



CEZ GROUP



# THE LEADER IN POWER MARKETS OF CENTRAL AND SOUTHEASTERN EUROPE

Equity story, January 2007



## DISCLAIMER

Certain statements in the following presentation regarding CEZ's business operations may constitute "forward looking statements." Such forward-looking statements include, but are not limited to, those related to future earnings, growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute CEZ's current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to continued normal levels of operating performance and electricity demand at our distribution companies and operational performance at our generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and incremental growth from investments at investment levels and rates of return consistent with prior experience. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. CEZ undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In preparation of this document we used certain publicly available data. While the sources we used are generally regarded as reliable we did not verify their content. CEZ does not accept any responsibility for using any such information.



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## CEZ GROUP STANDS APART FROM OTHER UTILITIES IN EUROPE

- The vision of CEZ is to be the leader in power markets in the Central and Southeastern Europe
- The largest Czech corporation and the largest corporation among 10 new EU member states
- The best performing European utility stock with growth at >310% in the last 24 months with wide international shareholders base
- Leading position in Central European power markets, 2<sup>nd</sup> biggest exporter of power in Europe
- Vertically integrated in the Czech Republic – from mining (45% market share) through generation (73%) to distribution (62%) and supply (56%)
- Distribution and supply in Bulgaria (42% market share) and Romania (17%)
- Generation in Poland – Power Plants Elcho (238MW) and Skawina (592MW) and in Bulgaria – Power Plant Varna (1,260MW)



## CEZ GROUP OFFERS SOME EXCEPTIONAL FEATURES TO EQUITY INVESTORS

Key features	Rationale
<ul style="list-style-type: none"><li>▪ Strong financial performance</li></ul>	<ul style="list-style-type: none"><li>▪ EBITDA margin 40% (generation mix, growth potential)</li></ul>
<ul style="list-style-type: none"><li>▪ Dynamic profit growth expected to continue</li></ul>	<ul style="list-style-type: none"><li>▪ Growing power prices and consumption, efficiency improvements and synergies</li></ul>
<ul style="list-style-type: none"><li>▪ Vertically integrated</li></ul>	<ul style="list-style-type: none"><li>▪ Stable performance once prices converge</li></ul>
<ul style="list-style-type: none"><li>▪ Robust balance sheet</li></ul>	<ul style="list-style-type: none"><li>▪ Strong cash flow and very low level of debt</li></ul>
<ul style="list-style-type: none"><li>▪ Management fully focused on financial performance</li></ul>	<ul style="list-style-type: none"><li>▪ Group restructuring, aggressive performance targets</li></ul>
<ul style="list-style-type: none"><li>▪ Dividend policy targets 40-50 % payout</li></ul>	<ul style="list-style-type: none"><li>▪ 41% pay out ratio in 2005</li></ul>
<ul style="list-style-type: none"><li>▪ International corporate governance practices</li></ul>	<ul style="list-style-type: none"><li>▪ Under scrutiny of equity brokers, institutional investors, financial advisors and rating agencies (S&amp;P, Moody's)</li></ul>
<ul style="list-style-type: none"><li>▪ Increasing exposure to attractive regions of 1<sup>st</sup> and 2<sup>nd</sup> EU convergence zone</li></ul>	<ul style="list-style-type: none"><li>▪ Central and Southeastern Europe</li></ul>



## CEZ GROUP WILL CONTINUE TO IMPROVE ITS PERFORMANCE FASTER THAN OTHERS

	2006	2007 and beyond	Long term
With current capital	<ul style="list-style-type: none"><li>Wholesale price growth, stable fuel costs</li><li>Transformation savings</li><li>Savings in CO<sub>2</sub> emissions</li><li>Improvements in last acquisitions</li></ul>	<ul style="list-style-type: none"><li>Wholesale price convergence, stable fuel costs</li><li>Higher utilization of plants</li><li>Best practice savings (across segments)</li><li>Favorable regulation</li></ul>	<ul style="list-style-type: none"><li>Stable fuel costs</li></ul>
With additional capital	<ul style="list-style-type: none"><li>Consolidation of latest acquisitions (Poland, Varna)</li></ul>	<ul style="list-style-type: none"><li>New acquisitions</li><li>Increased nuclear capacity</li><li>Renewables</li></ul>	<ul style="list-style-type: none"><li>Upgrade of Czech generation fleet</li><li>Green/Brown field generation projects abroad</li><li>Additional nuclear units</li></ul>



# CEZ GROUP IS AN INTERNATIONAL UTILITY WITH STABLE POSITION IN DOMESTIC MARKET AND GROWING PORTFOLIO IN CEE

- Asset positions
- Target markets
- Trading office

## CEZ Group in Poland (75% share in Skawina, 89% in Elcho)

Electricity sales (TWh)	3.6
<b>Market share</b>	<b>2.4%</b>
Installed capacity (MW)	830
<b>Market share</b>	<b>2.3%</b>
Number of employees	776
Sales (EUR million)	194

## CEZ Group in the Czech Republic

Electricity sales (TWh)	61.2
Number of customers (million)	3.44
<b>Market share</b>	<b>62%</b>
Installed capacity (MW)	12,298
<b>Market share (MWh)</b>	<b>72%</b>
Number of employees	22,241
Sales (EUR million)	3,815

## CEZ Group in Romania (51% share in EDC Oltenia)

Electricity sales (TWh)	4.1
Number of customers (million)	1.36
<b>Market share</b>	<b>17%</b>
Installed capacity (MW)	0
Number of employees	2,969
Sales (EUR million)	368

## CEZ Group in Bulgaria (67% shares in 3 EDCs, 100% in TPP Varna)

Electricity sales (TWh)**	7.9+2.7
<b>Market share</b>	<b>41%+6%</b>
Number of customers (million)	1.9
<b>Market share</b>	<b>42%</b>
Installed capacity (MW)	1,260
Number of employees	4,693+900
Sales (EUR million)**	409+73

\* IFRS 2005, \*\* Last figure relates to TPP Varna  
Note: Exchange rate CZK/EUR = 29.0, CZK/PLN = 7.5

Source: CEZ, Distribution companies, national statistics

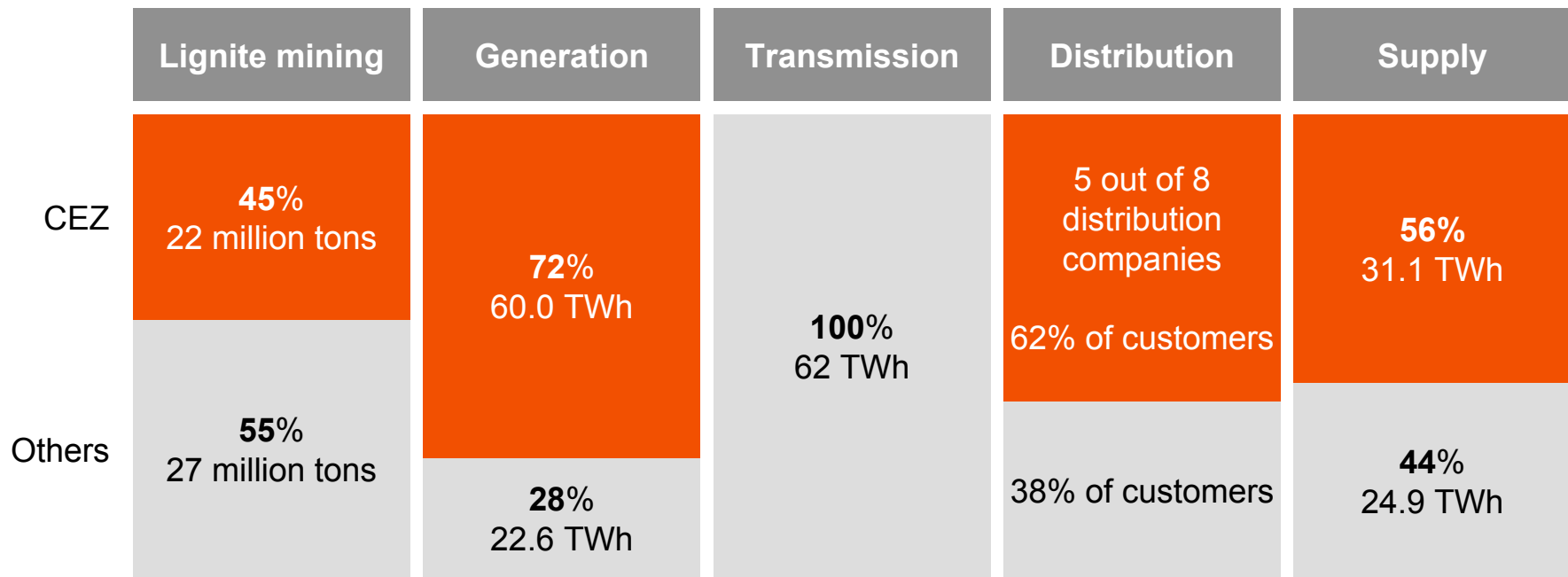


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# CEZ IS A STRONG AND VERTICALLY INTEGRATED PLAYER ON THE CZECH ELECTRICITY MARKET



- CEZ fully owns the largest Czech mining company (SD) covering 60% of CEZ's lignite needs
- Remaining 3 coal mining companies are privately owned

- Other competitors – individual IPPs

- The Czech transmission grid is owned and operated by CEPS, 100% owned by the Czech state



- Other competitors – E.ON, RWE/EnBW



## VISION OF THE CEZ GROUP IS TO BE THE LEADER IN POWER MARKETS IN CENTRAL AND SOUTHEASTERN EUROPE

**Our vision**  
The leader  
in power  
markets in  
the Central  
and South-  
Eastern Europe

### **Business focus**

- Integrated utility focused on power generation, distribution and supply
- Present in related businesses where relevant (coal mining, heat generation)

### **Priority initiatives**

- **Czech Republic**
  - maintain strong hedged position
  - achieve operational excellence to be replicated across the group
  - renewal of plant portfolio
- **Central and South Eastern Europe**
  - build strong hedged position through acquisitions
  - integrate into the Group








### **Brand equity**

- Czech champion on the international energy markets



# NEW MANAGEMENT TEAM IS DETERMINED TO FULFILL THE MISSION

## Management team of CEZ Group

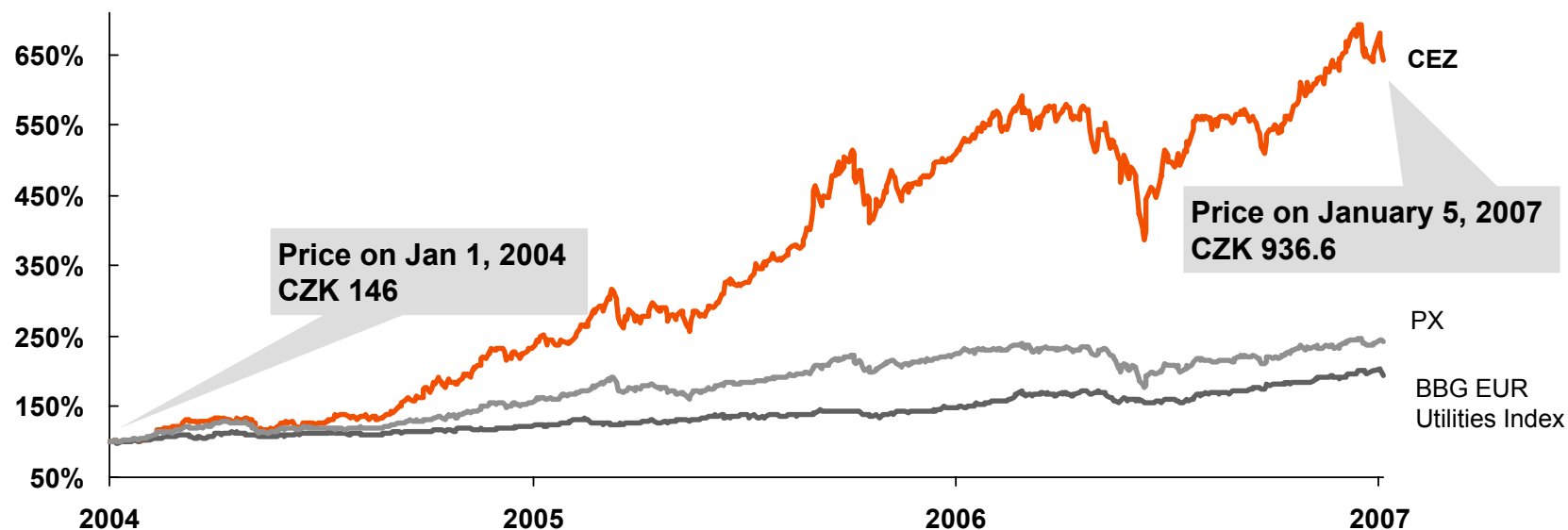
	HR	Trade	Finance	CEO	Generation	Distribution	Operations
							
	<b>Zdeněk Pasák</b>	<b>Alan Svoboda</b>	<b>Petr Vobořil</b>	<b>Martin Roman</b>	<b>Jiří Borovec</b>	<b>Tomáš Pleskač</b>	<b>Daniel Beneš</b>
<b>Responsibility</b>	<ul style="list-style-type: none"> <li>Human Resources</li> <li>Internal Communication</li> </ul>	<ul style="list-style-type: none"> <li>Trading</li> <li>Sales and marketing</li> <li>Customer services</li> <li>Business dev.</li> </ul>	<ul style="list-style-type: none"> <li>Treasury</li> <li>Accounting</li> <li>Planning/controlling</li> <li>ICT</li> </ul>	<ul style="list-style-type: none"> <li>M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Conventional generation</li> <li>Nuclear generation</li> <li>New projects</li> </ul>	<ul style="list-style-type: none"> <li>Distribution</li> <li>Foreign equity participations</li> <li>Integration</li> </ul>	<ul style="list-style-type: none"> <li>Domestic Equity participations</li> <li>Procurement</li> <li>Coal mining</li> </ul>
<b>Credentials</b>	<ul style="list-style-type: none"> <li>Managing Partner Madsen &amp; Taylor Consulting</li> <li>Senior Consultant and International Partner Group Helmut Neumann Int.</li> </ul>	<ul style="list-style-type: none"> <li>Partner in McKinsey &amp; Company responsible for energy sector</li> <li>CFO in regional power distributor</li> </ul>	<ul style="list-style-type: none"> <li>Top management positions in CEZ, including CEO</li> </ul>	<ul style="list-style-type: none"> <li>CEO of Škoda holding in Plzeň</li> <li>CEO of US-owned Janka Lennox</li> </ul>	<ul style="list-style-type: none"> <li>CEO of Škoda Nuclear division</li> <li>CEO ABB Service Czech Republic</li> </ul>	<ul style="list-style-type: none"> <li>Top management positions within the CEZ Group</li> </ul>	<ul style="list-style-type: none"> <li>Head of Sales Bohemiacoal</li> <li>Plant director Tchas</li> <li>Director Hedviga Group</li> </ul>
<b>Since</b>	2006	2004	1980	2004	2005	1993	2004



# CEZ STOCK HAS SIGNIFICANTLY OUT-PERFORMED THE CZECH MARKET AS WELL AS EUROPEAN UTILITIES

Prices of shares and share indexes\*

Percent



CEZ shares are among the most liquid on the Prague Stock Exchange

- **Average daily volume in 2006**
  - CZK 1.4 billion
  - 1.7 million pieces
  - 0.87% of the free float

Listed on WSE since October 25, 2006

CEZ shares are part of the following main indices

- PX – Prague Stock Exchange
- CTX – Wiener Borse
- CETOP 20 – Budapest Exchange
- STOXX EU Enlarged – Dow Jones
- WIG20 – Warsaw Stock Exchange

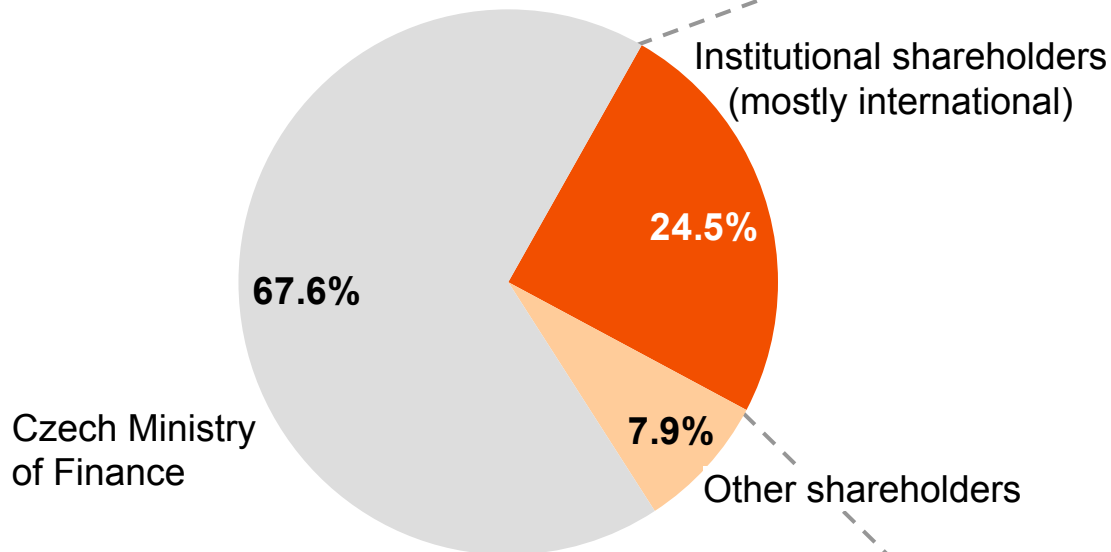
\* Indexed to Jan 1, 2004

Source: PSE, Bloomberg



# CEZ GROUP ATTRACTED MANY INTERNATIONAL SHAREHOLDERS

**Shareholders of CEZ, a. s.**  
As of December 31, 2005



## Types of funds investing in CEZ shares

- Utilities
- Emerging markets
- Hedge

Increasing share

## Examples of large foreign investors

- Baring Global Umbrella
- BNP Paribas
- Charlemagne Capital
- Credit Suisse Life & Pensions
- J. P. Morgan
- Merrill Lynch
- Norwich Life & Pensions Ltd.
- Pioneer
- The State Teachers Retirement System Ohio
- UBS



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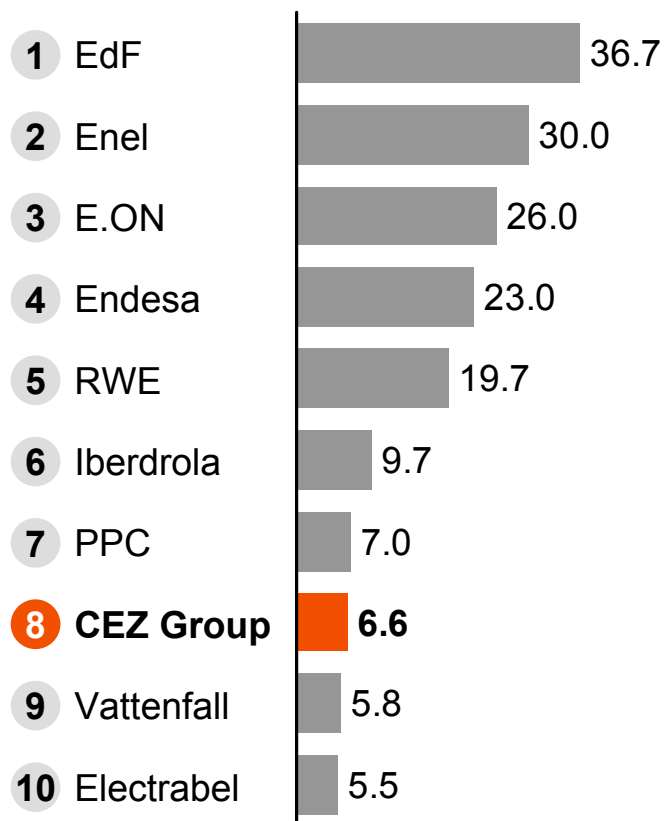
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# CEZ IS AMONG TOP 10 EUROPEAN POWER UTILITIES BY SIZE ....

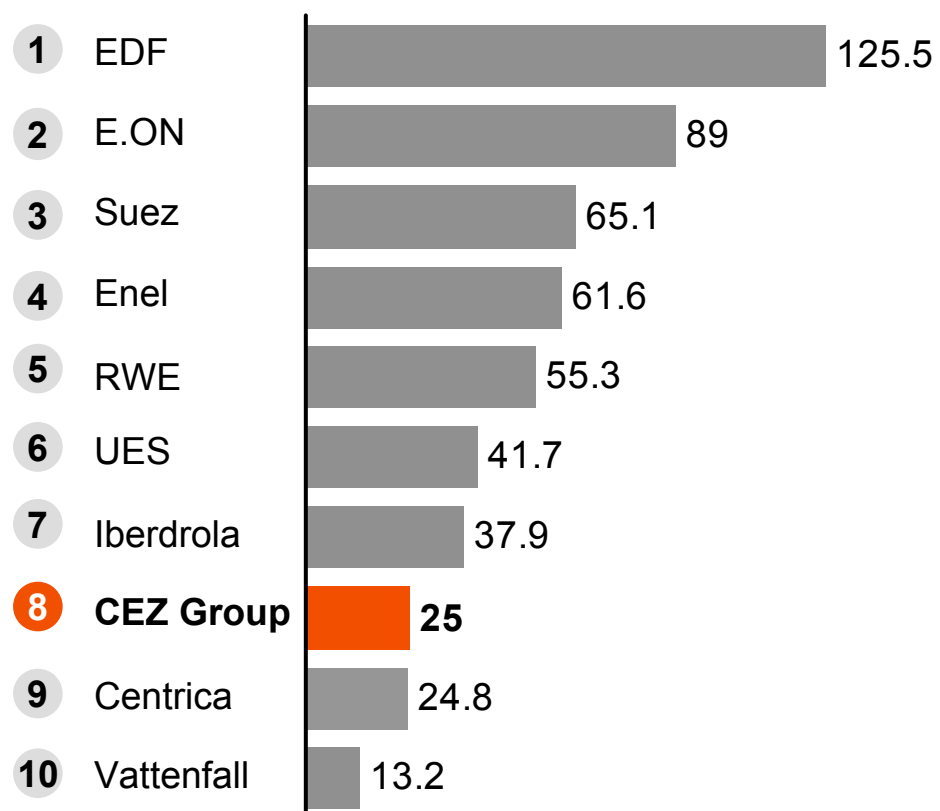
## Top 10 European power utilities

Number of customers in Europe, million



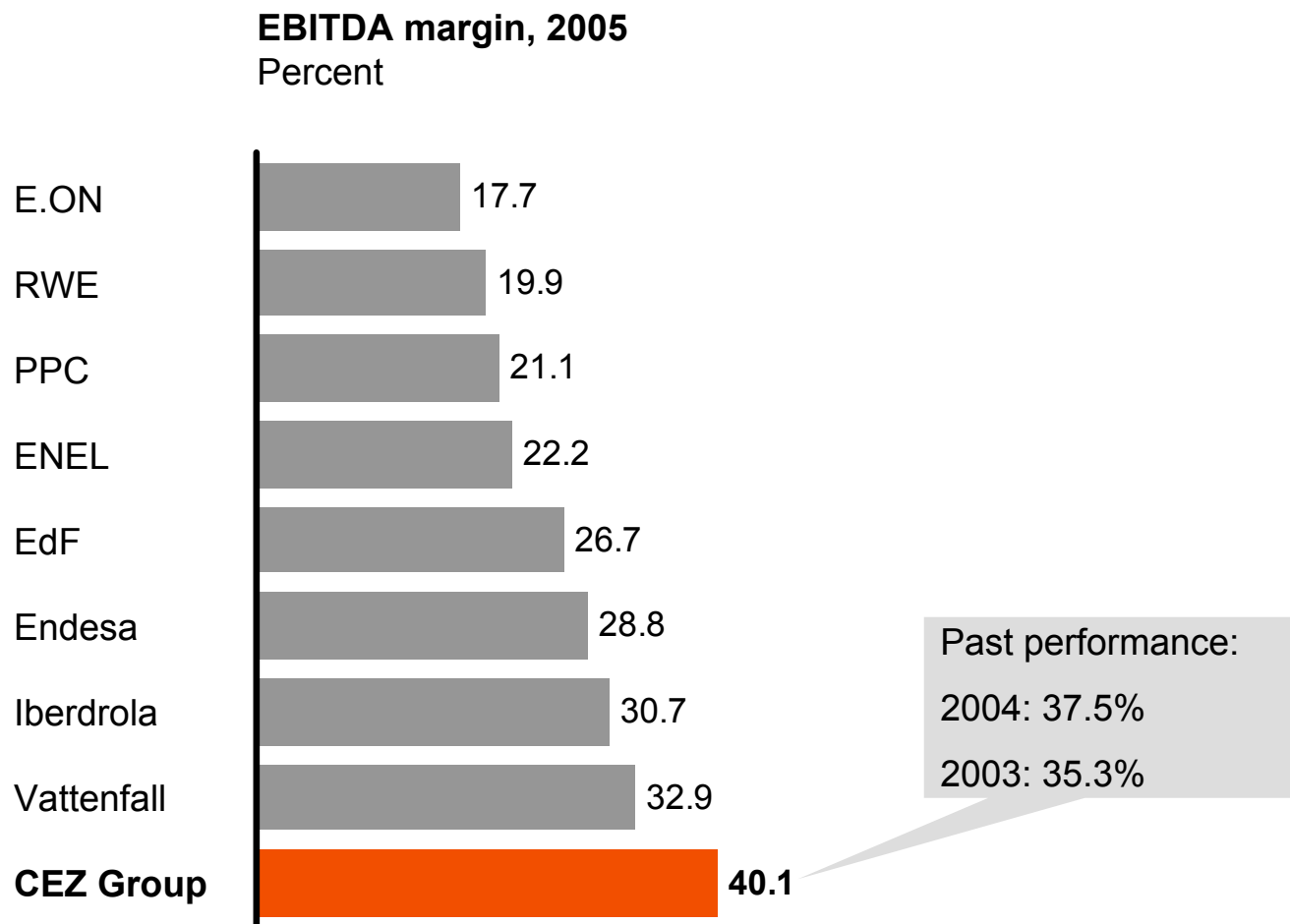
## Top 10 European power utilities

Market capitalization, USD bn, as of January 11, 2007





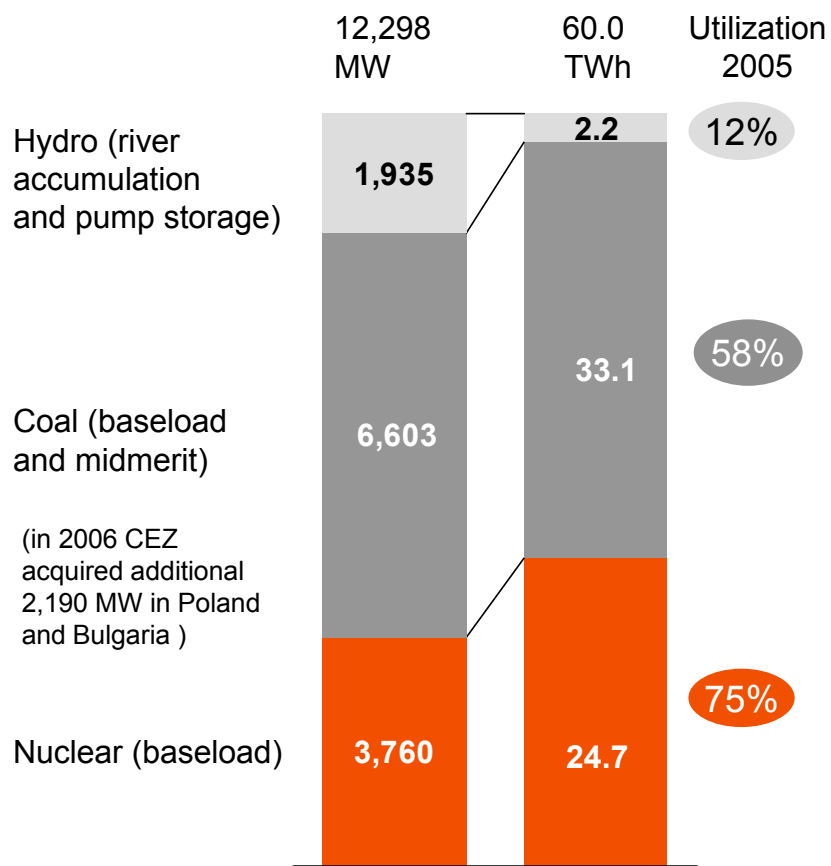
## ... AND IS THE MOST PROFITABLE UTILITY IN EUROPE MEASURED BY EBITDA MARGIN



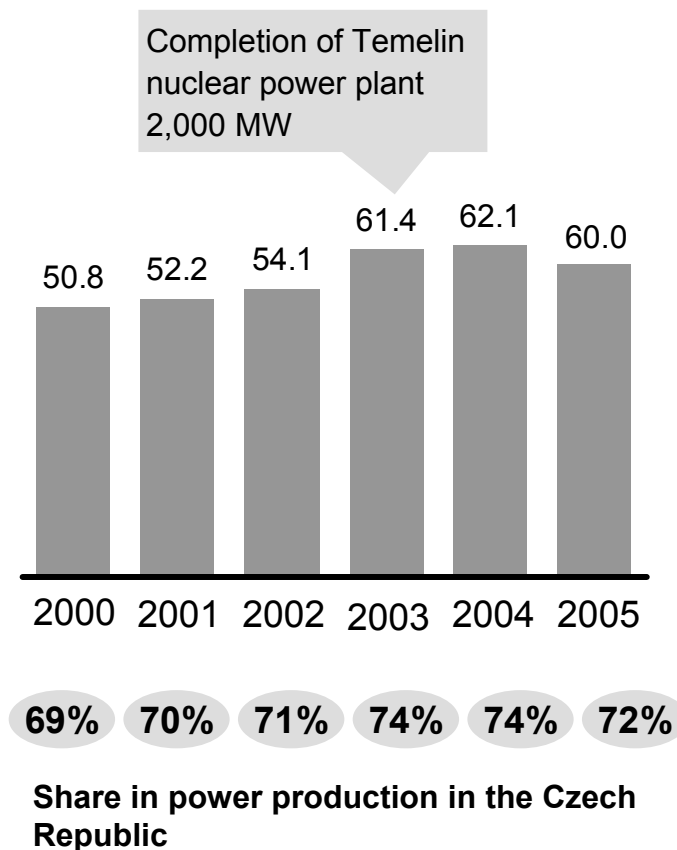


# THE MAIN COMPETITIVE ADVANTAGE OF CEZ GROUP IS DOMESTIC LOW COST GENERATION FLEET

**CEZ Group Czech generation (2005)**



**Annual production of CEZ Group TWh**





## CEZ GROUP WILL MAINTAIN LONG-TERM COMPETITIVE ADVANTAGE IN GENERATION COSTS

### Sources of long-term competitive advantage:

#### ■ Conventional generation

- Long term framework agreement for lignite deliveries till 2050 for >90% of consumption
- Lignite Prices change only as fraction of electricity price and inflation changes
- Large share of supplies from own mines (~ 60% of lignite)
- Increased efficiency after plant portfolio renewal and maintenance cost reduction

