



CEZ, a. s. 2005 RESULTS

PRELIMINARY UNAUDITED UNCONSOLIDATED FINANCIAL RESULTS
ACCORDING TO IFRS

Prague, February 28, 2006



- **Main results of CEZ, a. s. in 2005**

Martin Roman, Chairman of Board of Directors and CEO

- **Financial results**

Petr Vobořil, CFO

- **Trading position of CEZ, a. s.**

Alan Svoboda, Vice-Chairman of Board of Directors and
Executive Director Sales and Trading



2005 financial results

- **operating income (EBIT)** increased year-on-year by 52 % to CZK 19.6 bn, which represents a y-o-y increase of CZK 6.7 bn.
- **net income** grew by 70 % to CZK 17.6 bn (up by CZK 7.2 bn)
- **return on equity** increased year-on-year by 59 %
- **value added per employee and month** increased by 23 %
- **CEZ share price at Prague Stock Exchange** increased during 2005 from CZK 341 to CZK 736 (up by 116 %) and on 24. 2. 2006 the share price closed at CZK 846
- **market capitalization of CEZ** exceeded USD 21 bn (over CZK 500 bn)

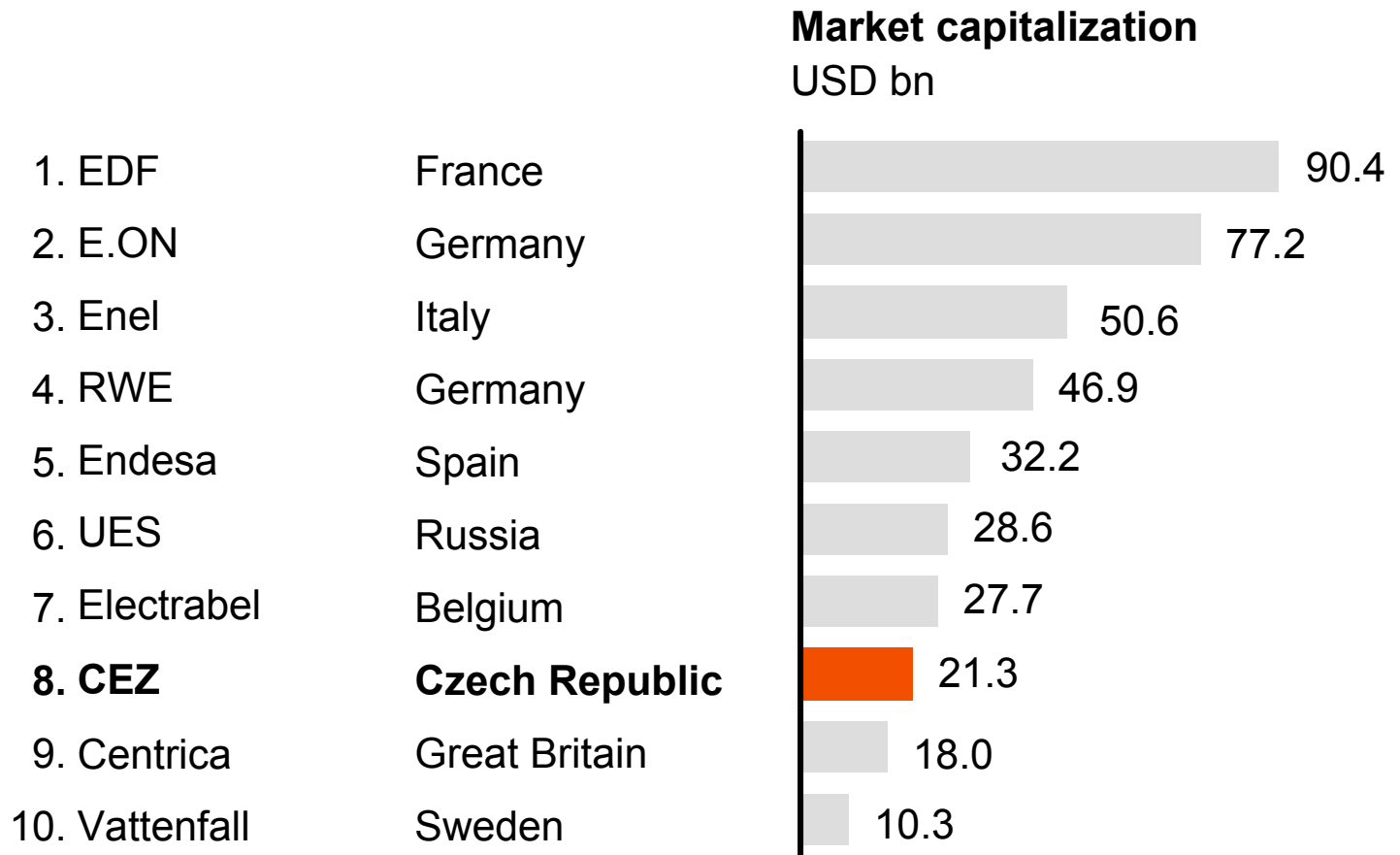


MAIN EVENTS IN 2005

- Acquisition of 55.8% stake in Severoceske doly (SD) from National Property Fund
- Antitrust office ruling that Severoceska energetika will remain in CEZ Group
- Polish market entrance – purchase of power plants Elcho and Skawina finished by signing agreement on 01/2006
- 51 % shares in Romanian EDC Electrica Oltenia have been transferred to CEZ
- Shares of 3 Bulgarian EDCs have been transferred to CEZ
- Execution of squeeze-outs in Vychodoceska, Zapadoceska and Severomoravska energetika and in SKODA PRAHA
- Participation in tenders for the sole Macedonian electric distribution company AD ESM, for Teplarna Kosice in Slovakia and for EDC Electrica Muntenia Sud in Romania
- CEZ has been invited for exclusive negotiations about power plant Varna purchase
- Unbundling implementation – introduction of new subsidiaries CEZ Prodej (Sales) and CEZ Distribuce (Distribution)
- CEZ entered the ECX Exchange in Amsterdam



THE LARGEST UTILITY COMPANIES IN EUROPE





NET INCOME GREW BY 70 % Y-O-Y TO CZK 17.6 BN (UP BY CZK 7.2 BN)

(CZK bn)	2004	2005	Difference 05-04	Index 05/04 (%)
Operating income (EBIT)	12,888	19,609	6,721	152.1
Other expenses and revenues	178	-849	-1,027	x
Income before income taxes	12,710	20,458	7,747	161.0
Income taxes	2,318	2,823	504	121.8
Net income	10,392	17,635	7,243	169.7

EBIT

higher wholesale margin, especially on export

CO₂ allowances arbitrage and revenues from their sales

cost savings

Income before income taxes

higher dividends received

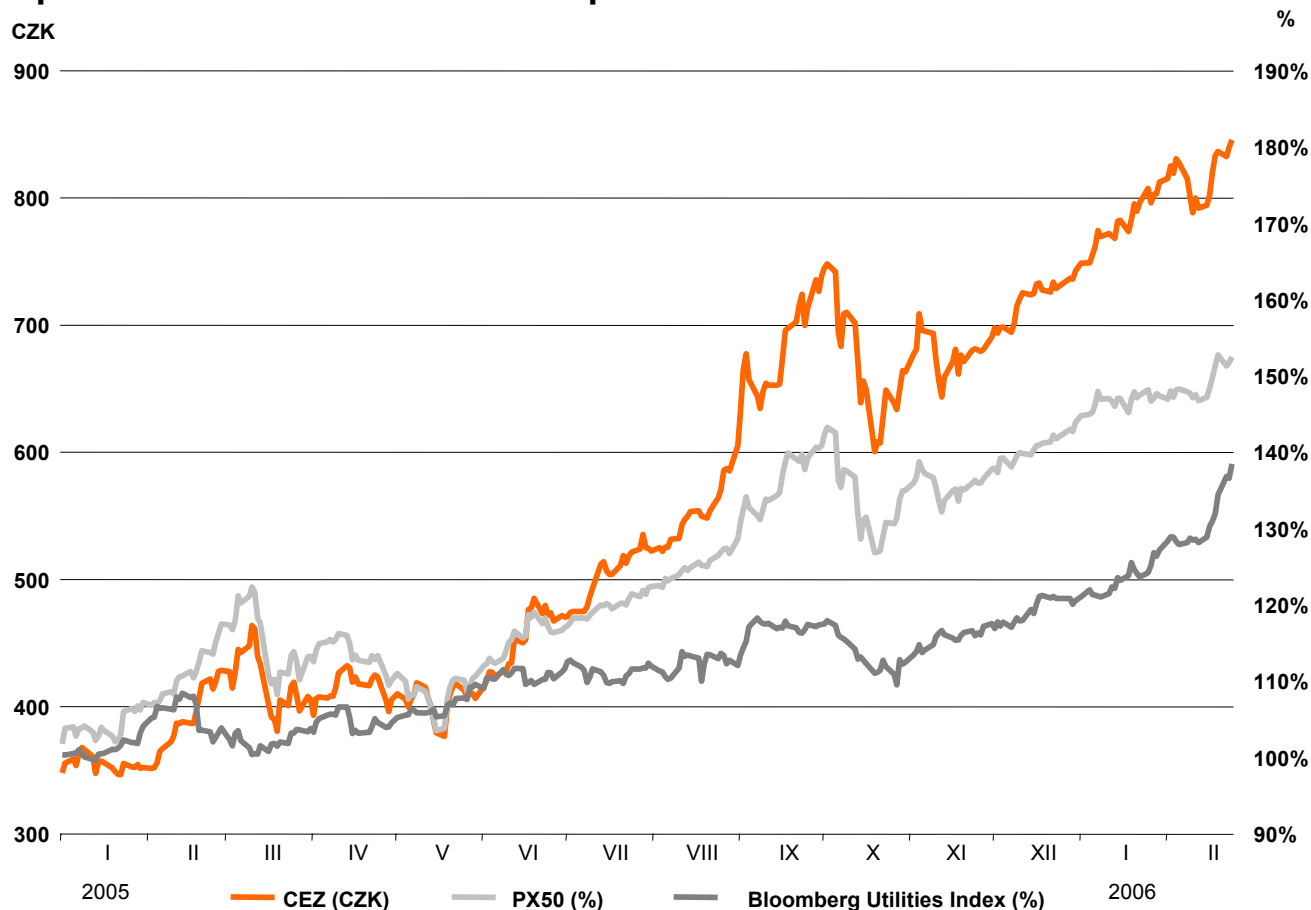
Consolidated results ?

