



CEZ GROUP: READY FOR DECENTRALIZED ENERGY FUTURE

Investment story, August 2020

AGENDA



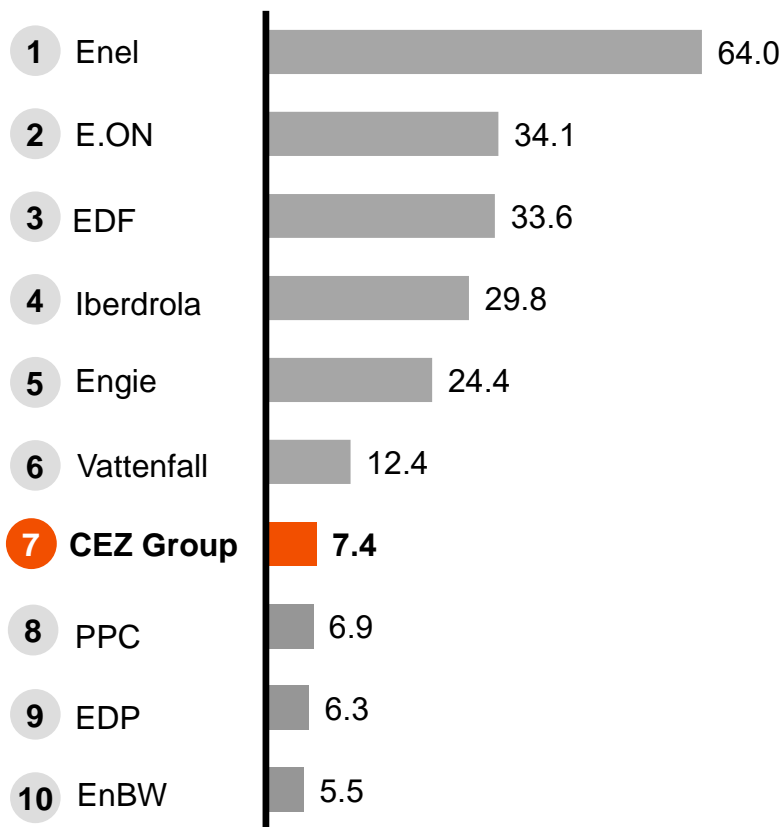
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CEZ GROUP RANKS AMONG LEADING UTILITY COMPANIES IN EUROPE



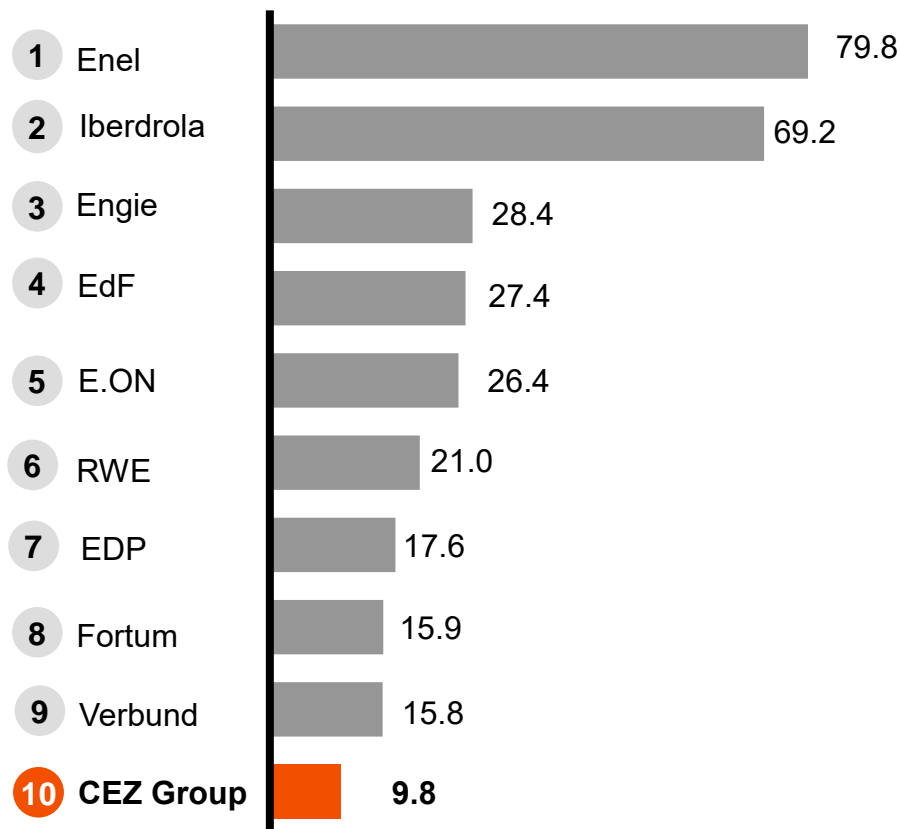
Top 10 European power utilities

Number of customers in 2019, in millions

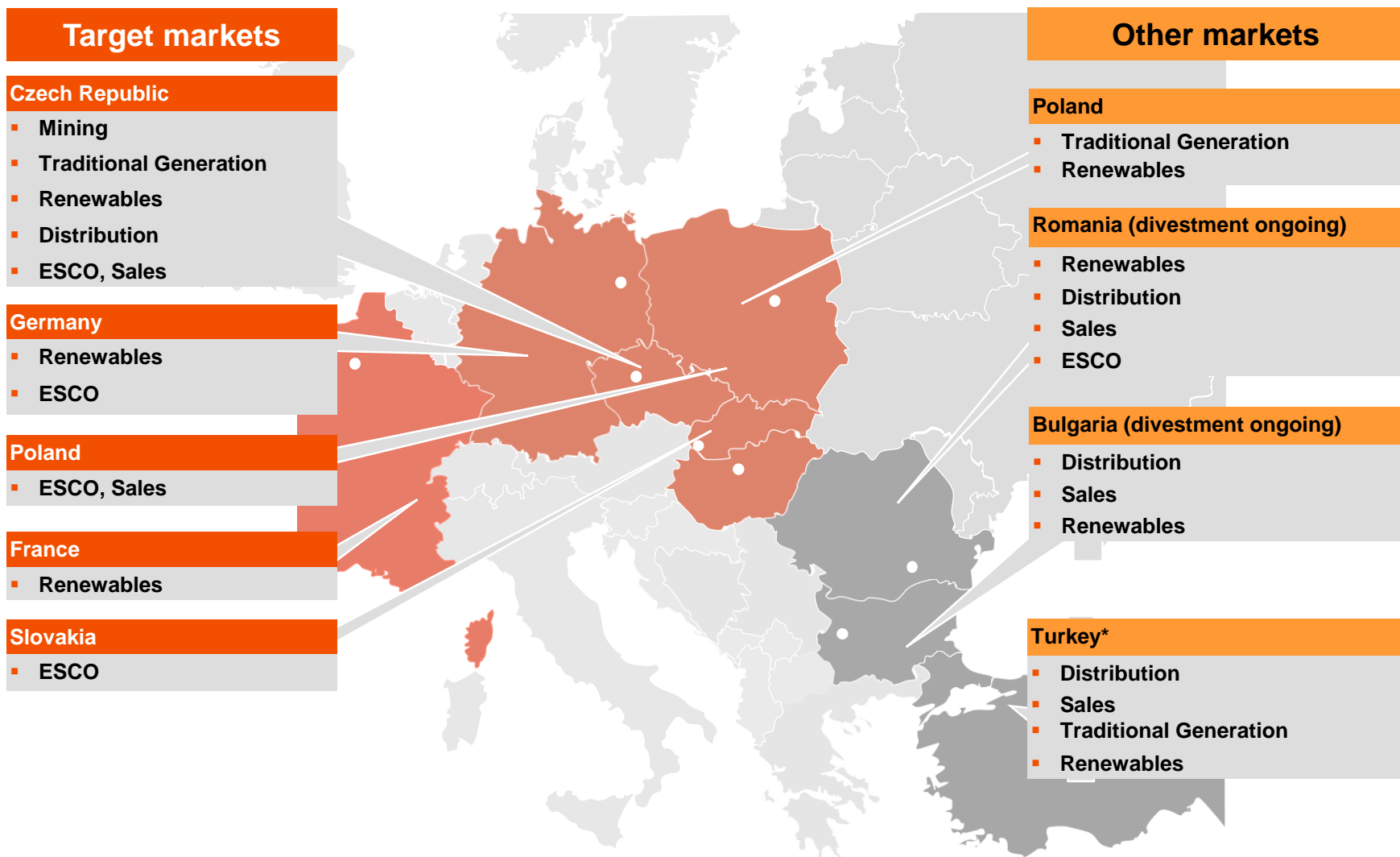


Top 10 European power utilities

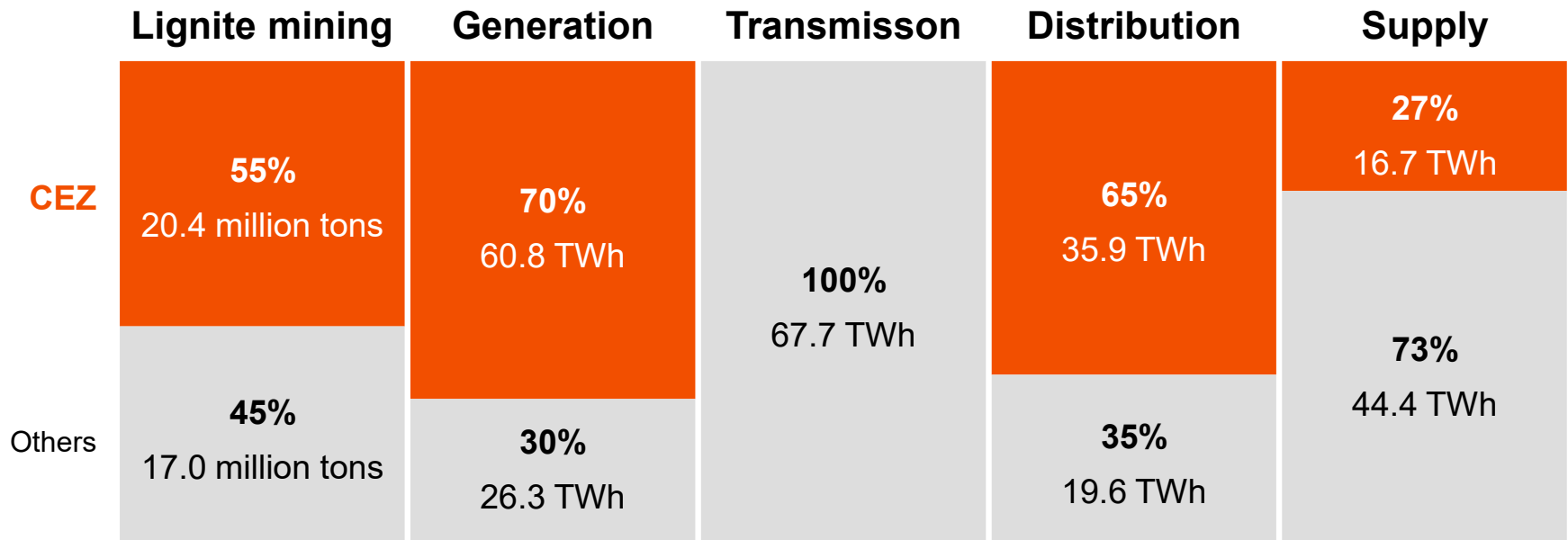
Market capitalization in EUR bn, as of Aug 17, 2020



CEZ GROUP IS AN INTERNATIONAL UTILITY WITH A STRONG POSITION IN ITS DOMESTIC MARKET AND GROWING PRESENCE IN WESTERN EUROPE



CZECH REPUBLIC IS THE MOST IMPORTANT MARKET FOR CEZ GROUP, IT IS VERTICALLY INTEGRATED THERE



- CEZ fully owns the largest Czech mining company (SD) covering 72% of CEZ's Lignite needs
- Remaining 3 coal mining companies are privately owned

- Other competitors are individual IPPs

- The Czech transmission grid is owned and operated by CEPS, 100% owned by the Czech state



- Other competitors – E.ON, PRE (41% held by EnBW), Bohemia Energy, Innogy, Centropol Energy

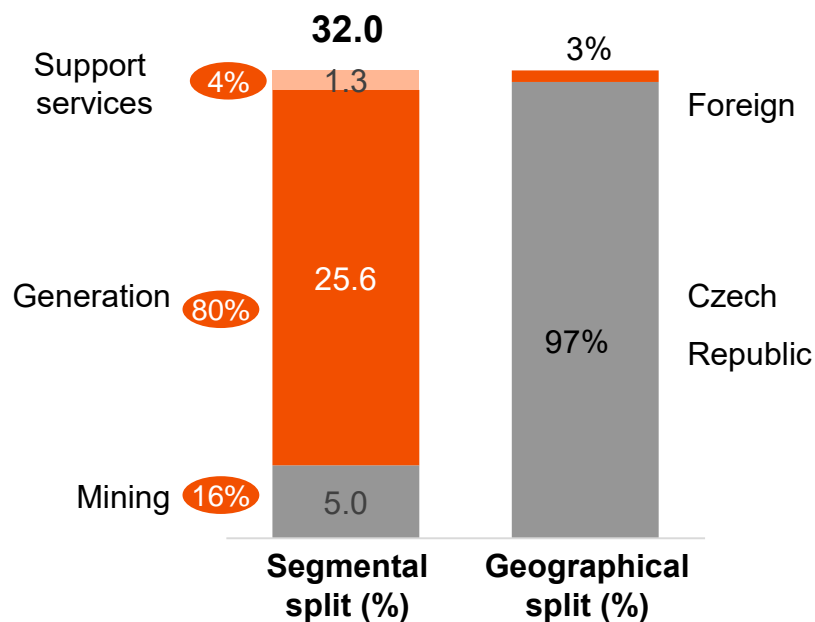
SEGMENTAL AND GEOGRAPHICAL CONTRIBUTIONS TO EBITDA IN 2019



2019 EBITDA CZK 60.2bn

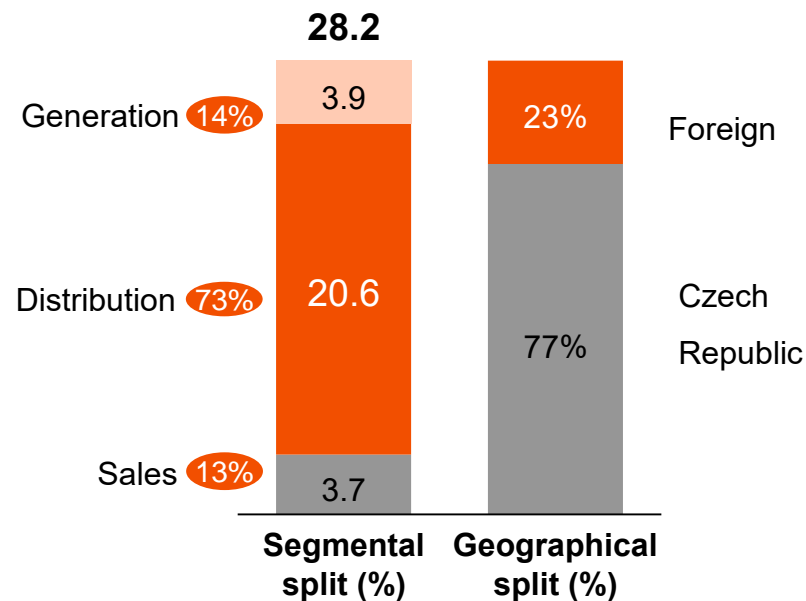
~53%

Traditional Generation
2019 EBITDA



47%

Regulated and New Energy
2019 EBITDA



OPERATIONS TEAM

- The most effective use of our traditional assets
- Proactively adjusting to the new energy environment
- Generating sufficient cash flows to develop new activities and pay dividends to our shareholders

DEVELOPMENT TEAM

- Ensuring future growth for CEZ based on ESCO activities, decentralized energy, distribution and domestic renewables with focus on end customers
- Acquisitions and organic growth in stable countries

KEY BUSINESS DRIVERS OF CEZ GROUP



Traditional Generation

- **Benefits from higher power prices.....**
 - 2020 expected achieved electricity price is EUR 46/MWh, approximately 20% higher y-o-y
- **as it is positively geared toward growing price of CO2 allowances**
 - CEZ emission intensity 0.36 t/MWh is well below 0.65-0.70 t/MWh intensity of price setting plant and will further drop to 0.3 t/MWh by 2025
- **Stable CAPEX**
 - Upgrade of lignite fleet completed
 - Current Capex mostly maintenance related

Regulated and New Energy

- **Benefits from RAB growth**
 - CAGR 8% pa in 2020-25 in Czech distribution
- **Additions of renewables capacity**
 - Current pipeline of up to 565 MW of wind parks in Europe
 - Ambition to add further renewable capacities in the Czech Rep.
- **Expansion of energy services offering („ESCO“)**
 - 2019 revenues increase by 37% to CZK 22 bn
 - Further growth anticipated organically and through acquisitions

PRIORITIES OF CEZ GROUP BUSINESS STRATEGY



Strategic priorities of CEZ Group

Efficient operation, optimal utilization and development of generation portfolio

Modern distribution and a care for customers' energy needs

Development of new energy in the Czech Republic

Development of energy services in Europe

Main strategic thesis of CEZ Group

- Efficient management of nuclear plants and coal plants located near the coal basins and preparation of conditions for realization of new nuclear plant as part of strengthening energy security and decarbonization of generation portfolio in Czechia
 - Modernization and digitalization of distribution and sales in Czechia, development of complex services taking into account customers' needs
 - Development of energy services (ESCO) and renewables (RES) in Czechia in fulfilling Czech climate and energy plan
 - Development of foreign ESCO activities and achieving significant position in markets close to Czechia, primarily Germany, northern Italy and Poland
-
- Realization of efficient exit strategies from markets and energy segments, which are risky or do not have attractive prospects
 - Finalization of RES development abroad and securing return of funds invested

KEY SUBSTANTIVE AND FINANCIAL OBJECTIVES OF CEZ GROUP STRATEGY



Strategic Priorities

Key Substantive Objectives and Ambitions for 2025

Additional 2025 EBITDA* Goal (CZK bn)

Efficient Operation, Optimum Utilization & Development of Generation Portfolio

- Safe and efficient generation by nuclear plants (WANO's assessment of CEZ's nuclear power plants above the global nuclear operators median; annual generation above 31.5 TWh).
- Long-term NPP operation (Temelín units at least until 2060 and 2062, Dukovany units until 2045 and 2047).
- Value maximization in mining and conventional generation, efficient generation by power and heating plants in mining regions. Controlled phaseout of plants outside mining regions.
- Negotiating a framework for the construction of a new nuclear unit at Dukovany, which would cover the regulatory and market risks of the project. Commencing project preparations according to the approved contractual framework.

**+1 to +2
beyond the effect
of market
prices**

Modern Distribution & Care for Customers' Energy Needs

- Distribution CZ: Increasing revenues by way of increased investments in the context of changes induced by decentral energy; increasing efficiency and reducing operating expenses.
- Sales CZ: Maintaining current profitability by way of: maintaining the current customer base, increasing customer satisfaction, and expanding offerings in the portfolio of noncommodity products and services.

+2 to +4

New Energy Sector Development in Czechia

- ESCO CZ and SK: 25%+ share in the growing market with target EBITDA margin > 7%.
- RES CZ: Playing a major role in the growth of renewables in Czechia. Total potential for Czech solar installed capacity estimated at up to 5 GW, including about 0.5 GW on land currently owned by CEZ Group.

+2 to +3

Energy Services Development in Europe

- Continuing with quick organic and acquisition expansion in Germany, northern Italy, and Poland.
- Maximizing synergies from the consolidation of activities in target markets.
- Becoming a Top 3 ESCO player in these markets by 2025, with target EBITDA margin > 7%.

+2 to +3

Divestment Strategy

- Return of capital invested in RES assets in Germany and France.
- Completion of sale of assets in Bulgaria, sale of generation and distribution assets in Romania, Poland, and Turkey. The goal is to sell those assets by the end of 2022. The assets' contribution to CEZ Group's annual 2019 EBITDA was CZK 6.0 bn.

The goal of additional 2025 EBITDA* demands significant investments in new assets, primarily in RES in Czechia, ESCO abroad, and distribution in Czechia. Investments in RES development in Czechia and ESCO development will be financed by income from divestments.

CEZ GROUP INTENDS TO LEAVE MARKESTS WITH INSUFFICIENTLY APPEALING OUTLOOK AND NEED FOR INCREASED MANAGEMENT FOCUS



Strategic priorities

Leaving risky and non-perspective markets and segments

Recovery of capital invested in foreign renewables

Key initiatives

- Carry out divestments of assets in Romania and Poland
- Finalize divestments of assets in Bulgaria and Turkey
- Finalization of renewables development abroad and securing recovery of invested funds

Reasons for the divestments

- Romanian regulatory environment has stabilized after brief wobbles at the start of new regulatory period
- Increased interest from various financial groups in Romania who seek infrastructure investments with higher yields compared to Western Europe
- Monetization of Polish coal business and reduction of CEZ's carbon footprint
- Turkish market is extremely risky especially due to currency volatility

Potential use of proceeds

- Debt reduction to avoid negative impact on consolidated leverage through divested EBITDA
- Reinvestments into energy services and domestic renewables
- Distribution to shareholders

2019 EBITDA contribution of assets contemplated for sale: CZK 6 bn*

STEPS OF STRATEGY IMPLEMENTATION TAKEN IN 2019 (1/2)



Strategic Priorities

I. Efficient Operation, Optimum Utilization & Development of Generation Portfolio

Nuclear energy and new nuclear unit areas

- Nuclear generation exceeded 30 TWh in 2019 and measures were realized to fulfill strategic ambition
- The international mission of WANO confirmed a high standard of operation of the Temelín NPP and the corporate mission of WANO confirmed that ČEZ proceeded in compliance with the mission recommendations of 2017 and achieved best practice.
- An affirmative standpoint was issued by the Ministry of the Environment of the Czech Republic for a new nuclear source at the Dukovany NPP. EIA is valid for 7 years after its date of issue.
- Supplier model debated with potential bidders on delivery of new nuclear power plant.

Other areas

- A decision was taken not to exercise the option of withdrawal from sale of the Počerady brown coal-fired power plant.
- Preparatory steps were taken to shut down selected coal sources in Czechia in 2020 and to meet environmental limits for sources operated after 2020 (especially mercury BAT limits - Hg). Analyzes and documents were prepared for discussion on exemptions from BAT – AEL (necessary changes exceed the 4 year adaptation deadline)
- Permanent benefits in the area of optimization of supporting and central services exceeded CZK 0.6 bn/year.

