



UPDATE ON POWER TRADING FOR 2007

**Press conference CEZ, a. s.
Hotel Palace, 30.8.2006**

**Alan Svoboda, Head of Sales CEZ, a. s.
Bohumil Mazač, CEO CEZ Prodej, s.r.o. (CEZ Supply)**



AGENDA

- **Results of the wholesale auction**
- Sale of electricity to end customers



AFTER VIRTUAL POWER PLANT AUCTION CEZ CONTINUED TO SELL ELECTRICITY IN THE WHOLESALE MARKET

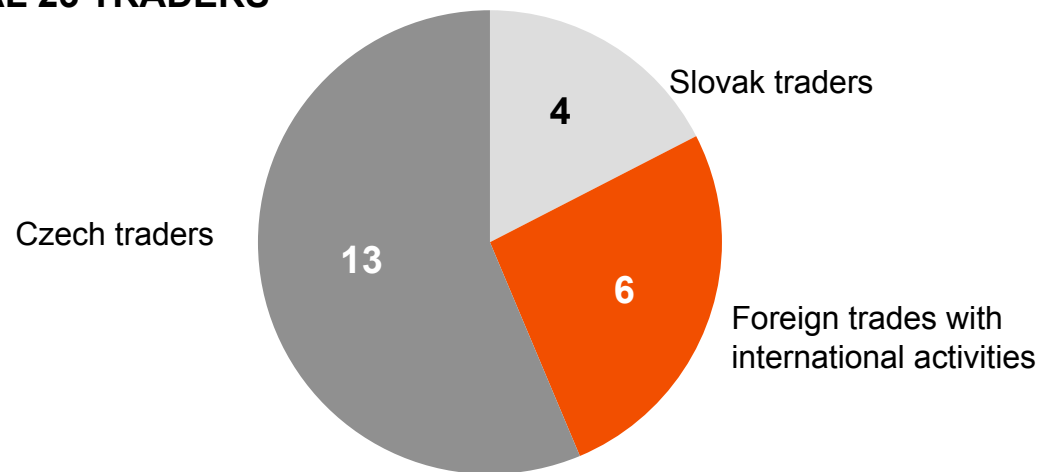
- **CEZ announced second power auction for all traders registered by OTE**
 - Auction start - 15. 8. 2006, 12:00
 - Publication in media - 17. 8. 2006; as of that date all related documents have been posted at www.cez.cz/aukce
 - Bid deadline - 29. 8. 2006
 - Release of results - 30. 8. 2006 (today)

- **Auction has two parts**
 - **Part I: 500 MW** annual base load (yellow power); price to be set by the last accepted bid (marginal price)
 - **Part II: auction of other products besides annual baseload**; maximum price were predetermined and sold volume depended on generation capacity of CEZ
- **Delivery at CEPS grid**
- **Auction organized by FIN-servis, a.s.**



STRUCTURE OF THE AUCTION PARTICIPANTS

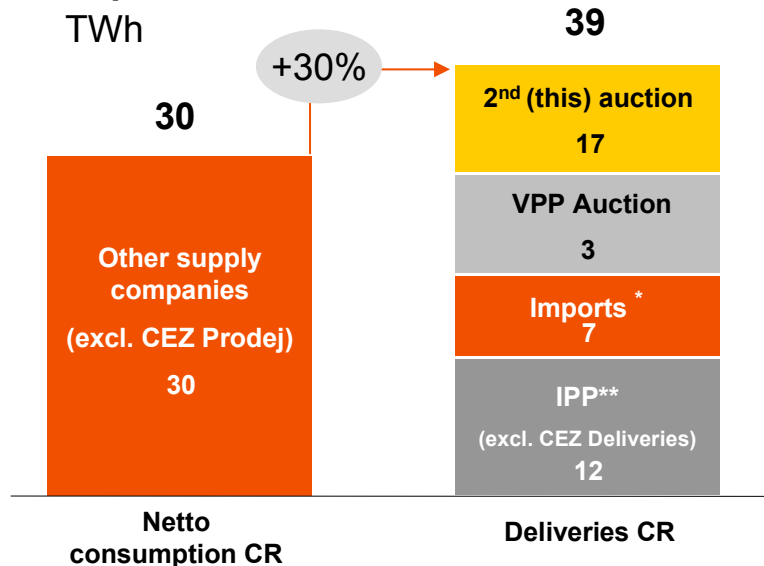
- 6 FOREIGN TRADERS WITH INTERNATIONAL ACTIVITIES
 - 13 CZECH TRADERS
 - 2 Czech traders for end user consumption in the Czech Republic
 - 7 Czech traders for export + end user consumption in the Czech Republic
 - 4 Czech traders mainly for export
 - 4 SLOVAK TRADERS
- **TOTAL 23 TRADERS**





