

# CEZ GROUP BRIEF REPORT FOR 1ST HALF 2006

## NON-AUDITED, CONSOLIDATED RESULTS

### IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### Highlights

- H1 net income was up 40.7% year-on-year, having grown by CZK 4.75 billion to CZK 16.4 billion.
- EBITDA in H1 was 23.8% higher than 12 months prior, having grown by CZK 6.6 billion to CZK 34.2 billion.
- CEZ Group generation was up 4.3%.
- General Meeting approved a gross dividend of CZK 15 per share.
- ELCHO and Skawina power plants in Upper Silesia, Poland, added to CEZ Group.
- Agreement on acquisition of Varna power plant in Bulgaria signed.

Prague, August 15, 2006

#### Key Figures

	Units	As of June 30, or Six Months Ended June 30, 2006	As of June 30, or Six Months Ended June 30, 2005	Index 06/05
Generation of electricity (gross)	GWh	31,853	30,527	104.3%
Sales of electricity	GWh	41,256	37,094	111.2%
Sales of heat	TJ	6,112	5,694	107.4%
Operating revenues	CZK millions	77,183	61,715	125.1%
Operating expenses (less depreciation and amort.)	CZK millions	43,018	34,118	126.1%
of which, e.g.: CO <sub>2</sub> emission permits	CZK millions	-357	0	x
<b>EBITDA</b>	CZK millions	34,165	27,597	123.8%
of which: power production and trading	CZK millions	22,495	17,844	126.1%
distribution and sale	CZK millions	8,396	7,009	119.8%
mining	CZK millions	1,701	1,927	88.3%
other	CZK millions	1,572	817	192.5%
Depreciation and amortization	CZK millions	10,959	10,037	109.2%
<b>EBIT</b>	CZK millions	23,206	17,560	132.2%
<b>Net income</b>	CZK millions	16,433	11,683	140.7%
Return on equity (ROE), net	%	8.8	6.4	137.1%
Price/earnings ratio (P/E)	1	17.0	16.3	104.2%
EBIT margin	%	30.1	28.5	105.7%
EBITDA margin	%	44.3	44.7	99.0%
Total indebtedness, provisions excluded	%	32.5	30.0	108.5%
Long-term indebtedness	%	14.3	16.8	85.3%
Capital expenditures (CAPEX)	CZK millions	-7,050	-6,514	108.2%
Investments	CZK millions	-15,192	-1,506	1008.8%
Operating cash flow	CZK millions	25,568	18,687	136.8%
Employee head count	persons	30,560	27,563	110.9%

#### Revenues, Expenses, Income

CEZ Group net income grew by CZK 4.75 billion (40.7%), mainly in conjunction with increased EBIT (up CZK 5.6 billion), which was driven by growth in the margin on electricity generation and trading. The "other expenses/income" category (up CZK 0.8 billion) also contributed to the good earnings result, due in particular to the strong Czech currency (the Koruna, or CZK). Other drivers of income included improved performance of the Bulgarian distribution companies and the acquisition of Electrica Oltenia, which was not a Group member in first half 2005. As of June 2006, the consolidation group also includes the Poland-based companies ELCHO and Skawina.

#### Cash Flows

Net cash provided by operating activities grew by CZK 6.9 billion (36.8%) year-on-year. Total cash used in investing activities was up CZK 18.2 billion (360.8%) in conjunction with the acquisition of the Polish power plants and an increase in our stakes in Severočeské doly and Severočeská energetika in H1 2006. Investments in fixed assets were also up, due to expenditures relating to the retrofit of the Tušimice II Power Station (CZK 1.6 billion). The year-on-year increase in cash flows from financing activities was caused by higher borrowing in H1 2006, mainly to pay for acquisitions.

#### Capital Expenditures

February 2006 saw the approval of the business plan for a retrofit of the Prunéřov II Power Station (4 x 200 MW), which will follow immediately after completion of the retrofit of Tušimice II Power Station

(which has the same capacity). The business plan for the construction of a new 660 MW generating unit in the Ledvice Power Station was approved in May.

