Internal Information

CEZ Group Earned CZK 10.5 Billion in 2018, Expects Significantly Increased Net Income of CZK 17 to 19 Billion in 2019

CEZ Group's operating revenues were CZK 184.5 billion in 2018, increasing by almost CZK 11 billion year-on-year in real terms. EBITDA was CZK 49.5 billion and net income adjusted for extraordinary effects generally unrelated to ordinary financial performance in the year was CZK 13.1 billion, in line with initial estimates. The year-on-year comparison of income was significantly affected by nonrecurrent effects that increased the 2017 net income by a total of CZK 7.5 billion, in particular a successful sale of shares in MOL. CEZ Group's ambition for 2019 is to increase its EBITDA to CZK 57–59 billion and net income to CZK 17–19 billion.

"After years of year-on-year decreases in the realization prices of generated electricity, a rise in electricity prices in wholesale energy markets will have a significant effect on CEZ Group's financial performance in 2019. We have an ambition to generate over 68 TWh of electricity (8% more year-on-year), including 31 TWh at nuclear plants, and increase our revenue from sales of energy services to more than CZK 20 billion. Accordingly, we estimate the total 2019 EBITDA at CZK 57–59 billion and net income at CZK 17–19 billion. Fulfilling this ambition will be helped by our project for internal optimization of centralized and supporting activities, which is planned to significantly reduce the staff of central functions by 15–20% and permanently decrease fixed costs by CZK 0.5 billion a year," says Daniel Beneš, Chairman of the Board of Directors and CEO of ČEZ.

"*The year-on-year decrease in net income of CZK 8.5 billion primarily reflects unique nonrecurrent positive effects in 2017, totaling CZK +7.5 billion. These included the effect of the termination of MOL stockholding (CZK +4.5 billion), sale of property in Prague (CZK +1.1 billion), the positive effect of a change in Romanian RES regulation on the valuation of green certificates for ČEZ's Romanian wind parks (CZK +0.8 billion), a settlement agreement with Sokolovská uhelná (CZK +0.7 billion), and an out-of-court agreement with Bulgarian state-owned company NEK (CZK +0.4 billion). In addition, there was a negative effect of increased expenses on emission allowances for generation (CZK –1.3 billion) due to their increasing market price and lower free allocations as well as increasing fixed costs of electricity generation at conventional plants, in particular; in contrast, there was a positive year-on-year effect of, especially, higher generation by nuclear plants and higher permitted revenue from distribution, reflecting increased investments in the distribution grid in Czechia,*" explains Martin Novák, Vice-Chairman of the Board of Directors and Chief Financial Officer.

Operating revenues in 2018 were CZK 184.5 billion, increasing by CZK 10.8 billion year-on-year after adjustment for methodology changes in IFRS, primarily due to higher revenue from sales of energy services, which grew by 120% year-on-year.

"I am pleased that the growth in our ESCO services stems not only from expansion through acquisitions but also from organic growth in Czechia and abroad, which proves the correctness of our strategy that estimated a dynamic growth in the energy services market in Europe. We further reinforced our position in the ESCO sector in 2018, especially in the heating segment in Slovakia and in energy services in Poland and Germany. Moreover, we managed to beat our previous record-making Trading business performance in commodity trading from 2017 by 50%," says Pavel Cyrani, a member of the Board of Directors and Chief Sales and Strategy Officer.

Electricity generation by conventional facilities increased by one percent year-on-year to 61.3 TWh, with generation by nuclear power plants increasing by six percent to 29.9 TWh. Electricity generation in the new energy segment (that is, wind turbines, photovoltaic, and small hydroelectric power plants) was 1.8 TWh, decreasing by 11% year-on-year due to worse weather conditions in Romania and worse hydrometeorological conditions in Czechia.

CEZ Group's capital expenditures amounted to CZK 26.4 billion in 2018. The highest capital investments were made in the distribution segment (CZK 12.9 billion), including CZK 10.4 billion invested in the distribution grid in Czechia with increased investments in grid development, digitization, and reliability enhancement.

Electricity consumption in the distribution area of ČEZ Distribuce increased by 0.5% year-on-year; in temperature- and calendar-adjusted figures, this is 1.3%. The most significant increase in consumption was seen among large businesses in connection with economic growth.