



ANNEX 1:

**REPORT ON THE COMPANY'S BUSINESS
OPERATIONS AND ASSETS OF ČEZ, A. S.
FOR 2015**

Prague, June 3, 2016

2015—A SUCCESSFUL YEAR DESPITE MASSIVE CHANGES IN EUROPE'S ENERGY SECTOR



- **EBITDA CZK 65.1bn**
- **Adjusted net income CZK 27.7bn**
- **Revenues increased by CZK 8.4bn**
- **Fixed costs cut by CZK 2.9bn**

**CEZ
Group**

Main Trends in Europe's Energy Sector

1) Traditional energy is stagnating but remains an indispensable part of the energy sector

- Surplus of capacities, displaced by renewables
- Pressure on margins: regulators as well as new players

2) Renewables and decentralized energy are growing

- RES present the biggest investment opportunity
- Main RES technologies already have efficiency that will allow reducing subsidization

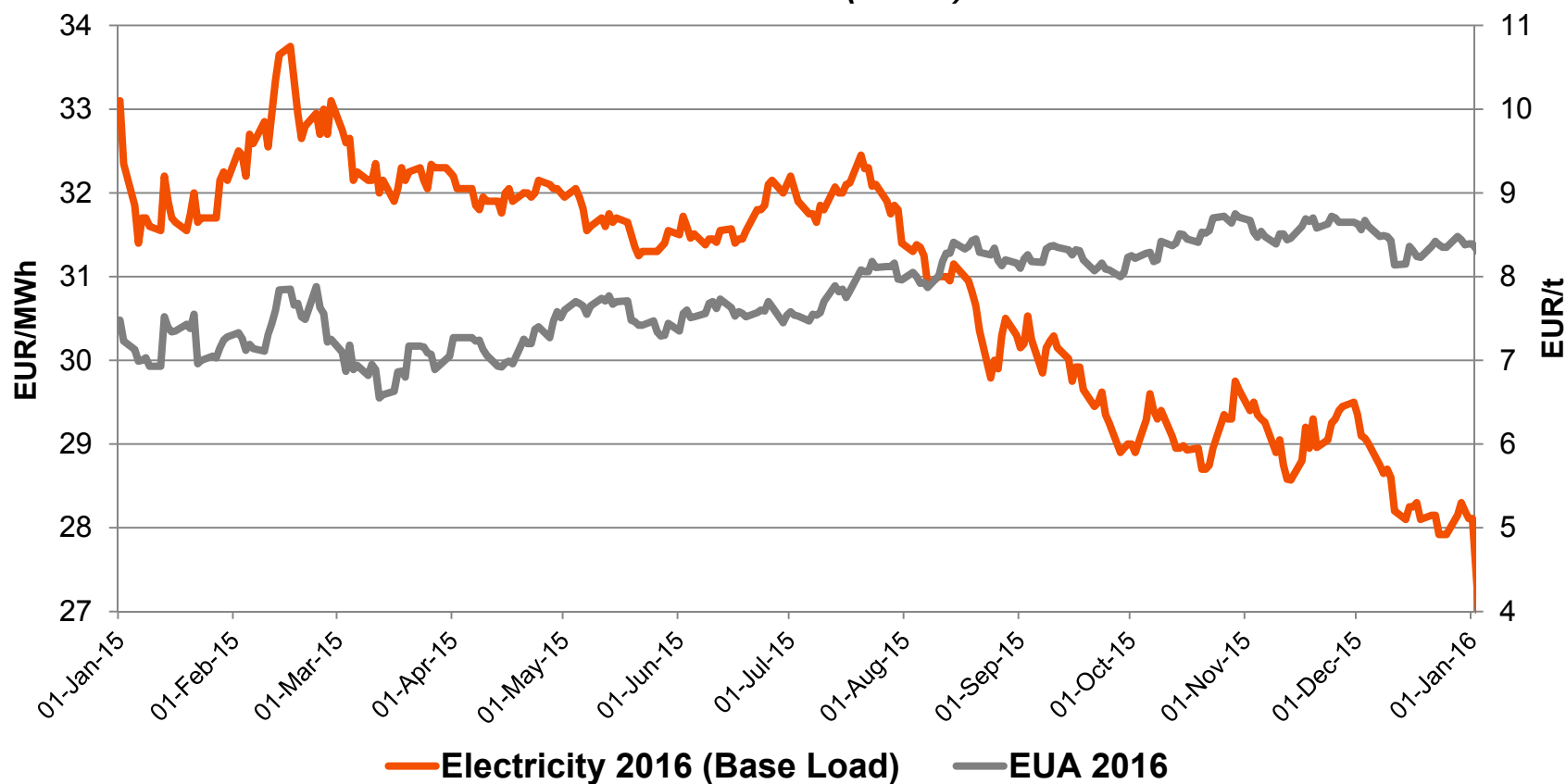
3) Customers focus on comprehensive services associated with energy utilization

