HALF-YEAR REPORT 2014

CEZ GROUP

Presentation of CEZ Group

Headquartered in the Czech Republic, CEZ Group is an established, integrated energy group with operations in a number of Central and Southeastern European countries and Turkey. The Group's core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. CEZ Group has 26,000 employees.

The largest shareholder of its parent company, CEZ, a. s., is the Czech Republic with a nearly 70% stake in the Company's share capital (as at June 20, 2014). CEZ, a. s. shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

CEZ Group companies in the Czech Republic extract and sell coal, generate and distribute electricity and heat, trade in electricity and other commodities, sell electricity, heat, and natural gas to end customers, and provide other services. Their power generation portfolio consists of nuclear, coal-fired, gas, hydroelectric, and other renewable sources. To ensure continuity of CEZ Group's successful market presence in the Czech Republic, which it considers crucial for its business, its power generation portfolio is being renewed, upgraded, and developed extensively, and distribution networks are upgraded and developed.

Abroad, CEZ Group focuses mainly on Central and Southeastern European markets. Its main activities there include electricity distribution, generation, trading, and sales. CEZ Group's subsidiaries in the Netherlands and Ireland are holding companies and companies providing financing.

CEZ Group is the owner or co-owner of production and distribution assets in Poland, Romania, Bulgaria, Hungary, Slovakia and Turkey. In Poland, CEZ Group operates two hard coal-fired power plants and two hydropower plants near the country's border with the Czech Republic and owns a developer preparing the construction of wind parks. In Romania, CEZ Group is involved in the generation of electricity from renewable sources as well as in electricity distribution and sales. In Bulgaria, it distributes and sells electricity in the western part of the country and generates electricity, mostly in a coal-fired power plant. In Turkey, CEZ Group and its local partner operate a distribution and sales company and generate electricity in gas-fired and hydroelectric power plants and wind parks.

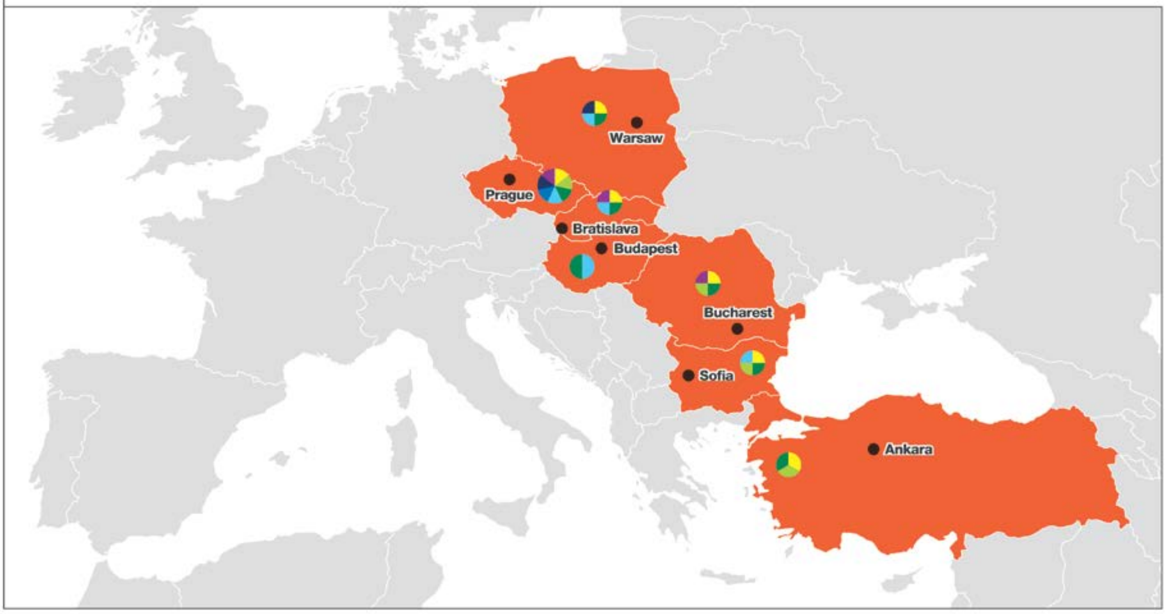
In many European countries, CEZ Group trades in electricity and other commodities on wholesale markets. CEZ Group sells electricity or natural gas to end customers in the Czech Republic as well as Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

At the same time, CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society and the environment. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth.

In its strategy, CEZ Group reacts to new trends in the energy sector. It enters new business fields and offers its customers innovative products and services tailored to their needs.

It is CEZ Group's mission to provide safe, reliable, and positive energy to its customers and society as a whole. CEZ Group's vision is to bring innovation to resolve energy needs and help improve the quality of life. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and the promotion of business segments' and employees' initiative in order to grow CEZ Group's value.

CEZ Group Energy Operations, by Country



Electricity
- generation
- distribution
- sale to end customers

Natural gas
- sale to end customers

Heat
- generation
- distribution
- sale to end customers

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

Statutory Declaration

With the use of all due care and to the best of our knowledge, this consolidated half-year report provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the past half-year period, as well as of the prospects for future development in the financial situation, business activities, and results of operations of the issuer and its consolidated group, and no facts have been omitted that could change the meaning of this report.

Prague, August 25, 2014

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

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

Financial values for 2013 published in the Half-Year Report (both Financial and Technical) reflect the recalculation of past periods in accordance with the IFRS (especially the reclassification of CEZ Energo from a subsidiary to a joint venture).

In some cases, subtotals are not simple sums of items as individual items are listed unrounded.

Selected Indicators of CEZ Group

Selected Indicators of CEZ Group in Accordance with IFRS

	Unit	H1 2013	H1 2014	Index 2014/2013 %
Installed capacity	MW	15,762	15,193	96.4
Electricity generated (gross)	GWh	34,306	31,891	93.0
Electricity sold [1]	GWh	18,929	17,820	94.1
Heat sold [1]	TJ	14,611	12,020	82.3
Gas sold [1]	GWh	3,438	2,997	87.2
Work force head count as at June 30	persons	26,955	26,380	97.9
Operating revenues	CZK millions	112,944	101,706	90.0
of which: sales of electricity and related services	CZK millions	94,387	86,538	91.7
EBITDA	CZK millions	49,191	39,938	81.2
EBIT	CZK millions	35,141	24,098	68.6
Net income	CZK millions	28,585	17,241	60.3
Adjusted net income [2]	*CZK millions*	*26,763*	*19,313*	*72.2*
Earnings per share - basic	CZK/share	53.5	32.3	60.4
Dividend per ČEZ, a. s., share (gross) [3]	CZK/share	40.0	40.0	100.0
Net cash provided by operating activities	CZK millions	29,368	36,449	124.1
Capital expenditure (CAPEX) [4]	CZK millions	(18,820)	(13,914)	73.9
Investments [5]	CZK millions	(975)	-	-
Total assets	CZK millions	640,394 [6]	634,651	99.1
of which: property, plant and equipment	CZK millions	425,662 [6]	423,432	99.5
Equity (incl. Non-controlling interests)	CZK millions	262,766 [6]	259,706	98.8
Net debt	CZK millions	149,543	135,901	90.9
Return on Equity, net (ROE)	%	17.5	9.6	55.0
Net debt/EBITDA	1	1.73	1.87	108.3

[1] *Sales to end customers (outside CEZ Group).*

[2] *Adjusted net income does not include extraordinary effects that are generally unrelated to ordinary financial performance in a given year.*

[3] *Approved in the given year; paid out of the previous year's income.*

[4] *Additions to property, plant and equipment and intangibles.*

[5] *Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired.*

[6] *As of December 31, 2013*

Credit Rating

The credit ratings of CEZ, a. s. remained unchanged in H1 2014. Standard & Poor's Credit Market Services Europe Limited reaffirmed its long-term credit rating of A- with a stable outlook on April 16, 2014. Credit rating agency Moody's Investors Service Ltd. reaffirmed its long-term credit rating of A2, with a negative outlook, on March 27, 2014. Both credit rating agencies are included in the list of credit rating agencies pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council and Regulation (EU) No. 462/2013 of the European Parliament and of the Council, which is available on the European Securities and Markets Authority (ESMA) website (www.esma.europa.eu/page/list-registered-and-certified-CRAs).

Shares

The shares of 4 companies within the CEZ Group are publicly traded.

1) ČEZ, a. s.

As at June 30, 2014, the total stated capital of ČEZ, a. s. was CZK 53,798,975,900. The company's stated capital comprises 537,989,759 shares with a nominal value of CZK 100. Their ISIN is CZ0005112300.

Structure of Shareholders—by Entity Type (%)

	Stake in stated capital	Stake in voting rights	Stake in stated capital	Stake in voting rights
	at June 12, 2013 [1]		at June 20, 2014 [2]	
Legal entities, total	**92.78**	**92.72**	**92.84**	**92.79**
of which: Czech Republic	69.78	70.29	69.78	70.29
ČEZ, a. s.	0.72		0.72	
Other legal entities	22.28	22.43	22.34	22.50
Private individuals, total	**7.22**	**7.28**	**7.16**	**7.21**

1) Strike date for participation in the 21st Annual General Meeting
2) Strike date for participation in the 22nd Annual General Meeting

Entities Holding Over 1% of the Shares of ČEZ, a. s. as at June 20, 2014

Entities with a stake amounting to at least 1% of the stated capital of ČEZ, a. s., as registered on June 20, 2014, included:

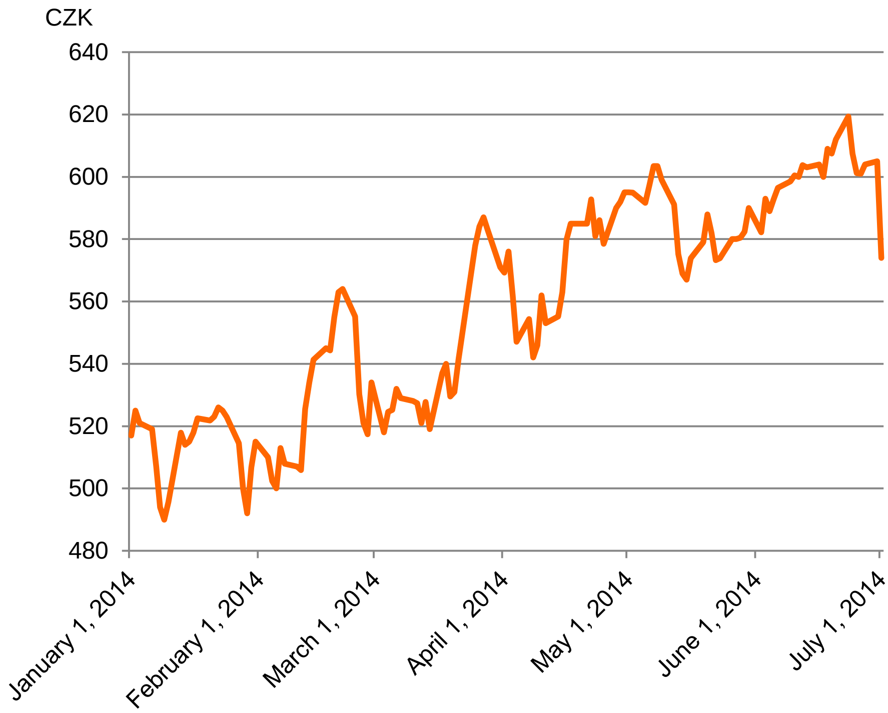
1. the Czech Republic (Ministry of Finance of the Czech Republic, Ministry of Labour and Social Affairs of the Czech Republic, and Office for Government Representation in Property Affairs) having a total stake of 69.78% in the stated capital.
2. Clearstream Banking, s.a., having a stake of 3.60% in the stated capital.
3. Chase Nominees Limited, having a stake of 1.92% in the stated capital.
4. Brown Brothers Harriman, having a stake of 1.76% in the stated capital.
5. Nortrust Nominees Limited, having a stake of 1.32% in the stated capital.

Treasury Shares

There were 3,875,021 treasury shares, i.e. 0.72% of the stated capital, on the asset account of CEZ, a. s. with the Central Securities Depository at the beginning of 2014 and the balance did not change by June 30, 2014.

No beneficiary made a claim to shares of CEZ, a. s. under the option incentive program during H1 2014.

CEZ, a. s. Share Price in H1 2014



Payout of Dividends to Shareholders

The General Meeting held on June 27, 2014, decided to pay company shareholders a dividend for 2013 in the amount of CZK 40 per share (with a nominal value of CZK 100) before tax.

Entities that were shareholders of CEZ, a. s. on the strike date, i.e. July 3, 2014, are entitled to the 2013 dividend.

The dividends are payable on August 1, 2014 and the payout period ends on August 1, 2018.

The number of shares for which the dividend is paid was 534,114,738 on July 3, 2014.

2) Akenerji Elektrik Üretim A.S.

A portion of the company's shares, representing a 25.3% stake in its stated capital, has been freely traded on the Istanbul stock exchange (Borsa İstanbul) since July 3, 2000. Their ISIN is TRAAKENR91L9. The shares are not traded on any other public markets.

3) CEZ Elektro Bulgaria AD

A portion of the company's shares, representing a 33% stake in its stated capital, has been freely traded on the BSE stock exchange in Sofia (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100024113. This stock is not traded on any other public markets. The trading liquidity of stock is low, as large shareholders are keeping their stakes.

4) CEZ Razpredelenie Bulgaria AD

A portion of the company's shares, representing a 33% stake in its stated capital, has been freely traded on the BSE stock exchange in Sofia (Българска Фондова Борса) since October 29, 2012. Their ISIN is BG1100025110. This stock is not traded on any other public markets. The trading liquidity of stock is low, as large shareholders are keeping their stakes.

Selected Events

Selected Events in H1 2014

January	-	The European Commission approved allocation of emission allowances for electricity and heat generation in the Czech Republic in 2013.
February	-	EUR 470.2m issue of bonds convertible into MOL Nyrt. Shares.
March	-	Initiation of revocation proceedings concerning the Bulgarian subsidiary’s electricity selling license
	-	A law restricting support for renewable energy sources, including the Fântânele and Cogealac wind parks, came into force in Romania
	-	First boiler ignition at the Egemer, Turkey CCGT plant
	-	Consolidation of engineering capacities approved with the aim of matching them to internal customers’ requirements and the market situation; cumulative savings are expected to reach more than CZK 1 billion over 4 years.
April	-	ČEZ, a. s. decided to cancel the award procedure for the construction of two new units in the Temelín Nuclear Power Plant
	-	Settlement of a buyback of ČEZ, a. s. bonds maturing in 2015 and 2016 with a total value of EUR 300 million, without an option to exchange the bonds for new bonds.
May	-	CEZ Group Customer Code published; it summed up the scope and level of services for households and small businesses
	-	The Ledvice heating network project (central heating system) became a Project of the Year 2013 in the “Development of Heat Supply Systems” category at the District Heating and Energy Days 2014 in Hradec Králové
	-	An IAEA OSART follow-up mission visited the Temelín Nuclear Power Plant and issued a favorable review of the effectiveness of measures taken in organization and management, operations, maintenance, technical support, feedback, chemistry, radiation protection, and emergency management based on recommendations from 2012; out of the eleven recommendations made in 2012, seven are resolved completely, with the remaining ones in progress.
June	-	Announcement of ambitious goals for cuts in fixed operating costs, aiming to save 16% in comparison to the business plan for 2015 and 2016; the target values of division and segment savings range from 14% to 27%; all economy measures remain conditional on compliance with all safety, legal, and regulatory requirements
	-	A settlement agreement made with the Republic of Albania, under which CEZ, a. s. will get back (provided that the conditions precedent are met) EUR 100 m in payment of receivables and for the transfer of its share in CEZ Shpërndarje.
	-	The annual general meeting of CEZ, a. s. was held
	-	Outage started at Unit 1 of the Temelín Nuclear Power Plant in order to exchange three low-pressure turbine components and replace the existing low-pressure oil control system at the turbine with a new high-pressure system to increase the achievable capacity
	-	SAFEGUARD Dukovany 2014 exercise successfully conducted, focusing on practicing collaboration between the Czech Army, Czech Police, and CEZ when ensuring the power plant’s external safety
	-	CEZ CEO discussed the restriction of support for renewable sources in Romania with the country’s Prime Minister and Minister for Energy.

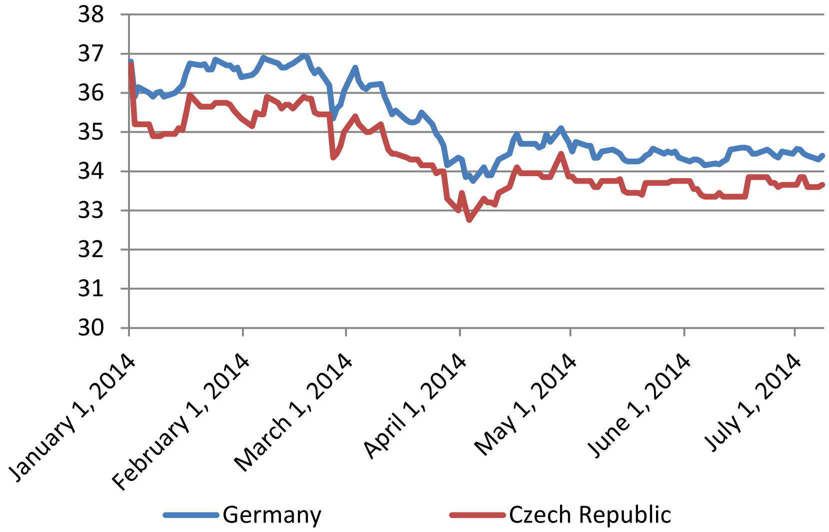
Selected Events Until the Closing Date for the Half-Year Report

July	-	The structure of the CEZ Group customer line in the Czech Republic was simplified, reducing the time of contact with the IVR system by 60%
	-	A new price decision of the Bulgarian regulatory authority SEWRC has been in effect since July 1, 2014; as a result, the margin of the distribution company will drop by app. 4% and that of the sales company by app. 33%.
August	-	A contract to provide CEZ, a. s. power plants' production capacity was made with Vršanská uhelná for converting their coal to electricity; expected revenue from the provision of the 200MW capacity is hundreds of millions of CZK per year; the contract was made for 2015, with an option to continue with its execution under similar conditions until 2020.

Developments in the World Markets

The price of the EEX BL 2015 one-year forward electricity contract decreased from EUR 36.8/MWh to EUR 34.5/MWh, i.e. by 6.4%, in H1 2014. The main factor was a continued decrease in the prices of hard coal.

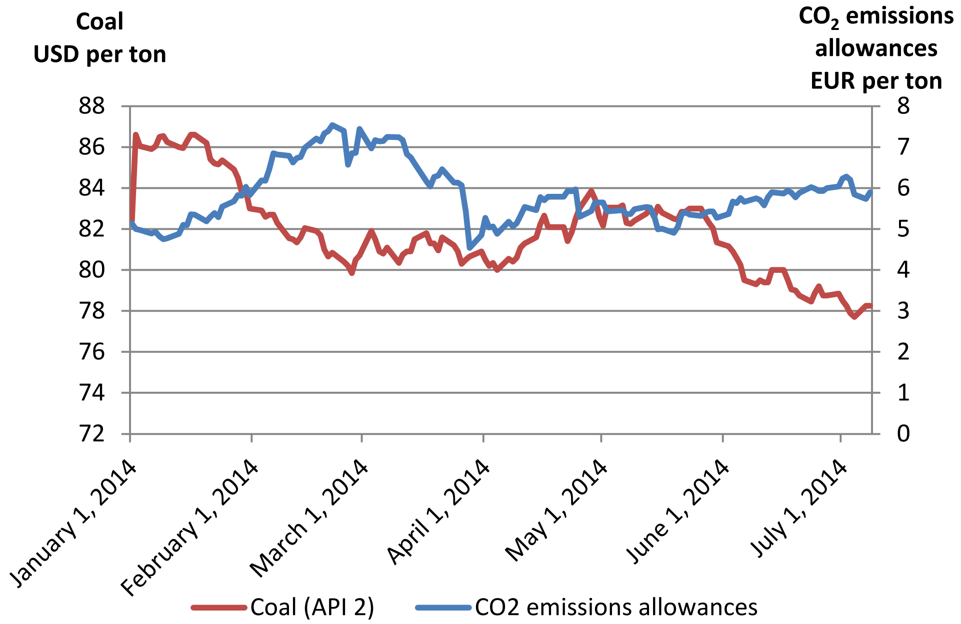
Wholesale Price of Electricity (2015 Year Band in EUR)



The forward price of API 2 Rotterdam coal dropped by 9% to USD 79 per ton in the same period. The price of coal is affected mainly by lower demand in China.

The prices of CO_2 emission allowances increased by approximately EUR 1 to around EUR 6 per ton. The growth was fueled by a package of measures prepared by the European Commission, proposing to raise the emission reduction target to 40% below the 1990 level by 2030. The proposal includes the creation of a “flexible” reserve (MSR), which would, under certain conditions, allow influencing the amount of allowances issued. The proposals are subject to approval by the European Council and the European Parliament.

Prices of Coal & CO_2 Emission Allowances (Forwards for 2015)



Developments in Regulation

The business environment in the energy sector is highly influenced by the policies of the European Union, which promotes market liberalization and integration and the implementation of its climate policy (“decarbonization”).

As part of its decarbonization agenda, the European Commission published a draft of its policy by 2030, which will build on the 2020 climate and energy package (emission reduction, reduced consumption, growth of production from renewable sources). The proposed scenario includes ongoing fulfilment of three goals—reducing emissions by 40% below the 1990 level by 2030, increasing the share of renewable sources to cover 27% of energy consumption, and increasing cuts in consumption. The climate and energy policy framework is still subject to approval by Member States and the European Parliament.

A reform of the EU ETS should also be approved this fall. The Commission has already presented its proposal introducing a Market Stability Reserve (MSR). The current low prices of emission allowances are caused by an increasing surplus of allowances due to a downturn in economic activity in the previous years. In addition, the price is adversely affected by uncertainty about future emission regulation. Today’s price level completely fails to drive investment in low-emission technologies or fuel substitution, which is contrary to the EU’s long-term goals in emission reduction (by up to 80% down from the 1990 level by 2050).

The regulation of SO_X and NO_X emissions contained in the Large Combustion Plant Directive (LCPD) will force major generation capacities to be shut down by 2016, especially in the United Kingdom, Poland, and Romania. In the longer term, even stricter emission standards will be imposed by the Industrial Emissions Directive (IED) and/or Best Available Techniques Reference Document (BREFs), whose implementation will result in the shutdown of many old generation units throughout the EU.

In addition to the macroeconomic situation, electricity consumption will be more and more affected by the implementation of the Energy Efficiency Directive (EED), which anticipates new annual energy savings of 1.5% of the average consumption in the three years before directive implementation.

The electricity market will continue to be highly influenced by the development of renewable energy production. Renewable energy sources covered more than 20% of European energy consumption in 2013 and their share will keep increasing. Renewable energy production should grow by 50% by 2020. The increasing share of those sources means less space for conventional energy; in addition, the increased production of photovoltaic power plants drives down the prices of electricity during existing peaks. The unstable supply depending on weather then requires large security capacities or reserves. However, the market deformed by the constant creation of new regulatory measures lacks the necessary stability for market-based decisions on long-term investments. Tens of gigawatts of conventional capacities are shut down throughout Europe due to economic uncompetitiveness.

As a result, a number of European countries are considering the introduction of capacity payments or markets to ensure sufficient available capacities. Such plans, however, are usually made at national level, and not coordinated among states very much, so the introduction of such support mechanisms could have an adverse impact on the effectiveness of the wholesale market. This situation of market fragmentation and increased levels of local regulation is in direct contradiction to the declared goal of market liberalization, integration, and deregulation. Government-guaranteed purchasing prices of electricity, previously used mostly to promote renewable energy production, are now emerging as a tool for promoting the construction of conventional or nuclear power plants.

