CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2013

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ČEZ, a. s.:

We have audited the accompanying consolidated financial statements of CEZ Group which comprise the consolidated balance sheet as at December 31, 2013, and consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of CEZ Group see Notes 1 and 8 to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Martin Skácelík
Auditor, License No. 2119

February 24, 2014
Prague, Czech Republic

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2013

in CZK Millions

	2013	2012
Assets		
Property, plant and equipment:		
Plant in service	666,082	656,757
Less accumulated provision for depreciation	(340,927)	(320,574)
Net plant in service (Note 3)	325,155	336,183
Nuclear fuel, at amortized cost	10,688	9,702
Construction work in progress (Note 3)	90,717	73,869
Total property, plant and equipment	426,560	419,754
Other non-current assets:		
Investment in associates and joint-ventures	12,543	14,383
Investments and other financial assets, net (Note 4)	25,793	38,406
Intangible assets, net (Note 5)	20,798	21,604
Deferred tax assets (Note 28)	824	750
Total other non-current assets	59,958	75,143
Total non-current assets	486,518	494,897
Current assets:		
Cash and cash equivalents (Note 9)	25,118	17,957
Receivables, net (Note 10)	67,509	54,763
Income tax receivable	1,066	1,798
Materials and supplies, net	8,054	7,671
Fossil fuel stocks	2,555	4,032
Emission rights (Note 11)	8,505	12,153
Other financial assets, net (Note 12)	38,400	39,476
Other current assets (Note 13)	3,411	3,323
Total current assets	154,618	141,173
Total assets	641,136	636,070

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2013

continued

	2013	2012
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	208,659	200,818
Total equity attributable to equity holders of the parent (Note 14)	258,076	250,235
Non-controlling interests	5,049	3,984
Total equity	263,125	254,219
Long-term liabilities:		
Long-term debt, net of current portion (Note 15)	168,396	176,106
Accumulated provision for nuclear decommissioning and fuel storage (Note 18)	43,827	42,415
Other long-term liabilities (Note 19)	26,848	22,559
Total long-term liabilities	239,071	241,080
Deferred tax liability (Note 28)	19,224	21,828
Current liabilities:		
Short-term loans (Note 20)	2,716	4,784
Current portion of long-term debt (Note 15)	28,104	12,005
Trade and other payables (Note 21)	63,423	73,267
Income tax payable	1,719	1,615
Accrued liabilities (Note 22)	23,754	27,272
Total current liabilities	119,716	118,943
Total equity and liabilities	641,136	636,070

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

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

in CZK Millions

	2013	2012 (restated *)
Revenues:		
Sales of electricity and related services	189,657	186,797
Gains and losses from electricity, coal and gas derivative trading, net	1,579	4,588
Sales of gas, coal, heat and other revenues	26,037	23,710
Total revenues (Note 23)	217,273	215,095
Operating expenses:		
Fuel	(14,089)	(15,841)
Purchased power and related services	(78,878)	(71,656)
Repairs and maintenance	(5,498)	(5,511)
Depreciation and amortization	(27,944)	(27,696)
Impairment of property, plant and equipment and intangible assets including goodwill (Note 6)	(8,422)	(1,184)
Salaries and wages (Note 24)	(18,730)	(18,707)
Materials and supplies	(5,614)	(5,098)
Emission rights, net (Note 11)	(76)	476
Other operating expenses (Note 25)	(12,267)	(12,795)
Total expenses	(171,518)	(158,012)
Income before other income (expenses) and income taxes	45,755	57,083
Other income (expenses):		
Interest on debt, net of capitalized interest (Note 2.8)	(4,569)	(4,318)
Interest on nuclear and other provisions (Note 2.24, 18 and 19)	(1,802)	(2,051)
Interest income (Note 26)	1,439	1,745
Foreign exchange rate gains (losses), net	1,070	763
Gain on sale and loss of control of subsidiaries, associates and joint-ventures (Note 7)	4,750	-
Other income (expenses), net (Note 27)	(1,222)	(2,716)
Share of profit (loss) from associates and joint-ventures (Note 2.2)	(981)	451
Total other income (expenses)	(1,315)	(6,126)
Income before income taxes	44,440	50,957
Income taxes (Note 28)	(9,206)	(10,804)
Net income	35,234	40,153
Net income attributable to:		
Equity holders of the parent	35,885	41,429
Non-controlling interests	(651)	(1,276)
Net income per share attributable to equity holders of the parent (CZK per share) (Note 31)		
Basic	67.2	77.6
Diluted	67.2	77.6

* Certain numbers in the Statement of Income were reclassified in 2013 and the prior year data were changed accordingly to provide comparative information on the same basis (see Note 2.1).

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

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

in CZK Millions

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

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

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

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, 2011	53,799	(4,382)	(10,647)	(4,826)	950	191,931	226,825	5,365	232,190
Net income	-	-	-	-	-	41,429	41,429	(1,276)	40,153
Other comprehensive income	-	-	(1,333)	6,332	993	(82)	5,910	(100)	5,810
Total comprehensive income	-	-	(1,333)	6,332	993	41,347	47,339	(1,376)	45,963
Dividends	-	-	-	-	-	(23,982)	(23,982)	(4)	(23,986)
Share options	-	-	-	-	75	-	75	-	75
Transfer of forfeited share options within equity	-	-	-	-	(216)	216	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	1	1
Acquisition of non-controlling interests (Note 7)	-	-	3	-	-	(306)	(303)	(58)	(361)
Put options held by non-controlling interest	-	-	-	-	-	281	281	56	337
December 31, 2012	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219

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

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

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, 2012	53,799	(4,382)	(11,977)	1,506	1,802	209,487	250,235	3,984	254,219
Net income	-	-	-	-	-	35,885	35,885	(651)	35,234
Other comprehensive income	-	-	3,779	(10,177)	(537)	54	(6,881)	363	(6,518)
Total comprehensive income	-	-	3,779	(10,177)	(537)	35,939	29,004	(288)	28,716
Dividends	-	-	-	-	-	(21,294)	(21,294)	(4)	(21,298)
Share options	-	-	-	-	33	-	33	-	33
Transfer of forfeited share options within equity	-	-	-	-	(97)	97	-	-	-
Acquisition of subsidiaries (Note 7)	-	-	-	-	-	-	-	49	49
Acquisition of non-controlling interests (Note 7)	-	-	-	-	-	-	-	(14)	(14)
Loss of control over subsidiary (Note 7)	-	-	-	-	-	-	-	1,341	1,341
Put options held by non-controlling interest	-	-	-	-	-	98	98	(19)	79
December 31, 2013	53,799	(4,382)	(8,198)	(8,671)	1,201	224,327	258,076	5,049	263,125

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

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

in CZK Millions

	2013	2012
Operating activities:		
Income before income taxes	44,440	50,957
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	28,442	28,571
Amortization of nuclear fuel	3,065	2,787
Gain on fixed asset retirements, net	(5,100)	(98)
Foreign exchange rate losses (gains), net	(1,070)	(763)
Interest expense, interest income and dividend income, net	2,786	2,267
Provision for nuclear decommissioning and fuel storage	(241)	5
Valuation allowances, other provisions and other adjustments	5,299	943
Share of (profit) loss from associates and joint-ventures	981	(451)
Changes in assets and liabilities:		
Receivables	2,021	793
Materials and supplies	(614)	(845)
Fossil fuel stocks	1,518	(1,283)
Other current assets	3,065	(13,261)
Trade and other payables	(378)	2,838
Accrued liabilities	(15)	5,479
Cash generated from operations	84,199	77,939
Income taxes paid	(9,090)	(11,548)
Interest paid, net of capitalized interest	(4,307)	(4,069)
Interest received	1,410	1,978
Dividends received	344	312
Net cash provided by operating activities	72,556	64,612
Investing activities:		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired (Note 7)	(962)	(5,323)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of (Note 7)	4,126	686
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(46,076)	(53,518)
Proceeds from sale of fixed assets	3,465	3,433
Loans made	(1,008)	(543)
Repayment of loans	910	2,727
Change in restricted financial assets	(728)	(597)
Total cash used in investing activities	(40,273)	(53,135)

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

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

continued

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

Supplementary cash flow information

	2013	2012
Total cash paid for interest	7,920	7,637

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

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013

CONTENT:

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 69.8% (70.3% of voting rights) at December 31, 2013 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 (see Notes 2.2 and 8). ČEZ is an electricity generation company, which in 2013 produced approximately 58% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates fourteen fossil fuel plants, sixteen hydroelectric plants and two nuclear plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, biomass, biogas, gas) in the Czech Republic, two fossil fuel plants and two hydroelectric plants in Poland, one fossil fuel plant and one solar plant in Bulgaria and a wind farm and a complex of hydroelectric plants in Romania. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria and Romania (see also Note 33). The average number of employees of the Company and its consolidated subsidiaries was 26,746 and 31,272 in 2013 and 2012, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector. All customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The accompanying consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial statements are prepared under the historical cost convention, except when IFRS require other measurement basis as disclosed in the accounting policies below.

Certain numbers in the Statement of Income were reclassified in 2013 and the prior year figures were changed accordingly to provide comparative information on the same basis. The presentation of the Statement of Income was changed in connection with a change in the content of EBITDA to provide greater comparability with other companies in the energy sector. The change in the presentation of the Statement of Income includes new separate line Impairment of property, plant and equipment and intangible assets including goodwill. Impairment losses (and their reversals) of property, plant and equipment and intangible assets were presented in Other operating expenses in prior years' financial statements. Impairment losses of goodwill were presented in Goodwill impairment in prior years' financial statements. Amounts related to damages and gifts of fixed assets were transferred to Depreciation and amortization and were included in Other operating expenses in prior years' financial statements.

The reclassifications in the Statement of Income were as follows (in CZK millions):

	2012 as previously reported	Reclassification	2012 after reclassifications
Depreciation and amortization	(27,578)	(118)	(27,696)
Impairment of property, plant and equipment and intangible assets including goodwill	-	(1,184)	(1,184)
Other operating expenses	(13,249)	454	(12,795)
Goodwill impairment	(848)	848	-

2.2. Group Accounting

a. Group Structure

The financial statements of CEZ Group include the accounts of ČEZ, a. s., its subsidiaries, associates and joint-ventures, which are shown in the Note 8.

b. Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has a power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired (“negative goodwill”), then the Group first reassesses the identification and measurement of the acquiree’s identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred are attributed to the non-controlling interest even if that results in a deficit balance.

Put options held by non-controlling interests are recorded as a derecognition of non-controlling interest and recognition of a liability at the end of the reporting period. The liability is recognized at the present value of the amount payable on exercise, and any difference between the amount of non-controlling interest derecognized and this liability is accounted for within equity. Subsequent changes to the present value of the amount payable on exercise are recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the Group’s share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group’s investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Joint-ventures

Joint-venture is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2c).

The financial statements of the joint-venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

e. Transactions Involving Entities under Common Control

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. The cost of acquisition of subsidiaries from entities under common control is recorded directly in equity.

Net gain on sale of a subsidiary, an associated company or a joint-venture to an entity controlled by the Group's majority shareholder is recognized directly in equity.

2.3. Changes in Accounting Policies

a. Adoption of New IFRS Standards in 2013

The accounting policies adopted are consistent with those of the previous financial year, 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, 2013:

- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment), effective July 1, 2012
- IAS 19 Employee benefits (revised), effective January 1, 2013
- IFRS 7 Financial Instruments: Disclosures (Amendment), effective January 1, 2013
- IFRS 13 Fair Value Measurement, effective January 1, 2013
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective January 1, 2013

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendment is effective for annual periods beginning on or after July 1, 2012. The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. The amendment does not change the nature of the items that were recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on the Group's financial position or performance.

IAS 19 Employee benefits (revised)
The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed; there are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits. This standard is effective for annual periods beginning on or after January 1, 2013. Revised standard has no significant impact on the Group.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)
The amendment is effective for annual periods beginning on or after January 1, 2013. This amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The standard impacts some of the disclosures included in notes to financial statements (see Note 16).

