



ANNEX 1:

**REPORT ON THE BUSINESS
OPERATIONS AND ASSETS OF ČEZ,
A. S., FOR 2018**

Prague, June 26, 2019

CEZ GROUP IN 2018



Selected Results and Indicators for 2018

- Operating revenues CZK 184.5 billion
- EBITDA CZK 49.5 billion
- Net income CZK 10.5 billion
- Adjusted net income CZK 13.1 billion
- S&P rating of ČEZ, a. s., at A- with a stable outlook

OPERATIONS TEAM



Mining

Generation—Traditional Energy



- Nuclear power plants
- Conventional power plants
- Heat sector
- New nuclear power plants



Supporting and Centralized Activities

- Finance and administration
- Supporting and centralized activities

DEVELOPMENT TEAM



Distribution

Sales/Trading

- ESCO activities (energy services)
- Sales—retail
- Trading



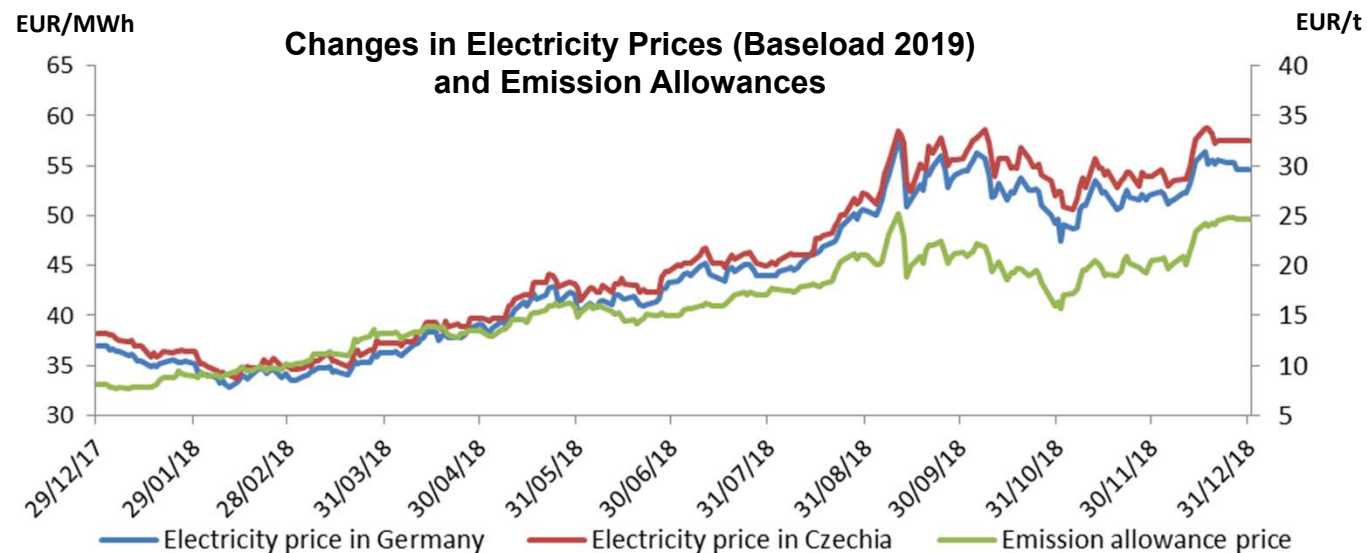
New Energy

- Renewable energy sources
- Inven Capital

ELECTRICITY PRICES HAVE INCREASED SINCE THE BEGINNING OF 2018 PRIMARILY DUE TO THE RISING PRICE OF CO₂ ALLOWANCES



Commodity Prices, Year-on-Year Comparison	Unit	December 31, 2017	December 31, 2018
Electricity price in Czechia (2019 baseload)	EUR/MWh	38.3	57.6
Electricity price in Germany (2019 baseload)	EUR/MWh	37.0	54.6
Hard coal price	USD/t	89.5	88.0
Gas price (NCG)	EUR/MWh	18.7	23.3
Oil price	USD/barrel	64.9	56.0
Emission allowance price (EEX)	EUR/t	8.2	25.0



