



ČEZ GROUP – THE LEADER IN POWER MARKETS OF CENTRAL AND SOUTHEASTERN EUROPE

Equity story
July 2005



AGENDA

- Profile of ČEZ Group
 - Introduction
 - Financial performance
- Strategic initiatives of ČEZ Group
 - Integration and operational excellence
 - M&A expansion
 - Plant portfolio renewal
- Summary for investors



VISION OF THE ČEZ GROUP IS TO BE THE LEADER IN POWER MARKETS IN CENTRAL AND SOUTHEASTERN EUROPE

Our vision:

the leader in power
markets in
the Central
and Southeastern
Europe

Business focus

- Integrated utility focused on power generation, distribution and supply
- Present in related businesses where relevant (coal mining, heat generation)

Priority initiatives

- **Czech Republic** – maintain strong hedged position, achieve operational excellence to be replicated across the group
- Renewal of plant portfolio
- **Central and South Eastern Europe** – build strong hedged position through acquisitions and integration

Brand equity

- Czech champion on the international energy markets



NEW MANAGEMENT TEAM IS DETERMINED TO FULFILL THE MISSION

Board of ČEZ, a. s.

Trade




Alan Svoboda

Finance



Petr Vobořil

CEO



Martin Roman

Generation



Jiří Borovec

Operations



Radomír Lašák

Responsibility

- Trading
- Sales and marketing
- Customer services
- Market rules

- Treasury
- Accounting
- Planning/controlling
- ICT

- M&A
- Procurement

- Conventional generation
- Nuclear generation
- New projects

- Distribution
- Equity participations
- HR
- Integration office

Credentials

- Partner in McKinsey & Company responsible for energy sector
- CFO in regional power distributor

- Top management positions in ČEZ, incl. CEO and CFO

- CEO of Škoda holding in Plzeň
- CEO of US-owned Janka Radotin

- CEO of Škoda Nuclear division

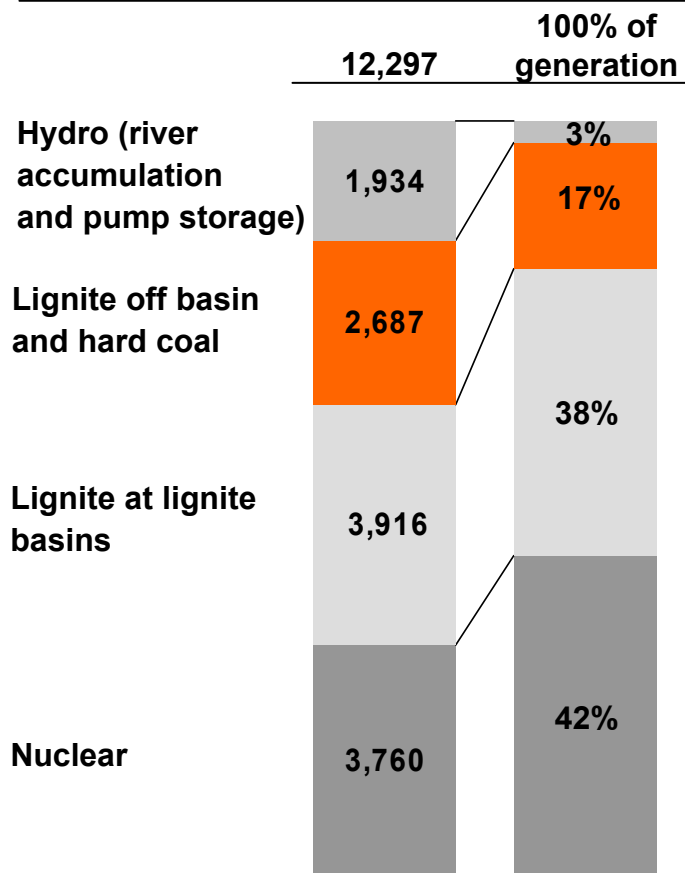
- CEO of E-banka
- Board member of Komerční banka



ČEZ GROUP STEADILY INCREASES PRODUCTION

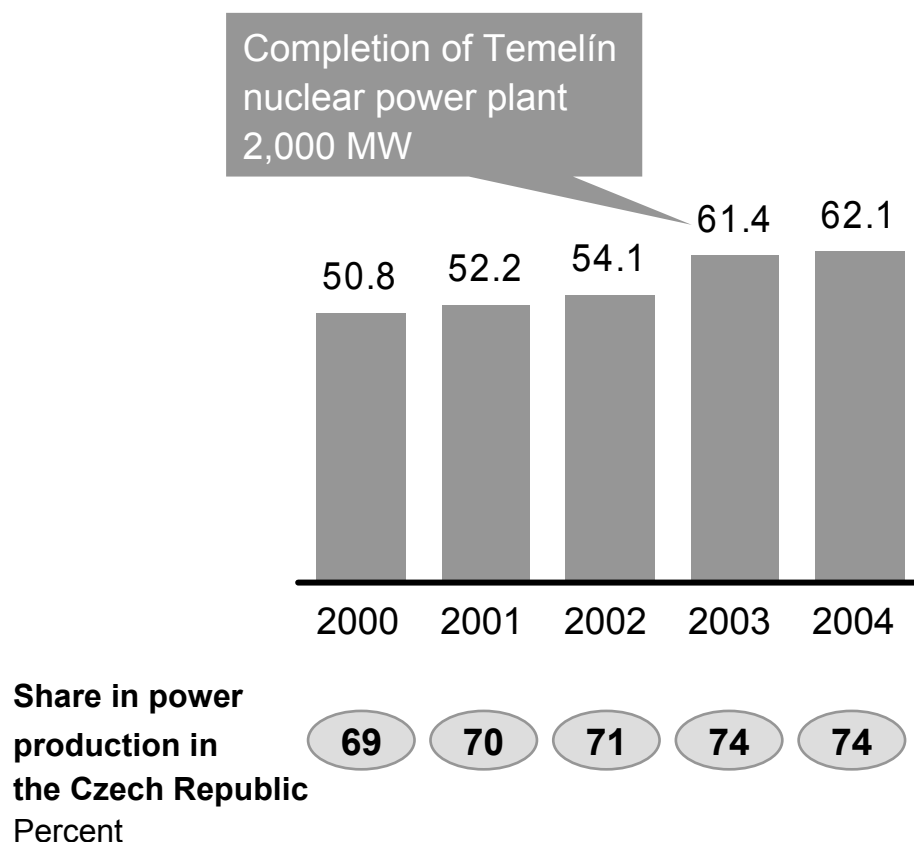
ČEZ Group generation capacity

MW



Annual production of ČEZ Group

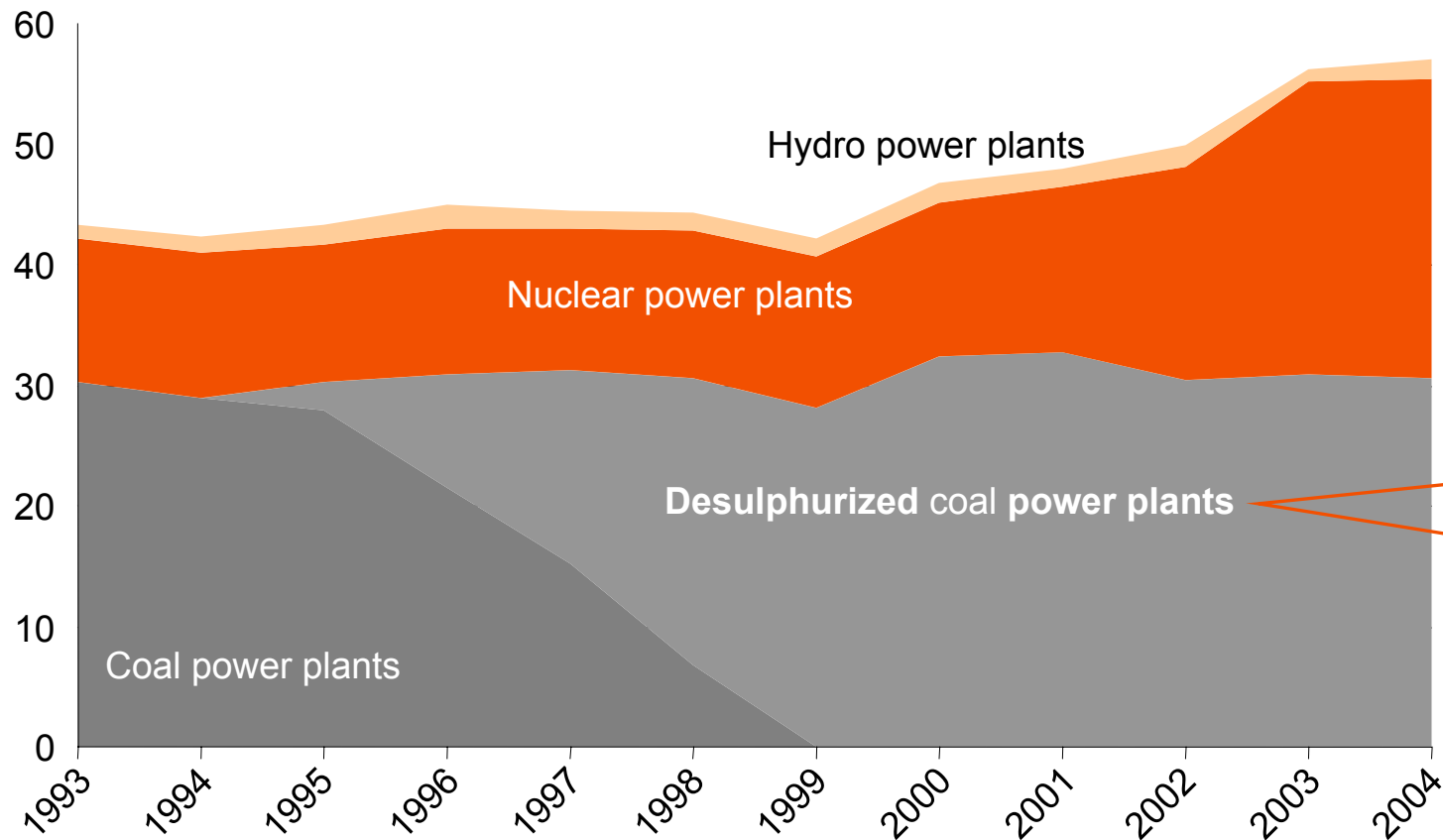
TWh





MAJOR INVESTMENT PROGRAM WAS FOCUSED ON EMISSION REDUCTION

Generation structure of ČEZ Group
TWh



ČEZ Group emission change 2004/1993

CO	- 77%
Fly-ash	- 95%
NOx	- 50%
SO ₂	- 92%

ČEZ invested EUR 1.5 billion into desulphurization of its plants between 1993-1999



AFTER ACQUISITION OF 5 REGIONAL DISTRIBUTORS, ČEZ GROUP HAS BECOME MAJOR CZECH POWER SUPPLIER

Distribution regions of ČEZ Group

ČEZ Group has 57% share in the supply to the end user* in the Czech Republic



* End user represents both wholesale and retail customers



WITH ACQUISITIONS IN BULGARIA AND ROMANIA, ČEZ GROUP CREATED A STRONG FOOTHOLD IN THE SOUTHEASTERN EUROPE

■ Target markets

ČEZ Group in the Czech Republic*

Electricity sales (TWh)	67.8
Number of customers (m)	3.44
Installed capacity (MW)	12,297
Number of employees	17,855
EBIT (EUR m)	639
EBITDA (EUR m)	1,251
Sales (EUR m)	3,339

Exchange rate CZK/EUR 30

ČEZ Group in Romania** (51% share in EDC Oltenia)

Electricity sales (TWh)	6.8
Number of customers (m)	1.36
Installed capacity (MW)	0
Number of employees	3,027
Sales (EUR m)	340*

ČEZ Group in Bulgaria* (67% shares in 3 EDCs)

Electricity sales (TWh)	7.7
Number of customers (m)	1.9
Installed capacity (MW)	0
Number of employees	4,905
Sales (EUR m)	376

* Czech Republic and Bulgaria in accordance with IFRS, in 2004

**Romanian Accounting Standards, in 2003



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ČEZ GROUP IS THE LARGEST CZECH COMPANY

