



ANNEX 1:

**REPORT ON THE BUSINESS OPERATIONS
AND ASSETS OF ČEZ, A. S. FOR 2017**

Prague, June 22, 2018

CEZ GROUP MANAGED TO ACHIEVE KEY FINANCIAL AND STRATEGIC TARGETS IN 2017



Selected CEZ Group Financial Results in 2017

- **EBITDA CZK 53.9 billion**
- **Net Income CZK 19.0 billion**
- **Adjusted net income CZK 20.7 billion**

OPERATIONS TEAM



Mining



Generation—Traditional Energy

- Nuclear generating facilities
- Conventional generating facilities
- Heat sector
- New nuclear facilities



Other activities

- Finance and administration
- Support and centralized activities

DEVELOPMENT TEAM



Distribution



Sales/Trading

- ESCO activities
- Sales/retail
- Trading



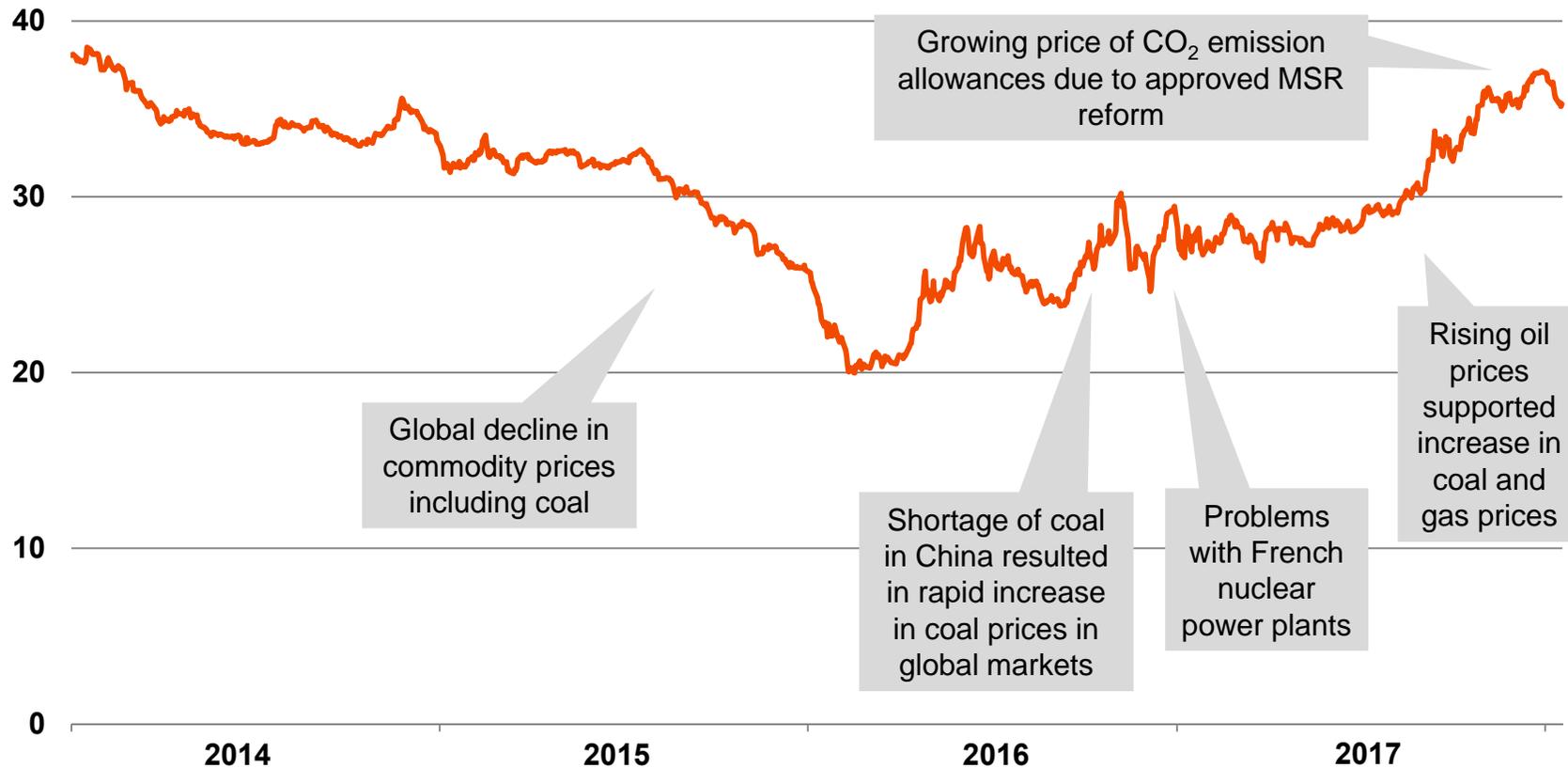
New Energy

- Renewable energy sources
- Inven Capital

WHOLESALE ELECTRICITY PRICES SLIGHTLY GROWING FOR ALMOST 2 YEARS AFTER MANY YEARS OF DECLINE IN CONNECTION WITH GROWING PRICES OF COAL AND EMISSION ALLOWANCES