STEPS OF STRATEGY IMPLEMENTATION TAKEN IN 2019

(2/2)



Strategic Priorities

II. Modern Distribution and Care for Customers' Energy Needs

- In August 2019 the Energy Regulatory Office (ERO) published its Price Regulation Principles for Regulation Period V applicable to the years 2021 – 2025. In Q4 2019 a public consultation process took place enabling to submit comments. CEZ provided basis and arguments for determination of final parameters, which will be set in H1 2020 by ERO.
- CZK 10.9 billion was invested in the distribution network in Czechia.
- The number of connection points operated by ČEZ Prodej increased by 7,800 and customer satisfaction increased.

III. New Energy Sector Development in Czechia

- A large-capacity battery system was launched at Tušimice with the installed capacity of 4 MW and the storage capacity of 2.8 MWh
- Team for RES development activities in Czechia was set up, preparatory works and technical assessments of land owned by CEZ Group companies were carried out, first framework agreements for lease and purchase contracts for external locations were signed

IV. Energy Services Development in Europe

- Development strategy for target development markets were established, ambitions for acquisition and organic growth in 2019 were achieved.
- We acquired new foreign ESCO companies whose annual EBITDA exceeds CZK 0.6 bn
- Three new investments were realized by Inven Capital (CyberX, Neuron and Zolar)

Divestment Strategy

- We commenced the divestment process for Romanian assets with 19 non-binding offers received.
- Implementation of the contract on the sale of Bulgarian assets has not yet been made possible by Bulgarian authorities.
- We managed to reduce distribution losses:
 - in Romania to 8.2% (from 8.6%)
 - in Bulgaria to 8.0% (from 9.1%)
- Transformation of Polish assets is being finalized and divestiture process of selected Polish assets has been prepared.

50% REDUCTION IN INSTALLED COAL CAPACITY ALREADY BY 2025 AND FULL COAL DECOMMISSIONING BY 2050



Coal fired power plants will be gradually closed, full exit by 2050

- Coal fired power plants represented 45% of capacity and 39% of generation volume in 2019. Their revenues are less than 20% of total.
- Coal fired capacity will decrease by half from 7.8 GW in 2016 to 3.9 GW by 2025 and further to 2.5 GW in 2035
- The goal for 2030 is to reduce CO₂ emissions by 30% compared to 2018 and reduce the emission intensity to at least 300 g/kWh by a combination of closure of selected coal plants and development of renewables.
- CEZ made commitment for carbon neutrality by 2050*

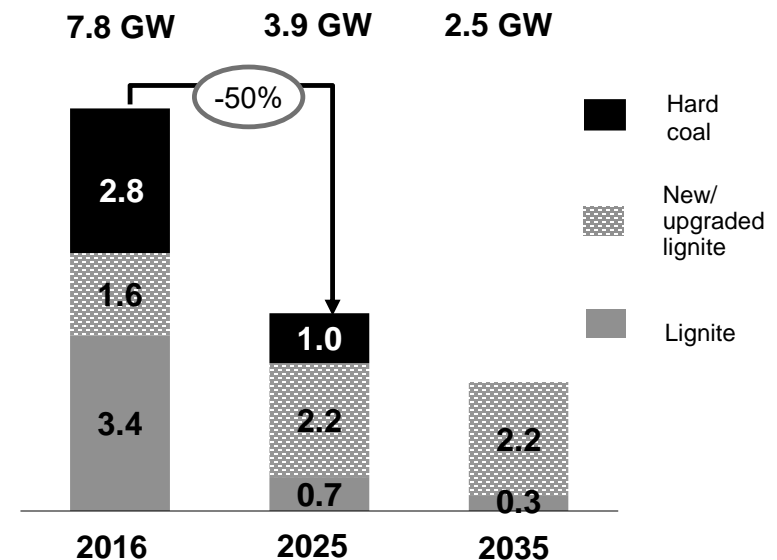
CEZ is expanding its footprint in renewables, not planning any new coal fired power plants

- CEZ's strategy focuses on power generation capacity growth in renewables expanding its currently running 1,700 MW renewable generation capacity (half of which built in the last decade)

Coal extracted is mainly used in own power plants

- CEZ Group produced 20.4 mil tones of coal, out of which only 26% is sold externally
- Share of coal mining and related activities (except power generation) on CEZ group's revenues is 2% only
- Volume of extracted coal is expected to decline reflecting the closures of CEZ coal capacities.

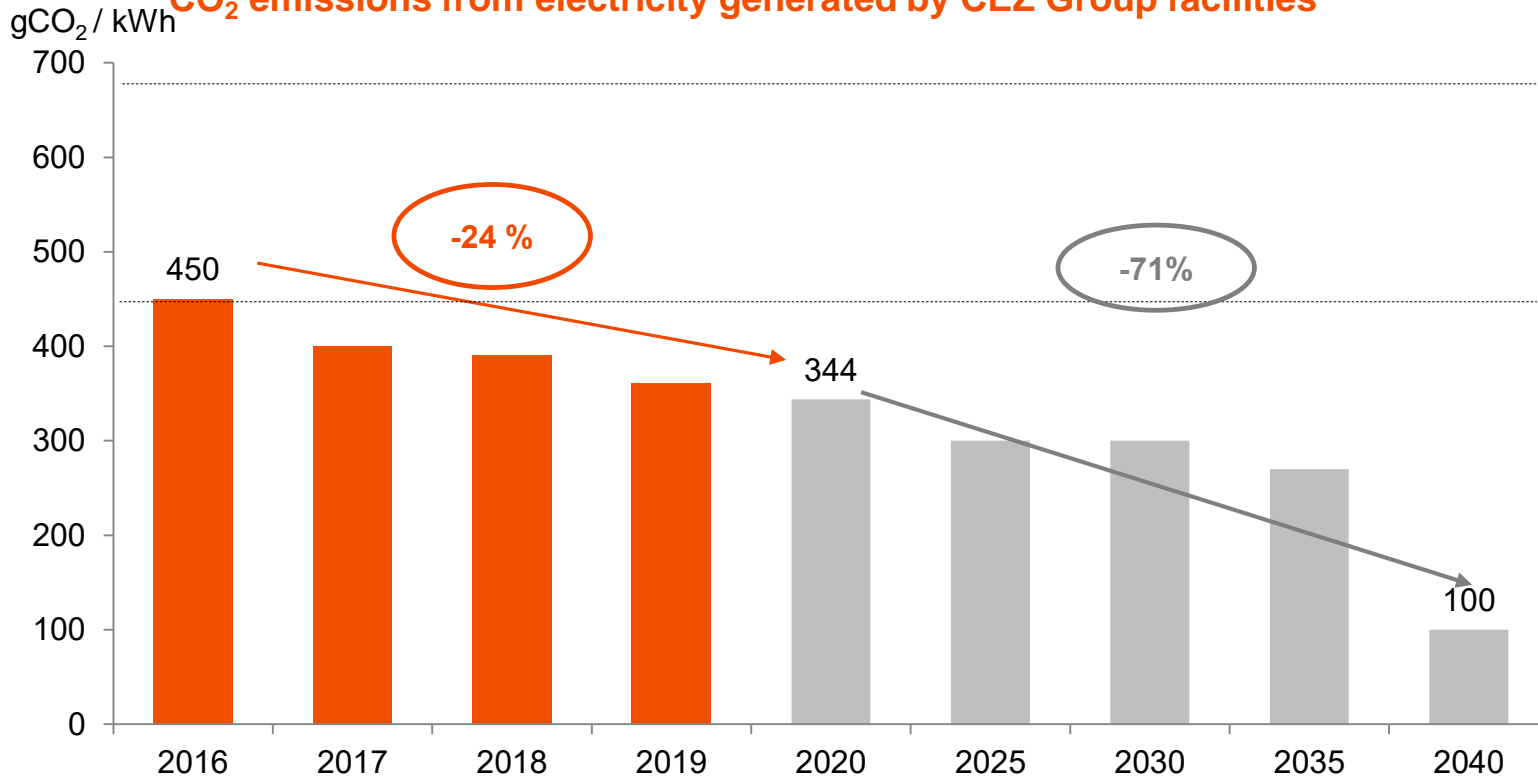
Expected development of installed capacity in coal (GW)



CO2 INTENSITY WILL DECLINE BY 72% BY 2040 THANKS TO COAL PLANT CLOSURES



CO₂ emissions from electricity generated by CEZ Group facilities



The average specific CO₂ emissions of the marginal plant in Europe are now approx. 650–700g of CO₂/kWh

Specific CO₂ emissions of new CCGT plant of <350g of CO₂/kWh

Mean specific emissions of CO₂ from electricity generated by CEZ Group sources have decreased by **20%** in the past 3 years. The value of 361 gCO₂/kWh achieved in 2019 nearly reached the level of new CCGT.

On June 30, 2020 the operation of the Prunéřov 1 (440 MW) coal-fired power plant was terminated; it produced a total of 139 TWh of electricity, which is Czechia's 2-year consumption.

AGENDA

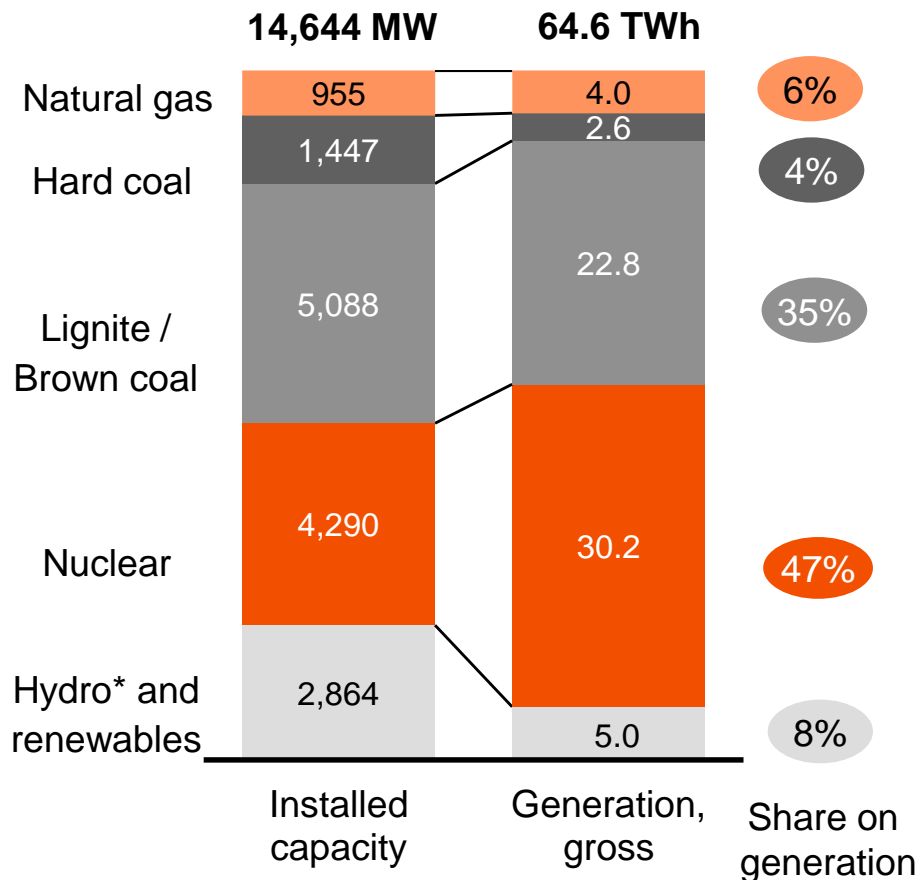


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CEZ GROUP OPERATES LOW COST GENERATION FLEET



Installed capacity and generation (2019)



- **Coal power plants are using mostly lignite from CEZ's own mine** (72% of lignite needs sourced internally, remaining volume through long-term supply contracts)
- **Nuclear plants have very low operational costs**



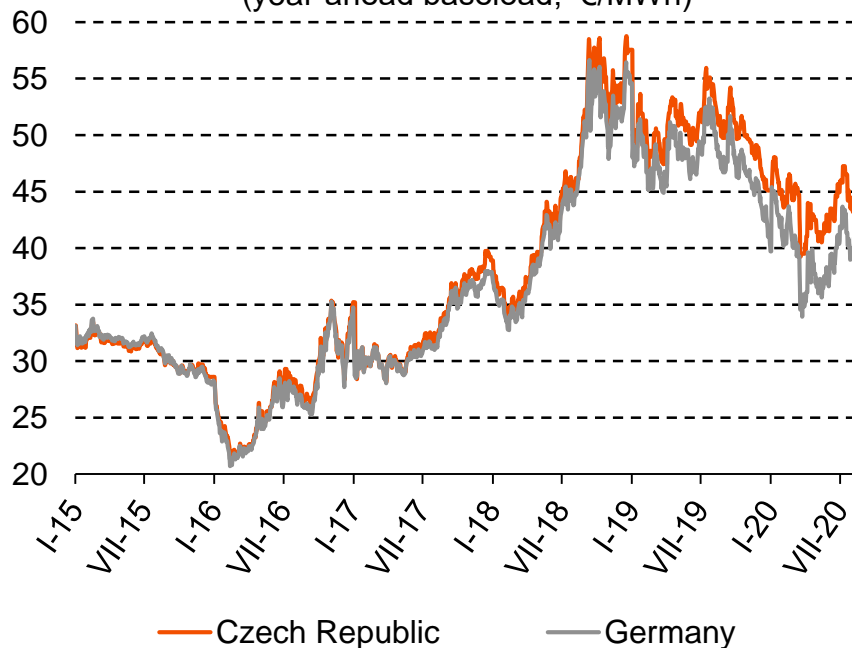
CEZ has a long-term competitive advantage of low and relatively stable generation costs

LOW COST AND UPGRADED GENERATION PORTFOLIO GENERATES HEALTHY MARGINS IN CURRENT PRICE ENVIRONMENT



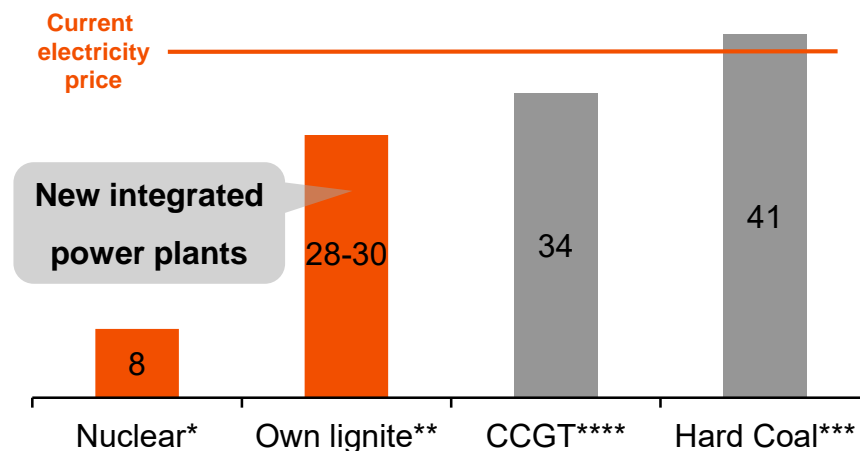
Development of electricity price

(year-ahead baseload, €/MWh)



Cash fuel costs by technology

(€/MWh)



Drivers of electricity price

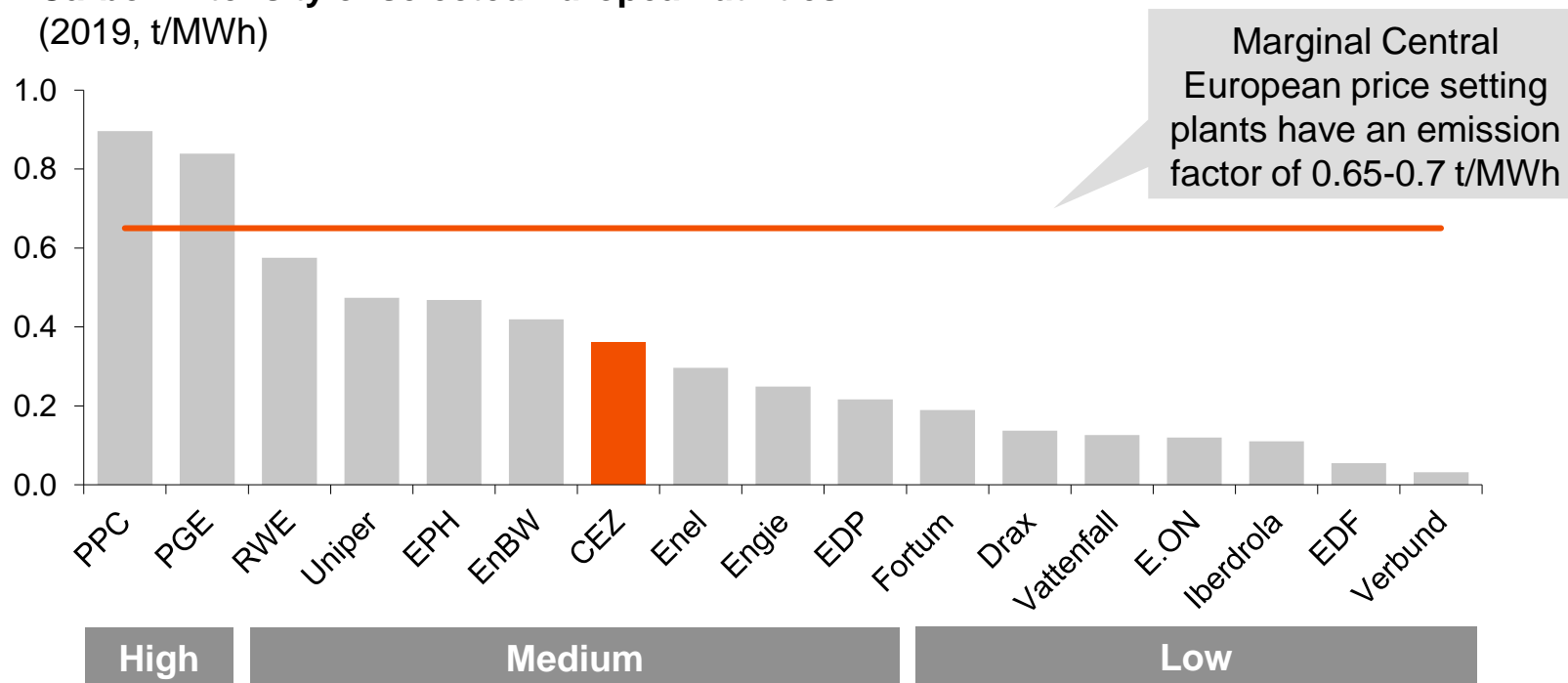
- **hard coal prices** being driven by Chinese imports, minor impact by gas oversupply
- **carbon prices** supported by the EU Green Deal discussions
- **growing capacity of subsidized renewables**
- **falling electricity demand** due to suspension of economic activity as a measure against the coronavirus

CEZ GROUP'S CO₂ INTENSITY IS BELOW INTENSITY OF A EUROPEAN PRICE SETTING PLANTS



Carbon intensity of selected European utilities

(2019, t/MWh)



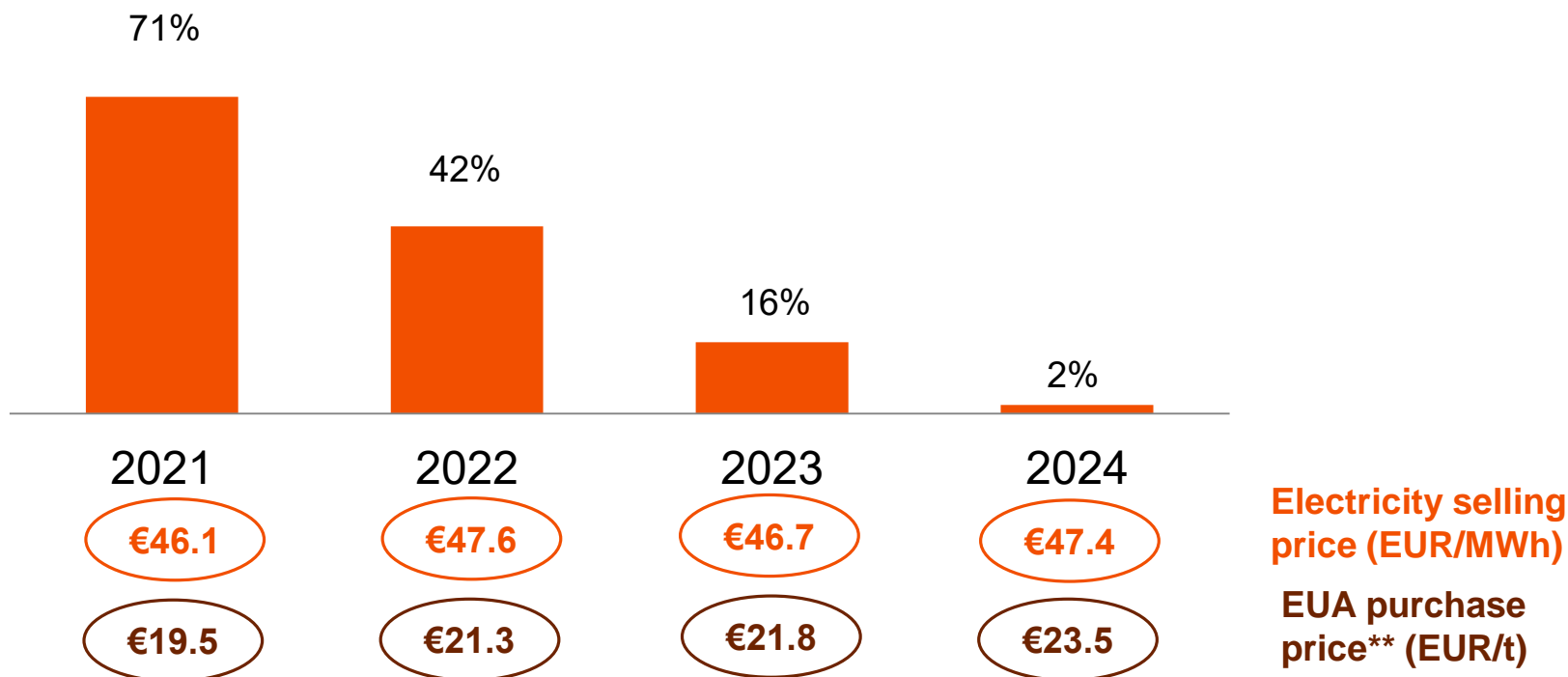
Increase in CO₂ price has a positive impact on CEZ profitability

CEZ HEDGES ITS GENERATION REVENUES THREE YEARS AHEAD IN LINE WITH STANDARD POLICY



Share of Hedged Production of CEZ* Facilities as of June 30, 2020

(100% of deliveries in 2021–2024 corresponds to 51–55 TWh)



Predicted realization price of generated electricity in Czechia in 2020 (as of Aug 11, 2020):

