

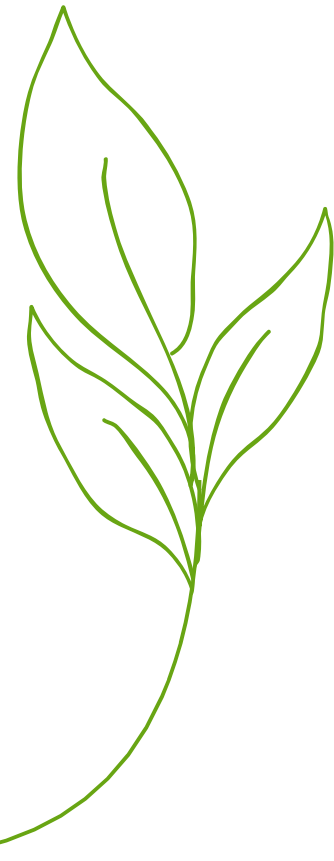


# CLEAN ENERGY OF TOMORROW

ČISTÁ ENERGIE ZÍTRKA

INVESTMENT STORY, JULY 2021

ČISTÁ  
ENERGIE  
ZÍTRKA ●●●





- **CEZ Group at a Glance**

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- **Our Performance**

- **2021 Outlook**

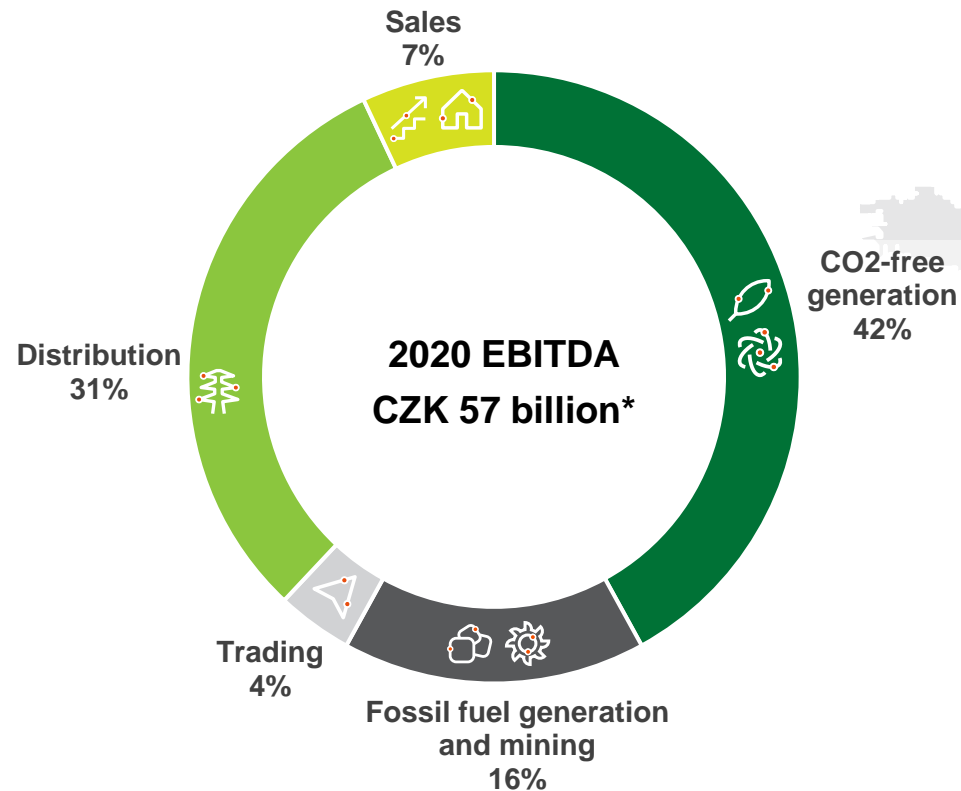
- **Our Vision**

# WE ARE AN INTERNATIONAL UTILITY, AMONG THE LARGEST IN EUROPE BY MARKET CAP

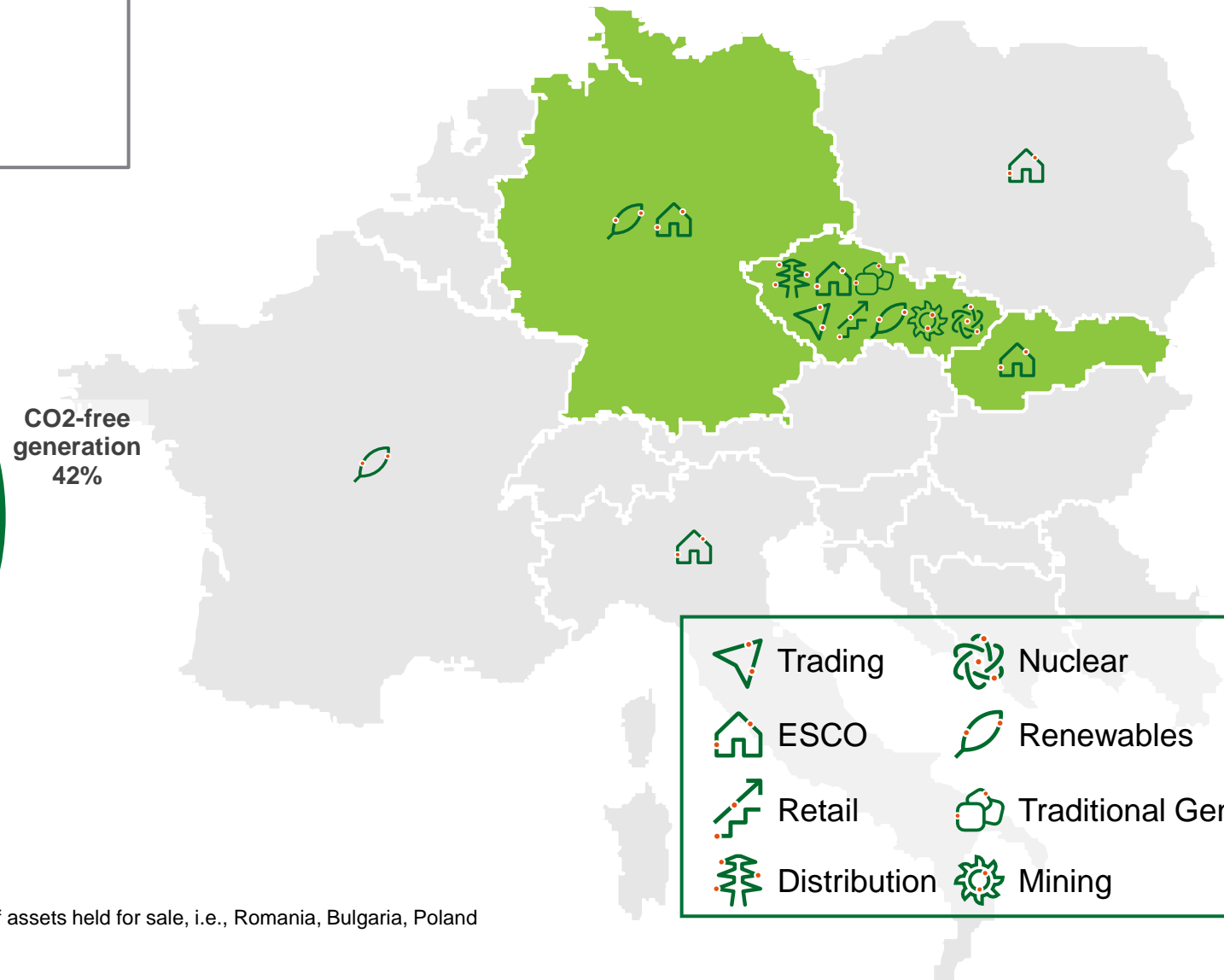


## CEZ Group

10<sup>th</sup> largest in number of customers  
 12<sup>th</sup> largest in installed capacity  
 15<sup>th</sup> largest by market capitalization



CO2-free generation  
42%

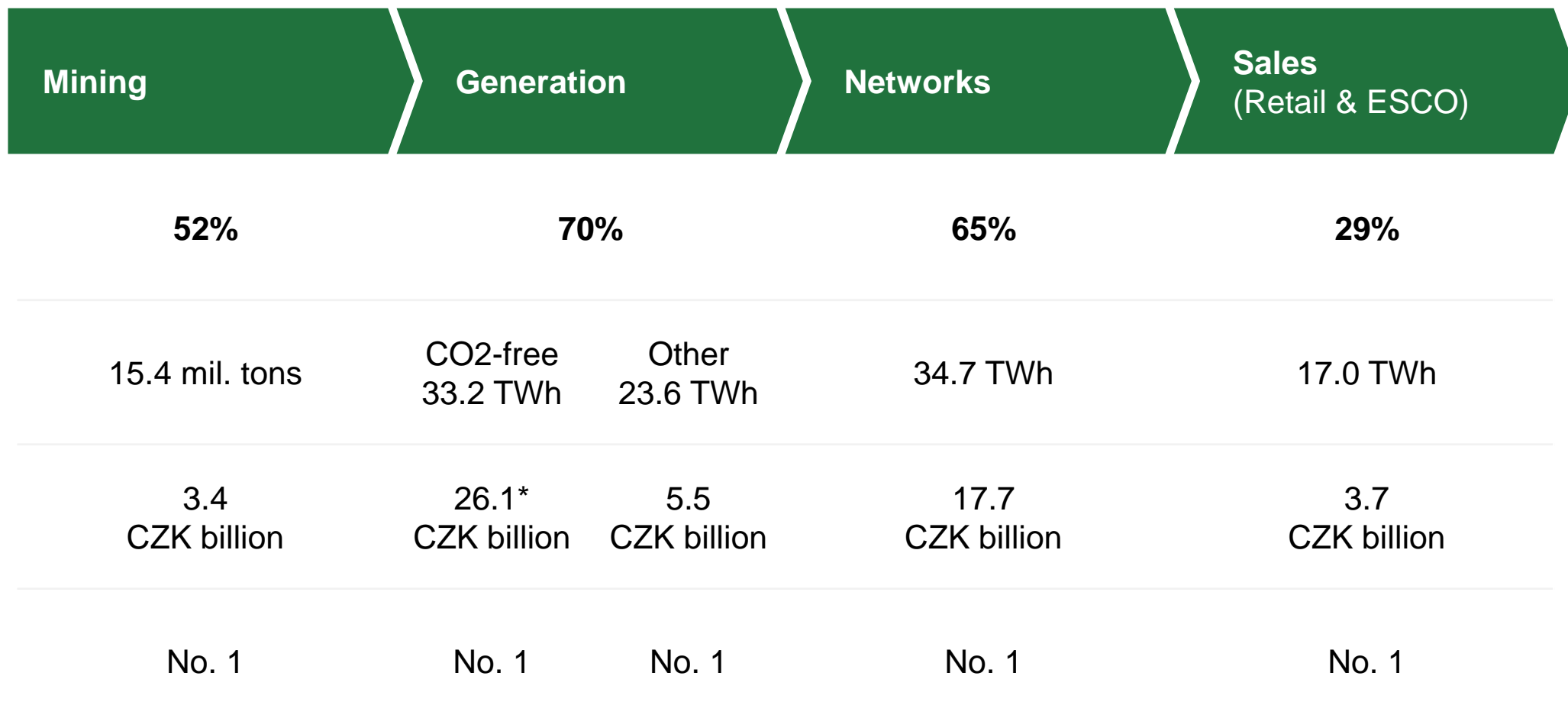


	Trading		Nuclear
	ESCO		Renewables
	Retail		Traditional Generation
	Distribution		Mining



\* Strategic assets, excluding CZK 7.6 billion contribution of assets held for sale, i.e., Romania, Bulgaria, Poland

# CEZ GROUP IS VERTICALLY INTEGRATED IN CZECHIA



\* EBITDA includes contribution of CZK 2.4 billion from trading

# WE LEAD ENERGY TRANSFORMATION OF THE CENTRAL EUROPE THROUGH BRINGING THE CLEAN ENERGY OF TOMORROW



## Generation

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Transforming electricity and heat generation to low-emission, growing renewables

## Distribution

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Continuous modernization and digitalization of our distribution networks

## Retail

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Leading electricity supplier of energy helping to decarbonize the Czech industrial base

## ESCO

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Expanding energy services and clean decentralized generation and heating in Czechia, Germany, Poland, Slovakia and Northern Italy



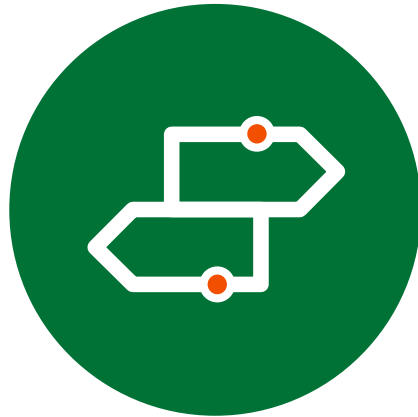
- **CEZ Group at a Glance**
- **Our Performance**

