REPORT ON THE COMPANY'S BUSINESS OPERATIONS AND ASSETS FOR 2015

Daniel Beneš, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

Dear shareholders, ladies and gentlemen,

Please allow me now to inform you about ČEZ's key financial results in the past year and about its future plans. The report is based on facts known as at April 7, 2016 and the outlook for financial performance in 2016 is based on facts known as at March 15, 2016.

See Figure 1 "2015—A Successful Year Despite Massive Changes in Europe's Energy Sector" in Annex 1 "Report on the Company's Business Operations And Assets of ČEZ, a. s. for 2015" (the "Annex")

I am delighted to be able to start the summary of the past year 2015 with positive news, which has not been the case with many energy companies recently. CEZ Group's net income adjusted for extraordinary effects was CZK 27.7bn in 2015, which exceeds original expectations by more than CZK 700m. CEZ Group managed to increase its total revenues by CZK 8.4bn year-on-year while cutting its fixed costs by CZK 2.9bn year-on-year. Operating revenues grew primarily due to an increase in the amounts of electricity, gas, and heat sold to end customers, achieving CZK 210.2bn. In 2015, CEZ Group managed to generate operating cash flow CZK 1.9bn greater than in 2014 and ensure 2014 dividends of CZK 21.4bn for the shareholders. At the same time, its net debt decreased by CZK 16bn, bringing the Net Debt/EBITDA ratio to 2.02. CEZ Group thus continues to maintain sound financial stability and is still able to cope with the massive changes in the European energy sector that have a highly negative impact on producers of conventional electricity.

Europe's traditional energy sector is stagnating while the proportion of new, decentralized energy is growing, especially in the context of intensifying regulation and non-market influences. Enormous progress in renewables is accelerated by technological advancement but also generous subsidization. There are ever stricter demands on emission reduction and ever greater demands on the efficiency of power generation facilities. There is also fast progress in energy decentralization; customers focus on comprehensive services and auto-generation. Small, midsize, and large consumers thus become also producers. As a result of the above-mentioned trends, European energy companies, including CEZ Group, continued to face an ongoing decrease in wholesale electricity prices in 2015; in early 2016, the market price of electricity even approached the level of EUR 20 per MWh. This is a level that was hard to imagine just a few years ago and that even poses a threat to the financial stability of a number of European, especially German energy companies. The main reason for the decrease is a significant drop in coal and gas prices on global markets due to technological development and stagnant demand. Other factors include uncertainty as to the future of the emission allowance mechanism, and also high support of renewable energy sources in the EU and especially in Germany, our neighbor whose market is closely tied to that of the Czech Republic. Therefore, credit rating agencies undertook an extraordinary massive revision of ratings in the whole sector. ČEZ was one of a few companies to have its credit rating confirmed at A− with a stable outlook during Standard & Poor's revision in February 2016.

See Figure 2 "Electricity Prices Down by 15% to 28 EUR/MWh Primarily Due to a Drop in Hard Coal Prices; Prices of Emission Allowances Up to 8.4 EUR/t" in the Annex

Let us now briefly discuss the 2015 developments in the commodity markets that are crucial for CEZ Group. The price of a 2016 forward electricity contract in Germany was slightly above EUR 33 per MWh in early 2015. It started to decline in March, falling below the level of EUR 30 per MWh in August and continuing to follow the same trend. At the end of the year, electricity was traded at levels of EUR 28 per MWh, i.e. 15% down year-on-year. Electricity prices thus fell to a 12-year low and the decline continued in 2016. The price of electricity is affected the most by the price of coal and the price of emission allowances, and to a degree by the price of gas. There was also a noticeable effect of continued growth in installed renewables capacity, especially in Germany. The difference in prices on the wholesale markets in the Czech Republic and Germany also increased. In 2014, electricity was more expensive in the Czech Republic than in Germany for the first time; in 2015, the difference increased to 70 euro cents per MWh.

The prices of emission allowances grew progressively during 2015, closing 12% up year-on-year. The main positive catalyst was the European Parliament's approval of the Market Stability Reserve in July. The mechanism will be launched in 2019 and should lead to a progressive increase in the price of emission allowances. Still, the viability of the EU ETS (emissions trading system) remains uncertain mainly due to its overlap with goals to increase renewable generation and boost energy efficiency.

