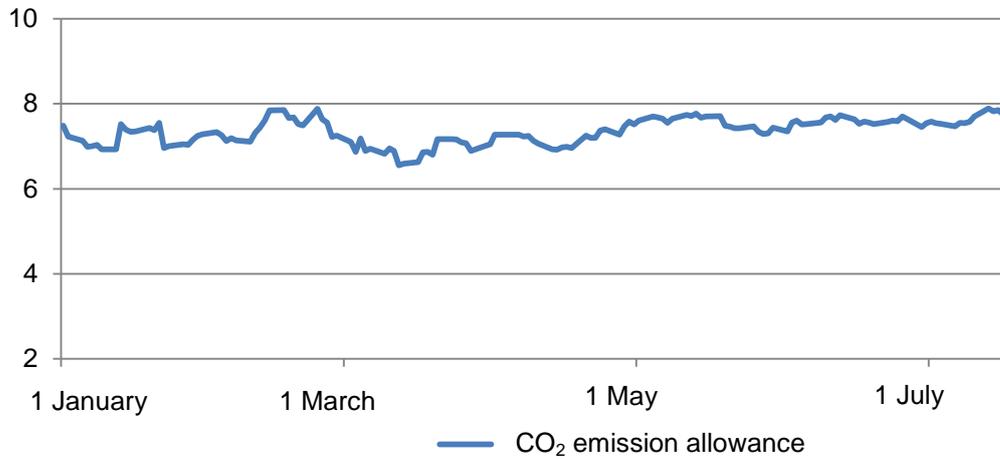
#### Wholesale Price of Electricity (2016 Year Band, EUR/MWh)



The prices of a 2016 forward electricity contract in Germany did not have any clear trend in H1 2015 and varied over a rather narrow range of 31–34 EUR/MWh. This was due to the fact that fuel prices did not undergo any major changes either, and thus they did not provide any substantial stimuli for the price of electricity. Discussion on the possible imposition of a carbon tax on coal-fired power plants in Germany brought about short-term positive expectations of the decommissioning of coal-fired power plants but the proposals were rejected in the end.

## Emission Allowances

### Prices of Emission Allowances (2016 Forward Contracts, EUR/t)



The price of emission allowances was influenced by EU-level discussions on the introduction of the Market Stability Reserve (MSR). Representatives of the European Commission and Parliament and ministers of EU member states reached an agreement on MSR parameters in early May but the market apparently expected the agreement as the price of allowances had grown gradually since March. At the end of H1 2015, the price of allowances was around 7.5 EUR/t.

## External Conditions in the Energy Business

### Developments in Regulation

The business environment in the energy sector is highly influenced by the policies of the European Union, which promotes market liberalization and integration and the implementation of its climate policy. As part of this agenda, the last year saw approval of the 2030 policy framework, building on the action package in place for 2020 (emission reduction, reduced consumption, growth of renewable energy generation). The policy involves continued fulfillment of three targets—reducing emissions by 40% from 1990 levels by 2030, increasing the share of renewable sources to 27% (for the electricity sector, this means that almost one half of production should come from RES in 2030), and reducing energy consumption by at least 27% compared with 2007 predictions.

As for the regulation of emissions, a reform of the allowance market (EU ETS) was approved. Implementing the MSR with effect from 2019 means introducing certain flexibility on the supply side of the EU ETS, as the amount of allowances offered in auctions will depend on the surplus of allowances on the market at the time. The current low prices of allowances are a result of an increasing surplus of allowances caused by a downturn in economic activity in the previous years (among other things). In addition, the price was adversely affected by long-term uncertainty as to the future emission regulation setup. Today's price level fails to drive investment in low-emission technologies or fuel substitution, which is contrary to the EU's long-term targets for emission reduction (80–95% cut compared to 1990 levels by 2050).

The situation in the electricity market will continue to be profoundly influenced by the development of generation from renewable sources due to continued support for this type of generating facilities. Renewable energy sources covered more than a quarter of European energy consumption in 2014 and their share will keep growing. The increasing share of those sources, in combination with stagnating or only slightly growing demand, means less space for conventional energy. In addition, the increased production of photovoltaic power plants drives down the prices of electricity during existing peaks. However, the unstable supply dependent on weather requires large security capacities or reserves. On the other hand, the market deformed by the constant creation of new regulatory measures lacks the necessary stability for making long-term, market-based investment decisions. Significant levels of conventional capacities have been shut down throughout Europe due to economic uncompetitiveness. As a result, a number of European countries started to consider the introduction of capacity markets (trading in the capacity of power plants that are kept on standby and can connect to the grid if necessary); Germany has rejected such proposals so far. Considering capacity markets to be a temporary and makeshift solution, the EU strives to achieve a market design that would minimize the need for them.

### Regulation of the Emission Allowance Market

The Czech Republic, along with another 7 member states of the European Union, is exempted from the obligation to allocate greenhouse gas emission allowances for electricity generation solely at auctions from 2013 on. Its September 2011 application for partially free allocation of allowances for electricity generation (derogation) was approved by the European Commission, as were the applications of Poland and Bulgaria where CEZ Group also operates. Allowances for 2015 heat generation in the Czech Republic and Poland were allocated in February 2015. Allowances for electricity generation are allocated to the Czech Republic by the European Commission with a delay, in the middle of the year. In Poland, where the allocation of allowances for electricity generation is deferred by a year, allowances for 2014 were allocated in April 2015.

Under the derogation, CEZ Group can get 70.2 million tons of emission allowances in the Czech Republic in 2013–2020 in exchange for investments in reducing greenhouse gas emissions. The investments must at least equal the value of the emission allowances allocated for free under the derogations. The value of the emission allowances is calculated on the basis of their market prices in the previous year.

Since 2012, independent financial and energy auditors have confirmed that CEZ Group has invested over CZK 30bn in clean, environmentally friendly technologies, which is more than four times the value of allocated allowances. This confirms the positive stimulating effect of the derogation on energy sector modernization in the Czech Republic.

The emission allowance market has faced a surplus of allowances since the beginning of its existence (the surplus was 2.1 billion tons of allowances at the end of H1 2015). The European Commission took the first step in 2014 by starting to temporarily withdraw 900 million tons of allowances from the market, and subsequently proposed creating the MSR. Its creation was approved by the European Parliament in July 2015 and should be approved by the Council of Ministers in September. With its introduction, the volume of auctions will be restricted if there is a surplus of allowances exceeding a set limit and the spare allowances will be put into the newly established reserve rather than on the market. Conversely, they will be returned from the reserve to the market if the amount of allowances on the market drops under a pre-defined minimum limit.

The next step in the EU ETS reform is revising Directive 2003/87/EC (establishing a scheme for greenhouse gas emission allowance trading) for the period after 2020; on July 15, the European Commission published its proposal for a revision aimed at reducing greenhouse gas emissions and promoting low-carbon technologies in an economical manner. The proposal envisages a faster decline in allowance market supply, accelerating from today's 1.74% to 2.2% per year. 57% of all allowances are to be sold at auction and the remaining part is to be distributed among industrial enterprises for free; 100% free allocation up to benchmark levels (emission standards corresponding to the best 10 percent of establishments in a given sector) is to be preserved for sectors facing a risk of losing competitiveness. Three mechanisms will be created to help especially the less-developed EU member states with transition to a low-carbon economy. The first one is the Innovation Fund, which will support innovative technologies for emission reduction throughout the EU. 450 million tons of allowances will be earmarked for this support. The second mechanism will be the Modernization Fund, intended to contribute to the modernization of energy systems only in states with a GDP per capita of less than 60% of the EU average. The third mechanism is the derogation described above.

Here the Czech Republic should get more than 48 million tons of allowances (worth more than CZK 10bn at the current allowance price) for the support of its projects. Following the positive experience with derogations, states with a GDP per capita of less than 60% of the EU average will remain to be allowed to allocate free allowances to energy companies in exchange for investments in clean technologies in the fourth trading period. Under this mechanism, the Czech Republic will be able to use approx. 120 million tons of allowances (worth almost CZK 26bn at the current allowance price) to support modernization of the energy sector.

### **Brief Forecast of Electricity Sector Development from CEZ Group's Perspective**

Europe's energy sector will continue to be affected most significantly by the future macroeconomic development, the course of the EU's energy policy, and movements in the prices of global energy commodities.

The economic situation in Europe is gradually stabilizing, mostly thanks to the recovery of its two largest economies, Germany and France. Only a slight growth is expected in the next period. The reasons are high levels of government debt and continued budget restrictions, which negatively affect economic activity. Economic growth is in turn the determinant of the rate of growth in electricity consumption. The European Union decided to take the environmental path and its long-term goal for the energy sector is to eliminate CO<sub>2</sub> emissions. A number of countries are however questioning those goals, pointing out the high costs associated with them, which introduces more uncertainty as to the future regulatory setup, e.g. the role of the EU ETS.

Regardless of economic development in the EU countries, the production of electricity from subsidized sources keeps increasing dramatically and the effect of other regulatory measures keeps increasing as well, resulting in shutdowns of conventional generation capacities. As a result, it cannot be ruled out that additional capacity payments or markets will be introduced to cover peak demand. So far, such plans have been made mostly at national level without much coordination among states. If introduced, such support mechanisms can have an adverse impact on the effectiveness of the wholesale market.

A rapid growth in generation at rather unstable photovoltaic power plants and wind farms, in particular, is also causing concern among transmission grid operators. Their European association (ENTSO-E) came up with a plan for the necessary strengthening of grids but the progress of construction has been much slower than needed.

The prices of main energy commodities on global commodity markets keep trending downwards. The price of oil dropped by 50% during the last year, to around 50 USD/bbl., due to high production in some OPEC member countries. While a slight price increase is expected in the middle term, it is highly

unlikely to reach the previous period's level (~100 USD/bbl.) in the next few years. The slump in oil prices was reflected in dropping prices of other energy commodities—coal and natural gas. The market price of coal is adversely affected, among other things, by China's declining demand for coal imports. Global markets will remain sufficiently supplied in the near future thanks to steady progress in extraction technologies and slow growth in global demand.

Another determining factor for the energy sector's future is technology advancement. Significant progress has been made especially in renewable energy generation in recent years. Capital expenditures on photovoltaic panels have dropped by more than 70% during the past five years and another drop of up to tens of percent is expected by 2020. Costs have been decreasing and parameters have been improving in other types of renewable energy sources, small CHP units, or energy storage technologies. Technology advancement will lead to rise of decentralized energy sector (i. e. customer installations) at the expense of large facilities. Thus, the development of distributed generation will be driven more and more by cost competitiveness rather than subsidies as before.

## CEZ Group Strategic Objectives

CEZ Group continues to implement its objectives in 2015. Its current strategy integrates initiatives undertaken in the past three years, allowing it to remain a modern corporation providing safe and reliable power for its customers and society in the future. The practical fulfillment of CEZ Group's strategy pivots on three strategic priorities announced in 2014:

### I. **Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century**

We want to operate power assets as efficiently as possible from the point of view of both shareholders and customers.

We want to proactively react now to the power sector's future with a large proportion of decentralized and zero-emission generation and to diminishing differences between producers and consumers. Initiatives in this area are structured according to the main groups of assets:

- **Nuclear power plants**—Implementing long-term operation programs at Dukovany and Temelín; making a continuous effort to increase capacity and availability; developing projects for new units at Temelín and Dukovany in line with the State Energy Policy and in cooperation with the Czech government
- **Coal-fired power plants and mines**—Completing the renovation of lignite-fired power plants and making the most of the service life of the power plants and the mines that supply them with coal; preparing all units for future requirements—flexibility, low emissions, high efficiency
- **Heating**—Efficiently operating and developing promising district heating systems while making preparations for the decentralization of heating generation and distribution systems
- **Distribution**—Continually improving the efficiency of distribution grid operation; making preparations for operation under the conditions of increasingly decentralized generation

### II. **Offer customers a wide range of products and services addressing their energy needs**

We want to offer our customers partnership, expertise, tools, and financing to meet their energy needs—our customers are much more active in the control of their electricity and gas consumption and use in general as well as in their own production. We want to complement this with additional products that have synergy with the sale of electricity and gas.

Subsidiary goals have been defined within the second pillar—achieving excellent customer care in the sale of electricity and gas; expanding our offer to include additional products that have synergies with energy commodities or aim to satisfy customers' energy needs; launching new business models—from equipment deliveries to electricity generation and supply at the customer's point of consumption to financing and related services.

### III. **Strengthen and consolidate our position in Central Europe**

We want to maintain our position among the top 10 energy companies in Europe. CEZ Group's size allows us to take advantage of major synergies during the operation of our assets and when offering new products and serving our customers. We focus our attention on regions and countries that are close to both ČEZ and the Czech Republic in terms of energy markets, economy, and politics and culture; however, undisputed profitability remains the key indicator. There are also concurrent initiatives aiming to mitigate the risks of unpredictable developments in the countries that CEZ Group operates in—optimization of the capital and ownership structure, possible divestment of selected assets.

## Financial Performance of CEZ Group

As at June 30, 2015, the consolidated CEZ Group comprised a total of 108 companies, with 91 companies fully consolidated and 17 joint ventures consolidated using the equity method.

### CEZ Group Consolidated Unit as at June 30, 2015

The companies of the CEZ Group consolidated accounting unit are divided into 7 operating segments.

#### Power Production & Trading Central Europe

ČEZ, a. s.  
A.E. Wind sp. z o.o.  
Areál Třeboradice, a.s.  
Baltic Green I sp. z o.o.  
Baltic Green II sp. z o.o.  
Baltic Green III sp. z o.o.  
Baltic Green IV sp. z o.o.  
Baltic Green V sp. z o.o.  
Baltic Green VI sp. z o.o.  
Baltic Green VII sp. z o.o.  
Baltic Green VIII sp. z o.o.  
CEZ Deutschland GmbH  
CEZ Finance Polska sp. z o.o.  
CEZ Chorzow B.V.  
CEZ Chorzów S.A.  
CEZ MH B.V.  
CEZ Poland Distribution B.V.  
CEZ Produkty Energetyczne Polska sp. z o.o.  
CEZ Silesia B.V.  
CEZ Skawina S.A.  
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 Obnovitelné zdroje, s.r.o.  
ČEZ OZ uzavřený investiční fond a.s.  
ČEZ Recyklace, s.r.o.  
ČEZ Teplárenská, a.s.  
Eco-Wind Construction S.A.  
Elektrárna Dětmorovice, a.s.  
Elektrárna Mělník III, a. s.  
Elektrárna Počerady, a.s.  
Elektrárna Tisová, a.s.  
Elektrownie Wiatrowe Lubiechowo sp. z o.o.  
Energetické centrum s.r.o.  
Energocentrum Vítkovice, a. s.  
Energotrans, a.s.  
Farma Wiatrowa Leśce sp. z o.o.  
Farma Wiatrowa Wilkołaz-Bychawa sp. z o.o.  
MARTIA a.s.  
Mega Energy sp. z o.o.  
Tepelné hospodářství města Ústí nad Labem s.r.o.  
CM European Power International B.V.<sup>\*)</sup>  
CM European Power Slovakia s.r.o.<sup>\*)</sup>  
ČEZ Energo, s.r.o.<sup>\*)</sup>  
Jadrová energetická spoločnosť Slovenska, a. s.<sup>\*)</sup>  
JESS Invest, s. r. o.<sup>\*)</sup>

#### Power Production & Trading Southeast Europe

Bara Group OOD  
CEZ Bulgarian Investments B.V.  
Free Energy Project Oreshets EAD  
M.W. Team Invest S.R.L.  
Ovidiu Development S.R.L.  
Taidana Limited  
TEC Varna EAD  
TMK Hydroenergy Power S.R.L.  
Tomis Team S.R.L.  
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>  
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>  
Egemer Elektrik Üretim A.S.<sup>\*)</sup>  
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.<sup>\*)</sup>

### Distribution & Sale Central Europe

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

### Distribution & Sale Southeast Europe

CEZ Distributie, S.A.  
CEZ Elektro Bulgaria AD  
CEZ Razpredelenie Bulgaria AD  
CEZ Trade Bulgaria EAD  
CEZ Vanzare S.A.  
Shared Services Albania Sh.A.  
Akcez Enerji A.S. \*)  
Sakarya Elektrik Dagitim A.S. \*)  
Sakarya Elektrik Perakende Satis A.S. \*)

### Mining Central Europe

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

### 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 ENERGOSEVIS spol. s r.o.  
ČEZ ICT Services, a. s.  
ČEZ Inženýring, s.r.o.  
ČEZ Korporátní služby, s.r.o.  
ČEZ Nová energetika, a.s.  
ČEZ Zákaznické služby, s.r.o.  
EVČ s.r.o.  
PRODECO, a.s.  
Revitrans, a.s.  
SD – Kolejová doprava, a.s.  
ŠKODA PRAHA a.s.  
ŠKODA PRAHA Invest, s.r.o.  
Telco Pro Services, a. s.  
ÚJV Řež, a. s.

\*) *Joint venture*

### Other Southeast Europe

CEZ Bulgaria EAD  
CEZ ICT Bulgaria EAD  
CEZ Romania S.A.  
CEZ Ukraine LLC

## CEZ Group Financial Performance Results

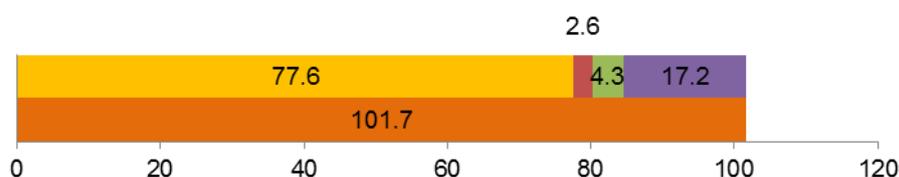
Earnings before depreciation and amortization, impairment and sale of property, plant, and equipment and intangibles, and write-off of canceled investments (EBITDA) decreased by CZK 4.4bn year-on-year to CZK 35.5bn. Net income decreased by CZK 1.8bn year-on-year to CZK 15.4bn.