#### ■ Nuclear generation

- Projected lifetime till 2027 and 2042 (Temelin)
- Further extension technically feasible and likely to be granted
- Increased capacity of Dukovany (~10% or 165 MW) after turbine upgrades and increase of the reactor's thermal output
- Increased capacity of Temelin (~4% or 80 MW) after turbine rotor upgrades



# CEZ GROUP MAINTAINS VERY HIGH DYNAMICS IN PROFIT GROWTH

**EBIT of CEZ Group**  
EUR millions

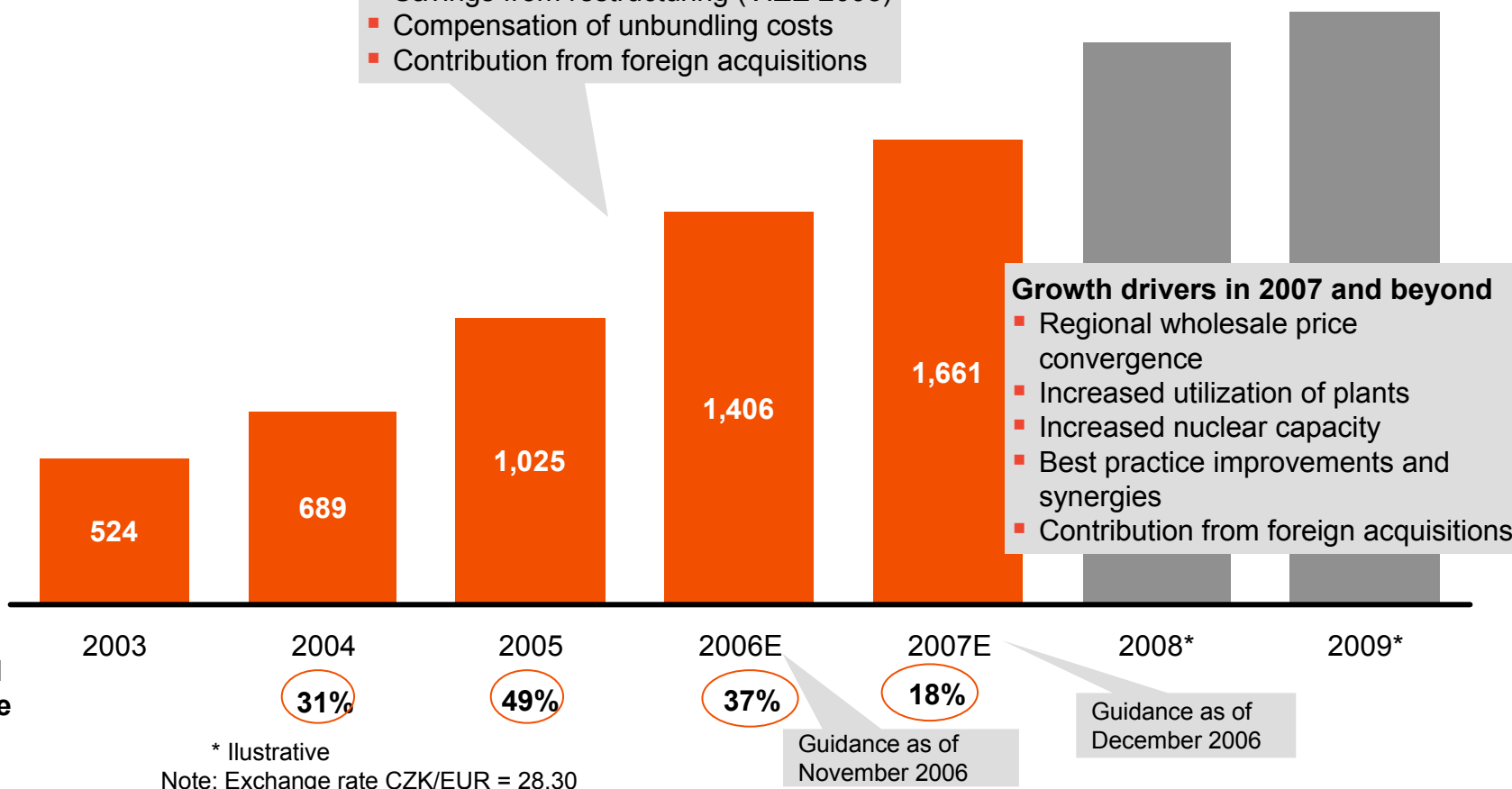
### Growth drivers in 2006

- 15% wholesale price increase
- Savings in CO<sub>2</sub> emissions
- Savings from restructuring (VIZE 2008)
- Compensation of unbundling costs
- Contribution from foreign acquisitions

### Growth drivers in 2007 and beyond

- Regional wholesale price convergence
- Increased utilization of plants
- Increased nuclear capacity
- Best practice improvements and synergies
- Contribution from foreign acquisitions

**Annual increase**

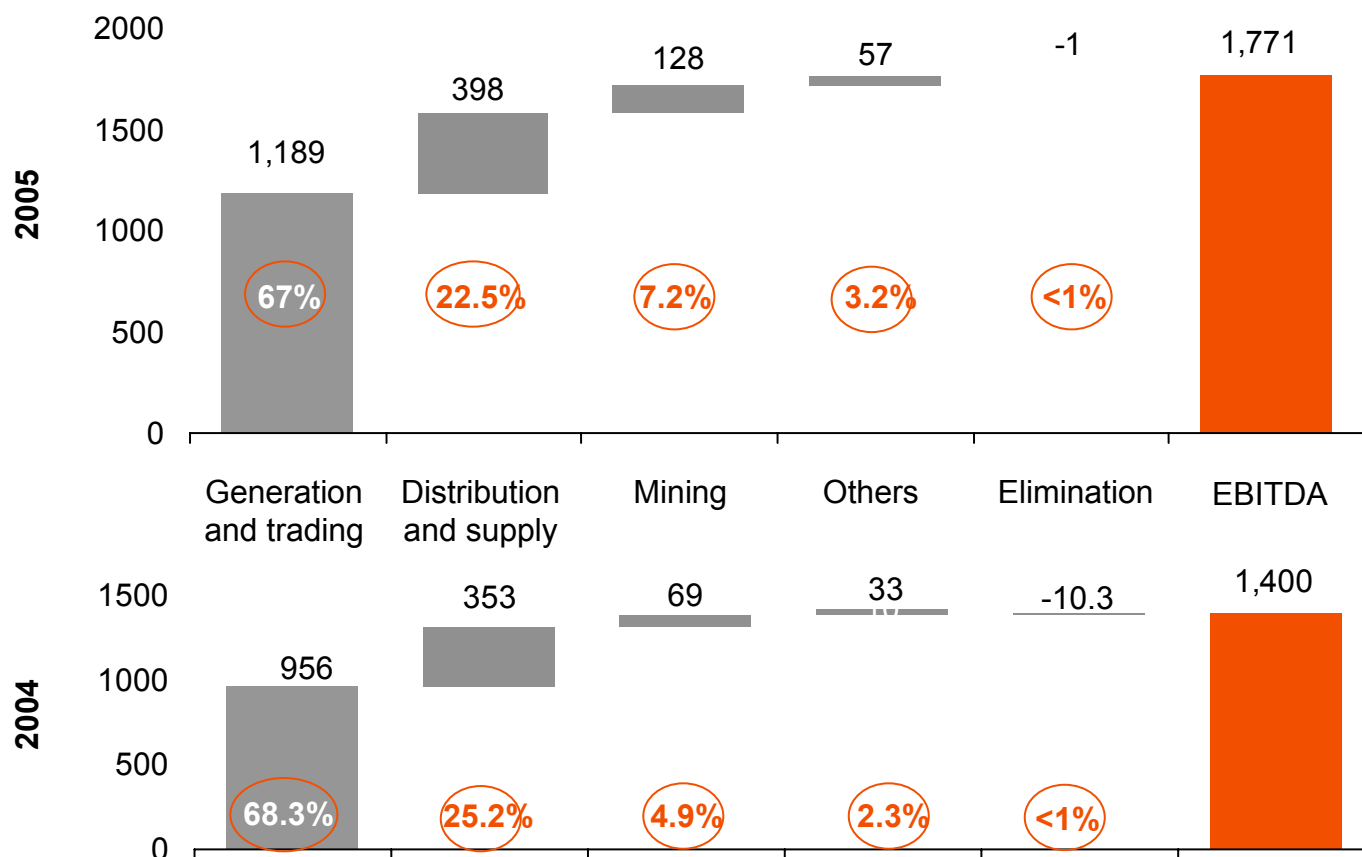




# CEZ GROUP PROFITABILITY IS DRIVEN BY GENERATION AND TRADING AND TRADING

## EBITDA contribution in 2004 and 2005

EUR m

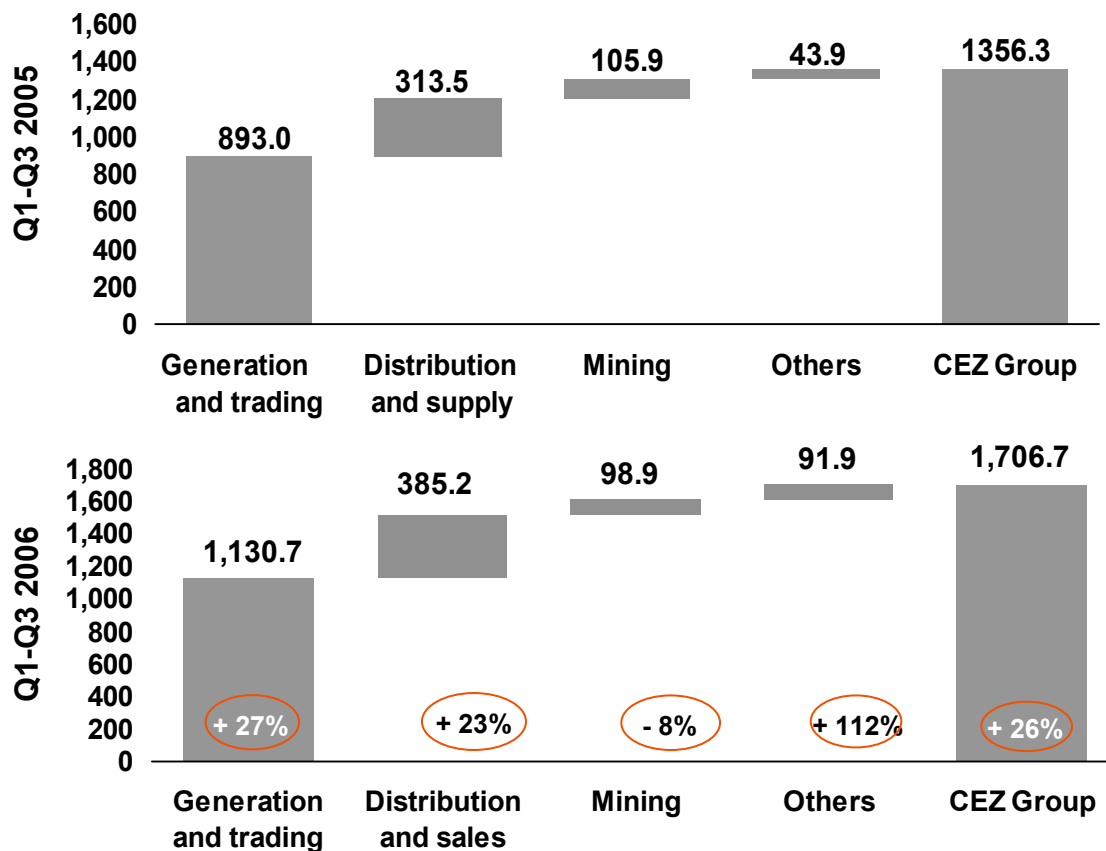


- Generation and trading contribute more than 2/3 to overall group EBIT
- Distribution and supply contribution impacted by one-off items in Czech business in 2004 and 2005
- Foreign distribution companies contributed ~ 4% to total group EBIT in 2005
- Mining contribution in 2004 impacted by one off items



# EXPECTED PROFITABILITY GROWTHS IS CONFIRMED BY THE LATEST SET OF QUARTERLY DATA RESULTING IN IMPROVED GUIDANCE FOR 2006

**Contribution to EBITDA of CEZ Group**  
EUR m

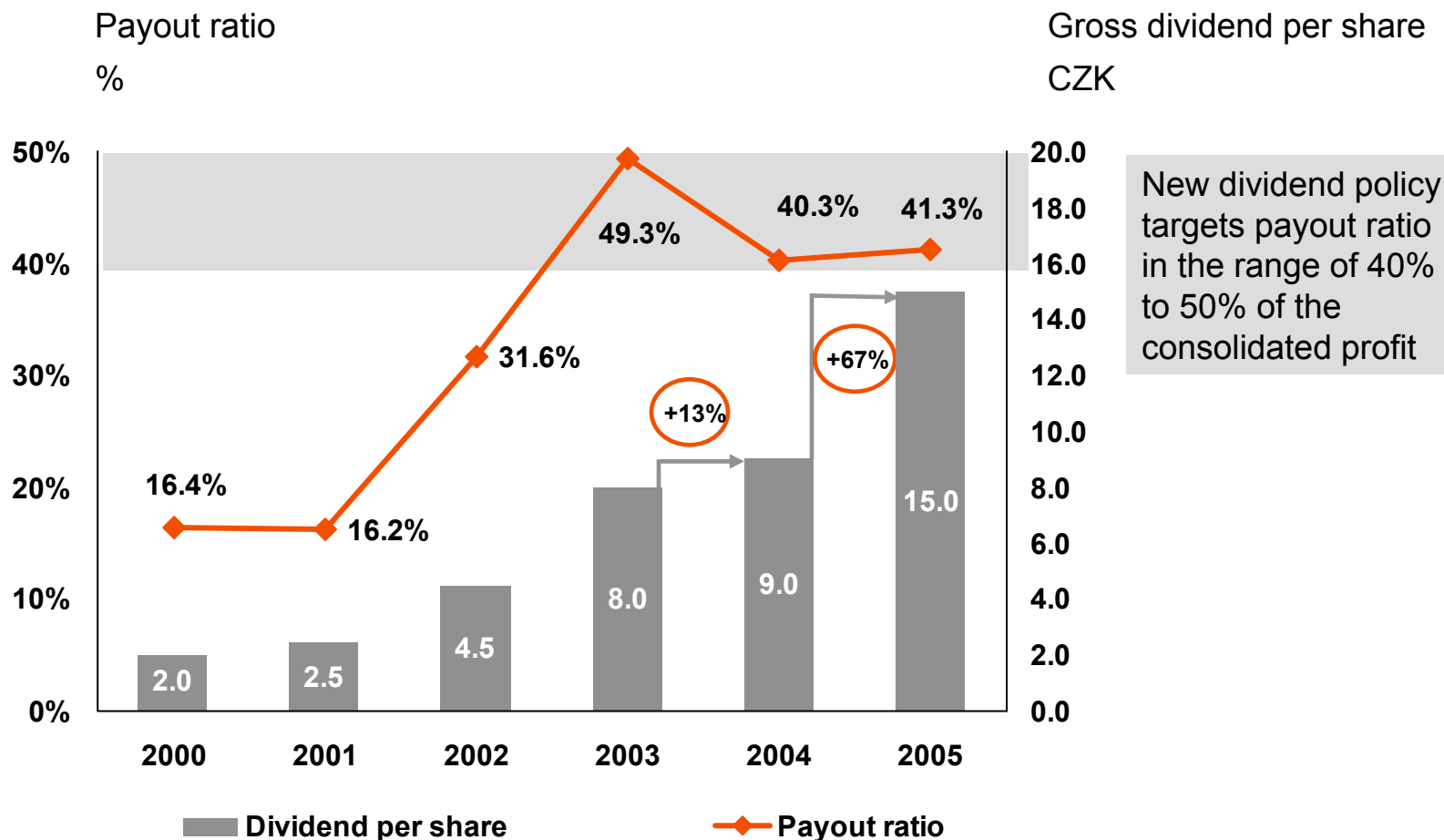


**EBITDA of CEZ Group**  
2006 guidance, EUR m





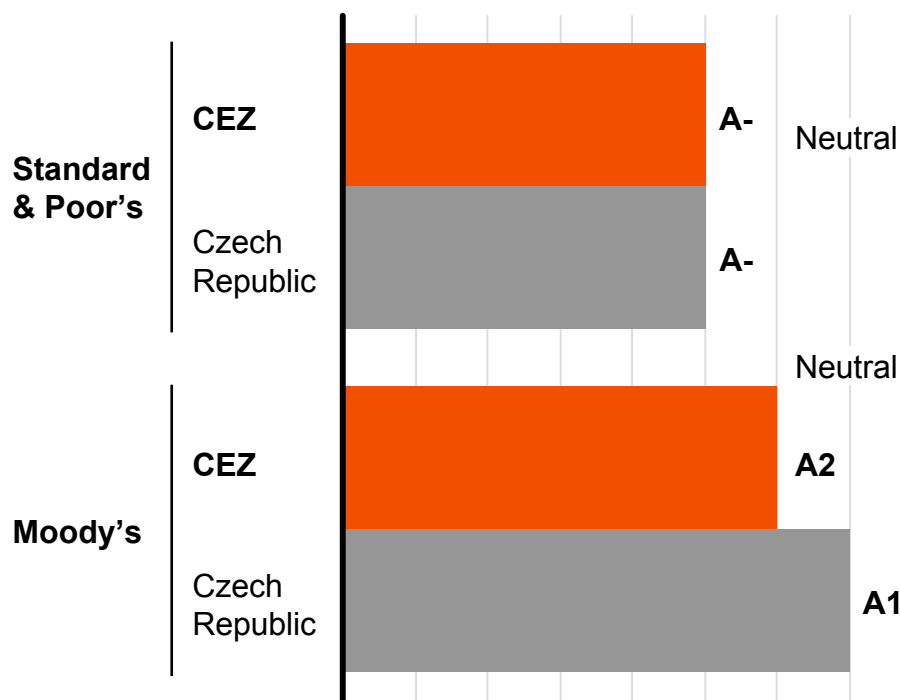
# CEZ HAS SIGNIFICANTLY INCREASED IT'S DIVIDENDS IN THE LAST YEARS





# CEZ MAINTAINS VERY STRONG CREDIT RATING

## Credit rating of CEZ and Czech Republic

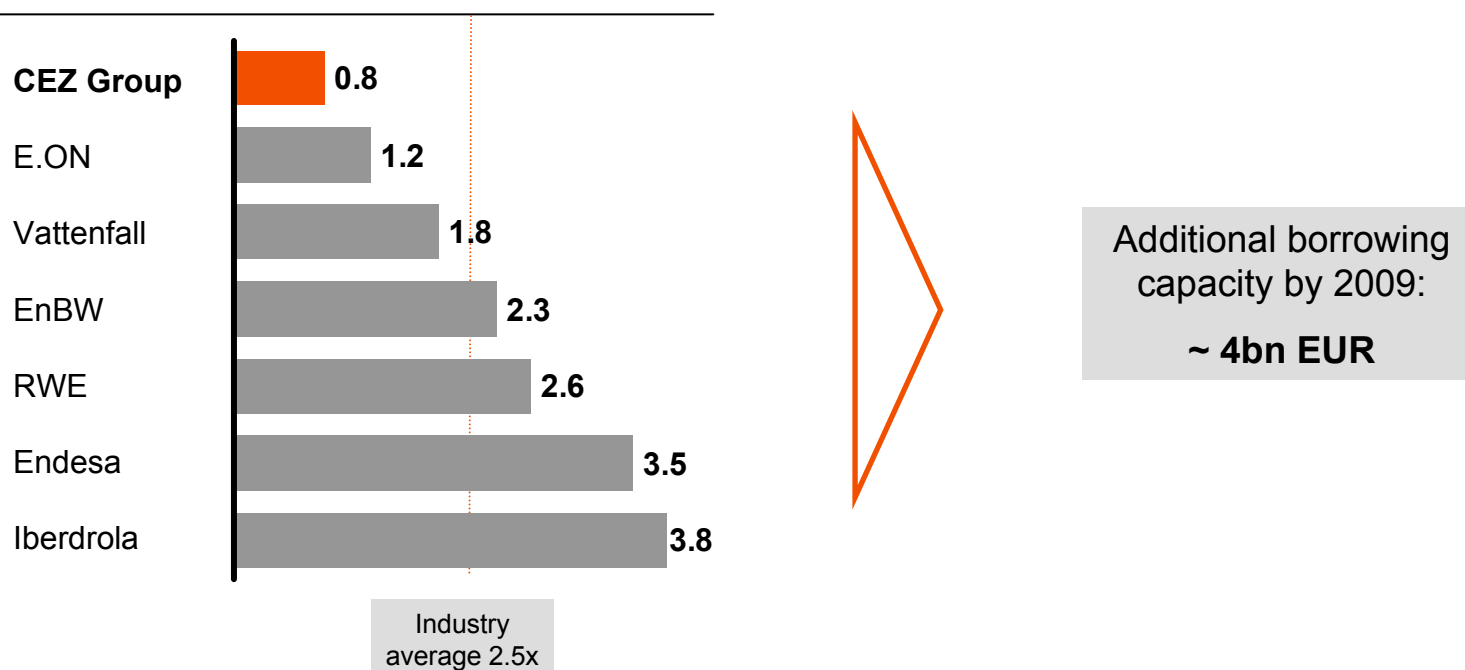


- CEZ has high credit rating just below the country risk
- CEZ has been first rated company in former Eastern Europe (1994)
- CEZ has been first and one of the largest corporate bond issuers in CEE
- CEZ is committed to maintain its strong credit rating



## CEZ GROUP IS THE LEAST INDEBTED UTILITY IN EUROPE WITH STRONG ADDITIONAL BORROWING CAPACITY

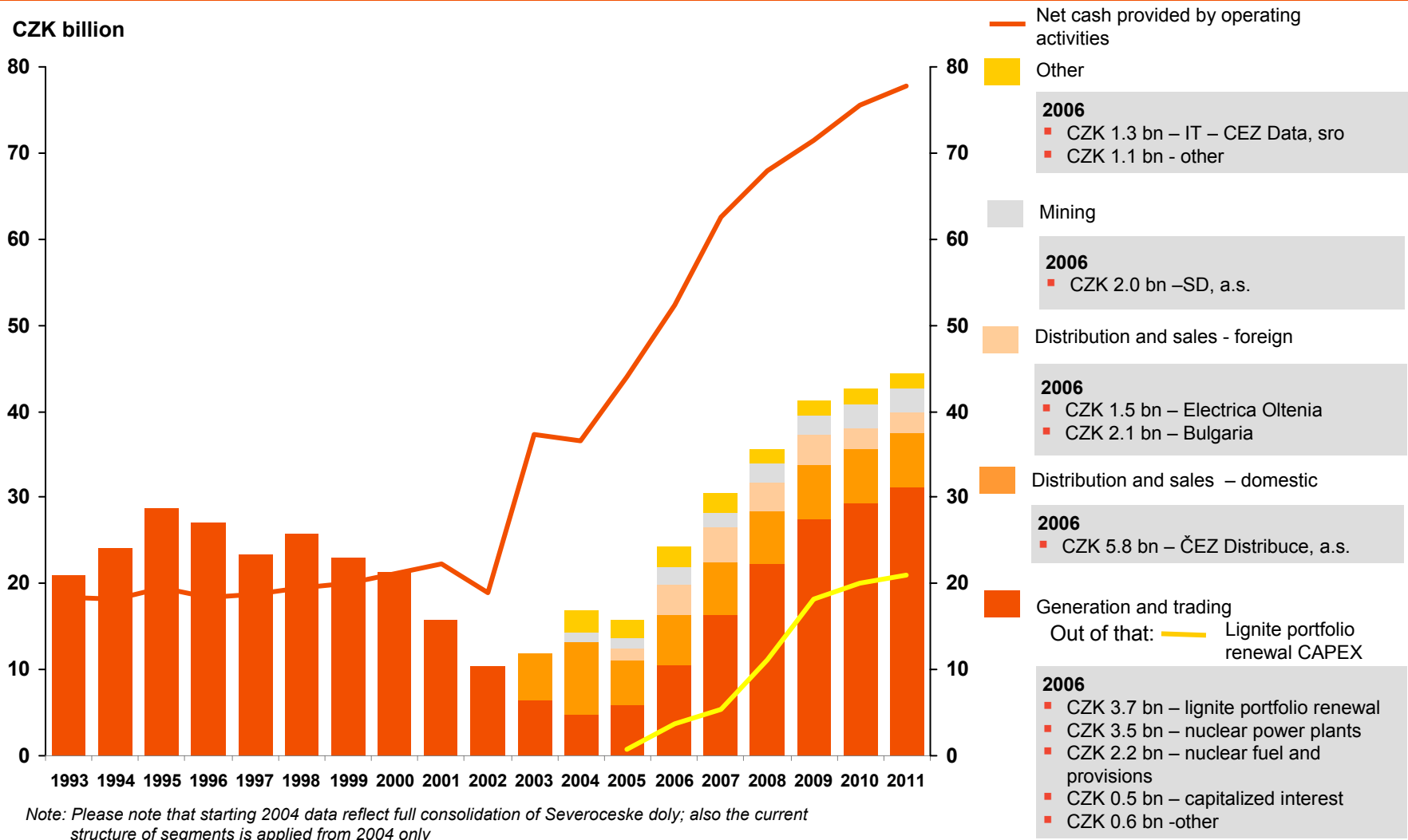
### Debt/ EBITDA Multiples, 2005



- Additional borrowing capacity may be used to finance recent acquisitions
- CEZ management committed to reach optimal capital structure



# CEZ GROUP GENERATES LARGE OPERATING CASH-FLOW IN EXCESS OF INVESTMENT NEEDS

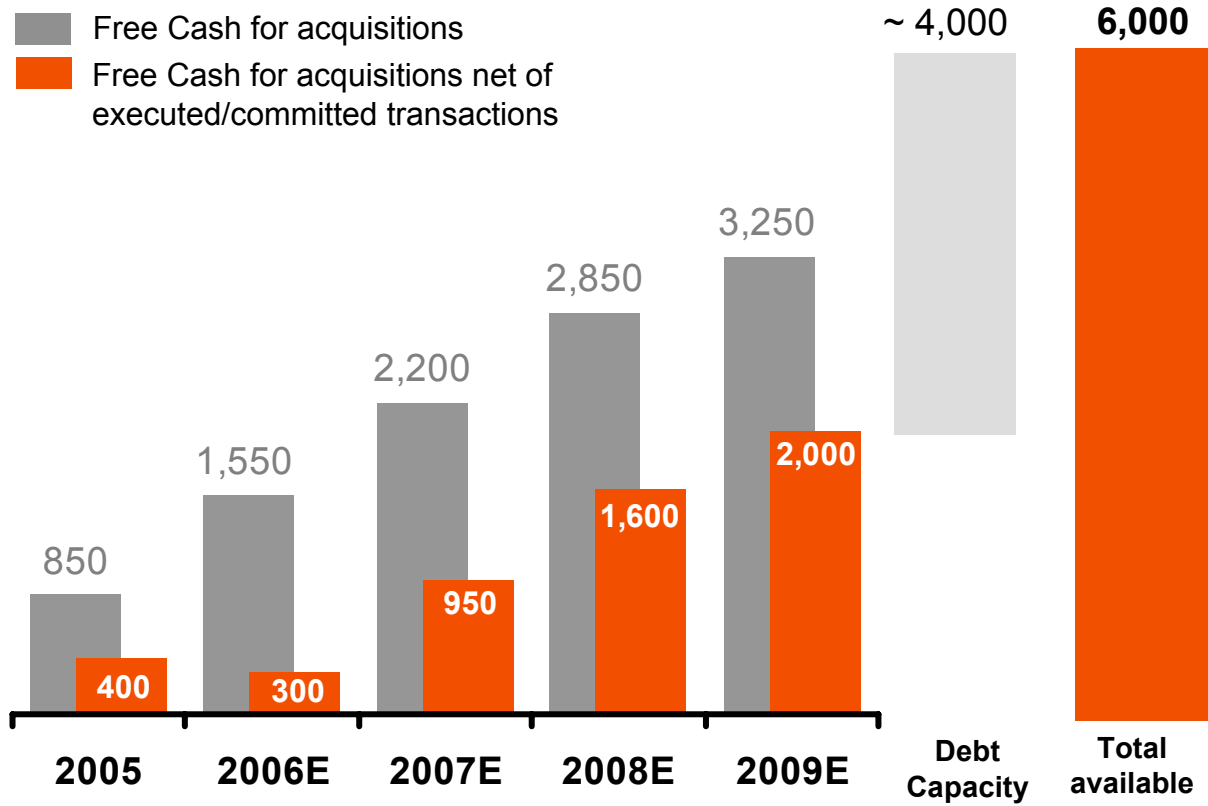


Source: CEZ



# CEZ GROUP HAS VERY STRONG FREE CASH-FLOW THAT COMBINED WITH ADDITIONAL BORROWING CAPACITY CAN BE USED TO FINANCE INTERNATIONAL GROWTH UP TO EUR 6.0 BILLIONS

## Free cash flow of CEZ Group (cumulative) EUR million



CEZ Group can finance foreign acquisitions in the next 3-5 years from free cash flow up to EUR 6,000 millions without impacting

