

# **ČEZ - Czech power company**



**ČEZ GROUP**

**September 2003**

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10.13A 1.9.2003 MH

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10.14A 1.9.2003 MH

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# ČEZ - Basics 2002

10.2A 26.8.2003 MH

- Dominant power producer in the Czech Republic
- Successful player on the competitive European market
- 49,873 GWh - net electricity generation in 2002
- 11,146 MW in operation (from 04/2003 12,153 MW) \*
- 1,000 MW in construction (from 04/2003 0 MW) \*
- 7,250 employees

## ČEZ Group - Presentation on Internet

Home Page of ČEZ: [www.cez.cz/eng](http://www.cez.cz/eng)

Home Page of ČEZ Group: [www.skupina-cez.cz/eng](http://www.skupina-cez.cz/eng)

Rainbow Power Information: [www.duhovaenergie.cz/eng](http://www.duhovaenergie.cz/eng)

## 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

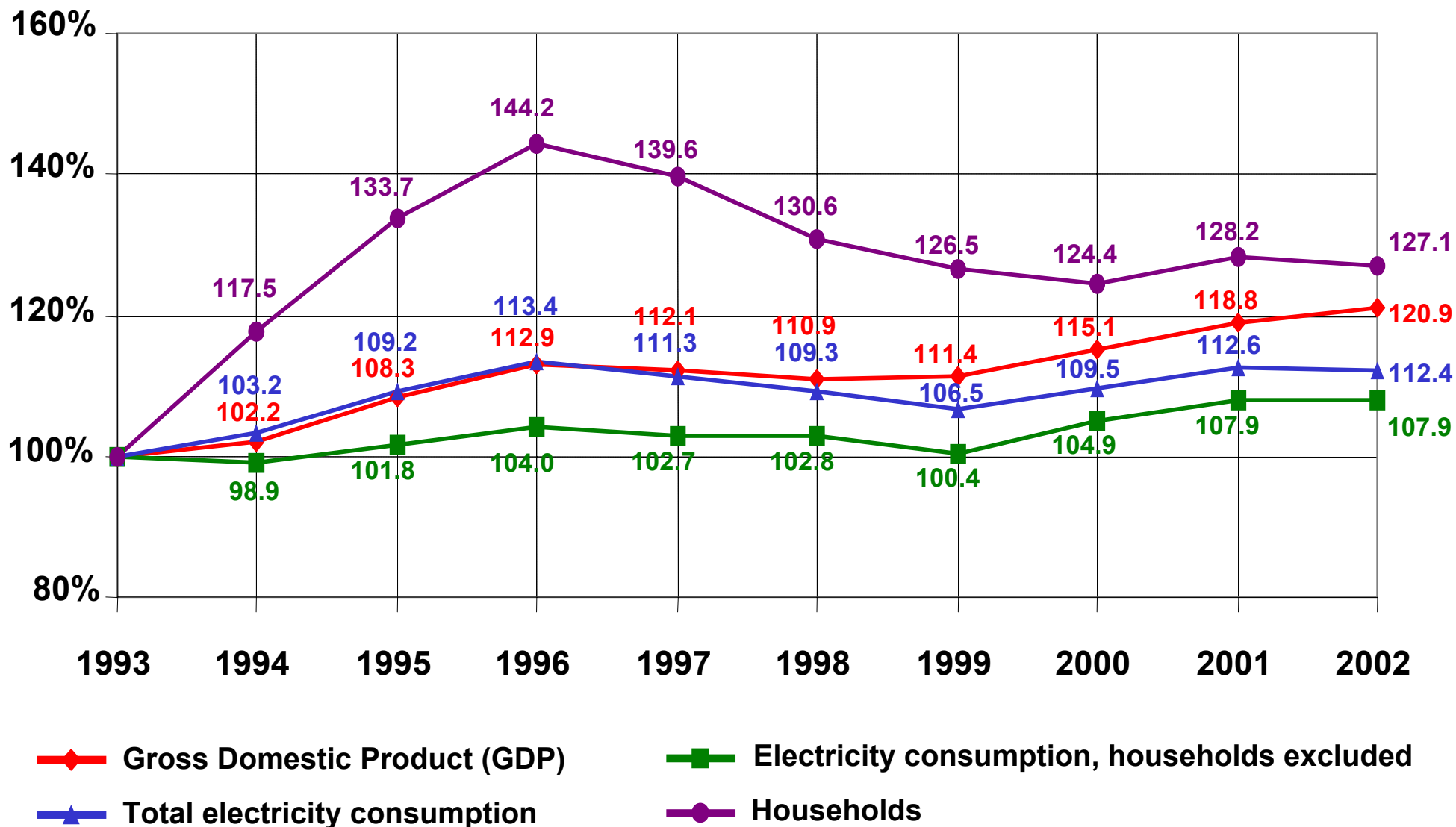
Regulation and Prices in  
Power Industry

Ownership Restructuring

Operational and Financial  
Results

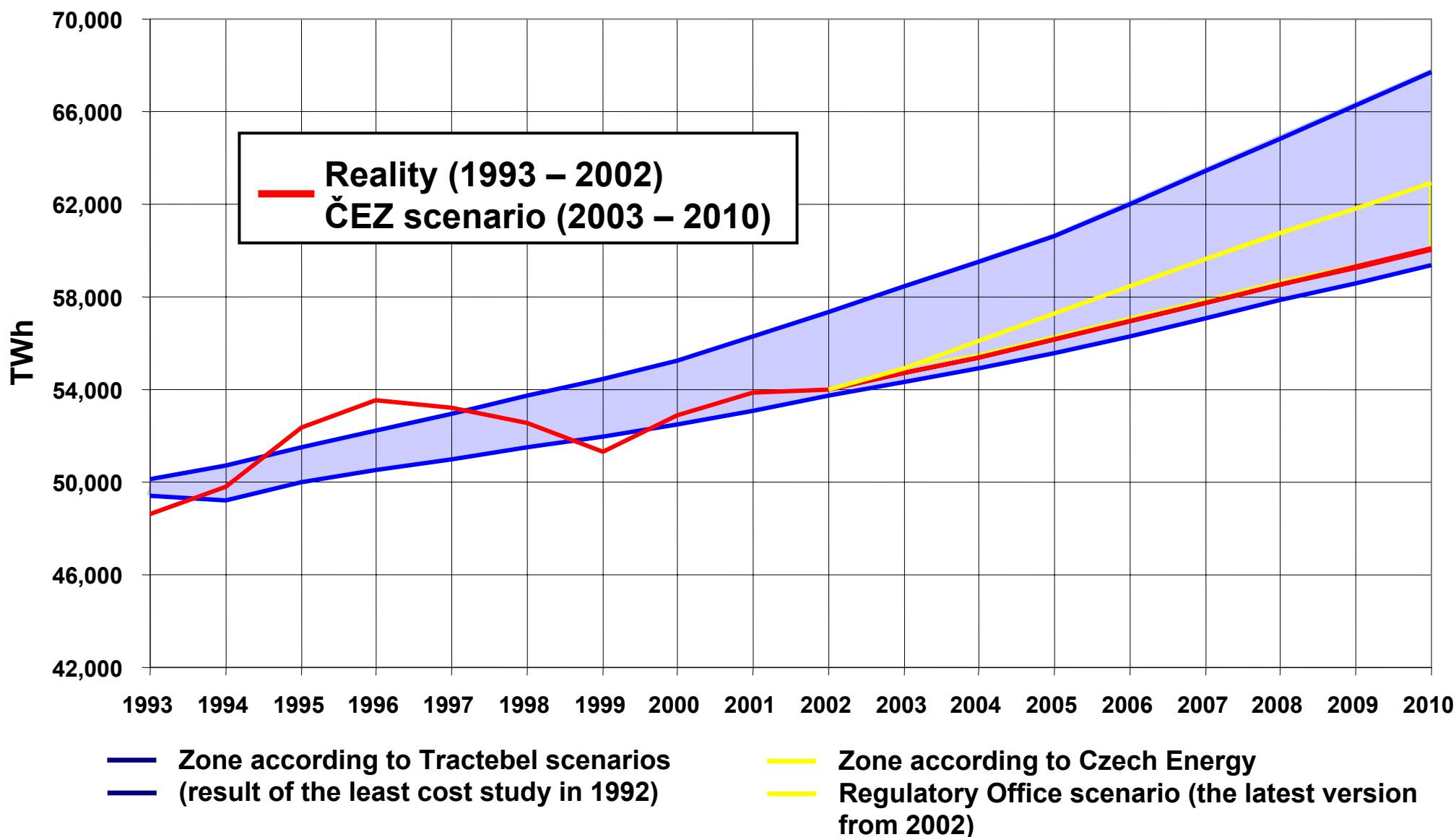
# GDP and Electricity Consumption in the Czech Republic

1.13A 31.3.2003 PL



# Electricity Demand in the Czech Republic Scenarios

1.43 30.4.2003 MH



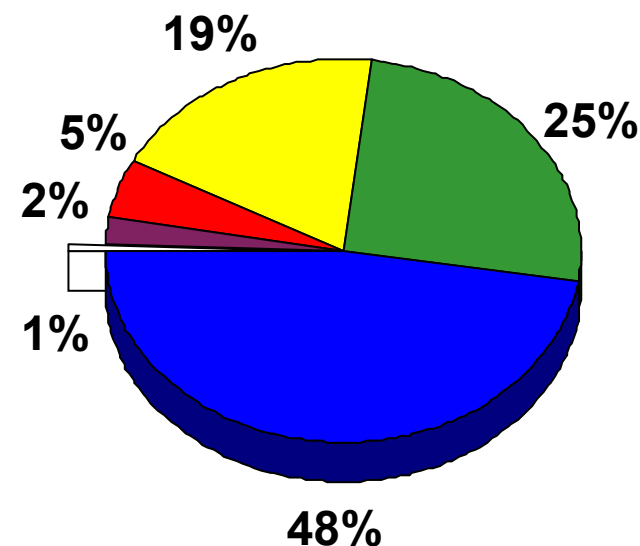
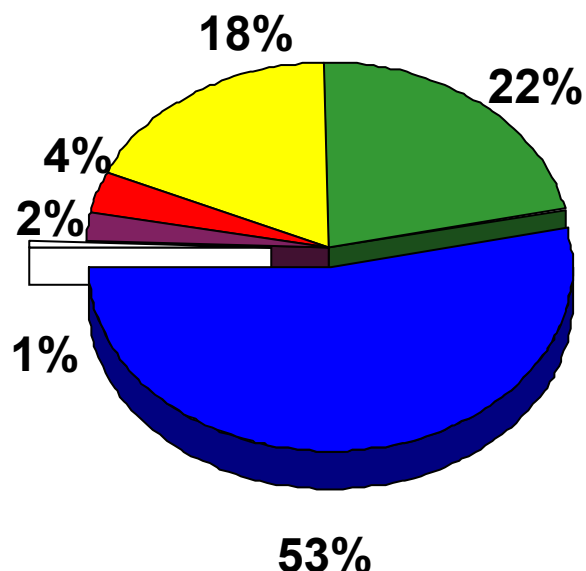
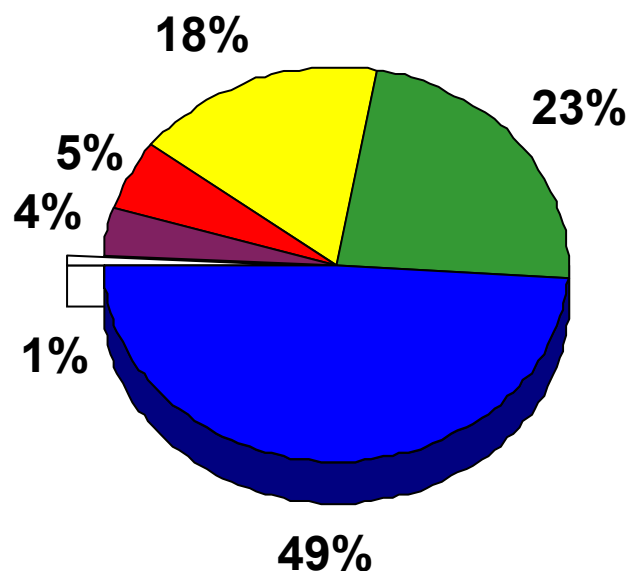
# Electricity Demand Structure

