



CEZ GROUP



THE LEADER IN POWER MARKETS OF CENTRAL AND SOUTHEASTERN EUROPE

Equity story, July 2006



DISCLAIMER

Certain statements in the following presentation regarding CEZ's business operations may constitute "forward looking statements." Such forward-looking statements include, but are not limited to, those related to future earnings, growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute CEZ's current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to continued normal levels of operating performance and electricity demand at our distribution companies and operational performance at our generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and incremental growth from investments at investment levels and rates of return consistent with prior experience. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. CEZ undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In preparation of this document we used certain publicly available data. While the sources we used are generally regarded as reliable we did not verify their content. CEZ does not accept any responsibility for using any such information.



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■ Summary for investors	3
■ Introduction	6
■ Overview of CEZ Group	6
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■ Wholesale price development	26
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CEZ GROUP STANDS APART FROM OTHER UTILITIES IN EUROPE

- The vision of CEZ is to be the leader in power markets in the Central and Southeastern Europe
- The largest Czech corporation and the largest corporation among 10 new EU member states
- The best performing European utility stock with growth at >260% in the last 24 months with wide international shareholders base
- Leading position in Central European power markets, 2nd biggest exporter of power in Europe
- Vertically integrated in the Czech Republic – from mining (45% market share) through generation (72%) to distribution (62%) and supply (57%)
- Distribution and supply in Bulgaria (42% market share) and Romania (17%)
- Generation in Poland – Power Plants Elcho (220MW) and Skawina (590MW) and in Bulgaria – Power Plant Varna (1,260MW)



CEZ GROUP OFFERS SOME EXCEPTIONAL FEATURES TO EQUITY INVESTORS

Key features	Rationale
▪ Strong financial performance	▪ EBITDA margin 40% (generation mix, growth potential)
▪ Dynamic profit growth expected to continue	▪ Growing power prices and consumption, efficiency improvements and synergies
▪ Vertically integrated	▪ Stable performance once prices converge
▪ Robust balance sheet	▪ Strong cash flow and very low level of debt
▪ Management fully focused on financial performance	▪ Group restructuring, aggressive performance targets
▪ Dividend policy targets 40-50 % payout	▪ 41% pay out ratio in 2005
▪ International corporate governance practices	▪ Under scrutiny of equity brokers, institutional investors, financial advisors and rating agencies (S&P, Moody's)
▪ Increasing exposure to attractive regions of 1 st and 2 nd EU convergence zone	▪ Central and Southeastern Europe



CEZ GROUP WILL CONTINUE TO IMPROVE ITS PERFORMANCE FASTER THAN OTHERS

	2006	2007 and beyond	Long term
With current capital	<ul style="list-style-type: none">Wholesale price growth, stable fuel costsTransformation savingsSavings in CO₂ emissionsImprovements in last acquisitions	<ul style="list-style-type: none">Wholesale price convergence, stable fuel costsHigher utilization of plantsBest practice savingsFavorable regulation	<ul style="list-style-type: none">Stable fuel costs
With additional capital	<ul style="list-style-type: none">Consolidation of latest acquisitions (Poland, Varna)	<ul style="list-style-type: none">New acquisitionsIncreased nuclear capacityRenewables	<ul style="list-style-type: none">Upgrade of Czech generation fleetGreen/Brown field generation projects abroadAdditional nuclear units

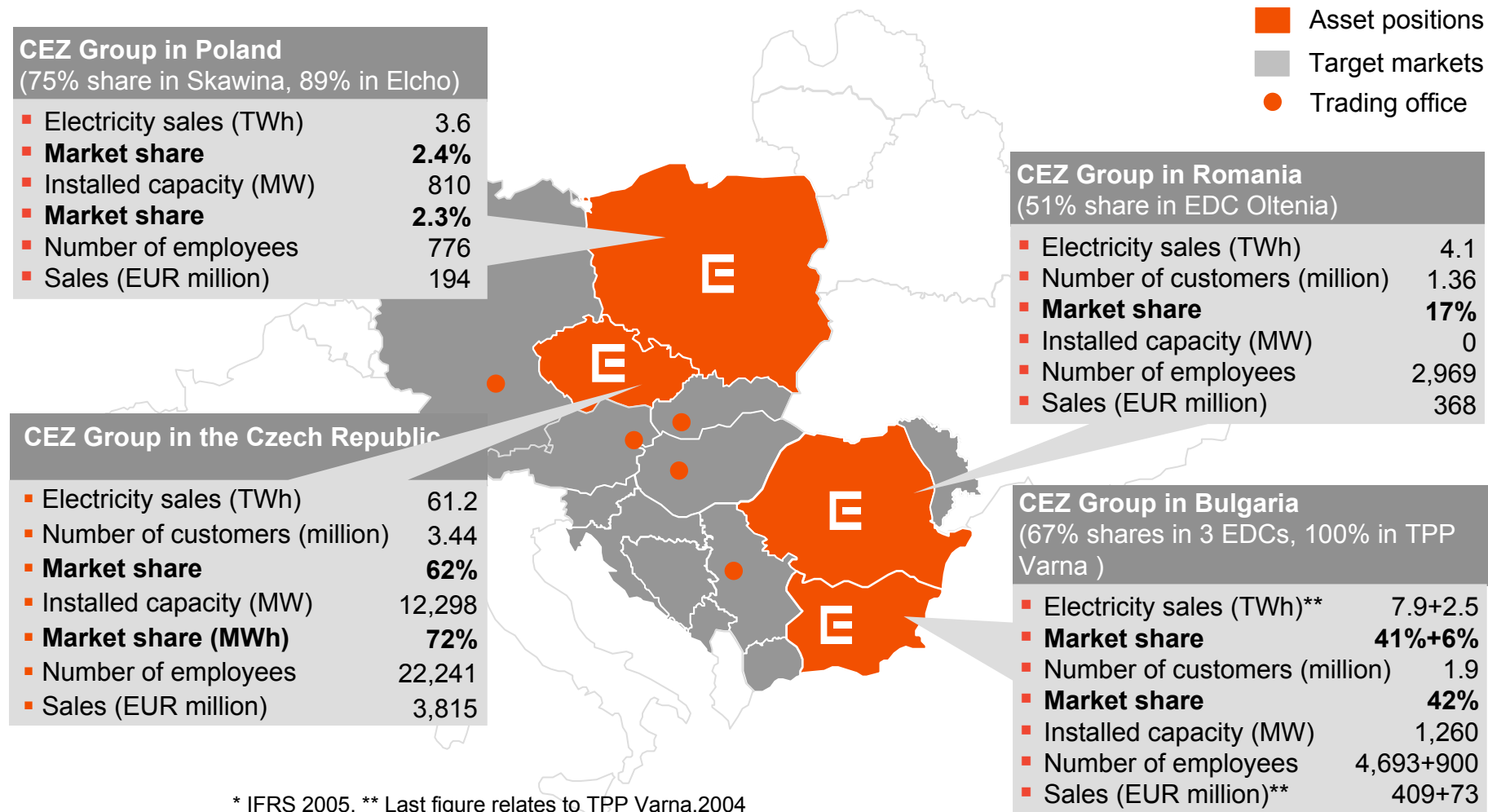


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CEZ GROUP IS AN INTERNATIONAL UTILITY WITH STABLE POSITION IN DOMESTIC MARKET AND GROWING PORTFOLIO IN CEE



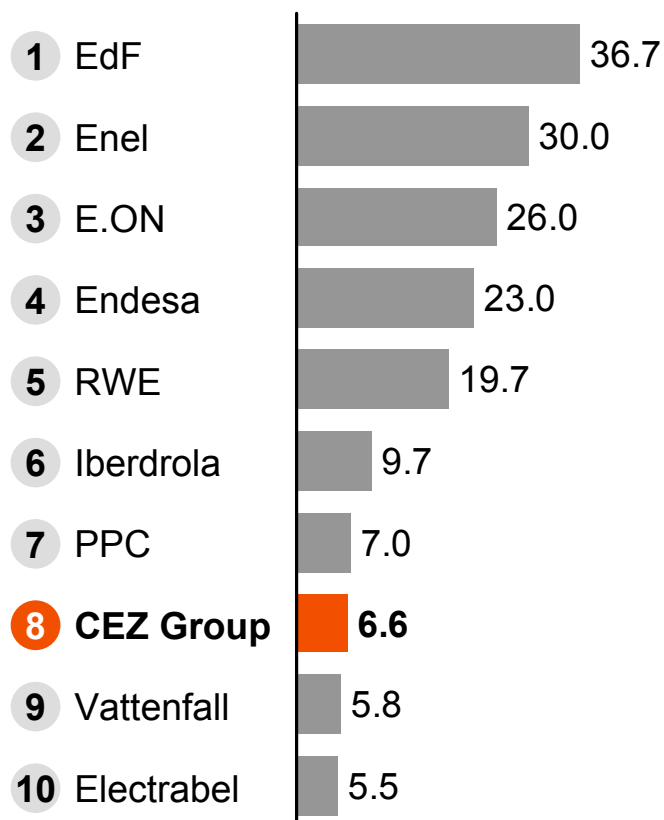
Source: CEZ, Distribution companies, national statistics



CEZ BELONGS TO TOP 10 EUROPEAN POWER UTILITIES

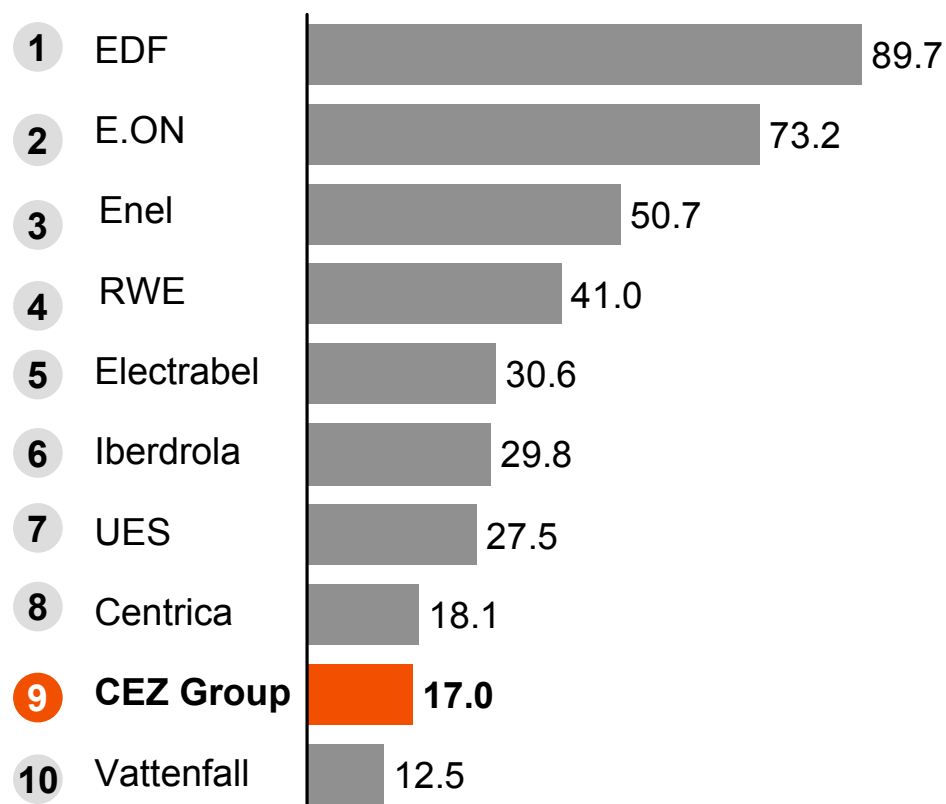
Top 10 European power utilities

Number of customers in Europe, million



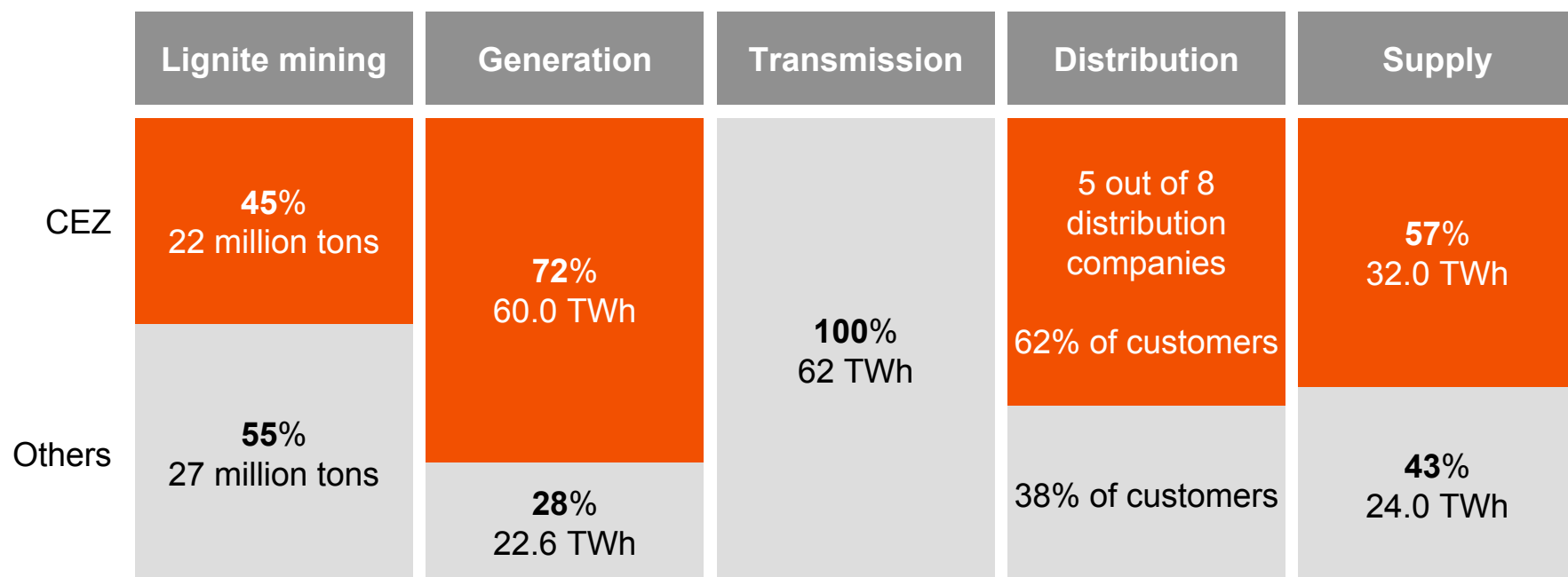
Top 10 European power utilities

Market capitalization, USD bn, as of June 23, 2006





CEZ IS A STRONG AND VERTICALLY INTEGRATED PLAYER ON THE CZECH ELECTRICITY MARKET



- CEZ fully owns the largest Czech mining company (SD)
- Remaining 3 coal mining companies are privately owned

- Other competitors – individual IPPs

- The Czech transmission grid is owned and operated by CEPS, 100% owned by the Czech state



- Other competitors – E.ON, RWE/EnBW



VISION OF THE CEZ 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 South-
Eastern 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
 - integrate into the Group








Brand equity

- Czech champion on the international energy markets



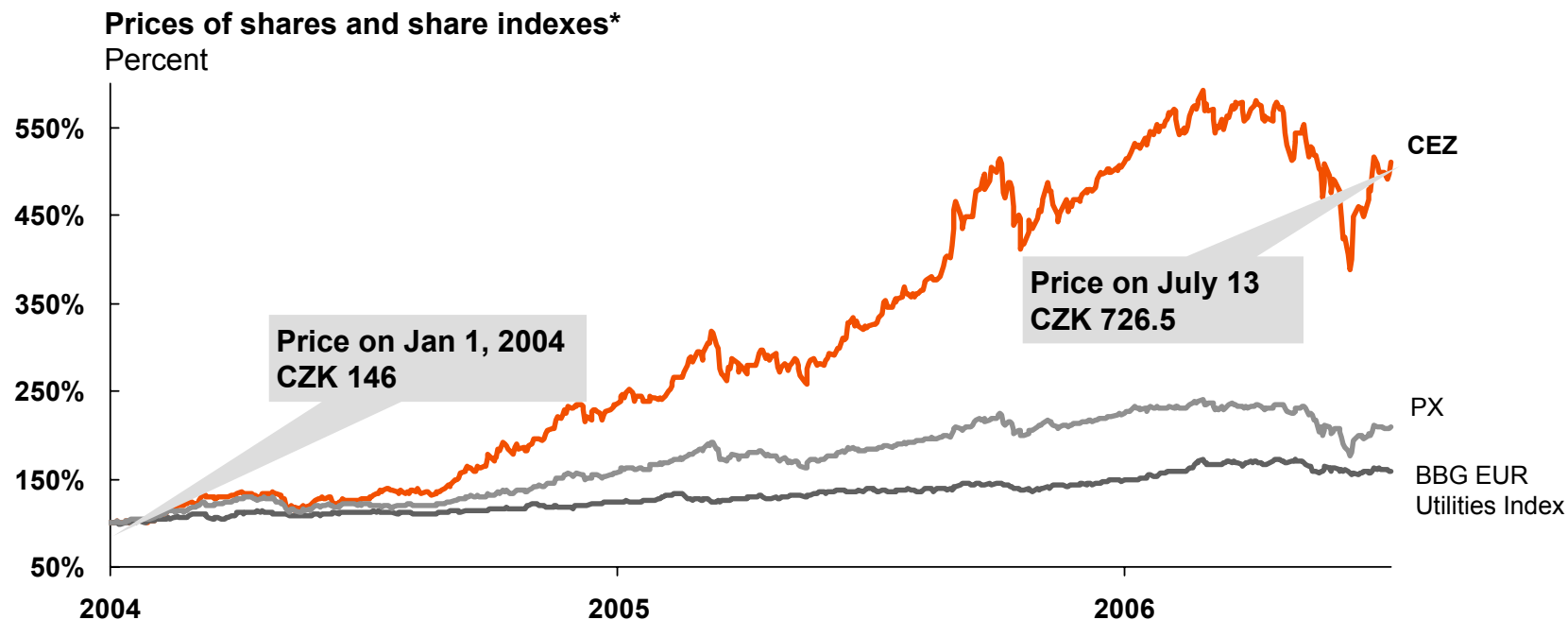
NEW MANAGEMENT TEAM IS DETERMINED TO FULFILL THE MISSION

Management team of CEZ Group

	HR	Trade	Finance	CEO	Generation	Distribution	Operations
							
	Zdeněk Pasák	Alan Svoboda	Petr Vobořil	Martin Roman	Jiří Borovec	Tomáš Pleskač	Daniel Beneš
Responsibility	<ul style="list-style-type: none"> Human Resources Internal Communication 	<ul style="list-style-type: none"> Trading Sales and marketing Customer services Business dev. 	<ul style="list-style-type: none"> Treasury Accounting Planning/controlling ICT 	<ul style="list-style-type: none"> M&A 	<ul style="list-style-type: none"> Conventional generation Nuclear generation New projects 	<ul style="list-style-type: none"> Distribution Foreign equity participations Integration 	<ul style="list-style-type: none"> Domestic Equity participations Procurement Coal mining
Credentials	<ul style="list-style-type: none"> Managing Partner Madsen & Taylor Consulting Senior Consultant and International Partner Group Helmut Neumann Int. 	<ul style="list-style-type: none"> Partner in McKinsey & Company responsible for energy sector CFO in regional power distributor 	<ul style="list-style-type: none"> Top management positions in CEZ, including CEO 	<ul style="list-style-type: none"> CEO of Škoda holding in Plzeň CEO of US-owned Janka Lennox 	<ul style="list-style-type: none"> CEO of Škoda Nuclear division CEO ABB Service Czech Republic 	<ul style="list-style-type: none"> Top management positions within the CEZ Group 	<ul style="list-style-type: none"> Head of Sales Bohemiacoal Plant director Tchas Director Hedviga Group
Since	2006	2004	1980	2004	2005	1993	2004



CEZ STOCK HAS SIGNIFICANTLY OUT-PERFORMED THE CZECH MARKET AS WELL AS EUROPEAN UTILITIES



CEZ shares are among the most liquid on the Prague Stock Exchange

▪ **Average daily volume in Q2 2006**

- CZK 1.9 billion
- 2.5 million pieces
- 1.3% of the free float

Dual listing in Warsaw in progress

CEZ shares are part of the following main indices

- PX – Prague Stock Exchange
- CTX – Wiener Borse
- CETOP 20 – Budapest Exchange
- STOXX EU Enlarged – Dow Jones

* Indexed to Jan 1, 2004

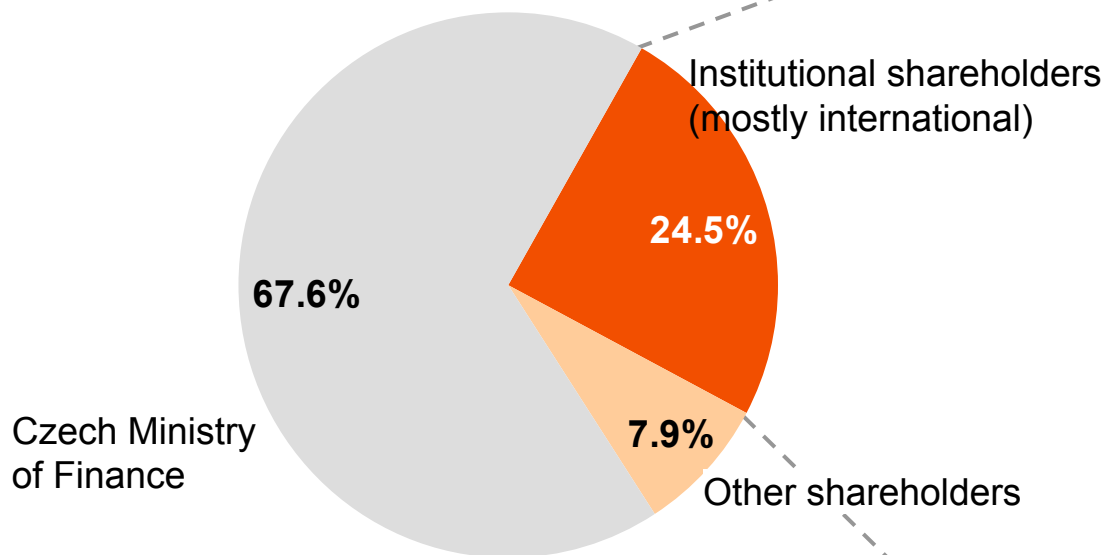
Source: PSE, Bloomberg



CEZ GROUP ATTRACTED MANY INTERNATIONAL SHAREHOLDERS

Shareholders of CEZ, a. s.