A Brief Forecast of the Development of the Power Sector from CEZ Group’s Perspective

Europe’s energy sector will continue to be affected, in particular, by the future macroeconomic development, aims of European Union’s energy policy, and movements in the prices of global energy commodities.

The economic situation in Europe is coming to be stabilized, mostly thanks to the recovery of its two largest economies, Germany and France. Only a slight growth is expected in the next period. Reasons are high levels of government debts and continued fiscal restrictions, which negatively affect economic activity. Economic growth is in turn the determinant of the rate of growth in electricity consumption.

The European Union decided to take the environmental path and its long-term goal for the energy sector is to eliminate CO_2 emissions. A number of countries are however questioning those goals, pointing out the high costs associated with them, which introduces more uncertainty as to the future regulatory setup, e.g. the role of the EU ETS allowances market.

Regardless of economic development in the EU, generation of electricity at subsidized plants and the effect of other regulatory measures keep increasing dramatically, which drives the wholesale price down, sometimes even to negative figures. The frequency of these phenomena endangering the future of the wholesale market is on the increase. In addition, the rapid development of renewable energy sources also makes heavier demands on subsidies, which results in growth of the regulated components of the electricity price or an excessive burden on many countries' budgets.

Global commodity markets keep experiencing technological revolution concerning the extraction of oil and shale gas. The success of the extraction technology in the U.S. has indirectly affected the decreasing electricity prices in Europe due to an excess of hard coal and its lower price in the global markets. U.S. coal producers cannot compete with the cheap domestic production of shale gas and have to export. Global markets will remain sufficiently supplied in the period to come thanks to steady progress in extraction technology and the discovery of new deposits of energy resources.

Strategy of CEZ Group

Development Objectives

The European energy sector is going through a period of turbulent change, with lingering market and regulatory uncertainty. CEZ Group has recently updated its mission and vision as part of its business conception approved by the general meeting held on June 27, 2014. It is CEZ Group's mission to provide safe, reliable, and positive energy to its customers and society as a whole. CEZ Group's vision is to bring innovation to resolve energy needs and help improve the quality of life.

The practical fulfilment of CEZ Group's strategy pivots on three priorities:

I. Be among the **best in the operation of conventional power facilities** and get ready for the challenges of the 21st century
   - Operate existing power assets as efficiently as possible from the point of view of both shareholders and customers
   - Pro-actively adapt now to the power sector's future with a large proportion of decentralized and zero-emission production and blurring distinction between producers and consumers

II. Offer **customers a wide range of products and services** addressing their energy needs
   - Our customers are much more active in the control of their electricity and gas consumption and use in general as well as in their own production, and CEZ Group strives to offer them partnership, expertise, tools, and financing to meet their energy needs

III. **Strengthen and consolidate our position** in Central Europe
   - CEZ Group is one of Europe's top 10 energy companies and wants to keep that position
   - It focuses its attention on regions and countries that are close to CEZ Group and the Czech Republic in terms of energy markets, economy, and politics and culture; however, profitability remains the key indicator

CEZ Group's strategy is implemented through seven strategic programs:

1) New Nuclear Facilities	• Ensure conditions for the economic feasibility and financing ability of new nuclear projects
2) Long-Term Operation of Dukovany NPP	• Extend the operation of the Dukovany Nuclear Power Plant beyond 2025 while ensuring a desired rate of return
3) Consolidation Abroad	• Optimize the capital structure of each company • Reduce exposure on unpromising markets and increase focus on countries with better political and economic stability that are close to the Czech Republic
4) Renewable Sources	• Optimize the existing portfolio by divesting selected projects or shares • Develop, build, and operate a portfolio of renewable energy sources (RESs) with an attractive internal rate of return (IRR)
5) Customer Orientation	• Improve customer experience across CEZ Group • Use new products to capitalize on the existing customer base • Improve brand perception

6) New Energy Sector	• Develop new business activities mainly in the distributed and “small” energy sector focusing on the end customer
7) Performance and Entrepreneurship	• Enhance entrepreneurship and financial management while achieving additional savings • Define a staff development program to enhance CEZ Group’s performance and value

Financial Performance of CEZ Group

As of June 30, 2014, the consolidated CEZ Group comprised a total of 107 companies, with 88 companies fully consolidated and 19 associates and joint ventures consolidated using the equity method.

CEZ Group consolidated unit as of June 30, 2014

The companies of the accountancy consolidated unit of CEZ Group are divided into seven operating segments.

Power Production & Trading Central Europe

ČEZ, a. s.
A.E. Wind sp. z o.o.
Areál Třeboradice, a.s.
Baltic Green I sp. z o.o.
Baltic Green II sp. z o.o.
Baltic Green III sp. z o.o.
Baltic Green IV sp. z o.o.
Baltic Green V sp. z o.o.
CEZ Bosna i Hercegovina d.o.o.
CEZ Deutschland GmbH
CEZ Chorzow B.V.
CEZ MH B.V.
CEZ Poland Distribution B.V.
CEZ Produkty Energetyczne Polska sp. z o.o.
CEZ Silesia B.V.
CEZ Srbija d.o.o.
CEZ Towarowy Dom Maklerski sp. z o.o.
CEZ Trade Albania Sh.P.K.
CEZ Trade Romania S.R.L.
ČEZ Bohunice a.s.
ČEZ Energetické produkty, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ OZ uzavřený investiční fond a.s.
ČEZ Teplárenská, a.s.
Eco-Wind Construction S.A.
Elektrárna Dětmarovice, a.s.
Elektrárna Mělník III, a. s.
Elektrárna Počerady, a.s.
Elektrárna Tisová, a.s.
Elektrociepłownia Chorzów ELCHO sp. z o.o.
Elektrownia Skawina S.A.
Elektrownie Wiatrowe Lubiechowo sp. z o.o.
Energetické centrum s.r.o.
Energotrans, a.s.
Farma Wiatrowa Lesce sp. z o.o.
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.
MARTIA a.s.
Mega Energy sp. z o.o.
PPC Úžín, a.s.
Tepelné hospodářství města Ústí nad Labem s.r.o.
CM European Power International B.V.*)
CM European Power Slovakia s.r.o.*)
ČEZ Energo, s.r.o.*)
Jadrová energetická spoločnosť Slovenska, a. s.*)
JESS Invest, s. r. o.*)
MOL – CEZ European Power Hungary Kft.*)

Power Production & Trading Southeastern Europe

Bara Group OOD
CEZ Bulgarian Investments B.V.
ECO Etropol AD
Free Energy Project Oreshets EAD
M.W. Team Invest S.R.L.
NERS d.o.o.
Ovidiu Development S.R.L.
Taidana Limited
TEC Varna EAD
TMK Hydroenergy Power S.R.L.
Tomis Team S.R.L.
Aken B.V. in liquidation*)
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.*)
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.*)
Akenerji Elektrik Üretim A.S.*)
Akkur Enerji Üretim Ticaret ve Sanayi A.S.*)
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.*)
AK-EL Yalova Elektrik Üretim A.S.*)
Egemer Elektrik Üretim A.S.*)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.*)

Distribution & Sale Central Europe

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

Distribution & Sale Southeastern Europe

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

Mining Central Europe

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

Other Central Europe

Centrum výzkumu Řež s.r.o.
CEZ Finance Ireland Ltd.
CEZ International Finance Ireland Ltd.
CEZ Polska sp. z o.o.
ČEZ Distribuční služby, s.r.o.
ČEZ Energetické služby, s.r.o.
ČEZ ENERGOSERVIS spol. s r.o.
ČEZ ICT Services, a. s.
ČEZ Inženýring, s.r.o.
ČEZ Korporátní služby, s.r.o.
ČEZ Nová energetika, a.s.
ČEZ Zákaznické služby, s.r.o.
PRODECO, a.s.
Revitrans, a.s.
SD – Kolejová doprava, a.s.
SD – KOMES, a.s.
ŠKODA PRAHA a.s.
ŠKODA PRAHA Invest s.r.o.
Telco Pro Services, a. s.
ÚJV Řež, a. s.

Other Southeastern Europe

CEZ Bulgaria EAD
CEZ Romania S.A.
CEZ RUS OOO
CEZ Ukraine LLC

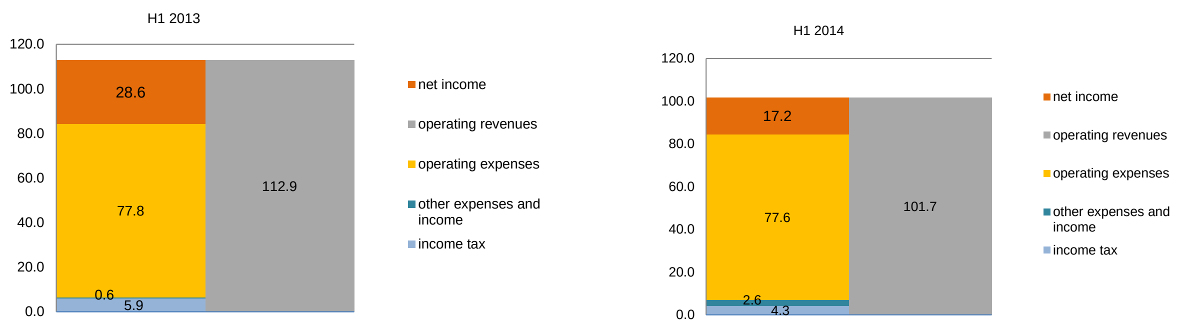
**) associate or joint-venture*

CEZ Group Results of Operations in H1 2014

Earnings before depreciation and amortization, impairments, and sale of tangible and intangible fixed assets (EBITDA) decreased by CZK 9.3 bn year-on-year to CZK 39.9 bn. Net income fell by CZK 11.3 bn year-on-year to CZK 17.2 bn. The main causes of the year-on-year decrease in profit include deteriorating conditions in the energy business, dropping wholesale electricity prices, as well as the extraordinarily warm and dry winter in 2014.

Revenues, Expenses, and Profits

CEZ Group Net Income Breakdown (CZK billions)



Operating revenues dropped by CZK 11.2 bn year-on-year, with significantly decreased revenues from electricity distribution and sale (CZK -7.4 bn) in Central Europe, mostly due to above-average temperatures at the beginning of 2014 in the Czech Republic, and the revenues of the Power Production & Trading Central Europe segment (CZK -4.0 bn), mostly due to another drop in electricity realization prices and lower production (resulting primarily from the divestment of the Chvaletice Power Plant in 2013).

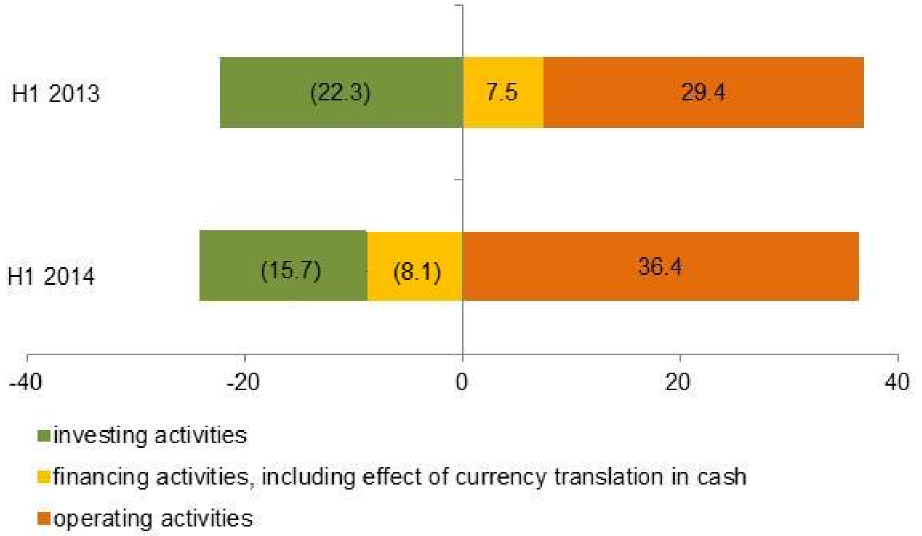
Operating expenses decreased by CZK 0.2 bn year-on-year. Main effects include a drop in the purchasing costs of electricity and of related services (CZK +1.2 bn), resulting from both lower prices and lower quantities, similarly to the related operating revenues. In addition, the expenses were positively affected by lower consumption of materials (CZK +1.0 bn). By contrast, there was a negative year-on-year effect of additions to impairments of fixed assets in Romania (CZK -2.1 bn) due to the decreased market price of green certificates and new building tax legislation.

Other income and expenses, net, decreased the profit by CZK 2.0 bn. The main cause of the year-on-year drop was the extraordinary positive effect of removing CEZ Shpërndarje from the consolidated group in 2013 (CZK -1.8 bn).

Income tax dropped by CZK 1.7 bn due to lower earnings before taxes.

Cash Flows

CEZ Group Cash Flows (CZK billions)



Cash flows from operating activities grew by CZK 7.1 bn year-on-year, mainly thanks to a highly positive year-on-year change in working capital. The growth in working capital (CZK +15.6 bn) was caused mainly by a year-on-year change in the balance of payables and receivables, including accruals and deferrals (CZK +6.0 bn), a decrease in liquid securities (CZK +5.7 bn), and a year-on-year change in payables and receivables from derivatives (CZK +4.1 bn). Another positive year-on-year effect on operating cash flow was that of lower income tax paid (CZK +1.5 bn) and higher dividends received (CZK +0.7 bn). By contrast, a decrease in earnings before taxes adjusted for non-cash operations (CZK -10.6 bn) had a negative year-on-year impact.

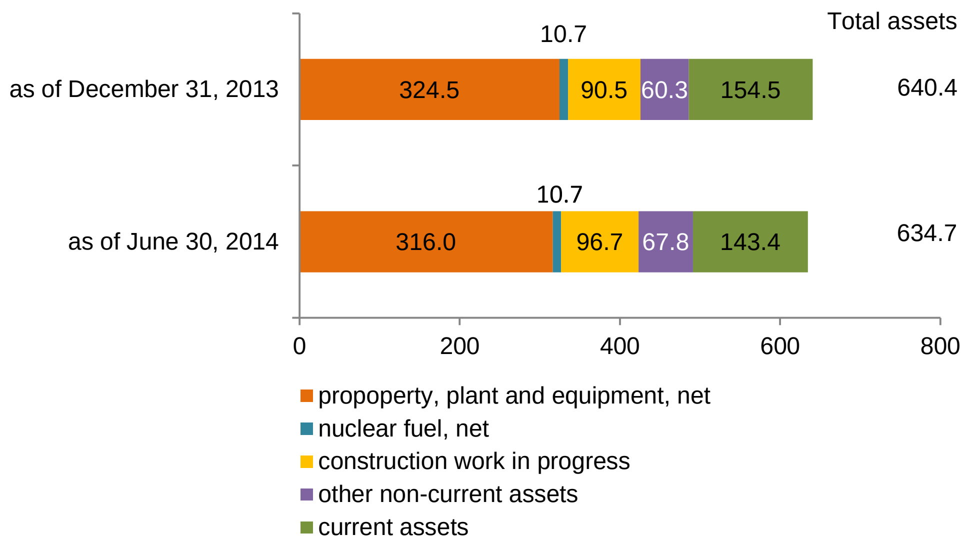
Cash used in investing activities decreased by CZK 6.6 bn year-on-year, mostly due to lower capital expenditure (CAPEX) year-on-year (CZK +4.9 bn) and lower investments in subsidiaries and associates year-on-year (CZK +1.0 bn).

Net cash flow from financing activities, including the net effect of currency translation in cash, dropped by CZK 15.6 bn year-on-year. The main reason was a lower balance of loans and repayments (CZK -14.3 bn), a year-on-year drop in changes to long-term liabilities (CZK -1.2 bn) resulting mainly from the receipt of a security from Vršanská uhelná in H1 2013, and the net effect of currency translation in cash (CZK -0.1 bn).

Structure of Assets, Equity, and Liabilities

The value of consolidated assets has decreased by CZK 5.7 bn to CZK 634.7 bn since the beginning of the year.

Structure of CEZ Group Assets (CZK billions)



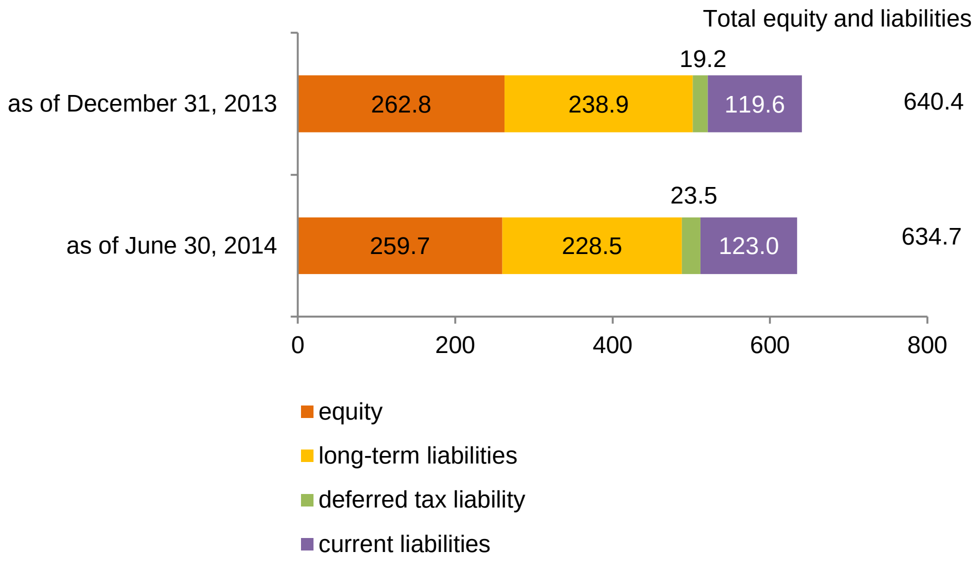
Fixed assets rose by CZK 5.3 bn to CZK 491.2 bn.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress dropped by CZK 2.2 bn to CZK 423.4 bn. The drop in property, plant, and equipment due to depreciation and amortization of CZK 13.8 bn, amortization of nuclear fuel of CZK 1.7 bn, and additions to impairment allowances of CZK 2.1 bn was partially compensated by capital expenditure (CAPEX) of CZK 13.9 bn and by other effects.

Other non-current assets grew by CZK 7.5 bn to CZK 67.8 bn mainly due to the reclassification of assets related to investment in MOL from current assets and liabilities from derivatives to other non-current assets, amounting to CZK 8.2 bn. By contrast, there was a drop of CZK 0.6 bn in Severočeské doly's available-for-sale securities in relation to an increase of liquid securities in current assets. Current assets have dropped by CZK 11.0 bn to CZK 143.4 bn in 2014. Receivables dropped by CZK 25.2 bn, mainly due to the reclassification of assets from current to other non-current assets in connection with investment in MOL and a decrease in trade receivables (especially ČEZ, a. s. receivables). By contrast, there was an increase of CZK 12.7 bn in cash and cash equivalents and an increase of CZK 0.7 bn in highly liquid securities. The other items under non-current assets grew by CZK 0.8 bn.

The value of consolidated equity and liabilities has decreased by CZK 5.7 bn to CZK 634.7 bn since the beginning of the year.

Structure of CEZ Group Equity and Liabilities (CZK billions)



Equity, including non-controlling interests, decreased by CZK 3.1 bn to CZK 259.7 bn. Dividends reduced equity by CZK 21.6 bn; net income generated in H1 2014 raised equity by CZK 17.2 bn. Other comprehensive income raised equity by CZK 1.3 bn mostly due to a change in the fair value of available-for-sale financial assets posted under equity and deferred tax related to other comprehensive income.

Long-term liabilities decreased by CZK 10.4 bn to CZK 228.5 bn mostly due to a decrease of CZK 7.8 bn in the volume of bonds issued, CZK 1.4 bn in long-term bank loans, and CZK 1.2 bn in other long-term liabilities.

The value of deferred tax liability grew by CZK 4.3 bn to CZK 23.5 bn. This results mainly from the methodology applied, under which the total tax liability is reported as deferred during the year and separated into the payable and deferred parts when reported as at December 31.

The increase in current liabilities, by CZK 3.4 bn to CZK 123.0 bn, was caused mainly by an increase of CZK 21.5 bn in liabilities to shareholders on the ground of dividends paid and an increase of CZK 1.4 bn in the current portion of long-term debt and short-term bank loans. By contrast, there was a decrease of CZK 7.2 bn in trade payables, including advances, CZK 5.0 bn in unbilled deliveries, CZK 3.6 bn in short-term provisions (in particular for emission allowances in connection with a decrease in emission allowances under current assets), and CZK 1.1 bn in interest accruals. The other items of current liabilities dropped by CZK 2.6 bn.

Comprehensive Income

Comprehensive income decreased by CZK 8.2 bn year-on-year, to CZK 18.5 bn, with net income reduced by CZK 11.3 bn year-on-year. By contrast, the other items of comprehensive income grew by CZK 3.1 bn year-on-year (especially due to a year-on-year change in the fair value of cash flow hedges and hedges removed from equity to income). The related deferred tax, in contrast, decreases the other comprehensive income year-on-year.