1.8A 26.8.2003 MH

1993

2002

2005\*



■ Industry

■ Households

■ Commerce and Business Services

■ Transport

■ Construction

■ Agriculture and forestry

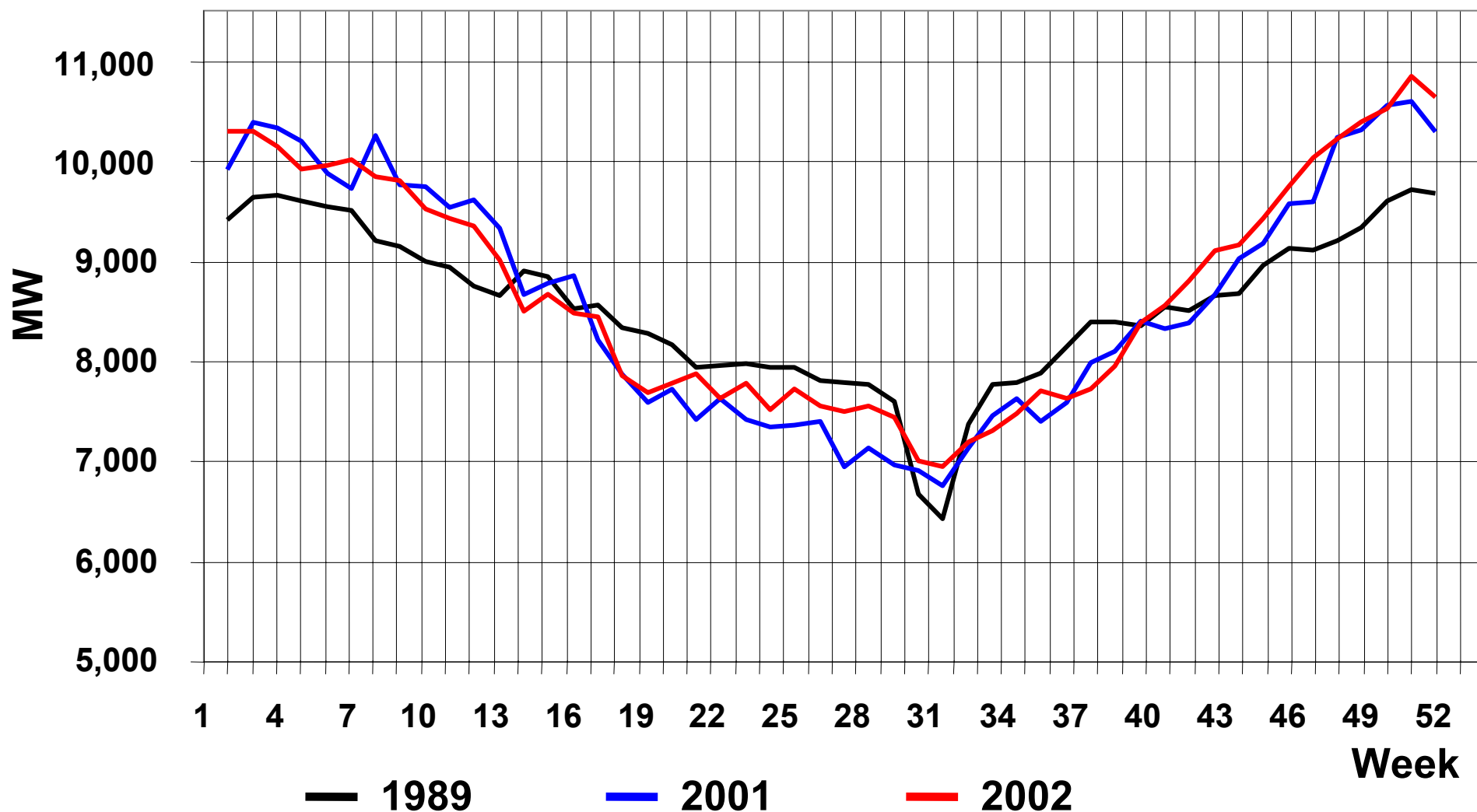
\*) Estimation



# Average Weekly Peak Loads on the Transmission Grid Level

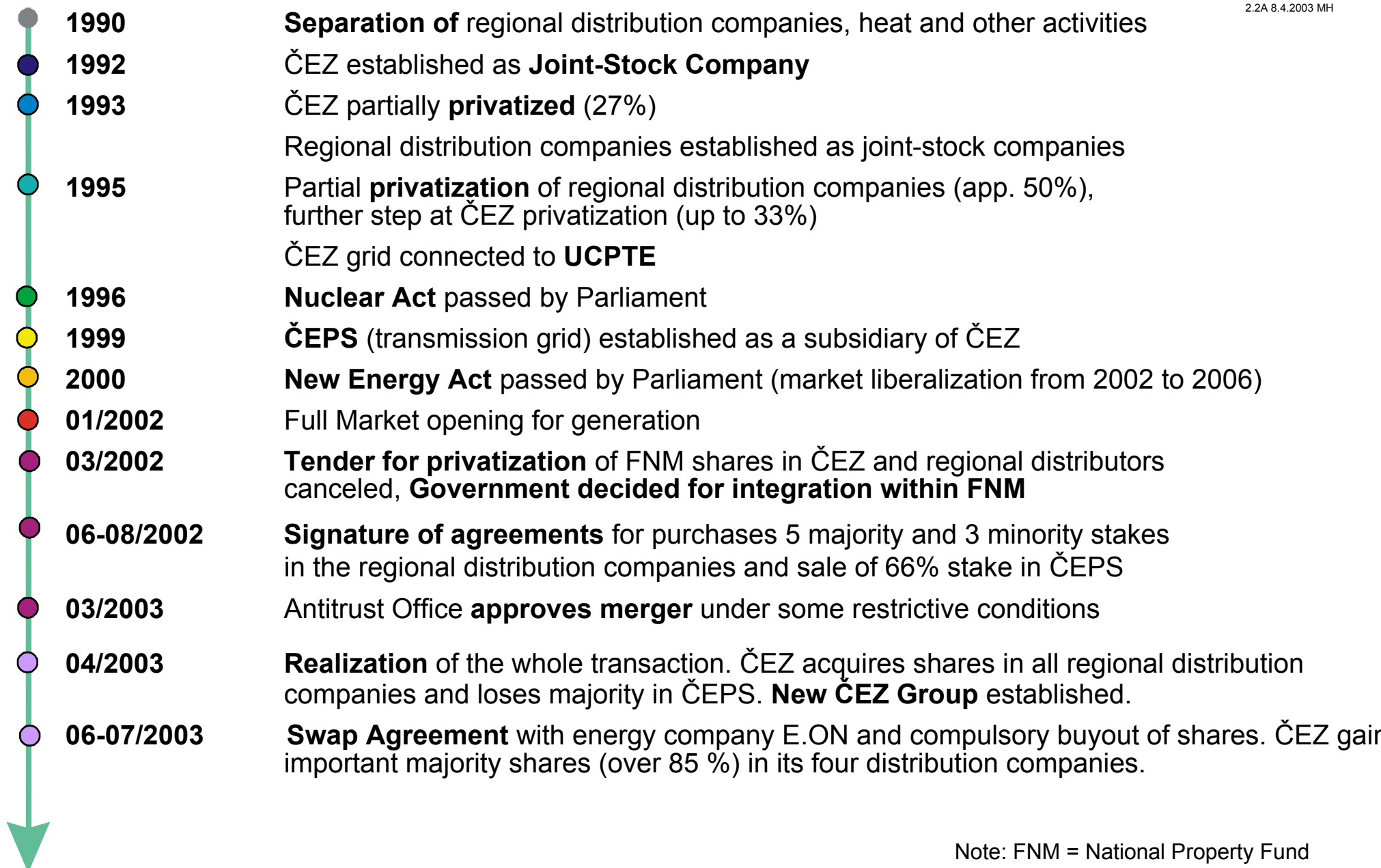
1.14A 30.04.2003 MH

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



# ČEZ Milestones

2.2A 8.4.2003 MH



Note: FNM = National Property Fund



# Power in the Czech Republic in Brief in 2002

1.1A 31. 03. 2003 PL

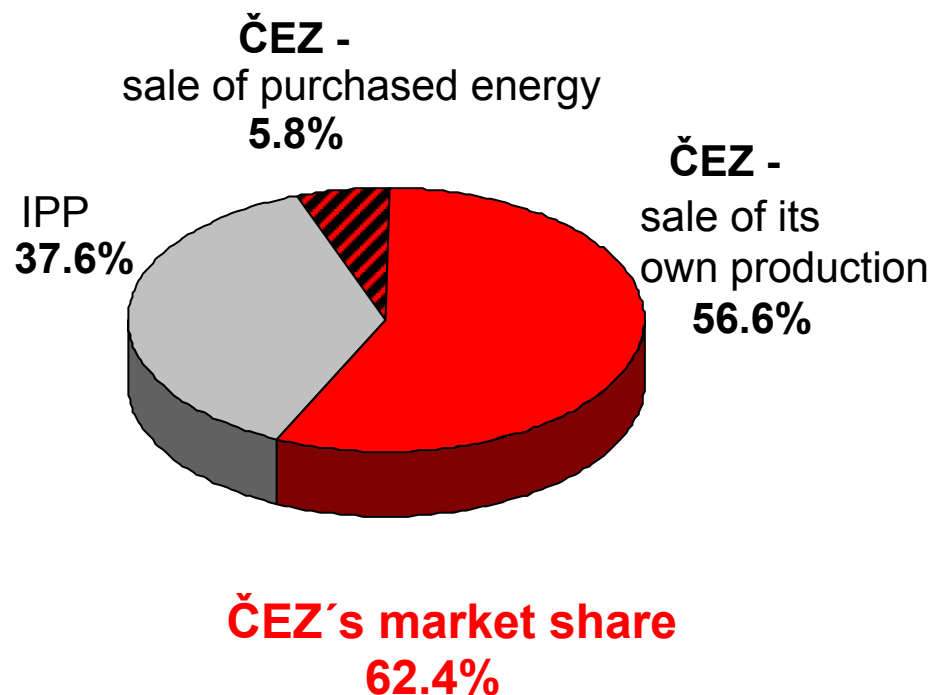
## Czech Republic

- 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

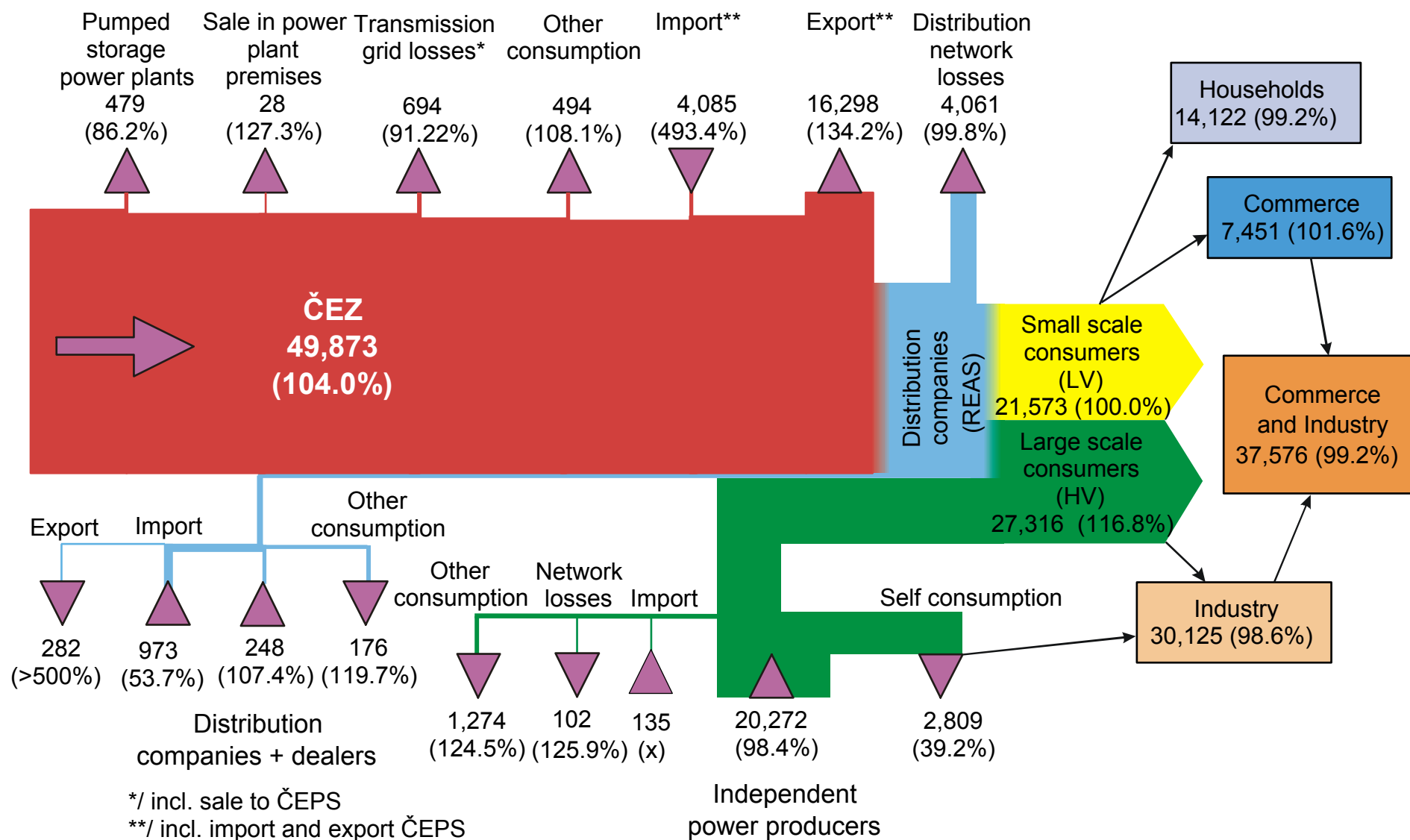
- Installed capacity as of 31<sup>st</sup> December 2002 11,146 MW
- Net electricity generation 49,873 GWh

## Czech power market and its participants



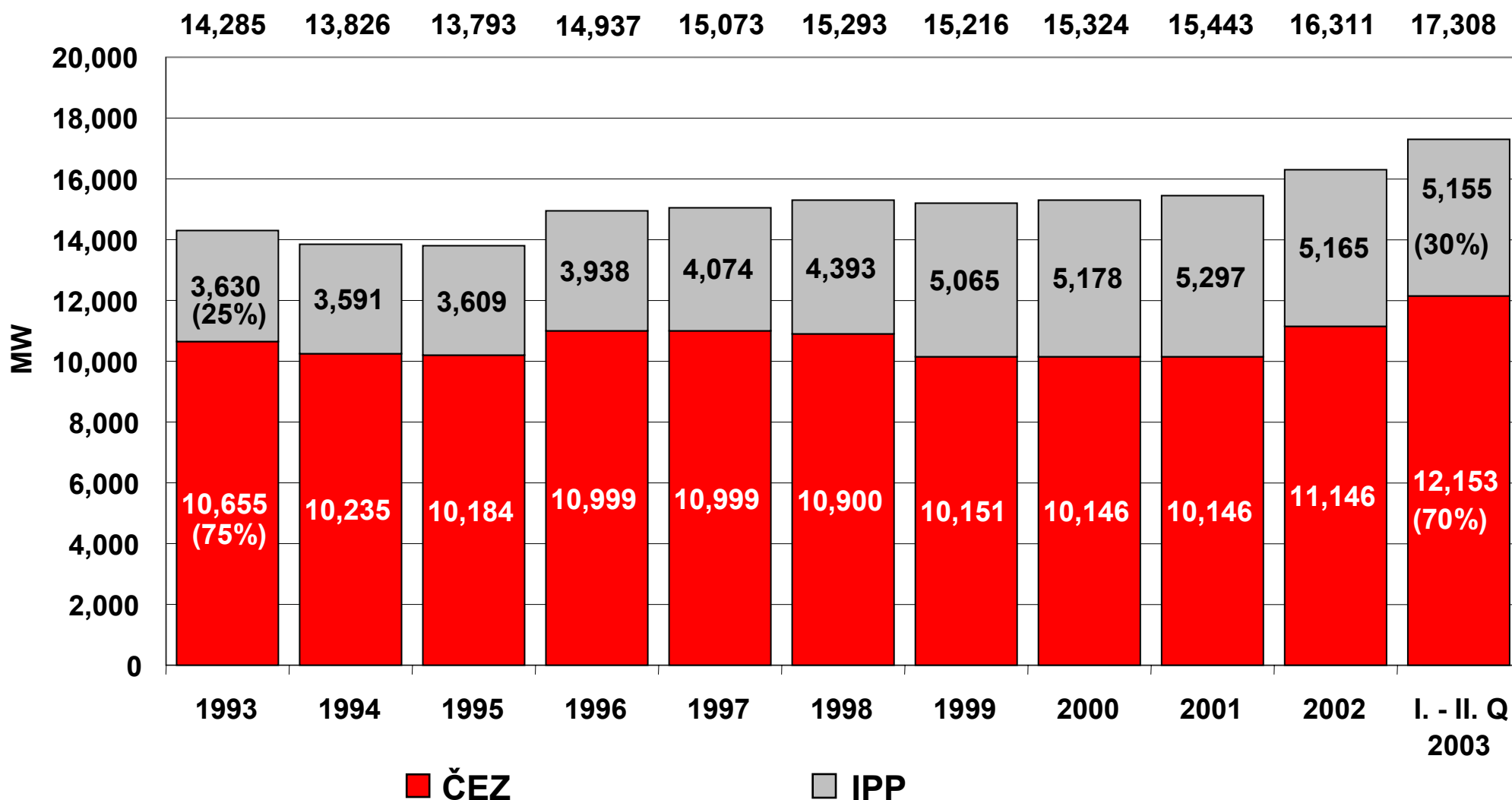
# Scheme of the Power Supply in the Czech Republic in 2002 in GWh (index 02/01)