---
- **2021 Outlook**
- **Our Vision**

# WE ARE DELIVERING VALUE TO OUR SHAREHOLDERS – OUR FINANCIAL TARGETS



## Delivery on guidance



2021 EBITDA CZK 57-60 billion  
2021 Adj. Net Income CZK 17-20 billion

### Targets

### 2020 actuals

EBITDA CZK 64.8 billion  
Adj. Net Income CZK 22.8 billion

## High dividend payout



80-100% of adjusted net profit

Dividend per share of CZK 52

## Strong balance sheet



2.5-3.0x  
Net debt/EBITDA

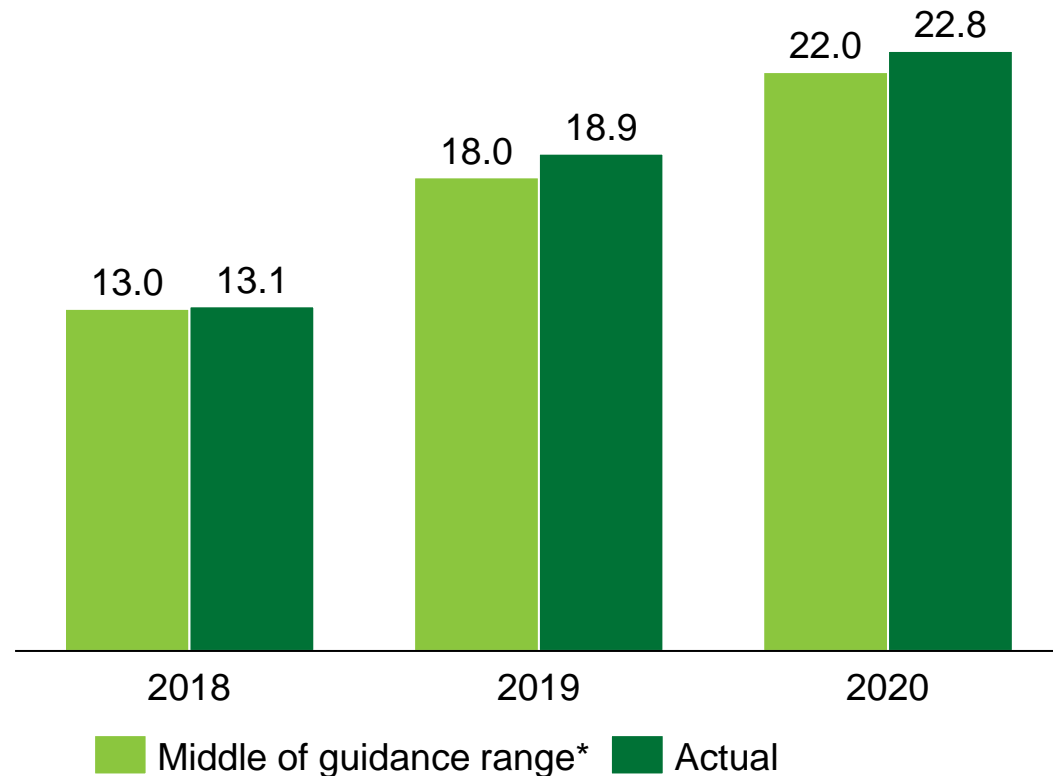
2.2x  
Net debt/EBITDA

# WE HAVE A GOOD TRACK RECORD ON GUIDANCE DELIVERY – WE HAVE MET OUR NET INCOME GUIDANCE THREE YEARS IN A ROW



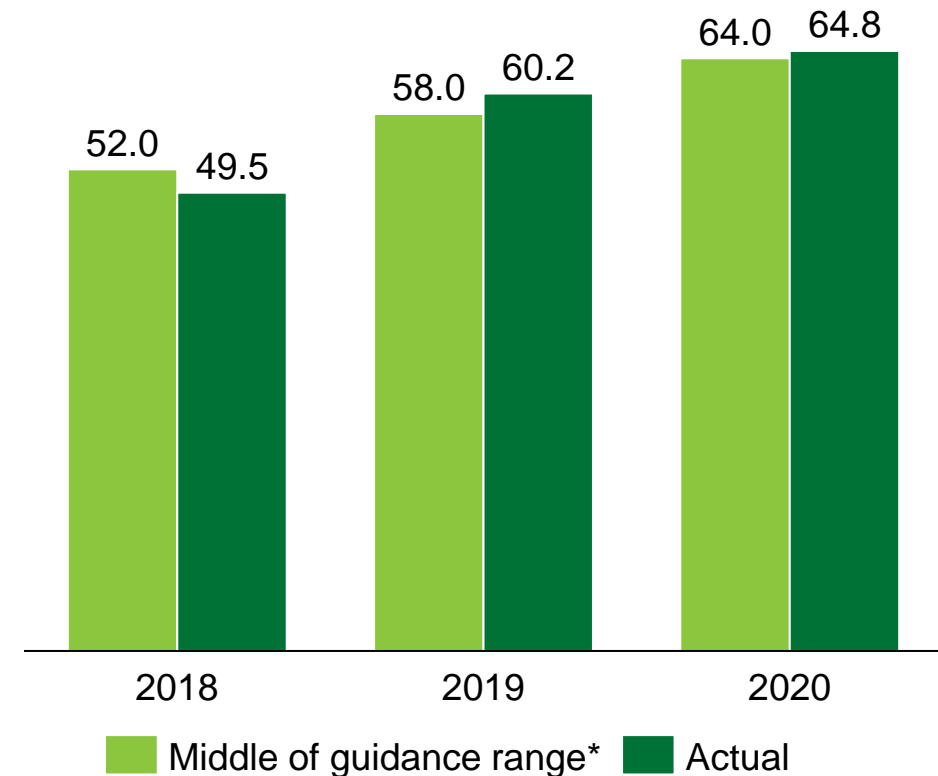
## Adjusted net income guidance vs actual

CZK billion



## EBITDA guidance vs actual

CZK billion



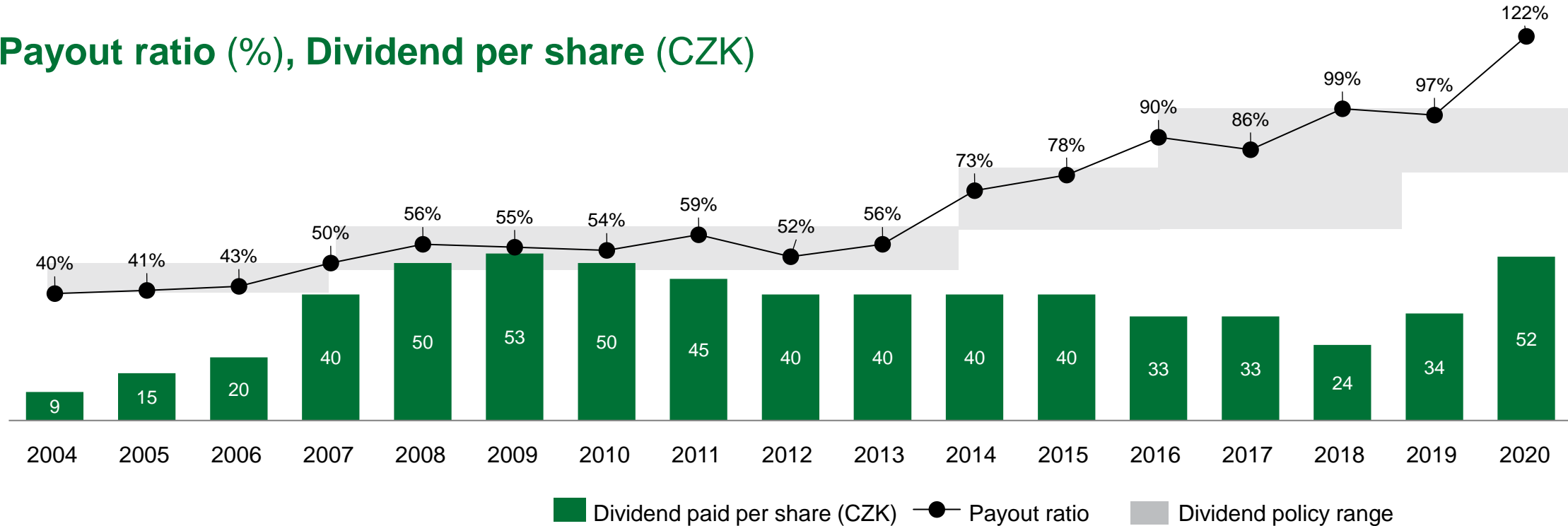
\* Guidance announced in March of a given year



# WE KEEP OUR DIVIDEND PAYOUT RATIO AT 80-100% OF ADJUSTED NET PROFIT



## Payout ratio (%), Dividend per share (CZK)



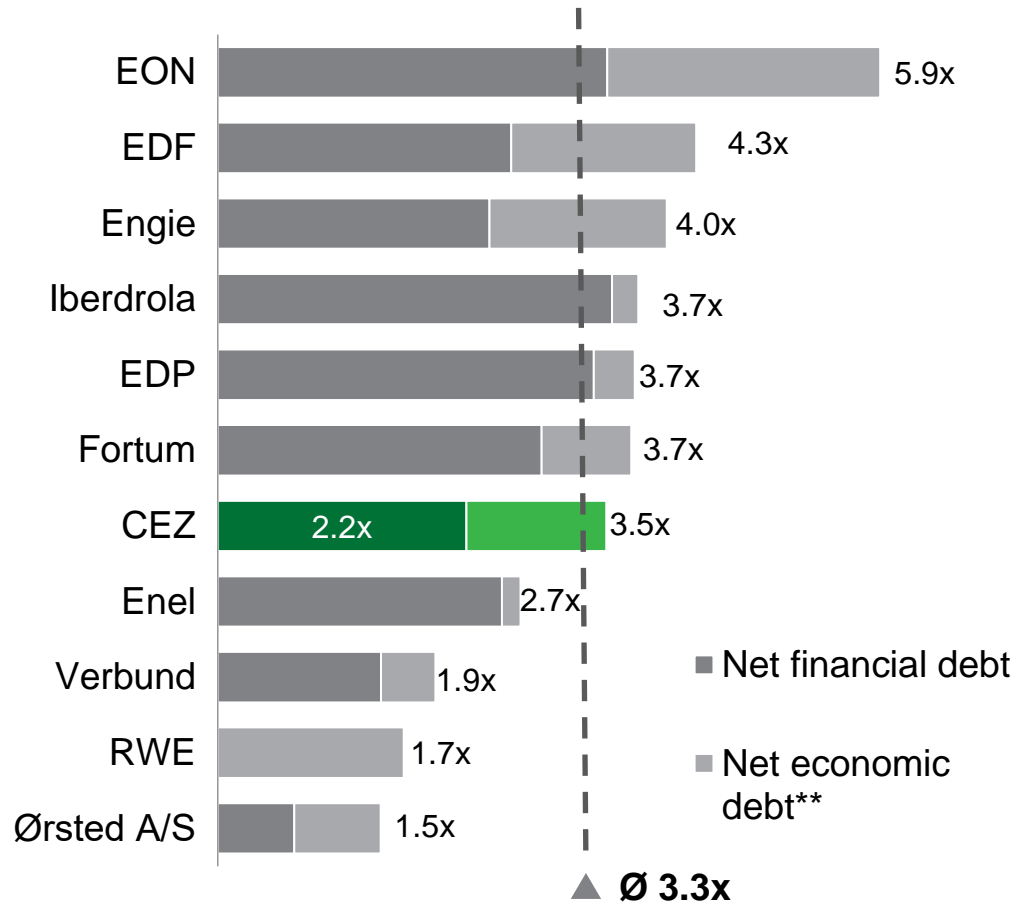
### Highest dividend payout ratio among European utilities

- Our dividend policy is to distribute 80-100% of adjusted net profit
- 2020 dividend of 52 CZK assumes the payment of 100% of adjusted net profit and reflects contribution of Romania divestiture

# OUR BALANCE SHEET STRENGTH SUPPORTS FUTURE GROWTH



## Net economic debt/EBITDA\* 2020



### Current credit rating a notch above European utilities

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

### Net debt to EBITDA target of 2.5-3.0x

### Expected minimum of CZK 34 billion divestments proceeds by 2022 will further strengthen our balance sheet

- **Romania**
  - Transaction settled on Mar 31, 2021
- **Bulgaria**
  - SPA signed with Eurohold for EUR 335 million
  - Settlement expected in Q3 2021
- **Poland**
  - Sales process launched on Sep 16, 2020
  - Binding bids delivered in Q2 2021

**2020 EBITDA contribution: CZK 7.6 billion**



\* EBITDA as reported by companies

\*\* Net economic debt = net financial debt + net nuclear provisions + provisions for employee pensions + net reclamation provision

# GOOD FINANCIAL PERFORMANCE WAS ENABLED BY SUCCESSFUL IMPLEMENTATION OF STRATEGY



## Strategic priorities of CEZ Group

Efficient operation, optimal utilization and development of generation portfolio

Modern distribution and a care for customers' energy needs

Development of new energy in Czechia

Development of energy services in Europe

Divestment strategy

## Main strategic achievements

- 30 TWh production delivered consistently and safely by nuclear plants
- Increased efficiency of operations of fossil fueled power plants
- Successful completion of regulatory review of distribution, its modernization and digitalization
- Increased number of customers in Czech retail, digitalization
- CEZ ESCO is a leader in energy savings and decentralized generation in Czechia
- Leader on German market in energy savings and decentralized generation
- Sale of Romanian assets completed and Bulgarian assets before completion

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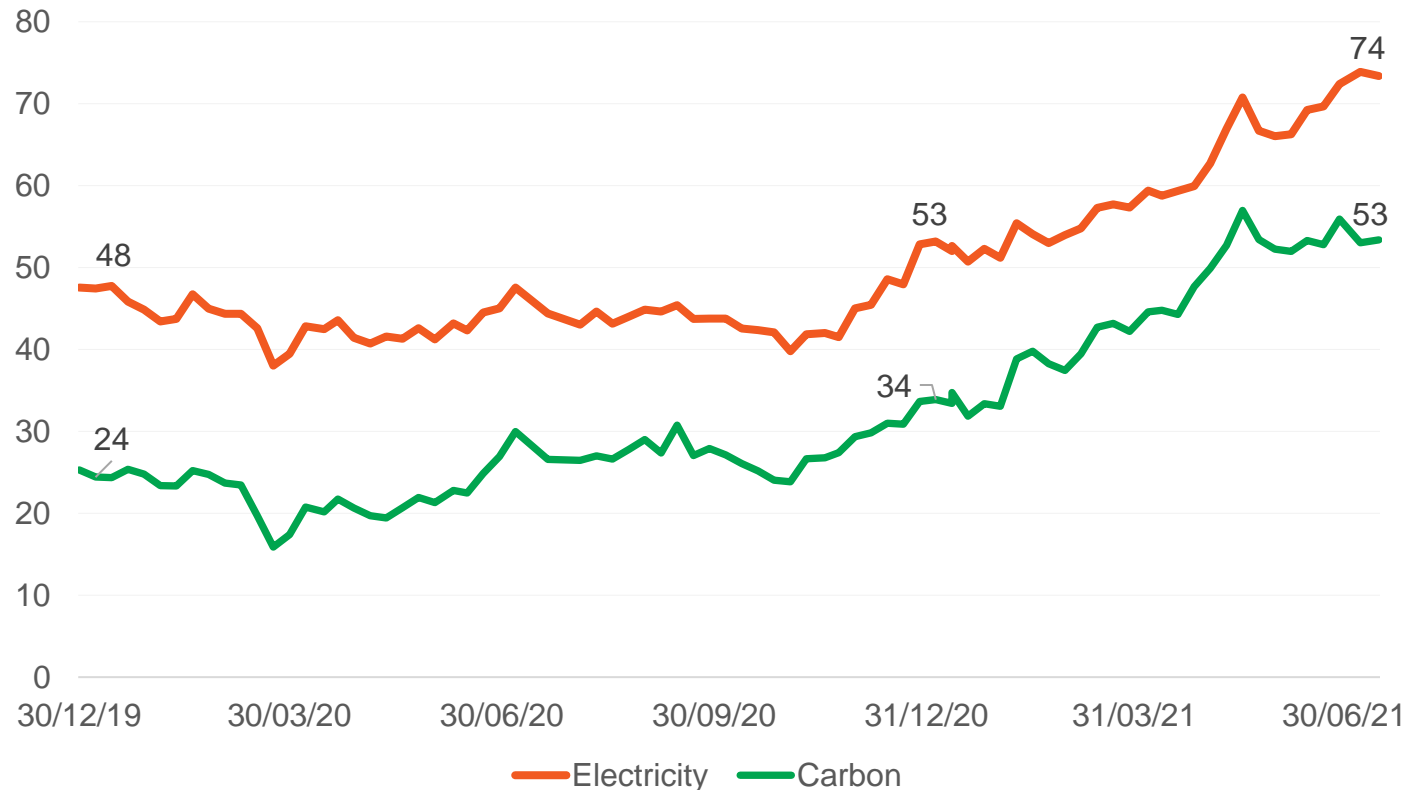
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# RECENT INCREASE OF POWER PRICES IS DRIVEN BY GROWTH OF CARBON ALLOWANCES