THE AUCTION INCREASED VOLUME OF POWER AVAILABLE ON MARKET PRINCIPLES IN EXCESS OF DOMESTIC NEEDS

Expected saturation of demand in the Czech Republic in 2007



- The auction increased offer for suppliers to end customers in CR (excl. CEZ Group) in excess of their needs

* excluding long term contracts ** Independent Power Producers

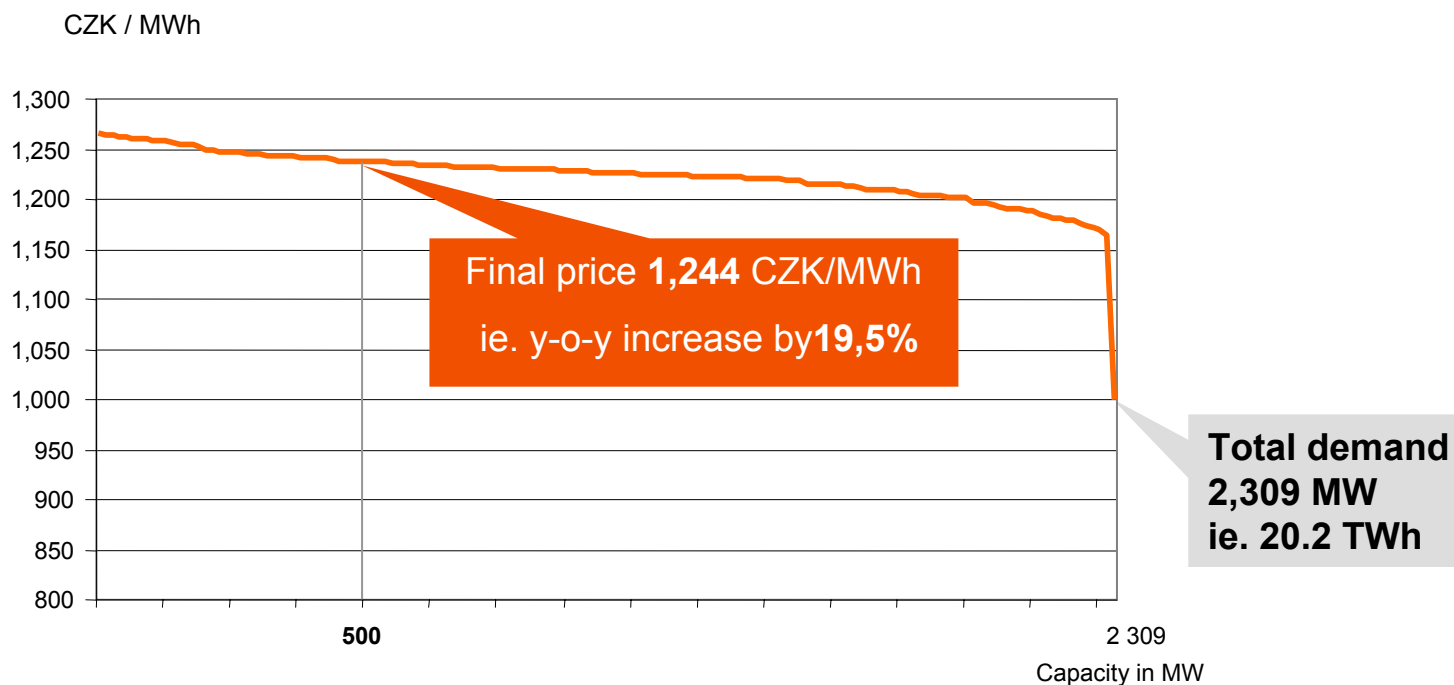


PRICE FOR ANNUAL BASE LOAD IN THE AUCTION INCREASED BY 19.5% DUE TO HIGH DEMAND OF THE TRADERS

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 Annual base load





