

CEZ GROUP Q1 - Q3 2006 RESULTS

NONAUDITED CONSOLIDATED RESULTS (IFRS)

Prague, November 15, 2006



PROGRAM

- **Financial results**
Petr Vobořil, CFO
- **CEZ Group trading position and Power Generation at NPP Temelin**
Alan Svoboda, Executive Director Sales and Trading
- **Power Generation at NPP Temelin**
Jiří Borovec, Chief Power Generation Officer



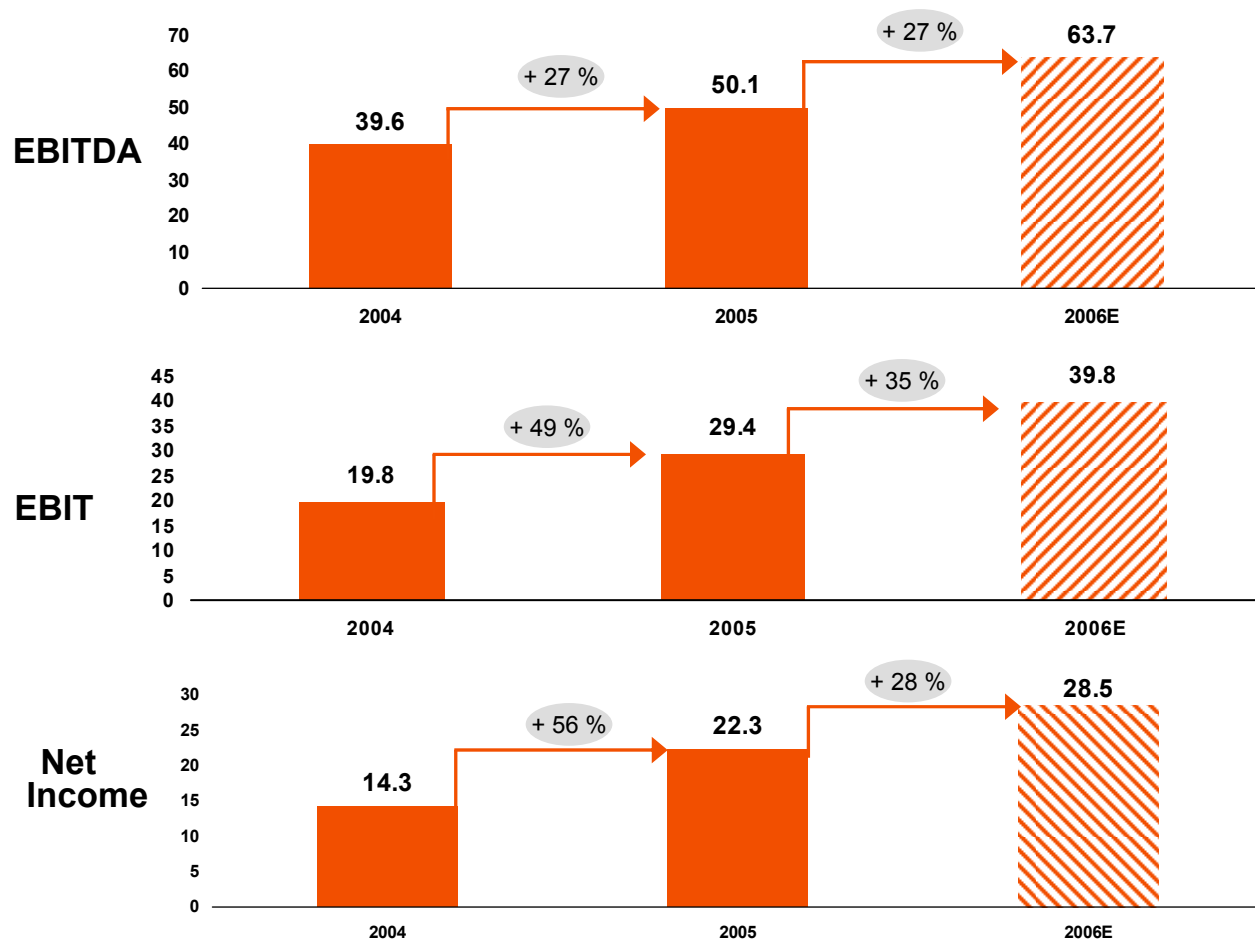
MAIN RESULTS FOR Q1 - Q3 2006

- **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**



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

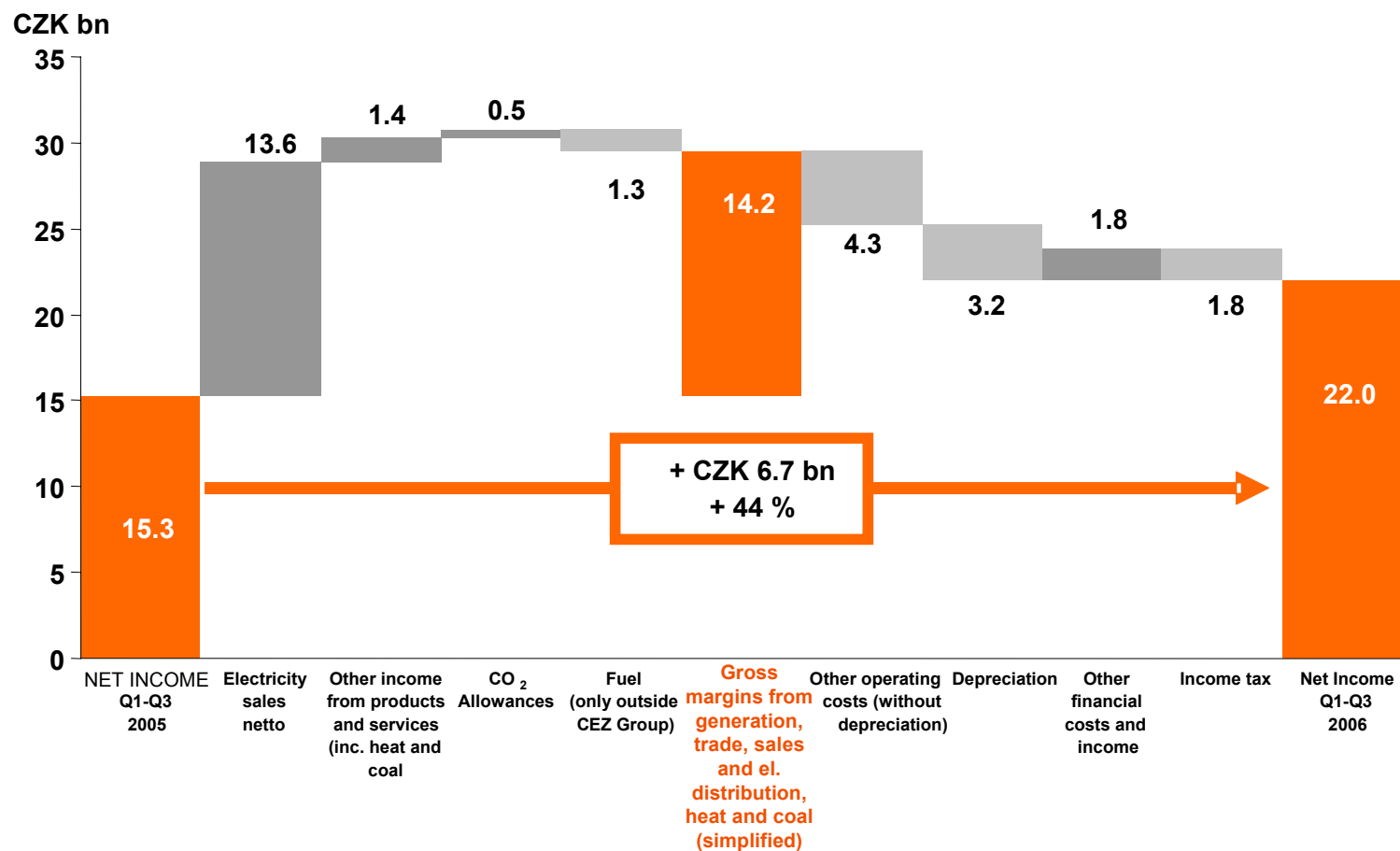
Main financial results



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



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