The main reasons for the year-on-year decrease in net income included a decrease in the realization prices of electricity and the termination of a long-term contract with CA-CIB in H1 2014. A positive effect on the year-on-year comparison was produced by cuts in fixed operating costs and the repayment of debts of Správa železniční dopravní cesty (SŽDC) from 2010.

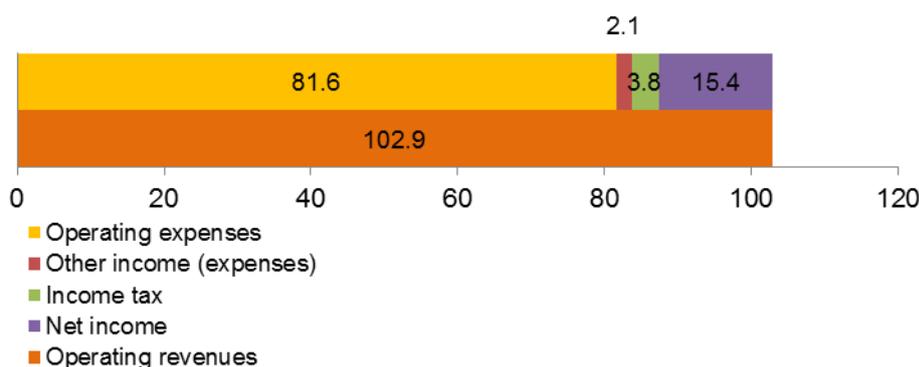
### Trends in Revenues, Expenses, and Profits

#### CEZ Group Net Income Breakdown (CZK billions)

##### H1 2014



##### H1 2015



Operating revenues increased by CZK 1.2bn year-on-year due to increased sales of electricity and related services (CZK +3.9bn) and due to higher sales of gas and heat and other revenue (CZK +1.7bn), including income from the repayment of SŽDC's debts from 2010. In year-on-year comparison, operating revenues were negatively affected primarily by lower realization prices of generated electricity, including the effects of hedges, and the termination of the long-term contract with CA-CIB in H1 2014.

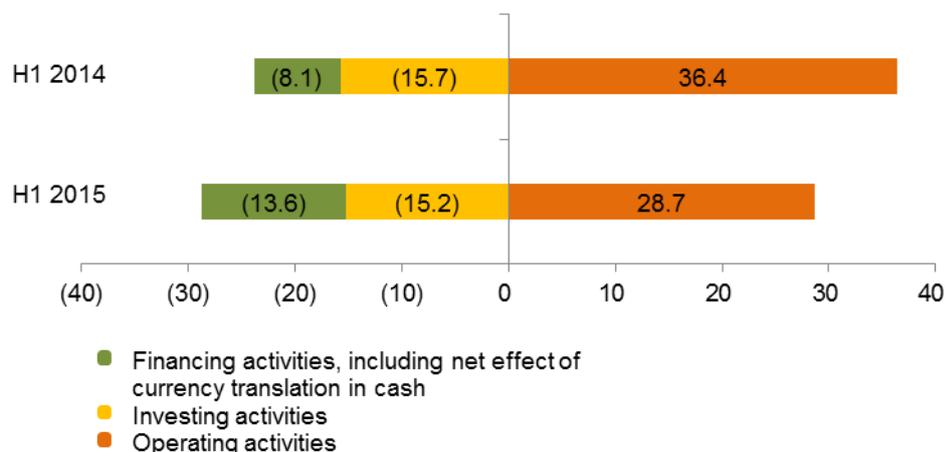
Operating expenses increased by CZK 4.0bn year-on-year, primarily due to increased purchase costs of electricity and related services (CZK -6.2bn). Depreciation and amortization increased year-on-year (CZK -0.5bn) due to investments in fixed assets. Year-on-year decrease in certificate allocation, especially in Romania, increased operating expenses (CZK -0.4bn). By contrast, a positive year-on-year effect was produced by additions to fixed assets' impairments in Romania in H1 2014 (CZK +2.1bn) and cuts in fixed operating costs (CZK +1.3bn).

Other income and expenses, net, increased the profit by CZK 0.5bn. Bond buyback costs were incurred in 2014, which improves other income (expenses) year-on-year (CZK +0.5bn). Another positive effect is produced by decreased volume of debt and thus year-on-year lower interest expenses (CZK +0.4bn). In addition, funds deposited in short-term securities and in restricted accounts increased in value in 2015 (CZK +0.3bn). By contrast, the negative effect of changes in the TRY/USD exchange rate decreases CEZ Group's share of profit at joint ventures in Turkey (CZK -0.8bn).

Income tax decreased by CZK 0.5bn due to lower earnings before taxes.

## Cash Flows

### CEZ Group Cash Flows (CZK billions)



Cash flows from operating activities decreased by CZK 7.7bn year-on-year. Income before tax, after adjustments for non-monetary transactions, decreased in the year-on-year comparison (CZK -3.4bn); change in working capital had a negative year-on-year effect (CZK -4.5bn).

The main cause of the negative change in working capital was a year-on-year change in net trade receivables and payables incl. received advances and accruals/deferrals (CZK -4.2bn) and year-on-year increase in term deposits with more than 6-month maturity and liquid securities (CZK -1.2bn). Another negative effect was produced by the year-on-year change in net receivables and payables from derivatives incl. options (CZK -0.7bn).

Conversely, year-on-year change in inventories of materials and fossil fuels (CZK +0.8bn), year-on-year change in emission allowances (CZK +0.2bn), and other working capital items (CZK +0.6bn) increased cash from operating cash flows.

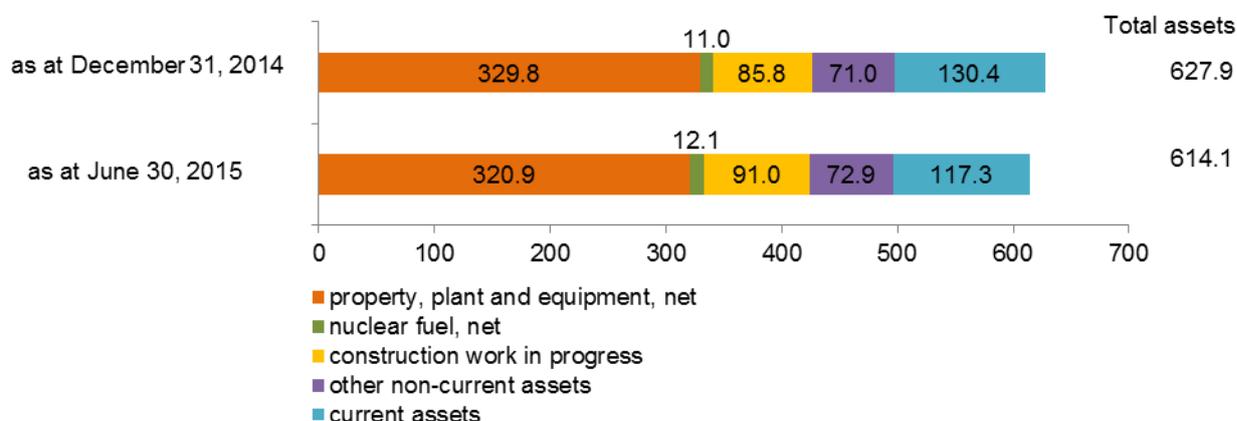
Cash used in investing activities decreased by CZK 0.5bn year-on-year, primarily due to year-on-year change in liabilities attributable to capital expenditure (CZK +0.7bn), year-on-year decrease in capital expenditure (CAPEX) on property, plant, and equipment and intangibles (CZK +0.5bn), and year-on-year increase in receivable's payment on account of the sale of the Chvaletice Power Plant (CZK +0.3bn). The opposite effect was produced by a year-on-year decrease in proceeds from sales of fixed assets (CZK -0.7bn) and year-on-year increase in additions to long-term financial assets (CZK -0.4bn).

Cash used in financing activities, including the net effect of currency translation in cash, increased by CZK 5.5bn year-on-year. The main reason was a year-on-year increase in the balance of repayments of and proceeds from borrowings (CZK -5.2bn) and year-on-year change in the net effect of currency translation in cash (CZK -0.3bn).

## Structure of Assets, Equity and Liabilities

The value of CEZ Group's consolidated assets and equity&liabilities decreased by CZK 13.8bn to CZK 614.1bn in H1 2015.

### Structure of CEZ Group Assets (CZK billions)



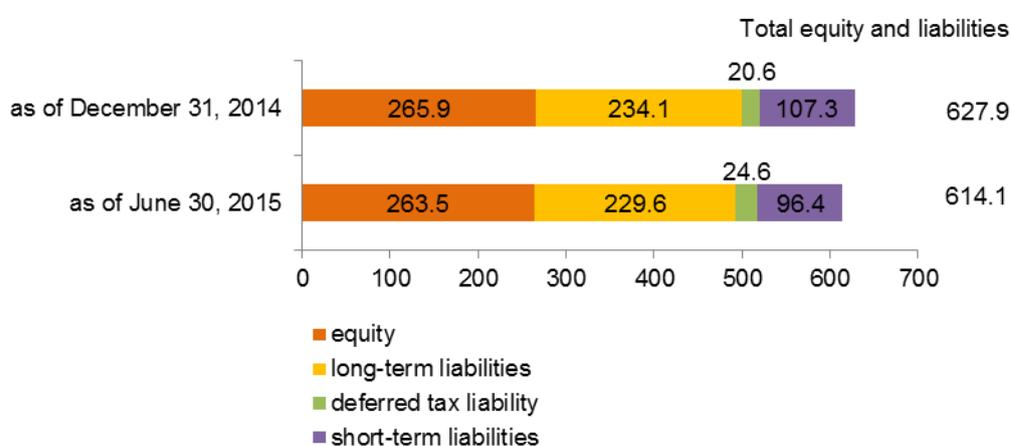
Non-current assets decreased by CZK 0.7bn to CZK 496.8bn.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress decreased by CZK 2.7bn. The decrease in net plant in service of CZK 8.9bn was partially compensated for by an increase in construction work in progress, including advance payments, of CZK 5.2bn and an increase in nuclear fuel inventory of CZK 1.1bn.

The increase in other non-current assets of CZK 2.0bn was most significantly affected by an increase in long-term receivables from derivative trading of CZK 2.5bn and an increase in available-for-sale securities of CZK 2.1bn primarily due to the positive revaluation of MOL Nyrt. shares to their fair value. A negative effect was produced by a decrease in the value of investment in associates and joint ventures of CZK 1.8bn, resulting primarily from lower profits due to a negative exchange rate change, and a decrease in long-term intangible assets of CZK 0.5bn primarily due to recognized write-offs.

Current assets decreased by CZK 13.1bn to CZK 117.3bn in H1 2015. There was a decrease in short-term receivables from derivative trading incl. options of CZK 6.9bn and net receivables (especially trade receivables) of CZK 5.5bn. In addition, inventories of emission allowances decreased by CZK 3.9bn and inventories of fossil fuels and materials by CZK 0.7bn. The decrease was partially compensated for by an increase in income tax receivables of CZK 2.2bn and an increase in liquid securities and short-term deposits of CZK 1.7bn.

### Structure of CEZ Group Equity and Liabilities (CZK billions)



Equity, including non-controlling interests, decreased by CZK 2.3bn to CZK 263.5bn.

Net income generated in H1 2015 increased equity by CZK 15.4bn, while, on the other hand, dividends declared (excluding dividends on treasury shares) decreased equity by CZK 21.4bn. Other comprehensive income increased equity by CZK 3.5bn, primarily in the area of cash flow hedging by CZK 4.3bn, and available-for-sale securities by CZK 1.1bn. By contrast, currency translation differences of CZK 1.2bn and deferred income tax associated with other comprehensive income of CZK 0.7bn decreased other comprehensive income.

Long-term liabilities decreased by CZK 4.5bn to CZK 229.6bn primarily due to a change in the volume of issued bonds of CZK 9.3bn and other long-term liabilities of CZK 0.8bn. The decrease in long-term liabilities was partially offset by an increase in long-term bank loans of CZK 5.9bn.

The value of deferred tax liability grew by CZK 4.0bn to CZK 24.6bn.

The decrease in short-term liabilities by CZK 11.0bn to CZK 96.4bn was primarily due to decrease in the current portion of long-term debt, including short-term loans, of CZK 10.4bn. In addition, there was a decrease in trade payables of CZK 6.2bn, liabilities from derivative trading incl. options of CZK 4.9bn, unbilled deliveries of CZK 4.6bn, emission allowance provisions of CZK 4.3bn, interest expense accruals of CZK 1.3bn, and income tax liabilities of CZK 0.8bn. By contrast, liabilities to shareholders on account of dividends declared increased by CZK 21.3bn.

### Comprehensive Income

Net comprehensive income increased by CZK 0.4bn to CZK 19.0bn year-on-year. Other comprehensive income increased by CZK 2.3bn year-on-year and was offset by year-on-year decrease in net income of CZK 1.8bn.

Other comprehensive income was positively affected primarily by cash flow hedging and available-for-sale securities in H1 2015, which increased other comprehensive income by CZK 4.4bn year-on-year; by contrast, it was decreased year-on-year primarily by the differences of currency translation in equity (CZK -1.9bn) and deferred tax associated with other comprehensive income (CZK -0.2bn).

### CEZ Group Net Debt (CZK billions)

	H1 2014	H1 2015
Long-term debt, net of current portion	159.0	157.4
Current portion of long-term debt	31.6	11.4
Short-term borrowings	0.6	1.5
<b>Financial debt</b>	<b>191.3</b>	<b>170.3</b>
Cash and cash equivalents	(37.7)	(20.0)
Highly liquid financial assets	(17.7)	(19.2)
<b>Net debt</b>	<b>135.9</b>	<b>131.1</b>
EBITDA (as in preceding 12 months)	<b>72.7</b>	<b>68.1</b>
<b>Net debt / EBITDA</b>	<b>1.87</b>	<b>1.93</b>

## CEZ Group Financial Results by Segment

### Segments by Their Contributions to Overall CEZ Group Financial Performance

	Sales other than intersegment sales (CZK millions)	Intersegment sales (CZK millions)	Total revenues (CZK millions)	EBITDA (CZK millions)	EBIT (CZK millions)	Income tax (CZK millions)	Net income (CZK millions)	CAPEX (CZK millions)	Employees as at June 30 (persons)
<b>Power Production &amp; Trading CE</b>									
H1 2014	30,933	18,002	48,935	23,843	15,775	(2,211)	25,402	8,365	7,277
H1 2015	27,076	18,732	45,808	18,412	9,729	(1,631)	20,447	7,724	7,476
<b>Distribution &amp; Sale CE</b>									
H1 2014	50,260	2,442	52,702	9,445	7,556	(1,373)	6,009	3,134	1,502
H1 2015	53,165	1,693	54,858	10,920	8,929	(1,680)	7,108	3,256	1,517
<b>Mining CE</b>									
H1 2014	2,101	2,613	4,714	1,941	814	(161)	1,225	792	2,951
H1 2015	2,086	2,461	4,547	2,009	799	(143)	1,238	670	2,682
<b>Other CE</b>									
H1 2014	1,079	12,539	13,618	2,377	1,313	(291)	1,027	5,883	9,229
H1 2015	1,109	10,970	12,079	1,869	928	(188)	1,582	4,100	8,988
<b>Power Production &amp; Trading SEE</b>									
H1 2014	686	433	1,119	641	(2,126)	(55)	(2,397)	(29)	360
H1 2015	784	252	1,036	333	(167)	51	(1,064)	39	122
<b>Distribution &amp; Sale SEE</b>									
H1 2014	16,638	276	16,914	1,643	751	(165)	745	1,010	3,916
H1 2015	18,662	157	18,819	1,914	1,012	(161)	561	919	3,923
<b>Other SEE</b>									
H1 2014	9	1,064	1,073	62	26	(5)	21	383	1,145
H1 2015	13	898	911	66	69	(8)	56	300	1,044
<b>Elimination</b>									
H1 2014	N/A	(37,369)	(37,369)	(11)	(11)	5	(14,791)	(5,624)	N/A
H1 2015	N/A	(35,163)	(35,163)	1	1	N/A	(14,514)	(3,599)	N/A
<b>Consolidated</b>									
H1 2014	101,706	N/A	101,706	39,941	24,098	(4,256)	17,241	13,914	26,380
H1 2015	102,895	N/A	102,895	35,524	21,300	(3,760)	15,414	13,409	25,752

CE = Central Europe  
SEE = Southeast Europe

The biggest segment, Power Production & Trading Central Europe, saw its EBITDA decrease by CZK 5.4bn year-on-year. The main reasons behind the lower EBITDA in the Czech Republic were primarily lower realization prices of generated electricity, including the effects of hedges (CZK -3.9bn), as well as the effect of the termination of the long-term contract with CA-CIB in 2014 (CZK -1.6bn), the effect of the USD/EUR exchange rate on the hedging of an oil-linked contract (CZK -0.4bn), and lower revenue from ancillary services (CZK -0.3bn). Conversely, there was a positive effect of cuts in fixed operating costs as a result of adopted economy measures (CZK +1.1bn). In Poland, EBITDA remained virtually unchanged year-on-year.

The 0.4TWh (1.5%) increase in power production in the Czech Republic was primarily attributable to a production increase of 0.3 TWh at hydro power plants, due to better hydrological conditions, and 0.2 TWh at coal-fired power plants. The opposite effect was produced by a 0.1TWh decrease in the production of nuclear power plants due to a longer outage at the Temelín NPP. Power production in Poland increased by 2%.

External heat sales outside CEZ Group increased by approximately 0.7 thousand TJ (7%) year-on-year in the Czech Republic due to higher average temperatures in Q1 2014. In Poland, heat sales increased by approximately 0.4 thousand TJ (15%).