The beginning of 2016 was characterized by slumps on financial markets, including commodity markets. The prices of emission allowances dropped sharply in the first six weeks of 2016, from EUR 8.40 to around EUR 5 per ton, losing 40% in value. Coal prices were relatively stable; natural gas prices declined by approximately 20%. These factors had a significant negative effect on electricity prices, which dropped by EUR 5 per MWh, reaching a level of approximately EUR 21 per MWh at the end of February.

See Figure 3 "Developments in 2015 Fully Confirmed the Correctness of ČEZ's Strategy Updated in 2014" in the Annex

The developments in the European energy sector and further decrease in wholesale electricity prices in 2015 fully validated the assumptions behind the strategy of ČEZ, which reacted to these trends already in the fall of 2014, when it also updated its mission and vision. CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. Its vision is to bring innovations for resolving energy needs and to help improve quality of life. CEZ Group's current strategy is based on the permanent keystone of safety and on three strategic priorities.

Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century—that is the first priority of our strategy. We focus on operational efficiency as a prerequisite for our continued successful presence in both traditional and new energy. We primarily strive to ensure long-term operation of the Dukovany Nuclear Power Plant and develop projects for new nuclear power plants at the Temelín and Dukovany sites. In 2015, we founded two subsidiaries to spin off the projects into in order to maintain their maximum value. Concerning our coal-fired portfolio, we are finishing an extensive renovation of our brown coal-fired power plants located in mining regions in the Czech Republic and intend to phase out older condensing units. We want to continually improve the efficiency of distribution grids to ensure a stable return while allowing a real decrease in distribution tariffs.

Under our second strategic priority, we concentrate on developing a pro-customer approach, which consists in offering a wide range of quality and innovative services and products focusing on the energy needs of our end customers. We want to achieve the top level in electricity and gas sales and, in relation to that, in customer care. We managed to stabilize our portfolio of electricity customers and increase the number of gas customers by approximately 37,000 in 2015. Customer satisfaction grew from 77 to 84%. We are going to keep developing additional products and to make use of synergies between them. CEZ Group launched such a product in late October 2015. It is an offer of turnkey rooftop solar energy systems both for businesses and for residential customers, who can get a government subsidy for their project. The first installations have already been made and we are expecting progressive growth in the order of hundreds of percent. The CEZ Group company focusing on energy savings, decentralized sources, lighting, and related energy products is ČEZ ESCO. It offers solutions to the energy needs of businesses, municipalities, and institutions of all sizes, especially at decentralized level, with emphasis on new technologies, efficient use of energy, and integrated product offers. The company earned CZK 2bn from non-commodity products in 2015. In this context, an important activity, which is already underway, is EPC projects. These are projects for energy services with guaranteed performance, under which investment in the customer's installation is covered by resulting energy savings.

In distribution, we focus on developing smart grids and getting the distribution grid ready for the advancement of decentralized energy. Under the international GRID4EU project, CEZ Group is implementing a project named Smart Region in the town of Vrchlabí. Project activities in 2015 involved, in particular, verifying and testing deployed innovative technologies. CEZ Group is also engaged in electric mobility on a long-term basis. It develops a network of charging stations in the Czech Republic, operating 54 stations at the end of 2015. CEZ Group's offer for electric vehicle users includes special customer contracts and delivery of residential and corporate charging technology.

Our second strategic priority involves emphasis on innovation and investment in opportunities and technologies in an early stage of development. Under the brand name of INVEN CAPITAL, CEZ Group made two investments in innovative companies in 2015. In July 2015, it announced its entry into Sonnenbatterie GmbH, a Bavarian manufacturer of smart battery systems focusing on the storage of energy from solar panels and other renewable energy sources. This was followed by acquiring a minority stake in the German company SunFire. Its main product is a fuel cell technology that can convert fuel into electricity and heat but also turn electricity back into hydrogen and other gases or a mixture of hydrocarbons called “blue crude.” The technology represents a major step toward consumers’ greater energy self-supply and toward improved efficiency in the utilization of energy sources. ČEZ also contributes to innovations indirectly, by supporting promising technology startups. In 2015, it became the main partner of the Czech ICT Incubator project, which sends Czech startup entrepreneurs to the prestigious Runway incubator in Silicon Valley, California for three to four months. In 2016, ČEZ began cooperating with Rockstart, a Dutch startup accelerator, on its Smart Energy program supporting innovative projects aimed at more efficient utilization of energies.