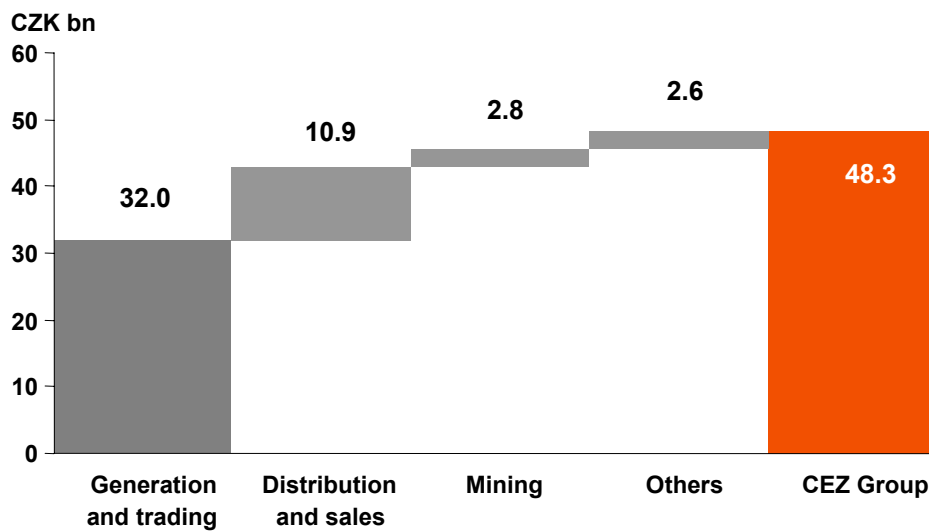
Main improvements

- 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



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
Index Q1-Q3 2006/2005:	127 %	123 %	92 %	212 %	126 %
Index E2006/2005:	129 %	119 %	113 %	176 %	127 %

Main areas of improvement:

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

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



CEZ GROUP MANAGES TO KEEP ITS OPERATING COSTS UNDER CONTROL

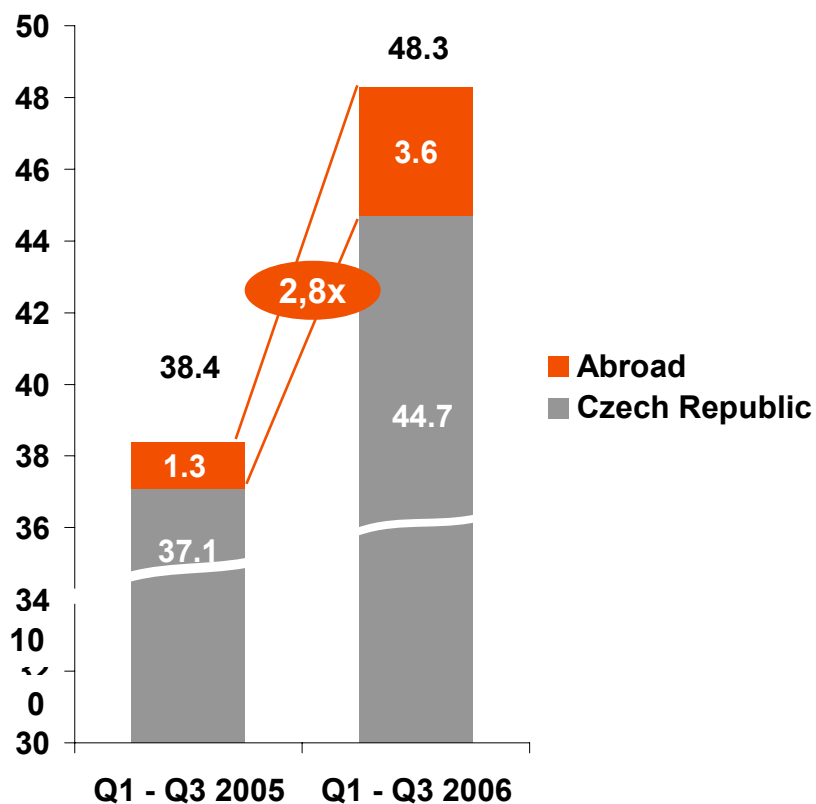
(CZK bn)	Q1 – Q3 2005	Q1 – Q3 2006	Q1 – Q3 2006 comparable entity	Index 06/05 comparable entity
Salaries and wages	9.0	10.1	9.4	104%
Repairs and maintenance	2.3	3.2	2.7	114%
Material and supplies	2.8	3.5	3.4	120%
Others	4.0	4.6	3.9	98%

