



# PRESENTATION ON CEZ GROUP FINANCIAL RESULTS IN Q1–Q3 2017

NON-AUDITED CONSOLIDATED RESULTS  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING  
STANDARDS (IFRS)

**November 7, 2017**

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## **Financial Highlights and Annual Outlook**

**Results and Selected Events—Development Team**

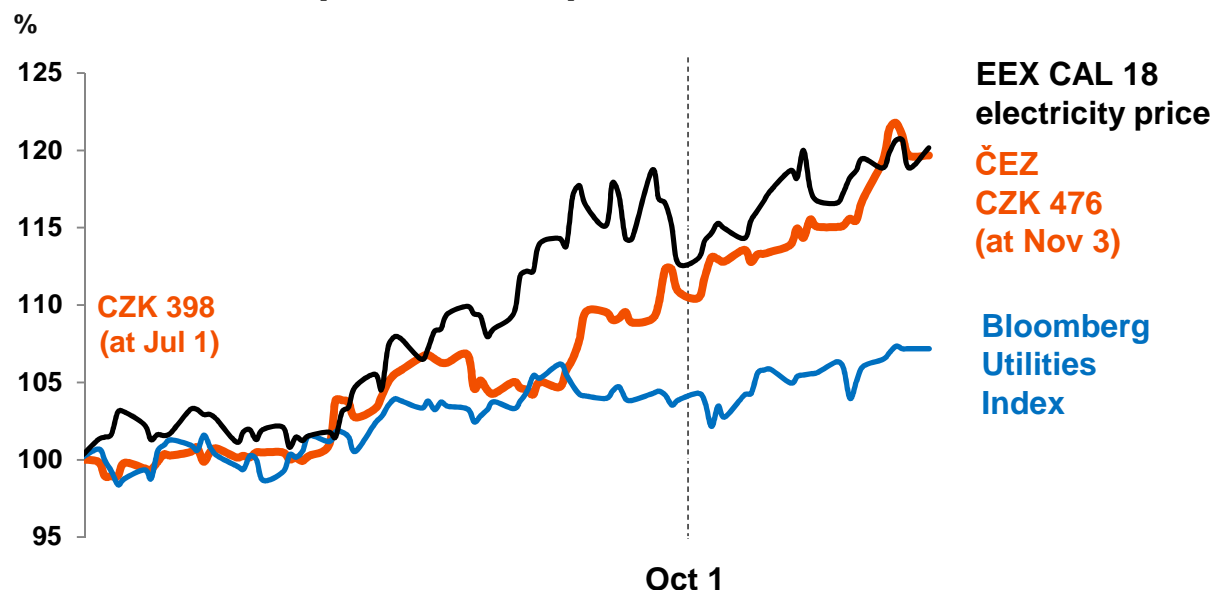
**Results and Selected Events—Operations Team**



# FINANCIAL HIGHLIGHTS: Q1–Q3 2017

- **Operating revenues** increased by 1% year-on-year to **CZK 146.7bn.**
- **EBITDA** decreased by 6% year-on-year to **CZK 41.1bn.**
- **Net income** increased by 13% year-on-year to **CZK 16.6bn.**
- **Adjusted net income\*** increased by 4% year-on-year to **CZK 17.3bn.**

## CEZ share price development since Jul 1, 2017



# CEZ GROUP FINANCIAL AND OPERATING RESULTS



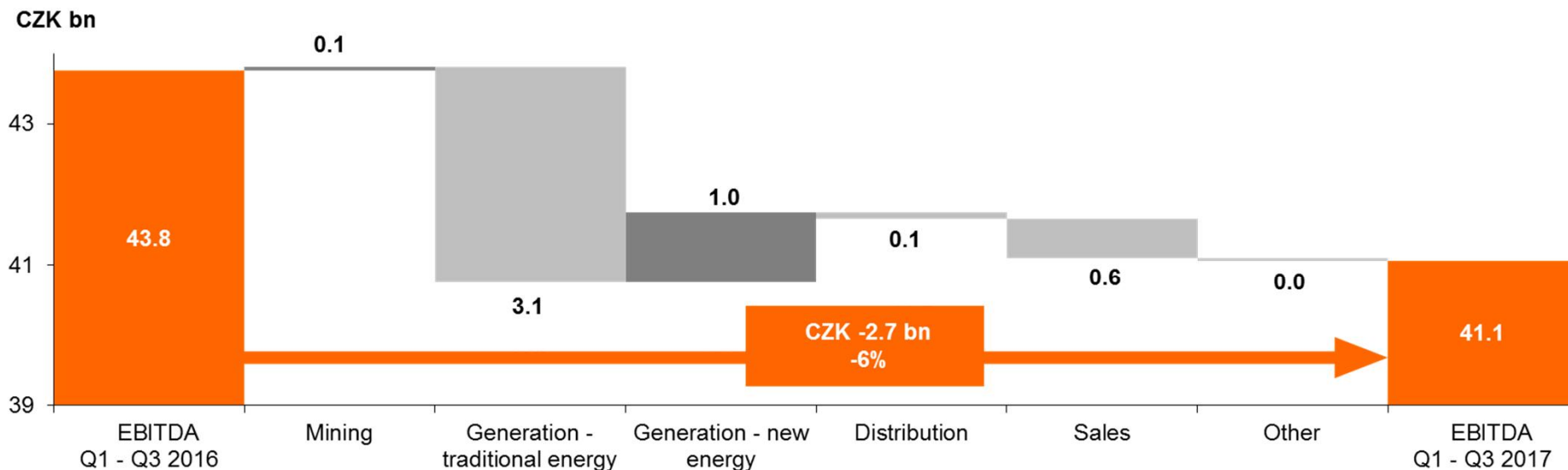
<b>(CZK bn)</b>		<b>Q1 - Q3 2016</b>	<b>Q1 - Q3 2017</b>	<b>Change</b>	<b>%</b>
Revenues		145.1	146.7	+1.6	+1%
EBITDA		43.8	41.1	-2.7	-6%
EBIT		21.6	19.4	-2.2	-10%
Net income		14.7	16.6	+1.9	+13%
Net income - adjusted *		16.7	17.3	+0.6	+4%
Operating CF		40.5	36.2	-4.3	-11%
CAPEX		21.5	19.2	-2.3	-11%
Net debt **		140.0	137.0	-3.1	-2%
		<b>Q1 - Q3 2016</b>	<b>Q1 - Q3 2017</b>	<b>Change</b>	<b>%</b>
Installed capacity **	GW	16.1	15.5	-0.6	-4%
Generation of electricity - traditional energy	TWh	44.0	44.6	+0.6	+1%
Generation of electricity - new energy	TWh	1.1	1.4	+0.3	+25%
Electricity distribution to end customers	TWh	36.8	38.3	+1.5	+4%
Electricity sales to end customers	TWh	26.8	27.2	+0.3	+1%
Sales of natural gas to end customers	TWh	5.1	6.7	+1.6	+30%
Sales of heat	000 TJ	15.3	15.8	+0.5	+3%
Number of employees **) ***)	000's	26.6	29.3	+2.7	+10%

\* Adjusted net income = Net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-offs).

\*\* At the last date of the period

\*\*\* The increase is primarily related to new acquisitions, in particular of German company Elevion (almost 2,000 employees), and insourcing of purchased services in Czechia

# YEAR-ON-YEAR CHANGE IN EBITDA BY SEGMENT



## Main causes of year-on-year change in Q1–Q3 EBITDA:

### Traditional Energy

- Lower realization prices of generated electricity in Czechia, including the effect of hedges (CZK -3.1bn)
- Higher expenses on emission allowances in Czechia (CZK -1.3bn)
- Higher generation at nuclear power plants (CZK +1.2bn)

**New Energy**—Higher amount of generation due to discontinued generation restrictions by the Romanian transmission system operator and due to the operation of new wind parks in Germany (CZK +0.7bn)

**Sales**—Lower gross margin on electricity sales in Romania primarily due to higher purchasing costs of electricity (CZK -0.5bn)



## OTHER INCOME (EXPENSES)

(CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
EBITDA	43.8	41.1	-2.7	-6%
<b>Depreciation, amortization and impairments*</b>	<b>-22.2</b>	<b>-21.6</b>	<b>+0.5</b>	<b>+2%</b>
<b>Other income (expenses)</b>	<b>-3.3</b>	<b>0.0</b>	<b>+3.4</b>	<b>-</b>
Interest income (expenses)	-1.6	-2.5	-0.9	-53%
Interest on nuclear and other provisions	-1.1	-1.2	-0.1	-9%
Income (expenses) from investments and securities	-0.2	3.8	+4.0	-
Other	-0.4	0.0	+0.4	+95%
<b>Income taxes</b>	<b>-3.6</b>	<b>-2.9</b>	<b>+0.7</b>	<b>+19%</b>
Net income	14.7	16.6	+1.9	+13%
<b>Net income - adjusted</b>	<b>16.7</b>	<b>17.3</b>	<b>+0.6</b>	<b>+4%</b>

### Depreciation, Amortization, and Impairments\* (CZK +0.5bn)

- Nonrecurrent income from sale of properties in Prague (CZK +1.1bn)
- Higher fixed asset impairments in 2016 (CZK +0.7bn)
- Higher depreciation and amortization (CZK -1.3bn), primarily due to putting renovated Pruněřov power plant into operation in 2016

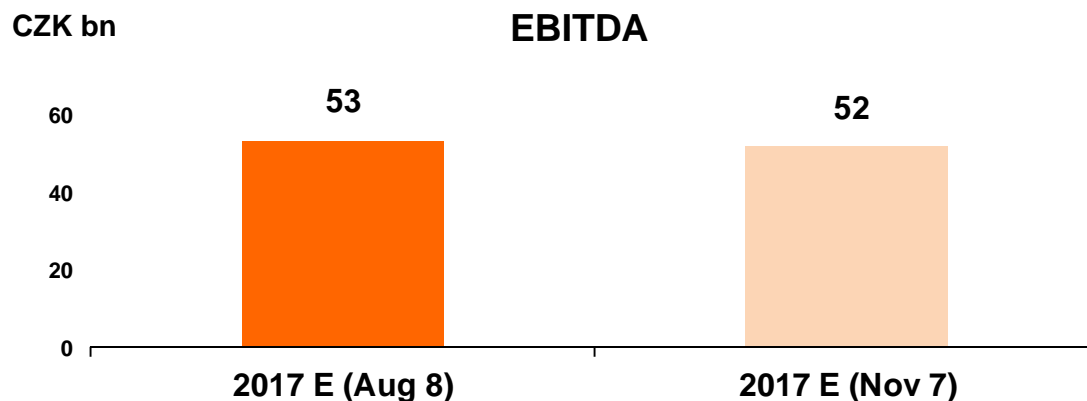
### Other Income (Expenses) (CZK +3.4bn)

- Effect of termination of MOL stockholding (CZK +4.3bn), where overall effect of sale of MOL stock, including related operations, on profits in Q1–Q3 2017 was CZK +4.6bn and total profits in Q1–Q3 2016 were CZK +0.3bn
- Higher interest expenses primarily due to lower interest capitalization after renovation of Pruněřov power plant in 2016 (CZK -0.9bn)
- Share of the profit or loss of associates and joint ventures (CZK -0.4bn)
- Other effects (CZK +0.4bn)

