



# CONFERENCE CALL ON CEZ GROUP FINANCIAL RESULTS IN Q1 2015

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

(QUARTERLY REPORT PURSUANT TO SECTION 119A(4) OF THE CAPITAL MARKET  
UNDERTAKINGS ACT)

**Prague, May 12, 2015**

# AGENDA

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## **CEZ Group Financial Highlights and Key Events in Q1 2015**

Martin Novák, Chief Financial Officer

### **Financial Results**

Martin Novák, Chief Financial Officer

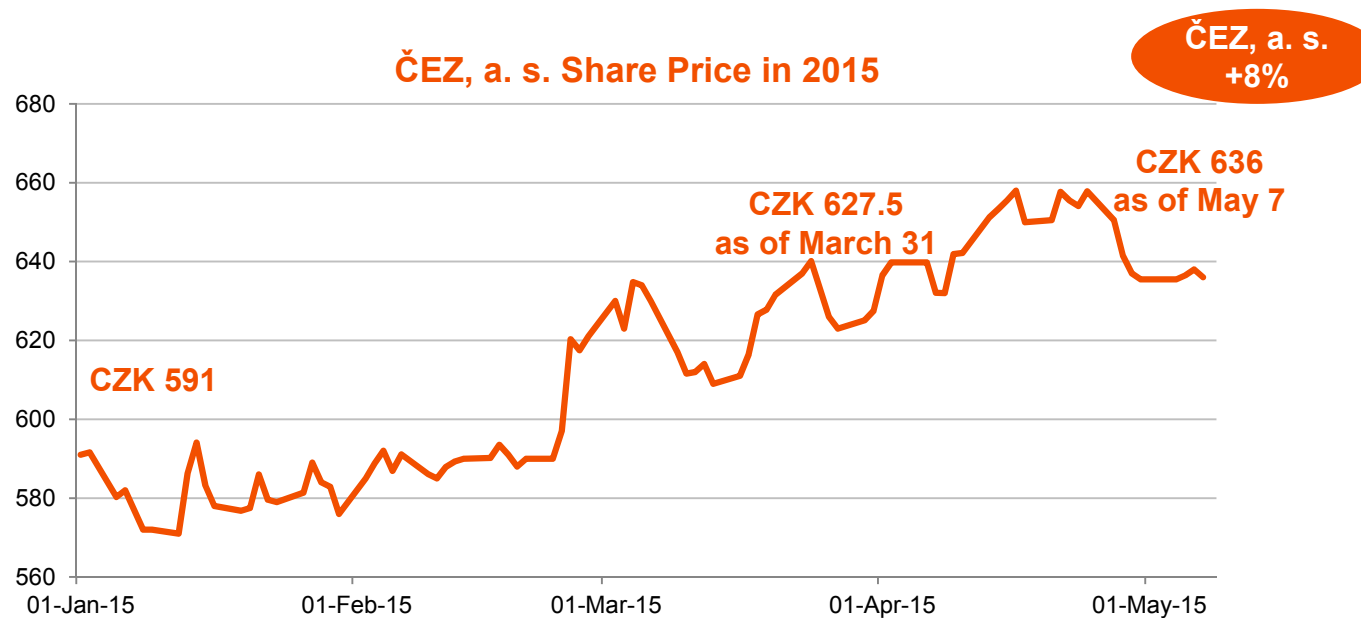
### **CEZ Group's Market Position**

Pavel Cyrani, Chief Sales and Strategy Officer

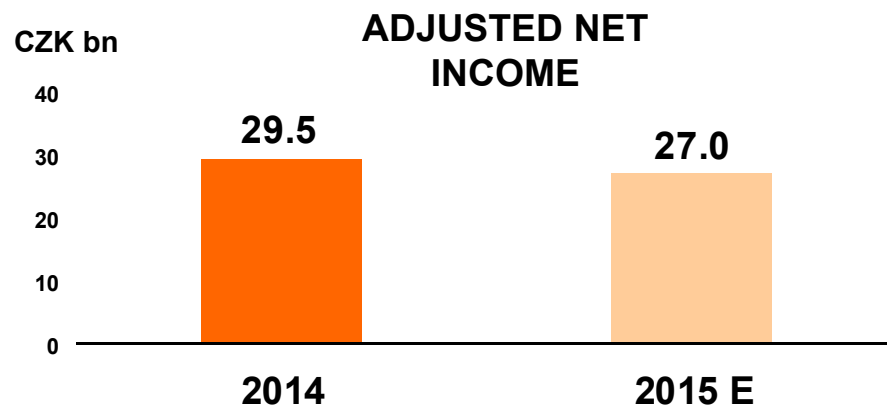
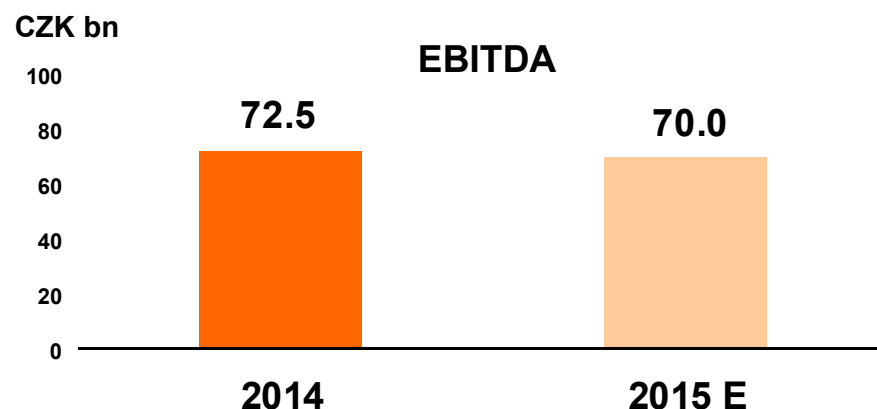
# FINANCIAL HIGHLIGHTS OF Q1 2015



- **EBITDA CZK 19.1bn**
- **Adjusted net income CZK 7.6bn**
- **Market capitalization grew by CZK 19.5bn (to CZK 335.2bn)**



# WE EXPECT ANNUAL 2015 EBITDA OF CZK 70BN, ADJUSTED NET INCOME AT THE LEVEL OF CZK 27BN



## Selected year-on-year positive effects:

- Cuts in fixed operating costs
- Higher production at nuclear power plants
- Refurbishment and operation optimization of coal-fired plants in the Czech Republic

## Selected year-on-year negative effects:

- Trend of declining electricity prices
- One-off revenue of CZK 2.6bn from the settlement agreement with the Albanian government in 2014
- One-off revenue of CZK 1.6bn from the termination of a long-term deal with CA-CIB in 2014

## Selected prediction risks:

- Postponed completion of coal-fired plant renovations and constructions in the Czech Republic
- Developments in regulatory and legislative conditions for the energy sector in Southeast Europe

# AGREEMENT ON BASIC PARAMETERS OF EU ETS REFORM WAS REACHED **AT EU LEVEL**



**Negotiations between the European Parliament, the Council of the European Union, and the European Commission (“Triadialogue”) brought important agreement on the parameters of the market stability reserve (MSR):**

- MSR to be launched as early as 2019
- Backloaded allowances and unutilized allowances for new sources to be transferred directly to the reserve
- Agreement on the mechanism for handling allowances within member states in relation to GDP
- The agreement could result in eliminating the expected surplus of allowances which means restoring the functionality of the whole EU ETS

**On May 4, the largest European energy companies met with Chancellor Angela Merkel in Berlin, where discussion was held about:**

- Necessity of quick EU ETS reform and timely start of MSR
- Impacts of “Energiewende”, further development of renewables, and Energy Union priorities
- Related questions such as security of supplies, and future European electricity market design (implementation of capacity payments mechanism).



# WE ARE FULFILLING OUR 2015 STRATEGIC GOAL IN CONSOLIDATION OF POSITIONS IN EXISTING FOREIGN SHAREHOLDINGS

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## **We protect CEZ Group value abroad**

- An amendment to the Romanian act on support for renewables, which will provide for allocation of green certificates, was approved by the Romanian parliament's lower chamber on May 6 and presented for signing by the President.
- In April, the International Court of Arbitration of the ICC in Paris dismissed an overwhelming majority of claims (exceeding EUR 81m) brought against ČEZ by the Romanian company Electrica (later SAPE) for alleged breach of ČEZ's obligations arising from the privatization agreement from 2005. The Court admitted only a bare minimum of the claimant's claims, which are not of material nature.

## **We took the first major step toward our goal of reducing financial exposure abroad**

- In March, we obtained a loan of PLN 700m (approx. CZK 4.7bn) on the Polish banking market, which is part of an overall restructuring of CEZ Group's Polish companies and will allow reducing the complex exposure of ČEZ, a. s. abroad.