- B2C: Growing interest in energy and active consumption/auto-generation management
- B2B: Outsourcing of energy and facility management as a whole

**ELECTRICITY PRICES DOWN BY 15% TO 28 EUR/MWH
 PRIMARILY DUE TO A DROP IN HARD COAL PRICES;
 PRICES OF EMISSION ALLOWANCES UP TO 8.4 EUR/T**



Changes in Wholesale Prices of Electricity (EUR/MWh) and Emission Allowances (EUR/t)



DEVELOPMENTS IN 2015 FULLY CONFIRMED THE CORRECTNESS OF ČEZ'S STRATEGY UPDATED IN 2014



I **Be among the best in the operation of conventional power facilities** and proactively respond to the challenges of the 21st century

- Focus on operational efficiency as a prerequisite for further existence in both conventional and new energy
- Ensure long-term operation of the Dukovany Nuclear Power Plant
- Complete the renovation of brown coal-fired power plants and phase out older condensing units
- Develop projects for new nuclear units at the Temelín and Dukovany sites
- Continually improve distribution grid efficiency to allow a real decrease in distribution tariffs and ensure a stable return

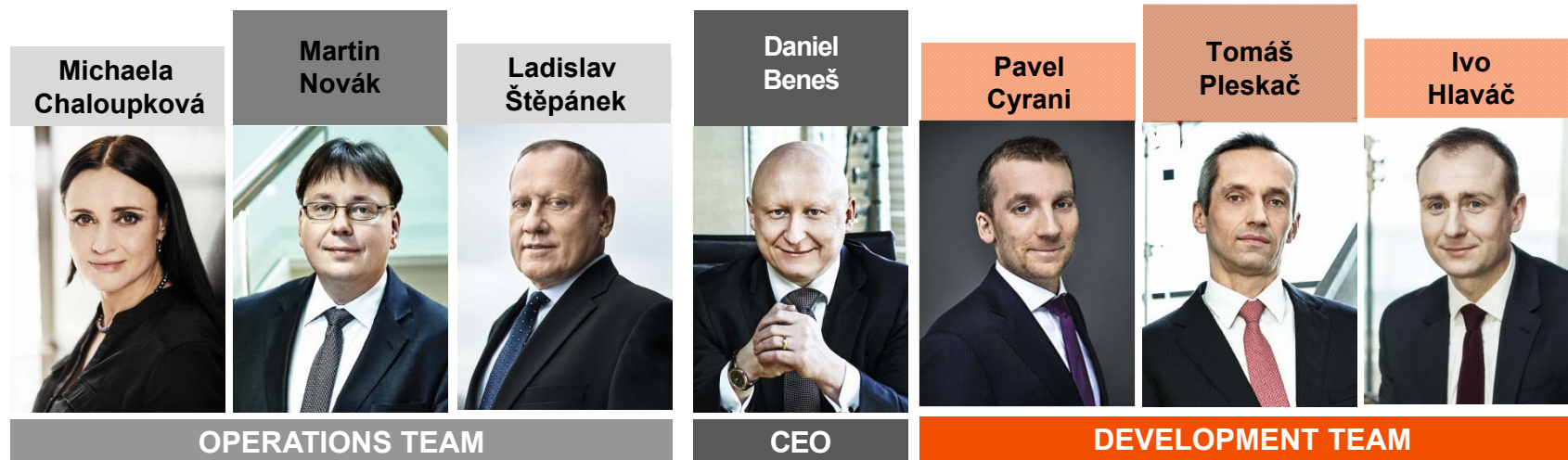
II **Offer customers a wide range of products and services** addressing their energy needs

- Achieve the top level in electricity and gas sales and customer care
- Develop additional products and take advantage of synergies with energy commodities
- Launch new business models—from equipment deliveries to electricity generation and electricity supplies at the customer's point of consumption
- Invest in early opportunities and technologies to allow ČEZ to create promising positions in future energy
- Prepare distribution grids for operation under the conditions of increasingly decentralized generation

III **Strengthen and consolidate our position in Central Europe**

- Strive to acquire assets/companies in the Czech Republic and countries with a stable regulatory environment:
 - With renewables
 - Distribution companies
 - Sales companies supplying energy and related products to end customers
 - Developing new products and services that are promising from the point of view of future energy
 - Conventional energy
- Reduce risk profile—optimize capital and ownership structure, including divestment of selected assets

SEGMENT MANAGEMENT BOLSTERED AT THE EXPENSE OF REGIONAL MANAGEMENT IN 2015; ČEZ ACTIVITIES NEWLY COORDINATED BY THE OPERATIONS AND DEVELOPMENT TEAMS SINCE JANUARY 1, 2016