- 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



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



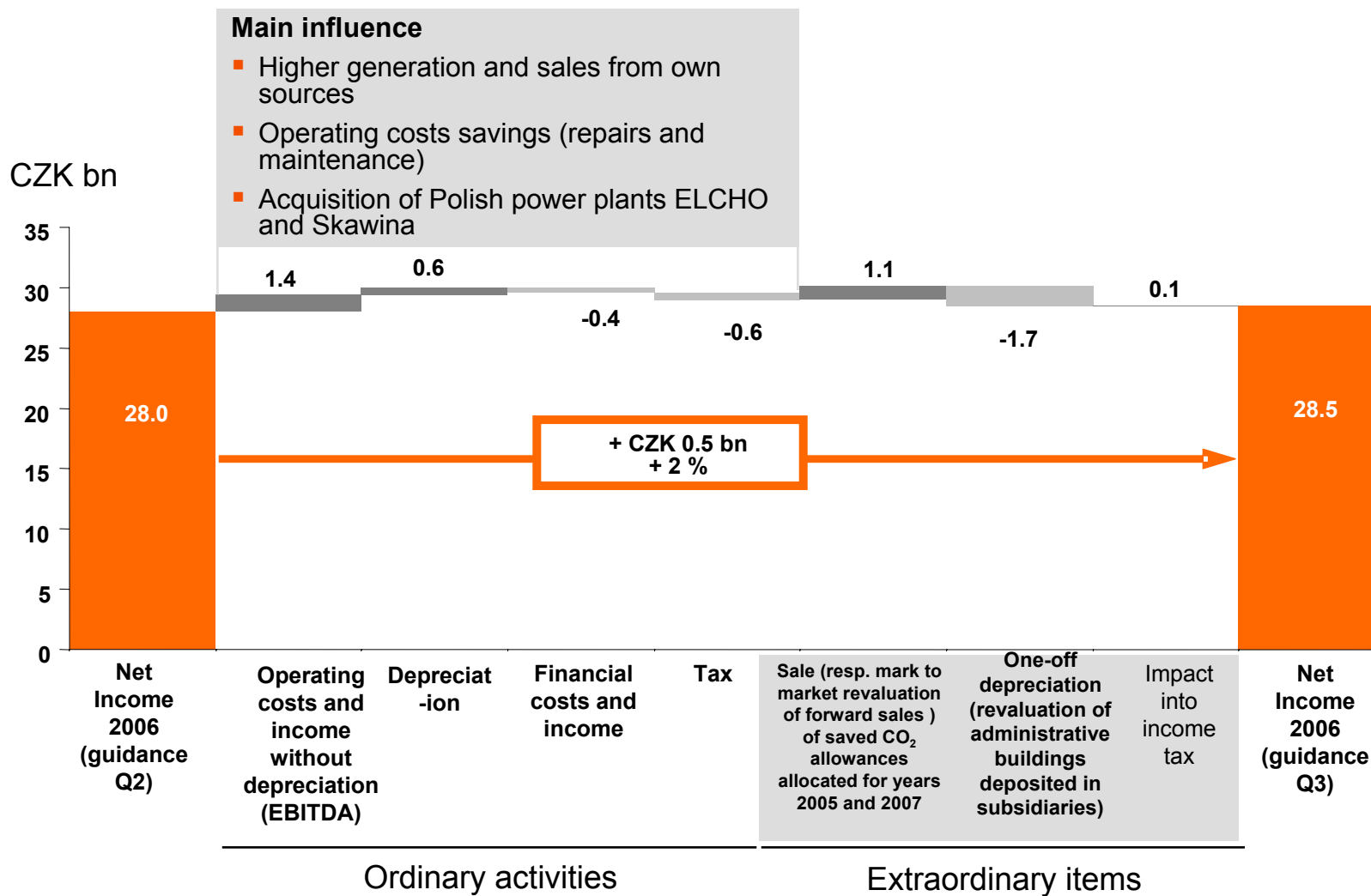
FINANCIAL COSTS AND INCOME CONTRIBUTED Y-O-Y BY CZK 1.8 BN

(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
Profit before taxes	19,924	28,435	8,510	142.7
Income tax	4,653	6,416	1,763	137.9
Net Income	15,272	22,019	6,747	144.2

- 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 CO₂ allowances with decreasing CO₂ allowances price then represent CZK 1.1 bn, bigger portion will become part of this year's profit

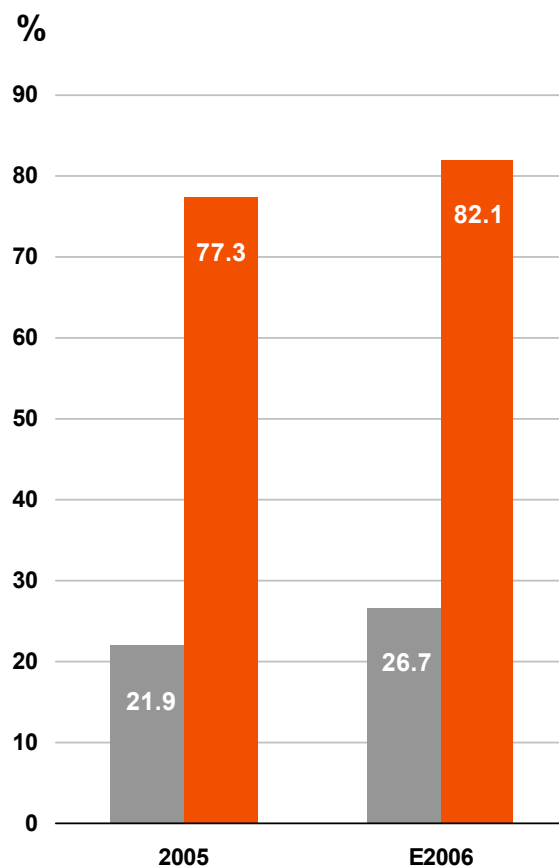
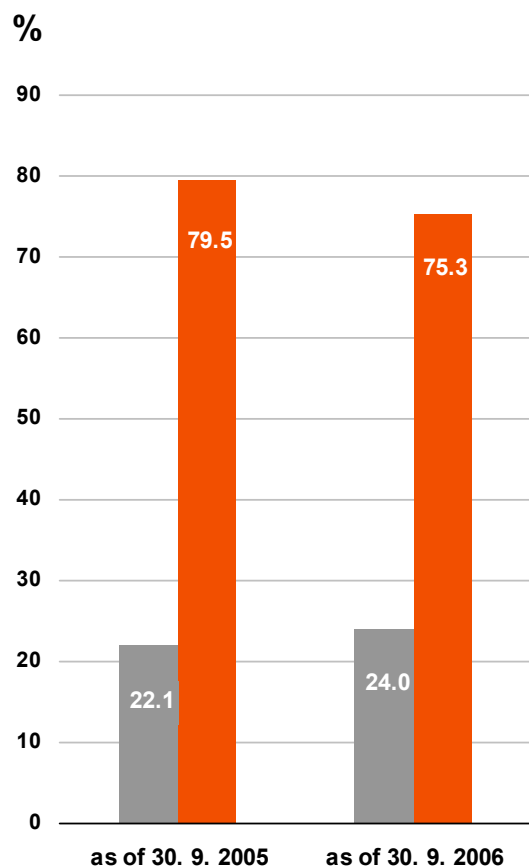