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an 'exit price'). 'Fair value' as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

- Concepts of 'highest and best use' and 'valuation premise' are relevant only for non-financial assets
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The standard does not have material impact on the financial statements as most of the principles were already adopted in the past.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. If the benefit from the stripping activity is realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is effective for annual periods beginning on or after January 1, 2013. The new interpretation has no impact on the Group.

All other standards and interpretations whose application was mandatory for the period beginning on or after January 1, 2013 have no material impact on the Group's consolidated financial statements.

b. New IFRS Standards and Interpretations either not yet Effective or not yet Adopted by the EU

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2014 or later. Standards and interpretations most relevant to the Group's activities are detailed 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 Group does not expect the amendment will have an 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. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- 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 harmonises 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 Group does not expect the amendment will have an 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 Group does not expect the amendment will have an impact on the Group's financial statements.

IFRS 9 Financial Instruments – Classification and measurement
The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets
Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
  and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting
a new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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 will 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 Group does not expect the standard will have a significant impact on current Group's interests in other entities, but may affect the treatment of future acquisitions.

IFRS 11 Joint Arrangements
IFRS 11 replaces 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 standard will have no significant impact on the Group.

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 will 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 will have 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 will have no impact on the Group.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to IAS 19 are intended to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not expect the amendment will have a significant impact on its consolidated financial statements.

Annual Improvements to IFRSs 2010 - 2012
In December 2013 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment
IAS 24	Related Party Disclosures
IAS 38	Intangible Assets

Annual Improvements to IFRSs 2011 - 2013
In December 2013 the IASB issued a collection of amendments to IAS and IFRS in which they focused on areas of inconsistency in IFRSs and IASs or where the clarification of wording was required. The following standards were amended:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

These changes will have no significant impact on the Group's consolidated financial statements.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services provided to third parties is recognized when the services are rendered.

Connection fees received from customers are recognized in income in the period when the fees are received.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included in the line item of Receivables, net or Trade and other payables.

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 3,065 million and CZK 2,787 million for the years ended December 31, 2013 and 2012, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 18). Such charges amounted to CZK 339 million and CZK 241 million in 2013 and 2012, respectively.

2.8. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 3,691 million and CZK 3,616 million and the interest capitalization rate in 2013 and 2012 was 4.5%.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost and related accumulated depreciation of the disposed item or its replaced part are eliminated from the accounts. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets’ carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable useful lives used for property, plant and equipment are as follows:

	Useful lives (years)
Buildings and structures	20 – 50
Machinery and equipment	4 – 25
Vehicles	8 – 25
Furniture and fixtures	8 – 15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 26,339 million and CZK 26,073 million for the years ended December 31, 2013 and 2012, which was equivalent to a composite depreciation rate of 4.3% and 4.4%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization and presented as part of property, plant and equipment. Amortization of fuel in the reactor is based on the amount of power generated.

2.11. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 25 years. The assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end.

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 372 million in 2013 and CZK 381 million in 2012.

Intangible assets are tested for impairment (for goodwill see Note 2.12) whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

For assets excluding goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item Impairment of property, plant and equipment and intangible assets including goodwill.

2.12. Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint-ventures is included in investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.13. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plans certain companies of the Group have been granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

On April, 30 of the following year, at the latest, these companies are required to remit a number of allowances representing the number of tones of CO_2 actually emitted in previous year. If a company does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2.

The emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. In the Czech Republic the allocation of emission rights granted free of charge to an entity operating certain electricity generation facilities specified by the law was the subject to a gift tax in 2011 and 2012.. As a result, granted emission rights, which were subject to the gift tax, are initially recognized at the amount of related gift tax as of the grant date. Purchased emission rights are carried at cost (except for emission rights for trading). Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. The Group recognizes a provision to cover emissions made which is measured at the cost of granted and purchased emission rights and credits up to the level of granted and purchased emission rights and credits held and then at the market price ruling at the balance sheet date. The amount of the gift tax on granted emission rights, which is charged to profit or loss as part of the charge of the provision, the eventual cost of emission rights sold or as part of the consumption of emission rights when the allowances are remitted from the register, is included in the line Other income (expenses), net.

The Group also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of the cash- generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) or credits are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

Green and similar certificates are initially recognized at fair value and subsequently treated similarly to purchased emission rights.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments, loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if the Group intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost.

The carrying amounts of such available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the entity has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less. Foreign currency deposits are translated at December 31, 2013 and 2012 exchange rates, respectively.

2.16. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Materials and supplies are valued at actual cost using weighted average cost method. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified. At December 31, 2013 and 2012 the provision for obsolescence amounted to CZK 459 million and CZK 355 million, respectively.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at actual cost using weighted average cost method.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

b. Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Commodity Contracts

According to IAS 39, certain commodity contracts are treated as financial instruments and fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- A physical delivery takes place under such contracts;
- The volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- The contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement. The Group presents revenues and expenses related to commodity trading net in the line Gains and losses from electricity, coal and gas derivative trading, net.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are provided at a rate of 19% for the years ended December 31, 2013 and 2012, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2014 and on is 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.23. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors (see Note 18).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted at December 31, 2013 and 2012 using a long-term real rate of interest of 2.0% per annum, to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2013 and 2012 the estimate for the effect of inflation is 1.5%.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín plant and sixty-year period for Dukovany plant subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Group’s current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating lives (see Note 19). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted at December 31, 2013 and 2012 using a long-term real rate of interest of 2.0% per annum, to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2013 and 2012 the estimate for the effect of inflation is 1.5%.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangements is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in determination of whether fulfillment is dependent on a specified asset; or
- There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.29. Share Options

Members of Board of Directors and selected managers have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2013 and 2012 the expense recognized in respect of the share option plan amounted to CZK 33 million and CZK 75 million, respectively.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

Exchange rates used as at December 31, 2013 and 2012 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2013	2012
CZK per 1 EUR	27.425	25.140
CZK per 1 USD	19.894	19.055
CZK per 1 PLN	6.603	6.172
CZK per 1 BGN	14.023	12.854
CZK per 1 RON	6.135	5.658
CZK per 100 JPY	18.957	22.130
CZK per 1 TRY	9.275	10.670

2.31. Non-current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

Net plant in service at December 31, 2013 and 2012 is as follows (in CZK millions):

	Buildings	Plant and Equip-ment	Land and Other	Total 2013	Total 2012
Cost at January 1	247,726	401,654	7,377	656,757	605,063
Plant additions	8,850	12,221	150	21,221	51,699
Disposals	(867)	(1,556)	(71)	(2,494)	(12,326)
Reclassification to assets classified as held for sale	(3,905)	(7,213)	(38)	(11,156)	-
Acquisition of subsidiaries	265	63	71	399	8,759
Loss of control over subsidiary	(649)	(5,644)	(186)	(6,479)	-
Change in capitalized part of provisions	59	1,397	(451)	1,005	5,306
Reclassification and other	(25)	39	(8)	6	-
Currency translation differences	3,044	3,721	58	6,823	(1,744)
Cost at December 31	254,498	404,682	6,902	666,082	656,757
Accumulated depreciation and impairment at January 1	(98,711)	(221,029)	(834)	(320,574)	(305,813)
Depreciation	(7,082)	(19,224)	(33)	(26,339)	(26,073)
Net book value of assets disposed	(269)	(59)	-	(328)	(997)
Disposals	867	1,556	3	2,426	12,265
Reclassification to assets classified as held for sale	2,899	6,842	-	9,741	-
Loss of control over subsidiary	153	1,985	-	2,138	-
Reclassification and other	(7)	(16)	-	(23)	(8)
Impairment losses recognized	(2,361)	(3,873)	(119)	(6,353)	(505)
Impairment losses reversed	202	205	-	407	217
Currency translation differences	(862)	(1,150)	(10)	(2,022)	340
Accumulated depreciation and impairment at December 31	(105,171)	(234,763)	(993)	(340,927)	(320,574)
Net plant in service at December 31	149,327	169,919	5,909	325,155	336,183

Group’s plant in service pledged as security for liabilities at December 31, 2013 and 2012 is CZK 562 million and CZK 223 million, respectively.

Construction work in progress contains mainly refurbishments performed on Ledvice, Prunéřov, Počerady, Temelín and Dukovany power plants and the electricity distribution network of subsidiary ČEZ Distribuce, a. s.

4. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2013 and 2012 consist of the following (in CZK millions):

	2013	2012
Restricted debt securities available-for-sale	12,334	12,577
Restricted cash	3,164	2,504
Total restricted financial assets	15,498	15,081
Financial assets in progress, net	130	4
Debt securities held-to-maturity	105	106
Debt securities available-for-sale	633	1,719
Equity securities available-for-sale	614	651
Investment in Dalkia	3,166	3,166
Derivatives	4,551	2,769
Investment in MOL (see Note 10)	-	14,682
Other long-term receivables, net	1,096	228
Total	25,793	38,406

In January 2008 the Group acquired a 7% share in MOL. At that time the Group granted to MOL a call option, which enabled MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share. The amount paid to MOL after deduction of option premium received was EUR 560 million. The transaction was recorded as a receivable together with a written put option. In 2009 the terms of the call option were amended whereas now MOL can reacquire the shares in the period until January 2014 (see Note 35) which also resulted in the change in effective interest rate applied on recorded receivable. The purchase was originally financed through a new loan in the total amount of EUR 600 million. Within the scope of cooperation the Group together with MOL also established 50-50% joint-ventures in order to pursue jointly business opportunities and develop projects in the business of gas-fired power and heat plants in Central and South-Eastern Europe. The written put option is shown as a separate liability from derivatives in Trade and other payables (see Note 21).

Movements in impairment provisions (in CZK millions):

	2013		2012	
	Available-for-sale financial assets	Long-term receivables	Available-for-sale financial assets	Long-term receivables
Opening balance	44	-	43	16
Additions	-	768	1	-
Reversals	-	-	-	(16)
Closing balance	44	768	44	-

Debt instruments at December 31, 2013 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 2015	361	-	106	467
Due in 2016	114	-	186	300
Due in 2017	102	105	341	548
Due in 2018	105	-	-	105
Thereafter	414	-	-	414
Total	1,096	105	633	1,834

Debt instruments at December 31, 2012 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 2014	14,877	-	49	14,926
Due in 2015	3	-	496	499
Due in 2016	2	-	368	370
Due in 2017	6	106	806	918
Thereafter	22	-	-	22
Total	14,910	106	1,719	16,735

Debt instruments at December 31, 2013 have following effective interest rate structure (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.00%	154	-	186	340
From 2.00% to 2.99%	935	-	106	1,041
From 4.00% to 4.99%	-	105	341	446
From 5.00% to 5.99%	7	-	-	7
Total	1,096	105	633	1,834

Debt instruments at December 31, 2012 have following effective interest rate structure (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.00%	119	-	418	537
From 2.00% to 2.99%	-	-	215	215
From 3.00% to 3.99%	102	-	-	102
From 4.00% to 4.99%	-	106	1,086	1,192
From 5.00% to 5.99%	14,689	-	-	14,689
Total	14,910	106	1,719	16,735

The following table analyses the debt instruments at December 31, 2013 by currency (in CZK millions):

	CZK	EUR	USD	RON	PLN	Total
Long-term receivables	98	988	1	1	8	1,096
Debt securities held-to-maturity	105	-	-	-	-	105
Debt securities available-for-sale	633	-	-	-	-	633
Total	836	988	1	1	8	1,834

The following table analyses the debt instruments at December 31, 2012 by currency (in CZK millions):

	CZK	EUR	USD	BGN	PLN	Total
Long-term receivables	76	14,803	1	23	7	14,910
Debt securities held-to-maturity	106	-	-	-	-	106
Debt securities available-for-sale	1,719	-	-	-	-	1,719
Total	1,901	14,803	1	23	7	16,735

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2013 and 2012 are as follows (in CZK millions):

	Software	Rights and Other	Goodwill	Total 2013	Total 2012
Cost at January 1	10,947	11,273	9,739	31,959	25,668
Additions	779	99	-	878	1,323
Disposals	(431)	(14)	-	(445)	(1,528)
Reclassification to assets classified as held for sale	(14)	(1)	-	(15)	-
Acquisition of subsidiaries	1	-	7	8	7,380
Loss of control over subsidiary	(5)	(83)	-	(88)	-
Impairment of goodwill	-	-	(452)	(452)	(848)
Reclassification and other	-	(4)	-	(4)	(8)
Currency translation differences	13	294	313	620	(28)
Cost at December 31	11,290	11,564	9,607	32,461	31,959
Accumulated amortization and impairment at January 1	(7,959)	(3,019)	-	(10,978)	(10,066)
Amortization	(1,127)	(478)	-	(1,605)	(1,623)
Net book value of assets disposed	(41)	-	-	(41)	(1)
Disposals	431	14	-	445	762
Reclassification to assets classified as held for sale	14	1	-	15	-
Loss of control over subsidiary	-	71	-	71	-
Impairment losses recognized	(33)	(100)	-	(133)	-
Currency translation differences	(8)	(137)	-	(145)	(50)
Accumulated amortization and impairment at December 31	(8,723)	(3,648)	-	(12,371)	(10,978)
Net intangible assets at December 31	2,567	7,916	9,607	20,090	20,981

At December 31, 2013 and 2012, intangible assets presented in the balance sheet include intangible assets in progress of CZK 708 million and CZK 623 million, respectively.

