



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

Investment story, December 2015

AGENDA



▪ Introduction	1
▪ Financial performance	13
▪ Strategic priorities	20
▪ Backup	32
▪ Expected development of installed capacity	33
▪ Electricity market fundamentals	35
▪ Energy policy developments	37
▪ Regulation of distribution	41
▪ Support of renewables	45
▪ Latest financial results	48



Attractive assets

- Low costs conventional generation is a great advantage in low price environment
- Our electricity generation benefits from rising price of CO2
- Regulation of Czech distribution supportive
- Foreign operations stabilised

Strong financials

- Hedging provides cushion to our margins
- Capex declining to maintenance levels
- Free cash flow remains very strong
- Low leverage and strong credit rating
- Updated dividend policy with highest payout within sector

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%

Energy Assets



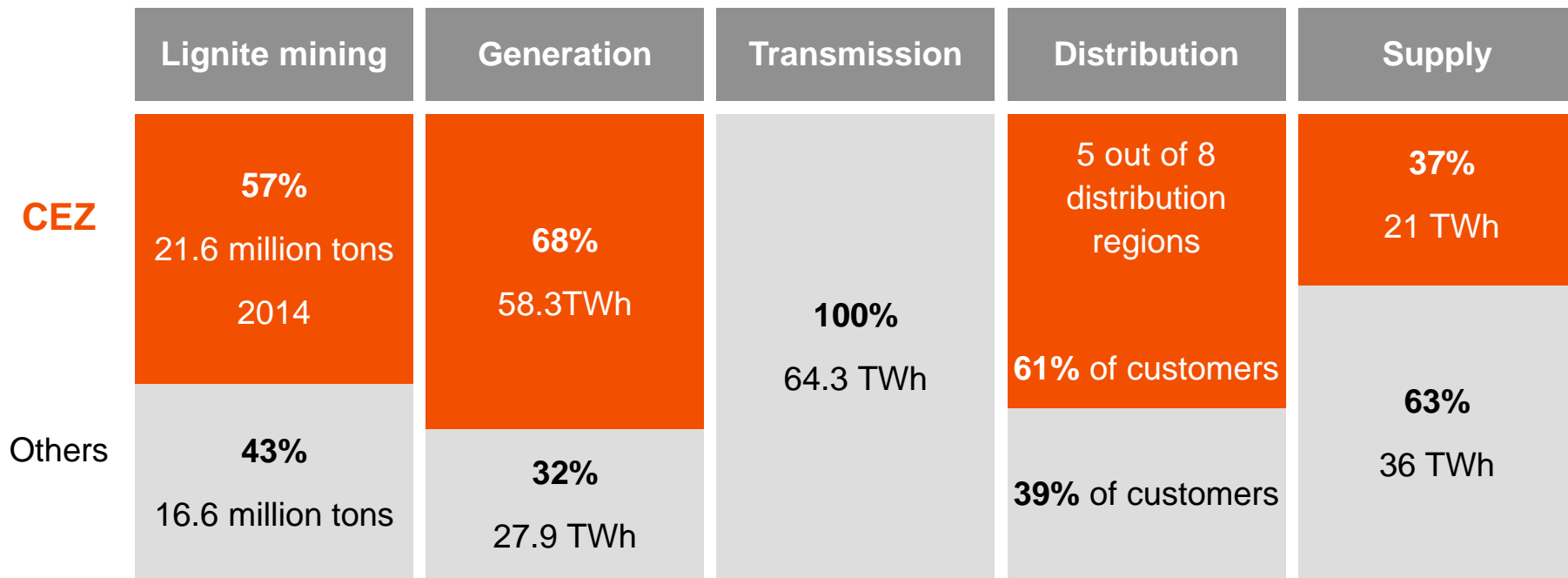
CEZ Group in Romania (100% stakes in CEZ Distributie, CEZ Vanzare, Tomis Team, Ovidiu Development, TMK Hydroenergy Power)

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

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



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

- Other competitors – individual IPPs

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



- 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



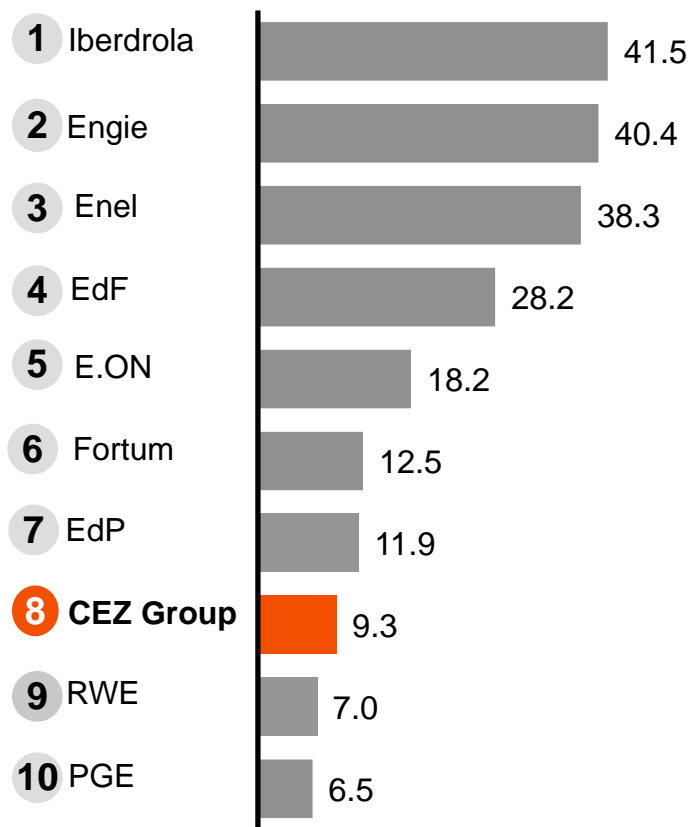
Top 10 European power utilities

Number of customers in 2014, in millions



Top 10 European power utilities

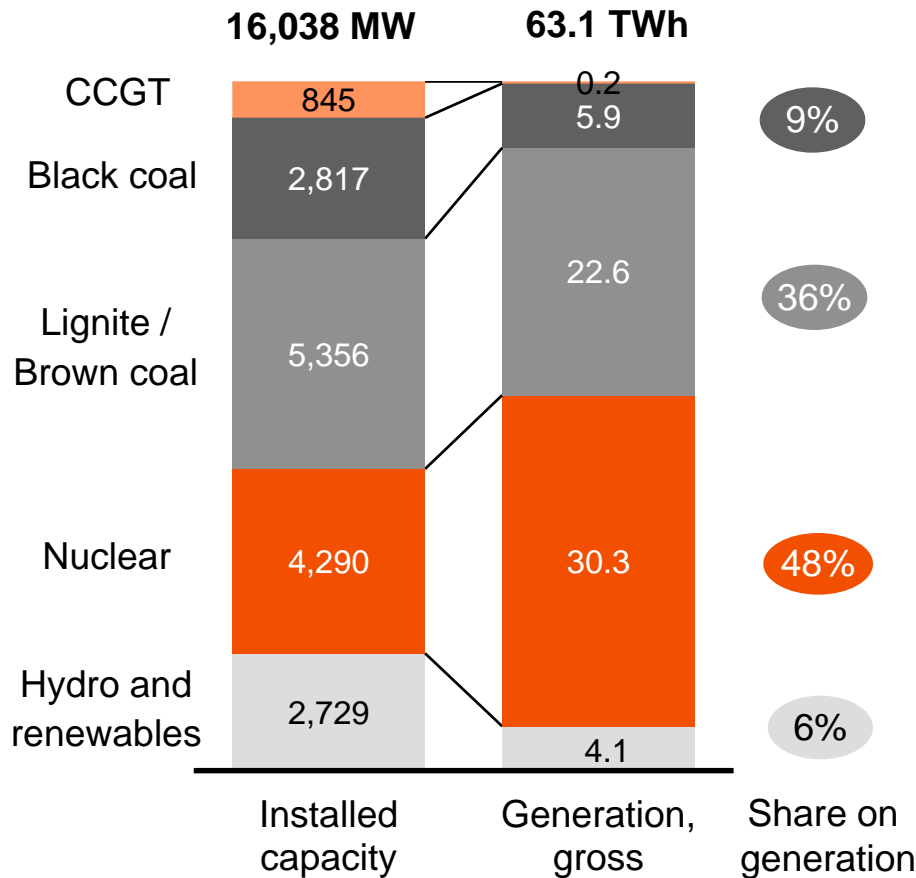
Market capitalization in EUR bn, as of November 18, 2015



CEZ GROUP OPERATES LOW COST GENERATION FLEET, ...



Installed capacity and generation (2014)

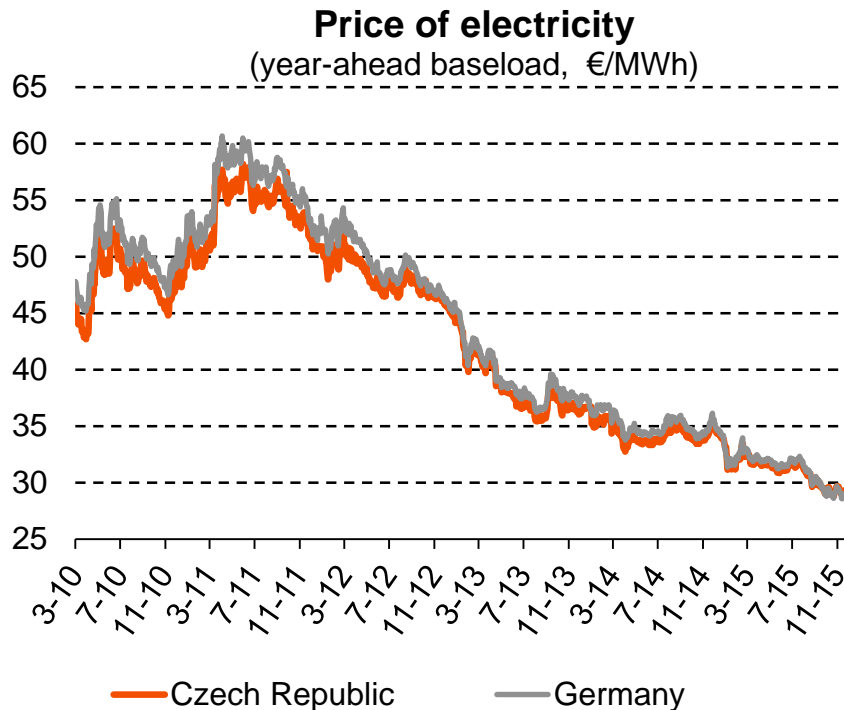


- **Coal power plants are using mostly lignite from CEZ's own mine** (71% of lignite needs sourced internally, remaining volume through long-term supply contracts)
- **Nuclear plants have very low operational costs**

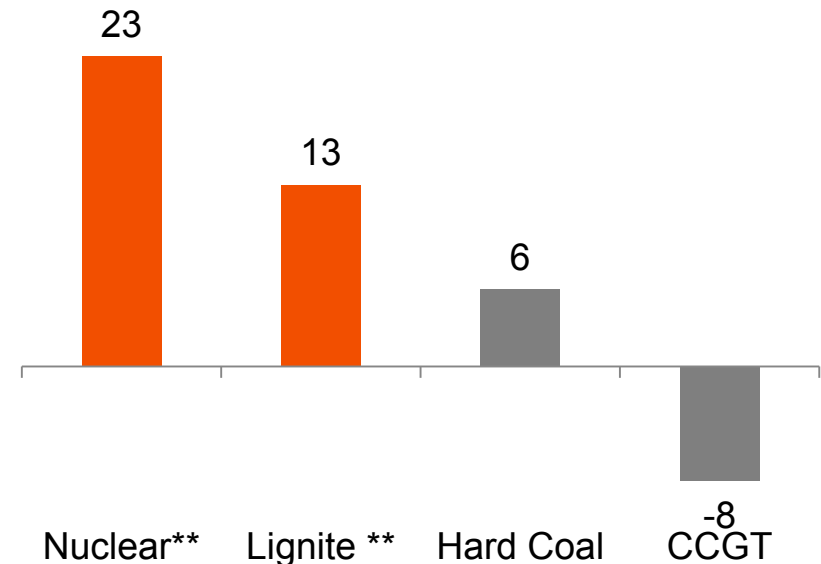


CEZ has a long-term competitive advantage of low and relatively stable generation costs

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



Clean spreads by technology at current forward electricity price* (€/MWh)



* 2015 production of CEZ hedged 11 €/MWh above current forwards

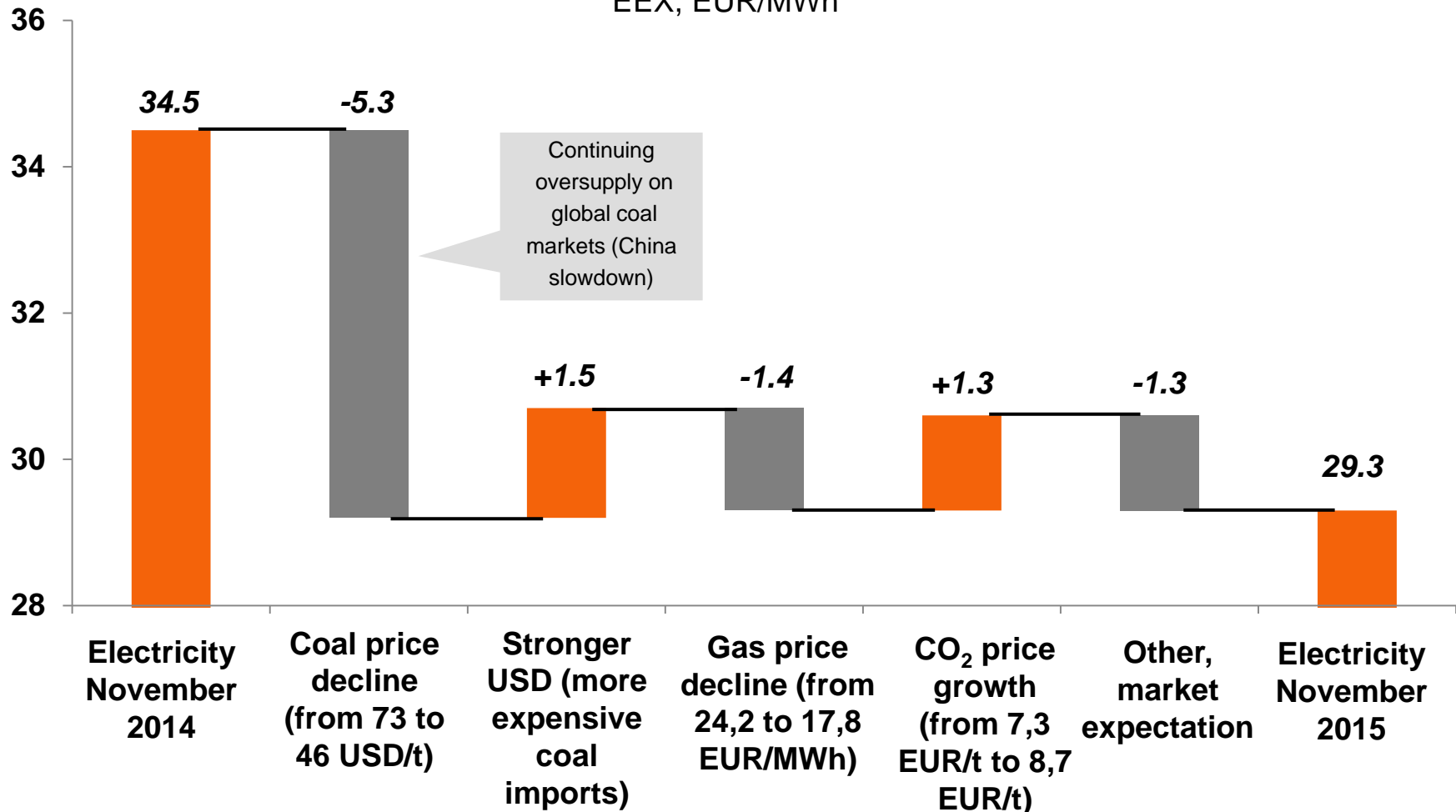
Drivers of electricity price

- Decline of **hard coal prices by 40%** due to shale gas discoveries in the US and declining Chinese imports
- Decline in **carbon prices by 70%** until 2013, recovery by 100% afterwards thanks to approval of market stability reserve
- **Growing capacity of subsidized renewables** at the time of stagnating/declining electricity demand