CEZ Group Net Debt (CZK billions)

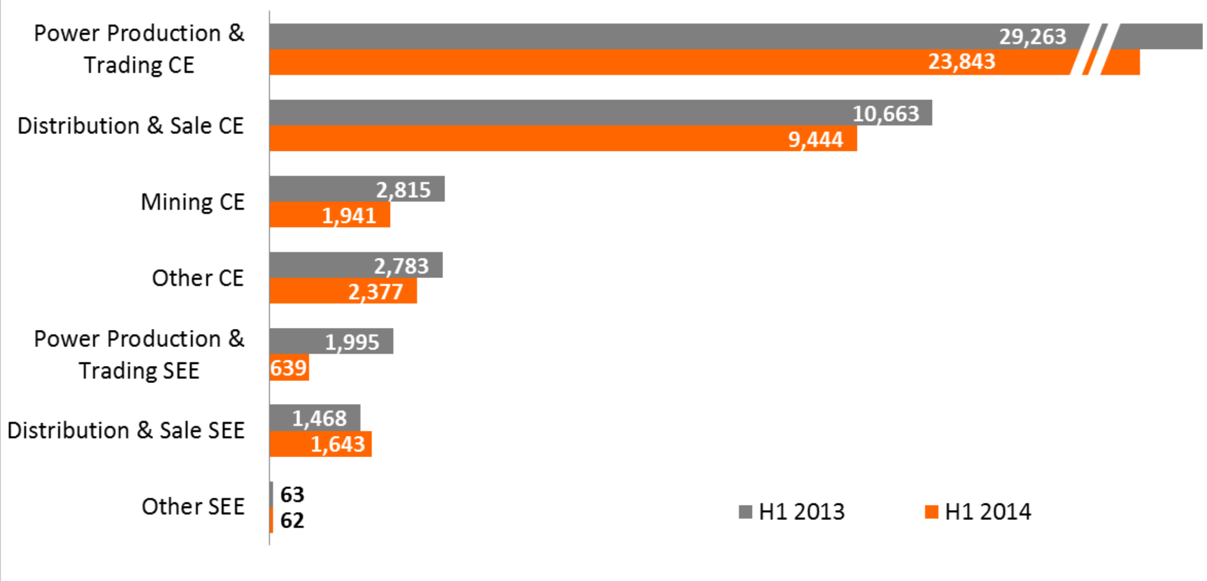
	H1 2013	H1 2014
Long-term debt, net of current portion	182.4	159.0
Current portion of long-term debt	18.0	31.6
Short-term bank loans	1.7	0.6
Financial (total) debt	**202.1**	**191.3**
Cash and cash equivalents	32.6	37.7
Highly liquid financial assets	20.0	17.7
Net debt	**149.5**	**135.9**
EBITDA (as in preceding 12 months)	86.6	72.7
Net debt / EBITDA	**1.73**	**1.87**

Segments by Their Contributions to Overall CEZ Group Financial Performance

	Sales other than intersegment sales (CZK millions)	Intersegment sales (CZK millions)	Total revenues (CZK millions)	EBITDA (CZK millions)	EBIT (CZK millions)	Income tax (CZK millions)	Net income (CZK millions)	CAPEX (CZK millions)	Work force head count as at June 30 (persons)
Power Production & Trading CE									
H1 2013	34,966	21,755	56,721	29,263	20,986	(3,440)	25,643	12,264	7,495
H1 2014	30,933	18,002	48,935	23,843	15,775	(2,211)	25,402	8,365	7,277
Distribution & Sale CE									
H1 2013	57,679	1,778	59,457	10,663	8,812	(1,457)	7,176	3,239	1,486
H1 2014	50,260	2,442	52,702	9,444	7,556	(1,373)	6,009	3,134	1,502
Mining CE									
H1 2013	2,343	3,382	5,725	2,815	1,572	(302)	1,713	645	3,446
H1 2014	2,101	2,613	4,714	1,941	814	(161)	1,225	792	2,951
Other CE									
H1 2013	1,360	18,757	20,117	2,783	1,765	(394)	1,394	9,959	8,829
H1 2014	1,079	12,539	13,618	2,377	1,313	(291)	1,027	5,883	9,229
Power Production & Trading SEE									
H1 2013	441	926	1,367	1,995	1,274	(142)	326	291	452
H1 2014	686	433	1,119	639	(2,126)	(55)	(2,397)	(29)	360
Distribution & Sale SEE									
H1 2013	16,148	382	16,530	1,468	562	(175)	2,138	1,598	4,049
H1 2014	16,638	276	16,914	1,643	751	(165)	745	1,010	3,916
Other SEE									
H1 2013	7	1,088	1,095	63	29	(4)	24	508	1,198
H1 2014	9	1,064	1,073	62	26	(5)	21	383	1,145
Elimination									
H1 2013		(48,068)	(48,068)	141	141	(26)	(9,829)	(9,684)	
H1 2014		(37,369)	(37,369)	(11)	(11)	5	(14,791)	(5,624)	
Consolidated									
H1 2013	112,944		112,944	49,191	35,141	(5,940)	28,585	18,820	26,955
H1 2014	101,706		101,706	39,938	24,098	(4,256)	17,241	13,914	26,380

CE = Central Europe
SEE = Southeastern Europa

EBITDA by Operating Segment (CZK millions)



CEZ Group Financial Results by Segment

CEZ Group's net income decreased by CZK 11.3 bn year-on-year and earnings before depreciation and amortization, impairments, and sale of tangible and intangible fixed assets (EBITDA) decreased by CZK 9.3 bn year-on-year. Traditionally, the year-on-year change in EBITDA was attributable mostly to the Power Production & Trading CE segment (CZK -5.4 bn), followed at a distance by the Power Production & Trading SEE (CZK -1.4 bn) and Distribution & Sale CE (CZK -1.2 bn) segments.

The major factor in the drop of EBITDA in the Power Production & Trading CE segment was decreasing realization prices of electricity (CZK -4.2 bn), accompanied by a decrease in the volume of electricity delivered (CZK -2.3 bn), mostly due to the divestment of the Chvaletice Power Plant in 2013. The sale of heat was also down (CZK -0.3 bn), mostly due to above-average temperatures in the Czech Republic. By contrast, there was a positive effect of trading in commodity derivatives (CZK +1.1 bn), mostly attributable to the termination of a long-term contract with CA-CIB (Crédit Agricole Corporate and Investment Bank). Capital expenditure in this segment decreased by CZK 3.9 bn year-on-year; the headcount was decreased by 218.

The volume of electricity generated by CEZ Group in the Czech Republic decreased by 2.5 TWh year-on-year, mostly due to the sale of the Chvaletice Power Plant in September 2013 (-1.5 TWh) accompanied by a decrease in production at hydropower plants due to less precipitation (-0.7 TWh) and other effects (-0.3 TWh). The volume of heat sold by CEZ Group in the Czech Republic decreased by more than 2,000 TJ year-on-year due to above-average temperatures in the winter.

Electricity and heat production in Poland had positive operating results (EBITDA growth by CZK 0.3 bn) in connection with higher revenue from emission allowances and color certificates. The volume of electricity generated remained almost unaltered year-on-year, amounting to 1.3 TWh; the volume of heat delivered decreased by more than 500 TJ year-on-year due to warmer weather.

The EBITDA of the Distribution & Sale CE segment decreased by CZK 1.2 bn year-on-year mostly because less electricity was sold (-0.8 TWh, CZK -0.6 bn) especially in connection with the warmer weather and household customer migration. The volume of electricity distributed also decreased year-on-year, by 0.3 TWh, which was reflected in EBITDA decreasing by CZK 0.4 bn. Gas sale also experienced a slight decrease in EBITDA (CZK -0.2 bn) due to a 0.3 TWh decrease in the volume sold, caused by the same factors as with electricity as well as by lower market prices of gas.

In the Mining CE segment, EBITDA decreased by CZK 0.9 bn year-on-year in connection with 1.6 million tons less coal extracted because of above-average temperatures in 2014 and lower demand by CEZ Group.

The Other CE segment experienced a CZK 0.4 bn year-on-year decrease in EBITDA, related to the restructuring of service activities in the Group (distribution services, mining-related ancillary activities, IT).

The EBITDA of the Power Production & Trading SEE segment dropped by CZK 1.4 bn year-on-year, mostly due to lower market prices of green certificates and temporary suspension of assignment of the first certificate for Fântânele Vest in Romania (CZK -1.1 bn) due to a delay in the European Commission's notification. Generation in Varna, Bulgaria had EBITDA CZK 0.3 bn lower year-on-year, due to changed regulated tariffs since Jan 1, 2014 and less cold reserve availability sold. The volume of generated electricity hardly changed year-on-year, having slightly decreased, by 0.1 TWh, in Romania and slightly increased, by 0.1 TWh, in Bulgaria.

The EBITDA of the Distribution & Sale SEE segment grew by CZK 0.2 bn. EBITDA in Romania grew by CZK 0.4 bn year-on-year, especially due to the dissolution of provisions for the Romanian state railways (CFR) debts in connection with their repayment. The volume of electricity distributed and sold in Romania hardly changed year-on-year, having just slightly decreased by 0.1 TWh. EBITDA in Bulgaria decreased by CZK 0.1 bn year-on-year, mostly due to a change in the distribution tariffs made by the regulatory authority. The volume of electricity distributed in Bulgaria did not change year-on-year and amounted to 4.6 TWh; the volume of electricity sold decreased by 0.3 TWh year-on-year.

Related Parties

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

	Receivables		Payables	
	as of December 31, 2013	as of June 30, 2014	as of December 31, 2013	as of June 30, 2014
Akcez Enerji A.S.	104	101		
Akenerji Elektrik Üretim A.S.	19	4		
CM European Power International B.V.	401	338		
CM European Power Slovakia s.r.o.	642	582		
ČEZ Energo, s.r.o.	106	43	12	4
EGP INVEST, spol. s r.o.	5	3	12	20
LOMY MOŘINA spol. s r.o.	3	3	23	13
OSC, a.s.		16	7	39
Others	32	44	61	26
Total	**1,312**	**1,134**	**115**	**102**

Sales to and Purchases from Related Parties (in CZK millions)

	Sales to related parties		Purchases from related parties	
	H1 2013	H1 2014	H1 2013	H1 2014
Akcez Enerji A.S.	7	15		
Akenerji Elektrik Üretim A.S.	37	18		
ČEZ Energo, s.r.o.	156	163	16	15
EGP INVEST, spol. s r.o.	3	2	4	38
In PROJEKT LOUNY ENGINEERING s.r.o.	12	12	14	15
LOMY MOŘINA spol. s r.o.	14	15	90	93
OSC, a.s.			12	89
SINIT,a.s.	3	2	41	11
Others	42	79	32	31
Total	**274**	**306**	**209**	**292**

Expected Economic and Financial Situation

As at August 25, 2014, CEZ Group anticipated achieving consolidated earnings before interest, taxes, depreciation and amortization, allowances, and profit/loss from sale of fixed assets (EBITDA) in the amount of CZK 70.5 bn in 2014. The expected results reflect, in particular, an unfavorable development in European energy markets, accompanied by a continuing trend of decreasing wholesale electricity prices, and worsening regulatory conditions in Europe's energy sector.

The overall structure of assets from which CEZ Group's profits will be generated in 2014 remains unchanged. Therefore, the major causes of the year-on-year change in the results of operations are listed below to illustrate the economic situation in 2014.

The expected year-on-year decrease in EBITDA, by CZK 11.4 bn in total, should be caused mainly by the following factors: decrease in the realization prices of electricity generated in the Czech Republic, including the effect of hedges (CZK -6.6 bn), extraordinary revenue from trading in emission allowances in 2013 and lower allocation of emission allowances for power production under NAP III (CZK -3.5 bn), reduced margin on power production and distribution in Southeast Europe due to lower regulated tariffs for 2014 in Bulgaria and restricted support for renewable sources in Romania (CZK -1.5 bn), reduced margin on mining due to a drop in coal prices related to the trend in electricity prices (CZK -1.0 bn), and the effect of the divestment of the Chvaletice Power Plant in 2013 (CZK -0.4 bn).

Positive factors in the year-on-year change to the prediction of EBITDA include, in particular, cuts in external fixed operating costs throughout CEZ Group and the increased efficiency and margin of upgraded power plants in the Czech Republic (CZK +1.6 bn).

As for net income adjusted for extraordinary effects[1], CEZ Group is expecting CZK 29.0 bn. The 2013 net income adjusted for extraordinary effects amounted to CZK 38.2 bn (book net income achieved in 2013 amounting to CZK 35.2 bn, adjusted for the effect of impairments to fixed assets, the impact of the sale of the Chvaletice Power Plant, and the effect of the exclusion of the Albanian company CEZ Shpërndarje from the consolidated group). We anticipate that the parent company, CEZ, a. s., will have net income of approximately CZK 20 bn, consisting mostly of expected dividends from CEZ, a. s. subsidiaries.

Major risks to the above prediction of the 2014 income, as seen by CEZ Group, are developments in regulatory and legislative conditions for the energy sector in Southeastern Europe, developments in the support of renewable sources, and introduction of a capacity payment system in Western Europe.

Capital expenditure expected by CEZ Group in 2014 is slightly below 2013 figure, approximately CZK 42 bn, most of which is planned to be invested in generation and distribution assets in the Czech Republic.

As for 2014 cash flows, CEZ Group expects to cover its planned capital expenditure and financial expenses, including dividends, from cash flows generated by operations, so it does not expect any major change in its total debt in 2014.

[1] These are extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as impairments to fixed assets and goodwill amortization or extraordinary profit/loss from sale of assets or subsidiaries).

List of Bonds Outstanding as at June 30, 2014 Issued by CEZ Group

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moody's)
6th Eurobond issue	ČEZ, a. s.	XS0376701206	Jul 18, 2008	EUR 600 million	6.00%	2014	booked to owner	EUR 50,000	BNP Paribas, Deutsche Bank AG, ING Bank N.V., Erste Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Jul 18, 2008	A-/A2
7th Eurobond issue [1)]	ČEZ, a. s.	XS0384970652	Sep 17, 2008	JPY 12 billion	3.005%	2038	booked to owner	JPY 1000000000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Sep 17, 2008	A-/A2
8th Eurobond issue [2)]	ČEZ, a. s.	XS0387052706	Sep 22, 2008	EUR 6 million	zero coupon	2038	booked to owner	EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Sep 22, 2008	-/-
11th Eurobond issue [3)]	ČEZ, a. s.	XS0430082932	May 26, 2009	EUR 460.219 million	5.75%	2015	booked to owner	EUR 50,000	Banca IMI S.p.A., Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 26, 2009	A-/A2
12th Eurobond issue 1)	ČEZ, a. s.	XS0447067843	Sep 8, 2009	JPY 8 billion	2.845%	2039	booked to owner	JPY 1000000000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Sep 8, 2009	A-/A2
13th Eurobond issue 4)	ČEZ, a. s.	XS0458257796	Oct 19, 2009	EUR 750 million	5.00%	2021	booked to owner	EUR 50,000	BNP Paribas, Société Générale, The Royal Bank of Scotland plc, Erste Group Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Oct 19, 2009	A-/A2
14th Eurobond issue	ČEZ, a. s.	XS0462797605	Nov 4, 2009	EUR 50 million	6M Euribor + 1.25%	2019	booked to owner	EUR 50,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Nov 4, 2009	A-/A2

1) Proceeds from the issue in Japanese yen were swapped for euro through a Credit Linked Swap.

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

3) Issue bought back in April 2014; original volume of issue was EUR 600 million.

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

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moody's)
19th Eurobond issue	ČEZ, a. s.	XS0502286908	Apr 16, 2010	EUR 750 million	4.875%	2025	booked to owner	EUR 50,000	Bayerische Landesbank, Erste Group Bank AG, HSBC Bank plc, Société Générale, Uni Credit Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Apr 16, 2010	A-/A2
20th Eurobond issue 5)	ČEZ, a. s.	XS0521158500	Jun 28, 2010	EUR 750 million	4.50%	2020	booked to owner	EUR 50,000	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Erste Group Bank AG, The Royal Bank of Scotland plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Jun 28, 2010	A-/A2
1st NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000NS9FM8	Nov 29, 2010	EUR 40 million	4.50%	2030	Global Depository Receipt	EUR 500,000	-	-	-	-	-/-
2nd NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000NS9TZ1	Jan 31, 2011	EUR 40 million	4.75%	2023	Global Depository Receipt	EUR 500,000	-	-	-	-	-/-
21st Eurobond issue 6)	ČEZ, a. s.	XS0592280217	Feb 17, 2011	JPY 11.5 billion	2.16%	2023	booked to owner	JPY 100,000,000	Credit Agricole Corporate and Investment Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Feb 17, 2011	A-/A2
22nd Eurobond issue	ČEZ, a. s.	XS0622499787	May 3, 2011	CZK 1.25 bn	4.60%	2023	booked to owner	CZK 5,000,000	Česká spořitelna, a.s.	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 3, 2011	A-/A2
23rd Eurobond issue 7)	ČEZ, a. s.	XS0630397213	May 27, 2011	EUR 339.782 million	3.625%	2016	booked to owner	EUR 100,000	Banka IMI S.p.A., BNP Paribas, Erste Group Bank AG, HSBC Bank plc, UniCredit Bank AG, Commerzbank Aktiengesellschaft	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	May 27, 2011	A-/A2
24th Eurobond issue 8)	ČEZ, a. s.	XS0635263394	Jun 21, 2011	EUR 100 million	2.15% * Index Ratio CPI	2021	booked to owner	EUR 100,000	Barclays Bank plc	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	-	-	A-/A2
25th Eurobond issue	ČEZ, a. s.	XS0713866787	Dec 5, 2011	EUR 50 million	4.102%	2021	booked to owner	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Dec 5, 2011	-/-

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

6) Proceeds from the issue were swapped for euro.

7) Issue bought back in April 2014; original volume of issue was EUR 500 million.

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

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moody's)
3rd NSV (Namensschuldverschreibungen) issue	ČEZ, a. s.	XF0000B03489	Apr 2, 2012	EUR 40 million	4.7%	2032	Global Depository Receipt	EUR 1,000,000	Commerzbank AG	-	-	-	-/-
1st US bond issue [9), 10)]	ČEZ, a. s.	US157214AA57	Apr 3, 2012	USD 700 million	4.25%	2022	booked to owner	USD 200,000	Barclays Bank plc, Citigroup Global Markets Inc., Goldman Sachs International, SG Americas Securities, LLC	Citibank, N.A., London Branch	Bourse de Luxembourg	Apr 3, 2012	A-/A2
2nd US bond issue [9), 10)]	ČEZ, a. s.	US157214AB31	Apr 3, 2012	USD 300 million	5.625%	2042	booked to owner	USD 200,000	Barclays Bank plc, Citigroup Global Markets Inc., Goldman Sachs International, SG Americas Securities, LLC	Citibank, N.A., London Branch	Bourse de Luxembourg	Apr 3, 2012	A-/A2
26th Eurobond issue	ČEZ, a. s.	XS0814711775	Aug 8, 2012	EUR 50 million	4.375%	2042	booked to owner	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Aug 8, 2012	A-/A2
27th Eurobond issue	ČEZ, a. s.	XS0818793209	Aug 20, 2012	EUR 50 million	4.5%	2047	booked to owner	EUR 100,000	UBS Limited	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Aug 20, 2012	A-/A2
28th Eurobond issue [11)]	ČEZ, a. s.	XS0822571799	Sep 3, 2012	EUR 80 million	4.383%	2047	booked to owner	EUR 100,000	UniCredit Bank AG	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Sep 3, 2012	A-/A2

9) The issue was made within a non-public offer of bonds to qualified institutional buyers pursuant to Rule 144A of the United States Securities Act of 1933, as amended ("Securities Act") and outside the United States to certain non-US entities pursuant to Regulation S of the Securities Act.

10) Proceeds from the issue were swapped for euro.

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

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form	Face value	Manager	Administrator	Market	Traded since	Issue rating (S&P/Moody's)
4th NSV (Namensschuldverschreibungen) issue [12]	ČEZ, a. s.	XFCA00H08349 XFCA00H08356 XFCA00H08364	Dec 10, 2012	EUR 61 million	4.27%	2047	Global Depository Receipt	EUR 500,000	UniCredit Bank AG	-	-	-	-/-
5th NSV (Namensschuldverschreibungen) issue [13]	ČEZ, a. s.	XS0920182374 XS0920710570	Mar 26, 2013	EUR 30 million	3.55%	2038	Global Depository Receipt	EUR 1,000,000	Citigroup Global Markets Limited	-	-	-	-/-
30th Eurobond issue	ČEZ, a. s.	XS0940293763	Jun 5, 2013	EUR 500 million	3.00%	2028	booked to owner	EUR 100,000	Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Erste Group Bank AG, ING Bank N.V., The Royal Bank of Scotland plc, Banca IMI S.p.A., Crédit Agricole Corporate and Investment Bank	Deutsche Bank Luxembourg S.A., Deutsche Bank AG	Bourse de Luxembourg	Jun 5, 2013	A-/A2
Bond issue [14]	ČEZ Energo, s.r.o.	CZ0003510992	Oct 16, 2013	CZK 650 million	3.14%	2016 - 2020	materialized bearer bonds	1,000,000 Kč	Česká spořitelna a.s.	Česká spořitelna a.s.	-	-	-/-
Issue of guaranteed bonds convertible into MOL shares [15]	CEZ MH B.V.	XS1027633434	Apr 2, 2014	EUR 470.2 million	0%	2017	booked to owner	EUR 100,000	Barclays Bank Plc., Deutsche Bank AG, London Branch, HSBC Bank plc, Société Générale Corporate & Investment Banking	The Bank of New York Mellon, London Branch	open market (Freiverkehr) Frankfurt Stock Exchange	Apr 2, 2014	A-/A2

12) The volume of the issue was divided into three receipts.
13) The volume of the issue was divided into two receipts.
14) The balance of debt from bonds issued as at December 31, 2013 was CZK 200 million.
15) Bond issue guaranteed by CEZ, a.s.

CEZ, a. s. has not issued any convertible bonds. Under the issue terms, the bonds are not guaranteed by the State or by any bank.

Portions of the 11th and 23rd issues were bought back in April 2014.

CEZ MH B.V. issued a guaranteed bond issue in April 2014.

CEZ Group Capital Expenditures

Capital Expenditures (CZK millions)

	H1 2013	H1 2014
Additions to property, plant and equipment and other non-current assets, including capitalized interest	**21,261**	**16,083**
Additions to property, plant and equipment	18,562	13,661
of which: nuclear fuel procurement	*2,305*	*1,525*
Additions to intangibles	258	253
Additions to long-term financial assets	1,118	44
Change in balance of liabilities attributable to capital expenditure	1,323	2,125
Investments	**975**	**0**
Capital expenditures, total	**22,236**	**16,083**

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

	Central Europe		Southeastern Europe		Total	
	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014
Nuclear energy (including fuel procurement)	3,650	2,791			3,650	2,791
Coal and CCGT power plants	8,798	5,665			8,798	5,665
of which: new-build	*4,270*	*3,245*			*4,270*	*3,245*
renewal and other	*4,529*	*2,420*			*4,549*	*2,420*
Hydro sources, not including renewables	38	44			38	44
Renewables	20	13	295	17	315	30
Distribution of electricity	3,229	3,131	1,581	1,033	4,809	4,164
Distribution of heat	116	37			116	37
Mining	627	702			627	702
Environmental	19	105			19	105
Information systems	248	227	18	7	266	234
Other	169	127	14	16	183	143
Total	**16,914**	**12,841**	**1,908**	**1,073**	**18,820**	**13,914**

The expected amount of CEZ Group's capital expenditures in 2014 is CZK 42.4 billion.

CEZ Group Energy Procurement and Disposition

Electricity Procured and Sold (GWh)

	H1 2013	H1 2014	Index 2014/2013 (%)
Electricity procured	**31,047**	**28,608**	**92.1**
Generated in-house	34,306	31,891	93.0
In-house and other consumption, including pumping in pumped-storage plants	(3,259)	(3,283)	100.7
Sold to end customers	**(18,929)**	**(17,820)**	**94.1**
Wholesale balance	**(9,481)**	**(8,263)**	**87.2**
Sold in the wholesale market	(90,314)	(86,712)	96.0
Purchased in the wholesale market	80,833	78,449	97.1
Grid losses	**(2,637)**	**(2,525)**	**95.7**

Electricity Generation by Source of Energy (GWh)

	Czech Republic		Poland		Bulgaria		Romania		Total	
	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014
Nuclear	15,176	15,397							15,176	15,397
Coal	15,147	13,112	1,157	1,174	143	245			16,447	14,531
Hydro	1,638	942	3	5				46	1,641	993
Biomass	121	120	154	160					275	279
Photovoltaic	57	71			3	3			60	74
Wind	5	5					685	552	689	556
Natural gas	17	60							17	60
Biogas	1	1							1	1
Total	**32,161**	**29,708**	**1,314**	**1,339**	**146**	**247**	**685**	**597**	**34,306**	**31,891**

Electricity Sold to End Customers (GWh)

	Czech Republic		Poland		Bulgaria		Romania		Others		Total	
	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014
Large end-customers	5,129	4,947	196	203	1,505	1,338	515	360	1,080	1,240	8,425	8,089
Retail - commercial	1,480	1,295			1,366	1,230	462	485	36	32	3,344	3,042
Residential	4,110	3,648			2,218	2,215	768	759	65	68	7,161	6,689
Total	**10,719**	**9,890**	**196**	**203**	**5,089**	**4,783**	**1,745**	**1,604**	**1,181**	**1,341**	**18,929**	**17,820**

Heat

Heat Supplied and Sold (TJ)

	Heat supply to heating systems 1)		External heat sales (outside CEZ Group)	
	H1 2013	H1 2014	H1 2013	H1 2014
ČEZ, a. s.	5,879	6,386	484	390
ČEZ Energetické služby, s.r.o.	43	36	38	31
ČEZ Energo, s.r.o. 2)				
ČEZ Teplárenská, a.s.	211	118	5,025	3,985
Elektrárna Dětmarovice, a.s. 3)	300	325	6	7
Elektrárna Chvaletice a.s. 4)	87		4	
Elektrárna Počerady, a.s.	129	98	31	8
Energetické centrum s.r.o.	65	63	64	56
Energotrans, a.s.	5,952	5,088	5,914	5,017
Teplárna Trmice, a.s. 5)	1,738			
Czech Republic, total	**14,404**	**12,113**	**11,566**	**9,494**
Elektrociepłownia Chorzów ELCHO sp. z o.o.	1,436	1,166	1,408	1,138
Elektrownia Skawina S.A.	1,666	1,411	1,636	1,386
Republic of Poland, total	**3,102**	**2,577**	**3,044**	**2,525**
TEC Varna EAD	1	1	1	1
Republic of Bulgaria, total	**1**	**1**	**1**	**1**
Central Europe, total	**17,506**	**14,690**	**14,610**	**12,019**
Southeastern Europe, total	**1**	**1**	**1**	**1**
CEZ Group, total	**17,507**	**14,691**	**14,611**	**12,020**

1) Heat for use for heating purposes
2) ČEZ Energo, s.r.o. excluded from full consolidation to equivalence
3) Company split off from ČEZ, a. s. on February 1, 2013
4) Company sold on September 2, 2013
5) Company merged into ČEZ, a. s. effective October 1, 2013; sales of heat to outside customers taken over by ČEZ Teplárenská, a.s.