## Development of prices of electricity price and carbon allowances

Czech baseload in EUR/MWh, EUR/t for carbon, Y+1



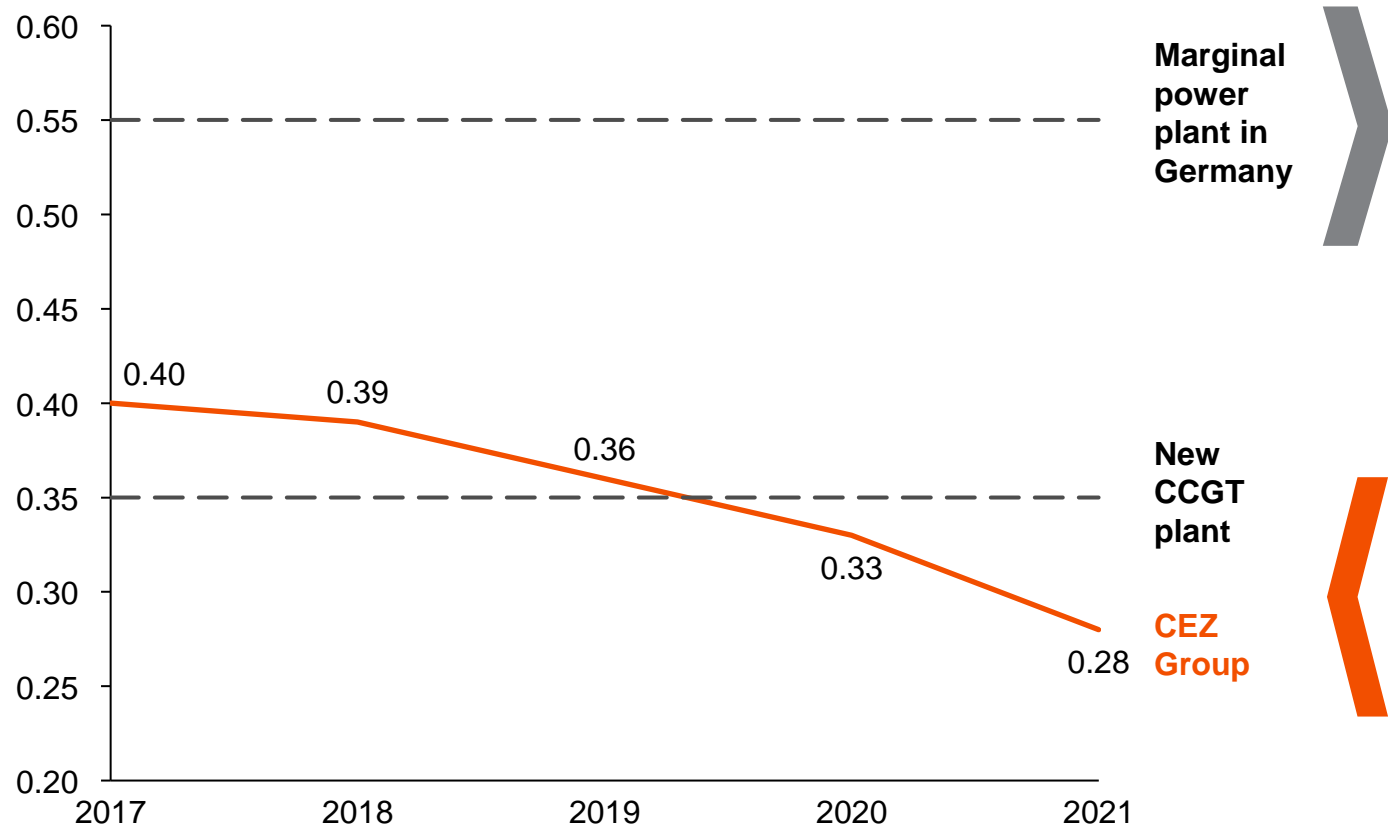
Continued increase in the price of carbon allowances has been the main reason for the recent increase in electricity prices

**1 EUR/t change in carbon allowance implies 0.5-0.6 EUR changes in electricity price**

# CEZ GROUP BENEFITS FROM INCREASING CARBON PRICES



## CEZ Group's emission intensity (tCO<sub>2</sub>/MWh of generated electricity)



- **CEZ Group's carbon intensity is below marginal plant** and even **below new CCGT** and therefore higher carbon prices are beneficial for profitability of our generation fleet.
- **1 EUR increase in carbon price results in ~CZK 320 million increase in EBITDA\***

	Generation volume (2020, TWh)	CO <sub>2</sub> emission intensity (2020, t/MWh)
CO2 free	33.5	0.00
Gas	3.9	0.35
Coal and lignite	19.7	0.85
<b>Total</b>	<b>57.1</b>	<b>0.33</b>

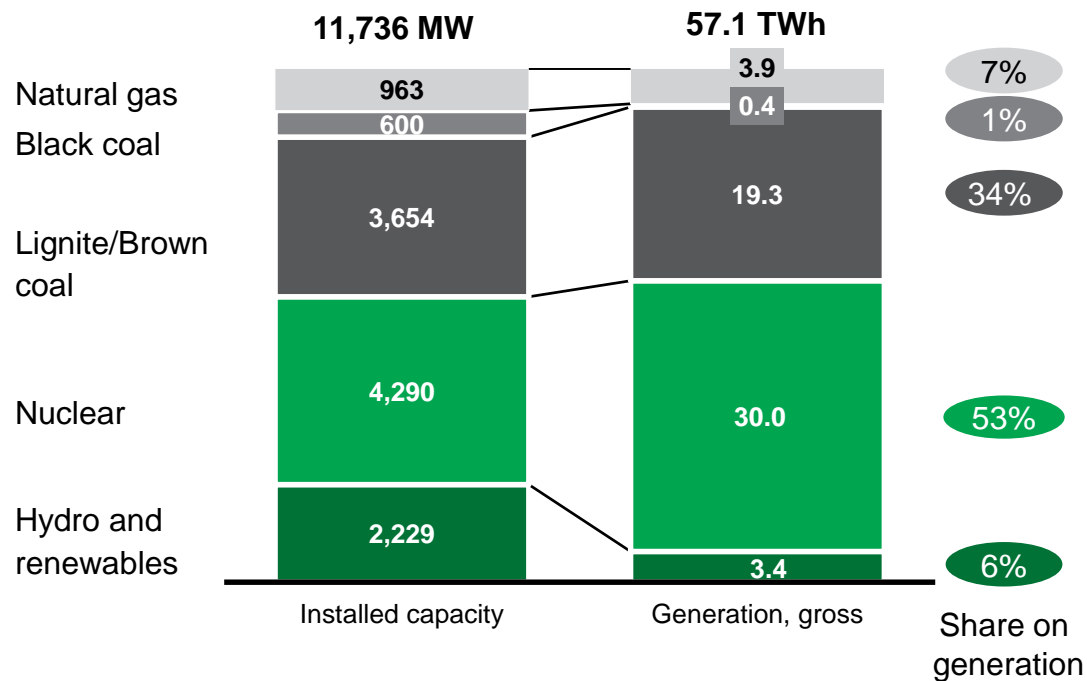
\* Assuming no hedging, 2020 generation volumes and emission intensity

# WE HAVE A ROBUST GENERATION PORTFOLIO WITH LOW AND LARGELY FIXED COSTS



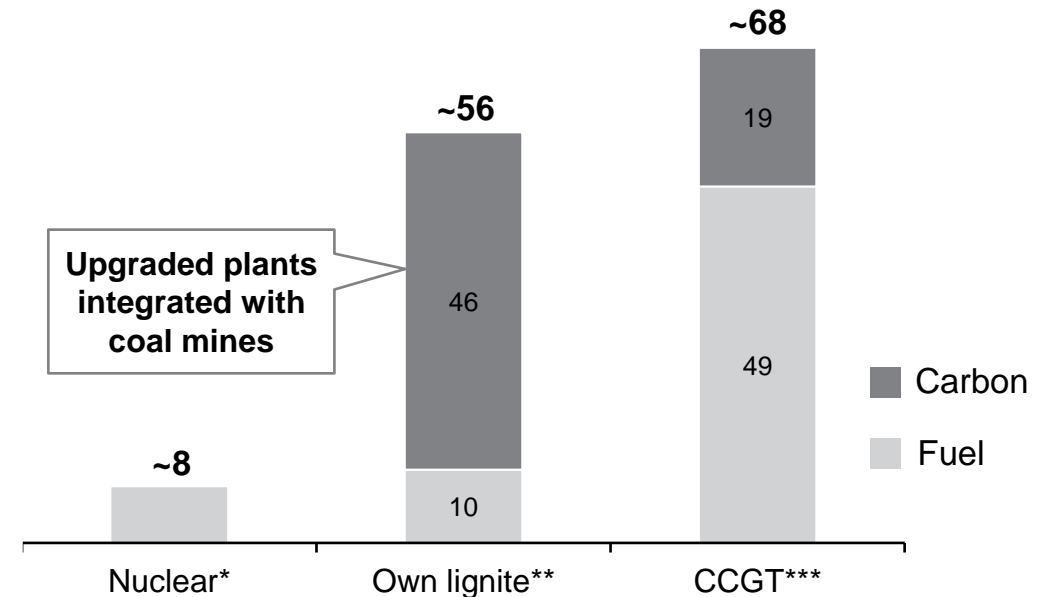
## We have diversified generation portfolio

Generation capacity and volumes (strategic assets)



## Our fuel costs are low, not dependent on commodity prices

Current marginal costs by technology (fuel and carbon, EUR/MWh)



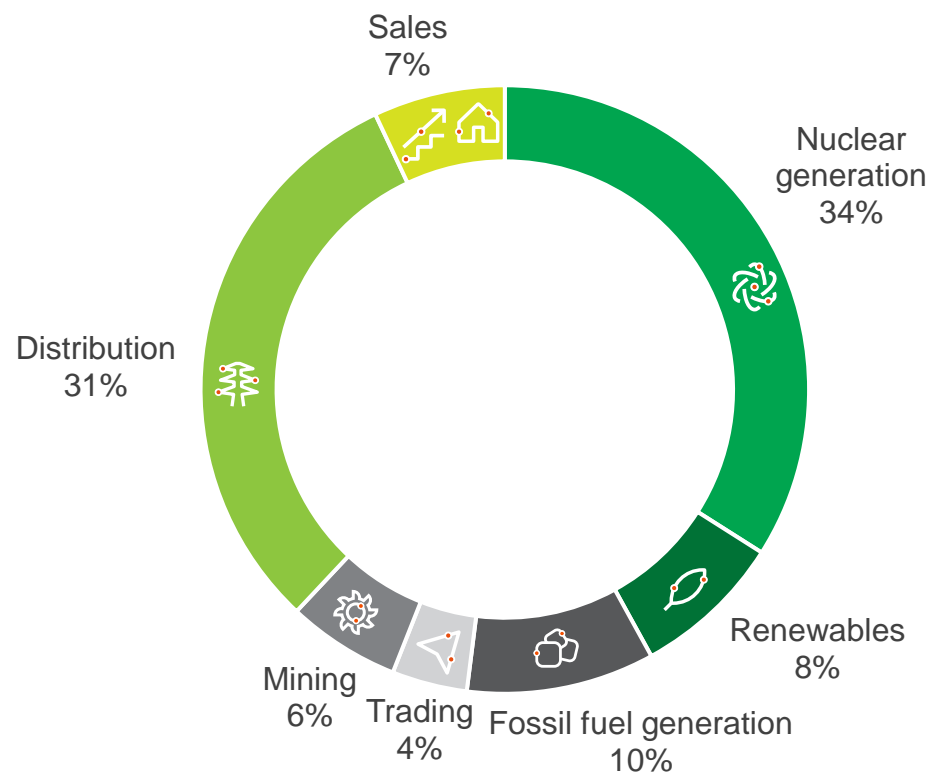
\* Nuclear fuel costs + CZK 55/MWh payment for fuel storage  
 \*\* Cash cost of extracting own lignite, 42% efficiency, 11.5 GJ/t calorific value, carbon at 53 EUR/t  
 \*\*\* Gas 25 EUR/MWh, 57% efficiency, 0.35 t/MWh CO2 (gas prices depend on market)

# NUCLEAR PLANTS ARE IMPORTANT PROFIT GENERATORS WITH STABLE PRODUCTION VOLUMES



## 2020 CEZ Group EBITDA

(strategic assets)



## Our nuclear fleet has low and fixed costs and benefits directly from increasing power prices

- Operating licenses secured enabling 60 years operating life, i.e., remaining 30+ years of operations until decommissioning
- We have stabilized production volumes at above 30 TWh per year
- Capacity increased by 568 MW to 4,290 MW by technical improvements (fuel with higher enrichment, modernization of turbines and generators)



# NEW NUCLEAR PROJECT IS IN THE FIRST PREPARATORY STAGE THAT IS COVERED BY THE SIGNED FIRST IMPLEMENTATION CONTRACT...



Stage	End date	Expected costs* (EUR billion)	Permitting and licensing	Contract with technology supplier
<b>A</b> 1. Preparation, supplier selection	2024	~0.2**	EIA Site decision License for the siting	Tender process and contract signature <b>B</b>
2. Preliminary works	2029	~0.7	License for construction, Building permit	"LWA - Limited Work Authorization" phase
3. Construction, commissioning	2036	~5.1	License for commencement of trial operation	Construction
4. Warranty period	2038		Operation license	Warranty period operation <b>C</b>

- A** Framework contract
- B** First implementation contract
- C** Power Purchase Agreement (TBD)  
Repayable Financial Assistance (TBD)  
Investor Agreement (TBD)



\* At 2020 prices, rounded

\*\* It does not include the costs incurred until 2020 for the permitting and contracting and the purchase of land; assuming the current supplier model



# ... GOVERNMENT SHALL PROVIDE FINANCING FOR PERMITTING AND CONSTRUCTION PHASES AND SECURE THE OPERATION BY POWER PURCHASE AGREEMENT

## Currently contemplated financing structure\*

- CEZ Group will fund Stage 1 entirely through its equity investment. (ca EUR 0.2 billion\*\*)
- Stage 2 onwards will be financed by the repayable financial assistance from state (RFA)
  - During 2024-2029 in the Stage 2 in the amount ca EUR 0.7 billion
  - During 2029-2038 in the Stage 3 and 4 in the amount ca EUR 5.1 billion

## Repayable Financial Assistance from state (RFA)

- 0% during the period of construction
- During period of operation: costs of State debt financing plus 1% but not less than 2% p.a.
- Duration 30 years from the start of operation of NPP

**As a result of a higher share of state financing, the offtake price is expected to be between 50-55 EUR/MWh, i.e., in the lower interval of the originally assumed range of 50-60 EUR/MWh (subject to EPC tender results)**

## Additional cost overrun financing mechanism

- CEZ Group will not bear any risk of additional costs in case of “legitimate grounds”, the Czech state bears the additional costs

## Test on the overcompensation will be implemented in the PPA contract

- The mechanism according to the low-carbon law will ensure adequacy of the purchase price and return (regular review after 5 years)

**This model will be further discussed in the prenotification with the European Commission and finalized**



\* At 2020 prices, rounded

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# GOOD FINANCIAL PERFORMANCE WAS ENABLED BY SUCCESSFUL IMPLEMENTATION OF STRATEGY



## Strategic priorities of CEZ Group

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**Modern distribution and a care for customers' energy needs**

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Development of energy services in Europe

Divestment strategy

## Main strategic achievements

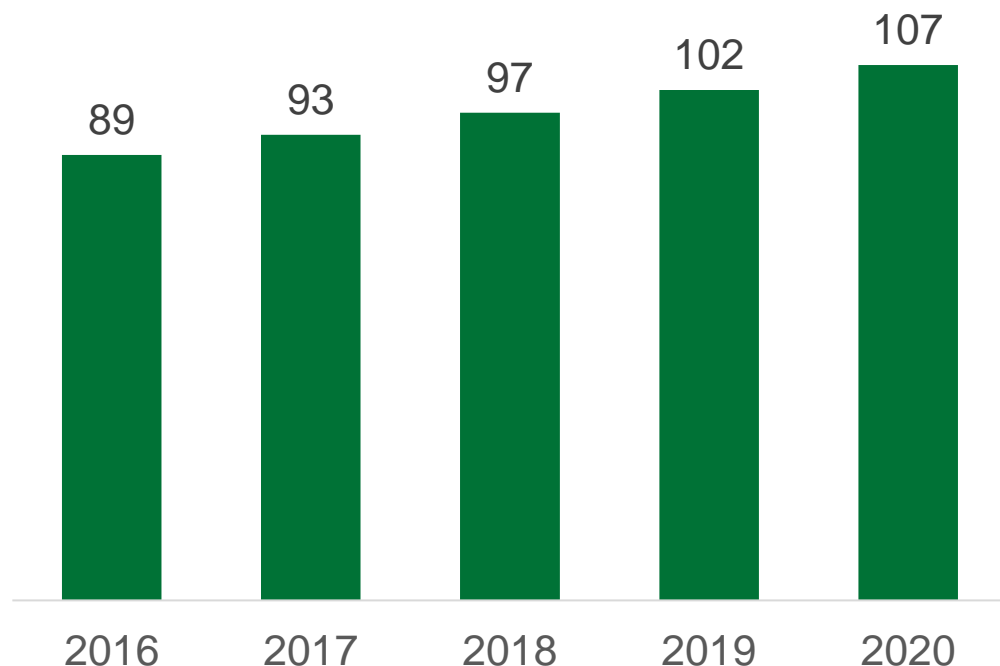
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# WE ARE GROWING OUR REGULATED ASSET BASE IN DISTRIBUTION, REGULATORY VISIBILITY UNTIL 2025