1.4A 26.08.2003 MH



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

1.12A 31.7.2003 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

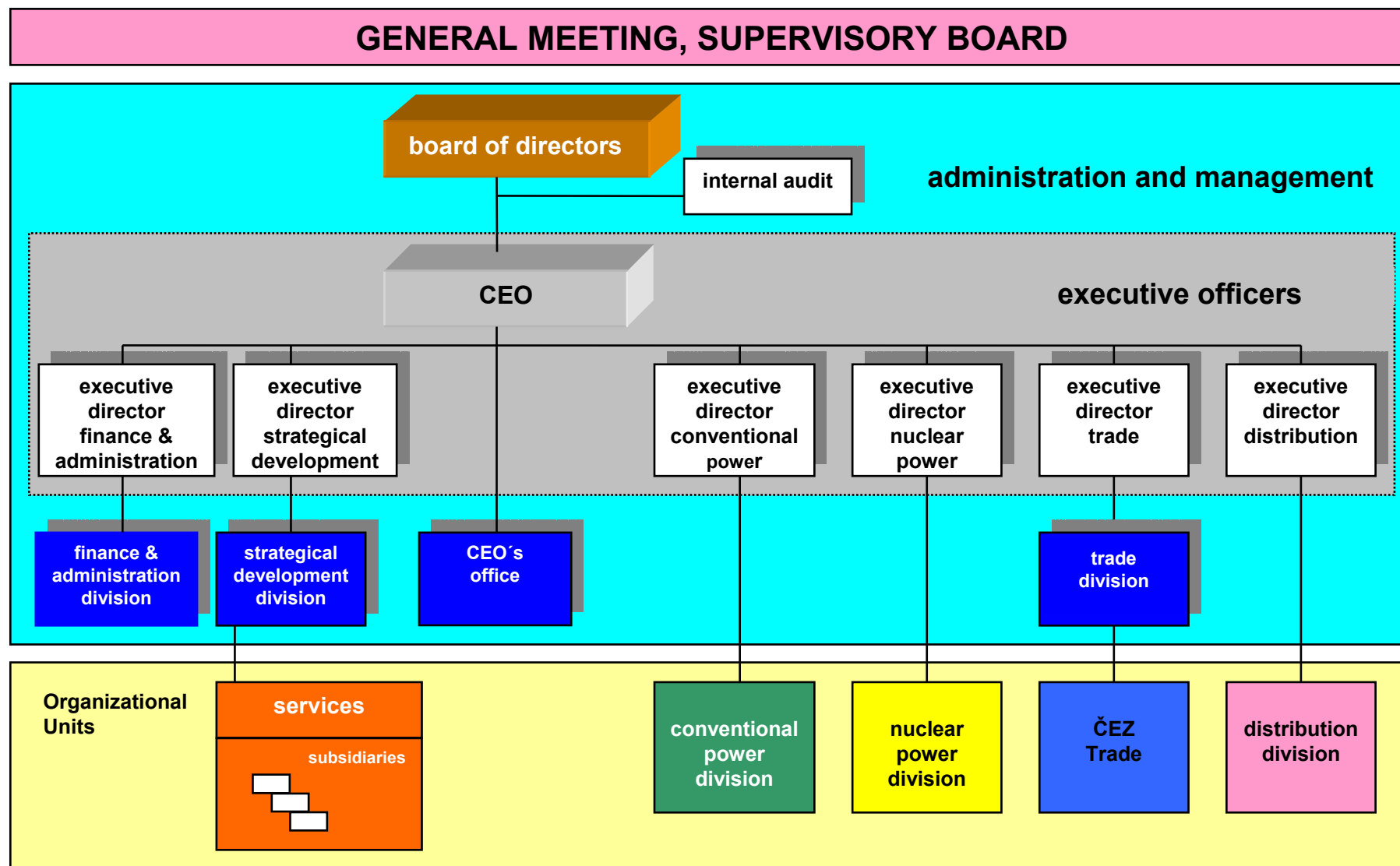
**To ensure optimum level of electricity sales,  
enabling efficient use of production capacities,  
to be a respected, sought-after,  
reliable commercial partner and an attractive  
employer of skilled employees,  
and thus to ensure an attractive return on equity  
and an increase of the company's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