Natural Gas

Natural Gas Procured and Sold (GWh)

	H1 2013	H1 2014	Index 2014/2013 (%)
Procured	**20,040**	**32,561**	**162.5**
of which: outside suppliers	19,766	32,352	163.7
OTE	275	209	76.0
Removed from storage	**1,249**	**1,439**	**115.2**
Sold	**(20,211)**	**(31,747)**	**157.1**
of which: trading	(16,530)	(28,568)	172.8
external large end-customers	(794)	(767)	96.6
medium-sized end-customers	(360)	(252)	70.0
small end-customers	(419)	(390)	93.1
residential	(1,865)	(1,589)	85.2
OTE	(242)	(181)	74.8
Placed in storage	**(721)**	**(1,846)**	**256.0**
Consumed in-house	**(357)**	**(407)**	**114.0**

CEZ Group in the Czech Republic

Legislative and Business Environment in the Energy Sector

The first half of 2014 was a relatively calm period in terms of new legislation. The only legislation newly enacted in H1 that could be considered of some importance is another amendment to Act No. 165/2012 Coll., on supported energy sources. The amendment primarily clarified the rules (who pays a price to cover costs associated with support for electricity production, to whom, and for what) that the previous fall 2013 amendment failed to unambiguously define, which posed a risk of disputes arising from possible different interpretations of the provision in question. In addition, the amendment moderated the provision concerning the obligation to register shares by July 1, 2014 in order to be eligible for support of electricity produced pursuant to Act No. 165/2012 Coll. Companies that are wholly owned by municipalities and producers of electricity generated from biogas whose main line of business is agricultural production are exempt from the obligation.

An extensive amendment to Act No. 458/2000 Coll., on conditions for business and state administration in the energy sectors and on amendments to some acts (Energy Act) and Act No. 165/2012 Coll., on supported energy sources, was prepared in H1 2014. The amendment contains a large number of changes to the two Acts and some of them can rather radically affect the future of the energy sector. Major amendments to the Energy Act concern the functioning of the Energy Regulatory Office (proposal to institute the Office Board), regulatory rules for electricity and gas, implementation conditions, intended major changes to the tariff structure in the electricity sector (regulated electricity payments paid by network users), new conditions for simplified connection of small electricity generating facilities used for customer self-supply (self-suppliers will not be required to have an electricity generation license and, provided that certain conditions are met, the distribution grid operator's opinion will not be required before the source is connected but a notice to the operator after the source is connected will be sufficient), implementation of Regulation No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency, and consumers' right to "distance" withdrawal from a concluded contract (i.e. away from the supplier's business premises). Major amendments to the Supported Energy Sources Act include a different criterion for the payment of a fee for supported sources; it will be newly paid based on connection capacity—MW at the medium- and high-voltage level and the current rating (A) of the main breaker at the low-voltage level. Other amendments involve more precisely and strictly defined conditions for measuring and reporting generated electricity eligible for support and the end of support for decentralized electricity and bio-methane production. According to the current version of the draft amendment, most of its provisions should come into effect on July 1, 2015.

H1 2014 also brought more work on the amendment to the State Energy Policy, specifically the processing of comments arising from its strategic environmental assessment (SEA). The SEA amendment process is now almost finished, so the final approval of the State Energy Policy can be expected in late 2014 or early 2015.

Important activities concerning non-energy legislation include the preparation of an amendment to Act No. 100/2001 Coll., on environmental impact assessment and changes to some related acts (Environmental Impact Assessment Act), which should terminate the infringement proceedings opened by the European Commission against the Czech Republic for failing to properly implement the applicable directive in national legislation. The amendment is also in the interdepartmental review stage. If the amendment is adopted as drafted, it will result in significant prolongation of affected approval procedures in the construction of new facilities, including power facilities.

In the field of environmental protection, the operation of power facilities will be affected by an amendment to Act No. 201/2012 Coll., Clean Air Act, which allows exchanging emission ceilings between operators.

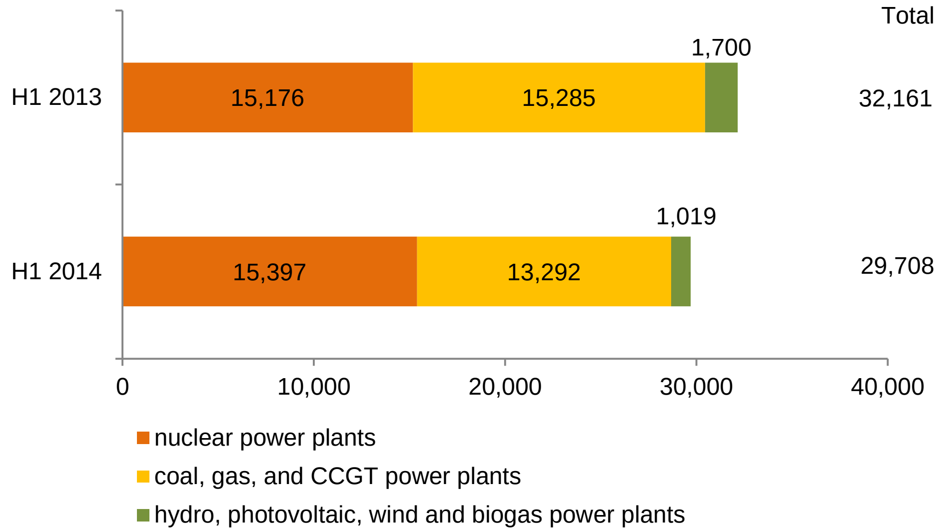
Power Production & Trading

Installed Capacity

As of June 30, 2014, CEZ Group operated production units with a total installed capacity of 12,625 MW in the Czech Republic. The total installed capacity of its nuclear power plants at Dukovany and Temelín was 4,290 MW. Coal-fired power plants and heating plants have a capacity of 6,241 MW, hydroelectric and pumped-storage power plants have 1,960 MW, and other power plants with renewable energy sources have 134 MW. The installed capacity decreased by 524 MW year-on-year. The biggest change was in the coal-fired portfolio due to the sale of the Chvaletice Power Plant (-800 MW); in contrast, the installed capacity of the Temelín Nuclear Power Plant was increased by 250 MW and that of the Dalešice Pumped-Storage Power Plant by 25 MW.

Generation of Electricity

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



In H1 2014, CEZ Group power and heating plants in the Czech Republic generated 29,708 GWh of electricity in total. The production dropped by 2,453 GWh in comparison with the same period of 2013.

Conventional (coal-fired, gas-fired, and CCGT) power plants' electricity production dropped by 1,993 GWh; the main reason was the sale of the Chvaletice Power Plant, which generated 1,507 GWh in H1 2013. Extremely bad hydrologic conditions in H1 2014 were another major factor, resulting in a drop of 695 GWh in hydropower generation.

Safety of Operated Nuclear Power Plants

In the period in question, the nuclear power plant units at both Dukovany and Temelín were operated pursuant to legal regulations applicable to the use of nuclear energy and complied with valid licenses.

Measures from Stress Tests of Nuclear Power Plants

In H1 2014, corrective measures included in the safety enhancement programs of the Dukovany and Temelín nuclear power plants were implemented on schedule and in compliance with the National Action Plan to Enhance the Safety of Nuclear Facilities (NAcP). The implementation of NAcP corrective measures is continually monitored by the State Office for Nuclear Safety.

Station Blackout Diesel Generators (SBO DG) were successfully installed and tested at the Temelín Nuclear Power Plant. This is an emergency power supply for circumstances in which power from internal and external sources is out. The construction of a heat rejector and a third super-accident feed pump was started at the Dukovany Nuclear Power Plant; the installation and test of a SBO DG analogous to that at the Temelín Nuclear Power Plant is prepared. Heavy machinery was upgraded and replenished, additional mobile alternative means are provided to handle any emergencies. The replenishment of machinery is followed by modifications to the system of personnel training and specific drills.

International Reviews and Related Activities

In 2014, we continue with fulfilling the Action Plan prepared on the basis of recommendations resulting from an international IAEA Corporate OSART mission that took place at the corporate level at ČEZ in 2013.

An IAEA OSART follow-up mission to the Temelín Nuclear Power Plant took place in May to review the situation in areas for improvement recommended by a 2012 OSART mission. The follow-up mission found 7 out of the 11 recommendations fully implemented and the remaining 4 areas showing sufficient progress.

The Dukovany Nuclear Power Plant hosted a WANO Technical Support Mission with the theme “Learning Organization”, focused on support for the exchange and adoption of good practices in nuclear energy and learning from in-house findings.

Preparations for 2 fall missions—WANO Peer Review Follow-Up and IAEA SALTO (Safety Aspects of Long Term Operation)—have been underway at the Dukovany Nuclear Power Plant since the beginning of the year.

Self-assessment in all 12 defined areas was performed at the Dukovany Nuclear Power Plant in H1 2014 as part of the Periodic Safety Review (PSR). PSR results, which will be ready in H2 2014, are also one of the inputs to the preparation of an application for Dukovany Nuclear Power Plant license extension (LTO).

Both nuclear power plants continue with the project named Improving the Level of Occupational Safety and Health, aiming at promoting and strengthening the proper conduct of nuclear plant staff, including contractor personnel.

Dukovany Nuclear Power Plant was visited by 6 experts from leading Japanese nuclear companies and organizations to share good practices in the storage of highly radioactive waste.

Capital Expenditures

Capital expenditures on production amounted to CZK 8.0 bn in total in H1 2014.

Construction of CCGT Facility at Počerady Power Plant

Necessary work was conducted to start the second part of comprehensive testing. Medium-pressure and low-pressure by-pass stations were reconstructed to allow completion of the comprehensive testing. The plant was in trial operation and documents for its final inspection were prepared.

Construction of a New 660MW Supercritical Unit at Ledvice Power Plant

The whole generation unit was assembled and is ready for trial operation and hot tests were started. The new unit is expected to be put into trial operation at the turn of the years 2014 and 2015.

Comprehensive Renewal of Prunéřov II Power Plant

The installation of pressure assemblies was completed and pressure tests were conducted successfully, the installation of flue-gas desulphurization (FGD) absorbers and their individual tests are finishing up, turbine generators 23 and 24 are installed and sealed. The installation of internal seals at the high-pressure and medium-pressure parts of the turbine is finishing at turbine generator 25 and preparations are made to seal it. Cooling tower 23 was reconstructed and put into operation and the reconstruction of cooling tower 22 is finishing. Medium- and low-voltage substations are being activated. The comprehensive renewal is planned to be finished in 2015.

Dukovany Nuclear Power Plant

Measures are taken to provide alternative power supply, make reactor building structures more robust, and install additional systems for post-accident radiation monitoring. Work on the construction of a new ultimate heat sink (forced-draft cooling tower) was started. Other investments are made on an ongoing basis to upgrade and enhance the safety and efficiency of production in relation to the extension of operation after 2015.

Temelín Nuclear Power Plant

New, independent, alternative power supply sources (diesel generators) were installed. There were also continued investments in plant upgrades and generation efficiency improvement. The installation of new low-pressure turbine generator components will raise the output capacity of the generating set by up to 22 MW_e.

Construction of New Units at the Temelín Nuclear Power Plant

On April 10, 2014, ČEZ, a. s. cancelled the tender procedure for the construction of two new units at the Temelín Nuclear Power Plant, while confirming that the preparation of the project as such continues. This decision was taken on the basis of increasing uncertainty in energy markets, further drop in wholesale electricity prices, and the Czech government's resolution saying that it does not plan to provide any guarantee or stabilization mechanism for the construction of low-carbon facilities. However, the government also declared interest in further development of nuclear energy in the Czech Republic, promising to prepare a comprehensive plan for the field by the end of 2014.

The remaining bidders—the consortium of Westinghouse Electric Company, LLC and Westinghouse Electric Company Czech Republic and the consortium of ŠKODA JS, Atomstroyexport, and JSC OKB Gidropress—were informed about the decision and further evaluations and negotiations to improve the bids were terminated.

Since the Czech government also envisages further nuclear energy development in its draft State Energy Policy, ČEZ keeps working on the Temelín project with limited expenses. The goal for the oncoming period is to preserve and develop the value of the new unit project and prepare it for alternative investing and financing arrangements. Further steps in nuclear projects will be adjusted according to the conclusions of the prepared comprehensive government plan of the Ministry of Industry and Trade and the Ministry of Finance.

Construction of a New Unit at the Dukovany Nuclear Power Plant

Ongoing activities focus on providing supporting documents for the initiation of the environmental impact assessment process. Specifications are drawn up for the preparation of a technical description of the site as a basis for future tender documents.

Trading in Electricity and Other Commodities

Trading on the wholesale markets in electricity and other energy commodities in each European country where CEZ Group operates is organized centrally by the parent company ČEZ. This involves the following activities:

- Selling electricity generated by corporate plants on wholesale markets, incl. hedge contracts
- Selling ancillary services provided by CEZ Group's plants
- Procuring electricity on the wholesale market for the purpose of sales to end customers
- Trading in electricity, EUAs, CERs, natural gas, oil, and hard coal on the wholesale market on the company's own account

When operating on the markets of individual countries, CEZ Group companies must respect the specific situation resulting from local energy legislation, the status of electricity market liberalization, the balance between supply and demand, the possibilities of trans-border supplies, and other factors.

In H1 2014, ČEZ, a. s. was selling electricity for 2015 through 2020 mainly using standard products (annual, quarterly, monthly) on the OTC market. It also arranged hedges for future sales of electricity generated by corporate plants (up to 2023) or hedges for future provisioning of electricity for end customers and partly for purchases of additional electricity in the event of unavailability of corporate power plants. ČEZ, a. s. continued to sell ancillary services provided by its power plants mostly to the transmission system operator, ČEPS, a.s.

Trading on the company's own account serves mainly to make an additional profit by taking advantage of arbitrage opportunities or other forms of speculative trading on wholesale markets. ČEZ, a. s. trades on its own account primarily in its traditional commodities such as electricity or emission allowances. Other traded commodities included natural gas in the form of futures products on IntercontinentalExchange (ICE) in London, the European Energy Exchange (EEX) in Leipzig, and other trading platforms. Last but not least, ČEZ, a. s. trades in anthracite using futures-type products on ICE in London and the OTC market in commodity coal swaps. In 2013 ČEZ, a. s. began trading in options with electricity or EUAs as their underlying assets.

All trading and dealing activities have specific risk management frameworks, which define allowed products, time frames, counterparties, and especially market and credit rules and limits on the basis of stop-loss orders (closing a position when a certain loss is made), value at risk, current credit exposure, and future credit exposure. Adherence to the limits is reviewed daily and any excesses are dealt with according to the applicable risk management framework.

In addition, trading on the company's own account has been regulated by the European Union since 2011 as a result of wholesale market regulation.

New Opportunities in Power Engineering

CEZ Group's growth opportunities in the distributed and "small" energy sector (low-capacity facilities), focusing on end customers, are developed by ČEZ Energo, s.r.o., a member of CEZ Group. It installs and operates combined heat and power facilities with rated capacities ranging from hundreds of kilowatts to single megawatts, referred to as small CHP plants.

ČEZ Energo, s.r.o. began to operate small CHP plants in 2011, starting with 17 sites with a total installed electrical capacity of 12 MW_e. On June 30, 2014, 82 natural gas-fired CHP units supplied heat to 39 localities and their overall installed electrical capacity reached 46.2 MW_e. All the units are connected to a control center that controls their operation in the best possible manner.

In H1 2014, ČEZ Energo, s.r.o. invested over CZK 100 million in capital expenditures. This allowed the company to add new sites, such as Hlučín, Lipník nad Bečvou, Humpolec, Nové Strašecí, Hořovice, and many others. It also launched 2 advanced CHP units at the Vítkovice Heating Plant with an installed capacity of 2× 1.56 MW_e, 2× 1.75 MWt, whose installation greatly reduced the amount of emissions and noise in the locality.

Another 19 CHP units with a total installed electrical capacity of 22.5 MW_e were in the project preparation or construction stage at the end of H1 2014. Thanks to this positive trend, ČEZ Energo, s.r.o. together with its subsidiary TI Energo, s.r.o. became the leading operator of small CHP plants on the market in the Czech Republic at the beginning of H2 2014.

New Energy Sector

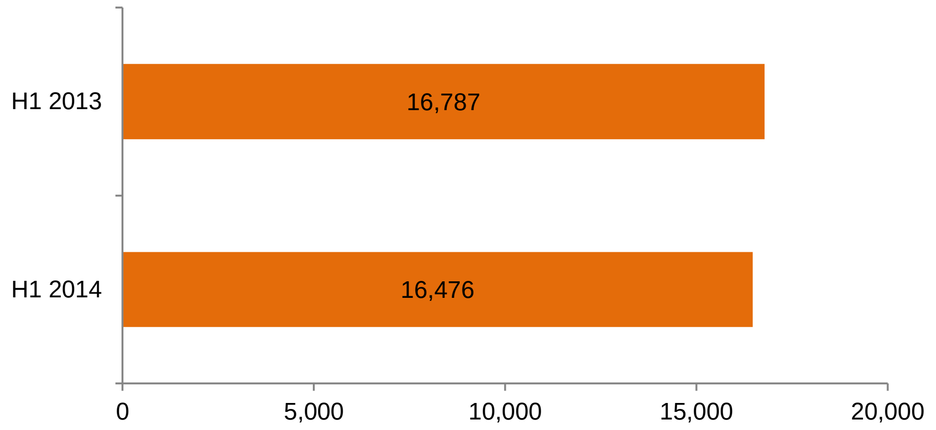
ČEZ's Board of Directors announced the New Energy Sector strategic program in the fall of 2013 in response to the changing energy market. The Inven Capital (a brand of ČEZ Nová energetika, a.s.) team will be looking for interesting opportunities in "new" energy both in and around the Czech Republic. It will focus, for instance, on energy savings, distributed energy, waste management, collection and processing of large volumes of data relevant for the energy sector (Big Data), smart households, control systems, etc. CEZ Group is ready to invest around CZK 5 billion in the New Energy Sector through Inven Capital by 2020.

Distribution and Sale

Electricity Distribution

In the Czech Republic, distribution of electricity within CEZ Group is the business of ČEZ Distribuce, a. s., which distributed 16.5 TWh of electricity to customers in H1 2014. Deliveries at the low-voltage level decreased, mostly due to above-average temperatures in the winter. By contrast, there was a growth at the high-voltage and medium-voltage levels, where the volume of distribution recovered from the last year's decline to the values of 2012 and 2011.

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



Capital Expenditures

Capital expenditures of ČEZ Distribuce amounted to CZK 3.2 billion in H1 2014, i.e. 6% less year-on-year. The capital expenditures went mostly into distribution networks at all voltage levels as well as transformer station reconstructions. Around CZK 1 billion was allocated to construction projects requested by customers.

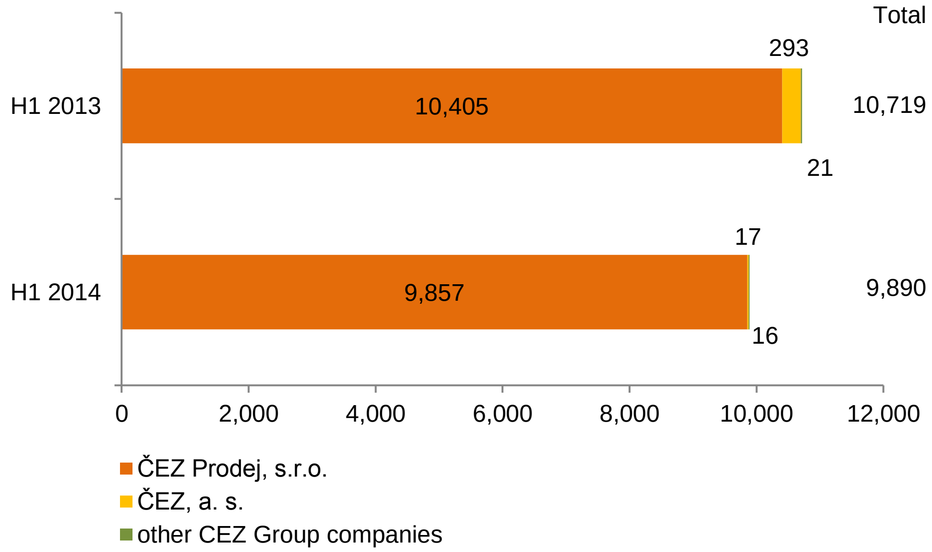
Sales

Electricity Sold to End Customers

In the Czech Republic, CEZ Group sells electricity largely through ČEZ Prodej, s.r.o. which sold a total of 9.9 TWh to end customers outside of CEZ Group in H1 2014. While this is 0.5 TWh less than in the same period of 2013, the main cause is overall lower consumption resulting from above-average temperatures at the beginning of 2014, which affected all sellers. This means ČEZ Prodej, s.r.o. maintains its leading position in the market in all customer segments—wholesale, commercial retail, and households. Even though the number of electricity supplier changes is lower than in previous years, the fight for customers in energy markets is not over as focus is just shifting from customer acquisition to customer retention. ČEZ Prodej meets its customers' needs by offering, among other things, new tariffs; the most popular one is ČEZ FIX, introduced already in 2013.

Smaller amounts of electricity were also sold to end customers by ČEZ, Elektrárna Počerady, Elektrárna Dětmarovice, Energotrans, and Energetické centrum in H1 2014.

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



Sales of Natural Gas

Since its successful entry into the natural gas market in the Czech Republic in 2010, CEZ Group operates there mainly through ČEZ Prodej, s.r.o. Like other suppliers, ČEZ Prodej is facing an overall slowdown in the market. In spite of that, it managed to add the most new connection points among all suppliers in H1 2014, namely 8,424 (27% of the net overall market growth), reaching 329,000 connection points in total.

In H1 2014, ČEZ Prodej, s.r.o. delivered a total of 2.5 TWh of natural gas to its end customers, which means CEZ Group's share in gas supplies to end customers was 6.1%. In the same period of 2013, it was 2.7 TWh, with an overall market share of 5.3%. The year-on-year drop in volume is caused by abnormally high temperatures at the beginning of 2014, so it affects the whole market; regardless, CEZ Group kept increasing its market share.