CEZ INCREASED NET INCOME GUIDANCE FROM CZK 28.0 BN PUBLISHED IN H1 2006 TO CZK 28.5 BN





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



■ Financial debt / equity

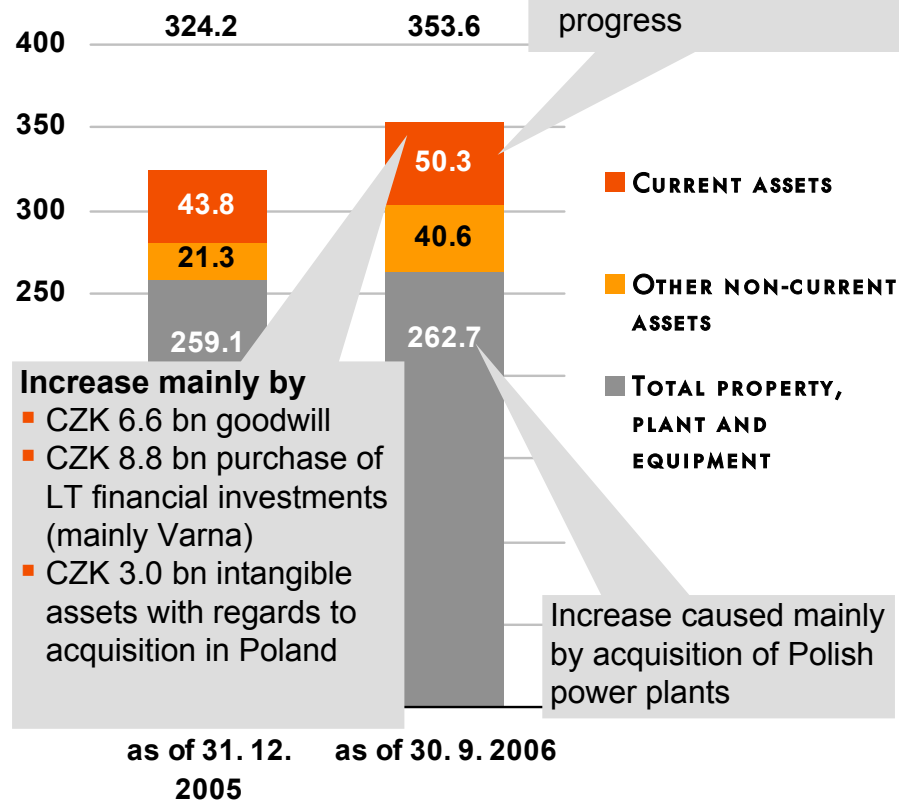
■ Financial debt / EBITDA

- 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

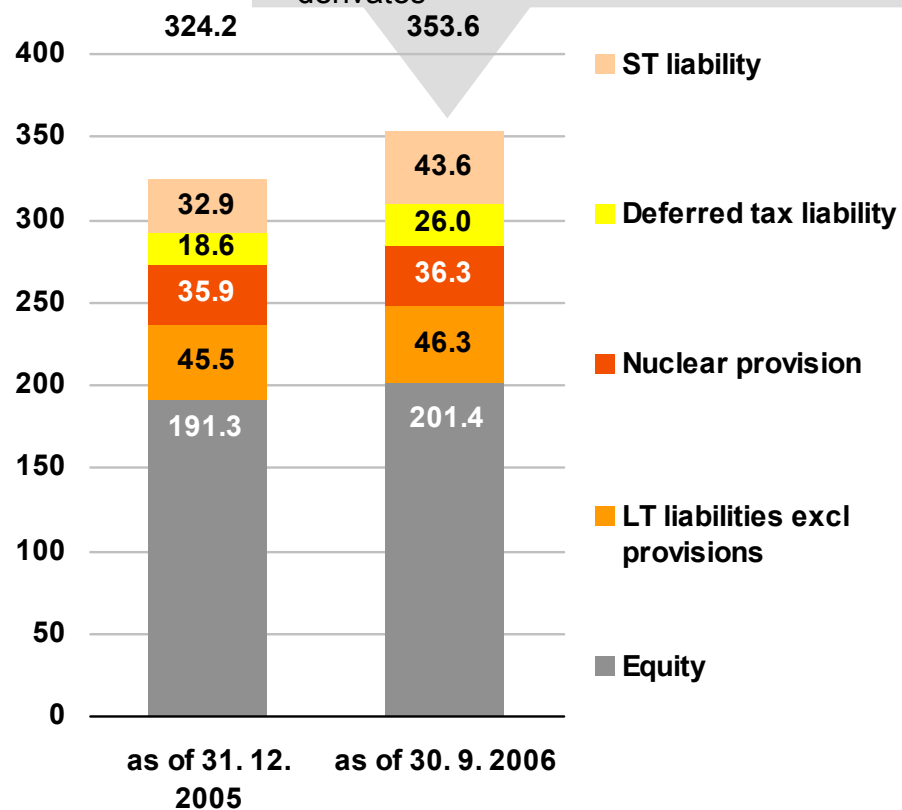


BALANCE SHEET

Assets CZK bn

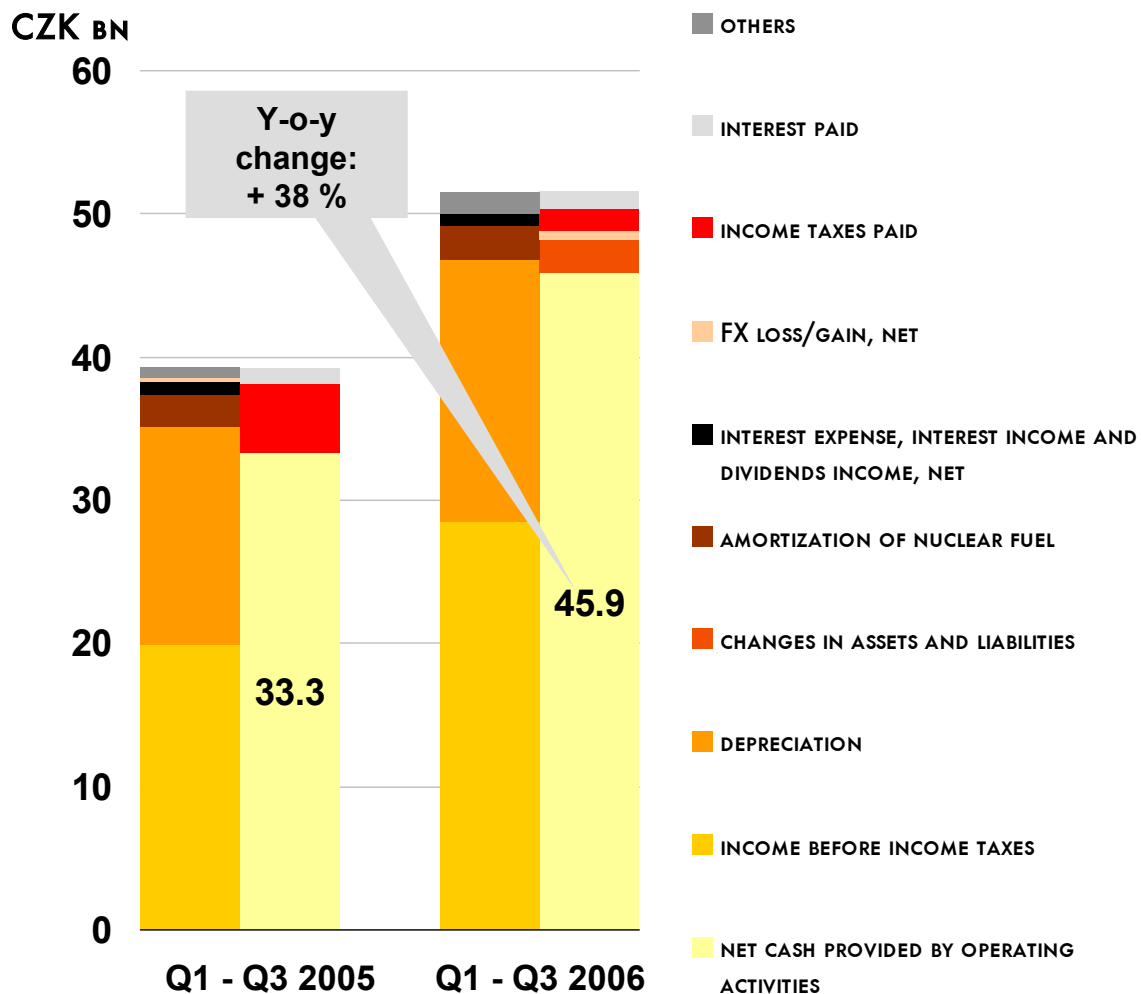


Equity and Liabilities CZK bn





OPERATING CASH FLOW



Key impacts on operating cash flow increase in CZK bn

+ 11.5 EBIT adjusted for non cash items

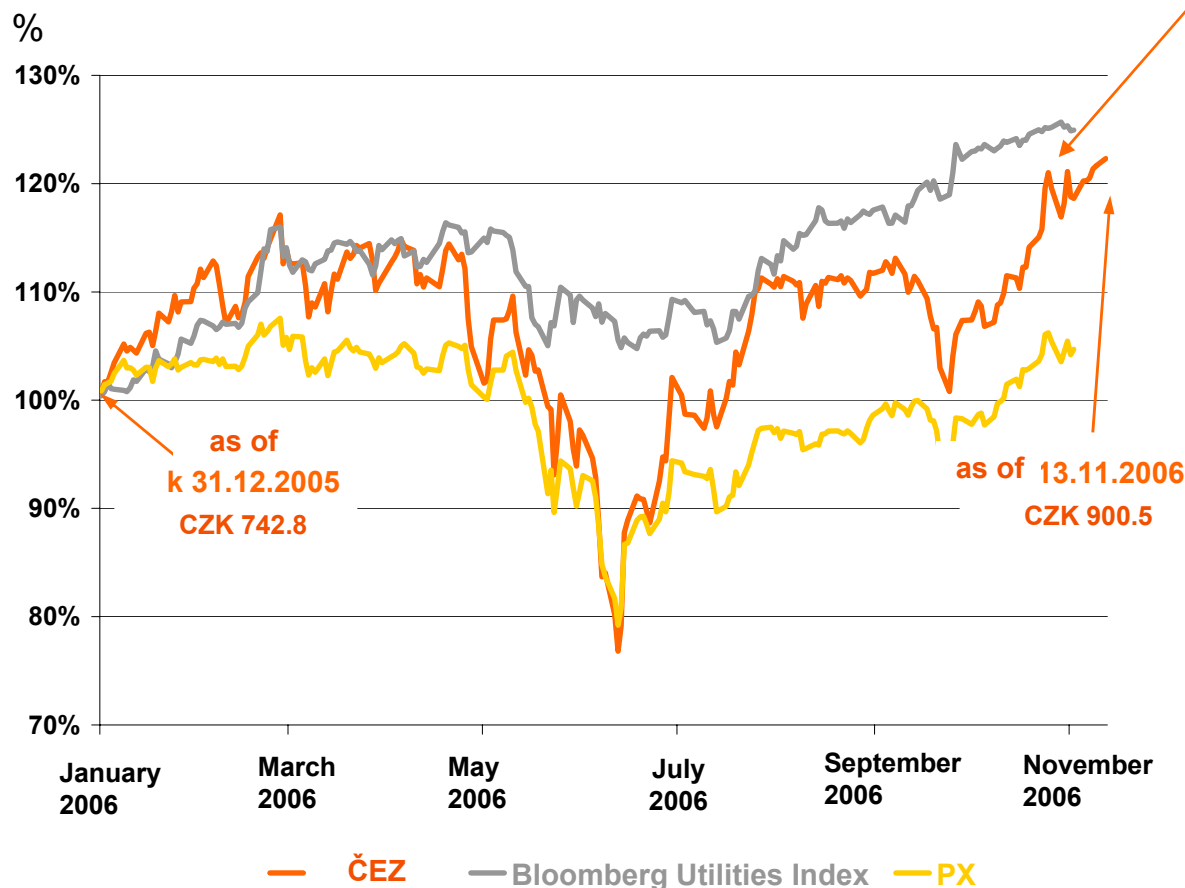
- 2.4 changes in assets and liabilities

+ 3.4 income taxes paid



CEZ SHARES AFTER LISTING AT WARSAW STOCK EXCHANGE REACHED CZK 900 LEVELS AND ON NOVEMBER 13 CLOSED AT CZK 901

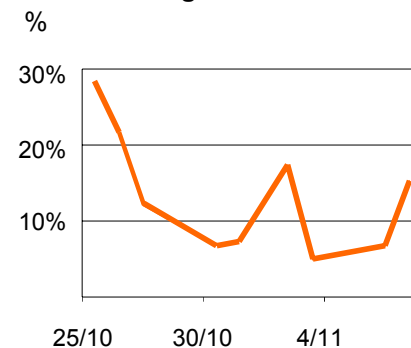
Share price and index development



Dual listing in Warsaw

- CEZ shares are traded from 25. 10. 2006 at WSE
- Polish investors' interest exceeded expectations; on the first trading day CEZ shares accounted for 13% of the WSE turnover
- CEZ became a part of blue chip index WIG20 with weight of 2.23%
- Share of WSE trading on trading in Prague settled at around 10%

Share of Prague and Warsaw Exchange