Wholesale price of electricity at EEX
EUR/MWh, 2019 Base Load

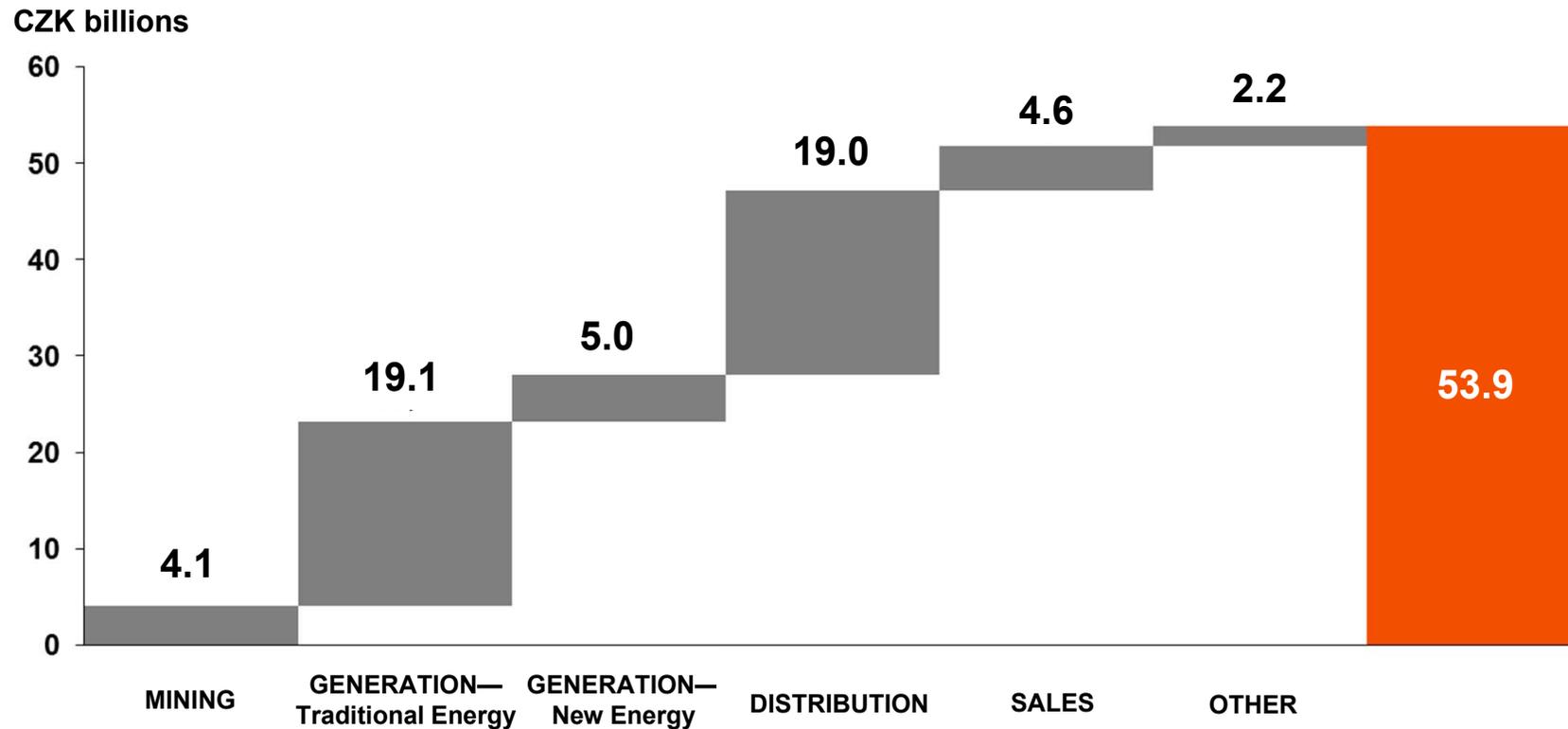


CEZ GROUP FINANCIAL PERFORMANCE



	Unit	Year 2016	Year 2017	Change %
Operating revenues	CZK millions	203,744	201,906	(0.9%)
EBITDA	CZK millions	58,082	53,921	(7.2%)
EBIT	CZK millions	26,114	25,620	(1.9%)
Net income	CZK millions	14,575	18,959	+30.1%
Adjusted net income*	CZK millions	19,640	20,698	+5.4%
Total assets	CZK millions	630,841	626,207	(0.7%)
Property, plant, and equipment and intangibles (including nuclear fuel)	CZK millions	448,878	454,823	+1.3%
ROE	%	5.4	7.4	+36.0%
ROA	%	2.3	3.0	+28.9%
ROIC	%	4.5	4.3	(3.4%)

