



CONFERENCE CALL ON CEZ GROUP FINANCIAL RESULTS IN H1 2016

NON-AUDITED CONSOLIDATED RESULTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)

Prague, August 9, 2016

AGENDA



Financial Highlights and Selected Events

Martin Novák, Chief Financial and Operations Officer

Financial Results

Martin Novák, Chief Financial and Operations Officer

Market Position

Luděk Horn, Director of Trading

H1 2016 FINANCIAL HIGHLIGHTS



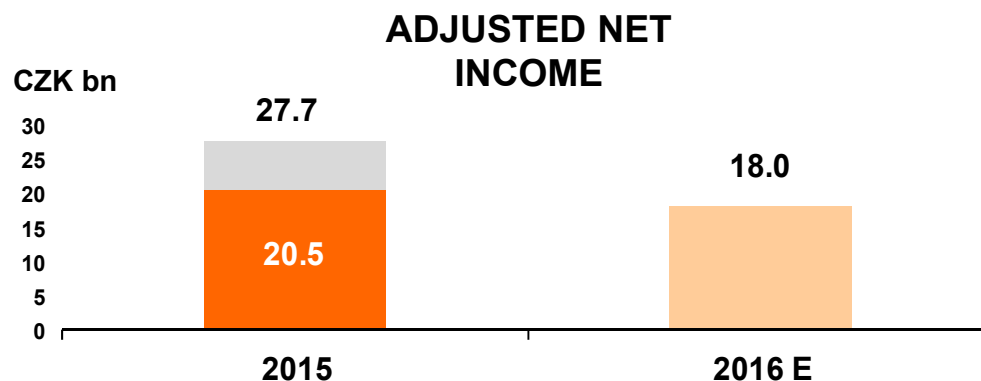
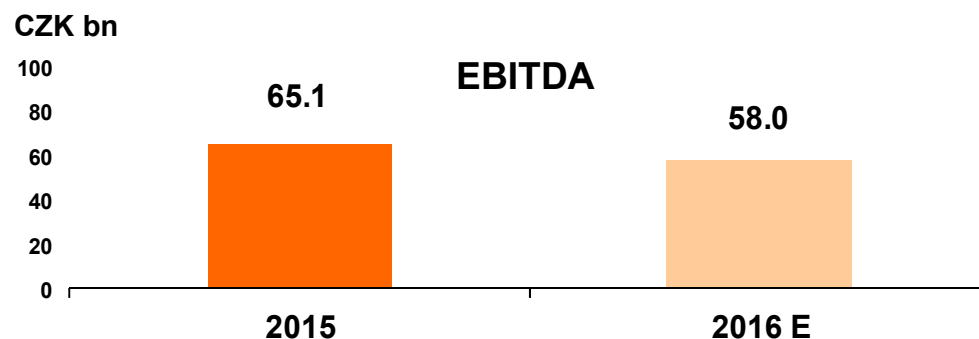
Q2 2016

- **EBITDA CZK 13.1bn**
- **EBIT CZK 5.0bn**
- **Net Income CZK 3.8bn**
- **Adjusted net income* CZK 4.8bn**

H1 2016

- **EBITDA CZK 33.1bn**
- **EBIT CZK 18.0bn**
- **Net Income CZK 13.8bn**
- **Adjusted net income* CZK 14.8bn**

WE KEEP EXPECTED ADJUSTED NET INCOME AT **CZK 18 BN** & ADJUST OUR EBITDA EXPECTATION TO **CZK 58 BN**



Adjustment of 2015 net income
 2015 net income

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:

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

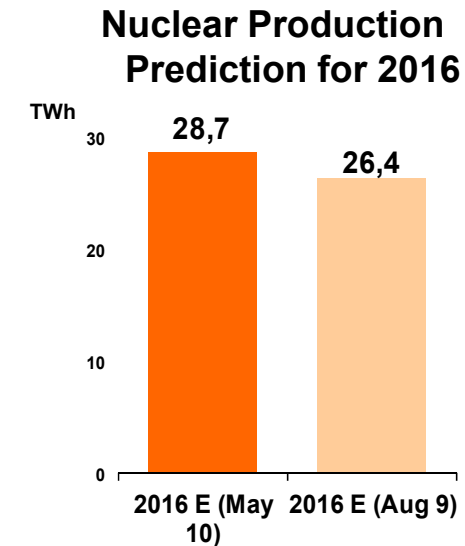
NUCLEAR POWER PLANT SAFETY IS OUR PRIORITY

GENERATION—TRADITIONAL ENERGY SEGMENT



Extended weld inspections at Dukovany and Temelín NPPs and activities necessary for Dukovany operating license renewal resulted in 2.3 TWh reduction in our nuclear production prediction for 2016

- Work at Dukovany Unit 1 is part of continuous operational safety enhancement under the Dukovany 1 LTO Action Plan.
- Work at Dukovany Units 2 & 3 is related to operating license renewal and reflects the need for performing required additional weld inspections (approx. 3,200 per unit) and activities for the other Dukovany units' license renewal after 30 years. On this account, ČEZ applied to SÚJB (State Office for Nuclear Safety) for extension of the existing Unit 2 license until July 10, 2017
- Prolongation of outages at Temelín NPP, primarily due to weld inspections, is partially offset by trouble-free operation of nuclear units.



NEW NUCLEAR POWER PLANT AT DUKOVANY—ČEZ applied to the Czech MoE for environmental impact assessment for potential construction of new nuclear units at Dukovany

- In line with the updated state energy policy, ČEZ is ready to launch the process of comprehensive environmental impact assessment for the planned construction of new units at the Dukovany Nuclear Power Plant; to this end, it submitted the documents needed for starting the EIA to the Czech MoE on July 20, 2016.
- ČEZ thus has started implementing the National Action Plan for the Development of Nuclear Energy aimed at ensuring the Czech Republic's long-term energy self-sufficiency.

PRUNĚŘOV POWER PLANT COMPLETELY RENOVATED GENERATION—TRADITIONAL ENERGY SEGMENT



Three generating units were accepted for service on June 10, June 30, and July 15

- Preliminary acceptance certificates (PACs) for the units were signed based on successful integration testing, unit certification, and successful comprehensive testing of all three generating units
- The final acceptance of the units after the completed pilot operation (and thus the final completion of the comprehensive renovation project) expected in June 2018



Primary reasons for a partial delay in the comprehensive renovation which started on September 1, 2012:

- Legislative reasons (in particular obtaining a final decision on the integrated and construction permits)
- Change in the manner of construction of the turbine foundation due to a different subsoil than what was expected in the initial documentation
- Change in the design of switchgear frames due to movement of load-bearing structures at the main generating unit
- Optimization of cleaning operation times and optimization of boiler and turbine prototypes

The renovation of three units results in:

- Increasing the installed capacity of each of the 3 units from the original 210 to 250 MW_e
- Enhancing efficiency in combination with heat generation to over 40%
- Improving all emission parameters by an average 60%

SELECTED EVENTS

SEGMENT: GENERATION – NEW ENERGY



Romania

- The formal notification process for the Fântânele Vest and Cogeaalac wind farms was completed in early June. The European Commission (DG Competition Council) approved the individual notifications for the wind parks in its decision.
- On the basis of this decision, the ČEZ wind parks continue to be entitled to participate in the RES support system in Romania under applicable law and obtain green certificates for electricity generation.
- For 2016, this means support amounting to two green certificates (1 allocated and 1 deferred).

Poland

- July 16 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.

SELECTED EVENTS

SEGMENT: DISTRIBUTION



Strategic program “Redesign of Czech Distribution Segment“ continues as scheduled

- 836 metering employees were transferred from ČEZ Distribuční služby to ČEZ Distribuce as at July 1, 2016. The remaining staff of around 1,700 will be transferred as at January 1, 2018.
- The implementation of the program will bring approx. CZK 200m a year by streamlining performed activities and achieving synergistic effects. The strategic program will also ensure compliance with legal and regulatory requirements.

Albania duly paid another instalment (EUR 21.1m) on July 25

- EUR 52.8m out of the total of EUR 95m has already been paid under the Settlement Agreement with Albania. Further payments are planned to be made in yearly instalments until 2018.

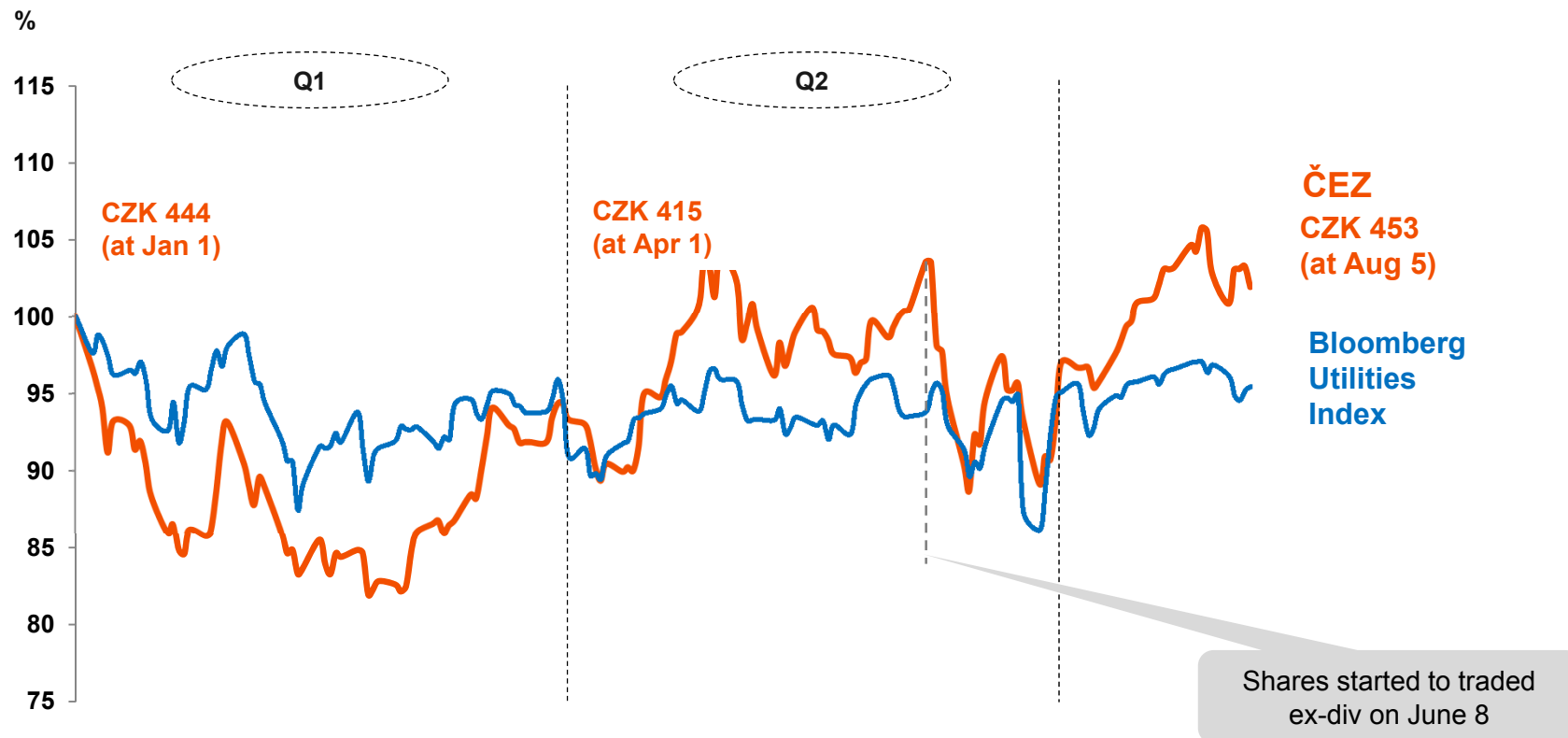
We commenced international arbitration to protect our investment in Bulgaria