CLIMATE AND ENERGY TARGETS SET IN EUROPE FOR 2030 ARE HIGHLY AMBITIOUS



	2020	2030 (March 2018)	2030 (approved)*
<p>Reduction of greenhouse gas emissions from 1990 levels</p>	<p>20%</p> <ul style="list-style-type: none"> ▪ Binding EU-wide target ▪ Partial target for EU ETS: 21% reduction from 2005 levels by 2020 	<p>Min. 40%</p> <ul style="list-style-type: none"> ▪ Binding EU-wide target ▪ Partial target for EU ETS: 43% reduction from 2005 levels by 2030 	<p>Min. 40%</p> <ul style="list-style-type: none"> ▪ Binding EU-wide target ▪ Can be reached as a side effect while going for the other two targets
<p>Share of renewable energy sources in total final energy consumption**</p>	<p>20%</p> <ul style="list-style-type: none"> ▪ Binding national target ▪ Initially supported primarily by means of feed-in tariffs (purchase prices), auctions since 2017 	<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 	<p>Min. 32%</p> <ul style="list-style-type: none"> ▪ Binding EU-wide target, national targets can differ ▪ Fulfillment in electricity, heat, and transportation ▪ RES electricity in the EU should grow to 55% (from 34% in 2020)
<p>Energy savings (EED***) in comparison with levels in 2007 predictions</p>	<p>20%</p> <ul style="list-style-type: none"> ▪ Indicative national target ▪ Mandatory energy-saving measures 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 	<p>Min. 32.5%</p> <ul style="list-style-type: none"> ▪ Indicative at EU-wide level ▪ Binding annual savings of 0.8% of consumed energy at national level (approx. 32.3% in total for Czechia)****
<p>Implications for CEZ Group:</p>	<ul style="list-style-type: none"> ▪ Potential for growth in the price of emission allowances and thus growth in generation margin thanks to low CO₂ emission factor ▪ Further potential for ESCO development (as a result of pressure on energy savings) and RES development 		

*2030 targets may be revised in 2023; **RES: applicable to all energy, not just electricity; ***EED—Energy Efficiency Directive;