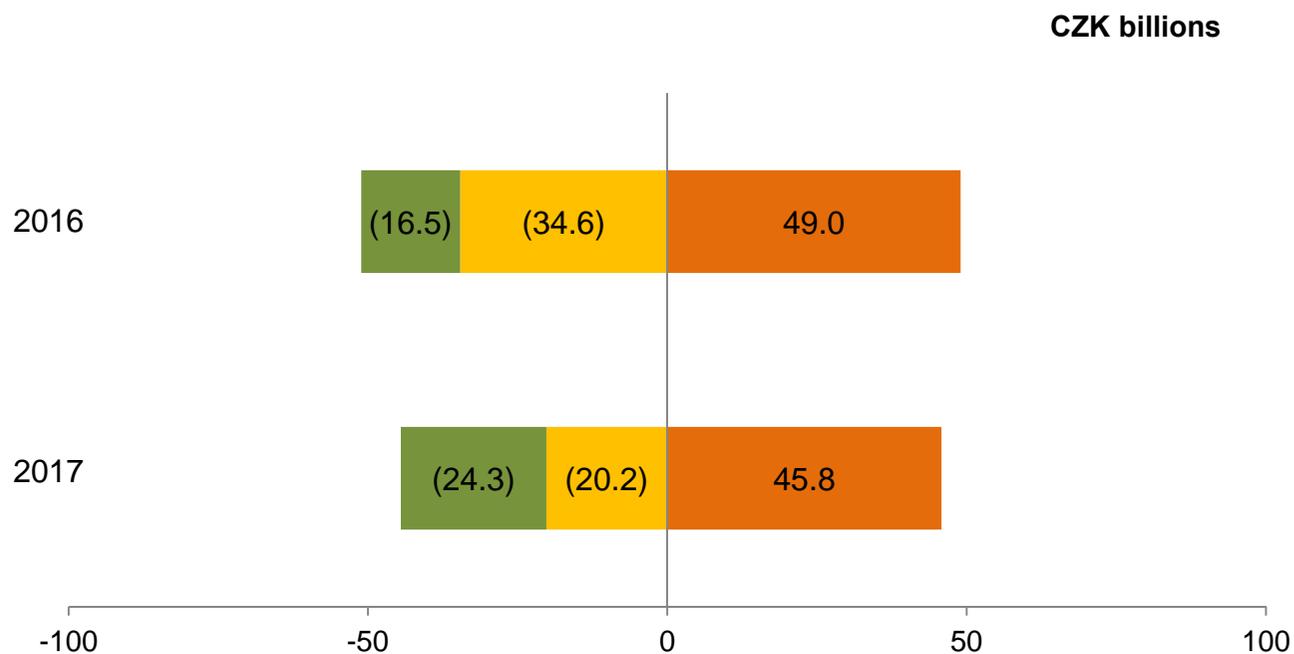
CONTRIBUTION TO 2017 EBITDA BY SEGMENT



2017 vs. 2016 Change in EBITDA

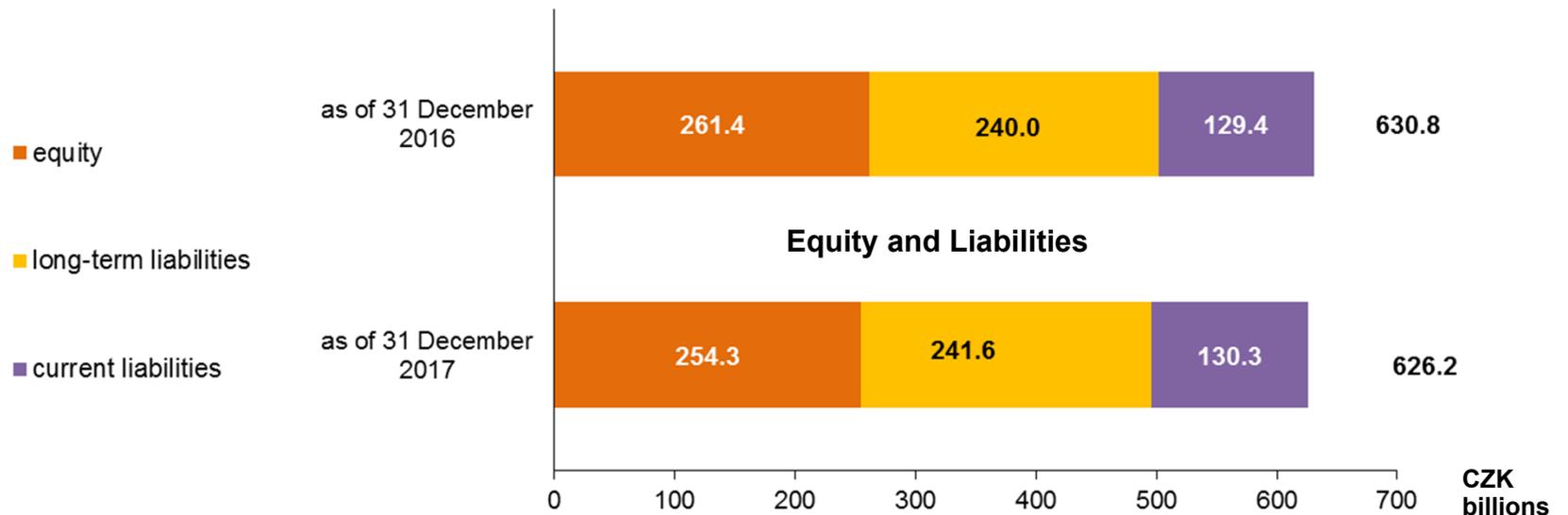