Our third strategic priority is strengthening and consolidating CEZ Group’s position in Central Europe. We are interested in acquiring assets and companies in the segments of distribution, sales, and renewable and traditional energy generation facilities, as well as companies developing new products and services that are promising from the perspective of future decentralized energy. We mainly focus on renewables and distribution and transmissions grids in countries with a stable regulatory environment. In December 2015, we managed to enter a framework contract with the Aquila Capital group, which will seek opportunities for CEZ Group to invest in wind parks in Germany, potentially up to 120 MW of installed capacity. When evaluating specific acquisition opportunities, we will continue applying a conservative financial policy and carefully evaluate the return on investment in the context of regulatory environment changes in the European energy sector. At the same time, we strive to reduce the risk profile of our existing assets, i.e. to optimize our capital and ownership structure, including divestment of selected assets. We managed to reduce the financial exposure of ČEZ, a. s. to foreign companies by CZK 9.3bn in 2015.

See Figure 4 “Segment Management Bolstered at the Expense of Regional Management in 2015; ČEZ Activities Newly Coordinated by the Operations and Development Teams Since January 1, 2016” in the Annex

To accelerate the fulfillment of our strategy, in 2015 we directed more capacities and resources toward development activities and specified our financial ambitions for 2020. At the same time, we made a major change to the management of our activities abroad, replacing the previously applied country-specific management with stronger segment management across CEZ Group. As part of the change to the management of CEZ Group, segments became the primary units fully responsible for activities across countries and for achieving ambitious targets.

New teams, Operations and Development, were established with effect from January 1, 2016. The Operations team’s objective is to continually improve efficiency and flexibility in the operations of traditional assets, improve the internal efficiency of the whole Group, and contribute an additional CZK 3bn to EBITDA by 2020. The Operations team is in charge of the activities of two main business segments, namely Generation—Traditional Energy and Mining. It is also in charge of all ancillary and centralized activities. The Operations team is led by Martin Novák, Vice-Chairman of the Board of Directors and Chief Financial Officer.

The Development team’s task is to ensure future growth for ČEZ based on decentralized energy and renewables, to expand the portfolio of innovative products and services for end customers, as well as to carry out acquisitions and investments in the Czech Republic and in countries with a stable regulatory environment. The Development team is in charge of the activities of three main business segments, namely Generation—New Energy, Distribution, and Sales & Trading. The Development team’s goal is to contribute an additional CZK 6bn to EBITDA by 2020. The Development team is led by Tomáš Pleskač, member of the Board of Directors and Chief Renewables and Development Officer.

CEZ Group expects additional investments amounting to CZK 50–60bn in the time frame of 2016–2020. Considering the current structure and stability of cash flow and this development strategy, CEZ Group aims to keep the Net Debt/EBITDA indicator at 2.5–3.0.

Dear shareholders, let us now take a look at specific figures and results showing CEZ Group’s performance in 2015, consolidated for ČEZ, a. s. and its subsidiaries and other affiliates. Now you can take a look at a table summarizing the most significant financial indicators for 2015 and comparing them to 2014.

See Figure 5 “CEZ Group Financial Results” in the Annex

Operating revenues increased by CZK 8.4bn year-on-year primarily due to a CZK 8.3bn increase in revenue from sales of electricity and related services. Revenue from sales of gas, coal, heat, and other sales increased by CZK 2.9bn year-on-year, primarily due to an increase in the amounts of gas sold. By contrast, other operating revenues decreased by CZK 2.8bn, primarily due to the effect of extraordinary revenue in 2014 associated with a settlement agreement we made.