- 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.

CEZ MARKET CAPITALIZATION HAS GROWN BY MORE THAN CZK 20BN SINCE THE BEGINNING OF Q2



ČEZ Share Prices vs. Bloomberg Utilities Index from Jan 1, 2016 to Aug 5, 2016





Financial Highlights and Selected Events

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Market Position

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CEZ GROUP FINANCIAL RESULTS



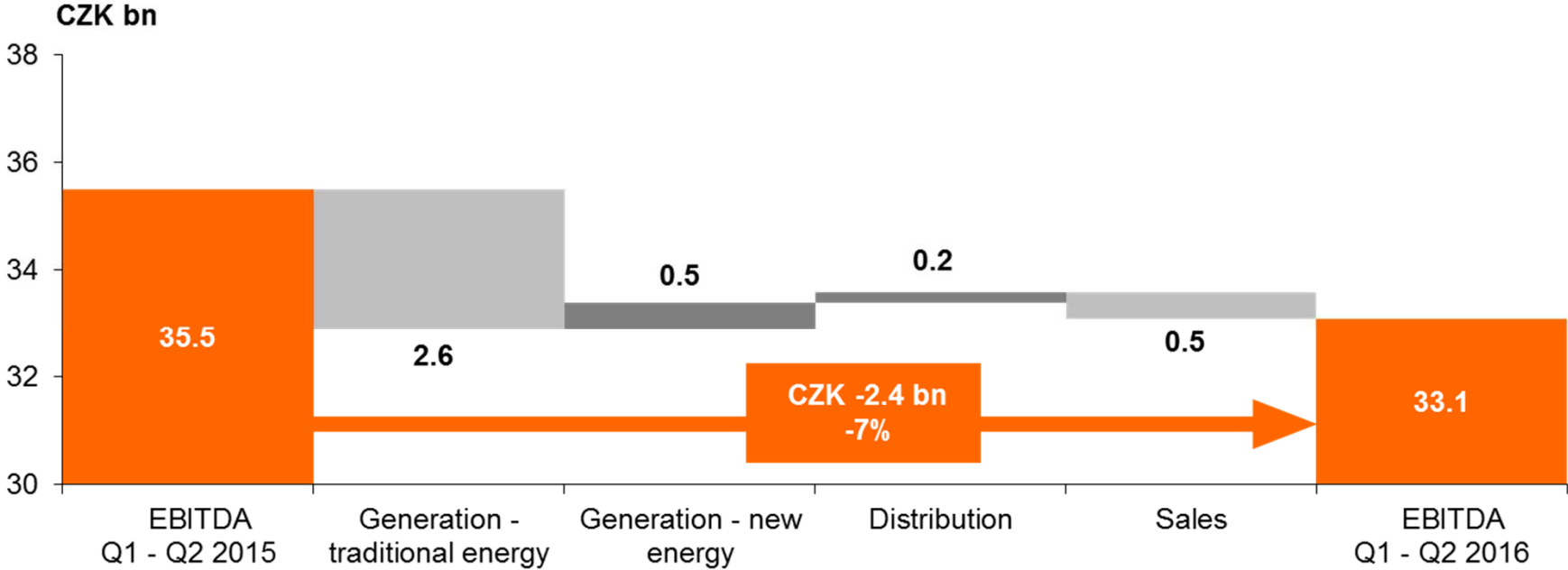
(CZK bn)		Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Revenues		104.5	98.9	-5.6	-5%
EBITDA		35.5	33.1	-2.4	-7%
EBIT		21.3	18.0	-3.3	-16%
Net income		15.4	13.8	-1.6	-10%
Net income - adjusted *		15.4	14.8	-0.7	-4%
Operating CF		28.7	25.9	-2.8	-10%
CAPEX		13.4	13.3	-0.1	-1%
Net debt **		131.1	124.4	-6.7	-5%

		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

YEAR-ON-YEAR CHANGE IN EBITDA BY SEGMENT



SEGMENT: GENERATION—TRADITIONAL ENERGY



EBITDA (CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Czech Republic	16.6	14.1	-2.5	-15%
Poland	0.8	0.7	-0.1	-14%
Romania	0.0	0.0	0.0	+109%
Bulgaria	0.0	0.0	0.0	-15%
Other countries	0.0	0.0	0.0	>200%
Generation - traditional energy	17.4	14.8	-2.6	-15%

Czech Republic (CZK -2.5bn)

- Lower realization prices of generated electricity and effect of prices on the revaluation of commodity derivatives (CZK -3.2bn)
- Effect of change in production volume and structure (CZK -0.3bn)
- Lower revenue from ancillary services (CZK -0.2bn)
- Higher income from proprietary trading (CZK +0.8bn)
- Effect of USD/EUR exchange rate on the hedging of an oil-linked contract (CZK +0.4bn)

Poland (CZK -0.1bn)

- Primarily a decrease in green certificate prices

SEGMENT: GENERATION–NEW ENERGY



EBITDA (CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Czech Republic	1.0	1.0	0.0	-4%
Poland	0.0	-0.1	0.0	-114%
Romania	0.4	0.9	+0.6	+160%
Bulgaria	0.0	0.0	0.0	-47%
Generation - new energy	1.4	1.9	+0.5	+35%

Romania (CZK +0.6bn)

- Resumed allocation of green certificates for Fântânele Vest and Cogeaalac wind farms since September 2015 (CZK +0.7bn)
- Lower production due to worse weather conditions and generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid (CZK -0.1bn)

SEGMENT: DISTRIBUTION



EBITDA (CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Czech Republic	8.1	8.5	+0.4	+5%
Romania	1.3	0.9	-0.4	-28%
Bulgaria	0.5	0.6	+0.1	+18%
Distribution	9.8	10.0	+0.2	+2%

Czech Republic (CZK +0.4bn)

- Higher amount of distributed electricity, increased by 250 GWh, due to an increase at both the medium-voltage level, relating to corporate customers' increased consumption, and the low-voltage level, due to more electricity used for heating

Romania (CZK -0.4bn)

- Lower margin on distributed electricity, primarily due to its lower price and slightly lower amount (CZK -0.3bn)
- Higher additions to provisions for receivables (CZK -0.1bn)

SEGMENT: SALES



EBITDA (CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Czech Republic	3.4	2.7	-0.8	-22%
Poland	0.0	0.0	0.0	-92%
Romania	0.1	0.2	+0.1	+81%
Bulgaria	0.0	0.2	+0.1	>200%
Other countries	0.1	0.2	+0.1	+77%
Sales	3.7	3.2	-0.5	-13%

Czech Republic (CZK -0.8bn)

- Payment of SŽDC liabilities from 2010 to ČEZ Prodej based on a court decision in 2015 (CZK -1.1bn)
- Higher gross margin of ČEZ Prodej due to decreased costs of purchased electricity and gas and an increased amount of delivered gas in connection with continued acquisition of new customers (CZK +0.5bn)
- Higher fixed operating cost (CZK -0.1bn)

SEGMENTS WITH NO YEAR-ON-YEAR CHANGE



SEGMENT: MINING

EBITDA (CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Czech Republic	2.0	2.0	0.0	0%
Mining	2.0	2.0	0.0	0%

SEGMENT: OTHER

EBITDA (CZK bn)	Q1 - Q2 2015	Q1 - Q2 2016	Change	%
Czech Republic	1.2	1.2	0.0	+0%
Poland	0.0	0.0	0.0	+44%
Romania	0.0	0.0	0.0	+9%
Bulgaria	0.0	0.1	+0.1	+133%
Other countries	-0.1	-0.1	-0.1	-119%
Other	1.2	1.2	0.0	0%

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

SECTOR REVISION OF S&P RATINGS OF EUROPEAN ENERGY COMPANIES CONFIRMS ČEZ'S FINANCIAL HEALTH



ČEZ KEEPS ITS TOP RATING OF A- WITH A STABLE OUTLOOK

Company	S&P rating (BEFORE revision)	S&P rating (AFTER revision)	Outlook
EDF	A+	A	Negative
ČEZ	A-	A-	Stable
ENGIE	A	A-	Negative
EnBW	A-	A-	Negative
Fortum	BBB+	BBB+	Stable
e-on	BBB+	BBB+	Negative
VATTENFALL	BBB+	BBB+	Negative
Enel	BBB	BBB	Stable
Verbund	BBB+	BBB	Negative
RWE	BBB	BBB-	Negative

