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

Investment story, August 2015

DISCLAIMER

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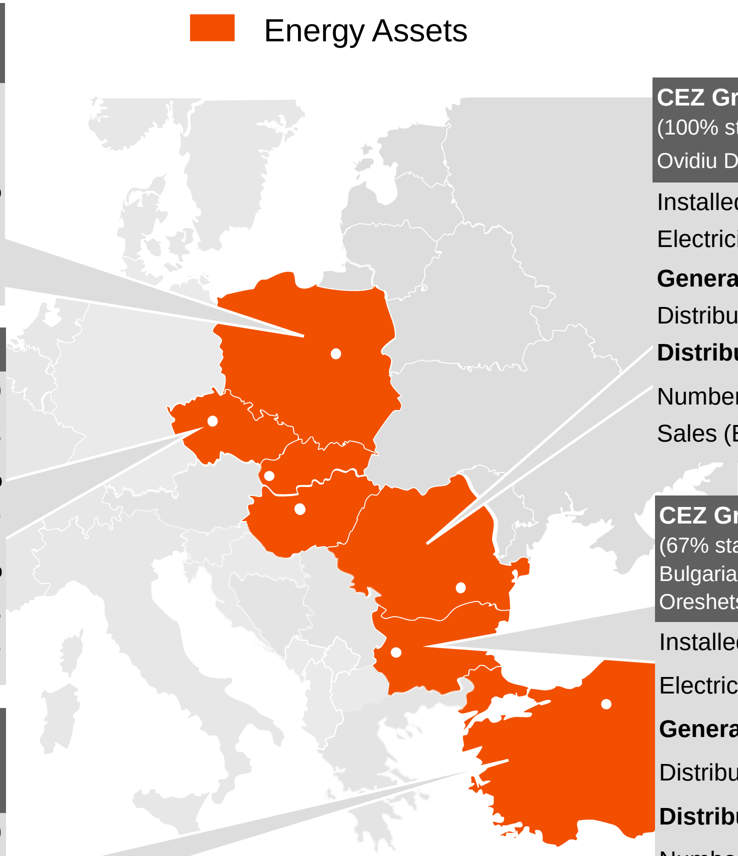
AGENDA

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

CEZ Group in Poland (100% stake in Skawina, 100% in Elcho)	
Installed capacity (MW)	681
Electricity generation, gross (TWh)	2.6
Generation market share	**1.8%**
Number of employees	396
Sales (EUR million)	156

CEZ Group in the Czech Republic	
Installed capacity (MW)	13,470
Electricity generation, gross (TWh)	58.3
Generation market share	**68%**
Distributed electricity (TWh)	32.7
Distribution market share	**57%**
Number of employees	20,503
Sales (EUR million)	5,547

CEZ Group in Turkey (50% stake in SEDAS through AkCez, 37.36% stake in Akenerji)	
Installed capacity (MW)	1,289
Electricity generation, gross (TWh)	2.7
Generation market share	**1.1%**
Distributed electricity (TWh)	8.0
Distribution market share	**3%**



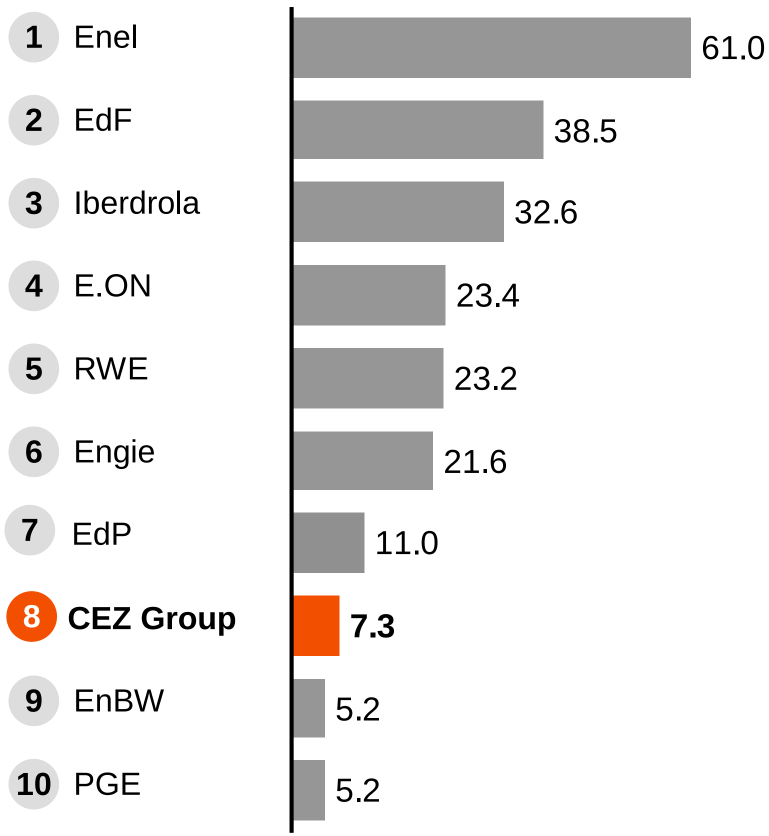
CEZ Group in Romania (100% stakes in CEZ Distributie, CEZ Vanzare, Tomis Team, Ovidiu Development, TMK Hydroenergy Power)	
Installed capacity (MW)	622
Electricity generation, gross (TWh)	1.3
Generation market share	**2.1%**
Distributed electricity (TWh)	6.3
Distribution market share	**14%**
Number of employees	1,792
Sales (EUR million)	429

CEZ Group in Bulgaria (67% stake in CEZ Razpredelenie Bulgaria, CEZ Electro Bulgaria, 100% in TPP Varna, 100% in Free Energy Project Oreshets)	
Installed capacity (MW)	1,265
Electricity generation, gross (TWh)	0.9
Generation market share	**2.3%**
Distributed electricity (TWh)	9.1
Distribution market share	**29%**
Number of employees	3,530
Sales (EUR million)	882

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

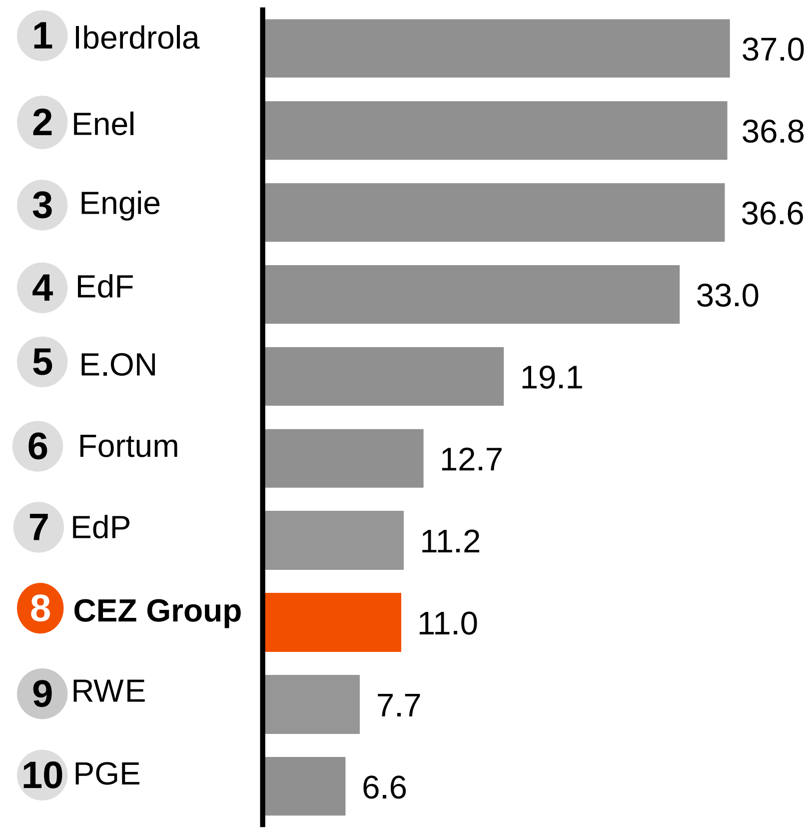
Top 10 European power utilities

Number of customers in 2014, in millions



Top 10 European power utilities

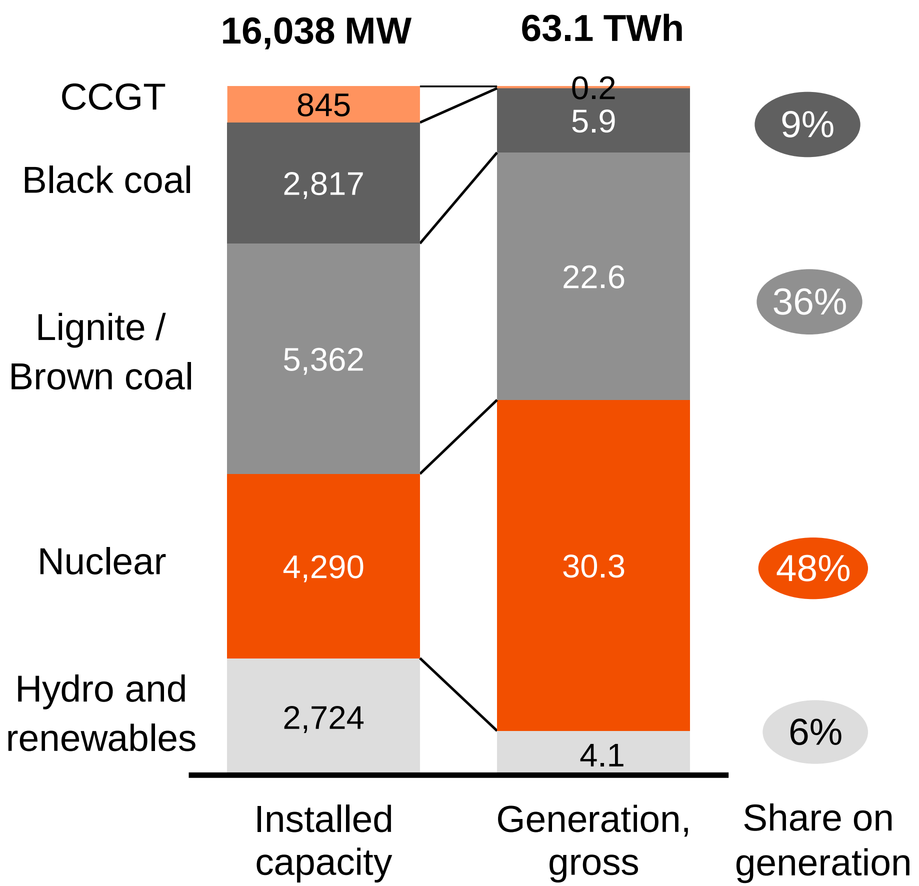
Market capitalization in EUR bn, as of September 3, 2015



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

CEZ GROUP IS BENEFITING FROM LOW COST GENERATION FLEET

Installed capacity and generation (2014)

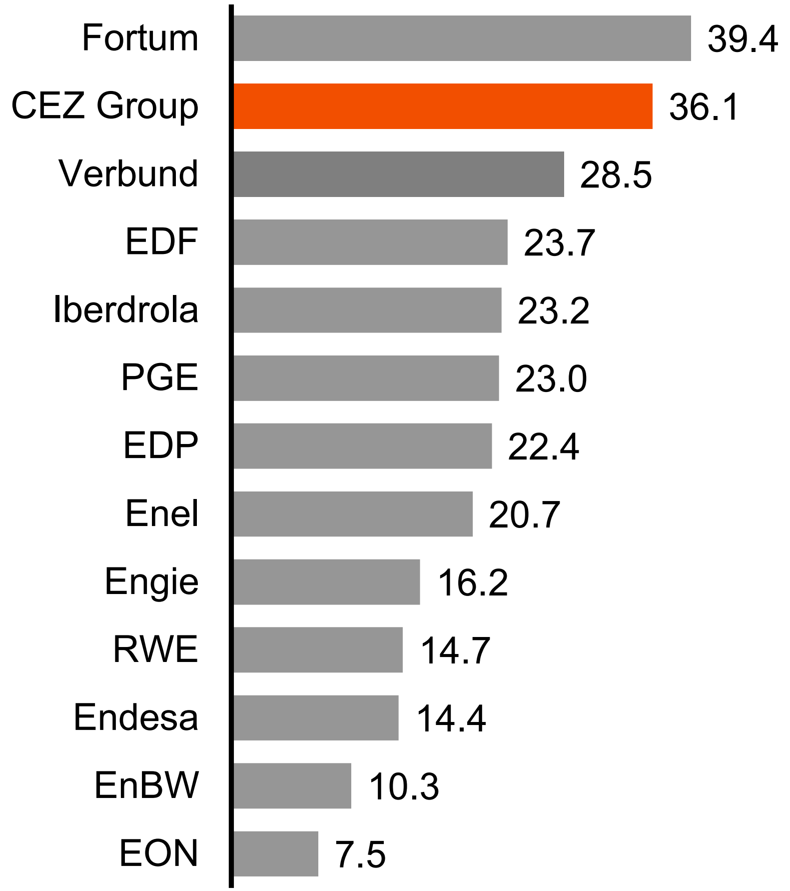


- **Coal power plants are using mostly lignite from CEZ's own mine** (71% of lignite needs sourced internally, remaining volume through long-term supply contracts)
- **Nuclear plants have very low operational costs**