EBITDA decreased by CZK 7.4bn year-on-year to CZK 65.1bn. Net income, i.e. after-tax income, decreased by CZK 1.9bn year-on-year to CZK 20.5bn. Adjusted net income decreased by CZK 1.8bn year-on-year to CZK 27.7bn, while there was almost no year-on-year change in the amount of adjustment for extraordinary effects that are generally unrelated to ordinary financial performance in a given year.

The main causes of the year-on-year decrease in EBITDA included primarily a decrease in the realization prices of generated electricity, including the effects of hedges, and a change in production volume and structure in the Czech Republic. The total negative impact of those effects amounts to CZK 8.3bn. A negative effect on the year-on-year comparison was produced by two non-recurring revenues in 2014, totalling CZK 4.2bn, namely the already mentioned settlement agreement with Albania and the termination of a long-term contract with CA-CIB. Conversely, positive effects included, in particular, active measures resulting in cuts in fixed operating costs of CZK 2.9bn and the payment of the debts of Správa železniční dopravní cesty (SŽDC, Railway Infrastructure Administration, state organization) from 2010 in 2015, amounting to CZK 1.1bn.

In addition, the net income indicator was positively affected, in particular, by the refund of a portion of gift tax on emission allowances for 2011 and 2012, amounting to CZK 3.8bn, and the effect of negative revaluation of MOL stock in 2014, amounting to CZK 1.8bn.

Comparing our adjusted net income with our initial expectations, we managed to improve by CZK 0.7bn. And this was in spite of an extraordinary effect of lower availability of our nuclear power plants, postponed completion of upgrades to the Ledvice and Prunéřov coal-fired plants, and a delay in the resumption of support for our wind parks in Romania. We succeeded, in particular, in cutting our fixed operating costs beyond our initial expectations and received the refund of a portion of gift tax on emission allowances.

CEZ Group's assets as at December 31, 2015 were CZK 602.7bn. Its return on assets in 2015 was 3.4% and its return on equity amounted to 7.8%.

Now I would like to inform you about financial results in the business segments into which CEZ Group was divided in 2015 both territorially, being segmented into Central Europe and Southeast Europe, and in terms of industries.

See Figure 6 "Contribution to 2015 EBITDA by Segment" in the Annex

The highest, 47% share in EBITDA was, traditionally, that of the Power Production & Trading Central Europe segment, which primarily consisted of electricity generation in the Czech Republic and Poland and trading in electricity and other commodities. The segment's EBITDA decreased by a total of CZK 8.6bn year-on-year to CZK 30.9bn. The main reason was a decrease in the Czech Republic, primarily due to the negative effects of lower realization prices of generated electricity, including the effects of hedges, accounting for CZK -5.6bn, a change in production volume and structure accounting for CZK -2.7bn, and the contribution of the settlement agreement with Albania in 2014 amounting to CZK 2.6bn. By contrast, there was a positive effect of a CZK 2.4bn decrease in fixed operating costs. An increase in EBITDA was registered in Poland, where the year-on-year increase of CZK 0.5bn resulted from higher electricity and heat production, among other things.

Distribution & Sale Central Europe achieved EBITDA of CZK 22.1bn, growing by CZK 2.8bn year-on-year in absolute figures. Main causes for the growth were greater settlement of unbilled electricity in the Czech Republic, amounting to CZK 1.4bn, and the payment of SŽDC's debts toward ČEZ Prodej from 2010 in 2015, amounting to CZK 1.1bn.

Mining Central Europe achieved a year-on-year increase in EBITDA of CZK 0.2bn primarily due to cuts in fixed operating costs, being even able to overcome the negative effect of declining sales, reflecting lower demand for thermal coal.

The results of the segments covering Southeast Europe showed little to no change in the EBITDA indicator. In Power Production & Trading, negative regulatory impacts on financial performance in Romania were offset by lower costs in Bulgaria in connection with the suspension of operation of the Varna Power Plant since January 1, 2015. In Distribution & Sale, a higher margin on electricity in Romania and Bulgaria in 2015 was offset by the absence of the positive effect of debt set-off with the Bulgarian state-owned company NEK in 2014.