### Net Income Adjustment

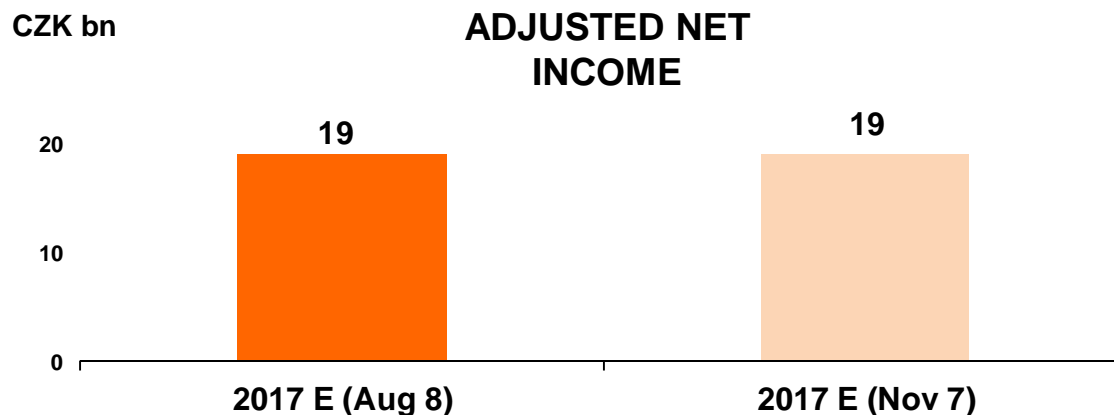
- Net income in Q1–Q3 2017 is adjusted for partial goodwill write-off in Turkey (CZK +0.5bn) and for the negative effect of impairment of fixed assets in Poland (CZK +0.2bn)
- Net income in Q1–Q3 2016 is adjusted for the negative effect of impairment of fixed asset in Romania (CZK +1.0bn), for partial goodwill write-off in Turkey (CZK +0.7bn), and for the negative effect of impairment of projects under development in Poland (CZK +0.3bn)

# EXPECTED ANNUAL EBITDA OF CZK 52 BN, ADJUSTED NET INCOME OF CZK 19 BN



## Selected negative effects as compared to expectation from Aug 8, 2017:

- Expected postponement of court decision concerning the payment of SŽDC debt from 2011 beyond 2017 (total impact, including ancillary, on EBITDA of approx. CZK -1.3bn) in relation to the Supreme Court's decision concerning a dispute over the payment of SŽDC debt from 2010



## Selected positive effects as compared to expectation from Aug 8, 2017:

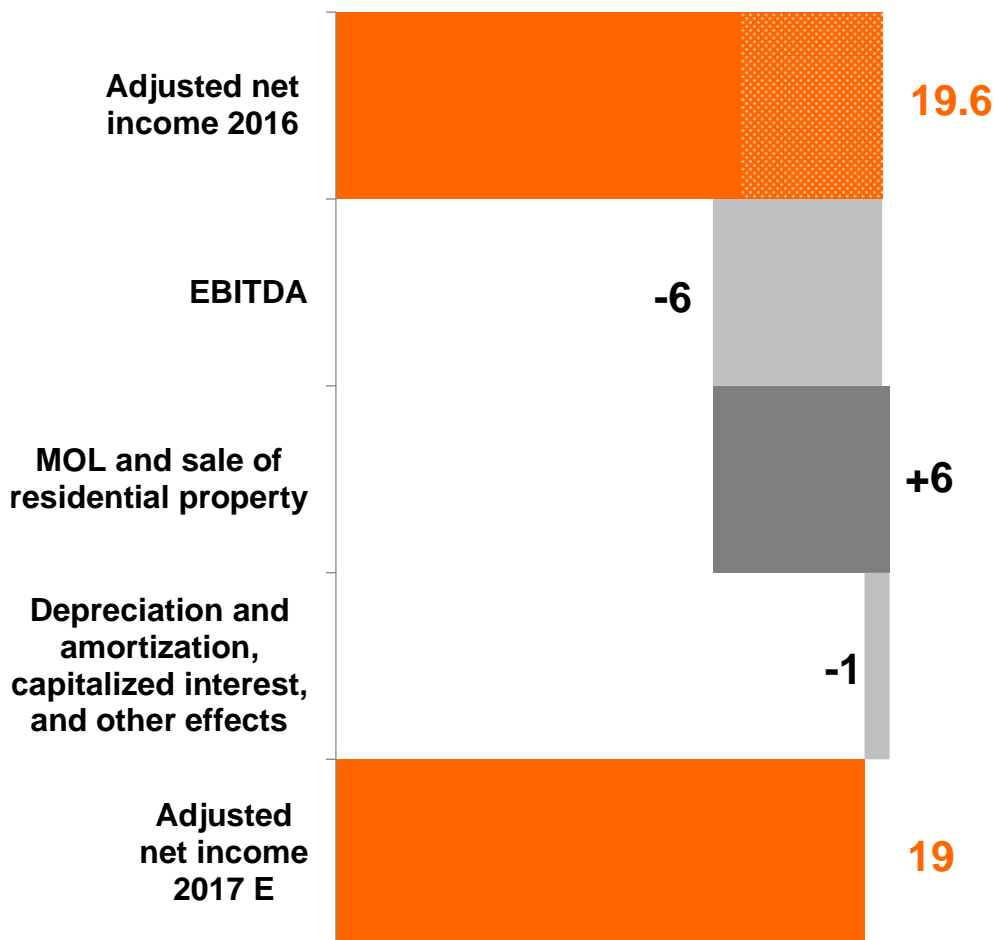
- Lower depreciation and amortization and higher capitalization of interest expenses, primarily due to change in the expected completion date of the new Ledvice unit (approx. CZK +0.8bn in total)

# EXPECTED YEAR-ON-YEAR CHANGE IN NET INCOME

## MAIN CAUSES (2017 VS. 2016)



CZK bn



### Main causes of year-on-year change:

#### EBITDA

- Effect of unbilled electricity settlement in Czechia in 2016 and effect of correction factors (CZK -2.7bn)
- Higher expenses on emission allowances
- Higher fixed expenses on safety at NPPs
- Decrease in electricity realization prices including hedging offset by increased generation

#### MOL and sale of residential property (CZK +6.4bn in total)

- Total effect of the MOL transaction (CZK +5.3bn), of which positive effect on 2017 income (CZK +4.6bn) and negative effect on 2016 income (CZK -0.8bn)
- Sale of residential property in Prague (CZK +1.1bn)

#### Other effects

- Increase in depreciation and amortization and lower interest capitalization primarily due to completion of Prunéřov power plant's renovation in 2016
- Other effects, primarily of exchange rates and revaluation of derivatives



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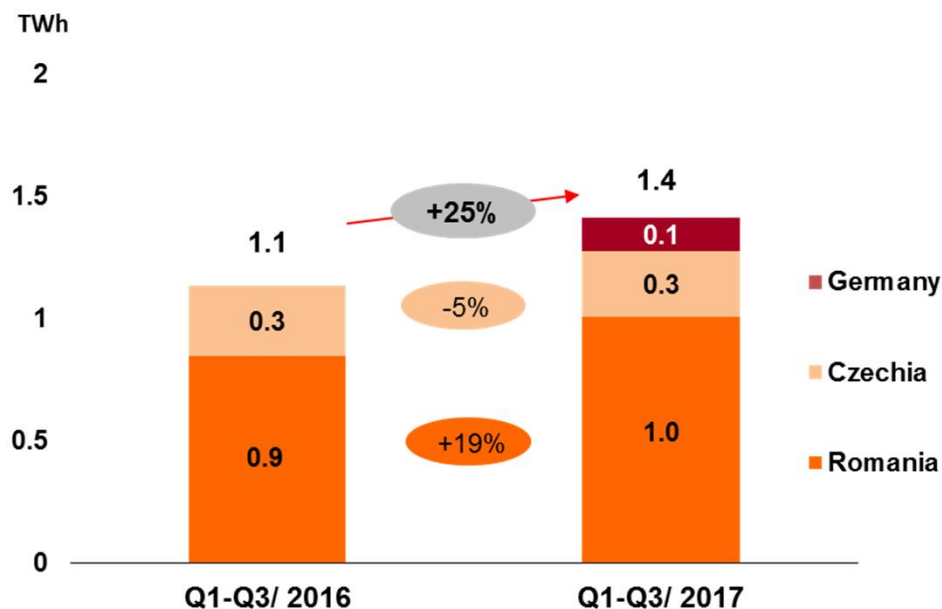
Financial Highlights and Annual Outlook



**Results and Selected Events—Development Team**

Results and Selected Events—Operations Team

# GENERATION—NEW ENERGY



## Germany

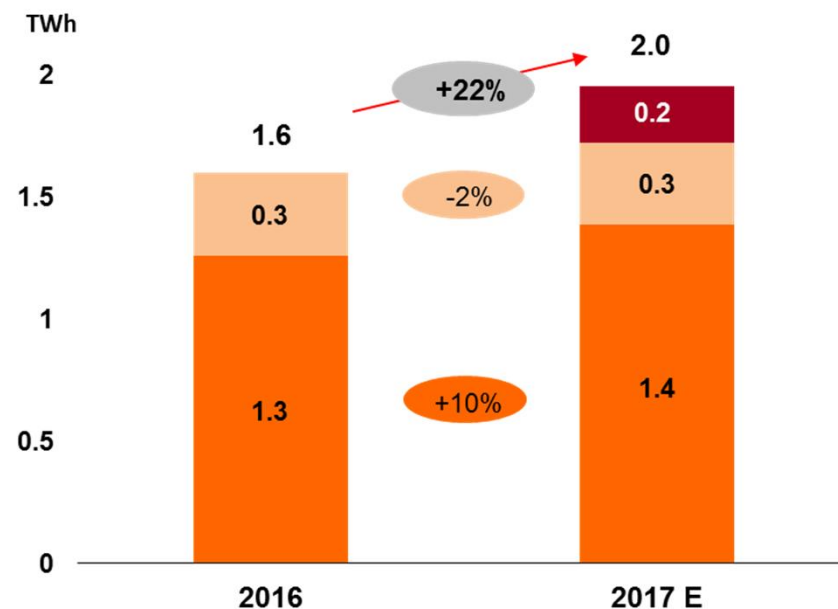
+ Acquisition of wind parks (Fohren-Linden and Rhineland-Palatinate sites + wpd portfolio)

## Czechia (-5%)

- Effect of weather conditions, lower generation at small hydroelectric power plants partially offset by higher generation from photovoltaic power plants

## Romania (+19%)

+ Better weather conditions and absence of generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid



## Germany

+ Acquisition of wind parks (Fohren-Linden and Rhineland-Palatinate sites + wpd portfolio)

## Czechia (-2%)

- Lower generation at small hydroelectric power plants

## Romania (+10%)

+ Better weather conditions and expected absence of generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid

## SEGMENT: GENERATION–NEW ENERGY



EBITDA (CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
Czechia	1.6	1.6	0.0	-1%
Poland	-0.4	0.0	+0.4	+94%
Romania	1.2	1.6	+0.4	+30%
Germany	0.0	0.3	+0.3	-
Other states	0.0	0.0	0.0	-4%
<b>Generation - new energy</b>	<b>2.4</b>	<b>3.4</b>	<b>+1.0</b>	<b>+42%</b>