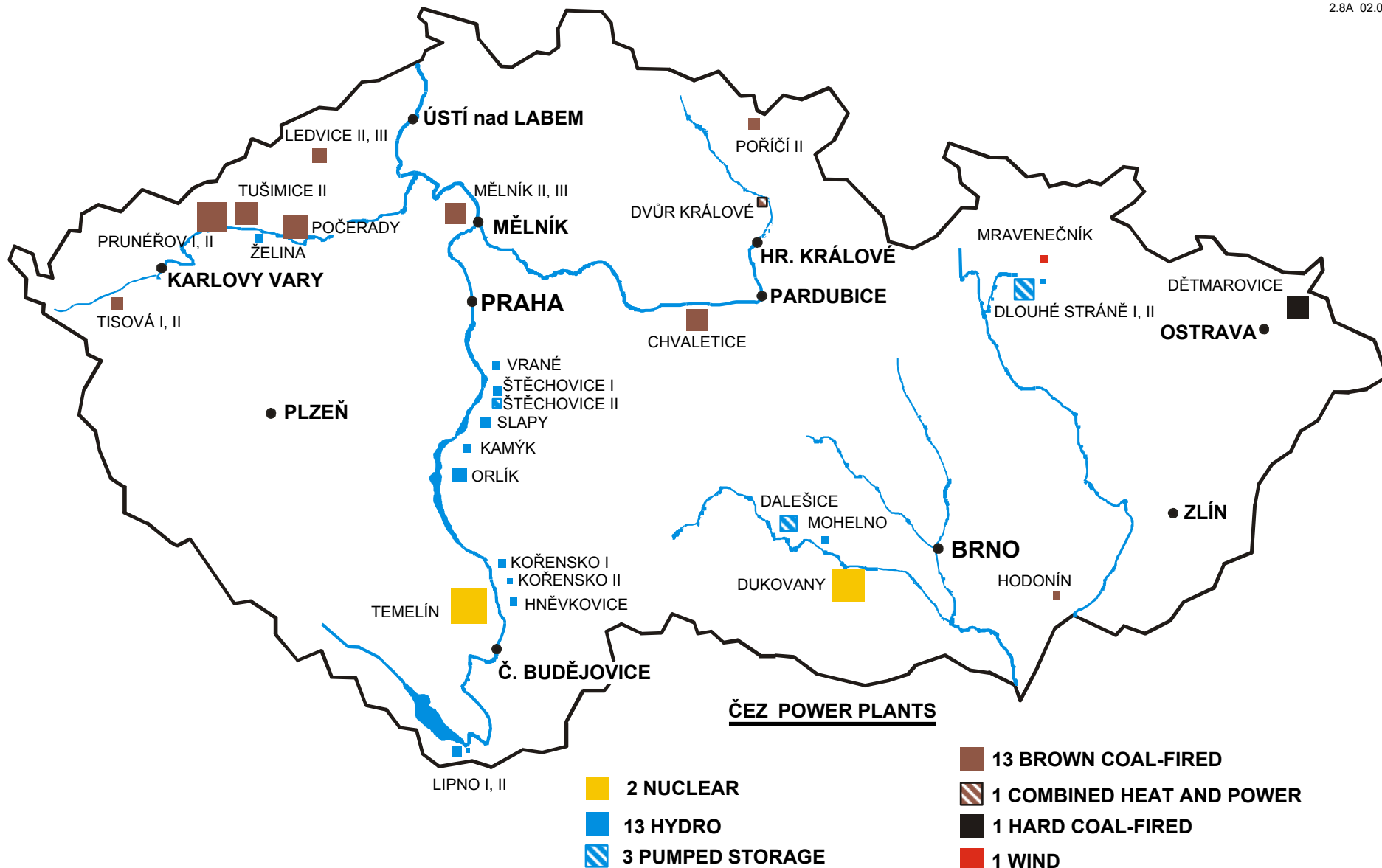
# System of Management of ČEZ

2.6A 26.8.2003 MH



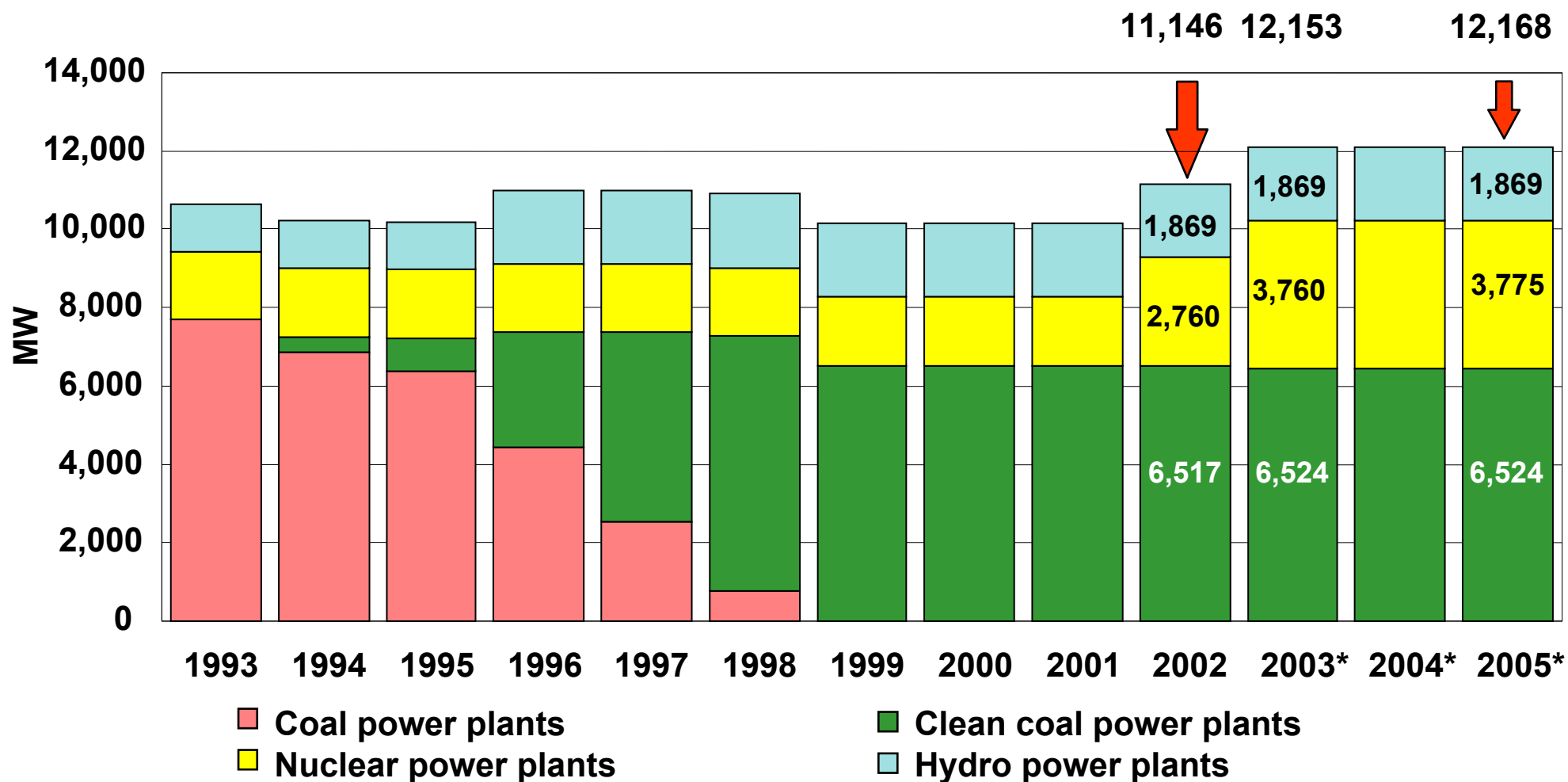
# ČEZ Power Plants

2.8A 02.05.2003 MH



# Installed Capacity of ČEZ

2.16A 31.07.2003 MH



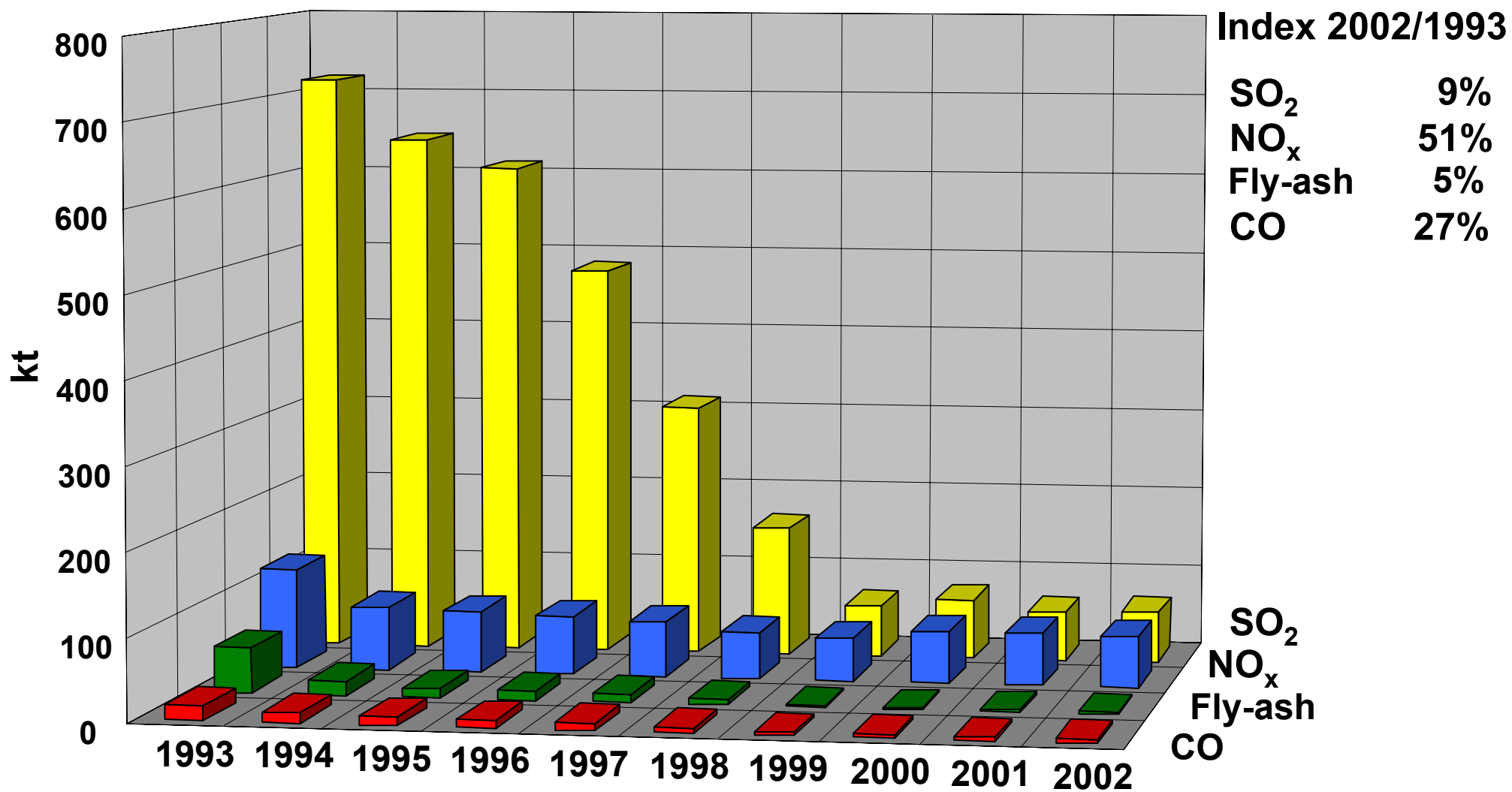
Note: Installed capacity 1 MW of wind PP is included in the installed capacity of hydro PP

\*) Estimation



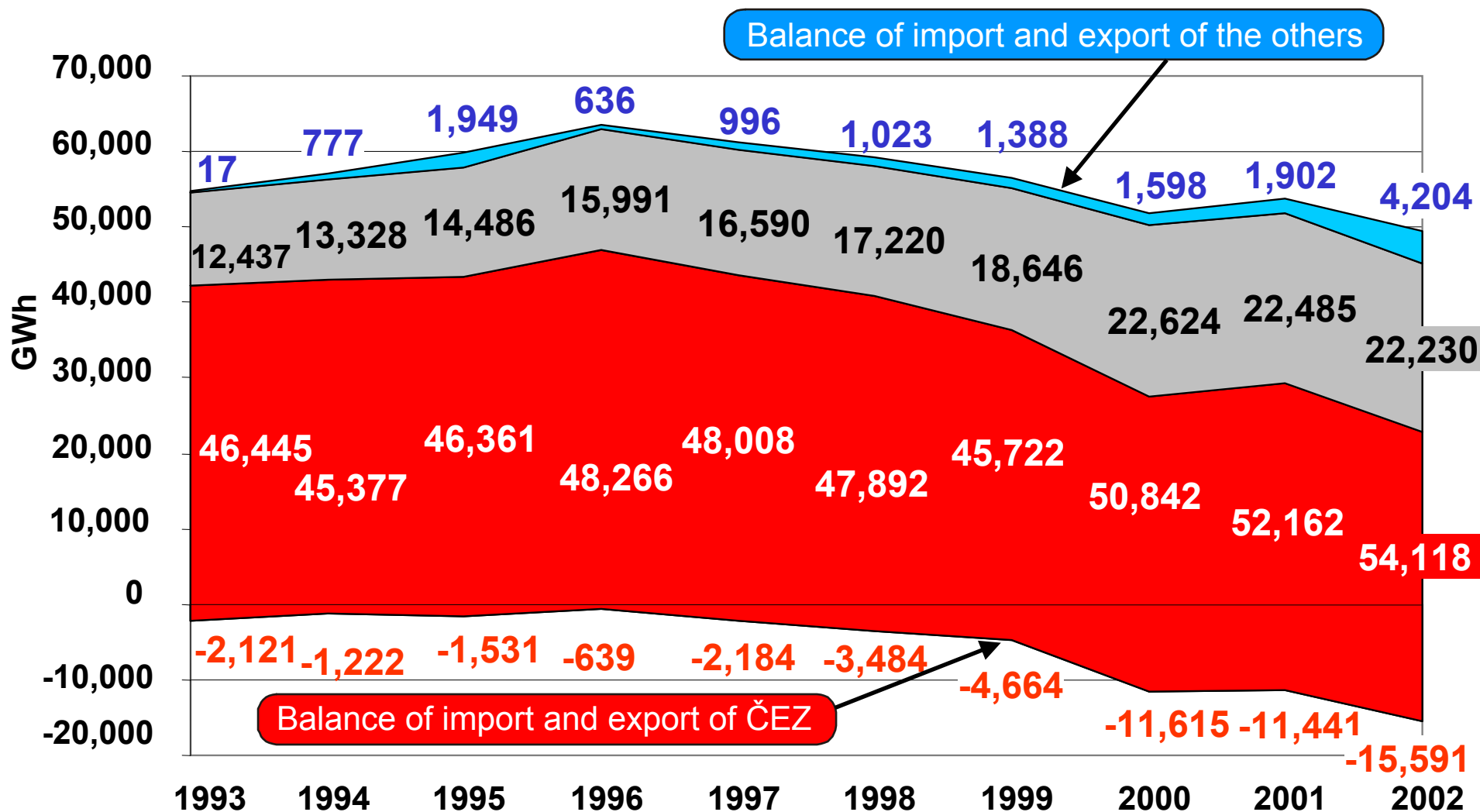
# ČEZ's Coal-fired Power Plants Emissions

