Internal Information

ČEZ Earned CZK 19 Billion for Shareholders in 2017

In 2017, CEZ Group's net income increased by 30% to CZK 19.0 billion, primarily due to a successful sale of MOL stock and an increase in electricity generation by nuclear power plants by 4 TWh. Earnings before interest, taxes, depreciation and amortization (EBITDA) were CZK 53.9 billion. The year-on-year decrease by 7% basically conforms to the decrease of realization prices of generated electricity. The positive effects of higher electricity generation in nuclear power plants and the benefits of new RES and ESCO acquisitions were eliminated by higher costs of emission allowances for generation from traditional sources and settlement of uninvoiced electricity in 2016.

Operating revenues totaled CZK 201.9 billion, which is a year-on-year decrease by 1%. Electricity generation from traditional sources recorded a year-on-year increase by 2% to 60.9 TWh. Electricity generation from renewable energy sources (i.e. from wind, photovoltaic and small hydroelectric power plants) achieved a year-on-year increase by 25%. The sale of natural gas to end customers increased by 21% year-on-year. CEZ Group demonstrates significant activity in the new energy sectors; operating revenues from ESCO activities grew by 118% to CZK 7.4 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased year-on-year by CZK 4.2 billion, which was mainly caused by the decrease in realization prices of the generated electricity (CZK -4.3 billion), settlement of uninvoiced electricity in 2016 and distribution corrective factors (CZK -1.7 billion), increase in costs of emission allowances (CZK -0.9 billion), and increase in costs of management of generating facilities (CZK -0.6 billion). On the other hand, increase in electricity generation from traditional sources and new acquisitions in the field of RES and ESCO reported a positive effect (CZK +2.5 billion and CZK +0.7 billion respectively).

"The year 2017 was a successful one for CEZ Group, both in terms of the income achieved and in terms of the fulfillment of our strategic goals. Our goals at the level of operating and net profits have been exceeded by nearly CZK 2 billion. We have obtained a long-term operating permit for the remaining three of the four units of the Dukovany Nuclear Power Plant. The entire process had been preceded not only by thousands of analyses and inspections, but also by years of ongoing upgrades. By the introduction of the new supercritical coal-fired unit in Ledvice, the largest capital project of Czech energy sector in the last decade has been completed: the comprehensive upgrade of the main brown coal-fired power plants located in mining regions (Tušimice, Prunéřov, Ledvice) and the construction of a CCGT power plant in Počerady. We have significantly strengthened our position in the field of new energy. The most significant acquisitions by CEZ Group in 2017 include the acquisition of the German company Elevion, which is one of the largest providers of comprehensive energy services (ESCO services) in the country and through which CEZ Group acquired more than 1,800 specialists, annual revenues of about CZK 8 billion and especially a crucial base for activities on the dynamically growing German ESCO market. In the area of RES, CEZ Group entered the

French market and further strengthened its position in Germany, where its installed capacity has already increased to almost 133.5 MW," said Daniel Beneš, the Chairman of the Board of Directors and Chief Executive Officer.

"In 2018, CEZ Group expects EBITDA at the level of CZK 51–53 billion and adjusted net income of CZK 12–14 billion. Taking into account significant one-off effects in 2017, this is actually a slight year-on-year increase. The high net income recorded in 2017 was a result of the following factors in particular: the sale of MOL stock (CZK +4.5 billion), the sale of real estate in Prague (CZK +1.1 billion), profit from commodity trading above the annual target (CZK +1.0 billion), appraisal of green certificates for Romanian wind farms—allocated in the previous years—following a positive change in regulation (CZK +0.8 billion), settlement agreement with Sokolovská uhelná (CZK +0.7 billion) and extra-judicial agreement with the Bulgarian state-owned company NEK (CZK +0.4 billion)," said Martin Novák, the Vice-Chairman of the Board of Directors and Chief Financial Officer.

Electricity consumption in the distribution area of ČEZ Distribuce increased by 2.4 % year-on-year; in temperature- and calendar-adjusted figures, this is 3.1 %.