REPORT ON THE COMPANY'S BUSINESS OPERATIONS AND ASSETS FOR 2017

Daniel Beneš, Chairman of the Board of Directors and Chief Executive Officer, ČEZ, a. s.

Dear Shareholders, Ladies and Gentlemen:

Please allow me to present to you the key financial results of ČEZ, a. s. and selected events of 2017, as well as CEZ Group's plans for the future, including its financial ambitions for 2018. This report is based on facts known at March 19, 2018.

See Figure 1 "CEZ Group Managed to Achieve Key Financial and Strategic Targets in 2017" in Annex 1 "Report on the Business Operations and Assets of ČEZ, a. s. for 2017" (the "Annex")

The past year reaffirmed the turbulence of times that the energy sector is facing: rapid development of new technologies, legislative changes, debates on setting EU targets, the changing preferences and position of customers/consumers, and above all high volatility of wholesale electricity prices. The traditional energy sector, as we used to know it, has been experiencing a period of intense changes for several years now.

I am happy that CEZ Group continued to have considerable success in meeting its financial and strategic goals in 2017. We exceeded our initial targets for EBITDA and net income by almost CZK 2 billion. We managed to generate more net income than in 2016 despite lower realization prices of generated electricity. This was aided by our successful sale of MOL shares and the concurrent redemption of convertible bonds, in particular. Exceeding the initial financial targets for 2017 was also helped by the record-breaking availability of the Temelín Nuclear Power Plant, where generation of 16.48 TWh beat the previous record from 2012 by 1.18 TWh. Nuclear power plants delivered a total of more than 28 TWh of electricity to the grid, which is 4 TWh more than in 2016. After a period of more frequent outages, our nuclear facilities' production is now returning to a level of 30 TWh a year, which we want to maintain in the long run.

I consider it immensely important that we managed to fulfill two strategic objectives in traditional energy in 2017. One was long-term operating licenses for the remaining three of the Dukovany Nuclear Power Plant's four units, which we received from the State Office for Nuclear Safety. The whole process was preceded by not only thousands of analyses and tests but also years of continual upgrading. We see the licenses as a covenant of trust in our continued safe operation and continual improvement of safety parameters. The other fulfilled strategic objective in traditional energy was the completion of a new supercritical coal-fired unit at Ledvice and the commencement of its two-year pilot operation. This provided CEZ Group with another large and stable electricity generating facility that is operable for several decades. This was also the last step in the comprehensive renovation of ČEZ's principal brown coal-fired power plants located in mining regions, namely the Tušimice, Prunéřov, and Ledvice power plants.

CEZ Group also managed to achieve its ambitious objectives in the new energy sector in 2017. A major step towards long-term development was making significant acquisitions in renewable energy sources and energy services.

CEZ Group entered the French market by acquiring wind farm development projects with a potential for the construction of up to 101.8 MW. It expanded its portfolio in Germany with an operated 35.4MW wind farm at Lettweiler Höhe. As a result, CEZ Group's total capacity in German wind farms reached 133.5 MW and almost 770 MW throughout Europe.

CEZ Group's most important acquisition in 2017 was Elevion, a leading German provider of comprehensive energy services in the country. CEZ Group acquired more than 1,800 experts in the transaction, annual sales of approximately CZK 8 billion, and most importantly a pivotal base for its activities in Germany's dynamically growing market in energy services. In addition, CEZ Group entered the Polish market by acquiring Metrolog and OEM Energy and began providing energy services in Slovakia. CEZ Group is thus already one of the largest energy service companies in Central Europe today and wants to take part in setting the trends in this promising market in the future.

A good year was had by the Inven Capital fund, which acquired a minority stake in Cloud&Heat Technologies, a Dresden-based company providing innovative solutions that use waste heat from computer servers to heat buildings. The fund became a shareholder in French company VU LOG, the global leader in providing green mobility sharing technologies. A big step was the establishment of collaboration with the European Investment Bank (EIB), which decided to entrust EUR 50 million to the fund to invest in innovative and quickly growing energy startups.