- Dividend payments (40% - 50% pay out ratio)
- Budgeted CAPEX



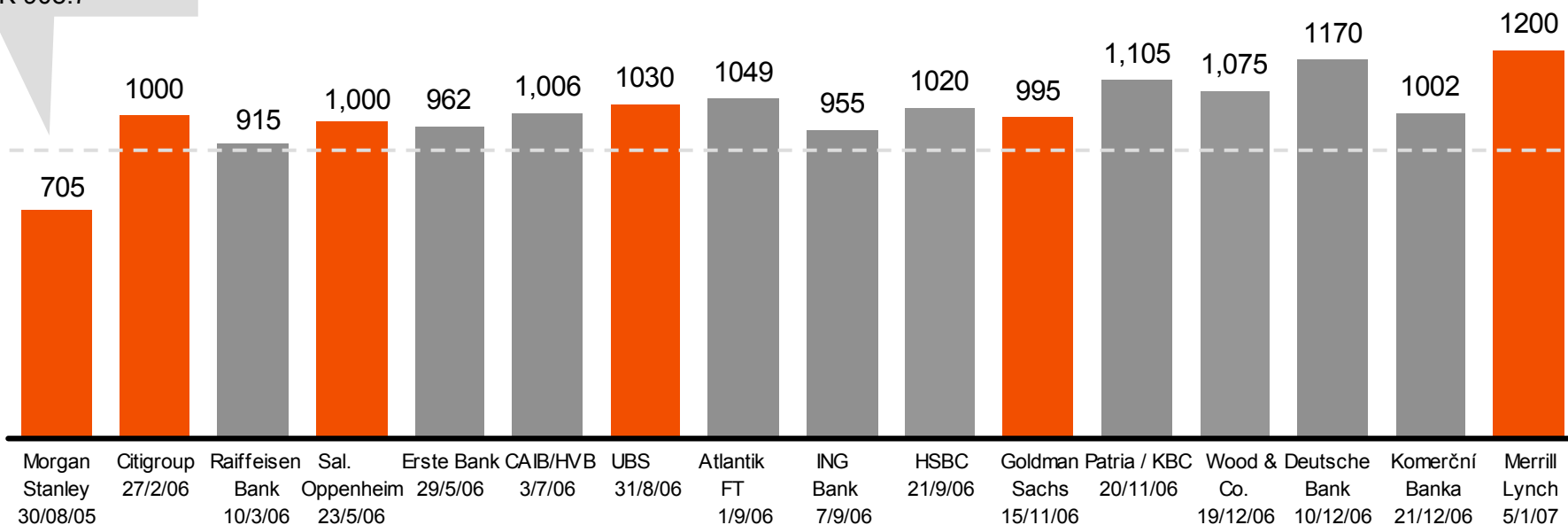
# ANALYSTS MAINTAIN POSITIVE VIEW ON CEZ GROUP PERFORMANCE

## Target share price

CZK, ranked by date of issue

■ Utilities analysts

Current share price  
CZK 908.7\*



## Recommendation:



\* January 11, 2007

Note: Some of the analysts use different rating for recommendations and/or apply different meaning to target price



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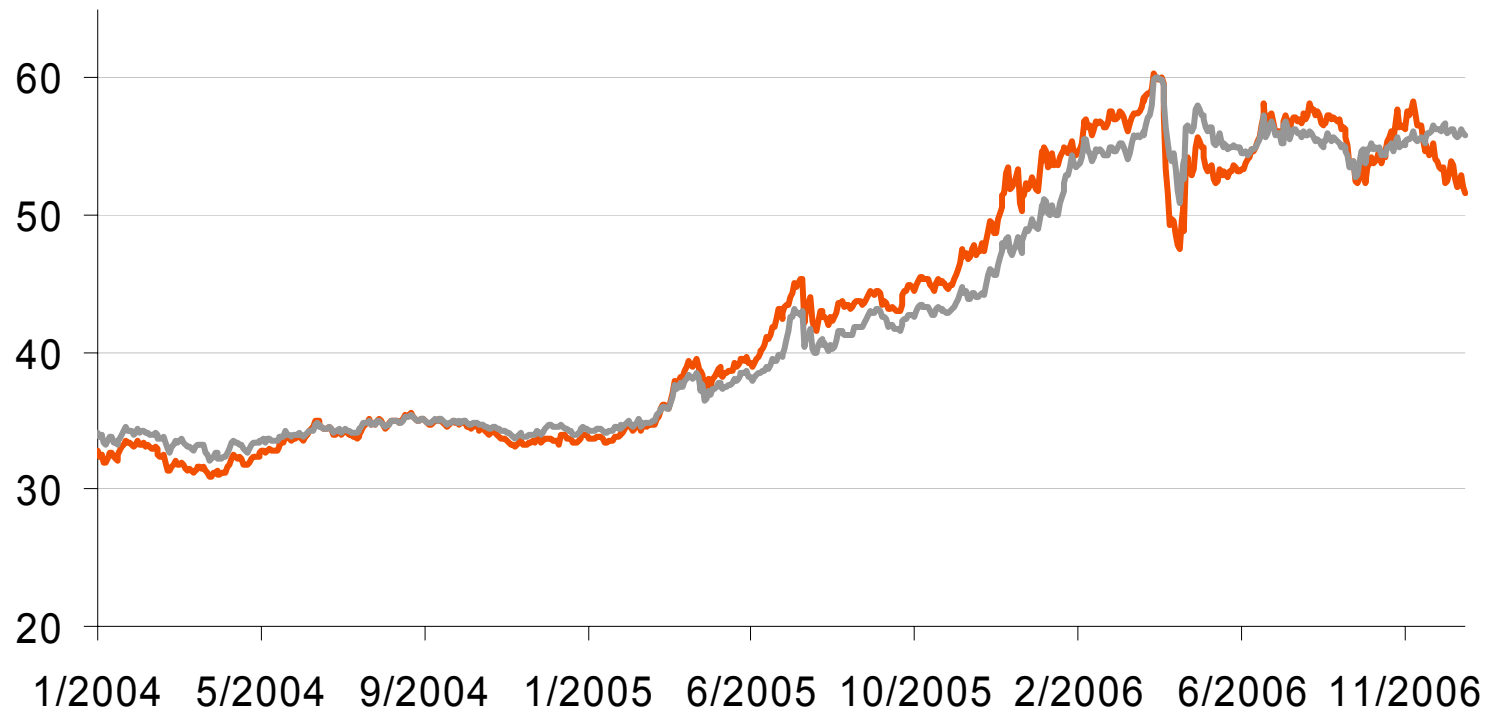
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# GERMAN POWER PRICES AS BENCHMARK FOR THE REGION CONTINUE INCREASING

**EEX Futures (baseload)**  
EUR/MWh

— 1 year forward  
— 2 years forward



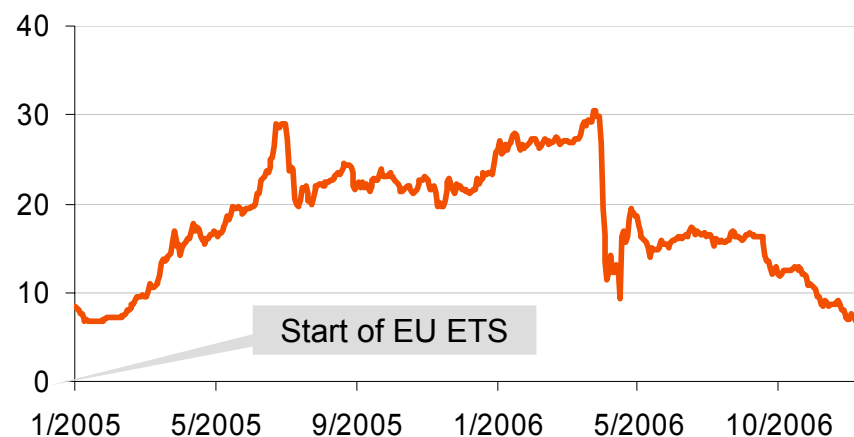


# GERMAN PRICES ARE DRIVEN BY GROWING OIL PRICES, CO<sub>2</sub> ALLOWANCES AND SUPPLY DEMAND SQUEEZE

**Brent oil**  
USD / bl



**CO<sub>2</sub> allowances**  
EUR/t



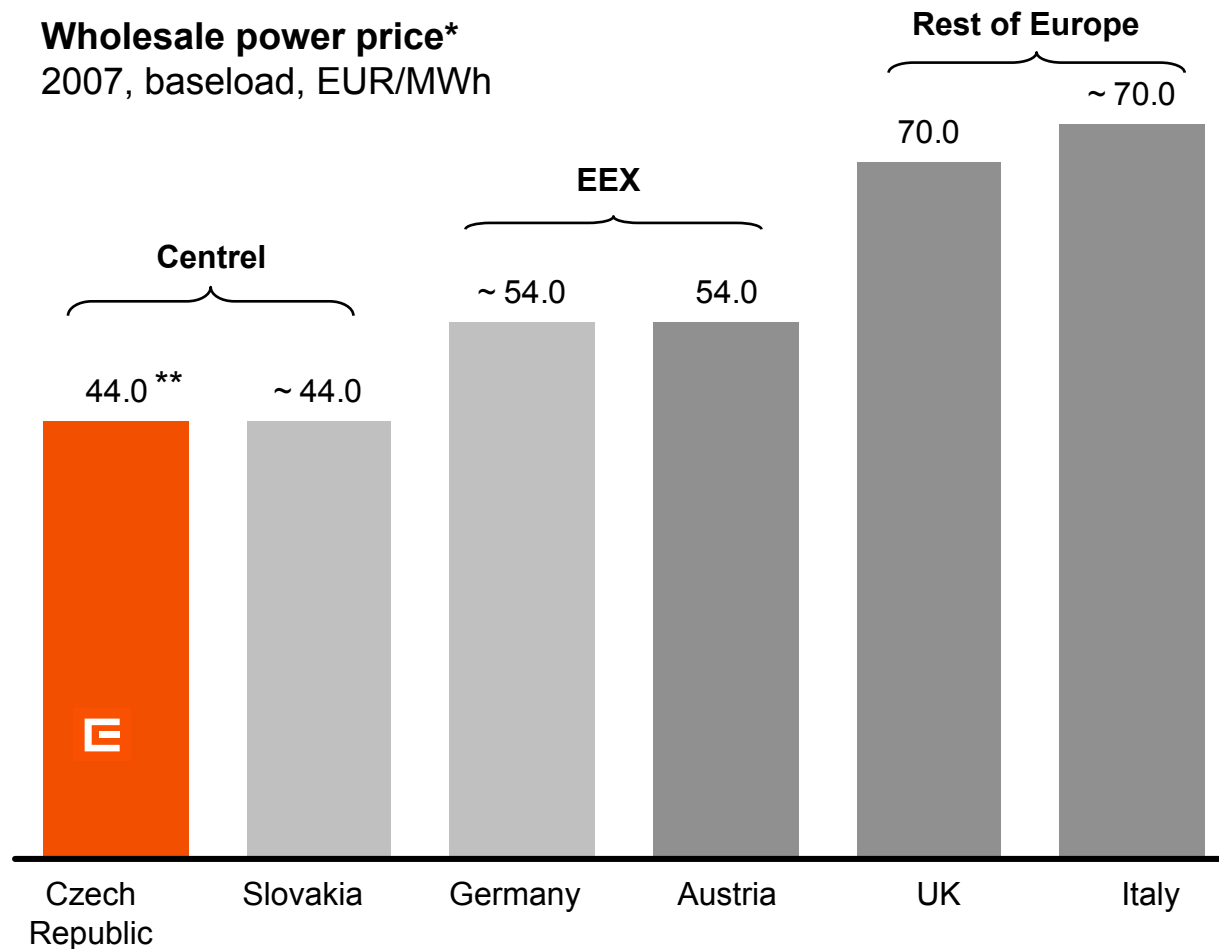
**Additional factor**

Supply / Demand  
Squeeze

- CO<sub>2</sub> allowances were distributed to emitters for free in volume believed to be lower than required
- Market price of CO<sub>2</sub> allowances reflects the extra costs of emissions saving (fuel switching, new technologies, ...)
- Market price of CO<sub>2</sub> de facto represents additional variable (opportunity) cost



## WHOLESALE PRICES IN THE CZECH REPUBLIC ARE STILL AMONG THE LOWEST IN THE REGION



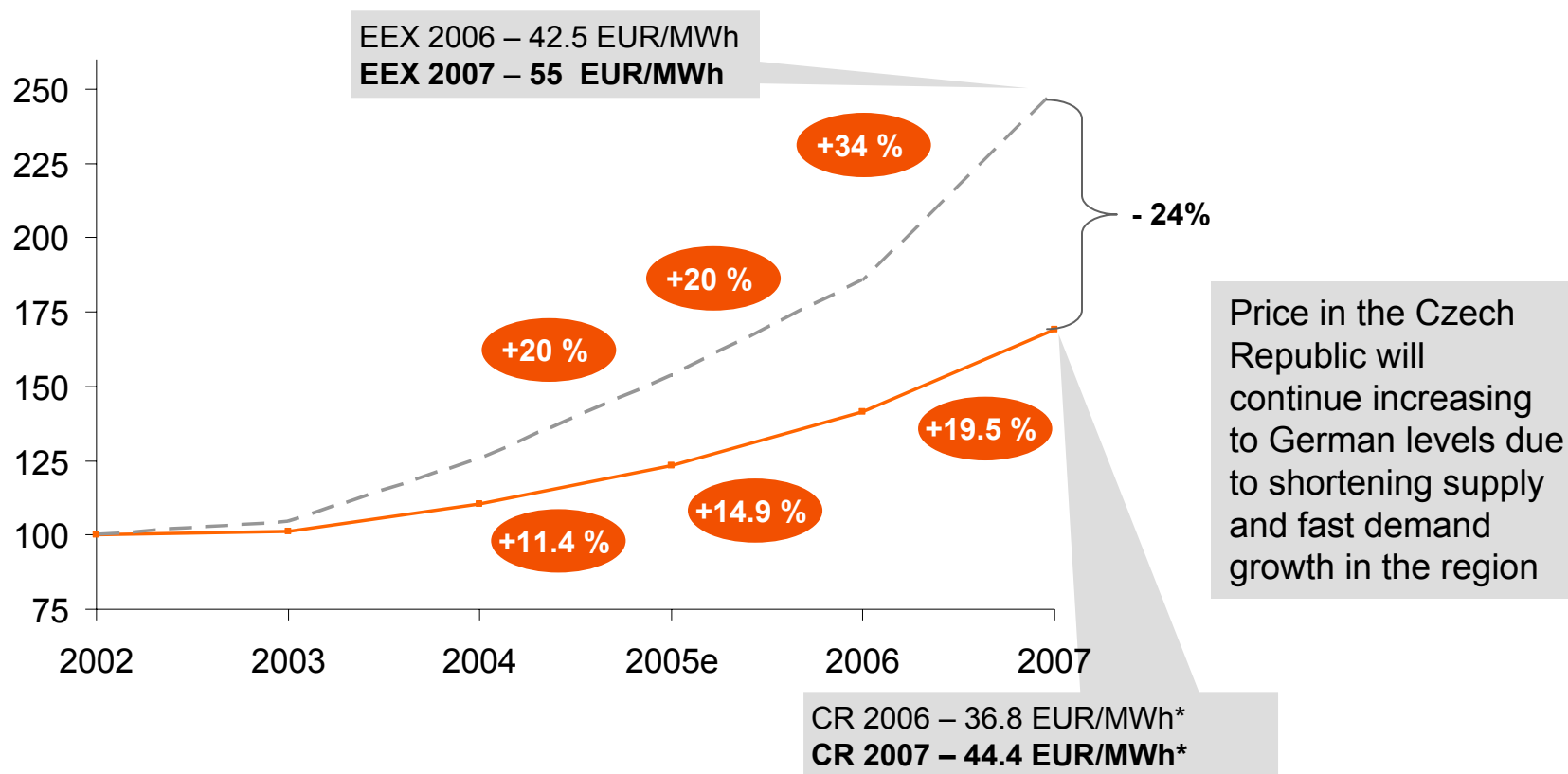
\* Comparing 2006 forward price as of 2005, assuming CZK/EUR 28.30, GBP/EUR 1.48

\*\* 2007 baseload price settled at CEZ Wholesale Power Auction in August 2006. Significant portion of CEZ 2007 volume was sold there.



# CZECH WHOLESALE PRICES ARE LINKED TO INCREASING GERMAN PRICES

**Wholesale power price (baseload)**  
2002 index

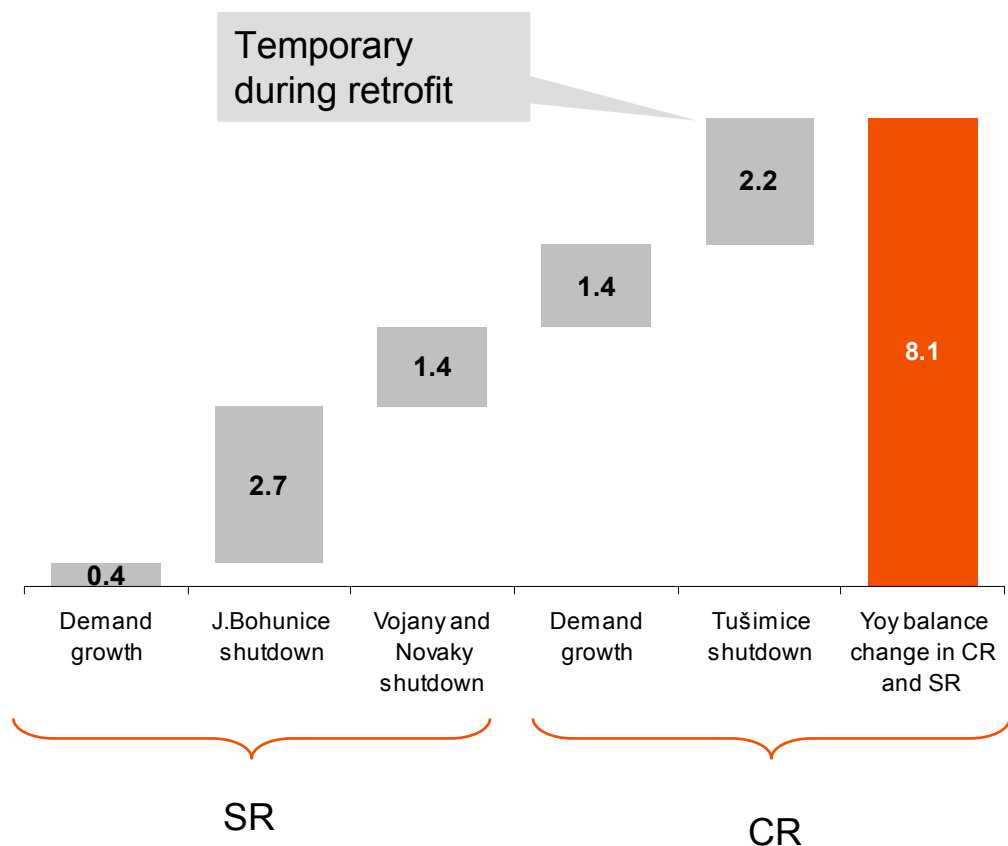


\* Exchange rate CZK / EUR 28.00



# FAST DEMAND GROWTH ALONG WITH SIGNIFICANT POWER CAPACITY DECOMMISSIONING WILL RESULT IN 8 TWH DEFICIT THIS YEAR

## Yoy change of power balance in CR and SR TWh



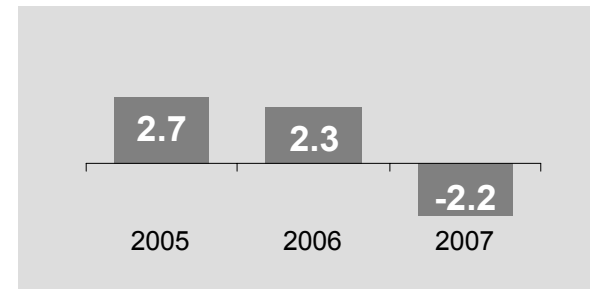
- Elimination of deficit of >8 TWh (approx. 11% CR demand) possible only via
  - imports or
  - initiation of expensive units (till now reserved)
- Both will have a strong impact on regional wholesale price development



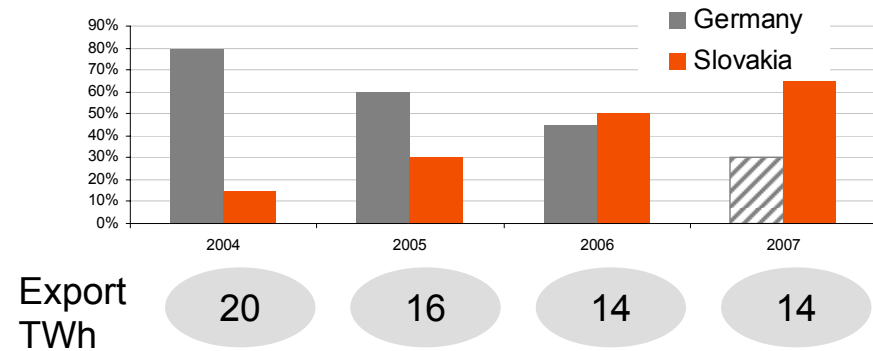
# CEZ WILL MOVE MOST OF ITS EXPORTS TO SLOVAKIA AND HUNGARY



### Slovak import / export power balance



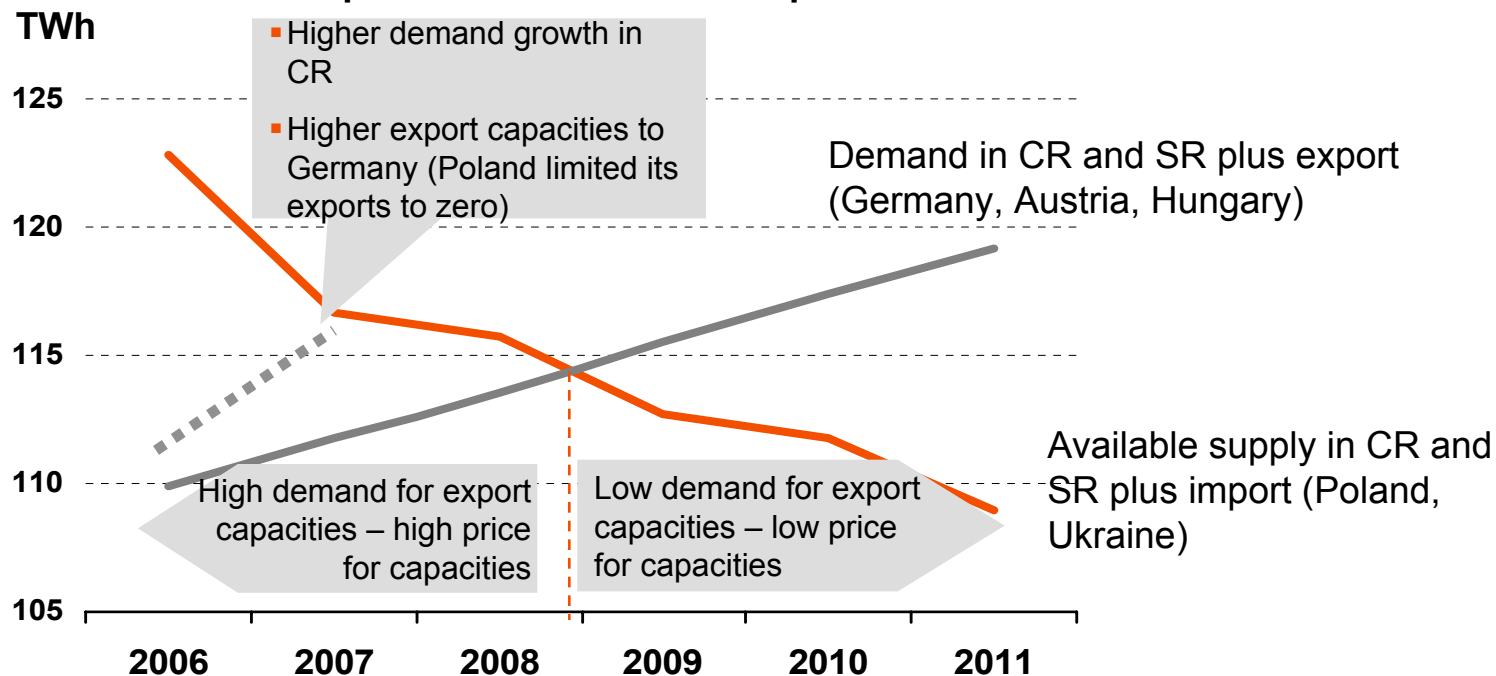
### CEZ's power export structure in %





# EXPORT CAPACITIES PRICE SITUATION INDICATES THAT THE REALITY WILL EXCEED THE EXPECTATIONS – CAPACITY PRICE DECREASE FROM 12.5 EUR/MWH TO 5.0 EUR/MWH

## Czech and Slovak power market balance - updated



- Starting 2008/9 Czech export capacities will not be fully utilized due to lack of available electricity
- Prices will converge to one level determined by EEX

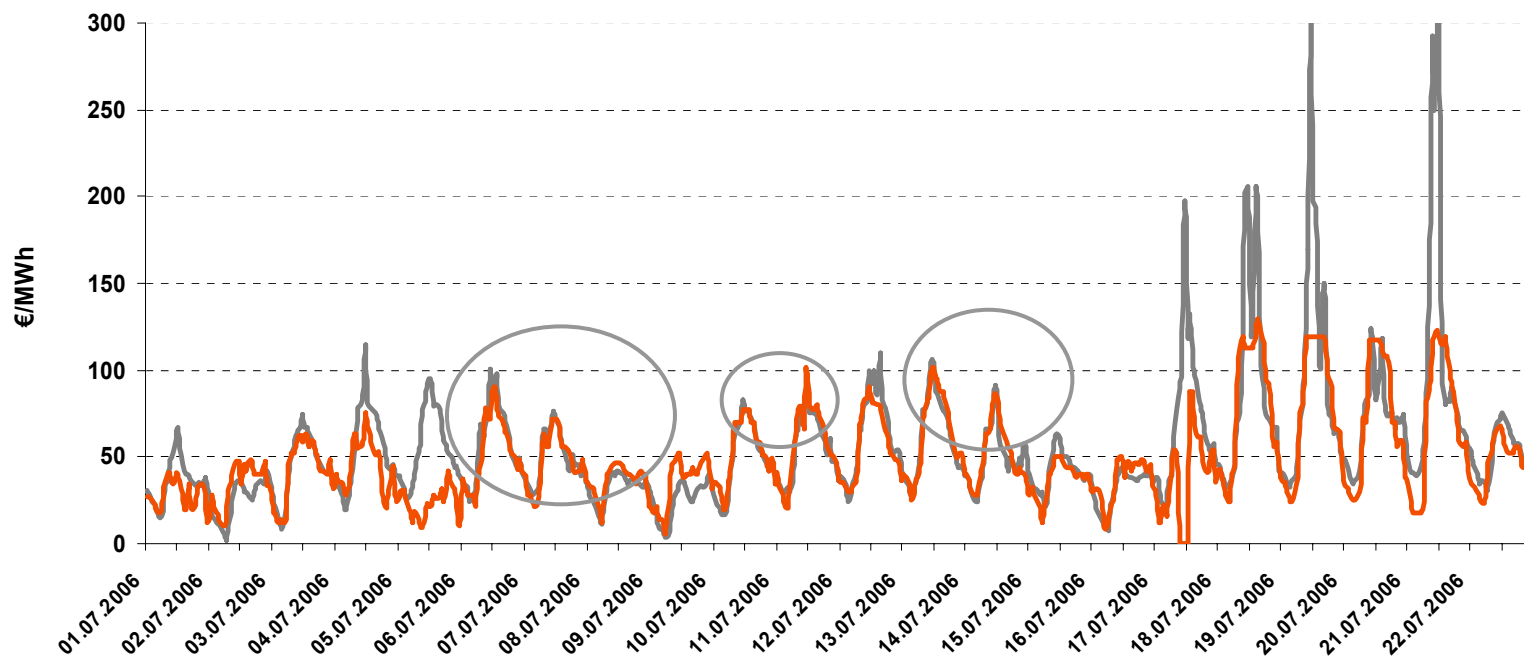
\* Assumptions: consumption growth 2.1%, 5% reserve margin



# LACK OF POWER IMPACTS THE WHOLE REGION AND SPOT PRICES IN CRITICAL MOMENTS GROW SKY HIGH WHILE CZECH AND GERMAN MARKETS COUPLE

