



# CONFERENCE CALL ON CEZ GROUP FINANCIAL RESULTS IN Q1 2017

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

Prague, May 11, 2017

# AGENDA

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## **Financial Highlights and Selected Events**

Martin Novák, Chief Financial and Operations Officer

### **Financial Results**

Martin Novák, Chief Financial and Operations Officer

### **Market Position**

Pavel Cyrani, Chief Sales Officer

# MAY 6 PASSED 25 YEARS SINCE FOUNDATION OF ČEZ, A. S.



## CEZ GROUP IN FIGURES:

- **Market capitalization\***: CZK 230.0 bn (+561%)
- **Assets**: CZK 630.8 bn (+549%)
- **Operating revenues**: CZK 203.7 bn (+319%)
- **Number of employees**: 26,895 (+96%)
- **Installed generating capacity**: 15.6 GW (+51%)
- **Annual electricity generation**: 61.1 TWh (+32%)
- **Electricity customers\*\***: 7.8 million (1992: 12 customers)
- **Gas customers\*\***: 0.4 million (1992: 0 customers)

**Total taxes, dividends, and donations transferred to the government of Czech State since 1992: CZK 570 bn**

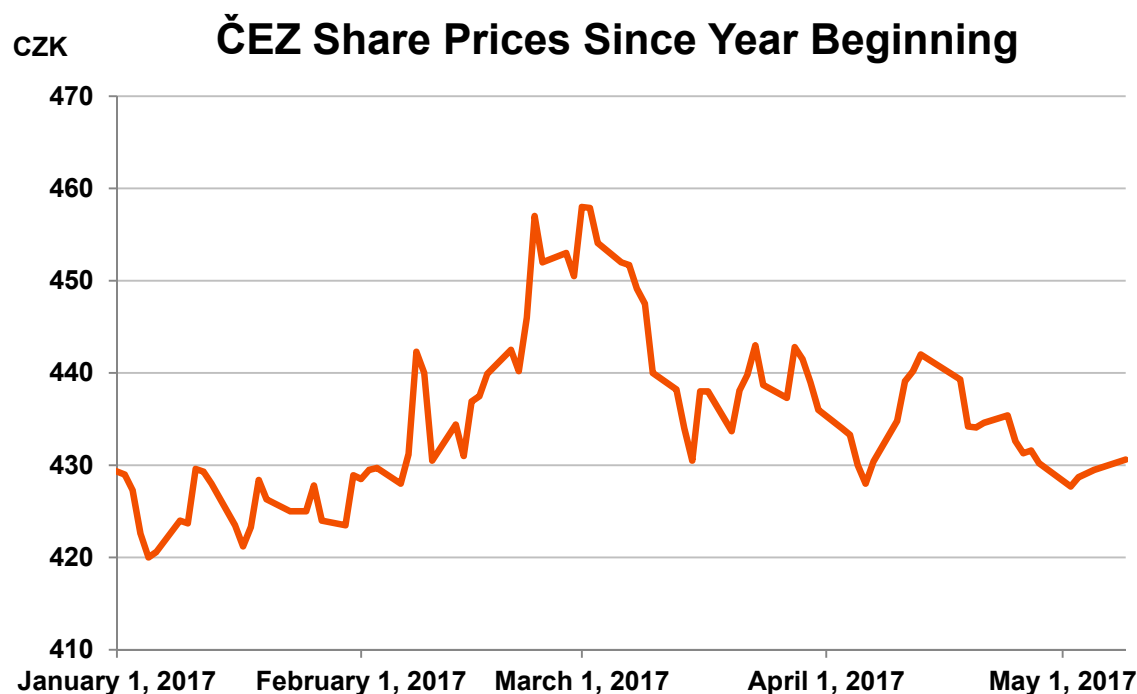


Text on the picture says:  
Celebrate with us 25 years  
A traveling exhibition to commemorate the history of ČEZ



## Q1 2017 FINANCIAL HIGHLIGHTS

- **Operating revenues** increased by 2% year-on-year to **CZK 52.8 bn.**
- **EBITDA** decreased by 5% year-on-year to **CZK 19.0 bn.**
- **Net income** decreased by 13% year-on-year to **CZK 8.7 bn.**
- **Adjusted net income** decreased by 12% year-on-year to **CZK 8.8 bn.**



**ČEZ share price** on PSE was **CZK 430.6** as at May 9, 2017.

# SELECTED EVENTS IN THE PAST QUARTER

## OPERATIONS TEAM



### **In Q1, CEZ Group (Generation—Traditional Energy segment) generated 16.8 TWh (+2%)**

- The availability of generating facilities and favorable market conditions permitted higher generation and an additional margin (CZK +0.7 bn) as compared to plan, especially on the successful use of the Počerady gas-fired power plant and trouble-free operation of Temelín NPP

### **Licensing process for further operation of Dukovany NPP units continues according to a plan**

- On Jan 2, an application for an operating license for Unit 2 was submitted to SÚJB; on May 31 the Consolidated Readiness Report will be submitted to SÚJB and we expect SÚJB's decision by Jul 10, 2017
- Applications for operating licenses for Units 3 and 4 will be submitted to SÚJB on Jun 30; we expect preparation of the Consolidated Readiness Report will be completed by Dec 1, 2017

### **Mission of 25 experts from WANO (World Association of Nuclear Operators) checked up Dukovany NPP**

- On Apr 7 a two-week review of all power plant operations was completed. The results confirmed that Units 2, 3, and 4 are ready for extension of operation.
- It identified 2 good practices transferable to other power plants (a method for turbine oil checks and a system of action cards during a fire alarm)
- Out of 19 areas with the potential for an improvement identified in 2012, 10 of them were successfully resolved. In 9 areas, e.g. suppliers work supervision, human performance quality and human error prevention, the improvements are being realized on a project basis.
- Measures taken will be evaluated in 2019



# SELECTED EVENTS IN THE PAST QUARTER

## DEVELOPMENT TEAM

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### **In Q1, CEZ Group (Generation—New Energy segment) generated 0.6 TWh (+18 %)**

- Growth mainly due to the acquisition of wind power plants in Germany and the rise in production of wind parks in Romania

### **On Mar 31, rules governing support for renewable electricity generation entered into force in Romania increasing the transparency of the whole system of support**

- The period of tradability of green certificates was extended
  - Certificates issued for the period ending Mar 31, 2017 have their lifespan limited to 12 months
  - All certificates issued for the period starting Apr 1, 2017 are tradable until Mar 31, 2032
- The permissible price range for green certificates was adjusted to EUR 29.4 – EUR 35 (fixed values, also applicable to future periods without adjustment for inflation)
- The updated regulatory scheme assumes an obligation to buy a constant annual amount of green certificates for 15 years, starting Apr 1, 2017, so that all green certificates are absorbed at the end of the 15-year period
- The annual number of green certificates that can be absorbed by the market for 2017 and 2018 is 14.91 million green certificates (it was 12.6 million green certificates in 2016)

### **Through Inven Capital, we acquired a share in the German company CLOUD&HEAT**

- Cloud&Heat designs, builds, and operates environmentally friendly, water-cooled, public and private data centers for cloud computing
- The Cloud&Heat solution makes use of heat from servers to heat offices and water in office buildings and other business premises
- The result is up to 50% reduction in operating costs in comparison with conventional solutions

# SELL OF MOL SHARES - SUCCESSFUL INVESTMENT APPRECIATION FOR SHAREHOLDERS



## Summary Since 2007

- Under a strategic partnership with Hungarian company MOL, created to build new gas-fired power plants, CEZ Group acquired 7.5% of MOL shares for CZK 15.7 bn and became a shareholder in MOL's Slovnaft (Slovakia) and Dunamenti (Hungary) heating plants
- Due to the subsequent financial crisis and unfavorable market conditions for return on investment in gas-fired power plants, the planned construction projects did not materialize
- In 2014, CEZ Group issued convertible EUR bonds maturing in August 2017
- CEZ Group sold its shares in MOL's heating plants in Hungary in 2014 and in Slovakia in 2016
- In April 2017, sale of the MOL shares was settled and the convertible bonds were redeemed early\*

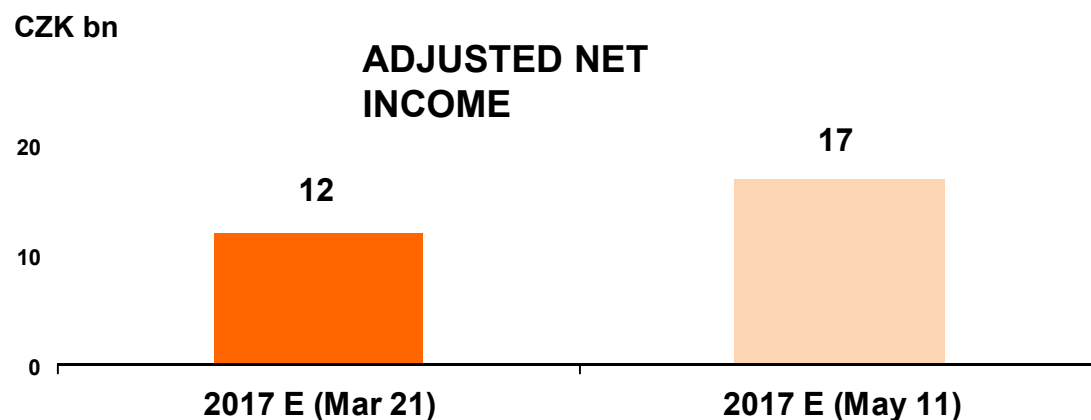
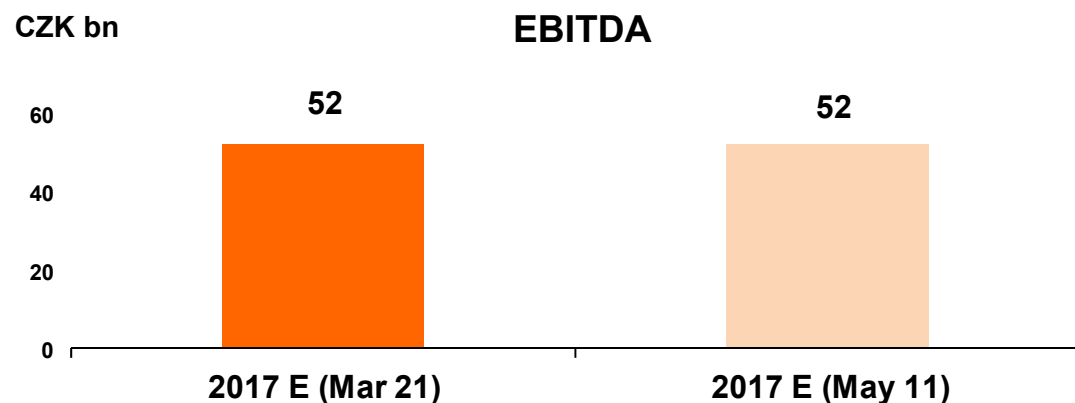
## CZK +3.4 bn - total positive cash-flow balance for CEZ Group

- This value includes total cash flows arising from shareholding, received dividends, option premiums, financing costs, and related charges, as well as the appreciation of shares in tangible assets (the heating plants concerned)
- The appreciation of the shareholding over the period in question was 4.5%\*\* p.a. (for comparison, the average yield of the EURO STOXX index from Jan 31, 2008 to Jan 31, 2017 was 4.0% p.a.)