### Power Production and Trading Segment

		Generation and Trading		TWh	Generation		TWh	Trading				
		H1 2006	H1 2005		H1 2006	H1 2005		H1 2006		H1 2005		
								domestic	foreign	domestic	foreign	
Total revenues	CZK m	47,490	35,082	Electricity generation	31.9	30.5						
EBITDA	CZK m	22,495	17,844	of which: nuclear PPs	14.0	12.3	Electricity purchased	3.6	3.7	2.7	0.1	
EBIT	CZK m	15,600	11,045	coal PPs	16.4	17.1	Electricity sold	28.7	7.5	26.7	3.7	
Employee Head Count	persons	7,903	7,406	hydro and other	1.4	1.1	of which: outside CEZ Group	11.7	7.5	15.2	3.7	
							Balance	25.1	3.8	24.0	3.6	

CEZ Group electricity generation grew 4.3% year-on-year on higher generation in nuclear and hydro power plants and only slightly lower generation in coal-fired plants.

Thanks to the inclusion of the ELCHO and Skawina power plants, ČEZ Group installed generation capacity increased by 830 MW in H1 2006, to 13,132 MW. Of the total, coal accounts for 7,435 MW, nuclear for 3,760 MW, and hydro and alternative for the remaining 1,937 MW.

Sales in the wholesale electricity market were up by a total of 2.0 TWh (7.5%). Of this figure, sales in the Czech Republic accounted for 1.7 TWh (up 6.3%). Here, increased purchasing (by 0.9 TWh, or 31.9%) caused the resulting balance to rise by 0.8 TWh. Another 327 GWh consisted of June sales by the Poland-based companies ELCHO and Skawina in their domestic market. Another newcomer to the segment was a Hungary-based trading company – another addition to the sales offices network ČEZ Group is currently building – which is tasked with supporting trading activities in the region.

The balance of foreign electricity sales grew by 0.2 TWh (5.2%). However, some exports are hidden in sales to domestic traders who export electricity.

The fall in emission permit prices at the turn of April - May will not have any negative impact on CEZ Group financial performance this year, since most positions in this commodity were closed in time. The impact on electricity prices for CEZ Group is also marginal, since most contracts are one-year contracts. At present, the baseload price for 2007 in Germany has returned to above 55 EUR/MWh. Late in H1, the process of contracting for 2007 began in all Central European markets. This process involves auctions, tenders, and bilateral trades. ČEZ, a. s. responds to purchase inquiries as they come in. The main sales campaign for the Czech Republic for next year is expected in Q3 2006, but it also includes an auction of electricity produced by a “virtual power plant” that took place on August 2.

### Distribution and Sale Segment

		Celkem		Czech Republic			Bulgaria		Romania	
		H1 2006	H1 2005	H1 2006	of which: ČEZ Distribuce	H1 2005	H1 2006	H1 2005	H1 2006	H1 2005
Total revenues	CZK m	48,623	37,087	36,957	15,264	31,094	6,378	5,992	5,288	x
EBITDA	CZK m	8,396	7,009	6,053	4,115	6,002	1,345	1,007	999	x
EBIT	CZK m	5,976	4,774	4,537	2,873	4,249	850	524	589	x
Sales of electricity	TWh	24.4	18.8	18.1	x	14.7	4.3	4.1	2.0	x
of which: outside CEZ Group	TWh	22.0	18.2	15.8	x	14.2	4.2	4.1	2.0	x
Distribution (incl. losses)	TWh	33.1	27.6	21.8	21.8	22.6	5.1	5.0	6.2	x
Employee Head Count	persons	13,505	11,354	5,787	1,119	6,465	4,747	4,889	2,971	x

Net electricity demand in the Czech Republic grew, driven in particular by ongoing economic growth, by 1.3 TWh (4.3%) year-on-year. Even when adjusted to the long-term sliding average temperature, the growth is still 3.5%. Wholesale consumption (including consumption by power producers) was up 3.6%, while retail customers consumed 6.6% more. Within retail consumption, household consumption grew at a faster pace (7.1%) due to a 1.1°C year-on-year average temperature drop and the extension of the heating season into June.

