



CONFERENCE CALL ON CEZ GROUP FINANCIAL RESULTS IN 2017

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

Prague, March 20, 2017

25 YEARS PASSED SINCE FOUNDATION OF ČEZ, A. S.



CEZ GROUP IN FIGURES:

- **Market capitalization: CZK 265bn** (+662%*)
- **Assets: CZK 626bn** (+544%)
- **Operating revenues: CZK 202bn** (+315%)
- **Number of employees: 29,698** (+116%)
- **Installed generating capacity: 14.9 GW** (+45%)
 - Of which, Traditional Energy: 13.9 GW
 - Of which, New Energy: 1.0 GW
- **Annual electricity generation: 62.9 TWh** (+36%)
- **Electricity customers**:** 7.7m (1992: 12 customers)
- **Gas customers**:** 0.4m (1992: 0 customers)

Taxes, dividends to the Czech government and donations since 1992 totalled to: CZK 600bn



Picture says: Celebrate with us 25 years.

YEAR 2017

CEZ GROUP YEAR-END CONFERENCE CALL



CEZ Group in the Context of the European Energy Sector and 2017 Summary

CEZ Group Summarized Financial Results in 2017

Operations Team's Results in 2017
and Ambitions for 2018

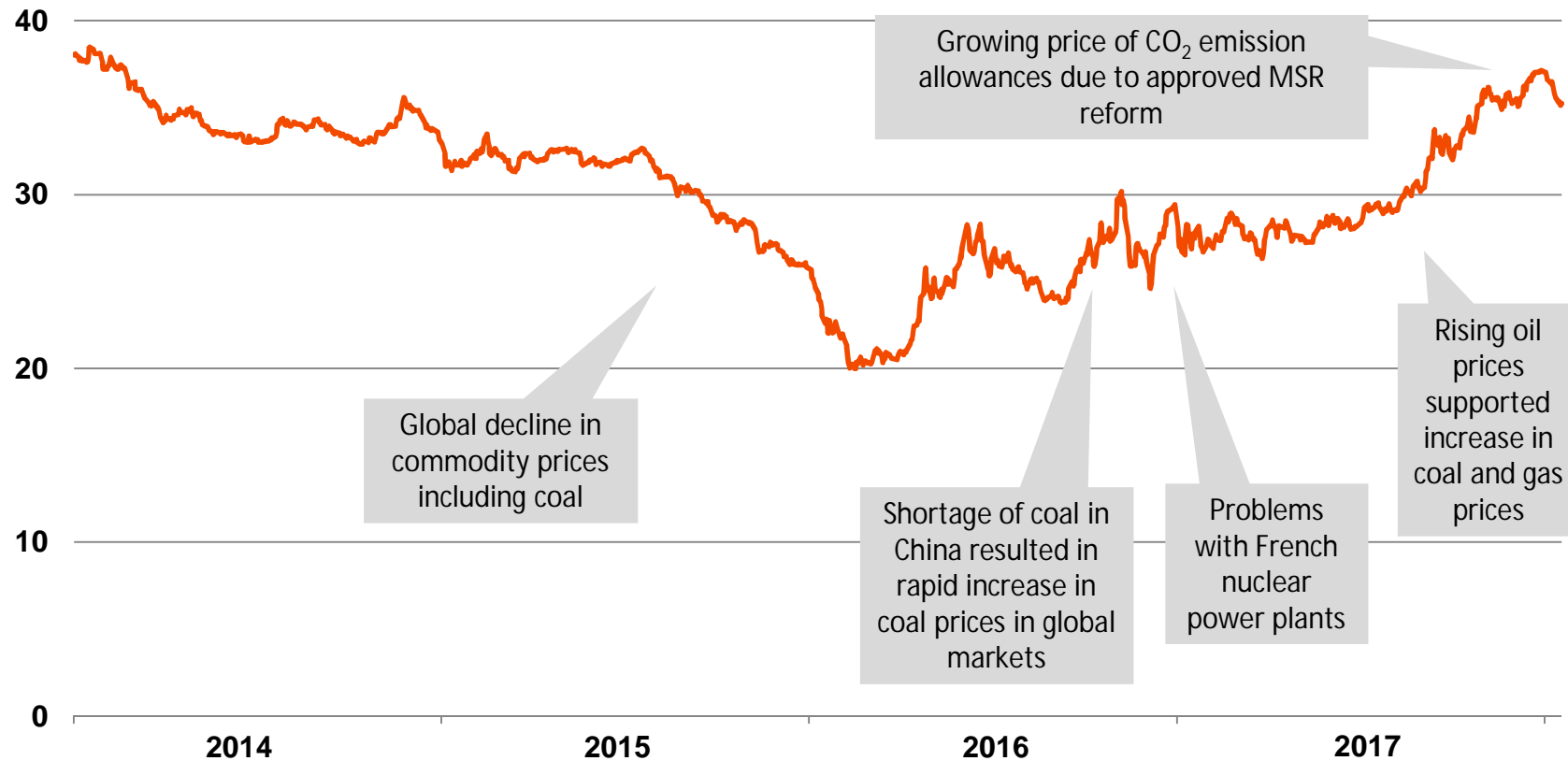
Development Team's Results in 2017
and Ambitions for 2018

CEZ Group's Ambitions for 2018

FORWARD ELECTRICITY PRICES SLIGHTLY GROWING FOR ALMOST 2 YEARS AFTER MANY YEARS OF DECLINE DUE TO GROWING COAL PRICES AND GROWING EMISSION ALLOWANCE PRICES



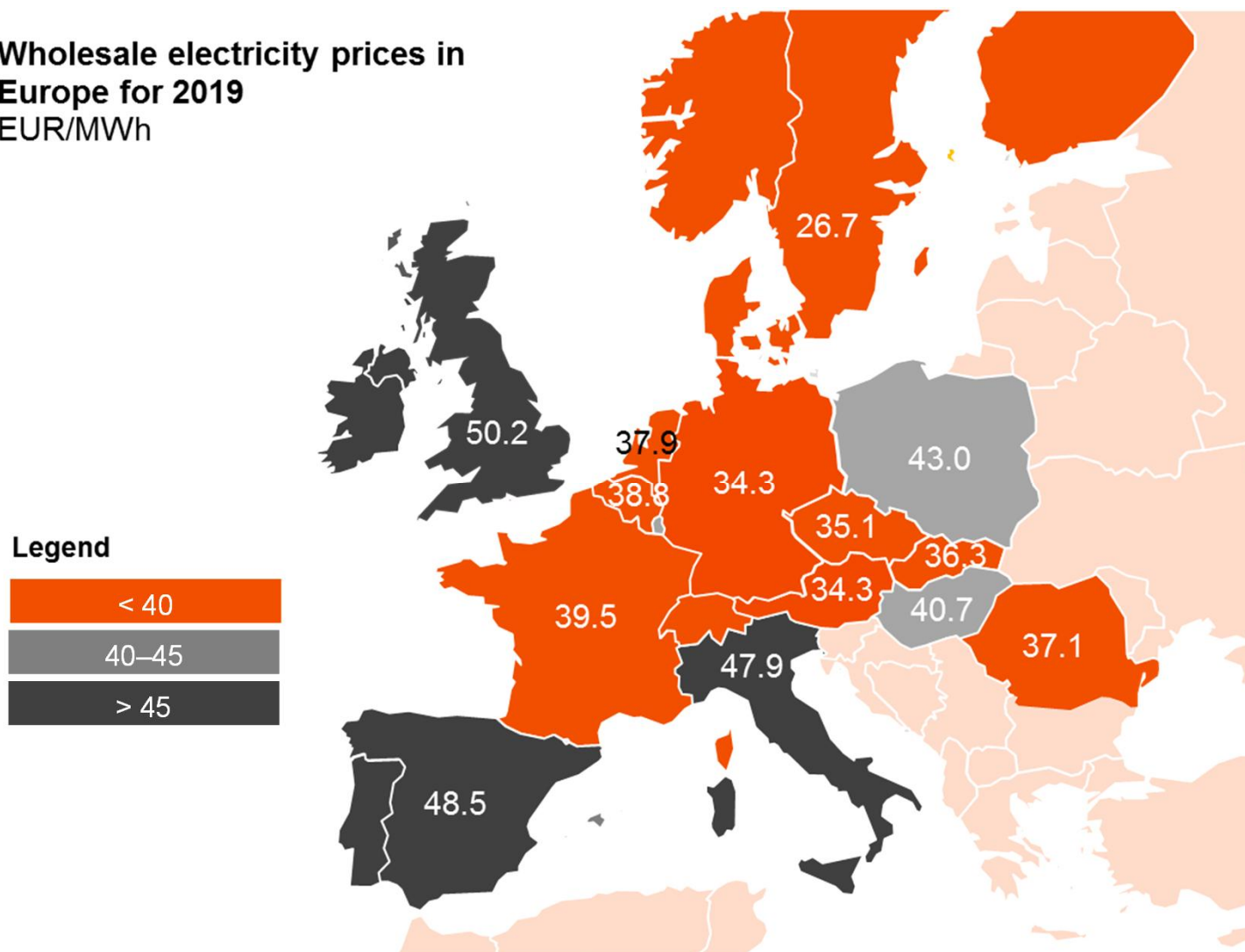
Wholesale price of electricity at EEX
EUR/MWh, 2019 Base Load



WHOLESALE ELECTRICITY PRICE IN CZECHIA IS AMONG THE LOWEST IN EUROPE



Wholesale electricity prices in Europe for 2019
EUR/MWh



MAJOR TRENDS IN THE ENERGY SECTOR AND EU REGULATION



Traditional energy is stagnating but remains an indispensable part of the energy sector

- Electricity consumption grows slightly due to economic growth but impact on wholesale electricity prices is eliminated by growing RES generation supply.
- There continues to be a surplus of capacities in the Central European market; RES are displacing conventional generating facilities, which additionally face increasingly strict environmental regulation.

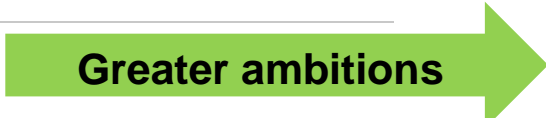
RES and decentralized energy are growing

- RES and decentralized solutions represent the biggest growth opportunity in the industry.
- Main RES technologies became cheaper than traditional facilities and European legislation and regulation keep highly promoting RES growth in Europe.
- Large oil corporations are starting to enter the sector (not only offshore wind farms).

Customers focus on comprehensive services associated with energy utilization

- Customers have growing interest in energy and active management of consumption and own production.
- Large customers outsource energy and facility management as a whole.
- The importance of energy savings is growing both for customers and in EU regulation.

WINTER PACKAGE DISCUSSIONS INDICATE POSSIBILITY OF MORE AMBITIOUS 2030 TARGETS FOR RES AND ENERGY EFFICIENCY



	2020	2030 (2014)	2030 (2018)
Reduction of greenhouse gas emissions from 1990 levels	<p>20%</p> <ul style="list-style-type: none"> ▪ Binding target at EU level ▪ Partial target for EU ETS: 21% reduction from 2005 levels by 2020 	<p>Min. 40%</p> <ul style="list-style-type: none"> ▪ Binding target at EU level ▪ Partial target for EU ETS: 43% reduction from 2005 levels by 2030 	<p>No change</p>
Share of renewable energy sources in total final energy consumption*	<p>20%</p> <ul style="list-style-type: none"> ▪ Binding target at national level ▪ Supported initially mainly through feed-in tariffs, auctions since 2017 	<p>Min. 27%</p> <ul style="list-style-type: none"> ▪ Binding target at EU level ▪ Support competed for in auctions except small installations 	<p>Proposals for 27–35%</p> <ul style="list-style-type: none"> ▪ Compromise between EU Council target (27%) and European Parliament target (35%) in Trialogue
Energy savings in comparison with levels of 2007 predictions	<p>20%</p> <ul style="list-style-type: none"> ▪ Indicative target at national level ▪ Mandatory energy-saving measures in final consumption 	<p>Min. 27%</p> <ul style="list-style-type: none"> ▪ Indicative target at EU level ▪ Mandatory energy savings in final consumption 	<p>Proposals for 30–35%</p> <ul style="list-style-type: none"> ▪ Compromise between EU Council target (30%) and European Parliament target (35%) in Trialogue

CEZ GROUP SELECTED KEY EVENTS AND ACHIEVED MILESTONES IN 2017



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

- Obtaining operating licenses for an indefinite period of time for Dukovany NPP Units 2, 3, and 4 and carrying out activities relating to conditions for further operation (defined by SÚJB)
- Ledvice power plant (660 MW_e) put into two-year pilot operation
- Generation division split into Conventional Energy and Nuclear Energy divisions in order to improve NPP processes and management
- ČEZ Distribuční služby and ČEZ Distribuce merged on Jan 1, 2018, finalizing a distribution redesign project that will add about CZK 0.2bn to annual EBITDA
- Commodity trading profit of CZK +1.9bn (i.e., CZK 0.6bn more than in 2016)

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

- ESCO group's operating revenues increased by 118% (CZK +4.0bn) to CZK 7.4bn
- Czech ESCO acquisitions: ČEZ Bytové domy, KART, Hormen CE, AirPlus, EASY POWER, and ČEZ Slovensko. Now 14 ESCO companies in Czechia in total
- ESCO acquisitions abroad: Elevion group, OEM Energy, and Metrolog
- Inven Capital—investments in Cloud&Heat and VU LOG, increased investment in tado
- ČEZ Prodej and ČEZ Zákaznické služby merged on Jul 1, 2017

III Strengthen and consolidate our position in Europe

- CEZ Group entered the French renewables market by acquiring 9 wind farms in an advanced stage of development (up to 101.8 MW)
- Acquisition of another 14 wind turbines with a total installed capacity of 35.4 MW increased German wind portfolio to 133.5 MW
- Varna power plant in Bulgaria sold. Negotiations concerning the sale of distribution and other Bulgarian assets finished (SPA signed on Feb 23, 2018)
- Sale of full 7.5% of shares in Hungarian company MOL and early redemption of exchangeable bonds. The transaction reduced net debt by CZK 12.6bn and added CZK +4.5bn to 2017 net income
- Sale of property adding CZK 1.1bn to 2017 income
- S&P affirmed ČEZ's credit rating of A- with a stable outlook in November 2017