Distribution & Sale Central Europe achieved a year-on-year increase in EBITDA of CZK 1.5bn. Distribution registered a year-on-year decrease of CZK 0.2bn. The decrease was primarily due to lower gross margin on energy-related activities (CZK -0.7bn) due to the use of remaining correction factors from renewable energy sources in 2014 (amounting to CZK -1.0bn), partially offset by a higher distributed amount of electricity in 2015 (CZK +0.3bn). Main positive effects included lower fixed operating costs (CZK +0.4bn) and higher gross margin on non-energy activities (CZK +0.1bn). The EBITDA attributable to sale increased by CZK 1.7bn year-on-year. This was primarily due to the payment of the 2010 debt of Správa železniční dopravní cesty to ČEZ Prodej based on a court decision (CZK +1.1bn) as well as to lower average purchase price of electricity (CZK +0.3bn) and a negative balance of support for mandatory purchases in the Czech Republic in 2014 (CZK +0.1bn). The volume of electricity sold to end customers increased by 1.1 TWh (9.5%) year-on-year. The volume of gas sold to end customers in the Czech Republic and Slovakia increased by 0.8 TWh (28%) year-on-year due to climatic conditions and an increased number of new customers.

Mining Central Europe achieved a year-on-year increase in EBITDA of CZK 0.1bn thanks to lower costs due to lower production and economy measures (CZK +0.3bn). There was a decrease in revenue in connection with lower consumption of power coal especially by ČEZ (CZK -0.2bn).

The EBITDA of Other Central Europe decreased by CZK 0.5bn year-on-year due to lower sales and margins generated by intra-group services, primarily due to customers' economy measures. This concerned in particular ČEZ Distribuční služby, ČEZ ICT Services, and ČEZ Korporátní služby.

The EBITDA of Power Production & Trading Southeast Europe decreased by CZK 0.3bn year-on-year due to unfavorable developments in the regulatory environment in Romania (CZK -0.4bn). The financial performance of the Romanian wind parks at Fântânele and Cogeaalac was negatively affected by the suspension of green certificate allocation to Cogeaalac (since October 1, 2014), a lower market price of green certificates, and a lower average price of electric power. EBITDA in Bulgaria increased by CZK 0.1bn year-on-year primarily due to lower operating costs in connection with the suspension of operation of the Varna Power Plant since January 1, 2015 and due to a negative generation margin in 2014.

Distribution & Sale Southeast Europe improved its EBITDA by CZK 0.3bn year-on-year. In Bulgaria (CZK +0.2bn), there was an increase in the margin on distributed electricity due to an October 1, 2014 price decision (CZK +0.1bn) and the margin on electricity sales due to growing average selling price (CZK +0.1bn). Romanian companies' EBITDA increased by CZK 0.1bn thanks to a higher margin on distributed electricity due to a higher price (CZK +0.2bn) and lower fixed costs (CZK +0.1bn). The opposite effect was produced by extraordinary earnings due to the payment of written-off debts by the state postal service and railways in 2014 (CZK -0.2bn).

The volume of electricity sold and distributed in Bulgaria increased year-on-year by 0.1 TWh (2.4%) and 0.2 TWh (4.5%), respectively. The amount of electricity sold in Romania increased by 0.1 TWh (6.1%) year-on-year; the volume of electricity distributed remained virtually unchanged year-on-year.

## Related Parties

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

	Receivables		Payables	
	as at Dec 31, 2014	as at June 30, 2015	as at Dec 31, 2014	as at June 30, 2015
Akcez Enerji A.S.	119	5		
CM European Power International B.V.	199	198		
CM European Power Slovakia s.r.o.	507	605		
ČEZ Energo, s.r.o.	22	51	12	35
LOMY MORĀNA spol. s r.o.	14	41	21	15
OSC, a.s.			12	38
Výzkumný a zkušební ústav Plzeň s.r.o.	43	73	6	1
Others		40	64	27
<b>Total</b>	<b>904</b>	<b>1,033</b>	<b>115</b>	<b>116</b>

### Sales, Purchases, and Other Information—Related Parties (CZK millions)

	Sales to related parties		Purchases from related parties		Interest and other financial income		Income from received shares and profit	
	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015
Akcez Enerji A.S.	15	17			1	13		
Akenerji Elektrik Üretim A.S.	18	18						
CM European Power Slovakia s.r.o.					9	7	2	108
ČEZ Energo, s.r.o.	163	147	15	158				
In PROJEKT LOUNY ENGINEERING s.r.o.	12	5	15	5				
LOMY MORĀNA spol. s r.o.	15	5	93	83			3	20
OSC, a.s.			89	54			16	21
Teplo Klášterec s.r.o.	30	31						
Výzkumný a zkušební ústav Plzeň s.r.o.	3	68		1				
Others	50	59	80	45	5	2	23	
<b>Total</b>	<b>306</b>	<b>350</b>	<b>292</b>	<b>346</b>	<b>15</b>	<b>22</b>	<b>44</b>	<b>149</b>

## Economic and Financial Outlook

At August 11, 2015, CEZ Group expected consolidated operating income before depreciation and amortization, impairments including goodwill write-offs, and sales of non-current assets (EBITDA) to amount to CZK 68bn in 2015.

The expected results resonate, in particular, the ongoing trend of decreasing wholesale electricity prices and the course of energy sector regulation in Europe on the one hand and the expected increase in electricity generation in the Czech Republic, an ambitious plan for internal savings and a strategy focusing on end customers, and advanced decentralized generation on the other hand.

The major causes of the year-on-year change in the financial performance are listed below to illustrate the economic situation of CEZ Group in 2015. The expected year-on-year decrease in EBITDA of CZK 4.5bn (i.e. 6.2% less than the actual 2014 value) reflects, in particular, the negative effect of a decrease in the realization prices of electricity generated in the Czech Republic, including the impact of changes in currency hedging rates (CZK -6.1bn), and extraordinary revenues in 2014 due to the settlement agreement with Albania (CZK -2.6bn) and the early termination of a long-term electricity sales contract with CA-CIB (CZK -1.6bn).

Positive factors in the year-on-year change in prediction include the expected higher amount of electricity generated in the Czech Republic (CZK +2.5bn), economy measures in fixed operating costs across CEZ Group (CZK +1.8bn), as well as extraordinary 2015 revenue resulting from a court decision on the payment of SŽDC debts from 2010 (CZK +1.1bn).

CEZ Group expects adjusted net income to be around CZK 27bn (i.e. 8.3% less than in 2014). Adjusted net income in 2014 reached CZK 29.5bn, with the achieved consolidated net income of CZK 22.4bn adjusted solely for the effect of fixed asset impairments and goodwill write-offs.

The above predictions for 2015 face a number of risks, especially the risk posed by changes in regulatory and legislative conditions for the energy sector in Southeast Europe.

The 2015 net income of the parent company, ČEZ, a. s., is expected to be approximately CZK 27bn, the bulk of which consists of dividends received from subsidiaries of ČEZ, a. s.

Capital expenditure expected by CEZ Group in 2015 is approximately CZK 38bn with a majority of the expenditure planned to be invested in production and distribution assets in the Czech Republic.

No major changes are expected in the overall structure of assets from which the income for 2015 will be generated. Concerning cash flows, CEZ Group anticipates that it will be able to cover planned investment and financial expenditures, including dividends, from cash flows generated by operating activities. For this reason, no major change in CEZ Group's overall debt is expected in 2015.

List of Bonds Outstanding as at June 30, 2015 issued by CEZ Group

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Issued as	Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moody's)
7th Eurobond issue <sup>1)</sup>	ČEZ, a. s.	XS0384970652	September 17, 2008	JPY 12bn	3.005%	2038	Dematerialized bearer	JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 17, 2008	A-/A2
8th Eurobond issue <sup>2)</sup>	ČEZ, a. s.	XS0387052706	September 22, 2008	EUR 6m	Zero coupon	2038	Dematerialized bearer	EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 22, 2008	N/A / N/A
12th Eurobond issue <sup>1)</sup>	ČEZ, a. s.	XS0447067843	September 8, 2009	JPY 8bn	2.845%	2039	Dematerialized bearer	JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 8, 2009	A-/A2
13th Eurobond issue <sup>3)</sup>	ČEZ, a. s.	XS0458257796	October 19, 2009	EUR 750m	5.00%	2021	Dematerialized bearer	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	A-/A2
14th Eurobond issue	ČEZ, a. s.	XS0462797605	November 4, 2009	EUR 50m	6M Euribor + 1.25%	2019	Dematerialized bearer	EUR 50,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	November 4, 2009	A-/A2
19th Eurobond issue	ČEZ, a. s.	XS0502286908	April 16, 2010	EUR 750m	4.875%	2025	Dematerialized bearer	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	A-/A2
20th Eurobond issue <sup>4)</sup>	ČEZ, a. s.	XS0521158500	June 28, 2010	EUR 750m	4.500%	2020	Dematerialized bearer	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	A-/A2

1) Proceeds of issue in Japanese Yen were swapped for Euros through a credit linked swap.

2) The yield is given by the difference between the issue price (EUR 1,071,696) and face value (EUR 6,000,000) of the bond.

3) Eurobonds in the amount of EUR 60m and then EUR 90m were issued in February 2010 and added to the EUR 600m issue of October 19, 2009. The volume of the issue increased to EUR 750m.

4) Eurobonds in the amount of EUR 250m were issued in December 2010 and added to the EUR 500m issue of June 28, 2010. The volume of the issue increased to EUR 750m.

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Issued as	Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moodys)
1st NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000NS9FM8	November 29, 2010	EUR 40m	4.500%	2030	Global Depository Receipt	EUR 500,000	N/A	N/A	N/A	N/A	N/A/N/A
2nd NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000NS9TZ1	January 31, 2011	EUR 40m	4.75%	2023	Global Depository Receipt	EUR 500,000	N/A	N/A	N/A	N/A	N/A/N/A
21st Eurobond issue <sup>5)</sup>	ČEZ, a. s.	XS0592280217	February 17, 2011	JPY 11.5bn	2.160%	2023	Dematerialized bearer	JPY 100,000,000	Credit Agricole Corporate and Investment Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	February 17, 2011	A-/A2
22nd Eurobond issue	ČEZ, a. s.	XS0622499787	May 3, 2011	CZK 1.25bn	4.600%	2023	Dematerialized bearer	CZK 5,000,000	Česká spořitelna, a.s.	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 3, 2011	A-/A2
23rd Eurobond issue <sup>6)</sup>	ČEZ, a. s.	XS0630397213	May 27, 2011	EUR 339.782m	3.625%	2016	Dematerialized bearer	EUR 100,000	Banka IMI 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	A-/A2
24th Eurobond issue <sup>7)</sup>	ČEZ, a. s.	XS0635263394	June 21, 2011	EUR 100m	2.15% * CPI Index Ratio	2021	Dematerialized bearer	EUR 100,000	Barclays Bank plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	N/A	N/A	A-/A2
25th Eurobond issue	ČEZ, a. s.	XS0713866787	December 5, 2011	EUR 50m	4.102%	2021	Dematerialized bearer	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	December 5, 2011	N/A/N/A
3rd NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000B03489	April 2, 2012	EUR 40m	4.7%	2032	Global Depository Receipt	EUR 1,000,000	Commerzbank AG	N/A	N/A	N/A	N/A/N/A
1st US bond issue <sup>5), 8)</sup>	ČEZ, a. s.	US157214AA57	April 3, 2012	USD 700m	4.25%	2022	Dematerialized bearer	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	A-/A2
2nd US bond issue <sup>5), 8)</sup>	ČEZ, a. s.	US157214AB31	April 3, 2012	USD 300m	5.625%	2042	Dematerialized bearer	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	A-/A2

5) Proceeds of issue converted to EUR via a swap.

6) Issue partially bought back in April 2014; original volume of issue was EUR 500m.

7) Using a swap, the inflation-linked coupon was fixed at a value that ensures an effective fixed interest expense for ČEZ regardless of changes in inflation.

8) The issue was sold within a non-public offer of bonds 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.

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Issued as	Face Value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moody's)
26th Eurobond issue	ČEZ, a. s.	XS0814711775	August 8, 2012	EUR 50m	4.375%	2042	Dematerialized bearer	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	August 8, 2012	A-/A2
27th Eurobond issue	ČEZ, a. s.	XS0818793209	August 20, 2012	EUR 50m	4.5%	2047	Dematerialized bearer	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	August 20, 2012	A-/A2
28th Eurobond issue <sup>9)</sup>	ČEZ, a. s.	XS0822571799	September 3, 2012	EUR 80m	4.383%	2047	Dematerialized bearer	EUR 100,000	UniCredit Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	September 3, 2012	A-/A2
4th NSV (Namensschuldverschreibungen) issue <sup>10)</sup>	ČEZ, a. s.	XFC A00H08349 XFC A00H08356 XFC A00H08364	December 10, 2012	EUR 61m	4.27%	2047	Global Depository Receipt	EUR 500,000	UniCredit Bank AG	N/A	N/A	N/A	N/A / N/A
5th NSV (Namensschuldverschreibungen) issue <sup>11)</sup>	ČEZ, a. s.	XS0920182374 XS0920710570	March 26, 2013	EUR 30m	3.55%	2038	Global Depository Receipt	EUR 1,000,000	Citigroup Global Markets Limited	N/A	N/A	N/A	N/A / N/A
30th Eurobond issue	ČEZ, a. s.	XS0940293763	June 5, 2013	EUR 500m	3.00%	2028	Dematerialized bearer	EUR 100,000	Commerzbank Aktiengesellschaft, Deutsche Bank AG, Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	June 5, 2013	A-/A2
Issue of guaranteed bonds convertible into MOL shares <sup>12)</sup>	CEZ.MH B.V.	XS1027633434	April 2, 2014	EUR 470.2m	0%	2017	Dematerialized bearer	EUR 100,000	Barclays Bank Plc., Deutsche Bank AG, London Branch, HSBC Bank plc, Société Générale Corporate & Investment Banking	The Bank of New York Mellon, London Branch	Börse Frankfurt Freiverkehr (Open Market)	April 2, 2014	A-/A2
31st Eurobond issue	ČEZ, a. s.	XS1144490080	November 27, 2014	EUR 45m	3M Euribor + 0.35%	2017	Dematerialized bearer	EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	November 27, 2014	A-/A2

9) Eurobonds in the amount of EUR 20m were issued in November 2012 and added to the EUR 60m issue of September 3, 2012. The volume of the issue increased to EUR 80m.

10) The volume of the issue was divided into three receipts.

11) The volume of the issue was divided into two receipts.

12) Bond issue guaranteed by ČEZ, a. s.

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

## CEZ Group Capital Expenditures

### Capital Expenditures (CZK millions)

	H1 2014	H1 2015
<b>Additions to property, plant, and equipment and other non-current assets, including capitalized interest</b>	<b>16,083</b>	<b>15,246</b>
Additions to property, plant, and equipment	13,661	13,151
of which: nuclear fuel procurement	1,525	2,007
Additions to intangibles	253	258
Additions to long-term financial assets	44	401
Change in balance of liabilities attributable to capital expenditure	2,125	1,436
<b>Financial investments <sup>1)</sup></b>	<b>0</b>	<b>0</b>
<b>Capital expenditures, total</b>	<b>16,083</b>	<b>15,246</b>

<sup>1)</sup> Acquisition of subsidiaries and joint ventures, net of cash acquired.

### Additions to Property, Plant, and Equipment and Intangibles (CAPEX), by Type (CZK millions)

	Central Europe		Southeast Europe		Total	
	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015
Nuclear plants (including fuel procurement)	2,791	3,793			2,791	3,793
Coal and CCGT plants	5,665	3,976			5,666	3,976
of which: new-build	3,245	1,536			3,246	1,536
renewal and other	2,420	2,440			2,420	2,440
Hydro plants other than renewables	44	29			44	29
Renewables	13	56	17	46	30	102
Electricity distribution	3,131	3,266	1,033	869	4,164	4,135
Heat distribution	37	40			37	40
Mining	702	682			702	682
Information systems	227	271	7	153	234	424
Other	233	177	16	51	248	228
<b>Total</b>	<b>12,841</b>	<b>12,289</b>	<b>1,073</b>	<b>1,120</b>	<b>13,914</b>	<b>13,409</b>

The total 2015 capital expenditure on CEZ Group's non-current assets is expected to amount CZK 38bn.

