

CEZ GROUP BRIEF REPORT FOR THE YEAR 2006

PRELIMINARY NON-AUDITED CONSOLIDATED RESULTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Highlights

- Net income up CZK 6.5 billion (29.1%) to CZK 28.8 billion.
- EBITDA up CZK 14.2 billion (28.4%) to CZK 64.3 billion.
- In December, the shares of ČEZ, a. s. became part of Poland's stock exchange blue chip index, the WIG 20.
- Also in December, a joint venture, NERS d.o.o., was established with the partner Elektroprivreda Republike Srpske (Bosnia and Herzegovina). The aim of the venture is to operate the Gacko mine and power plant (300 MW) and to build a new power plant.

Prague, 22 February 2007

Key Figures

	Units	As of December 31, or 12 months ended December 31, 2006	As of December 31, or 12 months ended December 31, 2005	Index 06/05
Generation of electricity (gross)	GWh	65,532	60,016	109.2%
Sales of electricity	GWh	85,674	74,432	115.1%
Sales of heat	TJ	11,274	9,790	115.1%
Revenues	CZK m	159,580	125,083	127.6%
Operating expenses	CZK m	-95,236	-74,957	127.1%
of which, e.g.: CO ₂ emission permits	CZK m	3,077	1,053	x
EBITDA	CZK m	64,344	50,126	128.4%
of which: Power and production and trading	CZK m	43,777	33,642	130.1%
Distribution and sale	CZK m	13,434	11,239	119.5%
Mining	CZK m	4,363	3,607	121.0%
Other	CZK m	2,769	1,638	169.1%
Depreciation and amortization	CZK m	-24,280	-20,723	117.2%
Operating income (EBIT)	CZK m	40,064	29,403	136.3%
Net income	CZK m	28,756	22,282	129.1%
Return on invested capital (ROIC)	%	11.2	8.6	130.2%
Return on equity (ROE), net	%	14.9	12.3	121.1%
Price earnings ratio (P/E)	1	20.4	20.3	100.5%
EBIT margin	%	25.1	23.5	106.8%
EBITDA margin	%	40.3	40.1	100.5%
Net debt / EBITDA	1	0.27	0.44	62.1%
Net debt / equity	%	9.0	12.4	72.6%
Capital expenditures (CAPEX)	CZK m	22,545	16,851	133.8%
Investments	CZK m	21,925	12,258	178.9%
Operating cash flow	CZK m	62,908	43,895	143.3%
Employee head count	persons	31,162	29,905	104.2%

Revenues, Expenses, Income

CEZ Group net income grew by CZK 6.5 billion (29.1%) and EBITDA was up CZK 14.2 billion (28.4%). The principal factors driving the growth were: higher gross margin on production and sales as a result of record output from ČEZ a. s. generating plants, growth in wholesale prices, and successful optimizing of CO₂ permits and sale of the resulting surplus. Also contributing to the year-on-year income growth was the addition of new members to CEZ Group, and the inclusion of Romania-based Electrica Oltenia S.A. in the Q4 2005 consolidated results. The power plants ELCHO and Skawina in Poland joined the Group, for accounting purposes, in June 2006 and the Varna Power Station and additional newly established companies in Bulgaria, Poland, Serbia and Kosova entered the consolidation as of Q4 2006.

Cash flows

Net cash provided by operating activities totaled CZK 62.9 billion, up CZK 19.0 billion (43.3%) year-on-year as a result of the improved net income. Cash used in investing activities totaled CZK 43.3 billion, up CZK 19.3 billion (80.6%) year-on-year in conjunction with the purchase of two power plants in Poland, the Varna Power Station in Bulgaria, and taking of increased stakes in Severočeské doly and Severočeská energetika. Additions to property, plant and equipment and other non-current assets were up CZK 8.1 billion (51.5%) due, among other factors, to outlays relating to the comprehensive retrofit of the Tušimice II Power Station. Cash used in financing activities decreased year-on-year by

CZK 7.3 billion thanks to placement of the 4th Eurobond issue to retire the 2nd issue and despite a higher dividend pay-out by CZK 3.5 billion.

Capital Expenditures

January 2007 saw approval of the business plan for comprehensive retrofit of the Pruněšov II Power Station to 3 x 250 MW. A consultant was selected to help secure financing for the estimated CZK 40 billion GACKO project (joint venture with local government to invest in upgrading an existing 300 MW power plant, development of a mine, and build-out of a new power plant). Work continues on the comprehensive retrofit of Tušimice II Power Station (4 x 200 MW), with outlays in 2006 totaling CZK 2.6 billion.

Electricity Market

Overall CEZ Group net electricity sales totaled 72.0 TWh. Of this, the wholesale balance was 29.2 TWh (sale 42.8 TWh, purchase 13.6 TWh) and sales to final customers outside CEZ Group totaled 42.9 TWh: of this amount, 42.0 TWh within the distribution and sale segment while 0.9 TWh was sold to ČEPS to cover grid losses (power production and trading segment).

Power Production and Trading Segment

		Generation and Trading		TWh	Generation		TWh	Trading			
		2006	2005		2006	2005		2006		2005	
								domestic	foreign	domestic	foreign
Total revenues	CZK m	102,135	70,248	Electricity generation	65.5	60.0	Electricity purchased	7.4	9.4	5.0	1.2
EBITDA	CZK m	43,777	33,642	of which: nuclear PPs	26.0	24.7	of which: wholesale market	4.2	9.4	4.7	1.2
EBIT	CZK m	29,685	19,734	coal PPs	37.0	33.1	Electricity sold	58.6	17.4	52.1	8.2
Head count	persons	8,759	7,174	hydro and other	2.5	2.2	of which: outside of Group	26.3	17.4	29.5	8.2
							- wholesale market	25.4	17.4	25.5	8.2
							- sale to final customers	0.9	0.0	4.0	0.0
							Balance	51.2	7.9	47.1	7.0

CEZ Group electricity generation was up 9.2% year-on-year, driven by higher production across all plant types. Higher production in coal-fired plants was caused by the inclusion of the Polish power plants ELCHO and Skawina (2.4 TWh) and the Varna Power Station (0.7 TWh) in the figures, both as of the acquisition date. Production in coal-fired plants in the Czech Republic was up 0.8 TWh for the year.

Sales in the power production and trading segment in CEZ Group domestic markets rose by 6.5 TWh (12.5%). Of this amount, 3.6 TWh (6.9%) was in the Czech Republic, where purchased electricity increased by 2.2 TWh (44.4%) to grow the resulting balance by 1.4 TWh. In the Polish domestic market, the companies ELCHO and Skawina sold 2.3 TWh and, in the Bulgarian domestic market, Varna Power Station sold 0.6 TWh (both since the acquisition date). The balance of electricity sales abroad was up 1.0 TWh (14.1%) with import and export growing by 8.2 TWh and 9.2 TWh, respectively.

2006 was characterized by growth in electricity prices throughout the Central European region. This growth was caused primarily by the development of demand and supply in this area and movements in the prices of fuels and CO₂ permits. Demand for electricity is growing steadily in the entire region, as demonstrated by the fact that demand outstripped supply by wide margins in all organized auctions of electricity for the year 2007. At the same time, we are seeing a decline in available generating capacity in the Central European region. Until recently, Germany was the market with the highest prices. However, prices in Hungary and the Balkans are a new phenomenon. High demand in these countries has caused prices to rise far above the level prevailing in Germany. Nor was this development substantially affected by the declining price of CO₂ permits, which fell steeply during the year and continued to decline thereafter (from up to 30 €/t early in the year to 6-7 €/t in late 2006; currently the price is under 2 €/t). ČEZ, a. s. sold most of its anticipated surplus of permits for 2006 and 2007 before the bottom fell out of the market. This had a positive impact on the 2006 net income and will be a favorable factor in the 2007 financial performance as well.

Distribution and Sale Segment

		Total		Czech Republic		Bulgaria		Romania		
		2006	2005	2006	of which: ČEZ Distribuce	2005	2006	2005	2006	2005
Total revenues	CZK m	92,992	75,386	76,945	29,138	63,563	12,211	11,839	10,397	2,599
EBITDA	CZK m	13,434	11,239	9,333	6,604	9,244	2,160	1,729	1,943	266
EBIT	CZK m	8,261	6,579	6,021	3,672	5,766	1,122	749	1,119	63
Sale to final customers outside of CEZ Group	TWh	42.0	36.8	30.0	x	27.9	8.2	7.9	3.9	1.0
Distribution of electricity	TWh	51.4	43.5	33.1	33.1	32.3	9.8	8.0	8.6	3.2
Number of employees	persons	13,090	13,765	5,430	1,150	6,103	4,653	4,693	3,007	2,969

Net electricity demand in the Czech Republic was up 1.7 TWh (2.9%) year-on-year to reach 59.3 TWh. After adjustment to take into account the long-term average temperature, the growth is +3.1%. The growth was highest in the industrial segment (+3.3%), although household consumption grew by the same percentage due to heavy use of air conditioning and cooling in the record-high temperatures seen in the summer months. Retail business consumption was up 2.1%.

ČEZ Prodej, s.r.o. sold 32 TWh in the Czech Republic for final consumption (2 TWh of this amount was within CEZ Group – primarily to ČEZ Distribuce to cover grid losses). In year-on-year terms, this is only a slight (0.6 TWh) decline in sales (some sales to final customers in 2005 went through ČEZ, a. s.). The decline stems from growing competition in the liberalized marketplace. ČEZ Prodej, s. r. o. had a 53.4% share in the final customer market in 2006.

ČEZ Distribuce saw its volume of distributed electricity increase to 33.1 TWh (+2%), which is in line with the overall growth in electricity demand in the Czech Republic.

The distribution companies in Bulgaria and Romania sold a total of 12.1 TWh (up 3.1 TWh, or 34.5%, over 2005), thanks to strong demand in both countries and the fact that Romania was not included in the consolidation group until October 2005 (the growth was 0.2 TWh in Bulgaria and 2.9 TWh in Romania).

Mining Segment

		Mining		thousands of metric tons	Coal sales	
		2006	2005		2006	2005
Total revenues	CZK m	8,932	7,998	Total coal sales	22,461	21,776
EBITDA	CZK m	4,363	3,607	of which: ČEZ	16,775	17,056
EBIT	CZK m	3,369	2,660	plants over 50 MW	2,753	1,736
Head count	persons	3,525	3,554	coal export	287	281
				other plants and traders	2,646	2,703

ČEZ, a. s. Ratings

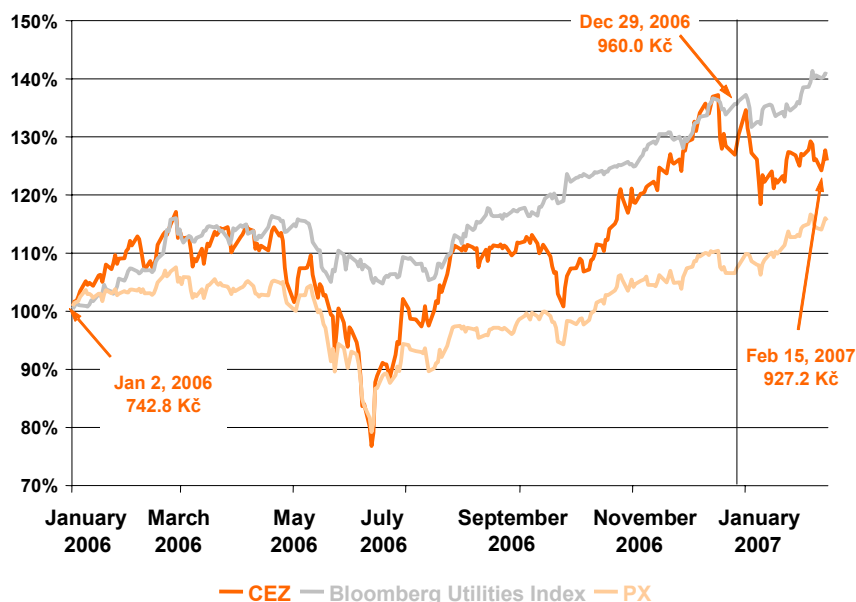
Standard & Poor's: "A-" with stable outlook

Moody's: "A2" with stable outlook

Other Information

- In November, ČEZ, a. s. expressed interest in participating in a tender for energy projects in Kosova in consortium with AES (American Energy Systems). This consortium is one of the four qualified bidders announced on 28 December 2006.
- WANO inspected the Temelín Nuclear Power Station on December 4 – 8. The inspection concluded that the plant does not diverge from common safety standards. The commission did not evaluate the plant's technical difficulties.
- On December 13, erstwhile member of the ČEZ, a. s. Supervisory Board Martin Kocourek became Chairman of the Supervisory Board.
- On December 15, the shares of ČEZ became part of Poland's stock exchange blue chip index, the WIG 20.
- In January 2007, high winds in the Czech Republic cut off power to 1.1 million customers. CEZ Group workers succeeded in restoring electricity to all customers within four days.
- On 8 January 2007, shares of minority shareholders of Středočeská energetická a.s. passed to the majority shareholder, ČEZ, a. s.
- On 29 January 2007, ČEZ, a. s. announced its intent to merge during 2007 with the companies Středočeská energetická a.s., Severomoravská energetika, a.s., Severočeská energetika, a.s., Východočeská energetika, a.s. and Západočeská energetika, a.s.

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



Consolidated Income Statement in accordance with IFRS (CZK m)		10-12/2006		1-12/2006		10-12/2005		1-12/2005		as of Dec 31, 2006		as of Dec 31, 2005	
Revenues		45 870	159 580	35 681	125 083	35 681	125 083	35 681	125 083	368 655	324 209	368 655	324 209
Sales of electricity		42 497	148 295	33 039	115 949	33 039	115 949	33 039	115 949	301 989	280 400	301 989	280 400
Heat sales, sale of coal and other revenues		3 373	11 285	2 642	9 134	2 642	9 134	2 642	9 134	464 776	439 416	464 776	439 416
Operating expenses		-35 747	-119 516	-29 481	-95 680	-29 481	-95 680	-29 481	-95 680	219 073	199 756	219 073	199 756
Fuel		-3 553	-11 637	-2 258	-9 010	-2 258	-9 010	-2 258	-9 010	245 703	239 660	245 703	239 660
Purchased power and related services		-17 113	-53 474	-11 298	-37 474	-11 298	-37 474	-11 298	-37 474	7 376	7 860	7 376	7 860
Repairs and maintenance		-2 273	-5 487	-1 890	-4 229	-1 890	-4 229	-1 890	-4 229	16 684	11 570	16 684	11 570
Depreciation and amortization		-4 922	-24 280	-5 543	-20 723	-5 543	-20 723	-5 543	-20 723	929	430	929	430
Salaries and wages		-4 995	-15 084	-4 471	-13 426	-4 471	-13 426	-4 471	-13 426	13 277	13 811	13 277	13 811
Materials and supplies		-1 468	-4 981	-1 167	-4 020	-1 167	-4 020	-1 167	-4 020	17 920	6 046	17 920	6 046
Emission rights		2 544	3 077	1 053	1 053	1 053	1 053	1 053	1 053	699	524	699	524
Other operating expenses		-2 867	-7 650	-3 887	-7 851	-3 887	-7 851	-3 887	-7 851	66 666	43 809	66 666	43 809
Income before other expense/income and income taxes		10 123	40 064	6 200	29 403	6 200	29 403	6 200	29 403	30 932	16 791	30 932	16 791
Other expenses/income		-850	-2 356	1 182	-2 097	1 182	-2 097	1 182	-2 097	16 334	14 792	16 334	14 792
Interest on debt, net of capitalized interest		-725	-2 236	-524	-1 800	-524	-1 800	-524	-1 800	152	1 478	152	1 478
Interest on nuclear and other provisions		-475	-1 891	-630	-2 447	-630	-2 447	-630	-2 447	4 308	3 671	4 308	3 671
Interest income		411	922	145	437	145	437	145	437	1 195	756	1 195	756
Foreign exchange rate losses/gains, net		14	877	534	-97	534	-97	534	-97	2 224	134	2 224	134
Gain/Loss on sale of subsidiary/associate		-3	-228	23	-1	23	-1	23	-1	11 521	6 187	11 521	6 187
Negative goodwill write-off		0	0	1 684	1 704	1 684	1 704	1 684	1 704	368 655	324 209	368 655	324 209
Other expenses/income, net		-72	126	-79	174	-79	174	-79	174	207 653	191 289	207 653	191 289
Income from associates		0	74	29	102	29	102	29	102	194 937	176 673	194 937	176 673
Income before income taxes		9 273	37 708	7 382	27 306	7 382	27 306	7 382	27 306	57 278	58 237	57 278	58 237
Income taxes		-2 536	-8 952	-371	-5 024	-371	-5 024	-371	-5 024	137 659	118 436	137 659	118 436
Net income		6 737	28 756	7 011	22 282	7 011	22 282	7 011	22 282	12 716	14 616	12 716	14 616
Net income attributable to equity holders of the parent		6 572	27 697	6 857	21 438	6 857	21 438	6 857	21 438	94 182	81 429	94 182	81 429
Net income attributable to minority interests		165	1 059	154	844	154	844	154	844	41 956	30 956	41 956	30 956
Earning per Share in CZK - basic		47.0	46.8	36.2	36.3	36.3	36.2	36.3	36.2	35 683	35 689	35 683	35 689
Earning per Share in CZK - diluted		46.8	46.8	36.2	36.2	36.2	36.2	36.2	36.2	15 543	14 974	15 543	14 974
Consolidated Statement of Changes in Equity in accordance with IFRS (CZK m)													
	Attributable to Equity Holders of the Parent	Attributable to Equity Holders of the Parent			Minority Interests	Total Equity							
		Stated Capital	Retained Earnings	Other Reserves									
December 31, 2004	59 218	-2	85	112 796	172 097	6 350	178 447						
Change in fair value of available-for-sale financial assets recognized in equity		-43	-43	-43	-46	-3	-46						
Available-for-sale financial assets removed from equity		18	18	18	1	1	19						
Change in fair value of cash flow hedges recognized in equity		361	361	361	361	361	361						
Cash flow hedges removed from equity		-124	-124	-124	-124	-124	-124						
Translation differences		-787	-787	-787	-787	-478	-1 265						
Share on equity movements of associates			-60	-60	-60	3	4						
Other movements			6	6	1	3	4						
Gain and loss recorded directly to equity		-787	207	-54	-634	-477	-1 111						
Net income - 2005			207	21 438	21 438	844	22 282						
Total gains and losses for the year		-787	207	21 384	20 804	367	21 171						
Effect of acquisition of Severočeský doily on equity													
Effect of acquisition of minority shares in SKODA PRAHA on equity													
Acquisition of treasury shares				111	111	111	111						
Sale of treasury shares		-1 312		-79	-252		-1 312						
Dividends declared to shareholders of the parent		331		-5 309	-5 309	-536	-1 734						
Dividends declared to minority interests				-1 198	-1 198	8 435	8 435						
Change in minority due to acquisitions													
Share options		58 237	588	118 637	176 673	14 616	191 289						
Change in fair value of available-for-sale financial assets recognized in equity			285	285	287	2	287						
Available-for-sale financial assets removed from equity			36	36	36	1	37						
Change in fair value of cash flow hedges recognized in equity			316	316	316	316	316						
Cash flow hedges removed from equity			181	181	181	181	181						
Translation differences			-512	-512	-512	-2	-514						
Share on equity movements of associates				21	21	21	21						
Other movements			-20	15	-5	-1	-6						
Gain and loss recorded directly to equity			798	36	322	322	322						
Net income - 2006			798	27 697	28 756	1 059	29 078						
Total gains and losses for the year			798	27 733	28 019	1 059	29 078						
Acquisition of treasury shares		-1 273		-1 273	-1 273	135	-1 273						
Sale of treasury shares		314		-179	135	135	135						
Dividends declared to shareholders of the parent			235	-8 852	-8 852	-8 852	-8 852						
Share options			-240	240	235	235	235						
Transfer of exercised and forfeited share options within equity													
Change in minority due to acquisitions						-2 959	-2 959						
December 31, 2006	57 278	-1 301	1 381	137 579	194 937	12 716	207 653						