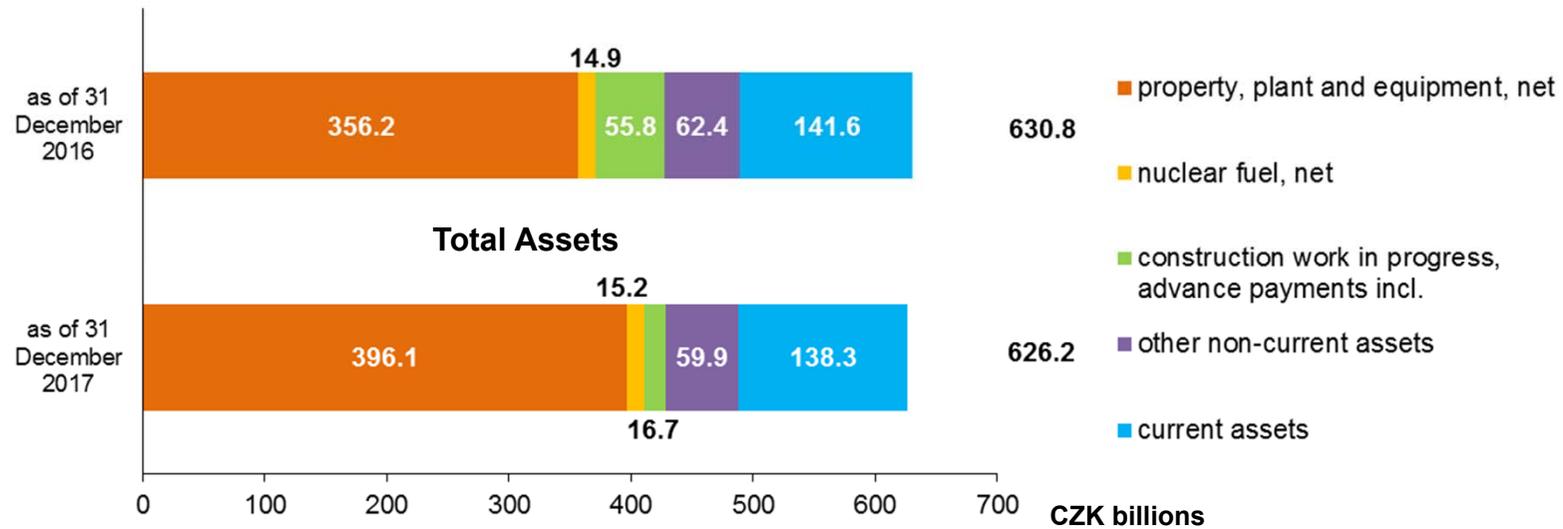
%	-8%	-13%	+47%	-6%	-16%	-10%	-7%
CZK bn	-0.4	-2.9	+1.6	-1.3	-0.9	-0.3	-4.2

