CEZ GROUP:
THE LEADER IN POWER MARKETS OF CENTRAL AND SOUTHEASTERN EUROPE

Investment story, September 2016

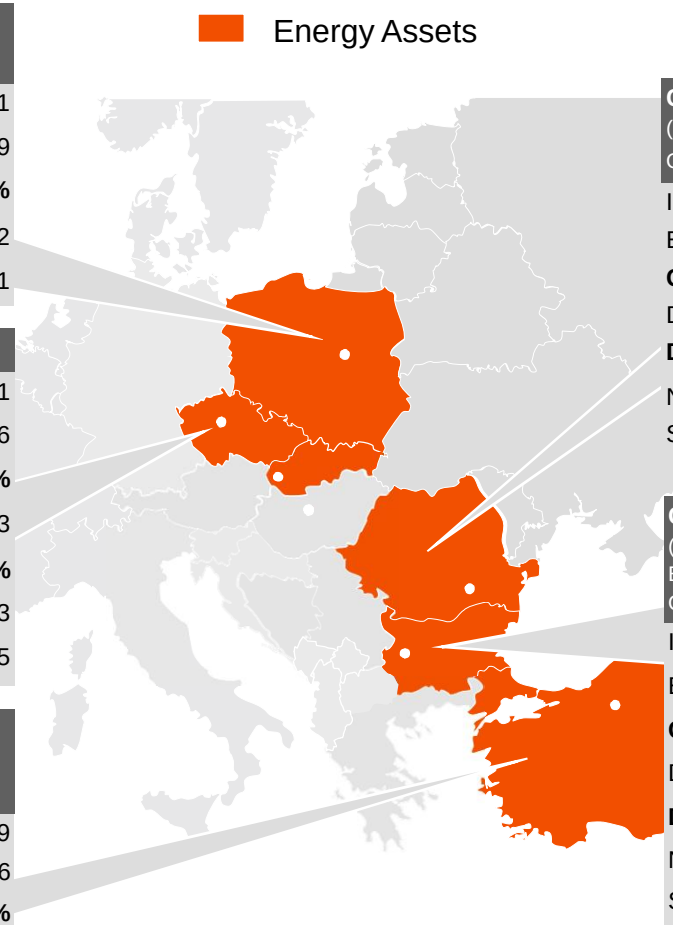
AGENDA

CEZ GROUP IS AN INTERNATIONAL UTILITY WITH A STRONG POSITION IN CEE

CEZ Group in Poland (100% stake in Skawina, 100% in Chorzow)	
Installed capacity (MW)	681
Electricity generation, gross (TWh)	2.9
Generation market share	**1.9%**
Number of employees	412
Sales (EUR million)	251

CEZ Group in the Czech Republic	
Installed capacity (MW)	13,351
Electricity generation, gross (TWh)	56.6
Generation market share	**67.5%**
Distributed electricity (TWh)	33.3
Distribution market share	**63%**
Number of employees	20,383
Sales (EUR million)	5,715

CEZ Group in Turkey (50% stake in SEDAS through AkCez, 37.36% stake in Akenerji)	
Installed capacity (MW)	1,289
Electricity generation, gross (TWh)	4.6
Generation market share	**1.8%**
Distributed electricity (TWh)	8.5
Distribution market share	**3%**



CEZ Group in Romania (100% stakes in CEZ Distributie, CEZ Vanzare, Tomis Team, Ovidiu Development, TMK Hydroenergy Power)	
Installed capacity (MW)	622
Electricity generation, gross (TWh)	1.3
Generation market share	**2.2%**
Distributed electricity (TWh)	6.4
Distribution market share	**12%**
Number of employees	1,787
Sales (EUR million)	480

CEZ Group in Bulgaria (67% stake in CEZ Razpredelenie Bulgaria, CEZ Electro Bulgaria, 100% in TPP Varna, 100% in Free Energy Project Oreshets, 100% in Bara Group)	
Installed capacity (MW)	1,267*
Electricity generation, gross (TWh)	0.006*
Generation market share	**0.0%**
Distributed electricity (TWh)	9.3
Distribution market share	**28%**
Number of employees	3,249
Sales (EUR million)	894

Source: ENTSOE, CEZ data, values for 2015, EUR/CZK=27.283, * 1262 MW of installed capacity is currently offline

CZECH REPUBLIC IS THE MOST IMPORTANT MARKET FOR CEZ GROUP, IT IS VERTICALLY INTEGRATED THERE

	Lignite mining	Generation	Transmission	Distribution	Supply
CEZ	**57%** 21.6 million tons 2014	**68%** 56.6 TWh	**100%** 66.6 TWh	**63%** 33.3 TWh	**34%** 19.8 TWh
Others	**43%** 16.6 million tons	**32%** 27.2 TWh		**37%** 19.5 TWh	**66%** 39.3 TWh

- CEZ fully owns the largest Czech mining company (SD) covering 71% of CEZ' s lignite needs
- Remaining 3 coal mining companies are privately owned

- Other competitors – individual IPPs

- The Czech transmission grid is owned and operated by CEPS, 100% owned by the Czech state

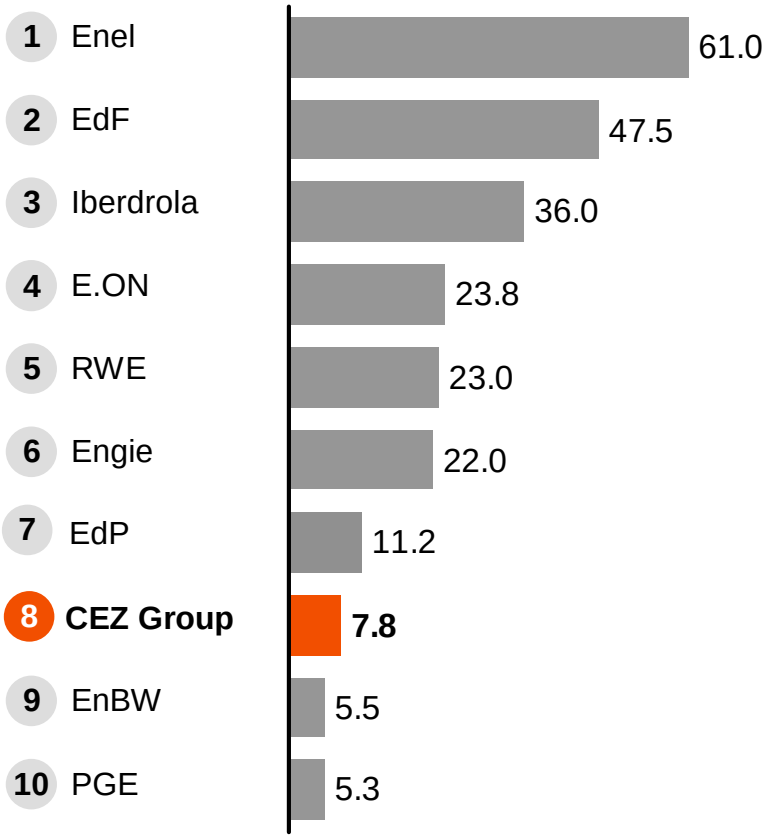
- Other competitors – E.ON, PRE (70% held by EnBW), Bohemia Energy, RWE, Centropol Energy

Source: CEZ, ERU, MPO

CEZ GROUP RANKS AMONG THE TOP 10 LARGEST UTILITY COMPANIES IN EUROPE

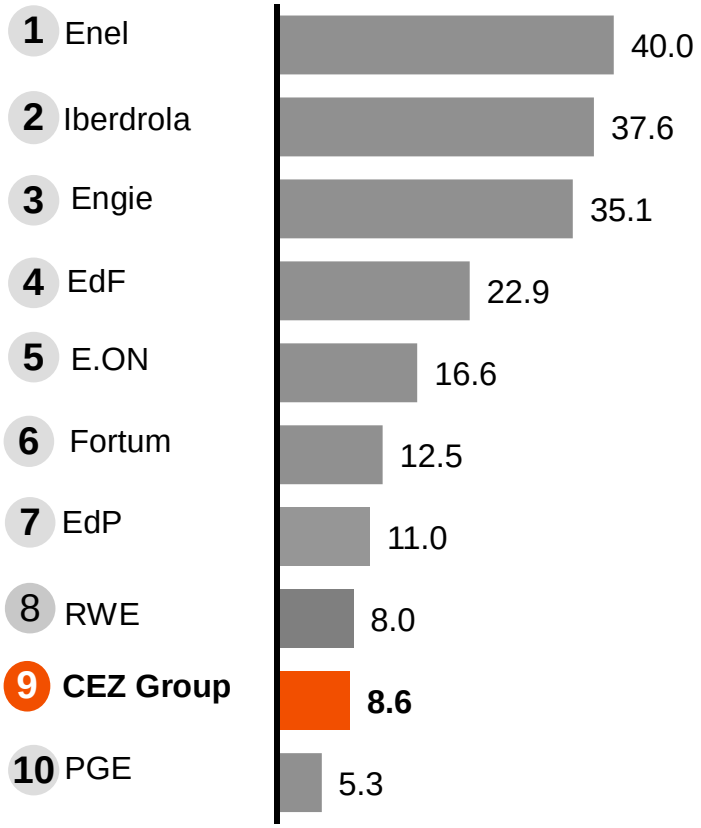
Top 10 European power utilities

Number of customers in 2015, in millions



Top 10 European power utilities

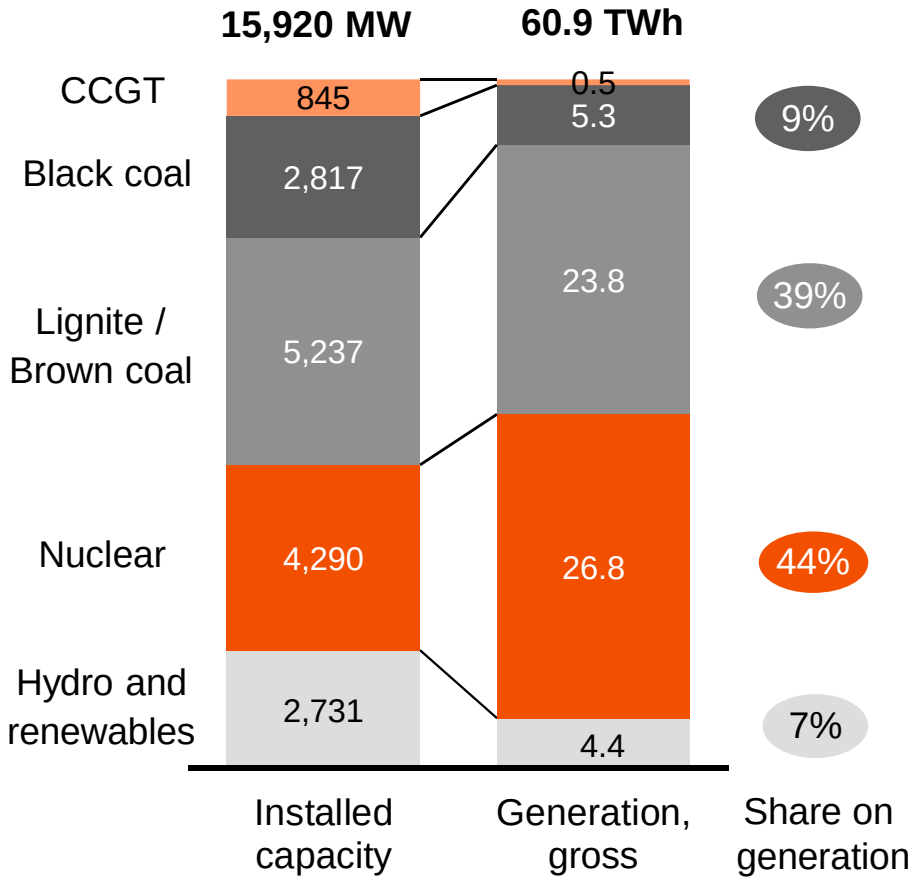
Market capitalization in EUR bn, as of Aug 17, 2016



 Source: Bloomberg, Annual reports, companies´ websites and presentations

CEZ GROUP OPERATES LOW COST GENERATION FLEET, …

Installed capacity and generation (2015)

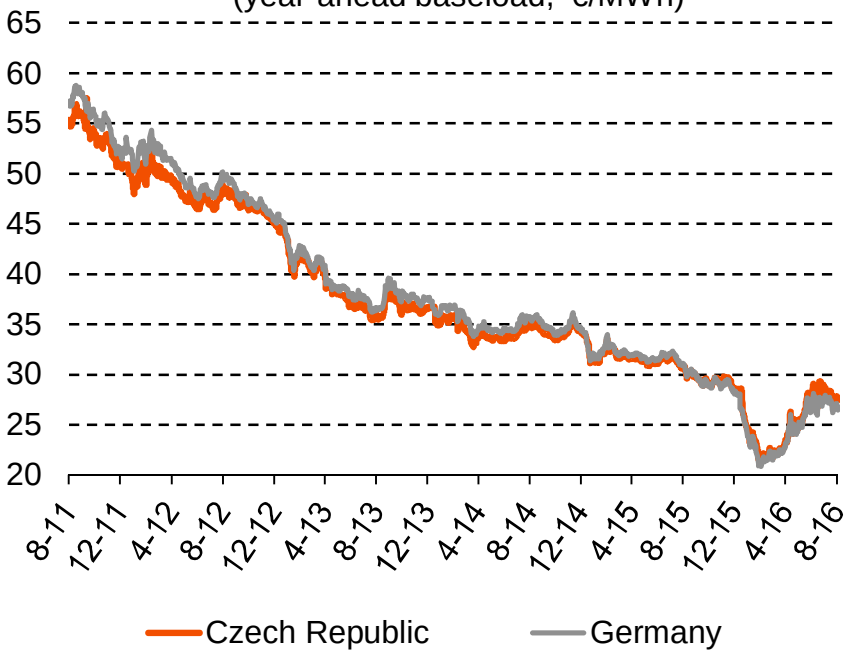


- **Coal power plants are using mostly lignite from CEZ's own mine** (67% of lignite needs sourced internally, remaining volume through long-term supply contracts)
- **Nuclear plants have very low operational costs**

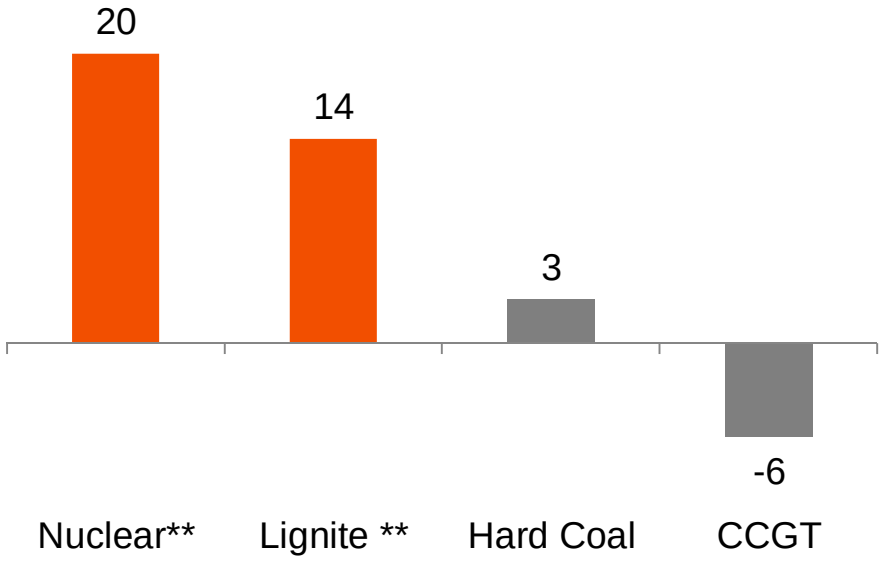
CEZ has a long-term competitive advantage of low and relatively stable generation costs