CEZ GROUP ABROAD

- Current opportunities, tenders
 - **Bosnia and Hercegovina** – Republika Srpska – the most topical is project for construction of a new block in Gacko
 - **Bosnia and Hercegovina** – Federation of BiH – CEZ was shortlisted as a strategic partner for upgrade and construction of new plants in 4 localities
 - **Kosovo** – upgrade of existing power plant + construction of new units – deadline for expression of interest is November 30, 2006
 - **Romania** – expressed interest in project for construction of a new 200-500MW source in Borzesti region
 - **Poland** – expressed interest in a joint venture for construction of a new source in **Halembe** region

- Other opportunities – in longer term horizon
 - **Romania** - 3 remaining distribution companies, generation complexes Rovinari, Turceni
 - **Serbia** - generation – Kolubara B
 - **Poland** – negotiations with Ministry of the Treasury about purchase of minority government share in ELCHO and Skawina, PAK

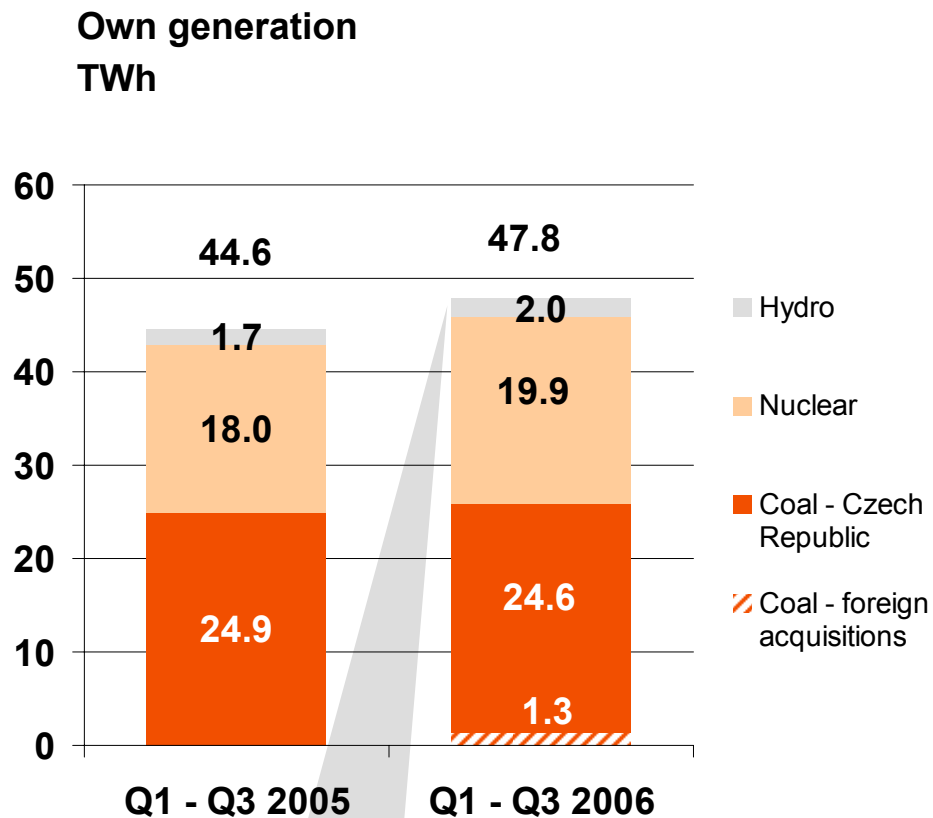


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2006 POWER GENERATION OF THE GROUP IN THE CZECH REPUBLIC REACHED HISTORICAL HIGH OF 46.1 TWH IN Q1 – Q3; THE WHOLE GROUP GENERATED 47.8 TWH



