



# FINANCIAL STATEMENTS OF ČEZ, a. s. AS OF DECEMBER 31, 2014

In terms of Section 19a of the Accounting Act, the financial statements of ČEZ, a. s. as of December 31, 2014 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 provision 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 March 2, 2015, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as of December 31, 2014, and its financial performance and cash flows for the year then 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 2014.

The full version of the financial statements has been available on the company's website since March 3, 2015, and it forms part of the annual report, which is available at the General Meeting of shareholders and on the company's website. Values of 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, 2014

in CZK Millions

	2014	2013
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	344,246	319,081
Less accumulated provision for depreciation	(196,333)	(182,282)
Net plant in service	147,913	136,799
Nuclear fuel, at amortized cost	10,898	10,627
Construction work in progress	81,913	86,512
Total property, plant and equipment	240,724	233,938
Other non-current assets:		
Investments and other financial assets, net	188,388	192,512
Intangible assets, net	668	572
Total other non-current assets	189,056	193,084
Total non-current assets	429,780	427,022
Current assets:		
Cash and cash equivalents	9,511	14,166
Receivables, net	46,757	56,480
Income tax receivable	1,404	807
Materials and supplies, net	5,519	4,535
Fossil fuel stocks	561	593
Emission rights	4,175	7,300
Other financial assets, net	38,359	37,206
Other current assets	1,117	1,148
Total current assets	107,403	122,235
<b>Total assets</b>	<b>537,183</b>	<b>549,257</b>

# ČEZ, a. s.

## BALANCE SHEET

### AS OF DECEMBER 31, 2014

continued

	2014	2013
<b>Equity and liabilities</b>		
Equity:		
Stated capital	53,799	53,799
Treasury shares	(4,382)	(4,382)
Retained earnings and other reserves	156,715	155,826
Total equity	206,132	205,243
Long-term liabilities:		
Long-term debt, net of current portion	143,316	162,746
Accumulated provision for nuclear decommissioning and fuel storage	47,087	43,641
Other long-term liabilities	10,009	10,321
Total long-term liabilities	200,412	216,708
Deferred tax liability	9,624	8,744
Current liabilities:		
Short-term loans	7,433	2,230
Current portion of long-term debt	15,092	24,713
Trade and other payables	84,479	78,844
Accrued liabilities	14,011	12,775
Total current liabilities	121,015	118,562
<b>Total equity and liabilities</b>	<b>537,183</b>	<b>549,257</b>

# ČEZ, a. s.

## STATEMENT OF INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013
<b>Revenues:</b>		
Sales of electricity	72,132	89,487
Gains and losses from electricity, coal and gas derivative trading, net	2,692	1,592
Sales of gas, heat and other revenues	9,882	10,565
Total revenues	84,706	101,644
<b>Operating expenses:</b>		
Fuel	(10,175)	(10,818)
Purchased power and related services	(26,162)	(35,231)
Repairs and maintenance	(2,979)	(3,242)
Depreciation and amortization	(13,527)	(13,358)
Impairment of property, plant and equipment and intangible assets	(297)	(2,474)
Salaries and wages	(6,087)	(6,071)
Materials and supplies	(1,400)	(1,500)
Emission rights, net	(3,090)	(1,104)
Other operating expenses	(5,162)	(7,751)
thereof: Gain from settlement agreement with Republic of Albania	2,562	-
Total expenses	(68,879)	(81,549)
<b>Income before other income (expenses) and income taxes</b>	15,827	20,095
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(3,722)	(4,865)
Interest on nuclear and other provisions	(1,574)	(1,523)
Interest income	1,442	1,928
Foreign exchange rate gains (losses), net	(192)	1,068
Gain on sale of subsidiaries, associates and joint-ventures	24	5,212
Other income (expenses), net	10,883	7,747
Total other income (expenses)	6,861	9,567
<b>Income before income taxes</b>	22,688	29,662
Income taxes	(1,778)	(3,289)
<b>Net income</b>	20,910	26,373
<b>Net income per share (CZK per share)</b>		
Basic	39.1	49.4
Diluted	39.1	49.4

**ČEZ, a. s.**

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013
<b>Net income</b>	20,910	26,373
<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	4,889	(9,483)
Cash flow hedges reclassified from equity	(4,045)	(3,059)
Change in fair value of available-for-sale financial assets recognized in equity	711	(410)
Deferred tax relating to other comprehensive income	(295)	2,461
Other comprehensive income, net of tax	1,260	(10,491)
<b>Total comprehensive income</b>	<b>22,170</b>	<b>15,882</b>