6. Impairment of Property, Plant and Equipment and Intangible Assets including Goodwill

At December 31, 2013 and 2012 goodwill allocated to cash-generating units is as follows (in CZK millions):

	2013	2012
Romanian distribution and sale	2,600	2,398
Czech distribution and sale	2,210	2,210
Energotrans	1,675	1,675
Polish power plants (ELCHO, Skawina)	1,295	1,211
ČEZ Teplárenská	727	727
Energetické centrum	396	507
Teplárna Trmice	-	325
TMK Hydroenergy Power	300	277
Other	404	409
Total carrying amount of goodwill	9,607	9,739

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2013 (in CZK millions):

	Impairment losses				Impairment reversals	
	Goodwill	Other intangible assets	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution and sale	-	-	77	77	(62)	15
Bulgarian distribution and sale	-	89	2,273	2,362	-	2,362
Czech distribution and sale	-	-	-	-	(55)	(55)
CCGT Počerady	-	-	1,905	1,905	-	1,905
Teplárna Trmice	325	-	-	325	-	325
Energetické centrum	111	-	-	111	-	111
Romanian wind power farms	-	-	2,946	2,946	(5)	2,941
TEC Varna	-	5	617	622	-	622
Polish power plants (ELCHO, Skawina)	-	-	130	130	-	130
Severočeské doly	-	-	33	33	(211)	(178)
ČEZ Korporátní služby	-	-	123	123	(120)	3
Other	16	52	181	249	(8)	241
Total	452	146	8,285	8,883	(461)	8,422

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2012 (in CZK millions):

	Impairment losses			Impairment reversals	
	Goodwill	Property, plant and equipment	Total	Property, plant and equipment	Total impairment, net
Romanian distribution and sale	788	30	818	(8)	810
Teplárna Trmice	-	18	18	-	18
Romanian wind power farms	-	5	5	-	5
TEC Varna	-	218	218	-	218
Severočeské doly	-	218	218	(80)	138
Other	60	59	119	(124)	(5)
Total	848	548	1,396	(212)	1,184

In 2013 and 2012 the Group performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired. Recognized impairments are mainly a result of the outlook for electricity distribution regulation and deterioration of current market conditions.

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Polish power plants has been determined based on a value in use calculation. Those cash flow projections are based on financial budgets approved by management covering a period until the end of useful life of power plants and discount rate of 5.6%. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale, Energotrans, ČEZ Teplárenská, Teplárna Trmice and Energetické centrum. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 5.1% for Energotrans, Teplárna Trmice, Energetické centrum and ČEZ Teplárenská and 5.0% for Czech distribution and sale. Cash flows beyond the five-year period for Czech distribution and sale is based on the terminal value of regulatory asset base. No growth rate is considered for cash flows beyond five-year period for Energotrans, ČEZ Teplárenská, Teplárna Trmice and Energetické centrum. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Romanian distribution and sale. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 8.2%. Cash flows beyond the five-year period are based on the terminal value of regulatory asset base.

The recoverable amount of TMK Hydroenergy Power has been determined based on a value in use calculation. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 7.7%. There is no growth rate considered for cash flows beyond five-year period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Romanian wind power farms. Those cash flow projections are based on financial budgets approved by management covering the period of expected useful life of wind farms, considering approved renewable energy support in the form of granted green certificates and a discount rate of 8.2%. The projection of the cash flows includes assumption of partially deferred allocation of green certificates in the expected amount of 4.9 million pieces in the period from July 2013 to March 2017. The allocation is expected in the period from April 2017 to December 2020. One of the main factors influencing the value of future cash flows is the price of green certificates. Current value of the green certificate in the model is EUR 45 and expected growth for years from 2014 to 2027 is approximately 4.3%. Change of the expected growth rate by 1% will result in change of value in use by approximately CZK 230 million.

The value in use calculation was also used to calculate the recoverable amount of Bulgarian distribution and sale. Those cash flow projections are based on financial budgets approved by management covering a five-year period and discount rate of 6.7%. Cash flows beyond the five-year period do not consider any growth rate. Change of discount rate by 1% will result in change of value in use by approximately CZK 1,600 million.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the forecast of market and regulatory environment, where subsidiaries conduct the business.

7. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in 2013

On June 28, 2013, the Group acquired 85% interest in Areál Třeboradice, a.s., which deals with the asset management of property mainly used as a reserve source of heat for Prague.

The fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	Areál Třeboradice
Share acquired in 2013	85%
Property, plant and equipment	399
Intangible assets	1
Cash and cash equivalents	6
Receivables, net	1
Deferred tax liability	(72)
Trade and other payables	(11)
Total net assets	324
Share of net assets acquired	275
Goodwill	7
Total purchase consideration	282
Less:	
Cash and cash equivalents in the subsidiary acquired	(6)
Cash outflow on acquisition of the subsidiary	276

If the combination had taken place at the beginning of the year 2013, the profit for CEZ Group as of December 31, 2013 would have been CZK 35,221 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2013

On March 19, 2013 the Group decided to acquire the non-controlling interest in company SD - KOMES, a.s. through the squeeze-out transaction which increased the ownership interest from 92.65% to 100%.

The following table summarizes the critical terms of this transaction (in CZK millions):

	SD - KOMES
Acquired share of net assets derecognized from non-controlling interests	14
Amount directly recognized in equity	-
Total purchase consideration	14

The following table summarizes the cash flows related to acquisitions during 2013 (in CZK millions):

Investment in subsidiaries	282
Acquisitions of non-controlling interests	14
Change in payables from acquisitions	676
Received cash and cash equivalents previously used on acquisitions in progress	(4)
Less cash acquired	(6)
Total cash outflows on acquisitions	962

Loss of control of subsidiary CEZ Shpërndarje Sh.A.

On January 21, 2013 the Albanian regulator decided to revoke the CEZ Shpërndarje Sh.A.'s license for the distribution and sale of electricity to tariff customers and appointed the administrator of CEZ Shpërndarje Sh.A. As a result, the Group lost control of CEZ Shpërndarje Sh.A. as of the same date. The administrator took control over the company including the decision making powers and responsibility for its operations. Both the rights of statutory bodies of CEZ Shpërndarje Sh.A. and the ČEZ shareholder rights were transferred to the administrator (see Note 33).

As a result of the loss of control, the Group has recognized the following items (in CZK millions):

Derecognized balance sheet items:	
Plant in service	6,479
Less accumulated provision for depreciation	(2,138)
Net plant in service	4,341
Construction work in progress	77
Total property, plant and equipment	4,418
Intangible assets, net	26
Total non-current assets	4,444
Cash and cash equivalents	151
Receivables, net	2,699
Income tax receivable	396
Materials and supplies, net	64
Other current assets	456
Total current assets	3,766
Total assets	8,210
Long-term debt, net of current portion	2,114
Other long-term liabilities	2
Total long-term liabilities	2,116
Current portion of long-term debt	349
Trade and other payables	5,747
Accrued liabilities	4,253
Total current liabilities	10,349
Total liabilities	12,465
Net excess of derecognized liabilities over assets	4,255
Less:	
Non-controlling interest	(1,341)
Translation differences	(229)
Recognition of provision for issued guarantee	(900)
Gain from loss of control of CEZ Shpërndarje Sh.A.	1,785

Cash and cash equivalents of CZK 151 million disposed of in relation to loss of control were presented in the Statement of Cash Flows in the line item Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of.

Sale of subsidiary Elektrárna Chvaletice a.s.

In March 2013 ČEZ concluded an agreement to sell its 100% interest in the subsidiary Elektrárna Chvaletice a.s. which operates a coal fired power plant in East Bohemia. The sale transaction was realized on September 2, 2013.

As a result of the sale, the Group recorded the following items (in CZK millions):

Derecognized balance sheet items:	
Net plant in service	1,414
Other non-current assets	14
Cash and cash equivalents	172
Receivables, net	289
Other current assets	473
Long-term debt, net of current portion	(57)
Deferred tax liability	(171)
Trade and other payables	(48)
Accrued liabilities	(166)
Net assets derecognized from balance sheet	1,920
Effect of intercompany balances:	
Receivables, net	(180)
Trade and other payables	3,234
Accrued liabilities	11
Total cost of sale of the Group	4,985
Revenue on sale	7,950
Gain on sale	2,965

The following table summarizes the cash flows related to sale and loss of control of subsidiaries during 2013 (in CZK millions):

Current proceeds from the sale of the subsidiary Elektrárna Chvaletice a.s.	4,449
Cash disposed on sale	(172)
Cash disposed on loss of control	(151)
Total proceeds from disposal of subsidiaries	4,126

Acquisitions of subsidiaries from third parties in 2012

In June 2012, the Group acquired a 100% interest in Energotrans, a.s., which deals with the production and sale of electricity and supplies heat from Mělník to Prague.

The fair values of acquired identifiable assets and liabilities as of the date of acquisition were as follows (in CZK millions):

	Energotrans
Share acquired in 2012	100%
Property, plant and equipment	8,768
Investments and other financial assets	297
Intangible assets	5,706
Cash and cash equivalents	2,134
Receivables, net	1,869
Materials and supplies, net	12
Fossil fuel stocks	91
Emission rights	510
Other current assets	45
Other long-term liabilities	(6)
Deferred tax liability	(2,630)
Trade and other payables	(172)
Income tax payable	(15)
Accrued liabilities	(298)
Total net assets	16,311
Share of net assets acquired	16,311
Goodwill	1,675
Total purchase consideration	17,986
Less:	
Cash and cash equivalents in the subsidiary acquired	(2,134)
Receivables from acquisition	243
Consideration paid in previous periods	(11,963)
Cash outflow on acquisition of the subsidiary	4,132

Acquisition-related costs of CZK 97 million have been recognized in the statement of income in line item Other operating expenses.

Total purchase consideration includes contingent arrangements in total amount of CZK 1,452 million related to future agreed swap of assets between the previous owner of Energotrans and the Group. The Group is obliged to pay all proceeds from the sale of 100% share in Energotrans SERVIS, a.s. to the seller of Energotrans and on the other hand, the Group is to receive proceeds from purchase of 100% share in Areál Třeboradice, a.s. The contingent arrangements have been recorded at estimated fair values of amounts to be paid or received.