### Poland (CZK +0.4bn)

- Effect of additions to impairments of Ecowind projects in 2016

### Romania (CZK +0.4bn)

- Primarily higher amount of generation at Fântânele and Cogeaalac wind farms (due to generation restrictions imposed by the transmission system operator in 2016)

### Germany (CZK +0.3bn)

- Effect of operation of new wind turbines acquired by CEZ Group in late 2016

# SEGMENT: DISTRIBUTION



EBITDA (CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
Czechia	12.3	12.1	-0.2	-2%
Romania	1.5	1.4	-0.1	-3%
Bulgaria	0.9	1.1	+0.2	+18%
<b>Distribution</b>	<b>14.6</b>	<b>14.6</b>	<b>-0.1</b>	<b>-1%</b>

## Czechia (CZK -0.2bn)

- Higher operating expenses to cover distribution grid needs including natural disasters and other emergencies
- Higher fixed expenses associated with separation of service for ČEZ Distribuce and ČEZ Prodej customers

## Romania (CZK -0.1bn)

- Lower margin on distributed electricity, primarily due to higher purchase prices of electricity to cover grid losses (CZK -0.2bn)
- Lower overhead and lower additions to impairments (CZK +0.2bn)

## Bulgaria (CZK +0.2bn)

- Higher margin on distributed electricity, primarily due to higher amount of electricity distributed to end-use customers

## SEGMENT: SALES



EBITDA (CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
Czechia	3.2	3.1	-0.2	-5%
Romania	0.3	0.0	-0.3	-88%
Bulgaria	0.3	0.7	+0.3	+88%
Other states	0.2	-0.3	-0.4	-
<b>Sales</b>	<b>4.1</b>	<b>3.5</b>	<b>-0.6</b>	<b>-14%</b>

### Czechia (CZK -0.2bn)

- Higher fixed expenses, primarily in relation to separation of service for ČEZ Distribuce and ČEZ Prodej customers (CZK -0.4bn)
- Higher additions to provisions for debts from ČEZ Prodej's electricity and gas sales (CZK -0.1bn)
- Higher gross margin on gas sales due to lower purchasing costs and greater volume of sales (CZK +0.3bn)

### Romania (CZK -0.3bn)

- Lower gross margin, primarily due to higher expenses on electricity purchases (CZK -0.5bn)
- Other effects (CZK +0.2bn), primarily reversal of provisions and debt allowances

### Bulgaria (CZK +0.3bn)

- Effect of out-of-court settlement agreement made between CEZ Elektro Bulgaria and state-owned energy company NEK concerning RES receivables (CZK +0.4bn)
- Lower gross margin on electricity sales, primarily due to increased imbalance costs (CZK -0.1bn)

### Other Countries\* (CZK -0.4bn)

- Primarily lower gross margin of CEZ Slovensko and CEZ Hungary due to higher expenses on electricity and gas purchases in comparison to record low purchase prices in 2016

\* German company Elevion included in the consolidation of CEZ Group's results only since September 2017.

# ČEZ PRODEJ – NEW, MORE COMPREHENSIBLE OFFER OF COMMODITY PRODUCTS FOR RETAIL CUSTOMERS



- Clearly expressing what we supply and for what period the contract is made for
- Consistent for electricity and gas in order to make the offer as comprehensible as possible for the customer
- New product “GAS for Indefinite Time” launched with a favourable price

NEW PRODUCT NAME			ORIGINAL PRODUCT NAME
<b>ELECTRICITY</b>	for Indefinite Period	←	COMFORT
	for 1 Year	←	ČEZ ELE WITH SAVINGS
	for 2 Years	←	ČEZ GARANT PLUS
	for 3 Years	←	ČEZ ELE WITH REWARD
<b>GAS</b>	for Indefinite Period	←	Newly created product
	for 1 Year	←	ČEZ GAS WITH SAVINGS
	for 2 Years	←	ČEZ WITH GUARANTEE
	for 3 Years	←	ČEZ WITH REWARD

IN ADDITION, NOVELTY IN SERVICE: Free customer care line available **MON–SUN / 7 AM–8 PM**

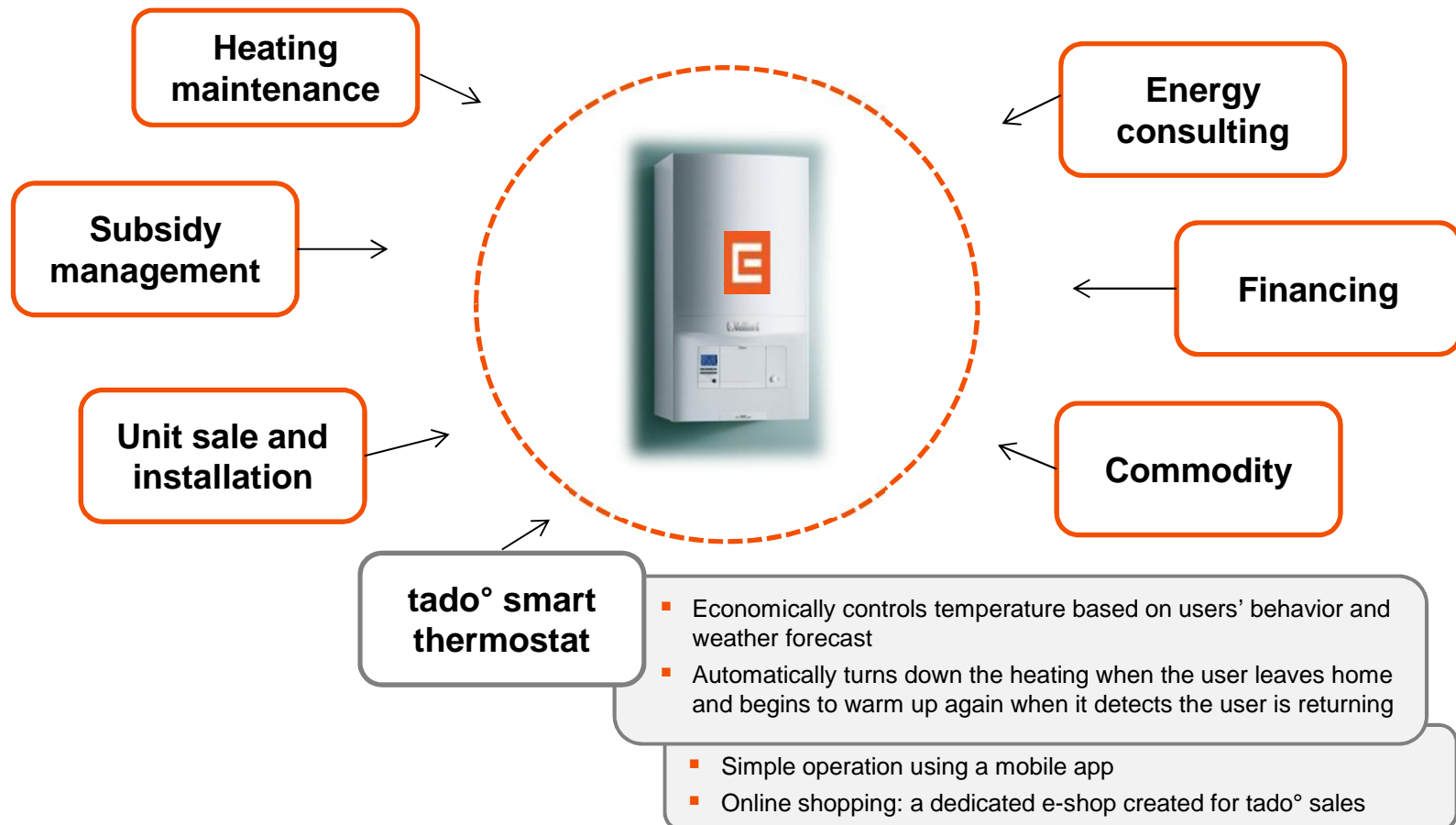
**800 810 820 ČEZ PRODEJ**

**800 850 860 ČEZ DISTRIBUCE**

# SMART ENERGY TURNKEY SOLUTIONS FROM ČEZ COMPREHENSIVELY ANSWER THE NEEDS OF RETAIL CUSTOMERS



## ČEZ TURNKEY HEATING



# THE DEVELOPMENT TEAM CONTINUES TO FULFILL THE GROWTH STRATEGY THROUGH ACQUISITIONS

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## **Elevion—one of the largest providers of comprehensive energy services in Germany—has been fully consolidated in CEZ Group’s accounts since September**

- Following approval of the communicated transaction by competition authorities, the consolidation of Elevion’s accounts into CEZ Group started in September 2017.
- The company has annual revenues of approx. CZK 8bn and more than 1,900 employees.

## **KART, a new acquisition**

- KART has been providing comprehensive services in the delivery, operation, and maintenance of engineering facilities in the Czech market for 25 years. Its customers include scientific centers, art galleries, hotel chains, and administrative complexes.
- The company has annual revenues of approx. CZK 130m and about 150 employees.

## **Acquisition of VULOG signed through Inven Capital**

- The company offers a comprehensive Software-as-a-Service platform enabling car sharing operators to provide services to their customers. The application is currently used by about 4,000 cars.
- VULOG clients are major operators on four continents:
  - Europe (emov in Madrid and Panek in Warsaw)
  - North America (EVO in Vancouver)
  - South America (Urbano in São Paulo)
  - Australia—New Zealand (Mevo in Wellington)
- With this investment CEZ Group is further enhancing its know-how regarding smart cities.
- The company has annual revenues of approx. EUR 3m and 75 employees.



# SELECTED EVENTS—DEVELOPMENT TEAM



## Distribution regulation in Czechia

- In August, the Energy Regulatory Office published its proposal for price regulation policy in 2019–2020, proposing to maintain the principles of regulation from 2016–2018 also in the period of 2019–2020.
- At the same time, it started the process of public consultation on the price regulation framework for the 5th regulatory period.

## Developments in the suit for damages claimed by ČEZ Prodej from SŽDC for loss incurred in 2010

- In its judgment dated August 10, 2017, the Supreme Court admitted the devolutive appeal filed by SŽDC, overturning the previous judgments of lower courts and returning the suit for damages claimed for loss incurred in 2010 (CZK 0.8bn + ancillary CZK 0.3bn) to the court of first instance for a new hearing.
- Following the decision of the Supreme Court, which primarily considered the procedural aspects, ČEZ Prodej paid SŽDC back only legal expenses of approx. CZK 15 million and, in view of legal opinions on the decision, did not pay it back the already paid damages (on the grounds of claim expiry due to performance of SŽDC's initial obligation).
- According to the Supreme Court's judgment, the court of first instance should examine, among other things, whether ČEZ Prodej fulfilled its duty of prevention as well as whether there might have been any circumstances precluding SŽDC's liability.

## Sale of the Varna power plant

- ČEZ made an agreement on the terms of sale of its hard coal-fired power plant in Varna, Bulgaria (1,260 MW), whose operation was suspended on Jan 1, 2015.
- ČEZ decided to accept the offer of Bulgarian company SIGDA OOD.
- The transaction is subject to approval of the Bulgarian antimonopoly authority.