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

CEZ GROUP IS ONE OF THE MOST PROFITABLE EUROPEAN UTILITIES

EBITDA* margin, 2014
Percent



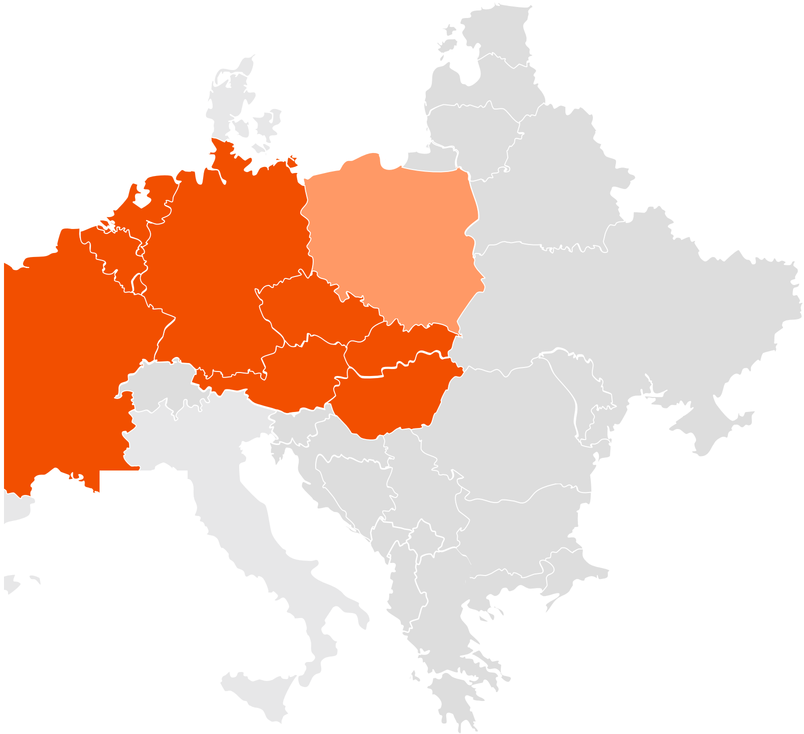
Source: company data, * EBITDA as reported by companies

AGENDA

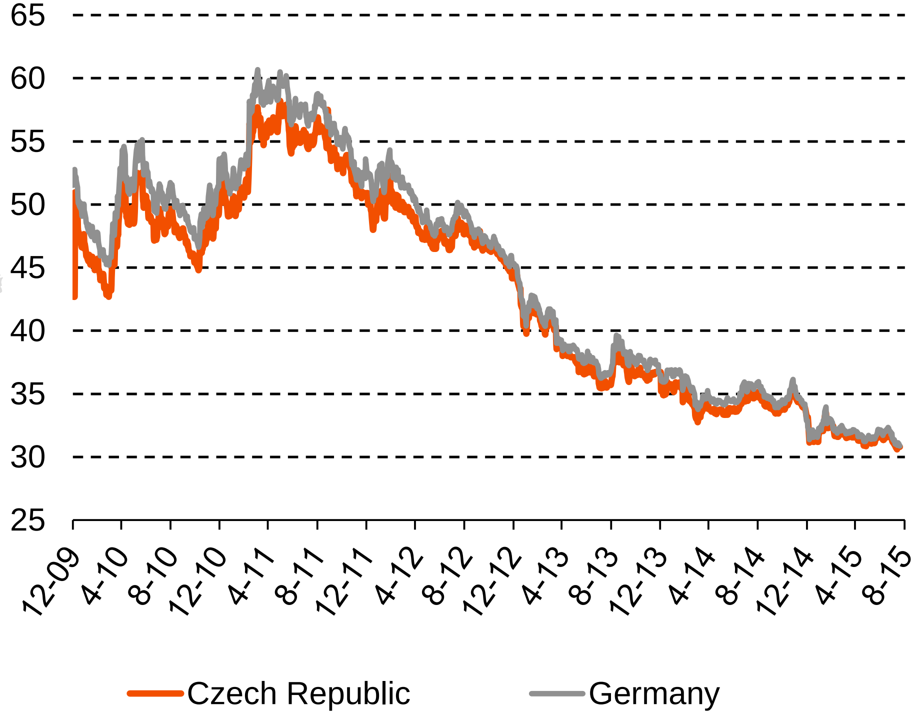
CZECH MARKET IS AN INTEGRAL PART OF WIDER EUROPEAN ELECTRICITY MARKET

- Czech power prices are fully liberalized and are driven by the same fundamentals as German market
- There are no administrative interventions from the side of the government

European electricity market

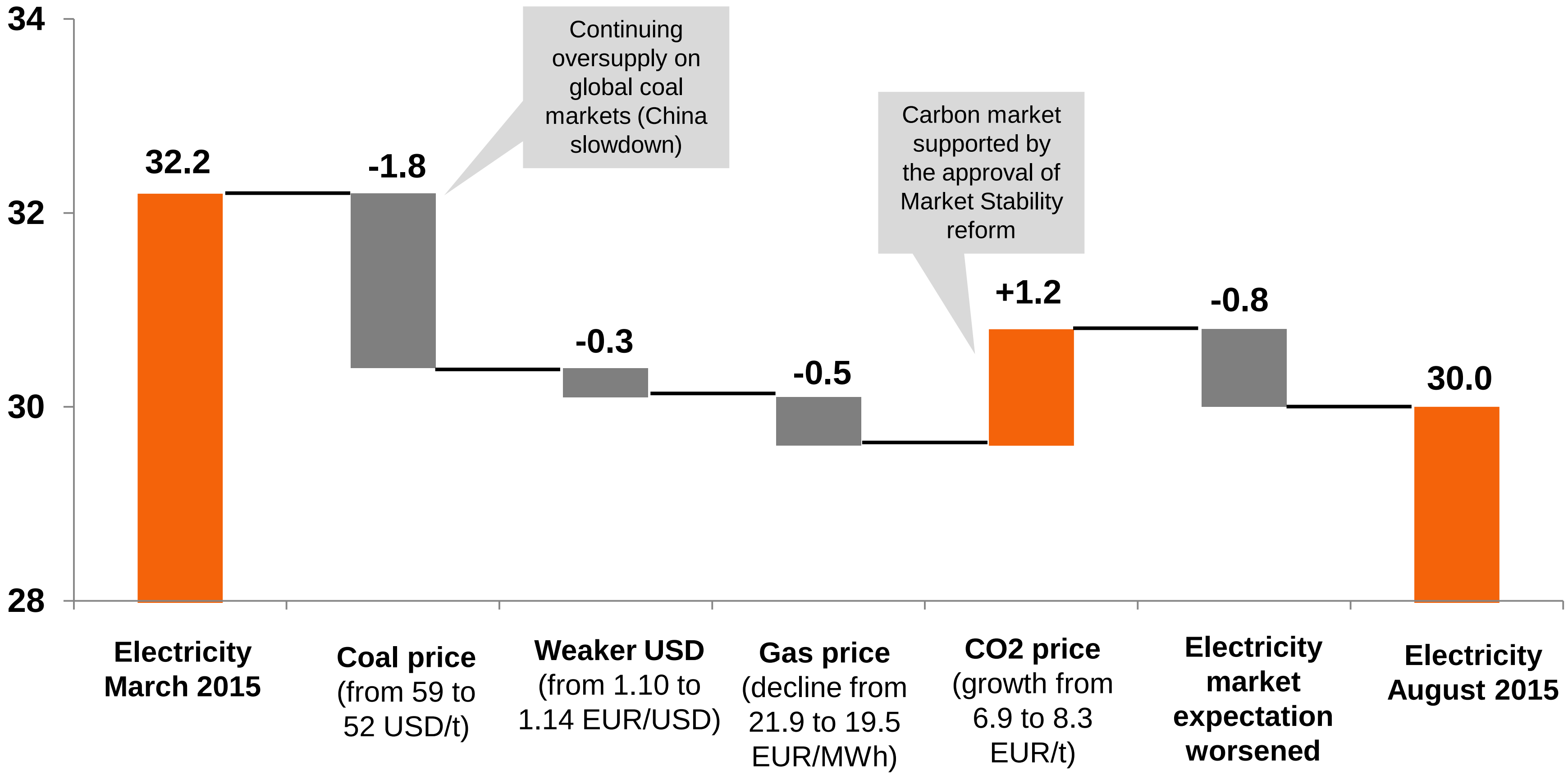


Price of electricity
(year-ahead baseload, €/MWh)



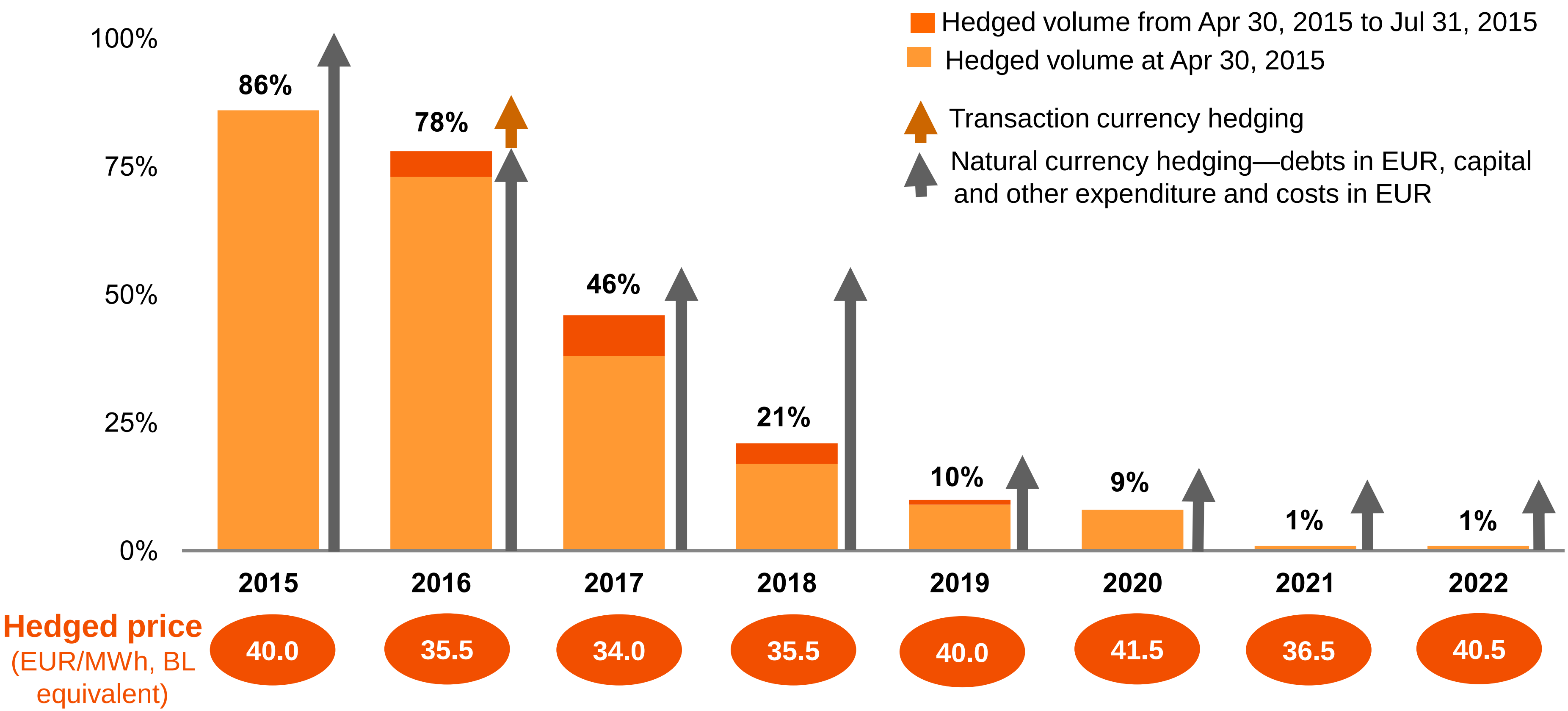
THE ELECTRICITY PRICES HAVE DECLINED BY MORE THAN 2 EUR/MWH IN THE LAST SIX MONTHS

Electricity price change decomposition Cal16 (3/2015-8/2015)
EEX, EUR/MWh



ČEZ CONTINUES TO HEDGE ITS ELECTRICITY GENERATION REVENUES IN LINE WITH STANDARD POLICY

Share of hedged production from ČEZ* power plants
(as of 31 Jul 2015, 100% corresponds to 56–58 TWh)

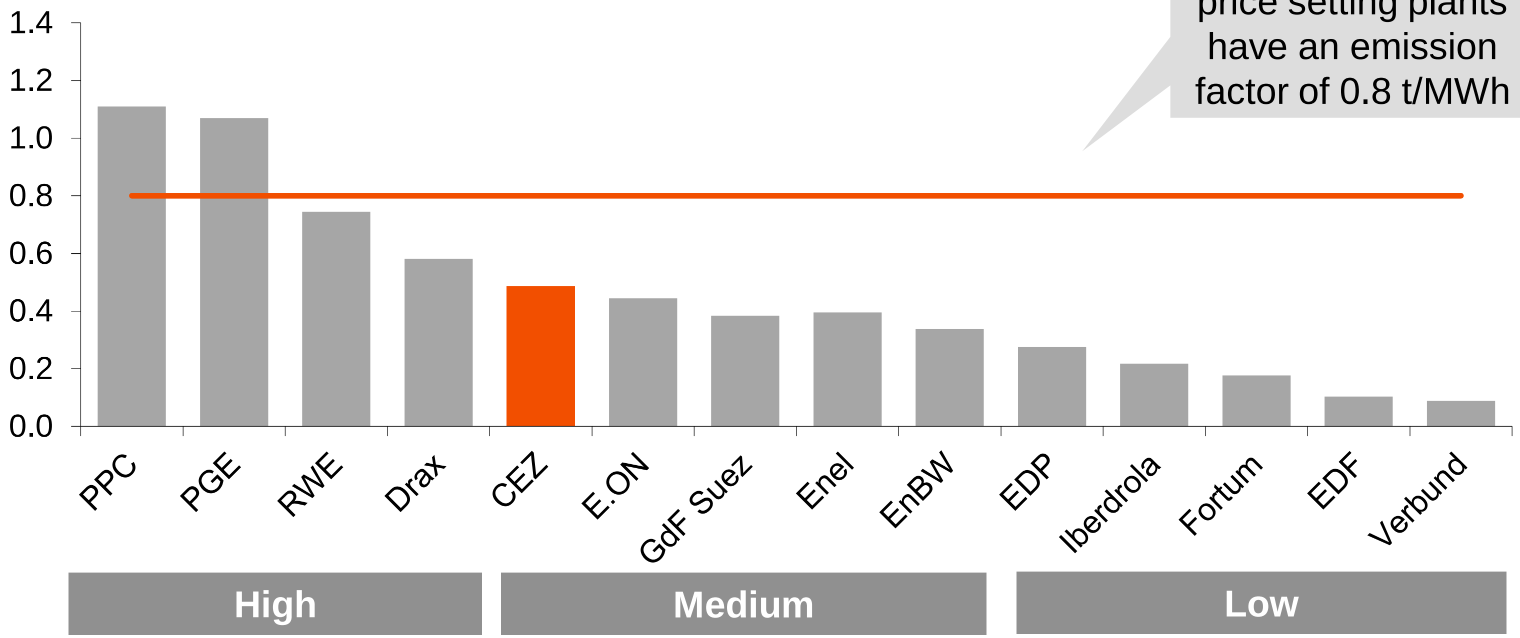


 Source: ČEZ ČEZ*—ČEZ, a. s. including Energotrans and spun-off coal-fired power plants in Počerady and Dětmarovice