The change in the organization of CEZ Group's management with effect from January 1, 2016 was associated with a change in the structure of reported segments, abandoning the territorial perspective and replacing it with a purely industry-based perspective. Therefore, CEZ Group's financial performance will be reported in the following six segments from 2016 on: Generation—Traditional Energy, Generation—New Energy, Mining, Distribution, Sales, and Other.

Let us now take a look at developments in CEZ Group's cash flows.

See Figure 7 "CEZ Group Cash Flows" in the Annex

Cash flows from operating activities increased by CZK 1.9bn year-on-year. There was a positive effect of a CZK 3.0bn decrease in income tax paid and a CZK 0.9bn decrease in interest paid, net of capitalized interest. Earnings before taxes adjusted for non-cash operations decreased by CZK 2.1bn year-on-year.

Cash used in investing activities decreased by CZK 3.1bn year-on-year, primarily due to a CZK 2.9bn year-on-year decrease in capital expenditure on property, plant, and equipment and intangibles.

Cash used in financing activities, including the net effect of currency translation in cash, increased by CZK 6.7bn year-on-year. The main cause was a year-on-year increase in the balance of proceeds from and repayments of borrowings of CZK 6.8bn.

See Figure 8 "CEZ Group Assets, Equity, and Liabilities" in the Annex

The value of CEZ Group's consolidated assets decreased by CZK 25.2bn to CZK 602.7bn year-on-year. Non-current assets decreased by CZK 4.5bn to CZK 493.1bn. This includes a CZK 5.2bn decrease in the value of property, plant, and equipment, nuclear fuel, and construction work in progress. A decrease in net property, plant, and equipment of CZK 9.8bn was partially offset by an increase in construction work in progress of CZK 2.6bn and an increase in nuclear fuel inventory of CZK 2.0bn. An increase in other non-current assets of CZK 0.7bn was primarily associated with the positive revaluation of MOL stock and an increase in long-term receivables from derivative trading. A negative effect on this item resulted primarily from lower profits of joint ventures in Turkey due to an exchange rate change. Current assets decreased by CZK 20.7bn year-on-year.

Equity, including non-controlling interests, increased by CZK 6.3bn year-on-year, to CZK 272.2bn. Net income generated in 2015 increased equity by CZK 20.5bn, while declared dividends, excluding dividends on treasury shares, decreased equity by CZK 21.3bn. Other comprehensive income increased equity by CZK 7.0bn, primarily due to cash flow hedging.

I would also like to briefly mention treasury shares held by ČEZ, a. s. At the beginning of 2015, there were 3,875,021 treasury shares with a nominal value of CZK 387,502,100, i.e. 0.72% of the stated capital, on ČEZ's asset account with the Central Securities Depository. ČEZ used 120,000 shares to satisfy the claims of three beneficiaries under the Company's stock option plan. The aforementioned asset account thus contained 3,755,021 treasury shares with a nominal value of CZK 375,502,100, i.e. 0.70% of the stated capital, as at December 31, 2015.

Long-term liabilities decreased by CZK 15.4bn to CZK 236.8bn primarily due to a CZK 19.5bn change in the volume of issued long-term bonds. A decrease in short-term liabilities by CZK 16.1bn to CZK 93.7bn was primarily due to a decrease in the current portion of long-term debt, including short-term loans, of CZK 11.4bn. The total value of bonds issued was CZK 134.7bn at December 31, 2015, which was a decrease of CZK 23.1bn year-on-year.

The change in the structure of liabilities was affected by quantitative easing in the eurozone, which resulted in interest rates in the EUR and CZK interbank markets dropping to negative figures, and in significantly greater competition among banks in loan markets. It was also affected by the fulfillment of our strategic goal to reduce the financial exposure of ČEZ, a. s. abroad. ČEZ did not issue any new bonds in 2015; it obtained funding for selected foreign subsidiaries at local level, with no recourse to the parent company ČEZ. In this way, funding of approx. CZK 4.7bn was obtained for CEZ Chorzów S.A.; CEZ Distributie S.A. signed a loan agreement for approx. CZK 3.7bn and a revolving loan agreement for approx. CZK 0.5bn. ČEZ also took advantage of its fairly good liquidity and an expectation of growth in United States interest rates to pull bonds worth USD 411.4m, approx. CZK 10.4bn, maturing in 2022, from the market. This will save us the difference between interest expense on the repurchased bonds and interest income from cash held.