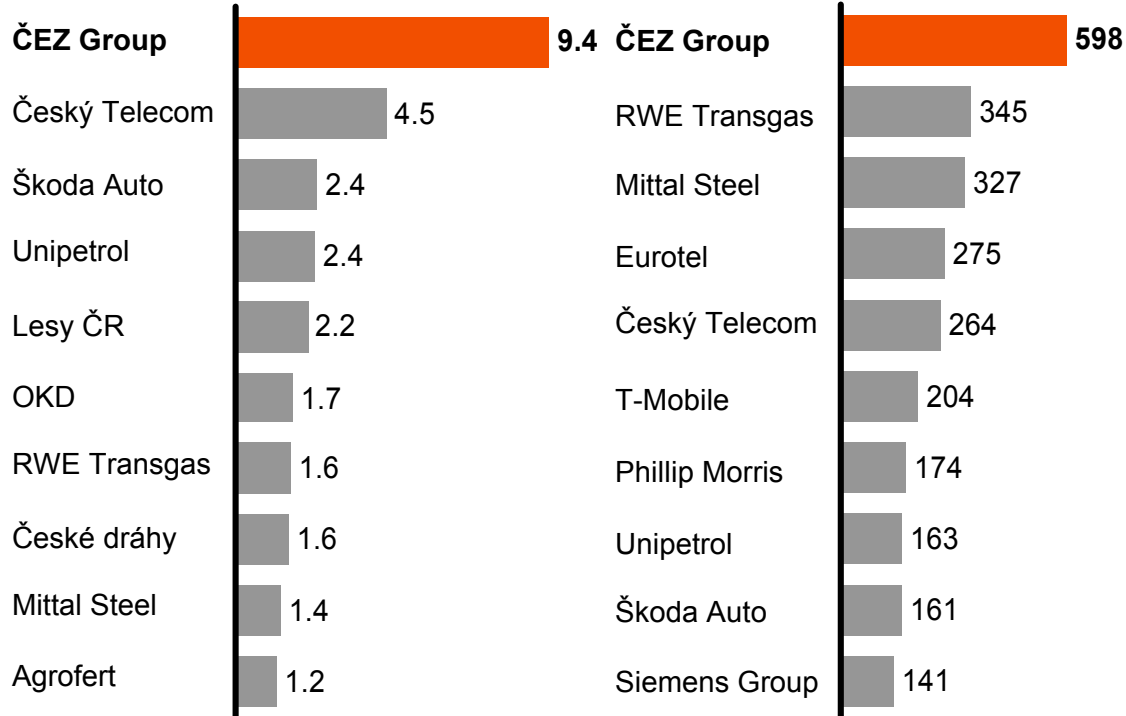
Top Czech companies in 2004

By assets

Total assets, EUR billion*

By profitability

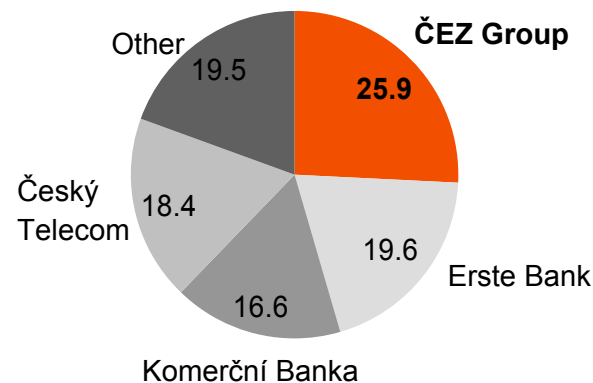
Income before income taxes
EUR million*



* Exchange rate CZK/EUR 30

Share in the PX 50 Prague stock exchange index

Percent as of April 11, 2005



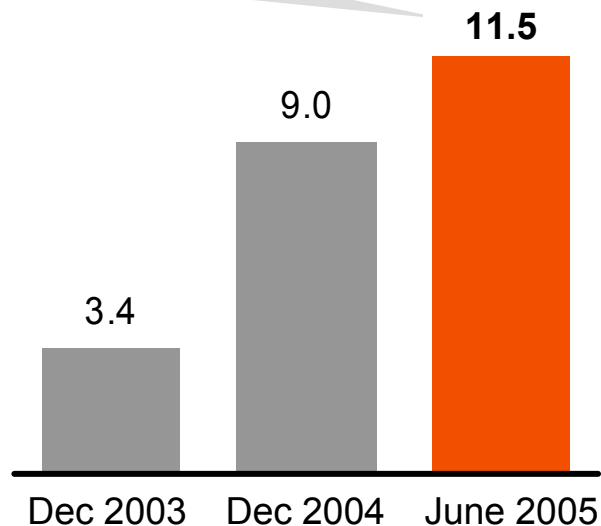


WITH MARKET CAPITALIZATION OF USD 11.5 BILLION ČEZ BELONGS TO TOP 500 BIGGEST GLOBAL COMPANIES AND TOP 10 EUROPEAN POWER UTILITIES

Market capitalization of ČEZ Group

USD* billion

ČEZ Group ranked 446 in Financial Times Global 500



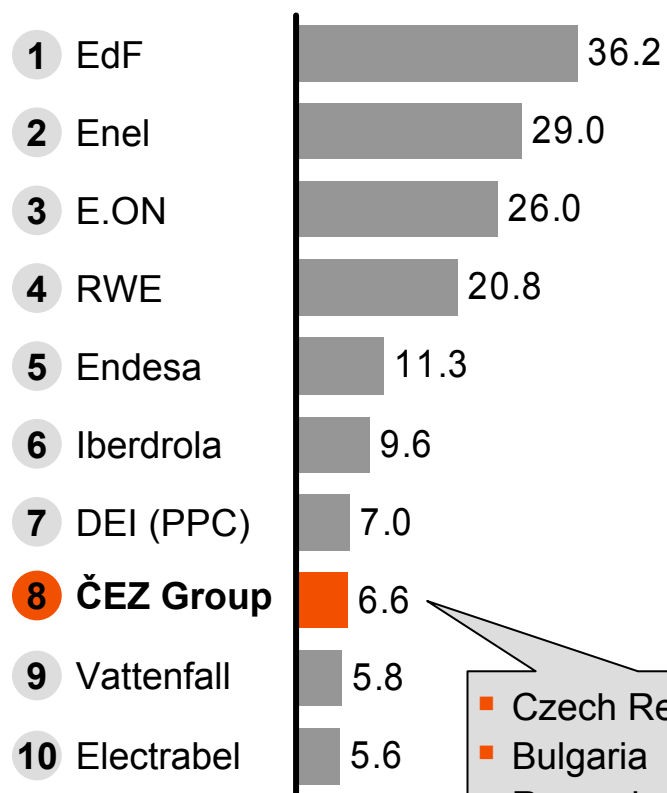
EUR* billion



* 2003: 1.26, 2004: 1.36, 2005: 1.20

Top 10 European power utilities

Number of customers in Europe, million



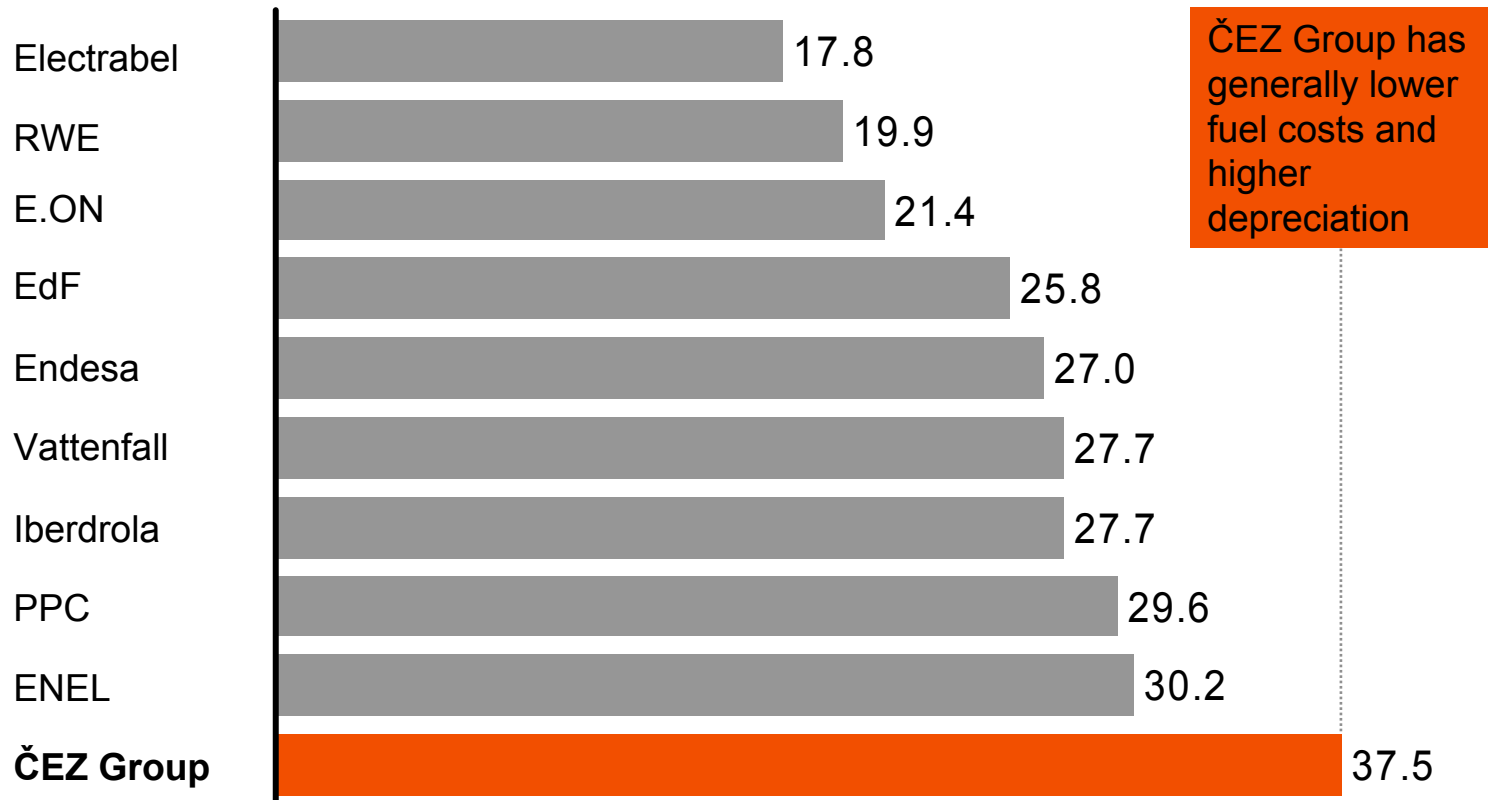
■ Czech Republic	3.4
■ Bulgaria	1.9
■ Romania	1.3