## CZK +4.5 bn - expected accounting impact on the 2017 Adjusted Net Income, of which:

- CZK +3.3 bn is the effect of the actual transaction of selling the shares and redeeming the convertible bonds
- CZK +1.2 bn is the effect of recognizing the revaluation of the MOL stock option in 2017 revenues

# WE INCREASE OUTLOOK FOR ADJUSTED NET INCOME TO CZK 17 BN, KEEP EBITDA AT 52 CZK BN



## Selected reasons for improved outlook in comparison with estimate from Mar 21, 2017:

- Successful sale of MOL shares
- Lower depreciation and amortization and the effect of higher capitalized interest, primarily in connection with postponed date of final acceptance of Ledvice Power Plant for operation
- Other effects

## Outlook risks and opportunities:

- Availability of generating facilities in Czechia
- Changes in regulatory and legislative conditions for the energy sector in Europe
- Potential income from possible sale of coal-fired Počerady Power Plant

# AGENDA

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## **Market Position**

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# CEZ GROUP FINANCIAL RESULTS



(CZK bn)		Q1 2016	Q1 2017	Change	%
Revenues		51.9	52.8	+0.9	+2%
EBITDA		20.0	19.0	-1.0	-5%
EBIT		13.0	11.7	-1.3	-10%
Net income		10.0	8.7	-1.3	-13%
Net income - adjusted *		10.0	8.8	-1.2	-12%
Operating CF		15.2	12.7	-2.5	-16%
CAPEX		4.4	4.3	-0.1	-3%
Net debt **		123.3	139.2	+15.8	+13%

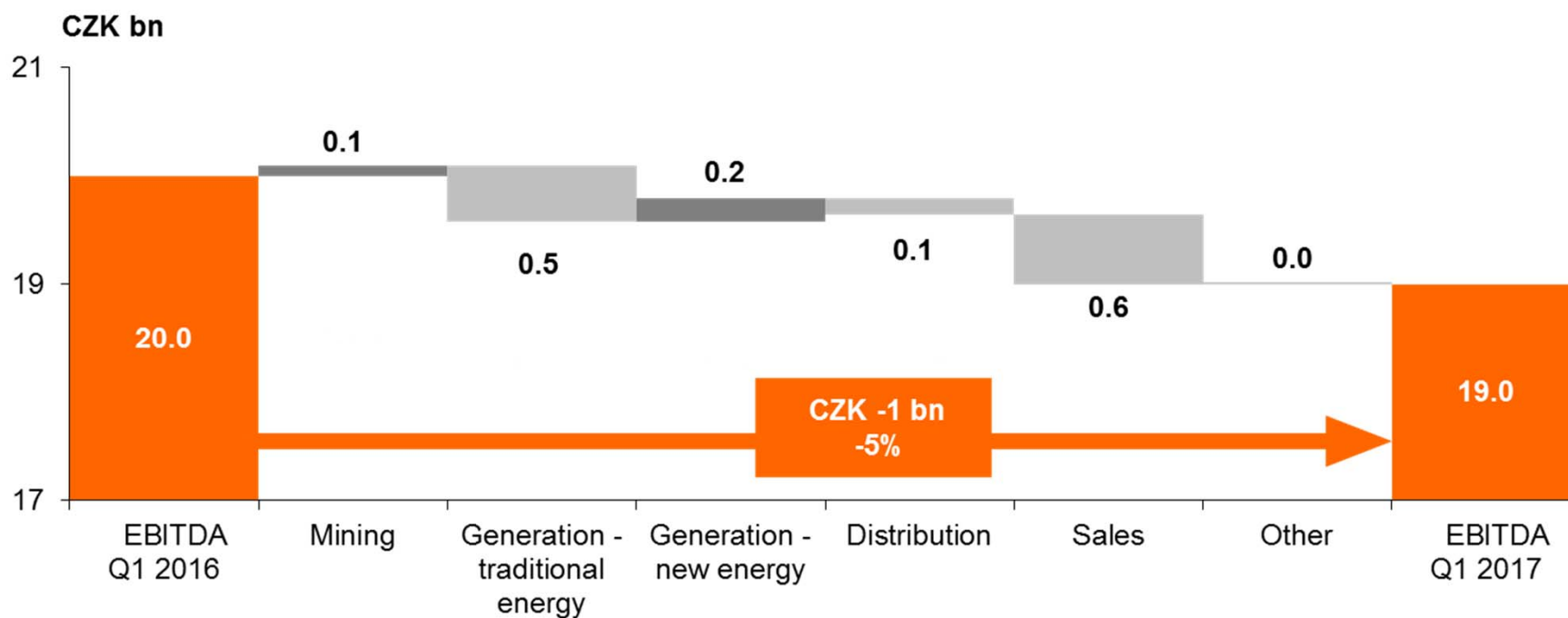
  

		Q1 2016	Q1 2017	Change	%
Installed capacity **	GW	15.9	15.3	-0.6	-4%
Generation of electricity	TWh	17.0	17.4	+0.4	+2%
Electricity distribution to end customers	TWh	13.8	14.6	+0.8	+6%
Electricity sales to end customers	TWh	10.1	10.4	+0.3	+3%
Sales of natural gas to end customers	TWh	3.0	3.7	+0.8	+26%
Sales of heat	000 TJ	9.8	10.0	+0.2	+2%
Number of employees **	000's	25.9	26.7	+0.8	+3%

\* Adjusted Net Income = 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).

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

## YEAR-ON-YEAR CHANGE IN EBITDA BY SEGMENT



## SEGMENT: GENERATION—TRADITIONAL ENERGY



EBITDA (CZK bn)	Q1 2016	Q1 2017	Change	%
Czechia	9.6	9.1	-0.5	-5%
Poland	0.5	0.4	-0.1	-11%
Other states	0.0	0.0	0.0	+12%
<b>Generation - traditional energy</b>	<b>10.0</b>	<b>9.5</b>	<b>-0.5</b>	<b>-5%</b>

### Czechia (CZK -0.5 bn)

- Lower realization prices of generated electricity, including the effect of hedges (CZK -0.7 bn)
- Lower profit on commodity trading (CZK -0.5 bn)
- Lower revenue from ancillary services (CZK -0.1 bn)
- Effect of settlement agreement with Sokolovská uhelná (CZK +0.7 bn)
- Change in amount and structure of generation (CZK +0.3 bn), primarily higher generation in conventional and CCGT facilities
- Other effects (CZK -0.2 bn), primarily revaluation of derivatives

### Poland (CZK -0.1 bn)

- Primarily lower generation due to lower utilization of certificates (lower volume of biomass co-firing) and due to stricter emission ceilings for NO<sub>x</sub>

## SEGMENT: GENERATION–NEW ENERGY



EBITDA (CZK bn)	Q1 2016	Q1 2017	Change	%
Czechia	0.3	0.3	0.0	-4%
Romania	0.6	0.7	+0.1	+16%
Germany	0.0	0.1	+0.1	-
Other states	0.0	0.0	0.0	+74%
<b>Generation - new energy</b>	<b>0.9</b>	<b>1.1</b>	<b>+0.2</b>	<b>+22%</b>

### Romania (CZK +0.1 bn)

- Higher generation level at Fântânele and Cogeaalac wind farms (due to production restrictions imposed by the transmission system operator in 2016)

### Germany (CZK +0.1 bn)

- Effect of new wind turbines in Germany, purchased by CEZ Group at the end of 2016

## SEGMENT: DISTRIBUTION



EBITDA (CZK bn)	Q1 2016	Q1 2017	Change	%
Czechia	4.5	4.5	-0.1	-2%
Romania	0.4	0.3	-0.1	-34%
Bulgaria	0.3	0.4	+0.1	+25%
<b>Distribution</b>	<b>5.3</b>	<b>5.1</b>	<b>-0.1</b>	<b>-3%</b>

### Czechia (CZK -0.1 bn)

- Higher personnel costs due to increase in number of employees in relation to major investments required to prepare the distribution grid for advancement in decentralized energy

### Romania (CZK -0.1 bn)

- Lower margin on distributed electricity, primarily due to higher prices of electricity purchased to cover grid losses (CZK -0.2 bn)
- Lower operating expenses and positive effect in provisions and impairments (CZK +0.1 bn)

### Bulgaria (CZK +0.1 bn)

- Higher margin on distributed electricity, primarily due to higher amount of electricity distributed to end-use customers

## SEGMENT: SALES



EBITDA (CZK bn)	Q1 2016	Q1 2017	Change	%
Czechia	1.7	1.4	-0.2	-14%
Romania	0.0	-0.1	-0.2	-
Bulgaria	0.1	0.1	0.0	+6%
Other states	0.1	-0.1	-0.3	-
<b>Sales</b>	<b>1.9</b>	<b>1.2</b>	<b>-0.6</b>	<b>-34%</b>

### Czechia (CZK -0.2 bn)

- Lower gross margin on sales of electricity for technical losses in the distribution grid (CZK -0.1 bn)
- Other effects (CZK -0.1 bn)

### Romania (CZK -0.2 bn)

- Lower gross margin, primarily due to higher expenses on electricity purchases (CZK -0.2 bn)

### Other States (CZK -0.3 bn)

- Lower gross margin of CEZ Slovensko, primarily due to higher expenses on electricity and gas purchases (CZK -0.2 bn) and of CEZ Hungary (CZK -0.1bn), primarily due to higher expenses on electricity purchases