In charge of the following main business segments:

- **Generation—Traditional Energy**
- **Mining**

And of the following supporting and centralized activities:

- **Finance and administrative / Headquarters activities in general**

In charge of the following main business segments:

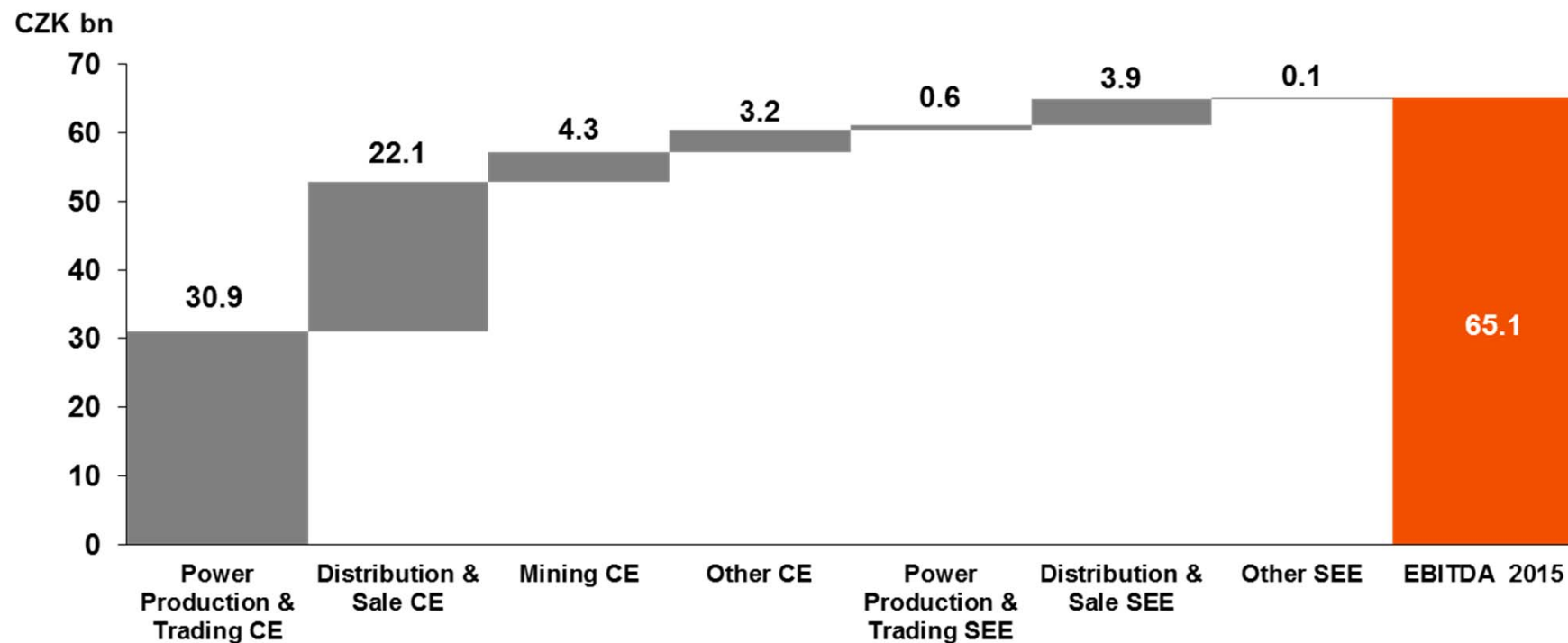
- **Generation—New Energy**
- **Distribution**
- **Sales/Trading**

CEZ GROUP FINANCIAL RESULTS



	Unit	Year 2014	Year 2015	15/14 change (%)
Operating revenues	CZK m	201,751	210,167	+4.2%
EBITDA	CZK m	72,498	65,104	-10.2%
EBIT	CZK m	36,946	28,961	-21.6%
Net income	CZK m	22,432	20,547	-8.4%
Net income—adjusted	CZK m	29,454	27,657	-6.1%
Total assets	CZK m	627,870	602,686	-4.0%
Property, plant, and equipment and intangible assets*	CZK m	447,153	441,528	-1.3%
ROE	%	8.6	7.8	-9.6%
ROA	%	3.5	3.4	-4.6%
ROIC	%	6.3	5.0	-20.8%