The effort to speed up its processing collides with changes in CEZ Group



CEZ SHARE PRICE AT PSE HAS INCREASED FROM CZK 341 TO CZK 736 (BY 116 %) DURING 2005 AND ON FEBRUARY 24, 2006 CLOSED AT CZK 846

Share price and share indexes development





CEZ GROUP ABROAD – AT PRESENT DISTRIBUTION: BULGARIA, ROMANIA.....AND THE NEWEST...

CEZ Group in the Czech Republic*

Electricity sales (TWh)	67.8
Market share	58 %
Customers (mil.)	3.44
Market share	62 %
Installed capacity (MW)	12 297
Market share (MWh)	74 %
Employees	17 855
Revenues (EUR mil.)	3 339

CEZ Group in Romania*

(51% share in Electrica Oltenia)

Electricity sales (TWh)	6.8
Market share	13 %
Customers (mil.)	1.36
Market share	17 %
Installed capacity (MW)	0
Employees	3 027
Revenues (EUR mil.)	399

Representative offices

- Opened
- In preparation

■ Target markets

■ Markets with CEZ assets

* IFRS, 2004
Using exchange rate of 30 CZK/EUR

CEZ Group in Bulgaria*

(67% share in 3 distributors)

Electricity sales (TWh)	7.7
Market share	41 %
Customers (mil.)	1.9
Market share	42 %
Installed capacity (MW)	0
Employees	4 905
Revenues (EUR mil.)	376



POLAND: LATEST ACQUISITION – POWER PLANTS ELCHO AND SKAWINA (810 MW)



Elektrociepłownia Elcho

- CEZ share – app. 89 %
- Capacity - 220 MW (+ 500 MW_t)
- Fuel – hard coal
- Annual electricity sales – 1.4 TWh
- Share of sales in revenues – 83%

Elektrownia Skawina

- CEZ share – app. 75 %
- Capacity – 590 MW (+ 618 MW_t)
- Fuel – hard coal (+biomass)
- Annual electricity sales – 2.5 TWh
- Share of sales in revenues – 86%



CEZ GROUP ABROAD – TENDERS

Romania

- Privatization tender for distribution company Electrica Muntenia Sud – 67.5 %

Macedonia

- Privatization tender for up to 90% share in the sole local electricity distributor

Bulgaria

- Bulgarian Privatization Agency invited CEZ to exclusive negotiations about sale of power plant Varna

Slovakia

- Teplarna Kosice, 121 MW installed electric capacity

Poland

- Privatization tenders for power plants Kozienice (CEZ has qualified for final bids with other 4 bidders) and Dolna Odra (Endesa has the exclusivity)
- PAK?

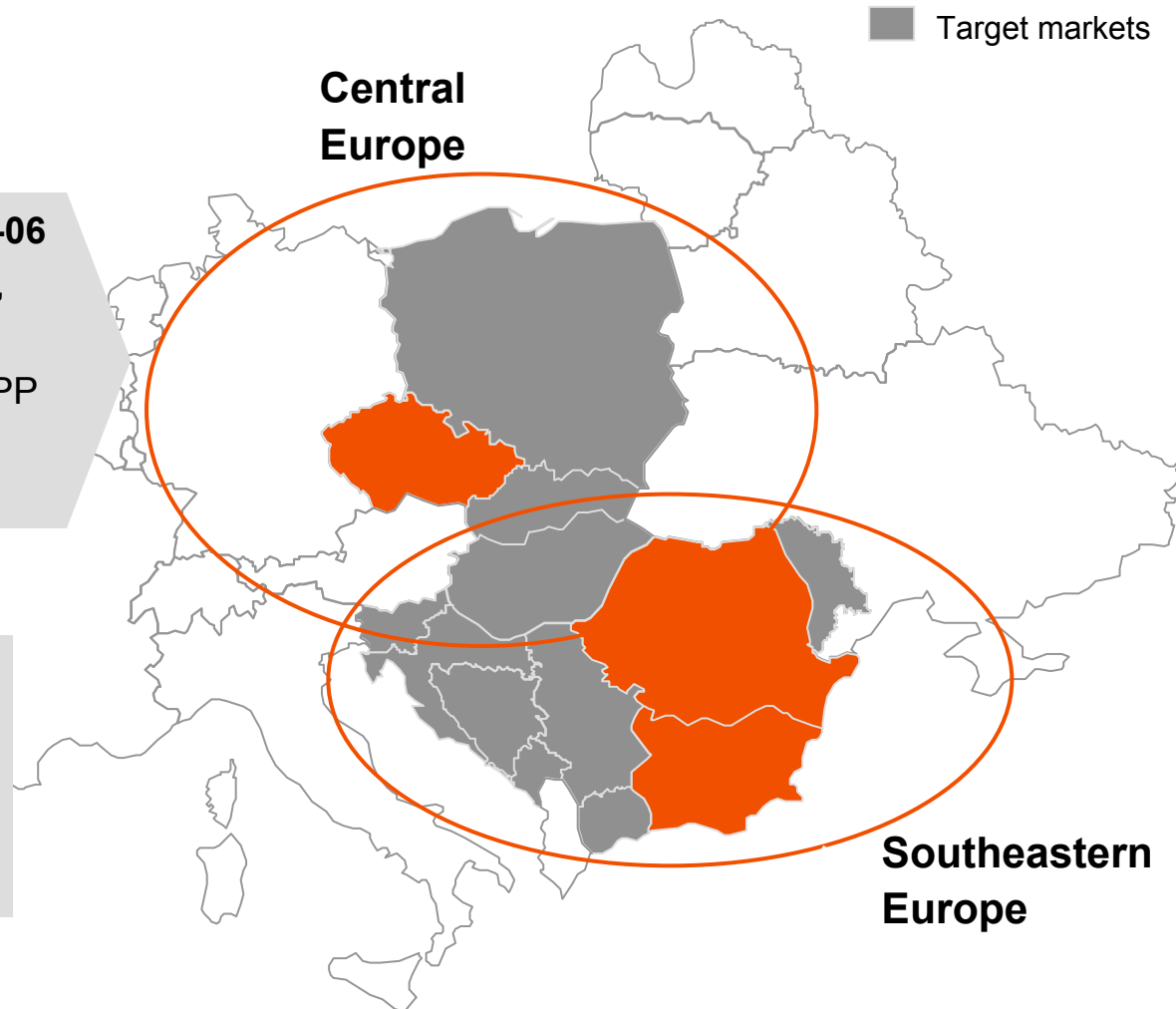


FURTHER ACQUISITION OPPORTUNITIES IN THE REGION OF CENTRAL AND SOUTHEASTERN EUROPE

Main acquisition opportunities 2005-06

- **Romania:** generation – TPP Turceni, Rovinari, Craiova
- **Montenegro:** generation + mine – TPP Pljevlja, coal mine of Pljevlja mining company

Further acquisition opportunities are expected in a timeframe of 2-3 years – e.g. remaining electricity distributors in Romania, energy sector in Serbia and former Yugoslavia, other assets in Poland





BRIEFLY ABOUT CEZ GENERATION PORTFOLIO RENEWAL PROJECT

I. project phase	January till May 2005
Target	Propose lignite portfolio renewal
Output (key investments)	Complex renewal of Tusimice II 4 x 200 MW ✓ Complex renewal of Prunerov II 4 x 200/210 MW ✓ New unit Ledvice 660 MW ✓ New unit Pocerady 1 x 660 MW Complex renewal Pocerady 3 x 200 MW
II. project phase	2005 – 2006
Target	Propose a solution for the remaining power fleet
✓ schválena přípravná dokumentace	



LIGNITE PORTFOLIO RENEWAL - SUMMARY

- Lignite represents long-term strategic fuel for the Czech economy, its utilization is in line with the state energy concept and fulfills international commitments (Kyoto protocol, EU directives)
- Total investment of app. CZK 100 bn, or more precisely assuming mining limits extension app. CZK 150 bn, during the following 20 years
- Significant support to the Czech companies and Usti nad Labem region (opportunity for companies from the region, related services, long-term employment support, opportunity for qualified employees)
- Compared to current power plants the generation efficiency will be:
 - for renewed units higher by app. 15 %
 - for new units higher by app. 25 %
- Volume of SO₂ and NO_x emissions will decrease by more than 50 %



- **Main results of CEZ, a. s. in 2005**

Martin Roman, Chairman of Board of Directors and CEO

- **Financial results**

Petr Vobořil, CFO

- **Trading position of CEZ, a. s.**

Alan Svoboda, Vice-Chairman of Board of Directors and Executive Director Sales and Trading



EBIT GREW BY 52 % Y-O-Y TO CZK 19.6 BN FOR ANNUAL INCREASE OF CZK 6.7 BN

CZK m	2004	2005	Change 05-04	Index 05/04 (%)
Operating Revenues	62,214	67,644	5,430	108.7
Sales of electricity	59,997	65,199	5,202	108.7
Heat sales and other revenues	2,217	2,445	228	110.3
Operating expenses	49,326	48,035	-1,291	97.4
Fuel	14,047	13,873	-174	98.8
Purchased power and related services	8,699	7,204	-1,495	82.8
Repair and maintenance	3,706	3,397	-309	91.7
Salaries and wages	4,342	4,794	451	110.4
Materials and supplies	1,673	1,692	19	101.2
CO ₂ allowances	0	-1,033	-1,033	n.a.
Other operating expenses	3,025	4,338	1,313	143.4
EBITDA	26,723	33,379	6,656	124.9
Depreciation and amortization	13,835	13,770	-65	99.5
EBIT	12,888	19,609	6,721	152.1

Main impacts

- higher wholesale margin
- lower electricity generation
- CO₂ allowances sales
- lower purchase of electricity for further sales



NET INCOME GREW BY 70% TO CZK 17.6 BN (INCREASE OF CZK 7.2 BN)