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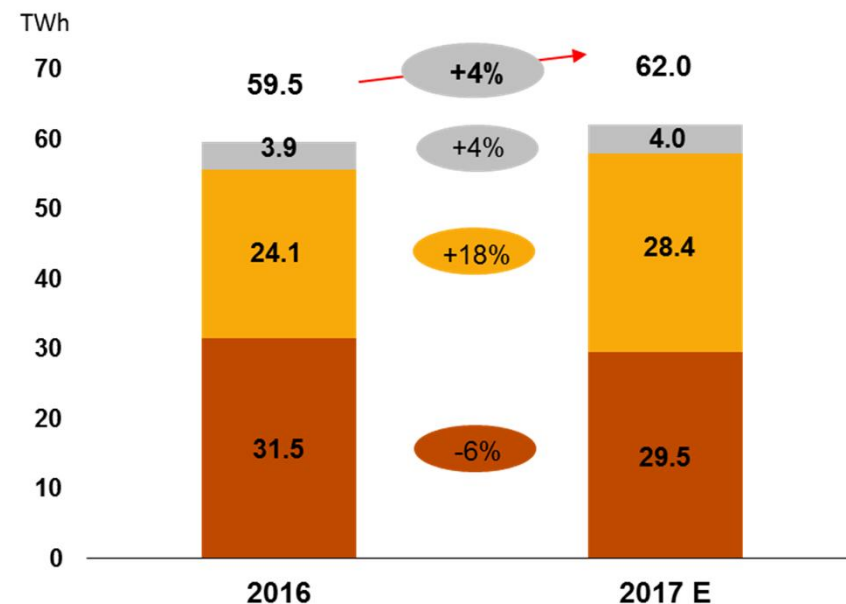
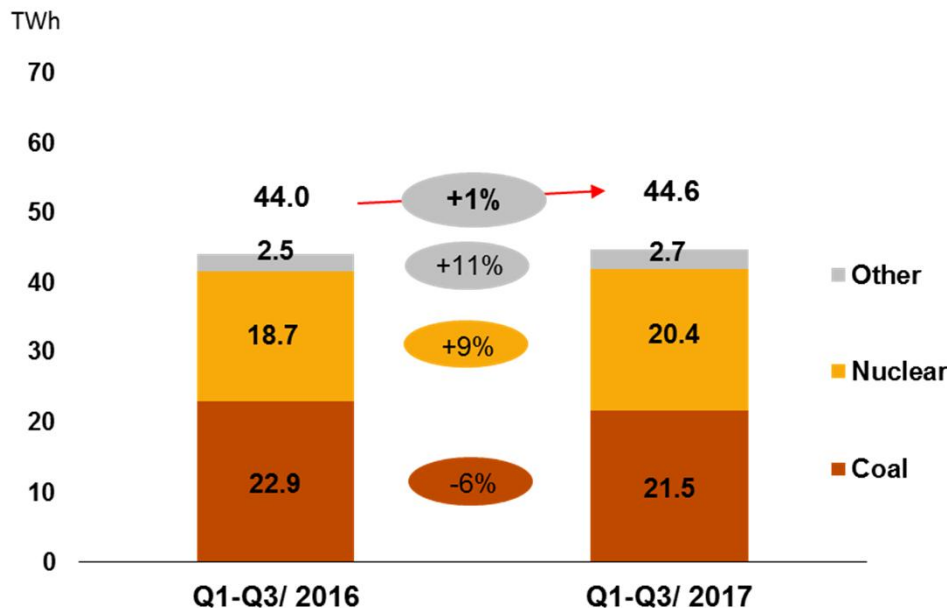
**Financial Highlights and Annual Outlook**

**Results and Selected Events—Development Team**



**Results and Selected Events—Operations Team**

# GENERATION—TRADITIONAL ENERGY



## Nuclear Power Plants (+9%)

+ Shorter outages at Temelín NPP

## Coal-Fired Power Plants (-6%)

### Czechia (-6%)

- Sale of Tisová power plant, longer outages at Prunéřov 2 and Tušimice 2 power plants

+ Operation of Ledvice 4 power plant (new facility) during construction

### Poland (-5%)

- Stricter NO<sub>x</sub> emission ceilings resulting from Interim National Plan and prolongation of planned repairs

## Other (+11%)

+ Primarily increased generation at Počerady CCGT plant

## Nuclear Power Plants (+18%)

+ Shorter outages at Temelín NPP

## Coal-Fired Power Plants (-6%)

### Czechia (-6%)

- Sale of Tisová power plant, lower operation of Dětmarovice power plant, longer outage of Tušimice 2 power plant, lower operation at Prunéřov (NO<sub>x</sub> emission ceilings)

+ Operation of Ledvice 4 power plant (new facility)

### Poland (-4%)

- Stricter NO<sub>x</sub> emission ceilings resulting from Interim National Plan

## Other (+4%)

+ Primarily increased generation at Počerady CCGT plant

## SEGMENT: GENERATION–TRADITIONAL ENERGY



EBITDA (CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
Czechia	16.6	13.6	-3.0	-18%
Poland	0.9	0.8	-0.1	-14%
Other states	0.0	0.0	0.0	+57%
<b>Generation - traditional energy</b>	<b>17.4</b>	<b>14.3</b>	<b>-3.1</b>	<b>-18%</b>

### Czechia (CZK -3.0bn)

- Lower realization prices of generated electricity, including the effect of hedges (CZK -3.1bn)
- Higher expenses on emission allowances (CZK -1.3bn)
- Higher generation at nuclear power plants (CZK +1.2bn)
- Effect of settlement agreement with Sokolovská uhelná (CZK +0.7bn)
- Other effects (CZK -0.5bn), primarily higher expenses on maintenance and less profit from commodity trading

### Poland (CZK -0.1bn)

- Primarily lower generation due to lower utilization of certificates (lower volume of biomass co-firing) and due to stricter emission ceilings for NO<sub>x</sub>

# MINING SEGMENT AND OTHER SEGMENT



EBITDA (CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
Czechia	3.2	3.3	+0.1	+2%
<b>Mining</b>	<b>3.2</b>	<b>3.3</b>	<b>+0.1</b>	<b>+2%</b>

## Mining (CZK +0.1bn)

- Higher revenue from coal sales, primarily due to higher demand for sorted coal by external customers

EBITDA (CZK bn)	Q1 - Q3 2016	Q1 - Q3 2017	Change	%
Czechia	1.9	2.0	0.0	+2%
Romania	0.1	0.1	0.0	+2%
Other states	0.0	-0.1	-0.1	-
<b>Other</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>	<b>-2%</b>

# SELECTED EVENTS IN NUCLEAR POWER

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## Temelín Nuclear Power Plant

**On Jul 31, 2017, an outage of Unit 2 ended 12 days ahead of schedule. It lasted 73 days in total.** The most important activities included the modernization of a cluster of safety valves on the pressurizer and overhaul of circulating cooling water pumps.

## Dukovany Nuclear Power Plant

**On Jun 28, 2017, ČEZ received a renewed operating license for Unit 2 from SÚJB.** Like for Unit 1, the license is for an indefinite period of time and conditional on meeting the conditions set by the decision.

**On Jun 30, 2017, applications for long-term operating licenses for Units 3 and 4 were submitted to SÚJB.**

A six-month administrative procedure is underway to review the applications and, if appropriate, to amend the Consolidated Readiness Report.

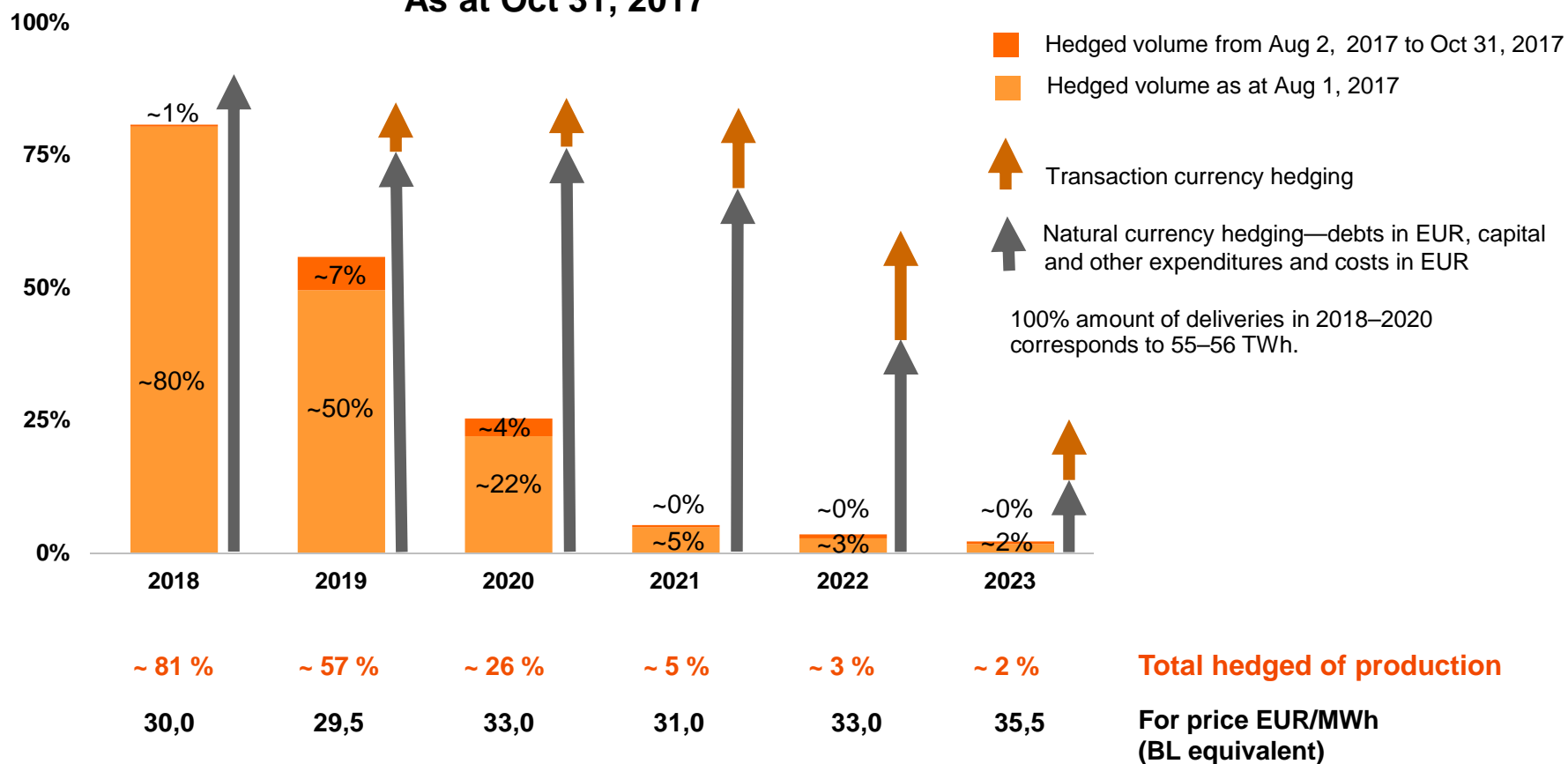
**On Sep 9, 2017, an outage of Unit 4 ended one day ahead of schedule, lasting 119 days in total.** In addition to standard activities, it involved major capital investment projects such as the replacement of super-accident feed piping, reconstruction of ventilation, or reconstruction of the instrumentation and control system at the central pumping station.