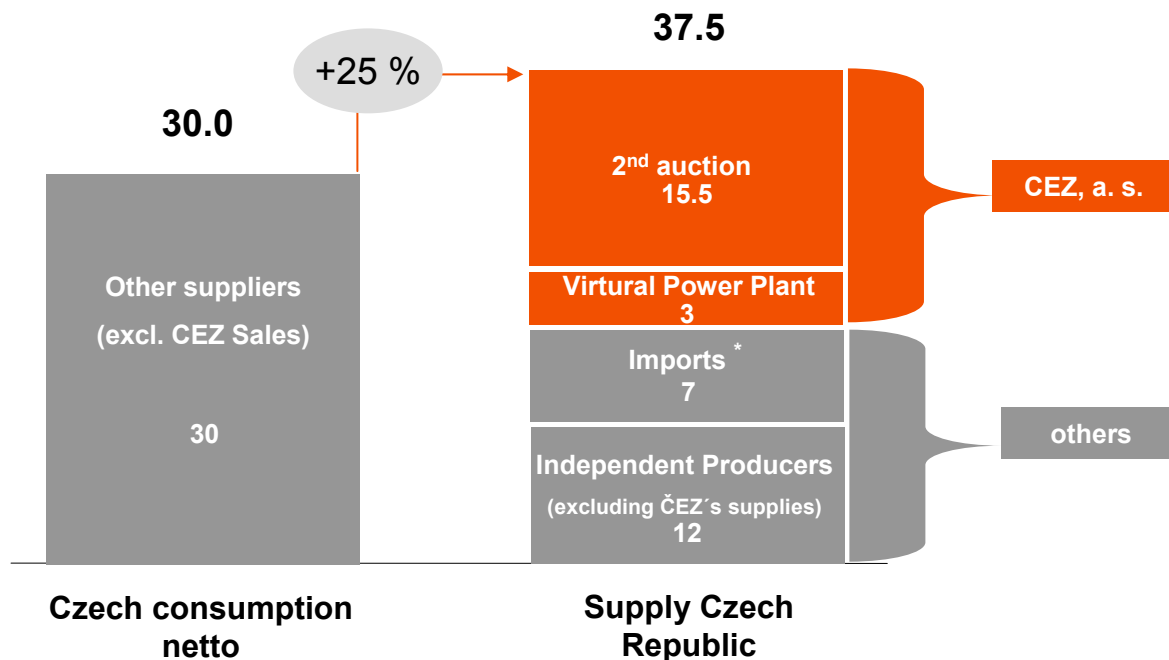
Renewable generation increased y-o-y by 18% to 1.7 TWh (without pumping storage power plants)

- 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 CO₂ arbitrage
- Acquisition of power plants ELCHO, Skawina and Varna (only in October)



AUCTIONS ORGANIZED BY CEZ EXTENDED SUPPLY TO SUPPLY COMPANIES SERVICING CZECH END CUSTOMERS ABOVE THEIR NEEDS

Expected saturation of Czech power demand in 2007 (TWh)

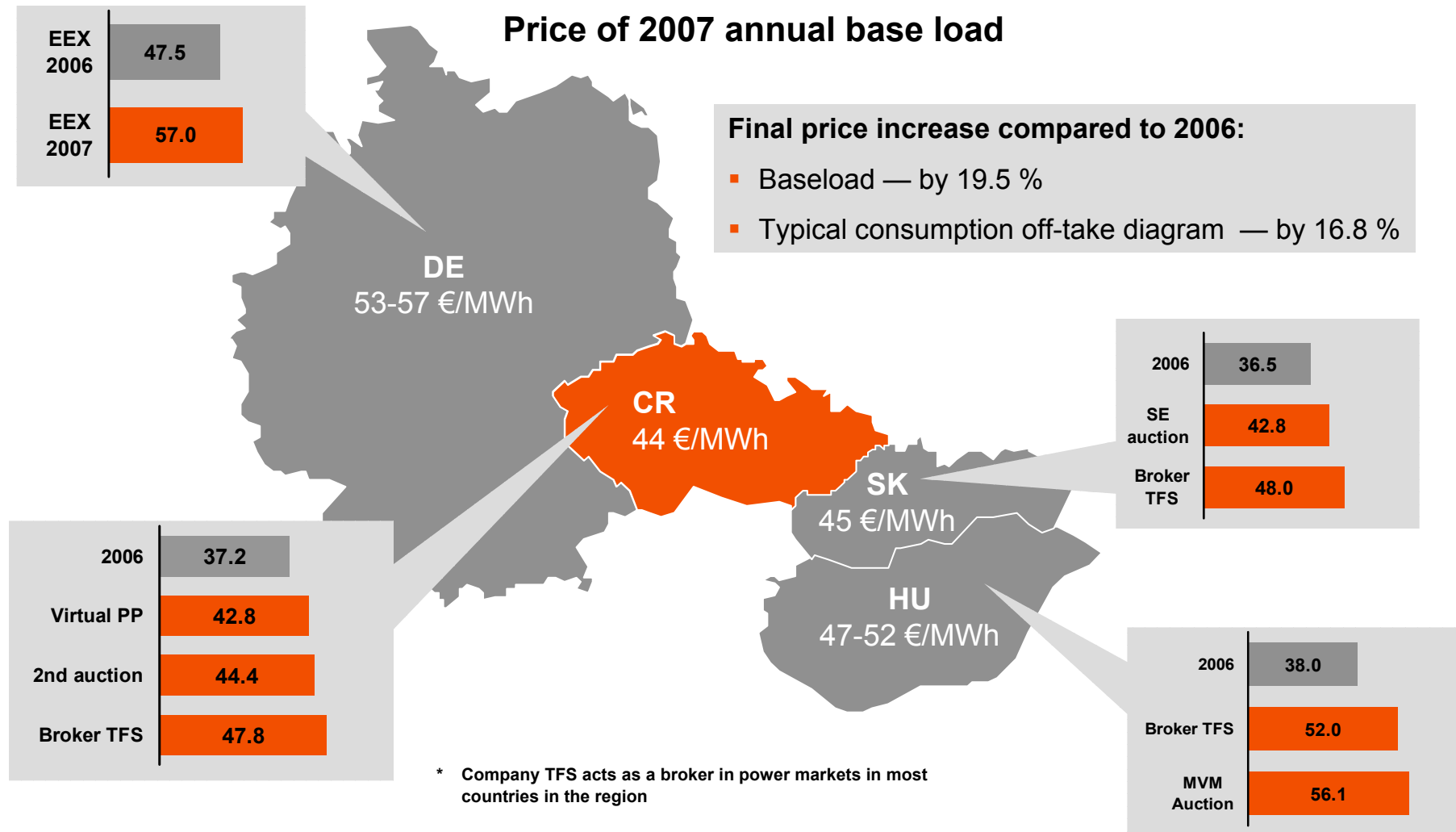


- Increasing utilization of coal power plants, mainly of hard coal power plant Detmarovice that has lowest CO₂ emissions
- Generation volume of nuclear power plants depends on the extent of refueling outages