- In June, S&P finished a revision of credit ratings in the energy sector, initiated by a significant decline in electricity prices at the beginning of 2016.
- The revision resulted in decreased ratings or worsened outlooks for many energy companies.
- **ČEZ's rating was confirmed at A-; the only company having a better rating than ČEZ is EDF**



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WHOLESALE MARKET AND CONSUMPTION CHANGES IN THE CZECH REPUBLIC



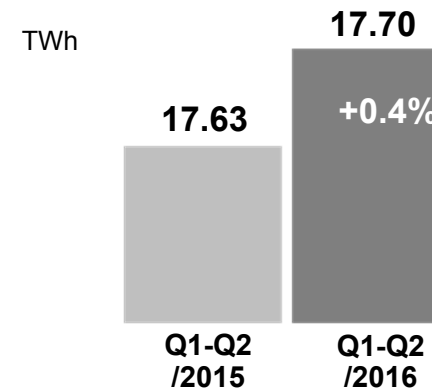
WHOLESALE MARKET

- The wholesale price of electricity on the German market (CAL 17—2017 year band—EEX) is around 27.30 EUR/MWh, the price on the Czech market (PXE) is approx. 0.7 EUR/MWh higher
- The price of emission allowances is around 4.7 EUR/t EUA

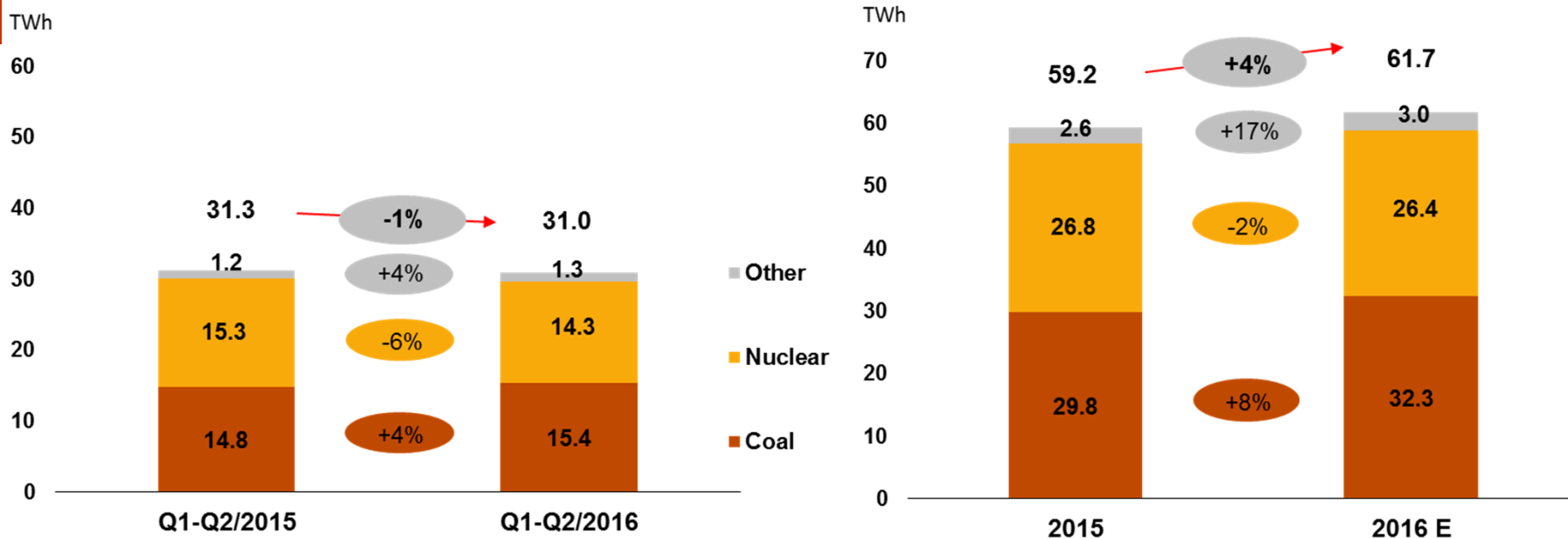
ELECTRICITY CONSUMPTION IN THE CZECH REP. INCREASED *

- Electricity consumption in the Czech Rep. increased by 1.4%
- Temperature- and calendar-adjusted consumption increased by 0.4%

Consumption in the Distribution Area of ČEZ Distribuce (Temperature- and Calendar-Adjusted)**



GENERATION—TRADITIONAL ENERGY



Nuclear Power Plants (-6%)

– Extended outages at Dukovany NPP due to weld inspections

Czech Rep.—Coal-Fired Power Plants (+5%)

- + Operation of Ledvice 4 Power Plant (new facility) during construction
- + Operation of Pruněřov 2 Power Plant during comprehensive renovation

Poland—Coal-Fired Power Plants (0%)

Other (+4%)

- + Primarily increased production at Počerady CCGT plant

Nuclear Power Plants (-2%)

– Primarily extended outages at Dukovany NPP due to weld inspections

Czech Rep.—Coal-Fired Power Plants (+9%)

- + Operation of Pruněřov 2 Power Plant after comprehensive renovation
- + Operation of Ledvice 4 Power Plant (new facility)

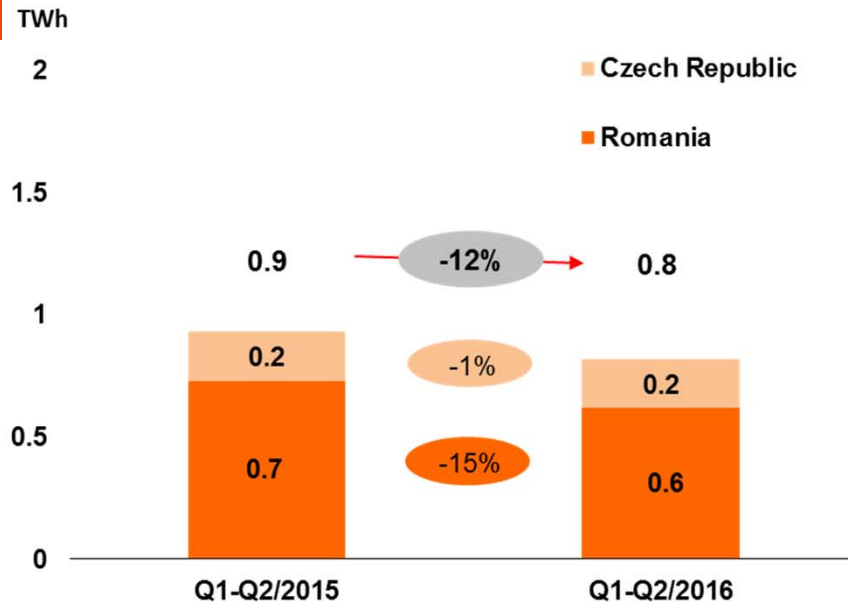
Poland—Coal-Fired Power Plants (+3%)

+ Higher amount of coal burned at both Polish power plants and improved efficiency since June 2015 due to Skawina Power Plant upgrade

Other (+17%)

- + Primarily increased production at Počerady CCGT plant

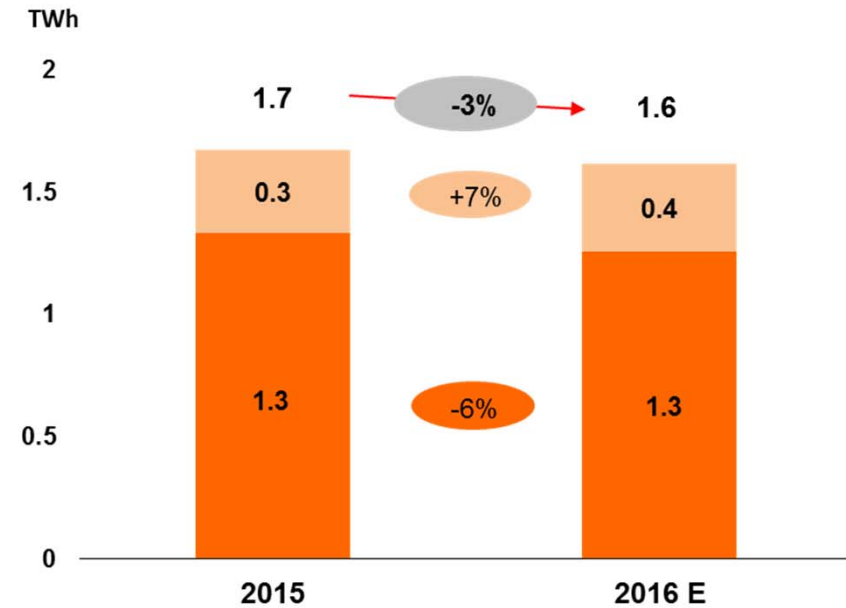
GENERATION—NEW ENERGY



Czech Republic (-1%)

Romania (-15%)

– Lower production due to worse weather conditions and generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid



Czech Republic (+7%)

+ Worse-than-average weather conditions in H2 2015 with effect on hydro and photovoltaic plants

