

10 May 2016

## CEZ – 1Q16 Results Comment

### A Nice EBITDA Beat, Guidance Confirmed

UTILITIES  
CZECH REPUBLIC

CURRENT PRICE 427 CZK  
TARGET PRICE (6M) -

UNDER REVIEW

Bloomberg	CEZ CP		
Reuters	CEZP.PR		
www.cez.cz			
Market Cap	CZK 229,829m		
Shares outst.	538.0m		
Free float	29.5%		
Next corporate event	AGM: 3 June 2016		
Performance	1M	3M	12M
Absolute	+6%	+13%	-33%
Relative (PX)	+10%	+13%	-20%

#### 1Q16 Results First Take

CEZ has just release its 1Q16 figures. The company delivered a nice beat on EBITDA level (CZK 20bn vs. 17.8bn expected) despite slightly lower than expected sales (CZK 51.9bn vs. 53.0bn). CEZ generated -5 % lower amount of electricity y/y in 1Q16 as higher coal-fired plant output (+5 % y/y) did not fully compensate extended outages at Dukovany (-15 % y/y).

Nevertheless, operating lines were driven higher with better than expected profit from proprietary trading (CZK +1.1bn y/y), effect of USD/EUR exchange rate on the hedging of an oil-linked contract (CZK +0.6bn y/y) or a higher allocation of green certificates in Romania (CZK +0.4bn y/y).

Moreover, (adjusted) net income was further driven up with positive effect of changes in the USD/TRY exchange rate on financial results of companies (CZK +1.3bn y/y).

The company confirms its FY16 guidance of EBITDA at CZK 60bn and adjusted NI at CZK 18bn. On the other hand CEZ has slightly lower its FY generation output to 64.6 TWh (+9% y/y) from 66.0 TWh (+11% y/y) and mentioned that generation prediction for 2016 is primarily facing the risk of delay in the full availability of the new unit at Ledvice and the risk of availability of nuclear power plants.

#### Our View:

Although 1Q16 earnings lines are very solid for the first glance, they were push up with volatile factors (proprietary trading, FX). Nevertheless, adjusted NI looks promising for the next year dividend. On the other hand, CEZ has just confirmed its guidance and include a “warning” into its generation prediction, which might not be welcome by the market.

#### Conclusion:

We expect slightly POSITIVE short-term market reaction thanks to EBITDA beat, however, a potential rally on market opening might be just short lived.

bCZK	1Q15A	1Q16A	1Q16E Cons.*	y/y	y/y Cons.
Revenues	53,0	<b>51,9</b>	53,0	-2%	-2%
EBITDA	19,2	<b>20,0</b>	17,8	+5%	+12%
EBIT	12,0	<b>13,0</b>	10,5	+8%	+23%
Net income	7,6	<b>10,0</b>	7,4	+32%	+35%
adjusted NI	7,5	<b>10,0</b>	7,4	+34%	+35%

\* consensus data as collected by IR dept. of CEZ (10)

A conference call will be held at 16:00 (CET) +44 203 043 2440 or +420 228 882 950; PIN: 12971131#

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Company	Conflicts of Interest
CEZ	2

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