## MINING & OTHER SEGMENTS



EBITDA (CZK bn)	Q1 2016	Q1 2017	Change	%
Czechia	1.2	1.3	+0.1	+8%
<b>Mining</b>	<b>1.2</b>	<b>1.3</b>	<b>+0.1</b>	<b>+8%</b>

### Mining (CZK +0.1 bn)

- Higher revenue from coal sales, primarily in connection with external customers' higher demand for sized coal

EBITDA (CZK bn)	Q1 2016	Q1 2017	Change	%
Czechia	0.6	0.5	0.0	-7%
Romania	0.0	0.1	0.0	+91%
Other states	0.0	0.0	0.0	>200%
<b>Other</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>	<b>+3%</b>

## OTHER INCOME (EXPENSES)



(CZK bn)	Q1 2016	Q1 2017	Change	%
EBITDA	20.0	19.0	-1.0	-5%
<b>Depreciation, amortization and impairments*</b>	<b>-7.0</b>	<b>-7.4</b>	<b>-0.3</b>	<b>-5%</b>
<b>Other income (expenses)</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-0.2</b>	<b>-28%</b>
Interest income (expenses)	-0.5	-0.9	-0.4	-80%
Interest on nuclear and other provisions	-0.4	-0.4	0.0	-9%
Income (expenses) from investments and securities	0.4	-0.3	-0.7	-
Other	-0.3	0.6	+0.9	-
<b>Income taxes</b>	<b>-2.2</b>	<b>-2.0</b>	<b>+0.2</b>	<b>+11%</b>
Net income	10.0	8.7	-1.3	-13%
<b>Net income - adjusted</b>	<b>10.0</b>	<b>8.8</b>	<b>-1.2</b>	<b>-12%</b>

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

- Higher depreciation and amortization (CZK -0.4 bn), primarily due to started depreciation of comprehensively renovated Prunéřov Power Plant

### Other Income (Expenses) (CZK -0.2 bn)

- Effect of USD/TRY exchange rate (CZK -0.5 bn) on financial results of companies in Turkey\*\*
- Higher interest expenses in relation to lower interest capitalization after completion of comprehensive renovation of Prunéřov Power Plant in 2016 (CZK -0.5 bn)
- Revaluation of MOL stock option (CZK +0.8 bn) due to changes in market price of the share

### Net Income Adjustment

- Q1 2017 net income adjusted for the negative effect of partial goodwill write-off in Turkey (CZK +0.1 bn)\*\*

Note: The sale of MOL shares and the early redemption of convertible bonds were settled in April, so they will be recognized in Q2 2017.

# AGENDA

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Pavel Cyrani, Chief Sales Officer

# WHOLESALE MARKET AND CONSUMPTION CHANGES IN CZECHIA

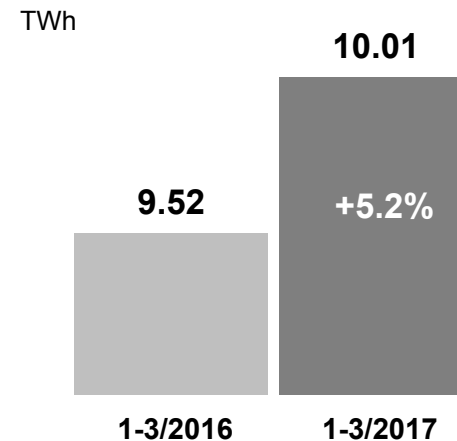


## WHOLESALE MARKET (prices as at May 9)

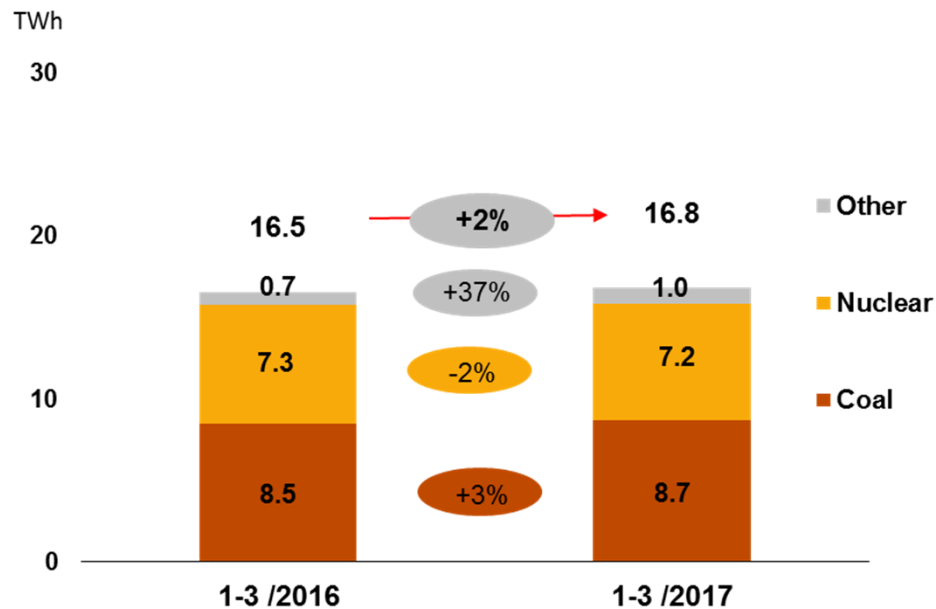
- The wholesale price of electricity in the German market was 28.8 EUR/MWh (2018 year band—EEX)
- The wholesale price of electricity in the Czech market was 29.1 EUR/MWh (2018 year band—EEX)
- The price of emission allowances was 4.6 EUR/t (delivery in December 2018—EEX)

## ELECTRICITY CONSUMPTION IN CZECHIA\*

- Increased y-o-y by 5.6%
- Temperature- and calendar-adjusted\*\* increase is 5.2%



# GENERATION—TRADITIONAL ENERGY



## Nuclear Power Plants (-2%)

- Extended outages at Dukovany NPP

## Czechia—Coal-Fired Power Plants (+3%)

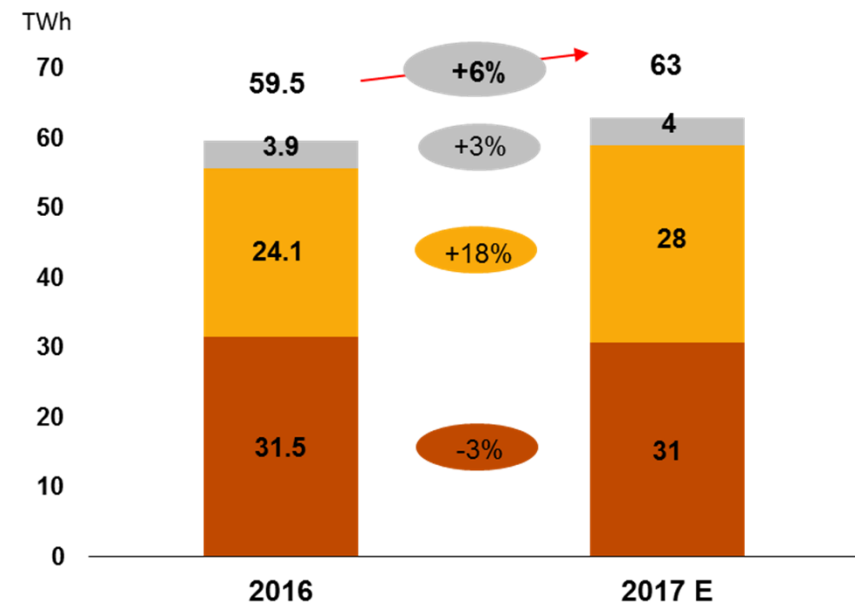
- + Operation of Ledvice 4 Power Plant (new facility) during construction

## Poland—Coal-Fired Power Plants (-4%)

- Stricter NO<sub>x</sub> emission ceilings resulting from Interim National Plan

## Other (+37%)

- + Primarily increased production at Počerady CCGT plant



## Nuclear Power Plants (+18%)

- + Shorter outages at Temelín NPP

## Czechia—Coal-Fired Power Plants (-3%) \*

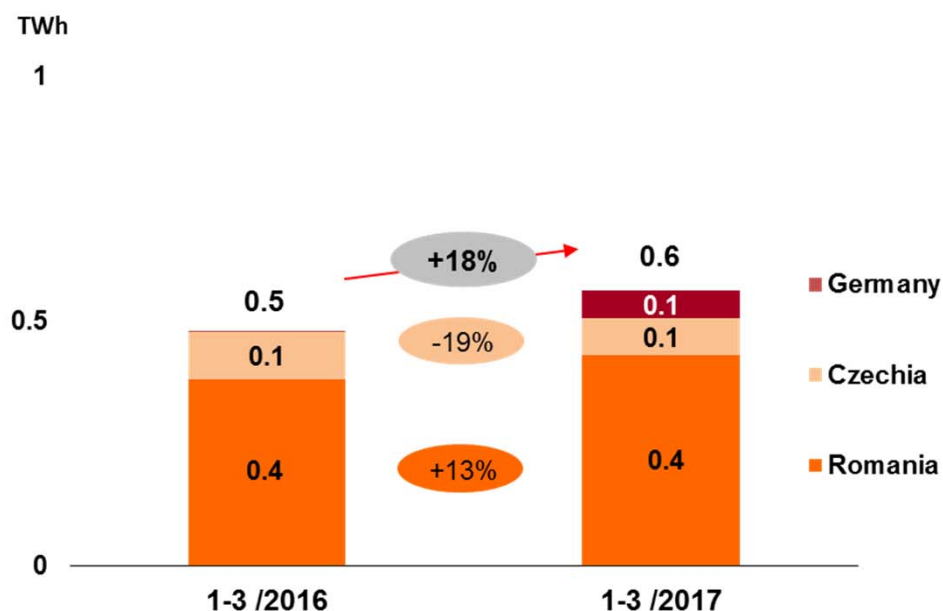
- Sale of Tisová Power Plant
- + Operation of Ledvice 4 Power Plant (new facility)
- + Operation of Pruněřov 2 Power Plant after comprehensive renovation

## Poland—Coal-Fired Power Plants (-4%)

- Stricter NO<sub>x</sub> emission ceilings resulting from Interim National Plan

\* In comparison with the outlook published on Mar 21, estimated generation decreased by 0.6 TWh, primarily at the new Ledvice generating facility