In distribution, we completed a merger between ČEZ Distribuce and ČEZ Distribuční služby with effect from January 1, 2018, as well as integration of the "distribution" part of customer service provided by ČEZ Zákaznické služby, which was subsequently merged with ČEZ Prodej. This finalized full customer service separation between our sales and distribution companies in Czechia. I believe that this step will help further improve the quality of care for our distribution assets and our customer service. I am happy that we coped well with one of the largest disasters of the past decades in the last year, namely windstorm Herwart, which cut the power to more than 600,000 customers. Our teams were able to reconnect over half a million of them to the grid within 18 hours.

Although we made a number of strategic acquisitions in 2017, we remain one of Europe's financially healthiest energy companies, as evidenced by ČEZ's credit rating of A– with a stable outlook by Standard & Poor's.

Now let me look back at trends in the wholesale prices of electricity and relevant commodities, which are crucial for the profitability of CEZ Group's generating facilities.

See Figure 2 "Wholesale Electricity Prices Slightly Growing for Almost 2 Years After Many Years of Decline in Connection With Growing Prices of Coal and Emission Allowances" in the Annex

The forward wholesale prices of electricity have been slightly growing for almost two years after many years of decline. They were near the level of 30 EUR/MWh in the first half of 2017 and increased significantly in the subsequent months. The increase was driven by the prices of hard coal and emission allowances and in the fall, like in the year before, by fears of outages at nuclear power plants in France. As a result of the above-mentioned factors, forward prices gradually increased to 39 EUR/MWh at the end of the year. It is worth noting that the price of electricity was slightly higher in Czechia than in Germany during 2017, just like in the second half of 2016. The trend was generally opposite in the previous years. This was caused by higher electricity prices in Southeast Europe, which affected prices in Czechia.

The prices of emission allowances remained low in the first half of 2017. They increased gradually during the second half of the year, primarily due to some stricter parameters for the EU-ETS market reform, which aims to reduce the surplus of allowances in the market faster. The prices of allowances increased from 5 EUR/t in July to 8.2 EUR/t at the end of the year.

Dear shareholders, let us now take a look at concrete numbers and results showing CEZ Group's financial performance in 2017, consolidated for ČEZ, a. s. and its subsidiaries and other affiliates. You can now take a look at a table summarizing the most significant financial indicators for 2017 and comparing them with 2016.

See Figure 3 "CEZ Group Financial Performance" in the Annex

Operating revenues were CZK 201.9 billion, which is 1% less than in 2016. The year-on-year decrease was primarily due to a decrease of CZK 7.2 billion in revenue from the sales of electricity and related services, resulting chiefly from lower realization prices of generated electricity. In contrast, revenue from the sales of gas, coal, heat, and other sales increased due to higher revenue from the sales of services and an increased amount of gas sold. Other operating revenues increased primarily due to a sale of real property in Prague.

EBITDA was CZK 53.9 billion, which is 7% less than in 2016. Net income increased by CZK 4.4 billion to CZK 19.0 billion. Adjusted net income, that is, after-tax income adjusted for extraordinary effects generally unrelated to ordinary financial performance in a given year, was CZK 20.7 billion, increasing by 5% year-on-year. The extraordinary effects adjusted for were CZK 3.3 billion lower in 2017 than in 2016. The year-on-year increase in income was primarily contributed to by higher production at nuclear facilities, a year-on-year decrease in additions to and increase in reversals of impairments, as well as material nonrecurring effects. These included income from the sale of real property in Prague, for example, but especially the termination of the holding of 7% of shares in Hungarian petrochemical company MOL Nyrt. In this transaction, ČEZ delivered a return on the long-term investment in MOL shares for its shareholders, as the total positive cash-flow balance from 2007 to 2017 was CZK 3.4 billion and the contribution to 2017 net income totaled CZK 4.5 billion. A positive effect on the year-on-year comparison of income was also produced by the operations of newly acquired companies in the renewables and energy service sectors. By contrast, a negative effect on the year-on-year comparison of net income was produced by a decrease in the realization prices of electricity generated in Czechia, settlement of unbilled electricity and distribution correction factors in Czechia, and an increase in expenses on emission allowances for generation at traditional facilities.