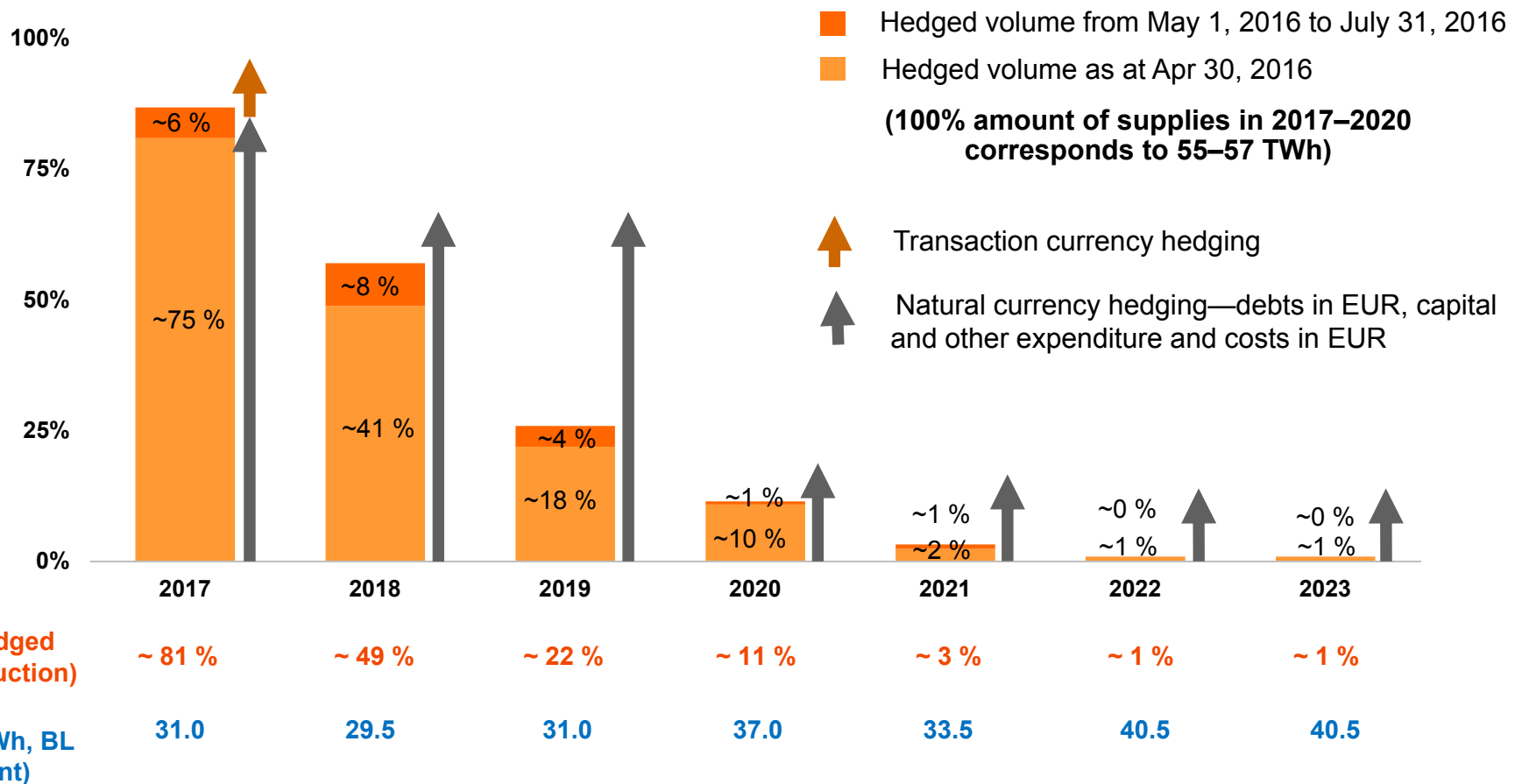
Romania (-6%)

– Worse weather conditions and generation restrictions imposed by the semi-state-owned transmission system operator in order to regulate the transmission grid

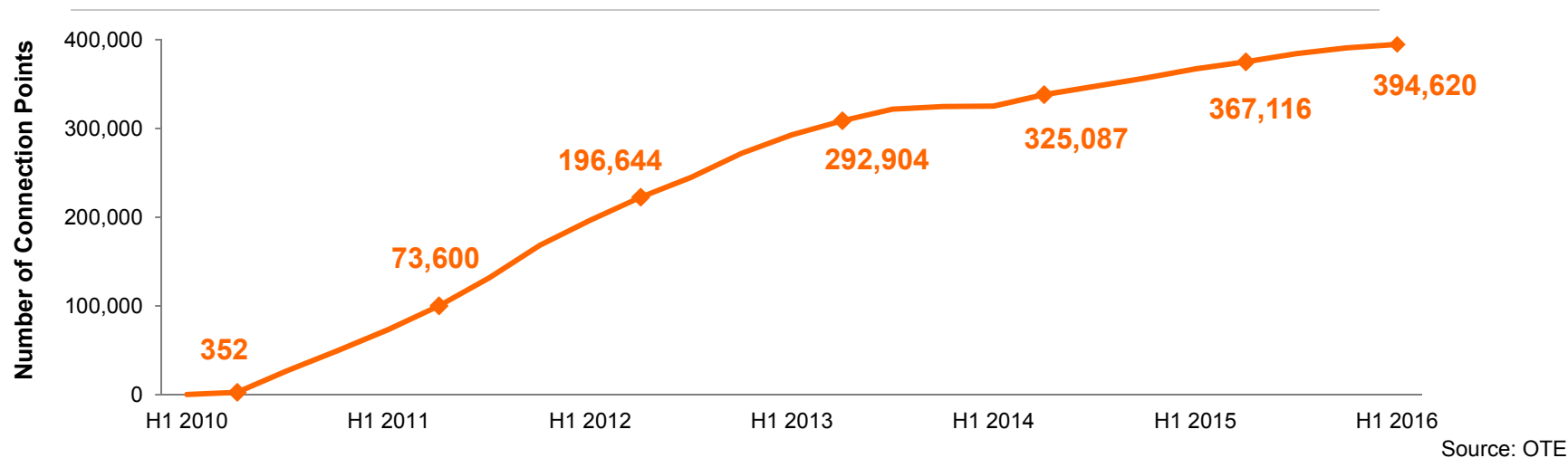
ČEZ CONTINUES HEDGING ITS GENERATION REVENUES IN THE MEDIUM TERM IN LINE WITH STANDARD POLICY



Share of Hedged Production of ČEZ*
Facilities as at July 31, 2016



ČEZ PRODEJ GAINS NEW CUSTOMERS FOR GAS COMMODITY, THE NUMBER OF CONNECTION POINTS REACHES ALMOST 400,000



ČEZ's offer appeals to customers with its quality as well as price. In reaction to changes in market prices, we reduced product prices in H1 2016:

ČEZ WITH REWARD

- 3-year price fixation, price changed on Apr 8, 2016
- Price per MWh 10% lower than competitors' *
- Offered to new customers

ČEZ WITH GUARANTEE

- 2-year price fixation, price changed on Apr 8, 2016
- Price per MWh 6% lower than competitors' *
- Offered to new customers

