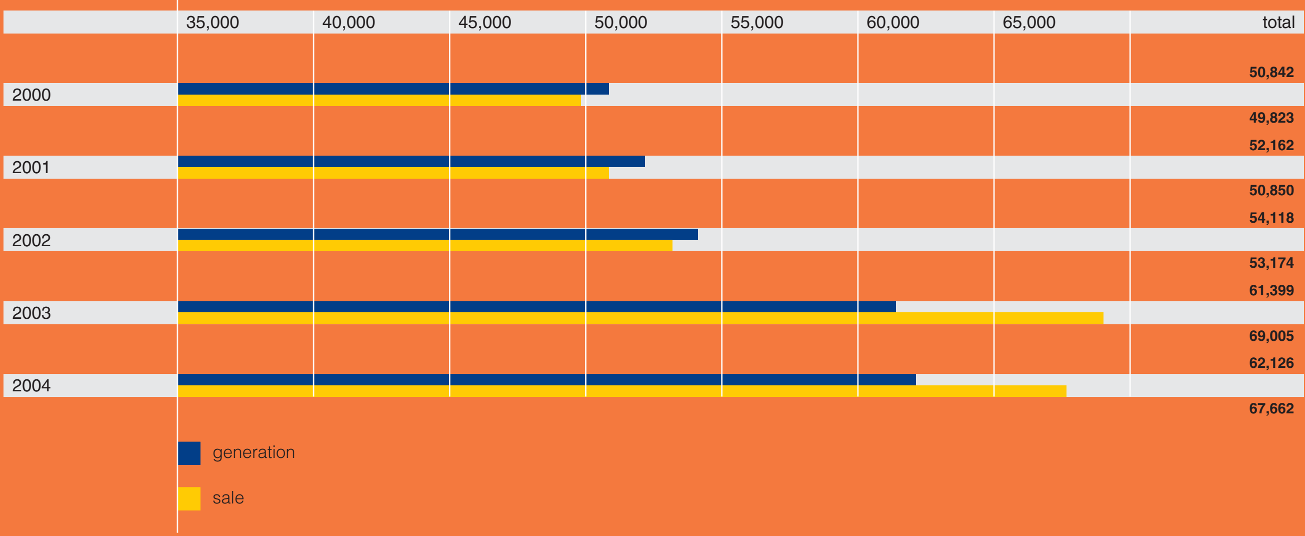
Annual Report 2004
ČEZ Group

ČEZ Group – Total Electricity Generation and Sale (GWh)



Performance of ČEZ, a. s. Shares on the Prague Stock Exchange in 2004 (CZK)

19.155

Operating profit (CZK billions)

5.8

Return on invested capital, net (%)

8.3

Return on equity, net (%)

13.059

Profit after tax (CZK billions)

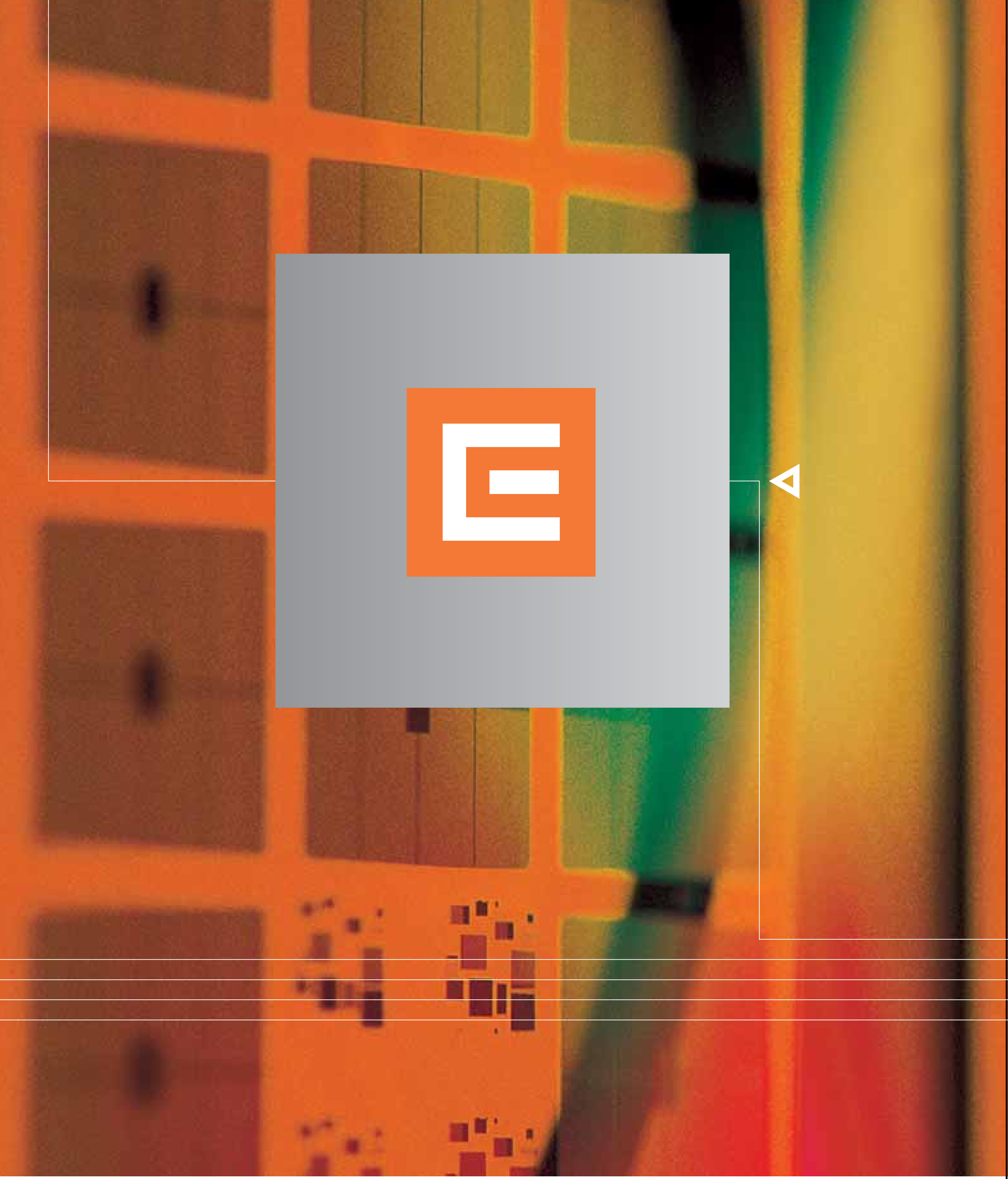
67,662

Electricity sales volume (GWh)

ČEZ Group Objective

“To become the leader in the electricity markets of Central and Southeastern Europe.”

Martin Roman
Chief Executive Officer and Chairman of the Board of Directors of ČEZ, a. s.



ČEZ Group is the largest power conglomerate in Central & Eastern Europe and one of the top ten electric power groups in Europe. It is the strongest player in the domestic electricity market as well. ČEZ Group underwent a major transformation as of 1 April 2003, when it acquired majority interests in five electricity distribution companies (Severočeská energetika, a.s., Severomoravská energetika, a. s., Středočeská energetická a.s., Východočeská energetika, a.s., Západočeská energetika, a.s.) and sold off its subsidiary ČEPS, a.s., the transmission grid operator. In addition to the core business of electricity generation, purchase, sale, and distribution, ČEZ Group is also involved in providing ancillary services, heat generation, distribution, and sale, mining of raw materials, maintaining, designing and building power equipment, telecommunications, processing power generation by-products, and scientific research.

The joint stock company ČEZ (ČEZ, a. s. or ČEZ) was formed as of 6 May 1992 when it was recorded in the Commercial Register. The majority owner of ČEZ, a. s. is the National Property Fund of the Czech Republic.

The core business of ČEZ, a. s. is the sale of electricity, most of which it generates in its own facilities, and the related provision of power system ancillary services. The core business also includes the generation, distribution, and sale of heat.

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Contents

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Key Figures

Selected Indicators	Unit	1999	2000
CZECH REPUBLIC			
Installed capacity as at 31 December	MW	15,216	15,324
Peak load	MW	9,926	10,128
Date of peak load		1. 2.	26. 1.
Electricity generation	GWh	64,368	73,466
ČEZ Group			
Installed capacity as at 31 December	MW	10,151	10,146
Electricity generation	GWh	45,722	50,842
Heat generation	TJ	13,174	12,868
Employee head count as at 31 December	persons	9,749	9,278
Earnings per share (face value CZK 100)	CZK/share	7.3	12.2
Current ratio	1	0.92	0.74
Debt to equity ratio	1	0.46	0.42
Return on equity (net)	%	3.6	5.8
Return on invested capital (net)	%	3.7	4.6
Consolidation			
Subsidiaries	number	2	2
Affiliated companies	number	1	1
Total, including parent company	number	4	4
ČEZ. a. s.			
Employee head count as at 31 December	persons	9,266	8,795
Highest share price in year	CZK	94.0	125.1
Lowest share price in year	CZK	44.4	80.1
Consolidated Balance Sheet			
Assets	CZK millions	211,489	222,260
Fixed assets	CZK millions	199,131	211,773
of which: Net plant in service	CZK millions	94,748	92,953
Construction work in progress	CZK millions	91,460	103,591
Investment in associates	CZK millions	5,024	5,225
Current assets	CZK millions	12,358	10,487
from which: Receivables, net	CZK millions	3,503	3,952
Shareholders' equity and liabilities	CZK millions	211,489	222,260
Shareholders' equity	CZK millions	122,205	129,442
Stated capital	CZK millions	59,209	59,209
Retained earnings and other reserves	CZK millions	62,996	70,233
Minority interests	CZK millions	–	–
Long-term liabilities	CZK millions	69,541	70,606
from which: Long-term debt, net of current portion	CZK millions	51,084	49,059
Accumulated provision for nuclear decommissioning and fuel storage	CZK millions	18,457	20,902
Deferred tax liability	CZK millions	6,265	8,057
Current liabilities	CZK millions	13,478	14,155
of which: Trade and other payables	CZK millions	4,552	5,035
Consolidated Income Statement			
Revenues	CZK millions	53,528	52,431
Sales of electricity	CZK millions	50,678	49,675
Heat sales and other revenues	CZK millions	2,850	2,756
Operating expenses	CZK millions	43,560	39,570
from which: Depreciation and amortization	CZK millions	9,039	9,377
Income before other expenses (income) and income taxes	CZK millions	9,968	12,861
Other expenses (income)	CZK millions	4,759	2,260
Income before income taxes	CZK millions	5,209	10,601
Income taxes	CZK millions	919	3,364
Income after income taxes	CZK millions	4,290	7,237
Minority interests	CZK millions	–	–
Net income	CZK millions	4,290	7,237
Consolidated Cash Flows Statement			
Operating Activities			
of which: Income before income taxes	CZK millions	5,209	10,601
Depreciation and amortization and asset write-offs	CZK millions	9,687	9,406
Amortization of nuclear fuel	CZK millions	1,568	1,630
Foreign exchange rate loss (gain)	CZK millions	2,609	216
Income taxes paid	CZK millions	(701)	26
Interest paid, net of interest capitalized	CZK millions	(1,025)	(1,072)
Net cash provided by operating activities	**CZK millions**	**20,004**	**21,169**
Investing activities			
of which: Acquisition of subsidiaries, net of cash	CZK millions	–	–
Proceeds from disposal of subsidiary, net of cash	CZK millions	–	–
Additions to property, plant and equipment and other non-current assets	CZK millions	(22,982)	(21,346)
Proceeds from sales of fixed assets	CZK millions	281	543
Total cash used in investing activities	**CZK millions**	**(22,701)**	**(21,100)**
Financing activities			
of which: Proceeds from borrowings	CZK millions	40,587	12,797
Payments of borrowings	CZK millions	(34,280)	(14,287)
Dividends paid	CZK millions	–	–
Total cash provided by (used in) financing activities	**CZK millions**	**6,307**	**(1,490)**
Net effect of currency translation in cash	CZK millions	(260)	(14)
Net increase (decrease) in cash and cash equivalents	**CZK millions**	**3,350**	**(1,435)**
Cash and cash equivalents at beginning of period	**CZK millions**	**1,007**	**4,357**
Cash and cash equivalents at end of period	**CZK millions**	**4,357**	**2,922**

Note: Due to the restatement of previous years' results according to IFRS principles, they are different from the results presented in the prior Annual Report.

2001	2002	2003	2004	Index 2004/2003 (%)
15,443	16,311	17,344	17,434	100.5
10,604	11,205	11,163	11,040	98.9
13. 12.	12. 12.	9. 1.	16. 12.	x
74,647	76,348	83,227	84,333	101.3
10,146	11,146	12,297	12,297	100.0
52,162	54,118	61,399	62,126	101.2
13,978	13,066	14,595	13,466	92.3
8,011	7,677	18,100	17,855	98.6
15.4	14.3	15.0	22.1	147.3
0.64	0.97	0.53	0.99	186.8
0.36	0.28	0.26	0.26	100.0
6.9	6.0	6.0	8.3	138.3
5.2	3.9	4.4	5.8	131.8
2	2	22	26	x
1	1	10	7	x
4	4	33	34	x
7,552	7,250	6,780	6,629	97.8
112.7	99.1	146.2	341.1	233.3
57.8	70.6	87.7	146.4	166.9
229,027	231,465	278,223	280,815	100.9
217,511	216,204	258,522	258,082	99.8
87,638	138,983	216,818	208,853	96.3
111,929	56,513	10,204	10,626	104.1
5,518	5,880	10,999	7,474	68.0
11,516	15,261	19,701	22,733	115.4
3,827	4,040	7,064	8,904	126.0
229,027	231,465	278,223	280,815	100.9
136,726	143,675	152,624	163,689	107.2
59,050	59,041	59,152	59,218	100.1
77,676	84,634	93,472	104,471	111.8
–	–	7,893	5,282	66.9
64,477	59,595	64,335	72,823	113.2
42,899	35,729	30,965	38,190	123.3
21,396	23,866	28,164	29,441	104.5
9,870	12,541	15,863	16,008	100.9
17,954	15,654	37,508	23,013	61.4
8,651	8,934	20,579	12,409	60.3
56,055	55,578	84,816	100,165	118.1
53,300	52,938	79,548	92,748	116.6
2,755	2,640	5,268	7,417	140.8
41,304	44,355	71,812	81,010	112.8
9,366	11,721	16,961	18,384	108.4
14,751	11,223	13,004	19,155	147.3
1,459	(573)	2,267	1,227	54.1
13,292	11,796	10,737	17,928	167.0
4,169	3,375	1,349	3,845	285.0
9,123	8,421	9,388	14,083	150.0
–	–	519	1,024	197.3
9,123	8,421	8,869	13,059	147.2
13,292	11,796	10,737	17,928	167.0
9,429	11,735	16,969	18,522	109.2
1,644	2,071	3,484	3,391	97.3
(2,110)	(3,340)	(1,915)	(1,766)	92.2
(1,820)	(3,395)	(44)	(6,425)	> 500
(744)	(434)	(1,601)	(1,478)	92.3
22,205	**19,001**	**35,760**	**34,139**	**95.5**
–	–	(28,374)	(18,166)	64.0
–	–	12,208	–	x
(15,706)	(10,419)	(23,942)	(15,783)	65.9
108	1,078	9,585	4,760	49.7
(16,386)	**(9,935)**	**(30,930)**	**(29,632)**	**95.8**
6,737	8,446	31,284	15,004	48.0
(11,776)	(13,864)	(33,736)	(10,419)	30.9
(1,174)	(1,480)	(2,867)	(4,841)	168.9
(6,372)	**(6,902)**	**(5,148)**	**(689)**	**13.4**
(89)	(219)	(59)	(287)	486.4
(642)	**1,945**	**(377)**	**3,531**	**x**
2,922	**2,280**	**4,225**	**4,014**	**95.0**
2,280	**4,225**	**4,014**	**7,545**	**188.0**

Important Events of 2004 and 2005 Up to the Annual Report Closing Date

Important Events of 2004

January

- third wave of electricity market liberalization opens the market to customers whose connection point is equipped with continuous electricity consumption metering,
- acquisition of majority stake in engineering company ŠKODA PRAHA a.s., which was the general supplier of technology for the Temelín Nuclear Power Station,
- establishment of MojeEnergie.CZ, s.r.o., whose principal businesses are data processing, databank services, and network administration; company is 51% owned by Východočeská energetika, a.s.
- signing of ČEZ, a. s. Collective Agreement for the 2004 – 2006 period.

February

- ČEZ, a. s. receives top corporate governance ranking in the Czech Republic for 2003 from EUROMONEY, the prestigious global banking and capital markets magazine,
- ČEZ Group electricity distribution companies hold extraordinary General Meetings.

March

- ČEZ, a. s. takes third place in the "Most Admired Company of the Czech Republic" competition, up seven rungs from the previous year's ranking,
- ČEZ, a. s. appears in the Forbes list of the 2,000 largest corporations in the world, in 1,125th place – the highest ranking of any Czech corporation; the Forbes ranking is based on a compilation of corporations' sales revenues, earnings, assets, and market value,
- establishment of the subsidiary ENPROSPOL, s.r.o., which is 100% owned by Severočeská energetika, a.s.

April

- Martin Roman, Chairman of the Board and CEO, declared Manager of the Year in the 11th year of the competition of the same name held by the Confederation of Industry of the Czech Republic in cooperation with the Czech Management Association, the Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic, and the Managerial Unions Fund,
- commencement of Group-wide VIZE 2008 project to fulfill the legislative requirement of separation of regulated activities and improve the customer focus of ČEZ Group members,
- Bulgarian reporters visit ČEZ, a. s. Headquarters and Západočeská energetika, a.s. as part of a public relations initiative to support ČEZ's bid in the privatization of Bulgarian distribution companies.

May

- credit rating agency Standard & Poor's reaffirms the long-term rating of ČEZ, a. s. at BBB+ with a stable outlook,
- credit rating agency Moody's reaffirms the long-term rating of ČEZ, a. s. at Baa1 with a stable outlook,
- company expresses interest in purchasing stakes in two electricity distribution companies in southern and northeastern Romania,
- company wins the RHODOS 2004 image prize for corporate philanthropy.

June

- third eurobond issue: total volume EUR 400 million, matures in 2011,
- 12th Annual General Meeting of ČEZ, a. s.,
- electricity distribution companies in ČEZ Group hold their annual general meetings,
- company is ranked second in the list of the 100 top corporations of the Czech Republic by revenues for the year 2003; the list is compiled by the CZECH TOP 100 association,
- company is listed as one of the 500 largest European corporations by Handelsblatt and Wall Street Journal Europe; ČEZ, a. s., which placed 484th in the ranking, was the only company from the Czech Republic to make the list,
- a new subsidiary of Severomoravská energetika, a. s. focused on power engineering design, ENPRO, a.s., begins operating.

July

- ČEZ, a. s. wins the tender for the sale of a group of three distribution companies in western Bulgaria.

August

- company bids to acquire a 66% ownership interest in Slovenské elektrárne, a.s.,
- contract for sale of a 34% stake in Pražská energetika, a.s. signed with Honor Invest, a.s., which offered the highest price.

September

- signing of a contract with the Ministry of Finance of the Czech Republic on the sale of a 34% interest in ČEPS, a.s.

October

- launch of a new electricity product line for end customers,
- both units of Temelín Nuclear Power Station complete their trial operation periods,
- Conventional Power Section obtains “Safe Enterprise” certification from the Czech authority of work safety,
- Sales Center opened in Prague’s Vinohradská Street,
- shares of Severomoravská energetika, a. s. and Severočeská energetika, a.s. purchased under an option from a minority shareholder are transferred to ČEZ, a. s.

November

- Donors’ Forum publishes its Top Corporate Philanthropists 2004 ranking – ČEZ, a. s. is number one,
- company defends its top ranking in the Best Annual Report of the Czech Republic competition organized by the CZECH TOP 100 association; in addition to the top overall ranking, ČEZ Group is also number one in the Information Value and Power Utilities categories; further, the Group receives first place in the Best Corporate Responsibility Report category and second place in the website category,
- signing of an agreement with the Bulgarian Government on the purchase of three distribution companies,
- company requests review of a decision that had ordered it to sell one of its majority interests in the electricity distribution companies. Request was sent to the Antitrust Office with reference to the fact that conditions in the relevant market had changed since its original decision was issued in March 2003,
- company obtains an ISO 14001 certificate for its Environmental Management System,
- ČEZ Group electricity distribution companies hold extraordinary general meetings; meeting agendas include major amendment to the companies’ Articles of Association and changes in business plans in conjunction with the VIZE 2008 project.

December

- ČEZ, a. s. selected as preferred bidder in the tender for the Romanian distribution company Electrica Oltenia S.A.,
- signing of a settlement agreement with DALKIA FRANCE together with an Agreement among the Parties on Termination of Arbitration Proceedings before the Court of Arbitration of the International Chamber of Commerce in Paris,
- First Peer Review takes place at Temelín Nuclear Power Station; experts from WANO found no shortcomings in the station’s safety procedures,
- purchase of a 49% stake in MojeEnergie.CZ, s.r.o., making Východočeská energetika, a.s. the 100% owner of that company.

Important Events of 2005 Up to the Annual Report Closing Date

January

- electricity market is opened to all end customers except households,
- ČEZ, a. s. holds an extraordinary General Meeting,
- shares of three Bulgarian distribution companies transferred to ČEZ, a. s.,
- offer to buy out minority shareholders of ŠKODA PRAHA a.s. published,
- Central European Capital Ltd. declares ČEZ, a. s. the 10th largest corporation in Central Europe by turnover.

February

- Romanian Government approves sale of the distribution company Electrica Oltenia S.A. to ČEZ, a. s.,
- in a mandatory buy-out, ČEZ, a. s. acquires most of the remaining shares of Severomoravská energetika, a. s., bringing stake in that company to 99.13%,
- in a non-mandatory offer to buy out minority shareholders of engineering company ŠKODA PRAHA a.s., ČEZ, a. s. acquired another 28.72% of that company's share capital from the National Property Fund and other entities, bringing our stake to 97.6%,
- Východočeská energetika, a.s. transfers its interest in VČE - měřicí technika, s.r.o. to ČEZ, a. s.; company changes its name from VČE - měřicí technika, s.r.o. to ČEZ Měření, s.r.o.,
- Severočeská energetika, a.s., Středočeská energetická a.s., Východočeská energetika, a.s., and Západočeská energetika, a.s. sell off their stakes in První energetická a.s.,
- sale of stakes belonging to Severočeská energetika, a.s., Západočeská energetika, a.s., and Severomoravská energetika, a. s. in the company Aliatel a.s. amounting to 30.58% of that company's share capital.

March

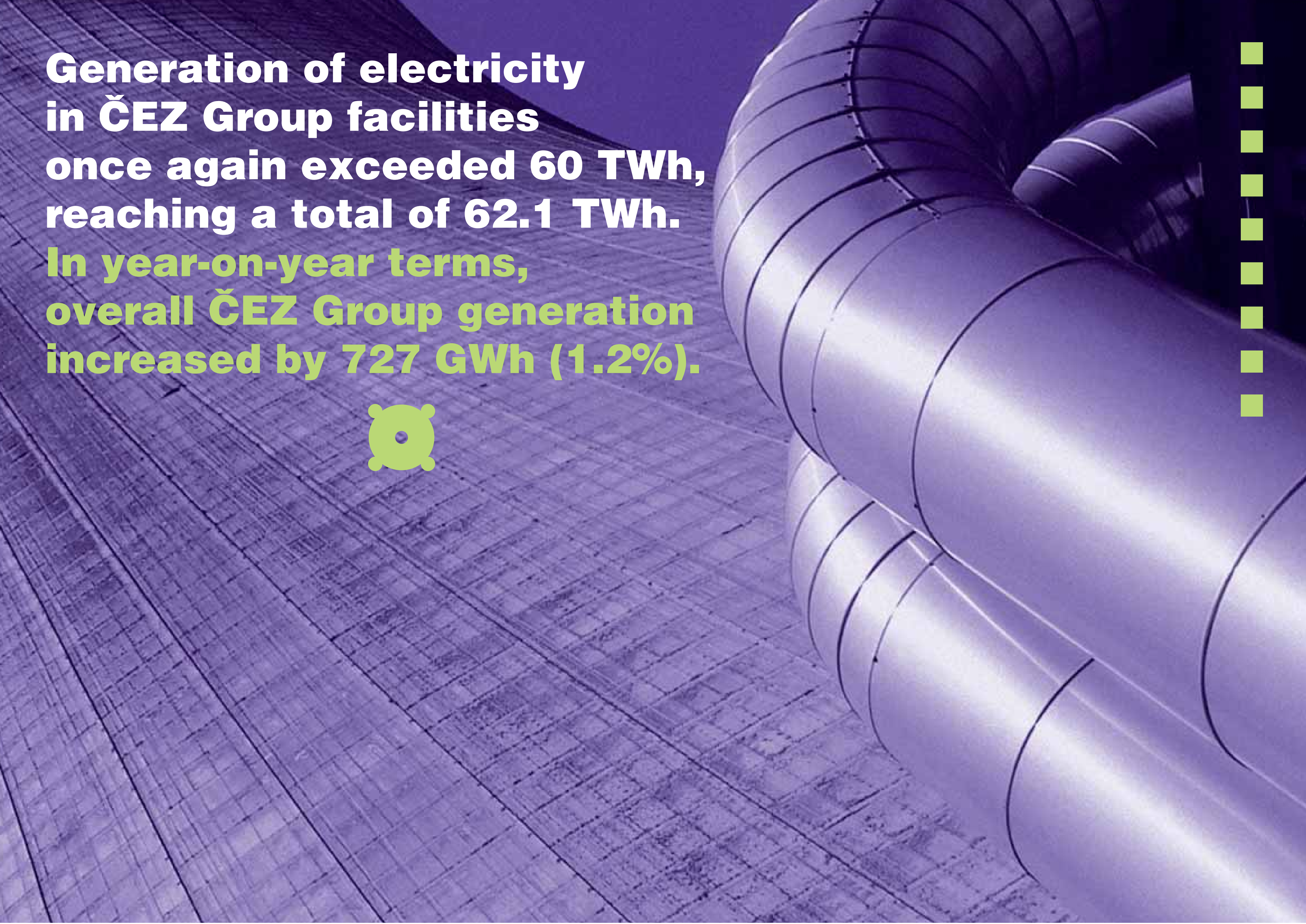
- Antitrust Office reverses its decision, no longer requiring ČEZ, a. s. to sell one of the majority stakes in electricity distribution companies; at the same time, the Office newly orders ČEZ, a. s. to auction off to third parties the electricity generated by 400 MW of the company's generating capacity in the years 2006 and 2007,
- Severomoravská energetika, a. s. takes second place in the Credit Suisse Employer of the Region competition in the Moravia-Silesia Region,
- new companies ČEZ Prodej, s.r.o. and ČEZ Distribuce, a. s. formed.

April

- signing of an agreement with representatives of the Romanian State-owned company Electrica S.A. on sale of stake in distribution company Electrica Oltenia S.A.,
- company is ranked second in the Most Admired Corporation of the Czech Republic competition held by CZECH TOP 100 association; this is an improvement of one rung from the previous year's ranking.

May

- credit rating agency Standard & Poor's revised its outlook of ČEZ Group from "stable" to "positive"; at the same time, the BBB+ long-term credit rating of ČEZ Group was reaffirmed.


Generation of electricity
in ČEZ Group facilities
once again exceeded 60 TWh,
reaching a total of 62.1 TWh.
In year-on-year terms,
overall ČEZ Group generation
increased by 727 GWh (1.2%).

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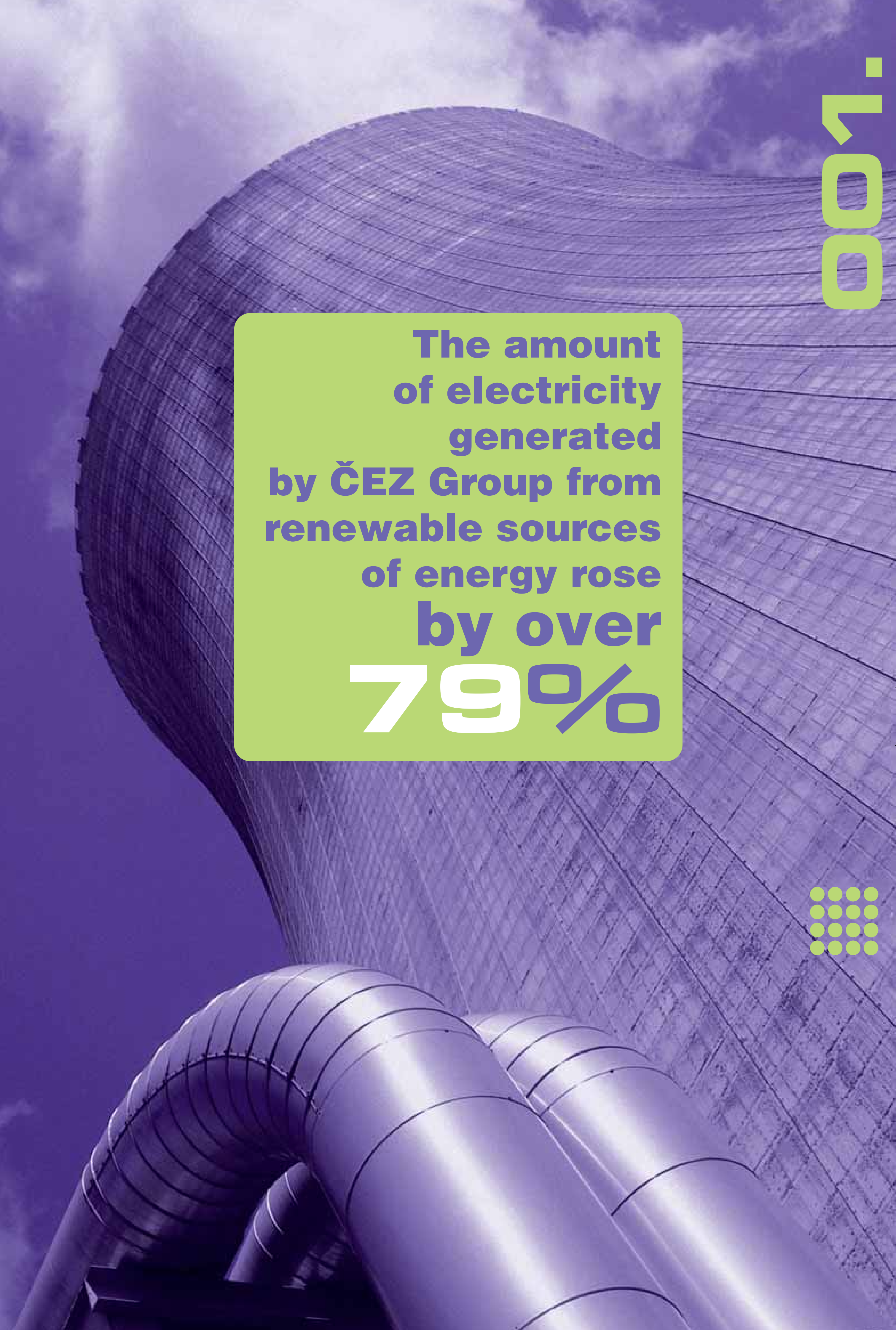


The amount of electricity generated by ČEZ Group from renewable sources of energy rose by over 79%

Interview with the Chairman of the Board of ČEZ, a. s.

What do you consider the most important news for shareholders?

Definitely it is the market performance of our company's shares. On the Prague Stock Exchange, the share price of ČEZ, a. s. grew by 134% in 2004 (from CZK 146 to CZK 341). This equates to a CZK 115 billion increase in shareholder value. Sharp gains early on in 2005 continued and the shares quickly broke through the CZK 400 barrier. Market capitalization exceeded USD 10 billion, making ČEZ, a. s. one of the top 500 corporations in the world.

How did last year shape up in terms of financial performance?

In 2004, ČEZ Group turnover exceeded CZK 100 billion for the first time, operating profits reached CZK 19.2 billion, and net earnings less minority shares stood at CZK 13.1 billion. Our profits are perceived – especially here at home – as gigantic. However, it must be borne in mind the huge value of the assets that are necessary to generate such profits. Our return on invested capital, 5.8%, will not seem excessively high to anyone. Still, we have set for ourselves a more ambitious goal: by 2008 we intend to increase this rate of return to 10%. Then we will be able to generate shareholder value.

ČEZ, a. s. has declared its objective of becoming the leader in the electricity markets of Central and Southeastern Europe. How are you progressing towards this goal?

The success in the privatization of distribution companies in Bulgaria, where ČEZ acquired the most valuable group that was offered, as well as our success in the tender for the Romanian distributor, Electrica Oltenia S.A., are the first steps on this road. The former acquisition, i.e. that of three Bulgarian distribution companies, made ČEZ, a. s. a corporation with international reach. In addition, this investment of nearly CZK 9 billion is the biggest ever foreign direct investment by a Czech company.

We are monitoring the situation in Poland, where the privatization of the power sector is mostly still in the preparatory stages. Possible acquisition targets are also emerging in Macedonia and Montenegro. Also, Romania is planning to sell off some of its generation facilities.

Aren't you sorry that you didn't win the tender for Slovenské elektrárne, a.s.?

We really did want Slovenské elektrárne, a.s., because we saw a lot of potential for leveraging synergies there in alliance with ČEZ, a. s., thereby reducing costs for both sides. However, we will always proceed in the interests of our shareholders and make only those investments that are sure to bring a financial return for our owners. We offered a price that was based on our clear view of the target company's value and that took into account the potential for future cost savings from the interconnection of the generation bases of both countries. The competition offered more, but looking at the performance of the ČEZ, a. s. share, shareholders evidently appreciated our decision on this acquisition.

How is ČEZ's commercial position shaping up?

I'll start with the aspect that relates to the previous question. Thanks to the acquisition of Bulgarian and Romanian distribution companies, the number of customers rose from 3.4 million to 6.6 million. This near doubling of the customer base puts us in a very good position for the future.

Moreover, the overall development of the pan-European electricity market is playing in our favor. ČEZ, a. s. is benefiting from an across-the-board rise in electricity prices as most power companies in Europe prepare to renew their generation base. Sure, it isn't pleasant for customers that ČEZ's wholesale electricity price for 2005 is 11% higher than the 2004 price, but this increase is substantially less than the trend in neighboring countries. ČEZ, a. s. is successfully selling its surplus capacity in foreign markets. The price of exported electricity is also on the rise and, in new contracts for 2005, it has reached domestic levels for comparable products. We have reinforced our position as the key supplier of ancillary services to ČEPS, a.s., whose 71% market share is similar to ours.

In the domestic retail segment, ČEZ Group is building a network of representations and a central call center to improve our customer services. As a result of this move, service quality will be unified at the same high level of quality nationwide.

On what principal goals will the company concentrate in the near term?

The objective of ČEZ, a. s. will be to continue in the long-term good operating performance trends and maximize earnings for our shareholders. We will focus on integrating operations within ČEZ Group in the Czech Republic and thereby also on complying with our unbundling obligations under law. We will also focus on fine-tuning the new organization structure, having transitioned to a divisional model in conjunction with Group integration. We also have the opportunity to further grow the company through foreign acquisitions. A very important area for us will be the renewal of our generation base, since our current power stations are set to reach the end of their useful lifetimes starting in 2010. Their successful replacement and the securing of the necessary raw materials and other resources for their operation will lay a foundation upon which the companies of ČEZ Group can build good performance in the decades to come.

In conclusion, let me thank the employees of ČEZ Group, as well as our shareholders and business partners, for the part they played in the company's favorable performance in 2004. The situation in European power markets and our successful foreign acquisitions debut reinforce my conviction that, together, we are headed in the right direction.

Martin Roman
Chief Executive Officer and Chairman of the Board

Alan SVOBODA
Chief Sales Officer

Electricity prices have grown both in the Czech Republic and abroad over the past year. Won't that have an impact on the competitiveness of ČEZ, a. s.?

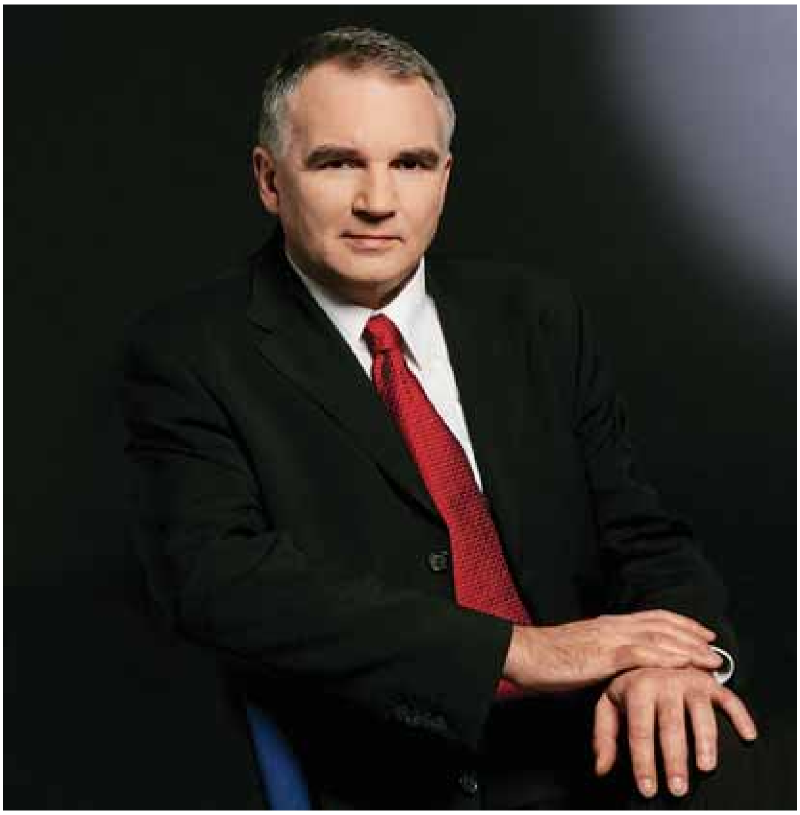
In real terms, today's wholesale electricity prices are still well below levels seen in past years. For example, they are half compared to 1992 prices. Today, wholesale electricity prices are determined primarily by the market of which we are a part. For the time being, everywhere else in Europe, including neighboring countries such as Poland and Slovakia, wholesale electricity prices are higher than in the Czech Republic. ČEZ, a. s., then, is still the most attractive choice for most wholesale and end customers. We retained our market share in both segments, although competition is much more intense than in past years.

Today, the Czech Republic electricity market is 75% open and over 160 electricity suppliers are registered. All customers – except households – can buy electricity from any producer or trader. Households will have this option starting in January 2006. More than ever before, the success of our ČEZ Group in the Czech Republic depends on the success of our sales strategy. Therefore, we decided to move all our wholesale activities to a trading floor in Prague. End customer sales operations will be concentrated into the company ČEZ Prodej, s.r.o. Currently we are building up the network of Key Account Representatives and preparing for the sales campaign for 2006. Services for small customers – both households and businesses – will be the domain of ČEZ Zákaznické služby, s.r.o.

In forecasting how prices will develop, we must keep in mind that the power sector everywhere in Europe is going to have to make huge investments in refurbishing and/or replacing obsolete power plants and also building entirely new ones. Since the market is being liberalized, we can no longer expect somebody to subsidize the construction of new generation facilities from government money. We have to rely on the market to generate sufficiently high prices to allow us to make new investments that will generate a return. Over the next twenty years, estimates are that 200,000 MW of generation facilities in Europe will have to be rebuilt and/or replaced. For comparison, that's approximately 200 units of Temelín Nuclear Power Station. In order to meet the anticipated rise in electricity demand, another 100,000 MW of capacity will be needed over and above that. These investments, however, will generate a return only if prices are higher than those we have today. And I'm not even taking into account the new market regulation of CO_2 emissions here. The price of emissions credits is sure to be reflected in electricity prices as well.

What about small customers in the Czech Republic? Have they, too, perceived any difference now that the electricity distribution companies are part of ČEZ Group?

I would say that small customers have already begun to notice changes for the better. When they come in person to one of our sales centers, they are sure to notice the improved quality – not just in the actual services, but also in the environment in which their requests are dealt with. Also, nowadays customers can arrange practically everything to do with purchasing electricity just by making a phone call. ČEZ Group call centers are available 24 hours a day, 7 days a week. The websites of individual ČEZ Group members are another advantage. Here, customers can get service in a number of areas as well as up-to-date information on new services and products, all from the comfort of their own home and free of charge.



Petr VOBOŘIL
Chief Finance Officer

ČEZ, a. s. is often spoken of as the most profitable company in Europe. At the same time, however, ČEZ, a. s. must increase its profitability. How to understand this seeming paradox?

It is true that ČEZ, a. s. is the most profitable electric power company in Europe in terms of the ratio of earnings to revenues and sales. When, however, earnings are measured against assets – i.e. the plant and equipment necessary for our business, we still have some catching up to do. This is a key indicator for us, too, since it determines our return on capital – for instance, our ability to effectively finance the upcoming program of renewing our coal-fired generation base. So, what we are looking to do is improve our profitability indicators. Indeed, it is crucial that we do so.

You see, these indicators are still below the cost of capital. Their development trend, however, is positive and the current unhealthy state of affairs is changing rapidly. Judging from the price of ČEZ, a. s. shares on the Prague Stock Exchange, this change is widely anticipated.

ČEZ Group is one of the least indebted utilities in all of Europe, and that is not entirely in shareholders' interests. Will this change in the near future?

A glance at the balance sheet shows that our overall debt is at CZK 47 billion. In absolute terms, that is a fairly large figure. However, relative to overall assets it is just 17%. That and strong, stable operating cash flow are the two basic preconditions for financing our ambitious external growth and, later, the increase in capital spending that will be necessary to renew the generation base. Just to be aware of the scale here – the already completed, or nearly completed, acquisitions of stakes in distribution companies in Southeastern Europe represent an investment of CZK 13.5 billion; we competed for Slovenské elektrárne, a.s., where the stake that was for sale had a value of over CZK 20 billion. The replacement of our existing fossil power stations with new generating units or extending the useful lifetimes of some of these generating capacities represents a figure in excess of CZK 100 billion. In this respect, then, the debt load will surely rise somewhat, but nonetheless we will balance our medium-term acquisition plans with our long-term needs for investing in plant renewal. At the same time, we intend to at least maintain our current rating, which determines the cost of borrowed capital, and thus to remain a sought-after target for debt investors.

Jiří BOROVEC
Chief Production Officer

Coal-fired power plants in the Czech Republic are set to undergo a major revamp. In what stage are the preparations for this move?

The fundamental decision on when and how to renew the country's power generation facilities must be taken in 2005. The lead time for projects such as these in the Czech Republic – i.e. the time necessary to obtain all the required permits and approvals, plus the actual construction time – is very long. On the other hand, we must plan for the end of desulfurized facility lifetimes starting in 2010 (desulfurization equipment has an operating lifespan of 15 years and the first two desulfurized units at Počerady Power Stations were commissioned in 1994). While it is true that today we have a surplus of generating capacity and the Czech Republic is a net exporter of electricity, by 2015 we could be looking at a 15% deficit in overall generating capacity.

The problem is, given the current limits on coal extraction, only a portion of the current generation base can be renewed. In my opinion, we should first and foremost deal with the question of renewing our coal-fired power plants and the related question of extracting the remaining coal reserves in North Bohemia, which are basically useless for anything else but power generation (unlike black coal, brown coal doesn't have significant potential for utilization in, say, the chemicals industry, and so we won't be depriving future generations of anything). In other words, ČEZ, a. s. is ready to refurbish its coal-fired power plants, provided the government guarantees a sufficient amount of coal will be available to provide for their operation. We're for a reasonable review of the extraction limits.

ČEZ, a. s. has already decided to build the first new power plant. Where will it be?

It won't be an entirely new power plant, but rather a complete re-build of the existing Tušimice II Power Station. The entire current capacity of 4 x 200 MW will be replaced with a new technology that has a 25-year lifetime. For this time period, sufficient coal reserves are available in the nearby Libouš Mine, even within the current extraction limits. The coal that is available for future use here, however, is of significantly poorer quality than what has been used to-date. This will require different generation technology, designed to handle coal with a lower heat factor and a higher sulfur content.

The new power station will have a higher overall net power generation efficiency (38%) than the current facility, which operates with an efficiency of 33%. Thanks to that and other measures, the new plant's environmental parameters will be significantly better. Compared with the current facility, which is fully compliant with all strict European standards, the "new" Tušimice II Power Station will further reduce all emissions. As a result, the plant won't need a smokestack, as all combustion products will be discharged through the cooling towers.

According to ČEZ, a. s. plans, the actual construction work on the comprehensive re-build of the power station's first two units should begin in the second half of 2007, and work on the second two units will begin in mid-2009. The new units are set to come on-line in early 2009 and late 2010, respectively.

Radomír LAŠÁK
Chief Administration Officer

How is the VIZE 2008 progressing?

VIZE 2008 is a true turning point for the Czech power sector, and hundreds or even thousands of people are involved in it. It is the most extensive transformation process in the history of the sector. The goal is to find a more effective and more flexible model for managing the entire ČEZ Group. That means many processes that had been implemented individually by the five electricity distribution companies will be unified based on best practices, from a single location and under unified management. This year we are carrying out the most radical shifts in operations, employees, and assets between the electricity distribution companies and new subsidiaries that are being established on the functional principle.

What does that mean, specifically?

The basic aim is to separate sales from distribution. In 2005, the new subsidiaries ČEZ Distribuce, a. s. (Distribution) and ČEZ Prodej, s.r.o. (Sales) began operating. Closely related to this is the spin-off of support operations to other subsidiaries that will provide services to the entire ČEZ Group (e.g., information systems, telecommunications, electric meter management, customer services, network operation and administration, procurement and logistics, real property management, etc.). Similarly, corporate services such as finance, human resources, risk management, management of strategic interests, and others will be provided centrally for the entire Group. This will give rise to a holding structure, which is the only way to become a strong, prosperous company of European stature – one that will hold its own in the liberalized electricity market both at home and abroad.

Is everything going according to plan?