# GENERATION—NEW ENERGY



## Germany

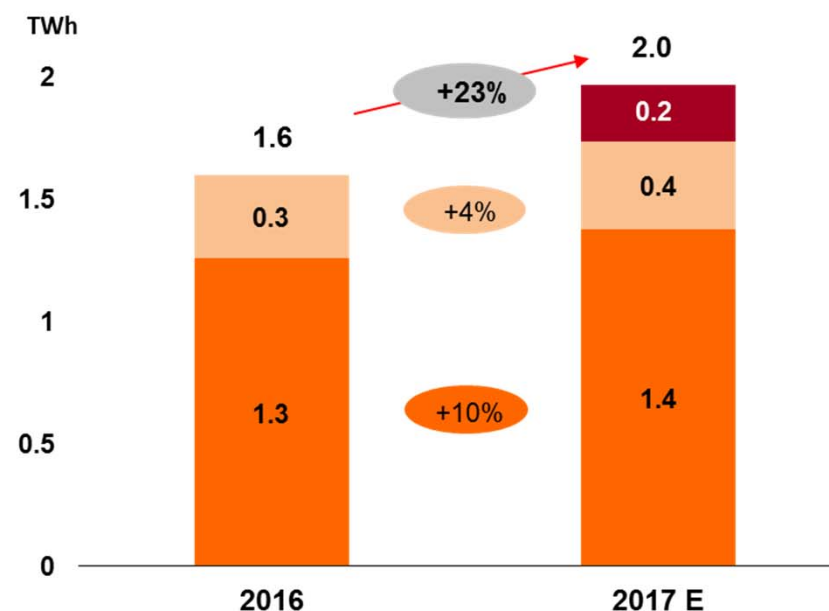
+ Acquisition of wind parks (Fohren-Linden and from wpd's portfolio) at the end of 2016

## Czechia (-19%)

– Lower deliveries from small hydroelectric power plants, partially offset by higher deliveries from photovoltaic power plants

## Romania (+13%)

+ Better weather conditions and absence of generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid



## Germany

+ Acquisition of wind parks (Fohren-Linden and from wpd's portfolio) at the end of 2016

## Czechia (+4%)

+ Average weather conditions

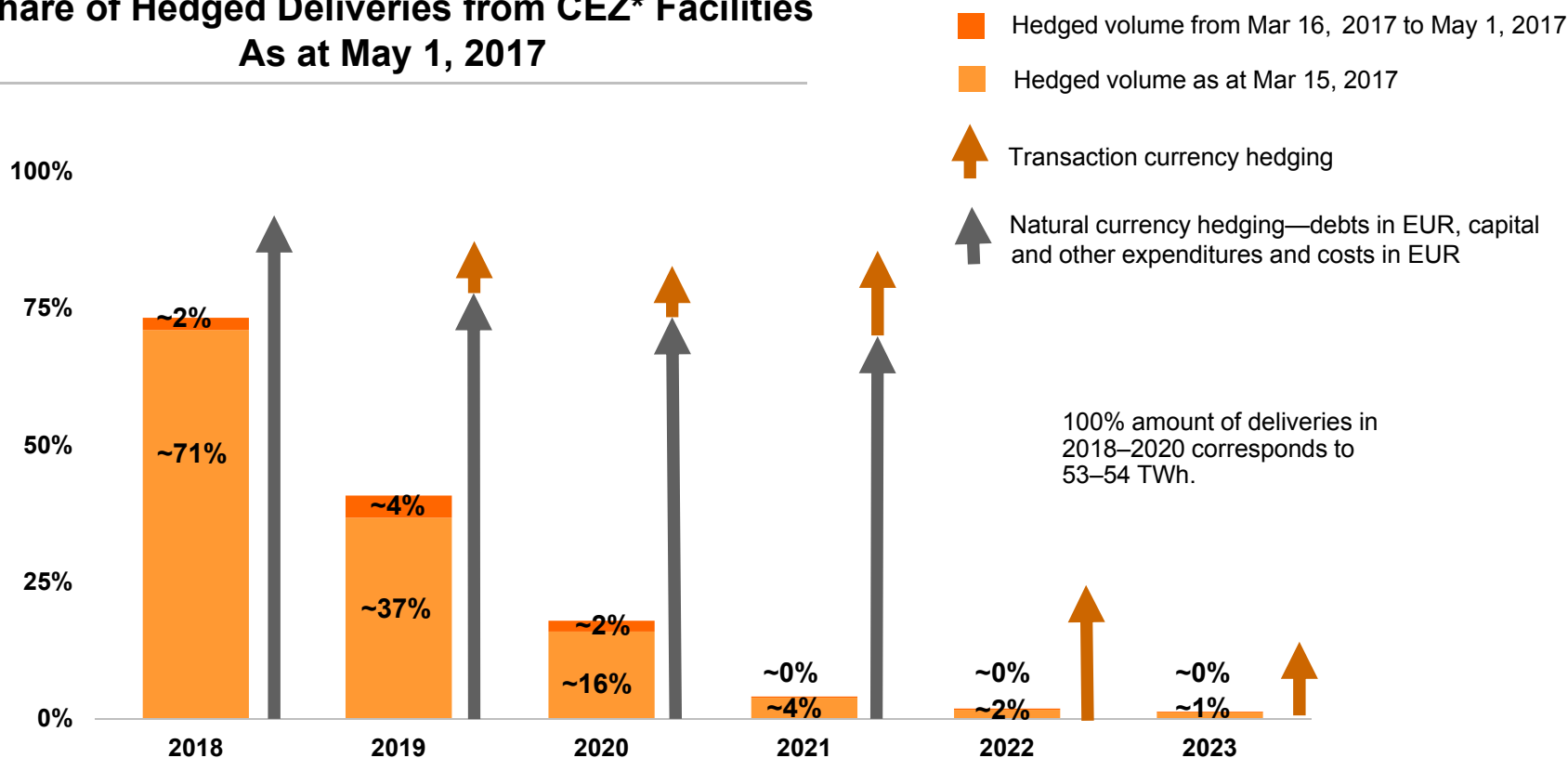
## Romania (+10%)

+ Better weather conditions and anticipated absence of generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid

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



## Share of Hedged Deliveries from ČEZ\* Facilities As at May 1, 2017



Total hedged (of production)

~ 73%

~ 41%

~ 18%

~ 4%

~ 2%

~ 1%

At price  
(EUR/MWh,  
BL equivalent)

29.0

29.0

33.5

31.0

34.5

37.0

## WE KEEP EXPANDING OUR OFFER OF PRODUCTS, COMBINING THEM TO FORM COMPREHENSIVE ECOSYSTEMS - CURRENT NEW OFFERINGS IN PHOTOVOLTAICS TO RESIDENTIAL CUSTOMERS



ČEZ Prodej has been delivering turnkey photovoltaic installations (i.e., providing consultations, delivering technology, and taking care of administration and subsidy under the New Green for Savings program) to its customers since 2016.

It offers the following premium services for photovoltaics:

- **Financing through ČEZ TECHNOLOGY CREDIT**
- **Battery system by sonnen to increase self-sufficiency**
- **Energy flow monitoring, servicing, and PV supervision**

And newly also:

- **Electricity for PV**
  - Bonus within the invoice from ČEZ Prodej according to the volume of electricity produced but not consumed by the customer
  - For owners of photovoltaic systems with installed capacity up to 10 kW (microsources), operated without a license
- **Rental of sonnen systems**
  - Renting a sonnen battery system that stores photovoltaic electricity
  - The customer can test performance efficiency and system handling to make a better decision on their investment
  - If the customer decides to buy the sonnen system within 6 months of the beginning of rental, the paid rent is deducted from the purchase price



# IN THE CORPORATE CUSTOMER SEGMENT, ČEZ ESCO CONTINUES ITS EXPANSION IN CZECHIA AND PREPARES TO ENTER SLOVAKIA



ČEZ ESCO founds its broad range of offered services on a set of acquired competences, which it also uses to provide expert support for the development of CEZ Group's ESCO services abroad. Now it plans to expand its direct operations to the Slovak market.

## Selected Projects in 2017

### Supply of Heat to Horní Slavkov

- 99 buildings, including 1,741 housing units
- Customers get lower prices compared to last year

### Construction of New Power Supply for SPOLCHEMIE

- New power supply for an industrial plant (110kV high voltage substation, 10kV high voltage transformer and substation)

### Electric Mobility in Třinec

- Ten charging stations for electric public transport buses
- The highest number of charging stations for electric buses in one place in Czechia

## ESCO products newly also in Slovakia

- The Slovak market is similar to Czech market in many aspects
- Potential to approach corporate customers from ČEZ Slovensko's existing commodity portfolio (approx. 4,000 entities with a trend growing by almost 30% since 2015)
- Moreover, some ČEZ ESCO subsidiaries (ENESA, ČEZ Energetické služby, AZ Klima) already have experience with projects in Slovakia

**ESCO projects contracted for 2017 are worth more than CZK 3.3 bn\***

(CZK 0.9 bn more than for 2016 as at Mar 31)