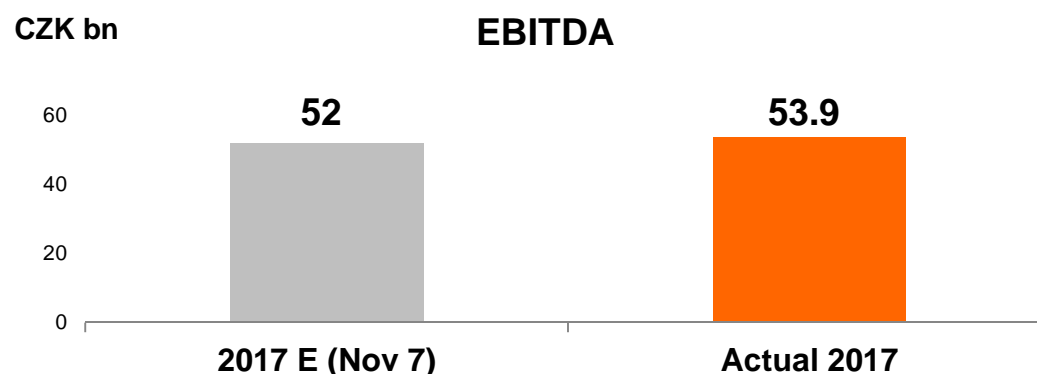
FINANCIAL HIGHLIGHTS OF 2017



- **Operating revenues** decreased by 1% year-on-year to **CZK 201.9bn**
- **EBITDA** decreased by 7% year-on-year to **CZK 53.9bn**
- **Net income** increased by 30% year-on-year to **CZK 19.0bn**
- **Adjusted net income** increased by 5% year-on-year to **CZK 20.7bn**

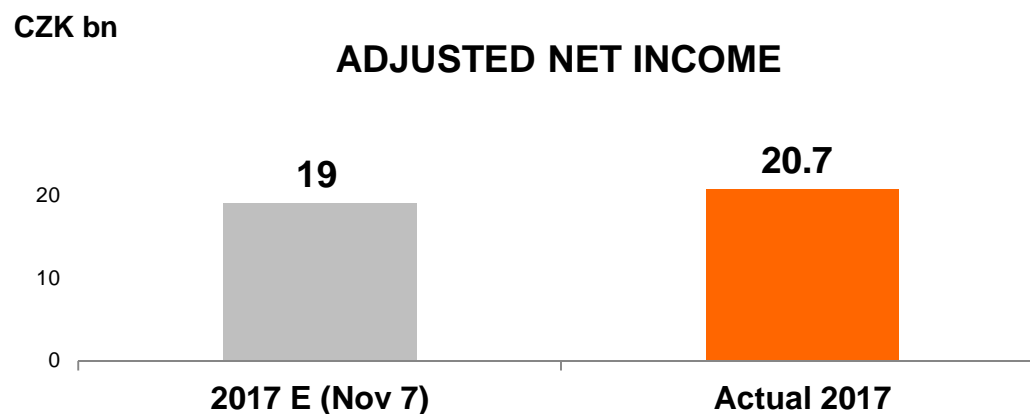
- **Net debt*** decreased by 9%, i.e., CZK 12.5bn to **CZK 134.0bn**
- **Market capitalization*** increased by 15% to **CZK 265.3bn**

EBITDA AND ADJUSTED NET INCOME **ALMOST CZK 2BN** **ABOVE OUTLOOK ANNOUNCED ON NOV 7, 2017**



Selected main positive effects not anticipated in CEZ Group's outlook from Nov 7, 2017:

- Valuation of green certificates (allocated in the past) for Romanian wind farms in relation to positive change in RES regulation in 2017 (CZK +0.8bn)
- Higher profit on commodity trading (CZK +0.6bn)
- Other effects (CZK +0.5bn), primarily higher operating revenues and gross margin in segments under the Development team



Year-on-year change in selected factors having positive effect on annual operating income:

- Traditional electricity generation increased by 2% (+1.4 TWh) to 60.9 TWh
- Renewable electricity generation increased by 25% (+0.4 TWh) to 2.0 TWh
- ESCO group's operating revenues increased by 118% (CZK +4.0bn) to CZK 7.4bn

YEAR 2017

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CEZ GROUP FINANCIAL RESULTS



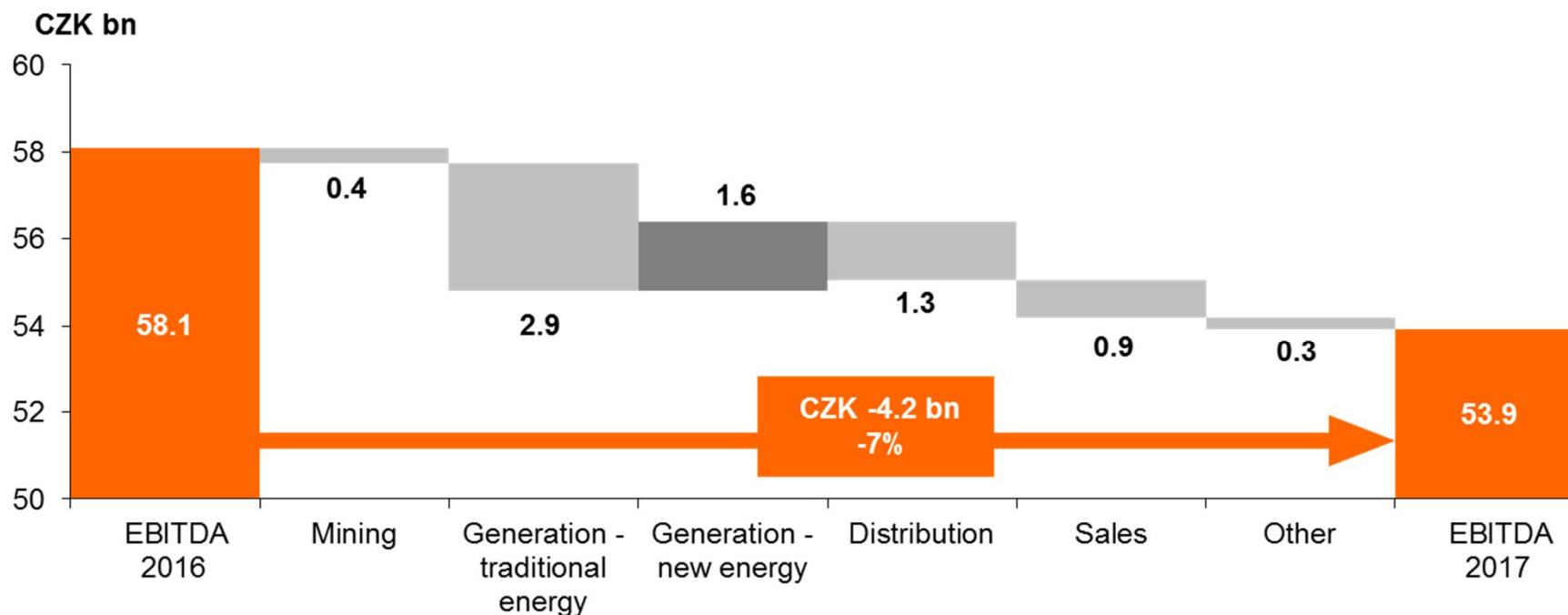
(CZK bn)		2016	2017	Change	%
Revenues		203.7	201.9	-1.8	-1%
EBITDA		58.1	53.9	-4.2	-7%
EBIT		26.1	25.6	-0.5	-2%
Net income		14.6	19.0	+4.4	+30%
Net income - adjusted *		19.6	20.7	+1.1	+5%
Operating CF		49.0	45.8	-3.1	-6%
CAPEX		30.2	29.1	-1.0	-3%
Net debt **		146.5	134.0	-12.5	-9%
		2016	2017	Change	%
Installed capacity **	GW	15.6	14.9	-0.8	-5%
Generation of electricity - traditional energy	TWh	59.5	60.9	+1.4	+2%
Generation of electricity - new energy	TWh	1.6	2.0	+0.4	+25%
Electricity distribution to end customers	TWh	50.6	52.0	+1.4	+3%
Electricity sales to end customers	TWh	37.5	37.0	-0.4	-1%
Sales of natural gas to end customers	TWh	8.2	9.9	+1.7	+21%
Sales of heat	000 TJ	24.0	23.7	-0.4	-2%
Number of employees ** ***	000's	26.9	29.7	+2.8	+10%

* 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 amortization).

** On the last date of the period

*** The increase is primarily related to new acquisitions (in particular, German company Elevion) and insourcing of purchased services in Czechia

YEAR-ON-YEAR CHANGE IN EBITDA BY SEGMENTS



Main drivers of year-on-year change in EBITDA:

- Lower realization prices of generated electricity in Czechia, including the effect of hedges (CZK -4.3bn)
- Settlement of unbilled electricity in Czechia in 2016 and correction factors in Czech distribution (CZK -1.7bn)
- Higher expenses on emission allowances in generation from conventional generating facilities (CZK -0.9bn)
- Effect of new acquisitions in renewables and energy services (CZK +0.7bn)
- Higher production of conventional generating facilities in Czechia (CZK +2.5bn)



OTHER INCOME (EXPENSES)

(CZK bn)	2016	2017	Change	%
EBITDA	58.1	53.9	-4.2	-7%
Depreciation, amortization and impairments*	-32.0	-28.3	+3.7	+11%
Other income (expenses)	-6.8	-2.9	+3.9	+58%
Interest income (expenses)	-2.5	-3.5	-1.1	-43%
Interest on nuclear and other provisions	-1.5	-1.6	-0.1	-8%
Income (expenses) from investments and securities	-1.8	2.6	+4.3	-
Other	-1.1	-0.3	+0.8	+73%
Income taxes	-4.8	-3.8	+1.0	+20%
Net income	14.6	19.0	+4.4	+30%
Net income - adjusted	19.6	20.7	+1.1	+5%

Depreciation, Amortization, and Impairments* (CZK +3.7bn)

- Higher additions to fixed asset impairments in 2016 (CZK +1.3bn)
- Reversal of impairments to Počerady CCGT plant in 2017 (CZK +1.6bn)
- Nonrecurring income from sale of property in Prague (CZK +1.1bn)
- Higher depreciation and amortization (CZK -0.3bn), primarily due to inclusion of renovated Prunéřov power plant in assets in July 2016

Other Income (Expenses) (CZK +3.9bn)

- Effect of termination of MOL shareholding (CZK +5.1bn), where the sale of MOL shares and concurrent redemption of exchangeable bonds, incl. related operations, had overall effect of CZK +4.5bn on net income in 2017
- Higher interest expenses (CZK -1.1bn) primarily due to lower interest capitalization after renovation of Prunéřov power plant in 2016
- Interest on nuclear provisions (CZK -0.1bn)

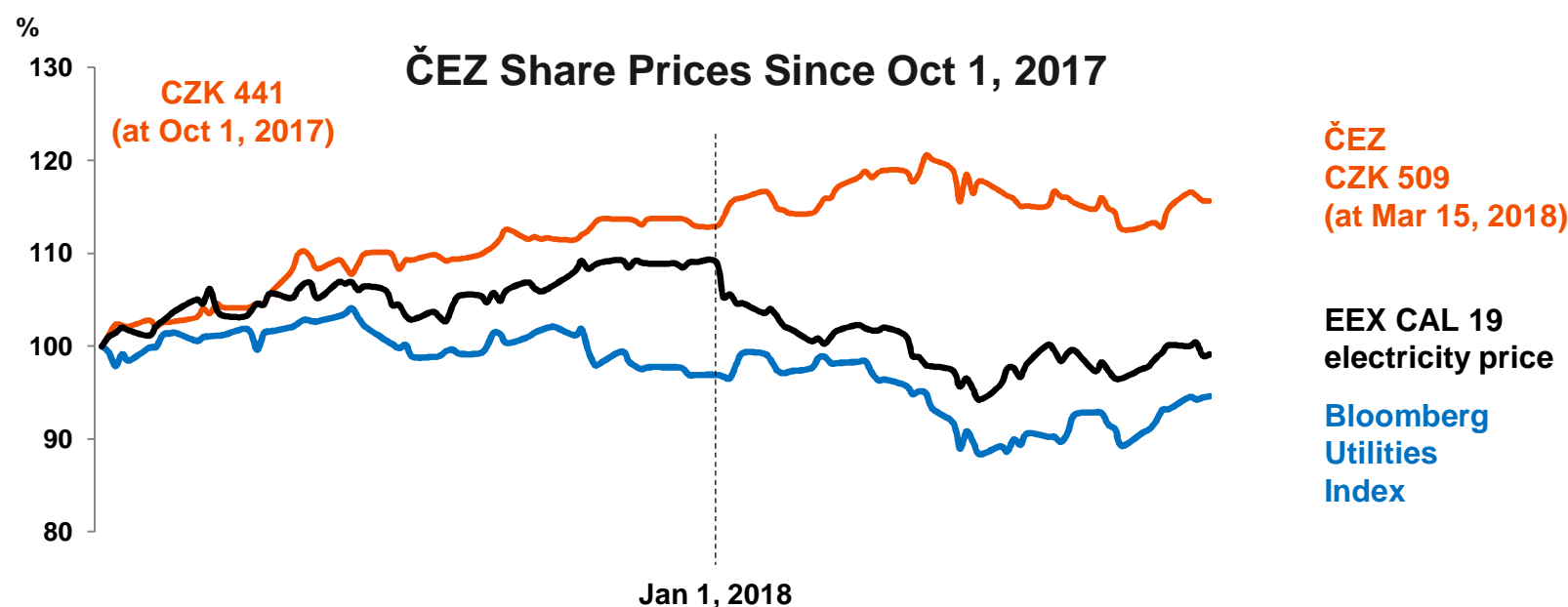
Net Income Adjustment

- The year 2017 is adjusted for the negative effect of fixed asset impairments and goodwill write-off in Turkey (CZK +1.3bn), fixed asset impairments in Bulgaria (CZK +0.9bn), impairments of projects under development in Poland (CZK +0.5bn), impairments of other assets (CZK +0.3bn), and for the positive effect of reversal of impairments of the Počerady CCGT plant (CZK -1.3bn)
- The year 2016 is adjusted for the negative effect of impairments of fixed asset in Romania (CZK +2.5bn), partial goodwill write-off and impairments in Turkey (CZK +1.3bn), impairments of projects under development in Poland (CZK +0.7bn) and impairments of other assets (CZK +0.6bn)

FINANCIAL HIGHLIGHTS OF Q4 2017 AND ČEZ SHARE PRICES SINCE OCT 1, 2017



- **Operating revenues** decreased by 6% year-on-year to **CZK 55.2bn**
- **EBITDA** decreased by 10% year-on-year to **CZK 12.9bn**
- **Net income** increased by CZK 2.5bn year-on-year to **CZK 2.4bn**
- **Adjusted net income*** increased by 19% year-on-year to **CZK 3.4bn**