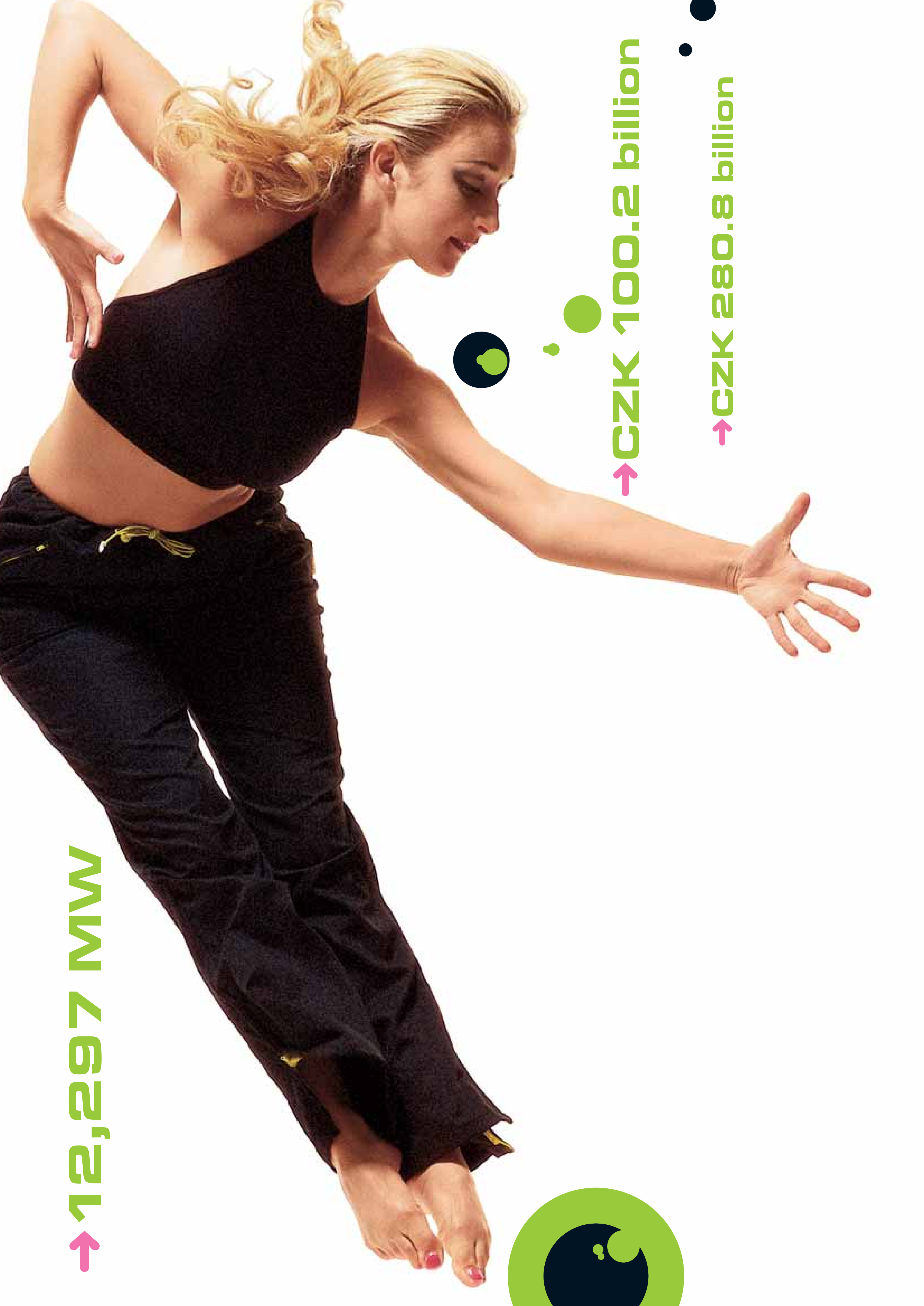
The rapid progress being made in all aspects of the project has led us to accelerate certain integration processes. Originally we intended to transform ČEZ Group over a period of two years. Today, however, it is already clear that, despite those plans, all the most crucial steps will be taken during the single year 2005. Our goal is identify and develop best practices that we will subsequently implement in companies we acquire abroad.

How are things shaping up in Bulgaria following the acquisition of three distribution companies?

Even before we acquired the Bulgarian distributors, we were well prepared. This level of preparation enabled our Bulgaria team to very quickly set up shop there. Now, at a time when detailed discussions are ongoing in Bulgaria with the regulator on future tariffs, we are identifying the strong and weak points of the new acquisitions. In this manner, we are preparing to make operational and financial improvements in these companies and introduce international best practices in management. Before the year is out, the experience we gain in Bulgaria will be leveraged, in Romania, where we have signed a contract to acquire another distribution company.

Why is ČEZ, a. s. trying to expand into foreign countries?

The Czech market, of which we have a majority share, is very small, so at the pan-European level we are still a small company compared to the likes of E.ON AG, RWE AG, and Enel SpA. And in today’s world the strongest players win. Better performing corporations eat up the ones that perform less well. And that’s where the challenge lies. We want to show the big Western firms that Czech managers, too, know how to build a high-performing company that can generate long-term growth in shareholder value.


↑CZK 100.2 billion
↑CZK 280.8 billion
↑12,297 MW

001.

The new organization structure streamlined management, delineated functions and accountability in a logical manner, and set the stage for complying with legislative requirements concerning the unbundling of sales and distribution.

ČEZ, a. s. Directors and Officers

In accordance with the Articles of Association of ČEZ, a. s., the General Meeting elects and removes members of the Supervisory Board. The Supervisory Board elects and removes members of the Board of Directors. The Board of Directors, in turn, elects and removes the Chief Executive Officer (CEO) and other company executives.

Board of Directors

Since 2000, ČEZ has used the "German model" of corporate governance, in which members of the Board of Directors generally also serve as members of executive management. Currently, a single person serves as both the Chairman of the Board of Directors and the Chief Executive Officer.

The Board of Directors is the company's statutory body, which directs the company's operations and acts on its behalf. The powers and responsibilities of the Board of Directors are set forth in detail in the Articles of Association approved by the General Meeting, which are in the Collection of Documents of the Commercial Register maintained by the Prague Municipal Court. The Board of Directors determines the company's strategy, commercial policy principles, plans for major investments, and its policy toward risk. The Board of Directors is obligated to meet at least once a month. As a rule, however, meetings are held weekly. The total number of meetings held in 2004 was 52. In addition to committees set up by the Supervisory Board (see the Supervisory Board section, below), the company has a sales committee, a risk committee, and a nuclear safety committee which deal with specific issues relating to their respective areas, formulate positions on them, and submit recommendations to the CEO or the Board of Directors. In accordance with the Articles of Association, the Supervisory Board is regularly briefed on selected matters.

Members of the Board of Directors

Martin Roman (* 1969) Chairman of the Board since 23 February 2004

A graduate of the Charles University Law Faculty in Prague, one-year scholarship at the Economics Faculty of the University of St. Gallen (Switzerland), and a one-year study stay at Karl-Ruprechtsuniversität Heidelberg (Germany). From 1 April 2000 to 31 March 2004 he was Chief Executive Officer of ŠKODA HOLDING a.s. Since 29 April 2004 he has been Vice President of the Confederation of Industry of the Czech Republic.

Alan Svoboda (* 1972) Vice Chairman of the Board since 3 May 2004,
Member of the Board since 26 April 2004

Holds an MBA in finance and an MA in economics from the University of Missouri in Kansas City (USA). Also a graduate of the University of West Bohemia, Plzeň, where he specialized in information and financial management. Mr. Svoboda has been certified as a Chartered Financial Analyst (CFA) by the international Association for Investment Management and Research (AIMR). Until March 2004 he was a partner at McKinsey & Company. Between 29 June 2004 and 31 August 2004 he was Chairman of the Supervisory Board of ČEZData, s.r.o., and effective 31 August 2004 he is Vice Chairman of the Supervisory Board of ČEZData, s.r.o. He has been a member of the Supervisory Board of Západočeská energetika, a.s. since 18 June 2004 and Vice Chairman of the Supervisory Board of ČEZ Prodej, s.r.o. since 31 March 2005.

Petr Vobořil (* 1950) Vice Chairman of the Board since 21 June 2004,
Member of the Board since 6 November 2002,
Chairman of the Board between 3 November 2003 and 23 February 2004

A graduate of the Mechanical Engineering Faculty of the Czech Technical University, Prague, where he specialized in environmental technology, Mr. Vobořil also completed a postgraduate course of study in heat supply development and the InterManager European standard management skills course. Between 5 May 2003 and 23 June 2004 he was a member of the Supervisory Board of Středočeská energetická a.s.

Jiří Borovec (* 1964) Member of the Board since 21 October 2004

A graduate of the Brno Military Academy, the Masaryk University of Brno, the United States Air Force Defense Language Institute (USA) and the Brno Business School – Nottingham Trent University (MBA). He also completed the ABB International Management Workshop for ABB Group Senior Top Managers and was awarded the ABB Service Management Certificate. Until 20 October 2004 he was Chairman of the Board of ŠKODA JS, a.s. and served as CEO of that company until 31 October 2004. Between 24 June 2003 and 30 November 2004 he was a member of the Board of Directors of the Chamber for Economic Relations with the Commonwealth of Independent States (CIS).

Radomír Lašák (* 1965) Member of the Board since 1 September 2004

A graduate of the University of Economics, Prague, Mr. Lašák was awarded a Master of Business Administration degree by the Prague International Business School. Between September 2002 and 13 August 2004 he was Chairman of the Board and CEO eBanka, a.s.

List of ČEZ, a. s. Board members whose memberships terminated in 2004

Pavel Hejkal	(* 1958)	Member of the Board between 4 July 2000 and 19 February 2004
Josef Sedlák	(* 1959)	Vice Chairman of the Board between 3 November 2003 and 26 April 2004 and Member of the Board since 4 July 2000
David Svojitka	(* 1961)	Member of the Board between 24 February 2003 and 9 July 2004
Jiří Vágner	(* 1956)	Member of the Board between 31 October 2003 and 21 October 2004

Executive Management

Martin Roman	(* 1969)	Chief Executive Officer since 1 April 2004
Alan Svoboda	(* 1972)	Chief Sales Officer since 1 April 2004
Petr Vobořil	(* 1950)	Chief Finance Officer since 1 January 2005, Acting Chief Executive Officer between 10 November 2003 and 31 March 2004, Chief Strategic Development Officer since 1 October 2002
Jiří Borovec	(* 1964)	Chief Production Officer since 1 November 2004
Radomír Lašák	(* 1965)	Chief Administration Officer since 1 January 2005, Chief Distribution Officer between 1 September 2004 and 31 December 2004

For personal data, see their entries in the Board of Directors, above.

List of members of the ČEZ, a. s. executive management whose memberships terminated in 2004 or by the Annual Report closing date and who in 2005 are continuing in their work on the Executive Committee

Daniel Beneš	(* 1970)	Chief Procurement Officer between 1 July 2004 and 3 January 2005
Josef Sedlák	(* 1959)	Chief Human Resources Officer between 1 July 2004 and 3 January 2005

List of members of the ČEZ, a. s. executive management whose memberships terminated in 2004

Pavel Hejkal	(* 1958)	Chief Sales Officer between 16 September 2000 and 31 March 2004
Pavel Klika	(* 1953)	Chief Conventional Power Officer between 1 November 2000 and 31 December 2004
Zdeněk Linhart	(* 1953)	Chief Nuclear Power Officer between 1 January 2003 and 31 December 2004
Henning Probst	(* 1957)	Chief Distribution Officer between 1 January 2003 and 31 December 2004
David Svojitka	(* 1961)	Chief Finance and Administration Officer between 1 October 2002 and 3 July 2004

In line with the overall effort to fulfill the company's strategic goals of ČEZ Group integration, secure the market position of the Group as a whole, prepare for renewal of the generation base, and pursue foreign acquisitions, a reorganization of ČEZ, a. s. was announced and implemented effective 1 January 2005. The new organization consists of five divisions headed by the Chief Executive Officer (the Chairman of the Board) and Chief Officers (Members of the Board) to whom managers within each division report. The new organization structure streamlines management methods and distributes functions and accountability among Members of the Board in a logical manner. At the same time, it creates conditions necessary to comply with the legislative requirement of unbundling – i.e. the separation of sales from distribution. Another, and no less important, objective is to streamline decision-making, communication, and all processes that are performed in-house.

The Board of Directors of ČEZ, a. s. decided to establish an Executive Committee (EXCO), effective 1 January 2005, which replaces the Management Meeting. Members of the EXCO include the Chief Officers, section managers, and managers from selected subsidiaries:

Martin Roman	Chief Executive Officer	Luboš Tejkl	Director, Human Resources Section
Petr Vobořil	Chief Finance Officer	Vladimír Tošovský	Director, Trading Section
Radomír Lašák	Chief Administration Officer	Jiří Feist	Director, Business Development Section
Alan Svoboda	Chief Sales Officer	Bohumil Mazač	Director, Sales Section
Jiří Borovec	Chief Production Officer	Karel Křížek	Director, Technology Section
Vladimír Schmalz	Director, Mergers and Acquisitions Section	Jiří Vágner	Director, Plant Management Section
Daniel Beneš	Director, Procurement Section	František Šůcha	Director, ČEZData, s.r.o.
Jaroslav Suk	Director, Financing Section	Igor Šmucr	Director, ČEZ Zákaznické služby, s.r.o.
Tomáš Pleskač	Director, Integration Office	Josef Sedlák	Renewable Energy Director

As the VIZE 2008 project goes forward, other key subsidiaries of ČEZ Group will also be represented on the Executive Committee.

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Supervisory Board

The Supervisory Board consists of twelve members, eight of which are elected and removed by the General Meeting, and four, in accordance with the provisions of Section 200 of Act 513/1991 Sb., as amended, are elected by the employees. The Supervisory Board's powers include the power to elect members of the Board of Directors, to supervise the Board of Directors' exercise of its powers and responsibilities and the company's business activities, to inquire into company financial matters, to review the Report on Relations Among Affiliated Entities, to review the year-end financial statements, including profit allocation proposals, and to grant prior consent for key decisions of the Board of Directors.

In accordance with the Articles of Association, the Supervisory Board meets at least once a month. A total of 20 meetings were held in 2004. The Chairman of the Board of Directors is a regular attendee at the meetings. According to the content and gravity of the matters on the agenda, the meetings are also attended by Members of the Board of Directors and/or company employees who give reports on the issues at hand.

The secretary of the Supervisory Board attends all Supervisory Board meetings and keeps minutes.

The Supervisory Board has formed three committees. For effective management of control and audit processes, there is an Audit Committee whose principal activity is to supervise the independence of both internal and external audits. It also assesses the adequacy and efficiency of the company's internal system of controls based on information and reports from internal and external auditors and information from the company's managers. The Personnel Committee deals in systemic fashion with the appointing and removing of members of the Board of Directors. The third committee is the Strategic Planning Committee.

Members of the Supervisory Board

Stanislav Kázecký (* 1948) Chairman of the Supervisory Board since 24 February 2003

A graduate of the Production Economics Faculty of the University of Economics, Prague, specialization in Economics and Industrial Management, Mr. Kázecký is Vice President of the Confederation of Industry of the Czech Republic. He was a member of the Supervisory Board of EKOKLIMA akciová společnost until August 2004.

Zdeněk Hrubý (* 1956) Vice Chairman of the Supervisory Board since 24 February 2003

A graduate of the Czech Technical University's Faculty of Electrical Engineering in Prague, where he majored in cybernetics, Mr. Hrubý holds a postgraduate degree in economics. He is Vice Chairman of the Presidium of the National Property Fund of the Czech Republic, Vice Chairman of the Supervisory Board of ČESKÝ TELECOM, a.s., and, effective April 2004 he is also a member of the Supervisory Board of Eurotel Praha, spol. s r.o. He was a member of the Board of Directors of Sokolovská uhelná, a. s. until June 2004, between April 2003 and May 2004 he was a member of the Supervisory Board of České aerolinie a.s., and between December 2003 and May 2004 he was a member of the Administrative Board of "Duhová energie" Foundation. He was a Deputy Minister of Finance until 15 April 2005.

Václav Krejčí (* 1953) Vice Chairman of the Supervisory Board since 20 June 2002,
re-elected Member of the Supervisory Board by company employees on 13 June 2002

A graduate of the Secondary Industrial School of Chemical Technology, Mr. Krejčí is currently head of the department of human resources development and internal communications, a part of the Nuclear Power Human Resources Section in the Administration Division. He is a member of the Supervisory Board of "Duhová energie" Foundation.

Jan Demjanovič (* 1953) Member of the Supervisory Board since 24 February 2003

A graduate of the Mechanical Engineering Faculty of the Institute of Mechanical and Textile Engineering in Liberec. Currently, Mr. Demjanovič is Sales Director and member of the Board of Directors of Severočeské doly a.s. He is Vice Chairman of the Board of Directors of Coal Energy, a.s. and Vice Chairman of the Supervisory Board of SD - Kolejová doprava, a.s. Between March 2002 and May 2004 he was a member of the Board of Directors of Teplárna Ústí nad Labem, a.s., and between April 2003 and January 2004 he was Chairman of the Supervisory Board of ENETECH a.s.

Jiří Jedlička (* 1959) Member of the Supervisory Board elected by the employees since 10 November 2004

A graduate of the Zetor Brno Secondary Vocational School, Mr. Jedlička has been with ČEZ, a. s. since 1980. Since 1994 he has been relieved from his work responsibilities to serve as Chairman of the Labor Union of Shift Workers at the Dukovany Nuclear Power Station and, at the same time, he serves as Chairman of the Union of Nuclear Power Industry Employees and member of the Governing Board of the Association of Independent Labor Unions.

Jan Juchelka (* 1971) Member of the Supervisory Board since 11 June 2002

A graduate of the Karviná Faculty of Business and Trade of the Silesian University in Opava. Since 1 November 2002, he has been Chairman of the Executive Committee of the National Property Fund of the Czech Republic. He is Chairman of the Supervisory Board of PPP Centrum a.s. and a member of the Supervisory Boards of ČESKÝ TELECOM, a.s., Komerční banka, a.s., and Eurotel Praha, spol. s r.o.

Martin Pecina (* 1968) Member of the Supervisory Board since 17 June 2003

A graduate of the Ostrava Mining University with a specialization in manufacturing systems with industrial robots and manipulators, the Masaryk Institute of Higher Studies in Prague, and the Sheffield Business School, Mr. Pecina holds an MBA degree and CIME qualification. He has been a Deputy Minister of Industry and Trade since February, 2003. He is a member of the Supervisory Board of ČEPS, a.s. and Chairman of the Board of Directors of OSINEK, a.s. Between September 2001 and March 2005 he was a member of the Board of Directors of NÁRODNÍ DŮM – RADHOŠŤ, a.s. “in liquidation”. Between March 2003 and June 2004 he was a member of the Supervisory Board of ISPAT NOVÁ HUŤ a.s.

Václav Srba (* 1941) Member of the Supervisory Board since 11 June 2002

A graduate of the University of Economics, Prague. Currently, he is a business consultant. He is Chairman of the Supervisory Boards of Aero Vodochody a.s., UNIPETROL, a.s., ČEPS, a.s., and Severočeská energetika, a.s. He is a member of the Board of Directors of THERMAL-F, a.s., and between May and October 2004 he was Chairman of the Administrative Board of “Duhová energie” Foundation. He was a Deputy Minister of Industry and Trade until December 2004.

Pavel Suchý (* 1954) Member of the Supervisory Board since 24 February 2003

A graduate of the University of Economics, Prague, where he majored in Financial Reporting and Auditing. He has been a member of the Executive Committee of the National Property Fund of the Czech Republic since 1994. In November 2002 he was appointed First Vice Chairman of the Executive Committee of the National Property Fund of the Czech Republic. He is a member of the Supervisory Boards of UNIPETROL, a.s., Konpo,s.r.o., and České aerolinie a.s.

Pavel Šafařík (* 1953) Member of the Supervisory Board since 17 June 2004

A graduate of the Ostrava Mining University, Faculty of Economics, with a specialization in systems engineering. Since 2002 he has been a member of the Presidium of the National Property Fund of the Czech Republic. He is also a member of the Administrative Board of the Pomněnka Special School for Students with Multiple Defects. He was a Deputy Minister of Finance between August 2002 and July 2004.

Jan Ševr (* 1947) Member of the Supervisory Board elected by the employees since 9 November 2000, re-elected by the employees on 10 November 2004

A graduate of the Secondary Industrial School of Mechanical Engineering in Česká Lípa, Mr. Ševr works for ČEZ, a. s. at the Mělník Power Station, where he heads up the shift operations management department. He is Chairman of the Mělník Power Station Labor Organization.

Zdeněk Židlický (* 1947) Member of the Supervisory Board elected by the employees since 13 June 2002

A graduate of the Secondary Industrial School of Mechanical Engineering. Since 1993, he has been on leave to act as Chairman of the Prunéřov Power Station Labor Organization. He represents the Czech Labor Union of Northwest Power Workers in the association of North Bohemian Labor Organizations and in the Inter-regional Labor Council. He is the central labor federation’s representative for power sector issues in the Economic and Social Alliance Council, where he is a member of the Economic Policy Task Force.

List of members of the ČEZ, a. s. Supervisory Board whose memberships terminated in 2004

František Haman	(* 1958)	Member of the Supervisory Board elected by the employees between 9 November 2000 and 9 November 2004
Jaroslav Košut	(* 1960)	Member of the Supervisory Board between 24 February 2003 and 17 June 2004

ČEZ Group in 2004

At 1 January 2004, ČEZ Group encompassed 94 companies, 91 of which were domestic and 3 of which were foreign.
At 31 December 2004, ČEZ Group consisted of 97 companies (i.e., the parent company ČEZ, a. s. and 96 other companies), 84 of which were domestic and 13 of which were foreign (see Companies of ČEZ Group on page 124). 79 companies were controlled, directly or indirectly, by ČEZ, a. s. In the financial results for the year ended 31 December 2004 according to International Financial Reporting Standards (IFRS), 34 of the total number of companies were consolidated. Of these, 27 companies (ČEZ, a. s. and 26 subsidiaries) were consolidated using the full method and 7 companies (affiliates) were consolidated by the equity method. One year before, 23 companies were consolidated using the full method and 10 companies were consolidated by the equity method.
The consolidation group was structured with regard to the significance of individual subsidiaries and affiliates using data on the shareholders' equity, total assets, total sales, and earnings of individual companies. Shares in companies classified as available-for-sale investments and companies in bankruptcy or liquidation were not included in the consolidation group. Other companies not included are not significant, representing less than one percent of the hypothetical consolidation group that would arise were these subsidiaries and affiliates to be included.
The figures reported are influenced by changes in the structure of ČEZ Group. The growth in turnover and certain financial items in 2004 is given primarily by the fact that the basis for comparison (2003 figures) does not include the first quarter for the acquired Czech electricity distribution companies and the sale of ČEPS, a.s. was recorded as a direct increase in shareholders' equity (see discussion of ČEZ Group financial performance).
Volume figures for the generation and sales of electricity and heat are given for the entire year 2003, i.e. including the first quarter when the five electricity distribution companies were not yet owned by ČEZ, a. s.

Overview of Core Businesses of ČEZ Group Companies

The core businesses of ČEZ Group are the generation of electricity in the company's own facilities and the subsequent distribution and sale of that electricity, including the related provision of power system ancillary services.
In addition to generation and distribution, the core businesses of companies that make up ČEZ Group also include the generation, distribution, and sale of heat, mining and processing of raw materials, construction and civil engineering, maintenance and upgrades of power plants and the distribution grid, as well as information technologies, telecommunications, scientific research in selected fields, and other activities. Further development of the ČEZ Group structure being realized on the basis of the VIZE 2008 project, whose principal goal is to leverage synergies, is determined by implementing key elements of European Union legislation in the Czech Republic power sector through Act No. 91/2005 Sb. (the Energy Act).
An important provision of this amendment that affects the structure of ČEZ Group is the unbundling process, i.e. that of legally separating operations relating to electricity distribution from other operations. Certain steps have already been taken in ČEZ Group to prepare for this. In addition to the parent company, ČEZ, a. s. itself, and the electricity distribution companies, ČEZ Group companies that trade electricity include Germany-based rpg Energiehandel GmbH, Coal Energy, a.s.
The ČEZ Group companies that deal with extracting and processing primary raw materials are LOMY MOŘINA spol. s r.o., KOTOUČ ŠTRAMBERK, spol. s r. o., and Severočeské doly a.s. The first two extract limestone, which they provide to ČEZ Group in the form of processed limestone or lime, which is then used in the flue-gas desulfurization process at coal-fired power plants. Severočeské doly a.s., a company that mines and processes brown coal, is the biggest supplier of this strategic raw material to the coal-fired power stations of ČEZ, a. s.
In the engineering and power plant services and maintenance area, ČEZ Group is represented in particular by the companies ČEZ ENERGOSERVIS spol. s r.o., Energetické opravny, a.s., I & C Energo a.s., SIGMA - ENERGO s.r.o., and ŠKODA PRAHA a.s. These companies focus primarily on providing comprehensive services in the area of repair, maintenance, and refurbishment of power-related machinery and equipment. In addition to these activities, ŠKODA PRAHA a.s. also provides engineering and contracting services in the area of power plant construction and upgrades. Construction, engineering, and service activities for distribution-related plant and equipment in ČEZ Group are the domain of several companies, among them VČE - montáže, a.s., MSEM, a.s., Energetická montážní společnost Ústí nad Labem, s.r.o., Energetická montážní společnost Liberec, s.r.o., SEG s.r.o. and several others.
Information technologies and telecommunications are the core businesses of ČEZData, s.r.o. and ČEZnet, a.s., respectively.

The Group member focused on nuclear research and design of power-related plant and equipment is Ústav jaderného výzkumu Řež a.s. (Řež Nuclear Research Institute). These activities include, for example, research on ensuring long useful lifetimes and high levels of efficiency and safety of VVER reactors operated in the Czech Republic. Further, there are research projects for new nuclear facilities for power generation as well as research in the areas of safety and defense. The knowledge gained is utilized primarily in work for ČEZ Group as well as for the State Office of Nuclear Safety, the Nuclear Waste Repositories Administration, the Ministry of Defense of the Czech Republic, as well as for the Ministry of Education, Youth, and Physical Culture of the Czech Republic in OECD (Organization for Economic Co-operation and Development) projects. This institute also does research relating to the production of radiopharmaceuticals for specialized treatment.

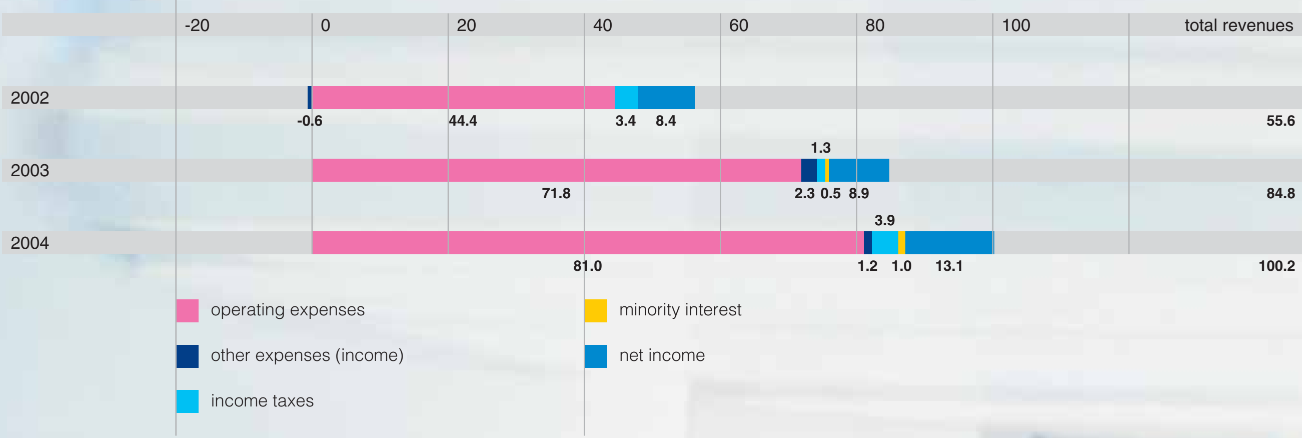
As a result of the completion of the preparatory phase of the VIZE 2008 project, which aims to concentrate selected operations and functions into specialized entities and thereby achieve maximum leveraging of synergies, the second half of 2004 saw the establishment of the companies ČEZ Logistika, s.r.o., ČEZ Zákaznické služby, s.r.o. and the commencement of the process of transforming ČEZ Správa majetku, s.r.o., which is being created out of the former company AB Michle, s.r.o. The companies ČEZ Prodej, s.r.o. and ČEZ Distribuce, a. s. were established in March 2005.

Financial Performance

In terms of its financial performance results, ČEZ Group is one of the largest business groupings in the Czech Republic.

The reported figures are affected by changes in the structure of ČEZ Group. The biggest acquisitions – Czech electricity distribution companies – were not included in the consolidation group until 1 April 2003. Of the newly acquired stakes (5 majorities and 3 minorities), all three minority stakes were gradually sold off during 2003 and 2004, as was the company's entire ownership interest in ČEPS, a.s. (in two steps). The growth in turnover and certain other items in 2004 is attributable to the fact that the basis for comparison (i.e., 2003 figures) does not include the first quarter for these newly acquired companies. The sale of ČEPS, a.s. was recorded as a direct increase in shareholders' equity. Based on the new strategy for the ČEZ Group organization, the company began establishing and/or transforming subsidiaries that will specialize in providing services within ČEZ Group – services such as logistics, information technologies, telecommunications, property management, customer services. Their impact on ČEZ Group's financial performance results in 2004 was minimal, however. The figures for 2003 and previous years were restated in accordance with IFRS principles, and therefore in some cases they differ from previously published figures.

ČEZ Group – Formation of Profit (CZK billions)



Group turnover exceeded CZK 100 billion for the first time, growing by CZK 15.4 billion (18.1%) to a figure of CZK 100.2 billion. **Electricity sales revenues** were up CZK 13.2 billion (16.6%) and, within them, revenues from sale of ancillary, system, and distribution services increased by CZK 9.5 billion (43.1%). Domestic electricity sales (excluding sales to domestic traders for export) were up CZK 2.3 billion (5.2%), while exports (including domestic sales earmarked for export through traders) grew by CZK 1.4 billion (10.4%).

Operating expenses expanded by CZK 9.2 billion (12.8%) to CZK 81.0 billion. Contributing factors included costs of procuring energy and related services (up CZK 5.4 billion or 25.6%), personnel costs (up CZK 1.7 billion or 20.6%), and depreciation and amortization (up CZK 1.4 billion or 8.4%). Also, costs in 2003 were lower because the first quarter costs of the Czech electricity distribution companies are not included. When only comparable periods (i.e. quarters two to four) are examined, operating expenses remained nearly flat – growing by just 1.7%. In terms of structure, the principal components of operating expenses were procurement of energy and related services (32.7%), depreciation and amortization (22.7%), and fuel costs (17.7%).

Other net expenses fell from CZK 2.3 billion to CZK 1.2 billion. This was caused in particular by net impairment allowances on financial investments, which went from CZK 1.4 billion (net increase in impairment allowances) in 2003 to CZK (0.3) billion (net decrease in impairment allowances) in 2004. Another factor contributing to the decrease in other net expenses was a CZK 0.5 billion gain realized on the sale of long-term investments in securities.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ČEZ Group
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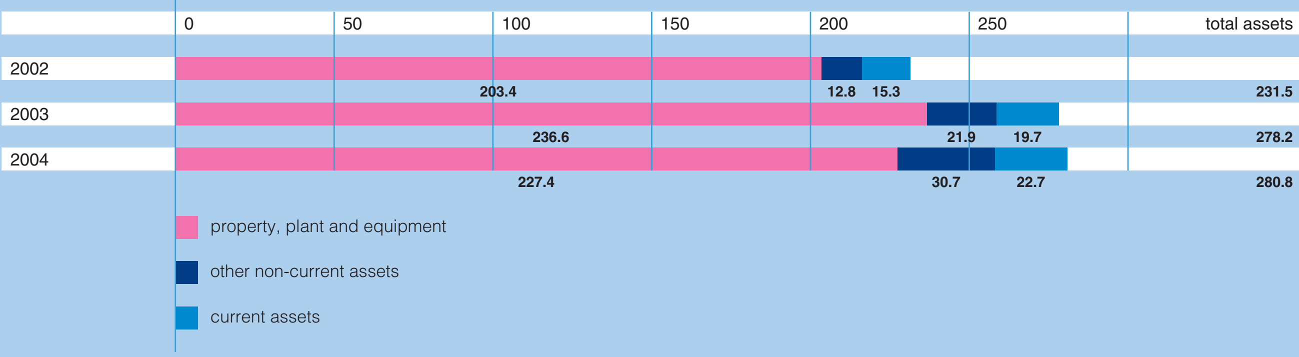
Financial Performance

All profit categories exhibited year-on-year growth. EBITDA (earnings before interest, taxes, depreciation, and amortization), which expresses the production strength of ČEZ Group, reached CZK 37.5 billion, an increase of CZK 7.6 billion (25.3%) over the previous year. EBIT was up CZK 6.2 billion (47.3%) to CZK 19.2 billion. **Net income, excluding minority interest** was CZK 13.1 billion, which is CZK 4.2 billion (47.2%) more than in 2003 for the best result in the history of ČEZ Group. **Income tax** nearly tripled, going from CZK 1.3 billion to CZK 3.9 billion, due to two factors: higher profits and a substantially lower effective tax rate in 2003, when the company claimed a capital investment deduction of CZK 1.0 billion (due in part to the commissioning of Unit Two of Temelín Nuclear Power Station).

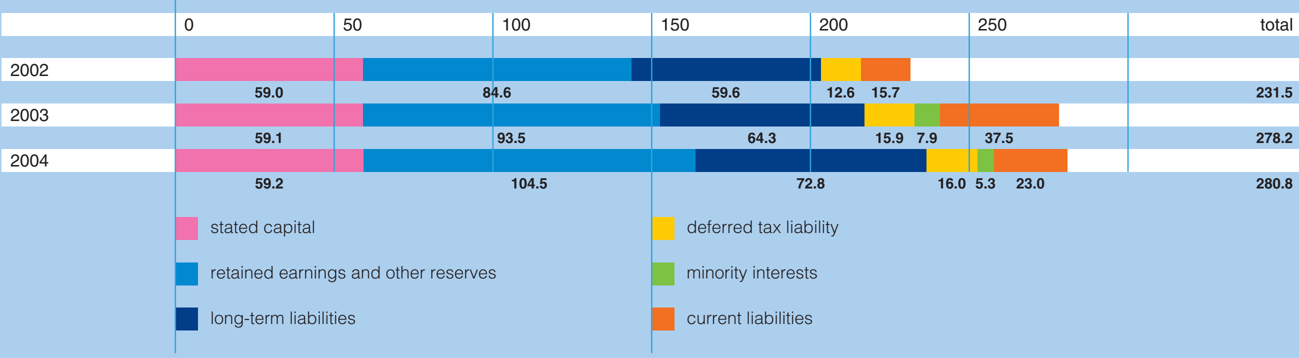
ČEZ Group – Structure of Assets as at 31 December (CZK billions)



Total assets expanded slightly from CZK 278.2 billion to CZK 280.8 billion. **Non-current assets** remained nearly flat, falling by just CZK 0.4 billion, because the CZK 9.2 billion (3.9%) decline in property, plant and equipment (depreciation was higher than the value of new assets put into use) was offset by CZK 8.7 billion (39.8%) growth in other non-current assets, long-term financial assets in particular. The biggest growth in long-term financial assets was caused by the purchase of three Bulgarian distribution companies (CZK 8.7 billion). Since ČEZ, a. s. did not take control over the Bulgarian distributors until January 2005, as at the balance sheet date the company's interests in these companies are reported as long-term financial assets in the course of acquisition. Long-term receivables increased by CZK 5.6 billion, primarily due to the sale of the stake in ČEPS, a.s. The overall growth in long-term financial assets was partially compensated for by the sale of a stake in Pražská energetika, a.s. for CZK 3.4 billion.

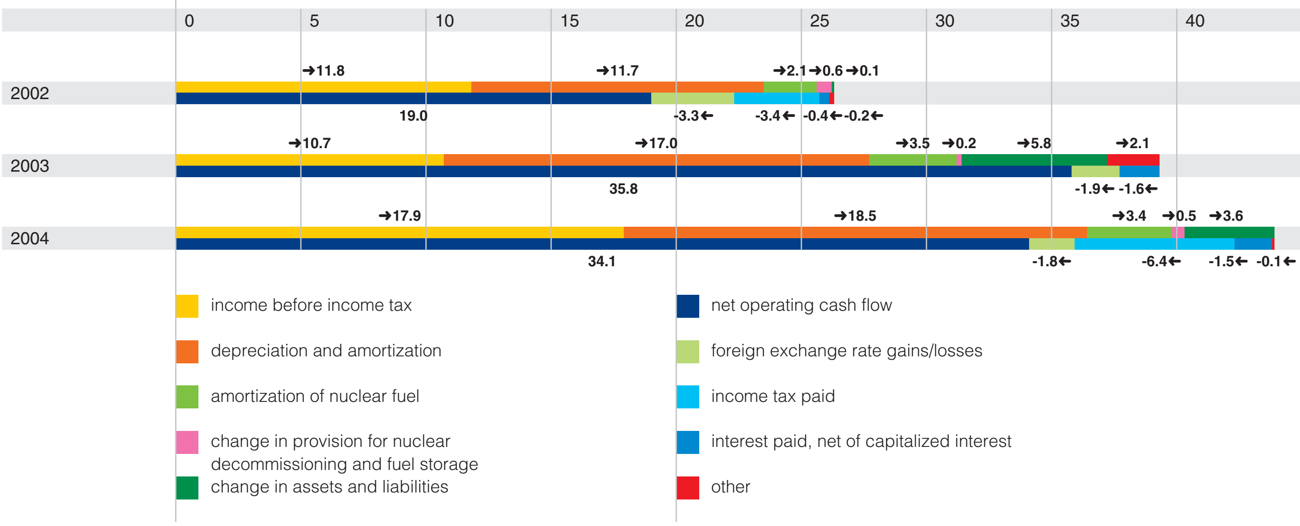
Current assets rose CZK 3.0 billion (15.4%). The most significant factor in this result was a CZK 3.5 billion increase in cash and cash equivalents, especially certificates of deposit (up CZK 2.4 billion), in which surplus cash was invested. Trade receivables, including the allowance for uncollectible receivables, increased by CZK 1.6 billion – here the sale of ČEPS, a.s. was a major factor, accounting for CZK 1.4 billion. Available-for-sale securities, on the other hand, declined by CZK 1.8 billion.

ČEZ Group – Structure of Equity and Liabilities as at 31 December (CZK billions)



Stated capital grew very slightly due to a decrease in the number of treasury shares. **Shareholders' equity** (stated capital, retained earnings and other reserves) grew by CZK 11.1 billion to a final figure of CZK 163.7 billion. Contributing to the increase, in particular, were the inclusion of current-year profit (CZK 13.1 billion) and, further, the direct inclusion of the gain realized on the sale of ČEPS, a.s. (CZK 2.4 billion). Dividends paid (CZK 4.7 billion) reduced shareholders' equity. Minority interests (CZK 5.3 billion) were down CZK 2.6 billion, due primarily to an increase in ČEZ, a. s. majority stakes in the Czech electricity distribution companies.
Long-term liabilities grew by CZK 8.5 billion (13.2%), going from CZK 64.3 billion to CZK 72.8 billion. The reason for this development was, in particular, the issue of EUR 400 million in Eurobonds, while domestic bonds declined by CZK 3.0 billion (repayment of the 8th issue in June 2004) and long-term borrowings declined by CZK 2.8 billion. The increase in nuclear provisions totaled CZK 1.3 billion, bringing their total to CZK 29.4 billion.
Current liabilities fell by CZK 14.5 billion (38.6%) to CZK 23.0 billion. Liabilities related to the acquisition of shares of the electricity distribution companies were down CZK 7.4 billion due to the payment of the remaining two (of a total of four) bills of exchange issued for this purpose. Short-term borrowings, including the current portion of long-term borrowings, declined by CZK 4.3 billion. Income tax payable fell by CZK 2.2 billion.

ČEZ Group – Composition of Net Operating Cash Flow (CZK billions)



The balance of cash and cash equivalents at year end 2004 was CZK 7.5 billion, which is CZK 3.5 billion more than at the beginning of the year. In year-on-year terms, operating activities generated CZK 1.6 billion less, the net cash used in investing activities fell by CZK 1.3 billion, and net cash used in financing activities was down CZK 4.5 billion.
Net operating cash flow totaled CZK 34.1 billion. The already mentioned year-on-year decrease of CZK 1.6 billion was caused, among other things, by a CZK 6.4 billion increase in income tax payments, while cash generated from operations rose by CZK 3.9 billion (10.7%) and dividends received grew by CZK 0.7 billion (125.2%).
Net cash used in investing activities totaled CZK 29.6 billion, a decline of CZK 1.3 billion (4.2%) from the previous year. Expenditures related to the acquisition of subsidiaries reached CZK 18.2 billion, which is CZK 10.2 billion less than last year. The biggest expenditures were to purchase the Bulgarian distributors, to repay bills of exchange previously issued to purchase the Czech electricity distribution companies, and to increase the company's stakes in Severomoravská energetika, a. s. and Severočeská energetika, a.s. In addition, in 2003 we recorded a CZK 12.2 billion net gain on the sale of the subsidiary ČEPS, a.s. CZK 15.8 billion was expended to acquire fixed assets, and this is CZK 8.2 billion less than in 2003. Proceeds from sales of fixed assets totaled CZK 4.8 billion and related primarily to the sale of a stake in Pražská energetika, a.s., as the sale of the 34% stake in ČEPS, a.s. was recorded only as a receivable that will be paid in future periods.
Net cash used in financing activities totaled CZK 0.7 billion, which is CZK 4.5 billion (86.6%) less than in the previous year. Net borrowings reached CZK 4.6 billion, which is CZK 7.0 billion more than the balance of borrowings and repayments in 2003. The principal cause for the increase was a new eurobond issue, though it was partially offset by the retirement of the 8th domestic bond issue. Dividend payments rose substantially (by CZK 2.0 billion) to a total of CZK 4.8 billion.

Long-term Borrowings, Including Current Portion

Creditor	Currency	Max. debt amount (millions of currency)	Debt at 31. 12. 2004 (CZK millions)	Matures	Collateral
Bank Austria AG	EUR	20	36	2005	
Citibank International	USD	317	1,805	2007 – 2008	State guarantee, 77% of principal currency-hedged
Erste Bank AG	EUR	17	103	2006	
European Investment Bank	USD	55	852	2013	13.5% of principal currency and interest rate currency-hedged until 2005
European Investment Bank	EUR	44	945	2013	
European Investment Bank	CZK	3,441	2,382	2012 – 2013	Interest rate on 89% of principal hedged until 15. 3. 2007
Fortis Bank	USD	55	432	2008 – 2009	State guarantee
ING Bank	EUR	27	48	2005	
International Bank for Reconstruction and Development	USD	246	1,078	2007	State guarantee, 35.5% of principal currency-hedged
Nordic Investment Bank	USD	50	1,119	2007	
ČSOB	CZK	248	115	2007	
Česká spořitelna	CZK	50	26	2007	Lien on property
Komerční banka	CZK	300	89	2006	Bill of exchange accepted by Severomoravská energetika, a. s.
Komerční banka	CZK	6	2	2007	Lien on receivables
Komerční banka	CZK	10	1	2006	Lien on receivables
Komerční banka	CZK	10	2	2006	Lien on receivables
Komerční banka	CZK	37	2	2006	Lien on receivables
Erste (CR) a.s.	CZK	58	12	2006	
Total			9,049		
Of which: Current portion			1,939		
Long-term borrowings (maturing in 2006 and later)			7,110		

Short-term Borrowings and Overdraft Facilities (CZK millions)

Creditor	Currency	Balance at 31. 12. 2004
ČSOB	CZK	67
Deutsche Bank	CZK	6
Komerční banka	CZK	52
Komerční banka	CZK	1
Komerční banka	CZK	4
Komerční banka	CZK	2
Komerční banka	CZK	3
Komerční banka	CZK	11
Komerční banka	CZK	28
ING Bank	CZK	2
Živnostenská banka	CZK	1
Živnostenská banka	CZK	2
Česká spořitelna	CZK	1
Česká spořitelna	CZK	0
Česká spořitelna	CZK	1
Erste (CR) a.s.	CZK	15
Erste (CR) a.s.	CZK	6
Erste (CR) a.s.	CZK	7
ČSOB	CZK	15
Česká spořitelna	CZK	12
Advance by non-bank entity	CZK	4
Total		240
Current portion of long-term borrowings		1,939
Borrowings payable in 2005 total		2,179

ČEZ Group – Key Figures

Indicator	Units	2000	2001	2002	2003	2004
Return on invested capital (net)	%	4.6	5.2	3.9	4.4	5.8
Return on equity (gross)	%	8.4	10.0	8.4	7.2	11.3
Return on equity (net)	%	5.8	6.9	6.0	6.0	8.3
Return on assets (net)	%	3.3	4.0	3.7	3.7	5.0
EBIT margin	%	24.5	26.3	20.2	15.3	19.1
Debt to equity ratio	%	42.4	35.5	27.8	25.5	25.6
Total indebtedness (provisions excluded)	%	31.2	29.8	26.7	30.1	27.2
Long-term indebtedness	%	22.4	18.8	15.4	13.0	15.4
Current ratio	%	74.1	64.1	97.5	52.5	98.8
Operating cash flow to liabilities ratio	%	30.0	34.4	31.9	55.6	46.9
Assets turnover	coefficient	0.24	0.25	0.24	0.33	0.36
Coverage of non-current assets	%	98.3	97.0	99.8	93.1	99. 9
Extent of depreciation	%	47.6	51.4	42.6	40.9	44.3
Earnings per share (CZK 100 face value)	CZK/share	12.2	15.4	14.3	15.0	22.1

Earnings-derived indicators (return, margin, earnings per share) improved substantially for the year, due to the growth in earnings.
The debt to equity ratio remained practically unchanged, but there was a moderate shift in the structure of liabilities. In conjunction with the ongoing growth in provisions, overall indebtedness (provisions excluded) fell slightly. Long-term indebtedness, on the other hand, grew somewhat, in conjunction with the new issue of foreign bonds. ČEZ Group continues to have a very low level of indebtedness.
The current ratio grew substantially on a decline in short-term liabilities. The operating cash flow to liabilities ratio declined slightly, but still remains at a sufficiently high level.
Assets turnover improved noticeably on the growth in revenues. Fixed assets are precisely covered by long-term capital. The depreciation ratio increased in line with the slower pace of capital investment activity in recent years.

The results of the three Bulgarian distribution companies acquired by the Group were not included in 2004 the financial statements of ČEZ Group. The figures in the tables below characterize their performance in 2004.