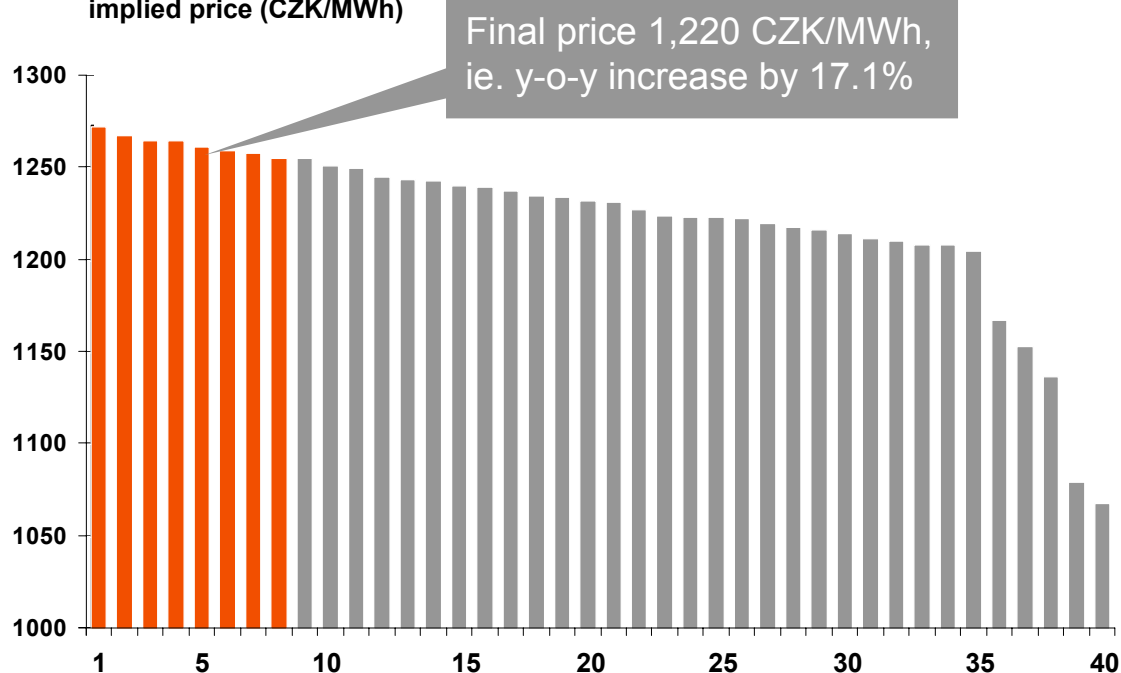
JUST TO COMPARE – Y-O-Y PRICE INCREASE IN VIRTUAL POWER PLANT AUCTION WAS 17.1%

Key outcomes of virtual power plant auction

- 18 registered participants, out of which 15 were valid
- Total of 40 bids submitted
- Successful bids in the range of 1,255 – 1,273 CZK/MWh

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

implied price (CZK/MWh)



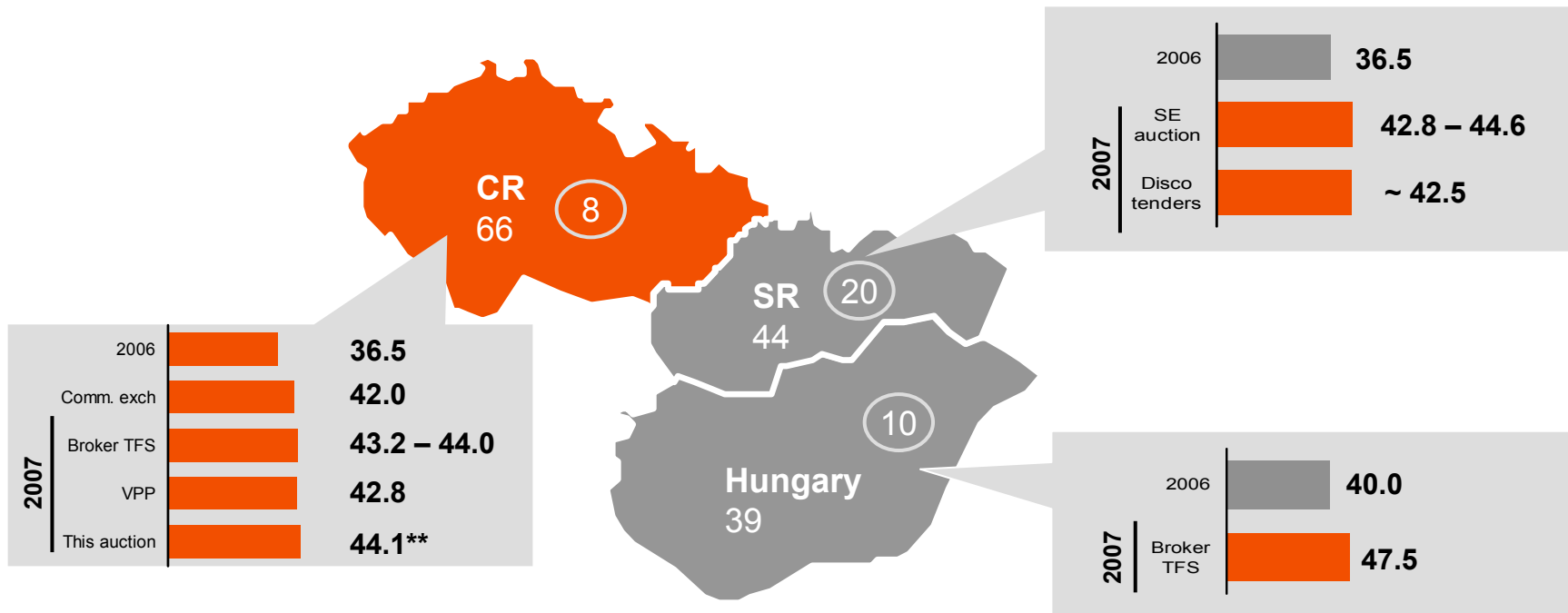
- 80 % of bids at average price of 1,239.50 CZK/MWh (14.9% above 2006 level)