As of December 31, 2005



Government stake unlikely to be reduced in near future

Types of funds investing in CEZ shares

- Utilities
- Emerging markets
- Hedge

Increasing share

Examples of large foreign investors

- Baring Global Umbrella
- BNP Paribas
- Charlemagne Capital
- Credit Suisse Life & Pensions
- J. P. Morgan
- Merrill Lynch
- Norwich Life & Pensions Ltd.
- Pioneer
- The State Teachers Retirement System Ohio
- UBS

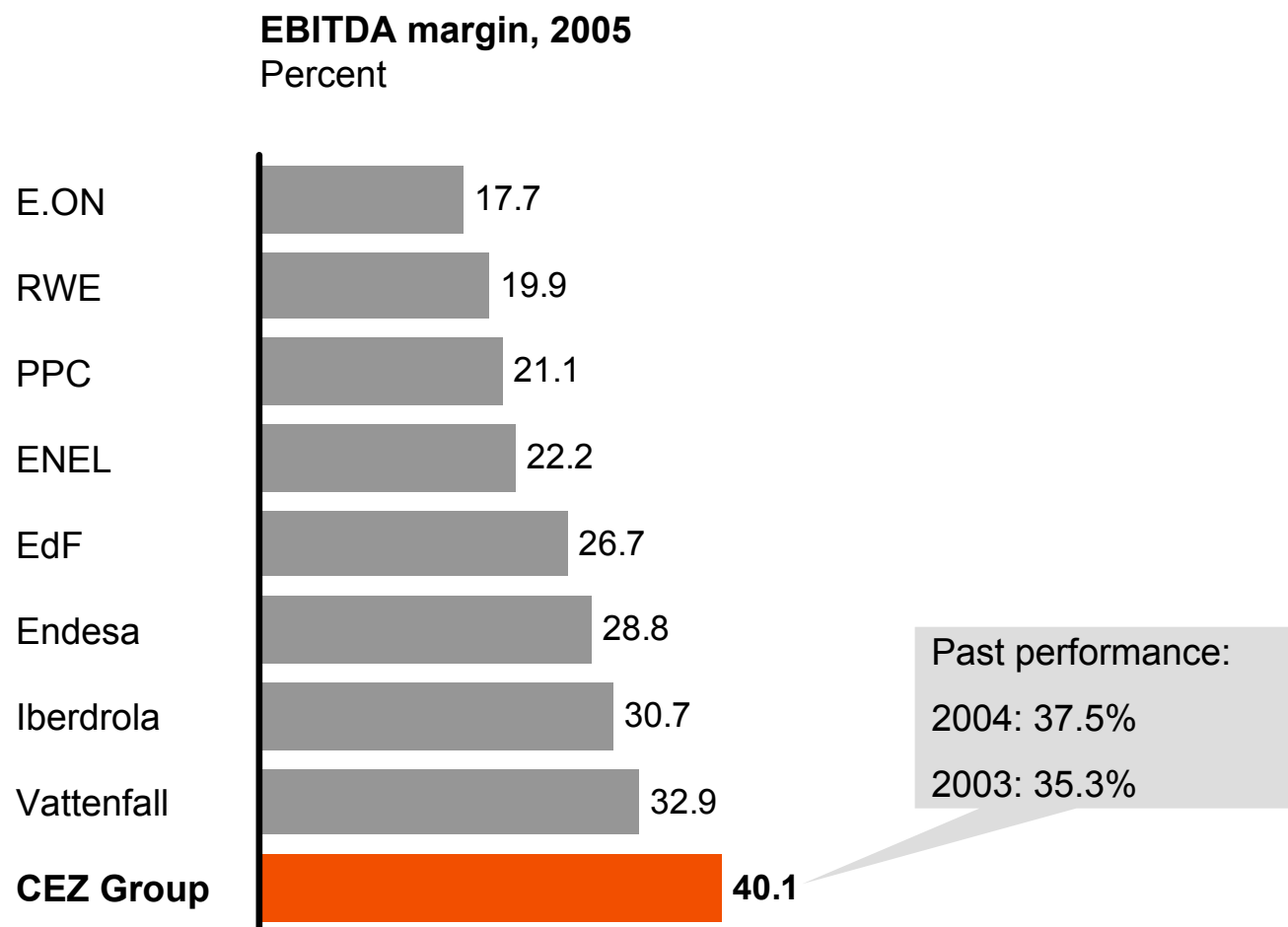


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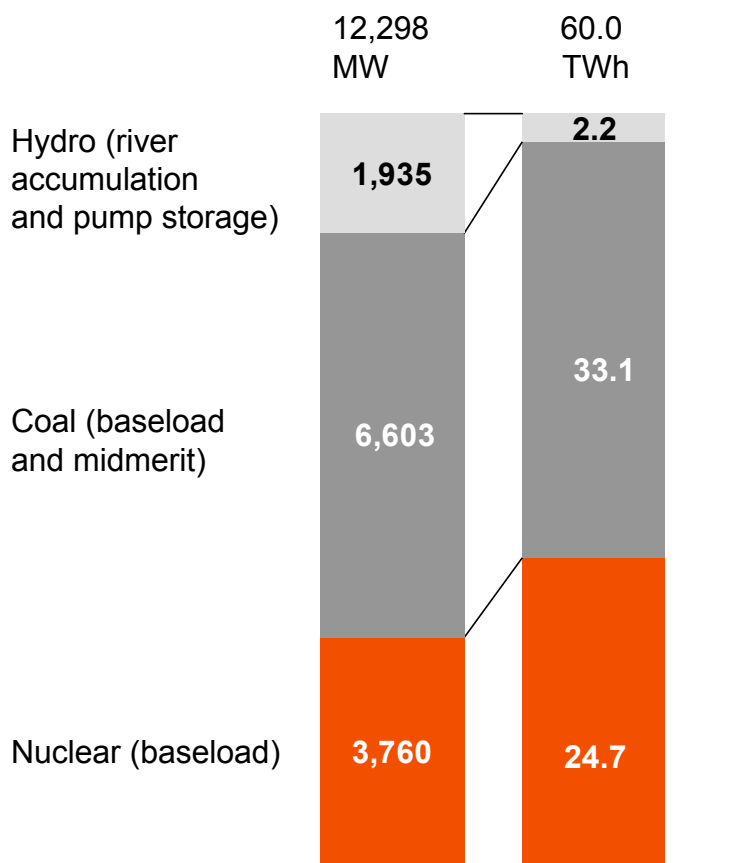
CEZ GROUP IS THE MOST PROFITABLE UTILITY IN EUROPE



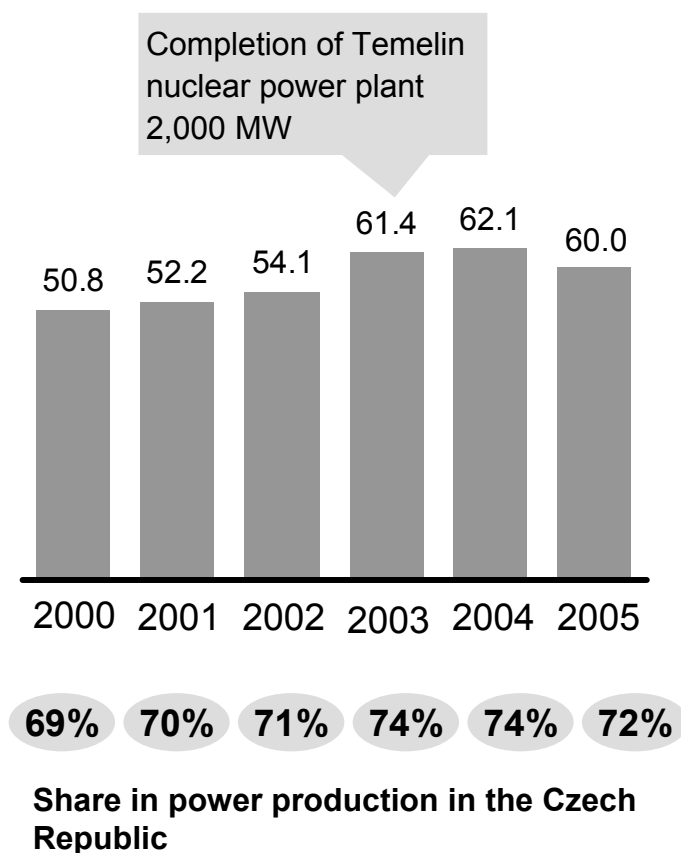


THE MAIN COMPETITIVE ADVANTAGE OF CEZ GROUP IS THE LOW COST GENERATION FLEET

CEZ Group generation (2005)



Annual production of CEZ Group
TWh



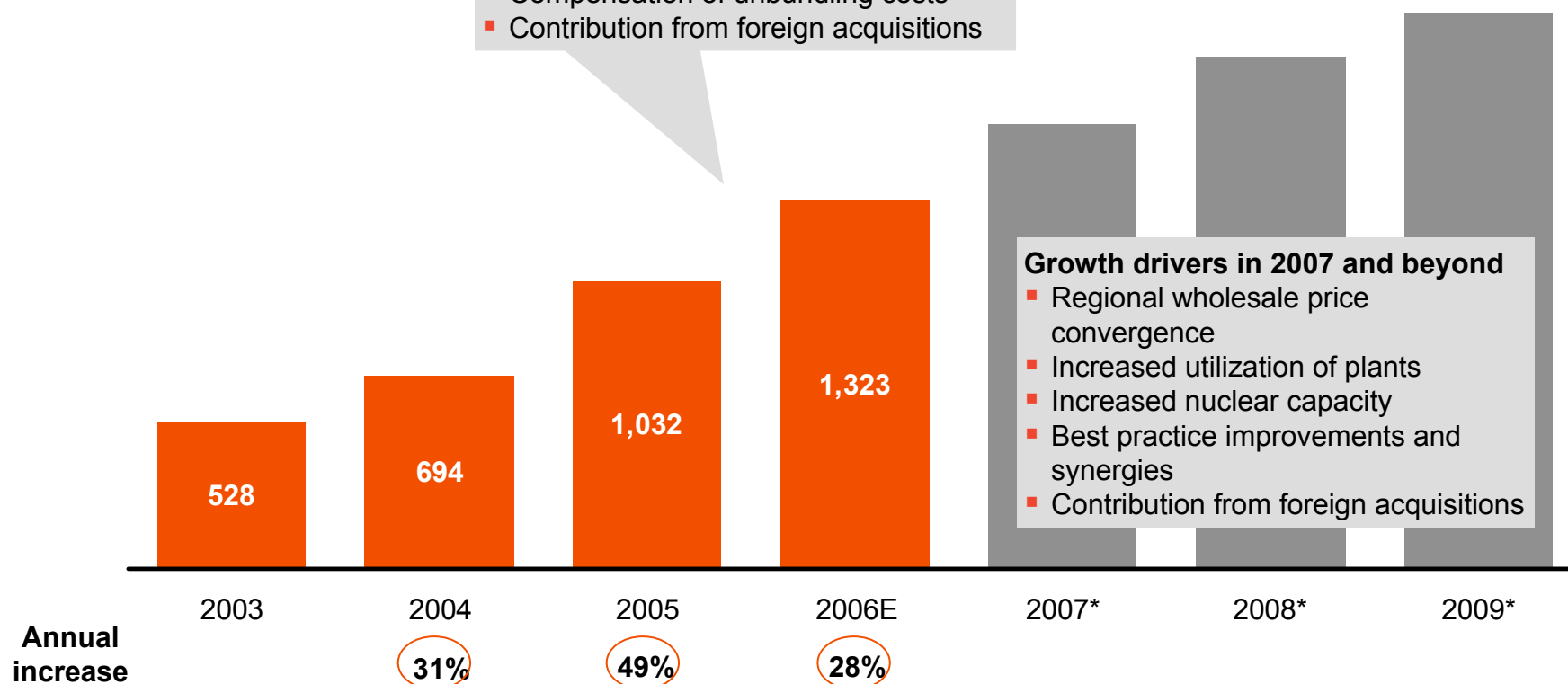


CEZ GROUP MAINTAINS VERY HIGH DYNAMICS IN PROFIT GROWTH

EBIT of CEZ Group
EUR millions

Growth drivers in 2006

- 15% wholesale price increase
- Savings in CO₂ emissions
- Savings from restructuring (VIZE 2008)
- Compensation of unbundling costs
- Contribution from foreign acquisitions



* Illustrative

Note: Exchange rate CZK/EUR = 28.50

Source: CEZ



CEZ GROUP WILL MAINTAIN LONG-TERM COMPETITIVE ADVANTAGE IN GENERATION COSTS

Sources of long-term competitive advantage:

■ Conventional generation

- Long term fuel lignite contract till 2050 for >90% of consumption
- Prices change only as fraction of electricity price and inflation changes
- Large share of supplies from own mines (~ 60% of lignite)
- Increased efficiency after plant portfolio renewal and maintenance cost reduction

■ Nuclear generation

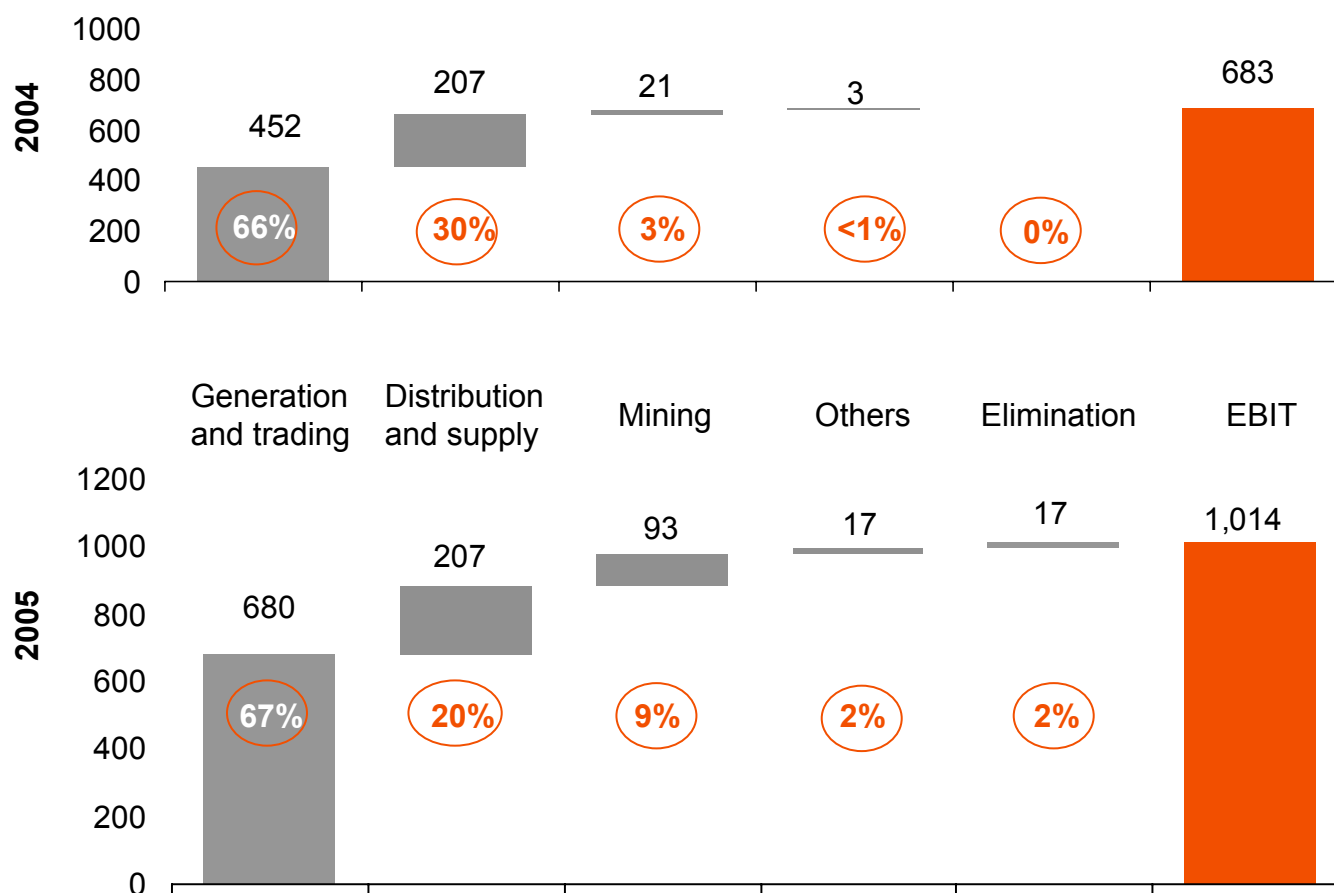
- Operations approved till 2037 (Dukovany after extension) and 2042 (Temelin)
- Further extension technically feasible and likely to be granted
- Increased capacity of Dukovany (~10% or 165 MW) after turbine rotor upgrades and increased reactor's thermal output
- Increased capacity of Temelin (~4% or 80 MW) after turbine rotor upgrades



CEZ GROUP PROFITABILITY IS DRIVEN BY GENERATION AND TRADING

EBIT contribution in 2004 and 2005

EUR m



Note: exchange rate 29 CZK/EUR

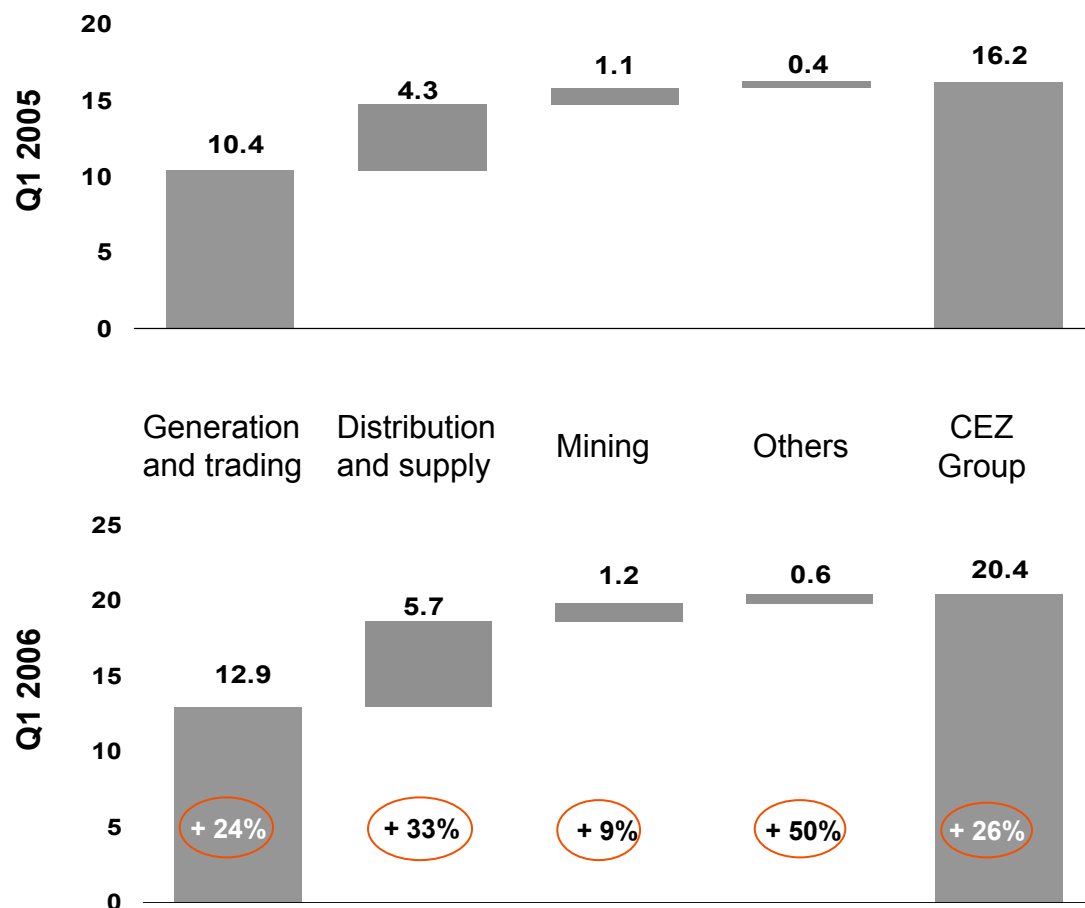
- Generation and trading contribute more than 2/3 to overall group EBIT
- Distribution and supply contribution impacted by one-off items in Czech business in 2004 and 2005
- Foreign distribution companies contributed ~ 4% to total group EBIT in 2005
- Mining contribution in 2004 impacted by one off items



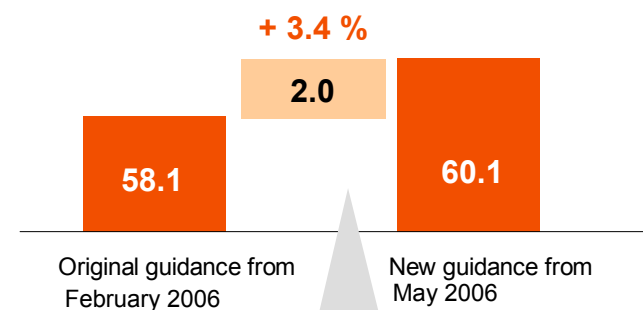
EXPECTED PROFITABILITY GROWTHS IS CONFIRMED BY THE LATEST SET OF QUARTERLY DATA RESULTING IN IMPROVED GUIDANCE FOR 2006

Contribution to EBITDA of CEZ Group

CZK bn



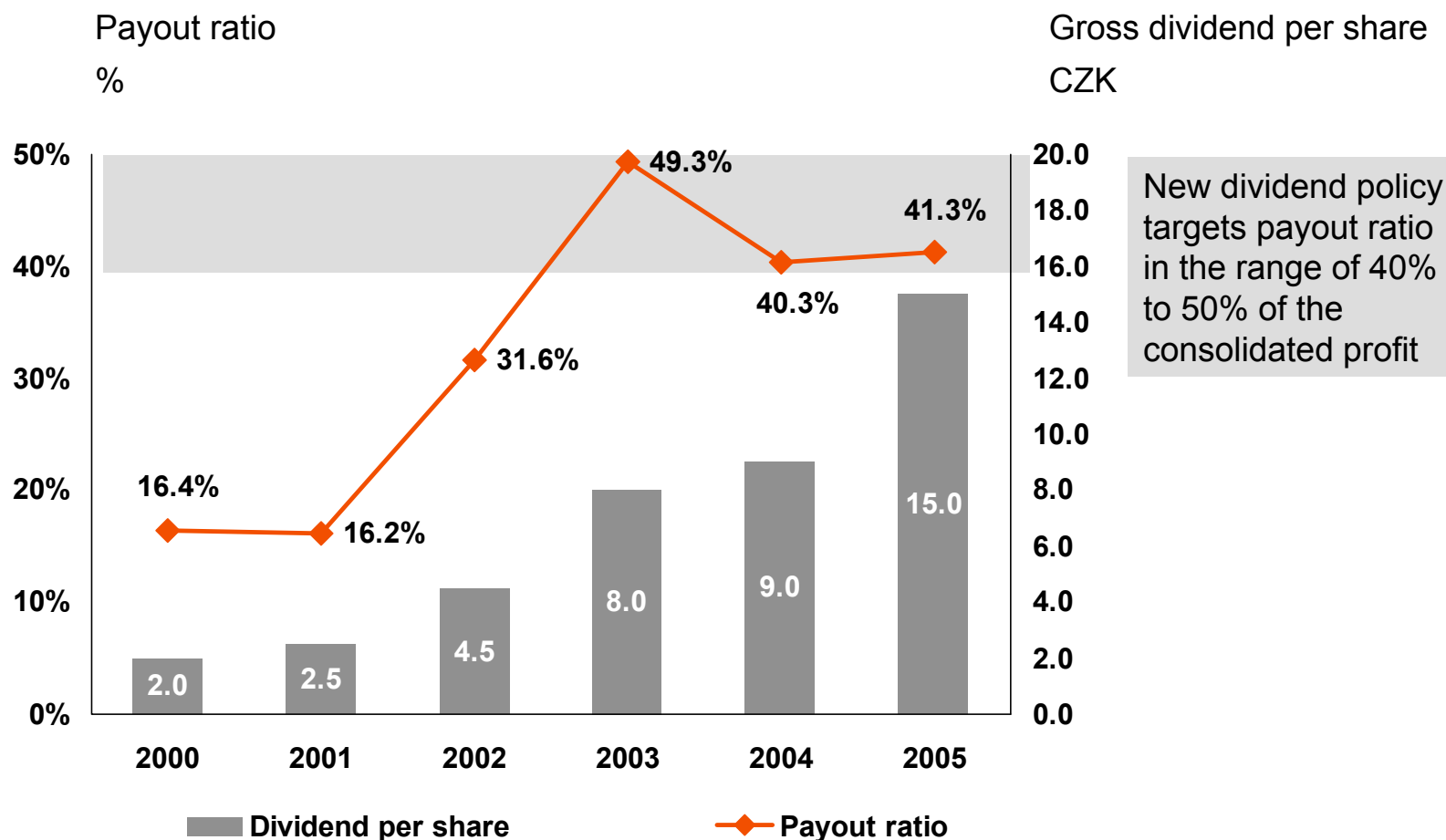
EBITDA of CEZ Group 2006 guidance, CZK bn



