

## Internal Information

### CEZ Group Exceeded the Expected Financial Results for 2014

**Earnings before depreciation (EBITDA) reached 72.5 billion CZK in 2014, which is CZK 2 billion more than originally anticipated. This result was achieved in spite of unfavourable weather conditions and negative development in power sector regulations. Net profit adjusted for extraordinary influences reached CZK 29.5 billion. Market capitalization grew by CZK 35.3 billion to CZK 315.7 billion in 2014 and thus CEZ became the most valuable company in all of the new EU membership countries. Settlement agreement with Albania and the successful start of an ambitious savings program contributed to these good results. Thanks to active measures, the CEZ Group expects EBITDA to be approximately CZK 70 billion in 2015.**

The year-on-year decrease of earnings reflects lower achieved electricity prices, an extraordinarily warm and dry winter throughout 2014, and a decrease in the production volume of coal sources. In spite of that, 2014's results exceeded management's guidance increased during the year. This was primarily because of the group's own activities that yielded a positive impact exceeding CZK 5 billion from the settlement agreement with Albania coming into effect, significant reduction of fixed costs, and negotiated agreement with state-owned companies in Bulgaria and Romania concerning the payment or setting-off of old receivables.

In 2014, CEZ successfully launched an extensive savings program. Active measures across the whole CEZ Group helped to improve 2015's EBITDA by CZK 6.4 billion, compared to the original business plan and thus eliminated negative external influences. The expected EBITDA of the CEZ Group amounts to CZK 70 billion and the net profit is CZK 27 billion. "I am glad that our expectations of 2015 EBITDA exceed the expectations of renowned analysts by almost CZK 5 billion. This confirms that the savings and growth measures we have taken were extremely successful and that we have set this year's goals ambitiously," says Daniel Beneš, Chairman of the Board of Directors and CEO of CEZ.

The outlook for 2015 also anticipates a higher production volume of modernized sources in the Czech Republic. The production of coal sources in the Czech Republic will increase by almost 18%, especially due to the launch of a new source in Ledvice, with a capacity of 660 MW and the comprehensive refurbishment of the power plant in Prunéřov. Production from nuclear resources will grow by 5 % thanks to increased capacity of the 1<sup>st</sup> block of the Temelín power plant by 22 MWe achieved in 2014. The measures for improvement to safely operate nuclear power plants will continue in 2015, too, with an aim to increase the capacity of the 2<sup>nd</sup> block of the Temelín power plant by app. 22 – 24 MWe.

In compliance with an updated strategy, CEZ focuses more on the end customer and modern decentralized power production. In 2014, CEZ ESCO was established with an aim to roof all activities related to energy management and the delivery of comprehensive power services for large and medium-sized customers. "We want to maintain our leadership position in the market and this is a way not to miss any opportunities during a time when there are changes in power sector," says Pavel Cyrani, Chief Sales and Strategy Officer. The CEZ Group wants to offer new products, expand services provided, and improve service quality for households. The 24 comprehensive measures, which resulted from customer feedback, were implemented last year.

As far as foreign countries are concerned, the CEZ Group will focus on consolidation and strengthening in the Central European region, with an aim to take advantage of an attractive acquisition opportunity, which could contribute to an increase in profits and to stabilize dividends for shareholders. "We are the least indebted big power utility company in Europe, and therefore, we have some space for our acquisition considerations unlike our

competitors,” explains Daniel Beneš. The return on all investments and acquisitions in the power sector is, however, increasingly determined by the development of European energy sector regulations. Particular legislation fulfilling the energy-climate goals for 2030, adopted by the European Commission in 2014, is going to be important for CEZ, as well as conditions of the emission trading scheme reform.