ČEZ GROUP IS ONE OF THE MOST PROFITABLE UTILITIES IN EUROPE

EBITDA margin, 2004

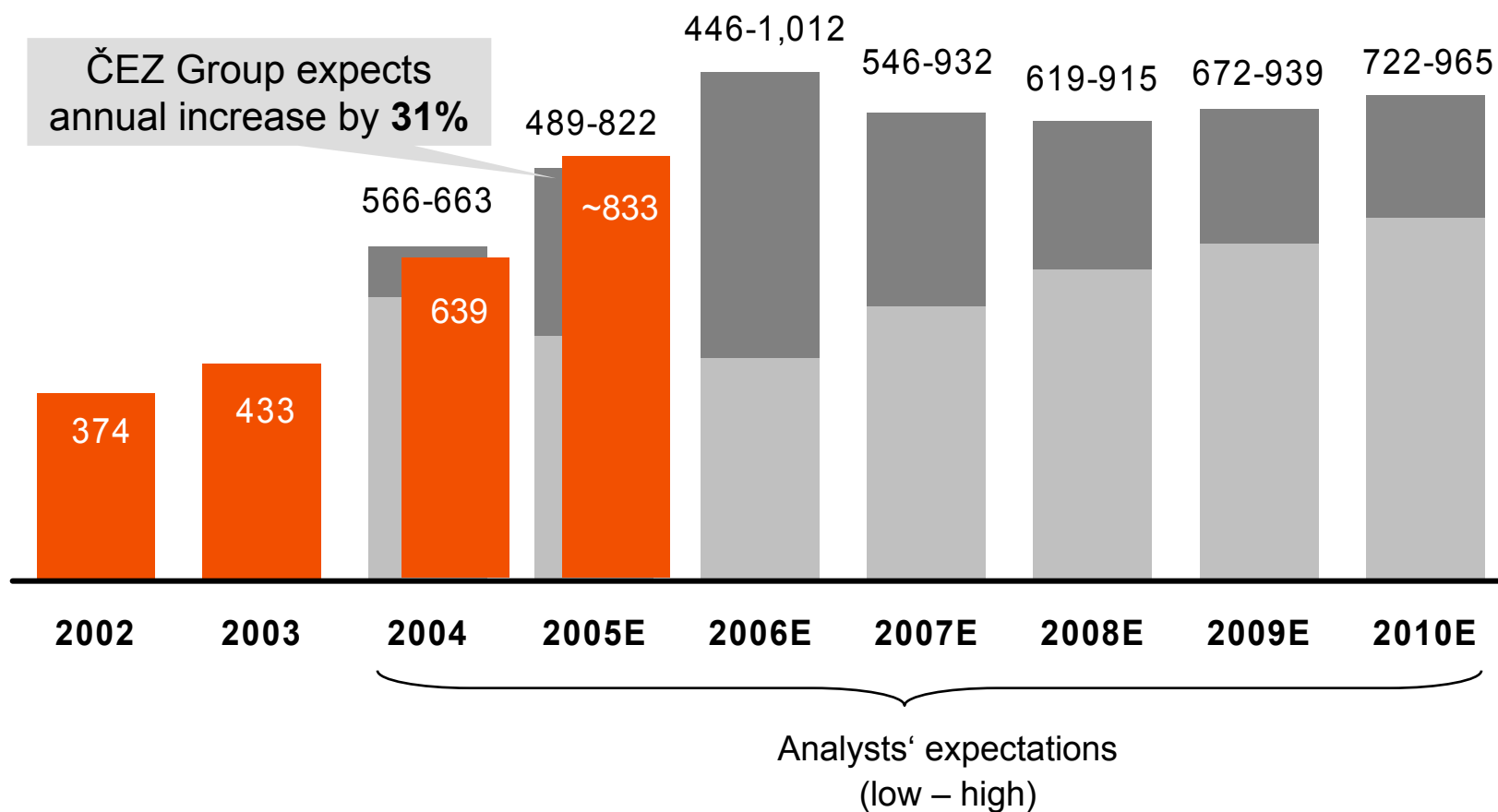
Percent





ČEZ GROUP MAINTAINS HIGH DYNAMICS IN PROFIT GROWTH IN LINE WITH ANALYSTS EXPECTATIONS

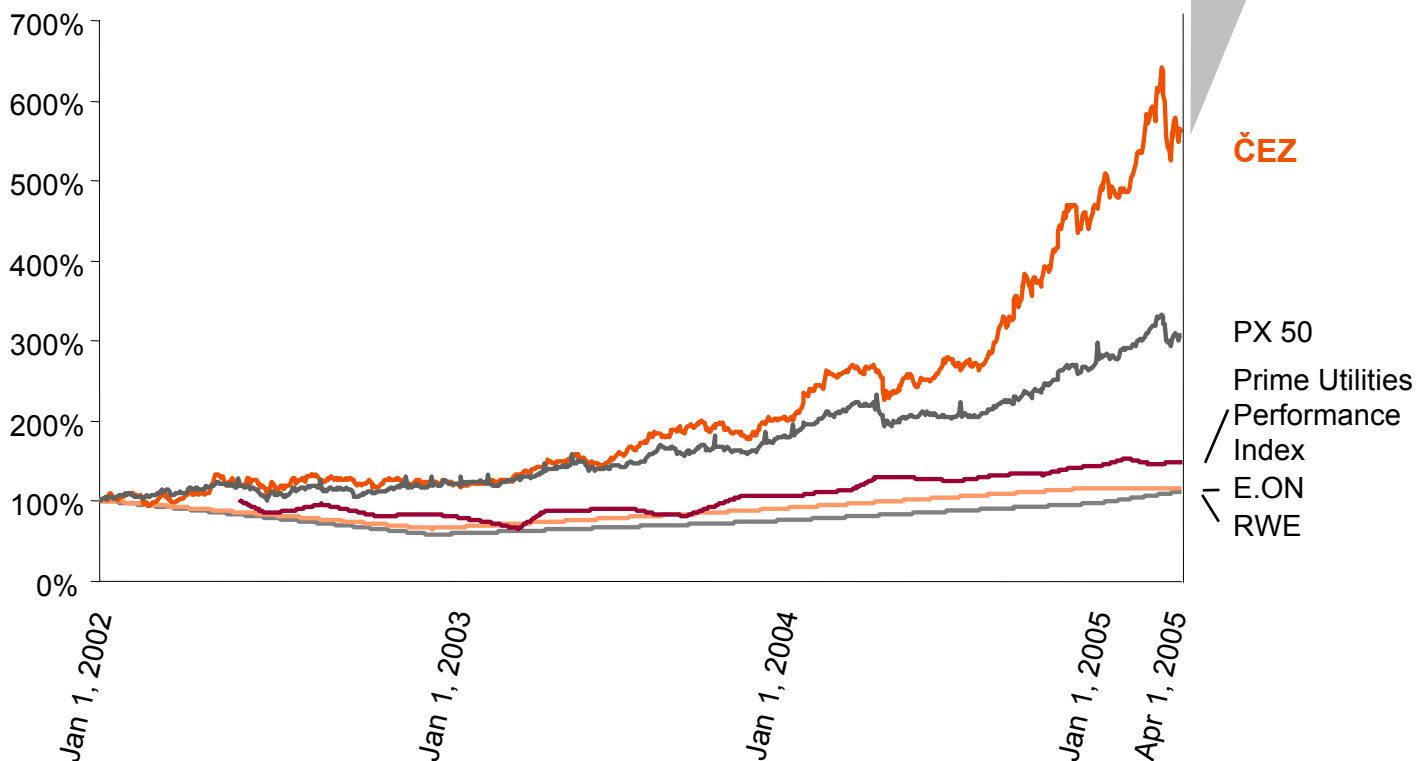
EBIT of ČEZ Group
EUR million



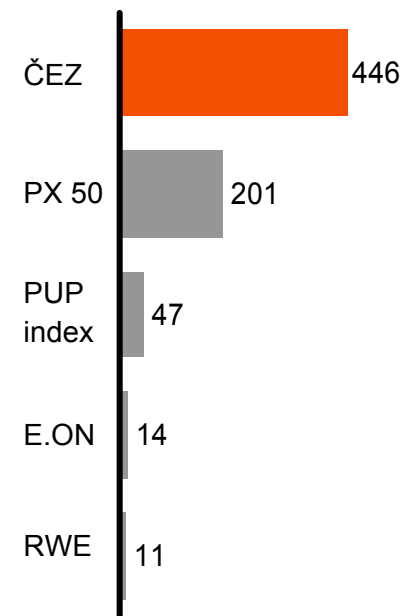


ČEZ STOCK HAS SIGNIFICANTLY OUT-PERFORMED THE CZECH MARKET, EUROPEAN UTILITY MARKET AND MAIN UTILITIES

Prices of shares and share indexes *
Percent



Growth Jan 02 - Apr 05
Percent



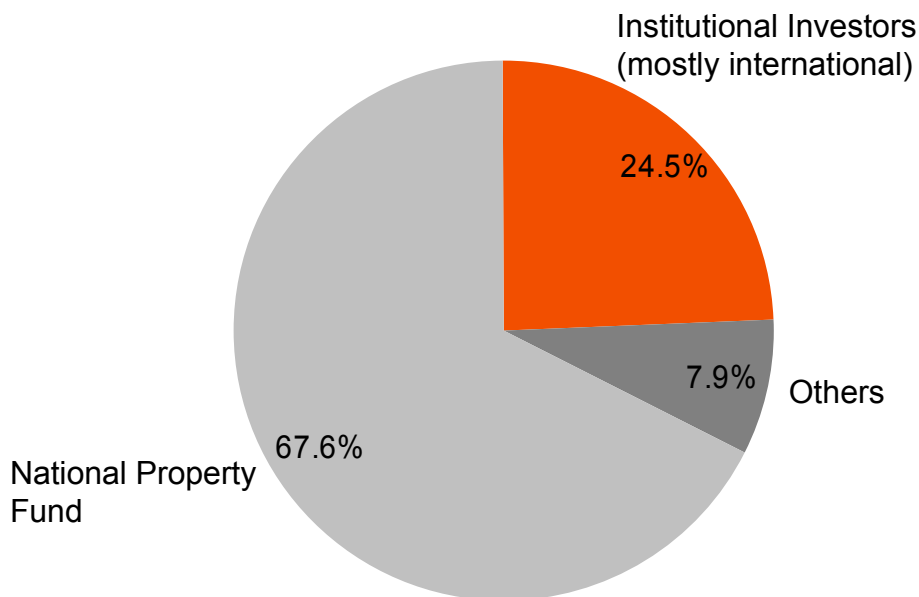
* Indexed to 1. 1. 2002



ČEZ GROUP ATTRACTED MANY INTERNATIONAL SHAREHOLDERS AND IS CLOSELY FOLLOWED BY MAJOR EQUITY ANALYSTS

Shareholders of ČEZ, a. s.

As of December 31, 2004



Examples of large foreign investors

- Baring Asset Management
- Merrill Lynch
- ABN Amro
- Barclays Global
- Credit Suisse
- Pioneer

Research coverage of ČEZ

Equity

- UBS
- ING
- Deutsche Bank
- CAIB
- Erste Bank
- Raiffeisen
- Patria (KBC Bank)
- Wood & Company

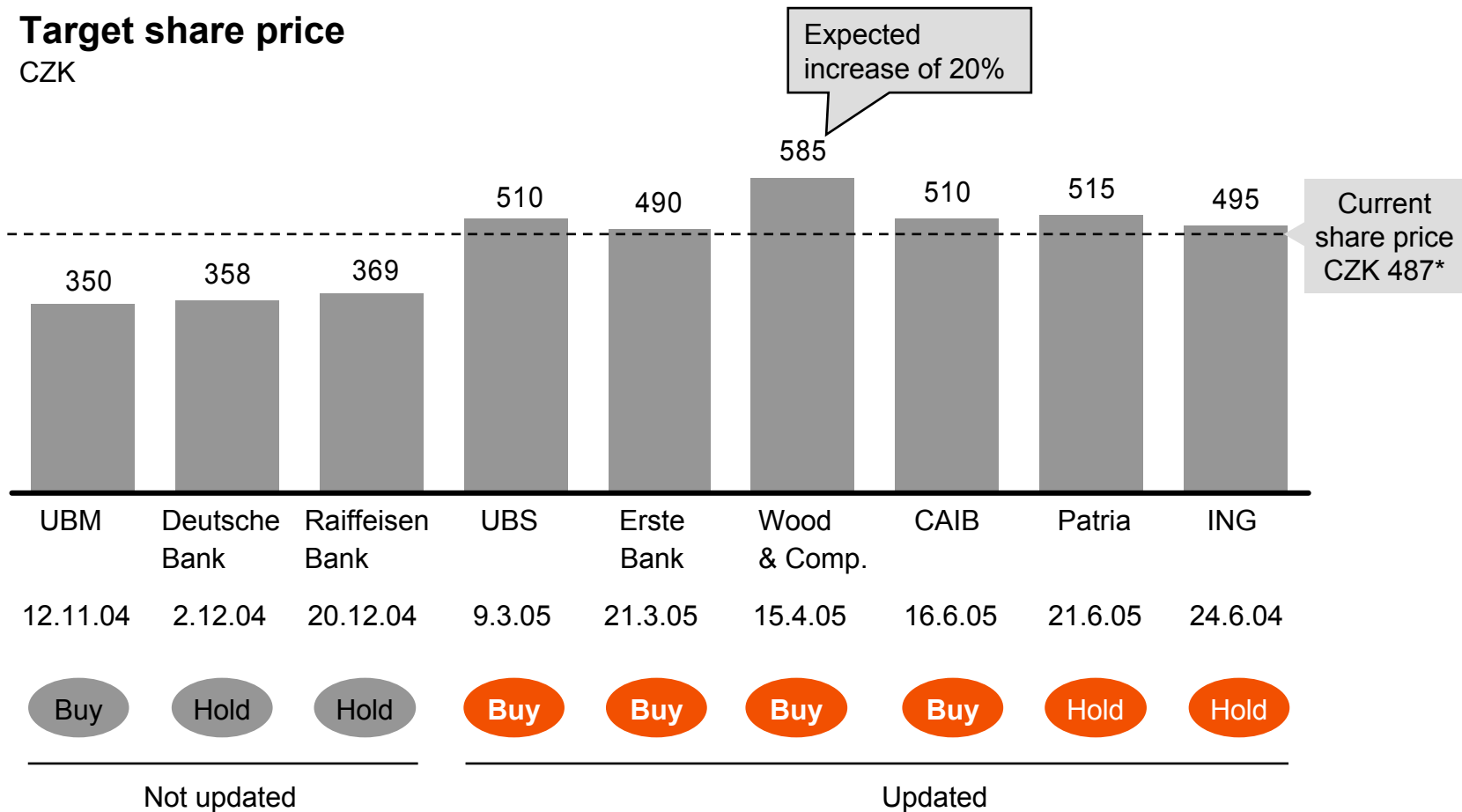
Credit rating agencies

- Standard & Poor's
- Moody's



ANALYSTS MAINTAIN POSITIVE VIEW ON ČEZ GROUP PERFORMANCE

Target share price CZK

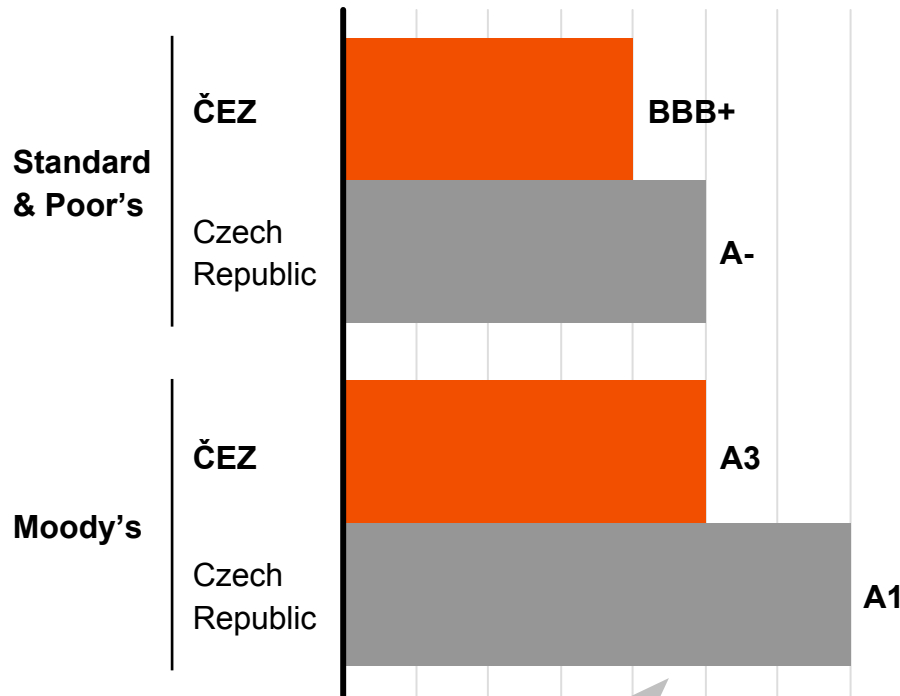


* July 8, 2005



ČEZ FINANCES ARE UNDER CLOSE SCRUTINY OF RATING AGENCIES AND BOND INVESTORS

Credit rating of ČEZ and Czech Republic



- ČEZ has high credit rating just below the country risk
- ČEZ has been first rated company in former Eastern Europe

ČEZ bonds

Year	Amount Million	Currency	Placement	Repayment
1993	2,100	CZK	■ Praha	1996
1994	4,000	CZK	■ Praha	1999
	150	USD	■ Luxembourg	1999
1995	4,000	CZK	■ Praha	2000
1996	3,000	CZK	■ Praha	1999
	3,000	CZK	■ Praha	2003
1997	200	USD	■ USA	2007
1999	4,500	CZK	■ Praha	2009
	2,500	CZK	■ Praha	2014
	3,000	CZK	■ Praha	2004
	200	EUR	■ Luxembourg	2006
2003	3,000	CZK	■ Praha	2008
2004	400	EUR	■ Luxembourg	2011

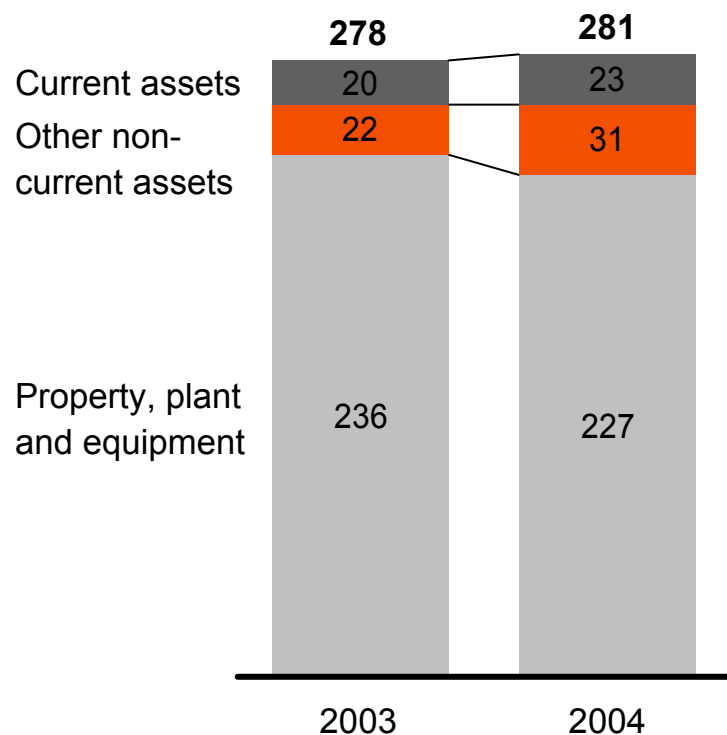
- ČEZ has been first and one of the largest corporate bond issuers in former Eastern Europe