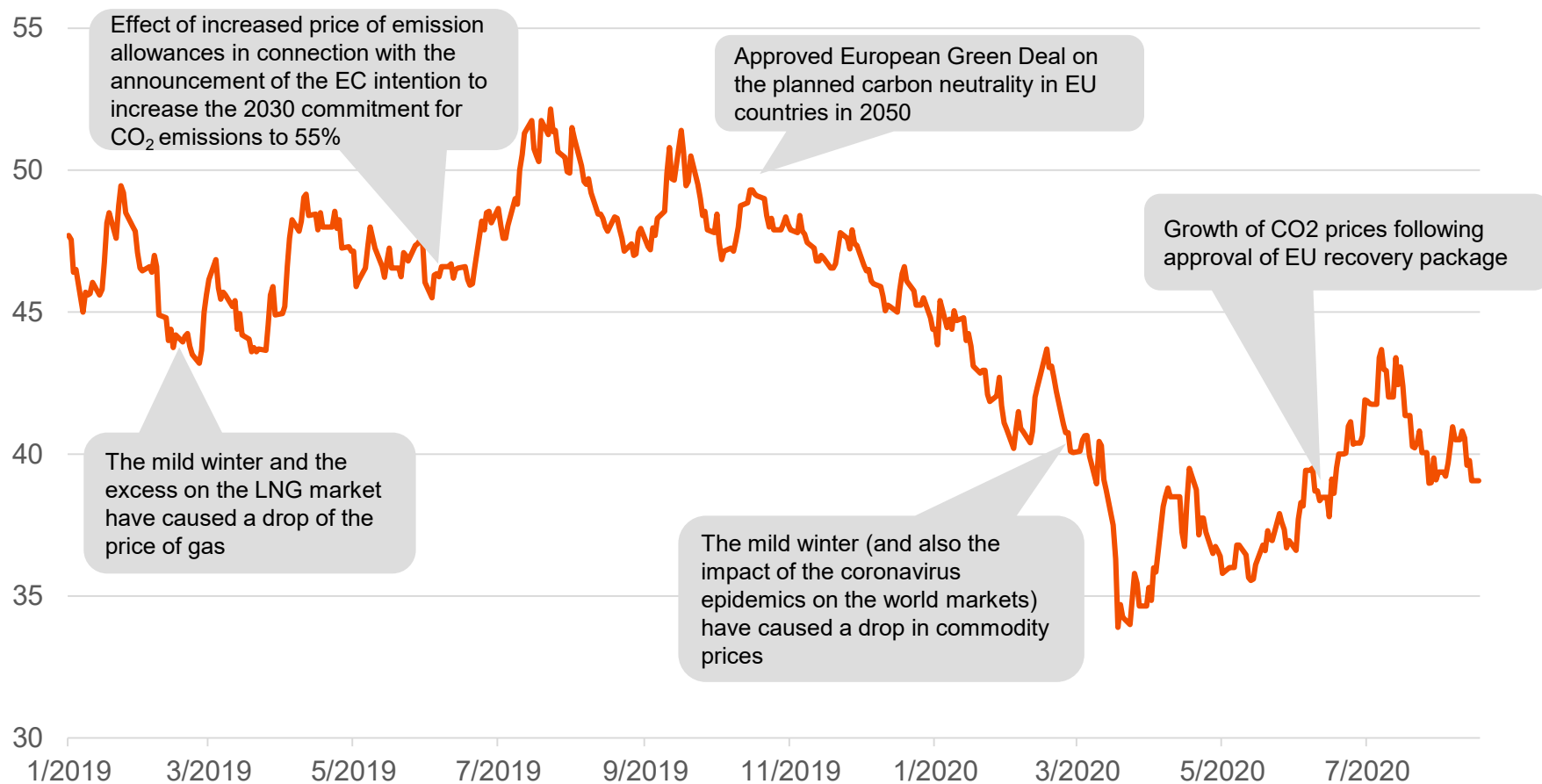
- Expected average realization price of generated electricity is **EUR 45.7 / MWh**.
- Estimated average price of acquired emission allowances for generation is **EUR 15.1 t**.

ELECTRICITY PRICE HAS DECREASED BY 13% IN 2020 AFTER A PERIOD OF RELATIVE STABILITY IN 2019



Development of Electricity Price in Germany (Jan 2, 2019 – Aug 20, 2020)

Cal21, EUR/MWh, EEX

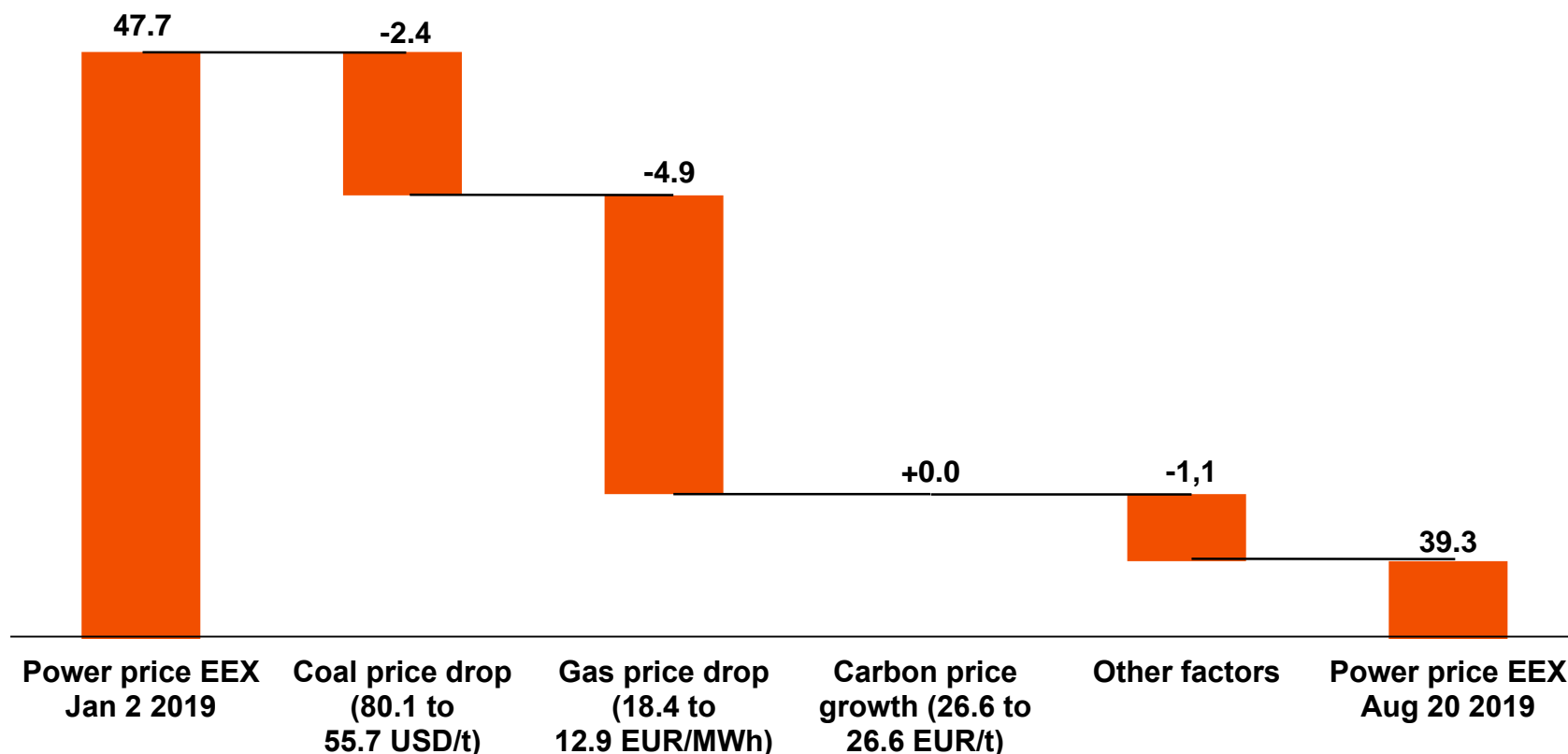


ELECTRICITY PRICES HAVE DROPPED PRIMARILY DUE TO DECREASING PRICES OF GAS AND COAL, CARBON REMAINS STRONG



Breakdown of Causes for Change in Wholesale Electricity Prices in 2021

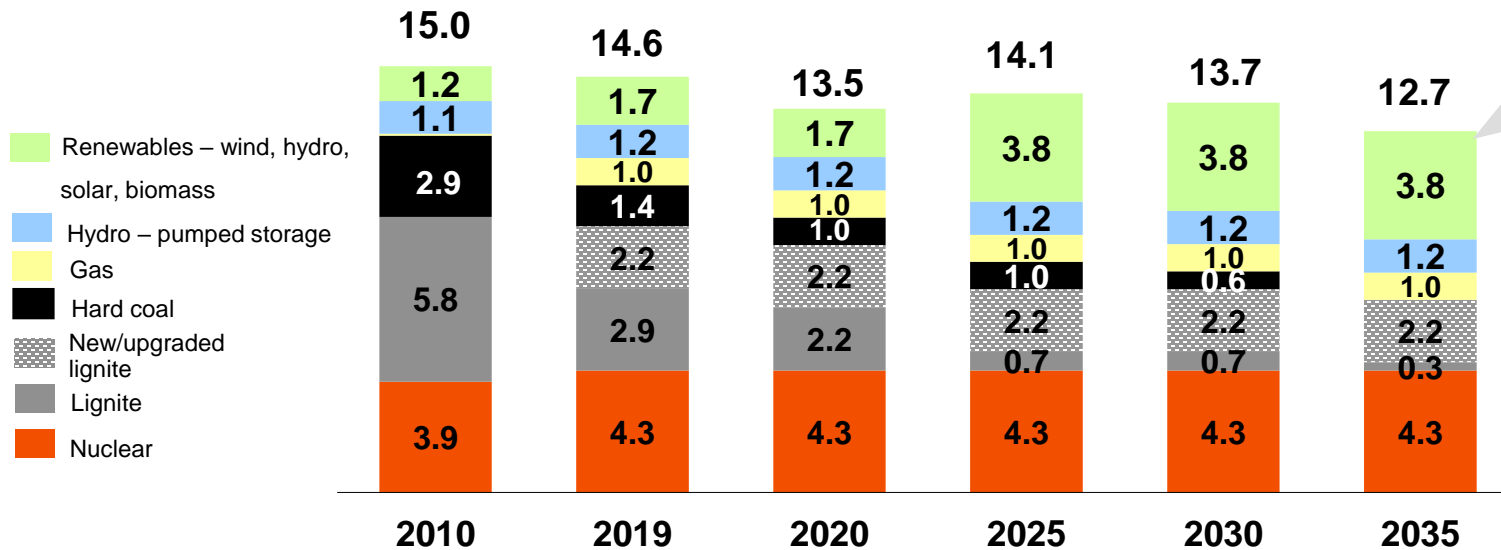
EUR/MWh (EEX, Base Load 2021 in Germany; Jan 2, 2019–Aug 20, 2020)



CEZ GROUP'S CO2 EMISSIONS INTENSITY TO DECLINE AS A RESULT OF CLOSURES OF OLD LOW-PROFIT COAL UNITS AND GROWTH OF RENEWABLES



Expected development of installed capacity (GW)*



Increase in renewables is dependent on regulatory developments

Emission intensity** (t CO₂/MWh generated)



- CO2 emission intensity to decrease by another 22% from 2018 levels.
- Upgraded portfolio contains highly efficient Tušimice (39%), Prunéřov (40%) and Ledvice (42.5%) power plants.
- Closures of old lignite and hard coal units not supplied by our own coal, i.e. units with low profit will result in decrease of the total installed capacity.
- Capacity of nuclear increased by 0.5 GW in 2009-13 enabling additional 3.8 TWh of carbon free production.

AGENDA



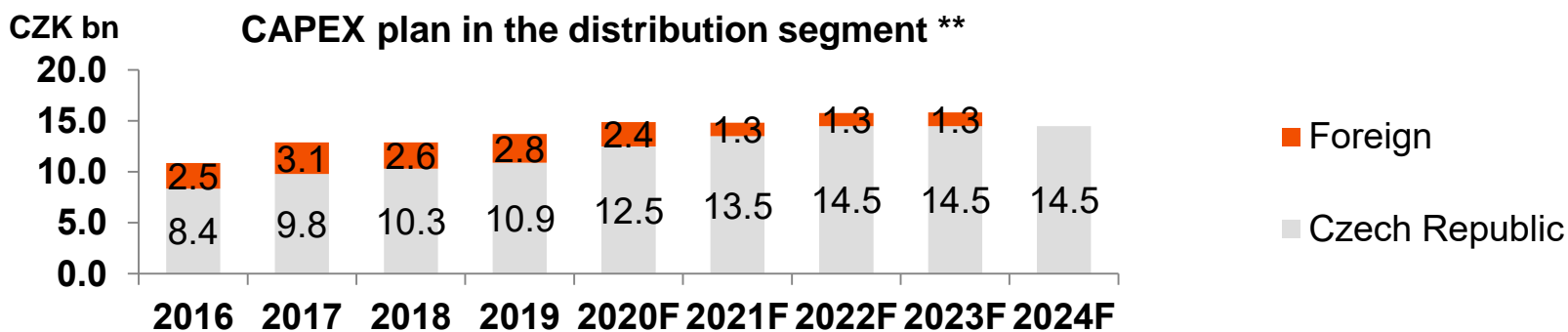
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IN 2019 CZECH DISTRIBUTION MADE UP FOR 29% OF CEZ GROUP EBITDA, TRANSPARENT REGULATION INCENTIVISES HIGHER INVESTMENTS



Overview of 2020 regulation parameters and 2019 EBITDA contribution

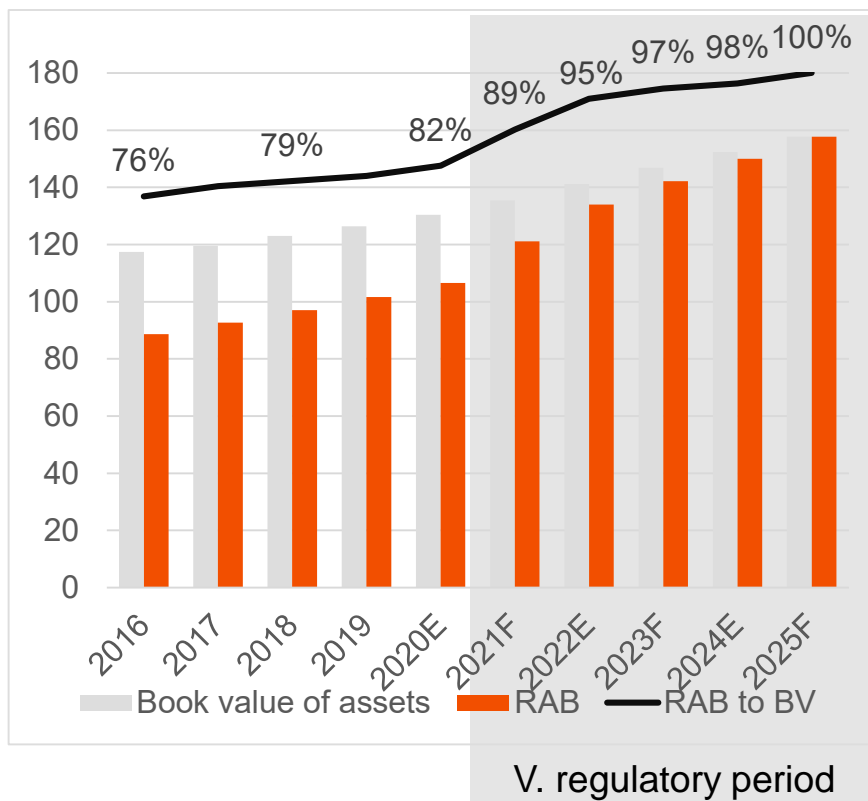
	Czech Republic 2020	Romania 2020	Bulgaria 2020
RAB (local currency m)	106,587	2,342*	588
RAB (€ m)	4,195	490	300
WACC pre-tax	7.951%	6.9%	6.67%
Regulatory period	2016 – 2020	2019 - 2023	2018 - 2021
2019 EBITDA (CZK bn)	17.5	1.5	1.5



CZECH REPUBLIC – OUTCOME OF REGULATORY REVIEW IS SUPPORTIVE FOR RAB GROWTH DRIVEN BY CAPEX AND RAB/BV CONVERGENCE



RAB development* (CZK bn)



Key regulatory parameters for 2021-2025

- Current gap between BV and RAB to close progressively (in 2020 the RAB value is CZK 106.6 bn and accounts for 82% of BV, it should grow to 89% in 2021, 94% in 2022, 96% in 2023, 98% in 2024 and 100% in 2025)
- Allowed return on asset base is set at **6.54%** (nominal, pretax)
- Costs efficiency factor is set at 0.2% (lowest among distribution companies)
- Investments to grow from CZK 10.9 bn in 2019 to the level of CKZ 14.5 from 2022F

RAB is expected to increase by 14% y-o-y in 2021, by 8% p.a. on average between 2020-25

	2021	2022	2023	2024	2025
% difference of RAB and BV reflected in a given year	40%	30%	10%	10%	10%

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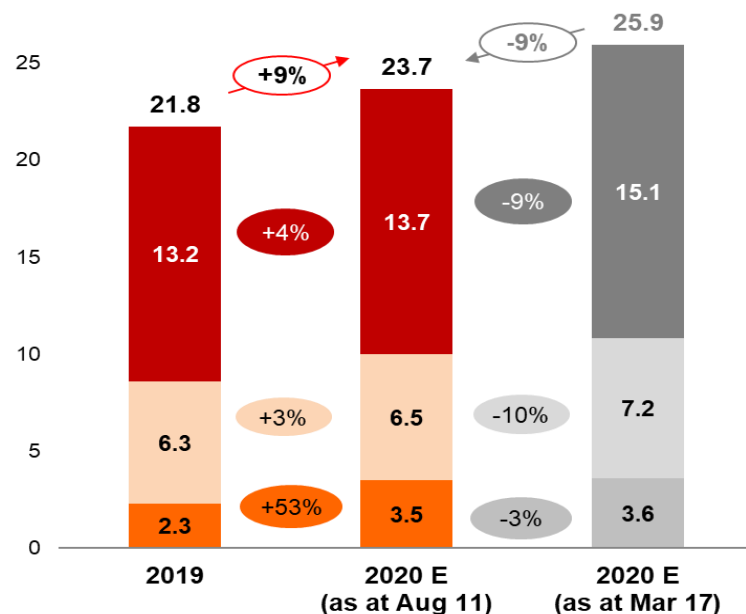
WE SEE LONG-TERM OPPORTUNITINIES IN GROWING ENERGY SERVICES SEGMENT



The potential for CEZ Group's dynamic growth in ESCO is amplified by the EU countries' commitment to major energy savings by 2030.

- We estimate investment costs needed for the fulfilment of the EU energy efficiency directive until 2030 (derived from GDP growth) at **approx. EUR 600bn in Germany** and **approx. CZK 700bn in the Czech Republic**.
- However, high demand for ESCO services in the future is primarily guaranteed by attractiveness for customers: **projects effectively pay for themselves from savings (they do not need subsidies)** and new technologies provide customers with greater comfort and modern functionalities.

Our ambition for 2020 is increase of ESCO revenues to CZK 24 bn



Germany (+4%)

+ Organic growth and the impact of the Hermos acquisition

Czechia & Slovakia (+3%)

+ Organic growth and the impact of small acquisitions in 2019

Other (+53%)

+ Organic growth mainly in Poland and Romania

+ Impact of the Euroklimat acquisition in Poland

IN 2019 ESCO REVENUES GREW BY 37% TO ALMOST CZK 22 BN THANKS TO BOTH ORGANIC GROWTH AND ACQUISITIONS



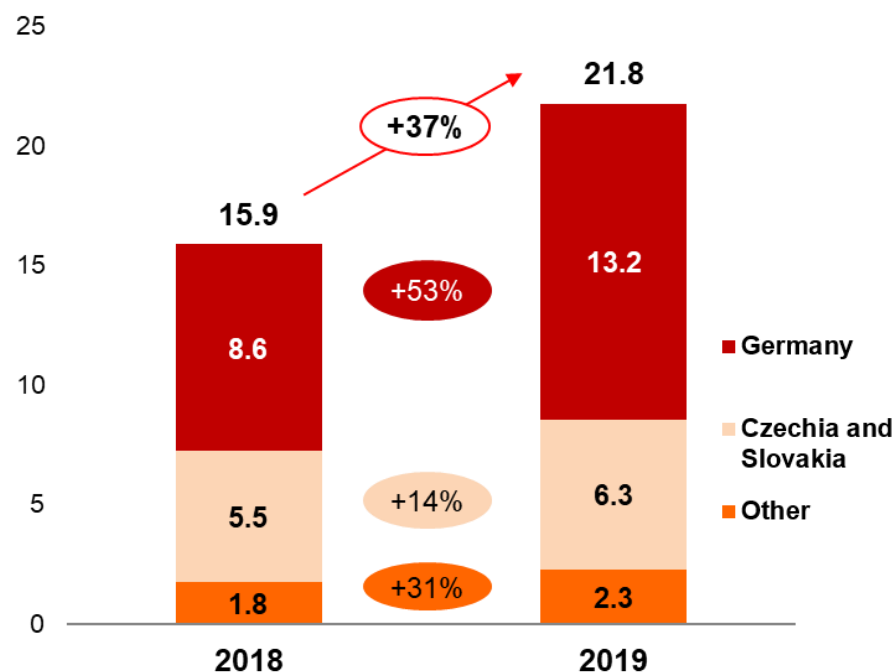
Czechia and Slovakia

- The ESCO Group acquired a 51% share in the Slovak company **e-Dome**, and a 100% share in the Czech company **HA.EM OSTRAVA**.
- ESCO CR and SR now includes **16** subsidiaries with **1,900** employees.
- In the **5 years** of activity the group supplied **21 thousand** orders.
- ČEZ ESCO operates **132** co-generation units in **78** localities.

Abroad

- In Germany:
 - Elevion Group **acquired** a 100% share in **Hermos Group** and a 100% share in **En.plus, H & R Elektromontagen, FEA Automation, Detlef Walther, Kälteanlagenbau Schröder, GBM Gesellschaft für Büromanagement** and **Elektro-Technik-Pfisterer**,
 - Kofler Energies Group **acquired** a 100% share in **GWE**
- Kofler Energies Group **acquired** in Italy a 100% share in **SYNECO Group** and a 70% share in **BUDRIO**.
- In Poland a 76% share was acquired in the Polish company **Euroklimat**.
- In **Germany** ESCO provides services through its **3,000** employees.
- In **Poland** and **Romania** CEZ Group employs **600** people.