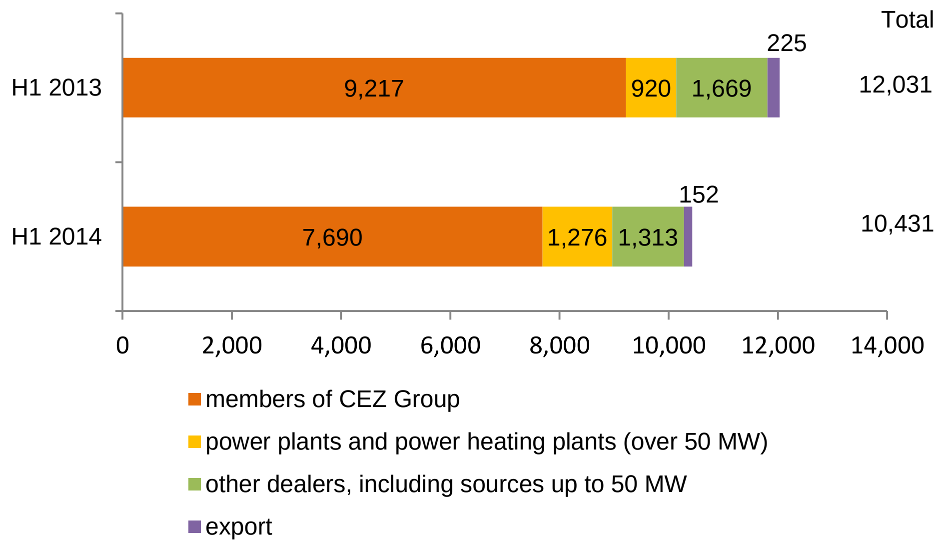
ČEZ Prodej offers a wide portfolio of products and services to prospective natural gas customers. The main product line in retail is Plyn FIX 24, which guarantees customers savings of around 6% for households and 8% for small businesses over two years in comparison with RWE's basic product line.

Mining

Coal Mining and Sales

The CEZ Group member company engaged in brown coal mining is Severočeské doly a.s. It produced 10,431,000 tons of coal in H1 2014. This is 1,600,000 tons of coal less year-on-year, due to a decrease in deliveries to members of CEZ Group as well as external customers. Within CEZ Group, the main role was played by coal deliveries to power plants being down year-on-year and by the sale of the Chvaletice Power Plant. Lower deliveries of sized coal to external customers were largely due to the warm winter.

Coal Sales, by Customer (Thousands of Tons)



Capital Expenditures

In H1 2014, Severočeské doly invested CZK 828.1 million in capital construction. The major part of capital construction consisted of projects reacting to the progress of extraction in the two mines it operates. Mining, coal processing, and crushing equipment was delivered, renovated, and upgraded. Major capital construction items are stability measures at mining benches and drainage at both sites. Major projects in H1 2014 included the relocation of the Ledvice coal dust and sized coal loading area and a protective embankment in Ledvice, as part of dust reduction efforts, and mining equipment projects such as the K 2000 Excavator Tip Renewal and upgrades to long-distance belt conveyors at both pits.

FutureMotion

This is a strategic initiative under which the following programs, in particular, are developed:

Electromobility

The construction of the backbone infrastructure of charging stations continues under the Electromobility project. CEZ Group currently operates 36 public charging stations (including two fast-charging stations) and 6 private charging stations to be used for the needs of its partners. Additional sites are being prepared and will be put into operation in H2 2014. Also, cooperation with existing partners is intensifying—e.g. the strategic cooperation contract with Kaufland, under which ČEZ charging infrastructure will be built at the partner's big stores, was extended from the 4 existing sites to as many as 22 sites. Further expansion of the network of charging stations is being negotiated with several other partners.

A comprehensive solution for electromobility-related services is being prepared with the aim of offering the service to electric car users and owners.

Smart Region Project

The Vrchlabí Smart Region project is designed to verify smart grid concepts in practice for low-voltage automation, medium-voltage automation, and the island operation of a portion of the distribution grid.

Work on the renewal of power distribution equipment in Vrchlabí was finally finished in 2014. This involved especially replacing medium-voltage cables throughout the whole town, replacing medium-voltage switchgear at all distribution transformer stations in the town, and replacing distribution transformers. The aim of the work was to allow transition to the auspicious voltage of 35 kV. Thanks to the new cabling and new technologies in transformer stations, the town of Vrchlabí will get modern, reliable electricity infrastructure for the next 40 – 50 years.

As for the Smart Region project as such, functional tests of the low-voltage automation concept were started. The functionality of island operation was tested successfully, still at 10 kV level, achieving the required parameters complying with standards (frequency, voltage, communication parameters, transient performance, etc.).

CEZ Group Abroad

Republic of Poland

Generation of Electricity

Business Environment in Poland

The Polish market is almost fully liberalized. The only regulated item is the level of household electricity tariffs, i.e. distribution and trading fees.

As part of preparation for the third allocation period for greenhouse gas emission allowances, Poland was granted an exemption and option to allocate some free-of-charge emission allowances for electricity generation in exchange for investments in upgrades to existing facilities in 2013–2020, with the aim of reducing greenhouse gas emissions. In addition, Poland will get free-of-charge allowances for heat production in the same period. Such emission allowances are deposited to energy companies' accounts by April 30 of a given year; allowances for 2013 and 2014 were deposited by April 30, 2014.

Combined heat and power generation in Poland is supported through a system of red and yellow certificates, depending on whether heat is generated from coal or gas. The system was updated in H1 2014 and a new regulation extends its validity until 2018.

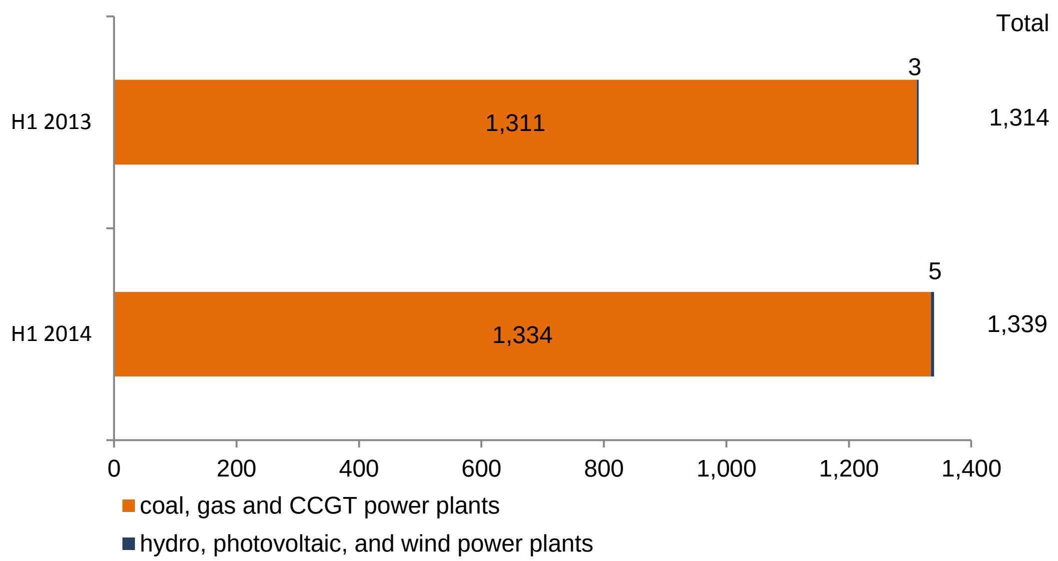
Installed Capacity

As at June 30, 2014, CEZ Group companies owned power plants with a total installed capacity of 680.9 MW in Poland: coal-fired power plants with 678.4 MW and hydropower plants with 2.5 MW. A 50 MW decrease in the installed capacity against the same period of 2013 is caused by the decommissioning of an unprofitable turbine set at the Skawina Power Plant.

Generation of Electricity

In H1 2014, CEZ Group's coal-fired power plants in Poland generated 1,334 GWh of electricity, i.e. 23 GWh (2%) more than in the same period of 2013. The increase is mainly related to the warm winter, when the Skawina power plant sold less heat so it could use its own capacities to generate more electricity. As at June 30, 2014, the Borek Szlachecki small hydropower plant with an installed capacity of 885 kW generated 2.6 GWh of electricity and the Skawinka small hydropower plant generated 2.1 GWh of electricity.

Electricity Generated in Poland, Gross (GWh)



Electricity Sold to End Customers

Electricity is sold to end customers in Poland by CEZ Trade Polska sp. z o.o., which supplied 203 GWh to its customers in H1 2014.

Heat

In H1 2014, the ELCHO and Skawina power plants in Poland supplied 2,525 TJ of heat, i.e. 518 TJ (17%) less than in the same period of 2013.

Capital Expenditures

CEZ Group companies made capital expenditures of CZK 87 million in Poland in H1 2014. The largest portion of the capital expenditures went to an overhaul and upgrade of Turbine Generator 6.

Republic of Bulgaria

Business Environment in Bulgaria

Electricity market liberalization continues in the country. The effective rate of open market is estimated to be 30 - 35% of end consumption. This is the percentage of eligible customers that can change their electricity supplier at any time. Regulated tariffs apply to households and small businesses through a system of quotas pursuant to the Energy Act and prices are announced by the Bulgarian regulatory authority, State Energy and Water Regulatory Commission (SEWRC).

On December 30, 2013, the regulatory body took a decision on new prices effective from December 30, 2013. In the decision, it decreased the level of distribution companies' eligible technological costs for the third time in 2013, this time to 8% of the total volume of electricity distributed.

On June 30, 2014, the regulatory authority published a decision on new prices effective from July 1, 2014. As a result, the distribution company's margin will drop by approx. 4% and the sales company's margin by approx. 33%.

Based on a decision of the market operator (ESO), the balancing market was launched in Bulgaria on June 1, 2014.

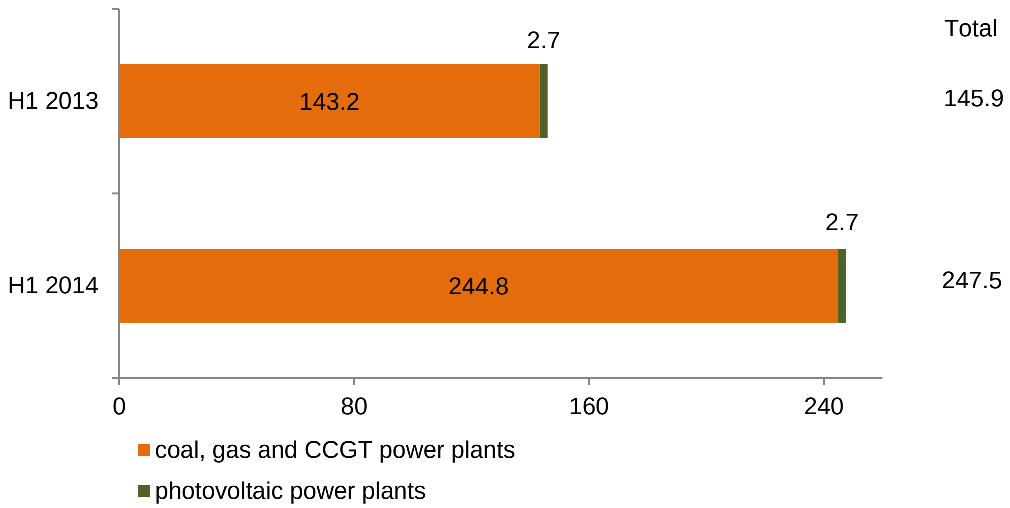
Generation of Electricity

Installed Capacity

CEZ Group has an installed capacity of 1,265 MW in Bulgaria, of which 1,260 MW in a coal-fired power plant in Varna and 5 MW in a photovoltaic power plant at Oreshets.

Generation of Electricity

Electricity Generated in Bulgaria, Gross (GWh)



The Varna Power Plant generated 245 GWh of electricity in H1 2014, i.e. 102 GWh more than in the same period of 2013. The main reason for the growth in generation was higher production towards the regulated market quota.

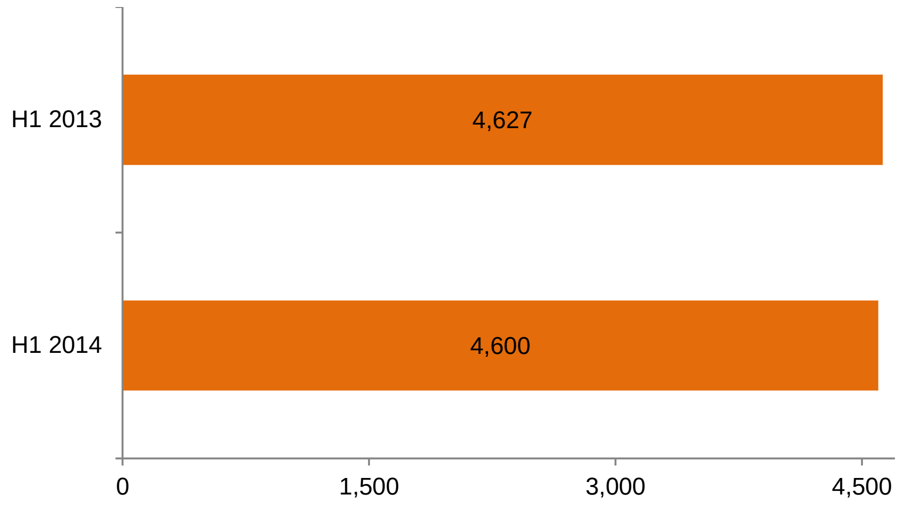
The Varna Power Plant's integrated permit for electricity generation will expire at the end of 2014. The current conditions in the Bulgarian market do not show a desirable rate of return could be achieved on investment in the extension of the power plant's operation. Therefore, the most likely course of action is decommissioning the power plant at the end of 2014.

However, representatives of the Ministry of Economy and Energy and the transmission system operator still maintain that the power plant is necessary for safe and reliable operation of the grid in the northeastern part of the country. Negotiations with Bulgarian authorities and Bulgarian Energy Holding (BEH, Български енергиен холдинг ЕАД) are underway. Representatives of ČEZ, the Ministry of Economy and Energy, and the state-owned company BEH created a task group. The regulatory authority attends its meetings as an observer.

The Oreshets solar power plant generated almost 3 GWh of electricity in H1 2014.

Electricity Distribution

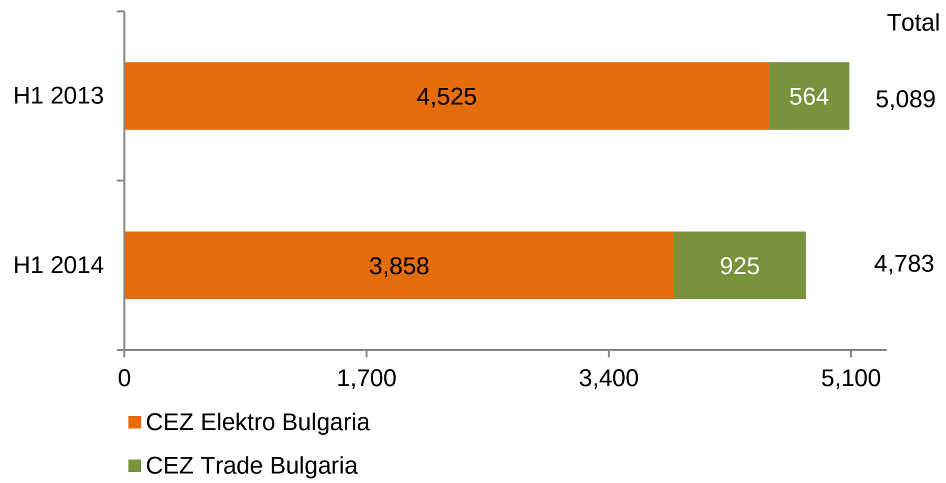
Electricity Distributed to End Customers in Bulgaria (GWh)



In Bulgaria, electricity is distributed by CEZ Razpredelenie Bulgaria AD, which distributed a total volume of 4,600 GWh of electricity to end customers in H1 2014, i.e. 27 GWh less year-on-year. The main reasons for the decrease were climatic conditions, namely higher temperatures in the winter of 2014, as well as slightly lower consumption by corporate customers.

Electricity Sold to End Customers

Electricity Sold to End Customers in Bulgaria (GWh)



Electricity is sold in Bulgaria by CEZ Elektro Bulgaria AD, which sold a total of 3,858 GWh of electricity in H1 2014, i.e. 667 GWh less than in the same period of 2013. The main reason for the lower sales was a lower number of customers in comparison with 2013. Some large corporate customers at the medium-voltage level, who are eligible to choose their electricity supplier, are served by CEZ Trade Bulgaria EAD instead of CEZ Elektro Bulgaria AD in 2014.

Capital Expenditures

A total of CZK 356 million was spent on capital construction in Bulgaria in H1 2014. Like in 2013, the capital expenditures were mostly directed at improving the distribution grid, in particular constructing MV and LV networks, increasing grid density by adding new transformers, making new connections, purchasing energy facilities and replacing and relocating electricity meters. As for investments in renewable sources, preparations are underway for a project for the construction of a biomass combustion power plant (BCPP) with a maximum installed capacity of 4.5 MW at Bara Group EOOD.

In June, an amendment was signed to the investment memorandum with Bulgaria concerning TEC Varna's commitment to invest EUR 40 million in renewable energy sources projects. The amendment extends the original investment framework to include:

- Projects that improve energy efficiency
- Projects that help improve the environment and reduce the energy sector's impact on the environment

Romania

Business Environment in Romania

The legal framework of the energy sector is similar to the model common in other EU member states. Activities have been unbundled and partially privatized. Most production assets are concentrated in state-owned companies. Major producers include the state-owned companies Hidroelectrica, Nuclearelectrica, Termoelectrica, as well as several private entities, of which the largest ones are the Fântânele and Cogealac wind parks owned by CEZ Group. Some municipal or local heating plants are owned by municipalities. The transmission grid is managed by Compania Naţională de Transport al Energiei Electrice “TRANSELECTRICA” S.A.

The distribution segment has the highest level of private ownership. Five distribution regions are served by distribution companies that were privatized to foreign investors, including CEZ Group. The state-owned stake in the company Electrica, which serves around 3.5 million customers in the remaining three distribution areas, was privatized through an initial public offering at the Bucharest and London stock exchanges under the auspices of the IMF and EBRD in June 2014.

Regulatory activities are undertaken by the Autoritatea Naţională de Reglementare în domeniul Energiei (ANRE).

Full market liberalization in the corporate customer segment was completed in 2013 and should be completed for households in 2017.

A major part of production is traded in the form of either annual contracts or daily deliveries. The administrator of the electricity market is Societatea Comercială Operatorul Pieţei de Energie Electrică—OPCOM S.A.

The regulatory authority published a new decision on tariffs for end customers with regulated electricity prices effective from July 1, 2014. The variable component of the most widely used household tariff grew by 1.88%, the average overall price for households decreased by 0.9%. The regulator also abolished an export surcharge on exported electricity with effect from the same date.

Romania supports electricity generated from renewable energy sources through “green certificates”. The support for renewable energy was modified significantly last year. The Romanian government amended the RES support program in July 2013, with the result that the negotiability of a portion of allocated green certificates was suspended. Wind parks can temporarily trade in just one of two certificates allocated per generated MWh. The withheld certificates should be traded by wind parks from January 1, 2018 until the end of 2020.

Generation of Electricity

Installed Capacity

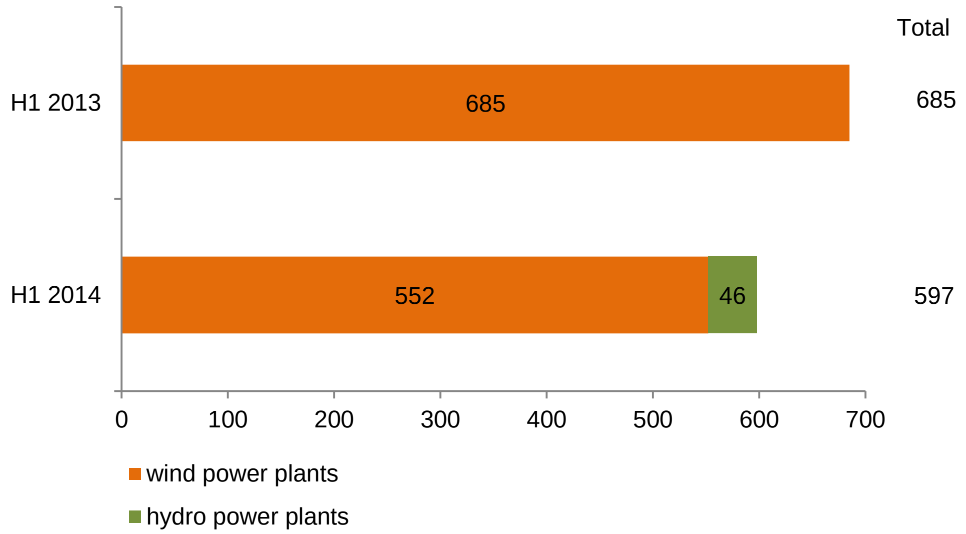
As at June 30, 2014, CEZ Group companies in Romania owned generation facilities with an installed electrical capacity of 622 MW (600 MW in wind parks, 22 MW in hydro plants). There was a year-on-year growth at hydro power plants, whose installed capacity grew from 18 MW to 22 MW after the completion of an upgrade to small hydropower plants at Reşiţa at the end of 2013.

Generation of Electricity

In H1 2014, the Fântânele and Cogealac wind parks generated 552 GWh of electricity, which represents a year-on-year drop of 133 GWh. The lower production is attributable mainly to worse weather conditions.

Small hydropower plants operated by TMK Hydroenergy Power S.R.L. at Reşiţa produced 46 GWh of electricity.

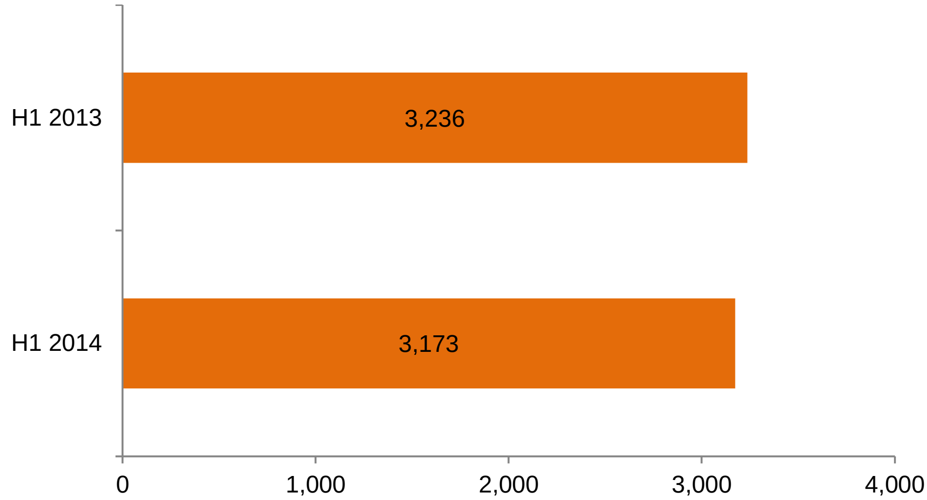
Power Production in Romania, Gross (GWh)



Electricity Distribution

The CEZ Group company that distributes electricity in Romania is CEZ Distributie S.A., which distributed a total of 3,173 GWh of electricity in H1 2014, i.e. 63 GWh less year-on-year.

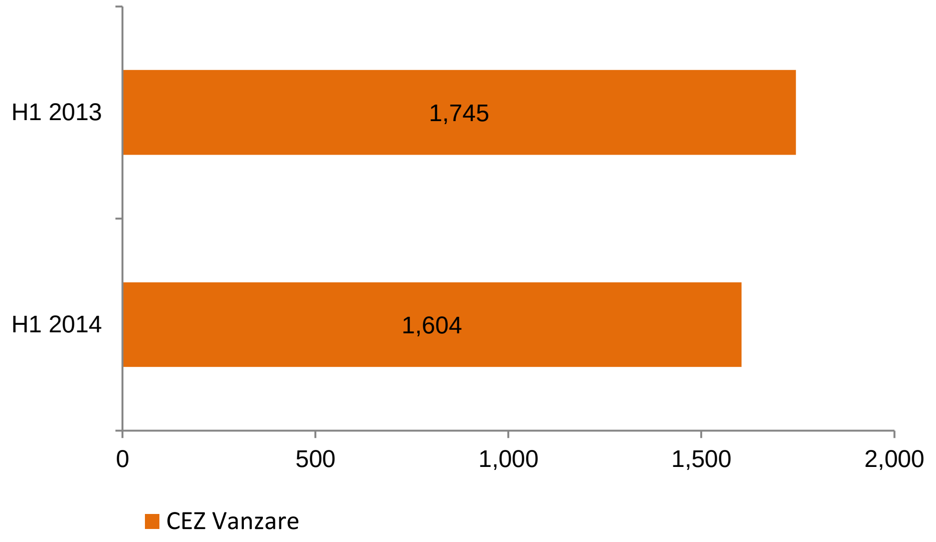
Electricity Distributed to End Customers in Romania (GWh)



Electricity Sold to End Customers

CEZ Group sells electricity in Romania mainly through the sales company CEZ Vanzare S.A., which sold a total of 1,604 GWh to end customers in H1 2014. The year-on-year decrease of 141 GWh was caused mainly by less demand during the warm winter.

