



## FINANCIAL STATEMENTS OF ČEZ, a. s. AS OF DECEMBER 31, 2013

In terms of Section 19a of the Accounting Act, the financial statements of ČEZ, a. s. as of December 31, 2013 were compiled in accordance with 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 of the 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 February 24, 2014, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as of December 31, 2013, and its financial performance and cash flows for the year than ended in accordance with 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 2013.

The full version of the financial statements forms part of the annual report, which is available at the General Meeting of shareholders 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, 2013**

In millions of CZK

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	319,081	318,139
Less accumulated provision for depreciation	<u>(182,282)</u>	<u>(175,703)</u>
Net plant in service	136,799	142,436
Nuclear fuel, at amortized cost	10,627	9,698
Construction work in progress	<u>86,512</u>	<u>68,318</u>
Total property, plant and equipment	233,938	220,452
Other non-current assets:		
Investments and other financial assets, net	192,512	197,658
Intangible assets, net	<u>572</u>	<u>604</u>
Total other non-current assets	<u>193,084</u>	<u>198,262</u>
Total non-current assets	427,022	418,714
Current assets:		
Cash and cash equivalents	14,166	8,815
Receivables, net	56,480	56,232
Income tax receivable	807	1,044
Materials and supplies, net	4,535	4,129
Fossil fuel stocks	593	2,033
Emission rights	7,300	10,038
Other financial assets, net	37,206	36,869
Other current assets	<u>1,148</u>	<u>999</u>
Total current assets	<u>122,235</u>	<u>120,159</u>
<b>Total assets</b>	<u><u>549,257</u></u>	<u><u>538,873</u></u>

**ČEZ, a. s. BALANCE SHEET AS OF DECEMBER 31, 2013**

Continued

	<u>2013</u>	<u>2012</u>
<b>Equity and liabilities</b>		
Equity:		
Stated capital	53,799	53,799
Treasury shares	(4,382)	(4,382)
Retained earnings and other reserves	<u>155,826</u>	<u>161,494</u>
Total equity	205,243	210,911
Long-term liabilities:		
Long-term debts, net of current portion	162,746	161,307
Accumulated provision for nuclear decommissioning and fuel storage	43,641	42,227
Other long-term liabilities	<u>10,321</u>	<u>5,405</u>
Total long-term liabilities	216,708	208,939
Deferred tax liability	8,744	11,016
Current liabilities:		
Short-term loans	2,230	2,735
Current portion of long-term debt	24,713	10,971
Trade and other payables	78,844	77,543
Accrued liabilities	<u>12,775</u>	<u>16,758</u>
Total current liabilities	<u>118,562</u>	<u>108,007</u>
<b>Total equity and liabilities</b>	<u><u>549,257</u></u>	<u><u>538,873</u></u>

**ČEZ, a. s. STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	2013	2012
<b>Revenues:</b>		
Sales of electricity	89,487	94,315
Gains and losses from electricity, coal and gas derivative trading, net	1,592	4,032
Sales of gas, heat and other revenues	10,565	9,800
Total revenues	101,644	108,147
<b>Operating expenses:</b>		
Fuel	(10,818)	(14,016)
Purchased power and related services	(35,231)	(24,826)
Repairs and maintenance	(3,242)	(3,504)
Depreciation and amortization	(13,358)	(13,261)
Impairment of property, plant and equipment and intangible assets	(2,467)	-
Salaries and wages	(6,071)	(6,113)
Materials and supplies	(1,500)	(1,694)
Emission rights, net	(1,104)	(1,196)
Other operating expenses	(7,758)	(8,284)
Total expenses	(81,549)	(72,894)
<b>Income before other income (expenses) and income taxes</b>	20,095	35,253
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(4,865)	(4,576)
Interest on nuclear and other provisions	(1,523)	(1,743)
Interest income	1,928	2,583
Foreign exchange rate gains (losses), net	1,068	1,268
Gain on sale of subsidiaries, associates and joint-ventures	5,212	-
Other income (expenses), net	7,747	8,825
Total other income (expenses)	9,567	6,357
<b>Income before income taxes</b>	29,662	41,610
Income taxes	(3,289)	(6,274)
<b>Net income</b>	26,373	35,336