PRICE LEVEL OF ALREADY EXECUTED CONTRACTS IN THE REGION CONFIRMS THAT THERE IS AN INCREASING MARKET DEMAND FOR ELECTRICITY CONTRACTED 1 YEAR AHEAD

First indicators of 2007 wholesale prices in the region EUR/MWh* (unless stated otherwise)

○ In the map - volume traded in TWh (est.) vs. respective country's consumption



* CZK/EUR 28.50, SKK/EUR 38.6, HUF/EUR 280.0 ** using current exchange rate of 28.20 EUR/CZK, with 28.50 CZK/EUR the price would have been 43.6 EUR/MWh



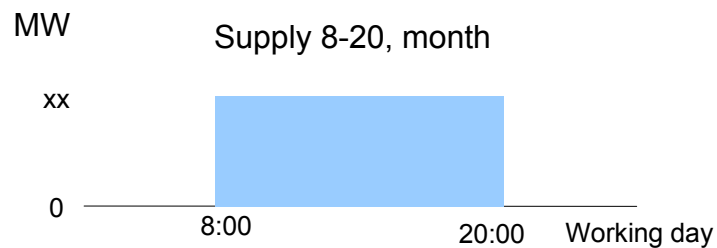
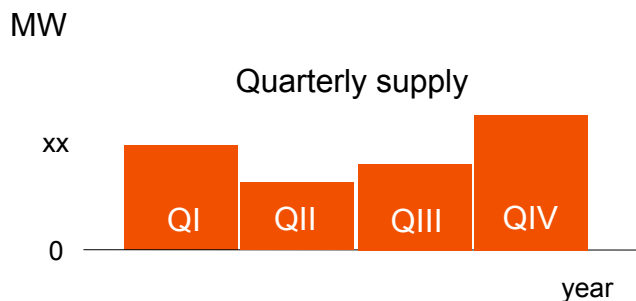
OFFERED SEASONAL PRODUCTS PRICE IN THE SECOND PART OF THE AUCTION INCREASED ONLY BY 10.8%

ILLUSTRATIVE

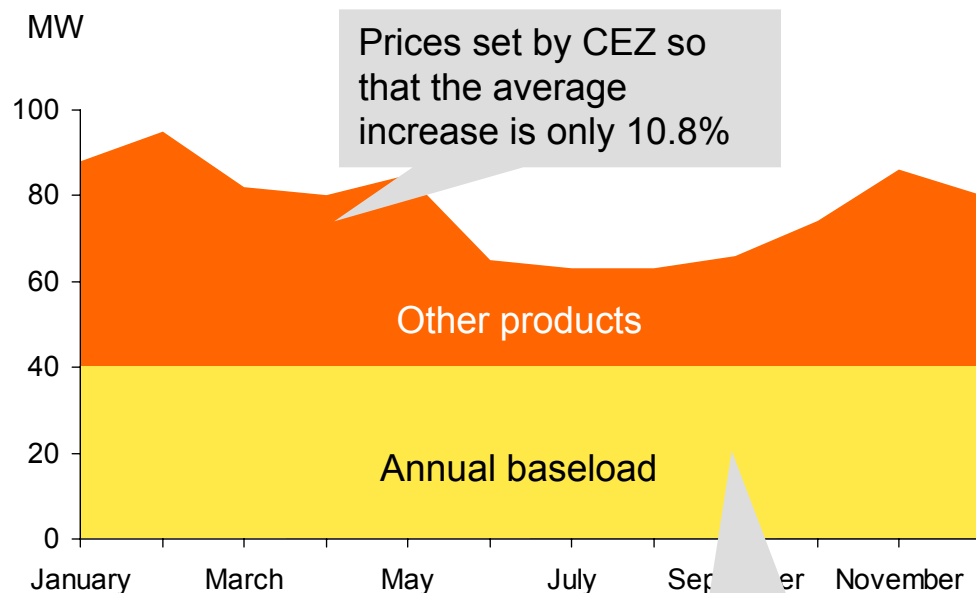
I. part – annual baseload (yellow)