Let us now have a closer look at changes in electricity generation.

See Figure 9 “CEZ Group Electricity Generation” in the Annex

CEZ Group generated 60.9 TWh of electricity in 2015, 2.2 TWh less year-on-year. Generation of 56.6 TWh in the Czech Republic was 1.7 TWh, i.e. 2.8% lower than in 2014. The biggest decrease of 3.5 TWh occurred at nuclear power plants due to extended scheduled and unscheduled outages. By contrast, coal-fired power plants increased electricity generation by 1.3 TWh year-on-year. The increase in their generation was enabled primarily by the Počerady Power Plant’s conversion contract with Vršanská uhelná and the start of pilot operation at the Prunéřov II Power Plant after its comprehensive renovation.

Abroad, CEZ Group registered increased generation in Poland, growing by 0.3 TWh year-on-year, and in Romania, where generation at wind parks increased primarily due to an optimized wind turbine configuration. The suspension of the Varna Power Plant in Bulgaria resulted in a year-on-year decrease of 0.9 TWh in generation.

We expect that CEZ Group will generate 67.7 TWh in 2016, i.e. 11.2% more than in 2015, which includes an expected increase of 3.2 TWh at our nuclear power plants and of 4.1 TWh at coal-fired and CCGT plants.

In the next section, I would like to inform you about selected capital projects in the Czech Republic in 2015.

See Figure 10 “CEZ Group CAPEX in 2015” in the Annex

A total of CZK 8.9bn was invested in nuclear power plants in 2015. The investments went primarily into existing generating facilities. Both nuclear power plants continued implementing projects to fulfill requirements from the National Action Plan for Nuclear Safety Enhancement. The Dukovany Nuclear Power Plant made investments relating to its program for long-term operation. To support the planned extension of its operation, investments were made, in particular, in renovating some instrumentation and control systems, improving the seismic resistance of load-bearing structures at Units 1 and 2, and supplementing the EPS Cerberus fire alarm system to meet new requirements.

A total of CZK 8.1bn was invested in conventional power generation facilities in the Czech Republic; the most significant investment was the activation and adjustment of a new 660MW unit at the Ledvice Power Plant, where pilot operation was started. The project for comprehensive renovation of the Prunéřov Power Plant continued and the plant was put into pilot operation. Work was completed on major projects for reducing nitrogen oxides emissions at the Dětmarovice and Mělník I power plants and the Počerady coal-fired power plant in 2015.

A total of CZK 9.6bn was invested in distribution grids, of which CZK 7.6bn was invested in the Czech Republic where the investments went primarily into actual distribution grid renovation and development.

Let us now turn our attention to selected events in regulation, which affects CEZ Group in all countries where it operates.

See Figure 11 “Energy Sector Regulation Significantly Affects CEZ Group in All Countries Where It Operates” in the Annex

At global level, the world agreed on reducing the impacts of climate change in December 2015, producing the Paris Agreement. Although the Agreement does not include any detailed schedule or binding targets for countries’ emissions, it defined a general goal of limiting global warming well below 2 degrees Celsius above pre-industrial levels before 2100. At European level, this was preceded by agreement on the basic parameters of a reform of the emissions trading system and approval to measures that should make the entire EU ETS workable again. In the summer of 2015, the European Commission initiated interstate consultations concerning three important areas: market design, security of electricity supply, and retail market regulation. Let us look in more detail at selected events in regulation in selected countries where CEZ Group operates.

For the Czech Republic, 2015 brought an important element of stability—the Czech Government’s approval to national strategy documents. These were the Updated State Energy Policy and three related national action plans. The State Energy Policy is a key document for the energy sector, providing strategic guidance for its development until 2040. In terms of the anticipated utilization of individual types of resources, it puts emphasis on decarbonization in the period before 2040 and anticipates that most electricity will be generated at nuclear facilities, with renewables in second place and brown coal in third place. The biggest role among renewables should be played by biomass, followed by biogas and biofuels.