## Commodities Procured and Sold by CEZ Group

### Electricity Procured and Delivered

#### Electricity Procured and Sold (GWh)

	H1 2014	H1 2015	2015/2014 index (%)
<b>Electricity procured</b>	<b>28,608</b>	<b>28,844</b>	<b>100.8</b>
Generation	31,891	32,235	101.1
In-house and other consumption, including pumping in pumped-storage plants	(3,283)	(3,391)	103.3
<b>Sold to end customers</b>	<b>(17,820)</b>	<b>(19,197)</b>	<b>107.7</b>
<b>Wholesale balance</b>	<b>(8,263)</b>	<b>(7,111)</b>	<b>86.1</b>
Sold in the wholesale market	(86,712)	(99,630)	114.9
Purchased in the wholesale market	78,449	92,519	117.9
<b>Grid losses</b>	<b>(2,525)</b>	<b>(2,536)</b>	<b>100.4</b>

Electricity Generation, by Source of Energy (GWh)

	Czech Republic		Poland		Bulgaria		Romania		Total	
	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015
Nuclear	15,397	15,294							15,397	15,294
Coal	13,112	13,292	1,174	1,147	245				14,531	14,439
Hydro	942	1,227	5	6			46	30	993	1,263
Biomass	120	164	160	207					279	371
Photovoltaic	71	71			3	3			74	74
Wind	5	5					552	696	556	701
Natural gas	60	92							60	92
Biogas	1	1							1	1
<b>Total</b>	<b>29,708</b>	<b>30,146</b>	<b>1,339</b>	<b>1,360</b>	<b>247</b>	<b>3</b>	<b>597</b>	<b>726</b>	<b>31,891</b>	<b>32,235</b>

Electricity Sold to End Customers (GWh)

	Czech Republic		Poland		Bulgaria		Romania		Other countries		Total	
	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015
Large end customers	4,947	5,246	203	850	1,338	1,447	360	434	1,240	1,438	8,089	9,414
Retail—commercial	1,295	1,231			1,230	1,166	485	451	32	45	3,042	2,893
Residential	3,648	3,720			2,215	2,285	759	818	68	67	6,689	6,890
<b>Total</b>	<b>9,890</b>	<b>10,197</b>	<b>203</b>	<b>850</b>	<b>4,783</b>	<b>4,898</b>	<b>1,604</b>	<b>1,703</b>	<b>1,341</b>	<b>1,550</b>	<b>17,820</b>	<b>19,197</b>

## Heat

### Heat Supplied and Sold (TJ)

	Heat supplied for heating purposes		External heat sales (outside CEZ Group)	
	H1 2014	H1 2015	H1 2014	H1 2015
ČEZ, a. s.	6,293	6,674	390	317
ČEZ Energetické služby, s.r.o.	35	28	31	33
ČEZ Teplárenská, a.s.	118	303	3,985	4,282
Elektrárna Dětmorovice, a.s.	325	349	7	8
Elektrárna Počerady, a.s.	98	107	8	9
Energetické centrum s.r.o.	63	65	56	62
Energotrans, a.s.	5,083	5,014	5,017	5,452
<b>Czech Republic, total</b>	<b>12,015</b>	<b>12,540</b>	<b>9,494</b>	<b>10,162</b>
Elektrociepłownia Chorzów ELCHO S.A.	1,166	1,462	1,138	1,434
CEZ Skawina S.A.	1,411	1,482	1,386	1,458
<b>Poland, total</b>	<b>2,577</b>	<b>2,944</b>	<b>2,525</b>	<b>2,893</b>
<b>Central Europe, total</b>	<b>14,592</b>	<b>15,484</b>	<b>12,019</b>	<b>13,055</b>
TEC Varna EAD	1	0	1	0
<b>Bulgaria, total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Southeast Europe, total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>CEZ Group, total</b>	<b>14,593</b>	<b>15,484</b>	<b>12,019</b>	<b>13,055</b>

## Natural Gas

### Natural Gas Procured and Sold (GWh)

	H1 2014	H1 2015	2015/2014 index (%)
<b>Procured</b>	<b>32,561</b>	<b>51,675</b>	<b>158.7</b>
of which: external suppliers	32,352	51,467	159.1
OTE	209	208	99.5
<b>Removed from storage</b>	<b>1,439</b>	<b>2,485</b>	<b>172.7</b>
<b>Sold</b>	<b>(31,747)</b>	<b>(52,461)</b>	<b>165.2</b>
of which: trading	(28,568)	(48,438)	169.6
large end customers	(767)	(1,278)	166.6
medium-sized end customers	(252)	(304)	120.9
small end customers	(390)	(474)	121.5
residential	(1,589)	(1,781)	112.1
OTE	(181)	(186)	102.6
<b>Placed in storage</b>	<b>(1,846)</b>	<b>(1,141)</b>	<b>61.8</b>
<b>Consumed in-house</b>	<b>(407)</b>	<b>(557)</b>	<b>136.9</b>

### Legislative Environment in the Energy Sector

An extensive amendment to Act No. 458/2000 Sb., on business conditions and state administration in the energy sectors and on amendments to some acts (“Energy Act”) and Act No. 165/2012 Sb., on supported energy sources (“SES Act”) was passed and published in the Collection of Laws in H1 2015. The main reason for amending the acts was transposition of relevant provisions of EU legislation: Directive 2012/27/EU of the European Parliament and of the Council of October 25, 2012 on energy efficiency, Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of October 25, 2011 on wholesale energy market integrity and transparency, as well as Regulation (EU) No. 347/2013 of the European Parliament and of the Council of April 17, 2013 on guidelines for trans-European energy infrastructure.

The amendments to the Energy Act and SES Act brought about changes especially in the following areas:

- Conducting business in the energy sectors and licensing matters (generation without a license, changes in licenses, license holder obligations, obligations beyond the scope of a license, and matters related to the supplier of last resort)
- Energy Regulatory Office (ERO organizational structure, ERO inspection activities, changes in penalties and enabling provisions)
- Implementation of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT), which has a direct impact on wholesale energy market participants, including end customers with annual consumption over 600 GWh
- Customer protection (possibility to withdraw from or terminate a distance contract without a penalty, specification of advance payments, obligation to inform about contract termination)
- Unauthorized consumption and distribution in relation to a period with no supplier when changing suppliers
- Safety standard for gas supply
- Price regulation (charge for ERO operation, conditions for a new tariff system, new method for collecting money to support SES electricity)
- Property rights (easements, protective zones, registration of rights to properties for the energy sector)
- Heating (heat user, right to damages, heat redistribution, heat connection point, consumer contracts, unauthorized consumption and delivery)
- Supported energy sources (operating support for heat, measurement, compensation for the charge for supported energy sources in 2013–2015, archiving of documents, termination of support for decentralized generation, administrative offences)

The amendments also bring about more freedom for small consumers of electricity on low-voltage when choosing how they should be supplied and make room for new retail offers for such customers. They do so mostly in response to possibilities offered by new technologies, making room for their development and practical use. This concerns:

- a) The possibility to generate electricity at facilities with an installed capacity of up to 10 kW with no need for an electricity generation license issued by the ERO
- b) Customers with lower consumption (with main breakers under 80 A) having an option to have a higher-level meter installed at their service point (for “smart” metering)

## Business Environment in the Energy Sector

The first half of 2015 brought an important element of stability to the energy sector in the Czech Republic—Czech Government's approval to the following national strategy documents:

- State Energy Policy (SEP) in May
- National Action Plan for Nuclear Energy (NAP NE) in June
- National Action Plan for Smart Grids (NAP SG) in June.

The State Energy Policy (SEP) is a key strategic document for the energy sector, providing specifications for the development of the Czech energy sector until 2040. The SEP's mission is to ensure reliable, safe, and environmentally-friendly supply of energy to meet the needs of the population and national economy and to make sure that the Czech Republic has access to uninterrupted supply of energy even in case of emergency. The SEP also reflects the targets of the European Union's climate and energy policy. The approval to the SEP update is a step toward creating a more stable and more predictable environment in the energy sector; however, only ensuing follow-up action will shape up the direction taken by CEZ Group in the future.

In terms of the anticipated utilization of individual types of energy sources, a positive signal is given especially by the facts that the emphasis put on decarbonization and the expected remaining service life of coal-fired facilities in the period until 2040 is in line with CEZ Group's expectations and assumptions. The SEP also anticipates that most electricity will be generated at nuclear facilities, with renewables in second place and brown coal in third place. The biggest role among renewables should be played by biomass (same as today even though its share should decrease), followed by biogas and biofuels.

Where the free market is efficient, the SEP anticipates that it will be in operation and market mechanisms will be used. All the while, the government does not rely only on short-term market signals in such areas as energy infrastructure, science and research, or energy expert training but defines the state's regulatory roles in such areas. The SEP proposes especially greater diversification of sources and intends to preserve the existing full independence in heat and electricity supply but without any major exports of generated energy. This is one of the aspects that the SEP takes into account when discussing future development of nuclear energy in the Czech Republic, a matter that is dealt with in detail by the NAP NE.

As a follow-up document to the SEP, the NAP NE describes options for and risks to future development of nuclear energy in the Czech Republic, anticipating that new nuclear units will not be needed until circa 2035. It envisages building new nuclear units at both Dukovany and Temelín sites; the number of units and the sequence of sites are to be detailed at a later date. In the NAP NE, the government set the goal to define an investment and business model for nuclear new build by the end of 2016; the model should specify which nuclear new build solution is acceptable for the state, the contractor, and the investor.

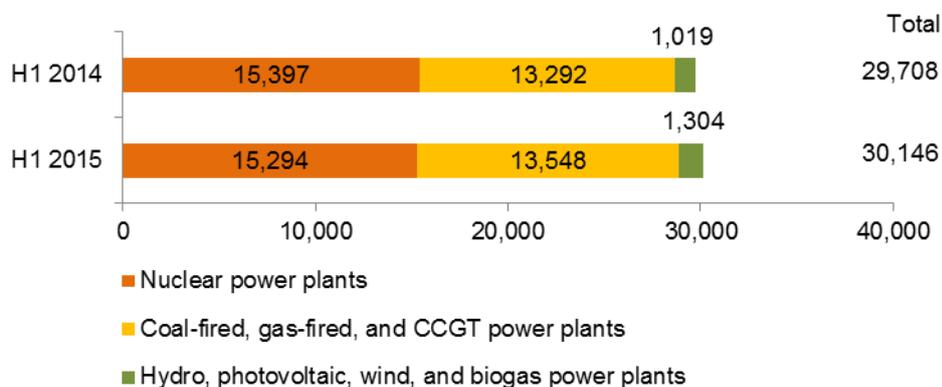
The creation of the NAP SG was driven most importantly by the need to ensure integration of large volumes of electricity generated by intermittent sources into the Czech Republic's electricity system and the expected growth of production also at small facilities connected to the distribution grid, which cannot be handled without introducing a new management method for the electricity system and without smart grids. The NAP SG envisages gradual introduction of smart distribution grids and other measures in several stages. Investments in smart grids are investments in infrastructure and will be reflected in the regulated component of the price of electricity, so the manner and speed of smart grid introduction will have to be matched by benefits for consumers.

## Power Production & Trading

### Electricity Generation

Electricity production at CEZ Group's generating facilities in the Czech Republic in the first half of 2015 totaled 30,146 GWh, i.e. 438 GWh (+1.5%) more than in the same period of 2014.

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



### Heat

In the first six months of 2015, a total of 10,162 TJ of heat generated by CEZ Group's facilities in the Czech Republic was sold to customers, which is 668 TJ (7%) more than in 2014.

### Capital Expenditures

CEZ Group's capital expenditures on electricity and heat generation in the Czech Republic, including heat distribution, totaled CZK 7.6bn in H1 2015.

### Nuclear Power

#### Dukovany Nuclear Power Plant

Projects related to nuclear safety enhancement, such as improving the resistance of reactor and engine buildings or installing additional systems for post-accident radiation monitoring, continued to be implemented. There are also other investments made to upgrade, stabilize, and ensure the safety and efficiency of production in relation to the planned extension of operation beyond 2015.

#### Temelín Nuclear Power Plant

Projects implementing the requirements of the National Action Plan for Safety Enhancement related to nuclear power plant stress tests, such as enhancing containment robustness for post-accident hydrogen disposal, were nearing completion. There were also standard capital projects aimed at equipment upgrade and renovation.

Preparations were resumed for the construction of a multi-purpose hall for working with and handling of nuclear fuel packaging, which will also allow, in compliance with applicable legislation, long-term storage of special handling equipment.

#### New Nuclear Units at Dukovany and Temelín

As a follow-up to the updated State Energy Policy of the Czech Republic, an interdepartmental government work group prepared a nuclear energy development plan, which was discussed and approved by the Czech Government as the National Action Plan for Nuclear Energy (NAP NE) on June 3, 2015. The plan recommends preparing projects for the construction of two units at Temelín and two units at Dukovany up to the moment of obtaining a building permit, which is envisaged to occur in 2026 for both sites. The number of the units and the sequence in which they will be built will have been decided by that time. The NAP NE also envisages alternative investing and financing arrangements for nuclear units.

As part of preparations for environmental impact assessment (EIA) at Dukovany, a comprehensive strategy was completed for the EIA Project Notification, which is necessary for the initiation of the process in September 2015. Preparations are also underway for spinning off the project into a separate subsidiary (SPV).

Necessary preparations continue at Temelín, in particular the implementation of conditions defined in the issued EIA statement and the issued siting permit, as well as preparations for project spin-off into a separate subsidiary (SPV) and preparations for related and induced investments.

### **Conventional Power**

Projects aimed to reduce NO<sub>x</sub> emissions were completed or almost completed. For the Mělník I Power Plant, business negotiations were started with the aim of finding a supplier of a low-temperature desulfurization (DeSO<sub>x</sub>) system, producing FGD gypsum. Standard investments in plant upgrades and generation efficiency improvement continued at hydro power plants, e.g. upgrades of instrumentation and control systems at the Dalešice and Mohelno power plants.

#### Comprehensive Renovation of Pruněřov II Power Plant

Finishing work was underway at three units. Unit 1 is expected to be finished in Q3 2015 and the remaining two units in late 2015/early 2016.

#### New 660 MW Unit at Ledvice Power Plant

Pilot operation is expected to start in Q3 2015 and the project is expected to be completed in late 2015/early 2016.

### **Installed Capacity**

As at June 30, 2015, CEZ Group operated generating facilities with a total installed capacity of 13,358 MW in the Czech Republic. The total installed capacity of its nuclear power plants at Dukovany and Temelín was 4,290 MW. Coal-fired power plants and heating plants had a capacity of 6,974 MW, hydroelectric and pumped-storage power plants 1,960 MW, and other power plants with renewable energy sources 134 MW.

In year-on-year comparison, there were only two changes in the installed capacity in the Czech Republic, namely the commissioning of a CCGT plant in Počerady (+845 MW) and a license change due to the decommissioning of two turbine generators at the Mělník I facility (-112 MW).

## Safety of Operated Nuclear Power Plants

During the first half of 2015, both ČEZ, a. s. nuclear power plants were operated in compliance with applicable nuclear energy legislation and the conditions of valid permits. The operation of the nuclear power plants has a negligible impact on the environment and the populace. Actions from the National Action Plan to Enhance the Safety of Nuclear Facilities are taken under the supervision of the State Office for Nuclear Safety and on schedule.

An inspection of the Czech Nuclear Insurance Pool took place at both nuclear power plants in H1 2015 (at Dukovany in March, at Temelín in April) to check the treatment of risks relevant for the specification of insurance conditions. The assessment involved all aspects of the operation of nuclear power plants—the plant as such, regulations, fire safety, emergency preparedness, radiation protection, environmental protection, safety culture, and reactions to the events at the Fukushima power plant in Japan. The Czech Nuclear Insurance Pool expressed a positive opinion of ČEZ's approach to the risks.

An OSART Follow-Up Corporate Mission was conducted in ČEZ, a. s. in May to review how IAEA expert findings from the fall of 2013 were followed up on. The OSART Corporate Mission of October 2013 made 3 recommendations and 6 suggestions for improvement in nuclear power plant safety management. A year and a half later, the follow-up mission found six of the nine findings resolved and three showing satisfactory progress toward resolution—these concerned the management approach, temporary changes to power plant equipment, and design requirements.

A Periodic Safety Review after 30 years of operation was finished in the Dukovany Nuclear Power Plant in the first half of the year; the results were consolidated and the Final Factor Reports and the Final Summary Report on the Periodic Safety Review were submitted to the State Office for Nuclear Safety (SONS).

During the first half of 2015, work was completed on safety requirements for an operating license application for the operation of the Dukovany Nuclear Power Plant's Unit 1 after 2015.

The safety of the Dukovany Nuclear Power Plant was also contributed to by a Technical Support Mission for a pre-job briefing on nuclear plant maintenance, conducted in June 2015.

Since the beginning of the year, the Temelín Nuclear Power Plant has been preparing for an extensive WANO Peer Review to be conducted, for the first time in the Czech Republic, according to WANO's new rules in the fall. In addition to a WANO Peer Review pre-visit, the preparations have included technical support missions for configuration management and reliability management benchmarking in collaboration with INPO.

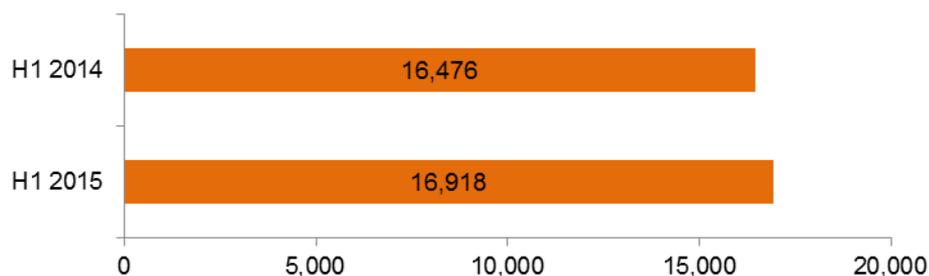
During the start-up of Unit 2 after an outage in late June, the Temelín Nuclear Power Plant encountered two events: a leak at the flanges of a turbine generator offtake tube and a leak between the circuits of a steam generator. It was decided to stop the unit start-up and repair the leaks; consequently, there was concurrence with a refueling outage of Unit 1. The leak between the circuits of the Unit 2 steam generator is rated as INES level 1 event.

## Distribution and Sale

### Electricity Distribution

In the Czech Republic, distribution of electricity within CEZ Group is the business of ČEZ Distribuce, a. s., which distributed 16.9 TWh of electricity to customers in H1 2015. This is an increase of 0.4 TWh over the comparable period of the previous year. The deliveries increased most significantly at the medium-voltage level due to increased consumption by corporate customers but also at the low-voltage level primarily due to lower temperatures in winter months. A slight decrease was registered at the high-voltage level.

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



### Capital Construction

Capital expenditures of ČEZ Distribuce amounted to CZK 3.3bn in H1 2015. The capital expenditures went mostly into distribution networks at all voltage levels as well as transformer station reconstructions. Approximately CZK 0.9bn was allocated to construction projects initiated at customers' requests.

### Sales

CEZ Group offered end customers in the Czech Republic the following commodities and related services in H1 2015:

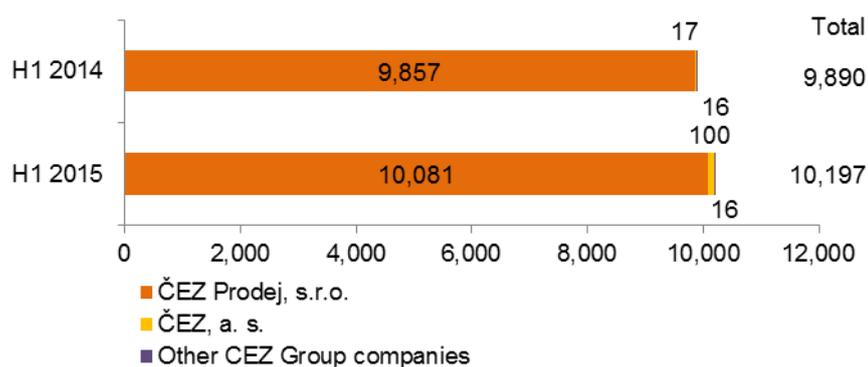
- Electricity (ČEZ Prodej, s.r.o.; ČEZ, a. s.; Elektrárna Počerady, a.s.; Elektrárna Dětmarovice, a.s.; Energotrans, a.s.; and Energetické centrum s.r.o.)
- Natural gas (ČEZ Prodej, s.r.o.; ČEZ Energetické služby, s.r.o.)
- Heat / thermal energy (ČEZ, a. s.; ČEZ Teplárenská, a. s.; Energetické centrum s.r.o.; ČEZ Energetické služby, s.r.o.; Energotrans, a.s.; Elektrárna Počerady, a.s.; Elektrárna Dětmarovice, a.s.)
- Electricity distribution (ČEZ Distribuce, a. s.)