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OPERATIONS TEAM

SELECTED EVENTS IN 2017



Finance and Administration

Mining

- Coal extraction at Bílina Mine was an almost record-making 10 million tons again
- Modernization of KU300/K91 excavator at Bílina Mine completed
- New feed line put into operation at Nástup Tušimice Mines to supply electricity from Tušimice power plant
- Following the Czech Government's decision modifying environmental limits for mining at Bílina Mine, the process of obtaining an EIA and mining license until 2035 continued

Generation—Traditional Energy

Nuclear Facilities

- Obtained operating licenses for an indefinite period of time for Dukovany NPP Units 2, 3, and 4 and carried out activities relating to conditions for further operation defined by the Czech State Office for Nuclear Safety (SÚJB)
- Record-breaking generation at Temelín NPP (16.479 TWh)
- Generation division split into Conventional Energy and Nuclear Energy divisions in order to improve NPP processes and management
- WANO's international mission experts carried out a review of the Dukovany NPP, identifying 9 areas for improvement and 2 good practices transferable to other power plants
- WANO experts also carried out the first-ever corporate mission. It reviewed ČEZ activities (primarily in headquarters management and administration, performance encouragement, communication, and human resources), confirming 2 good practices and recommending 2 areas for improvement
- EIA report for the construction of a new unit at Dukovany submitted to MoE. An application for extension of the validity of the EIA statement from 2013 was filed for the Temelín new unit project

Coal-Fired Facilities

- Tisová power plant sold to Sokolovská uhelná and all issues with the company resolved, including termination of all litigations, according to the Settlement Agreement
- Varna power plant in Bulgaria sold
- Record-breaking biomass electricity generation at Hodonín power plant, generating more than 320 GWh and burning more than 360,000 tons of biomass
- Decision to make environmental upgrade (reducing NOx emissions) at Skawina power plant in Poland

- Sale of full 7.5% of shares in Hungarian company MOL and early redemption of exchangeable bonds. The transaction reduced net debt by CZK 12.6bn and added CZK +4.5bn to net income. Total cash-flow balance for CEZ Group since 2007, including proceeds from the sale of MOL heating plants, was CZK +3.4bn
- Sale of property in Prague, adding CZK 1.1bn to 2017 net income
- S&P affirmed ČEZ's credit rating of A- with a stable outlook in November

SEGMENT: GENERATION – TRADITIONAL ENERGY



EBITDA (CZK bn)	2016	2017	Change	%
Czechia	20.7	17.9	-2.8	-13%
Poland	1.4	1.1	-0.3	-19%
Other states	-0.1	0.0	0.0	+45%
Generation - traditional energy	22.0	19.1	-2.9	-13%

Czechia (CZK -2.8bn)

- Lower realization prices of generated electricity, including the effect of hedges (CZK -4.3bn)
- Higher expenses on emission allowances (CZK -0.9bn)
- Lower generation at coal-fired and hydro power plants (CZK -0.5bn), primarily due to divestment of Tisová power plant and lower generation at Tušimice and Prunéřov power plants
- Higher maintenance costs for generating facilities (CZK -0.6bn)
- Higher additions to provisions, especially nuclear (CZK -0.6bn)
- Lower revenue from ancillary services (CZK -0.2bn)
- Higher generation at nuclear power plants (CZK +3.0bn)
- Effect of settlement agreement with Sokolovská uhelná (CZK +0.7bn)
- Higher profit on commodity trading (CZK +0.6bn)

Poland (CZK -0.3bn)

- Primarily lower generation due to lower utilization of certificates caused by decrease in their market price (lower volume of biomass co-firing) and stricter NO_x emission ceilings

MINING & OTHER SEGMENTS



EBITDA (CZK bn)	2016	2017	Change	%
Czechia	4.4	4.1	-0.4	-8%
Mining	4.4	4.1	-0.4	-8%

Czechia (CZK -0.4bn)

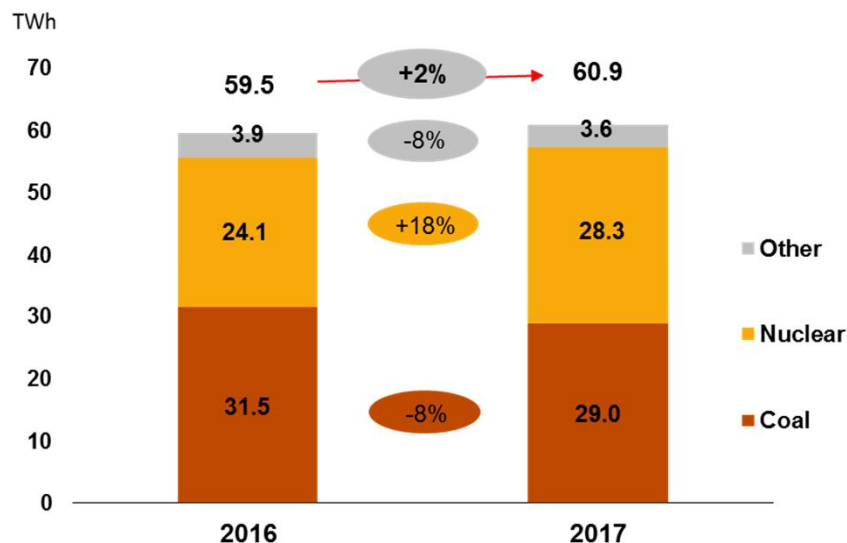
- Lower revenue from coal sales due to decreased prices partially offset by increase in volume of sales (CZK -0.2bn)
- Increased costs due to increased fee for mined minerals (CZK -0.2bn)

EBITDA (CZK bn)	2016	2017	Change	%
Czechia	2.5	2.2	-0.3	-10%
Romania	0.0	0.1	+0.1	+139%
Other states	-0.1	-0.1	-0.1	-74%
Other	2.4	2.2	-0.3	-10%

Czechia (CZK -0.3bn)

- Primarily decreased revenue and margins from services provided within CEZ Group, primarily in ICT services

GENERATION—TRADITIONAL ENERGY



Nuclear Power Plants (+18%)

- + Shorter outages at Temelín NPP

Coal-Fired Power Plants (-8%)

Czechia (-9%)

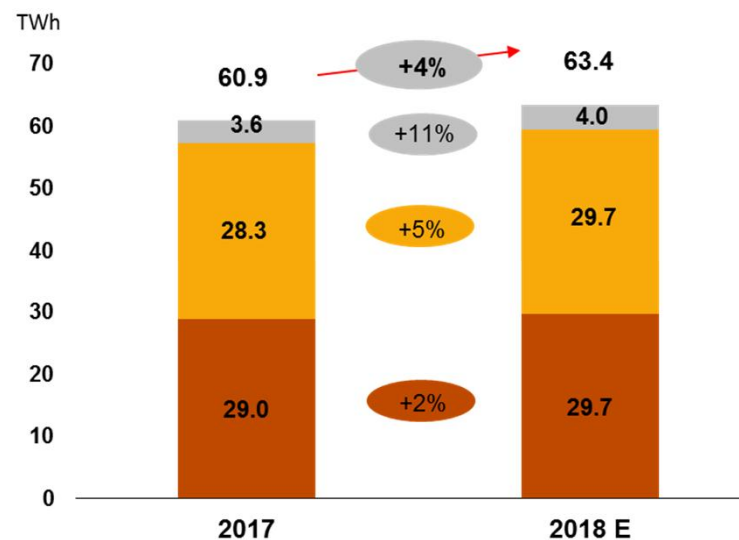
- Sale of Tisová Power Plant on Jan 2, 2017
- Longer outages at Prunéřov 2 and Tušimice 2 power plants
- + Operation of Ledvice 4 power plant (new facility) during construction

Poland (-4%)

- Stricter NO_x emission ceilings resulting from Interim National Plan and prolongation of planned repairs

Other (-8%)

- Lower generation at hydro plants (hydrological conditions)



Nuclear Power Plants (+5%)

- + Shorter planned outages at Dukovany NPP

Coal-Fired Power Plants (+2%)

Czechia (+3%)

- + Pilot operation of Ledvice 4 power plant
- Longer planned outages at Dětmarovice power plant (desulfurization repair)

Poland (-2%)

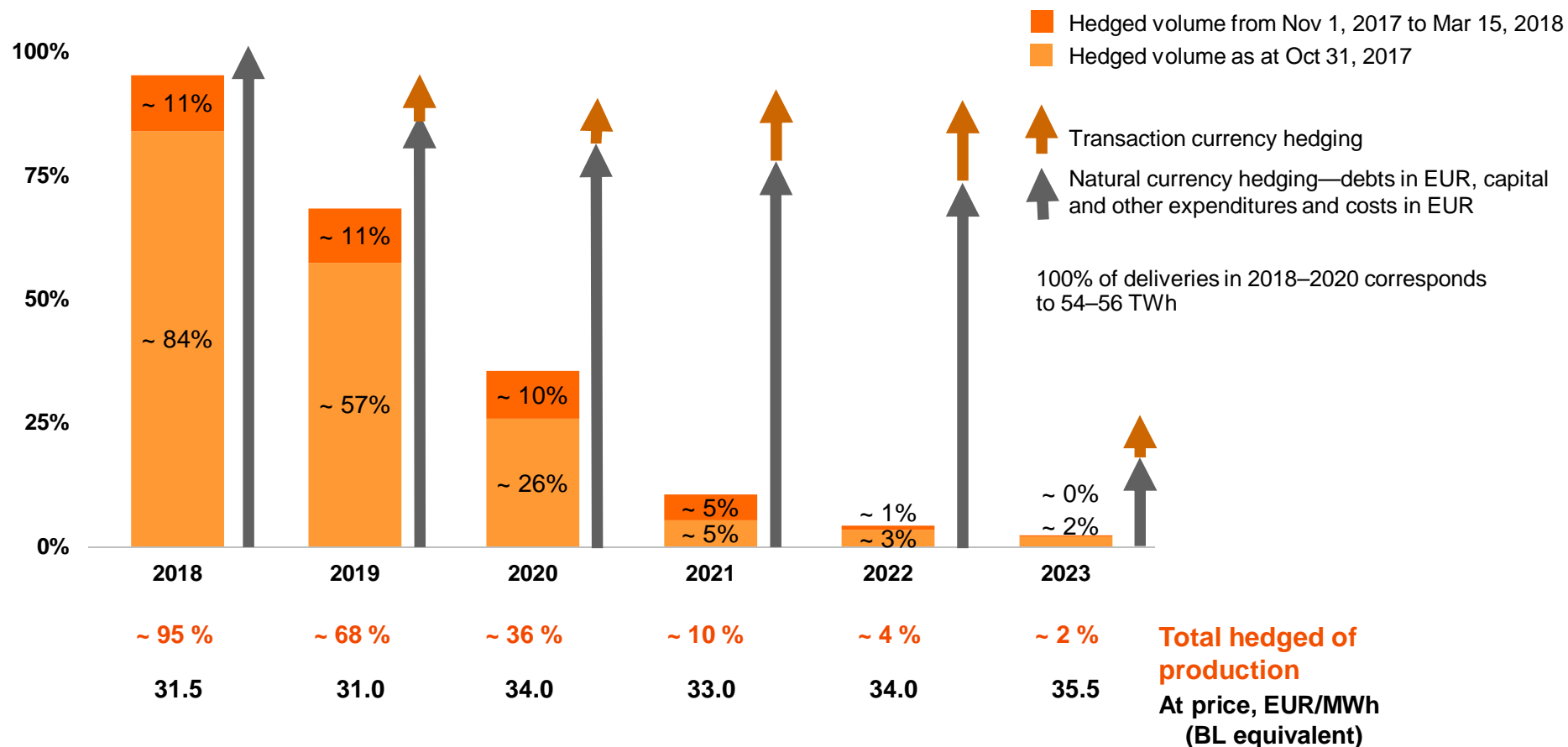
Other (+11%)

- + Higher planned generation at Počerady CCGT plant

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



Share of Hedged Production of ČEZ* Facilities as at Mar 15, 2018



OPERATIONS TEAM

KEY OBJECTIVES FOR 2018



Mining

- Minimize expenses associated with continued mining beyond environmental limits
- Closely coordinate mining operations and development with planned operation of conventional facilities
- Maintain the required level of mineable reserves for the future
- Minimize investment associated with the construction of buffer storage at Bilina Mines

Generation—Traditional Energy

Existing Generating Facilities

- Comply with conditions in operating licenses for all Dukovany NPP units
- Continuously fulfill operational safety enhancement programs at both nuclear power plants
- Carry out nuclear unit outages according to plan
- Ensure optimum availability of all units, generate 30 TWh at nuclear facilities in 2018, and create prerequisites for generating over 30 TWh annually in the next years

Heat Sector

- Finish the preparation of projects for providing safe and efficient deliveries of heat from the Mělník site to Prague on a long-term basis

New Nuclear Facilities

- Continue to prepare the project for new nuclear power plants in line with the National Action Plan for the Development of Nuclear Energy in Czechia and depending on the Czech state's attitude to the investment model and project funding

Finance and Administration

Finance

- Ensure financial stability and efficient management of CEZ Group's debt capacity
- Ensure proactive funding of development activities

Ancillary and Centralized Activities

- Continue with preparations for tender for a fuel supplier for Temelín NPP for period after 2020
- Implement action plans in procurement and other centralized and supporting services in order to promote growth and continually increase the cost effectiveness of CEZ Group

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DEVELOPMENT TEAM—SALES AND TRADING SEGMENT

SELECTED EVENTS IN 2017



ESCO Activities

Czechia

- Non-commodity products sales grew to CZK 4.5bn (33% growth y-o-y)
- Czech ESCO already consists of 14 companies. In 2017 enlarged for: ČEZ Bytové domy, KART, Hormen CE, AirPlus, EASY POWER, and ČEZ Slovensko.
- With almost 1,600 experts, ČEZ ESCO is the largest ESCO employer in Czechia
- Strengthened segment management → 3 segments: “Industrial Energy”, “Public Administration and Commercial Property” (focus on buildings, public institutions, and Smart City), and “Businesses and Municipalities” (focus on mid-sized and smaller customers)

Abroad

- Acquisition of Elevion, a German group:
 - One of the largest providers of comprehensive energy services in Germany
 - More than 1,800 employees
 - Annual sales of about CZK 8bn (since Sept. consolidated)
- Acquisition of Polish company OEM Energy, one of leaders in the Polish market with solar panels and heat pumps
- Acquisition of Metrolog (settled in 2018), a Polish company engaged in the construction of heat and cooling sources, cogeneration units, and district heating substations
- Sales reached CZK 2.9 bn (Elevion consolidated since Sept.)

