REPORT ON THE COMPANY'S BUSINESS OPERATIONS AND ASSETS FOR 2014

Daniel Beneš, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

Dear shareholders, ladies and gentlemen,

please allow me now to inform you of ČEZ's most significant financial results in the past year and its future plans. The report is based on facts known at April 7, 2015 and the included outlook for financial results 2015 is based on facts known at March 3, 2015.

See Figure 1 "2014—Successful Year Despite Ongoing Uncertainty in Europe's Energy Sector" in Annex 1 "Report on the Company's Business Operations And Assets of ČEZ, a. s. for 2014" (hereinafter as Annex)

I am happy that I can start the summary of the past year 2014 with positive news. The market capitalization of ČEZ, i.e. the value of your shareholders' stake in ČEZ's assets, grew by CZK 35.3bn in 2014. That's an increase of 12.6% in the same year that the Czech PX stock exchange index decreased by 4.7%. EBITDA amounted to CZK 72.5bn, which is two billion above our original expectations despite climatic conditions unfavorable to our business and despite negative developments in the regulation of the energy sector. We generated CZK 29.5bn of net income adjusted for extraordinary effects.

The good results were contributed in particular by the successful start of an ambitious program of savings and active growth measures throughout CEZ Group. The results of this initiative surpassed the expectations of all renowned analysts and substantially helped CEZ Group maintain its high profitability in 2015, despite the ongoing crisis of the European energy sector and uncertainty on the markets that we operate in. Another key contribution was the final end of our dispute with the Republic of Albania and the signing of an agreement that will bring ČEZ a total of EUR 95m, i.e. a sum similar to its initial investment in the acquisition of the Albanian distribution company.

A significant event of the year 2014, reflecting the developments in the energy market and regulation in Europe, was our decision to cancel the tender procedure for the construction of two new units at the Temelín Nuclear Power Plant, which became economically unreasonable under the existing conditions. However, canceling the tender procedure did not mean scrapping the project as such. Preparations continue, as the Czech government publicly declared the country's intention to build two nuclear units—one in Temelín and one in Dukovany—and to update the State Energy Policy accordingly and create a National Action Plan for the Development of Nuclear Energy. These strategic documents will have a profound influence on the direction taken by the Czech energy sector in the coming decades, including the execution dates of nuclear projects. The future of CEZ Group will also be affected by a new distribution tariff system in the Czech Republic, which should create fairer and transparent conditions and increase customer motivation for responsible management of energies.

However, let us now move from local events to events at the level of the EU, which is preparing key documents that will substantially affect the future of CEZ Group as well as the entire Czech and European power sector in the coming decades. Naturally, debates in Brussels were dominated by the formation of the EU's climate and energy targets for 2030, which were finally approved by the European Council in October. The main parameters of allowance allocation after 2020 were also defined, resulting in 40% derogation for the Czech Republic. As a proud member of the group of Europe's leading energy companies, we took an active part in negotiations on the final form of the EU's energy targets. Allow me to say that thanks to rational and transparent dialogue, we managed to reduce many risks resulting from some unrealistic expectations and intentions, which might have future adverse effect not only on our business but also on the security of electricity supplies and the competitiveness of the entire European economy. We welcome agreement on the EU's 2030 energy framework as it brings about a higher degree of certainty and enables continued dialogue on business conditions for CEZ Group.

See Figure 2 "CEZ Group's Updated Strategy is Built on Three Pillars" in the Annex

Developments in the energy markets and regulation in Europe motivated us to adopt a historically essential change in our overall corporate strategy. CEZ Group's new vision and strategy were officially presented in 2014, although they were partially fulfilled even earlier. CEZ Group's vision is to bring innovation to resolve energy needs and help improve the quality of life. The current strategy of CEZ Group is based on three priorities; let us now have a closer look at them.

Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century—that's how the first priority is formulated. We will continue to operate conventional generation facilities, including nuclear facilities, to the best of our abilities, i.e. with the lowest costs and the maximum safety possible, efficiently operate and develop distribution grids, and keep working on improving our internal efficiency and team performance. In 2014, we managed to increase the capacity of the Temelín Nuclear Power Plant, implement safety enhancing measures at the Dukovany Nuclear Power Plant, reduce emissions from coal-fired plants, and significantly improve our overall internal efficiency. Active measures concerning both costs and revenues resulted in the 2015 EBITDA outlook improving by CZK 6.4bn in comparison with the original business plan. In the coming years we want to pro-actively react to the future design of the energy sector with a large proportion of decentralized and zero-emission production and diminishing differences between producers and consumers. In nuclear energy this will involve, in particular, creating the conditions for long-term operation of the Dukovany Power Plant and preparing the construction of new nuclear units in Temelín and Dukovany. As for coal-fired power plants, the main goal is to complete the construction of the most advanced power plant in the region—a supercritical unit in Ledvice—and the comprehensive renovation of the Prunéřov Power Plant. We are readying all power plant units ready to meet three basic requirements—flexibility, low emissions, and high efficiency. We are anticipating major activities in the heat sector, where we want to develop promising distribution systems but also prepare decentralization in locations where it will be more effective. We will also adapt the distribution grid and associated services to the conditions of decentralized energy.

Under our second strategic priority, we focus on developing a pro-customer approach, which consists in offering quality and innovative services and products focusing on the energy needs of end customers. We are planning to increase our share in the market of small co-generation plants and develop business in smart energy solutions. We will be able to provide our customers, for instance, with turnkey rooftop photovoltaic panel or heat pump installations, including financing and subsequent maintenance. A very important component task under this strategic priority is achieving excellent customer care in the sale of electricity and gas. We also support and are ready for the anticipated progress in electromobility. A total of 39 charging stations for electric vehicles were in operation at the end of 2014 and intensive preparations for additional stations are underway. We are expanding the portfolio of partner sites where such charging stations are built, as well as the range of makes of electric vehicles included in CEZ Group's fleet.

It is our objective to stay among the top ten European energy companies, so the third priority of our new strategy is strengthening and consolidating CEZ Group's position in Central Europe. We have the lowest debt among Europe's large energy companies, so unlike our competitors we have room for considering acquisitions. We aim at acquisitions in Central European countries that are culturally and economically close to us. When evaluating specific acquisition opportunities, however, we will continue applying a conservative financial policy and carefully evaluate the course of European energy regulation.

A subsidiary goal of this objective is reducing the financial exposure to CEZ Group's existing companies abroad and optimizing the ownership structure of international assets.

See Figure 3 "Electricity Prices Down by 10% to 33 EUR/MWh Primarily Due to a Drop in Hard Coal Prices; Prices of Emission Allowances Up to 7.5 EUR/t" in the Annex

Let us now briefly discuss the commodity markets that are crucial for CEZ Group. The price of a forward contract for electricity delivery in 2015 varied over a rather narrow range of EUR 33–36 per MWh in Germany and did not show any clear trend during 2014. For the first time in history, the average wholesale spot price spread between the Czech Republic and Germany reversed, from 1.04 EUR/MWh in 2013 to -0.20 EUR/MWh in 2014. This made electricity slightly more expensive in the Czech Republic than in Germany. Another year-on-year decrease in the wholesale price of electricity, approximately by 10%, was not only related to the long-term effect of massive support for renewable energy sources, but especially to a decrease in hard coal prices and a drop in oil prices in the global markets. By contrast, the prices of emission allowances were higher than in the previous years. From Q2 2014 onward, the price increased gradually up to 7.5 EUR/t. The growth in price was due to the onset of discussion in EU bodies about a structural reform of the trading system and the approval of ambitious goals for reductions in greenhouse gas emissions by 2030. Regardless of the increase, the price of allowances remains too low and fails to motivate industrial and energy companies to reduce emissions.