Final Key Figures of Bulgarian Distribution Companies

	Total sales	Sales			In-house consumption	Losses
		Households	Businesses	Other distribution		
	GWh	GWh	GWh	GWh	GWh	GWh
Elektrorazpredelenie Pleven EAD	2,186	1,006	1,178	2	4	489
Elektrorazpredelenie Sofia Oblast EAD	2,003	948	1,050	5	4	602
Elektrorazpredelenie Stolichno EAD	3,483	1,559	1,895	29	3	762
Total	**7,672**	**3,513**	**4,123**	**36**	**11**	**1,853**

	Customers		Employees	Sales *)	EBITDA *)	Depreciation *)	Income *) before income taxes
	Households Number of connection points	Businesses Number of connection points	persons	CZK millions	CZK millions	CZK millions	CZK millions
Elektrorazpredelenie Pleven EAD	562,570	85,614	1,860	3,081	277	201	66
Elektrorazpredelenie Sofia Oblast EAD	538,735	65,429	1,616	2,943	237	184	38
Elektrorazpredelenie Stolichno EAD	600,695	82,596	1,429	5,120	567	391	157
Total	**1,702,000**	**233,639**	**4,905**	**11,144**	**1,081**	**776**	**261**

*) According to IFRS, translated as at 31. 12. 2004 (1 BGN = 15.576 CZK)

The acquisition cost of the financial investments in the three Bulgarian distribution companies (CZK 8.679 billion) was included in the consolidated balance sheets of ČEZ Group as at 31 December 2004 in the item “Investments and other financial assets”.

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The Group's relations to shareholders and investors, as well as its corporate governance, are based on the recommendations contained in the Corporate Governance Code.

Shareholders and Securities in Issue

Development of the Shareholder Structure

The total amount of ČEZ, a. s. stated capital recorded in the Commercial Register at the end of 2004 was CZK 59,221,084,300.

The number of ČEZ, a. s. shareholders at 31 December 2004 was 123,323, which represents a year-on-year decrease of 3,484 shareholders. Of the latter number, 3,461 were private individuals (and the aggregate number of shares held by individuals decreased by 1,483,000) and 23 were legal entities. The number of shares held by asset managers declined by 13,344,000, whilst the number of shares held by legal entities grew by 14,827,000 shares.

Shareholder Structure (%)

	at 31. 12. 2002	at 31. 12. 2003	at 31. 12. 2004
Legal entities, total	95.71	95.04	95.29
National Property Fund of the Czech Republic	67.61	67.61	67.61
Other legal entities	18.71	21.95	24.45
Of which: domestic	7.35	6.52	5.25
foreign	11.36	15.43	19.20
Asset managers	9.39	5.48	3.23
Private individuals total	**4.29**	**4.96**	**4.71**
Of which: domestic	4.13	4.78	4.54
foreign	0.16	0.18	0.17

Československá obchodní banka, a. s. manages the securities of 35 shareholders (total nominal value CZK 3.46 billion) and Citibank a.s. manages the securities of 4 shareholders (total nominal value CZK 2.37 million).

The percentage of the stated capital of ČEZ, a. s. held by foreign entities (legal entities and private individuals) at 31 December 2004 was 19.37%. There is also the possibility of other foreign shareholders whose shares are managed by asset managers, but ČEZ, a. s. has no way to find out.

Shareholder Structure by Number of Shares Owned (Number of Shareholders)

	at 31. 12. 2002	at 31. 12. 2003	at 31. 12. 2004
1 – 100,000 shares	129,581	126,634	123,177
100,001 – 500,000 shares	110	102	82
500,001 – 1,000,000 shares	30	35	27
1,000,001 – 10,000,000 shares	28	34	34
Over 10,000,000 shares	2	2	3
Total	129,751	126,807	123,323

Shareholder Structure by Stake in Stated Capital (Number of Shareholders)

	at 31. 12. 2002	at 31. 12. 2003	at 31. 12. 2004
0 – 1%	129,743	126,799	123,317
1% – 5%	7	7	5
5% – 10%	0	0	0
Over 10%	1	1	1
Total	129,751	126,807	123,323

Using a list of the company's shareholders as of 31 December 2004 produced by the Prague Securities Center, it was determined that no other entity besides the National Property Fund of the Czech Republic was known to hold a share exceeding 10% of the stated capital of ČEZ, a. s.

Shareholder and Investor Relations

The companies of ČEZ Group comply with the provisions of the Commercial Code concerning protection of shareholder rights. ČEZ Group member companies convene and hold their General Meetings entirely in accordance with applicable legislation and ensure the implementation of General Meeting resolutions. They also duly meet all disclosure obligations vis-à-vis their shareholders.

ČEZ Group ensures equal treatment of all shareholders. Shareholders also have access to quarterly performance reports of individual companies, lists of dates when earnings announcements will be made, securities prospectuses, announcements of General Meetings, and notifications of conclusions made and resolutions passed by the General Meeting. The fundamental rules that guide ČEZ Group in disclosing information to investors are credibility, consistency, and coherence.

The Group's relations to shareholders and investors, as well as its corporate governance, are based on the recommendations contained in the Corporate Governance Code, the drafting of which in the Czech Republic ČEZ Group participated in.

ČEZ, a. s. General Meetings

The 12th Annual General Meeting (AGM) of the parent company, ČEZ, a. s., was held on 17 June 2004. The AGM approved the following:

- an amendment of the Articles of Association strengthening the Supervisory Board's authority with respect to the Board of Directors,
- the business strategy,
- the ČEZ, a. s. financial statements for the year ended 31 December 2003 and the ČEZ Group consolidated financial statements for the year ended 2003,
- the distribution of 2003 profits as proposed by the Board of Directors, including the payment of dividends and board member bonuses; the AGM approved a CZK 8/share dividend – the highest in the history of ČEZ, a. s.,
- sponsorship budget of CZK 87 million for the period between the 2004 AGM and the 2005 AGM; of the total amount, CZK 50 million is designated for "Duhová energie" Foundation, CZK 9.7 million was distributed in 2004 among municipalities in the area of Temelín Nuclear Power Station in support of the construction of a spent nuclear fuel repository, and the remaining CZK 27.3 million is an in-kind donation in the form of under-utilized company assets,
- a change in the company's governing bodies (removal of Jaroslav Košut from the Supervisory Board and the election of Pavel Šafařík to take his place),
- a change in the option program.

A total of 115 shareholders and authorized shareholder representatives were present at the Annual General Meeting on 17 June 2004. These attendees owned or represented the owners of shares with an aggregate total nominal value of CZK 40.537 billion, or 68.45% of the company's stated capital.

On 21 January 2005, an extraordinary General Meeting of ČEZ, a. s. was held. It approved the following:

- agreements to control the company with the subsidiaries ČEZData, s.r.o., ČEZ Zákaznické služby, s.r.o., and ČEZ Logistika, s.r.o.,
- an amendment of the company's Articles of Association,
- donations budget for 2005 in the amount of CZK 25.6 million, of which CZK 25 million is for the "Duhová energie" Foundation and CZK 0.6 million is an in-kind donation of unutilized assets of ČEZ, a. s. to the City of Prague,
- a change in the company's option program,
- acquisition of treasury shares,
- a new text of contracts on acting as a member of the Supervisory Board entered into on 22 November 2004 with Mr. Jan Ševr and Mr. Jiří Jedlička.

A total of 84 shareholders and authorized shareholder representatives were present at the extraordinary General Meeting on 21 January 2005. These attendees owned or represented the owners of shares with an aggregate total nominal value of CZK 41.228 billion, or 69.72% of the company's stated capital.

General Meetings of the Electricity Distribution Companies of ČEZ Group

In February 2004, all the electricity distribution companies that belong to ČEZ Group held extraordinary General Meetings that were convened at the request of ČEZ, a. s. Among other things, the general meetings were to approve an amendment of the companies' Articles of Association, their business strategies, and agreements on mutual credit lines with the parent company. With the exception of Severočeská energetika, a. s., these items were approved by all the electricity distribution companies.

Annual General Meetings of the ČEZ Group electricity distribution companies were convened for June 2004. These meetings discussed, in particular, the Board of Directors reports on the companies' business activities and the state of their assets for the year 2003, including the profit distribution proposals, amounts of dividends and board member bonuses, the financial statements for the year ended 31 December 2003, the sponsorship budgets, remuneration of members of the companies' boards, amendments to the Articles of Association, and changes in the supervisory boards.

In November 2004, the electricity distribution companies of ČEZ Group held extraordinary General Meetings that were convened to make significant changes to the companies' Articles of Association and to their business strategies in conjunction with the implementation of the VIZE 2008 project.

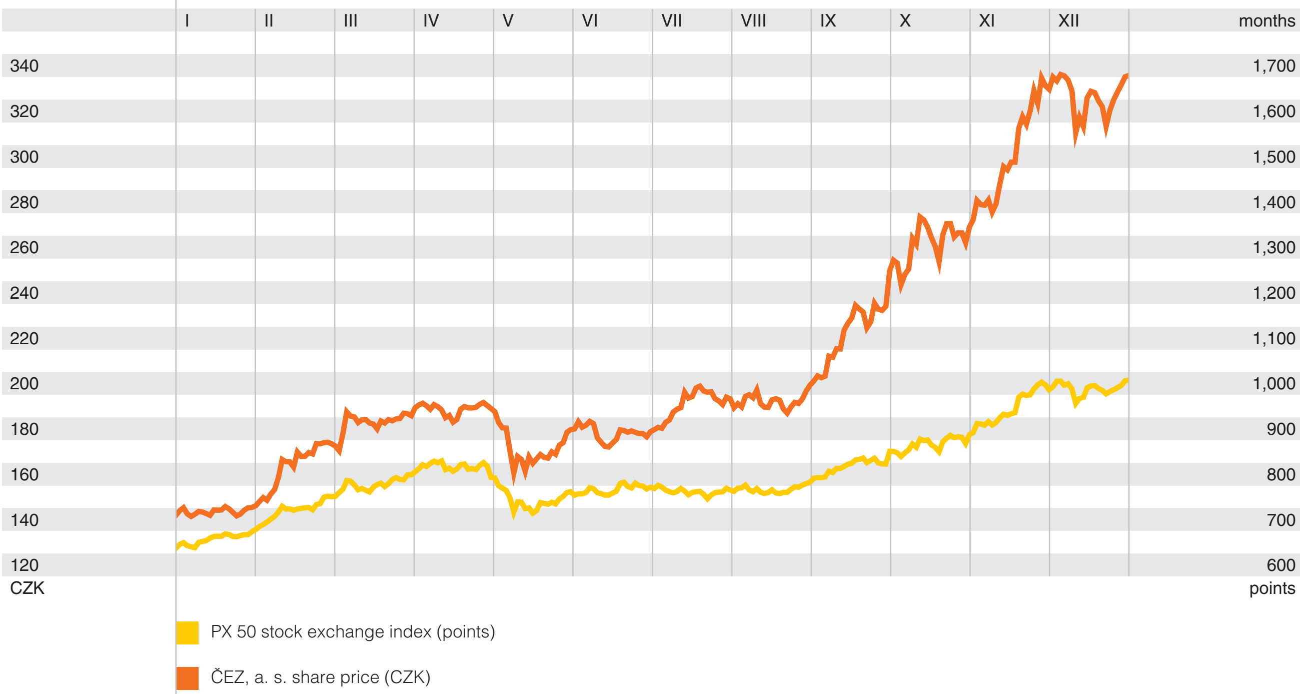
List of ČEZ, a. s. Dividends

Dividend for the year	2000	2001	2002	2003
Gross dividend per share	CZK 2.00	CZK 2.50	CZK 4.50	CZK 8.00
Payment period	1. 8. 2001 – 31. 7. 2006	1. 8. 2002 – 31. 7. 2007	1. 8. 2003 – 31. 7. 2008	2. 8. 2004 – 31. 7. 2009
Strike date	19. 6. 2001	11. 6. 2002	17. 6. 2003	17. 6. 2004
Payment administrator	Česká spořitelna, a.s.	Česká spořitelna, a.s.	Česká spořitelna, a.s.	Česká spořitelna, a.s.

List of Dividends Paid by Electricity Distribution Companies (Gross Dividends per Share in CZK)

Dividend for the year	1995	1996	1997	1998	1999	2000	2001	2002	2003
Severočeská energetika, a.s.	50	0	10	30	40	70	70	35	0
Severomoravská energetika, a. s.	30	0	10	20	0	50	55	35	70
Středočeská energetická a.s.	0	0	0	15	20	40	50	35	70
Východočeská energetika, a.s.	0	0	0	35	30	36	100	35	70
Západočeská energetika, a.s.	20	0	20	50	60	40	70	35	70

ČEZ, a. s. Share Performance in 2004 Compared to the PX 50 Prague Stock Exchange Index



The shares of ČEZ, a. s. are traded on the Prague Stock Exchange and the RMS. The eurobonds are listed on the Luxembourg Stock Exchange and the Yankee Bonds are registered with the U. S. Securities and Exchange Commission. The issuer of bonds denominated in foreign currencies is CEZ FINANCE B. V.

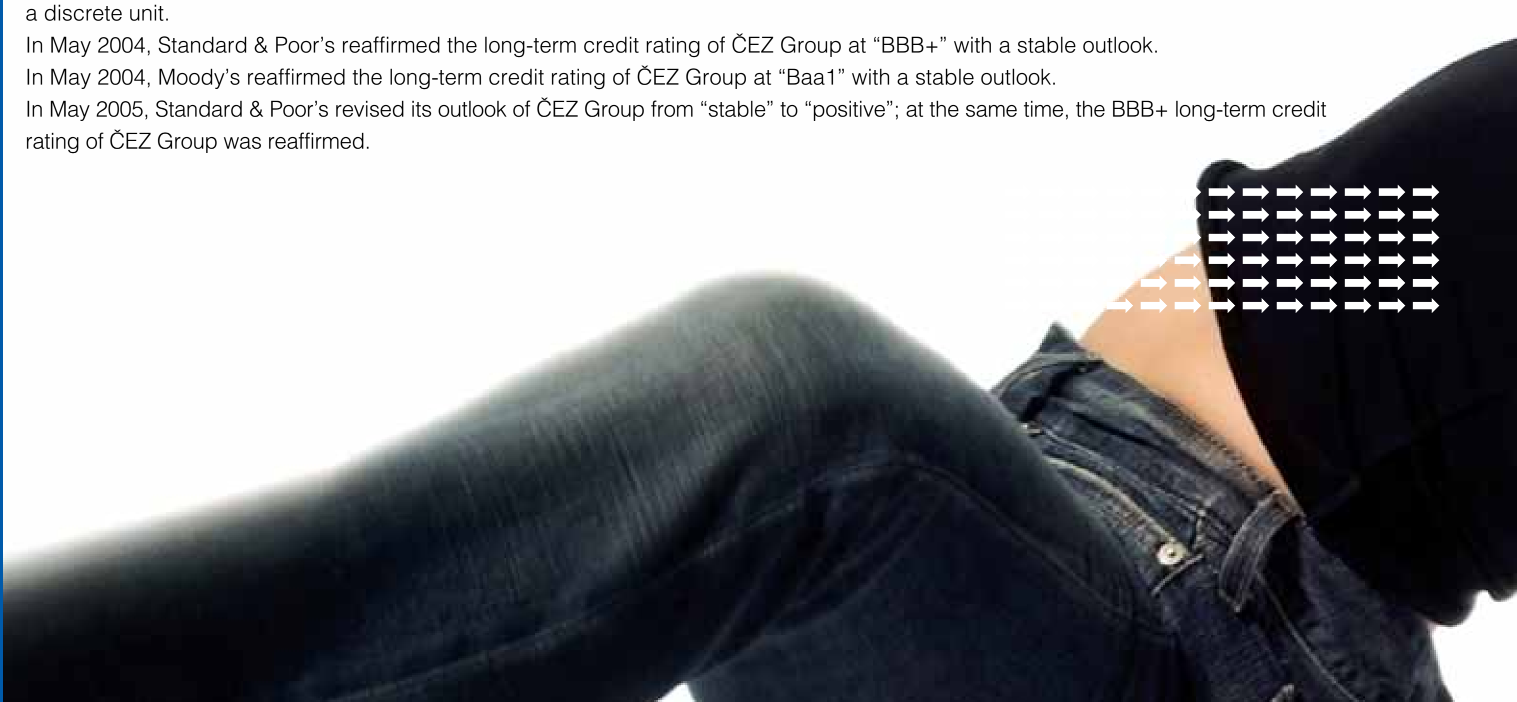
A list of shares issued by ČEZ Group members can be found on page 40.

Litigation

In 2004, the companies of ČEZ Group were not involved in any litigation that could have a material impact on their earnings.
Despite the rejection of a number of previous constitutional complaints against ČEZ's actions in the matter of an ownership participation in KOTOUČ ŠTRAMBERK, spol. s r. o., the complainant has a pending constitutional complaint against the Arbitration Court's decision that the complainant's withdrawal from the agreement on the sale of its equity interest in KOTOUČ ŠTRAMBERK, spol. s r. o. is null and void. The Constitutional Court has not yet issued a decision on the complaint.
In 2004, DALKIA FRANCE initiated arbitration proceedings against ČEZ, a. s. before the Court of Arbitration of the International Chamber of Commerce in Paris in the matter of a claim for a contractual penalty for breach of obligations by ČEZ, a. s. under a joint venture agreement signed in 1999. The dispute in question was resolved in late 2004 by the signing of an Agreement on Mutual Settlement.
In the matter of litigation initiated in 1997 between ČEZ, a. s. and certain electricity distribution companies seeking payment of contractual penalties or late-payment interest, 2004 saw a final, binding decision issued in the dispute with Západočeská energetika, a.s., under which that company paid ČEZ, a. s. CZK 668 thousand. Pursuant to a decision of the Prague Municipal Court, Pražská energetika, a.s. was ordered to pay ČEZ, a. s. an amount of CZK 49.2 million. This decision did not enter into legal force, because the respondent appealed to the Prague High Court. The dispute with Severomoravská energetika, a.s. was resolved by an amicable settlement approved by the court. Based on this settlement, ČEZ, a. s. will receive CZK 19.3 million, which is half of the amount originally sought. Of the disputes still pending with the electricity distribution companies, appeal proceedings with Jihomoravská energetika, a.s. are still pending before the Olomouc High Court.
Proceedings ongoing before Austrian courts based on suits filed by Austrian entities were suspended indefinitely during the year in question, until the European Court of Law decides a preliminary issue regarding the jurisdiction of Austrian courts.
In 2004, the electricity distribution companies that are majority owned by ČEZ, a. s. were party to several thousand suits against their debtors seeking tens of millions of CZK. Of these, the bulk consisted to suits for payment of debts owed by household customers. Another significant group consisted to suits seeking payment of damages caused by unauthorized electricity consumption.
A separate category of its own is a suit filed by Středočeská energetická a.s. against Pražská energetika, a.s. seeking the payment of CZK 171.7 million with interest, which is the price that Středočeská energetická a.s. paid to ČEPS, a.s. in 2001 for transmission of electricity supplied to Pražská energetika, a.s. through the Řeporyje Substation, owned by Středočeská energetická a.s.
November 2004 saw the termination of litigation in a suit filed by Tlaková plynárna Úžín, a. s. against Severočeská energetika, a.s. seeking for the court to declare null and void a notice of termination of an association agreement in conjunction with the construction of a 110 kV power line to Koštov to connect the complainant's generation facility to the grid.
Also pending is a dispute is a suit against Severočeská energetika, a.s. in conjunction with an injury sustained by a minor in September in the renovation of a transformer station building in Nový Bor, Česká Lípa District.
The largest suit is one against Východočeská energetika, a.s., brought by a private individual who is seeking CZK 1 billion in damages for alleged harm to the person's health due to non-supply of electricity. This claim is deemed entirely baseless.

Credit Ratings

When the electricity distribution companies became part of ČEZ Group in 2003, the rating agencies Standard & Poor's and Moody's were asked to stop issuing separate ratings for the companies of ČEZ Group. As of March 2004, both agencies rate ČEZ Group as a discrete unit.
In May 2004, Standard & Poor's reaffirmed the long-term credit rating of ČEZ Group at "BBB+" with a stable outlook.
In May 2004, Moody's reaffirmed the long-term credit rating of ČEZ Group at "Baa1" with a stable outlook.
In May 2005, Standard & Poor's revised its outlook of ČEZ Group from "stable" to "positive"; at the same time, the BBB+ long-term credit rating of ČEZ Group was reaffirmed.



001.

Types and Volumes of Securities in Issue

a) ČEZ, a. s.

Security	ISIN	Issue date	Interest	Matures	Form
1st share issue [1]	CS0008441952	6. 5. 1992	x	x	Booked to owner
2nd share issue [2]	CZ0005104950	8. 8. 1994	x	x	Booked to owner
Share split [3]	CZ0005112300	15. 2. 1999	x	x	Booked to owner
1st bond issue	CZ0003500191	25. 6. 1993	16.50%	1998	Documentary
2nd bond issue	CZ0003500233	27. 1. 1994	14 3/8%	2001	Documentary
3rd bond issue	CZ0003500423	6. 6. 1995	11.30%	2005	Booked to owner
4th bond issue	CZ0003500654	27. 6. 1996	10.90%	2001	Booked to owner
5th bond issue	CZ0003500662	27. 6. 1996	11 1/16%	2008	Booked to owner
6th bond issue	CZ0003501066	26. 1. 1999	Zero coupon [4]	2009	Booked to owner
7th bond issue	CZ0003501058	26. 1. 1999	9.22% [5]	2014	Booked to owner
8th bond issue	CZ0003501090	7. 6. 1999	8 3/4%	2004	Booked to owner
9th bond issue	CZ0003501348	23. 6. 2003	3.35% [6]	2008	Booked to bearer
1st Eurobond issue	[8]	15. 12. 1994	8 7/8%	1999	Booked to owner
Yankee bonds	[8]	17. 7. 1997	7 1/8%	2007	Booked to owner
2nd Eurobond issue	[8]	20. 10. 1999	7.25%	2006	Booked to owner
3rd Eurobond issue	[8]	8. 6. 2004	4.75% [9]	2011	Booked to owner

1) Face value at issue CZK 1,000, by decision of the General Meeting of 20 September 1993 increased to CZK 1,100. Number of shares issued: 51,731,161.
2) The number of shares issued before and after the registration of Privatization Project supplements was 2,290,665 and 2,304,569, respectively.
3) As of 15 February 1999, the first and second share issues were split into shares with face value of CZK 100. Number of shares issued: 592,210,843.
4) Yield is the difference between value of bond at issue (CZK 1,862,905,005) and face value (CZK 4,500,000,000).
5) Starting in 2006, the bonds will bear interest at a variable rate defined as CPI + 4.2%.
6) Offering price: 100.05%.
7) Bond program with maximum volume of outstanding bonds CZK 30 billion – program to last 10 years and any bonds issued in the program to have a maximum maturity of 10 years.
8) Issued through CEZ FINANCE B. V.
9) Coupon 4.625%, commission for CEZ FINANCE B. V. 0.125%.
10) Bought back by issuer for USD 22 million.
11) Chase Manhattan Trustees Limited and The Chase Manhattan Bank were merged in 2001; current name of administrator is J.P. Morgan Chase Bank.

Amount of share capital remaining to be paid in: 0.
The company has not issued any convertible bonds.
According to the issue terms, the bonds are not guaranteed by the State or by any bank.
Note: Bond issues in black have been retired, share issues in black – see note 3.

b) Other ČEZ Group member companies (at 31 December 2004)

1. Bonds

Bond	ISIN	Issue date	Interest	Matures	Form
Severomoravská energetika, a. s. [1]	CZ0003500993	5. 3. 1998	6M PRIBOR + 0.4%	5. 3. 2005	Booked to bearer
Union Leasing [1] [2]	CZ0003700544	9. 2. 2000	6M PRIBOR + 1.3%	9. 2. 2005	Booked to owner

1) Bonds were retired on maturity.
2) Bonds are secured by an irrevocable guarantee.

2. Shares issued by ČEZ Group members

Share	Number	Form	Face value	Number issued	Listings
Západočeská energetika, a.s.	ISIN CZ0005077354	Booked to owner	CZK 1,000	1,059,710	PSE, RMS *)
Západočeská energetika, a.s.	SIN 770950000818	Booked, registered	CZK 1,000	545,905	–
Severočeská energetika, a.s.	ISIN CZ0005078055	Booked to owner	CZK 1,000	2,151,643	PSE, RMS *)
Severočeská energetika, a.s.	ISIN CZ0005106781	Booked, registered	CZK 1,000	1,106,024	–
Východočeská energetika, a.s.	ISIN CZ0005076950	Booked to owner	CZK 1,000	1,708,394	PSE, RMS *)
Východočeská energetika, a.s.	SIN 770950001501	Booked, registered	CZK 1,000	841,150	–
Středočeská energetická a.s.	ISIN CZ0005078253	Booked to owner	CZK 1,000	2,363,596	PSE, RMS *)
Středočeská energetická a.s.	SIN 770950000784	Booked, registered	CZK 1,000	846,773	–
Severomoravská energetika, a. s.	ISIN CZ0005078352	Booked to owner	CZK 1,000	2,280,116	PSE, RMS *)
Severomoravská energetika, a. s.	SIN 770950000404	Booked, registered	CZK 1,000	1,127,148	–
Severomoravská energetika, a. s.	SIN 770950000677	Booked, registered	CZK 1,000	1	–
ŠKODA PRAHA a.s.	ISIN CS0005006857	Booked to owner	CZK 1,000	557,524	PSE *)
Severočeské doly a.s.	ISIN CZ0005102350	Booked to owner	CZK 1,000	7,516,485	PSE, RMS *)
	ISIN CZ0005102467	Booked, registered	CZK 1,000	1,483,570	–

*) Shares publicly traded
The remaining portion of the ČEZ Group member company shares mentioned are not publicly tradable. The same applies to the shares of all other ČEZ Group joint stock companies.

Face value	Volume	Manager	Administrator	Early repayment
CZK 1,100	CZK 56.9 billion	x	x	x
CZK 1,000	CZK 2.3 billion	x	x	x
CZK 100	CZK 59.2 billion	x	x	x
CZK 10,000	CZK 2.1 billion	Česká spořitelna	Česká spořitelna	25. 6. 1996
CZK 10,000	CZK 4.0 billion	Česká spořitelna	Česká spořitelna	27. 1. 1999
CZK 10,000	CZK 4.0 billion	ABN-AMRO	Živnostenská banka	6. 6. 2000
CZK 10,000	CZK 3.0 billion	Komerční banka	Komerční banka	27. 6. 1999
		ING Barings Capital Markets		
		Česká spořitelna		
CZK 10,000	CZK 3.0 billion	Česká spořitelna	Česká spořitelna	27. 6. 2003
		Komerční banka		
		ING Barings Capital Markets		
CZK 1,000,000	CZK 4.5 billion	ING Barings Capital Markets	Citibank	x
CZK 1,000,000	CZK 2.5 billion	ING Barings Capital Markets	Citibank	x
CZK 10,000	CZK 3.0 billion	Česká spořitelna	Česká spořitelna	x
CZK 10,000	CZK 3.0 billion [7]	ČSOB	ČSOB	x
USD 10,000	USD 150 million	J.P. Morgan	Citibank	x
USD 1,000	USD 200 million [10]	J.P. Morgan, Merrill Lynch, Salomon Brothers	The Chase Manhattan Bank [11]	x
EUR 1,000	EUR 200 million	Credit Suisse First Boston	Chase Manhattan Trustees Limited [11]	x
EUR 10,000				
EUR 100,000				
EUR 1,000	EUR 400 million	BNP Paribas, Merrill Lynch	J.P. Morgan Corporate Trustee Services Limited	x
EUR 10,000				
EUR 100,000				

Face value	Volume	Manager	Administrator	Early repayment
CZK 10,000	CZK 1 billion	ING Barings Capital Markets	Credit Lyonnais Bank	x
CZK 10,000	CZK 0.5 billion	Conseq Finance	Raiffeisenbank	x

Equity Stakes

1. Domestic Equity Stakes

1.1 ČEZ, a. s.

Overall, the net book value of the company's portfolio of domestic equity stakes (including impairment allowances where applicable) increased in 2004 by CZK 1.193 billion (to CZK 47.901 billion). Pursuant to a decision of the Antitrust Office dated 18 March 2003, 34% equity stakes in Pražská energetika, a.s. and ČEPS, a.s. were sold within the stipulated time periods – on 20 August 2004 and 7 September 2004, respectively. Also, we exercised an option to purchase minority stakes from a minority shareholder under which, on 27 October 2004, ČEZ, a. s. increased its stakes in Severomoravská energetika, a. s. and Severočeská energetika, a.s. to 89.4% and 56.9%, respectively. In November 2004, ČEZ, a. s. filed to the Antitrust Office requesting that it revise its previous decision ordering ČEZ, a. s. to sell off one of the majority stakes in the electricity distribution companies. The grounds for the request was a change in market conditions following the Czech Republic's entry into the European Union in May 2004. In March 2005, the Antitrust Office issued a decision relieving us of this requirement and ordering ČEZ, a. s. to give independent third parties – i.e., all electricity market players registered with the market operator – access through an auction to 400 MW of our generation capacity in the Czech Republic, reduced to 240 MW in the summer months. ČEZ, a. s. will be entitled to set a minimum price in advance, on the basis of actual costs, separately for electricity generated at base load and that generated at peak load to take into account the varying actual costs of generating electricity in the relevant types of company power plants.

In the case of Severomoravská energetika, a. s., on 23 December 2004 we published a mandatory offer to buy out all other owners of this company's shares. This brought about a further increase in the ČEZ, a. s. stake in this company (to 99.13%). In conjunction with the implementation of the VIZE 2008 project and in accordance with the approved equity holdings strategy, the following further changes in the portfolio of ČEZ, a. s. equity stakes were made in 2004:

- 14 January – ČEZ, a. s. stake in ESE, s.r.o. sold to I & C Energo, s.r.o.;
- 14 January – CZK 700 million increase of share capital of ŠKODA PRAHA a.s. recorded in the Commercial Register; the increase was paid by offset against a receivable. This transaction increased ČEZ's interest in the share capital of ŠKODA PRAHA a.s. from 29.8% to 68.9%;
- 5 February – Commercial Register recorded a CZK 72.4 million increase in the share capital of VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s., bringing it to CZK 131.2 million, based on a non-monetary contribution of the district heat plant and equipment of the City of Týn nad Vltavou, which was appraised by a court-approved expert. The capital increase took place with the consent of ČEZ, a. s. and a portion of the shares obtained by the City of Týn nad Vltavou was sold to ČEZ, a. s. by offset of a CZK 22 million receivable. As a result, ČEZ, a. s. came out of the transaction with its original equity stake in the company (32%) practically unchanged;
- pursuant to a decision of the ČEZ, a. s. Board of Directors dated 17 December 2001 on a CZK 37 million increase of the share capital of HYDROČEZ, a.s. the new share capital amount, CZK 449.8 million, was recorded on 31 March 2004. The new shares were paid for by offset against a ČEZ, a. s. receivable;
- 1 May – a change in the legal form of I & C Energo, s.r.o. to a joint-stock company was recorded in the Commercial Register. An increase of the share capital out of the company's own funds, from CZK 45 million to CZK 150 million, was recorded at the same time;
- 17 May – a new company, ČEZData, s.r.o., is established to serve as a central provider of information technology services in ČEZ Group. The new company's share capital is increased to CZK 950 million in a series of steps;
- 2 August – ČEZ Logistika, s.r.o. is established, by Commercial Register registration, as a centralized procurement and logistics company with share capital of CZK 200 million;
- 16 August – ČEZ Zákaznické služby, s.r.o. is established by Commercial Register registration with a share capital of CZK 20 million. This company's mission is to provide comprehensive services to the customers of electricity sales and distribution companies;
- 22 September – a decision on a change in the name of the company AB Michle, s.r.o. gives rise to ČEZ Správa majetku, s.r.o., commencing the transportation of this company into one that provides property management, transport, and selected other services. The company's share capital is CZK 150.1 million;
- 19 November – GAPROM, s.r.o. in liquidation is struck from the Commercial Register based on a decision of its General Meeting;
- 21 December – a 49% stake in JVCD, a.s. is sold;
- 22 December – shareholders of the telecommunications company Aliatel a.s., including Severočeská energetika, a.s, Severomoravská energetika, a. s., and Západočeská energetika, a.s. from ČEZ Group decide to sell their shares in that company.

ČEZ, a. s. Equity Stakes in Electricity Distribution Companies

Company	at 31. 12. 2003	at 31. 12. 2004
Severočeská energetika, a.s.	51.00	56.93
Severomoravská energetika, a. s.	59.08	89.38
Středočeská energetická a.s.	97.72	97.72
Východočeská energetika, a.s.	98.83	98.83
Západočeská energetika, a.s.	99.13	99.13
Jihočeská energetika, a.s.	0.00	0.00
Jihomoravská energetika, a.s.	1.71	0.00
Pražská energetika, a.s.	34.00	0.00

Changes in the ČEZ, a. s. portfolio of domestic equity holdings in 2005 up to the Annual Report closing date:

- under a decision of the sole shareholder dated 13 January 2005, the share capital of the subsidiary ČEZnet, a.s. was increased by CZK 1 billion to CZK 1.77 billion. After the increase is recorded in the Commercial Register, the monetary contribution will be used to buy all the telecommunications assets of the electricity distribution companies and to finance the interconnection of the electricity distribution companies' trunk networks with the existing network used by ČEZnet, a.s.;
- 16 February 2005 – the name of the company VČE - měřicí technika, s.r.o. was changed to ČEZ Měření, s.r.o. and its transformation was commenced into a company that will provide for the administration, service, maintenance, and repair of metering technology within ČEZ Group;
- in a mandatory buy-out, ČEZ, a. s. bought the majority of the remaining shares of Severomoravská energetika, a. s. bringing its stake in that company to 99.13%;
- in accordance with the provisions of the Energy Act, preparations are underway for the legal unbundling process, which will result in the separation of distribution from sales as of no later than 1 January 2007. Related to this process, among other things, is the upcoming establishment of ČEZ Distribuční služby, s.r.o. to take place in 2005.

1.2 Other Members of ČEZ Group

- January 2004 – establishment of MojeEnergie.CZ, s.r.o., a 51% subsidiary of Východočeská energetika, a.s.,
- April 2004 – Severomoravská energetika, a. s. established a new 100% subsidiary, ENPRO, a.s., which took over the design activities of engineers in the Severomoravská energetika Group,
- April 2004 – disposal of a stake in LIC technika, s.r.o. from the Západočeská energetika Group,
- June 2004 – creation of a new company in the Severočeská energetika Group, ENPROSPOL, s.r.o., which will focus on engineering design and technical consulting,
- July 2004 – MSEM, a. s. is merged with STMEM, a.s. with the former as the surviving company (STMEM, a.s. was wound up without liquidation and struck from the Commercial Register on 30 July 2004),
- December 2004 – purchase of a 49% stake in MojeEnergie.CZ, s.r.o. by Východočeská energetika, a.s., making Východočeská energetika, a.s. the 100% owner of that company,
- February 2005 – sale of ČEZ Group members' stakes in První energetická a.s. (Severočeská energetika, a.s. 27%, Středočeská energetická a.s. 27%, Východočeská energetika, a.s. 27%, Západočeská energetika, a.s. 19%).
- March 2005 – electricity distribution companies majority-owned by ČEZ, a. s. establish ČEZ Prodej, s.r.o.; at about the same time, the shareholders of these electricity distribution companies establish ČEZ Distribuce, a. s.
- March 2005 – sale by Východočeská energetika, a.s. of 100% stake in MojeEnergie.CZ, s.r.o.

2. Foreign Equity Stakes

The portfolio of ČEZ, a. s. foreign equity stakes, which was valued at CZK 46 million as at year end 2004, expanded substantially in January 2005 with the acquisition of shares in three Bulgarian distribution companies with a net book value of CZK 8.679 billion.

Slovenské elektrárne, a.s. Privatization

In 2003, ČEZ, a. s. expressed interest in participating in the privatization of a 66% stake in Slovenské elektrárne, a.s., which owns 34 hydro, 2 nuclear, and 2 coal power plants with an aggregate installed capacity of 6,878 MW. In January 2004, ČEZ, a. s. was accepted by a tender commission as a party interested in participating in the privatization process and which fulfills all criteria. Based on the results of a due diligence process conducted in Slovenské elektrárne, a.s., ČEZ, a. s. and three other bidders submitted binding bids in July. At the request of the seller's advisors, ČEZ, a. s. and the other bidders sent new, expanded bid materials in September. The Privatization Committee and the Minister of the Economy of the Slovak Republic evaluated the bids and recommended the bid placed by the Italian power company Enel SpA as the winner. In October, the Government of the Slovak Republic accepted that recommendation and an agreement on the sale of a majority equity stake was signed in February 2005.

Privatization of Bulgarian Distribution Companies

A tender for the sale of a majority, 67%, State interest in seven Bulgarian distribution companies was commenced in the autumn of 2003. The privatization of three groups of Bulgarian distribution companies took place in two rounds, in both of which ČEZ, a. s. submitted bids for all three groups:

- Northwest Group (Stolichno, Sofia Oblast and Pleven distribution companies),
- Northeast Group (Varna and Gorna Orjachovica distribution companies),
- Southeast Group (Stara Zagora and Plovdiv distribution companies).

In February 2004, ČEZ, a. s. placed preliminary bids and these were followed in July by final bids for all three groups. The final bids were opened in public before reporters and representatives of all the bidders. The sole criteria for evaluating the bids was the offered price, subject to the rule that one investor could obtain only one of the three groups of privatized companies. As a result of the Bulgarian side's bid evaluation strategy, ČEZ, a. s. was ranked first with its bid for the Northwest Group (EUR 281.5 million), even though it wasn't the highest bid for that group, and was invited to take part in concluding negotiations on the terms of the transaction documents. In November 2004, the individual transaction documents were signed and the final settlement of the transaction – i.e. the transfer of the shares to ČEZ, a. s. – took place in January 2005.

Privatization of Romanian Distribution Companies

Based on a decision of the Romanian Government in April 2004, the Romanian Ministry of Finance and Commerce announced a plan to privatize majority stakes in two Romanian distribution companies, Electrica Moldova S.A. and Electrica Oltenia S.A., out of the 100% stakes owned by the State power company Electrica S.A. The privatization of majority, 51%, interests in the distribution companies was prepared as a combination sale of 24.62% of the companies' stated capital with a simultaneous capital increase to 51%. Another 10% of the stated capital of these distribution companies will be sold by Electrica S.A. to the employees of Electrica Moldova S.A. and Electrica Oltenia S.A., as well as to employees of Electrica S.A.

The privatization took place in a single round and in October ČEZ, a. s. placed bids for both companies. At the request of the Romanian side, in November ČEZ, a. s. submitted improved price bids, again for both distribution companies. After the bids were evaluated, ČEZ, a. s. was given "preferred bidder" status for the distribution company Electrica Oltenia S.A., for which it bid EUR 151.3 million. This meant we were invited to final negotiations on the terms of an agreement on purchase of that company's shares. In early February 2005, the Romanian Government approved the sale and the agreement was signed in April. The transaction should be settled (i.e. the shares transferred to ČEZ, a. s.) by the end of June 2005 after the conditions precedent set forth in the purchase agreement are fulfilled and consent of the shareholder of the distribution company Electrica Oltenia S.A. (at a General Meeting) is obtained for the transfer of existing shares, increase of the share capital, and subsequent issuance of new shares.

In the tender, ČEZ, a. s. acquired the distribution company Electrica Oltenia S.A., which is directly adjacent to the three distribution companies acquired by the company in Bulgaria: Stolichno, Sofia Oblast and Pleven.

ČEZ, a. s. Foreign Acquisition Objectives in 2005

Following the successful privatization of key distribution areas in Bulgaria and Romania, and for the purpose of effective grid operation and related business activities, ČEZ, a. s. further developed its ownership structures in Southeastern Europe in the area of generation:

- privatization of selected coal power plants in Bulgaria – Bobov Dol (630 MW), Russe (400 MW) and Varna (1,260 MW); tender was announced in December 2004, upon which ČEZ, a. s. sent in an expression of interest together with qualification documentation; final bid was submitted on 27 April 2005 for the Russe and Varna plants; ČEZ, a. s. was not successful in this tender,
- privatization of selected coal power plants in Romania – including adjoining mines – Rovinari (1,320 MW), Turceni (2,310 MW) and Craiova (630 MW); announcement of tender is anticipated during 2005,
- privatization of the Romanian distribution company Muntenia Sud (Bucharest) – announcement of tender is anticipated in second quarter 2005,
- privatization of generation and distribution in Macedonia – announcement of tender is anticipated in June 2005,
- privatization of coal power plant and mine in Montenegro – State's 100% stake in one coal power plant (Pljevlja – 210 MW) and a State minority stake (approximately 32%) in the Pljevlja Mine; announcement of tender is anticipated in May 2005,
- privatization of distribution in Montenegro – announcement of tender is anticipated after privatization of Montenegro generation and mining operation is completed.
- privatization of selected coal power plants in Poland – on 21 April 2005, an individual offer was submitted to the Polish Government for purchase of a stake in Zespół Elektrowni Dolna Odra SA (Dolna Odra, Pomorzany and Szczecin power plants) and on 26 April 2005 an offer was made to purchase a stake in the company Elektrownia "Kozienice" SA (Kozienice power plant). ČEZ, a. s. was shortlisted in these tenders.
- purchase of a 39.2% interest in power company Zespół Elektrowni Patnów – Adamów – Konin SA – an individual offer was sent in on 5 April 2005 (and due diligence is underway).

Further, ČEZ, a. s. is analyzing the following potential acquisition targets:

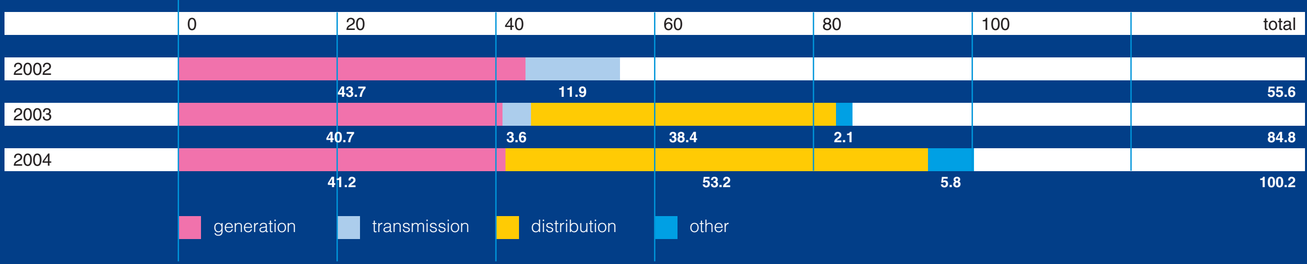
- privatization of distribution in Poland,
- privatization of generation and distribution in Serbia.

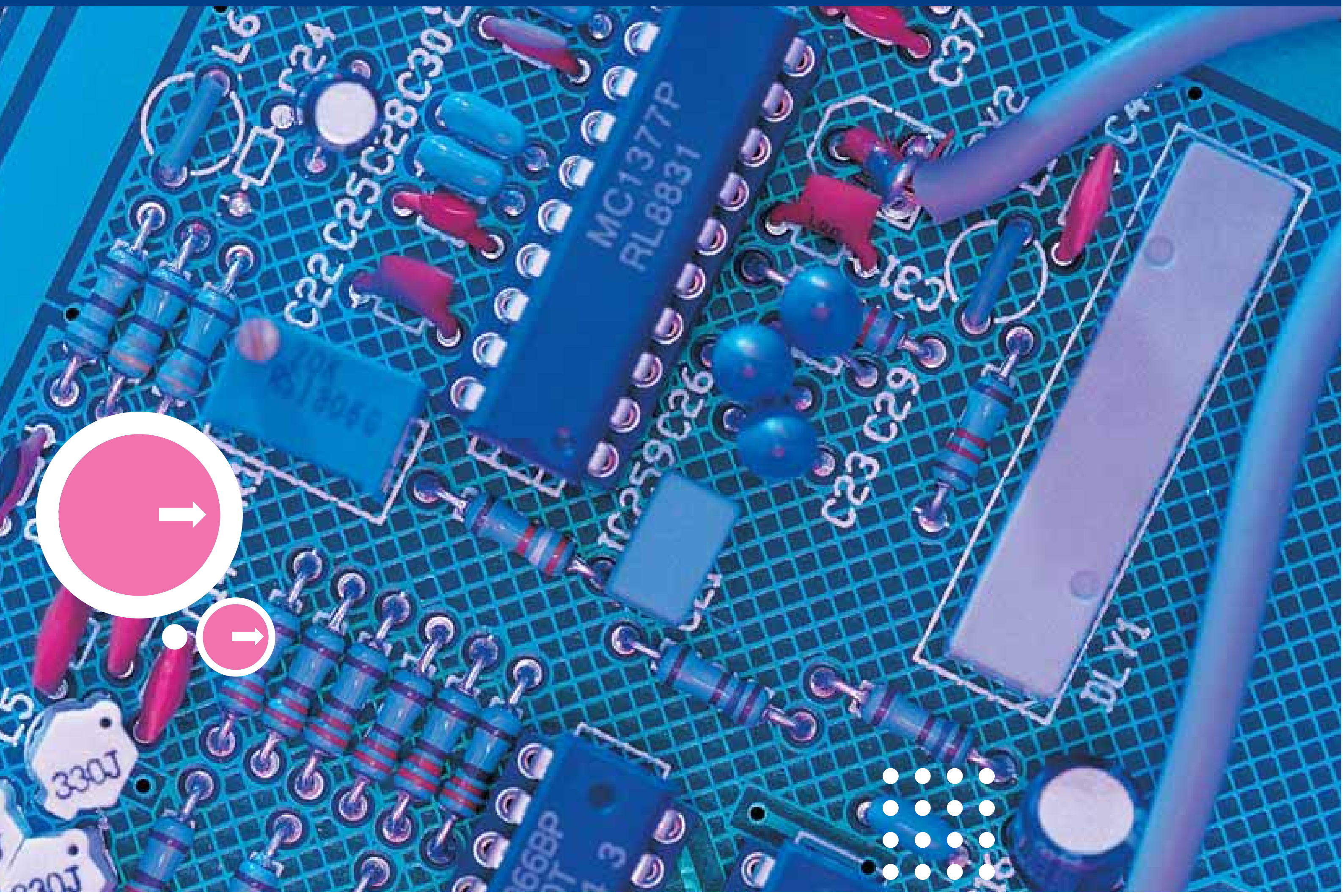
Sales of Electricity, Heat, and Distribution Services

Up to 1 April 2003, ČEZ Group covered only two segments – power generation and transmission. On 1 April 2003, ČEZ, a. s. sold a majority interest in ČEPS, a.s. – the transmission grid operator – and, at the same time, acquired majority interests in five electricity distribution companies, thereby adding a new, "distribution" segment to the Group segment structure and increasing the number of business segments to four (generation, distribution, transmission and other). During 2004 ČEZ, a. s. sold its remaining shares in ČEPS, a.s. and the number of segments was reduced from four to three – generation, distribution, and other (transmission segment no longer applies).