- Higher wholesale margin
- Higher contribution from foreign operations



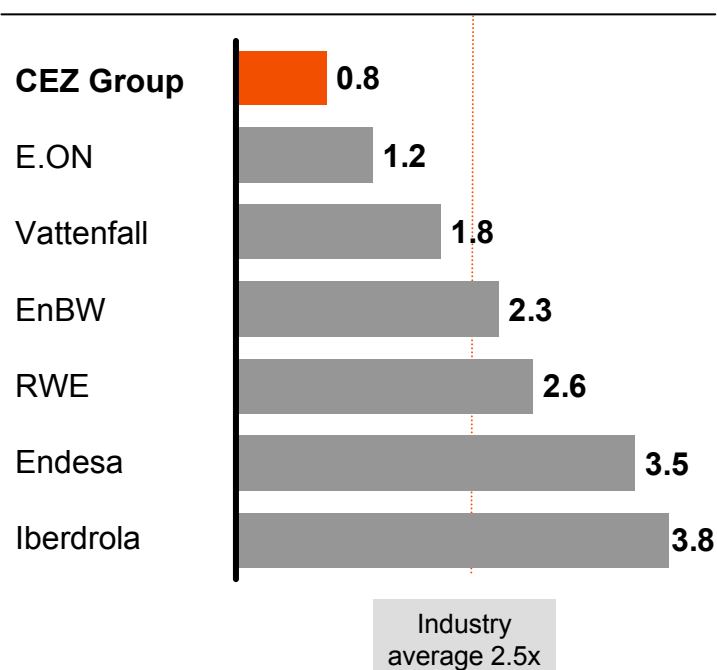
CEZ HAS IN LAST YEARS SIGNIFICANTLY INCREASED IT'S DIVIDEND PAYMENTS





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

Debt/ EBITDA
Multiples, 2005



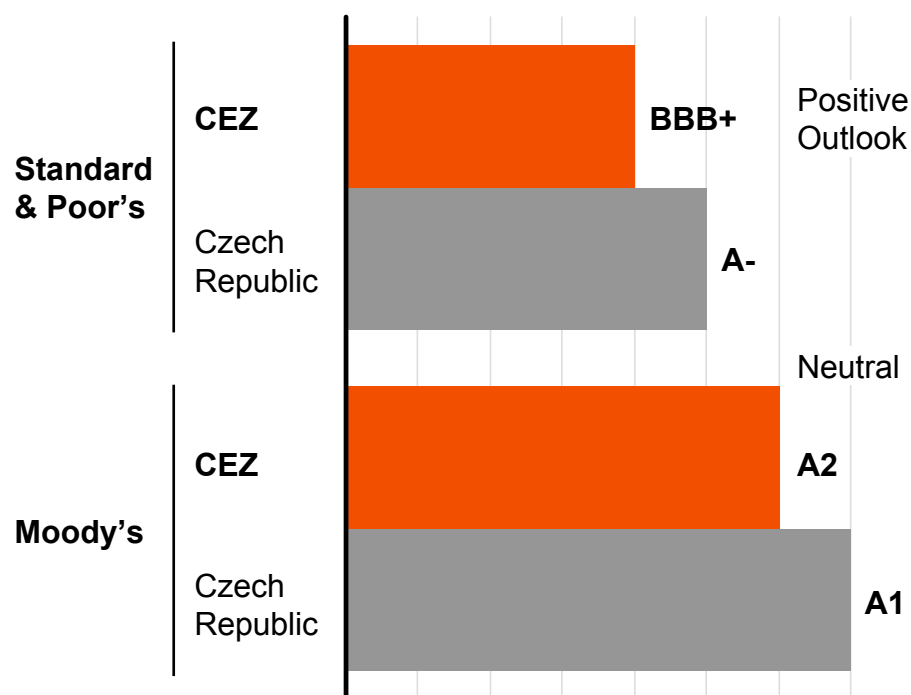
Additional borrowing
capacity by 2009:
4bn EUR

- Additional borrowing capacity may be used to finance recent acquisitions
- CEZ management committed to reach optimal capital structure



CEZ MAINTAINS VERY STRONG CREDIT RATING

Credit rating of CEZ and Czech Republic

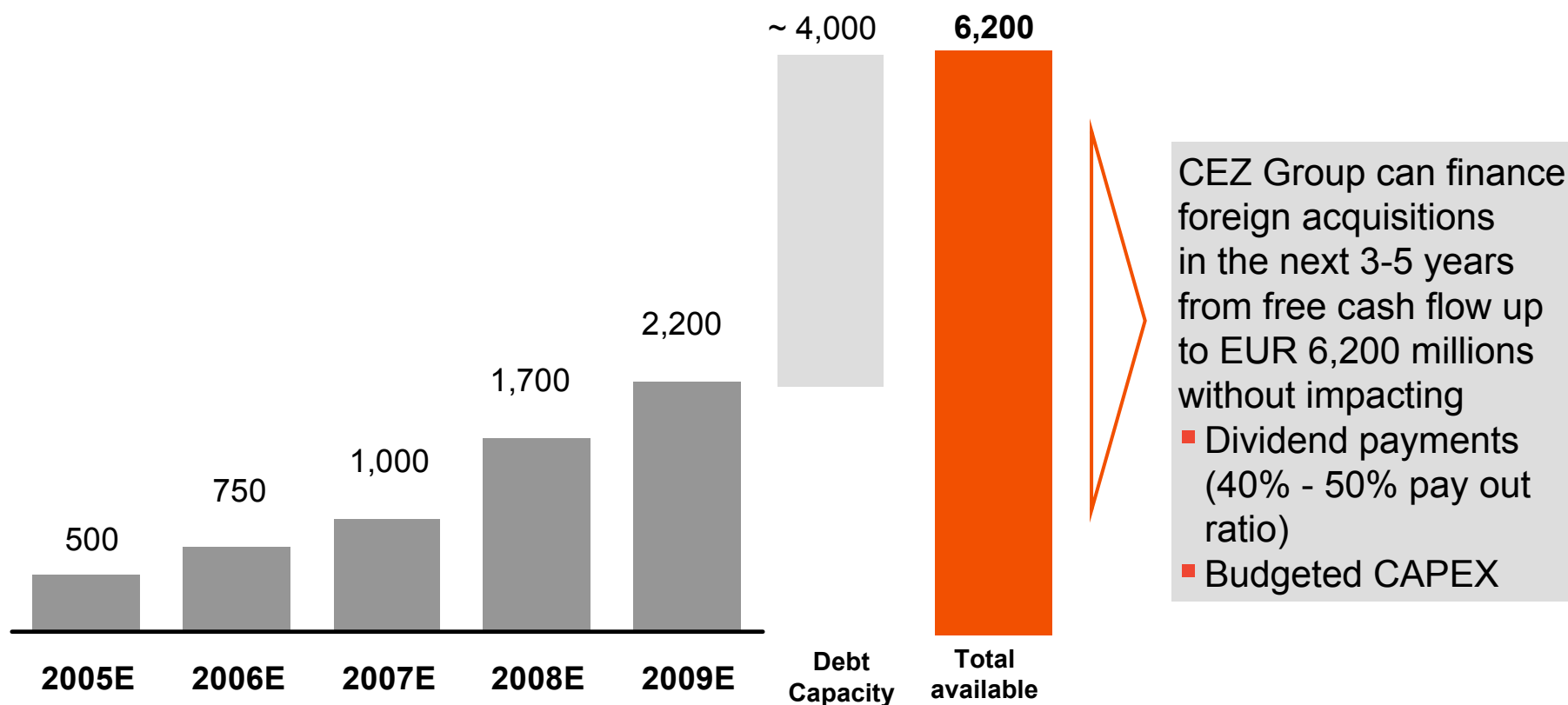


- CEZ has high credit rating just below the country risk
- CEZ has been first rated company in former Eastern Europe
- CEZ has been first and one of the largest corporate bond issuers in CEE
- CEZ is committed to maintain its strong credit rating



CEZ GROUP HAS VERY STRONG FREE CASH-FLOW
THAT COMBINED WITH ADDITIONAL BORROWING
CAPACITY CAN BE USED TO FINANCE INTERNATIONAL
GROWTH UP TO EUR 6.2 BILLIONS

Free cash flow of CEZ Group (cumulative)
EUR million





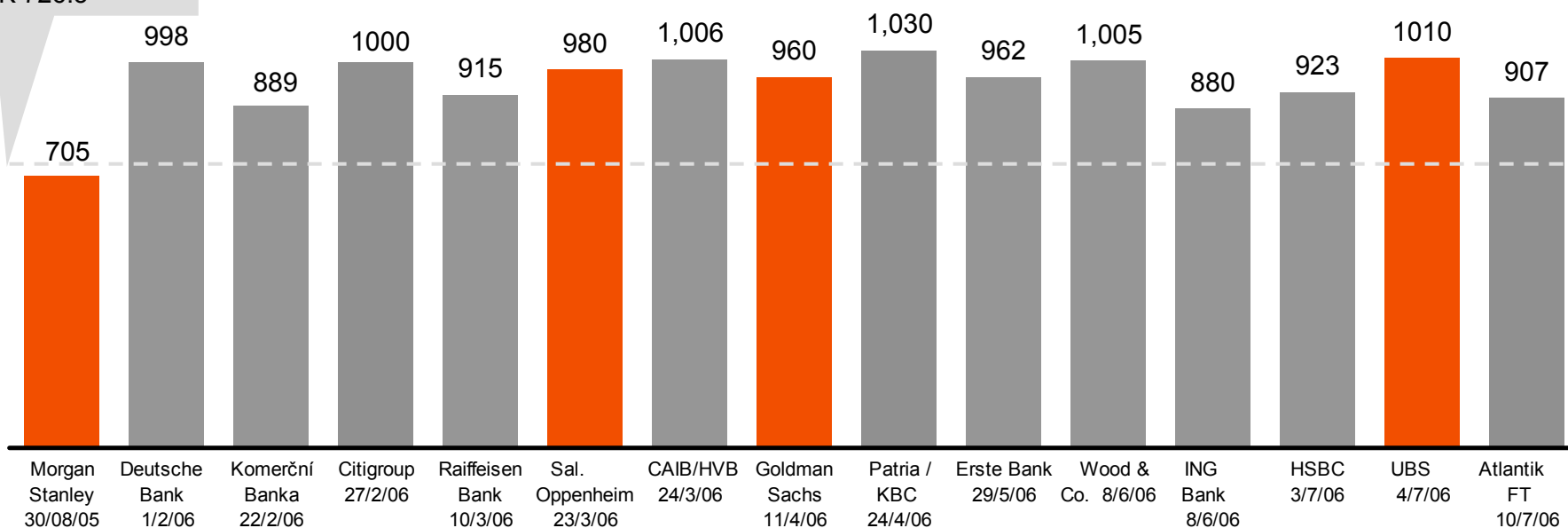
ANALYSTS MAINTAIN POSITIVE VIEW ON CEZ GROUP PERFORMANCE

Target share price

CZK, ranked by date of issue

■ Utilities analysts

Current share price
CZK 726.5*



Recommendation:



* July 13th, 2006

Note: Some of the analysts use different rating for recommendations and/or apply different meaning to target price

Source: Analyst reports

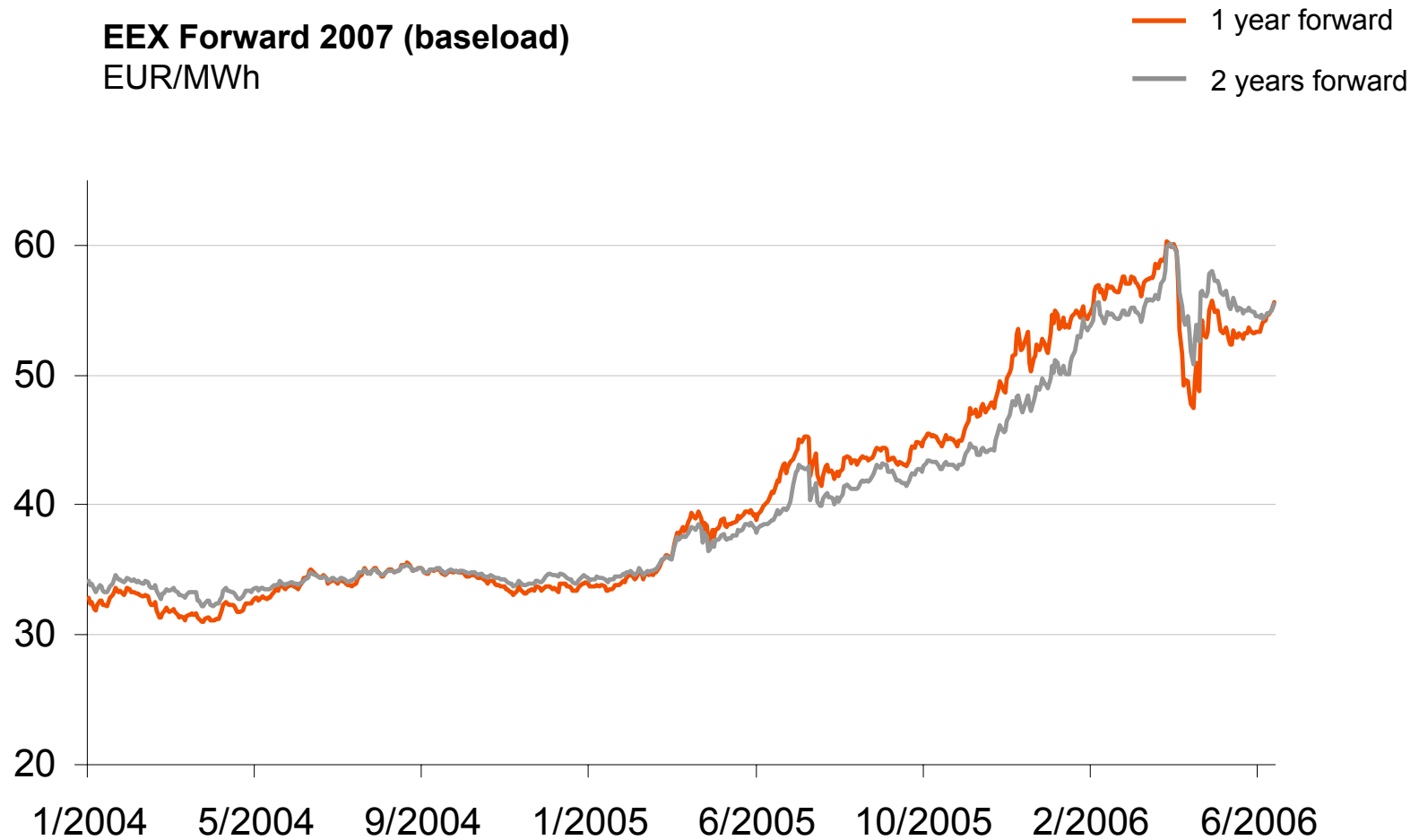


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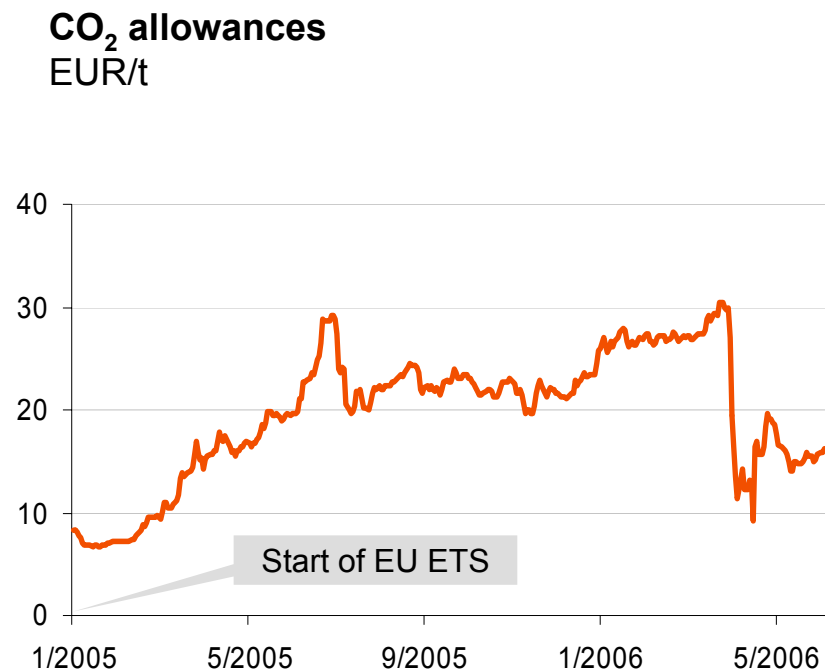
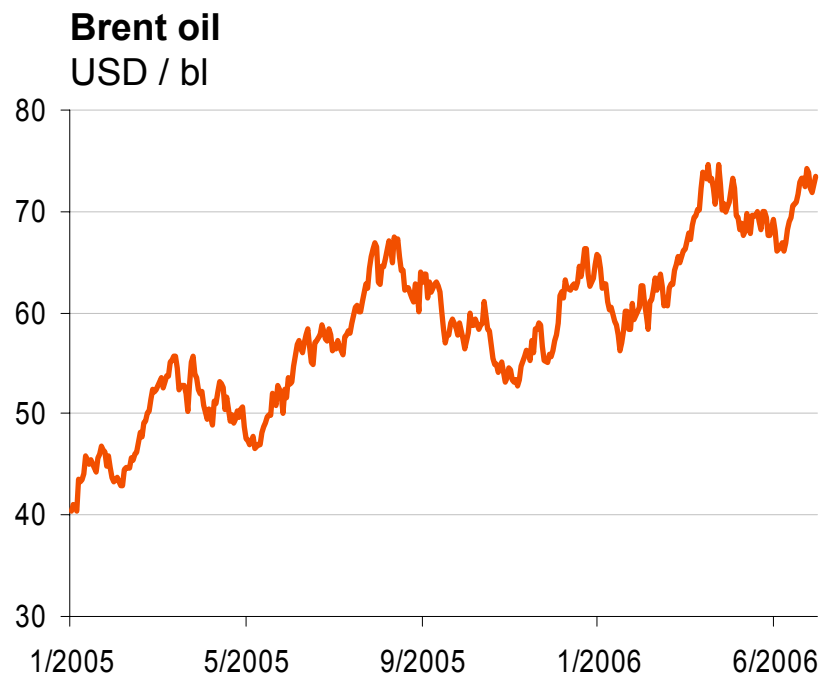


GERMAN POWER PRICES AS BENCHMARK FOR THE REGION CONTINUE INCREASING





GERMAN PRICES ARE DRIVEN BY GROWING OIL PRICES, CO₂ ALLOWANCES AND SUPPLY DEMAND SQUEEZE



Additional factor

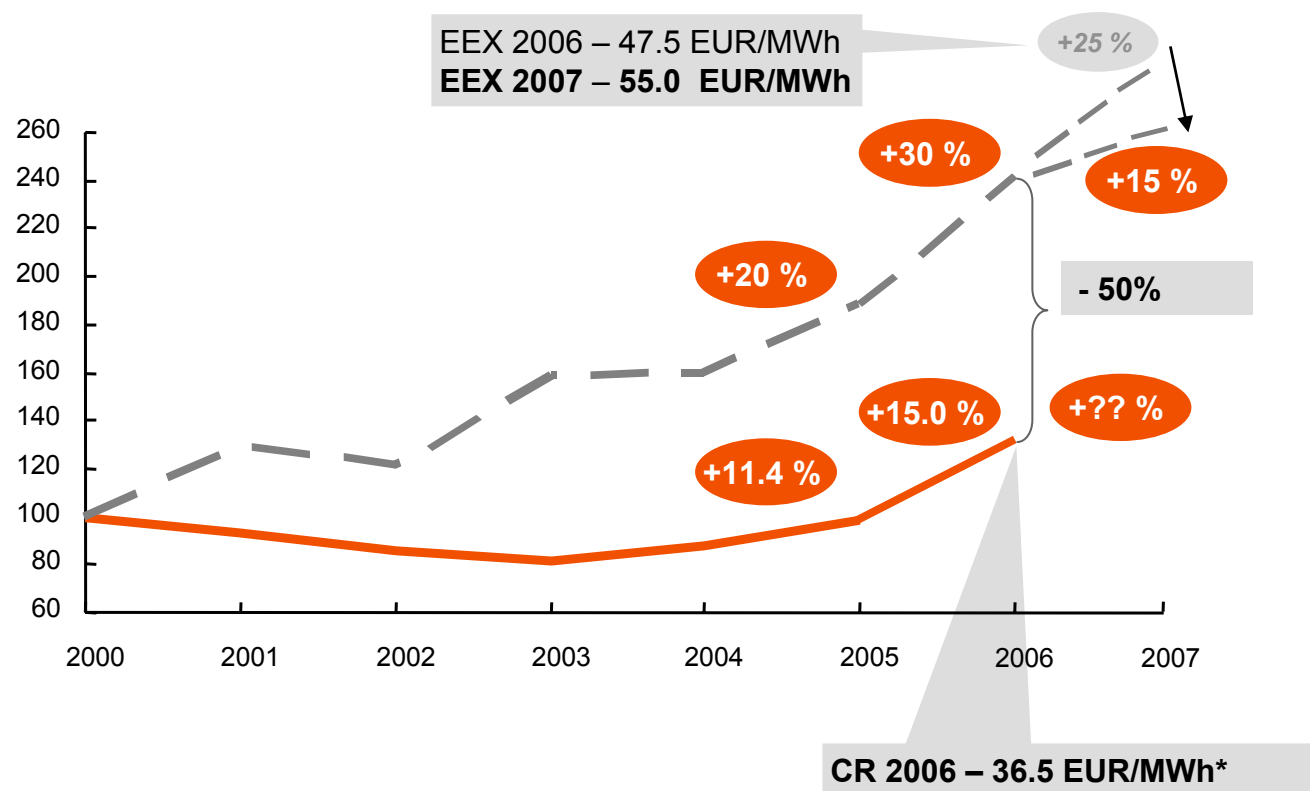
Supply / Demand
Squeeze

- CO₂ allowances were distributed to emitters for free in volume believed to be lower than required
- Market price of CO₂ allowances reflects the extra costs of emissions saving (fuel switching, new technologies, ...)
- Market price of CO₂ de facto represents additional variable (opportunity) cost