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

Carbon intensity of selected European utilities
(2014, t/MWh)

Marginal European price setting plants have an emission factor of 0.8 t/MWh

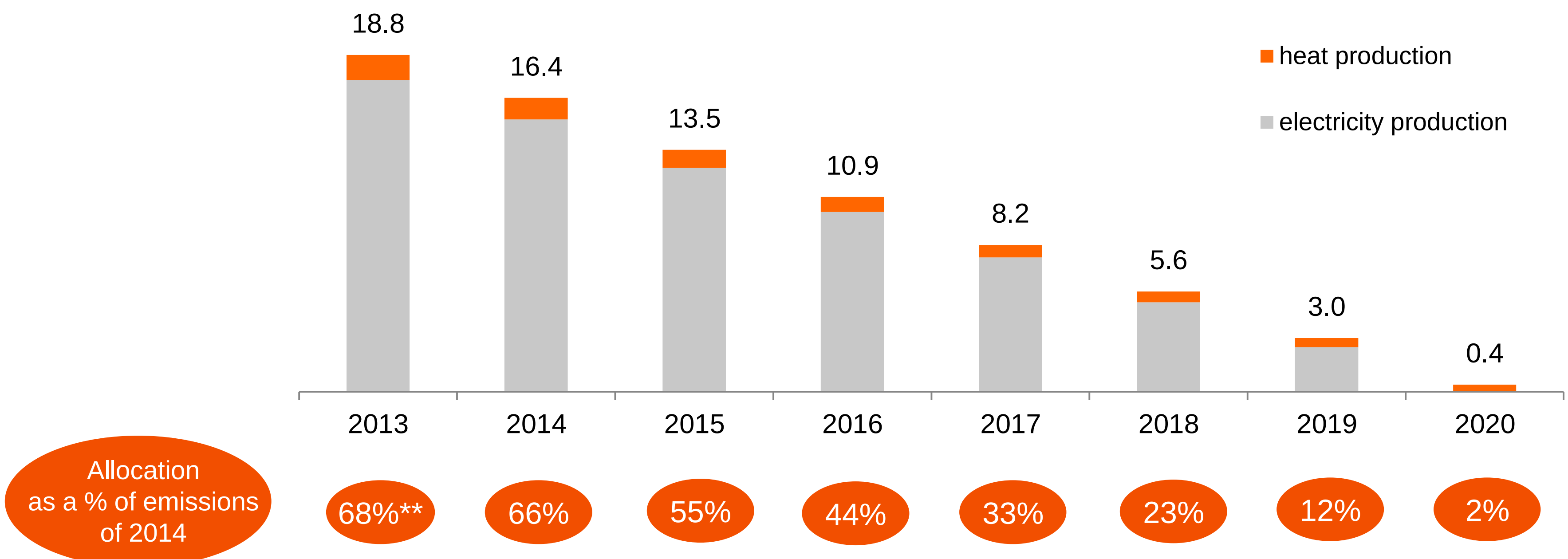


Increase in CO_2 price has a positive impact on CEZ profitability

CEZ GROUP CONTINUES TO RECEIVE PART OF EMISSION ALLOWANCES FOR FREE

- In December 2012 European Commission approved application of the Czech Republic for derogation of emission allowances for electricity production in 2013-2019.
- 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.
- 18.8 million emission allowances for 2013 were credited on ČEZ's account in Feb 14, 2014.

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



 * The volume of allocated allowances decreases over years to zero allocation in 2020, ** % of 2013 emissions

EUROPEAN UNION IS PROGRESSING WITH REFORM OF ITS EMISSION TRADING SCHEME

Market Stability Reserve is close to approval

- Basic parameters were agreed by “Trialogue” in May 2015, European Parliament approved the reserve in July 2015, European Council is expected to vote on it in September
- 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
- Principal negotiations on details of the EU ETS directive are expected to take place in 2016.

 MSR = Market stability reserve

* based on estimation of prices and volumes by selected analysts

EUROPE'S ENERGY MARKET WAS ALSO GREATLY AFFECTED BY TWO MAJOR EVENTS IN GERMANY

CO_2 EMISSION REDUCTION—"DECARBONIZATION"

Germany decided to take a total of 2.7 GW of older lignite-fired power plants out of standard operation and put them in the strategic reserve by 2020 at the latest to meet their CO_2 emission reduction obligations.

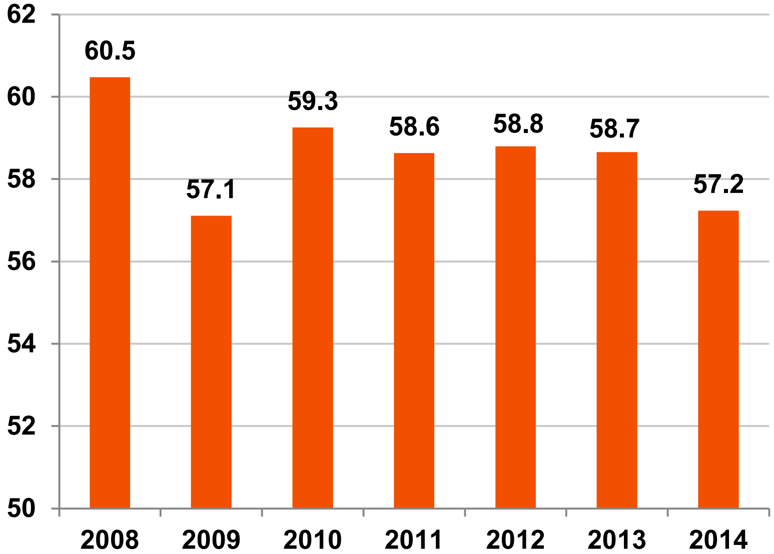
- This made the price of electricity with delivery in 2019 and later grow by approx. 1 EUR/MWh
- Operators (such as RWE or Vattenfall) are less uncertain about the future of individual coal-fired plants, which helps them to make faster decisions on strategic investments or divestments

WHITE PAPER ON THE ENERGY MARKET—"Ein Strommarkt für die Energiewende"

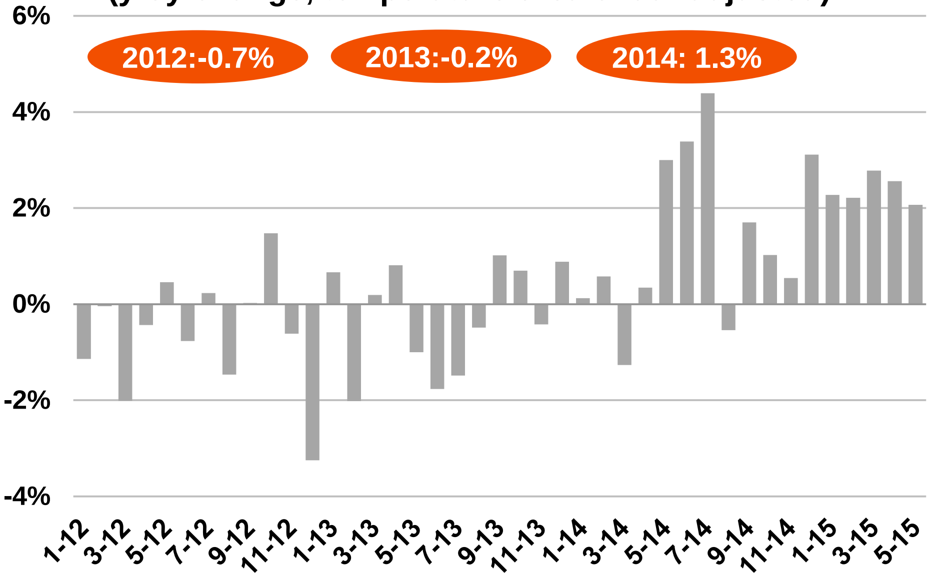
- A strategic document defining rules for the energy market published by the Federal Ministry for Economic Affairs and Energy
- Rejects the capacity market and declares the intent to introduce a capacity reserve system
  - The capacity reserve of generation facilities will serve for exceptional situations when market supply (incl. available foreign deliveries) cannot meet demand. However, the system will not artificially influence wholesale market prices (market price level will not be a criterion for the exceptional situations).
  - The capacity reserve will include 2.7 GW of lignite-fired capacity and other generating facilities with a total capacity of approx. 1.3 GW (probably mostly gas-fired facilities)
- It increases pricing freedom in the wholesale market; i.e., it allows asking for a price above the level of variable generation costs ("mark-up") in justified cases

TEMPERATURE ADJUSTED ELECTRICITY DEMAND GREW BY 2% IN THE CZECH REPUBLIC IN H1 2015

Electricity demand in the Czech Republic (TWh)



Monthly development in Czech electricity (y-oy change, temperature & calendar adjusted)*



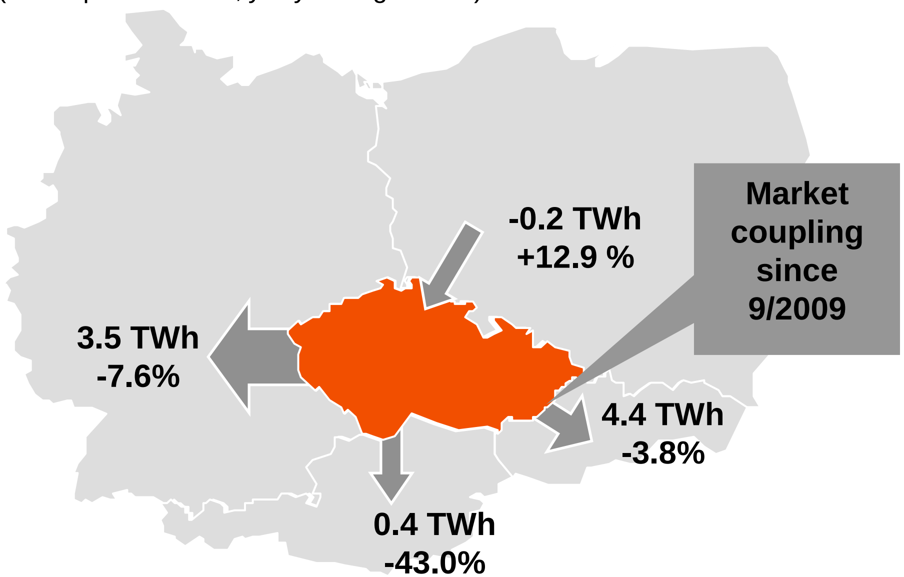
- In the H1 2015 temperature & calendar adjusted **electricity consumption increased by 2.1% y-o-y in the Czech Republic***
- Czech unadjusted consumption in H1 2015 grew by 2.4%, of which:
  - +2.0% large industrial companies
  - +4.3 % households
  - +1.8% small businesses

 Source: CEZ, ERU * Adjusted as per ČEZ Distribuce, a. s. model

CZECH REPUBLIC REMAINS NET EXPORTER OF ELECTRICITY

Balance of cross border trades of the Czech Republic in 1H 2015

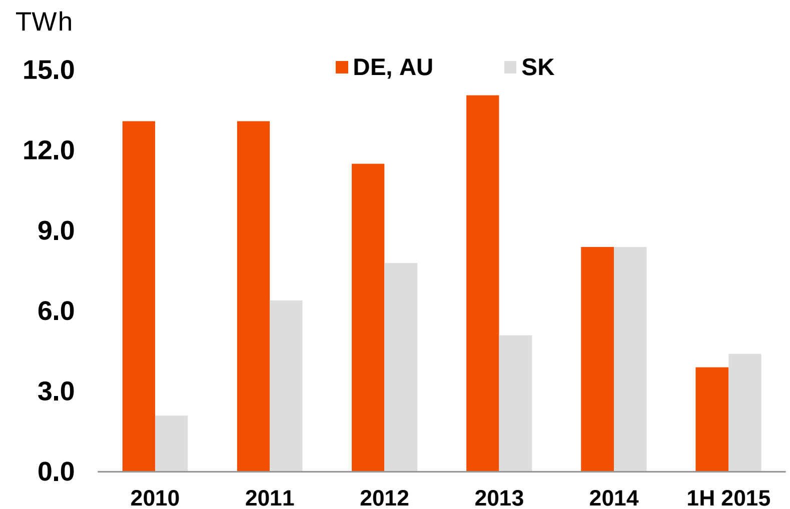
(Net exports in TWh, y-o-y changes in %)



Total net exports: 8.15 TWh, -8.7%

- CEZ is selling electricity on the wholesale market
- Czech Republic remains net exporter of power
- There are no bottlenecks on the borders (except Poland)

Development of balance of cross border trades



TWh	2011	2012	2013	2014	1H 2015
DE, AU	13.1	11.5	14.1	8.4	3.9
SK	6.4	7.8	5.1	8.4	4.4
PL	-2.1	-1.5	-1.3	-0.1	-0.2
	17.5	**17.8**	**17.9**	**16.7**	**8.15**

Source: CEPS

AGENDA

KEY TARGETS IN 2015 REFLECTING OUR UPDATED STRATEGY

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

- Obtain an operating license for Unit 1 of the Dukovany Nuclear Power Plant for after 2015
- Commission the most advanced power plant in the region—Ledvice supercritical unit (660 MW)
- Achieve ambitious goals for savings and growth measures amounting to CZK 6.4 bn

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

- ČEZ ESCO—prepare a comprehensive offer for corporate customers to cover their energy needs
- Offer new services for end customers
- Stabilize the number of electricity customers and increase the number of gas customers