CONTRIBUTION TO 2015 EBITDA BY SEGMENT



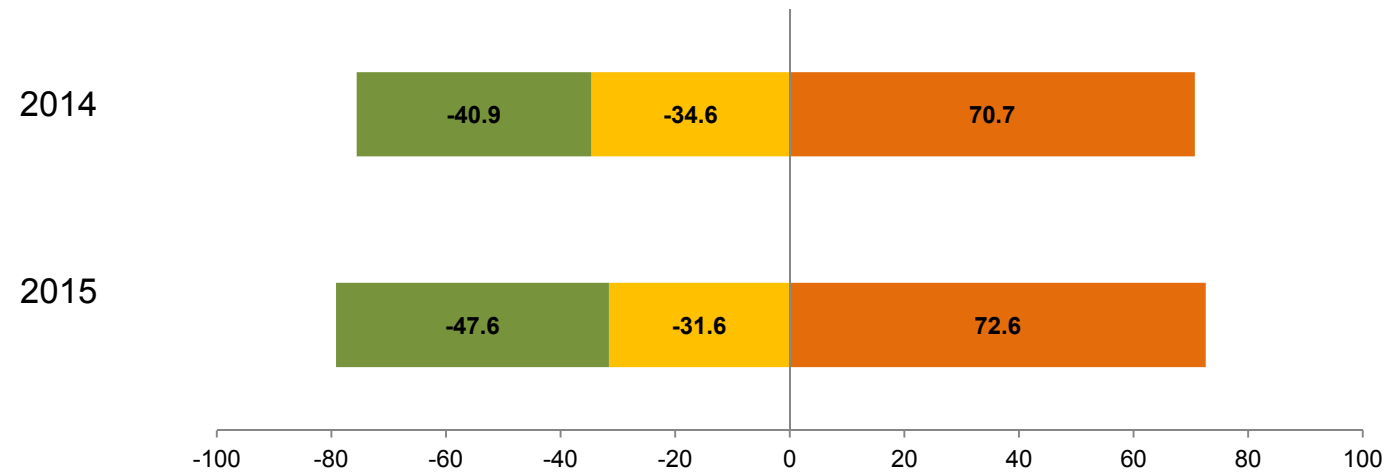
2015 vs. 2014 Change in EBITDA

%	-22%	14%	4%	-31%	4%	1%	49%	-10%