CZECH WHOLESALE PRICES ARE LINKED TO INCREASING GERMAN PRICES

Wholesale power price (baseload)
2000 index

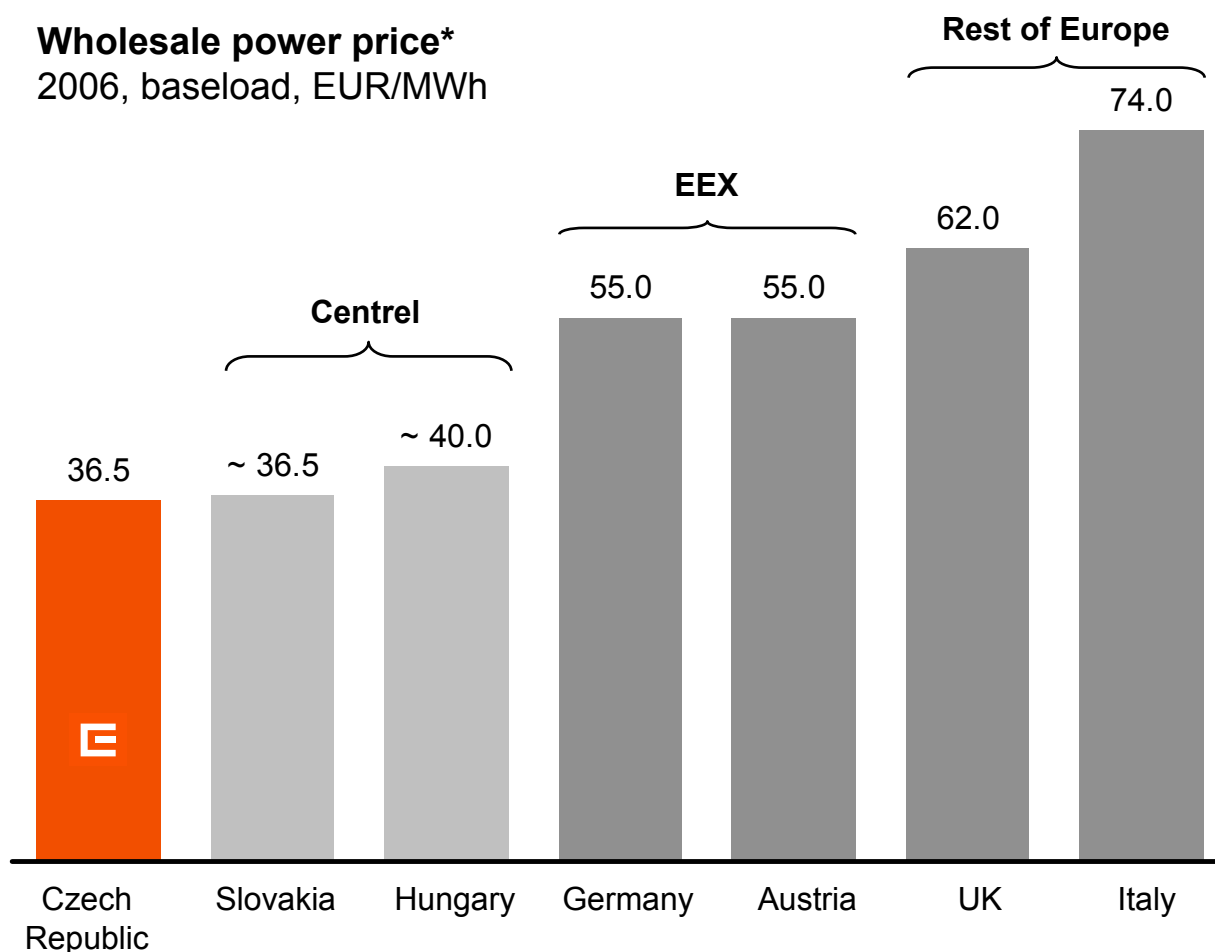


Price in the Czech Republic will continue increasing to German levels due to shortening supply and fast demand growth in the region

* Exchange rate CZK / EUR 28.50



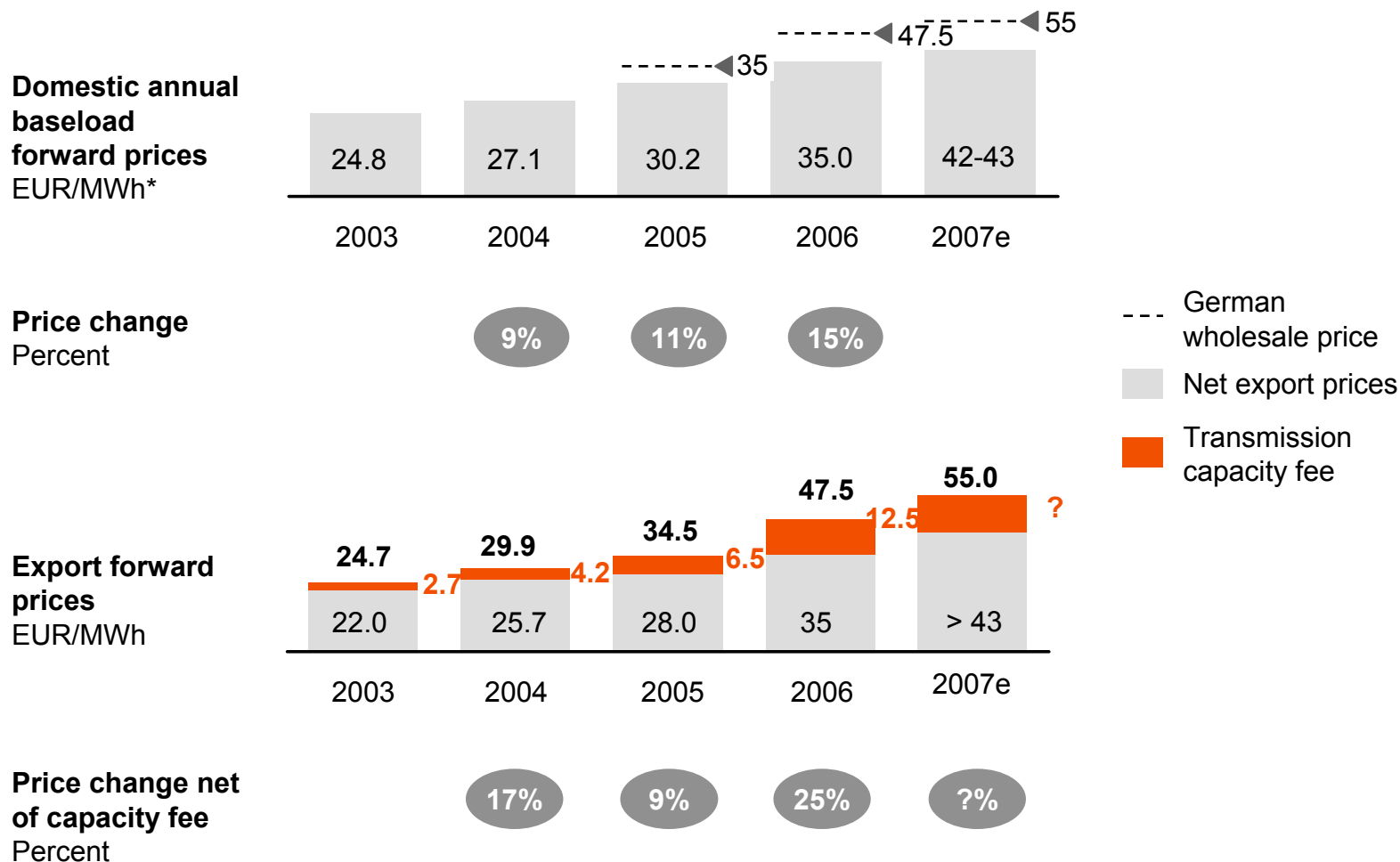
WHOLESALE PRICES IN THE CZECH REPUBLIC ARE STILL AMONG THE LOWEST IN THE REGION



* Comparing 2006 forward price as of 2005, assuming CZK/EUR 28.50



CEZ DOMESTIC AND EXPORT PRICES AFTER TRANSMISSION CAPACITY COST DEDUCTION ARE EQUAL



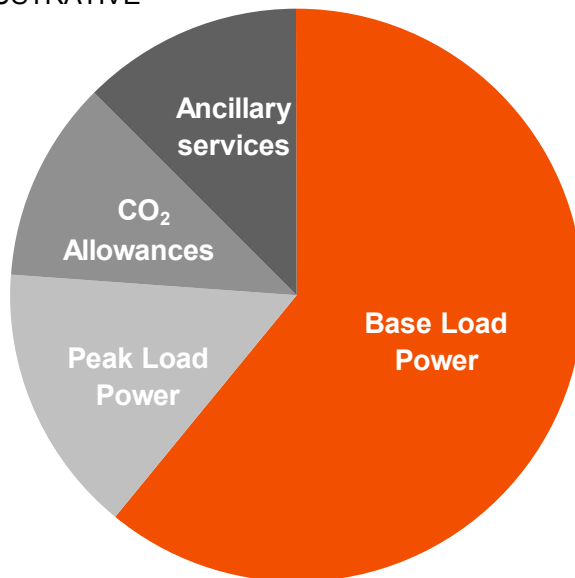
* Exchange rate CZK/EUR = 30 for 2006 and before; 28.50 CZK/EUR for 2007



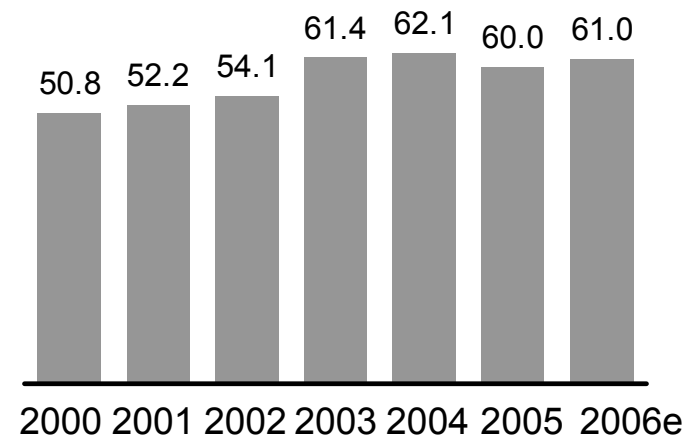
CEZ SALES STRATEGY IS FOCUSED ON MAXIMIZING WHOLESALE MARGIN GIVEN THE AVAILABLE SALES MARGIN

Split of wholesale margin by sales options

ILLUSTRATIVE



Annual production of CEZ Group TWh



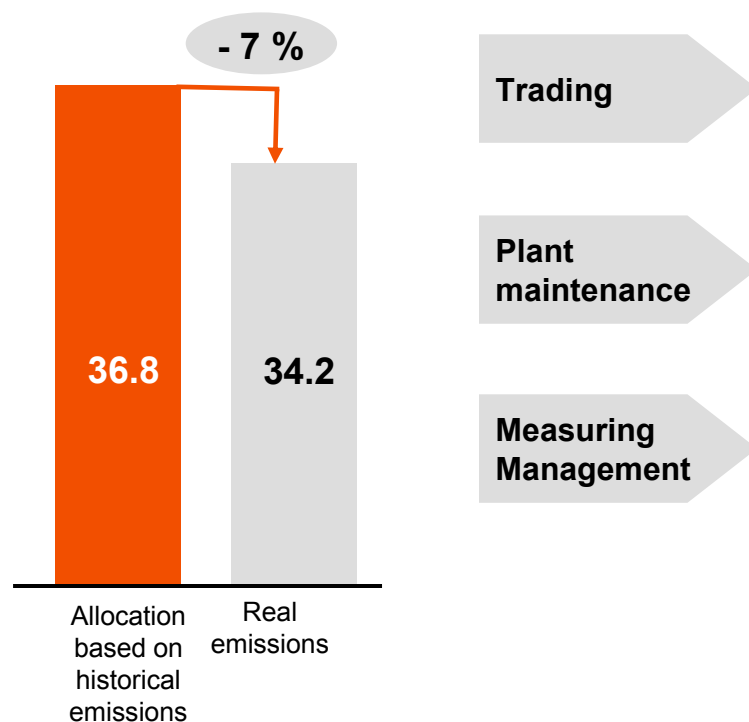
Reduced production
due to CO₂ arbitrage



CEZ IS EARNING ADDITIONAL MARGIN FROM SAVING CO₂ ALLOWANCES

CO₂ Emissions

Mil. Tons, 2005



Key measures taken

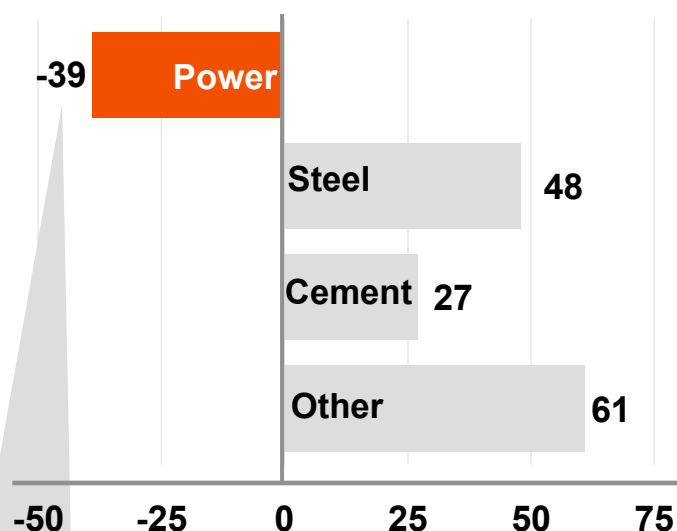
- Priority dispatch of units with low CO₂ emissions
- Reduction of export
- Increased availability of nuclear plants
- Increased focus on plant efficiency
- Increased renewable generation
- Implementation of more accurate measurement systems
- Opportunity cost of CO₂ emission considered in all decisions

Additional costs of the emission savings compensated from sales of saved CO₂ allowances



CEZ EXPECTS SAME ALLOCATIONS OF CO₂ ALLOWANCES FOR NEXT PERIOD

EU first phase allocation – surplus/deficit 2005, mil. tons CO₂



Power sector is the only one in deficit in the first period

EU second phase allocation – guidelines

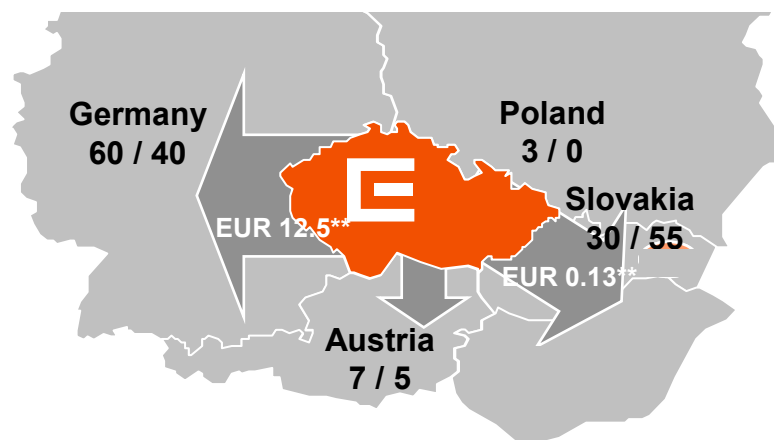
- Member states already meeting Kyoto targets (such as CR) may keep NAP II ceiling at NAP I levels
- When distributing the allowances to individual installations the governments should disregard data from the first phase to make ETS credible
- National allocation plan to be submitted to EC soon
- CEZ expects to be granted same volume as in current period



CEZ IS REDIRECTING IT'S EXPORTS FROM WESTERN EUROPE TO CENTRAL EUROPE

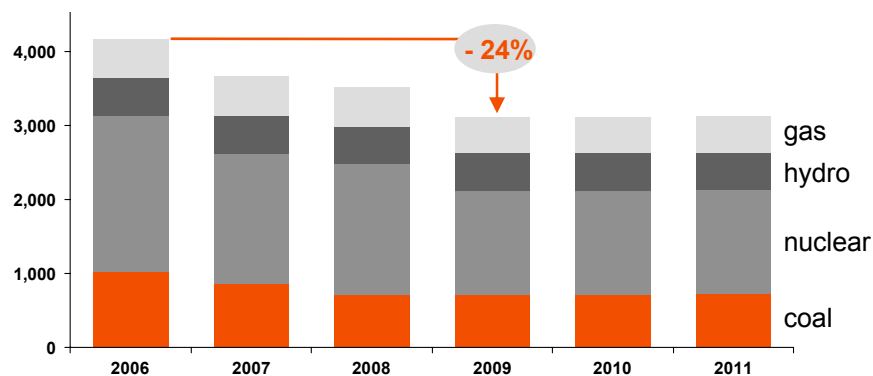
Development of CEZ Exports in 2005/2006

Percent of total export



- Demand in CR and other CE countries will grow proportionally to high GDP growth
- Shutdown of nuclear and lignite units in Slovakia and other CEE countries
- Grid constraints from Poland and Ukraine

Available* capacity in Slovakia MW

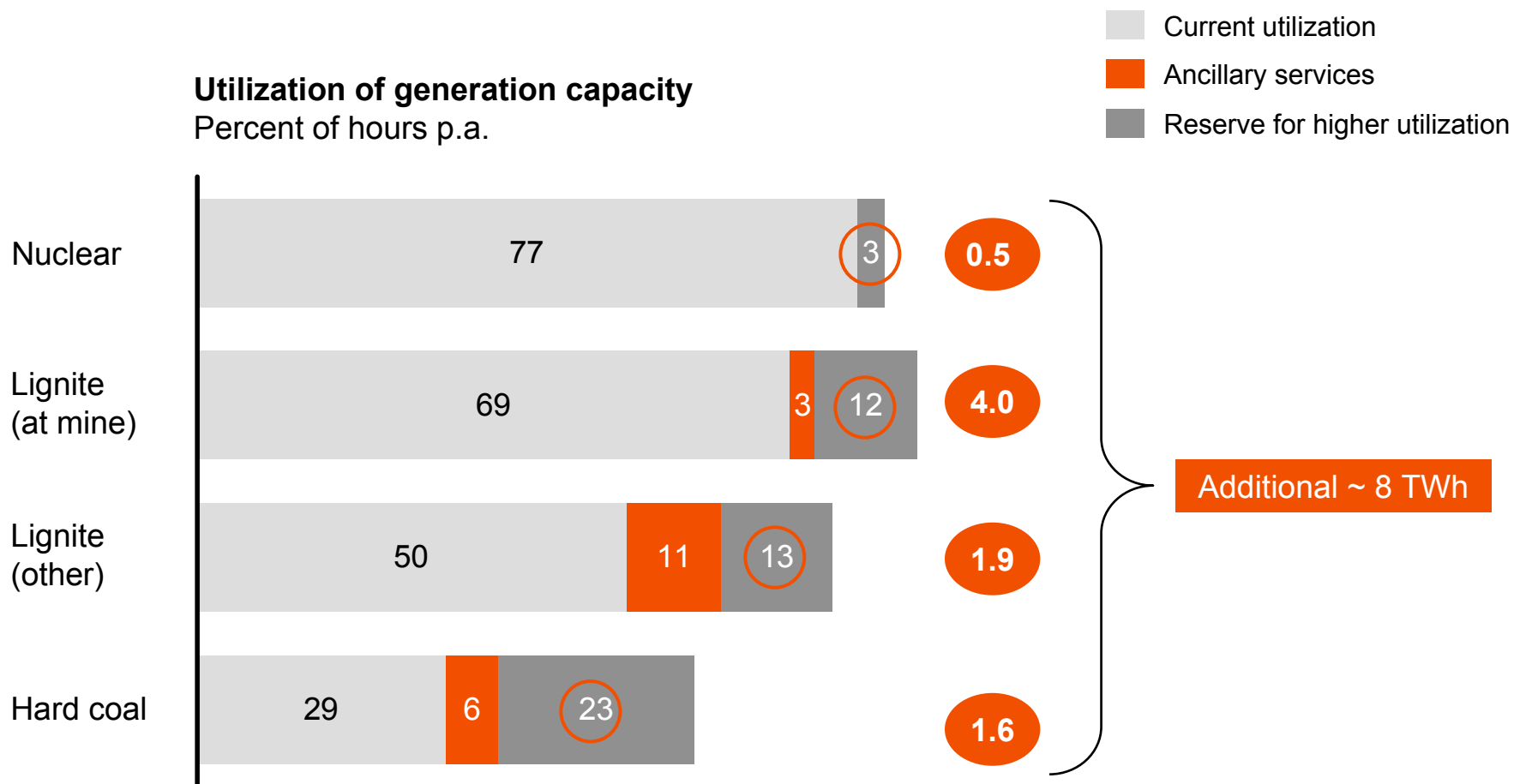


* Available capacity = installed capacity – planned outages

** 2006 Charge for annual cross border capacity



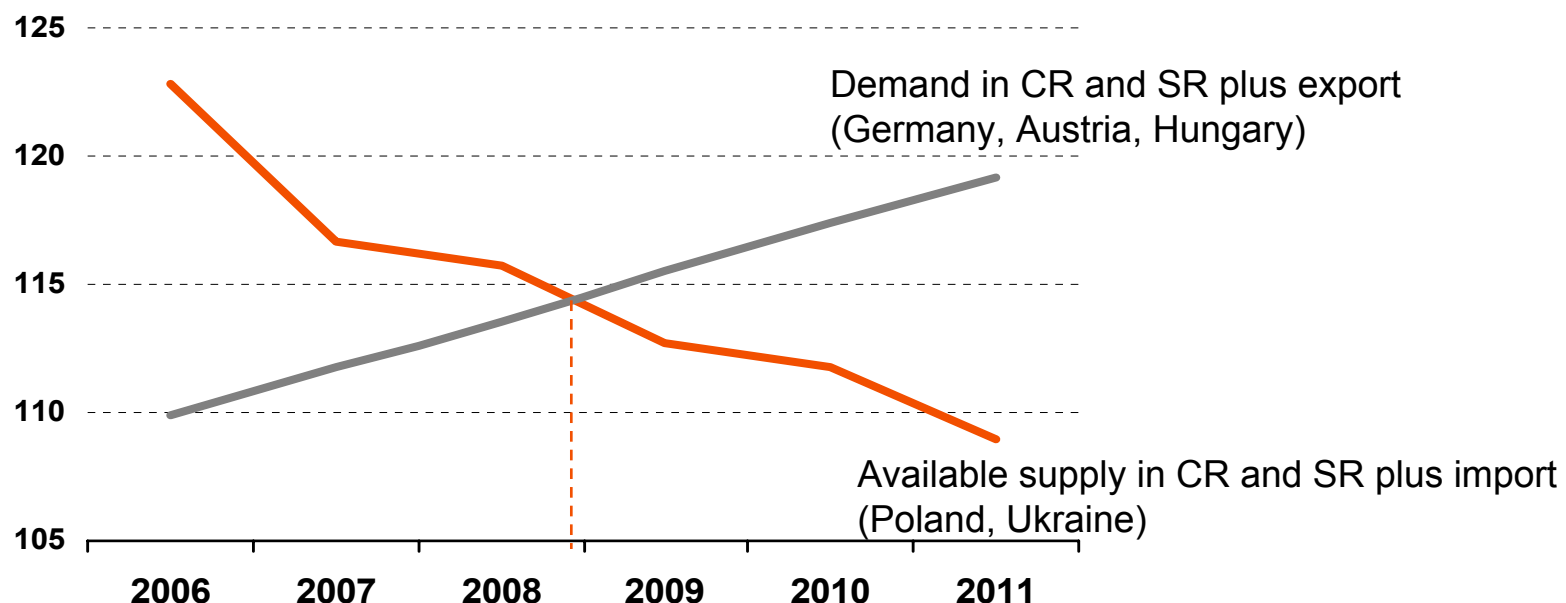
CEZ CAN GENERATE ADDITIONAL 8 TWh BY INCREASING UTILIZATION OF NUCLEAR AND COAL PLANTS





