

## Financial statements of ČEZ, a. s. as of 31 December 2012

In the meaning of Section 19a of the Accounting Act, the financial statements of ČEZ, a. s. as of 31 December 2012 were compiled in accordance with the International Financial Reporting Standards. The balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements have all been drawn up.

In accordance with the respective provisions of the Commercial Code and Accounting Act, the financial statements were verified by an independent auditor. The audit was performed by Ernst & Young Audit, s.r.o.

According to the auditor's report of 25 February 2013, the financial statements present fairly, in all material respects, the assets, liabilities, and financial position of ČEZ, a. s. as of 31 December 2012 and its financial performance and cash flows for the period from 1 January 2012 to 31 December 2012 in accordance with the International Financial Reporting Standards, as adopted by the European Union.

Based on the auditor's report, it is proposed that the General Meeting approve the financial statements of ČEZ, a. s. for 2012.

The full version of the financial statements forms part of the annual report, which is available at this General Meeting of shareholders, at the company's registered office and on the company's website. The financial statements, i.e. the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows are also included in this material.

**ČEZ, a. s.**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

in CZK millions

	2012	2011
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	318,139	313,006
Less accumulated provision for depreciation	(175,703)	(184,124)
Net plant in service	142,436	128,882
Nuclear fuel, at amortized cost	9,698	8,839
Construction work in progress	68,318	68,982
Total property, plant and equipment	220,452	206,703
Other non-current assets:		
Investments and other financial assets, net	197,658	192,428
Intangible assets, net	604	578
Total other non-current assets	198,262	193,006
Total non-current assets	418,714	399,709
Current assets:		
Cash and cash equivalents	8,815	15,930
Receivables, net	56,232	46,281
Income tax receivable	1,044	374
Materials and supplies, net	4,129	3,737
Fossil fuel stocks	2,033	1,359
Emission rights	10,038	5,007
Other financial assets, net	36,869	28,247
Other current assets	999	1,985
Assets classified as held for sale	-	1,031
Total current assets	120,159	103,951
<b>Total assets</b>	<b>538,873</b>	<b>503,660</b>

**ČEZ, a. s.**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

continued

	2012	2011
<b>Equity and liabilities</b>		
Equity:		
Stated capital	53,799	53,799
Treasury shares	(4,382)	(4,382)
Retained earnings and other reserves	161,494	143,183
Total equity	210,911	192,600
Long-term liabilities:		
Long-term debts, net of current portion	161,307	145,293
Accumulated provision for nuclear decommissioning and nuclear fuel storage	42,227	37,059
Other long-term liabilities	5,405	5,274
Total long-term liabilities	208,939	187,626
Deferred tax liability	11,016	8,798
Current liabilities:		
Short-term loans	2,735	3,624
Current portion of long-term debt	10,971	18,668
Trade and other payables	77,543	79,347
Accrued liabilities	16,758	12,997
Total current liabilities	108,007	114,636
<b>Total equity and liabilities</b>	<b>538,873</b>	<b>503,660</b>

**ČEZ, a. s.**

**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**in CZK millions**

	2012	2011
<b>Revenues:</b>		
Sales of electricity	94,315	97,246
Gains and losses from electricity, coal, and gas derivate trading, net	4,032	5,904
Sales of gas, heat, and other revenues	9,800	10,291
Total revenues	108,147	113,441
<b>Operating expenses:</b>		
Fuel	(14,016)	(15,609)
Purchased power and related services	(24,826)	(29,540)
Repairs and maintenance	(3,504)	(3,431)
Depreciation and amortization	(13,261)	(12,840)
Salaries and wages	(6,113)	(5,951)
Materials and supplies	(1,694)	(1,837)
Emission rights, net	(1,196)	3
Other operating expenses	(8,284)	(7,386)
Total expenses	(72,894)	(76,591)
<b>Income before other income (expenses) and income taxes</b>	35,253	36,850
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(4,576)	(5,019)
Interest on nuclear and other provisions	(1,743)	(1,713)
Interest income	2,583	2,608
Foreign exchange rate gains (losses), net	1,268	(244)
Other income (expenses), net	8,825	11,414
Total other income (expenses)	6,357	7,046
<b>Income before income taxes</b>	41,610	43,896
Income taxes	(6,274)	(6,559)
<b>Net income</b>	35,336	37,337

**ČEZ, a. s.**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**in CZK millions**

	<u>2012</u>	<u>2011</u>
<b>Net income</b>	35,336	37,337
<b>Other comprehensive income:</b>		
Change in fair value of cash flow hedges recognized in equity	7,867	(7,360)
Cash flow hedges removed from equity	(104)	(2,306)
Change in fair value of available-for-sale financial assets recognized in equity	733	44
Deferred tax related to other comprehensive income	<u>(1,614)</u>	<u>1,828</u>
Other comprehensive income, net of tax	<u>6,882</u>	<u>(7,794)</u>
<b>Total comprehensive income</b>	<u><u>42,218</u></u>	<u><u>29,543</u></u>

