

# ČEZ - Czech power company



**May 2003**

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10.13A 31.3.2003 PL

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10.14A 31.3.2003 PL

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# ČEZ - Basics 2002

10.2A 30.4.2003 MH

- Dominant power producer in the Czech Republic
- Prepared for strong competition on the European market
- 49,873 GWh - net electricity generation in 2002
- 11,146 MW in operation (from 04/2003 12,146 MW) \*
- 1,000 MW in construction (from 04/2003 0 MW) \*
- 7,250 employees

## ČEZ Presentation on Internet

Home Page: <http://www.cez.cz>

<http://www.duhovaenergie.cz>

**Available Reports:** Annual Report

Quarterly Reports

Other Information

\*) The 2<sup>nd</sup> unit of NPP Temelín put into the Commercial operation in April 2003

## The Czech Power Industry

Position of ČEZ

Nuclear Power

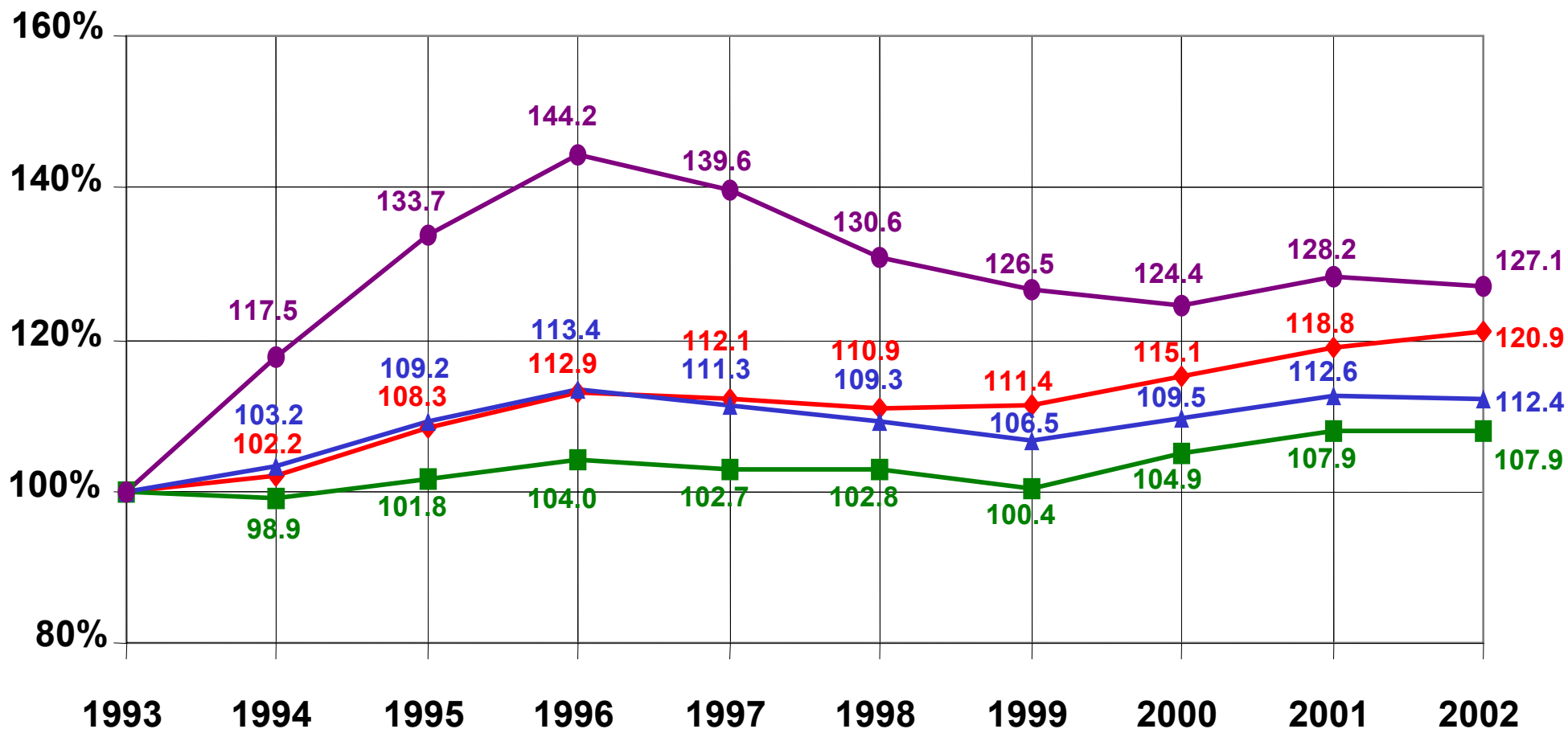
Regulation and Prices in  
Power Industry

Ownership Restructuring

Operational and Financial  
Results

# GDP and Electricity Consumption in the Czech Republic

1.13A 31.3.2003 PL



◆ Gross Domestic Product (GDP)

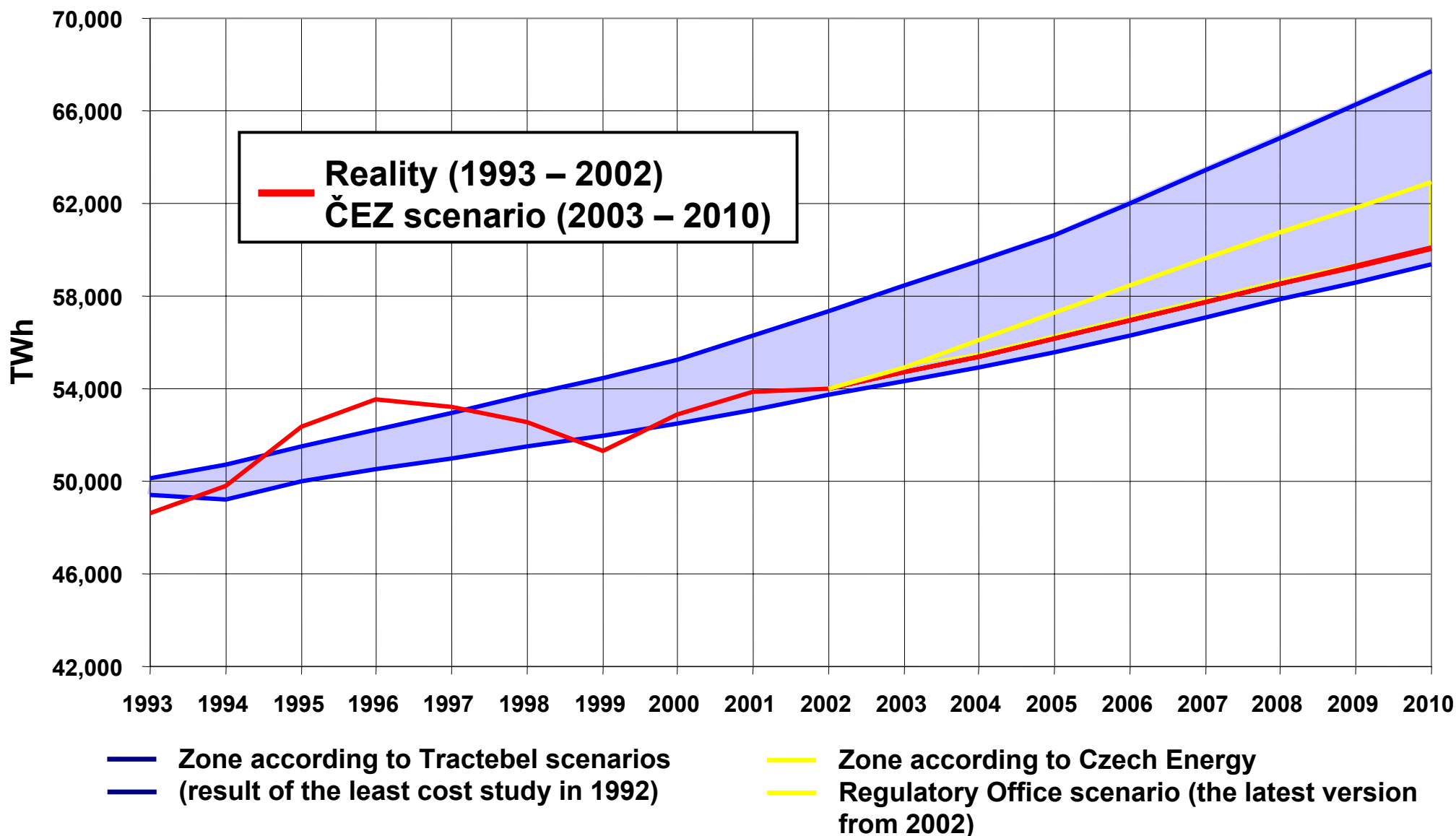
▲ Total electricity consumption

■ Electricity consumption, households excluded

● Households

# Electricity Demand in the Czech Republic Scenarios

1.43 30.4.2003 MH



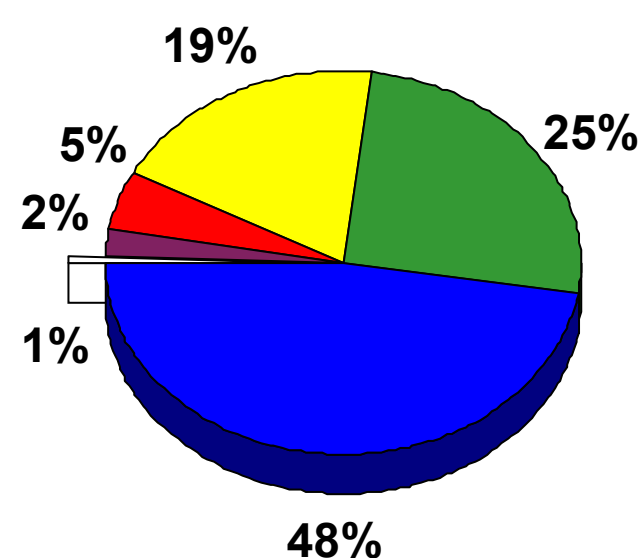
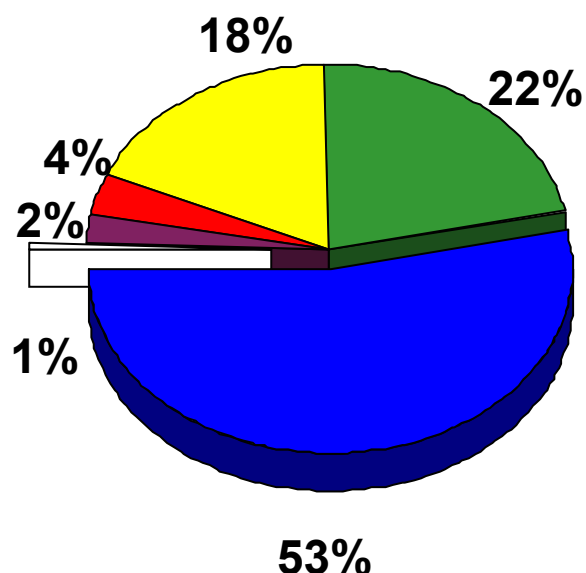
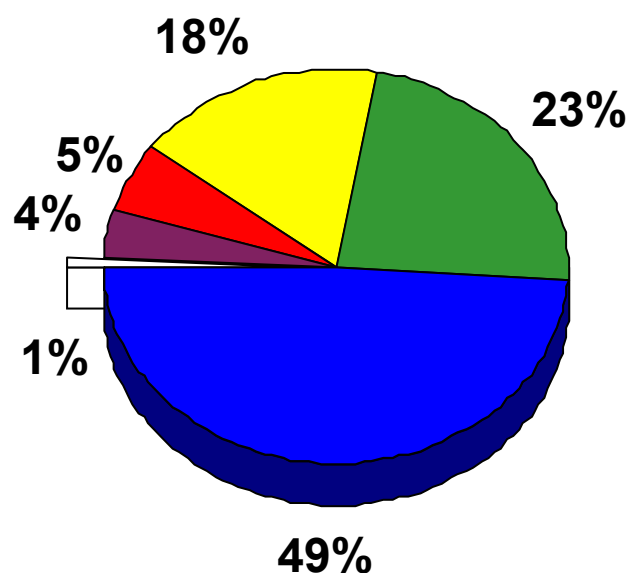
# Electricity Demand Structure