CZK bn	-8.6	2.8	0.2	-1.5	0.0	0.0	0.0	-7.4

CEZ GROUP CASH FLOWS

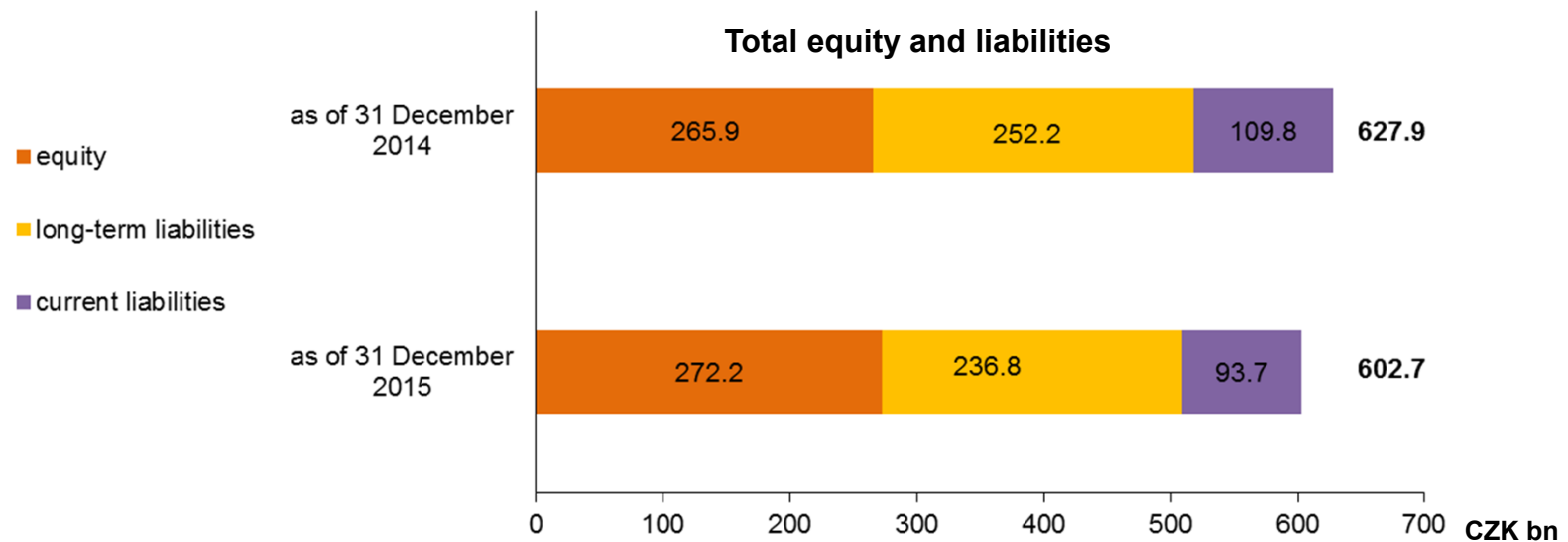
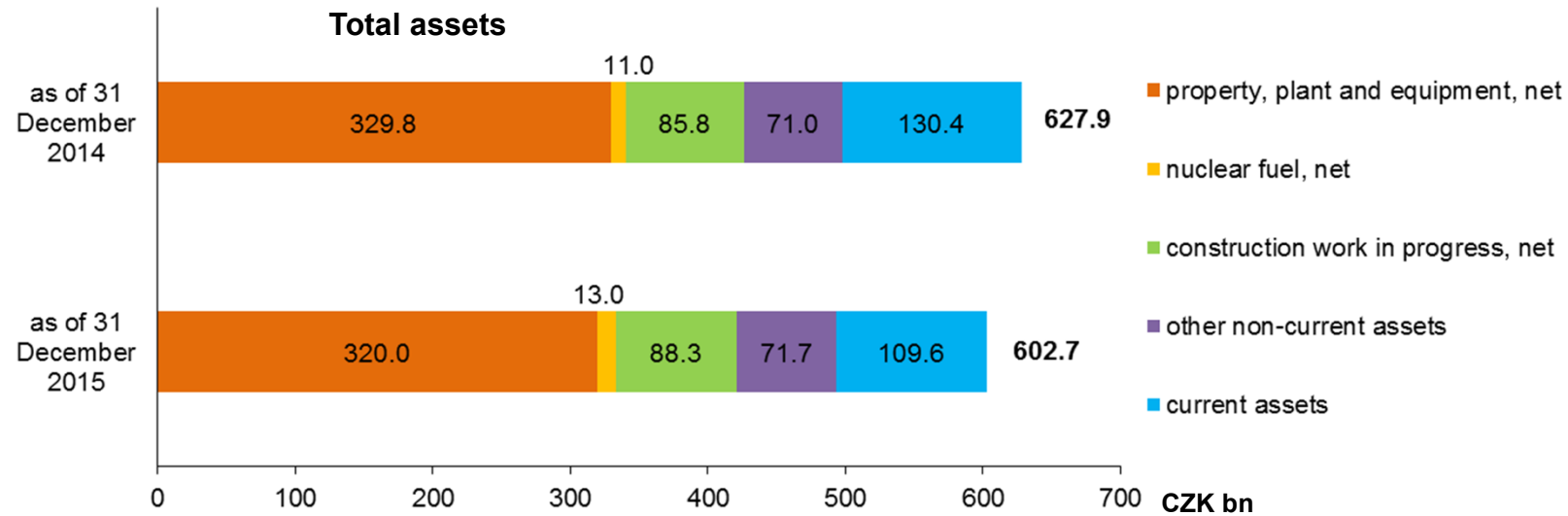