III — Strengthen and consolidate our position in Central Europe

- Reduce financial exposure abroad by at least CZK 7 bn and optimize the ownership structure of assets abroad
- Develop and increase the value of the Ecowind portfolio of wind farm projects in Poland
- Take advantage of the acquisition potential of attractive assets in the target region

CZECH GOVERNMENT APPROVED ENERGY POLICY AND NUCLEAR ACTION PLAN

Goals of State Energy Policy

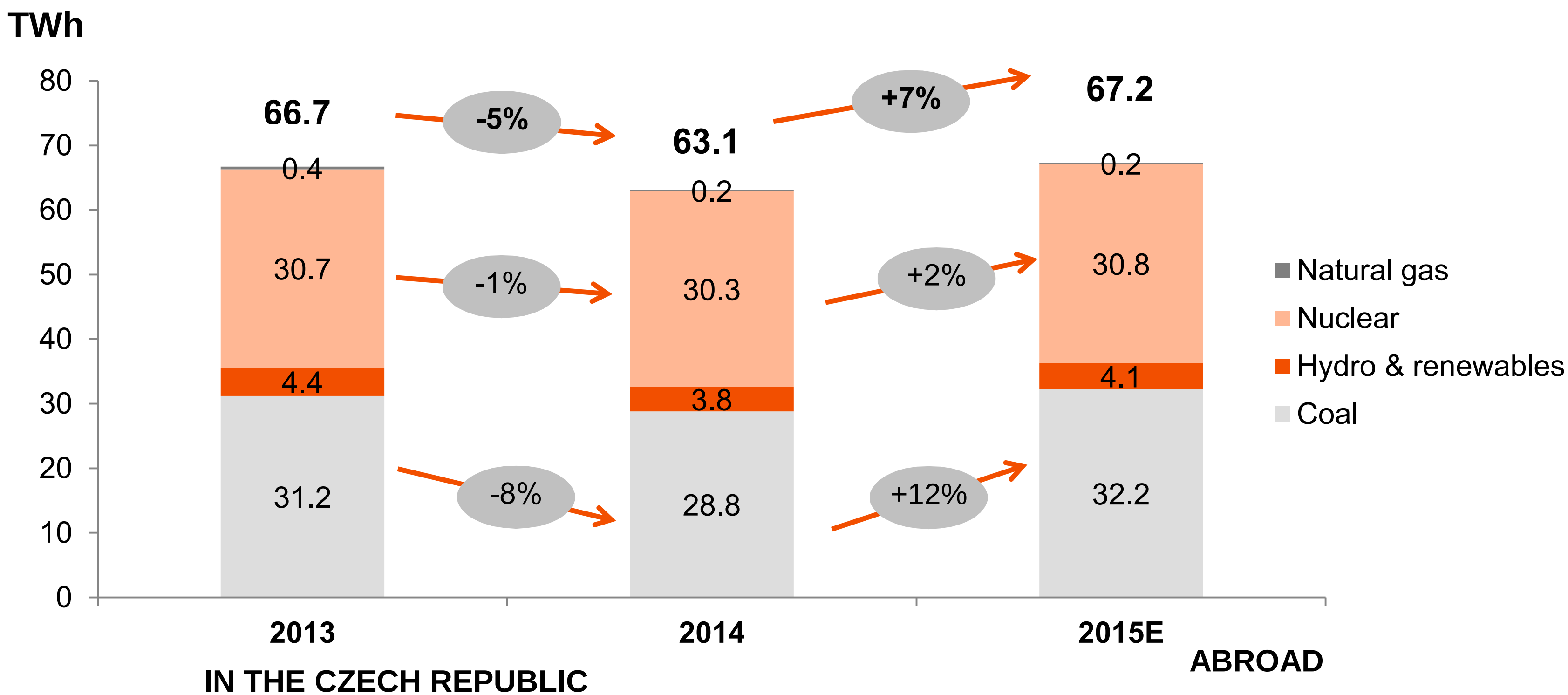
- **Preservation of** the existing **full independence** in heat and electricity supply but without any major exports of generated energy
- Achieving **diversification through the development of nuclear energy**, need for new nuclear units now anticipated only in 2035 (2025 previously)
- MIT should present a **proposal whether to extract lignite beyond territorial and environmental limits** by the end of August 2015.

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

 MIT—Ministry of Industry and Trade of the Czech Republic; SG—Smart Grids

IN 2015 WE EXPECT 7% VOLUME GROWTH PRIMARILY THANKS TO COMPLETION OF LIGNITE UPGRADES



Nuclear Power Plants (+1%)
+ Increased capacity of Temelín NPP
– Planned outage of Temelín NPP prolonged

Coal-Fired Power Plants (+15%)
+ Start of pilot operation of Ledvice 4 Power Plant (new facility)
+ Comprehensive renovation of units at Prunéřov 2 Power Plant
– Putting the last unit of Ledvice 2 Power Plant to reserve

Renewables (+8%)
+ Average climatic conditions expected, as opposed to extremes in 2014

Romania (+8%)
+ Higher wind farm production in connection with worse-than-average weather conditions in 2014
– Production of hydro plants at Reșița slightly below 2014 figures

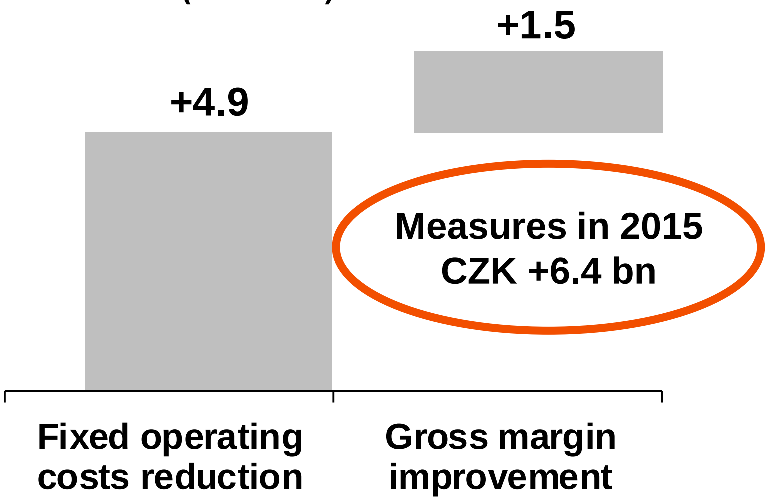
Poland (+12%)
+ Increased production of both power plants; at the Skawina Power Plant, it is related to the increased efficiency of upgraded turbines in 2015

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

WE FULFILLED OUR COST-CUTTING AMBITION FOR 2015

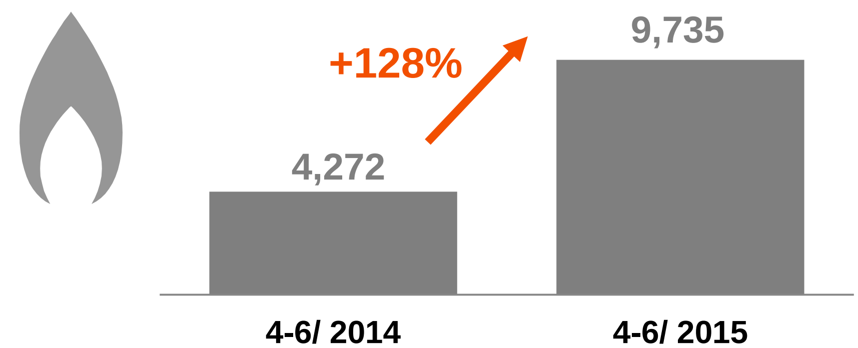
- By active measures across the whole CEZ Group we managed to contribute to improvement of EBITDA of 2015 by CZK 6.4 bn compared to the original business plan.
- 2015 budget envisages a reduction in fixed costs by CZK 4.9 billion and increase in margin on new opportunities and optimization by CZK 1.5 billion compared to the last year's plan.
- CEZ Corporate headquarters made a commitment to reduce fixed costs by 24 % in 2015 with comparison to the last year‘s plan.
- **All cost-cutting measures respect the condition of compliance with all safety, legal, and regulatory requirements**

Impact of proactive measures on 2015 EBITDA (CZK bn)

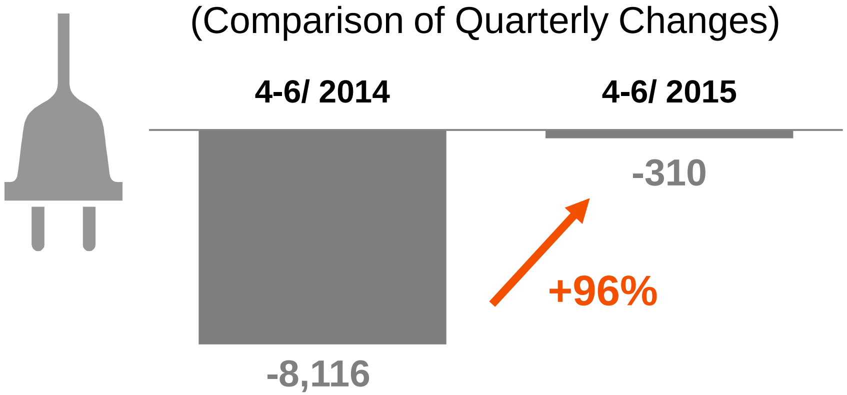


THE NUMBER OF OUR CUSTOMERS GREW IN Q2 FOR GAS, IT IS STABILIZING FOR ELECTRICITY

Gas — Portfolio Growth in the Residential Segment
(Comparison of Quarterly Changes)



Electricity — Portfolio Reduction in the Residential Segment
(Comparison of Quarterly Changes)



- **ČEZ Prodej** remains the largest alternative gas supplier in the Czech Rep. in terms of connection points.
- At the end of June 2015 we delivered gas to more than **367,000 customers.**
- Better offer and interesting services **decrease** our customers' **motivation to switch to a competitor**.
- **Everything under the same roof** = Customers can get electricity, gas, and mobile telephony from a single supplier.

II. OFFER CUSTOMERS A WIDE RANGE OF PRODUCTS AND SERVICES

WE ARE FULFILLING OUR STRATEGIC GOAL TO INVEST IN INNOVATIVE ENERGY COMPANIES

On July 21, CEZ Group bought into the German company Sonnenbatterie GmbH

- The investment had the form of an increase in the company's registered capital. CEZ Group acquired a minority stake together with the right to participate in its strategic decision-making.
- The investment was made through INVEN CAPITAL, which is a brand used by CEZ Group for investments in the field of innovative energy solutions. Its objective is to invest in companies focusing on new decentralized energy and renewables with the potential for quick growth both in the Czech Rep. and abroad. Its ambition is to acquire 15 to 20 up-and-coming companies worth up to CZK 5bn in total within five years.

Sonnenbatterie GmbH, the world leader in the production of battery energy storage systems

- The company develops, manufactures, and sells smart battery systems for storing energy from solar panels and other renewable energy sources for households and commercial customers.
- The company is the world leader operating in seven countries, including the U.S. Up to now, it has already sold about 8,000 smart energy storage systems.
- This solution cuts a household's annual expenditure on electricity supply by up to 80%.

WE ARE FULFILLING OUR 2015 STRATEGIC GOAL IN CONSOLIDATION OF POSITIONS IN EXISTING FOREIGN SHAREHOLDINGS

Romania

- In May, the European Commission approved the notification of Act 220/2008 on renewables. The process of approving individual notifications for the Romanian wind farms at Fântânele Vest and Cogealac was subsequently resumed.
- June 3 was the effective date of an amendment to that act (No. 122/2015), under which the Fântânele Vest and Cogealac wind farms should be granted temporary accreditation by the Romanian regulator ANRE and the allocation of green certificates should thus be resumed. The temporary accreditation approval process is underway.

We took the first major step toward our goal of reducing financial exposure abroad in Poland

- In March, we obtained a loan of PLN 700m (approx. CZK 4.7bn) on the Polish banking market, which is part of an overall restructuring of CEZ Group's Polish companies and will allow reducing the complex exposure of ČEZ, a. s. abroad.

Albania

- An installment of EUR 21.75m (approx. CZK 0.6bn) was duly paid on July 27 under the Settlement Agreement with the Albanian government. EUR 31.75m out of the total of EUR 95m has already been paid. Further payments will be made in yearly installments until 2018.

ICC = International Chamber of Commerce

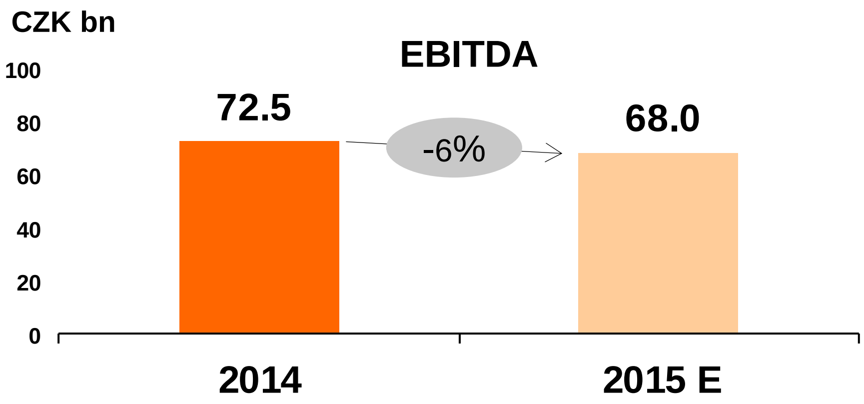
WE ARE PREPARING ECOWIND'S PORTFOLIO OF WIND FARM PROJECTS FOR NEW RES SUPPORT CONDITIONS

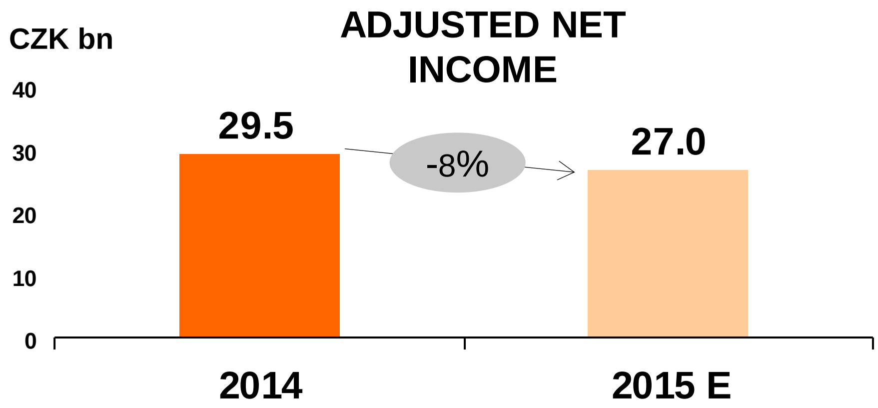
- In Poland, a new renewables act was passed with effect from Jan 1, 2016, introducing a new support mechanism, an auction system, and defining qualification requirements.
- Two of the most advanced projects of the developer Ecowind Construction S.A. (the 48 MW Krasin project and the 47.5 MW Suwałki project) received EIA permits. We expect EIA permits for another two projects in Q2 2015.
- We anticipate taking active part already in Round 1 of a wind farm support auction, which is expected in Q2 2016.
- On Apr 15, 2015 CEZ Group acquired an additional 25% stake in Ecowind Construction S.A. in line with the original contract, becoming its 100% owner.