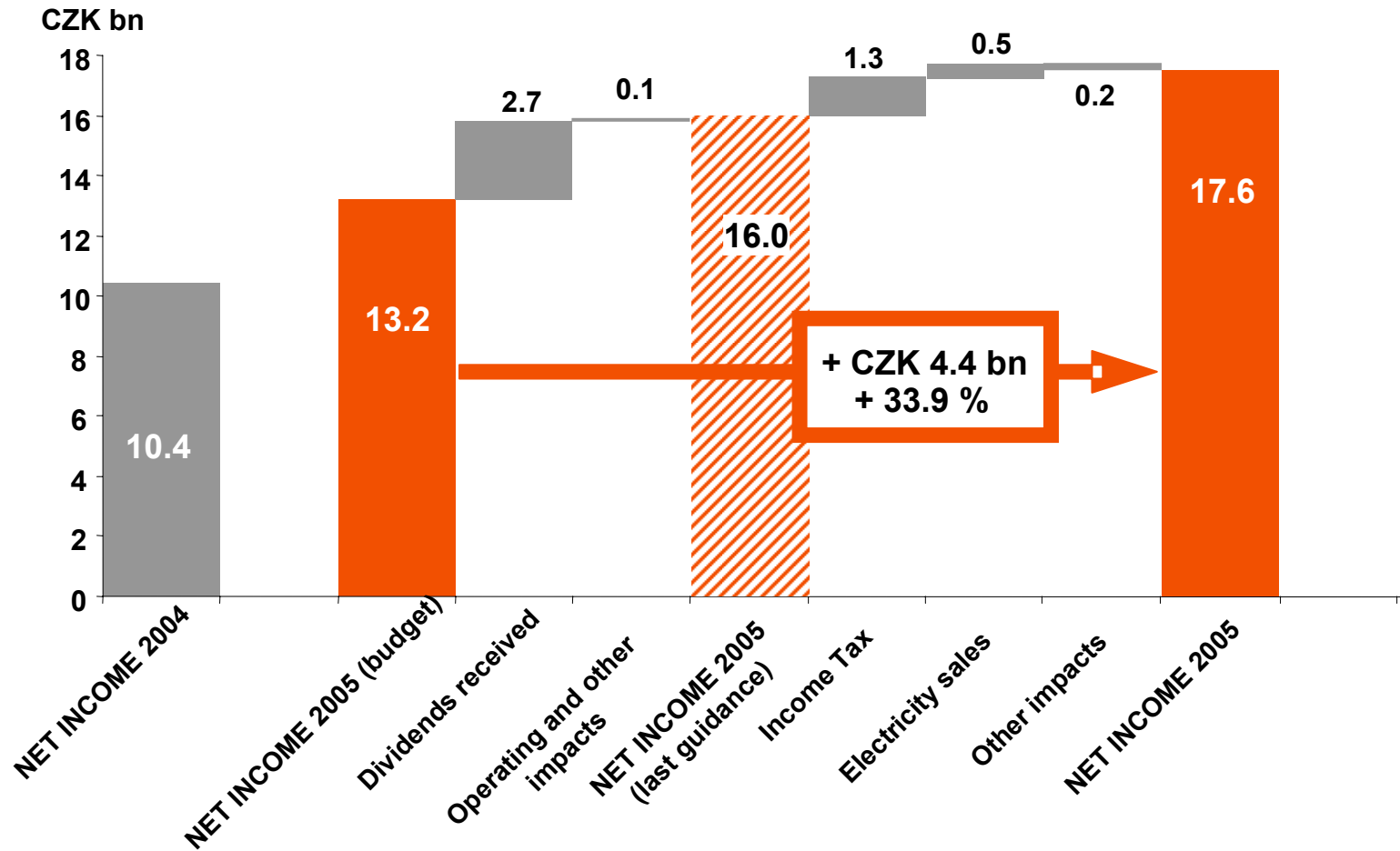
CZK m	2004	2005	Change 05-04	Index 05/04 (%)
Operating results (EBIT)	12,888	19,609	6,721	152.1
Other expenses/income	178	-849	-1,027	n.a.
Interest on debt	1,718	1,732	14	100.8
Interest on nuclear provisions	1,961	2,050	89	104.5
Interest income	-189	-193	-4	102.1
FX profit and loss; net	-1,831	386	2,217	n.a.
Sale of subsidiaries and associates	0	-107	-107	n.a.
Other financial expense/income	-1,480	-4,716	-3,236	318.6
out of which: dividends received	-1,679	-4,104	-2,425	244.5
derivatives	1,655	-162	-1,817	-9.8
gains/losses from sales of securities	-520	0	520	n.a.
Profit before taxes	12,710	20,458	7,748	161.0
Income Tax	2,318	2,823	505	121.8
Net income	10,392	17,635	7,243	169.7

Main non-operating impacts (CZK bn)

- + 2.4 dividends received**
- + 1.8 derivatives**
- 2.2 FX profit and loss**
- 0.5 gains/losses from sales of securities and shares**
- 0.5 income tax**
- 0.5 provisions**



NET INCOME INCREASED TO CZK 17.6 BN FROM LAST GUIDANCE

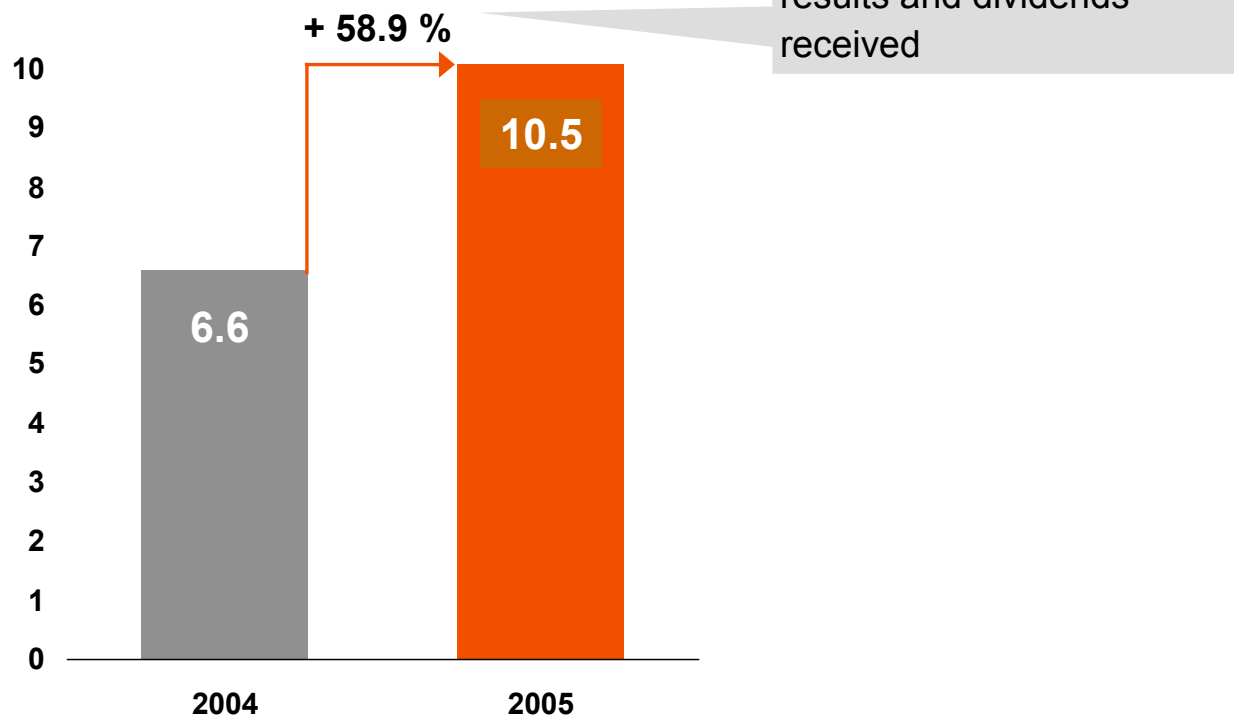




ROE INCREASED BY 59% Y-O-Y

ROE (net)