THE REGIONAL CAPACITY SURPLUS WILL DISAPPEAR IN 2008 – 2009 AND MARKETS OF WESTERN AND CENTRAL EUROPE WILL CONVERGE TO ONE PRICE

**Czech and Slovak power market balance
TWh**



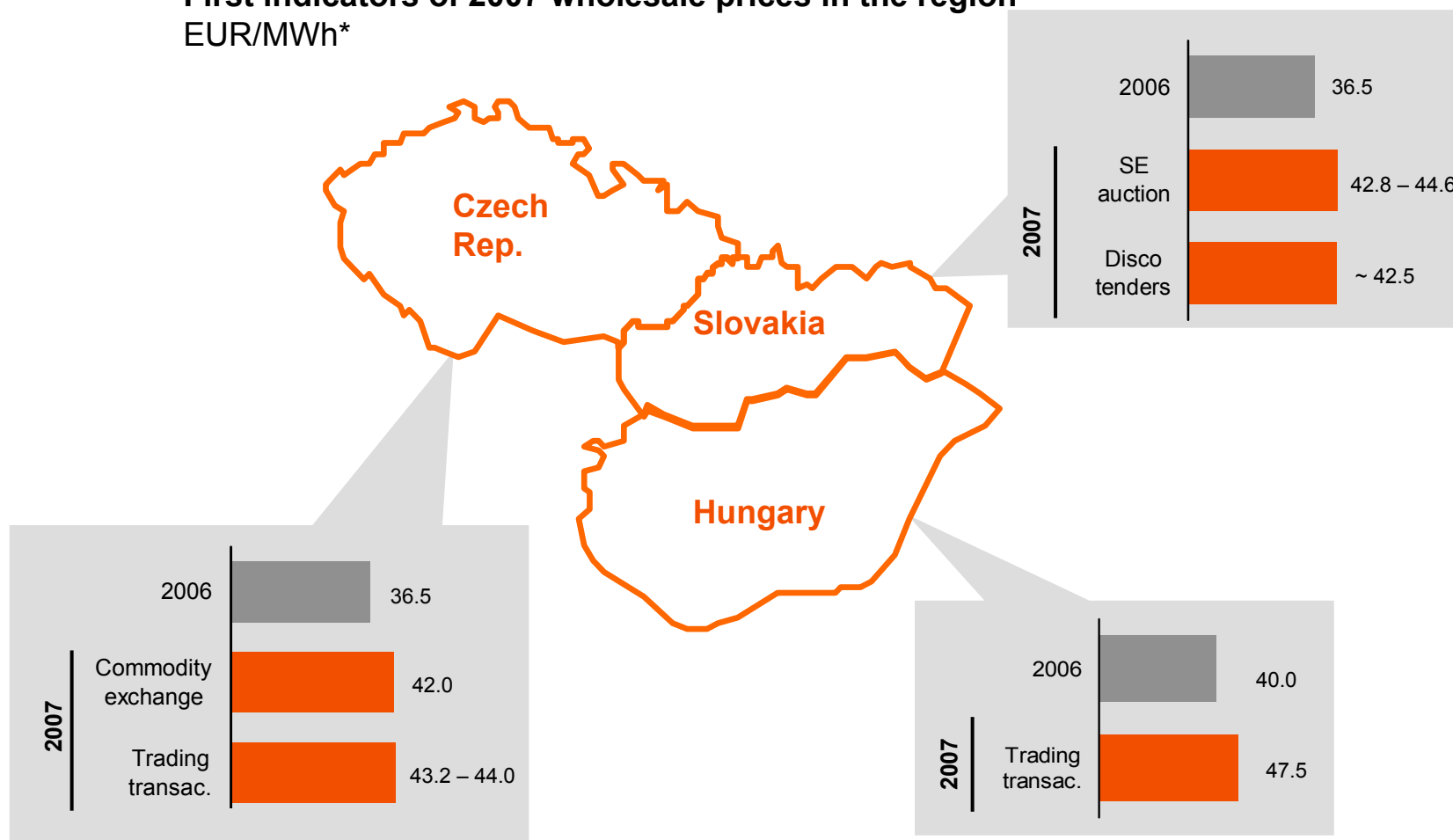
- Starting 2008/9 Czech export capacities will not be fully utilized due to lack of available electricity
- Prices will converge to one level determined by EEX

* Assumptions: consumption growth 2.1%, 5% reserve margin



CZECH WHOLESALE POWER PRICES FOR 2007 LIKELY TO LEVEL AROUND 42-43 EUR/MWh

First indicators of 2007 wholesale prices in the region
EUR/MWh*



Note: CZK/EUR 28.50, SKK/EUR 38.6, HUF/EUR 280.0

Source: CEZ, SE, MVM, TFS, Press clippings, KBK; transactions executed in 2006

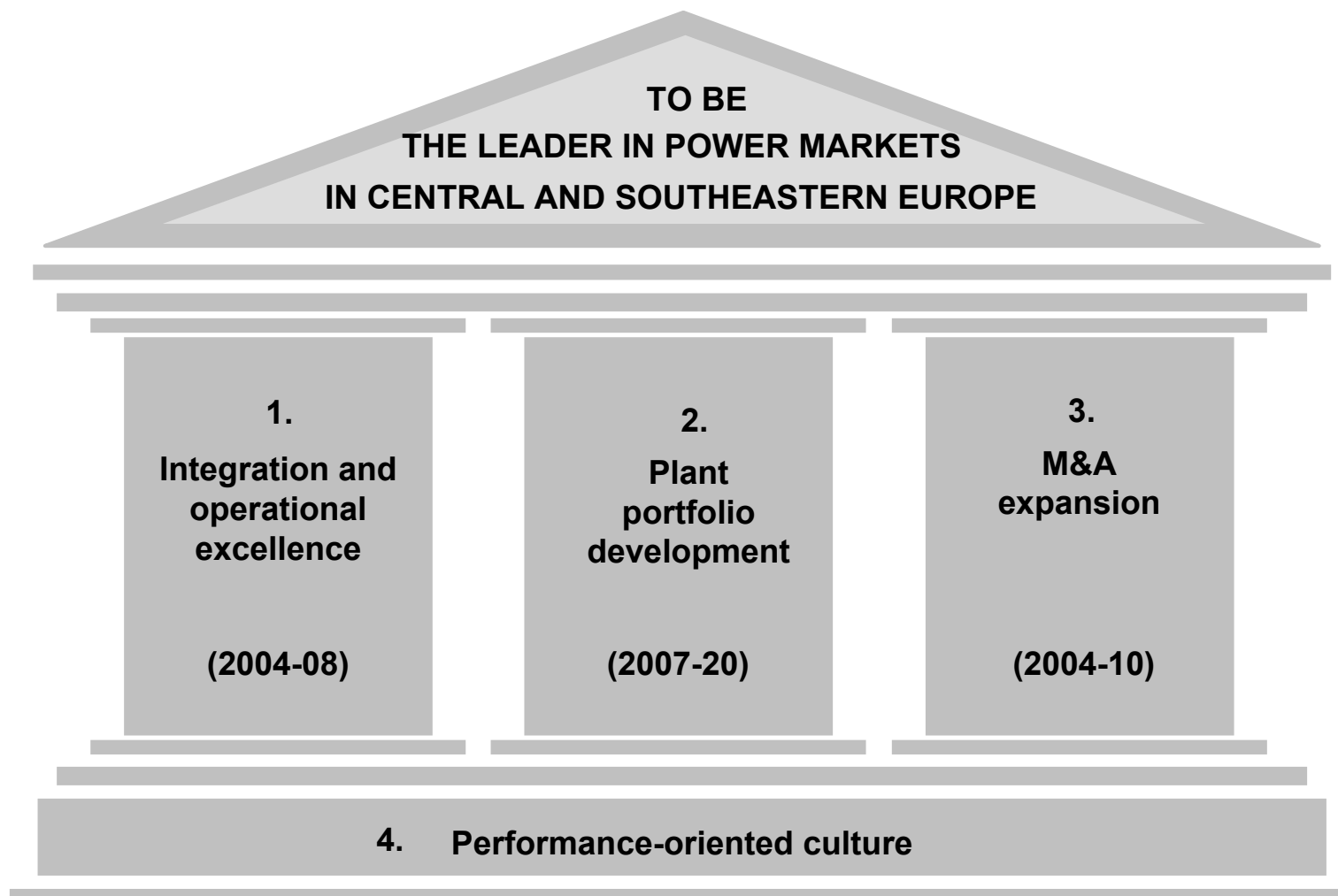


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CEZ GROUP HAS LAUNCHED FOUR KEY STRATEGIC INITIATIVES TO ACHIEVE IT'S VISION



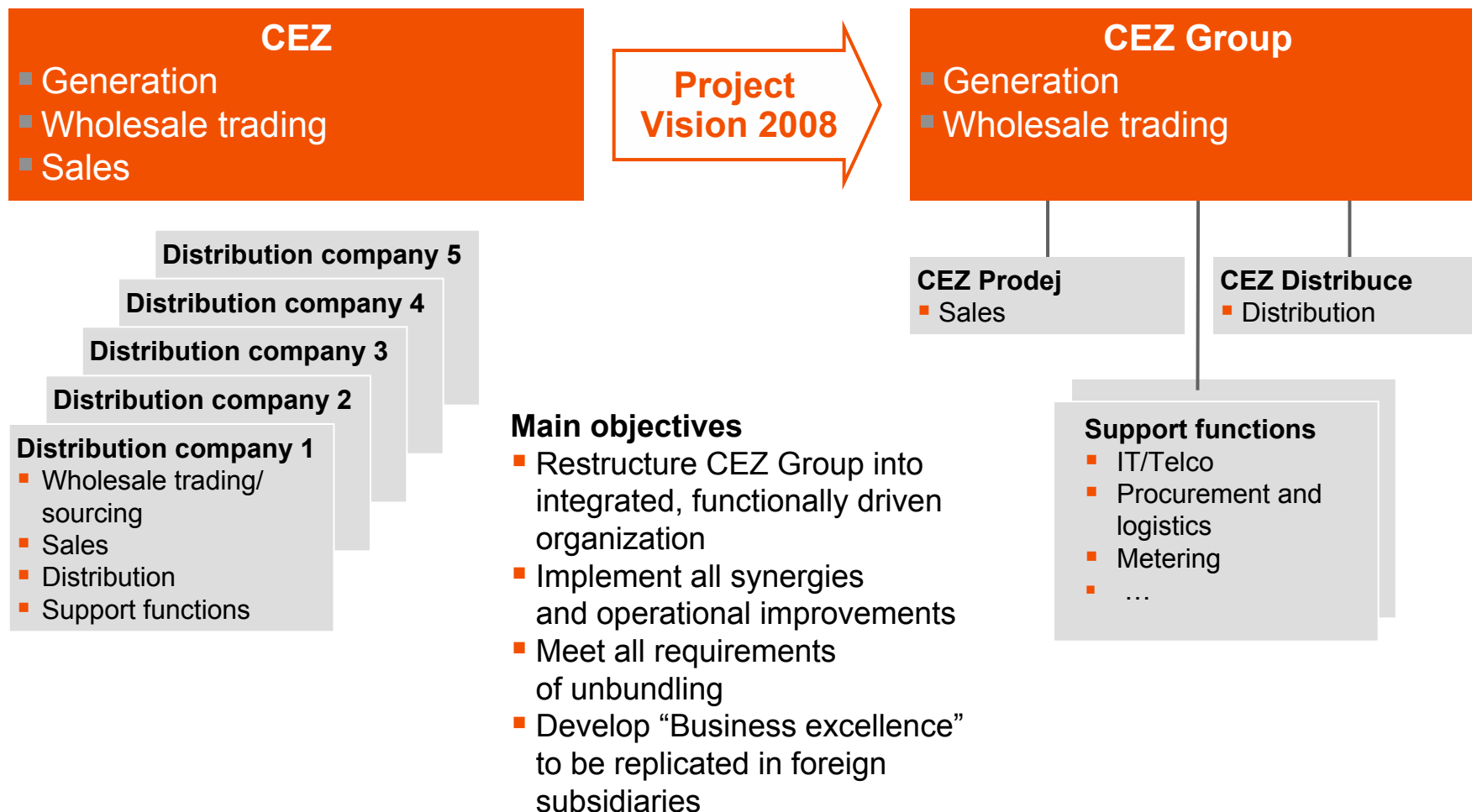


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CEZ UNBUNDLED DISTRIBUTION AND SUPPLY ONE YEAR AHEAD OF LEGAL REQUIREMENT...

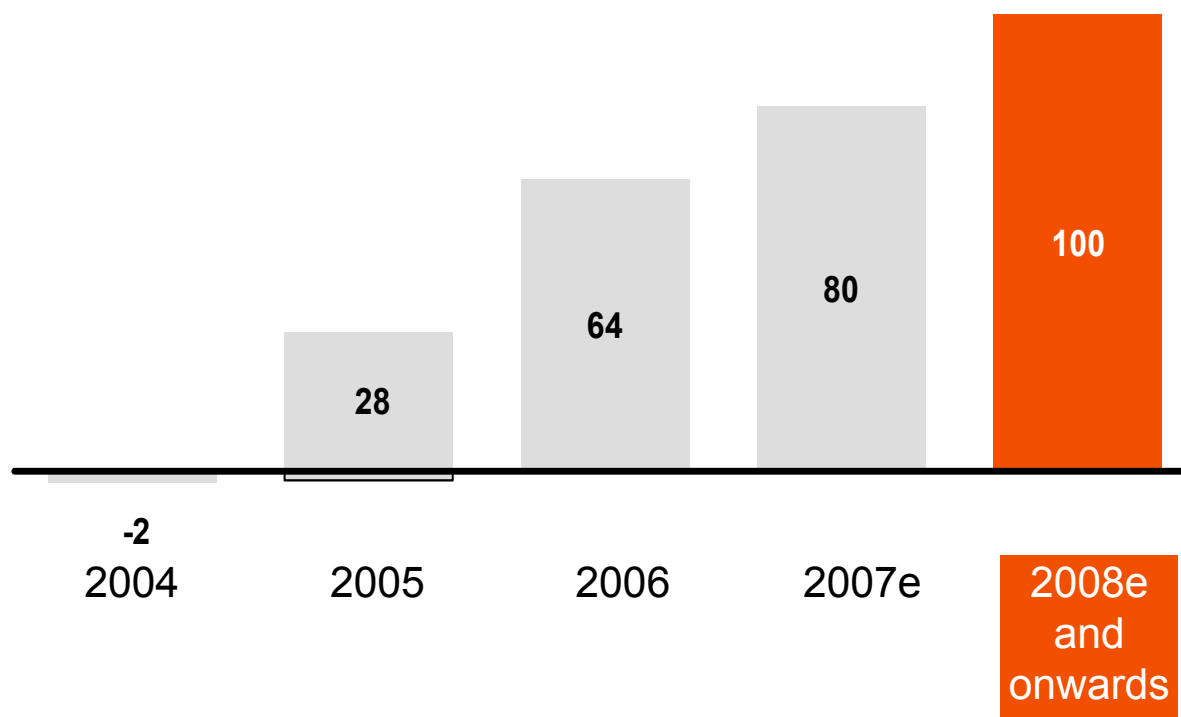




...AND WILL ACHIEVE EUR 100 MILLIONS IN ANNUAL SAVINGS UPON IMPLEMENTATION OF VISION 2008



Gross annual costs saving
EUR million, compared to 2003



Total annual costs savings related to Vision 2008 project are to reach CZK 2.9 bn by 2008, i.e., ~10% of operating costs in supply and distribution segment (excluding purchased electricity)

Key contributions

- Processes unification
- Best practice
- Headcount reduction
- Centralized procurement

Note: CZK/EUR 28.50

Source: CEZ

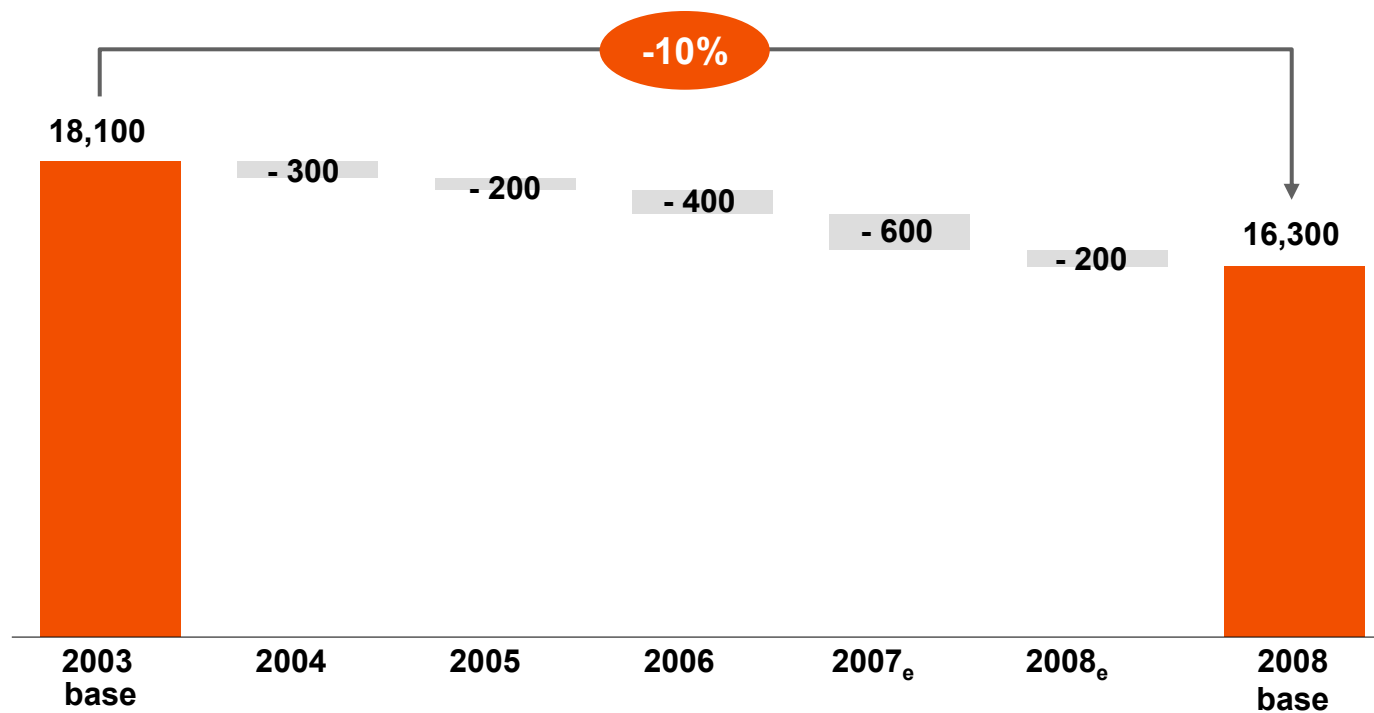


NUMBER OF EMPLOYEES WILL DECLINE BY 10 % BY 2008



Number of employees in distribution and support services of CEZ

Thousands

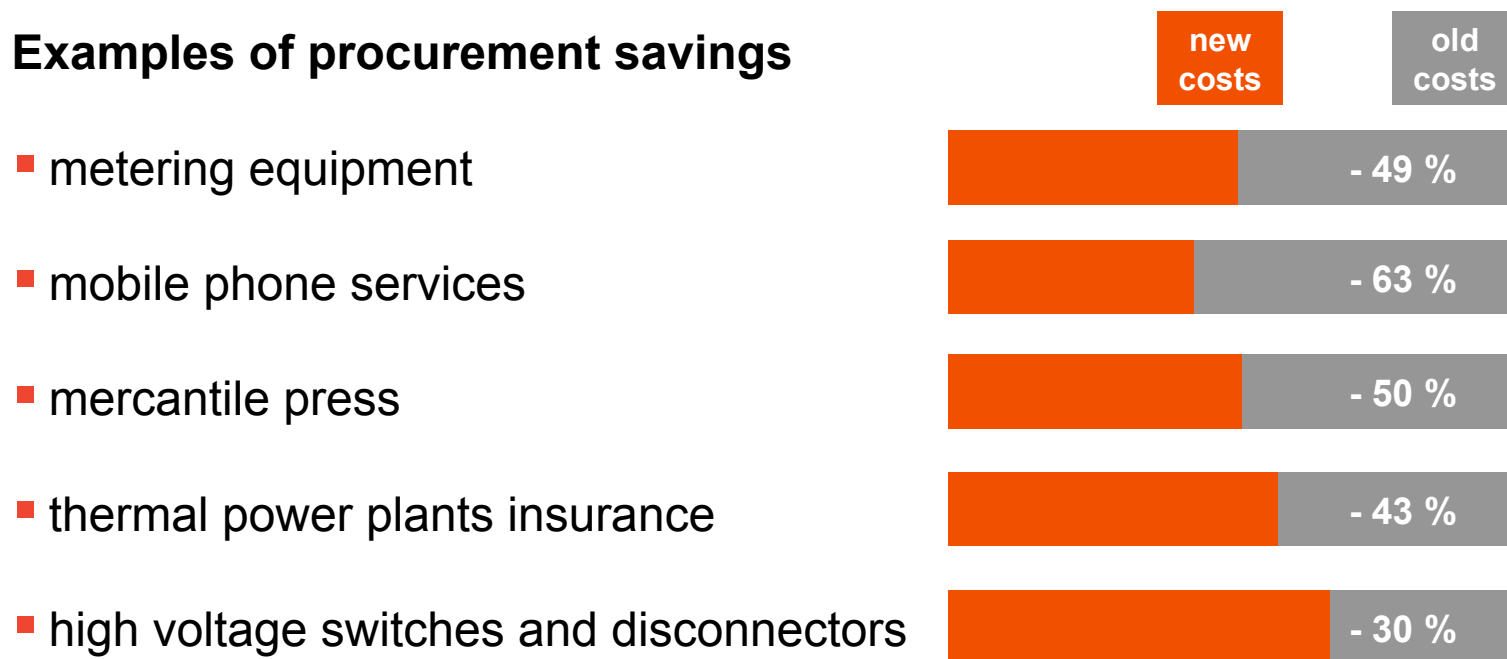




FIRST SIGNIFICANT SAVINGS WERE ACHIEVED FOR EXAMPLE IN PROCUREMENT



Examples of procurement savings





KEY TARGETS FOR 2005 HAVE BEEN ACHIEVED



IT support

All IT systems were transformed and became operational in record time

Processes management

New operational and economic model of CEZ Group implemented and incorporated in SLA contracts