**ČEZ, a. s. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	2013	2012
<b>Net income</b>	26,373	35,336
<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	(9,483)	7,867
Cash flow hedges removed from equity	(3,059)	(104)
Change in fair value of available-for-sale financial assets recognized in equity	(410)	733
Deferred tax related to other comprehensive income	2,461	(1,614)
Other comprehensive income, net of tax	(10,491)	6,882
<b>Total comprehensive income</b>	<u>15,882</u>	<u>42,218</u>

**ČEZ, a. s. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	Stated capital	Treasury shares	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total equity
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	<u>53,799</u>	<u>(4,382)</u>	<u>1,467</u>	<u>1,168</u>	<u>158,859</u>	<u>210,911</u>
Net income	-	-	-	-	26,373	26,373
Other comprehensive income	-	-	(10,159)	(332)	-	(10,491)
Total comprehensive income	-	-	(10,159)	(332)	26,373	15,882
Effect of merger	-	-	-	-	(289)	(289)
Dividends	-	-	-	-	(21,294)	(21,294)
Share options	-	-	-	33	-	33
Transfer of exercised and forfeited share options within equity	-	-	-	(97)	97	-
December 31, 2013	<u>53,799</u>	<u>(4,382)</u>	<u>(8,692)</u>	<u>772</u>	<u>163,746</u>	<u>205,243</u>

**ČEZ, a. s. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	2013	2012
<b>Operating activities:</b>		
Income before income taxes	29,662	41,610
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,365	13,377
Amortization of nuclear fuel	3,065	2,786
Gain on fixed asset retirements, net	(5,315)	(62)
Foreign exchange rate losses (gains), net	(1,068)	(1,268)
Interest expense, interest income and dividend income, net	(11,360)	(12,564)
Provision for nuclear decommissioning and fuel storage	(239)	(14)
Valuation allowances, other provisions and other adjustments	6,118	1,722
Changes in assets and liabilities:		
Receivables	1,886	731
Materials and supplies	(457)	(518)
Fossil fuel stocks	(478)	(674)
Other current assets	(1,417)	(12,696)
Trade and other payables	(2,247)	23
Accrued liabilities	(4,580)	5,113
Cash generated from operations	30,725	37,566
Income taxes paid	(3,317)	(6,340)
Interest paid, net of capitalized interest	(4,582)	(4,323)
Interest received	1,888	2,568
Dividends received	14,296	14,500
Net cash provided by operating activities	39,010	43,971
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures	(729)	(7,383)
Proceeds from disposal of subsidiaries, associates and joint-ventures	4,449	-
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(29,127)	(29,700)
Proceeds from sale of fixed assets	1,300	1,577
Loans made	(7,769)	(21,150)
Repayment of loans	5,623	11,496
Change in restricted financial assets	(755)	(366)
Total cash used in investing activities	(27,008)	(45,526)

**ČEZ, a. s. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013**

Continued

	2013	2012
<b>Financing activities:</b>		
Proceeds from borrowings	47,618	79,488
Payments of borrowings	(46,119)	(67,859)
Proceeds from other long-term liabilities	1,750	1
Payments of other long-term liabilities	(86)	-
Change in payables/receivables from group cashpooling	11,382	6,461
Dividends paid	(21,336)	(23,995)
Net cash used in financing activities	(6,791)	(5,904)
Net effect of currency translation in cash	140	344
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,351</b>	<b>(7,115)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,815</b>	<b>15,930</b>
<b>Cash and cash equivalents at end of period</b>	<b>14,166</b>	<b>8,815</b>
<b>Supplementary cash flow information</b>		
Total cash paid for interest	8,004	7,492

**Consolidated financial statements of the CEZ Group as of December 31, 2013**

In terms of Section 23a of the Accounting Act, the consolidated financial statements of the CEZ Group as of December 31, 2013 were compiled in accordance with International Financial Reporting Standards. The compiled consolidated financial statements comprise the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements.

In accordance with the respective provisions of the Commercial Code and the 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 February 24, 2014, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended 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 2013.