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Available- for-sale and other reserves	Retained earnings	Total equity
December 31, 2012	53,799	(4,382)	1,467	1,168	158,859	210,911
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 forfeited share options within equity	-	-	-	(97)	97	-
December 31, 2013	53,799	(4,382)	(8,692)	772	163,746	205,243
Net income	-	-	-	-	20,910	20,910
Other comprehensive income	-	-	684	576	-	1,260
Total comprehensive income	-	-	684	576	20,910	22,170
Effect of merger	-	-	-	-	(6)	(6)
Dividends	-	-	-	-	(21,301)	(21,301)
Share options	-	-	-	26	-	26
Transfer of forfeited share options within equity	-	-	-	(70)	70	-
December 31, 2014	53,799	(4,382)	(8,008)	1,304	163,419	206,132

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013
<b>Operating activities:</b>		
Income before income taxes	22,688	29,662
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,527	13,365
Amortization of nuclear fuel	3,349	3,065
Gain on fixed asset retirements, net	(116)	(5,315)
Foreign exchange rate losses (gains), net	192	(1,068)
Interest expense, interest income and dividend income, net	(18,417)	(11,360)
Provision for nuclear decommissioning and fuel storage	(342)	(239)
Valuation allowances, other provisions and other adjustments	4,936	6,118
Changes in assets and liabilities:		
Receivables	(1,469)	1,886
Materials and supplies	(987)	(457)
Fossil fuel stocks	32	478
Other current assets	455	1,417
Trade and other payables	13,361	(2,247)
Accrued liabilities	1,320	(4,580)
Cash generated from operations	38,529	30,725
Income taxes paid	(1,791)	(3,317)
Interest paid, net of capitalized interest	(3,901)	(4,582)
Interest received	1,384	1,888
Dividends received	20,701	14,296
Net cash provided by operating activities	54,922	39,010
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures	(1,103)	(729)
Proceeds from disposal of subsidiaries, associates and joint-ventures	102	4,449
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(22,096)	(29,127)
Proceeds from sale of fixed assets	52	1,300
Loans made	(1,503)	(7,769)
Repayment of loans	13,032	5,623
Change in restricted financial assets	(632)	(755)
Total cash used in investing activities	(12,148)	(27,008)
<b>Financing activities:</b>		
Proceeds from borrowings	66,610	47,618
Payments of borrowings	(95,107)	(46,119)
Proceeds from other long-term liabilities	-	1,750
Payments of other long-term liabilities	(114)	(86)
Change in payables/receivables from group cashpooling	2,544	11,382
Dividends paid	(21,320)	(21,336)
Net cash used in financing activities	(47,387)	(6,791)
Net effect of currency translation in cash	(42)	140
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,655)</b>	<b>5,351</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,166</b>	<b>8,815</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,511</b>	<b>14,166</b>
<b>Supplementary cash flow information</b>		
Total cash paid for interest	8,310	8,004

# CONSOLIDATED FINANCIAL STATEMENTS OF CEZ GROUP AS OF DECEMBER 31, 2014

In terms of Section 23a of the Accounting Act, the consolidated financial statements of CEZ Group as of December 31, 2014 were compiled in accordance with International Financial Reporting Standards. The compiled consolidated financial statements are comprised of 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 provision of 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 March 2, 2015, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2014, 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 CEZ Group for 2014.

The full version of the consolidated financial statements has been available on the company's website since March 3, 2015, and it forms part of the annual report, which is available at the General Meeting of shareholders and on the company's website. Values of 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, 2014

in CZK Millions

	2014	2013
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	701,316	665,354
Less accumulated provision for depreciation	(371,515)	(340,888)
Net plant in service	329,801	324,466
Nuclear fuel, at amortized cost	10,953	10,688
Construction work in progress	85,788	90,508
Total property, plant and equipment	426,542	425,662
Other non-current assets:		
Investment in joint-ventures	12,277	12,999
Investments and other financial assets, net	36,348	25,746
Intangible assets, net	20,611	20,701
Deferred tax assets	1,738	824
Total other non-current assets	70,974	60,270
Total non-current assets	497,516	485,932
Current assets:		
Cash and cash equivalents	20,095	25,003
Receivables, net	50,864	67,485
Income tax receivable	1,618	1,065
Materials and supplies, net	8,462	8,054
Fossil fuel stocks	1,481	2,552
Emission rights	5,097	8,505
Other financial assets, net	39,438	38,400
Other current assets	3,299	3,398
Total current assets	130,354	154,462
<b>Total assets</b>	<b>627,870</b>	<b>640,394</b>