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

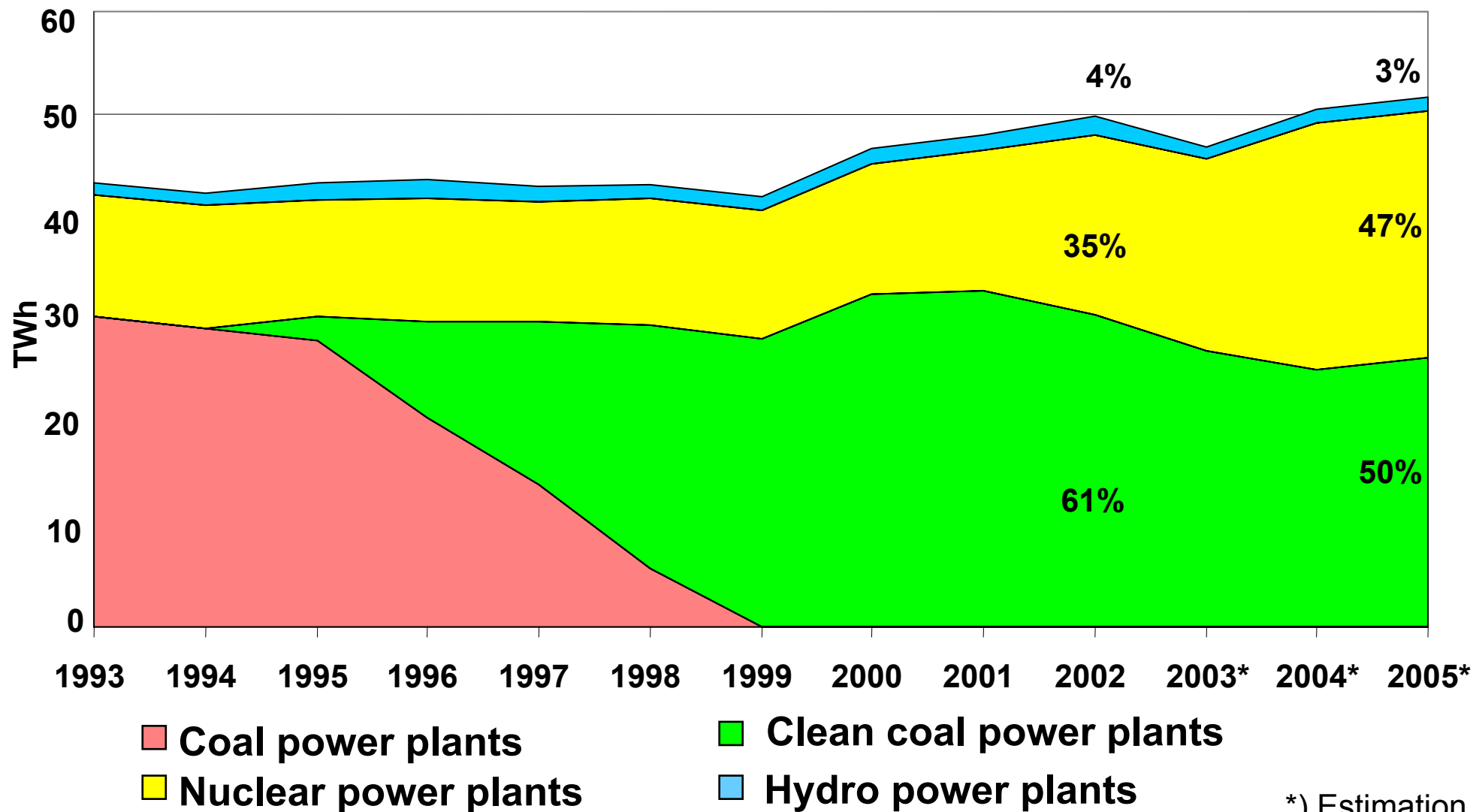


duhová energie



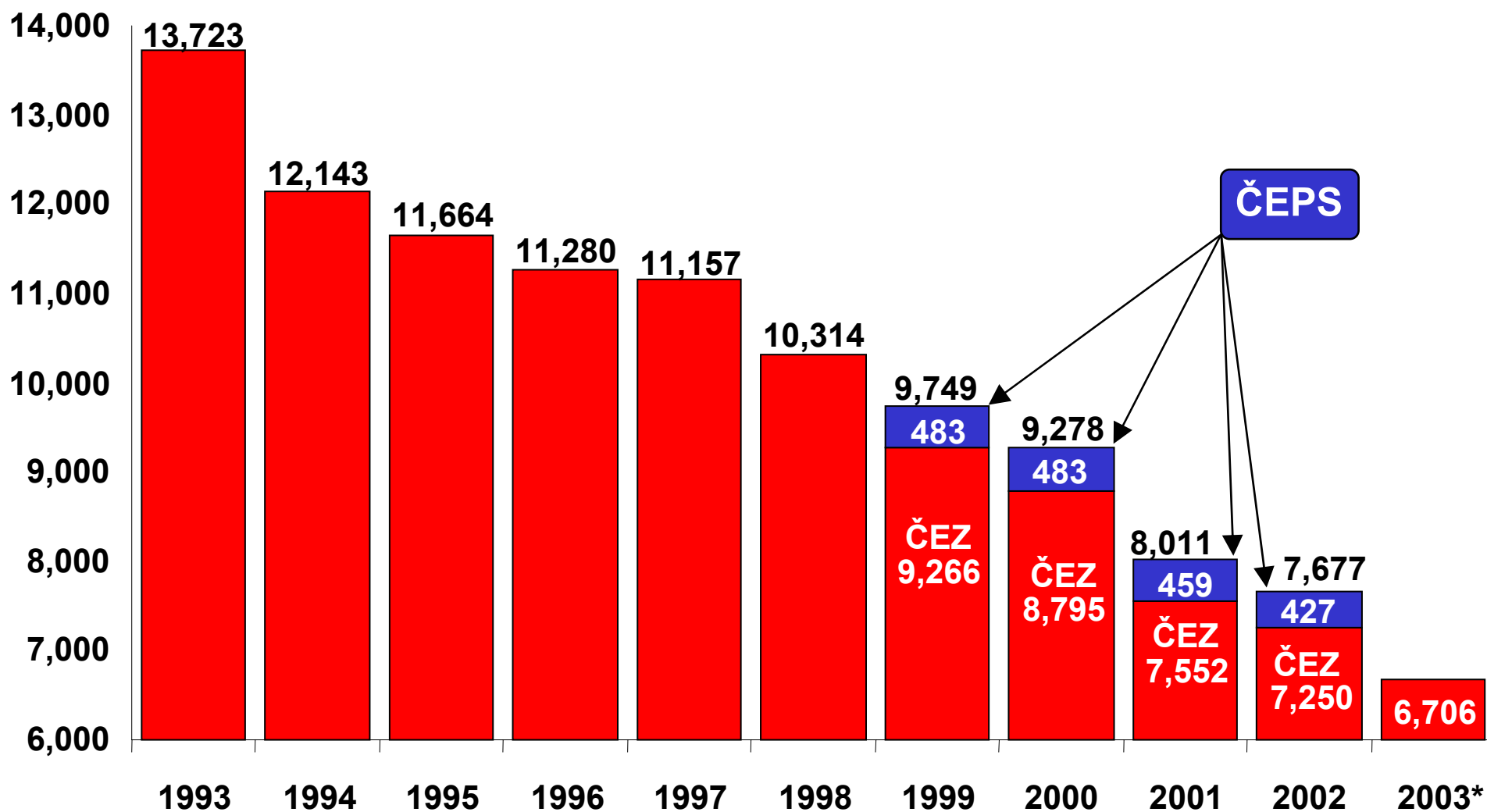
# ČEZ Electricity Supply Structure

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

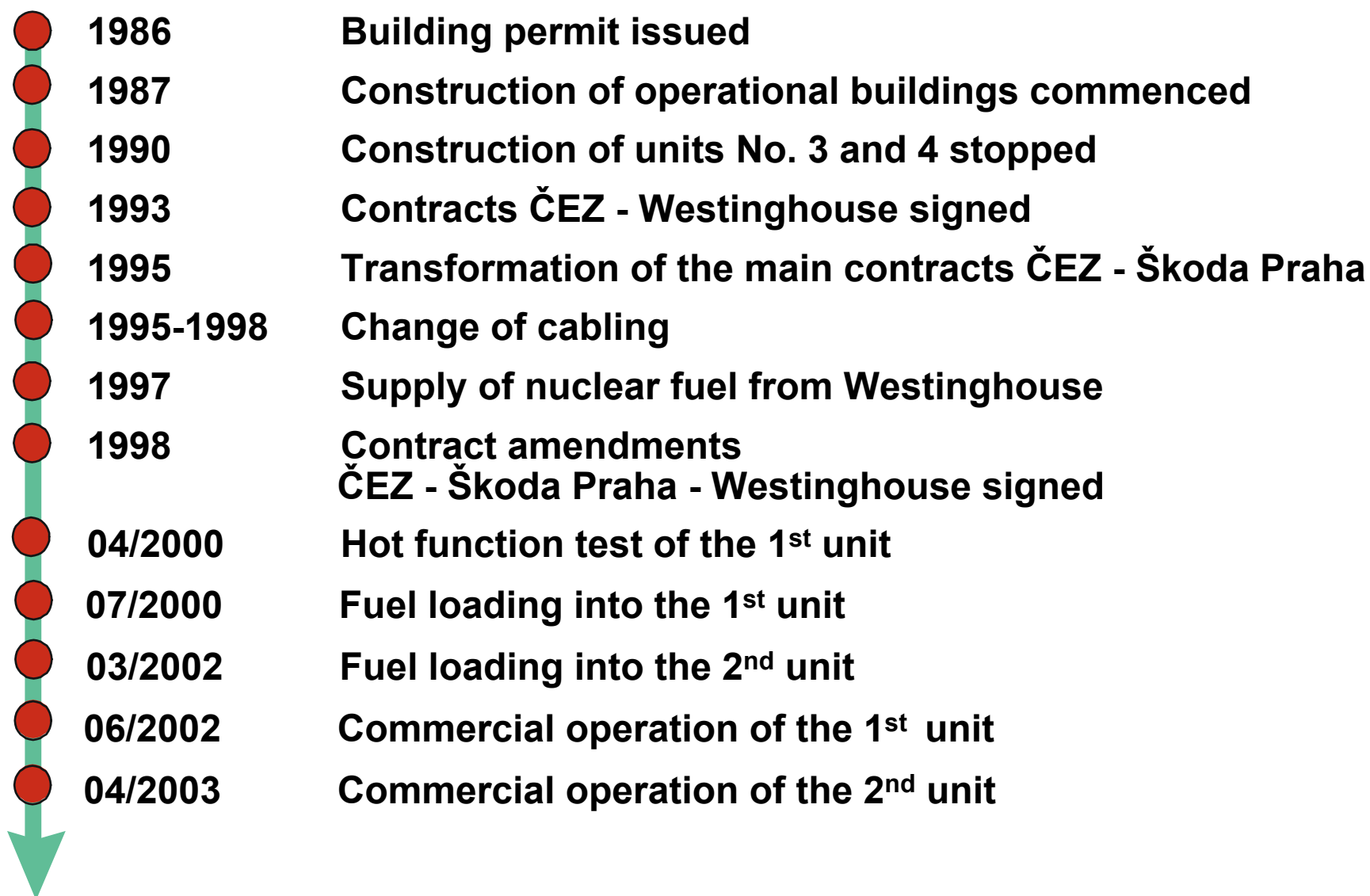
Ownership Restructuring

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

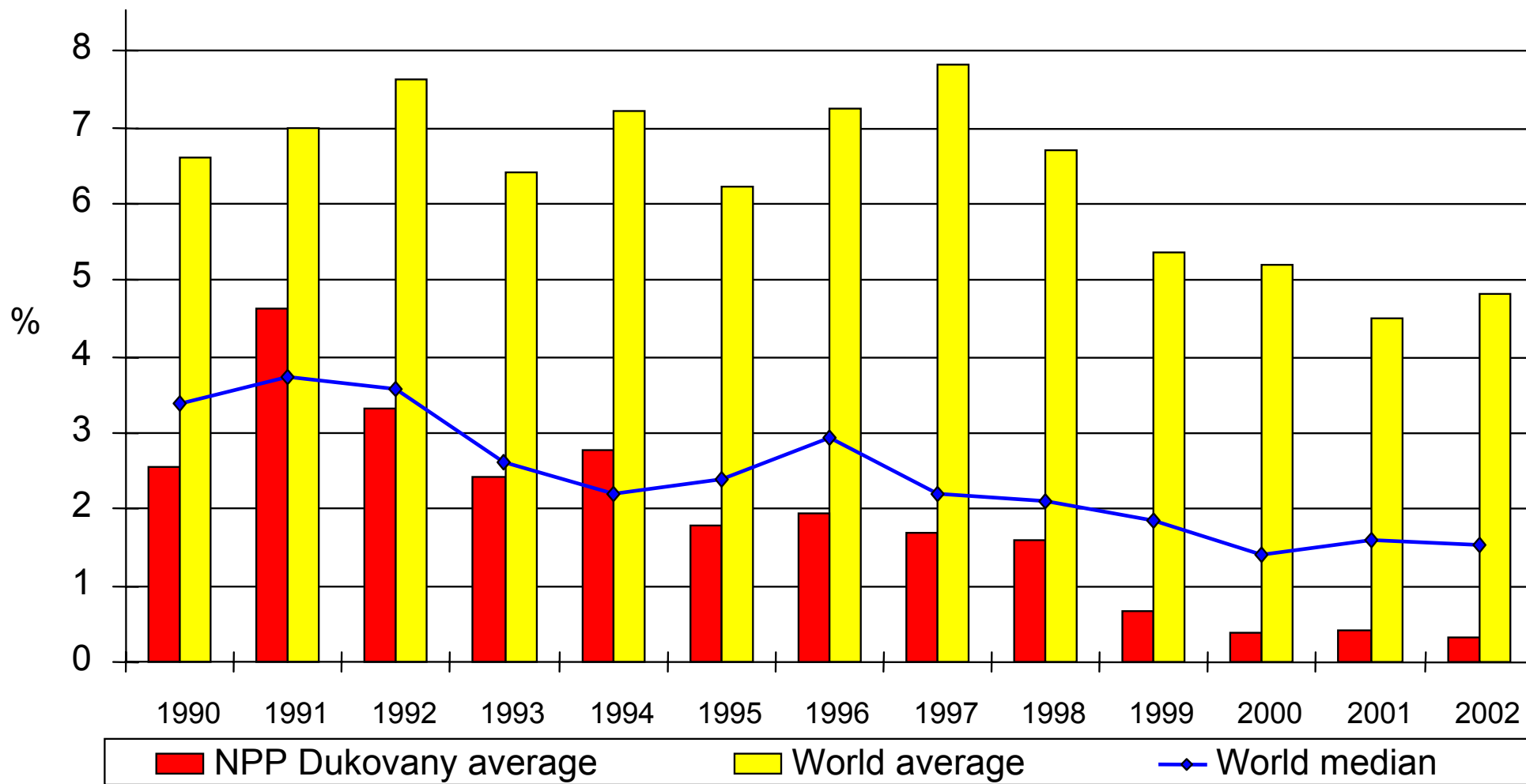
2.29A 31. 03.2003 MH

- 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

25.08.2003 MH

## Unplanned Capability Loss Factor

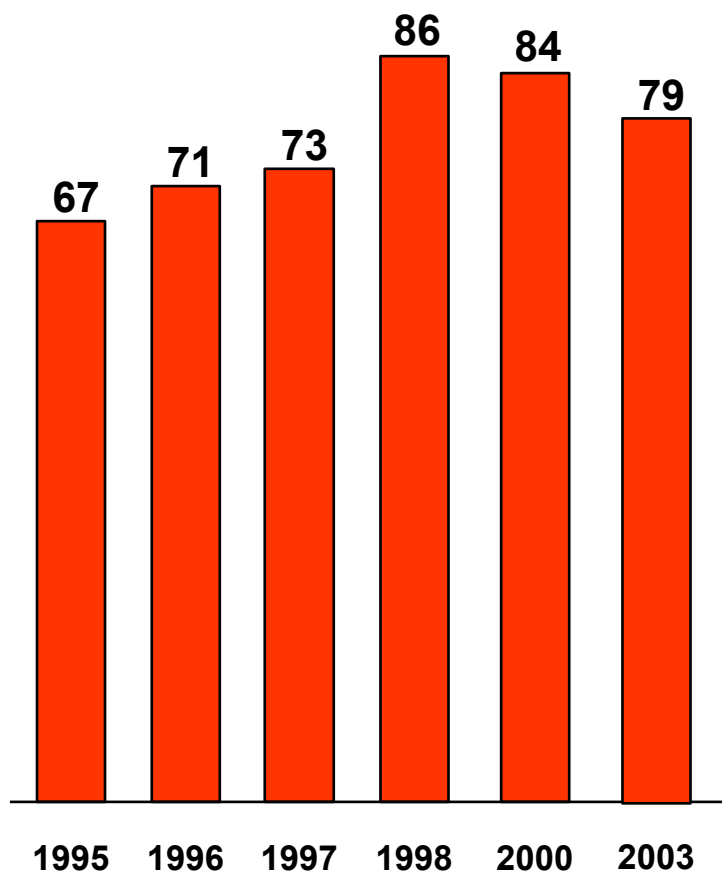


This factor expresses share of unplanned losses to achievable production. NPP Dukovany belongs to world's peak.

# Public Opinion Research about Nuclear Power Plants (%)

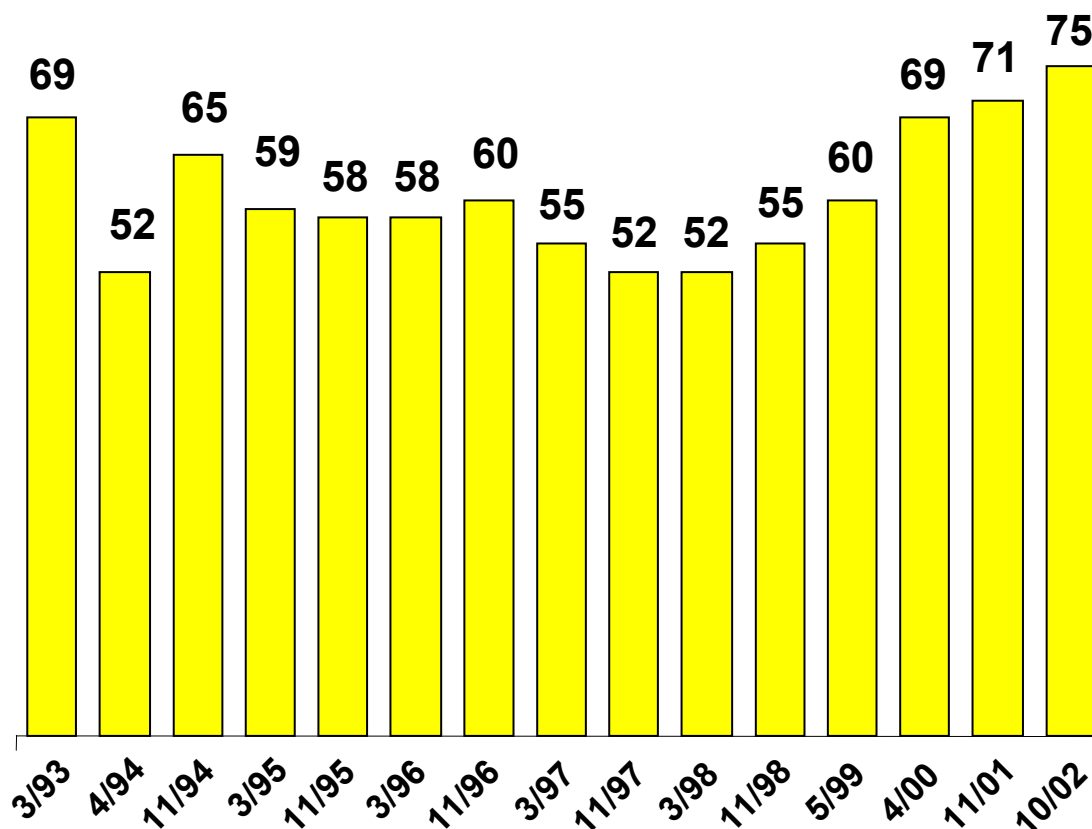
2.39 27.08.2003 MH

## NPP Dukovany



Support of continuation of operation  
in the region by NFO AISA agency

## NPP Temelín



Public approval of completion by STEM agency

# Insurance of the Nuclear Power Plants of ČEZ

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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