%

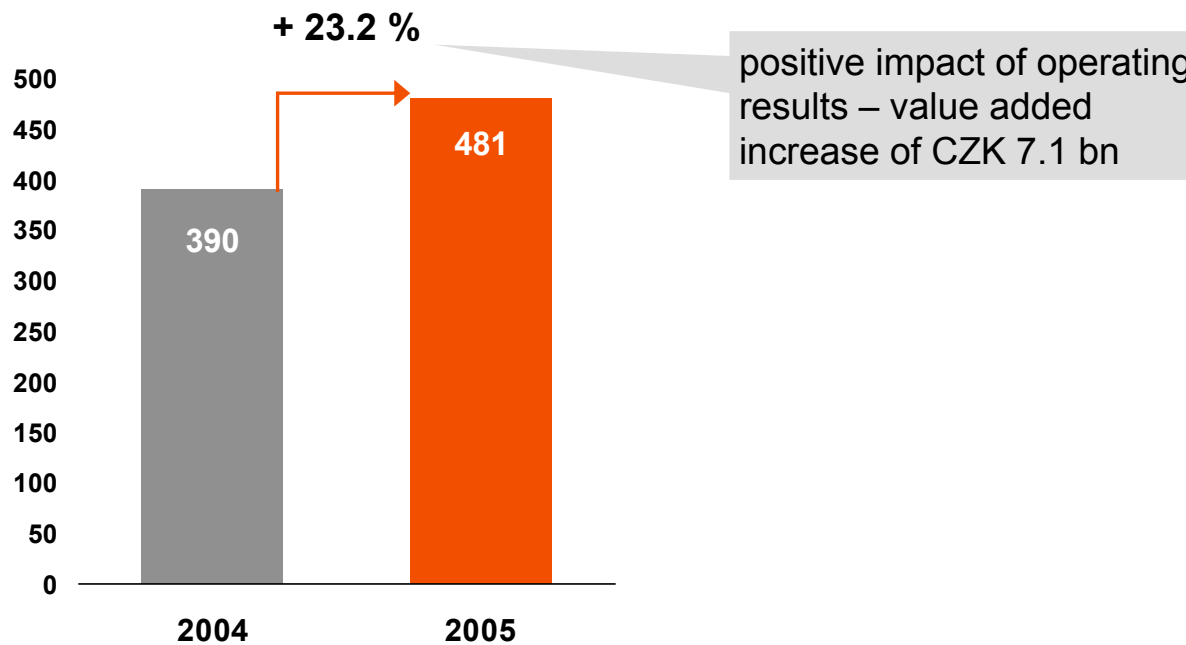




VALUE ADDED PER EMPLOYEE AND MONTH INCREASED BY 23 %

Value added per employee and month

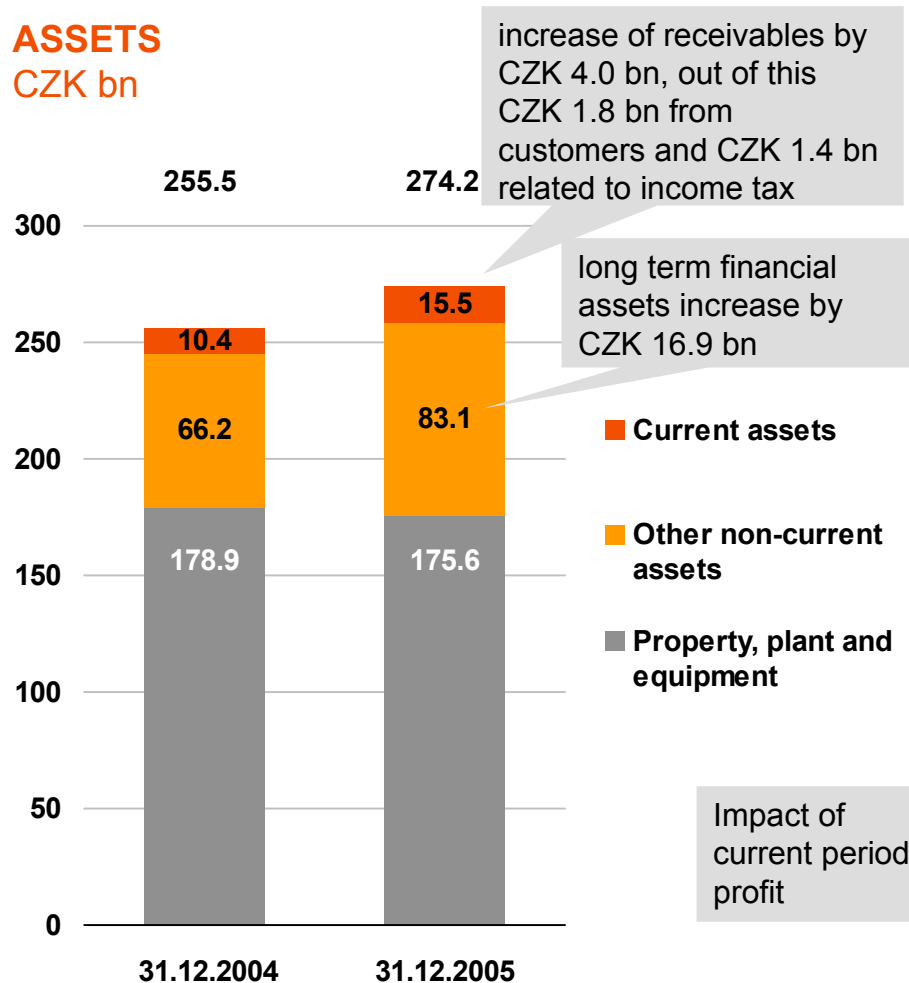
CZK '000 / month / person



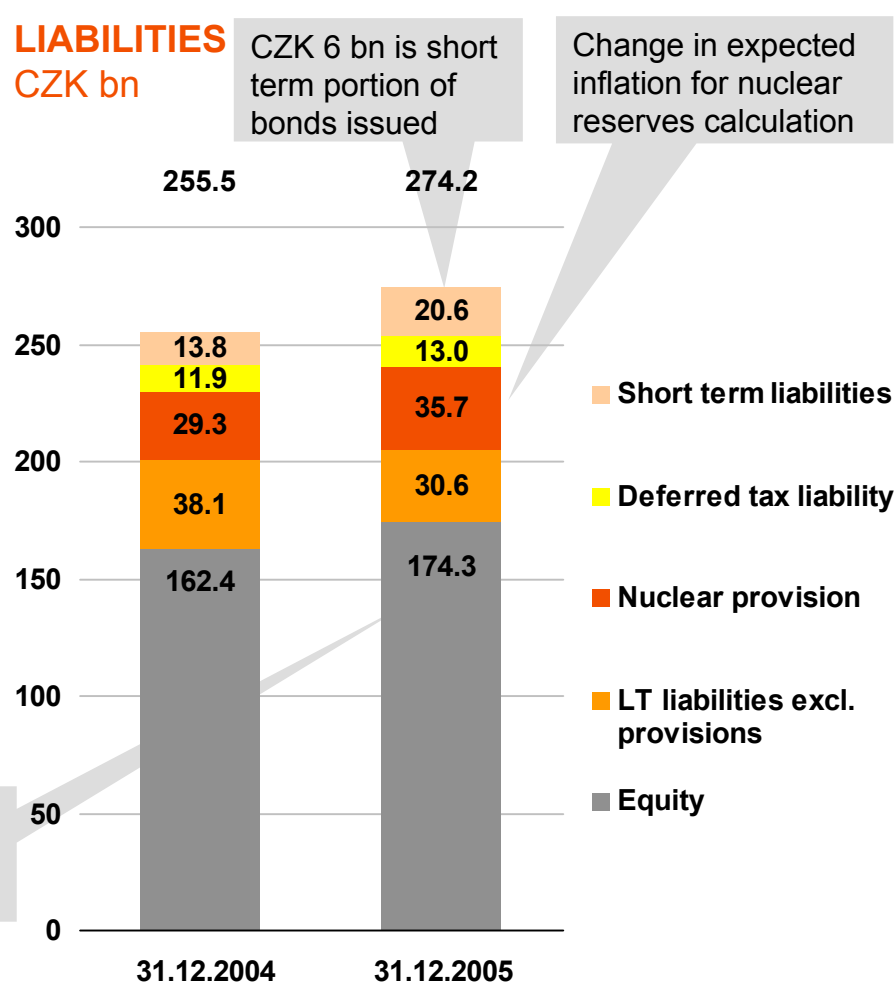


ASSETS AND LIABILITIES DEVELOPMENT

ASSETS CZK bn

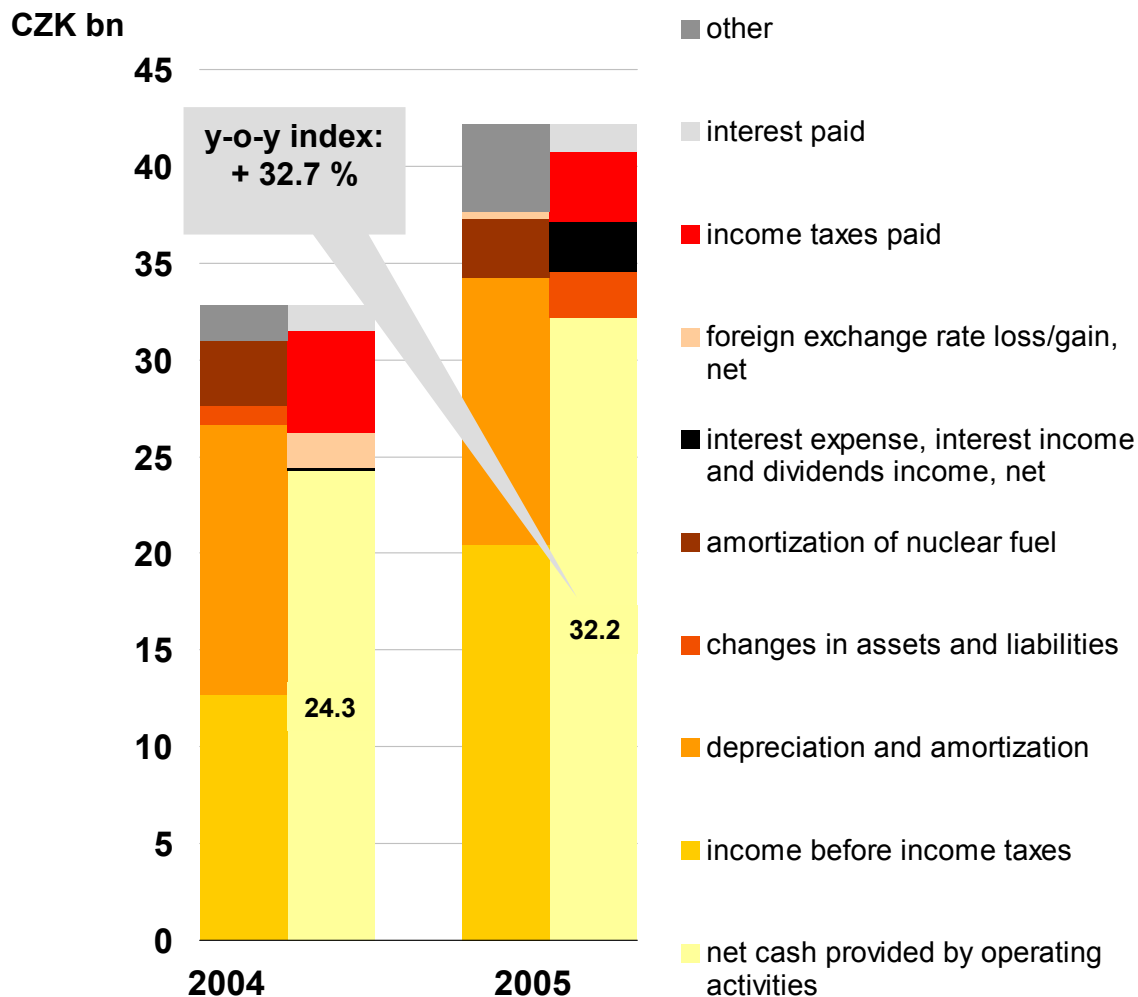


LIABILITIES CZK bn





CASH FLOW FROM OPERATING ACTIVITIES



Main effects on the increase of operating cash flow
In CZK bn

+ 8.8 operating income adjusted for non cash effects

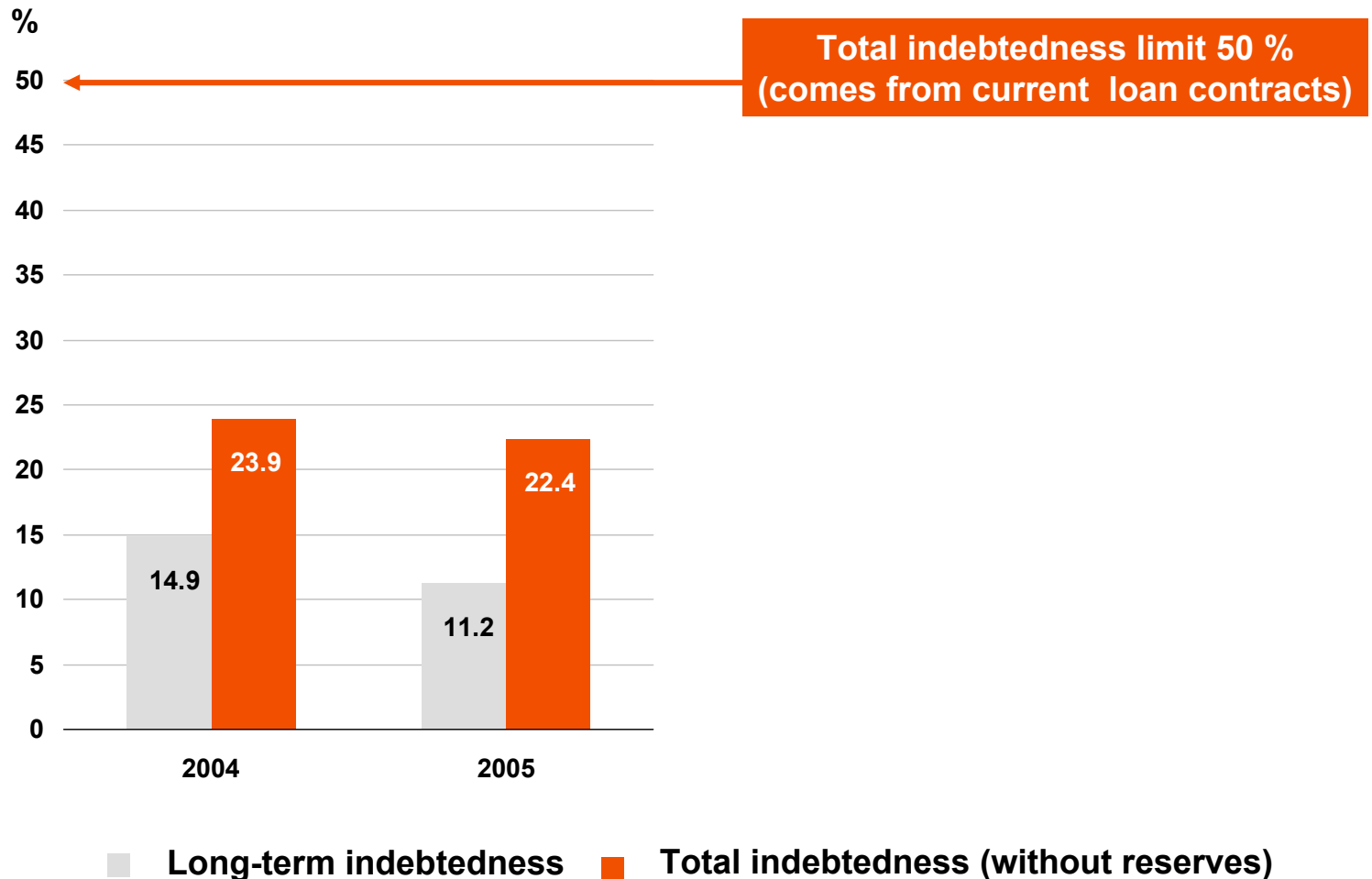
- 4.8 changes in assets and liabilities (mainly receivables and other current assets)

+ 1.6 income taxes paid

+ 2.4 dividends received