1.8A 31.3.2003 PL

1993

2002\*

2005\*



■ Industry

■ Households

■ Commerce and Business Services

■ Transport

■ Construction

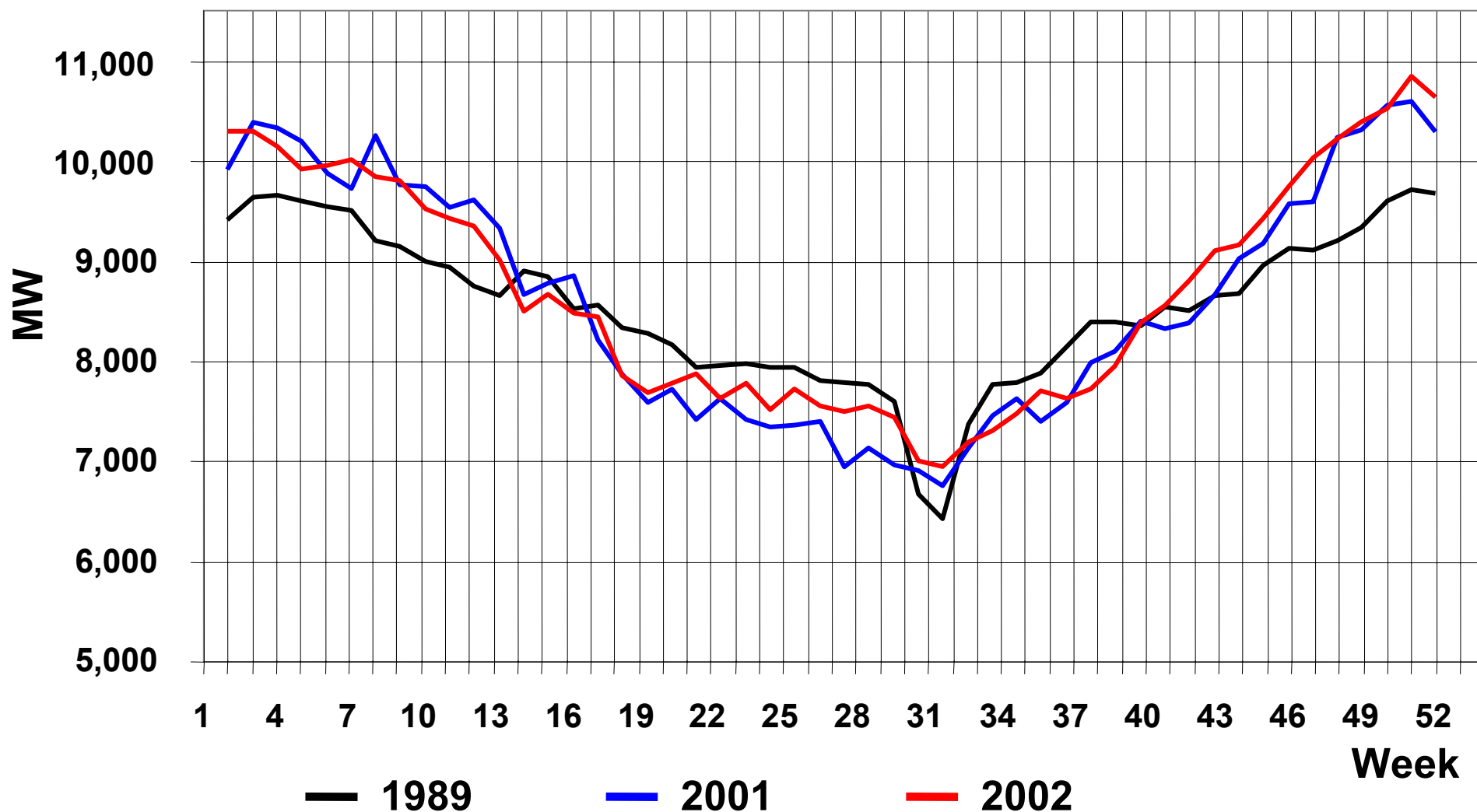
■ Agriculture and forestry

\*) Estimation

# Average Weekly Peak Loads on the Transmission Grid Level

1.14A 30.04.2003 MH

(for days Tue-Fri, recalculated for 50 Hz and standard temperature)



# ČEZ Milestones

2.2A 8.4.2003 MH

- 1990 **Separation of** regional distribution companies, heat and other activities
- 1992 ČEZ established as **Joint-Stock Company**
- 1993 ČEZ partially **privatized** (27%)  
Regional distribution companies established as joint-stock companies
- 1994 **Energy Act** passed by Parliament
- 1995 Partial **privatization** of regional distribution companies (app. 50%),  
further step at ČEZ privatization (up to 33%)  
ČEZ grid connected to **UCPTE**
- 1996 **Nuclear Act** passed by Parliament
- 1999 **ČEPS** established as a subsidiary of ČEZ
- 2000 **New Energy Act** passed by Parliament (market liberalization 2002 to 2006)
- 01/2002 Full Market opening for generation
- 03/2002 **Tender for privatization** of FNM shares in ČEZ and regional distributors  
canceled, **Government decided for integration within FNM**
- 06-08/2002 **Signature of agreements** for purchases 5 majority and 3 minority stakes  
in the regional distribution companies from FNM and ČKA to ČEZ, sale of 51% stake  
in ČEPS from ČEZ to OSINEK, and sale of 15% stake in ČEPS from ČEZ to the Ministry  
of Labour and Social Affairs
- 03/2003 Anti-trust Office **approves merger** under some restrictive conditions
- 04/2003 **Realization** of the whole transaction. ČEZ acquires shares in all regional  
distribution companies and loses majority in ČEPS.

Note: FNM = National Property Fund,  
ČKA = Czech Consolidation Agency

# Power in the Czech Republic in Brief in 2002

1.1A 31. 03. 2003 PL

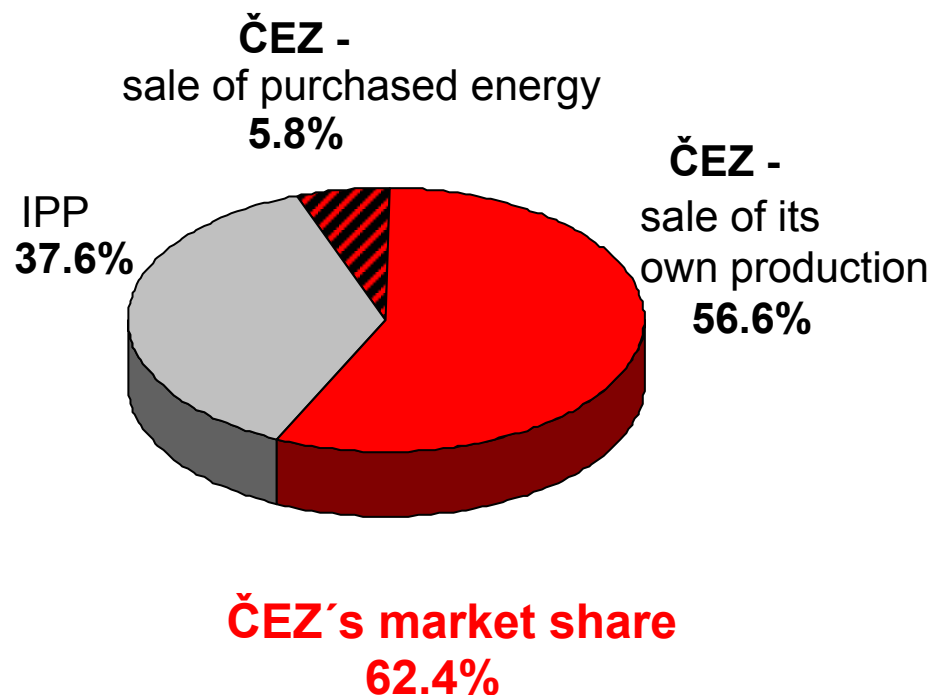
## Czech Republic

- Installed capacity as of 31<sup>st</sup> December 2002 16,311 MW
- Maximum load in 2002 11,205 MW
- Net electricity generation 70,393 GWh

## ČEZ, a. s.

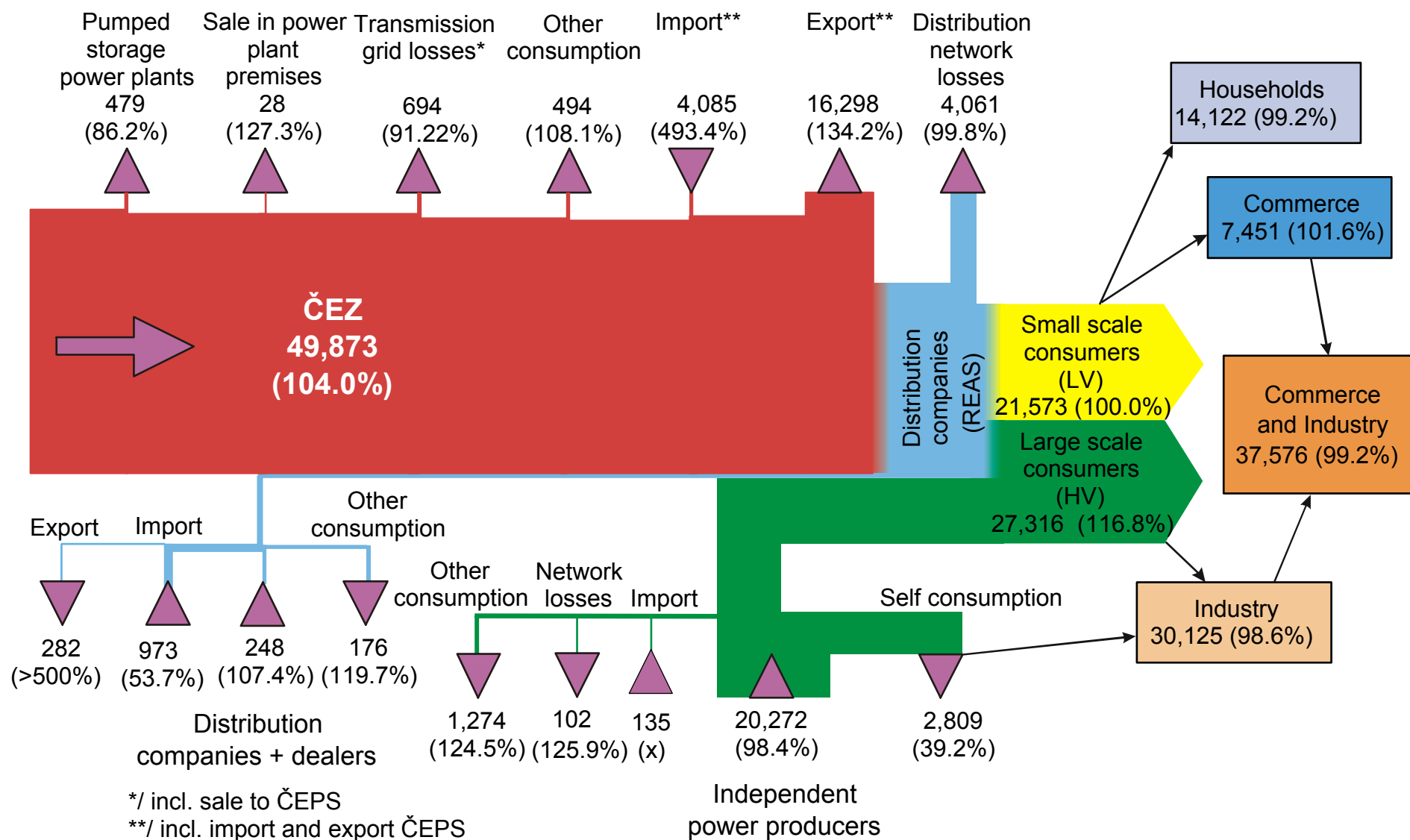
- Installed capacity as of 31<sup>st</sup> December 2002 11,146 MW
- Net electricity generation 49,873 GWh

## Czech power market and its participants



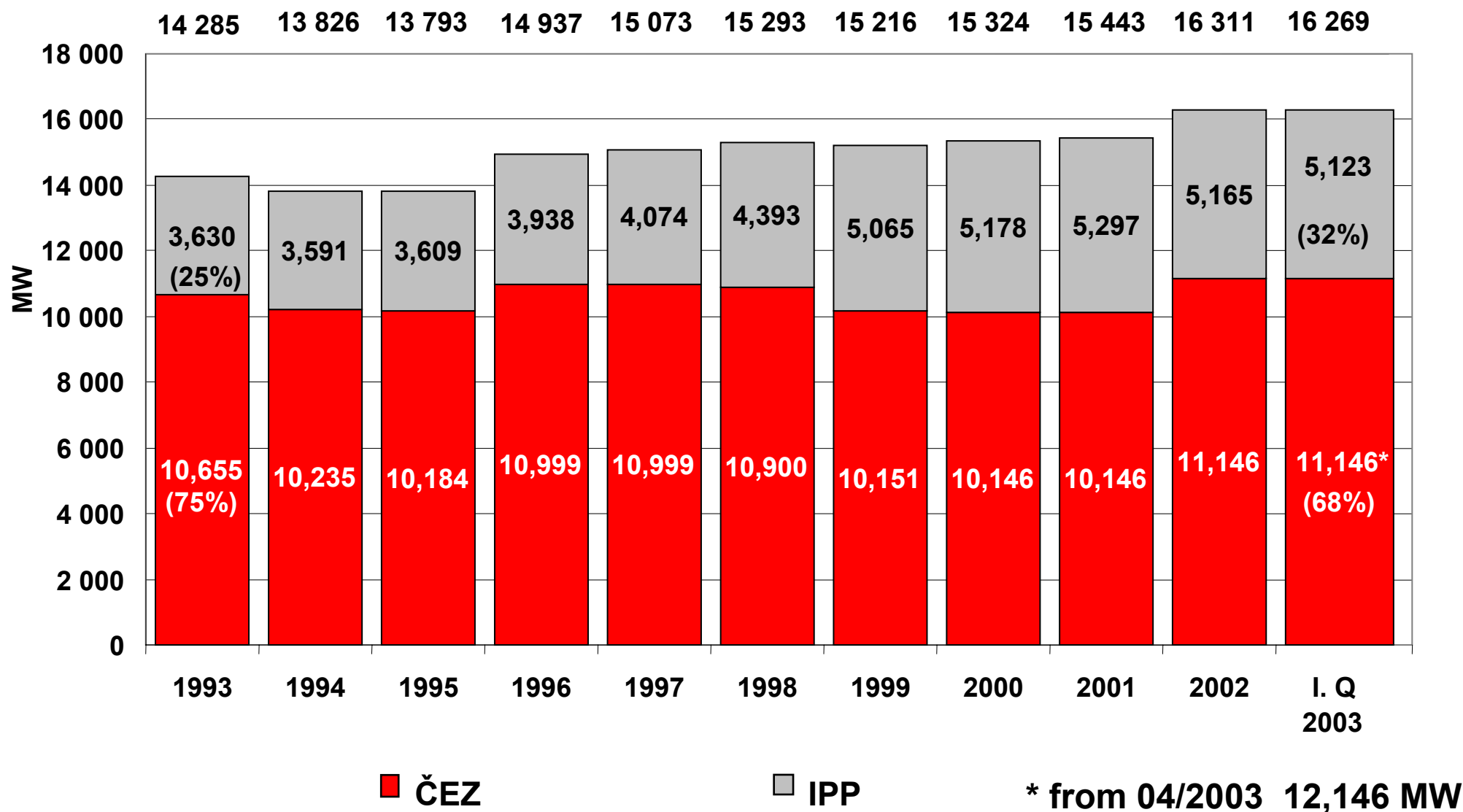
# Scheme of the Power Supply in the Czech Republic in 2002 (GWh, index 02/01)