II. part – other products



Consumption coverage by wholesale products



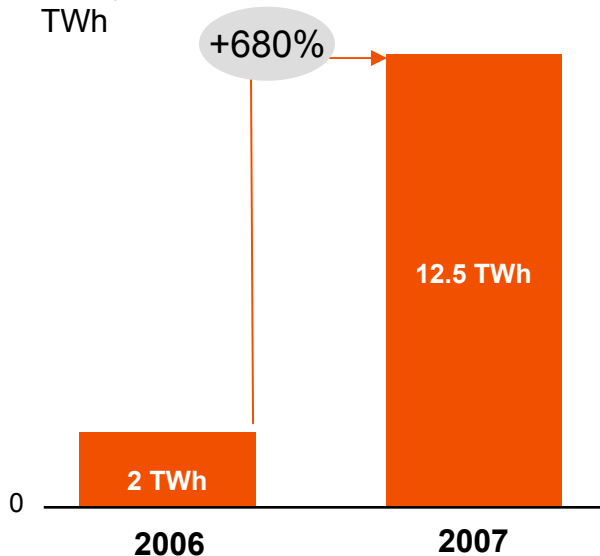


DEMAND FOR OTHER PRODUCTS IN THE SECOND PART OF AUCTION IS BY 680% HIGHER THAN LAST YEAR

Results of other products sale

- Number of registered participants was 19, out of that 19 registrations were valid
- Demanded were 12.5 TWh, which compared to 2006 is almost 7x higher
- Maximum price was proposed with a y-o-y increase of 10.8 %
- Based on demand size CEZ is not able to satisfy all demands, CEZ analyses its sources possibilities with the aim to satisfy to a maximum extent the demanded amount. Shortening will be necessary in the amount of more than 2 TWh.
- We will announce the final offers acceptance latest to 4/9/2006 according to the auction rules

Y-o-y comparison of the volume of other sold products (without annual baseload)
TWh