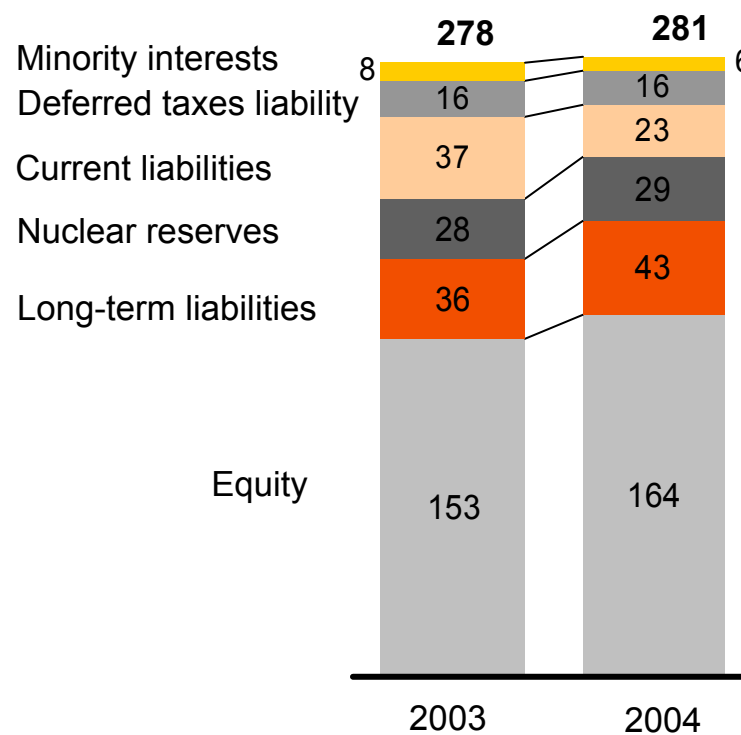
THE BALANCE SHEET OF ČEZ GROUP IS VERY ROBUST

CZK billion

Total assets



Total equity and liabilities



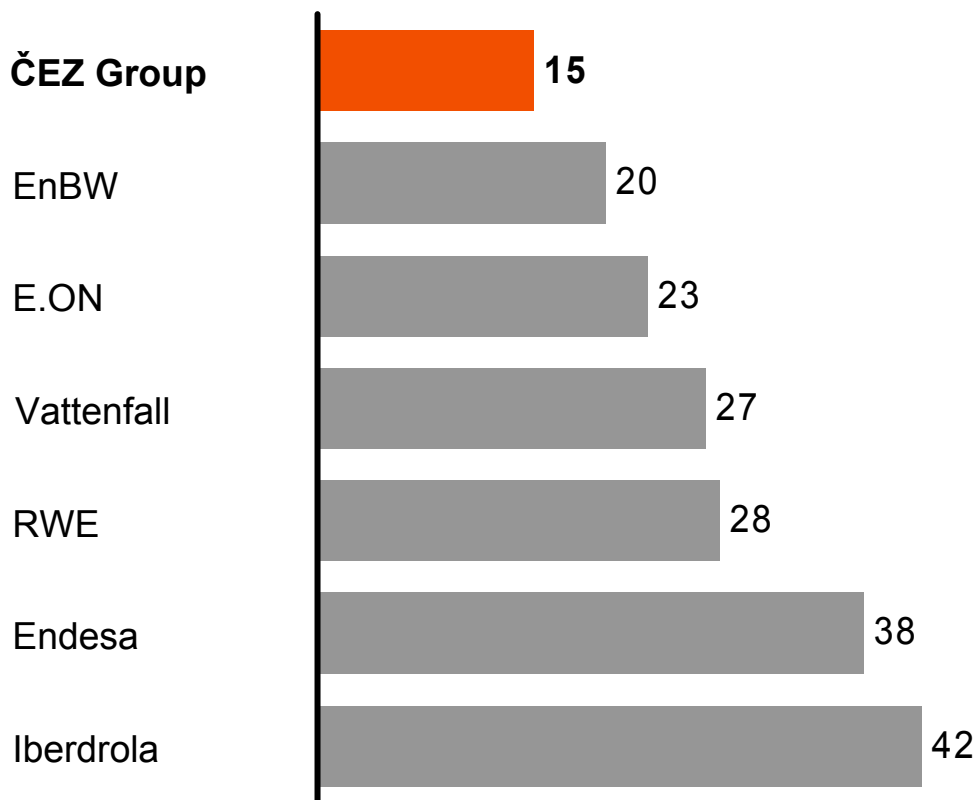
Stable low level of debt allows for substantial investments in the future



ČEZ GROUP IS THE LEAST INDEBTED UTILITY IN EUROPE WITH STRONG ADDITIONAL BORROWING CAPACITY

Long-term debt/ Total assets

Percent

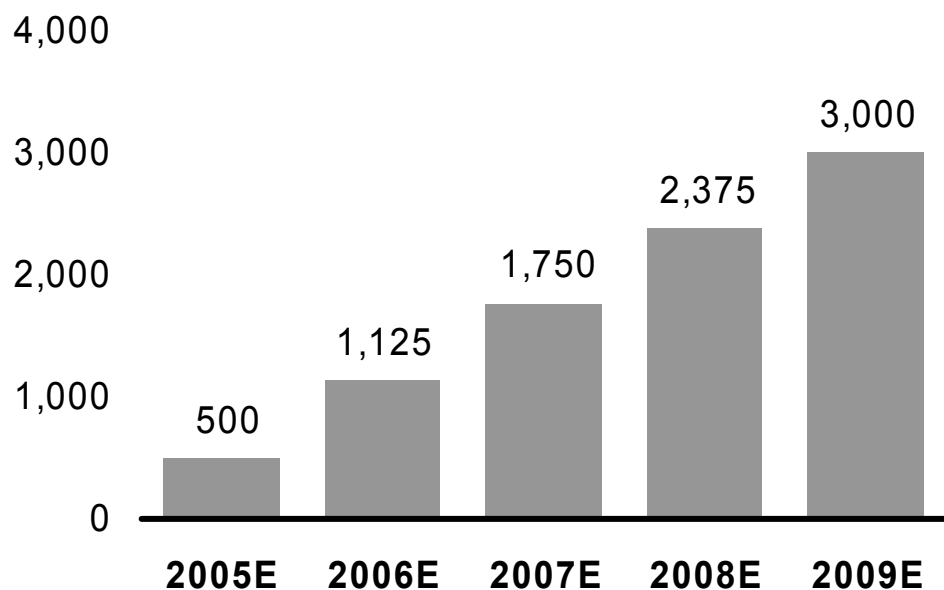




ČEZ GROUP HAS VERY STRONG FREE CASH-FLOW FURTHER STRENGTHENING ITS ABILITY TO FINANCE INTERNATIONAL GROWTH

Free cash flow of ČEZ Group (cumulative)

EUR million



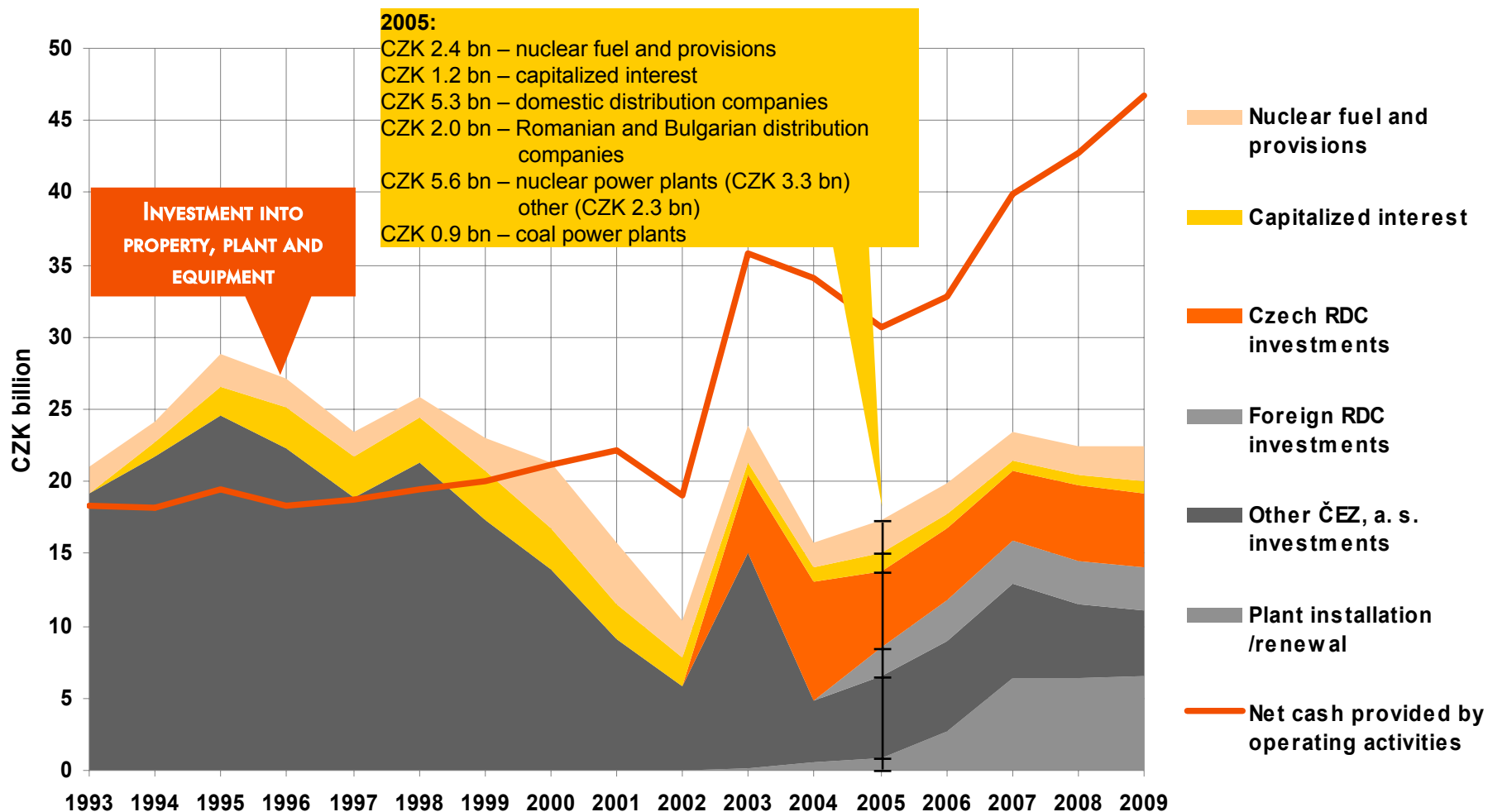
ČEZ Group can finance
foreign acquisitions
in the next 3-5 years
from free cash flow up
to EUR 3,000 million

Assumptions:

- dividend payout increasing by 50% in 5 years
- investments into plants and equipment are covered
- preservation of the low rate of the long-term indebtedness



ČEZ GROUP GENERATES LARGE OPERATING CASH-FLOW IN EXCESS OF INVESTMENT NEEDS





SUMMARY OF ČEZ GROUP PROFILE

- ČEZ Group is the largest Czech corporation
- With February 2005 market capitalization of USD 11.5 billion ČEZ belonged to top 500 biggest global companies and top 10 European power utilities
- ČEZ Group is one of the most profitable utilities in Europe with strong profitability growth
- ČEZ is the best performing utility stock in Europe with growth at >200% of January 2004 level
- ČEZ Group attracted many international shareholders and is closely followed by major equity brokers
- ČEZ finances are under close scrutiny of rating agencies and bond investors
- ČEZ Group is the least indebted utility in Europe with strong additional borrowing capacity
- ČEZ Group has very strong free cash-flow further strengthening its ability to finance international growth