### Sales of Electricity to End Customers

The retail electricity market (market in electricity supplies to end customers) is fully liberalized in the Czech Republic. The active approach of several dozens of electricity traders makes for a highly competitive environment comparable to developed European markets.

CEZ Group sells electricity in the Czech Republic largely through ČEZ Prodej, s.r.o. (ČEZ Prodej), which sold a total of 10.1 TWh to end customers outside of CEZ Group in H1 2015 (CEZ Group's total was 10.2 TWh). The increase of 0.2 TWh (0.3 TWh for the entire Group) over the same period of 2014 was due to overall lower consumption at the warmer-than-average beginning of 2014. However, what is significant is that ČEZ Prodej maintains its leading position in the market in all customer segments—large end customers, commercial retail, and residential customers. ČEZ Prodej's market share is 34.1%.

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



## Sales of Natural Gas

Since its successful entry into the natural gas market in 2010, CEZ Group has continuously strengthened its market share. At CEZ Group, gas sales to end customers in the Czech Republic are handled primarily by ČEZ Prodej, s.r.o., which offers all customers (large customers, medium customers, small customers, and residential customers) a complete portfolio of natural gas products. In H1 2015, the company managed to get the most new connection points among all suppliers, around 20,000 (i.e. 39% of the net overall market growth), reaching around 367,000 connection points. The growth is a very good result in the context of a significant reduction in the overall number of supplier switches.

CEZ Group's success in selling gas to end customers is based on high-quality services as well as financially advantageous terms for its customers. Prices of CEZ Group's supplies of natural gas to large end customers are derived from the most favorable prices/products in the wholesale market at the moment. Residential and small business customers wishing to enter into an integrated gas supply contract with ČEZ Prodej are offered a wide range of favorably priced products.

In H1 2015, ČEZ Prodej supplied its end customers outside CEZ Group with an aggregate total of 2.7 TWh of natural gas, representing a 6.6% share of all supplies to end customers and around an 11.0% share of the residential segment.

## Sales of Other Products and Services

ČEZ Prodej is a fully-fledged mobile virtual network operator (MVNO) with its own offer of mobile telephony products; in other words, it does not merely resell the products of existing operators. In terms of the scope of its services, it belongs to the medium-sized MVNO category. With over 70,000 active SIM cards, ČEZ Prodej is one of the largest MVNOs in the Czech Republic. The most attractive features include users' ability to choose packages according to their individual needs without any commitment as well as unlimited calls. Customers purchasing electricity or natural gas from ČEZ Prodej get free text messages in the home network.

Customers can also use a smart phone to manage their customer account. Originally available only on desktops, the ČEZ ON-LINE service is now freely accessible from mobile devices running either Android (Google) or iOS (Apple).

The mobile app is just one of the many steps CEZ Group has taken to improve customer satisfaction. For example, a payment gateway on the ČEZ website was launched alongside the mobile app to allow customers to use bank cards to pay their bills. The ČEZ Energy Guide was prepared to enable customers to easily learn how to use energy more efficiently. Another newly introduced service is special consulting on energy legislation, helping our customers with switching their supplier, dealing with inheritance, or in case of insolvency. Customers can now also take advantage of insurance services—both payment protection insurance and the ČEZ Assistant service, covering repairs of electrical and gas appliances, elimination of the consequences of related household accidents, etc.

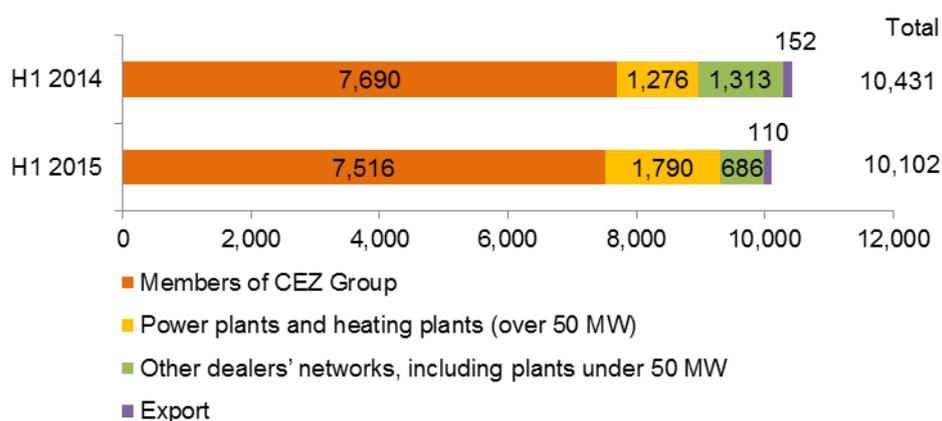
## Mining

### Coal Mining and Sales

The CEZ Group's member company engaged in brown coal mining is Severočeské doly. It produced approximately 10,102,000 tons of coal in H1 2015. This is approximately 329,000 tons of coal less year-on-year, due to a decrease in deliveries to members of CEZ Group as well as external customers. Within CEZ Group, the main factor was a different structure of coal sales to individual power plants than in H1 2014.

Lower deliveries of sized coal to external customers were largely due to the warm winter.

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



### Capital Construction

In H1 2015, Severočeské doly invested CZK 686m in capital construction, whose major portion consisted of projects reacting to the progress of extraction in its two mines. Mining, dressing, and crushing equipment was delivered, renovated, and upgraded, stability measures were taken, and water management structures were built. The most important projects in the period in question included the Relocation of the Sized Coal Loading Area at the Ledvice Coal Preparation Plant, the start of the KU 300.16/K83 Excavator Reconstruction, Upgrade, and Repair at the Bílina Mines, and the completion of construction of the Březno Protective Embankment at the Nástup Tušimice Mines.

## **FutureMotion**

### **Electromobility**

We continued to develop our charging infrastructure, especially fast-charging stations. CEZ Group had 46 charging stations, including 8 fast-charging stations in operation at the end of H1 2015.

A tendering procedure is underway to select a charging station supplier; its qualification stage has finished and specifications are now being prepared for individual charging station types.

Negotiations continue with partners that have sites suitable for the construction of the charging station network, both among private companies and among municipalities. Collaboration with vehicle vendors is gaining momentum as the offer of electric vehicles on the Czech market grows. ČEZ is conducting intensive tests for putting electric vehicles into standard use within its fleet and has e.g. included two electric cars in the operations of the in-house car rental facility at its Prague headquarters.

There is a growing number of customers making use of the electromobility service, which can be ordered at select CEZ Group Customer Care Centers since the beginning of the year. The offer of services for electric vehicle drivers is also expanding and includes now e.g. arranging purchases of home charging stations.

We continue collaborating with selected regions, e.g. the Moravian-Silesian and Ústí nad Labem Regions, and ministries, especially in relation to the prepared strategic framework for the development of clean mobility (the prepared National Action Plan for Clean Mobility).

### **Smart Region**

The Vrchlabí Smart Region project (an area covered by a smart distribution grid) is in its final implementation stage in 2015, with tests and verifications underway. During this year, we have already verified the functionality of a local control system for MV & LV Automation, conducted fault testing necessary for the correct configuration of protective functions, and carried out the first round of live functional tests for Island Operation at 35 kV. The remaining functional tests for Island Operation will be performed by the end of the year. The results of conducted tests are analyzed and used for further optimization of Smart Region functionalities.

Preparations are underway for transferring local control system functions directly to the Unified Operation Control System. A number of presentation activities take place as the project is nearing completion. A Smart Region presentation environment is being prepared right in Vrchlabí, at the premises of a former distribution transformer station. In light of our obligations under the international Grid4EU project, we have also presented our results at international conferences in 2015.

## CEZ Group in the Republic of Poland

### Business Environment in the Electricity Sector

The Polish market is almost fully liberalized. The only regulated item is the level of household electricity tariffs, i.e. distribution and trading fees. Prices in the heat market are based on a tariff system and each change in prices requires approval by the Energy Regulatory Office.

As part of preparation for the third allocation period for greenhouse gas emission allowances, Poland was granted an exemption and option to allocate free emission allowances for electricity generation in exchange for investments in upgrades to existing facilities in 2013–2020, with the aim of reducing greenhouse gas emissions. In addition, Poland will obtain free allowances for heat production in the same period.

In October 2014, the EU Council finished defining energy and climate targets for 2030. Because of the country's high dependence on power generation from coal, Poland vetoed a proposal for a tighter EU emission reduction target for after 2020 as well as Roadmap 2050, the EU's long-term emission reduction plan, and is opposing any reform of the EU ETS, even before 2020. In the context of reducing its electricity sector's emission intensity, Poland is endeavoring to develop nuclear energy. Two nuclear power plants with a total capacity of 6,000 MW are planned to be built after 2020. Intensive negotiations on emission policy are taking place prior to the planned December 2015 EU summit that should come up with further restrictions concerning CO<sub>2</sub> emissions and a system of compensation mechanisms for lower-GDP countries including Poland.

Combined heat and power generation in Poland is supported through a system of red, yellow, and purple certificates, depending on whether heat is generated from coal or gas. Following almost two years of legal uncertainty when the system of color certificates did not work properly, the situation was rectified in 2014 and the system's validity was extended until 2018. There is no information available yet on the area of support in question after 2018.

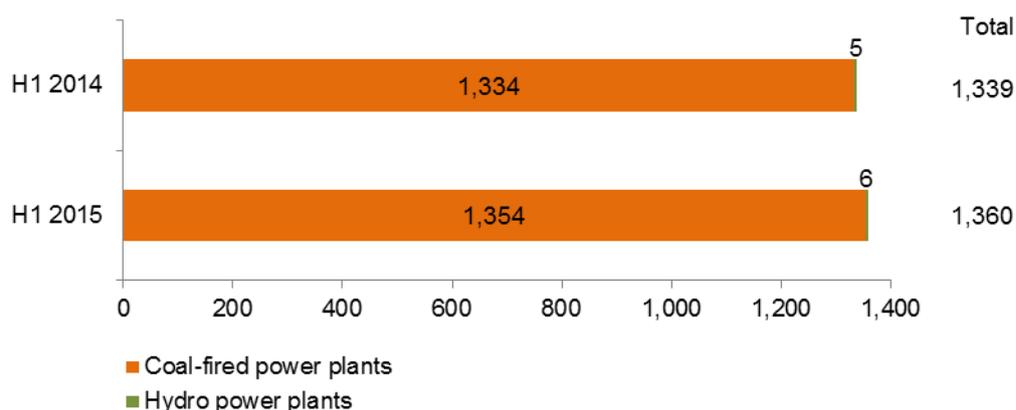
Generation of renewable energy is supported through a system of green certificates. An act on renewable energy sources passed in March 2015 specifies further details of support for biomass co-combustion and support for wind energy and other renewables. The act introduces a new support mechanism, an auction system (the applicable provisions are effective from January 1, 2016) with the aim to reduce the cost of support for renewable energy generation. Support for biomass co-combustion is reduced in favor of wind and solar power.

Subsequent modifications to the Polish energy act are planned to align it with requirements arising from Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT).

### Electricity Generation

In H1 2015, CEZ Group's coal-fired power plants in Poland generated 1,354 GWh of electricity, i.e. 20 GWh (1.5%) more than in the same period of 2014. The increase in production was primarily due to a higher share of biomass combustion in the Chorzów power plant, with a constant amount of coal burned. As at June 30, 2015, the Borek Szlachecki small hydropower plant with an installed capacity of 885 kW produced 3.3 GWh of electricity and the Skawinka small hydropower plant generated 2.6 GWh of electricity.

## Electricity Generated in Poland, Gross (GWh)



## Heat Generation

In H1 2015, the Chorzów and Skawina power plants in Poland supplied 2,893 TJ of heat, i.e. 368 TJ (15%) more than in the same period of 2014.

## Capital Construction

CEZ Group companies made capital expenditures of CZK 340m in Poland in H1 2015. The largest portion of the capital expenditures went to an overhaul and upgrade of Turbine Generator 6 at the Skawina power plant. Eco-Wind Construction S.A. continues to develop an optimized portfolio of wind park projects.

## Installed Capacity

As at June 30, 2015, CEZ Group companies owned power plants with a total installed capacity of 680.9 MW in Poland: coal-fired power plants with 678.4 MW and hydropower plants with 2.5 MW.

## Sales of Electricity to End Customers

Electricity is sold to end customers in Poland by CEZ Trade Polska sp. z o.o., which supplied 850 GWh to its customers in H1 2015.

CEZ Trade Polska obtained a license for selling natural gas and is preparing to start selling it.

## CEZ Group in the Republic of Bulgaria

### Business Environment in the Electricity Sector

The effective rate of open market in Bulgaria is estimated to be 45–50% of end consumption. Households and businesses connected to the low-voltage grid are supplied at regulated prices using a system of quotas in accordance with the energy act and decisions of the regulator—the Energy and Water Regulatory Commission (EWRC).

Electricity producers started to offer electricity using electronic tenders, which help create an electricity spot market in the country. The Independent Bulgarian Power Exchange (IBEX) is expected to launch in Q4 2015.

Amendments to the energy act entered into effect on March 6, 2015. One of the changes is the method for appointing regulatory authority members—they are now appointed by the parliament rather than by the government as previously. The change aims to ensure a higher level of independence and professionalism of regulatory authority members.

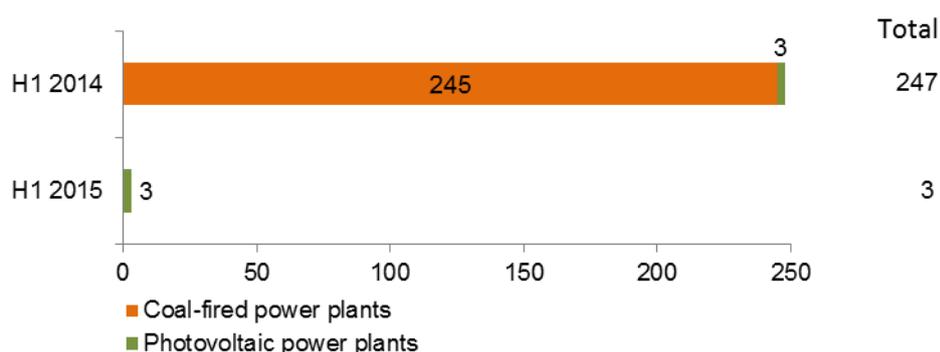
The amendment terminated support for RES projects with an installed capacity of more than 1.5 MW. The change in RES support impacts the project for the construction of a biomass power plant with an installed capacity of 2 MW of Bara Group OOD. Construction began in 2013, when the law guaranteed preferential prices for RES electricity purchases in the form of a feed-in tariff, amounting to around 200 EUR/MWh.

Based on the effective amendment to the energy act, the EWRC issued a decision dated June 29, 2015 by which it postponed the beginning of the next regulatory period until August 1, 2015. The tariff decision valid from August 1, 2015 represents a reduction of 1.99% in the end-customer price. As a result of the price decision, the distribution margin will grow slightly by 0.21% and the sales company's margin will drop by 6.96%.

Other changes in the energy act anticipate the creation of an “Energy Safety Fund”, which should help decrease the deficit of the state-owned energy company NEK. All electricity producers and importers will be required to contribute to it. Analysts consider this an ad hoc solution to the state-owned company's difficult situation nearing bankruptcy. In spite of that, the Bulgarian parliament approved it together with other measures aiming to reduce NEK's expenses related to the purchasing of renewable electricity.

### Electricity Generation

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



The coal-fired Varna power plant has not generated any electricity in 2015. Its operation was suspended on January 1, 2015 for economic reasons. The situation in Bulgaria's energy sector and the current state of related legislation do not allow making a positive return on investment in necessary refurbishments. Negotiations are currently held with parties interested in leasing or buying the power plant. In addition, negotiations with the Ministry of Energy are also underway about the possible operation of the Varna power plant under the conditions of energy market opening in Bulgaria.

The photovoltaic power plant in Oreshets generated 3.2 GWh of electricity in H1 2015, which is 19% more than in the same period of 2014.

## Capital Construction

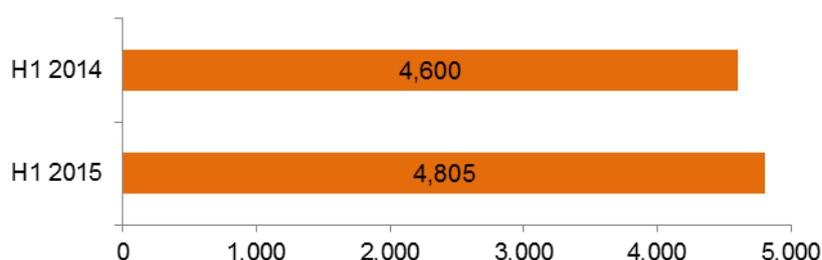
Capital expenditures on electricity generation in H1 2015 amounted to CZK 40m. The project for the construction of a biomass combined heat and power plant (BCHP) of Bara Group OOD, with a maximum installed capacity of 2 MW, continued to be implemented.

## Installed Capacity

CEZ Group has an installed capacity of 1,265 MW in Bulgaria: 1,260 MW in the now shutdown coal-fired power plant in Varna and 5 MW in the Oreshets photovoltaic power plant.