COMFORT & PRAKTIK

- Price changed on May 1, 2016
- New price for new and existing customers

ROOFTOP PHOTOVOLTAICS BY ČEZ



- 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



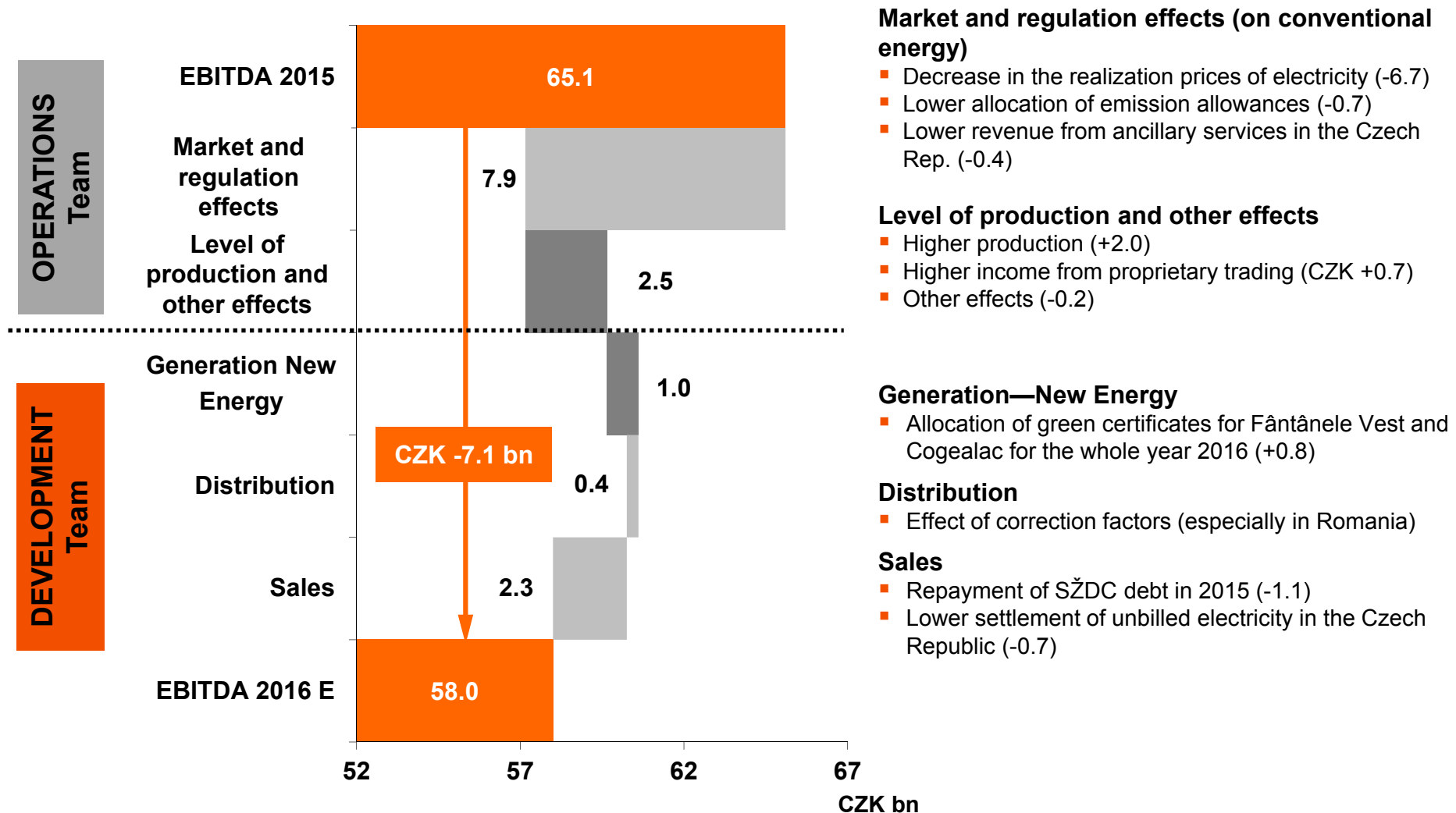
ANNEXES



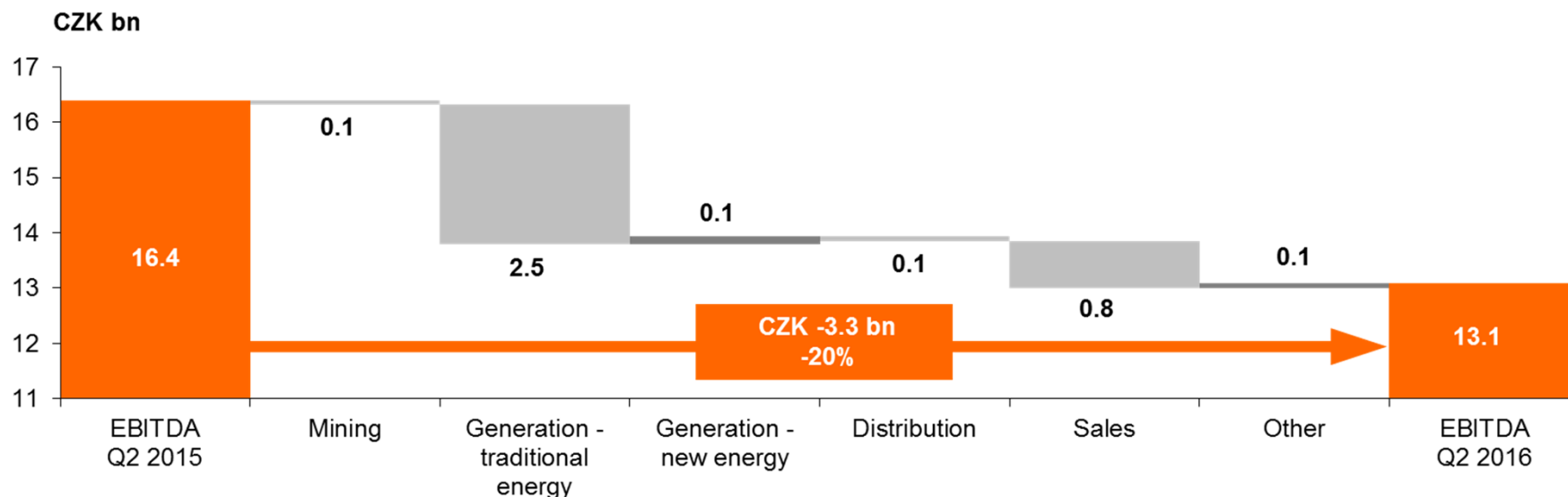
- Comparison of 2015 EBITDA with expected 2016 EBITDA
- EBITDA—Q2 Year-on-Year Comparison
- Net Income—Q2 Year-on-Year Comparison
- Cash Flow
- Investments in Fixed Assets
- Credit Facilities and Bonds
- Balance Sheet Overview
- Mining Volumes
- Electricity Consumption
- Selected Events
- Market Developments
- Methodology of calculation of indicators not specified under IFRS (According to ESMA Guidelines)
- Electricity Balance

EXPECTED YEAR-ON-YEAR CHANGE IN EBITDA

MAIN REASONS



EBITDA—Q2 YEAR-ON-YEAR COMPARISON



CEZ Group EBITDA (CZK -3.3bn):

- **Mining (CZK -0.1bn):** Lower demand for thermal coal
- **Generation—Traditional Energy (CZK -2.5bn):** Lower realization prices of generated electricity and effect of prices on the revaluation of commodity derivatives (CZK -1.7bn), lower income from proprietary trading (CZK -0.3bn), higher fixed operating costs, provisions, and impairments (CZK -0.3bn), effect of USD/EUR exchange rate on oil-linked contract hedging (CZK -0.2bn), lower revenue from ancillary services (CZK -0.2bn), change in production volume and structure (CZK +0.2bn)
- **Generation—New Energy (CZK +0.1bn):** Positive effect of resumed certificate allocation for Fântânele Vest and Cogeaalac wind farms in Romania since September 2015 was partially offset by lower production
- **Distribution (CZK -0.1bn):** Lower margin on distributed electricity (due to lower prices) and higher operating costs in Romania (CZK -0.3bn), partially offset by a higher margin on distributed electricity in the Czech Rep. and a higher operating result in Bulgaria
- **Sales (CZK -0.8bn):** Payment of SŽDC liability from 2010 to ČEZ Prodej based on a court decision in 2015 (CZK -1.1bn), higher gross margin of ČEZ Prodej due to decreased costs of purchased gas and electricity and due to an increased amount of delivered gas in connection with continued acquisition of new customers (CZK +0.1bn), higher margins in Romania and Bulgaria (CZK +0.2bn)

NET INCOME—Q2 YEAR-ON-YEAR COMPARISON



(CZK bn)	Q2 2015	Q2 2016	Change	%
EBITDA	16.4	13.1	-3.3	-20%
Depreciation, amortization and impairments*	-7.1	-8.1	-0.9	-13%
Other income (expenses)	0.3	-0.1	-0.4	-
Income taxes	-1.7	-1.1	+0.7	+39%
Net income	7.9	3.8	-4.0	-51%
Net income - adjusted	7.9	4.8	-3.1	-39%

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

- Additions to fixed asset impairments in Romania

Financial and Other Income (Expenses) (CZK -0.4bn):

- Lower profits of affiliates in Turkey (CZK -0.3bn) are due to a decrease in operating results partially offset by a positive change in the USD/TRY exchange rate

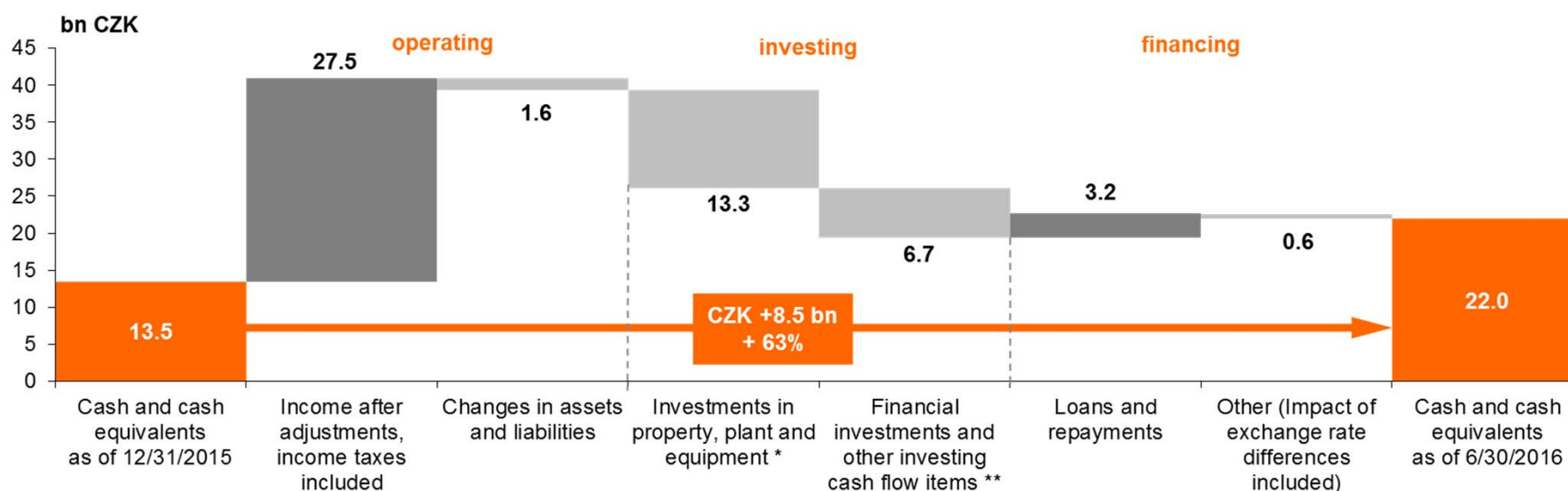
Net income adjustment **

- Q2 2016 net income adjusted for the negative effect of fixed asset impairments (CZK +1.0bn)

* Including profit/loss from sales of tangible and intangible 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

CASH FLOWS



Cash Flows From Operating Activities (CZK +25.9bn)

- Income after adjustments (CZK +27.5bn): earnings before tax (CZK +17.1bn), depreciation and amortization of nuclear fuel (CZK +16.0bn), impairments of tangible and intangible fixed assets (CZK +1.0bn), income tax paid (CZK -3.9bn), changes in provisions (CZK -2.7bn) primarily for emission allowances

Cash Flows Used in Investing Activities (CZK -19.9bn)

- Investments in property, plant, and equipment—CAPEX (CZK -13.3bn); see details in Annex
- Investments in long-term financial assets (CZK -5.1bn), of which: purchase of bonds (CZK -4.7bn); new investments of INVEN CAPITAL (CZK -0.5bn)
- Change in liabilities attributable to capital expenditure (CZK -1.1bn)

Cash Flows Provided By Financing Activities (CZK +2.6bn)

- Balance of loans and repayments (CZK +3.2bn), change in other long-term liabilities (CZK -0.6bn)

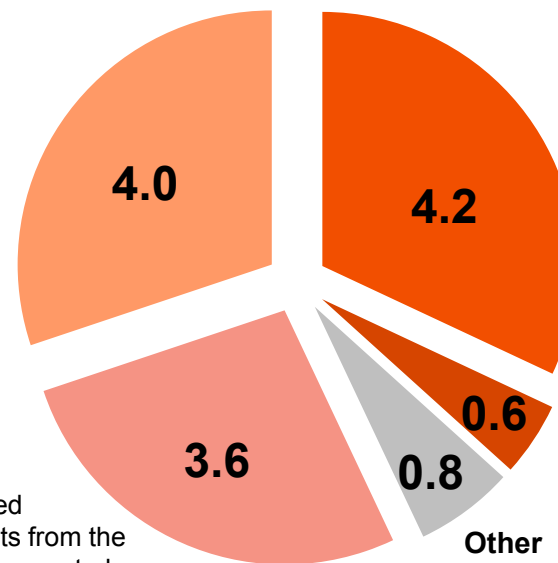
INVESTMENTS IN FIXED ASSETS



CZK 13.3bn in total (H1 2016)

