Internal Information

CEZ Group Confirmed Its 2011 Net Profit Expectations at CZK 40.6 billion

The CEZ Group has today announced its financial results for the first three quarters of 2011 and its expected all-year figures.

As expected, CEZ' Operating Profit Before Tax declined by 6.9% year on year to CZK 62.4 billion. This is due to lower effective prices of electricity resulting from the economic crisis, which reduced the forward contract prices in 2008 – 2010 when the CEZ Group sold its power to be generated in 2011. Another negative factor was a lower hedging CZK/EUR exchange rate due to the ongoing appreciation of the crown toward the euro but also a lower amount of power generated by hydro power stations due to deteriorated hydrological conditions. These negative factors were countered by measures aimed to optimize the use of production sources and a greater gross margin as well as the generation of power from renewable sources, primarily in foreign countries.

"We expect the all-year figures for 2011 to reach the values announced last quarter. We expect our Operating Profit Before Tax and Depreciation (EBITDA) to reach CZK 84.8 billion, which would be just 5% below the 2010 level, primarily due to the internal measures we have implemented to improve our efficiency as the electricity price drop was greater than that," said Daniel Beneš, Chief Executive Officer and Chairman of the Board of Directors of CEZ.

Operating Profit (EBIT) is expected to reach CZK 59.1 billion (-9%) and Net Profit should be at CZK 40.6 billion (down by 13%). The key factors leading to a lower Net Profit include the introduction of a new donation tax on emission permits, appreciating crown toward the euro as the CEZ Group collects most of its revenues in Euros, accounting impacts of the revaluation of the stocks of MOL held by the CEZ Group, and the accounting impact of selling the German mines of MIBRAG.

The CEZ Group earned CZK 1.1 billion from its acquisition of a fifty-percent stake in the brown-coal mines of MIBRAG and its subsequent sale to the second investor. However, the net accounting effect of the transaction is negative this year as, based on an appraisal prepared by an independent appraiser; the book value of the equity stake in MIBRAG was increased above the purchase price and the subsequent selling price. Due to this revaluation, in 2009 the CEZ Group recorded a one-off profit from the transaction at CZK 3.3 billion, yet now the Group needs to post an accounting loss of CZK 2.7 billion. This clearly shows the actual profit earned from the transaction, raised to CZK 1.1 billion due to the interest received.

In terms of business development, the CEZ Group continued to successfully acquire customers in the natural gas market. In late October 2011, the CEZ Group enjoyed some 190,000 customers. Our entry in the Slovak market was also a success. Since staring the sale of electricity and gas in January 2011, the CEZ Group acquired nearly 70,000 clients.

Over the first three quarters of the year, power consumption in the Czech Republic slightly declined by 0.3 percent. After accounting for the effects of temperature (this year's temperature average was higher than over the same period last year), the consumption actually showed a growth by 0.9 percent.

Table: CEZ Group's Financial Results for Quarters I-III of 2011

	CZK billion	YoY change %
Operating Revenue	150.6	+ 4%
EBITDA (or Operating Profit Before Tax)	62.4	- 7%
Profit After Tax	26.4	- 34%