## Electricity Distribution

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



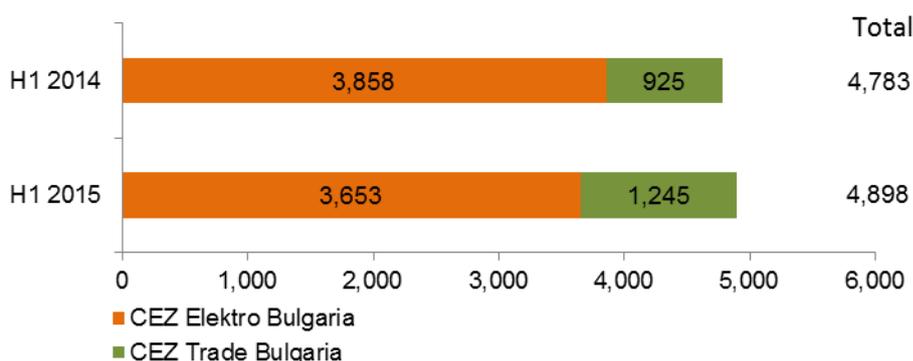
In Bulgaria, electricity is distributed by CEZ Razpredelenie Bulgaria AD, which distributed a total of 4,805 GWh of electricity to end customers in H1 2015, i.e. 205 GWh more year-on-year. The reason for the increase was climatic conditions, namely lower temperatures in the winter of 2015.

## Capital Construction

A total of CZK 388m was spent on capital construction for distribution in Bulgaria in H1 2015. Like in the same period of 2014, the capital expenditures were mostly directed at improving the distribution grid, in particular constructing MV and LV networks, increasing grid density by adding new transformers, making new connections, purchasing energy facilities, and replacing and relocating electricity meters.

## Sales of Electricity to End Customers

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



The sales company CEZ Elektro Bulgaria AD sold a total of 3,653 GWh of electricity to end customers in H1 2015, which was a decrease of 205 GWh year-on-year. The decrease was due to lower sales to corporate customers at the medium-voltage and low-voltage levels, with some of them switching to a different seller on the free market. CEZ Trade Bulgaria EAD sold 1,245 GWh of electricity to end customers on the free market in H1 2015, i.e. 320 GWh more year-on-year. The increase was due to successful acquisition of new customers switching from the regulated market to the free market.

## CEZ Group in Romania

### Business Environment in the Electricity Sector

Most production assets are concentrated in state-owned companies. Besides the state-owned companies Hidroelectrica, Nuclearelectrica, and Termoelectrica, major producers also include several private entities, of which the largest ones are the Fântânele and Cogeaalac wind parks owned by CEZ Group. Some municipal or local heating plants are owned by municipalities. The transmission grid is managed by Compania Națională de Transport al Energiei Electrice "TRANSELECTRICA" S.A. The distribution segment has the highest level of private ownership. Five distribution regions are served by distribution companies that were privatized to foreign investors, including CEZ Group.

Romania supports renewable electricity generation by means of "green certificates". The Romanian government amended the renewables support program in July 2013, with the result that the negotiability of a portion of allocated green certificates was suspended. Wind parks can temporarily trade in just one of two certificates allocated per generated MWh. The withheld certificates should be traded by wind parks from January 1, 2018 until the end of 2020.

### CEZ Group in Romania

#### Regulation and Control

The regulator ANRE increased distribution tariffs for all voltage levels year-on-year with effect from January 1, 2015. The increase is 4.6% at the HV level, 4.5% at the MV level, and 0.16% for customers at the LV level. For CEZ Distribuție S.A., this means an average tariff increase of 1.59%. In addition, there was an extraordinary change to the tariff decree, by which the regulator decreased the regulated return on distribution assets from the original 8.52% to 7.70%.

The regulator published a new decision on tariffs for end customers with regulated electricity prices effective from July 1, 2015.

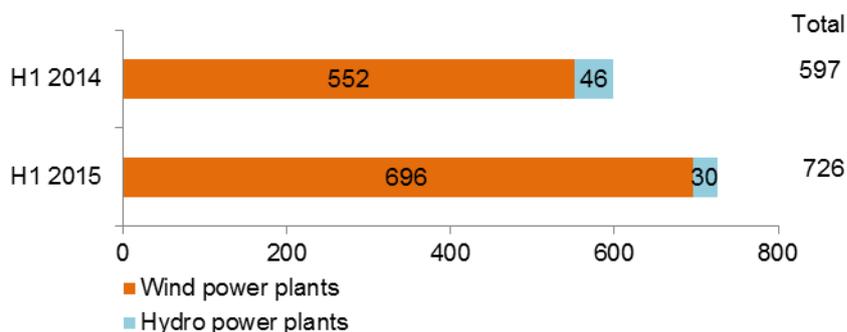
Pursuant to Act No. 220/2008 on support for renewable energy sources, a separate approval by (individual notification) the European Commission is required for renewable energy sources with an installed capacity greater than 125 MW to obtain support in the form of green certificates. This obligation applies to a part of the Fântânele wind park (Fântânele Vest—262.5MW installed capacity) and the Cogeaalac wind park (252.5MW installed capacity). The Fântânele Vest and Cogeaalac wind parks received a temporary two-year accreditation for the period until the approval of the individual notification. However, it expired and the power plants received no support from November 2013 and October 2014, respectively.

The situation when the parks did not receive any support due to a delay in the process of approval of the individual notification by the European Commission was resolved by an amendment to Act 220/2008 on support for renewable energy sources, which entered into effect on June 3, 2015 and was published in the Official Gazette under No. 122/2015.

Based on the amendment, the Romanian regulator ANRE approved an implementing ordinance on July 1, 2015. It is expected that ANRE will approve temporary accreditations for the Fântânele Vest and Cogeaalac wind parks under the ordinance. The parks will receive 1 certificate per MWh with effect from the date of approval. The second certificate will remain suspended until the period of 2018–2020.

## Electricity Generation

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



In H1 2015, the Fântânele and Cogealac wind parks generated 696 GWh of electricity, which is an increase of 144 GWh year-on-year. The higher production was primarily due to better weather conditions. Small hydropower plants operated by TMK Hydroenergy Power S.R.L. at Reșița produced 30 GWh of electricity.

### Capital Construction

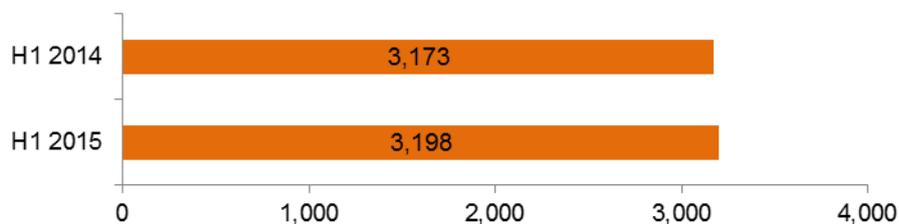
CZK 8m was spent on investments in the Fântânele and Cogealac wind parks in H1 2015.

### Installed Capacity

As at June 30, 2015, CEZ Group companies in Romania owned generating facilities with an installed electrical capacity of 622 MW (600 MW in wind parks, 22 MW in hydro plants).

## Electricity Distribution

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



The CEZ Group company that distributes electricity in Romania is CEZ Distribuție S.A., which distributed a total of 3,198 GWh of electricity in H1 2015, registering a year-on-year increase of 25 GWh.

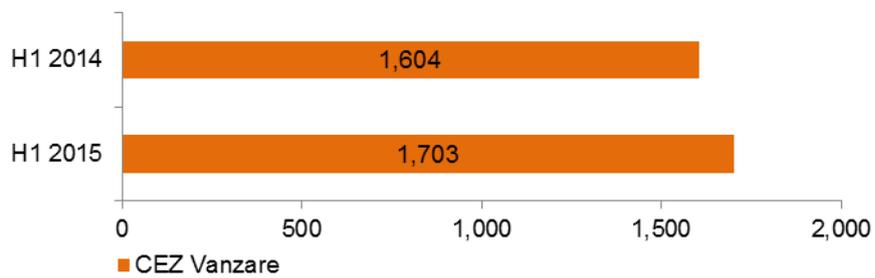
### Capital Construction

CZK 624m was invested in capital construction for electricity distribution, mostly in new electric meters.

Other capital expenditures of CZK 61m were primarily invested in ICT and transportation.

## Electricity Sales

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



CEZ Vanzare S.A. sold 1,703 GWh of electricity to end customers in H1 2015, which was a year-on-year increase of 99 GWh. The main reasons included higher residential consumption thanks to a colder winter as well as the effect of new customers among industrial enterprises.

## CEZ Group in the Republic of Turkey

### Business Environment in the Electricity Sector

The exchange rate of the Turkish lira against the U.S. dollar went down by approximately fifteen percent in H1 2015. The weakening of the lira exchange rate was driven by ongoing inflation and a high deficit of the current account of the balance of payments.

The prices of power electricity in Turkey decreased year-on-year due to higher precipitation in the winter and spring months and consecutive high production in run-of-river hydropower plants. This is of benefit to the Egemer CCGT plant, which can flexibly decrease or increase its output to meet the grid operator's requirements.

In electricity distribution and sales, negotiations were held with the regulatory authority in H1 2015 concerning the conditions of the new regulatory period starting on January 1, 2016 and the physical unbundling of distribution and sales companies, which is planned to be implemented also in January 2016.

### Electricity Generation

The total H1 2015 electricity production of the Akenerji group (owned jointly by ČEZ and its Turkish partner) was 1,888 GWh, including 989 GWh generated by hydro power plants, 878 GWh by gas-fired plants, and 20 GWh by wind parks. This is an increase of 1,067 GWh over H1 2014, when 821 GWh were produced. The year-on-year increase in generated electricity was due to favorable hydrological conditions for hydropower plants as well as to production in the new Egemer CCGT plant.

### Capital Construction

The last investments in the completion and fine-tuning of the Egemer power plant were made in H1 2015. Minor maintenance work was carried out at hydropower plants.

### Installed Capacity

Electricity is generated by Akenerji Elektrik Üretim A.Ş., controlled by ČEZ and its Turkish partner AKKÖK, and the company's subsidiaries. Akenerji owns two older CCGT plants, one new CCGT plant, one wind, and two hydropower plants. Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. (until its wind up on July 31, 2015) and Mem Enerji Elektrik Üretim A.Ş. operated another six hydropower plants. The installed capacity of power plants co-owned by CEZ Group in Turkey totaled 1,289 MW, with 370 MW in hydro plants, 904 MW in CCGT plants, and 15 MW in wind parks. The less efficient Bozüyük and İzmir-Kemalpaşa CCGT plants with a total installed capacity of 259 MW were shut down during 2014. The process of selling them has been started.

### Electricity Distribution

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), indirectly controlled by ČEZ and its Turkish partner AKKÖK (through their joint venture Akcez Enerji A.Ş.). The volume of electricity distributed to end customers in H1 2015 was 4,152 GWh, which is an increase of 4% over the same period of 2014.

### Capital Construction

Investments in the SEDAŞ distribution grid were made according to the investment plan approved by the regulator.

### Sales of Electricity to End Customers

Sakarya Elektrik Perakende Satış A.Ş. (SEPAŞ), a sales company controlled through the joint venture Akcez Enerji A.Ş., sells electricity to end customers mostly in the SEDAŞ distribution area. The amount of electricity sold in H1 2015 was 3,831 GWh, which was a 3% increase year-on-year.

### Electricity and Heat

#### Generation and Sales of Electricity and Heat

Process steam and electricity at the Slovnaft refinery are produced by CM European Power Slovakia, s. r. o., which belongs to a group of joint ventures of ČEZ and MOL. It delivered 2,410 TJ of heat and generated 178 GWh of electricity in H1 2015; the figures were 2,427 TJ of heat and 162 GWh of electricity in the same period of 2014.

#### Capital Construction

The denitrification project for the heating plant at the Slovnaft site was reconsidered in February 2015; the company has had boilers 4 and 5 denitrified and has been considering including a portion of its production capacity, boilers 7 and 8, in the cold reserve. This could get it under the limit required for denitrification (500 MW) and thus the scope of denitrification performed so far could be sufficient.

The company applied for a new IPPC (integrated pollution and prevention control) permit for emissions with an NO<sub>x</sub> limit of 150 mg for the new facilities (boilers 4 and 5), 400–500 mg for boilers 1, 2, and 3, and no limit specified for boilers 7 and 8 as backup facilities.

The project for a 850MW CCGT plant at the Slovnaft site has been temporarily suspended and the final decision on resuming it will be taken in the future depending on the prices of gas, heat, and electricity. The project would not provide sufficient return on investment at the current prices.

#### New Nuclear Power Plant at Jaslovské Bohunice

A local company belonging to CEZ Group is actively participating in the creation of planning documentation in the municipality of Jaslovské Bohunice, primarily for the purposes of completing land acquisition.

The Environmental Impact Assessment (EIA) Report was submitted on June 16, 2015. Nothing was identified that suggested exceeding statutory limits.

The scope and limit of works are being defined as part of the “Specifications” preparation process. Qualification documentation for the selection of an EPC contractor has been prepared. Regulation, financing, and return risks remain to be present in the project.

#### Sales of Electricity and Natural Gas

CEZ Slovensko, s.r.o. continued to sell electricity and natural gas to customers in the residential and SMB segments in H1 2015 but only within a limited scope due to applicable price regulation. Total H1 2015 deliveries to all customer segments amounted to 900 GWh of electricity, representing a year-on-year increase of 130 GWh (+16.9%), and 1,121 GWh of natural gas, representing an increase of 387 GWh (+52.7%) over the same period of 2014.

## CEZ Group in Hungary

In Hungary, CEZ Magyarország Kft. sold 649 GWh of electricity to end customers in H1 2015, which was an increase of 78 GWh (+13.7%) over the same period of 2014.

## Changes in CEZ Group Ownership Interests

### Czech Republic

- January 1—The name of Dalkia Česká republika, a.s. was changed to Veolia Energie ČR, a.s.
- April 1—By registration in the Commercial Register, Energocentrum Vítkovice, a. s. came into existence as a wholly owned subsidiary of ČEZ, a. s.
- April 27—ČEZ ESCO, a.s. purchased a 75% stake in EVČ, s.r.o. from ČEZ Energetické služby, s.r.o.
- July 1—SINIT, a.s. ceased to exist in a merger by acquisition with Telco Pro Services, a. s. as the acquiring company; both companies were wholly owned subsidiaries of ČEZ ICT Services, a. s.
- July 16—Registration of an increase in the stated capital of ČEZ ESCO, a.s. by a non-cash contribution consisting of ČEZ, a. s.'s 100% stake in ČEZ Energetické služby, s.r.o. and 50.1% stake in ČEZ Energo, s.r.o. and a cash contribution of CZK 81m. ČEZ ESCO, a.s. thus became the sole member of ČEZ Energetické služby, s.r.o.

### Republic of Albania

- January 1—Shared Services Albania Sh.A. went into liquidation.

### Republic of Bulgaria

- April 29—CEZ ICT Bulgaria EAD was established as a wholly owned subsidiary of CEZ Razpredelenie Bulgaria AD.

### Bosnia and Herzegovina

- February 5—A court decided that CEZ Bosna i Hercegovina d.o.o. be dissolved

### Republic of Poland

- January 8—CEZ Finance Polska sp. z o.o. was established as a wholly owned subsidiary of CEZ Polska sp. z o.o.
- January 30—The legal form of Elektrociepłownia Chorzów ELCHO sp. z o.o. was changed to joint-stock company (legal form designation: S.A.)
- February 10—A change was made in the ownership structure of the Polish electric power producers Elektrociepłownia Chorzów ELCHO S.A. and Elektrownia Skawina S.A. within CEZ Group; on February 27, this was followed by a change in the ownership structure of CEZ Polska sp. z o.o. and on March 31 there was another change in the ownership structure for Elektrociepłownia Chorzów ELCHO S.A.; all three companies remain wholly owned subsidiaries of CEZ Group member companies
- April 7—The name of Elektrownia Skawina S.A. was changed to CEZ Skawina S.A.
- April 15—A change occurred in the ownership structure of Eco-Wind Construction S.A. as 25% of its shares were acquired from original owners; 100% of shares of Eco-Wind Construction S.A. are now owned by CEZ Poland Distribution B.V.
- May 8—The name of Elektrociepłownia Chorzów ELCHO S.A. was changed to CEZ Chorzów S.A.
- July 28—Baltic Green Construction sp. z o.o. was established and is owned by CEZ Poland Distribution B.V. (99%) and CEZ Silesia B.V. (1%)

### Federal Republic of Germany

- July 21—ČEZ Nová energetika, a.s. acquired a 14% stake in PROSOL Invest Beteiligungs GmbH, a German company that is the sole member of Sonnenbatterie GmbH, a manufacturer of battery energy storage systems using rechargeable lithium iron phosphate batteries.

## **Republic of Turkey**

- February 13—The stake of Akenerji Elektrik Üretim A.S. in Egemer Elektrik Üretim A.S. increased to 100%
- July 31—Akkur Enerji Üretim Ticaret ve Sanayi A.S. ceased to exist by merger with Akenerji Elektrik Üretim A.S.

## General Meeting of ČEZ, a. s.

The 23rd Annual General Meeting of ČEZ, a. s. was held on June 12, 2015. Among other things, the General Meeting:

- Heard the Board of Directors' Report on the Company's Business Activities and Assets for 2014, the Summary Explanatory Report pursuant to Section 118(8) of the Capital Market Undertakings Act, Conclusions from the Related Parties Report for 2014, the Supervisory Board's Report on the Results of Inspection Activities, and the Audit Committee's Report 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 2014,
- Approved the distribution of the 2014 profit of ČEZ, a. s. amounting to CZK 20,910,256 thousand and a portion of retained earnings amounting to CZK 609,334 thousand as follows:
  - Share in profit awarded to shareholders ("dividend") CZK 21,519,590 thousand

The dividend is CZK 40 per share before tax.