# New Energy Policy of the Czech Republic

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04.08.2003 IN

**Draft submitted by Ministry of Industry and Trade (MlaT) for comments in June 2003**

- **30 year horizon**
- **priorities:** independence, security, safety, and reliability
- **goals:**
  - maximum effectiveness of (preferably domestic) resources utilisation
  - maximum respect to the environment
  - completion of transformation and liberalisation of the sector
- **six development scenarios:**
  - „white“ – all current constraints
  - „green“ – higher exploitation of domestic resources  
(namely reconsideration of territorial limits set on open-cast coal mines)
  - „black“ – higher import of coal
  - „red“ – higher importance of natural gas
  - „blue“ – more nuclear and more of natural gas
  - „yellow“ – extensive nuclear development

preliminary conclusion of MlaT: „green“ scenario is the most feasible one

**Energy Policy should be adopted by the government at the end of 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

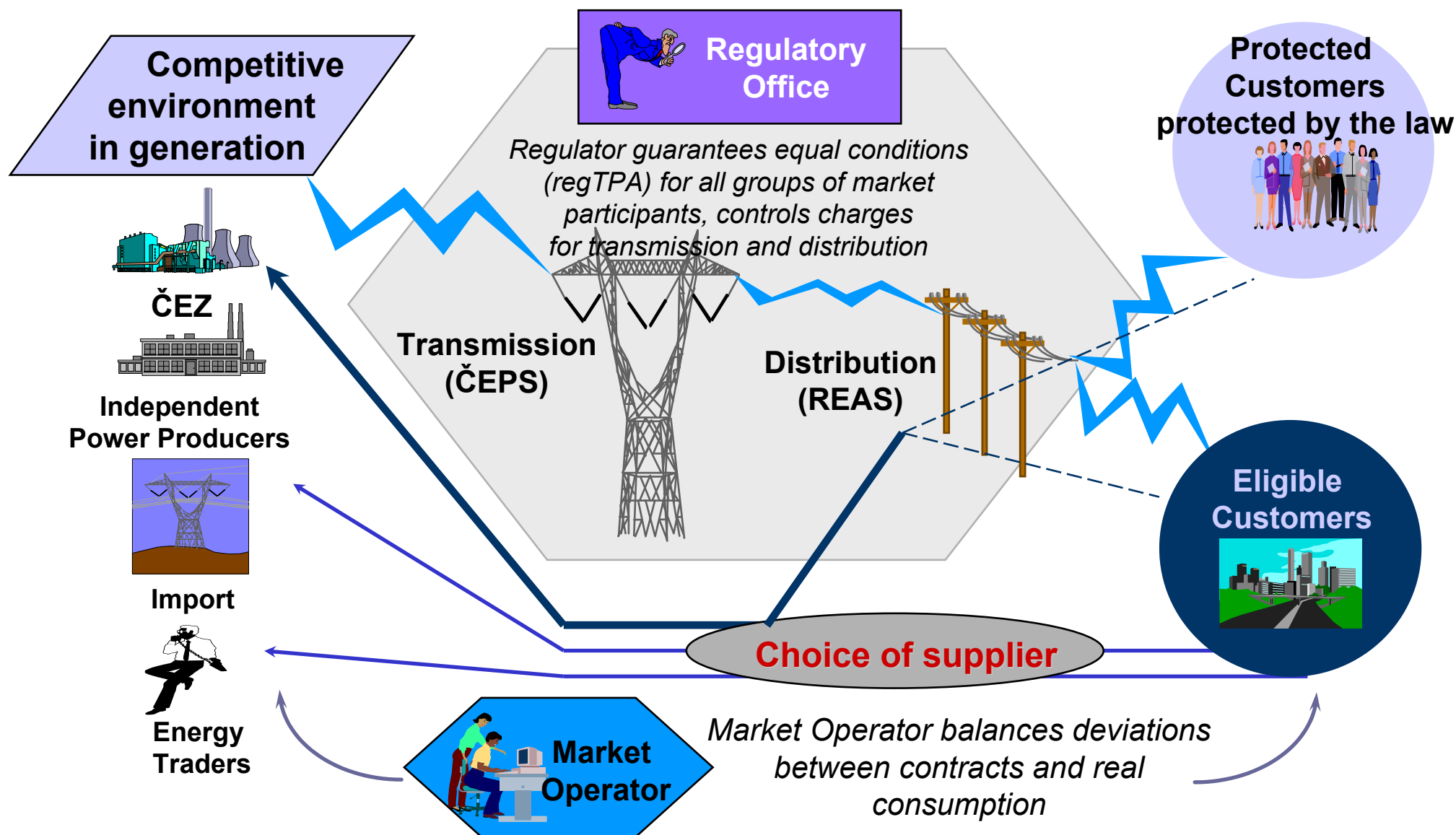
- Approves protected consumers' prices
- Approves prices of system services (ancillary services)
- Approves prices of transmission and distribution (from 2002)

Branch structure  
regulated by Ministry of  
Industry and Trade

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

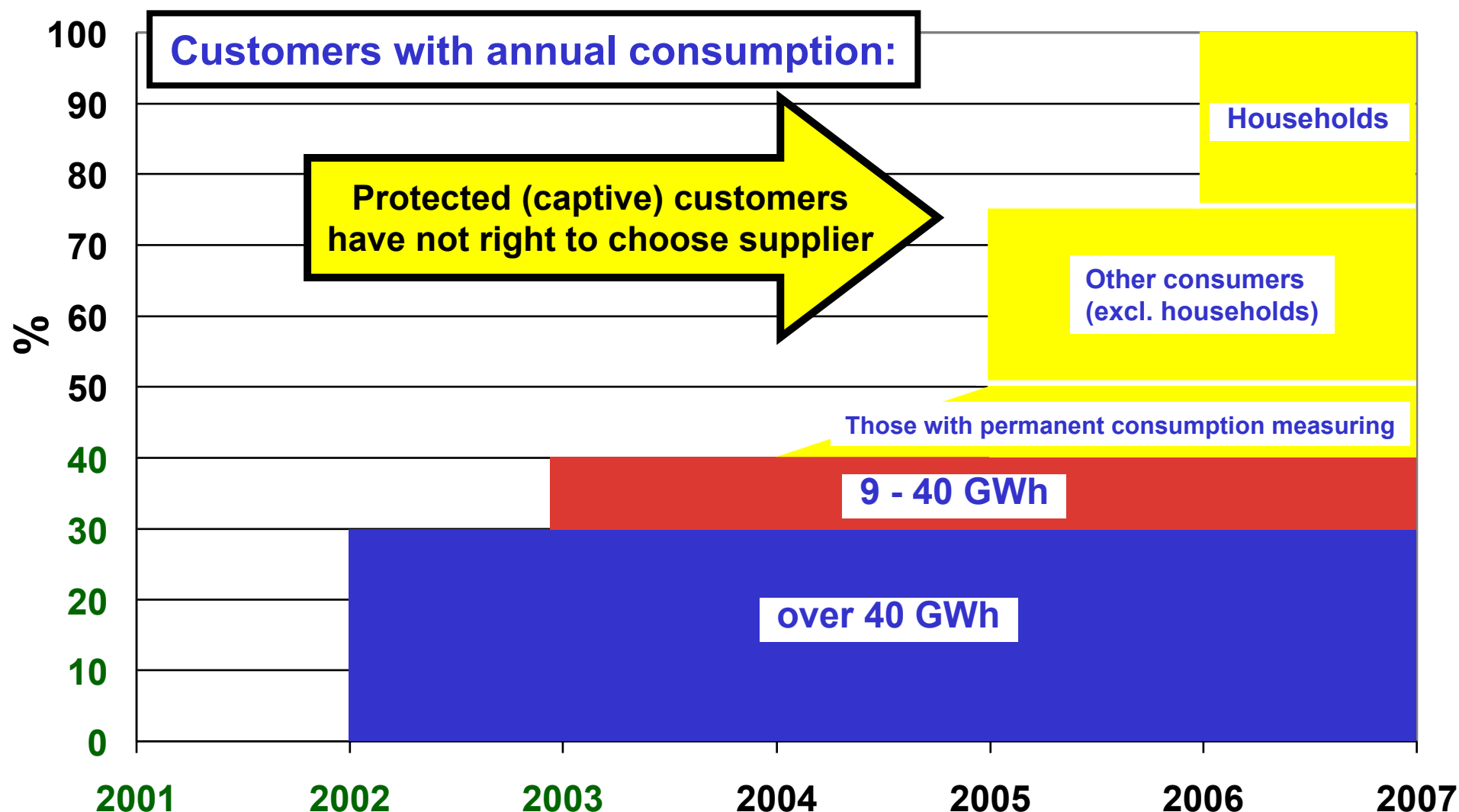
# Current Model of the Electricity Market in the Czech Republic

2.44A 08.04.2003 IN



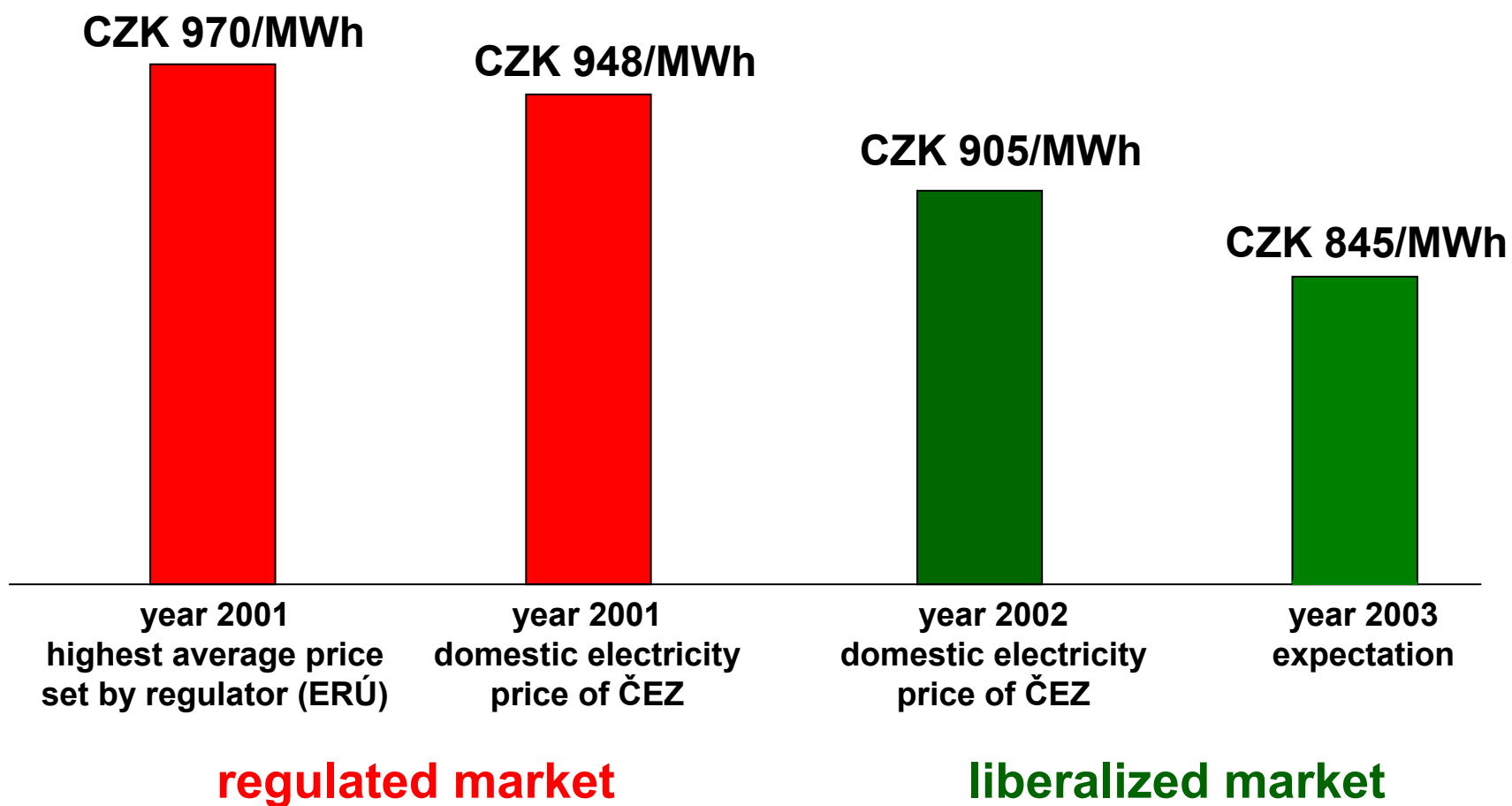
# Liberalization of Electricity Market in the Czech Republic

8.13 5.8.2003 MH



Explanation: The liberalization of Czech electricity market is faster than previously decreed. The respective law has been already passed by the Czech Parliament.