Unbundling

Legal unbundling requirements fulfilled already in 2005

Results of VISION 2008 in 2005

Social reconciliation

Transformation steps related to employees successfully realized while keeping the social reconciliation

Key figures

- 55 legal transformational transactions
- 4,263 – number of transferred/hired employees to new companies
- CZK 68bn – value of transferred fixed assets



REGULATORY ENVIRONMENT IN THE CZECH REPUBLIC IS FAIR AND TRANSPARENT



2002-04

2005-09

1st regulatory period

- Introduction of RPI-X regulation
- Starting values of regulation parameters defined
- Full pass-through of the wholesale price

2nd regulatory period

- Regulation parameters reassessed for distribution after unbundling (WACC, RAB, allowed costs, ...) – Average revenue cap of CEZ Distribution up by ~20%

- Main new factors
 - Coverage of unbundling costs EUR 10-20 million agreed
 - Revaluation of asset base (with same WACC) up potentially by ~90%

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

PV distribution revenue cap

OC operating costs

PPI producer price index

X efficiency factor (2.085)

D depreciation

RAB operating assets

WACC weighted average capital costs (7.95% pre-tax in 2nd reg. period)



CEZ GROUP CONTINUES INCREASING SALES MARGIN WHILE PROTECTING MARKET SHARE

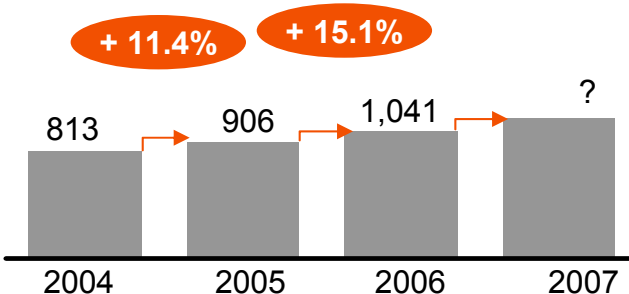


Distribution regions of CEZ Group

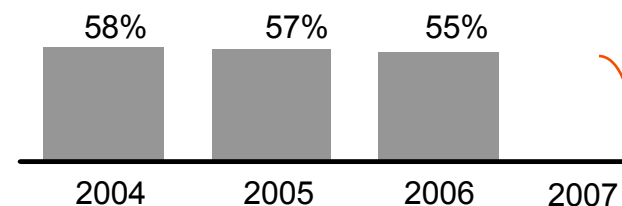


Mass-market customers still served with low margin – **upside potential**

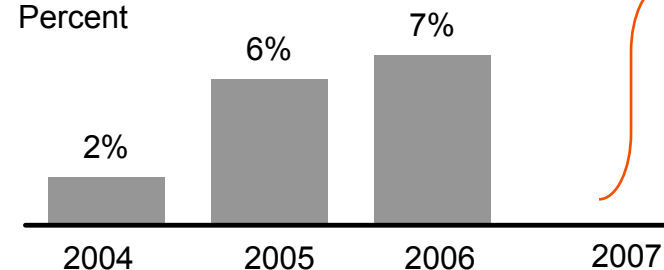
Domestic wholesale baseload CZK/MWh



Market share in power supply Percent of MWh



Average supply margin Percent



Target:

maintain profitability (no need to keep market share at any cost)



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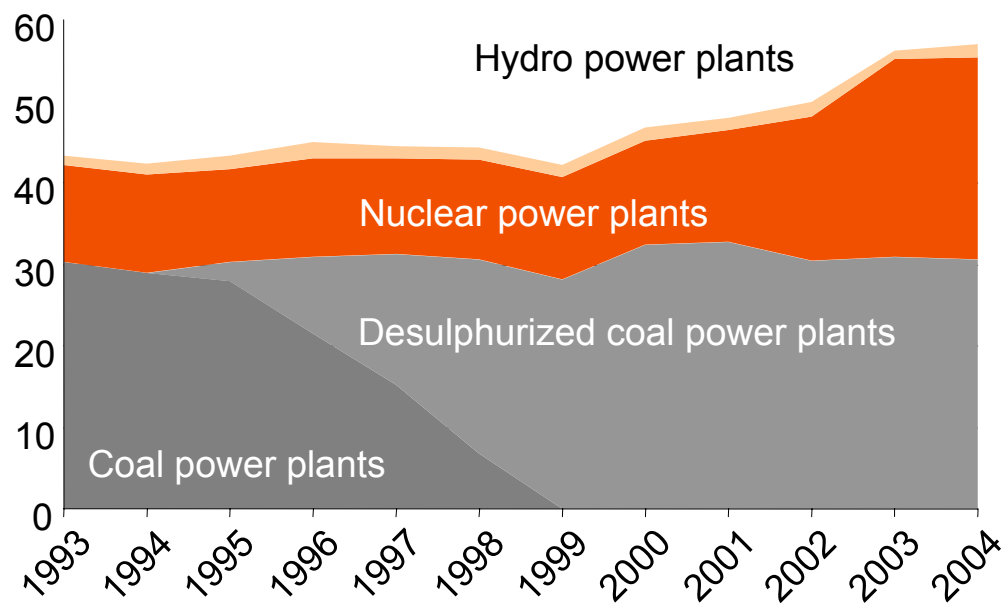


CEZ OPERATES THE ONLY CLEAN GENERATION FLEET IN CEE



Generation structure of CEZ Group

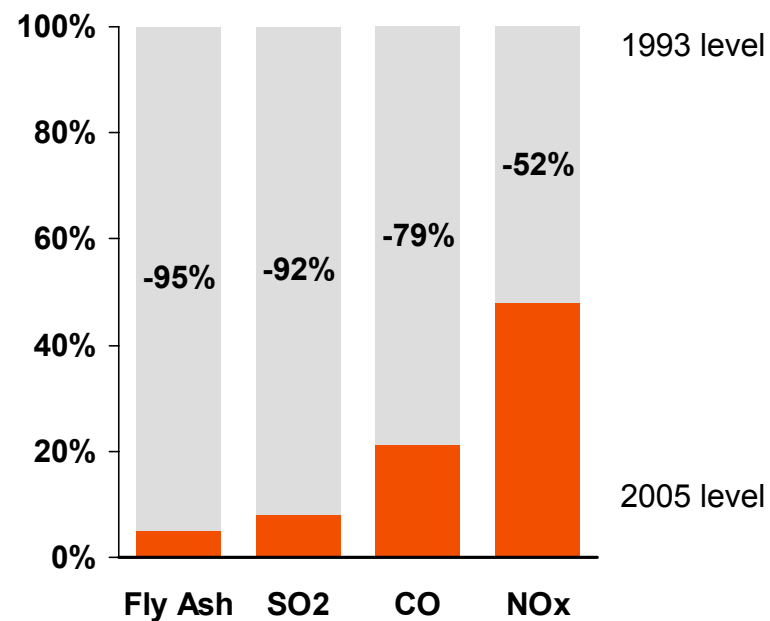
TWh



CEZ invested EUR 1.5 billion into desulphurization of its plants between 1993-99

CEZ Group emission change 2005/1993

Percent



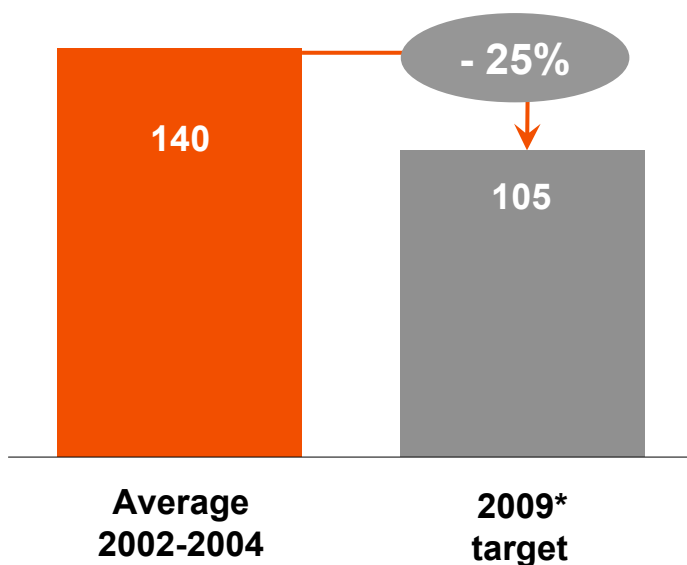


CEZ WILL REDUCE GENERATION REPAIRS AND MAINTENANCE COSTS BY 25% (EUR 35M) BY 2009



CEZ targets to reduce average repairs and maintenance cost

EUR m



Key tasks to achieve target

- Introduction of adaptive R&M to reduce workload by 50%
- Centralization of preparation R&M to save 20% personnel costs
- Centralization of R&M procurement to reduce related costs by 25%
- Decrease number of suppliers by 70%
- Divestiture of redundant R&M subsidiaries

* Assuming „normalized“ R&M workload, prices not adjusted for inflation

Note: exchange rate CZK/EUR = 28.5

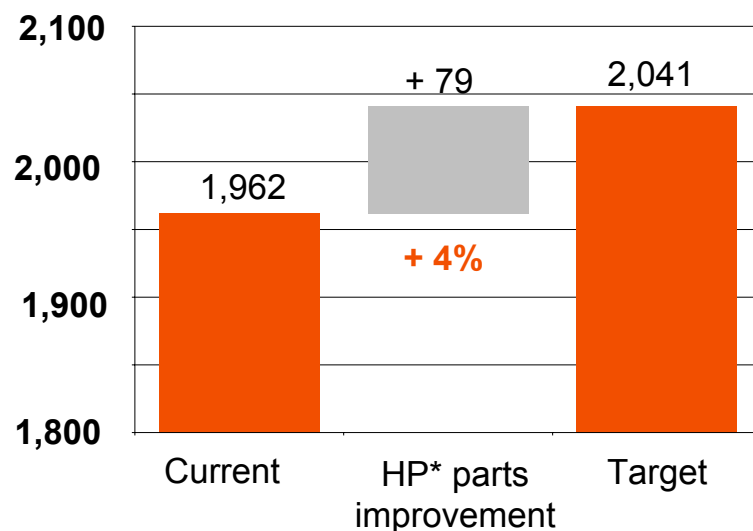
Source: CEZ



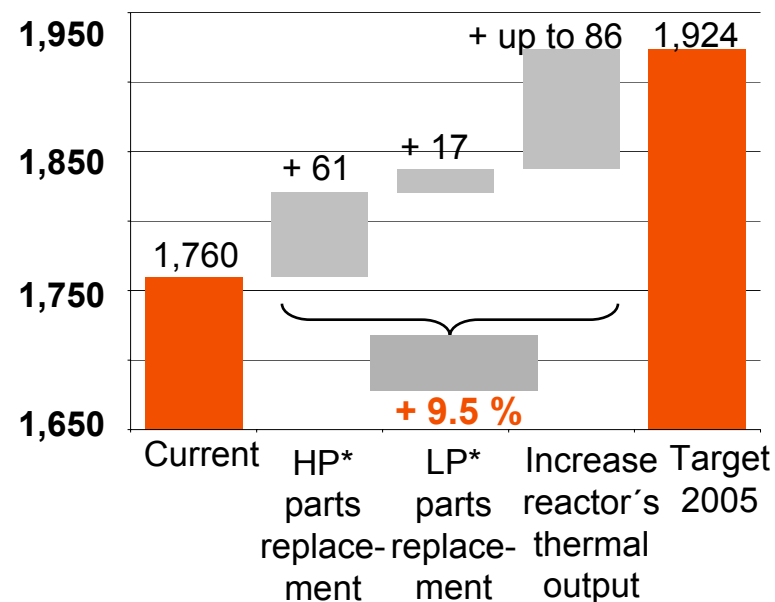
NUCLEAR CAPACITY WILL INCREASE IN DUKOVANY BY 9.5% BY 2012 AND IN TEMELIN BY 4% BY 2008



Temelin capacity increase
MW



Dukovany capacity increase
MW



Status:

■ Project contracted

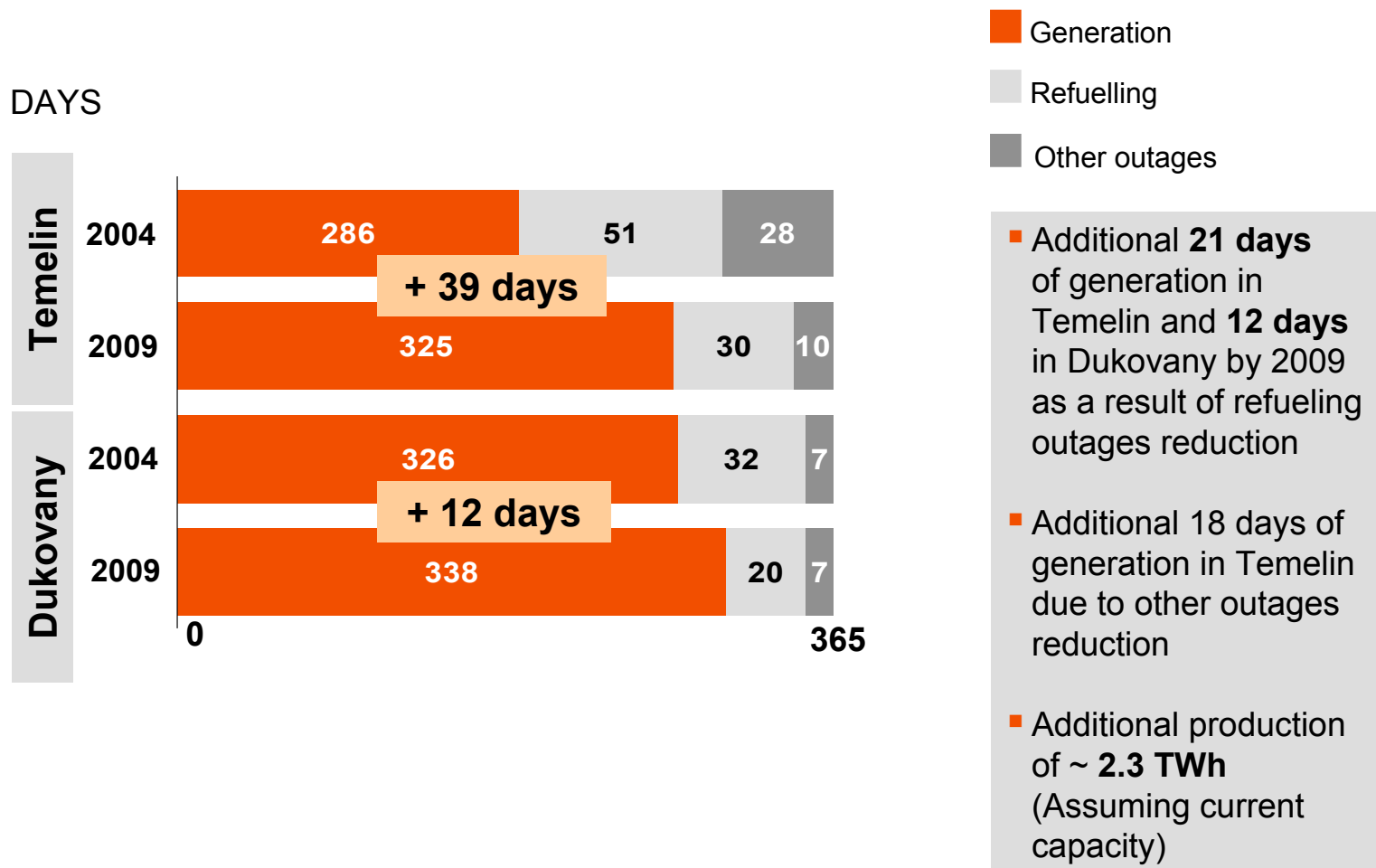
■ First project already implemented and running

■ Test in implementation, most tasks contracted

* HP – High Pressure, LP – Low Pressure



REDUCTION OF REFUELING OUTAGES IN NUCLEAR PLANTS WILL PROVIDE ADDITIONAL 2.3 TWh

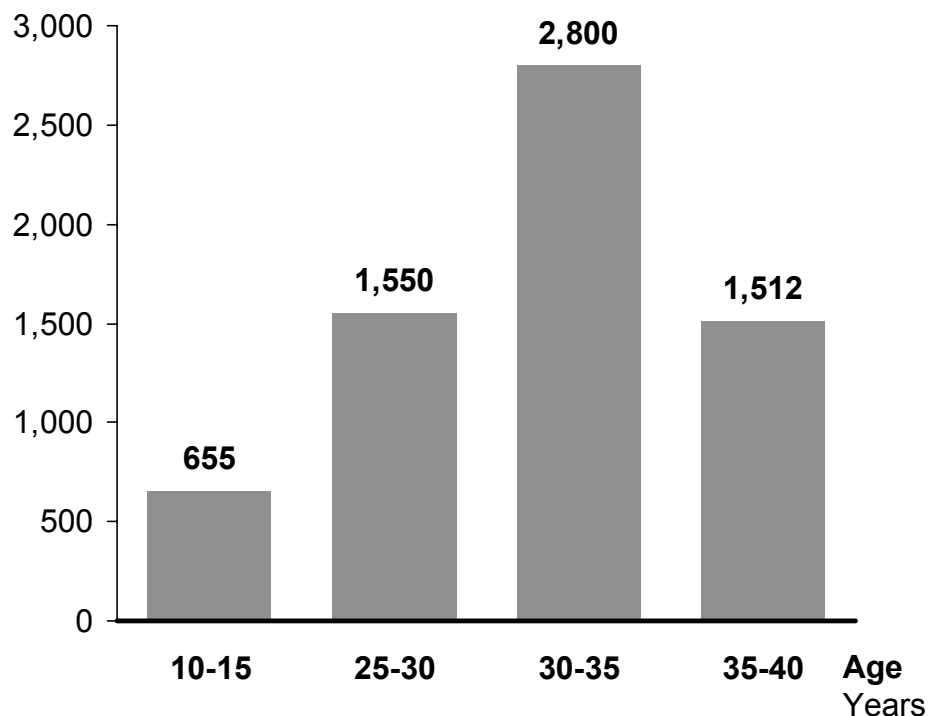




PORTION OF CEZ POWER PLANTS IS NEARING THE END OF ITS LIFETIME



Age structure of CEZ thermal blocks MW



- Portion of CEZ thermal capacity approaches end of its life time in 2010-20
- Desulphurization equipment to reach end of its lifetime in 2015-2020
- The emission limits on SO_x , NO_x will get again much stricter starting 2016







Thermal capacities must be renewed by new plants additions on refurbishment of existing equipment



CEZ INTENDS TO BUILD ITS FUTURE PLANT FLEET MAINLY AROUND MODERN TECHNOLOGY LIGNITE PLANTS



	Coal	Nuclear	Gas	Renewables
Environmental impact	<ul style="list-style-type: none">Acceptable emissions if modern technology adopted	<ul style="list-style-type: none">No emissionsNuclear risk	<ul style="list-style-type: none">Low emissions	<ul style="list-style-type: none">Limited/no emissionsNo 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 availabilityCO₂ 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 stable
	 <ul style="list-style-type: none">Cornerstone of the future CEZ 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)

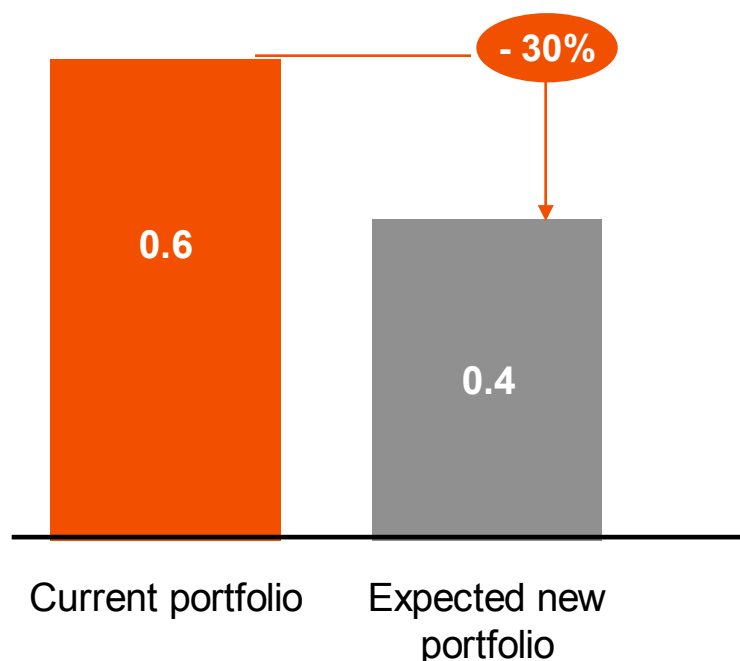


CEZ COMMITTED TO A LARGE INVESTMENT PROGRAM LEADING TO A 30% REDUCTION OF THE AVERAGE EMISSION RATE



CEZ average CO₂ emission

t CO₂ / MWh



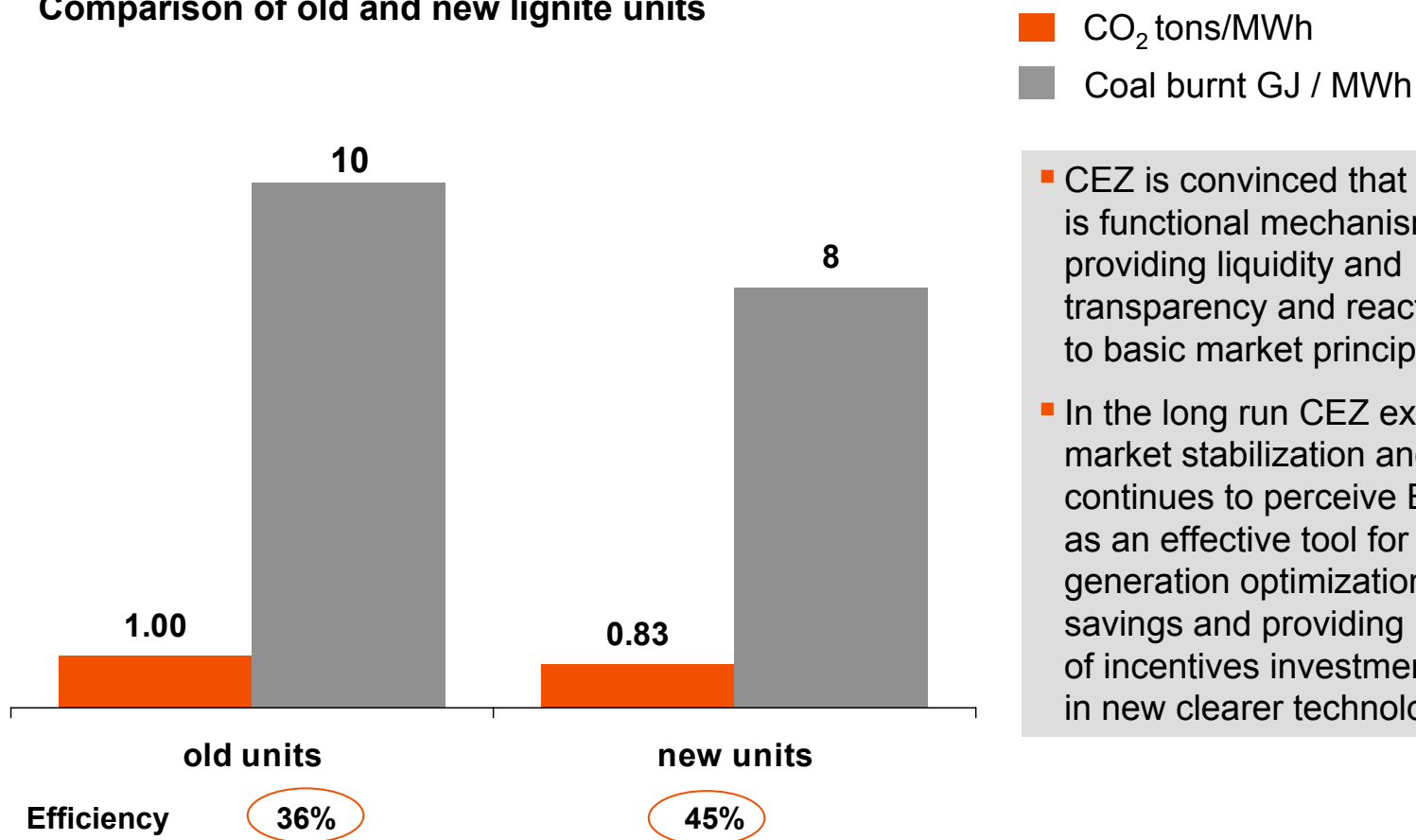
- CEZ designs new plant portfolio consistent with national energy policy
- New CEZ plant portfolio would represent a major contribution to CO₂ reduction in the Czech republic AND it would ensure sufficient supply to cover the increasing demand at the same time