CEZ GROUP FINANCIAL RESULTS

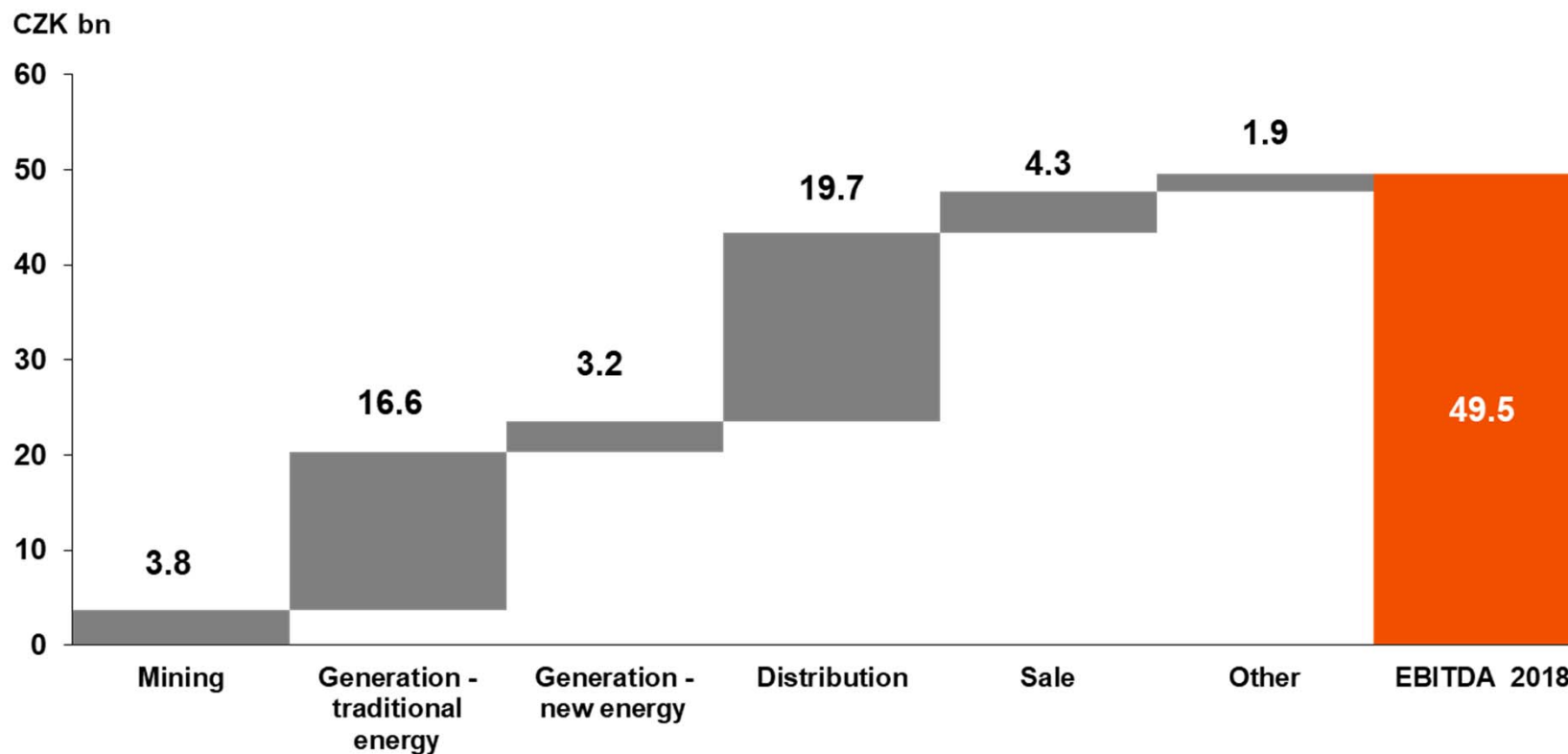


	Unit	Year 2017	Year 2018	Change (%)
Operating revenues	CZK millions	205,092	184,486	-10.0%
Operating revenues, comparable*	CZK millions	173,731	184,486	+6.2%
EBITDA	CZK millions	53,921	49,535	-8.1%
EBIT	CZK millions	25,620	19,759	-22.9%
Net income	CZK millions	18,959	10,500	-44.6%
Net income—adjusted**	CZK millions	20,698	13,055	x
Total assets	CZK millions	623,906	707,443	+13.4%
Property, plant, and equipment and intangibles (including nuclear fuel)	CZK millions	454,823	447,035	-1.7%
ROE	%	7.4	4.3	x
ROIC	%	4.3	3.3	x

* Comparison applying IFRS 15 (changing the manner of reporting since January 1, 2018) to 2017; in line with the standard, neither distribution revenue nor distribution costs are reported where an energy group sells electricity in an area in which it does not own the distribution grid. Application of this part of the standard significantly affects energy groups' total revenues and expenses (without affecting total reported profit).