Sales/Retail

Czechia

- ČEZ Prodej and ČEZ Zákaznické služby merged and full customer service separation between sales and distribution companies in Czechia was completed at Jul 1, 2017
- Customer-oriented steps:
 - Better arranged product offer
 - Free customer service line operating seven days a week
 - Launch of services: Heating Service and tado Smart Thermostat
 - Leading position confirmed by installing 307 photovoltaic systems

Abroad

- Successful start of natural gas retail sales to end-use customers in Romania (more than 10,000 customers already)
- Residential customer portfolio sold off in Slovakia. ČEZ Slovensko will now focus on corporate customers and development of ESCO services

Trading

Trading

- Trading* activities (i.e., proprietary trading) earned CZK +1.9bn in 2017 (0.6bn more than in 2016)
- Trading activities continued to expand to new markets (e.g., Belgium, Croatia, Slovenia)

DEVELOPMENT TEAM—DISTRIBUTION AND NEW ENERGY SEGMENTS - SELECTED EVENTS IN 2017



Distribution

Czechia

- ČEZ Distribuční služby and ČEZ Distribuce merged on Jan 1, 2018, finalizing a distribution redesign project that will add about CZK 0.2bn to annual EBITDA. Customer service was consolidated, following integration of a portion of ČEZ Zákaznické služby, finalizing full customer service separation between sales and distribution companies in Czechia
- Existing regulatory period extended by 2 years, i.e., until 2020
- Start of INTERFLEX, a European smart grid project aiming to improve the flexibility of European distribution grids. ČEZ Distribuce is the project technology leader
- “Distribution Processes Digitization” initiative started

Abroad

- Negotiations concerning the sale of distribution and other Bulgarian assets finished (SPA signed on Feb 23, 2018)
- Measures in distribution grid operation and development and systematic work by NTL teams resulted in significant decrease in distribution losses in Bulgaria. Preparations were made for AMR implementation

Renewables

- Acquisition of another 14 wind turbines with a total installed capacity of 35.4 MW increased German wind portfolio to 133.5 MW
- CEZ Group entered the French renewables market by acquiring 9 wind farms in an advanced stage of development (up to 101.8 MW)
- All RES and CHP notifications approved by Czechia

Inven Capital

- Investments in Cloud&Heat and VU LOG, the global leader in providing green mobility carsharing technologies
- Investment in tado increased through a convertible loan
- Establishment of collaboration with the European Investment Bank (EIB), which decided to entrust EUR 50 million to Inven Capital to invest in innovative and quickly growing energy startups
- Inven Capital fund became a member of Invest Europe (Europe’s Private Equity, Venture Capital, and Infrastructure Sectors Association) and CVCA (Czech Private Equity and Venture Capital Association)

SEGMENT: SALES



EBITDA (CZK bn)	2016	2017	Change	%
Czechia	5.0	4.1	-0.9	-17%
Romania	0.2	0.1	-0.1	-68%
Bulgaria	0.1	0.6	+0.5	>200%
Other states	0.3	-0.2	-0.4	-
Sales	5.5	4.6	-0.9	-16%

Czechia (CZK -0.9bn)

- Settlement of unbilled electricity in 2016 (CZK -0.8bn)
- higher gross margin on electricity and gas sales, primarily due to lower purchase electricity prices for deliveries in 2017 (CZK +0.5bn)
- Higher fixed expenses (CZK -0.5bn), primarily in relation to separation of system and service for ČEZ Prodej and ČEZ Distribuce customers

Romania (CZK -0.1bn)

- Lower gross margin, primarily due to higher expenses on electricity purchases in 2017 (CZK -0.4bn)
- Other effects (CZK +0.2bn), primarily additions to and settlement of provisions and debt allowances

Bulgaria (CZK +0.5bn)

- Effect of out-of-court settlement agreement concerning RES receivables, made between CEZ Elektro Bulgaria and state-owned energy company NEK in 2017

Other States (CZK -0.4bn)

- Lower gross margin primarily of CEZ Slovensko and CEZ Hungary due to higher expenses on electricity and gas purchases in 2017 in relation to record-breaking low purchase electricity prices in 2016 (CZK -0.5bn)
- Acquisition of German company Elevion (CZK +0.2bn) — consolidated in CEZ Group's earnings starting from Sept 2017

SEGMENT: DISTRIBUTION



EBITDA (CZK bn)	2016	2017	Change	%
Czechia	17.3	16.0	-1.3	-7%
Romania	1.8	1.7	-0.1	-6%
Bulgaria	1.3	1.3	+0.1	+5%
Distribution	20.4	19.0	-1.3	-6%

Czechia (CZK -1.3bn)

- Lower gross margin due to unbilled electricity settlement and due to correction factors (CZK -0.9bn)
- Other effects (CZK -0.4bn) primarily due to higher personnel costs in connection with distribution grid preparation for decentralized energy needs and in connection with generational renewal

Romania (CZK -0.1bn)

- Lower margin on distributed electricity, primarily due to higher purchase prices of electricity to cover grid losses (CZK -0.4bn)
- Lower operating expenses primarily due to construction tax repeal and lower additions to impairments (CZK +0.3bn)

Bulgaria (CZK +0.1bn)

- Higher margin on distributed electricity, primarily due to lower expenses on electricity purchased to cover grid losses

SEGMENT: GENERATION – NEW ENERGY



EBITDA (CZK bn)	2016	2017	Change	%
Czechia	1.4	1.8	+0.4	+31%
Poland	-0.7	-0.2	+0.5	+74%
Romania	2.7	2.9	+0.2	+6%
Germany	0.0	0.5	+0.5	-
Generation - new energy	3.4	5.0	+1.6	+47%

Czechia (CZK +0.4bn)

- Effect of provisioning for litigation concerning Vranovská Ves PV power plant in 2016 (CZK +0.2bn)
- Other effects (CZK +0.2bn), primarily higher generation due to more favorable climatic conditions

Poland (CZK +0.5bn)

- Effect of additions to impairments of Ecowind projects in 2016 (CZK +0.5bn)

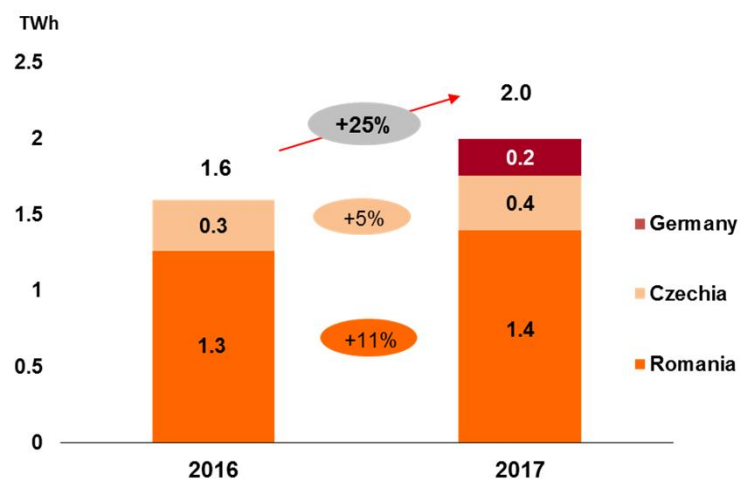
Romania (CZK +0.2bn)

- Valuation of part of green certificate allocation (for period Nov 2013 – Sept 2015) for Romanian wind farms in 2016 (CZK -0.9bn)
- Valuation of the rest of green certificates (for period Nov 2013 – Sept 2015) for Romanian wind farms in 2017 in relation to positive change in RES regulation in 2017 (CZK +0.8bn)
- Other effects (CZK +0.3bn) primarily lower repair and maintenance costs

Germany (CZK +0.5bn)

- Effect of operation of new wind turbines acquired by CEZ Group in late 2016 (CZK +0.4bn) and in 2017 (CZK +0.1bn)

GENERATION—NEW ENERGY



Germany

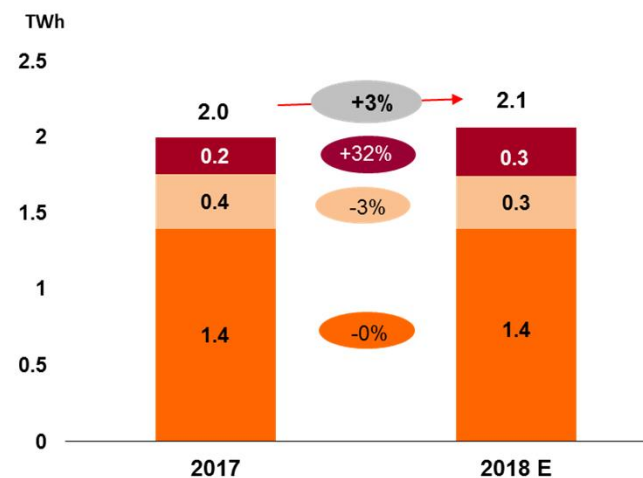
+ Acquisition of wind farms (Fohren-Linden, Lettweiler Höhe, and from wpd's portfolio)

Czechia (+5%)

+ Higher generation by all types of facilities in connection with better weather conditions

Romania (+11%)

+ 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 (+32%)*

+ Generation at Lettweiler Höhe wind farm (included in CEZ Group's consolidation since Sept 1, 2017)

Czechia (-3%)

- above-average weather conditions in year 2017



SALE OF BULGARIAN ASSETS IS IN LINE WITH ČEZ'S STRATEGY AND IN THE INTEREST OF ALL SHAREHOLDERS



Looking back at the process of selling Bulgarian assets in 2017:

- Following a number of actions of Bulgarian authorities damaging ČEZ companies' business in Bulgaria, ČEZ commenced, already in 2016, international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on grounds of investment non-protection
- Based on interest shown by several investors during 2016, CEZ Group decided to test the market in relation to its investments in Bulgaria at the turn of the year 2016. To make the portfolio of prospective buyers as large as possible, the intent was published in the mass media on Jan 27, 2017, which was in compliance with applicable EU legislation on market soundings
- ČEZ received several firm bids for its assets for sale in Bulgaria in August 2017
- None of the bids reached the minimum amount expected by company management, so there were several rounds of intensive negotiations on bid improvement
- The Varna power plant was sold still in 2017
- Negotiations on the sale of distribution and other assets continued with one of the bidders, who was granted exclusivity based on the highest submitted bid

A contract for the sale of Bulgarian distribution and other assets was signed with the winner of a proper bidding procedure—Inercom—on Feb 23, 2018

- The sale concerns a total of seven companies: CEZ Bulgaria, CEZ Elektro Bulgaria, CEZ Razpredelenie, CEZ Trade Bulgaria, CEZ ICT Bulgaria, Free Energy Project Oreshets (solar power plant), and Bara Group (biomass gasification power plant)



THE ADVANTAGEOUS CONTRACT FOR THE SALE OF BULGARIAN ASSETS WAS MADE WITH DUE CARE



The contract for the sale of distribution assets was signed with the winner of a proper bidding procedure on Feb 23, 2018. ČEZ aims to sell and maximize arbitration proceeds

- The approved transaction was made in full compliance with Czech and Bulgarian law
- Transaction settlement is subject to approval by the Bulgarian anti-trust authority
- An audit by the renowned advisory firm KPMG stated that the sales process was transparent and nondiscriminatory in all material aspects and in compliance with applicable law, CEZ Group's internal regulations, and standard practice
- ČEZ will proceed with the international arbitration commenced against Bulgaria in July 2016

By the sale of Bulgarian assets the two key strategic goals will be met, i.e. gradual shift of activities to regions with a stable regulatory environment and additional financial resources for development in the field of new energy.

- The positive effect of the transaction on decreasing CEZ Group's net debt in 2018 is CZK 9.9bn

DEVELOPMENT TEAM—KEY OBJECTIVES FOR 2018



ESCO Activities

Czechia

- Strengthen ČEZ ESCO's position in the domestic market through organic growth and acquisitions
- Achieve further significant growth in non-commodity markets
- Increase sales of existing ESCO Group companies in the Czech Republic from non-commodity products by 25% to CZK 6.6 billion*

Abroad

- Continue to develop ESCO abroad through acquisitions and organic growth (Germany, Poland, Romania)
- Increase sales of existing foreign companies from non-commodity products by 20% to CZK 9.6 billion*

Renewables

- Expand the portfolio of RES projects in stable markets, focusing on development
- Continue to prepare the Polish Krasin project for both technologies (wind alone or hybrid in combination with biomass) for auctions depending on the course of RES regulation in Poland

Inven Capital

- Transform Inven Capital into an investment company with variable capital (SICAV) and create two sub-funds for the ČEZ portfolio and the EIB portfolio
- Make approximately 2 new growth investments

Distribution

Czechia

- Prepare the distribution grid for the development of decentralized generation, accumulation, E-mobility, and change in consumption structure
- Implement digitization and process automation measures

Abroad

- Protect ČEZ's legal rights in Bulgaria

Sales/Retail

Czechia

- Continue to develop innovative new energy products for Czech customers
- Improve the sales and cost efficiency of sales and service channels in order to offset declining margins due to the growth of wholesale purchase electricity prices

Trading

- Continue successful operations in commodity trading in energy markets in Europe
- Finish the 3-year expansion strategy project

YEAR 2017

CEZ GROUP YEAR-END CONFERENCE CALL



CEZ Group in the Context of the European Energy Sector and 2017 Summary

CEZ Group Summarized Financial Results in 2017

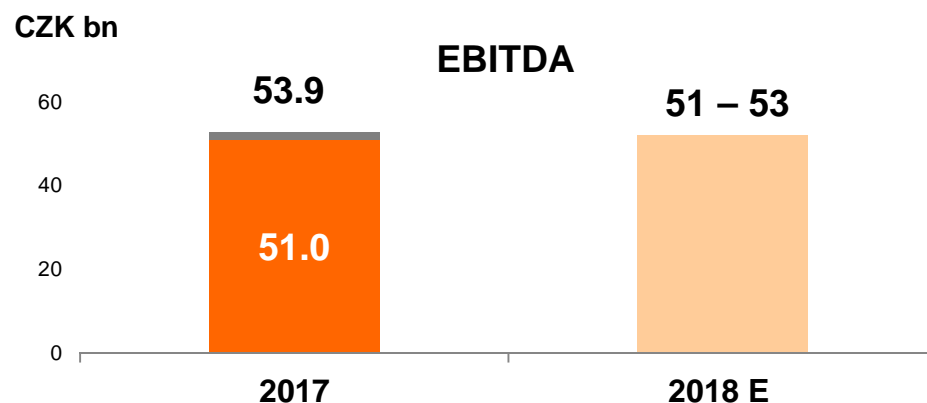
Operations Team's Results in 2017 and Ambitions for 2018