DUE TO HIGHER EFFICIENCY THE COAL CONSUMPTION
WILL DECREASE THUS SAVING NATURAL RESOURCES
AND CO₂ EMISSIONS



Comparison of old and new lignite units



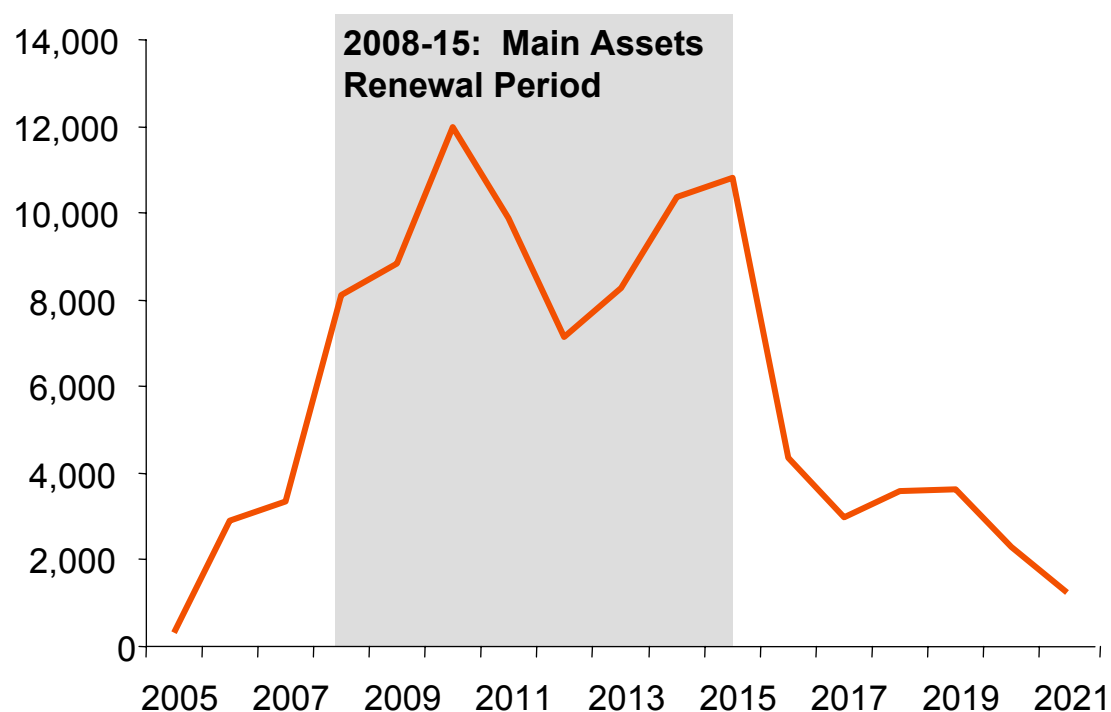
- CEZ is convinced that EU ETS is functional mechanism providing liquidity and transparency and reacting to basic market principles
- In the long run CEZ expects market stabilization and continues to perceive EU ETS as an effective tool for generation optimization, CO₂ savings and providing of incentives investments in new clearer technologies



CAPEX FOR LIGNITE PLANTS RENEWAL WILL REACH CZK 100 BN AND BRING 14-25% EFFICIENCY UPLIFT



Expected CAPEX – conservative scenario
CZK million



Projects overview

- Highly efficient and environmentally friendly
- Highly profitable
- Secured fuel – low risk

Retrofits

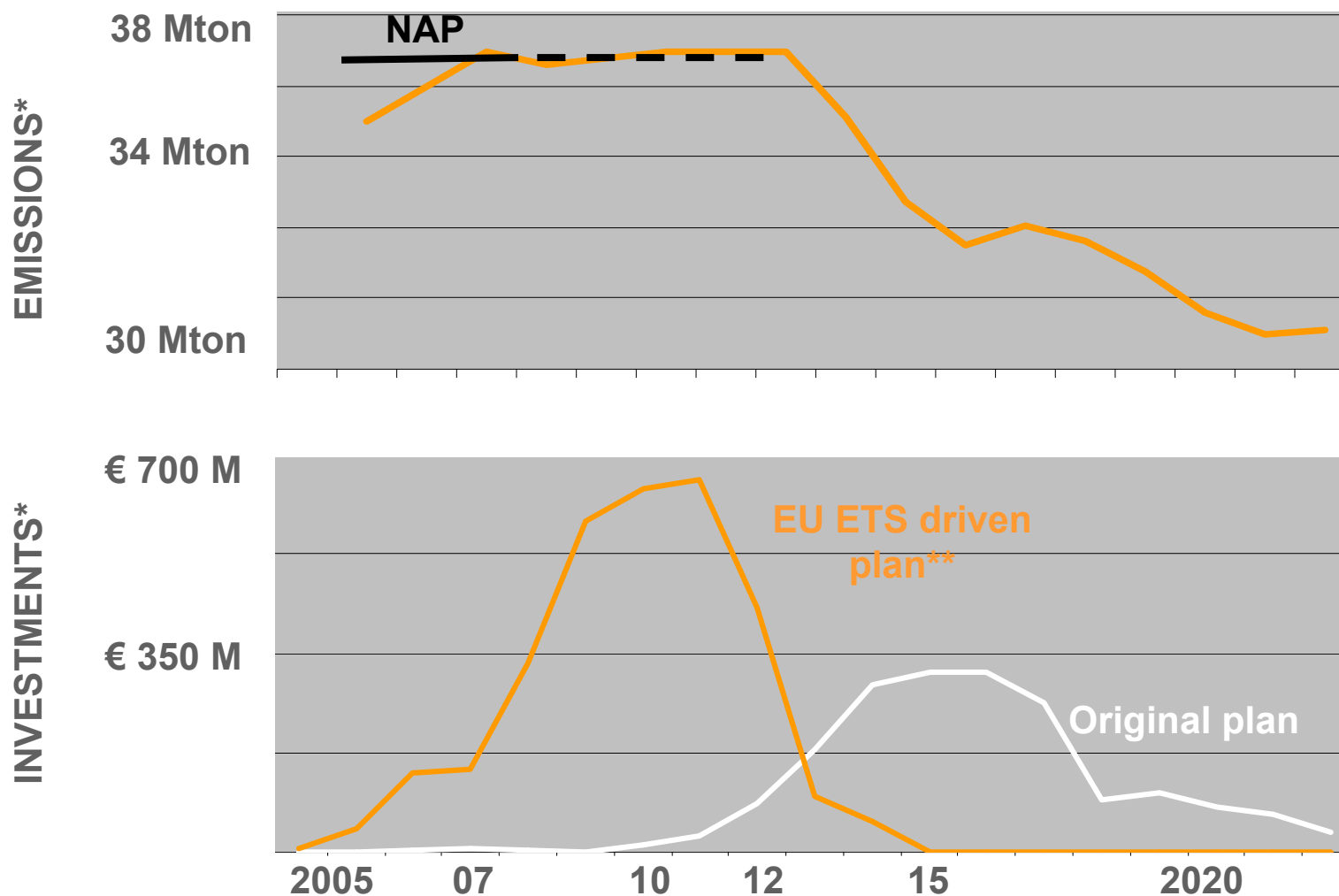
- Gross efficiency improvement from 36% to 41%
- Less CO₂ production
 - Tušimice II 4 x 200 MW
 - Prunéřov II 4 x 200 MW
 - Počerady 3 x 200 MW

New units

- Gross efficiency 45%
- Less CO₂ production
 - Počerady 1 x 660 MW
 - Ledvice 1 x 660 MW



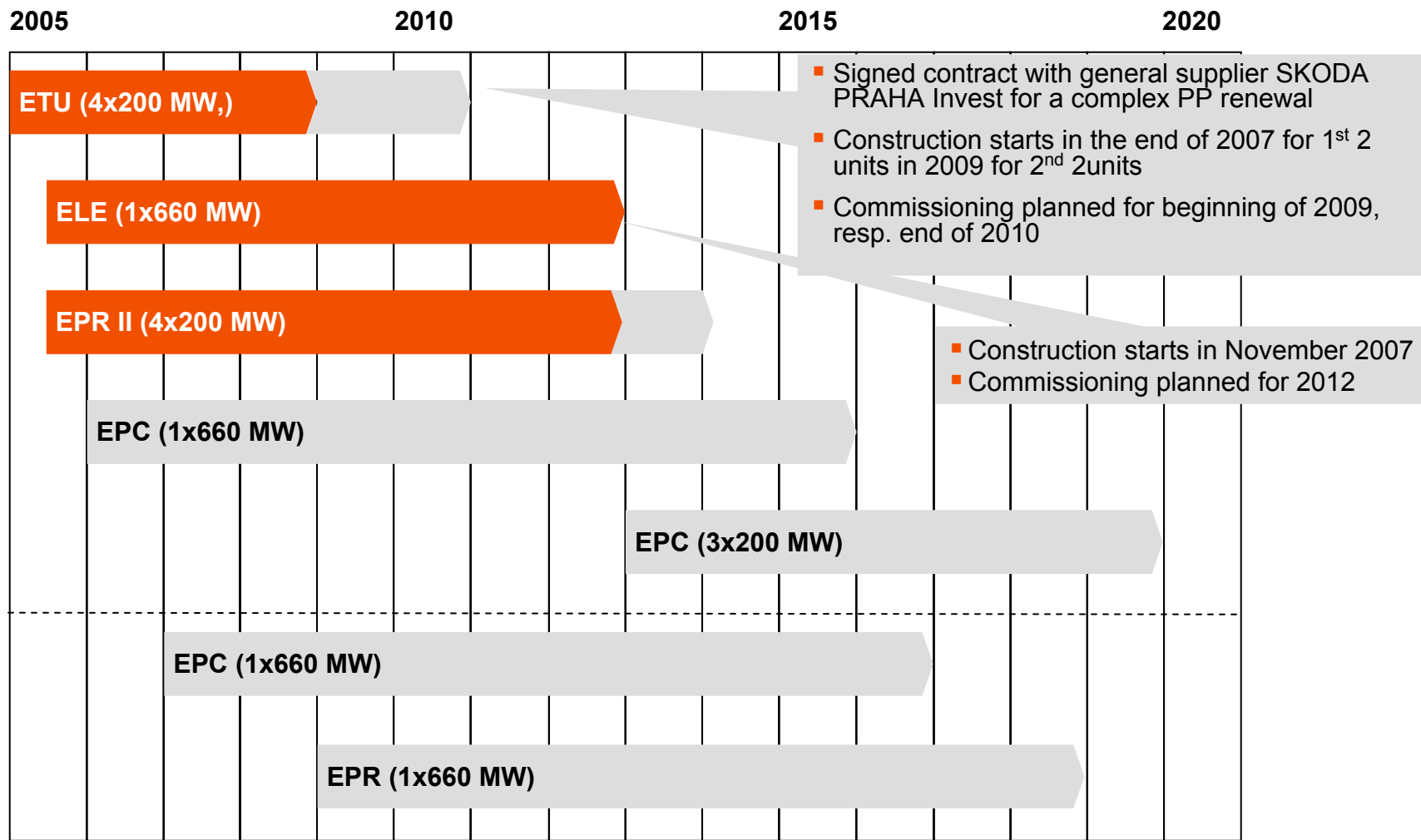
EU ETS INCENTIVISED CEZ TO ACCELERATE AND INCREASE ITS INVESTMENTS IN GENERATION



* Best scenario **CO2 directly related projects

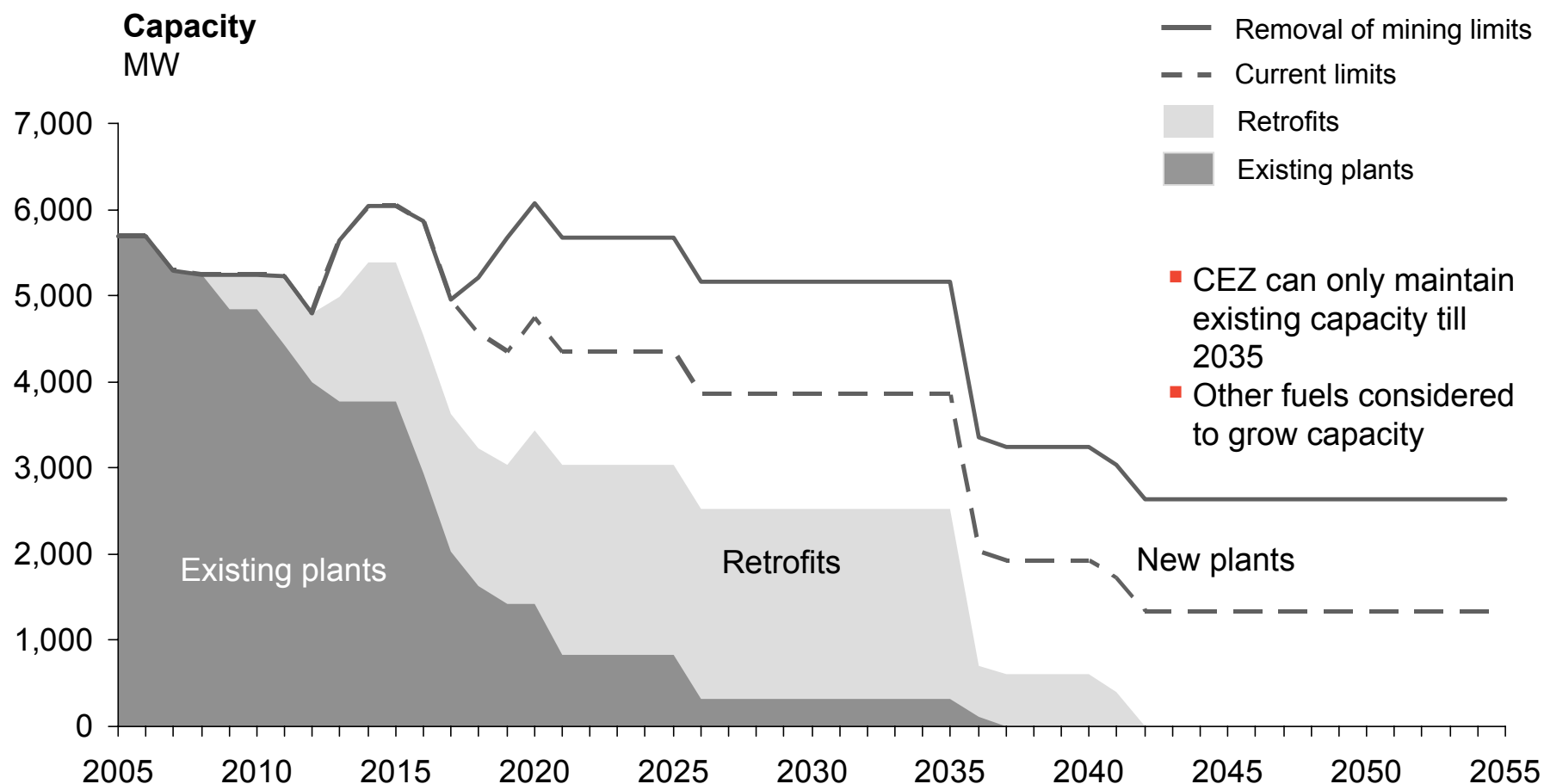


CEZ ALREADY LAUNCHED FIRST GENERATION RENEWAL PROJECT





CEZ HAS FINALIZED PLANS FOR LIGNITE PLANTS RENEWAL AND NOW DEVELOPS STRATEGY IN OTHER FUELS TO GROW IT'S CAPACITY





AGENDA

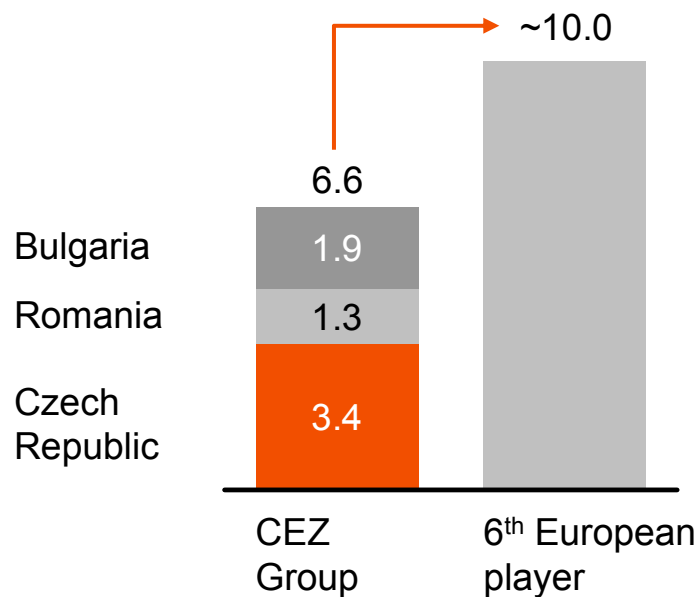
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CEZ GROUP WANTS TO GROW BOTH IN GENERATION AND DISTRIBUTION/SUPPLY



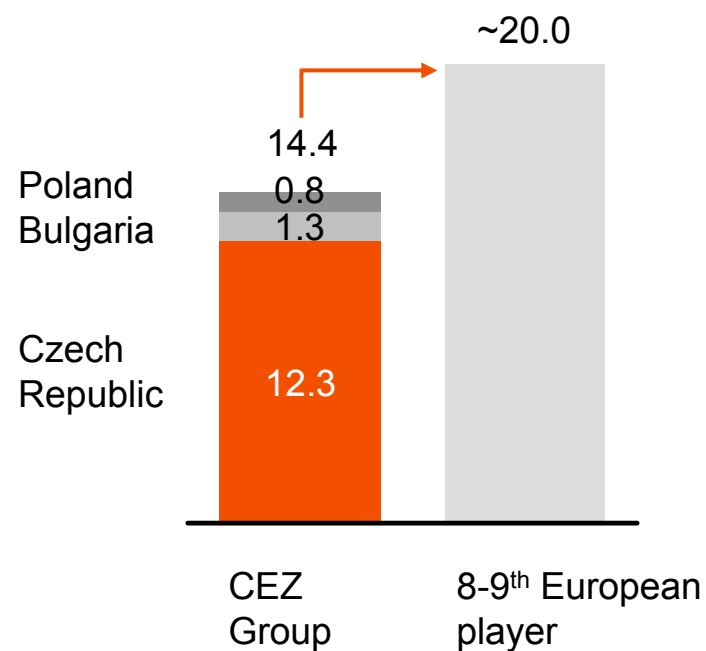
Ambition for distribution/supply growth Millions of customers



Current → **Target**

Ranking 8th → 6th

Ambition for target generation growth GW of installed capacity



Current → **Target**

Ranking 10th → 8-9th



CEZ GROUP BUILDS ON FIRST SUCCESSFUL EXPANSION MOVES



Realized acquisitions

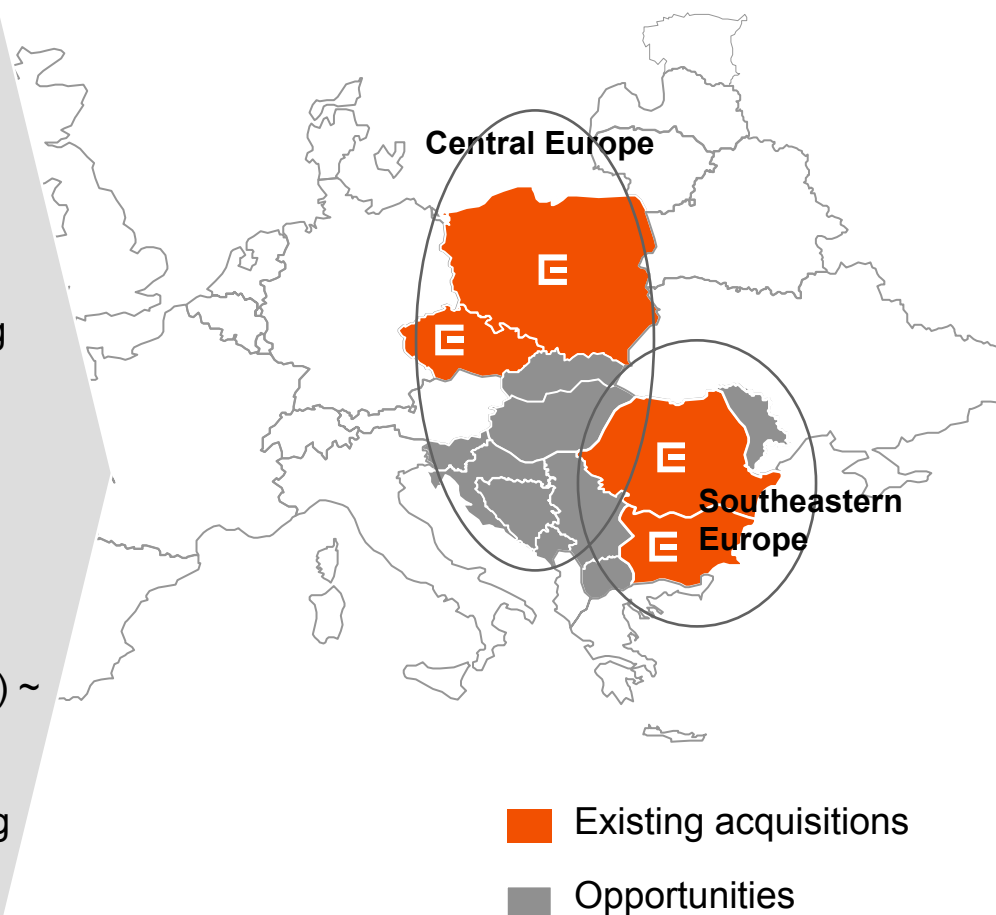
- Bulgaria (distribution) – 1.9 million cust.
- Romania (distribution) – 1.4 million cust.
- Poland (generation) – 810 MW

On-going acquisitions

- Bulgaria (generation) – 1,260 MW – pending approval of antitrust authorities
- Ukraine (distribution) – 2.6 million cust.
- Romania (distribution) – 1.1 million cust.

