Internal Information

CEZ Group Achieved EBITDA of CZK 31.6 Billion in H1 and Increases its Full-Year Outlook

Operating results for H1 are in line with the initial ambitions; CEZ Group increases its full-year outlook for EBITDA to CZK 58 to 60 billion and net profit adjusted for extraordinary items to CZK 18 to 20 billion. EBITDA reached CZK 31.6 billion in H1, a year-on-year decrease of CZK 7.1 billion. However, the year-on-year comparison was affected by the sale of Romanian assets in Q1 2021 and specific temporary market effects of CZK 3.9 billion due to the revaluation of hedging contracts for production supplies, mainly due to last year's drop in commodity prices on wholesale markets following the spread of the COVID-19 pandemic to Europe. Nevertheless, we have seen a positive development across all segments throughout the year, which is why we are raising our full-year EBITDA outlook to CZK 58 to 60 billion and net profit adjusted for extraordinary items to CZK 18 to 20 billion as a result.

CEZ Group's net income in H1 thus reached CZK 1.6 billion, a year-on-year decrease of CZK 13.1 billion. CEZ Group's net income, adjusted for extraordinary items, amounted to CZK 11.3 billion, a year-on-year decrease of CZK 5.1 billion. Overall, ČEZ shareholders are benefiting from the increase in the market prices of emission allowances and electricity, as evidenced by the development of the share price this year.

In H1, net income was negatively affected by the deterioration of medium-term market conditions for coal-fired power generation following the increase in climate targets at the EU level and also the recommendation of the Coal Commission of the Czech Republic to stop combusting coal by 2038 at the latest. For these reasons, the market value of Severočeské doly decreased, and CEZ Group, in accordance with accounting standards, created a valuation allowance for the mining company's fixed assets in the amount of CZK 8.7 billion, reflecting the lower estimated demand for coal and the earlier termination of coal mining.

“Operating financial results have been developing in line with our initial ambitions. We continue to fulfill our accelerated strategy Clean Energy for Tomorrow aimed at increasing the share of emission-free resources and Czechia and Central Europe. CEZ Group's CO_2 emissions intensity from power generation decreased by 19% year-on-year in H1 and we completed the sale of Bulgarian assets for CZK 8.6 billion. We have set ambitious strategic targets for 2030 in line with the Paris Agreement and EU climate goals. As a part of our corporate responsibility in the areas of environmental protection, social relations, and corporate governance, we aspire to improve ČEZ's ESG rating to 80% by 2023,” said Daniel Beneš, Chairman of the Board of Directors and Chief Executive Officer of ČEZ.

In line with the set strategy, generation from emission-free renewables increased by 9%. Generation from emission-free nuclear facilities increased by 4%. For the full year 2021, we forecast a 12% decrease in emission intensity to 0.29 t CO_2/MWh, which corresponds to about 80% of the emissions from the new CCGT plant. Total electricity generation across the companies not designated for sale under the current strategy decreased by 6% year-on-year. Among these, generation from coal-fired facilities decreased by 23%, mainly as a result of selling the Počerady power plant and shutting down the Prunéřov I power plant, and the overall share of coal-fired generation is now below 30%.

Sales of electricity and gas to end customers in Czechia increased significantly. Electricity increased by 11% and gas by 20%. Sales of ESCO services in Czechia and abroad have stabilized, with a total increase of 3% year-on-year and an estimated increase of 8% for the full year.

“We are increasing our full-year EBITDA outlook to between CZK 58 and 60 billion and net income adjusted for extraordinary items to between CZK 18 and CZK 20 billion as a result of positive developments across all segments. CEZ Group's net debt decreased by CZK 43 billion in H1. In addition, cash flow in Q3 will be supported by income from the sale of Bulgarian assets. Overall, CEZ Group leaves Bulgaria with a positive cash balance exceeding CZK 1 billion and continues the international arbitration against the Bulgarian State, pursuing claims with potential additional returns for ČEZ shareholders," said Martin Novák, Member of the Board of Directors and Director of Finance, adding: "ČEZ's shares provide the highest total shareholder return among comparable European energy companies this year at approx. 30%. This was due to the divestment and decarbonization ambitions until 2030 with the aim to further increase the share of emission-free generation, which will allow CEZ Group as a whole to increasingly benefit from the rising price of emission allowances."

Electricity consumption in ČEZ Distribuce's distribution area increased by 9% year-on-year and by 7% on a climate and calendar basis. Large business consumption increased by 8% year-on-year, and residential customers' consumption by 2%. Overall, consumption reached a higher level than in 2019, before the spread of COVID-19 to Europe.