SKUPINA ČEZ

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ČEZ Group Earned CZK 9 Billion for the First Three Quarters and Increased its Forecast of Net Income less Extraordinary Items to CZK 13–14 Billion

CEZ Group's Operating Revenues for the first three quarters of 2018 reached CZK 129.3 billion, with EBITDA reaching CZK 38.7 billion and Net Income at CZK 9.1 billion. Net Income less extraordinary items that generally do not pertain to the ordinary business of the financial year reached CZK 11.3 billion. The year-on-year change of the income generated for the first three quarters was significantly influenced by nearly CZK 7 billion in one-off revenues in 2017, due in particular to the sale of MOL's shares. In terms of its expected results for the whole year, CEZ Group has specified its expected EBITDA at CZK 50-51 billion and has increased its outlook for Net Income less extraordinary items to CZK 13-14 billion.

"The CZK 2.4 billion year-on-year decline in EBITDA for the first three quarters corresponds to the growing costs of emission allowances for power generation (up by CZK 1.3 billion) and non-recurring one-time positive items in 2017. These included a settlement agreement concluded with Sokolovská uhelná (CZK +0.7 billion) and with the state-owned energy company of NEK in Bulgaria (CZK +0.4 billion). Moreover, the Net Income of 2017 was also increased by the one-time sale of real property in Prague (CZK +1.1 billion), and, particularly, by the sale of shares of MOL (CZK +4.5 billion)," explained Martin Novák, Vice-Chairman of the Board of Directors and CFO.

In Q3 alone, EBITDA increased by CZK 2 billion year on year to CZK 11.8 billion, with Net Income reaching CZK 1.4 billion (compared to a loss of CZK 0.1 billion generated in Q3 2017). This significant year-on-year growth can, however, be attributed to the positive compensation of temporary negative factors, which reduced the income for the first half of the year and are related mostly to the revaluation of hedging contracts for the supply of power generated by the CEZ Group and to the commercial hedging of emission allowance purchases for the entire year of 2018.

Operating Revenues reached CZK 129.3 billion over the first three quarters, which is up by CZK 4.6 billion year on year when disregarding IFRS methodological changes. This increase can be attributed, in particular, to higher revenues from energy services, which grew by more than 200% year on year. Power generation from traditional sources declined by one percent year on year to 44.3 TWh, whereas the volume of power generated in nuclear power plants grew by 7% to 21.7 TWh. Power generation in the New Energy segment (which includes wind farms, photovoltaic power plants, and small hydroelectric power plants) reached 1.3 TWh, down by 8% year on year due to less favorable weather conditions in Romania.

"After years of year-on-year declines of electricity selling prices, we saw a turn in the third quarter, and the growing power prices on wholesale energy markets began to have a positive influence on CEZ Group's results, which is going to significantly influence our results next year. In accordance with our hedging strategy, we continue to pre-sell electricity and fix our costs of emission allowances for the upcoming years. We have already sold over 84% of our power generation capacity for 2019 at a price of 35.80 EUR/MWh, and for the power generation capacity of our coal power plants, we have secured emission allowances at a price of

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5.70 EUR/t. We have also sold over 56% of our power generation capacity for 2020 at a price of 38.80 EUR/MWh, and procured emission allowances at a price of 8.90 EUR/t," says Daniel Beneš, Chairman of the Board of Directors and CEO of ČEZ.

"In terms of our expected results for the whole year, we want to specify our EBITDA outlook at CZK 50–51 billion, since the revenue from an expected court ruling on a receivable from SŽDC (Railway Infrastructure Administration), which dates back to 2011, is not likely to be received this year, and also due to an expected lower power generation from coal sources and shifted closing dates of new acquisitions. At the same time, we have increased our outlook for Net Income less extraordinary items to CZK 13–14 billion due to revenue from returned donation tax on emission allowances and due to lower interest paid, depreciation, and other financial expenses connected with new acquisitions," said Martin Novák, Vice-Chairman of the Board of Directors and CFO.

The consumption of electricity in ČEZ Distribuce's distribution territory grew by 0.3% year on year over the first three quarters, which translates to 1.1% when disregarding weather and seasonal factors.

Ladislav Kříž, ČEZ Spokesman

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