The full version of the consolidated financial statements forms part of the annual report, which is available at the General Meeting of shareholders 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, 2013**

In millions of CZK

	2013	2012
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	666,082	656,757
Less accumulated provision for depreciation	<u>(340,927)</u>	<u>(320,574)</u>
Net plant in service	325,155	336,183
Nuclear fuel, at amortized cost	10,688	9,702
Construction work in progress	<u>90,717</u>	<u>73,869</u>
Total property, plant and equipment	426,560	419,754
Other non-current assets:		
Investment in associates and joint ventures	12,543	14,383
Investments and other financial assets, net	25,793	38,406
Intangible assets, net	20,798	21,604
Deferred tax assets	<u>824</u>	<u>750</u>
Total other non-current assets	<u>59,958</u>	<u>75,143</u>
Total non-current assets	486,518	494,897
Current assets:		
Cash and cash equivalents	25,118	17,957
Receivables, net	67,509	54,763
Income tax receivable	1,066	1,798
Materials and supplies, net	8,054	7,671
Fossil fuel stocks	2,555	4,032
Emission rights	8,505	12,153
Other financial assets, net	38,400	39,476
Other current assets	<u>3,411</u>	<u>3,323</u>
Total current assets	<u>154,618</u>	<u>141,173</u>
<b>Total assets</b>	<u><u>641,136</u></u>	<u><u>636,070</u></u>



**CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2013**

Continued

	2013	2012
<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	208,659	200,818
Total equity attributable to equity holders of the parent	258,076	250,235
Non-controlling interests	5,049	3,984
Total equity	263,125	254,219
Long-term liabilities:		
Long-term debt, net of current portion	168,396	176,106
Accumulated provision for nuclear decommissioning and fuel storage	43,827	42,415
Other long-term liabilities	26,848	22,559
Total long-term liabilities	239,071	241,080
Deferred tax liability	19,224	21,828
Current liabilities:		
Short-term loans	2,716	4,784
Current portion of long-term debt	28,104	12,005
Trade and other payables	63,423	73,267
Income tax payable	1,719	1,615
Accrued liabilities	23,754	27,272
Total current liabilities	119,716	118,943
<b>Total equity and liabilities</b>	<b>641,136</b>	<b>636,070</b>

**CEZ GROUP CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	2013	2012
<b>Revenues:</b>		
Sales of electricity and related services	189,657	186,797
Gains and losses from electricity, coal and gas derivative trading, net	1,579	4,588
Sales of gas, coal, heat and other revenues	26,037	23,710
Total revenues	217,273	215,095
<b>Operating expenses:</b>		
Fuel	(14,089)	(15,841)
Purchased power and related services	(78,878)	(71,656)
Repairs and maintenance	(5,498)	(5,511)
Depreciation and amortization	(27,944)	(27,696)
Impairment of property, plant and equipment and intangible assets including goodwill	(8,422)	(1,184)
Salaries and wages	(18,730)	(18,707)
Materials and supplies	(5,614)	(5,098)
Emission rights, net	(76)	476
Other operating expenses	(12,267)	(12,795)
Total expenses	(171,518)	(158,012)
<b>Income before other income (expenses) and income taxes</b>	45,755	57,083
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(4,569)	(4,318)
Interest on nuclear and other provisions	(1,802)	(2,051)
Interest income	1,439	1,745
Foreign exchange rate gains (losses), net	1,070	763
Gain on sale and loss of control of subsidiaries, associates and joint-ventures	4,750	-
Other income (expenses), net	(1,222)	(2,716)
Share of profit (loss) from associates and joint-ventures	(981)	451
Total other income (expenses)	(1,315)	(6,126)
<b>Income before income taxes</b>	44,440	50,957
Income taxes	(9,206)	(10,804)
<b>Net income</b>	35,234	40,153
<b>Net income attributable to:</b>		
Equity holders of the parent	35,885	41,429
Non-controlling interests	(651)	(1,276)

**CEZ GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	<u>2013</u>	<u>2012</u>
<b>Net income</b>	35,234	40,153
<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	(9,543)	7,935
Cash flow hedges removed from equity	(3,018)	(127)
Change in fair value of available-for-sale financial assets recognized in equity	(588)	1,302
Available-for-sale financial assets removed from equity	(77)	(76)
Translation differences	3,910	(1,436)
Translation differences removed from equity	229	-
Share on equity movements of associates and joint ventures	85	(82)
Deferred tax related to other comprehensive income	<u>2,516</u>	<u>(1,706)</u>
<b>Net other comprehensive income that may be reclassified to statement of income in subsequent periods</b>	(6,486)	5,810
<b>Other comprehensive income – items not to be reclassified subsequently to statement of income:</b>		
Re-measurement losses on defined benefit plans	(33)	-
Deferred tax related to other comprehensive income	<u>1</u>	<u>-</u>
<b>Net other comprehensive income not to be reclassified to statement of income in subsequent periods</b>	(32)	-
<b>Other comprehensive income, net of tax</b>	<u>(6,518)</u>	<u>5,810</u>
<b>Total comprehensive income, net of tax</b>	<u><u>28,716</u></u>	<u><u>45,963</u></u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	29,004	47,339
Non-controlling interests	(288)	(1,376)