# CEZ GROUP

## CONSOLIDATED BALANCE SHEET

### AS OF DECEMBER 31, 2014

continued

	2014	2013
<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	211,891	208,659
Total equity attributable to equity holders of the parent	261,308	258,076
Non-controlling interests	4,543	4,690
Total equity	265,851	262,766
Long-term liabilities:		
Long-term debt, net of current portion	160,852	168,196
Accumulated provision for nuclear decommissioning and fuel storage	47,302	43,827
Other long-term liabilities	25,917	26,840
Total long-term liabilities	234,071	238,863
Deferred tax liability	20,609	19,201
Current liabilities:		
Short-term loans	7,608	2,716
Current portion of long-term debt	15,674	28,104
Trade and other payables	60,331	63,297
Income tax payable	830	1,719
Accrued liabilities	22,896	23,728
Total current liabilities	107,339	119,564
<b>Total equity and liabilities</b>	<b>627,870</b>	<b>640,394</b>

# CEZ GROUP

## CONSOLIDATED STATEMENT OF INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013
<b>Revenues:</b>		
Sales of electricity and related services	173,819	189,356
Gains and losses from electricity, coal and gas derivative trading, net	2,861	1,579
Sales of gas, coal, heat and other revenues	23,977	26,053
Total revenues	200,657	216,988
<b>Operating expenses:</b>		
Fuel	(12,686)	(13,808)
Purchased power and related services	(76,005)	(79,030)
Repairs and maintenance	(4,991)	(5,477)
Depreciation and amortization	(27,705)	(27,902)
Impairment of property, plant and equipment and intangible assets including goodwill	(8,025)	(8,469)
Salaries and wages	(18,852)	(18,698)
Materials and supplies	(4,334)	(5,609)
Emission rights, net	(1,959)	(76)
Other operating expenses	(9,154)	(12,229)
thereof: Gain from settlement agreement with Republic of Albania	2,562	-
Total expenses	(163,711)	(171,298)
<b>Income before other income (expenses) and income taxes</b>	36,946	45,690
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(3,650)	(4,565)
Interest on nuclear and other provisions	(1,834)	(1,802)
Interest income	608	1,438
Foreign exchange rate gains (losses), net	(297)	1,070
Gain on sale and loss of control of subsidiaries and joint-ventures	73	4,750
Other income (expenses), net	(1,967)	(1,222)
Share of profit (loss) from joint-ventures	(1,223)	(953)
Total other income (expenses)	(8,290)	(1,284)
<b>Income before income taxes</b>	28,656	44,406
Income taxes	(6,224)	(9,199)
<b>Net income</b>	22,432	35,207
<b>Net income attributable to:</b>		
Equity holders of the parent	22,403	35,886
Non-controlling interests	29	(679)
<b>Net income per share attributable to equity holders of the parent (CZK per share)</b>		
Basic	41.9	67.2
Diluted	41.9	67.2

# CEZ GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013
<b>Net income</b>	22,432	35,207
<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	4,891	(9,543)
Cash flow hedges reclassified from equity	(4,028)	(3,018)
Change in fair value of available-for-sale financial assets recognized in equity	(865)	(597)
Available-for-sale financial assets reclassified from equity	1,783	(77)
Translation differences	875	3,910
Translation differences reclassified from equity	14	229
Share on equity movements of joint-ventures	(121)	89
Deferred tax related to other comprehensive income	(389)	2,516
<b>Net other comprehensive income that may be reclassified to statement of income in subsequent periods</b>	2,160	(6,491)
<b>Other comprehensive income – items not to be reclassified subsequently to statement of income:</b>		
Re-measurement losses on defined benefit plans	(26)	(33)
Deferred tax related to other comprehensive income	3	1
<b>Net other comprehensive income not to be reclassified to statement of income in subsequent periods</b>	(23)	(32)
<b>Other comprehensive income, net of tax</b>	2,137	(6 523)
<b>Total comprehensive income, net of tax</b>	24,569	28,684
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	24,498	29,004
Non-controlling interests	71	(320)