THE ELECTRICITY PRICES HAVE DECLINED BY MORE THAN 5 EUR/MWH OVER THE LAST YEAR



Electricity price change decomposition Cal16 (9/2014 – 9/2015)
EEX, EUR/MWh

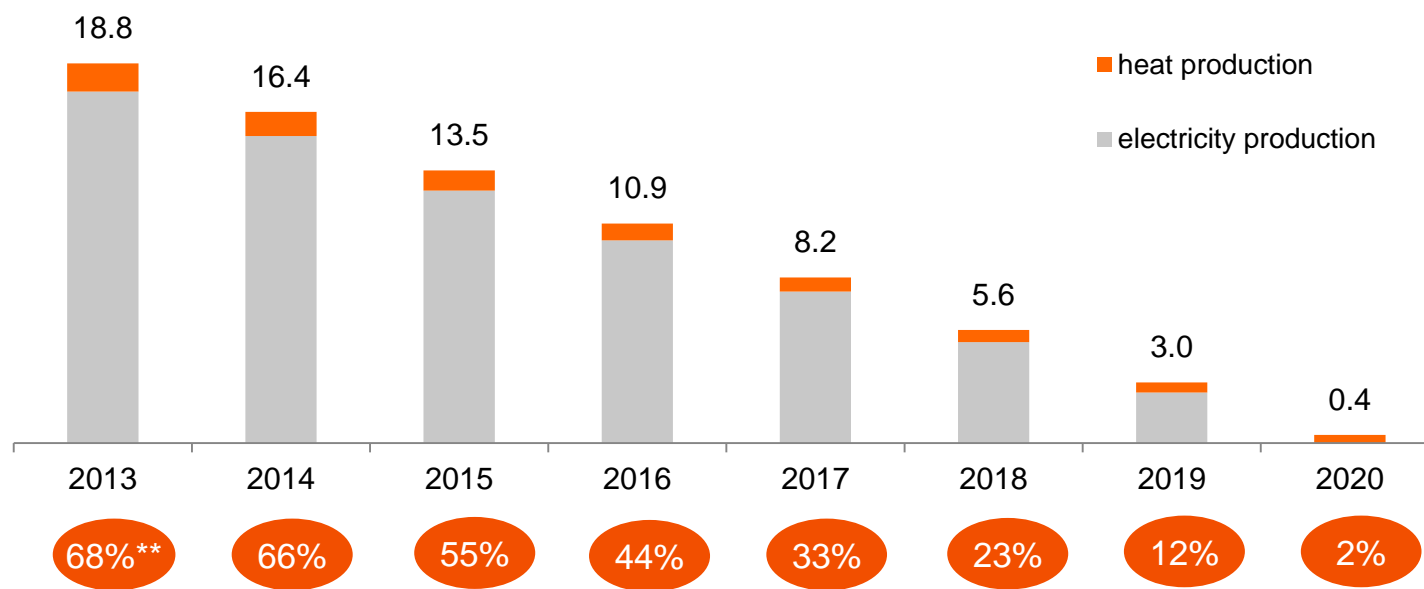


CEZ GROUP CONTINUES TO RECEIVE PART OF EMISSION ALLOWANCES FOR FREE



- 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)

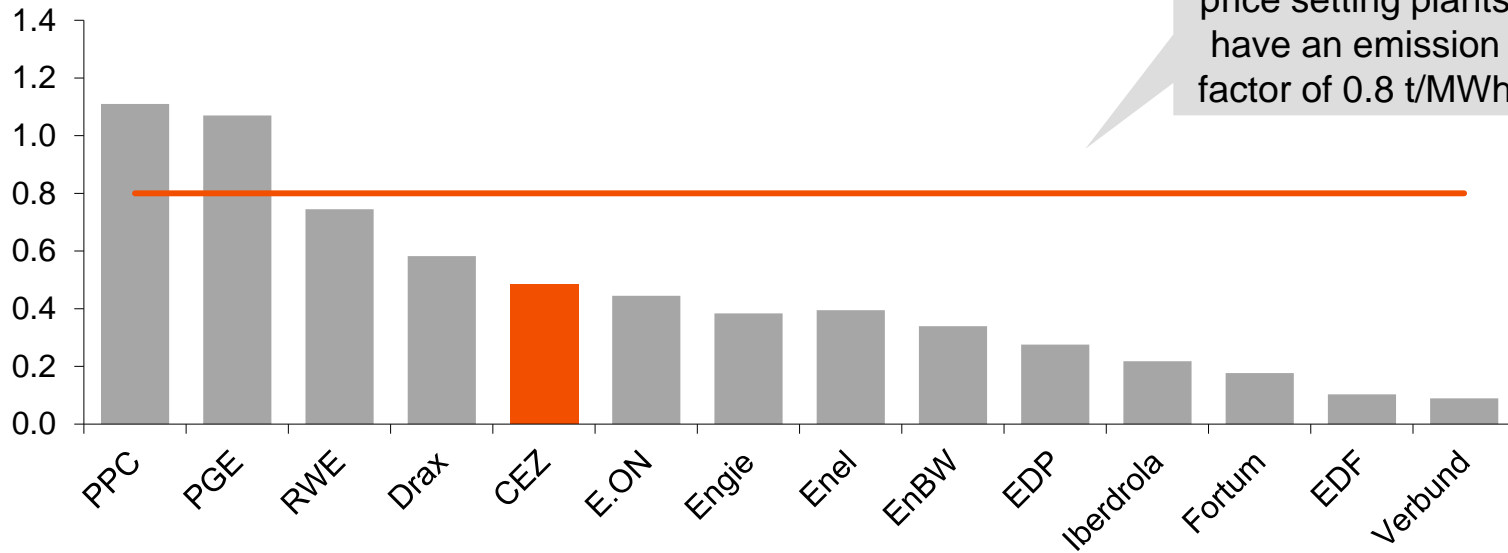


Allocation as a % of emissions of 2014

CEZ GROUP'S CO₂ INTENSITY IS BELOW INTENSITY OF A EUROPEAN PRICE SETTING PLANT



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



Marginal European price setting plants have an emission factor of 0.8 t/MWh



Increase in CO₂ 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

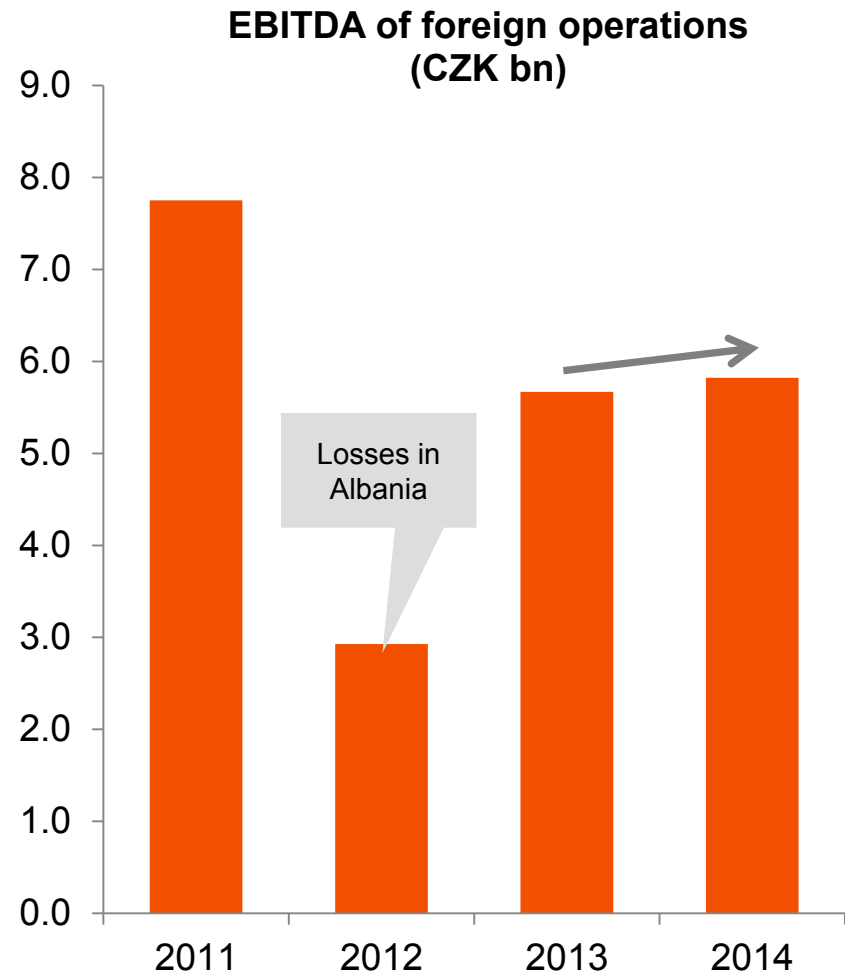
- Varna power plant is shut down since January 2015 and thus losses were eliminated

Poland

- Turbines at Skawina were modernized

Albania

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



CZECH DISTRIBUTION: PROPOSED PARAMETERS OF NEW REGULATORY PERIOD ARE ENCOURAGING



- Key parameters for the regulatory period starting in 2016 are agreed, tariff decision expected at the end of November:
 - Regulation supports investments** in anticipation of the growth in decentralized generation => regulator is proposing increase of WACC, requires CAPEX at least amounting to depreciation
 - Regulation motivates distributors to improve efficiency** => allowed costs will be reset to reflect level of costs in 2012-2013, costs will be indexed to inflation minus 1.01% of efficiency factor

Czech distribution	2014	2015	2016-2018
RAB (CZK m)	82,503	85,476	
EBITDA (CZK m)	15,819	~ stable	
EBITDA as % of total	22%	~ stable	
WACC (nominal, pre-tax)	5.554%	6.146%	7.951%

AGENDA

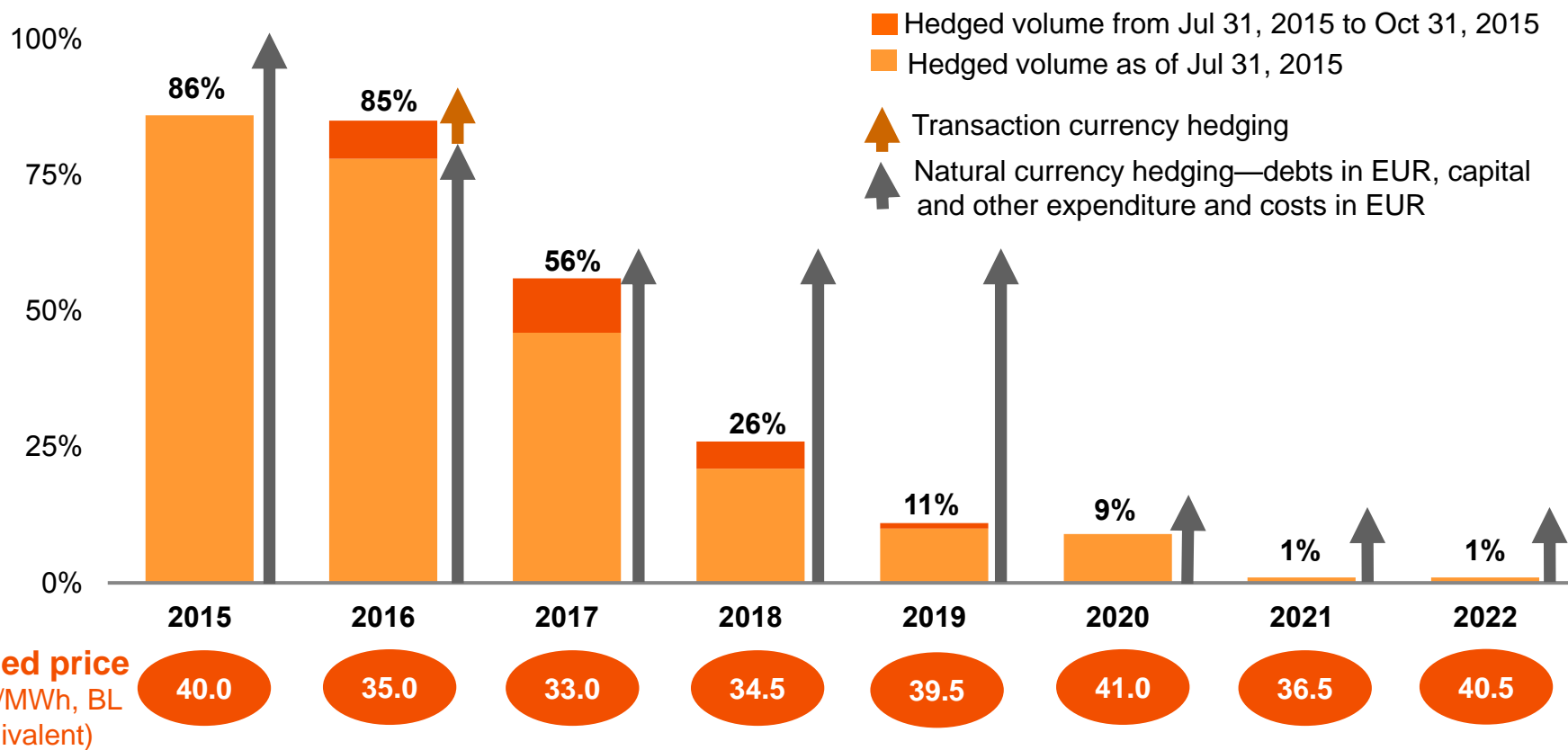


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▪ Financial performance	13
▪ Strategic priorities	20
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▪ Energy policy developments	37
▪ Regulation of distribution	41
▪ Support of renewables	45
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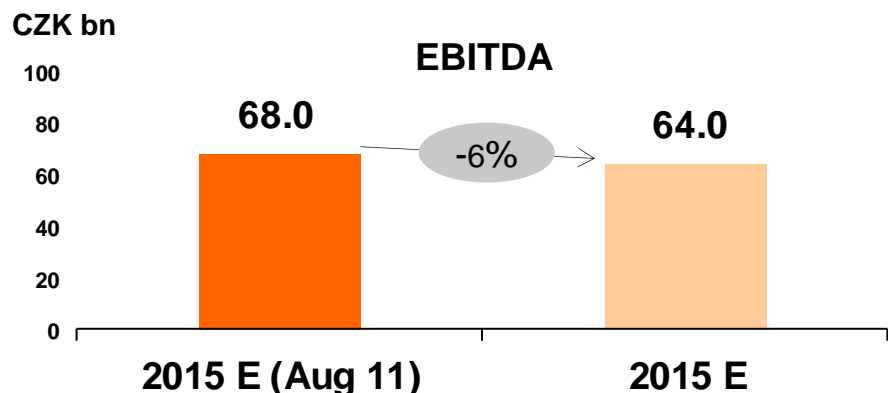
LARGE PART OF PRODUCTION FOR THE NEXT 3 YEARS IS ALREADY HEDGED AT ATTRACTIVE PRICE LEVELS