# ČEZ DIVIDEND POLICY

## 60 – 80% OF CEZ GROUP'S ADJUSTED NET INCOME\*



### Reasons for change in dividend payout ratio to 60 – 80%:

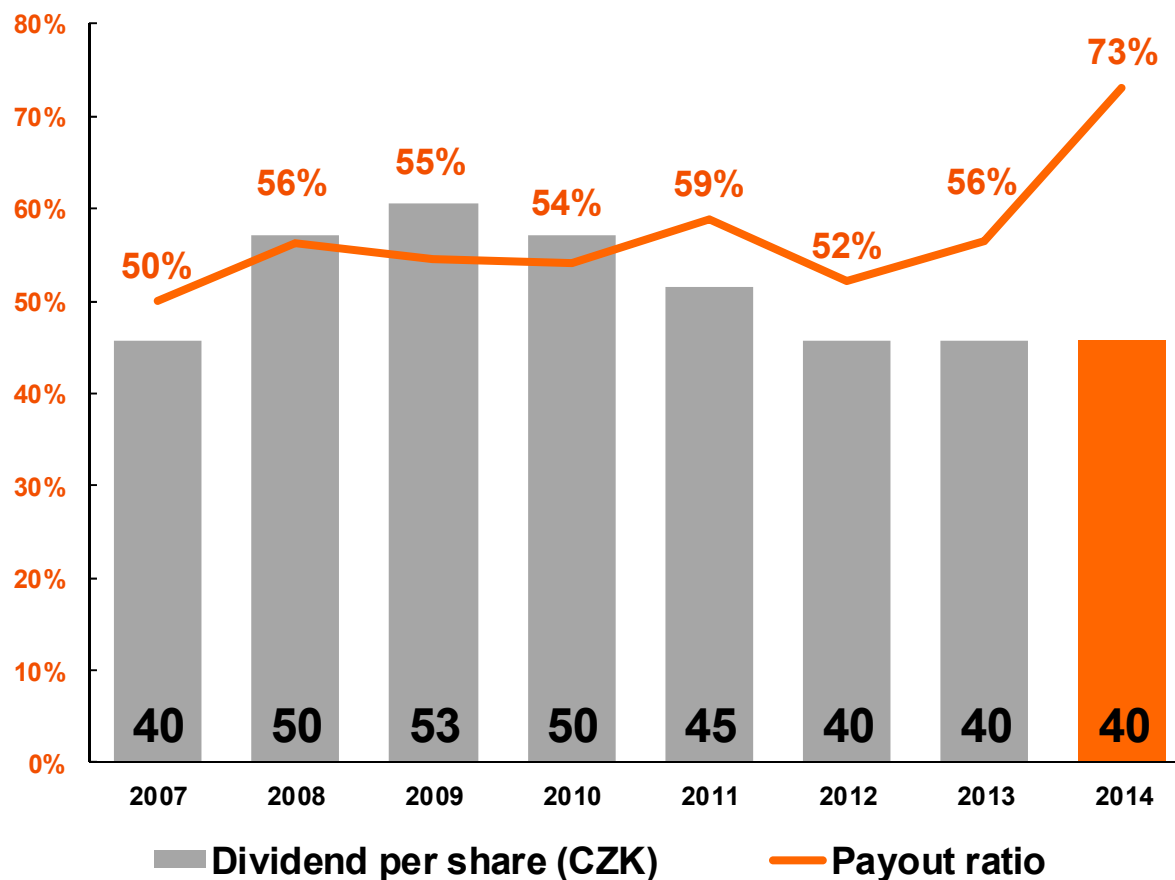
- Growth of “Cash Provided by Operating Activities / Net Income” ratio
- For companies like ours, investors favor maximum dividend payment while keeping S&P rating
- Attractive development opportunities are scarce within European energy sector

### Updated dividend policy is in line with European energy companies' approach:

Company	Dividend policy	Based on adjusted income
EdF	55 – 65% of profit	Yes
EnBW	40 – 60% of profit	Yes
Enel	50% of 2015 profit, increasing by 5 percentage points every year up to 65% of profit in 2018	Yes
E.ON	EUR 0.5 per share (implying around 60% of expected 2015 profit)	N/A
Fortum	50 – 80% of profit with the dividend growing over time	Yes
Engie (GDF Suez)	65 – 75% of profit but not less than EUR 1	Yes
Iberdrola	65 – 75% of profit	No
RWE	Dividend will take into account profit as well as operating CF, indebtedness, and growth opportunities	Yes
Verbund	50% of profit	Yes
<b>ČEZ</b>	<b>60 – 80% of profit (previously 50 – 60%)</b>	<b>Yes</b>

\***CEZ Group's adjusted net income** = CEZ Group's achieved accounting net consolidated income adjusted for extraordinary effects which are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-offs or profit/loss from sale of assets or subsidiaries)

# PROPOSED ČEZ, A. S. DIVIDEND FOR 2014: CZK 40 PER SHARE BEFORE TAX



- The proposal reflects the updated dividend policy and corresponds to 73 % of CEZ Group's consolidated net income in 2014 adjusted for extraordinary effects\*.
- The payout ratio specifies the ratio of dividends to CEZ Group's consolidated net income in a given year adjusted for extraordinary effects\*.



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Martin Novák, Chief Financial Officer



**Financial Results**  
Martin Novák, Chief Financial Officer

**CEZ Group's Market Position**  
Pavel Cyrani, Chief Sales and Strategy Officer

# CEZ GROUP FINANCIAL RESULTS



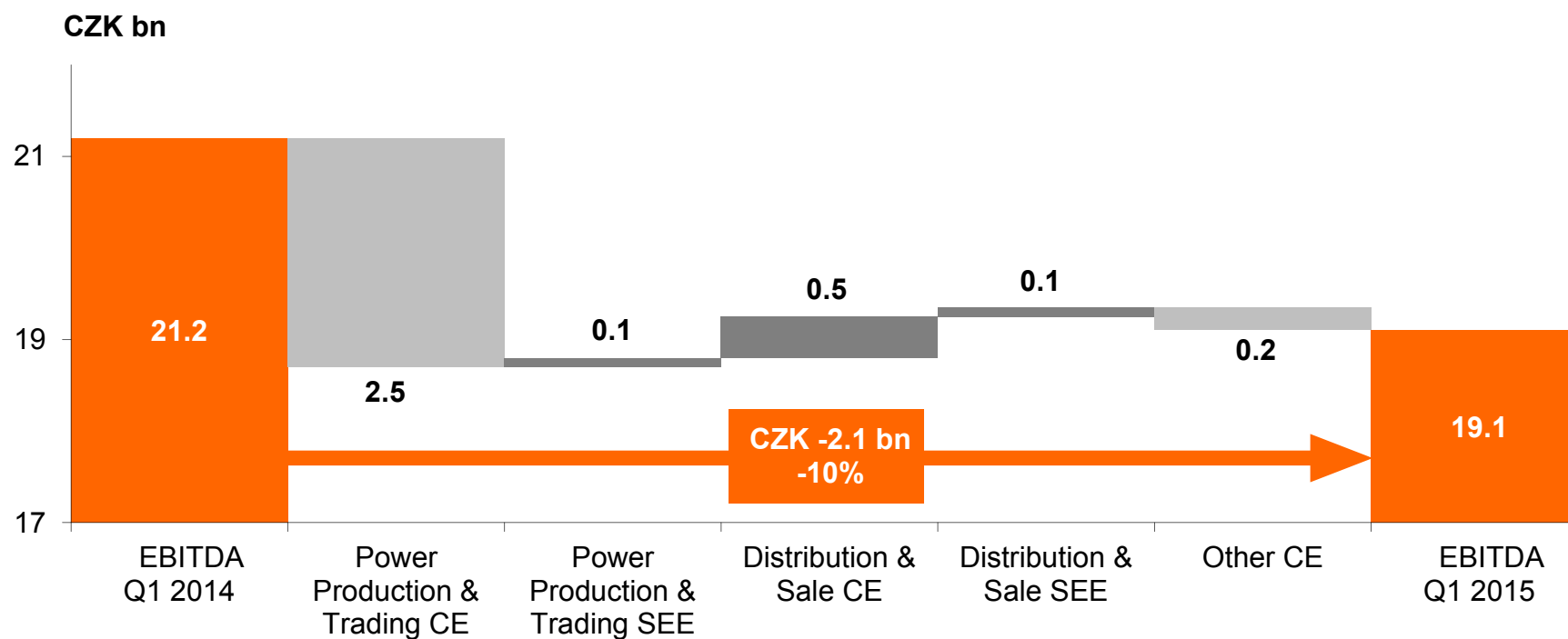
(CZK bn)		Q1 2014	Q1 2015	Change	%
Revenues		53.2	53.0	-0.2	-0%
EBITDA		21.2	19.1	-2.1	-10%
EBIT		14.4	12.0	-2.3	-16%
Net income		9.9	7.6	-2.3	-24%
Net income - adjusted *		9.9	7.6	-2.3	-24%
Operating CF		15.6	15.1	-0.5	-2%
CAPEX		5.4	6.3	+0.9	+17%
Net debt **		143.5	142.4	-1.1	-1%

		Q1 2014	Q1 2015	Change	%
Installed capacity **	GW	15.2	16.0	+0.9	+6%
Generation of electricity	TWh	17.5	17.9	+0.5	+3%
Electricity distribution to end customers	TWh	13.0	13.5	+0.6	+4%
Electricity sales to end customers	TWh	9.6	10.2	+0.5	+6%
Sales of natural gas to end customers	TWh	2.2	2.7	+0.5	+23%
Sales of heat	000'TJ	8.7	9.4	+0.7	+8%
Number of employees **	000's	26.6	25.8	-0.8	-3%

\* Net income - adjusted = 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 or profit/loss from sale of assets or subsidiaries).

\*\* As at the last date of the period

# YEAR-ON-YEAR CHANGE OF EBITDA BY SEGMENT



## EBITDA BY SEGMENT:

### POWER PRODUCTION AND TRADING CENTRAL EUROPE



CZK bn	Q1 2014	Q1 2015	Change	%
Czech Republic	12.4	9.9	-2.5	-20%
Poland	0.6	0.6	0.0	+8%
<b>Segment EBITDA</b>	<b>13.0</b>	<b>10.5</b>	<b>-2.5</b>	<b>-19%</b>

#### Czech Republic (CZK -2.5bn)

- Lower gross margin of ČEZ, a. s. and spun-off Počerady and Dětmarovice power plants
  - Lower realization prices of generated electricity including revaluation of contracts for sale of generated electricity with delivery in less than 1 year (CZK -2.8bn)
  - Higher production (CZK +0.4bn) in particular at nuclear power plants
  - Other (CZK -0.4bn), in particular revaluation of commodity derivatives and lower revenue from ancillary services
- Higher gross margin of other companies (CZK +0.1bn), in particular from higher revenue from electricity and heat sales
- Cuts in fixed operating costs primarily due to adopted economy measures (CZK +0.5bn)

## EBITDA BY SEGMENT:

### POWER PRODUCTION AND TRADING SOUTHEAST EUROPE



CZK bn	Q1 2014	Q1 2015	Change	%
Bulgaria	-0.1	0.0	+0.1	+72%
Romania	0.2	0.2	0.0	+1%
<b>Segment EBITDA</b>	<b>0.1</b>	<b>0.2</b>	<b>+0.1</b>	<b>+46%</b>

#### Bulgaria (CZK +0.1bn)

- Lower operating costs in connection with the suspension of operation of the Varna Power Plant since Jan 1, 2015
- Effect of negative generation margin in 2014

#### Romania (CZK 0.0bn)

- Negative year-on-year effect of the suspension of green certificate allocation to Cogeaalac (since Oct 1, 2014) was compensated for primarily by higher production in connection with better weather conditions and operation optimization at wind parks

## EBITDA BY SEGMENT:

### DISTRIBUTION AND SALE CENTRAL EUROPE



CZK bn	Q1 2014	Q1 2015	Change	%
Distribution	3.9	3.9	0.0	-1%
Sale	0.9	1.4	+0.5	+61%
<b>Segment EBITDA</b>	<b>4.8</b>	<b>5.3</b>	<b>+0.5</b>	<b>+10%</b>