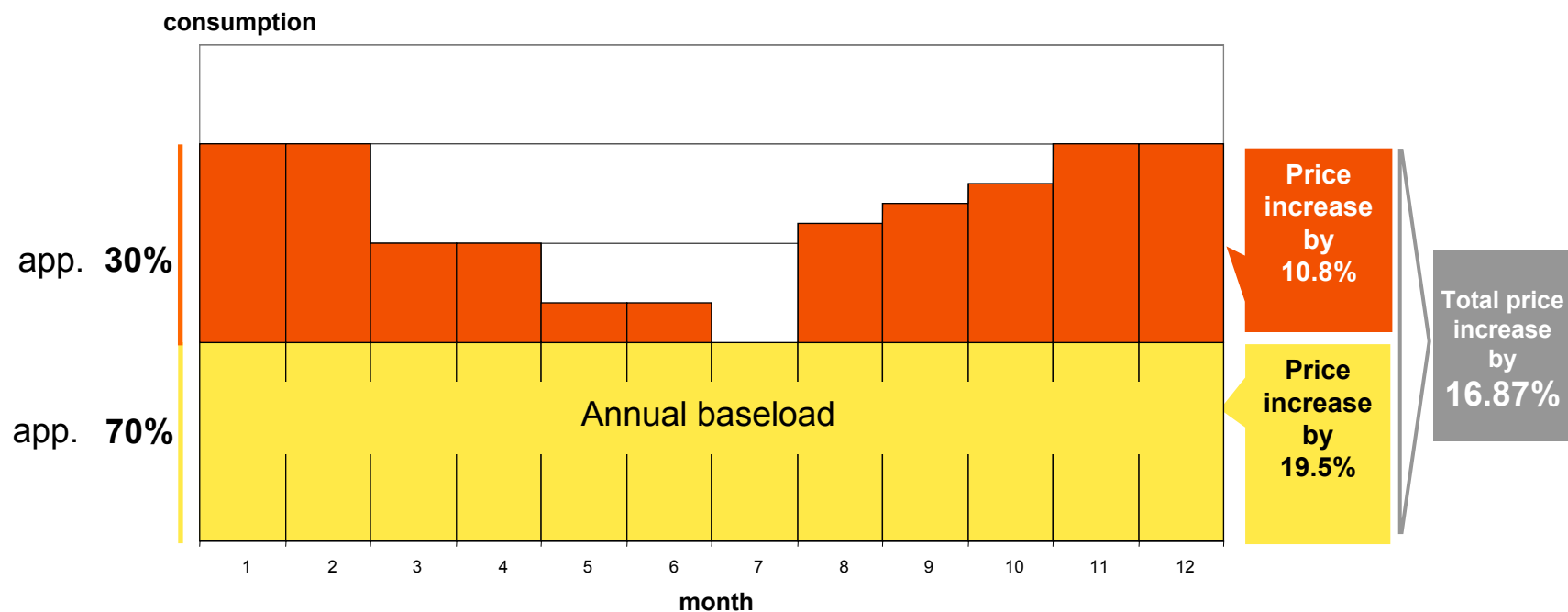


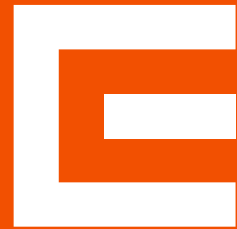
SELLING CAMPAIGN RESULTS REPRESENT 16.87% INCREASE OF AVERAGE WHOLESALE PRICE FOR A USUAL END USER CONSUMPTION DIAGRAM

Usual diagram is covered by a combination of products from wholesale auction

- Final price is created by 70% by product „annual baseload“ and by 30% by other products
- Coverage of the diagram by annual baseload (yellow) with a price increase by 19.5 % and by other products with an increase by 10.8% represents an increase of price by **16.87%**

Example of a typical end user consumption diagram - illustrative





SELLING CAMPAIGN 2007
CEZ PRODEJ, s.r.o.

Press conference CEZ, a. s.
Hotel Palace, 30.8.2006

Bohumil Mazač, Chief Executive Officer, CEZ Prodej, s.r.o.