Return on assets was 3.0% and return on equity was 7.4% in 2017.

Now I would like to present to you financial results in CEZ Group's individual business segments.

See Figure 4 "Contribution to 2017 EBITDA by Segment" in the Annex

EBITDA in the Generation—Traditional Energy segment was CZK 19.1 billion, which is CZK 2.9 billion less year-on-year. The main cause behind the decrease was lower realization prices of generated electricity, including the impact of hedges, having a negative year-on-year effect amounting to CZK 4.3 billion. Another notable factor behind the year-on-year change was higher expenses on emission allowances and on the maintenance of generating facilities. In contrast, there were positive effects including, in particular, higher generation at nuclear power plants with a year-on-year effect of CZK 3.0 billion, the outcome of a settlement agreement with Sokolovská uhelná with an effect of CZK 0.7 billion, and higher profit from commodity trading with an effect of CZK 0.6 billion.

EBITDA in the Generation—New Energy segment was CZK 5.0 billion, which is CZK 1.6 billion more year-on-year. CEZ Group was successful in this segment in Germany, Romania, as well as Czechia. A year-on-year increase of CZK 0.5 billion in Germany was primarily due to higher production generated by wind turbines that CEZ Group acquired in late 2016 and during 2017. Overheads were reduced and a year-on-year increase of CZK 0.2 billion was achieved in Romania. EBITDA in Poland increased by CZK 0.5 billion primarily due to additions to impairments for Eco-Wind Construction projects in 2016. An increase of CZK 0.4 billion in EBITDA in Czechia was primarily affected by additions to provisions in 2016 in relation to the legal settlement of a case concerning purchase prices of electricity generated at the Vranovská Ves photovoltaic power plant.

EBITDA in the Distribution segment was CZK 19.0 billion, which is CZK 1.3 billion less year-on-year. The year-on-year decrease was caused primarily by lower gross margin due to settlement of unbilled electricity and correction factors in Czechia and increased personnel expenses in connection with the preparation of the distribution grid for decentralized energy needs and generational renewal.

EBITDA in the Sales segment was CZK 4.6 billion, which is CZK 0.9 billion less year-on-year. EBITDA in Czechia decreased due to settlement of unbilled electricity at ČEZ Prodej in 2016 and higher expenses in connection with the separation of customer service for ČEZ Distribuce and ČEZ Prodej customers. In contrast, there was a positive effect of higher gross margin on the sales of electricity and gas. Decrease in EBITDA in Slovakia, Hungary, and Romania was primarily due to higher expenses on electricity and gas purchases in 2017 as compared to record-breaking low purchase prices in 2016. By contrast, there was a positive effect of an out-of-court agreement with state-owned company NEK in Bulgaria. Another positive contribution to EBITDA was the acquisition of the German Elevion group.

EBITDA in the Mining segment was CZK 4.1 billion, which is CZK 0.4 billion less than in 2016 primarily due to lower revenue from coal sales and higher expenses due to increased fees for mined minerals.

EBITDA in the Other segment was CZK 2.2 billion.

Let us now take a look at changes in CEZ Group's cash flows in 2017.

See Figure 5 "CEZ Group Cash Flows" in the Annex

Cash flows from operating activities amounted to CZK 45.8 billion, decreasing by CZK 3.1 billion year-on-year primarily due to changes in working capital where the primary cause was a year-on-year increase in the purchases of emission allowances.

Cash used in investing activities amounted to CZK 20.2 billion, decreasing by CZK 14.4 billion year-on-year primarily due to the sale of shares in the Hungarian company MOL, the sale of the Tisová and Varna power plants, and lower expenditure on fixed assets. Consequently, expenditure on the acquisition of new companies, especially the acquisition of the Elevion group, was much lower than income from sales of assets.

Cash used in financing activities, including the net effect of currency translation in cash, amounted to CZK 24.3 billion, increasing by CZK 7.8 billion year-on-year. In year-on-year comparison, the main reason was that repayments of borrowings exceeded proceeds from borrowings by CZK 11.6 billion, primarily due to the redemption of convertible bonds in relation to the sale of MOL shares in 2017.