,... WHICH IS A GREAT ADVANTAGE IN THE CURRENT LOW PRICE ENVIRONMENT

Development of electricity price
(year-ahead baseload, €/MWh)



Clean spreads by technology at current power price of 26 €/MWh *



* 2016 production of CEZ hedged at €35/MWh, i.e. 9 €/MWh above current forwards

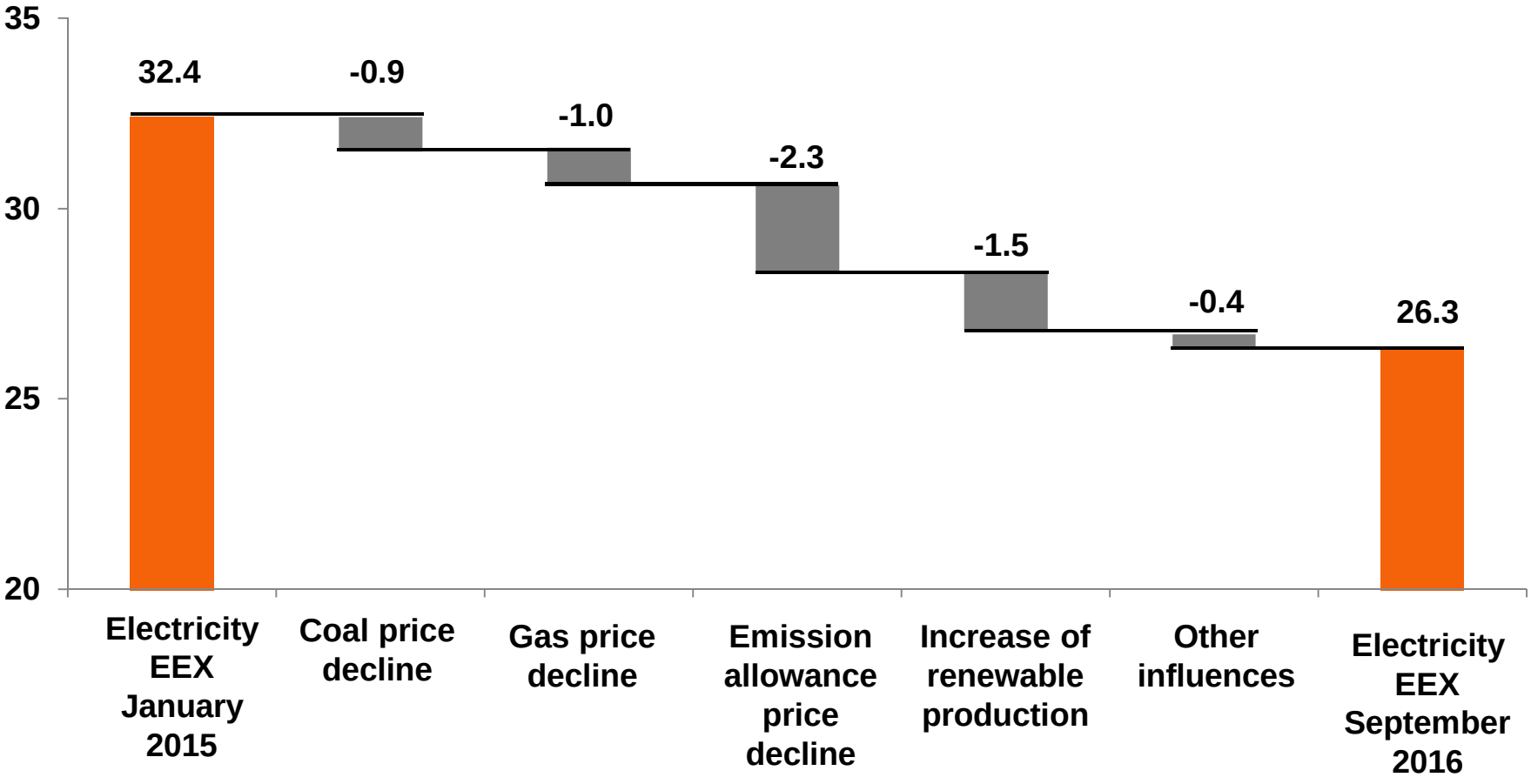
Drivers of electricity price

- Decline of **hard coal prices** due to shale gas discoveries in the US and declining Chinese imports
- Decline in **carbon prices** due to oversupply driven by economic slowdown
- **Growing** capacity of subsidized **renewables** at the time of stagnating/declining electricity demand

** Nuclear fuel costs and CZK50/MWh payment for fuel storage, cash cost of extracting own lignite, carbon costs are considered

THE ELECTRICITY PRICES HAVE DECLINED BY 6 EUR/MWH SINCE THE BEGINNING OF 2015

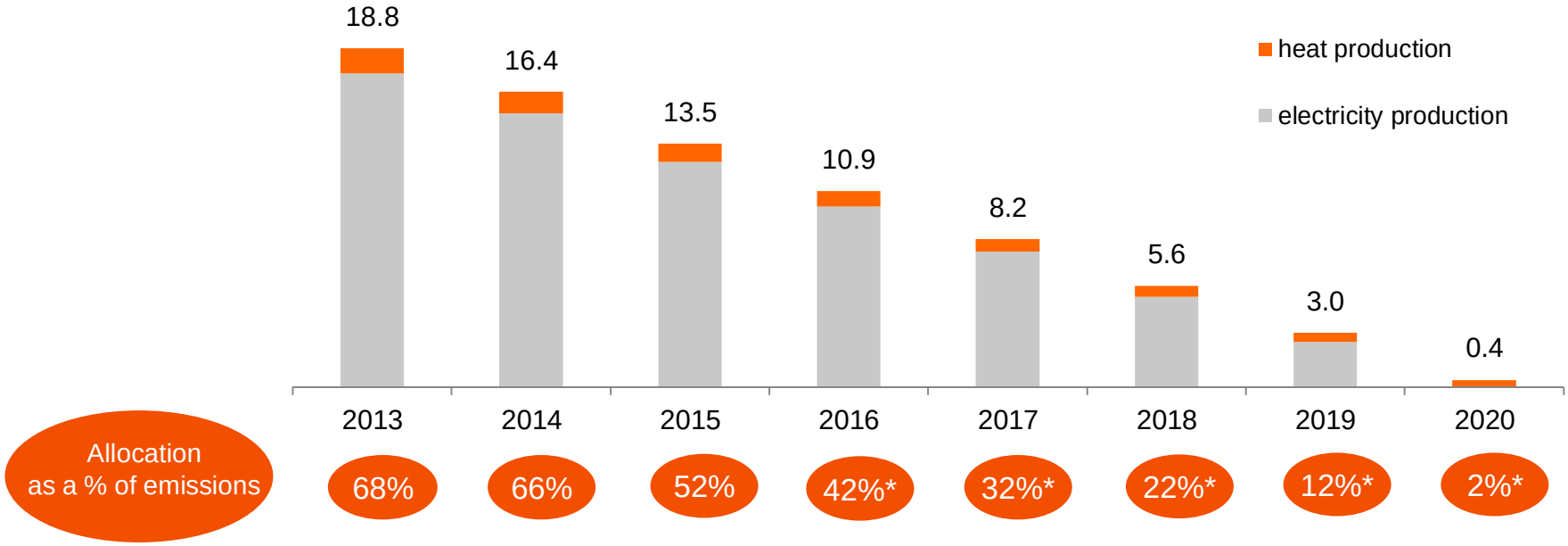
Breakdown of factors behind decline of wholesale electricity price,
base load 2017, EEX, EUR/MWh



CEZ GROUP CONTINUES TO RECEIVE PART OF EMISSION ALLOWANCES FOR FREE

- CEZ Group can get up to **70.2 million** emission allowances for electricity production in the Czech Republic in 2013–2019 in exchange for investments reducing greenhouse gas emissions.
- EC Commission has proposed that free allocation of up to 40% of emission allowances will continue post 2020.

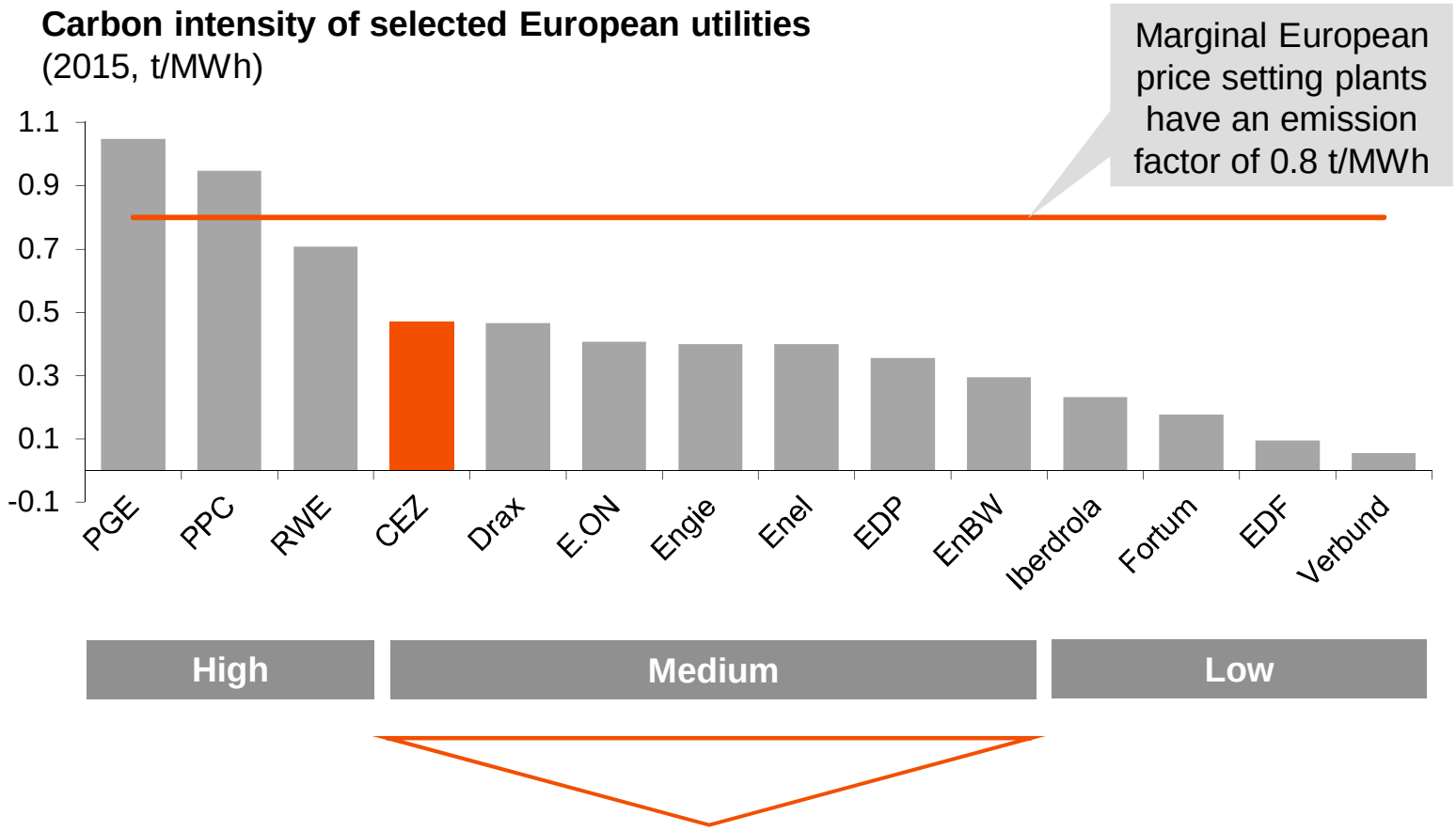
Expected allocation of allowances for CEZ Group in the Czech Republic (millions)



* % of 2015 emissions

CEZ GROUP'S CO_2 INTENSITY IS BELOW INTENSITY OF A EUROPEAN PRICE SETTING PLANT

Carbon intensity of selected European utilities
(2015, t/MWh)