**EEX and OKO\* prices in July 2006**  
(EUR/MWh, spot)

— OKO  
— EEX



\* OKO = Czech Spot Market, organized by OTE

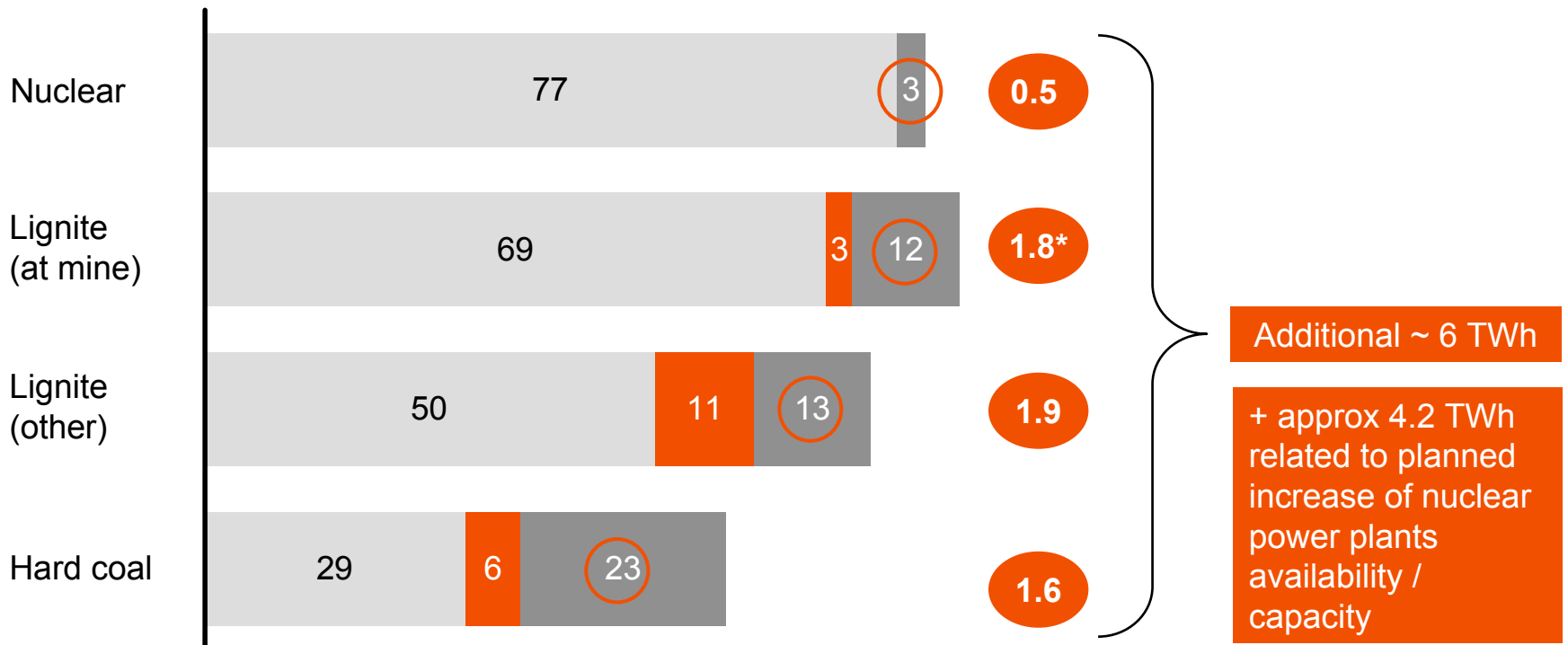
source: OTE, EEX, Platts



# CEZ CAN GENERATE ADDITIONAL ~ 6 TWh BY INCREASING UTILIZATION OF MAINLY COAL PLANTS

**Utilization of generation capacity**  
Percent of hours p.a.

- Current utilization
- Ancillary services
- Reserve for higher utilization



\* Adjusted for temporary decrease of available capacity by approx. 2.2 TWh During Power Plant Portfolio renewal – retrofits



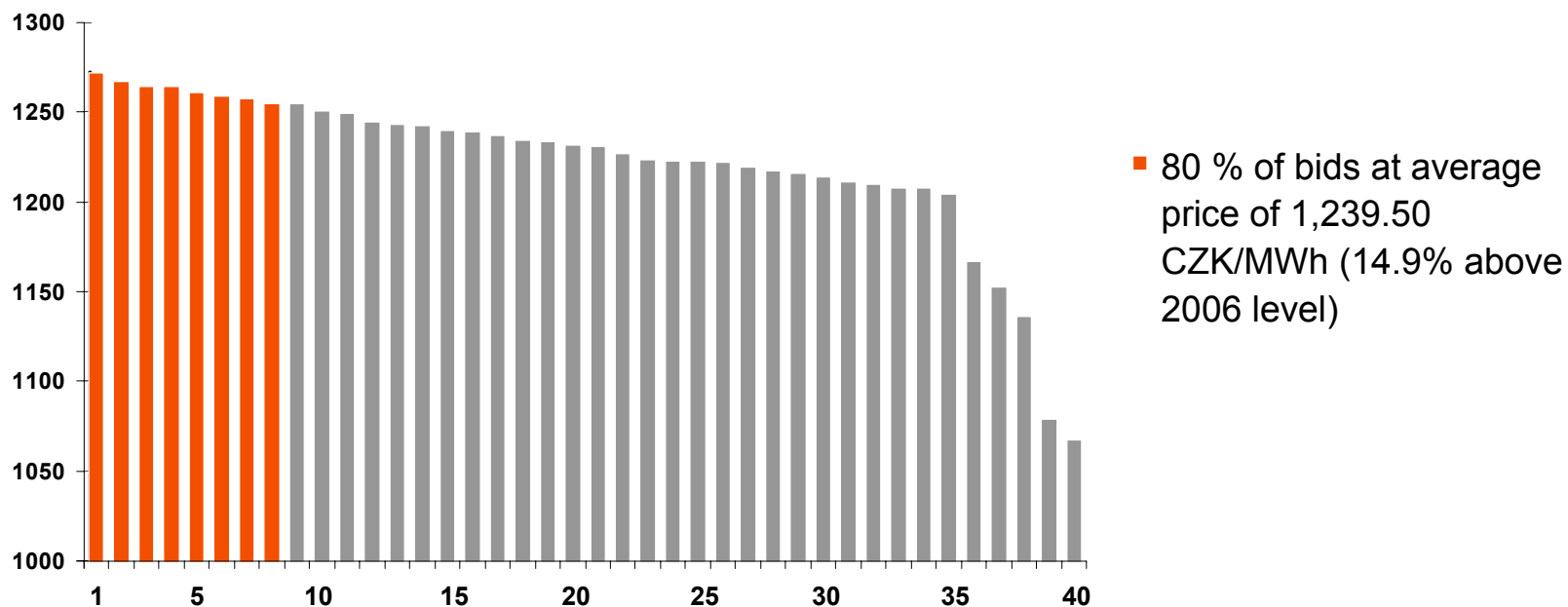
## IN THE VIRTUAL POWER PLANT AUCTION DEMAND HAS DRIVEN 2007 BASE LOAD PRICE 17.1% ABOVE 2006 LEVEL

### Key outcomes of virtual power plant auction

- 18 registered participants, out of which 15 complied with auction rules
- Total of 40 bids submitted
- Successful bids in the range of 1,255 – 1,273 CZK/MWh
- Implied base load price average increase 17.1% (1,220 CZK/MWh)

### Power prices in virtual power plant auction – overview of all bids

implied price (CZK/MWh)



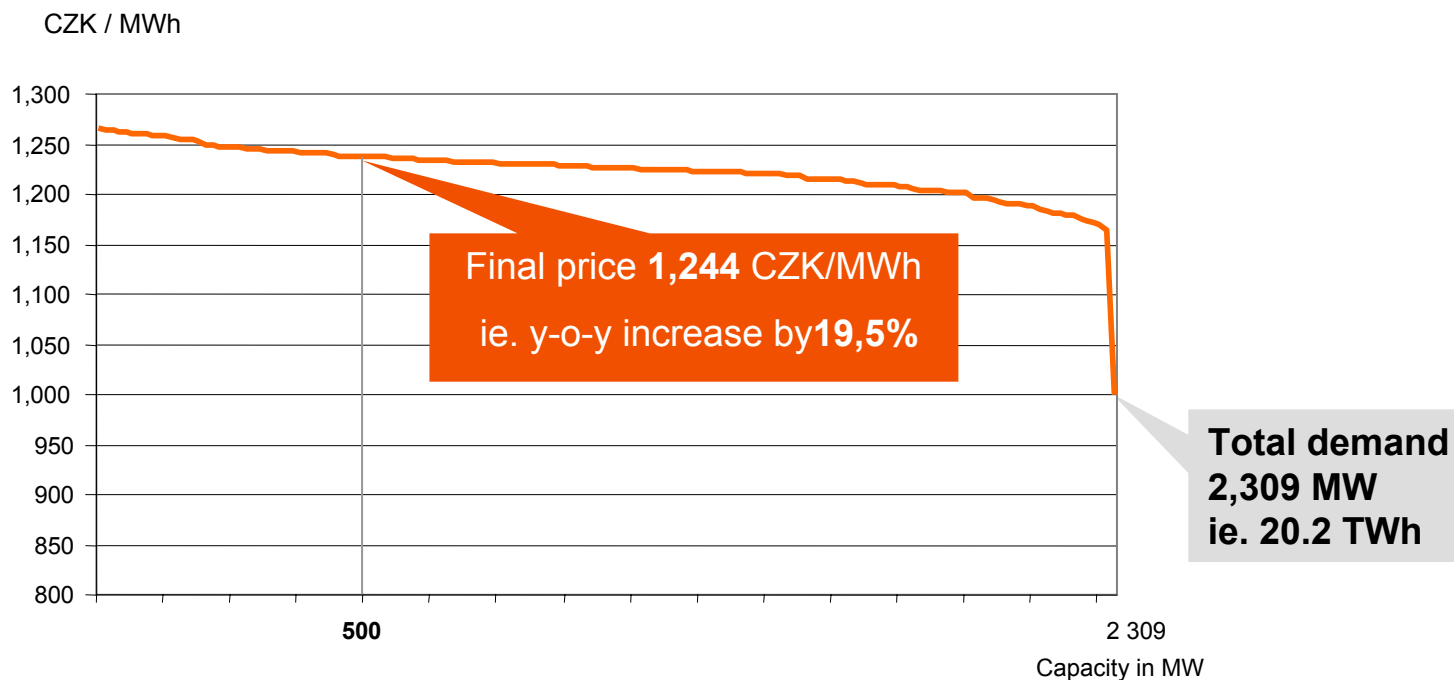


## SECOND WHOLESALE AUCTION ATTRACTED EVEN MORE INTEREST LEADING TO 2007 BASE LOAD PRICE INCREASE BY 19.5% WHILE PEAK PRODUCTS WERE KEPT AT 10.8% INCREASE OVER 2006 PRICES

### Main results of the annual base load auction

- 22 registered participants (all complied with auction rules)
- 167 bids submitted – 2,309 MW (i.e. 20.2 TWh)
- Demand exceeded volume offered by a factor of more than 5
- Accepted bid were in the range of 1,322 – 1,244 CZK/MWh

### Review of all bids for 2007 annual base load

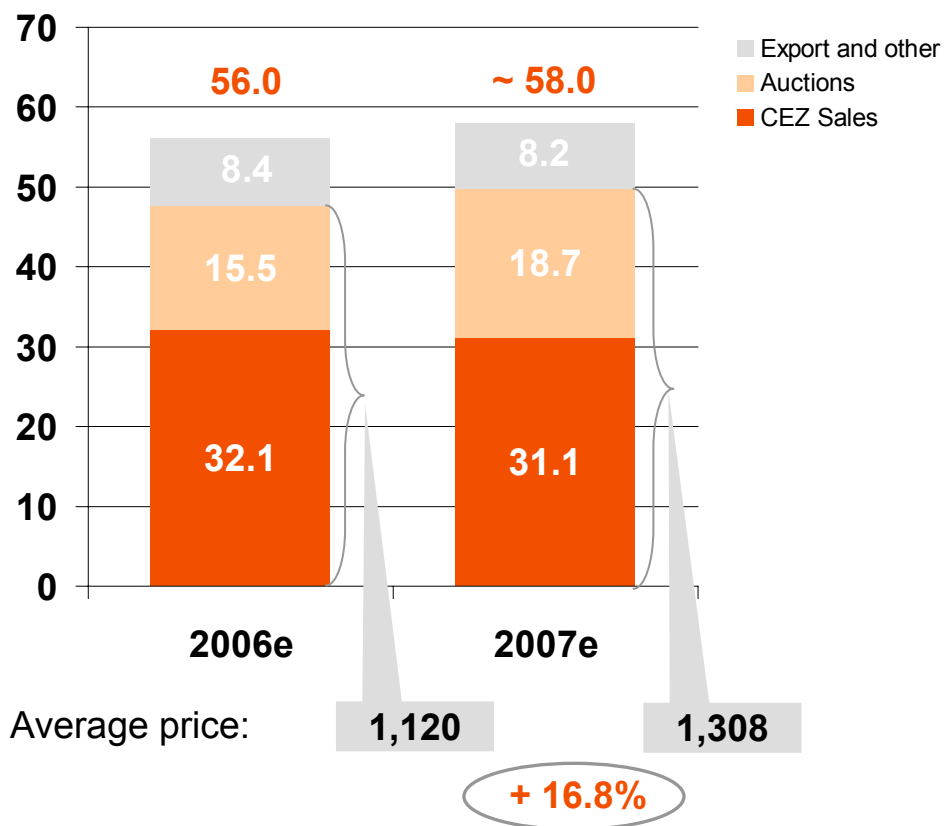




# CEZ WILL SEE RECORD HIGH POWER GENERATION VOLUME IN 2007

## Expected power sales from CEZ Generation

TWh



- Demand in the auctions exceeded expectations
- High demand confirms expected supply/demand squeeze in the region
- CEZ expects to exceed the record high generation of 2004
- CEZ shifted risk related with cross border capacities onto other trades and decided to refrain from exports to Germany and Austria

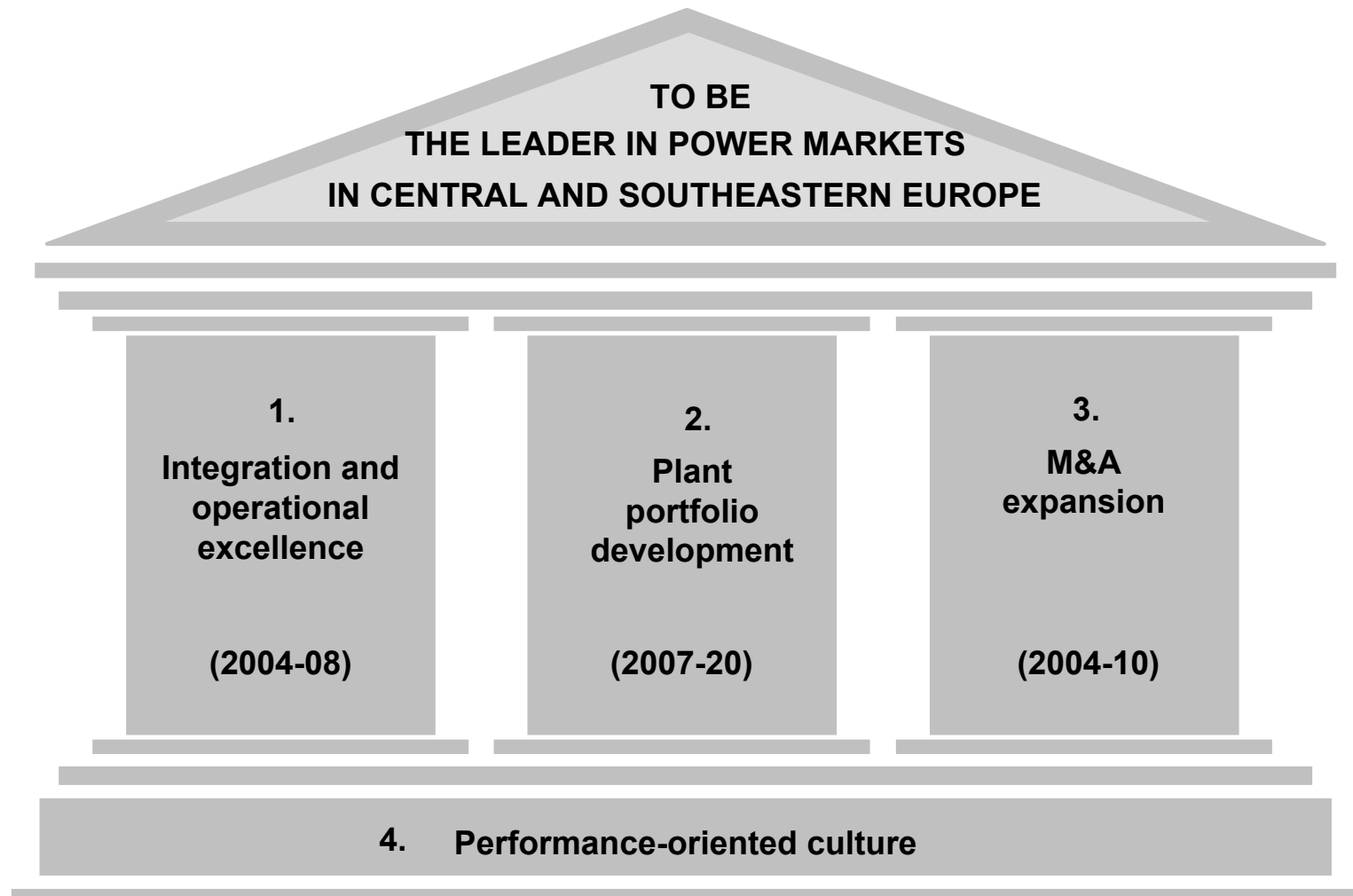


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## CEZ GROUP HAS LAUNCHED FOUR KEY STRATEGIC INITIATIVES TO ACHIEVE IT'S VISION



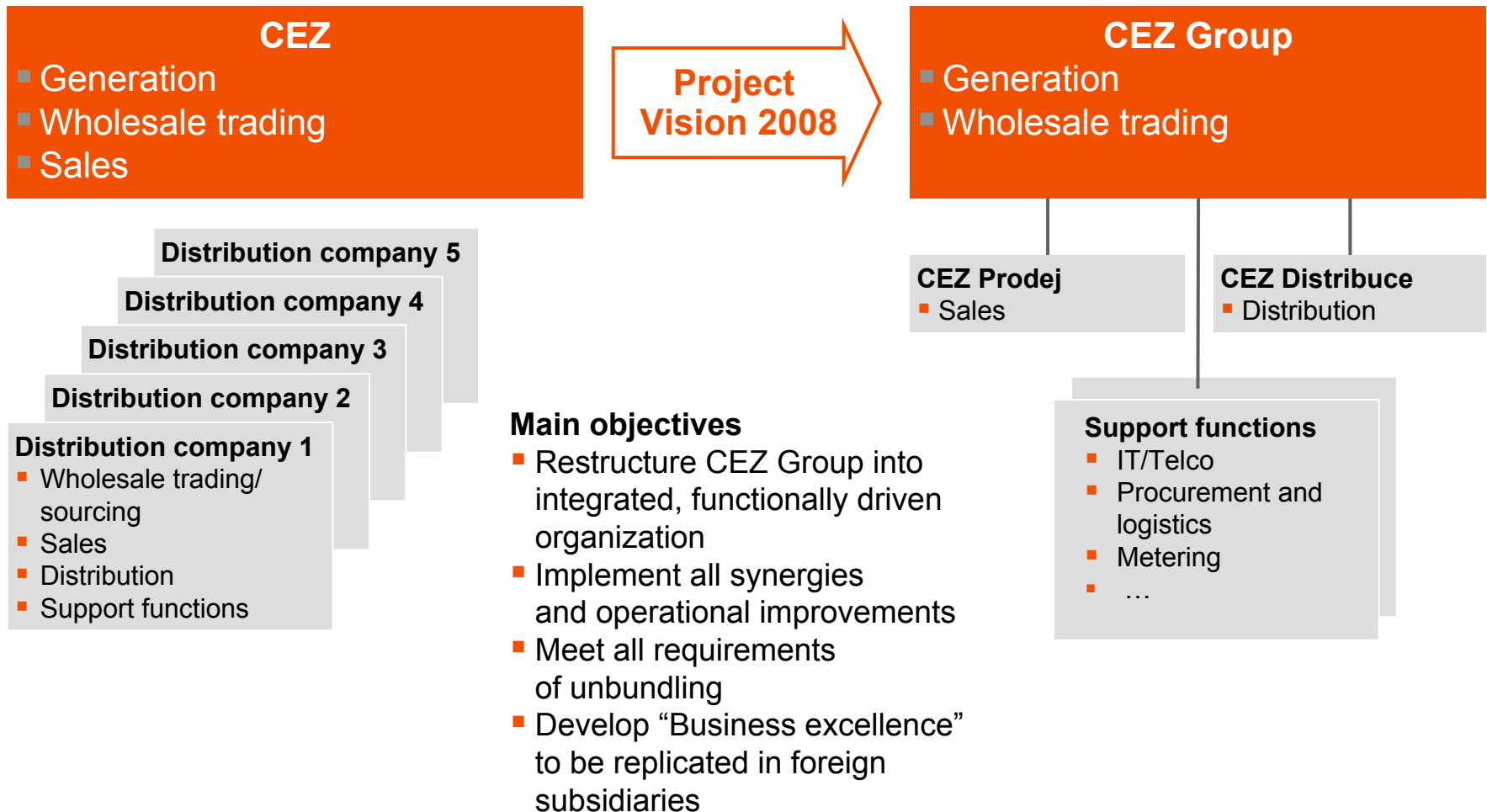


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# CEZ UNBUNDLED DISTRIBUTION AND SUPPLY ONE YEAR AHEAD OF LEGAL REQUIREMENT...

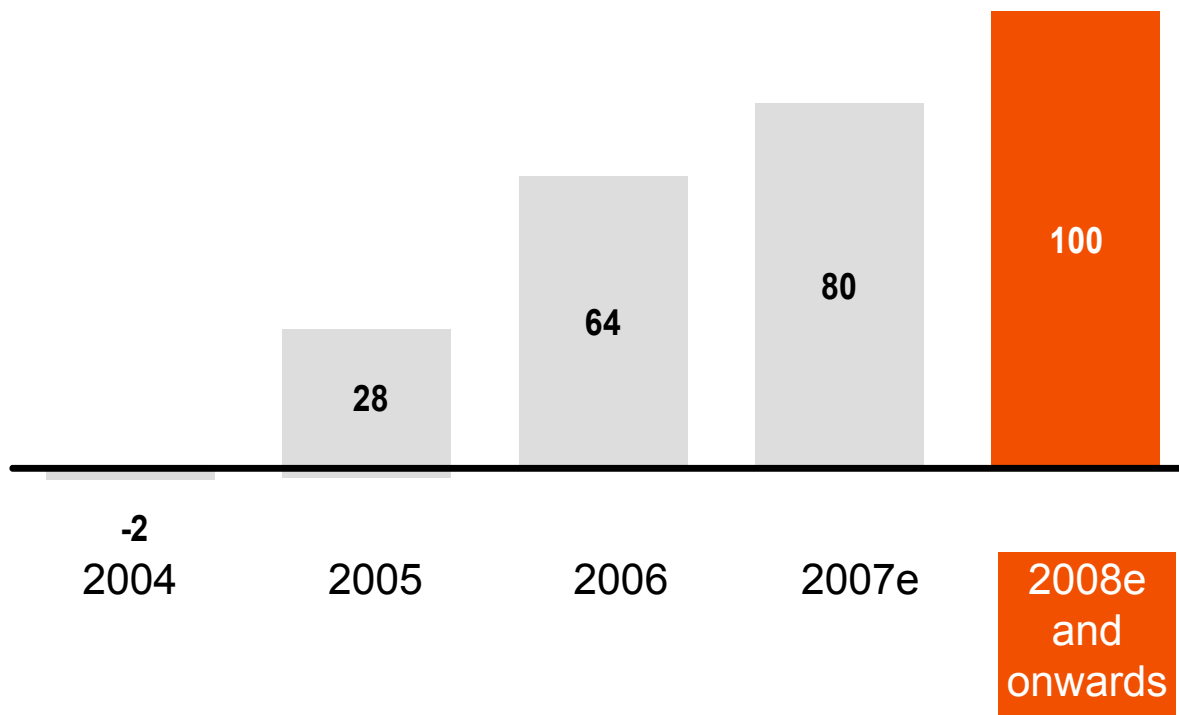




# ...AND WILL ACHIEVE EUR 100 MILLIONS IN ANNUAL SAVINGS UPON IMPLEMENTATION OF VISION 2008



## Gross annual costs saving EUR million, compared to 2003



Total annual costs savings related to Vision 2008 project are to reach CZK 2.9 bn by 2008, i.e., ~10% of operating costs in supply and distribution segment (excluding purchased electricity)

### Key contributions

- Processes unification
- Best practice
- Headcount reduction
- Centralized procurement

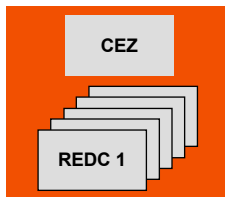
Note: CZK/EUR 28.50

Source: CEZ



# VISION 2008 PROJECT COVERS FOUR YEARS, KEY TRANSFORMATION STEPS HAVE BEEN IMPLEMENTED ALREADY

## Initial status



## VISION 2008 time plan

VISION 2008

2004  
Big bang

- business model
- first companies
- IS/IT concept
- smaller-scale improvements

2005  
Transformation

- major part of transformation
- key companies – Distribution, Sales
- unbundling
- implementation of IS/IT

- ✓ 55 legal transformations
- ✓ 4,263 employees transferred to new companies
- ✓ CZK 68bn in fixed assets transferred

2006  
Efficiency enhancement

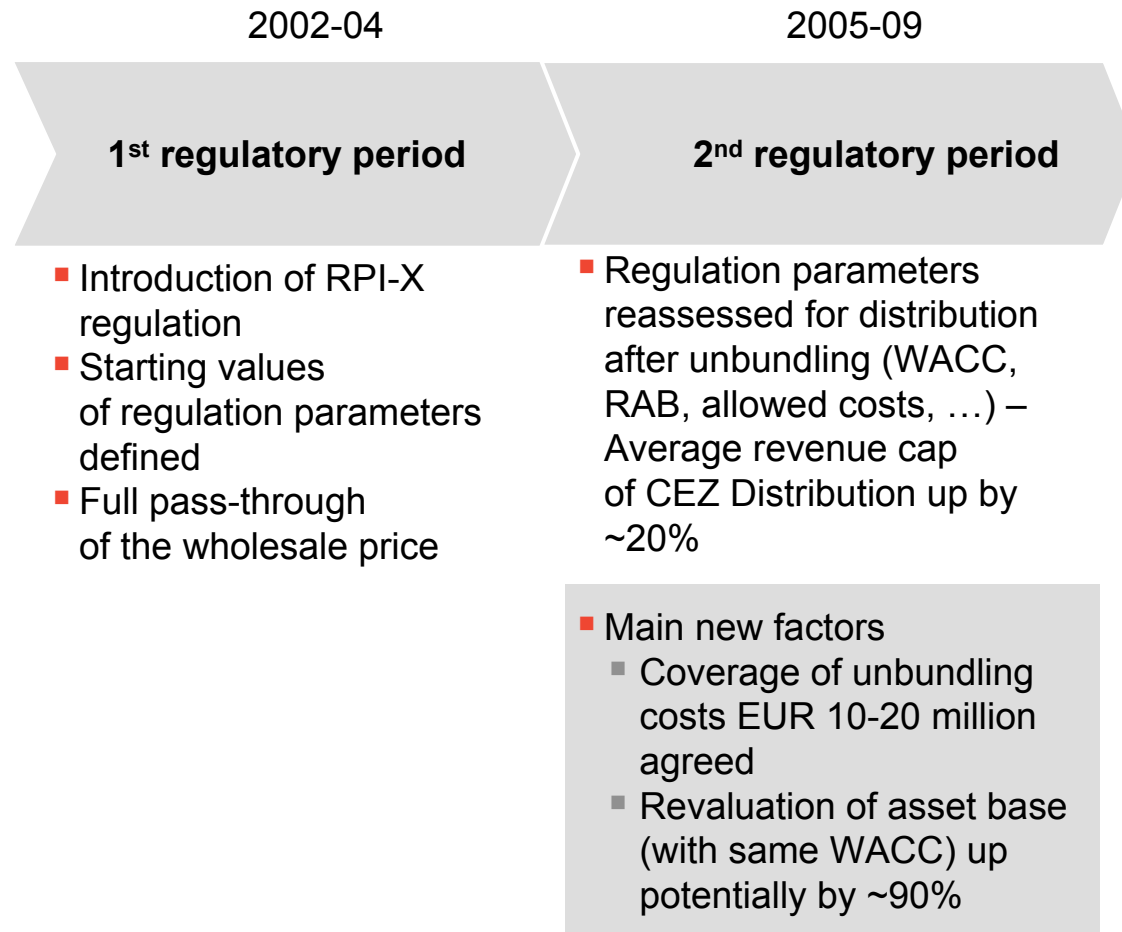
- transformation concluded
- best practices
- optimization
- planned benefits achieved

2007  
Conclusion

- full productivity
- consolidation
- REDCs shut down



# REGULATORY ENVIRONMENT IN THE CZECH REPUBLIC IS FAIR AND TRANSPARENT



- Since January 2006 Distribution is the only regulated part of the value chain



# CEZ GROUP CONTINUES INCREASING SALES MARGIN WHILE PROTECTING MARKET SHARE

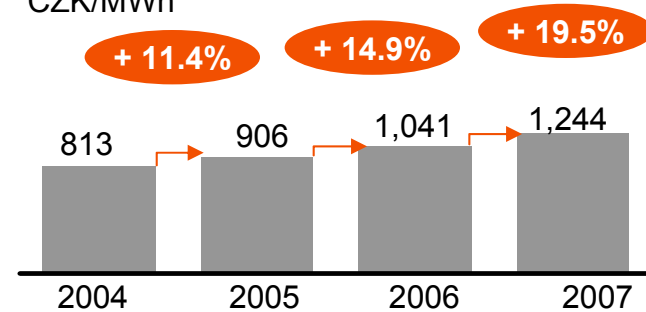


## Distribution regions of CEZ Group

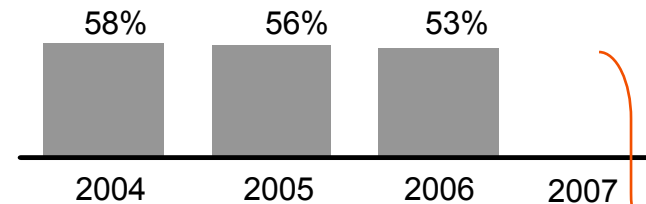


Mass-market customers still served with low margin – **upside potential**

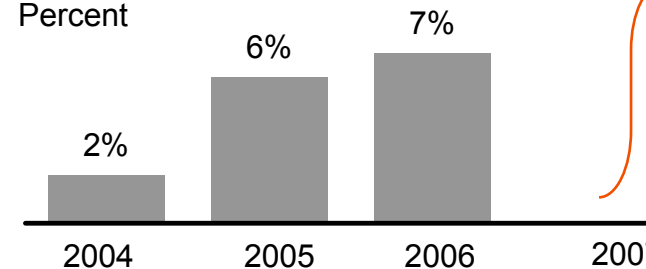
## Domestic wholesale baseload CZK/MWh



## Market share in power supply Percent of MWh



## Average supply margin Percent



**Target:** maintain profitability (no need to keep market share at any cost)



## CEZ IS SUBJECT OF MARKET FORCES – LOST MARKET SHARE IN THE MOST COMPETITIVE SEGMENT WITH LOWEST MARGINS

### Development of domestic end customer market share

%



- Loss of market share did not have a negative impact on margins as these are very low in the most competitive market segment