Share of hedged production of ČEZ* power plants
as of Oct 31, 2015 (100% corresponds to 56–58 TWh)

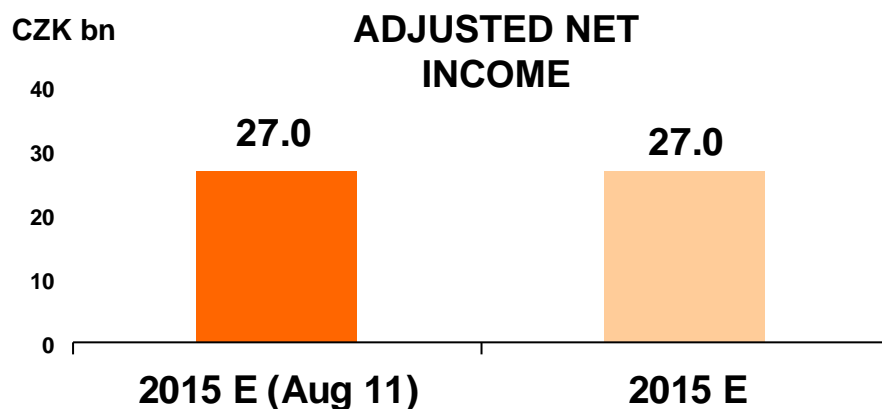


WE EXPECT ANNUAL 2015 EBITDA OF CZK 64BN, ADJUSTED NET INCOME AT THE LEVEL OF CZK 27BN



Selected negative effects not anticipated in Aug 11 Guidance:

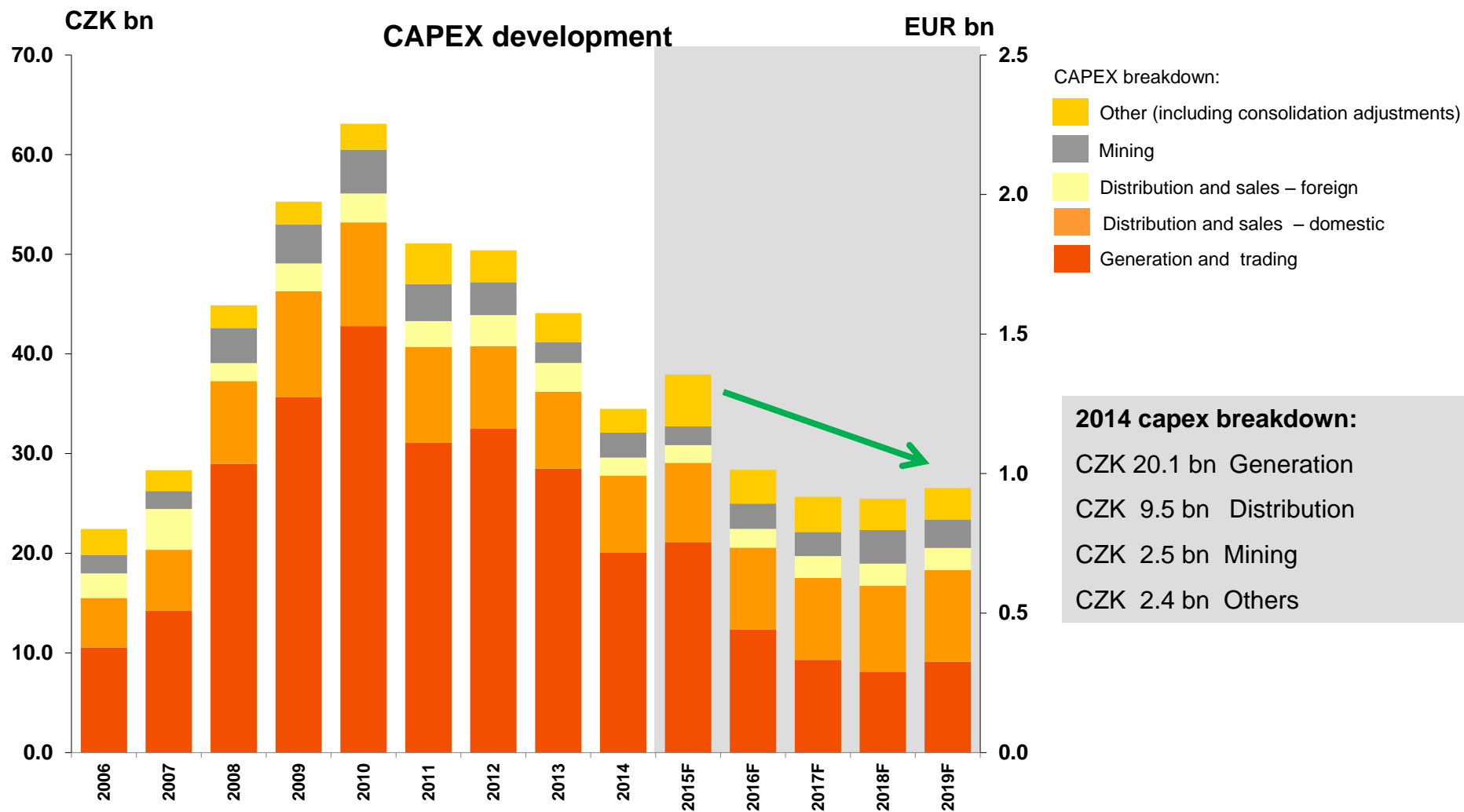
- Unplanned outages at Dukovany NPP (2.8 TWh) relating to comprehensive inspection of welds
- Extended planned outages and unplanned outages at Temelín NPP (0.9 TWh)
- Postponed completion of upgrades to coal-fired plants in the Czech Rep. and operation of existing coal-fired plants



Selected positive effects not anticipated in Aug 11 Guidance:

- Extraordinary income from the refund of a portion of gift tax on emission allowances for 2011 and 2012 (income not included in EBITDA)
- Higher cuts in fixed operating costs

EXTENSIVE CAPEX PROGRAM IS ALMOST COMPLETED

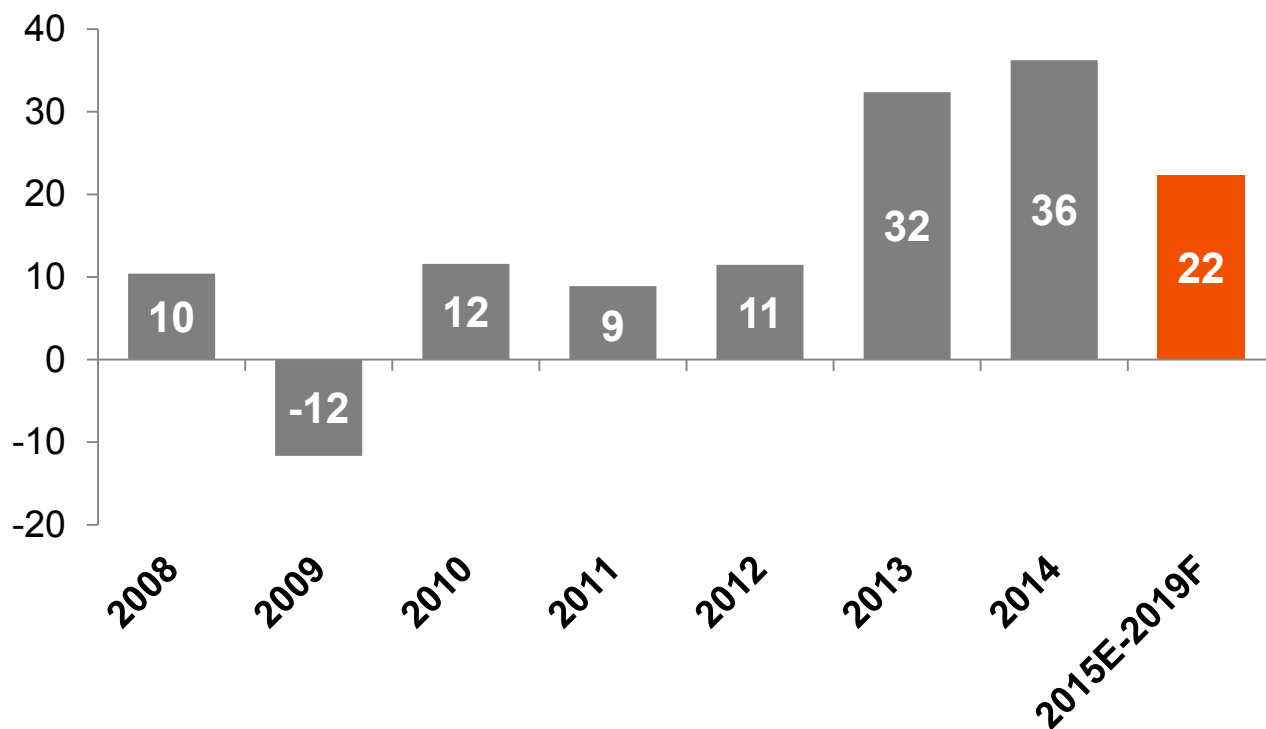


Note: Exchange rate CZK/EUR = 27.725

FREE CASH FLOW GENERATION REMAINS VERY STRONG



Free Cash Flow* (CZK bn)



- We anticipate continued pressure on margins in our generation business given the current forward prices of electricity
- The extensive investments into upgrades of our lignite plans are being finalized this year and thus CAPEX will drop to maintenance levels from 2016

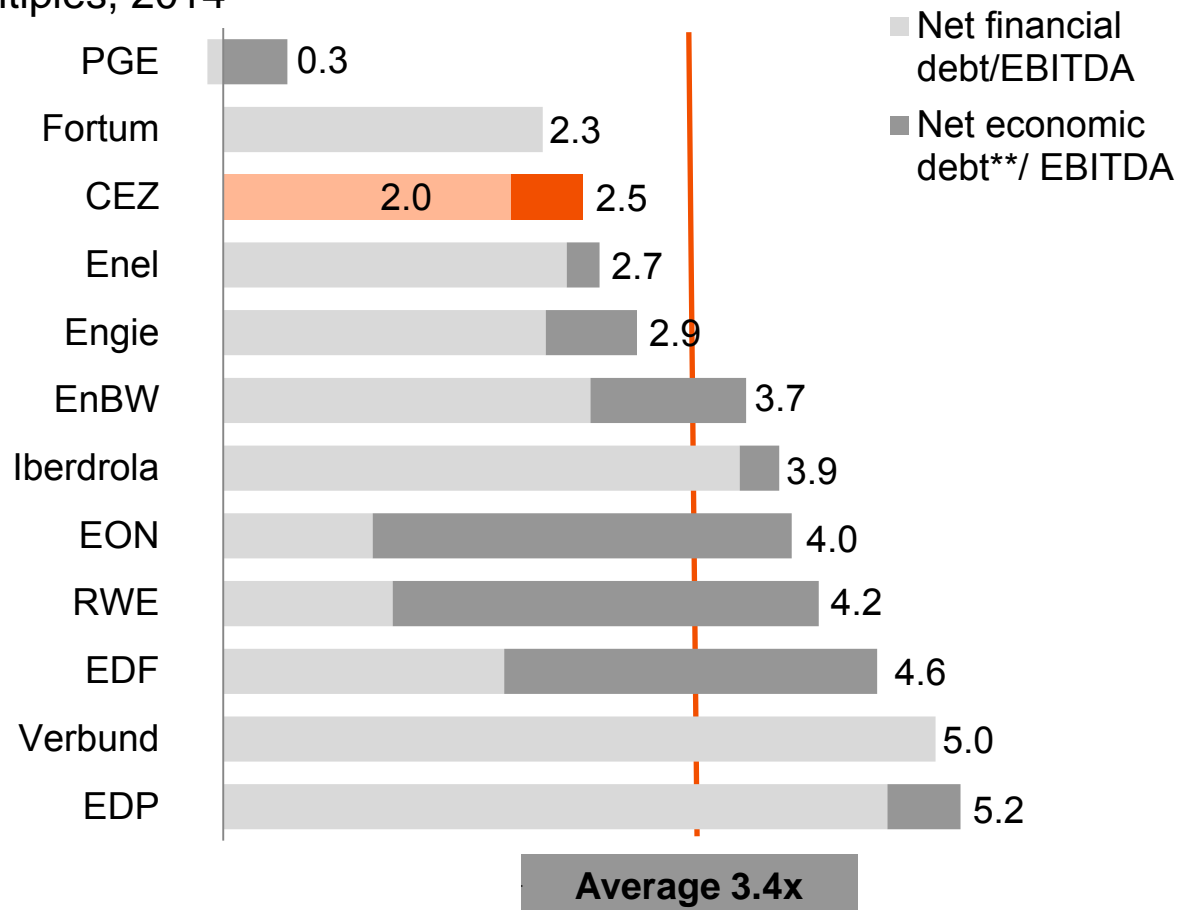
* Operating cash flow minus investments into fixed assets

OUR CURRENT LEVERAGE IS LOW COMPARED TO INDUSTRY STANDARDS



Net economic debt/ EBITDA*

Multiples, 2014



Medium-term **target leverage** remains intact:

- Net debt/EBITDA ratio at 2.0-2.5x

Our leverage target is consistent with current **credit rating**

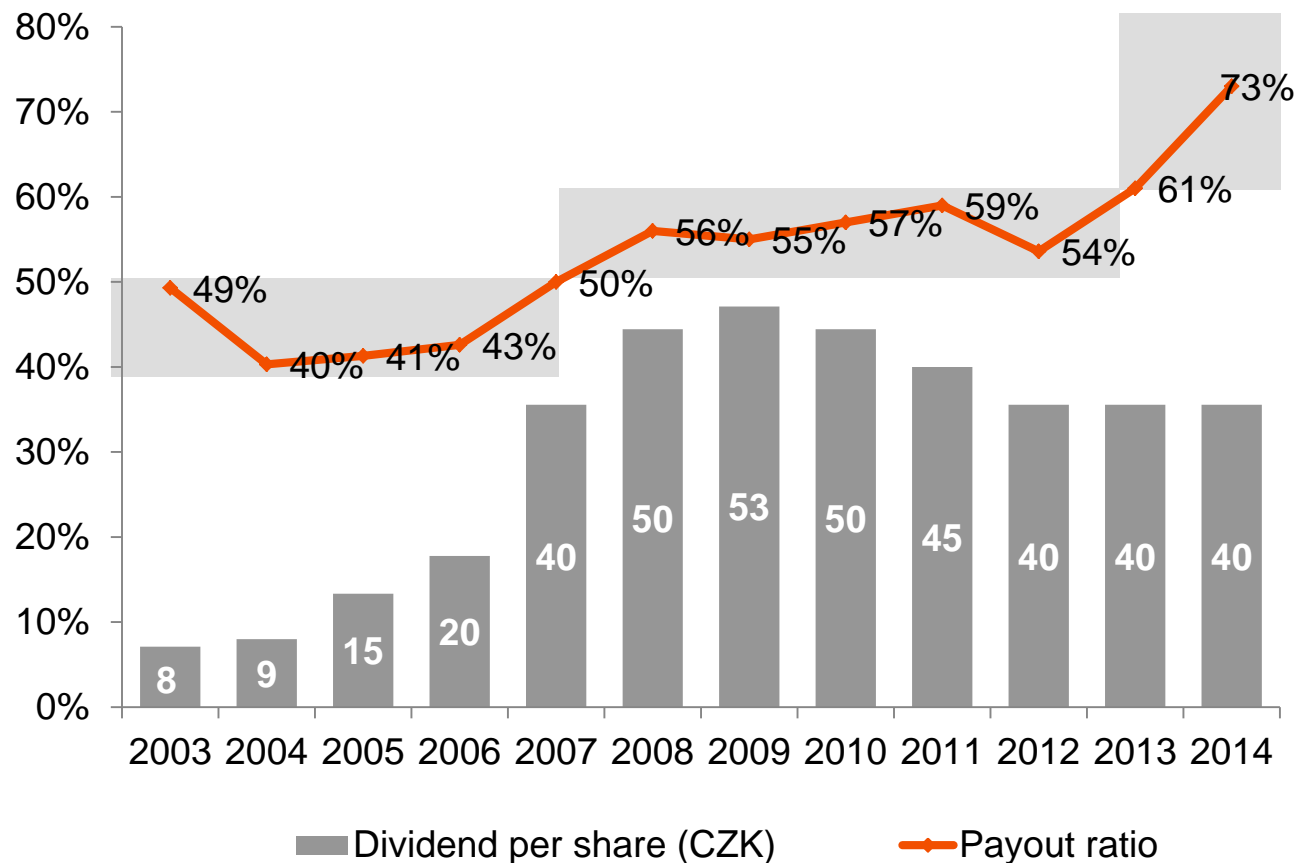
- A- from S&P
- A3 from Moody's

*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

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▪ Energy policy developments	37
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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 conventional electricity generation and proactively respond to the challenges of the 21st century

- We want to **operate** power assets **as efficiently as possible** from the point of view of both shareholders and customers
- We want to **pro-actively react now to the future design of power sector** with a large proportion of decentralized and zero-emission production and diminishing differences between producers and consumers

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

- We want to offer our customers partnership, expertise, tools, and financing to **meet their energy needs** - our customers are much more active in the control of their electricity and gas consumption and use in general as well as in their own production
- We want to complement this with additional products that have **synergy with electricity and gas sales**

III Strengthen and consolidate our position in Central Europe

- We want to **maintain our position among the top 10** energy companies in Europe
- **take advantage of major synergies** in the operation of our assets and when offering new products and servicing customers
- We focus our attention on **regions and countries** that are **close to** both CEZ and the **Czech Republic** in terms of energy markets, economy, politics and culture; however, undisputed profitability remains the key indicator

SPECIFIC STEPS TO IMPLEMENT THE STRATEGY HAVE BEEN DEFINED



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

- Focus on **operational efficiency** as a prerequisite for further existence in both conventional and new energy
- Ensure **long-term operation of the Dukovany Power Plant**
- **Complete** the renovation of brown coal-fired power plants and **phase out older condensing units**
- Develop **new unit projects** at Temelín and Dukovany
- Continually **improve distribution grid efficiency** to allow a real decrease in distribution tariffs as well as ensure stable cash flows

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

- Achieve the **top level in el. 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 supply at the customer's point of consumption
- **Invest in opportunities** and technologies at an early stage to allow ČEZ to establish promising positions in future energetics
- **Prepare distribution grids** for operation under the conditions of increasingly **decentralized generation**

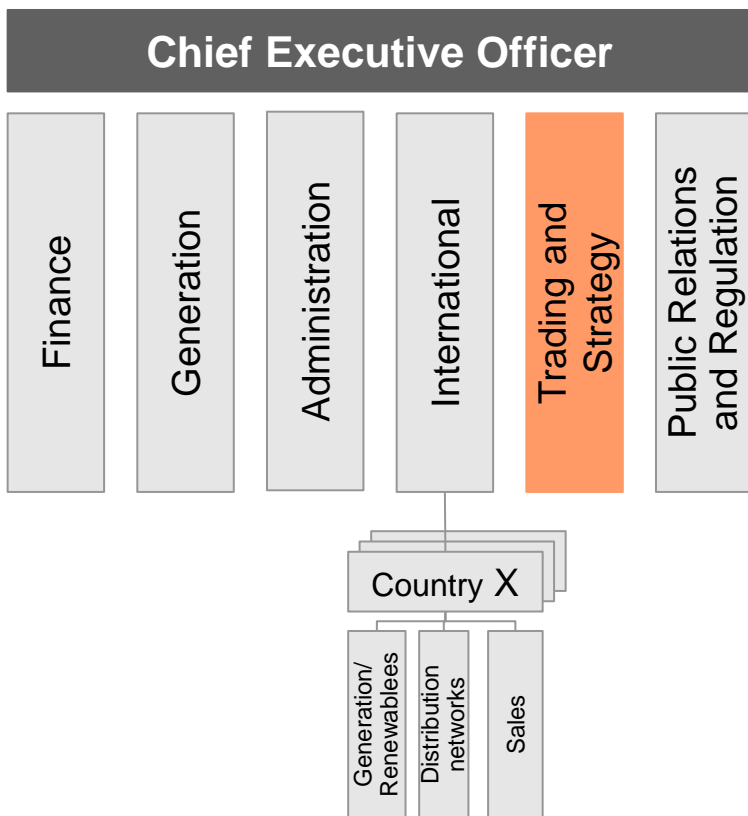
III **Strengthen and consolidate our position in Central Europe**

- **Strive to acquire assets/companies in countries** with stable national regulatory environments that are **close to ČEZ and the Czech Rep. both:**
 - **RESs**
 - **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 energetics
 - **Conventional energy**
- **Reduce risk profile**—optimize capital and ownership structure, including divestment of selected assets

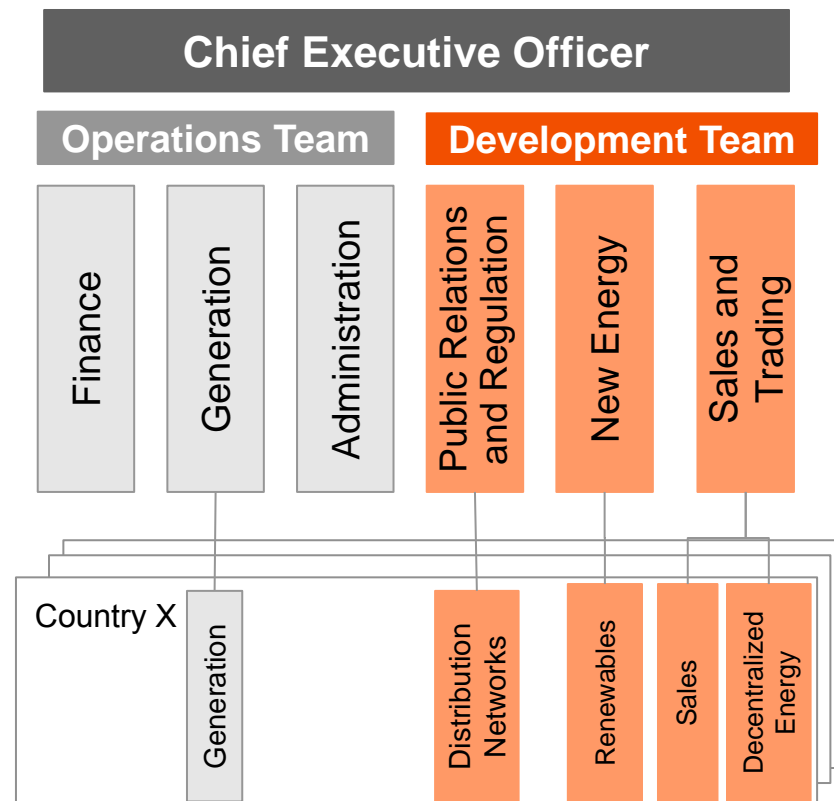
WE ARE REARRANGING CAPACITIES, WE ESTABLISHED TWO TEAMS - OPERATIONS AND DEVELOPMENT, WE ARE STRENGTHENING SEGMENTAL MANAGEMENT



Today: development concentrated, regional management



After the change: strengthened development and segmental management (knowledge sharing among countries)



 Focus on new opportunities and growth

DESPITE LOWER VOLUMES FROM NUCLEAR POWER PLANTS IN 2015 CEZ EXPECTS TO INCREASE OUTPUT IN THE FOLLOWING YEARS



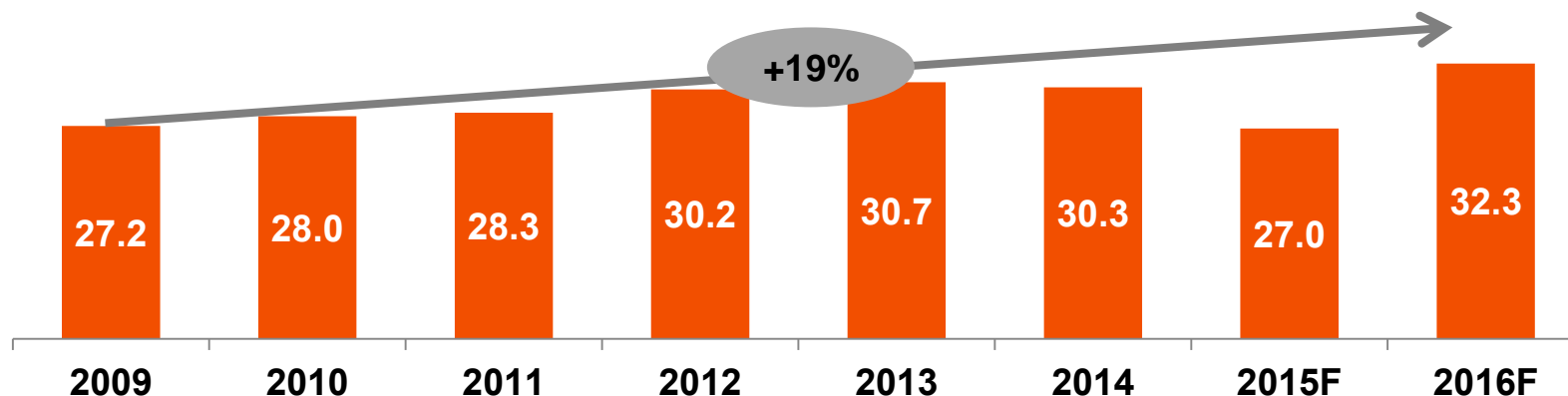
Dukovany

- Unplanned outages relating to comprehensive inspection of welds (-2.8 TWh), which involve mostly taking new X-ray images of weld joints.
- We have applied for license extension of Unit 1 at Dukovany, which completes project of extending the plant operation beyond its original design lifetime of 30 years.
- During 2005-2012 capacity increased **by 240 MW** to 2,000 MW

Temelin

- Extended outages (-0.9 TWh), repair of the steam generator of Unit 2
- During 2008-2013 capacity increased **by 160 MW** to 2,160 MW

Nuclear Generation volumes (TWh)



REFURBISHMENT OF LIGNITE PLANTS IS ALMOST COMPLETED, MINING LIMITS CANCELLED



Comprehensive refurbishment of Prunéřov

3x250 MWe

- 39 % efficiency
- Fuel consumption reduced by 18 % compared to existing units
- Expected operating life 25 years
- Start of commercial operations: 4Q 2015-1Q 2016

New supercritical unit Ledvice 660 MWe

- 42.5 % efficiency
- Fuel consumption reduced by 27 % compared to existing Ledvice units
- Expected operating life 40 years
- Start of commercial operations: 1Q 2016

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

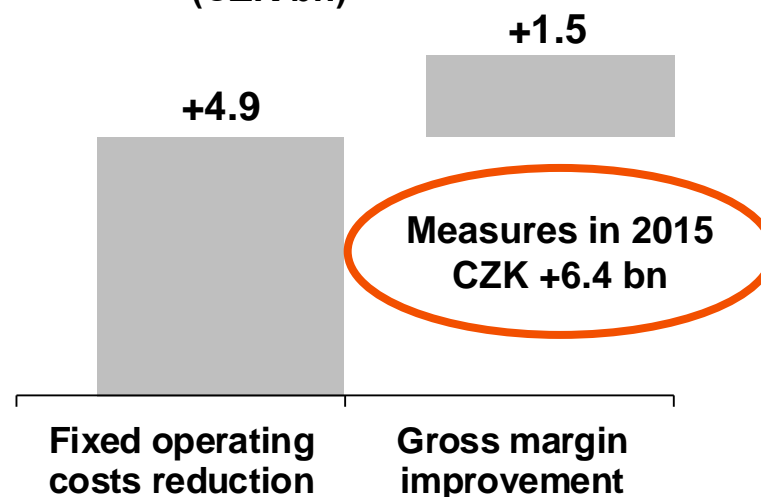
Plant	Construction period							
	2009	2010	2011	2012	2013	2014	2015	2016
Tušimice	█							
Ledvice	█							
Prunéřov				█				

WE FULFILLED OUR COST-CUTTING AMBITION FOR 2015



- By active measures across the whole CEZ Group we managed to contribute to improvement of EBITDA of 2015 by CZK 6.4 bn compared to the original business plan.
- 2015 budget envisages a reduction in fixed costs by CZK 4.9 billion and increase in margin on new opportunities and optimization by CZK 1.5 billion compared to the last year's plan.
- CEZ Corporate headquarters made a commitment to reduce fixed costs by 24 % in 2015 with comparison to the last year's plan.
- **All cost-cutting measures respect the condition of compliance with all safety, legal, and regulatory requirements**

Impact of proactive measures on 2015 EBITDA (CZK bn)



ČEZ ESCO – ENERGY SOLUTIONS FOR CORPORATE CUSTOMERS AND MUNICIPALITIES



ČEZ ESCO established in November 2014

- ČEZ ESCO is undertaking all activities relating to deliveries of energy commodities, distributed energy technology, energy savings, and services for large and medium-sized customers
- During 2015 it took over shares in ČEZ Energo, ČEZ Energetické služby and EVČ.