** Adjusted net income = Net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given year.

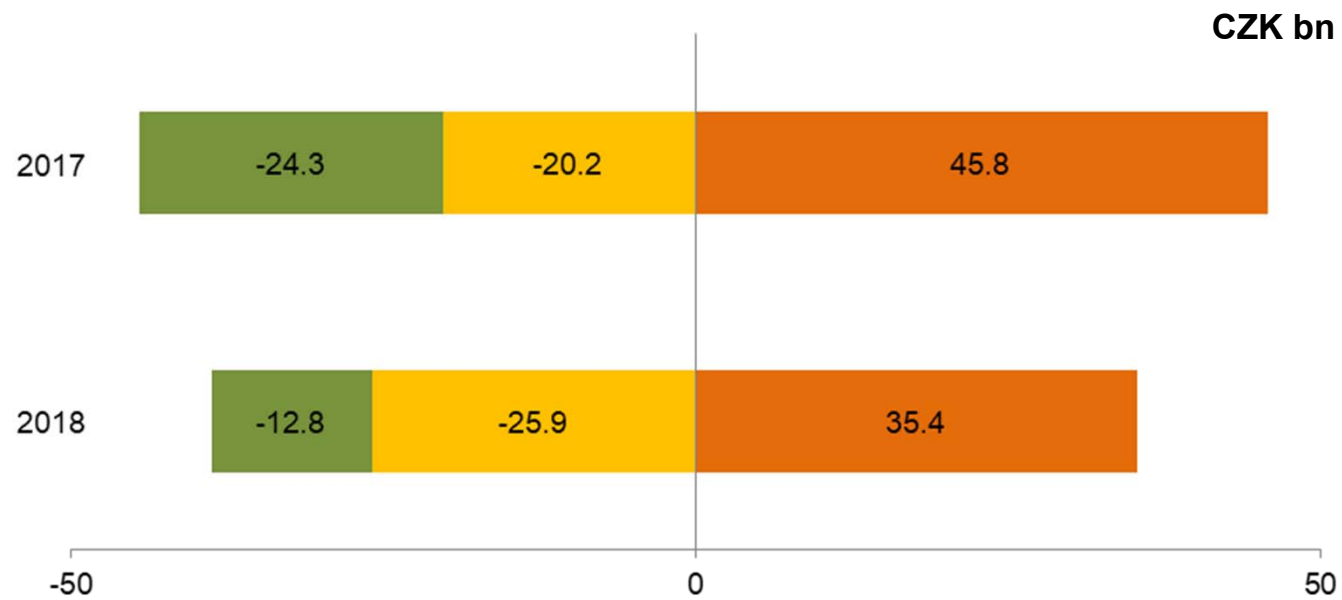
CONTRIBUTION TO 2018 EBITDA BY SEGMENT



2018 vs. 2017 Change in EBITDA

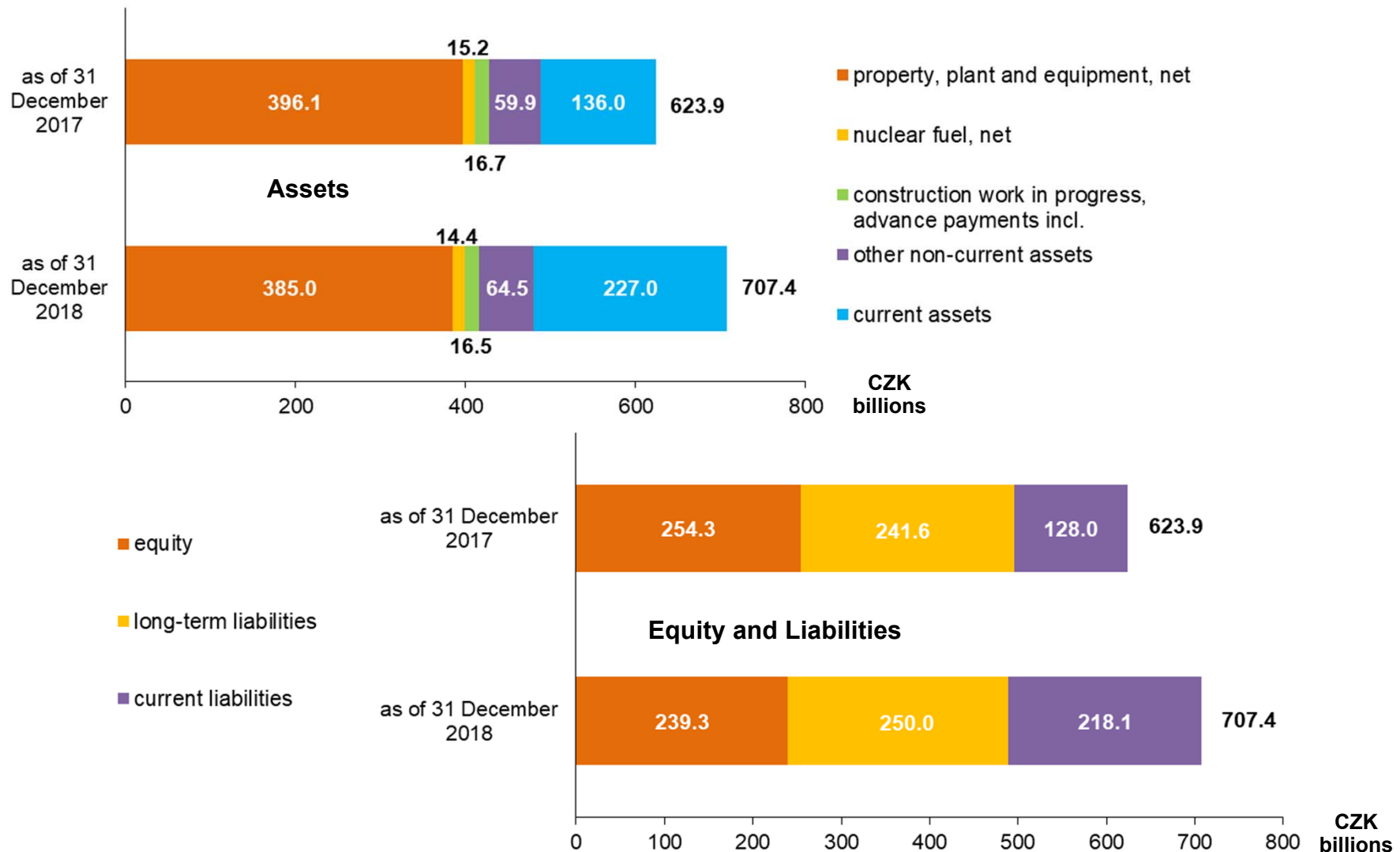
%	-8%	-13%	-35%	4%	-6%	-13%	-8%
CZK bn	-0.3	-2.5	-1.7	0.7	-0.3	-0.3	-4.4