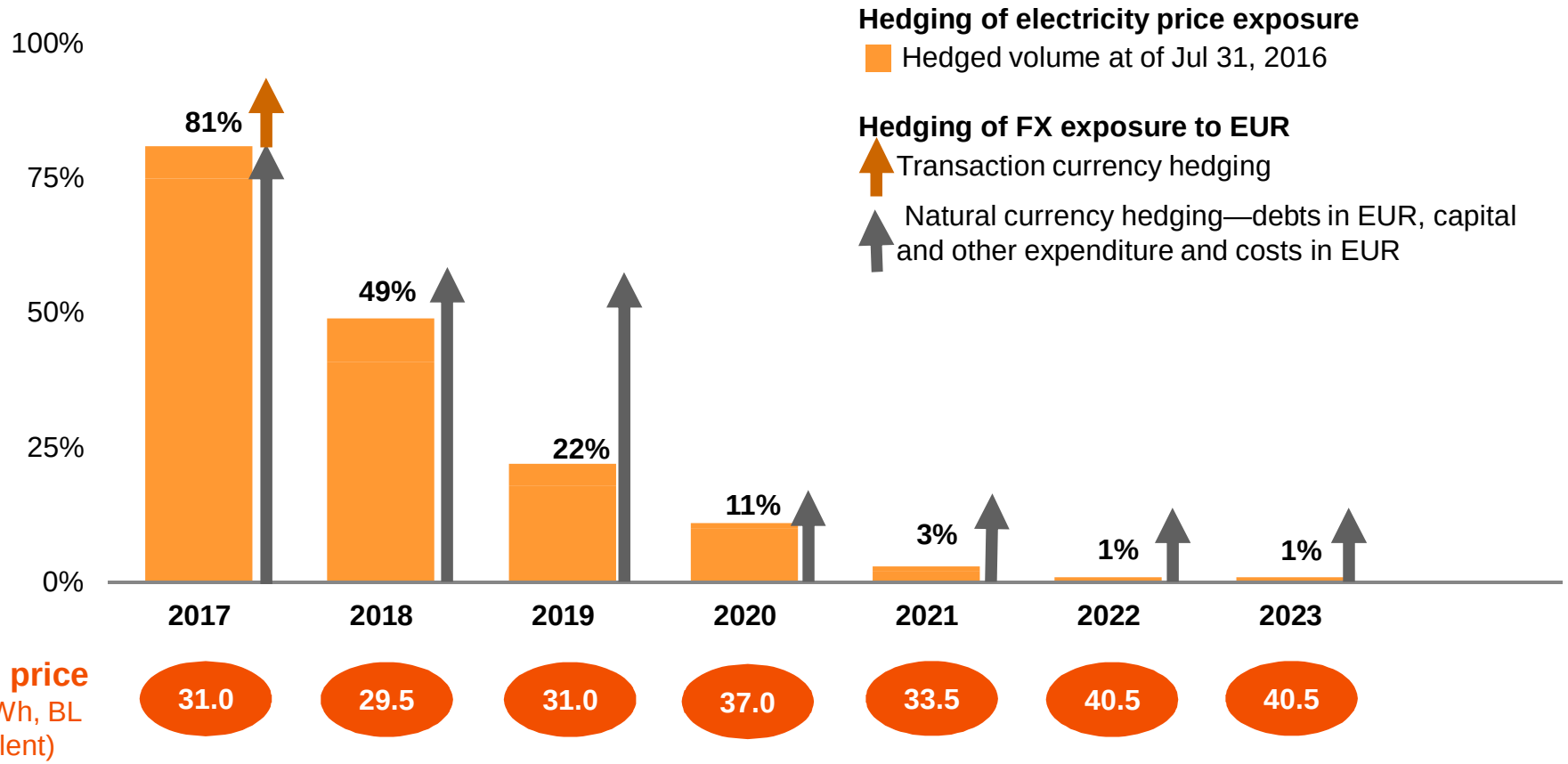


Increase in CO_2 price has a positive impact on CEZ profitability

AGENDA

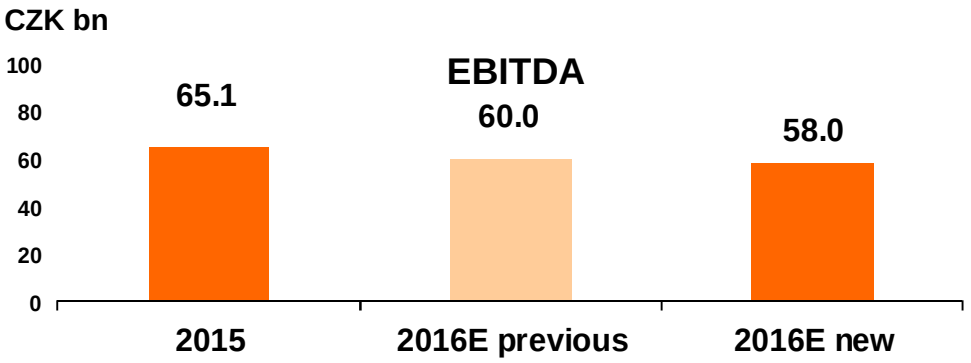
LARGE PART OF PRODUTION FOR THE NEXT 3 YEARS IS ALREADY HEDGED AT ATTRACTIVE PRICE LEVELS

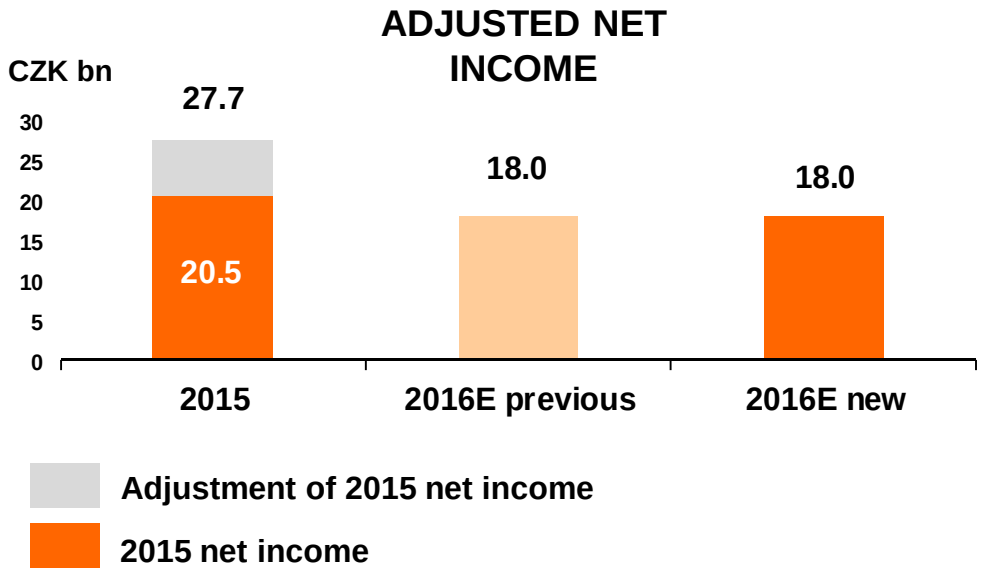
Share of hedged production of ČEZ* power plants
as at Jul 31, 2016
(100% of electricity supplied corresponds to 55–57 TWh in 2017-2020)



 Source: ČEZ ČEZ*—ČEZ, a. s., Energotrans, Počerady, Dětmarovice, Tisová, Vítkovice

WE EXPECT 2016 EBITDA OF CZK 58BN, ADJUSTED NET INCOME AT THE LEVEL OF CZK 18 BN





Selected year-on-year negative effects:

- Lower electricity realization prices
- Payment of SŽDC liabilities from 2010
- Lower settlement of unbilled electricity in the Czech Rep.

Selected year-on-year positive effects:

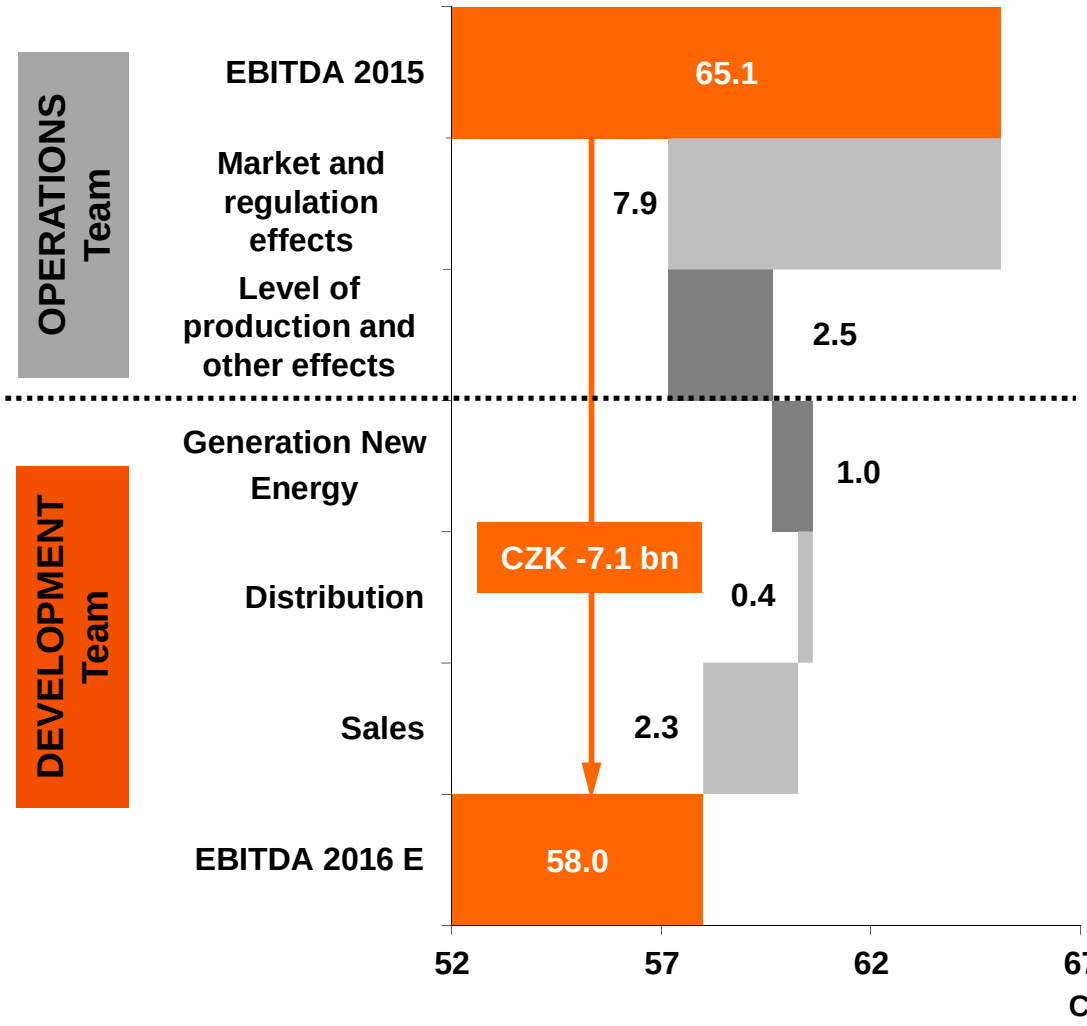
- Higher electricity production
- Resumed allocation of green certificates for Fântânele Vest and Cogealac
- Higher profit on trading in commodities
- Higher internal efficiency

Reasons for adjusting EBITDA prediction in August 2016:

- Prolonged outages at nuclear power plants
- Postponed court decision on the repayment of SŽDC debt from 2011
- Lower fixed operating costs

The 2015 net income (CZK 20.5bn) was adjusted for the effect of fixed asset impairments of CZK 7.1bn.

EXPECTED YEAR-ON-YEAR CHANGE IN EBITDA
MAIN REASONS



Market and regulation effects (on conventional energy)
- Decrease in the realization prices of electricity (-6.7)
- Lower allocation of emission allowances (-0.7)
- Lower revenue from ancillary services in the Czech Rep. (-0.4)

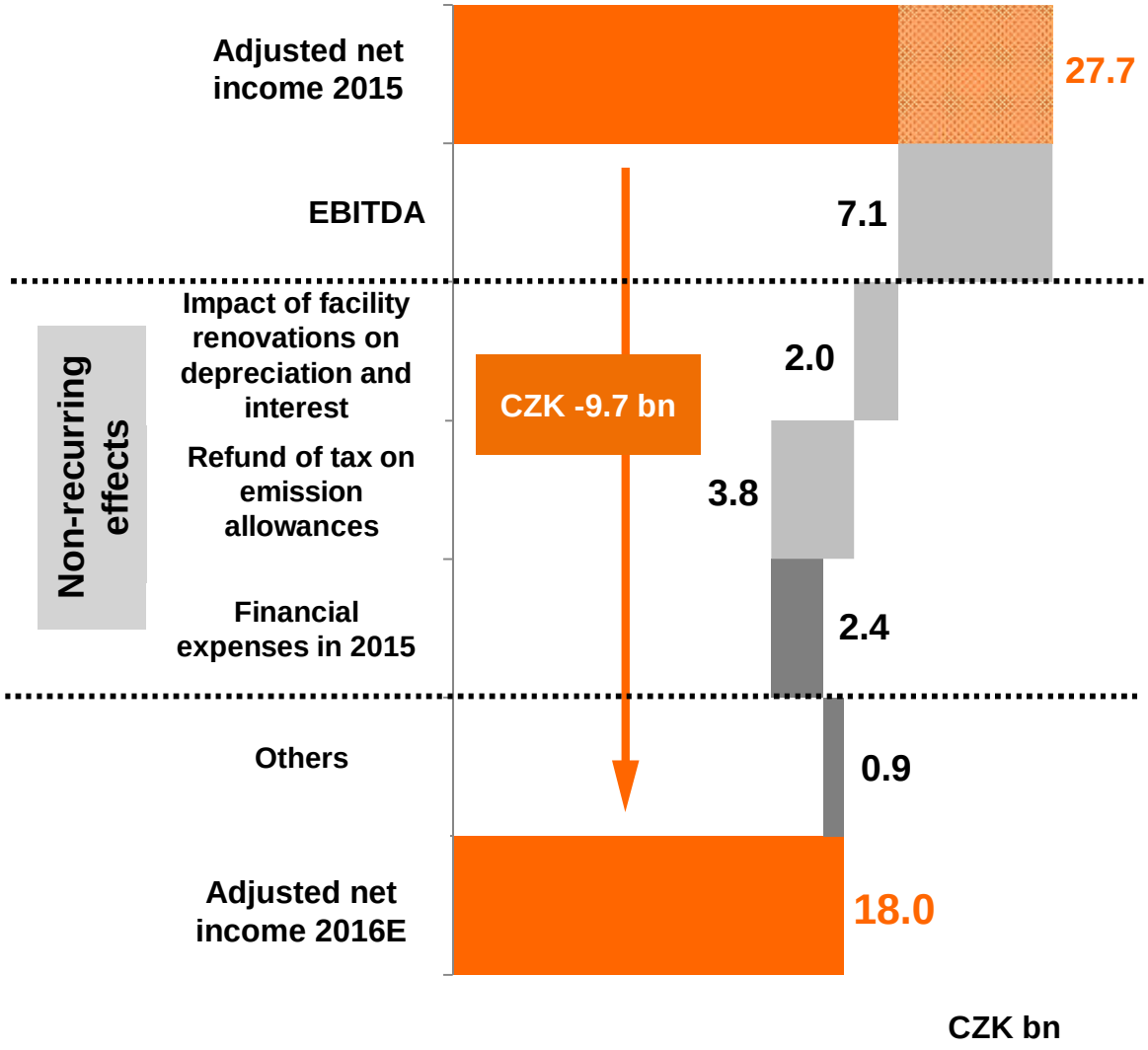
Level of production and other effects
- Higher production (+2.0)
- Higher income from proprietary trading (CZK +0.7)
- Other effects (-0.2)

Generation—New Energy
- Allocation of green certificates for Fântânele Vest and Cogealac for the whole year 2016 (+0.8)

Distribution
- Effect of correction factors (especially in Romania)

Sales
- Repayment of SŽDC debt in 2015 (-1.1)
- Lower settlement of unbilled electricity in the Czech Republic (-0.7)

EXPECTED YEAR-ON-YEAR CHANGE IN NET INCOME
MAIN REASONS



Adjusted net income in 2015 (27.7)

of which: net income (20.5), fixed asset impairments (7.1)

Effect of facility renovations on depreciation, amortization, and interest

- Increase in depreciation and amortization (-1.3) and decrease in capitalized interest (-0.8) related to the inclusion of the new Ledvice facility and refurbished Prunéřov power plant in CEZ's assets

Refund of tax on emission allowances

- Extraordinary 2015 income from the refund of a portion of gift tax on emission allowances for 2011 and 2012