CZK bn

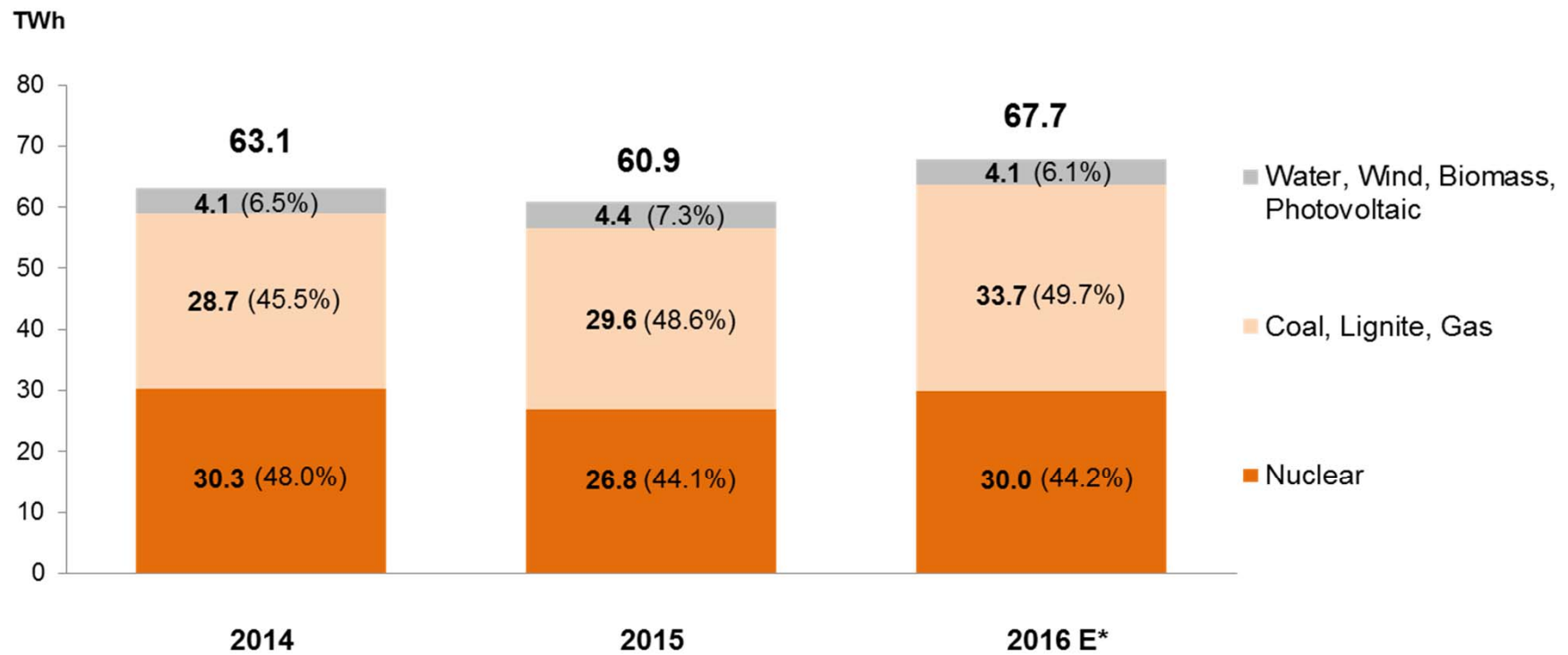


- Financing activities and net effect of currency translation in cash
- Investing activities
- Operating activities

CEZ GROUP ASSETS, EQUITY, AND LIABILITIES



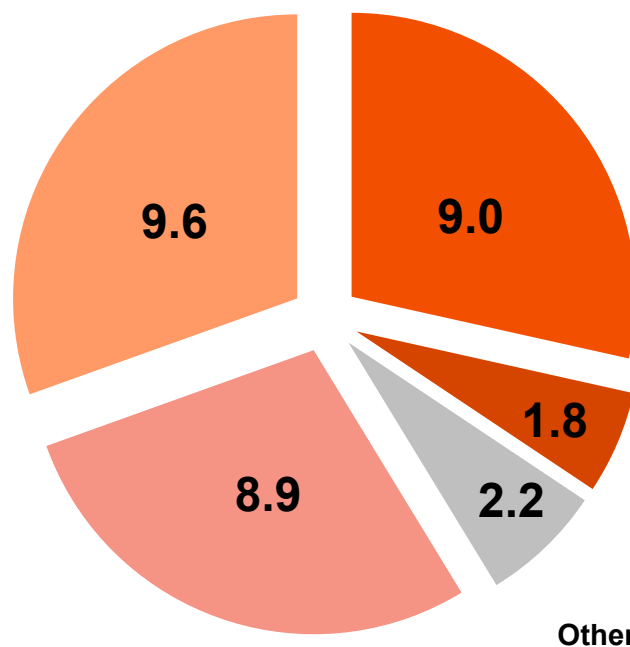
CEZ GROUP ELECTRICITY GENERATION



CEZ GROUP CAPEX IN 2015



CZK 31.5bn in Total (2015)



Distribution grids:

- Czech Republic: CZK 7.6bn, primarily in actual grid renovation and development
- Abroad: CZK 2.0bn

Nuclear facilities:

Both nuclear facilities continued implementing projects to fulfill requirements from the National Action Plan for Nuclear Safety Enhancement, drawn up after the events in the Fukushima, Japan nuclear power plant

Conventional and RES facilities:

- Construction of a new supercritical facility in Ledvice
- Comprehensive renovation of Prunéřov Power Plant
- Other investments