CEZ GROUP CASH FLOWS



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

CEZ GROUP ASSETS, EQUITY, AND LIABILITIES



INVESTMENTS IN FIXED ASSETS BROKEN DOWN BY SEGMENT

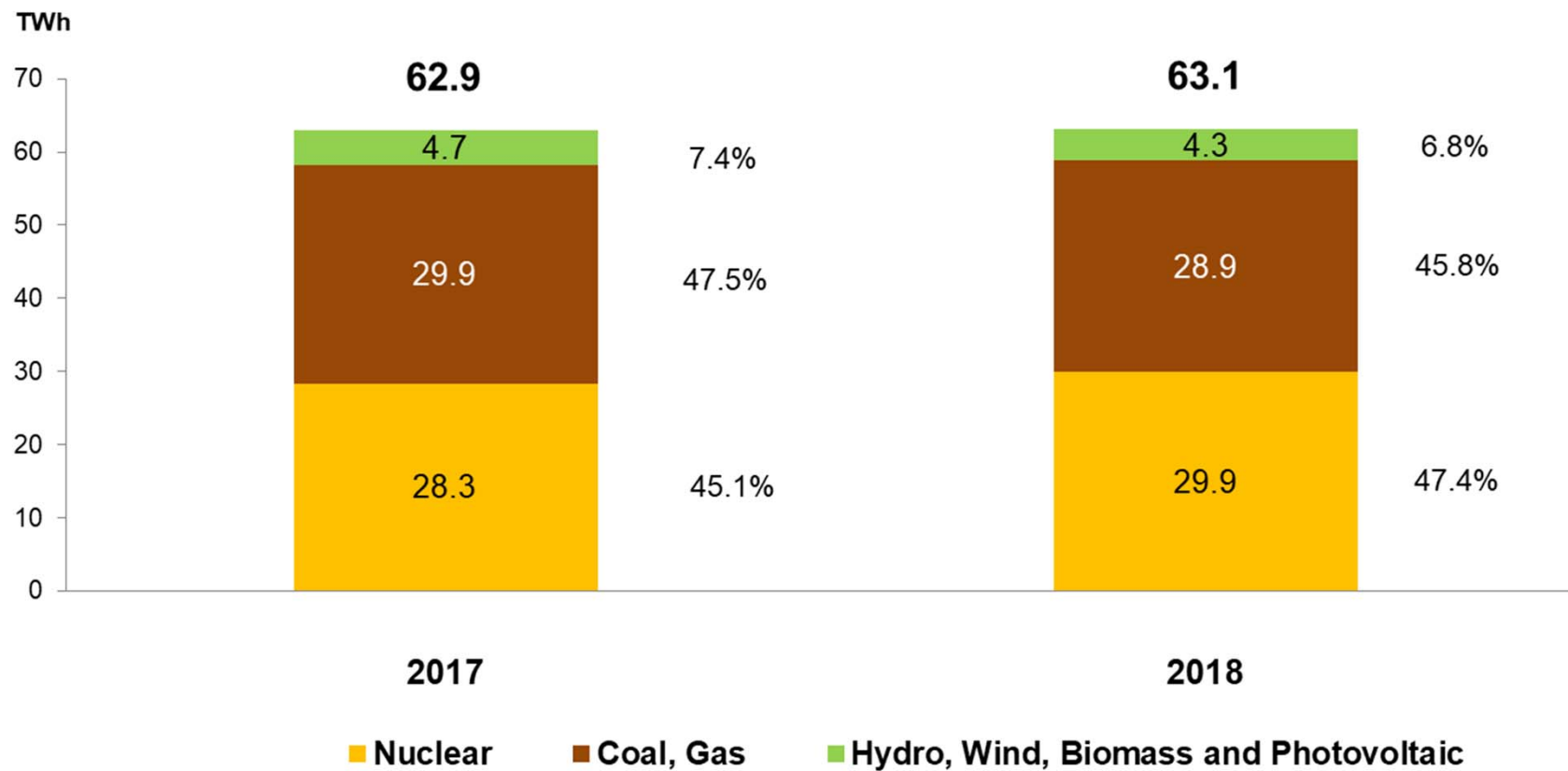


CZK billions	2017	2018
Generation—Traditional Energy	11.9	8.0
Of which: Nuclear fuel procurement	3.6	2.4
Generation—New Energy	0.7	0.4
Mining	1.6	1.6
Distribution	12.9	12.9
Czechia	9.8	10.4
Romania	1.3	1.2
Bulgaria	1.8	1.2
Sales	0.3	0.7
Other*	1.7	2.7
Total	29.1	26.4