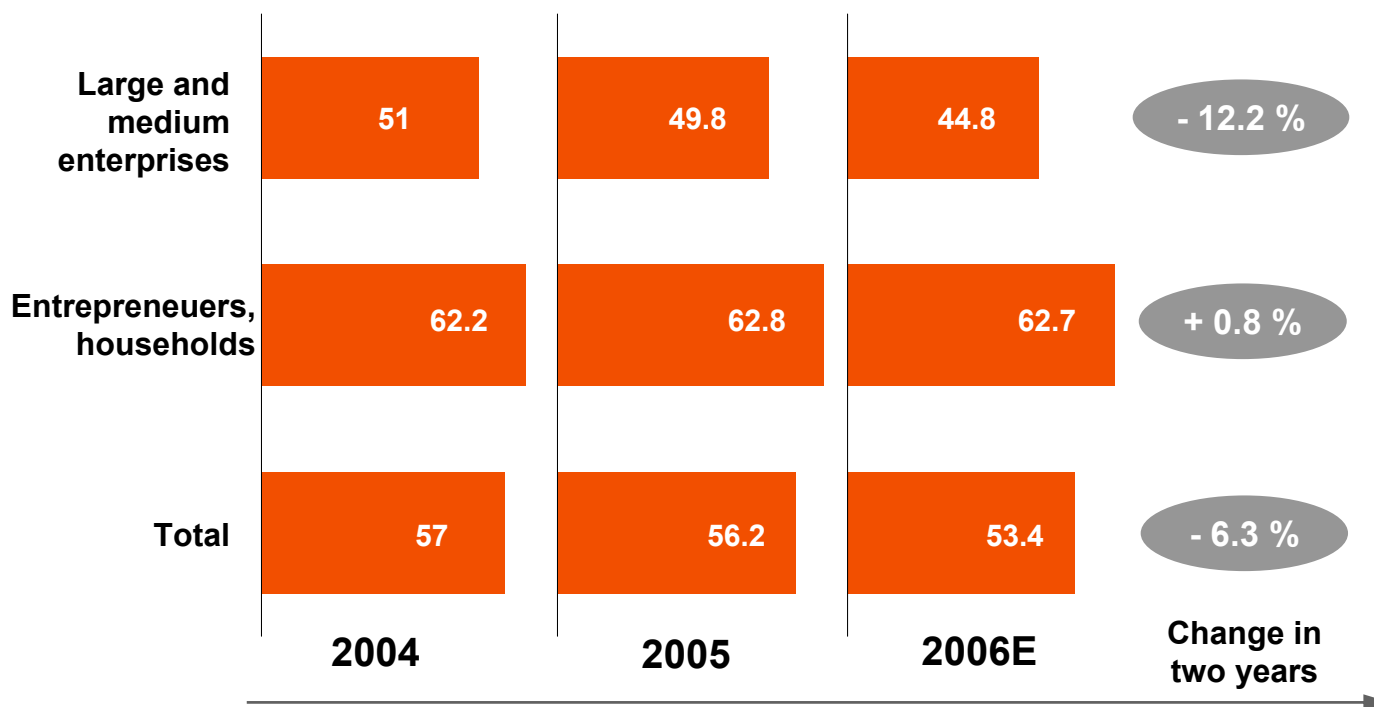
AGENDA

- Ongoing competition increase on the electricity market for end customers
- We are increasing the level of service for corporate customers
- We are preparing new products for corporate customers
- We have initiated sales to end customers also abroad
- Q&A



ELECTRICITY MARKET FOR END CUSTOMERS IN CR IS FULLY LIBERALIZED - COMPETITION ENVIRONMENT LED TO A DECREASE OF CEZ GROUP MARKET SHARE

Development of CEZ Group end customers market share (%)



On corporate customers market there has been an ongoing competition among minimum **15 significant traders** with electricity for already 2 years

We expect higher competition activity in entrepreneurs segment in year **2007**, households will follow

In the last two years CEZ Group has lost **6.3%** market share and another decrease is to be expected in the future

Realized and expected loss of market share of CEZ Group on the electricity market for end customers is a logical result of Czech market liberalization and is a proof of functioning market environment.



NEW SEGMENTATION OF CORPORATE CUSTOMERS REFLECTS THEIR INDUSTRY FIELD WHILE KEEPING THE REGIONAL APPROACH



Industry segmentation

- Customers are divided by industries into segments and then regionally serviced according to the place of major consumption
 - **Region East**
 - **Region West**
 - **Region Moravia**

Strategic segment (the whole CR territorial scope)

It contains all biggest customers of CEZ Group, whose energy costs play a key role and who require specific customer approach and level of service. Towards this segment we will act not only as electricity traders, but also as advisors in energy field.

VIP customer segment (the whole CR territorial scope)

These customers have a specific requirement in a form of a united customer service across the whole CR and they often choose their supplier through public or other tenders.