**On Nov 3, 2017, an outage of Unit 3 ended, lasting 112 days in total (5 days behind schedule).** The outage involved an inspection of the reactor pressure vessel, weld repairs, replacement of the instrumentation and control system, replacement of secondary seals, replacement of super-accident feed piping, and inspections of high-pressure parts.

# ČEZ CONTINUES HEDGING ITS GENERATION REVENUES IN THE MEDIUM TERM IN LINE WITH STANDARD POLICY



**Share of Hedged Deliveries from ČEZ\* Facilities  
As at Oct 31, 2017**



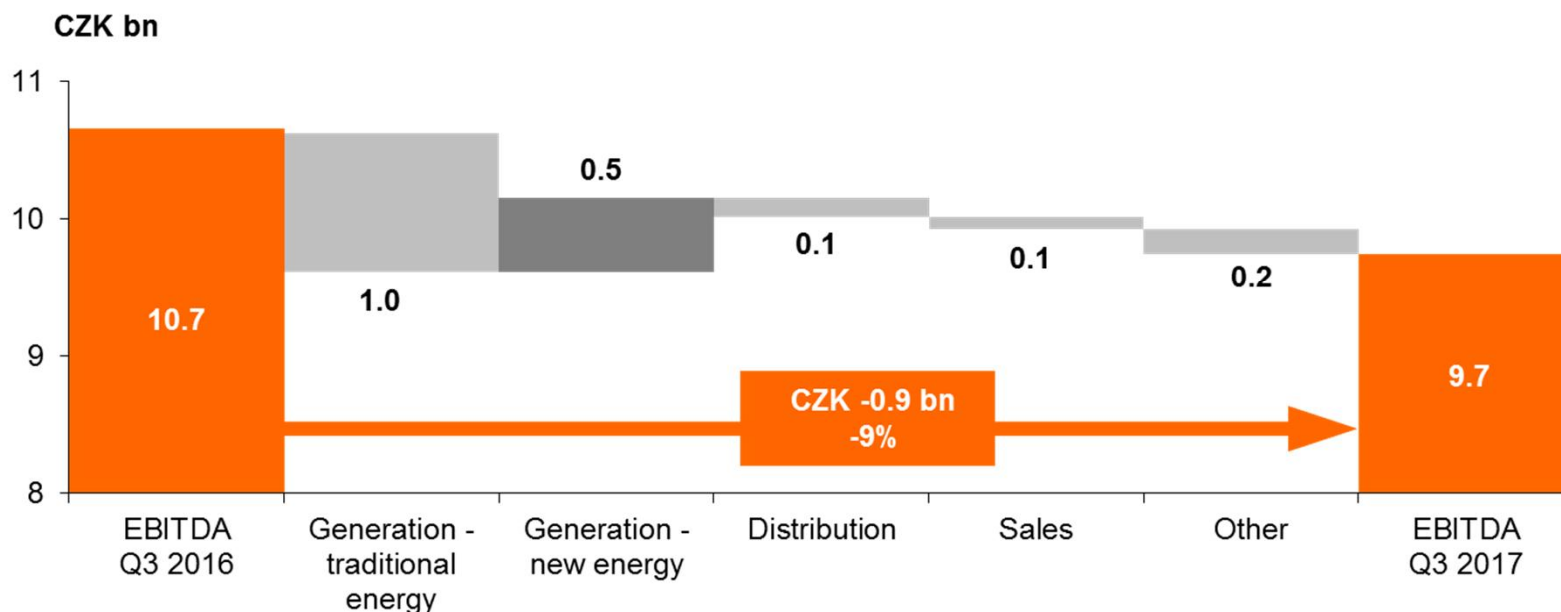


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- Net Income—Q3 Year-on-Year Comparison
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# EBITDA

## Q3 YEAR-ON-YEAR COMPARISON



### CEZ Group EBITDA (CZK -0.9bn):

- Generation—Traditional Energy (CZK -1.0bn):** Lower realization prices of generated electricity, including the effect of hedges (CZK -1.4bn); higher expenses on emission allowances (CZK -0.2bn); higher fixed costs (CZK -0.2bn) primarily due to equipment maintenance; change in amount and structure of generation (CZK +1.2bn), primarily higher generation at NPPs; other effects (CZK -0.4bn), primarily revaluation of derivatives
- Generation—New Energy (CZK +0.5bn):** Primarily the effect of additions to impairments of Eco-Wind projects in 2016 (CZK +0.4bn) and higher amount of generation at wind farms in Romania and Germany (CZK +0.2bn)
- Distribution (CZK -0.1bn):** Primarily Czechia—higher additions to impairments and higher operating expenses of ČEZ Distribuce
- Sales (CZK -0.1bn):** Lower margins on electricity sales in Romania, Bulgaria, and Slovakia, primarily due to changes in electricity purchase prices (CZK -0.4bn); higher gross margin of ČEZ Prodej from sales of electricity and gas due to lower expenses on purchases and higher amount of gas sold (CZK +0.4bn); higher fixed expenses of ČEZ Prodej and ESCO group (CZK -0.2bn); higher reversal of provisions and adjustments to receivables in Romania (CZK +0.2bn)

# NET INCOME

## Q3 YEAR-ON-YEAR COMPARISON



(CZK bn)	Q3 2016	Q3 2017	Change	%
EBITDA	10.7	9.7	-0.9	-9%
Depreciation, amortization and impairments*	-7.1	-7.6	-0.5	-7%
Other income (expenses)	-2.4	-2.1	+0.3	+12%
Income taxes	-0.3	-0.1	+0.1	+57%
Net income	0.9	-0.1	-1.0	-
<b>Net income - adjusted</b>	<b>1.9</b>	<b>0.3</b>	<b>-1.6</b>	<b>-83%</b>

### Depreciation, Amortization, and Impairments\* (CZK -0.5bn)

- Higher depreciation and amortization (CZK -0.4bn), primarily due to inclusion of renovated Prunéřov power plant in assets in 2016
- Higher depreciation and amortization of ČEZ Distribuce (CZK -0.1bn) due to higher investments in property, plant, and equipment

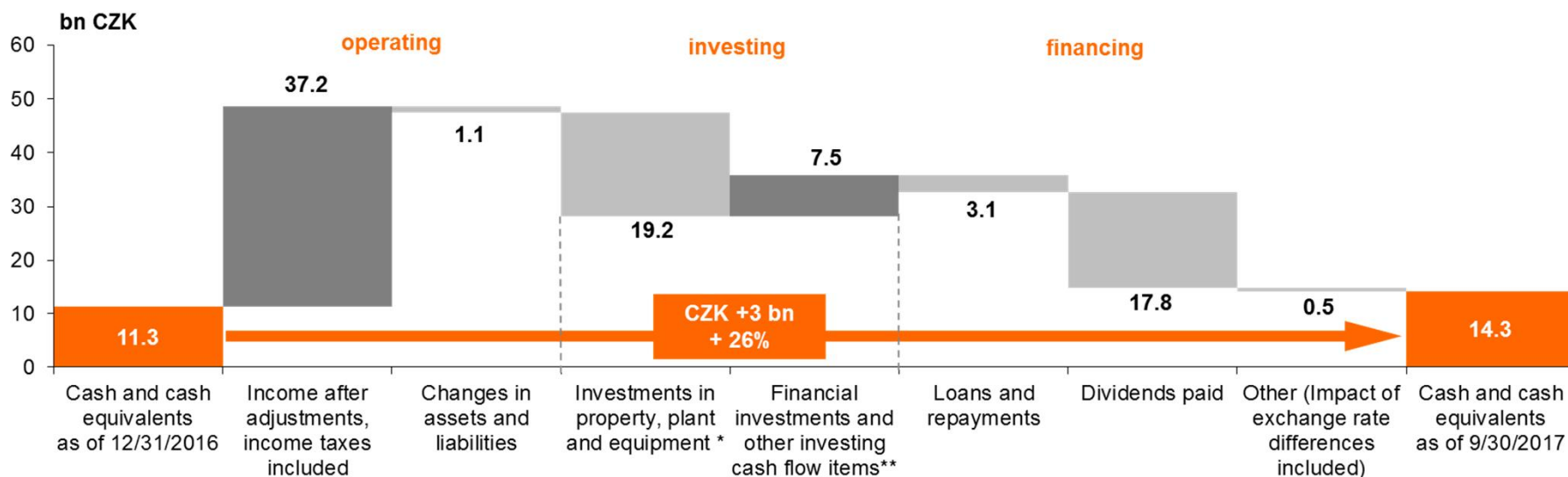
### Other Income (Expenses) (CZK +0.3bn)

- Primarily the effect of revaluation of financial derivatives (CZK +0.3bn)

### Net Income Adjustment

- Net income in Q3 2017 is adjusted for partial goodwill write-off in Turkey (CZK +0.4bn)
- Net income in Q3 2016 is adjusted for partial goodwill write-off in Turkey (CZK +0.7bn) and for the negative effect of impairment of projects under development in Poland (CZK +0.3bn)

# CASH FLOWS



## Cash Flows From Operating Activities (CZK +36.2bn)

- Income after adjustments (CZK +37.2bn): earnings before taxes (CZK +19.5bn), depreciation and amortization of nuclear fuel (CZK +25.2bn), loss from associates and joint ventures (CZK +1.4bn), income from sale of fixed assets (CZK -5.8bn), income tax paid (CZK -3.0bn)
- Changes in assets and liabilities (CZK -1.1bn): change in inventory of emission allowances (CZK -3.8bn), change in the balance of payables and receivables from derivatives incl. options (CZK -2.4bn), change in trade receivables and payables including advances and accruals/deferrals (CZK -1.0bn), change in inventories of materials and fossil fuels (CZK -1.0bn), change in other receivables and payables (CZK +4.2bn), change in securities and term deposits (CZK +2.9bn)

## Cash Flows Used in Investing Activities (CZK -11.7bn)

- Investments in property, plant, and equipment\*—CAPEX (CZK -19.2bn), liabilities attributable to capital expenditure (CZK -2.2bn)
- Acquisition of subsidiaries and affiliates (CZK -4.9bn), in particular Elevion and KART
- Income from sale of non-current assets (CZK +14.0bn), impact of MOL shares' sale in particular; other (CZK +0.6bn)

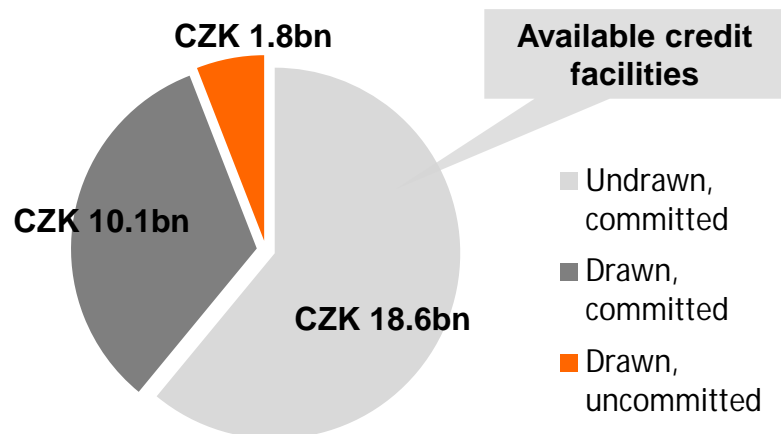
## Cash Flows Used In Financing Activities (CZK -21.4bn)\*\*\*