Revenues were up year-on-year on higher selling margins as well as the inclusion of Romania-based Electrica Oltenia, which was not a member of ČEZ Group in the same period of 2005. ČEZ Group electricity sales in Bulgaria grew year-on-year by 181 GWh, or 4.4%.

### Mining Segment

		Mining		thousands of tons	Coal Sales	
		H1 2006	H1 2005		H1 2006	H1 2005
Total revenues	CZK m	4,222	3,904	Total coal sales	10,431	10,786
EBITDA	CZK m	1,701	1,927	of which: ČEZ	7,544	8,565
EBIT	CZK m	1,234	1,438	plants over 50 MW	1,515	971
Employee Head Count	persons	3,539	3,617	coal exports	81	71
				other plants and traders	1,290	1,179

### ČEZ, a. s. Ratings

Standard & Poor's: “BBB+” with positive outlook  
Moody's: “A2” with stable outlook

### Other Information

- On March 14, 2006, our subsidiary CEZ Hungary Ltd. obtained a license to trade in electricity in Hungary. The official opening of the Budapest sales representation took place on June 1.
- On April 14, 2006, ČEZ, a. s. increased its stake in Severočeská energetika, a.s. to 96.14% and began preparations to buy out the remaining minority shareholders. The Czech National Bank granted its prior consent on 14 July 2006.
- On May 4, 2006, ČEZ, a. s. and the Government of the Republic of Bulgaria signed an agreement on acquisition of the power plant in Varna. In exchange for 100% of the power plant's shares, we will pay EUR 206 million (CZK 5.8 billion) and increase its basic capital by approximately EUR 100 million (CZK 2.8 billion). CEZ Group will invest another EUR 40 million in power related projects in Bulgaria. Settlement of the deal is expected in late August 2006 after the last condition precedent is fulfilled.
- On May 17, 2006, ČEZ, a. s. signed an agreement with Russia-based TVEL on supplies of nuclear fuel from 2010 to 2020. A total of approximately 400 tons of fuel is to be supplied during said period under the contract.
- ČEZ, a. s. and Czech Energy Holding, a.s. agreed a plan for ČEZ Group to acquire heat supply infrastructure in North Bohemia. The infrastructure in question consists mostly of distribution lines that convey heat generated in ČEZ power plants to end customers.
- The General Meeting of ČEZ, a. s. held on May 23, 2006 approved, among other items, a gross dividend of CZK 15 per share. It also revised the stock options program and confirmed the election of members co-opted to the Supervisory Board.
- On May 29, 2006, the Poland-based power companies Elektrociepłownia Chorzów „ELCHO“ Sp. z o.o. and Elektrownia Skawina S.A. became part of CEZ Group (corresponding stakes are 89% and 75%, respectively). Together these two companies bring 830 MW of installed capacity to the Group. The amount paid for them by ČEZ, a. s. was CZK 10.8 billion.
- The Court of Justice of the European Communities decided that Austrian courts do not have jurisdiction over a dispute between ČEZ and the province of Upper Austria regarding the imposition of a requirement to eliminate the effects of ionizing radiation originating from the operation of Temelín.
- On June 19, 2006 ČEZ, a. s. became the sole shareholder of the mining company Severočeské doly a.s.
- On June 29, 2006, Drahošlav Šimek was elected and Zdeněk Židlický was re-elected as employees representatives to the Supervisory Board. On June 23, 2006, the Supervisory Board discussed the resignation of Jan Juchelka from the Supervisory Board upon the expiration of his 4-year term.
- In July, ČEZ, a. s. signed a master agreement with state-owned Bosnian company Elektroprivreda Republike Srpske, the subject matter of which is the construction of the new Gacko Power Station and expansions of two existing power plants.
- As part of our efforts to improve service to retail customers, six new joint sales offices were opened. Under the motto “One-stop energy shopping”, each sales office serves customers of a ČEZ Group member and a gas distribution company of RWE Group. At the same time, we began cooperating with SAZKA to allow customers to pay their electricity bills through SAZKA's network of on-line terminals for a smaller fee than that charged by post offices.

### ČEZ, a. s. Share Performance in 2006 Compared to the Prague Stock Exchange's PX Index and the Bloomberg Utilities Index