**ČEZ, a. s.****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2012****in CZK millions**

	Stated capital	Treasury shares	Cash flow hedge reserve	Available- for-sale and other reserves	Retained earnings	Total equity
December 31, 2010	53,799	(4,619)	3,008	656	136,644	189,488
Net income	-	-	-	-	37,337	37,337
Other comprehensive income	-	-	(7,829)	35	-	(7,794)
Total comprehensive income	-	-	(7,829)	35	37,337	29,543
Dividends	-	-	-	-	(26,673)	(26,673)
Sale of treasury shares	-	237	-	-	(68)	169
Share options	-	-	-	73	-	73
Transfer of exercised and forfeited share options within equity	-	-	-	(49)	49	-
December 31, 2011	53,799	(4,382)	(4,821)	715	147,289	192,600
Net income	-	-	-	-	35,336	35,336
Other comprehensive income	-	-	6,288	594	-	6,882
Total comprehensive income	-	-	6,288	594	35,336	42,218
Dividends	-	-	-	-	(23,982)	(23,982)
Share options	-	-	-	75	-	75
Transfer of exercised and forfeited share options within equity	-	-	-	(216)	216	-
December 31, 2012	53,799	(4,382)	1,467	1,168	158,859	210,911

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

in CZK millions

	2012	2011
<b>Operating activities:</b>		
Income before income taxes	41,610	43,896
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,377	12,858
Amortization of nuclear fuel	2,786	3,225
Gain on fixed asset retirements, net	(62)	(68)
Foreign exchange rate losses (gains), net	(1,268)	244
Interest expense, interest income and dividend income, net	(12,564)	(13,062)
Provision for nuclear decommissioning and fuel storage	(14)	(68)
Valuation allowances, other provisions and other adjustments	1,722	1,039
Changes in assets and liabilities:		
Receivables	731	(10,551)
Materials and supplies	(518)	(575)
Fossil fuel stocks	(674)	(476)
Other current assets	(12,696)	(17,667)
Trade and other payables	23	16,991
Accrued liabilities	5,113	1,628
Cash generated from operations	37,566	37,414
Income taxes paid	(6,340)	(5,382)
Interest paid, net of capitalized interest	(4,323)	(4,446)
Interest received	2,568	2,354
Dividends received	14,500	13,237
Net cash provided by operating activities	43,971	43,177
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures	(7,383)	(6,470)
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(29,700)	(23,908)
Proceeds from sale of fixed assets	1,577	654
Loans made	(21,150)	(10,787)
Repayment of loans	11,496	18,215
Changes in restricted financial assets	(366)	(682)
Total cash used in investing activities	(45,526)	(22,978)

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

continued

	2012	2011
<b>Financing activities:</b>		
Proceeds from borrowings	79,488	57,676
Payments of borrowings	(67,859)	(49,785)
Proceeds from other long-term liabilities	1	-
Change in payables/receivables from group cashpooling	6,461	(1,296)
Dividends paid	(23,995)	(26,655)
Sale of treasury shares	-	169
Net cash used in financing activities	(5,904)	(19,891)
Net effect of currency translation in cash	344	(520)
<b>Net decrease in cash and cash equivalents</b>	<b>(7,115)</b>	<b>(212)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,930</b>	<b>16,142</b>
<b>Cash and cash equivalents at end of period</b>	<b>8,815</b>	<b>15,930</b>
 <b>Supplementary cash flow information</b>		
Total cash paid for interest	7,492	6,968



## **Consolidated financial statements of the CEZ Group as of 31 December 2012**

In the meaning of Section 23a of the Accounting Act, the consolidated financial statements of the CEZ Group as of 31 December 2012 were compiled in accordance with the International Financial Reporting Standards. The compiled consolidated financial statements are the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements.

In accordance with the respective provisions of the Commercial Code and Accounting Act, the consolidated financial statements were verified by an independent auditor. The audit was performed by Ernst & Young Audit, s.r.o.

According to the auditor's report of 25 February 2013, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as of 31 December 2012 and its financial performance and cash flows for the period from 1 January 2012 to 31 December 2012 in accordance with the International Financial Reporting Standards, as adopted by the European Union.

Based on the auditor's report, it is proposed that the General Meeting approve the consolidated financial statements of the CEZ Group for 2012.

The full version of the consolidated financial statements forms part of the annual report, which is available at this General Meeting of shareholders, at the company's registered office and on the company's website. The consolidated financial statements, i.e. the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows are also included in this material.