- Dividends paid to shareholders (CZK -17.8bn)
- Balance of loans and repayments (CZK -3.1bn)

# CEZ GROUP MAINTAINS A STRONG LIQUIDITY POSITION

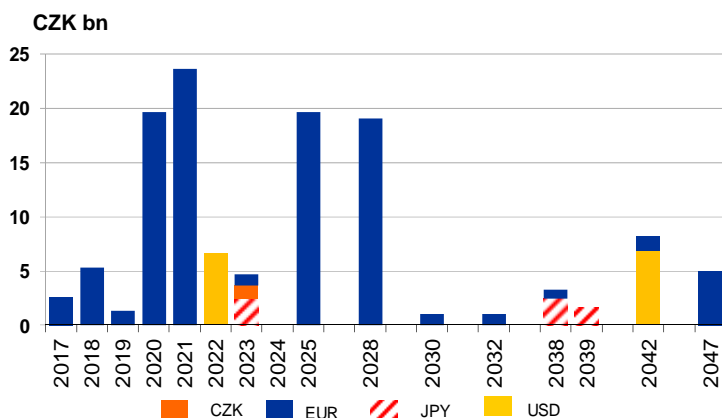


## Utilization of Short-Term Lines (as at Sep 30, 2017)



- CEZ Group has access to CZK 28.7bn in committed credit facilities, using CZK 10.1bn as at Sep 30, 2017.
- Committed facilities are kept as a reserve for covering unexpected needs and for funding short-term financial needs.
- The payment of dividends for 2016 (CZK 17.6bn) began on August 1, 2017. 99% of the amount was paid as at Sep 30.
- EUR 225m tap of 2028 bond issue was issued on September 20, 2017. The effective yield of the tap issue is 1.766%.

## Bond Maturity Profile (as at Sep 30, 2017)



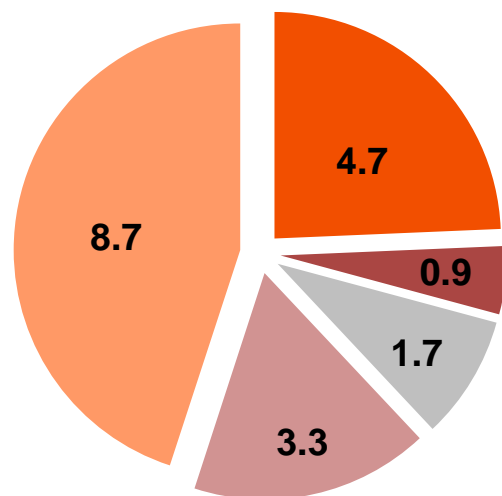
# INVESTMENTS IN FIXED ASSETS



## CZK 19.2bn in total (Q1–Q3 2017)

### Distribution segment:

- Czechia: CZK 7.1bn
- Abroad: CZK 1.5bn



### Conventional and other generating facilities:

- Construction of a new supercritical unit in Ledvice
- Other investments in facility renovation

### Mining segment:

- Modernization and renovation of existing facilities

### Other

- Primarily investments in ICT assets

### Nuclear facilities (including nuclear fuel procurement):

- Investments in existing facilities at Temelín NPP and Dukovany NPP for the purpose of nuclear safety enhancement and process equipment renovation
- Procurement of nuclear fuel
- New nuclear power plants at Temelín and Dukovany—Preparation of projects at both sites, Temelín and Dukovany, continues in accordance with the approved National Action Plan for Nuclear Energy

# BALANCE SHEET OVERVIEW

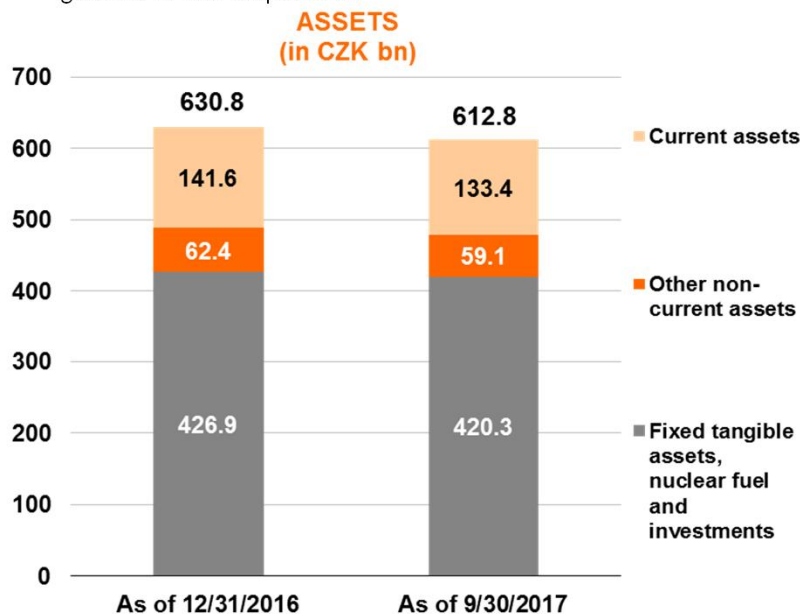


## Fixed tangible assets, nuclear fuel, and investments decreased by CZK 6.6bn

- Primarily due to depreciation and amortization (see slide Other Income (Expenses)), partially offset by capital expenditure (see CAPEX)

## Other noncurrent assets decreased by CZK 3.3bn

- Decrease in noncurrent financial assets of CZK 4.6bn, primarily due to reclassification of available-for-sale securities as current assets
- Decrease in the value of investment in associates and joint ventures of CZK 1.9bn, primarily due to the liquidation of CMEPI B.V.
- Increase in noncurrent intangible assets of CZK 3.6bn in connection with goodwill at new acquisitions



## Current assets decreased by CZK 8.2bn

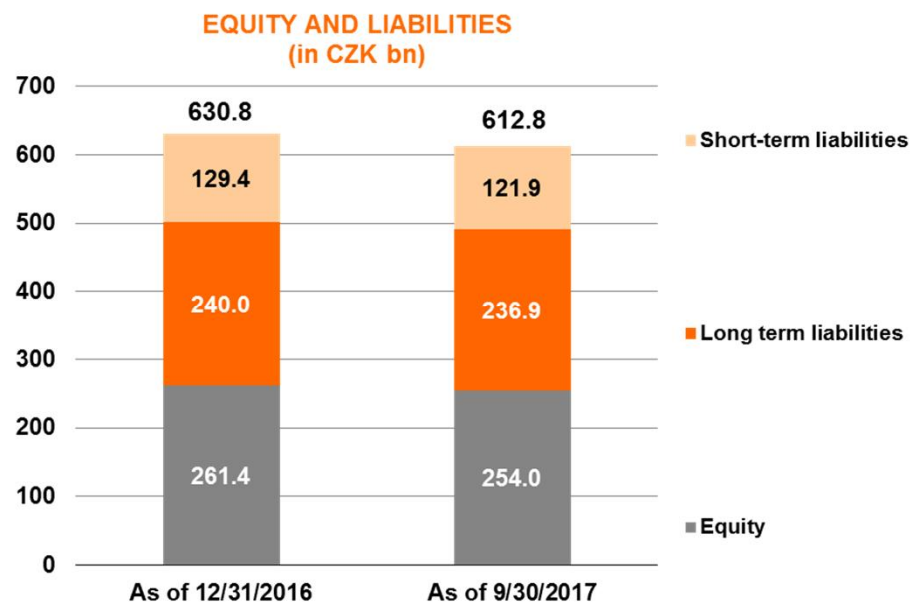
- Decrease in securities and term deposits of CZK 14.1bn
- Decrease in trade receivables of CZK 5.8bn
- Decrease in receivables from derivatives incl. options of CZK 3.5bn
- Increase in income tax receivables of CZK 2.4bn
- Increase in cash and cash equivalents of CZK 2.6bn
- Increase in emission allowances of CZK 2.7bn
- Increase in inventory of CZK 7.1bn

## Equity decreased by CZK 7.4bn

- Paid dividends of CZK 17.8bn
- Other comprehensive income decreases equity by CZK 6.2bn
- Increase in net income of CZK 16.6bn

## Long-term liabilities decreased by CZK 3.1bn

- Decrease in bonds issued of CZK 5.1bn
- Decrease in long-term bank loans of CZK 0.8bn
- Increase in deferred tax liability of CZK 2.3bn



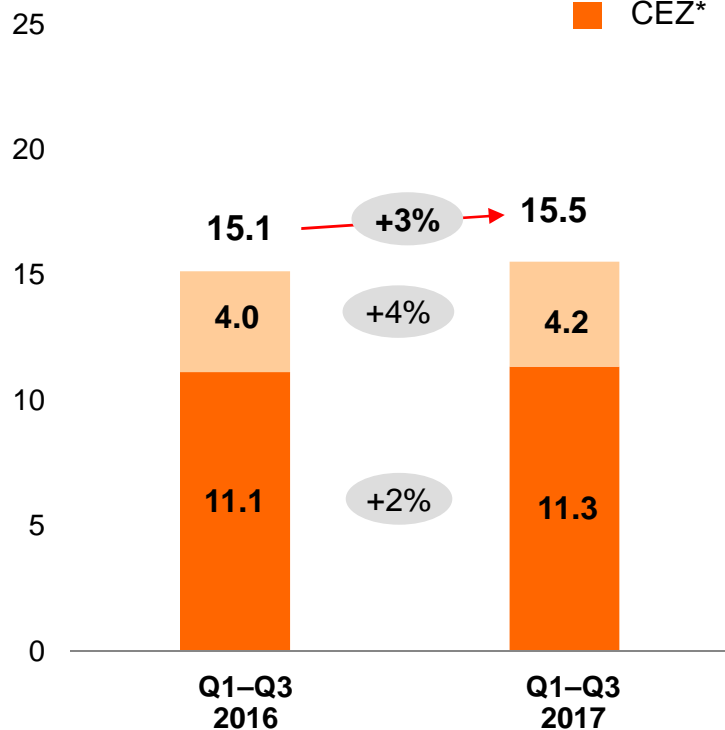
## Current liabilities decreased by CZK 7.5bn

- Decrease in current portion of long-term debt of CZK 7.7bn
- Decrease in short-term payables from derivative trading incl. options of CZK 3.4bn
- Decrease in unbilled goods and services of CZK 3.7bn
- Increase in short-term loans of CZK 3.6bn
- Increase in trade payables incl. advances of CZK 3.6bn