## Regulatory asset base

CZK billion



## Outcome of regulatory review for 2021-2025 supportive for RAB grow

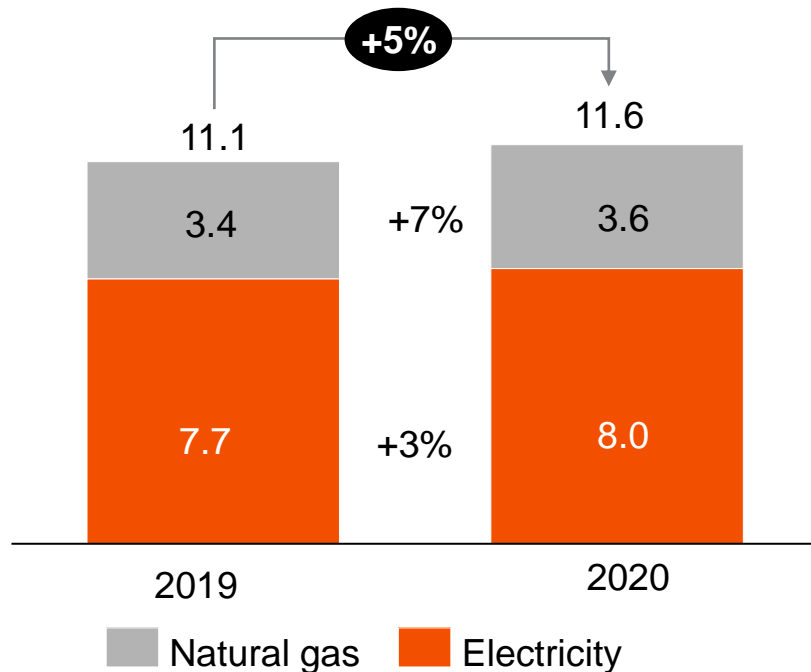
- RAB will grow by 8% CAGR in 2020-2025 thanks to revaluation and investments
- WACC at 6.54% among the highest in Europe
- Investments directed to digital transformation, preparation for decentralized generation
- Accelerated growth in renewables expected from 2021 onwards, our network is ready to process connection requests

# OUR RETAIL BUSINESS PROVIDES HEALTHY MARGINS, ROBUST VOLUME GROWTH AND BEST IN CLASS CUSTOMER SATISFACTION



## Retail electricity and natural gas supplies

Supplied electricity and gas (TWh)



## Retail defended the title of the “Most trusted energy supplier in CZ”

- CEZ Prodej (Retail entity) defended the title of the “Most trusted energy supplier” in Czechia again in 2020 based on an independent survey conducted with more than 4,000 respondents as a part of the 6<sup>th</sup> annual national Trusted Brands program (monitoring and awarding brands that Czech consumers trust most)
- CEZ Prodej has continually customer satisfaction indicator (CX) of more than 85%

# GOOD FINANCIAL PERFORMANCE WAS ENABLED BY SUCCESSFUL IMPLEMENTATION OF STRATEGY



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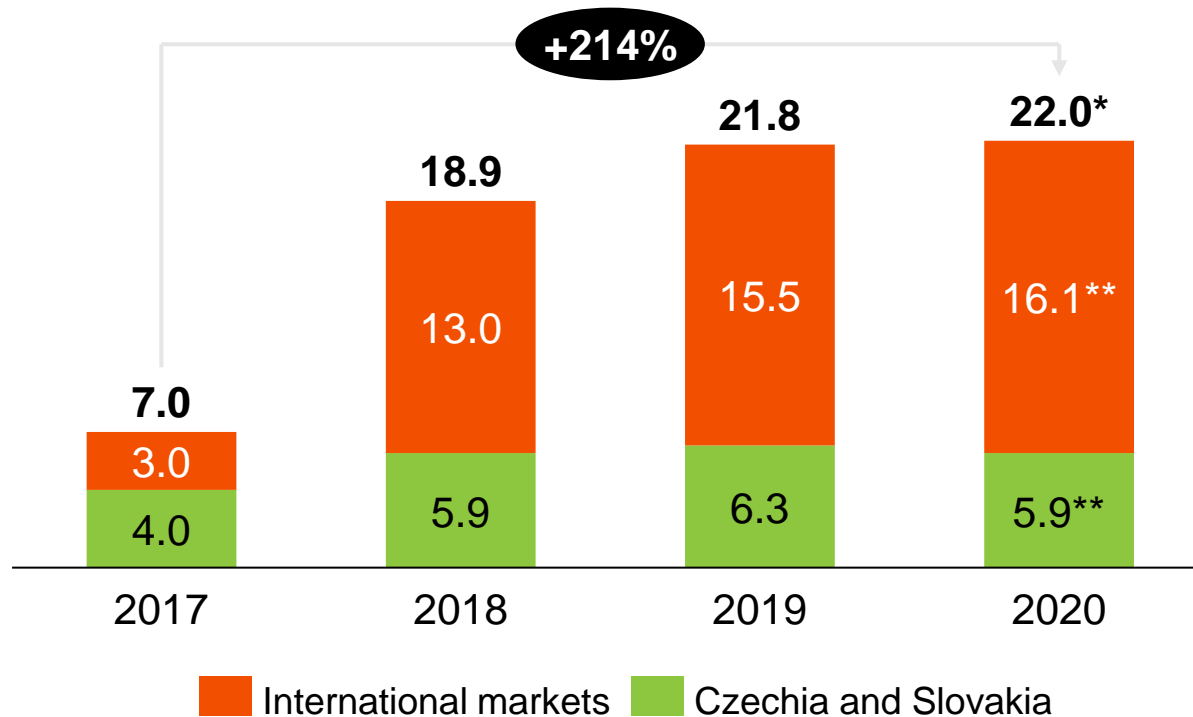
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# STRONGLY GROWING IN ENERGY SERVICES BUSINESS AND HELPING CUSTOMERS TO DECARBONIZE



## Energy Services (ESCO) revenue

CZK billion



**We are No. 1 player in Czechia**

**We are within Top 3 players in Germany**

**We are helping our customers to decarbonize by:**

- Installation of efficient cogeneration units on their sites
- Providing energy advisory and management
- Energy storage installations
- Rooftop photovoltaic plants
- Lighting, cooling, heating installations



\* ESCO revenues would be CZK 25.9 billion without Covid-19 related slowdown of CZK 3.9 billion.

\*\* Slowdown due to Covid-19 in International markets: CZK 2.6 billion; Czechia and Slovakia: CZK 1.3 billion



- **CEZ Group at a Glance**
- **Our Performance**
- **2021 Outlook**

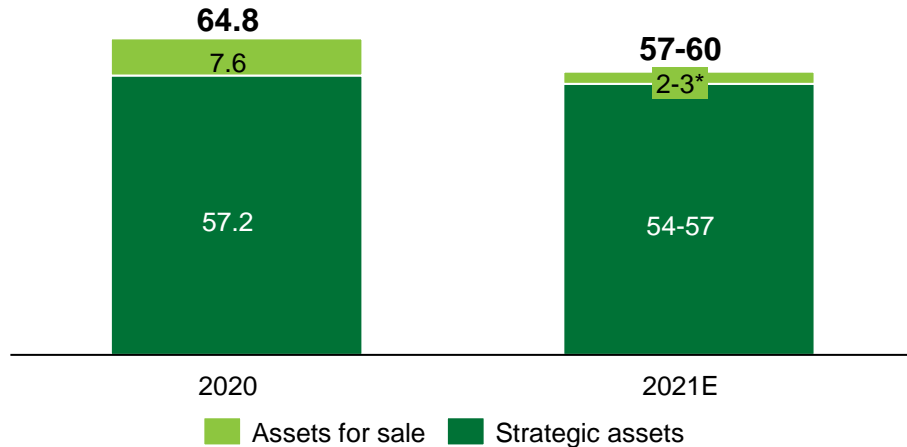
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- **Our Vision**



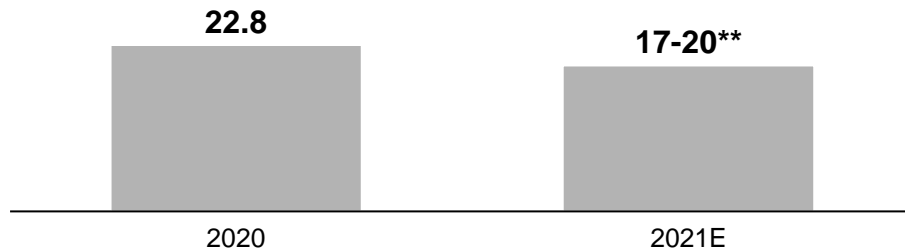
# 2021 FINANCIAL GUIDANCE MAINTAINED: EBITDA OF CZK 57–60 BILLION, ADJUSTED NET INCOME AT CZK 17–20 BILLION



## EBITDA CZK billion



## Adjusted net income CZK billion



## Main Year-On-Year Effects (2021 vs 2020)

- ⊕ Higher realization prices of electricity
- ⊕ Higher generation at nuclear plants
- ⊕ Stabilization of the Retail segment after the impacts of Covid-19 on corporate customers
- ⊖ Sale of Romanian and Bulgarian assets
- ⊖ Higher expenses on emission allowances for generation
- ⊖ Lower revenue from ancillary services
- ⊖ Effect of a new regulatory period on CEZ Distribuce in Czechia



\* The contribution of assets held for sale to CEZ Group's EBITDA will depend on the settlement date of the sale of Bulgarian assets

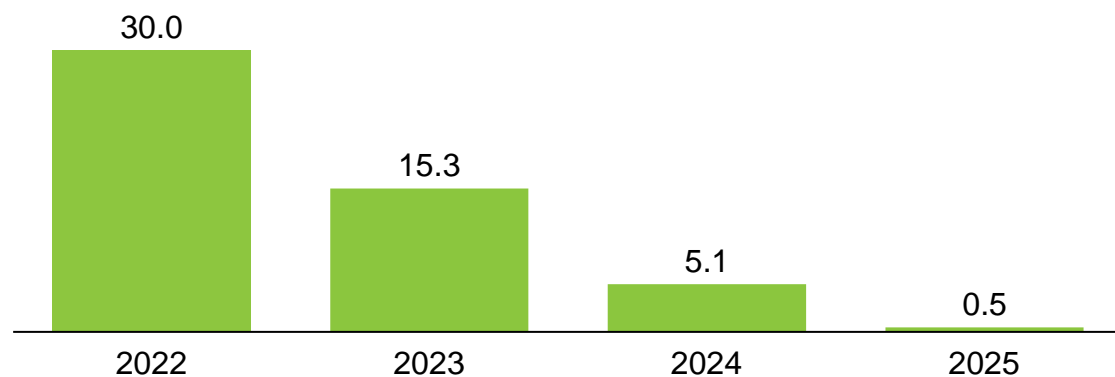
\*\* We estimate the contribution of assets held for sale to the 2021 consolidated net income at nearly zero, especially in view of concluded contracts for the sale of foreign assets, under which any profit from 2021 belongs to the buyers

# CEZ GROUP CONTINUES HEDGING MARKET RISKS OF GENERATION MARGIN FOR 2022–2025



## Electricity Sold for 2022-2025

TWh, as of March 31, 2021



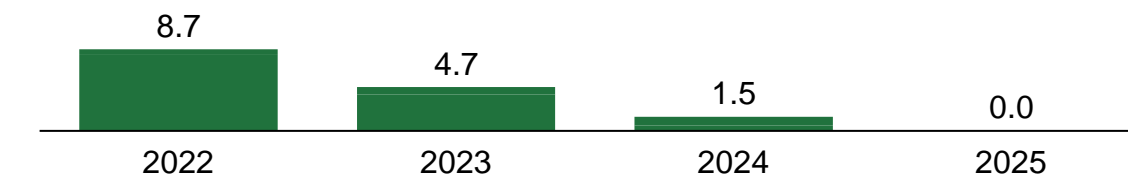
Electricity selling price (EUR/MWh)



100% of the estimated annual volume of external deliveries from generation in Czechia for the years 2022–25 is **46–50 TWh**

## Contracted emission allowances for 2022-2025

Million tons, as of March 31, 2021



EUA purchase price (EUR/t)



100% of the estimated annual volume of emission allowances for generation in Czechia for the years 2022–25 is **14–17 million tons**

### Share of Hedged Deliveries of Electricity from Generation in Czechia\* as at Mar 31, 2021

	2022	2023	2024	2025	100% of estimated external delivery
CO2-free sources (nuclear and CEZ RES)	69%	36%	12%	2%	<b>29–31 TWh per year</b>
Coal sources	67%	36%	14%	-	<b>12–14 TWh per year</b>
Natural gas sources	26%	-	-	-	<b>4–5 TWh per year</b>

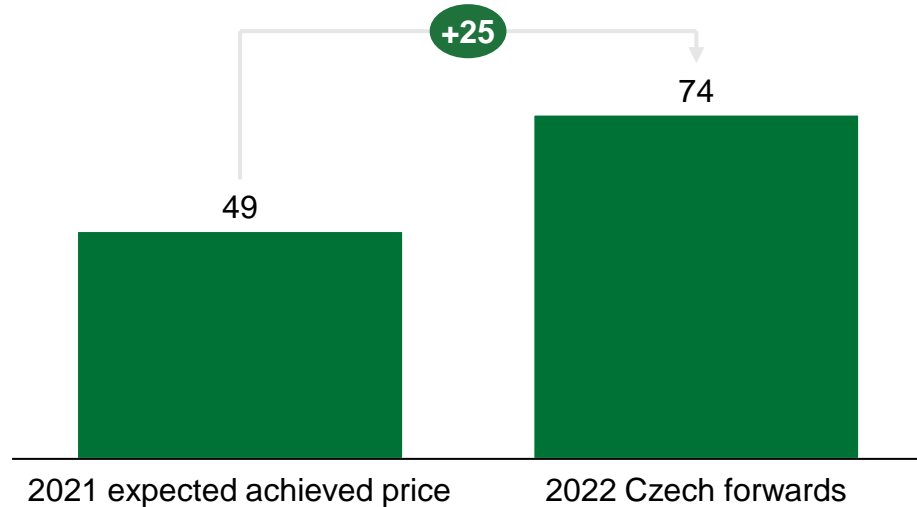


\* Estimated deliveries of electricity from generation in Czechia respectively ČEZ, a. s., including the power plants in Energotrans and Elektrárna Dětmarovice