Development Team's Results in 2017 and Ambitions for 2018



CEZ Group's Ambitions for 2018

WE EXPECT 2018 EBITDA AT CZK 51BN TO 53BN, ADJUSTED NET INCOME AT CZK 12BN TO 14BN

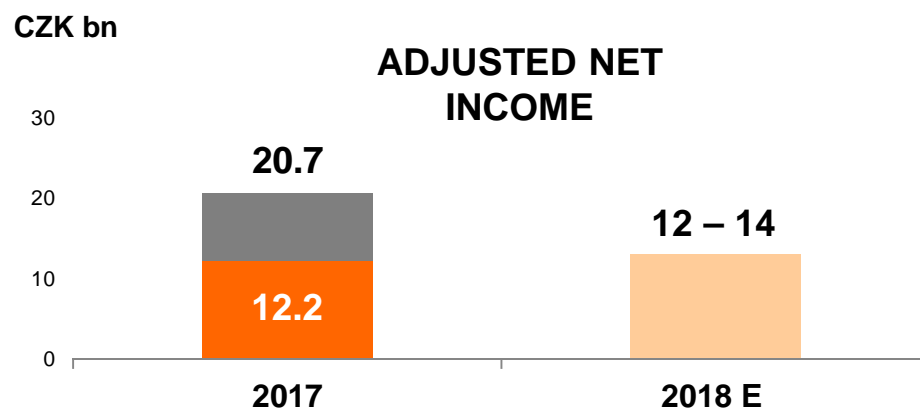


Selected year-on-year positive effects:

- Higher generation at nuclear power plants
- New acquisitions in ESCO and RES
- Higher realization prices of electricity, including the effect of hedges

Selected year-on-year negative effects:

- Significant one-off effects in 2017 (CZK -2.9bn)
- Higher expenses on emission allowances in generation from conventional generating facilities
- Lower gross margin from electricity sales in Czechia caused by higher purchase electricity prices for deliveries in 2018
- Lower allocation of green certificates for Romanian wind farms since Jan 1, 2018



Material nonrecurring effects in 2017

Selected prediction risks and opportunities (reasons for the EBITDA prediction interval):

- Availability of generating facilities
- Sale of Bulgarian assets' completion
- New RES and ESCO acquisitions
- Payment of SŽDC debt from 2011

Material nonrecurring effects in 2017 (total CZK +8.5bn):

- Of which at EBITDA level CZK +2.9bn: profit from commodity trading above the full year target (1.0), valuation of green certificates for Romanian wind farms allocated in the past (0.8), settlement agreement with Sokolovská uhelná (0.7), out-of-court agreement with Bulgarian state-owned company NEK (0.4)
- Of which below EBITDA CZK +5.6bn: termination of MOL shareholding (4.5), Sale of property in Prague (1.1)

KEY SUBSTANTIVE OBJECTIVES FOR 2018



OPERATIONS Team	DEVELOPMENT Team
<ul style="list-style-type: none"> ▪ Comply with conditions in operating licenses for all Dukovany NPP units ▪ Continuously fulfill operational safety enhancement programs at both nuclear power plants ▪ Ensure optimum availability of all units, generate 30 TWh at nuclear facilities in 2018, and create prerequisites for generating over 30 TWh annually in the following years ▪ Continue to prepare the project for new nuclear power plants in line with the National Action Plan for the Development of Nuclear Energy in Czechia and depending on the Czech state's attitude to project funding 	<ul style="list-style-type: none"> ▪ Increase sales of existing CEZ Group ESCO companies to more than CZK 16 billion* (23% year-on-year increase) ▪ Expand the portfolio of RES projects in stable markets, focusing on development ▪ Prepare the distribution grid in Czechia for change in consumption structure, the development of decentralized generation, accumulation and E-mobility ▪ Improve the sales and cost efficiency of sales and service channels in retail in Czechia in order to offset declining margins due to the growth of wholesale purchase electricity prices
CEZ Group	
<ul style="list-style-type: none"> ▪ Fulfill the 2020 ambitions in efficiency and development ▪ Close the advantageous sale of Bulgarian assets and protect legal rights against the Bulgarian state ▪ Ensure shareholders' consensus on CEZ Group's strategic direction and transformation 	

CEZ GROUP INTERNALLY ANALYZED ITS TRANSFORMATION VARIANTS BASED ON TWO EXTERNAL IMPULSES



Construction of a new nuclear power plant in Czechia and the Czech state's priorities

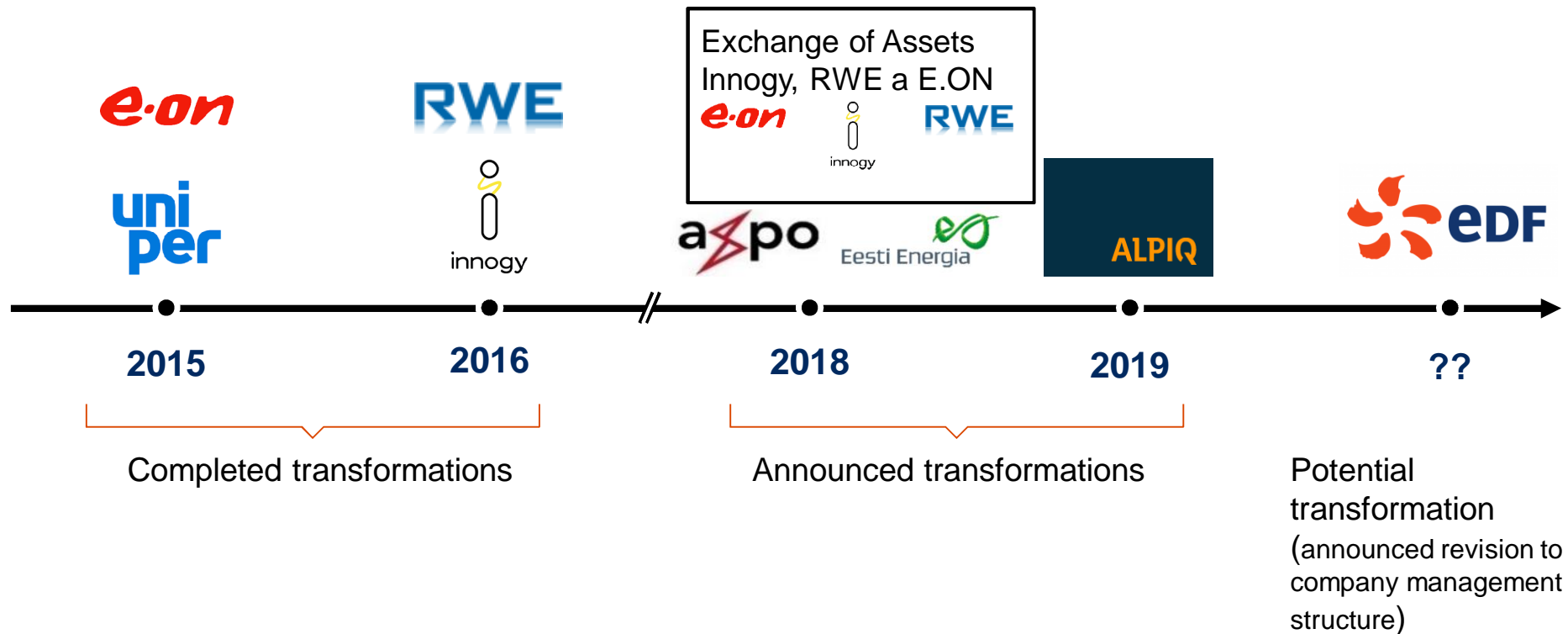
- The Czech standing committee on nuclear energy defined three investment models/funding options for a new nuclear facility in Czechia
- One of the options anticipates that CEZ Group would transform into several independent companies

Energy market trends and investors' differing views of traditional and new energy

- Environmental legislation for the operation of coal-fired power plants and mines and requirements for the operational safety of nuclear power plants are getting stricter; there is more regulation in general
- The dynamics of the energy market is changing; conventional energy is dissociating from new energy, including different perception by investors
- Several major transformations of energy groups were made in Europe

- In September 2017, the Presidium of the Government of the Czech Republic gave task that a ČEZ Transformation variant be worked out as an alternative for ČEZ's future direction in the context of the European energy sector and the SEP and as one of three variants enabling the construction of a new nuclear power plant in Czechia
- CEZ Group analyzed various variants of CEZ Group transformation and assessed, as part of a complex project, whether the possible transformation could increase value for shareholders and how it is realistically possible to implement a project for a new nuclear power plant in Czechia and fulfill Czechia's SEP
- **Board of Directors of ČEZ, a. s. has not arrive at any conclusions on this matter yet.**

SEVERAL MAJOR WESTERN EUROPEAN UTILITIES RECENTLY UNDERWENT OR ARE UNDERGOING A TRANSFORMATION



The context and specific reasons vary for each of the transformations.

What they share is the **creation of additional value for shareholders** and the new companies' closer focus on a portion of the energy value chain

CONTEMPLATED VARIANTS ARE HEADING TOWARDS SEPARATION OF TRADITIONAL GENERATION FROM DISTRIBUTION, SALES AND NEW ENERGY



Key benefits of the recommended variant for ČEZ's SHAREHOLDERS:

- 1 Significant increase of ČEZ's value**
 - Eliminating uncertainty concerning NNPP construction and coal assets and the related discount on share
 - Increasing value by creating investment opportunities sought after by investors

- 2 Target companies with a clear strategic focus**
 - Generation company focusing on the state's energy security and NNPP construction, which will be able to deal better with specific business and regulatory risks
 - New company focusing on growth and innovation in the field of new energy

Key benefits of the advisable transformation for CZECHIA:

- A Fulfilment of Czechia's State Energy Policy**
 - Construction of new nuclear power plants
 - Preservation of full control of the Czech state over CEZ Group's coal reserves

- B Preservation of the Czech state's shareholding in a New company, i.e. in a liquid and attractive asset, which can be sold off flexibly in the future to obtain financial proceeds for the state**

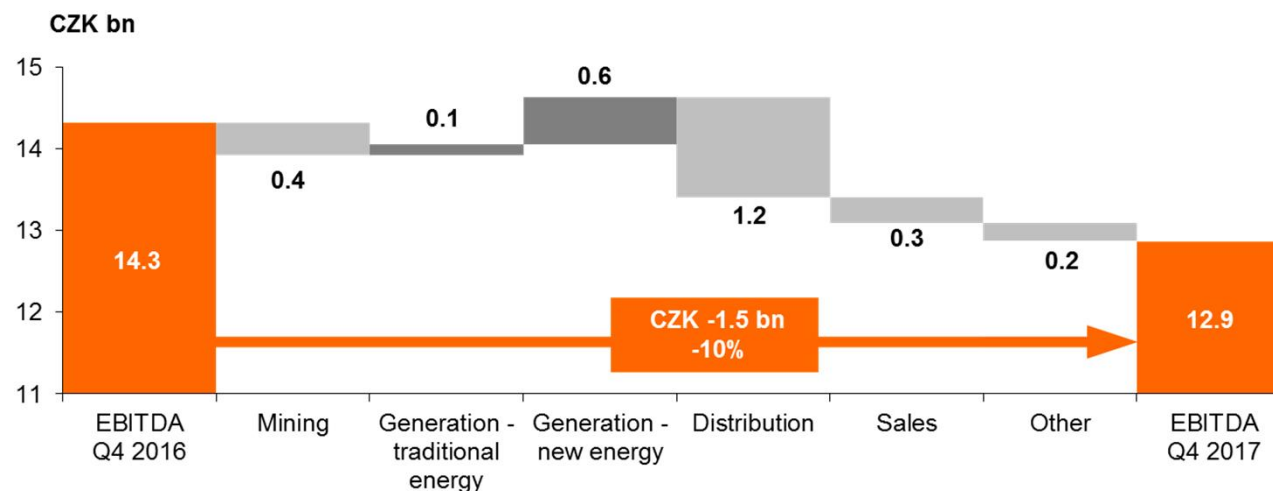
ANNEXES



- EBITDA—Q4 Year-on-Year Comparison
- Net Income—Q4 Year-on-Year Comparison
- EBITDA—Main Reasons for Estimated Year-on-Year Change
- Net Income—Main Reasons for Estimated Year-on-Year Change
- 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

EBITDA

Q4 YEAR-ON-YEAR COMPARISON



CEZ Group EBITDA (CZK -1.5bn):

- Mining (CZK -0.4bn):** Decreased revenue from coal sales due to lower prices and lower coal consumption by customers, higher fees for mined minerals
- Generation—Traditional Energy (CZK +0.1bn):** Higher generation at nuclear power plants (CZK +1.8bn); higher profit on commodity trading (CZK +0.7bn); lower expenses on emission allowances (CZK +0.4bn); lower realization prices of generated electricity, incl. the effect of hedges (CZK -1.2bn); higher additions to provisions, especially nuclear (CZK -0.6bn); lower generation at nonnuclear facilities (CZK -0.4bn); other (CZK -0.7bn) primarily higher additions to provisions and higher fixed operating expenses
- Generation—New Energy (CZK +0.6bn):** Effect of provisioning in 2016 in connection with litigation concerning Vranovská Ves PV power plant (CZK +0.2bn); effect of operation of new wind turbines in Germany (CZK +0.2bn); higher RES production in Czechia (CZK +0.1bn)
- Distribution (CZK -1.2bn):** Lower gross margin on energy-related activities in Czechia (CZK -0.8bn) due to unbilled electricity settlement and correction factors; other effects (CZK -0.4bn), primarily higher personnel costs in Czechia
- Sales (CZK -0.3bn):** Settlement of unbilled electricity at ČEZ Prodej in 2016 (CZK -0.8bn); contribution from acquisition of German company Elevion (CZK +0.2bn); provisioning for litigation with Bulgarian state-owned energy company NEK in 2016 (CZK +0.3bn)
- Other (CZK -0.2bn):** Primarily decreased revenue and margins from services provided within CEZ Group and higher transaction costs associated with acquisitions and divestments

NET INCOME

Q4 YEAR-ON-YEAR COMPARISON



(CZK bn)	Q4 2016	Q4 2017	Change	%
EBITDA	14.3	12.9	-1.5	-10%
Depreciation, amortization and impairments*	-9.8	-6.7	+3.1	+32%
Other income (expenses)	-3.4	-2.9	+0.5	+16%
Income taxes	-1.2	-0.9	+0.3	+24%
Net income	-0.1	2.4	+2.5	-
Net income - adjusted	2.9	3.4	+0.5	+19%

Depreciation, Amortization, and Impairments* (CZK +3.1bn)

- Higher additions to fixed asset impairments in 2016 and reversal in 2017 (CZK +2.2bn)
- Lower depreciation and amortization (CZK +1.0bn), primarily due to updated long-term estimates of service life of power plants owned by ČEZ, a. s.