Electricity Sold to End Customers in Romania (GWh)



Capital Expenditures

A total of CZK 718 million was spent on capital projects in Romania in H1 2014. Investment outlays were mainly directed at distribution assets and new electricity meters (CZK 690 million). Small investments were made in the Fântânele and Cogealac wind parks (CZK 16 million) and the complex of small hydropower plants of TMK Hydroenergy Power S.R.L. (CZK 2 million).

Republic of Turkey

Business Environment in Turkey

After the Turkish lira depreciation by 20% in 2013, there was another weakening in Q1 2014. The lira's return to values from the beginning of 2014 during Q2 was caused by stabilization of the political situation in the country after the March regional elections.

The structure of GDP growth changed in 2013, with household and government consumption becoming the most dynamic components. This was reflected in a major drop in increase of demand for electricity. Additionally, 6,986 MW of new capacities were put into operation in 2013. The new supply-to-demand ratio had an adverse effect on electricity prices and the trend continued in H1 2014.

Generation of Electricity

Installed Capacity

Electricity is generated by Akenerji Elektrik Üretim A.Ş. and its subsidiaries, Akkur Enerji Elektrik Üretim A.Ş and Mem Enerji Elektrik Üretim A.Ş. Akenerji owns two older and one almost-completed new CCGT plant, one wind, and two hydropower plants. Akkur and Mem operate another 6 hydroelectric power plants. The low-efficiency Çerkezköy CCGT plant was shut down and sold in 2013. A modern 904MW CCGT Egemer plant, whose construction began in the fall of 2011, is being completed now. It is located less than a kilometer from the Mediterranean Sea and will use seawater supplied through a 2.3 km feeder for its cooling system, besides other things. The gas turbine boiler was successfully ignited for the first time on March 29, followed by the commissioning of all turbines (two gas and one steam turbines). Based on an preliminary acceptance protocol issued by a commission from the Ministry of Energy on April 12, commercial deliveries and sales of electricity are already taking place during the operation testing phase.

Thanks to the commissioning of the Egemer CCGT plant, the installed capacity of power plants co-owned by CEZ Group in Turkey grew year-on-year to a total of 1,543.9 MW, of which 365.7 MW at hydro power plants, 1,163.2 MW at CCGT plants, and 15 MW at wind parks.

Generation of Electricity

The total power production of the Akenerji group was 821 GWh in H1 2014, including 303 GWh generated in hydroelectric power plants, 296 GWh in existing gas-fired plants, 204 GWh in the Egemer plant during its functional test, and 18 GWh in wind parks. This is a drop of 315 GWh from the values of 2013, when 1,136 GWh was generated in H1 (743 GWh in hydro plants, 372 GWh in gas-fired plants, and 21 GWh in wind parks). Generation of electricity in hydroelectric plants was negatively affected by extreme drought in H1 2014.

Electricity Distribution

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dagıtım A.Ş. (SEDAŞ), indirectly controlled by ČEZ and its Turkish partner AKKÖK (through their joint venture Akcez Enerji A.S.). The volume of electricity distributed to end customers in H1 2014 was 3,980 GWh, which is a slight decrease in comparison with the same period of 2013.

Electricity Sold to End Customers

Sales company Sakarya Elektrik Perakende Satis A.Ş. (SEPAŞ), which has been selling electricity to end customers since the beginning of 2013, mainly in the distribution area of SEDAŞ, has also acquired customers in areas operated by other distribution companies. The amount of electricity sold in H1 2014 was 3,715 GWh, which means a 14% year-on-year drop, caused mainly by the opening of the market and the switch of some customers to other suppliers.

Capital Expenditures

The largest investment project is the construction of a CCGT power plant Egemer with 904 MW capacity in Hatay on the southeast coast of Turkey. This is an exceptionally efficient power plant, with efficiency exceeding 57% and at least a 30-year service life. Another prepared capital expenditure is the construction of a hydropower plant with 198 MW installed capacity in the Erzincan province in eastern Turkey, which is still in its preparatory stage.

Other Countries

Republic of Slovakia

Electricity and Gas Sold to End Customers

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

CEZ Slovensko, s.r.o. continued to sell electricity and natural gas to customers in the household and SMB (small and medium business) segments in H1 2014 but only within a limited scope due to applicable price regulation. Total deliveries to all customer segments in H1 2014 were 770 GWh of electricity and 734 GWh of natural gas.

Capital Expenditures

The heating plant modernization and environmental upgrade project at the Slovnaft refinery is finishing in 2014. The previously accepted flue-gas desulfurization system, which is in warranty operation, was complemented by two newly accepted boilers and one turbine set. CM European Power Slovakia, s. r. o., recently invited tenders for heating plant denitrification in compliance with environmental legislation. The project is expected to finish in 2015.

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

As for the preparation of a new nuclear plant in Jaslovské Bohunice, collaboration with the Řež Nuclear Research Institute (ÚJV Řež) was initiated with the aim of preparing a financing plan and an update to the economic analysis. Additionally, the Slovak Ministry of the Environment officially announced the initiation of the EIA process and specified the scope of assessment on March 13, 2014. Supporting documents and applications were prepared to obtain certificates for power facility construction from the Slovak Ministry of Economy and requests for opinions were sent to the transmission system operator (Slovenská elektrizačná prenosová sústava), distribution grid operator (Západoslovenská distribučná), and regulatory authority (Úrad pre reguláciu sieťových odvetví).

Around 90% of the total area to be purchased has been purchased so far. An “Analysis of Foundations for Safety-Relevant Structures of a New Nuclear Power Plant at Jaslovské Bohunice” was prepared, proving the feasibility of reliable foundations for important structures of the new nuclear plant at the proposed site. A plan of activities necessary for the verification of seismic hazard assessment and a proposal for necessary survey activities of the site are being prepared. Land-use plans are updated as required by the project. A public debate on the “Draft Land-Use Plan for the Trnava Self-Governing Region” was initiated on April 7, 2014.

Hungary

As part of a group of joint ventures of ČEZ and MOL in Hungary, CEZ Group has a 50% stake in a heating station at the Danube Refinery (MOL - CEZ European Power Hungary Kft.) with an installed capacity of 178 MW. Steps are currently being taken to sell the stake in MOL - CEZ European Power Hungary Kft. to MOL Nyrt.

Heat Production and Sales

MOL - CEZ European Power Hungary Kft. supplied 906 TJ of heat in H1 2014.

Electricity Sold to End Customers

In Hungary, CEZ Magyarország Kft. delivered 571 GWh of electricity to end customers in H1 2014.

Capital Expenditures

The project for the construction of a 850 MW CCGT plant at the Danube Refinery site (Százhalombatta) was suspended. The only expenses incurred under the project were the necessary costs to keep the project in a condition allowing to either resume it or sell it, including the whole company.

Bosnia and Herzegovina

Refer to Litigation and Other Proceedings.

Republic of Albania

CEZ Group Operations in Albania

CEZ Group entered the Albanian market in May 2009 by acquiring a 76% stake in the Albanian distribution company Operatori i Sistemit të Shpërndarjes, subsequently renamed to CEZ Shpërndarje. A chain of untoward events eventually led to the revocation of licenses for electricity distribution and sales to tariff customers on January 21, 2013 and to the appointment of an administrator to whom all rights of the governance bodies of CEZ Shpërndarje as well as the shareholders' rights of its owners devolved.

ČEZ, a. s. commenced official arbitration proceedings against the state of Albania on grounds of its failure to protect ČEZ investment in the distribution company. In late June 2014, ČEZ, a. s. made a settlement agreement with the state of Albania under which it will get back, provided that the conditions precedent are met, a sum similar to its initial investment in the acquisition of the Albanian distribution company. The agreement includes conditions for the termination of the dispute before the international court of arbitration.

In compliance with the agreement, the distribution company ceased to use the brand CEZ Shpërndarje and was renamed to Operatori i Shpërndarjes së Energjisë Elektrike sh.a. in July, while ČEZ, a. s. still holds a 76% stake in it. Additionally, CEZ Group includes two other companies in Albania—CEZ Trade Albania Sh.P.K., which is already in liquidation, and the service company Shared Services Albania Sh.A., which no longer pursues business activities either.

Distribution & Sale of Electricity

Information on electricity distribution and sales is not officially provided by the Albanian party. Because of exclusion from the consolidated group in January 2013, zero values are reported for H1 2013 as well as for H1 2014.

Arbitration with Albania

Refer to Litigation and Other Proceedings.

Changes in Ownership Interests

Czech Republic

H1 2014

April 1 Incorporation of ČEZ Inženýring, s.r.o. as a wholly-owned subsidiary of ČEZ, a. s.

H2 2014 (Until the Closing Date for the Half-Year Report)

July 1 Merger by acquisition of Severočeské doly a.s. subsidiaries - PRODECO, a.s. and SD - KOMES, a.s.; the acquiring company is PRODECO, a.s., SD - KOMES, a.s. ceased to exist.

July 1 Merger by acquisition of subsidiary PPC Úžín, a.s. and ČEZ, a. s.; the acquiring company is ČEZ, a. s., PPC Úžín, a.s. ceased to exist.

Republic of Poland

H1 2014

June 25 Incorporation of Baltic Green V sp. z o.o. as a wholly-owned subsidiary of Eco-Wind Construction S.A.

H2 2014 (Until the Closing Date for the Half-Year Report)

July 15 Incorporation of Baltic Green VIII sp. z o.o. as a wholly-owned subsidiary of Eco-Wind Construction S.A.

July 16 Incorporation of Baltic Green VI sp. z o.o. as a wholly-owned subsidiary of Eco-Wind Construction S.A.

July 23 Incorporation of Baltic Green VII sp. z o.o. as a wholly-owned subsidiary of Eco-Wind Construction S.A.

General Meeting of ČEZ, a. s.

The 22nd Annual General Meeting of ČEZ, a. s. was held on June 27, 2014. Among other things, the General Meeting:

- Heard the Report of the Board of Directors on the Company's Business Operations and the State of Its Assets for the Year 2013, the Summary Explanatory Report Pursuant to Section 118(8) of the Capital Markets Acts, the Report of the Supervisory Board on the Results of Its Inspection Activities, and the Report of the Audit Committee on the Results of Its Activities.
- Decided to amend the Articles of Association by adopting the counter-proposal of the majority shareholder—the Czech Republic, Ministry of Finance—according to which the entire existing wording of the Articles of Association was replaced with amended wording as proposed by the Board of Directors with the exception that the wording of Article 18(2), Article 18(5)(h), Article 25(4), and Article 20(5) was replaced by wording amended by the counter-proposal.
- Approved the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group for the year 2013.
- Approved the distribution of the 2013 profit of ČEZ, a. s. as follows:
  - Share in profits awarded to Company shareholders (dividend) of CZK 40 per share (before tax)
  - Total amount of dividends, calculated from the total number of shares outstanding CZK 21,519,590,000
  - Share in profits awarded to members of the Board of Directors and Supervisory Board (royalties) CZK 25,500,000
  - Transfer to the retained earnings account CZK 4,828,211,000

  The strike date for dividend payout is July 3, 2014. Entities that were shareholders of the Company on that date are entitled to the dividend. The dividend is payable on August 1, 2014 and the payout period ends on August 1, 2018.

  The General Meeting of ČEZ, a. s. approved the distribution of royalties among members of the Board of Directors and Supervisory Board. The share of each board member is determined according to the time over which he or she served in the relevant body during 2013. Members of the Supervisory Board are not eligible for royalties where its provision is not permitted by law.

  The number of shares for which the dividend is to be paid was 534,114,738.

- Approved the presented update to the concept of business activities for CEZ Group and ČEZ, a. s.
- Appointed Ernst & Young Audit, s.r.o as the auditor that will perform the statutory audit for the accounting period of the calendar year of 2014.
- Approved the 2015 donorship budget at CZK 155 million.
- Removed the following persons from the Supervisory Board of ČEZ, a. s.: Milan Bajgar, Jiří Kadrnka[1], Lubomír Poul, and Jiří Volf.
- Elected members of the Supervisory Board of ČEZ, a. s. as follows: Petr Blažek, Jiří Borovec, Zdeněk Černý, Vladimír Hronek, Lubomír Charvát, Drahoslav Šimek, Jiří Tyc, Vladimír Vlk, and Lukáš Wagenknecht.
- Removed Jiřina Vorlová from the Audit Committee of ČEZ, a. s.
- Elected members of the Audit Committee of ČEZ, a. s as follows: Andrea Káňová and Lukáš Wagenknecht.
- Approved contracts on service on the Supervisory Board made between ČEZ, a. s. and Milan Bajgar, Vladimír Hronek, Jiří Kadrnka, Jan Mareš, Michal Mejstřík, Radek Mucha, Jiří Novotný, Václav Pačes, Lubomír Poul, Vladimír Říha, Drahoslav Šimek, Jiří Volf, and Jiřina Vorlová.
- Approved contracts on service on the Audit Committee made between ČEZ, a. s. and Ján Dzvoník, Alena Kochová, Radek Neužil, and Jiřina Vorlová.

[1] Refer to chapter Organizational Changes and Changes in ČEZ, a. s. Governance Bodies for details

Major Organizational Changes and Changes in ČEZ, a. s. Governance Bodies

Amendment to the Articles of Association

The reason for amending the Company's Articles of Association was to align their contents with the requirements of new legislation (new Civil Code, No. 89/2012 Coll., and Business Corporations Act, No. 90/2012 Coll.). The text of the Articles of Association was also amended to make the new wording more comprehensible and to regulate more appropriately and efficiently annual meetings and their decisions, the competence, authority, and relations of the Company's governance bodies, and some other issues, e.g. simpler regulations concerning changes to the stated capital.

Impacts of the New Civil Code on CEZ Group's Governance

As the new Civil Code, No. 89/2012 Coll., and Business Corporations Act, No. 90/2012 Coll. entered into effect on January 1, 2014, the concurrence of relations under labor law and business law for managers that were also members of the Board of Directors was invalidated. The employment of such employees was terminated by agreement as at December 31, 2013.

Since January 1, 2014 the functions of the Chief Executive Officer and the heads of all divisions have been performing by the members of the Board of Directors with delegated powers as specified by the Board of Directors. In this context, amendments to the service contracts of the members of the Board of Directors with effect from January 1, 2014, were concluded. Under these contracts, the members of the Board of Directors are appointed to manage their respective divisions and exercise the rights and perform the duties of the employer in relation to division employees.

In line with the newly defined corporate governance model, the activities of the Senior Management Council, which operated as advisory body to the Chief Executive Officer for top management in the company, were discontinued.

Major Organizational Changes in ČEZ, a. s.

On May 1, the Strategy division and the Sales division were merged into a new division, Sales and Strategy.

The Investment division was dissolved on June 30, 2014. Some of its activities were transferred to Production division, some to the subsidiaries ČEZ Inženýring, s.r.o. and ŠKODA PRAHA Invest s.r.o.

Changes in ČEZ, a. s. Governance Bodies

Supervisory Board

Changes in positions of members of the Supervisory Board of ČEZ, a. s.:

Václav Pačes	Chairman of the Supervisory Board since June 27, 2014 Vice-Chairman of the Supervisory Board from May 29, 2013 to June 26, 2014 Member of the Supervisory Board since March 20, 2013
Jiří Borovec	Vice-Chairman of the Supervisory Board since June 27, 2014 Member of the Supervisory Board since June 27, 2014

Members of the Supervisory Board of ČEZ, a. s. whose membership began:

Jiří Borovec	member of the Supervisory Board elected by the General Meeting on June 27, 2014
Petr Blažek	member of the Supervisory Board elected by the General Meeting on June 27, 2014
Zdeněk Černý	member of the Supervisory Board elected by the General Meeting on June 27, 2014
Lubomír Charvát	member of the Supervisory Board elected by the General Meeting on June 27, 2014

Jiří Tyc	member of the Supervisory Board elected by the General Meeting on June 27, 2014
Vladimír Vlk	member of the Supervisory Board elected by the General Meeting on June 27, 2014
Lukáš Wagenknecht	member of the Supervisory Board elected by the General Meeting on June 27, 2014

Members of the Supervisory Board of ČEZ, a. s. whose membership was terminated:

Milan Bajgar	member of the Supervisory Board from June 26, 2012 to June 27, 2014 (removed by the General Meeting on June 27, 2014)
Jiří Kadrnka	member of the Supervisory Board from November 22, 2010 to June 27, 2014 (member resignation on June 27, 2014) Jiří Kadrnka resigned from the Supervisory Board at the Supervisory Board's meeting held on the day of the General Meeting, i.e. June 27, 2014, with effect from the moment the Supervisory Board processed the resignation. The General Meeting then adopted a resolution on the removal of Supervisory Board members, which mentioned Mr. Kadrnka among the removed members. Mr. Kadrnka's resignation at the Supervisory Board meeting preceded the adoption of said General Meeting resolution and is thus the legal ground for the termination of his membership in the Board.
Jan Mareš	member of the Supervisory Board from October 25, 2013 to June 27, 2014 (co-optation onto the Supervisory Board from October 25, 2013 was not confirmed by the General Meeting on June 27, 2014)
Michal Mejstřík	member of the Supervisory Board from October 26, 2013 to June 27, 2014 (co-optation onto the Supervisory Board from October 26, 2013 was not confirmed by the General Meeting on June 27, 2014)
Lubomír Poul	member of the Supervisory Board from December 18, 2012 to June 27, 2014 (removed by the General Meeting on June 27, 2014)
Vladimír Říha	member of the Supervisory Board from August 1, 2013 to June 27, 2014 (co-optation onto the Supervisory Board from August 1, 2013 was not confirmed by the General Meeting on June 27, 2014)
Jiří Volf	member of the Supervisory Board from June 26, 2012 to June 27, 2014 (removed by the General Meeting on June 27, 2014)

Audit Committee

Members of the Audit Committee of ČEZ, a. s. whose membership began:

Andrea Káňová	member of the Audit Committee elected by the General Meeting on June 27, 2014
Lukáš Wagenknecht	member of the Audit Committee elected by the General Meeting on June 27, 2014

Members of the Audit Committee of ČEZ, a. s. whose membership was terminated:

Jiřina Vorlová	member of the Audit Committee from December 18, 2012 to June 27, 2014

(removed by the General Meeting on June 27, 2014)

Board of Directors

Members of the Board of Directors of ČEZ, a. s. elected for another period in function:

Tomáš Pleskač	member of the Board of Directors since January 26, 2006, re-elected with effect from January 28, 2014

Litigation and Other Proceedings

Litigation

Czech Republic

1. ČEZ, a. s. registers suits related to the implementation of squeeze-outs:
   - A suit seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 1,800 million. The outcome of the proceedings is impossible to predict.
   - A suit against ČEZ Teplárenská, a.s. seeking review of the adequacy of consideration and award of the right to a different amount of consideration in the process of squeeze-out in United Energy, a.s. The proceedings are pending before the court of first instance. The possible impact of this suit on ČEZ Teplárenská, a.s. or ČEZ, a. s. is impossible to determine at this phase of the proceedings. The outcome of the proceedings is impossible to predict.
   - A suit for the nullification of the resolution of the General Meeting of Severočeské doly a.s. deciding on squeeze-out. The proceedings were closed upon a final judgment dismissing the action. A constitutional complaint concerning the case was filed and was rejected by the Constitutional Court.
   - A suit for the nullification of the resolution of the General Meeting of United Energy, a.s. (ČEZ Teplárenská, a.s. is the successor) deciding on squeeze-out.

2. In insolvency proceedings against Lignit Hodonín, s.r.o., ČEZ, a. s. submitted a claim for over CZK 115 million, CZK 23 million of which is loss arising from failure to pay for electricity supplied. The remainder of the claim consists of sanctions ensuing from signed contracts. The submitted claim was recognized in full. A distribution resolution was issued in March 2013, according to which only debts of the insolvency assets were partially settled. The bankruptcy proceedings were subsequently canceled in September 2013 due to the bankrupt's estate being absolutely insufficient to settle the creditors' claims. Thus the claim submitted by ČEZ, a. s. was not settled at all. Additionally, the receiver filed a suit against ČEZ, a. s. in August 2010 for damages amounting to CZK 196.2 million, allegedly resulting from abuse of a dominant position by ČEZ, a. s. in determining the purchase price of brown coal deliveries and the amount of the maximum discount for faulty performance. ČEZ, a. s. denies the claim in full. By a resolution of the Municipal Court in Prague from May 2012, a new plaintiff entered into the proceedings, namely UVR Mníšek pod Brdy a.s., which bought the debtor's enterprise. Subsequently, the claim in dispute was assigned several times. At the moment, the holder of the claim is Sedmý uzavřený investiční fond a.s., which acts as the plaintiff in the proceedings. The case was heard in court in July 2014 and the plaintiff was asked to complement their allegations of facts and proposed evidence. Another hearing is ordered for September 2014 and the outcome of the proceedings is impossible to predict at the moment.

3. ČEZ, a.s. also faces 22 lawsuits initiated by the same plaintiff, Lesy České republiky s.p. All the suits have the same grounds, namely a claim for compensation of damage caused by the operations of ČEZ, a. s. to forests in 1997 and 1999-2011. The oldest suit is from 1999 and the latest one is from 2013. The total amount claimed is CZK 237.5 million plus interest and other related amounts thereof.

4. Since June 2010, ČEZ Prodej, s.r.o. has been the plaintiff in a lawsuit with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 805 million in damages. The ground of the suit is a breach of an electricity supply contract by SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2010, and the resulting damage. The suit was heard by the Municipal Court in Prague, which dismissed the action of ČEZ Prodej, s.r.o. in April 2014 on the grounds that there was a circumstance excluding SŽDC's liability. ČEZ Prodej, s.r.o. filed an appeal against the decision and the appellate proceedings are still pending before the High Court in Prague.

5. Since January 2013, ČEZ Prodej, s.r.o. has been involved in a lawsuit with Správa železniční dopravní cesty, státní organizace (SŽDC), in which it is seeking CZK 857 million in damages. The suit is heard by the Municipal Court in Prague with ČEZ Prodej, s.r.o. as the plaintiff. No hearing of the case has been ordered yet; the ground of the suit is a breach of an electricity supply contract by

SŽDC, consisting in failure to take deliveries of the agreed amount of electricity in 2011, and the resulting damage.