Electricity distribution:

- Czech Republic: CZK 3.3bn
- Abroad: CZK 0.7bn



Conventional and other generating facilities:

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

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

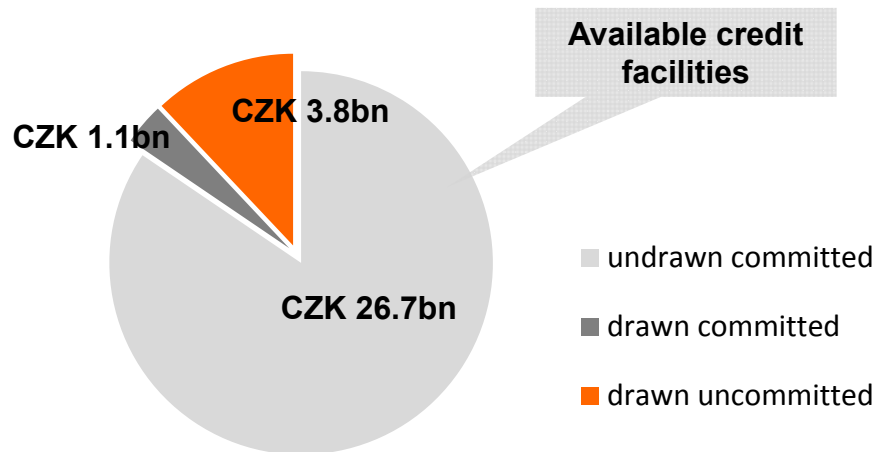
Nuclear facilities:

- Existing Temelín & Dukovany NPPs—Continued implementation of projects fulfilling requirements from the National Action Plan for Nuclear Safety Enhancement, drawn up after the events at the nuclear power plant at Fukushima, Japan
- New nuclear power plants at Temelín & Dukovany—Preparation of projects for the construction of two units at both the Temelín and Dukovany sites continues in accordance with the approved National Action Plan for Nuclear Energy. Preparations are underway for spinning off the Temelín and Dukovany NPPs into subsidiaries, ETE II and EDU II.

CEZ GROUP MAINTAINS A STRONG POSITION OF LIQUIDITY

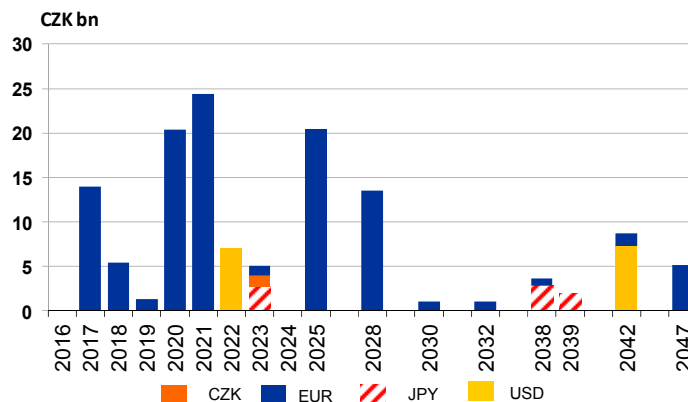


Utilization of Short-Term Lines (as at June 30, 2016)



- 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.

Bond Maturity Profile (as at June 30, 2016)



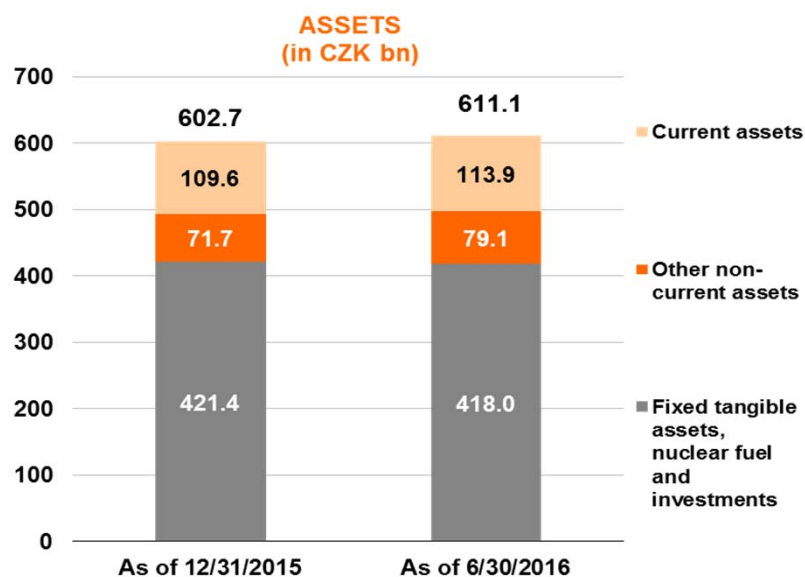
- The 23rd Eurobond issue (EUR 339.8m) was duly paid off on May 27, 2016.
- The second issue of bonds in the amount of EUR 130m, maturing in October 2016, was issued under the domestic bond program in July.

BALANCE SHEET OVERVIEW



Fixed Assets

- Decrease in property, plant, and equipment of CZK -3.4bn due to depreciation, amortization, and impairments, partially offset by investments in the renewal and construction of generating facilities and distribution grids and an increase in nuclear fuel inventory
- Increase in other fixed assets of CZK +7.5bn primarily due to the purchase of bonds (CZK +4.7bn) and revaluation of MOL Nyrt. shares to their fair value (CZK +1.4bn) and an increase in assets restricted in use (CZK +1.0bn)

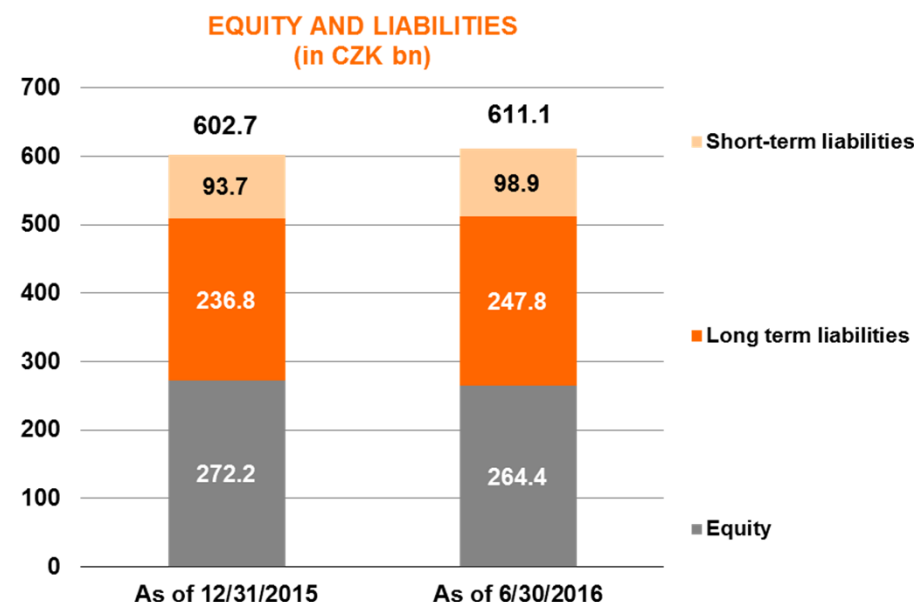


Current Assets

- Increase in cash and cash equivalents of CZK +8.5bn, increase in income tax receivables of CZK +2.3bn
- Decrease in inventories of emission allowances, fossil fuels, and materials of CZK -2.2bn
- Decrease in receivables from derivatives incl. options of CZK -1.6bn
- Decrease in liquid securities and short-term deposits of CZK -1.4bn
- Decrease in net receivables of CZK -1.2bn

Equity and Long-Term Liabilities

- Decrease in equity of CZK -7.7bn: paid dividends of CZK -21.4bn, increase in net income of CZK +13.8bn, other comprehensive income of CZK -0.2bn
- Increase in long-term liabilities primarily due to an increase in issued bonds of CZK +6.7bn and an increase in long-term bank loans of CZK +1.9bn

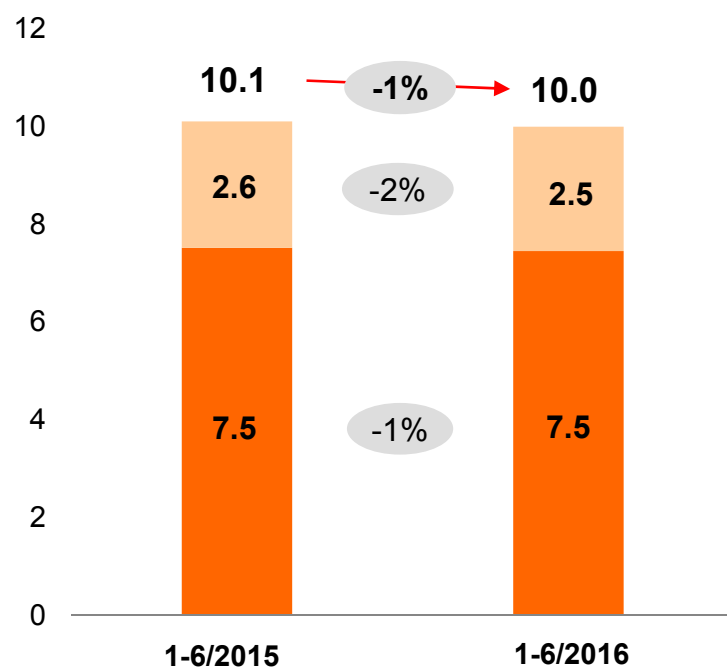


Short-Term Liabilities

- Increase in liabilities to shareholders on account of dividend payments of CZK +21.3bn
- Decrease in trade payables including advances of CZK -4.6bn, decrease in the current portion of long-term debt incl. short-term bank loans of CZK -4.1bn
- Decrease in unbilled goods and services of CZK -2.5bn, decrease in provision for emission allowances of CZK -2.2bn, decrease in income tax payables of CZK -1.4bn
- Decrease in other payables of CZK -1.2bn