CEZ GROUP CASH FLOWS



- Financing activities and net effect of currency translation in cash
- Investing activities
- Operating activities

CEZ GROUP ASSETS, EQUITY, AND LIABILITIES



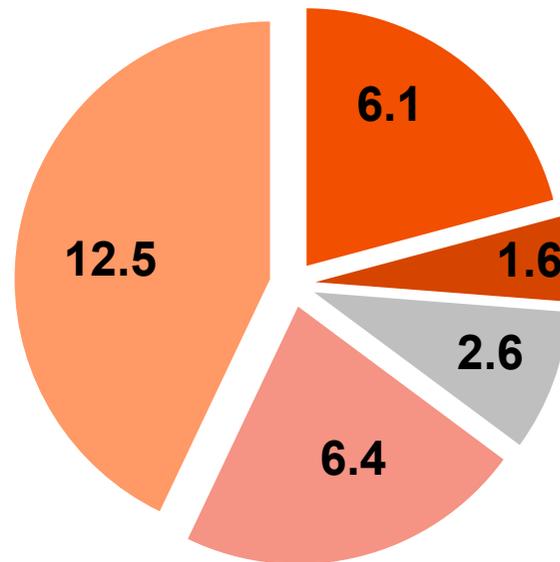
CEZ GROUP CAPITAL INVESTMENT



CZK 29.1 Billion in Total (2017)

Electricity distribution:

- Czechia: CZK 9.6 billion
- Abroad: CZK 2.9 billion



Conventional and other generating facilities:

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

Mining:

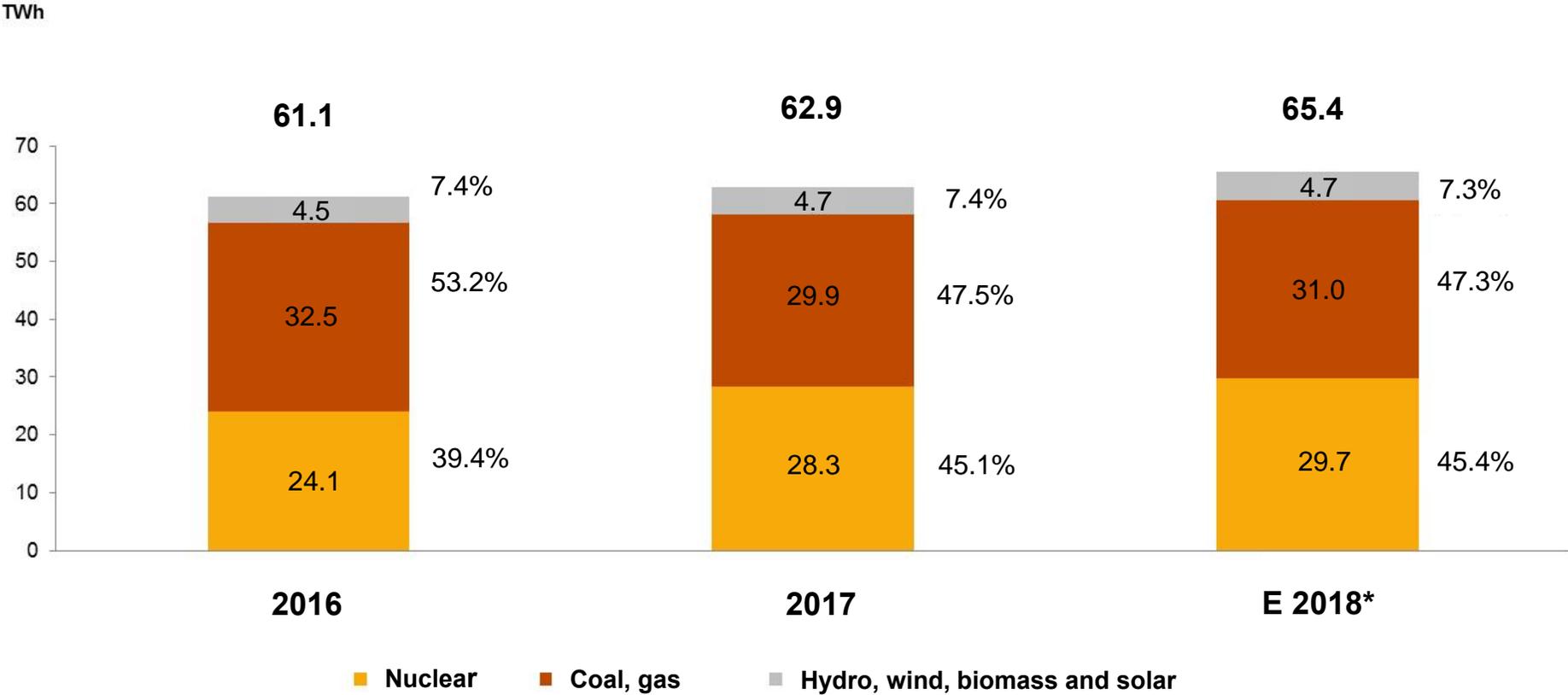
- Modernization and renovation of existing facilities