**We plan further acquisitions as well as establishing new subsidiaries in Slovakia.**

# ANNEXES

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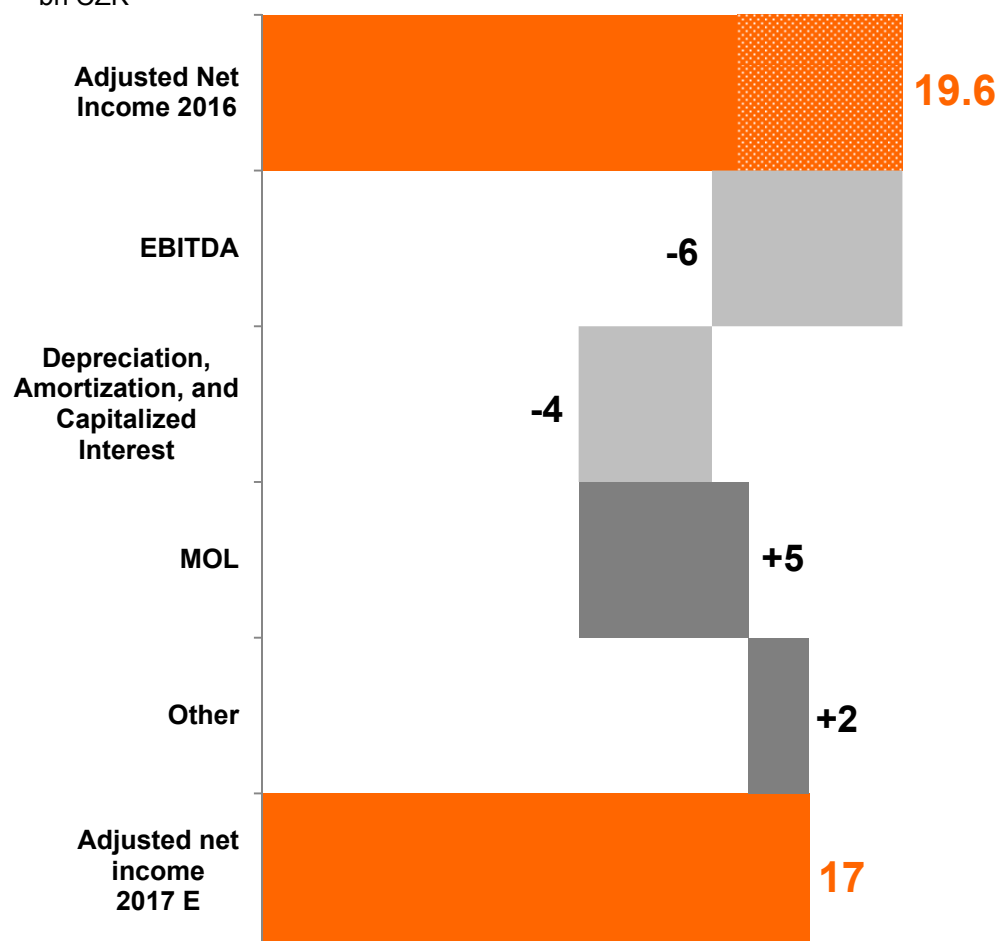
- Estimated Year-on-Year Change in Adjusted Net Income (2017 vs. 2016)
- Cash Flows
- Credit Facilities and Bonds
- Investments in Fixed Assets
- Balance Sheet Overview
- Mining
- Electricity Consumption
- Market Developments
- Electricity Procured and Sold
- Definitions of Alternative Indicators According to ESMA

# EXPECTED YEAR-ON-YEAR CHANGE IN NET INCOME

## MAIN CAUSES



bn CZK



### Main causes of year-on-year change:

#### EBITDA

- Lower profit on business activities and ancillary services
- Higher expenses on emission allowances
- Higher fixed expenses on safety at NPPs
- Decrease in electricity realization prices including hedging offset by increased production at NPPs
- Effect of unbilled electricity settlement in Czechia in 2016 and effect of correction factors (CZK -2.7 bn)
- Expected payment of SŽDC debt from 2011
- Positive effect of new RES acquisitions from late 2016 (CZK +0.4 bn)

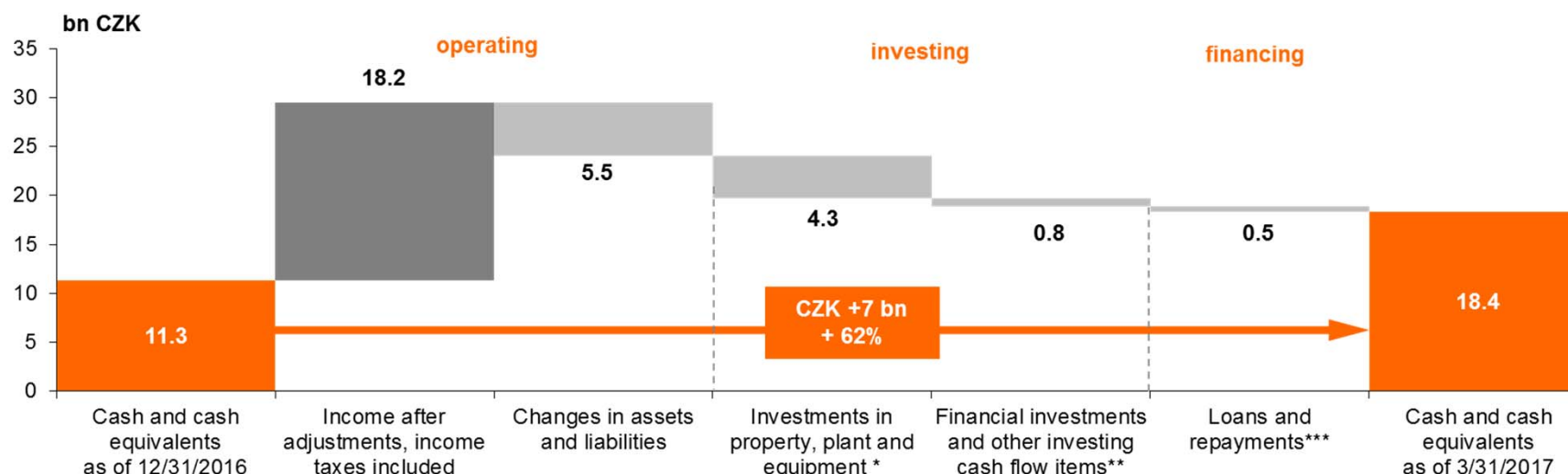
#### Depreciation, Amortization, and Capitalized Interest

- Increase in depreciation and amortization and lower interest capitalization, primarily due to expected completion of new coal-fired unit in Ledvice and due to completion of comprehensive renovation of Pruněřov Power Plant in 2016

#### MOL (CZK +5.2 bn in Total)

- Sale of MOL shares and early redemption of convertible bonds (CZK +3.3 bn)
- MOL option revaluation in 2016 (CZK +1.0 bn)
- MOL option recognition in 2017 (CZK +1.2 bn)
- Dividends received in 2016 (CZK -0.4 bn)

# CASH FLOWS AS AT MAR 31, 2017



## Cash Flows from Operating Activities (CZK +12.7 bn)

- Income after adjustments (CZK +18.2 bn): earnings before tax (CZK +10.7 bn), depreciation and amortization of nuclear fuel (CZK +8.4 bn), income tax paid (CZK -1.5 bn)
- Change in the balance assets and liabilities (CZK -5.5 bn): change in the balance of payables and receivables incl. advances and accruals/deferrals (CZK -6.8 bn), change in the balance of payables and receivables from derivatives incl. options (CZK -3.1 bn), other receivables and payables (CZK +2.8 bn), taxes and charges other than income tax (CZK +1.7 bn)

## Cash Flows Used in Investing Activities (CZK -5.1 bn)

- Investments in property, plant, and equipment—CAPEX (CZK -4.3 bn): see details in Annex
- Decrease in liabilities attributable to capital expenditure (CZK -1.9 bn)
- CMEPI B.V. (CZK +1.2 bn)

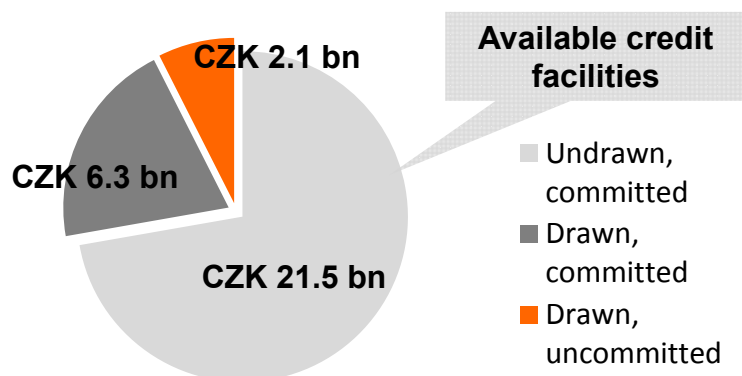
## Cash Flows Provided by Financing Activities (CZK -0.5 bn)

- Balance of loans and repayments

# CEZ GROUP MAINTAINS A STRONG LIQUIDITY POSITION

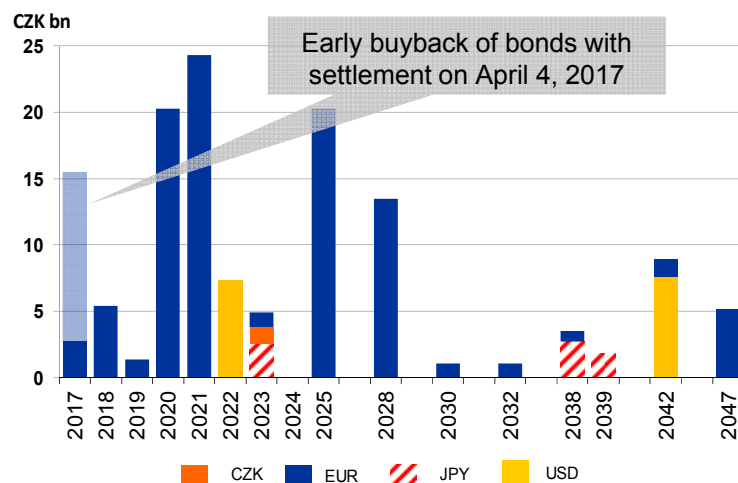


## Utilization of Short-Term Lines (as at Mar 31, 2017)



- CEZ Group has access to CZK 27.8 bn in committed credit facilities, using just CZK 6.3 bn as at Mar 31, 2017.
- Committed facilities are kept as a reserve for covering unexpected needs.

## Bond Maturity Profile (as at Mar 31, 2017)



- We managed to buy back approx. 99% of the convertible bonds and sell a corresponding number of MOL shares, decreasing CEZ Group's net debt by EUR 418 million (income from the shares sold minus bond buyback costs). The transaction was settled on April 4, 2017.