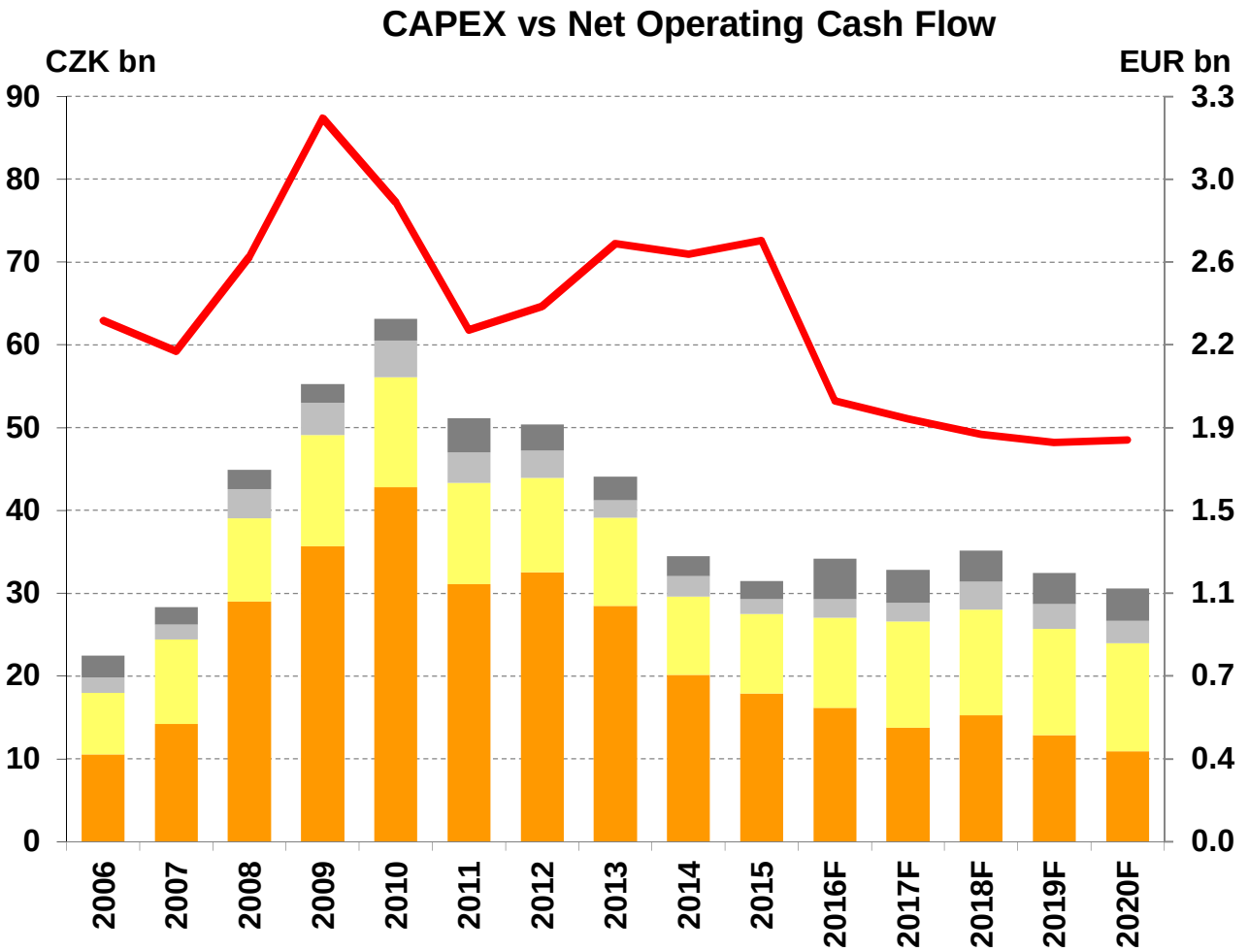
Financial expenses in 2015

- Bond buyback in 2015 (-1.7)
- Foreign exchange losses and revaluation of financial derivatives

Others

- Primarily decreased income tax

CEZ GROUP WILL BE ABLE TO FINANCE CAPEX FROM ITS OPERATING CASH FLOWS



CAPEX
- Other
- Mining
- Distribution
- Generation
- Net Operating CF

Total CAPEX during 2016-2020 (in CZK bn)	
Generation - traditional	59
Generation – new* energy	10
Distribution **	62
Mining	14
Other (including sales)	20

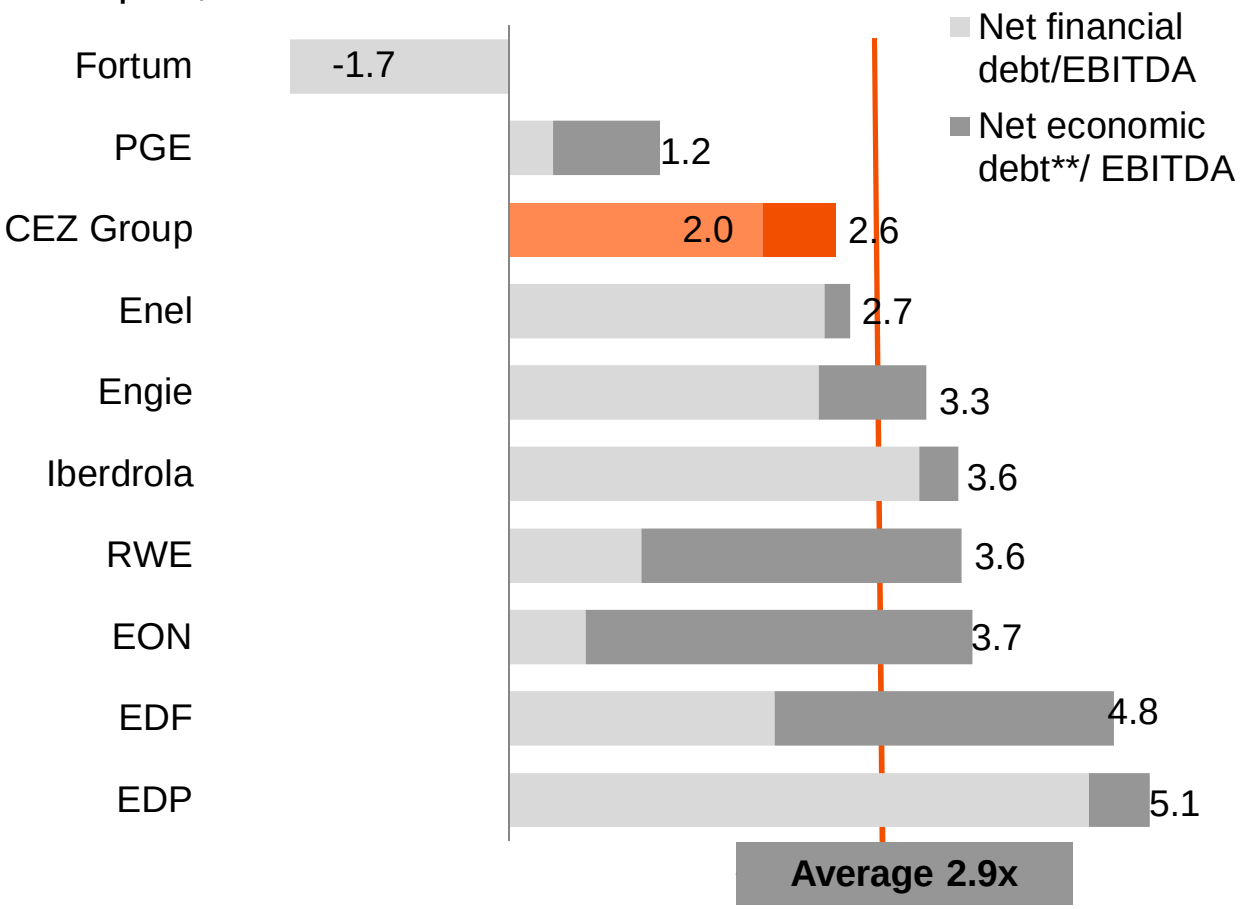
* Primarily Polish wind farms, whose execution is dependent on regulatory developments

** of which CZK 12 bn outside Czech Rep.

 Note: Exchange rate CZK/EUR = 27.025, Net Operating Cash Flow is based on the approved business plan (using prices in Aug/Sep 2015)

OUR CURRENT LEVERAGE IS LOW COMPARED TO INDUSTRY STANDARDS

Net economic debt/ EBITDA*
Multiples, 2015



Current credit rating

- A-, stable outlook from S&P
- Baa1, stable outlook from Moody's

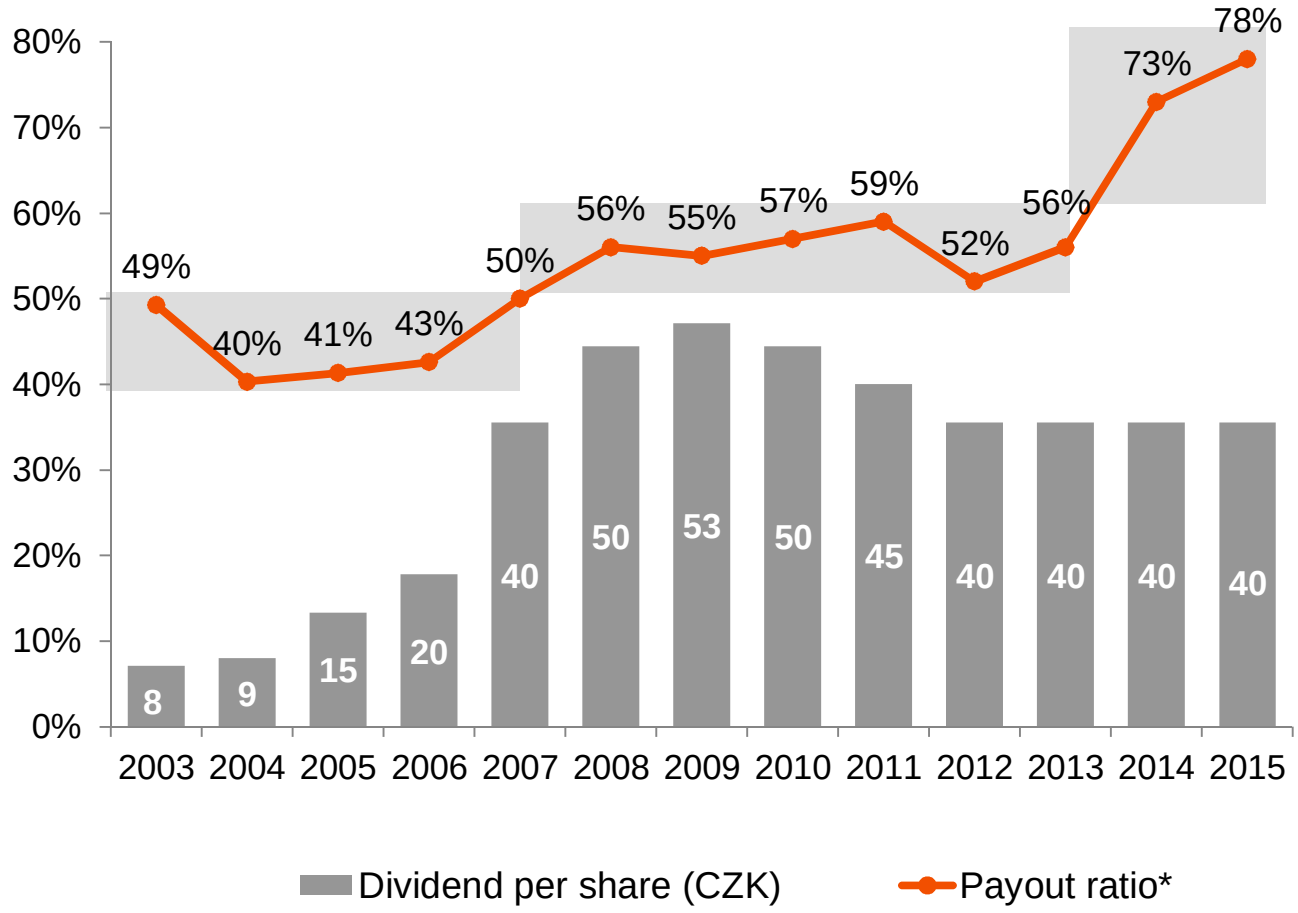
Tolerated leverage

- net financial debt/EBITDA ratio at 2.5-3.0x
- Assumes funding of new development activities (primarily acquisition of renewable projects, distribution, sales and heat assets)

*EBITDA as reported by companies, ** Net economic debt= net financial debt + nuclear provisions + provisions for employee pensions + reclamation provision

DIVIDEND POLICY IS TO DISTRIBUTE 60 – 80 % OF ADJUSTED NET INCOME

Payout ratio* (%)



- In June 2016, general meeting approved management proposal for 2015 dividend at CZK 40 per share
- Payment started on Aug 1, 2016

* As percentage of adjusted net income

AGENDA

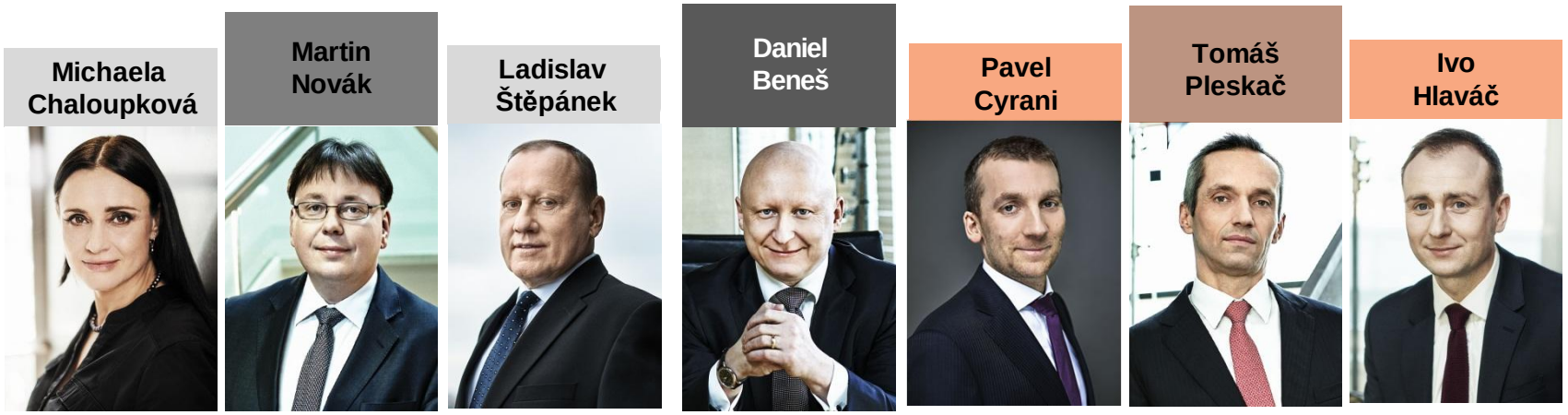
CEZ GROUP'S STRATEGY IS BUILT ON THREE PILLARS

Vision: deliver innovative solutions to energy needs and contribute to a better quality of life.

Mission: guarantee safe, reliable and positive energy to our clients and the society as a whole.