From the date of acquisition, the newly acquired subsidiary has contributed the following balances to the Group's income statement for the year ended December 31, 2012 (in CZK millions):

	Energotrans
Revenues	618
Income before other income (expense) and income taxes	45
Net income	33

If the combination had taken place at the beginning of the year 2012, the profit for CEZ Group as of December 31, 2012 would have been CZK 40,598 million and revenues from continuing operations would have been CZK 216,230 million. The amount of goodwill recognized as a result of the business combination comprises the value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2012

In May 2012 the Group increased its capital share in Eco-Wind Construction S.A. ("EWC") from 67% to 69.03%. In December 2012 the Group further increased its capital share in Eco-Wind Construction S.A. to 75%.

The following table summarizes the critical terms of these transactions (in CZK millions):

	EWC
Share of net assets acquired	58
Amount directly recognized in equity	303
Total purchase consideration	361

The following table summarizes the cash flows related to acquisitions during 2012 (in CZK millions):

Investment in subsidiary	6,023
Acquisitions of non-controlling interests	361
Cash outflows related to joint-ventures	809
Cash outflows on acquisitions in progress	4
Change in payables / receivables from acquisitions	260
Less cash acquired	(2,134)
Total cash outflows on acquisitions	5,323

8. Investments in Subsidiaries, Associates and Joint-ventures

The 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 2013	% equity interest 2012	% voting interest 2013	% voting interest 2012
Areál Třeboradice, a.s.	Czech Republic	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%	100.00%	100.00%	100.00%
Baltic Green II sp. z o.o.	Poland	75.00%	100.00%	100.00%	100.00%
Baltic Green III sp. z o.o.	Poland	75.00%	100.00%	100.00%	100.00%
Baltic Green IV sp. z o.o.[1)]	Poland	75.00%	75.00%	100.00%	100.00%
Bara Group OOD [2)]	Bulgaria	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 Nowa Skawina S.A. [3)]	Poland	-	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. [4)]	Albania	76.00%	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%

1) The former company name F.W. Tolkowiec sp. z o.o. was changed to Baltic Green IV sp. z o.o. in December 2013.
2) The share in the company was acquired in 2013, but the transaction was not a business combination.
3) The company merged with the succession company Elektrownia Skawina S.A. with the effective date of January 1, 2013.
4) The Group lost control over CEZ Shpërndarje Sh.A. on January 21, 2013.

Subsidiaries	Country of incorporation	% equity interest 2013	% equity interest 2012	% voting interest 2013	% voting interest 2012
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 Energo, s.r.o.	Czech Republic	50.11%	50.11%	50.11%	50.11%
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 Korporátní služby, s.r.o. [5)]	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Logistika, s.r.o. [6)]	Czech Republic	-	100.00%	-	100.00%
ČEZ Měření, s.r.o. [6)]	Czech Republic	-	100.00%	-	100.00%
ČEZ Nová energetika, a.s. [7)]	Czech Republic	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 Chvaletice a.s.	Czech Republic	-	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 Leśce 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. [8)]	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - 1.strojírenská, a.s. [9)]	Czech Republic	-	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%	92.65%	100.00%	92.65%

5) The former company name ČEZ Správa majetku, s.r.o. was changed to ČEZ Korporátní služby, s.r.o. in January 2013.

6) The company merged with the succession company ČEZ Distribuční služby, s.r.o. with the effective date of January 1, 2013.

7) The company was newly established in 2013.

8) The former company name SD - Autodoprava, a.s. was changed to Revitrans, a.s. in December 2013.

9) The company merged with the succession company PRODECO, a.s. with the effective date of January 1, 2013.

Subsidiaries	Country of incorporation	% equity interest 2013	2012	% voting interest 2013	2012
SD - Rekultivace, a.s. [10]	Czech Republic	-	100.00%	-	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Shared Services Albania Sh.A. [11]	Albania	100.00%	100.00%	100.00%	100.00%
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	-	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. [7]	Czech Republic	100.00%	-	100.00%	-
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	55.83%	55.83%	55.83%	55.83%
Teplárna Trmice, a.s. [12]	Czech Republic	-	100.00%	-	100.00%
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 2013	2012	% voting interest 2013	2012
Akcez Enerji A.S.	Turkey	50.00%	50.00%	50.00%	50.00%
Aken B.V. in liquidation [13]	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%	33.63%	50.00%	45.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
Akka Elektrik Üretim A.S.	Turkey	-	33.63%	-	45.00%
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	Turkey	37.36%	37.15%	50.00%	49.71%
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 International s.r.o. [14]	Slovakia	-	50.00%	-	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
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%	37.09%	50.00%	49.64%
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 Sakis A.S.	Turkey	50.00%	50.00%	50.00%	50.00%

The equity interest represents effective ownership interest of the Group.

[10] The company merged with the succession company Revitrans, a.s. with the effective date of January 1, 2013.
[11] The former company name CEZ Albania Sh.A. was changed to Shared Services Albania Sh.A. in March 2013.
[12] The company merged with the succession company ČEZ, a. s. with the effective date of October 1, 2013.
[13] The former company name Aken B.V. was changed to Aken B.V. in liquidation in July 2013.
[14] The company merged with the succession company CM European Power Slovakia, s.r.o. with the effective date of June 1, 2013.

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2013 (in CZK millions):

	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Reve-nues	Expen-ses	Net income (loss)
Akcez Enerji A.S.	1,087	8,937	675	5,229	120	(165)	(45)
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	28	-	-	-	1	-	1
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	848	12	744	2	5,261	(5,269)	(8)
Akenerji Elektrik Üretim A.S.	4,251	15,777	1,883	7,247	3,517	(3,136)	381
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	505	4,475	1,450	628	738	(1,001)	(263)
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	589	174	10	-	39	-	39
AK-EL Yalova Elektrik Üretim A.S.	164	2	2	-	32	-	32
CM European Power International B.V.	1,688	777	807	-	-	(78)	(78)
CM European Power Slovakia s.r.o.	5,513	114	754	2,630	6,003	(5,623)	380
Egemer Elektrik Üretim A.S.	3,247	11,694	2,069	9,356	-	(801)	(801)
Jadrová energetická spoločnosť Slovenska, a. s.	2,304	3,853	11	-	21	(133)	(112)
JESS Invest, s. r. o.	34	286	3	-	-	(4)	(4)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	444	2,594	723	2,243	393	(767)	(374)
MOL - CEZ European Power Hungary Ltd.	143	453	452	-	20	(198)	(178)
Sakarya Elektrik Dagitim A.S.	1,367	2,512	2,902	928	5,887	(5,854)	33
Sakarya Elektrik Perakende Sakis A.S.	4,250	212	2,420	567	16,026	(15,290)	736

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2012 (in CZK millions):

	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Reve-nues	Expen-ses	Net income (loss)
Akcez Enerji A.S.	550	10,281	571	5,474	1,088	-	1,088
Aken B.V. in liquidation	28	-	-	-	-	-	-
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	31	-	-	-	-	-	-
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	604	20	434	3	6,271	(6,194)	77
Akenerji Elektrik Üretim A.S.	6,263	16,271	4,168	10,242	4,331	(3,820)	511
Akka Elektrik Üretim A.S.	1	-	-	-	139	-	139
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	682	5,211	2,581	1,096	583	(367)	216
AK-EL Kemah Elektrik Üretim ve Ticaret A.S.	704	126	3	-	23	-	23
AK-EL Yalova Elektrik Üretim A.S.	154	2	1	-	-	(1)	(1)
CM European Power International B.V.	1,838	800	1,042	-	-	(257)	(257)
CM European Power International s.r.o.	4	1	2	-	-	(210)	(210)
CM European Power Slovakia s.r.o.	2,756	2,580	3,590	7	3,727	(3,504)	223
Egemer Elektrik Üretim A.S.	5,081	3,382	1,771	6,010	-	(305)	(305)
Jadrová energetická spoločnosť Slovenska, a. s.	2,476	3,277	7	-	30	(96)	(66)
JESS Invest, s. r. o.	93	-	-	-	-	(5)	(5)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	696	2,935	1,688	1,476	187	(214)	(27)
MOL - CEZ European Power Hungary Ltd.	137	619	447	-	22	(10)	12
Sakarya Elektrik Dagitim A.S.	5,387	1,942	3,893	1,249	18,937	(17,977)	960
Sakarya Elektrik Perakende Sakis A.S.	3	2	4	-	-	(2)	(2)

The associate LOMY MOŘINA spol. s r.o. is not listed on any public exchange. The following table illustrates summarized financial information of the associate for the year ended December 31, 2013 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
LOMY MOŘINA spol. s r.o.	423	56	367	222	4

The following table illustrates summarized financial information of the associate for the year ended December 31, 2012 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
LOMY MOŘINA spol. s r.o.	415	52	363	222	2

9. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2013 and 2012 is as follows (in CZK millions):

	2013	2012
Cash on hand and current accounts with banks	11,579	6,105
Short-term bank notes	856	256
Term deposits	12,683	11,596
Total	25,118	17,957

At December 31, 2013 and 2012, cash and cash equivalents included foreign currency deposits of CZK 5,811 million and CZK 6,577 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2013 and 2012 was 0.8% and 1.5%, respectively. For the years 2013 and 2012 the weighted average interest rate was 1.0% and 1.5%, respectively.

10. Receivables, Net

The composition of receivables, net, at December 31, 2013 and 2012 is as follows (in CZK millions):

	2013	2012
Unbilled electricity supplied to retail customers	8,583	8,790
Received advances from retail customers	(7,005)	(6,023)
Unbilled supplies to retail customers, net	1,578	2,767
Trade receivables	48,035	57,962
Taxes and fees, excluding income taxes	3,105	3,657
Investment in MOL (see Note 4)	15,458	-
Other receivables	6,552	5,563
Allowance for doubtful receivables	(7,219)	(15,186)
Total	67,509	54,763

The information about receivables from related parties is included in Note 29.

At December 31, 2013 and 2012, the ageing analysis of receivables, net is as follows (in CZK millions):

	2013	2012
Not past due	64,580	51,521
Past due but not impaired [1]:		
Less than 3 months	1,675	2,435
3 – 6 months	737	352
6 – 12 months	399	167
more than 12 months	118	288
Total	67,509	54,763

[1] Past due but not impaired receivables include net receivables, for which the Group recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions):

	2013	2012
Opening balance	15,186	15,372
Additions	4,290	4,303
Reversals	(3,082)	(4,007)
Acquisition of subsidiaries	-	4
Loss of control over subsidiary	(9,590)	-
Currency translation differences	415	(486)
Closing balance	7,219	15,186

11. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2013 and 2012 (in CZK millions):

	2013		2012	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits (CERs, ERUs) granted and purchased for own use:				
Granted and purchased emission rights and credits at January 1	60,281	9,374	43,656	5,257
Emission rights granted	326	-	43,079	2,099
Emission rights acquired in business combinations	-	-	2,427	510
Disposal of subsidiary	(1,776)	(143)	-	-
Settlement of prior year actual emissions	(30,440)	(2,341)	(38,148)	(2,866)
Emission rights purchased	2,492	268	8,168	4,426
Emission rights sold	(10,036)	(796)	(9,196)	(575)
Emission credits purchased	3,524	191	14,045	1,258
Emission credits sold	-	-	(3,750)	(747)
Currency translation differences	-	31	-	12
Granted and purchased emission rights and credits at December 31	24,371	6,584	60,281	9,374
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	12,647	819	297	39
Settlement of prior year actual emissions	(4,571)	(23)	(296)	(29)
Emission rights purchased	817	236	13,232	2,677
Emission rights sold	(4,853)	(588)	(5,133)	(1,436)
Emission credits purchased	10	-	4,557	22
Emission credits sold	(5)	-	(10)	(1)
Fair value adjustment	-	(20)	-	(453)
Emission rights and credits held for trading at December 31	4,045	424	12,647	819

During 2013 and 2012 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 28,776 thousand tons and 35,011 thousand tons of CO_2, respectively. At December 31, 2013 and 2012 the Group recognized a provision for CO_2 emissions in total amount of CZK 3,920 million and CZK 3,527 million, respectively (see Notes 2.13 and 22).