# CURRENT COMMODITY PRICES REPRESENT SIGNIFICANT PROFIT UPSIDE COMPARING TO 2021



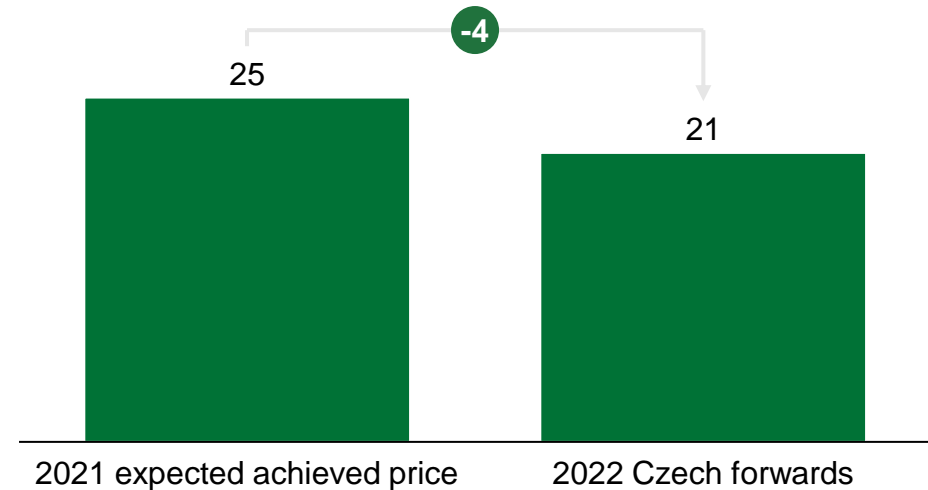
## Power prices achieved and current EUR/MWh



Carbon free generation 34 TWh  
**Financial impact: CZK +22 billion\***

## Lignite spread

EUR/MWh, power price minus carbon allowance



Lignite generation 15.5 TWh  
**Financial impact: CZK -2 billion\***

**Theoretical profit upside of CZK 20 billion\*** using current commodity prices compared to 2021 hedge levels



\* Assuming no hedging in 2022, 25.5 EUR/CZK exchange rate, 2021 expected generation volumes, forward prices of electricity and carbon as of 16<sup>th</sup> July 2021 i.e. power price 74 EUR/MWh and carbon allowance price 53 EUR/t



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# WE ARE ACCELERATING GROWTH WITHIN CURRENT STRATEGY. STRATEGIC DIRECTIONS OF VISION 2030 – CLEAN ENERGY OF TOMORROW



## Strategic priorities of CEZ Group

Efficient operation, optimal utilization and development of generation portfolio

Modern distribution and a care for customers' energy needs

Development of new energy in Czechia

Development of energy services in Europe



## Vision 2030 Strategic directions CLEAN ENERGY OF TOMORROW

### I Decarbonize generation portfolio and reach carbon neutrality

Efficiently managing nuclear power plants and preparing conditions for the construction of a new nuclear power plant as part of enhancement of energy security in Czechia

Efficient management of coal-fired power plants located near the coal basins and decarbonization of Czech generating portfolio (including transformation of the heating industry)

Developing renewable energy sources (RES) while fulfilling the Czech energy and climate plan

### II Provide best energy solutions and highest quality customer experience and on market

Modernizing and digitizing distribution and retail in Czechia, developing comprehensive services with respect to customers' needs.

Developing energy services sources (ESCO) in Czechia while fulfilling the Czech energy and climate plan.

Developing energy services (ESCO) abroad to achieve a significant market position in Germany, Northern Italy, and Poland

# UNDER THE CURRENT STRATEGY WE ARE ACCELERATING DEVELOPMENT. WE WANT TO ACHIEVE 40% INCREASE IN EBITDA BY 2030



## Vision 2030

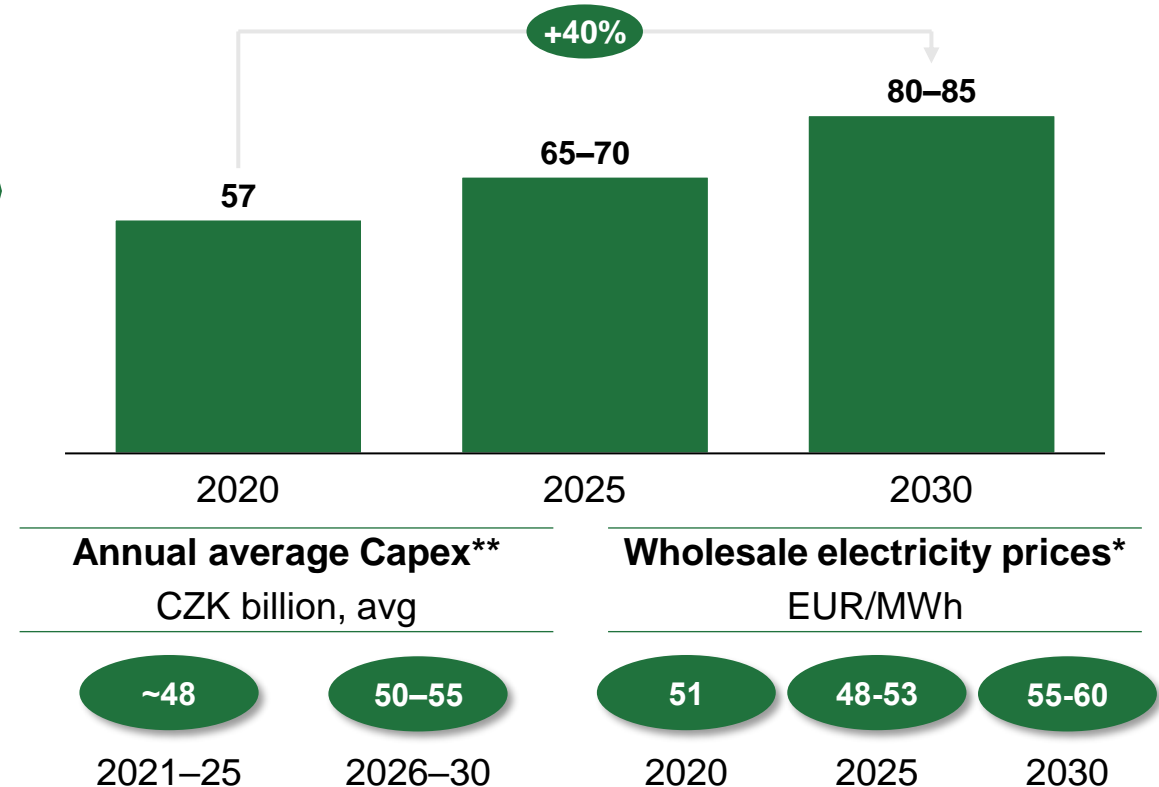
### CLEAN ENERGY OF TOMORROW

- I Decarbonize generation portfolio and reach carbon neutrality
- II Provide best energy solutions and highest quality customer experience and on market



## EBITDA\* of CEZ Group

Strategic assets in CZK billion



\* Assuming forward power prices from March-2021, which were escalated and sensitivity was applied; carbon allowance price assumption for 2020: 25 EUR/t; 2025: 41 EUR/t; 2030: 46 EUR/t,

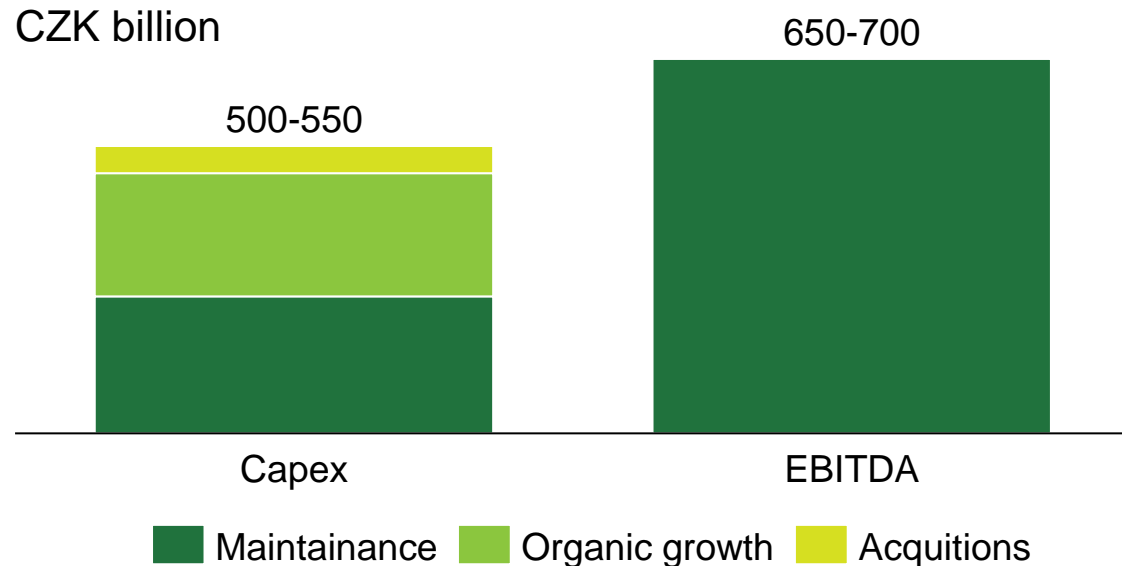
\*\* Including financial investments

# WE CAN EXECUTE OUR 2030 GROWTH STRATEGY WHILE KEEPING LEVERAGE WITHIN OUR TARGET

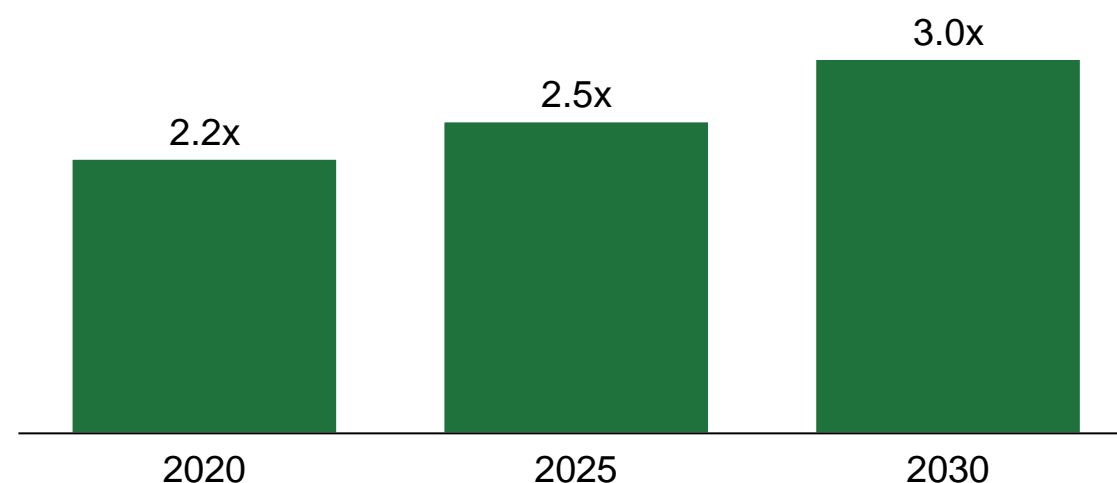


## Expected Cumulative Capex and EBITDA 2021-2030

CZK billion



## Expected Net debt to EBITDA ratio



**We will continue to generate positive free cash flow even with the increased Capex and our leverage would stay below 3.0x of EBITDA**



Note: Organic growth = new renewables and gas capacities, expansion of distribution network, Acquisitions = ESCO companies abroad

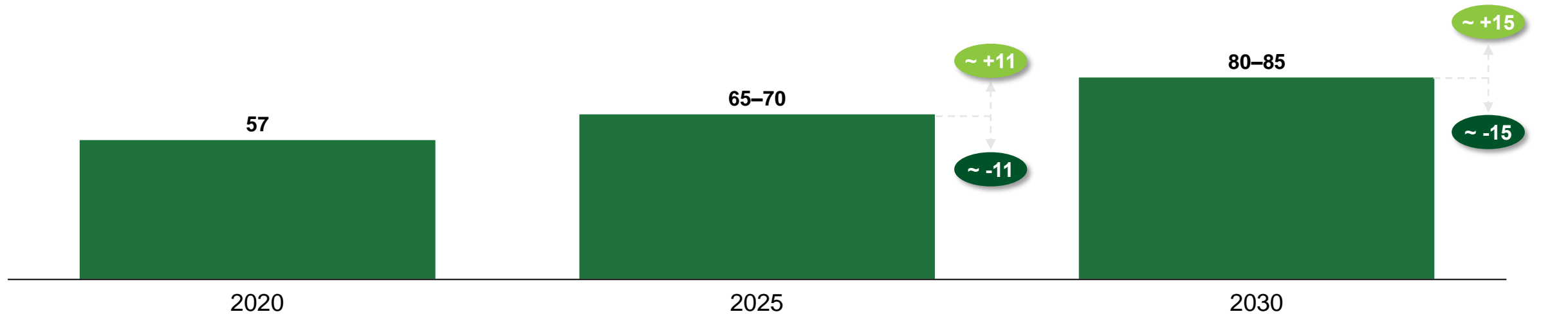
# EBITDA SENSITIVITY TO CHANGES IN WHOLESALE ELECTRICITY PRICES AND CARBON ALLOWANCES AS A DIFFERENCE BETWEEN CURRENT FORWARD PRICES AND BUSINESS PLAN



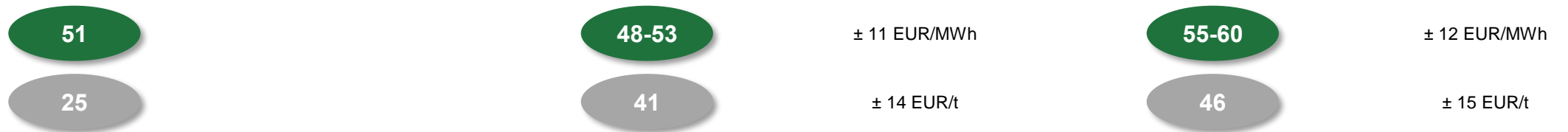
## EBITDA\* of CEZ Group

Strategic assets in CZK billion

+XX Positive EBITDA impact\*\*  
-XX Negative EBITDA impact\*\*



Wholesale electricity prices and carbon allowance price\*  
EUR/MWh; EUR/t



\* Assuming market prices from March-2021 inflationary adjusted

\*\* Escalated forward prices assumed and sensitivity applied: sensitivity assumed as if in 2025 and 2030 wholesale electricity prices are at the level of current forward Y+3 (19<sup>th</sup> July 2021: CZ baseload 2024 - 61 EUR/MWh, EUA 2024 - 54 EUR/t) and escalated by the inflation



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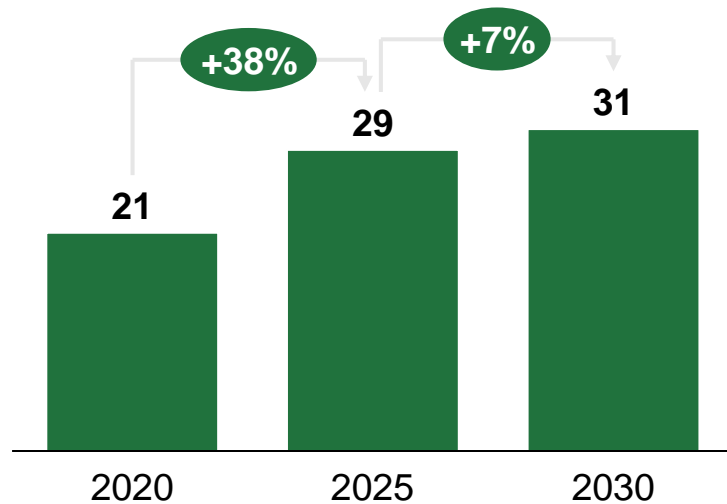
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# WE WILL INCREASE NUCLEAR PRODUCTION OVER 32 TWh



