

Internal Information

CEZ Group's Profit for Q1 2011 at CZK 17.2 Billion

The CEZ Group's Net Profit for the first quarter of this year remained at last year's levels, declining by only 2 percent (CZK 300 million). CEZ still foresees to meet the profit target for 2011 (expected to reach CZK 40.1 billion), which is still considerably affected by the subsiding crisis connected with low power prices.

"The Q1 results are better than analysts expected. Despite the impact of the crisis, which has been a little delayed in the energy sector, we managed to keep our profit nearly at last year's levels. The crisis was reflected in lower power prices, and since CEZ sells mostly on a forward basis for one year and more ahead, the current price growth will not have much effect on this year's results. Therefore, we have not changed our expectations as to our earnings this year, which are expected to be 15 percent lower year on year. And we are definitely not going to reduce our pace in implementing our NEW VISION stabilization and consolidation program as only that way we can fully take advantage of all the opportunities that the existing and future situation in the power market may bring," says Martin Roman, Chairman of the Board of Directors and CEO of CEZ.

Lower power contract prices represent the only negative effect that has affected the CEZ Group's financial results this year. Another factor included two newly introduced taxes: a donation tax on emission permits and a withholding tax on power generated in photovoltaic power stations. CEZ also needs to cope with the appreciating Czech crown toward the euro since a majority of the sales comes in the euro.

These factors were countered by the power generated in the wind power plants in Rumania, where the CEZ Group operates a large complex of power plants, a portion of which is still under construction. Moreover, the volume of power generated by the CEZ Group's photovoltaic power stations also grew, and this year the lower distribution tariffs from 2009 will be compensated a little. Cost cutting measures in the distribution business in Albania also helped.

The volume of power generated in the CEZ Group's power stations in the Czech Republic declined by 4 percent year on year, but for the entire year we expect it to grow by 4 percent. At the same time, higher power prices in the spot market will lead to a 5-percent growth of the power generated in our coal power stations, which on the other hand recorded a decline by 8 percent in the first quarter. The expected 5-percent year-on-year production growth in the nuclear power stations is in particular attributable to shorter planned downtimes and a higher availability of the Dukovany Nuclear Power Plant.

The power consumption in the Czech Republic in the first quarter, as estimated by CEZ, marginally declined by 0.5%. After deducting the effects of temperature, as this year's temperatures were more favorable than those in the same period last year, the consumption grew by 1 percent.

The entire power market in Central Europe was significantly affected by the forced shutdown of several German nuclear power reactors with the total installed capacity of 7 GW. Apart from power prices, this shutdown also causes fluctuations in the German transmission system. The demand in southern Germany cannot be covered by the nearby sources, and so ever more electricity needs to be supplied from the north, where an enormous capacity of wind power stations is installed, with more of them under construction, in particular along the sea shore. The lack of capacity in the German power transmission system routes between the north and the south makes it more difficult to move electricity within Germany; therefore, it is in a greater extent imported from neighboring countries including the Czech Republic.

Table: CEZ Group's financial results for Q1 2011

	(CZK billion)	YoY change in %
Operating Revenue	56.8	+ 5%
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)	26.6	- 3%
Profit After Tax	17.2	- 2%