Dear shareholders, let us now take a look at concrete figures and results showing CEZ Group's performance in 2014, consolidated for ČEZ, a. s. and its subsidiaries and joint ventures.

See Figure 4 "We Exceeded the Initial Target by CZK 2 Billion Despite Adverse Weather and Regulation" in the Annex

EBITDA amounted to CZK 72.5bn, which is a year-on-year decrease of CZK 9.5bn. Net income adjusted for extraordinary effects decreased by CZK 8.7bn year-on-year to CZK 29.5bn. The 2013 net income is adjusted for the positive effects of the sale of the Chvaletice Power Plant and the exclusion of CEZ Shpërndarje from consolidated accounts and the negative effect of additions to fixed assets' impairments and goodwill write-offs. The 2014 net income is adjusted for the negative effect of fixed assets' impairments and goodwill write-offs. The main causes of the year-on-year decrease in EBITDA included a decrease in the realization prices of electricity, extraordinarily warm and dry weather in 2014, a lower amount of electricity generated especially by coal-fired power plants, and restricted support for wind parks in Romania. By contrast, there were positive effects of reductions in fixed operating expenses, the settlement agreement with Albania, settlement of old receivables in the Romanian sales company, and debt set-off in Bulgaria. Last but not least, there was a highly positive effect of one-off revenue from the termination of a long-term electricity contract of sale with Crédit Agricole CIB (CA-CIB).

Comparing the results we achieved with our initial expectations, we managed to improve by CZK 2 billion. All of this despite the extraordinary effect of a warm and dry winter with a negative impact amounting to around CZK 3.5bn and the negative effect of worsened regulatory conditions, especially in Romania. We succeeded beyond expectations in making a deal with Albania with a positive effect on ČEZ's results amounting to CZK 2.6bn; in making significant debt agreements with state-owned companies in Romania and off-setting claims in Bulgaria with a total positive effect of CZK 1bn; and last but not least in significantly cutting fixed costs while promoting initiative and growth measures.

Let us now take a look at developments in CEZ Group's cash flows.

See Figure 5 "CEZ Group Cash Flows" in the Annex

The year-on-year decrease in cash flows from operating activities was significantly lower than the decrease in EBITDA and net income. In comparison with 2013, net cash flow from operating activities decreased by just CZK 1.3bn to CZK 70.9bn. The year-on-year decrease in earnings before taxes was almost compensated by positive changes in working capital and lower income tax payment.

Cash used in investing activities decreased by CZK 5.1bn year-on-year, primarily due to a CZK 9.2bn year-on-year decrease in investments in property, plant and equipment and intangible assets and a CZK 2.0bn decrease in addition to long-term financial assets. An opposite effect on the year-on-year comparison was primarily produced by proceeds from the sale of the Chvaletice Power Plant in 2013 amounting to CZK 4.1bn, as well as a year-on-year decrease in proceeds from the sale of fixed assets of CZK 2.1bn.

Cash used in financing activities, including the effect of currency translation, increased by CZK 15.8bn year-on-year. The principal factor here was a lower balance of drawing loans and repayments, having an effect of CZK -13.6bn.

See Figure 6 "CEZ Group Assets, Equity, and Liabilities at December 31" in the Annex

The value of CEZ Group's consolidated assets decreased by CZK 12.5bn year-on-year to CZK 627.9bn. An increase in net property, plant and equipment, of CZK 5.3bn was partially offset by a decrease in construction work in progress of CZK 4.7bn, associated with placing completed investment projects into operation. An increase in other non-current assets of CZK 10.7bn was related to reporting shares of MOL Nyrt. as part of this item. In total, fixed assets increased by CZK 11.6bn. Current assets decreased by CZK 24.1bn year-on-year.

Equity, including non-controlling interests, increased by CZK 3.1bn year on year to CZK 265.9bn. Net income generated in 2014 increased equity by CZK 22.4bn, while dividends declared decreased equity by CZK 21.5bn.