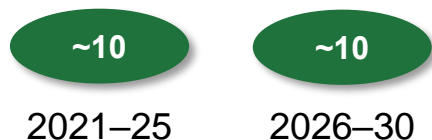
## Nuclear EBITDA

CZK billion



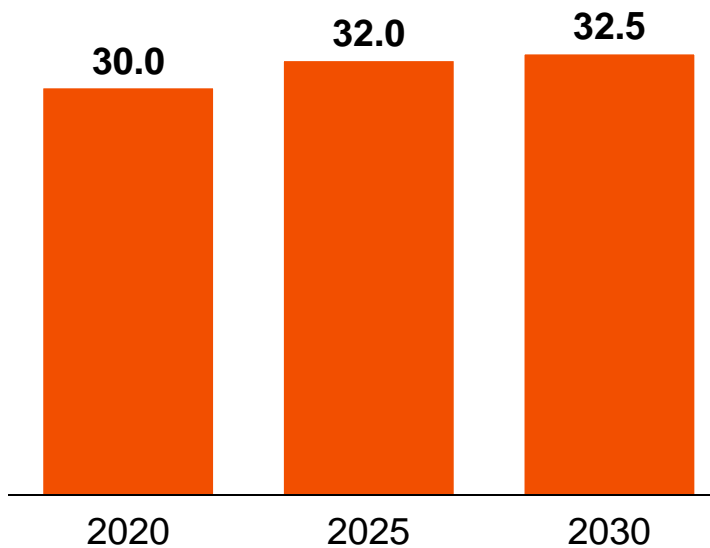
### Annual Capex\*

CZK billion, avg



## Nuclear generation

TWh



### Wholesale electricity prices\*\*

EUR/MWh



We will increase production of existing power plants above 32 TWh by

- Prolonging fuel replacement cycle
- Optimizing maintenance
- Increasing capacity by up to 50 MW

We plan to start construction of new nuclear unit in Dukovany, which is a subject to agreeing support scheme with government

We will prepare for potential construction of small modular reactors after 2040 with total capacity of 1000 MW



\* Of which CZK ~4 billion p.a. are purchases of nuclear fuel, excluding new nuclear Capex in 2025-2030 due to assumed 100% state financing

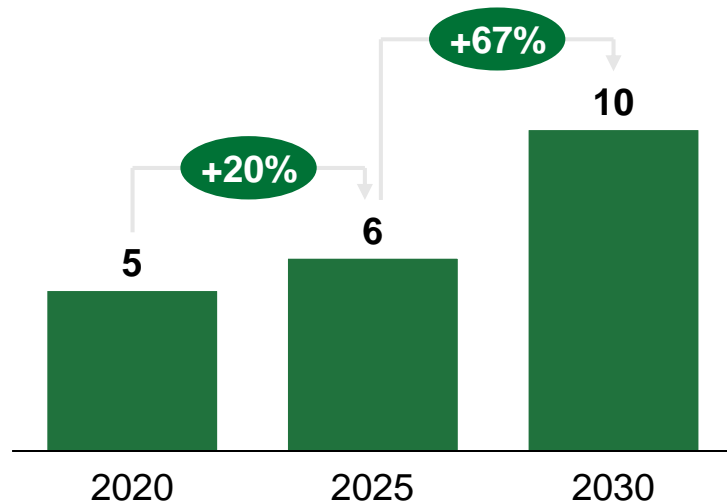
\*\* Market prices from March-2021 inflationary adjusted and sensitivity applied

# WE WILL ADD 6 GW OF RENEWABLES CAPACITY BY 2030



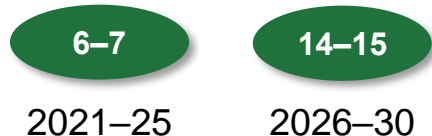
## Renewables EBITDA

Strategic assets in CZK billion\*



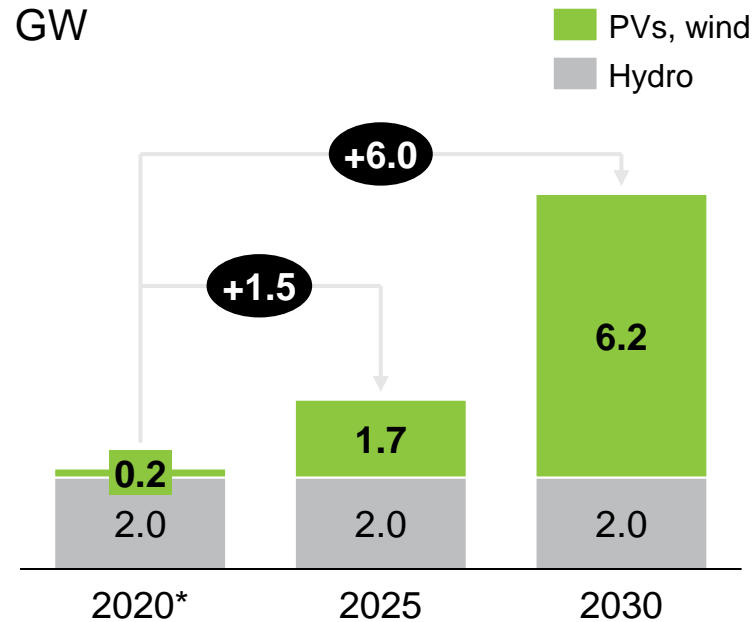
### Annual Capex\*\*

CZK billion, avg



## Renewables capacity

GW



### Wholesale electricity prices\*\*\*

EUR/MWh



We expect to focus our RES development on photovoltaic in Czechia

RES development in 2022-2030 to be incentivized by Capex grants from Modernization Fund

First round of investment grants distribution is expected in 2H 2021

We will increase storage capacities to above 300 MWe

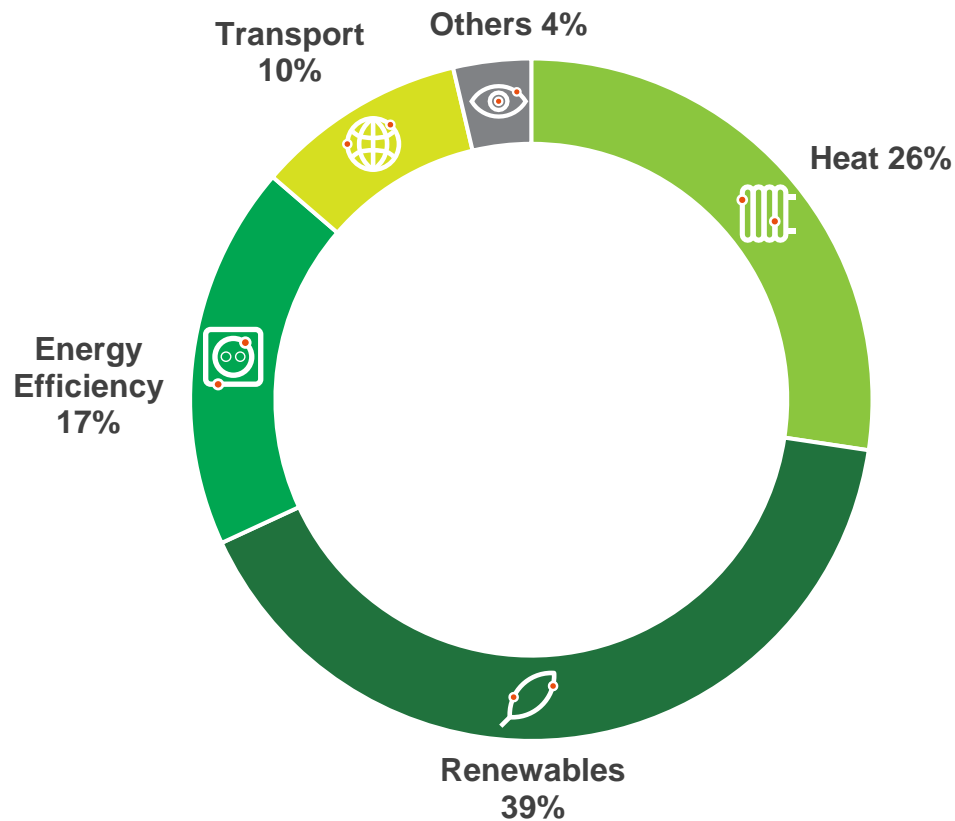


\* 2020 figures exclude contribution from 600 MW of Romanian wind, which was disposed on Mar-31, 2021  
 \*\* Capex conservatively assumes no subsidies on Capex from Modernisation fund due to their uncertain amount  
 \*\*\* Realized prices for renewables will be adjusted by the shape discount (0.8-0.9) on top of wholesale power price

# MODERNISATION FUND TO SUPPORT DEVELOPMENT OF PHOTOVOLTAICS IN CZECHIA



## Indicative allocation from Modernisation fund to different grant categories



## Support of renewables from Modernisation Fund

- In 2021–30 CZK ~66 billion\* is available for grants to support renewables projects, out of which 60% will be dedicated to projects of existing electricity producers
- Actual amount of subsidy to be determined during auctions, grants will fund the Capex at max 60% or CZK 6.2-7.3 m/MW\*\*
- Production of renewables will be sold at market prices

**CEZ Group submitted 296 projects for photovoltaics to the prequalification round**

**Receipt of applications for first round of grants starts in July 2021**



\* CZK 170 billion available in Modernisation Fund assuming current price of carbon allowances, 38.7% for renewables

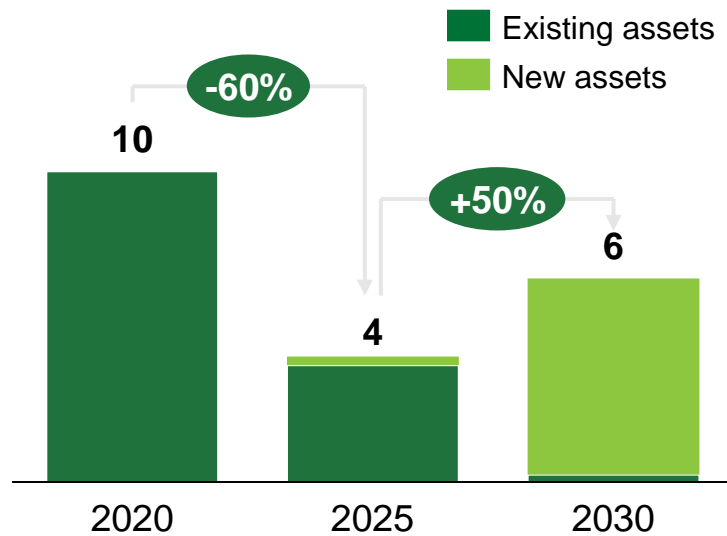
\*\* 60% for project submitted by large companies outside of Prague, maximum per MW grant depends on size and technology (rooftop or ground-mounted)

# WE ARE CLOSING COAL PLANTS, PRODUCTION OF HEAT TO BE TRANSFORMED TO LOW CARBON TECHNOLOGIES



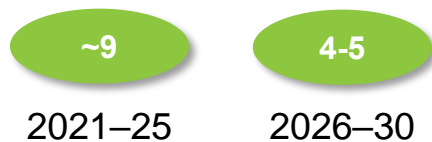
## Fossil fuel generation and mining EBITDA

Strategic assets in CZK billion



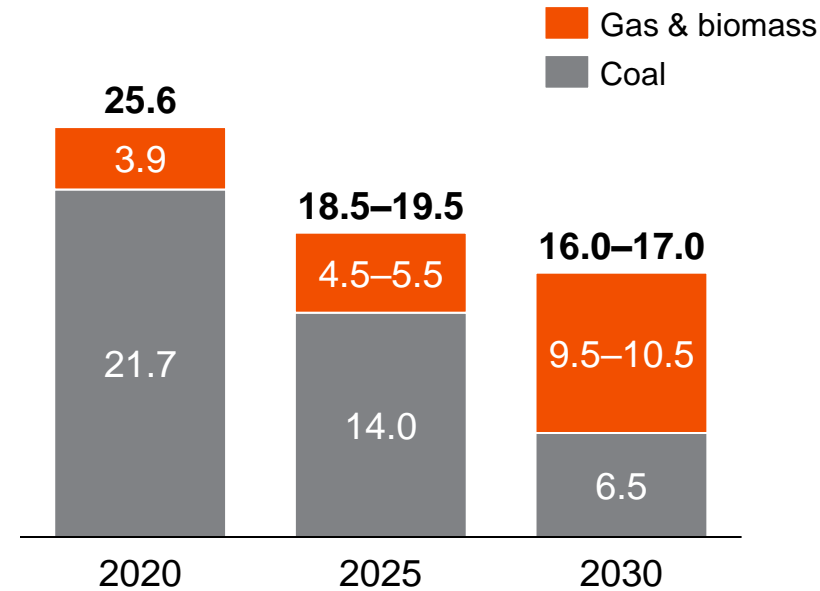
### Annual Capex\*

CZK billion, avg



## Coal and gas generation

TWh



### Coal and gas capacity

in GW



Decarbonisation of our heat plants and transition of current coal sites to new activities

Newly built gas plants will be hydrogen ready

EBITDA growth between 2025 and 2030 enabled by new gas capacities with better margins compared to coal



\* Includes CZK 3.5 billion average annual average Capex into new gas and biomass capacities

# CEZ GROUP PLANS TO INCREASE GENERATION IN RENEWABLES, NUCLEAR AND GAS



## Nuclear

- We will **safely increase generation volume in existing plants above 32 TWh** on average and achieve 60-year operating life
- We will build a new nuclear power plant in Dukovany.

## Renewables

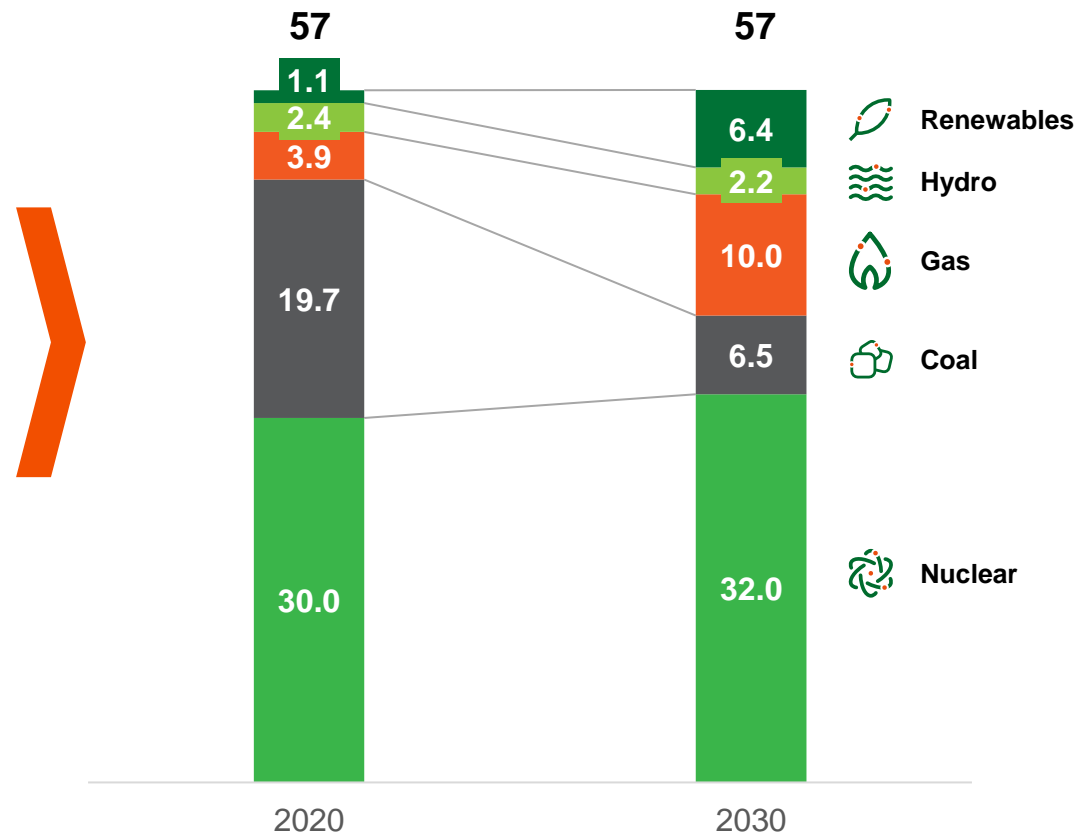
- We will build **1.5 GW of renewables by 2025** and **6 GW renewables by 2030**.
- **We will increase installed capacity of electricity accumulation to at least 300 MWe by 2030.**

## Traditional

- **We will decarbonize heating and will transform our coal locations** to new activities.
- We will **build new gas capacities**, which will be ready for hydrogen combustion.