INDEBTEDNESS YEAR-ON-YEAR SLIGHTLY DECREASED





PROGRAM

- **Main results of CEZ, a. s. in 2005**

Martin Roman, Chairman of Board of Directors and CEO

- **Financial results**

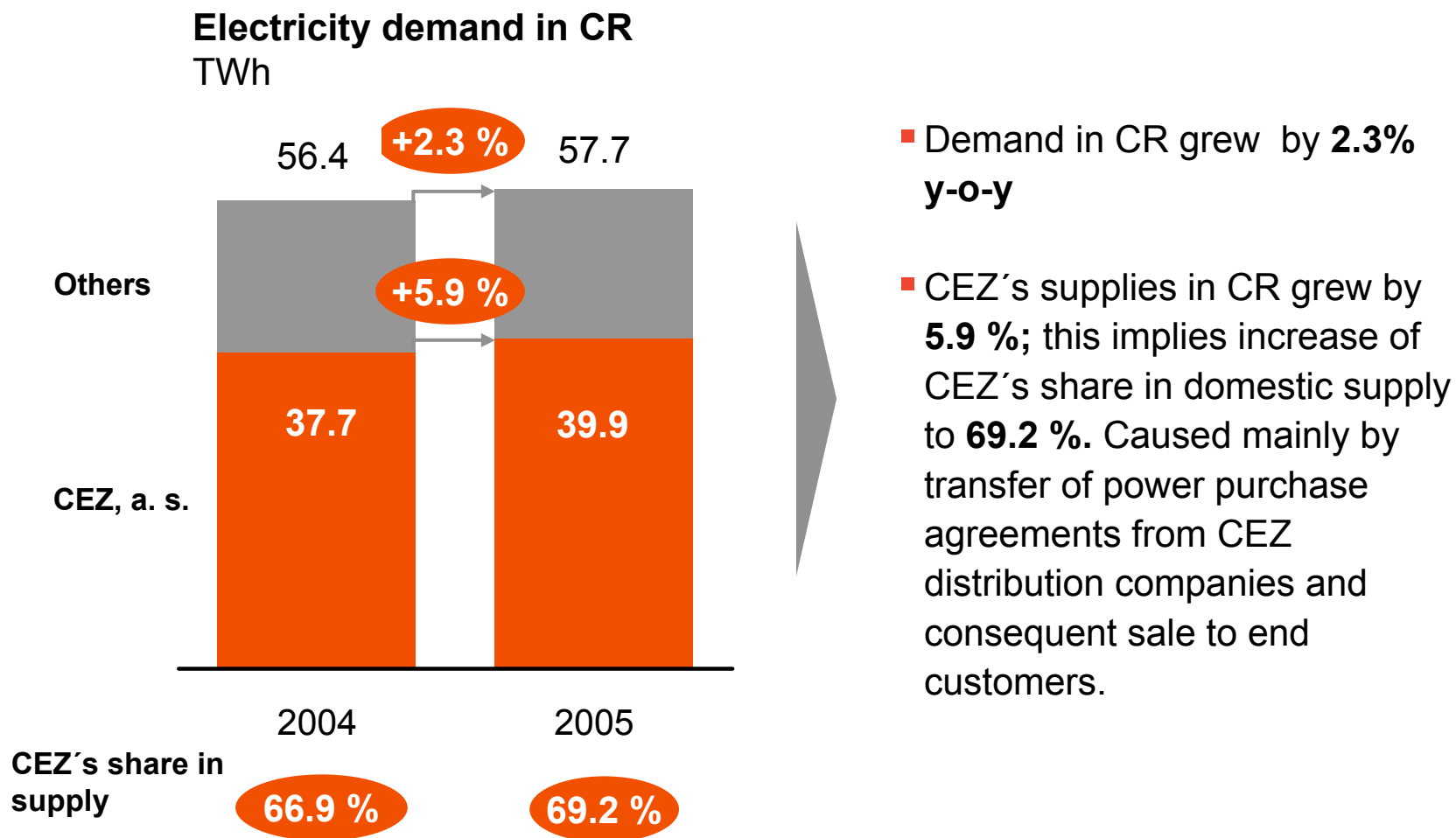
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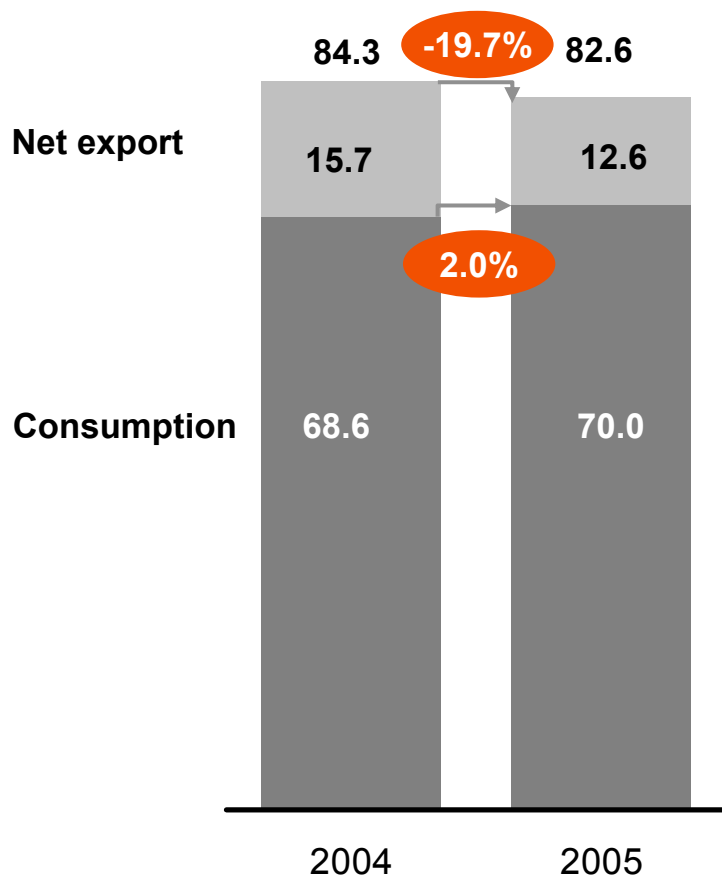
DEMAND FOR ELECTRICITY AS WELL AS CEZ'S SHARE IN SUPPLY INCREASED YEAR-ON-YEAR





WHILE CR CONSUMPTION GREW BY 2%, NET EXPORTS DECLINED BY ALMOST 20%

CR brutto electricity balance TWh

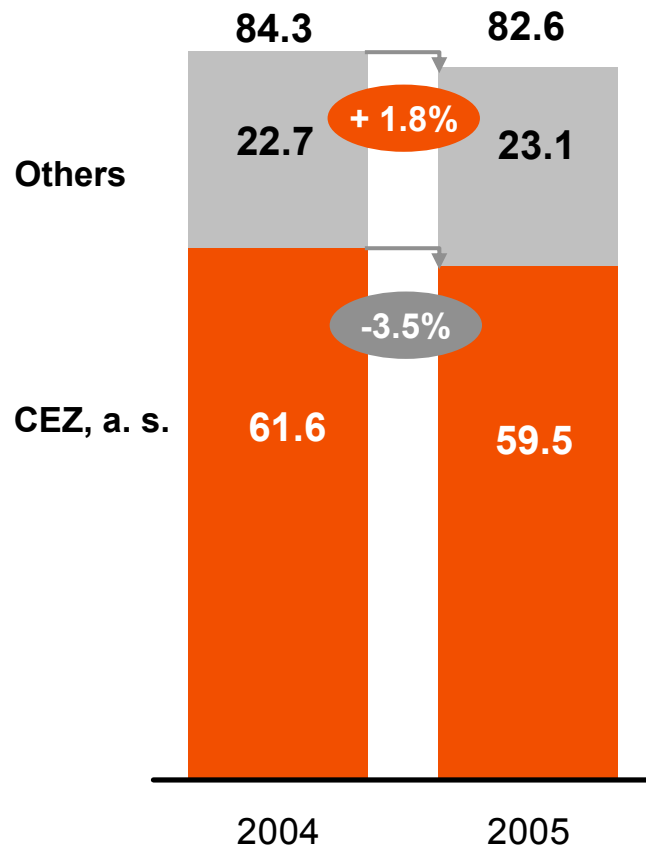


- Net exports declined by **3.1 TWh** (-19.7 %)
- Domestic consumption grew by **1.4 TWh** (2.3 %) driven by GDP growth
- Decline is caused by increased import from Poland and Slovakia



