

## Internal Information

### ČEZ Group's Net Income Exceeds Expectations by CZK 1.6 billion

**ČEZ Group reports 2016 net income of CZK 14.6 billion. Adjusted for extraordinary effects generally unrelated to the year's ordinary financial performance, its net income was CZK 19.6 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) were CZK 58.1 billion (a decrease of CZK 7 billion year-on-year, of which CZK 6.1 billion was due to decreased realization prices of generated electricity). The proposed dividend for 2016 is CZK 33 per share.**

"In spite of a decrease in electricity generation at nuclear power plants, we managed to increase the total amount of generated electricity by one percent thanks to increased generation at coal-fired and gas-fired facilities. This was largely due to the stable operation of all three comprehensively renovated units of the Pruněřov Power Plant. The 2-billion improvement in EBITDA over our expectations from the beginning of the last November was greatly helped by the successful completion of the process of certificate allocation to our Romanian wind farms, excellent sales performance, and optimum availability of generating facilities late in the year," says Daniel Beneš, ČEZ's Chairman of the Board of Directors and CEO.

ČEZ Group performed well in the end-use customer sales market in 2016. ČEZ Prodej became the number two player in the Czech market of natural gas suppliers. Sales of natural gas increased by 20% year-on-year, electricity sales decreased by 1%, and heat sales increased by 8%. The Group also reinforced its position in corporate and municipal energy products and services. The ESCO group's sales revenue increased by 57% year-on-year, exceeding the CZK 3-billion mark in 2016.

In new energy, ČEZ entered the German renewables market. ČEZ Group owns 39 onshore wind turbines with a total installed capacity of 98 MW.

Board of Directors of power company ČEZ (on March 20, 2017) decided about proposal of dividend from profit of 2016 to be presented to General Meeting of Shareholders. Board of Directors will propose gross dividend of CZK 33 per share (nominal value 100 CZK) which corresponds to total sum of CZK 17.8 bn (calculated on the basis of all shares issued).

Proposed dividend reflects updated dividend policy of the company the update of which concerns expansion of pay-out ratio to 60 – 100% of consolidated net income of CEZ Group adjusted for extraordinary items. It is expected that the company will narrow down the pay-out ratio within two years depending on specification of its development strategy.

For 2017, ČEZ Group expects EBITDA at a level of CZK 52 billion and net income adjusted for extraordinary effects at CZK 12 to 17 billion. Potential net income of CZK 4.8 billion (corresponding to the prediction interval) will be realized if the holders of convertible bonds exercise their right to take MOL shares instead of cash in 2017. In addition to risks, there is an opportunity for improvement in the expected figures,

consisting in potential income from the possible sale of the coal-fired Počerady Power Plant in 2017.

The positive development of the Czech economy and lower temperatures late in the year were reflected by growing electricity consumption in the distribution area of ČEZ Distribuce, which increased by 2.4% year-on-year and by 1.2% after temperature and calendar adjustment.