RES – Renewable energy sources

AGENDA

WE EXPECT ANNUAL 2015 EBITDA OF CZK 68BN, ADJUSTED NET INCOME AT THE LEVEL OF CZK 27BN





Selected year-on-year positive effects:

- Cuts in fixed operating costs
- Higher electricity production in the Czech Rep.
- Extraordinary revenue of 2015 resulting from a court decision on SŽDC liabilities from 2010

Selected year-on-year negative effects:

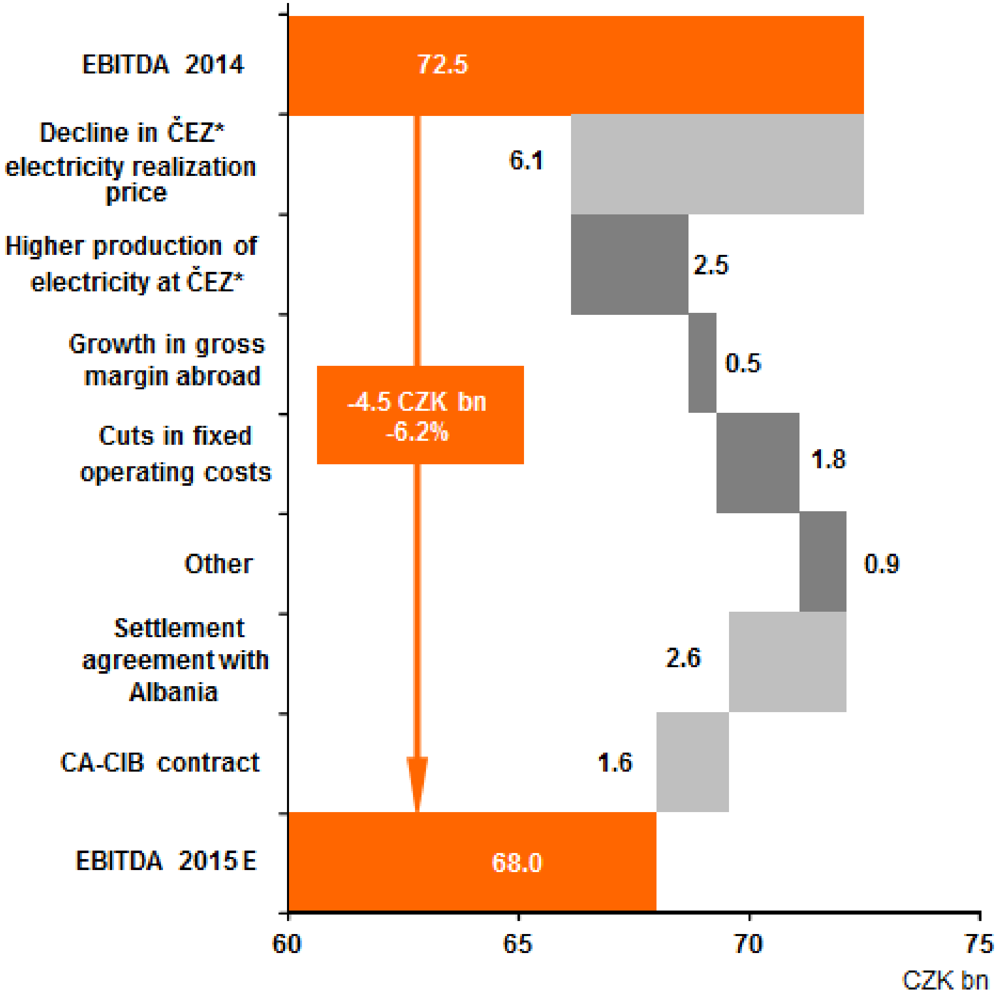
- Trend of declining electricity prices
- One-off revenue of CZK 2.6bn from the settlement agreement with the Albanian government in 2014
- One-off revenue of CZK 1.6bn from the termination of a long-term deal with CA-CIB in 2014

The main reason for correction in expected EBITDA is realization of risks from the initial prediction:

- Postponed completion of coal-fired plant renovations and constructions in the Czech Rep. (construction of Ledvice Power Plant)
- Developments in regulatory and legislative conditions for the energy sector in Southeast Europe (delay in green certificate allocation in Romania)
- Outage of Temelín NPP prolonged

Adjusted net income = Net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given year.

EXPECTED Y-O-Y CHANGE OF EBITDA
REAL GROWTH AFTER YEARS OF DECLINE



Higher production of electricity at ČEZ*
- Upgrades of the coal-fired plant portfolio
- Higher production at hydro plants

Growth in gross margin abroad
- BG—Effect of Varna power plant shutdown
- PL—Increased margin and production volume at ELCHO & Skawina

Cuts in fixed operating costs
- Effect of the successful costs cutting program announced in June 2014, which drives business segments' initiative and team performance

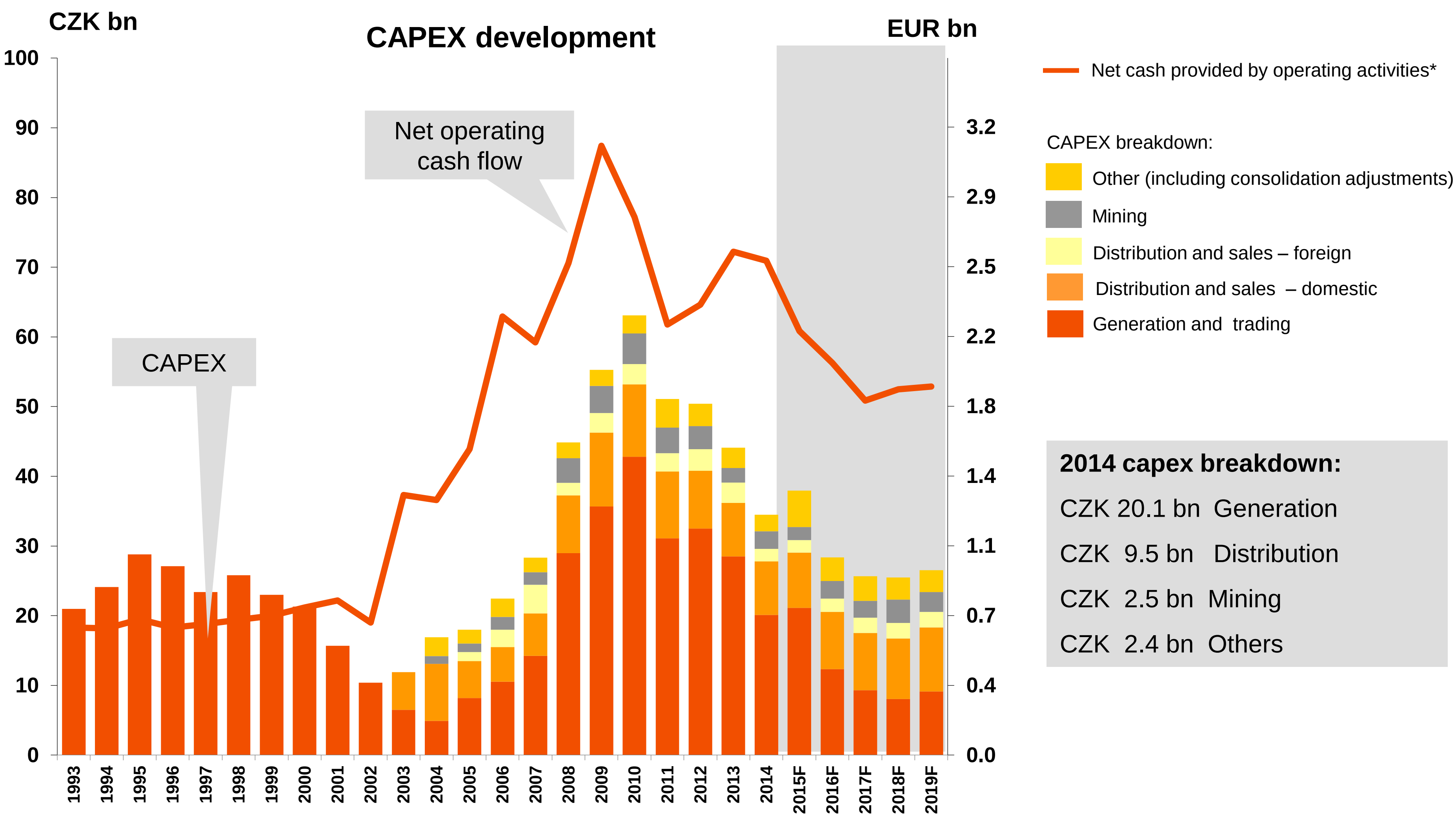
Other
- Extraordinary revenue of 2015 resulting from a court decision on SŽDC liabilities from 2010

Settlement agreement with Albania
- One-off income from the settlement agreement in 2014

CA-CIB contract
- One-off income from the termination of a long-term commodity deal with CA-CIB in 2014

* ČEZ = ČEZ, a. s., including spun-off coal-fired power plants in Počerady and Dětmarovice

CAPEX PLAN CAN BE FINANCED FROM OPERATING CASH FLOW



2014 capex breakdown:

CZK 20.1 bn Generation

CZK 9.5 bn Distribution

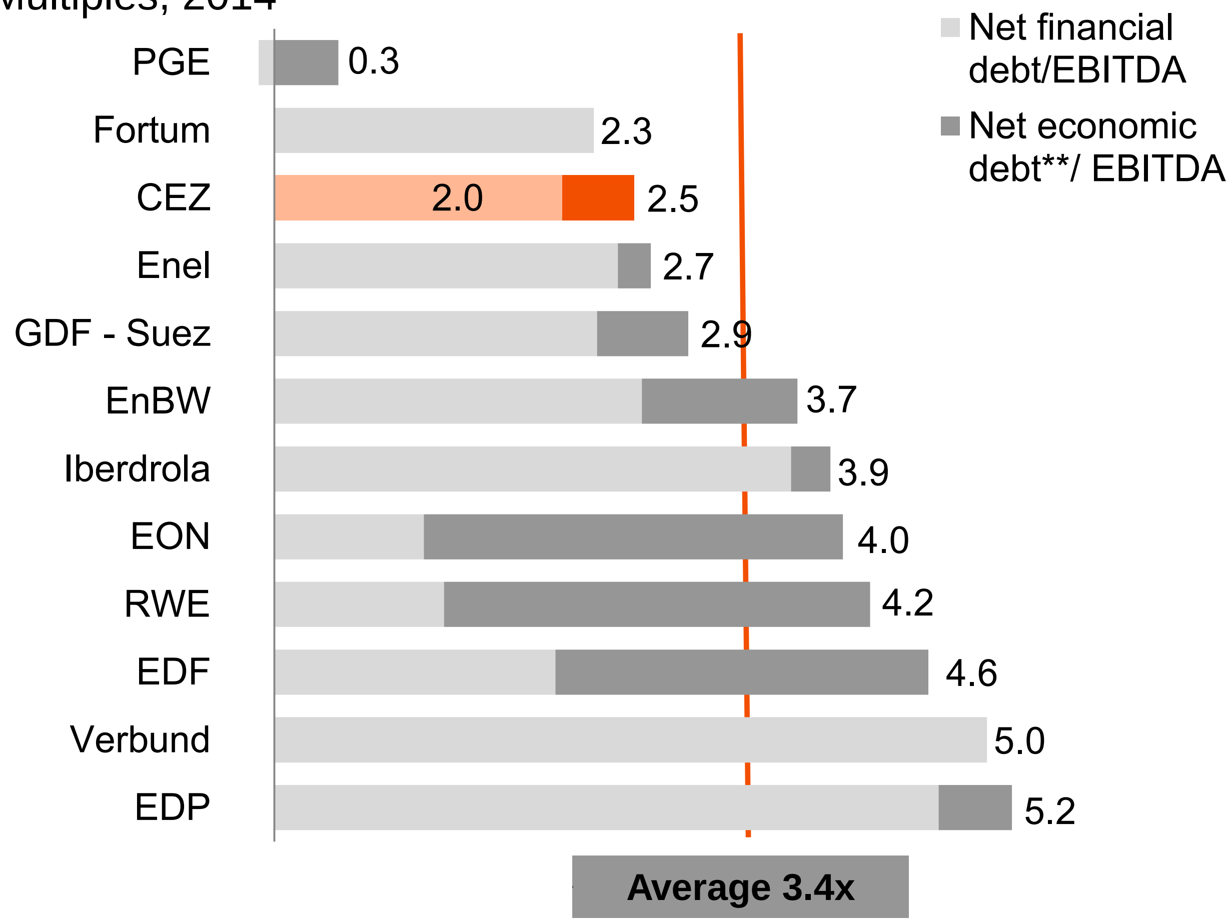
CZK 2.5 bn Mining

CZK 2.4 bn Others

Note: * based on business plan approved in Dec-14, which uses electricity forwards as of Sep-2014. Exchange rate CZK/EUR = 27.725