CEZ GENERATION VOLUME DECLINED Y-O-Y WHILE OPERATING PROFIT INCREASED

CR brutto electricity generation TWh

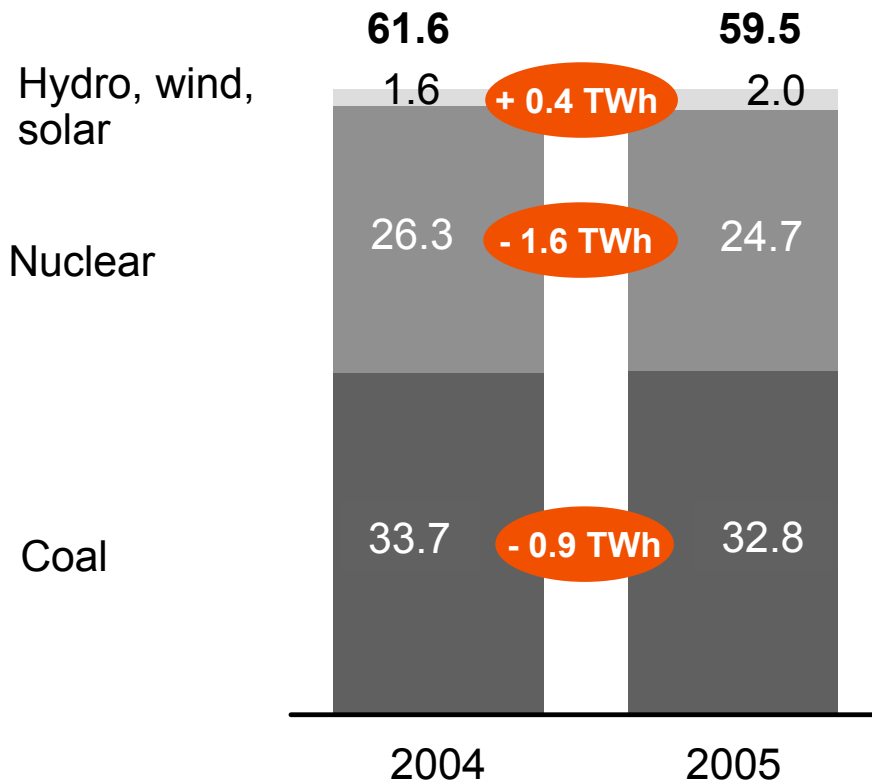


- CEZ generation volume declined by **2.1 TWh** (- 3.5 %). Decline stems from:
 - lower availability of nuclear power plants
 - effective arbitraging of CO₂ price against power prices
- Generation volume decline, however, had a positive impact on operating profit as a result of CO₂ arbitrage utilization
- Market share of other domestic producers increased



SHARE OF RENEWABLES IN CEZ GENERATION VOLUME INCREASED

Total CEZ generation by generation type
TWh

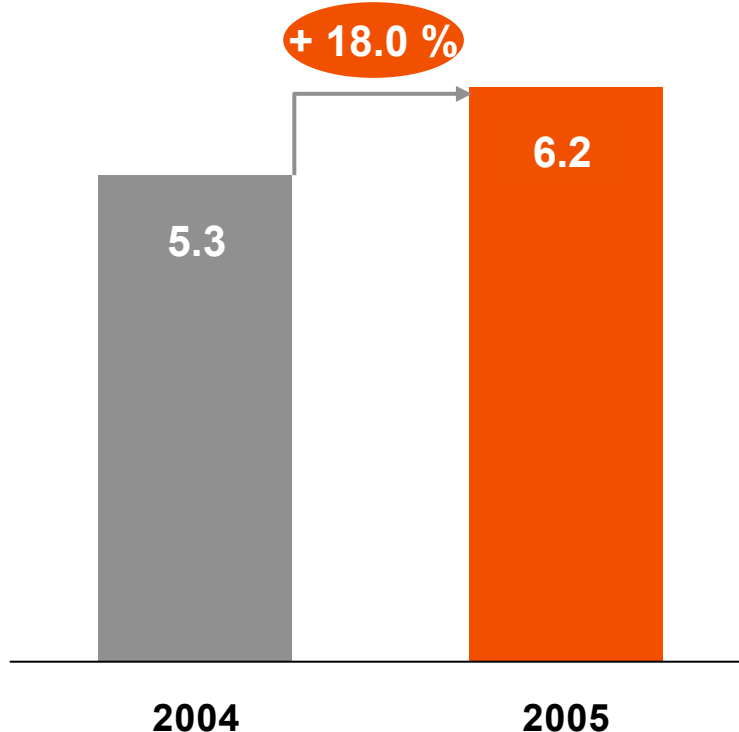


- Decline of nuclear power plants generation was a result of decreased output of Temelin 2nd unit (- 1.6 TWh)
- Modest decline of coal power plants generation compared to 2004 (- 0.9 TWh) was a result of high cross border capacity charge
- Share of renewables increased due to higher output of hydro plants (+ 0.3 TWh)
- Increased utilization of pumping storage power plants (+ 0.1 TWh)



CEZ ANCILLARY SERVICES REVENUES INCREASED BY 18% (CZK 0.9 BN)Y-O-Y

Ancillary services revenues CZK bn



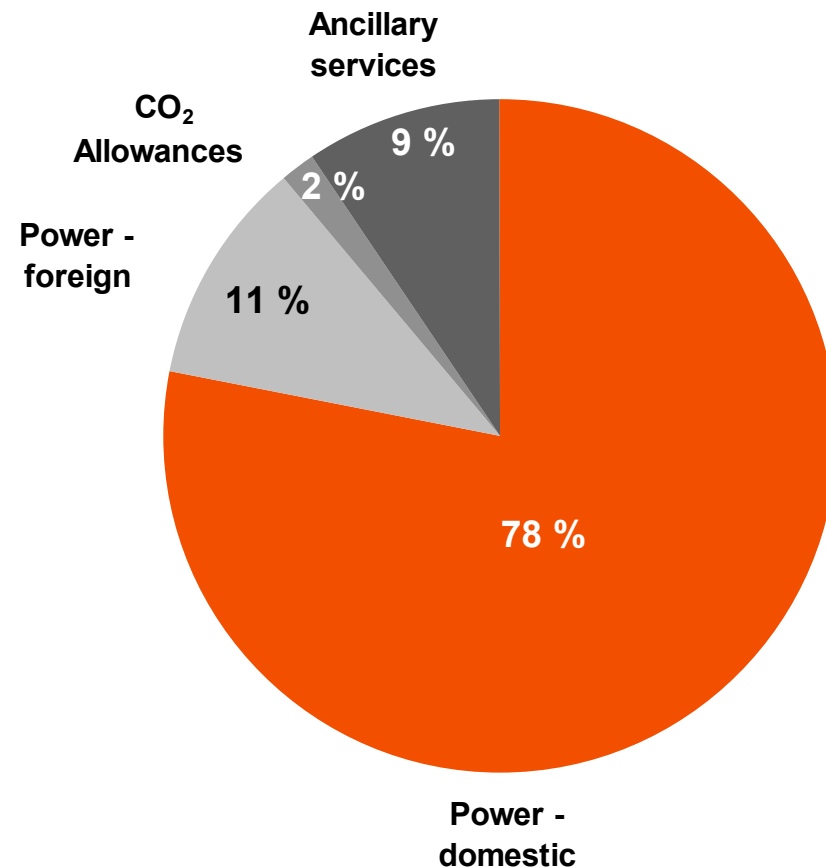
- CEZ's share in CEPS ancillary services maintained
- CEZ, a. s. successfully started to provide ancillary services to Slovak transmission grid operator SEPS
- Services' prices reflect wholesale power price increase



CEZ THOROUGHLY OPTIMIZES ITS GENERATION PORTFOLIO

Breakdown of CEZ's 2005 trading revenues
100 % = CZK 66 bn

- **Optimization parameters:**
 - variable costs
 - CO₂ allowance price
 - power price in foreign markets net of the cross border capacity charges
 - domestic power price
- **The result of the optimization is a mixture of power, CO₂ allowances and ancillary services sales**

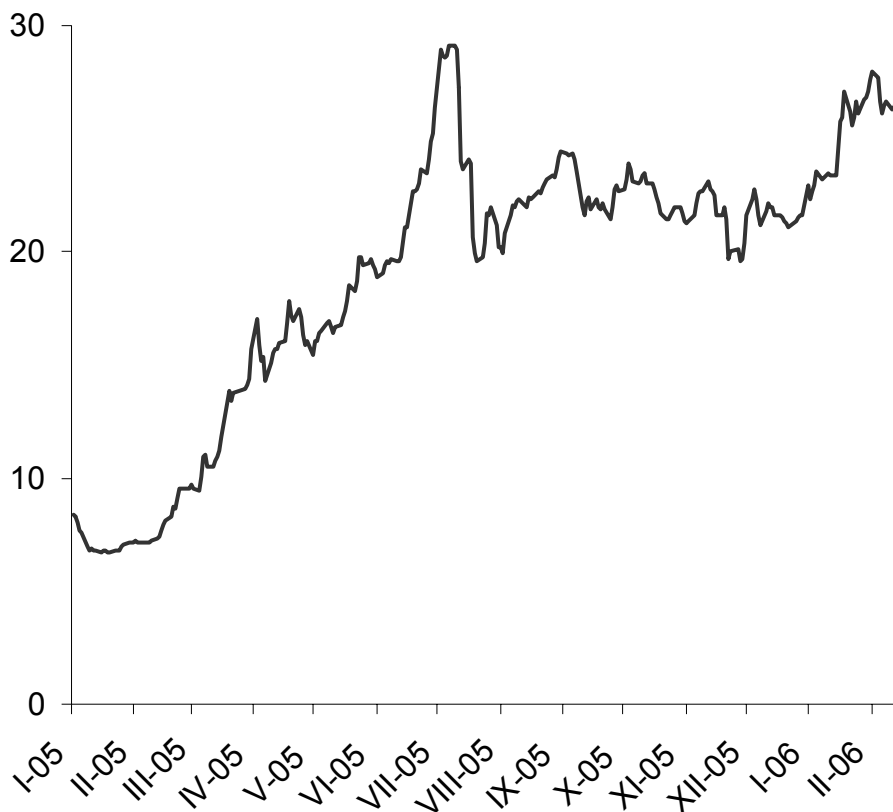




DEVELOPMENT OF CO₂ ALLOWANCES PRICE HAS A SIGNIFICANT IMPACT ON CEZ GENERATION PORTFOLIO OPTIMIZATION

- CEZ optimizes volume of sales and purchases of (1) power, (2) generation capacity and (3) CO₂ allowances with a view to achieve highest profit
- Total turnover from CO₂ trading was CZK 1.9 bn and income from CO₂ allowances sales amounted to CZK 1 bn
- CEZ executed contracts with the biggest European traders; CEZ also trades at ECX exchange in Amsterdam
- For CEZ CO₂ allowances are an effective hedge against speculators in cross border capacities
- CEZ offers execution of trades with CO₂ allowances to its trading partners