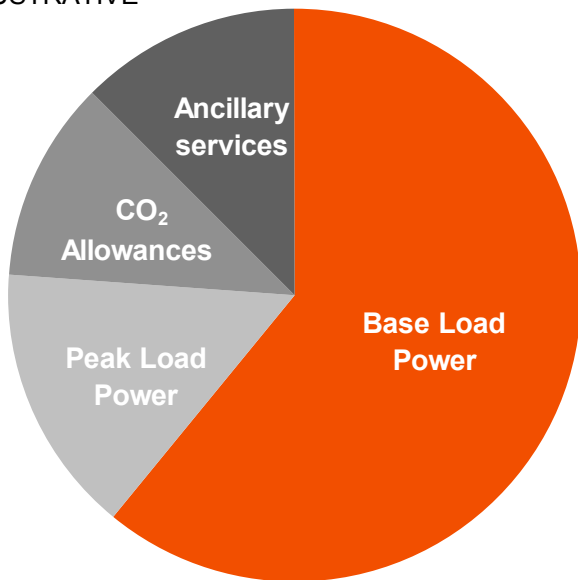


# CEZ SALES STRATEGY IS FOCUSED ON MAXIMIZING WHOLESALE MARGIN GIVEN THE AVAILABLE SALES OPTIONS

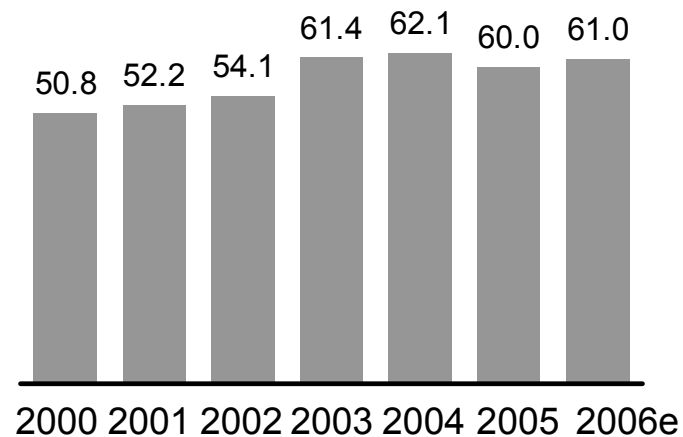


## Split of wholesale margin by sales options

ILLUSTRATIVE



## Annual production of CEZ Group TWh

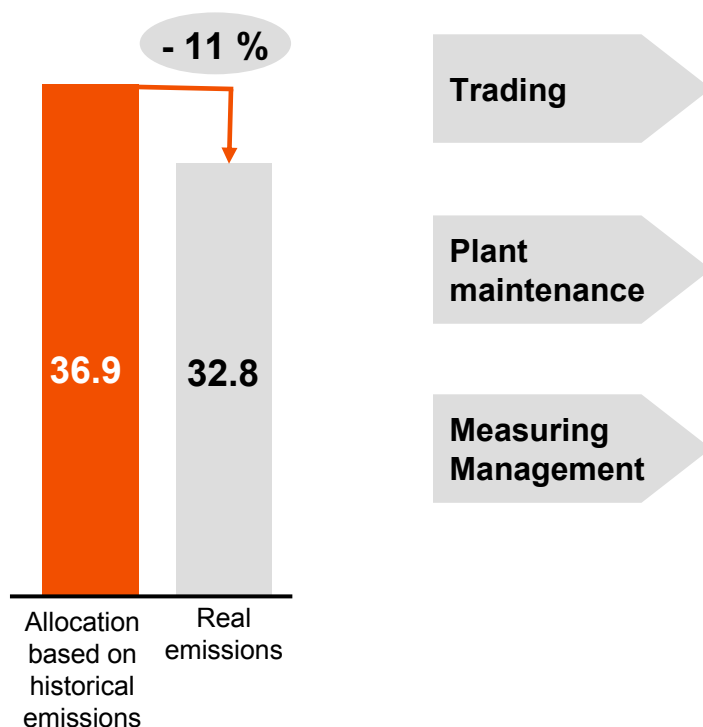


Reduced production due to CO<sub>2</sub> arbitrage



# CEZ IS EARNING ADDITIONAL MARGIN FROM SAVING CO<sub>2</sub> ALLOWANCES

## CO<sub>2</sub> Emissions Mil. Tons, 2005



- Newly consolidated Polish generators will bring additional 4.6 mil. tons of CO<sub>2</sub> allowances while their consumption is expected around 4.1 mil. tons

## Key measures taken

- Priority dispatch of units with low CO<sub>2</sub> emissions
- Reduction of export
- Increased availability of nuclear plants
- Increased focus on plant efficiency
- Increased renewable generation
- Implementation of more accurate measurement systems
- Opportunity cost of CO<sub>2</sub> emission considered in all decisions

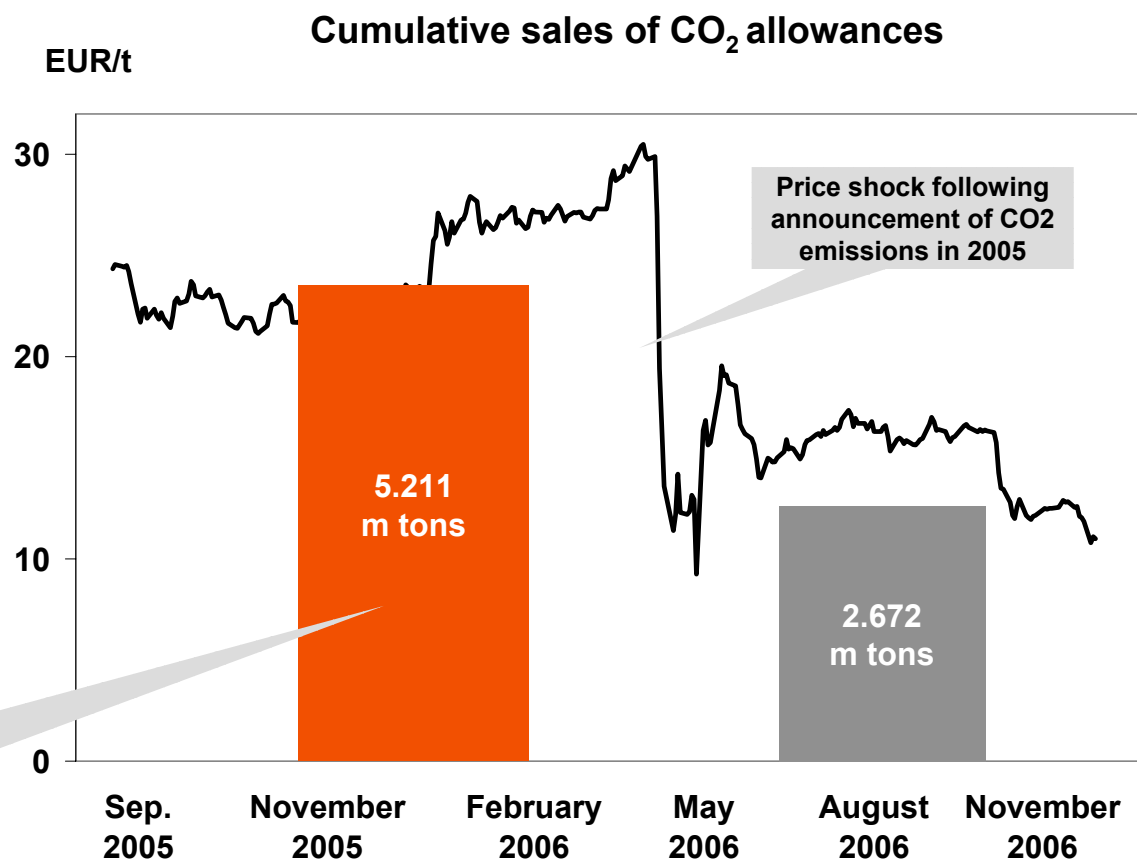
For NAP II we expect same allocations as for NAP I



# LOW CO<sub>2</sub> ALLOWANCES PRICE IN NAP I CAN'T NEGATIVELY INFLUENCE THE GROUP RESULTS – WITH REGARDS TO ADDITIONAL OUTAGE OF TEMELIN AND SUBSTITUTION FROM COAL POWER PLANTS IS THE PRICE DECREASE POSITIVE

- Sales of allowances are made depending on production optimization for the full NAP I (2005 – 2007)
- Strategy was adjusted to be in line with expected collapse of CO<sub>2</sub> allowances prices after highs from early 2006
- Currently CEZ does not need to sell any additional allowances from the first NAP

**CEZ sold most of the excess allowance from 2006 and 2007 before price collapse**





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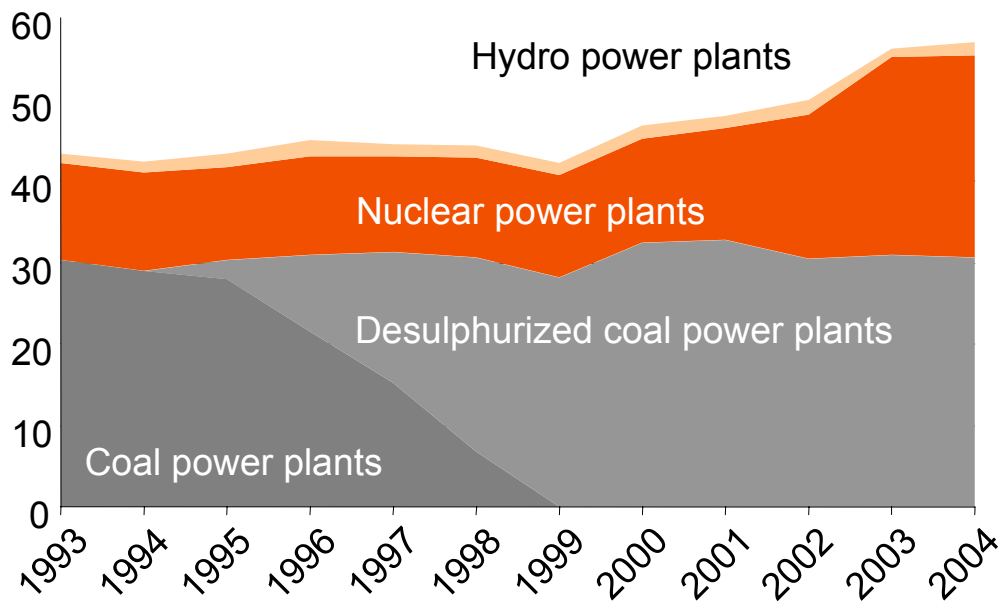


# CEZ OPERATES THE ONLY CLEAN GENERATION FLEET IN CEE



## Generation structure of CEZ Group

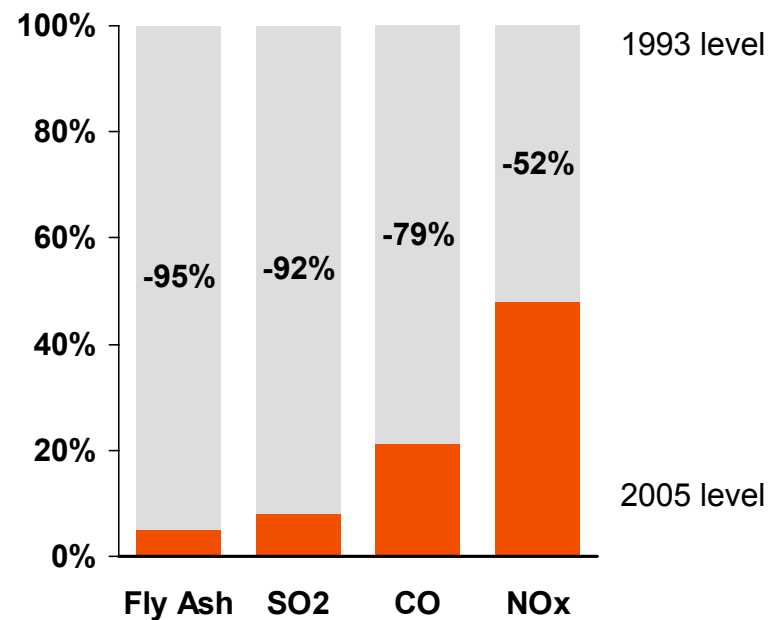
TWh



CEZ invested EUR 1.5 billion into desulphurization of its plants between 1993-99

## CEZ Group emission change 2005/1993

Percent



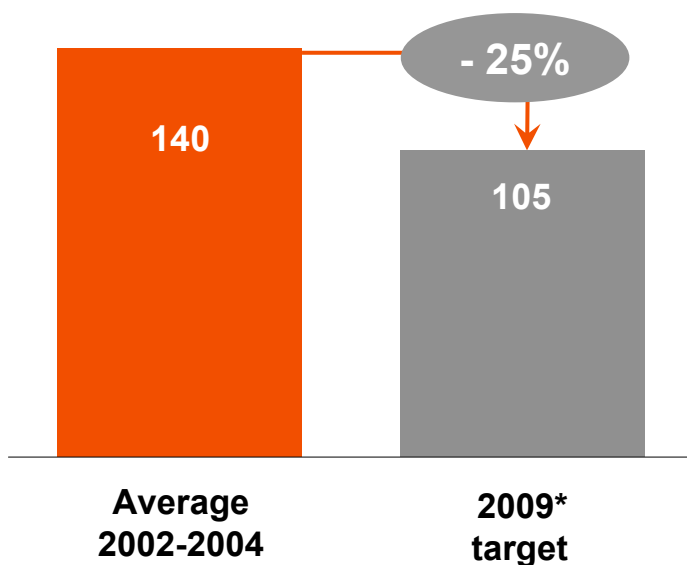


# CEZ WILL REDUCE GENERATION REPAIRS AND MAINTENANCE COSTS BY 25% BY 2009



## CEZ targets to reduce average repairs and maintenance cost

EUR m



## Key tasks to achieve target

- Introduction of adaptive R&M to reduce workload by 50%
- Centralization of preparation R&M to save 20% personnel costs
- Centralization of R&M procurement to reduce related costs by 25%
- Decrease number of suppliers by 70%
- Divestiture of redundant R&M subsidiaries

\* Assuming „normalized“ R&M workload, prices not adjusted for inflation

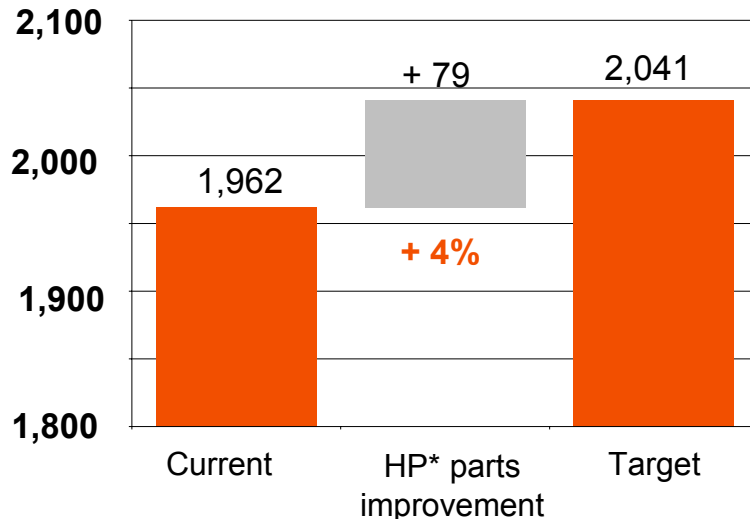
Note: exchange rate CZK/EUR = 28.5



# NUCLEAR CAPACITY WILL INCREASE BY 9.5% BY 2012 IN DUKOVANY AND IN TEMELIN BY 4% BY 2008



**Temelin capacity increase**  
MW

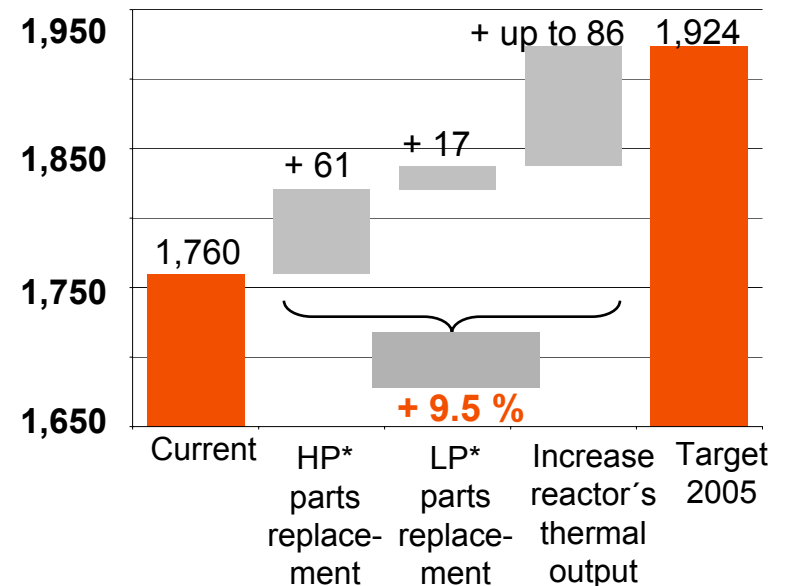


**Additional production of 0.6 TWh**

Status: ■ Project contracted

\* HP – High Pressure, LP – Low Pressure

**Dukovany capacity increase**  
MW

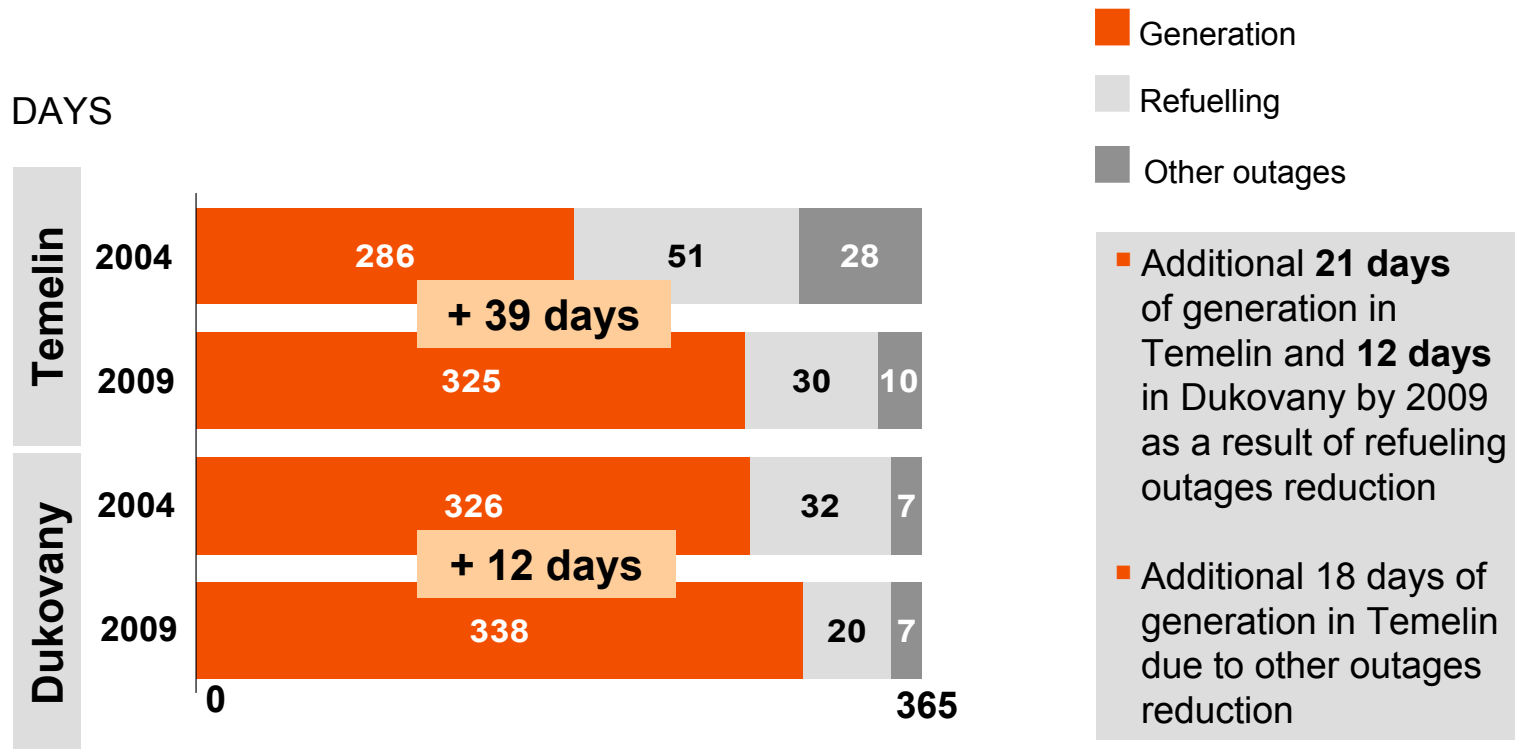


**Additional production of 1.3 TWh**

- First project already implemented and running
- Test in implementation, most tasks contracted



# REDUCTION OF REFUELING OUTAGES IN NUCLEAR PLANTS WILL PROVIDE ADDITIONAL 2.3 TWh



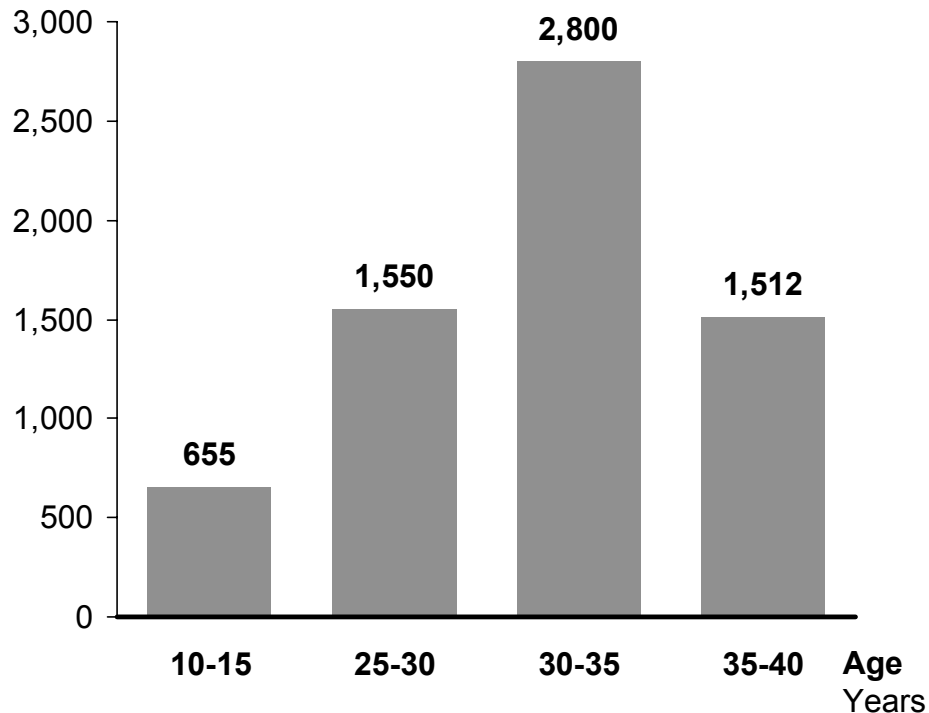
Additional production of ~ **2.3 TWh** (assuming current capacity)



## PORTION OF CEZ POWER PLANTS IS NEARING THE END OF ITS LIFETIME



### Age structure of CEZ thermal blocks MW



- Portion of CEZ thermal capacity approaches end of its life time in 2010-20
- Desulphurization equipment to reach end of its lifetime in 2015-2020
- The emission limits on  $SO_x$ ,  $NO_x$  will get again much stricter starting 2016



**Thermal capacities must be renewed by new plants additions on refurbishment of existing equipment**



# CEZ INTENDS TO BUILD ITS FUTURE PLANT FLEET MAINLY AROUND MODERN TECHNOLOGY LIGNITE PLANTS



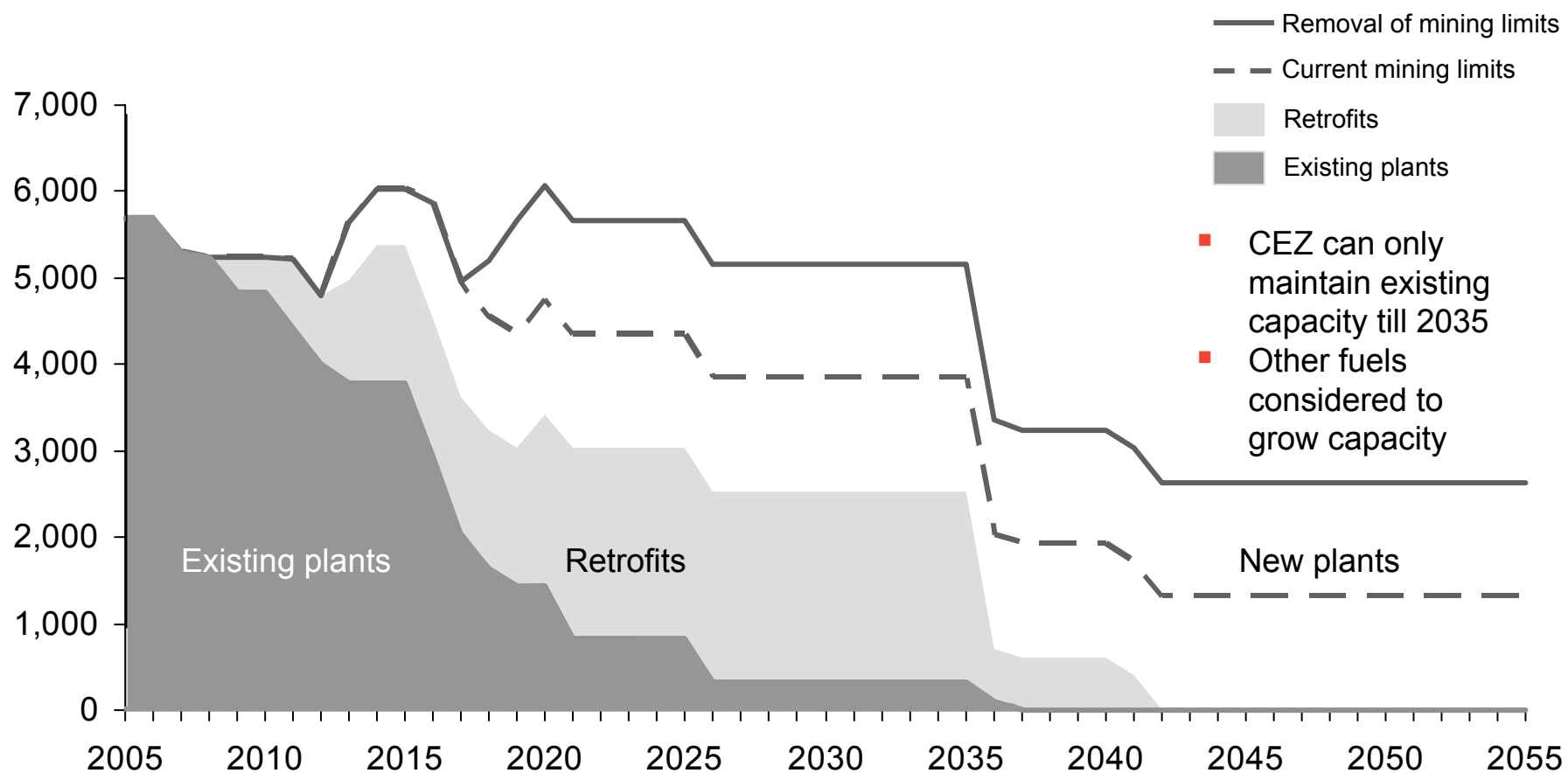
	Coal	Nuclear	Gas	Renewables
<b>Environmental impact</b>	<ul style="list-style-type: none"><li>Acceptable emissions if modern technology adopted</li></ul>	<ul style="list-style-type: none"><li>No emissions</li><li>Nuclear risk</li></ul>	<ul style="list-style-type: none"><li>Low emissions</li></ul>	<ul style="list-style-type: none"><li>Limited/no emissions</li><li>No resources depletion</li></ul>
<b>Competitive advantages</b>	<ul style="list-style-type: none"><li>Low cost of domestic lignite</li></ul>	<ul style="list-style-type: none"><li>Politically acceptable in Czech Republic</li></ul>	<ul style="list-style-type: none"><li>Flexibility, relatively low investment cost</li></ul>	<ul style="list-style-type: none"><li>Public support</li></ul>
<b>Risks/constraints</b>	<ul style="list-style-type: none"><li>Lignite availability</li><li>CO<sub>2</sub> regulation/price</li></ul>	<ul style="list-style-type: none"><li>High up-front investment</li></ul>	<ul style="list-style-type: none"><li>High/volatile gas price</li></ul>	<ul style="list-style-type: none"><li>Subsidy scheme not stable</li></ul>
	<p>Cornerstone of the future CEZ plant fleet</p>	<p>Complement to lignite for baseload generation</p>	<p>Potentially source of flexible power</p>	<p>Complementary role (e.g., combined combustion of coal and biomass)</p>