OUR CURRENT LEVERAGE IS LOW COMPARED TO INDUSTRY STANDARDS

Net economic debt/ EBITDA*
Multiples, 2014



Medium-term target leverage remains intact:

- Net debt/EBITDA ratio at 2.0-2.5x
- Consistent with current rating of A-/A3

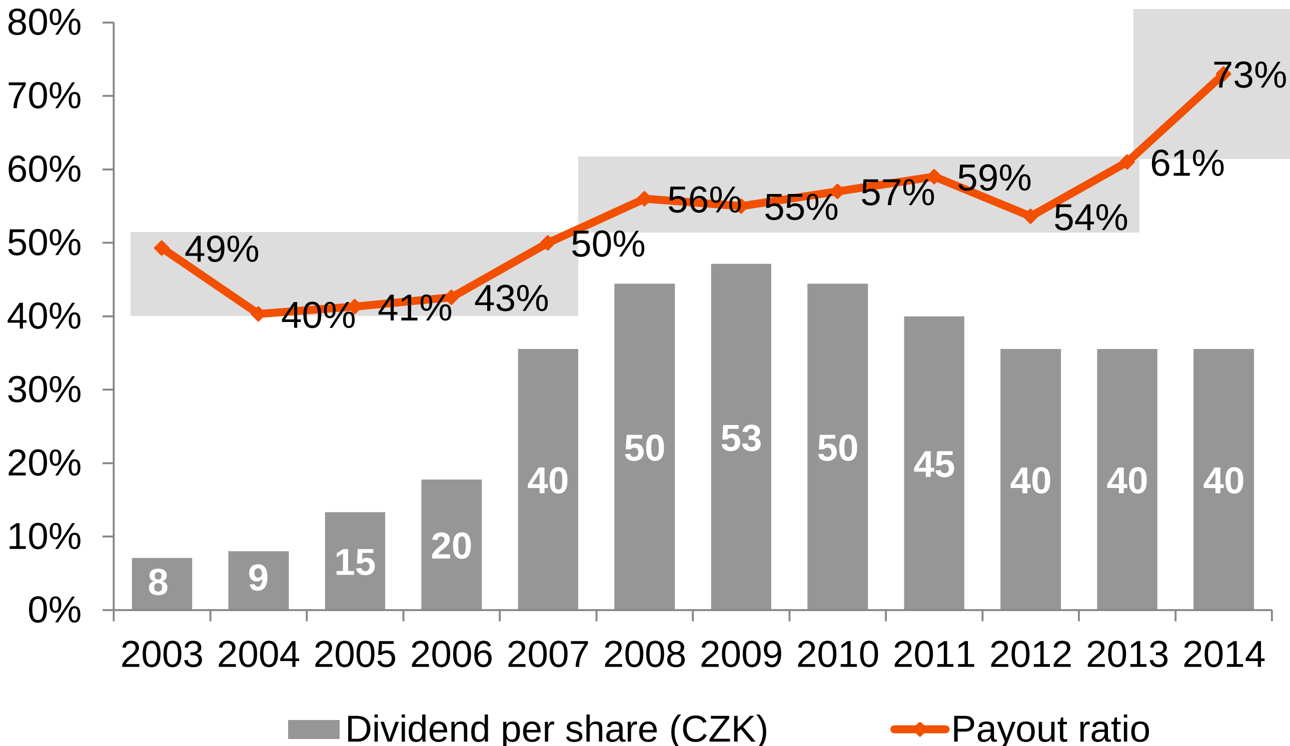
*EBITDA as reported by companies, ** Net economic debt= net financial debt + nuclear provisions + provisions for employee pensions + reclamation provision

THIS YEAR CEZ GROUP INCREASED DIVIDEND PAYOUT RATIO TO 60 – 80 %

Reasons for change

- Growth of "Cash Provided by Operating Activities / Net Income" ratio
- For companies like ours, investors favor maximum dividend payment while keeping S&P rating
- Attractive development opportunities are scarce within European energy sector

Payout ratio (%)



- AGM on June 12, 2015 approved management proposal of CZK 40 per share dividend from 2014 profits
- Dividend payment started on August 3, 2015

AGENDA

CEZ IS A STRONG AND VERTICALLY INTEGRATED PLAYER IN THE CZECH ELECTRICITY MARKET

	Lignite mining	Generation	Transmission	Distribution	Supply
CEZ	**57%** 21.6 million tons 2014	**68%** 58.3TWh	**100%** 64.3 TWh	5 out of 8 distribution regions **61%** of customers	**37%** 21 TWh
Others	**43%** 16.6 million tons	**32%** 27.9 TWh		**39%** of customers	**63%** 36 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

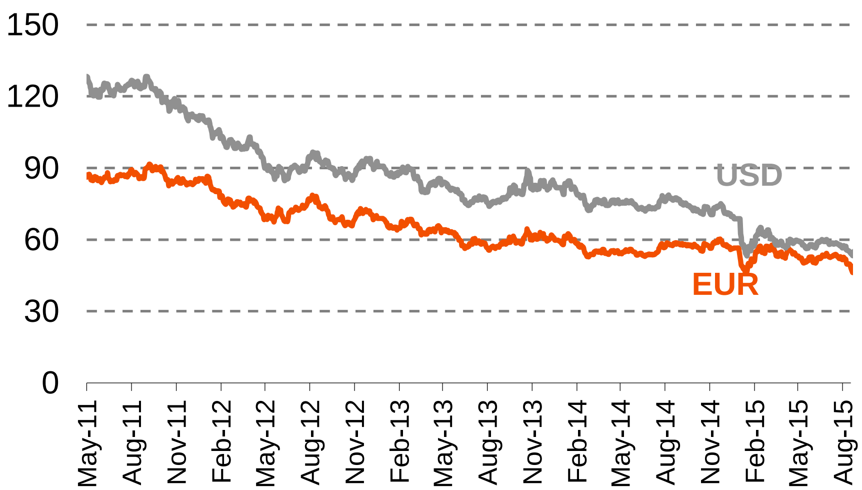
- The Czech transmission grid is owned and operated by CEPS, 100% owned by the Czech state

- Other competitors – E.ON, RWE/EnBW

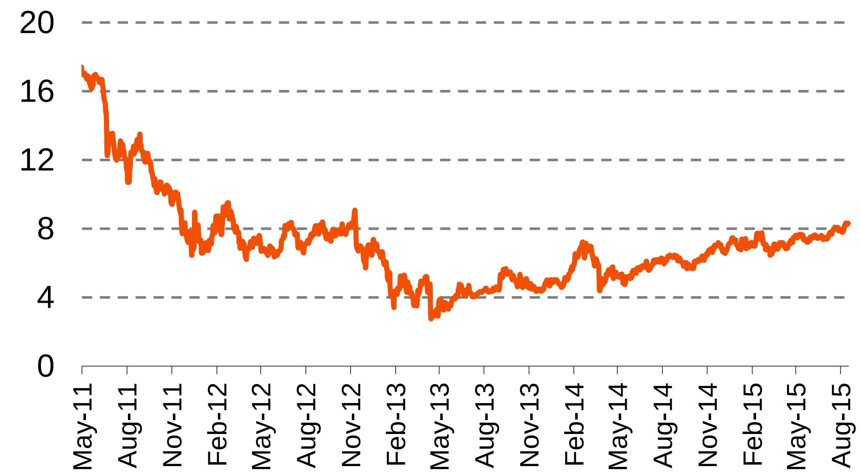
Source: CEZ, ERU, MPO, companies´ data; data for 2014 (distribution data for 2013)

HISTORICAL DEVELOPMENT OF PRICES OF INPUT COMMODITIES

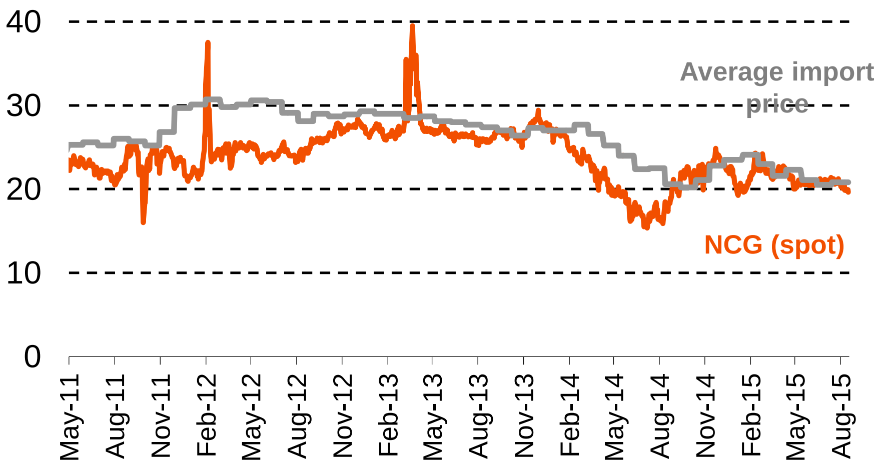
Coal (t)



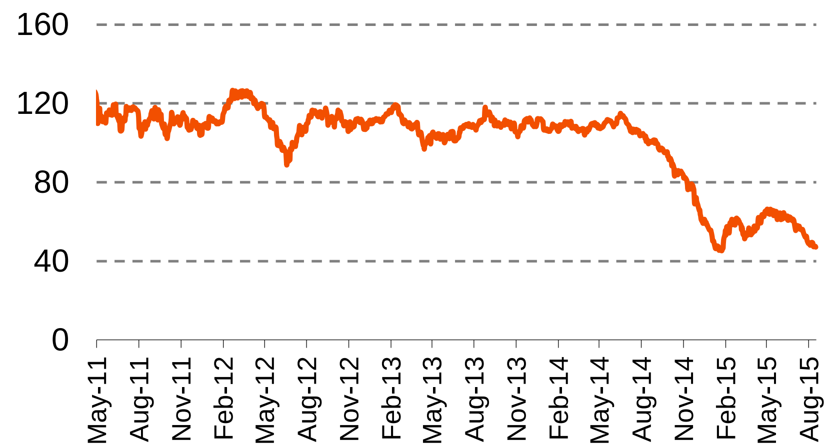
CO_2 allowances (EUR/t)



Gas (EUR/MWh, in Germany)

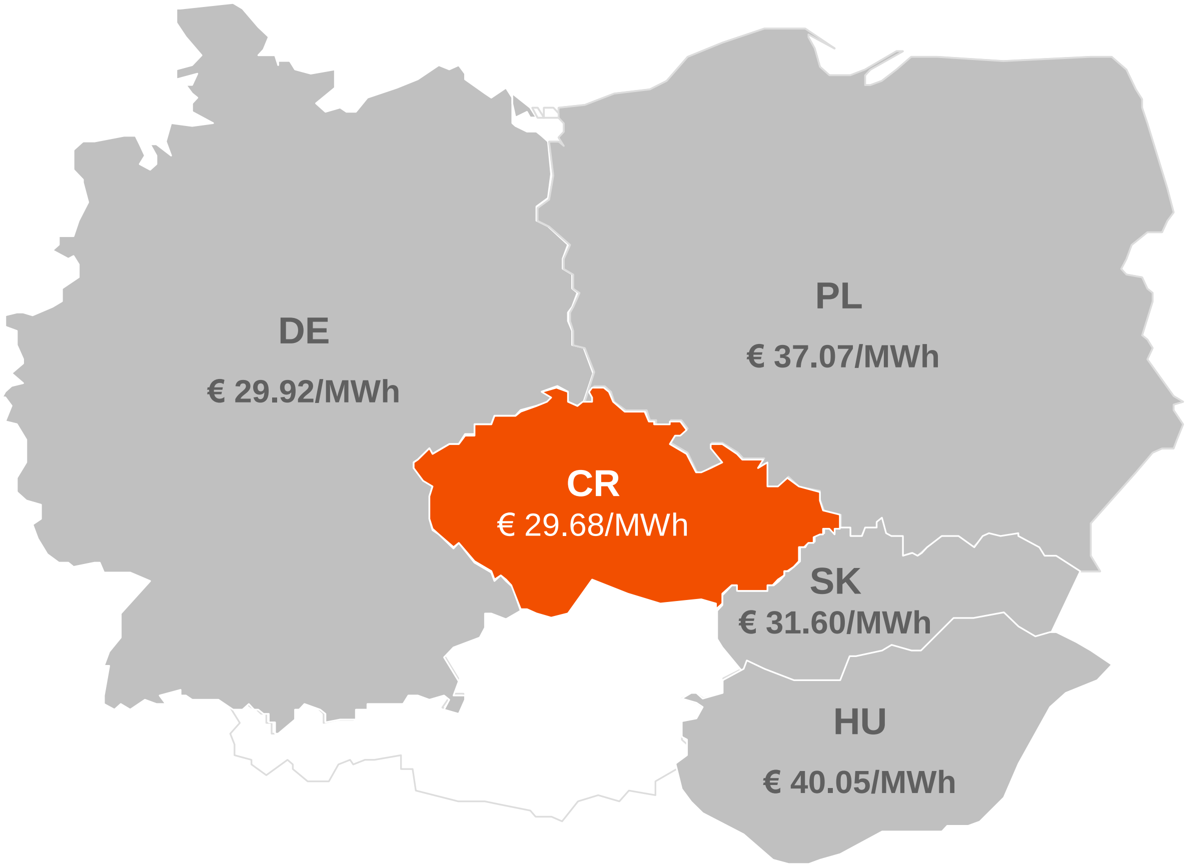


Oil Brent (USD/bl)