# Czech Wholesale Prices' Development



# ČEZ's "Duhová energie" Product Offer for 2003

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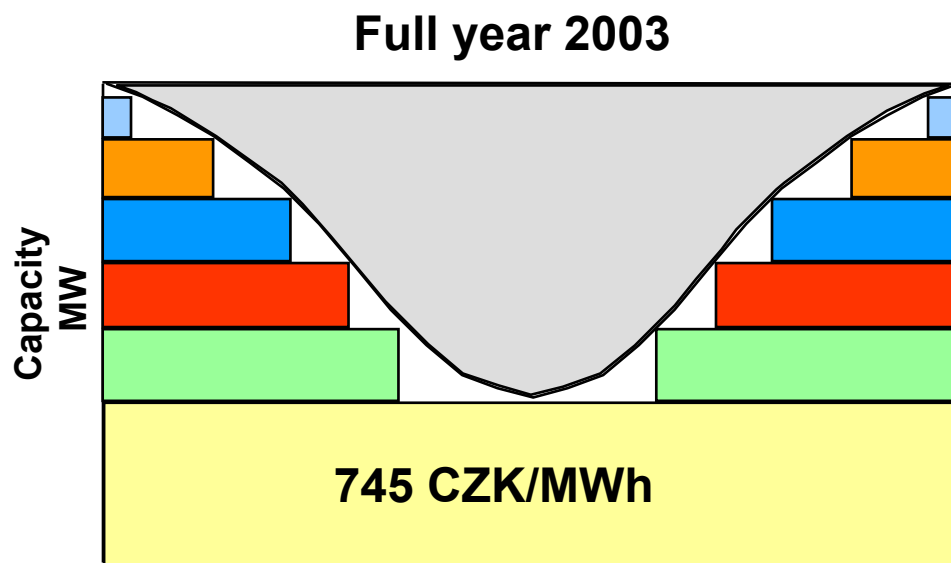
9.1A 1.9.2003 MH

- ČEZ started to sell its set of products for 2003 in the third quarter of 2002. This set is called "Duhová energie".
- This set consists of 11 individual standard products. Each product is identified by color and it represents different type of electricity supply.
- 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



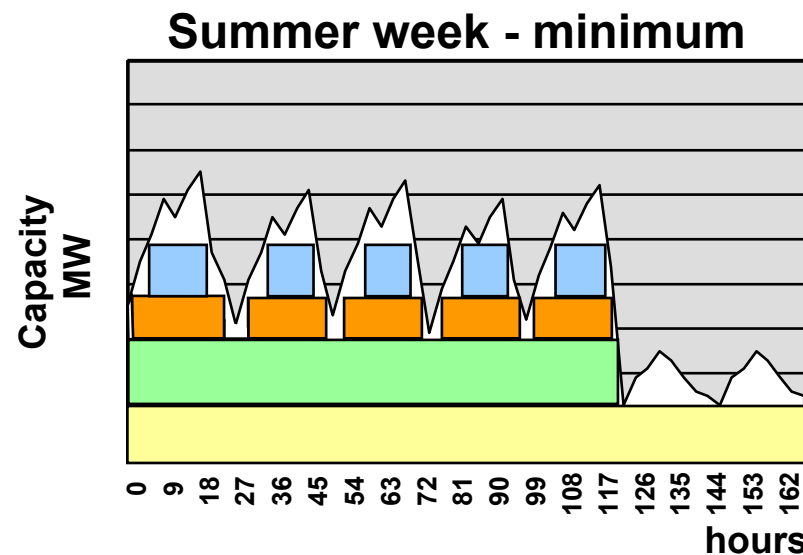
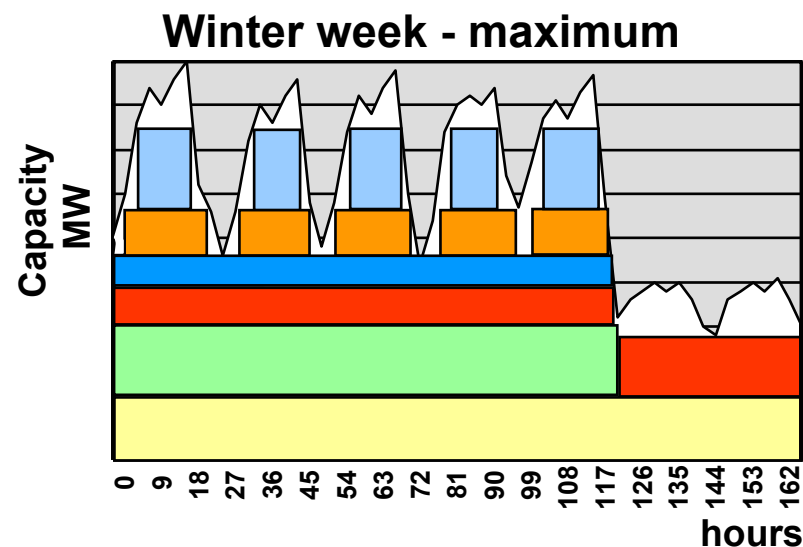
# Public Offer of ČEZ's "Duhová energie" for 2003

9.6A 01.09.2003 MH



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

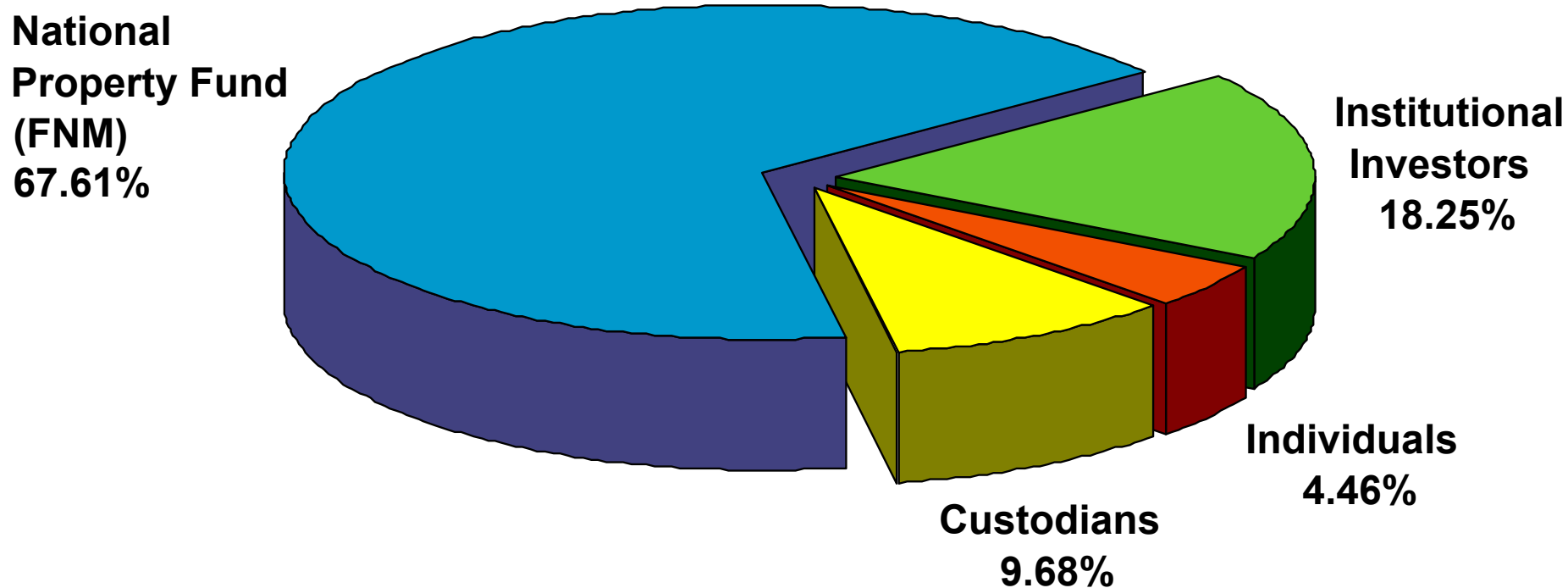
Regulation and Prices in  
Power Industry

**Ownership Restructuring**

Operational and Financial  
Results

# The Shareholders of ČEZ as of June 11, 2003

3.2A 25.08.2003 MH

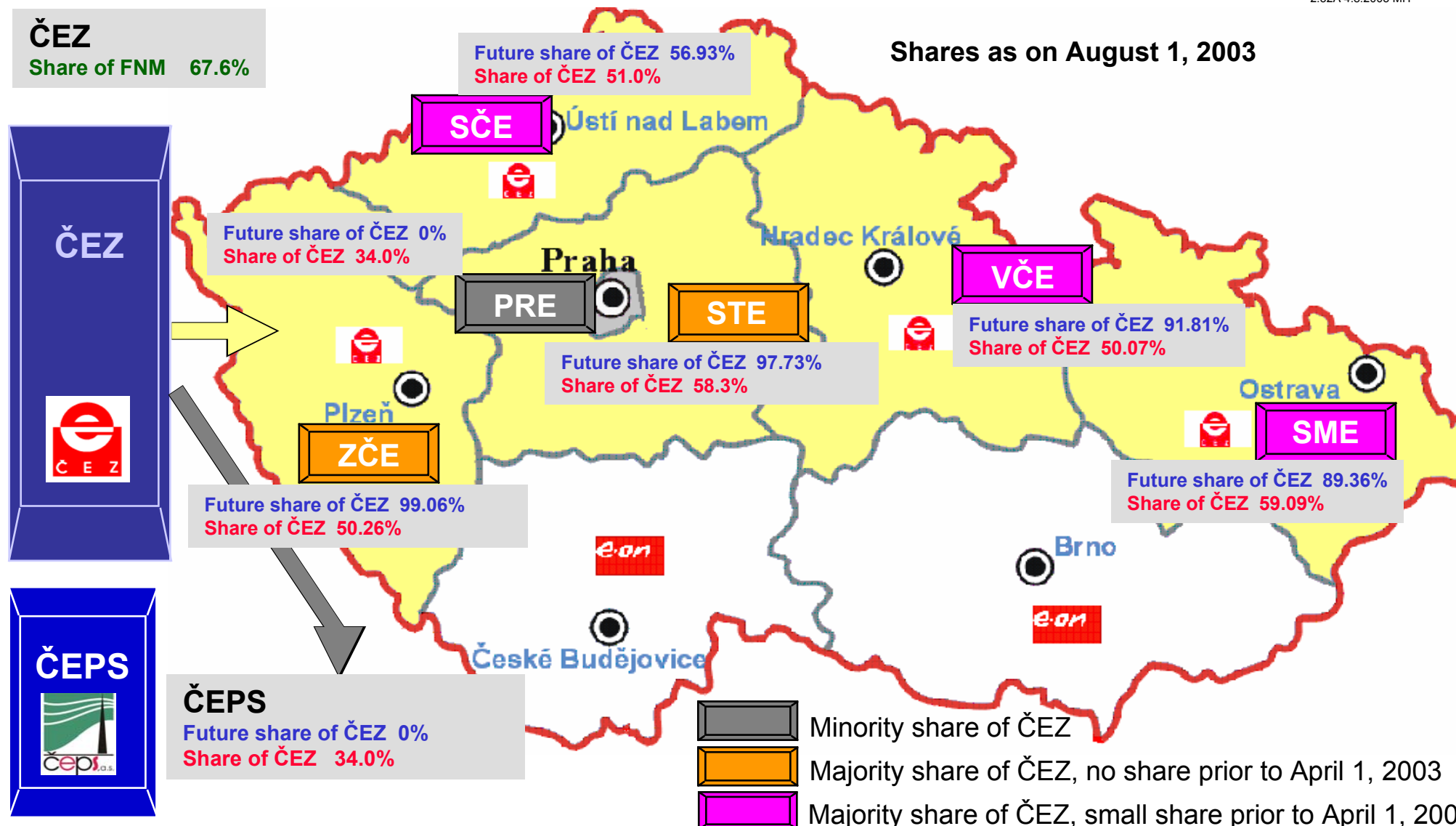


Note: Custodians may manage portfolios of both individuals and institutional investors



# Establishing of New ČEZ Group

2.32A 4.8.2003 MH



According to Antitrust Office decision, ČEZ had to sell all minority shares in REAS and ČEPS, and one of the majority shares. The terms for sales were not disclosed publicly. Options concluded for E.ON's shares in SME and SČE are not encompassed.

# **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**
- **May 2002 - Government approves reintegration in detail**
- **June 11, 2002 - Approval by the Annual General Meeting of ČEZ**
- **June - August 2002 - Signature of agreements for the transaction**
- **March 2003 - Approval by the Antitrust Office of the whole transaction**
- **April 1, 2003 – Completion of the deal (post-closure conditions remain)**
- **June 2003 – Compulsory buyout of shares in STE and ZČE from minority shareholders. Significant number of shares acquired.**
- **July 2003 – Beginning of „REAS Project“ – deepening of cooperation and consolidation of activities within the ČEZ Group.**
- **July 2003 – Swap and Option agreement with energy company E.ON concluded. ČEZ will possess more than 90% shares in STE, ZČE and VČE.**

## Subsidiaries of ČEZ, a. s.

### Maintenance

100% CZK 45 m  
I&C Energo, s.r.o.

100% CZK 40 m  
Energetické opravy, a.s.

100% CZK 18 m  
ČEZ Energoservis, s.r.o.

51% CZK 4 m  
SIGMA ENERGO, s.r.o.

### Raw Materials

64.87% CZK 569 m  
Kotouč Štramberk, s.r.o.

51.05% CZK 333 m  
Lomy Mořina, s.r.o.

### Electricity and Heat Generation

100% CZK 412.8 m  
Hydročez, a.s.

### Electricity Transmission

### Electricity Sales

100% EUR 1.5 m  
rpg energiehandel GmbH, Germany

### Electricity Distribution

58.30% CZK 3.210 bn  
STE, a.s.

51.00% CZK 3.258 bn  
SČE, a.s.

50.07% CZK 2.55 bn  
VČE, a.s.

50.26% CZK 1.606 bn  
ZČE, a.s.

59.09% CZK 3.407 bn  
SME, a.s.

### Telecommunications

100% CZK 1 m  
CEZTel, a.s.

100% CZK 122 m  
ČEZnet, a.s.

### Others

99.99% CZK 420 m  
AB Michle, s.r.o.

66.67% CZK 13.9 m  
OSC, a.s.

100% CZK 0.6 m  
ČEZ Finance BV, Netherlands

52.46% CZK 524.1 m  
ÚJV Řež, a.s.

## Affiliated companies

34% CZK 10 m  
ESE, s.r.o.

29.8% CZK 558 m  
Škoda Praha, a.s.

40% CZK 452 m  
KNAUF Počeradý, s.r.o.

37.21% CZK 8.998 bn  
Severočeské doly, a.s.

50% CZK 12 m  
Gaprom, s.r.o.

49% CZK 100 m  
JVCD, a.s.

34% CZK 58.8 m  
Vltavotýnská teplárenská, a.s.

34% CZK 17.856 bn  
ČEPS, a.s.

20% CZK 50 m  
Coal Energy, a.s.

35.21% CZK 3.532 bn  
JME, a.s.

34.00% CZK 3.869 bn  
PRE, a.s.

34.01% CZK 1.916 bn  
JČE, a.s.

Looking for more information?