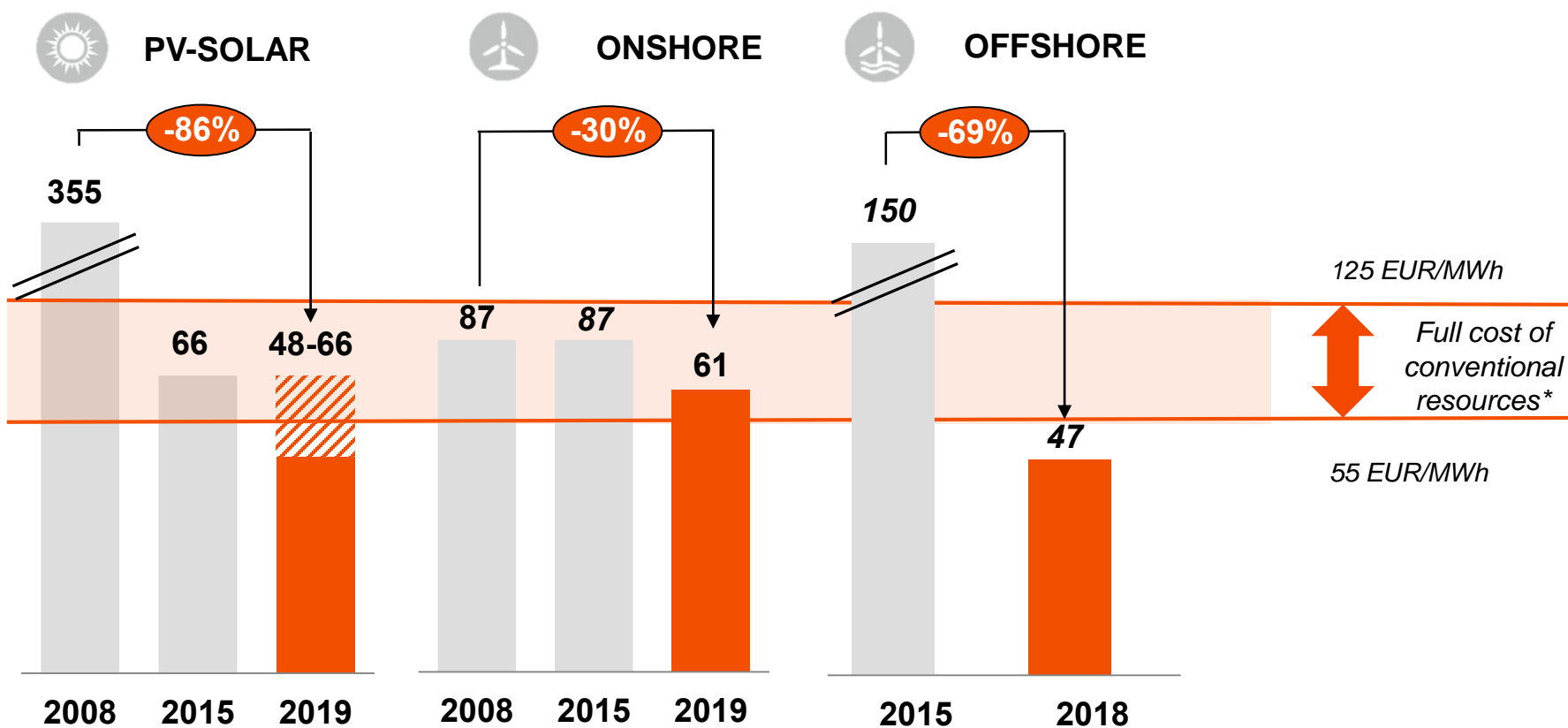
Increase of ESCO Revenues



CEZ INTENDS TO EXPAND ITS INVOLVEMENT IN RENEWABLES, WHICH ARE ALREADY COMPETITIVE WITH CONVENTIONAL GENERATION



EUR/MWh



CEZ SUCCESSFULLY OPERATES WIND FARMS IN ROMANIA AND GERMANY, IT HAS SIGNIFICANT PIPELINE ALSO IN FRANCE



Romania

- The largest European on-shore wind park - **600 MW** operated since 2010.
- Operating support in the form of green certificates for 15 years

Germany

- **133.5 MW** operated since 2016, operating support in the form of a 20-year feed-in tariff with average 89 EUR/MWh (flat)

Pipeline in France, Germany and Poland

- Stakes in projects with a potential installed capacity of up to **565 MW** acquired in Germany, France and Poland. The projects will participate in the auctions and are expected to be operational by 2025

**CEZ operates 742 MW of wind farms and has additional pipeline of 565 MW
CEZ expects to develop the pipeline to „ready-to-build” phase and then decide if
to sell or construct and operate them**

NEW OPPORTUNITIES IN RENEWABLES ARE EMERGING IN THE CZECH REPUBLIC



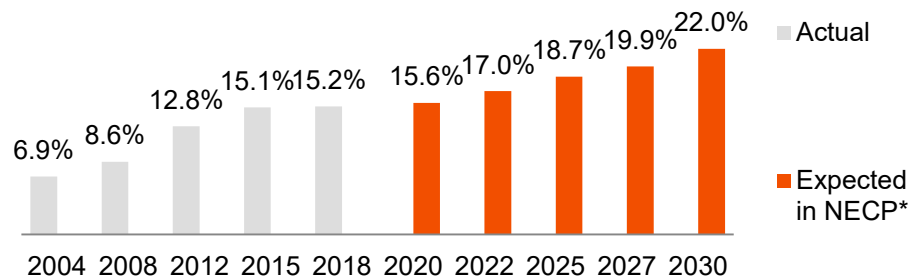
- Czech climate and energy plan envisages significant increase in the targeted share of production from renewables from 13.0% in 2020 to 22% in 2030.
- Establishment of **Modernization Fund** was approved by Czech parliament in December 2019. The fund should provide investment subsidies for renewables, energy efficiency and emission reductions. The specific rules should be drafted by Ministry of Environment.

CEZ aims to remain leader in the Czech Republic also in the renewables segment

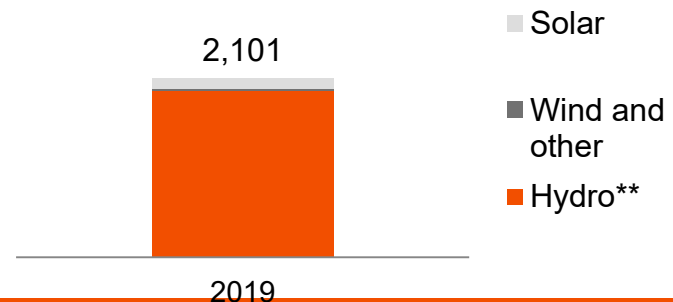
Competitive advantages

- deep knowledge of the market and construction process regulations
- ownership of land suitable for first renewable projects

Share of renewables on energy consumption in Czech R.



CEZ capacity in renewables in Czechia in MW



NEW ENERGY SECTOR: SELECTED EVENTS



Renewable Generation

- The Polish project of construction of a wind PP farm at Krasin (35.2 MW) obtained a contract for support of electricity generation for 15 years in the form of the “Contract for Difference” in an auction for RES held on Dec 5, 2019.
- Decrease of equity by the Romanian companies Tomis Team S.A. and Ovidiu Development S.R.L. on Dec 13, 2019 resulted in the capital return to the shareholders of the companies. ČEZ, a. s. received a cash amount of CZK 2.5 bn.

Energy Storage – Large-Capacity Battery at Tušimice Launched

- Dec 13, 2019 - a large-scale battery system for energy storage and testing of various modes of ancillary service provision for the Czech grid (including but not limited to primary regulation of frequency) was launched
- Installed capacity 4 MW, storage capacity 2.8 MWh, life expectancy minimum ten years
- Connection en bloc with the existing 200 MW turbo generator of Tušimice II PP certified for provision of frequency regulation is an advantage
- The implementation was based on a joint research project of ČEZ and ČEPS



Investment fund Inven Capital

Sale of stakes



- A battery system manufacturer; this was the first sold investment of the fund; the selling price was about two times the purchase price.
- An Israeli company providing comprehensive solutions for industrial cybersecurity. A minority share was sold to Microsoft after 15 months since purchase

Recent investments



- A Czech technological company, which developed a complex solution of sound analysis enabling predictions of machine failures
- A German company, whose online configurator enables to purchase photovoltaic panels with battery according to customers specifications via Internet; it also installs this equipment through external companies, which are consolidated to its digital platform
- Convertible loan provided to existing VULOG company (loan can be converted to higher investment in the company)

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COVID-19 PANDEMIC IMPACT

ON 2020 FINANCIAL PERFORMANCE IS NOT ESTIMATED TO BE SIGNIFICANT THANKS TO HEDGING



WE ESTIMATE THE TOTAL NEGATIVE IMPACT OF THE PANDEMIC ON CEZ GROUP'S EBITDA FOR THE WHOLE OF 2020 BELOW CZK 3 BN.

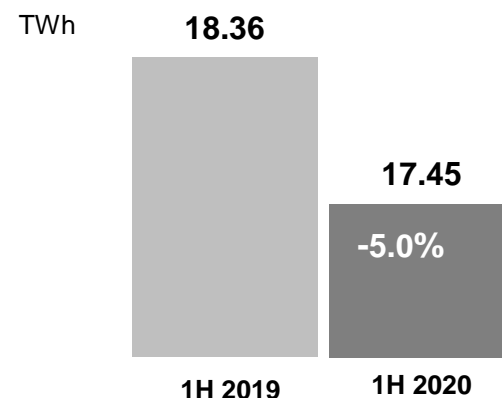
Generation—Traditional Energy Segment & Mining Segment

- Decrease in commodity prices on energy exchanges—because of high hedging, we expect a relatively low impact on generation margin of CEZ facilities. Lower generation has a negative impact primarily on decreased revenue from coal mining.
- We estimate the **total negative impact** of COVID-19 on the segments' EBITDA 2020 outlook at **CZK 1.0 to 1.5 bn**

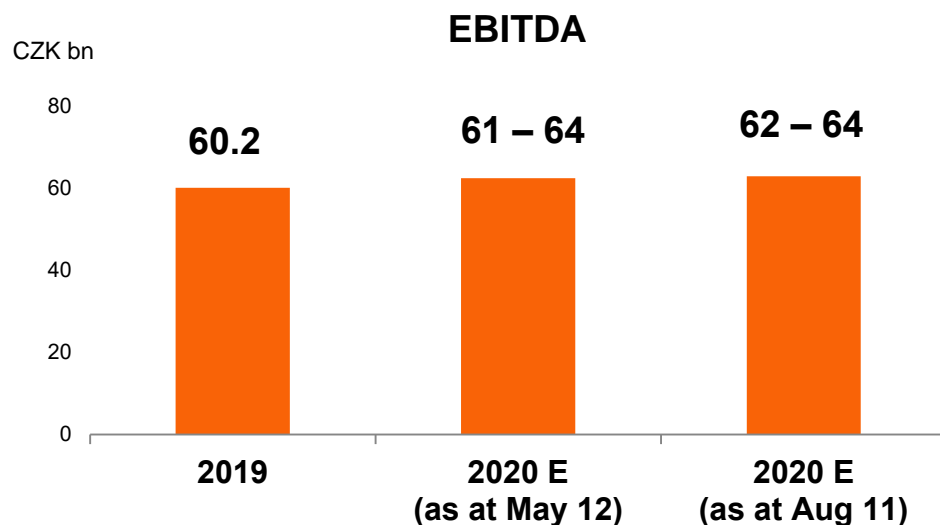
Distribution Segment & Sales Segment

- Decrease in the consumption of electricity and natural gas across countries
 - Distributed volume of electricity in the Czech republic reached 7.57 TWh in Q2 2020, i.e. decrease by 10.7% y-o-y.
- Delay of acquisitions and new investments in ESCO and lower ESCO revenues (lower EBITDA by a total of 20–30% as compared to the initial plan)
- Lower margin on commodity sales to wholesale customers
- We estimate the **total negative impact** of the pandemic on the segments' EBITDA 2020 outlook at approximately **CZK 1.5 to 2.0 bn.**

Electricity Consumption in the Distribution Area of ČEZ Distribuce*

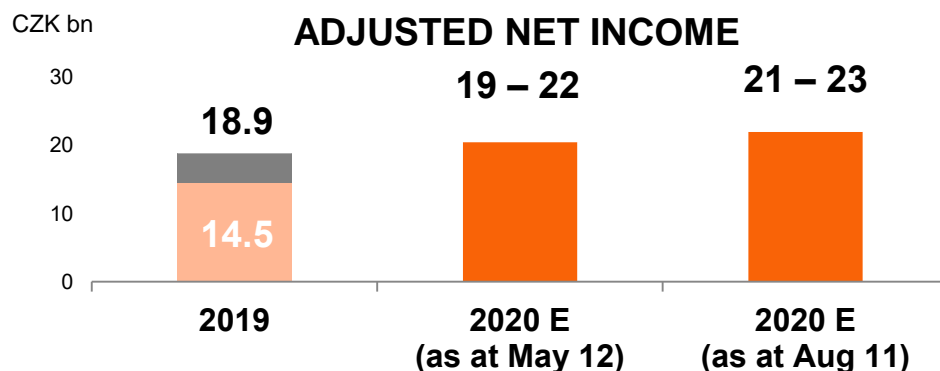


2020 EBITDA IS ESTIMATED AT CZK 62 TO 64 BN, 2020 ADJUSTED NET INCOME AT CZK 21 TO 23 BN



Selected reasons for specifying the financial outlook compared to the outlook from May 12, 2020:

- Higher revenue from commodity trading
 - Lower impact of COVID-19 on the segments of Distribution and Generation—Traditional Energy
- Lower fixed operating cost
- Estimated revenue of CZK 1.5 bn in H2 as a result of a court decision regarding ČEZ's right to interest on arrears in connection with the refund of part of the paid gift tax on emission allowances for 2011 and 2012 (impact only on net profit)



Selected forecast risks and opportunities (reasons for the interval):

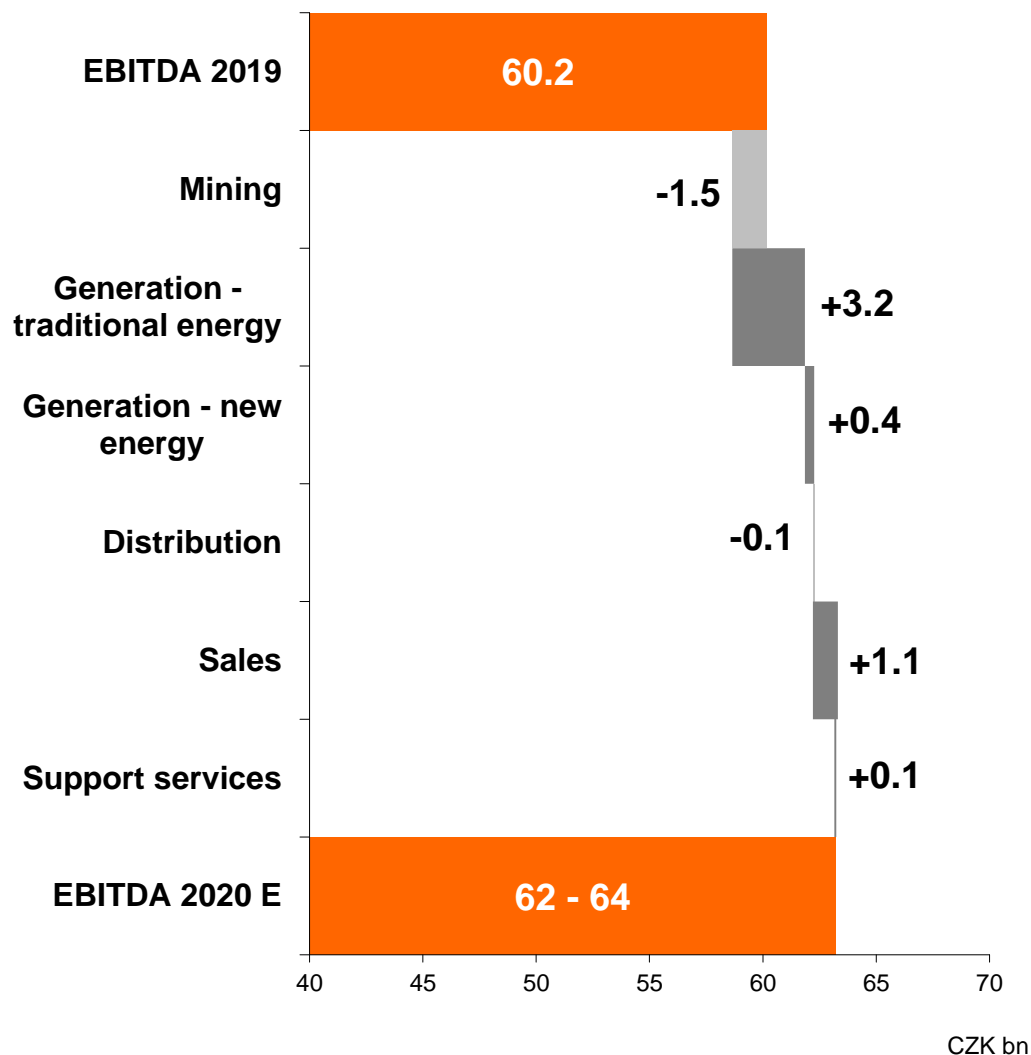
- Availability of generating facilities
- Realization prices of generated electricity
- The impact of COVID-19 on commodity consumption and demand for services
- Profit from commodity trading and revenues from ancillary services of the generation portfolio in Czechia

■ Effect of adjustment for extraordinary effects in 2019

EXPECTED YEAR-ON-YEAR CHANGE IN EBITDA



IN INDIVIDUAL BUSINESS SEGMENTS



Mining (CZK -1.3 to -1.7 bn)

- Lower coal sales for ČEZ power plants (due to rising emission allowance prices and lower electricity prices due to COVID-19 and outages) and due to lower customer demand outside CEZ Group

Generation—Traditional Energy (CZK +2.5 to +4.0 bn)

- Higher realization prices of generated electricity, including security
- Additional profit from German securing contracts for generation deliveries in Czechia in the years 2020 to 2025
- Higher expenses on emission allowances for generation
- Lower revenue from ancillary services
- Lower profit from commodity trading (compared to exceptionally good results in 2019)

Generation—New Energy (CZK +0.3 to +0.5 bn):

- Higher production volumes and higher electricity prices in Romania

Distribution (CZK -0.4 to +0.2 bn)

- Lower volume of distributed electricity (COVID-19)
- Lower costs to cover grid losses

Sales (CZK +0.7 to +1.4 bn)

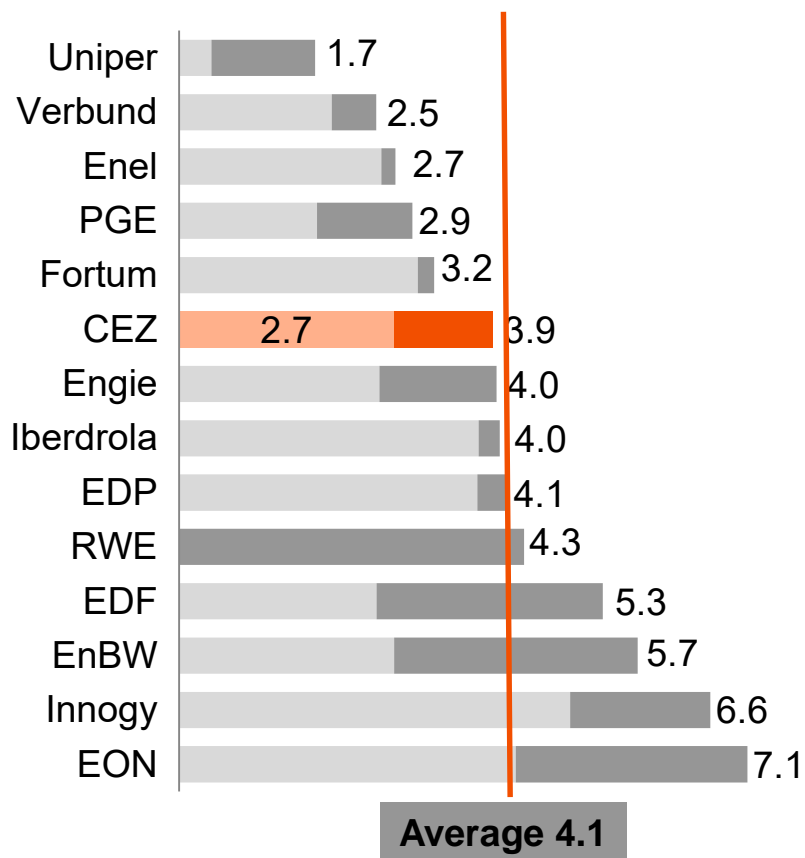
- Negative impact of the court decision on the results of 2019, on the basis of which the fulfillment of SŽDC's liability to ČEZ Prodej from 2010 was returned in 2019 (CZK +1.3 bn)
- Lower margins from sales of commodities to corporate customers (COVID-19)

CEZ TARGETS ITS LEVERAGE RATIO OF NET FINANCIAL DEBT/EBITDA BETWEEN 2.5x AND 3.0x



Net economic debt/ EBITDA*

2019



Current credit rating

- A-, negative outlook from S&P
- Baa1, stable outlook from Moody's

Tolerated leverage

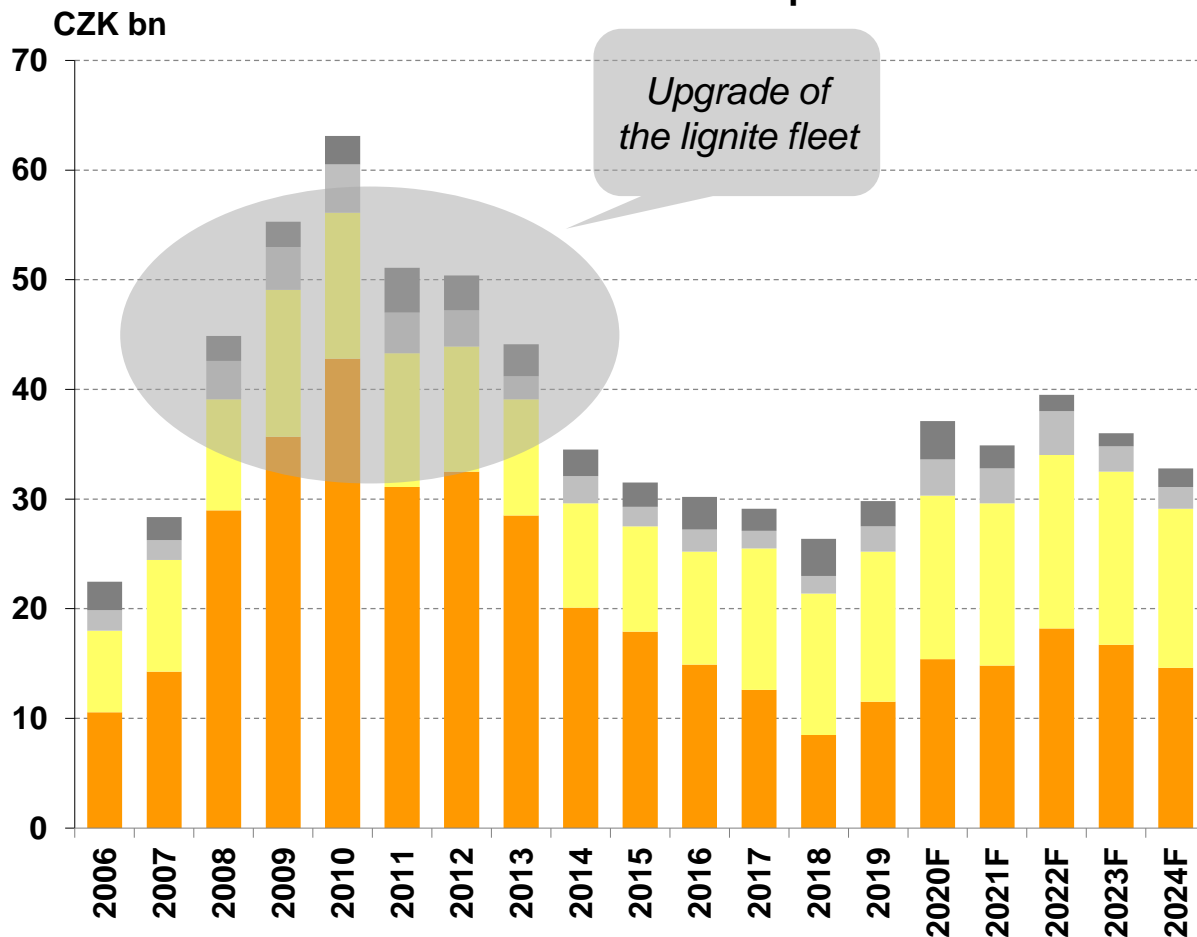
- net financial debt/EBITDA ratio at 2.5-3.0x