The record date for entitlement to the dividend is June 18, 2015. Entities that were shareholders of the Company at that date are entitled to the dividend. The dividends will be paid out from August 3, 2015 to August 1, 2019.

The dividend allocated to treasury shares held by the Company at the record date will not be paid. The amount corresponding to the dividend on treasury shares held by the Company at the record date will be transferred to the retained earnings account.

- Appointed Ernst & Young Audit, s.r.o as the auditor to perform the statutory audit for the accounting period of the calendar year of 2015,
- Approved the 2016 donorship budget at CZK 155m,
- Removed Lubomír Charvát from the Supervisory Board of ČEZ, a. s.,
- Elected Petr Blažek and Jan Sixta to the Supervisory Board of ČEZ, a. s.,
- Confirmed Robert Šťastný as a member of the Supervisory Board of ČEZ, a. s.,
- Removed Alena Kochová from the Audit Committee
- Elected Ivan Pilip and Jan Vaněček as members of the Audit Committee of ČEZ, a. s.,
- Approved contracts of service on the Supervisory Board made between ČEZ, a. s. and Petr Blažek, Jiří Borovec, Zdeněk Černý, Vladimír Hronek, Lubomír Charvát, Drahošlav Šimek, Robert Šťastný, Jiří Tyc, Vladimír Vlk, and Lukáš Wagenknecht.,
- Approved contracts of service on the Audit Committee made between ČEZ, a. s. and Andrea Káňová and Lukáš Wagenknecht.,
- Granted its approval to contribution of the part of the enterprise of ČEZ, a. s. represented by the Vítkovice Heating Plant organizational unit to the stated capital of Energocentrum Vítkovice, a. s.,
- Granted its approval to contribution of the part of the enterprise of ČEZ, a. s. represented by the Tisová Power Plant organizational unit to the stated capital of Elektrárna Tisová, a.s.

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

### Supervisory Board

#### Members of the Supervisory Board Elected by the General Meeting on June 12, 2015

Petr Blažek	Vice-Chairman of the Supervisory Board since June 26, 2015 Member of the Supervisory Board since June 12, 2015
Jan Sixta	Member of the Supervisory Board since June 12, 2015

#### Members of the Supervisory Board Whose Membership Terminated in H1 2015 or before the Half-Year Report Closing Date

Jiří Borovec	Vice-Chairman and member of the Supervisory Board from June 27, 2014 to June 11, 2015
Lubomír Charvát	Member of the Supervisory Board from June 27, 2014 to June 12, 2015

### Audit Committee

#### Members of the Audit Committee Elected by the General Meeting on June 12, 2015

Ivan Pilip	Member of the Audit Committee since June 12, 2015
Jan Vaněček	Member of the Audit Committee since June 12, 2015

#### Members of the Audit Committee Whose Membership Terminated in H1 2015 or before the Half-Year Report Closing Date

Ján Dzvoník	Chairman of the Audit Committee from March 8, 2012 to June 1, 2015 Member of the Audit Committee from June 1, 2011 to June 1, 2015
Alena Kochová	Member of the Audit Committee from June 19, 2013 to June 12, 2015

### Board of Directors

#### Members of the Board of Directors Re-Elected for Another Term in Office

Pavel Cyrani	Member of the Board of Directors since October 20, 2011 Re-elected with effect from October 21, 2015
Michaela Chaloupková	Member of the Board of Directors since October 20, 2011 Re-elected with effect from October 21, 2015

### Czech Republic

1. ČEZ, a. s. registers suits related to the implementation of squeeze-outs:
  - A suit seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of 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 1,800m. The outcome of the proceedings is impossible to predict.
  - A suit against ČEZ Teplárenská, a. s. seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in United Energy, a. s. The proceedings are pending before the court of first instance; in January 2015, a decision was made to resume the proceedings after a suit concerning the nullification of a general meeting was concluded. The possible impact of this suit on ČEZ Teplárenská, a. s. or ČEZ, a. s. is impossible to determine at this phase of the proceedings.
  - An action seeking nullification of the resolution of the General Meeting of United Energy, a. s. (ČEZ Teplárenská, a. s. is the successor) deciding on squeeze-out was dismissed upon final judgment.
2. In insolvency proceedings against Lignit Hodonín, s.r.o., ČEZ, a. s. submitted a claim for over CZK 115m, CZK 23m of which is loss arising from failure to pay for electricity supplied. The remainder of the claim consists of sanction claims ensuing from signed contracts. The submitted claim was recognized in full. The bankruptcy proceedings were canceled in September 2013 due to the bankrupt's estate being absolutely insufficient to settle the creditors' claims. Thus the claim submitted by ČEZ, a. s. was not settled at all. Additionally, the receiver filed a suit against ČEZ, a. s. in August 2010 for damages amounting to CZK 196.2m, allegedly resulting from abuse of a dominant position by ČEZ, a. s. manifested in determining the purchase price of brown coal deliveries and the amount of the maximum discount for faulty performance. ČEZ, a. s. denies the claim in full. By a resolution of the Municipal Court in Prague from May 2012, a new claimant entered into the proceedings, namely UVR Mníšek pod Brdy a.s., which bought the debtor's enterprise. Subsequently, the claim in dispute was assigned several times. At the moment, the holder of the claim is FORMOSANA LIMITED, which acts as the claimant in the proceedings. The outcome of the proceedings is impossible to predict.
3. ČEZ, a. s. also faces 20 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 and 1999–2012. The oldest suit is from 1999 and the latest one is from 2014. The total amount claimed is CZK 261.5m plus accessories thereof.
4. Since January 2013, ČEZ Prodej, s.r.o. has been involved in a lawsuit with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 857m in damages. The suit is heard by the Municipal Court in Prague with ČEZ Prodej, s.r.o. as the claimant. 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 2011, and the resulting damage.
5. Since May 2012, ČEZ Prodej, s.r.o. has been involved in a lawsuit with VÍTKOVICE, a. s., heard by the Regional Court in Ostrava, in which it is seeking CZK 407m in damages as a result of a breach of an electricity supply contract in 2011 and CZK 10m as a payment for electricity consumed but unpaid for in 2011. A compulsory payment order was issued in the case, against which the defendant filed a protest; the case has not been decided yet.
6. In insolvency proceedings against PLP a. s., Teplárna Trmice, a. s. submitted an unsecured claim for CZK 191m, consisting of losses arising from failure to pay for electricity, heat, and raw water supplied, and a claim for CZK 59m arising from the penalty requested. Both claims were recognized in review hearings that took place in H1 2011. In March 2013, an enterprise sale contract was signed as part of the realization of the debtor's assets in the insolvency proceedings. The enterprise of the debtor, PLP a. s., was realized for USD 10m. The proceeds were rendered to the secured creditor in July 2013. The amount of settlement for Teplárna Trmice, a. s. in the insolvency proceedings in question, which have not been completed yet, has been zero so far.

7. There is a dispute between ČEZ, a. s. and Sokolovská uhelná, právní nástupce, a. s. (SU) over the amount and price of brown coal supplied by SU for ČEZ, a. s. under a long-term purchase contract (valid until coal reserves in SU mines are depleted or until the end of 2027). SU is questioning the validity of said long-term purchase contract, or more precisely the validity of clauses concerning the purchase price and the amount to be supplied, claiming that ČEZ is acting unlawfully while enforcing said contract. ČEZ, a. s. initiated several lawsuits against SU in connection with the dispute. One of the lawsuits is heard by the Regional Court in Pilsen and ČEZ, a. s. is seeking the recovery of unjust enrichment (overpayment) received by SU in connection with payments for brown coal deliveries from January to May 2011, amounting to approx. CZK 56m with accessories thereof. Another lawsuit is heard by the District Court in Sokolov and ČEZ, a. s. is seeking the recovery of unjust enrichment (overpayment) received by SU in connection with payments for brown coal deliveries from June to December 2011, amounting to approx. CZK 77m with accessories thereof. Neither the Regional Court in Pilsen nor the District Court in Sokolov has yet decided the respective case. In addition, ČEZ, a. s. filed a lawsuit with the District Court in Sokolov claiming approximately CZK 342m with accessories thereof as a contractual penalty based on a ship-or-pay obligation in relation to brown coal deliveries in 2011. The case has not been decided yet either. Furthermore, ČEZ, a. s. filed an action against SU with the District Court in Sokolov in March 2015, seeking approximately CZK 206m with accessories thereof in damages arising from ČEZ's being forced to pay the cost of transportation of brown power generation coal to the Tisová Power Plant from January 2012 to December 2014, while the cost should have been borne by SU under the Long-Term Brown Power Generation Coal Sales Contract. The case is heard by the District Court in Sokolov. In connection with the above, ČEZ, a. s. is also the subject of proceedings conducted by the Office for the Protection of Competition and the Specialized Tax Office.
8. In July 2013, Mr. Vladimír Juha filed an action against ČEZ, a. s. with the Municipal Court in Prague, in which (after action extension) he is seeking payment of a total of EUR 4m with accessories thereof. The claims in dispute allegedly arose from a consulting services contract made between ČEZ, a. s. and Boston Capital Services Ltd. in connection with the CET Galati project in Romania in 2009. Boston Capital Services' claims arising from said contract were allegedly assigned to Mr. Juha by an agreement from 2010. Based on Mr. Juha's notice of claim assignment, the court issued a resolution permitting that Mr. Juha be replaced in the case by the Slovakia-based company M 8 Slovakia, spol. s r. o. The case has not been decided yet, it is in the decision-making phase before the court of first instance.
9. On May 3, 2013, ČEZ Distribuce, a. s. was served an action of SPR a.s., seeking the payment of CZK 10m with accessories thereof. The claimant's additional submissions successively increased the amount claimed to approx. CZK 106m; however, the court has not yet decided on the extension of the action to that higher amount. The claimant deems its claim to be the damage that it allegedly incurred due to a breach of obligations by ČEZ Distribuce, a. s. in relation to the connection of the Dubí photovoltaic power plant to the distribution grid.

## Republic of Bulgaria

10. CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, and TEC Varna EAD appealed against the decisions of the regulator (formerly SEWRC, now EWRC—Energy and Water Regulatory Commission) stipulating prices of electricity, prices of access to the distribution network for producers of renewable electricity purchased at preferential prices, and a compensation obligation for producers of renewable electricity. Court hearings are underway.
11. As a result of a regulatory audit focusing on compliance with the conditions of the distribution license conducted by the EWRC (formerly SEWRC), CEZ Razpredelenie Bulgaria AD was served 981 administrative decisions on a breach of obligations over the period from June 9, 2014 to September 15, 2014. CEZ Razpredelenie Bulgaria AD submitted written objections to the individual decisions. As at August 19, 2015, CEZ Razpredelenie Bulgaria AD received 206 penalty decisions issued by the Commission, each with a penalty of BGN 20,000 (approximately CZK 283,000). No more penalty decisions will be issued. All of the penalty decisions have been appealed against. To date, 16 first instance rulings have been issued, dismissing 8 decisions and upholding 8 decisions. CEZ Razpredelenie Bulgaria AD appealed against the first instance rulings, EWRC did the same. One of the rulings against CEZ Razpredelenie Bulgaria AD is final.

## Contacts

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<b>Web Sales Office</b>		
	<a href="http://www.cez.cz/cs/sluzby/cez-online.html">www.cez.cz/cs/sluzby/cez-online.html</a>	
<b>CEZ Group Ombudsman in the Czech Republic</b>		
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Information about CEZ Group can also be found on social media:

[www.facebook.com/CEZlidem](http://www.facebook.com/CEZlidem)

[www.facebook.com/projadro](http://www.facebook.com/projadro)

[www.facebook.com/PracevCEZu](http://www.facebook.com/PracevCEZu)

[www.facebook.com/fandime.elektromobilum](http://www.facebook.com/fandime.elektromobilum)

[instagram.com/cez\\_group/](https://www.instagram.com/cez_group/)

[twitter.com/SkupinaCEZ](https://twitter.com/SkupinaCEZ)

[www.youtube.com/SkupinaCEZ](http://www.youtube.com/SkupinaCEZ)

[www.linkedin.com/company/cez](http://www.linkedin.com/company/cez)

## Abbreviations

CA-CIB	Crédit Agricole Corporate & Investment Bank
Derogation	Free allocation of a portion of emission allowances
ENTSO-E	European Network of Transmission System Operators
EPC	Engineering, Procurement, and Construction The implementation of a project from initial design to final completion
ERO	Energy Regulatory Office
GDP	Gross domestic product
Intermittent source	A source with fluctuating production
Capacity markets	Trading in the capacity of power plants that are kept on standby and can connect to the grid if necessary
MSR	Market stability reserve Market stability mechanism with a flexible reserve
NAP NE	National Action Plan for Nuclear Energy
NAP SG	National Action Plan for Smart Grids
OPEC	Organization of the Petroleum Exporting Countries
RES	Renewable energy sources
REMIT	Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency
SEP	State Energy Policy
SPV	Special purpose vehicle
SŽDC	Správa železniční dopravní cesty, státní organizace (Railway Infrastructure Administration, state organization)

## Method Used to Calculate Key Indicators of CEZ Group

Indicator	Calculation
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)
Adjusted Net Income (Net income, adjusted)	Adjusted net income does not encompass extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-off, profit/loss from sale of assets or subsidiaries, or other extraordinary effects).
Dividend per Share (Gross)	Dividend granted in the current year, before taxes, on outstanding shares (paid in the year in question from the previous years' profit)
EBIT (Operating Income)	Income Before Income Taxes and Other Income (Expenses)
EBITDA (Operating Income Before Depreciation and Amortization, Impairment, and Asset Sales)	Income Before Income Taxes and Other Income (Expenses) + Depreciation and Amortization + Impairment of Property, Plant, and Equipment and Intangible Assets Including Goodwill, and Write-Off of Canceled Investments – Gain on Sale of Property, Plant, and Equipment and Intangible Assets
Return on Equity (ROE), Net	Net Income Attributable to Parent Company Shareholders / Average Equity
Book Value per Share (BVPS)	Total Equity Attributable to Equity Holders of the Parent / (Number of Shares Issued – Number of Treasury Shares)

Average Value = (Value at the End of the Period in the Previous Year + Value at the End of the Period in the Current Year) / 2.

The totals and subtotals in this Half-Year Report can differ from the sum of partial values due to rounding.

# CEZ Group Interim Consolidated Financial Statements

## **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF JUNE 30, 2015

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF JUNE 30, 2015**

in CZK Millions

	June 30, 2015	December 31, 2014
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	703,575	701,316
Less accumulated provision for depreciation	(382,716)	(371,515)
Net plant in service	320,859	329,801
Nuclear fuel, at amortized cost	12,066	10,953
Construction work in progress	90,955	85,788
Total property, plant and equipment	423,880	426,542
Other non-current assets:		
Investment in joint-ventures	10,438	12,277
Investments and other financial assets, net	40,973	36,348
Intangible assets, net	20,092	20,611
Deferred tax assets	1,443	1,738
Total other non-current assets	72,946	70,974
Total non-current assets	496,826	497,516
Current assets:		
Cash and cash equivalents	20,021	20,095
Receivables, net	45,406	50,864
Income tax receivable	3,860	1,618
Materials and supplies, net	8,216	8,462
Fossil fuel stocks	1,059	1,481
Emission rights	1,227	5,097
Other financial assets, net	34,219	39,438
Other current assets	3,272	3,299
Total current assets	117,280	130,354
<b>Total assets</b>	<b>614,106</b>	<b>627,870</b>

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

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 2015**

continued

	June 30, 2015	December 31, 2014
<b>Equity and liabilities</b>		
Equity:		
Equity attributable to equity holders of the parent:		
Stated capital	53,799	53,799
Treasury shares	(4,246)	(4,382)
Retained earnings and other reserves	209,448	211,891
Total equity attributable to equity holders of the parent	259,001	261,308
Non-controlling interests	4,513	4,543
Total equity	263,514	265,851
Long-term liabilities:		
Long-term debt, net of current portion (Note 7)	157,421	160,852
Nuclear provisions	47,084	47,302
Other long-term liabilities	25,107	25,917
Total long-term liabilities	229,612	234,071
Deferred tax liability	24,620	20,609
Current liabilities:		
Short-term loans (Note 8)	1,477	7,608
Current portion of long-term debt (Note 7)	11,369	15,674
Trade and other payables	70,111	60,331
Income tax payable	48	830
Accrued liabilities	13,355	22,896
Total current liabilities	96,360	107,339
<b>Total equity and liabilities</b>	<b>614,106</b>	<b>627,870</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, 2015**

in CZK Millions

	1-6/2015	1-6/2014	4-6/2015	4-6/2014
<b>Revenues:</b>				
Sales of electricity and related services	90,458	86,538	44,220	42,790
Gains and losses from electricity, coal and gas derivative trading, net	(934)	3,456	24	1,291
Sales of gas, coal, heat and other revenues	13,371	11,712	5,645	4,468
<b>Total revenues</b>	<b>102,895</b>	<b>101,706</b>	<b>49,889</b>	<b>48,549</b>
<b>Operating expenses:</b>				
Fuel	(6,364)	(6,577)	(2,665)	(2,924)
Purchased power and related services	(44,497)	(38,342)	(22,382)	(18,631)
Repairs and maintenance	(1,577)	(1,794)	(900)	(1,047)
Depreciation and amortization	(14,298)	(13,774)	(7,104)	(6,911)
Impairment of plant, property and equipment and intangible assets including goodwill	(21)	(2,098)	(83)	(2,086)
Salaries and wages	(8,643)	(8,984)	(4,399)	(4,625)
Materials and supplies	(1,916)	(2,229)	(1,008)	(1,211)
Emission rights, net	239	621	198	704
Other operating expenses	(4,518)	(4,431)	(2,273)	(2,094)
<b>Total expenses</b>	<b>(81,595)</b>	<b>(77,608)</b>	<b>(40,616)</b>	<b>(38,825)</b>
<b>Income before other income (expenses) and income taxes</b>	<b>21,300</b>	<b>24,098</b>	<b>9,273</b>	<b>9,724</b>
<b>Other income (expenses):</b>				
Interest on debt, net of capitalized interest	(1,608)	(2,029)	(795)	(975)
Interest on nuclear and other provisions	(843)	(911)	(421)	(451)
Interest income	226	380	116	176
Foreign exchange rate gains (losses), net	(562)	229	(169)	226
Other income (expenses), net	1,617	(192)	1,540	227
Share of profit (loss) from joint ventures	(956)	(78)	54	165
<b>Total other income (expenses)</b>	<b>(2,126)</b>	<b>(2,601)</b>	<b>325</b>	<b>(632)</b>
<b>Income before income taxes</b>	<b>19,174</b>	<b>21,497</b>	<b>9,598</b>	<b>9,092</b>
Income taxes	(3,760)	(4,256)	(1,747)	(1,759)
<b>Net income</b>	<b>15,414</b>	<b>17,241</b>	<b>7,851</b>	<b>7,333</b>
<b>Net income attributable to:</b>				
Equity holders of the parent	15,375	17,272	7,860	7,360
Non-controlling interests	39	(31)	(9)	(27)
<b>Net income per share attributable to equity holders of the parent (CZK per share)</b>				
Basic	28.8	32.3	14.7	13.8
Diluted	28.8	32.3	14.7	13.8
<b>Average number of shares outstanding (000s)</b>				
Basic	534,146	534,115	534,215	534,115
Diluted	534,253	534,138	534,340	534,169