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

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



Note: Prices for baseload 2016 as of August 25th, 2015

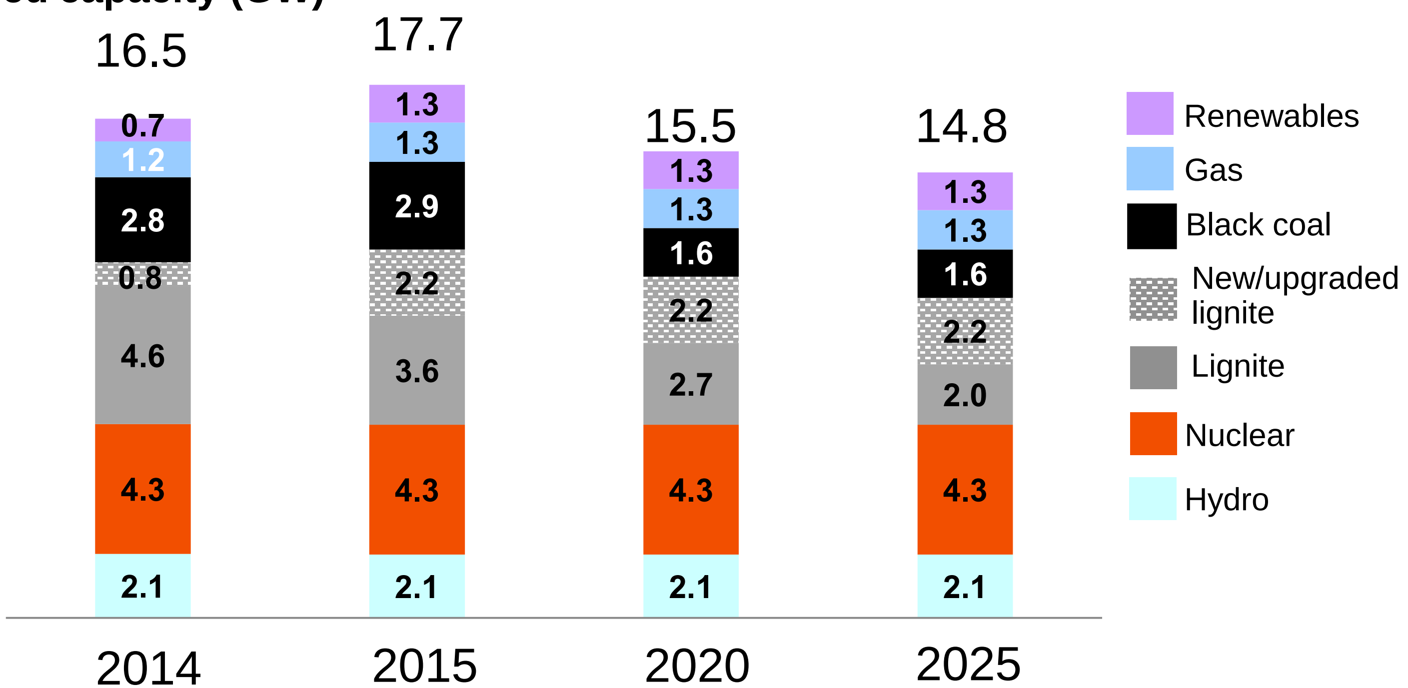
Source: EEX, PXE; PolPX, Bloomberg

CONSTRUCTION AND MODERNIZATION OF OUR POWER PLANTS IS ALMOST COMPLETED

Plant	Capacity (MW)	Efficiency	Construction period						
			2009	2010	2011	2012	2013	2014	2015
Tušimice (lignite)	4 x 200	39%							
Ledvice (lignite)	1 x 660	42.5%							
Prunéřov (lignite)	3 x 250	<39%							
CCGT Počerady	841	57.4%							
CCGT Hatay (Egemer)	904	57.8%							
Kemah (hydro)	240						In development stage		

INVESTMENT PROGRAM ALLOWS CEZ TO REDUCE THE AVERAGE CARBON EMISSION FACTOR

Expected installed capacity (GW)
(proportionate*)



	2014	2015	2020	2025
Total CO_2 emissions (m t CO_2)	28.1	33.7	29.0	27.8
Emission intensity (t CO_2/MWh supplied)	**0.50**	**0.49**	**0.44**	**0.42**

* includes equity consolidated companies (Akenerji)

OVERVIEW OF REGULATION OF DISTRIBUTION NETWORKS

	Czech Republic	Bulgaria	Romania
2015 RAB (local currency)	85,500 m	499 m	2,409 m
2015 RAB (€ m)	3,084	254.5	537
2015 WACC pre-tax	6.146% (nominal)	7% (nominal)	7.7% (real)
Regulatory period	2010-2015	2013-2015	2014-2018

CZK/EUR = 27.725, 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 regulatory formula for distribution
  - Revenue cap = Operating expenses + Depreciation + Regulatory return on RAB - Other revenues corrections +/- Quality factor
  - RAB adjusted annually to reflect net investments
  - Regulatory rate of return (WACC nominal, pre-tax) – 6,146% for 2015
  - Operating costs are indexed to CPI + 1% (30% weight) and market services price index (70% weight). They are also adjusted by efficiency factor of 2,031%/year

Regulatory period

- Actual 3rd regulatory period was extended by one year and will last 6 years (2010 – 2015)
- 4th regulatory period: expected to start from January 1, 2016, 3 years period (2016 – 2018)

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

- pressure on quality and security of electricity distribution;

- determination of new methodology of WACC and 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 regulatory principles related to the IVth regulatory period must be implemented into the legislation till the end of June 2015.

BULGARIA: REGULATORY FRAMEWORK OF ELECTRICITY DISTRIBUTION

Regulatory Framework

- Regulated by SEWRC (State 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% for 3rd regulatory period
  - RAB set at EUR 254.5 m for 3rd regulatory period
  - CPI adjustment used for part of costs (OPEX) of EUR 55.4 m
  - Technological losses in 3rd regulatory period set by regulator at 8%
  - Efficiency factor introduced in 2nd regulatory period
  - Investment plan – approved by the regulator retrospective for 3rd regulatory period

Regulatory periods

- 3rd regulatory period July 1, 2013 – June 30, 2015
- 4th regulatory period July 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.

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 applicable starting with 2015. Penalty/premium - maxim annual +/- 4% from annual revenues
- Possibility for annual corrections
- Investment plan – approved by ANRE before regulatory period starts
- Regulatory return (WACC pre-tax real terms) equals to 7.7% in 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 in the third regulatory period

Regulatory periods

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

Liberalization

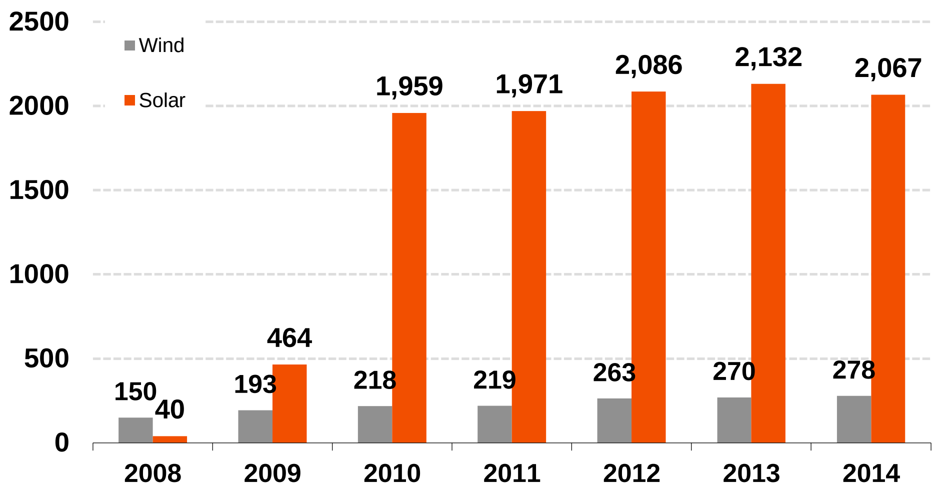
- Complete removal of regulated prices for industrial consumers by end 2013 and for residential consumers by 2017
- Starting January 2014, non-residential customers that benefit of Universal Service (US) are priced with 100% CPC tariff (free market component, endorsed by ANRE). The non-residential customers 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

2015 feed-in - tariffs	Plants commissioned in 2010	Plants commissioned in 2014
Solar <5 kW	482	111*
5 kW< Solar <30 kW	482	90*
Solar >30 kW	478	0
Small hydro	93-118	91-117
Pure biomass burning	53-166	48-121

* For plants commissioned in 2013, no subsidies for solar commissioned in 2014

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)
- Solar plants commissioned in 2014 or later do not receive support
- 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 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

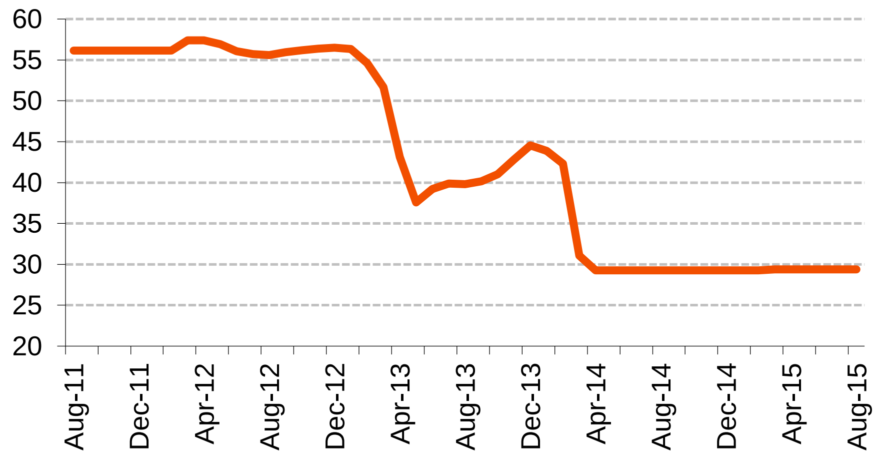
POLAND: NEW ACT ON RENEWABLE ENERGY SOURCES

- A **new Renewable Energy Act** changes the support for renewable energy sources as of Jan 1, 2016.
- The support will be guaranteed for 15 years from the start of generation, but not longer than to the end of 2035 (foreseen end of the support scheme).
- System of certificates of origin continues for existing installations (delivering power to the grid by December 2015) and they can choose whether to switch to auction-based system which will be the standard support instrument for most new investments.
- Micro-installations up to 10kW will benefit from feed-in tariffs: PLN 0.75/kWh (0.173 EUR/kWh) for plants up to 3 kW, while plants between 3-10 kW will receive up to PLN 0.7/kWh (0.169 EUR/kWh), depending on the renewable technology. FIT are capped to the first 800 MW of installed capacity: 300MW and 500 MW respectively.
- Auction-based system will apply to installations over 10 kW of installed capacity. The state will guarantee support to a given value and volume (published each year by the Council of Ministers) of electricity within the limit of 15 years, the lowest offered price will win.
- The first auction will open no later than Mar 31, 2016 and, pursuant to the new law, will be done separately for projects above or below 1 MW in size, and for existing and new installations – these will have to be commissioned within 48 months after the auction (24 months for solar, 72 months for wind).
- Not meeting the delivery targets will be subject to a penalty.

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
- 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
- GC may be sold to electricity suppliers using bilateral negotiated contracts or on the centralized market of green certificates
- Duration of support – 15 years
- Penalty for suppliers unable to comply with annual mandatory quota – double of the maximum trade value of GC
- 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.

Green certificates market clearing price (EUR/certificate)



 Source: OPCOM

1H2015 FINANCIAL RESULTS HIGHLIGHTS

(CZK bn)	Q1 - Q2 2014	Q1 - Q2 2015	Change	%
Revenues	101.7	102.9	+1.2	+1%
EBITDA	39.9	35.5	-4.4	-11%
EBIT	24.1	21.3	-2.8	-12%
Net income	17.2	15.4	-1.8	-11%
Net income - adjusted *	19.3	15.7	-3.6	-19%
Operating CF	36.4	28.7	-7.7	-21%
CAPEX	13.9	13.4	-0.5	-4%
Net debt **	135.9	131.1	-4.8	-4%

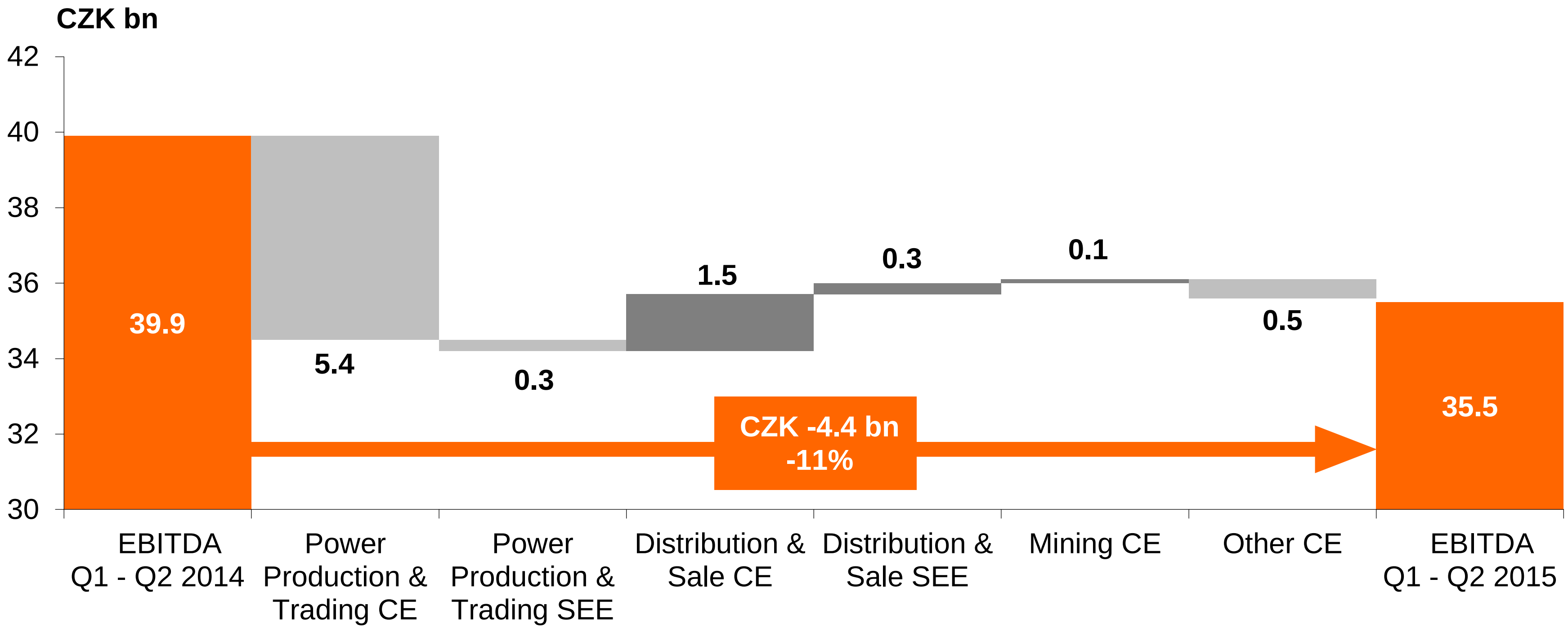
		Q1 - Q2 2014	Q1 - Q2 2015	Change	%
Installed capacity **	GW	15.2	15.9	+0.7	+5%
Generation of electricity	TWh	31.9	32.2	+0.3	+1%
Electricity distribution to end customers	TWh	24.2	24.9	+0.7	+3%
Electricity sales to end customers	TWh	17.8	19.2	+1.4	+8%
Sales of natural gas to end customers	TWh	3.0	3.8	+0.8	+28%
Sales of heat	000´TJ	12.0	13.1	+1.0	+9%
Number of employees **	000´s	26.4	25.8	-0.6	-2%

* Net income - adjusted = Net income adjusted for extraordinary effects that are generally unrelated to ordinary financial performance in a given year (such as fixed asset impairments and goodwill write-offs or profit/loss from sale of assets or subsidiaries).