I	II	III
Be among the best in the operation of conventional electricity generation and proactively respond to the challenges of the 21st century	**Offer a wide range of products and services to customers,** which address their energy needs	**Strengthen and consolidate our position in the region** of Central Europe
▪ 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 ▪ Gradually phase out older condensing units ▪ Develop projects of new nuclear units at Temelín and Dukovany ▪ Continually improve distribution grid efficiency to allow a real decrease in distribution tariffs and simultaneously ensure stable cash flow	▪ Achieve the top level in electricity and gas sales and in customer care ▪ Develop additional products and make use of synergies with energy commodities ▪ Launch new business models—from equipment deliveries to electricity generation and to supply at the customer's point of consumption ▪ Invest in opportunities and technologies at an early stage in order to establish promising positions of CEZ in future energy market ▪ Prepare distribution grids for operation under the conditions of growing decentralized generation	▪ Strive to acquire assets/companies in the Czech Rep and in countries with stable national regulatory environments: - RES - Distribution companies - Sales companies supplying energy and related products to end customers - Developing new products and services that are auspicious from the point of view of future energy market - Conventional energy ▪ Reduce risk profile—optimize capital and ownership structure, including divestment of selected assets

SINCE 2015 STRATEGIC ACTIVITIES ARE NEWLY ORGANIZED UNDER THE OPERATIONS AND DEVELOPMENT TEAMS



OPERATIONS TEAM

- The most effective use of our traditional assets
- Proactively adjusting to the new energy landscape
- Generating sufficient cash flows to develop new activities and pay dividends to our shareholders

DEVELOPMENT TEAM

- Ensuring future growth for CEZ based on RES, ESCO activities, and decentralized energy with focus on end customers
- Acquisitions and organic growth in stable countries

OPERATIONS TEAM
STRATEGIC AMBITIONS FOR 2020

Additional * EBITDA 2020: + CZK 3bn

Mining

- Ensure reliability and flexibility of supplies to all customers
- Make the interface between mining and power plants more efficient
- Achieve maximum cost effectiveness in operations
- Optimize investments through “Design-to-Cost”
- Use economically exploitable coal reserves as efficiently as possible

Generation—Traditional

Nuclear Facilities

- Continually improve nuclear safety and the level of maintenance of nuclear facilities
- Maintain high facility availability and maximum utilization of our nuclear assets’ potential
- Obtain a renewed operating license for Dukovany units and ensure long-term operation for the Dukovany NPP

Other Generating Facilities

- Continually improve the operational efficiency and flexibility of new and refurbished facilities
- Optimize the operations of all coal-fired facilities

Heat Sector

- Strengthen our position in the heat market in the Czech Rep. and maximize the operational efficiency and utilization of existing assets to achieve growth and new revenue
- Optimize investments through “Design-to-Cost”

Grow in the heat sector through acquisitions, primarily in Poland

Finance and Administrative

Finance

- Ensure proactive funding of development activities and maintain the Group’s financial stability (Net Debt/EBITDA ratio at 2.5–3.0)
- Optimize the capital and ownership structure of existing foreign assets

Support and Centralized Activities

- Continually improve efficiency and outperform the market in all services provided
- Continually and systematically promote segment initiative and motivation in order to increase the entire Company’s value
- Continually improve the efficiency of purchasing processes and optimize other centralized and support processes to promote growth and increased cost effectiveness

* Additional EBITDA 2020 – EBITDA in excess of business plan; NPP—Nuclear power plant

DEVELOPMENT TEAM
STRATEGIC AMBITIONS FOR 2020

Additional * EBITDA 2020: + CZK 6bn

Sales & Trading

Sales—Retail

- Expand the portfolio of innovative products and services according to customers' needs (in the generation, use, and savings of electricity and other kinds of energy) in all markets that we operate in

Sales—ESCO

- Become #1 and a natural choice for businesses, municipalities and the public sector in comprehensive energy services in the Czech Rep. and **new markets in Poland and Germany**

Trading

- Develop trading, active dispatching, and wholesale of commodities

New Energy

- Become a major European player in renewables in terms of installed capacity and profitability
- Invest in wind and solar capacities in the development stage as well as in existing capacities while maintaining the required rate of return
- Efficiently use an optimum mix of internal and external funding for acquisitions

Ambition to grow through acquisitions, primarily in Germany and in countries with a stable regulatory environment

Distribution

Czech Republic

- Build a leading position in Smart technologies
- Integrate decentralized energy in a cost-effective manner
- Optimize grid renovation and development investments and costs in order to improve the quality of our distribution service without any impact on end-use tariffs
- Increase customer satisfaction

Abroad

- Maximize CF and optimize capital and ownership structure, including divestment of selected assets

Ambition to acquire distribution/transmission assets in countries with a stable regulatory environment

Additional investments of CZK 50–60bn assumed in 2016–2020:

* Additional EBITDA 2020 – EBITDA in excess of business plan

EXTENDED OUTAGES IN NUCLEAR PLANTS RELATE TO WELD CHECKS AND LICENCE RENEWAL

Some documentation of X-Ray images of welds was found to be of low quality in both Dukovany and Temelin power plants in 2015. Low-quality images were subject to new imagining. Subsequently CEZ adopted several measures including strengthening internal controls, boosting internal capacities and increasing role of ČEZ subsidiaries for selected tests.

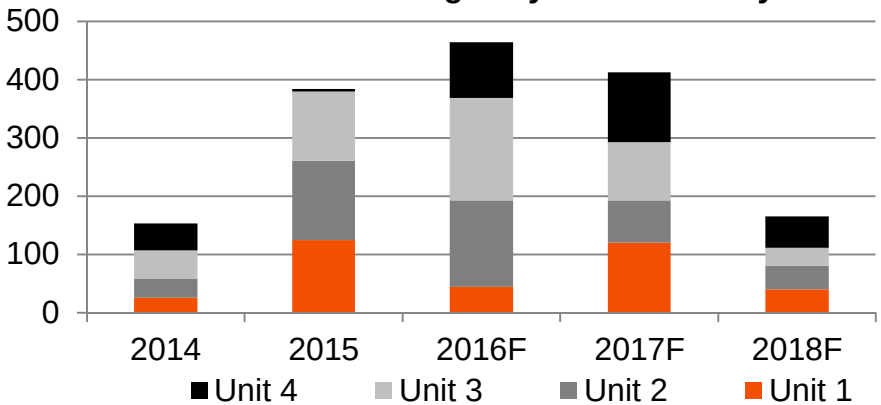
Dukovany

- Deficiencies found at Unit 1 were remedied and the unit received a new license in March 2016. The license validity is not limited in time, but includes a set of conditions.
- Urgent deficiencies on Units 2, 3, 4 were remedied during H1 2016. Follow-up work will continue during H2 2016 and in 2017.
- In July 2016, ČEZ applied for extension of the existing Unit 2 license until July 10, 2017 to State Office for Nuclear Safety. The extension was granted.

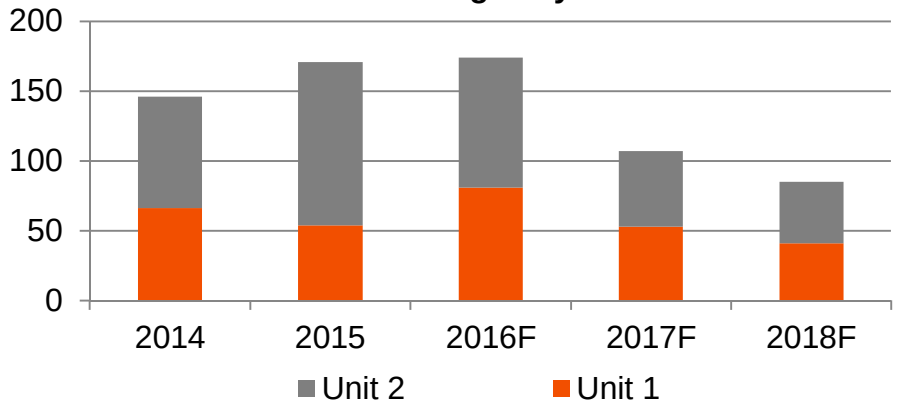
Temelín

- Inspection of welds will be done during outages in 2016 and 2017. Unlike in Dukovany, some inspections can be carried out during unit's operation.

Total number of outage days for Dukovany



Total number of outage days for Temelin



 Source: CEZ reporting under REMIT (Regulation on wholesale energy market integrity and transparency)

REFURBISHMENT OF LIGNITE PLANT PRUNEROV HAS BEEN COMPLETED

Comprehensive refurbishment of Prunéřov

- Three generating units were accepted for service on June 10, June 30, and July 15, 2016
- Capacity **3x250 MWe** (previously 3x210 MW)
- **Over 40 %** efficiency in combination with heat generation
- Fuel consumption reduced by **18 %** compared to existing units
- Improving all emission parameters by average of 60%
- Expected operating life 25 years

New supercritical unit Ledvice

- Unit commissioning and adjustment continues
- Completion expected in 2017 after complications with boiler slag extraction are resolved
- Capacity **660 MWe**
- **42.5 %** efficiency
- Fuel consumption reduced by **27 %** compared to existing Ledvice units
- Expected operating life 40 years

CEZ GROUP ACQUIRED A STAKE IN GERMAN COMPANY TADO, THE EUROPEAN LEADER IN SMART THERMOSTAT SALES

Smart thermostats tado° can save up to 31% of heating and air-conditioning costs

- A smart thermostat controls temperature in a building as economically as possible, based on users' behavior and weather forecasts
- The thermostat monitors boiler operation and sends a notification if an inspection is needed including appropriate service engineers' contact and information on their availability
- Easy to control using a mobile app

CEZ Group acquired a minority stake, including a representation on the company's board of directors.

ČEZ STARTED TO OFFER TURN-KEY ROOFTOP PHOTOVOLTAICS INSTALLATION

- Customers are highly interested in installing photovoltaic systems on the roofs of their houses
- ČEZ Solární of **ČEZ ESCO** has prepared an offer for **1,200 customers**, both **residential and corporate**

- **as much as 50** rooftop photovoltaic systems by ČEZ **have been generating electricity**
- An additional **100** systems will be installed **by the end of 2016**
- ČEZ has also connected the first **sonnen battery system** in the Czech Rep.
- Photovoltaic installations, including battery systems, are delivered as **turnkey solutions** from design documents to monitoring and regular inspections
- Execution starts within **21 days** of the date of contract and usually takes **2–3 days**
- Help with obtaining financing or subsidies

SELECTED EVENTS OUTSIDE CZECH REPUBLIC

Bulgaria

- On July 12, 2016, CEZ Group formally filed an arbitration action against the Republic of Bulgaria with the International Centre for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration for the non-protection of its investment under the Energy Charter Treaty.

Poland

- July 16, 2016 was the date of effect of a renewable energy investment act, which specifies additional requirements for the construction of wind parks, including a greater distance from inhabited areas, and generally indicates the Polish government's intention to restrict or change support for wind turbines and renewable energy sources.
- This effectively postponed the first expected auctions; the law also poses a threat to the implementation of wind park projects throughout Poland, incl. CEZ Group's projects developed by Eco-Wind.

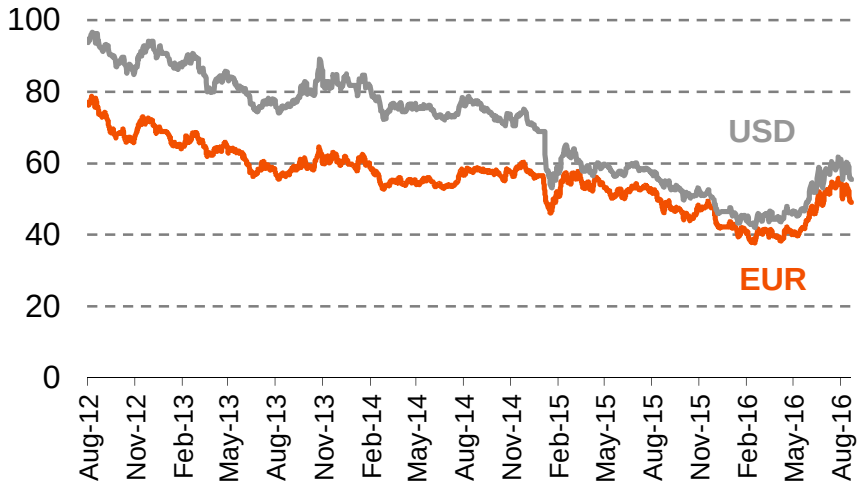
Romania

- The formal notification process for the Fântânele Vest and Cogealac wind farms was completed in early June 2016. The European Commission (DG Competition Council) approved the individual notifications for the wind parks in its decision. ČEZ wind parks continue to be entitled to participate in the RES support system in Romania.

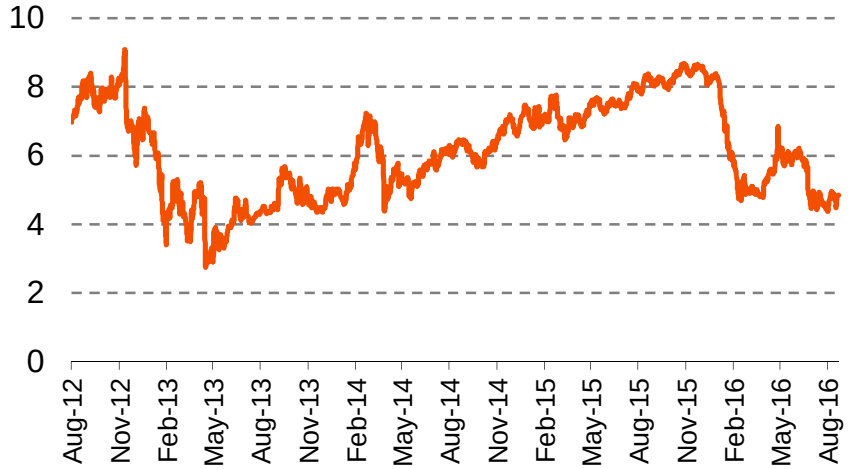
AGENDA

HISTORICAL DEVELOPMENT OF PRICES OF INPUT COMMODITIES

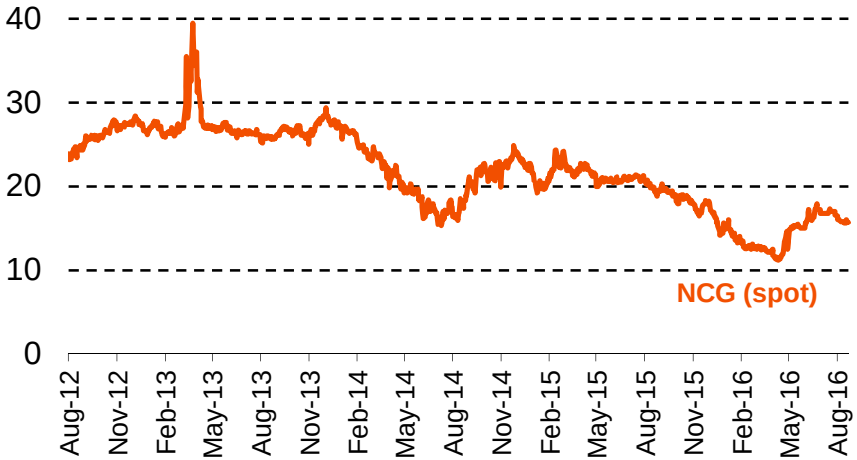
Coal (t)