Other opportunities

- Romania (generation) – 4,240 MW
- Romania (distribution) – 3.3 million cust
- Rep. Srpska, Bosnia (green field generation) ~ 660 MW (Gacko only) – pending feasibility studies
- Kosovo (green field generation) - monitoring
- Serbia (green field generation) – monitoring
- Russia (green field generation) – monitoring





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



- **Focus on one region**
- Intimate **knowledge of the region**
- **Very well accepted** due to close cultural/historical ties and electricity industry transformation experience
- **First-hand experience** with transformation of power markets
- **Natural hedge and synergies** to current position of CEZ Group providing significant synergies/risk mitigation
- **Management capacity** available from restructuring in the Czech Republic



EVEN THOUGH CEZ 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)
- Return above CEZ cost of capital plus country and project risk
- Positive contribution to CEZ Group value
- Credit rating targeting

M&A process

- Always along a global advisor with target country ties
- Valuation prepared by advisor cross-checked by internal valuation team
- Multiple scenarios
- Transaction team includes post merger management team
- Valuation model becomes budget for the PMM team

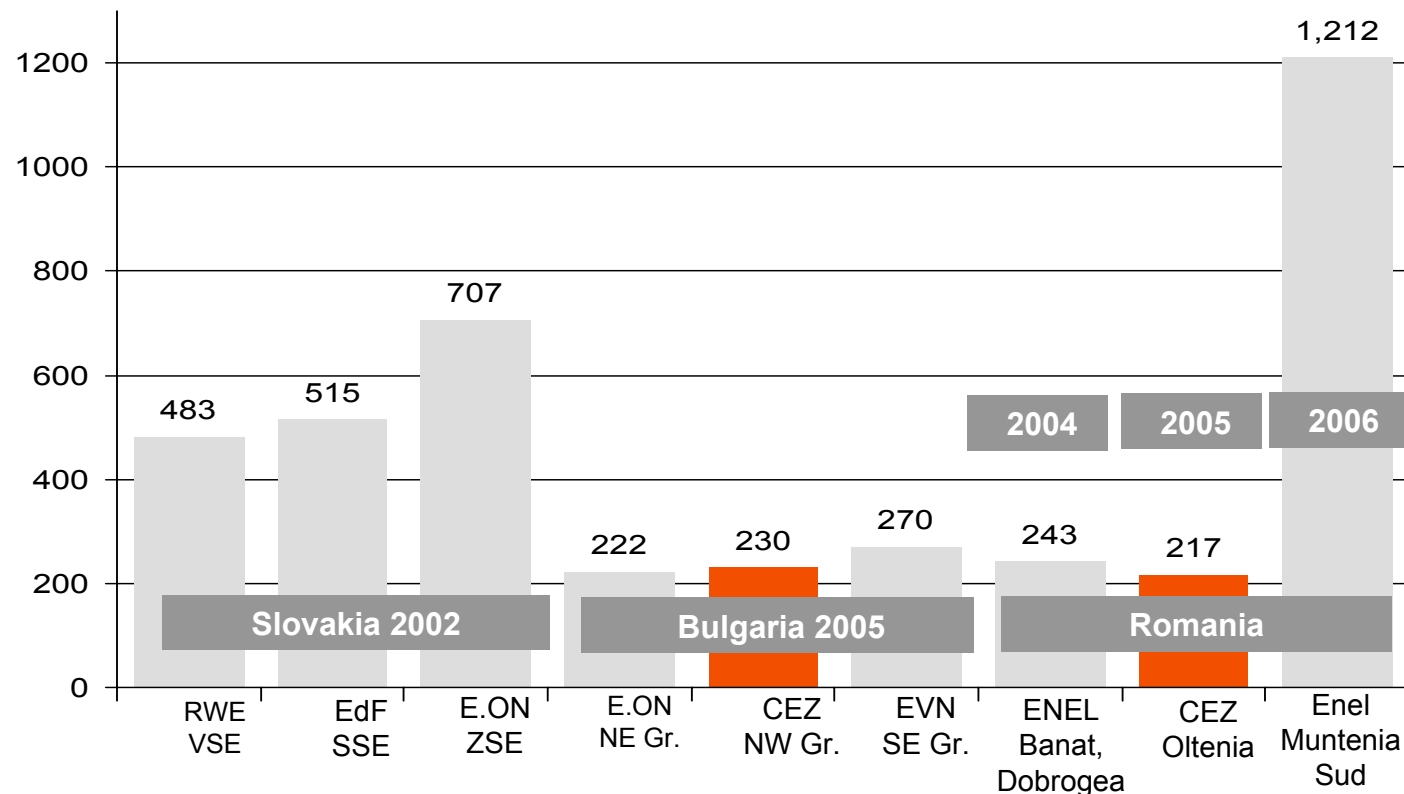


CEZ ACQUIRED FOREIGN COMPANIES AT MUCH MORE FAVOURABLE PRICE THAN OTHER COMPETITORS



Price per customer in privatizations of CEE power distribution companies

EUR/customer



Source: Bloomberg, press clippings, respective annual reports



DESPITE INCREASED COMPETITION CEZ IS NOT WILLING TO PRICE ASSETS AT LEVELS IT CANNOT JUSTIFY



Slovakia

- ENEL finished acquisition of SE
- waiting for further development in **Teplarna Kosice** (121 MW)

Poland

- **Elcho** (220 MW) and **Skawina** (590 MW) settlement expected within next few weeks
- still pursuing **PAK** (2,338 MW), other processes are unrealistic

Romania

- **Electrica Muntenia Sud** (1.1 million of customers) – awarded to Enel at a price above EUR 1,000 per customer
- waiting for start of privatization of generation complexes **Turceni** (2,310MW), **Rovinari** (1,320MW) and **Craiova** (610MW) and **remaining distribution companies** (3.3m cust.)
- searching other opportunities (cogeneration, etc.)

Bulgaria

- contract for **TPP Varna** signed
 - pending settlement
- interested in **Sofia heating**





CEZ IS LOOKING AT SEVERAL PROMISING GREENFIELD/BROWNFIELD PROJECTS IN SERBIA, KOSOVO AND REPUBLIKA SRPSKA



Slovenia

- interested in cooperation with HSE
- if govt. starts privatization CEZ will definitely participate

Rep. Srpska (in Bosnia and Hercegovina)

- actively working on JV with EPRS
 - expect to start working on the **Gacko** project already this year

Serbia

- interested in finishing **Kolubara B** project
- Monitoring the market, analyzing opportunities

Kosovo

- established company **New Kosovo Energy LLC**
- monitoring the market and analyzing opportunities

Ukraine

- actively pursuing acquisition of Ukrainian **distribution companies** (2.6 million customers)
- watching the market and analyzing other opportunities and synergies

Russia

- analyzing other greenfield projects in Moscow and St. Petersburg region





RESULTS OF THE BULGARIAN ACQUISITION BETTER THAN EXPECTED IN 1st YEAR AFTER ACQUISITION, IMPROVEMENTS EXPECTED TO CONTINUE



Selected financials (simple sum) EUR m

	2004	2005
Sales	361.6	396.6
EBITDA	42.4	54.2
EBITDA Margin	11.7%	13.7%
Deprecitation	25.5	26.4
EBIT	16.8	27.7
Net income	4.9	23.3
Net debt	14.3	-6.3
ROIC	5.2 %	8.7 %

Key impacts 2005

- Revenues increased by 10 % driven by 3% increase in volume and 5% price increase
- Electricity losses decreased by 11.4% (from 19.3% to 17.1%) despite increased volume
- The OPEX increased by EUR 12 m due to
 - restructuring provision
 - staff costs
 - bad debt provisions

Main challenges for 2006

- Unbundling
- Removal of subsidized („social“) residential tariff starting October 2006
- Further restructuring and losses reduction
- Achieve budgeted performance
 - EBITDA EUR 71m
 - EBIT EUR 38m



BALANCE SHEET OF ROMANIAN OLTENIA HAS BEEN CLEARED UP AND THE COMPANY IS ON A GOOD TRACK TO SIGNIFICANTLY IMPROVE IN 2006



Selected financials (restated)

EUR m

	2004	2005
Sales	352.6	350.7
EBITDA	64.0	45.3
EBITDA Margin	18.2%	12.9%
Depreciation	86.6	27.5
EBIT	-22.6	17.8
Net income	-35.7	18.88
Net debt	10.0	121.731

Key impacts 2005

- Transaction settled on September 30, 2005; consolidated in Q4 only
- Restructuring process initiated with key positions staffed
- Agreement with regulator on maximum allowed RAB as of the date of completion
- One-off provisions

Main challenges for 2006

- Increase sales to eligible customers
- Introduction of costs for unbundling into the regulatory framework
- Further restructuring
- Achieve budgeted performance
 - EBITDA EUR 51m
 - EBIT EUR 30m



IN JANUARY 2006 CEZ SIGNED AN AGREEMENT TO BUY TWO POWER PLANTS IN POLAND



Elektrociepłownia Elcho Sp. z o. o.



Basic figures

<i>million EUR*</i>	2003	2004
Revenues	46.2	88.9
EBITDA	4.2	44.9
EBIT	1.9	36.2
Net profit	10.4	42.0
Net debt (debt - cash)	309.3	251.4

Electricity sales (TWh)	n.a.	1.4
Installed capacity (MWe)	220	
Installed capacity (MWt)	500	
Fuel	coal	
Commissioned	2003	
Stake controlled	89%	

* Polish accounting standards, converted at 3.85 PLN/EUR

- Brand new power plant commissioned in 2003
- Meets all environmental limits including those in place since 2008
- Revenues from electricity sales make c. 83% of revenues, remainder is mainly heat
- Production covered by long term power purchase agreements till 2023
- The heat is supplied mainly for residential heating
- Elcho has a long term agreement for coal supplies; the power plant is located close to the supplying mines
- Allocated CO2 cover full anticipated production
- Excellent management team - expertise to be utilized in further expansion
- Proximity to CEZ's 800MW hard coal power plant – Detmarovice (50 km) - possible future synergies, incl. possibility of joint coal supply



SKAWINA IS AN UPGRADED PLANT WITH EXPOSURE TO OPEN MARKET SET TO PROFIT FROM PRICE CONVERGENCE AND INCREASED HEAT OFF-TAKE



Elektrownia Skawina S.A.



Basic figures

<i>million EUR*</i>	2003	2004
Revenues	98.6	99.5
EBITDA	11.5	9.0
EBIT	6.7	3.8
Net profit	5.1	3.0
Net debt (debt - cash)	1.4	9.3

Electricity sales** (TWh)	2.5	2.4
Installed capacity (MWe)	590	
Installed capacity (MWt)	618	
Fuel	coal	
Stake controlled	75%	

* Polish accounting standards, converted at 3.85 PLN/EUR

** Excluding balanced trading in open markets

- Electricity generation part commissioned in 1961, heating part in 1986
- Almost half of the plant continuously refurbished since 1993; some further investments needed to meet stricter emission limits in 2008
- Potential to increase existing generation from biomass
- Electricity is sold in open market; we anticipate that the Polish open market prices will converge to the German ones in the next 5-7 years
- Potential to increase - up to 20% increase in heat off-take in 2006-2011
- Skawina's CO2 allocation per MW installed capacity among the highest in Poland
- Excellent management team - expertise to be utilized in further expansion
- Proximity to CEZ's 800MW hard coal power plant



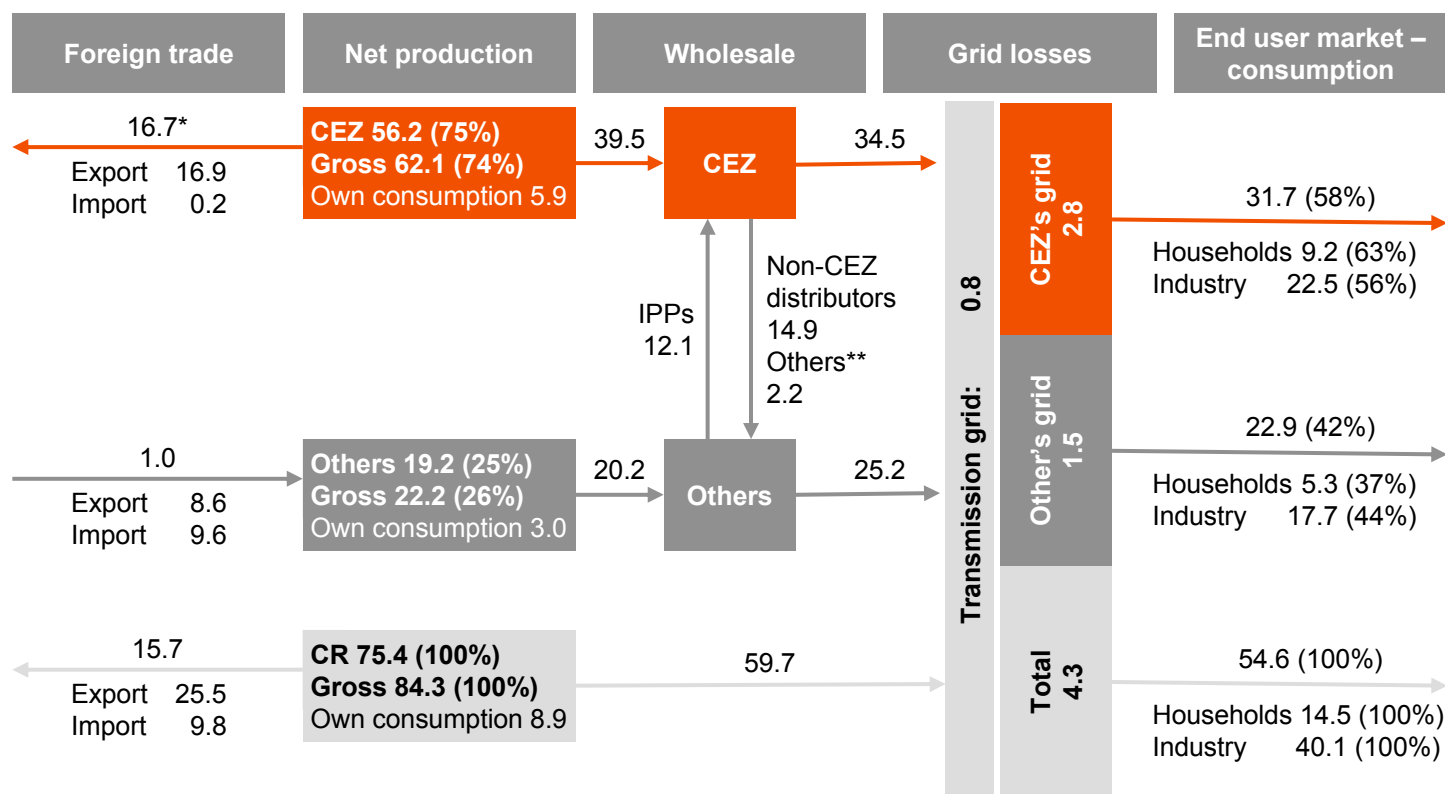
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CEZ IS A STRONG PLAYER IN ALL SEGMENTS OF THE CZECH ELECTRICITY MARKET

Czech electricity market in 2004
TWh

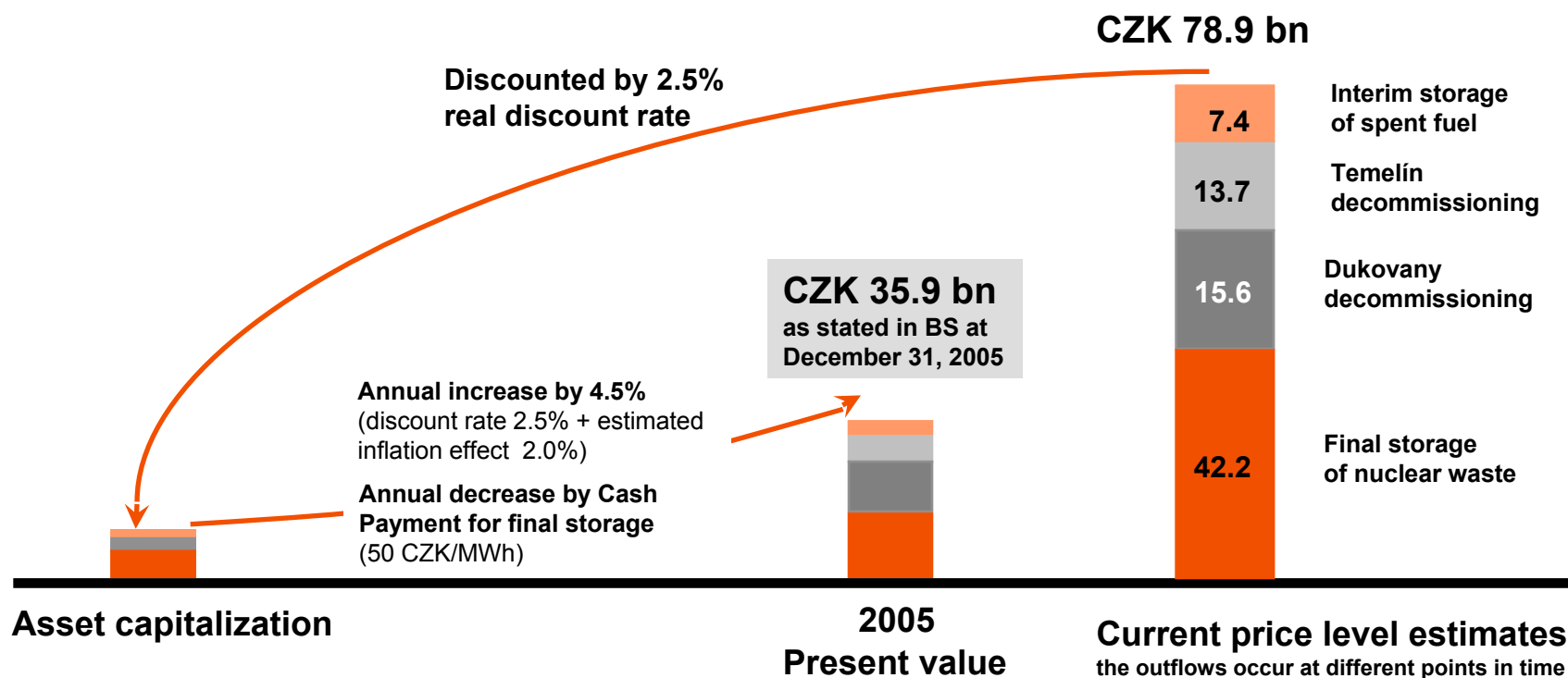


* Includes sales to domestic traders for export, excludes trading on the foreign liquid markets which do not impact volume

** Includes domestic power exchange trading, sales to grid operator to cover grid losses, direct sales to domestic traders for domestic consumption and other domestic sales



NUCLEAR PROVISIONS IFRS STATEMENTS ARE FULLY IN LINE WITH IAS 37





SELECTED HISTORICAL FINANCIALS CZK

Profit and loss

	CZK bn	2003	2004	2005
<u>Revenues</u>		<u>87.3</u>	<u>102.7</u>	<u>125.1</u>
Sales of electricity		79.0	92.2	115.9
Heat sales and other revenues		8.3	10.5	9.1
<u>Operating Expenses</u>		<u>53.7</u>	<u>63.0</u>	<u>74.9</u>
Purchased power and related services		21.1	26.5	37.5
Fuel		9.2	9.3	9.0
Salaries and wages		9.7	11.4	13.4
Other		13.7	15.9	15.0
<u>EBITDA</u>		<u>33.6</u>	<u>39.6</u>	<u>50.2</u>
<i>EBITDA margin</i>		<i>38%</i>	<i>39%</i>	<i>40%</i>
Depreciation		18.5	19.8	20.7
<u>EBIT</u>		<u>15.0</u>	<u>19.8</u>	<u>29.4</u>
<i>EBIT margin</i>		<i>17%</i>	<i>19%</i>	<i>24%</i>
<u>Net Income</u>		<u>9.6</u>	<u>13.2</u>	<u>21.5</u>

Balance sheet

	CZK bn	2003	2004	2005
Non current assets		271.9	271.7	280.4
Current assets		24.7	27.5	43.8
- out of that cash and cash equivalents		5.0	8.9	16.8
<u>Total Assets</u>		<u>296.6</u>	<u>299.3</u>	<u>324.2</u>
Shareholders equity (excl. minority. int.)		171.1	178.4	191.3
Interest bearing debt		38.8	41.8	38.7
Other liabilities		86.7	79.0	94.2
<u>Total liabilities</u>		<u>296.6</u>	<u>299.3</u>	<u>324.2</u>

Note: 2003 and 2004 results were restated to comply with pooling of interests method regarding Severoceske doly, i.e. the restated financials are as if CEZ had held 93% in Severoceske doly throughout the whole period of 2003 - 2005.



SELECTED HISTORICAL FINANCIALS EUR

Profit and loss

	EUR m	2003	2004	2005
<u>Revenues</u>		<u>3,009</u>	<u>3,540</u>	<u>4,312</u>
Sales of electricity		2,723	3,178	3,998
Heat sales and other revenues		286	362	315
<u>Operating Expenses</u>		<u>1,852</u>	<u>2,174</u>	<u>2,583</u>
Purchased power and related services		728	914	1,292
Fuel		316	321	311
Salaries and wages		334	392	463
Other		474	546	518
<u>EBITDA</u>		<u>1,157</u>	<u>1,366</u>	<u>1,729</u>
<i>EBITDA margin</i>		<i>38%</i>	<i>39%</i>	<i>40%</i>
Depreciaton		638	684	715
<u>EBIT</u>		<u>519</u>	<u>682</u>	<u>1,014</u>
<i>EBIT margin</i>		<i>17%</i>	<i>19%</i>	<i>24%</i>
<u>Net Income</u>		<u>331</u>	<u>456</u>	<u>740</u>

Balance sheet

	EUR m	2003	2004	2005
Non current assets		9,374	9,368	9,668
Current assets		853	949	1,510
- out of that cash and cash equivalents		173	308	579
<u>Total Assets</u>		<u>10,227</u>	<u>10,317</u>	<u>11,178</u>
		0	0	0
Shareholders equity (excl. minority. int.)		5,898	6,152	6,596
Interest bearing debt		1,339	1,442	1,336
Other liabilities		2,990	2,723	3,247
<u>Total liabilities</u>		<u>10,227</u>	<u>10,317</u>	<u>11,178</u>

Exchange rate used: 29 CZK/EUR

Note: 2003 and 2004 results were restated to comply with pooling of interests method regarding Severoceske doly, i.e. the restated financials are as if CEZ had held 93% in Severoceske doly throughout the whole period of 2003 - 2005.



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