CEZ GROUP:
THE LEADER IN POWER MARKETS OF CENTRAL AND SOUTHEASTERN EUROPE

Investment story, April 2016

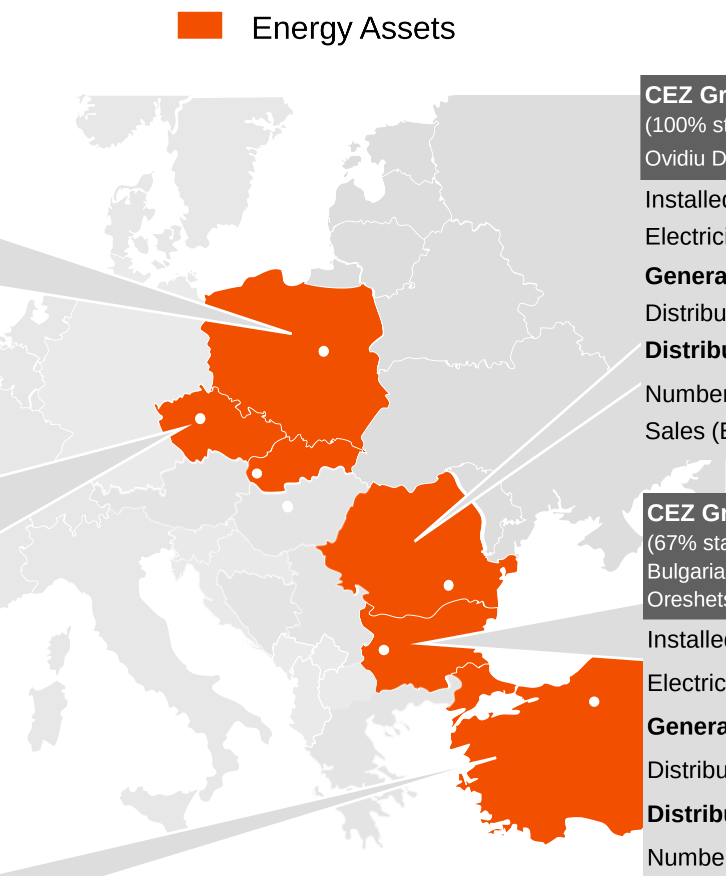
AGENDA

CEZ GROUP IS AN INTERNATIONAL UTILITY WITH A STRONG POSITION IN CEE

CEZ Group in Poland (100% stake in Skawina, 100% in Elcho)	
Installed capacity (MW)	681
Electricity generation, gross (TWh)	2.6
Generation market share	**1.8%**
Number of employees	396
Sales (EUR million)	156

CEZ Group in the Czech Republic	
Installed capacity (MW)	13,470
Electricity generation, gross (TWh)	58.3
Generation market share	**68%**
Distributed electricity (TWh)	32.7
Distribution market share	**57%**
Number of employees	20,503
Sales (EUR million)	5,547

CEZ Group in Turkey (50% stake in SEDAS through AkCez, 37.36% stake in Akenerji)	
Installed capacity (MW)	1,289
Electricity generation, gross (TWh)	2.7
Generation market share	**1.1%**
Distributed electricity (TWh)	8.0
Distribution market share	**3%**



CEZ Group in Romania (100% stakes in CEZ Distributie, CEZ Vanzare, Tomis Team, Ovidiu Development, TMK Hydroenergy Power)	
Installed capacity (MW)	622
Electricity generation, gross (TWh)	1.3
Generation market share	**2.1%**
Distributed electricity (TWh)	6.3
Distribution market share	**14%**
Number of employees	1,792
Sales (EUR million)	429

CEZ Group in Bulgaria (67% stake in CEZ Razpredelenie Bulgaria, CEZ Electro Bulgaria, 100% in TPP Varna, 100% in Free Energy Project Oreshets)	
Installed capacity (MW)	1,265*
Electricity generation, gross (TWh)	0.9
Generation market share	**2.3%**
Distributed electricity (TWh)	9.1
Distribution market share	**29%**
Number of employees	3,530
Sales (EUR million)	882

Source: 2014 data, EUR/CZK=27.533, * 1260 MW of installed capacity is currently offline

CEZ IS A STRONG AND VERTICALLY INTEGRATED PLAYER IN THE CZECH ELECTRICITY MARKET

	Lignite mining	Generation	Transmission	Distribution	Supply
CEZ	**57%** 21.6 million tons 2014	**68%** 58.3TWh	**100%** 64.3 TWh	5 out of 8 distribution regions **61%** of customers	**37%** 21 TWh
Others	**43%** 16.6 million tons	**32%** 27.9 TWh		**39%** of customers	**63%** 36 TWh

Lignite mining

- CEZ fully owns the largest Czech mining company (SD) covering 71% of CEZ' s lignite needs
- Remaining 3 coal mining companies are privately owned

Generation

- Other competitors – individual IPPs

Transmission

- The Czech transmission grid is owned and operated by CEPS, 100% owned by the Czech state

Distribution

Supply

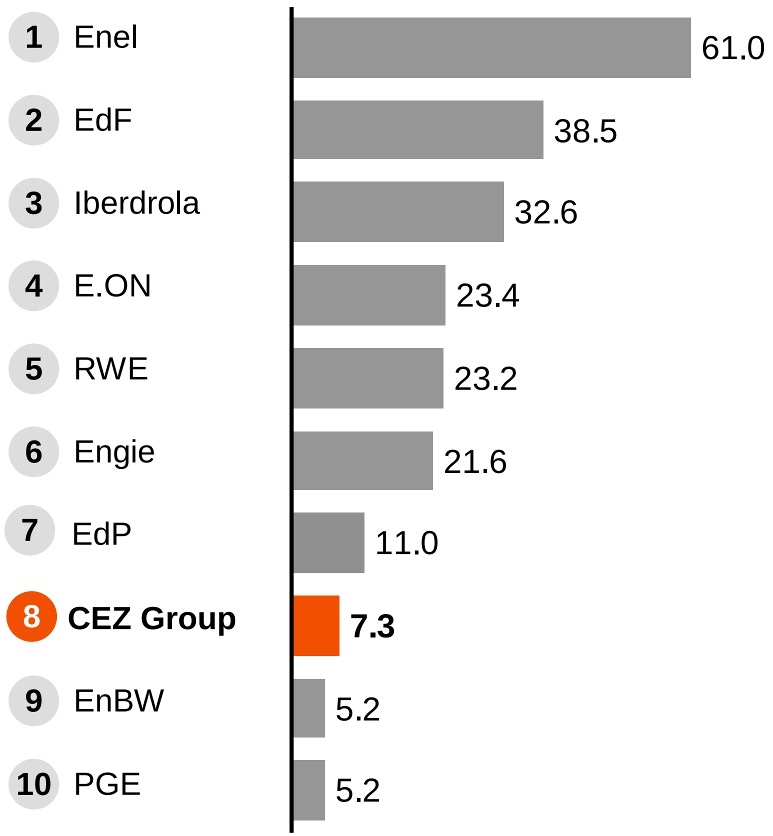
- Other competitors – E.ON, RWE/EnBW

Source: CEZ, ERU, MPO, companies´ data; data for 2014 (distribution data for 2013)

CEZ GROUP RANKS AMONG THE TOP 10 LARGEST UTILITY COMPANIES IN EUROPE

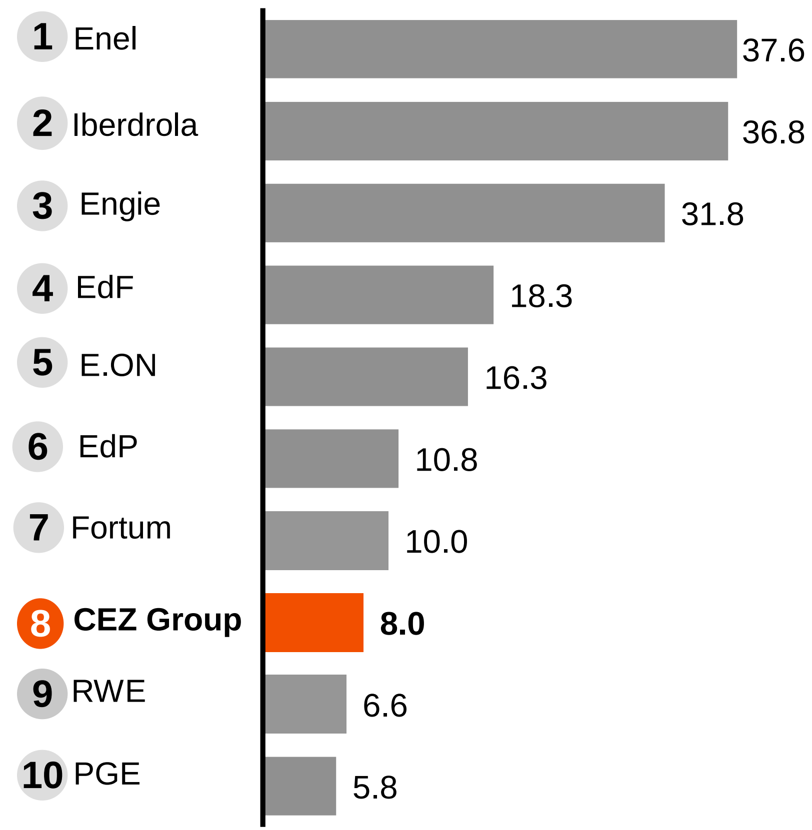
Top 10 European power utilities

Number of customers in 2014, in millions



Top 10 European power utilities

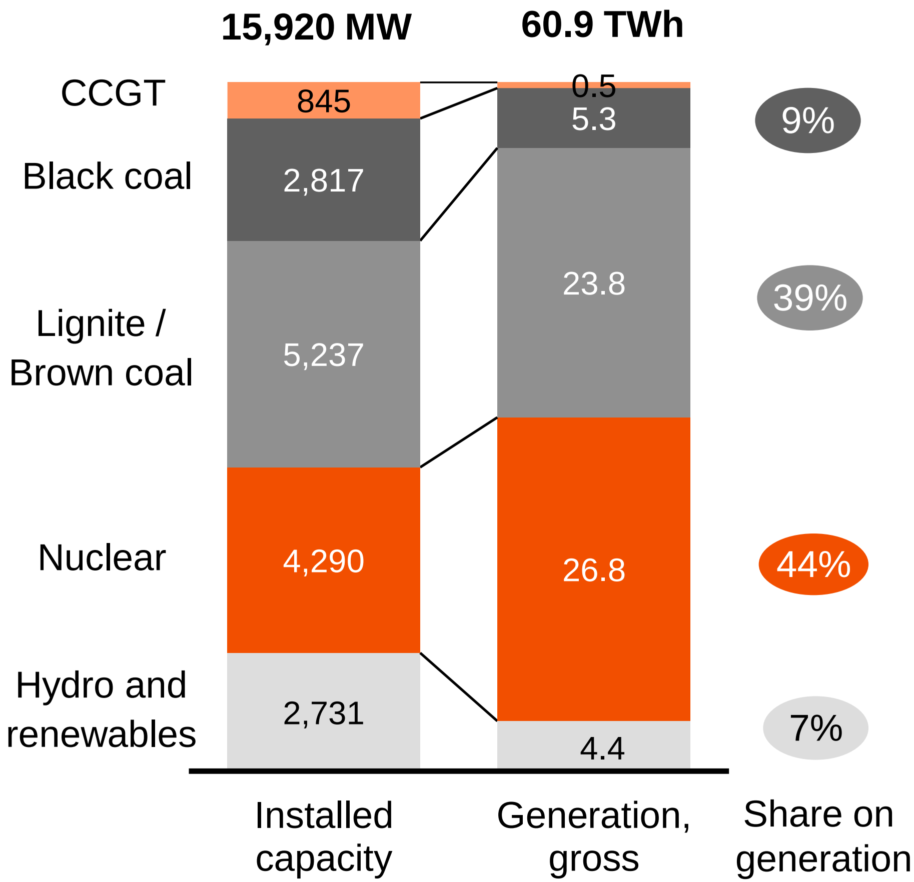
Market capitalization in EUR bn, as of April 7, 2016



 Source: Bloomberg, Annual reports, companies´ websites and presentations

CEZ GROUP OPERATES LOW COST GENERATION FLEET, ...

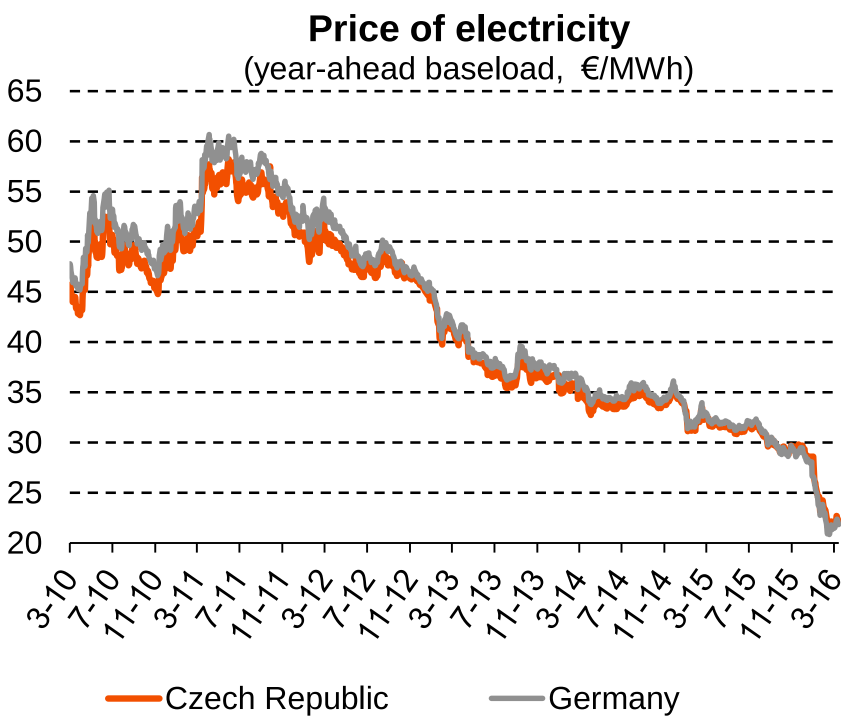
Installed capacity and generation (2015)