*EBITDA as reported by companies, ** Net economic debt = net financial debt + net nuclear provisions + provisions for employee pensions + net reclamation provision

AVERAGE CAPEX IN 2020-24 IS ANTICIPATED AT CZK 37 BN A YEAR



CAPEX development



- Sales and support services
- Mining
- Distribution
- Generation

Total CAPEX during 2020-2024 (in CZK bn): 186	
Generation-traditional*	74
Generation – new energy	6
Distribution **	76
Mining	15
Sales and support services	15

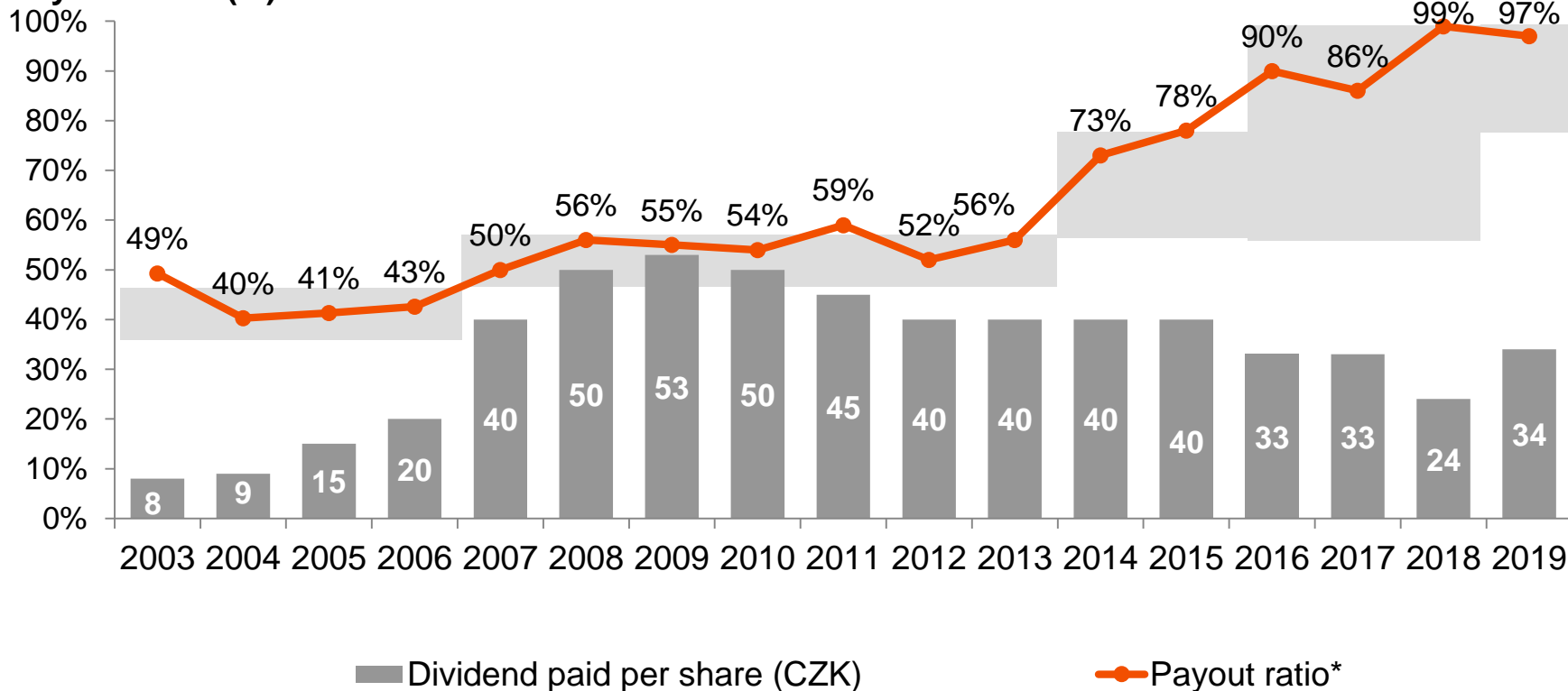
*Increase in 2019-21 primarily given by BAT/BREF induced investments and investments in Melnik (supply of heat to Prague)
 ** of which CZK 6 bn outside Czech Rep., excludes Bulgaria from 2020

DIVIDEND POLICY IS TO DISTRIBUTE 80 – 100 % OF ADJUSTED NET INCOME



- On May 27, 2019 Board of Directors approved **dividend policy of 80-100% payout** of consolidated net income adjusted for extraordinary items.
- AGM, which was held on June 29, 2020 approved the dividend from **2019 profit at CZK 34 per share**.

Payout ratio* (%)



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SUMMARY AND INVESTMENT HIGHLIGHTS



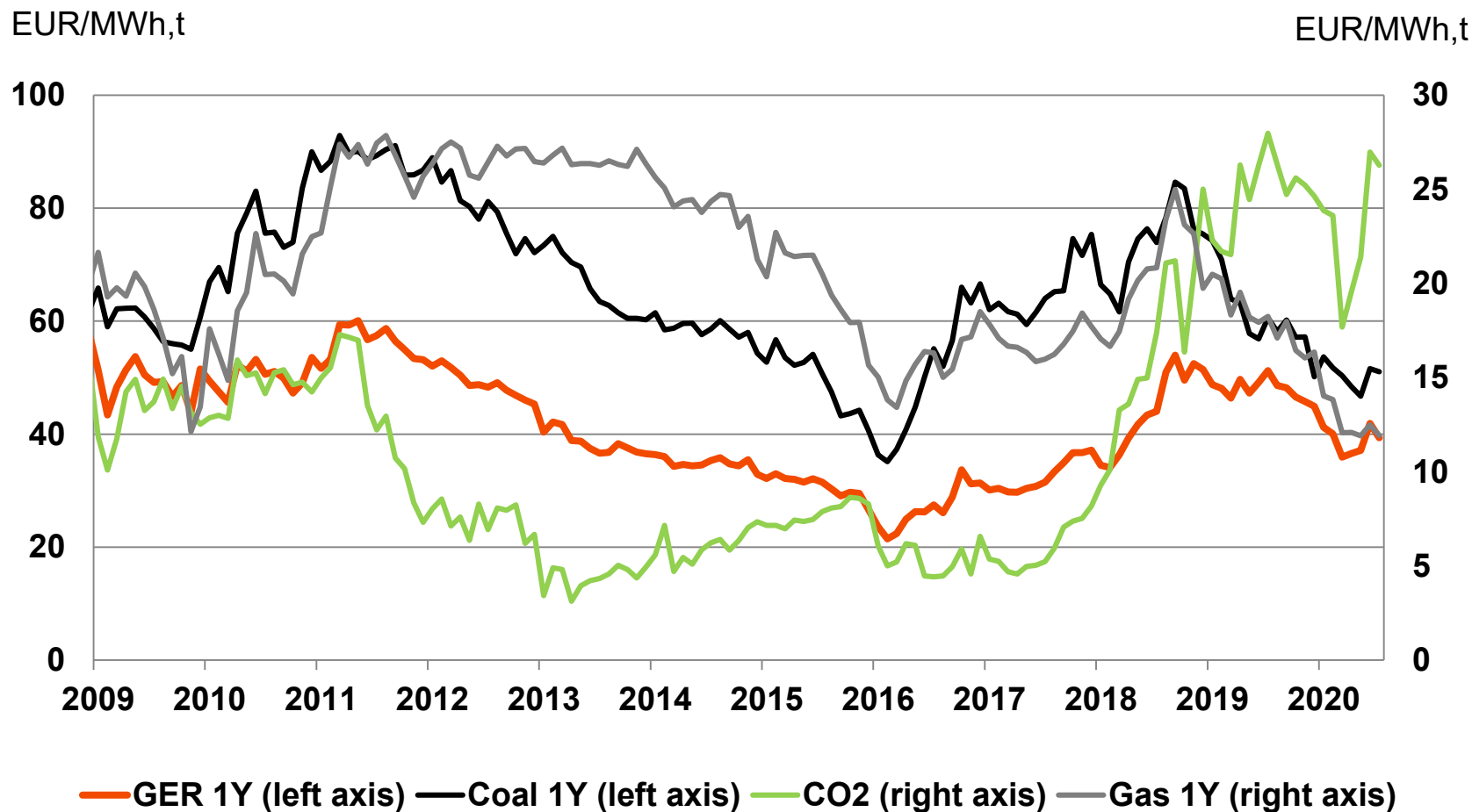
- **CEZ is operating renewed low cost and profitable generation fleet**
 - CEZ is positioned for upsides in profitability due to high CO₂ and/or hard coal prices
 - CEZ's strategic priority is to maintain efficient operations, optimal utilization and development of generation portfolio
 - CEZ has measures in place to maintain nuclear (CO₂ free) output at and above 31 TWh
 - As part of CEZ's sustainable development strategy "Energy for the Future", CEZ is committed to become carbon neutral by 2050*
- **CEZ expands energy services offering, distributed energy and renewables in Central/Western Europe**
 - CEZ is increasing its investments into distribution
 - CEZ aims to become a leading player in energy efficiency solutions
 - CEZ wants to grow its presence in domestic renewables
- **Financial summary**
 - Dividend proposed at CZK 34 per share from 2019 earnings, i.e. 97% of adjusted net income. Dividend policy: 80-100% payout ratio
 - Strong Credit Rating and Leverage target of Net Financial Debt/EBITDA between 2.5x and 3.0x

AGENDA

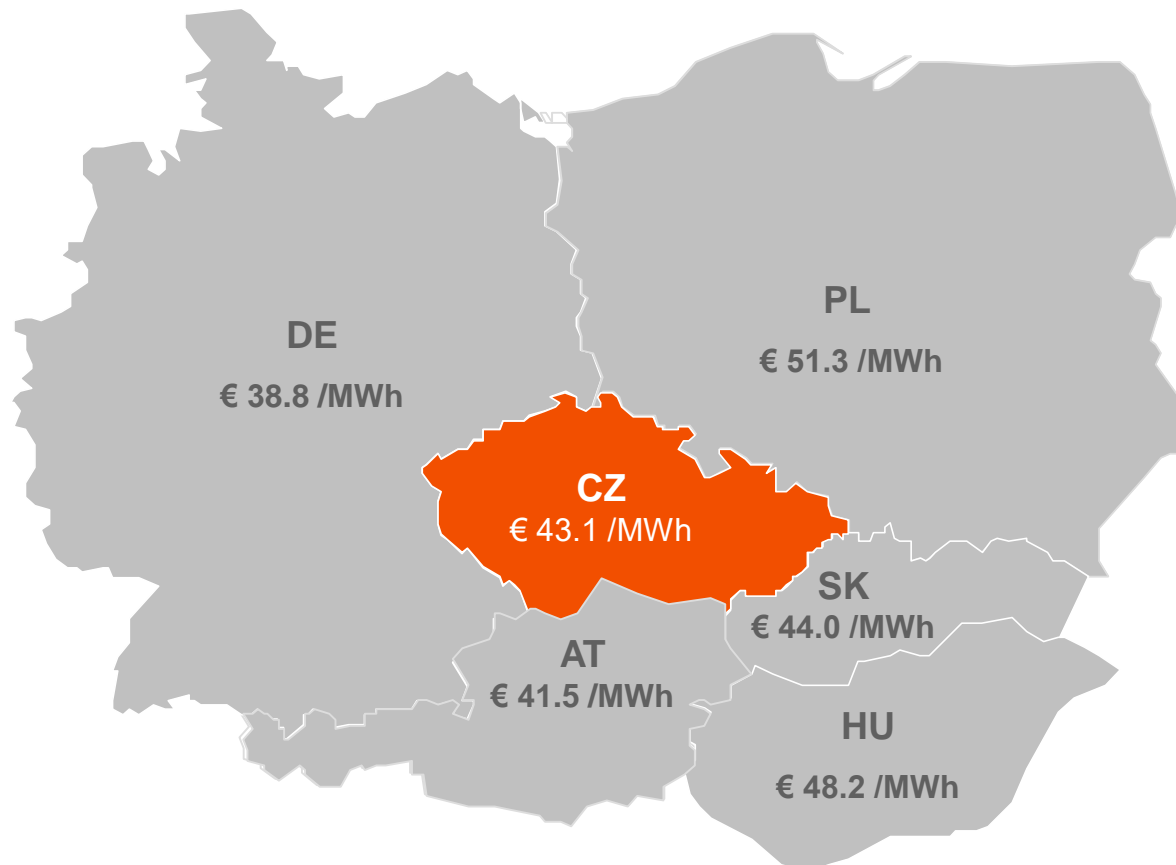


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HISTORICAL DEVELOPMENT OF PRICES OF INPUT COMMODITIES



ELECTRICITY MARKETS IN THE REGION ARE INTEGRATED, CEZ CAN SELL ITS POWER ABROAD

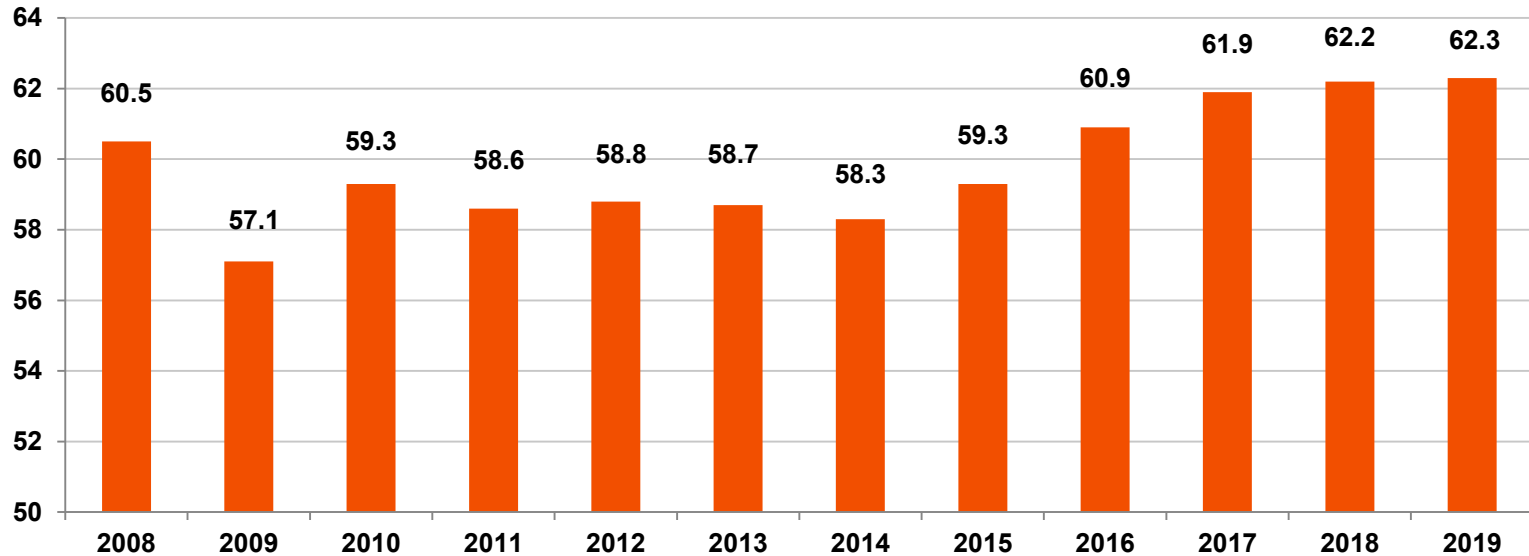


Source: EEX, PXE, TGE

CZECH ELECTRICITY DEMAND GREW BY 0.1% IN 2019



Net electricity consumption in the Czech Republic (TWh)

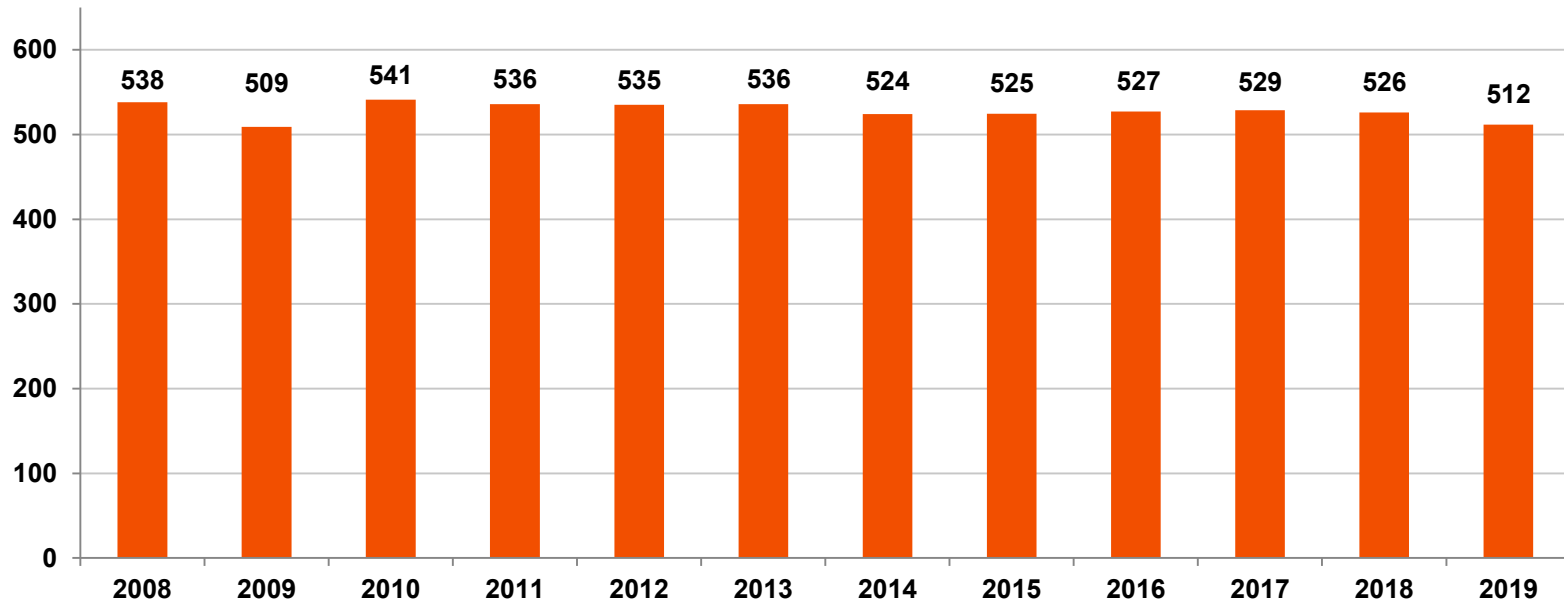


- **Consumption** in the Czech Republic grew **0.1% in 2019**, of which:
 - - 1.1% large industrial companies
 - + 1.4% households
 - - 0.5% small businesses
- **Consumption** in the distribution area of CEZ Distribuce* decreased by 0.3%
 - - 1.3% large industrial companies
 - + 1.8% households
 - + 0.0% small businesses

INDUSTRY WAS THE MAIN CAUSE FOR DECREASE OF GERMAN ELECTRICITY DEMAND IN 2019



Net electricity consumption in the Germany (TWh)

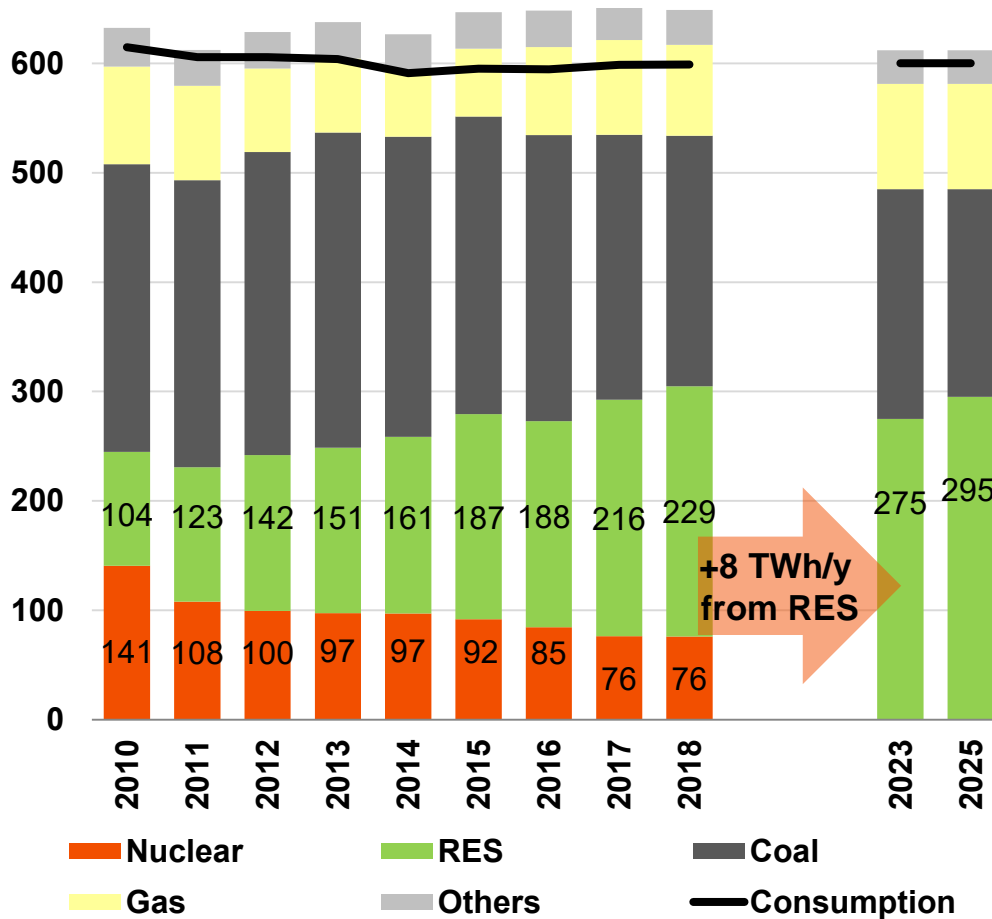


- **Net electricity consumption** in Germany has **decreased by 2.7 % in 2019 of which:**
 - - 5.5% industry
 - - 0.9% households
 - +0.0% trade, small businesses, public institutions and agriculture

RENEWABLE GENERATION GROWTH IN GERMANY WILL OFFSET PLANNED PHASE OUT OF GERMAN NUCLEAR AND COAL POWER PLANTS BY 2023...



Electricity energy balance in Germany
TWh/year, brutto



German consumption

- Long term stagnation
- Potential decrease due to Energy Efficiency Directive
- Most likely low support from EV; 2022 target: 1m cars ~ 2.5 TWh/year

German supply (2023 vs 2010)

- Nuclear power plants phase out (Atomausstieg)** : -141 TWh from Nuclear
- Energiewende** : +170 TWh from RES
- Coal phase-out** : Germany plans to reduce coal capacity by ~ 9 GW to 30 GW in 2022, but coal generation should remain more or less stable until 2023 due to sufficient spare coal capacity

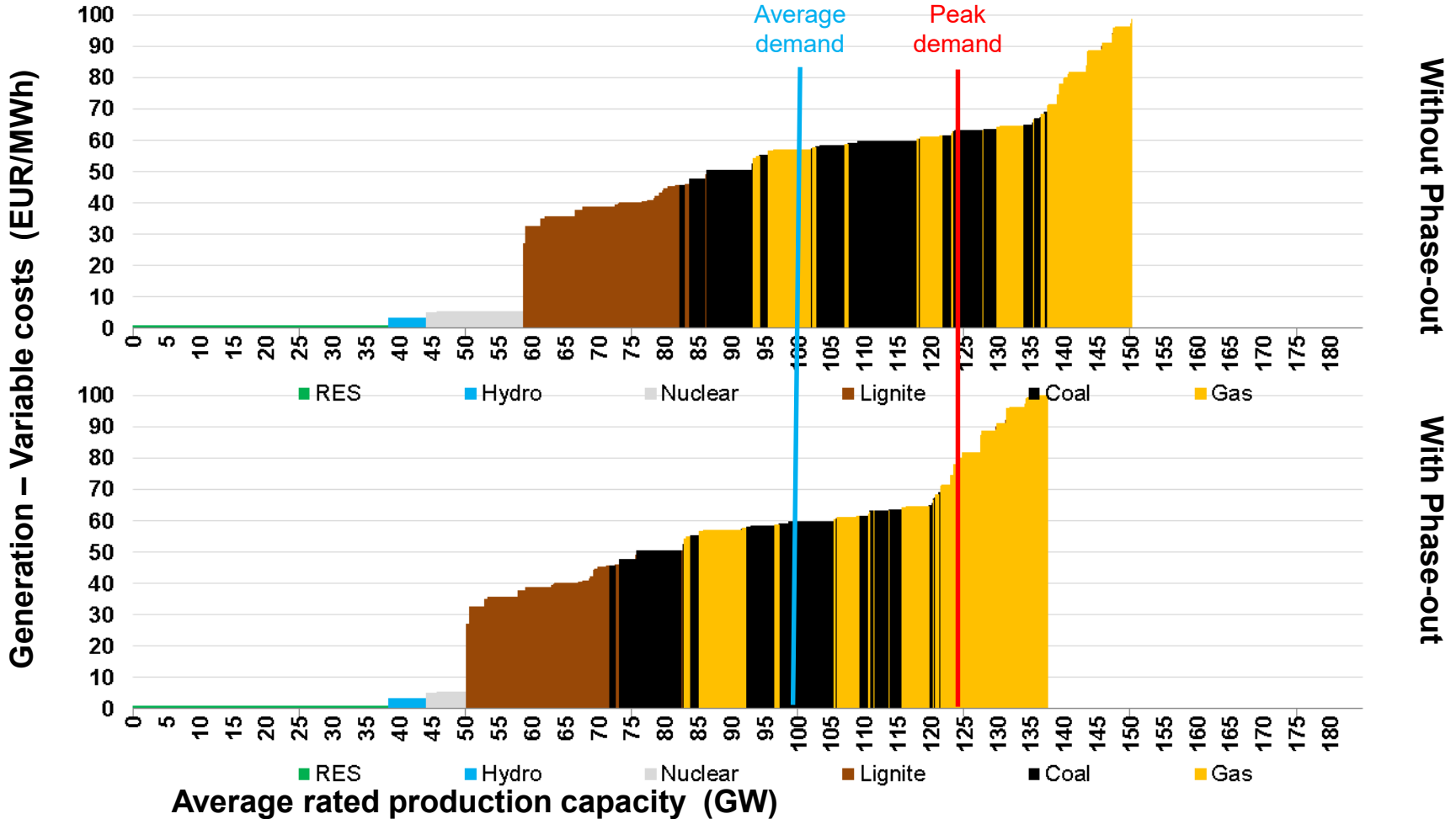
After 2023

- Growth of RES volumes** based on plan. Annually displaces 1000 MW of coal from the market
- Germany aims at reducing its black- and brown-coal capacity to **30 GW in 2022, 17 GW in 2030** and **phase out all its coal capacity by 2038**

...AND PRICE UPSIDE FROM THE GERMAN'S COAL AND NUCLEAR PHASE OUT MIGHT BE EXPECTED...



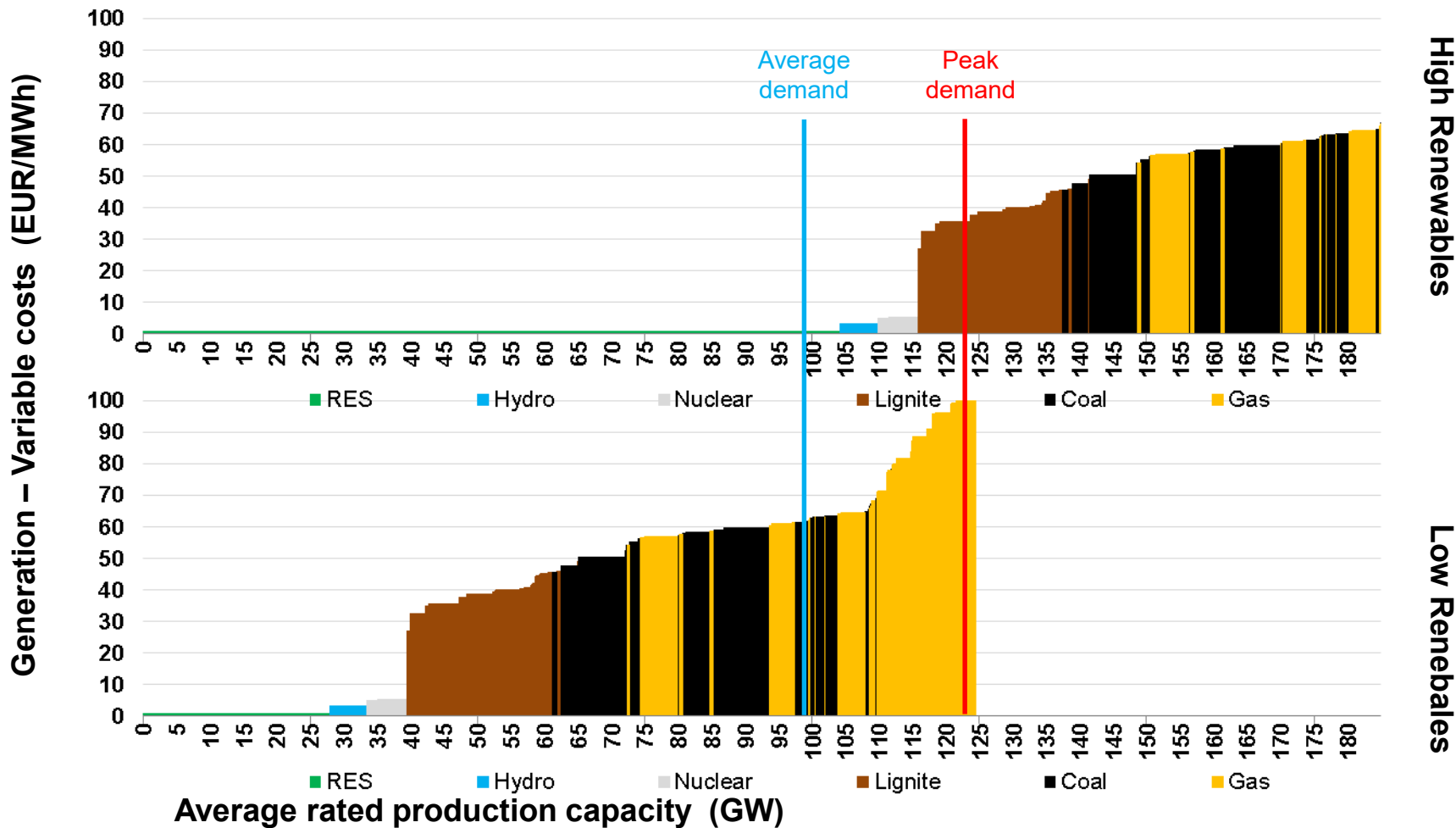
Illustrative cost curve for Central Europe 2023 with and without phase outs



... RENEWABLES WILL BRING MORE VOLATILITY INTO THE MARKET



Illustrative cost curves for Central Europe 2023



CEZ CONTEMPLATES SALE OF ITS DISTRIBUTION, SALES AND GENERATION ASSET EAST OF HOME MARKET



2019	Bulgarian assets (67% stake)	Romanian assets (100% stake)	Polish generation (100% stake)
2020 RAB (EUR m)	300	490	-
Installed capacity	-	600 MW wind 22 MW hydro	568 MW coal
Electricity generated/ distributed*	9.4 TWh	1.3 TWh/ 6.8 TWh	2.4 TWh
Number of sales customers (2018)	2.1 m	1.4 m	-
External revenues (CZK bn)**	18.3	16.4	4.9
EBITDA (CZK bn)	1.9	3.3	0.8
Net profit (CZK bn)	0.2 ¹⁾	1.0	-1.1 ¹⁾

Total contribution to CEZ Group (2019): CZK 6.0 bn EBITDA and CZK 39.4 bn revenues

Turkish assets are consolidated with equity method. CEZ owns 50% share in Akcez Enerji owner of distribution company SEDAŞ which distributed 9.7 TWh of electricity to 1.8million customers in 2018. CEZ also owns 38% share in Akenerji Elektrik Üretim which operates 1224 MW of capacity (904 MW gas, 292 MW hydro, 28 MW wind); it generated 3.9 TWh electricity in 2019.

*electricity distribution to end-customers ** intersegment revenues excluded

CEZ GROUP CONTEMPLATES SALE OF ASSETS IN ROMANIA



Data for 2018:		Financials (2019, CZK bn)				
		Revenues	EBITDA	NI	Assets	Equity
Distributie Energie Oltenia Electricity distribution	<ul style="list-style-type: none"> • Connection points: 1.50 m • Distributed electricity* (GWh): 6,810 • 2019 RAB €490m • Network length: 79,206 km 	4,689	1,351	-36	14,309	10,222
CEZ Vanzare Electricity supply	<ul style="list-style-type: none"> • Customers: 1.39 m • El. sales* (GWh): 3,708 • Market share**: 7.5% • Gas sales (GWh): 1,170 	8,272	101	54	2,416	494
Tomis Team & M.W. Team Invest On-shore wind	<ul style="list-style-type: none"> • 347.5MW in Fântânele (139 GE turbines) • Generation (GWh): 678 • Commissioned in 2010 	2,129	840	1,361	11,146	10,246
Ovidiu Development On-shore wind	<ul style="list-style-type: none"> • 252.5MW in Cogeaalac (101 GE turbines) • Generation (GWh) 507 • Commissioned in 2012 	1,362	701	991	7,588	7,109
TMK Hydroenergy Power Hydro plant	<ul style="list-style-type: none"> • 22 MW of capacity • Generation (GWh): 66 • Renovated in 2013 	178	103	7	676	254
CEZ Romania	<ul style="list-style-type: none"> • Support services to the group 	750	196	-19	3,487	219

DEVELOPMENT OF CEZ GROUP DIVESTMENT ACTIVITIES



ROMANIA

- On June 25, 2020, CEZ Group received binding offers for assets in Romania. Mainly the distribution and sales companies and the Fântânele and Cogeaalac wind power plants are subjects of the sale.
- The bids have been evaluated and negotiations are currently underway with the submitter of the most advantageous bid.

BULGARIA

- The agreement on the purchase of Bulgarian assets with Eurohold concluded on June 20, 2019 remains in force.
- On July 22, 2020, the Administrative Court in Sofia annulled the decision of the Bulgarian Commission for the Protection of Competition, which blocked the sale of ČEZ's local assets to the Bulgarian company Eurohold in October 2019.
- The Commission may appeal against the decision to the Bulgarian Supreme Court within 14 days. If it does not exercise its right of appeal, the Commission will have to rule on the matter again.

POLAND

- The sale of Polish wind projects in the development phase continues. The sale of the Krasin and Sakówko projects was completed in Q2 of this year; the sale of the remaining 4 projects is expected by the end of 2020.
- The launch of the sales process of Polish coal assets (Chorzów and Skawina power plants) and other Polish companies outside the ESCO projects is preliminarily planned for H2 2020. We do not anticipate a significant delay in connection with COVID-19 so far.

TURKEY

- We continuously monitor the interest of mostly local investors in our share in Akcez. No negotiation with an interested party has proceeded to the binding stage yet.

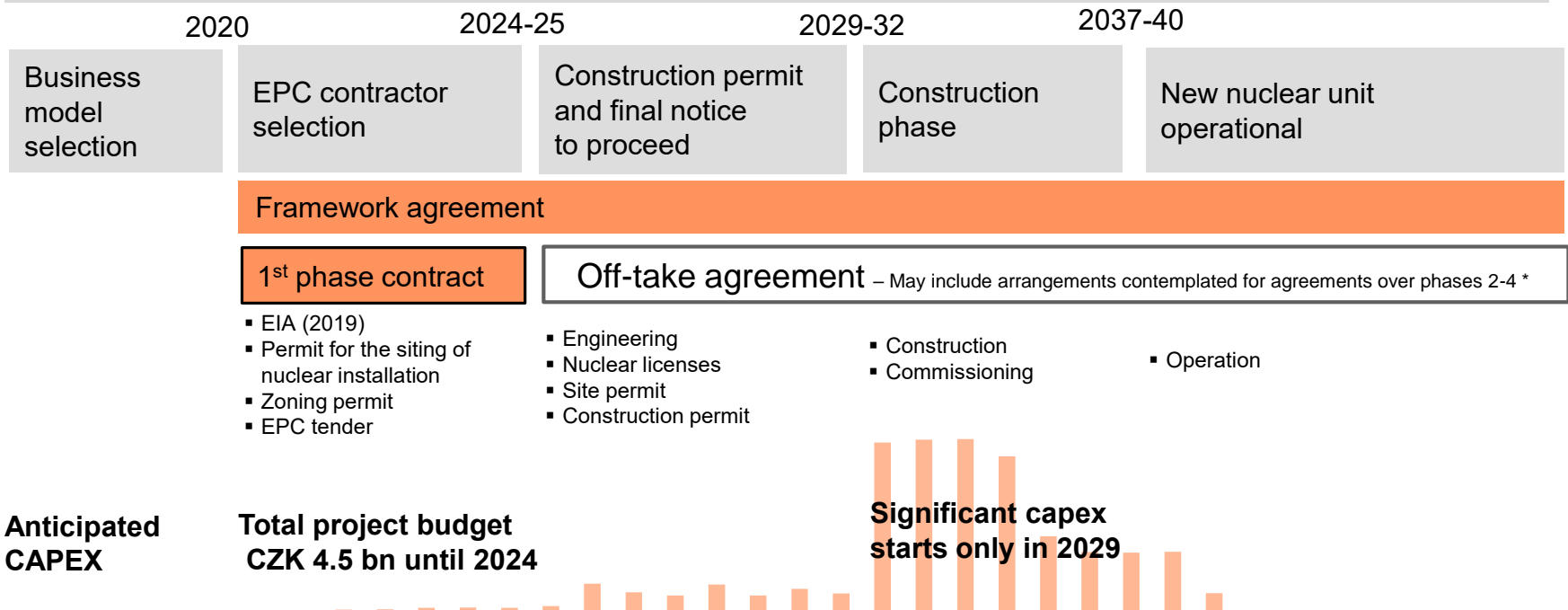
PROJECT OF NEW NUCLEAR - BUSINESS MODEL AND TIMELINE (1/2)



At its meeting held on July 27, 2020 the **Czech government** approved a proposal of a bill on measures for transition to low-carbon energy, with the aim of allowing the state to make **an order for the construction of a nuclear power plant with a firm deadline for the commissioning of the new unit, volume of generation, and purchase price.** **The bill would also enable the state to provide partial financing through** the loan with 0% interest during construction and at least 2% during operations. The bill was passed on to the parliament for discussion.

On July 28th, government signed with CEZ **a framework agreement** that will regulate general terms and conditions for the preparation of construction and **an implementation contract for the 1st phase.**

The whole **framework is subject to approval by the European Commission** from State Aid rules perspective.



PROJECT OF NEW NUCLEAR – KEY PRINCIPLES OF THE SIGNED CONTRACTS (2/2)



1) FRAMEWORK AGREEMENT, not binding legally, covers overall cooperation in the project

2) IMPLEMENTATION AGREEMENT for Stage 1 of new nuclear power plant at Dukovany project

Selected obligations of ČEZ during Stage 1:

- Ensure the issuance of a zoning decision, a permit for the location of a nuclear facility and the necessary rights to real estate and land
- Select a contractor and enable the state to control the choice of contractor with regard to the security interests of Czechia
- Keep to the schedule and budget for Stage 1 and allow the Czech state to monitor performance
- Hand over fully functional company Elektrárna Dukovany II if the company is to be bought by the Czech state at the end of phase 1

Selected rights of ČEZ during Stage 1 :

- Sell off Elektrárna Dukovany II to the Czech state in the following cases:
 - a) 28 June 2024 occurs without
 - i. Implementation contract for Phase 2 entering into force.
 - ii. Contract for electricity offtake is signed.
 - b) 31 December 2024 occurs without Contract for electricity offtake entering into force
 - c) Contractual parties confirm in writing that they are not interested in signing Offtake contract nor the implementation contract for Phase 2;
 - d) Antimonopoly office decides that tender for supplier is not eligible for exemption from public procurement law.
 - Get compensation from the Czech state in the amount of costs incurred amounting to CZK 4.5 bn.

SELECTED ACTIVITIES AND MILESTONES EXPECTED IN 2020

- Submission of a request for notification to the European Commission (responsibility of the Czech state)
- Launch a tender for a contractor (responsibility ČEZ)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY



CEZ Group has formulated a sustainable development strategy “Energy for the Future” and has nominated Member of the Board of Directors **Michaela Chaloupková** to be CEZ Group Sustainability Leader with responsibility for oversight of the sustainable development. The Board oversees ESG and climate-related issues regularly.

Environment

- CEZ made a commitment to generate SCOPE 1 and SCOPE 2 carbon neutral electricity before 2050 and published expected decarbonization timeline
- CEZ is giving a priority to projects enabling plant operation after 2020 when new BAT/BREF limits are to enter into force
- CEZ is active in e-mobility, its 180 charging stations are the largest network in Czechia

Social

- CEZ has donated CZK 336 million in 2018 through CEZ Foundation or directly to more than thousand public benefit projects
- CEZ has shortened 37.5-hour work week and guarantees one additional week of paid vacation beyond the statutory minimum
- Freedom of association in trade unions, collective bargaining and a long-term collective agreement is in place within CEZ Group companies
- Environmental protection, social criteria and respect for human rights are integral part of CEZ Group suppliers' obligations

Governance

- 21.8% of employees are women, 29.6% of new employee hires are women
- 4 out of 12 Supervisory Board members are employee representatives
- 2 out of 19 Board of Directors and Supervisory Board members are women
- CEZ has emphasis on providing equal opportunity and promoting diversity

Sustainability* report providing details of our initiatives can be downloaded at www.cez.cz/en/investors.html

THE CLIMATE TARGETS IN EUROPE ARE BECOMMING MORE AND MORE AMBITIOUS...