Each company is assigned to a segment based on its core business. Costs and revenues of each company are assigned only to one segment. The assignment of companies to particular segments is shown in the directory of companies in the consolidation group (page 122 – 123).

ČEZ Group Sales Revenues, by Segment (CZK billions)





Conditions in the Electricity Market

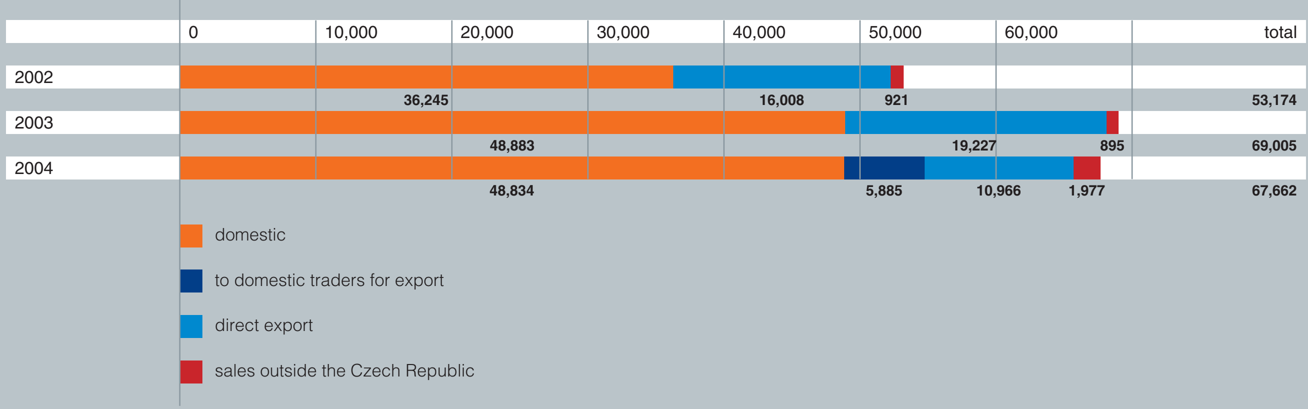
The legal framework for doing business and exercising State administration in the energy sectors is given by Act No. 91/2005 Sb., which also amends certain other acts. Detailed rules on how the electricity market in the Czech Republic is organized are given by Decree of the Energy Regulatory Authority (ERA) No. 373/2001 Sb., as amended by Decree No. 614/2004, which stipulates the rules for organizing the electricity market and principles for determining prices with the participation of the market operator (OTE).
Market players include electricity producers as well as, to a certain extent, the transmission grid operators, distribution grid operators, traders, end customers, and the OTE. The bulk of electricity trading takes place under bilateral contracts. Relative to these, the spot market organized by the OTE, is smaller in volume and serves to "top up" trading diagrams. Trading takes place through supplies defined by a fixed diagram (consisting of a series of hourly supply values negotiated in advance) under the "Take or Pay" principle. The OTE also provides for the evaluation, clearing, and settlement of deviations between the amounts of electricity actually supplied and the contracted-for amounts. Since 2002, the domestic market trading system also includes a commodities exchange and, starting in 2004, an "Intra-day" electricity market and a "Balancing" market for regulation work. Trading in the Intra-day Market gives players more flexibility in topping up their position within a given trading day. The Balancing Market, on the other hand, gives the transmission grid operator a trading tool for correcting imbalances between generation and consumption.
2004 was the third year in the process of liberalizing the Czech Republic electricity market which began on 1 January 2002. This process is based on the principle of regulated third-party grid access (both to the transmission grid and the distribution grids). While in 2002, eligible customer status (i.e. the ability to choose one's electricity supplier) was limited to customers with annual consumption of higher than 40 GWh, starting on 1 January 2003 the eligible customer group was expanded to include all customers with an annual consumption of 9 GWh and, as of 1 January 2004, it was expanded even further – to all customers whose connection point is equipped with continuous electricity consumption metering.
Starting in 2005, eligibility was extended to all remaining customers except households, which will become eligible starting in January 2006, at which point the market will be completely open – for all electricity customers including households. ČEZ, a. s. and all other domestic power producers have been exposed to a fully competitive environment, including the opening of the market for supplies from abroad, since the beginning of 2002. For this reason, electricity price levels in the domestic market are influenced by price movements in neighboring markets – especially the highly liquid German market.
The prices for which ČEZ, a. s. sells electricity are set by contract (starting in 2002, they are no longer subject to government regulation). Subject to government regulation are electricity prices for captive customers, electricity transmission prices, electricity distribution prices, prices of system services (prices of grid monopolies), and prices/contributions set by the State as part of its policy of supporting electricity generation from renewable sources of energy and combined generation of power and heat.

ČEZ Group Electricity Procurement and Supply, Intragroup Transactions Excluded (GWh)

	2002	2003	2004	Index 2004/2003 (%)
Procurement:				
Generated in-house (gross)	54,118	61,399	62,126	101.2
Other purchasing for resale	2,018	13,983	11,625	83.1
Purchased from OTE	900	1,009	489	48.5
Purchased to cover own consumption	18	21	11	52.4
Purchased from outside the Czech Republic	1,338	919	2,129	231.7
Total	**58,392**	**77,331**	**76,380**	**98.8**
Supply:				
Sold in the domestic market	36,245	48,883	54,719 [1]	111.9
Sold to electricity distribution companies	31,466	14,107	14,886	105.5
Sold to OTE	1,333	1,072	565	52.7
Sold to eligible customers	69	9,467	15,604	164.8
Sold to captive customers		21,259	16,066	75.6
Sold to traders	2,593	1,935	6,768	349.8
Of which: sold to traders for export	–	–	5,885 [1] [2]	x
Sold to ČEPS, a.s. to cover losses in transmission grid	598	719	677	94.2
Other domestic sales	186	324	153	47.2
Export	16,008	19,227	10,966 [2]	57.0
Trading outside the Czech Republic (sales)	921	895	1,977	220.9
Total sales	**53,174**	**69,005**	**67,662**	**98.1**
Other ČEZ Group consumption (including in-house consumption)	5,218	5,665	5,933	104.7
Losses in distribution grid		2,661	2,785	104.7
Total	**58,392**	**77,331**	**76,380**	**98.8**

[1] Domestic real 2004 sales (without export via traders) was 48,834 GWh and the index 2004/2003 is 99.9%.
[2] Total real 2004 export (including export via traders) was 16,851 GWh and the index 2004/2003 is 87.6%.

ČEZ Group Electricity Sales, by Territory (GWh)



Electricity sales of ČEZ Group decreased in year-on-year comparison by 1,343 GWh (1.9%) to 67,662 GWh. Direct export of electricity decreased by 8,261 GWh (43.0%) to 10,966 GWh due to the new ban on sale (delivery) to multiple buyers (recipients) by a single entity over a given cross-border transmission profile. Domestic sales of 54,719 GWh include 5,885 GWh of electricity that was subsequently exported by traders. Thus, the real total export of ČEZ Group decreased by only 2,376 GWh (12.4%) and when electricity that was subsequently exported by domestic traders is excluded, domestic sales decreased by 49 GWh (0.1%) to 48,834 GWh. Import increased by 128 GWh (537.4%) to 152 GWh. The further opening of the electricity market to competition as of 1 January 2004 brought about an important change in the structure of domestic sales.

1) Sale of Electricity – ČEZ, a. s.

In the domestic market, ČEZ, a. s. offers and sells electricity in the form of standardized products. The 2004 offering consisted of a total of 15 products, 14 of which were “time-band” products, i.e. supplies with a constant hourly load at various times of the day, allowing the customer to combine them together to cover the bulk of its anticipated purchasing diagram, and one flexible product with variable, customer-determined hourly supply values.

The strategy of ČEZ, a. s. for selling electricity in the domestic market in 2004 was as follows:

- to sell the bulk of electricity in advance, before the year started, by actively offering it to ČEZ, a. s. customers,
- to prepare a transparent offering that does not discriminate against any qualified bidders for electricity supplies in the domestic market – an offering that can hold its own against competing offers of electricity imports,
- to communicate the offering to all domestic potential bidders who are capable of purchasing electricity from ČEZ, a. s.; the form chosen to do this was that of limited-time offers published by ČEZ, a. s. in an advertisement in daily newspapers, referring readers to the ČEZ, a. s. website for details (product descriptions, prices, and terms of supply).

The main electricity sales campaign for supplies to the domestic market in 2004 commenced in September 2003. By 31 December 2003, approximately 96% of overall electricity volume offered for 2004 had been sold. In 2004, ČEZ, a. s. marketed its surplus generation capacities via short-term trades and other commercial opportunities, and optimized its trades in both domestic and foreign markets using short-term bilateral contracts, foreign and domestic exchanges, and the emerging domestic spot markets. The largest customers of ČEZ, a. s. in the domestic market are the electricity distribution companies, which have a statutory obligation to supply electricity to captive customers (those who for the time being cannot choose their electricity supplier) and are entitled to supply electricity to eligible customers as well. Electricity exports remain a significant component of the company's trading activity.
As a result of the Czech Republic's joining the European Union as of 1 May 2004, a number of changes took place in the rules that govern taxes, trading licenses, and cross-border procedures, and together these caused in some cases a shift in the supply hand-over point from the border (where it had been until that time) to direct hand-over in one of the transmission grids. For the year 2005, ČEZ, a. s. is offering its customers electricity in the proven form of 15 electricity products. As of 31 December 2004, approximately 98% of the estimated total domestic electricity sales volume for 2005 had been sold.

2) Sale of Electricity – Other ČEZ Group Members

In addition to ČEZ, a. s., electricity is sold by other members of ČEZ Group as well: the electricity distribution companies, První energetická a.s., Energetika Vítkovice a.s., VČE - elektrárny, s.r.o., HYDROČEZ,a.s. and rpg Energiehandel GmbH. Unlike ČEZ, a. s., the electricity distribution companies operate partially in the regulated segment and partially in the liberalized market. In the regulated segment, they sell electricity to captive customers for the prices set by the Energy Regulatory Authority.
To better serve this segment, the distribution companies are building out modern communications channels in the form of call centers and successfully engaging in communications through the Internet and electronic mail. In the liberalized market, the electricity distribution companies supply electricity to the ever expanding group of eligible customers.

Distribution Services

ČEZ Group electricity distribution companies distribute and supply electricity to a substantial portion of the protected customer market in the Czech Republic. In 2004, they distributed a total of 44,119 GWh of electricity using a grid with an extended length of 152,326 km and 3,437,794 connection points. ČEZ Group member distribution companies purchased a total of 24,237 GWh of electricity from ČEZ, a. s. The whole ČEZ Group sold 16,066 GWh of electricity to captive customers and 15,604 GWh to eligible customers in 2004. To ensure optimum flows of electricity and reliability of supply in their distribution service areas, the electricity distribution companies also own and operate grid control facilities.

Heat Trade

ČEZ Group is one of the three largest producers of heat in the Czech Republic. Nearly all Group heat supplies are based on combined generation of power and heat. ČEZ Group supplied heat from all coal and nuclear generation facilities operated by ČEZ, a. s. and from a coal power plant operated by Energetika Vítkovice, a.s., which became a member of ČEZ Group in 2003.

Supplies of heat by ČEZ Group to outside customers declined by 8.5% compared to 2003.

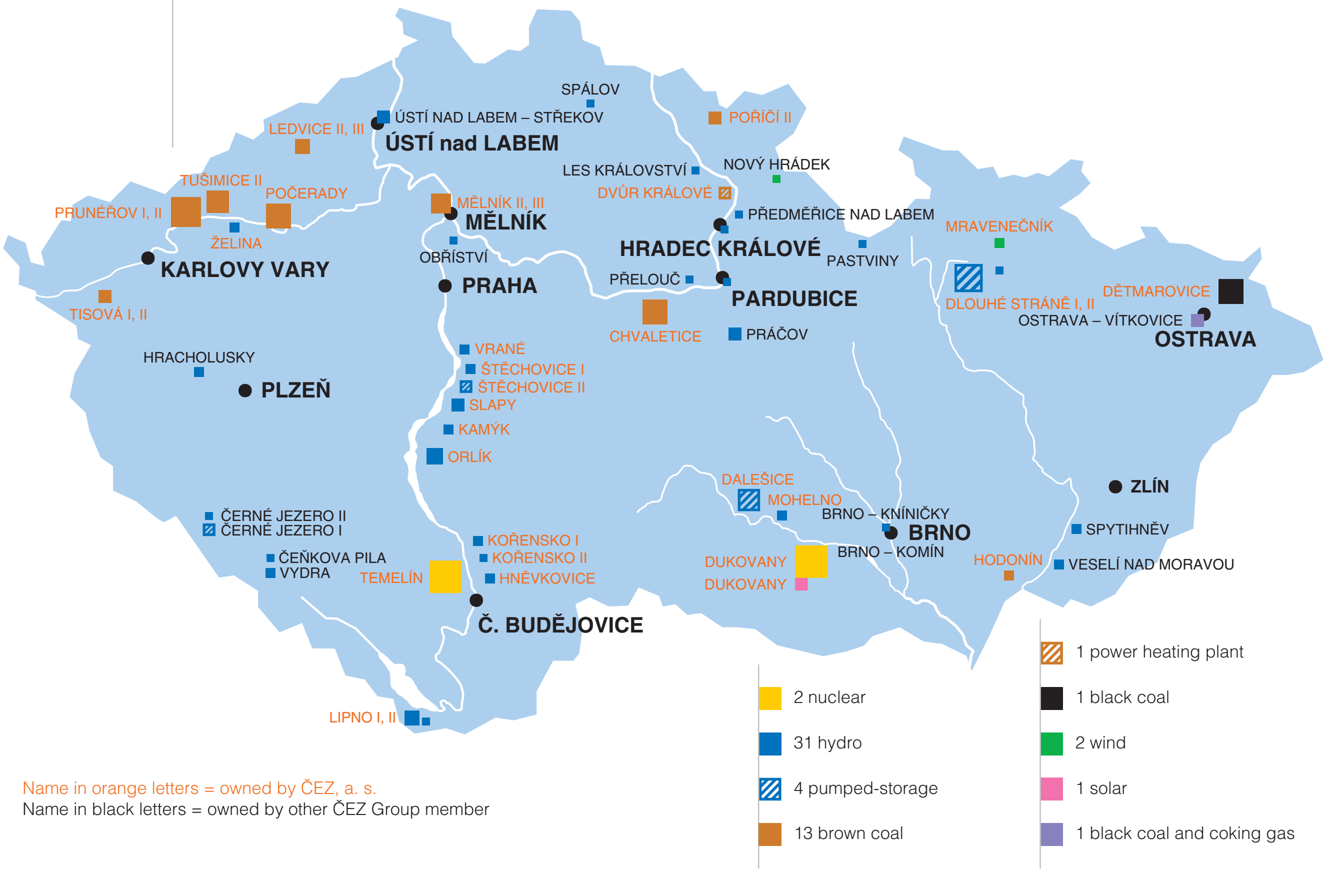
Most of this decline was attributable to ČEZ, a. s., whose heat supplies to customers were down 8.4%. The factors in this decline included the sale of the Náchod heating power plant in 2003 (accounting for 3.2%), lower household and business demand due to building insulation and other conservation measures (accounting for 3%), and growth in the average temperature during the heating season by 0.9 °C (accounting for 2.2%). The remaining reduction in sales of heat to customers was caused by a 182 TJ decrease in sales by Energetika Vítkovice, a.s.

ČEZ Group Heat Procurement and Supply (TJ)

ČEZ Group	2002	2003	2004	Index 2004/2003 (%)
Procurement:				
Generated in-house	13,064	14,575	13,453	92.3
Purchased from other producers	2	20	13	65.0
Total	**13,066**	**14,595**	**13,466**	**92.3**
Supply:				
To power heating plant operators	3,199	3,005	2,832	94.2
To heat distribution companies	1,509	2,009	1,957	97.4
To other customers	4,699	5,788	5,081	87.8
Export	143	140	138	98.6
Total sales	**9,550**	**10,942**	**10,008**	**91.5**
In-house consumption of heat generated in power heating plants	2,162	2,140	2,037	95.2
ČEZ Group useful supply	**11,712**	**13,082**	**12,045**	**92.1**
Losses in ČEZ Group heat supply systems	1,354	1,513	1,421	93.9
Total	**13,066**	**14,595**	**13,466**	**92.3**

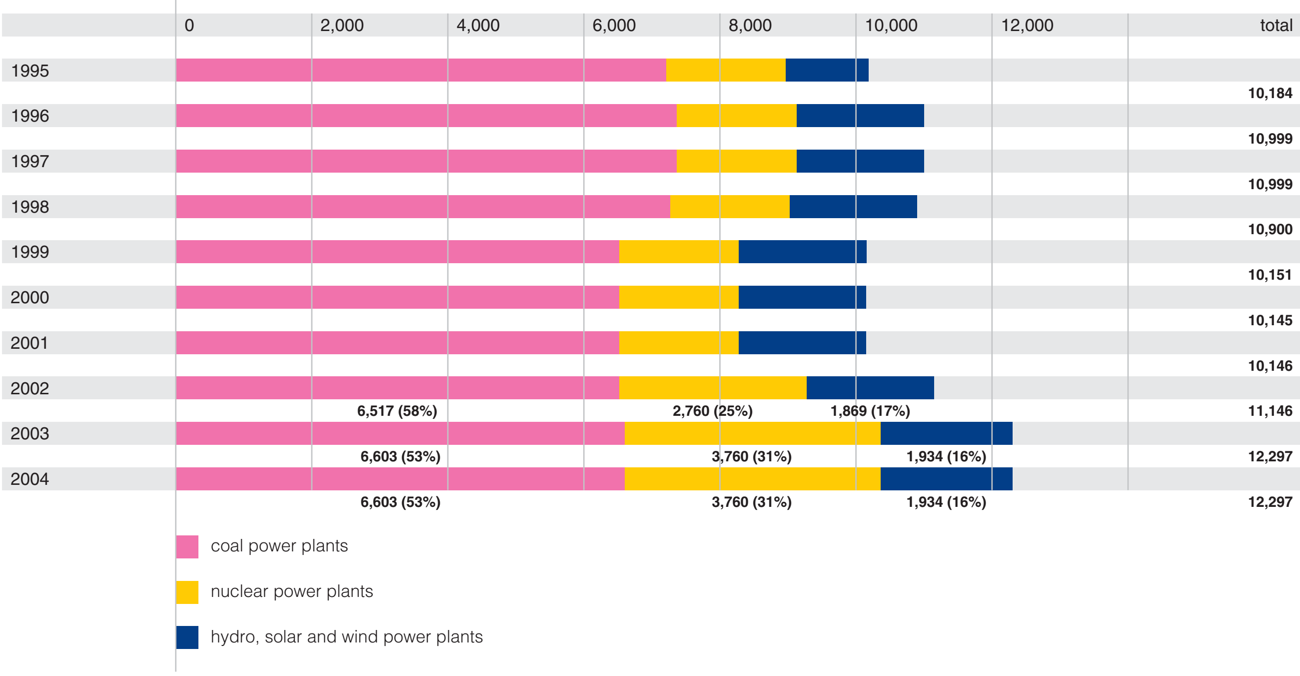
Generation and Supply of Electricity

Locations of ČEZ Group Power Plants as at 31 December 2004



Name in orange letters = owned by ČEZ, a. s.
Name in black letters = owned by other ČEZ Group member

Installed Generating Capacity by Facility Type, as at 31 December of the Given Year (MW)



Coal Power Plants (at 31 December 2004)

	Fuel Type	Installed Capacity (MW)	Year Commissioned	Desulfurized since
Mělník II	brown coal	2 x 110	1971	1998
Mělník III	brown coal	1 x 500	1981	1998
Tisová I	brown coal	3 x 57; 1 x 12.8	1959 – 1960	1996 – 1997
Tisová II	brown coal	1 x 112	1961	1997
Poříčí II	black coal, brown coal	3 x 55	1957 – 1958	1996, 1998
Dvůr Králové *)	brown coal	1 x 6.3; 1 x 12	1955, 1963	1997
Dětmarovice	black coal, brown coal	4 x 200	1975 – 1976	1998
Chvaletice	brown coal	4 x 200	1977 – 1978	1997, 1998
Ledvice II	brown coal	2 x 110	1966	1996
Ledvice III	brown coal	1 x 110	1968	1998
Tušimice II	brown coal	4 x 200	1974 – 1975	1997
Počerady	brown coal	5 x 200	1970 – 1971, 1977	1994, 1996
Hodonín	brown coal	1 x 50; 1 x 55	1954 – 1958	1996 – 1997
Prunéřov I	brown coal	4 x 110	1967 – 1968	1995
Prunéřov II	brown coal	5 x 210	1981 – 1982	1996
Ostrava – Vítkovice *)	black coal	2 x 16; 1 x 25; 1 x 22	1995	x
Coal power plants total	x	6,603	x	x

*) Compliance with emissions limits is ensured by using low-sulfur fuel and supplementing it with natural gas.

Nuclear Power Plants (at 31 December 2004)

	Installed Capacity (MW)	Year Commissioned
Dukovany	4 x 440	1985 – 1987
Temelín	2 x 1,000	2002 – 2003
Nuclear power plants total	3,760	x

Hydro Power Plants (at 31 December 2004)

Accumulation and Run-of-river Plants	Installed Capacity (MW)	Year Commissioned
Lipno I	2 x 60	1959
Orlík	4 x 91	1961 – 1962
Kamýk	4 x 10	1961
Slapy	3 x 48	1954 – 1955
Štěchovice I	2 x 11.25	1943 – 1944
Vrané	2 x 6.94	1936
Střekov	3 x 6.5	1936
Total	724	x

Small Hydro Power Plants	Installed Capacity (MW)	Year Commissioned
Lipno II	1 x 1.5	1957
Hněvkovice	2 x 4.8	1992
Kořensko I	2 x 1.9	1992
Mohelno	1 x 1.2; 1 x 0.56	1977, 1999
Dlouhé Stráně II	1 x 0.16	2000
Kořensko II	1 x 0.94	2000
Želina	2 x 0.315	1994
Přelouč	1 x 0.28; 3 x 0.49	1927
Spálov	2 x 1.2	1926
Hradec Králové	3 x 0.25	1926
Práčov	1 x 9.75	1953
Pastviny	1 x 3	1938
Vydra	2 x 3.2	1939
Hracholusky	1 x 2.55	1964
Čeňkova Pila	1 x 0.09	1912
Černé jezero II	1 x 0.04	2004
Obříství	2 x 1.679	1995
Les Království	2 x 0.6	1923
Předměřice nad Labem	1 x 2.1	1953
Pardubice	1 x 1.96	1978
Spytihněv	2 x 1.3	1951
Brno – Kníničky	1 x 3.1	1941
Veselí nad Moravou	1 x 0.12; 1 x 0.15	1914, 1927
Brno – Komín	2 x 0.106	1923
Total	60	x

Pumped Storage Hydro Plants	Installed Capacity (MW)	Year Commissioned
Štěchovice II	1 x 45	1947 – 1949, refurbished 1996
Dalešice	4 x 112.5	1978
Dlouhé Stráně I	2 x 325	1996
Černé jezero I	1 x 1.5	1930
Total	1,147	x
Hydro power plants total	1,931	x

Wind Power Plants (at 31 December 2004)

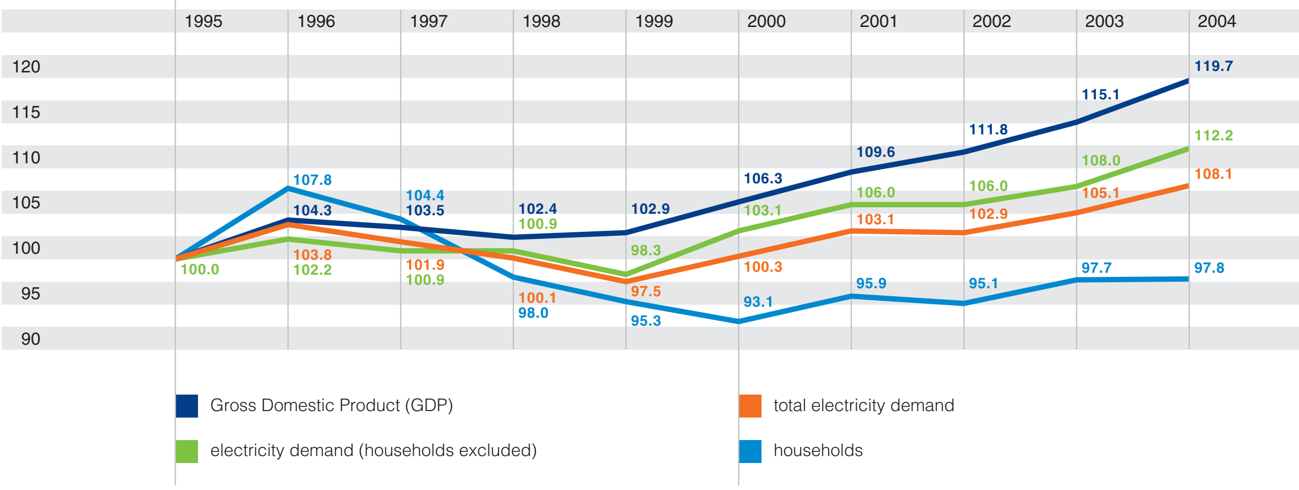
	Installed Capacity (MW)	Year Commissioned
Mravenečník (Jeseníky Mountains)	1 x 0.220	1998
	1 x 0.315	
	1 x 0.630	
Nový Hrádek	4 x 0.4	2002
Wind power plants total	2.765	x

Solar Power Plants (at 31 December 2004)

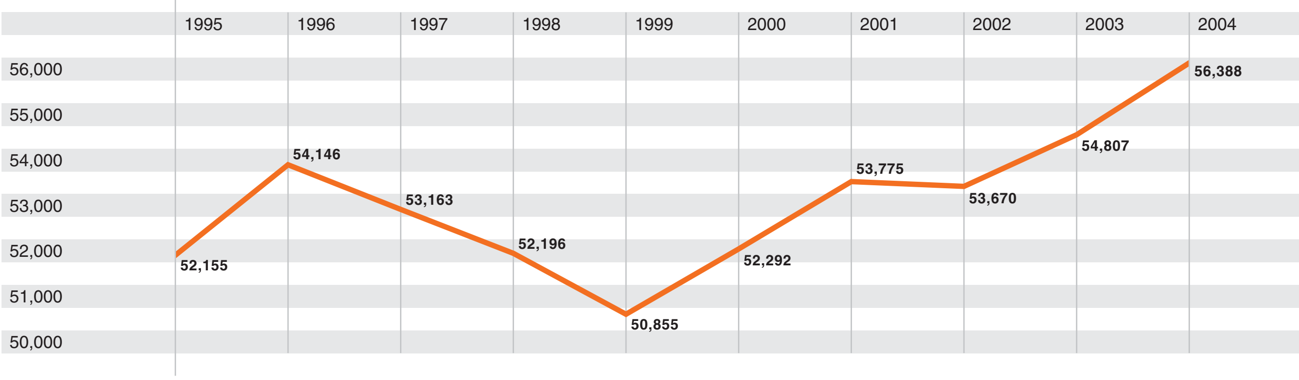
	Installed Capacity (MW)	Year Commissioned
Dukovany	0.01	1998, 2003
Solar power plants total	0.01	x

Czech Republic Electricity Demand

Comparison of Czech Republic GDP and Electricity Demand, Over Time (%)



Czech Republic Electricity Demand (GWh)



Compared to 2003, demand for electricity in the Czech Republic increased by 1,581 GWh (2.9%) to reach a total of 56,388 GWh. All customer groups contributed to the increased demand:

- industrial consumption (wholesale customers, consumption by power producers and electricity consumed inside generation facility compounds, including those run by industrial companies, but not including electricity used for pumping in pumped storage hydro plants) was up 1,336 GWh (4.1%),
- household consumption was higher by 17 GWh (0.1%),
- retail business consumption rose 228 GWh (3.0%).

ČEZ Group supply to end customers as a percentage of overall domestic electricity demand was unchanged year-on-year at 57%.

Electricity Demand and Generation (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Year-on-year electricity demand index	105.8	103.8	98.2	98.2	97.4	102.8	102.8	99.8	102.1	102.9
Year-on-year electricity generation index:										
– Czech Republic	103.6	105.6	100.5	100.8	98.8	114.1	101.6	102.3	109.0	101.3
– ČEZ Group	102.2	104.1	99.5	99.8	95.5	111.2	102.6	103.7	113.5	101.2

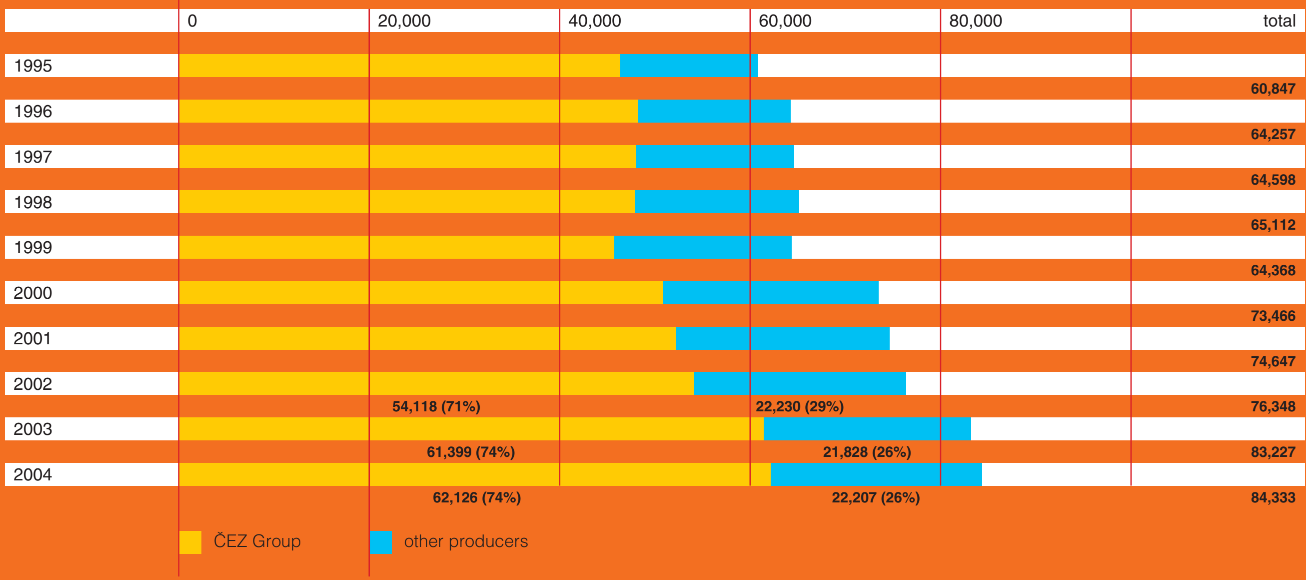
Czech Republic – Electricity Imports and Exports (GWh)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Index 2004/2003 (%)
Imports	2,539	3,090	2,565	2,069	2,431	2,415	2,641	5,193	4,095	2,765	67.5
Exports	2,121	3,093	3,753	4,530	5,707	12,432	12,180	16,580	20,308	18,482	91.0
Balance	418	(3)	(1,188)	(2,461)	(3,276)	(10,017)	(9,539)	(11,387)	(16,213)	(15,717)	96.9

Electricity Generation

Electricity generation in the **Czech Republic** was up 1.1 TWh (1.3%) to a total of 84.3 TWh. Both ČEZ Group and other producers in the Czech Republic contributed to the increase, by 65.7% and 34.3%, respectively.

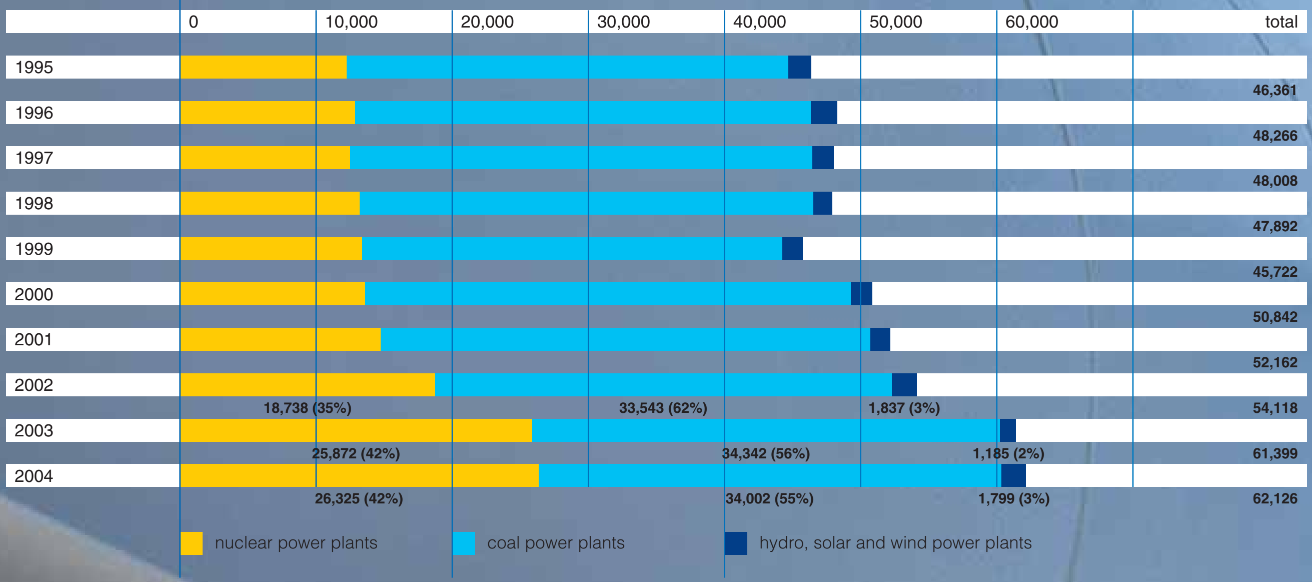
Electricity Generation in the Czech Republic (GWh)



Generation of electricity in **ČEZ Group** facilities once again exceeded 60 TWh, reaching a total of 62.1 TWh. In year-on-year terms, overall ČEZ Group generation increased by 727 GWh (1.2%).

In 2004, 26.3 TWh of electricity was generated in nuclear power plants. This is an increase of 453 GWh (1.8%) over the previous year. ČEZ Group coal power plants, on the other hand, generated 340 GWh (1.0%) less in 2004 than they did in 2003.
The total generated in hydro power plants (1,799 GWh) was 614 GWh (51.8%) higher than the previous year's total. This growth was attributable to two factors: improved hydrological conditions and the gradual return to operation of the remaining ČEZ Group hydro power plants that had been damaged in the flood of August 2002. In February 2004, following repairs, the second turbine of the Orlík power station became operational. This was followed in June by turbine no. 2 of the Štěchovice I power plant, and the remaining turbines at Orlík were recommissioned in July and December, thereby completing all repairs of flood-damaged hydro power plants.

ČEZ Group Electricity Generation (GWh)

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In 2005, ČEZ, a. s. will commence preparations for the comprehensive renewal of its coal power plants.

Capital Investment

Investment, Upgrade, and Development Policy Objectives

The main focus of the capital investment program in 2004 was on nuclear energy. In October, ČEZ, a. s. received final permission from the State Office for Nuclear Safety to operate both units of Temelín. The permit is issued for a period of ten years from the first reactor start-up. For unit one this means operation is permitted until 11 October 2010 and for unit two the permit holds until 31 May 2012.
The harmonization program at Dukovany Nuclear Power Station (and the refurbishment of its instrumentation & control system in particular) is creating conditions for that facility's further, long-term, safe and economically effective operation.
In conventional power, capital investment is focused on refurbishing equipment, ensuring that existing generation facilities are reliable and safe with the objective of their optimal utilization and efforts to further rationalize operations, automate them and make them more environmentally friendly. For the coming period, preparations for improvements are underway, in particular to enable biomass to be burned in a mixture with coal in fluidized-bed, grate, and selected pulverized coal boilers. Another significant area is improving conditions for utilization of power generation by-products to produce construction materials, and in reclamation of fly-ash disposal sites.

ČEZ Group Additions to Property, Plant and Equipment and Other Non-current Assets, incl. Capitalized Interest (CZK millions)

	2000	2001	2002	2003	2004
Additions to tangible fixed assets	20,637	14,275	10,025	11,794	12,422
of which, e.g.: Purchase of nuclear fuel	4,243	3,400	1,997	2,220	1,771
Additions to intangible fixed assets	403	401	339	880	1,276
Additions to long-term investments	581	642	(34)	12,997	212
Change in payables from fixed assets acquisitions	(275)	388	89	(1,729)	1,873
Total	21,346	15,706	10,419	23,942	15,783

1) Capital Investment at ČEZ, a. s.

Investments in Nuclear Power

Temelín Nuclear Power Station

Planned outages occurred on both units of Temelín Nuclear Power Station in 2004; on unit two, an outage for guarantee repairs was made from February 7 to April 6 and an extended outage of unit one for an overhaul took place from April 17 to July 14.

Capital investment projects completed during the year include an upgrade of the laboratories that monitor radiation in the area surrounding the plant.

Also completed were analyses of pressure-temperature shocks to the reactor pressure vessel, which are related to the ageing control program for key technological components such as the reactor vessel, the steam generators, and the reactor coolant pumps.

In the instrumentation & control system (I&C), new devices were installed to measure the quantity of steam from the steam generators, and adjustments were made to the controls of the low-pressure compressor station to allow for automated remote control. An upgrade of the fire alarm system improved that system's reliability and increased the capacity for data transfer between building control centers and the control system.

To provide for high-quality training of the plant's crew, improvements are being made to the full scope simulator of the unit control room.

Another major project is the demolition and cleanup of special-purpose construction site buildings and the subsequent reclamation of land that was used in the course of construction. Demolition work has been completed and earthmoving work is finished on most of the areas. This will be followed by landscaping. At the same time, the immediate surroundings of the plant, e.g. the Březí Chateau Park and the Křtěnov Intravillan, are being reclaimed and relandscaped as well.

ČEZ, a. s. met its obligations as agreed in the Melk Protocol and related "Brussels Conclusions".

Dukovany Nuclear Power Station

In Dukovany, 2004 was a year of preparations for big capital investment projects. The project to replace flow-through parts of low-pressure turbine components will increase turbogenerator efficiency by as much as 3%. Further, preparations were underway for further utilization of project reserves of VVER 440 units as well as preparations to refurbish the remaining modules of the I&C system.

The most important capital investment project in 2004 was the refurbishment of the first two I&C system modules. The installation of new safety systems on Unit Three was completed and these were put into operation for testing purposes. In this special mode of operation, both the legacy and the new I&C safety systems are operated side-by-side, but protective functions can only be activated from the legacy I&C safety systems. The new I&C safety systems are being continually tested and monitored in real-life operating conditions. Also, we installed the basic elements of the new information system, which now serves as the main source of data for day-to-day unit control.

The refurbishment of the I&C system on further units will proceed in accordance with the timeline of planned unit outages. Experience gained from the successful progress of work to-date will be put to use as early as 2005, when new equipment will be installed on Unit One, which in 2004 underwent a certain degree of disassembly and construction work, preparation of a large part of the new cabling, and new measurement circuits, and design solutions were revised to reflect experience gained from implementation on Unit Three.

The hygiene loops were equipped with new dressing rooms and state-of-the-art surface contamination monitors.

In the fire safety area, cables were sprayed with a fire retardant and a new halon-based fire extinguishing system was installed in the rooms that house the electric motors of the reactor coolant pumps.

Other completed projects that contributed significantly to enhanced nuclear safety included reinforcement of the I&C system in the exposed areas of the turbine hall, removal of hydrogen from the piping behind the primary system pressure-release valves, modification of control mechanism for the fast-acting valves on steam lines, an upgrade of the automated system on the injectors used to regulate pressure in the primary system and modifications to the circuits that regulate the level in the pressurizer.

Nuclear Fuel

At the **Dukovany Nuclear Power Station,** the process of loading first-generation fuel into the reactor units for the five-year cycle continues. Documentation of a change in the final safety analysis report for improved, second-generation fuel is in the final phase of the licensing process. This step will bring about a further improvement in the utilization of nuclear fuel, reducing fuel costs while retaining the current high level of fuel operation safety and reliability.

In the second half of 2004, an annex to the contract with the Russian fuel supplier, TVEL OAO, was signed to allow for supplies of second-generation fuel, but with increased enrichment of fuel assemblies and control rods. That will allow either a partial migration to a six-year cycle or retaining of the current cycles with increased unit output to 105%, which will further increase nuclear fuel utilization. Results in fuel operating reliability are stable and among the best in the world.

At the **Temelín Nuclear Power Station,** our full mastering of technology from Westinghouse Electric Company LLC enabled us to optimize processes such as reactor start-up and shut-down, which has further ramifications for minimizing outage durations and reactor start-up time.

Successful technology transfer in the area of designing and optimizing fuel re-loads in the core led to revisions in the original fuel designs from Westinghouse Electric Company LLC bringing a significant financial benefit in the form of lowering the overall cost of fuel re-loads.

The operating economy and safety of both generating units was improved.

An annex to the existing contract with Westinghouse Electric Company LLC was signed, providing for supplies of fuel for another three years for both units.

Concurrently, a tender for a nuclear fuel supplier was commenced with the aim of maintaining Temelín's high level of operating safety and economy in future years as well.

Spent Nuclear Fuel Storage

Spent Nuclear Fuel Storage Facility at Dukovany Nuclear Power Station

In a step of key significance, construction work began on a new spent fuel storage facility. Work began in the spring, and structural work was completed in late 2004. Commissioning of the facility is planned for 2006. When it is completed, its capacity of 1,340 tons will fully suffice to cover the power plant's entire planned operating life.

Spent Nuclear Fuel Storage Facility at Temelín Nuclear Power Station

Project preparation continued with work on documentation for zoning proceedings, a basic safety analysis report, documentation for a tender for a container sets supplier and documentation for the Environmental Impact Assessment (EIA) process. The EIA process is underway with both Austrian and German representatives in the assessment team.

Spent Nuclear Fuel Storage Facility at the Skalka Site

In accordance with a decision of ČEZ, a. s. management, activities necessary for the possible renewal of preparations for a spent fuel storage facility for Temelín Nuclear Power Station at the Skalka site, as an alternative solution, are ongoing.

Investments in Conventional Power

Environmental Investments

2003 saw work continue on technical and biological reclamation of ash settling pits at most of the company's brown coal power stations. The objective of this work is to return the land in question back to the surrounding ecosystems and renew its original function.

Projects are underway at the coal power stations that will allow the utilization of certified power generation by-products in the land reclamation process. In 2004, construction was completed on projects for the dewatering and disposal of slag from Tušimice Power Stations and disposal of industrial gypsum from Prunéřov Power Stations, and preparatory work for the utilization of slag continued at the Ledvice and Mělník Power Stations. Completion of a capital investment project at Dětmarovice Power Station made it possible to utilize a part of that facility's fly ash for land reclamation and construction purposes.

At the Tisová Power Station, the issue of disposing of stabilized products from fluidized-bed boilers and desulfurization equipment was resolved.

At the Poříčí and Hodonín Power Stations, changes necessary for burning biomass together with coal were made and, in addition, the electrofilter for the first fluidized-bed boiler at Hodonín Power Station was refurbished.

Other Investments

In 2004, all coal and hydro power plants saw the continuation or commencement of projects designed to refurbish (e.g. the comprehensive refurbishment of Tušimice II Power Station) installed plant and equipment and increase its reliability. When decisions are made to invest in projects for new plant and equipment, much emphasis is placed on demonstrating the economic feasibility of the proposed projects.

2) Investments in Subsidiaries
Investments of Electricity Distribution Companies

In 2004, the principal capital investment objectives of the ČEZ Group electricity distribution companies continued to focus on the distribution grid with the aim of continuing to increase reliability and operational safety, as well as further rationalization and automation. The capital investment program focused primarily on renewing and upgrading medium voltage grids, building new plant and equipment necessary to supply power to new connection points, and building remote-controlled and automated switching equipment that substantially improves outage times in MV grid segments.

This objective determines the structure of the construction program, which is focused to a large extent on investments in construction and refurbishment of the high, medium, and low voltage grids and on renovations of high/medium voltage substations. The principal purposes of these investments are development, renewal, and upgrading – with the use of environmentally friendly technologies that increase the grid's reliability and require only minimal maintenance.

Key Capital Investment Projects with Budgets Over CZK 100 million

Severočeská energetika, a.s.

The refurbishment and automation of Střekov Hydro Power Station, with a total budget of CZK 140 million, began in 2002 and is being carried out in three phases with completion in 2005. The project includes the refurbishment of two turbogenerators and a series of steps leading to the full automation of the entire facility with the objective of eliminating the need for any human operators.

Středočeská energetická a.s.

Revision to connection of Tuchlovice – Stehelčeves 110 kV power line with a total budget of CZK 109 million. Purpose of the project is to connect the new Kladno Power Station to the grid and build-out a fiber-optic connection between Tuchlovice and the Kladno Regional Dispatching Center.

Východočeská energetika, a.s.

Construction of a new double power line, with a total budget of CZK 190 million, connecting the Mírovka 400/110 kV and Hlinsko 110/35/10 kV transformer substations, the latter of which is currently powered in a "hub and spokes" arrangement. The objective is to connect the substations in question into a circuit and thereby increase the reliability of supply. Preparatory work began in 1998, and the project is slated for completion in 2007.

The installation of remote-controlled section switches will shorten power-down times when localizing faults, thereby substantially improving the grid availability indicator. The project to install a system of remote controlled section switches began with a pilot project in 2000, and the completion of the entire system is anticipated in 2005. The budget for this project is CZK 162 million.

The construction of a 110/35 kV transformer station in Rokytnice nad Jizerou, with a total budget of CZK 131 million, began in 2002 and was commissioned in 2003. In 2004, finishing work took place. The new station addresses capacity issues in the area and provides for further development there.

Západočeská energetika, a.s.

The E CENTRUM, a sales and consultation center with a budget of CZK 209 million, was completed and opened in May 2004. The E CENTRUM is a multifunction building with facilities for providing services and consulting in the area of energy, along with office space and facilities for training, seminars, social events, and catering.