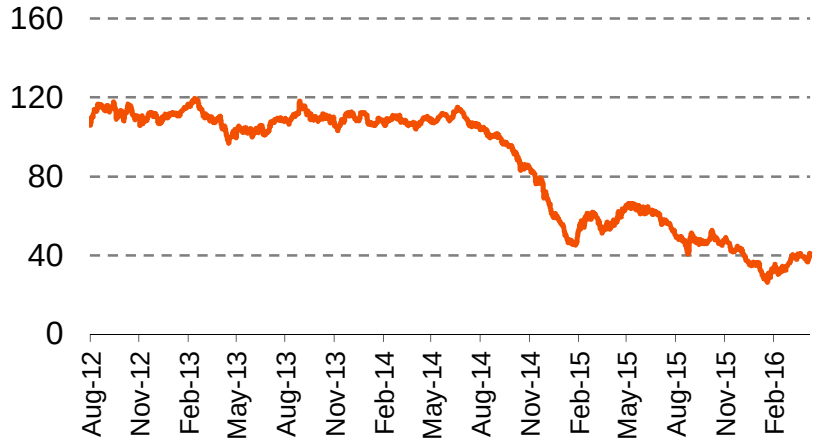
CO_2 allowances (EUR/t)



Gas (EUR/MWh, in Germany)

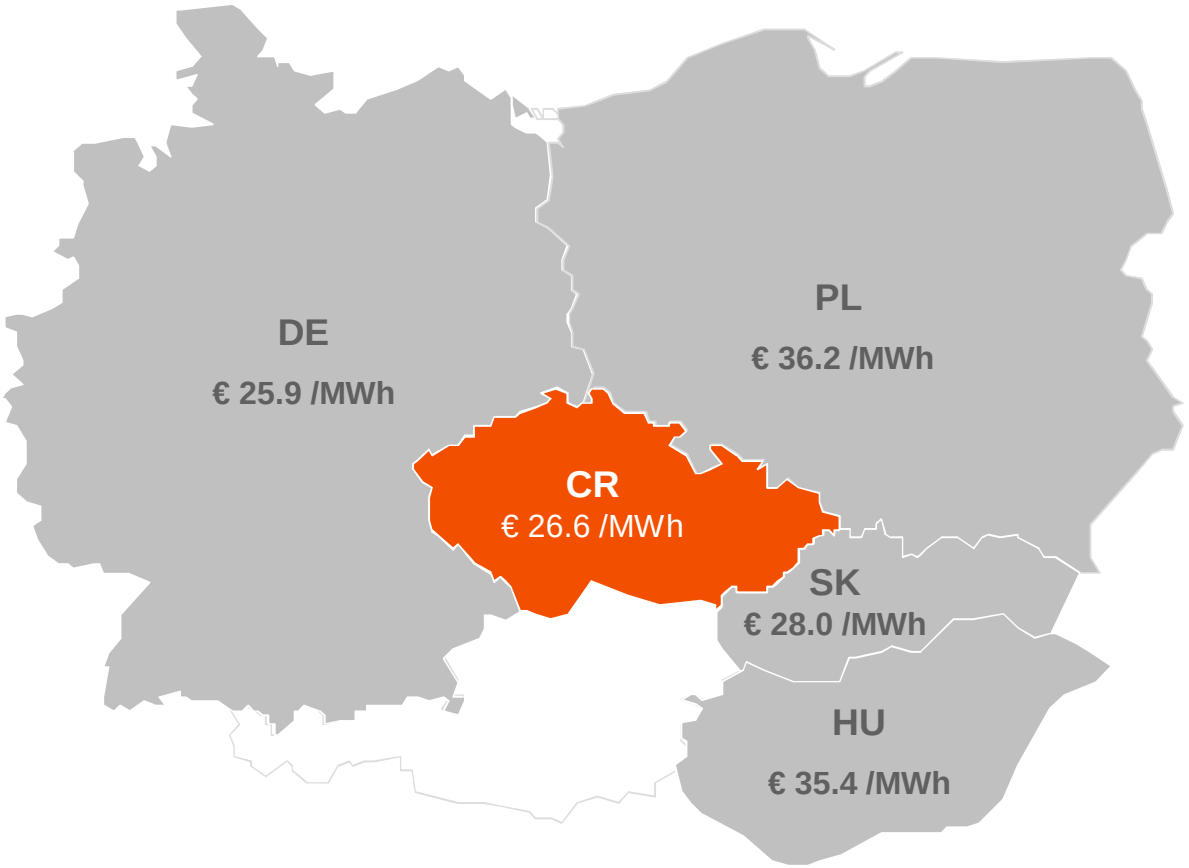


Oil Brent (USD/bl)



Note: next month deliveries, spot, CO2 – Mid March delivery

ELECTRICITY MARKETS IN THE REGION ARE INTEGRATED, CEZ CAN SELL ITS POWER ABROAD

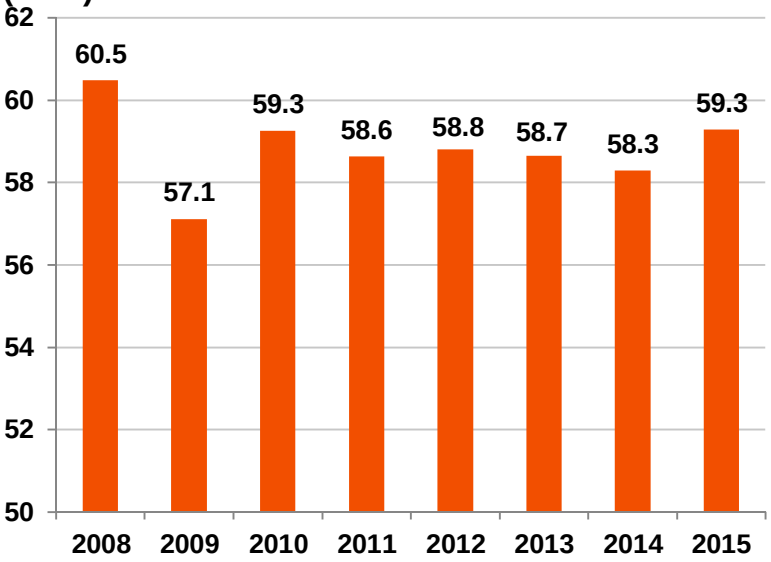


Note: Prices for baseload 2017 as of Aug 25, 2016

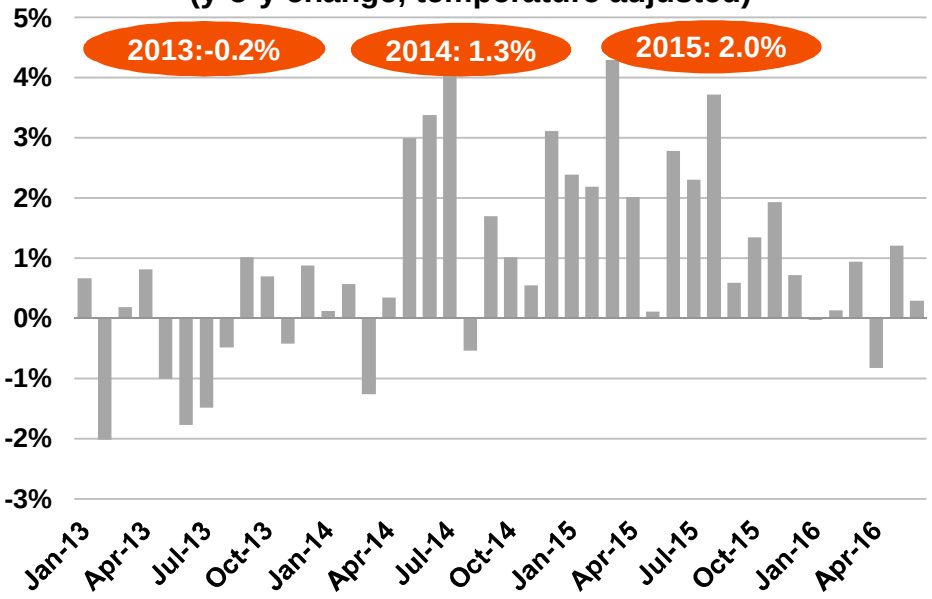
Source: EEX, PXE

TEMPERATURE AND CALENDAR ADJUSTED ELECTRICITY DEMAND GREW BY 2% IN 2015

Net electricity consumption in the Czech Republic (TWh)



Monthly development in Czech electricity consumption (y-o-y change, temperature adjusted)*



- **Temperature adjusted electricity consumption** in the Czech Republic grew **by 0.3% in H1 2016**
- **Unadjusted consumption** in the Czech Republic grew by 1.8% **in H1 2016**, of which:
  - +1.6 % large industrial companies
  - +1.5 % households
  - +2.5 % small businesses

 Source: CEZ, ERU * Adjusted as per CEZ model;

CZECH GOVERNMENT APPROVED ENERGY POLICY AND NUCLEAR ACTION PLAN IN 2015

Goals of State Energy Policy

- **Preservation of** the existing **full independence** in heat and electricity supply but without any major exports of generated energy
- Achieving **diversification through the development of nuclear energy**, need for new nuclear units now anticipated only in 2035 (2025 previously)
- **In October 2015 MIT cancelled a territorial mining limits for Severočeské Doly:** lifetime of Bílina mine therefore extended from 2035 to 2050-55, reserves beyond the limits are estimated at 100 – 150 m tons of coal

The National Action Plan for Nuclear Energy

- **Creation of a special company (SPV)** that will acquire all relevant assets for the construction of nuclear units at both existing sites
- **Initiation of preparations for EPC contractor selection** in accordance with the selected business model
- **Negotiations with the European Commission** on the contractor selection method, method of financing and ensuring economic return
- **Continued preparation of the 2-unit project variants at both Temelín and Dukovany sites** with anticipated construction of 1 unit and possible expansion to 2 units at either location. The number of units and the order of the sites is to be decided on later.
- Re-evaluating, at the latest before the building permit is issued, whether there is still a need for the construction of a new nuclear facility and whether or not the market situation has stabilized to allow commercial construction, i.e. with no need for government guarantees

CZECH GOVERNMENT APPROVED ADJUSTMENT OF BROWN COAL MINING LIMITS AT THE BÍLINA MINE (SEVEROČESKÉ DOLY)

Lifting the limits means that Severočeské doly will be able to extract another 100–150 million tons of coal

- The Czech government's resolution sets mining limits to 500m away from municipal built-up areas. This condition will reduce the theoretical volume of coal workable by open-pit mining by no more than 20 million tons.
- Coal from the Bílina mine will be used preferably in heat generation (already over 70% of the coal is used in heating and CHP plants today), with the remaining part of coal supplied to the new 660MW Ledvice Power Plant due to its quality (low calorific value).

What will follow now:

- by 2016: Preparing a mining study, opinions, and other technical documents in order to assess mining feasibility under the condition of 500m distance from villages and verify the amount of recoverable reserves
- by 2018: EIA process—notice of intent to prepare documentation, assessment, and MoE opinion on Phase 1
- by 2019: application for a Mining License for Phase 1

EUROPEAN UNION IS PROGRESSING WITH REFORM OF ITS EMISSION TRADING SCHEME

Market Stability Reserve has been approved

- Basic parameters were agreed by “Trialogue” in May 2015, European Parliament approved the reserve in July 2015, European Council adopted the decision on the creation of a MSR in September 2015
- MSR will be launched on January 1, 2019
- 900 million backloaded emission allowances will be transferred directly to the reserve
- Unutilized emission allowances for new sources (approx. 500–700 million EUA*) will be transferred directly to the reserve
- In the context of solidarity among member states, the mechanism for transferring allowances to the reserve will be adjusted to provide more proceeds from auctions to states with GDP per capita under 60% of the EU average
- Up to 50 million allowances will be set aside and transferred into the fund for the support and promotion of industrial innovation

In July 2015 European Commission presented draft of EU ETS directive

- Annual reduction factor for the amount of emission allowances issued increased from 1.7% to 2.2%
- Allocation period will last 10 years, with all emission allowances having unlimited validity
- Broader range of tools for power sector and industry modernization in less developed countries (derogation, modernization fund, innovation fund)
- Czech Republic is eligible for derogation, it can allocate up to 40% of allowances to electricity producers for free
- Committees of European Parliament and Environmental Council expected to discuss the proposal in autumn 2016, trilogue could start in 2017

MSR = Market stability reserve

* based on estimation of prices and volumes by selected analysts

OVERVIEW OF REGULATION OF DISTRIBUTION NETWORKS

	Czech Republic 2016	Bulgaria Jul 1, 2016	Romania 2016
RAB (local currency m)	88,655	543	2,384
RAB (€ m)	3,280	277	532.2
WACC pre-tax	7.951% (nominal)	7.04% (nominal)	7.7% (real)
Regulatory period	2016 - 2018	2015 - 2018	2014 - 2018

CZK/EUR = 27.025 BGN/EUR = 1.96, RON/EUR = 4.48

CZECH REPUBLIC: ELECTRICITY DISTRIBUTION - OVERVIEW OF REGULATORY FRAMEWORK

Regulatory Framework

- Regulated by ERU (Energy Regulatory Office, www.eru.cz)
- The main components of regulatory formula for distribution
  - Revenue cap = Operating expenses + Depreciation + Regulatory return on RAB - Other revenues corrections +/- Quality factor + Market factor
  - RAB adjusted annually to reflect net investments
  - Regulatory rate of return (WACC nominal, pre-tax) – 7.951% for 2016-2018
  - Operating costs are indexed to CPI + 1% (30% weight) and market services price index (70% weight). They are also adjusted by efficiency factor of 1.01%/year starting in 2016

Regulatory period

- 4th regulatory period started as of January 1, 2016, 3 years period (2016 – 2018)

The main principles are very similar to the rules of the third regulatory period with the exception of WACC. Main impacts: - lowering allowed costs;

- pressure on quality and security of electricity distribution;
- increased motivation to renew and develop the networks.

Unbundling & Liberalization

- Since January 1, 2006 all customers can choose their electricity supplier, market is 100% liberalized
- There is no regulation of end-user prices of electricity

The 4th regulatory period is transitional period because ERU intends to process revaluation of assets and use the new values for 5th regulatory period.

BULGARIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION

Regulatory Framework

- Regulated by EWRC (Energy and Water Regulatory Commission)
- The regulatory formula for distribution
  - Revenue cap = Costs + Regulatory return on RAB + Depreciation
  - Regulatory rate of return (WACC nominal, pre-tax) at 7.04 % for 4th regulatory period
  - Average values set for the NBV, depreciation and investments for the whole period
  - RAB set at EUR 277.4m for the 4th regulatory period
  - Technological losses in 4th regulatory period set by regulator at 8%
  - Efficiency factor introduced in the 2nd regulatory period, not applied in the 4th regulatory period, yet. EWRC may apply it later.

Regulatory periods

- 3rd regulatory period August 1, 2013 – July 31, 2015
- 4th regulatory period August 1, 2015 – June 30, 2018

Unbundling & Liberalization

- Unbundling successfully completed by December 31, 2006
- Since July 2007, all consumers have the right to become eligible but the effective market degree of liberalized market was approximately 45% at the end of 2014.
- Currently the last phase of liberalization focused on the low voltage customers is in process.

ROMANIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION

Regulatory Framework

- Regulated by ANRE (Autoritatea Nationala de Reglementare in domeniul Energiei)
- Price cap (tariff basket) methodology
- Revenue = Controllable OPEX + non-controllable OPEX + Depreciation + Purchase of losses + Regulatory return on RAB + Working capital - Revenues from reactive energy - 50% gross profit from other activities
- Efficiency factor of 1.5% applied only to controllable OPEX
- Losses (technical + commercial) reduction program agreed with ANRE on voltage levels
- S (minimum quality) from 2014 in formula, but not yet applied
- Possibility for annual corrections
- Investment plan – approved by ANRE before regulatory period starts
- Regulatory return (WACC pre-tax real terms) equals to 7.7% starting 2015, it can be revised by ANRE during regulatory period
- Working capital is equal to regulated remuneration of 1/12 from total OPEX
- Distribution tariff growth capped in real terms at 10% yearly on voltage levels and at 7% yearly for average weighted distribution tariff in the third regulatory period

Regulatory periods

- 3rd regulatory period Jan 1, 2014 – Dec 31, 2018

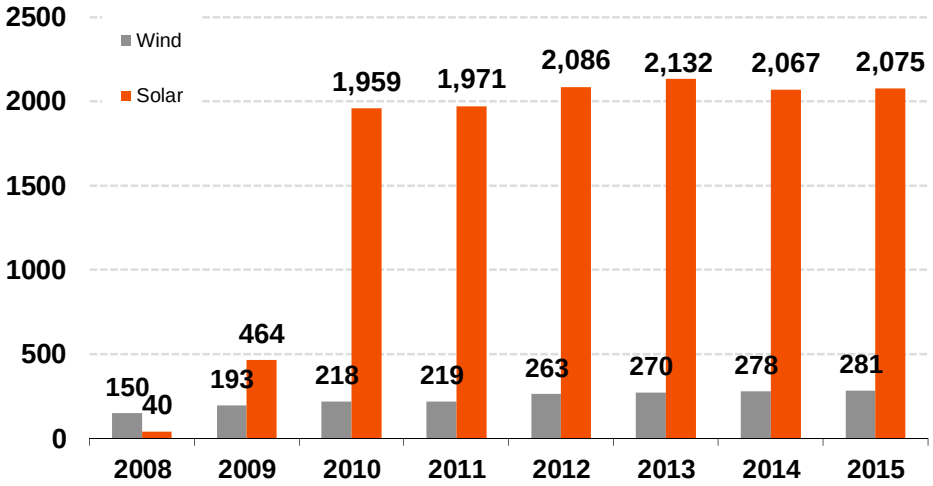
Liberalization

- Complete removal of regulated prices for industrial consumers by end 2013, for residential consumers by end 2017
- Starting January 2014, non-residential customers that benefit of Universal Service (US) are priced with 100% CPC tariff (free market component, endorsed by ANRE). The non-residential customers supplied on LRS regime are priced with CPC tariff +x%, depending on voltage level.
- Starting July 2013, the final price for the captive householders is formed of regulated tariff and a competitive market component (CPC). The percentage of regulated tariff decreases , and the CPC tariff percentage increases according to the Market Opening Calendar

CZECH REPUBLIC: RENEWABLES SUPPORT

2016 feed-in - tariffs	Plants commissioned in 2010	Plants commissioned in 2015
Solar <5 kW	482	0
5 kW< Solar <30 kW	482	0
Solar >30 kW	478	0
Wind	92.5	74.0

Installed capacity of wind and solar power plants in the Czech Republic (MWe)



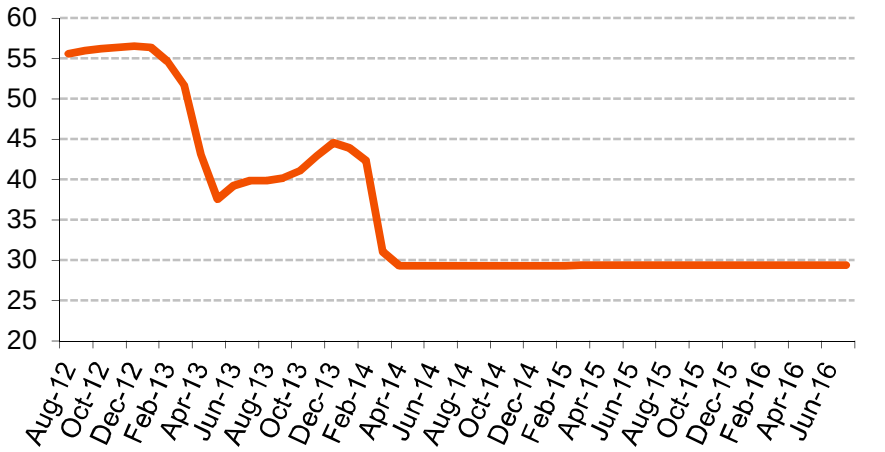
- Operators of renewable energy sources can choose from 2 options of support:
  - Feed-in tariffs (electricity purchased by distributor)
  - Green bonuses (electricity sold on the market, bonuses paid by distributor, level of green bonuses is derived from feed-in tariffs)
- Feed-in tariffs are set by a regulator to ensure 15-year payback period. During operation of a power plant they are increased each year by PPI index or by 2% at minimum and 4% at maximum.
- Support is provided for 20 years to solar, wind, pure biomass and biogas plants and for 30 years to hydro.
- Solar plants commissioned in 2014 or later do not receive support
- Solar plants put into operations in 2010 with capacity over 30kWp are obliged to pay 10% tax of revenues.

Source: Energy regulatory office (www.eru.cz), CZK/EUR=27.533

ROMANIA: RENEWABLES SUPPORT

- Two green certificates (GC) obtained by the producer for each MWh supplied from wind to the network until 2017, one GC from 2018 onwards, duration of support – 15 years. In July 2013 Romanian government has approved an emergency decree which defers trading of second green certificate for wind farm producers until 1 Jan 2018.
- Legally set up price for green certificate is 27 to 55 EUR in 2008 – 2025
- New Law 134/2012 on renewables stipulates that existing producers over 125 MW receive GC according to normal supporting scheme for 2 years, with the obligation to individually notify to Brussels for state aid support within following 3 months after accreditation.
- Fântânele Vest (263 MW) stopped receiving GCs in November 2013 and Cogealac (253MW) since October 2014 due to delays in EC notification. **The awarding of GCs was resumed in September 2015.**

Green certificates market clearing price (EUR/certificate)



 Source: OPCOM

CEZ GROUP FINANCIAL RESULTS

(CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Revenues	104.5	98.9	-5.6	-5%
EBITDA	35.5	33.1	-2.4	-7%
EBIT	21.3	18.0	-3.3	-16%
Net income	15.4	13.8	-1.6	-10%
Net income - adjusted *	15.4	14.8	-0.7	-4%
Operating CF	28.7	25.9	-2.8	-10%
CAPEX	13.4	13.3	-0.1	-1%
Net debt **	131.1	124.4	-6.7	-5%

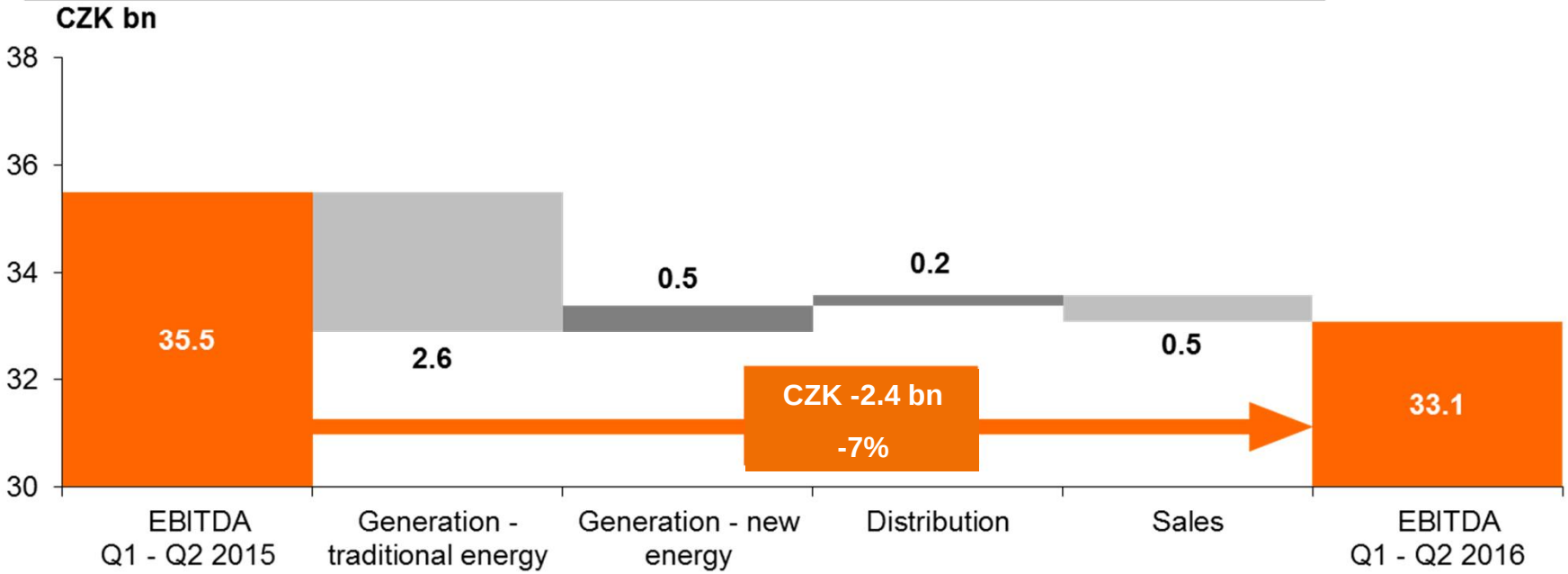
		Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Installed capacity **	GW	15.9	15.9	0.0	0%
Generation of electricity	TWh	32.2	31.8	-0.4	-1%
Electricity distribution to end customers	TWh	24.9	25.5	+0.6	+2%
Electricity sales to end customers	TWh	19.2	18.6	-0.6	-3%
Sales of natural gas to end customers	TWh	3.8	4.2	+0.4	+9%
Sales of heat	000´TJ	13.1	13.4	+0.4	+3%
Number of employees **	000´s	25.8	26.1	+0.3	+1%

*Adjusted net income = Net income adjusted for selected effects that are generally unrelated to ordinary financial performance in a given year, especially fixed asset impairments. To standardize indicators, the definition of Adjusted Net Income was refined (see the Annex) and the value reported for the past period was restated accordingly

** As at the last day of the period; the definition and method of calculation of the Net Debt indicator is included in the Annex

Due to precise mathematical rounding, the sum of partial values listed can sometimes differ from the total value.

YEAR-ON-YEAR CHANGE IN EBITDA BY SEGMENT



Generation traditional energy (CZK -2.6bn)

- Lower realization prices of generated electricity and effect of prices on the revaluation of commodity derivatives (CZK -3.2bn)
- Higher income from proprietary trading (CZK +0.8bn)

Generation new energy (CZK +0.5bn)

- Resumed allocation of green certificates for Fântânele Vest and Cogealac wind farms since September 2015 (CZK +0.7bn)

Distribution (CZK +0.2bn)

- Czech Republic (CZK +0.4bn) primarily by better volumes
- Romania (CZK -0.4bn) primarily due to its lower price and slightly lower amount
- Bulgaria (CZK +0.1bn)

Sales (CZK + 0.5bn)

- Payment of SŽDC liabilities from 2010 to ČEZ Prodej based on a court decision in 2015 (CZK -1.1bn)
- Better margins of ČEZ Prodej CZK +0.4bn)

Due to precise mathematical rounding, the sum of partial values listed can sometimes differ from the total value.

OTHER INCOME (EXPENSES)

(CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
EBITDA	35.5	33.1	-2.4	-7%
Depreciation, amortization and impairments*	**-14.2**	**-15.1**	**-0.9**	**-6%**
Other income (expenses)	**-2.1**	**-0.9**	**+1.2**	**+58%**
Interest income (expenses)	-1.4	-0.9	+0.4	+32%
Interest on nuclear and other provisions	-0.8	-0.7	+0.1	+12%
Income (expenses) from investments and securities	0.1	0.7	+0.6	>200%
Other	0.0	0.1	+0.1	-
Income taxes	**-3.8**	**-3.3**	**+0.5**	**+12%**
Net income	15.4	13.8	-1.6	-10%
Net income - adjusted	**15.4**	**14.8**	**-0.7**	**-4%**

Other income (expenses) (CZK +1.2bn)

- Primarily a positive effect of changes in the USD/TRY exchange rate on the financial results of companies in Turkey (CZK +1.0bn)
- Positive effect of decreased volume of debt on interest expenses (CZK +0.4bn)

Depreciation, amortization and impairments* (CZK -0.9bn)

- Additions to fixed asset impairments in Romania

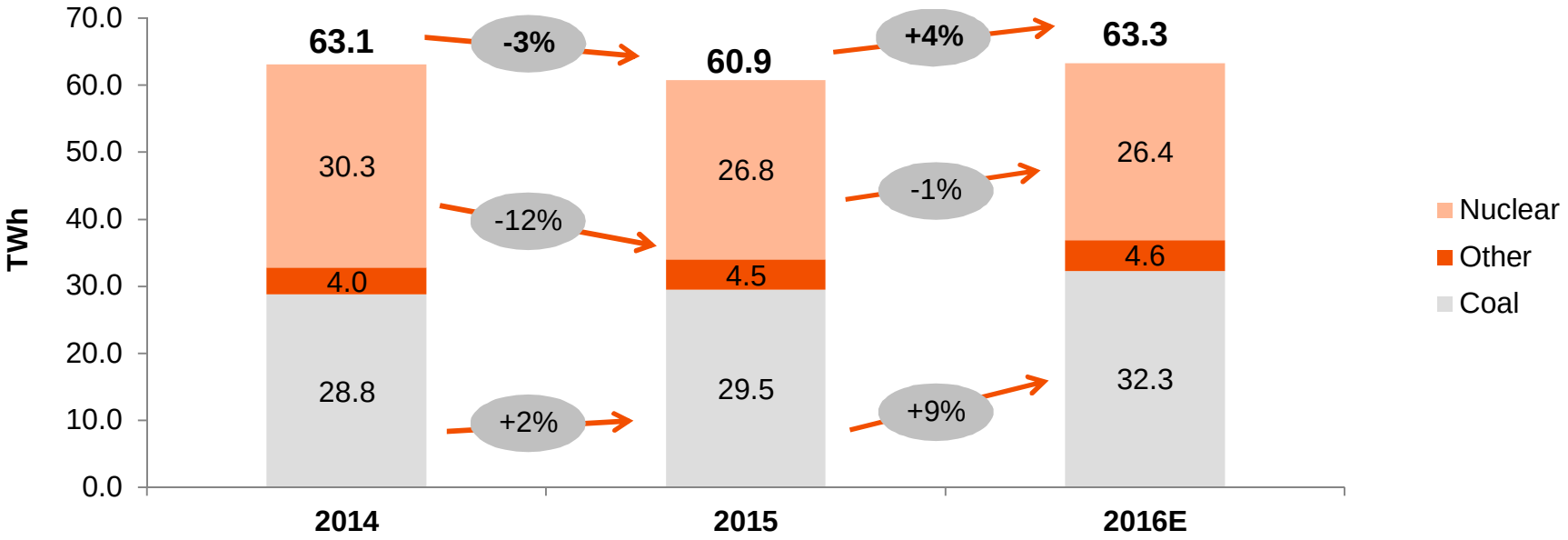
Net income adjustment ****

- *H1 2016 net income adjusted for the negative effect of fixed asset impairments (CZK +1.0bn)*