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

in CZK millions

	2012	2011
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	656,757	605,063
Less accumulated provision for depreciation	(320,574)	(305,813)
Net plant in service	336,183	299,250
Nuclear fuel, at amortized cost	9,702	8,844
Construction work in progress	73,869	78,743
Total property, plant and equipment	419,754	386,837
Other non-current assets:		
Investment in associates and joint ventures	14,383	11,292
Investments and other financial assets, net	38,406	51,810
Intangible assets, net	21,604	16,553
Deferred tax assets	750	809
Total other non-current assets	75,143	80,464
Total non-current assets	494,897	467,301
Current assets:		
Cash and cash equivalents	17,957	22,062
Receivables, net	54,763	54,732
Income tax receivable	1,798	678
Materials and supplies, net	7,671	6,687
Fossil fuel stocks	4,032	2,657
Emission rights	12,153	6,013
Other financial assets, net	39,476	29,569
Other current assets	3,323	4,779
Assets classified as held for sale	-	3,823
Total current assets	141,173	131,000
<b>Total assets</b>	<b>636,070</b>	<b>598,301</b>

**CEZ GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

continued

	2012	2011
<b>Equity and liabilities</b>		
Equity:		
Equity attributable to equity holders of the parent:		
Stated capital	53,799	53,799
Treasury shares	(4,382)	(4,382)
Retained earnings and other reserves	200,818	177,408
Total equity attributable to equity holders of the parent	250,235	226,825
Non-controlling interests	3,984	5,365
Total equity	254,219	232,190
Long-term liabilities:		
Long-term debt, net of current portion	176,106	164,685
Accumulated provision for nuclear decommissioning and fuel storage	42,415	37,285
Other long-term liabilities	22,559	21,721
Total long-term liabilities	241,080	223,691
Deferred tax liability	21,828	17,009
Current liabilities:		
Short-term loans	4,784	5,500
Current portion of long-term debt	12,005	19,264
Trade and other payables	73,267	78,186
Income tax payable	1,615	1,701
Accrued liabilities	27,272	20,760
Total current liabilities	118,943	125,411
<b>Total equity and liabilities</b>	<b>636,070</b>	<b>598,301</b>

**CEZ GROUP****CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2012**

in CZK millions

	2012	2011
<b>Revenues:</b>		
Sales of electricity and related services	186,797	181,793
Gains and losses from electricity, coal, and gas derivate trading, net	4,588	5,843
Sales of gas, coal, heat, and other revenues	23,710	22,125
Total revenues	215,095	209,761
<b>Operating expenses:</b>		
Fuel	(15,841)	(17,145)
Purchased power and related services	(71,656)	(65,865)
Repairs and maintenance	(5,511)	(5,014)
Depreciation and amortization	(27,578)	(25,770)
Salaries and wages	(18,707)	(18,105)
Materials and supplies	(5,098)	(5,478)
Emission rights, net	476	2,895
Other operating expenses	(13,249)	(13,737)
Total expenses	(157,164)	(148,219)
<b>Income before other income (expenses) and income taxes</b>	57,931	61,542
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(4,318)	(4,954)
Interest on nuclear and other provisions	(2,051)	(2,002)
Interest income	1,745	1,835
Foreign exchange rate gains (losses), net	763	(566)
Goodwill impairment	(848)	(292)
Other income (expenses), net	(2,716)	69
Share of profit (loss) from associates and joint-ventures	451	(3,680)
Total other income (expenses)	(6,974)	(9,590)
<b>Income before income taxes</b>	50,957	51,952
Income taxes	(10,804)	(11,199)
<b>Net income</b>	40,153	40,753
<b>Net income attributable to:</b>		
Equity holders of the parent	41,429	40,756
Non-controlling interests	(1,276)	(3)

**CEZ GROUP****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2012**

in CZK millions

	2012	2011
<b>Net income</b>	40,153	40,753
<b>Other comprehensive income:</b>		
Change in fair value of cash flow hedges recognized in equity	7,935	(7,330)
Cash flow hedges removed from equity	(127)	(2,343)
Change in fair value of available-for-sale financial assets recognized in equity	1,302	54
Available-for-sale financial assets removed from equity	(76)	(33)
Translation differences	(1,436)	(330)
Share on equity movements of associates and joint ventures	(82)	1
Deferred tax related to other comprehensive income	(1,706)	1,828
<b>Other comprehensive income, net of tax</b>	5,810	(8,153)
<b>Total other comprehensive income, net of tax</b>	45,963	32,600
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	47,339	32,487
Non-controlling interests	(1,376)	113