Y-o-y changes in capital expenditure in segments:

- **Generation—Traditional Energy:** Lower procurement of nuclear fuel as well as, in particular, higher investments in the comprehensive renovation of the Prunéřov power plant and a new unit at the Ledvice power plant in 2017.
- **Generation—New Energy:** Effect of acquisition in renewables.
- **Sales:** Increase due to new ESCO acquisitions, including gaining control of ČEZ Energo (fully consolidated since July 1, 2018).
- **Other:*** Increase primarily in connection with major investments in license purchases and renewals by ČEZ ICT Services and the construction of a corporate data center at Tušimice.

CEZ GROUP ELECTRICITY GENERATION

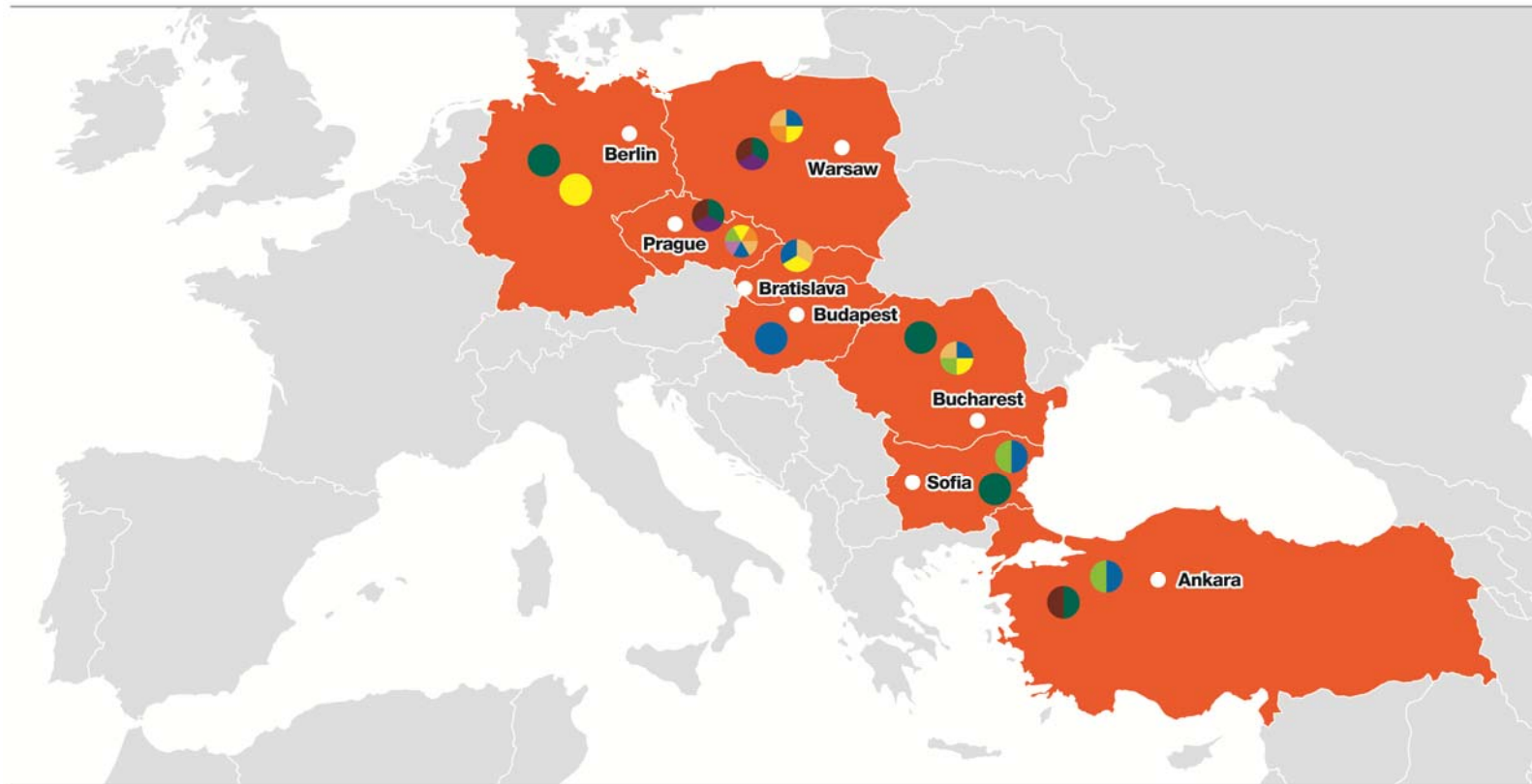


ČEZ, A. S., FINANCIAL RESULTS AND DIVIDEND POLICY