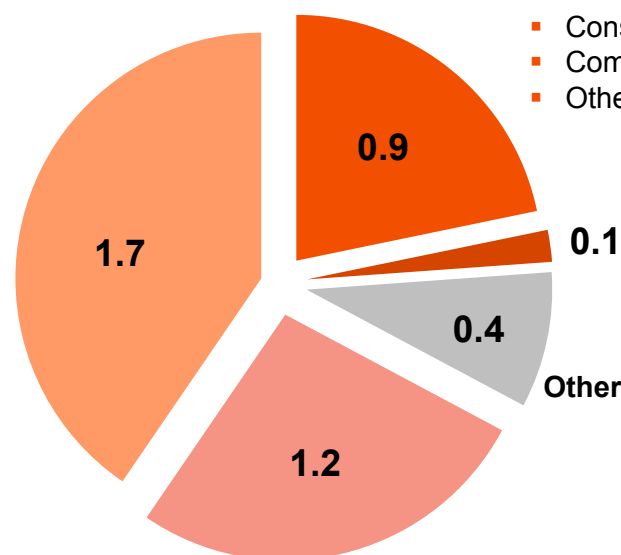
# INVESTMENTS IN FIXED ASSETS



**CZK 4.3 bn in total  
(Q1 2017)**

**Electricity distribution:**

- Czechia: CZK 1.3 bn
- Abroad: CZK 0.4 bn



**Conventional and other generating facilities:**

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

**Mining**—Projects reacting to the progress of extraction in the two mines (deliveries, renovation, and upgrades of mining equipment and dressing and crushing plants, construction of stabilization measures and water management structures)

**Nuclear facilities (incl. nuclear fuel procurement):**

- Existing Temelín and Dukovany nuclear power plants—Work continued on projects started in previous years, undertaken mostly to enhance nuclear safety and for plant renovation.
- New nuclear power plants at Temelín and Dukovany—Preparation of projects at both the Temelín and Dukovany sites continues in accordance with the approved National Action Plan for Nuclear Energy. Consultation meetings were held with potential contractors and EIA-related activities were carried out.

# BALANCE SHEET OVERVIEW AS AT MAR 31, 2017

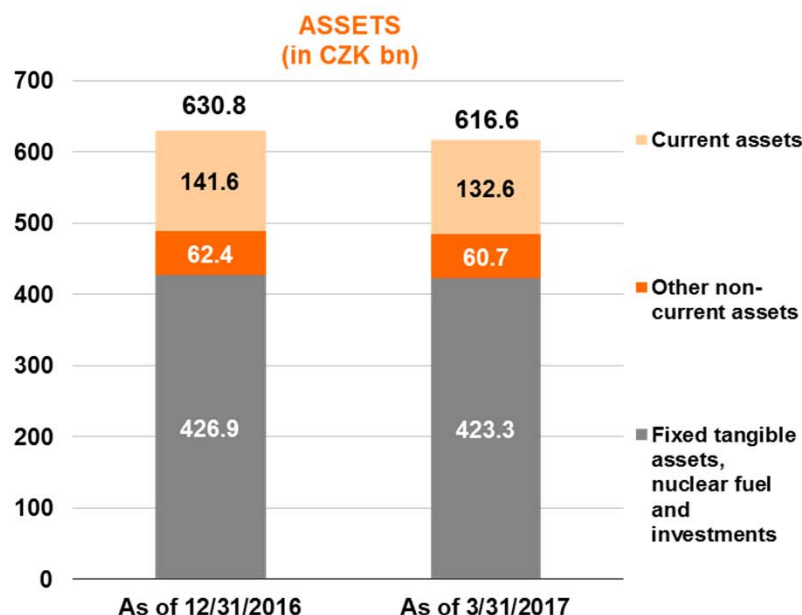


## Total property, plant and equipment decreased by CZK 3.6 bn

- Primarily due to depreciation and amortization (see slide Other Income (Expenses)), partially offset by capital expenditure (see CAPEX)

## Other non-current assets decreased by CZK 1.6 bn

- Decrease in the value of investment in associates and joint ventures of CZK -1.6 bn due to liquidation of CMEPI B.V. of CZK -1.2 bn



## Current assets decreased by CZK 9.0 bn

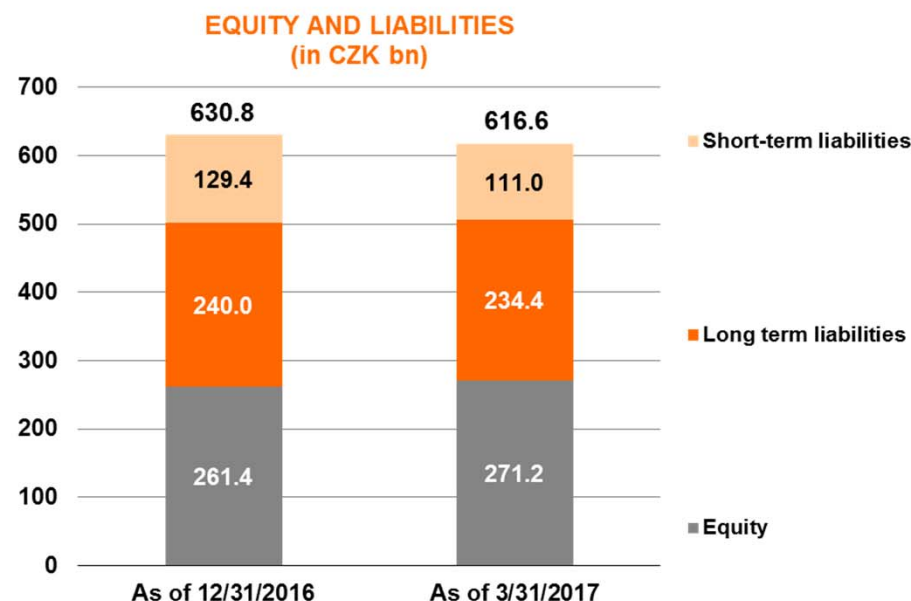
- Decrease in receivables from derivatives incl. options of CZK -17.3 bn
- Increase in cash and cash equivalents of CZK +7.1 bn
- Increase in trade payables incl. unbilled goods and services of CZK +1.4 bn
- Decrease in securities and term deposits of CZK -0.7 bn

## Equity increased by CZK 9.9 bn

- Increase in net income of CZK +8.7 bn
- Other comprehensive income of CZK +1.2 bn

## Long-term liabilities decreased by CZK 5.6 bn

- Decrease in bonds issued of CZK -5.3 bn and long-term bank loans of CZK -0.4 bn
- Decrease in long-term derivative liabilities of CZK -2.0 bn
- Increase in deferred tax liability of CZK +2.0 bn

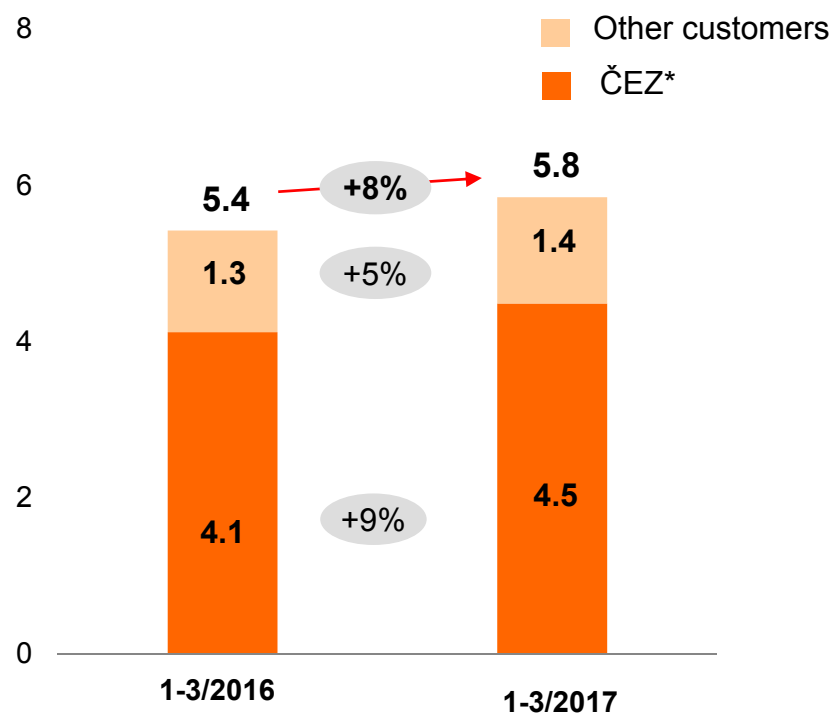


## Current liabilities decreased by CZK 18.4 bn

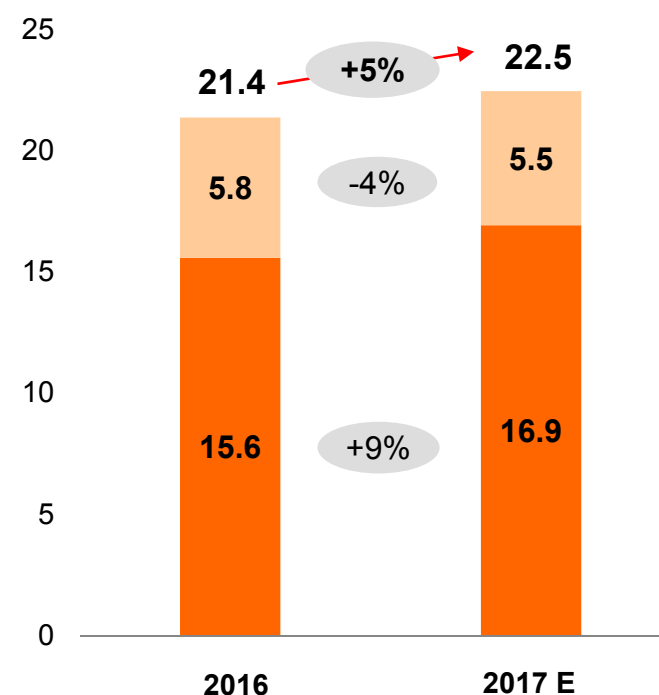
- Decrease in short-term payables from derivative trading incl. options of CZK -19.7 bn
- Decrease in unbilled goods and services of CZK -3.3 bn
- Decrease in trade payables including advances of CZK -2.6 bn
- Increase in short-term bank loans incl. current portion of long-term debt of CZK +5.3 bn
- Increase in other liabilities of CZK +0.8 bn
- Increase in accrued interest of CZK +0.7 bn



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



- Increase in saleable output of 426,000 tons of coal primarily due to increased demand for thermal coal by ČEZ