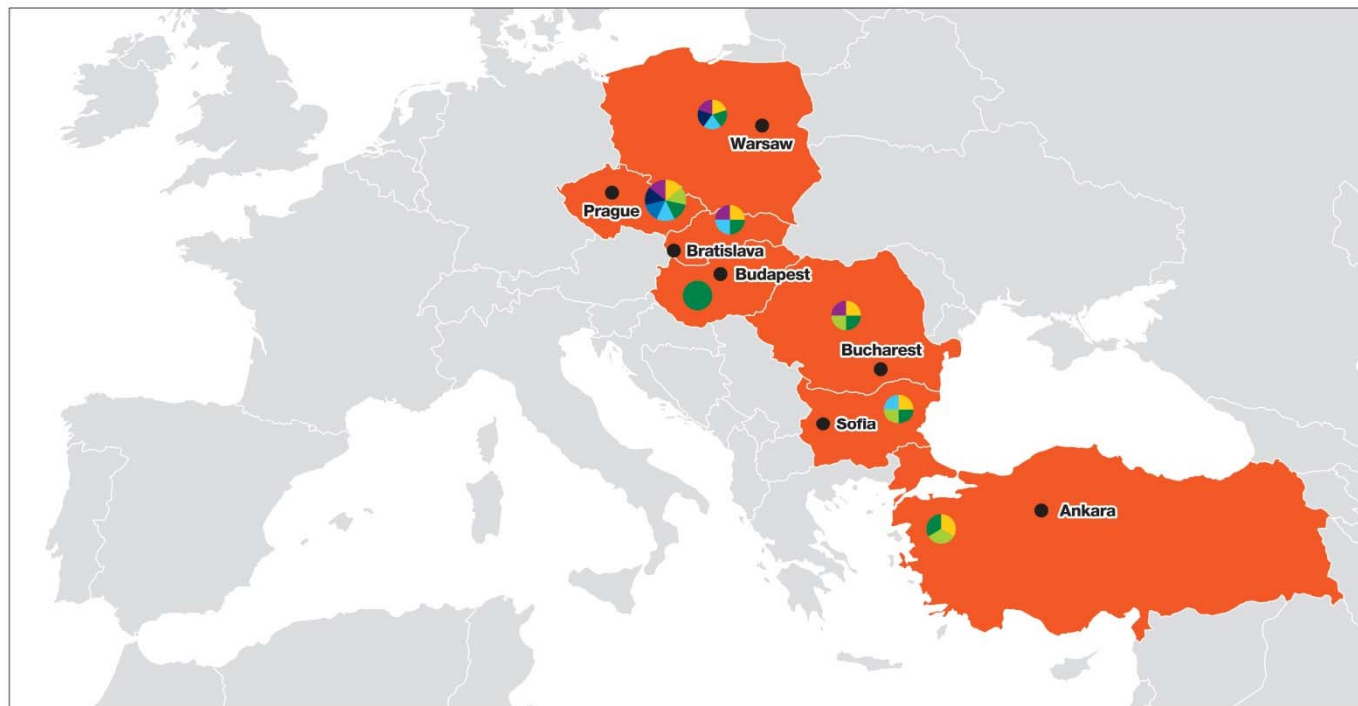
Mining:

Projects reacting to the progress of extraction in the two mines (deliveries, renovation, and upgrades of mining equipment and dressing and crushing plants, construction of stabilization measures and water management structures)