* Including profit/loss from sales of fixed assets

** To standardize indicators, the definition of Adjusted Net Income was refined (see the Annex) and the value reported for the past period was restated accordingly

2015 GENERATION VOLUMES AFFECTED BY SHUTDOWNS IN NUCLEAR PLANTS, IN 2016 IMPROVEMENT IN COAL GENERATION EXPECTED



2015 volume trends

- Extended planned outages and unscheduled outages at Temelín NPP
- Unscheduled outages for weld inspections at Dukovany NPP

2016 volume trends

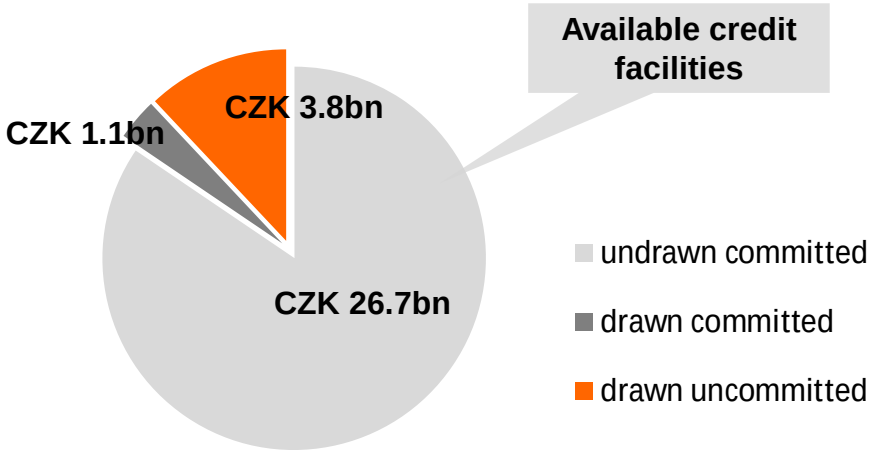
- Expanded scope of weld inspections in Dukovany nuclear power plant
- Expanded scope of weld inspections in Temelin

\+ Contribution from upgraded Prunerov and new Ledvice lignite plants

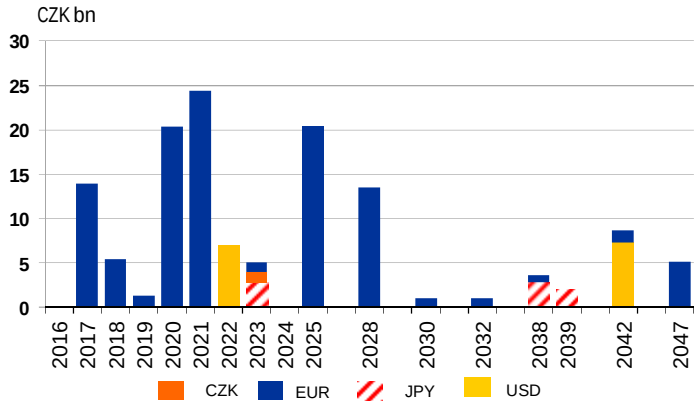
Due to precise mathematical rounding, the sum of partial values can sometimes differ from the total value.

CEZ GROUP MAINTAINS A STRONG POSITION OF LIQUIDITY

Utilization of Short-Term Lines (as at June 30, 2016)



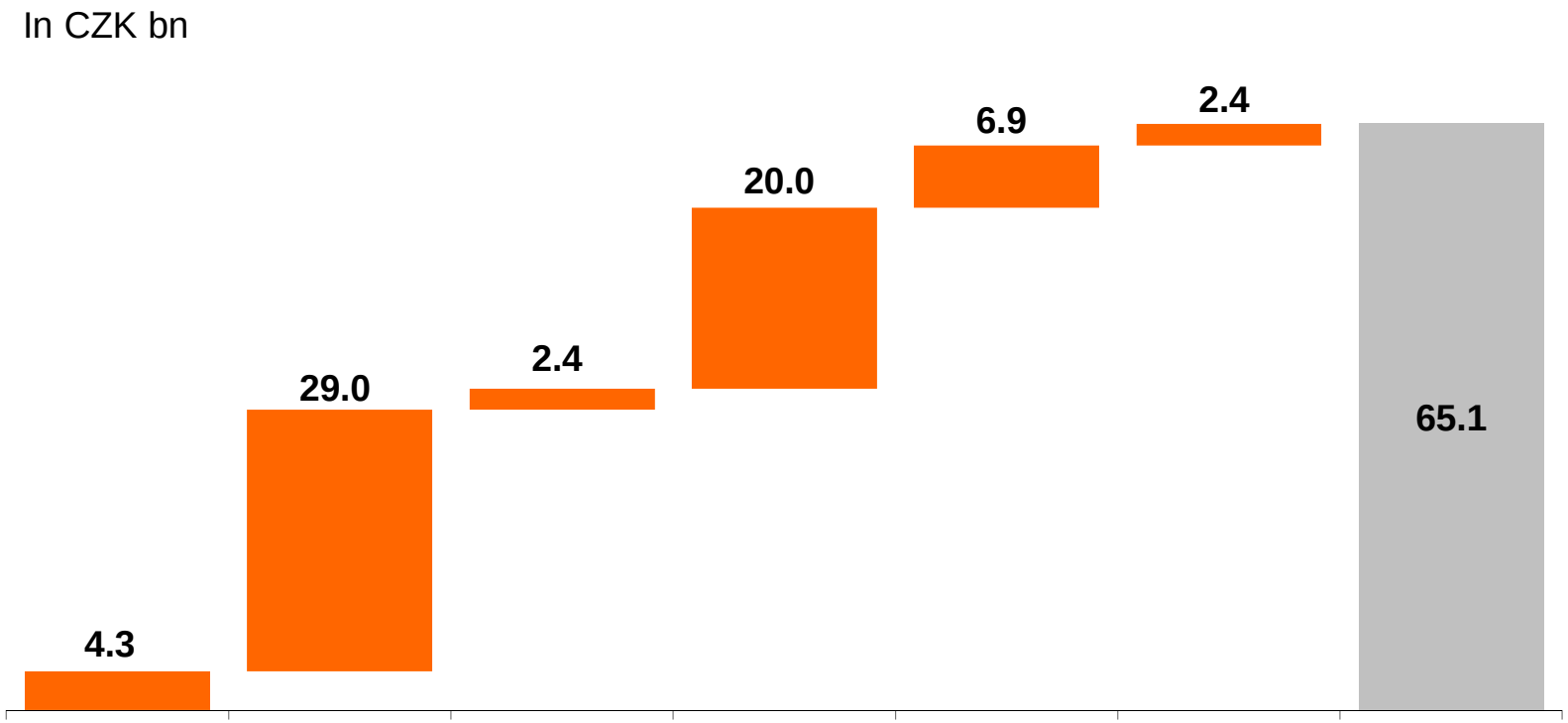
Bond Maturity Profile (as at June 30, 2016)



- CEZ Group has access to CZK 27.8bn in committed credit facilities, using just CZK 1.1bn as at June 30, 2016.
- The payment of dividends for 2015 (CZK 21.4bn) began on August 1, 2016.
- Committed facilities are kept as a back-up for covering unexpected needs.

- The 23rd Eurobond issue (EUR 339.8m) was duly paid off on May 27, 2016.
- The second bond issue in the amount of EUR 130m, maturing in October 2016, was issued under the domestic bond program in July 2016.

SEGMENTAL CONTRIBUTIONS TO EBITDA IN 2015

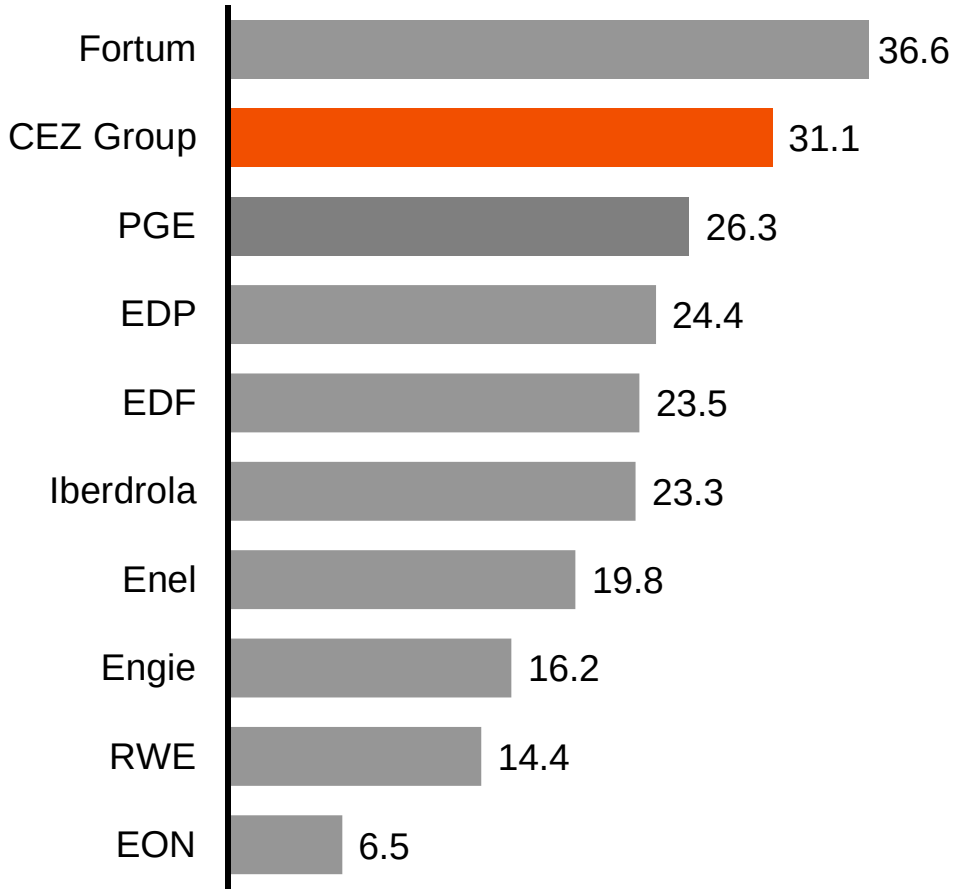


*including eliminations

CEZ GROUP IS ONE OF THE MOST PROFITABLE EUROPEAN UTILITIES

EBITDA* margin, 2015

Percent



Source: company data, * EBITDA as reported by companies

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

CZK

Profit and loss

CZK bn	2010	2011	2012	2013	2014	2015
Revenues	198.8	209.8	215.1	217.0	201.8	210.2
Sales of electricity	175.3	181.8	186.8	189.4	173.8	182.1
Heat sales and other revenues	23.6	28.0	28.3	27.6	27.9	28.1
Operating Expenses	110.0	122.4	129.3	135.0	129.3	145.1
Purchased power and related services	54.4	65.9	71.7	79.0	75.8	90.9
Fuel	16.9	17.1	15.8	13.8	12.7	13.1
Salaries and wages	18.7	18.1	18.7	18.7	18.9	17.8
Other	20.0	21.3	23.1	23.5	21.9	23.4
EBITDA	**88.8**	**87.4**	**85.8**	**82.0**	**72.5**	**65.1**
EBITDA margin	*45%*	*42%*	*40%*	*38%*	*36%*	*31%*
Depreciation, amortization, impairments	26.9	26.2	28.9	36.4	35.7	36.3
EBIT	**62.0**	**61.3**	**57.1**	**45.7**	**36.9**	**29.0**
EBIT margin	*31%*	*29%*	*27%*	*21%*	*18%*	*14%*
Net Income	**46.9**	**40.8**	**40.2**	**35.2**	**22.4**	**20.5**
Net income margin	*24%*	*19%*	*19%*	*16%*	*11%*	*10%*
Adjusted net income	**49.8**	**41.2**	**41.3**	**38.2**	**29.5**	**27.7**
Adjusted net income margin	*25%*	*20%*	*19%*	*18%*	*15%*	*13%*

Balance sheet

CZK bn	2010	2011	2012	2013	2014	2015
Non current assets	448.3	467.3	494.9	485.9	497.5	493.1
Current assets	96.1	131.0	141.2	154.5	130.4	109.6
- out of that cash and cash equivalents	22.2	22.1	18.0	25.0	20.1	13.5
Total Assets	**544.4**	**598.3**	**636.1**	**640.4**	**627.9**	**602.7**
Shareholders equity (excl. minority. int.)	221.4	226.8	250.2	258.1	261.3	267.9
Return on equity	*22%*	*18%*	*17%*	*14%*	*9%*	*8%*
Interest bearing debt	158.5	182.0	192.9	199.0	184.1	157.5
Other liabilities	164.4	189.4	192.9	183.3	182.4	177.3
Total liabilities	**544.4**	**598.3**	**636.1**	**640.4**	**627.9**	**602.7**

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

EUR

Profit and loss

EUR m	2010	2011	2012	2013	2014	2015
Revenues	7 297	7 698	7 893	7 963	7 404	7 713
Sales of electricity	6 432	6 671	6 855	6 949	6 379	6 683
Heat sales and other revenues	865	1 026	1 038	1 014	1 025	1 030
Operating Expenses	4 038	4 492	4 744	4 954	4 743	5 325
Purchased power and related services	1 995	2 417	2 630	2 900	2 781	3 336
Fuel	622	629	581	507	466	479
Salaries and wages	687	664	686	686	692	652
Other	735	782	847	861	805	858
EBITDA	**3 259**	**3 206**	**3 149**	**3 009**	**2 660**	**2 388**
EBITDA margin	*45%*	*42%*	*40%*	*38%*	*36%*	*31%*
Depreciaiton	988	963	1 060	1 335	1 311	1 332
EBIT	**2 274**	**2 248**	**2 095**	**1 677**	**1 356**	**1 063**
EBIT margin	*31%*	*29%*	*27%*	*21%*	*18%*	*14%*
Net Income	**1 723**	**1 496**	**1 474**	**1 292**	**823**	**754**
Net income margin	*24%*	*19%*	*19%*	*16%*	*11%*	*10%*
Adjusted net income	**1 828**	**1 512**	**1 516**	**1 401**	**1 081**	**1 015**
Adjusted net income margin	*25%*	*20%*	*19%*	*18%*	*15%*	*13%*

Balance sheet

EUR m	2010	2011	2012	2013	2014	2015
Non current assets	16 450	17 149	18 161	17 832	18 257	18 094
Current assets	3 527	4 807	5 181	5 668	4 784	4 023
- out of that cash and cash equivalents	813	810	659	918	737	495
Total Assets	**19 977**	**21 956**	**23 342**	**23 501**	**23 041**	**22 117**
Shareholders equity (excl. minority. int.)	8 126	8 324	9 183	9 471	9 589	9 831
Return on equity	*22%*	*18%*	*17%*	*14%*	*9%*	*8%*
Interest bearing debt	5 817	6 680	7 080	7 303	6 757	5 780
Other liabilities	6 035	6 952	7 079	6 727	6 695	6 506
Total liabilities	**19 977**	**21 956**	**23 342**	**23 501**	**23 041**	**22 117**

Exchange rate used:
27.25 CZK/EUR

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