Successful steps

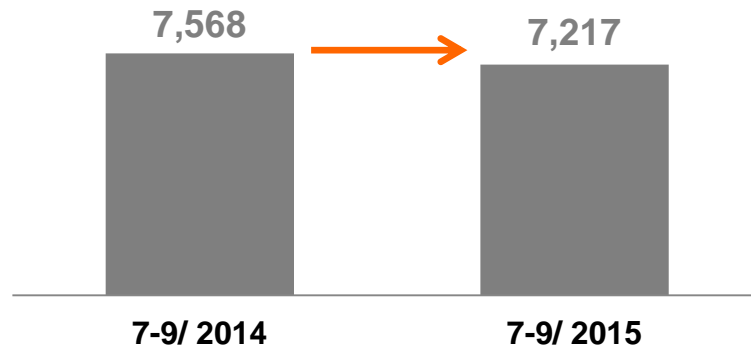
- It is a leader in **small cogeneration**, during 2015 it commissioned further 15 MW of capacity on top of 53 MW operated in 2014
- We are undertaking 4 large projects of **energy construction** (consumption optimization, quality of electricity supply and public lighting)
- Through acquisition of **75% stake in EVČ** we gained significant market share in construction in the field of energy and heat management and special energy-saving projects.
- In October 2015 we started to offer turn-key installation of **solar panels** on customers' rooftops

WE MAINTAIN YEAR-ON-YEAR GROWTH IN GAS CUSTOMERS AND REDUCE MOTIVATION TO LEAVE FOR ELECTRICITY CUSTOMERS



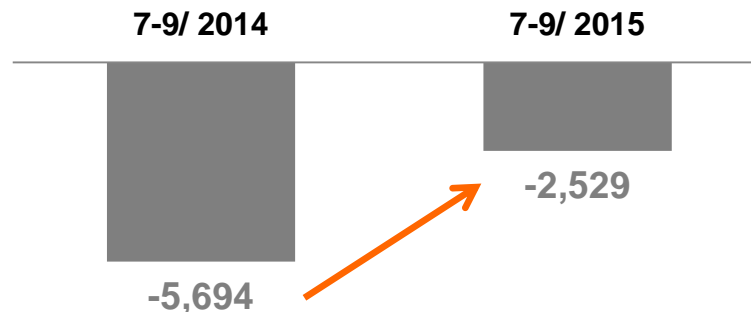
Gas—Growth of Connection Points in the Residential Segment

(Comparison of Quarterly Changes)



Electricity—Reduction of Connection Points in the Residential Segment

(Comparison of Quarterly Changes)

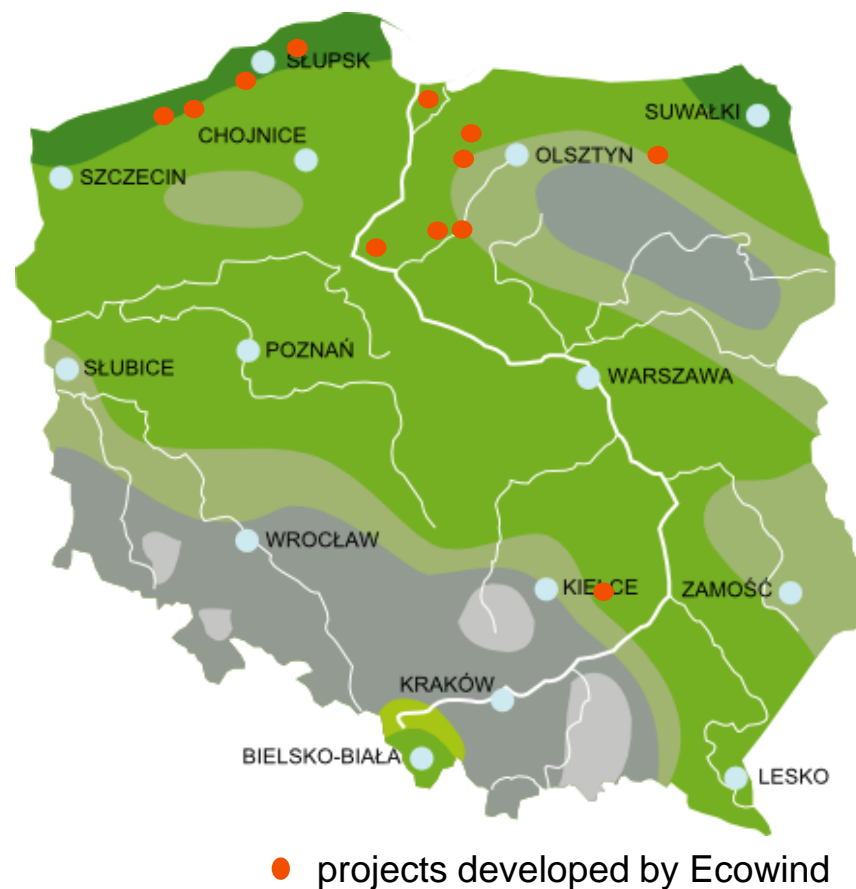


- ČEZ Prodej remains the **largest alternative gas supplier** in the Czech Rep. in terms of connection points and successfully continues to grow.
- At the end of September, ČEZ Prodej delivered gas to more than **378,000 customers**.
- Since the beginning of the year, we have managed to cut the number of leaving customers by almost two-thirds year-on-year.
- The main reason for **decreasing motivation to switch to a competitor** is our offer of high-quality products and services.

WE ARE DEVELOPING 258 MW OF WIND FARM PROJECTS IN POLAND



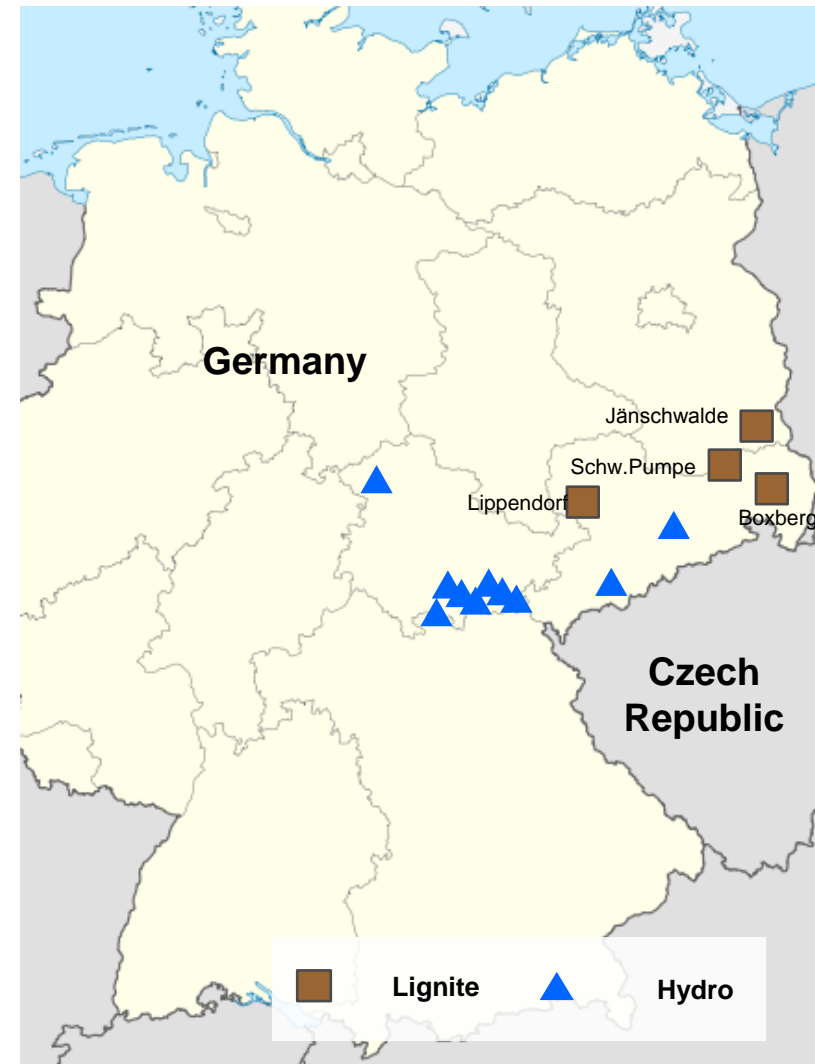
- In Poland, a new renewables act was passed with effect from Jan 1, 2016, introducing a new support mechanism, an auction system, and defining qualification requirements.
- Two of the most advanced projects of the developer Ecowind Construction S.A. (35 MW Krasin project and the 20 MW Suwałki I project) received EIA permits. EIA decision of Biskupiec st I (53 MW) was appealed. Remaining projects (150 MW) are expected to receive EIA permits in 2016.
- We anticipate taking active part already in Round 1 of a wind farm support auction, which is expected in Q2 2016.
- On Apr 15, 2015 CEZ Group acquired an additional 25% stake in Ecowind Construction S.A. in line with the original contract, becoming its 100% owner.



CEZ EXPRESSED INTEREST IN VATTENFALL'S GERMAN ASSETS



- On Oct 13, 2015 CEZ sent a Statement of Interest to acquire Vattenfall's German lignite and hydro activities.
- Currently qualification process is ongoing, Vattenfall aims to finalize the sale in H1 2016
- Offered assets represent an interesting opportunity to expand business of ČEZ with a number of synergies.
- CEZ is ready to be a reliable partner for the region with extensive know-how in operation of conventional power plants and of lignite mines.
- **Assets for sale:**
 - lignite plants with capacity of 8 GW with related lignite mines
 - Hydro plants (primarily pump-storage) with installed capacity of 3 GW



CEZ INVESTS IN INNOVATIVE ENERGY COMPANIES



In November, CEZ Group has acquired a minority stake in Sunfire

- Sunfire's flagship product is globally unique reversible fuel cell technology, which is able to convert a fuel (such as natural gas) into electricity and heat as well as electricity back into hydrogen and other gases (Power-to-Gas) or synthetic fuels (Power-to-Liquids). This technology represents a major step toward greater energy self-supply and improved efficiency in the utilization of energy sources.

On July 21, CEZ Group bought into the German company Sonnenbatterie GmbH, the world leader in the production of battery energy storage systems

- The investment had the form of an increase in the company's registered capital. CEZ Group acquired a minority stake together with the right to participate in its strategic decision-making.
- The company develops, manufactures, and sells smart battery systems for storing energy from solar panels and other renewable energy sources for households and commercial customers and their solutions can cut a household's annual expenditure on electricity supply by up to 80%.
- The company is the world leader operating in seven countries, including the U.S. Up to now, it has already sold about 8,000 smart energy storage systems.



The investments were made through INVEN CAPITAL, which is a brand used by CEZ Group for investments in the field of innovative energy solutions. Its objective is to invest in companies focusing on new decentralized energy and renewables with the potential for quick growth both in the Czech Rep. and abroad. Its ambition is to acquire 15 to 20 up-and-coming companies worth up to CZK 5bn in total within five years.

AGENDA

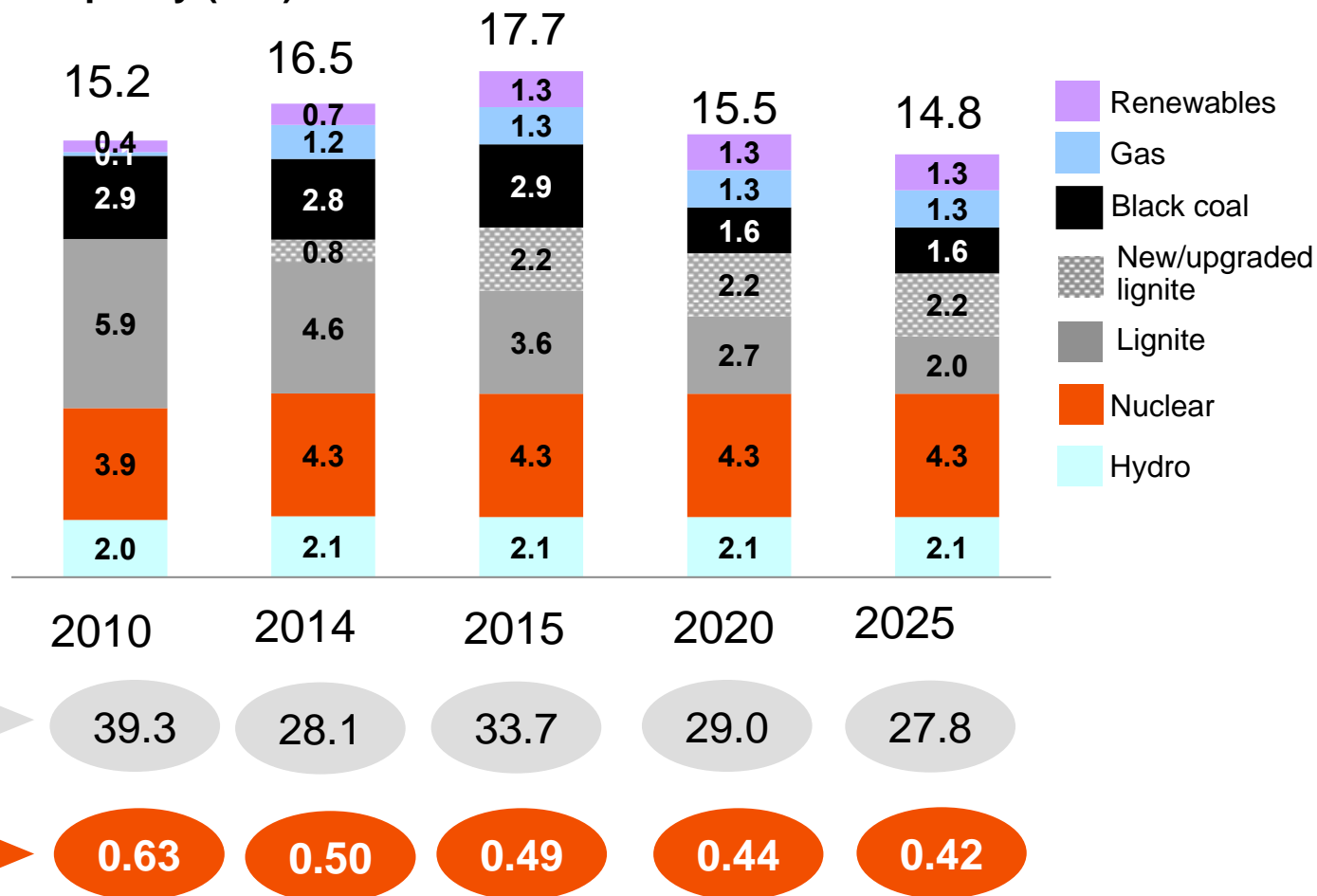


▪ Introduction	1
▪ Financial performance	13
▪ Strategic priorities	20
▪ Backup	32
▪ Expected development of installed capacity	33
▪ Electricity market fundamentals	35
▪ Energy policy developments	37
▪ Regulation of distribution	41
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CAPEX PROGRAM LED TO A REDUCTION OF THE AVERAGE CO2 EMISSION FACTOR, CARBON INTENSITY WILL FURTHER DECREASE THANKS TO CLOSURES OF LIGNITE AND COAL POWER PLANTS