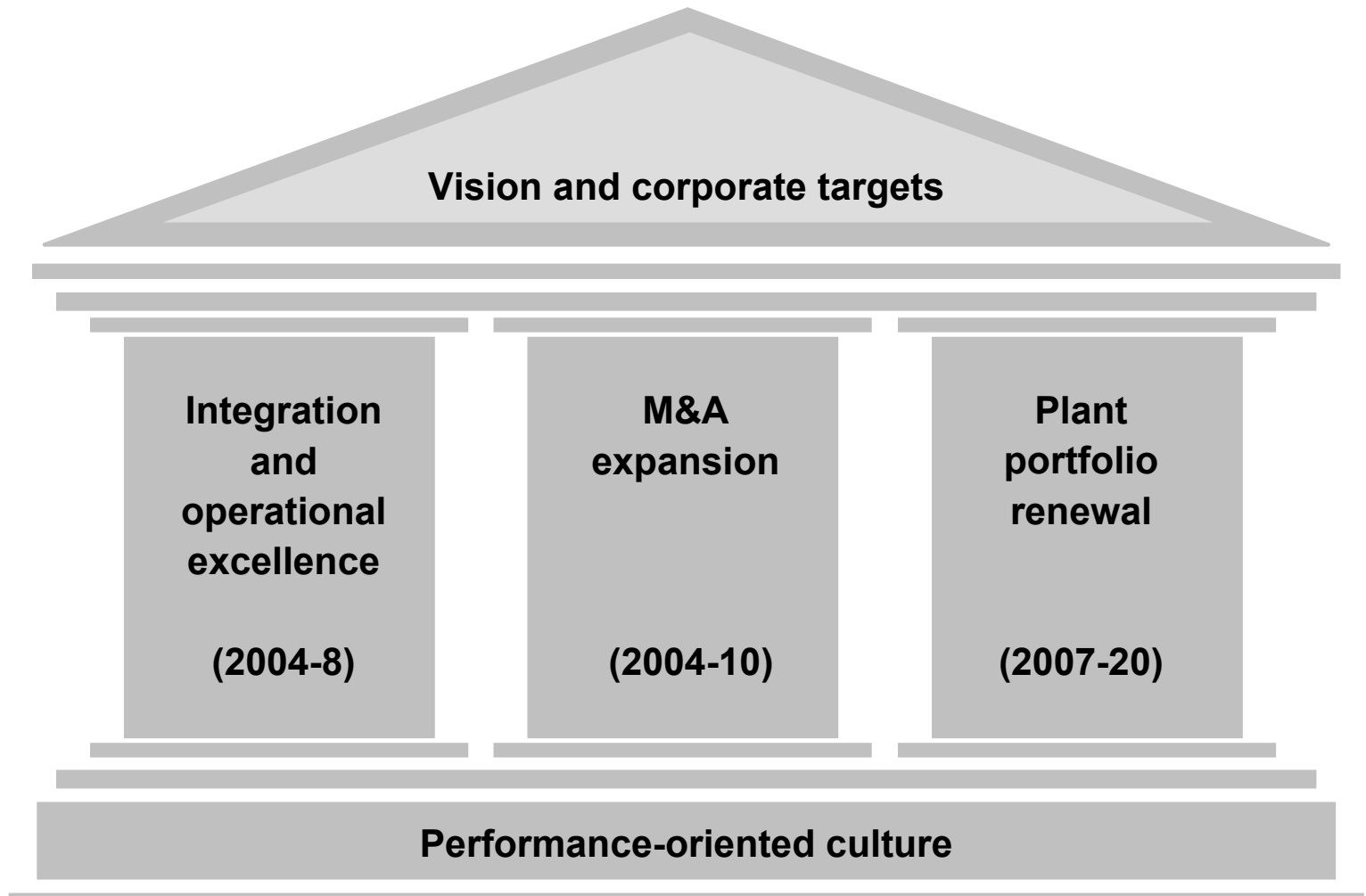


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ČEZ GROUP HAS LAUNCHED FOUR KEY STRATEGIC INITIATIVES





PERFORMANCE ORIENTED CULTURE IS A PRECONDITION FOR ALL OTHER INITIATIVES



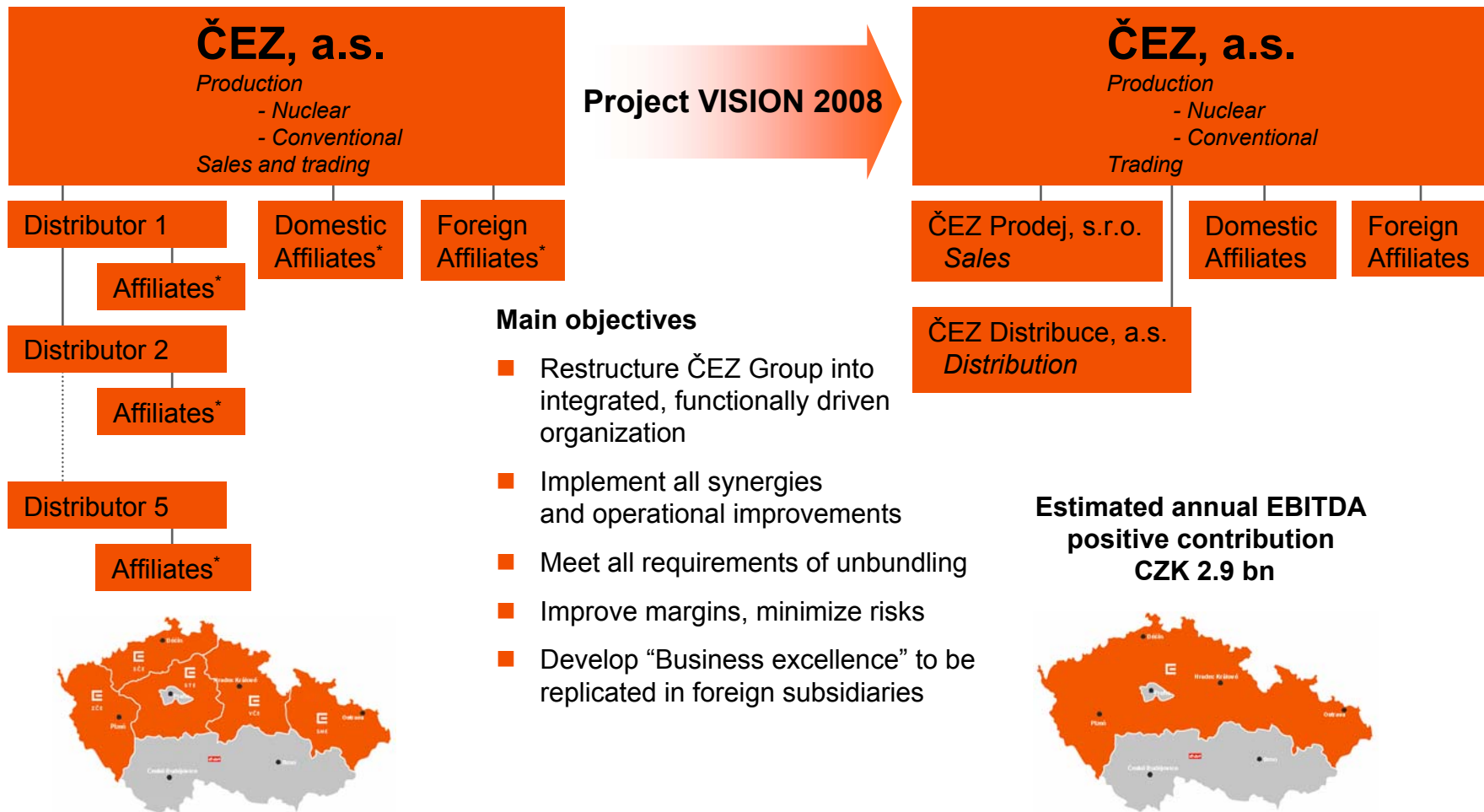


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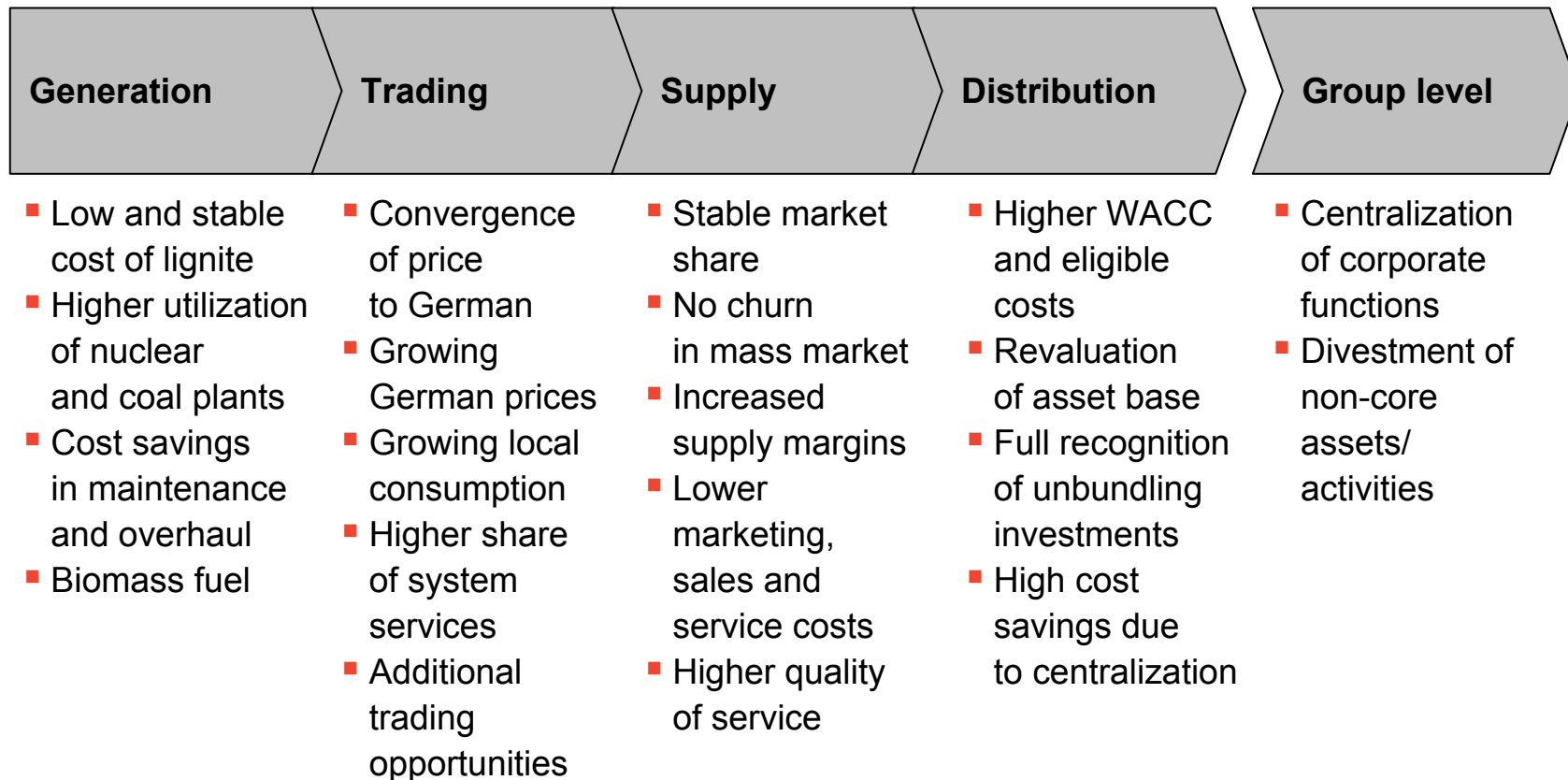
WITHIN PROJECT VISION 2008 ČEZ GROUP WILL REORGANIZE ITSELF INTO A TRANSPARENT HOLDING STRUCTURE



* At the end of 2004 ČEZ group included 97 affiliates compared to just 22 in 2002



STRONG PROFITABILITY GROWTH IS DRIVEN BY MULTIPLE FACTORS ACROSS THE VALUE CHAIN

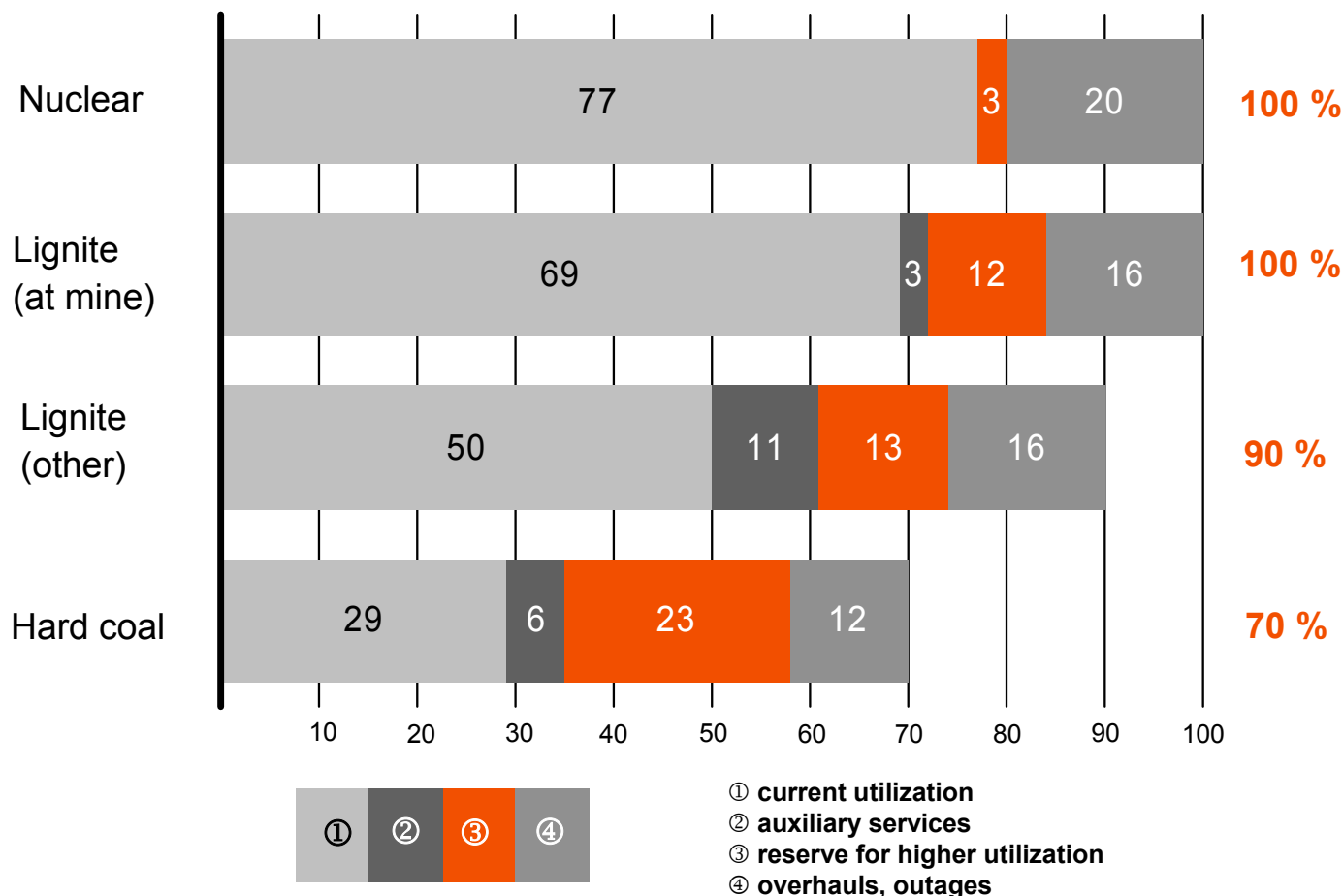




ADDITIONAL 8.7 TWh CAN BE GENERATED BY INCREASING UTILIZATION OF NUCLEAR AND COAL PLANTS

Time utilization of generation capacity

Percent of hours p.a.



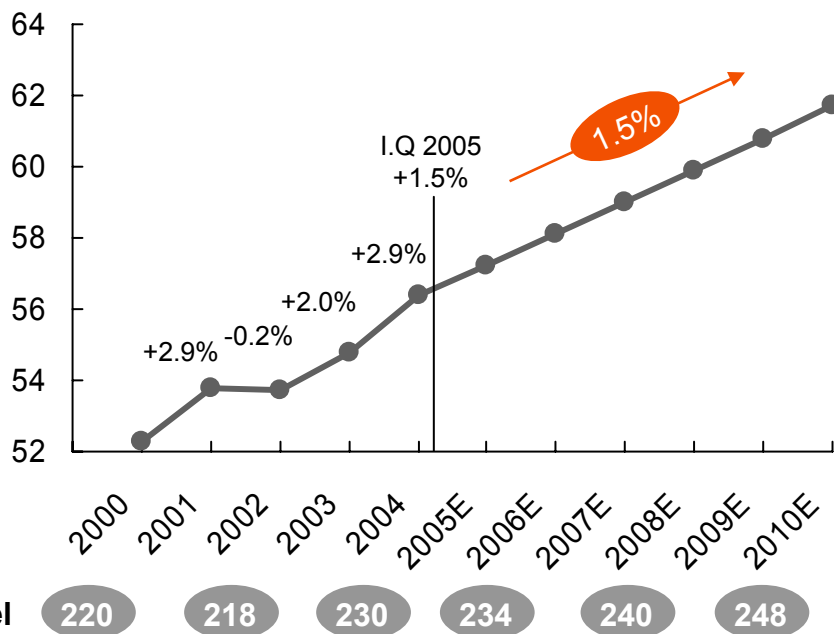
Higher sales opportunity due to improved utilization – potential of additional 8.7 TWh sales (14% of ČEZ generation volume). Could be limited by volume of available CO₂ allowances.