Long-term liabilities decreased by CZK 4.8bn to CZK 234.1bn primarily due to a change in the balance of long-term bank loans by CZK 4.5bn, and the volume of issued bonds by CZK 2.8bn.

I will also briefly mention treasury shares held by ČEZ, a. s. At both the beginning and the end of 2014 there were 3,875,021 treasury shares on ČEZ's asset account with the Central Securities Depository with a nominal value of CZK 387,502,100, i.e. 0.72% of the stated capital. ČEZ did not buy or sell any treasury shares during 2014.

The value of bonds issued was CZK 157.8bn at December 31, 2014, which was a decrease of CZK 13.1bn year on year. Long-term loans totaled CZK 18.7bn at the end of 2014, decreasing by CZK 6.6bn in comparison with the end of 2013.

During 2014, ČEZ made one smaller issue of bonds in a volume of EUR 45m, i.e. approximately CZK 1.2bn. CEZ MH B. V., a member of CEZ Group, took advantage of bond investors' increased interest in less conventional investments and offered the market convertible bonds in a volume of EUR 470.2m, i.e. approximately CZK 12.9bn, which can be converted into MOL Nyrt. shares held by CEZ Group.

ČEZ, a. s. took advantage of its good liquidity to pull EUR 300m worth of bonds maturing in 2015 and 2016 from the market. This allowed the company to save on the difference between interest expense on the purchased bonds and interest income from cash held.

See Figure 7 "CEZ Group Financial Results" in the Annex

Dear shareholders, I have informed you about crucial developments in the performance of CEZ Group as a whole; now you can take a look at a table summarizing the most significant financial indicators.

I will now walk you through the results in a more detailed breakdown. Beforehand, let me briefly comment on the structure of reporting. CEZ Group's results are monitored using business segments that the Group is divided into both territorially, being segmented into Central Europe and Southeast Europe, and in terms of industries. This involves the entire value chain from mining to electricity and heat generation and trading to distribution and sales. The industrial segments also include trading in gas and selling gas to end customers, selling mobile telephony services, and trading in other commodities. Other, especially ancillary activities such as IT, asset management, engineering, etc. services are reported separately.

See Figure 8 "Contribution by Segment to 2014 EBITDA" in the Annex

The highest, 55% share in EBITDA was, traditionally, that of the Power Production & Trading Central Europe segment, which primarily consists of electricity generation in the Czech Republic and Poland and trading in electricity and other commodities. The segment's EBITDA decreased by a total of CZK 7.2bn year-on-year. The main reason was the lower EBITDA in the Czech Republic with the negative impact of lower selling prices of generated power with an effect of CZK -6.6bn, a lower volume of production with an impact of CZK -3.4bn, and higher additions to provisions for emission allowances and CER gate utilization in 2013 with a year-on-year effect of CZK -2.7bn. By contrast there was the positive effect produced by the settlement agreement with Albania amounting to CZK +2.6bn, higher revenues from trading in commodities with a year-on-year effect of CZK +1.5bn primarily due to the termination of the long-term deal with CA-CIB, and last but not least a decrease in fixed operating costs due to cost-cutting measures with an effect of CZK +1.0bn.

The decrease in the volume of production in the Czech Republic of 4.0 TWh was primarily attributable to coal-fired power plants with a decrease of 2.7 TWh. A role in the year-on-year comparison was played by the sale of the Chvaletice Power Plant in 2013 and by the effect of comprehensive and environmental upgrades to generating facilities. Unfavorable hydrologic conditions also resulted in a decrease of 0.6 TWh in hydro power plant production and the production of nuclear power plants decreased by 0.4 TWh. We increased production in Poland by 3% especially due to a higher share of biomass combustion at the ELCHO Power Plant.