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, 2015**

in CZK Millions

	<u>1-6/2015</u>	<u>1-6/2014</u>	<u>4-6/2015</u>	<u>4-6/2014</u>
<b>Net income</b>	15,414	17,241	7,851	7,333
<b>Other comprehensive income - items that may be reclassified subsequently to statement of income:</b>				
Change in fair value of cash flow hedges recognized in equity	5,914	2,930	1,297	258
Cash flow hedges reclassified from equity	(1,611)	(790)	1,529	(387)
Change in fair value of available-for-sale financial assets recognized in equity	1,149	(1,015)	20	52
Available-for-sale financial assets reclassified from equity	(16)	(45)	(16)	(1)
Translation differences	(1,219)	703	(1,635)	694
Translation differences reclassified from equity	(1)	-	-	-
Share on equity movements of joint-ventures	(17)	(6)	7	(4)
Deferred tax relating to other comprehensive income (Note 9)	<u>(660)</u>	<u>(497)</u>	<u>(318)</u>	<u>(52)</u>
<b>Net other comprehensive income that may be reclassified to statement of income in subsequent periods</b>	<u>3,539</u>	<u>1,280</u>	<u>884</u>	<u>560</u>
<b>Total comprehensive income, net of tax</b>	<u><u>18,953</u></u>	<u><u>18,521</u></u>	<u><u>8,735</u></u>	<u><u>7,893</u></u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	18,983	18,548	8,788	7,917
Non-controlling interests	(30)	(27)	(53)	(24)

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, 2015**

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, 2013	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	4,690	262,766
Net income	-	-	-	-	-	17,272	17,272	(31)	17,241
Other comprehensive income	-	-	699	1,738	(1,155)	(6)	1,276	4	1,280
Total comprehensive income	-	-	699	1,738	(1,155)	17,266	18,548	(27)	18,521
Dividends	-	-	-	-	-	(21,365)	(21,365)	(228)	(21,593)
Share options	-	-	-	-	12	-	12	-	12
Transfer of forfeited share options within equity	-	-	-	-	(24)	24	-	-	-
Put options held by non-controlling interest	-	-	-	-	-	(6)	(6)	6	-
June 30, 2014	53,799	(4,382)	(7,499)	(6,933)	34	220,246	255,265	4,441	259,706
December 31, 2014	53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851
Net income	-	-	-	-	-	15,375	15,375	39	15,414
Other comprehensive income	-	-	(1,150)	3,485	1,290	(17)	3,608	(69)	3,539
Total comprehensive income	-	-	(1,150)	3,485	1,290	15,358	18,983	(30)	18,953
Dividends (Note 6)	-	-	-	-	-	(21,370)	(21,370)	(4)	(21,374)
Sale of treasury shares	-	136	-	-	-	(68)	68	-	68
Share options	-	-	-	-	16	-	16	-	16
Transfer of exercised and forfeited share options within equity	-	-	-	-	(44)	44	-	-	-
Acquisition of non-controlling interests (Note 4)	-	-	19	-	-	(166)	(147)	(145)	(292)
Put options held by non-controlling interest	-	-	-	-	-	143	143	149	292
June 30, 2015	53,799	(4,246)	(8,481)	(4,487)	3,111	219,305	259,001	4,513	263,514

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, 2015**

in CZK Millions

	1-6/2015	1-6/2014
<b>Operating activities:</b>		
Income before income taxes	19,174	21,497
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	14,303	13,777
Amortization of nuclear fuel	1,822	1,717
Gain on fixed asset retirements, net	(288)	(31)
Foreign exchange rate losses (gains), net	562	(229)
Interest expense, interest income and dividend income, net	705	851
Nuclear provisions	(356)	(214)
Valuation allowances, other provisions and other adjustments	(4,762)	(1,972)
Share of (profit) loss from joint-ventures	956	78
Changes in assets and liabilities:		
Receivables	5,650	9,352
Materials and supplies	252	(827)
Fossil fuel stocks	422	662
Other current assets	6,120	1,048
Trade and other payables	(7,316)	455
Accrued liabilities	(3,949)	(4,988)
Cash generated from operations	33,295	41,176
Income taxes paid	(3,146)	(3,425)
Interest paid, net of capitalized interest	(2,009)	(2,345)
Interest received	232	301
Dividends received	337	742
Net cash provided by operating activities	28,709	36,449
<b>Investing activities:</b>		
Disposal of subsidiaries and joint-ventures, net of cash disposed of	310	27
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(15,246)	(16,083)
Proceeds from sale of fixed assets	267	941
Loans made	(30)	(6)
Repayment of loans	60	139
Change in decommissioning and other restricted funds	(562)	(703)
Total cash used in investing activities	(15,201)	(15,685)

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, 2015**

continued

	<u>1-6/2015</u>	<u>1-6/2014</u>
<b>Financing activities:</b>		
Proceeds from borrowings	45,507	17,166
Payments of borrowings	(58,731)	(25,162)
Proceeds from other long-term liabilities	32	58
Payments of other long-term liabilities	(102)	(69)
Dividends paid to Company's shareholders	(44)	(46)
(Dividends paid to) contributions received from non-controlling interests, net	(4)	(5)
Sale of treasury shares	68	-
Total cash provided by financing activities	<u>(13,274)</u>	<u>(8,058)</u>
Net effect of currency translation in cash	<u>(308)</u>	<u>(28)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(74)</b>	<b>12,678</b>
<b>Cash and cash equivalents at beginning of period</b>	<u>20,095</u>	<u>25,003</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>20,021</u></u>	<u><u>37,681</u></u>
 <b>Supplementary cash flow information</b>		
Total cash paid for interest	4,482	4,991

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, 2015**

**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, 2015 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas and coal mining.

**2. Summary of Significant Accounting Policies**

**2.1. Financial Statements**

The interim consolidated financial statements for the six months ended June 30, 2015 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, 2014.

**2.2. Changes in 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, 2014, except for as follows. The Group has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2015:

- Annual Improvements to IFRSs 2010 - 2012
- Annual Improvements to IFRSs 2011 - 2013

The impact of the adoption of standards or interpretations (or their annual improvements respectively) on the financial statements or performance of the Group is described below:

**Annual Improvements to IFRSs 2010 - 2012**

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

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

The annual improvements had no significant impact on the Group's financial statements.

## Annual Improvements to IFRSs 2011 - 2013

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

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

The annual improvements had no significant impact on the Group's financial statements.

### 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 non-controlling interests in the first half of 2015

On April 15, 2015 the Group increased the ownership interest from 75% to 100% in company Eco-Wind Construction S.A. by calling the option to acquire the non-controlling interest.

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

Acquired share of net assets derecognized from non-controlling interests	145
Amount directly recognized in equity	<u>147</u>
Total purchase consideration	<u><u>292</u></u>

## 5. Investments in Subsidiaries and Joint-ventures

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

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Areál Třeboradice, a.s.	Czech Republic	95.00%	95.00%	95.00%	95.00%
A.E. Wind sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green I sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green V sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green VI sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green VII sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Baltic Green VIII sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Bara Group OOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Centrum výzkumu Řež s.r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
CEZ Bosna i Hercegovina d.o.o. <sup>1)</sup>	Bosnia and Herzegovina	-	100.00%	-	100.00%
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Bulgarian Investments B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ Finance Polska sp. z o.o. <sup>2)</sup>	Poland	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 Chorzów S.A. <sup>3)</sup>	Poland	100.00%	100.00%	100.00%	100.00%
CEZ ICT Bulgaria EAD <sup>2)</sup>	Poland	67.00%	-	67.00%	-
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Skawina S.A. <sup>4)</sup>	Poland	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%

1) The company CEZ Bosna i Hercegovina d.o.o was liquidated on February 5, 2015.

2) The company was newly established in 2015.

3) The company name Elektrociepłownia Chorzów ELCHO S.A. was changed to CEZ Chorzów S.A. in May 2015.

4) The company name Elektrownia Skawina S.A. was changed to CEZ Skawina S.A. in April 2015.

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine LLC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ČEZ Bohunice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ENERGOSEVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ESCO, a.s.	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 Inženýring, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Korporátní služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Nová energetika, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Recyklace, s.r.o.	Czech Republic	99.00%	99.00%	99.00%	99.00%
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Eco-Wind Construction S.A.	Poland	100.00%	75.00%	100.00%	75.00%
Elektrárna Dětmorovice, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Mělník III, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Počeradý, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Tisová, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energocentrum Vítkovice, a. s. <sup>2)</sup>	Czech Republic	100.00%	-	100.00%	-
Energotrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
EVČ s.r.o.	Czech Republic	75.00%	75.00%	75.00%	75.00%
Farma Wiatrowa Leśce sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
MARTIA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Mega Energy sp. z o.o.	Poland	100.00%	75.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Revitrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Shared Services Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Taidana Limited	Cyprus	100.00%	100.00%	100.00%	100.00%
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Telco Pro Services, a. s	Czech Republic	100.00%	100.00%	100.00%	100.00%
Teplné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%
TMK Hydroenergy Power S.R.L	Romania	100.00%	100.00%	100.00%	100.00%
Tomis Team S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%

Subsidiaries	Country of incorporation	% equity interest		% voting interest	
		June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
ÚJV Řež, a. s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

Joint-ventures	Country of incorporation	% equity interest		% voting interest	
		June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Akcez Enerji A.S.	Turkey	50.00%	50.00%	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	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Yalova Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
ČEZ Energo, s.r.o.	Czech Republic	50.10%	50.10%	50.10%	50.10%
Egemer Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Jadrová energetická spoločnosť Slovenska, a. s.	Slovakia	49.00%	49.00%	50.00%	50.00%
JESS Invest, s. r. o.	Slovakia	49.00%	49.00%	50.00%	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	51.05%	51.05%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Sakarya Elektrik Dagitim A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Perakende Satis A.S.	Turkey	50.00%	50.00%	50.00%	50.00%

The equity interest represents effective ownership interest of the Group.

## 6. Equity

On June 12, 2015 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share of CZK 40.0. The total amount of dividend approved amounts to CZK 21,369 million.

Movements of treasury shares in the first half of 2015 (in pieces):

	<u>1-6/2015</u>
Number of treasury shares at beginning of period	3,875,021
Sales of treasury shares	<u>(120,000)</u>
Number of treasury shares at end of period	<u><u>3,755,021</u></u>

## 7. Long-term Debt

Long-term debt at June 30, 2015 and December 31, 2014 is as follows (in CZK millions):

	June 30, 2015	December 31, 2014
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,378	2,283
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	42	42
5.750% Eurobonds, due 2015 (EUR 460 million)	-	12,749
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,586	1,523
5.000% Eurobonds, due 2021 (EUR 750 million)	20,362	20,715
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,357	1,380
3M Euribor + 0.35% Eurobonds, due 2017 (EUR 45 million)	1,203	1,219
4.875% Eurobonds, due 2025 (EUR 750 million)	20,347	20,701
4.500% Eurobonds, due 2020 (EUR 750 million)	20,290	20,633
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,286	2,195
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million)	9,242	9,397
2.150%*IRp Eurobonds, due 2021 (EUR 100 million)	2,725	2,773
4.102% Eurobonds, due 2021 (EUR 50 million)	1,358	1,382
4.250% U.S. bonds, due 2022 (USD 700 million)	16,907	15,847
5.625% U.S. bonds, due 2042 (USD 300 million)	7,225	6,775
4.375% Eurobonds, due 2042 (EUR 50 million)	1,335	1,358
4.500% Eurobonds, due 2047 (EUR 50 million)	1,335	1,358
4.383% Eurobonds, due 2047 (EUR 80 million)	2,180	2,218
3.000% Eurobonds, due 2028 (EUR 500 million)	13,426	13,655
4.500% registered bonds, due 2030 (EUR 40 million)	1,068	1,086
4.750% registered bonds, due 2023 (EUR 40 million)	1,078	1,096
4.700% registered bonds, due 2032 (EUR 40 million)	1,083	1,102
4.270% registered bonds, due 2047 (EUR 61 million)	1,634	1,662
3.550% registered bonds, due 2038 (EUR 30 million)	814	828
Exchangeable bonds, due 2017 (EUR 470.2 million) <sup>1)</sup>	12,431	12,560
	<u>144,940</u>	<u>157,785</u>
Total bonds and debentures		
Less: Current portion	(9,242)	(12,749)
	<u>135,698</u>	<u>145,036</u>
Bonds and debentures, net of current portion		
Long-term bank loans:		
Total long-term bank loans	23,850	18,741
Less: Current portion	(2,127)	(2,925)
	<u>21,723</u>	<u>15,816</u>
Long-term bank loans, net of current portion		
Total long-term debt	168,790	176,526
Less: Current portion	(11,369)	(15,674)
	<u>157,421</u>	<u>160,852</u>
Total long-term debt, net of current portion		

<sup>1)</sup> Bonds are exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC. The bonds carry no interest and the separation of embedded conversion option resulted in effective interest rate of 1.43%

## 8. Short-term Loans

Short-term loans at June 30, 2015 and December 31, 2014 are as follows (in CZK millions):

	June 30, 2015	December 31, 2014
Short-term bank loans	1,142	7,466
Bank overdrafts	335	142
Total	<u>1,477</u>	<u>7,608</u>

## 9. Income Taxes

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

	1-6/2015			1-6/2014		
	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	5,914	(1,124)	4,790	2,930	(552)	2,378
Cash flow hedges reclassified from equity	(1,611)	306	(1,305)	(790)	150	(640)
Change in fair value of available-for-sale financial assets recognized in equity	1,149	154	1,303	(1,015)	(106)	(1,121)
Available-for-sale financial assets reclassified from equity	(16)	4	(12)	(45)	11	(34)
Translation differences	(1,219)	-	(1,219)	703	-	703
Translation differences reclassified from equity	(1)	-	(1)	-	-	-
Share on equity movements of joint-ventures	(17)	-	(17)	(6)	-	(6)
Total	<u>4,199</u>	<u>(660)</u>	<u>3,539</u>	<u>1,777</u>	<u>(497)</u>	<u>1,280</u>

## 10. 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 based on earnings before interest, taxes, depreciation and amortization (EBITDA). The reconciliation of EBITDA to income before other income (expenses) and income taxes summarizes the following table (in CZK millions):

	1-6/2015	1-6/2014
Income before other income (expenses) and income taxes (EBIT)	21,300	24,098
Depreciation and amortization	14,298	13,774
Impairment of plant, property and equipment and intangible assets including goodwill	21	2,098
Gain on sale of property, plant and equipment *	(95)	(29)
EBITDA	<u>35,524</u>	<u>39,941</u>

\* Item Gain on sale of property, plant and equipment is presented in the statement of income as part of the line item Other operating expenses.

The following tables summarize segment information by operating segments for the three months ended June 30, 2015 and 2014 and at December 31, 2014 (in CZK millions):

	June 30, 2015:			June 30, 2014:			December 31, 2014:			
	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	27,076	53,165	2,086	1,109	784	18,662	13	102,895	-	102,895
Intersegment sales	18,732	1,693	2,461	10,970	252	157	898	35,163	(35,163)	-
Total revenues	45,808	54,858	4,547	12,079	1,036	18,819	911	138,058	(35,163)	102,895
EBITDA	18,412	10,920	2,009	1,869	333	1,914	66	35,523	1	35,524
Depreciation and amortization	(8,679)	(1,989)	(1,211)	(973)	(499)	(910)	(37)	(14,298)	-	(14,298)
Impairment of property, plant and equipment and intangible assets including goodwill	-	(3)	-	1	-	(6)	(13)	(21)	-	(21)
EBIT	9,729	8,929	799	928	(167)	1,012	69	21,299	1	21,300
Interest on debt and provisions	(2,337)	(145)	(101)	(54)	(258)	(5)	(6)	(2,906)	455	(2,451)
Interest income	517	11	120	10	2	18	3	681	(455)	226
Share of profit (loss) from joint-ventures	34	-	3	-	(691)	(302)	-	(956)	-	(956)
Income taxes	(1,631)	(1,680)	(143)	(188)	51	(161)	(8)	(3,760)	-	(3,760)
Net income	20,447	7,108	1,238	1,582	(1,064)	561	56	29,928	(14,514)	15,414
Identifiable assets	269,182	81,502	20,732	9,832	20,181	23,661	130	425,220	(1,340)	423,880
Investment in joint-ventures	4,845	-	173	-	2,918	2,502	-	10,438	-	10,438
Unallocated assets										179,788
Total assets	7,724	3,256	670	4100	39	919	300	17,008	(3,599)	614,106
Capital expenditure										13,409



## 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
ID No.:	452 74 649
VAT ID No.:	CZ45274649
Bankers:	KB Praha 1, acc. No. 71504011/0100

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Closing date of the 2015 Half-Year Report: August 19, 2015