#### Distribution Czech Rep. (CZK 0.0bn)

- Lower gross margin due to use of remaining correction factors from RESs in 2014 (CZK -0.5bn), partially compensated for by higher distributed amount of electricity in 2015 (CZK +0.2bn)
- Lower fixed operating cost (CZK +0.2bn)
- Higher capitalisation of internal costs, and other operating revenues (CZK +0.1bn)

#### Sales (CZK +0.5bn)

- Higher gross margin on electricity sales in the Czech Rep. primarily due to lower average purchasing price (CZK +0.2bn)
- Negative balance of support for mandatory purchases in the Czech Rep. in 2014 (CZK +0.1bn)
- Higher gross margin on gas sales in the Czech Rep. in connection with higher delivery (effect of weather) and lower average purchasing price (CZK +0.1bn)
- Higher gross margin on electricity and gas sales in Slovakia due to higher delivered volume and better deviation management (CZK +0.1bn)

## EBITDA BY SEGMENT:

### DISTRIBUTION AND SALE SOUTHEAST EUROPE



CZK bn	Q1 2014	Q1 2015	Change	%
Bulgaria	0.2	0.3	+0.1	+71%
Romania	0.7	0.6	-0.1	-9%
<b>Segment EBITDA</b>	<b>0.8</b>	<b>0.9</b>	<b>+0.1</b>	<b>+8%</b>

#### **Bulgaria (CZK +0.1bn)**

- Higher margin on distributed electricity due to a positive price decision from Oct 1, 2014 (CZK +0.1bn)

#### **Romania (CZK -0.1bn)**

- Extraordinary earnings in 2014 associated with the fulfillment of an installment agreement by the state postal service (CZK -0.1bn)

## EBITDA BY SEGMENT: MINING CENTRAL EUROPE, OTHER CENTRAL EUROPE, AND OTHER SOUTHEAST EUROPE



EBITDA (CZK bn)	Q1 2014	Q1 2015	Change	%
Mining CE	1.2	1.2	0.0	-3%
Other CE	1.2	1.0	-0.2	-13%
Other SEE	0.1	0.1	0.0	-22%

### Mining Central Europe (CZK 0.0bn)

- Lower coal revenue in connection with lower electricity production at ČEZ's coal-fired power plants (CZK -0.2bn) compensated for by cuts in costs (CZK +0.2bn) due to lower mine production, favorable climatic conditions, and economy measures

### Other Central Europe (CZK -0.2bn)

- Lower revenue and margin from intra-group services primarily due to economy measures adopted by customers; especially ČEZ ICT Services, ČEZ Distribuční služby, and ČEZ Korporátní služby were affected



## OTHER INCOME (EXPENSES)



(CZK bn)	Q1 2014	Q1 2015	Change	%
EBITDA	21.2	19.1	-2.1	-10%
<b>Depreciation, amortization and impairments</b>	<b>-6.8</b>	<b>-7.1</b>	<b>-0.3</b>	<b>-4%</b>
<b>Financial and other income (expenses)</b>	<b>-2.0</b>	<b>-2.5</b>	<b>-0.5</b>	<b>-24%</b>
Interest income (expenses)	-0.8	-0.7	+0.1	+17%
Interest on nuclear and other provisions	-0.5	-0.4	0.0	+8%
Income (expenses) from investments	-0.1	-0.9	-0.8	>200%
Other income (expenses)	-0.5	-0.4	+0.1	+25%
<b>Income taxes</b>	<b>-2.5</b>	<b>-2.0</b>	<b>+0.5</b>	<b>+19%</b>
Net income	9.9	7.6	-2.3	-24%
<b>Net income - adjusted</b>	<b>9.9</b>	<b>7.6</b>	<b>-2.3</b>	<b>-24%</b>

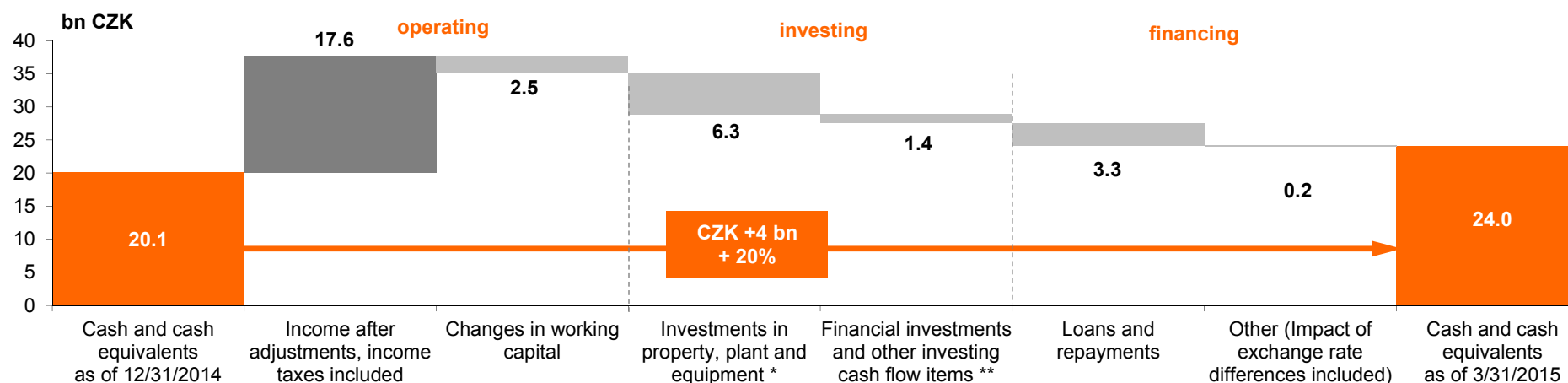
### Depreciation, Amortization, and Impairments\* (CZK -0.3bn)

- Increase in depreciation and amortization at ČEZ, a. s. primarily in connection with the completion of the Počerady CCGT plant

### Financial and Other Income/Expenses (CZK -0.5bn)

- Positive effect of decreased volume of debt on interest expenses (CZK +0.1bn)
- Negative effect of development in the USD/TRY exchange rate on the share of income from Turkey (CZK -0.8bn)
- Positive effect of exposure revaluation on MOL shares (CZK +0.2bn)

# CASH FLOWS



## Cash Flows from Operating Activities (CZK +15.1bn)

- Income after adjustments (CZK +17.6bn): income before income taxes (CZK +9.6bn), amortization of nuclear fuel (CZK +8.2bn), loss from associates and joint ventures (CZK +1.0bn), income taxes paid (CZK -1.8bn), other (CZK +0.6bn)
- Changes in working capital (CZK -2.5bn): change in the balance of payables and receivables incl. advances and accruals (CZK -6.5bn), change in the balance of payables and receivables from derivatives (CZK +2.0bn), decrease in inventories of materials, fossil fuels, and emission allowances (CZK +1.4bn), other (CZK +0.6bn)

## Cash Flows Used in Investing Activities (CZK -7.7bn)

- Investments in fixed assets—CAPEX (CZK -6.3bn), see details in Annex
- Additions to long-term financial assets (CZK -0.7bn)
- Other (CZK -0.7bn), primarily change in the balance of liabilities attributable to capital expenditure

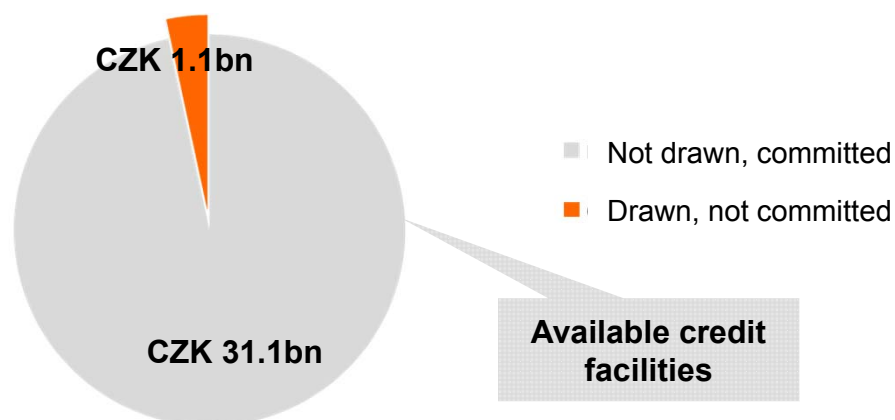
## Cash Flows Used in Financing Activities (CZK -3.5bn)

- Balance of loans and repayments (CZK -3.3bn), net effect of currency translation in cash (CZK -0.1bn)

# CEZ GROUP MAINTAINS A STRONG POSITION OF LIQUIDITY

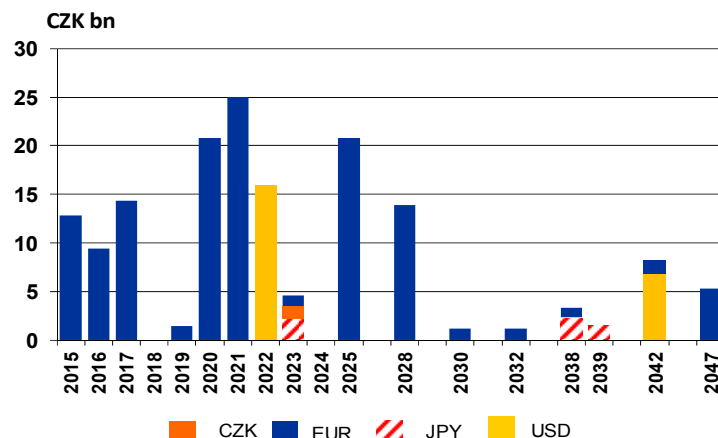


## Utilization of short-term lines (as of Mar 31, 2015)



- CEZ Group has access to CZK 31.1bn in committed credit facilities, using just CZK 4m as of Mar 31, 2015
- Non-committed credit facilities are used primarily. Committed facilities are kept as a reserve for covering unexpected needs.

## Bond maturity profile (as of Mar 31, 2015)



- A loan of PLN 700m (approx. CZK 4.7bn) taken on the Polish banking market in March 2015.
- The 11th Eurobond issue (EUR 460.2m) will be duly paid off on May 26, 2015.