# CEZ GROUP

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2012, as previously reported	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219
Effect of adoption of IFRS 11	-	-	-	-	5	(5)	-	(326)	(326)
January 1, 2013	53,799	(4,382)	(11,977)	1,506	1,807	209,482	250,235	3,658	253,893
Net income	-	-	-	-	-	35,886	35,886	(679)	35,207
Other comprehensive income	-	-	3,779	(10,177)	(542)	58	(6,882)	359	(6,523)
Total comprehensive income	-	-	3,779	(10,177)	(542)	35,944	29,004	(320)	28,684
Dividends	-	-	-	-	-	(21,294)	(21,294)	(4)	(21,298)
Share options	-	-	-	-	33	-	33	-	33
Transfer of forfeited share options within equity	-	-	-	-	(97)	97	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	49	49
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(14)	(14)
Loss of control of subsidiary	-	-	-	-	-	-	-	1,341	1,341
Put options held by non-controlling interest	-	-	-	-	-	98	98	(20)	78
December 31, 2013	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	4,690	262,766
Net income	-	-	-	-	-	22,403	22,403	29	22,432
Other comprehensive income	-	-	848	699	692	(144)	2,095	42	2,137
Total comprehensive income	-	-	848	699	692	22,259	24,498	71	24,569
Dividends	-	-	-	-	-	(21,301)	(21,301)	(228)	(21,529)
Share options	-	-	-	-	26	-	26	-	26
Transfer of forfeited share options within equity	-	-	-	-	(70)	70	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	15	15
Acquisition of non-controlling interests	-	-	-	-	-	(2)	(2)	(31)	(33)
Sale of subsidiaries	-	-	-	-	-	-	-	(7)	(7)
Put options held by non-controlling interest	-	-	-	-	-	11	11	33	44
December 31, 2014	53,799	(4,382)	(7,350)	(7,972)	1,849	225,364	261,308	4,543	265,851

# CEZ GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2014

in CZK Millions

	2014	2013
<b>Operating activities:</b>		
Income before income taxes	28,656	44,406
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	27,871	28,400
Amortization of nuclear fuel	3,356	3,065
Gain on fixed asset retirements, net	(326)	(5,100)
Foreign exchange rate losses (gains), net	297	(1,070)
Interest expense, interest income and dividend income, net	2,240	2,783
Provision for nuclear decommissioning and fuel storage	(337)	(241)
Valuation allowances, other provisions and other adjustments	4,264	5,290
Share of (profit) loss from joint-ventures	1,223	953
Changes in assets and liabilities:		
Receivables	2,348	1,975
Materials and supplies	(480)	(614)
Fossil fuel stocks	1,061	1,519
Other current assets	448	3,079
Trade and other payables	11,387	(565)
Accrued liabilities	(1,195)	(39)
Cash generated from operations	80,813	83,841
Income taxes paid	(7,538)	(9,087)
Interest paid, net of capitalized interest	(3,677)	(4,304)
Interest received	516	1,408
Dividends received	806	344
Net cash provided by operating activities	70,920	72,202
<b>Investing activities:</b>		
Acquisition of subsidiaries and joint-ventures, net of cash acquired	(68)	(962)
Disposal of subsidiaries and joint-ventures, net of cash disposed of	101	4,126
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(35,798)	(45,626)
Proceeds from sale of fixed assets	1,381	3,456
Loans made	(33)	(1,008)
Repayment of loans	362	910
Change in restricted financial assets	(625)	(728)
Total cash used in investing activities	(34,680)	(39,832)
<b>Financing activities:</b>		
Proceeds from borrowings	80,769	69,044
Payments of borrowings	(100,076)	(74,763)
Proceeds from other long-term liabilities	119	1,796
Payments of other long-term liabilities	(368)	(478)
Dividends paid to Company's shareholders	(21,320)	(21,336)
Dividends paid to non-controlling interests	(229)	(4)
Total cash used in financing activities	(41,105)	(25,741)
Net effect of currency translation in cash	(43)	419
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,908)</b>	<b>7,048</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>25,003</b>	<b>17,955</b>
<b>Cash and cash equivalents at end of period</b>	<b>20,095</b>	<b>25,003</b>
<b>Supplementary cash flow information</b>		
Total cash paid for interest	8,165	7,917

# GENERAL MEETING AGENDA PROPOSAL

## **The General Meeting of ČEZ, a. s.,**

1. Hereby approves the financial statements of ČEZ, a. s. as of December 31, 2014,
2. Hereby approves the consolidated financial statements of CEZ Group as of December 31, 2014.

## **Justification:**

Pursuant to the respective stipulations of the law and the Articles of Association of the Company, the Board of Directors hereby presents both sets of 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 CEZ Group as of December 31, 2014 were prepared 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, which concluded that it is recommended for the General Meeting to approve them.