# EXPECTED DEVELOPMENT OF ČEZ'S BROWN COAL INSTALLED CAPACITIES



Installed capacity  
MW

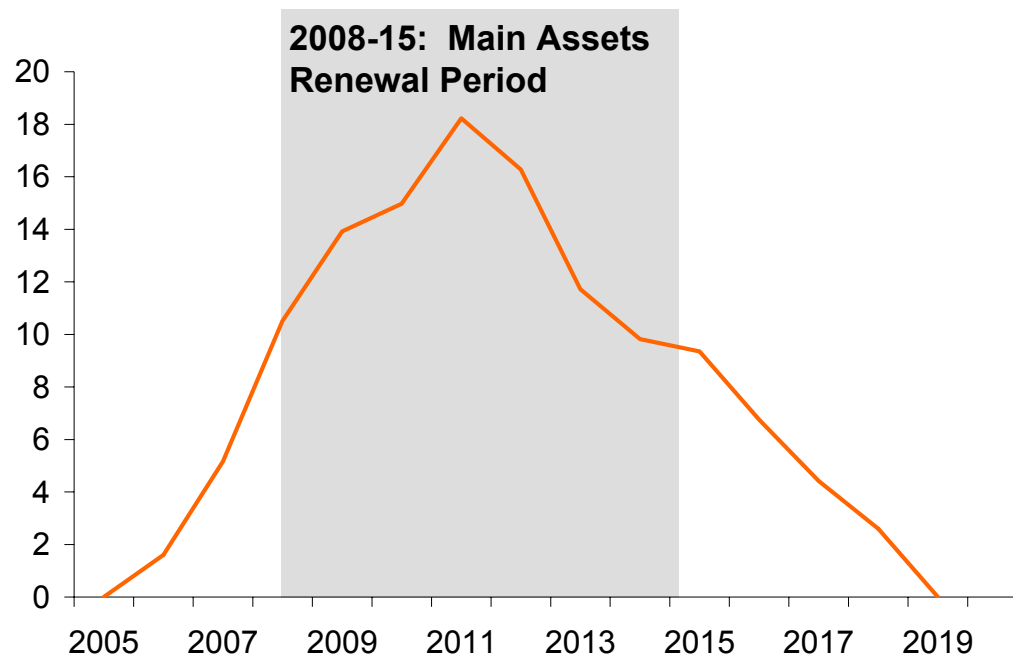




# CAPEX FOR LIGNITE PLANTS RENEWAL WILL REACH CZK 125BN\* AND BRING 14-25% EFFICIENCY UPLIFT



## Expected CAPEX – conservative scenario CZK bn



\* Estimate, inflation adjusted

## Projects overview

- Highly efficient and environmentally friendly
- Highly profitable
- Secured fuel – low risk

## Retrofits

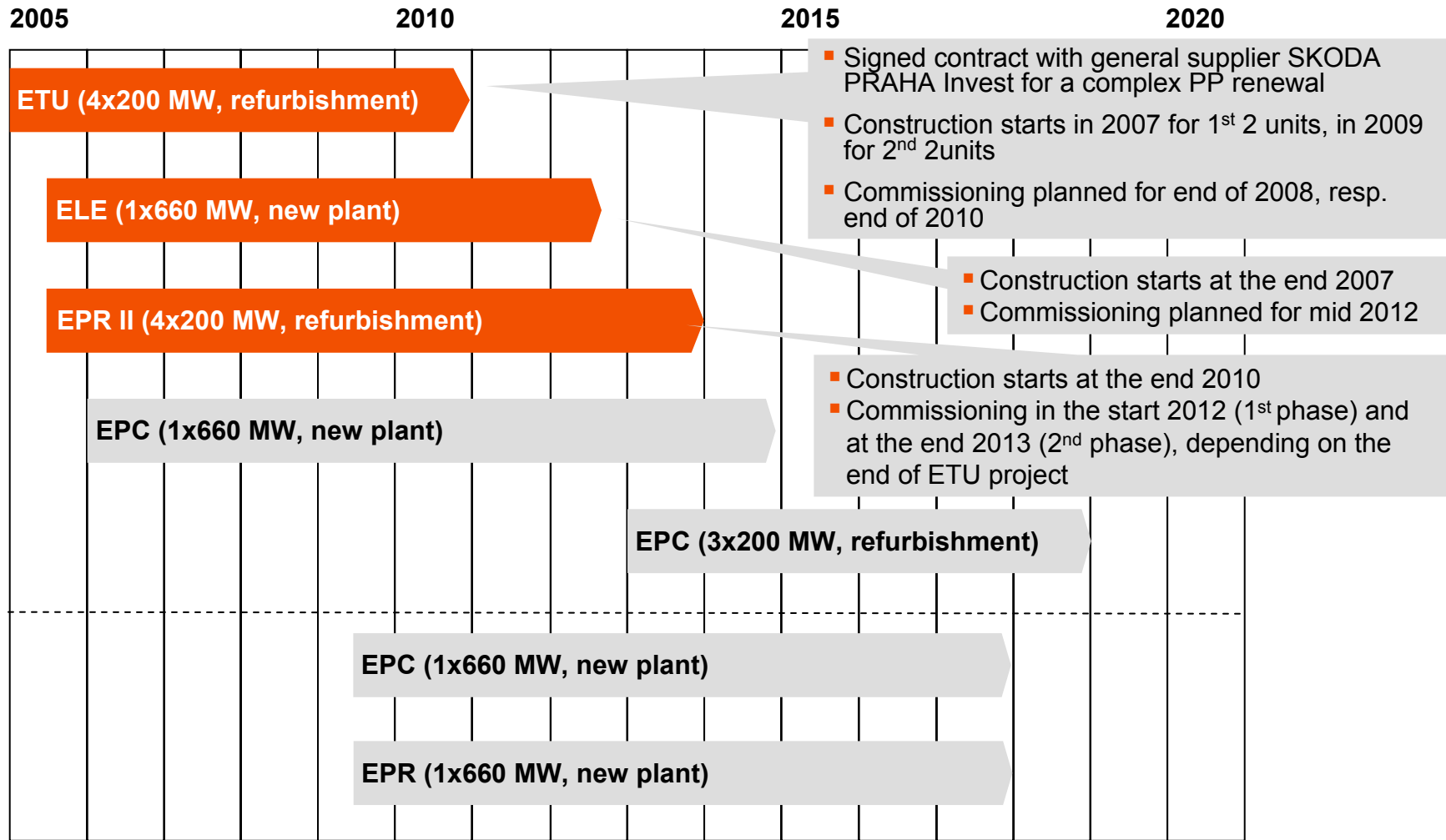
- Gross efficiency improvement from 36% to 41%
- Less CO<sub>2</sub> production
  - Tušimice II 4 x 200 MW
  - Prunéřov II 4 x 200 MW
  - Počerady 3 x 200 MW

## New units

- Gross efficiency 45%
- Less CO<sub>2</sub> production
  - Počerady 1 x 660 MW
  - Ledvice 1 x 660 MW



# CEZ ALREADY LAUNCHED FIRST GENERATION RENEWAL PROJECTS



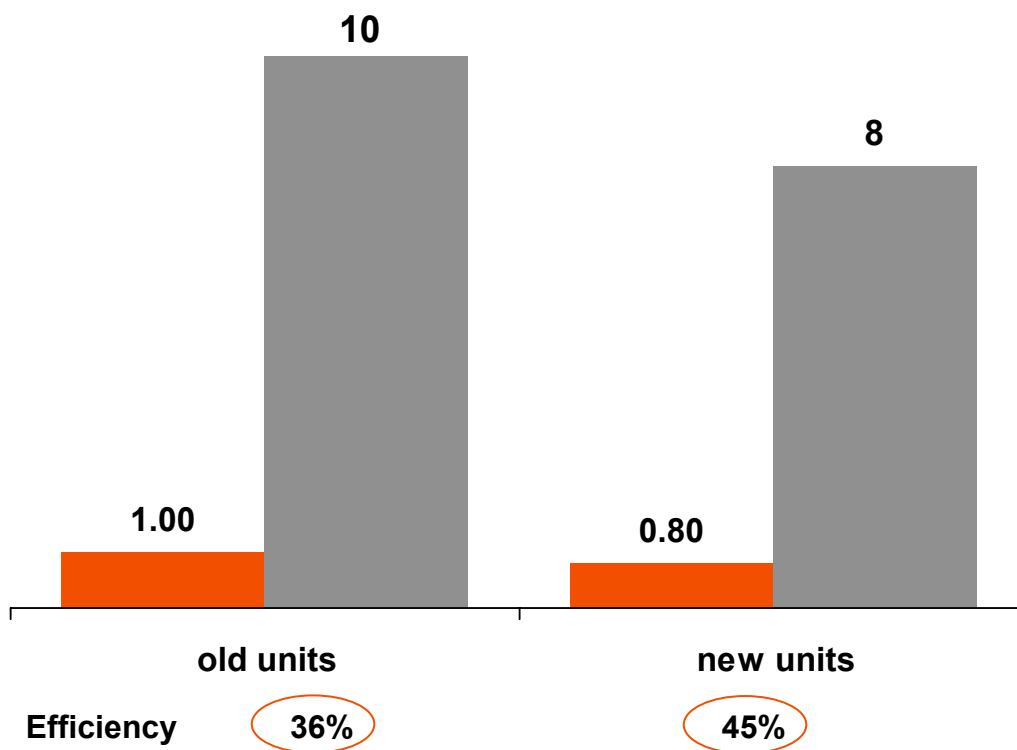


DUE TO HIGHER EFFICIENCY THE COAL CONSUMPTION WILL DECREASE THUS SAVING FUEL COSTS AND CO<sub>2</sub> EMISSIONS



### Comparison of old and new lignite units

- CO<sub>2</sub> tons/MWh
- Coal burnt GJ / MWh





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# CEZ GROUP WANTS TO GROW BOTH IN GENERATION AND DISTRIBUTION/SUPPLY



## Realized acquisitions

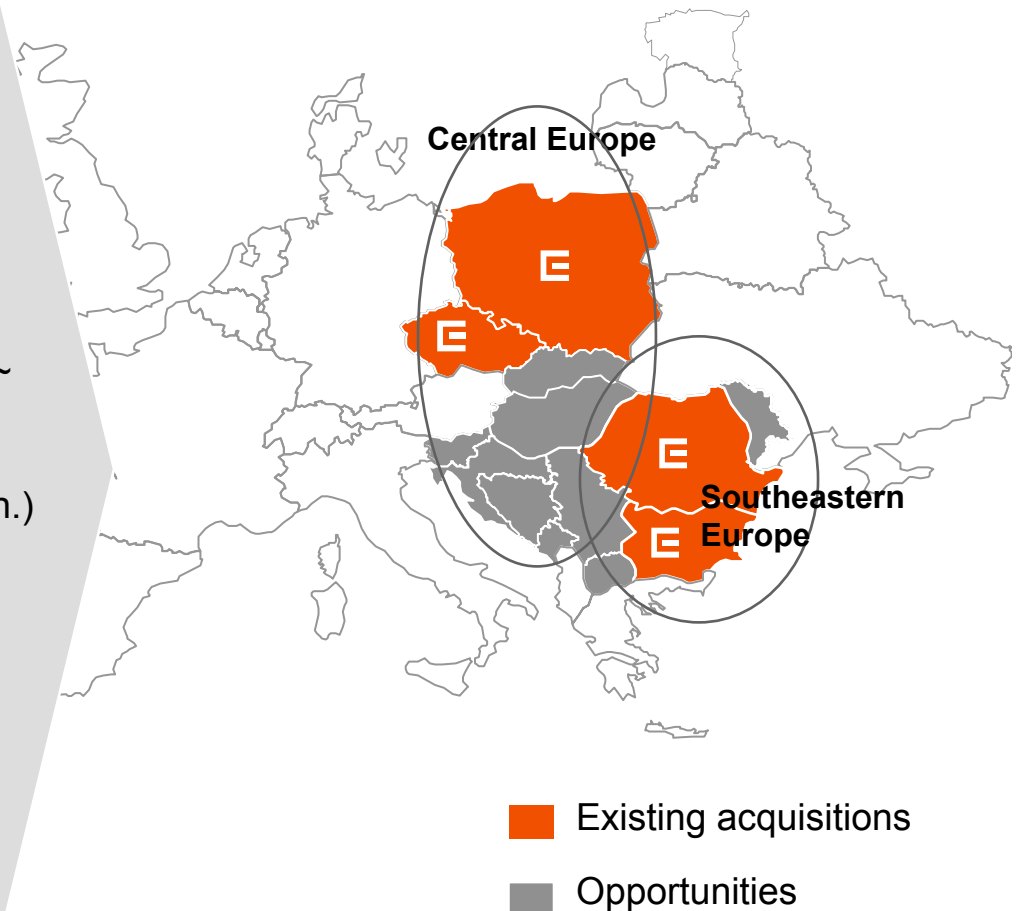
- Bulgaria (distribution) – 1.9 million cust.
- Romania (distribution) – 1.4 million cust.
- Poland (generation) – 810 MW
- Bulgaria (generation) – 1,260 MW

## On-going acquisitions

- Rep. Srpska, B&H (brown field generation) ~ 660 MW (Gacko only)
- Kosovo (green field generation) ~2000 MW
- Bosnia & Hercegovina, B&H (green field gen.)

## Other opportunities

- Romania (generation) – 4,240 MW
- Romania (distribution) – 3.3 million cust.
- Serbia (brown field generation) – monitoring
- Russia (green field generation) – monitoring
- Ukraine (distribution and generation) – monitoring





## CEZ GROUP IS BEST POSITIONED TO SUCCEED IN THE REGION OF CENTRAL AND SOUTHEASTERN EUROPE



- **Focus on one region**
- Intimate **knowledge of the region**
- **Very well accepted** due to close cultural/historical ties and electricity industry transformation experience
- **First-hand experience** with transformation of power markets
- **Natural hedge and synergies** to current position of CEZ Group providing significant synergies/risk mitigation
- **Management capacity** available from restructuring in the Czech Republic



## EVEN THOUGH CEZ GROUP HAS AMBITIOUS EXPANSION PLANS, IT IS VERY PRUDENT IN ITS M&A DECISIONS



### Key criteria for M&A decisions

- Target attractive on standalone basis (market position, asset quality)
- Return above CEZ cost of capital plus country and project risk
- Positive contribution to CEZ Group value
- Credit rating targeting

### M&A process

- Always along a global advisor with target country ties
- Valuation prepared by advisor cross-checked by internal valuation team
- Multiple scenarios
- Transaction team includes post merger management team
- Valuation model becomes budget for the PMM team



# DESPITE INCREASED COMPETITION CEZ IS NOT WILLING TO PRICE ASSETS AT LEVELS IT CANNOT JUSTIFY



## Slovakia

- ENEL finished acquisition of SE
- waiting for further development in **Teplarna Kosice** (121 MW)

## Poland

- **Elcho** (238MW) and **Skawina** (592 MW) settled in the end of May 2006
- still pursuing **PAK** (2,338 MW), other processes are unrealistic



## Romania

- **Electrica Muntenia Sud** (1.1 million of customers) – awarded to Enel at a price above EUR 1,000 per customer
- waiting for start of privatization of generation complexes **Turceni** (2,310MW), **Rovinari** (1,320MW) and **Craiova** (610MW) and **remaining distribution companies** (3.3m cust.)
- searching other opportunities (cogeneration, etc.)

## Bulgaria

- **TPP Varna** settled at the beginning of October
- monitoring **heating plants privatizations**



# CEZ IS LOOKING AT SEVERAL PROMISING GREENFIELD/BROWNFIELD PROJECTS IN SERBIA, KOSOVO AND REPUBLIKA SRPSKA



## Slovenia

- Monitoring potential cooperation with HSE
- if govt. starts privatization CEZ will consider its participation

## Rep. Srpska (in Bosnia and Hercegovina)

- JV with EPRS for Gacko project set up
  - expect to start working on the **Gacko** project already this year

## Bosnia and Hercegovina

- monitoring development projects with EPBiH and EPHZHB and expressed interest
  - 4 thermo power plants (1,770 MW)

## Serbia

- interested in finishing **Kolubara B** project
- monitoring the market, analyzing opportunities

## Kosovo

- established company **New Kosovo Energy LLC**
- Submitted bid for Kosovo C development

## Ukraine

- monitoring the market and analyzing other opportunities and synergies

## Russia

- analyzing other greenfield projects in Moscow and St. Petersburg region





# RESULTS OF THE BULGARIAN ACQUISITION BETTER THAN EXPECTED IN 1<sup>st</sup> YEAR AFTER ACQUISITION, IMPROVEMENTS ALSO CONTINUED IN 2006



## Selected financials (simple sum)

EUR m

	2004	2005
Sales	361.6	396.6
EBITDA	42.4	54.2
EBITDA Margin	11.7%	13.7%
Depreciation	25.5	26.4
EBIT	16.8	27.7
Net income	4.9	23.3
Net debt	14.3	-6.3

+ 65%

## Key impacts 2005

- Revenues increased by 10 % driven by 3% increase in volume and 5% price increase
- Electricity losses decreased by 11.4% (from 19.3% to 17.1%) despite increased volume
- The OPEX increased by EUR 12 m due to
  - restructuring provision
  - staff costs
  - bad debt provisions

	Q1-Q3 2005	Q1-Q3 2006
Sales	296.7	311.9
EBITDA	46.9	63.7
EBIT	21.3	36.3

+ 70.4%



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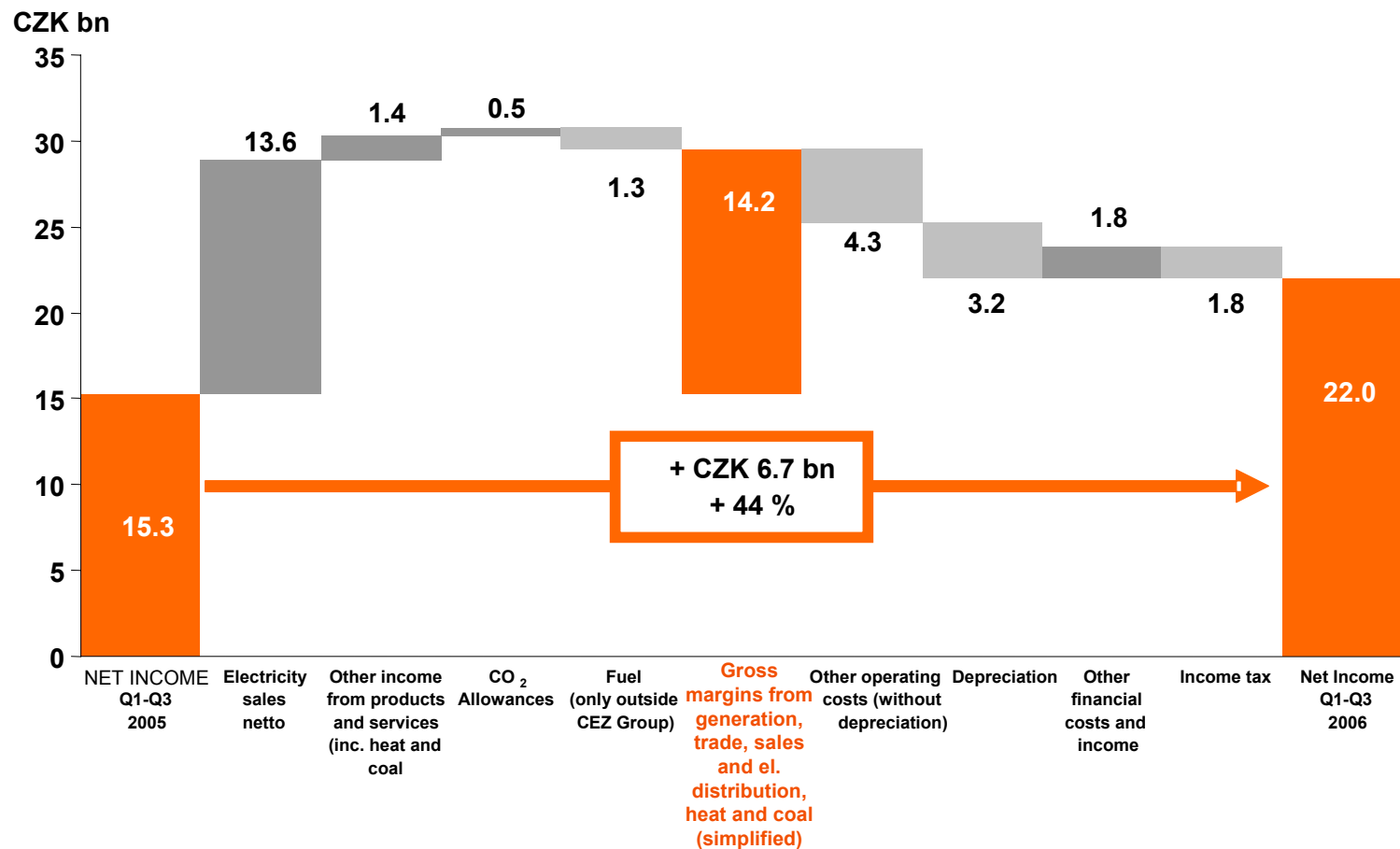


## MAIN RESULTS FOR Q1 - Q3 2006

- **EBITDA y-o-y increased by 26 %** to CZK 48.3 bn, y-o-y increase by CZK 9.9 bn
- **EBIT y-o-y increased by 29 %** to CZK 29.9 bn, which represents a y-o-y increase of CZK 6.7 bn
- **Net Income increased y-o-y by 44 %** to CZK 22.0 bn (increase of CZK 6.7 bn)
- **ROE increased in recent 12 months from 10.4 % to 15.2 %.**
- **CEZ share price at BCPP and GPW stood at CZK 901 on November 13, 2006**



# NET INCOME GREW Y-O-Y BY CZK 6.7 BN – I.E. BY 44 %



## Main improvements

- Higher demand in CR and generation from own sources
- Operating costs control
- CZK appreciation, optimization of free financial resources usage in CEZ Group
- New acquisitions



## CEZ GROUP MANAGES TO KEEP ITS OPERATING COSTS UNDER CONTROL

(CZK bn)	Q1 – Q3 2005	Q1 – Q3 2006	Q1 – Q3 2006 comparable entity	Index 06/05 comparable entity
Salaries and wages	9.0	10.1	9.4	104%
Repairs and maintenance	2.3	3.2	2.7	114%
Material and supplies	2.8	3.5	3.4	120%
Others	4.0	4.6	3.9	98%

- Y-o-y increase of operating costs of comparable entity only by 7%
- Increase of maintenance costs aimed at generation assets quality improvement, personnel and other costs minimal growth
- In addition in the area of personnel costs reduction of number of employees creates a good base for future development



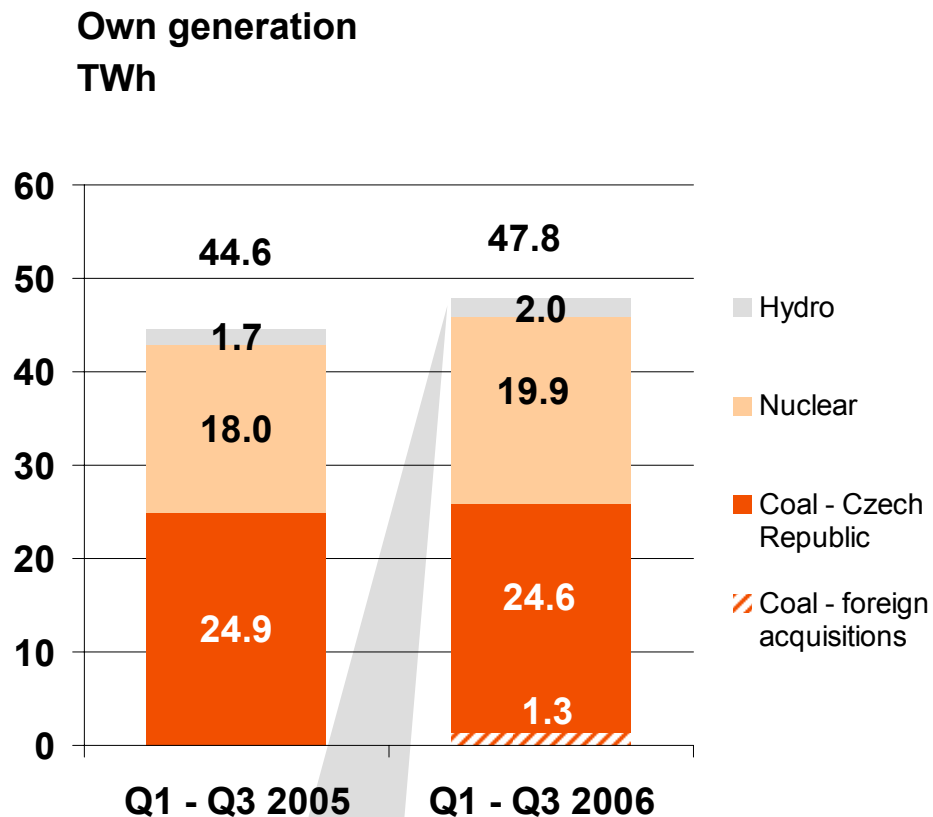
## FINANCIAL COSTS AND INCOME CONTRIBUTED Y-O-Y BY CZK 1.8 BN

(CZK m)	Q1 – Q3 2005	Q1 – Q3 2006	Change 06-05	Index 06/05 (%)
Other expenses (+) and income (-)	3,279	1,506	-1,772	45.9
Interest on debt	1,276	1,511	235	118.4
Interest on nuclear provisions	1,817	1,416	-401	77.9
Interest income	-291	-511	-220	175.3
FX profit and loss and derivatives	631	-864	-1,495	x
Sale of subsidiaries and associates	193	225	32	116.7
Negative goodwill write off	-20	0	20	x
Income from associates	-73	-74	-1	101.0
Others	-253	-197	56	77.7
<b>Profit before taxes</b>	<b>19,924</b>	<b>28,435</b>	<b>8,510</b>	<b>142.7</b>
Income tax	4,653	6,416	1,763	137.9
<b>Net Income</b>	<b>15,272</b>	<b>22,019</b>	<b>6,747</b>	<b>144.2</b>

- Czech crown appreciation helped to decrease FX losses and losses from derivatives by CZK 0.4 bn
- Profits related to mark to market revaluation of forward sales of CO<sub>2</sub> allowances with decreasing CO<sub>2</sub> allowances price then represent CZK 1.1 bn, bigger portion will become part of this year's profit



## 2006 POWER GENERATION OF THE GROUP IN THE CZECH REPUBLIC REACHED HISTORICAL HIGH OF 46.1 TWH IN Q1 – Q3; THE WHOLE GROUP GENERATED 47.8 TWH



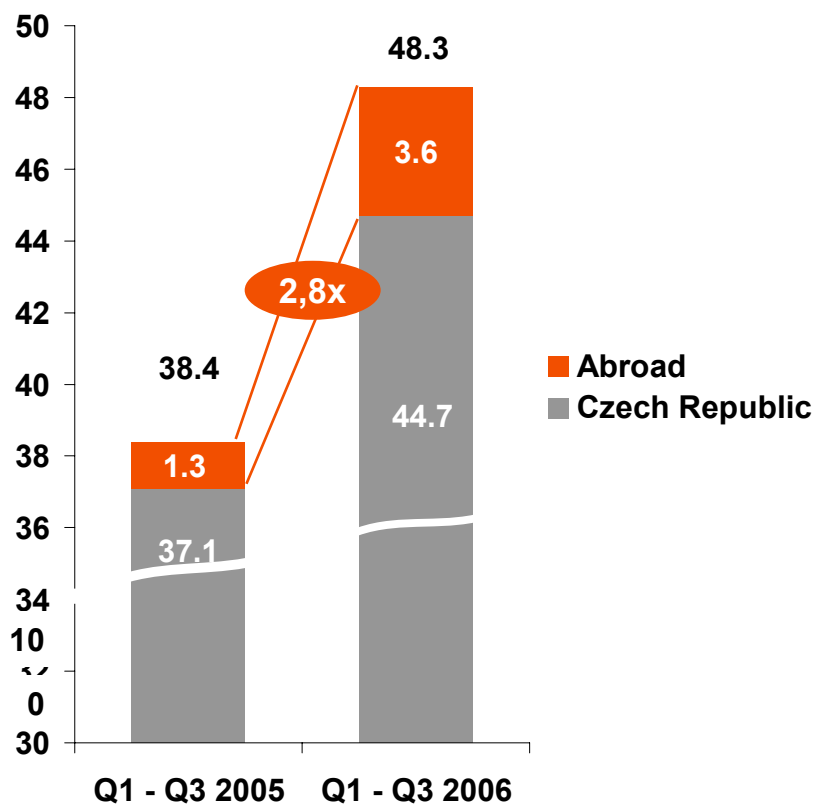
Renewable generation increased y-o-y by 18% to 1.7 TWh (without pumping storage power plants)

- Sales increase, namely in the domestic market, due to consumption growth in the Czech and Slovak Republic (Czech demand increased by 4.3%, on a temperature adjusted basis by 3.9%)
- Increase of availability and, therefore, also production on nuclear power plants (by 11%)
- Optimization of coal plants utilization and use of CO<sub>2</sub> arbitrage
- Acquisition of power plants ELCHO, Skawina and Varna (only in October)



## FOREIGN ACQUISITIONS CONTRIBUTION HAS ALMOST TRIPPLED COMPARED TO LAST YEAR

EBITDA  
CZK bn

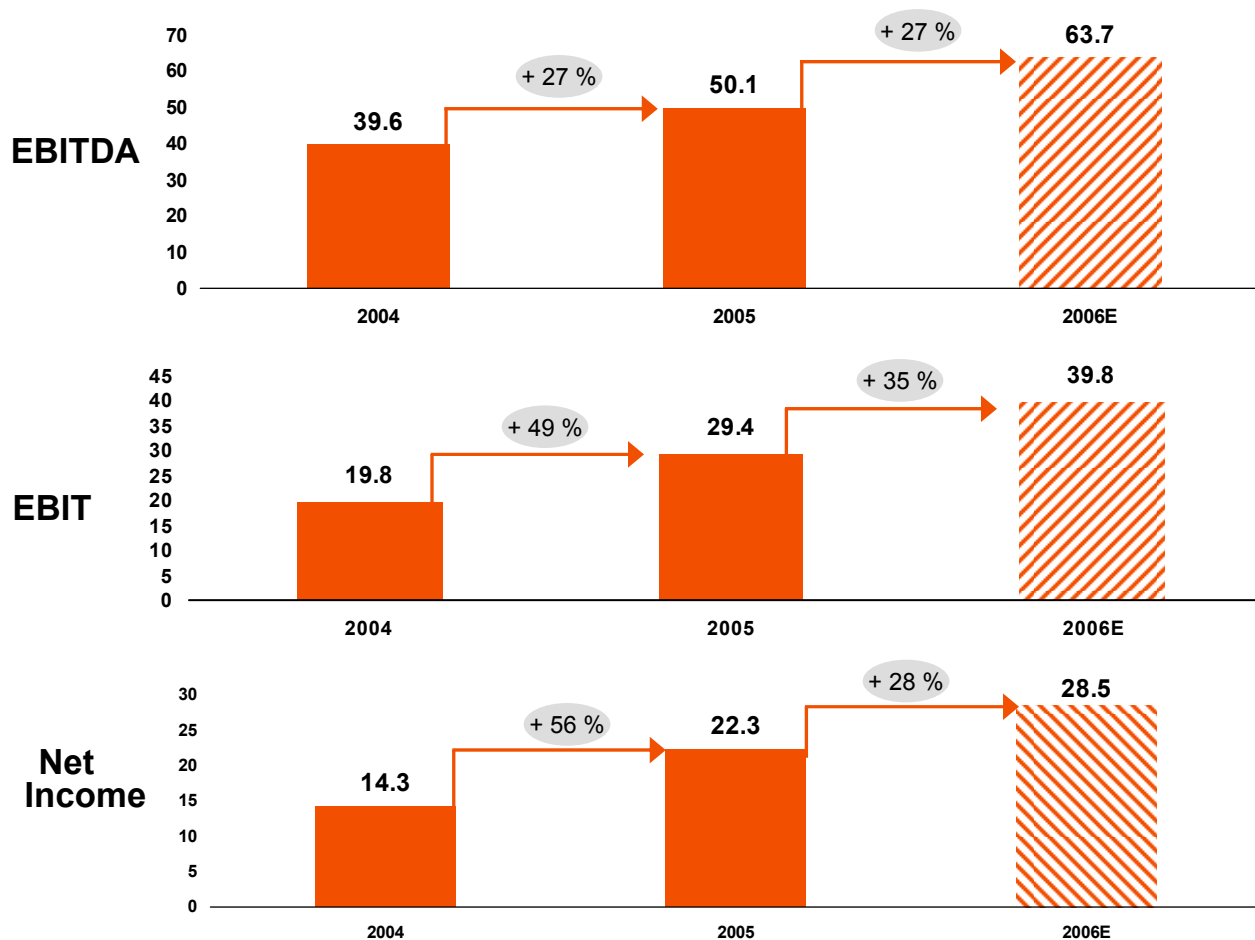


- Growth in Bulgaria by 40 % and new acquisitions in Romania and Poland brought y-o-y CZK 2.3 bn in EBITDA