Preliminary non-audited results of CEZ Group in accordance with International Financial Reporting Standards.

Consolidated Cash Flow Statement in accordance with IFRS (CZK m)		1-12/2006		1-12/2005	
Cash and cash equivalents at beginning of period		16 791	8 942	16 791	8 942
Operating activities:		62 908	43 895	62 908	43 895
Income before income taxes		37 708	27 306	37 708	27 306
Depreciation and amortization and asset write-offs		24 352	20 743	24 352	20 743
Amortization of nuclear fuel		3 156	3 056	3 156	3 056
(Gain)/Loss in fixed assets retirements		21	86	21	86
Foreign exchange rate loss (gain)		-1 204	266	-1 204	266
Interest expense, interest income and dividends income, net		1 232	1 246	1 232	1 246
Provision for nuclear decommissioning and fuel storage		105	1 061	105	1 061
Valuation allowances, other provisions and other adjustments		2 239	-937	2 239	-937
Income from associates		-74	-102	-74	-102
Changes in assets and liabilities		-1 353	-2 018	-1 353	-2 018
Income taxes paid		-2 237	-5 946	-2 237	-5 946
Interest paid, net of interest capitalized		-2 012	-1 540	-2 012	-1 540
Interest received		844	444	844	444
Dividends received		131	230	131	230
Investing activities		-43 294	-23 970	-43 294	-23 970
Financing activities		-4 667	-11 919	-4 667	-11 919
Net effect of currency translation in cash		-806	-157	-806	-157
Cash and cash equivalents at end of period		30 932	16 791	30 932	16 791
Segments details 2006 (m CZK)					
		Power production and trading	Mining	Other	Total
Total revenues		102 135	92 992	14 390	-
of which revenues from outside CEZ Group		64 286	88 457	3 361	159 580
EBITDA		43 777	13 434	2 769	64 344
EBIT		29 685	8 261	3 369	40 064
Head count		8 759	13 090	3 525	31 102