The Distribution & Sale Central Europe segment contributed almost 27% to the overall results, registering only a slight year-on-year decrease in EBITDA of CZK 0.2bn. Electricity distribution remained unchanged in year-on-year financial terms, where a decrease in the amount of distributed electricity was offset by reduced costs resulting from a shared service center project and more accurately determined volumes of unbilled electricity. EBITDA in electricity sales was CZK 0.2bn lower year-on-year. The decrease in sales of both electricity and gas was negatively influenced by the warmer-than-average year 2014. Another negative effect was produced by a 10% decrease in the list price of gas from May 2013. The volume of electricity and gas sold to end customers in this segment decreased by 0.8 TWh and 0.7 TWh year-on-year, respectively. In contrast, a lower average purchase price of electricity had some positive effects. ČEZ Prodej maintained its leading position in the electricity market in all customer segments—wholesale, commercial retail, and households. As for the supplies of natural gas, it was the largest alternative supplier with almost 350,000 connection points.

The Mining Central Europe segment registered a year-on-year decrease in EBITDA of CZK 0.9bn in connection with lower electricity production at coal-fired plants and less external demand for sorted coal due to an unusually warm winter.

The EBITDA of the Power Production & Trading Southeast Europe segment decreased by CZK 1.4bn year on year due to unfavorable developments in the regulatory environments in Romania and Bulgaria. Negative development in Bulgaria was primarily caused by a lower regulated purchasing price of electricity from the Varna Power Plant and a lower sold availability of the cold reserve. The financial performance of the Romanian wind farms at Fântânele and Cogealac was unfavorably affected by the suspension of green certificate allocation to the Fântânele Vest and Cogealac facilities due to a notification delay on the part of the European Commission. Low green certificate prices also had negative effects.

The Distribution and Sale Southeast Europe segment recorded a year-on-year EBITDA improvement by CZK 0.9bn. In Bulgaria, there was a positive effect produced by the set-off of claims with the state-owned company NEK, compensating for the negative effect produced by purchasing green energy from renewable energy producers, which adversely affected the sales company in 2012–2013. Another positive effect resulted from the reversal of provisions for a lawsuit concerning access fees for renewable energy producers between Bulgaria's government and renewable energy producers in the country. By contrast, price decisions had negative effects on the margin on distributed electricity. The amount of electricity sold in Bulgaria decreased by 0.4 TWh year on year, while distribution increased slightly, by 0.1 TWh. Romanian companies' EBITDA increased thanks to extraordinary revenue from the repayment of debts by the state railways and postal service, as well as to reduced expenses on losses in the distribution grid. The volumes of electricity sold and distributed in Romania were down by 0.2 TWh and 0.1 TWh, respectively, on a year-on-year basis.

Now, dear shareholders, I will shortly discuss the financial performance and selected indicators of ČEZ, a. s. alone, as well as the proposed dividend for 2014.

See Figure 9 "ČEZ, a. s. Financial Results" in the Annex

ČEZ, a. s. registered a decrease in EBITDA of CZK 6.3bn, to CZK 29.7bn, in 2014. Net income decreased by CZK 5.5bn year-on-year to CZK 20.9bn. The main reasons for the year-on-year decrease in net income included a decrease in the realization prices of electricity and a decrease in the volume generated especially at hydro power plants due to dry weather in 2014. The year-on-year decrease in net income was also affected by revenue from the sale of the Chvaletice Power Plant in 2013. By contrast, there was a positive effect of cuts in fixed operating costs, the settlement agreement with Albania, and the termination of a long-term commodity contract with CA-CIB.

See Figure 10 “Proposed ČEZ, a. s. Dividend for 2014” in the Annex

In the past seven years, the dividend paid out to you, our shareholders, conformed to the intent of our dividend policy, namely to distribute amounts corresponding to 50–60% of CEZ Group’s consolidated net income to you; the dividend paid in 2014 was at the level of 61%. This year, we are presenting you with a proposal for a dividend amounting to CZK 40 per share, in accordance with our updated dividend policy. The proposed amount to be paid represents 73% of CEZ Group’s consolidated net income adjusted for extraordinary effects. Naturally, the actual amount of the dividend paid for 2014 will depend on your decision, dear shareholders.