Research and Development

ČEZ, a. s. hires external entities to perform research projects. It drafts the related technical assignment and evaluations, checks up on performance, and also provides for documentation, technical information, data, measuring results, etc.

Research and Development Activities in Conventional Power

- a study on burning biomass along with coal in the Dětmarovice and Chvaletice Power Stations, including measuring flue gases and evaluating the influence of moisture in wood mass on incomplete combustion and the influence of non-combustion of wood on generation of by-products,
- a study that evaluates a method for reducing nitrogen oxides in flue gases at Dětmarovice Power Station,
- an evaluation of the influence of sawdust contamination in industrial gypsum and its ability to be used to produce cement,
- a study on the changeover of a turbogenerator in Hodonín Power Station from flow-through cooling to a closed cooling loop,
- a study on expanding the application of stabilized combustion product from Poříčí II Power Station in the construction of a biocorridor to the edge of the surface water retaining reservoir.

Research and Development Activities in Nuclear Energy

- gathering of Safety Design Bases including supporting information down to the level of components in individual pieces of equipment for the current state of the VVER 1000 Temelín Nuclear Power Station project,
- development and modification of the LEAKBOX physical/mathematical model; this is a model for realistic analysis of small quantities of leaked coolant from the primary or secondary system into the containment at Dukovany Nuclear Power Station,
- support for securing the front and back parts of the fuel cycle of ČEZ, a. s. nuclear power plants; the project's goal is to obtain expert documentation supporting decision-making in key conceptual and operational issues concerning the front and back parts of the fuel cycle,
- technical support in reactor physics and thermohydraulics; verifying calculations of optimal fuel charge designs in 2004 and 2005 and the thermohydraulic analysis,
- support in safety analyses; double-checking of safety parameters of Dukovany generating units with the renewed I&C system based on the results of safety analyses of nuclear fuel with burn-up absorbers based on gadolinium (Gd-2),
- modification of calculation methods for new type of Gd-2 fuel for Dukovany Nuclear Power Station,
- influence of hydrazine on corrosion-related cracking of steam generator pipes; completion of research into influence of hydrazine on the steam generator and corrosion-related cracking of steam generator steel,
- specimen surveillance program; applied research in equipment lifetime area,
- harmonizing cooling of the VVER 1000 primary system pressurizer; objective of calculations is to explore pressurizer technical limitations that restrict the design speed of primary system cooling and that of the VVER 1000 pressurizer itself while respecting the requirement that Temelín's generating units have a 45 year lifespan,
- assessing the impact of Dukovany Nuclear Power Station operation on the Jihlava River,
- programs for monitoring and assessing the environmental impact of Temelín Nuclear Power Station; monitoring state of agricultural and forest land, power plant's impact on agricultural activity, monitoring surface and underground water quality and state of health of the population in the area surrounding the plant, biomonitoring of atmospheric deposits of radionuclides in the area of the plant.

The following studies were conducted with the support of programs of the Ministry of Industry and Trade of the Czech Republic:

- new nuclear power source for the Czech Republic power system (phase one),
- techniques for dealing with states of emergency at VVER-440/213 type power plants; goal of project is to perform systematic analyses of severe accidents in order to draft guidelines for responding to them,
- methodologies and techniques for dealing with the safety aspects of Dukovany and Temelín Nuclear Power Station operations; goal of project is to provide demonstrable proof of nuclear safety and justify a reduction in conservative operating restructions, address risk of operation and maintenance techniques, stipulate clarified conditions for ensuring integrity of reactor pressure vessel and extending its useful lifetime,
- ensuring the long-term lifespan and increased effectiveness of operating nuclear power plants in the Czech Republic; goal of project is to develop analytical tools, methodological procedures, and technically documented ways to increase the effectiveness of nuclear power plant operation in the Czech Republic,
- securing know-how and technologies for safety analysis and safety evaluation of fuel cycles (calculation codes and methods accepted by the State Office for Nuclear Safety).

Research and Development Activities of ČEZ Group Electricity Distribution Companies

ČEZ Group electricity distribution companies collaborated on research tasks relating to distribution grid operation:

- short-circuits in the distribution system,
- reliability issues,
- influence of appliances on the distribution grid,
- method for clarifying regulation profiles in conjunction with wide-area remote control,
- methods and models for correcting MV grid calculations based on measurements taken at the output terminals of HV/MV transformers,
- analysis of MV grid calculation, comparison with measurements taken by dispatching at output terminals of HV/MV transformer stations,
- system for keeping records of quality measurements and evaluating them,
- optimizing connection and operation of 110 kV grid,
- cooperation issues with wind power plants,
- evaluating reciprocal influences on equipment connected to the distribution grid,
- study tasks in dispatching control area,
- imaging of ice build-ups on wires,
- control systems and wide area remote control,
- power line mechanics and natural influences,
- distribution grid development,
- analysis of MV outdoor line operation in terms of current supply reliability demands,
- optimizing connection of ČEZ Group 110 kV grids,
- measuring and calculating frequency characteristics of grids with focus on earth connections.

001.

Management of Selected Processes

Safety, Environmental and Quality Management System

Through established management systems in our enterprises, ČEZ Group fully complies with the requirements of Czech Republic legislation, which is based on European Union standards. This leads to increased trust from business partners, an improved culture of work, and better job conditions. Also, conditions are being created for the possible introduction of an integrated safety, quality, and environmental management system.

To ensure a high level of environmental protection, ČEZ, a. s. has implemented an Environmental Management System (EMS) in accordance with the internationally recognized environmental management systems standard, ISO 14001:1996. In order to increase the system's quality, a recertification audit is taking place in 2005, using the Risk Based Assessment method.

This method had already been applied in late 2004 in the Nuclear Power Section, in a certification audit at Temelín Nuclear Power Station and in a recertification audit at Dukovany Nuclear Power Station. Both stations were found to have successfully implemented these methods, which are defined by ČSN EN ISO 14001:2004, at their respective sites and received certificates from the company Det Norske Veritas. This certification confirms that the nuclear plants have an established environmental management system and that this system is fully functional. From a European perspective, the audit found a very high level of safety culture, an open-minded attitude, and great efforts for improvement and making use of the most progressive approaches to environmental protection.

The electricity distribution companies of ČEZ Group also hold quality certificates for certain activities. These include ISO 9001:2000 (Východočeská energetika, a.s., Západočeská energetika, a.s., Severomoravská energetika, a. s., Severočeská energetika, a.s.) and ISO 14 001 (Východočeská energetika, a.s.) certificates.

An important milestone for improving the management system at ČEZ, a. s. came in October 2004, when the Conventional Power Section was awarded the “Safe Enterprise” title. This certification, issued by the Czech Authority of Work Safety demonstrates that the Conventional Power Section has successfully implemented an occupational health and safety management system that complies with the content and structure of the systems standards OHSAS 18001 and ČSN EN ISO 9001, thereby fulfilling the requirements and trends imposed by the European Union.

At the ČEZ, a. s. Nuclear Power Section, the “Safe Enterprise” title was successfully defended at Dukovany Nuclear Power Station and preparations were afoot for obtaining the title for Temelín as well. Also, the Nuclear Power Section saw a substantial reduction in the work-related injury rate. The total number of on-the-job injuries for both nuclear power plants in 2004 was just two, and both of these were minor.

Severomoravská energetika, a. s. and Severočeská energetika, a.s. also received “Safe Enterprise” certification.

Risk Management Policy

Unified Risk Management within ČEZ Group

In 2004, a unified Group-wide risk management system was implemented in the following areas:
1) market risk – electricity trading area, preparation for next liberalization step
2) financial risk – cash-flow management, currency risk
3) credit risk – preparation for next liberalization step, scoring model
4) risk specific to electricity distribution companies.
ČEZ, a. s. as well as certain electricity distribution companies set up Risk Management Committees or specialized units to identify potential risks, assess them, set risk limits, and conduct subsequent evaluation.

Currency and Financial Risk

Risk quantification and management methodologies at ČEZ, a. s. are determined by a Risk Management Committee (RMC), which meets regularly to evaluate the development of the company's risk indicators, market conditions, and their impact on the company's financial performance. At the same time, the RMC oversees the use of defined risk quantification and management methods, determines the set of risk indicators and limits expressed in terms of these indicators, and decides on specialized issues relating to risk management.

On the basis of the risk management policy, part of the financial portfolio is hedged against financial risk with the objective of limiting the potential impact of unfavorable developments in the financial markets. In managing currency risk, the company makes maximum possible use of the strategy of matching income streams from electricity exports with payments on loans denominated in foreign currency. Other items denominated in foreign currency are hedged using long- and short-term financial market instruments. To manage interest rate risk, the company focuses on maintaining an appropriate structure of liabilities in terms of their sensitivity to movements in market interest rates. Instruments used include, in particular, long-term financial market instruments. Currency and interest rate risks are quantified using a specialized treasury system that is connected in real time to the market data provider's module. Risk quantification is based on standard methods such as Value at Risk (VaR), stress scenarios, etc.

Credit risk is treated primarily by carefully choosing counter-parties with which to engage in transactions that carry credit risk, and subsequently setting limits on maximum credit risk exposure with regard for the company's immediate requirements. The quality of counter-parties and the size of their limits are periodically re-evaluated.

Liquidity risks are monitored using a regular cash-flow analysis, from both a short- and a long-term perspective. The company conducts its transactions so as to always be capable of meeting its obligations on time and in full and, at the same time, to ensure that surplus cash is effectively invested. The company maintains a significant volume of credit lines to cover its temporary liquidity needs, as well as for its longer-term investment plans.

Similarly refined and proven risk management methods are used by the electricity distribution companies of ČEZ Group. In addition, they take into account their specific distribution-related credit risks and technical risks ensuing from the operation of the distribution grid.

Electricity Selling Risk

For the purposes of managing market (price, volume) and credit risk relating to transactions in the electricity markets, a trading and risk management support system is used. That system's principal components include the assessment of incoming credit and market risk, verification of compliance with limits set by the RMC, and reporting. The application covers all types of electricity transactions for purposes of record-keeping and verification, risk assessment, position management, and billing. For these purposes, data on business partners, payment terms, market prices, and foreign exchange rates are regularly entered into the system and updated.

A new, improved risk management strategy was used to sell electricity for the year 2005, both at ČEZ, a. s. and at the electricity distribution companies. Starting on 1 July 2005, we are planning to establish a specialized unit at ČEZ, a. s. to ensure that risk management functions are unified in all companies of ČEZ Group.

Insurance of Property and Casualty Risks

The Group's coal and hydro power plants are insured for property and machine risks. The insurer of property contracts concerning ČEZ, a. s. nuclear power plants is the Czech Nuclear Pool. ČEZ's statutory obligation as operator of nuclear facilities is fulfilled by insurance contracts covering liability arising out of the operation of the Dukovany and Temelín Nuclear Power Stations, which comply with the Nuclear Act. Both contracts are entered into for the statutory liability limit of CZK 1.5 billion. The company also carries insurance against liability for nuclear damage arising in the course of transport of new nuclear fuel to the Temelín and Dukovany Nuclear Power Stations up to a limit of CZK 200 million.

Other important insurance contracts include a third-party liability policy covering the generation, transmission, transit, import and export of electricity and the generation, distribution and sale of heat.

Each electricity distribution company individually obtains insurance for its property and casualty risks. Nonetheless, as of 2003 this insurance is subject to unified management. Moreover, each year ČEZ, a. s. renews its statutory board member liability policy, which covers the statutory boards of its subsidiaries.

Sponsorship Program and Advertising Projects

In July 2002, ČEZ, a. s. established the "Duhová energie" Foundation, which commenced operating in February 2003. The Foundation is ČEZ Group's partner in the area of sponsorship donations.

The Foundation's bodies are as follows: the Administrative Board (8 members), the Supervisory Board (5 members), and the Grant Committee (11 members).

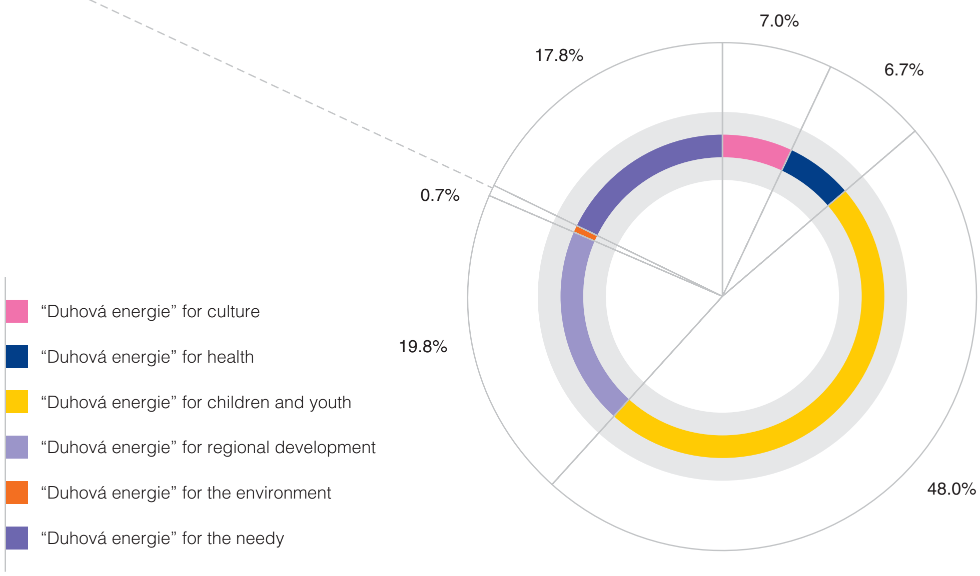
The amounts that individual ČEZ Group members donate to "Duhová energie" Foundation are decided by their respective General Meetings. In 2004 ČEZ Group members donated a total of CZK 126 million.

ČEZ, a. s. itself donated CZK 38 million to "Duhová energie" Foundation. Above and beyond this amount, the company donated the following:

- CZK 1.5 million to the Czech Foundation of Jan and Meda Mládek toward the renovation of Sovovy Mlýny and Kampa Museum (under a valid five-year agreement signed in 2000),
- CZK 20 million to municipalities located within 5 km of the Dukovany Nuclear Power Station and CZK 9.7 million to municipalities located within 5 km of the Temelín Nuclear Power Station. The contributions will be used to fund infrastructure and municipal development projects,
- a CZK 1 million donation was returned to the donor, i.e. to ČEZ, a. s., due to non-compliance with the terms of the donation agreement.

ČEZ, a. s. also made non-monetary, in-kind donations valued at CZK 92.2 million to Třebíč Sports Stadium, Špinka Resort, and Mostek Resort, as well as various donations of land and used computer equipment.

"Duhová energie" Foundation – Distribution of Sponsorship Donations (%)



List of Key Projects

In 2004, "Duhová energie" Foundation distributed a total of CZK 161.8 million, making it one of the biggest foundations in the Czech Republic. The donations were structured as follows: culture and the arts, CZK 11.4 million; health, CZK 10.8 million; children and youth, CZK 77.6 million; regional development (infrastructure, healthcare, education), CZK 32.1 million; environment, CZK 1.1 million; and for the needy, CZK 28.8 million.

Nearly one half (CZK 75 million) of the total went on areas where ČEZ Group operates, including CZK 30 million to benefit the areas surrounding ČEZ Group nuclear and conventional power plants and CZK 45 million in areas where electricity is distributed by electricity distribution companies that are majority owned by ČEZ, a. s.

"Duhová energie" Foundation's current priorities include completion of the original nationwide "Duhová" Playgrounds project and providing support for construction of new playgrounds. The original project will undergo a retroactive analysis by architects and public health specialists to evaluate it in terms of new European Union requirements for this type of facility. Another nationwide project is "Duhová" Workshops, which aims to help primary schools by equipping them with "creative workshops" designed to facilitate the personal development of gifted children and provide a meaningful way for them to spend their free time. "Duhová" Car is another project which is designed to give handicapped fellow citizens improved mobility using specially outfitted vehicles for 6 and more passengers.

In addition to the projects mentioned above, "Duhová energie" Foundation also supports regional projects in the areas of healthcare, education, culture, and sport. The objective is to support public-benefit interests and meet citizens' needs in the regions where ČEZ Group operates and thereby contribute to their development. Individual projects are recommended by the Grant Commission and approved by the Administrative Board of "Duhová energie" Foundation.

Pursuant to a decision of the Administrative Board, unutilized funds from 2004 were not carried forward to 2005. Instead, they will be returned to their respective donors.

Advertising Projects

ČEZ Group is a major advertising partner to the following projects:

- → "Duhová" Arena, Pardubice, in the East Bohemia Region,
- → "Duhová energie" Autodrome, Most, in the North Bohemia Region,
- → Karlovy Vary International Film Festival and Plzeň Sporting Hall in the West Bohemia Region,
- → Nymburk Sport Center and ČEZ Basketball Nymburk (men's basketball team) in the Central Bohemia Region,
- → ČEZ Arena Vítkovice in the North Moravia Region,
- → ČEZ Koloseum in Prague.

In addition to regional projects, ČEZ Group also sponsors major nationwide projects such as the Czech National Ice-hockey Team and the Czech Olympic Team.

Relation to the Environment

Air Protection

Over the past decade, ČEZ Group has achieved major reductions in emissions of the principal air pollutants. During this period, it not only brought itself into compliance, within the stipulated time periods, with the Clean Air Act of 1991, but also with subsequent amendments to that act made in the process of harmonizing Czech legislation with applicable European Union regulations.
The ČEZ Group has contributed significantly to the overall improvement of air quality in the Czech Republic and to the fulfillment of the Czech Republic's international clean air obligations.
Data concerning emissions from all ČEZ Group conventional plants, including the gas-fired boiler island at Temelín Nuclear Power Station, and purity of the air in their surroundings are under constant scrutiny. Effective since late 2003, emissions and ground-level concentration measurements and calculated shares of ČEZ, a. s. coal power plants in overall air pollution in the surrounding area are accessible on the ČEZ website.
In relation to the implementation of the Directive of the European Parliament and Council on a framework for trading emissions of greenhouse gases within the Czech Republic legal system, in late 2004 ČEZ, a. s. prepared for the commencement of regulation of greenhouse gas emissions. In the first trading period, 2005 – 2007, carbon dioxide will be the only greenhouse gas monitored.

ČEZ Group – Emissions and Per-Unit Emissions of Air Pollutants in 2004, Compared to 1993

	Unit	Solid Pollutants	Sulfur Dioxide	Nitrogen Oxides	Carbon Monoxide	Carbon Dioxide
1993	t	55,764	724,052	124,633	17,497	35,568,898
2004	t	3,078	58,984	62,752	4,009	35,706,546
Change	%	(94.5)	(91.9)	(49.7)	(77.1)	0.4
1993	kg/GJ *)	0.1763	2.2887	0.3940	0.0553	114.01
2004	kg/GJ *)	0.0099	0.1894	0.2015	0.0129	114.68
Change	%	(94.4)	(91.7)	(48.9)	(76.7)	0.6 **)

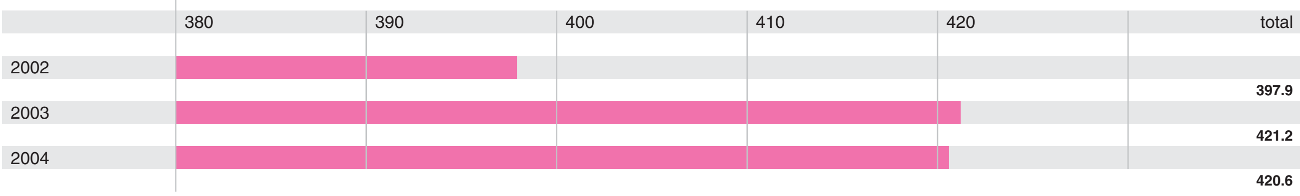
*) Per-unit emissions are per GJ of heat generated in the boilers.
**) The increase in CO_2 per-unit emissions in 2004 compared to 1993 is given by CO_2 emissions that originate in the desulfurization process.

Figures in the above table are for ČEZ Group (ČEZ, a. s. coal power plants, a gas-fired boiler island at Temelín Nuclear Power Station, and a coal power plant owned by Energetika Vítkovice, a.s.)

Water Protection and Water Management

ČEZ Group approaches the water protection area in accordance with a Euro-amendment of the Water Act and related implementing decrees. Coal and nuclear power plants utilize surface water and underground water from the Labe, Vltava, Morava, Ohře, and Odra Watersheds Management Districts in accordance with conditions for use of water and discharge of wastewater.

Use of Surface and Underground Water (millions of m³)



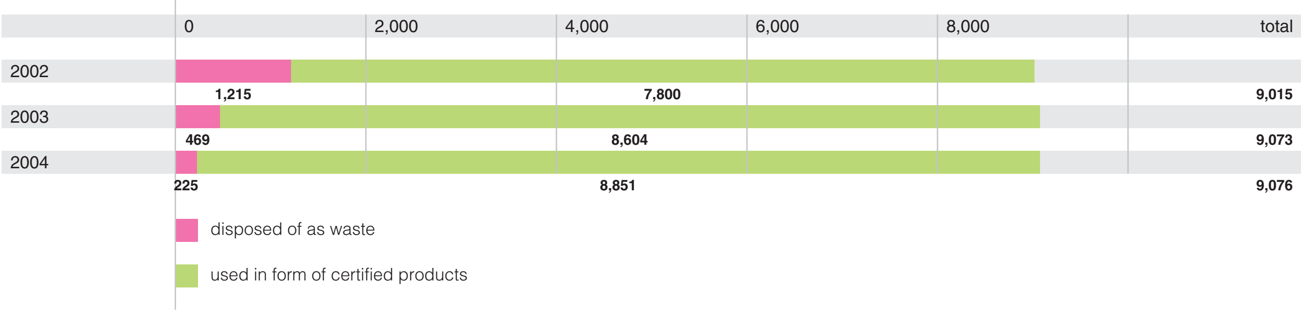
Integrated Prevention

In order to comply with Act No. 76/2002 Sb. on Integrated Prevention and related implementing regulations, ČEZ, a. s. must obtain integrated permits for operating equipment no later than 30 October 2007. Individual integrated permits are issued by Regional Authorities based on statements from professionally competent bodies such as, among others, the Agency for Integrated Prevention (AIP). Therefore, during 2004 integrated permit applications were drafted in accordance with the approved timeline. In October 2004, an integrated permit was issued for Prunéřov Power Stations. Integrated permit applications for another six power plants and one power heating plant were submitted to Regional Government Offices and administrative proceedings were commenced on issuance of the permits. Three further applications have been prepared so far in 2005.
Under Act No. 76/2002 Sb. and Annex No. 1 to Order of the Government of the Czech Republic No. 368/2003 Sb., ČEZ Group is newly required to keep records on, evaluate, and report registered substances to the integrated pollution register of the Ministry of the Environment of the Czech Republic (a publicly accessible database of data on selected substances, as well as movements and emissions of such substances). Reporting of registered substances is done on a per-plant basis (for coal, nuclear, and hydro plants), provided "reporting thresholds" for a given substance are exceeded. For this reason, during 2004 ČEZ Group member companies prepared documentation for reporting registered substances to the integrated register of pollutants. The first reporting obligation was met for the year 2004.

Utilization of Generation By-products

In the generation of electricity and heat in 2004, ČEZ Group produced a total of 9.1 million tons of power generation by-products, including ash, by-products of the semi-dry flue-gas desulfurization process, and industrial gypsum from the wet limestone scrubbing flue-gas purification process. These products are used, e.g., in reclaiming land affected by mining activity and to reclaim settling pits. Certain ash components are used in the production of cement, concrete mixes, asphalt waterproofing materials, etc. Specially modified ash serves as a structural and sealing material.
Of the total amount of generation by-products produced in 2004, 97.5% was utilized in the form of certified products for reclamation and landscaping or sold to outside companies. The volume of unutilized generation by-products disposed of as waste at ČEZ Group disposal sites declined by 52.0%.

Disposition of Generation By-products, 2002 – 2004 (thousands of tons/year)



Support for Renewable Sources of Energy

Directive of the European Parliament and Council 2001/77/EC on the promotion of the electricity produced from renewable energy sources in the internal electricity market was not implemented in the Czech legal framework in 2004 (note: the relevant Act was eventually passed, however, in May 2005). The business environment in the Czech Republic is not sufficiently stabilized when it comes to rules for utilization of, and support for, renewable sources of energy. Renewable sources of energy are utilized in those projects that demonstrate a sufficient degree of probability of a high rate of return and in which there is leeway during operation to react flexibly to any unpredictable changes in State or legislative support.
ČEZ Group actively seeks and carefully evaluates appropriate opportunities, since we have an interest in rational application of sustainable development principles. At ČEZ Group, environmentally-friendly electricity is generated in solar, wind, and small hydro power plants, as well as by burning biomass in combination with coal.

ČEZ Group also endeavors to increase utilization of renewable sources of energy by increasing the efficiency of existing facilities in this category. A series of major overhauls of selected facilities is ongoing.

In terms of the pace of development, biomass is the most significant renewable source of energy. A technical solution for ČEZ Group generation facilities equipped with fluidized-bed boilers (Hodonín Power Station, Ledvice Power Station, Poříčí Power Stations, Tisová Power Station) makes it possible to burn biomass in a mixture with coal. A grate boiler at the Dvůr Králové Power Heating Plant is also capable of burning biomass. Wood chips and similar wood materials are being seen to be appropriate for these purposes, while the burning of "green" biomass and "dedicated energy crops" are less appropriate, both technologically and ecologically. The possibility of utilizing biomass in the powder boilers operated at the Group's other generation facilities will require more detailed study and equipment modifications.

ČEZ Group contributes to the utilization of wind and solar energy at the level of pilot facilities, which are not held to commercial demands, but rather are used for research and educational purposes.

ČEZ Group Power Generation from Renewable Sources of Energy (MWh)

	2003	2004	Index 2004/2003 (%)
Hydro power plants total (pumped storage excluded)	773,342	1,251,828	161.9
ČEZ, a. s.	606,847	1,065,040	175.5
of which: power plants with installed capacity under 10 MW	47,083	53,917	114.5
Other ČEZ Group	166,495	186,788	112.2
of which: power plants with installed capacity under 10 MW	105,486	122,416	116.0
Wind power plants total	235	536	228.1
ČEZ, a. s.	235	478	203.4
Other ČEZ Group	0	58	x
Solar power plants total	0.84	7.85	934.5
ČEZ, a. s.	0.84	7.85	934.5
Biomass total	8,638	149,163	1,726.8
ČEZ, a. s.	8,638	149,163 *)	1,726.8
Renewable sources of energy total	782,216	1,401,535	179.2

*) An additional amount of 68 MWh of power was generated in 2004 by burning biomass at Dětmarovice Power Station in operating trials. Mandatory purchasing was not claimed for this amount.

ČEZ Group is the largest producer of environmentally friendly electricity from hydro resources of the Czech Republic. In 2004, a total of 1,799 GWh of hydro power was generated, 1,252 GWh by run-of-river and accumulation power plants (which qualify as renewable sources of energy).

The Jaroměř Small Hydro Power Plant, which had been part of the Východočeská energetika Group, was sold in 2004. On 11 February 2004, Západočeská energetika, a.s. commissioned a new small hydro power plant, dubbed Černé jezero II, and began preparations for building a small hydro power plant in Plzeň – Bukovec.

ČEZ Group operates two wind power plants. One is a windmill farm belonging to ČEZ, a. s. located at the Mravenečník site near the Dlouhé Stráně pumped storage hydro power plant in the Jeseníky Mountains (elevation 1,160 m). The farm consists of three power plants with an aggregate output of 1,165 kW. In 2004, the facility generated a total of 478 MWh of electricity. Extensive repairs were completed in October 2004 on the biggest unit, which has an output of 630 kW.

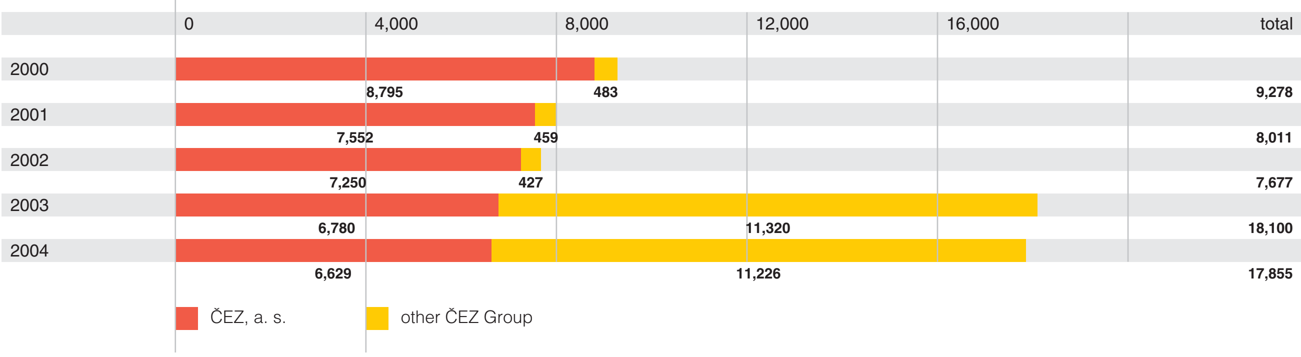
The Nový Hrádek wind power plant, which is owned by Východočeská energetika, a.s., is currently awaiting refurbishment under an approved plan. In 2004 it generated 58 MWh of power.

2004 was an important year in the operation of the solar power plant located in the Dukovany Nuclear Power Station compound, where a model presentation of the facility's operation is part of the ČEZ, a. s. Information Center, which is open to the public. The unit in use at Dukovany Nuclear Power Station consists of 200 photovoltaic, monocrystallic, silicon panels mounted on stands, with a total 100 m^2 of effective area. A continuously updated summary of the running total and immediate output of the solar power plant is shown, for illustration purposes, on panels equipped with displays in the vicinity of and in the Information Center installation. In 2004, the solar power plant generated just under 8 MWh of electricity, breaking its previous record annual generation volume that was achieved in the facility's previous location at the windmill farm compound in the Jeseníky Mountains.

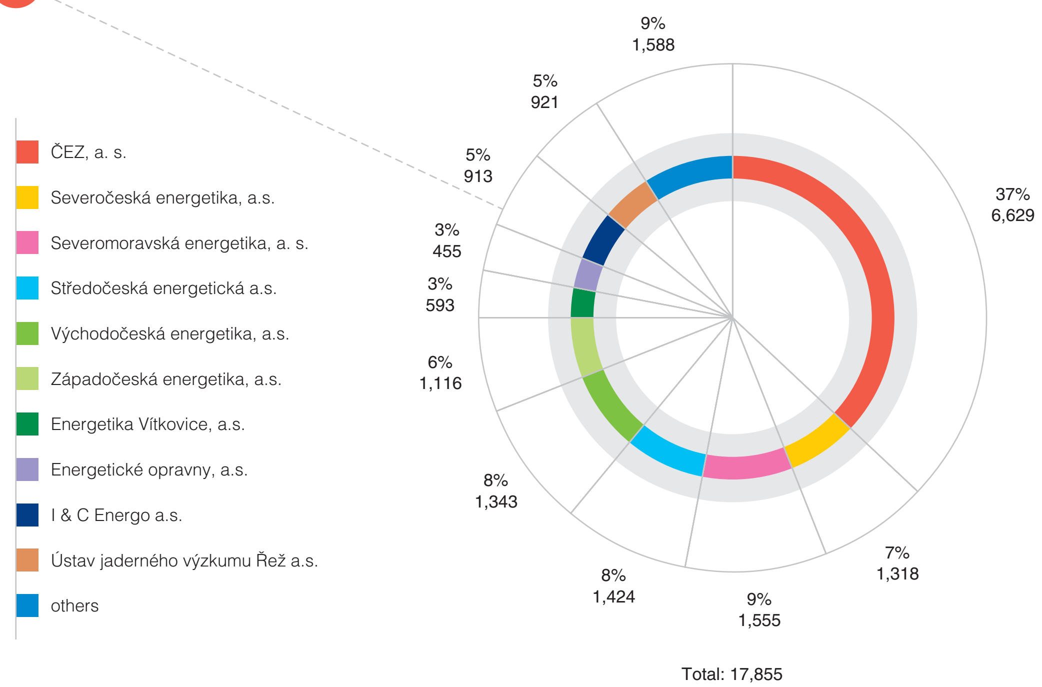
Human Resources

The aggregate employee head count of the 27 fully consolidated companies of ČEZ Group (ČEZ, a. s. and 26 subsidiaries) at 31 December 2004 was 17,855. This is 245 employees less than 12 months before.

ČEZ Group – Employee Head Count at 31 December of the Given Year



ČEZ Group – Number of Employees



Social Policy

The ČEZ, a. s. social policy is implemented through the social program, which encompasses a wide range of activities and benefits provided to employees. The total amount expended on the social program in 2004 was nearly CZK 310 million.

As a part of the social program, the company maintains a social fund, from which CZK 70.2 million was drawn in 2004, mostly for the following uses:

- employee meal plan (mostly in in-house cafeterias),
- recreation and reconditioning sojourns, including children's recreation, spa and sanatorium sojourns for employees and their family members,
- social aid,
- retirees clubs and similar activities for former employees,
- contributions for blood donors.

The social program also includes a contribution for employees and former employees (retirees) toward electricity consumption (with the option of having this contribution sent to their supplementary pension insurance or life insurance plan), a contribution towards employee's supplementary pension insurance plans, preventive healthcare and other healthcare not covered by standard health insurance, payment of accommodations costs, contributions when a child is born, a clothing contribution, provision of interest-free loans (CZK 150 million was designated for financing the purchase of apartments from ČEZ, a. s., and CZK 25 million was designated for other loans to finance, in particular, construction work and remodelling).

When amounts provided to employees in the form of interest-free loans are included, the total amount expended on the social program in 2004 was nearly CZK 485 million.

The average per-employee cost of the social program in 2004 was CZK 46,712, or an average of CZK 3,893 per month.

Other ČEZ Group members also pursue social policies through their own social programs. The types of contributions most frequently given to employees out of ČEZ Group member social funds include:

- meal plan contributions,
- preventive health care,
- interest-free loans,
- retirees clubs and similar activities for former employees,
- supplementary pension insurance and private life insurance contributions,
- children's recreation,
- education.

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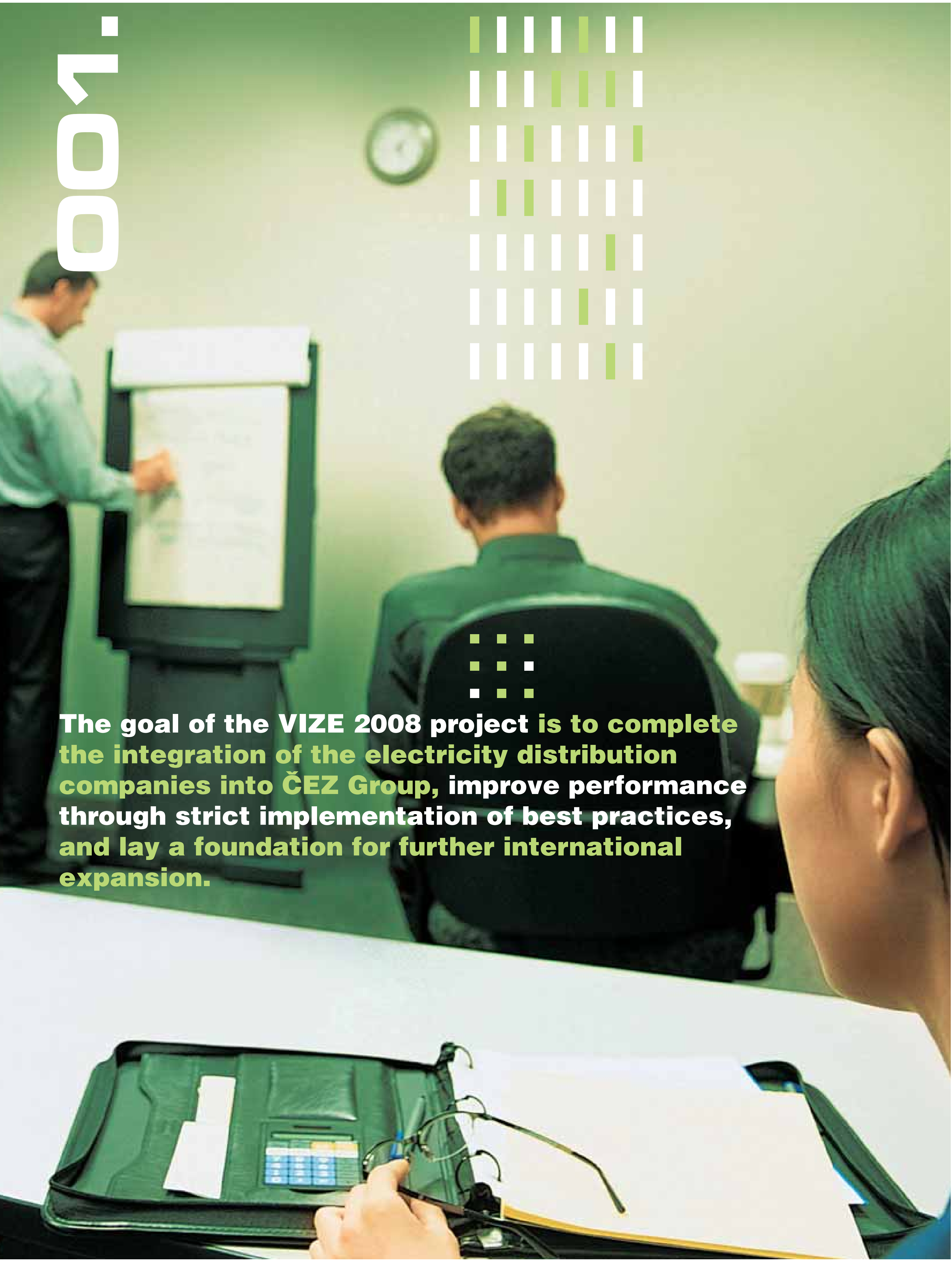


The goal of the VIZE 2008 project is to complete the integration of the electricity distribution companies into ČEZ Group, improve performance through strict implementation of best practices, and lay a foundation for further international expansion.

Corporate Strategy

The strategic plans of ČEZ Group are closely related to the needs of the VIZE 2008 project. In particular, this will mean gradually reducing the portfolio of shareholdings until it consists only of shareholdings that directly support the core business of ČEZ Group. Companies that do not directly support the core business of ČEZ Group will be sold off or wound up and liquidated. The portfolio of shareholdings will also include new companies. These will be focused on the core business and will consist of new companies set up as part of the VIZE 2008 project and existing companies acquired in ČEZ Group's extensive external growth activities.

In business development, ČEZ Group will focus on the following key initiatives:

- ongoing implementation of the VIZE 2008 project – completing the migration to a maximally effective management system in the integrated ČEZ Group, fully leveraging synergies and ensuring a transparent environment at all levels of management; high-quality communication to create conditions for high performance and long-term prosperity both of the company and of all members of ČEZ Group,
- preparation for the renewal of generation capacity in the coal power plants and taking the measures necessary to maximize the useful lifetimes of our nuclear facilities. Materials supporting the decision on the extent, procedure, and manner of effecting this renewal are being drafted so as to enable the completion, in 2005, of a list specifying which facilities are to be shut down and which facilities are to undergo comprehensive refurbishment, and to derive from these a renewal timeline, including the construction of new facilities, and commence preparatory work on specific capital investment projects,
- completion of the process of taking over distribution companies in Bulgaria and Romania, continue in the program of foreign acquisitions in Central and Southeastern Europe,
- achieving an ongoing reinforcement and building up of corporate culture focused on performance.

Business Strategy

In accordance with the **ČEZ, a. s.** Articles of Association, a General Meeting held in 2004 approved a new business strategy that provides the framework for the company's business operations. The strategy sets the basic direction of the company's business, stipulates objectives for individual areas, states the company's mission, and defines its vision. It also outlines the basic responsibilities of the company's governing bodies and executive management.

The principal mission of ČEZ, a. s. is to generate long-term returns for its shareholders by engaging in successful business operations, in particular in the electricity markets both in the Czech Republic and abroad. Closely related to this mission is the objective "to become the leader in the electricity markets of Central and Southeastern Europe." In addition to business success in the domestic market, the means to achieving this objective are, in particular, acquisitions of stakes in foreign power companies and/or buying into companies already controlled by private owners in cases when the current owners change their focus.

The core business of **ČEZ Group** is the generation, procurement, distribution, and sale of electricity to end customers, including the provision of ancillary services. The bulk of sales revenues is generated by supplying electricity from the company's own, economically effective generating facilities, where it is generated with a high level of reliability, minimal safety risk, and minimal environmental impact. Where nuclear facilities are operated, the top priority is always nuclear safety. The main principles that will lead to fulfillment of company management's business strategy in the future are:

- generating shareholder value as the number-one priority,
- making individuals accountable for achieving ambitious performance targets,
- building a sense of community within ČEZ Group,
- developing human potential,
- creating an international organization,
- making changes and adapting to them over time.

VIZE 2008 – ČEZ Group Integration Strategy

In mid-2004, integration efforts were intensified with the launch of the VIZE 2008 project, which is closely linked to the ČEZ Group strategy. The project is fulfilling the objective of the Group's new management to turn the locally profitable company ČEZ, a. s. and its shareholdings into a leading power conglomerate in Central and Southeastern Europe.

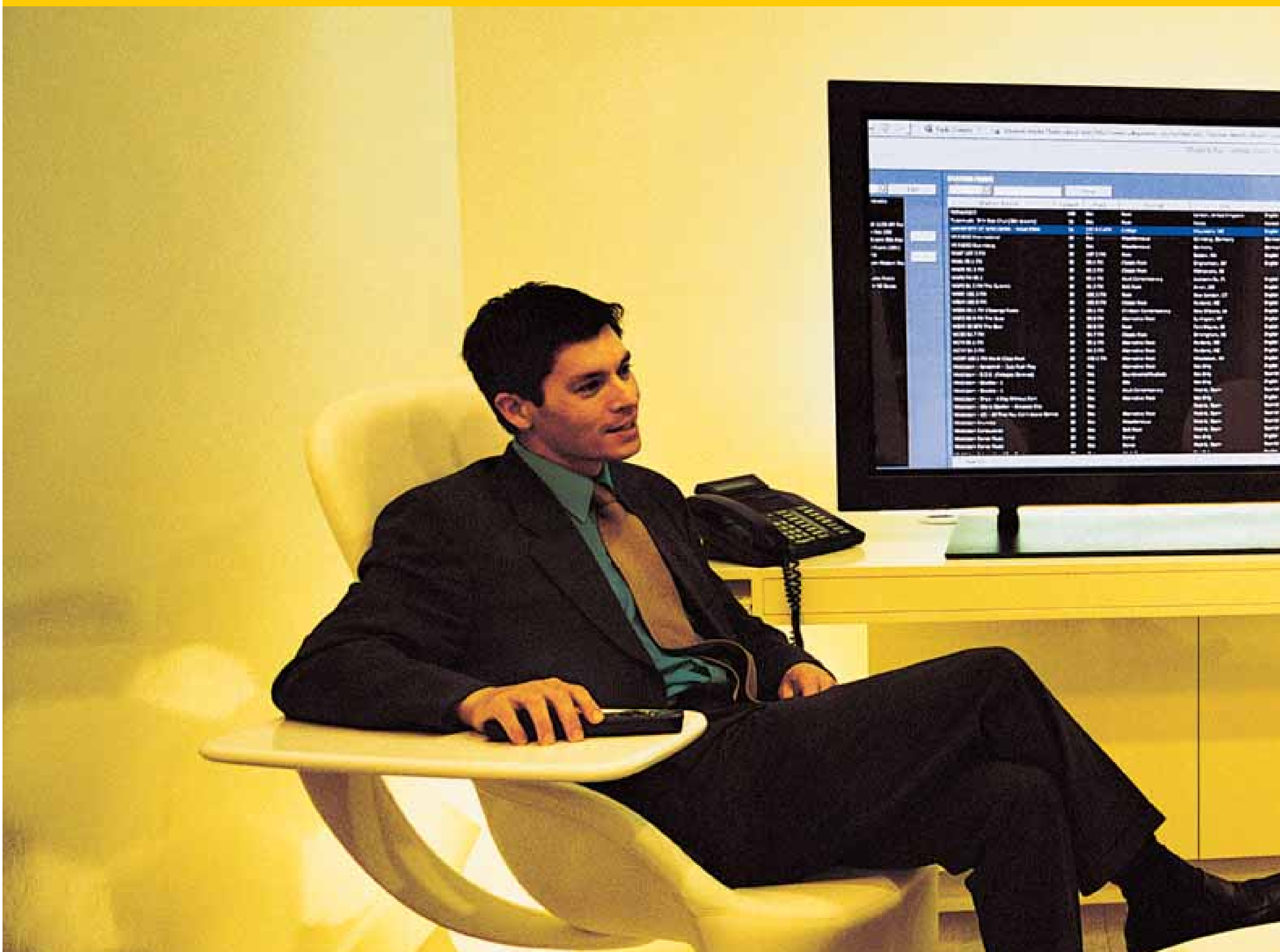
The objective of the VIZE 2008 project is not only to complete the process of integrating the electricity distribution companies begun in 2003, but to expand this integration to all companies in ČEZ Group, improve performance by thorough implementation of best practices, and to lay a foundation for further international expansion.

The VIZE 2008 project covers most of ČEZ Group's principal activities. The project focuses primarily on the following areas:

- sales of electricity (trading, marketing, sales, customer services),
- distribution of electricity and all related activities,
- group-level management functions (e.g. risk management, finance, controlling, communications, management of shareholdings, regulation, human resources),
- group-level support functions (e.g. information technologies, telecommunications, procurement, property management).

The VIZE 2008 project encompasses all ČEZ Group member companies, including the parent company ČEZ, a. s., the electricity distribution companies, existing and newly established subsidiaries of ČEZ, a. s. and subsidiaries of the electricity distribution companies.

The project's biggest accomplishments to date include, without a doubt, the implementation of a unified financial information system in all the electricity distribution companies. In just nine months, the financial information system was put into operation at five companies with differing cultures and systems, their processes and numbering systems were unified, and links were created to the new Customer Information System and other systems.



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During the first six months of its existence, the VIZE 2008 project made major progress toward the implementation of a new "Management by Processes" based business model in ČEZ Group. New subsidiaries, ČEZData, s.r.o., ČEZ Zákaznické služby, s.r.o. and ČEZ Logistika, s.r.o. were established and the first transfers of employees and assets took place. These were followed in March 2005 by the establishment of ČEZ Prodej, s.r.o. and ČEZ Distribuce, a. s. A centralized services model was created, and the first service process to be centralized Group-wide was Human Resources.