The National Action Plan for Nuclear Energy envisages building new nuclear units at both the Dukovany and the Temelín sites; their number and location are to be detailed at a later date. Another National Action Plan, focusing on smart grids, anticipates introducing smart distribution grids and changes in grid management methods in order to handle growing generation at intermittent facilities and small facilities connected directly to the distribution grid. The third National Action Plan, dealing with clean mobility, is based on an EU directive that defines member states' obligation to develop an appropriate infrastructure of charging and filling stations for electromobility and natural gas.

An important process for CEZ Group was the licensing procedure conducted by the State Office for Nuclear Safety of the Czech Republic, concerning an extension to the operation of Unit 1 of the Dukovany Nuclear Power Plant. The State Office for Nuclear Safety extended the validity of the existing operating license for Unit 1 until March 31, 2016 first and then, on March 30, 2016, it notified ČEZ of granting Unit 1 an operating license for an indefinite period of time, conditional on implementing defined measures in the future. During the comprehensive licensing process, shortcomings were identified in the documentation of heterogeneous welded joints at all 4 power plant units. In line with the fundamental priority of safety, preventive checks of X-ray images of welded joints were carried out at the Dukovany Nuclear Power Plant and the image documentation of the Temelín Nuclear Power Plant was reviewed too. However, both Temelín units remained in operation on the basis of a safety assessment performed and the fact that safety-relevant equipment is checked using other inspection methods. The extensive inspection of the welded joints in question at Dukovany resulted in an outage lasting several months.

A decision that is important for ČEZ was made by the Czech Government when it approved adjustments of brown coal mining limits at the Bílina Mine, which means that Severočeské doly will be able to extract another 100m–150m tons of coal.

Progress was made in the regulation of renewables support in Romania. A delay in the process of individual notification approval by the European Commission was resolved by an amendment to the Renewables Support Act. The amendment enabled the Fântânele Vest and Cogealac wind parks to receive temporary accreditation, which has entitled them to support in the form of green certificates since September 2, 2015. Since the date of approval, the wind parks have been receiving 1 certificate per MWh generated; the other certificate remains deferred until 2018–2020. The temporary accreditation is valid for 12 months.

In Poland, a new renewables act was passed in March 2015, introducing a new renewables support mechanism—an auction system. Support for biomass co-firing is reduced in favor of wind and solar power. In December 2015, the Polish parliament decided to postpone the effect of the Act's provisions concerning the auction system until July 1, 2016. Thus, auctions are expected to start in Q4 2016 at the earliest, which affects wind farm projects prepared by Eco-Wind Construction.

In Bulgaria, two decisions were issued in the area of distribution that reduced the price of electricity for end customers by 1.99% and 0.8%, respectively. A new obligation was introduced for electricity producers and distributors, requiring them to contribute to a newly created "Energy Safety Fund", which should allow decreasing the deficit of the state-owned energy company NEK. Due to a critical situation in Bulgaria's energy market, which has remained unimproved for a long time, and a number of interventions by Bulgarian authorities injuring CEZ Group's business in the country, ČEZ decided to send the Government of the Republic of Bulgaria a Notice of Dispute. This is an official notification of its intent to initiate international investment arbitration in order to protect its investments.

Electricity market liberalization continued in Turkey by reducing the minimum electricity consumption limit for choosing the supplier. This gave the right to choose their electricity supplier to a wide range of entities, including some households. The full unbundling of the distribution and sales functions was completed in electricity distribution and sales.

Now, dear shareholders, I would like to briefly discuss the financial performance and selected indicators of ČEZ, a. s. alone, as well as the proposed dividend for 2015.

See Figure 12 "ČEZ, a. s. Financial Results" in the Annex

The EBITDA of ČEZ, a. s. decreased by CZK 5.7bn to CZK 23.9bn in 2015. Net income increased by CZK 7.2bn year-on-year to CZK 28.1bn. The main causes of the year-on-year increase in net income included primarily lower additions to allowances on financial assets, higher dividends received from CEZ Group companies, the refund of a portion of gift tax on emission allowances for 2011 and 2012, and cuts in fixed operating costs. A negative effect on year-on-year comparison was produced primarily by a decrease in commodity realization prices, a change in production volume and structure, and two extraordinary revenues in 2014: the positive effect of the settlement agreement with Albania and the termination of a long-term contract with CA-CIB.