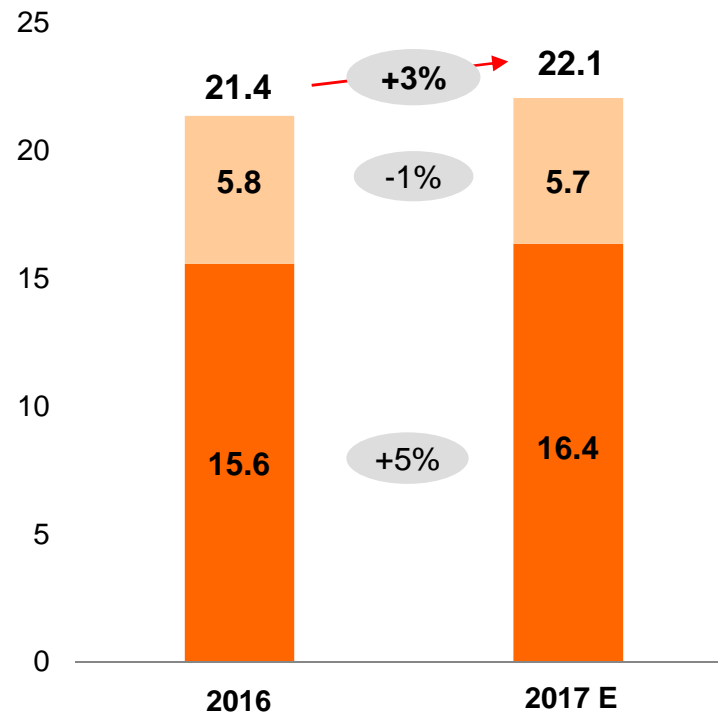


## Severočeské doly—Coal Extraction (Millions of Tons)

Other customers  
 ČEZ\*



- Increase in saleable output of 0.4 million tons of coal, primarily due to increased consumption by both CEZ Group companies and external customers

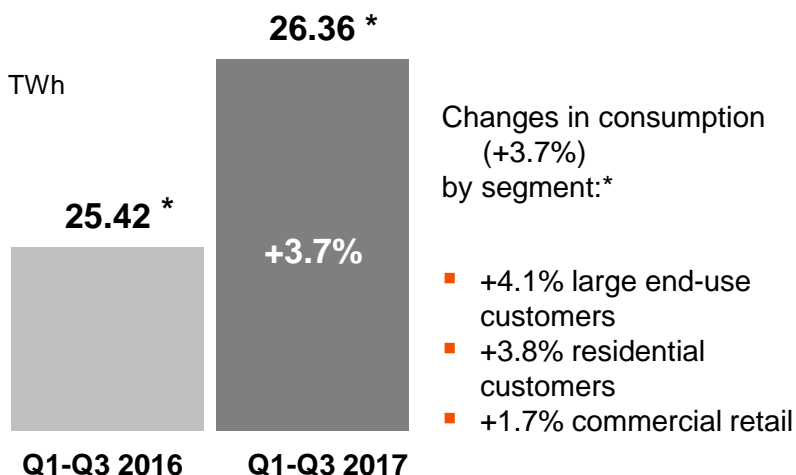


- Year-on-year increase in saleable production of 0.7 million tons of coal due to expected increase in thermal coal consumption by CEZ Group

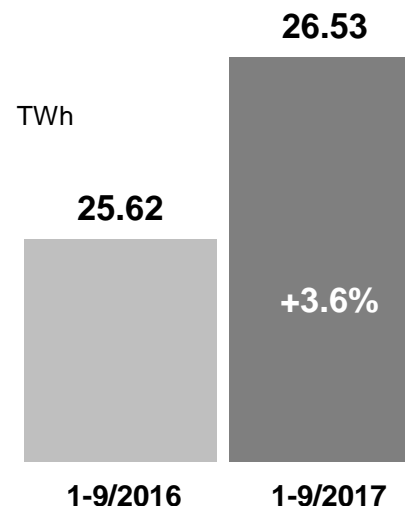
# ELECTRICITY CONSUMPTION IN THE DISTRIBUTION AREA OF ČEZ DISTRIBUCE GREW YEAR-ON-YEAR



## Consumption in the Distribution Area of ČEZ Distribuce



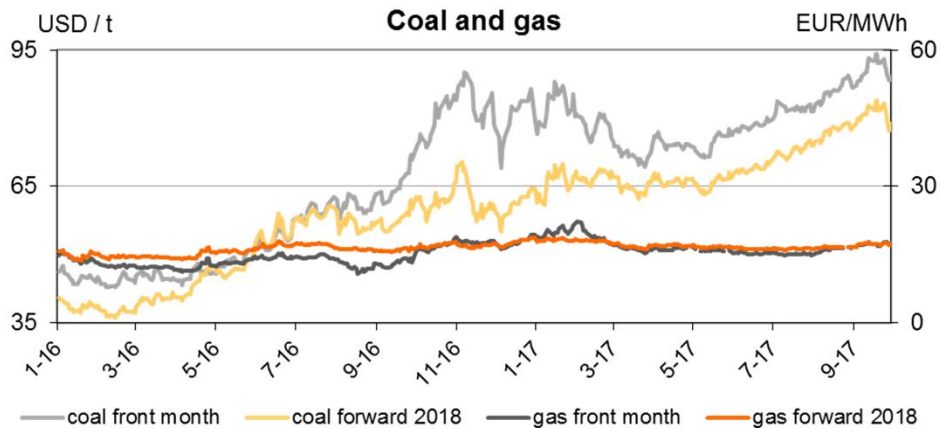
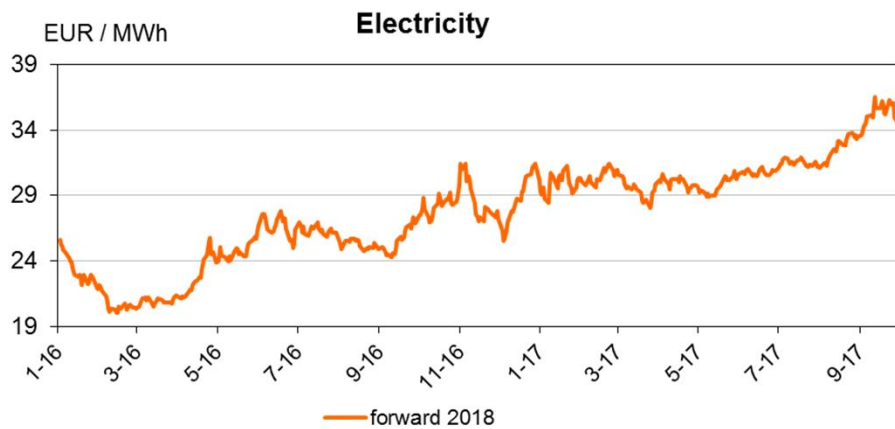
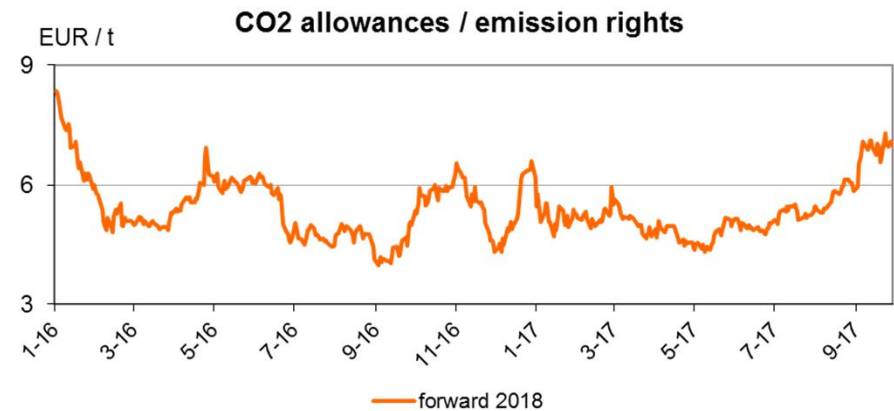
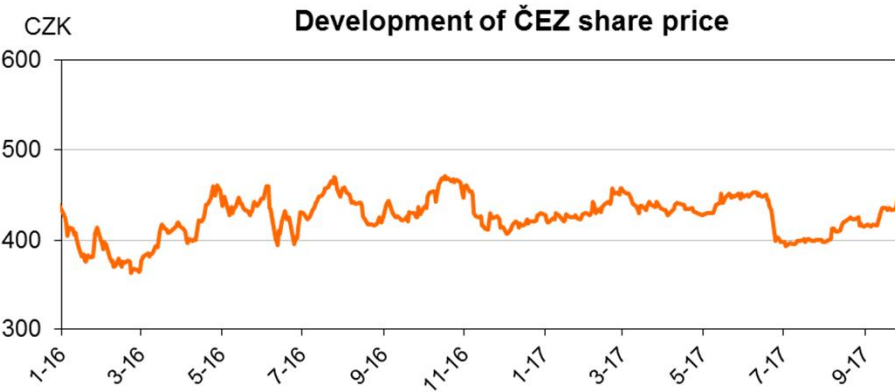
## Temperature- and Calendar-Adjusted\*\* Consumption (in the Distribution Area of ČEZ Distribuce)



- Analysis based on CEZ Group's internal data.
- CEZ Group's distribution area covers around 5/8 of Czechia's territory, so the data are a good indicator of nationwide consumption trends.



# MARKET DEVELOPMENTS



### Electricity balance (GWh)

	Q1 - Q3 2016	Q1 - Q3 2017	Index 2017/2016
<b>Electricity procured</b>	<b>40,362</b>	<b>41,510</b>	<b>+3%</b>
Generated in-house (gross)	45,148	46,065	+2%
In-house and other consumption, including pumping in pumped-storage plants	-4,786	-4,555	-5%
<b>Sold to end customers</b>	<b>-26,821</b>	<b>-27,158</b>	<b>+1%</b>
<b>Sold in the wholesale market (net)</b>	<b>-10,412</b>	<b>-11,242</b>	<b>+8%</b>
Sold in the wholesale market	-143,414	-193,704	+35%
Purchased in the wholesale market	133,002	182,462	+37%
<b>Grid losses</b>	<b>-3,128</b>	<b>-3,110</b>	<b>-1%</b>

### Electricity generation by source (GWh)

	Q1 - Q3 2016	Q1 - Q3 2017	Index 2017/2016
Nuclear	18,678	20,384	+9%
Coal and lignite	22,228	20,968	-6%
Water	1,766	1,594	-10%
Biomass	674	590	-12%
Photovoltaic	120	124	+3%
Wind	780	1,091	+40%
Natural gas	901	1,311	+46%
Bio gas	1	3	+97%
<b>Total</b>	<b>45,148</b>	<b>46,065</b>	<b>+2%</b>

### Sales of electricity to end customers (GWh)

	Q1 - Q3 2016	Q1 - Q3 2017	Index 2017/2016
Households	-9,398	-9,646	+3%
Commercial (low voltage)	-3,637	-3,529	-3%
Commercial and industrial (medium and high voltage)	-13,786	-13,983	+1%
<b>Sold to end customers</b>	<b>-26,821</b>	<b>-27,158</b>	<b>+1%</b>

### Distribution of electricity (GWh)

	Q1 - Q3 2016	Q1 - Q3 2017	Index 2017/2016
<b>Distribution of electricity to end customers</b>	<b>-36,751</b>	<b>-38,258</b>	<b>+4%</b>