Project teams took the first steps in identifying and implementing best practices. For example, a unified set of Preventive Maintenance Rules was created in the distribution area, the first phase of centralizing dispatching centers took place, technical materials standards were unified, and a unified system for evaluating investments was put in place.

During 2004, the implementation of best practices and the new business model led to the first significant cost savings, which went into the hundreds of millions of Czech Crowns. Most of these savings, however, are still outweighed by implementation costs, especially in the IT area. As early as 2005, and in subsequent years, ČEZ Group expects to leverage a number of synergies ensuing from the integration efforts. Positive effects are also anticipated to flow from the optimized number of employees and growth in electricity sales margins.

The successful beginning of Project VIZE 2008 is a good start for the year 2005, a year of transformation, during which the largest transformational and integrational changes will take place in ČEZ Group. The key portion of the assets, employees, and operations of the distribution companies will be transformed to newly established subsidiaries and centralized departments. The new companies will be functional and they will be supported by unified information systems.

2005 is also the year when the most important steps will be taken to satisfy "unbundling" requirements, i.e. the separation of licensed activities and preparation for the consolidation of distribution and sales licenses.

Another task of no small significance is to prepare for the next integration phase – the performance increasing phase. During 2005, the best practices will be defined in all project areas and further rationalization steps will be elaborated to lead to sustained increases in the performance and effectiveness of ČEZ in the years to come.


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Development of Power Sector Legislative Framework

Of fundamental legislative importance for the business of ČEZ Group is the Commercial Code (Act No. 513/1991 Sb.), as amended. After undergoing extensive revisions in past years, 2004 saw this key law stabilized to a certain extent, which brought a greater degree of legal certainty to the area of business law. The only substantial change in 2004 was Act No. 554/2004 Sb., which amended both the Civil Code (Act No. 40/1964 Sb.) and the Commercial Code.
In relation to the Czech Republic's entry into the European Union, three major pieces of legislation were passed in 2004: Act No. 40/2004 Sb. (the Public Procurement Act), Act No. 256/2004 Sb. on Doing Business in the Capital Market, including the implementing decree no. 536/2004 Sb. dealing with protection against abuse of the market, and Act No. 627/2004 Sb. on the European Community.
In the nuclear area, European Union membership brings new requirements under the Euratom Treaty and related decisions of the European Commission. In particular, these include Commission rules for obtaining nuclear materials for use in making fuel directly in relation to the Euratom Supply Agency (ESA) and requirements placed on nuclear facility operators that handle nuclear materials (including fuel) with security guarantees, which falls under the Commission's authority (DG TREN). In compliance with these requirements, ČEZ, a. s. submits all contracts for nuclear materials to the Euratom Supply Agency for approval and also notifies DG TREN of all nuclear material transports, as well as notifying the Euratom Supply Agency on the quantities of all specific movements and the processing (transformation) of these materials.
In the power sector, the legislative framework continues to consist mainly of the following: Act No. 91/2005 Sb. on Conditions for Doing Business and Exercising State Administration in the Energy Sectors (the Energy Act), as amended, Act No. 406/2000 Sb., on Energy Management, Act No. 18/1997 Sb. (the "Atomic Energy Act"), and related secondary legislation (decrees, ordinances, directives, etc.). Other laws have also been passed in prior years that have a direct impact on the company's business, including in particular Act No. 100/2001 Sb., on Environmental Impact Assessment, Act No. 185/2001 Sb. on Waste, and Act No. 254/2001 Sb., on Water (the "Clean Water Act"), all as amended.
In the year in question, additional supplementary legislation implementing Act No. 458/2000 Sb., as amended, were promulgated. These, together with decrees already promulgated and commented on in last year's report, are gradually supplementing and updating the legislative framework of the power sector in the conditions of the liberalized market.

Implementing decrees promulgated by the Ministry of Industry and Trade of the Czech Republic and the Energy Regulatory Authority:
- Decree No. 575/2004 Sb., amending Decree No. 438/2001 Sb. Stipulating the Content of Economic Data and Procedures for Price Regulation in the Power Sector, as amended by Decree No. 13/2003 Sb. (promulgated by the Energy Regulatory Authority),
- Decree No. 614/2004 Sb., amending Decree No. 373/2001 Sb. Stipulating Rules for Organizing the Electricity Market and Principles for Determining Prices in Market Operator Activities (promulgated by the Energy Regulatory Authority),
- Decree No. 431/2004 Sb., amending Decree No. 19/2002 Sb. Stipulating Details of the Organization of the Short-term Electricity Market (promulgated by the Ministry of Industry and Trade of the Czech Republic),
- Decree No. 425/2004 Sb., amending Decree No. 213/2001 Sb. Stipulating Details of Mandatory Energy Audit Contents (promulgated by the Ministry of Industry and Trade of the Czech Republic).

The past year was characterized by ongoing increased legislative activity in the environmental protection area. An entirely new Act – a transposition of European Union legislation – is Act No. 695/2004 Sb. on Conditions for Greenhouse Gas Emissions Permits Trading, and the related implementing decree of the Ministry of the Environment of the Czech Republic, Decree No. 696/2004 Sb. Stipulating the Procedure for Determining, Reporting, and Verifying the Quantity of Greenhouse Gas Emissions.

2004 also saw the promulgation of additional supplementary regulations and decrees dealing with environmental protection, and linked mainly to the following core Acts:
- No. 185/2001 Sb. on Waste,
- No. 86/2002 Sb. on Air Protection (the "Clean Air Act"),
- No. 254/2001 Sb. on Water Protection (the "Clean Water Act").

In the past year, employees of ČEZ Group also played a significant role in comment proceedings concerning prepared amendments of selected laws and regulations directly related to the company's business activities in the power sector.

Brief Power Sector Development Forecast from ČEZ Group Perspective

In view of the ongoing favorable development of the Czech economy, it is possible to expect growth in demand for electricity in the Czech Republic to continue into the next year. As far as growth in electricity consumption is concerned, the anticipated faster rate of economic growth in the new European Union Member States as opposed to the original EU15 will be partially offset by declining energy intensity.

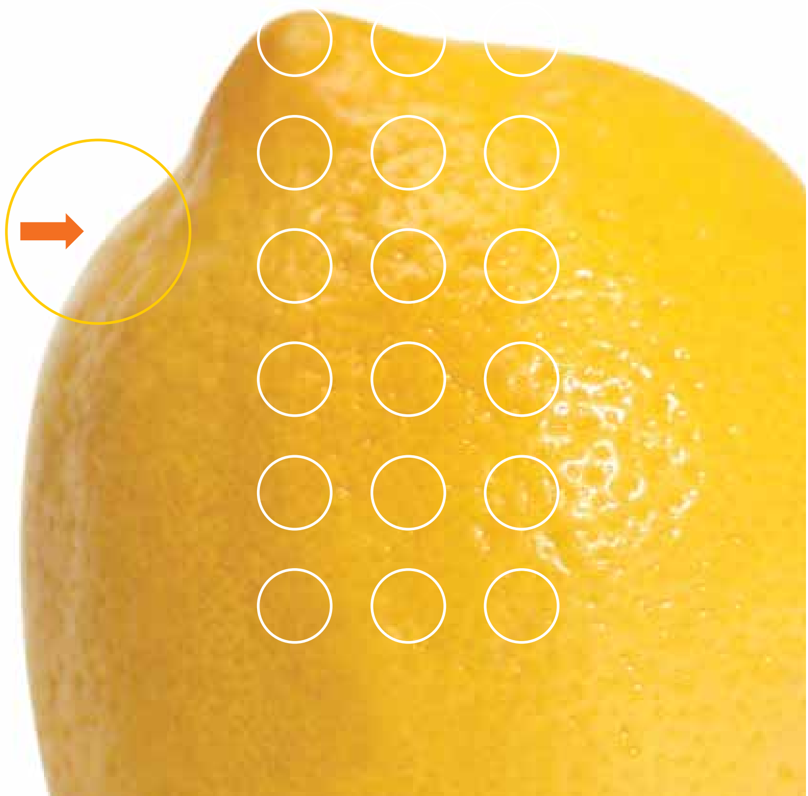
The Czech Republic's entry into the European Union on 1 May 2004 gave formal confirmation to the strong links between the development of the Czech Republic power sector and in the European Union that had already existed for a number of years. Like in the economy as a whole, the European business environment in the electric power sector in the years to come will be formed by the "Lisbon Strategy" which aims to achieve world-class competitive means of sustainable development. This strategy rests on three "pillars": economic growth and competitiveness, a leading role in protecting the environment, and social responsibility.

In the power sector itself, the foreseeable future will bring both material changes – with the need to invest substantial sums in the regulated and, in particular, the liberalized segments – and, to a certain extent, possibly institutional changes as well, which will demand from both energy companies and administrative authorities the ability to be understanding, communicate, and react flexibly.

The near term is characterized by a gradual decrease in free generation reserve capacity in Western Europe as demand grows and outdated and obsolete facilities are shut down faster than newer ones are brought on-line. Any shortage of generation capacity in Western Europe will be able to be offset, to a certain extent, by importing electricity from new EU Member States and countries on track to accede to the EU, thanks in particular to resynchronization and interconnection of the eastern and western portions of the system of interconnected grids of western European power transmission companies, which took place in 2004 (synchronous connection of the Ukrainian and Russian grids, however, cannot be expected before 2010). Even now power plants in Eastern Europe have unutilized capacity; however, to meet EU environmental standards they will require demanding upgrades. Therefore, their contribution will not be a substantial one and, moreover, domestic demand in these countries is projected to see major growth over the next few years.

In terms of the organization of the energy market in the European Union, not all are in agreement on the degree of liberalization that has been achieved. The introduction of competition did cause prices to fall at first, but at present they have already climbed back up to approximately the same levels seen prior to liberalization. Although, no doubt, this trend results from the need for investment in the sector (and increasing environmental requirements and taxation of energy are also playing a role), political support for free competition in the power sector or, in other words, society's confidence that the current state of affairs is optimal, is flagging. Experience from well-developed, stabilized markets in Scandinavia and the UK shows, however, that market-based objectification of costs and investment signals in the power sector are possible and justified, and that from the long-term perspective they do bring the most favorable environment for the economy as a whole. Therefore, sustained pressure can be expected in favor of thorough implementation of the requirements set forth in the various liberalization directives and regulations, without significant changes in the legal framework as it stands today.

The results achieved by ČEZ Group represent a guarantee that the future development of both the Czech and wider European power sectors constitutes a major business opportunity, despite certain uncertainties and potential risks.



Anticipated Economic and Financial Situation of ČEZ, a. s. and ČEZ Group in 2005

ČEZ Group has set several strategic goals for the next several years:
- to integrate the domestic parts of ČEZ Group, including compliance with the requirement of having separate distribution and sales activities,
- to utilize available acquisition opportunities in Central and Eastern Europe to expand and reinforce ČEZ Group's reach and influence,
- to prepare and, subsequently, commence a program of renewing ČEZ Group's generating base.

In order to integrate the domestic part of ČEZ Group, 2005 will see us take decisive steps within the VIZE 2008 project towards a "Management by Processes" organization model, the result of which will be the separation of distribution and sales activities ("unbundling") in advance of the deadline set by law. The entire project is to be completed next year when other operations and functions will be migrated to process-focused companies of ČEZ Group and some operations, including certain equity participations of ČEZ Group members (both subsidiaries and affiliates) will be spun off or otherwise disposed of. The fact that we kept Severočeská energetika, a.s. in ČEZ Group created conditions for achieving the company's objectives in their original scope, and thus also for the leveraging of planned synergies.

A great deal of attention is being paid to acquisition and investment opportunities that are currently emerging in Central and Eastern Europe, including the Czech Republic. The commencement of the ČEZ Group integration process in the domestic environment allowed ČEZ, a. s. to qualify as an investor in the entire electric power chain, from generation to the customer. To supplement stakes in Bulgarian distribution companies and a contracted-for stake in a Romanian distribution company, ČEZ, a. s. will seek further investment opportunities in these countries, not just in distribution (Romania), but in generation as well (Bulgaria and Romania). Similarly, other acquisition opportunities in the region will be evaluated and, possibly, pursued. For the year 2005 this will include primarily Macedonia and Montenegro.

Among countries neighboring with the Czech Republic, the company's interest will focus mainly on Poland, with regard to the privatization steps being taken by the Polish Government in the area of generation capacities. At the same time, other avenues for acquiring equity interests in generation and/or distribution will be explored, in Poland and elsewhere. In the Czech Republic, the greatest challenge will be the upcoming privatization of the brown-coal mining company Severočeské doly a.s.

No less attention will be paid to the process of taking over control of the new acquisitions and making the changes necessary for these companies to be fully integrated into ČEZ Group.

The renewal of ČEZ Group's coal power plants is in the preparatory stage. In 2005, we plan to draft a comprehensive renewal program, including controlled ageing of coal-fired generating units, as well as complete some stages of pre-project preparation. The first plan, for the comprehensive refurbishment of the Tušimice II Power Station (800 MW) already underwent the approval process in early 2005. At a similar level, we plan to pursue preparatory work during 2005 for the comprehensive refurbishment of the Prunéřov II Power Station and the build-out of new generating units at the Počerady Power Stations site to replace the existing generation capacity there. The scope of the ČEZ, a. s. brown-coal power plants renewal program, including the relative ratio of comprehensive refurbishment (with lifetime of 25 years) to completely new, state-of-the-art generating units (which could be operated for another 40 or 50 years), will be determined by available brown coal reserves.

In consolidated performance, we expect total ČEZ Group electricity revenues at a level of CZK 100 billion, EBIT of nearly CZK 25 billion, and EBITDA of over CZK 42 billion. Based on these forecast figures, the consolidation group's net income can be expected to be in the CZK 15 billion range. ČEZ Group intends to invest over CZK 12 billion on acquiring and upgrading property, plant and equipment. In addition to the traditional members of ČEZ Group, this year the consolidation group will also include the Bulgarian distribution companies and the Romanian distribution company, Electrica Oltenia S.A.

The forecast figures above are only approximations, and they may be significantly impacted by unforeseen factors, including first and foremost the accounting methods used for CO_2 emissions permits tradable.

Given the acquisition opportunities currently being considered, it is probable that the company will obtain some debt financing in 2005, most likely in the form of eurobonds. Liquidity management will rely on short-term borrowing and the bill of exchange program.

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Report of Independent Auditors

ERNST & YOUNG

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying consolidated balance sheet of the ČEZ Group ("the Group") as of December 31, 2004 and 2003 and the related consolidated statements of income, shareholders' equity, cash flows and the related notes for each of the three years in the period ended December 31, 2004, which were prepared in accordance with International Financial Reporting Standards. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements as of December 31, 2003, of Středočeská energetická a.s., Severočeská energetika, a.s., Severomoravská energetika, a. s., and certain other companies of the ČEZ Group, which statements reflect 7% of total consolidated assets as of December 31, 2003, and 33% of total consolidated operating revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the companies not audited by us, is based solely on the reports of the other auditors.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with International Financial Reporting Standards.

Ernst & Young

Ernst & Young ČR, s.r.o.
License No. 401

Ladislav Langr

Ladislav Langr
Auditor, License No. 257

April 8, 2005
Prague, Czech Republic

ČEZ Group – Consolidated Balance Sheets in Accordance with IFRS

Consolidated Balance Sheets as at 31 December (in CZK millions)

	2004	2003
Assets		
Property, plant and equipment:		
Plant in service	374,731	366,594
Less accumulated provision for depreciation	165,878	149,776
Net plant in service (Note 3)	208,853	216,818
Nuclear fuel, at amortized cost	7,956	9,574
Construction work in progress	10,626	10,204
Total property, plant and equipment	227,435	236,596
Other non-current assets:		
Investment in associates	7,474	10,999
Investments and other financial assets, net (Note 4)	19,690	8,642
Intangible assets, net (Note 5)	3,294	1,997
Deferred tax assets (Note 21)	189	288
Total other non-current assets	30,647	21,926
Total non-current assets	258,082	258,522
Current assets:		
Cash and cash equivalents (Note 8)	7,545	4,014
Receivables, net (Note 9)	8,904	7,064
Income tax receivable	26	103
Materials and supplies, net	3,184	3,242
Fossil fuel stocks	739	979
Other current assets (Note 10)	2,335	4,299
Total current assets	22,733	19,701
Total assets	280,815	278,223
Shareholders' equity and liabilities		
Shareholders' equity:		
Stated capital	59,218	59,152
Retained earnings and other reserves	104,471	93,472
Total shareholders' equity (Note 11)	163,689	152,624
Minority interest	5,282	7,893
Long-term liabilities:		
Long-term debt, net of current portion (Note 12)	38,190	30,965
Accumulated provision for nuclear decommissioning and fuel storage (Note 14)	29,441	28,164
Other long-term liabilities	5,192	5,206
Total long-term liabilities	72,823	64,335
Deferred tax liability (Note 21)	16,008	15,863
Current liabilities:		
Short-term loans (Note 15)	240	2,320
Current portion of long-term debt (Note 12)	3,439	5,691
Trade and other payables (Note 17)	12,409	20,579
Income taxes payable	1,021	3,203
Accrued liabilities (Note 18)	5,904	5,715
Total current liabilities	23,013	37,508
Total shareholders' equity and liabilities	280,815	278,223

The accompanying notes are an integral part of these consolidated financial statements.

ČEZ Group – Consolidated Income Statements in Accordance with IFRS

Consolidated Income Statements for the Years Ended December 31 (in CZK millions)

	2004	2003	2002
Revenues:			
Sales of electricity (Note 19)	92,748	79,548	52,938
Heat sales and other revenues	7,417	5,268	2,640
Total revenues	100,165	84,816	55,578
Operating expenses:			
Fuel	14,370	14,307	12,894
Purchased power and related services	26,511	21,100	7,328
Repairs and maintenance	4,420	4,226	3,847
Depreciation and amortization	18,384	16,961	11,721
Salaries and wages	9,644	7,994	3,854
Materials and supplies	3,769	3,670	1,838
Other operating expenses (Note 20)	3,912	3,554	2,873
Total expenses	81,010	71,812	44,355
Income before other expenses (income) and income taxes	19,155	13,004	11,223
Other expenses (income):			
Interest on debt, net of capitalized interest (Note 2.9)	1,864	1,714	582
Interest on nuclear provisions (Note 2.23 and 14)	1,965	1,680	1,532
Interest income	(329)	(319)	(149)
Foreign exchange rate losses (gains), net	(1,766)	(1,915)	(3,340)
Other expenses (income), net (Note 22)	227	2,170	1,299
Income from associates (Note 2.3)	(734)	(1,063)	(497)
Total other expenses (income)	1,227	2,267	(573)
Income before income taxes	17,928	10,737	11,796
Income taxes (Note 21)	3,845	1,349	3,375
Income after income taxes	14,083	9,388	8,421
Minority interest	1,024	519	–
Net income	13,059	8,869	8,421
Net income per share (CZK per share) (Note 26)			
Basic	22.1	15.0	14.3
Diluted	22.1	15.0	14.2
Average number of shares outstanding (000s) (Notes 11 and 26)			
Basic	592,075	590,772	590,363
Diluted	592,211	592,211	592,150

The accompanying notes are an integral part of these consolidated financial statements.

ČEZ Group – Consolidated Statements of Shareholders' Equity in Accordance with IFRS

Consolidated Statements of Shareholders' Equity for the Years Ended December 31 (in CZK millions)

	Number of Shares (in thousand)	Stated Capital	Translation Difference	Fair value and Other Reserves	Retained Earnings	Total Equity
December 31, 2001	590,138	59,050	–	–	77,676	136,726
Additional paid-in capital	123	12	–	–	–	12
Net income	–	–	–	–	8,421	8,421
Acquisition of treasury shares	(1,950)	(181)	–	–	–	(181)
Sale of treasury shares	1,965	160	–	–	17	177
Dividends declared	–	–	–	–	(1,480)	(1,480)
December 31, 2002 as previously reported	590,276	59,041	–	–	84,634	143,675
Change in accounting policy – effect of change in group structure (Note 2.4)	–	–	–	–	609	609
January 1, 2003, as restated	590,276	59,041	–	–	85,243	144,284
Net income	–	–	–	–	8,869	8,869
Change in fair value of available-for-sale financial assets recognized in equity	–	–	–	(101)	–	(101)
Gain on sale of subsidiary ČEPS, a.s., net of tax (Note 25)	–	–	–	–	7,162	7,162
Effect of acquisition of REAS on equity (Note 6)	–	–	–	–	(5,023)	(5,023)
Sale of treasury shares	1,190	111	–	–	(5)	106
Dividends declared	–	–	–	–	(2,657)	(2,657)
Returned dividends on treasury shares	–	–	–	–	4	4
Share options	–	–	–	21	–	21
Share on equity movements of associates	–	–	–	–	(25)	(25)
Other movements	–	–	1	(1)	(16)	(16)
December 31, 2003	591,466	59,152	1	(81)	93,552	152,624
Net income	–	–	–	–	13,059	13,059
Change in fair value of available-for-sale financial assets recognized in equity	–	–	–	55	–	55
Change in fair value of cash flow hedges recognized in equity	–	–	–	(690)	–	(690)
Cash flow hedges removed from equity	–	–	–	621	–	621
Gain on sale of subsidiary ČEPS, a.s., net of tax (Note 25)	–	–	–	–	2,436	2,436
Effect of acquisition of ŠKODA PRAHA a.s. on equity (Note 6)	–	–	–	–	331	331
Acquisition of treasury shares	(2,355)	(488)	–	–	–	(488)
Sale of treasury shares	3,090	554	–	–	(223)	331
Dividends declared	–	–	–	–	(4,738)	(4,738)
Share options	–	–	–	130	–	130
Share on equity movements of associates	–	–	–	–	34	34
Other movements	–	–	(3)	–	(13)	(16)
December 31, 2004	592,201	59,218	(2)	35	104,438	163,689

The accompanying notes are an integral part of these consolidated financial statements.

ČEZ Group – Consolidated Statements of Cash Flows in Accordance with IFRS

Consolidated Statements of Cash Flows for the Years Ended December 31 (in CZK millions)

	2004	2003	2002
Operating activities:			
Income before income taxes	17,928	10,737	11,796
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation, amortization and asset write-offs	18,522	16,969	11,735
Amortization of nuclear fuel	3,391	3,484	2,071
(Gain) loss on fixed asset retirements, net	(1,137)	(384)	(363)
Foreign exchange rate loss (gain), net	(1,766)	(1,915)	(3,340)
Interest expense, interest income and dividend income, net	1,308	1,054	356
Provision for nuclear decommissioning and fuel storage	538	228	641
Provisions for doubtful accounts, environmental claims and other adjustments	(1,251)	1,602	(53)
Income from associates	(734)	(1,063)	(497)
Changes in assets and liabilities:			
Receivables	2,387	1,137	(282)
Materials and supplies	285	(152)	44
Fossil fuel stocks	240	(343)	39
Other current assets	1,997	1,903	334
Trade and other payables	(1,836)	2,142	353
Accrued liabilities	521	1,103	(363)
Cash generated from operations	40,393	36,502	22,471
Income taxes paid	(6,425)	(44)	(3,395)
Interest paid, net of capitalized interest	(1,478)	(1,601)	(434)
Interest received	327	316	149
Dividends received	1,322	587	210
Net cash provided by operating activities	34,139	35,760	19,001
Investing activities:			
Acquisition of subsidiaries, net of cash acquired (Note 6)	(18,166)	(28,374)	–
Proceeds from disposal of a subsidiary, net of cash disposed of	–	12,208	–
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(15,783)	(23,942)	(10,419)
Proceeds from sales of fixed assets	4,760	9,585	1,078
Change in decommissioning and other restricted funds	(443)	(407)	(594)
Total cash used in investing activities	(29,632)	(30,930)	(9,935)
Financing activities:			
Proceeds from borrowings	15,004	31,284	8,446
Payments of borrowings	(10,419)	(33,736)	(13,864)
Proceeds from other long-term liabilities	96	131	–
Payments of other long-term liabilities	(373)	(66)	–
Dividends paid to Company's shareholders	(4,724)	(2,640)	(1,480)
Dividends paid to minority interests	(117)	(227)	–
Acquisition/sale of treasury shares	(156)	106	(4)
Total cash used in financing activities	(689)	(5,148)	(6,902)
Net effect of currency translation in cash	(287)	(59)	(219)
Net increase (decrease) in cash and cash equivalents	3,531	(377)	1,945
Cash and cash equivalents at beginning of period	4,014	4,225	2,280
Effect of change in group structure on opening balance of cash and cash equivalents	–	166	–
Cash and cash equivalents at beginning of period, as restated	4,014	4,391	2,280
Cash and cash equivalents at end of period	7,545	4,014	4,225
Supplementary cash flow information			
Total cash paid for interest	2,029	2,538	2,562

The accompanying notes are an integral part of these consolidated financial statements.

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 67.6% at December 31, 2004 by the Czech Republic National Property Fund. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic. The average number of employees of the Company and its consolidated subsidiaries was 16,702, 16,093 and 7,806 for the year 2004, 2003 and 2002, respectively.

ČEZ is an electricity generation company, which produced approximately 73% of the electricity and a portion of the district heating in the Czech Republic in 2004. The Company sells majority of its electricity production to eight distribution companies ("REAS") in the Czech Republic which distribute the electricity to end customers (see Note 19). The Company operates ten fossil fuel plants, thirteen hydroelectric plants and two nuclear plants.

The company is a parent company of the ČEZ Group ("the Group"), which is primarily engaged in the business of production, distribution and sale of electricity (see Notes 2.3 and 7).

In December 2004 Czech Parliament revised The Act on Conditions of Business Activity and State Administration in the Energy Industries (the "Energy Law"). The Energy Law provides the conditions for business activities, performance of public administration and regulation in the energy sectors, including electricity, gas and heat, as well as the rights of and obligations of individuals and legal entities related thereto. The business activities in the energy sectors in the Czech Republic may only be pursued by individuals or legal entities upon the basis of government authorization in the form of licenses granted by the Energy Regulatory Office.

Responsibility for public administration in the energy sectors is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

Third-party access is being introduced gradually between 2002 and, at the latest, 2006 at which time all electricity customers will be able to purchase electricity from any distributor, eligible generator, or trader.

On March 11, 2002 the Government decided to sell shares in the eight REAS, which are held by the National Property Fund and Czech Consolidation Agency, to ČEZ and to purchase from ČEZ a 66% share in its transmission subsidiary ČEPS, a.s. ("ČEPS"). The transaction was carried out on April 1, 2003 (see Notes 2.3, 6 and 25).

Through this transaction ČEZ has acquired a majority share in five REAS, and a minority share in three REAS. However, the Economic Competition Protection Authority has ruled that ČEZ had to sell its shares in one of the REAS in which it acquired a majority share and in three of the REAS in which it acquired a minority share. The Economic Competition Protection Authority has also decided that ČEZ should sell its remaining equity share in ČEPS. Following the decisions of the Economic Competition Protection Authority, ČEZ has sold in September 2003 its shares in two of the three REAS (Jihočeská energetika, a.s., a Jihomoravská energetika, a.s.), where ČEZ previously acquired minority shares. The shares in Pražská energetika, a.s., and ČEPS, a.s., have been sold during 2004. In March 2005 the Economic Competition Protection Authority canceled its previous decision, which required ČEZ to sell its majority share in one of the acquired REAS. This new decision is conditioned by an obligation of ČEZ to allow access to its electricity production capacity of total 400 MW for independent subjects in the period 2006 and 2007. The price for the offered production capacity will be result of an auction.

2. Summary of Significant Accounting Policies

2.1. Basis of Accounting

The Company is required to maintain its books and records in accordance with accounting principles and practices mandated by the Czech Law on Accounting. The accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of the Company in order to conform the Czech statutory balances to financial statements prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The adjustments are summarized in Note 29.

2.2. Financial Statements

The accompanying consolidated financial statements of ČEZ are prepared in accordance with International Financial Reporting Standards (IFRS). They are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

2.3. Group Accounting

a. Group Structure

The financial statements include the accounts of ČEZ, a. s., its subsidiaries and associates, which are shown in the Note 7. Other investments are excluded from the consolidation because the impact on the consolidated financial statements would not be material. These investments are included in the balance sheet under investments and other financial assets and are stated at cost net of provision for diminution in value (see Note 4).

b. Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries from unrelated parties. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. In case of subsequent acquisition of a minority interest in subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the minority interest acquired.

In case of acquisitions of subsidiaries from entities under common control the assets and liabilities of the acquired subsidiaries are initially included in the consolidated financial statements at their book values at the date of acquisition. The difference between the cost of acquisition and the share of the book value of net assets of the subsidiary acquired is recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

c. Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

2.4. Change in Accounting Principles

a. Adoption of IFRIC 1

In 2004 the Company adopted IFRIC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities ("IFRIC 1"). Following the interpretation, changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate are added to, or deducted from, the cost of the related asset in the current period (see Notes 2.23 and 14).

Prior to application of IFRIC 1 in 2004 the Group followed a different accounting policy, under which the changes in a decommissioning liability that resulted from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate were added to (or deducted from) the amount recognized as the related asset to the extent the change related to future periods. To the extent the change related to the current or prior periods, it was reported as income or expense for the current period.

IFRIC 1 has been applied retrospectively and the prior year comparative information has been restated. The effect of the retrospective adoption of IFRIC 1 has been to increase consolidated net income for the year 2003 by CZK 2,937 million with the corresponding increase in capitalized costs of nuclear provisions and the deferred tax liability. Adoption of IFRIC 1 had no effect on the presented income statement for the year 2002.

b. Change in group structure

In 2003 the Company included in the consolidated group certain companies, which previously have not been consolidated, because the impact on the consolidated financial statements was not significant. In previous periods the investments in these companies have been included in other financial assets as available for sale financial investments. The impact of consolidation of the previously unconsolidated subsidiaries and associates was recorded in 2003 directly in equity by adjusting the opening balance of retained earnings (see Note 7). Comparative information has not been restated, because it was impracticable to do so.

c. Comparatives

Certain prior year financial statement items have been reclassified to conform to the current year presentation.

d. New IFRS standards

The International Accounting Standards Board (IASB) introduced many changes to the International Financial Reporting Standards and issued new standards and interpretations during 2003 and 2004 that will be valid from January 1, 2005, or later. Therefore, it is possible that the IFRS financial statements for the year ended December 31, 2005, or later will contain comparative data for the year 2004 that will differ from the data presented in these financial statements. The Company is currently assessing the impact that new or revised standards will have on the Group accounting policies and financial data presented.

2.5. Measurement Currency

Based on the economic substance of the underlying events and circumstances relevant to the Group, the measurement currency of the Group has been determined to be the Czech crown (CZK).

2.6. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.7. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

2.8. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 3,391 million, CZK 3,484 million and CZK 2,071 million for the years ended December 31, 2004, 2003 and 2002, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 14). Such charges amounted to CZK 203 million, CZK 113 million and CZK 82 million in 2004, 2003 and 2002, respectively.

2.9. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the assets had not been made. Such capitalized interest costs amounted to CZK 552 million, CZK 937 million and CZK 2,128 million, which was equivalent to an interest capitalization rate of 6.5%, 7.4% and 7.5% in 2004, 2003 and 2002, respectively.

2.10. Property, Plant and Equipment

Property, plant and equipment are recorded at cost net of accumulated depreciation and valuation allowances. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain environmental installations decrease the acquisition cost of the respective items of property, plant and equipment.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values.

Depreciation

The Group depreciates the original cost of property, plant and equipment by using the straight-line method over the estimated economic lives. The depreciable lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	25 – 50
Machinery and equipment	4 – 25
Vehicles	4 – 20
Furniture and fixtures	8 – 15

Average depreciable lives based on the functional use of property are as follows:

	Average Life
Hydro plants	
Buildings and structures	44
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	32
Machinery and equipment	14
Nuclear power plant	
Buildings and structures	32
Machinery and equipment	17
Electricity distribution grid	30

Depreciation of plant in service was CZK 17,648 million, CZK 16,319 million and CZK 11,375 million for the years ended December 31, 2004, 2003 and 2002, which was equivalent to a composite depreciation rate of 4.7%, 5.3% and 5.6%, respectively.

2.11. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.23). At December 31, 2004 and 2003 capitalized costs at net book value amounted to CZK 233 million and CZK 360 million, respectively.

2.12. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful life using the straight-line method. The estimated useful life of intangible assets ranges from 4 to 15 years.

2.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition (see Note 2.3). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in other expense (income).

Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less (see Note 8). Foreign currency deposits are translated at December 31, 2004 and 2003 exchange rates, respectively.

2.16. Cash Restricted in Its Use

Restricted balances of cash shown under other non-current financial assets as restricted funds (see Note 4) relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. At December 31, 2004 and 2003 the allowance for uncollectible receivables amounted to CZK 1,653 million and CZK 2,317 million, respectively.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from remeasuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to the net profit and loss such that it is fully amortized by maturity.

b. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Income Taxes

The provision for corporate tax is calculated in accordance with Czech tax regulations and is based on the income or loss reported under Czech accounting regulations, adjusted for appropriate permanent and temporary differences from Czech taxable income. In the Czech Republic, income taxes are calculated on an individual company basis as the tax laws do not permit consolidated tax returns. Current income taxes are provided at a rate of 28%, 31% and 31% for the year ended December 31, 2004, 2003 and 2002, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, except goodwill for which amortization is not deductible for tax purposes. Deferred tax assets and liabilities of group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.22. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

2.23. Nuclear Provisions

Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation is approximately 4.5%, which is based on the current rate of interest on long-term Czech government bonds of approximately 7% and the estimated 2.5% real rate of interest.

The decommissioning process is expected to continue for approximately a sixty-year period subsequent to the final operation of the plants. Furthermore, spent nuclear fuel will be stored on a temporary basis until approximately 2065 when permanent storage facilities are planned to become available. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

Since 2004, pursuant to IFRIC 1 (see Note 2.4), changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period. If the adjustment results in an addition to the cost of an asset, the Company performs an impairment review to confirm, whether the value of the asset is fully recoverable.

2.24. Leases

a. A Group company is a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

b. A Group company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized over the lease term as finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.25. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.26. Share Options

Board of directors, certain members of management of the Company and the Supervisory Board members have been granted options to purchase common shares of the Company. Employee compensation expense is measured on the date of the grant to the extent the quoted market price of the shares exceeds the exercise price of the share options.

2.27. Translation of Foreign Currencies

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in the revaluation reserve in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction.

The Group has used the following exchange rates for the translation of monetary items at December 31, 2004 and 2003:

	2004	2003
CZK per EUR	30.465	32.405
CZK per USD	22.365	25.654

3. Net Plant in Service

Net plant in service at December 31, 2004 and 2003 is as follows (in CZK millions):

	Buildings	Plant and Equipment	Land and Other	Total 2004	Total 2003
Cost – opening balance	130,406	234,623	1,565	366,594	242,338
Plant additions	4,354	6,123	15	10,492	58,991
Retirements	(1,073)	(1,812)	(74)	(2,959)	(4,081)
Acquisition of subsidiaries	333	257	14	604	83,963
Disposal of subsidiaries	–	–	–	–	(14,617)
Cost – closing balance	134,020	239,191	1,520	374,731	366,594
Accumulated deprec. and allowances – opening balance	(50,677)	(99,027)	(72)	(149,776)	(103,355)
Depreciation	(4,102)	(13,546)	–	(17,648)	(16,319)
Net book value of assets disposed	(667)	(114)	(1)	(782)	(1,309)
Retirements	1,073	1,812	–	2,885	4,036
Acquisition of subsidiaries	(91)	(244)	–	(335)	(40,821)
Disposal of subsidiaries	–	–	–	–	8,087
Impairment losses recognized	(387)	(29)	(17)	(433)	(224)
Impairment losses reversed	31	153	27	211	129
Accumulated deprec. and allowances – closing balance	(54,820)	(110,995)	(63)	(165,878)	(149,776)
Net plant in service – closing balance	79,200	128,196	1,457	208,853	216,818

At December 31, 2004 and 2003 plant and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2004	2003
Cost	15,429	14,892
Accumulated depreciation	(3,467)	(3,128)
Total net book value	11,962	11,764

The carrying value of plant and equipment held under finance lease at December 31, 2004 and 2003 is CZK 811 million and CZK 173 million, retrospectively (see Note 16).

None of the Group's plant in service is pledged as security for liabilities.

4. Investments and Other Financial Assets, Net

Investments at December 31, 2004 and 2003 consist of the following (in CZK millions):

	2004	2003
Financial assets in progress, net	8,722	116
Investments in REAS, net	–	3,401
Financial assets available for sale, net	1,992	2,146
Restricted funds for nuclear decommissioning	1,580	1,245
Other restricted funds	1,177	1,069
Long-term receivables, net	6,219	665
Total	19,690	8,642

In 2003 the investments in REAS represent a 34% share in Pražská energetika, a.s., which based on the decision of the Economic Competition Protection Authority was sold in 2004. Financial assets available for sale include also other majority and minority shareholdings in non-consolidated companies (see Note 2.3).

The financial assets in progress represent advances and other consideration paid for shares in subsidiaries and associates, for which the ownership rights have not been transferred to the Company at the year-end. At December 31, 2004, the balance includes mainly the investment in three Bulgarian distribution companies (see Note 28).

At December 31, 2004 and 2003 impairment provisions for financial assets available for sale amounted to CZK 100 million and CZK 281 million, respectively. Impairment provision for investment in REAS (Pražská energetika, a.s.) was CZK 421 million at December 31, 2003 only. At December 31, 2004 and 2003 impairment provisions for financial assets in progress amounted to CZK 77 million and CZK 615 million, respectively.

5. Intangible Assets, Net

Intangible assets at December 31, 2004 and 2003 were as follows (in CZK millions):

	Software	Rights and Other	Goodwill	Total 2004	Total 2003
Cost – opening balance	4,420	244	–	4,664	2,023
Additions	827	258	–	1,085	834
Retirements	(300)	(1)	–	(301)	(70)
Acquisition of subsidiaries	21	1	759	781	2,086
Disposal of subsidiaries	–	–	–	–	(209)
Cost – closing balance	4,968	502	759	6,229	4,664
Accumulated amortization – opening balance	(3,236)	(30)	–	(3,266)	(1,212)
Amortization charge for the year	(712)	(24)	–	(736)	(642)
Net book value of assets disposed	(6)	(59)	–	(65)	(1)
Disposals	300	1	–	301	70
Acquisition of subsidiaries	(20)	(1)	–	(21)	(1,563)
Disposal of subsidiaries	–	–	–	–	82
Accumulated amortization – closing balance	(3,674)	(113)	–	(3,787)	(3,266)
Net intangible assets – closing balance	1,294	389	759	2,442	1,398

At December 31, 2004 and 2003, intangible assets presented on the balance sheet included intangible assets in progress in the amount of CZK 852 million and CZK 599 million, respectively.

At December 31, 2004, the total amount of goodwill was allocated to the distribution segment cash-generating unit (see Note 24) and there have been no accumulated impairment losses.

The recoverable amount of the distribution cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period. The discount rate applied to cash flow projections is 7% and cash flows beyond the 5-year period are considered at constant level.

6. Acquisition of Subsidiaries and Associates

Acquisitions in 2004

In January 2004 the Company increased its share in ŠKODA PRAHA a.s. from 29.8% to 68.9%. The increase of share capital was repaid by offset of receivables against payables of ŠKODA PRAHA a.s. Through this transaction the Group obtained control over ŠKODA PRAHA a.s. As the shares have been effectively acquired from Czech National Property Fund, an entity under control of ČEZ's ultimate parent (Czech government), ČEZ has accounted for this transaction as an acquisition of subsidiaries under common control (see Note 2.3).

The values of the identifiable assets and liabilities of ŠKODA PRAHA a.s. and other subsidiaries acquired in 2004 are as follows (in CZK millions):

	ŠKODA PRAHA a.s.	Other subsidiaries acquired	Total
Shares acquired in 2004	39.1%		
Property, plant and equipment, net	269	–	269
Deferred income taxes	199	–	199
Other non-current assets	168	–	168
Cash and cash equivalents	249	156	405
Other current assets	1,230	11	1,241
Long-term liabilities	(141)	–	(141)
Deferred income taxes	–	–	–
Current liabilities	(1,363)	(3)	(1,366)
Total net assets	611	164	775
Minority interests	(190)	–	(190)
Share of net assets in associate already recognized using the equity method	(5)	(164)	(169)
Share of net assets acquired	416	–	416
Effect of acquisition of ŠKODA PRAHA a.s. recognized directly in equity	(331)	–	(331)
Goodwill	–	–	–
Total purchase consideration	85	–*)	85
Less:			
Non-monetary contributions	(85)	–	(85)
Cash and cash equivalents in subsidiaries acquired	(249)	(156)	(405)
Cash outflow on acquisition of subsidiaries	(249)	(156)	(405)

*) The amount paid for acquisitions of other subsidiaries in 2004 was less than CZK 1 million.

During 2004 ČEZ purchased further minority shares in 2 of the REAS and other companies from various third parties. The following table summarizes the critical terms of the subsequent acquisitions of minority shares in REAS and other companies during 2004 (in CZK millions):

	Group SME	Group SČE	Other companies	Total
Shares acquired in 2004 from third parties	30.3%	5.9%		
Share of net assets acquired	3,282	434	680	4,396
Goodwill	641	118	–	759
Negative goodwill	–	–	(1)	(1)
Less:				
Non-monetary contributions	–	–	(675)	(675)
Total purchase consideration paid to third parties in cash	3,923	552	4	4,479

The following table summarizes the cash outflows on acquisitions of subsidiaries and minority shares during 2004 (in CZK millions):

Cash outflows on acquisition of subsidiaries	(405)
Cash outflows on purchase of minority shares in REAS	4,479
Change in payables from acquisitions	5,378
Cash paid for financial assets in progress	8,714
Total cash outflows on acquisitions in 2004	18,166

The cash paid for financial assets in progress represents advances and other consideration paid for shares in subsidiaries and associates, for which the ownership rights have not been transferred to the Company at the year-end (see Notes 4 and 28).
From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2004 (in CZK millions):

	ŠKODA PRAHA a.s.	Other subsidiaries acquired	Total
Revenues	723	5	728
Income before other expense (income) and income taxes	225	(7)	218
Net income	93	(11)	82

Acquisitions in 2003

On April 1, 2003, ČEZ acquired majority of the voting shares in 5 Czech electricity distribution companies ("REAS") from Czech National Property Fund and Czech Consolidation Agency. Through the acquisition of REAS ČEZ has also gained control over several other companies, which were owned directly by the respective REAS companies. As the REAS companies and their subsidiaries were acquired from the direct parent of ČEZ and an agency under common control of ČEZ's ultimate parent (Czech government), ČEZ has accounted for this transaction as an acquisition of subsidiaries under common control (see Note 2.3).
The book values of the identifiable assets and liabilities of the REAS companies acquired from companies under common control are as follows (in CZK millions):

	Group SČE	Group SME	Group STE
Shares acquired in 2003 from entities under common control	48.05%	48.65%	58.3%
Shares acquired in previous years*)	2.95%	10.43%	–
Total shares	51.00%	59.08%	58.3%
Property, plant and equipment, net	7,306	10,523	9,741
Deferred income taxes	189	–	–
Other non-current assets	524	1,069	697
Cash and cash equivalents	76	265	33
Other current assets	3,843	7,222	4,346
Minority interests	(1)	–	(8)
Long-term liabilities	(65)	(2,215)	(256)
Deferred income taxes	–	(1,015)	(835)
Current liabilities	(5,839)	(6,065)	(6,738)
Total net assets	6,033	9,784	6,980
Minority interests	(2,956)	(4,004)	(2,911)
Share of net assets acquired	3,077	5,780	4,069
Effect of acquisition of REAS recognized directly in equity	1,660	1,730	(363)
Total purchase consideration	4,737	7,510	3,706
Less:			
Outstanding payables from acquisition	(1,031)	(1,450)	(866)
Consideration paid for shares in previous periods	(327)	(1,310)	–
Cash and cash equivalents in subsidiaries acquired	(76)	(265)	(33)
Cash outflow on acquisition from entities under common control	3,303	4,485	2,807

*) Shares acquired in previous periods have been accounted for as available for sale financial assets in 2002 and 2001, respectively.

	Group VČE	Group ZČE	Total REAS
Shares acquired in 2003 from entities under common control	49.62%	50.26%	
Shares acquired in previous years*)	0.45%	–	
Total shares	50.07%	50.26%	
Property, plant and equipment, net	8,553	5,176	41,299
Deferred income tax	–	–	189
Other non-current assets	259	1,892	4,441
Cash and cash equivalents	151	130	655
Other current assets	4,735	4,302	24,448
Minority interests	(1)	(1)	(11)
Long-term liabilities	(109)	(262)	(2,907)
Deferred income taxes	(952)	(502)	(3,304)
Current liabilities	(5,550)	(4,069)	(28,261)
Total net assets	7,086	6,666	36,549
Minority interests	(3,538)	(3,316)	(16,725)
Share of net assets acquired	3,548	3,350	19,824
Effect of acquisition of REAS recognized directly in equity	356	1,640	5,023
Total purchase consideration	3,904	4,990	24,847
Less:			
Outstanding payables from acquisition	(903)	(1,121)	(5,371)
Consideration paid for shares in previous periods	(41)	–	(1,678)
Cash and cash equivalents in subsidiaries acquired	(151)	(130)	(655)
Cash outflow on acquisition from entities under common control	2,809	3,739	17,143

*) Shares acquired in previous periods have been accounted for as available for sale financial assets in 2002 and 2001, respectively.