CEZ Group's net debt decreased by CZK 12.5 billion to CZK 134.0 billion in 2017.

See Figure 6 “CEZ Group Assets, Equity, and Liabilities” in the Annex

The value of CEZ Group’s consolidated assets decreased by CZK 4.6 billion year-on-year to CZK 626.2 billion. Noncurrent assets decreased by CZK 1.3 billion to CZK 488.0 billion, while the value of total property, plant, and equipment increased by CZK 1.1 billion. The primary cause behind the decrease in noncurrent assets is a decrease in noncurrent financial assets of CZK 4.6 billion. There was also a decrease in the value of investment in associates and joint ventures, which reflected the financial performance of joint ventures in Turkey. In contrast, noncurrent assets were increased by new acquisitions and the valuation of green certificates for Romanian wind parks allocated in the past. Current assets decreased by CZK 3.3 billion in 2017.

Noncurrent liabilities increased by CZK 1.6 billion to CZK 241.6 billion primarily due to an increase of CZK 5.8 billion in nuclear provisions. An increase of CZK 0.8 billion in current liabilities was primarily due to an increase of CZK 3.9 billion in payables from short-term derivative trading, including options. The total value of bonds issued was CZK 116.0 billion at December 31, 2017, representing a decrease of CZK 16.0 billion year-on-year.

Equity, including noncontrolling interests, decreased by CZK 7.0 billion to CZK 254.3 billion. The main cause of the decrease was a change in equity due to the payment of dividends amounting to CZK 17.8 billion and a change in the value of available-for-sale securities registered under equity. By contrast, net income generated in 2017 increased equity by CZK 19.0 billion.

I would also like to briefly mention treasury shares held by ČEZ, a. s. At the beginning of 2017, there were 3,755,021 treasury shares held on the asset account of ČEZ, a. s. with the Central Securities Depository for covering claims arising out of the Company’s stock option plan, which corresponded to 0.7% of the Company’s stated capital. ČEZ used 150,000 shares, corresponding to 0.03% of its stated capital, to satisfy the claim of 1 stock option plan beneficiary in 2017. The total amount received for the transfer of the shares was CZK 68.8 million. At December 31, 2017, the above-mentioned asset account contained 3,605,021 treasury shares, that is, 0.67% of the Company’s stated capital.

Let us now take a closer look at capital investment in 2017.

See Figure 7 “CEZ Group Capital Investment” in the Annex

CEZ Group’s total capital expenditure was CZK 29.1 billion.

The highest expenditure was on distribution assets, in which a total of CZK 12.5 billion was invested. This included CZK 9.6 billion in Czechia, where investments were made in the renovation and development of grids at all voltage levels, grid control automation, another round of installing remote-controlled elements in medium voltage grids, and a pilot project for the installation of a fiber-optic line on a medium-voltage power line.

A total of CZK 6.4 billion was invested in nuclear power plants in 2017. Work continued on projects started in previous years, focusing on continuous enhancement of nuclear safety and necessary equipment renovation. At the same time, investment preparation, implementation, and completion works relating to modernization, production stabilization, and safety and efficiency enhancement were commenced in relation to the extension of operation of the Dukovany Nuclear Power Plant and the needed renovation of the Temelín Nuclear Power Plant. Preparatory work was carried out on projects for new nuclear power plants. Detailed documentation for the environmental impact assessment of the new power plant at Dukovany was finished and submitted to the Ministry of the Environment. The new Temelín power plant received a valid opinion in the past, so an application for the extension of its validity began to be prepared.

CEZ Group invested CZK 6.1 billion in conventional and other generation facilities. The investments went into the renovation of existing facilities and into a new 660MW unit in the Ledvice Power Plant, which commenced two-year pilot operation in November.

In the next part, I would like to inform you about developments in electricity generation.

See Figure 8 “CEZ Group Electricity Generation” in the Annex

CEZ Group generated 62.9 TWh of electricity in 2017, up 1.8 TWh year-on-year. The 58.4 TWh generated in Czechia was 1.5 TWh, that is, 2.6% more than in 2016. The largest increase in generation, by 4.2 TWh, was reported by nuclear power plants, primarily due to high availability at the Temelín power plant and generation stabilization after extensive inspections of welded joints. There was also an increase in generation from biomass and at photovoltaic, wind, and biogas power plants. In contrast, generation by coal-fired, hydroelectric, and natural gas power plants decreased.

Abroad, CEZ Group had the largest increase in generation in Germany, which was related to wind park acquisitions in late 2016 and during 2017. There was also an increase in generation by wind parks in Romania, not only because of better weather conditions but also because generation was not restricted by the transmission system operator. Generation decreased in Poland due to reduced support for biomass co-firing.

We estimate that CEZ Group will generate approximately 65 TWh in 2018, of which nuclear power plants are expected to generate 29.7 TWh, that is, 1.4 TWh more year-on-year, and coal- and gas-fired plants 31.0 TWh, that is, 1.1 TWh more than in 2017.

Now, dear shareholders, I would like to briefly discuss the financial performance and selected indicators of ČEZ, a. s. alone, and to also mention the Company's dividend policy and treasury shares.

See Figure 9 "ČEZ, a. s. Financial Results and Dividend Policy" in the Annex

ČEZ, a. s. had net income of CZK 5.1 billion in 2017, down CZK 3.7 billion year-on-year. EBITDA was CZK 15.5 billion, down CZK 1.3 billion year-on-year. Main causes behind the year-on-year decrease in net income included lower revenue due to lower realization prices of generated electricity, higher expenses on emission allowances, higher additions to impairments for financial assets, and increased interest expense.

The value of assets held by ČEZ, a. s. was CZK 532.8 billion at December 31, 2017. The equity of ČEZ, a. s. was CZK 187.5 billion at December 31, 2017. Return on assets was 1.0% and return on equity was 2.6%.

ČEZ's market capitalization increased by CZK 35.6 billion, that is, by 15.5%, in the past year.

The annual shareholders' meeting held on June 21, 2017, decided to pay a dividend of CZK 33 per share before tax. The share in profits awarded to the shareholders of ČEZ, a. s. totaled CZK 17.8 billion, of which CZK 17.6 billion was to be paid out, representing 89.8% of adjusted consolidated net income and 121.0% of consolidated net income.

From 2015, ČEZ, a. s. applied a dividend policy that anticipated paying out 60–80% of consolidated net income adjusted for extraordinary effects generally unrelated to ordinary financial performance in a given year. The payout ratio was temporarily increased in 2017 to 60–100% of consolidated adjusted net income until the Company's development strategy is refined.

In conclusion to this summary of events regarding 2017, I would like to briefly mention selected events in regulation, which affects CEZ Group in all countries where it operates.

See Figure 10 "Energy Sector Regulation Significantly Affects CEZ Group in All Countries Where It Operates" in the Annex

Wholesale electricity prices face more and more regulatory impacts. Besides the effects of the European Union's policies and targets, currently discussed as part of the "Winter Package," the prices are significantly affected by individual decisions taken by European countries.

At EU level, debates continued about the 2030 targets for renewable energy sources, energy savings, and greenhouse gas emissions, especially about reform of the EU ETS, the emissions trading system. The Council of the EU and the European Parliament reached a political agreement on the final form of the emissions trading system for the period after 2020. The revised EU ETS should enable reaching the 40% reduction target for 2030 in a cost-effective manner as well as meeting obligations arising out of the Paris Agreement made in 2015. Key parameters include streamlining the system, maintaining measures to prevent relocation of emission sources to geographies with laxer emission constraints, and providing support from low-carbon mechanisms. A balance should be achieved in the carbon market by accelerated withdrawal of surplus allowances in the first five years of operation of the Market Stability Reserve and cancellation of surplus allowances in reserve starting from 2023. The EU's 2030 targets for renewables and energy savings offer a growth opportunity for CEZ Group's activities in energy services and RES.