2020

2030 (passed)*

Reduction of greenhouse gas emissions from 1990 levels

20%

At least 40% (40%)

- **Binding EU-wide target**
- Target already accomplished thanks to the economic crisis, rising RES and inexpensive gas

- **Binding EU-wide target**
- Can be reached as a side effect of fulfilling other two targets
- Pressure to increase the ambition to **50-55%**

Share of renewable energy sources (RES) in total final energy consumption**

20%

At least 32% (27%)

- **Binding on national level** in the form of specific national targets
- Great chance to meet the target on EU level

- **Binding at EU-wide level**, effectively national targets will be specified
- Fulfilment in electricity, heat, and transportation
- RES electricity in the EU should grow to 55%

Energy savings (EED***) in comparison with levels in 2007 predictions

20%

At least 32.5% (27%)

- **Indicative on national level**
- Mandatory energy-saving measures in final consumption
- Until recently, little attention from the EC

- **Indicative at EU-wide level**
- **Binding annual savings of 0.8%** of consumed energy at **national level**
- Both sub-targets will be similar for the Czech Republic and require a slight decrease in energy consumption by 2030

Implications for CEZ Group

- Potential for increased emission allowance prices and thus **higher generation margin** by virtue of low CO₂ emission factor
- Further potential for **ESCO development** (as a result of pressure on energy savings) and **RES development**

... THE NEW EUROPEAN COMMISSION PRESIDENT PLANS TO INCREASE THE AMBITIONS EVEN FURTHER



Reduction of **greenhouse gas emissions** from 1990 levels

Share of **renewable energy sources** in total final energy consumption

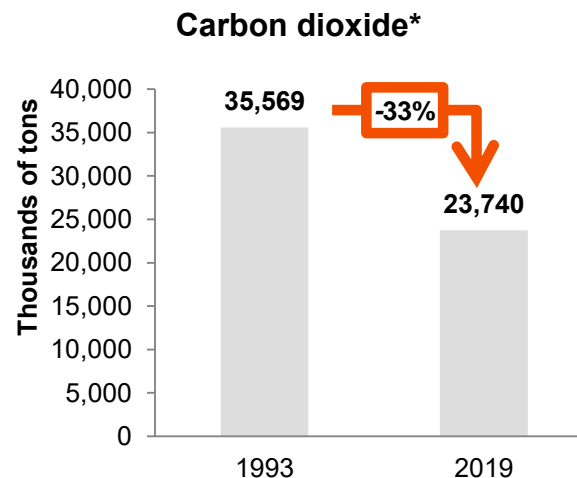
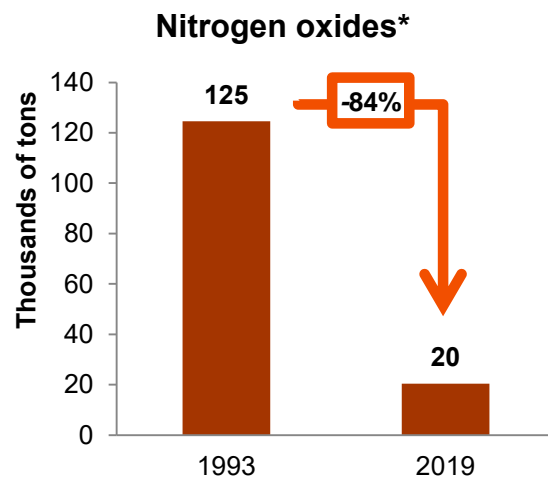
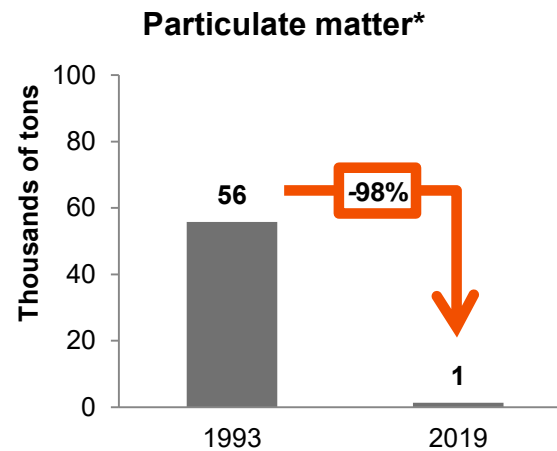
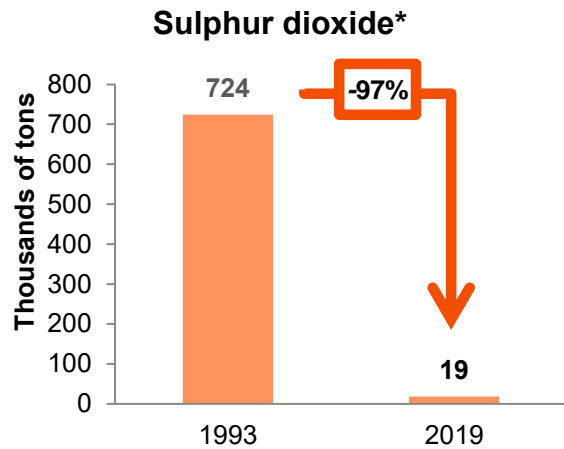
Energy savings (EED^{*})** compared to business-as-usual predictions from 2007

Declaration of „Green Deal for Europe“:

- Increase the **emission reduction target for 2030** from 40% to **50%-55%**
- Europe will be the first **greenhouse gas emission neutral continent by 2050** (relevant legislation will be provided in first 100 days in office)
- Consider implementation of **CO₂ tax on goods imported** from countries with weak climate policies
- Partial transformation of the European Investment Bank into a “Climate Bank” to unlock 1 trillion euros for climate investments in the following decade
- **Financial support for less developed regions** (so called „Just transition fund“)
- Energy savings mentioned only implicitly

- Pressure on decarbonization will grow further
- Strong long-term incentive for CO₂ price growth

CEZ GROUP SIGNIFICANTLY REDUCED EMISSIONS FROM ITS COAL FLEET



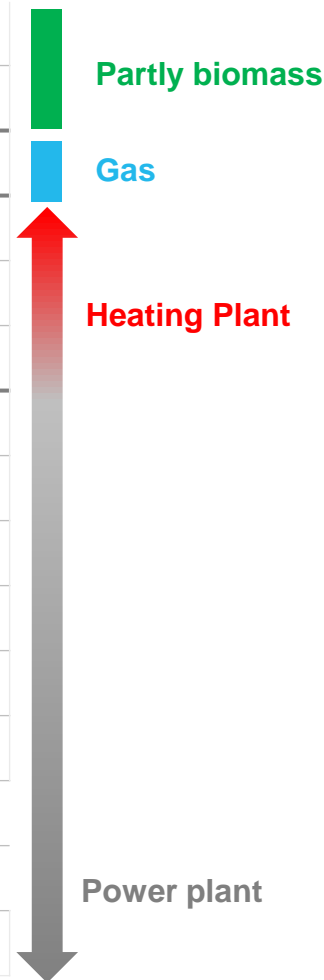
- During 1990's CZK 111 bn has been invested into complex, modernization of power stations, desulphurization, denitrification and efficiency upgrades. 1,965 MW of old units have been decommissioned
- In 2000-02 nuclear power plant Temelin was commissioned and contributed to reduction of coal output
- 2010's comprehensive renewal of Tušimice and Prunéřov TPP's and new supercritical unit at Ledvice. Investment of more than CZK100 bn has led to further increase in efficiency of the power generation and emission reductions

CARBON INTENSITY OF CEZ' PORFOLIO



Lignite
 Black coal
 Gas
 Biomass

	Power Supply (TWh)	Heat supply (TJ)	Heat supply ratio ¹⁾	Emissions of CO ₂ per EE and HE ³⁾ produced
Hodonín (EHO)	0.3	453	12%	129 g CO ₂ /kWh
Poříčí 2 (EPO)	0.6	1,312	19%	547 g CO ₂ /kWh
Počerady 2 (EPC 2)	1.8	0	0%	356 g CO ₂ /kWh
Energotrans (EGT)	0.9	9,575	80%	428 g CO ₂ /kWh
Trmice (TETR)	0.3	2,929	59%	506 g CO ₂ /kWh
Dvůr Králové (TDK)	0.0	164	68%	542 g CO ₂ /kWh
Mělník 2 (EME 2)	1.3	2,250	19%	699 g CO ₂ /kWh
Ledvice 3 (ELE 3)	0.5	898	19%	731 g CO ₂ /kWh
Ledvice 4 (ELE 4)	2.7	347	2%	765 g CO ₂ /kWh
Dětmarovice (EDE)	1.4	534	4%	826 g CO ₂ /kWh
Prunéřov 2 (EPR 2)	2.8	262	1%	826 g CO ₂ /kWh
Tušimice 2 (ETU 2)	5.2	460	1%	833 g CO ₂ /kWh
Prunéřov 1 (EPR 1)	2.2	598	3%	909 g CO ₂ /kWh
Počerady (EPC)	5.3	172 ²⁾	<1 %	948 g CO ₂ /kWh
Mělník 3 (EME 3)	1.0	0	0%	974 g CO ₂ /kWh



Note: CO₂ only from coal part of power plant, except PPC

Note: 1) Boiler heat supply indicator, $Q_{sup_oth} / Q_{prod_boi}$, where $Q_{prod} = Q_{sup} + Q_{own} + Q_{loss}$, 2) Heat supply for heating purposes; 3) Excluding CO₂ emissions from biomass

CZECH REPUBLIC: ELECTRICITY DISTRIBUTION - OVERVIEW OF REGULATORY FRAMEWORK



Regulatory Framework

- Regulated by ERU (Energy Regulatory Office, www.eru.cz)
- The main components of regulatory formula for distribution
 - Revenue cap = Operating expenses + Depreciation + Regulatory return on RAB - Other revenues corrections +/- Quality factor + Market factor
 - RAB adjusted annually to reflect net investments and revaluation trajectory
 - Regulatory rate of return (WACC nominal, pre-tax) – 6.54% for 2021-2025
 - Operating costs are indexed to weighted average of wage inflation index and market services price index. In V. Regulatory period efficiency factor set at 0.2% per year.
 - Quality factor – prescribed levels of SAIDI and SAIFI parameters. Maximum bonus or penalisation +/- 4% of allowed profit. Currently has neutral impact on CEZ Distribuce.
 - Market factor to reflect unexpected cost which could not had been planned while setting planned values of allowed costs (e.g. new duties coming from new legislation). Never used by ERU in case of CEZ Distribuce.

Regulatory period

- 5th regulatory period from January 1, 2021 till December 31, 2025,
- Main focus:
 - lowering allowed costs compared to the previous period (reflecting actual costs in the previous regulatory period);
 - pressure on quality and security of electricity distribution (prescribed SAIDI and SAIFI parameters);
 - renew and develop the networks incentivised by reasonable regulation parameters.

Unbundling & Liberalization

- Since January 1, 2006 all customers can choose their electricity supplier, market is 100% liberalized
- Prices for distribution regulated as per above, price of commodity is not regulated at all.

CZECH DISTRIBUTION - WACC COMPONENTS IN V. REGULATORY PERIOD



- WACC set using CAPM formula:

$$WACC = \left(k_e \times \frac{E}{D+E} \right) + \left[\left(k_d \times \frac{D}{D+E} \right) \times (1-T) \right]$$

$$k_e = r_f + \beta \times MRP,$$

$$k_d = r_f + \text{credit risk margin (CRM)}$$

- Risk free rate (r_f) was derived from median yields of 10-y Czech sovereign bonds for 10 years period
- Credit risk margin set as a difference between BBB rated corporate bonds and 10Y AAA EUR Sovereign bonds

WACC components	4 th regulatory period 2016 – 2020	5 th regulatory period 2021-2025
Risk free rate (r_f)	3.82 %	2.04%
Market risk premium (MRP)	5 %	6.54%
β unlevered	0.536	0.51
β levered (β)	0.901	0.90
Cost of equity (k_e)	8.32 %	7.94%
Credit risk margin (CRM)	1.38 %	1.09%
Cost of debt, pre tax (k_d)	5.19 %	3.14%
Tax rate (T)	19 %	19%
Cost of debt, post-tax	4.21 %	2.54%
Debt/(Debt+Equity)	45.75 %	48.92%
WACC (nominal, before tax)	7.951%	6.54%

ROMANIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION



Regulatory Framework

- Regulated by ANRE (Autoritatea Nationala de Reglementare in domeniul Energiei)
- Price cap (tariff basket) methodology
- Revenue = Controllable OPEX + non-controllable OPEX + Depreciation + Purchase of losses + Regulatory return on RAB - Revenues from reactive energy - 50% gross profit from other activities
- Losses (technical + commercial) reduction program agreed with ANRE on voltage levels
- Possibility for annual corrections
- Investment plan – approved by ANRE before regulatory period starts, revision of investments carried out usually done at the end of the regulatory period.
- 2020 RAB set at 2,342 mil RON
- Regulatory return (WACC pre-tax real terms) equals to 6.9%.
- Distribution tariff growth capped in real terms at 10% yearly on voltage levels and at 7% yearly for average weighted distribution tariff in the third regulatory period

Regulatory periods

- 4th regulatory period Jan 1, 2019 – Dec 31, 2023

Unbundling & Liberalization

- Starting January 2018 the market was liberalized. Consumers who have not chosen their energy supplier in the free market are priced with a Last Resort Supplier tariff (endorsed by ANRE)
- In 2019 regulated supply tariffs for households and small business customers were reintroduced. Shall be abolished during 2020 again. The market will be again fully liberalized.

BULGARIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION



Regulatory Framework

- Regulated by EWRC (Energy and Water Regulatory Commission)
- The regulatory formula for distribution
 - Revenue cap = Costs + Regulatory return on RAB + Depreciation
 - Regulatory rate of return (WACC nominal, pre-tax) at 6.67% for the 5th regulatory period
 - Average values set for the NBV, depreciation and investments for the whole period
 - RAB set at EUR 300 mil. for the 5th regulatory period*
 - Technological losses in 5th regulatory period set by regulator at 8%

Regulatory periods

- 3rd regulatory period August 1, 2013 – July 31, 2015
- 4th regulatory period August 1, 2015 – June 30, 2018
- 5th regulatory period July 1, 2018 – June 30, 2021

Unbundling & Liberalization

- Unbundling successfully completed by December 31, 2006
- Since July 2007, all consumers have the right to become eligible. Most of the household customers remain in universal service with regulated tariffs though
- Liberalization process and transfer of all consumers to free market is ongoing, Bulgarian authorities are taking slow steps toward liberalization of households and small businesses, by which the process of liberalization shall be completed.

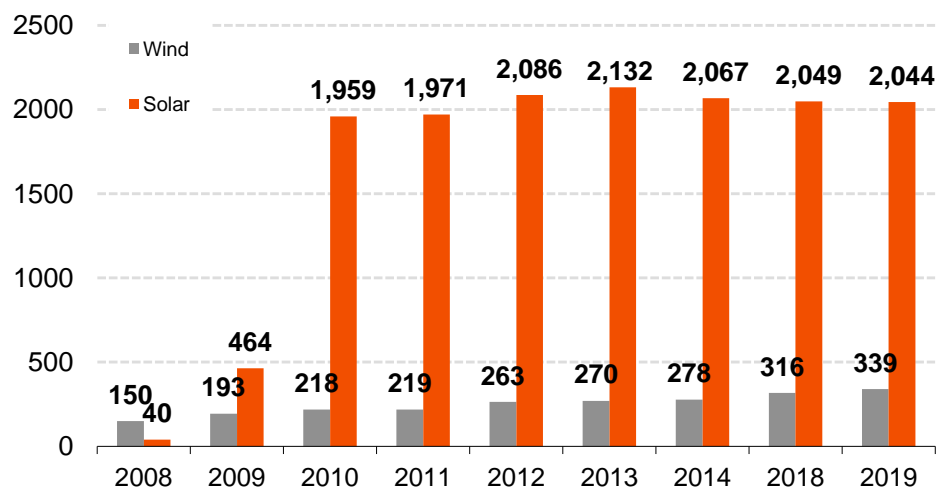
CZECH REPUBLIC: RENEWABLES SUPPORT



2020 feed-in-tariffs (EUR per MWh)

	Plants commissioned in 2010	Plants commissioned in 2020
Solar <30 kW	587.9	0
Solar >30 kW	583.3	0
Wind	107.4	76.0

Installed capacity of wind and solar power plants in the Czech Republic (MWe)



- Operators of renewables can choose from two options of support:
 - Feed-in tariffs (electricity purchased by distributor)
 - Green bonuses (electricity sold on the market, bonuses paid by distributor, level of green bonuses is derived from feed-in tariffs)
- Feed-in tariffs are set by a regulator to ensure 15-year payback period. During operation of a power plant they are escalated by PPI index or by 2% at minimum and 4% at maximum.
- Support is provided for 20 years to solar, wind, pure biomass and biogas plants and for 30 years to hydro.
- Solar plants commissioned in 2014 or later do not receive any support.
- Solar plants put into operations in 2010 with capacity over 30kWp are obliged to pay 10% tax of revenues.

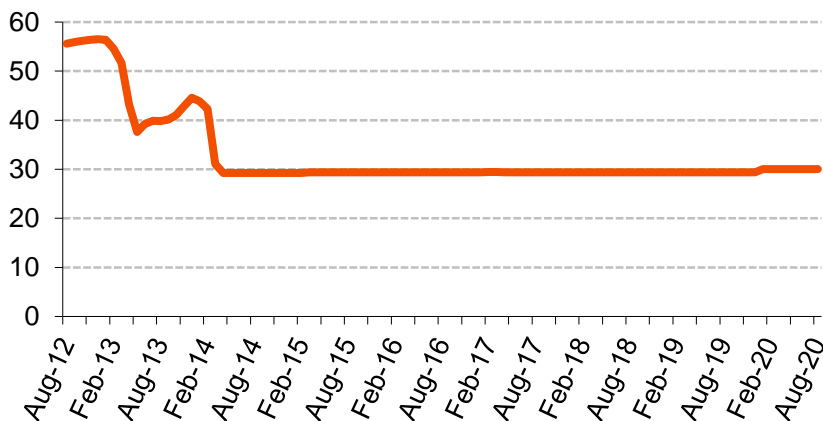
ROMANIA: RENEWABLES SUPPORT

UPDATE OF THE RULES ADOPTED IN 2017 SIGNIFICANTLY IMPROVES VISIBILITY OF FUTURE CASH FLOWS

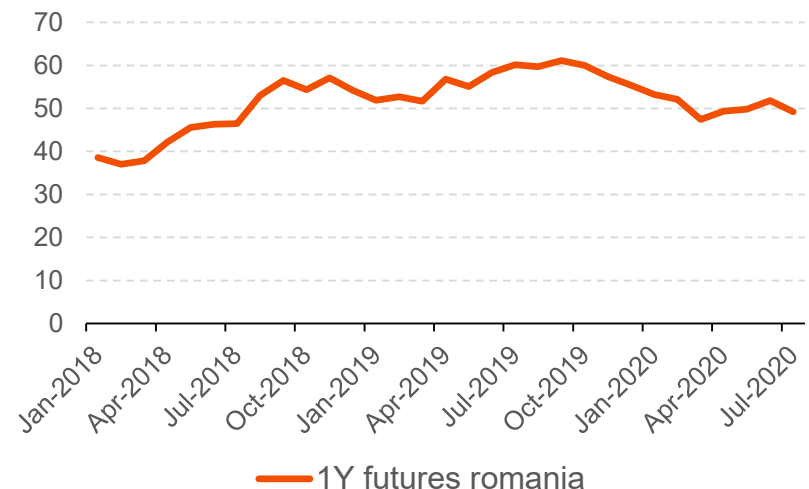


- Wind farms receive income from sales of electricity on the market and from sales of green certificates
- Two green certificates (GC) obtained by the producer for each MWh supplied from wind to the network until 2017, one GC from 2018 onwards, duration of support – 15 years.
- Legally set price for green certificate is EUR 29.4 – EUR 35 (adjusted in March 2017 from previous EUR 27 to EUR 55)
- In March 2017 the tradability of green certificates was extended – all certificates issued after 1st April 2017 are tradable until 31st March 2032 (originally the lifespan was limited to 12 months).
- The updated regulatory scheme assumes an obligation to buy a constant annual amount of green certificates for 15 years, starting Apr 1, 2017, so that all green certificates are absorbed at the end of the 15-year period

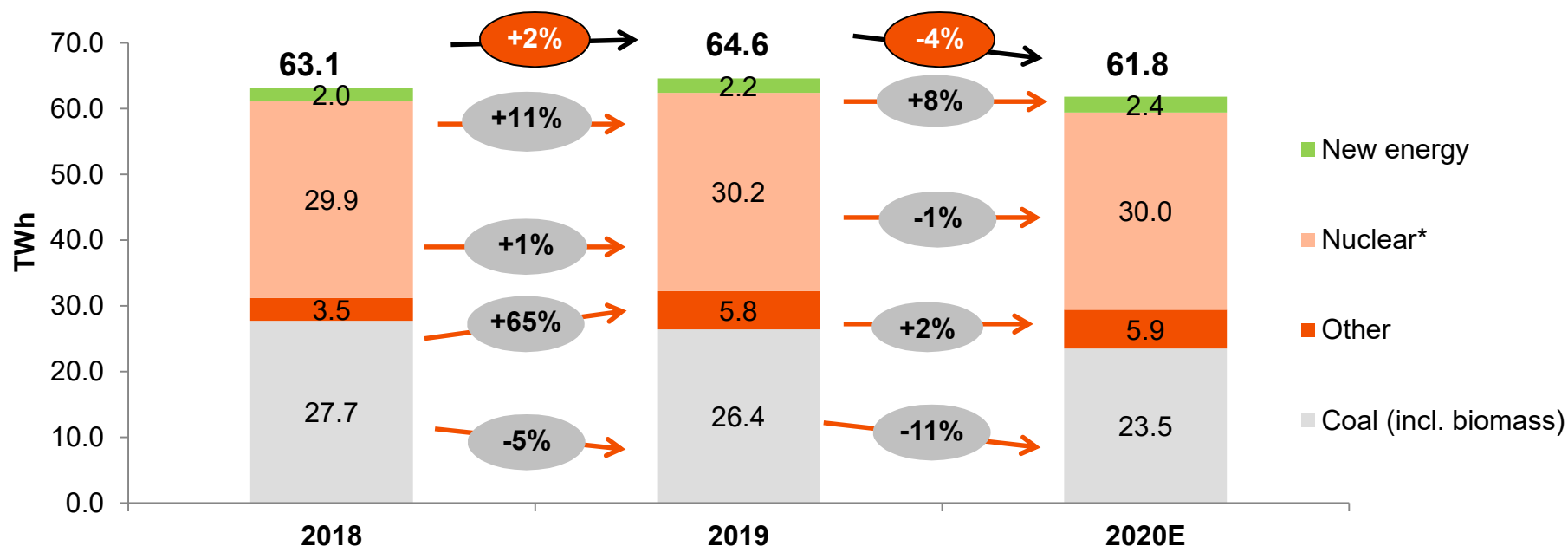
Green certificates market clearing price (EUR/certificate)



Romanian year ahead electricity price (EUR/MWh)



2019 GENERATION VOLUMES AFFECTED BY OUTAGES IN COAL-FIRED POWER PLANTS, AMBITION TO RAISE GENERATION BY 1% IN 2020



2019 volume

- + Efficient operation and optimization of unit outages at both power plants
- + Shorter outages at Prunéřov 2, and Mělník 3 power plants
- Lower generation by Dětmarovice, Počerady and Ledvice 3 power plants
- + Primarily higher generation by Počerady CCGT plant due to favorable market prices of electricity and gas
- + Worse-than-average weather conditions in 2018

2020 volume ambition

- The timing of normal outages and the impact of extending the scope of controls, the inclusion of investment actions
- Closure Prunéřov 1 power plant on June 30, 2020
- Lower production at power plants Mělník 3, Tušimice 2 and Počerady in connection with unfavorable development of electricity and emission allowance market prices
- + Higher volume of Ledvice 3 and Skawina power plants
- + Worse-than-average weather conditions in 2019 improving volumes of wind in Germany and Romania