# AGENDA

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## **CEZ Group Financial Highlights and Key Events in Q1 2015**

Martin Novák, Chief Financial Officer

## **Financial Results**

Martin Novák, Chief Financial Officer



## **CEZ Group's Market Position**

Pavel Cyrani, Chief Sales and Strategy Officer

# WHOLESALE MARKET AND CONSUMPTION DEVELOPMENT IN THE CZECH REPUBLIC



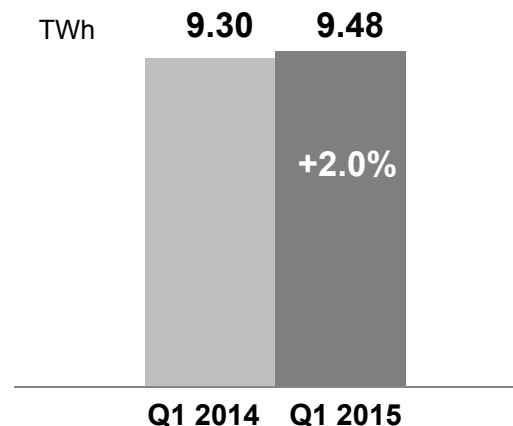
## WHOLESALE MARKET

- The wholesale price of electricity on the German market (CAL 16—2016 delivery—EEX) oscillates around EUR 32/MWh, the price on the Czech market (PXE) is approx. 0.4 EUR/MWh less
- The price of emission allowances is around 7.5 EUR/t EUA
- Development in electricity prices will be influenced, in particular, by the fulfillment of the EU ETS reform and developments in coal prices in world markets

## GROWING ELECTRICITY CONSUMPTION IN THE CZECH REP.\*

- Electricity consumption in the Czech Rep. grows by more than 3%
- After temperature and calendar adjustment, consumption grows by 2%

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



# INCREASED CHANCE OF RESTORING EU ETS FUNCTIONALITY—MSR APPROVED TO LAUNCH IN 2019



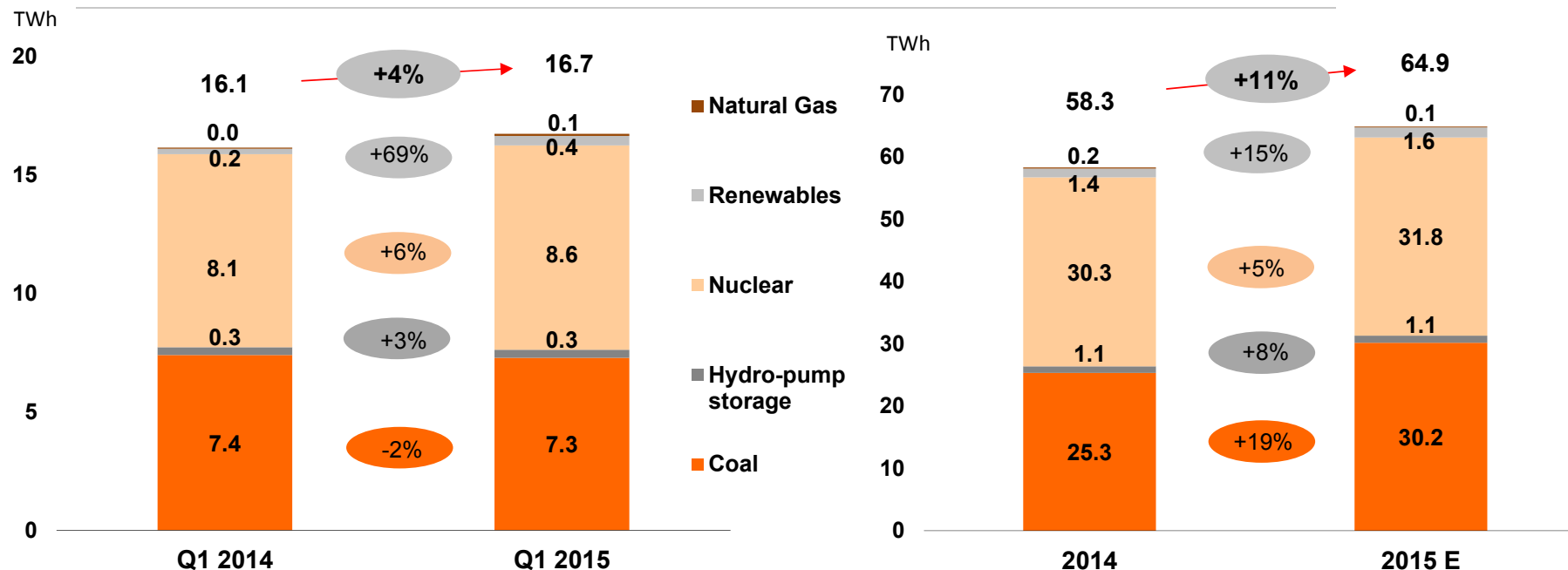
**Negotiations of the European Parliament, Council of the European Union, and the European Commission (“Trialogue”) brought an important agreement on the basic parameters of the market stability reserve (MSR) on May 5:**

- MSR will be launched two years earlier, i.e. on January 1, 2019
- 900 million backloaded emission allowances will be transferred directly to the reserve
- Unutilized emission allowances for new sources (approx. 500–700 million EUA\*) will be transferred directly to the reserve
- In the context of solidarity among member states, the mechanism for transferring allowances to the reserve will be adjusted to provide more proceeds from auctions to states with GDP per capita under 60% of the EU average
- Up to 50 million allowances will be set aside and transferred into the fund for the support and promotion of industrial innovation

**The agreement reduces the expected surplus of allowances, which will lead to:**

- Achieving supply/demand balance, which is an essential prerequisite for restoring the functionality of the whole EU ETS
- Increasing allowance price, and thus providing a renewed stimulus to investments in low-carbon technologies
- Increasing proceeds from auctions for the Czech Republic by app. EUR 1.5bn\* by 2030

# GENERATION IN THE CZECH REPUBLIC



## Nuclear Power Plants (+6%)

- + Shorter outages of Dukovany NPP
- + Exceptional outage in 2014 and increased capacity of Temelín NPP

## Coal-Fired Power Plants (-2%)

- Transferring the last unit of Ledvice 2 Power Plant to forced reserve

## Renewables (+69%)

- + Higher flow rates at hydro plants due to hydrometeorological conditions

## Nuclear Power Plants (+5%)

- + Shorter outages at both nuclear power plants and increased capacity of Temelín NPP

## Coal-Fired Power Plants (+19%)

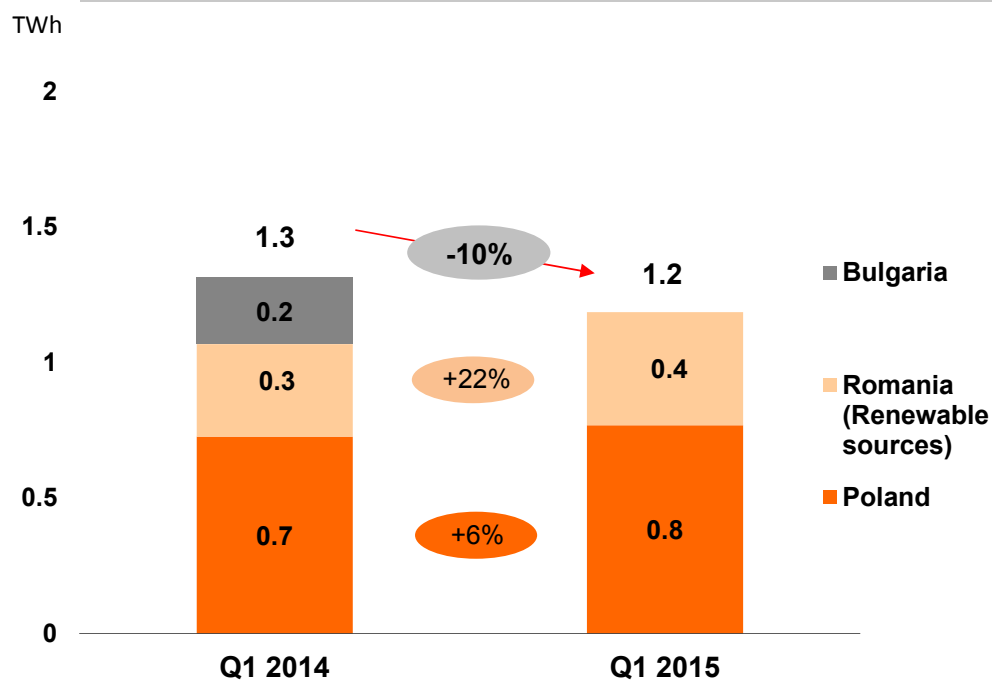
- + Operation of Ledvice 4 Power Plant (new facility)
- + Operation of 3 units of Pruněřov 2 Power Plant (after comprehensive renovation)
- Transferring the last unit of Ledvice 2 Power Plant to forced reserve

Generation prediction for 2015 is facing the risk of delay in the renewal and construction of coal-fired sources.

## Renewables (+15%)

- + Average climatic conditions expected, as opposed to extremes in 2014

# GENERATION ABROAD



## Bulgaria

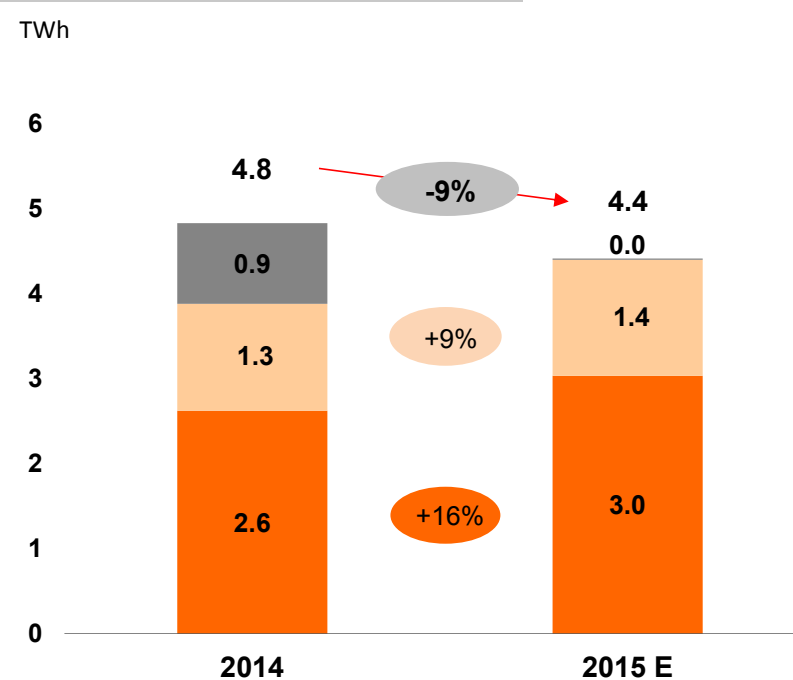
- Varna Coal-Fired Power Plant operation suspended since Jan 1, 2015

## Romania (+22%)

- + Higher production due to better weather conditions
- Lower production at Reșița-site hydro power plants