GOING FORWARD, ČEZ GROUP WILL BENEFIT FROM FAST GROWING DEMAND AND FORCED SHUT DOWN OF OLD PLANTS

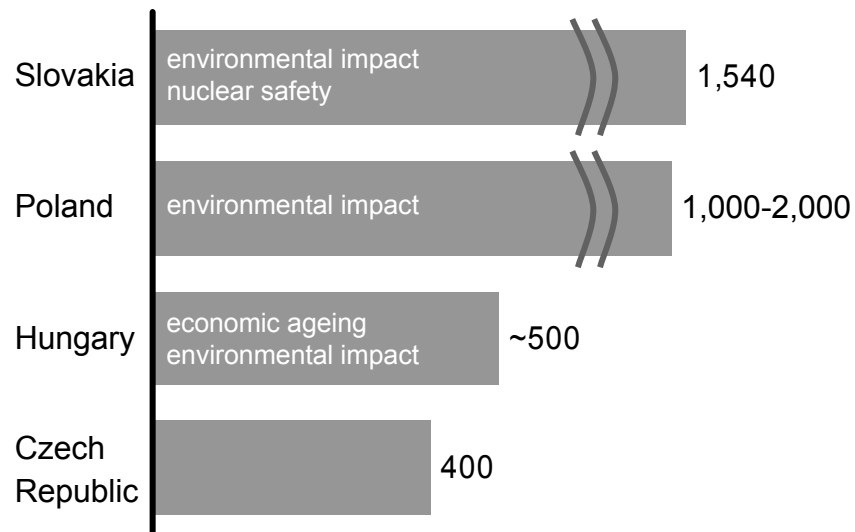
Power consumption in the Czech Republic

TWh



Estimated capacity reduction in Central Europe by 2010

Installed capacity, MW

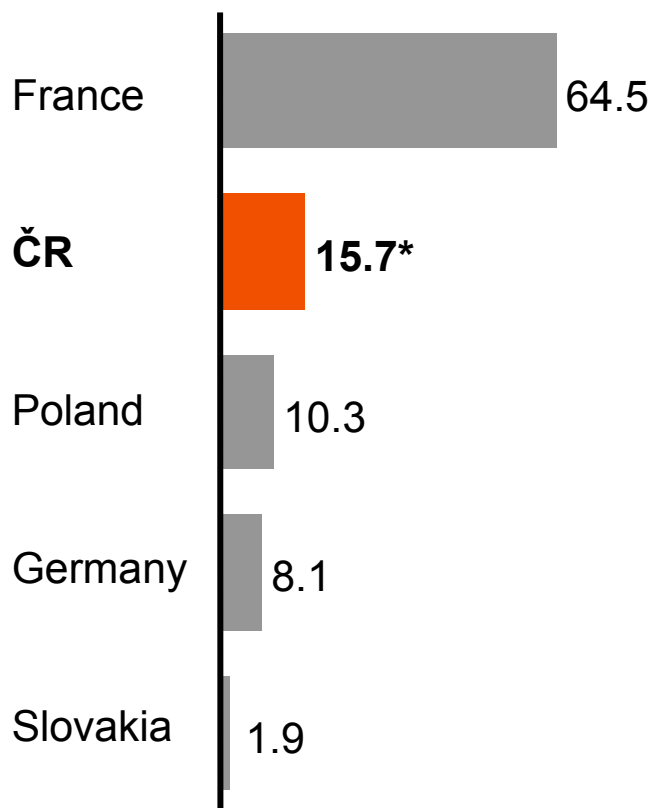


- Increased shortage of power in the region
- Lower pressure on export profiles to Germany/Austria
- Price convergence to one level across Central Europe



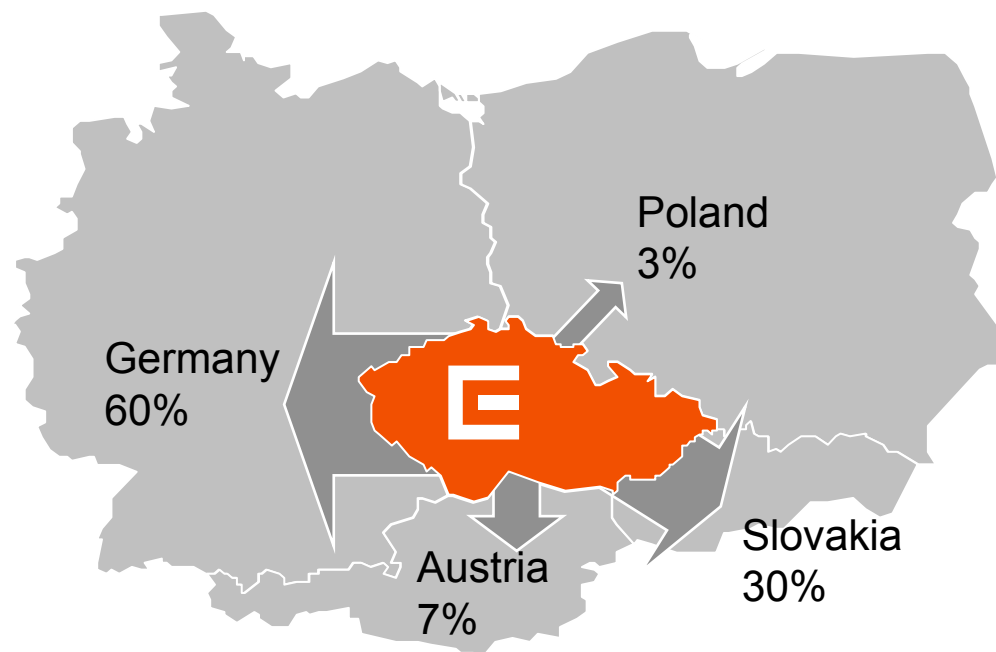
ČEZ GROUP IS SECOND LARGEST EXPORTER OF POWER IN EUROPE, PROVIDING POWER TO CENTRAL EUROPEAN COUNTRIES

Net exports in 2004
TWh



* ČEZ Group exported 16.7 TWh

Structure of ČEZ exports in 2004

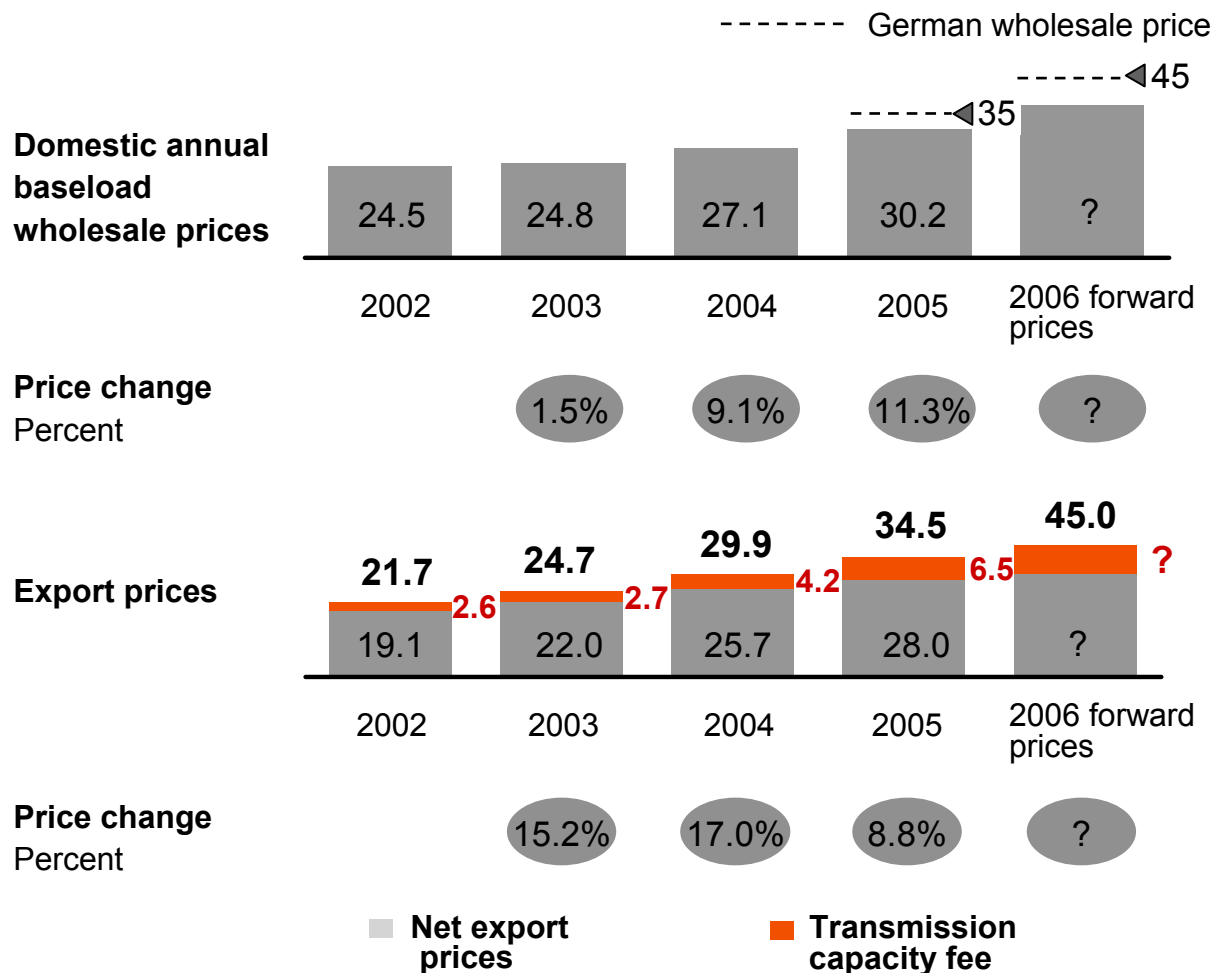


Diversification of target export markets from initial focus on Germany



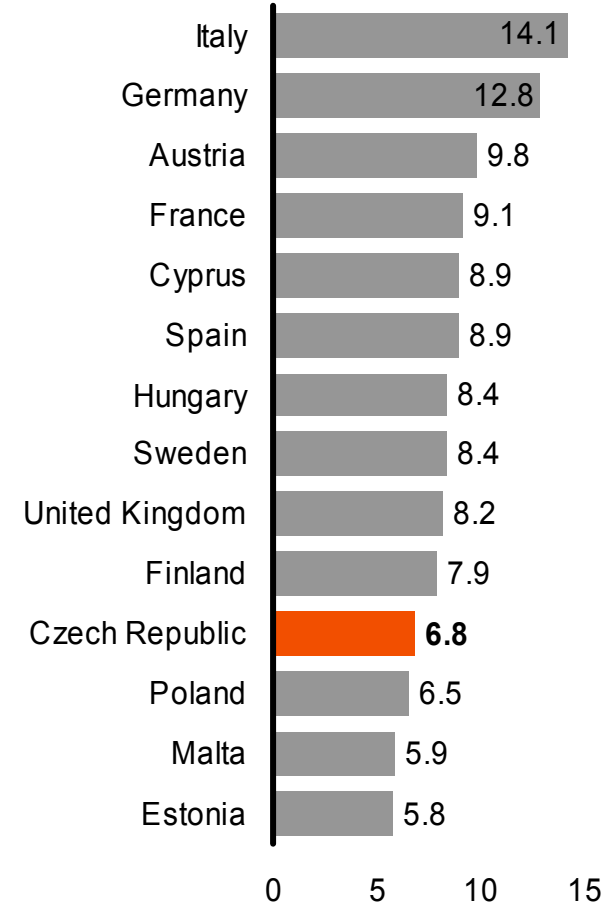
DOMESTIC AND EXPORT PRICES ARE CONVERGING TO INTERNATIONAL LEVELS

EUR/MWh*



Average electricity prices for households

EUR cent/kWh, VAT excl.



* Exchange rate CZK/EUR 30

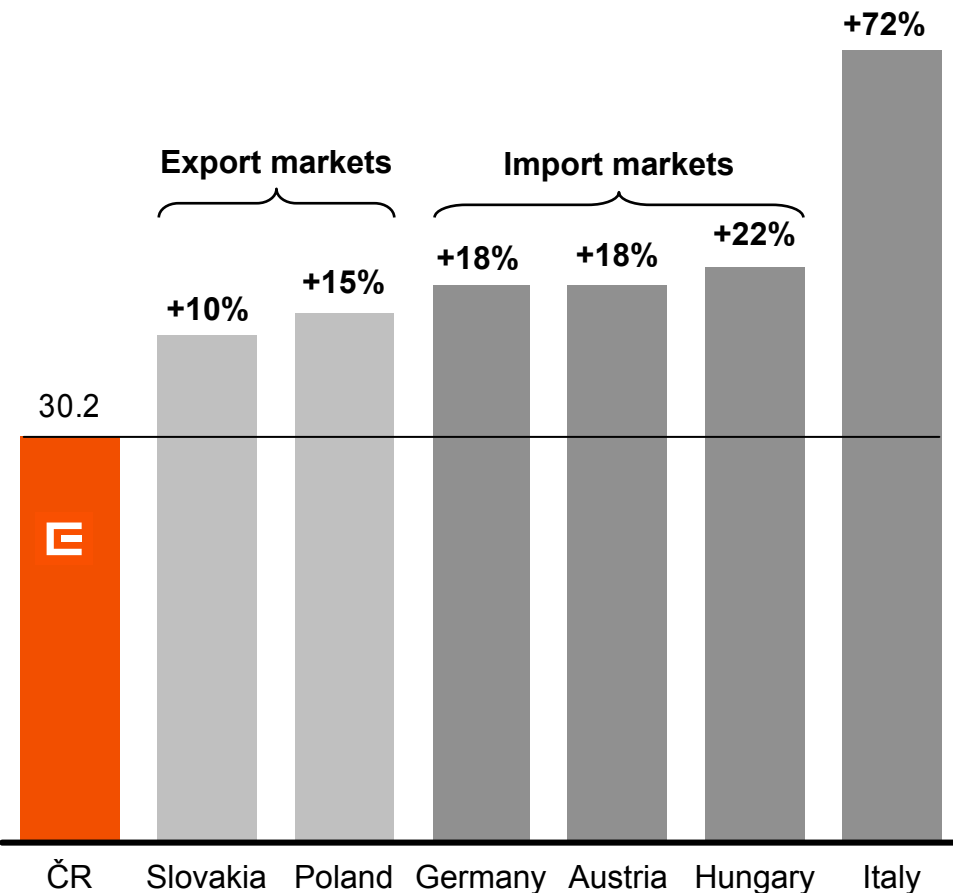
Source: EUROSTAT



WHOLESALE PRICES OFFERED BY ČEZ ARE THE LOWEST IN THE REGION . . .