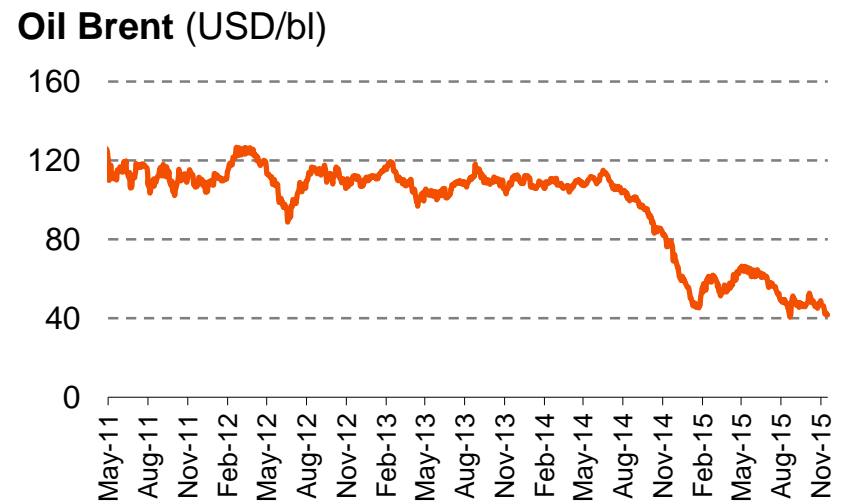
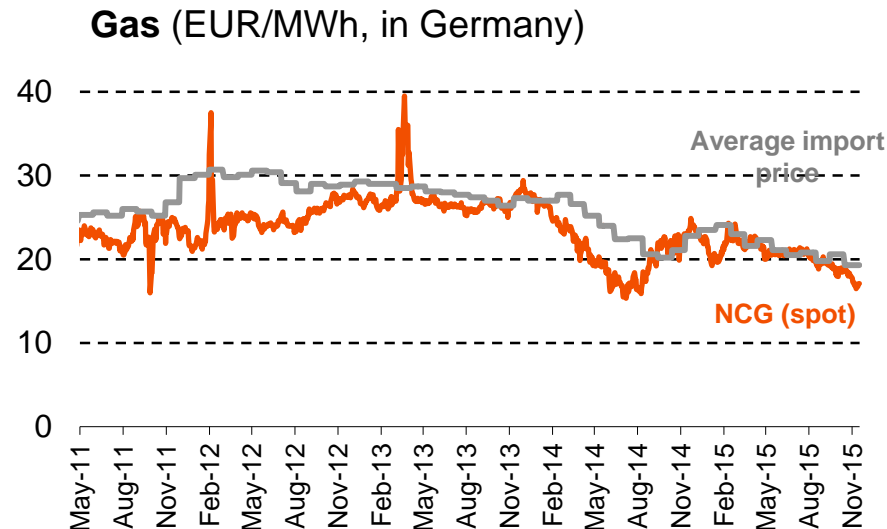
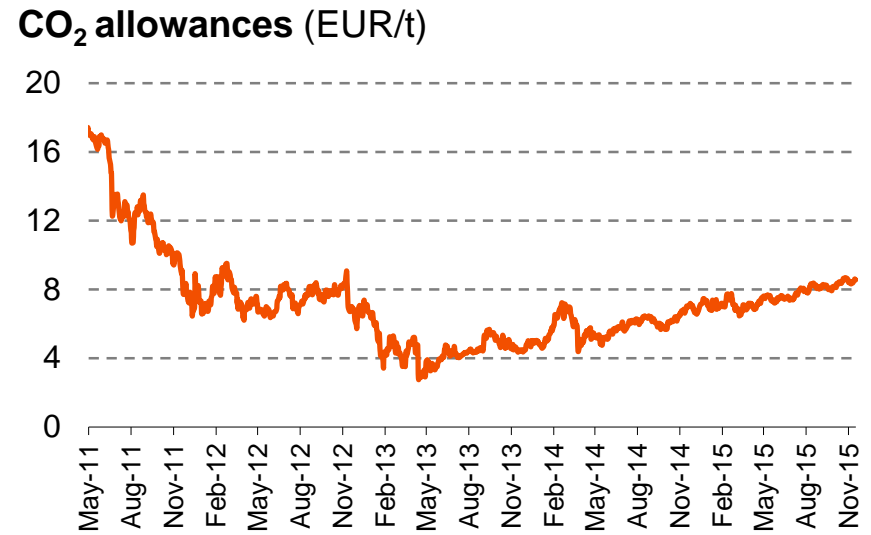
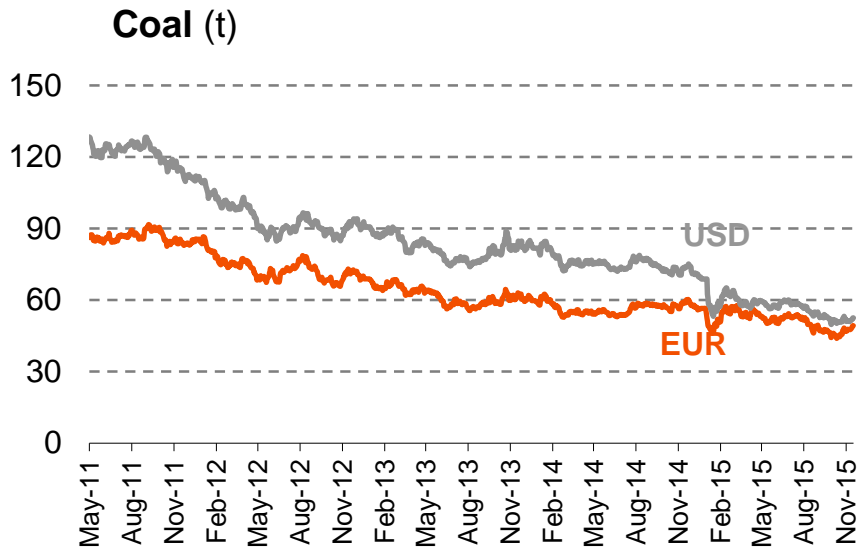


Expected installed capacity (GW)
(proportionate*)

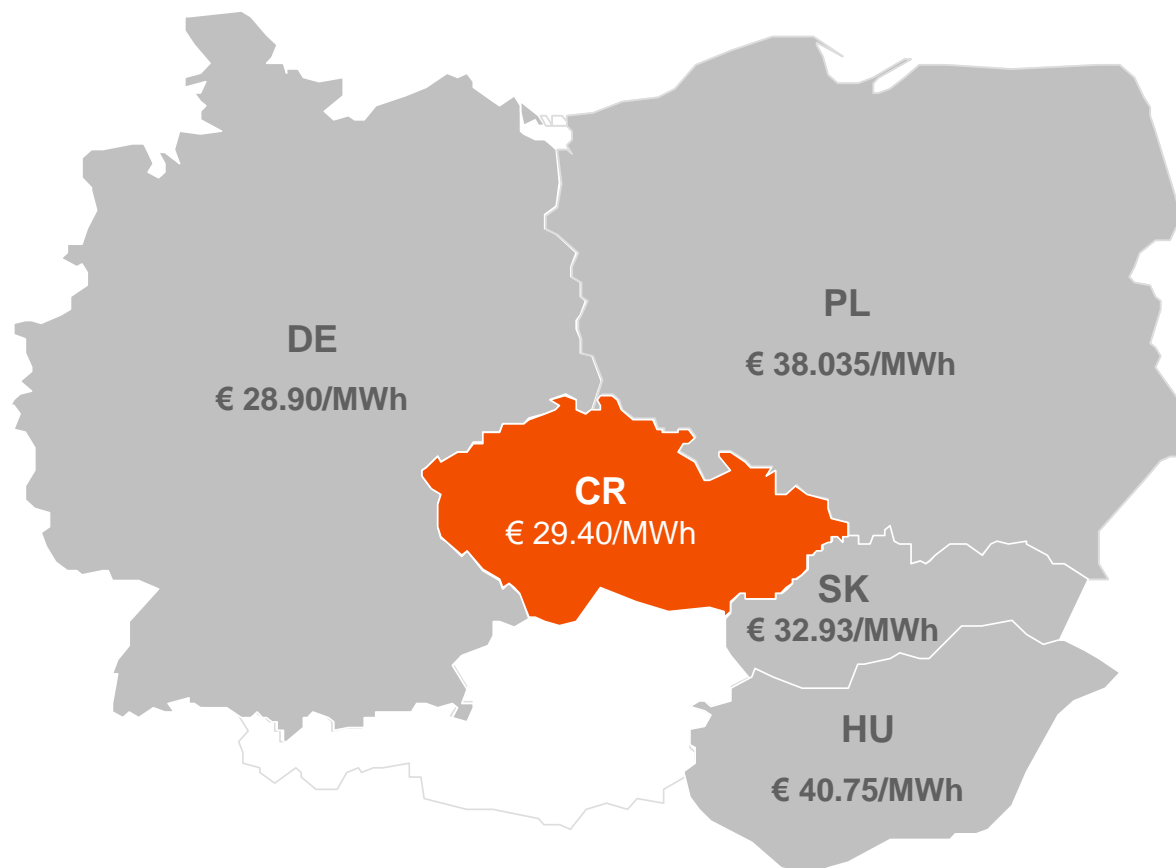


* includes equity consolidated companies (Akenerji)

HISTORICAL DEVELOPMENT OF PRICES OF INPUT COMMODITIES



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



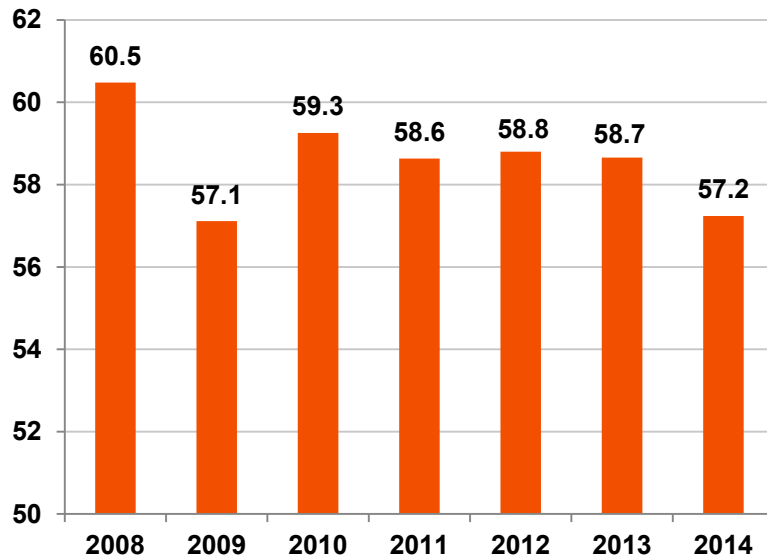
Note: Prices for baseload 2016 as of November 18th, 2015

Source: EEX, PXE; PolPX, Bloomberg

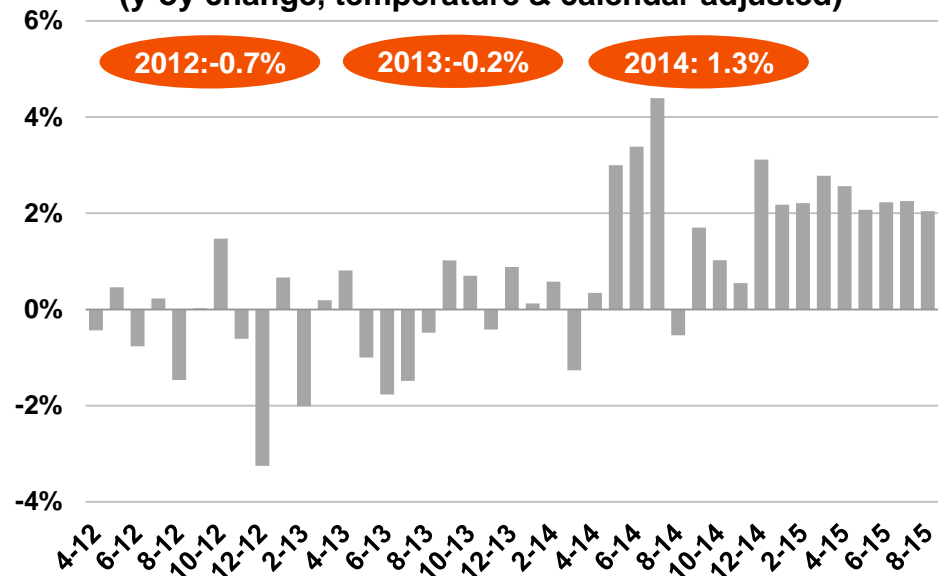
TEMPERATURE ADJUSTED ELECTRICITY DEMAND GREW BY 2.1% IN THE CZECH REPUBLIC IN Q1 - Q3 2015



Electricity demand in the Czech Republic (TWh)



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



- In Q1 – Q3 2015 temperature & calendar adjusted **electricity consumption increased by 2.0% y-o-y in the Czech Republic***
- Czech unadjusted consumption in Q1 – Q3 2015 grew by 2.6%, of which:
 - +2.9% large industrial companies
 - +3.4 % households
 - +1.6% small businesses

CZECH GOVERNMENT APPROVED ENERGY POLICY AND NUCLEAR ACTION PLAN



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

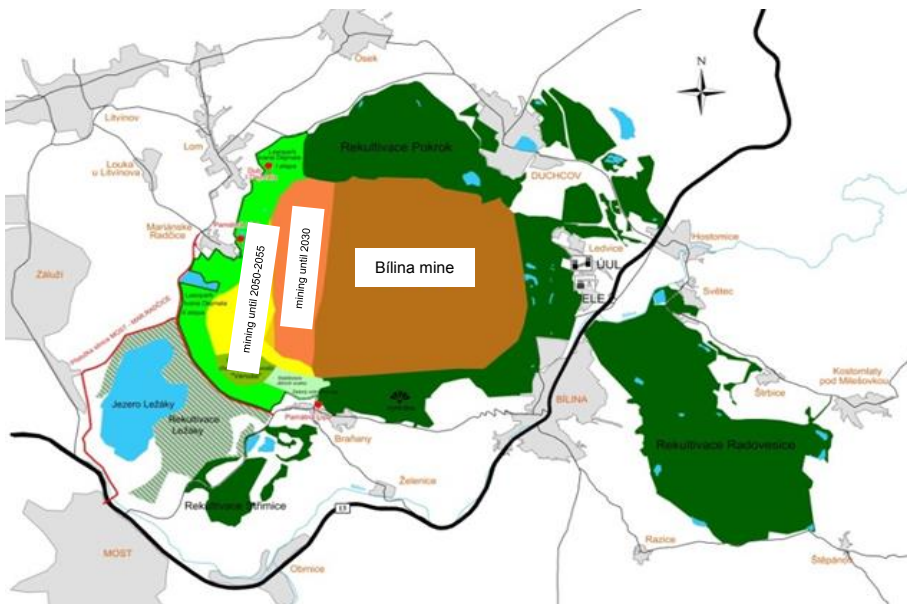
- **Creation of a special company (SPV)** that will acquire all relevant assets for the construction of nuclear units at both existing sites
- **Initiation of preparations for EPC contractor selection** in accordance with the selected business model
- **Negotiations with the European Commission** on 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

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

EUROPEAN UNION IS PROGRESSING WITH REFORM OF ITS EMISSION TRADING SCHEME



Market Stability Reserve is close to approval

- Basic parameters were agreed by “Trialogue” in May 2015, European Parliament approved the reserve in July 2015, European Council is expected to vote on it in September
- 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.

EUROPE'S ENERGY MARKET WAS ALSO GREATLY AFFECTED BY TWO MAJOR EVENTS IN GERMANY



CO₂ EMISSION REDUCTION—“DECARBONIZATION”

Germany decided to take a total of 2.7 GW of older lignite-fired power plants out of standard operation and put them in the strategic reserve by 2020 at the latest to meet their CO₂ emission reduction obligations.