During 2003 ČEZ purchased further minority shares in 3 of the REAS from various third parties. The following table summarizes the critical terms of the subsequent acquisitions of minority shares in REAS during 2003 (in CZK millions):

	Group STE	Group VČE	Group ZČE	REAS total
Shares acquired in 2003 from third parties	39.4%	48.76%	48.87%	
Share of net assets acquired	2,578	3,799	4,854	11,231
Goodwill (negative goodwill)	–	–	–	–
Total purchase consideration paid to third parties	2,578	3,799	4,854	11,231

The following table summarizes the cash outflows on acquisitions of subsidiaries during 2003 (in CZK millions):

Cash outflows on acquisition from entities under common control	17,143
Cash outflows on acquisitions from third parties	11,231
Total cash outflows on acquisitions in 2003	28,374

From the date of acquisition, the REAS companies and their subsidiaries have contributed the following balances to the Group's income statement for the year 2003 (in CZK millions):

	Group SČE	Group SME	Group STE
Revenues	8,055	10,900	7,829
Income before other expense (income) and income taxes	725	520	138
Net income	238	286	256

	Group VČE	Group ZČE	Total REAS
Revenues	7,922	5,388	40,094
Income before other expense (income) and income taxes	193	166	1,742
Net income	183	34	997

7. Investments in Subsidiaries and Associates

The consolidated financial statements include the financial statements of ČEZ, a. s., and the subsidiaries and associates listed in the following table:

Subsidiaries	Country of incorporation	% equity[5] interest 2004	% voting interest 2004	% equity[5] interest 2003	% voting interest 2003
Západočeská energetika, a.s.	Czech Republic	99.13	99.13	99.13	99.13
Východočeská energetika, a.s.	Czech Republic	98.83	98.83	98.83	98.83
Středočeská energetická a.s.	Czech Republic	97.72	97.72	97.72	97.72
Severomoravská energetika, a. s.	Czech Republic	89.38	89.38	59.08	59.08
Severočeská energetika, a.s.	Czech Republic	56.93	56.93	51.00	51.00
CEZ FINANCE B. V.	the Netherlands	100.00	100.00	100.00	100.00
ČEZnet, a.s.	Czech Republic	100.00	100.00	100.00	100.00
Energetické opravny, a.s.	Czech Republic	100.00	100.00	100.00	100.00
HYDROČEZ,a.s.	Czech Republic	100.00	100.00	100.00	100.00
I & C Energo a.s.	Czech Republic	100.00	100.00	100.00	100.00
rpg Energiehandel GmbH	Germany	100.00	100.00	100.00	100.00
EN-DATA a.s.	Czech Republic	100.00	100.00	99.13	100.00
VČE - elektrárny, s.r.o.	Czech Republic	98.83	100.00	98.83	100.00
VČE - montáže, a.s.	Czech Republic	98.83	100.00	98.83	100.00
STE - obchodní služby spol. s r.o.	Czech Republic	74.42	76.16	74.42	76.16
Energetika Vítkovice, a.s.	Czech Republic	89.38	100.00	59.08	100.00
ePRIM, a.s.	Czech Republic	89.38	100.00	59.08	100.00
MSEM, a.s.[1]	Czech Republic	89.38	100.00	59.08	100.00
STMEM, a.s.[1]	Czech Republic	–	–	59.08	100.00
Union Leasing, a.s.	Czech Republic	89.38	100.00	59.08	100.00
První energetická a.s.	Czech Republic	87.27	100.00	52.99	62.00
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46	52.46	52.46	52.46
ČEZ Správa majetku, s.r.o.[3]	Czech Republic	100.00	100.00	99.99	50.00
ČEZData, s.r.o.[4]	Czech Republic	100.00	100.00	–	–
ČEZ Logistika, s.r.o.[4]	Czech Republic	100.00	100.00	–	–
ČEZ Zákaznické služby, s.r.o.[4]	Czech Republic	100.00	100.00	–	–
ŠKODA PRAHA a.s.[2]	Czech Republic	68.88	68.88	29.80	29.80

Associates	Country of incorporation	% equity interest 2004	% voting interest 2004	% equity interest 2003	% voting interest 2003
ČEPS, a.s.	Czech Republic	–	–	34.00	34.00
KOTOUČ ŠTRAMBERK, spol. s r. o.	Czech Republic	64.87	50.00	64.87	50.00
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05	50.00	51.05	50.00
Plzeňská energetika a.s.	Czech Republic	49.57	50.00	49.57	50.00
KNAUF POČERADY, spol. s r.o.	Czech Republic	40.00	50.00	40.00	50.00
Severočeské doly a.s.	Czech Republic	37.20	37.20	37.20	37.20
Aliatel a.s.	Czech Republic	26.40	30.58	21.10	29.99
Coal Energy, a.s.	Czech Republic	20.00	20.00	20.00	20.00

[1] STMEM, a.s. has merged with MSEM, a.s. during year 2004.
[2] ŠKODA PRAHA a.s. was an associate of ČEZ in 2003.
[3] AB Michle s.r.o. was renamed to ČEZ Správa majetku, s.r.o. and was an associate of ČEZ in 2003.
[4] These companies have been founded in 2004.
[5] The equity interest represents effective ownership interest of the Group.

8. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
Cash on hand and current accounts with banks	1,704	1,264
Short-term bank notes	4,940	2,501
Term deposits	901	249
Total	7,545	4,014

At December 31, 2004 and 2003, cash and cash equivalents included foreign currency deposits of CZK 1,207 million and CZK 869 million, respectively.
The weighted average interest rate on short-term bank notes and term deposits at December 31, 2004, 2003 and 2002 was 2.2%, 1.7% and 2.6%, respectively. For the years 2004, 2003 and 2002 the weighted average interest rate was 2.1%, 1.9% and 3.0%, respectively.

9. Receivables, Net

The composition of receivables, net, at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
Unbilled supplies to retail customers	2,203	–
Received advances from retail customer	(2,020)	–
Unbilled supplies to retail customers, net	183	–
Trade receivables	9,911	9,112
Taxes and fees, excluding income taxes	437	205
Other receivables	26	64
Less allowance for doubtful receivables	(1,653)	(2,317)
Total	8,904	7,064

At December 31, 2004 and 2003, the total receivables included receivables from associates and affiliates in the net amount of CZK 434 million and CZK 1,113 million, respectively.

10. Other Current Assets

The composition of other current assets at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
Securities held for trading	1,340	1,756
Debt securities held to maturity	81	1,476
Advances granted	259	360
Prepayments	496	477
Derivatives	159	230
Total	2,335	4,299

11. Shareholders' Equity

The Company's stated capital as of December 31, 2004 and 2003 is as follows:

	Number of Shares Outstanding	Par Value per Share (CZK)	Total (CZK millions)
		2004	
Registered shares	592,210,843	100	59,221
Treasury shares	(10,000)	100	(3)
Total	592,200,843		59,218
		2003	
Registered shares	592,210,843	100	59,221
Treasury shares	(745,000)	100	(69)
Total	591,465,843		59,152

During 2003 the Company sold 1,190,000 treasury shares. During year 2004 the Company acquired 2,355,000 treasury shares and sold 3,090,000 treasury shares. The remaining 10,000 treasury shares are reflected in the balance sheet at cost as a deduction from stated capital. The profit or loss on sale of treasury shares were included in retained earnings.

In accordance with Czech regulations, joint stock companies are required to establish an undistributable reserve fund for contingencies against possible future losses and other events. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of profit each year thereafter, until the fund reaches at least 20% of capital. The fund can only be used to offset losses. As of December 31, 2004 and 2003, the balance was CZK 9,913 million and CZK 9,185 million, respectively, and is reported as a component of retained earnings.

Dividends paid per share were CZK 8.0 and CZK 4.5 in 2004 and 2003, respectively. Dividends from 2004 profit will be declared on general meeting, which will be held in June 2005.

12. Long-term Debt

Long-term debt at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
7.125% Notes, due 2007 (USD 178 million)	3,962	4,545
7.25% Eurobonds, due 2006 (EUR 200 million)	6,233	6,467
4.625% Eurobonds, due 2011 (EUR 400 million)	12,101	–
8.75% Debentures, due 2004 (CZK 3,000 million)	–	3,000
9.22% Zero Coupon Debentures, due 2009[1)]	3,299	3,057
9.22% Debentures, due 2014 (CZK 2,500 million)[2)]	2,494	2,494
3.35% Debentures, due 2008 (CZK 3,000 million)	2,990	2,987
6M PRIBOR + 1.3%, due 2005 (CZK 500 million)	500	500
6M PRIBOR + 0.4%, due 2005 (CZK 1,000 million)	1,000	1,000
Long-term bank loans:		
less than 2.00%	–	4,852
2.00% to 2.99%	5,975	2,787
3.00% to 3.99%	113	286
4.00% to 4.99%	889	–
5.00% to 5.99%	747	2,365
6.00% to 6.99%	324	382
7.00% to 7.99%	887	1,241
8.00% and more	115	693
Total long-term debt	41,629	36,656
Less: Current portion	(3,439)	(5,691)
Long-term debt, net of current portion	38,190	30,965

1) Nominal value of these zero coupon debentures is CZK 4,500 million
2) From 2006 the interest rate changes to consumer price index in the Czech Republic plus 4.2%.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group. For fair values of interest rate hedging instruments see Note 13.

The future maturities of long-term debt are as follows (in CZK millions):

	2004	2003
Current portion	3,439	5,691
Between 1 and 2 years	8,035	3,696
Between 2 and 3 years	6,162	8,464
Between 3 and 4 years	3,734	7,012
Between 4 and 5 years	3,806	3,769
Thereafter	16,453	8,024
Total long-term debt	41,629	36,656

The following table analyses the long-term debt at December 31, 2004 and 2003 by currency (in millions):

	2004		2003	
	Foreign currency	CZK	Foreign currency	CZK
EUR	643	19,656	258	8,360
USD	405	9,058	454	11,637
CZK	–	12,915	–	16,659
Total long-term debt		41,629		36,656

In the normal course of business, the financial position of the Group is routinely subjected to a variety of risks, including market risk associated with interest rate movements and with currency rate movements on non-Czech crown denominated liabilities. The Group regularly assesses these risks and has established policies and business practices to partially protect against the adverse effects of these and other potential exposures.

As currency rate movements expose the Group to significant risk, the Group uses sensitivity analyses to determine the impacts that market risk exposures may have on the fair values of the Group's financial instruments. To perform sensitivity analyses, the Group assesses the risk of loss in fair values from the impact of hypothetical changes in foreign currency exchange rates and interest rates on market sensitive instruments and considers the expected costs and benefits of various hedging techniques. The Group will continue to explore cost-effective possibilities to reduce its current exchange rate movement and other market risks.

The Company has entered into a number of derivatives transactions, mainly cross-currency swaps, to hedge its long-term debt denominated in foreign currencies against the currency risk and interest rate risk. These hedges are classified as either fair value hedges or cash-flow hedges (see Note 13). As at December 31, 2004, a net unrealized loss of CZK 69 million is included in equity in respect of the cash-flow hedges.

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2004 and 2003 (in CZK millions):

	2004	2003
Floating rate long-term debt		
with interest rate fixed for 1 month	1,152	1,818
with interest rate fixed from 1 to 3 months	4,584	5,701
with interest rate fixed from 3 months to 1 year	1,242	1,840
with interest rate fixed for more than 1 year	2,494	2,494
Total floating rate long-term debt	9,472	11,853
Fixed rate long-term debt	32,157	24,803
Total long-term debt	41,629	36,656

In 1992 the Company has entered into a loan agreement with the International Bank for Reconstruction and Development. The agreement contains financial covenants relating to capital expenditure coverage, cash flow coverage and debt service coverage. In 2004, 2003 and 2002 the Company has complied with the required covenants.

13. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments
The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments
The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For instruments for which there are no quoted market prices the carrying amount approximates the fair value of such investments.

Receivables and Payables
The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans
The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt
The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives
The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Investments	7,474	7,474	10,999	10,999
Receivables	8,904	8,904	7,064	7,064
Cash and cash equivalents	7,545	7,545	4,014	4,014
Liabilities:				
Long-term debt	(41,629)	(43,848)	(36,656)	(39,626)
Short-term loans	(240)	(240)	(2,320)	(2,320)
Accounts payable	(8,234)	(8,234)	(17,548)	(17,548)
Derivatives:				
Cash flows hedges				
Receivables	–	–	–	–
Payables	(1,265)	(1,265)	–	–
Total cash flows hedges	(1,265)	(1,265)	–	–
Fair values hedges				
Receivables	21	21	–	–
Payables	(1,900)	(1,900)	–	–
Total fair values hedges	(1,879)	(1,879)	–	–
Other derivatives				
Receivables	138	138	230	230
Payables	(1,010)	(1,010)	(3,030)	(3,030)
Total other derivatives	(872)	(872)	(2,800)	(2,800)

14. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

ČEZ operates two nuclear power plants, Dukovany and Temelín. Nuclear power plant Dukovany consists of four 440 MW units which were placed into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1 000 MW units, which have started commercial operation in 2002 and 2003. Czech Republic has enacted a Nuclear Act (“Act”), which defines certain obligations for the decontamination and dismantling (“decommissioning”) of the Company’s nuclear power plants and the final disposal of radioactive waste and spent fuel (“disposal”). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant’s operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. An updated 2003 Dukovany estimate and a 2004 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 15.6 billion and CZK 13.7 billion, respectively. The Company makes contributions to a restricted account in the amount of the nuclear provisions recorded under the Act. These restricted funds are shown in the balance sheet under other non-current financial assets (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority (“RAWRA”) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a “nuclear account” funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution in 1997, at 50 CZK per MWh produced at nuclear power plants. Since October 1, 1997, ČEZ has made regular payments to the nuclear account based on its average nuclear MWh generated during the last 5 years. From 2003 ČEZ is making these payments based on the actual quantity of electricity generated in nuclear power plants in the respective period. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim and long-term spent fuel storage.

The Group has established provisions as described in Note 2.23, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2004, 2003 and 2002 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage Interim	Spent fuel storage Long-term	Total
Balance at December 31, 2001	5,398	2,651	13,347	21,396
Movements during 2002				
Discount accretion	144	70	334	548
Effect of inflation	258	126	600	984
Provision charged to income statement	–	82	–	82
Effect of change in estimate credited to income statement (Note 2.23)	–	(82)	–	(82)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.23)	932	–	(59)	873
Capitalized cost of Temelín provisions	619	254	–	873
Current cash expenditures	–	(135)	(673)	(808)
Balance at December 31, 2002	7,351	2,966	13,549	23,866
Effect of change in group structure	142	4	–	146
Movements during 2003				
Discount accretion	187	74	339	600
Effect of inflation	337	133	610	1,080
Provision charged to income statement	–	113	–	113
Effect of change in estimate credited to income statement (Note 2.23)	–	(56)	–	(56)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.23)	153	–	3,661	3,814
Current cash expenditures	–	(103)	(1,296)	(1,399)
Balance at December 31, 2003	8,170	3,131	16,863	28,164
Movements during 2004				
Discount accretion	202	78	422	702
Effect of inflation	363	141	759	1,263
Provision charged to income statement	–	203	–	203
Effect of change in estimate credited to income statement (Note 2.23)	–	(44)	–	(44)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.23)	359	–	177	536
Current cash expenditures	–	(67)	(1,316)	(1,383)
Balance at December 31, 2004	9,094	3,442	16,905	29,441

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

15. Short-term Loans

Short-term loans at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004	2003
Short-term bank loans	129	2,295
Bank overdrafts	107	17
Other short-term notes payable	4	8
Total	240	2,320

Interest on short-term loans is variable. The weighted average interest rate was 3.2% at December 31, 2004 and 2.1% at December 31, 2003. For the years 2004, 2003 and 2002 the weighted average interest rate was 4.6%, 2.2% and 3.0%, respectively.

16. Finance Leases

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows (in CZK millions):

	2004	2003
Within one year	60	31
After one year but not more than five years	27	25
More than five years	–	–
Total minimum lease payments	87	56
Future finance charges on finance leases	(9)	(6)
Present value of finance lease liabilities	78	50

17. Trade and Other Payables

Trade and other payables at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004	2003
Received advances from retail customers	12,374	15,855
Unbilled supplies to retail customers	(11,105)	(12,962)
Received advances from retail customers, net	1,269	2,893
Payables from purchase of REAS	–	7,470
Trade payables	5,925	6,251
Derivatives	4,175	3,031
Other payables	1,040	934
Total	12,409	20,579

At December 31, 2004 and 2003, the total payables included payables from associates and affiliates in the amount of CZK 674 million and CZK 1,192 million, respectively.

18. Accrued Liabilities

Accrued liabilities at December 31, 2004 and 2003 consist of the following (in CZK millions):

	2004	2003
Provisions	2,330	2,811
Accrued interest	929	805
Taxes and fees, excluding income taxes	968	864
Unbilled goods and services	929	546
Social and bonus funds	285	254
Deferred income	463	435
Total	5,904	5,715

19. Sales of Electricity

The composition of sales of electricity at December 31, 2004, 2003 and 2002 is as follows (in CZK millions):

	2004	2003	2002
Sales to distribution companies	13,541	19,843	39,230
Sales to end customer through distribution grid	53,492	36,590	–
Exports of electricity including trade outside the Czech Republic	10,309	13,296	10,143
Sales to traders	5,172	1,592	2,010
Revenues capitalized during construction	–	–	(1,373)
Other domestic sales of electricity	4,943	3,893	2,928
Sales of ancillary services	5,291	4,334	–
Total	92,748	79,548	52,938

20. Other Operating Expenses

Other operating expenses (income), net, for the year ended December 31, 2004, 2003 and 2002 consist of the following (in CZK millions):

	2004	2003	2002
Services	5,031	4,411	3,199
Travel expenses	207	147	34
Loss (gain) on sale of property, plant and equipment	(616)	(326)	20
Loss on sale of material	57	73	136
Capitalization of expenses to the cost of fixed assets and change in own inventory	(1,914)	(1,565)	(437)
Fines, penalties and penalty interest, net	(103)	(43)	(258)
Change in provisions and valuation allowances	(1,480)	359	(71)
Taxes and fees	354	448	466
Write-off of bad debts and cancelled investment	239	146	15
Gifts	254	112	49
Other, net	1,883	(208)	(280)
Total	3,912	3,554	2,873

21. Income Taxes

Income Tax Legislation

Corporate income tax is calculated in accordance with Czech tax regulations at the rate of 28%, 31% and 31% in 2004, 2003 and 2002, respectively. The corporate income tax rate for 2005 will be 26%.

The Czech Republic currently has a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value-added tax, corporate tax, and payroll (social) taxes, together with others. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains those relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

Income Tax Provision

The components of the income tax provision are as follows (in CZK millions):

	2004	2003	2002
Current income tax charge	2,484	1,007	450
Adjustments in respect of current income tax of previous periods	154	11	254
Deferred income taxes	1,207	331	2,671
Total	3,845	1,349	3,375

The differences between income tax expense computed at statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2004	2003	2002
Income before income taxes	17,928	10,737	11,796
Statutory income tax rate	28%	31%	31%
"Expected" income tax expense	5,020	3,328	3,657
Add (deduct) tax effect of:			
Change in tax rates	(1,008)	(1,561)	–
Czech/IFRS accounting differences	1	78	282
Non deductible provisions, net	(158)	123	(30)
Investment tax relief	(57)	(1,010)	(1,181)
Other non deductible (non taxable) items, net	(104)	140	(117)
Tax credits	(5)	(212)	(103)
Additional tax assessments	154	11	254
Withholding tax on dividend	2	42	–
Difference between carrying and tax value of financial asset	–	410	–
Deferred tax on undistributed profits of subsidiary	–	–	613
Income taxes	3,845	1,349	3,375
Effective tax rate	21%	13%	29%

Deferred Income Taxes, Net

Deferred income taxes at December 31, 2004 and 2003 consist of the following (in CZK millions):

	2004	2003
Accumulated provision for nuclear decommissioning and spent fuel storage	5,925	6,641
CASTOR containers write-off	286	338
Other provisions and allowances	650	885
Tax loss carry forwards	110	25
Revaluation of financial assets	11	17
Other temporary differences	71	171
Total deferred tax assets	7,053	8,077
Tax depreciation in excess of financial statement depreciation	13,103	12,102
Capitalized interest	5,032	5,590
Capitalized cost of provisions	2,927	3,395
Repairs and maintenance accrual	1,206	987
Penalty receivables	46	71
Other temporary differences	38	17
Investment in associates	520	1,490
Total deferred tax liabilities	22,872	23,652
Total deferred tax liabilities, net	15,819	15,575

22. Other Expenses (Income), Net

Other expenses, net, for the year ended December 31, 2004, 2003 and 2002 consist of the following (in CZK millions):

	2004	2003	2002
Derivative losses, net	1,630	1,157	1,643
Loss (gain) on sales of financial investments	(509)	9	(385)
Change in valuation allowances to financial investments	(342)	1,426	(31)
Other, net	(552)	(422)	72
Total	227	2,170	1,299

23. Related Parties

The Company purchases products from related parties in the ordinary course of business. Approximately 59% of the brown coal consumption is supplied by Severočeské doly a.s. ("SD"), a company in which ČEZ holds a 37.2% share. In 2004, 2003 and 2002, coal purchases from SD amounted to CZK 5,054 million, CZK 5,177 million and CZK 4,921 million, respectively. Receivables from SD amounted to CZK 10 million and CZK 10 million as of December 31, 2004 and 2003, respectively. Payables to SD amounted to CZK 535 million and CZK 508 million as of December 31, 2004 and 2003 respectively. The prices of fossil fuel supplies from SD do not differ significantly from market prices.

During 2004, 2003 and 2002 the Company granted share options to the Board of Directors, certain members of the management of the Company and Supervisory Board members. The following table shows changes during 2004, 2003 and 2002 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options	Weighted average exercise price (CZK per share)
Share options at December 31, 2001	3,375,000	92.58
Options granted	30,000	73.30
Options exercised	(30,000)	79.38
Options forfeited	(300,000)	96.39
Share options at December 31, 2002	3,075,000	93.07
Options granted	1,650,000	105.23
Options exercised	(1,190,000)	89.65
Options forfeited	(285,000)	87.83
Share options at December 31, 2003	3,250,000	100.95
Options granted	1,800,000	152.84
Options exercised	(3,090,000)	107.26
Options forfeited	(150,000)	105.78
Share options at December 31, 2004	1,810,000	141.38

At December 31, 2004, the aggregate number of share options granted to members of Board of Directors was 1,350,000 and the number of share options granted to Supervisory Board members was 460,000. The options granted do not have any vesting period and can be exercised during the original terms of office of the respective Board members and in case of options granted after annual shareholders' meeting, which was held on June 17, 2003, the options may exercised during the period when the respective Board member is holding office and in three months after their term of office expires. The exercise price for the granted options was based on the average quoted market price on the Prague stock exchange in the six-month period preceding the date of the grant. In 2004 and 2003 the Company has recognized compensation expense of CZK 148 million and CZK 2 million related to the granted options (see Note 2.26). No expense was recognized in 2002. The Company has settled all options exercised using treasury shares. The gain or loss on the sale of treasury shares were recognized directly in equity.

24. Segment Information

On April 1, 2003 ČEZ sold a majority share in its transmission subsidiary ČEPS, a.s. ("ČEPS") and at the same moment ČEZ acquired majority shares in 5 electricity distribution companies REAS (see Note 1). Following this transaction ČEZ modified its reporting of business segments by including a new distribution segment, which is formed by the 5 majority owned REAS companies. During 2004 ČEZ sold the remaining shares in ČEPS (see Note 25).

The accounting policies of the segments are the same as those described in Note 2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments and allocates resources to them based on operating income.

The following table summarizes segment information for the years ended December 31, 2004, 2003 and 2002, respectively (in CZK millions):

Year 2004	Power Production	Transmission	Distribution	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	41,223	–	53,156	5,786	100,165	–	100,165
Intersegment sales	22,986	–	5,728	2,896	31,610	(31,610)	–
Total revenues	64,209	–	58,884	8,682	131,775	(31,610)	100,165
		–					
Operating income	13,048	–	5,971	353	19,372	(217)	19,155
		–					
Identifiable assets	180,425	–	43,759	3,439	227,623	(188)	227,435
Identifiable liabilities	81,571	–	13,066	5,644	100,281	(4,444)	95,837
Investment in associates	356	–	–	7,118	7,474	–	7,474
Income (share of loss) from associates	22	780	–	(68)	734	–	734
Depreciation and amortization	13,969	–	4,004	389	18,362	22	18,384
Change in provisions and allowances	(216)	–	(1,012)	(49)	(1,277)	–	(1,277)

Year 2003	Power Production	Transmission	Distribution	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	40,756	3,569	38,373	2,118	84,816	–	84,816
Intersegment sales	14,936	152	657	2,768	18,513	(18,513)	–
Total revenues	55,692	3,721	39,030	4,886	103,329	(18,513)	84,816
Operating income	9,884	758	2,017	90	12,749	255	13,004
Identifiable assets	190,364	–	44,215	2,084	236,663	(67)	236,596
Identifiable liabilities	85,240	–	15,965	2,608	103,813	(1,971)	101,842
Investment in associates	333	2,924	–	7,742	10,999	–	10,999
Income (share of loss) from associates	(23)	630	–	456	1,063	–	1,063
Depreciation and amortization	13,558	476	2,962	220	17,216	(255)	16,961
Change in provisions and allowances	384	4	67	16	471	–	471

Year 2002	Power Production	Transmission	Distribution	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	43,651	11,927	–	–	55,578	–	55,578
Intersegment sales	6,235	441	–	–	6,676	(6,676)	–
Total revenues	49,886	12,368	–	–	62,254	(6,676)	55,578
Operating income	9,539	661	–	–	10,200	1,023	11,223
Identifiable assets	195,747	17,899	–	–	213,646	(10,219)	203,427
Identifiable liabilities	74,462	3,704	–	–	78,166	(2,917)	75,249
Investment in associate	–	–	–	5,880	5,880	–	5,880
Income from associate	–	–	–	497	497	–	497
Depreciation and amortization	10,869	1,865	–	–	12,734	(1,013)	11,721
Change in provisions and allowances	10	2	–	–	12	–	12

The power generation segment sells the major part of its electricity generated to the eight REAS.
Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

25. Discontinuing Operation

On March 11, 2002 the Government decided to purchase from ČEZ a 66% share in its transmission subsidiary ČEPS. General meeting of ČEZ's shareholders held on June 11, 2002, has confirmed the above mentioned decision of the Government. This transaction was carried out on April 1, 2003. Based on the decision of Economic Competition Protection Authority ČEZ has also sold its remaining equity share in ČEPS in September 2004.
The purchase of ČEPS shares was made by OSINEK, a.s., a company controlled by the National Property Fund, and the Ministry of Labor and Social Affairs and the Ministry of Finance. Based on the fact that the transaction was carried out between parties under common control of ČEZ's ultimate parent, ČEZ has recorded the net gain on the sale directly in equity. The composition of the amount recorded in equity in 2004 and 2003 is as follows (in CZK millions):

	2004	2003
% of shares sold	34%	66%
Total selling price	7,087	15,224
Book value of shares sold	(3,703)	(4,453)
Current income tax related to the sale	(1,721)	(4,152)
Deferred tax related to the sale	773	543
Effect of sale recognized in equity	2,436	7,162

The reconciliation of the proceeds from disposal of a subsidiary as presented in the cash-flow statement in 2004 and 2003 is as follows (in CZK millions):

	2004	2003
Total selling price	7,087	15,224
Cash disposed of	–	(3,016)
Change in receivables from the sale of subsidiary or associate	(7,087)	–
Proceeds from disposal of subsidiary, net of cash disposed of	–	12,208

The operations of ČEPS were reported in the transmission segment (see Note 24).
The carrying amounts of total assets and total liabilities attributable to the discontinuing operation at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004	2003
Total assets	–	2,924*)
Total liabilities	–	–
Total net assets disposed off	–	2,924

*) The amount represents investment in associate only.

The amounts shown above in respect of 2003 do not include the deferred tax liability from consolidation of undistributed retained earnings of ČEPS.
The following items of income, expenses and cash flows can be attributed to the discontinuing operation (in CZK millions):

	2004	2003	2002
Total revenues	–	2,023	5,692
Operating profit	–	1,013	1,684
Income from associate	780	630	–
Income before income taxes	780	1,609	1,531
Income tax expense	–	302	470
Cash flow from operating activities	–	1,055	1,460
Cash flow from investing activities	–	(113)	(477)
Cash flow from financing activities	–	–	–

The income tax expense shown above does not include deferred tax from consolidation of undistributed retained earnings of ČEPS.

26. Net Income per Share

	2004	2003	2002
Numerator – basic and diluted (CZK millions)			
Net income	13,059	8,869	8,421
Denominator (thousands shares)			
Basic:			
Weighted average shares outstanding	592,075	590,772	590,363
Dilutive effect of treasury shares	136	1,439	1,787
Diluted:			
Adjusted weighted average shares	592,211	592,211	592,150
Net income per share (CZK per share)			
Basic	22.1	15.0	14.3
Diluted	22.1	15.0	14.2

27. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2004 to total CZK 105.6 billion over the next five years, as follows: CZK 17.3 billion in 2005, CZK 19.9 billion in 2006, CZK 23.4 billion in 2007, CZK 22.4 billion in 2008 and CZK 22.6 billion 2009. These figures do not include the expected acquisitions of subsidiaries and associates, which in accordance with the estimated free cash flows can amount up to CZK 90 billion in the period 2005 through 2009. The actual payments for acquisitions will depend on the number of future investment opportunities, for which the Company will be successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2004 significant purchase commitments were outstanding in connection with the construction program.

The Company currently projects that its planned construction expenditures will be funded mainly with cash provided by operating activities.

Environmental Matters

The Czech Republic has adopted a series of environmental acts and laws and regulations (“the Acts”) including a timetable for the reduction of atmospheric emissions in the period from 1992 through December 31, 1998. As of December 31, 1998, all plants operated by the Company had been upgraded to meet the environmental requirements of the Acts.

The Company is also liable under the Acts for past environmental damage. In 2004, 2003 and 2002, payments made to state farms, individual farms, cooperatives, other agricultural firms and forests totaled CZK 4 million, CZK 6 million and CZK 9 million, respectively. Based on current estimates of its probable future obligations, the Company provided CZK 40 million in 2004, CZK 40 million in 2003 and CZK 47 million in 2002, respectively, for pollution damages. In 2004, 2003 and 2002 the Company further reversed CZK 36 million, CZK 54 million and CZK 72 million, respectively. Although uncertainties exist due to interpretations of applicable laws, management does not believe, based upon the information available at this time, that the ultimate outcome of these matters will have a material adverse effect on the Company’s financial position or results of operations.

Insurance Matters

The Nuclear Act (see Note 14) sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). ČEZ has obtained all insurance policies with minimal limits as required by the law. ČEZ concluded about mentioned insurance policies with Czech nuclear pool, a group of insurance companies.

ČEZ has renewed insurance policies covering the assets of its fossil, hydro and nuclear power plants, insurance policies covering non-technological equipment, general third party liability insurance in connection with main operations of the Company and car insurance.

ČEZ and the Group companies have insurance policies covering directors and officers liability. ČEZ also controls other property and liability insurance policies of the Group companies.

28. Events After the Balance Sheet Date

On January 18, 2005, ČEZ obtained 67% share in three Bulgarian electricity distribution companies, Elektrorazpredelenie Pleven EAD, Elektrorazpredelenie Sofia Oblast EAD and Elektrorazpredelenie Stolichno EAD. For this acquisition the Company has paid in cash a total of EUR 281.5 million (see Notes 4 and 6). The valuation of assets and liabilities of the acquired companies was not finalized as of the date, when these financial statements have been authorized for issue.

On April 5, 2005, ČEZ signed an agreement about the privatization of a Romanian distribution company Electrica Oltenia. Through this transaction ČEZ will acquire 51% share in the company for a total amount of EUR 151 million.

29. Presentation of Financial Statements

The accompanying consolidated financial statements are presented on the basis of International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board. Certain accounting principles generally accepted in the Czech Republic ("CAS") do not conform to IFRS used in preparing the accompanying consolidated financial statements. A description of the significant adjustments required to conform the Company's statutory balances to consolidated financial statements prepared in accordance with IFRS is set forth in the following tables.

The effect on retained earnings and other reserves of differences in IFRS and CAS is as follows (in CZK millions):

	December 31, 2004	December 31, 2003
Balance per CAS (standalone)	88,523	79,863
Impact of consolidation	1,109	(635)
Balance per CAS (consolidated)	89,632	79,228
Accumulated provision for nuclear decommissioning and spent fuel storage (Note 14)	(14,569)	(14,415)
Capitalized costs of nuclear provisions	12,195	12,125
CASTOR containers write-off	(1,191)	(1,209)
Deferred tax on nuclear provisions, capitalized costs of nuclear provisions and CASTOR containers write-off, net	865	971
Reversal of repairs and maintenance accrual, net of deferred tax	3,647	2,545
Impact of CAS/IFRS accounting differences on the associates, net of deferred tax	(537)	(247)
Interest capitalized, net of deferred tax	17,705	16,829
Depreciation of interest capitalized, net of deferred tax	(3,383)	(2,455)
Grants received, net of deferred tax	(550)	(670)
Gain (loss) on derivatives, net of deferred tax	2	–
Other IAS 39 differences	94	43
Electrometers, net of deferred tax	779	970
Finance leases – lessee, net of deferred tax	102	109
Share options	–	18
Rights, net of deferred tax	(54)	(116)
Revaluation on acquisition	2	(5)
Reclassification of items from retained earnings, net	(246)	(223)
Other differences	(22)	(26)
Balance per IFRS	104,471	93,472

The effect on net income of differences in IFRS and CAS is as follows (in CZK millions):

	Year ended December 31, 2004	2003	2002
Net income per CAS (standalone)	12,364	13,931	6,713
Impact of consolidation	1,416	1,648	608
Net income per CAS (consolidated)	13,780	15,579	7,321
Accumulated provision for nuclear decommissioning and spent fuel storage (Note 14)	406	889	413
Capitalized costs of nuclear provisions	(466)	(344)	(261)
CASTOR containers write-off	17	(26)	(63)
Deferred tax on nuclear provisions, capitalized costs of nuclear provisions and CASTOR containers write-off, net	(130)	(266)	(28)
Reversal of repairs and maintenance accrual, net of deferred tax	1,095	179	170
Impact of CAS/IFRS accounting differences on the associates, net of deferred tax	(319)	(10)	91
Interest capitalized, net of deferred tax	876	1,348	1,405
Depreciation of interest capitalized, net of deferred tax	(928)	(835)	(471)
Grants received, net of deferred tax	51	32	34
Gain (loss) on derivatives, net of deferred tax	1,188	(263)	580
Additional foreign exchange rate differences under IAS 39, net of deferred tax	–	–	(577)
Other IAS 39 differences, net of deferred tax	50	(12)	(85)
Electrometers, net of deferred tax	(102)	21	–
Finance leases – lessee, net of deferred tax	(1)	4	–
Share options	(148)	(2)	–
Rights, net of deferred tax	28	(17)	–
Revaluation on acquisition	9	(5)	–
Sale of ČEPS, a.s., net of tax	(2,436)	(7,162)	–
(Profit) loss on sale of treasury shares	223	5	(18)
Reclassification of items from retained earnings, net	(232)	(220)	(90)
Other differences	98	(26)	–
Net income per IFRS	13,059	8,869	8,421

ČEZ, a. s. – Balance Sheets in Accordance with Czech Accounting Standards

Assets as at 31 December (in thousands of CZK)

					2004		2003
				Gross	Adjustments	Net	Net
			TOTAL ASSETS	342,290,405	114,512,497	227,777,908	217,920,470
A.			Stock subscribtions receivable				
B.			Fixed assets	311,504,473	114,059,264	197,445,209	195,719,837
B.	I.		Intangible assets	3,140,292	1,850,391	1,289,901	1,117,827
B.	I.	1.	Expenses of foundation and organization				
		2.	Research and development				
		3.	Software	2,480,521	1,810,349	670,172	539,082
		4.	Patents, rights and royalties	390,047	40,042	350,005	205,613
		5.	Goodwill				
		6.	Other intangibles				
		7.	Intangibles in progress	263,939		263,939	373,132
		8.	Advances for intangibles	5,785		5,785	
B.	II.		Tangible assets	250,477,313	111,015,600	139,461,713	147,632,436
B.	II.	1.	Land	652,946		652,946	691,666
		2.	Buildings, halls and constructions	71,590,867	28,680,915	42,909,952	44,430,807
		3.	Separate movable items and groups of movable items	171,359,752	82,334,685	89,025,067	96,249,260
		4.	Permanent growth				
		5.	Livestock				
		6.	Other tangible assets	16,792		16,792	13,952
		7.	Tangibles in progress	4,257,480		4,257,480	4,431,343
		8.	Advances for tangibles	2,599,476		2,599,476	1,815,408
		9.	Adjustment to acquired property				
B.	III.		Financial investment	57,886,868	1,193,273	56,693,595	46,969,574
B.	III.	1.	Majority shareholdings and participating interests (shareholdings > 50%)	44,613,523	1,103,223	43,510,300	36,931,593
		2.	Substantial shareholdings and participating interests (shareholdings of 20% – 50%)	4,437,181		4,437,181	9,647,961
		3.	Other securities and deposits				178,139
		4.	Intergroup loans				
		5.	Other financial investments	36,701	12,900	23,801	59,150
		6.	Financial investment in progress	8,783,900	77,150	8,706,750	152,731
		7.	Advances for financial investment	15,563		15,563	
C.			Current assets	30,423,287	453,233	29,970,054	21,857,267
C.	I.		Inventory	12,870,515		12,870,515	14,355,994
C.	I.	1.	Materials	12,817,371		12,817,371	14,339,497
		2.	Work in progress and semi-finished production				
		3.	Finished products				
		4.	Livestock				
		5.	Goods				
		6.	Advances for inventory	53,144		53,144	16,497
C.	II.		Long-term receivables	5,744,149		5,744,149	81,843
C.	II.	1.	Trade receivables	5,678,674		5,678,674	6,861
		2.	Receivables from subsidiaries				
		3.	Receivables from associates				
		4.	Receivables from partners and associations				
		5.	Long-term advances	13,097		13,097	13,542
		6.	Contingencies				
		7.	Other receivables	52,378		52,378	61,440
		8.	Deferred tax assets				
C.	III.		Short-term receivables	8,223,411	453,233	7,770,178	4,530,623
C.	III.	1.	Trade receivables	5,662,383	356,643	5,305,740	3,791,290
		2.	Receivables from subsidiaries				
		3.	Receivables from associates				
		4.	Receivables from partners and associations				
		5.	Receivables from social security				
		6.	Receivables from taxes	2,132,857		2,132,857	48,790
		7.	Short-term advances	113,696		113,696	183,524
		8.	Contingencies	1,866		1,866	22,451
		9.	Other receivables	312,609	96,590	216,019	484,568
C.	IV.		Financial accounts	3,585,212		3,585,212	2,888,807
C.	IV.	1.	Cash	3,977		3,977	3,150
		2.	Bank accounts	2,651,876		2,651,876	2,139,202
		3.	Short-term financial assets	929,359		929,359	746,455
		4.	Short-term financial assets in progress				
D.	I.		Temporary accounts of assets	362,645		362,645	343,366
D.	I.	1.	Prepaid expenses	361,490		361,490	342,616
		2.	Complex prepaid expenses				
		3.	Unbilled revenues	1,155		1,155	750

Shareholders' Equity and Liabilities as at 31 December (in thousands of CZK)

				2004	2003
			TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	227,777,908	217,920,470
A.			Shareholders' equity	147,740,491	139,014,969
A.	I.		Stated capital	59,217,813	59,151,668
A.	I.	1.	Stated capital	59,221,084	59,221,084
		2.	Own shares	(3,271)	(69,416)
		3.	Changes in stated capital		
A.	II.		Capital funds	1,587,705	430,981
A.	II.	1.	Share premium		
		2.	Other capital funds	1,659,092	1,659,057
		3.	Revaluation of assets and liabilities	(71,387)	(1,228,076)
		4.	Revaluation from transformations		
A.	III.		Reserve funds and other funds from net profit	9,918,032	9,265,086
A.	III.	1.	Legal reserve fund	9,727,296	9,096,890
		2.	Statutory and other funds	190,736	168,196
A.	IV.		Retained earnings	64,653,241	56,236,206
A.	IV.	1.	Retained earnings of previous years	64,653,241	56,236,206
		2.	Retained losses of previous years		
A.	V.		Profit/loss of current accounting period	12,363,700	13,931,028
B.			Liabilities	79,223,443	78,224,940
B.	I.		Reserves	23,113,435	18,183,201
B.	I.	1.	Reserves in accordance with special laws	9,456,649	7,985,464
		2.	Reserves for pensions and similar liabilities		
		3.	Reserve for income tax	2,644,746	
		4.	Other reserves	11,012,040	10,197,737
B.	II.		Long-term liabilities	37,879,796	25,016,789
B.	II.	1.	Trade payables		
		2.	Payables to subsidiaries	22,402,444	11,047,412
		3.	Payables to associates		
		4.	Payables to partners and associations		
		5.	Long-term deposits received		
		6.	Bonds payable	8,804,438	8,563,117
		7.	Long-term notes payable		
		8.	Contingencies		
		9.	Other payables		
		10.	Deferred tax liabilities	6,672,914	5,406,260
B.	III.		Short-term liabilities	9,430,754	21,427,973
B.	III.	1.	Trade payables	3,955,600	11,378,616
		2.	Payables to subsidiaries		
		3.	Payables to associates		
		4.	Payables to partners and associations	36,718	22,705
		5.	Payables to employees	172,096	166,218
		6.	Social security payables	111,536	107,491
		7.	Taxes payable and subsidies	297,461	3,287,029
		8.	Short-term deposits received	88,878	125,464
		9.	Bonds payable		3,000,000
		10.	Contingencies	429,865	233,217
		11.	Other payables	4,338,600	3,107,233
B.	IV.		Bank loans and short-term notes	8,799,458	13,596,977
B.	IV.	1.	Long-term bank loans	6,990,851	9,609,594
		2.	Short-term bank loans	1,808,607	3,987,383
		3.	Short-term notes		
C.	I.		Temporary accounts of liabilities	813,974	680,561
C.	I.	1.	Accruals	813,974	660,567
		2.	Deferred income		19,994

ČEZ, a. s. – Profit and Loss Statements in Accordance with Czech Accounting Standards

Profit and Loss Statements as at 31 December (in thousands of CZK)

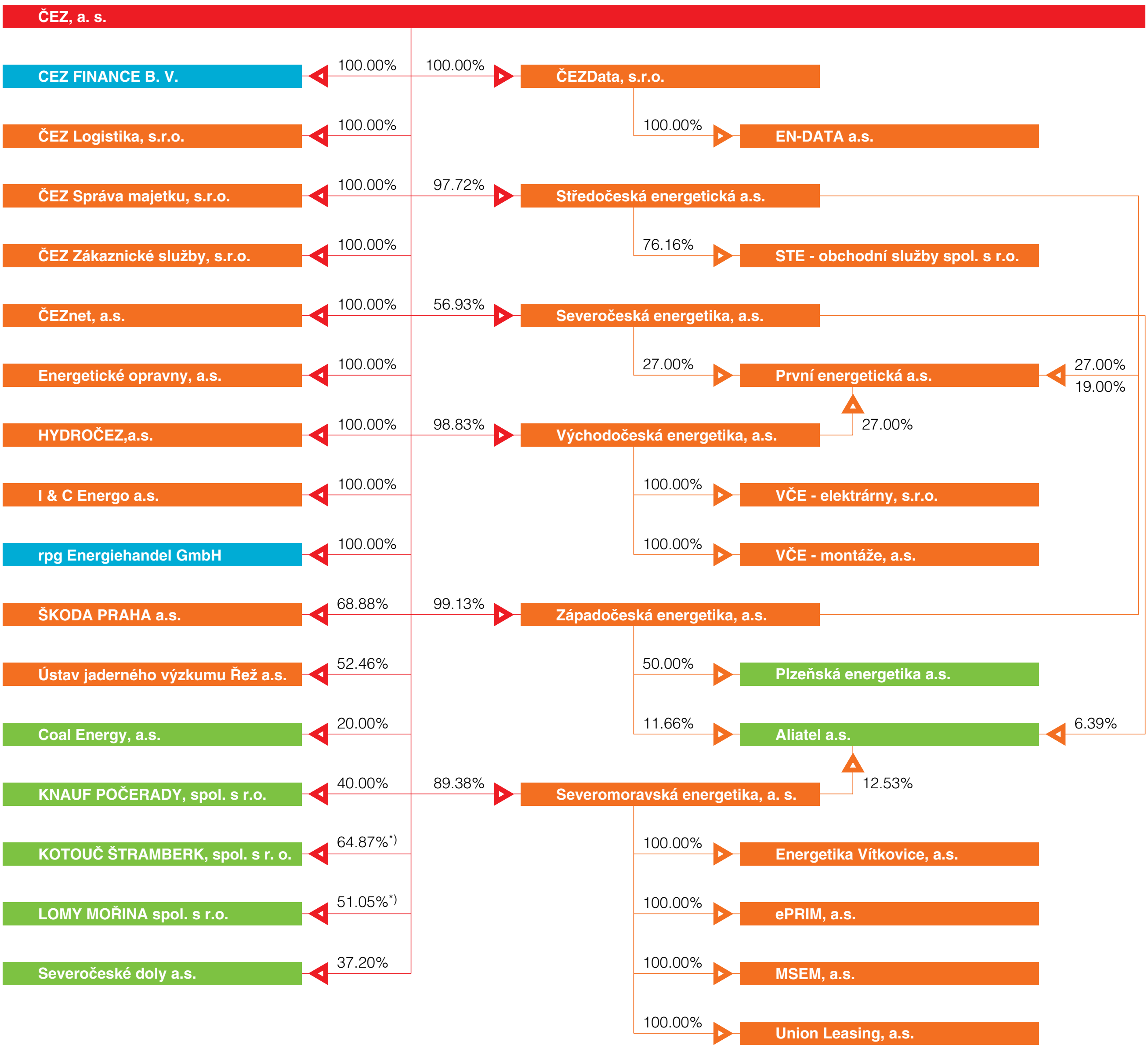
				2004	2003
I.			Revenues from goods sold		
	A.		Costs of goods sold		
+			Sales margin		
II.			Production	62,287,465	54,549,282
II.		1.	Revenues from finished products and services	62,214,421	54,445,309
		2.	Changes in inventory of own production		(1)
		3.	Capitalization (of own work)	73,044	103,974
	B.		Consumption from production	30,759,694	26,940,445
	B.	1.	Consumption of material and energy	22,469,913	19,918,462
		2.	Services	8,289,781	7,021,983
+			Value added	31,527,771	27,608,837
	C.		Personnel expenses	4,048,520	3,713,089
	C.	1.	Wages and salaries	2,839,362	2,536,975
		2.	Bonuses to board members	9,612	9,662
		3.	Social insurance	997,760	922,021
		4.	Other social expenses	201,786	244,431
	D.		Taxes and fees	1,602,700	1,680,194
	E.		Amortization of intangibles and depreciation of tangibles	12,459,122	12,285,601
III.			Revenues from intangibles, tangibles and material sold	1,026,783	660,621
III.		1.	Revenues from intangibles and tangibles sold	984,185	617,133
		2.	Revenues from material sold	42,598	43,488
	F.		Net book value of intangibles, tangibles and material sold	572,595	377,622
	F.	1.	Net book value of intangibles and tangibles sold	485,557	272,487
		2.	Book value of material sold	87,038	105,135
	G.		Changes in operational reserves and adjustments	1,931,906	1,582,323
IV.			Other operational revenues	266,850	430,107
	H.		Other operational expenses	1,017,187	615,191
V.			Transfer of operational revenues		
	I.		Transfer of operational expenses		(170,088)
*			Net operating results	11,189,374	8,615,633
VI.			Revenues from sale of securities and deposits	12,324,980	20,531,409
	J.		Sold securities and deposits	6,332,025	8,029,499
VII.			Revenues from financial investments	1,678,933	739,409
VII.		1.	Revenues from subsidiaries and associates	1,678,922	739,409
		2.	Revenues from other securities and deposits		
		3.	Revenues from other financial investments	11	
VIII.			Revenues from short-term financial assets		
	K.		Costs of financial assets		
IX.			Revenues from revaluation of securities and derivatives	1,826,758	486,812
	L.		Costs of revaluation of securities and derivatives	3,565,534	1,299,338
	M.		Changes in financial reserves and adjustments	(756,968)	2,108,099
X.			Interest revenues	189,076	227,148
	N.		Interest expenses	2,235,833	2,491,239
XI.			Other financial revenues	1,846,250	1,944,961
	O.		Other financial expenses	171,863	117,088
XII.			Transfer of financial revenues		
	P.		Transfer of financial expenses		
*			Net results from financial activities	6,317,710	9,884,476
	Q.		Income taxes on normal activity	4,211,712	4,668,038
	Q.	1.	– Due	2,945,058	4,023,769
		2.	– Deferred	1,266,654	644,269
**			Net results after taxes from normal activity	13,295,372	13,832,071
XIII.			Extraordinary revenues	284,608	428,140
	R.		Extraordinary expenses	1,361,369	301,776
	S.		Income tax on extraordinary activity	(145,089)	27,407
	S.	1.	– Due	(145,089)	27,407
		2.	– Deferred		
*			Net results from extraordinary activity	(931,672)	98,957
***			Net profit (loss) for the accounting period	12,363,700	13,931,028
****			Profit (loss) before income taxes	16,430,323	18,626,473

ČEZ, a. s. – Cash Flow Statements in Accordance with Czech Accounting Standards

Cash Flow Statements for Twelve-months Period Ended December 31 (in thousands of CZK)

		2004	2003
P.	Cash and cash equivalents at beginning of period	2,888,807	3,828,786
	Operating activities		
Z.	Pre-tax profit from normal activity	17,507,084	18,500,109
A.1.	Adjustments by non-cash transactions	8,396,374	4,933,212
A.1.1.	Depreciation, amortization and writing-off	12,599,821	12,304,351
A.1.1.1.	Depreciation and amortization of fixed assets	12,584,857	12,289,475
A.1.1.2.	Receivables writing-off	14,964	14,876
A.1.2.	Change in adjustments, reserves and accruals	1,136,687	3,609,624
A.1.2.1.	Change in adjustments	(1,110,551)	1,681,598
A.1.2.2.	Change in reserves	2,285,489	2,008,130
A.1.2.3.	Change in accruals	(38,251)	(80,104)
A.1.3.	Gain/Loss on fixed assets retirements and own shares	(6,491,582)	(12,846,557)
A.1.4.	Interest expenses and revenues	2,046,757	2,264,091
A.1.4.1	Interest expenses	2,235,833	2,491,239
A.1.4.2.	Interest revenues	(189,076)	(227,148)
A.1.5.	Other non-cash transactions	783,613	341,112
A.1.6.	Revenues from dividends	(1,678,922)	(739,409)
A.*	Net cash provided by operating activities before taxes, changes in working capital and extraordinary items	25,903,458	23,433,321
A.2.	Change in working capital	3,203,945	2,267,865
A.2.1.	Change in receivables from operational activities	1,101,462	1,861,853
A.2.2.	Change in short-term payables from operational activities	616,734	(242,362)
A.2.3.	Change in inventory	1,485,749	648,374
A.**	Net cash provided by operating activities before taxes and extraordinary items	29,107,403	25,701,186
A.3.	Interest paid, excl. capitalized interest	(1,859,698)	(2,460,192)
A.4.	Interest received	188,671	228,552
A.5.	Income taxes paid	(5,266,571)	924,170
A.6.	Revenues and expenses related to extraordinary items	16,811	234,777
A.7.	Proceeds from dividends	1,678,922	739,409
A.***	Net cash provided by operating activities	23,865,538	25,367,902
	Investing activities		
B.1.	Fixed assets acquisition	(26,611,042)	(40,609,056)
B.1.1.	Additions to tangible fixed assets	(4,504,956)	(3,842,415)
B.1.2.	Additions to intangible fixed assets	(417,531)	(453,809)
B.1.3.	Change in financial investment	(14,449,429)	(43,601,085)
B.1.4.	Change in payables from investing activity	(7,239,126)	7,288,253
B.2.	Proceeds from sales of fixed assets	5,046,853	21,034,695
B.2.1.	Proceeds from sales of tangible fixed assets	984,185	617,133
B.2.2.	Proceeds from sales of intangible fixed assets		
B.2.3.	Proceeds from sales of financial investment	11,993,545	20,425,047
B.2.4.	Change in receivables from sales of fixed assets	(7,930,877)	(7,485)
B.***	Total cash used in investing activities	(21,564,189)	(19,574,361)
	Financing activities		
C.1.	Change in long-term liabilities and short-term loans	3,394,619	(4,062,789)
C.1.1.	Change in long-term bank loans	(2,639,163)	(3,177,386)
C.1.2.	Change in short-term bank loans and notes	(2,178,776)	(247,717)
C.1.3.	Change in long-term bonds payable	(3,000,000)	
C.1.4.	Change in other long-term liabilities	11,212,558	(637,686)
C.2.	Impact of changes in equity by cash	(4,999,563)	(2,670,731)
C.2.1.	Monetary donations and subsidies to equity		
C.2.2.	Direct payments debited to funds	(107,460)	(124,801)
C.2.3.	Paid-out dividends and profit shares	(4,735,718)	(2,652,291)
C.2.4.	Purchase/sale of treasury shares	(156,385)	106,361
C.***	Net cash from financing activities	(1,604,944)	(6,733,520)
F.	Net increase/decrease in cash	696,405	(939,979)
R.	Cash and cash equivalents at end of period	3,585,212	2,888,807

Structure of ČEZ Consolidation Group as at 31 December 2004



1 parent company
26 subsidiaries (of which 2 foreign)
7 affiliates

Legend:

- Domestic subsidiary (fully consolidated)
- Foreign subsidiary (fully consolidated)
- Affiliate (consolidated by equity method)

Percentage is share of controlling company in the controlled company's stated capital.