* excluding long term contracts



REGIONAL POWER PRICES CONTINUE GROWING AND KEEP ON CONVERGING





THANKS TO SAVING MEASURES CEZ, a. s. LOWERED CO₂ EMISSIONS AND SAVED CO₂ ALLOWANCES

Plants sequencing

- CO₂ fully reflected in variable costs (same as cross border capacities)
- Sequencing of CEZ's plants adjusted to take into account CO₂ emissions (e. g. change of sequencing of hard coal and lignite power plants)

Plants maintenance

- Efforts to maximize availability of nuclear and renewable power plants
- Efforts to precise measurement of CO₂ emissions and measures to their reduction (e.g. decrease of self consumption)

Trading

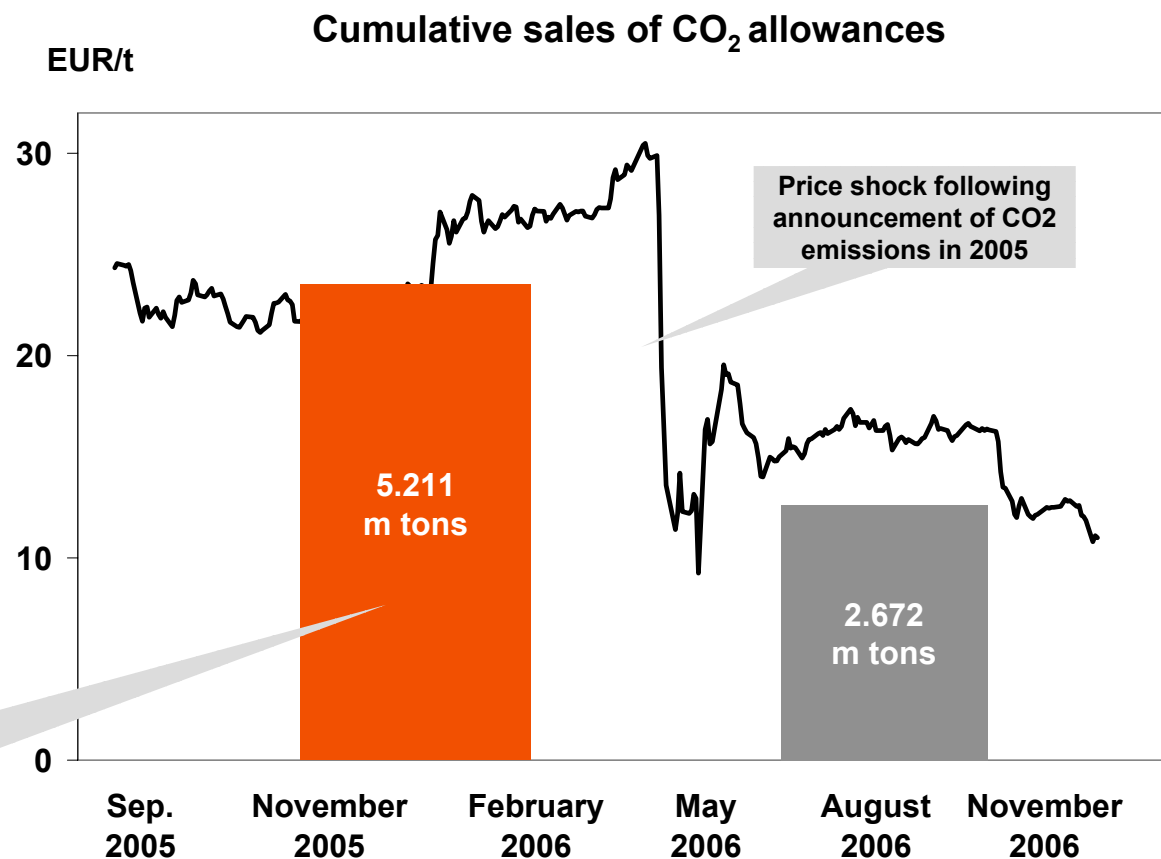
- Management of total trading position in accordance with expected generation of CEZ, a. s.
- Proprietary trading
- Brokerage services



LOW CO₂ ALLOWANCES MARKET PRICE CANNOT NEGATIVELY INFLUENCE COMPANY'S RESULTS

- 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 CO₂ 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





CEZ, a. s. WILL REINVEST PROCEEDS RELATED TO SPARED ALLOWANCES INTO ADDITIONAL MEASURES SUPPORTING DECREASE OF CO₂ EMISSIONS

Main areas of CEZ's commitment made in the form of public declaration

- **Adoption and application of sustainable development principles in all aspects of business activities**
 - Participation in WBCSD (World Business Council on Sustainable Development)
 - Permanent decrease of impact of business activities on environment
- **Decrease of emissions of greenhouse gas and other polluting substances**
 - Adopting measures to lower emissions
 - Increase of energy efficiency, support of modern technologies
 - Support of energy savings
- **Support of research, development and implementation of renewable resources**
 - Including education
- **Sustainability reporting on international standards**



IN THE COURSE OF NOVEMBER WE EXPECT AUCTIONS OF CROSS BORDER CAPACITIES AND TENDER TO PURCHASE ANCILLARY SERVICES

■ **Ancillary services**

- Transmission grid operator, company CEPS, announced tender to purchase ancillary services for 2007
- Results of the tender are expected in the course of November

■ **Auction of cross border capacities**

- The goal is to arrange for transparent and equal access to free tradable capacity of cross border links
- Coordinated auction is held on shared borders of Czech Republic (CEPS), Slovak Republic (SEPS), Poland (PSE) and Germany (E.ON Netz and Vattenfall Europe Transmission)
- Individual auctions are held e.g. on interlink between CEPS and APG (Austria) or SEPS and MAVIR (Hungary)
- Results of the auctions to be known in the course of November



EXPORT CAPACITIES FROM THE CZECH REPUBLIC WILL INCREASE IN 2007 DUE TO CANCELATION OF LONG TERM CONTRACTS

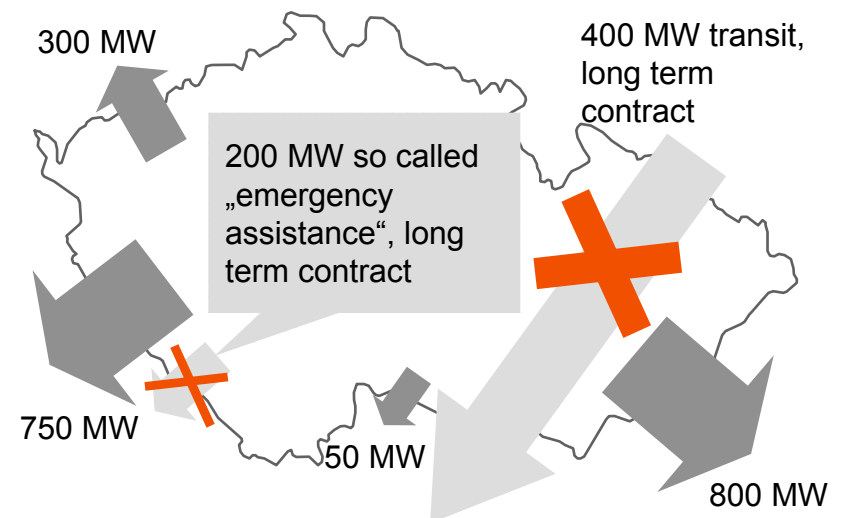
Austria:

- Austrian regulatory office decided on June 26, 2006 on unauthorized reservation of cross border capacities of 400 MW for long term transit from Poland
- Czech Energy Regulatory Office (ERO) made a similar decision on July 18, 2006:
„... starting January 1, 2007 company CEPS, a.s. is obliged to offer all power transmission capacity of the CEPS/APG interlink except for safety reserves.....“
- Company ELEKTRIM (Poland) appealed the decision
- **Decision of ERO dated October 25, 2006 confirmed earlier decision (from July 18, 2006)**

Germany:

200 MW reserve for „emergency assistance“ between E.ON Sales&Trading and CEPS is in breach of EU trading rules – utilized for commercial activities

We expect further steps leading to cancellation of the contract





CEZ MAKES FURTHER STEPS LEADING TO FURTHER DEVELOPMENT OF WHOLESALE POWER MARKET

- **Cancellation of blocking cross border transmission contracts**
- **Continuing in voluntary auctions of all products**
- **Introduction of Intraday trading (domestic and cross border)**
- **Support of such a price for deviations which would prevent speculation**
- **Czech EFET (CEZ, a. s. has international EFET with more than 100 counterparts)**
- **Development of power exchange trading forward deliveries (year, quarter, month, week)**
 - **Commitment of market makers in the Czech market**
 - **Settlement according to international standards, e.g. EEX**
- **Portfolio management as a service to large customers**



CEZ ACTIVELY OPTIMIZES TRADING POSITION ACROSS SEVERAL EUROPEAN MARKETS

- More than a hundred of executed standard EFET contracts allows to trade electricity or allowance with all major entities in power markets of the region
- CEZ is able to optimize its trading position across these markets



Prevailing commercial flows on trading position optimization



E.g. when optimizing free domestic generation capacity to Romania the power flows across at least three borders



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UPDATE FROM NUCLEAR POWER PLANT TEMELIN

- After two years Nuclear power plant Temelin received final building approval according to Czech building law and moved to normal operation
- Final building approval was issued by Southern Bohemia County on Friday November 3, 2006; the decision became legally binding on Monday November 6, 2006
- 1st unit runs at 97 %
- 2nd unit – following reactor initiation physical tests of the reactor core are pending now





INVESTMENTS PLANNED IN TEMELIN IN 2007

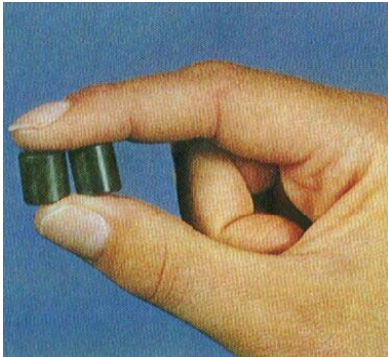
- Key planned investments in 2007 – both units
 - gradual resolution of issues related to high energetic steam piping
 - loading of adjusted Westinghouse fuel to limit unfavorable effects on fuel (change of material on 2nd and 3rd lattice)



- change of high pressure parts of turbine rotors



Nuclear fuel in Temelin



One capsule provides heat output of 200 MW for 4 years

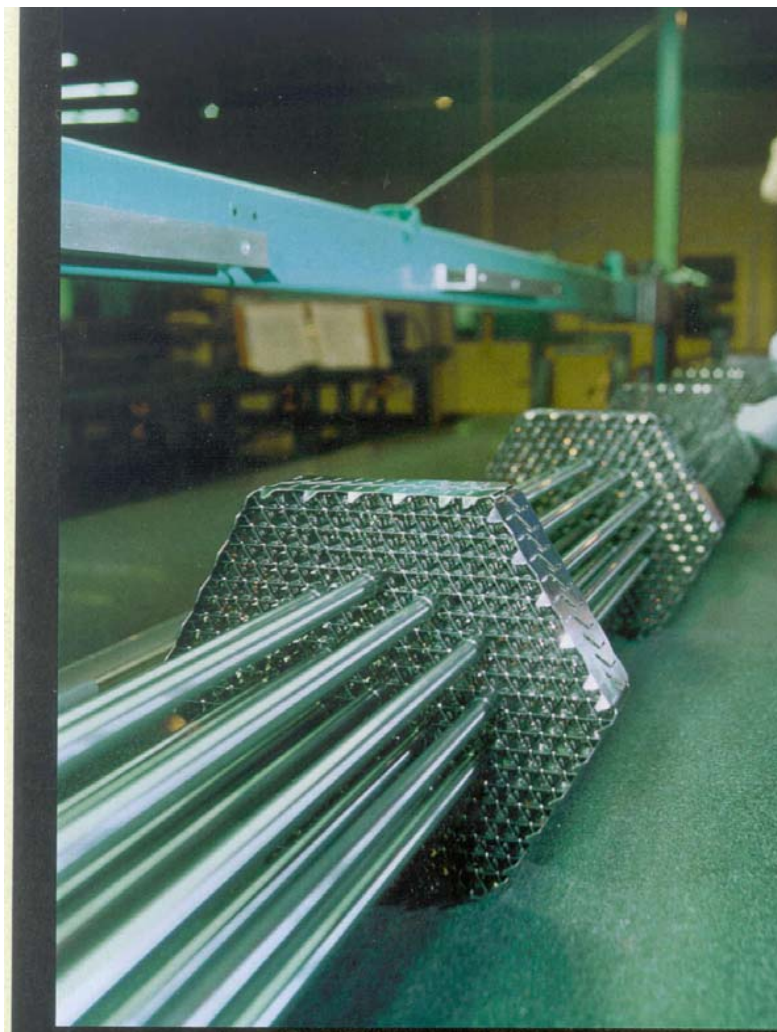


Fuel sets
VVER 1000
- height 4.5 m

One reactor takes 169 fuel sets, 312 fuel rods in each set – total of 52,728 rods (of this volume there were 11 leaking ones, which is better than worldwide average)



NUCLEAR FUEL IN TEMELIN





PLANNED OUTAGES IN TEMELIN IN 2007

- **1st Unit – 2 outages in 2007**
 - First in the beginning of the year to replace part of the fuel sets by adjusted ones – to limit signs of geometrical changes in the fuel
 - Second in the 2nd half to replace part of the fuel sets by adjusted ones – to limit signs of geometrical changes in the fuel and realize key investments

- **2nd Unit – 1 outage in 2007**
 - to replace part of the fuel sets by adjusted ones – to limit signs of geometrical changes in the fuel and realize key investments