SELLING ACTIVITIES AND INDIVIDUAL SERVICE OF OUR CORPORATE CUSTOMERS COVER THE WHOLE CR



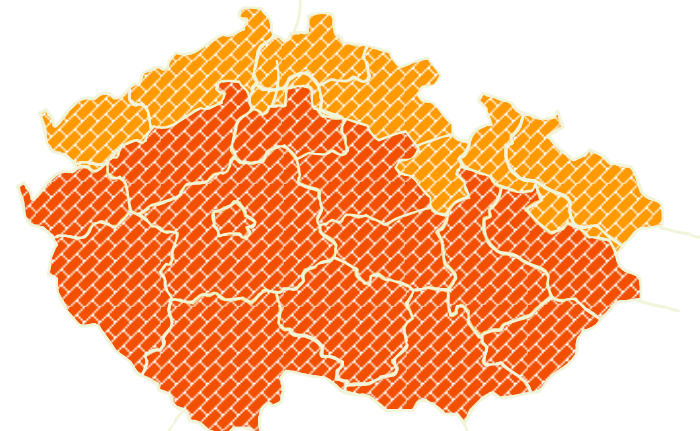
Region **West**



Region **Moravia**



Region **East**

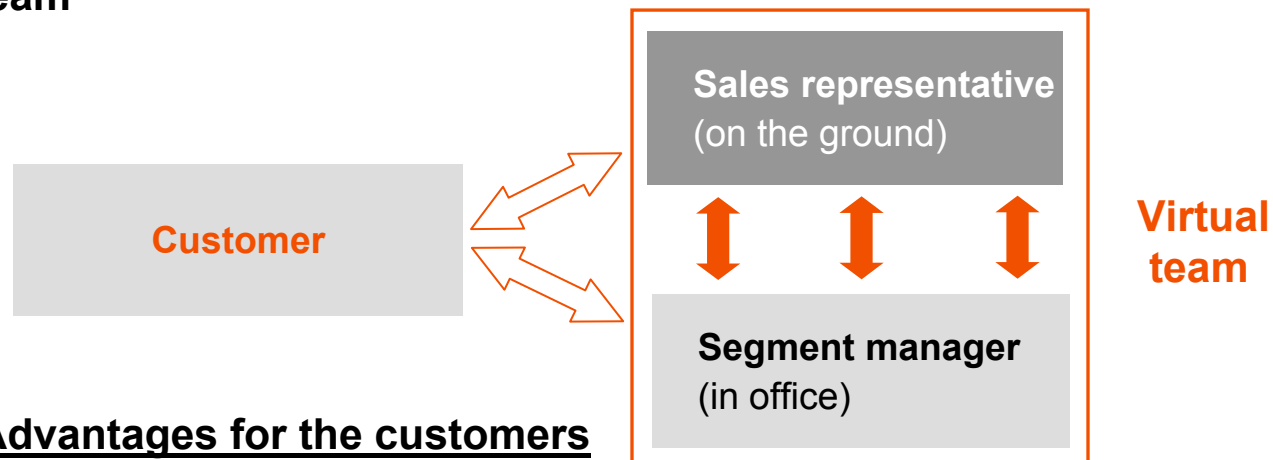


strategic segment and segment of VIP customers



UPDATED MODEL OF CORPORATE CUSTOMER SERVICE OFFERS HIGHER QUALITY AND SERVICE AVAILABILITY WHILE KEEPING THE INDIVIDUAL APPROACH

Based on existing experience and with regards to corporate customer service trends we will offer our customers service in a form of „ Virtual team“



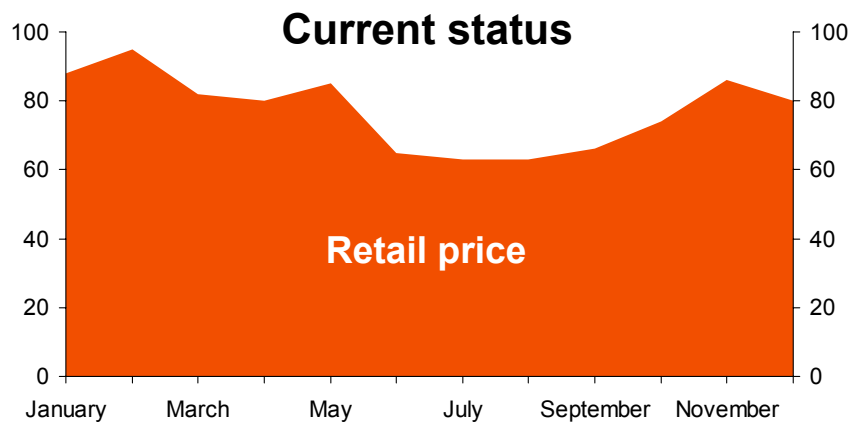
Advantages for the customers

- ✓ Effective and operational solution of all customer requests while keeping the individual approach
- ✓ Higher availability of service for customers and that also in „absence“ of the sales representative
- ✓ Professional customer care with maximum effort to solve request asap, it means by member of the virtual team
- ✓ Keeping the personal relationship customer – sales representative when offering a „partner“ on CEZ side while solving concrete requirements



NEW SERVICES WITH VALUE ADDED COMBINED PRODUCT FOR BIG CUSTOMERS

1/2



In 2007 we will allow our biggest customers, through CEZ Prodej services, to combine retail and wholesale products:

- Customer will be able to divide its off-take diagram into wholesale and retail part
- Based on customer decision CEZ Prodej will intermediate purchase of wholesale products (annual, quarterly,...) for an up-to-date valid price and conditions valid for those services
- „remaining“ diagram or more precisely its retail part will customer buy for standard conditions of an end customer



NEW SERVICES WITH VALUE ADDED FX LOSSES RISK ASSUMPTION

2/2

In sales campaign 2007 we will offer the corporate customers, which prefer their costs denominated in foreign currency (EUR), a possibility of stating the annual power price in European currency (EUR).

- All offered products of power will be stated in both CZK and EUR
 - Possibility of choosing the currency (CZK vs. EUR) according to customer requirements

- Natural FX risk hedge for our customers
 - Elimination of loss/risk on customer side in case of FX changes

- Suitable for customers with cash flow in EUR
 - For the customer this service represents an easier costs planning process





IN EFFORT TO COMPENSATE NATURAL LOSSES OF MARKET SHARE IN CR, THE SELLING ACTIVITIES TOWARDS THE END CUSTOMERS ARE MOVING ABROAD