In the next section, I will inform you about selected capital projects in the Czech Republic in 2014.

See Figure 11 “Investments in Fixed Assets (CAPEX)” in the Annex

We are readying the Dukovany Nuclear Power Plant for an extension of operation. The operating license for Unit 1 will expire at the end of 2015, and for the other units in 2016 and 2017. To support the extension of operation, investments were made in production upgrading, stabilization, and efficiency. There were also ongoing projects related to nuclear safety enhancement. We also made investments at the Temelín Nuclear Power Plant, where operating tests were performed on new independent alternative backup power supplies for both units. The installation of new low-pressure turbine components was completed during a scheduled outage of Unit 1, achieving the planned increase in turbine generator efficiency and, consequently, capacity.

In 2014, we continued with a program of upgrading coal-fired power plants in the Czech Republic, including the construction of a new 660 MW supercritical unit in Ledvice. The comprehensive renovation of the Prunéřov II Power Plant continued with equipment installation in all parts of the power plant. A new backup heating facility was put into operation at the Ledvice Power Plant. On October 31, 2014, the construction of the Czech Republic’s first large CCGT plant was completed in Počerady.

See Figure 12 “CEZ Group’s Electricity Generation” in the Annex

CEZ Group generated 63.1 TWh of electricity in 2014, 3.5 TWh less year-on-year. Production in the Czech Republic of 58.3 TWh was 4.0 TWh, i.e. 6.4% lower than in 2013. The nuclear power plants’ production decreased slightly due to lower availability; a decrease in the coal-fired power plants’ production of 9.5% was primarily due to comprehensive and environmental facility upgrades; the sale of the Chvaletice Power Plant in September 2013 also produced a year-on-year effect.

Abroad, we increased the production of our coal-fired plant in Varna, Bulgaria by 67%, primarily due to higher production for the free market. CEZ Group also registered increased production in Poland, where the production increase primarily resulted from a higher share of biomass combustion at the ELCHO Power Plant with a constant amount of coal burned. In Romania, 2014 was the first year of the full operation of the upgraded Reşiţa system of hydro plants, whose installed capacity was upgraded from 18 MW to almost 22 MW. The production of these power plants in Romania fully compensated for the decreased production of the Fântânele and Cogealac wind parks.

We expect that CEZ Group will generate 69.0 TWh in 2015, i.e. 9.4% more than in 2014.

Let us now turn our attention to selected events on the foreign markets on which CEZ Group operated in 2014.

See Figure 13 “CEZ Group in Europe” in the Annex

In 2014, CEZ Group internationally implemented its strategy of consolidation and development activity focus on countries that are close to both the Group and the Czech Republic in terms of the energy business, economy and culture.

An exceptional success of 2014 was making the settlement agreement with the Republic of Albania with a positive impact on the Group’s economic performance in 2014 amounting to CZK 2.6bn. The settlement agreement was signed under the supervision of the Secretariat of the Energy Community in Vienna in June 2014 and was conditional on the fulfillment of several precedent conditions, including a bank guarantee issued by a reputable banking institution. On October 16, 2014, the parties mutually acknowledged that all the precedent conditions had been met, by which the Agreement entered into effect. Under the agreement, CEZ Group will receive a total of EUR 95m for the settlement of claims and assignment of its stake in the distribution and sales company, i.e. a sum similar to its initial investment. We already received EUR 10.5m of said sum in 2014; the remaining amount will be paid up by 2018 in yearly installments, which are covered by a guarantee of a renowned European bank. CEZ, a. s.’ 76% stake in the distribution and sales company was assigned back to the Albanian state upon the agreement’s entry into effect. As a follow-up, the arbitration proceedings under the Energy Charter Treaty were terminated.