Let us now take a look at some major events in regulation and legislation in individual countries.

In Czechia, the implementation of the National Action Plan for Nuclear Energy was underway, consisting primarily in preparing background documents and analyses necessary for identifying which solution for the construction of new nuclear units is acceptable for the state, contractor, and investor. The government's Standing Committee on Nuclear Energy approved a shortlist of investment models on June 15, 2017. The first model anticipates that the investor of the new units would be a special-purpose subsidiary of CEZ Group, possibly with a minority stake held by a turnkey contractor. In the second model, the investment company would be wholly owned by the Czech state. The third model envisages the Czech state purchasing the part of CEZ Group that operates the existing nuclear power plants and prepares the construction of new units.

As regards CEZ Group's existing nuclear facilities, their operations have been governed by the new Atomic Energy Act since the beginning of 2017. It brought about stricter safety requirements, to which CEZ Group reacted, among other things, by changing the organizational structure of ČEZ, a. s.—creating a separate nuclear energy division and transferring to it all activities relating to the use of nuclear energy, including the construction of a new nuclear power plant.

For the operators of promoted energy sources, that is, renewable energy sources and combined heat and power facilities, Czechia completed additional notifications and a government order allowed obtaining support retroactively.

Poland also continued to make regulatory changes concerning renewable generation. The Ministry of Energy proposed to amend the act on investments in wind power plants, already in force, which had significantly reduced the number of wind projects implemented throughout Poland, in order to relieve the tax burden borne by power plant owners. A fixed amount of the surcharge for energy generated from renewables was abolished and the surcharge is newly linked to the market price of color certificates that producers get for generated electricity. In addition, a new act on the capacity market was passed, which is aimed to create incentives for investment in the energy sector and introduces capacity auctions. The first auctions are planned to take place as early as in the fall of 2018.

In conclusion, let us take a peek at what we expect from the future from CEZ Group's perspective; first, let us take a look at the financial ambitions for 2018.

See Figure 11 "CEZ Group Estimates 2018 EBITDA at CZK 51 to 53 Billion and Adjusted Net Income at CZK 12 to 14 Billion" in the Annex

As at March 19, 2018, CEZ Group estimated its 2018 EBITDA at CZK 51 to 53 billion. In view of significant nonrecurrent effects in 2017, this is actually a slight year-on-year increase compared with 2017, primarily due to generating portfolio stabilization, wholesale electricity prices, and CEZ Group's growth strategy in energy services and renewables. A comparison of the 2018 estimate and the actual results of 2017 reflects specific negative year-on-year effects totaling CZK 3.6 billion, namely high profit from commodity trading in 2017, the valuation of green certificates previously allocated to Romanian wind parks in 2017 and their lower allocation starting from 2018, and the effects of settlement agreements made in 2017 with Sokolovská uhelná and the Bulgarian state-owned company NEK.

When adjusted for the above-mentioned effects, we estimate individual segments' EBITDA to be CZK 1.7 billion higher than in 2017. We expect the Generation—Traditional Energy segment to grow by CZK 0.9 billion year-on-year, with positive effects including, in particular, expected increase in the generation of nuclear power plants and higher realization prices of electricity generated in Czechia. Conversely, negative effects will include higher expenses on emission allowances. We expect a year-on-year growth of CZK 0.1 billion in the Mining segment. We expect the Generation—New Energy segment to grow by CZK 0.5 billion year-on-year primarily due to new RES acquisitions. We expect the Distribution segment to grow by CZK 0.1 billion year-on-year primarily in connection with higher revenue in Czechia, partially offset by lower revenue from connection fees due to change in IFRS and lower connection revenue in Bulgaria. We expect a year-on-year decrease of CZK 0.2 billion in the Sales segment, primarily due to lower gross margin on electricity sales in Czechia caused by increased purchasing prices of electricity to be supplied in 2018; in contrast, there will be a positive effect of new ESCO acquisitions, especially Elevion in Germany. The Other segment is expected to grow by CZK 0.3 billion year-on-year.