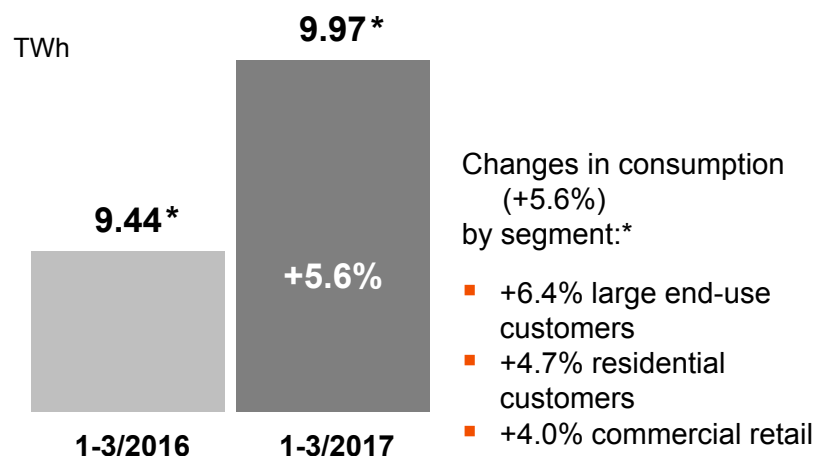


- Year-on-year increase in saleable production of 1.1 million tons of coal due to expected increase in thermal coal consumption by ČEZ

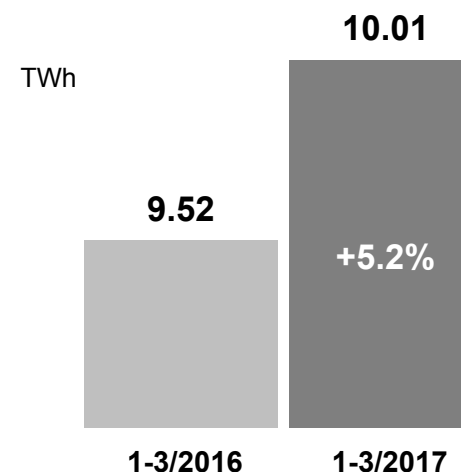
# ELECTRICITY CONSUMPTION IN THE DISTRIBUTION AREA OF ČEZ DISTRIBUCE GREW YEAR-ON-YEAR



**Consumption in the Distribution  
Area of ČEZ Distribuce**

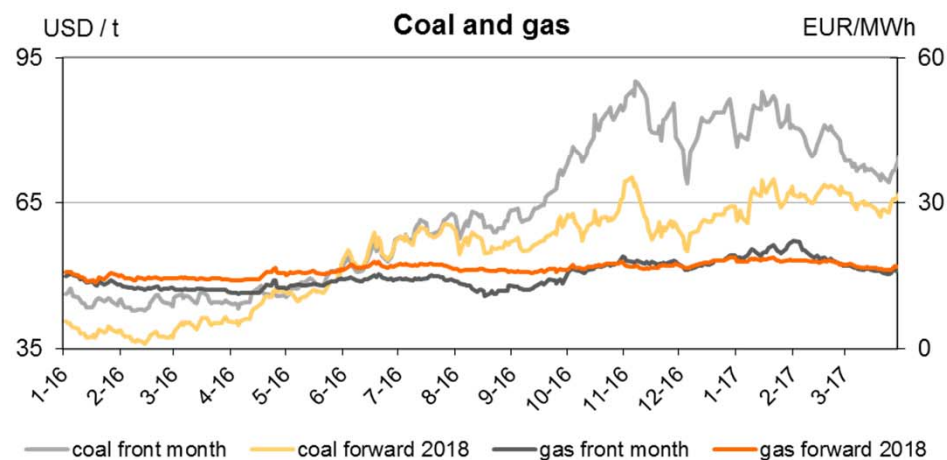
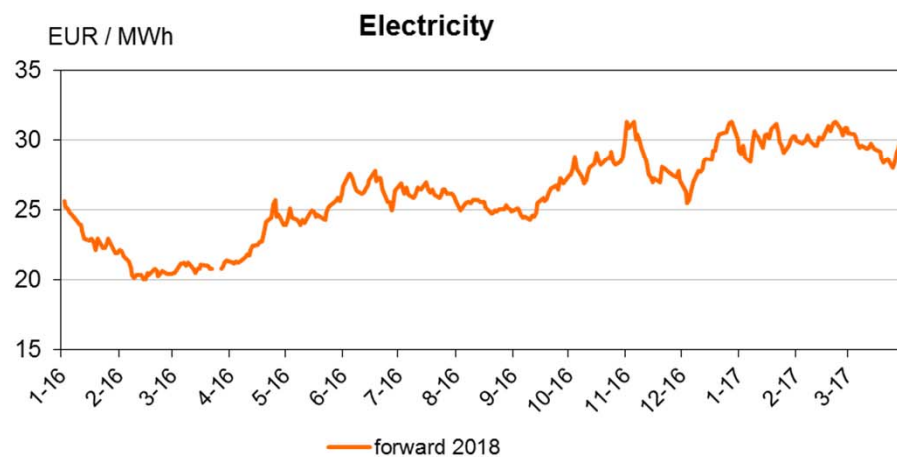
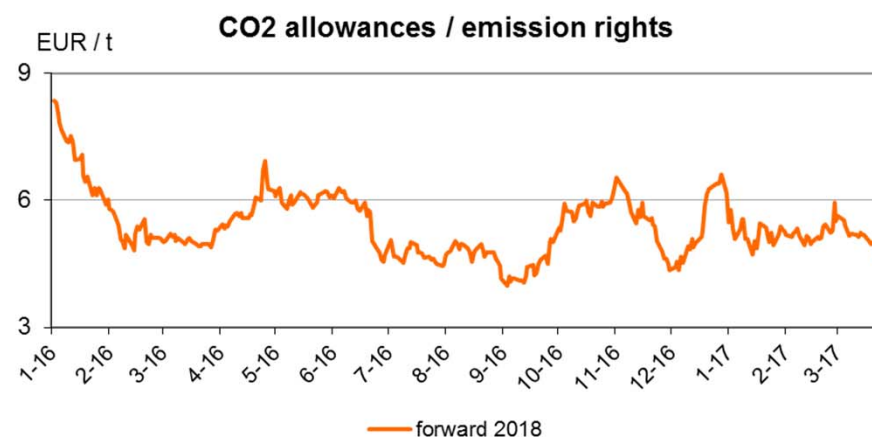
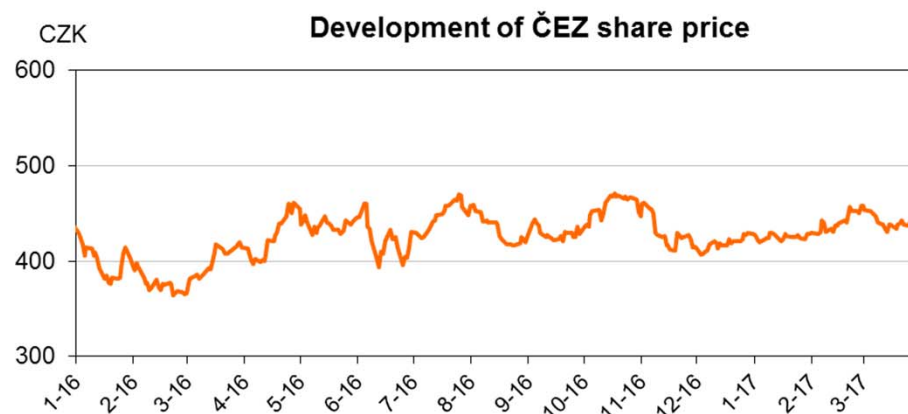


**Temperature- and Calendar-Adjusted\*\*  
Consumption**  
(in the Distribution Area of ČEZ Distribuce)



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

# MARKET DEVELOPMENTS



**Electricity balance (GWh)**

	Q1 2016	Q1 2017	Index 2017/2016
<b>Electricity procured</b>	<b>15,245</b>	<b>15,673</b>	<b>+3%</b>
Generated in-house (gross)	16,996	17,409	+2%
In-house and other consumption, including pumping in pumped-storage plants	-1,751	-1,736	-1%
<b>Sold to end customers</b>	<b>-10,127</b>	<b>-10,438</b>	<b>+3%</b>
<b>Sold in the wholesale market (net)</b>	<b>-3,752</b>	<b>-3,828</b>	<b>+2%</b>
Sold in the wholesale market	-48,099	-63,318	+32%
Purchased in the wholesale market	44,347	59,490	+34%
<b>Grid losses</b>	<b>-1,366</b>	<b>-1,407</b>	<b>+3%</b>

**Electricity generation by source (GWh)**

	Q1 2016	Q1 2017	Index 2017/2016
Nuclear	7,327	7,167	-2%
Coal and lignite	8,265	8,512	+3%
Water	611	573	-6%
Biomass	205	175	-14%
Photovoltaic	20	23	+14%
Wind	365	467	+28%
Natural gas	203	492	+143%
Bio gas	0	1	+102%
<b>Total</b>	<b>16,996</b>	<b>17,409</b>	<b>+2%</b>

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

	Q1 2016	Q1 2017	Index 2017/2016
Households	-4,040	-4,189	+4%
Commercial (low voltage)	-1,469	-1,472	+0%
Commercial and industrial (medium and high voltage)	-4,619	-4,777	+3%
<b>Sold to end customers</b>	<b>-10,127</b>	<b>-10,438</b>	<b>+3%</b>
 <b>Distribution of electricity to end customers</b>	 <b>-13,804</b>	 <b>-14,602</b>	 <b>+6%</b>

**Electricity balance (GWh)**

Q1 2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
<b>Electricity procured</b>	<b>15,116</b>	-	<b>556</b>	<b>+18%</b>	<b>0</b>	-	<b>0</b>	-	<b>0</b>	-	<b>15,673</b>	<b>+3%</b>
Generated in-house (gross)	16,847	-	562	+18%	0	-	0	-	0	-	17,409	+2%
In-house and other consumption, including pumping in pumped-storage plants	-1,730	-	-6	-4%	0	-	0	-	0	-	-1,736	-1%
<b>Sold to end customers</b>	<b>-38</b>	-	<b>0</b>	-	<b>0</b>	-	<b>-11,005</b>	<b>+4%</b>	<b>605</b>	<b>+17%</b>	<b>-10,438</b>	<b>+3%</b>
<b>Sold in the wholesale market (net)</b>	<b>-15,079</b>	-	<b>-556</b>	<b>+18%</b>	<b>1,407</b>	<b>+3%</b>	<b>11,005</b>	<b>+4%</b>	<b>-605</b>	<b>+17%</b>	<b>-3,828</b>	<b>+2%</b>
Sold in the wholesale market	-70,115	-	-801	+11%	0	-	-544	-32%	8,141	-4%	-63,318	+32%
Purchased in the wholesale market	55,036	-	245	-3%	1,407	+3%	11,549	+2%	-8,746	-3%	59,490	+34%
<b>Grid losses</b>	<b>0</b>	-	<b>0</b>	-	<b>-1,407</b>	<b>+3%</b>	<b>0</b>	-	<b>0</b>	-	<b>-1,407</b>	<b>+3%</b>