## Electricity generation of CEZ Group

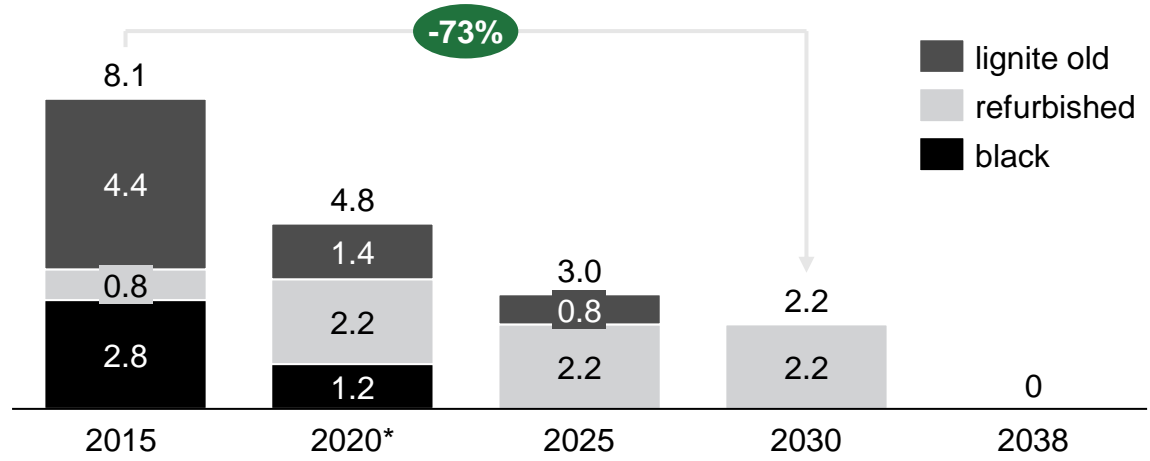
(Strategic assets, in TWh)



# WE WILL REDUCE SHARE OF OUR COAL GENERATION TO 12.5% IN 2030, AND COMPLETELY EXIT COAL BY 2038



## Expected development of installed capacity in coal (GW\*)

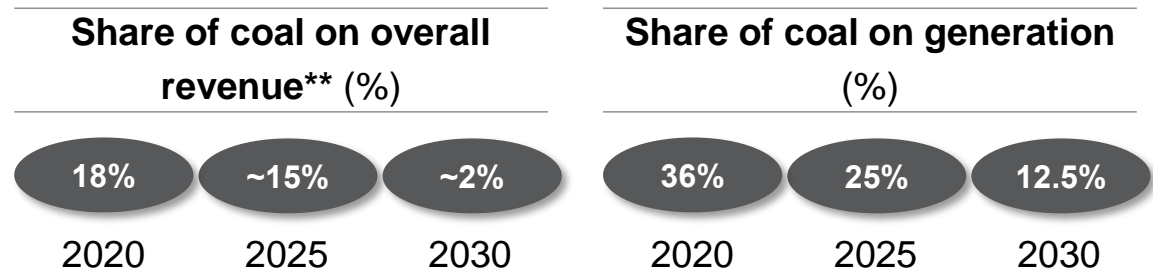


## Coal fired power plants are being gradually closed

- No new coal capacity investments commitment
- Coal capacity was reduced 1,719 MW in 2020, further 500 MW will be closed in 2021.
- Post 2030 only 3 upgraded units planned to be in operations
- **Coal exit by 2038** in line with recommendation of Czech Coal Commission

## Coal extracted is mainly used in own power plants and declining

- CEZ Group produced 15.4 million tones of coal, out of which only 26% is sold externally
- Volume of extracted coal is expected to decline to 8 million tones in 2030 reflecting the reduction of CEZ Group's coal capacities.

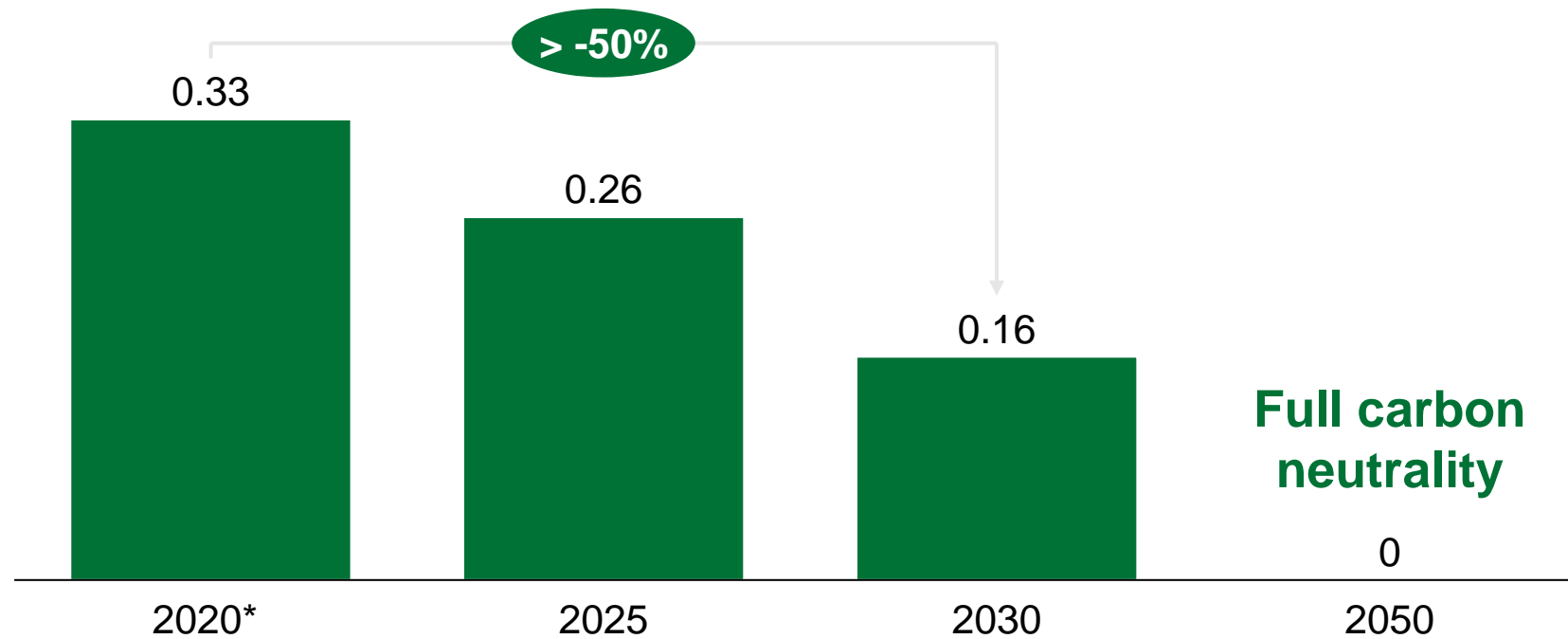


\* Including capacity of 568 MW in Poland, which is being divested  
 \*\* Share of electricity, heat sales and externally sold coal

# WE WILL ACHIEVE CARBON NEUTRALITY BY 2050



## Reduction of CEZ Group's CO<sub>2</sub> emission intensity (t CO<sub>2</sub>e/MWh)



- **Speed of carbon emissions reduction until 2030 in line with Paris agreement “well below 2 degrees”**
- **We will reach carbon neutrality by 2050**



\* 0.36 in 2019



# WE ARE ACCELERATING GROWTH WITHIN CURRENT STRATEGY. STRATEGIC DIRECTIONS OF VISION 2030 – CLEAN ENERGY OF TOMORROW



## Vision 2030 Strategic directions CLEAN ENERGY OF TOMORROW

### Decarbonize generation portfolio and reach carbon neutrality

- Efficiently managing nuclear power plants and preparing conditions for the construction of a new nuclear power plant as part of enhancement of energy security in Czechia
- Efficient management of coal-fired power plants located near the coal basins and decarbonization of Czech generating portfolio (including transformation of the heating industry)
- Developing renewable energy sources (RES) while fulfilling the Czech energy and climate plan

### **Provide best energy solutions and highest quality customer experience and on market**

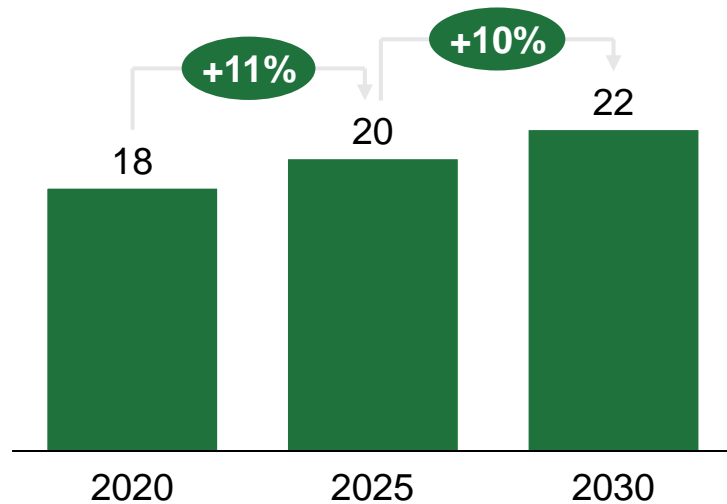
- Modernizing and digitizing distribution and retail in Czechia, developing comprehensive services with respect to customers' needs.
- Developing energy services sources (ESCO) in Czechia while fulfilling the Czech energy and climate plan.
- Developing energy services (ESCO) abroad to achieve a significant market position in Germany, Northern Italy, and Poland

# WE WILL BUILD SMART DIGITAL ELECTRICITY GRID



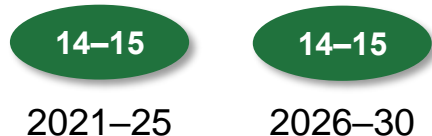
## Distribution EBITDA

Strategic assets in CZK billion



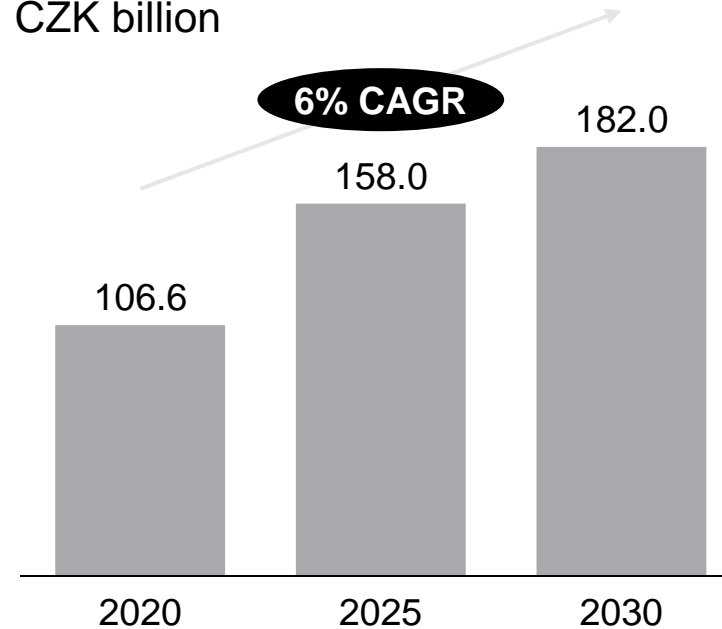
### Annual Capex

CZK billion, avg



## RAB Development

CZK billion



We will invest into smart grids and decentralisation for developing digital distribution grid including fibre optic networks

### 2030 digital transformation targets

- 80% of consumption covered by smart meters
- 80% of remotely measured transformer stations
- 11,000 km of optic fiber networks (compared to 4,200 km today)

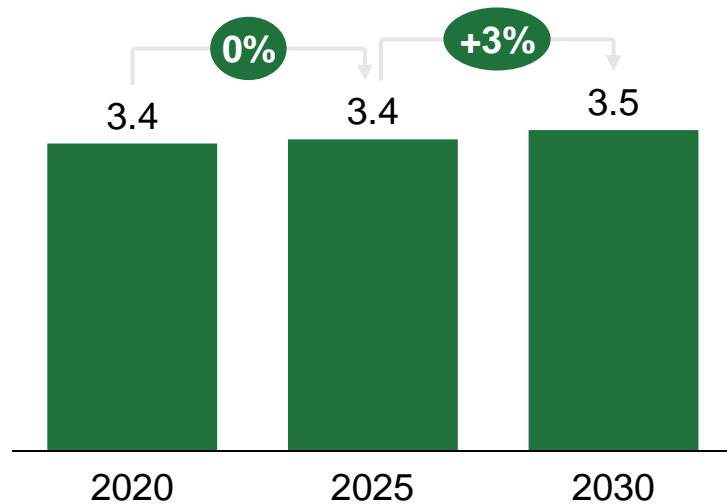
- Increase network reliability
- Enable new connections of decentralized generation
- More efficient network management and cost reduction
- Utilize fiber optic network capacity for telecommunication services

# WE WILL GROW OUR RETAIL CUSTOMER BASE AND MAINTAIN HIGH CUSTOMER SATISFACTION



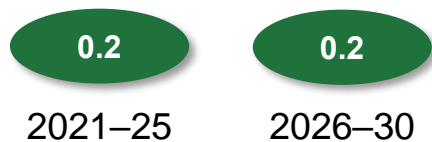
## Retail EBITDA

CEZ Prodej, CZK billion



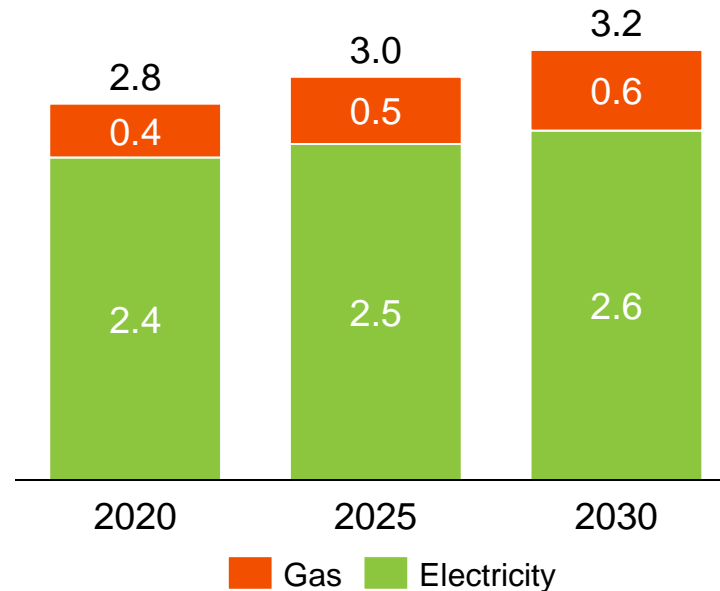
### Annual Capex

CZK billion, avg



## Number of customers

Million



## B2C

**100% of key customer processes will be digital by 2025**

We will maintain the **highest NPS** (net promoter score) among largest electricity supplies and we will increase our customer base