At December 31, 2013 and 2012 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 1,497 million and CZK 1,960 million, respectively.

The allocation of 2013 granted emission rights for companies in the Czech Republic in an equivalent of 18,784 thousand tons was approved by the European Union in January 2014 and this allocation was reflected when creating the provision for CO_2 emissions at December 31, 2013.

The following table shows the impact of transactions with emission rights and credits, green and similar certificates on income for the years ended December 31, 2013 and 2012 (in CZK millions):

	2013	2012
Gain on sales of granted emission rights	1,281	1,190
Net gain from trading with emission rights and credits	346	101
Gain on green and similar certificates	1,045	1,850
Net gain (loss) from derivatives	710	(783)
Creation of provisions for emission rights	(3,480)	(1,245)
Settlement of provisions for emission rights	1,116	56
Remitted emission rights	(1,074)	(240)
Fair value adjustment	(20)	(453)
Net gain (loss) related to emission rights, emission credits and green and similar certificates	(76)	476

The expense related to the gift tax on granted emission rights is included in the line Other income (expenses), net (see Notes 2.13 and 27).

12. Other Financial Assets, Net

Other financial assets, net, at December 31, 2013 and 2012 were as follows (in CZK millions):

	2013	2012
Debt securities held-to-maturity	16,627	10,889
Debt securities available-for-sale	49	566
Equity securities available-for-sale	278	736
Derivatives	21,446	27,285
Total	38,400	39,476

Derivatives balance comprises mainly the positive fair values of commodity trading contracts.

Short-term debt securities at December 31, 2013 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.00%	15,623	49	15,672
From 7.00% to 7.99%	501	-	501
From 9.00% to 9.99%	503	-	503
Total	16,627	49	16,676

Short-term debt securities at December 31, 2012 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 3.00%	10,889	462	11,351
From 4.00% to 4.99%	-	104	104
Total	10,889	566	11,455

ČEZ, a. s. concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts ČEZ, a. s. has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s. to Vršanská uhelná a.s. First option can be exercised in 2016 for cash consideration of CZK 8.5 billion less CZK 0.4 billion per each block of the power plant not modernized. Second option can be exercised in 2024 and for cash consideration of CZK 2 billion.

The contracts represent derivatives that will be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s. is not quoted on any market, there is no similar power plant in the Czech Republic for sale and also no similar transaction took place. There is also significant variability in the range of reasonable fair values for this equity instrument and it is difficult to reasonably assess the probabilities of various estimates. As a result the fair value cannot be reliably measured. Consequently, the put options will be measured at cost. There was no option premium paid on the options and therefore the cost of these instruments is zero.

13. Other Current Assets

The composition of other current assets at December 31, 2013 and 2012 is as follows (in CZK millions):

	2013	2012
Advances paid	2,276	1,767
Prepayments	1,135	1,556
Total	3,411	3,323

14. Equity

As at December 31, 2013, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed and do not convey any special rights.

There were no changes in number of treasury shares in 2013 and 2012. Treasury shares remaining at end of period (3,875,021 pieces at December 31, 2013 and 2012) are presented at cost as a deduction from equity.

Declared dividends per share were CZK 40 and CZK 45 in 2013 and 2012, respectively. Dividends from 2013 profit will be declared on the general meeting, which will be held in the first half of 2014.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains current credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. Considering the current structure and stability of cash flow of the Group, the goal is to keep this ratio below 2.3. In addition, the Group also monitors capital using a total debt to total capital ratio. The Group's policy is to keep the total debt to total capital ratio below 50% in the long term.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill and less gain (or loss) on sale of property, plant and equipment. The Group includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Highly liquid financial assets consist for capital management purposes of short-term equity and debt securities available-for-sale, short-term debt securities held-to-maturity and long-term debt securities available-for-sale. Total capital is total equity attributable to equity holders of the parent plus total debt.

The composition of EBITDA changed compared to prior year presentation and this year's EBITDA does not include impairment of property, plant and equipment and gain on sale of property, plant and equipment. Prior year figures were amended accordingly.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2013	2012
Total long-term debt	196,500	188,111
Total short-term loans	2,716	4,784
Total debt	199,216	192,895
Less:		
Cash and cash equivalents	(25,118)	(17,957)
Highly liquid financial assets:		
Short-term equity securities available-for-sale (Note 12)	(278)	(736)
Short-term debt securities available-for-sale (Note 12)	(49)	(566)
Short-term debt securities held-to-maturity (Note 12)	(16,627)	(10,889)
Long-term debt securities available-for-sale (Note 4)	(633)	(1,719)
Total net debt	156,511	161,028
Income before income taxes and other income (expenses)	45,755	57,083
Depreciation and amortization	27,944	27,696
Impairment of property, plant and equipment and intangible assets including goodwill	8,422	1,184
Gain on sale of property, plant and equipment (Note 25)	(67)	(145)
EBITDA	82,054	85,818
Total equity attributable to equity holders of the parent	258,076	250,235
Total debt	199,216	192,895
Total capital	457,292	443,130
Net debt to EBITDA ratio	1.91	1.88
Total debt to total capital ratio	43.6%	43.5%

15. Long-term Debt

Long-term debt at December 31, 2013 and 2012 is as follows (in CZK millions):

	2013	2012
4.125% Eurobonds, due 2013 (EUR 372 million)	-	9,345
6.000% Eurobonds, due 2014 (EUR 600 million)	16,421	15,048
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,267	2,653
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	39	34
5.750% Eurobonds, due 2015 (EUR 600 million)	16,408	15,054
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,512	1,770
5.000% Eurobonds, due 2021 (EUR 750 million)	20,480	18,804
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,364	1,253
3M Euribor + 0.36% Eurobonds, due 2014 (EUR 150 million)	4,114	3,771
4.875% Eurobonds, due 2025 (EUR 750 million)	20,469	18,755
4.500% Eurobonds, due 2020 (EUR 750 million)	20,381	18,656
2.160% Eurobonds, due 2023 (JPY 11,500 million)	2,180	2,545
4.600% Eurobonds, due 2023 (CZK 1,250 million)	1,248	1,247
3.625% Eurobonds, due 2016 (EUR 500 million)	13,653	12,493
2.150%*IRp Eurobonds, due 2021 (EUR 100 million)	2,742	2,514
4.102% Eurobonds, due 2021 (EUR 50 million)	1,366	1,252
4.250% U.S. bonds, due 2022 (USD 700 million)	13,790	13,193
5,625% U.S. bonds, due 2042 (USD 300 million)	5,900	5,649
4.375% Eurobonds, due 2042 (EUR 50 million)	1,343	1,230
4.500% Eurobonds, due 2047 (EUR 50 million)	1,343	1,230
4.383% Eurobonds, due 2047 (EUR 80 million)	2,194	2,011
3.000% Eurobonds, due 2028 (EUR 500 million)	13,492	-
4.500% registered bonds, due 2030 (EUR 40 million)	1,072	982
4.750% registered bonds, due 2023 (EUR 40 million)	1,083	991
4.700% registered bonds, due 2032 (EUR 40 million)	1,090	999
4.270% registered bonds, due 2047 (EUR 61 million)	1,643	1,506
3.550% registered bonds, due 2038 (EUR 30 million)	819	-
3.140% Debentures, due from 2016 to 2020 (CZK 650 million)	200	-
9.220% Debentures, due 2014 (CZK 2,500 million) [1)]	2,500	2,499
Total bonds and debentures	171,113	155,484
Less: Current portion	(23,035)	(9,345)
Bonds and debentures, net of current portion	148,078	146,139
Long-term bank and other loans:		
Less than 2.00% p. a.	24,811	28,231
2.00% to 2.99% p. a.	568	3,784
3.00% to 3.99% p. a.	8	286
4.00% to 4.99% p. a.	-	238
More than 4.99% p. a.	-	88
Total long-term bank and other loans	25,387	32,627
Less: Current portion	(5,069)	(2,660)
Long-term bank and other loans, net of current portion	20,318	29,967
Total long-term debt	196,500	188,111
Less: Current portion	(28,104)	(12,005)
Total long-term debt, net of current portion	168,396	176,106

[1)] Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2013 and 2012 was 5.6% and 6.6%, respectively.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.20.

The future maturities of long-term debt are as follows (in CZK millions):

	2013	2012
Current portion	28,104	12,005
Between 1 and 2 years	19,394	28,429
Between 2 and 3 years	16,632	18,244
Between 3 and 4 years	2,835	15,618
Between 4 and 5 years	2,784	2,975
Thereafter	126,751	110,840
Total long-term debt	196,500	188,111

The following table analyses the long-term debt at December 31, 2013 and 2012 by currency (in millions):

	2013		2012	
	Foreign currency	CZK	Foreign currency	CZK
EUR	6,063	166,270	6,225	156,489
USD	990	19,690	1,000	19,046
JPY	31,434	5,959	33,371	7,385
BGN	41	568	63	805
ALL	-	-	305	55
KRW	-	-	5,404	97
XDR	-	-	5	137
CZK	-	4,013	-	4,097
Total long-term debt		196,500		188,111

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2013 and 2012 without considering interest rate hedging (in CZK millions):

	2013	2012
Floating rate long-term debt		
with interest rate fixed for 1 month	39	73
with interest rate fixed from 1 to 3 months	7,011	8,561
with interest rate fixed from 3 months to 1 year	25,731	28,216
with interest rate fixed more than 1 year	568	805
Total floating rate long-term debt	33,349	37,655
Fixed rate long-term debt	163,151	150,456
Total long-term debt	196,500	188,111

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 16 and Note 17.

The Group has entered into loan agreements, which contain restrictive financial covenants relating to indebtedness and liquidity. In 2013 and 2012 the Group complied with all required covenants.

16. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments

The fair values of instruments, which are publicly traded on active markets, are determined based on quoted market prices. For unquoted equity instruments the Group considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Short-term receivables and payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2013 and 2012 are as follows (in CZK millions):

		2013		2012	
	Cate-gory	Carrying amount	Fair value	Carrying amount	Fair value
Assets:					
Investments:					
Restricted debt securities available-for-sale	AFS	12,334	12,334	12,577	12,577
Restricted cash	LaR	3,164	3,164	2,504	2,504
Financial assets in progress	LaR	130	130	4	4
Debt securities held-to-maturity	HTM	105	118	106	123
Debt securities available-for-sale	AFS	633	633	1,719	1,719
Equity securities available-for-sale	AFS	3,780	3,780	3,817	3,817
Long-term receivables	LaR	1,096	1,096	14,910	15,492
Current assets:					
Receivables	LaR	64,404	64,404	51,106	51,106
Cash and cash equivalents	LaR	25,118	25,118	17,957	17,957
Debt securities held-to-maturity	HTM	16,627	16,627	10,889	10,889
Debt securities available-for-sale	AFS	49	49	566	566
Equity securities available-for-sale	AFS	278	278	736	736
Other current assets	LaR	2,276	2,276	1,767	1,767
Liabilities:					
Long-term debt	AC	(196,500)	(209,480)	(188,111)	(209,246)
Short-term loans	AC	(2,716)	(2,716)	(4,784)	(4,784)
Accounts payable	AC	(43,454)	(43,454)	(49,586)	(49,586)
Derivatives:					
Cash flow hedges:					
Short-term receivables	HFT	6	6	21	21
Long-term receivables	HFT	3,933	3,933	2,499	2,499
Short-term liabilities	HFT	(84)	(84)	(287)	(287)
Long-term liabilities	HFT	(4,799)	(4,799)	(1,868)	(1,868)
Total cash flow hedges		(944)	(944)	365	365

		2013		2012	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Electricity, coal and gas trading contracts:					
Short-term receivables	HFT	19,639	19,639	26,227	26,227
Short-term liabilities	HFT	(14,020)	(14,020)	(19,387)	(19,387)
Total electricity, coal and gas trading contracts		5,619	5,619	6,840	6,840
Other derivatives:					
Short-term receivables	HFT	1,801	1,801	1,037	1,037
Long-term receivables	HFT	618	618	270	270
Short-term liabilities	HFT	(5,865)	(5,865)	(4,007)	(4,007)
Long-term liabilities	HFT	(1,501)	(1,501)	(1,350)	(1,350)
Total other derivatives		(4,947)	(4,947)	(4,050)	(4,050)

LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between the levels in 2013 and 2012.