## Poland (+6%)

- + Higher production primarily due to increased share of biomass combustion at ELCHO Power Plant



## Romania (+9%)

- + Higher wind farm production in connection with worse-than-average weather conditions in 2014
- Production of Reșița-site hydro power plants slightly below 2014 figures

## Poland (+16%)

- + Higher production at ELCHO Power Plant primarily due to increased share of biomass co-firing; increased production at Skawina Power Plant due to increased efficiency of upgraded turbines

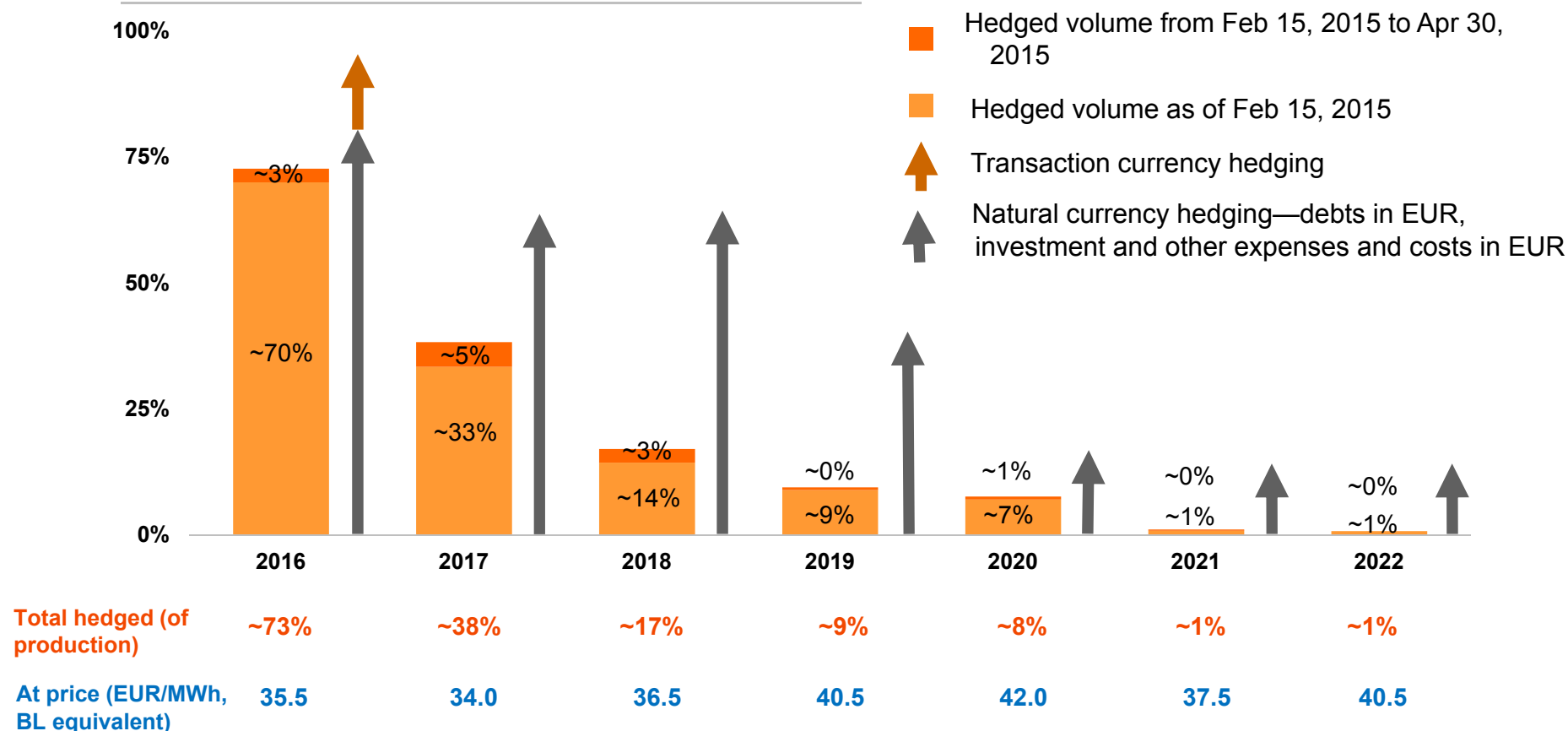
Increased production in Poland and Romania substantially eliminates the suspension of Varna Power Plant.



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



Share of Hedged Production from ČEZ\* Facilities  
as of Apr 30, 2015 (100% corresponds to 56-58 TWh)



# CUSTOMER-ORIENTED APPROACH, OR INNOVATIONS THAT MAKE OUR CUSTOMERS HAPPIER

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## NEW PRODUCTS AND SERVICES

- **Fair prices**—we value and reward loyalty
- Our call centers are ready to handle customer requests **7 days a week, 24 hours a day**

## CONSULTING AND FREE TIME

- **33 consultants** are ready to help with complex technical requests at Customer Centers
- **20,800 customers** manage electricity, gas, and mobile telephony right from their phones thanks to ČEZ ON-LINE mobile app

## NEW OPTIONS

- **CZK 9.5m** was paid by our customers for ČEZ services with a debit card at Customer Centers
- **20,700 customers** have activated our service providing SMS and e-mail notification of planned power outages

# CALCULATE HOW MUCH YOU CAN SAVE WITH ČEZ PRODUCTS



- With our **ČEZ WITH REWARD** product, the gas price per MWh drops after each 12 months of contract (in comparison with the basic product of the main supplier in the distribution area—RWE, E.ON, or Pražská Plynárenská).
- The discount is **7%** in the first year, **8%** in the second year, and **10%** in the third year.
- If you use gas for heating, you get a free tablet or a bonus of up to CZK 2,000 to your account.
- Up to 31% discount on MOBILE FROM ČEZ for 4 years!

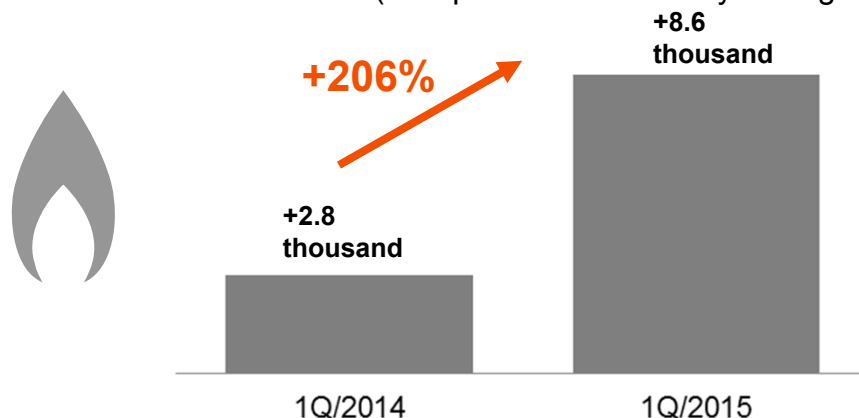


- With **ČEZ GARANT PLUS**, you get power 10% cheaper than with the basic ČEZ Comfort product.
- You can be sure that the price of your power can only drop over the next 24 months. If the ČEZ Comfort price goes down, we will be fair and reduce your ČEZ GARANT PLUS price too.

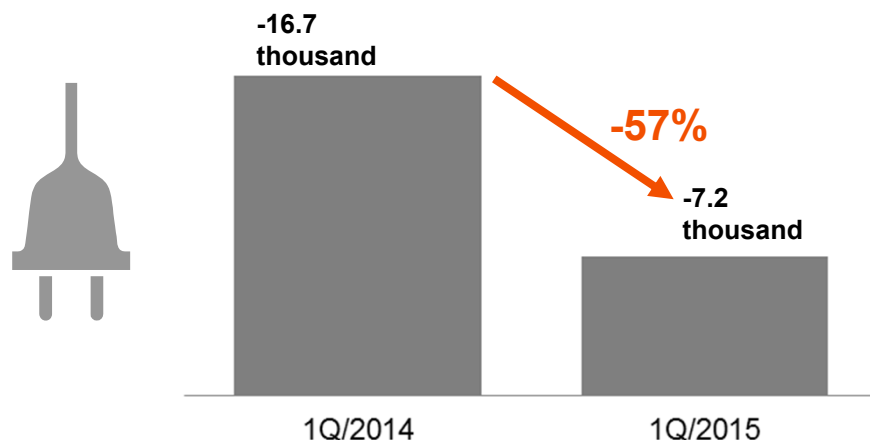
# FOR INCREASINGLY MORE CUSTOMERS, ČEZ BECOMES THE FIRST CHOICE FOR ELECTRICITY, GAS, AND MOBILE TELEPHONY



Gas—Portfolio Growth in the Segment of Households (Comparison of Quarterly Changes)



Electricity—Portfolio Reduction in the Segment of Households (Comparison of Quarterly Changes)



- **ČEZ Prodej** remains the largest alternative gas supplier in the Czech Rep. in terms of connection points.
- At the end of March 2015 we delivered gas to more than **356.6 thousand customers**.
- Better offer and interesting services **decrease** our customers' **motivation to switch to a competitor**.
- **Everything under the same roof** = Customers can handle everything related to the supply of electricity, gas, or mobile telephony with a single supplier.

## MARKET POSITION IN POLAND

### WE ARE PREPARING ECOWIND'S PORTFOLIO OF WIND FARM PROJECTS FOR NEW RES SUPPORT CONDITIONS

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- In Poland, a new renewables act was passed with effect from Jan 1, 2016, introducing a new support mechanism, an auction system, and defining qualification requirements.
- Two of the most advanced projects of the developer Ecowind Construction S.A. (the 48 MW Krasin project and the 47.5 MW Suwałki project) received EIA permits. We expect EIA permits for another two projects in Q2 2015.
- We anticipate taking active part already in Round 1 of a wind farm support auction, which is expected in Q2 2016.
- On Apr 15, 2015 CEZ Group acquired an additional 25% stake in Ecowind Construction S.A. in line with the original contract, becoming its 100% owner.