**Electricity balance (GWh) by segment**

Q1 - Q3 2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
<b>Electricity procured</b>	<b>40,114</b>	<b>+2%</b>	<b>1,396</b>	<b>+25%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>41,510</b>	<b>+3%</b>
Generated in-house (gross)	44,649	+1%	1,416	+25%	0	-	0	-	0	-	46,065	+2%
In-house and other consumption, including pumping in pumped-storage plants	-4,535	-5%	-20	-6%	0	-	0	-	0	-	-4,555	-5%
<b>Sold to end customers</b>	<b>-147</b>	<b>-19%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-28,498</b>	<b>+2%</b>	<b>1,487</b>	<b>+20%</b>	<b>-27,158</b>	<b>+1%</b>
<b>Sold in the wholesale market (net)</b>	<b>-39,967</b>	<b>+2%</b>	<b>-1,396</b>	<b>+25%</b>	<b>3,110</b>	<b>-1%</b>	<b>28,498</b>	<b>+2%</b>	<b>-1,487</b>	<b>+20%</b>	<b>-11,242</b>	<b>+8%</b>
Sold in the wholesale market	-211,730	+31%	-2,008	+15%	0	-	-1,776	-20%	21,810	-2%	-193,704	+35%
Purchased in the wholesale market	171,763	+40%	612	-4%	3,110	-1%	30,274	+1%	-23,297	-1%	182,462	+37%
<b>Grid losses</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-3,110</b>	<b>-1%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-3,110</b>	<b>-1%</b>

**Electricity generation by source (GWh) by segment**

Q1 - Q3 2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	20,384	+9%	0	-	0	-	0	-	0	-	20,384	+9%
Coal and lignite	20,968	-6%	0	-	0	-	0	-	0	-	20,968	-6%
Water	1,396	-9%	199	-15%	0	-	0	-	0	-	1,594	-10%
Biomass	590	-12%	0	-	0	-	0	-	0	-	590	-12%
Photovoltaic	0	-20%	124	+3%	0	-	0	-	0	-	124	+3%
Wind	0	-	1,091	+40%	0	-	0	-	0	-	1,091	+40%
Natural gas	1,311	+46%	0	-	0	-	0	-	0	-	1,311	+46%
Bio gas	0	-	3	+97%	0	-	0	-	0	-	3	+97%
<b>Total</b>	<b>44,649</b>	<b>+1%</b>	<b>1,416</b>	<b>+25%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>46,065</b>	<b>+2%</b>

**Sales of electricity to end customers (GWh) by segment**

Q1 - Q3 2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	0	-	0	-	0	-	-9,646	+3%	0	-	-9,646	+3%
Commercial (low voltage)	-1	-26%	0	-	0	-	-3,528	-3%	0	-	-3,529	-3%
Commercial and industrial (medium and high)	-147	-19%	0	-	0	-	-15,323	+3%	1,487	+20%	-13,983	+1%
<b>Sold to end customers</b>	<b>-147</b>	<b>-19%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-28,498</b>	<b>+2%</b>	<b>1,487</b>	<b>+20%</b>	<b>-27,158</b>	<b>+1%</b>

### Electricity balance (GWh) by country

Q1 - Q3 2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
<b>Electricity procured</b>	<b>38,562</b>	<b>+3%</b>	<b>1,816</b>	<b>-5%</b>	<b>989</b>	<b>+19%</b>	<b>5</b>	<b>-0%</b>	<b>139</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>41,510</b>	<b>+3%</b>
Generated in-house (gross)	42,867	+2%	2,050	-5%	1,003	+19%	5	-0%	139	-	0	-	46,065	+2%
In-house and other consumption, including pumping in pumped-storage plants	-4,306	-5%	-235	-3%	-14	-10%	0	-	0	-	0	-	-4,555	-5%
<b>Sold to end customers</b>	<b>-13,008</b>	<b>-6%</b>	<b>-2,180</b>	<b>+54%</b>	<b>-2,460</b>	<b>+0%</b>	<b>-7,227</b>	<b>+4%</b>	<b>-2,284</b>	<b>+4%</b>	<b>0</b>	<b>-</b>	<b>-27,158</b>	<b>+1%</b>
<b>Sold in the wholesale market (net)</b>	<b>-23,894</b>	<b>+8%</b>	<b>364</b>	<b>-</b>	<b>2,122</b>	<b>-8%</b>	<b>8,021</b>	<b>+3%</b>	<b>2,145</b>	<b>-2%</b>	<b>0</b>	<b>-</b>	<b>-11,242</b>	<b>+8%</b>
Sold in the wholesale market	-196,417	+35%	-1,998	-8%	-1,258	-9%	-145	-59%	-426	>200%	6,540	+10%	-193,704	+35%
Purchased in the wholesale market	172,523	+40%	2,362	+41%	3,381	-9%	8,165	+0%	2,571	+12%	-6,540	+10%	182,462	+37%
<b>Grid losses</b>	<b>-1,659</b>	<b>+3%</b>	<b>0</b>	<b>-</b>	<b>-651</b>	<b>-5%</b>	<b>-799</b>	<b>-3%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-3,110</b>	<b>-1%</b>

### Electricity generation by source (GWh) by country

Q1 - Q3 2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	20,384	+9%	0	-	0	-	0	-	0	-	0	-	20,384	+9%
Coal and lignite	19,088	-6%	1,881	+2%	0	-	0	-	0	-	0	-	20,968	-6%
Water	1,531	-9%	8	-12%	56	-21%	0	-	0	-	0	-	1,594	-10%
Biomass	428	+16%	162	-47%	0	-	0	-	0	-	0	-	590	-12%
Photovoltaic	118	+4%	0	-	0	-	5	-0%	0	-	0	-	124	+3%
Wind	5	-1%	0	-	948	+22%	0	-	139	-	0	-	1,091	+40%
Natural gas	1,311	+46%	0	-	0	-	0	-	0	-	0	-	1,311	+46%
Bio gas	3	+97%	0	-	0	-	0	-	0	-	0	-	3	+97%
<b>Total</b>	<b>42,867</b>	<b>+2%</b>	<b>2,050</b>	<b>-5%</b>	<b>1,003</b>	<b>+19%</b>	<b>5</b>	<b>-0%</b>	<b>139</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>46,065</b>	<b>+2%</b>

### Sales of electricity to end customers (GWh) by country

Q1 - Q3 2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	-5,115	+1%	0	-	-1,276	+3%	-3,163	+6%	-92	-6%	0	-	-9,646	+3%
Commercial (low voltage)	-1,516	-7%	-207	-	-610	-3%	-1,109	-15%	-87	+4%	0	-	-3,529	-3%
Commercial and industrial (medium and high)	-6,377	-10%	-1,973	+39%	-573	-3%	-2,955	+11%	-2,105	+5%	0	-	-13,983	+1%
<b>Sold to end customers</b>	<b>-13,008</b>	<b>-6%</b>	<b>-2,180</b>	<b>+54%</b>	<b>-2,460</b>	<b>+0%</b>	<b>-7,227</b>	<b>+4%</b>	<b>-2,284</b>	<b>+4%</b>	<b>0</b>	<b>-</b>	<b>-27,158</b>	<b>+1%</b>

### Distribution of electricity (GWh) by country

Distribution of electricity to end customers	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
	<b>-26,363</b>	<b>+4%</b>	<b>0</b>	<b>-</b>	<b>-4,924</b>	<b>+5%</b>	<b>-6,971</b>	<b>+5%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-38,258</b>	<b>+4%</b>

## Methods Used to Calculate Indicators Unspecified in IFRS

In accordance with ESMA guidelines, ČEZ provides detailed information on indicators that are not reported as standard in IFRS statements or the components of which are not directly available from standardized statements (financial statements). Such indicators represent supplementary information in respect of financial data, providing report users with additional information for their assessment of the financial position and performance of CEZ Group or ČEZ. In general, these indicators are also commonly used in other commercial companies, not only in the energy sector.

Indicator	
Net debt	<p><u>Purpose:</u> The indicator shows the real level of a company's financial debt, i.e. the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the company. The indicator is primarily used to assess the overall appropriateness of the company's debt, for example, in comparison with selected corporate profit or balance sheet indicators.</p> <p><u>Definition:</u> Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets).</p>
Adjusted Net Income (After-Tax Income, Adjusted)	<p><u>Purpose:</u> This is a supporting indicator, intended primarily for investors, creditors, and shareholders, that allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period.</p> <p><u>Definition:</u> Net Income (After-Tax Income) +/- additions to and reversals of impairments of property, plant, and equipment and intangible assets including goodwill +/- additions to and reversals of impairments of developed projects +/- other extraordinary effects that are generally unrelated to ordinary financial performance in a given year and value creation in a given period +/- effects of the above on income tax.</p>
Dividend per Share (Gross)	<p><u>Purpose:</u> The indicator expresses a shareholder's right to the payment of a share in a joint-stock company's profits (usually for the past year) corresponding to the holding of one share. The subsequent payment of the share in profits is usually subject to taxes, which may be different for different shareholders; therefore, the value before taxes is reported.</p> <p><u>Definition:</u> Dividend awarded in the current year, before taxes, per outstanding share (paid in the reported year from the profits of prior periods).</p>
EBITDA (EBIT Before Depreciation and Amortization, Impairments, and Asset Sales)	<p><u>Purpose:</u> This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the company's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.</p> <p><u>Definition:</u> Earnings Before Taxes and Other Expenses and Revenues + Depreciation and Amortization +/- Impairments of Property, Plant, and Equipment and Intangible Assets Including Goodwill (including Write-Off of Canceled Investments) + Sales of Property, Plant, and Equipment and</p>

Indicator	Intangible Assets.
Net debt / EBITDA	<p><u>Purpose:</u> This indicates a company's capability to decrease and pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows.</p> <p><u>Definition:</u> Net Debt / EBITDA. 12 month rolling EBITDA is used, i.e. EBITDA for the period from Oct 1 of previous year until Sep 30. Net debt figure at the end of periods is used, i.e. as of Sep 30.</p>

Most of the components used in the calculation of individual indicators are directly shown in financial statements. The components of calculations that are not included in the financial statements are usually shown directly in a company's books and are defined as follows:

**Net Debt indicator—Highly Liquid Financial Assets item (CZK millions):**

	As at Sep 30, 2016	As at Sep 30, 2017
Short-term debt securities available for sale	540	3,455
Short-term debt securities held to maturity	3,143	300
Short-term deposits	5,510	1,000
Long-term deposits	500	500
Long-term debt securities available for sale	5,328	1,798
<b>Highly liquid financial assets, total</b>	<b>15,021</b>	<b>7,053</b>

**Adjusted Net Income indicator—individual components:**

Adjusted Net Income (After-Tax Income, Adjusted) Unit		Q1 – Q3 2016	Q1 – Q3 2017
Net income	CZK millions	14,707	16,592
Impairments of property, plant, and equipment and intangible assets including goodwill	CZK millions	959	267
Impairments of developed projects*)	CZK millions	375	0
Impairments of property, plant, and equipment and intangible assets including goodwill at joint ventures**)	CZK millions	735	473
Effects of the additions to or reversals of impairments on income tax***)	CZK millions	(74)	(17)
Other extraordinary effects	CZK millions	0	0
<b>Adjusted net income</b>	<b>CZK millions</b>	<b>16,701</b>	<b>17,315</b>

\*) Included in the row *Other operating expenses (impairments of inventories)* in the Consolidated Statement of Income

\*\*) Included in the row *Share of profit (loss) from joint ventures* in the Consolidated Statement of Income

\*\*\*) Included in the row *Income taxes (deferred tax)* in the Consolidated Statement of Income