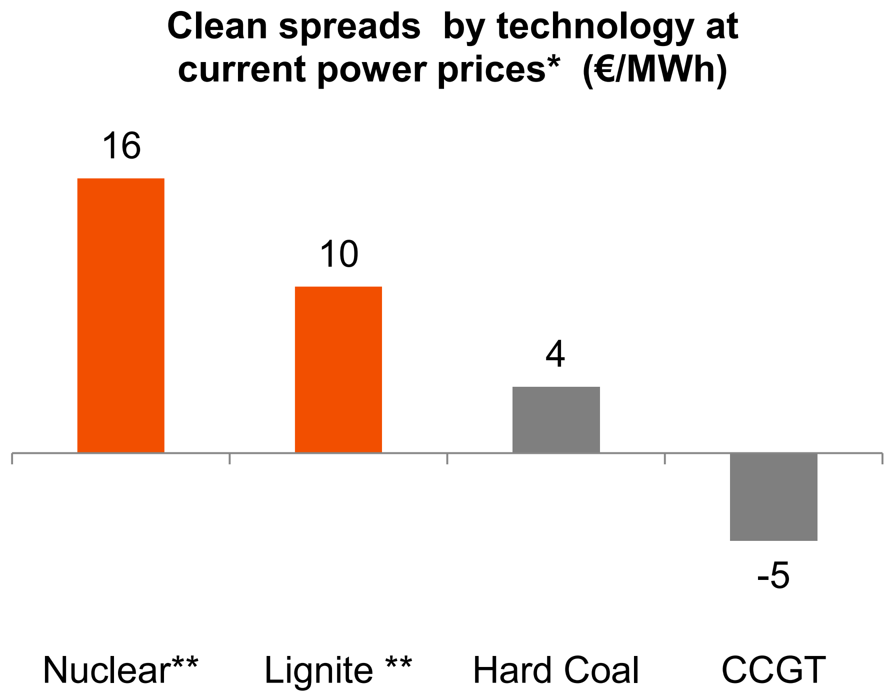


- **Coal power plants are using mostly lignite from CEZ's own mine** (71% of lignite needs sourced internally, remaining volume through long-term supply contracts)
- **Nuclear plants have very low operational costs**

CEZ has a long-term competitive advantage of low and relatively stable generation costs

,… WHICH IS A GREAT ADVANTAGE IN THE CURRENT LOW PRICE ENVIRONMENT





* 2016 production of CEZ hedged €13/MWh above current forwards, prices as of Apr 7, 2016

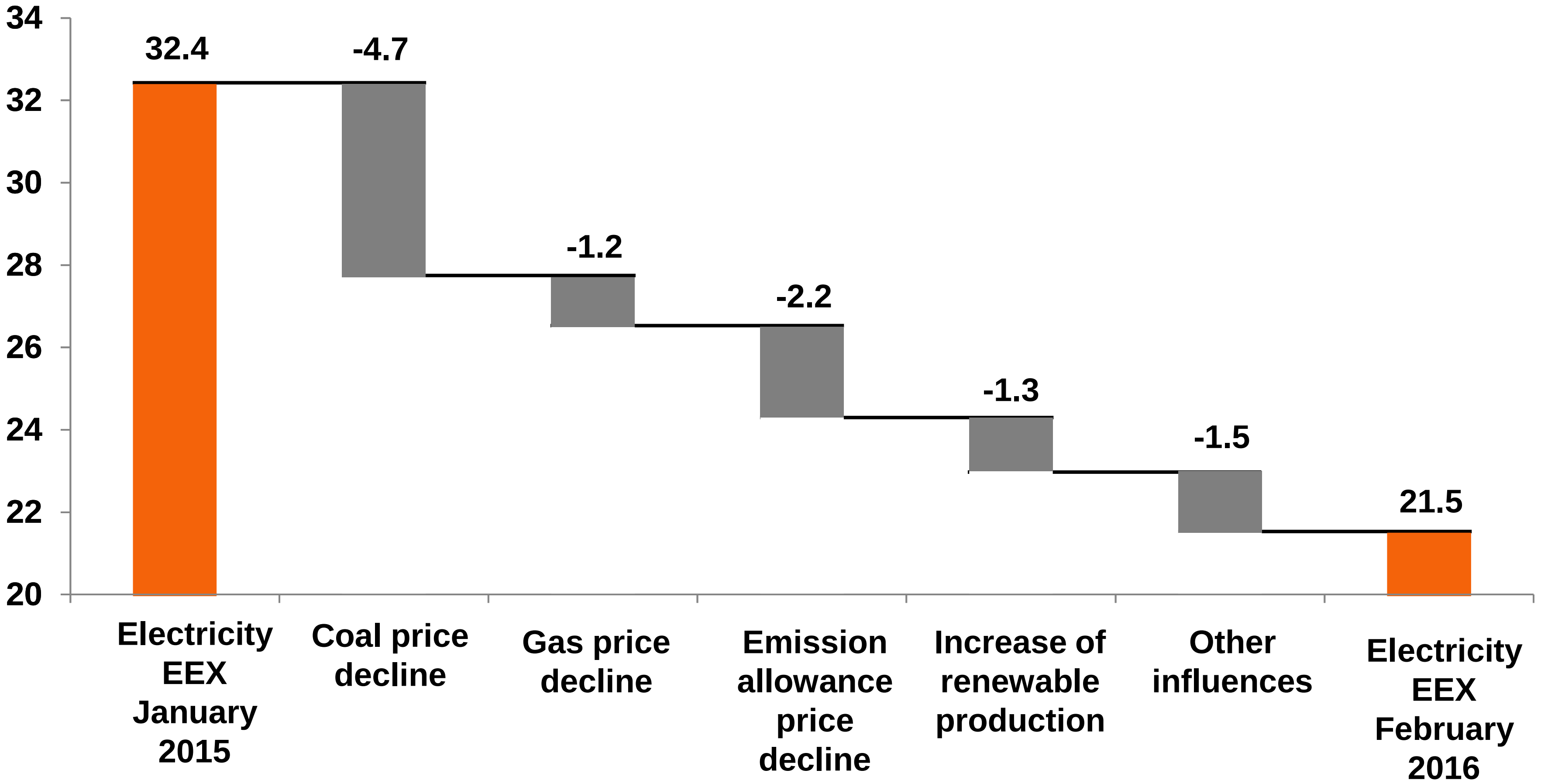
Drivers of electricity price

- Decline of **hard coal prices** due to shale gas discoveries in the US and declining Chinese imports
- Decline in **carbon prices** due to oversupply driven by economic slowdown
- **Growing** capacity of subsidized **renewables** at the time of stagnating/declining electricity demand

** Nuclear fuel costs and CZK50/MWh payment for fuel storage, cash cost of extracting own lignite, carbon costs are considered

THE ELECTRICITY PRICES HAVE DECLINED BY ALMOST 11 EUR/MWH IN THE LAST YEAR

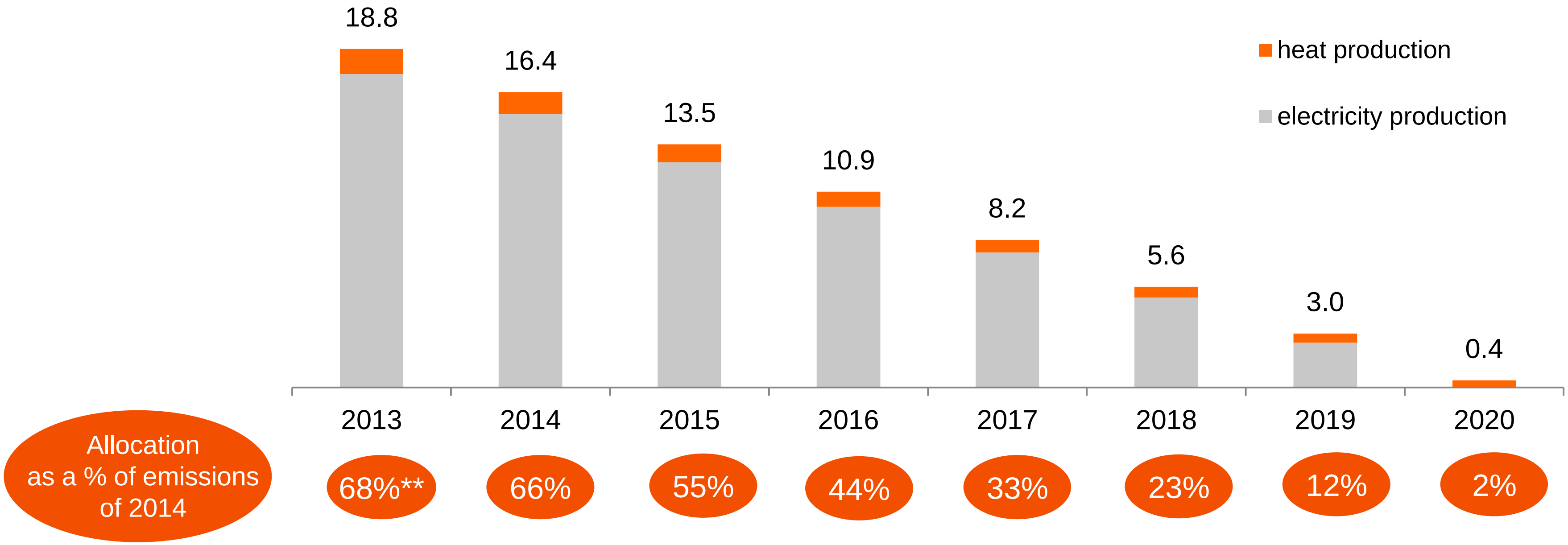
Breakdown of factors behind decline of wholesale electricity price in the last year,
base load 2017, EEX, EUR/MWh



CEZ GROUP CONTINUES TO RECEIVE PART OF EMISSION ALLOWANCES FOR FREE

- CEZ Group can get up to **70.2 million** emission allowances for electricity production in the Czech Republic in 2013–2019* in exchange for investments reducing greenhouse gas emissions.
- EC Commission has proposed that free allocation of up to 40% of emission allowances will continue post 2020.

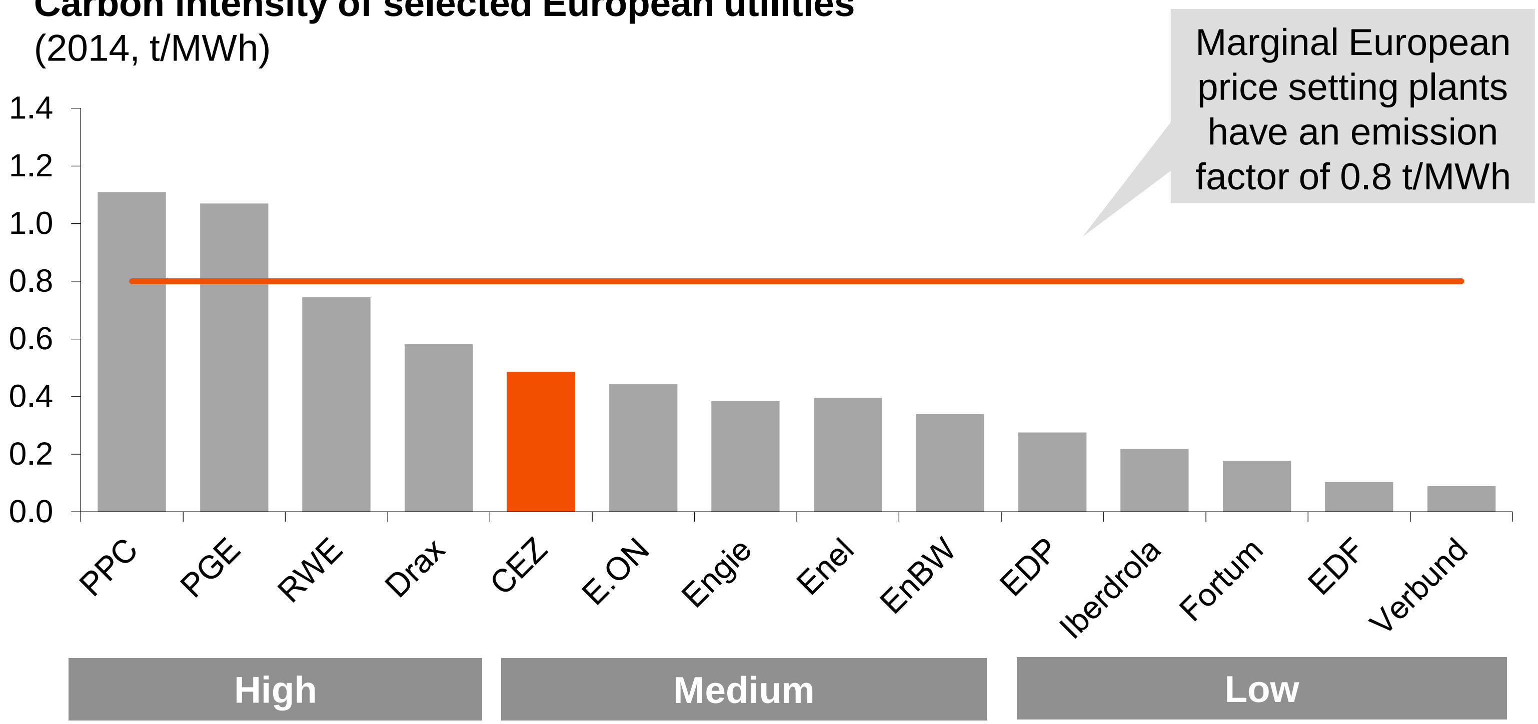
Expected allocation of allowances for CEZ Group in the Czech Republic (millions)



* The volume of allocated allowances decreases over years to zero allocation in 2020, ** % of 2013 emissions

CEZ GROUP'S CO_2 INTENSITY IS BELOW INTENSITY OF A EUROPEAN PRICE SETTING PLANT

Carbon intensity of selected European utilities
(2014, t/MWh)



Increase in CO_2 price has a positive impact on CEZ profitability

PERFORMANCE OF FOREIGN ASSETS HAS STABILISED

Romania

- In September 2015 temporary accreditation of green certificates approved for wind parks, tradability of the second certificate remains postponed until 2018-2020

Bulgaria

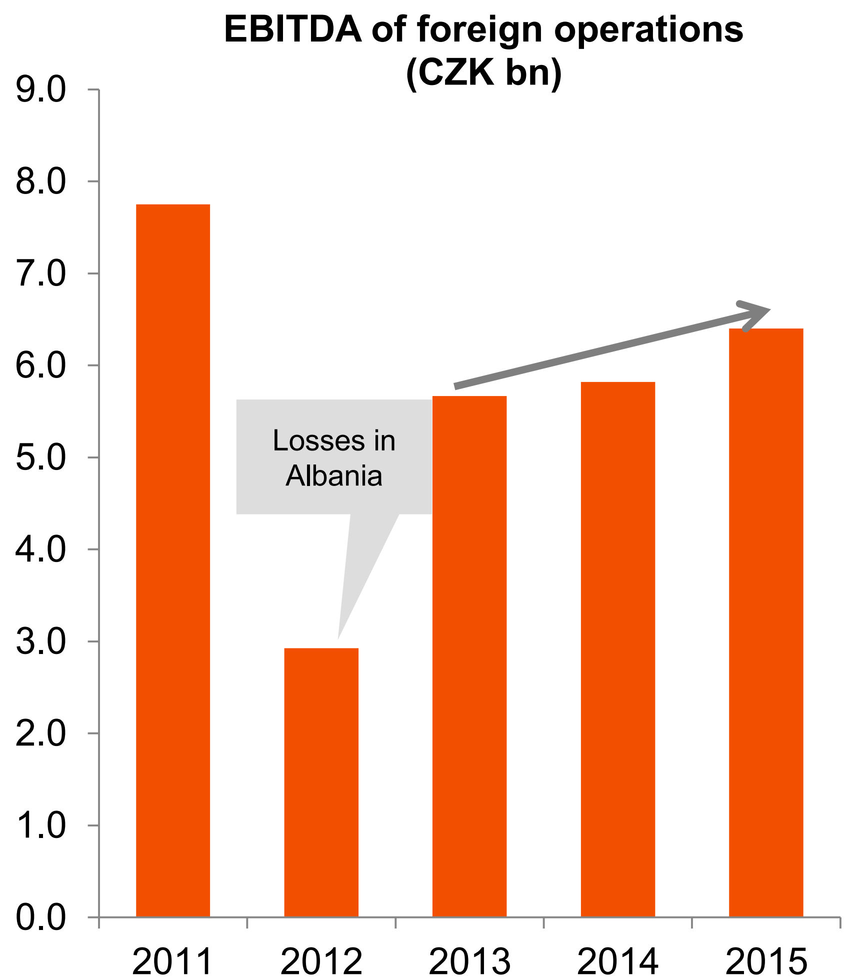
- Varna power plant is shut down since January 2015 and thus losses were eliminated