**CEZ GROUP****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

in CZK millions

	Attributable to equity holders of the parent						Non-controlling interests	Total equity
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	
December 31, 2010	53,799	(4,619)	(10,193)	3,009	907	178,528	221,431	227,052
Net income	-	-	-	-	-	40,756	40,756	40,753
Other comprehensive income	-	-	(454)	(7,835)	19	1	(8,269)	(8,153)
Total comprehensive income	-	-	(454)	(7,835)	19	40,757	32,487	32,600
Dividends	-	-	-	-	-	(26,674)	(26,674)	(26,678)
Sale of treasury shares	-	237	-	-	-	(68)	169	169
Share options	-	-	-	-	73	-	73	73
Transfer of exercised and forfeited share options within equity	-	-	-	-	(49)	49	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	43	43
Acquisition of subsidiaries	-	-	-	-	-	-	542	542
Acquisition of non-controlling interests	-	-	-	-	-	(143)	(143)	(855)
Put options held by non-controlling interests	-	-	-	-	-	(518)	(518)	(756)
December 31, 2011	<u>53,799</u>	<u>(4,382)</u>	<u>(10,647)</u>	<u>(4,826)</u>	<u>950</u>	<u>191,931</u>	<u>226,825</u>	<u>232,190</u>

**CEZ GROUP****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

continued

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserves	Available-for-sale and other reserves	Retained earnings	Total		
December 31, 2011	53,799	(4,382)	(10,647)	(4,826)	950	191,931	226,825	5,365	232,190
Net income	-	-	-	-	-	41,429	41,429	(1,276)	40,153
Other comprehensive income	-	-	(1,333)	6,332	993	(82)	5,910	(100)	5,810
Total comprehensive income	-	-	(1,333)	6,332	993	41,347	47,339	(1,376)	45,963
Dividends	-	-	-	-	-	(23,982)	(23,982)	(4)	(23,986)
Share options	-	-	-	-	75	-	75	-	75
Transfer of exercised and forfeited share options within equity	-	-	-	-	(216)	216	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	1	1
Acquisition of non-controlling interests	-	-	3	-	-	(306)	(303)	(58)	(361)
Put options held by non-controlling interests	-	-	-	-	-	281	281	56	337
December 31, 2012	<u>53,799</u>	<u>(4,382)</u>	<u>(11,977)</u>	<u>1,506</u>	<u>1,802</u>	<u>209,487</u>	<u>250,235</u>	<u>3,984</u>	<u>254,219</u>

**CEZ GROUP****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

in CZK millions

	2012	2011
<b>Operating activities:</b>		
Income before income taxes	50,957	51,952
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	28,571	26,098
Amortization of nuclear fuel	2,787	3,225
Gain on fixed asset retirements, net	(98)	(198)
Foreign exchange rate losses (gains), net	(763)	566
Interest expense, interest income and dividend income, net	2,267	2,335
Provision for nuclear decommissioning and fuel storage	5	(63)
Valuation allowances, other provisions and other adjustments	943	1,005
Share of (profit) loss from associates and joint-ventures	(451)	3,680
Changes in assets and liabilities:		
Receivables	793	(15,999)
Materials and supplies	(845)	(423)
Fossil fuel stocks	(1,283)	(846)
Other current assets	(13,261)	(17,480)
Trade and other payables	2,838	18,369
Accrued liabilities	5,479	1,164
Cash generated from operations	77,939	73,385
Income taxes paid	(11,548)	(8,916)
Interest paid, net of capitalized interest	(4,069)	(4,357)
Interest received	1,978	876
Dividends received	312	785
Net cash provided by operating activities	64,612	61,773
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	(5,323)	(927)
Proceeds from disposal of subsidiaries and associates, net of cash disposed of	686	-
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(53,518)	(53,241)
Proceeds from sale of fixed assets	3,433	1,752
Loans made	(543)	(778)
Repayment of loans	2,727	1,609
Change in restricted financial assets	(597)	(1,291)
Total cash used in investing activities	(53,135)	(52,876)



**CEZ GROUP****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

continued

	2012	2011
<b>Financing activities:</b>		
Proceeds from borrowings	125,247	101,624
Payments of borrowings	(117,067)	(83,530)
Proceeds from other long-term liabilities	330	116
Payments of other long-term liabilities	(306)	(181)
Dividends paid to Company's shareholders	(23,995)	(26,655)
(Dividends paid to) contributions received from non-controlling interests, net	(4)	38
Sale of treasury shares	-	169
Total cash used in financing activities	(15,795)	(8,419)
Net effect of currency translation in cash	213	(602)
<b>Net decrease in cash and cash equivalents</b>	(4,105)	(124)
<b>Cash and cash equivalents at beginning of period</b>	22,062	22,186
<b>Cash and cash equivalents at end of period</b>	17,957	22,062
<b>Supplementary cash flow information</b>		
Total cash paid for interest	7,637	7,111