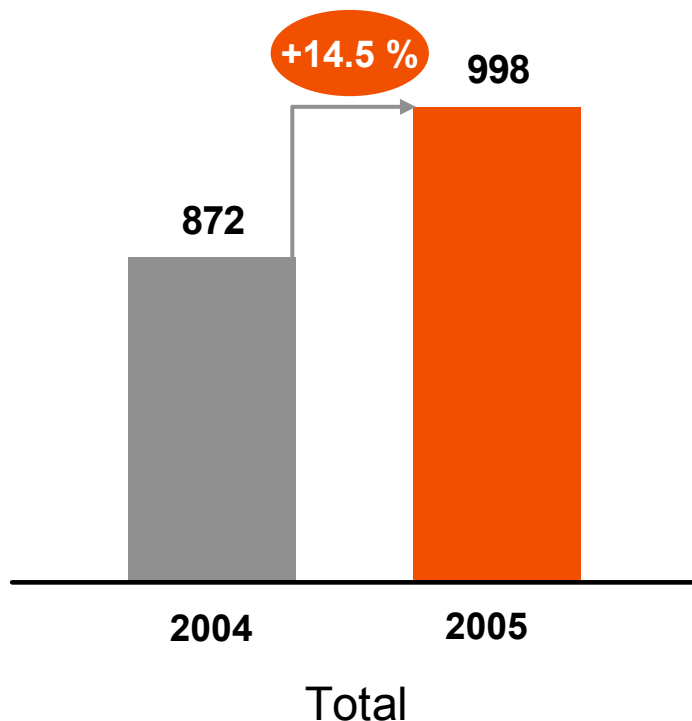
Price of CO₂ allowances in European market
EUR/t





AVERAGE WHOLESALE PRICES IN 2005 GREW BY 14 % IN LINE WITH MARKET PRICES GROWTH

Average prices achieved by CEZ, a. s.*
CZK/MWh



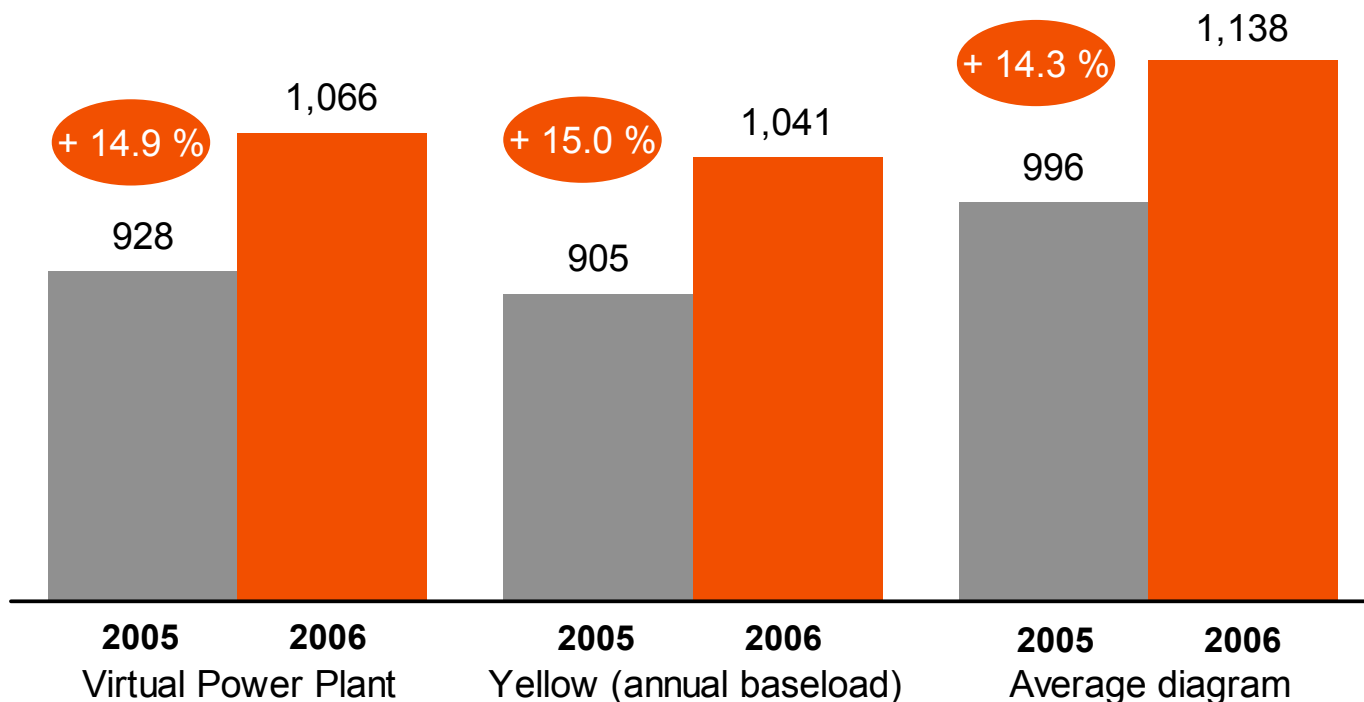
- Prices achieved by CEZ grew in line with the market
- Prices of domestic deliveries increased by 11.8%; export prices increased by 21.6% net of cross border capacity charges
- Price increase significantly contributed to operating profit improvement

* Incl. Cross Border Capacity Charge



AVERAGE WHOLESALE PRICES FOR 2006 INCREASED BY 14% Y-O-Y

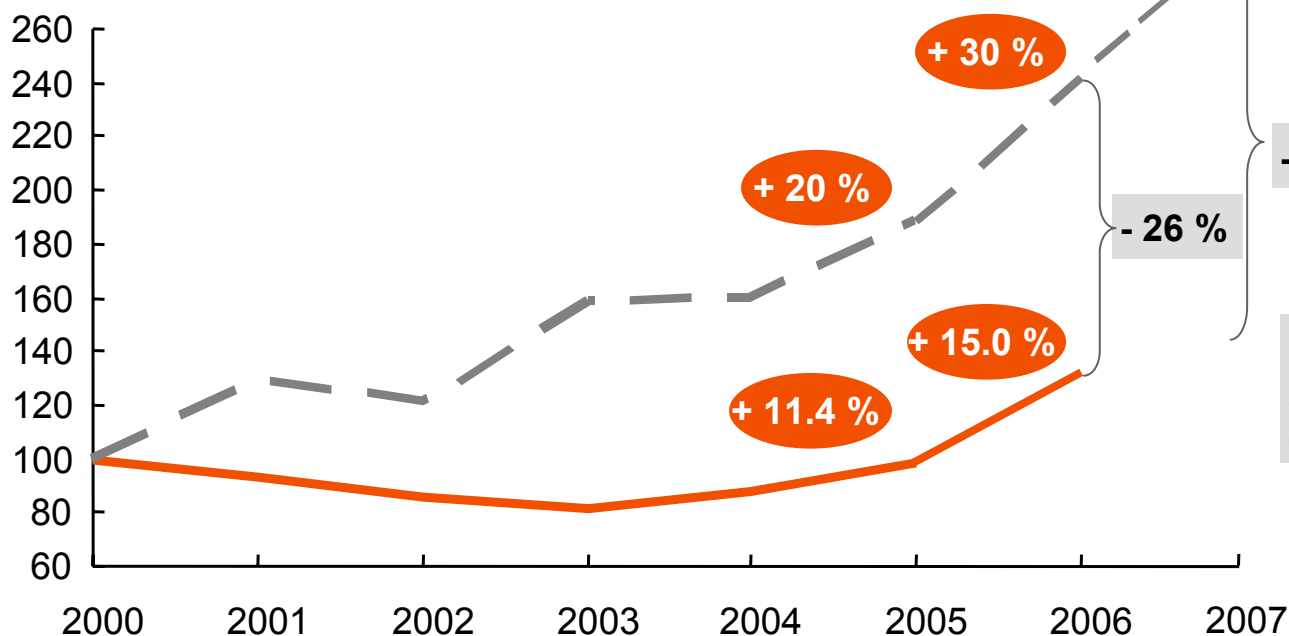
Domestic wholesale electricity price increase, y-o-y change CZK/MWh