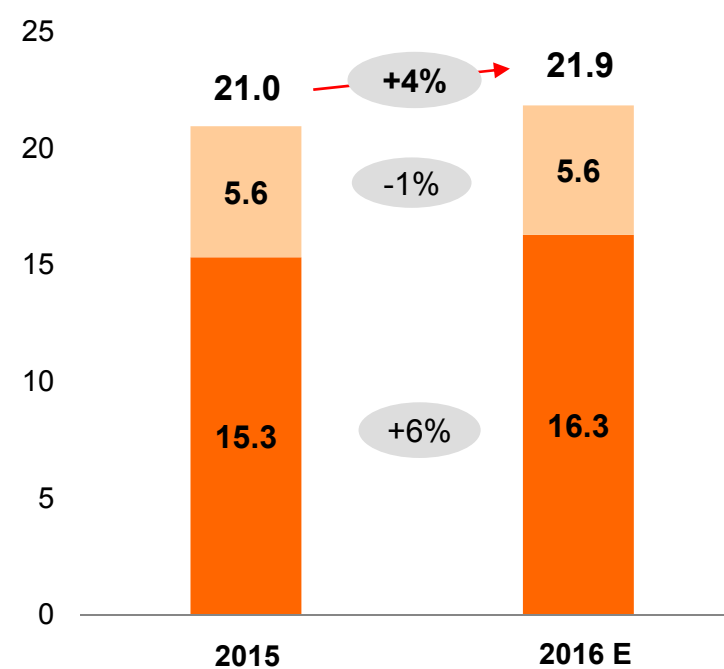


Severočeské doly—Coal Extraction (Millions of Tons)



- Decrease in saleable output of 0.1 million tons of coal primarily due to lower demand by customers outside CEZ Group

Other customers
ČEZ*

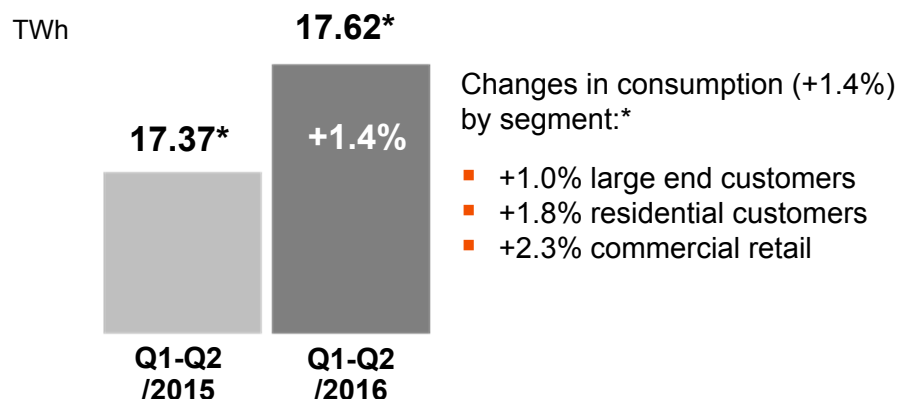


- Year-on-year increase in saleable production of 0.9 million tons primarily attributable to expected increased consumption of thermal coal by ČEZ

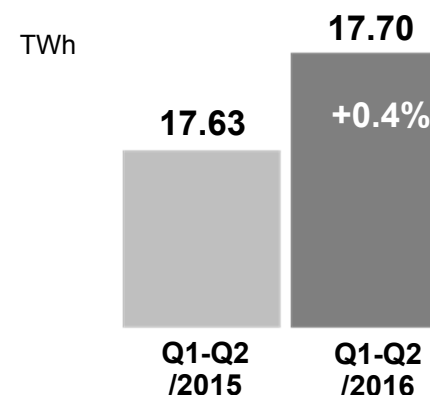
ELECTRICITY CONSUMPTION IN THE DISTRIBUTION AREA OF ČEZ DISTRIBUCE GREW YEAR-ON-YEAR



Consumption in the Distribution Area of ČEZ Distribuce



Consumption in the Distribution Area of ČEZ Distribuce (Temperature- and Calendar-Adjusted)**



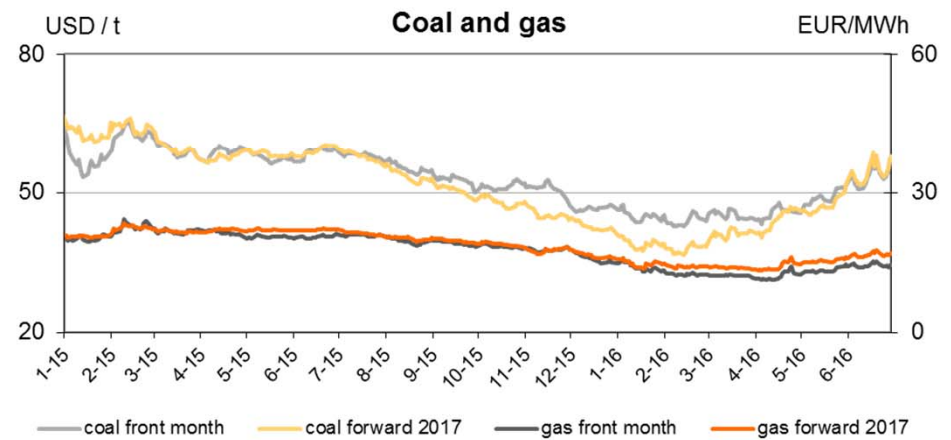
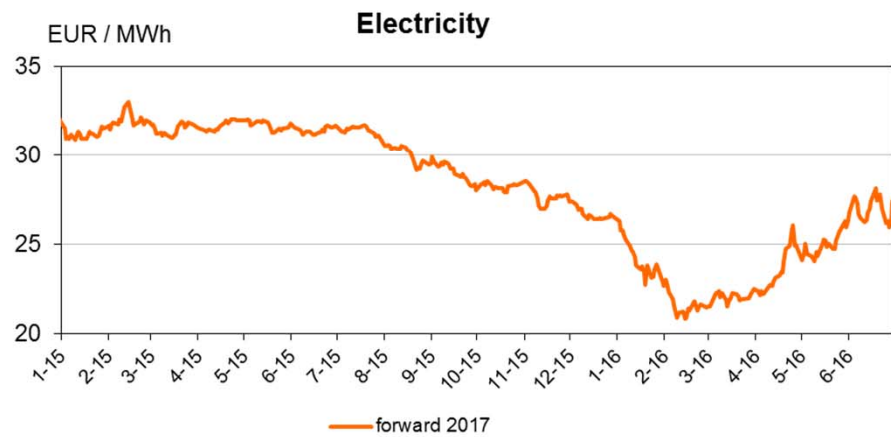
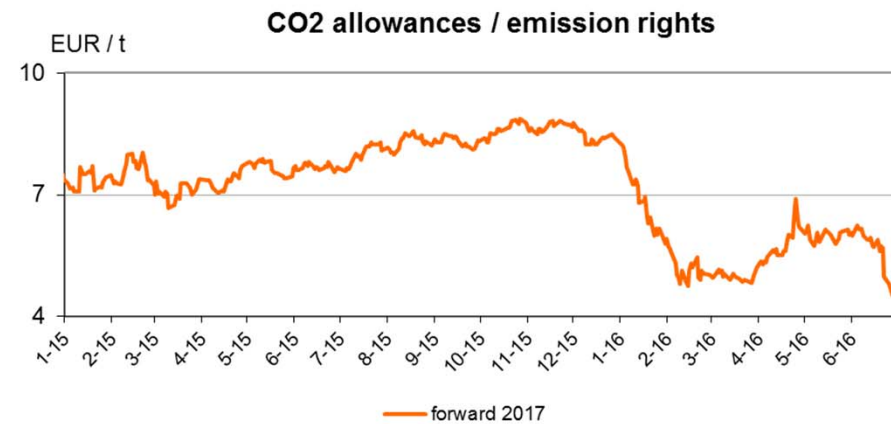
- Analysis based on CEZ Group’s internal data.
- The distribution area of CEZ Group covers around 5/8 of the Czech Republic’s territory, so the data is a good indicator of nationwide consumption trends.

SELECTED EVENTS (BEYOND THE SCOPE OF EVENTS MENTIONED IN THE PRESENTATION ITSELF)



- Through INVEN CAPITAL, CEZ Group acquired a share in the ENVIRONMENTAL TECHNOLOGIES FUND, focusing on global investments in fast growing companies in the sector of clean technologies (the fund's size is GBP 82m, CEZ Group's committed investment is GBP 4.3m). CEZ Group expects the investment in the fund to bring a return of 20–25% and provide it with access to an experienced fund's know-how and a new range of opportunities.
- The number of fast-charging stations for electric vehicles is growing quickly. In addition to existing 48 standard and 18 fast-charging stations, additional 8 fast-charging stations were added to cover major downtown areas and the most important roads in the Czech Republic.
- ČEZ Energetické služby of the ČEZ ESCO Group has won two important contracts in heat sector modernization (turnkey solutions):
 - For Pražská teplárenská—construction of an advanced gas-fired hot-water boiler plant for Prague 7 for CZK 116m
 - for ArcelorMittal Ostrava—eight new gas-fired boiler plants for CZK 95m
- The Association of Energy Services Providers (incl. Enesa of ČEZ ESCO) made an agreement with the MIT concerning energy intensity reduction and energy savings. In the agreement, the MIT undertakes to create favorable legislative conditions and support a wider application of energy performance contracting (EPC) especially in the public sector.

MARKET DEVELOPMENTS



Methodology of calculation of indicators not specified under IFRS

In line with ESMA guidelines, CEZ informs in detail about indicators, which are not normally reported as part of the IFRS statements or whose constituents are not directly available from standardized financial statements. These indicators represent supplementary information to accounting data and thus provide users with the additional information helping them to assess the financial situation and performance of CEZ Group or CEZ, a. s. These are usually indicators commonly used by other companies not only in the utilities sector.