Other investments

Nuclear facilities (including nuclear fuel procurement):

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

CEZ GROUP ELECTRICITY GENERATION

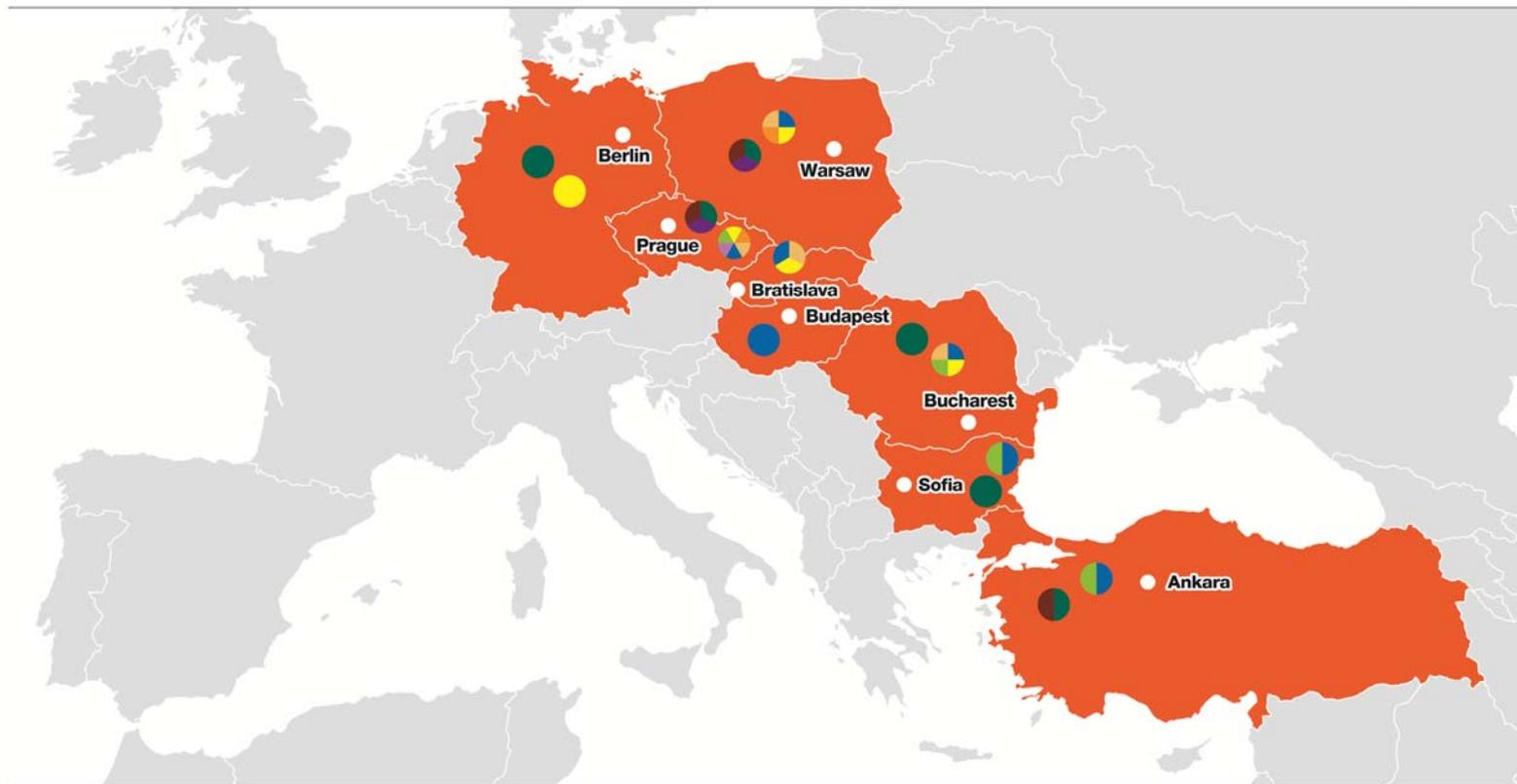


ČEZ, A. S. FINANCIAL RESULTS AND DIVIDEND POLICY



	Unit	2016	2017	change %
Operating revenues	CZK millions	81,793	77,257	(5.5%)
EBITDA	CZK millions	16,793	15,468	(7.9%)
EBIT	CZK millions	1,455	2,891	+98.7%
Net income	CZK millions	8,834	5,105	(42.2%)
Total assets	CZK millions	536,934	532,770	(0.8%)