6. Since May 2012, ČEZ Prodej, s.r.o. has been involved in a lawsuit with VÍTKOVICE, a.s. heard by the Regional Court in Ostrava, in which it is seeking CZK 407 million in damages as a result of a breach of an electricity supply contract in 2011 and CZK 10 million as a payment for electricity consumed but unpaid for in 2011. A compulsory payment order was issued in the case, against which the defendant filed a protest; the case has not been decided yet.
7. In insolvency proceedings against PLP a.s., Teplárna Trmice, a.s. submitted an unsecured claim for CZK 191 million, consisting of losses arising from failure to pay for electricity, heat, and raw water supplied, and a claim for CZK 59 million arising from the penalty requested. Both claims were recognized in review hearings that took place in H1 2011. In March 2013, an enterprise sale contract was signed as part of the realization of the debtor's assets in the insolvency proceedings. The enterprise of the debtor, PLP a.s., was realized for USD 10,000,000. The proceeds were rendered to the secured creditor in July 2013. The amount of settlement for Teplárna Trmice, a.s. can be expected to be zero.
8. There is a dispute between ČEZ, a. s. and Sokolovská uhelná, právní nástupce, a.s. (SU) over the amount and price of brown coal supplied by SU for ČEZ, a. s., under a long-term purchase contract (valid until coal reserves in SU mines are depleted or until the end of 2027). SU is questioning the validity of said long-term purchase contract, or more precisely the validity of clauses concerning the purchase price and the amount to be supplied. ČEZ, a. s. initiated two lawsuits against SU in connection with the dispute. One of the lawsuits is heard by the Regional Court in Plzeň and ČEZ, a. s. is seeking the recovery of unjust enrichment (overpayment) received by SU in connection with payments for brown coal deliveries from January to May 2011, amounting to approx. CZK 56 million with interest thereof. The other lawsuit is heard by the District Court in Sokolov and ČEZ, a. s. is seeking the recovery of unjust enrichment (overpayment) received by SU in connection with payments for brown coal deliveries from June to December 2011, amounting to approx. CZK 77 million with interest thereof. Neither the Regional Court in Plzeň nor the District Court in Sokolov has yet decided the respective cases. In connection with the above, ČEZ, a. s. is also the subject of proceedings conducted by the Antimonopoly Office and a price check conducted by the Specialized Tax Office.
9. In July 2013, Mr. Vladimír Juha filed an action against ČEZ, a. s., with the Municipal Court in Prague, in which, after its extension, he is seeking payment of EUR 4 million in total with interest thereof. The claims in dispute allegedly arose from a consulting services contract made between ČEZ, a. s. and Boston Capital Services Ltd. in connection with the CET Galati project in Romania in 2009. Boston Capital Services' claims arising from said contract were allegedly assigned to Mr. Juha by an agreement from 2010. Based on Mr. Juha's notice of claim assignment, the court issued a resolution permitting Mr. Juha to be replaced in the case by the Slovakia-based company M 8 Slovakia, spol. s r. o. No hearing of the case has been ordered yet.

Republic of Bulgaria

1. CEZ Razpredelenie Bulgaria AD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) stipulating prices with effect from July 1, 2014. In said decision, the Commission reduces required revenues, does not recognize the costs for balancing market, does not recognize the real amount of technological costs, and does not recognize investments made and depreciation and amortization reported, harming the interests of CEZ Razpredelenie Bulgaria AD.
2. CEZ Elektro Bulgaria AD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) stipulating prices with effect from July 1, 2014. In said decision, the Commission reduces the activity surcharge, does not recognize the full amount of costs for balancing market, does not recognize the full amount of uncompensated costs of renewable electricity, and does not recognize the costs of energy efficiency and bad debts, harming the interests of CEZ Elektro Bulgaria AD.
3. TEC Varna EAD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) stipulating prices with effect from July 1, 2014.
4. CEZ Razpredelenie Bulgaria AD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) that stipulates, with effect from March 13, 2014, the price of

access to the distribution network for the producers of renewable electricity purchased at preferential prices, amounting to BGN 0.00/MWh, while the approved price of access to the distribution network for the producers of electricity from photovoltaic power plants or wind turbines purchased at preferential prices is BGN 2.45/MWh excl. VAT. The first hearing of the case is going to take place on October 1, 2014.

5. CEZ Razpredelenie Bulgaria AD appealed against the decision of the State Energy and Water Regulatory Commission (SEWRC) that stipulates the execution of compensatory measures by April 15, 2014 and requires the company to return to the producers of electricity from photovoltaic power plants and wind turbines that did not dispute the SEWRC Decision, the difference between the sum collected during the execution of the last decision and the sum transferred to ESO EAD at the price of access to the distribution network for the producers of electricity from photovoltaic power plants or wind turbines purchased at preferential prices, namely BGN 2.45/MWh excl. VAT, applicable from March 13, 2014. The company should return the full amounts collected during the execution of the SEWRC Decision to those producers of electricity from renewable sources other than wind and sun that did not dispute the SEWRC Decision and those for whom no court decisions were issued. The first hearing of the case is going to take place on December 2, 2014.
6. CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD appealed against the April 5, 2013 decree stipulating regulated electricity prices, amended by the decree stipulating prices applicable from February 28, 2014. The last version of the decree changes the method of invoicing the reactive power surcharge on active power paid by distribution companies, and costs arising from energy trade balancing (deviation balancing) agreed in line with the procedure defined in the Electricity Trading Rules are not recognized for the purposes of price regulation. Related administrative proceedings are expected to be initiated.
7. In March 2014, NEK commenced arbitration proceedings against CEZ Elektro Bulgaria AD before the Arbitration Court at the Bulgarian Chamber of Commerce and Industry. The dispute involves claims amounting to BGN 10 million (approx. CZK 140 million) for electricity deliveries in 2011 – 2012. CEZ Elektro Bulgaria AD considers the debt non-existent and the claim unsubstantiated. The first hearing before the Arbitration Court, held on June 10, 2014, was adjourned until October 2014.
8. In March 2014, NEK commenced a lawsuit against CEZ Razpredelenie Bulgaria AD before the City Court of Sofia concerning receivables amounting to BGN 5.9 million (approx. CZK 84 million) from 2011 – 2012 that were set off by CEZ Razpredelenie Bulgaria AD against the price of electricity transmission. NEK's action is based on Article 29 of the Electricity Trading Rules, under which a distribution company owns the price for the transmission of the whole amount of electricity delivered from the transmission grid to the distribution grid. CEZ Razpredelenie Bulgaria AD submitted its written comments on the action.
9. The City Court of Sofia, in its decision dated May 21, 2014, discontinued the proceedings against CEZ Bulgaria EAD based on an action of CEZ Razpredelenie Bulgaria AD shareholders—Doverie Voluntary Pension Fund, Doverie Professional Pension Fund, and Doverie General Pension Fund—alleging a breach of the Public Offering of Securities Act (POSA). The funds sought nullification of SLAs made between CEZ Bulgaria EAD and CEZ Razpredelenie Bulgaria AD on the grounds that CEZ Razpredelenie Bulgaria AD became a publicly traded company and, pursuant to the provisions of the POSA, transactions exceeding 2% of corporate assets made between related parties are subject to approval by the general meeting.
10. As a result of a regulatory audit conducted according to the work program and an order of the SEWRC, concerning compliance with the conditions of the distribution license granted to CEZ Razpredelenie Bulgaria AD from July 1, 2008 to November 30, 2013, an audit report was received on May 14, 2014, alleging 1,088 cases of license violation by CEZ Razpredelenie Bulgaria AD. Since June 9, 2014 the company has been receiving administrative decisions on a breach of obligations. By July 24, 2014, 454 administrative offense statement letters were issued; most of the administrative offenses consisted in just one signature being present on replacement certificates for business measurement instruments (electricity meters) given to customers by CEZ Razpredelenie Bulgaria AD. Appeals/objections were filed against all the administrative offense statement letters within the statutory period of three days. Based on the administrative offense statement letters, it is expected that penalty letters will be served with a substantive/material penalty as stipulated by the Energy Act, from BGN 20,000 to BGN 1,000,000 (approx. from CZK 285,000 to approx. CZK 14,000,000) per offense. Pursuant to the provisions of the Administrative Offenses and Penalties Act, the SEWRC may issue penalty decisions within a period of 6 months

after the issue of the administrative decisions stating the administrative offenses, which can result in judicial proceedings.

11. During numerous inspections conducted mainly at CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD in 2013, the State Energy and Water Regulatory Commission (SEWRC) stated license violations by both companies. As a result, the Commission issued a total of eighteen penalty decisions against the companies in 2013 (17 against CEZ Razpredelenie Bulgaria AD and 1 against CEZ Elektro Bulgaria AD) and penalized CEZ Razpredelenie Bulgaria AD with a total of BGN 4,700,000 (approx. CZK 65,960,000) and CEZ Elektro Bulgaria AD with BGN 300,000 (approx. CZK 4,210,000). The companies appealed against the fines in court. In 2014, the court confirmed two penalty decisions against CEZ Razpredelenie Bulgaria AD totaling BGN 40,000 (approx. CZK 570,000).
12. By its decision dated March 26, 2013, the Commission for Protection of Competition commenced proceedings to ascertain possible infringements of the Competition Protection Act and Articles 101 and 102 of the Treaty on the Functioning of the European Union (cartels consisting in concerted practices and abuse of a dominant position) by ČEZ, EVN, and Energo-Pro in Bulgaria in connection with the opening of the electricity market. The proceedings are still underway.
13. On May 8, 2014, the Commission for Protection of Competition commenced proceedings concerning CEZ Razpredelenie Bulgaria AD's alleged infringement of Article 21 of the Competition Protection Act by setting groundlessly high prices of access to the low-voltage pole distribution network, preventing competition in the relevant market and harming consumers.

Romania

1. The International Court of Arbitration of the International Chamber of Commerce in Paris still continues with the arbitration in which the Romanian company Electrica S.A. originally claimed EUR 18.8 million (approx. CZK 0.5 billion) from ČEZ, a. s. and now, after an action extension permitted by the arbitrator in September 2013, claims EUR 81.5 million (approx. CZK 2.3 bn) on grounds of an alleged breach of the obligations of ČEZ, a. s. under the Privatization Agreement. After a series of the two parties' ordinary submissions to the tribunal, the arbitrator did not decide to hold a hearing, as proposed by the claimant, but ordered the parties to submit their final submissions and bills of costs in Q2 2014. However, the plaintiff exceeded the scope and contents of their final submission as specified by the arbitrator and ČEZ, a. s. subsequently had to comment on the claimant's new allegations within an extended period. Right before ČEZ, a. s. was to submit its final submission to the tribunal, the claimant notified ČEZ, a. s. that the rights and obligations of the claimant arising from the Privatization Agreement dated April 5, 2005 and the Contract for Sale and Purchase of Shares dated October 7, 2009, as well as the arbitration, are assumed by a new claimant, SOCIETATEA DE ADMINISTRARE A PARTICIPATIILOR IN ENERGIE S.A., which came into existence in May 2014 by splitting from the plaintiff. The arbitration is currently expected to finish in H2 2014.
2. The European Court of Human Rights is deciding on the admissibility of the application submitted by Diaconescu et al. (Corneliu Diaconescu and Elena Diaconescu) against the state of Romania in case of unauthorized placement of electrical equipment on land owned by them. The Court has not decided yet.
3. Disputes that arose in connection with the construction of the Fântânele and Cogealac wind farms in Romania still continue. The most important dispute concerning the ownership of land under a transformer station is suspended.

Republic of Albania

1. CEZ Shpërndarje Sh.A. was a party to several lawsuits concerning, in particular, relations with the energy regulatory authority (ERE) and other government entities. Since the regulatory agency ERE issued decisions on January 21, 2013 by which it revoked the licenses of CEZ Shpërndarje Sh.A. for the operation of a distribution network and sales of electricity to end customers and appointed an administrator who assumed all powers of the company's governance bodies and shareholders on the basis of those decisions, having actual control over the company, the company is not included in the consolidated CEZ Group and no up-to-date information on the status and course of disputes concerning CEZ Shpërndarje Sh.A. is available as at the closing date for this Half-Year Report.

2. ČEZ, a. s. officially notified the Albanian Government of its intent to conduct international arbitration proceedings on grounds of failure to protect its investment in the distribution company by sending a “Notice of Dispute”, delivered the Albanian party on February 11, 2013. ČEZ, a. s. also declared it was prepared to resolve the dispute amicably, also through mediation. The delivery date was the beginning of a cooling-off period of 3 months during which it was possible to conduct negotiations about the possibility of amicable dispute resolution. The period expired to no effect on May 12, 2013—no agreement was reached. On May 16, 2013 the Albanian party was delivered a “Notice of Arbitration” by which ČEZ, a. s. officially commenced arbitration proceedings against the state of Albania under the Energy Charter Treaty according to the rules of the United Nations Commission on International Trade Law (UNCITRAL).

   The commencement of the arbitration made the Albanian government start communicating with ČEZ about possible settlement outside arbitration in the fall of 2013. This was followed by many complicated discussions between the two parties, culminating in late June 2014 when ČEZ signed an agreement on settlement with the Albanian party in Vienna, under the supervision of the Secretariat of the Energy Community. Under the agreement, ČEZ will get EUR 95.5 million (approx. CZK 2.7 billion) in compensation for the settlement of claims and assignment of its share in CEZ Shpërndarje; CEZ Group has already received another EUR 4.5 million (approx. CZK 0.1 billion). The amount will be paid in yearly installments until 2018. However, the agreement is conditional on several conditions precedent with deadline in October 2014. In particular, they include a bank guarantee issued for the Albanian party (signed July 31, 2014), agreement approval by the Albanian government and subsequent ratification by the Albanian parliament (July 31, 2014), and payment of the first installment by the state of Albania in October 2014. On the part of ČEZ, the agreement needs to be approved by the company’s Supervisory Board.

Bosnia and Herzegovina

1. On grounds of a breach of the Implementation Agreement for the Gacko project in the Republika Srpska in Bosnia and Herzegovina and non-acceptance of the put-option by MH ERS (Mješoviti Holding Elektroprivreda Republike Srpske), ČEZ, a. s. initiated arbitration proceedings against the Government of the Republika Srpska in Bosnia and Herzegovina, MH ERS, and RiTE Gacko on May 19, 2009, seeking payment of over EUR 58 million (approx. CZK 1.6 billion) for loss of profit, damages, and the value of its stake. An interim decision of the court of arbitration excluded the Republika Srpska in Bosnia and Herzegovina from the proceedings in 2011. Other respondents remain parties to the proceedings before the International Court of Arbitration of the International Chamber of Commerce in Paris with the place of arbitration in Vienna. A hearing on the merits was held in 2013; the decision of the arbitral tribunal is being awaited.
2. CEZ Bosna i Hercegovina d.o.o. does not have any legal dispute with the accepting country or its companies.

Republic of Turkey

1. From 2011 and 2013, respectively, Sakarya Elektrik Dağıtım A.S. (Sedas) and Sakarya Elektrik Perakende Satış A.S. (Sepas) appealed against the administrative decisions of the Turkish energy market regulatory authority (EPDK) that formed the basis for reducing the portion of company operating costs that was automatically recognized in tariffs. The level of Sedas/Sepas operating costs is defined by EPDK’s decision. The level of controllable operating costs at Sedas/Sepas was gradually reduced by EPDK’s decisions, which the companies appealed against and strived to get canceled. On December 18, 2012, one of the disputes was decided by the administrative court in Ankara in favor of Sedas. EPDK appealed against the first instance decision to the Supreme Administrative Court of Turkey and no decision on the appeal has been taken yet.

Other Proceedings

Czech Republic

In November 2012, AREVA NP SAS filed a motion to the Office for the Protection of Competition (Antimonopoly Office), seeking review of the contracting entity's steps under Section 113 of the Public Contracts Act in case of tender procedure of the public contract "Completion of the Temelín Nuclear Power Plant," contesting the correctness of the decision of ČEZ, a. s. to exclude AREVA NP SAS from said tender procedure.

The Office for the Protection of Competition decided on the filed motion to review the contracting entity's steps in its February 2013 decision to discontinue the proceedings because the motion was not filed by an entitled entity in some parts and no reason to impose corrective action was found in the other parts. Said decision was confirmed by a decision of the chairman of the Office for the Protection of Competition in July 2013. AREVA NP SAS filed an administrative action against said decision of the chairman of the Office for the Protection of Competition in September 2013, asking for a preliminary ruling that would order ČEZ to suspend the tender procedure and/or forbid it to conclude a contract in the tender procedure. In said proceedings, ČEZ, a. s. exercised the rights of a person participating in the proceedings. In October 2013, the Regional Court in Brno gave a preliminary ruling by which it temporarily forbade ČEZ to conclude a contract for the performance of the subject matter of the public contract in the tender procedure. Since ČEZ, a. s. decided to cancel the tender procedure on April 10, 2014, the preliminary ruling became irrelevant. Following the cancellation, AREVA NP SAS withdrew its administrative action on April 16, 2014 and the court discontinued the relevant proceedings by its resolution dated April 24, 2014.

Republic of Bulgaria

By its decision dated March 19, 2014, the SEWRC commenced a revocation procedure concerning CEZ Elektro Bulgaria AD's license for "Public Electricity Supplies" based on an administrative offense statement letter dated March 18, 2014. CEZ Elektro Bulgaria AD allegedly committed the offense by withholding payments to NEK until the satisfaction of its debts totaling BGN 61 million (approx. CZK 0.9 billion) on grounds of uncompensated costs of electricity purchased from renewable energy producers. The company considers said decision groundless, in contradiction to substantive law. The SEWRC issued a letter of penalty on March 24, 2014, imposing a penalty of BGN 1 million (approx. CZK 14 million). The proceedings, involving other sales companies in Bulgaria too, have not been concluded yet.

Romania

In October 2013, the temporary notification of the Fântânele Vest park issued by the Romanian regulatory authority ANRE expired without a proper notification being issued by the European Commission, which is necessary to permanently get certificates. The issue of a proper notification by Commission services was delayed because of major changes in the renewable sources support scheme in Romania—in the Commission's opinion, the support scheme as a whole must undergo notification first and only then is it possible to approve individual projects, including Fântânele Vest.

This situation did not change in H1 2014, so Fântânele Vest is not receiving any green certificates.

A meeting between the Commission and Romania was held on May 19, at which the Commission asked Romania more questions and advised Romania that the two-month period for its decision on the Romanian notification had not been commenced yet. Romania was given 20 days for preparing its reply to the Commission's letter. Romania did reply to the Commission in the time provided but the Commission has not expressed its opinion on the reply yet.

ČEZ top management negotiated with Romanian authorities in Bucharest in late May and early June 2014. The negotiations are leading to an agreement under which certificates would be temporarily assigned on the basis of the Romanian government's emergency ordinance, OUG (ordonanţă de urgenţă a Guvernului), until the European Commission's notification is obtained.

Contacts

Contacts			
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Method Used to Calculate Key Indicators of CEZ Group

Method Used to Calculate Key Indicators of CEZ Group

Indicator	Calculation
Net Debt	Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets[1])
Financial (Total) Debt	Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans
Dividend per Share (Gross)	Dividend granted in the current year, before taxes, on outstanding shares (paid in the year in question from the previous year's profit)
EBIT (Operating Income)	Earnings Before Taxes and Other Expenses and Revenues
EBITDA (Operating Income Before Depreciation and Amortization, Allowances, and Asset Sales)	Earnings Before Taxes and Other Expenses and Revenues + Depreciation and Amortization + Allowances and Asset Sales[2]
Capital Expenditure (CAPEX)	Expenditure on Acquisition of Property, Plant, and Equipment & Intangible Assets, incl. Nuclear Fuel
Net Return on Equity (ROE)	Net Income in Past 12 Months Attributable to Parent Company Shareholders / Parent Company Shareholders' Average Equity
Basic Earnings Per Share (EPS)	Net Income Attributable to Parent Company Shareholders / Average Number of Outstanding Shares

1) *Including held-to-maturity debt securities maturing within 1 year.*
2) *Asset Sales = Profit/Loss from Sales of Tangible and Intangible Fixed Assets.*

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

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF JUNE 30, 2014

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2014

in CZK Millions

	June 30, 2014	December 31, 2013 (restated *)
Assets		
Property, plant and equipment:		
Plant in service	670,599	665,354
Less accumulated provision for depreciation	(354,561)	(340,888)
Net plant in service	316,038	324,466
Nuclear fuel, at amortized cost	10,733	10,688
Construction work in progress	96,661	90,508
Total property, plant and equipment	423,432	425,662
Other non-current assets:		
Investment in associates and joint-ventures	13,174	12,999
Investments and other financial assets, net	33,337	25,746
Intangible assets, net	20,656	20,701
Deferred tax assets	615	824
Total other non-current assets	67,782	60,270
Total non-current assets	491,214	485,932
Current assets:		
Cash and cash equivalents	37,681	25,003
Receivables, net	42,295	67,485
Income tax receivable	2,931	1,065
Materials and supplies, net	8,868	8,054
Fossil fuel stocks	1,889	2,552
Emission rights	4,506	8,505
Other financial assets, net	42,105	38,400
Other current assets	3,162	3,398
Total current assets	143,437	154,462
Total assets	634,651	640,394

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.2.b).

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2014

Continued

	June 30, 2014	December 31, 2013 (restated *)
Equity and liabilities		
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	205,848	208,659
Total equity attributable to equity holders of the parent	255,265	258,076
Non-controlling interests	4,441	4,690
Total equity	259,706	262,766
Long-term liabilities:		
Long-term debt, net of current portion (Note 6)	159,019	168,196
Accumulated provision for nuclear decommissioning and fuel storage	43,783	43,827
Other long-term liabilities	25,685	26,840
Total long-term liabilities	228,487	238,863
Deferred tax liability	23,454	19,201
Current liabilities:		
Short-term loans (Note 7)	642	2,716
Current portion of long-term debt (Note 6)	31,610	28,104
Trade and other payables	76,159	63,297
Income tax payable	457	1,719
Accrued liabilities	14,136	23,728
Total current liabilities	123,004	119,564
Total equity and liabilities	634,651	640,394

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.2.b).

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2014

in CZK Millions

	1-6/2014	1-6/2013 (restated *)	4-6/2014	4-6/2013 (restated *)
Revenues:				
Sales of electricity and related services	86,538	94,387	42,790	45,666
Gains and losses from electricity, coal and gas derivative trading, net	3,456	4,823	1,291	1,975
Sales of gas, coal, heat and other revenues	11,712	13,734	4,468	5,423
Total revenues	101,706	112,944	48,549	53,064
Operating expenses:				
Fuel	(6,577)	(6,791)	(2,924)	(2,916)
Purchased power and related services	(38,342)	(39,509)	(18,631)	(18,982)
Repairs and maintenance	(1,794)	(2,050)	(1,047)	(1,237)
Depreciation and amortization	(13,774)	(14,097)	(6,911)	(7,098)
Impairment of plant, property and equipment and intangible assets including goodwill (Note 8)	(2,095)	(2)	(2,083)	5
Salaries and wages	(8,984)	(8,858)	(4,625)	(4,608)
Materials and supplies	(2,229)	(3,234)	(1,211)	(1,541)
Emission rights, net	621	1,498	704	(452)
Other operating expenses	(4,434)	(4,760)	(2,097)	(2,391)
Total expenses	(77,608)	(77,803)	(38,825)	(39,220)
Income before other income (expenses) and income taxes	24,098	35,141	9,724	13,844
Other income (expenses):				
Interest on debt, net of capitalized interest	(2,029)	(2,282)	(975)	(1,135)
Interest on nuclear and other provisions	(911)	(901)	(451)	(451)
Interest income	380	739	176	384
Foreign exchange rate gains (losses), net	229	21	226	(177)
Gain (Loss) on sale and loss of control of subsidiaries, associates and joint-ventures	-	1,785	-	-
Other income (expenses), net	(192)	243	227	944
Share of profit (loss) from associates and joint ventures	(78)	(221)	165	(433)
Total other income (expenses)	(2,601)	(616)	(632)	(868)
Income before income taxes	21,497	34,525	9,092	12,976
Income taxes	(4,256)	(5,940)	(1,759)	(2,226)
Net income	17,241	28,585	7,333	10,750
Net income attributable to:				
Equity holders of the parent	17,272	28,592	7,360	10,785
Non-controlling interests	(31)	(7)	(27)	(35)
Net income per share attributable to equity holders of the parent (CZK per share)				
Basic	32.3	53.5	13.8	20.2
Diluted	32.3	53.5	13.8	20.2
Average number of shares outstanding (000s)				
Basic	534,115	534,115	534,115	534,115
Diluted	534,138	534,115	534,169	534,115

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the interim consolidated financial statements as of June 30, 2013 (see also Note 2.2.b).