- This made the price of electricity with delivery in 2019 and later grow by approx. 1 EUR/MWh
- Operators (such as RWE or Vattenfall) are less uncertain about the future of individual coal-fired plants, which helps them to make faster decisions on strategic investments or divestments

WHITE PAPER ON THE ENERGY MARKET—“Ein Strommarkt für die Energiewende”

- A strategic document defining rules for the energy market published by the Federal Ministry for Economic Affairs and Energy
- Rejects the capacity market and declares the intent to introduce a capacity reserve system
 - The capacity reserve of generation facilities will serve for exceptional situations when market supply (incl. available foreign deliveries) cannot meet demand. However, the system will not artificially influence wholesale market prices (market price level will not be a criterion for the exceptional situations).
 - The capacity reserve will include 2.7 GW of lignite-fired capacity and other generating facilities with a total capacity of approx. 1.3 GW (probably mostly gas-fired facilities)
- It increases pricing freedom in the wholesale market; i.e., it allows asking for a price above the level of variable generation costs (“mark-up”) in justified cases

OVERVIEW OF REGULATION OF DISTRIBUTION NETWORKS



	Czech Republic	Bulgaria	Romania
2015 RAB (local currency)	85,467 m	499 m	2,409 m
2015 RAB (€ m)	3,084	254.5	537
2015 WACC pre-tax	6.146% (nominal)	7% (nominal)	7.7% (real)
Regulatory period	2010-2015	2013-2015	2014-2018

CZK/EUR = 27.725, 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 assess 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

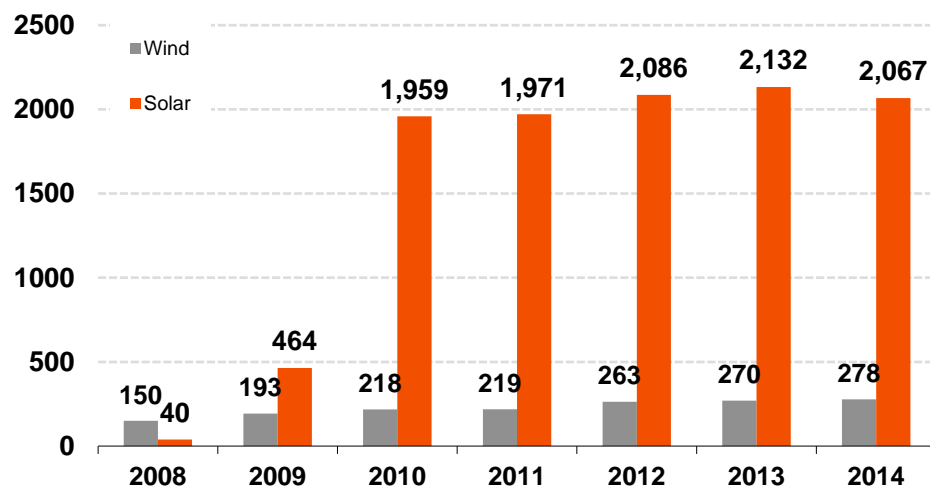
CZECH REPUBLIC: RENEWABLES SUPPORT



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.

POLAND: NEW ACT ON RENEWABLE ENERGY SOURCES



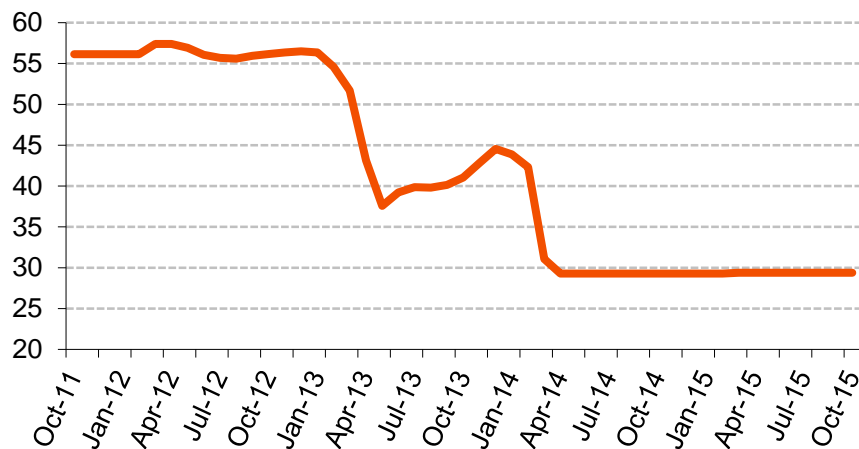
- A **new Renewable Energy Act** changes the support for renewable energy sources as of Jan 1, 2016.
- The support will be guaranteed for 15 years from the start of generation, but not longer than to the end of 2035 (foreseen end of the support scheme).
- System of certificates of origin continues for existing installations (delivering power to the grid by December 2015) and they can choose whether to switch to auction-based system which will be the standard support instrument for most new investments.
- Micro-installations up to 10kW will benefit from feed-in tariffs: PLN 0.75/kWh (0.173 EUR/kWh) for plants up to 3 kW, while plants between 3-10 kW will receive up to PLN 0.7/kWh (0.169 EUR/kWh), depending on the renewable technology. FIT are capped to the first 800 MW of installed capacity: 300MW and 500 MW respectively.
- Auction-based system will apply to installations over 10 kW of installed capacity. The state will guarantee support to a given value and volume (published each year by the Council of Ministers) of electricity within the limit of 15 years, the lowest offered price will win.
- The first auction will open no later than Mar 31, 2016 and, pursuant to the new law, will be done separately for projects above or below 1 MW in size, and for existing and new installations – these will have to be commissioned within 48 months after the auction (24 months for solar, 72 months for wind).
- Not meeting the delivery targets will be subject to a penalty.

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)



Q1 - Q3 2015 FINANCIAL RESULTS HIGHLIGHTS



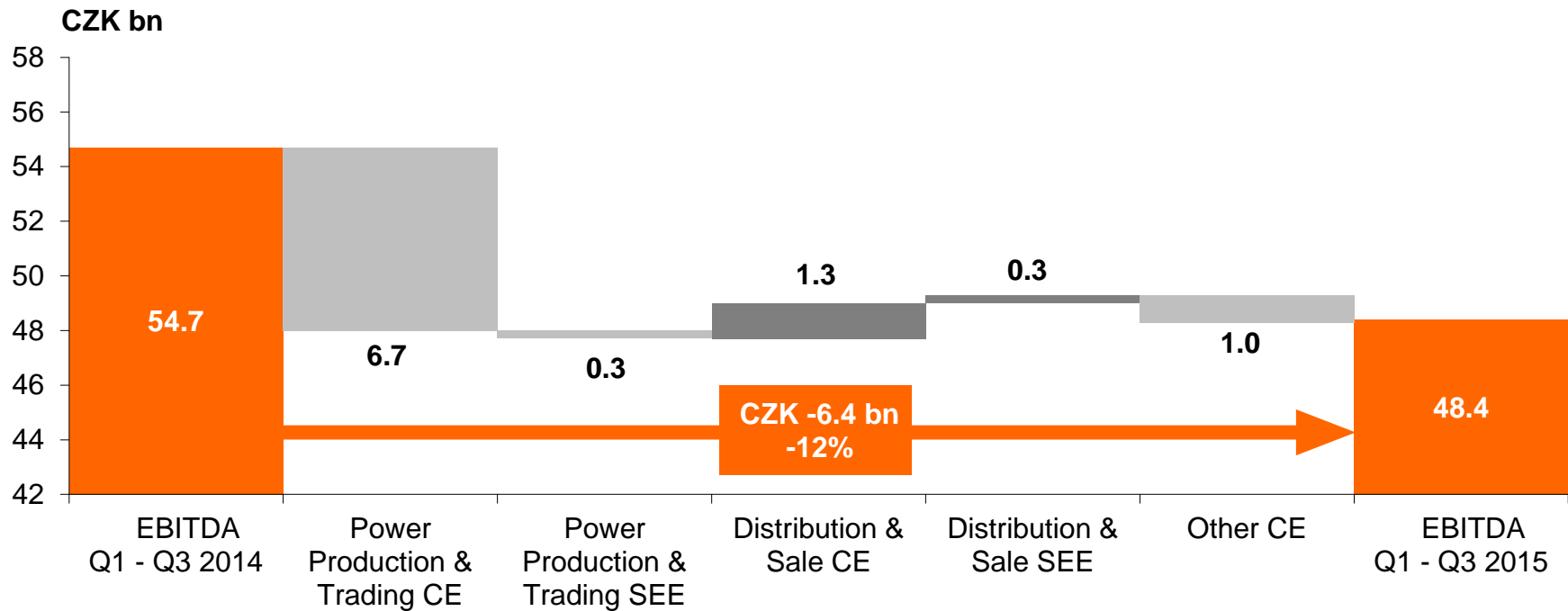
(CZK bn)		Q1 - Q3 2014	Q1 - Q3 2015	Change	%
Revenues		147.0	150.6	+3.6	+2%
EBITDA		54.7	48.4	-6.4	-12%
EBIT		28.8	24.6	-4.2	-15%
Net income		19.6	16.6	-3.0	-15%
Net income - adjusted *		24.2	18.6	-5.6	-23%
Operating CF		59.1	49.8	-9.3	-16%
CAPEX		21.7	20.2	-1.5	-7%
Net debt **		155.2	140.3	-14.9	-10%

		Q1 - Q3 2014	Q1 - Q3 2015	Change	%
Installed capacity **	GW	15.2	15.9	+0.7	+5%
Generation of electricity	TWh	46.0	45.6	-0.3	-1%
Electricity distribution to end customers	TWh	35.2	36.1	+0.9	+3%
Electricity sales to end customers	TWh	25.7	28.0	+2.3	+9%
Sales of natural gas to end customers	TWh	3.6	4.6	+1.0	+29%
Sales of heat	000'TJ	13.8	14.8	+1.0	+8%
Number of employees **	000's	26.2	25.7	-0.5	-2%

* Net income - adjusted = 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

YEAR-ON-YEAR CHANGE OF EBITDA BY SEGMENT





OTHER INCOME (EXPENSES)

(CZK bn)	Q1 - Q3 2014	Q1 - Q3 2015	Change	%
EBITDA	54.7	48.4	-6.4	-12%
Depreciation, amortization and impairments*	-25.9	-23.8	+2.2	+8%
Financial and other income (expenses)	-4.4	-3.7	+0.7	+16%
Interest income (expenses)	-2.3	-1.9	+0.3	+15%
Interest on nuclear and other provisions	-1.4	-1.3	+0.1	+8%
Income (expenses) from investments	0.2	-0.9	-1.1	-
Other income (expenses)	-1.0	0.3	+1.3	-
Income taxes	-4.8	-4.3	+0.5	+11%
Net income	19.6	16.6	-3.0	-15%
Net income - adjusted	24.2	18.6	-5.6	-23%

Depreciation, Amortization, and Impairments* (CZK +2.2bn)

- Lower additions to fixed asset impairments (CZK +2.9bn)
- Increase in depreciation and amortization at ČEZ, a. s. (CZK -0.9bn)

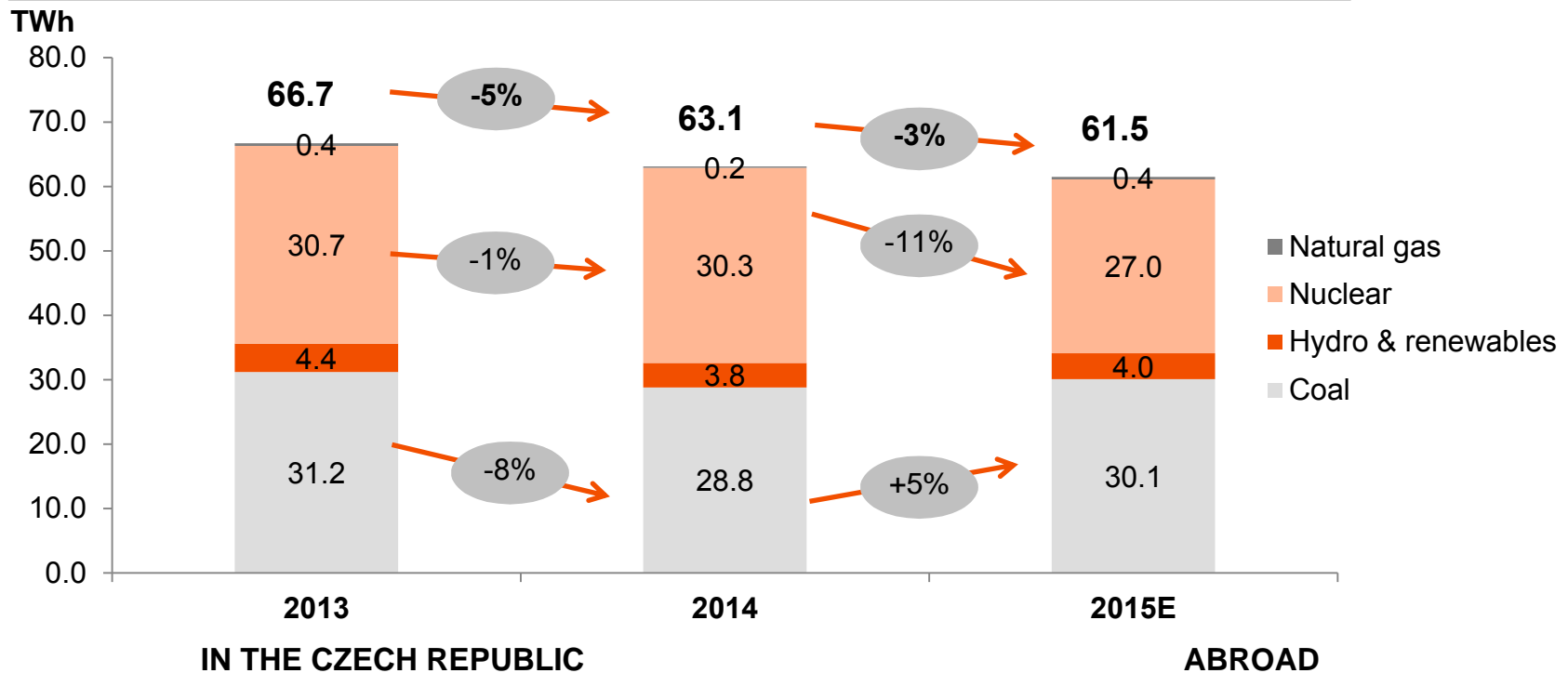
Financial and Other Income/Expenses (CZK +0.7bn)

- Positive effect of revaluation of financial derivatives partially eliminated by effect of foreign exchange gain and losses (CZK +0.7bn)
- Positive effect of decreased volume of debt on interest expenses (CZK +0.5bn)
- Cost of buyback of issued bonds in 2014 (CZK +0.5bn)
- Appreciation of funds deposited in restricted accounts and in short-term securities (CZK +0.5bn)
- Negative effect of changes in the USD/TRY exchange rate on the financial results of companies in Turkey (CZK -1.4bn)

Net Income Adjustment

- Q1 – Q3 2014 net income adjusted for the negative effect of fixed asset impairments (CZK +4.7bn) and other effects** (CZK -0.1bn)
- Q1 – Q3 2015 net income adjusted for the negative effect of fixed asset impairments (CZK +2.0bn)

2015 GENERATION VOLUMES AFFECTED BY SHUTDOWNS IN NUCLEAR PLANTS



Nuclear Power Plants (-11%)

- Unplanned outages of Dukovany NPP
- Extended planned outages and unplanned outages of Temelín NPP

Coal-Fired Power Plants (+7%)

- + Pilot operation of Ledvice 4 Power Plant (new facility)
- + Comprehensive renovation of units at Prunéřov 2 Power Plant
- Transfer of the last unit of Ledvice 2 Power Plant into reserve

Renewables (+4%)

- + Average climatic conditions expected, as opposed to 2014

The 2015 generation prediction is facing the risk of delayed completion of renovation and construction of coal-fire plants and the risk of extended outages of Dukovany NPP units.