ČEZ not only successfully protected its investment in Albania, but also in Bosnia and Herzegovina. In November 2014, amounts granted by the International Court of Arbitration of the International Chamber of Commerce in Paris were paid and an agreement was made on the overall settlement of the award, which upheld the claim of ČEZ, a. s. on grounds of a breach of the Implementation Agreement for the Gacko project and non-acceptance of the put-option by MH ERS. ČEZ was granted the compensation of EUR 6.7m during the proceedings. The settlement was completed in February 2015, when the stake in NERS d.o.o. was finally transferred and the Implementation Agreement was definitely terminated. Liquidation of our subsidiaries in Bosnia and Herzegovina and in the Russian Federation was completed to optimize our ownership structure as well.

In Turkey, the construction of a new CCGT plant with an installed capacity of 904 MW was completed in Egemer, and the facility was put into operation in August. Moreover, the investor was already permitted to sell generated electricity to the grid during the testing phase. The installed capacity was also increased from the originally planned 872 MW to 904 MW during the tests. Electricity market liberalization continued in Turkey by reducing the minimum electricity consumption limit for choosing a supplier. This extended the right to choose an electricity supplier to a wide range of entities, including some households. Turkey’s electricity sector was greatly affected by extremely dry weather throughout the country in 2014. Hydroelectric power plants’ production decreased by a third year-on-year; unfortunately, this also applied to the hydro power plants owned by CEZ Group and its Turkish partner AKKÖK.

In Bulgaria, the hard coal-fired power plant in Varna was shut down on January 1, 2015. Units 4, 5, and 6 fail to meet environmental limits and the operation of all units is conditional on reconstruction of the fly ash and slag repository. The situation in Bulgaria’s energy sector and the current state of related legislation did not allow for making profitable investments in necessary repairs. CEZ Group remains present in electricity generation in Bulgaria in 2015 in the area of renewable sources—it operates a photovoltaic power plant at Oreshets and is building a biomass combined heat and power plant. In the area of distribution, the situation affecting CEZ Group’s ownership interests is gradually stabilizing. On March 19, 2014, the Bulgarian regulator initiated proceedings against the sales company CEZ Elektro Bulgaria AD to revoke its electricity supply license, which are still underway.

Romania restricted real support for renewable sources, including the Fântânele and Cogealac wind farms. The restriction resulted in the market price of green certificates slumping to the statutory minimum and in suspending the allocation of green certificates to a significant portion of the wind farms, more precisely two out of three sections of the wind parks—Cogealac and Fântânele Vest. The temporary two-year accreditation for the allocation of green certificates to the Cogealac wind park, consisting of 101 wind turbines with an installed capacity of 252.5 MW, expired on September 30, 2014. Similarly, the temporary accreditation for a part of the Fântânele park, known as Fântânele Vest, expired in 2013 and the situation remained unchanged in 2014. Restoring the allocation of certificates requires individual notification, i.e. separate approval by the European Commission. However, a government measure modified support for renewable energy sources during the process of approval of the individual notification of Fântânele Vest and the European Commission requests that it should be notified before the Commission approves the individual notification for Fântânele Vest. As at April 7, 2015, the notification of the government measure was not approved by the European Commission. Temporary allocation of certificates until the European Commission approves the individual notification is included in an amendment to the act on support for renewable energy sources, which was approved by the Romanian government on October 7, 2014. The Romanian parliament's Economic Committee discussed additional comments on March 31, 2015.

On November 19, 2014, Romania joined the common wholesale electricity market that already included the Czech Republic, Hungary, and Slovakia.

In Poland, the production of coal-fired plants primarily increased due to a higher share of biomass combustion at the ELCHO Power Plant with a constant amount of coal burned. The amount of electricity generated in this way increased by 31%. Ecowind continued to develop an optimized portfolio of wind park projects in the north of the country.

Finally, let us take a look at what the year 2015 will bring from CEZ Group's point of view.