ENERGY SECTOR REGULATION SIGNIFICANTLY AFFECTS CEZ GROUP IN ALL COUNTRIES WHERE IT OPERATES



CEZ Group Operations in Europe

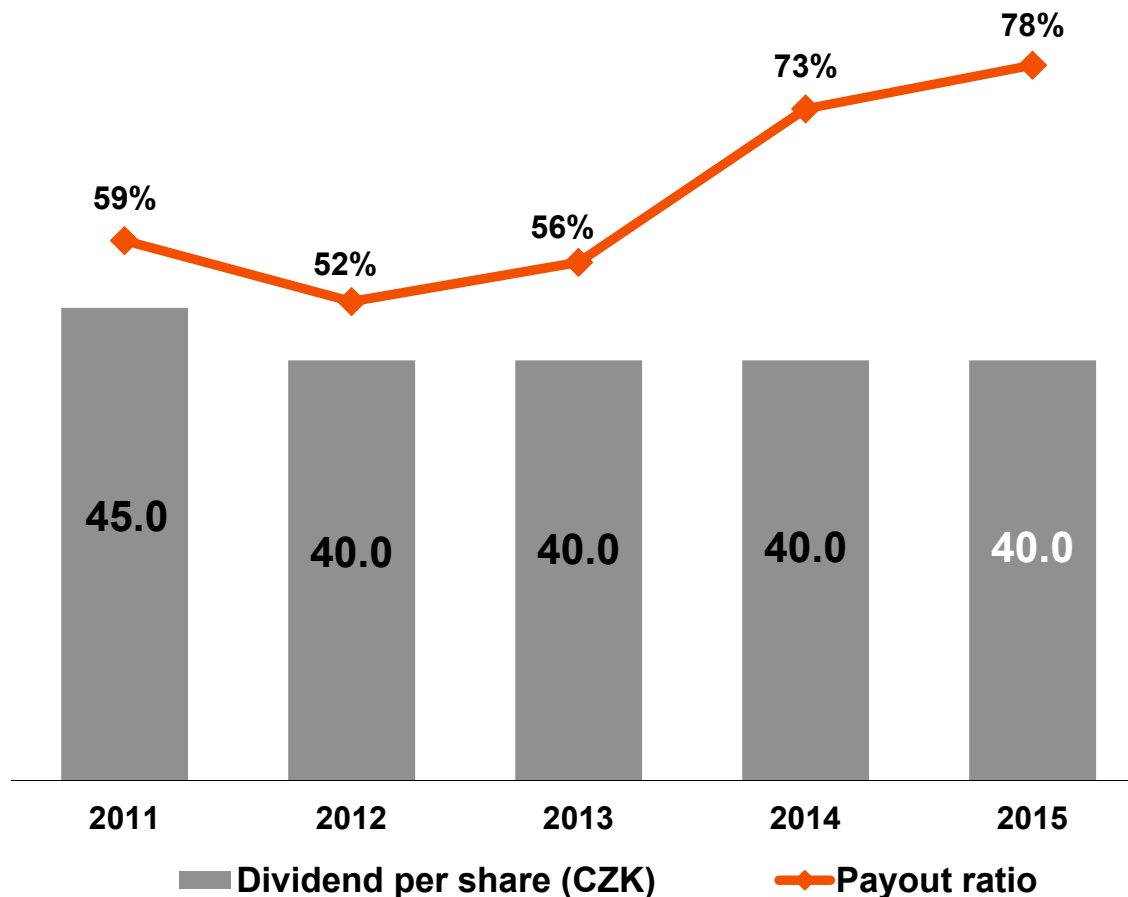


ČEZ, A. S. FINANCIAL RESULTS



	Unit	Year 2014	Year 2015	15/14 change (%)
Operating revenues	CZK m	85,033	83,320	-2.0%
EBITDA	CZK m	29,657	23,918	-19.4%
EBIT	CZK m	15,827	8,411	-46.9%
Net income	CZK m	20,910	28,115	34.5%
Total assets	CZK m	537,183	518,380	-3.5%
Property, plant, and equipment and intangible assets*	CZK m	241,392	241,317	-0.0%
ROE	%	10.2	13.2	29.2%
ROA	%	3.8	5.3	40.2%

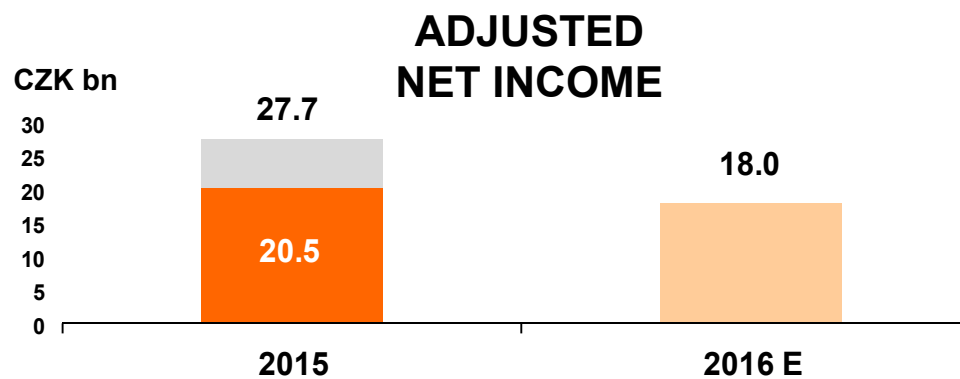
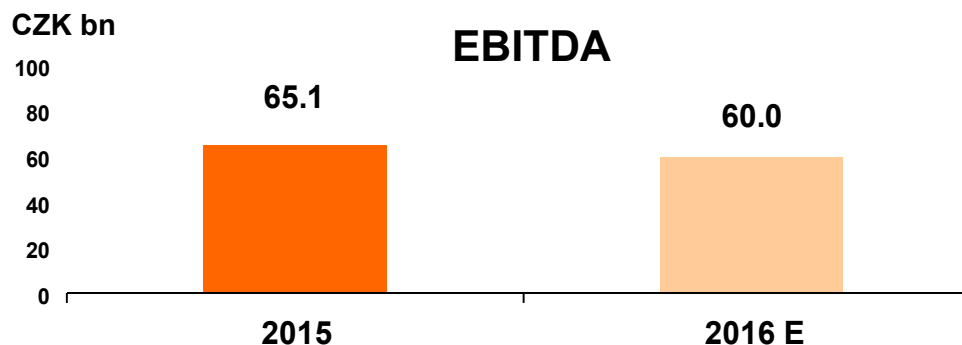
PROPOSED ČEZ, A. S. DIVIDEND FOR 2015



- The dividend for 2015 is proposed to be **CZK 40 per share**.
- The proposal reflects the Company's dividend policy and corresponds to **78%** of CEZ Group's consolidated net income in 2015 adjusted for extraordinary effects.

Note: The above values of dividends per share correspond to dividends for a given year that are paid to shareholders in the following year as determined by the relevant General Meeting.

CEZ GROUP EXPECTS EBITDA OF CZK 60.0BN AND ADJUSTED NET INCOME OF CZK 18.0BN IN 2016



■ Adjustment of 2015 net income
■ 2015 net income

The values of adjusted net income do not include extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as impairments to fixed assets and goodwill amortization, extraordinary profit/loss from sale of assets or subsidiaries, or other extraordinary effects).