DEBT POSITION AND STRUCTURE

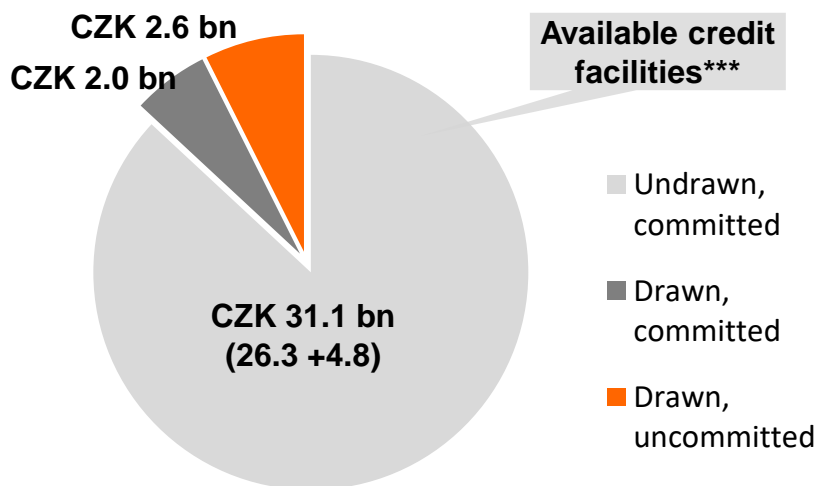
CEZ GROUP MAINTAINS A STRONG LIQUIDITY POSITION



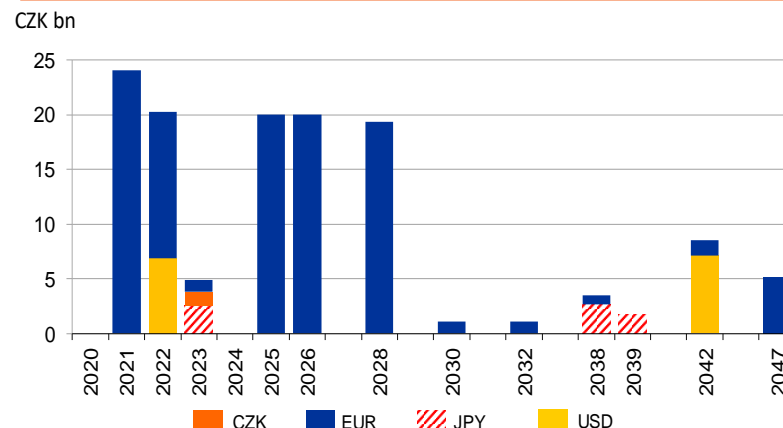
Debt Level*

		As at Jun 30, 2019	As at Jun 30, 2020
Debt and loans	CZK bn	154.3	164.2
Cash and fin. assets**	CZK bn	11.1	10.5
Net debt	CZK bn	143.3	153.7
Net debt/EBITDA		2.49	2.40

Utilization of short-term lines* and available committed credit facilities*** (as for June 30, 2020)



Bond Maturity Profile (as at Jun 30, 2020)



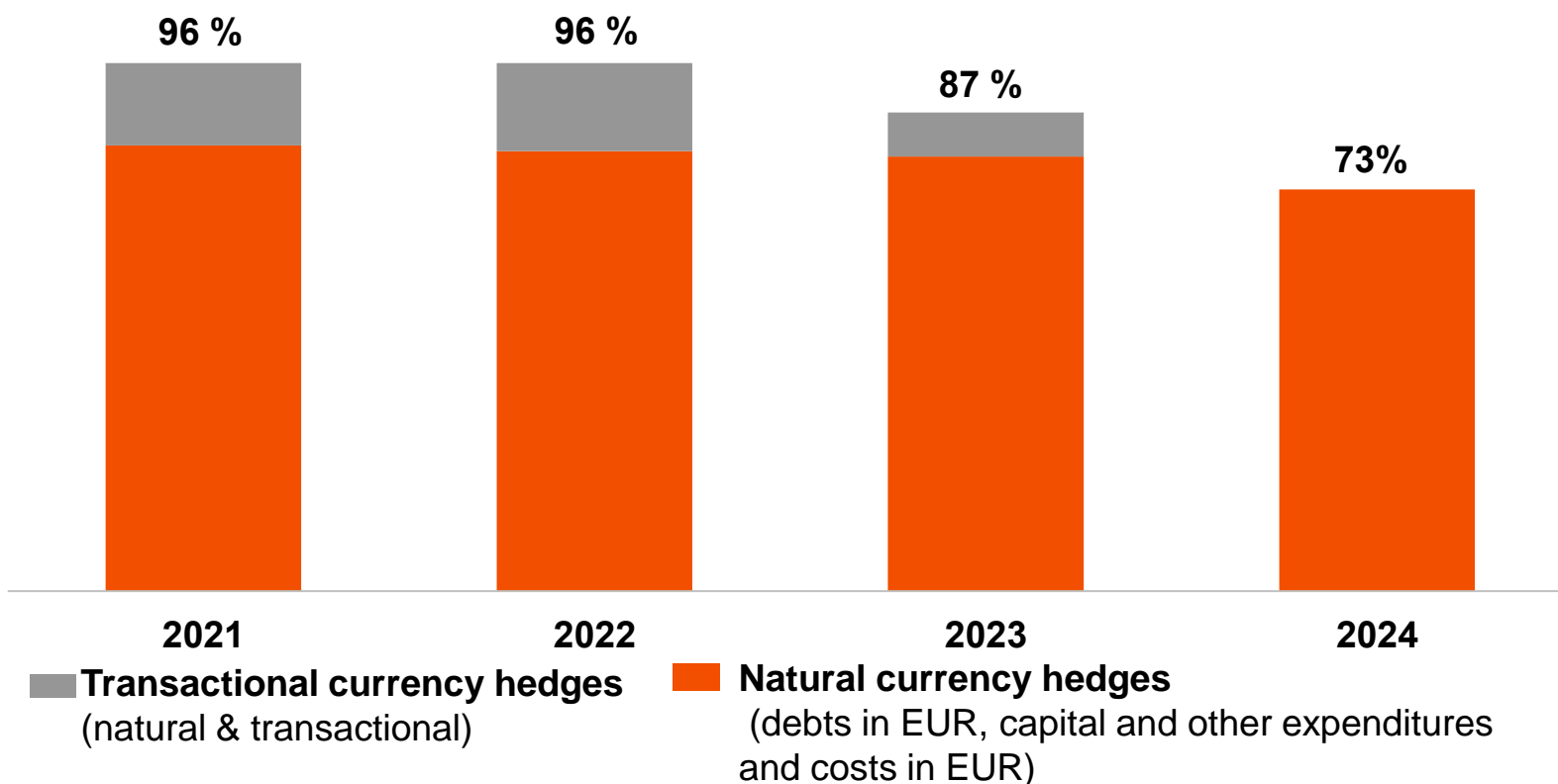
- On June 29, a bond issue in the amount of EUR 750 m was repaid.
- On June 29, EUR 150 m was drawn from a credit facility from the EIB. The total credit facility is EUR 330 m.
- Committed facilities are kept as a reserve for covering unexpected expenses and to fund short-term financial needs.
- CEZ Group has access to a total of CZK 33.1 bn in committed credit facilities, of which only CZK 2 bn were drawn as at June 30.
- The dividend payment for 2019 (CZK 18.3 bn) began on August 3.
- The dividend payment for 2015 was extended until December 31, 2020 in connection with COVID-19.

CEZ CONTINUES HEDGING ITS CURRENCY EXPOSURE IN LINE WITH STANDARD POLICY



Total currency hedges as of June 30, 2020

(as % of total expected EUR long position in a given year)



The foreign exchange position for 2021 is hedged at an average rate of 26.9 CZK/EUR, for 2022–2024 at a rate of 25.8–26.2 CZK/EUR.

CEZ GROUP

FINANCIAL AND OPERATING RESULTS



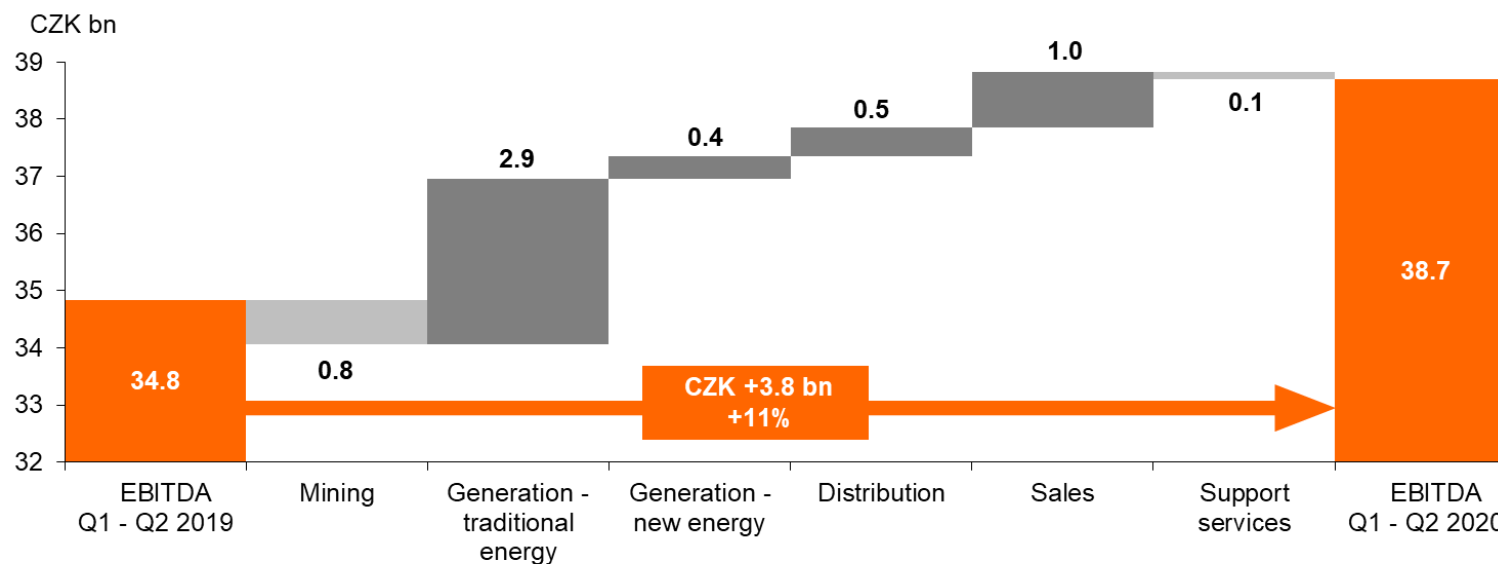
(CZK bn)		Q1 - Q2 2019	Q1 - Q2 2020	Change	%
Revenues		100.0	106.3	+6.2	+6%
EBITDA		34.8	38.7	+3.8	+11%
EBIT		19.8	22.0	+2.1	+11%
Net income		13.4	14.7	+1.3	+9%
Net income adjusted *		14.2	16.4	+2.2	+16%
Operating CF		27.9	31.1	+3.2	+11%
CAPEX		11.6	12.2	+0.6	+5%
		Q1 - Q2 2019	Q1 - Q2 2020	Change	%
Installed capacity **	GW	14.9	13.9	-0.9	-6%
Mining	m tons	10.2	7.8	-2.4	-24%
Generation of electricity - segment traditional energy	TWh	30.8	28.5	-2.3	-8%
Generation of electricity - segments new energy and sales	TWh	1.2	1.3	+0.1	+5%
Electricity distribution to end customers	TWh	26.7	25.4	-1.3	-5%
Electricity sales to end customers	TWh	18.0	17.0	-1.0	-6%
Sales of natural gas to end customers	TWh	5.4	5.2	-0.2	-4%
Sales of heat	000 TJ	13.9	13.7	-0.2	-1%
Number of employees **	000's	32.0	31.9	-0.2	-1%

* Adjusted net income = Net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given period (such as fixed asset impairments and decrease in the goodwill value)

** On the last date of the period

Note: Data for the comparable period of H1 2019 were adjusted compared to the data published for H1 2019 due to accounting, which additionally specified the recognition of the effect of hedging the price risks of electricity sales on individual quarters of 2019.

YEAR-ON-YEAR CHANGE IN EBITDA BY SEGMENT



Main causes of year-on-year change in H1 EBITDA:

- Higher realization prices of generated electricity, incl. the effect of hedges in Czechia and commodity trading (CZK +5.8 bn)
- Additional profit (overhedge) in H1 2020 from German hedging contracts for generation supply in Czechia in the years 2020 to 2025 due to a significant increase in the difference between Czech and German market electricity prices (CZK +0.9 bn)
- Higher expenses on emission allowances for generation in Czechia (CZK -2.2 bn) due to increased purchase prices and lower allocation of free allowances
- Lower volume of electricity generation in Czechia of the segment Generation – Traditional Energy segment (CZK -1.8 bn)
- Higher gross margin from electricity sales in Czechia and Romania (CZK +0.8 bn); COVID-19 will negatively affect the performance of the Sales segment, especially in H2



OTHER INCOME (EXPENSES)

(CZK bn)	Q1 - Q2 2019	Q1 - Q2 2020	Change	%
EBITDA	34.8	38.7	+3.8	+11%
Depreciation, amortization and impairments*	-15.0	-16.7	-1.7	-12%
Other income (expenses)	-3.5	-3.7	-0.2	-7%
Interest income (expenses)	-2.5	-2.6	-0.1	-4%
Interest on nuclear and other provisions	-0.9	-1.0	-0.0	-5%
Income (expenses) from investments and securities	0.1	-0.0	-0.2	-
Other	-0.2	-0.1	+0.1	+41%
Income taxes	-2.9	-3.5	-0.6	-21%
Net income	13.4	14.7	+1.3	+9%
Net income adjusted	14.2	16.4	+2.2	+16%

Depreciation, Amortization, and Impairments* (CZK -1.7 bn)

- higher impairments of fixed assets in Romania (CZK -0.6 bn) and a decrease in the goodwill value in Poland (CZK -0.4 bn)
- higher depreciation and amortization (CZK -0.7 bn), of which ČEZ Distribuce (CZK -0.2 bn), ČEZ (CZK -0.2 bn) and Romania (CZK -0.2 bn)

Net Income Adjustments

- In H1 2020 adjusted for the negative effect of impairments of fixed assets in Romania (CZK +0.7 bn) and Bulgaria (CZK +0.6 bn) and the negative impact of the decrease in the goodwill value in Poland (CZK +0.4 bn)
- In H1 2019 adjusted for the negative effect of impairments of fixed assets in Bulgaria (CZK +0.6 bn) and Romania (CZK +0.1 bn)

Note: Data for the comparable period of H1 2019 were adjusted compared to the data published for H1 2019 due to accounting, which additionally specified the recognition of the effect of hedging the price risks of electricity sales on individual quarters of 2019.

NUCLEAR AND MINING PROVISIONS AS OF YE 2019



Nuclear and mining provisions as of YE 2019 in accordance with IFRS

(discount rate 0.7 % p.a. (real), est. Inflation effect 1.5%)

	Provision (CZK bn)	Responsibility of:	Cash cover (CZK)
Interim storage of spent nuclear fuel	8.7 bn	CEZ	0.01 bn
Permanent storage of spent nuclear fuel	32.2 bn	State*, costs paid by CEZ	Fee 55 CZK/MWh generated in NPP to Nuclear Account***
Nuclear Facility decommissioning	34.9 bn	CEZ	14.1 bn
Mining reclamation	9.4bn	CEZ (SD**)	5.6 bn
Landfills (ash storage)	0.8 bn	CEZ	0.2 bn

* RAWRA - Radioactive Waste Repository Authority

**SD – Severočeské doly

*** State Nuclear Account balance as of YE 2019 CZK 30.2bn

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP



CZK

Profit and loss

	CZK bn	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues		<u>198.8</u>	<u>209.8</u>	<u>221.9</u>	<u>216.7</u>	<u>201.8</u>	<u>210.2</u>	<u>203.7</u>	<u>205.1</u>	<u>184.5</u>	<u>206.2</u>
Sales of electricity		175.3	181.8	186.8	189.4	173.8	182.1	174.9	104.1	103.1	110.2
Sales of services									76.3	59.9	71.4
Sales of gas, heat and coal and other income	23.6	28	35.1	27.4	27.9	28.1	28.8	24.7	21.5	24.6	
Operating Expenses		<u>110</u>	<u>122.4</u>	<u>136.1</u>	<u>134.7</u>	<u>129.3</u>	<u>145.1</u>	<u>145.7</u>	<u>148</u>	<u>135</u>	<u>146</u>
Purchased power and related services		54.4	65.9	71.7	79	75.8	90.9	88.3	57.4	52.2	55.5
Fuel and emission rights		16.9	17.1	15.8	13.8	12.7	13.1	13.2	16.0	19.1	21.4
Salaries and wages		18.7	18.1	18.7	18.7	18.9	17.8	19.2	22.1	25.6	28.8
Other		20	21.3	29.9	23.2	21.9	23.4	25.1	26.3	38.1	40.3
EBITDA		<u>88.8</u>	<u>87.4</u>	<u>85.8</u>	<u>82</u>	<u>72.5</u>	<u>65.1</u>	<u>58.1</u>	<u>53.9</u>	<u>49.5</u>	<u>60.2</u>
<i>EBITDA margin</i>		45%	42%	39%	38%	36%	31%	29%	26%	27%	29%
Depreciation, amortization, impairments		26.9	26.2	28.9	36.4	35.7	36.3	32.1	29.5	29.7	33.8
EBIT		<u>62</u>	<u>61.3</u>	<u>57</u>	<u>45.7</u>	<u>36.9</u>	<u>29</u>	<u>26.1</u>	<u>25.6</u>	<u>19.8</u>	<u>26.4</u>
<i>EBIT margin</i>		31%	29%	26%	21%	18%	14%	13%	12%	11%	13%
Net Income		<u>46.9</u>	<u>40.8</u>	<u>40.1</u>	<u>35.2</u>	<u>22.4</u>	<u>20.5</u>	<u>14.6</u>	<u>19</u>	<u>10.5</u>	<u>14.5</u>
<i>Net income margin</i>		24%	19%	18%	16%	11%	10%	7%	9%	6%	7%
Adjusted net income		<u>49.8</u>	<u>41.2</u>	<u>41.3</u>	<u>43</u>	<u>29.5</u>	<u>27.7</u>	<u>19.6</u>	<u>20.7</u>	<u>13.1</u>	<u>18.9</u>
<i>Adjusted net income margin</i>		25%	20%	19%	20%	15%	13%	10%	10%	7%	9%

Balance sheet

	CZK bn	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Non current assets		448.3	467.3	494.7	485.9	497.5	493.1	489.3	487.9	480.4	501.9
Current assets		96.1	131	141.1	154.5	130.4	109.6	141.6	136	227	202.7
- out of that cash and cash equivalents		22.2	22.1	18	25	20.1	13.5	11.2	12.6	7.3	9.8
Total Assets		<u>544.4</u>	<u>598.3</u>	<u>635.8</u>	<u>640.4</u>	<u>627.9</u>	<u>602.7</u>	<u>630.8</u>	<u>623.9</u>	<u>707.4</u>	<u>704.6</u>
Shareholders equity (excl. minority. int.)		221.4	226.8	250.2	258.1	261.3	267.9	256.8	250	234.7	250.8
<i>Return on equity</i>		22%	18%	17%	14%	9%	8%	6%	8%	4%	6%
Interest bearing debt		158.5	182	192.9	199	184.1	157.5	167.8	154.3	161	171.9
Other liabilities		164.4	189.4	192.6	183.3	182.4	177.3	206.2	219.6	311.7	281.9
Total liabilities		<u>544.4</u>	<u>598.3</u>	<u>635.8</u>	<u>640.4</u>	<u>627.9</u>	<u>602.7</u>	<u>630.8</u>	<u>623.9</u>	<u>707.4</u>	<u>704.6</u>

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP



EUR

Profit and loss

	EUR M	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues		<u>7,827</u>	<u>8,260</u>	<u>8,736</u>	<u>8,531</u>	<u>7,945</u>	<u>8,276</u>	<u>8,020</u>	<u>8,075</u>	<u>7,264</u>	<u>8,118</u>
Sales of electricity		6,902	7,157	7,354	7,457	6,843	7,169	6,886	4,098	4,059	4,339
Sales of services									3,004	2,358	2,811
Sales of gas, heat and coal and other income		929	1,102	1,382	1,079	1,098	1,106	1,134	972	846	969
Operating Expenses		<u>4,331</u>	<u>4,819</u>	<u>5,358</u>	<u>5,303</u>	<u>5,091</u>	<u>5,713</u>	<u>5,736</u>	<u>5,827</u>	<u>5,315</u>	<u>5,748</u>
Purchased power and related services		2,142	2,594	2,823	3,110	2,984	3,579	3,476	2,260	2,055	2,185
Fuel and emission rights		665	673	622	543	500	516	520	630	752	843
Salaries and wages		736	713	736	736	744	701	756	870	1,008	1,134
Other		787	839	1,177	913	862	921	988	1,035	1,500	1,587
EBITDA		<u>3,496</u>	<u>3,441</u>	<u>3,378</u>	<u>3,228</u>	<u>2,854</u>	<u>2,563</u>	<u>2,287</u>	<u>2,122</u>	<u>1,949</u>	<u>2,370</u>
<i>EBITDA margin</i>		45%	42%	39%	38%	36%	31%	29%	26%	27%	29%
Depreciation, amortization, impairments		1,059	1,031	1,138	1,433	1,406	1,429	1,264	1,161	1,169	1,331
EBIT		<u>2,441</u>	<u>2,413</u>	<u>2,244</u>	<u>1,799</u>	<u>1,453</u>	<u>1,142</u>	<u>1,028</u>	<u>1,008</u>	<u>780</u>	<u>1,039</u>
<i>EBIT margin</i>		31%	29%	26%	21%	18%	14%	13%	12%	11%	13%
Net Income		<u>1,846</u>	<u>1,606</u>	<u>1,579</u>	<u>1,386</u>	<u>882</u>	<u>807</u>	<u>575</u>	<u>748</u>	<u>413</u>	<u>571</u>
<i>Net income margin</i>		24%	19%	18%	16%	11%	10%	7%	9%	6%	7%
Adjusted net income		<u>1,961</u>	<u>1,622</u>	<u>1,626</u>	<u>1,693</u>	<u>1,161</u>	<u>1,091</u>	<u>772</u>	<u>815</u>	<u>516</u>	<u>744</u>
<i>Adjusted net income margin</i>		25%	20%	19%	20%	15%	13%	10%	10%	7%	9%

Balance sheet

	EUR M	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Non current assets		17,650	18,398	19,476	19,130	19,587	19,413	19,264	19,209	18,913	19,760
Current assets		3,783	5,157	5,555	6,083	5,134	4,315	5,575	5,354	8,937	7,980
- out of that cash and cash equivalents		874	870	709	984	791	531	441	496	287	386
Total Assets		<u>21,433</u>	<u>23,555</u>	<u>25,031</u>	<u>25,213</u>	<u>24,720</u>	<u>23,728</u>	<u>24,835</u>	<u>24,563</u>	<u>27,850</u>	<u>27,740</u>
Shareholders equity (excl. minority. int.)		8,717	8,929	9,850	10,161	10,287	10,547	10,110	9,843	9,240	9,874
<i>Return on equity</i>		22%	18%	17%	14%	9%	8%	6%	8%	4%	6%
Interest bearing debt		6,240	7,165	7,594	7,835	7,248	6,201	6,606	6,075	6,339	6,768
Other liabilities		6,472	7,457	7,583	7,217	7,181	6,980	8,118	8,646	12,272	11,098
Total liabilities		<u>21,433</u>	<u>23,555</u>	<u>25,031</u>	<u>25,213</u>	<u>24,720</u>	<u>23,728</u>	<u>24,835</u>	<u>24,563</u>	<u>27,850</u>	<u>27,740</u>

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