CEZ Group's 2018 adjusted net income is estimated at CZK 12 billion to 14 billion. Its year-on-year decrease reflects lower EBITDA as well as the effect of termination of MOL shareholding in 2017 and lower interest capitalization in 2018, in particular.

The use of an interval in the prediction of CEZ Group's 2018 EBITDA and net income is primarily caused by risks and opportunities such as the availability of generating facilities, completion of the sale of the Bulgarian assets, new acquisitions in renewables and energy services, and payment of SŽDC debt from 2011.

CEZ Group's 2018 capital expenditures are estimated at approximately CZK 31 billion, with a majority planned to be invested in generation and distribution assets in Czechia. No major change is expected in the overall structure of assets from which the 2018 income will be generated.

The net income of ČEZ, a. s., adjusted for extraordinary effects in 2018, was estimated at CZK 6 to 7 billion as at March 19, 2018, primarily due to estimated dividends from subsidiaries.

In conclusion, let us summarize CEZ Group's strategic priorities and challenges for 2018.

See Figure 12 "Strategic Priorities Reflect Main Trends in Europe's Energy Sector" in the Annex

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. Its vision is to bring innovations for resolving energy needs and to help improve quality of life. CEZ Group's strategy is built on three priorities, namely: Be Among the Best in the Operation of Conventional Power Facilities and Proactively Respond to the Challenges of the 21st Century, as well as to Offer Customers a Wide Range of Products and Services Addressing Their Energy Needs. And the third priority is to Strengthen and Consolidate Our Position in Europe. CEZ Group's defined strategy from 2014 fully anticipated these trends and addresses them accordingly; hence, it remains up to date.

In line with the strategy, CEZ Group made several strategic acquisitions in energy services and renewables in Western Europe in 2017, while also making progress in its divesting activities, especially in Bulgaria.

We sold off the Varna power plant in 2017 and we signed a contract for the sale of our distribution and other assets in Bulgaria on February 23, 2018. The completion of the transaction is subject to approval by the Bulgarian competition authority. International investment arbitration with Bulgaria under the Energy Charter Treaty on grounds of investment nonprotection, which ČEZ started already in 2016, is carried on by ČEZ. The arbitration claim was not part of the sale.

In view of ongoing structural changes in the energy market and in the context of Czechia's state energy policy, CEZ Group analyzed options for the management and organization of individual CEZ Group segments and companies beyond the current internal departmentalization into the Operations team and the Development team in 2017. The Czech government's Standing Committee on Nuclear Energy defined three basic variants of an investment model and funding for a new nuclear power plant in Czechia, including a variant where CEZ Group could split into several independent companies. At the same time, it has been possible in recent years to observe not only changes in the dynamics of the energy market and growing separation between conventional and new energy but also investors' distinct perceptions of individual energy assets. Several major transformations of energy groups have been made or contemplated in Europe recently.
ČEZ management has not arrived at any conclusions on this matter but internal analyses and external advisors' recommendations to date show there are considerable benefits for shareholders in several of the variants contemplated. As such, the variants of CEZ Group transformation will be further analyzed and put into concrete terms. One thing that awaits CEZ Group in 2018 is a debate with representatives of the Czech government about how Czechia chooses to prepare the construction of new nuclear power plants and what role CEZ Group can play in this. We will also analyze and discuss options for a possible transformation of CEZ Group in this context and in the context of trends in the European energy market.

What to say in conclusion? I assume that the energy market will continue to be affected by persisting regulatory uncertainty and rapid technological advancement in 2018. Our strategy remains unchanged—it will continue to be based on growth in the new energy sector, on offerings of comprehensive energy services for end-use customers, as well as on our ambition to be among the best in the operation of conventional power facilities. It remains our task to take care of the traditional energy segment, that is, nuclear, coal-fired, and hydroelectric power plants, and further dynamic growth in new energy through comprehensive customer care, renewable energy sources, and most importantly through promising, smart energy solutions and energy services, which I consider the future of the energy sector as a whole and the future of CEZ Group.

Thank you for your attention and for your interest in what's happening at ČEZ.

Annex 1 Report on the Business Operations and Assets of ČEZ, a. s. for 2017