Poland

- Turbines at Skawina were modernized

Albania

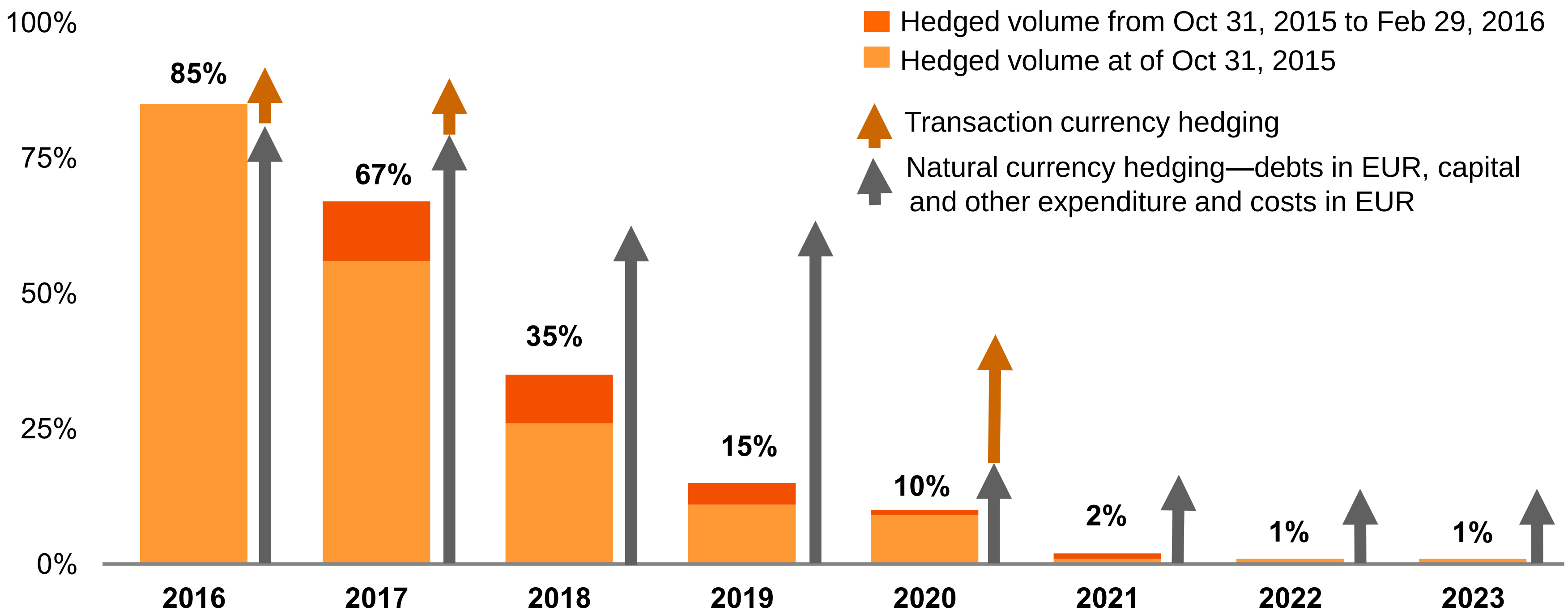
- Settlement agreement reached in 2014, out of €100m compensation already €36.75m received



AGENDA

LARGE PART OF PRODUTION FOR THE NEXT 3 YEARS IS ALREADY HEDGED AT ATTRACTIVE PRICE LEVELS

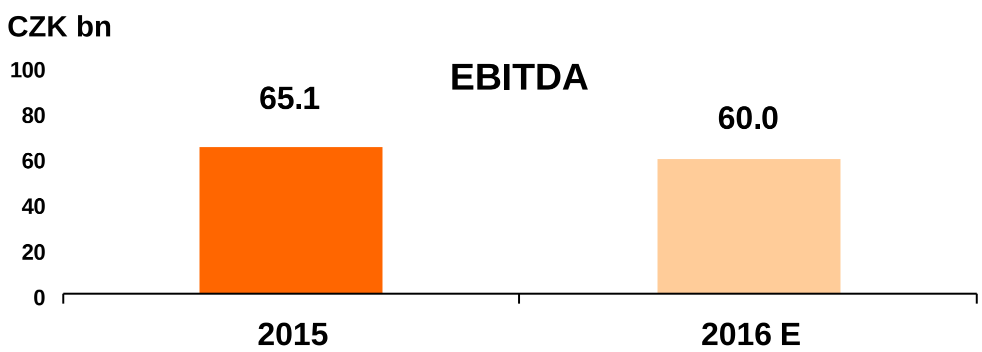
Share of hedged production of ČEZ* power plants
as at Feb 29, 2016 (100% corresponds to 55–57 TWh)

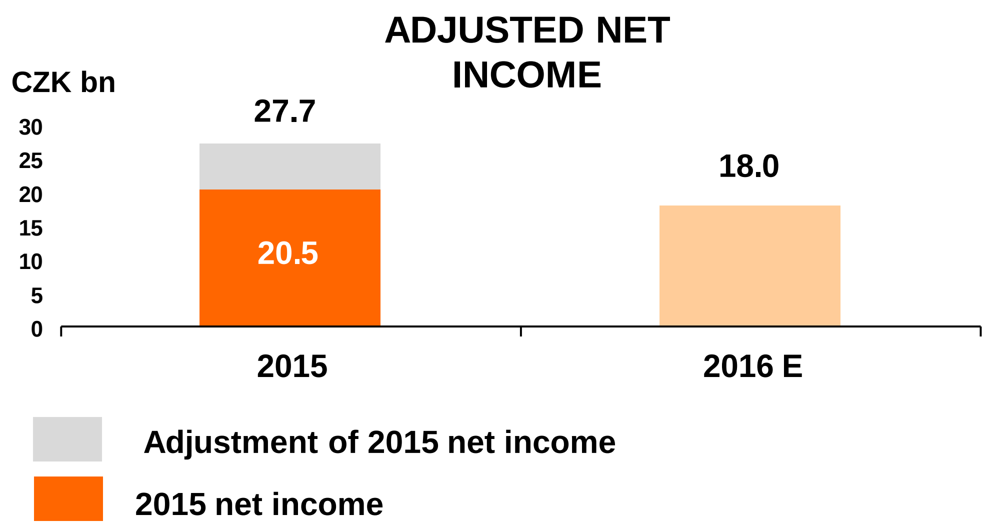


Hedged price (EUR/MWh, BL equivalent)	2016	2017	2018	2019	2020	2021	2022	2023
	35.0	31.5	31.5	34.5	38.5	36.5	40.5	40.5

 Source: ČEZ ČEZ*—ČEZ, a. s. including Energotrans and spun-off coal-fired power plants in Počerady and Dětmarovice

WE EXPECT 2016 EBITDA OF CZK 60BN, ADJUSTED NET INCOME AT THE LEVEL OF CZK 18BN





Selected year-on-year negative effects:

- Trend of declining electricity prices
- Payment of SŽDC liabilities from 2010
- Lower settlement of unbilled electricity in the Czech Rep.

Selected year-on-year positive effects:

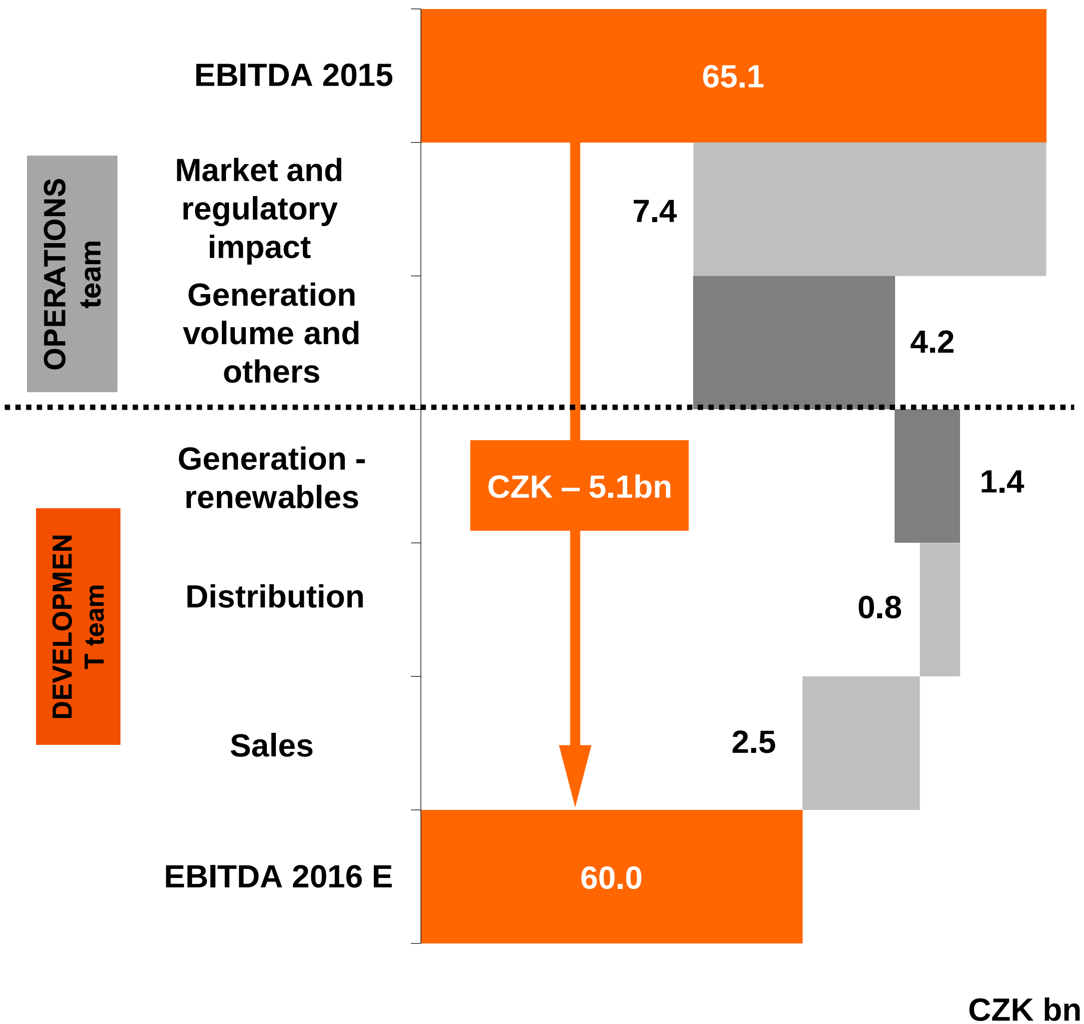
- Higher volume of electricity production
- Resumed allocation of green certificates for Fântânele Vest and Cogealac

Selected prediction risks:

- Availability of generating facilities in the Czech Rep. (especially new and refurbished coal-fired units)
- Developments in regulatory and legislative conditions for the energy sector in Europe

The 2015 net income (CZK 20.5bn) was adjusted for the effect of fixed asset impairments of CZK 7.1bn.

EXPECTED YEAR-ON-YEAR CHANGE IN EBITDA
MAIN REASONS



Market and regulation effects (on conventional energy)
- Decrease in the realization prices of electricity (-5.7)
- Lower allocation of emission allowances (-0.9)
- Lower revenue from ancillary services in the Czech Rep. (-0.5)
- Revenue from biomass combustion in Poland in 2015 (-0.3)

Level of production and other effects
- Higher production (+4.6)
- Other effects (-0.4)

Generation—Renewable Energy
- Allocation of green certificates for Fântânele Vest and Cogealac for the whole year 2016 (+1.0)
- Higher production

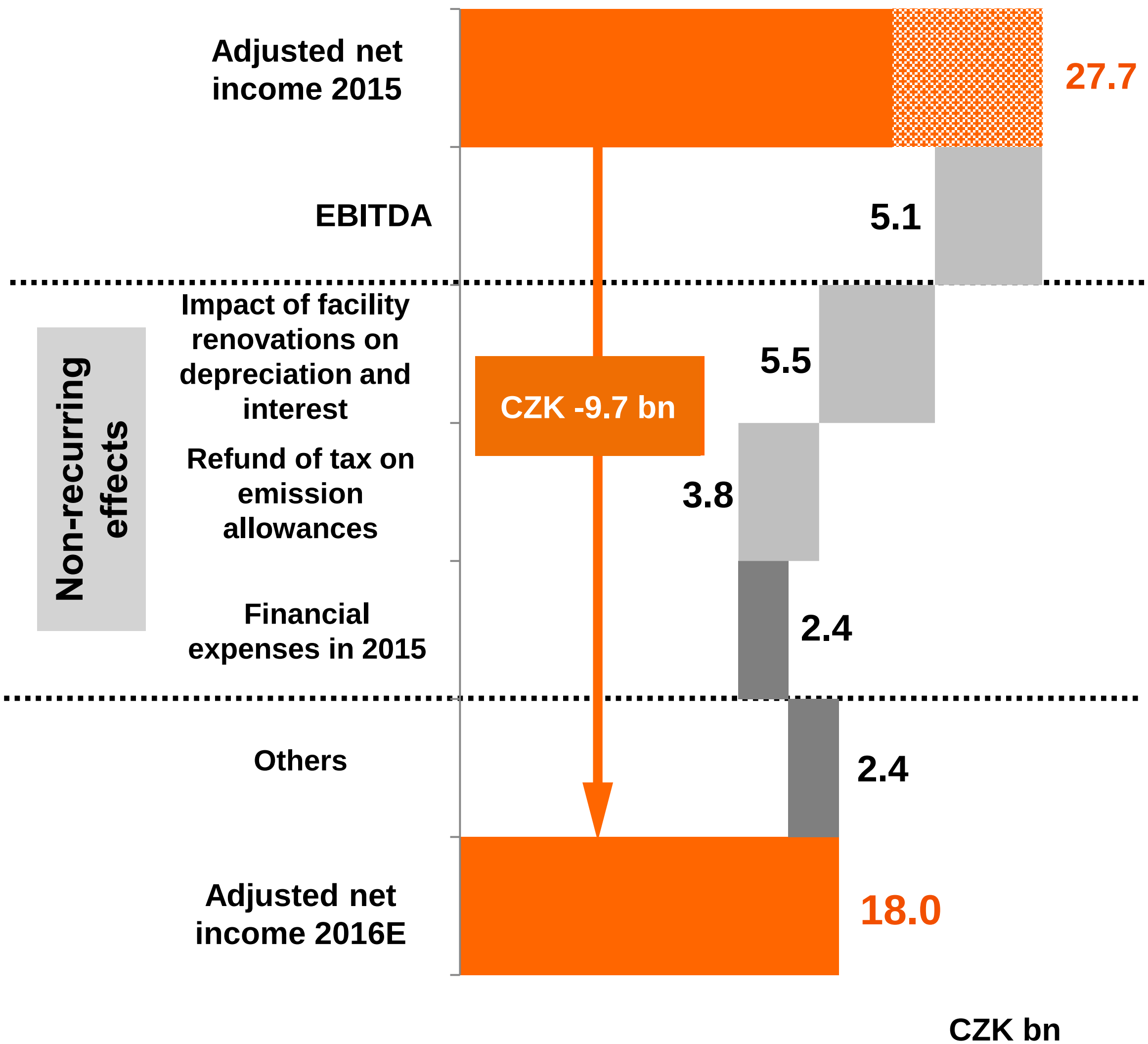
Distribution
- Effect of correction factors (especially in Romania)