Romania (+5%)

- + Higher wind farm production in connection with worse-than-average weather conditions in 2014
- Production at Reșița hydro plants decreased primarily due to a dry summer

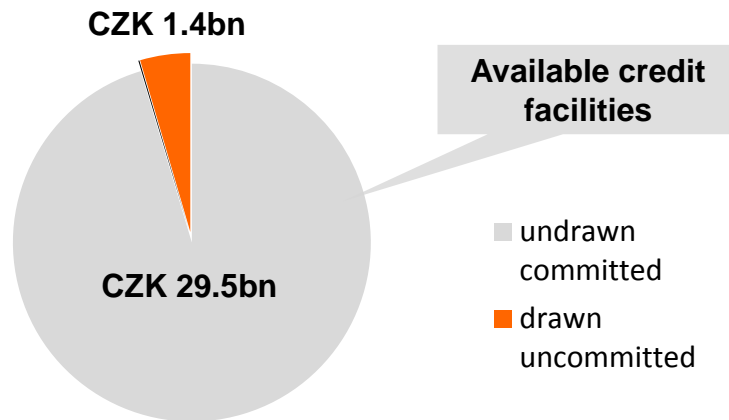
Poland (+11%)

- + Higher amount of coal burned at both power plants plus improved efficiency at the Skawina Power Plant due to turbine upgrade in 2015

CEZ GROUP MAINTAINS A STRONG POSITION OF LIQUIDITY

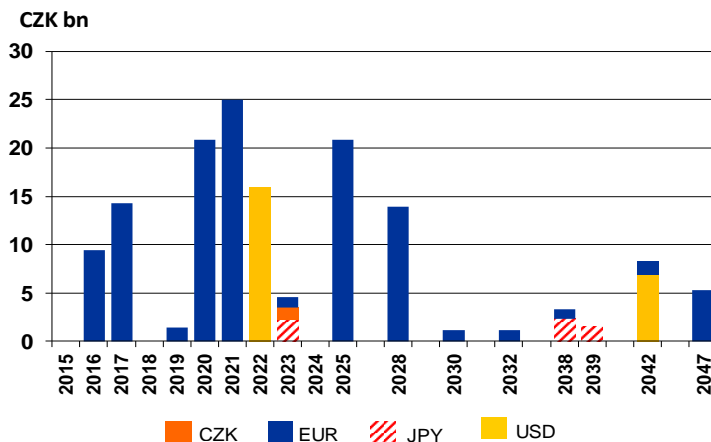


Utilization of Short-Term Lines (as of Sep 30, 2015)

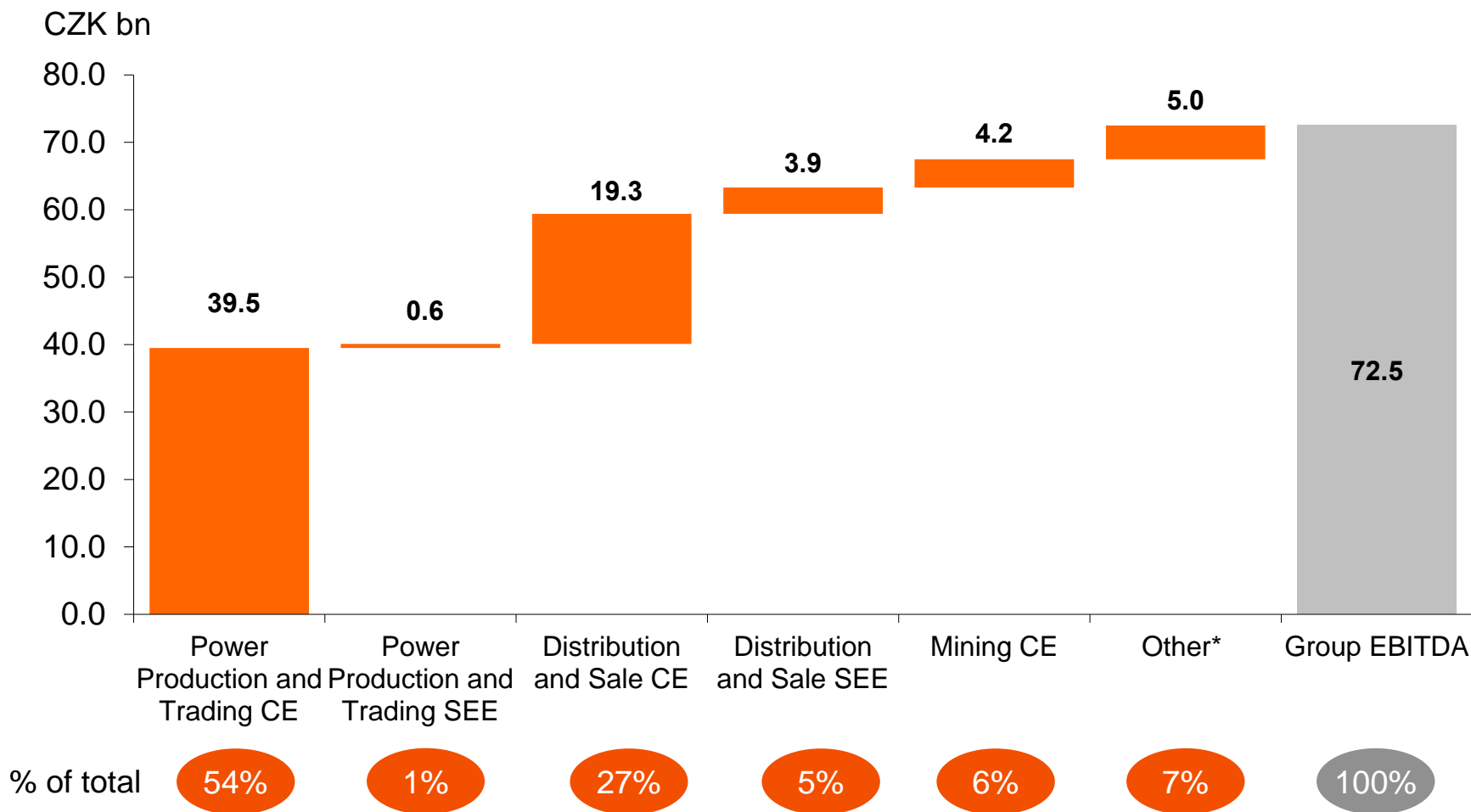


- CEZ Group has access to CZK 29.5bn in committed credit facilities, using just CZK 34m as of Sep 30.
- Committed facilities are kept as a reserve for covering unexpected needs.
- The payment of dividends for 2014 (CZK 21.4bn) began on Aug 3. 99% of the amount was paid as of Sep 30.
- On Oct 20, a loan agreement was signed by EBRD and CEZ Distributie, allowing drawing a loan of up to RON 675m (approx. CZK 4.2bn) from EBRD and commercial banks.

Bond Maturity Profile (as of Sep 30, 2015)



SEGMENTAL CONTRIBUTIONS TO EBITDA IN 2014



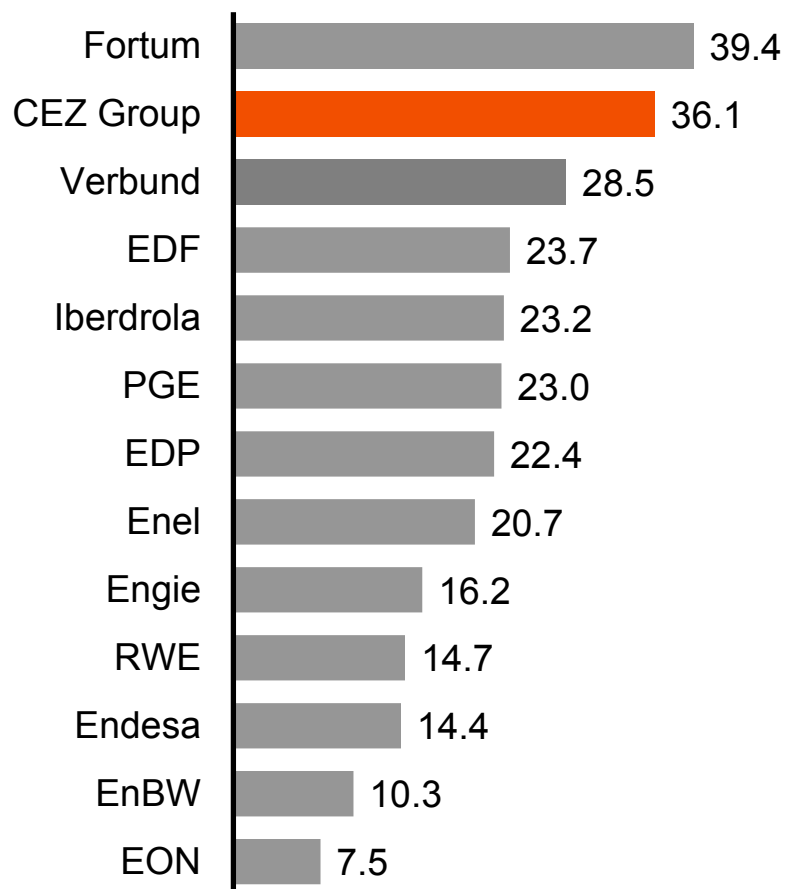
*including eliminations

CEZ GROUP IS ONE OF THE MOST PROFITABLE EUROPEAN UTILITIES



EBITDA* margin, 2014

Percent



Source: company data, * EBITDA as reported by companies

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

CZK



Profit and loss	<i>CZK bn</i>	2009	2010	2011	2012	2013	2014
<u>Revenues</u>		196.4	198.8	209.8	215.1	217.0	200.7
Sales of electricity		173.5	175.3	181.8	186.8	189.4	173.8
Heat sales and other revenues		22.9	23.6	28.0	28.3	27.6	26.8
<u>Operating Expenses</u>		<u>105.3</u>	<u>110.0</u>	<u>122.4</u>	<u>129.3</u>	<u>135.0</u>	<u>128.2</u>
Purchased power and related services		48.2	54.4	65.9	71.7	79.0	76.0
Fuel		15.8	16.9	17.1	15.8	13.8	12.7
Salaries and wages		18.1	18.7	18.1	18.7	18.7	18.9
Other		23.3	20.0	21.3	23.1	23.5	20.6
EBITDA		91.0	88.8	87.4	85.8	82.0	72.5
<i>EBITDA margin</i>		<i>46%</i>	<i>45%</i>	<i>42%</i>	<i>40%</i>	<i>38%</i>	<i>36%</i>
Depreciation, amortization, impairments		26.2	26.9	26.2	28.9	36.4	35.7
EBIT		64.9	62.0	61.3	57.1	45.7	36.9
<i>EBIT margin</i>		<i>33%</i>	<i>31%</i>	<i>29%</i>	<i>27%</i>	<i>21%</i>	<i>18%</i>
Net Income		51.9	46.9	40.8	40.2	35.2	22.4
<i>Net income margin</i>		<i>26%</i>	<i>24%</i>	<i>19%</i>	<i>19%</i>	<i>16%</i>	<i>11%</i>
Balance sheet	<i>CZK bn</i>	2009	2010	2011	2012	2013	2014
Non current assets		415.0	448.3	467.3	494.9	485.9	497.5
Current assets		115.3	96.1	131.0	141.2	154.5	130.4
- out of that cash and cash equivalents		26.7	22.2	22.1	18.0	25.0	20.1
Total Assets		530.3	544.4	598.3	636.1	640.4	627.9
Shareholders equity (excl. minority. int.)		200.4	221.4	226.8	250.2	258.1	361.3
<i>Return on equity</i>		<i>28%</i>	<i>22%</i>	<i>18%</i>	<i>17%</i>	<i>14%</i>	<i>7%</i>
Interest bearing debt		173.1	158.5	182.0	192.9	199.0	184.1
Other liabilities		156.8	164.4	189.4	192.9	183.3	82.4
Total liabilities		530.3	544.4	598.3	636.1	640.4	627.9

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

EUR



Profit and loss	<i>EUR m</i>	2009	2010	2011	2012	2013	2014
<u>Revenues</u>		<u>7,082</u>	<u>7,172</u>	<u>7,566</u>	<u>7,758</u>	<u>7,826</u>	<u>7,237</u>
Sales of electricity		6,258	6,322	6,557	6,737	6,830	6,269
Heat sales and other revenues		824	850	1,009	1,021	997	968
<u>Operating Expenses</u>		<u>3,800</u>	<u>3,969</u>	<u>4,415</u>	<u>4,663</u>	<u>4,869</u>	<u>4,623</u>
Purchased power and related services		1,737	1,960	2,376	2,585	2,850	2,741
Fuel		570	611	618	571	498	458
Salaries and wages		653	675	653	675	674	680
Other		839	723	768	832	846	744
EBITDA		<u>3,282</u>	<u>3,203</u>	<u>3,151</u>	<u>3,095</u>	<u>2,957</u>	<u>2,615</u>
<i>EBITDA margin</i>		<i>46%</i>	<i>45%</i>	<i>42%</i>	<i>40%</i>	<i>38%</i>	<i>36%</i>
Depreciation		944	971	947	1,042	1,312	1,289
EBIT		<u>2,342</u>	<u>2,235</u>	<u>2,209</u>	<u>2,059</u>	<u>1,648</u>	<u>1,333</u>
<i>EBIT margin</i>		<i>33%</i>	<i>31%</i>	<i>29%</i>	<i>27%</i>	<i>21%</i>	<i>18%</i>
Net Income		<u>1,870</u>	<u>1,693</u>	<u>1,470</u>	<u>1,448</u>	<u>1,270</u>	<u>809</u>
<i>Net income margin</i>		<i>26%</i>	<i>24%</i>	<i>19%</i>	<i>19%</i>	<i>16%</i>	<i>11%</i>
Balance sheet	<i>EUR m</i>	2009	2010	2011	2012	2013	2014
Non current assets		14,967	16,169	16,855	17,850	17,527	17,945
Current assets		4,159	3,466	4,725	5,092	5,571	4,702
- out of that cash and cash equivalents		964	799	796	648	902	725
Total Assets		<u>19,126</u>	<u>19,635</u>	<u>21,580</u>	<u>22,942</u>	<u>23,098</u>	<u>22,646</u>
Shareholders equity (excl. minority. int.)		7,227	7,987	8,181	9,026	9,308	13,032
<i>Return on equity</i>		<i>28%</i>	<i>22%</i>	<i>18%</i>	<i>17%</i>	<i>14%</i>	<i>7%</i>
Interest bearing debt		6,243	5,717	6,565	6,959	7,178	6,641
Other liabilities		5,656	5,931	6,833	6,957	6,611	2,973
Total liabilities		<u>19,126</u>	<u>19,635</u>	<u>21,580</u>	<u>22,942</u>	<u>23,098</u>	<u>22,646</u>

Exchange rate used:
27.725 CZK/EUR

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