IN 2006 WE EXPECT EBITDA OF CZK 63.7 BN,  
EBIT OF CZK 39.8 BN AND NET INCOME OF CZK 28.5 BN

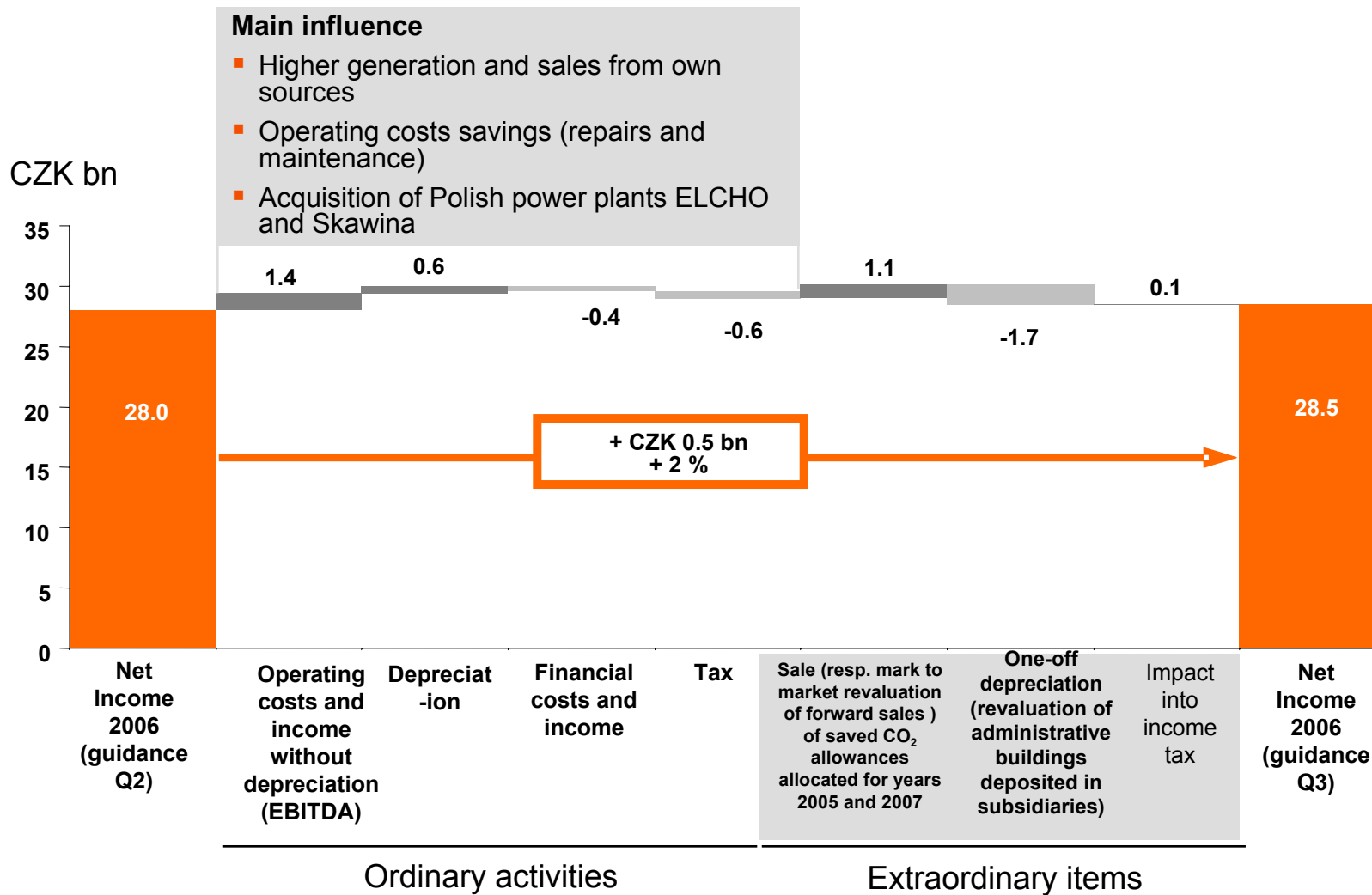
### Main financial results



- In Q4 we expect an on-going growth of generation and gross margin
- Operating costs savings
- Contribution of new acquisitions ELCHO, Skawina and Varna



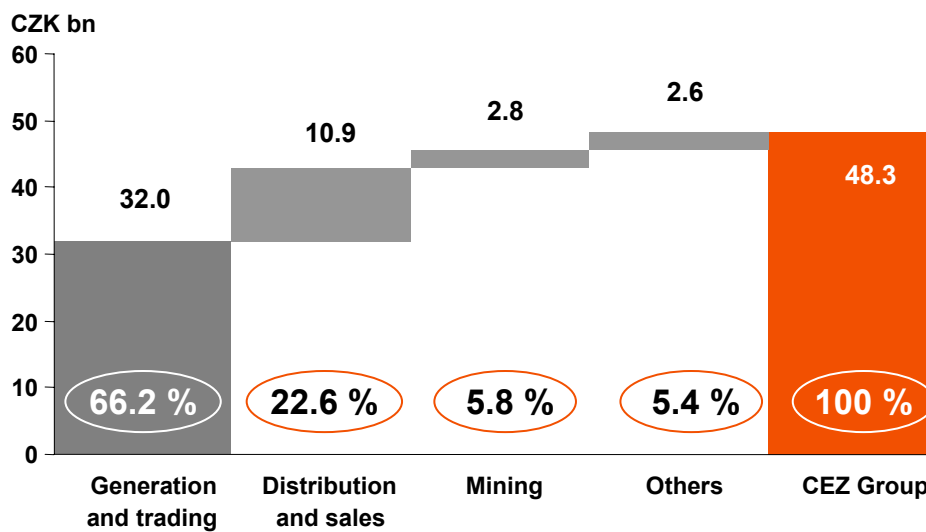
# CEZ INCREASED NET INCOME GUIDANCE FROM CZK 28.0 BN PUBLISHED IN H1 2006 TO CZK 28.5 BN





# GENERATION AND TRADING SEGMENT THE MOST SIGNIFICANT SEGMENT, BUT DISTRIBUTION AND SALES ACHIEVES BIG GAINS

Contribution to EBITDA in Q1 - Q3 2006



	Generation and trading	Distribution and sales	Mining	Others	CEZ Group
<b>Index Q1-Q3 2006/2005:</b>	<b>127 %</b>	<b>123 %</b>	<b>92 %</b>	<b>212 %</b>	<b>126 %</b>
<b>Index E2006/2005:</b>	<b>129 %</b>	<b>119 %</b>	<b>113 %</b>	<b>176 %</b>	<b>127 %</b>

**Main areas of improvement:**

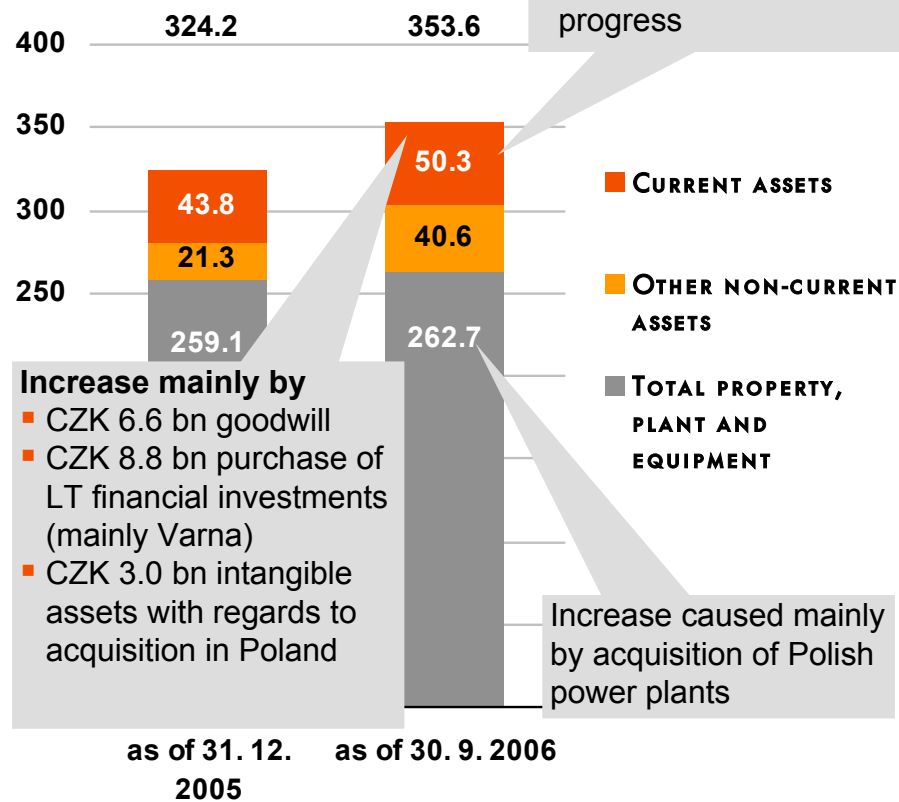
- Higher generation / sales
- Operating costs control
- New acquisitions

Higher generation / sales	✓	✓	✓		
Operating costs control	✓	✓	✓	✓	
New acquisitions		✓			

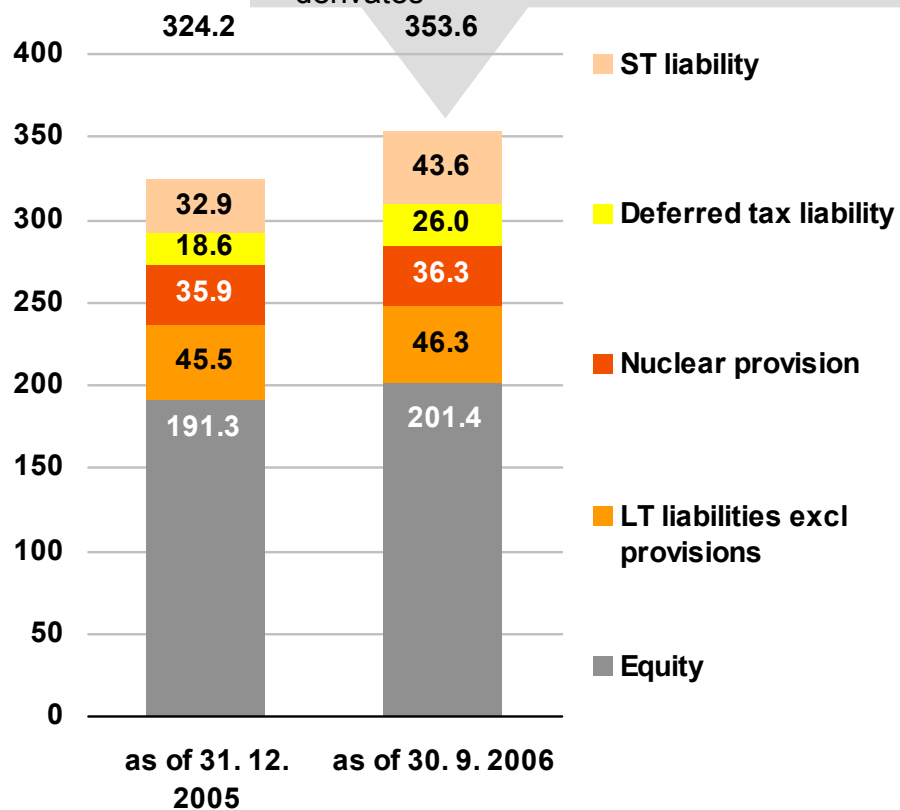


# BALANCE SHEET

## Assets CZK bn

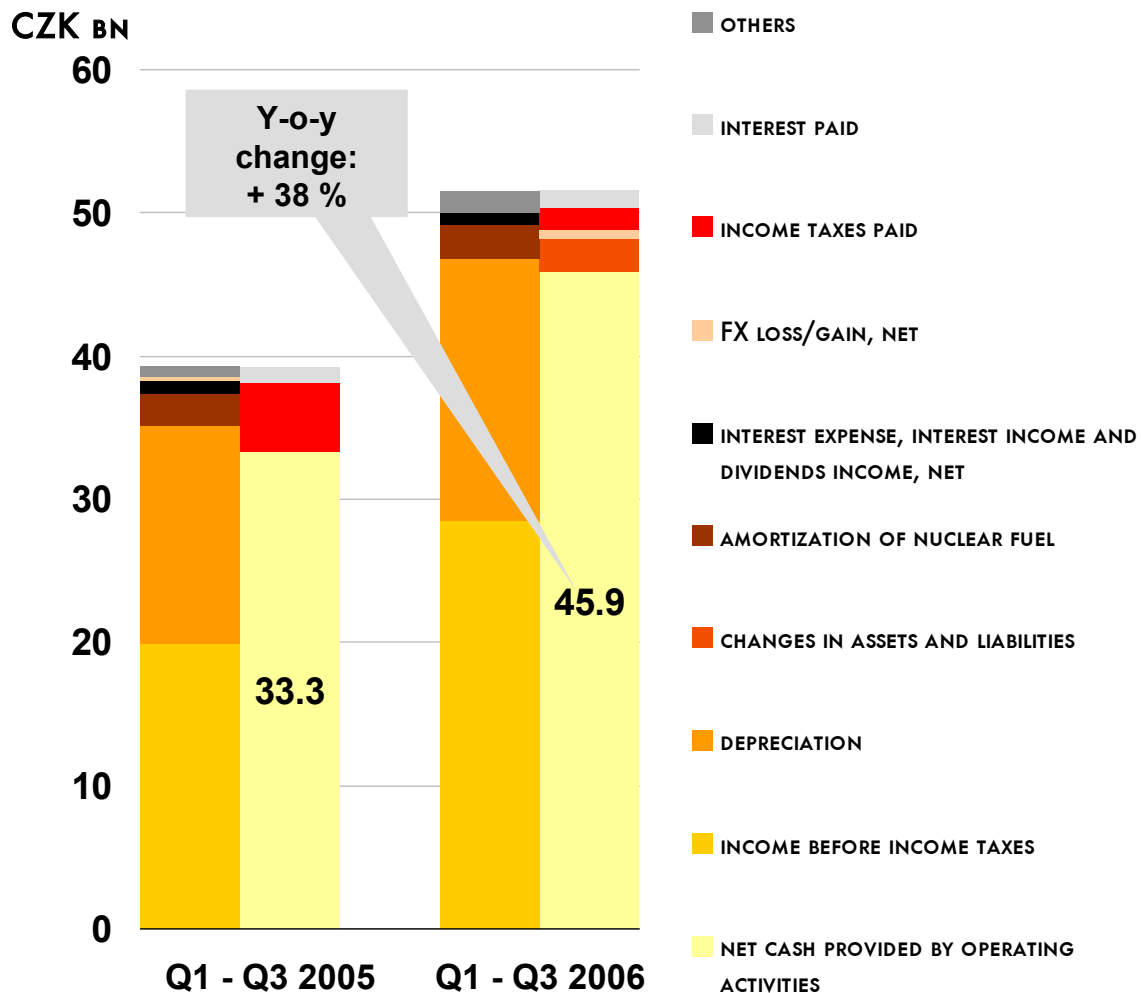


## Equity and Liabilities CZK bn





## OPERATING CASH FLOW



### Key impacts on operating cash flow increase in CZK bn

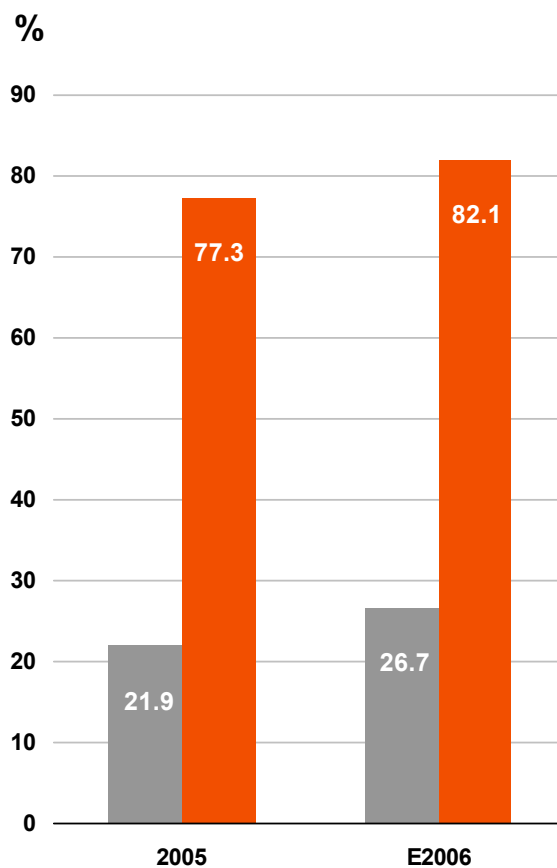
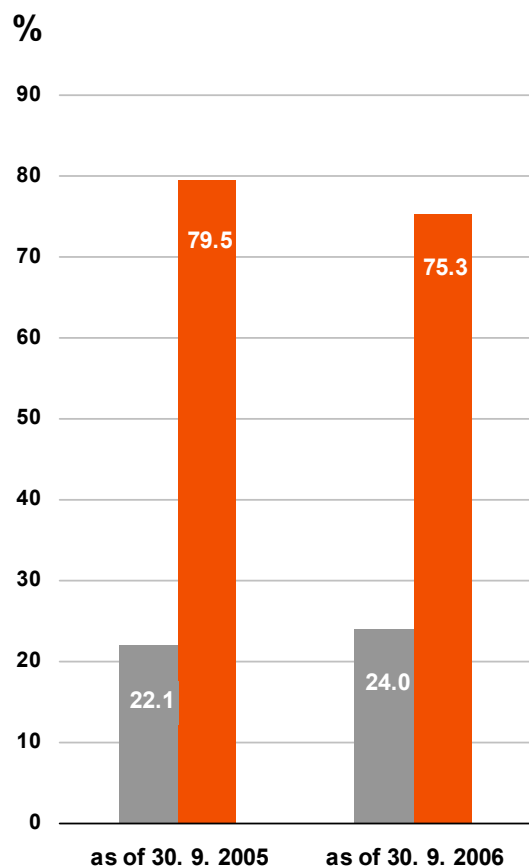
+ 11.5 EBIT adjusted for non cash items

- 2.4 changes in assets and liabilities

+ 3.4 income taxes paid



## INDEBTEDNESS Y-O-Y GROWS AND IMPROVES THE CAPITAL STRUCTURE OF CEZ, A. S.



■ Financial debt / equity

■ Financial debt / EBITDA

- Indebtedness growth as of September 30, 2006 corresponds with acquisition of Polish power plant ELCHO
- The estimate also reflects the Eurobond issue in volume of EUR 500 m and maturity of 2nd Eurobond issue in volume of EUR 200 m, which took place in October



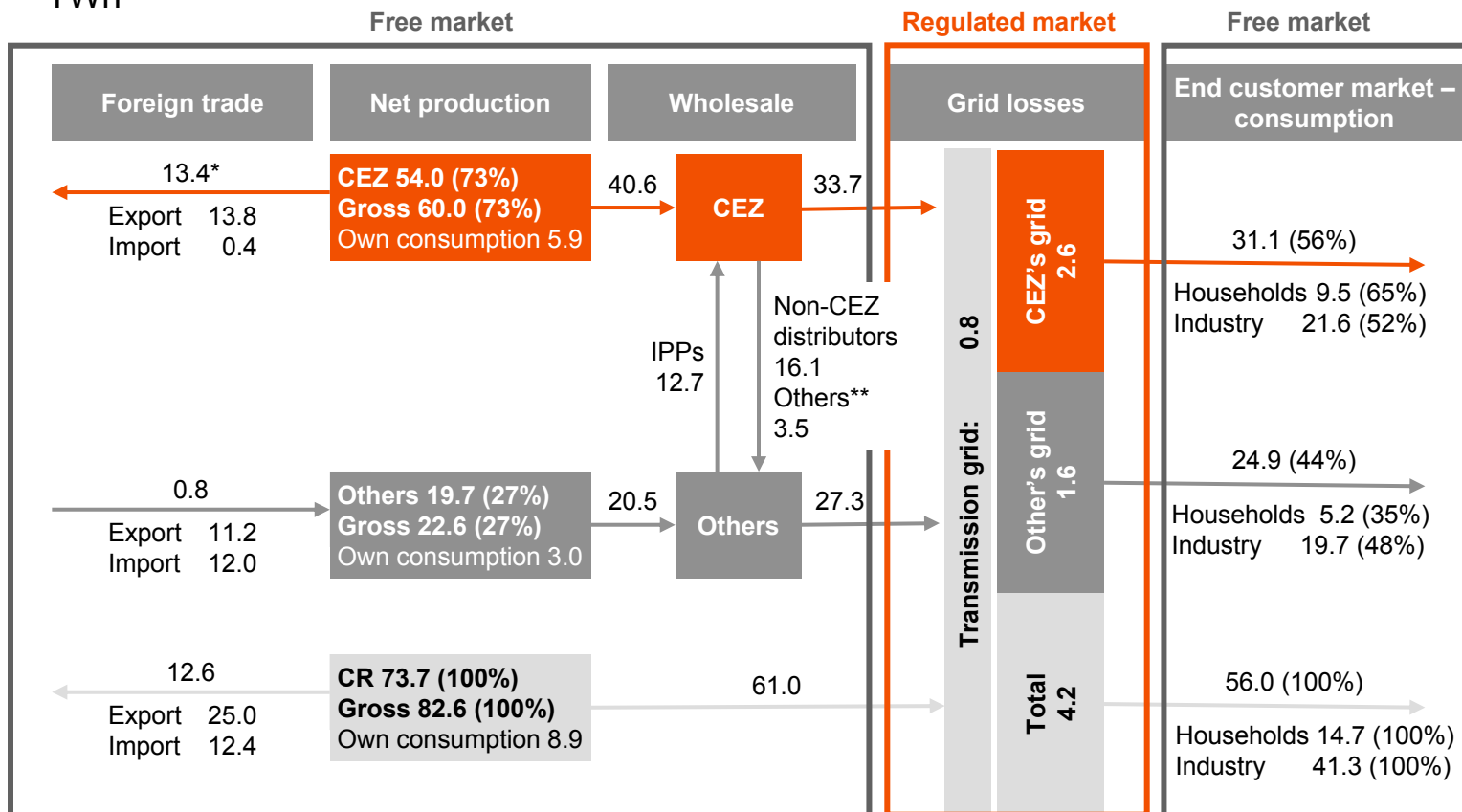
## AGENDA

■ <b>Summary for investors</b>	3
■ <b>Introduction</b>	7
■ <b>Overview of CEZ Group</b>	8
■ <b>Financial performance</b>	13
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■ <b>Appendix</b>	82



# CEZ IS A KEY PLAYER IN ALL SEGMENTS OF THE LIBERALIZED CZECH ELECTRICITY MARKET

## Czech electricity market in 2005 TWh

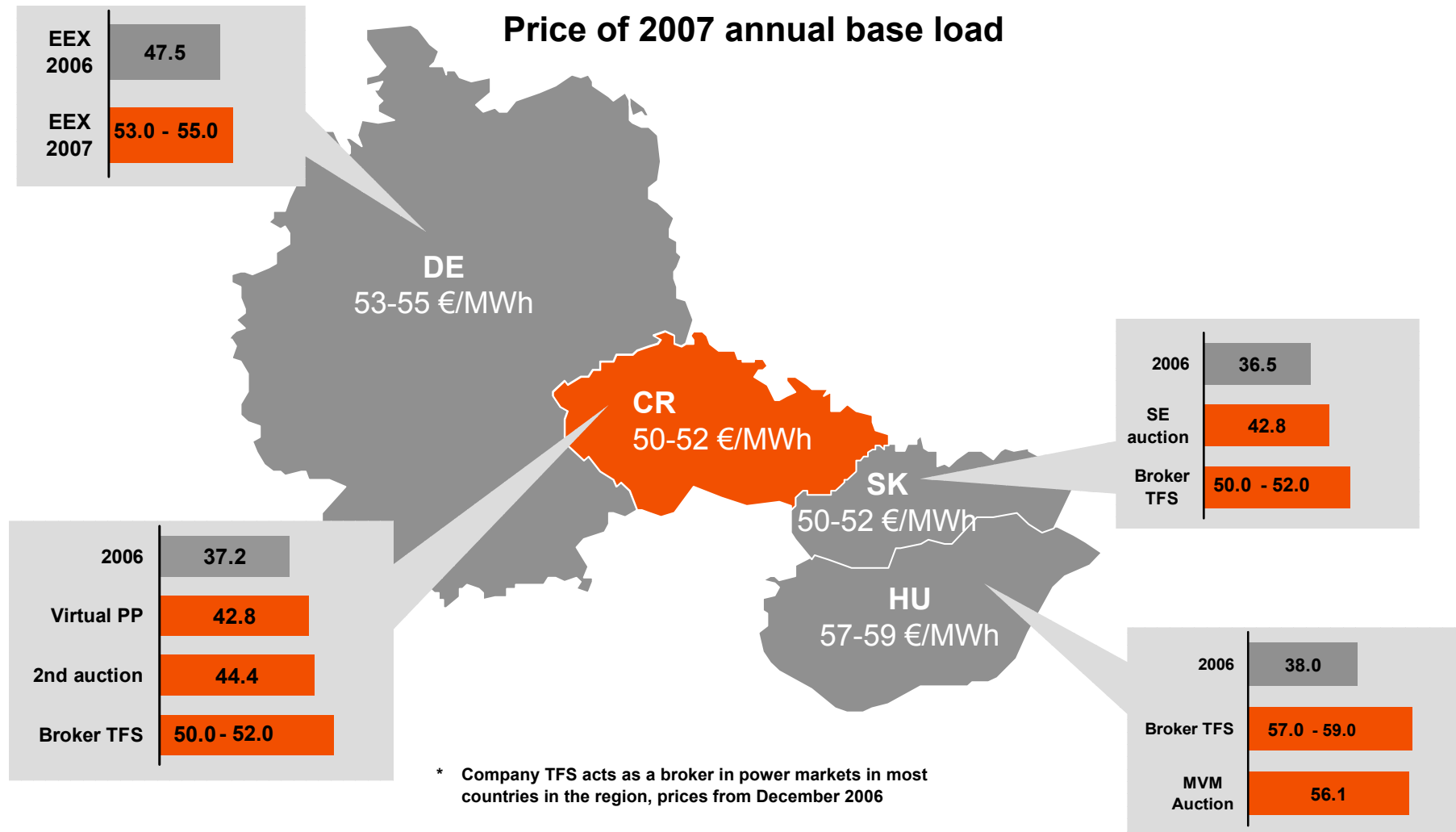


\* Includes sales to domestic traders for export, excludes trading on the foreign liquid markets which do not impact volume

\*\* Includes domestic power exchange trading, sales to grid operator to cover grid losses, direct sales to domestic traders for domestic consumption and other domestic sales

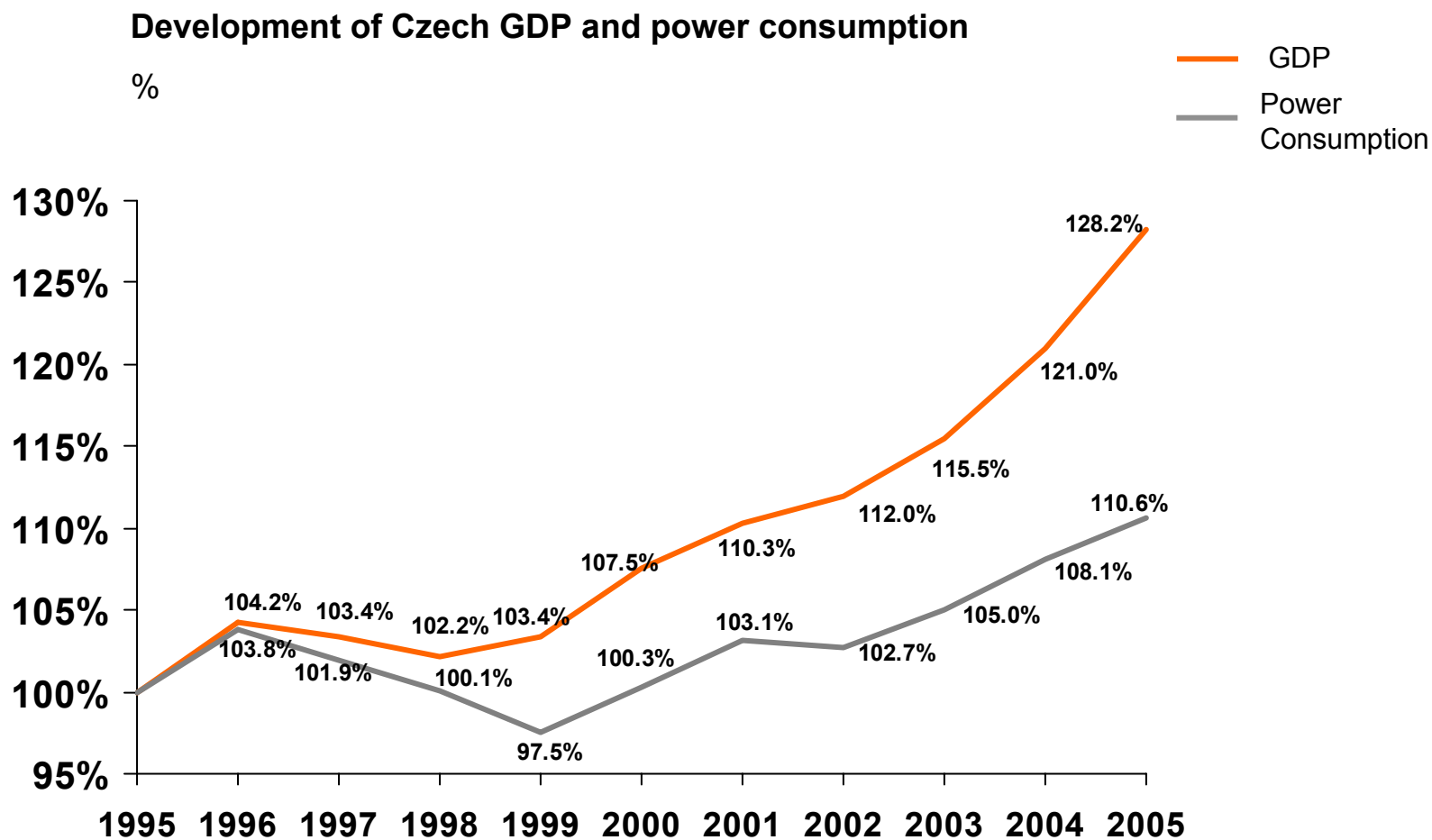


# REGIONAL POWER PRICES CONTINUE GROWING AND KEEP ON CONVERGING





## DESPITE INCREASING POWER PRICES POWER CONSUMPTION GROWS IN LINE WITH GDP

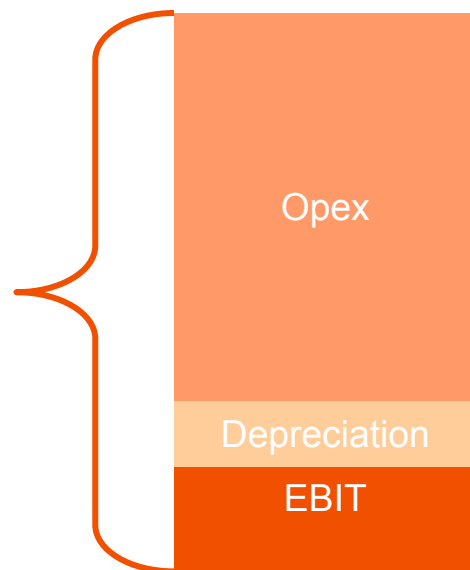




# PRINCIPLES OF REGULATION IN CR ARE IDENTICAL TO THE REST OF EUROPE

## Revenue Cap

- Set by the regulatory office
- Revised annually based on formula and key parameters valid through regulatory period



- Indexed to a mixture of PPI (65% weight) and wage change index (35%)
- Adjusted for efficiency factor  $\times$  (2.085%)
- Includes all operating costs expanded in relation to distribution plus compensation of costs related to unbundling
- Backwards adjustments to reflect changes in distributed volume, in purchased power from renewable, etc.