- Selected Events
- Selected Impacts of the Amendment to the Energy Act and the Act on Supported Energy Sources
- Mining
- Electricity Consumption
- Market Developments
- Investments in Fixed Assets
- Balance Sheet Overview
- Balance of Electricity

# SELECTED EVENTS



## Czech Republic

- Eight staff exercises for emergency situations were successfully conducted at the Temelín NPP, including an extraordinary exercise with a secret scenario which aimed to test response to an unplanned situation.
- A 20-day outage for fuel replacement at Unit 3 of the Dukovany NPP took place successfully from Feb 28 to Mar 19. Additional safety enhancement measures from the NAP were implemented during the outage.
- The Dlouhé Stráně pumped-storage hydro power plant generated more than 40% of the 2014 production in the first three months of this year, delivering over 222 million kWh to the grid. This amount of energy could cover the consumption of more than 70,000 households for a year.
- As a major contribution to air quality in northern Bohemia, a gas boiler plant was put into pilot operation in Ledvice (on Feb 1, 2015), which will ensure continuous heat supplies in case of outage at Unit 6 (660 MW) and allow removing an obsolete coal-fired heating plant in Proboštov from our plant portfolio.
- The Czech Ministry of Finance audited the “Dětmarovice Power Plant NO<sub>x</sub> Emission Reduction” project, focusing on the method of subsidization in accordance with programs published by the State Environmental Fund. The audit was successful, without reservation.
- The Chamber of Deputies of the Czech Parliament passed an amendment to the Energy Act and the act on supported energy sources, which will significantly affect the energy market in the Czech Rep.

## Abroad

- Amendments to the energy act entered into effect in Bulgaria on Mar 6. One of the changes in the law is the method for appointing regulatory authority members. They are newly appointed by the parliament rather than the government as before. The change aims to ensure a higher level of independence and professionalism of regulatory authority members.
- The decision on the registration of the assignment of the stake of CEZ, a. s. in the Bosnian company NERS to MH ERS became legally effective on Feb 5. This means the definite termination of the Implementation Agreement.

# SELECTED IMPACTS OF THE AMENDMENT TO THE ENERGY ACT AND THE ACT ON SUPPORTED ENERGY SOURCES



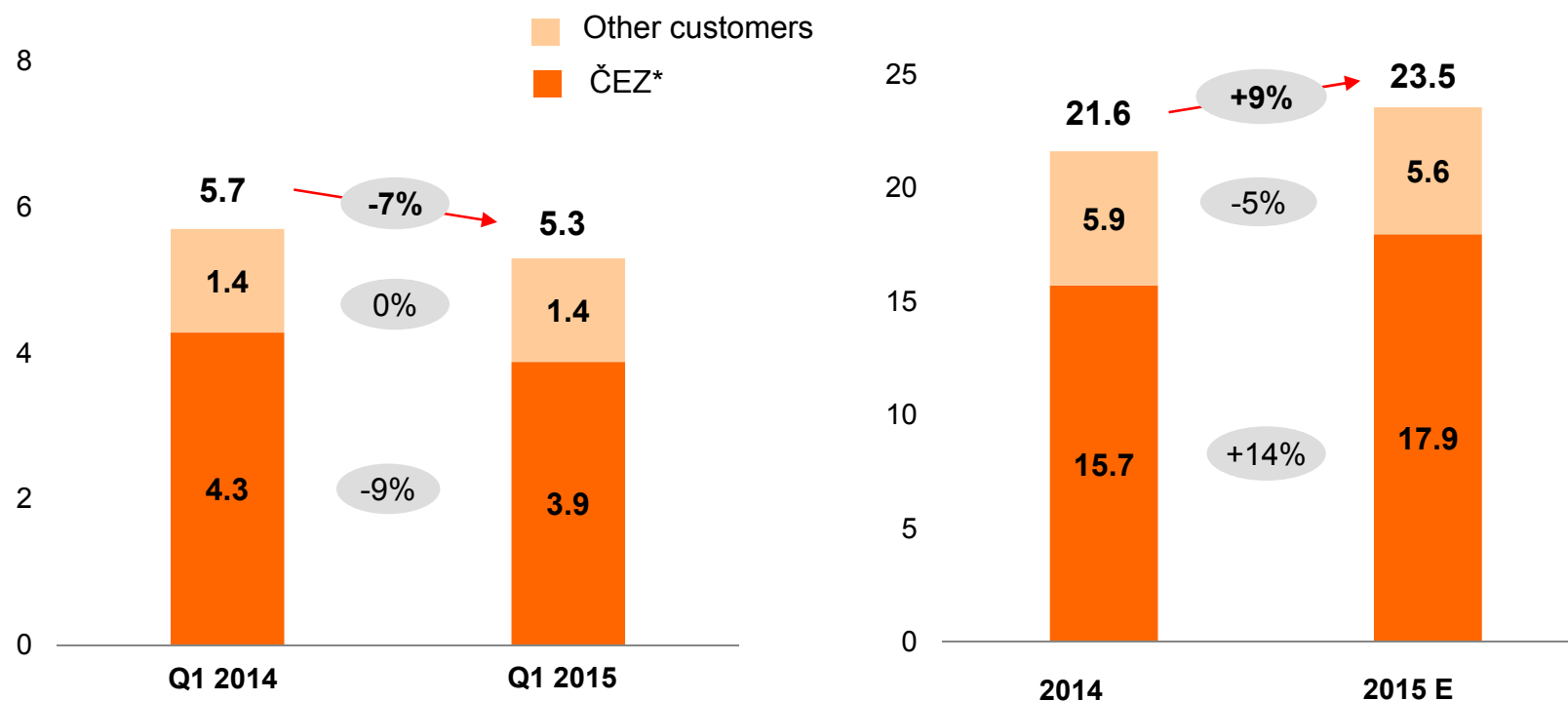
## Selected parameters of the amendments to the acts in question:

- Better consumer protection in the energy sector, especially from unfair practices used by retailers and door-to-door salesmen.
- No need for a license to connect a generating facility with a capacity of up to 10 kW, which will result in improvement in the availability of auto-production advantages (especially for RESs) for households and small businesses.
- Change in the method of payment for renewables, which will not burden households but will allow decreasing the fee for energy-intensive industry, which is paying much more than competitors in Germany.
- Cancellation of energy companies' obligation to register historical energy systems in the real estate register by 2017, which could result in significant administrative costs and impracticability. The issue will be further dealt with in cooperation with the CSALSC.
- More transparency and stability of the process of regulation and doing business in the energy sector.
- Less administrative and bureaucratic obstacles for energy businesses.
- Extension of the Energy Regulatory Office's supervisory powers in the field of supported energy sources.
- Establishment of the Council of the Energy Regulatory Office with effect from August 2017, whose competences are designed after those of the Council of the Czech Telecommunication Office, with member qualifications and one member appointed every year ensuring future Council members' impartiality and expertise.
- Conditions for the integration and further development of new smart grid technologies for the benefit of all energy consumers.
- Harmonization with the new civil code and business corporations act.





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



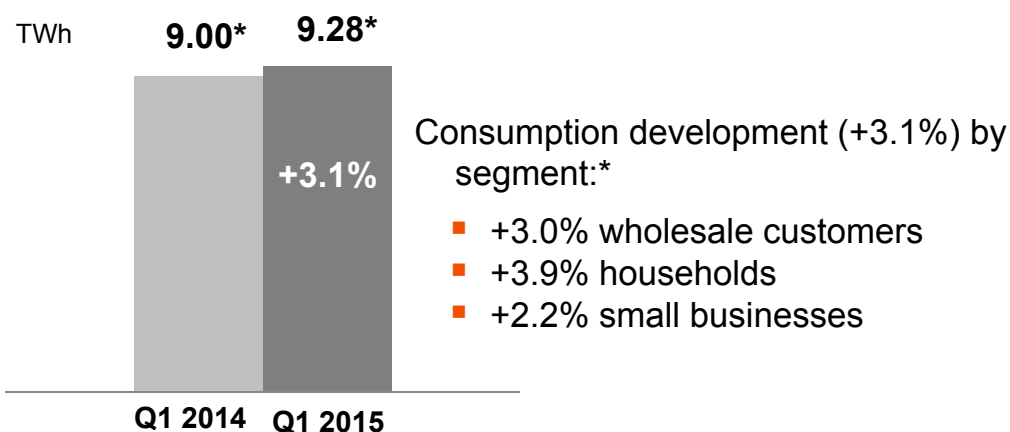
■ Decrease in coal production due to lower demand for coal by ČEZ

■ Year-on-year increase in sales by 1.9 million tons of coal in connection with growing demand by ČEZ, which is however facing the risk of delay in the renewal and construction of coal-fired sources of ČEZ.

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

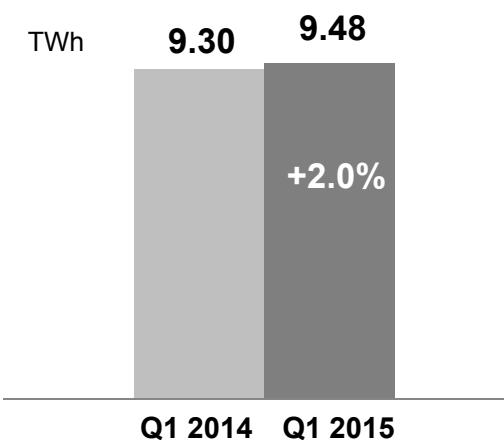


**Consumption in the distribution  
area of ČEZ Distribuce**



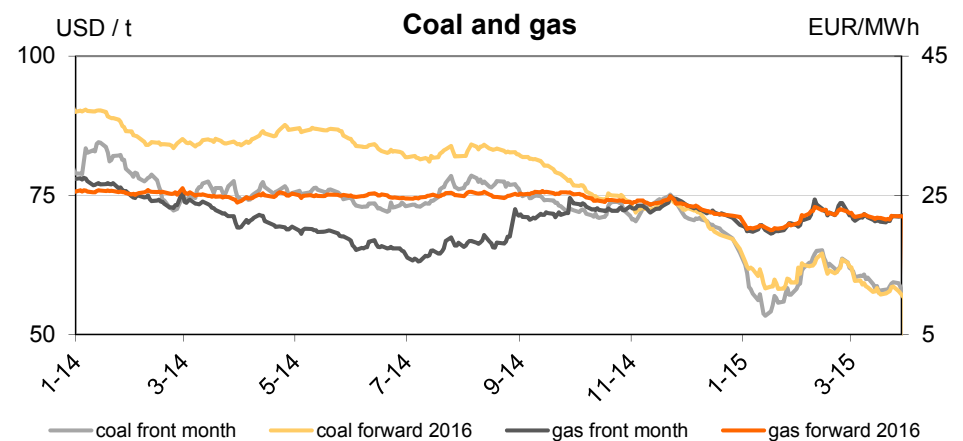
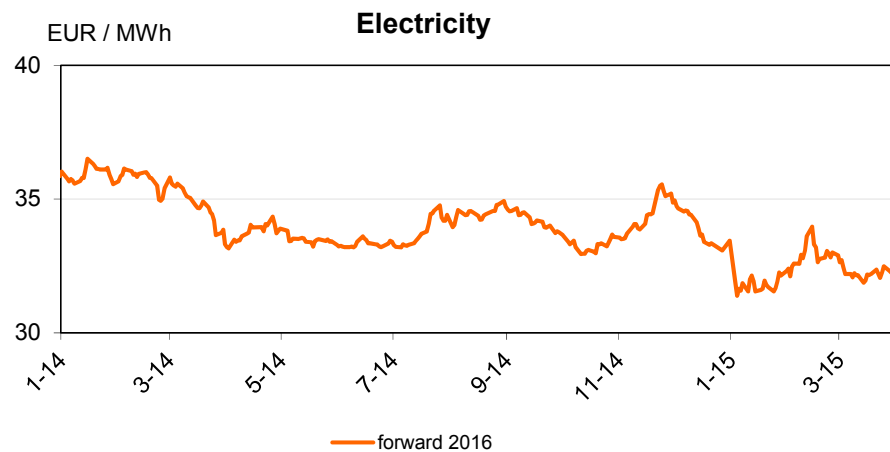
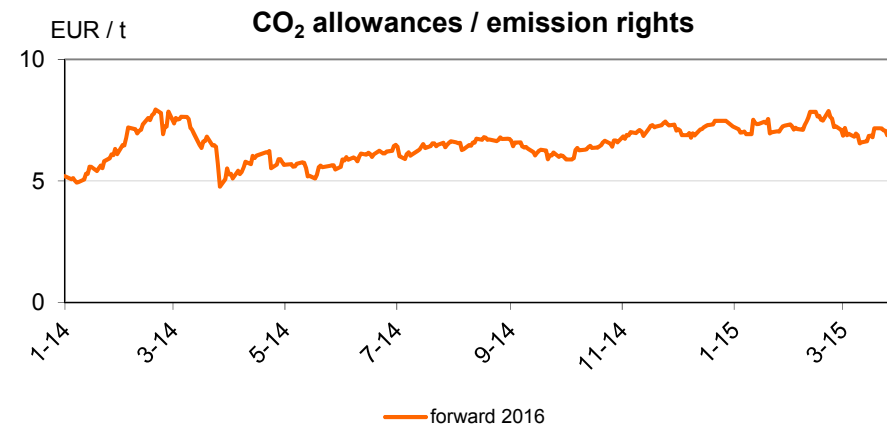
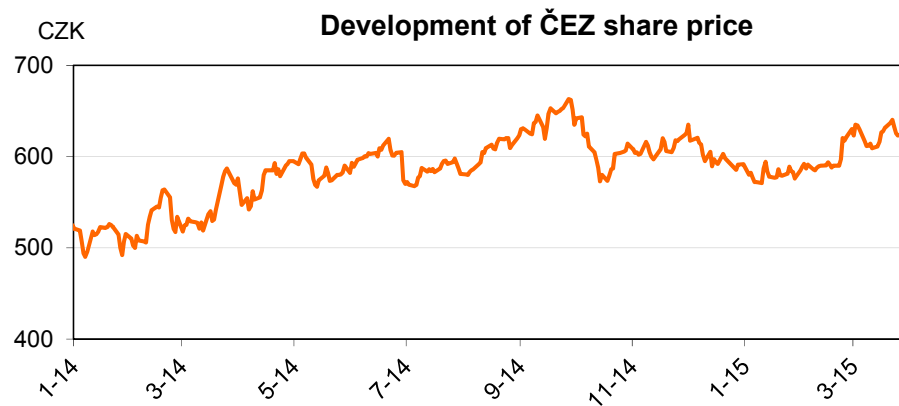
**Consumption in the distribution area  
of ČEZ Distribuce**

(Temperature- and Calendar-Adjusted)\*\*



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

# MARKET DEVELOPMENTS



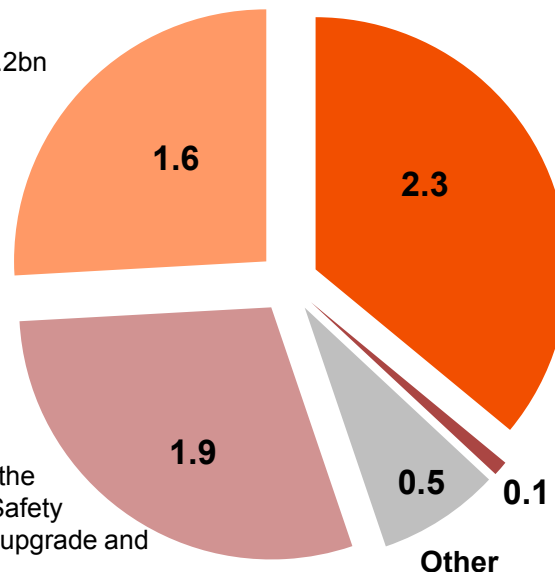
# INVESTMENTS IN FIXED ASSETS (CAPEX)



**CZK 6.3bn in total  
(Q1 2015)**

**Electricity distribution:**

- Czech Republic: CZK 1.2bn
- Abroad: CZK 0.4bn



**Conventional power plants Czech Republic:**

- Construction of a new supercritical facility in Ledvice
- Comprehensive renovation of Prunéřov Power Plant
- Other investments

**Nuclear facilities:**

- Temelín NPP—Undertaking projects to meet the requirements of the National Action Plan for Safety Enhancement, projects relating to equipment upgrade and renovation
- Dukovany NPP—Projects related to the planned extension of operation beyond 2015 and projects to meet the requirements of the National Action Plan for Safety Enhancement
- New Units at Temelín NPP—Continued work with the aim to preserve and increase the value and prepare the project for alternative possibilities of investing and financing arrangements
- New Unit at Dukovany NPP—Preparation of supporting documents for the initiation of the EIA process and a technical description of the site for future tender documents

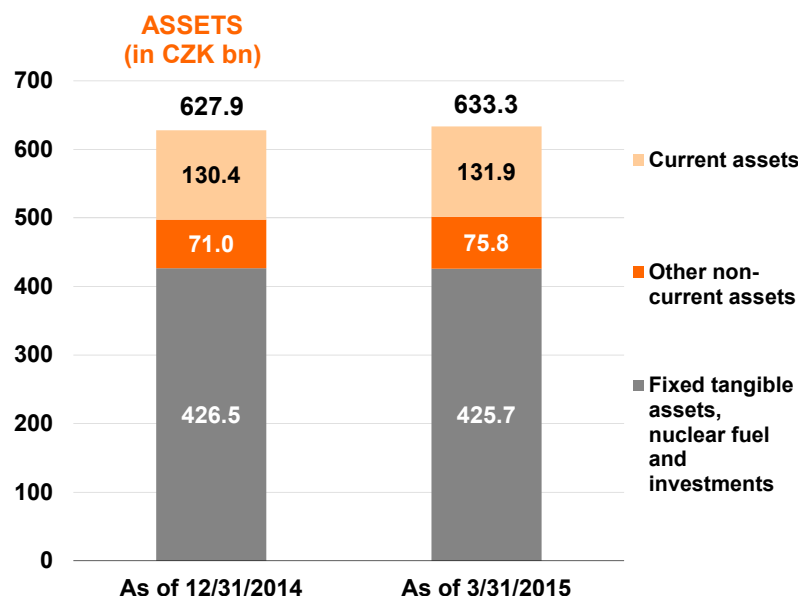
**Mining**—Projects reacting to the progress of extraction in the two mines (renovating and upgrading equipment and dressing and crushing operations, reducing dust load)

# BALANCE SHEET OVERVIEW



## Fixed Assets

- Decrease in tangible fixed assets of CZK -0.9bn primarily due to decrease in nuclear fuel in use
- Increase in other fixed assets of CZK +4.8bn: primarily due to an increase in long-term receivables from derivative trading of CZK +4.2bn and available-for-sale financial assets of CZK +1.5bn, compensated mainly by a decrease in the value of investment in associates and joint ventures of CZK -1.1bn

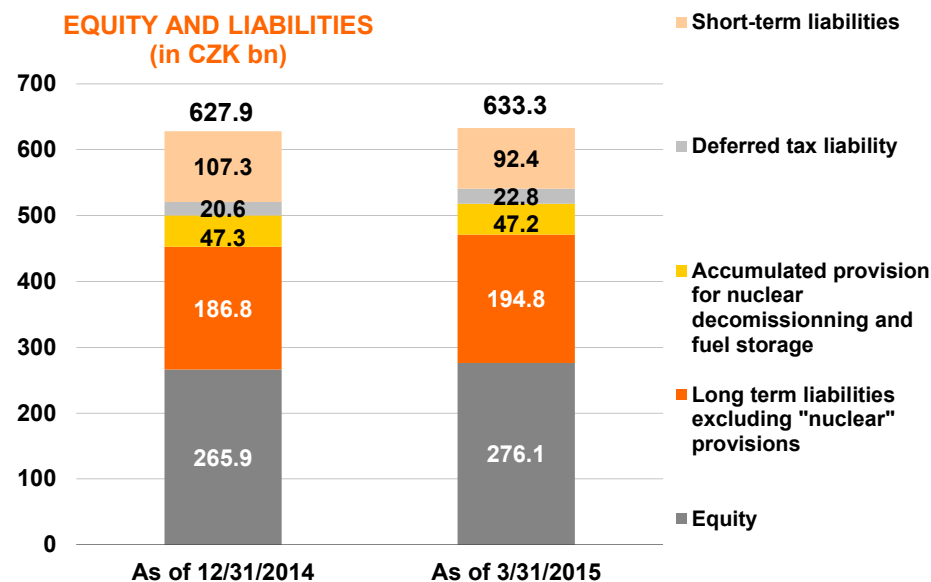


## Current Assets

- Increase in cash and cash equivalents of CZK +4.0bn, increase in net receivables of CZK +1.2bn and income tax receivables of CZK +1.0bn
- Decrease in short-term receivables from derivative trading of CZK -2.9bn
- Decrease in inventories of materials and fossil fuels and change in emission allowances of CZK -1.4bn

## Equity and Long-Term Liabilities

- Increase in equity of CZK +10.2bn: Increase in net income of CZK +7.6bn, other comprehensive income of CZK +2.7bn
- Increase in long-term liabilities incl. nuclear provisions of CZK +8.0bn: primarily due to a change in balance of long-term bank loans of CZK +3.9bn, issued bonds of CZK +2.7bn, and long-term liabilities from derivative trading of CZK +1.7bn