Other Income (Expenses) (CZK +0.5bn)

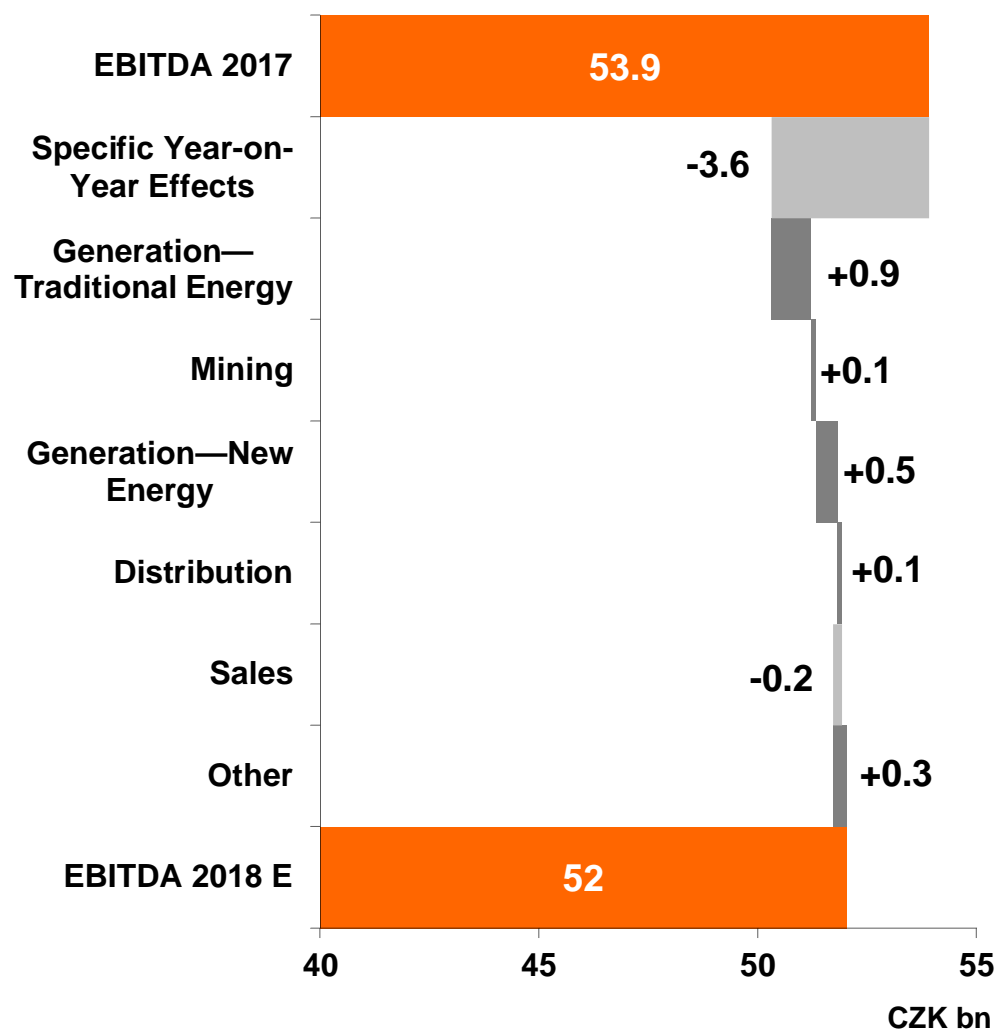
- Share of profit or loss of Turkish companies (CZK +0.9bn)
- Effect of sale of CMEPS in 2016 (CZK -0.2bn)
- Higher interest expenses primarily due to lower interest capitalization after renovation of Pruněřov power plant in 2016 (CZK -0.2bn)

Net Income Adjustment

- Q4 2017 adjusted for negative effect of fixed asset impairment in Bulgaria (CZK +0.9bn), goodwill write-off and the negative effect of fixed asset impairments in Turkey (CZK +0.8bn), impairments of projects under development in Poland (CZK +0.2bn), impairments of other assets (CZK +0.4bn), and the positive effect of reversal of impairments of the Počerady CCGT plant (CZK -1.3bn)
- Q4 2016 adjusted for the negative effect of impairments of fixed asset in Romania (CZK +1.5bn), for partial goodwill write-off and the negative effect of impairments in Turkey (CZK +0.6bn), for the negative effect of impairments of projects under development in Poland (CZK +0.3bn), and for impairments of other assets (CZK +0.6bn)

EXPECTED YEAR-ON-YEAR CHANGE IN EBITDA

MAIN REASONS BY SEGMENT*



Specific year-on-year effects

- profit from commodity trading in 2017 above the full year target (-1.0bn)
- Valuation of green certificates for Romanian wind parks (allocated in the past) in 2017 (CZK -0.8bn)
- Lower allocation of green certificates for Romanian wind parks since Jan 1, 2018 (CZK -0.7bn)
- Settlement agreement with Sokolovská uhelná in 2017 (CZK -0.7bn)
- Effect of out-of-court settlement agreement with Bulgarian state-owned company NEK in 2017 (CZK -0.4bn)

Generation—Traditional Energy

- Higher generation at nuclear power plants
- Higher realization prices of electricity, including the effect of hedges
- Higher expenses on emission allowances

Generation—New Energy

- New RES acquisitions

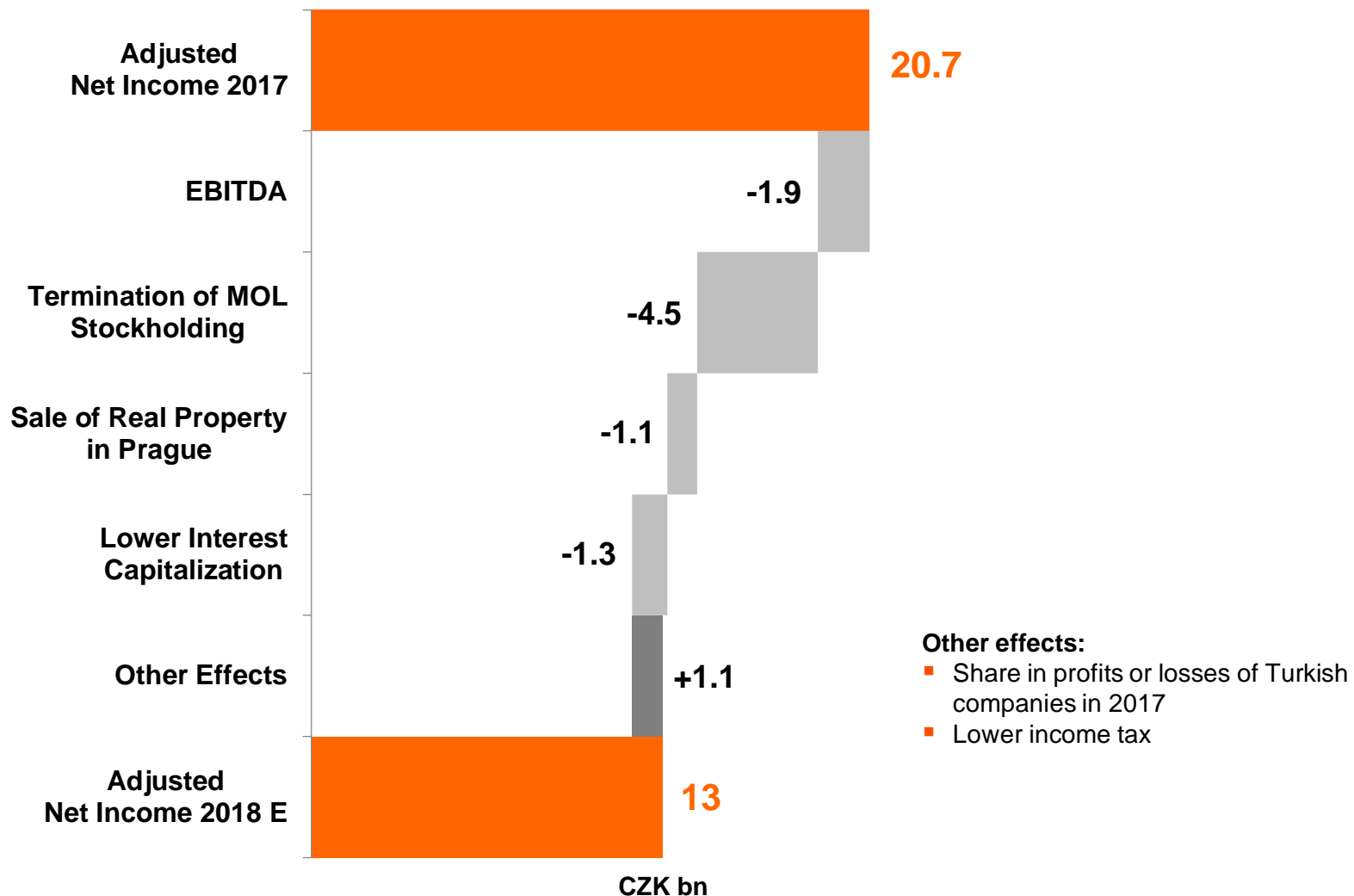
Distribution

- Higher revenue in Czechia partially offset by lower revenue from connection fees due to change in IFRS
- Lower connection revenue in Bulgaria

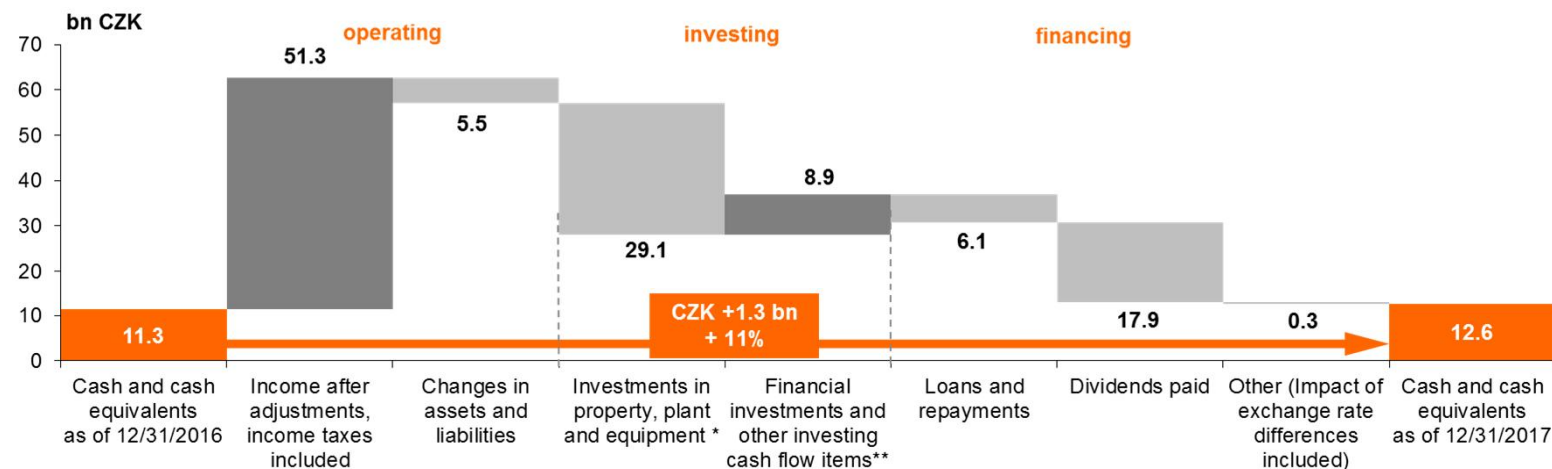
Sales

- Lower gross margin from electricity sales in Czechia caused by higher purchase electricity prices for deliveries in 2018
- New ESCO acquisitions, especially Elevion in Germany

ESTIMATED YEAR-ON-YEAR CHANGE IN NET INCOME MAIN REASONS



CASH FLOWS



Cash Flows From Operating Activities (CZK +45.8bn)

- Income after adjustments (CZK +51.3bn): Earnings before taxes (CZK +22.8bn); depreciation and amortization of nuclear fuel (CZK +33.0bn); decrease of impairment of fixed assets and other impairment (CZK +2.6bn)—primarily effect of the settlement agreement with Sokolovská uhelná; loss from investment in associates and joint ventures (CZK +2.4bn)—primarily Turkish companies; change in provisions (CZK +1.1bn)—primarily higher provision for emission allowances and provision for employee benefits; profit on sale of fixed assets (CZK -5.8bn)—primarily termination of MOL shareholding and sale of ČEZ, a. s. property; income tax paid (CZK -4.2bn)
- Changes in assets and liabilities (CZK -5.5bn): change in inventory of emission allowances and color certificates (CZK -6.6bn); change in other current assets (CZK -2.4bn); change in derivatives including options (CZK -1.3bn); change in other receivables and payables including advance payments (CZK -1.3bn); change in inventories (CZK -0.8bn); change in trade receivables and payables including received advances and unbilled goods and services (CZK +2.2bn); change in short-term liquid securities and term deposits (CZK +4.6bn)

Cash Flows Used in Investing Activities (CZK -20.2bn)

- Investments in property, plant, and equipment*—CAPEX (CZK -29.1bn)
- Acquisition of subsidiaries and affiliates (CZK -5.1bn), in particular Elevion and KART
- Decrease in liabilities attributable to capital expenditure (CZK -1.1bn)
- Income from sale of fixed assets (CZK +13.9bn), primarily the effect of sale of MOL shares
- Sale and loss of control of subsidiaries, associates, and joint ventures, net of cash disposed of (CZK +2.0bn)—liquidation balance of CMEPI BV, TEC Varna, and Tisová Power Plant

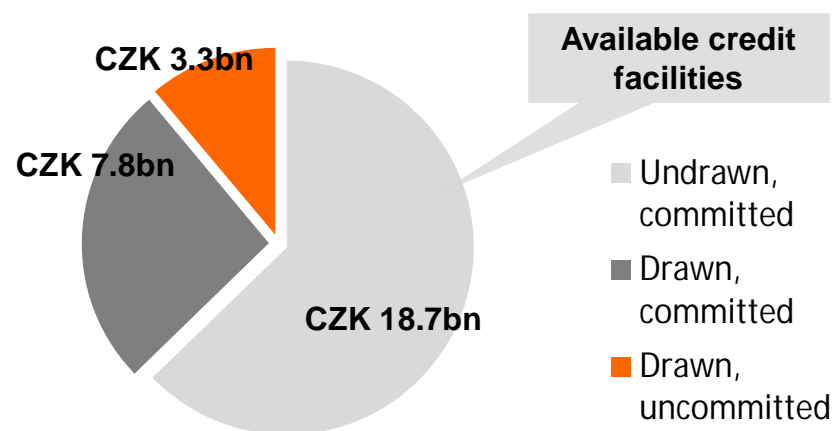
Cash Flows Provided by Financing Activities (CZK -24.3bn)***

- Dividends paid to shareholders (CZK -17.9bn)
- Balance of loans and repayments (CZK -6.2bn)
- Net effect of currency translation (CZK -0.2bn)

CEZ GROUP MAINTAINS A STRONG LIQUIDITY POSITION

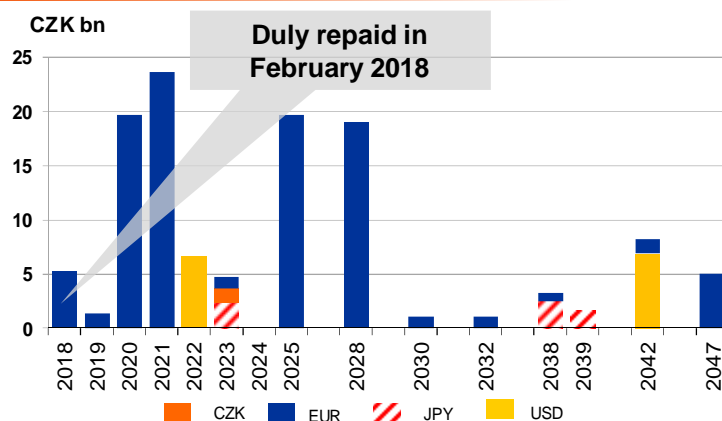


Utilization of Short-Term Lines (as at Dec 31, 2017)



- CEZ Group has access to CZK 26.5bn in committed credit facilities, using CZK 7.8bn as at Dec 31, 2017.
- Committed facilities are kept as a reserve for covering unexpected expenses and to fund short-term financial needs.