As at December 31, 2013, the Group held the following financial instruments measured at fair value (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	19,639	245	19,394	-
Cash flow hedges	3,939	141	3,798	-
Other derivatives	2,419	322	2,097	-
Available-for-sale restricted debt securities	12,334	12,334	-	-
Available-for-sale debt securities	682	682	-	-
Available-for-sale equity securities *	649	649	-	-

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(14,020)	(58)	(13,962)	-
Cash flow hedges	(4,883)	(332)	(4,551)	-
Other derivatives	(7,366)	(66)	(7,300)	-

As at December 31, 2012, the Group held the following financial instruments measured at fair value (in CZK millions):

Assets measured at fair value	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	26,227	133	26,094	-
Cash flow hedges	2,520	1	2,519	-
Other derivatives	1,307	563	744	-
Available-for-sale restricted debt securities	12,577	12,577	-	-
Available-for-sale debt securities	2,285	2,285	-	-
Available-for-sale equity securities *	770	770	-	-

Liabilities measured at fair value	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(19,387)	(232)	(19,155)	-
Cash flow hedges	(2,155)	(97)	(2,058)	-
Other derivatives	(5,357)	(51)	(5,306)	-

* Most of the available-for-sale equity securities are carried at cost as the fair value cannot be reliably measured.

The Group enters into derivative financial instruments with various counterparties, principally large power and utility groups and financial institutions with high credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps and options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and option pricing models (e.g. Black-Scholes). The models incorporate various inputs including the forward rate curves of the underlying commodity, foreign exchange spot and forward rates and interest rate curves.

Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2013 and 2012 (in CZK millions):

	2013		2012	
	Financial asset	Financial liability	Financial asset	Financial liability
Derivatives	25,997	(26,269)	30,054	(26,899)
Other financial instruments *	25,076	(19,538)	27,597	(24,837)
Collaterals paid (received) **	3,137	(400)	512	(104)
Gross financial assets / liabilities	54,210	(46,207)	58,163	(51,840)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	54,210	(46,207)	58,163	(51,840)
Effect of master netting agreement	(35,932)	35,932	(42,340)	42,340
Net amount after master netting agreement	18,278	(10,275)	15,823	(9,500)

* Other financial instruments consist of invoices due from derivative trading and are included in Receivables, net or Trade and other payables.

** Collaterals paid are included in Receivables, net and collaterals received are included in Trade and other payables.

When trading with derivative instruments, ČEZ enters into the EFET and ISDA framework contracts. These contracts generally allow mutual offset of receivables and payables upon the premature termination of agreement. The reason for premature termination is insolvency or non-fulfillment of agreed terms by the counterparty. The right to mutual offset is either embedded in the framework contract or results from the security provided. There is CSA (Credit Support Annex) concluded with some counterparties defining the permitted limit of exposure. When the limit is exceeded, there is a transfer of cash reducing exposure below an agreed level. Cash security (collateral) is also included in the final offset.

The information about offset of unbilled electricity supplied to retail customers with advances received is included in Note 10 and 21.

Short-term derivative assets are included in the balance sheet in Other financial assets, net, long-term derivative assets in Investments and other financial assets, net, long-term derivative liabilities in Other long-term liabilities and short-term derivative liabilities in Trade and other payables.

17. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Since 2009 the main Business Plan market risks are quantified (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closing long-term contracts for electricity sale and emission allowances purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cashflow and total debt in order to maintain corporate rating. Risks of Investment Projects are also managed and monitored based on unified quantification of all kinds of risk according to Group methodology.

Risk management organization

The supreme authority for risk management in the Group is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s. Board of Directors, the Risk Management Committee makes decisions on the development of an integrated system of risk management, makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	**2. Credit risks**	**3. Operation risks**	**4. Business risks**
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants)
- Credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic, investment risks.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within 5 years horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

17.1. Qualitative description of risks associated with financial instruments

Commodity risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of the Group’s production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities within the whole Group (the potential risk is managed on the VaR basis).

Market financial risks (currency, interest and stock price risks)

The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall expected cash flows of the Group (including operational and investment foreign currency flows).

Credit risks

With respect to the Group’s activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty’s credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses.

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group’s expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group.

17.2. Quantitative description of risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) or Monte-Carlo VaR for the commodity options which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (the underlying commodities in the Group's derivative transactions are: electricity, EUA and CER/ERU emission allowances, gas, coal ARA, Richards Bay, Newcastle and Brent crude oil)
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series
- the source of market data is mainly EEX, PXE and ICE.

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2013	2012
Monthly VaR (95%) – impact of changes in commodity prices	673	556

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs expected in 2014 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments
- the relevant currency positions reflect all significant foreign-currency flows of the Group companies in the monitored basket of foreign currencies
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg.

Potential impact of the currency risk as at December 31 (in CZK millions):

	2013	2012
Monthly currency VaR (95% confidence)	1,289	1,205

Interest risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification (as at December 31) was based on the following assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk
- the P/L sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31
- the relevant interest positions reflect all significant interest-sensitive positions of the Group companies
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

Potential impact of the interest risk as at December 31 (in CZK millions):

	2013	2012
IR sensitivity* to parallel yield curve shift (+10bp)	(16)	(27)

* Negative result denotes higher increase in interest costs than in interest revenues

Stock price risks

The required quantitative information on risks (i.e. a potential change of financial instruments market value resulting from the effects of stock price risk as at December 31) was based on the assumptions given below:

- monthly parametric VaR (95% confidence) was selected as the indicator of stock price risk
- the relevant stock position is defined as market value of stocks/stock options as at December 31
- the relevant stock positions reflect all significant stock-sensitive deals of the CEZ Group companies
- the relevant volatility and standard deviation is determined from risk module IS Bloomberg
- the source of market data is IS Bloomberg and ČNB data.

Potential impact of the stock price risk as at December 31 (in CZK millions):

	2013	2012
Monthly stock VaR (95% confidence)	1,027	1,561

Credit exposure from provided guarantees at December 31 (in CZK millions):

	2013	2012
Guarantees provided to joint ventures	* 3,648	4,497

* Some of the guarantees could be called until August 2021 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2013 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Due in 2014	7,586	30,835	43,542	326,257	3,648
Due in 2015	3,046	23,295	1,952	58,288	-
Due in 2016	3,022	19,610	106	21,028	-
Due in 2017	2,854	5,508	11	5,326	-
Due in 2018	2,798	5,508	-	5,726	-
Thereafter	8,939	163,964	-	69,611	-
Total	28,245	248,720	45,611	486,236	3,648

Contractual maturity profile of financial liabilities at December 31, 2012 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Due in 2013	7,748	16,582	49,772	268,921	4,497
Due in 2014	7,409	28,161	182	43,977	-
Due in 2015	3,452	20,810	146	18,194	-
Due in 2016	3,354	17,382	88	155,554	-
Due in 2017	3,171	4,434	8	2,480	-
Thereafter	14,235	134,775	-	68,957	-
Total	39,369	222,144	50,196	558,083	4,497

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 16.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

17.3. Hedge accounting

The Group enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2014 to 2018. The hedging instruments as at December 31, 2013 and 2012 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 5.0 billion and EUR 5.3 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (4,550) million and CZK (1,776) million at December 31, 2013 and 2012, respectively.

The Group enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in the period from 2014 to 2016. The hedging instruments as at December 31, 2013 and 2012 are the futures and forward contracts for the purchase of allowances equivalent to 12.5 million tons and 2.9 million tons of CO_2 emissions, respectively. The fair value of these derivative hedging instruments amounted to CZK (273) million and CZK (98) million at December 31, 2013 and 2012, respectively.

The Group also enters into cash flow hedges of highly probable future sales of electricity in the Czech Republic from 2015 to 2019. The hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK 3,880 million and CZK 2,239 million at December 31, 2013 and 2012, respectively.

In 2013 and 2012 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity and related services, Gains and losses from electricity, coal and gas derivative trading, net, Emission rights, net and Other income (expenses), net. In 2013 and 2012 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (126) million and CZK (778) million, respectively. The ineffectiveness in 2013 and 2012 mainly relates to transactions for which the hedged items are no more highly probable to occur.

18. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four units which were put into service from 1985 to 1987 and have been refurbished and enhanced later. The second nuclear power plant, Temelín, has two units which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. A 2013 Dukovany and a 2009 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 22.4 billion and CZK 14.6 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet as part of Investments and other financial assets, net (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste. Contribution to the nuclear account was stated by a government decision at 50 CZK per MWh produced at nuclear power plants. In 2013 and 2012, the payments to the nuclear account amounted to CZK 1,537 million and CZK 1,516 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of spent fuel and disposal of radioactive waste. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Group has established provisions as described in Note 2.24, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2013 and 2012 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommis-sioning	Spent fuel storage: Interim	Spent fuel storage: Long-term	Total
Balance at December 31, 2011	9,183	6,430	21,672	37,285
Movements during 2012:				
Discount accretion and effect of inflation	414	289	976	1,679
Provision charged to income statement	12	453	-	465
Effect of change in estimate charged to income statement	-	364	-	364
Effect of change in estimate added to fixed assets (Note 2.24)	2,432	-	2,451	4,883
Current cash expenditures	(3)	(742)	(1,516)	(2,261)
Balance at December 31, 2012	12,038	6,794	23,583	42,415
Movements during 2013:				
Discount accretion and effect of inflation	421	238	825	1,484
Provision charged to income statement	-	460	-	460
Effect of change in estimate charged to income statement	-	249	-	249
Effect of change in estimate added to fixed assets (Note 2.24)	1,295	-	19	1,314
Current cash expenditures	(8)	(550)	(1,537)	(2,095)
Balance at December 31, 2013	13,746	7,191	22,890	43,827

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers and other related equipment.

In 2013 the Group recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants.

In 2012 the Group recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage costs and change in discount rate, the change in estimate in provision for nuclear decommissioning due to change in discount rate and the change in long-term spent fuel storage due to the modification of the expected output of the nuclear power plants and change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

19. Other Long-term Liabilities

Other long-term liabilities at December 31, 2013 and 2012 are as follows (in CZK millions):

	2013	2012
Provision for decommissioning and reclamation of mines and mining damages	6,561	6,915
Provision for waste storage reclamation	1,518	1,739
Other long-term provisions	1,393	826
Deferred connection fees	6,131	6,674
Derivatives	6,300	3,218
Other	4,945	3,187
Total	26,848	22,559

The following table shows the movements of provisions for the years ended December 31, 2013 and 2012 (in CZK millions):

	Mine reclamation and damages	Waste storage
Balance at December 31, 2011	6,473	1,909
Movements during 2012:		
Discount accretion and effect of inflation	280	79
Provision charged to income statement	75	-
Effect of change in estimate added to (deducted from) fixed assets (Note 2.25)	336	(21)
Current cash expenditures	(249)	(228)
Balance at December 31, 2012	6,915	1,739
Movements during 2013:		
Discount accretion and effect of inflation	234	56
Provision charged to income statement	86	-
Effect of change in estimate deducted from fixed assets (Note 2.25)	(451)	(73)
Disposal of subsidiary	-	(21)
Reversal of provision	-	(140)
Current cash expenditures	(223)	(43)
Balance at December 31, 2013	6,561	1,518

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

20. Short-term Loans

Short-term loans at December 31, 2013 and 2012 are as follows (in CZK millions):

	2013	2012
Short-term bank loans	1,965	4,304
Short-term debentures	274	-
Bank overdrafts	477	480
Total	2,716	4,784

Interest on short-term loans is variable. The weighted average interest rate was 0.6% and 0.7% at December 31, 2013 and 2012, respectively. For the years 2013 and 2012 the weighted average interest rate was 1.9% and 1.7%, respectively.