Wholesale power price

2005, baseload, EUR/MWh



Existing approach how to set up level of electricity prices

- has been a result of influence of higher German prices and potential cheaper imports from Poland and Slovakia
- may be changed by establishing of the market with emission allowances (acceptable by Czech industry and residents)



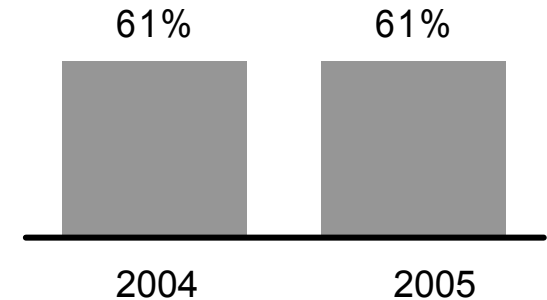


ČEZ GROUP INCREASED SALES MARGIN WHILE MAINTAINING MARKET SHARE

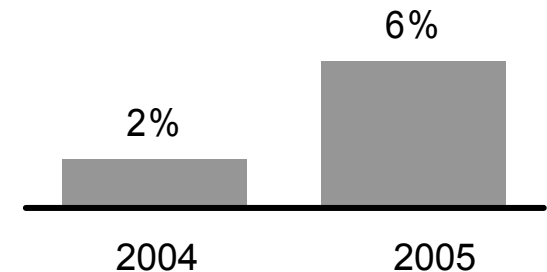
Distribution regions of ČEZ Group



Market share in power retail Percent of MWh



Average net margin Percent





ČEZ GROUP IS READY TO OPERATE IN FULLY LIBERALIZED END-USER MARKET

Market regulator (Energy Regulatory Office, ERÚ)

Provides for equal conditions for all market participants,
sets prices for transmission, distribution, system services and for supply to protected customers

Suppliers

ČEZ

Other
generators

Import

Electricity
traders

Transmission,
system dispatching,
ancillary services
procurement (ČEPS)

Distribution
(REAS)

Customers

Protected
customers
(households)
Only until
December 12,
2005

Eligible
customers

Choice of supplier

Market Operator

settles deviations of
contracted amounts and
real consumption or
generation

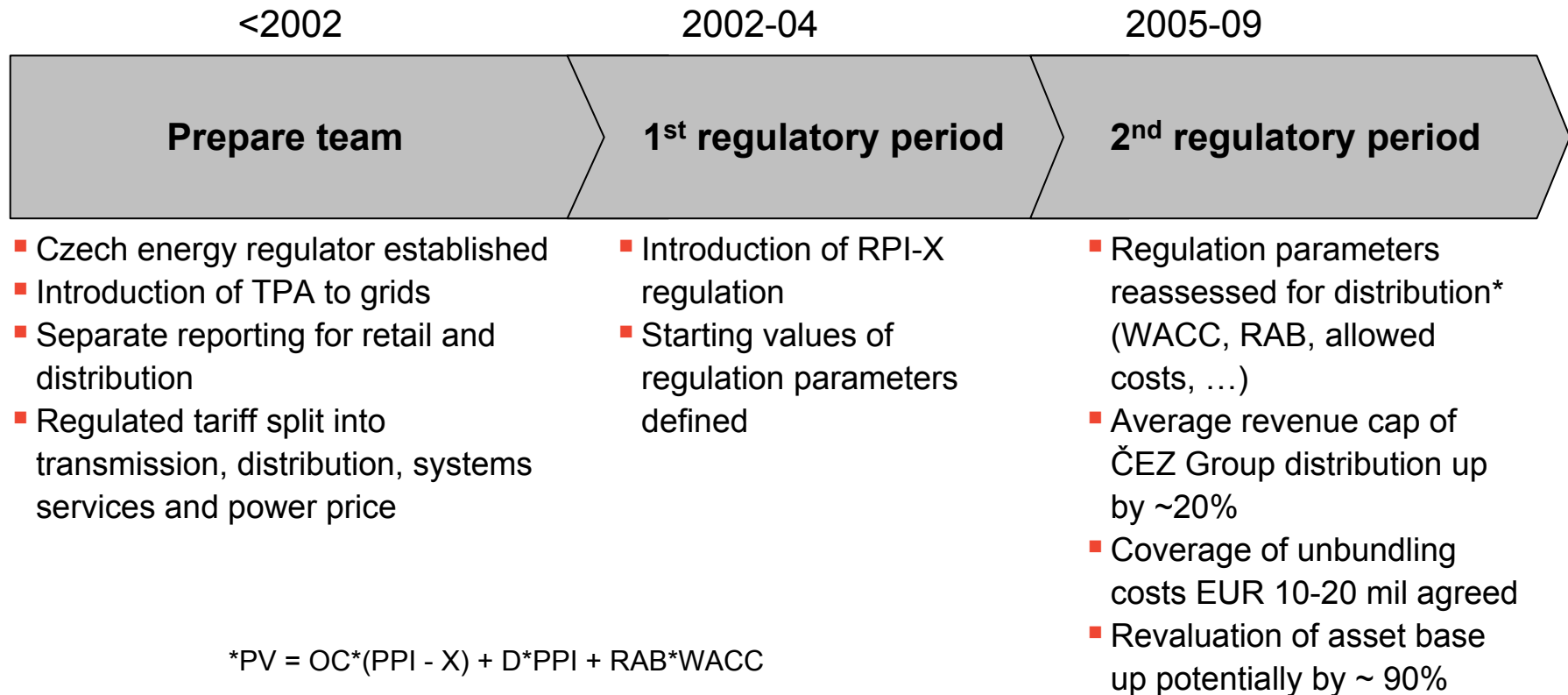
Fully competitive environment

Preparation by ČEZ Group

- Central call center is operated 24/7
- Network of customer service centers in major cities
- New products and services
- New customer information system (SAP ISU)
- New marketing approach



REGULATORY ENVIRONMENT IN THE CZECH REPUBLIC IS FAIR AND TRANSPARENT



$$*PV = OC*(PPI - X) + D*PPI + RAB*WACC$$

PV	revenue cap
OC	operating costs
PPI	producer price index
X	efficiency factor (instrument for decrease of costs)
D	depreciation
RAB	operating assets (regulatory assets base)
WACC	weighted average capital costs



SUMMARY OF PROFIT IMPROVEMENT AND BUSINESS GROWTH INITIATIVES

ČEZ Group has launched multiple initiatives focused on improvement of the existing businesses

- Project Vision 2008 aims at restructuring of the entire group and will lead to major operational improvement
- Additional profit growth is driven by multiple initiatives across the value chain:
- In **generation**, ČEZ Group has developed a balanced, cost competitive and environment friendly plant portfolio; it has potential for further production increase
- In **trading**, ČEZ Group benefits from increasing wholesale power price, increases its domestic wholesale market share and enjoys position of 2nd biggest European exporter
- ČEZ **distribution** is managed within transparent and fair regulatory environment
- In **retail**, ČEZ Group operates stable and increasingly profitable retail business while offering affordable prices



AGENDA

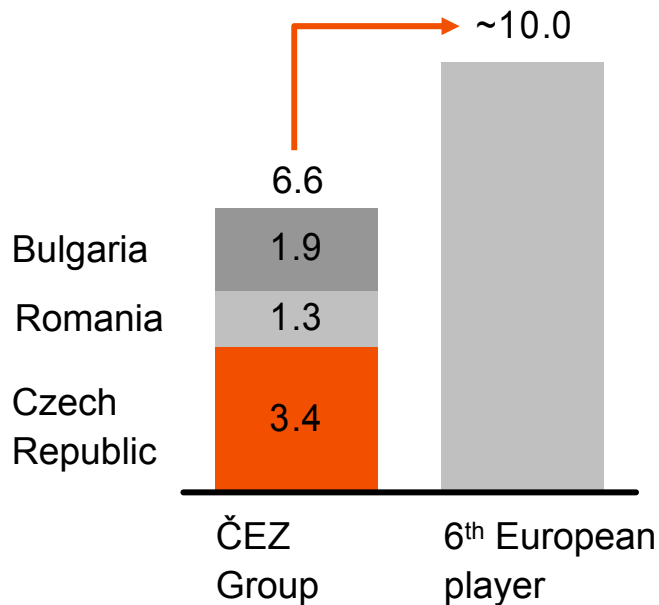
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ČEZ GROUP WANTS TO GROW BOTH IN GENERATION AND DISTRIBUTION/SUPPLY

Ambition for distribution/supply growth

Millions of customers

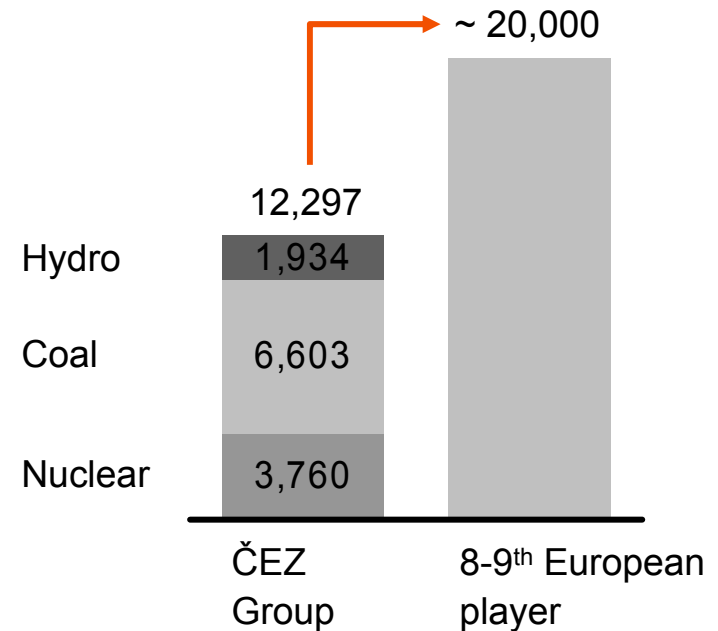


Current
ranking

8th

Ambition for target generation growth

MW of installed capacity



10th



ČEZ GROUP IS BEST POSITIONED TO SUCCEED IN THE REGION OF CENTRAL AND SOUTHEASTERN EUROPE

- Intimate knowledge of the region
- Very well accepted, successful but “local” investor due to close cultural/historical ties
- First-hand experience with transformation of power markets
- Natural hedge to current position of ČEZ Group providing significant synergies/risk mitigation
- Significant portion of the assets still in state hands, many privatization processes initiated
- Limited interest of other players in target region of ČEZ Group
- Higher financial leverage of other players

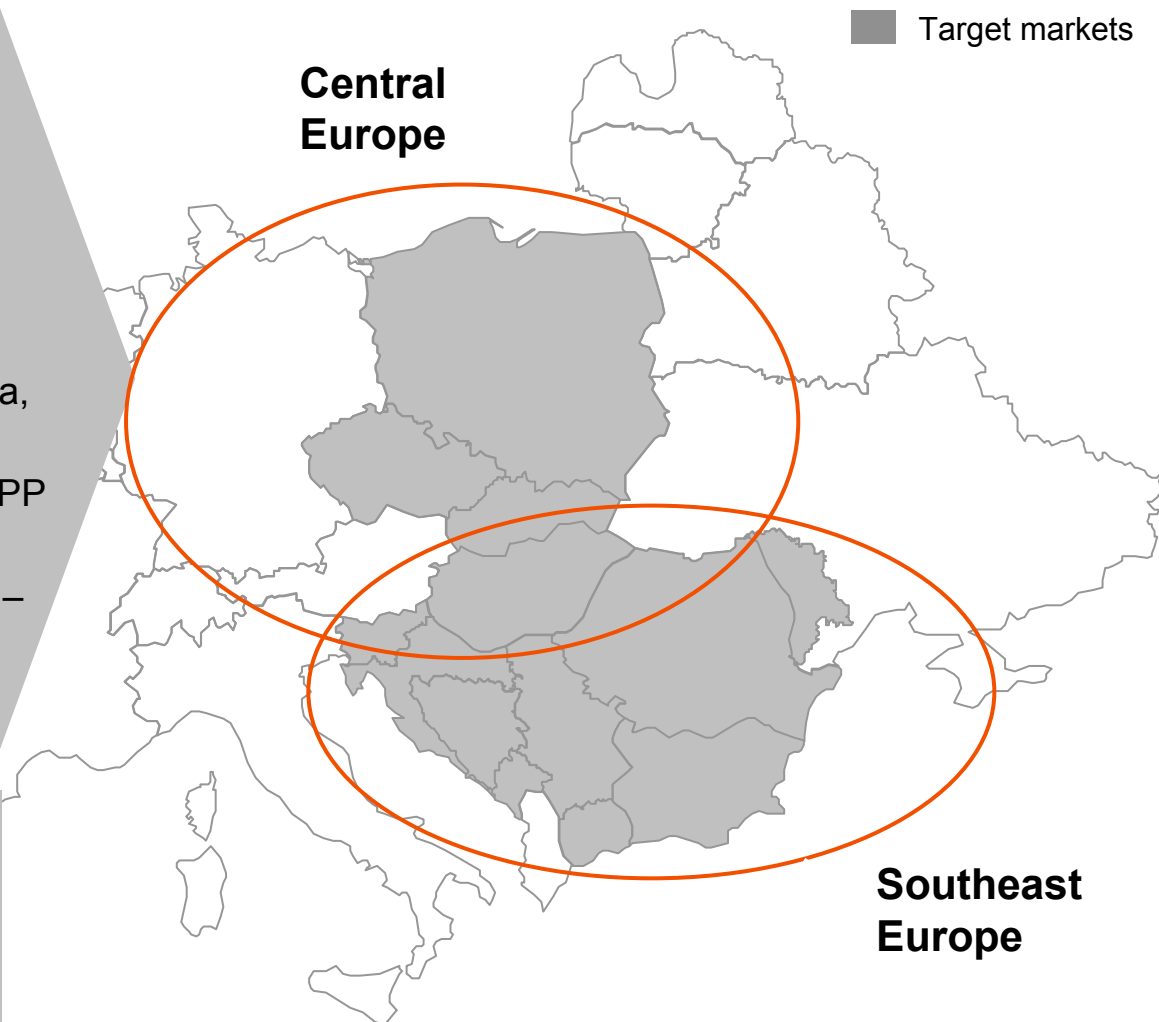


... AND LARGE NUMBER OF POTENTIAL TARGETS

Main acquisitions opportunities 2005-2006

- **Bulgaria:** generation – TPPs Varna, Russe
- **Romania:** distributors Muntenia Sud, generation – TPP Turceni, Rovinari, Craiova
- **Poland:** generation – PAK, Dolna Odra, Kozienice, distribution
- **Montenegro:** generation + mining – TPP Pljevlja, coal mine company Pljevlja
- **Macedonia:** generation + distribution – electricity power complex ESM