**CEZ GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available for-sale and other reserves	Retained earnings			
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 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 interest	-	-	-	-	-	281	281	56	337
December 31, 2012	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219
Net income	-	-	-	-	-	35,885	35,885	(651)	35,234
Other comprehensive income	-	-	3,779	(10,177)	(537)	54	(6,881)	363	(6,518)
Total comprehensive income	-	-	3,779	(10,177)	(537)	35,939	29,004	(288)	28,716
Dividends	-	-	-	-	-	(21,294)	(21,294)	(4)	(21,298)
Share options	-	-	-	-	33	-	33	-	33
Transfer of forfeited share options within equity	-	-	-	-	(97)	97	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	49	49
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(14)	(14)
Loss of control over subsidiary	-	-	-	-	-	-	-	1,341	1,341
Put options held by non-controlling interests	-	-	-	-	-	98	98	(19)	79
December 31, 2013	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	5,049	263,125

**CEZ GROUP CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013**

In millions of CZK

	2013	2012
<b>Operating activities:</b>		
Income before income taxes	44,440	50,957
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	28,442	28,571
Amortization of nuclear fuel	3,065	2,787
Gain on fixed asset retirements, net	(5,100)	(98)
Foreign exchange rate losses (gains), net	(1,070)	(763)
Interest expense, interest income and dividend income, net	2,786	2,267
Provision for nuclear decommissioning and fuel storage	(241)	5
Valuation allowances, other provisions and other adjustments	5,299	943
Share of (profit) loss from associates and joint-ventures	981	(451)
Changes in assets and liabilities:		
Receivables	2,021	793
Materials and supplies	(614)	(845)
Fossil fuel stocks	1,518	(1,283)
Other current assets	3,065	(13,261)
Trade and other payables	(378)	2,838
Accrued liabilities	(15)	5,479
Cash generated from operations	84,199	77,939
Income taxes paid	(9,090)	(11,548)
Interest paid, net of capitalized interest	(4,307)	(4,069)
Interest received	1,410	1,978
Dividends received	344	312
Net cash provided by operating activities	72,556	64,612
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	(962)	(5,323)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	4,126	686
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(46,076)	(53,518)
Proceeds from the sale of fixed assets	3,465	3,433
Loans made	(1,008)	(543)
Repayment of loans	910	2,727
Change in restricted financial assets	(728)	(597)
Total cash used in investing activities	(40,273)	(53,135)

**CEZ GROUP CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013**

Continued

	2013	2012
<b>Financing activities:</b>		
Proceeds from borrowings	69,244	125,247
Payments of borrowings	(74,763)	(117,067)
Proceeds from other long-term liabilities	1,796	330
Payments of other long-term liabilities	(478)	(306)
Dividends paid to Company's shareholders	(21,336)	(23,995)
Dividends paid to non-controlling interests	(4)	(4)
Total cash used in financing activities	(25,541)	(15,795)
Net effect of currency translation in cash	419	213
<b>Net increase (decrease) in cash and cash equivalents</b>	7,161	(4,105)
<b>Cash and cash equivalents at beginning of period</b>	17,957	22,062
<b>Cash and cash equivalents at end of period</b>	25,118	17,957
<b>Supplementary cash flow information</b>		
Total cash paid for interest	7,920	7,637

**Draft proposal**

The General Meeting of ČEZ, a. s.

1. Hereby approves the financial statements of ČEZ, a. s. as of December 31, 2013,
2. Hereby approves the consolidated financial statements of the CEZ Group as of December 31, 2013

**Substantiation of the draft proposal**

Pursuant to the respective stipulations of the law and the articles of association of the Company, the Board of Directors hereby presents both the financial statements to the General Meeting for approval. Pursuant to the requirements of the Accounting Act, the financial statements of ČEZ, a. s. and the consolidated financial statements of the CEZ Group as of December 31, 2013 were elaborated in accordance with the International Financial Reporting Standards, discussed by the Board of Directors of ČEZ, a. s., verified by an independent auditor with reports quoted in this material, and reviewed by the Supervisory Board of the Company, concluding that it is recommended for the General Meeting to approve them.