Equity	CZK millions	200,698	187,507	(6.6%)
Dividends declared	CZK millions	21,369	17,635	(17.5%)
Number of registered shares (as at Dec 31)	Thousands	537,990	537,990	0.0%
Number of treasury shares (as at Dec 31)	Thousands	3,755	3,605	(4.0%)
Market capitalization	CZK millions	229,721	265,322	+15.5%
ROE	%	4.2	2.6	(37.3%)
ROA	%	1.7	1.0	(43.0%)

ENERGY SECTOR REGULATION SIGNIFICANTLY AFFECTS CEZ GROUP IN ALL COUNTRIES WHERE IT OPERATES



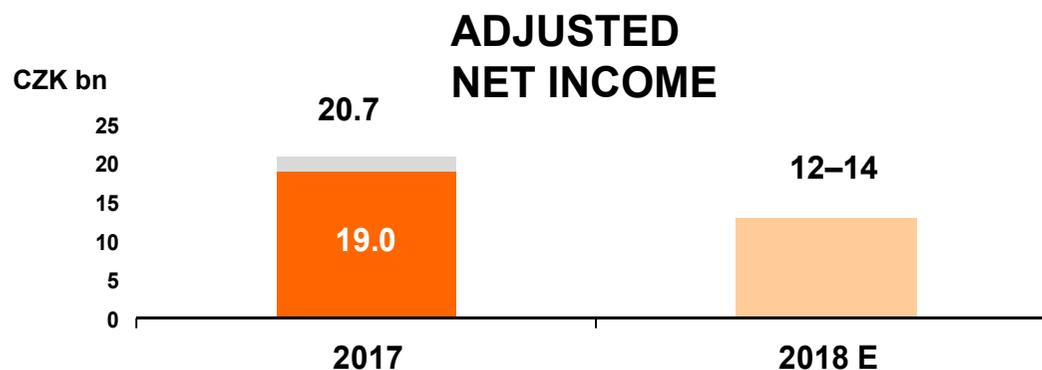
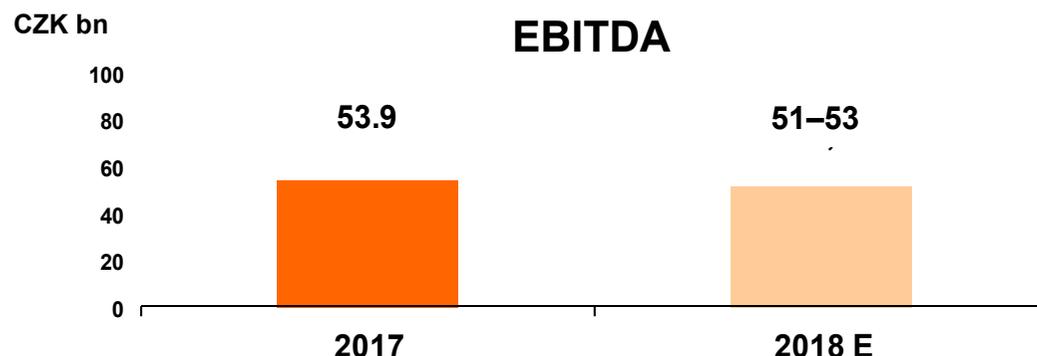
Generation