Additional opportunities
expected within next 4-5 years – e.g.,
remaining distributors in Romania,
energy sector in Serbia, additional
assets in Poland





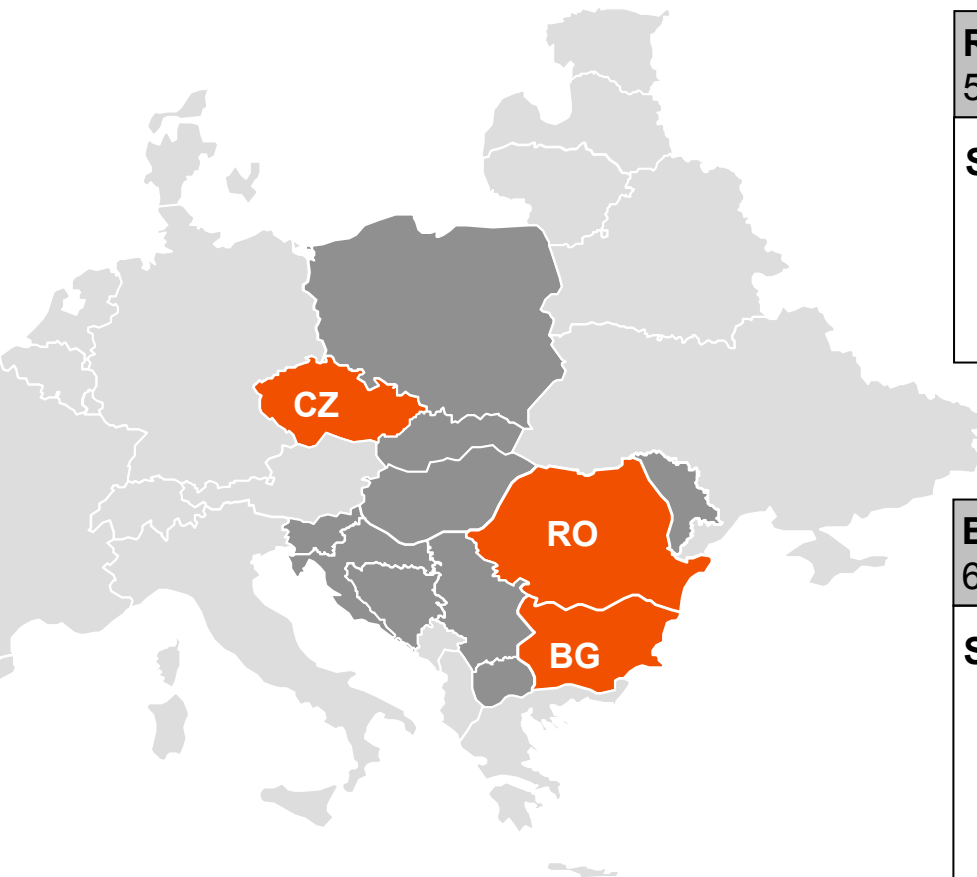
EVEN THOUGH ČEZ GROUP HAS AMBITIOUS EXPANSION PLANS, WE ARE VERY PRUDENT IN OUR M&A DECISIONS

Key criteria for M&A decisions

- Target attractive on standalone basis (market position, asset quality)
- Synergies with ČEZ Group (welcomed but not taken into valuation)
- Return above cost of capital (without future synergies)
- Credit rating targeting
- Positive contribution to ČEZ Group value



ČEZ ALREADY STARTED INTEGRATION OF DISTRIBUTORS IN BULGARIA AND ROMANIA



Romania

51% shares in EDC Oltenia owned by ČEZ, a. s.

Status

- ČEZ Group selected in tender
- SPA signed
- Management team ready to go



Bulgaria

67% shares in 3 EDCs are owned by ČEZ, a. s.

Status

- Management team on site with full control
- Takeover on January 18, 2005
- SPA signed money and shares transferred



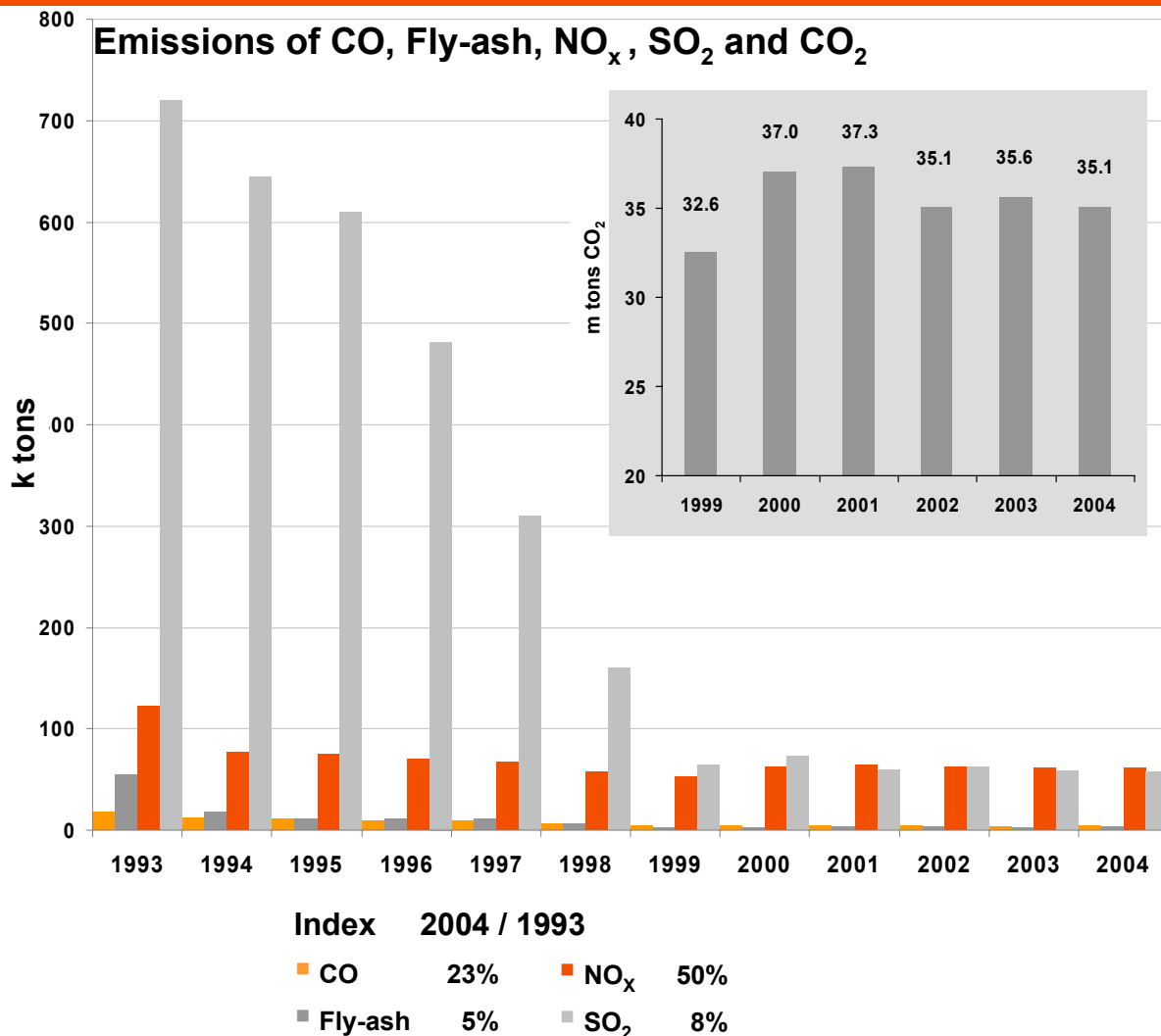


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ČEZ'S COAL-FIRED POWER PLANTS EMISSIONS



Desulphurization has 15 year cycle

**Main investments
proceeded in
1996-1998**

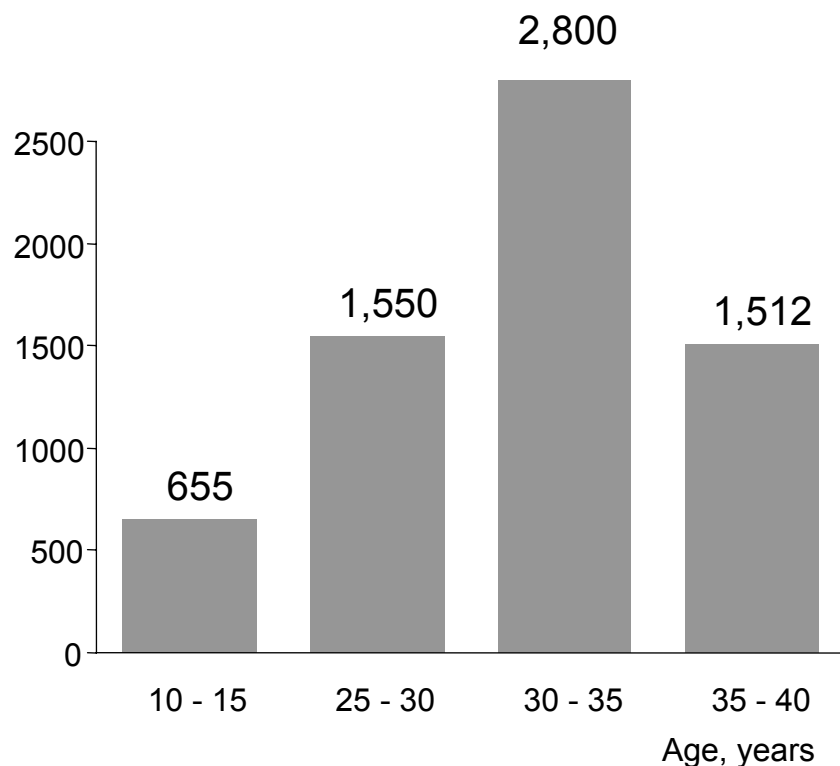


**Next stage of
reconstruction is expected
in horizon of 10 years**



HOWEVER, LARGE PORTION OF ČEZ POWER PLANTS WILL BE AT THE END OF THEIR LIFETIME





Age structure of ČEZ thermal blocks MW



- Substantial portion of ČEZ thermal capacity approaches end of its life time
- Additionally, the emission limits on SO_x , NO_x will get much stricter starting 2016
- As a result part of the existing capacity will need to be decommissioned



ČEZ INTENDS TO BUILD ITS FUTURE PLANT FLEET AROUND NEW GENERATION OF LIGNITE PLANTS

	Coal	Nuclear	Gas	Renewables
Environmental impact	<ul style="list-style-type: none">▪ Acceptable emissions if well designed/managed	<ul style="list-style-type: none">▪ No emissions▪ Nuclear risk	<ul style="list-style-type: none">▪ Low emissions	<ul style="list-style-type: none">▪ Limited/no emissions▪ No resources depletion
Competitive advantages	<ul style="list-style-type: none">▪ Low cost of domestic lignite	<ul style="list-style-type: none">▪ Politically acceptable in Czech Republic	<ul style="list-style-type: none">▪ Flexibility, relatively low investment cost	<ul style="list-style-type: none">▪ Public support
Risks/constraints	<ul style="list-style-type: none">▪ Lignite availability▪ CO₂ regulation/price	<ul style="list-style-type: none">▪ High up front investment	<ul style="list-style-type: none">▪ High/volatile gas price	<ul style="list-style-type: none">▪ Subsidy scheme not clear yet
				
	<ul style="list-style-type: none">▪ Cornerstone of the future ČEZ plant fleet	<ul style="list-style-type: none">▪ Complement to lignite for baseload generation	<ul style="list-style-type: none">▪ Potentially source of flexible power	<ul style="list-style-type: none">▪ Complementary role (e.g. combined combustion of coal and biomass)



AGENDA

- Profile of ČEZ Group
 - Introduction
 - Financial performance
- Strategic initiatives of ČEZ Group
 - Integration and operational excellence
 - M&A expansion
 - Plant portfolio renewal
- Summary for investors



ČEZ GROUP PROVIDE SOME UNIQUE FEATURES FOR EQUITY INVESTORS

Key factors

- Robust balance sheet
- Strong financial performance
- Growing dividend payout by 50% in 5 years
- Dynamic profit growth expected to continue
- Management fully focused on financial performance
- Standard corporate governance practices
- Exposure to attractive regions of 1st and 2nd EU convergence zone

Rationale

- Lowest level of debt among large players
- EBITDA margin 37%
- 41% of net profit and 2.1% yield in 2004
- Growing power prices and consumption, efficiency improvements and synergies
- Group restructuring, aggressive performance targets
- Under scrutiny of institutional investors, financial advisors, credit agencies (S&P, Moody's)
- Central and Southeastern Europe