21. Trade and Other Payables

Trade and other payables at December 31, 2013 and 2012 are as follows (in CZK millions):

	2013	2012
Advances received from retail customers	14,457	13,978
Unbilled electricity supplied to retail customers	(10,329)	(11,283)
Received advances from retail customers, net	4,128	2,695
Trade payables	36,164	43,724
Fair value of option (see Note 4)	5,238	3,520
Derivatives	14,731	20,161
Other	3,162	3,167
Total	63,423	73,267

The information about payables to related parties is included in Note 29.

22. Accrued Liabilities

Accrued liabilities at December 31, 2013 and 2012 consist of the following (in CZK millions):

	2013	2012
Provision for CO_2 emissions	3,920	3,527
Other provisions	2,024	4,237
Accrued interest	3,741	3,341
Taxes and fees, except income tax	1,804	1,011
Unbilled goods and services	11,353	14,470
Contingent liabilities from acquisitions	89	163
Deferred variation margin on "own use" electricity futures	436	220
Deferred income	281	204
Other	106	99
Total	23,754	27,272

Deferred variation margin represents the net variation margin paid to or by energy exchange POWER EXCHANGE CENTRAL EUROPE in respect of the electricity future contracts treated as own use, which will be delivered after the balance sheet date.

23. Revenues

The composition of revenues for the years ended December 31, 2013 and 2012 is as follows (in CZK millions):

	2013	2012
Sales of electricity and related services:		
Sales of electricity to end customers	52,560	61,128
Sales of electricity through energy exchange	2,036	2,013
Sales of electricity to traders	38,170	42,511
Sales to distribution and transmission companies	743	1,308
Other sales of electricity	17,396	7,848
Effect of hedging (see Note 17.3)	2,627	1,921
Sales of ancillary, system, distribution and other services	76,125	70,068
Total sales of electricity and related services	189,657	186,797
Electricity, coal and gas derivative trading:		
Sales	215,233	265,674
Purchases	(207,948)	(262,759)
Effect of hedging (see Note 17.3)	13	297
Changes in fair value of commodity derivatives	(5,719)	1,376
Total gains and losses from electricity, coal and gas derivative trading, net	1,579	4,588
Sales of gas, coal, heat and other revenues:		
Sales of gas	7,213	6,342
Sales of coal	4,931	4,445
Sales of heat	6,883	5,371
Other	7,010	7,552
Total sales of gas, coal, heat and other revenues	26,037	23,710
Total revenues	217,273	215,095

24. Salaries and Wages

Salaries and wages for the years ended December 31, 2013 and 2012 were as follows (in CZK millions):

	2013		2012	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages	(12,987)	(256)	(13,197)	(235)
Remuneration of the board members, including royalties	(127)	(35)	(145)	(39)
Share options	(33)	(33)	(75)	(75)
Social and health security	(4,185)	(47)	(4,045)	(29)
Other personal expenses	(1,398)	(25)	(1,245)	(26)
Total	(18,730)	(396)	(18,707)	(404)

[1)] Key management personnel represent members of Supervisory Board, Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments of the parent company with group field of activity. The remuneration of former members of company bodies is also included in personal expenses.

At December 31, 2013 and 2012, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,388 thousand and 2,443 thousand, respectively. The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on General Meeting held in June 2005.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Pursuant to the resolution of the May 2008 General Meeting, members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficent has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2013 and 2012 the Company recognized a compensation expense of CZK 33 million and CZK 75 million, respectively, related to the granted options.

The following table shows changes during 2013 and 2012 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors '000s	Selected managers '000s	Total '000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2011	1,903	760	2,663	1,011.70
Options granted	664	256	920	727.80
Options forfeited	(910)	(230)	(1,140)	1,122.90
Share options at December 31, 2012 [1)]	1,657	786	2,443	852.85
Options granted	550	295	845	559.43
Options forfeited	(585)	(315)	(900)	970.06
Share options at December 31, 2013 [1)]	1,622	766	2,388	704.84

1) At December 31, 2013 and 2012 the number of exercisable options was 947 thousand and 900 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 809.74 per share and CZK 992.65 per share at December 31, 2013 and 2012, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2013	2012
Weighted average assumptions:		
Dividend yield	6.7%	5.6%
Expected volatility	22.4%	22.4%
Mid-term risk-free interest rate	0.8%	1.1%
Expected life (years)	1.4	1.4
Share price (CZK per share)	549.7	733.6
Weighted average grant-date fair value of options (CZK per 1 option)	37.5	63.4

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at December 31, 2013 and 2012 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2013	2012
CZK 450 – 700 per share	909	169
CZK 700 – 900 per share	1,279	1,519
CZK 900 – 1,400 per share	200	755
Total	2,388	2,443

The options granted which were outstanding as at December 31, 2013 and 2012 had an average remaining contractual life of 1.9 years and 1.9 years, respectively.

25. Other Operating Expenses

Other operating expenses for the years ended December 31, 2013 and 2012 consist of the following (in CZK millions):

	2013	2012
Services	(12,418)	(12,922)
Travel expenses	(206)	(220)
Gain on sale of property, plant and equipment	67	145
Gain on sale of material	209	156
Capitalization of expenses to the cost of assets and change in own inventory	4,989	5,575
Fines, penalties and penalty interest, net	873	929
Change in provisions and valuation allowances	1,763	560
Taxes and fees	(3,057)	(2,974)
Write-off of bad debts and cancelled investment	(2,179)	(1,199)
Gifts	(408)	(460)
Other, net	(1,900)	(2,385)
Total	(12,267)	(12,795)

Taxes and fees include the contributions to the nuclear account (see Note 18). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

26. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2013 and 2012 is as follows (in CZK millions):

	2013	2012
Loans and receivables	797	949
Held-to-maturity investments	139	114
Available-for-sale investments	292	318
Bank accounts	211	364
Total	1,439	1,745

27. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2013 and 2012 consist of the following (in CZK millions):

	2013	2012
Derivative losses, net	(1,333)	(858)
Gains on sales of available-for-sale financial assets	405	88
Change in impairment of financial investments	(130)	(5)
Gift tax on emission allowances	(179)	(1,852)
Other, net	15	(89)
Total	(1,222)	(2,716)

28. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2013 and 2012. The Czech corporate income tax rate enacted for 2014 and on is 19%. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have a potential effect on reported income.

The components of the income tax provision are as follows (in CZK millions):

	2013	2012
Current income tax charge	(9,455)	(10,316)
Adjustments in respect of current income tax of previous periods	21	(8)
Deferred income taxes	228	(480)
Total	(9,206)	(10,804)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2013	2012
Income before income taxes	44,440	50,957
Statutory income tax rate in Czech Republic	19%	19%
"Expected" income tax expense	(8,444)	(9,682)
Tax effect of:		
Change in tax rates and laws	(67)	(12)
Gain (loss) from derivatives	(265)	129
Non-deductible expenses related to shareholdings	(27)	(27)
Goodwill and other non-current assets impairment	(549)	(137)
Other non-deductible items, net	(732)	(358)
Non-deductible share based payment expense	(6)	(14)
Gift tax on emission allowances	(34)	(430)
Profit (loss) from associates and joint-ventures	(191)	91
Income already taxed or exempt	347	162
Tax credits	12	5
Gain on sale and loss of control over subsidiary	902	-
Adjustments in respect of current income tax of previous periods	21	(8)
Effect of different tax rate in other countries	(253)	(528)
Change in unrecorded deferred tax receivables	80	5
Income taxes	(9,206)	(10,804)
Effective tax rate	21%	21%

Deferred income taxes, net, at December 31, 2013 and 2012 consist of the following (in CZK millions):

	2013	2012
Accumulated provision for nuclear decommissioning and spent fuel storage	6,847	6,649
Financial statement depreciation in excess of tax depreciation	318	146
Revaluation of financial instruments	2,039	23
Allowances	1,162	986
Other provisions	2,293	1,840
Tax loss carry forwards	220	201
Other temporary differences	556	480
Unrecorded deferred tax asset	(70)	(361)
Total deferred tax assets	13,365	9,964
Tax depreciation in excess of financial statement depreciation	(29,549)	(28,843)
Revaluation of financial instruments	(247)	(820)
Other provisions	(805)	(706)
Penalty receivables	(165)	(95)
Other temporary differences	(999)	(578)
Total deferred tax liability	(31,765)	(31,042)
Total deferred tax liability, net	(18,400)	(21,078)
Reflected in the balance sheet as follows:		
Deferred tax assets	824	750
Deferred tax liability	(19,224)	(21,828)
Total deferred tax liability, net	(18,400)	(21,078)

Movements in net deferred tax liability, net, in 2013 and 2012 were as follows (in CZK millions):

	2013	2012
Opening balance	21,078	16,200
Deferred tax recognized in profit or loss	(228)	480
Deferred tax charged directly to equity	(2,517)	1,706
Sale of subsidiaries	(171)	-
Acquisition of subsidiaries	72	2,630
Currency translation differences	166	62
Closing balance	18,400	21,078

At December 31, 2013 and 2012 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 42,847 million and CZK 27,936 million, respectively.

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

	2013			2012		
	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	(9,543)	1,810	(7,733)	7,935	(1,500)	6,435
Cash flow hedges removed from equity	(3,018)	574	(2,444)	(127)	24	(103)
Change in fair value of available-for-sale financial assets recognized in equity	(588)	113	(475)	1,302	(248)	1,054
Available-for-sale financial assets removed from equity	(77)	19	(58)	(76)	18	(58)
Translation differences	3,910	-	3,910	(1,436)	-	(1,436)
Translation differences removed from equity	229	-	229	-	-	-
Share on equity movements of associates and joint-ventures	85	-	85	(82)	-	(82)
Re-measurement losses on defined benefit plans	(33)	1	(32)	-	-	-
Total	(9,035)	2,517	(6,518)	7,516	(1,706)	5,810

29. Related Parties

The Group purchases from and sells to related parties products, goods and services in the ordinary course of business.

At December 31, 2013 and 2012, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2013	2012	2013	2012
Akcez Enerji A.S.	104	89	-	33
Akenerji Elektrik Üretim A.S.	19	22	-	648
CM European Power International B.V.	401	520	-	-
CM European Power Slovakia s.r.o.	642	698	-	-
LOMY MOŘINA spol. s r.o.	3	3	23	13
SINIT,a.s.	1	21	10	14
TI ENERGO, s.r.o.	38	38	5	1
Výzkumný a zkušební ústav Plzeň s.r.o.	-	-	10	22
Others	32	16	60	60
Total	1,240	1,407	108	791

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2013	2012	2013	2012
Akcez Enerji A.S.	32	34	-	-
Akenerji Elektrik Üretim A.S.	70	90	-	-
In PROJEKT LOUNY ENGINEERING s.r.o.	30	-	45	3
LOMY MOŘINA spol. s r.o.	31	29	179	178
OSC, a.s.	-	-	99	108
SINIT,a.s.	5	5	87	41
TI ENERGO, s.r.o.	39	4	15	5
Ústav aplikované mechaniky Brno, s.r.o.	7	7	40	28
Others	121	134	75	98
Total	335	303	540	461

Information about compensation of key management personnel is included in Note 24.

30. 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.

According to geographical location, the Group distinguishes the following two regions that in combination with products and services form the reportable segments: Central Europe (CE) and South East Europe (SEE). The Central Europe region includes the Czech Republic, the Netherlands, Poland, Germany, Hungary, Ireland and Slovakia except for the Dutch company Aken B.V. in liquidation which is included in the South East Europe region. The South East Europe region consists of the operations of the Group in Bulgaria, Romania, Turkey, Albania, Cyprus, Serbia, Kosovo, Bosnia and Herzegovina, Russia and the Ukraine except for trading operations that are provided at the Group headquarters and therefore presented in the Central Europe region.

