

Internal Information

CEZ Group's 2013 Net Profit at CZK 35.2 bn

The CEZ Group has exceeded the originally estimated results for 2013. Operating Profit Before Tax (EBITDA) increased by 4.4% year on year to CZK 82.1 bn, exceeding the expected value by CZK 1.1 bn. Its Net Profit declined by 12.3% year on year to CZK 35.2 bn (CZK 0.2 bn above the expectations). The main factor behind the year-on-year decline is a major drop of the wholesale prices of electricity due to massive subsidies going into renewable energy sources, combined with a stagnating European economy and ongoing uncertainty concerning the regulatory environment in the energy sector. In 2014, the CEZ Group expects its EBITDA to reach CZK 70.5 bn and its Net Profit approximately at CZK 27.5 bn.

These results reflect a deteriorating business environment in the energy sector, accompanied with newly created adjustments to long-term assets in the books of all major energy corporations in Europe. From 2010 to September 2013, each of RWE, E.ON, Enel and Vattenfall created temporary adjustments or wrote off goodwill at CZK 90 – 200 bn or at 3 to 16% of the companies' fixed assets. When taking the Q4 2013 results into account, the CEZ Group created adjustments accounting for just 2.7% of its fixed assets. "The CEZ Group has coped with the crisis in the European energy sector better than its competitors also in terms of financial stability. As one of few European energy firms, we have successfully maintained a reasonable level of debt, which is evidenced by the rating by Standard & Poor's sustained at the record high level of A-," says Daniel Beneš, Chief Executive Officer and Chairman of the Board of Directors. The financial outlook of the CEZ Group reflects the ongoing trend of declining wholesale electricity prices and the unstable regulatory framework in Europe. "Future discussions in the European Union regarding Europe's climatic and energy policy until 2030 will be an important indicator of the future developments in the energy sector. In a joint initiative of the most important European energy market players, we defend a uniform standpoint aimed at ensuring a secure electricity supply and competitiveness of the European industry," Beneš added.

In response to the turbulent developments in the energy markets, the CEZ Group has focused on optimizing its traditional energy operations and on developing new opportunities. In 2013, a project was completed at the Dukovany Nuclear Power Plant, aimed at increasing its installed capacity; at the same time, this power plant generated a record-high volume of electricity (nearly 16 TWh). After a similar project implemented at the Temelín Nuclear Power Plant, each of the units is prepared to for a power output of 1,056 MW. ČEZ has also successfully undergone OSART CORPORATE, a nuclear operations check conducted by the International Atomic Energy Agency. We continued to upgrade our coal power plants, which has resulted in significant emission and fuel consumption reductions – in the case of the Tušimice power plant, the efficiency reached 42.5%.

In 2013, ČEZ went beyond the boundaries of its traditional business and entered the field of mobile telephony, where it has so far acquired over 45,000 clients. Apart from that, we provide service of unrivalled quality as the customer care centres of ČEZ were awarded as the best ones in Europe last year. ČEZ offered its clients a historically unparalleled drop of electricity prices, and in the gas market, ČEZ Prodej (Sales) still enjoys a leading position among alternative gas suppliers. In the small co-generation market, ČEZ Energo has strengthened its position of market leader.

Table: CEZ Group's financial results for 2013

	(CZK bn)	Y-o-y change %
Operating Revenues	217.3	+ 1.0.%
EBITDA (Operating Profit Before Depreciation)	82.1	- 4.4.%
Profit After Tax	35.2	-12.3.%