Bond Maturity Profile (as at Dec 31, 2017)

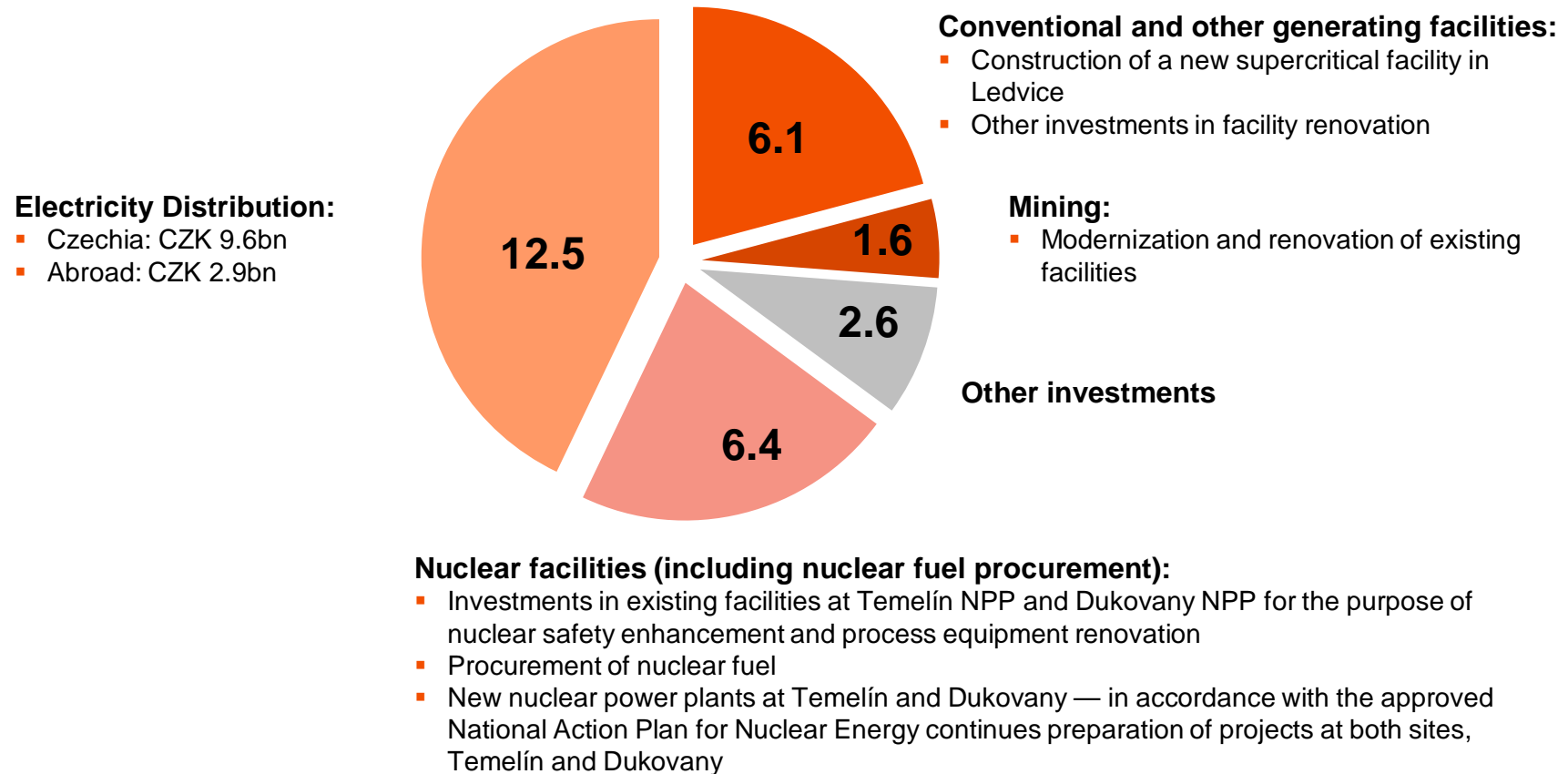


- The average maturity of CEZ Group's financial debt was 7 years as at Dec 31, 2017.
- Net debt decreased by CZK 12.5bn to CZK 134.0bn during 2017.
- **Net Debt/EBITDA was 2.48 as at Dec 31, 2017.**

INVESTMENTS IN FIXED ASSETS



CZK 29.1bn in total (2017)



BALANCE SHEET OVERVIEW

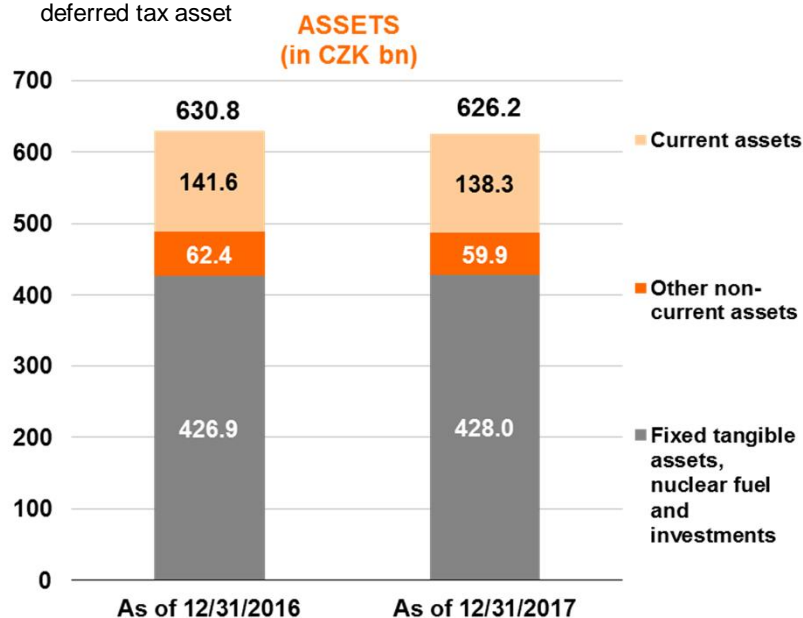


Fixed tangible assets, nuclear fuel, and investments increased by CZK 1.1bn

- Property, plant, and equipment, net, increased by CZK 0.8bn
- Nuclear fuel, net, increased by CZK 0.3bn

Other noncurrent assets decreased by CZK 2.4bn

- Decrease in noncurrent financial assets of CZK 4.6bn, primarily due to reclassification of long-term securities as current assets (CZK -2.8bn) and decrease in receivables from derivatives (CZK -1.6bn)
- Decrease in the value of investment in associates and joint ventures of CZK 1.8bn due to liquidation of CMEPI B.V. and due to decrease in value of companies in Turkey
- Increase in noncurrent intangible assets of CZK 4.8bn, primarily the goodwill of new acquisitions
- Other decrease of CZK 0.8bn—financial assets with limited disposal rights and deferred tax asset



Current assets decreased by CZK 3.3bn

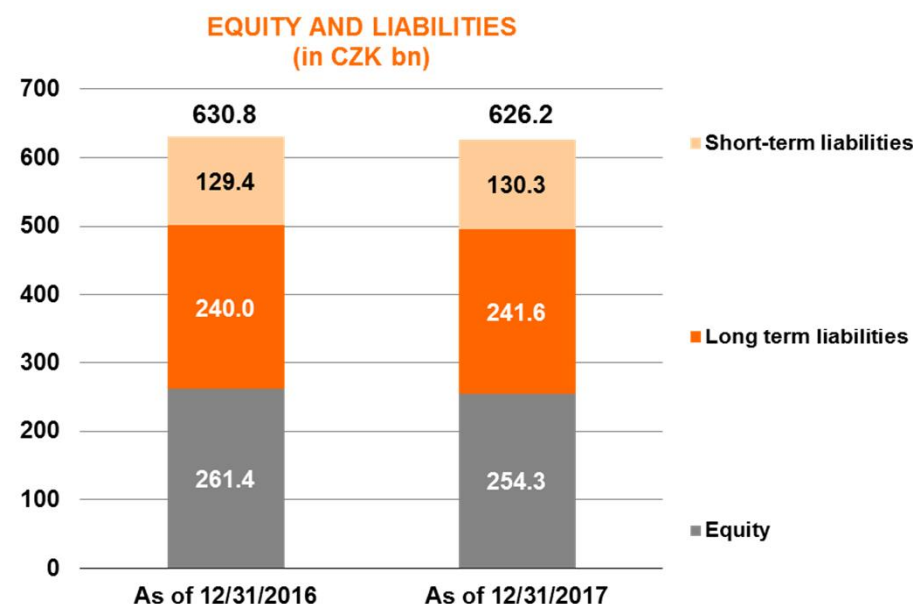
- Decrease in securities and term deposits of CZK 15.5bn (primarily the effect of sale of MOL shares); Increase in emission allowances of CZK 5.4bn; Increase in receivables from derivatives including options of CZK 2.1bn; Increase in inventory of CZK 2.0bn; Increase in cash and cash equivalents of CZK 1.4bn; Increase in net receivables of CZK 1.4bn

Equity decreased by CZK 7.0bn

- Paid dividends of CZK 17.8bn
- Other comprehensive income decreases equity by CZK 8.1bn
- Increase in net income of CZK 19.0bn

Long-term liabilities increased by CZK 1.6bn

- Increase in long-term provisions of CZK 6.9bn, primarily nuclear provisions
- Increase in long-term liabilities from derivative trading of CZK 4.6bn
- Decrease in bank loans and bonds issued of CZK 9.8bn



Current liabilities increased by CZK 0.8bn

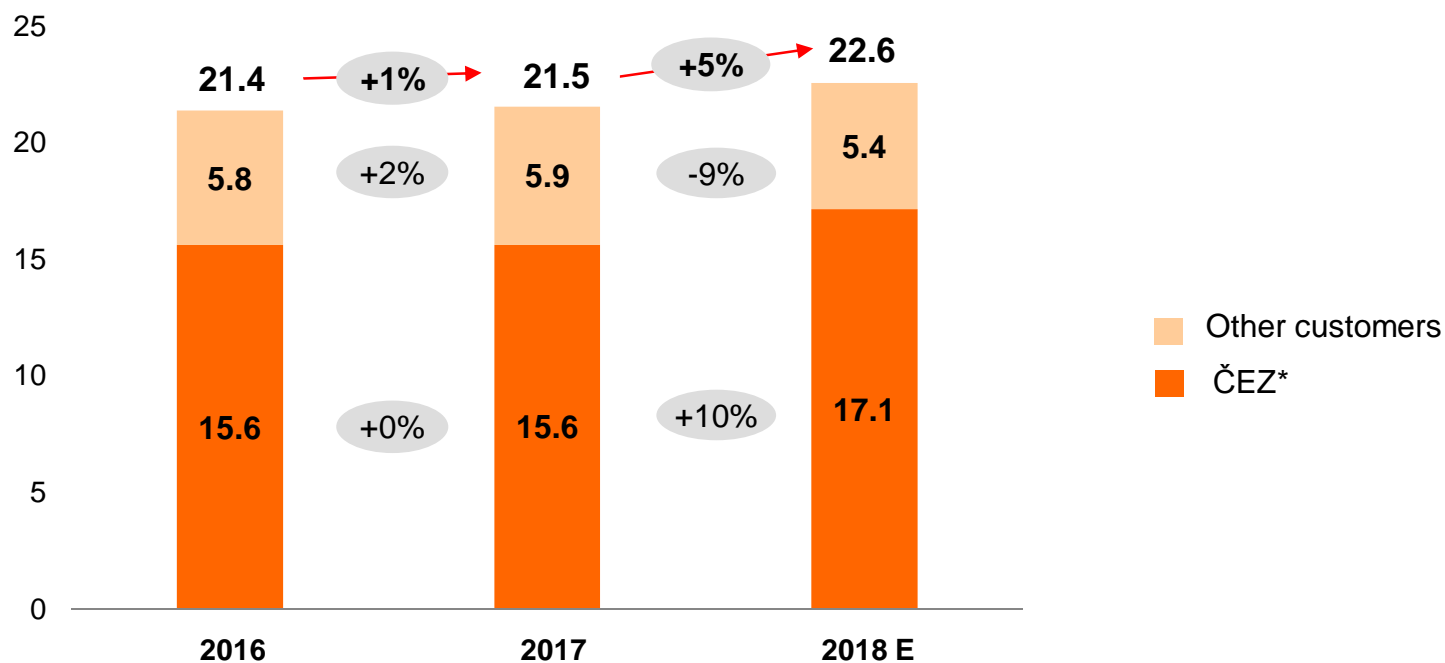
- Short-term borrowings increased by CZK 2.7bn
- Short-term payables from derivative trading incl. options increased by CZK 3.9bn
- Trade and other payables increased by CZK 2.8bn
- Current portion of long-term debt decreased by CZK 8.6bn

COAL MINING IN 2018

WE EXPECT 5% GROWTH



Severočeské doly - Coal Extraction (Millions of Tons)

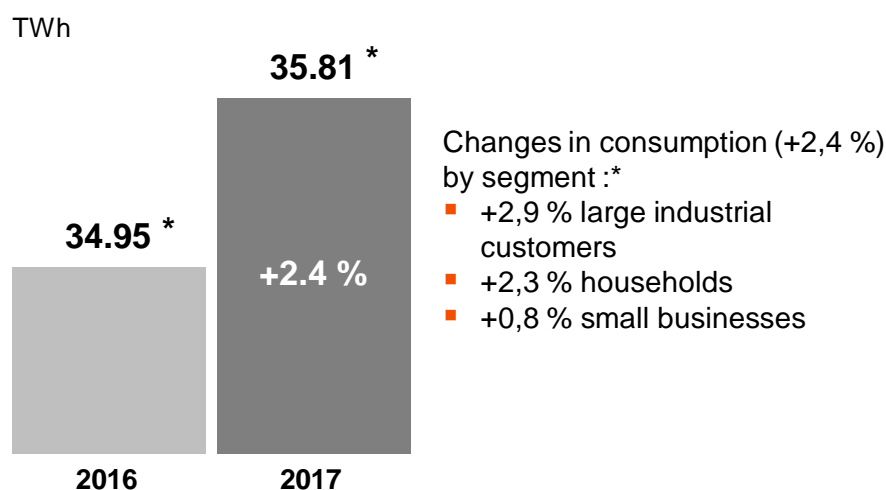


- Increase in coal consumption of 0.2 million tons in 2017 was primarily due to higher demand for sized coal among customers outside CEZ Group.
- We expect production grow by 1 million tons in 2018 due to planned higher deliveries of thermal coal to CEZ Group's power plants and heating plants.