1.4A 07.04.2003 PL



# ČEZ's Share in the Installed Capacity of the Czech Republic

1.12A 2.5.2003 MH



The Czech Power Industry

**Position of ČEZ**

Nuclear Power

Regulation and Prices in  
Power Industry

Ownership Restructuring

Operational and Financial  
Results

# ČEZ Mission Statement

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2.1A 02.05.2003 MH

**...to meet demand for electricity and ancillary services of both traditional and newly acquired customers on the basis of successful market operation.**

**ČEZ will reliably supply safely and environmentally friendly produced electricity, using preferentially its own sources.**

# ČEZ Business Vision

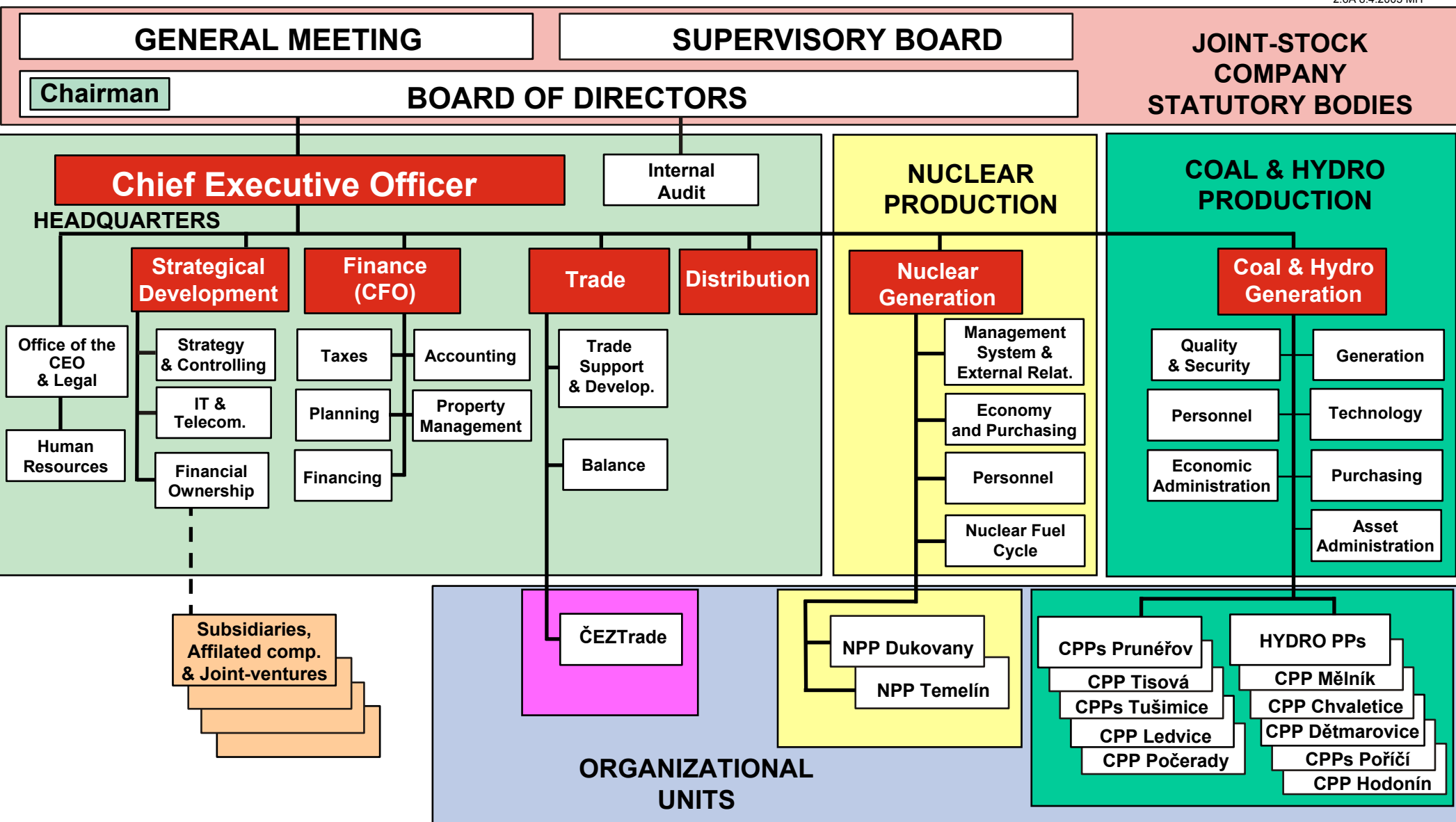
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2.24A 31.03.2003 MH

**To ensure optimum level of electricity sales,  
enabling efficient use of production capacities,  
to be a respected, sought-after,  
reliable commercial partner and an attractive  
employer of skilled employees,  
and thus to ensure an attractive return on equity  
and an increase of the company's  
market value.**

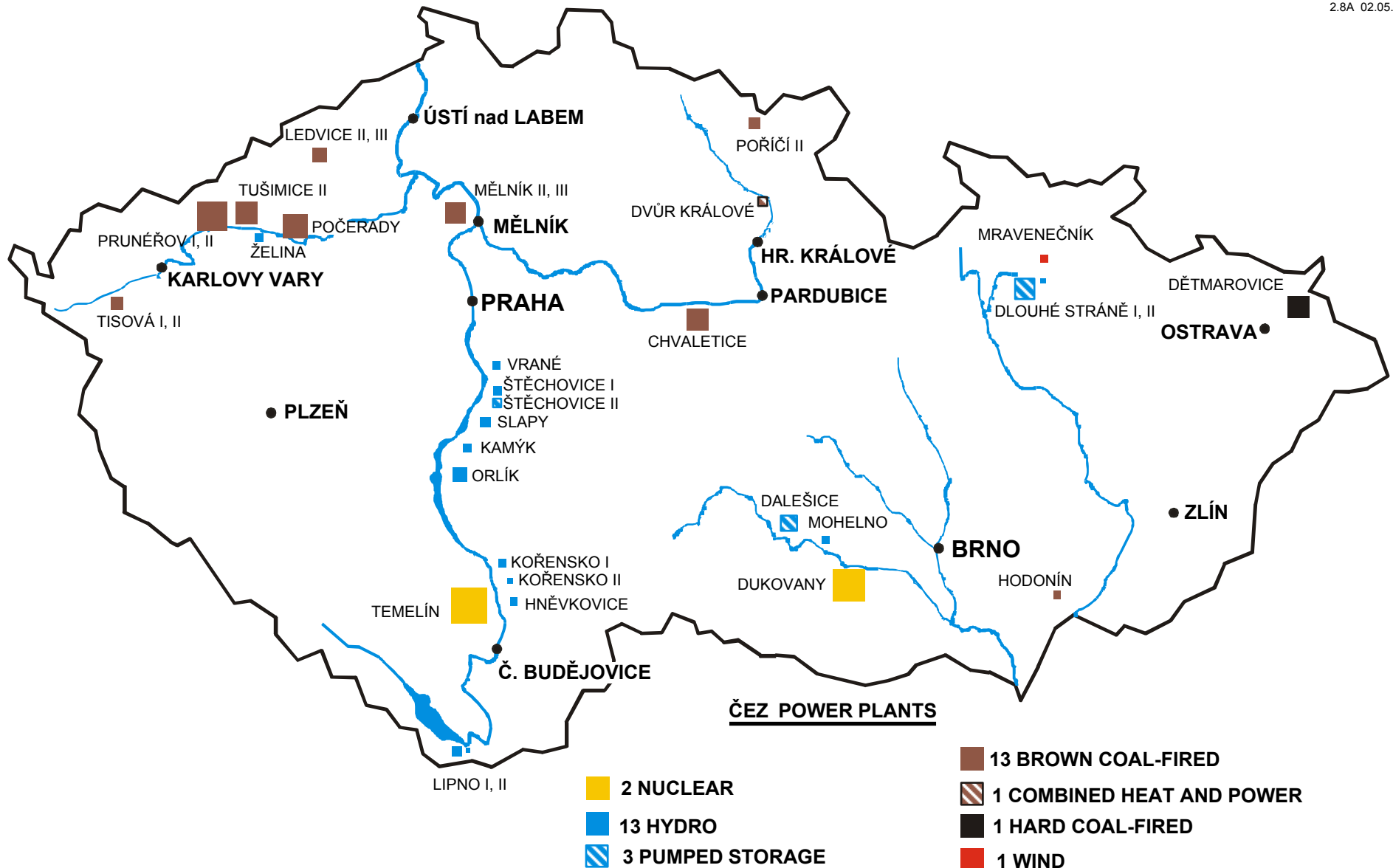
# Organizational Chart of ČEZ as of April 2003

2.6A 8.4.2003 MH



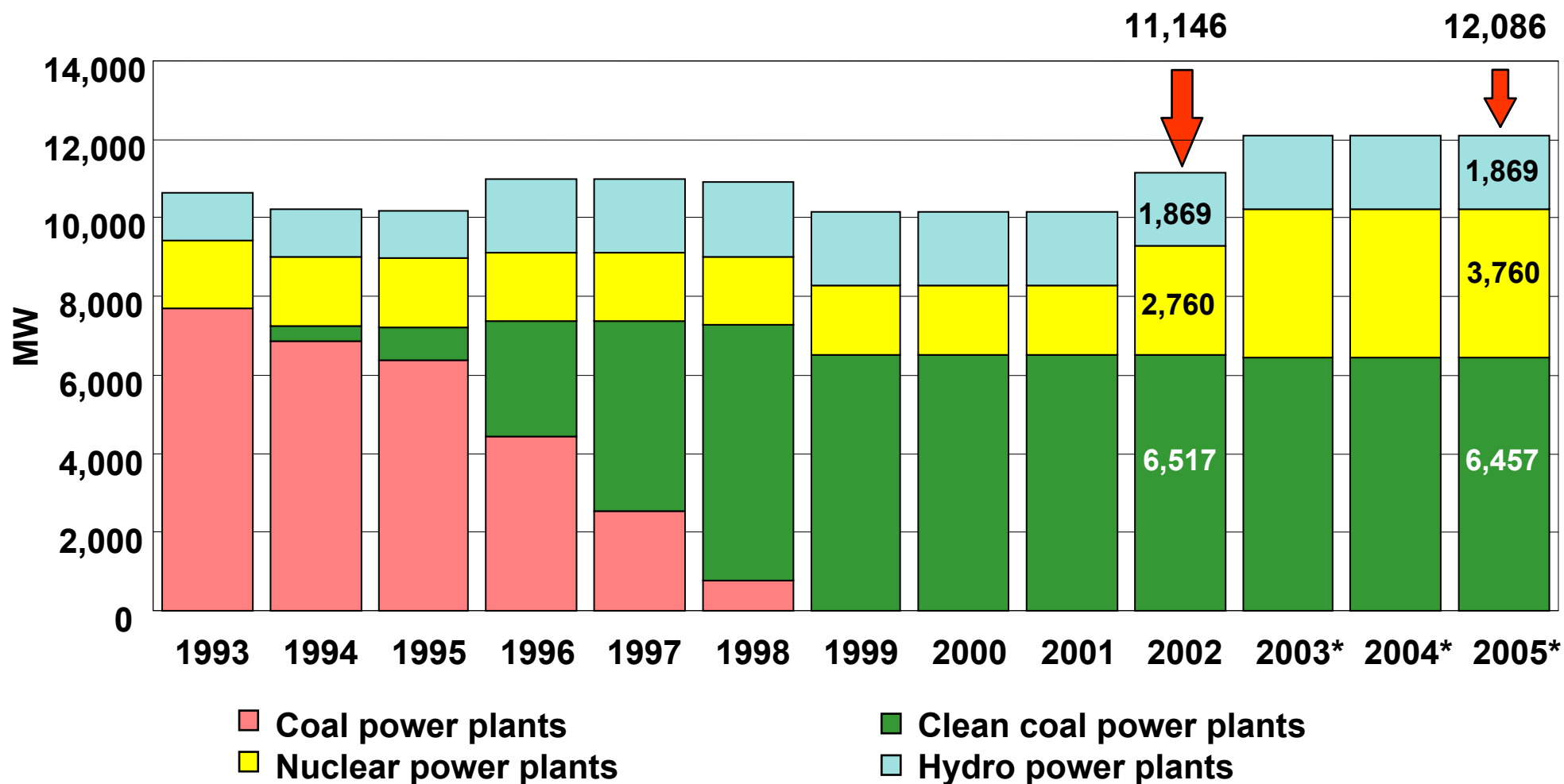
# ČEZ Power Plants

2.8A 02.05.2003 MH



# Installed Capacity of ČEZ

2.16A 07.04.2003 PL

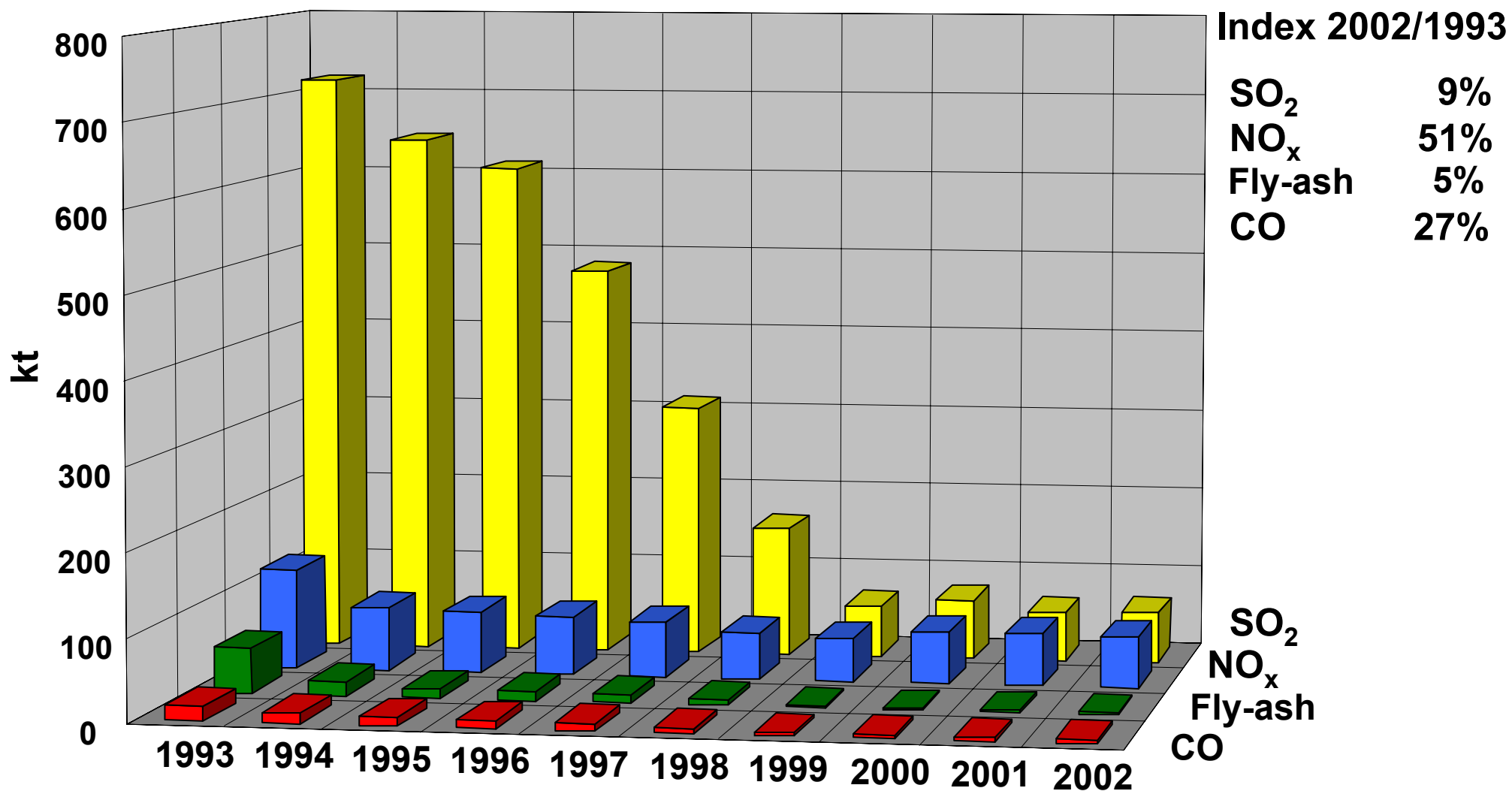


Notes: Installed capacity 1 MW of wind PP is included in the installed capacity of hydro PP

\*) Estimation

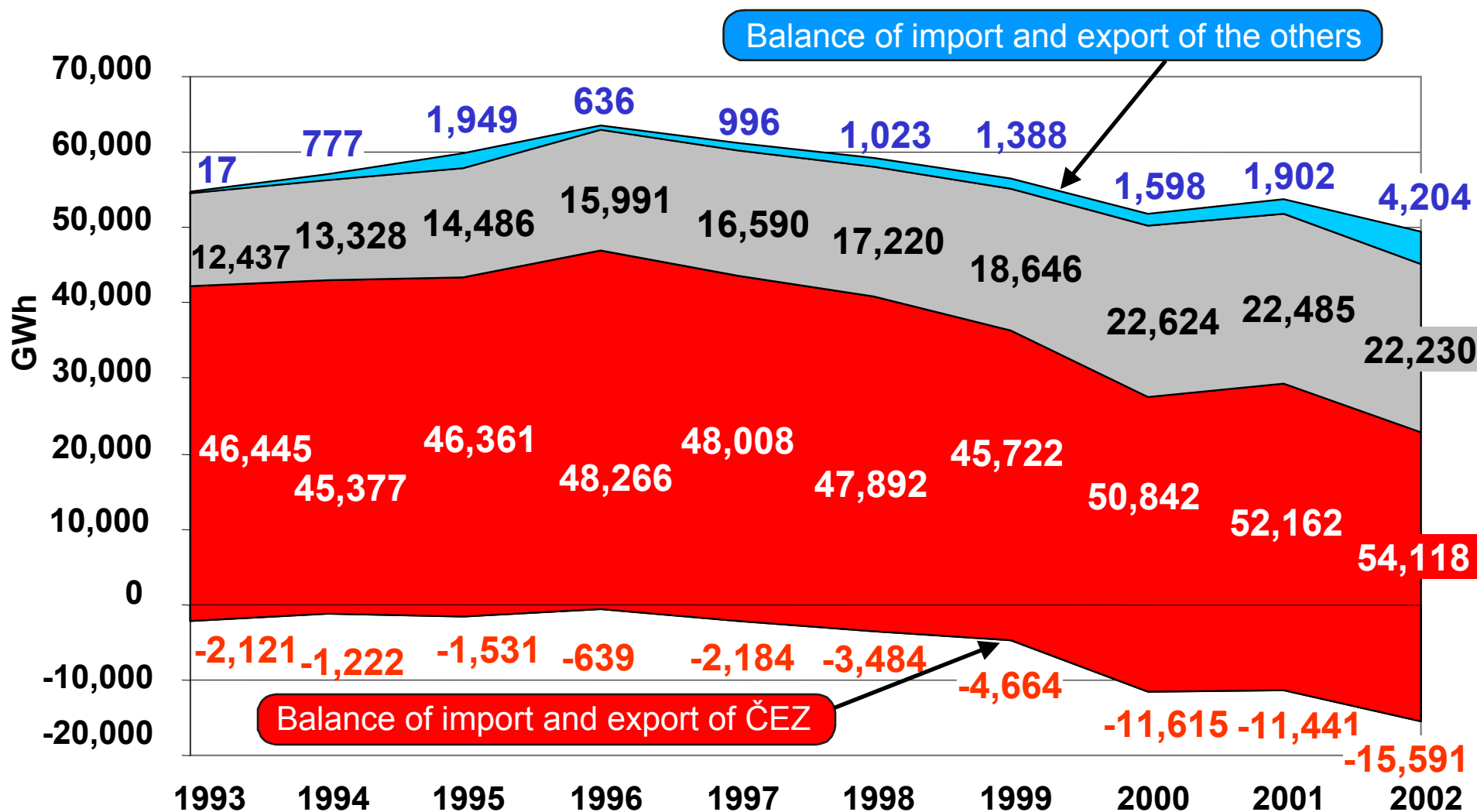
# ČEZ's Coal-fired Power Plants Emissions

5.1A 1.4.2003 PL



# Balance of Electricity in the Czech Republic

1.10A 02.04.2003 PL

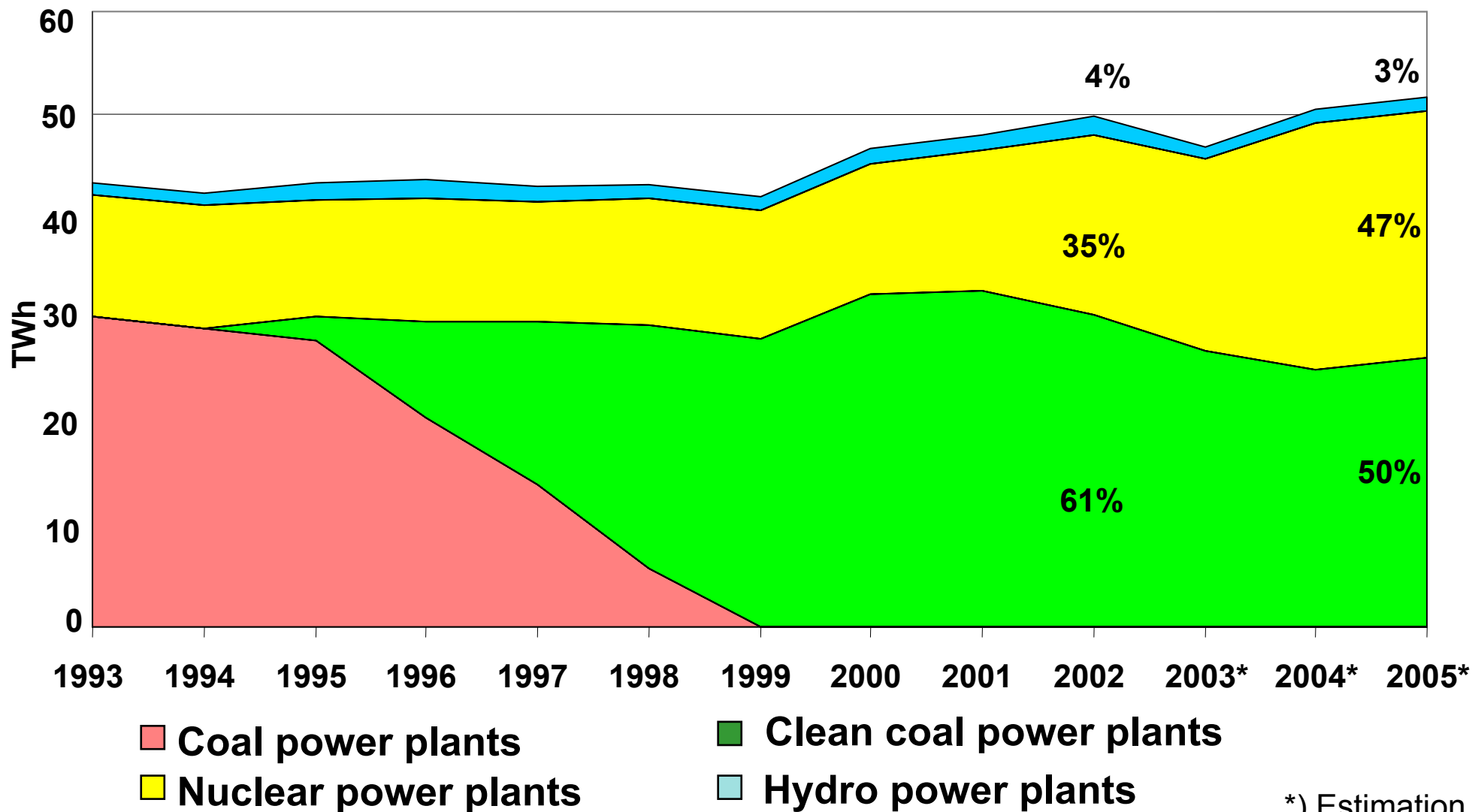


■ Gross production of ČEZ

■ Gross production of the others

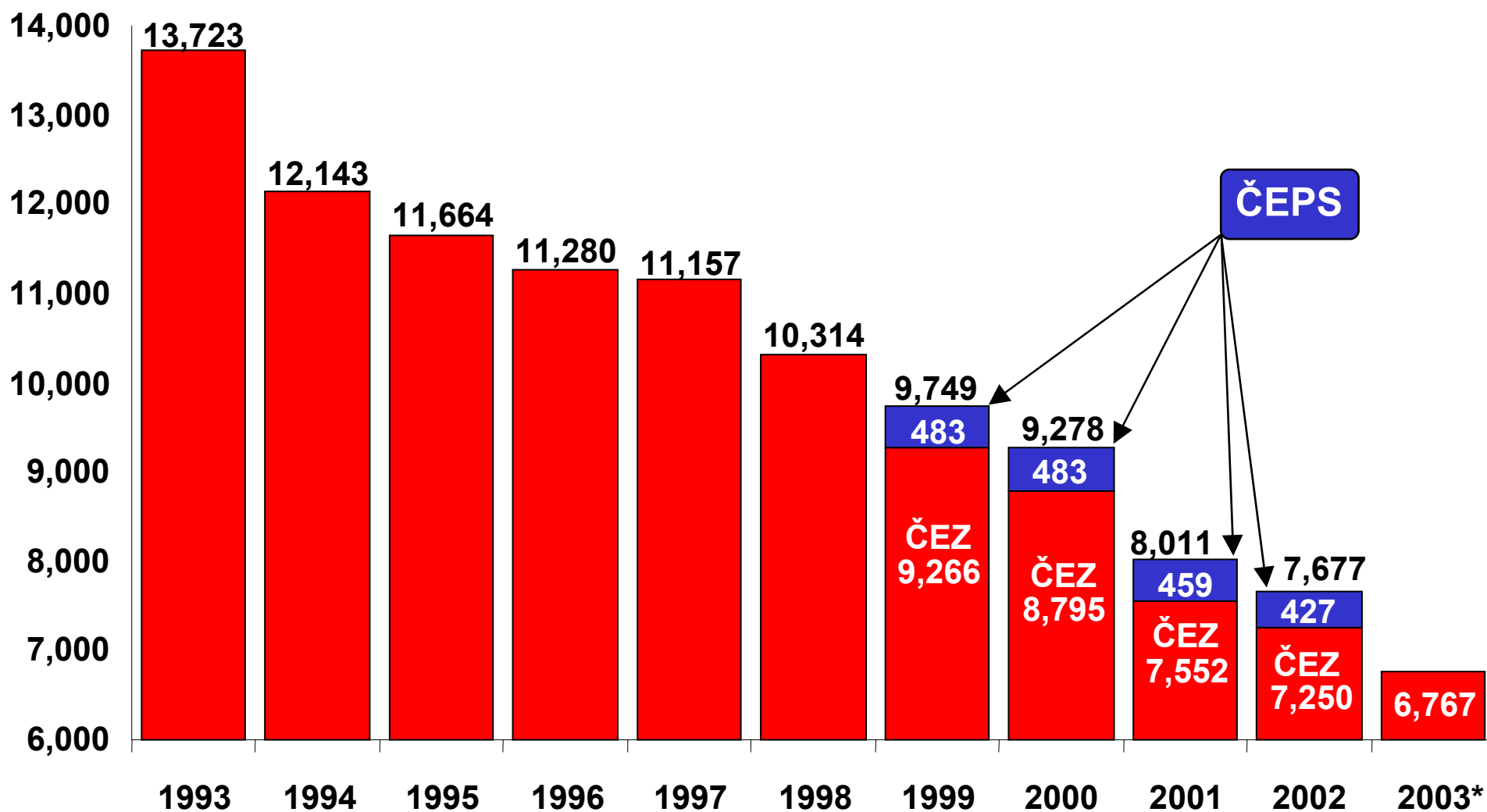
# ČEZ Electricity Supply Structure

2.15A 2.4.2003 PL



# Number of ČEZ Employees as of December 31

4.1A 2.4.2003 PL



\*) Estimation

The Czech Power Industry

Position of ČEZ

**Nuclear Power**

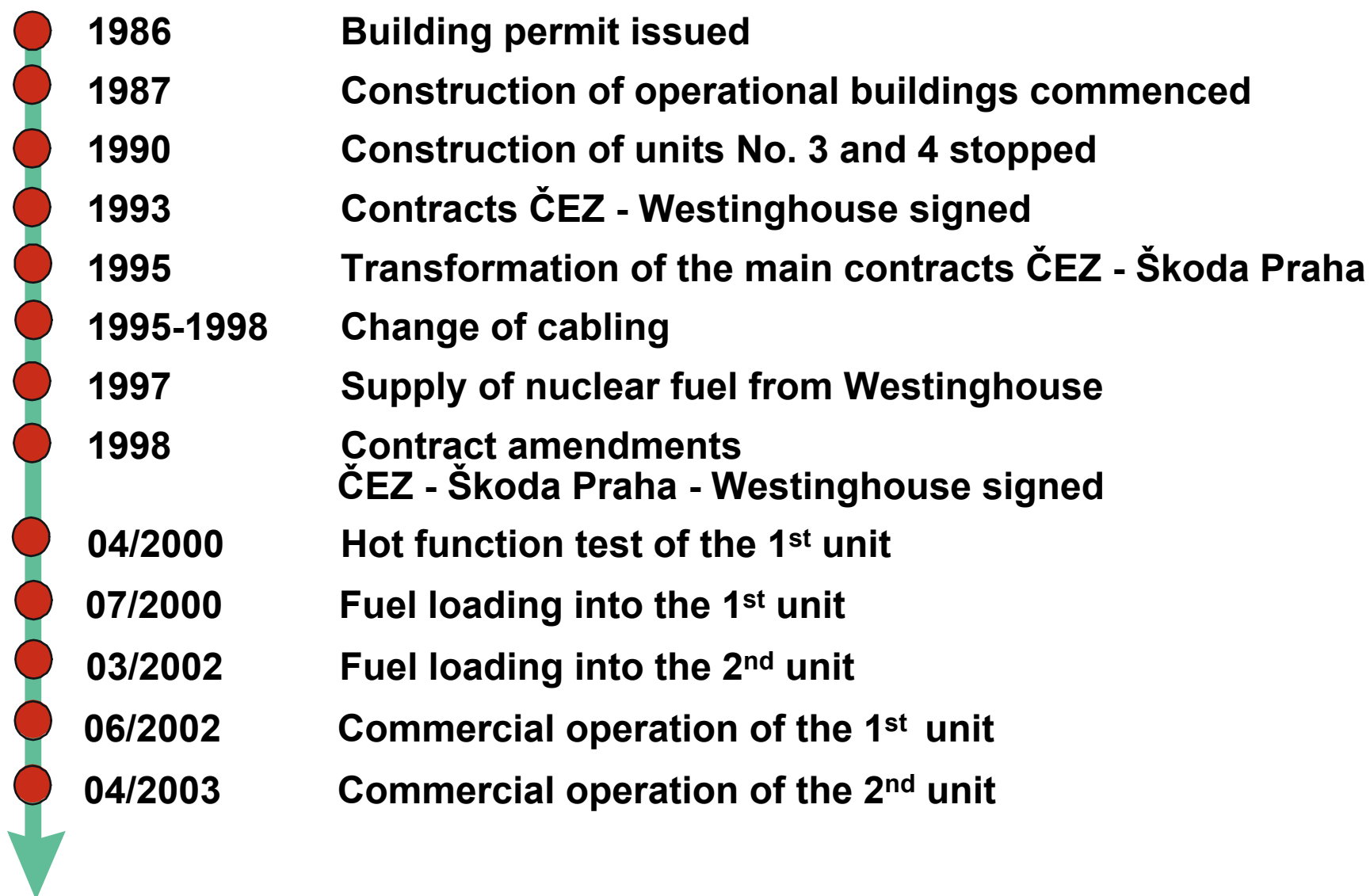
Regulation and Prices in  
Power Industry

Ownership Restructuring

Operational and Financial  
Results

# NPP Temelín - Main Events

2.26A 15.04.2003 MH



# NPP Temelín – Details

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2.27A 02.05.2003 MH

<b>Type of reactor</b>	<b>PWR - pressurized water reactor, as majority of reactor types in the world, proven types in CIS, Slovakia, Finland, Hungary and Bulgaria (totally different from Chernobyl reactor)</b>
<b>Basic description</b>	<b>Based on the original Russian technical design with many improvements to achieve higher operational safety</b>
<b>Total investment costs</b>	<b>USD 3 bn - very competitive amount</b>
<b>Installed Capacity</b>	<b>2 x 1,000 MW</b>
<b>Annual production</b>	<b>11.6 TWh</b>

# **NPP Temelín - the Most Important Improvements of the Design**

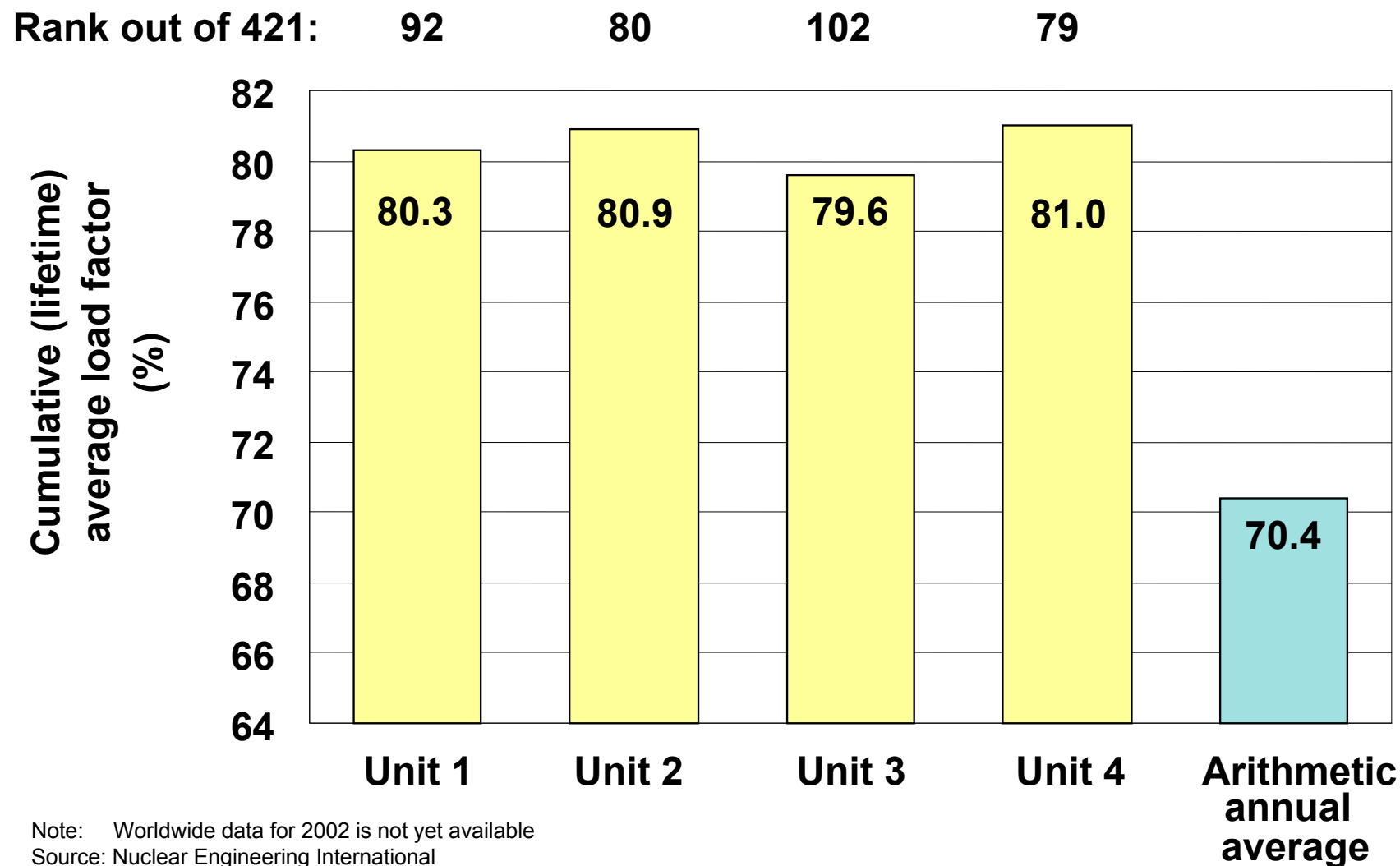
2.29A 31. 03.2003 MH

- **Replacement of the instrumentation and control system (I&C)**
- **Replacement of the nuclear fuel**
- **Replacement of the radiation monitoring system**
- **Replacement of the diagnostic and monitoring system**
- **Replacement of the cabling (for non-flammable and fire-resistant cabling)**
- **Modification of the electric components**
- **New accident analyses**
- **New safeguard system**
- **New training system for personnel incl. usage of full-scale simulator**

# NPP Dukovany - Performance Results

2.20A 10.04.2003 MH

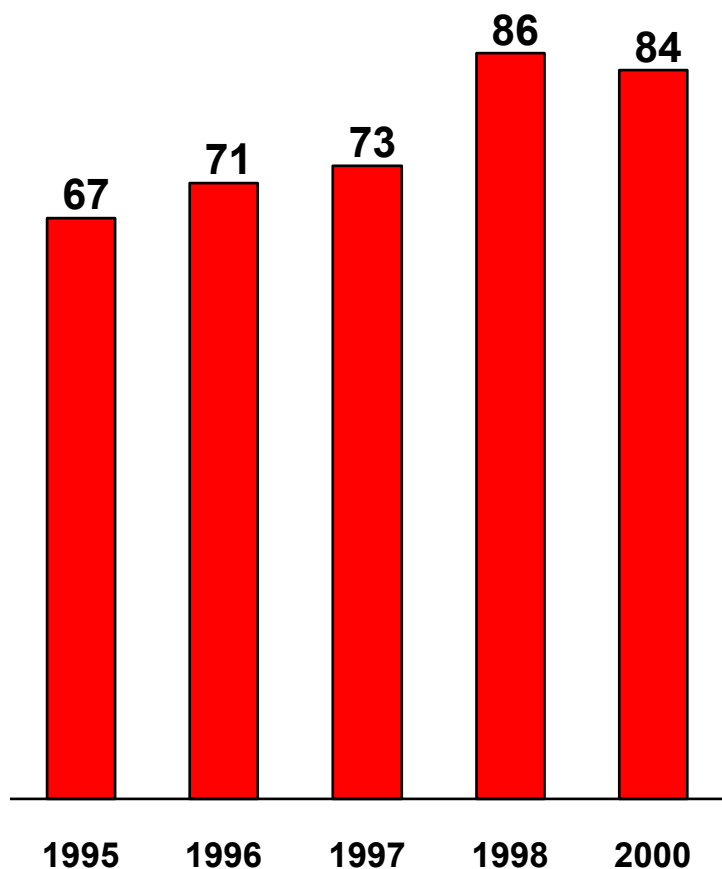
Global reactor rankings as of December 31, 2001 (Cumulative Load Factor)



# Public Opinion Research about Nuclear Power Plants (%)

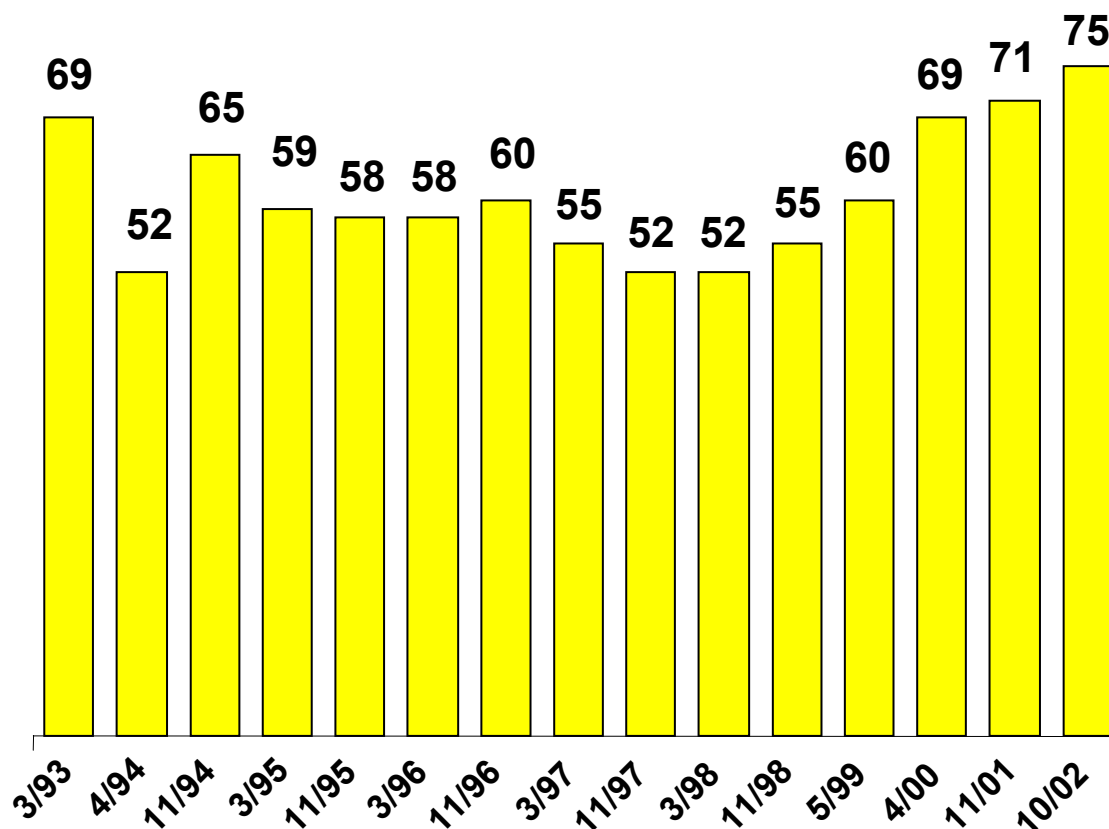
2.39 02.04.2003 PL

## NPP Dukovany



Support of continuation of operation  
in the region by AISA agency

## NPP Temelín



Public approval of completion by STEM agency

# Insurance of the Nuclear Power Plants of ČEZ

2.38A 09.04.2003 EN

- Property damage insurance - NPP Dukovany since December 1998  
- NPP Temelín since July 2000
- Nuclear third party liability insurance (operational) - NPP Dukovany since January 1998  
- NPP Temelín since July 2000
- Nuclear third party liability insurance - transport of nuclear fuel - from the Russian Federation for NPP Dukovany and from the United States of America for NPP Temelín – since 1996.
- Liability insurance is concluded according to the Czech Atomic Act.
- Policies are concluded with the Czech Nuclear Pool.
- The necessary reinsurance support is provided within international pooling system (foreign national nuclear insurance pools).
- The property and liability risks in both NPPs are checked in the course of risk surveys which are regularly carried out by international teams of inspectors.

The Czech Power Industry

Position of ČEZ

Nuclear Power

**Regulation and Prices in  
Power Industry**

Ownership Restructuring

Operational and Financial  
Results

# Energy Policy of the Czech Republic

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1.7AD 8.4.2003 MH

- Based on pillars similar to Energy Policy of EU (protection of environment, reliability of energy supply, competitiveness of economy)
- Legislation framework for principal objectives of energy policy comprises the new Energy Act and the Act on Energy Economy (effective since January 1, 2001)

## Energy Policy Objectives

- **Completion of tariffs structure and prices rectification completion** (removal of cross subsidies to the year 2002)
- Privatization of the state shares in energy companies (ČEZ and regional distribution companies to 2002) - modification 03/2002
- Forming the internal electricity market
- **Establish the independent regulatory body (done 2001)**
- Adopted the system of the savings of energy and exploitation of renewable sources (law adopted in 2000, modification expected in 2003)
- Observing the territorial limits of brown coal mining (enable mining to the year 2040)
- **Further development of nuclear energy**

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**New Energy Policy is to be processed in 2003. ●**

# Progress in Establishing of Regulatory Framework

8.2A 02.05.2003 MH

Deregulating  
energy sector  
in accordance  
with EU  
directives

Key legislation  
issued and implemented

- Clean Air Act
- Energy Act (effective since January 1, 2001, amendment expected in 2003)
- Atomic Act
- Environmental Impact Assessment Act (EIA)
- Act on Energy Economy
- Act on Renewable Sources of Energy (exp. in 2003)

Sub-legislation

- Environmental monitoring
- Rules for nuclear liability insurance
- Decrees to the Energy Act

Tariff regulated by  
independent regulator

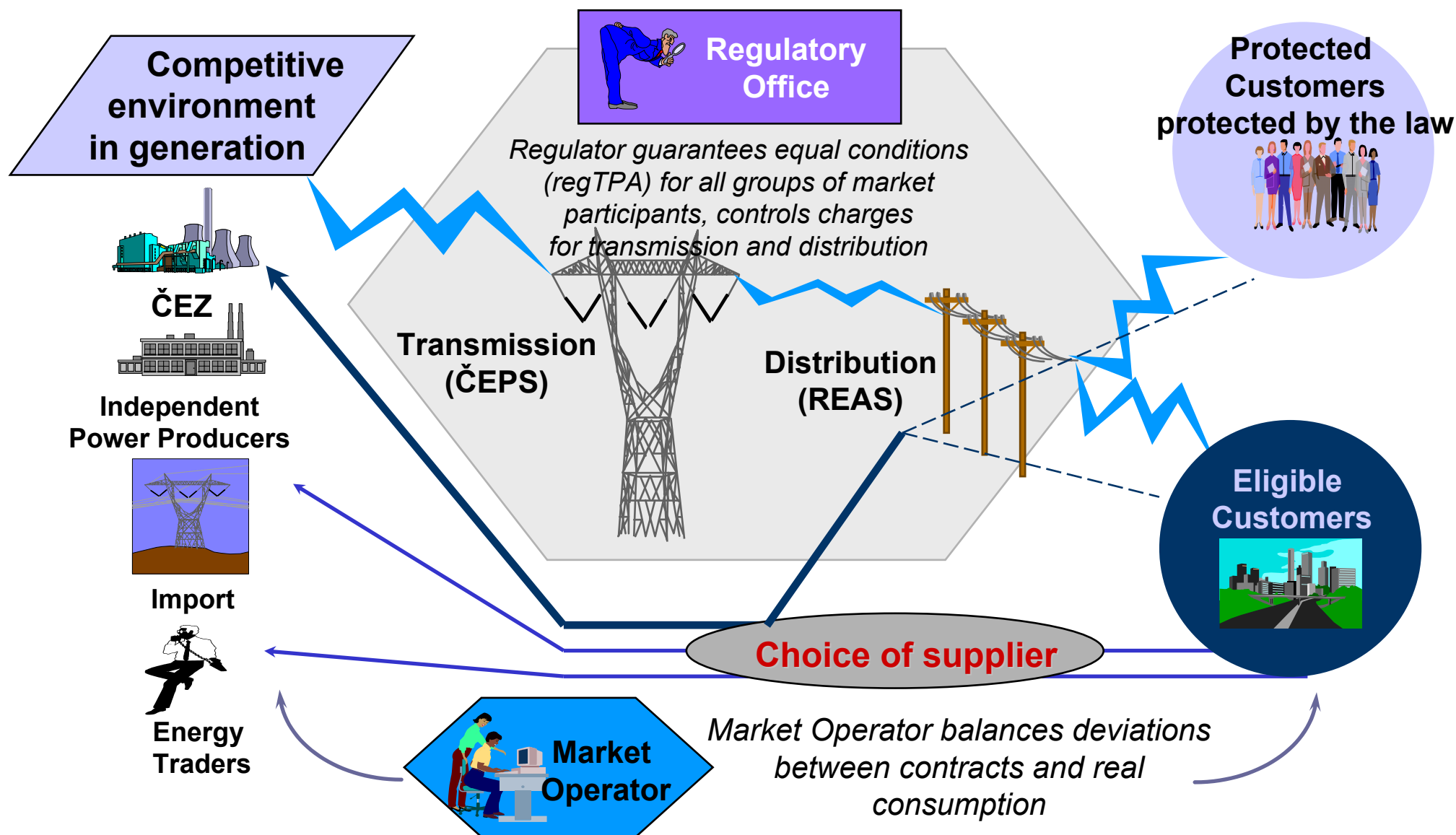
- Approves protected consumers' prices
- Approves prices of system services (ancillary services)
- Approves prices of transmission and distribution (from 2002)

Branch structure  
regulated by Ministry of  
Industry and Trade

- Monitors cost and investment programs
- Sets competition and licensing rules
- Authorizes new power constructions

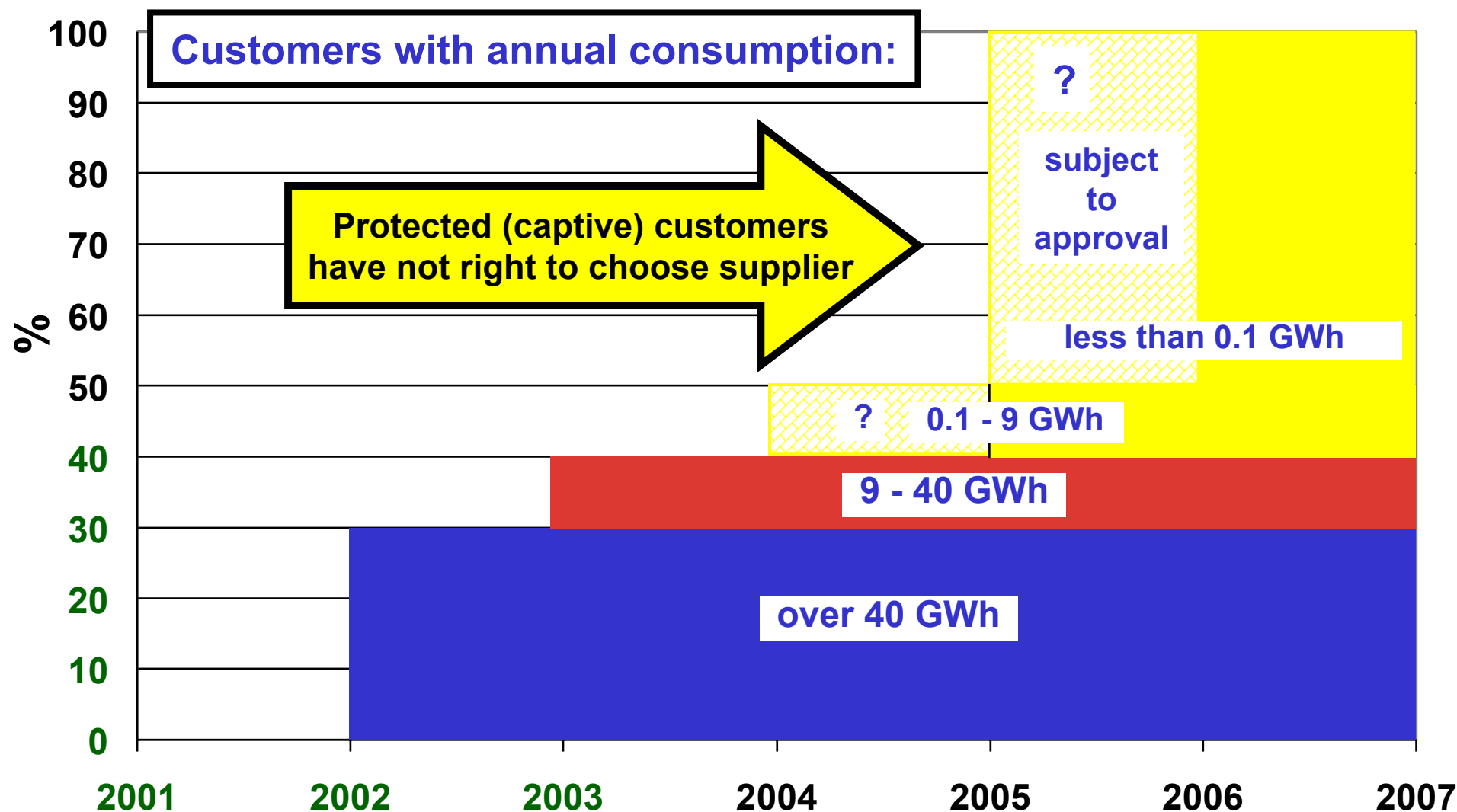
# Current Model of the Electricity Market in the Czech Republic

2.44A 08.04.2003 IN



# Liberalization of Electricity Market in the Czech Republic

8.13 15.4.2003 MH

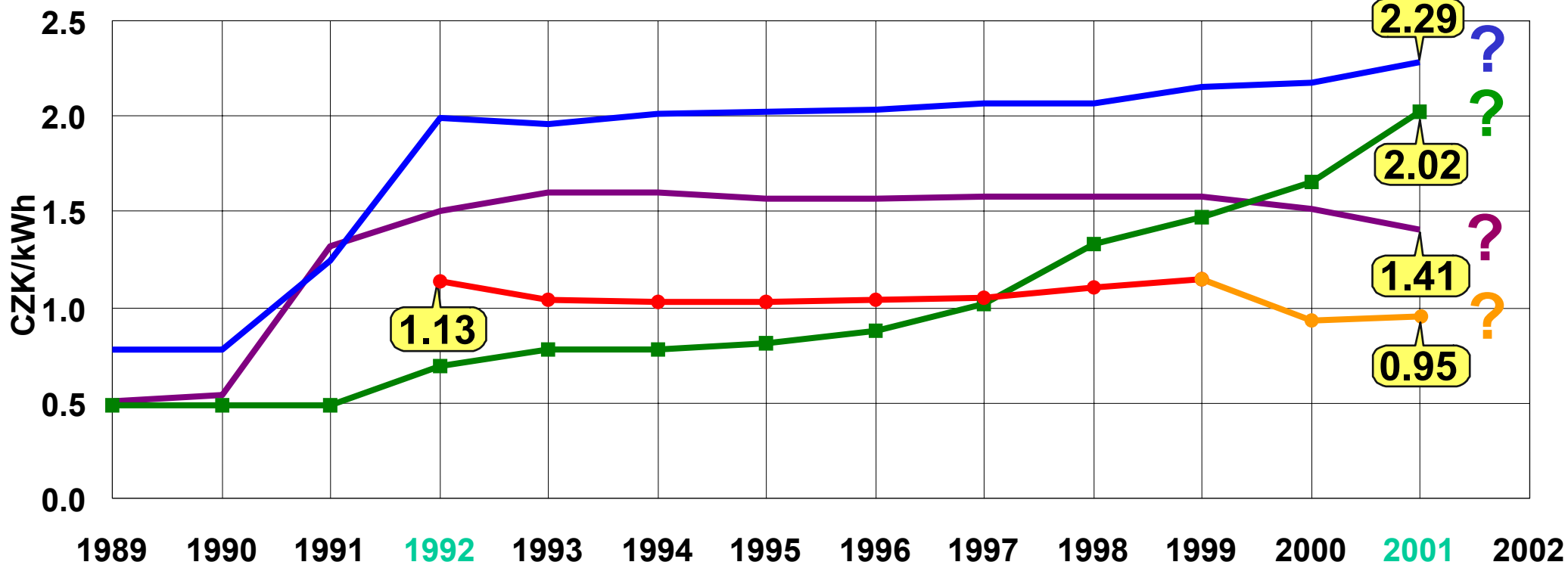


# Development of Electricity Prices (without VAT)

9.3A 31.10.2002 MH

Index

households/industry: **0.46**



- Consumers from HV and VHV
- Companies from LV
- Households

- Transfer prices ČEZ - REAS (transmission included)
  - including ancillary services
  - excluding ancillary services

# ČEZ's Product Offer for 2003 - "Rainbow Power"

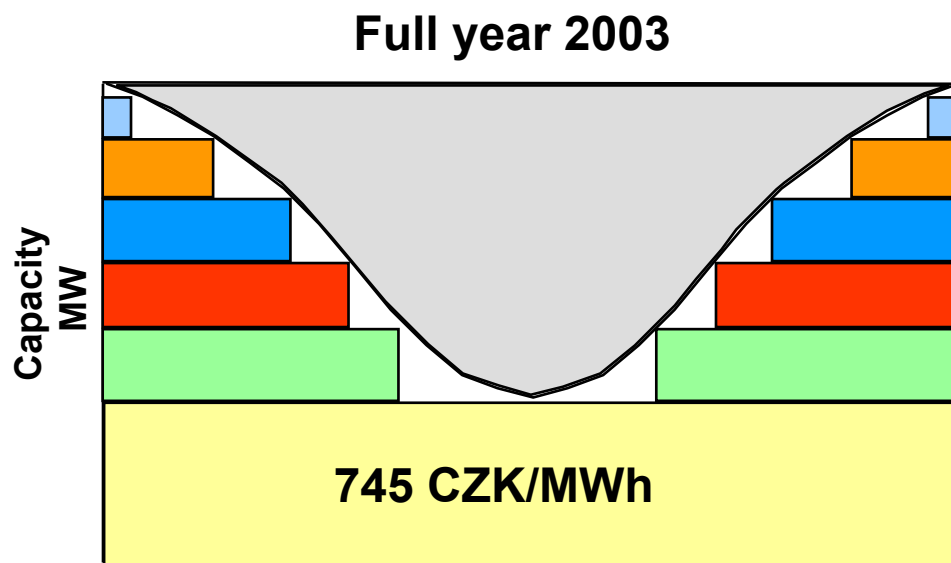
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9.1A 9.4.2003 MH

- ČEZ started to sell its set of products „Rainbow Power“ for 2003 in the third quarter of 2002
- This set consists of 11 individual standard products
- Whatever combination of these products is possible. It complies fully with customer's needs.
- A possibility of an option for some products above
- Publicly offered to REAS, traders and eligible customers
- 8 REAS and 2 other companies have accepted this offer
- More than 90% of planned domestic sales was contracted

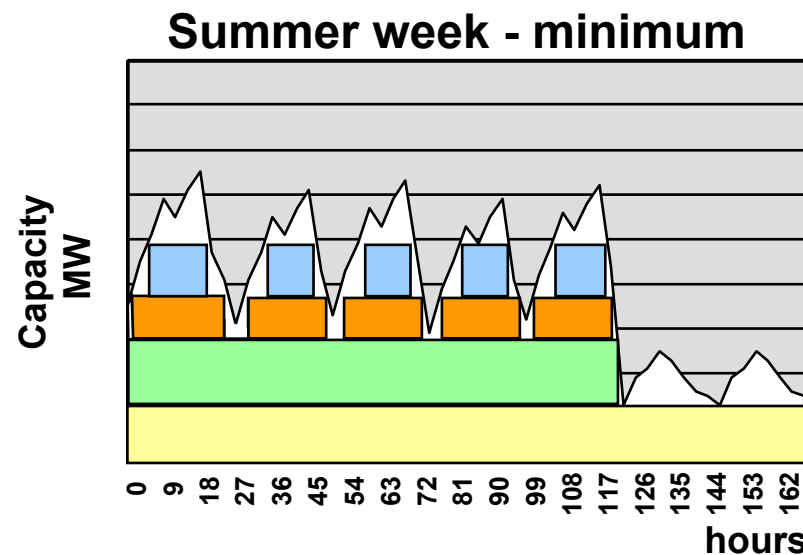
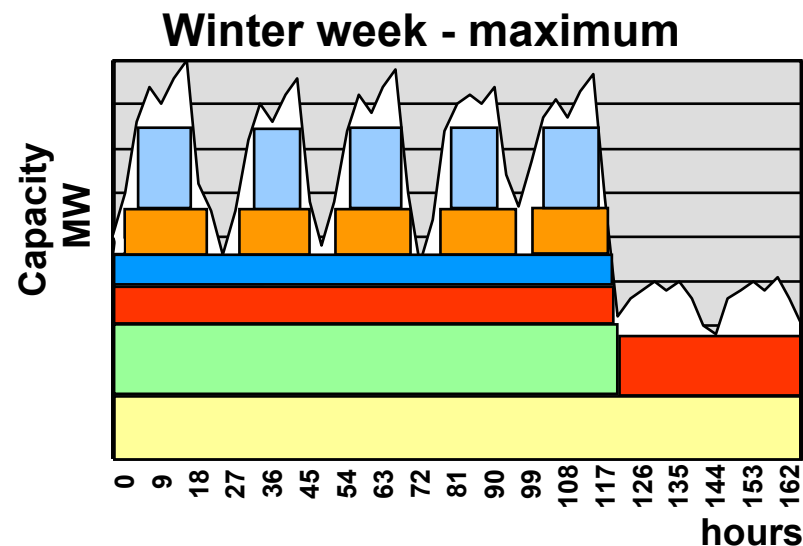
# Public Offer of “Rainbow Power” for 2003

9.6A 09.04.2003 PL



year = 8,760 hours

- residual
- monthly 5 days block
- annual 5 days block
- monthly 5 days band
- monthly 7 days band
- annual 5 days band
- annual 7 days band



The Czech Power Industry

Position of ČEZ

Nuclear Power

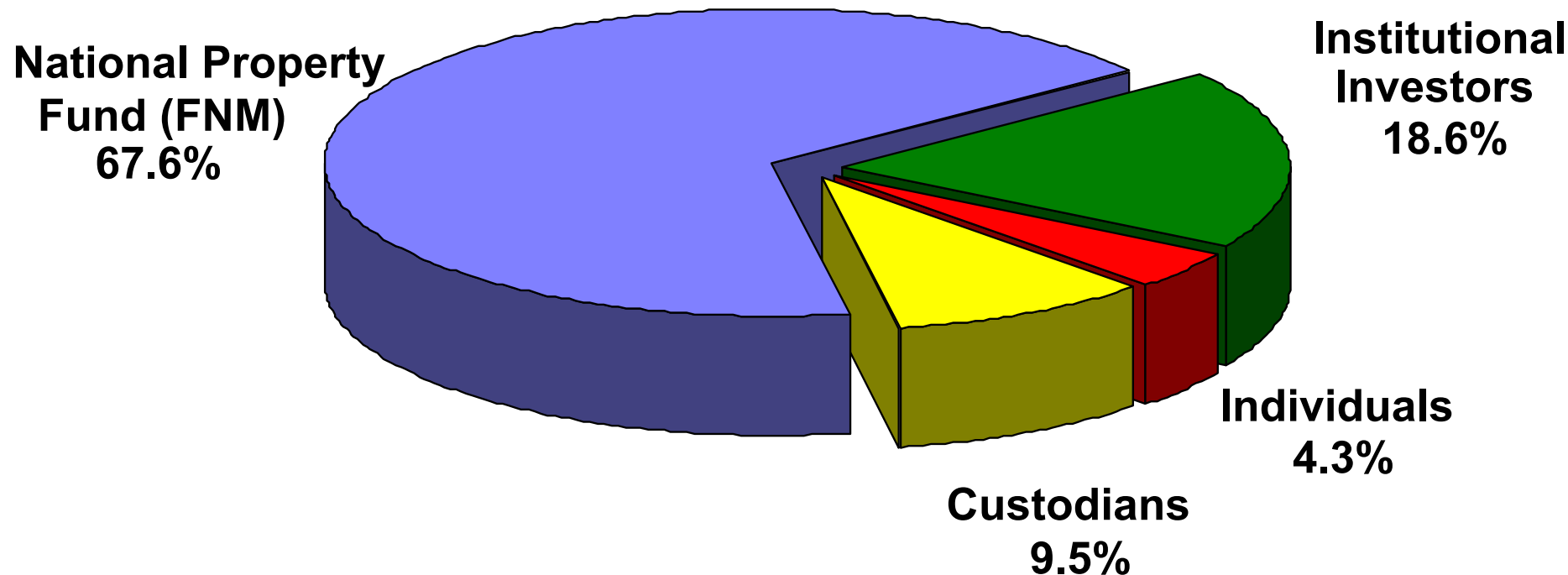
Regulation and Prices in  
Power Industry

**Ownership Restructuring**

Operational and Financial  
Results

# The Shareholders of ČEZ as of February 18, 2003

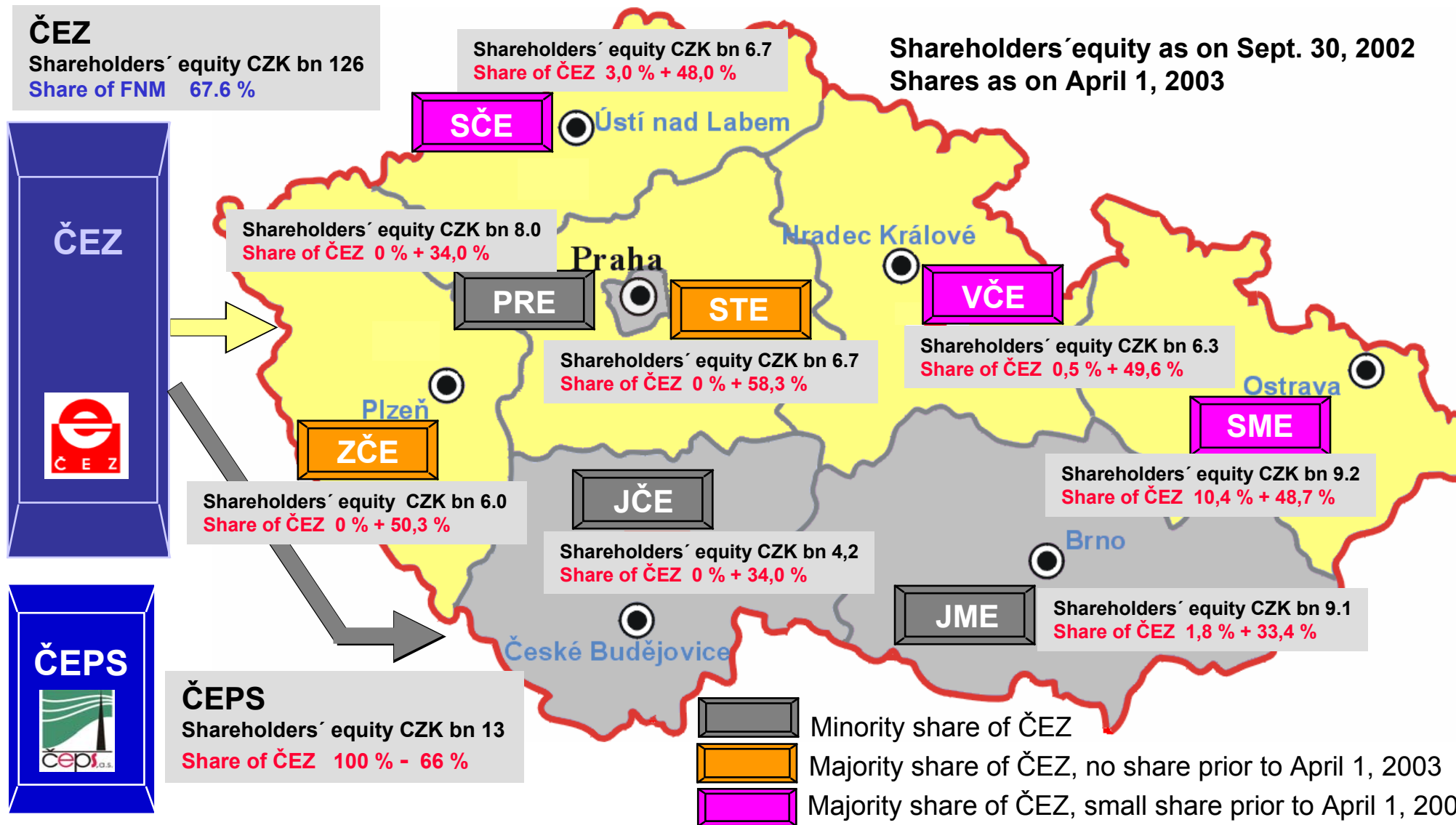
3.2A 09.04.2003 PL



Note: Custodians may manage portfolios of both individuals and institutional investors

# Establishing of New ČEZ Group

2.32A 09.04.2003 MH



According to Anti-trust Office decision, ČEZ has to sell all minority shares in REAS and ČEPS, and one of the majority shares. The terms for sales are not disclosed publicly.

# Ownership transformation – Procedure of the Transaction

2.34A 08.04.2003 MH

- **January/December 2001- Privatization tender for all state shares in ČEZ + 6 distributors but no investor selected at the end**
- **March 2002 - Government confirms the idea of reintegration**
- **May 2002 - Government approves transaction in detail**
- **June 11, 2002 - Approval by the General Meeting of ČEZ**
- **June/July 2002 - Signature of agreements for**
  - **Sale of 51% stake in ČEPS from ČEZ to OSINEK**
  - **Sale of shares of REAS from FNM to ČEZ**
- **August 2002 - Signature of agreement for sale of 15% stake in ČEPS from ČEZ to the Ministry of Labour and Social Affairs**
- **March 2003 - Approval by the Anti-trust Office of the whole transaction**
- **April 1, 2003 – Completion of the deal (post-closure conditions remain)**

Note: FNM = National Property Fund

The Czech Power Industry

Position of ČEZ

Nuclear Power

Regulation and Prices in  
Power Industry

Ownership Restructuring

**Operational and Financial  
Results**

# Basic Data

7.1A 02.05.2003 MH

	1997	1998	1999	2000	2001	2002	I.Q 2003
Capacity at end of period (MW)	10,999	10,900	10,151	10,146	10,146	11,146	11,146
Electricity sales (GWh)	49,333	48,179	46,570	50,449	50,850	53,174	14,939
Number of employees at end of period	11,157	10,314	9,266	8,795	7,552	7,250	7,138
Capital expenditures in CZK bn *	23.43	25.81	22.73	21.62	15.32	10.33	0.83

\*/ Data is in accordance with IFRS

# Income Statement in Brief (CZK bn)

7.3A 02.05.2003 MH

	2000	2001	2002	I. Q 2003
Operating Revenues	52.43	56.06	55.58	15.84
Operating Expenses	39.80	41.38	44.32	11.19
Income before interest, taxes and depreciation (EBITDA)	22.01	24.04	22.98	7.78
Operating Income (EBIT)	12.63	14.68	11.25	4.64
Other Expenses/Income	2.03	1.39	-0.54	0.10
Income before income taxes (EBT)	10.60	13.29	11.8	4.55
Income Taxes	3.36	4.17	3.38	1.21
Net Income	7.24	9.12	8.42	3.34

Note: All data is in accordance with IFRS

## Balance Sheet in Brief (CZK bn)

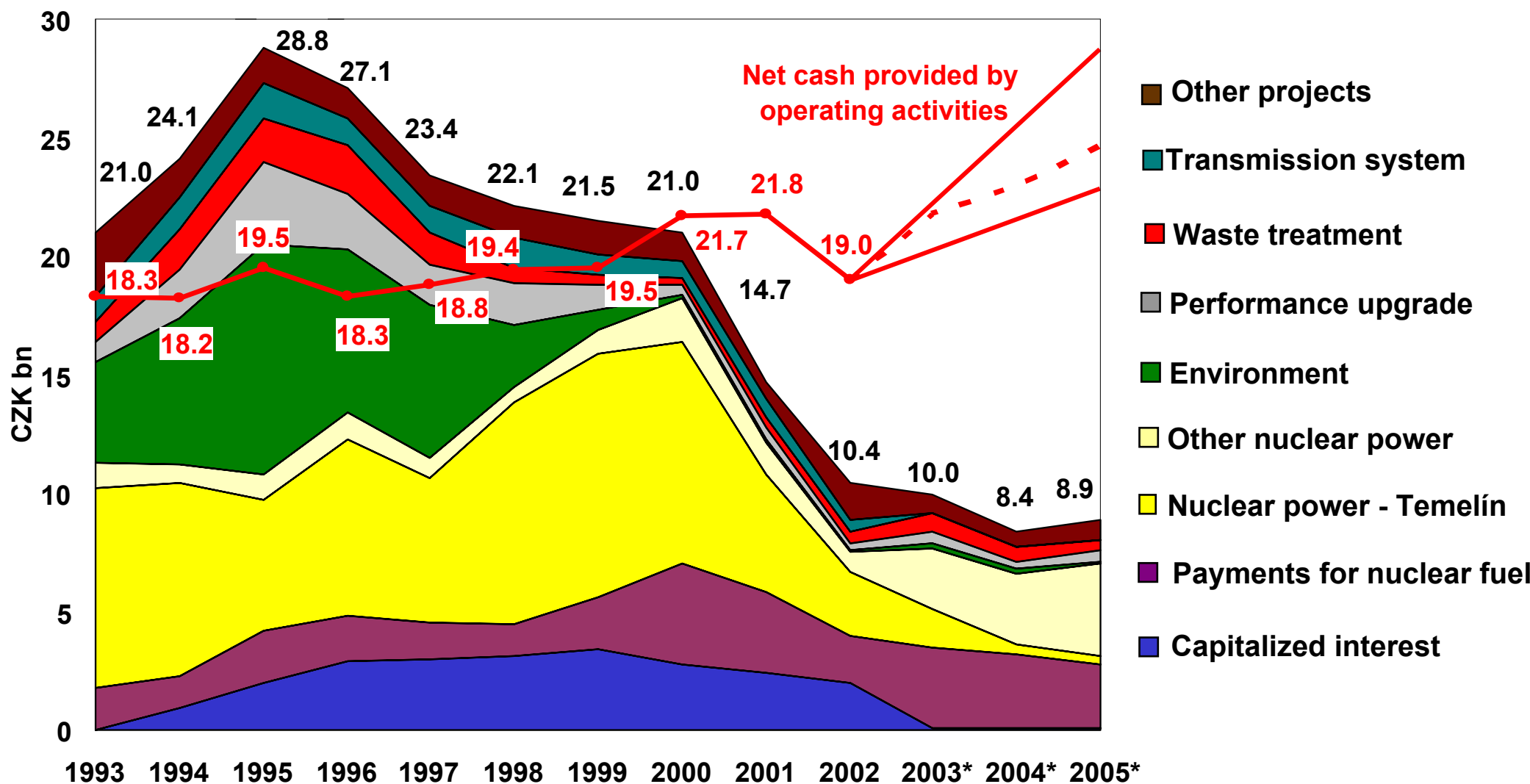
7.5A 02.05.2003 MH

	2000	2001	2002	I. Q 2003
<b>Total Assets</b>	<b>222.26</b>	<b>229.03</b>	<b>231.47</b>	<b>233.12</b>
<b>Net Plant in Service</b>	<b>92.95</b>	<b>87.64</b>	<b>138.98</b>	<b>136.51</b>
<b>Construction Work in Progress</b>	<b>103.59</b>	<b>111.93</b>	<b>56.51</b>	<b>56.53</b>
<b>Shareholders' Equity</b>	<b>129.44</b>	<b>136.73</b>	<b>143.68</b>	<b>147.02</b>
<b>Long-term Liabilities</b>	<b>70.61</b>	<b>64.48</b>	<b>59.60</b>	<b>55.79</b>
<b>Current Liabilities</b>	<b>14.16</b>	<b>17.95</b>	<b>15.65</b>	<b>17.37</b>

Note: All data is in accordance with IFRS

# Investment Program (without financial investments) and Internally Generated Cash Flow

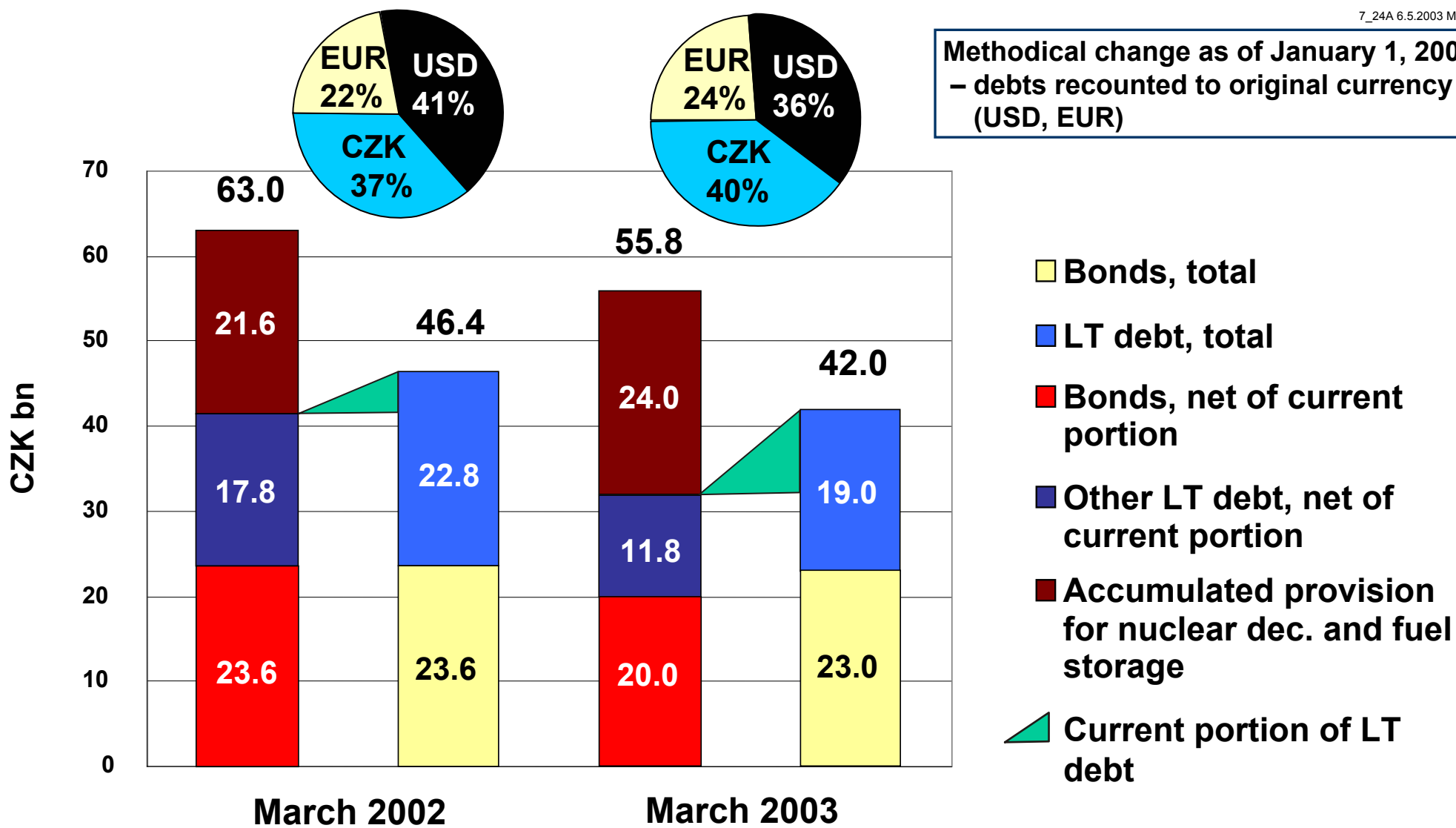
6.3AD 28.5.2003 ZM



Notes: All data is in accordance with IFRS.  
\*) Estimation

# Development of Long-term Liabilities

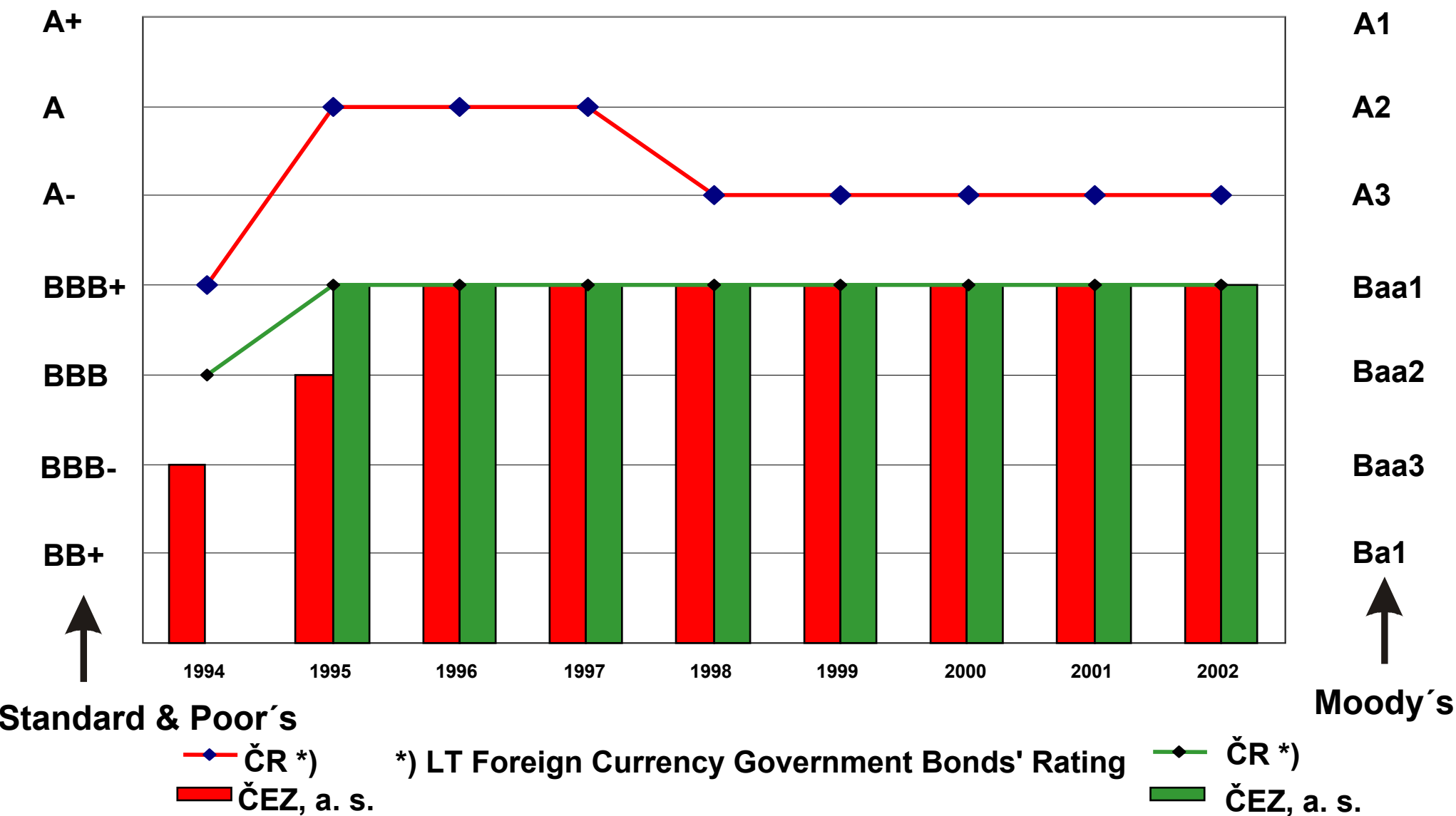
7\_24A 6.5.2003 MH



Note: All data is in accordance with IFRS

# Credit Rating of ČEZ and the Czech Republic \*)

3.1A 27.01.2003 PI



# ČEZ is a Leading Corporate Name in Emerging Europe

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2.37A 8.4.2002 MH

- **One of the largest publicly traded utilities in Central and Eastern Europe**
- **Largest electricity producer in the region**
- **One of the leaders in revenues and in profit in the Czech Republic**
- **First and one of the largest corporate bond issuers in emerging Europe**
- **First rated and investment grade company in emerging Europe (currently Baa1/BBB+)**
- **Stock regarded as a proxy for the Czech stock exchange market**
- **Constantly growing dividends have been paid since 2001**