	Unit	Year 2017	Year 2018	Change (%)
Operating revenues	CZK millions	77,257	79,749	3.2 %
EBITDA	CZK millions	15,468	13,530	-12.5 %
EBIT	CZK millions	2,891	-949	x
Net income	CZK millions	5,105	23,776	365.7 %
Total assets	CZK millions	532,770	626,075	17.5 %
Equity	CZK millions	187,507	183,212	-2.3 %
Dividends awarded	CZK billions	17.6	17.6	0.1 %
Number of registered shares (at Dec 31)	Thousands	537,990	537,990	0.0 %
Number of treasury shares (at Dec 31)	Thousands	3,605	3,125	-13.3 %
Market capitalization	CZK billions	265.3	286.2	7.9 %
ROE	%	2.6	12.8	x
ROA	%	1.0	4.1	x

CEZ GROUP PRESENCE IN EUROPEAN MARKETS



Generation

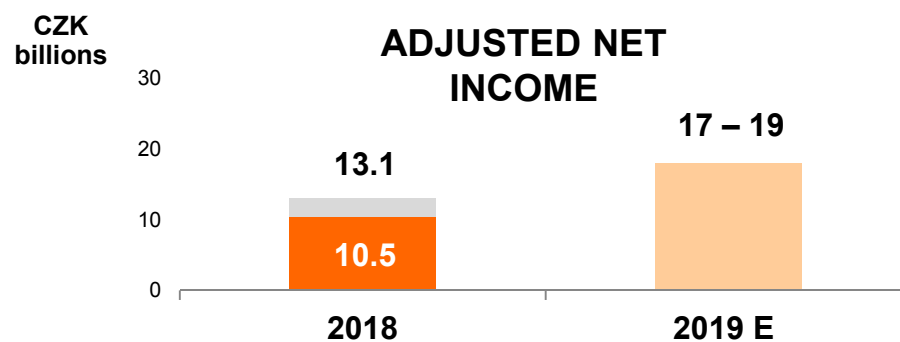
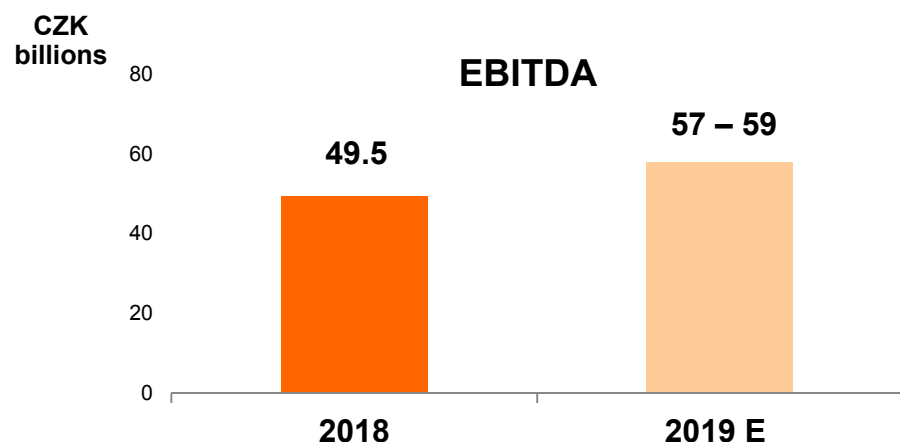
- Traditional electricity generation
- Renewable electricity generation
- Heat generation