Sales
- Repayment of SŽDC debt in 2015 (-1.1)
- Lower settlement of unbilled electricity in the Czech Republic (-0.8)
- Lower margin abroad (-0.3)

SŽDC—Správa železniční dopravní cesty (Czech Railway Infrastructure Administration)

EXPECTED YEAR-ON-YEAR CHANGE IN NET INCOME

MAIN REASONS



Adjusted net income in 2015 (27.7)

of which: net income (20.5), fixed asset impairments (7.1)

Effect of facility renovations on depreciation, amortization, and interest

- Increase in depreciation and amortization (-3.3) and decrease in capitalized interest (-2.2) related to the inclusion of the new Ledvice facility and refurbished Prunéřov power plant in CEZ's assets

Refund of tax on emission allowances

- Extraordinary 2015 income from the refund of a portion of gift tax on emission allowances for 2011 and 2012

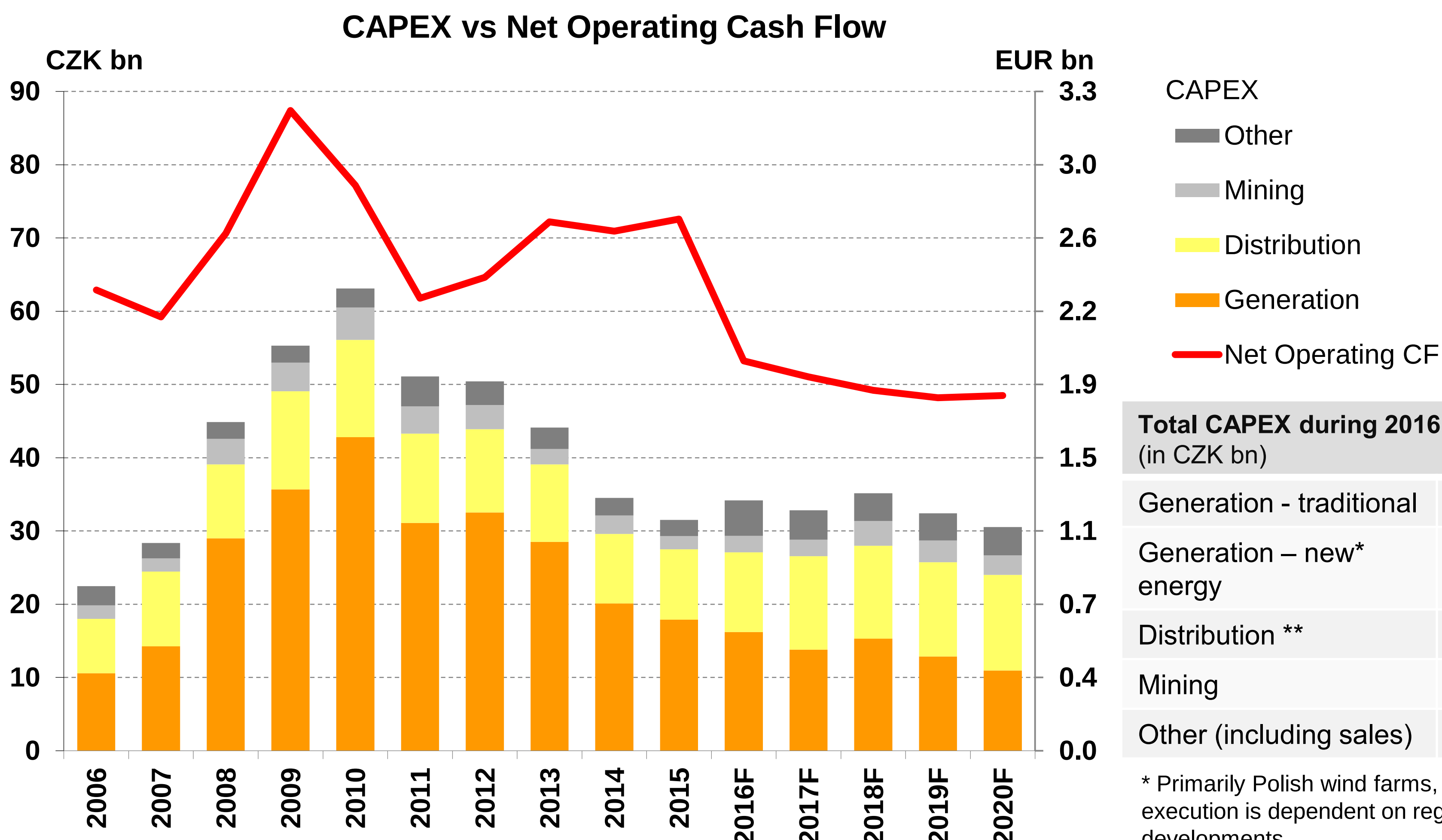
Financial expenses in 2015

- Bond buyback in 2015 (-1.7)
- Foreign exchange losses and revaluation of financial derivatives

Other

- Primarily decreased income tax

CEZ GROUP WILL BE ABLE TO FINANCE CAPEX FROM ITS OPERATING CASH FLOWS



Total CAPEX during 2016-2020 (in CZK bn)	
Generation - traditional	59
Generation – new* energy	10
Distribution **	62
Mining	14
Other (including sales)	20

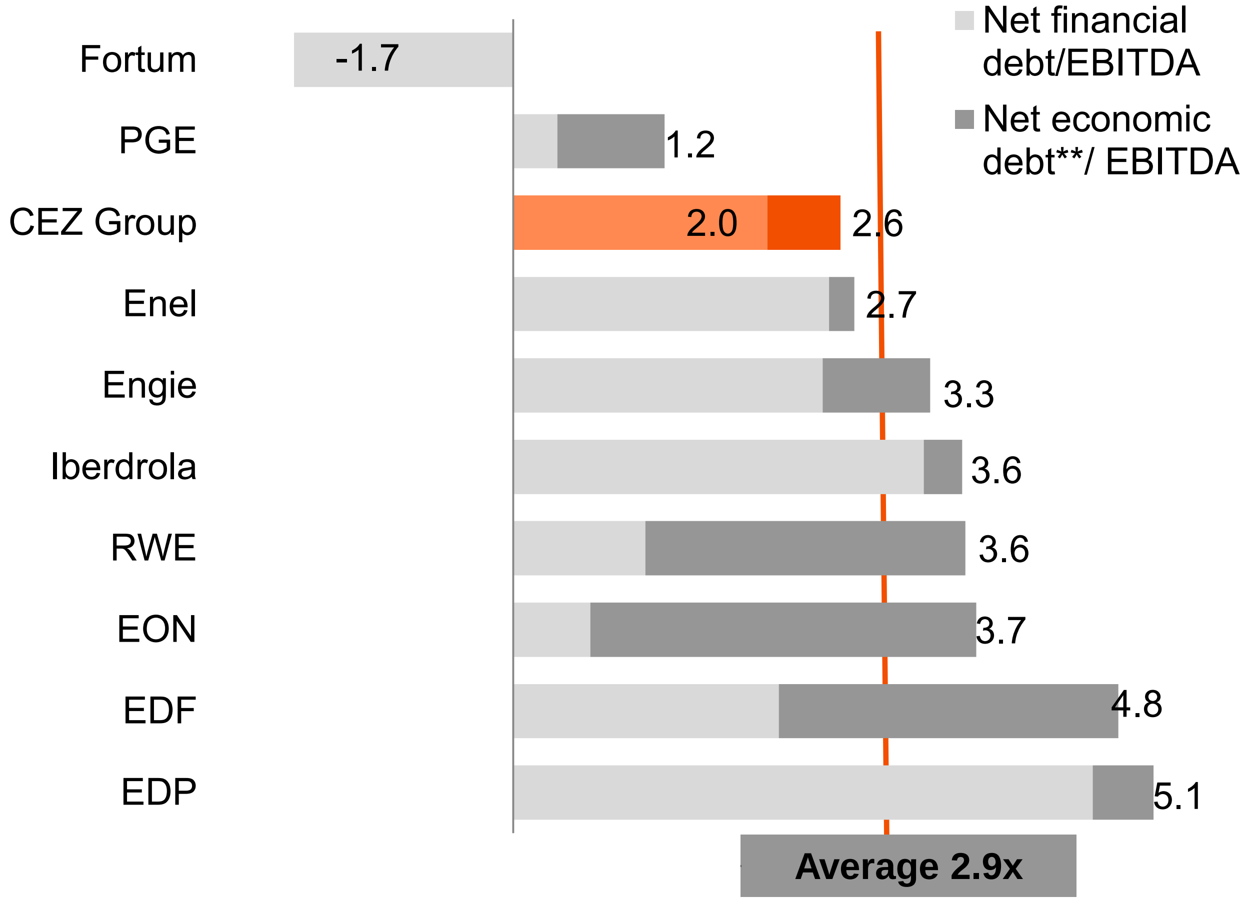
* Primarily Polish wind farms, whose execution is dependent on regulatory developments

** of which CZK 12 bn outside Czech Rep.

 Note: Exchange rate CZK/EUR = 27.025, Net Operating Cash Flow is based on the approved business plan (using prices in Aug/Sep 2015)

OUR CURRENT LEVERAGE IS LOW COMPARED TO INDUSTRY STANDARDS

Net economic debt/ EBITDA*
Multiples, 2015



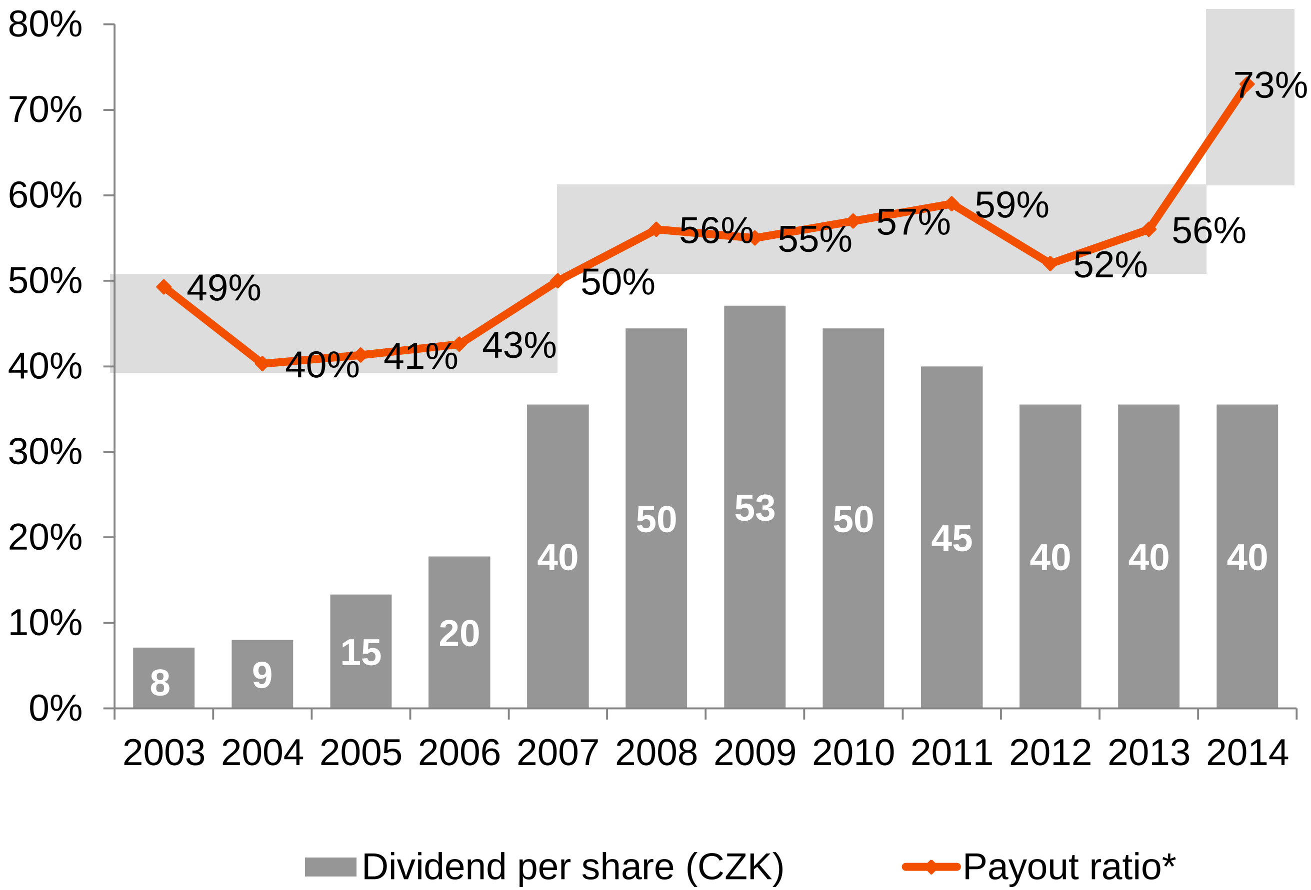
Current credit rating
- A-, stable outlook from S&P
- Baa1, stable outlook from Moody's

Tolerated leverage
- net financial debt/EBITDA ratio at 2.5-3.0x
- Assumes funding of new development activities (primarily acquisition of renewable projects, distribution, sales and heat assets)

*EBITDA as reported by companies, ** Net economic debt= net financial debt + nuclear provisions + provisions for employee pensions + reclamation provision

DIVIDEND POLICY IS TO DISTRIBUTE 60 – 80 % OF ADJUSTED NET INCOME

Payout ratio* (%)



- AGM on June 12, 2015 approved management proposal of CZK 40 per share dividend from 2014 profits
- Dividend payment started on August 3, 2015

* As percentage of adjusted net income

AGENDA

CEZ GROUP'S STRATEGY IS BUILT ON THREE PILLARS

Vision: deliver innovative solutions to energy needs and contribute to a better quality of life.

Mission: guarantee safe, reliable and positive energy to our clients and the society as a whole.