**Electricity generation by source (GWh)**

Q1 2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	7,167	-	0	-	0	-	0	-	0	-	7,167	-2%
Coal and lignite	8,512	-	0	-	0	-	0	-	0	-	8,512	+3%
Water	501	-	72	-23%	0	-	0	-	0	-	573	-6%
Biomass	175	-	0	-	0	-	0	-	0	-	175	-14%
Photovoltaic	0	-	23	+14%	0	-	0	-	0	-	23	+14%
Wind	0	-	467	+28%	0	-	0	-	0	-	467	+28%
Natural gas	492	-	0	-	0	-	0	-	0	-	492	+143%
Bio gas	0	-	1	+102%	0	-	0	-	0	-	1	+102%
<b>Total</b>	<b>16,847</b>	-	<b>562</b>	<b>+18%</b>	<b>0</b>	-	<b>0</b>	-	<b>0</b>	-	<b>17,409</b>	<b>+2%</b>

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

Q1 2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	0	-	0	-	0	-	-4,189	+4%	0	-	-4,189	+4%
Commercial (low voltage)	0	-	0	-	0	-	-1,472	+0%	0	-	-1,472	+0%
Commercial and industrial (medium and high voltage)	-37	-	0	-	0	-	-5,344	+5%	605	+17%	-4,777	+3%
<b>Sold to end customers</b>	<b>-38</b>	-	<b>0</b>	-	<b>0</b>	-	<b>-11,005</b>	<b>+4%</b>	<b>605</b>	<b>+17%</b>	<b>-10,438</b>	<b>+3%</b>

<b>Distribution of electricity to end customers</b>	<b>0</b>	-	<b>0</b>	-	<b>-14,602</b>	<b>+6%</b>	<b>0</b>	-	<b>0</b>	-	<b>-14,602</b>	<b>+6%</b>
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**Electricity balance (GWh)**

Q1 2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
<b>Electricity procured</b>	<b>14,565</b>	<b>+2%</b>	<b>627</b>	<b>-4%</b>	<b>425</b>	<b>+13%</b>	<b>1</b>	<b>+5%</b>	<b>55</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>15,673</b>	<b>+3%</b>
Generated in-house (gross)	16,209	+2%	714	-4%	430	+12%	1	+5%	55	-	0	-	17,409	+2%
In-house and other consumption, including pumping in pumped-storage plants	-1,645	-1%	-87	-5%	-5	-7%	0	-	0	-	0	-	-1,736	-1%
<b>Sold to end customers</b>	<b>-5,118</b>	<b>-3%</b>	<b>-743</b>	<b>+66%</b>	<b>-902</b>	<b>+0%</b>	<b>-2,923</b>	<b>+7%</b>	<b>-751</b>	<b>-2%</b>	<b>0</b>	<b>-</b>	<b>-10,438</b>	<b>+3%</b>
<b>Sold in the wholesale market (net)</b>	<b>-8,819</b>	<b>+6%</b>	<b>116</b>	<b>-</b>	<b>822</b>	<b>-3%</b>	<b>3,356</b>	<b>+6%</b>	<b>696</b>	<b>-9%</b>	<b>0</b>	<b>-</b>	<b>-3,828</b>	<b>+2%</b>
Sold in the wholesale market	-63,994	+31%	-673	-8%	-491	-12%	-28	-75%	-165	+200%	2,032	-1%	-63,318	+32%
Purchased in the wholesale market	55,175	+37%	789	+50%	1,313	-6%	3,384	+3%	862	+9%	-2,032	-1%	59,490	+34%
<b>Grid losses</b>	<b>-628</b>	<b>+2%</b>	<b>0</b>	<b>-</b>	<b>-345</b>	<b>+8%</b>	<b>-434</b>	<b>+0%</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-1,407</b>	<b>+3%</b>

**Electricity generation by source (GWh)**

Q1 2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	7,167	-2%	0	-	0	-	0	-	0	-	0	-	7,167	-2%
Coal and lignite	7,849	+3%	663	-1%	0	-	0	-	0	-	0	-	8,512	+3%
Water	552	-6%	2	-18%	19	-3%	0	-	0	-	0	-	573	-6%
Biomass	127	-4%	49	-33%	0	-	0	-	0	-	0	-	175	-14%
Photovoltaic	22	+14%	0	-	0	-	1	+5%	0	-	0	-	23	+14%
Wind	1	-37%	0	-	411	+13%	0	-	55	-	0	-	467	+28%
Natural gas	492	+143%	0	-	0	-	0	-	0	-	0	-	492	+143%
Bio gas	1	+102%	0	-	0	-	0	-	0	-	0	-	1	+102%
<b>Total</b>	<b>16,209</b>	<b>+2%</b>	<b>714</b>	<b>-4%</b>	<b>430</b>	<b>+12%</b>	<b>1</b>	<b>+5%</b>	<b>55</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>17,409</b>	<b>+2%</b>

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

Q1 2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	-2,279	+2%	0	-	-450	-3%	-1,422	+9%	-37	-6%	0	-	-4,189	+4%
Commercial (low voltage)	-636	-4%	-89	-	-231	-0%	-485	-12%	-31	+15%	0	-	-1,472	+0%
Commercial and industrial (medium and high voltage)	-2,202	-8%	-655	+46%	-221	+9%	-1,017	+15%	-682	-3%	0	-	-4,777	+3%
<b>Sold to end customers</b>	<b>-5,118</b>	<b>-3%</b>	<b>-743</b>	<b>+66%</b>	<b>-902</b>	<b>+0%</b>	<b>-2,923</b>	<b>+7%</b>	<b>-751</b>	<b>-2%</b>	<b>0</b>	<b>-</b>	<b>-10,438</b>	<b>+3%</b>
 <b>Distribution of electricity to end customers</b>	 <b>-9,967</b>	 <b>+5%</b>	 <b>0</b>	 <b>-</b>	 <b>-1,714</b>	 <b>+3%</b>	 <b>-2,921</b>	 <b>+9%</b>	 <b>0</b>	 <b>-</b>	 <b>0</b>	 <b>-</b>	 <b>-14,602</b>	 <b>+6%</b>

## Methods Used to Calculate Indicators Unspecified in IFRS

In accordance with ESMA guidelines, ČEZ provides detailed information on indicators that are not reported as standard in IFRS statements or the components of which are not directly available from standardized statements (financial statements). Such indicators represent supplementary information in respect of financial data, providing report users with additional information for their assessment of the financial position and performance of CEZ Group or ČEZ. In general, these indicators are also commonly used in other commercial companies, not only in the energy sector.

Indicator	
Net debt	<p><u>Purpose:</u> The indicator shows the real level of a company's financial debt, i.e. the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the company. The indicator is primarily used to assess the overall appropriateness of the company's debt, for example, in comparison with selected corporate profit or balance sheet indicators.</p> <p><u>Definition:</u> Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets).</p>
Adjusted Net Income (After-Tax Income, Adjusted)	<p><u>Purpose:</u> This is a supporting indicator, intended primarily for investors, creditors, and shareholders, that allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period.</p> <p><u>Definition:</u> Net Income (After-Tax Income) +/- additions to and reversals of impairments of property, plant, and equipment and intangible assets including goodwill +/- additions to and reversals of impairments of developed projects +/- other extraordinary effects that are generally unrelated to ordinary financial performance in a given year and value creation in a given period +/- effects of the above on income tax.</p>
Dividend per Share (Gross)	<p><u>Purpose:</u> The indicator expresses a shareholder's right to the payment of a share in a joint-stock company's profits (usually for the past year) corresponding to the holding of one share. The subsequent payment of the share in profits is usually subject to taxes, which may be different for different shareholders; therefore, the value before taxes is reported.</p> <p><u>Definition:</u> Dividend awarded in the current year, before taxes, per outstanding share (paid in the reported year from the profits of prior periods).</p>
EBITDA (EBIT Before Depreciation and Amortization, Impairments, and Asset Sales)	<p><u>Purpose:</u> This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the company's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.</p> <p><u>Definition:</u> Earnings Before Taxes and Other Expenses and Revenues + Depreciation and Amortization +/- Impairments of Property, Plant, and Equipment and Intangible Assets Including Goodwill (including Write-Off of Canceled Investments) + Sales of Property, Plant, and Equipment and</p>

Indicator	
	Intangible Assets.
Net debt / EBITDA	<p><u>Purpose:</u> This indicates a company's capability to decrease and pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows.</p> <p><u>Definition:</u> Net Debt / EBITDA. 12 month rolling EBITDA is used, i.e. EBITDA for the period from Apr 1 of previous year until Mar 31. Net debt figure at the end of periods is used, i.e. as of Mar 31.</p>

Most of the components used in the calculation of individual indicators are directly shown in financial statements. The components of calculations that are not included in the financial statements are usually shown directly in a company's books and are defined as follows:

**Net Debt indicator—Highly Liquid Financial Assets item (CZK millions):**

	As at Mar 31, 2016	As at Mar 31, 2017
Short-term debt securities available for sale	1,218	8
Short-term debt securities held to maturity	4,350	2,248
Short-term deposits	5,371	2,500
Long-term deposits	0	500
Long-term debt securities available for sale	677	4,647
<b>Highly liquid financial assets, total</b>	<b>11,614</b>	<b>9,902</b>

**Adjusted Net Income indicator—individual components:**

Adjusted Net Income (After-Tax Income, Adjusted) Unit		Q1 2016	Q1 2017
Net income	CZK millions	9,956	8,674
Impairments of property, plant, and equipment and intangible assets including goodwill	CZK millions	2	1
Impairments of developed projects*)	CZK millions	0	0
Impairments of property, plant, and equipment and intangible assets including goodwill at joint ventures**)	CZK millions	0	75
Effects of the additions to or reversals of impairments on income tax***)	CZK millions	0	0
Other extraordinary effects	CZK millions	0	0
<b>Adjusted net income</b>	<b>CZK millions</b>	<b>9,958</b>	<b>8,750</b>

\*) Included in the row Other operating expenses (impairments of inventories) in the Consolidated Statement of Income

\*\*) Included in the row Share of profit (loss) from joint ventures in the Consolidated Statement of Income

\*\*\*) Included in the row Income taxes (deferred tax) in the Consolidated Statement of Income