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2014

in CZK Millions

	1-6/2014	1-6/2013 (restated *)	4-6/2014	4-6/2013 (restated *)
Net income	17,241	28,585	7,333	10,750
Other comprehensive income - items that may be reclassified subsequently to income statement:				
Change in fair value of cash flow hedges recognized in equity	2,930	(672)	258	245
Cash flow hedges removed from equity	(790)	(2,531)	(387)	(545)
Change in fair value of available-for-sale financial assets recognized in equity	(1,015)	(486)	52	(365)
Available-for-sale financial assets removed from equity	(45)	(25)	(1)	(4)
Translation differences	703	851	694	(851)
Translation differences removed from equity	-	229	-	-
Share on equity movements of associates and joint-ventures	(6)	96	(4)	11
Deferred tax relating to other comprehensive income (Note 9)	(497)	706	(52)	128
Other comprehensive income, net of tax	1,280	(1,832)	560	(1,381)
Total comprehensive income, net of tax	18,521	26,753	7,893	9,369
Total comprehensive income attributable to:				
Equity holders of the parent	18,548	26,629	7,917	9,374
Non-controlling interests	(27)	124	(24)	(5)

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the interim consolidated financial statements as of June 30, 2013 (see also Note 2.2.b).

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CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014

in CZK Millions

	Attributable to equity holders of the parent								
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2012, as previously reported	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219
Effect of change in accounting method (Note 2.2.b)	-	-	-	-	5	(5)	-	(326)	(326)
January 1, 2013 restated	53,799	(4,382)	(11,977)	1,506	1,807	209,482	250,235	3,658	253,893
Net income	-	-	-	-	-	28,592	28,592	(7)	28,585
Other comprehensive income	-	-	949	(2,595)	(413)	96	(1,963)	131	(1,832)
Total comprehensive income	-	-	949	(2,595)	(413)	28,688	26,629	124	26,753
Dividends	-	-	-	-	-	(21,365)	(21,365)	(4)	(21,369)
Share options	-	-	-	-	19	-	19	-	19
Transfer of forfeited share options within equity	-	-	-	-	(56)	56	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	49	49
Acquisition of non-controlling interests	-	-	-	-	-	(13)	(13)	(14)	(27)
Loss of control of subsidiary	-	-	-	-	-	-	-	1,341	1,341
Put options held by non-controlling interest	-	-	-	-	-	(17)	(17)	9	(8)
June 30, 2013 (restated *)	53,799	(4,382)	(11,028)	(1,089)	1,357	216,831	255,488	5,163	260,651

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the interim consolidated financial statements as of June 30, 2013 (see also Note 2.2.b).

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014

Continued

	Attributable to equity holders of the parent								
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2013 (restated *)	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	4,690	262,766
Net income	-	-	-	-	-	17,272	17,272	(31)	17,241
Other comprehensive income	-	-	699	1,738	(1,155)	(6)	1,276	4	1,280
Total comprehensive income	-	-	699	1,738	(1,155)	17,266	18,548	(27)	18,521
Dividends	-	-	-	-	-	(21,365)	(21,365)	(228)	(21,593)
Share options	-	-	-	-	12	-	12	-	12
Transfer of forfeited share options within equity	-	-	-	-	(24)	24	-	-	-
Put options held by non-controlling interest	-	-	-	-	-	(6)	(6)	6	-
June 30, 2014	53,799	(4,382)	(7,499)	(6,933)	34	220,246	255,265	4,441	259,706

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.2.b).

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014

in CZK Millions

	1-6/2014	1-6/2013 (restated *)
Operating activities:		
Income before income taxes	21,497	34,525
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,777	14,097
Amortization of nuclear fuel	1,717	1,449
Gain on fixed asset retirements, net	(31)	(1,904)
Foreign exchange rate losses (gains), net	(229)	(21)
Interest expense, interest income and dividend income, net	851	1,199
Provision for nuclear decommissioning and fuel storage	(214)	(130)
Valuation allowances, other provisions and other adjustments	(1,972)	(3,380)
Share of (profit) loss from associates and joint-ventures	78	221
Changes in assets and liabilities:		
Receivables	9,352	5,531
Materials and supplies	(827)	(29)
Fossil fuel stocks	662	1,591
Other current assets	1,048	(19,107)
Trade and other payables	455	4,636
Accrued liabilities	(4,988)	(2,559)
Cash generated from operations	41,176	36,119
Income taxes paid	(3,425)	(4,907)
Interest paid, net of capitalized interest	(2,345)	(2,530)
Interest received	301	686
Dividends received	742	-
Net cash provided by operating activities	36,449	29,368
Investing activities:		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	-	(975)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	27	(151)
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(16,083)	(21,261)
Proceeds from sale of fixed assets	941	1,174
Loans made	(6)	(904)
Repayment of loans	139	530
Change in decommissioning and other restricted funds	(703)	(716)
Total cash used in investing activities	(15,685)	(22,203)

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the interim consolidated financial statements as of June 30, 2013 (see also Note 2.2.b).

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014

continued

	1-6/2014	1-6/2013 (restated *)
Financing activities:		
Proceeds from borrowings	17,166	54,432
Payments of borrowings	(25,162)	(48,114)
Proceeds from other long-term liabilities	58	1,327
Payments of other long-term liabilities	(69)	(123)
Dividends paid to Company's shareholders	(46)	(39)
(Dividends paid to) contributions received from non-controlling interests, net	(5)	(4)
Total cash provided by financing activities	(8,058)	7,479
Net effect of currency translation in cash	(28)	52
Net increase in cash and cash equivalents	12,678	14,596
Cash and cash equivalents at beginning of period	25,003	17,955
Cash and cash equivalents at end of period	37,681	32,551

Supplementary cash flow information		
Total cash paid for interest	4,991	4,487

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the interim consolidated financial statements as of June 30, 2013 (see also Note 2.2.b).

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

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech joint-stock company, owned 69.8% (70.3% of voting rights) at June 30, 2014 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

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

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the three months ended June 30, 2014 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2013.

2.2. Changes in Accounting Policies

a. Adoption of New IFRS Standards in 2014

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for as follows. The Group has adopted the following new or amended and endorsed by EU IFRS and IFRIC interpretations as of January 1, 2014:

- IAS 28 Investments in Associate and Joint Ventures (revised)
- IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
- IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)
- IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)
- IFRIC 21 Levies

The impact of the adoption of standards or interpretations on the financial statements or performance of the Group is described below:

IAS 28 Investments in Associate and Joint Ventures (revised)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group. The Group has already been applying the equity method for investments in joint ventures prior to the issue of this revised standard.

IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment had no impact on the Group's financial statements.

IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. The IASB eliminated unintended consequences caused by the original changes of IAS 36 and added two disclosure requirements by this amendment:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonizes disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Group's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after January 1, 2014. The amendment had no impact on the Group's financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee

  and
- The ability to use its power over the investee to affect the amount of the investor's returns.

This standard is effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The standard did not have a direct impact on current Group's interests in other entities, but may affect the treatment of future acquisitions.

IFRS 11 Joint Arrangements

IFRS 11 replaced IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The impact of the adoption of the standard IFRS 11 on the Group's financial statements is described in Note 2.2.b.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The standard had no effect on the consolidated financial statements as the parent company does not meet the definition of an investment entity.

IFRIC 21 Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after January 1, 2014. The new interpretation has no impact on the Group.

b. Impact of Adoption of IFRS 11 Joint Arrangements

Based on the adoption of IFRS 11 Joint Arrangements and indirectly also based on adoption of IFRS 10 Consolidated Financial Statements which defines control that is referred to in IFRS 11, the classification of company ČEZ Energo, s.r.o. was changed from the subsidiary to the joint venture resulting in the change of the consolidation method from full consolidation to equity method of accounting. This change was made based on detailed assessment of the company's articles of association and after analysis of other contractual arrangements between the venturers.

As required by IFRS 11 the change in the consolidation method of ČEZ Energo, s.r.o was done retrospectively and certain previously reported figures as of June 30, 2013 and December 31, 2013, were restated and do not correspond to the interim consolidated financial statements as of June 30, 2013, and to the consolidated financial statements as of December 31, 2013, respectively.

The following tables summarize the effect of application of IFRS 11 to basic items of the consolidated financial statements of CEZ Group:

	December 31, 2013 as previously reported	Effect of restatement	December 31, 2013 restated
Total property, plant and equipment	426,560	(898)	425,662
Investment in associates and joint-ventures	12,543	456	12,999
Total non-current assets	486,518	(586)	485,932
Cash and cash equivalents	25,118	(115)	25,003
Total current assets	154,618	(156)	154,462
Total assets	641,136	(742)	640,394
Equity attributable to equity holders of the parent	258,076	-	258,076
Non-controlling interests	5,049	(359)	4,690
Long-term liabilities	239,071	(208)	238,863
Deferred tax liability	19,224	(23)	19,201
Total current liabilities	119,716	(152)	119,564
Total equity and liabilities	641,136	(742)	640,394

	1-6/2013 as previously reported	Effect of restatement	1-6/2013 restated
Total revenues	113,105	(161)	112,944
Total expenses	(77,924)	121	(77,803)
Income before other income (expenses) and income taxes	35,181	(40)	35,141
Share of profit (loss) from associates and joint-ventures	(237)	16	(221)
Total other income (expenses)	(632)	16	(616)
Income before income taxes	34,549	(24)	34,525
Net income	28,601	(16)	28,585
Net income attributable to:			
Equity holders of the parent	28,592	-	28,592
Non-controlling interests	9	(16)	(7)
EBITDA	49,249	(58)	49,191
Other comprehensive income, net of tax	(1,832)	-	(1,832)
Total comprehensive income, net of tax	26,769	(16)	26,753
Total comprehensive income attributable to:			
Equity holders of the parent	26,628	1	26,629
Non-controlling interests	141	(17)	124
Net cash provided by operating activities	29,490	(122)	29,368
Change in restricted financial assets	(22,425)	122	(22,303)
Total cash used in financing activities	7,479	-	7,479
Net increase in cash and cash equivalents	14,596	-	14,596

3. Seasonality of Operations

The seasonality within the segments Power Production and Trading and Distribution and Sale usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

4. Investments in Subsidiaries, Associates and Joint-ventures

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

Subsidiaries	Country of incorporation	% equity interest June 30, 2014	% equity interest December 31, 2013	% voting interest June 30, 2014	% voting interest December 31, 2013
Areál Třeboradice, a.s.	Czech Republic	85.00%	85.00%	85.00%	85.00%
A.E. Wind sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green I sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Baltic Green V sp. z o.o.	Poland	75.00%	-	100.00%	-
Bara Group OOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Centrum výzkumu Řež s.r.o.	Czech Republic	52.46%	52.46%	100.00%	100.00%
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	100.00%	100.00%
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Bulgarian Investments B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ RUS OOO	Russia	100.00%	100.00%	100.00%	100.00%
CEZ Shpërndarje Sh.A.	Albania	76.00%	76.00%	-	-
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%	100.00%
CEZ Towarowy Dom Maklerski sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Albania Sh.P.K.	Albania	100.00%	100.00%	100.00%	100.00%
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine LLC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	100.00%	100.00%	100.00%
ČEZ Bohunice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ENERGOSERVIS spol. s r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Inženýring, s.r.o.	Czech Republic	100.00%	-	100.00%	-

Subsidiaries	Country of incorporation	% equity interest June 30, 2014	% equity interest December 31, 2013	% voting interest June 30, 2014	% voting interest December 31, 2013
ČEZ Korporátní služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Nová energetika, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ OZ uzavřený investiční fond a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ECO Etropol AD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Eco-Wind Construction S.A.	Poland	75.00%	75.00%	75.00%	75.00%
Elektrárna Dětmarovice, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Mělník III, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Počerady, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrárna Tisová, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
Elektrownia Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
Elektrownie Wiatrowe Lubiechowo sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energotrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Farma Wiatrowa Lešce sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Farma Wiatrowa Wilkolaz-Bychawa sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
Free Energy Project Oreshets EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
MARTIA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Mega Energy sp. z o.o.	Poland	75.00%	75.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
NERS d.o.o.	Bosnia and Herzegovina	51.00%	51.00%	51.00%	51.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PPC Úžín, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Revitrans, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - KOMES, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Shared Services Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Taidana Limited	Cyprus	100.00%	100.00%	100.00%	100.00%
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Telco Pro Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%
TMK Hydroenergy Power S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Tomis Team S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
ÚJV Řež, a. s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

Associates and joint-ventures	Country of incorporation	% equity interest June 30, 2014	% equity interest December 31, 2013	% voting interest June 30, 2014	% voting interest December 31, 2013
Akcez Enerji A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Aken B.V. in liquidation	Netherlands	37.36%	37.36%	50.00%	50.00%
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
AK-EL Yalova Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
ČEZ Energo, s.r.o.	Czech Republic	50.10%	50.10%	50.10%	50.10%
Egemer Elektrik Üretim A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
Jadrová energetická spoločnosť Slovenska, a. s.	Slovakia	49.00%	49.00%	50.00%	50.00%
JESS Invest, s. r. o.	Slovakia	49.00%	49.00%	50.00%	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	50.00%	50.00%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	37.36%	37.36%	50.00%	50.00%
MOL - CEZ European Power Hungary Ltd.	Hungary	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Dagitim A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Perakende Satis A.S.	Turkey	50.00%	50.00%	50.00%	50.00%

The equity interest represents effective ownership interest of the Group.

5. Equity

On June 27, 2014 the Annual Shareholders Meeting of ČEZ, a. s. approved the dividends per share of CZK 40.0. The total amount of dividend approved amounts to CZK 21,365 million.

6. Long-term Debt

Long-term debt at June 30, 2014 and December 31, 2013 is as follows (in CZK millions):

	June 30, 2014	December 31, 2013
6.000% Eurobonds, due 2014 (EUR 600 million)	16,467	16,421
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,371	2,267
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	40	39
5.750% Eurobonds, due 2015 (EUR 460 million) [1]	12,610	16,408
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,582	1,512
5.000% Eurobonds, due 2021 (EUR 750 million)	20,504	20,480
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,366	1,364
3M Euribor + 0.36% Eurobonds, due 2014 (EUR 150 million)	-	4,114
4.875% Eurobonds, due 2025 (EUR 750 million)	20,492	20,469
4.500% Eurobonds, due 2020 (EUR 750 million)	20,414	20,381
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,280	2,180
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,248
3.625% Eurobonds, due 2016 (EUR 340 million) [2]	9,295	13,653
2.150%*IRp Eurobonds, due 2021 (EUR 100 million)	2,745	2,742
4.102% Eurobonds, due 2021 (EUR 50 million)	1,368	1,366
4.250% U.S. bonds, due 2022 (USD 700 million)	13,942	13,790
5,625% U.S. bonds, due 2042 (USD 300 million)	5,962	5,900
4.375% Eurobonds, due 2042 (EUR 50 million)	1,344	1,343
4.500% Eurobonds, due 2047 (EUR 50 million)	1,344	1,343
4.383% Eurobonds, due 2047 (EUR 80 million)	2,196	2,194
3.000% Eurobonds, due 2028 (EUR 500 million)	13,511	13,492
4.500% registered bonds, due 2030 (EUR 40 million)	1,074	1,072
4.750% registered bonds, due 2023 (EUR 40 million)	1,085	1,083
4.700% registered bonds, due 2032 (EUR 40 million)	1,091	1,090
4.270% registered bonds, due 2047 (EUR 61 million)	1,646	1,643
3.550% registered bonds, due 2038 (EUR 30 million)	819	819
9.220% Debentures, due 2014 (CZK 2,500 million) [3]	-	2,500
Exchangeable bonds, due 2017 (EUR 470.2 million) [4]	12,345	-
Total bonds and debentures	169,141	170,913
Less: Current portion	(29,077)	(23,035)
Bonds and debentures, net of current portion	140,064	147,878
Long-term bank and other loans:		
Total long-term bank and other loans	21,488	25,387
Less: Current portion	(2,533)	(5,069)
Long-term bank and other loans, net of current portion	18,955	20,318
Total long-term debt	190,629	196,300
Less: Current portion	(31,610)	(28,104)
Total long-term debt, net of current portion	159,019	168,196

1) In April 2014, the original nominal value of the issue (EUR 600 million) was reduced by bought back own bonds at a nominal value of EUR 140 million.

2) In April 2014, the original nominal value of the issue (EUR 500 million) was reduced by bought back own bonds at a nominal value of EUR 160 million.

3) Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%.

4) Exchangeable bonds due 2017 exchangeable for ordinary shares of MOL Hungarian Oil and Gas PLC.

7. Short-term Loans

Short-term loans at June 30, 2014 and December 31, 2013 are as follows (in CZK millions):

	June 30, 2014	December 31, 2013
Short-term bank loans	141	1,965
Short-term debentures	-	274
Bank overdrafts	501	477
Total	642	2,716

8. Impairment of plant, property and equipment and intangible assets including goodwill

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired or that previously recognized impairment losses (except for goodwill) may no longer exist or may have decreased. The result of the assessment made at June 30, 2014 was that certain assets might have been impaired. In such case, the Group reviews the recoverable amounts of the assets to determine whether such amounts continue to exceed the assets' carrying values. If not, the Group recognizes impairment loss directly in profit or loss in the line item of Impairment of plant, property and equipment and intangible assets including goodwill.

The Group recognized for first six months ended June 30, 2014 the total amount of net impairment loss of CZK 2,095 million, out of which CZK 2,103 million is related to impairment of property, plant and equipment of cash-generating unit Romanian wind power farms. This impairment was caused especially by new legislation of the construction tax in Romania and with regard to drop in market prices of green certificates. The comprehensive analysis of the future development of the market of certificates will be prepared in the second half of 2014.

Information about recognized impairment loss by operating segments is included in Note 10.

9. Income Taxes

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

	1-6/2014			1-6/2013		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	2,930	(552)	2,378	(672)	127	(545)
Cash flow hedges removed from equity	(790)	150	(640)	(2,531)	481	(2,050)
Change in fair value of available-for-sale financial assets recognized in equity	(1,015)	(106)	(1,121)	(486)	92	(394)
Available-for-sale financial assets removed from equity	(45)	11	(34)	(25)	6	(19)
Translation differences	703	-	703	851	-	851
Translation differences removed from equity	-	-	-	229	-	229
Share on equity movements of associates and joint-ventures	(6)	-	(6)	96	-	96
Total	1,777	(497)	1,280	(2,538)	706	(1,832)

10. Segment Information

The Group reports its result based on operating segments which are defined with respect to geographical location of the assets with similar economic environment and characteristics, e.g. similar long-term average gross margins, similar nature of the products and services and with regard to regulatory environment. The Group has identified seven reportable segments on this basis:

- Power Production and Trading / Central Europe
- Distribution and Sale / Central Europe
- Mining / Central Europe
- Other / Central Europe
- Power Production and Trading / South East Europe
- Distribution and Sale / South East Europe
- Other / South East Europe

The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices.

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

	1-6/2014	1-6/2013
Income before other income (expenses) and income taxes (EBIT)	24,098	35,141
Depreciation and amortization	13,774	14,097
Impairment of plant, property and equipment and intangible assets including goodwill	2,095	2
(Gain) loss on sale of property, plant and equipment *	(29)	(49)
EBITDA	39,938	49,191

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

The following tables summarize segment information by operating segments for the six months ended June 30, 2014 and at December 31, 2013 (in CZK millions):

June 30, 2014:	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	30,933	50,260	2,101	1,079	686	16,638	9	101,706	-	101,706
Intersegment sales	18,002	2,442	2,613	12,539	433	276	1,064	37,369	(37,369)	-
Total revenues	48,935	52,702	4,714	13,618	1,119	16,914	1,073	139,075	(37,369)	101,706
EBITDA	23,843	9,444	1,941	2,377	639	1,643	62	39,949	(11)	39,938
Depreciation and amortization	(8,080)	(1,891)	(1,131)	(1,094)	(661)	(881)	(36)	(13,774)	-	(13,774)
Impairment of property, plant and equipment and intangible assets including goodwill	-	1	2	24	(2,103)	(19)	-	(2,095)	-	(2,095)
EBIT	15,775	7,556	814	1,313	(2,126)	751	26	24,109	(11)	24,098
Interest on debt and provisions	(2,840)	(174)	(116)	(19)	(287)	(11)	(13)	(3,460)	520	(2,940)
Interest income	695	6	130	20	6	32	11	900	(520)	380
Share of profit (loss) from associates and joint-ventures	92	-	(1)	-	(317)	148	-	(78)	-	(78)
Income taxes	(2,211)	(1,373)	(161)	(291)	(55)	(165)	(5)	(4,261)	5	(4,256)
Net income	25,402	6,009	1,225	1,027	(2,397)	745	21	32,032	(14,791)	17,241
Identifiable assets	265,548	77,694	20,634	10,707	26,136	24,919	100	425,738	(2,306)	423,432
Investment in associates and joint-ventures	5,077	-	183	-	4,892	3,022	-	13,174	-	13,174
Unallocated assets										198,045
Total assets										634,651
Additions to non-current assets	8,365	3,134	792	5,883	(29)	1,010	383	19,538	(5,624)	13,914

June 30, 2013 (restated *):	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	34,966	57,679	2,343	1,360	441	16,148	7	112,944	-	112,944
Intersegment sales	21,755	1,778	3,382	18,757	926	382	1,088	48,068	(48,068)	-
Total revenues	56,721	59,457	5,725	20,117	1,367	16,530	1,095	161,012	(48,068)	112,944
EBITDA	29,263	10,663	2,815	2,783	1,995	1,468	63	49,050	141	49,191
Depreciation and amortization	(8,282)	(1,855)	(1,247)	(1,047)	(724)	(908)	(34)	(14,097)	-	(14,097)
Impairment of property, plant and equipment and intangible assets including goodwill	-	-	-	1	5	(8)	-	(2)	-	(2)
EBIT	20,986	8,812	1,572	1,765	1,274	562	29	35,000	141	35,141
Interest on debt and provisions	(3,098)	(198)	(122)	(14)	(300)	(14)	(30)	(3,776)	593	(3,183)
Interest income	1,085	4	137	10	12	61	23	1,332	(593)	739
Gain from loss of control	-	-	-	-	-	1,785	-	1,785	-	1,785
Share of profit (loss) from associates and joint-ventures	37	-	3	-	(174)	(87)	-	(221)	-	(221)
Income taxes	(3,440)	(1,457)	(302)	(394)	(142)	(175)	(4)	(5,914)	(26)	(5,940)
Net income	25,643	7,176	1,713	1,394	326	2,138	24	38,414	(9,829)	28,585
Additions to non-current assets	12,264	3,239	645	9,959	291	1,598	508	28,504	(9,684)	18,820

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the interim consolidated financial statements as of June 30, 2013.

December 31, 2013 (restated *):	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Identifiable assets	266,637	76,444	20,962	11,066	28,405	24,530	103	428,147	(2,485)	425,662
Investment in associates and joint-ventures	4,978	-	187	-	5,022	2,812	-	12,999	-	12,999
Unallocated assets										201,733
Total assets										640,394

* Certain numbers shown were restated due to change in the consolidation method of company ČEZ Energo, s.r.o. and do not correspond to the consolidated financial statements as of December 31, 2013 (see also Note 2.2.b).

11. Events after the Balance Sheet Date

On July 21, 2014 the Group signed loan facility agreement with European Investment Bank amounting up to EUR 200 million to support financing of investments into reinforcement and development of distribution grid in the Czech Republic.

Identification of ČEZ, a. s.

ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
Czech Republic

Registered in the Commercial Register kept by the
Municipal Court in Prague, Section B, File 1581

Established:	1992
Legal form:	joint-stock company
Company Registration Number:	452 74 649
Tax ID:	CZ45274649
Bank details:	KB Prague 1, account No. 71504011/0100
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Closing date of the 2014 Half-Year Report: 25/08/2014