I **Be among the best in the operation of conventional electricity generation** and proactively respond to the challenges of the 21st century	II **Offer a wide range of products and services to customers,** which address their energy needs	III **Strengthen and consolidate our position in the region** of Central Europe
▪ Focus on operational efficiency as a prerequisite for further existence in both conventional and new energy ▪ Ensure long-term operation of the Dukovany Nuclear Power Plant ▪ Complete the renovation of lignite power plants and gradually phase out older condensing units ▪ Develop projects of new nuclear units at Temelín and Dukovany ▪ Continually improve distribution grid efficiency to allow a real decrease in distribution tariffs and simultaneously ensure stable cash flow	▪ Achieve the top level in electricity and gas sales and in customer care ▪ Develop additional products and make use of synergies with energy commodities ▪ Launch new business models—from equipment deliveries to electricity generation and to supply at the customer's point of consumption ▪ Invest in opportunities and technologies at an early stage in order to establish promising positions of CEZ in future energy market ▪ Prepare distribution grids for operation under the conditions of growing decentralized generation	▪ Strive to acquire assets/companies in the Czech Rep and in countries with stable national regulatory environments: - RES - Distribution companies - Sales companies supplying energy and related products to end customers - Developing new products and services that are auspicious from the point of view of future energy market - Conventional energy ▪ Reduce risk profile—optimize capital and ownership structure, including divestment of selected assets

KEY STRATEGIC ACHIEVEMENTS OF 2015

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

- 2014 dividend to our shareholders amounting to CZK 21.4 bn
- We saved CZK 2.9 bn in fixed costs compared to year 2014
- Mining limits have been extended for Bílina mine (possibility to extract additional 100 – 150 m tones of lignite)
- We completed checks of welds on Units I., II. and III. of Dukovany nuclear power plant and submitted an application for operating license extension for Unit I.
- We set up an SPV company for spinoff of projects of new plants in Temelín and Dukovany

II Offer a wide range of products and services to customers, which address their energy needs

- Stabilized portfolio of electricity customers, growing in gas (+36.9 th. connection points)
- Customer satisfaction grew (mainly with price and with product and service offering) – from 77% to 84 %
- We are offering roof top PV from CEZ – more than 100 signed contracts, thousands being negotiated
- We gained majority stake (75%) in ENESA a.s. focused on EPC projects
- 3 extensive technological „smart grids“ projects are prepared in the Czech Rep.

III Strengthen and consolidate our position in the region of Central Europe

- We reduced financial exposure of CEZ, a. s. abroad by CZK 9.3 bn
- We completed two investments into German innovative companies Sonnenbatterie and SunFire (fuel cells)
- Allocation of green certificates restored for Fântânele Vest and Cogealac in Romania
- We signed a framework agreement for cooperation with German group Aquila Capital, offering investment opportunities to wind farms in Germany (up to 120 MW)
- On Feb 26, 2016 Standard & Poor's confirmed CEZ rating on the level of A- with stable outlook

SPV - special purpose vehicle; EPC – Energy Performance Contracting

IN 2015 STRATEGY FULFILLMENT WAS ACCELERATED; ACTIVITIES ARE NEWLY ORGANIZED UNDER THE OPERATIONS AND DEVELOPMENT TEAMS

Michaela Chaloupková

Martin Novák

Ladislav Štěpánek

Daniel Beneš

Pavel Cyrani

Tomáš Pleskač

Ivo Hlaváč

OPERATIONS TEAM			CEO	DEVELOPMENT TEAM		
Administrative	Finance	Generation	Strategy & Management	Sales	Renewable Energy Division	External Relations & Regulation

OPERATIONS TEAM

- The most effective use of our traditional assets
- Proactively adjusting to the new energy landscape
- Generating sufficient cash flows to develop new activities and pay dividends to our shareholders

DEVELOPMENT TEAM

- Ensuring future growth for CEZ based on RES, ESCO activities, and decentralized energy with focus on end customers
- Acquisitions and organic growth in stable countries

OPERATIONS TEAM
STRATEGIC AMBITIONS FOR 2020

Additional * EBITDA 2020: + CZK 3bn

Mining

- Ensure reliability and flexibility of supplies to all customers
- Make the interface between mining and power plants more efficient
- Achieve maximum cost effectiveness in operations
- Optimize investments through “Design-to-Cost”
- Use economically exploitable coal reserves as efficiently as possible

Generation—Traditional

Nuclear Facilities

- Continually improve nuclear safety and the level of maintenance of nuclear facilities
- Maintain high facility availability and maximum utilization of our nuclear assets’ potential
- Obtain a renewed operating license for Dukovany units and ensure long-term operation for the Dukovany NPP

Other Generating Facilities

- Continually improve the operational efficiency and flexibility of new and refurbished facilities
- Optimize the operations of all coal-fired facilities

Heat Sector

- Strengthen our position in the heat market in the Czech Rep. and maximize the operational efficiency and utilization of existing assets to achieve growth and new revenue
- Optimize investments through “Design-to-Cost”

Grow in the heat sector through acquisitions, primarily in Poland

Finance and Administrative

Finance

- Ensure proactive funding of development activities and maintain the Group’s financial stability (Net Debt/EBITDA ratio at 2.5–3.0)
- Optimize the capital and ownership structure of existing foreign assets

Support and Centralized Activities

- Continually improve efficiency and outperform the market in all services provided
- Continually and systematically promote segment initiative and motivation in order to increase the entire Company’s value
- Continually improve the efficiency of purchasing processes and optimize other centralized and support processes to promote growth and increased cost effectiveness

* Additional EBITDA 2020 – EBITDA in excess of business plan; NPP—Nuclear power plant

DEVELOPMENT TEAM
STRATEGIC AMBITIONS FOR 2020

Additional * EBITDA 2020: + CZK 6bn

Sales & Trading

Sales—Retail

- Expand the portfolio of innovative products and services according to customers' needs (in the generation, use, and savings of electricity and other kinds of energy) in all markets that we operate in

Sales—ESCO

- Become #1 and a natural choice for businesses, municipalities and the public sector in comprehensive energy services in the Czech Rep. and **new markets in Poland and Germany**

Trading

- Develop trading, active dispatching, and wholesale of commodities

New Energy

- Become a major European player in renewables in terms of installed capacity and profitability
- Invest in wind and solar capacities in the development stage as well as in existing capacities while maintaining the required rate of return
- Efficiently use an optimum mix of internal and external funding for acquisitions

Ambition to grow through acquisitions, primarily in Germany and in countries with a stable regulatory environment

Distribution

Czech Republic

- Build a leading position in Smart technologies
- Integrate decentralized energy in a cost-effective manner
- Optimize grid renovation and development investments and costs in order to improve the quality of our distribution service without any impact on end-use tariffs
- Increase customer satisfaction

Abroad

- Maximize CF and optimize capital and ownership structure, including divestment of selected assets

Ambition to acquire distribution/transmission assets in countries with a stable regulatory environment

Additional investments expected in 2016–2020: CZK 50–60bn

* Additional EBITDA 2020 – EBITDA in excess of business plan

KEY 2016 OBJECTIVES
REFLECTING CEZ GROUP STRATEGY

I **Be among the best in the operation of conventional power facilities** and proactively respond to the challenges of the 21st century	II Offer **customers a wide range of products and services** addressing their energy needs	III **Strengthen and consolidate our position** in Central Europe
▪ Obtain an operating license for Dukovany NPP Unit 1 and an operating license for Dukovany NPP Unit 2 for after 2016 ▪ Fulfill operational safety enhancement and nuclear facility maintenance programs ▪ Complete the test operation of the supercritical unit in Ledvice and refurbished Prunéřov Power Plant units ▪ Make investments in the distribution grid in the Czech Rep. aimed at preparation for upcoming decentralized energy and smart grids	▪ Introduce new non-commodity products in financing as well as technical areas, and launch additional profitable commodity products in electricity and gas ▪ Finish the transformation of the ESCO group in the Czech Rep., develop the Rooftop Photovoltaics product and projects aiming to reduce customers' energy costs ▪ Analyze the acquisition potential of sales companies in Central Europe and start acquisitions	▪ Identify attractive acquisition targets and investments in RES, distribution, heat, and Inven Capital ▪ Protect CEZ Group's investments and rights in Bulgaria and Romania ▪ Ensure financial stability and proactive funding of development activities ▪ Implement action plans in purchasing and other centralized and ancillary services in order to promote growth and increased cost effectiveness

NPP—Nuclear power plant; RES—Renewable energy sources

AGENDA

REFURBISHMENT OF LIGNITE PLANTS IS ALMOST COMPLETED, MINING LIMITS LIFTED

Comprehensive refurbishment of Prunéřov 3x250 MWe

- **39 %** efficiency
- Fuel consumption reduced by **18 %** compared to existing units
- Expected operating life 25 years
- Plant currently in testing operations

New supercritical unit Ledvice 660 MWe

- **42.5 %** efficiency
- Fuel consumption reduced by **27 %** compared to existing Ledvice units
- Expected operating life 40 years
- Plant currently in testing operations

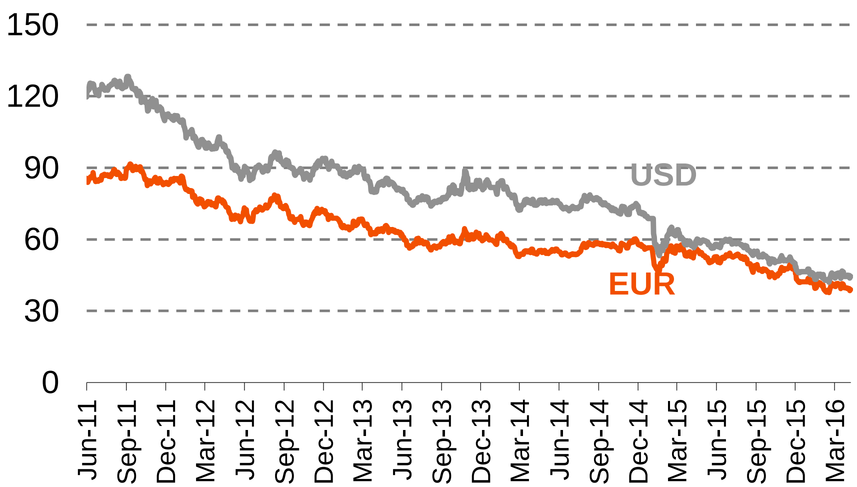
In October 2015 Czech government cancelled a territorial mining limits for Severočeské Doly

- Lifetime of Bílina mine therefore extended from 2035 to 2050-55, reserves beyond the limits are estimated at 100 – 150 m tons of coal

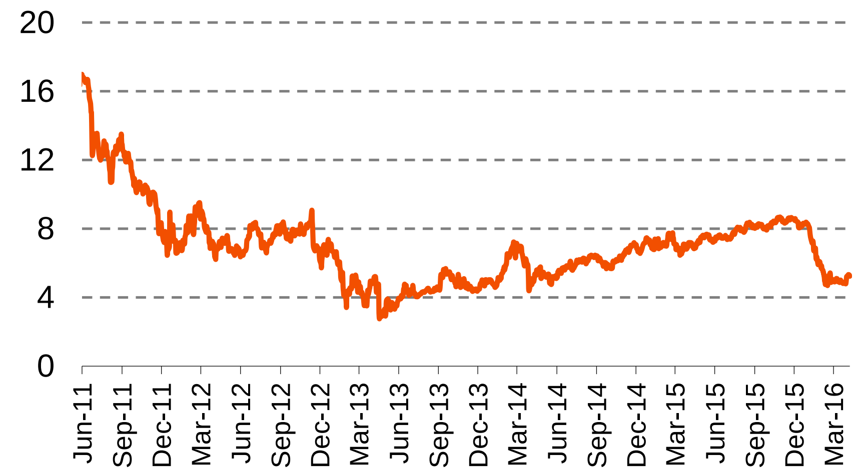
Plant	Construction period							
	2009	2010	2011	2012	2013	2014	2015	2016
Tušimice								
Ledvice								
Prunéřov								

HISTORICAL DEVELOPMENT OF PRICES OF INPUT COMMODITIES

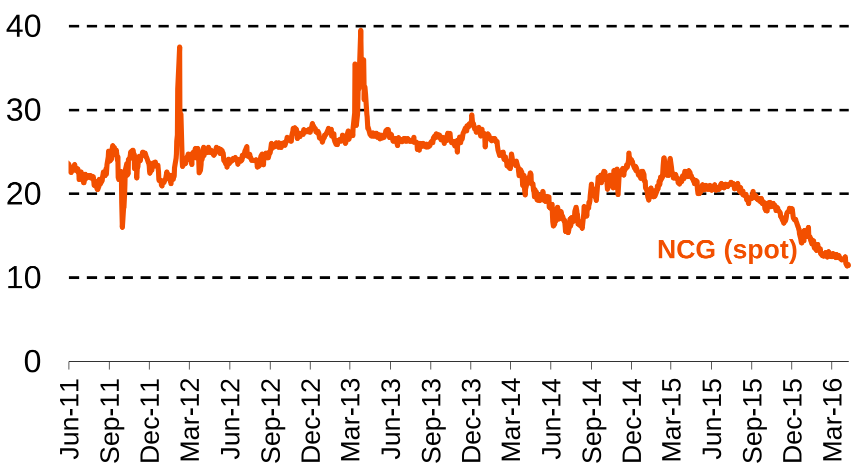
Coal (t)



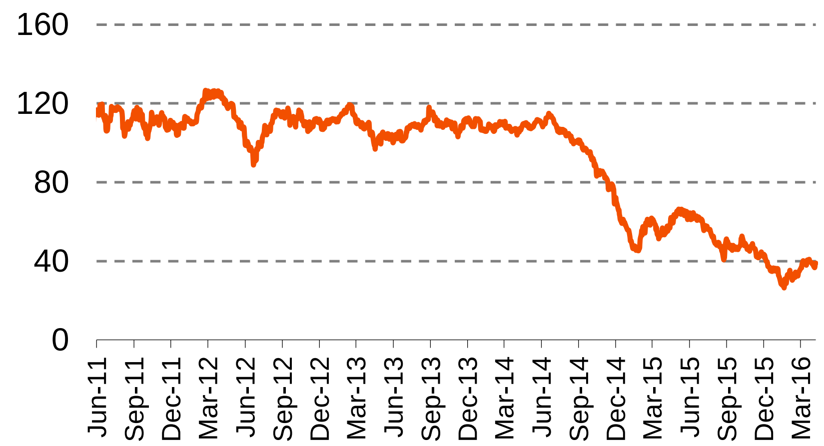
CO_2 allowances (EUR/t)



Gas (EUR/MWh, in Germany)