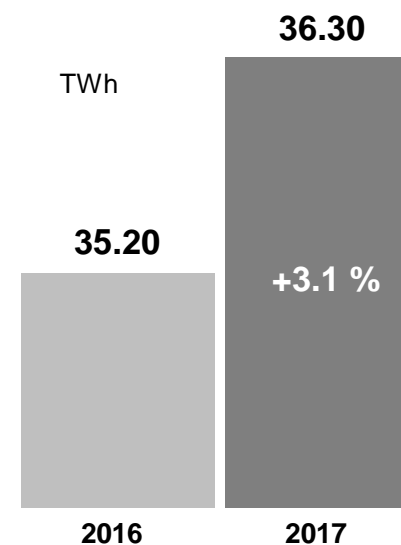
ELECTRICITY CONSUMPTION IN THE DISTRIBUTION AREA OF ČEZ DISTRIBUCE GREW YEAR-ON-YEAR



Consumption in the Distribution Area of ČEZ Distribuce



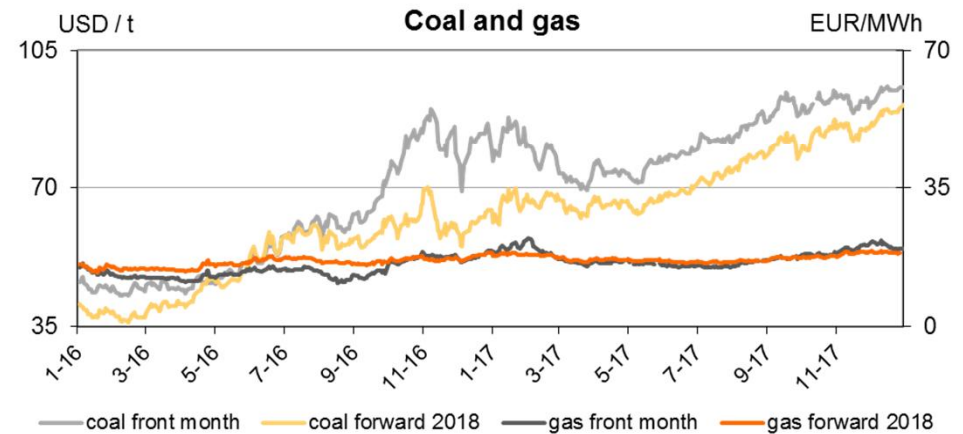
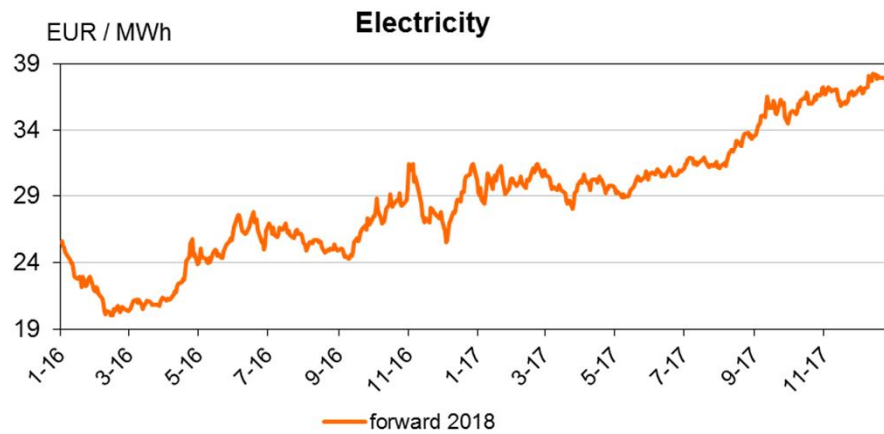
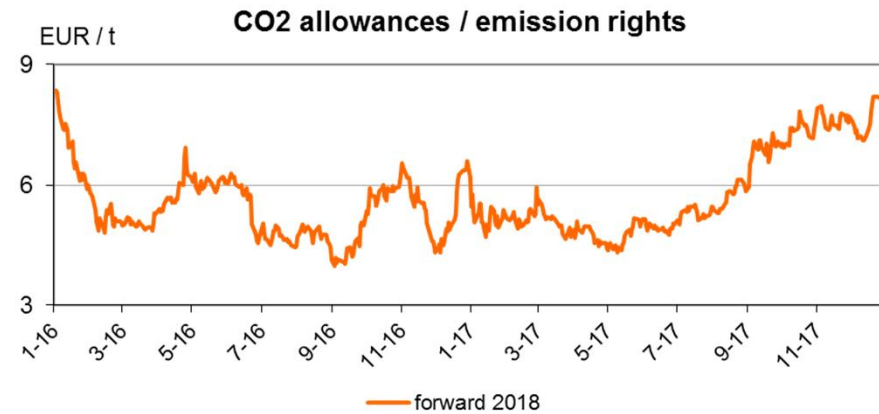
Temperature- and Calendar-Adjusted** Consumption (in the Distribution Area of ČEZ Distribuce)



- 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 2016 - 2017



Electricity balance (GWh)

	2016	2017	Index 2017/2016
Electricity procured	54,656	56,620	+4%
Generated in-house (gross)	61,132	62,887	+3%
In-house and other consumption, including pumping in pumped-storage plants	-6,476	-6,268	-3%
Sold to end customers	-37,475	-37,036	-1%
Sold in the wholesale market (net)	-12,861	-15,408	+20%
Sold in the wholesale market	-198,709	-264,140	+33%
Purchased in the wholesale market	185,848	248,732	+34%
Grid losses	-4,320	-4,176	-3%

Electricity generation by source (GWh)

Nuclear	24,104	28,339	+18%
Coal and lignite	30,689	28,176	-8%
Water	2,347	2,156	-8%
Biomass	879	808	-8%
Photovoltaic	132	138	+5%
Wind	1,166	1,571	+35%
Natural gas	1,813	1,696	-6%
Bio gas	2	4	+65%
Total	61,132	62,887	+3%

Sales of electricity to end customers (GWh)

Households	-13,328	-13,418	+1%
Commercial (low voltage)	-5,176	-4,892	-5%
Commercial and industrial (medium and high voltage)	-18,972	-18,726	-1%
Sold to end customers	-37,475	-37,036	-1%

Distribution of electricity (GWh)

	2016	2017	Index 2017/2016
Distribution of electricity to end customers	50,637	52,042	+3%

Electricity balance (GWh) by segment

2017	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
	Electricity procured	54,647	+3%	1,972	+25%	0	-	0	-	0	-	56,620
Generated in-house (gross)	60,889	+2%	1,998	+25%	0	-	0	-	0	-	62,887	+3%
In-house and other consumption, including pumping in pumped-storage plants	-6,242	-3%	-26	-5%	0	-	0	-	0	-	-6,268	-3%
Sold to end customers	-226	-6%	0	-	0	-	-38,827	+0%	2,017	+44%	-37,036	-1%
Sold in the wholesale market (net)	-54,421	+3%	-1,972	+25%	4,176	-3%	38,827	+0%	-2,017	+44%	-15,408	+20%
Sold in the w hole sale market	-288,601	+29%	-2,767	+15%	0	-	-2,431	-15%	29,659	-3%	-264,140	+33%
Purchased in the w hole sale market	234,180	+37%	794	-4%	4,176	-3%	41,258	-1%	-31,676	-1%	248,732	+34%
Grid losses	0	-	0	-	-4,176	-3%	0	-	0	-	-4,176	-3%

Electricity generation by source (GWh) by segment

	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
	Nuclear	28,339	+18%	0	-	0	-	0	-	0	-	28,339
Coal and lignite	28,176	-8%	0	-	0	-	0	-	0	-	28,176	-8%
Water	1,871	-9%	285	-5%	0	-	0	-	0	-	2,156	-8%
Biomass	808	-8%	0	-	0	-	0	-	0	-	808	-8%
Photovoltaic	0	-20%	138	+5%	0	-	0	-	0	-	138	+5%
Wind	0	-	1,571	+35%	0	-	0	-	0	-	1,571	+35%
Natural gas	1,696	-6%	0	-	0	-	0	-	0	-	1,696	-6%
Bio gas	0	-	4	+65%	0	-	0	-	0	-	4	+65%
Total	60,889	+2%	1,998	+25%	0	-	0	-	0	-	62,887	+3%

Sales of electricity to end customers (GWh) by segment

	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
	Households	0	-	0	-	0	-	-13,418	+1%	0	-	-13,418
Commercial (low voltage)	-1	-14%	0	-	0	-	-4,891	-5%	0	-	-4,892	-5%
Commercial and industrial (medium and high voltage)	-225	-6%	0	-	0	-	-20,518	+2%	2,017	+44%	-18,726	-1%
Sold to end customers	-226	-6%	0	-	0	-	-38,827	+0%	2,017	+44%	-37,036	-1%

Electricity balance (GWh) by country

2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Electricity procured	52,517	+3%	2,482	-4%	1,374	+12%	6	-	240	-	0	-	56,620	+4%
Generated in-house (gross)	58,436	+3%	2,812	-4%	1,393	+11%	6	-	240	-	0	-	62,887	+3%
In-house and other consumption, including pumping in pumped-storage plants	-5,919	-3%	-330	-1%	-19	-9%	0	-	0	-	0	-	-6,268	-3%
Sold to end customers	-17,788	-9%	-2,885	+50%	-3,290	-2%	-10,058	-	-3,016	+5%	0	-	-37,036	-1%
Sold in the wholesale market (net)	-32,578	+12%	403	-	2,834	-10%	11,158	-	2,776	-3%	0	-	-15,408	+20%
Sold in the wholesale market	-267,564	+33%	-2,732	-6%	-1,726	-12%	-183	-	-608	+194%	8,674	+7%	-264,140	+33%
Purchased in the wholesale market	234,986	+37%	3,136	+41%	4,559	-11%	11,341	-	3,384	+10%	-8,674	+7%	248,732	+34%
Grid losses	-2,151	+2%	0	-	-918	-8%	-1,107	-	0	-	0	-	-4,176	-3%

Electricity generation by source (GWh) by country

	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	28,339	+18%	0	-	0	-	0	-	0	-	0	-	28,339	+18%
Coal and lignite	25,609	-9%	2,566	+1%	0	-	0	-	0	-	0	-	28,176	-8%
Water	2,075	-7%	10	-9%	70	-24%	0	-	0	-	0	-	2,156	-8%
Biomass	573	+15%	235	-38%	0	-	0	-	0	-	0	-	808	-8%
Photovoltaic	132	+5%	0	-	0	-	6	-	0	-	0	-	138	+5%
Wind	8	+24%	0	-	1,323	+14%	0	-	240	-	0	-	1,571	+35%
Natural gas	1,696	-6%	0	-	0	-	0	-	0	-	0	-	1,696	-6%
Bio gas	4	+65%	0	-	0	-	0	-	0	-	0	-	4	+65%
Total	58,436	+3%	2,812	-4%	1,393	+11%	6	-	240	-	0	-	62,887	+3%

Sales of electricity to end customers (GWh) by country

	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	-7,154	-1%	0	-	-1,733	+2%	-4,417	-	-114	-16%	0	-	-13,418	+1%
Commercial (low voltage)	-2,131	-5%	-272	+34%	-827	-3%	-1,543	-	-119	+5%	0	-	-4,892	-5%
Commercial and industrial (medium and high)	-8,503	-16%	-2,613	+51%	-731	-10%	-4,097	-	-2,783	+6%	0	-	-18,726	-1%
Sold to end customers	-17,788	-9%	-2,885	+50%	-3,290	-2%	-10,058	-	-3,016	+5%	0	-	-37,036	-1%

Distribution of electricity (GWh) by country

2017	Czechia		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Distribution of electricity to end customers	35,805	+2%	0	-	6,649	+4%	9,588	-	0	-	0	-	52,042	+3%

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 reports' 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, e.g., 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> <p><u>Explanation of change from Q3 2017:</u> Change in accounting terminology without impact on the substance.</p>
Adjusted Net Income (After-Tax Income, Adjusted)	<p><u>Purpose:</u> This is a supporting indicator, intended primarily for investors, creditors, and shareholders, which 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 intangible assets.</p>

Indicator	
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. EBITDA is the running total for the past 12 months; Net Debt is the amount at the end of the period, i.e., December 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 Dec 31, 2016	As at Dec 31, 2017
Short-term debt securities available for sale	7	2,807
Short-term debt securities held to maturity	2,945	0
Short-term deposits	2,040	500
Long-term deposits	500	500
Long-term debt securities available for sale	4,646	1,787
Highly liquid financial assets, total	10,138	5,594

Adjusted Net Income indicator—individual components:

Adjusted Net Income (After-Tax Income, Adjusted)	Unit	Q1–Q4 2016	Q1–Q4 2017
Net income	CZK millions	14,575	18,959
Impairments of property, plant, and equipment and intangible assets, including goodwill	CZK millions	3,114	-142
Impairments of developed projects*)	CZK millions	671	523
Impairments of property, plant, and equipment and intangible assets, including goodwill, at joint ventures**)	CZK millions	1,312	1,251
Effects of additions to or reversals of impairments on income tax***)	CZK millions	-32	107
Other extraordinary effects	CZK millions	0	0
Adjusted net income	CZK millions	19,640	20,698

*) 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