The assets of ČEZ, a. s. as at December 31, 2015 were CZK 518.4bn. Its return on assets was 5.3% and its return on equity was 13.2%.

See Figure 13 "Proposed ČEZ, a. s. Dividend for 2015" in the Annex

In 2015, we updated ČEZ's dividend policy, which now anticipates paying out 60–80 percent of CEZ Group's consolidated net income adjusted for extraordinary effects generally unrelated to ordinary financial performance in a given year. Such extraordinary effects are, for example, fixed asset impairment and goodwill write-offs or profit/loss from the sale of assets or subsidiaries.

The dividend paid to you, our shareholders, for 2014 corresponded to 73% of CEZ Group's consolidated net income in 2014 adjusted for extraordinary effects. In accordance with our dividend policy, we are presenting you with a proposal for a dividend amounting to CZK 40 per share this year. The proposed amount to be paid represents 78% of CEZ Group's consolidated net income adjusted for extraordinary effects. Naturally, the actual amount of dividend for 2015 will be determined by you, dear shareholders.

Finally, let us take a look at what the year 2016 will bring from CEZ Group's point of view.

See Figure 14 "CEZ Group Expects EBITDA of CZK 60.0bn and Adjusted Net Income of CZK 18.0bn in 2016" in the Annex

The expectations reflect, in particular, the ongoing trend of decreasing wholesale electricity prices and the course of energy sector regulation in Europe. As at March 15, 2016, CEZ Group expected 2016 EBITDA to reach CZK 60bn, which is CZK 5.1bn or 7.8% less than in 2015. The main reason is a decrease in electricity realization prices, including currency hedging, with an effect of CZK -5.7bn. We are also expecting a CZK 2.5bn decrease in sales primarily due to the settlement of unbilled electricity in 2015 and the extraordinary payment of SŽDC's debts in 2015. By contrast, there is a positive effect of, in particular, increased production at coal-fired and nuclear power plants.

CEZ Group expects net income adjusted for extraordinary effects at the level of CZK 18bn, i.e. CZK 9.7bn less than in 2015. Beyond the scope of the decrease in EBITDA, the year-on-year comparison is negatively affected, in particular, by the expected completion of plant renewals in the Czech Republic as investment depreciation will start and capitalization of interest will stop, as well as by the extraordinary 2015 income from the refund of a portion of gift tax on emission allowances for 2011 and 2012.

Risks to the above prediction of 2016 income, as seen by CEZ Group, are lower availability of new and renovated coal-fired plants in the Czech Republic and developments in regulatory and legislative conditions for the energy sector in Europe.

We expect to invest approximately CZK 34bn in property, plant, and equipment in 2016, mostly in generation and distribution assets in the Czech Republic. We do not expect any major change in the structure of assets. Concerning cash flows, we anticipate covering planned investment and financial expenditures, including dividends, from cash flows generated by operating activities. For this reason, no major change in CEZ Group's net debt is expected in 2016.

The 2016 net income of ČEZ, a. s., adjusted for extraordinary effects, is expected to be approximately CZK 10bn, the bulk of which consists of anticipated dividends from subsidiaries.

Dear shareholders, I believe that the financial results we achieved and the actions we took in 2015 prove that we are heading in the right direction and that we can actively and effectively face the negative external factors of Europe's energy market. Safety remains our permanent priority. We intend to invest as much of our financial and human capital as possible in the future, in new technologies, new products and services, and new state-of-the-art generating facilities. All that to become a natural first choice, and not only for our existing customers. I believe that we will continue to successfully fulfill our updated strategy, creating a modern, innovative energy company that will ensure that you, our shareholders, see the Company's value grow steadily and receive an adequate dividend.

Thank you for your attention and for your interest in what is happening at ČEZ.

Annex 1 Report on the Company's Business Operations and Assets of ČEZ, a. s. for 2015