- Indexed to PPI

- $RAB \times WACC_{\text{nominal, pre-tax}}$

### WACC - 7.955%

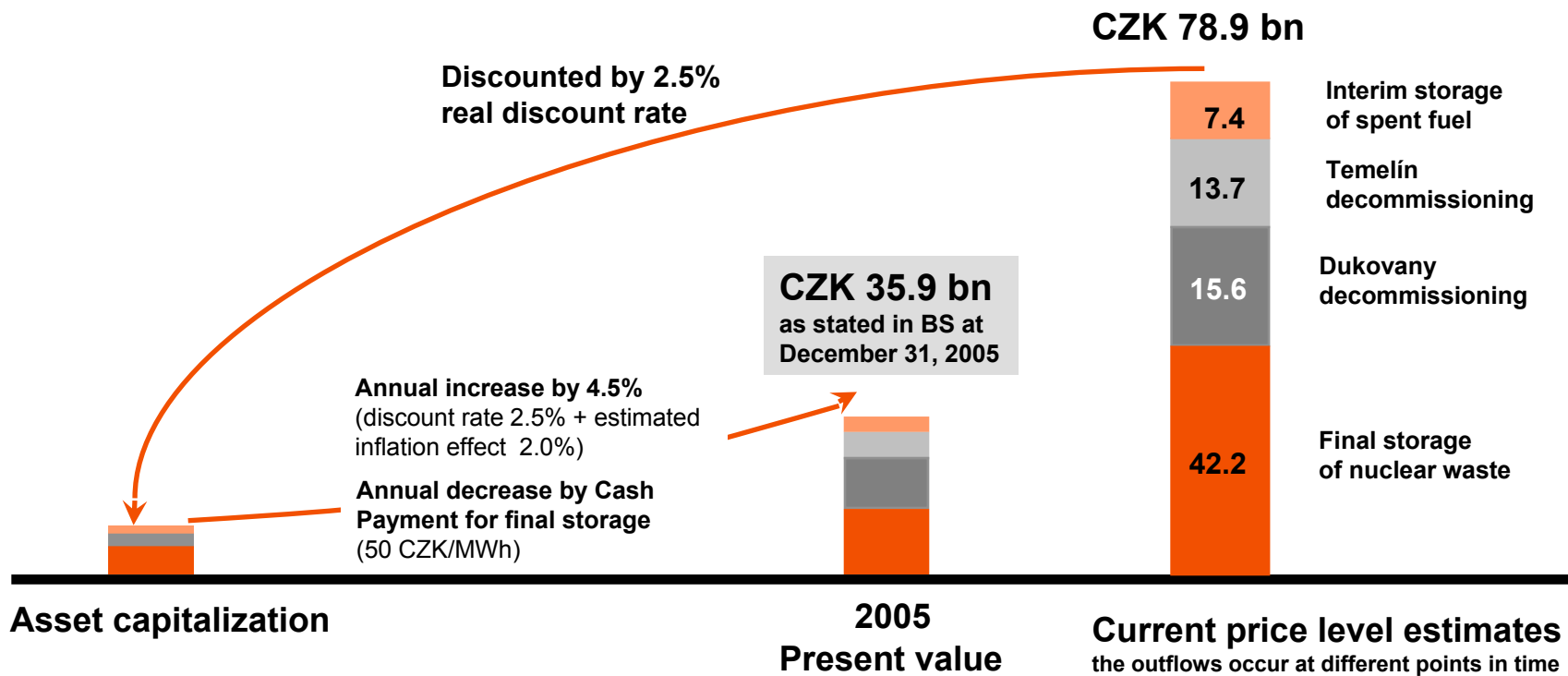
- Set for a full regulatory period
- Risk free rate – 4.18%
- Beta<sub>unlevered</sub> – 0.35
- Risk premium – 6.32%
- D/(D+E) – 30.00%

### RAB (Regulatory Asset Base)

- Annually adjusted for changes
- To increase by almost 90% (from 2004 level)



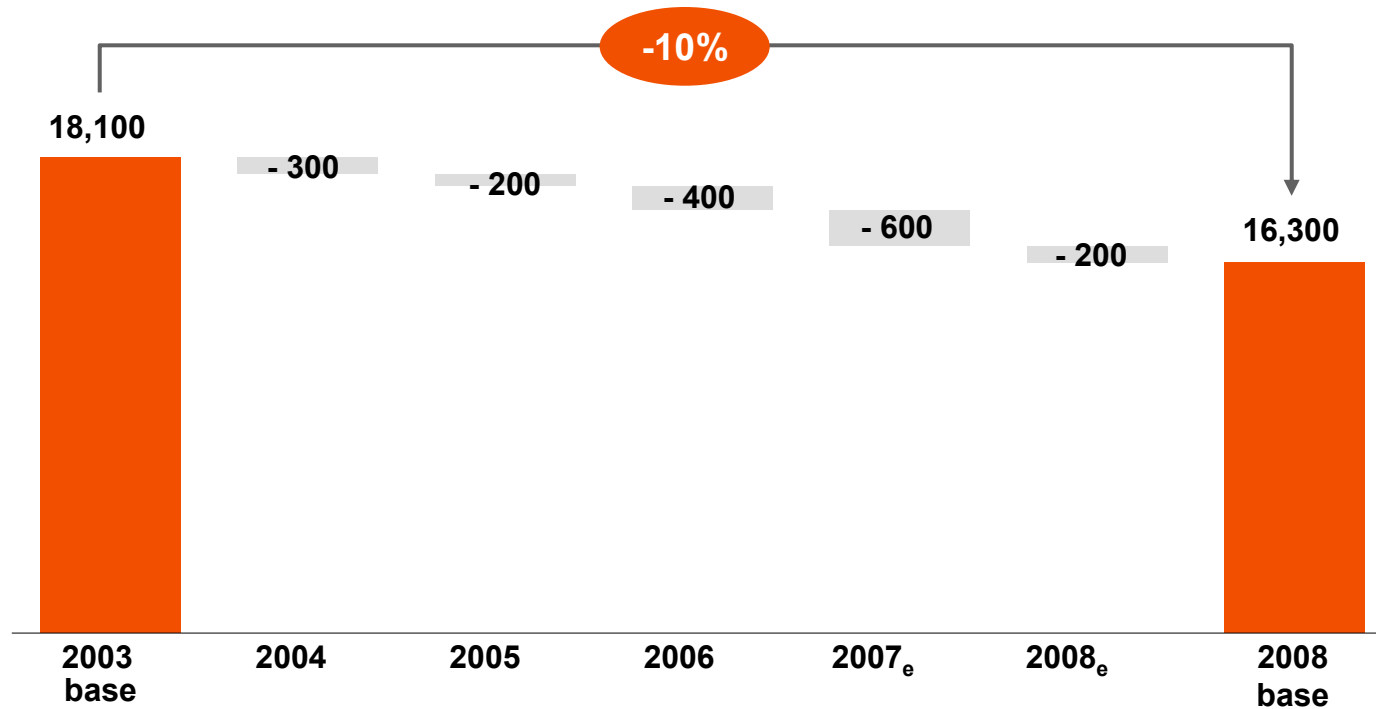
# NUCLEAR PROVISIONS IFRS STATEMENTS ARE FULLY IN LINE WITH IAS 37





# NUMBER OF EMPLOYEES WILL DECLINE BY 10 % BY 2008 WITHIN VISION 2008 PROJECT

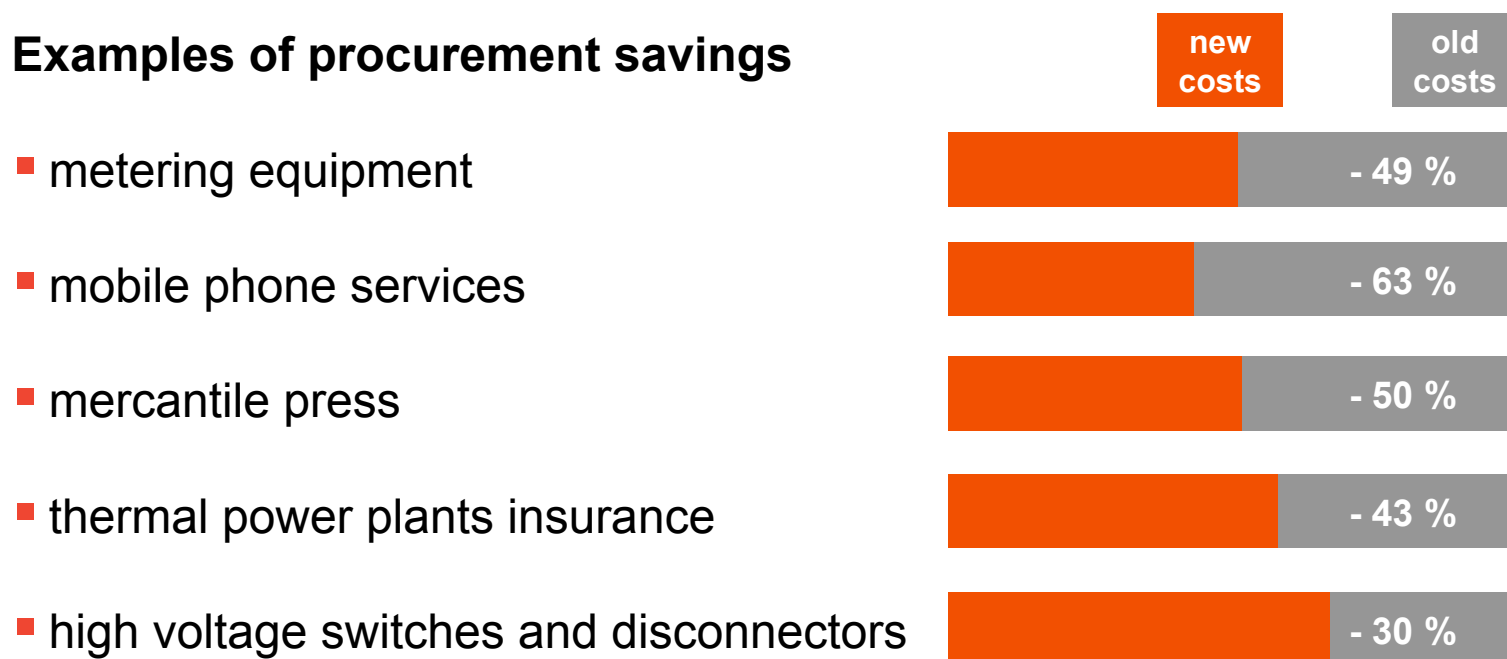
**Number of employees in distribution and support services of CEZ**  
Thousands





## FIRST SIGNIFICANT SAVINGS WITHIN VISION 2008 PROJECT WERE ACHIEVED FOR EXAMPLE IN PROCUREMENT

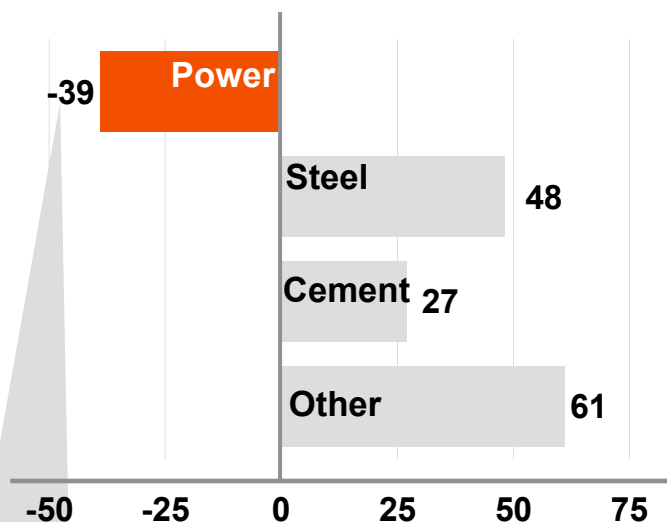
### Examples of procurement savings





## CEZ EXPECTS SAME ALLOCATIONS OF CO<sub>2</sub> ALLOWANCES FOR NEXT PERIOD AS UNDER NAP I

### EU first phase allocation – surplus/deficit 2005, mil. tons CO<sub>2</sub>



Power sector is the only one in deficit in the first period

### EU second phase allocation – guidelines

- Member states already meeting Kyoto targets (such as CR) may keep NAP II ceiling at NAP I levels
- When distributing the allowances to individual installations the governments should disregard data from the first phase to make ETS credible
- National allocation plan to be submitted to EC soon
- CEZ expects to be granted same volume as in current period

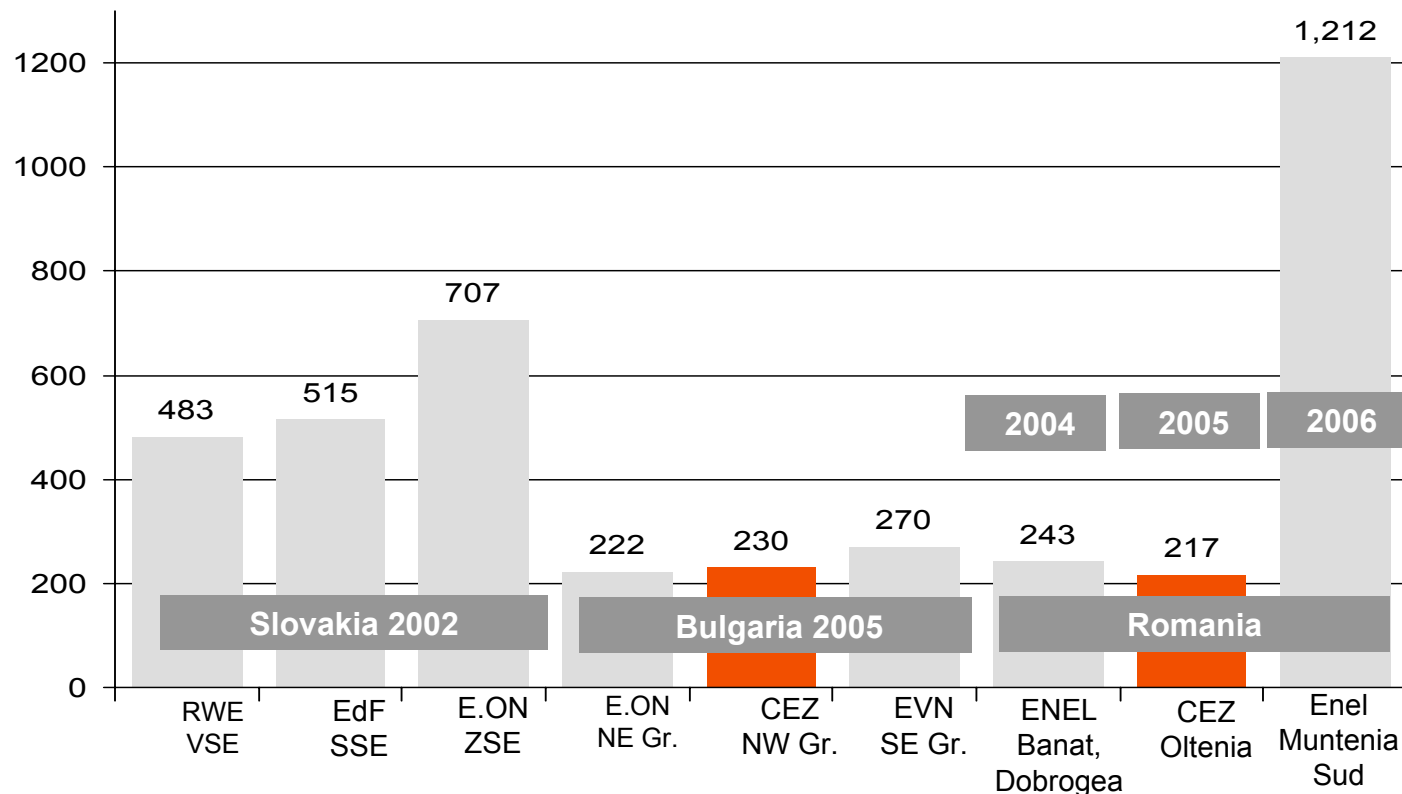


# CEZ ACQUIRED FOREIGN COMPANIES AT MUCH MORE FAVOURABLE PRICE THAN OTHER COMPETITORS



## Price per customer in privatizations of CEE power distribution companies

EUR/customer



Source: Bloomberg, press clippings, respective annual reports



## BALANCE SHEET OF ROMANIAN OLTENIA HAS BEEN CLEARED UP AND THE COMPANY IS ON A GOOD TRACK TO SIGNIFICANTLY IMPROVE IN 2006

### Selected financials (restated)

EUR m

	2004	2005
<b>Sales</b>	352.6	350.7
<b>EBITDA</b>	<b>64.0</b>	<b>45.3</b>
<b>EBITDA Margin</b>	18.2%	12.9%
<b>Depreciation</b>	86.6	27.5
<b>EBIT</b>	<b>-22.6</b>	<b>17.8</b>
<b>Net income</b>	<b>-35.7</b>	<b>18.88</b>
<b>Net debt</b>	10.0	121.731

### Key impacts 2005

- Transaction settled on September 30, 2005; consolidated in Q4 only
- Restructuring process initiated with key positions staffed
- Agreement with regulator on maximum allowed RAB as of the date of completion
- One-off provisions



## ELCHO IS A BRAND NEW POWER PLANT COMMISSIONED IN 2003

### Elektrociepłownia Elcho Sp. z o. o.



#### Basic figures

<i>million EUR*</i>	2004	2005
Revenues	89.3	88.4
EBITDA	44.9	44.5
EBIT	36.2	35.9
Net profit	42.0	-6.9
Net debt (debt - cash)	251.4	253.3

Electricity sales (TWh)	n.a.	1.4
Installed capacity (MWe)	238	
Installed capacity (MWt)	500	
Fuel	coal	
Commissioned	2003	
Stake controlled	89%	

\* Polish accounting standards, converted at 3.85 PLN/EUR

- Brand new power plant commissioned in 2003
- Meets all environmental limits including those in place since 2008
- Revenues from electricity sales make c. 83% of revenues, remainder is mainly heat
- Production covered by long term power purchase agreements till 2023
- The heat is supplied mainly for residential heating
- Elcho has a long term agreement for coal supplies; the power plant is located close to the supplying mines
- Allocated CO2 cover full anticipated production
- Excellent management team - expertise to be utilized in further expansion
- Proximity to CEZ's 800MW hard coal power plant – Detmarovice (50 km) - possible future synergies, incl. possibility of joint coal supply



# SKAWINA IS AN UPGRADED PLANT WITH EXPOSURE TO OPEN MARKET SET TO PROFIT FROM PRICE CONVERGENCE AND INCREASED HEAT OFF-TAKE

## Elektrownia Skawina S.A.



### Basic figures

<i>million EUR*</i>	2004	2005
Revenues	99.5	104.9
EBITDA	9.0	5.2
EBIT	3.8	0.1
Net profit	3.0	0.1
Net debt (debt - cash)	9.3	18.9

Electricity sales** (TWh)	2.4	2.7
Installed capacity (MWe)	592	
Installed capacity (MWt)	618	
Fuel	coal	
Stake controlled	75%	

\* Polish accounting standards, converted at 3.85 PLN/EUR

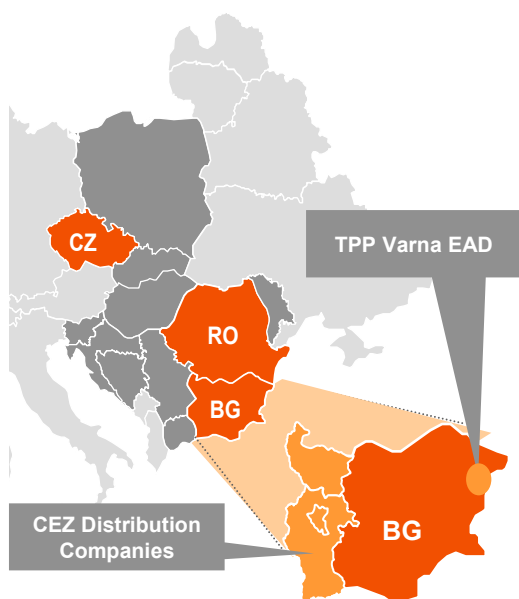
\*\* Excluding balanced trading in open markets

- Electricity generation part commissioned in 1961, heating part in 1986
- Almost half of the plant continuously refurbished since 1993; some further investments needed to meet stricter emission limits in 2008
- Potential to increase existing generation from biomass
- Electricity is sold in open market; we anticipate that the Polish open market prices will converge to the German ones in the next 5-7 years
- Potential to increase - up to 20% increase in heat off-take in 2006-2011
- Skawina's CO2 allocation per MW installed capacity among the highest in Poland
- Excellent management team - expertise to be utilized in further expansion
- Proximity to CEZ's 800MW hard coal power plant



# TPP VARNA IS THE LARGEST BULGARIAN THERMAL POWER PLANT

## TPP Varna EAD



### Basic figures

<i>million EUR*</i>	2004	2005
Revenues	69.2	73.3
EBITDA	8.9	4.9
EBIT	3.4	-1.0
Net profit	2.8	-1.1
Net debt	2.9	1.0

Electricity sales (TWh)	2.2	2.4
Installed capacity (MWe)	6 x 210	
Fuel	hard coal	
Commissioned	3 units in late 60's, 3 units in late 70's	
Number of employees	900	
Stake acquired	100%	

### Transaction Consideration

- Acquisition of 100% shares	EUR 206.0m
- New equity subscription (16% increase)	EUR 99.8m

- CEZ also committed to contribute an additional EUR 40m in an investment fund that will implement projects in the energy sector .

- Three units commissioned in late 60's, other three a decade later (units 1 to 3 commissioned over the period 1968-1969; units 4 to 6 completed in 1977 - 1979)
- Negotiated extension of deadline for meeting stricter EU emission limits till 2016; estimated EUR 130-160 mil CAPEX to meet the requirements (FGD, deNOx, other)
- Historically dispatched at 25% utilization of net available capacity; utilization will increase significantly after 2007 driven by decommissioning of Kozloduy 3rd and 4th units (880 MW), consumption growth and liberalization of cross-border trade
- During first 5 years after the privatization the plant's fixed cost will be - to a large extend - covered by proceeds from the cold reserve contract between Varna and NEK, covering 3 units of the plant
- Bulgarian wholesale price to converge to European price in 10-15 years driven by liberalization of cross border trading and increasing domestic demand
- Fuel purchased at international prices, currently mainly from Russia and Ukraine, supplied directly from Varna port

\* International accounting standards, converted at 1.956 BGN/EUR



## SELECTED HISTORICAL FINANCIALS OF CEZ GROUP CZK

### Profit and loss

	<i>CZK bn</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<u>Revenues</u>		<u>87.3</u>	<u>102.7</u>	<u>125.1</u>
Sales of electricity		79.0	92.2	115.9
Heat sales and other revenues		8.3	10.5	9.1
<u>Operating Expenses</u>		<u>53.7</u>	<u>63.0</u>	<u>74.9</u>
Purchased power and related services		21.1	26.5	37.5
Fuel		9.2	9.3	9.0
Salaries and wages		9.7	11.4	13.4
Other		13.7	15.9	15.0
<b><u>EBITDA</u></b>		<b><u>33.6</u></b>	<b><u>39.6</u></b>	<b><u>50.2</u></b>
<i>EBITDA margin</i>		<i>38%</i>	<i>39%</i>	<i>40%</i>
Depreciation		18.5	19.8	20.7
<b><u>EBIT</u></b>		<b><u>15.0</u></b>	<b><u>19.8</u></b>	<b><u>29.4</u></b>
<i>EBIT margin</i>		<i>17%</i>	<i>19%</i>	<i>24%</i>
<u>Net Income</u>		<u>9.6</u>	<u>13.2</u>	<u>21.5</u>

### Balance sheet

	<i>CZK bn</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Non current assets		271.9	271.7	280.4
Current assets		24.7	27.5	43.8
- out of that cash and cash equivalents		5.0	8.9	16.8
<b><u>Total Assets</u></b>		<b><u>296.6</u></b>	<b><u>299.3</u></b>	<b><u>324.2</u></b>
Shareholders equity (excl. minority. int.)		171.1	178.4	191.3
Interest bearing debt		38.8	41.8	38.7
Other liabilities		86.7	79.0	94.2
<b><u>Total liabilities</u></b>		<b><u>296.6</u></b>	<b><u>299.3</u></b>	<b><u>324.2</u></b>

**Note:** 2003 and 2004 results were restated to comply with pooling of interests method regarding Severoceske doly, i.e. the restated financials are as if CEZ had held 93% in Severoceske doly throughout the whole period of 2003 - 2005.



# SELECTED HISTORICAL FINANCIALS OF CEZ GROUP EUR

## Profit and loss

	<i>EUR m</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<u>Revenues</u>		<u>3,009</u>	<u>3,540</u>	<u>4,312</u>
Sales of electricity		2,723	3,178	3,998
Heat sales and other revenues		286	362	315
<u>Operating Expenses</u>		<u>1,852</u>	<u>2,174</u>	<u>2,583</u>
Purchased power and related services		728	914	1,292
Fuel		316	321	311
Salaries and wages		334	392	463
Other		474	546	518
<b><u>EBITDA</u></b>		<b><u>1,157</u></b>	<b><u>1,366</u></b>	<b><u>1,729</u></b>
<i>EBITDA margin</i>		<i>38%</i>	<i>39%</i>	<i>40%</i>
Depreciation		638	684	715
<b><u>EBIT</u></b>		<b><u>519</u></b>	<b><u>682</u></b>	<b><u>1,014</u></b>
<i>EBIT margin</i>		<i>17%</i>	<i>19%</i>	<i>24%</i>
<u>Net Income</u>		<u>331</u>	<u>456</u>	<u>740</u>

## Balance sheet

	<i>EUR m</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Non current assets		9,374	9,368	9,668
Current assets		853	949	1,510
- out of that cash and cash equivalents		173	308	579
<b><u>Total Assets</u></b>		<b><u>10,227</u></b>	<b><u>10,317</u></b>	<b><u>11,178</u></b>
		0	0	0
Shareholders equity (excl. minority. int.)		5,898	6,152	6,596
Interest bearing debt		1,339	1,442	1,336
Other liabilities		2,990	2,723	3,247
<b><u>Total liabilities</u></b>		<b><u>10,227</u></b>	<b><u>10,317</u></b>	<b><u>11,178</u></b>

Exchange rate used: 29 CZK/EUR

**Note:** 2003 and 2004 results were restated to comply with pooling of interests method regarding Severoceske doly, i.e. the restated financials are as if CEZ had held 93% in Severoceske doly throughout the whole period of 2003 - 2005.



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