Indicator name	
Net debt	<p><u>Purpose:</u> Indicator reflects the state of financial debt of the company, i.e. nominal value of debts reduced by cash and cash equivalents and highly liquid financial assets. The indicator is used in accessing overall debt adequacy, for example in comparison with selected profit or balance sheet items of the company.</p> <p><u>Definition:</u> Long-term debt, net of current portion + Current portion of long-term debt + Short-term loans – (Cash and cash equivalents + Highly liquid financial assets)</p>
Adjusted net income	<p><u>Purpose:</u> This is a complementary indicator especially for investors, creditors and shareholders, which allows the interpretation of achieved financial results excluding extraordinary, usually one-off, effects that are generally unrelated to ordinary financial performance and value creation in a given period.</p> <p><u>Definition*):</u> Net income +/- Impairment of plant, property and equipment and intangible assets including goodwill +/- Gain (Loss) on sale of subsidiaries, associates and joint-ventures +/- other extraordinary effects that are generally unrelated to ordinary financial performance in a given year and value creation in a given period +/- the impact of above effects on deferred and/or current tax.</p>
EBITDA (EBIT before depreciation and amortization, impairments and gains/losses on sale of property)	<p><u>Purpose:</u> This is an important economic indicator that reflects the operating performance of the company, comparable with other companies as it is not influenced by the accounting depreciation policy, capital structure of the given company and the tax regime. It is one of the basic indicators through which companies set up their main financial and strategic objectives.</p> <p><u>Definition:</u> Income before other income (expenses) + Depreciation and amortization +/- Impairment of plant, property and equipment and intangible assets including goodwill and gain/loss from sale of property, plant and equipment and intangibles (including write-off of permanently stopped investment projects)</p>

*) Definition valid from January 1, 2016

Most of the components of the calculation of particular indicators are directly part of the financial statements. Parts of the calculations, which are not included in the financial statements, are usually a direct part of the company's accounting and are defined as follows:

Indicator Net debt – Item of Highly liquid financial assets:

CZK bn	June 30, 2015	June 30, 2016
Short-term equity securities available-for-sale	2.1	0
Short-term debt securities held-to-maturity	6.9	3.6
Short-term deposits	9.4	7.1
Long-term deposits	0	0
Long-term debt securities available-for-sale	0.7	4.8
Highly liquid financial assets in total	19.2	15.6

Indicator Adjusted net income – individual components:

Adjusted net income (Adjusted Profit after tax)	Unit	1-6/2015	1-6/2016
Net income	CZK bn	15.4	13.8
Impairment of plant, property and equipment and intangible assets including goodwill	CZK bn	0	1.0
Impact of particular Impairment on deferred and current tax	CZK bn	0	0
Gain (Loss) on sale of subsidiaries, associates and joint-ventures	CZK bn	0	0
Other extraordinary effects	CZK bn	0	0
Adjusted net income	CZK bn	15.4	14.8

Electricity balance (GWh)

	Q1 - Q2 2015	Q1 - Q2 2016	Index 2016/2015
Electricity procured	28,844	28,558	-1%
Generated in-house (gross)	32,235	31,804	-1%
In-house and other consumption, including pumping in pumped-storage plants	-3,391	-3,245	-4%
Sold to end customers	-19,197	-18,561	-3%
Sold in the wholesale market (net)	-7,111	-7,704	+8%
Sold in the wholesale market	-99,630	-93,860	-6%
Purchased in the wholesale market	92,519	86,156	-7%
Grid losses	-2,536	-2,293	-10%

Electricity generation by source (GWh)

	Q1 - Q2 2015	Q1 - Q2 2016	Index 2016/2015
Nuclear	15,294	14,322	-6%
Coal and lignite	14,439	14,995	+4%
Water	1,263	1,156	-8%
Biomass	371	417	+13%
Photovoltaic	74	70	-5%
Wind	701	571	-19%
Natural gas	92	272	+195%
Bio gas	1	1	-54%
Total	32,235	31,804	-1%

Sales of electricity to end customers (GWh)

	Q1 - Q2 2015	Q1 - Q2 2016	Index 2016/2015
Households	-6,890	-6,840	-1%
Commercial (low voltage)	-2,893	-2,581	-11%
Commercial and industrial (medium and high voltage)	-9,414	-9,139	-3%
Sold to end customers	-19,197	-18,561	-3%

Distribution of electricity to end customers **-25,373** **-25,479** **+0%**

Electricity balance (GWh)

Q1 - Q2 2016	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Electricity procured	27,753	-1%	806	-13%	0	-	0	-	0	-	28,558	-1%
Generated in-house (gross)	30,984	-1%	819	-12%	0	-	0	-	0	-	31,804	-1%
In-house and other consumption, including pumping in pumped-storage plants	-3,231	-4%	-14	+34%	0	-	0	-	0	-	-3,245	-4%
Sold to end customers	-119	+2%	0	-	0	-	-19,339	-4%	897	-9%	-18,561	-3%
Sold in the wholesale market (net)	-27,634	-1%	-806	-13%	2,293	-10%	19,339	-4%	-897	-9%	-7,704	+8%
Sold in the wholesale market	-106,555	-6%	-1,255	-7%	0	-	-1,447	-13%	15,396	-7%	-93,860	-6%
Purchased in the wholesale market	78,921	-8%	449	+6%	2,293	-10%	20,785	-4%	-16,293	-7%	86,156	-7%
Grid losses	0	-	0	-	-2,293	-10%	0	-	0	-	-2,293	-10%

Electricity generation by source (GWh)

Q1 - Q2 2016	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	14,322	-6%	0	-	0	-	0	-	0	-	14,322	-6%
Coal and lignite	14,995	+4%	0	-	0	-	0	-	0	-	14,995	+4%
Water	978	-12%	178	+14%	0	-	0	-	0	-	1,156	-8%
Biomass	417	+13%	0	-	0	-	0	-	0	-	417	+13%
Photovoltaic	0	+100%	70	-5%	0	-	0	-	0	-	70	-5%
Wind	0	-	571	-19%	0	-	0	-	0	-	571	-19%
Natural gas	272	+195%	0	-	0	-	0	-	0	-	272	+195%
Bio gas	0	-	1	-54%	0	-	0	-	0	-	1	-54%
Total	30,984	-1%	819	-12%	0	-	0	-	0	-	31,804	-1%

Sales of electricity to end customers (GWh)

Q1 - Q2 2016	Generation - traditional energy		Generation - new energy		Distribution		Sale		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	0	-	0	-	0	-	-6,840	-1%	0	-	-6,840	-1%
Commercial (low voltage)	-1	+0%	0	-	0	-	-2,581	-11%	0	-	-2,581	-11%
Commercial and industrial (medium and high voltage)	-118	+2%	0	-	0	-	-9,918	-4%	897	-9%	-9,139	-3%
Sold to end customers	-119	+2%	0	-	0	-	-19,339	-4%	897	-9%	-18,561	-3%
Distribution of electricity to end customers	0	-	0	-	-25,479	+2%	0	-	0	-	-25,479	+0%

Electricity balance (GWh)

Q1 - Q2 2016	Czech Republic		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Electricity procured	26,756	-1%	1,194	-1%	605	-16%	3	-5%	0	-	0	-	28,558	-1%
Generated in-house (gross)	29,830	-1%	1,354	-0%	616	-15%	3	-5%	0	-	0	-	31,804	-1%
In-house and other consumption, including pumping in pumped-storage plants	-3,075	-5%	-160	+2%	-10	+52%	0	-	0	-	0	-	-3,245	-4%
Sold to end customers	-9,698	-5%	-918	+8%	-1,645	-3%	-4,813	-2%	-1,487	-4%	0	-	-18,561	-3%
Sold in the wholesale market (net)	-15,927	+3%	-276	-22%	1,570	+1%	5,442	-2%	1,487	-4%	0	-	-7,704	+8%
Sold in the wholesale market	-95,210	-6%	-1,379	-4%	-1,003	-3%	-211	+12%	-52	-68%	3,993	-8%	-93,860	-6%
Purchased in the wholesale market	79,283	-8%	1,102	+2%	2,573	-0%	5,653	-2%	1,539	-10%	-3,993	-8%	86,156	-7%
Grid losses	-1,131	-12%	0	-	-530	-7%	-632	-7%	0	-	0	-	-2,293	-10%

Electricity generation by source (GWh)

Q1 - Q2 2016	Czech Republic		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Nuclear	14,322	-6%	0	-	0	-	0	-	0	-	0	-	14,322	-6%
Coal and lignite	13,811	+4%	1,184	+3%	0	-	0	-	0	-	0	-	14,995	+4%
Water	1,102	-10%	6	-5%	49	+61%	0	-	0	-	0	-	1,156	-8%
Biomass	252	+54%	165	-20%	0	-	0	-	0	-	0	-	417	+13%
Photovoltaic	67	-5%	0	-	0	-	3	-5%	0	-	0	-	70	-5%
Wind	4	-21%	0	-	567	-18%	0	-	0	-	0	-	571	-19%
Natural gas	272	+195%	0	-	0	-	0	-	0	-	0	-	272	+195%
Bio gas	1	-54%	0	-	0	-	0	-	0	-	0	-	1	-54%
Total	29,830	-1%	1,354	-0%	616	-15%	3	-5%	0	-	0	-	31,804	-1%

Sales of electricity to end customers (GWh)

Q1 - Q2 2016	Czech Republic		Poland		Romania		Bulgaria		Others		Eliminations		CEZ Group	
	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-	GWh	+/-
Households	-3,732	+0%	0	-	-843	+3%	-2,196	-4%	-69	+3%	0	-	-6,840	-1%
Commercial (low voltage)	-1,152	-6%	0	-	-424	-6%	-951	-18%	-55	+22%	0	-	-2,581	-11%
Commercial and industrial (medium and high voltage)	-4,814	-8%	-918	+8%	-379	-13%	-1,666	+15%	-1,363	-5%	0	-	-9,139	-3%
Sold to end customers	-9,698	-5%	-918	+8%	-1,645	-3%	-4,813	-2%	-1,487	-4%	0	-	-18,561	-3%
Distribution of electricity to end customers	-17,625	+1%	0	-	-3,162	-1%	-4,692	-2%	0	-	0	-	-25,479	+0%