We will **broaden our product portfolio** for households, which will enable their decarbonisation and energy savings

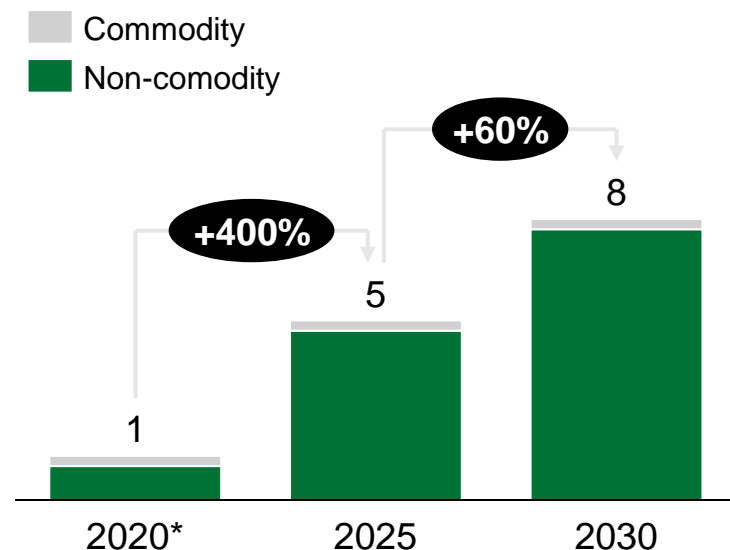
**EBITDA improvement** despite growing competitive pressures in commodities

# WE WILL GROW OUR ENERGY SERVICES BUSINESS BY SUPPORTING DECARBONISATION OF OUR CUSTOMERS



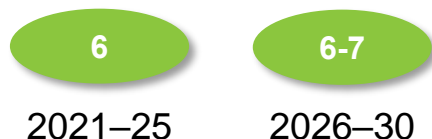
## ESCO EBITDA

Strategic assets in CZK billion



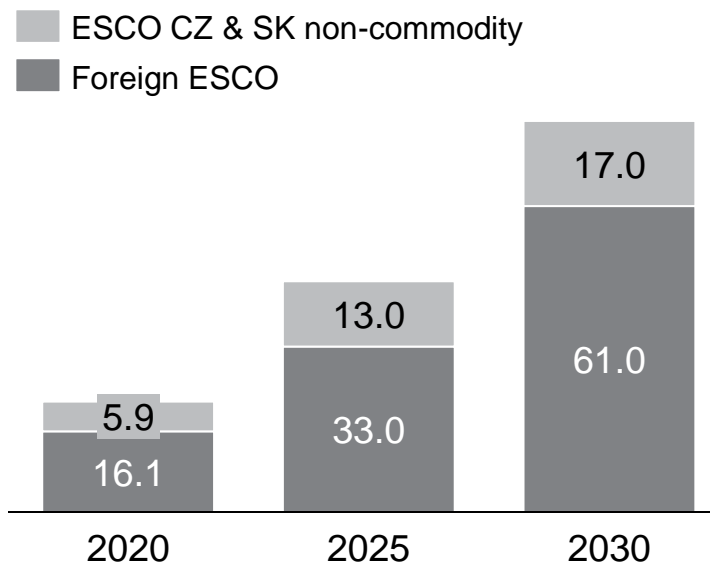
### Annual Capex\*\*

CZK billion, avg



## ESCO revenues

CZK billion



### EBITDA margin (%)\*\*\*

CZK billion, avg



## B2B

We will enable efficient decarbonisation and delivery of energy savings for our customers in industry, municipalities and public administration in line with EU target 39-40%

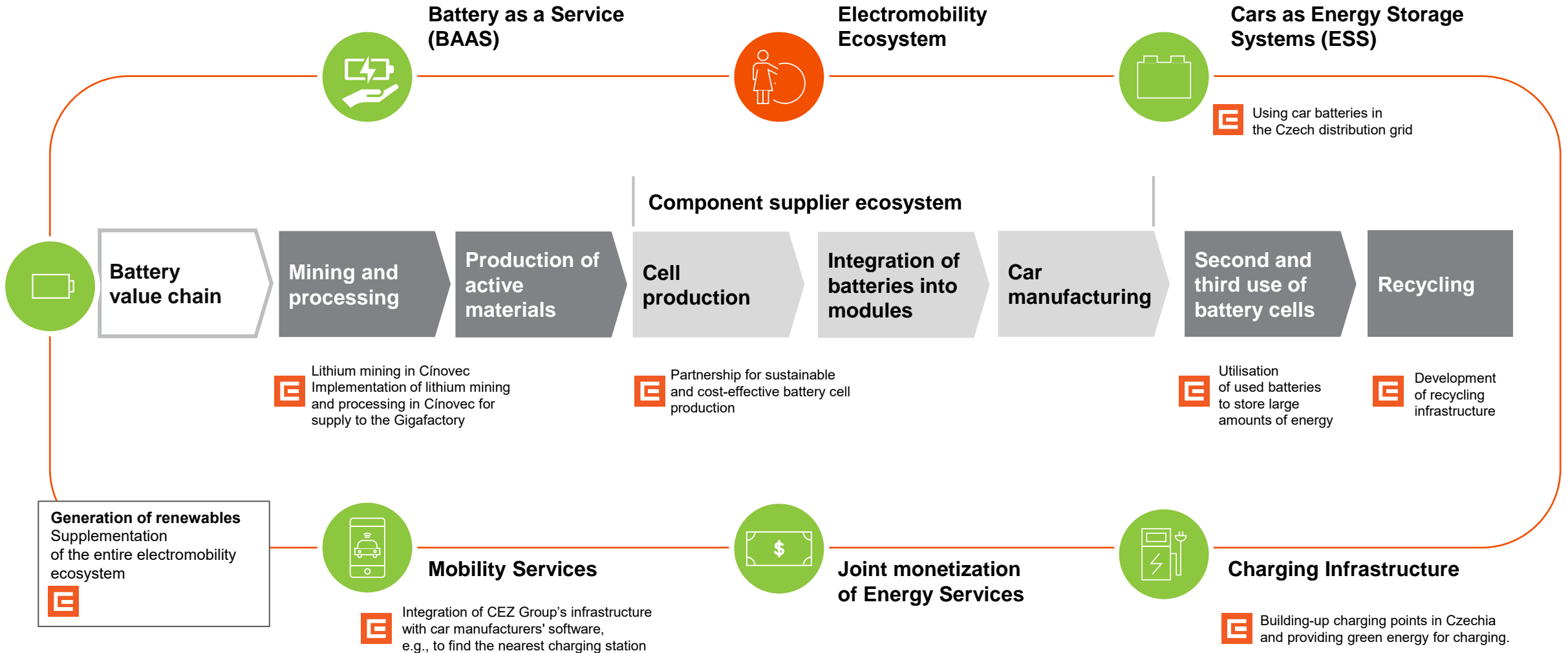


\* 2020 EBITDA was negatively impacted by Covid-19 pandemic, 2019 EBITDA of CZK 1.4 billion declined to CZK 0.6 billion

\*\* Includes financial investments

\*\*\* Only non-commodity; EBITDA margin (2020) was negatively affected by Covid-19 pandemic, EBITDA margin (2019): 6.5%

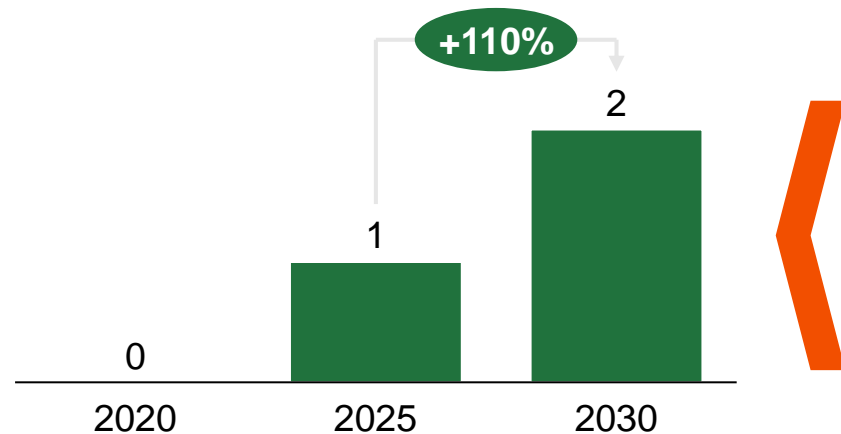
# ELECTROMOBILITY VALUE CHAIN REPRESENTS AN ADDITIONAL SOURCE OF GROWTH



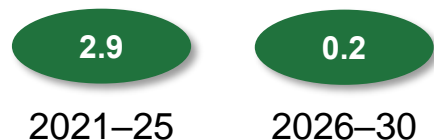
# AREAS OF BATTERY PRODUCTION AND ELECTROMOBILITY WILL BE ADDITIONAL SOURCES OF GROWTH



## Proportional EBITDA of battery related activities\* in CZK billion



### Annual Capex\* CZK billion, avg



## Lithium mining and processing in Cínovec

- CEZ Group owns 51% stake in Geomet, which owns rights to deposit
- Pilot ore-processing line is being prepared
- Preparation of technical and financial feasibility study under way
- In 2023 a decision on mining feasibility

## Battery production

- We are discussing possibilities of partnerships on battery production factory

## Electromobility infrastructure

- We will be quadrupling charging capacity and will operate at least 800 stations by 2025

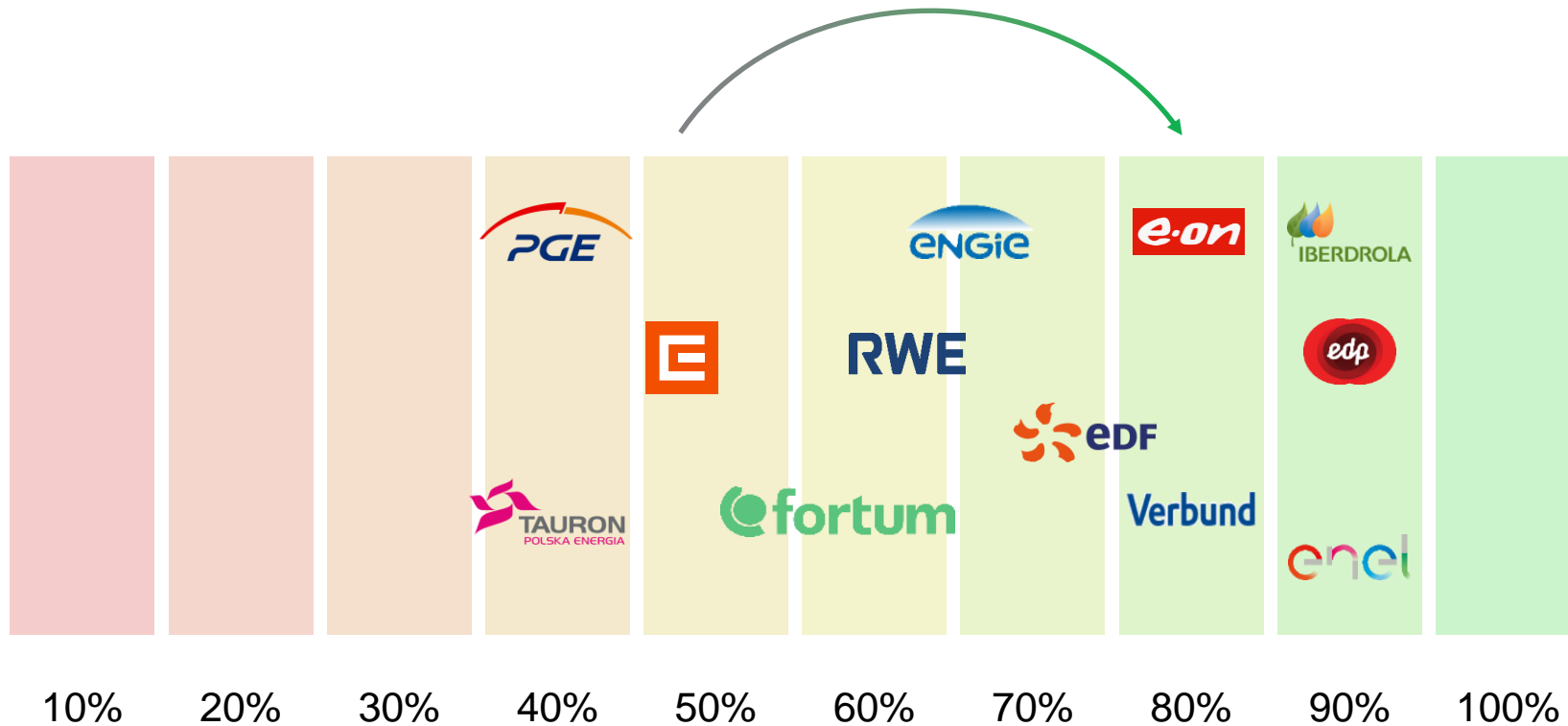


\* Values of EBITDA and Capex represent 51% stake of CEZ Group on lithium mining project and 10% stake on battery factory. These projects are unlikely to be fully consolidated.

# OUR AMBITION IS TO BECOME A LEADER IN ESG



## Current ESG rating\*



**CEZ Group targets an improvement of ESG rating\* to above 80% by 2023**

We have set targets for individual areas of ESG, which would help us to increase ESG rating



\* Average rating of MSCI and Sustainalytics ESG ratings

# WE HAVE SET SPECIFIC TARGETS IN ALL THREE AREAS OF ESG TO ACHIEVE THIS AMBITION



## CEZ Group key ESG commitments

### Environment

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- **CO<sub>2</sub> emissions reduction in line with "well below 2°" scenario** (decrease from 0.36 tCO<sub>2</sub>e/MWh in 2019 to 0.16 in 2030)
- **Lowering share of coal** generation to 25% in 2025; to 12.5% in 2030
- Newly build **renewables** of 1.5 GW until 2025, 6 GW until 2030
- **NOx emission reduction** from 23 kt in 2019 to 13 kt in 2025 and 7 kt in 2030
- **SO<sub>2</sub> emission reduction** from 21 kt in 2019 and 6.5 kt in 2025 and 3 kt in 2030

### Social

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- **Remain good corporate citizen** developing good relationship with communities
- **Rank among Top Employers** for future talent and current employees
- **Ensuring just transition** through re-skilling or compensation for 100% of employees affected by coal exit
- **Highest net promoter score** among Czech electricity suppliers
- **Digitalization** of all key customer processes by 2025

### Governance

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- We will reach **30% share of women** in management, increase share of women in non-technical positions to 30% by 2025
- **Further proceed in Code of Ethics training**, annually train above 95% of employees from 2022 onwards



# SUMMARY AND INVESTMENT HIGHLIGHTS



## We are accelerating strategy execution to benefit from energy transition

- We are transforming to **low emission electricity generator**
- We provide the **most cost-effective energy solutions** and the **best customer experience** on the market

## We develop CEZ Group responsibly and sustainably

- Our **new ESG targets** will enable us to **increase our ESG rating to 80%** by 2023
- We **will reduce our emissions intensity** by more than **50%** by 2030

## We offer attractive dividend while maintaining strong credit rating

- **EBITDA is expected to increase by 40%** by 2030
- **Dividend policy: 80-100% payout ratio**, dividend at CZK 52 per share from 2020 earnings, i.e. 122% of adjusted net income also reflects Romanian disposal proceeds
- Leverage target of **Net Financial Debt/EBITDA between 2.5x and 3.0x**