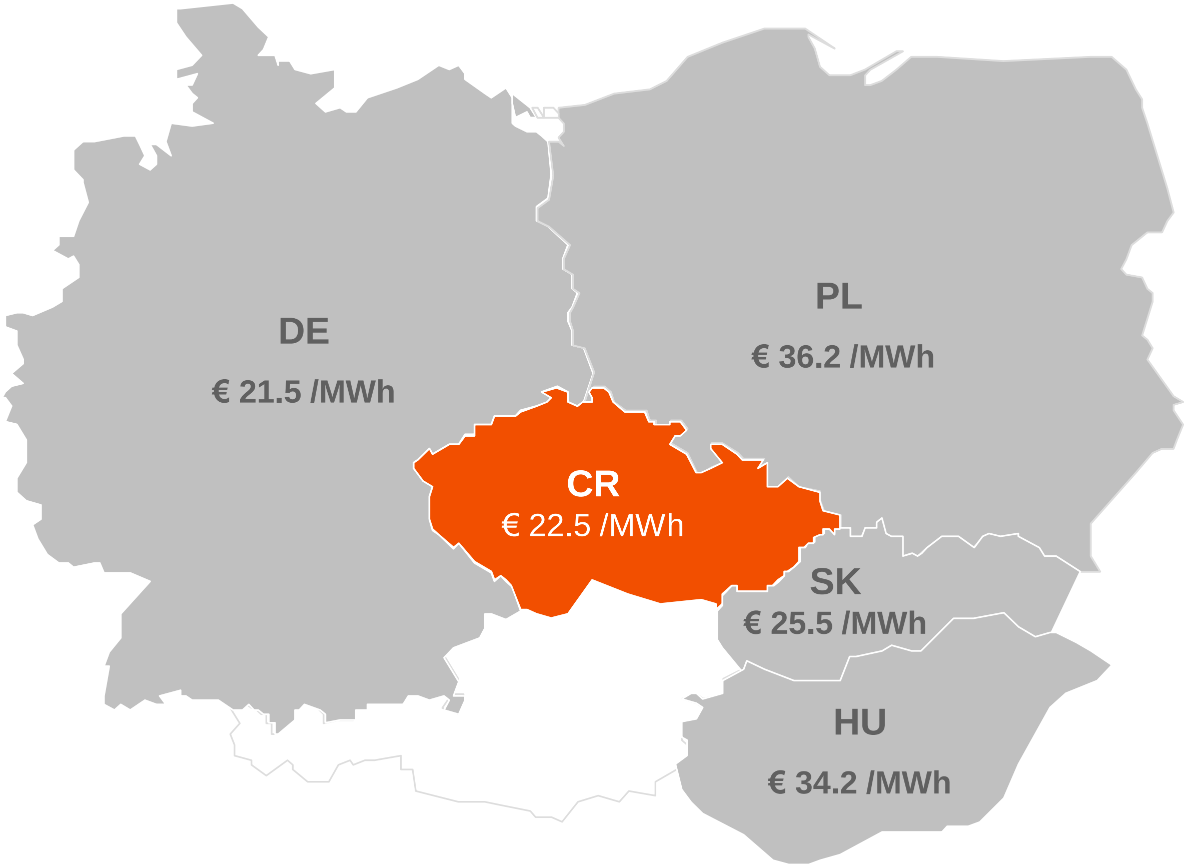


Oil Brent (USD/bl)



Note: next month deliveries, spot, CO2 – Mid March delivery

ELECTRICITY MARKETS IN THE REGION ARE INTEGRATED, CEZ CAN SELL ITS POWER ABROAD

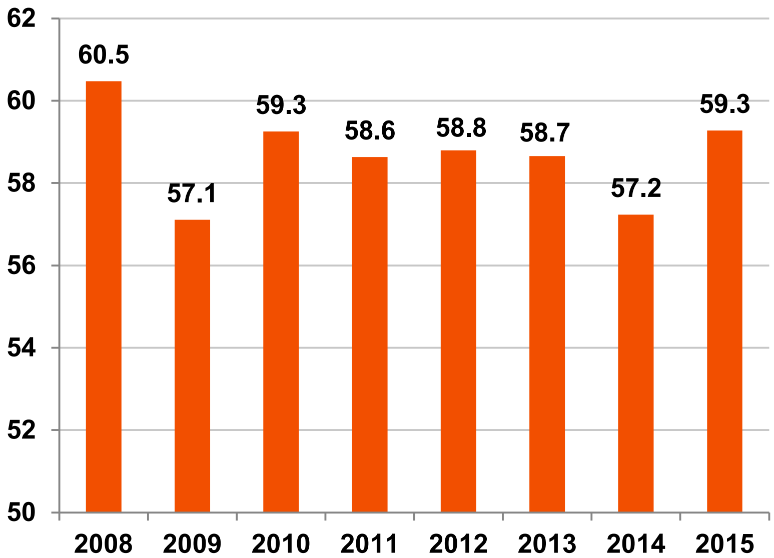


Note: Prices for baseload 2017 as of Apr 7th, 2016

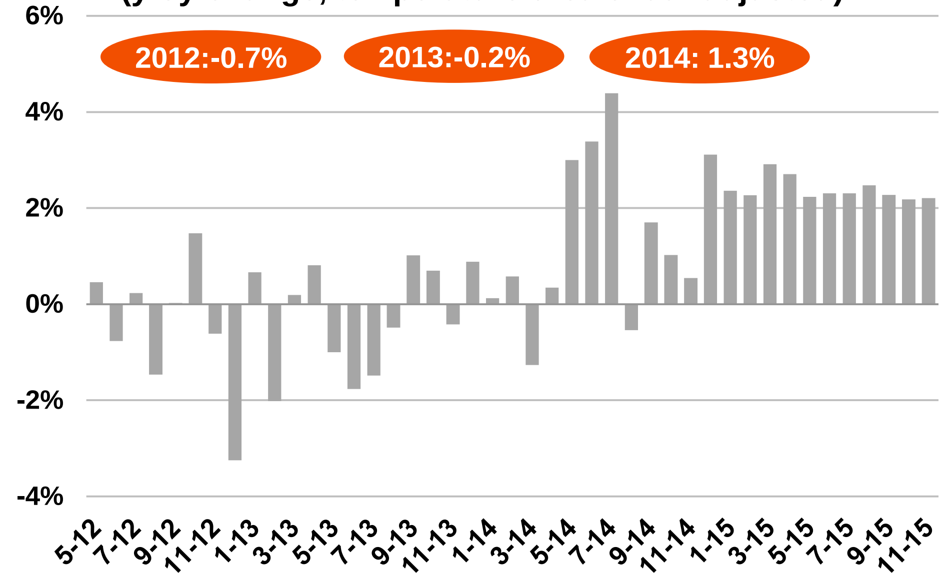
Source: EEX, PXE

TEMPERATURE AND CALENDAR ADJUSTED ELECTRICITY DEMAND GREW BY 1% IN 2015 (AREA OF CEZ DISTRIBUCE)

Electricity demand in the Czech Republic (TWh)



Monthly development in Czech electricity (y-oy change, temperature & calendar adjusted)*



- In 2015 temperature & calendar adjusted **electricity consumption increased by 1.0% y-o-y in the Distribution Area of CEZ Distribuce****
- Unadjusted consumption in the Distribution Area of CEZ Distribuce** grew by 1.9% in 2015, of which:
  - +2.3% large industrial companies
  - +1.6 % households
  - +0.8% small businesses

 Source: CEZ, ERU * Adjusted as per ČEZ Distribuce, a. s. model; ** Acc. to data of CEZ Distribuce, a. s. (5/8 of Czech Rep.)

CZECH GOVERNMENT APPROVED ENERGY POLICY AND NUCLEAR ACTION PLAN IN 2015

Goals of State Energy Policy

- **Preservation of** the existing **full independence** in heat and electricity supply but without any major exports of generated energy
- Achieving **diversification through the development of nuclear energy**, need for new nuclear units now anticipated only in 2035 (2025 previously)
- **In October 2015 MIT cancelled a territorial mining limits for Severočeské Doly:** lifetime of Bílina mine therefore extended from 2035 to 2050-55, reserves beyond the limits are estimated at 100 – 150 m tons of coal

The National Action Plan for Nuclear Energy

- **Creation of a special company (SPV)** that will acquire all relevant assets for the construction of nuclear units at both existing sites
- **Initiation of preparations for EPC contractor selection** in accordance with the selected business model
- **Negotiations with the European Commission** on the contractor selection method, method of financing and ensuring economic return
- **Continued preparation of the 2-unit project variants at both Temelín and Dukovany sites** with anticipated construction of 1 unit and possible expansion to 2 units at either location. The number of units and the order of the sites is to be decided on later.
- Re-evaluating, at the latest before the building permit is issued, whether there is still a need for the construction of a new nuclear facility and whether or not the market situation has stabilized to allow commercial construction, i.e. with no need for government guarantees

MIT—Ministry of Industry and Trade of the Czech Republic; SG—Smart Grids

EUROPEAN UNION IS PROGRESSING WITH REFORM OF ITS EMISSION TRADING SCHEME

Market Stability Reserve has ben approved

- Basic parameters were agreed by "Trialogue" in May 2015, European Parliament approved the reserve in July 2015, European Council adopted the decision on the creation of a MSR in September 2015
- MSR will be launched on January 1, 2019
- 900 million backloaded emission allowances will be transferred directly to the reserve
- Unutilized emission allowances for new sources (approx. 500–700 million EUA*) will be transferred directly to the reserve
- In the context of solidarity among member states, the mechanism for transferring allowances to the reserve will be adjusted to provide more proceeds from auctions to states with GDP per capita under 60% of the EU average
- Up to 50 million allowances will be set aside and transferred into the fund for the support and promotion of industrial innovation

In July 2015 European Commission presented draft of EU ETS directive

- Annual reduction factor for the amount of emission allowances issued increased from 1.7% to 2.2%
- Allocation period will last 10 years, with all emission allowances having unlimited validity
- Broader range of tools for power sector and industry modernization in less developed countries (derogation, modernization fund, innovation fund)
- Czech republic is eligible for derogation, it can allocate up to 40% of allowances to electricity producers for free
- Principal negotiations on details of the EU ETS directive are expected to take place in 2016.

 MSR = Market stability reserve

* based on estimation of prices and volumes by selected analysts

CZECH GOVERNMENT APPROVED ADJUSTMENT OF BROWN COAL MINING LIMITS AT THE BÍLINA MINE (SEVEROČESKÉ DOLY)

Lifting the limits means that Severočeské doly will be able to extract another 100–150 million tons of coal

- The Czech government's resolution sets mining limits to 500m away from municipal built-up areas. This condition will reduce the theoretical volume of coal workable by open-pit mining by no more than 20 million tons.
- Coal from the Bílina mine will be used preferably in heat generation (already over 70% of the coal is used in heating and CHP plants today), with the remaining part of coal supplied to the new 660MW Ledvice Power Plant due to its quality (low calorific value).

What will follow now:

- by 2016: Preparing a mining study, opinions, and other technical documents in order to assess mining feasibility under the condition of 500m distance from villages and verify the amount of recoverable reserves
- by 2018: EIA process—notice of intent to prepare documentation, assessment, and MoE opinion on Phase 1
- by 2019: application for a Mining License for Phase 1

MoE—Ministry of the Environment

OVERVIEW OF REGULATION OF DISTRIBUTION NETWORKS

	Czech Republic 2016	Bulgaria 2015	Romania 2015
RAB (local currency)	88,655 m	499 m	2,409 m
RAB (€ m)	3,280	254.5	537
WACC pre-tax	7.951% (nominal)	7% (nominal)	7.7% (real)
Regulatory period	2016-2018	2013-2015	2014-2018

CZK/EUR = 27.025 BGN/EUR = 1.96, RON/EUR = 4.48

CZECH REPUBLIC: ELECTRICITY DISTRIBUTION - OVERVIEW OF REGULATORY FRAMEWORK

Regulatory Framework

- Regulated by ERU (Energy Regulatory Office, www.eru.cz)
- The main components of regulatory formula for distribution
  - Revenue cap = Operating expenses + Depreciation + Regulatory return on RAB - Other revenues corrections +/- Quality factor + Market factor
  - RAB adjusted annually to reflect net investments
  - Regulatory rate of return (WACC nominal, pre-tax) – 6.146% for 2015, 7.951% for 2016-2018
  - Operating costs are indexed to CPI + 1% (30% weight) and market services price index (70% weight). They are also adjusted by efficiency factor of 1.01%/year starting in 2016

Regulatory period

- 4th regulatory period will start from January 1, 2016, 3 years period (2016 – 2018)

The main principles are very similar to the rules of the third regulatory period with the exception of WACC. Main impacts: - lowering allowed costs;

- pressure on quality and security of electricity distribution;

- increased motivation to renew and develop the networks.

Unbundling & Liberalization

- Since January 1, 2006 all customers can choose their electricity supplier, market is 100% liberalized
- There is no regulation of end-user prices of electricity

The 4th regulatory period will be transitional period because ERO intends to process revaluation of assets and use the new values for 5th regulatory period.

BULGARIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION

Regulatory Framework

- Regulated by SEWRC (State Energy and Water Regulatory Commission)
- The regulatory formula for distribution
  - Revenue cap = Costs + Regulatory return on RAB + Depreciation
  - Regulatory rate of return (WACC nominal, pre-tax) at 7% for 3rd regulatory period
  - RAB set at EUR 254.5 m for 3rd regulatory period
  - CPI adjustment used for part of costs (OPEX) of EUR 55.4 m
  - Technological losses in 3rd regulatory period set by regulator at 8%
  - Efficiency factor introduced in 2nd regulatory period
  - Investment plan – approved by the regulator retrospective for 3rd regulatory period

Regulatory periods

- 3rd regulatory period July 1, 2013 – June 30, 2015
- 4th regulatory period July 1, 2015- June 30, 2018

Unbundling & Liberalization

- Unbundling successfully completed by December 31, 2006
- Since July 2007, all consumers have the right to become eligible but the effective market degree of liberalized market was approximately 45% at the end of 2014.

ROMANIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION

Regulatory Framework

- Regulated by ANRE (Autoritatea Nationala de Reglementare in domeniul Energiei)
- Price cap (tariff basket) methodology
- Revenue = Controllable OPEX + non-controllable OPEX + Depreciation + Purchase of losses + Regulatory return on RAB + Working capital - Revenues from reactive energy - 50% gross profit from other activities
- Efficiency factor of 1.5% applied only to controllable OPEX
- Losses (technical + commercial) reduction program agreed with ANRE on voltage levels
- S (minimum quality) from 2014 in formula, but applicable starting with 2015. Penalty/premium - maxim annual +/- 4% from annual revenues
- Possibility for annual corrections
- Investment plan – approved by ANRE before regulatory period starts
- Regulatory return (WACC pre-tax real terms) equals to 7.7% in 2015, it can be revised by ANRE during regulatory period
- Working capital is equal to regulated remuneration of 1/12 from total OPEX
- Distribution tariff growth capped in real terms at 10% yearly on voltage levels in the third regulatory period

Regulatory periods

- 3rd regulatory period Jan 1, 2014 – Dec 31, 2018

Liberalization

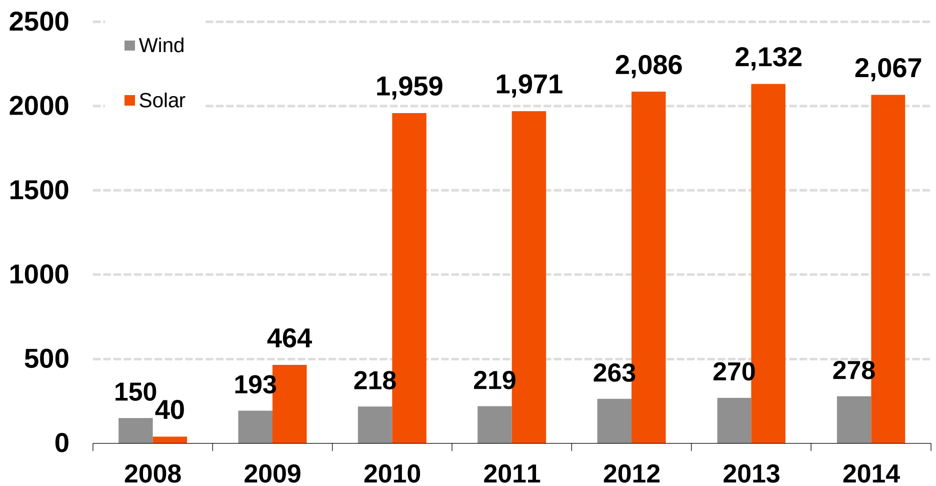
- Complete removal of regulated prices for industrial consumers by end 2013 and for residential consumers by 2017
- Starting January 2014, non-residential customers that benefit of Universal Service (US) are priced with 100% CPC tariff (free market component, endorsed by ANRE). The non-residential customers supplied on LRS regime are priced with CPC tariff +x%, depending on voltage level.
- Starting July 2013, the final price for the captive householders is formed of regulated tariff and a competitive market component (CPC). The percentage of regulated tariff decreases , and the CPC tariff percentage increases according to the Market Opening Calendar

CZECH REPUBLIC: RENEWABLES SUPPORT

2015 feed-in - tariffs	Plants commissioned in 2010	Plants commissioned in 2014
Solar <5 kW	482	111*
5 kW< Solar <30 kW	482	90*
Solar >30 kW	478	0
Small hydro	93-118	91-117
Pure biomass burning	53-166	48-121

* For plants commissioned in 2013, no subsidies for solar commissioned in 2014

Installed capacity of wind and solar power plants in the Czech Republic (MWe)



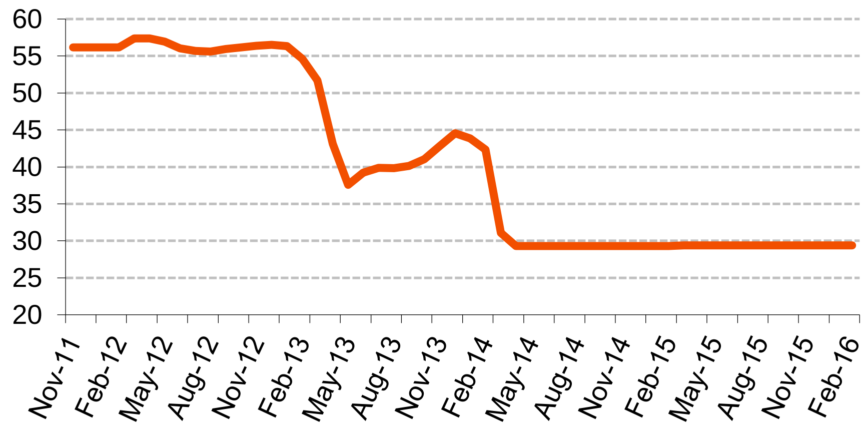
- Operators of renewable energy sources can choose from 2 options of support:
  - Feed-in tariffs (electricity purchased by distributor)
  - Green bonuses (electricity sold on the market, bonuses paid by distributor, level of green bonuses is derived from feed-in tariffs)
- Solar plants commissioned in 2014 or later do not receive support
- Feed-in tariffs are set by a regulator to ensure 15-year payback period. During operation of a power plant they are increased each year by PPI index or by 2% at minimum and 4% at maximum.
- Support is provided for 20 years to solar, wind, pure biomass and biogas plants and for 30 years to hydro.
- Solar plants put into operations in 2010 with capacity over 30kWp are obliged to pay 10% tax of revenues.

 Source: Energy regulatory office (www.eru.cz), CZK/EUR=27.533

ROMANIA: RENEWABLES SUPPORT

- Two green certificates (GC) obtained by the producer for each MWh supplied from wind to the network until 2017, one GC from 2018 onwards, duration of support – 15 years. In July 2013 Romanian government has approved an emergency decree which defers trading of second green certificate for wind farm producers until 1 Jan 2018.
- Legally set up price for green certificate is 27 to 55 EUR in 2008 – 2025
- New Law 134/2012 on renewables stipulates that existing producers over 125 MW receive GC according to normal supporting scheme for 2 years, with the obligation to individually notify to Brussels for state aid support within following 3 months after accreditation.
- Fantanele Vest (263 MW) stopped receiving GCs in November 2013 and Cogealac (253MW) since October 2014 due to delays in EC notification. **The awarding of GCs was resumed in September 2015.**

Green certificates market clearing price (EUR/certificate)



 Source: OPCOM

2015 FINANCIAL RESULTS HIGHLIGHTS

(CZK bn)	2014	2015	Change	%
Revenues	201.8	210.2	+8.4	+4%
EBITDA	72.5	65.1	-7.4	-10%
EBIT	36.9	29.0	-8.0	-22%
Net income	22.4	20.5	-1.9	-8%
Net income - adjusted *	29.5	27.7	-1.8	-6%
Operating CF	70.7	72.6	+1.9	+3%
CAPEX	34.4	31.5	-2.9	-8%
Net debt **	147.2	131.2	-16.0	-11%

		2014	2015	Change	%
Installed capacity **	GW	16.0	15.9	-0.1	-1%
Generation of electricity	TWh	63.1	60.9	-2.2	-3%
Electricity distribution to end customers	TWh	48.1	49.0	+0.9	+2%
Electricity sales to end customers	TWh	35.1	37.9	+2.8	+8%
Sales of natural gas to end customers	TWh	5.4	6.8	+1.4	+26%
Sales of heat	000´TJ	21.3	22.3	+1.0	+5%
Number of employees **	000´s	26.3	25.9	-0.4	-1%

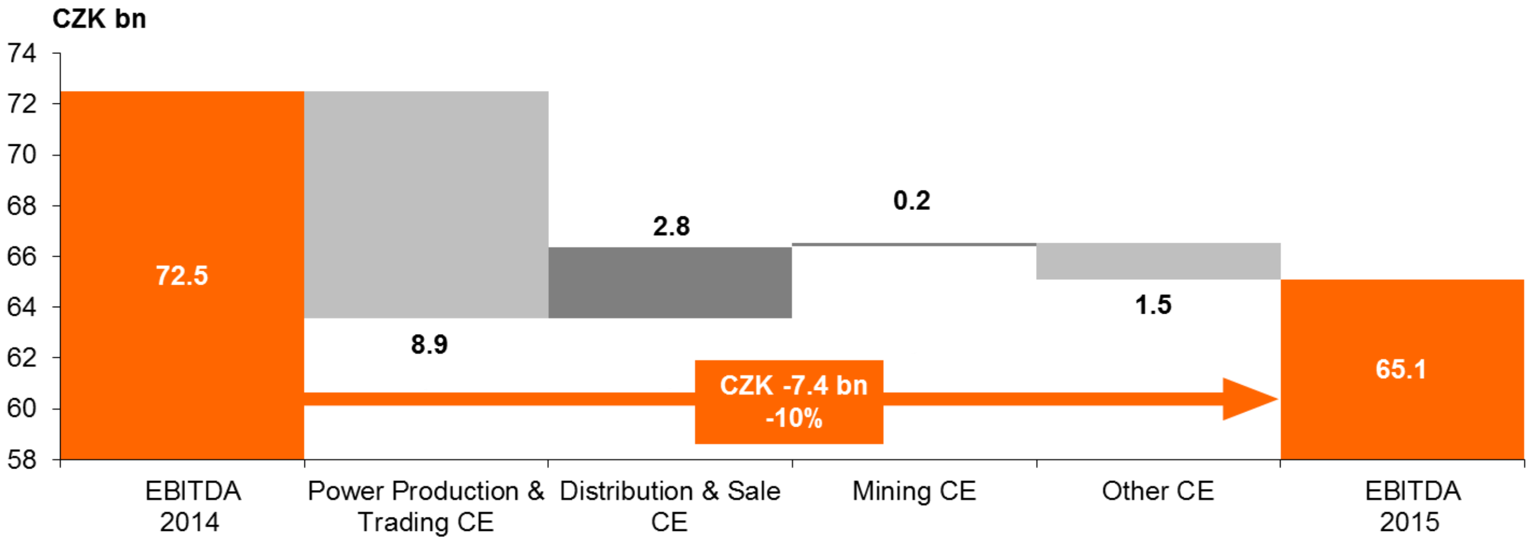
* Adjusted net income = Net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-offs or profit/loss from sale of assets or subsidiaries).

** As at the last date of the period

 Due to precise mathematical rounding, the sum of partial values listed can sometimes differ from the total value.

YEAR-ON-YEAR CHANGE IN EBITDA

MAIN REASONS BY SEGMENT



Power Production & Trading CE (CZK -8.9bn)

- Lower realization prices of generated electricity in the Czech Rep., including the effects of hedges (CZK -5.6bn)
- Extraordinary earnings in 2014: Settlement agreement with Albania (CZK -2.6bn), termination of deal with CA-CIB (CZK -1.6bn)
- Effect of change in production volume and structure (CZK -2.7bn)
- Effect of provisions and income from sales of emission allowances (CZK +0.9bn)
- Lower fixed operating costs in the Czech Rep. due to economy measures (CZK +2.4bn)

Distribution & Sale CE (CZK +2.8bn)

- Greater settlement of unbilled electricity in the Czech Rep. (CZK +1.4bn)
- Payment of SŽDC liability from 2010 to CEZ Prodej in 2015 (CZK +1.1bn)

Other CE (CZK -1.5bn)—Lower revenue and margin from intra-group services

 SŽDC—Správa železniční dopravní cesty (Railway Infrastructure Administration); CE – Central Europe

OTHER INCOME (EXPENSES)

(CZK bn)	2014	2015	Change	%
EBITDA	72.5	65.1	-7.4	-10%
Depreciation, amortization and impairments	**-35.6**	**-36.1**	**-0.6**	**-2%**
Financial and other income (expenses)	**-8.3**	**-2.1**	**+6.2**	**+75%**
Interest income (expenses)	-3.0	-2.5	+0.6	+19%
Interest on nuclear and other provisions	-1.8	-1.7	+0.2	+8%
Income (expenses) from investments	-0.2	-0.3	-0.2	-100%
Other income (expenses)	-3.3	2.4	+5.6	-
Income taxes	**-6.2**	**-6.3**	**-0.1**	**-2%**
Net income	22.4	20.5	-1.9	-8%
Net income - adjusted	**29.5**	**27.7**	**-1.8**	**-6%**

Depreciation, Amortization, and Impairments* (CZK -0.6bn)

- Increase in depreciation and amortization (CZK -0.9bn) primarily at ČEZ, a. s.
- Lower additions to fixed asset impairments (CZK +0.3bn)

Financial and Other Income/Expenses (CZK +6.2bn)

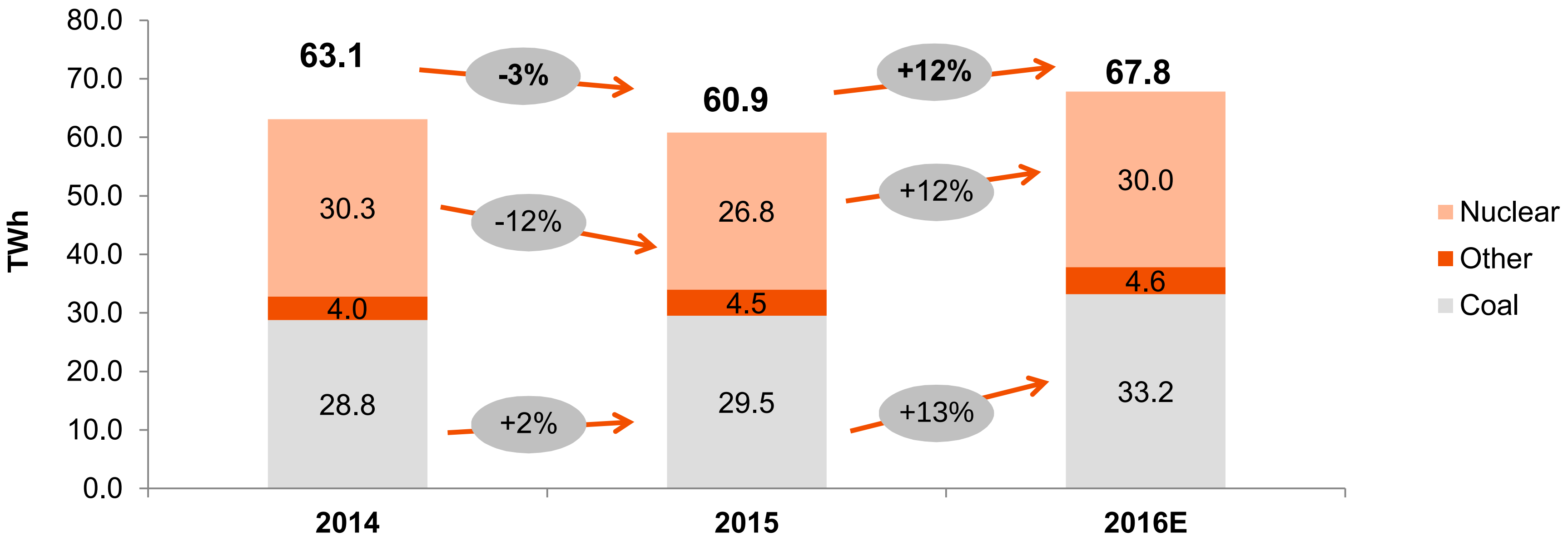
- Refund of gift tax on emission allowances for 2011 and 2012 (CZK +3.8bn)
- Negative revaluation of MOL stock in 2014 (CZK +1.8bn)
- Foreign exchange gains/losses and derivatives (CZK +1.2bn)
- Effect of decreased debt on interest expenses (CZK +0.8bn)
- Appreciation of funds deposited in restricted accounts and in short-term securities (CZK +0.3bn)
- Overall effect of bond buybacks (CZK -1.2bn)
- Financial results in Turkey (CZK -0.6bn), negative effect of USD/TRY exchange rate on loan revaluation was partially compensated for by a positive change in EBITDA

Net Income Adjustment

- *2014 net income adjusted for the negative effect of fixed asset impairments (CZK +7.0bn)*
- *2015 net income adjusted for the negative effect of fixed asset impairments (CZK +7.1bn)*

* Including goodwill write-offs, profit/loss on sales of fixed assets and write-off of abandoned investments

2015 GENERATION VOLUMES AFFECTED BY SHUTDOWNS IN NUCLEAR PLANTS, IMPROVEMENT EXPECTED IN 2016



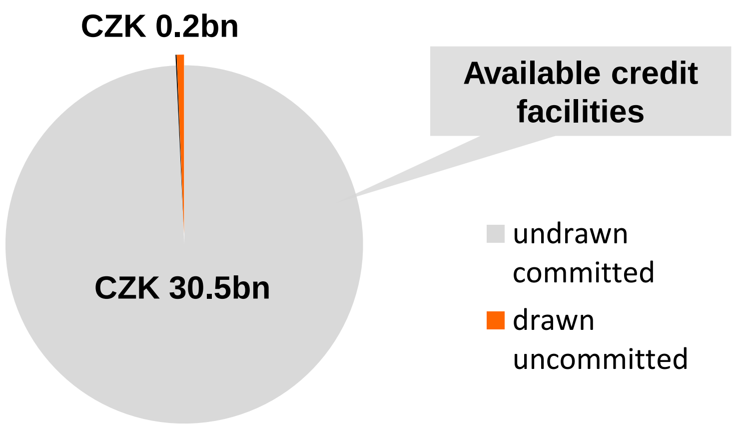
2015 volume trends
– Extended planned outages and unscheduled outages at Temelín NPP
– Unscheduled outages for weld inspections at Dukovany NPP

2016 volume trends
– Better availability of nuclear plants
– Contribution from upgraded Prunerov and new Ledvice lignite plants

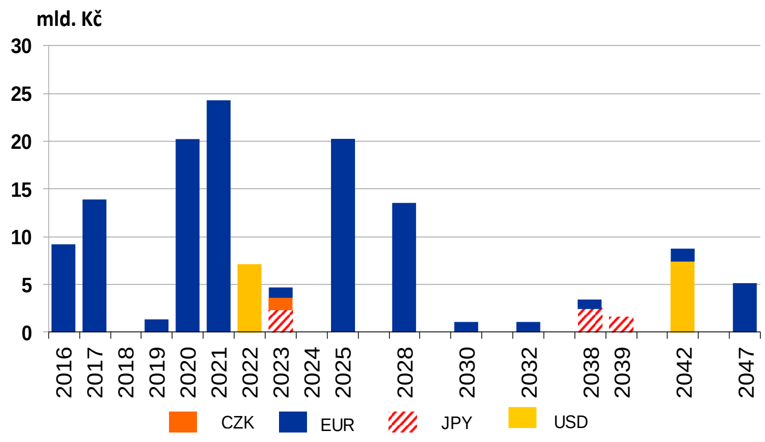
Due to precise mathematical rounding, the sum of partial values can sometimes differ from the total value.