CZECH WHOLESALE PRICES FOR 2006 ARE STILL 26% BELOW THOSE ABROAD; FOR 2007 THE DIFFERENCE IS 60% ALREADY

Wholesale electricity price (baseload)
2000 index



EEX Forward 2006
45.3 EUR/MWh

EEX Forward 2007
57.0 EUR/MWh

- 60 %

- 26 %

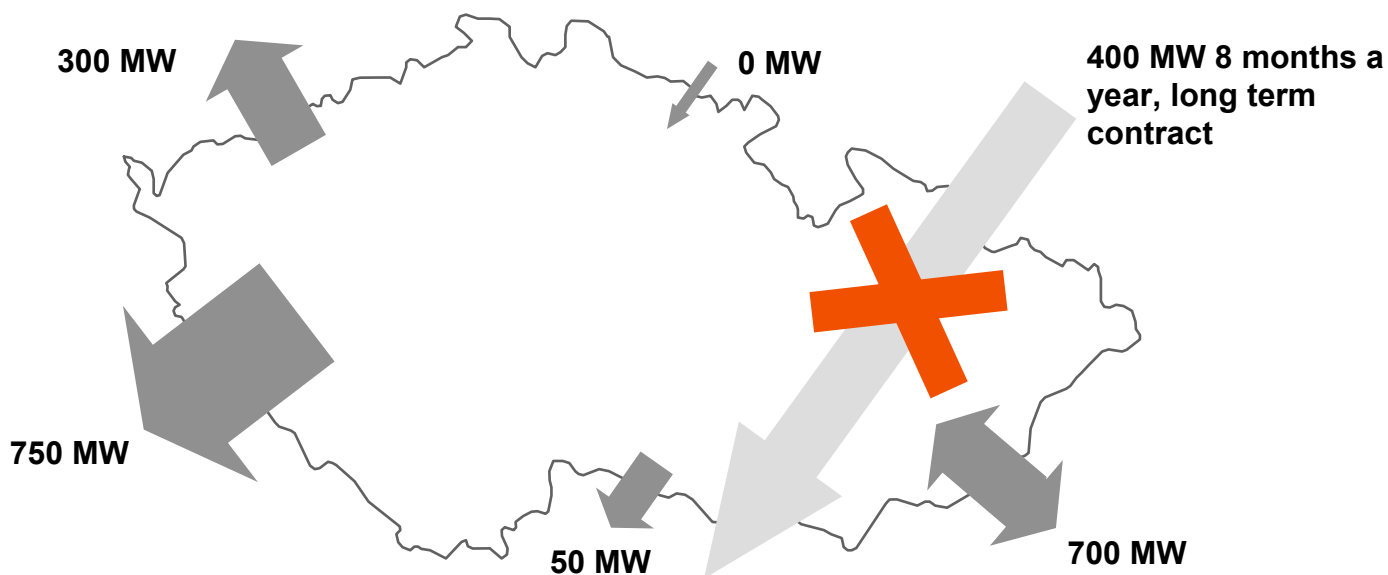
Czech Republic 2006
35,9 EUR/MWh
(using 29 CZK/EUR)



CZECH CROSS BORDER CAPACITIES REMAIN AT SIMILAR LEVELS

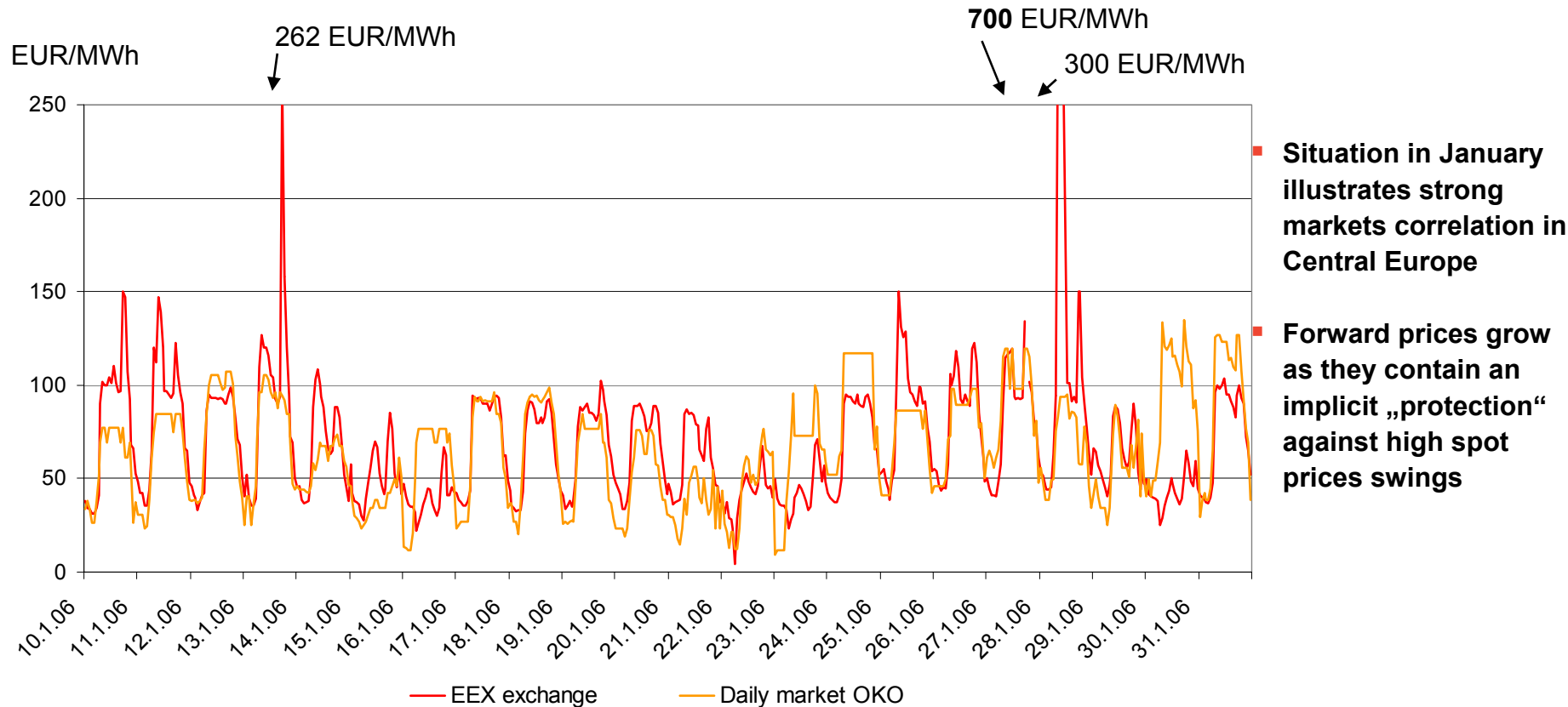
Cross border capacities development in 2006

- Annual export capacity to Germany and Austria remains at 2005 level, however the cross border capacity fee increased from approx. **6.5 €/MWh to 12.5 €/MWh**
- Annual import and export capacity to/from Slovakia was lowered by 100 MW
- No annual import capacity from Poland to Czech or Slovak republic was auctioned
- In relation to European court ruling no. C 17 03 the cancellation of long term transit contract from Poland to Austria is anticipated; the contract blocks 400 MW capacity





CZECH PRICES IN JANUARY REACHED SIMILAR HIGH LEVELS AS IN GERMANY AS CAPACITY WAS LACKING ACROSS THE REGION





CEZ GROUP EXPANDED ITS SALES AND TRADING ACTIVITIES IN THE REGION OF CENTRAL AND SOUTHEASTERN EUROPE

Number of CEZ Group end customers

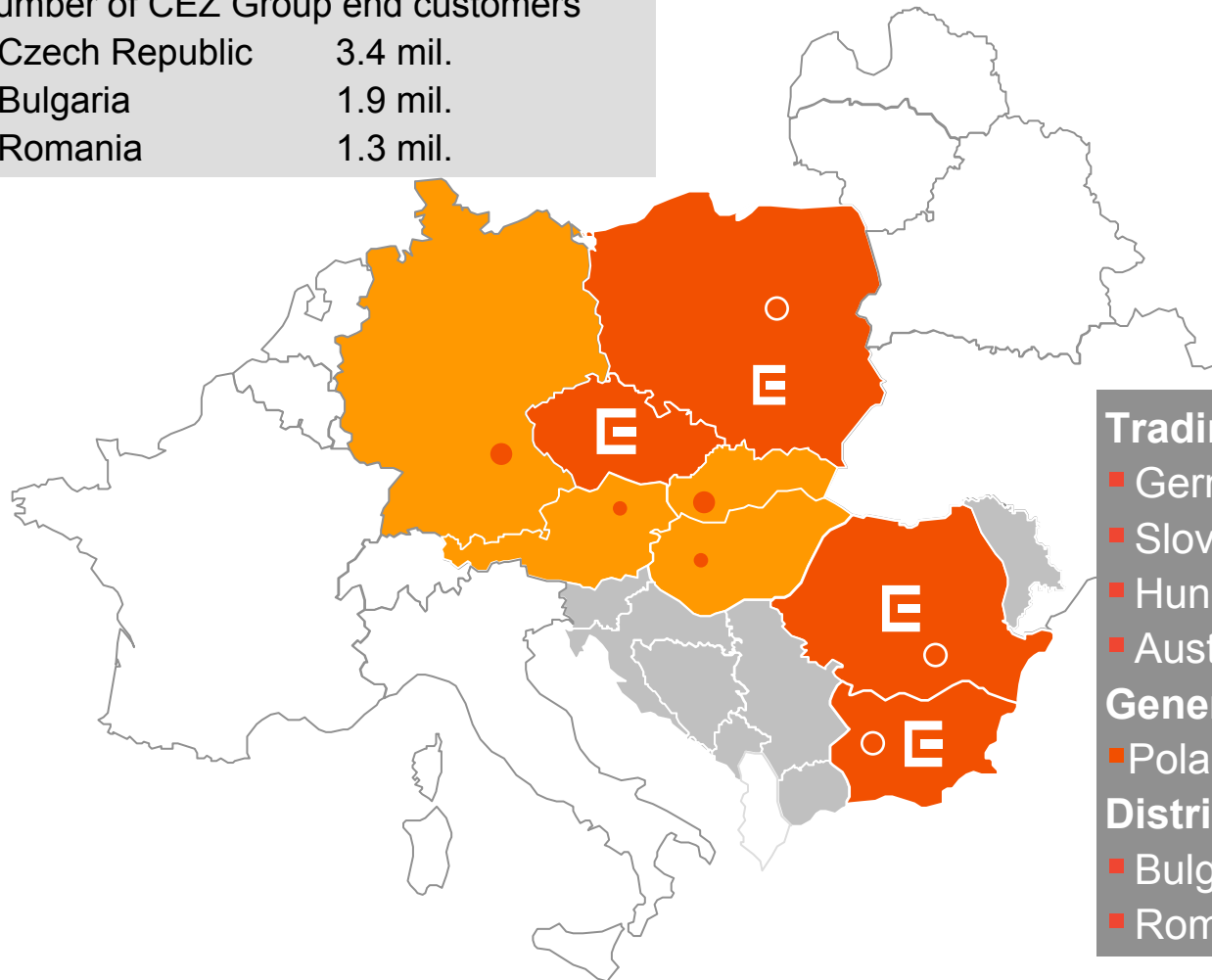
■ Czech Republic	3.4 mil.
■ Bulgaria	1.9 mil.
■ Romania	1.3 mil.

Trading office

- Open
- In preparation

■ Target markets

■ Markets with CEZ assets



Trading office

- Germany
 - Slovakia
 - Hungary
 - Austria
- } In preparation

Generation and Trading

- Poland

Distribution and Trading

- Bulgaria
- Romania



CEZ GROUP COMPLETELY UNBUNDLED WHOLESALE, SUPPLY TO END CUSTOMERS AND DISTRIBUTION

