

## Internal Information

### CEZ Group Earned CZK 19.6 bn for Three Calendar Quarters of 2014

**Over the first nine months of this year, the CEZ Group recorded CZK 147 bn in Operating Revenue, with its Operating Profit Before Depreciation (EBITDA) reaching CZK 54.7 bn and the Net Earnings ending at CZK 19.6 bn. Since all conditions precedent defined in the Settlement Agreement made with the Albanian Government have been fulfilled, the CEZ Group has raised its outlook for the all-year EBITDA to CZK 72.0 bn. The Albanian Government should gradually repay a total of EUR 100 million, with the installments being fully guaranteed by a renown European bank. ČEZ will thus obtain an amount close to the value of its original investment.**

The year-on-year decline in earnings continues to reflect deteriorating business conditions in the energy sector, lower wholesale electricity prices and the effects of the extraordinarily warm and dry winter in 2014. The CEZ Group has responded to these negative factors actively with measures aimed primarily at reducing fixed costs. "We have an ambitious goal for 2015 and 2016 to reduce our fixed costs by 16 % compared to our Business Plan, and we have been successful at fulfilling the goal progressively. I am glad that our companies have also made use of the opportunity to substitute the requested cost cuts with increasing profits from new business opportunities," said Daniel Beneš, Chairman of the Board of Directors and Chief Executive Officer of ČEZ. For 2015, the CEZ Group has already identified measures with a positive impact of over CZK 4.6 bn, and for 2016 of nearly CZK 5 bn.

The CEZ Group has been gradually stabilizing its business activities abroad. "Following the successful agreement with Albania, we have also won an arbitration with the Serb Republic within Bosnia and Herzegovina, and as a compensation for a non-implemented investment we are going to receive nearly EUR 7.5 million. We have intensively been working to resolve the situation concerning the Green Certificates for our wind farms in Romania," Daniel Beneš added.

In the Czech Republic, the CEZ Group has been implementing numerous capital projects. The low-pressure turbine rotor upgrade project at Temelín made it possible to raise the installed capacity of the unit by 22 MW to 1,078 MW. Emission-reduction projects have been implemented at 10 coal units with a total installed capacity of 1,400 MW. ČEZ has also successfully completed the Kamýk hydropower plant upgrade project, which has rendered the power generation more effective and environmentally friendly. The innovations implemented have raised its efficiency by 5.5%.

In response to the ongoing crisis in the energy market, ČEZ has adapted its strategy and actively responds to several trends that have significantly been affecting the company's business. "We want to be successful in the long run and remain in a leading position - even at the time of crisis and major transformation of the European energy sector," said Daniel Beneš and explained: "Our external environment has been changing dramatically. It has been clear for several months that the vision of a single energy market in Europe has not been fulfilled. The technologies and the supply have been changing. Last but not least, customer needs and preferences have shifted, too. And we have been responding to all that."

The CEZ Group's strategy is built on three pillars. Be among the best in terms of operating traditional energy sources; at the same time, raise the share of decentralized power generation, in which the difference between the producer and the consumer is slowly diminishing. Another pillar is a major change in our approach to customer; just this year ČEZ has implemented some thirty pro-customer measures. As part of the third strategic pillar, ČEZ wants to concentrate more on the region of Central Europe and the Czech Republic with a goal to remain among the Top 10 European energy corporations. "We would like to

find some acquisition opportunities in our region that would help us maintain our operating profit and stable dividends for our shareholders. As we are the least indebted major energy firm in Europe, we have a space for such considerations unlike our rivals," concluded Daniel Beneš, Chairman of the Board of Directors and Chief Executive Officer.