CEZ GROUP MAINTAINS A STRONG POSITION OF LIQUIDITY

Utilization of Short-Term Lines (as at Dec 31, 2015)



Bond Maturity Profile (as at Dec 31, 2015)

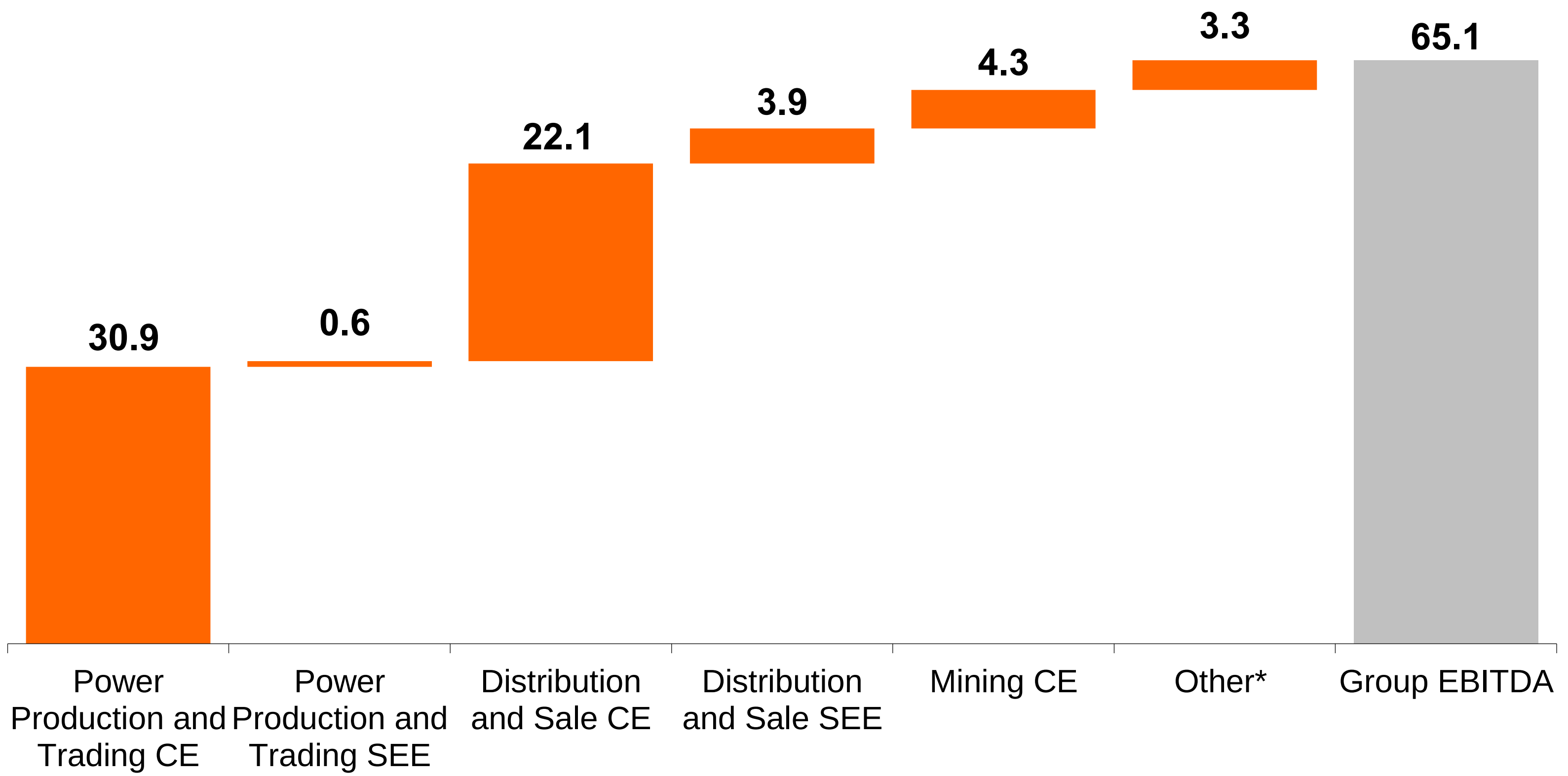


- CEZ Group has access to CZK 30.5bn in committed credit facilities, using almost none as at Dec 31, 2015.
- Committed facilities are kept as a reserve for covering unexpected needs.
- In November 2015, bonds with a total face value of USD 411m maturing in 2022 were bought back and canceled.
- The average maturity of CEZ Group's financial debts still exceeds 8 years.
- Net Debt/EBITDA was 2.0 as at Dec 31, 2015.
- In January 2016, CEZ Distributie took out a loan of RON 600m (approx. CZK 3.6bn) from EBRD and commercial banks.

 EBRD—European Bank for Reconstruction and Development

SEGMENTAL CONTRIBUTIONS TO EBITDA IN 2015

In CZK bn

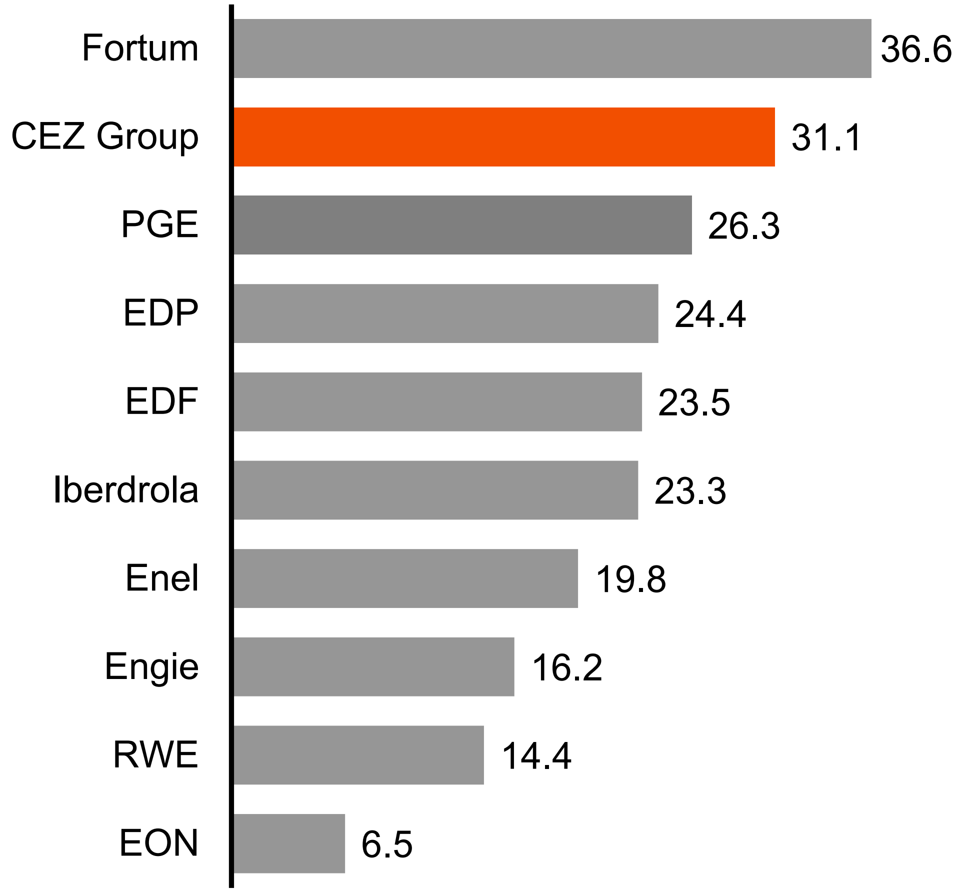


% of total 47% 1% 34% 6% 7% 5% 100%

*including eliminations

CEZ GROUP IS ONE OF THE MOST PROFITABLE EUROPEAN UTILITIES

EBITDA* margin, 2015
Percent



Source: company data, * EBITDA as reported by companies

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

CZK

Profit and loss

CZK bn	2010	2011	2012	2013	2014	2015
Revenues	198.8	209.8	215.1	217.0	201.8	210.2
Sales of electricity	175.3	181.8	186.8	189.4	173.8	182.1
Heat sales and other revenues	23.6	28.0	28.3	27.6	27.9	28.1
Operating Expenses	110.0	122.4	129.3	135.0	129.3	145.1
Purchased power and related services	54.4	65.9	71.7	79.0	75.8	90.9
Fuel	16.9	17.1	15.8	13.8	12.7	13.1
Salaries and wages	18.7	18.1	18.7	18.7	18.9	17.8
Other	20.0	21.3	23.1	23.5	21.9	23.4
EBITDA	**88.8**	**87.4**	**85.8**	**82.0**	**72.5**	**65.1**
EBITDA margin	*45%*	*42%*	*40%*	*38%*	*36%*	*31%*
Depreciation, amortization, impairments	26.9	26.2	28.9	36.4	35.7	36.3
EBIT	**62.0**	**61.3**	**57.1**	**45.7**	**36.9**	**29.0**
EBIT margin	*31%*	*29%*	*27%*	*21%*	*18%*	*14%*
Net Income	**46.9**	**40.8**	**40.2**	**35.2**	**22.4**	**20.5**
Net income margin	*24%*	*19%*	*19%*	*16%*	*11%*	*10%*
Adjusted net income	**49.8**	**41.2**	**41.3**	**38.2**	**29.5**	**27.7**
Adjusted net income margin	*25%*	*20%*	*19%*	*18%*	*15%*	*13%*

Balance sheet

CZK bn	2010	2011	2012	2013	2014	2015
Non current assets	448.3	467.3	494.9	485.9	497.5	493.1
Current assets	96.1	131.0	141.2	154.5	130.4	109.6
- out of that cash and cash equivalents	22.2	22.1	18.0	25.0	20.1	13.5
Total Assets	**544.4**	**598.3**	**636.1**	**640.4**	**627.9**	**602.7**
Shareholders equity (excl. minority. int.)	221.4	226.8	250.2	258.1	261.3	267.9
Return on equity	*22%*	*18%*	*17%*	*14%*	*9%*	*8%*
Interest bearing debt	158.5	182.0	192.9	199.0	184.1	157.5
Other liabilities	164.4	189.4	192.9	183.3	182.4	177.3
Total liabilities	**544.4**	**598.3**	**636.1**	**640.4**	**627.9**	**602.7**

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

EUR

Profit and loss

EUR m	2010	2011	2012	2013	2014	2015
Revenues	7 297	7 698	7 893	7 963	7 404	7 713
Sales of electricity	6 432	6 671	6 855	6 949	6 379	6 683
Heat sales and other revenues	865	1 026	1 038	1 014	1 025	1 030
Operating Expenses	4 038	4 492	4 744	4 954	4 743	5 325
Purchased power and related services	1 995	2 417	2 630	2 900	2 781	3 336
Fuel	622	629	581	507	466	479
Salaries and wages	687	664	686	686	692	652
Other	735	782	847	861	805	858
EBITDA	**3 259**	**3 206**	**3 149**	**3 009**	**2 660**	**2 388**
EBITDA margin	*45%*	*42%*	*40%*	*38%*	*36%*	*31%*
Depreciaiton	988	963	1 060	1 335	1 311	1 332
EBIT	**2 274**	**2 248**	**2 095**	**1 677**	**1 356**	**1 063**
EBIT margin	*31%*	*29%*	*27%*	*21%*	*18%*	*14%*
Net Income	**1 723**	**1 496**	**1 474**	**1 292**	**823**	**754**
Net income margin	*24%*	*19%*	*19%*	*16%*	*11%*	*10%*
Adjusted net income	**1 828**	**1 512**	**1 516**	**1 401**	**1 081**	**1 015**
Adjusted net income margin	*25%*	*20%*	*19%*	*18%*	*15%*	*13%*

Balance sheet

EUR m	2010	2011	2012	2013	2014	2015
Non current assets	16 450	17 149	18 161	17 832	18 257	18 094
Current assets	3 527	4 807	5 181	5 668	4 784	4 023
- out of that cash and cash equivalents	813	810	659	918	737	495
Total Assets	**19 977**	**21 956**	**23 342**	**23 501**	**23 041**	**22 117**
Shareholders equity (excl. minority. int.)	8 126	8 324	9 183	9 471	9 589	9 831
Return on equity	*22%*	*18%*	*17%*	*14%*	*9%*	*8%*
Interest bearing debt	5 817	6 680	7 080	7 303	6 757	5 780
Other liabilities	6 035	6 952	7 079	6 727	6 695	6 506
Total liabilities	**19 977**	**21 956**	**23 342**	**23 501**	**23 041**	**22 117**

Exchange rate used:
27.25 CZK/EUR

INVESTOR RELATIONS CONTACTS

CEZ, a. s.

Duhova 2/1444
14 053 Praha 4
Czech Republic

www.cez.cz

Barbara Seidlova
Head of Investor Relations

Phone:+420 211 042 529
email: barbara.seidlova@cez.cz

Tereza Goeblova
Investor Relations Analyst

Phone:+420 211 042 391
email: tereza.goeblova@cez.cz

Radka Novakova
Shares and dividends administration

Phone:+420 211 042 541
email: radka.novakova01@cez.cz

Jan Hajek
Fixed Income

Phone:+420 211 042 687
email: jan.hajek@cez.cz