Internal Information

CEZ Group's 2015 Financial Results Exceed Forecast

Net income adjusted for extraordinary effects was CZK 27.7bn in 2015, which exceeds original expectations by more than CZK 700m despite a further decrease in the realization prices of generated electricity and lower production in nuclear power plants. A positive effect was derived especially from the refund of a portion of tax on emission allowances from 2011 and 2012 and a successfully implemented program of savings and pro-growth measures. CEZ Group managed to cut fixed costs by CZK 3bn while increasing total revenues to CZK 210bn, primarily thanks to increased sales of electricity, gas, and heat to end customers.

Operating revenues grew by 4% last year despite an 11% decrease in the production of nuclear units caused mostly by unscheduled outages of the Dukovany Nuclear Power Plant's units and extended regular outages at the Temelín Nuclear Power Plant. A positive effect was derived from a 6% increase in the production of coal-fired plants and especially from increased sales to end customers in the Czech Republic and abroad. The sales of electricity to those customers grew by 8% year on year, the sales of heat by 5%, and the sales of gas by as much as 26%. "Our successful fulfillment of growth ambitions and systemic cost-cutting help mitigate the impacts of a long-term reduction in wholesale electricity prices on ČEZ's financial results," says Daniel Beneš, Chairman of the Board of Directors and CEO for ČEZ.

EBITDA was CZK 65.1bn, decreasing by 10% year on year. "In 2015, CEZ Group managed to generate operating cash flow that was CZK 1.9bn greater than in 2014 and to cut its net debt by CZK 16bn," says Martin Novák, ČEZ's Vice-Chairman of the Board of Directors and CFO. In recent months, there was a dramatic drop in wholesale electricity prices on a scale that puts the financial stability of a number of European energy companies at risk. Therefore, credit rating agencies undertook an extraordinary massive revision of ratings in the whole sector. Companies such as E.ON, EDF, RWE, EnBW, Vattenfall, Verbund, and Engie were placed on "CreditWatch" (for potential downgrade) by Standard & Poor's as part of its revision. ČEZ's credit rating was confirmed at A− with a stable outlook.

Developments in the European energy sector in 2015 fully confirmed the legitimacy of ČEZ's conservative financial policy and the correctness of ČEZ's strategy which was updated in 2014 and is oriented towards improving operational efficiency, serving customers' broader energy needs, and developing decentralized energy. Two internal teams, Operations and Development, were established. The Operations team's objective is to continually improve efficiency and flexibility in the operations of traditional assets, improve the internal efficiency of the whole Group, and contribute an additional CZK 3bn to EBITDA by 2020. The Development team's task is to ensure future growth for ČEZ based on decentralized energy and renewables, expand the portfolio of innovative products and services for end customers, and carry out acquisitions and investments in the Czech Republic and countries with stable regulatory framework. The Development team's goal is to contribute an additional CZK 6bn to EBITDA by 2020.

CEZ Group is expecting EBITDA to be CZK 60bn in 2016.