Distribution and Sales

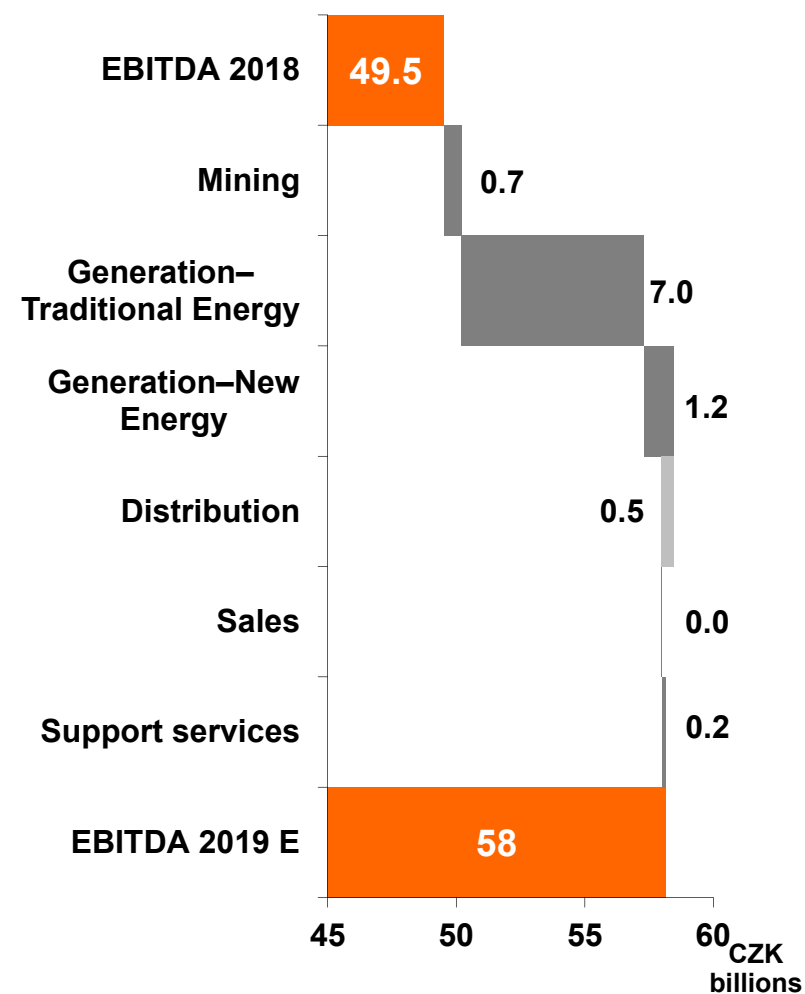
- Electricity distribution
- Heat distribution
- Sales of electricity to end-use customers
- Sales of natural gas to end-use customers
- Sales of heat to end-use customers
- Sales of energy services

CEZ GROUP ESTIMATES 2019 NET INCOME

AT CZK 17–19 BILLION, EBITDA AT CZK 57–59 BILLION



Adjustment of 2018 net income
 2018 net income



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

KEY SUBSTANTIVE OBJECTIVES FOR 2019



OPERATIONS Team	DEVELOPMENT Team
<ul style="list-style-type: none"> ▪ Ensure operational security and optimum availability for generating facilities. ▪ Maximize the creation of operating cash flow in generation and ensure optimum compliance with environmental and regulatory requirements for the operation of, in particular, coal-fired plants in 2020+. ▪ Prepare an increase in nuclear generation to over 31 TWh a year (combination of fuel change incl. campaign optimization as well as modifications to conventional island technology) with significant economic benefits starting from 2022. ▪ Ensure the conditions for long-term NPP operation (fulfilling the Dukovany LTO and Temelín PSR action plans). 	<ul style="list-style-type: none"> ▪ Prepare the Czech distribution system for the development of decentral generation, accumulation, electric mobility, and change in consumption structure. ▪ Increase sales of CEZ Group’s existing ESCO companies to over CZK 20 billion. ▪ Increase the sales and cost effectiveness of sales companies and further improve care for our customers (including a 6% increase in the overall CX index). ▪ Execute the RES development strategy in Czechia and operate the existing RES portfolio efficiently in Czechia and abroad. ▪ Expand investment activities and make 1–2 new Inven Capital growth investments. ▪ Complete the sale of Bulgarian assets.
CEZ Group	
<ul style="list-style-type: none"> ▪ Fulfill the objectives of the “Centralized and Supporting Activities Redesign & Optimization” project with a gain of approximately CZK 0.5 billion a year and with 15–20% estimated staff reduction in central and supporting units. ▪ Give qualified consideration to taking up ČEZ’s option to cancel the sale of the Počerady power plant. ▪ Validate the business and investment model for NNPP construction in Czechia and make a contract with the Czech government. ▪ Update the business policy and strategies in the context of European trends and regulation. 	