See Figure 14 "In 2015, We Expect EBITDA of CZK 70.0bn and Adjusted Net Income of CZK 27.0bn" in the Annex

As at March 3, 2015, CEZ Group expected 2015 EBITDA to reach CZK 70bn, i.e. CZK 2.5bn less than what the actual figure was in 2014.

The expected results primarily reflect the ongoing trend of decreasing wholesale electricity prices and the unfavorable course of energy sector regulation in Europe. In contrast, the EBITDA expectations are positively influenced by an anticipated increase in electricity production in the Czech Republic, an ambitious plan for internal savings, and a strategy focusing on end customers and decentralized generation.
The expected year-on-year decrease in EBITDA results primarily from a decrease in the realization prices of electricity generated in the Czech Republic, including the impact of currency hedging rates with a negative effect of CZK 5.7bn. Negative year-on-year effects will also be produced by the one-off revenues in 2014 resulting from the settlement agreement with Albania and the termination of the long-term deal with CA-CIB, which contributed CZK 4.2bn in total to 2014 EBITDA.

Conversely, positive factors in the year-on-year change in prediction include the expected increased amount of electricity generated in the Czech Republic, primarily due to the planned start-up of new and refurbished coal-fired plants and higher production at nuclear and hydro power plants with a summary effect of CZK +4.0bn. Positive effects abroad should include the anticipated renewal of green certificate allocation in Romania, the shutdown of the Varna Power Plant, and an increase in margin and volume of production at the ELCHO and Skawina power plants in Poland. A major contribution should be made by cuts in fixed operating costs across CEZ Group, which should bring in CZK 1.8bn year-on-year.

The benefits of the proactive economy program we launched in 2014 have resulted in our forecasted results for 2015 to exceed analysts' expectations. Under the ambitious program, financial goals for 2015 and 2016 were set for individual CEZ Group business segments in June; reaching those goals means permanently reducing fixed operating costs or increasing margins on new opportunities and optimizations.
The outcome of efforts across the Group is the 2015 budget, which anticipates fixed costs reduced by CZK 4.9bn and margins on new opportunities and optimizations increased by CZK 1.5bn in comparison with the last year's plan. I would like to emphasize that we are implementing the program while maintaining compliance with safety, legal, and regulatory requirements.

As for net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given year, CEZ Group is expecting it to reach approximately CZK 27bn. Its 2014 value was CZK 29.5bn with the achieved consolidated net income of CZK 22.4bn adjusted solely for the effect of fixed assets' impairments and goodwill write-offs.

Risks to the above prediction of 2015 income, as seen by CEZ Group, are developments in regulatory and legislative conditions for the energy sector in Southeast Europe and potential delay in the completion of the renovation and construction of coal-fired plants in the Czech Republic.

We anticipate that the parent company, ČEZ, a. s. will generate a net income of approximately CZK 21bn in 2015, consisting mostly of expected dividends from ČEZ, a. s. subsidiaries.

Capital expenditure expected by CEZ Group in 2015 is approximately CZK 37.9bn with an overwhelming majority of the expenditure planned to be invested in production and distribution assets in the Czech Republic.

In terms of cash flow, CEZ Group anticipates that it will be able to cover planned investing and financing expenditures, including dividends, from cash generated by operating activities. For this reason, no major change in CEZ Group's total debt is expected in 2015.

Dear shareholders, I am convinced that the financial results we achieved, the action we have undertaken for savings and growth measures, as well as the growing price of Company shares in 2014 prove that we are heading in the right direction and that we can actively and effectively face the negative external factors of Europe's energy market. I believe that the strength and motivation of our 26,000 employees will enable us to gradually fulfil our new strategy, creating a modern, innovative energy company that will provide you, our shareholders, with a stable and high dividend and ensure long-term growth in the Company's value.

Thank you for your attention and for your interest in what's happening at ČEZ.

Annex 1: Report on the Company's Business Operations and Assets of ČEZ, a. s. for 2014