## Short-Term Payables

- Decrease in the current portion of long-term debt, incl. short-term bank loans of CZK -7.3bn
- Decrease in unbilled goods and services of CZK -3.4bn
- Decrease in trade payables, incl. received advances of CZK -2.9bn
- Decrease of short-term liabilities from derivative trading of CZK -1.9bn

**Electricity balance (GWh)**

	Q1 2014	Q1 2015	Index 2015/2014
<b>Electricity procured</b>	<b>15,651</b>	<b>16,086</b>	<b>+3%</b>
Generated in-house (gross)	17,456	17,915	+3%
In-house and other consumption, including pumping in pumped-storage plants	-1,805	-1,829	+1%
<b>Sold to end customers</b>	<b>-9,632</b>	<b>-10,171</b>	<b>+6%</b>
<b>Sold in the wholesale market (net)</b>	<b>-4,558</b>	<b>-4,423</b>	<b>-3%</b>
Sold in the wholesale market	-43,653	-51,208	+17%
Purchased in the wholesale market	39,095	46,785	+20%
<b>Grid losses</b>	<b>-1,461</b>	<b>-1,493</b>	<b>+2%</b>

**Electricity generation by source (GWh)**

	Q1 2014	Q1 2015	Index 2015/2014
Nuclear	8,149	8,633	+6%
Coal and lignite	8,257	7,913	-4%
Water	525	661	+26%
Biomass	130	179	+38%
Photovoltaic	24	22	-9%
Wind	325	415	+27%
Natural gas	45	92	+102%
Bio gas	0	1	+85%
<b>Total</b>	<b>17,456</b>	<b>17,915</b>	<b>+3%</b>

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

	Q1 2014	Q1 2015	Index 2015/2014
Households	-3,822	-4,062	+6%
Commercial (low voltage)	-1,727	-1,662	-4%
Commercial and industrial (medium and high)	-4,083	-4,447	+9%
<b>Sold to end customers</b>	<b>-9,632</b>	<b>-10,171</b>	<b>+6%</b>
 <b>Distribution of electricity to end customers</b>	 <b>-12,969</b>	 <b>-13,542</b>	 <b>+4%</b>

**Electricity balance (GWh)**

Q1 2015	Power Production & Trading CE		Distribution & Sale CE		Power Production & Trading SEE		Distribution & Sale SEE		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
<b>Electricity procured</b>	<b>15,670</b>	<b>+4%</b>	<b>0</b>	-	<b>416</b>	<b>-26%</b>	<b>0</b>	-	<b>0</b>	-	<b>16,086</b>	<b>+3%</b>
Generated in-house (gross)	17,497	+4%	0	-	418	-29%	0	-	0	-	17,915	+3%
In-house and other consumption, including pumping in pumped-storage plants	-1,827	+2%	0	-	-2	-90%	0	-	0	-	-1,829	+1%
<b>Sold to end customers</b>	<b>-59</b>	<b>&gt;200%</b>	<b>-6,383</b>	<b>+5%</b>	<b>0</b>	-	<b>-3,729</b>	<b>+5%</b>	<b>0</b>	-	<b>-10,171</b>	<b>+6%</b>
<b>Sold in the wholesale market (net)</b>	<b>-15,611</b>	<b>+4%</b>	<b>7,076</b>	<b>+5%</b>	<b>-416</b>	<b>-26%</b>	<b>4,529</b>	<b>+5%</b>	<b>0</b>	<b>+65%</b>	<b>-4,423</b>	<b>-3%</b>
Sold in the wholesale market	-58,250	+16%	-901	-0%	-655	+16%	-142	-64%	8,739	+6%	-51,208	+17%
Purchased in the wholesale market	42,639	+22%	7,977	+4%	239	>200%	4,670	-1%	-8,739	+6%	46,785	+20%
<b>Grid losses</b>	<b>0</b>	-	<b>-693</b>	<b>+2%</b>	<b>0</b>	-	<b>-800</b>	<b>+2%</b>	<b>0</b>	-	<b>-1,493</b>	<b>+2%</b>

**Electricity generation by source (GWh)**

Q1 2015	Power Production & Trading CE		Distribution & Sale CE		Power Production & Trading SEE		Distribution & Sale SEE		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	8,633	+6%	0	-	0	-	0	-	0	-	8,633	+6%
Coal and lignite	7,913	-1%	0	-	0	-	0	-	0	-	7,913	-4%
Water	655	+30%	0	-	6	-69%	0	-	0	-	661	+26%
Biomass	179	+38%	0	-	0	-	0	-	0	-	179	+38%
Photovoltaic	21	-10%	0	-	1	+13%	0	-	0	-	22	-9%
Wind	3	+13%	0	-	411	+28%	0	-	0	-	415	+27%
Natural gas	92	+102%	0	-	0	-	0	-	0	-	92	+102%
Bio gas	1	+85%	0	-	0	-	0	-	0	-	1	+85%
<b>Total</b>	<b>17,497</b>	<b>+4%</b>	<b>0</b>	-	<b>418</b>	<b>-29%</b>	<b>0</b>	-	<b>0</b>	-	<b>17,915</b>	<b>+3%</b>

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

Q1 2015	Power Production & Trading CE		Distribution & Sale CE		Power Production & Trading SEE		Distribution & Sale SEE		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	0	-	-2,213	+3%	0	-	-1,849	+11%	0	-	-4,062	+6%
Commercial (low voltage)	0	+12%	-718	-4%	0	-	-943	-4%	0	-	-1,662	-4%
Commercial and industrial (medium and high)	-59	>200%	-3,451	+9%	0	-	-937	+4%	0	-	-4,447	+9%
<b>Sold to end customers</b>	<b>-59</b>	<b>&gt;200%</b>	<b>-6,383</b>	<b>+5%</b>	<b>0</b>	-	<b>-3,729</b>	<b>+5%</b>	<b>0</b>	-	<b>-10,171</b>	<b>+6%</b>
 <b>Distribution of electricity to end customers</b>	 <b>0</b>	 -	 <b>-9,048</b>	 <b>+3%</b>	 <b>0</b>	 -	 <b>-4,494</b>	 <b>+6%</b>	 <b>0</b>	 -	 <b>-13,542</b>	 <b>+4%</b>

**Electricity balance (GWh)**

Q1 2015	Czech Republic		Poland		Other Central Europe		Bulgaria		Romania		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
<b>Electricity procured</b>	<b>14,993</b>	<b>+4%</b>	<b>677</b>	<b>+6%</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>-100%</b>	<b>415</b>	<b>+23%</b>	<b>0</b>	<b>-</b>	<b>16,086</b>	<b>+3%</b>
Generated in-house (gross)	16,729	+4%	768	+6%	0	-	1	-100%	417	+22%	0	-	17,915	+3%
In-house and other consumption, including pumping in pumped-storage plants	-1,736	+2%	-91	+3%	0	-	0	-	-2	-37%	0	-	-1,829	+1%
<b>Sold to end customers</b>	<b>-5,516</b>	<b>+4%</b>	<b>-179</b>	<b>+77%</b>	<b>-747</b>	<b>+12%</b>	<b>-2,836</b>	<b>+6%</b>	<b>-893</b>	<b>+3%</b>	<b>0</b>	<b>-</b>	<b>-10,171</b>	<b>+6%</b>
<b>Sold in the wholesale market (net)</b>	<b>-8,784</b>	<b>+4%</b>	<b>-498</b>	<b>-7%</b>	<b>747</b>	<b>+12%</b>	<b>3,260</b>	<b>+14%</b>	<b>852</b>	<b>-5%</b>	<b>0</b>	<b>-</b>	<b>-4,423</b>	<b>-3%</b>
Sold in the wholesale market	-51,579	+19%	-1,034	+58%	-15	-40%	-83	-71%	-551	+3%	2,054	+92%	-51,208	+17%
Purchased in the wholesale market	42,794	+23%	536	>200%	763	+10%	3,343	+6%	1,403	-2%	-2,054	+92%	46,785	+20%
<b>Grid losses</b>	<b>-693</b>	<b>+2%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-425</b>	<b>+3%</b>	<b>-374</b>	<b>+1%</b>	<b>0</b>	<b>-</b>	<b>-1,493</b>	<b>+2%</b>

**Electricity generation by source (GWh)**

Q1 2015	Czech Republic		Poland		Other Central Europe		Bulgaria		Romania		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	8,633	+6%	0	-	0	-	0	-	0	-	0	-	8,633	+6%
Coal and lignite	7,270	-2%	642	+3%	0	-	0	-	0	-	0	-	7,913	-4%
Water	652	+30%	3	+45%	0	-	0	-	6	-69%	0	-	661	+26%
Biomass	56	+76%	123	+26%	0	-	0	-	0	-	0	-	179	+38%
Photovoltaic	21	-10%	0	-	0	-	1	+13%	0	-	0	-	22	-9%
Wind	3	+13%	0	-	0	-	0	-	411	+28%	0	-	415	+27%
Natural gas	92	+102%	0	-	0	-	0	-	0	-	0	-	92	+102%
Bio gas	1	+85%	0	-	0	-	0	-	0	-	0	-	1	+85%
<b>Total</b>	<b>16,729</b>	<b>+4%</b>	<b>768</b>	<b>+6%</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>-100%</b>	<b>417</b>	<b>+22%</b>	<b>0</b>	<b>-</b>	<b>17,915</b>	<b>+3%</b>

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

Q1 2015	Czech Republic		Poland		Other Central Europe		Bulgaria		Romania		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	-2,175	+3%	0	-	-38	-2%	-1,416	+11%	-433	+10%	0	-	-4,062	+6%
Commercial (low voltage)	-695	-5%	0	-	-23	+38%	-687	-1%	-256	-10%	0	-	-1,662	-4%
Commercial and industrial (medium and high)	-2,645	+7%	-179	+77%	-686	+12%	-732	+3%	-204	+8%	0	-	-4,447	+9%
<b>Sold to end customers</b>	<b>-5,516</b>	<b>+4%</b>	<b>-179</b>	<b>+77%</b>	<b>-747</b>	<b>+12%</b>	<b>-2,836</b>	<b>+6%</b>	<b>-893</b>	<b>+3%</b>	<b>0</b>	<b>-</b>	<b>-10,171</b>	<b>+6%</b>
 <b>Distribution of electricity to end customers</b>	 <b>-9,048</b>	 <b>+3%</b>	 <b>0</b>	 <b>-</b>	 <b>0</b>	 <b>-</b>	 <b>-2,820</b>	 <b>+9%</b>	 <b>-1,674</b>	 <b>+2%</b>	 <b>0</b>	 <b>-</b>	 <b>-13,542</b>	 <b>+4%</b>