According to nature of the products and services the Group distinguishes four categories as follows:

(1) The power production and trading which includes production of electricity and heat and the commodity trading activities of the Group;
(2) The distribution and sale which sells electricity to end customers through the power distribution grid and provides power distribution services;
(3) The mining that produces coal and limestone used by the power production business operations or sold to third parties; and
(4) The other business activities.

The Group has seven reportable segments as a result of the combination of geographical location and nature of products and services as follows:

- 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 accounting policies of the operating segments are the same as those described in Note 2. 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 EBITDA (see Note 14).

The following tables summarize segment information by operating segments for the years ended December 31, 2013 and 2012 (in CZK millions):

Year 2013:	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	63,904	112,379	5,145	2,787	1,026	32,006	26	217,273	-	217,273
Intersegment sales	43,152	4,245	6,466	39,371	1,724	770	2,475	98,203	(98,203)	-
Total revenues	107,056	116,624	11,611	42,158	2,750	32,776	2,501	315,476	(98,203)	217,273
EBITDA	46,859	19,478	5,090	5,357	2,021	2,968	155	81,928	126	82,054
Depreciation and amortization	(16,496)	(3,620)	(2,431)	(2,094)	(1,438)	(1,796)	(69)	(27,944)	-	(27,944)
Impairment of property, plant and equipment and intangible assets including goodwill	(2,612)	55	179	(75)	(3,572)	(2,378)	(19)	(8,422)	-	(8,422)
EBIT	27,764	15,919	2,951	3,256	(2,989)	(1,188)	67	45,780	(25)	45,755
Interest on debt and provisions	(6,219)	(389)	(239)	(20)	(582)	(30)	(47)	(7,526)	1,155	(6,371)
Interest income	2,160	8	257	9	19	104	37	2,594	(1,155)	1,439
Gain on loss of control over subsidiary	-	-	-	-	-	1,785	-	1,785	-	1,785
Share of profit (loss) from associates and joint-ventures	(144)	-	2	-	(501)	(338)	-	(981)	-	(981)
Income taxes	(5,083)	(2,846)	(594)	(700)	36	(8)	(17)	(9,212)	6	(9,206)
Net income	31,103	12,717	2,933	2,590	(4,529)	336	53	45,203	(9,969)	35,234
Identifiable assets	267,536	76,444	20,962	11,066	28,405	24,530	103	429,046	(2,486)	426,560
Investment in associates and joint-ventures	4,522	-	187	-	5,022	2,812	-	12,543	-	12,543
Unallocated assets										202,033
Total assets										641,136
Capital expenditure	29,058	7,693	2,438	23,029	556	2,961	1,071	66,806	(22,736)	44,070
Average number of employees	7,484	1,476	3,257	8,929	443	3,998	1,159	26,746	-	26,746

Year 2012:	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	68,224	101,010	4,632	3,170	2,243	35,799	17	215,095	-	215,095
Intersegment sales	47,651	5,884	5,905	39,171	1,184	847	2,304	102,946	(102,946)	-
Total revenues	115,875	106,894	10,537	42,341	3,427	36,646	2,321	318,041	(102,946)	215,095
EBITDA	56,987	17,596	4,551	5,575	2,966	(1,773)	154	86,056	(238)	85,818
Depreciation and amortization	(16,223)	(3,585)	(2,137)	(2,256)	(1,103)	(2,328)	(64)	(27,696)	-	(27,696)
Impairment of property, plant and equipment and intangible assets including goodwill	(116)	2	(138)	100	(222)	(810)	-	(1,184)	-	(1,184)
EBIT	40,754	14,019	2,255	3,452	1,640	(4,889)	90	57,321	(238)	57,083
Interest on debt and provisions	(6,197)	(297)	(295)	(14)	(502)	(166)	(26)	(7,497)	1,128	(6,369)
Interest income	2,272	18	388	19	25	144	7	2,873	(1,128)	1,745
Share of profit (loss) from associates and joint-ventures	(104)	-	27	-	171	357	-	451	-	451
Income taxes	(7,032)	(2,577)	(443)	(718)	(60)	(3)	(11)	(10,844)	40	(10,804)
Net income	41,235	11,111	2,502	2,676	603	(4,562)	92	53,657	(13,504)	40,153
Identifiable assets	258,548	72,390	21,838	13,366	30,391	28,027	76	424,636	(4,882)	419,754
Investment in associates and joint-ventures	4,243	-	185	-	6,413	3,542	-	14,383	-	14,383
Unallocated assets										201,933
Total assets										636,070
Capital expenditure	26,103	8,304	3,741	23,289	6,947	3,151	973	72,508	(22,059)	50,449
Average number of employees	7,668	1,459	3,454	8,467	526	8,484	1,214	31,272	-	31,272

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues according to the location of the entity where the revenues are originated (in CZK million):

	2013	2012
Czech Republic	173,500	165,833
Bulgaria	22,165	21,034
Romania	11,097	10,473
Poland	3,965	3,270
Albania	24	6,553
Other	6,522	7,932
Total revenues	217,273	215,095

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2013 and 2012 (in CZK million):

	2013	2012
Czech Republic	364,239	352,014
Bulgaria	12,348	13,629
Romania	40,685	40,438
Poland	9,283	9,244
Albania	-	4,423
Other	5	6
Total property, plant and equipment	426,560	419,754

31. Net Income per Share

	2013	2012
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	35,885	41,429
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	534,115	534,115
Dilutive effect of share options	7	11
Diluted:		
Adjusted weighted average shares	534,122	534,126
Net income per share (CZK per share)		
Basic	67.2	77.6
Diluted	67.2	77.6

32. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2013 to total CZK 165.8 billion over the next five years, as follows: CZK 43.7 billion in 2014, CZK 31.5 billion in 2015, CZK 31.1 billion in 2016, CZK 28.8 billion in 2017 and CZK 30.7 billion in 2018. These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Group will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2013 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations for energy generation purposes is liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other nuclear installations and activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing Czech nuclear insurance pool) and European Liability Insurance for the Nuclear Industry.

The Group also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants and general third party liability insurance in connection with main operations of the Group.

33. Situation in Albania

In May 2009, ČEZ acquired a 76% shareholding in the sole Albanian distribution company OSSh - currently CEZ Shpërndarje ("CEZ SH"). The remaining 24% is owned by the Albanian government. Part of the contractual documentation is the Regulatory Statement, which has set a particular form of regulation and anticipated acceptance of a series of independent studies that would reflect all eligible costs in tariffs and other regulatory conditions for meeting CEZ SH's obligations as the license holder. In December 2011, the Albanian regulator (ERE) made decisions as to tariffs for the period 2012 – 2014 and increased regulated prices of electricity purchases without any corresponding modification of regulated prices for CEZ SH's end customers. ČEZ filed a claim with ERE against the decisions that were adopted in conflict with the Regulatory Statement and, consequently brought a legal action. The regulator's decisions together with other unfavorably set conditions by the Albanian government institutions negatively affected CEZ SH's results of operations and gradually caused problems with liquidity resulting in CEZ SH's critical financial situation and insolvency.

In the course of 2012 ČEZ repeatedly notified the ERE in writing of the issues and CEZ SH's deteriorating financial position and also of the necessity to take immediate action toward CEZ SH's inability to meet its license-related obligations. The ERE repeatedly did not respond to ČEZ notifications and calls but rather adopted restrictive measures making the cut offs of power non-payers more difficult, changed the method of reporting of revealed power thefts and did not approve terms enabling withdrawal of an investment loan. In addition, the Albanian tax administration changed its approach to assessments of additional tax payments and penalties. During negotiations the Albanian side started to publicly proclaim its own, closely unspecified financial claims towards ČEZ. The Albanian side has never sufficiently backed up, legally specified and unanimously quantified these claims and, above all, never brought them to any court or arbitrary institution. For sake of prudence ČEZ has always a priori rejected in writing all the Albanian side assertions as untrue and ungrounded and get an independent legal opinion prepared. Considering all relevant circumstances and the valid Albanian legislation, the Albanian side success in bringing the alleged claims cannot be anticipated, the possible legal grounds of these claims are, as per the Albanian law, very weak and the obligation to prove its assertions is fully at the plaintiff's side. Under the current circumstances these claims can be regarded as ungrounded and purpose-made assertions and therefore ČEZ created no provision against them as at December 31, 2013 and 2012.

The consolidated financial statements of the CEZ Group as at December 31, 2012 and for the year then ended include the following figures with respect to CEZ SH (in CZK million):

Balance Sheet	
Assets	8,210
Liabilities	(12,465)
Equity attributable to equity holders of the parent	(2,914)
of which translation differences	*(229)*
Non-controlling interest	(1,341)
Total equity	(4,255)
Statement of Income	
Loss attributable to equity holders of the parent	(4,919)
Loss attributable to non-controlling interest	(1,553)
Total loss	(6,472)

On January 21, 2013 the regulator decided to revoke the CEZ SH's license for the distribution and sale of electricity to tariff customers and appointed the administrator of CEZ SH. The administrator took control over the company including the decision making powers and responsibility for its operations. Both the rights of CEZ SH statutory bodies and the ČEZ shareholder rights were transferred to the administrator and thus ČEZ lost control over CEZ SH (see Note 7). To prevent interests of its shareholders ČEZ appealed against setting up of the administrator and against its powers and on February 7, 2013 it officially notified the Albanian government of its intention to launch international arbitration proceedings.

On February 7, 2013, ČEZ paid CEZ SH's liabilities in the amount of EUR 35.2 million to the International Financial Corporation and the European Bank for Reconstruction and Development related to the loan agreement made by and between the two banks and CEZ SH in June 2011 and in accordance with the written arrangement between ČEZ and the two banks signed on July 20, 2012. ČEZ thus has become CEZ SH's creditor. In addition, the two banks (EBRD on February 14, 2013 and IFC on February 15, 2013) also cancelled the unused line of credit which was originally contracted at EUR 100 million.

In February 2013, ČEZ notified the Albanian party by sending a "Notice of Dispute" of its intention to seek compensation for damage incurred due to its non-protected investment in the power distribution company CEZ SH, with the International Arbitration Tribunal according to the Energy Charter Treaty. The Treaty, negotiated in 1995 and ratified by both the Czech Republic and Albania, governs the protection of international investments in the energy sector. After the three months period for conciliatory resolution of the dispute expired, the arbitration proceedings have been formally initiated by sending a "Notice of Arbitration" in May 2013. However, this does not prevent a potential out-of-court settlement between the parties.

34. Legal Disputes

As of December 31, 2013 ČEZ, a. s. is a defendant in a lawsuit related to the realization of squeeze-out of minority shareholders in a subsidiary. The plaintiffs challenged the share price established by valuator nominated by court. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice the outcome of the litigation.

35. Events after the Balance Sheet Date

The call option to buy the MOL's shares was not exercised by MOL and the option period lapsed on January 23, 2014 (see Note 4).

On February 4, 2014 ČEZ, through its 100% subsidiary CEZ MH B.V., issued EUR 470.2 million guaranteed exchangeable bonds due 2017 exchangeable for existing ordinary shares of MOL Hungarian Oil and Gas PLC. The guarantee was issued by ČEZ. The deal has been priced on January 28, 2014 with a coupon of 0.00% and initial exchange price has been set at EUR 61.25 per share, reflecting a premium of 35%. Bondholders will have the right to exchange the bonds for shares from January 25, 2017, subject to the issuer's right to elect to deliver an equivalent amount in cash for all or part of the shares.

In January 2014 the Company repaid the debentures of CZK 2,500 million with coupon based on consumer price index in the Czech Republic plus 4.20% and short-term debentures of EUR 10 million.

These consolidated financial statements have been authorized for issue on February 24, 2014:

Daniel Beneš Chairman of Board of Directors	Martin Novák Vice-chairman of Board of Directors