- Traditional electricity generation
- Renewable electricity generation
- Heat generation

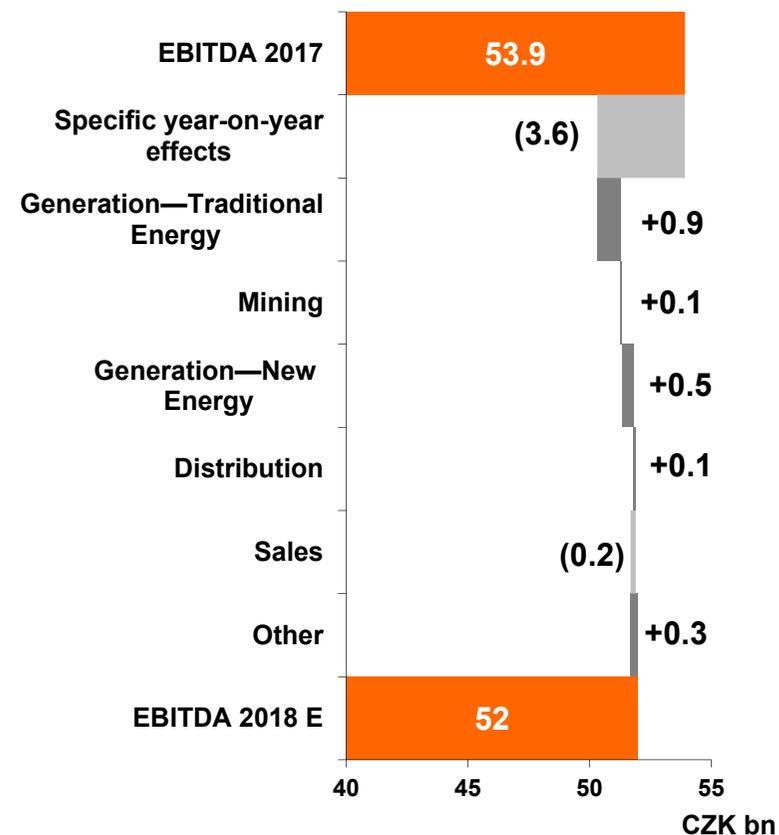
Distribution and Sales

- Electricity distribution
- Heat distribution
- Sales of electricity to end-use customers
- Sales of natural gas to end-use customers
- Sales of heat to end-use customers
- Sales of energy services

CEZ GROUP ESTIMATES 2018 EBITDA AT CZK 51 TO 53 BILLION AND ADJUSTED NET INCOME AT CZK 12 TO 14 BILLION



Adjustment of 2017 net income
 2017 net income



The values of adjusted net income do not include extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-offs, profit/loss from sale of assets or subsidiaries, or other extraordinary effects).

STRATEGIC PRIORITIES REFLECT MAIN TRENDS IN EUROPE'S ENERGY SECTOR



I Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century

- Focus on operational efficiency as a prerequisite for further existence in both conventional and new energy, while operational safety remains an absolute priority
- Make provisions for the long-term operation of the Dukovany Nuclear Power Plant and prepare well for ensuring the long-term operation of the Temelín Nuclear Power Plant
- Develop new unit projects at Temelín and Dukovany depending on changes in the Czech state's attitude to nuclear energy development
- In conventional facilities, give priority to brown coal-fired power plants located directly at brown coal surface mines operated by CEZ Group; efficiently operate the other sites and prepare and consider further steps in the short-to-medium term
- Phase out older condensing units
- Continually improve the efficiency and flexibility of our distribution grid

II Offer customers a wide range of products and services addressing their energy needs

- Achieve the top level in electricity and gas sales and customer care
- Develop additional products and services and leverage synergies with energy commodities
- Launch new business models—from equipment deliveries to electricity generation and supply at the customer's point of consumption, including financing and related services
- Invest in early opportunities and technologies to allow CEZ Group to establish promising positions in the future energy environment
- Prepare distribution grids for operation under the conditions of increasingly decentralized generation

III Strengthen and consolidate our position in Europe

- Strive to acquire assets and companies in the distribution, renewables, and conventional segments, sales companies that deliver energy and related products to end-use customers, and companies developing new products and services that are promising from the perspective of future decentralized energy
- Optimize our capital and ownership structure, possibly divesting selected assets in order to reduce risk exposure in selected regions
- Structure transactions so that they use as little of CEZ Group's debt capacity as possible
- Focus on regions with a stable regulatory environment