Check [www.skupina-cez.cz/eng](http://www.skupina-cez.cz/eng)

The Czech Power Industry

Position of ČEZ

Nuclear Power

Regulation and Prices in  
Power Industry

Ownership Restructuring

**Operational and Financial  
Results**

# Basic Data of ČEZ

7.1A 25.08.2003 MH

	1997	1998	1999	2000	2001	2002	I. – II. Q 2003
Capacity at end of period (MW)	10,999	10,900	10,151	10,146	10,146	11,146	12,153
Electricity sales (GWh)	49,333	48,179	46,570	50,449	50,850	53,174	28,817
Number of employees at end of period	11,157	10,314	9,266	8,795	7,552	7,250	6,966
Capital expenditures in CZK bn *	23.43	25.81	22.73	21.62	15.32	10.33	14.02

\*/ Data is in accordance with IFRS and thus refers to ČEZ Group



# Income Statement in Brief (CZK bn)

7.3A 19.08.2003 MH

	2000	2001	2002	I. - II. Q 2003
<b>Operating Revenues</b>	<b>52.43</b>	<b>56.06</b>	<b>55.58</b>	<b>35.74</b>
<b>Operating Expenses</b>	<b>39.80</b>	<b>41.38</b>	<b>44.32</b>	<b>29.33</b>
<b>Income before interest, taxes and depreciation (EBITDA)</b>	<b>22.01</b>	<b>24.04</b>	<b>22.98</b>	<b>13.93</b>
<b>Operating Income (EBIT)</b>	<b>12.63</b>	<b>14.68</b>	<b>11.25</b>	<b>6.41</b>
<b>Other Expenses/Income</b>	<b>2.03</b>	<b>1.39</b>	<b>-0.54</b>	<b>-10.43</b>
<b>Income before income taxes (EBT)</b>	<b>10.60</b>	<b>13.29</b>	<b>11.8</b>	<b>16.84</b>
<b>Income Taxes</b>	<b>3.36</b>	<b>4.17</b>	<b>3.38</b>	<b>5.18</b>
<b>Net Income</b>	<b>7.24</b>	<b>9.12</b>	<b>8.42</b>	<b>11.71</b>

Note: All data is in accordance with IFRS



## Balance Sheet in Brief (CZK bn)

7.5A 02.05.2003 MH

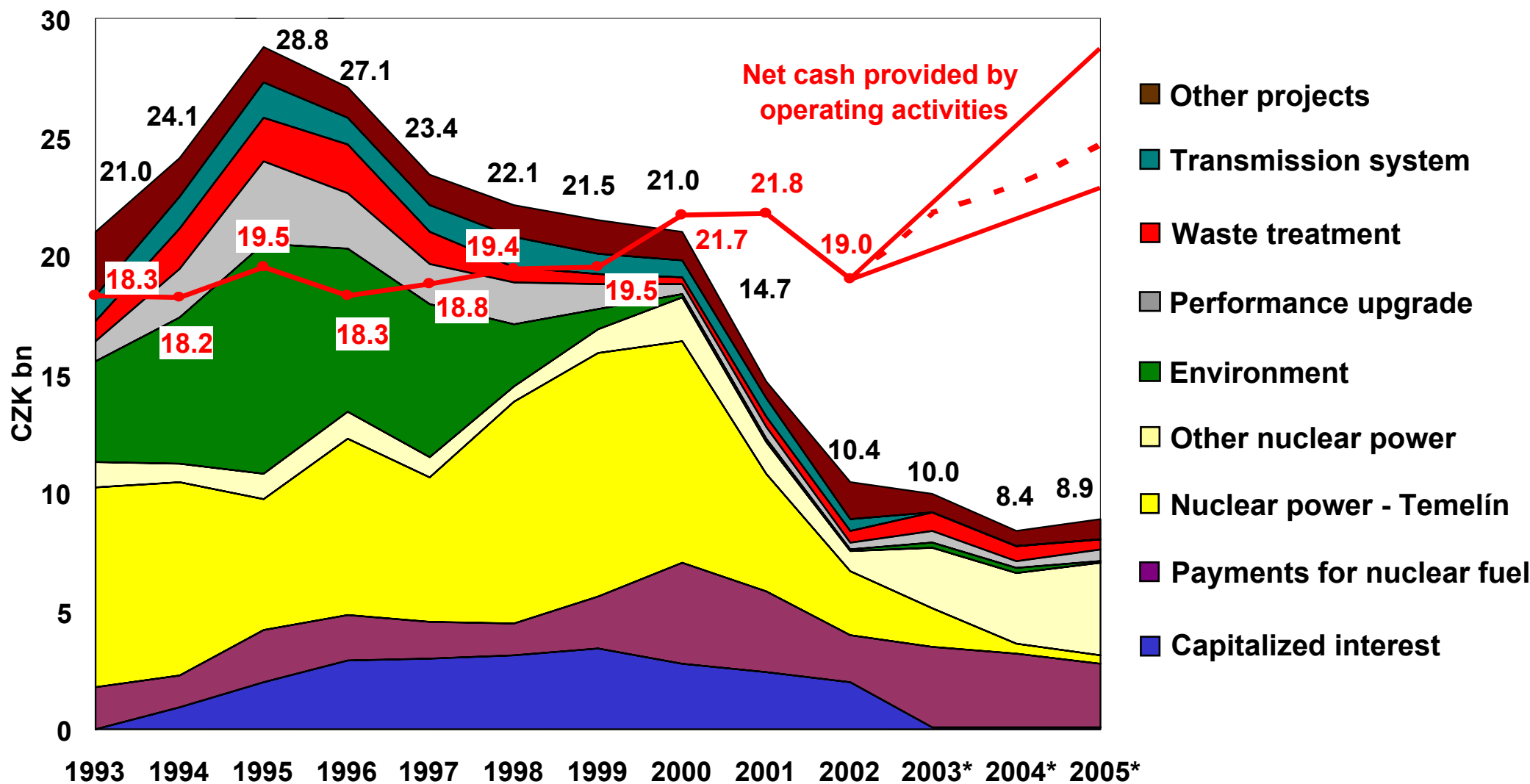
	2000	2001	2002	I. - II. Q 2003
<b>Total Assets</b>	<b>222.26</b>	<b>229.03</b>	<b>231.47</b>	<b>295.71</b>
<b>Net Plant in Service</b>	<b>92.95</b>	<b>87.64</b>	<b>138.98</b>	<b>204.77</b>
<b>Construction Work in Progress</b>	<b>103.59</b>	<b>111.93</b>	<b>56.51</b>	<b>11.17</b>
<b>Shareholders' Equity</b>	<b>129.44</b>	<b>136.73</b>	<b>143.68</b>	<b>153.44</b>
<b>Long-term Liabilities</b>	<b>70.61</b>	<b>64.48</b>	<b>59.60</b>	<b>61.69</b>
<b>Current Liabilities</b>	<b>14.16</b>	<b>17.95</b>	<b>15.65</b>	<b>48.00</b>

Note: All data is in accordance with IFRS



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

6.3AD 28.5.2003 ZM

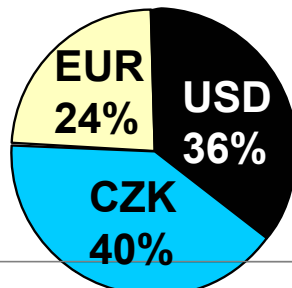
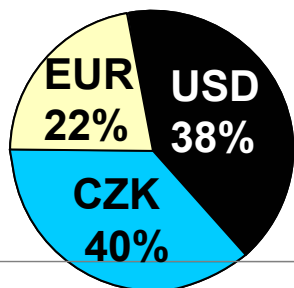


Notes: All data is in accordance with IFRS.  
\*) Estimation

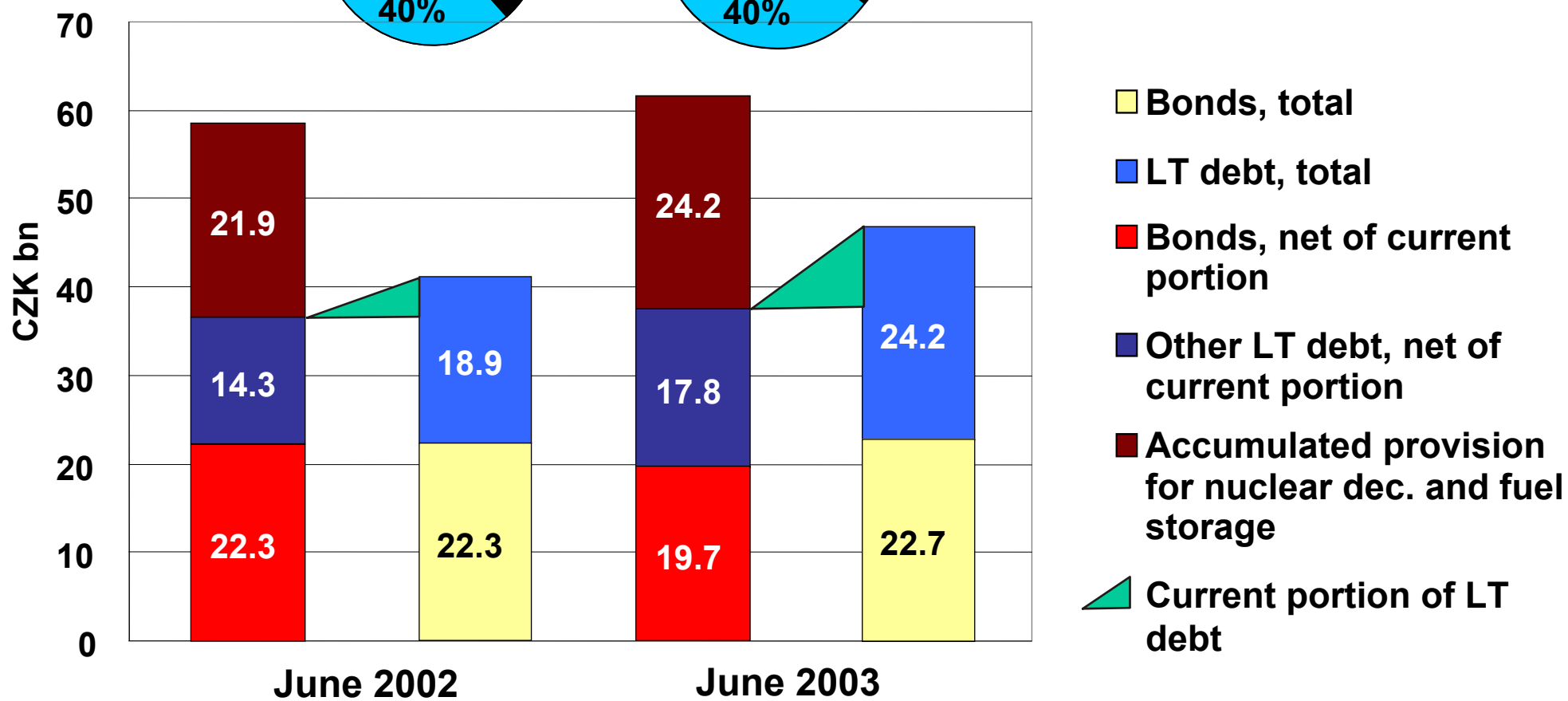


# Development of Long-term Liabilities of ČEZ

7\_24A 19.8.2003 MH



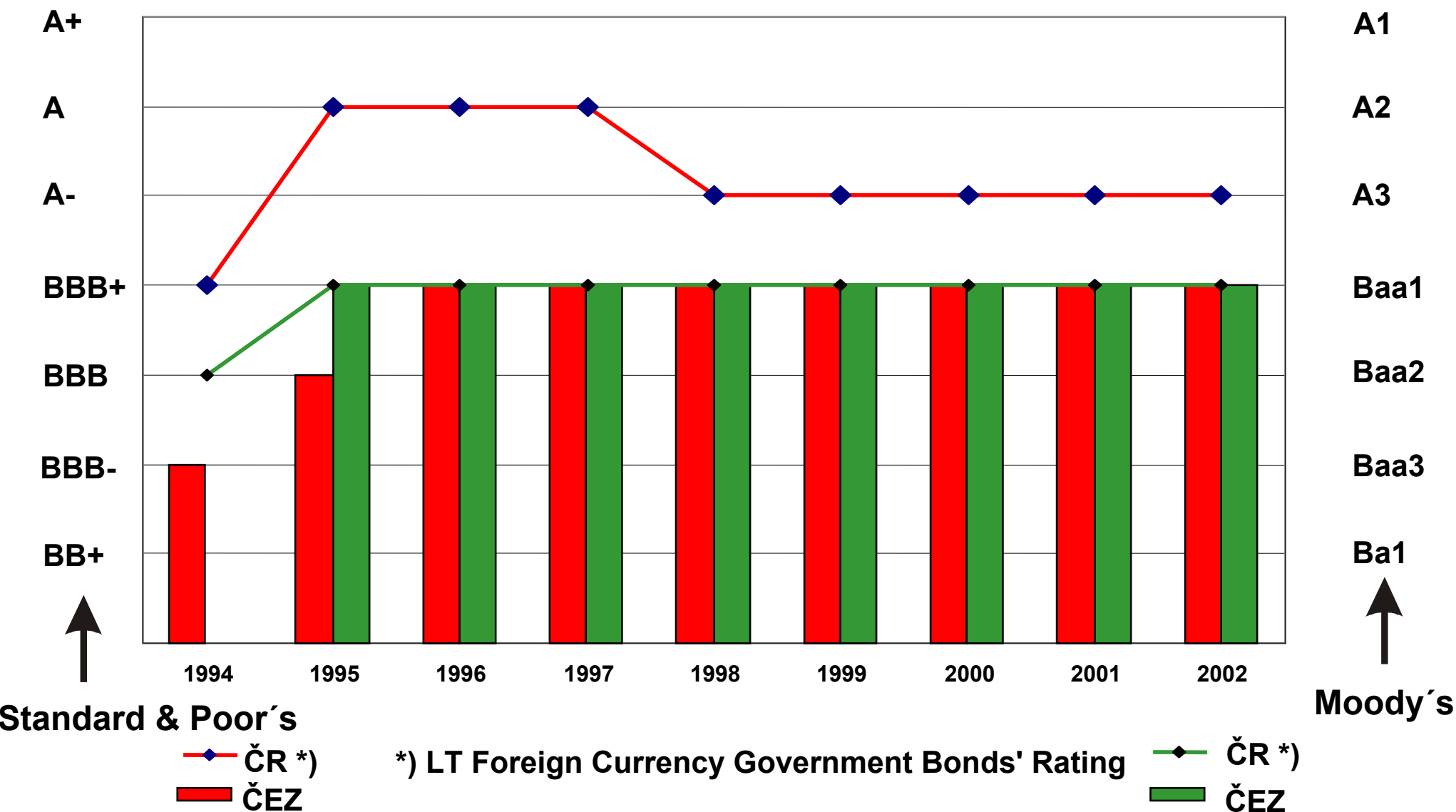
Methodical change as of January 1, 2002  
– debts recounted to original currency  
(USD, EUR)



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

2.37A 25.8.2003 MH

- One of the largest publicly traded utilities in CEEC
- 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
- Market share of ČEZ Group in the Czech Republic attains 82.1%