** As at the last date of the period

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

YEAR-ON-YEAR CHANGE OF EBITDA BY SEGMENT



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 2014	Q1 - Q2 2015	Change	%
EBITDA	39.9	35.5	-4.4	-11%
Depreciation, amortization and impairments	**-15.8**	**-14.2**	**+1.6**	**+10%**
Financial and other income (expenses)	**-2.6**	**-2.1**	**+0.5**	**+18%**
Interest income (expenses)	-1.6	-1.4	+0.3	+16%
Interest on nuclear and other provisions	-0.9	-0.8	+0.1	+7%
Income (expenses) from investments	0.8	0.1	-0.7	-85%
Other income (expenses)	-0.8	0.0	+0.8	+98%
Income taxes	**-4.3**	**-3.8**	**+0.5**	**+12%**
Net income	17.2	15.4	-1.8	-11%
Net income - adjusted	**19.3**	**15.7**	**-3.6**	**-19%**

Depreciation, amortization, and impairments* (CZK +1.6bn)

- Additions to fixed asset impairments in Romania in 2014 (CZK +2.1bn)
- Increase in depreciation and amortization especially at ČEZ, a. s. (CZK -0.5bn)

Financial and Other Income/Expenses (CZK +0.5bn)

- Cost of the buyback of issued bonds in 2014 (CZK +0.5bn)
- Positive effect of decreased amount of debt on interest expenses (CZK +0.4bn)
- Appreciation of funds deposited in restricted accounts of ČEZ, a. s. and in short-term securities (CZK +0.3bn)
- Negative effect of development in the USD/TRY exchange rate on financial results in Turkey (CZK -0.8bn)

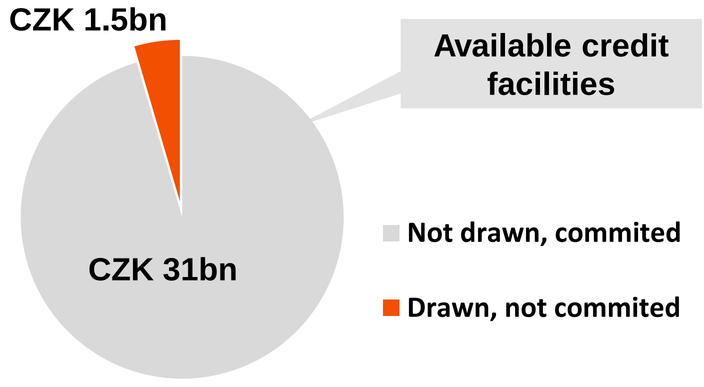
Net Income Adjustment

- *H1 2014 net income adjusted for negative effect of fixed asset impairments (CZK +2.1bn)*
- *H1 2015 net income adjusted for negative effect of MOL share option revaluation (CZK +0.3bn)*

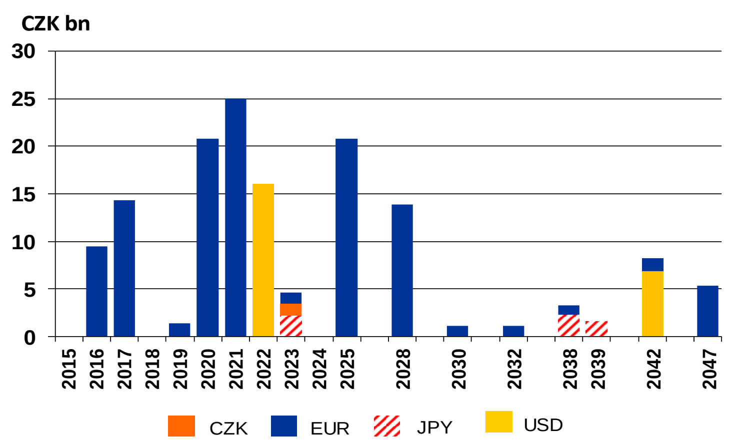
* Including goodwill write-offs, profit/loss on sales of fixed assets and write-off of abandoned investments

CEZ GROUP MAINTAINS A STRONG LIQUIDITY POSITION

Utilization of short-term lines (as at June 30, 2015)

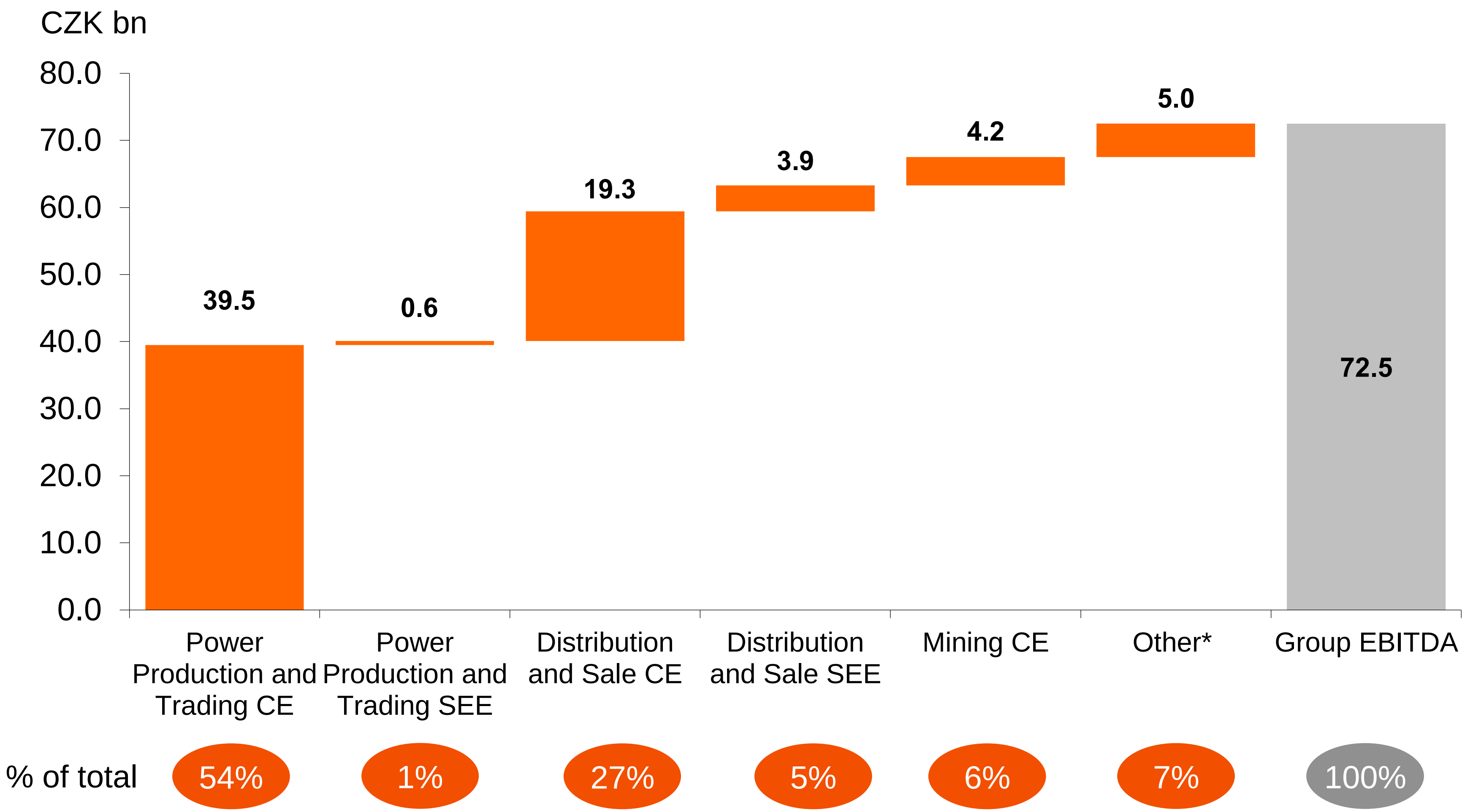


Bond maturity profile (as at June 30, 2015)



- CEZ Group has access to CZK 31bn in committed credit facilities, using just CZK 15m as at June 30, 2015.
- The payment of dividends for 2014 (CZK 21.4bn) began on August 3, 2015.
- On June 23, 2015, Moody's lowered the rating of ČEZ, a. s. to A3 with stable outlook (from the previous A2-), which aligned Moody's rating with that of Standard and Poor's (A- with stable outlook).
- The 11th Eurobond issue (EUR 460.2m) was duly paid on May 26, 2015.

SEGMENTAL CONTRIBUTIONS TO EBITDA IN 2014



*including eliminations

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

CZK

Profit and loss CZK bn	2009	2010	2011	2012	2013	2014
Revenues	196.4	198.8	209.8	215.1	217.0	200.7
Sales of electricity	173.5	175.3	181.8	186.8	189.4	173.8
Heat sales and other revenues	22.9	23.6	28.0	28.3	27.6	26.8
Operating Expenses	105.3	110.0	122.4	129.3	135.0	128.2
Purchased power and related services	48.2	54.4	65.9	71.7	79.0	76.0
Fuel	15.8	16.9	17.1	15.8	13.8	12.7
Salaries and wages	18.1	18.7	18.1	18.7	18.7	18.9
Other	23.3	20.0	21.3	23.1	23.5	20.6
EBITDA	**91.0**	**88.8**	**87.4**	**85.8**	**82.0**	**72.5**
EBITDA margin	*46%*	*45%*	*42%*	*40%*	*38%*	*36%*
Depreciation, amortization, impairments	26.2	26.9	26.2	28.9	36.4	35.7
EBIT	**64.9**	**62.0**	**61.3**	**57.1**	**45.7**	**36.9**
EBIT margin	*33%*	*31%*	*29%*	*27%*	*21%*	*18%*
Net Income	**51.9**	**46.9**	**40.8**	**40.2**	**35.2**	**22.4**
Net income margin	*26%*	*24%*	*19%*	*19%*	*16%*	*11%*

Balance sheet CZK bn	2009	2010	2011	2012	2013	2014
Non current assets	415.0	448.3	467.3	494.9	485.9	497.5
Current assets	115.3	96.1	131.0	141.2	154.5	130.4
- out of that cash and cash equivalents	26.7	22.2	22.1	18.0	25.0	20.1
Total Assets	**530.3**	**544.4**	**598.3**	**636.1**	**640.4**	**627.9**
Shareholders equity (excl. minority. int.)	200.4	221.4	226.8	250.2	258.1	361.3
Return on equity	*28%*	*22%*	*18%*	*17%*	*14%*	*7%*
Interest bearing debt	173.1	158.5	182.0	192.9	199.0	184.1
Other liabilities	156.8	164.4	189.4	192.9	183.3	82.4
Total liabilities	**530.3**	**544.4**	**598.3**	**636.1**	**640.4**	**627.9**

SELECTED HISTORICAL FINANCIALS OF CEZ GROUP

EUR

Profit and loss EUR m	2009	2010	2011	2012	2013	2014
Revenues	7,082	7,172	7,566	7,758	7,826	7,237
Sales of electricity	6,258	6,322	6,557	6,737	6,830	6,269
Heat sales and other revenues	824	850	1,009	1,021	997	968
Operating Expenses	3,800	3,969	4,415	4,663	4,869	4,623
Purchased power and related services	1,737	1,960	2,376	2,585	2,850	2,741
Fuel	570	611	618	571	498	458
Salaries and wages	653	675	653	675	674	680
Other	839	723	768	832	846	744
EBITDA	**3,282**	**3,203**	**3,151**	**3,095**	**2,957**	**2,615**
EBITDA margin	*46%*	*45%*	*42%*	*40%*	*38%*	*36%*
Depreciaiton	944	971	947	1,042	1,312	1,289
EBIT	**2,342**	**2,235**	**2,209**	**2,059**	**1,648**	**1,333**
EBIT margin	*33%*	*31%*	*29%*	*27%*	*21%*	*18%*
Net Income	**1,870**	**1,693**	**1,470**	**1,448**	**1,270**	**809**
Net income margin	*26%*	*24%*	*19%*	*19%*	*16%*	*11%*

Balance sheet EUR m	2009	2010	2011	2012	2013	2014
Non current assets	14,967	16,169	16,855	17,850	17,527	17,945
Current assets	4,159	3,466	4,725	5,092	5,571	4,702
- out of that cash and cash equivalents	964	799	796	648	902	725
Total Assets	**19,126**	**19,635**	**21,580**	**22,942**	**23,098**	**22,646**
Shareholders equity (excl. minority. int.)	7,227	7,987	8,181	9,026	9,308	13,032
Return on equity	*28%*	*22%*	*18%*	*17%*	*14%*	*7%*
Interest bearing debt	6,243	5,717	6,565	6,959	7,178	6,641
Other liabilities	5,656	5,931	6,833	6,957	6,611	2,973
Total liabilities	**19,126**	**19,635**	**21,580**	**22,942**	**23,098**	**22,646**

Exchange rate used:
27.725 CZK/EUR

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