*) Organizations are classified as affiliates because ČEZ, a. s. controls 50% of their voting rights.

Directory of Companies in the Consolidation Group, Including Segment Classification, as at 31 December 2004

→ ČEZ, a. s.
Martin Roman
Chairman of the Board and CEO
Duhová 2/1444
140 53 Prague 4
tel.: +420 211 041 111
fax: +420 211 042 001
segment – generation

→ CEZ FINANCE B. V.
Herengracht 548
Amsterdam
Netherlands
segment – other

→ ČEZ Logistika, s.r.o.
Jiří Jílek
General Manager and Statutory Representative
28. října 568/147
Ostrava
709 02 Moravská Ostrava
segment – other

→ ČEZ Správa majetku, s.r.o.
Vladimír Balach
General Manager and Statutory Representative
U plynárny čp. 1388
140 00 Prague 4 – Michle
segment – other

→ ČEZ Zákaznické služby, s.r.o.
Igor Šmucr
General Manager and Statutory Representative
Guldenerova 2557/19
303 28 Plzeň
segment – other

→ ČEZData, s.r.o.
František Šůcha
General Manager
Guldenerova 2557/19
303 28 Plzeň
segment – other

→ ČEZnet, a.s.
Antonín Kalda
Fügnerovo nám. 1866/5
120 00 Prague 2
tel.: +420 271 136 612
fax: +420 271 136 230
segment – other

→ EN-DATA a.s.
Karel Císař
General Manager
Guldenerova 19
303 28 Plzeň
tel.: +420 474 305 067
fax: +420 474 305 088
segment – other

→ Energetické opravny, a.s.
Štěpán Kostelník
General Manager
Prunéřov č. 375
432 01 Kadaň
tel.: +420 474 305 067
fax: +420 474 305 088
segment – other

→ Energetika Vítkovice, a.s.
Vlastislav Sznapka
Director
Výstavní 1144/103
706 02 Ostrava-Vítkovice
tel.: +420 597 015 300
fax: +420 597 015 309
segment – generation

→ ePrim, a.s.
Aleš Dámek
Director
28. října 568/147
709 02 Ostrava
Moravská Ostrava
tel.: +420 596 673 839
fax: +420 596 611 527
segment – other

→ HYDROČEZ,a.s.
Zdeněk Noll
Acting Director
Dlážděná 4
110 00 Prague 1
tel.: +420 224 211 111
fax: +420 224 234 797
segment – generation

→ I & C Energo a.s.
Miroslav Horák
General Manager
Pražská 684/49
674 01 Třebíč
tel.: +420 568 893 111
fax: +420 568 893 999
segment – other

→ MSEM, a.s.
Jiří Linhart, Director
Pavel Kubín, Director
Jiří Neumann, Director
Collo louky 126
738 02 Frýdek-Místek
tel.: +420 558 437 172
fax: +420 558 414 100
segment – other

→ První energetická a.s.
Šárka Vinklerová
Director
Opletalova 1525/39
110 00 Prague 1
tel.: +420 221 004 296
fax: +420 221 004 767
segment – other

→ rpg Energiehandel GmbH
Hanns H. Hannich
Statutory Representative
Karl-Theodor-Str. 69
Munich
Germany
segment – other

→ Severočeská energetika, a.s.
Josef Holub
General Manager
Teplická 874/8
405 49 Děčín IV
tel.: +420 412 441 111
fax: +420 412 442 977
segment – distribution

→ Severomoravská energetika, a. s.
Jaroslav Veselský
General Manager
28. října 152
709 02 Ostrava
tel.: +420 596 671 111
fax: +420 596 612 388
segment – distribution

→ STE - obchodní služby spol. s r.o.
Lubomír Havlíček
Director
Vinohradská 325/8
120 00 Prague 2
tel.: +420 222 032 511
fax: +420 224 230 720
segment – other

→ Středočeská energetická a.s.
Petra Holomková
General Manager
Vinohradská 325/8
120 21 Prague 2
tel.: +420 222 032 201
fax: +420 224 213 101
segment – distribution

→ ŠKODA PRAHA a.s.
Jiří Smola
General Manager
Milady Horákové 109/108
160 00 Praha 6
tel.: +420 224 396 444
fax: +420 224 396 447
segment – other

→ Union Leasing, a.s.
Martin Žárský
Director
Mlýnská 1
709 00 Ostrava
tel.: +420 596 674 771
fax: +420 596 674 772
segment – other

→ Ústav jaderného výzkumu Řež a.s.
František Pazdera
General Manager
and Chairman of the Board
Řež, čp. 130
250 68 Husinec-Řež
tel.: +420 266 172 000
fax: +420 220 940 840
segment – other

→ VČE - elektrárny, s.r.o.
Vladimír Tomek
Director
Křižíkova 788
500 03 Hradec Králové
tel.: +420 495 842 218
fax: +420 495 842 708
segment – other

→ VČE - montáže, a.s.
Jiří Abel
General Manager
Arnošta z Pardubic 2082
531 17 Pardubice
tel.: +420 466 872 700
fax: +420 468 872 708
segment – generation

→ Východočeská energetika, a.s.
Pavel Filipi
General Manager
Sladkovského 215
501 03 Hradec Králové
tel.: +420 495 842 255
fax: +420 495 523 581
segment – distribution

→ Západočeská energetika, a.s.
Jaroslav Hába
General Manager
Guldenerova 19
303 28 Plzeň
tel.: +420 378 001 111
fax: +420 378 002 008
segment – distribution

→ Aliatel a.s.
Milan Rusnák
General Manager
Sokolovská 131/86
180 00 Prague 8
tel.: +420 225 251 111
fax: +420 225 251 122
segment – other

→ Coal Energy, a.s.
Petr Paukner
General Manager
Václavské náměstí 846/1
110 00 Prague 1
tel.: +420 223 473 056
fax: +420 224 223 672
segment – other

→ KNAUF POČERADY, spol. s r.o.
Jiří Frolík
Head of Unit
439 44 Počerady čp. 17
okr. Louny
tel.: +420 415 735 011
fax: +420 415 735 010
segment – other

→ KOTOUČ ŠTRAMBERK, spol. s r. o.
Bohumír Volný
General Manager
Štramberk 500
742 67 pošta Ženklava
tel.: +420 556 852 701
fax: +420 556 852 711
segment – other

→ LOMY MOŘINA spol. s r.o.
Pavel Vyskočil, Statutory Representative
Jaroslav Šilhánek, Statutory Representative
267 17 Mořina
okres Beroun
tel.: +420 311 702 111
fax: +420 311 702 314
segment – other

→ Plzeňská energetika a.s.
Jiří Bis
General Manager
Tylova 57
316 00 Plzeň
tel.: +420 378 132 073
fax: +420 378 133 007
segment – generation

→ Severočeské doly a.s.
Vratislav Vajnar
General Manager
and Chairman of the Board
Boženy Němcové 5359
430 01 Chomutov
tel.: +420 474 652 265
fax: +420 474 652 265
segment – other

List of ČEZ Group Companies as at 31 December 2004

	Company name	Owner	Interest (%)
1	ČEZ, a. s.	National Property Fund of the Czech Republic	67.61
	ČEZ, a. s.		
2	ČEZ Správa majetku, s.r.o.	ČEZ, a. s.	100.00
3	CEZTel, a.s.	ČEZ, a. s.	100.00
4	ČEZData, s.r.o.	ČEZ, a. s.	100.00
5	ČEZ Logistika, s.r.o.	ČEZ, a. s.	100.00
6	ČEZ Zákaznické služby, s.r.o.	ČEZ, a. s.	100.00
7	Coal Energy, a.s.	ČEZ, a. s.	20.00
8	ČEZ ENERGOSERVIS spol. s r.o.	ČEZ, a. s.	100.00
9	ČEZ FINANCE B. V.	ČEZ, a. s.	100.00
10	Energetické opravny, a.s.	ČEZ, a. s.	100.00
11	rpg Energiehandel GmbH	ČEZ, a. s.	100.00
12	HYDROČEZ,a.s.	ČEZ, a. s.	100.00
13	I & C Energo a.s.	ČEZ, a. s.	100.00
14	KOTOUČ ŠTRAMBERK, spol. s r. o.	ČEZ, a. s.	64.87
15	LOMY MOŘINA spol. s r.o.	ČEZ, a. s.	51.05
16	ČEZnet, a.s.	ČEZ, a. s.	100.00
17	OSC, a.s.	ČEZ, a. s.	66.67
18	SIGMA - ENERGO s.r.o.	ČEZ, a. s.	51.00
19	ŠKODA PRAHA a.s.	ČEZ, a. s.	68.88
20	Ústav jaderného výzkumu Řež a.s.	ČEZ, a. s.	52.46
21	KNAUF POČERADY, spol. s r.o.	ČEZ, a. s.	40.00
22	Severočeské doly a.s.	ČEZ, a. s.	37.20
23	Středočeská energetická a.s.	ČEZ, a. s.	97.72
24	Severočeská energetika, a.s.	ČEZ, a. s.	56.93
25	Severomoravská energetika, a. s.	ČEZ, a. s.	89.38
26	Východočeská energetika, a.s.	ČEZ, a. s.	98.83
27	Západočeská energetika, a.s.	ČEZ, a. s.	99.13
	Severočeská energetika, a.s.		
28	Energetická montážní společnost Ústí nad Labem, s.r.o.	Severočeská energetika, a.s.	100.00
29	Energetická montážní společnost Česká Lípa, s.r.o.	Severočeská energetika, a.s.	49.00
30	Energetická montážní společnost Liberec, s.r.o.	Severočeská energetika, a.s.	100.00
31	Energozdroj, s.r.o. in liquidation	Severočeská energetika, a.s.	50.00
32	ESS s.r.o.	Severočeská energetika, a.s.	51.00
33	ENERGOKOV, s.r.o. in bankruptcy	Severočeská energetika, a.s.	100.00
34	ENPROSPOL, s.r.o.	Severočeská energetika, a.s.	100.00
	Středočeská energetická a.s.		
35	STE - obchodní služby spol. s r.o.	Středočeská energetická a.s.	76.16
36	ELTRAF, a.s.	Středočeská energetická a.s.	51.00
37	AZ Elektrostav, a.s.	Středočeská energetická a.s.	23.60
	Severomoravská energetika, a. s.		
38	MSEM, a.s.	Severočeská energetika, a.s.	100.00
39	ELEKTROSPOLEČNOST B.D. spol. s r.o.	MSEM, a.s.	50.00
40	Energetika Vítkovice, a.s. (Evi, a.s.)	Severomoravská energetika, a. s.	100.00
41	ePRIM, a.s.	Severomoravská energetika, a. s.	100.00
42	Union Leasing, a.s.	Severomoravská energetika, a. s.	100.00
43	ENPRO, a.s.	Severomoravská energetika, a. s.	100.00
44	Beskydská energetická, a.s.	Severomoravská energetika, a. s.	100.00
45	SINIT,a.s.	Severomoravská energetika, a. s.	100.00
46	Elektrovod Holding, a.s.	Severomoravská energetika, a. s.	50.00
47	ELV Projekt, a.s.	Elektrovod Holding, a.s.	50.00
48	ELV - SERVIS, s.r.o.	Elektrovod Holding, a.s.	83.34
49	Elektrovod Stav, s.r.o.	Elektrovod Holding, a.s.	50.00
50	Elektrovod Osvetlenie, s.r.o.	Elektrovod Holding, a.s.	50.00
51	Elektrovod Rozvádzače, s.r.o.	Elektrovod Holding, a.s.	70.00
52	ELTODO Slovakia, s.r.o.	Elektrovod Holding, a.s.	50.00
53	Elektrovod Polska Sp.z.o.o.	Elektrovod Holding, a.s.	50.00
54	ELEKTROVOD - MATIC d.o.o.	Elektrovod Holding, a.s.	100.00

	Company name	Owner	Interest (%)
	Východočeská energetika, a.s.		
55	VČE - elektrárny, s.r.o.	Východočeská energetika, a.s.	100.00
56	VČE - měřicí technika, s.r.o.	Východočeská energetika, a.s.	100.00
57	VČE - montáže, a.s.	Východočeská energetika, a.s.	100.00
58	VČE - transformátory, s.r.o.	Východočeská energetika, a.s.	100.00
59	ENEST, s.r.o.	Východočeská energetika, a.s.	67.00
60	MojeEnergie.CZ, s.r.o.	Východočeská energetika, a.s.	100.00
	Západočeská energetika, a.s.		
61	Enerfin, a.s.	Západočeská energetika, a.s.	100.00
62	EN projekt, spol. s r.o.	Západočeská energetika, a.s.	100.00
63	Energoreal s.r.o.	Západočeská energetika, a.s.	100.00
64	ESMOS, s.r.o.	Západočeská energetika, a.s.	100.00
65	GAZELA plus s.r.o.	Západočeská energetika, a.s.	50.00
66	LIDRONE, spol. s r.o.	Západočeská energetika, a.s.	100.00
67	PRO ENERGO Plzeň, spol. s r.o.	Západočeská energetika, a.s.	80.00
68	Plzeňská energetika, a.s.	Západočeská energetika, a.s.	50.00
69	SEG s.r.o.	Západočeská energetika, a.s.	100.00
	Electricity Distribution Companies		
70	První energetická a.s.	Západočeská energetika, a.s.	19.00
		Východočeská energetika, a.s.	27.00
		Středočeská energetická a.s.	27.00
		Severočeská energetika, a.s.	27.00
71	Aliatel a.s.	Severočeská energetika, a.s.	6.39
		Západočeská energetika, a.s.	11.66
		Severomoravská energetika, a. s.	12.53
	ČEZData, s.r.o.		
72	EN-DATA, a.s.	ČEZData, s.r.o.	100,00
	ŠKODA PRAHA a.s.		
73	EGI Servis, s.r.o.	ŠKODA PRAHA a.s.	100.00
74	EGI, a.s.	ŠKODA PRAHA a.s.	100.00
75	EGI machine, s.r.o.	EGI, a.s.	100.00
	Ústav jaderného výzkumu Řež a.s.		
76	Centrum výzkumu Řež, s.r.o.	Ústav jaderného výzkumu Řež a.s.	100.00
77	ENERGOPROJEKT SLOVAKIA, a. s.	Ústav jaderného výzkumu Řež a.s.	100.00
78	LACOMED, spol. s r.o.	Ústav jaderného výzkumu Řež a.s.	62.50
79	Ústav aplikované mechaniky Brno, s.r.o.	Ústav jaderného výzkumu Řež a.s.	100.00
80	Ústav jaderných informací Zbraslav, a. s.	Ústav jaderného výzkumu Řež a.s.	51.00
81	Nuclear Safety & Technology Centre s.r.o. (as of 1. 10. 2003)	Ústav jaderného výzkumu Řež a.s.	40.00
82	WADE, a.s.	Ústav jaderného výzkumu Řež a.s.	50.00
83	DECOM Slovakia, spol. s r.o.	Ústav jaderného výzkumu Řež a.s.	23.08
	Severočeské doly a.s.		
	Coal Energy, a.s.	Severočeské doly a.s.	20.00
84	ENETECH a.s.	Severočeské doly a.s.	50.00
85	PRODECO, a.s.	Severočeské doly a.s.	50.50
86	SD - Autodoprava, a.s.	Severočeské doly a.s.	100.00
87	SD - Humatex, a.s.	Severočeské doly a.s.	100.00
88	SD - 1.strojírenská, a.s.	Severočeské doly a.s.	100.00
89	SD - Kolejová doprava, a.s.	Severočeské doly a.s.	100.00
90	SD - Vrtné a trhací práce, a.s.	Severočeské doly a.s.	100.00
91	Severozápadní ENERGO GROUP a.s.	Severočeské doly a.s.	34.15
92	SHD - KOMES a.s.	Severočeské doly a.s.	46.33
93	Skládka Tušimice, a.s.	Severočeské doly a.s.	98.00
94	Teplárna Ústí nad Labem, a.s.	Severočeské doly a.s.	34.22
95	Výzkumný ústav pro hnědé uhlí a.s.	Severočeské doly a.s.	38.97
	Other Companies		
96	AHV, s.r.o. (as of 4. 8. 2003)	I & C Energo a.s.	75.00
		ČEZ ENERGO-SERVIS spol. s r.o.	25.00
97	ESE, s.r.o. (as of 4. 8. 2003)	AHV, s.r.o.	66.00
		I & C Energo a.s.	34.00

Direct Owners
foreign
not directly or indirectly controlled by ČEZ, a. s.
directly or indirectly controlled by ČEZ, a. s.

ČEZ, a. s. Organization Chart as at 1 June 2005

- **General Meeting**
- **Supervisory Board**
- **Board of Directors**
  Martin Roman (Chairman), Alan Svoboda (Vice Chairman), Petr Vobořil (Vice Chairman),
  Radomír Lašák (Member), Jiří Borovec (Member)

100 0000
Chief Executive Officer's Division
Martin Roman

- 110 0000 Mergers & Acquisitions Section
  - 110 0001 Mergers & Acquisitions Dept.
- 190 0000 Procurement Section
  - 191 0000 Integrated Procurement
  - 192 0000 Conventional Power Procurement
  - 193 0000 Nuclear Power Procurement
  - 194 0000 Fuel Cycles
- 101 0000 Communication Section
- 100 0003 Legal Department
- 100 0004 CEO's Office
- 100 0300 Safety Section

200 0000
Finance Division
Petr Vobořil

- 230 0000 Financing Section
  - 230 0100 Financial and Payment Transactions
  - 230 0001 Corporate Financing
  - 230 0002 Financial Administration
- 200 0100 Management System and Documentation
- 200 0001 Taxes
- 201 0000 Planning and Controlling
- 202 0000 Accounting
- 203 0000 Property Management and Services
- 204 0000 Information Technologies and Telecommunications

300 0000
Administration Division
Radomír Lašák

- 340 0000 Integration Office
  - 340 0001 ČEZ Group Controlling
- 380 0000 Human Resources Section
  - 381 0000 Human Resources Dept.
  - 380 0200 Conventional Power Human Resources
  - 383 0000 Nuclear Power Human Resources
  - 384 0000 Human Resources for Electricity Distribution Companies and New Group Companies
- 301 0000 Distribution Management Support
- 302 0000 Domestic Equity Interests
- 303 0000 Foreign Equity Interest
- 300 0001 Internal Communications

100 0200
Internal Audit

- Head Office
- Sales
- Production

→ 400 0000
Sales Division
Alan Svoboda

→ 450 0000
Trading Section

→ 450 0100
Trade Implementation

→ 450 0004
Trade Monitoring

→ 450 0005
Trading Support

→ 460 0000
Business Development Section

→ 460 0001
Generating Portfolio Optimizing

→ 460 0002
Market Analysis and Forecasting

→ 470 0000
Sales Section

→ 470 0100
Sales Support

→ 470 0200
Marketing

→ 470 0300
Key Accounts

→ 401 0000
Generation Operation Management

→ 402 0000
Market Rules

→ 403 0000
ČEZ Poland

→ 404 0000
ČEZ Slovakia

→ 500 0000
Production Division
Jiří Borovec

→ 510 0000
Plant Management Section

→ 510 0100
Coordination

→ 511 0000
Plant Maintenance System

→ 512 0000
Nuclear Plant Management

→ 513 0000
Conventional Plant Management

→ 510 0001
Engineering Design

→ 520 0000
Technology Section

→ 520 0100
Reactor Physics

→ 520 0200
Dukovany Nuclear Power Station I&C System

→ 521 0000
Technical Development and Project Administration

→ 522 0000
Capital Investment Projects Preparation and Execution

→ 501 0000
Generation

→ 502 0000
Safety

→ 503 0000
Economics and Management System

→ 504 0000
Refurbishment & New Construction

→ Mělník Power Station

→ Poříčí Power Stations

→ Chvaletice Power Station

→ Tušimice Power Stations

→ Hodonín Power Station

→ Tisová Power Station

→ Dětmarovice Power Station

→ Ledvice Power Station

→ Počerady Power Station

→ Prunéřov Power Stations

→ Hydro power plants

→ Dukovany Nuclear Power Station

→ Temelín Nuclear Power Station

ČEZ, a. s. Directory of Organizational Units and Information Centers

Head Office
Martin Roman, Chief Executive Officer
ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
tel.: +420 271 131 111 (+420 211 041 111)
fax: +420 271 132 001 (+420 211 042 001)

Finance
Petr Vobořil, Chief Finance Officer
ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
tel.: +420 271 131 111 (+420 211 041 111)
fax: +420 271 132 001 (+420 211 042 001)

Administration
Radomír Lašák, Chief Administration Officer
ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
tel.: +420 271 131 111 (+420 211 041 111)
fax: +420 271 132 001 (+420 211 042 001)

Sales
Alan Svoboda, Chief Sales Officer
ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
tel.: +420 271 131 111 (+420 211 041 111)
fax: +420 271 132 001 (+420 211 042 001)

Production
Jiří Borovec, Chief Production Officer
ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
tel.: +420 271 131 111 (+420 211 041 111)
fax: +420 271 132 001 (+420 211 042 001)

Dukovany Nuclear Power Station
Zdeněk Linhart, Director
ČEZ, a. s.
Dukovany Nuclear Power Station
675 50 Dukovany
tel.: +420 568 811 111 (+420 561 101 111)
fax: +420 568 866 360 (+420 561 104 980)

Information Center
Veronika Vespalcová
ČEZ, a. s.
Dukovany Nuclear Power Station
Information Center
675 50 Dukovany
tel.: +420 568 815 519 (+420 561 105 519)
fax: +420 568 866 370 (+420 561 106 370)
e-mail: infocentrum.edu@mail.cez.cz
internet: www.cez.cz/edu-exkurze
opening hours: 9:00 – 16:00 seven days a week,
closed first Monday of each month

Temelín Nuclear Power Station
Miroslav Vilím, Director
ČEZ, a. s.
Temelín Nuclear Power Station
373 05 Temelín
tel.: +420 385 781 111 (+420 381 101 111)
fax: +420 385 782 298 (+420 381 102 298)

Milan Malík
ČEZ, a. s.
Temelín Nuclear Power Station
Information Center
373 05 Temelín
tel.: +420 385 782 639 (+420 381 102 639)
fax: +420 385 784 900 (+420 381 104 900)
e-mail: infocentrum.ete@mail.cez.cz
internet: www.cez.cz/ete-exkurze
opening hours: 9:00 – 16:00 seven days a week,
July and August: 9:00 – 17:30,
on state holidays by telephone appointment, larger groups and visits inside the power station compound by telephone appointment only

Hydro Power Stations
Aleš Tomec, Director
ČEZ, a. s.
Hydro Power Stations
Prof. Vl. Lista 329
252 07 Štěchovice
tel.: +420 257 740 088 (+420 211 026 111)
fax: +420 257 740 308 (+420 211 026 577)

Information Center
Jan Kynčl, Head of Quality Control and Safety Dept.

Štěchovice run-of-river and pumped-storage hydro power station
ČEZ, a. s.
Hydro Power Stations
Information Center
Prof. Vl. Lista 329
252 07 Štěchovice
Appointments:
tel.: +420 602 107 453 – Renáta Pátová
+420 603 769 197 – Jan Frouz
+420 608 308 759 – Václav Petrák
fax: +420 257 740 308 (+420 211 026 577)
opening hours: Year round, by advance telephone appointment only

Dalešice pumped-storage hydro power station
Tours arranged by:
ČEZ, a. s.
Jaderná elektrárna Dukovany
Information Center
675 50 Dukovany
Appointments:
tel.: +420 568 815 519 (+420 561 105 519)
fax: +420 568 866 370 (+420 561 106 370)
e-mail: infocentrum.edu@mail.cez.cz
internet: www.cez.cz/edu-exkurze
opening hours: July 1 – August 31:
Monday through Sunday, 9:00 – 16:00,
September 1 – June 30: Monday through Friday, 9:00 – 16:00,
by advance appointment only.

Dlouhé Stráně pumped-storage hydro power station
Tours arranged by:
ENERGOTIS, s.r.o.
Žižkova 5
787 01 Šumperk
Appointments:
tel.: +420 583 235 091 – Eva Trnečková, Kateřina Maňková
fax: +420 583 235 094
opening hours: Year round, Monday – Friday 8:00 – 15:00,
by advance telephone appointment only 7:00 – 15:00,
Entrance fee CZK 50; children up to 10 years of age free;
schools, handicapped with ZTP card CZK 30,
private property – protected area

Lipno Hydro Power Station

ČEZ, a. s.
Hydro Power Stations
Lipno Unit
Information Center
382 78 Lipno nad Vltavou
Appointments: Vladimír Valík, Pavel Míšek, Jan Irsigler
tel.: +420 380 746 621
+420 606 445 798
fax: +420 380 746 622
opening hours: In season (June 15 – September 15):
10:00 – 16:00 seven days a week. Last tour starts at 15:00.
Off-season by advance telephone appointment only.
Entrance fee: adults CZK 20, children and senior citizens CZK 10.

Mělník Power Station
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fax: +420 315 626 840 (+420 311 102 102)

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fax: +420 499 806 199 (+420 492 102 199)

Chvaletice Power Station
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fax: +420 466 833 600 (+420 462 103 600)

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fax: +420 474 323 880 (+420 471 113 880)

Hodonín Power Station
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Elektrárna Hodonín
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Tisová Power Station
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ČEZ, a. s.
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Dětmarovice Power Station
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fax: +420 596 550 326 (+420 591 102 671)

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fax: +420 417 801 501 (+420 411 101 501)

Počerady Power Station
Jan Mikulka, Director
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Elektrárna Počerady
439 44 Počerady
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fax: +420 415 782 040 (+420 411 112 298)

Prunéřov Power Stations
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fax: +420 474 332 697 (+420 471 102 697)

Glossary of Terms and Abbreviations

Term	Commentary
Achievable output	Power station nameplate capacity less outages caused by changes that are permanent in character.
AGM	Annual general meeting of shareholders.
Ancillary services	Activities carried on by private individuals and/or legal entities to provide for system services.
Available capacity	Maximum active capacity for generation of electrical energy and supply of heat that can be achieved by a given generation facility when considering internal technical and operational conditions but disregarding external ones. Equals achievable capacity less selected basic shut-downs (for overhauls, extended overhauls, upgrades, guarantee repairs, routine repairs) and technical failure rate. Used to calculate working availability.
BI 12	Index of power industry stocks on the Prague Stock Exchange.
Captive customer	A private individual or legal entity that has the right to be connected to the distribution grid and be supplied with electricity in the prescribed quality and for a regulated price.
Cash-pooling	A banking service in which the balances of all participating accounts of the client are summed daily and this sum is then used to calculate interest for that day (at a higher applicable rate), which is then credited to the main account.
CO	Carbon monoxide.
CO_2	Carbon dioxide.
Czech Nuclear Pool	A consortium of insurers for insuring nuclear risks.
ČEPS, a.s.	Owner and operator of the Czech Republic transmission grid.
ČEZnet, a.s.	A 100% subsidiary of ČEZ, a. s. that provides and arranges for telecommunications services for ČEZ, a. s. and ČEPS, a.s., as well as for outside customers. Inception: November 2001.
Desulfurization/desulfurization equipment	Technologies and/or equipment for reducing the content of sulfur oxides in powder-coal boiler flue gases.
DG TREN	The European Union Directorate-General for Energy and Transport.
Distribution grid	A mutually interconnected set of 110 kV power lines and equipment – with the exception of 110 kV power line and equipment that are part of the transmission grid, and power lines and equipment with voltages 0.4/0.23 kV, 3 kV, 6 kV, 10 kV, 22 kV and 35 kV that serves purposes of distributing electricity in a designated area of the Czech Republic, including metering, protective, control, security, information and telecommunications systems and technologies.
Electricity demand	Total electricity consumed by end customers in the Czech Republic over a given time period. Demand does not include electricity used for pumping at pumped-storage hydro power stations, in-house consumption, or grid losses.
Electricity distribution companies	Eight electric utility companies in the Czech Republic that distribute electricity to end consumers and may also trade in electricity. With certain exceptions, they cover the entire territory of the Czech Republic.
Electricity generation	Overall electricity generated, as measured from generator terminals over the period in question.
Electricity importer	Private individual or legal entity that holds an electricity trading license and purchases electricity abroad for re-sale in the home market.
Electricity producer	Private individual or legal entity that produces electricity and holds a license to produce electricity.
Electricity supply	Total electricity generation less in-house consumption and losses inherent in generation technologies.
Electricity trader	Private individual or legal entity who holds a license to trade in electricity and who purchases electricity for the purpose of resale.
Eligible customer	An end customer who has the right to choose its electricity supplier from among market players licensed to produce and/or trade in electricity. May also procure electricity directly on the market organized by the OTE.
Emissions ceilings	Highest permissible aggregate emissions of pollutants or set groups of pollutants arising as a result of human activity, expressed in terms of mass over a one-year period from all sources of air pollution, from defined groups of said sources, or from individual sources of air pollution within a designated geographical area.
Emissions limits	Highest permissible concentrations of pollutants released into the air.

Term	Commentary
End customer	A customer that uses electricity supplied only for the customer's own consumption, not for resale.
Energy Regulatory Authority (ERA)	Administrative office responsible for regulating the energy sectors; has its own separate category in the Czech Republic national budget. The Energy Regulatory Authority, headquartered in Jihlava, supports competition and protects consumer interests in those areas of the energy industries where competition is not possible, with the aim of satisfying all reasonable demand for energy.
Fluidized-bed boiler	Boiler in which coal combustion takes place in a rising column of air. Flue gas desulfurization takes place by adding ground limestone to the fuel. This renders unnecessary the desulfurization equipment used with more common powder-coal boilers.
HV	High voltage.
IAEA	International Atomic Energy Agency, based in Vienna, Austria.
IFRS	International Financial Reporting Standards, previously IAS.
Installed capacity	Sum of generator name-plate capacities, including generators for in-house consumption. The only capacities that are not counted are those of generators that have been permanently decommissioned and generators whose drive motor has been permanently removed and therefore are serving as compensators.
Instrumentation & Control System (I&C)	Automated system for controlling industrial processes – generating units in particular.
International System on Occupational Exposures (ISOE)	International system for determining radiation dosages sustained by employees of nuclear power plants.
Island operation capability	A type of ancillary service in which a generating unit equipped with an island operation regulator is capable of suddenly adapting to the creation of a "power island" (i.e., the de facto separation of a part of the grid from the remaining portion due to a fault).
Liberalization of the electricity market	The process of creating a competitive market environment. For technical reasons, a monopoly currently remains in the power sector, especially in the use of the transmission and distribution grids, including the provision of system services. What is being liberalized is the generation of electricity and trading in electricity and ancillary services. For the time being, the Czech Republic's organized electricity spot market is also a State monopoly.
LV	Low voltage.
MV	Medium voltage.
Nameplate capacity	Capacity figure shown on the generator nameplate.
NEA	Nuclear Energy Agency. A specialized nuclear energy organization within the Organization for Economic Cooperation and Development (OECD). Based in Paris, France.
NO_X	Nitrogen oxides.
OTE (Operátor trhu s elektřinou, a.s.)	A State-established joint-stock company whose purpose is to organize the Czech Republic electricity market, draw up the reconciliation of agreed and actual amounts of electricity supplied and purchased by market players, see to the settlement of deviations of actual supply amounts from contracted-for amounts, and organize the electricity spot market.
Peak load	Highest load on the grid measured during a given period.
Power System (PS)	The Czech Republic Power System is a mutually interconnected set of equipment for the generation, transmission, transformation, and distribution of electricity, including electricity hook-ups, direct power lines, as well as metering, protective, control, security, information and telecommunications systems and technologies.
Privatization	Transfer of State ownership to a non-State entity.
PSE	Prague Stock Exchange.
PX 50	The official stock index of the Prague Stock Exchange. As of the closing date of this Annual Report, the number of stocks included in the PX 50 calculation was fifteen, and four of them were ČEZ Group companies (ČEZ, a. s., Severočeská energetika, a.s., Středočeská energetická a.s., Severočeské doly a.s.) with a total weighting of 25.91%.
Regulated third-party grid access	Under this principle, anyone who satisfies the stipulated technical conditions has the right to access grids (at regulated prices) in order to engage in electricity trades. Unlike negotiated access, prices for regulated third-party access are set by a regulator (the Energy Regulatory Authority) and are made public.

Term	Commentary
Renewable sources of energy	Energy resources that renew themselves naturally. Includes, e.g., hydro, geothermal, solar, wind, and biomass.
Retail electricity customer	An electricity consumption category, members of which are connected to the low-voltage grid (1 kV and under). The category is further subdivided into households and businesses.
RMS	RM-System – an organizer of off-exchange trading.
SO_2	Sulfur dioxide.
System services	Activities of the transmission grid operator (ČEPS, a.s.) and distribution grid operators to ensure reliable operation of the Czech Republic Power System with consideration for the operation of interconnected power systems.
“Take or pay”	A type of contract based on payment for an agreed amount of electricity regardless of whether or not the entire amount was actually used.
Transmission grid	A mutually interconnected system of 400 kV, 220 kV power lines and equipment and selected power lines and equipment of the 110 kV grid, which serves the purpose of electricity transmission throughout the entire Czech Republic and that of interconnection with power systems of neighboring countries, including metering, protective, control, safety, information and telecommunications equipment; the transmission grid is built and operated in the public interest.
Unbundling	The separation, for accounting and legal purposes, of transmission and distribution grid operation from other activities (e.g. electricity generation, trading, etc.). European Union Member States are subject to this requirement under EU Directive No. 2003/54/EC. In the Czech legal system, this requirement is given by Sections 24a and 25a of Act No. 91/2005 Sb. It takes effect on 1 January 2005 for transmission grid operators and on 1 January 2007 for distribution grid operators.
VVER	A type of pressurized water reactor.
WANO	World Association of Nuclear Operators.
Wholesale electricity customer	A customer who purchases electricity from the high- and medium-voltage grids.
Working availability	The degree to which electricity generating equipment is available to produce electricity and heat. Available capacity expressed as a percentage of achievable capacity.

Method Used by ČEZ Group to Calculate Key Indicators

Indicator	Calculation
Return on invested capital (net)	(EBIT + Net change in provisions and impairment allowances) * (1 – income tax rate) / Average capital employed
Return on equity (gross)	Income before income taxes / Average shareholders’ equity
Return on equity (net)	Net income / Average shareholders’ equity
Return on assets (net)	Net income including minority interests / Average assets
EBIT margin	EBIT / Operating revenues
Debt to equity ratio	Debt / Shareholders’ equity
Total indebtedness (provisions excluded)	(Total liabilities – Accumulated provision for nuclear decommissioning and fuel storage – Accrued liabilities) / Total equity & liabilities
Long-term indebtedness	Long-term liabilities net of amount due within one year / Total equity & liabilities
Current ratio	Current assets / Current liabilities
Operating cash flow to liabilities ratio	Operating cash flow / Long-term liabilities
Assets turnover	Operating revenues / Average assets
Coverage of non-current assets	(Shareholders’ equity + Minority interests + Long-term liabilities + Deferred tax liability) / Non-current Assets
Extent of depreciation	1 – (Net plant in service / Plant in service)
Earnings per share (face value CZK 100)	Net income / Average number of shares (treasury shares excluded)
EBIT	Earnings before interest and taxes = Income before other expences (income) and income taxes
EBITDA	EBIT plus depreciation and amortization

Description of DUHOVÁ ENERGIE products

Duhová energie is a marketing strategy through which ČEZ, a. s. offers customers 15 types of electricity supply, all color-coded.

Year Band	
Yellow	Supply of electricity at a constant one-hour load in all hours of all days of the year.
Green	Supply of electricity at a constant one-hour load in all hours of all business days of the year.
Orange	Supply of electricity at a constant one-hour load on all business days of the year from 8:00 to 20:00 local time.
R day block	Supply of electricity at a constant one-hour load on all business days of the year from 6:00 to 22:00 local time.
Violet	Supply of electricity at a constant one-hour load in all hours of all non-business days of the year.
Brown	Supply of electricity at a constant one-hour load on all business days of the year from 00:00 to 08:00 and from 20:00 to 24:00.

Quarter Band	
Q red	Supply of electricity at a constant one-hour load in all hours during the given quarter.
Q light blue	Supply of electricity at a constant one-hour load in all hours of all business days of the given quarter from 8:00 to 20:00 local time.

Month Band	
Red	Supply of electricity at a constant one-hour load in all hours during the given month.
Blue	Supply of electricity at a constant one-hour load in all hours of all business days of the given month.
Light blue	Supply of electricity at a constant one-hour load on all business days of the given month, from 8:00 to 20:00 local time.
M day block	Supply of electricity at a constant one-hour load on all business days of the given month, from 6:00 to 22:00 local time.
Gray	Supply of electricity at a constant one-hour load in all hours of all non-business days of the given month.
Dark Green	Supply of electricity at a constant one-hour load on all business days of the given month from 00:00 to 08:00 and from 20:00 to 24:00 local time.

Other	
White	Supply of electricity at a variable one-hour load negotiated and charged on a per-week basis (by dividing up the total agreed number of MWh for the year); tariff differs according to time of consumption.

Explanation of Units Used in this Document

Units	Commentary
GWh	Gigawatt-hour; 1 GWh = 10^9 Wh = 10^3 MWh = 10^6 kWh, Wh = 3,600 Ws
kV	Kilovolt; 1 kV = 10^3 V, V = a unit of electrical potential (voltage)
MW	Megawatt; 1 MW = 10^6 W = 10^3 kW, W = a unit of power (load)
t	Metric ton; 1 t = 10^3 kg = 10^6 g, g = a unit of mass
TJ	Terajoule; 1 TJ = 10^{12} J = 10^3 GJ = 10^6 MJ, J = Ws = a unit of work (energy)

Names of companies in the 2004 Annual Report are given as they appear in the Commercial Register of the Ministry of Justice of the Czech Republic.

Information for Shareholders and Investors

Events Calendar

→ Extraordinary General Meeting	21. 1. 2005
→ Press conference → ČEZ, a. s. Financial Performance Summary for 2004 – audited, unconsolidated figures (CAS), Czech version	28. 2. 2005
→ Publishing of 2004 Annual Report and Related Parties Report, Czech version	30. 4. 2005
→ Press conference → ČEZ Group Financial Performance Summary for 2004 – audited, consolidated figures (IFRS), English version → ČEZ, a. s. Financial Performance Summary for 1st Quarter 2005 – unaudited, unconsolidated figures (IFRS), Czech version	2. 5. 2005
→ ČEZ Group Financial Performance Summary for 1st Quarter 2005 – unaudited, consolidated figures (IFRS), English version	31. 5. 2005
→ Publishing of 2004 Annual Report, English version	15. 6. 2005
→ 14th Annual General Meeting of ČEZ, a. s.	20. 6. 2005
→ Press conference → ČEZ, a. s. Financial Performance Summary for 1st Half of 2005 – unaudited, unconsolidated figures (IFRS), Czech version	late July 2005
→ ČEZ, a. s. Half-year Report – unaudited, unconsolidated figures (IFRS), Czech version	1. 8. 2005
→ ČEZ Group Financial Performance Summary for 1st Half of 2005 – unaudited, consolidated figures (IFRS), English version	31. 8. 2005
→ Press conference → ČEZ, a. s. Financial Performance Summary for 1st – 3rd Quarters 2005 – unaudited, unconsolidated figures (IFRS), Czech version	late October 2005
→ ČEZ Group Financial Performance Summary for 1st – 3rd Quarters 2005 – unaudited, consolidated figures (IFRS), English version	30. 11. 2005

Note: CAS – Czech Accounting Standards
IFRS – International Financial Reporting Standards

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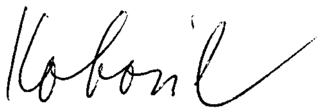
Information on Persons Responsible for the Annual Report

Responsibility for the Annual Report

Sworn Statement:
The information presented in the 2004 Annual Report of ČEZ Group is factual and no material circumstances that could influence an accurate and correct evaluation of ČEZ Group have been omitted.

Prague, 3 June 2005



Jiří Kobosil
Director, Planning and Controlling Section

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Recorded in the Commercial Register maintained
by the Prague Municipal Court, Part B, Entry 1581

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Tax ID: CZ45274649
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The closing date of the 2004 Annual Report is 3 June 2005

Consulting, design and production: