



# CEZ GROUP 3rd QUARTER 2005 RESULTS

Unaudited consolidated  
according to IFRS

**Prague, November 30, 2005**



## GROUP'S ECONOMIC PERFORMANCE IN 3rd QUARTER 2005

- CEZ Group **EBIT** grew by 42% to CZK 20.9 bn.
- **EBIT margin** increased by 18% to 23.8%; EBITDA margin increased to 40.1%.
- **Net income** increased by CZK 3.0 bn to CZK 14.1 bn.
- We increase our full 2005 **net income forecast** to CZK 17.2 bn.
- **ROE** increased by 24 % y-o-y.
- On October 20 the Czech Government and CEZ signed agreement on sale of 56% stake in **Severoceske doly**, on November 25 the transaction was approved by the Antitrust Office.
- The acquisition of EDC **Oltenia** (RO) was settled on October 4.
- **VISION 2008** on track.
- **Price of CEZ's share on the Prague Stock Exchange** rose during I. – III. Q from CZK 341 to CZK 739 (by 117%) and reached CZK 682 on November 28, 2005. Market capitalization stands at EUR 13.9 bn.



# EBIT INCREASED Y-O-Y BY 42 % TO CZK 20.9 BN, INCREASE OF CZK 6.2 BN

(in CZK millions)	I. – III. Q 2004	I. – III. Q 2005	Diff. 05-04	Index 05/04 (%)	Main impacts
Revenues	73,061	87,843	14,782	120.2	<ul style="list-style-type: none"> <li>Higher margins</li> <li>Repairs and maintenance costs decrease</li> <li>Different consolidation unit (Bulgaria – electricity purchase and sale)</li> </ul>
Sales of electricity	67,763	83,323	15,560	123.0	
Heat sales and other revenues	5,298	4,519	-779	85.3	
Operating expenses	58,352	66,977	8,625	114.8	
Fuel	10,688	10,538	-150	98.6	
Purchased power and related services	19,356	26,171	6,815	135.2	
Repairs and maintenance	2,766	2,226	-540	80.5	
Salaries and wages	6,534	7,691	1,157	117.7	
Materials and supplies	2,610	2,305	-305	88.3	
Other operating expenses	2,864	3,650	787	127.5	
<b>EBITDA</b>	<b>28,243</b>	<b>35,261</b>	<b>7,018</b>	<b>124.8</b>	
Depreciation and amortization	13,534	14,396	862	106.4	
<b>Income before other expenses/income and income taxes (EBIT)</b>	<b>14,709</b>	<b>20,865</b>	<b>6,156</b>	<b>141.9</b>	



# NET INCOME GREW YEAR-ON-YEAR BY 27% TO CZK 14.1 BN (INCREASE OF CZK 3.0 BN)

(in CZK millions)	I. – III. Q 2004	I. – III. Q 2005	Diff. 05-04	
<b>Income before other expenses/income and income taxes (EBIT)</b>	<b>14,709</b>	<b>20,865</b>	<b>6,156</b>	
<b>Other expenses/income</b>	<b>468</b>	<b>2,845</b>	<b>2,377</b>	<b>&gt;</b>
Interest on debt	1,282	1,277	-6	99.5
Interest on nuclear provisions	1,478	1,541	63	104.2
Interest income	-220	-266	-46	120.8
Foreign exchange rate losses/gains, net	-111	351	462	x
Gain/loss on sale of subsidiary/associate		193	193	x
Other expenses/income, net	-1,028	263	1,291	x
from which:				
gains/losses from sales of securities and shares	-563	5	568	x
creation and settlement of allow.	-421	-3	417	0.8
Income from associates	-932	-513	419	55.0
<b>Income before income taxes</b>	<b>14,241</b>	<b>18,020</b>	<b>3,779</b>	
Income taxes	3,136	3,934	798	125.5
<b>Net income</b>	<b>11,106</b>	<b>14,086</b>	<b>2,981</b>	

## Main non-operating drivers

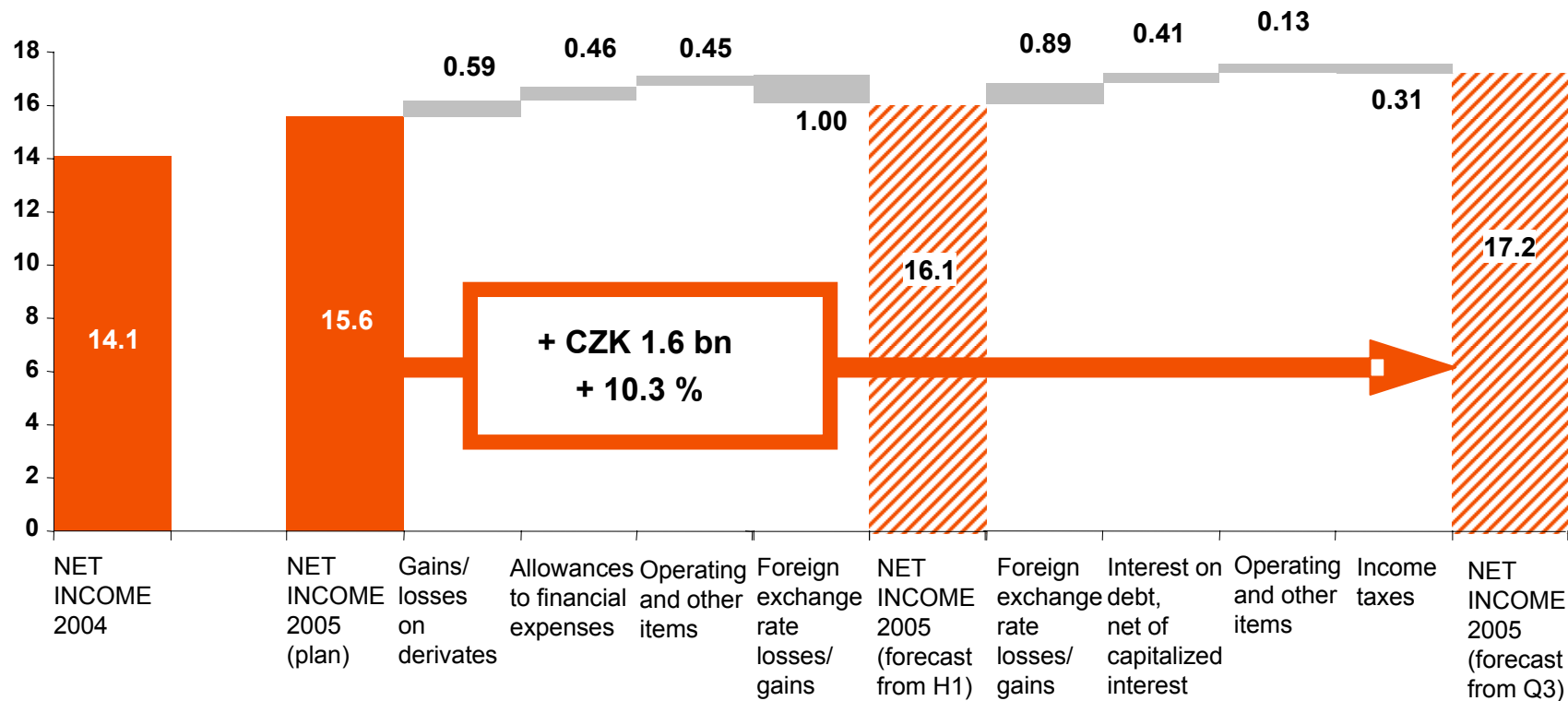
CZK bn

- -0.8 income taxes
- -0.6 gains/losses from sales of securities and shares
- -0.5 foreign exchange rate losses
- -0.4 creation and settlement of allowances



# WE INCREASE OUR FULL 2005 NET INCOME FORECAST FROM CZK 16.1 bn TO CZK 17.2 bn

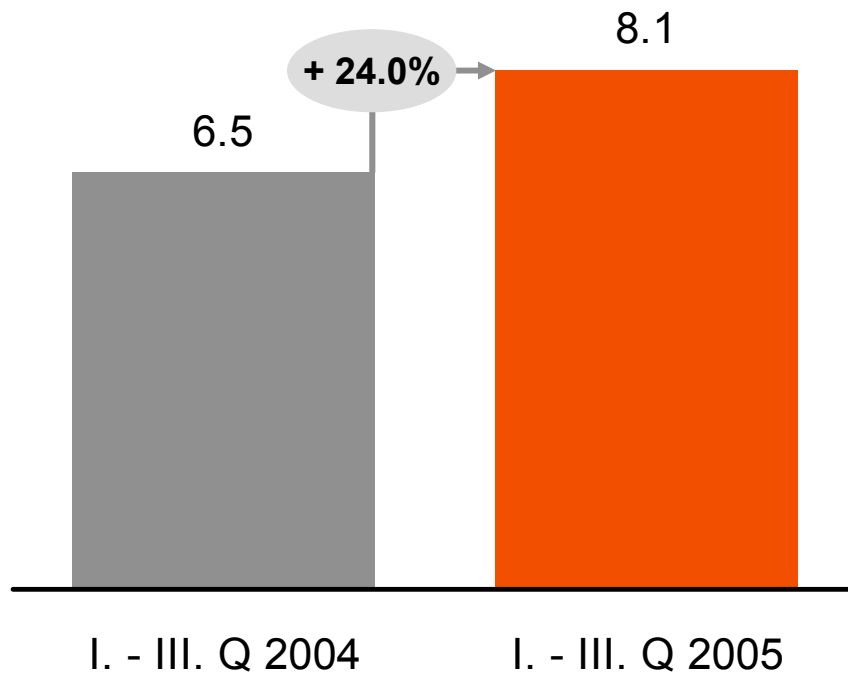
CZK bn





## ROE INCREASED BY 24% YEAR-ON-YEAR

### Return on Equity (net) Percent

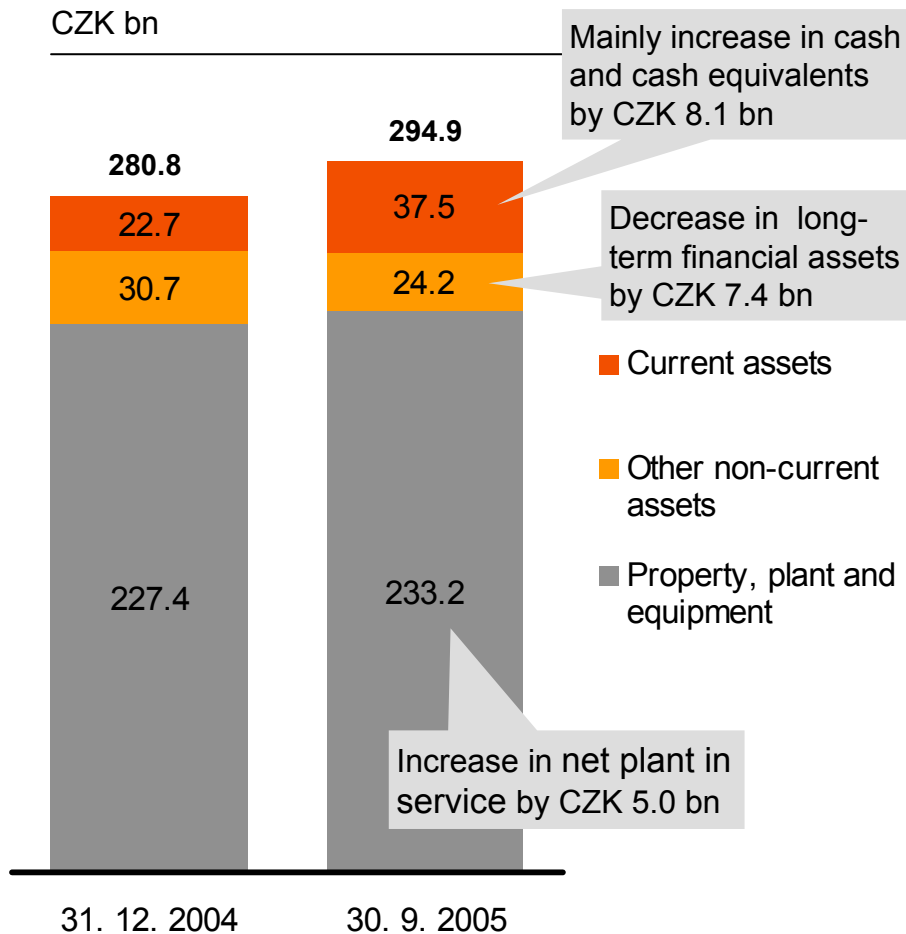




# BALANCE SHEET REMAINS ROBUST

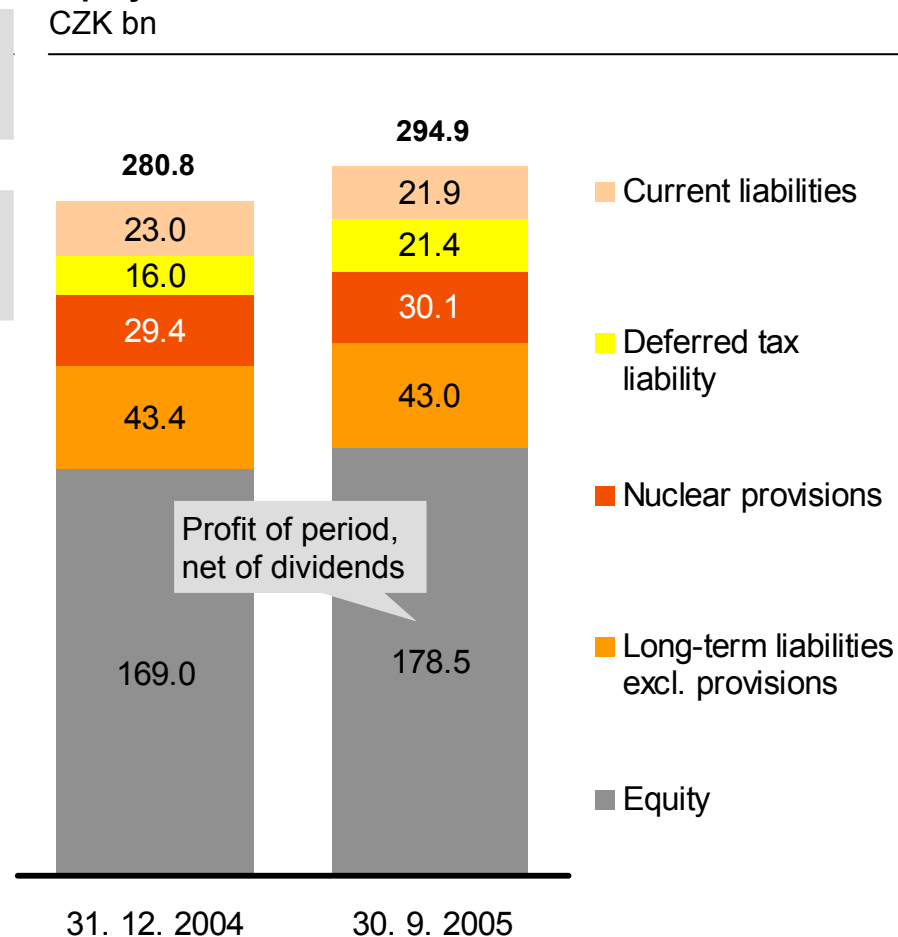
## Assets

CZK bn



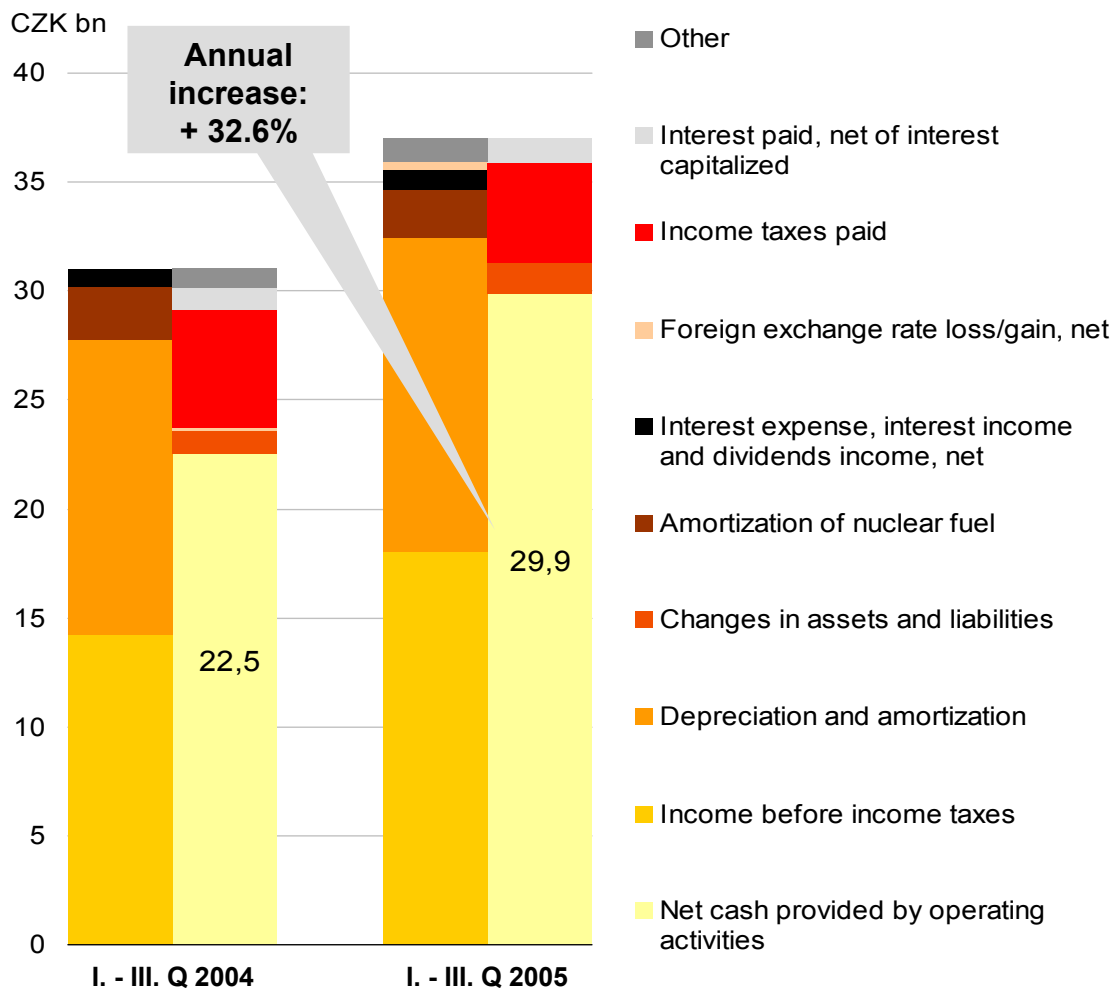
## Equity & liabilities

CZK bn





# CASH FLOW FROM OPERATING ACTIVITIES INCREASED

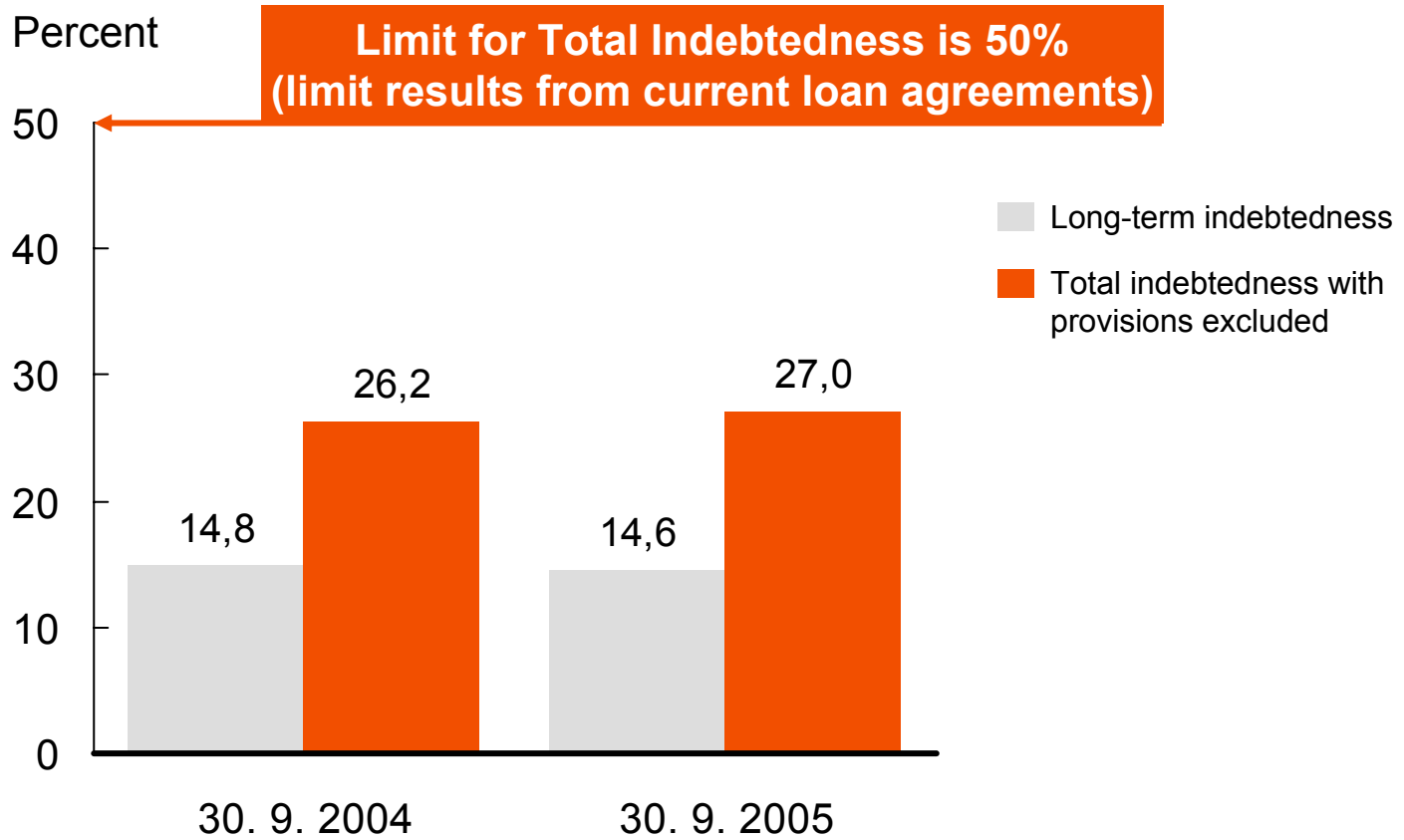


Increase in cash flow from operating activities in the I.-III. Q 2005 is mainly due to favorable development of the electricity sales.





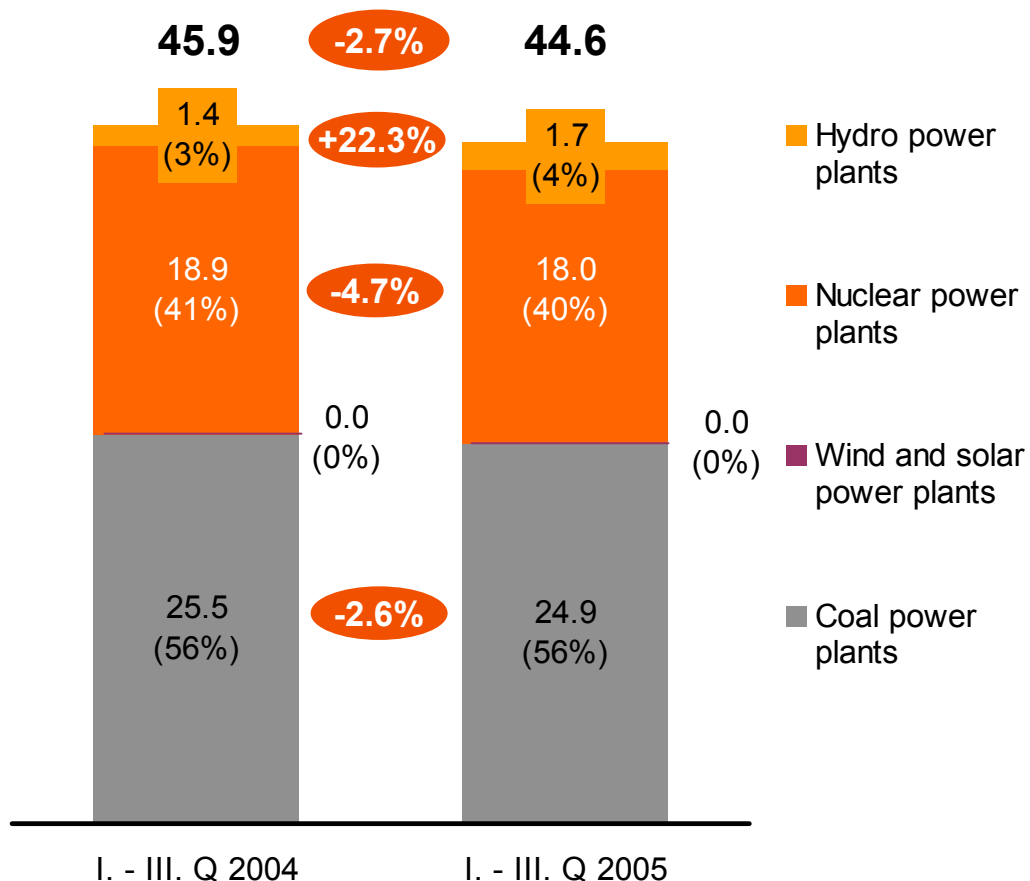
## DEBT RATIOS REMAIN LOWEST IN THE BRANCH





# CEZ GROUP GENERATION SLIGHTLY DECREASED COMPARED TO RECORD YEAR 2004

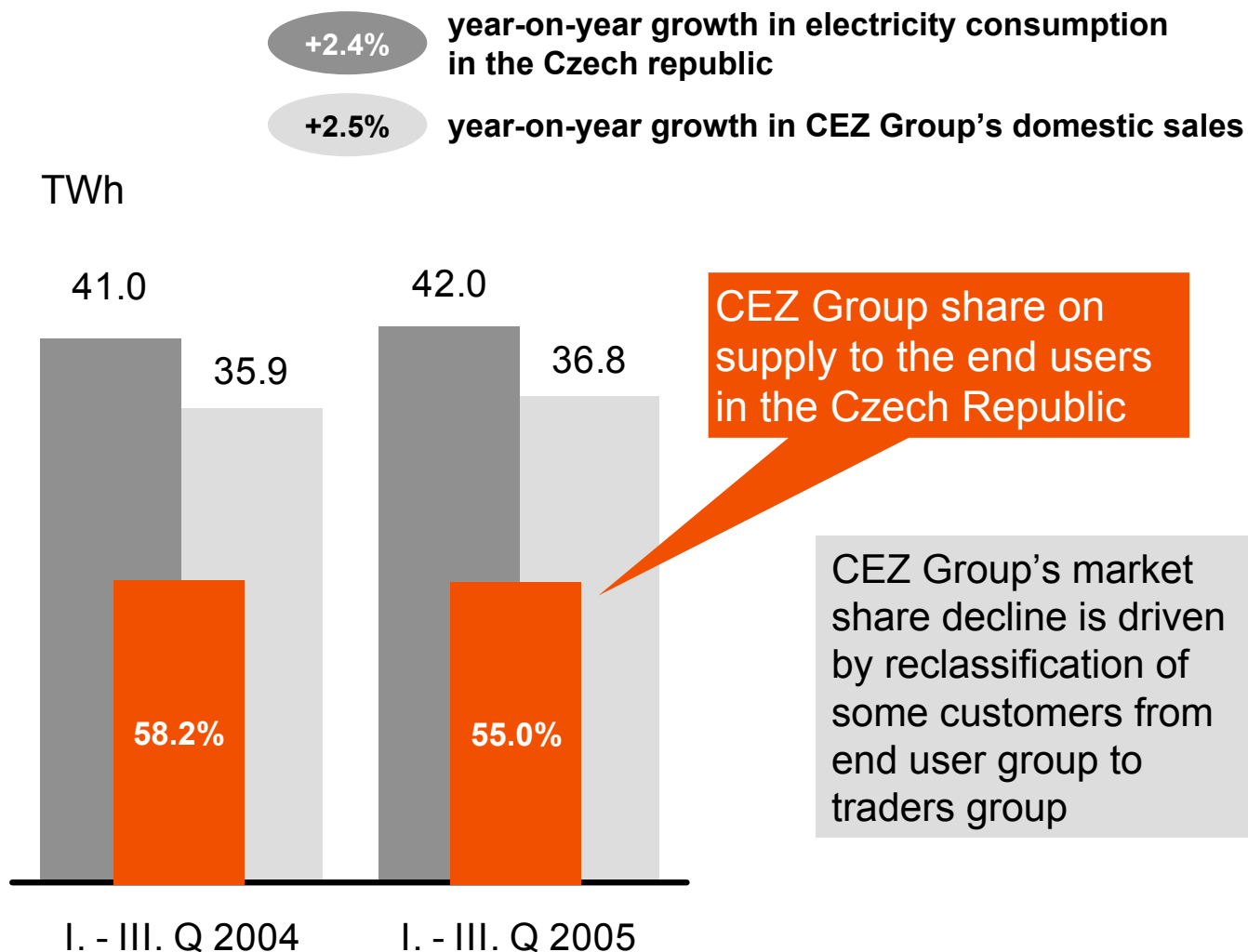
## CEZ Group production split by fuel type TWh



- Lower contribution of nuclear power plants as a result of lower Temelin output
- Slight decrease compared to record volumes of 2004 (-2.7%) due to CO<sub>2</sub> allowances arbitrage which is influenced by high cross-border transmission charges, and competition of Polish exporters too



# ELECTRICITY CONSUMPTION IN THE CZECH REPUBLIC IS GROWING

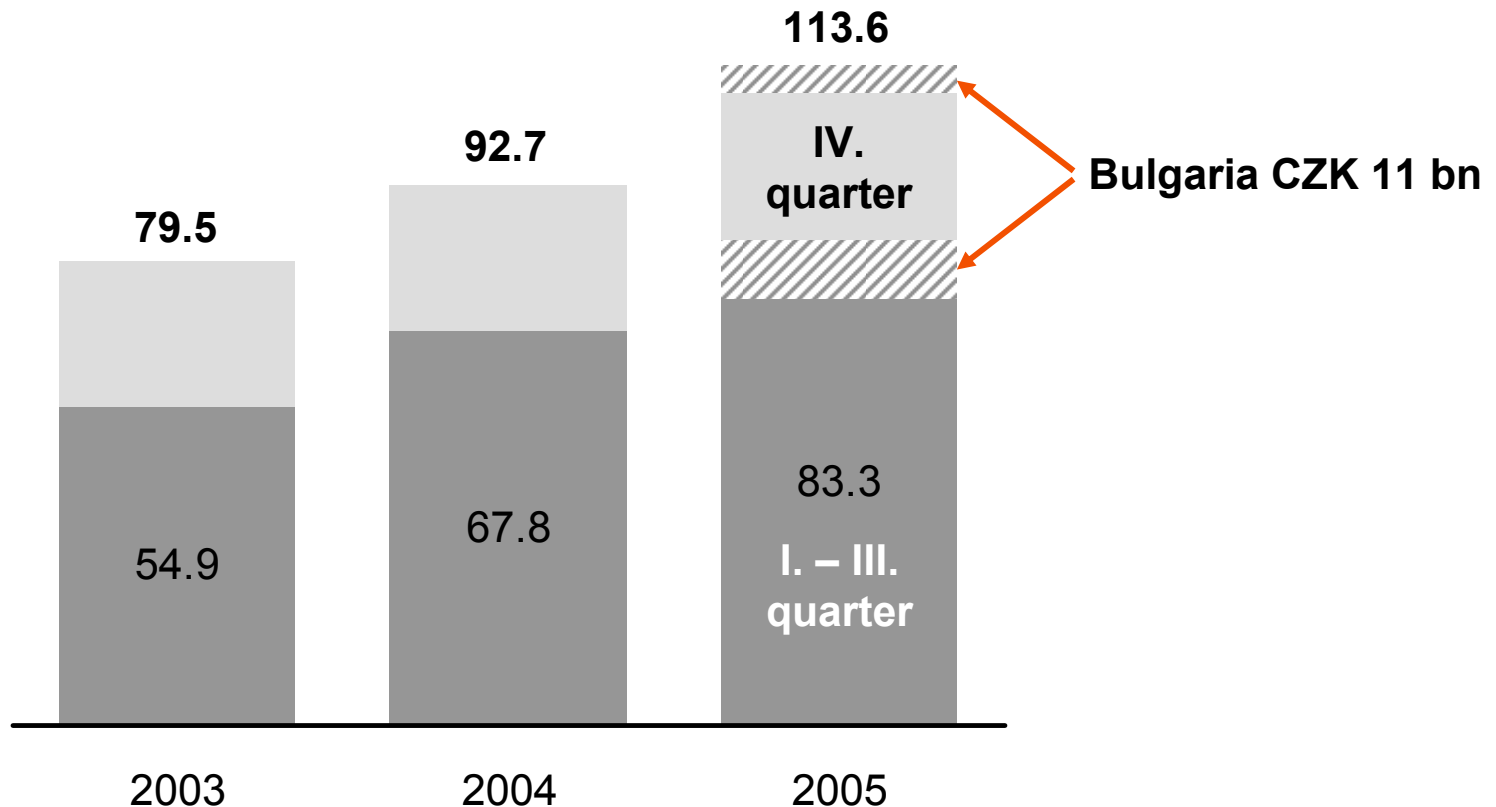




# REVENUES FROM ELECTRICITY SALES INCREASE MAINLY DUE TO HIGHER PRICE

## Electricity sales including auxiliary services

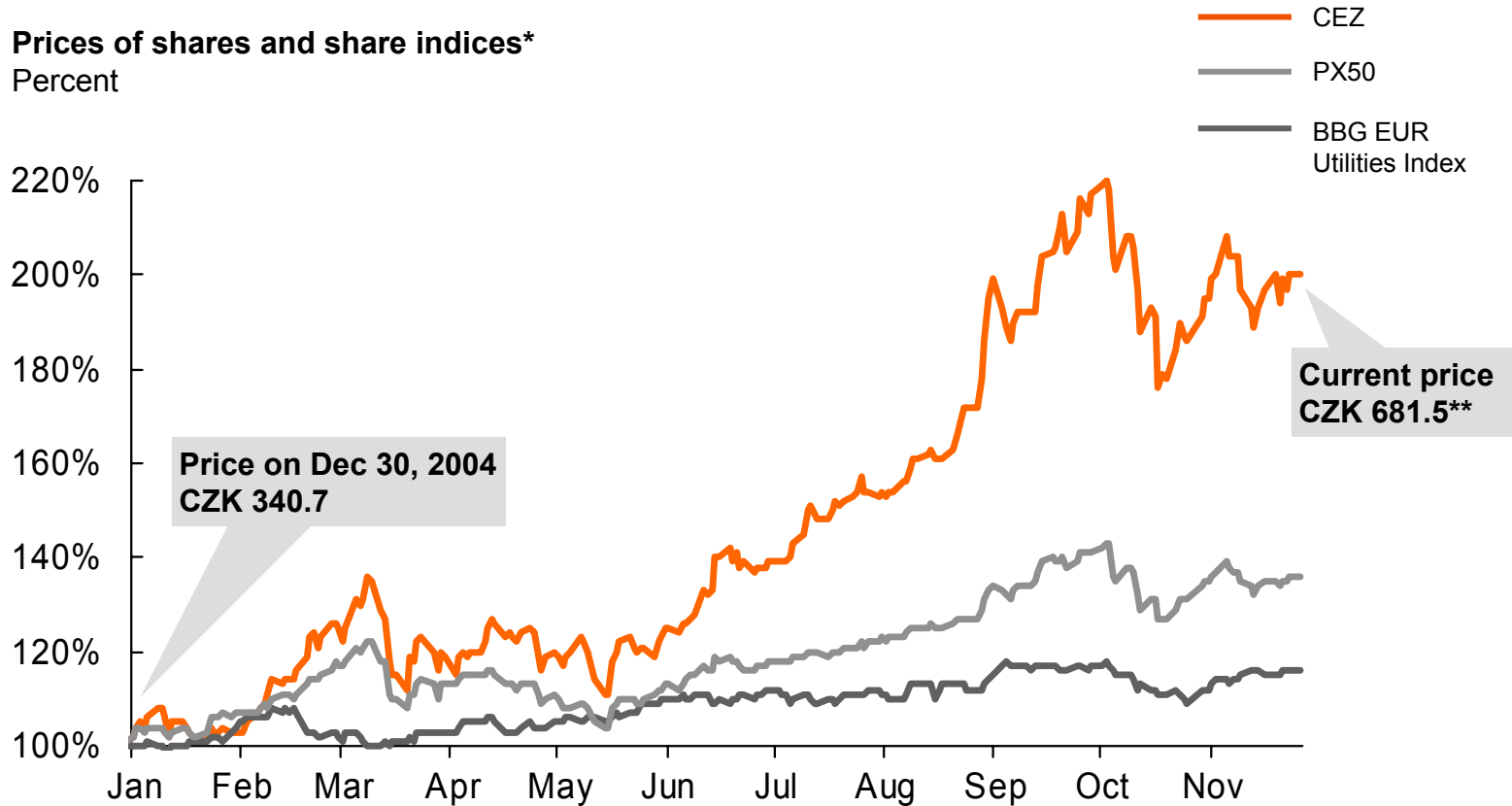
CZK bn





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

**Prices of shares and share indices\***  
Percent



\* Indexed to December 30, 2004

\*\* As of November 28, 2005



# OVERVIEW OF KEY SUBSIDIARIES UNCONSOLIDATED

## I. – III. Q 2005 RESULTS

### Companies in the Czech Republic

Company Name	SCE	SME	STE	VCE	ZCE	CEZ Zakaz. sluzby	CEZData	CEZnet	CEZ Mereni
Sales	8,783	10,857	9,278	9,108	5,690	394	1,139	851	317
EBITDA	1,515	1,835	1,475	1,458	1,052	110	420	435	89
EBIT	1,020	1,244	952	975	708	109	31	245	82
Net Profit	798	1,020	700	828	559	110	32	224	61

### Foreign companies

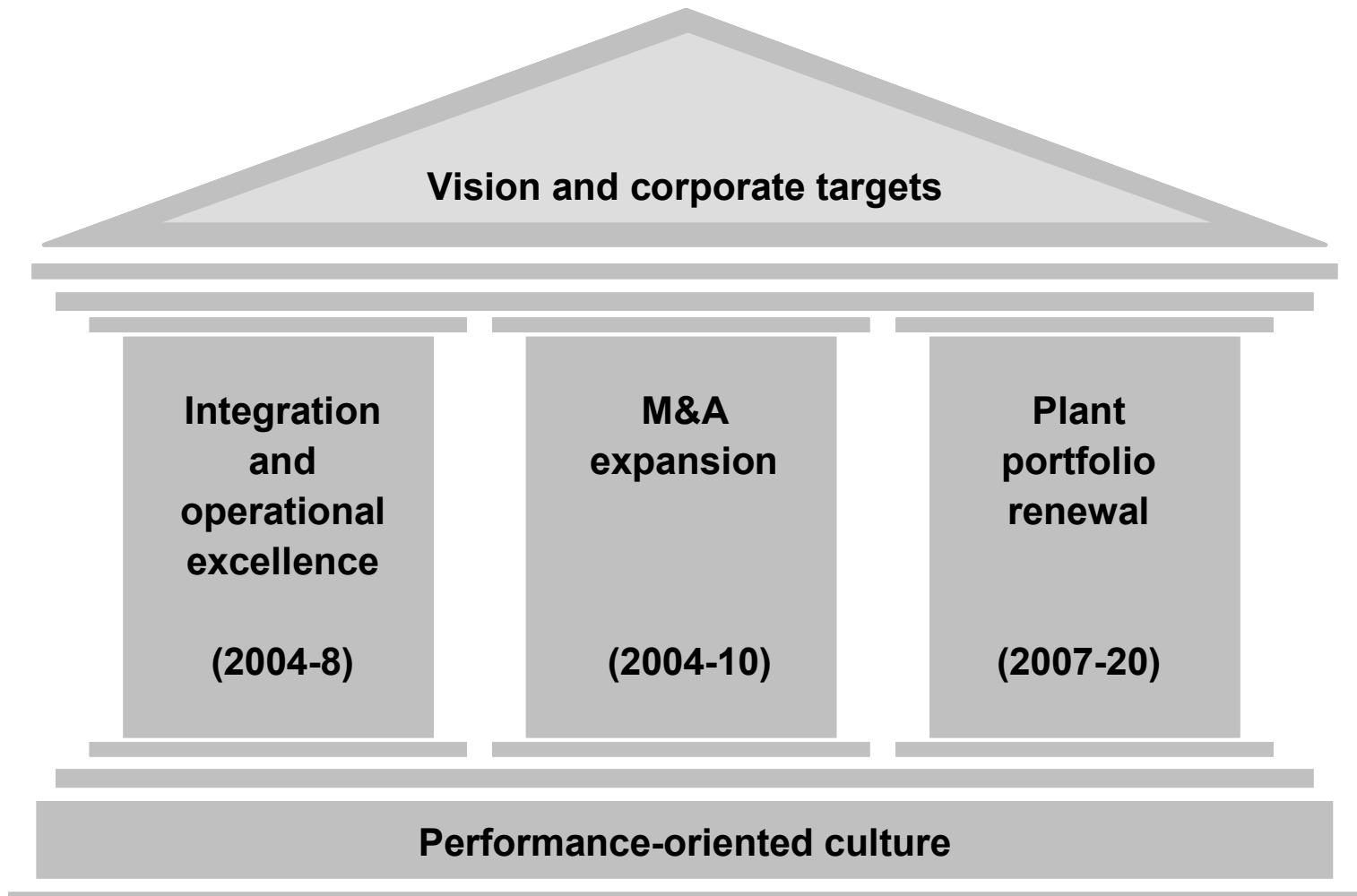
Company Name	ER Pleven	ER Sofia Oblast	ER Stolichno
Sales	2,260	2,220	3,936
EBIT	88	216	340
EBITDA	264	354	595
Net Profit	59	146	277

**I. – III. Q 2005  
CZK million**

As of September 30, 2005 consolidated CEZ Group consisted of 31 companies fully consolidated and 6 companies consolidated by equity method.



# STRATEGIC INITIATIVES





## STRATEGIC INITIATIVES – SUMMARY



- **Integration and operational excellence**
  - **Vision 2008 on track**; unbundling to be implemented by the of 2005, as planned.
  - The **squeeze out at three distribution companies** (out of four where CEZ has above 90% stake) has been **registered** already; squeeze out at STE distribution company (CEZ has 97.7% stake) challenged by minority shareholder; this, however, does not influence Vision 2008 nor unbundling projects.
  - On September 23 CEZ acquired **call option on 36.3% stake in SCE** (currently CEZ has 56.9% stake) – the last of five distribution companies where CEZ's stake is below 90%; we expect to exercise the call option by Q1 2006.
- **M&A expansion**
  - **CEZ** is currently **participating in** privatization tenders for **Kozienice** Power Plant (PL), **Katowicki Holding Węglowy** (PL) and **Muntenia Sud** (RO); also in potential **PAK** (PL) transaction CEZ obtained permission from Polish government (50% shareholder) to carry out Due Diligence.
  - **Bulgarian regulatory office** presented regulatory conditions for the next regulatory period.
  - The acquisition of **EDC Oltenia was settled** on October 4; CEZ is a 51% shareholder.
- **Plant portfolio renewal**
  - The Czech Government and CEZ signed agreement on sale of 56% stake in **Severoceske doly**, which was approved by the Antitrust Office on November 25.
  - Following review of lignite fleet **renewal** we are investigating **possibilities of other fuels**; the project team is to report its findings **in December**.



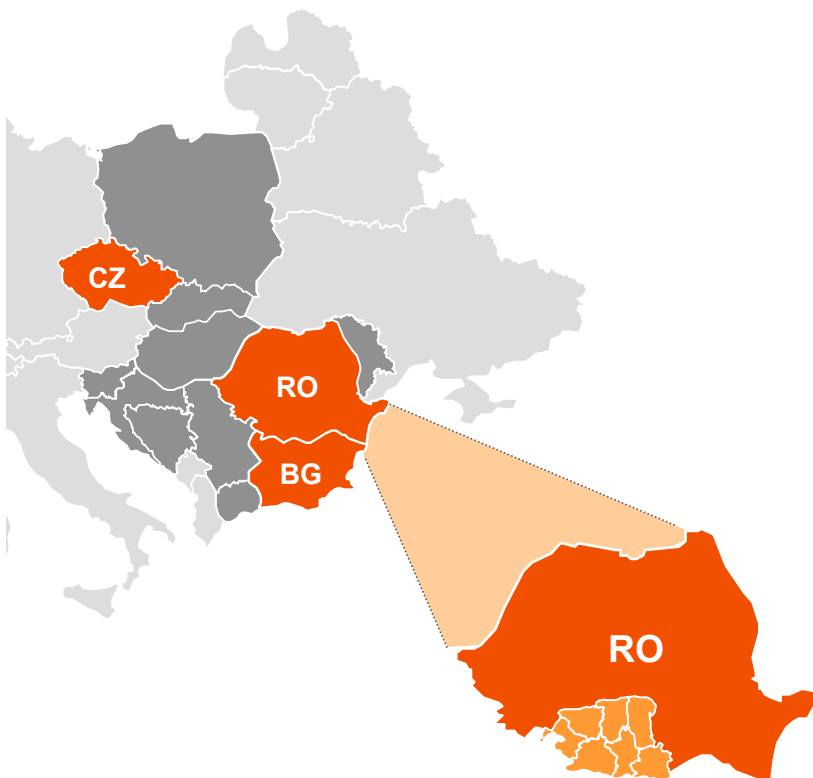


# THE ACQUISITION OF EDC OLTENIA IS COMPLETE AND INTEGRATION HAS STARTED



## Acquisition of distribution in Romania

51% share in EDC Oltenia\*, adjacent to the Bulgarian EDCs  
(Number 2, 17% market share)



## Status

- CEZ Group selected as a tender winner.
- Settlement carried out on October 4 2005.
- Strong CEZ management team on the ground combining internal professionals with managers from outside the Group and Romanian experts.
- Already before the settlement the team had role of observer, consulted on key issues by local management.
- Main processes in progress
  - post-completion audit
  - post-merger audit
  - people assessment

## Consolidated financial statements according to IFRS

EUR million

	2003	2004
Sales	362.2	399.8
EBITDA	-16.7	70.2
EBIT	-118.9	49.0
Net income	-58.6	46.6
Net debt	1.0	1.0

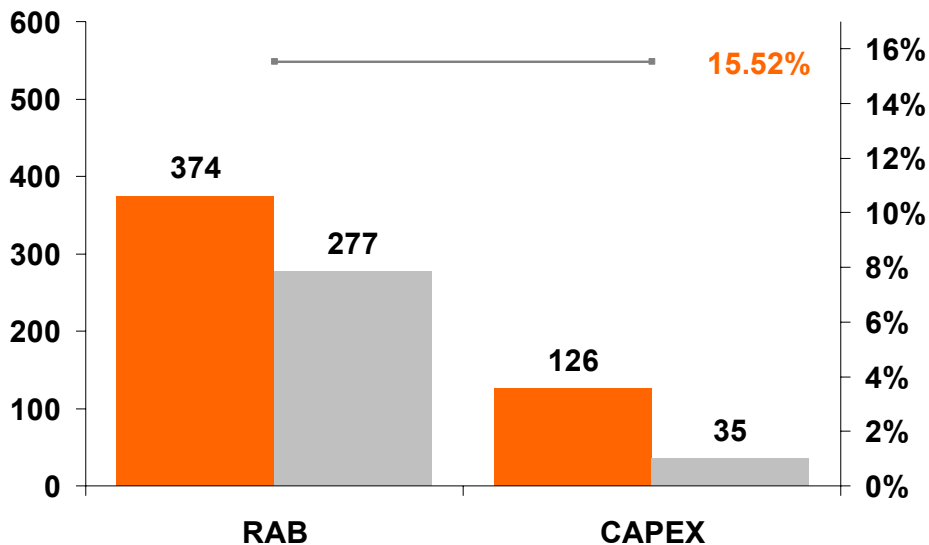
\* 25% share purchase and equity contribution for total of EUR 151 million



# BULGARIAN NEW REGULATORY RULES IN PLACE SINCE OCTOBER 2005 ARE BELOW OUR ORIGINAL PROPOSAL BUT STILL ABOVE VALUATION CASE



## I. Regulatory period (10/2005 - 10/2008) – average RAB and average annual CAPEX EUR million



■ CEZ proposal ■ DKEWR proposal — Regulated return

- Significant reduction of regulated CAPEX (72% vs. CEZ proposal).
- Similar reduction for all three groups in Bulgaria (EVN, E.ON and CEZ).
- Reduced CAPEX threatens safety of distribution network and meeting EU norms in the long run.
- Distributors filed a complaint against the decision.
- Further discussion is expected in Q1 2006.

- Regulatory framework based on RAB regulated return (pre-tax – tax rate 15%, nominal).
- End user prices for prices increased on average by 7.1% compared to 2004.
- The lowest increase is for households (2.4%).



# ACQUISITION TARGETS IN CENTRAL EUROPE



## Poland

1. Elektrownia “Kozienice” SA (power plant Kozienice)
  - CEZ is on the short list, on November 17 CEZ submitted specification of its previous bid.
2. Acquisition of ZE PAK – electricity generating company Zespół Elektrowni Patnów – Adamów – Konin SA
  - Process in standby, CEZ obtained permission from Polish government (50% shareholder) to carry out Due Diligence.
3. Katowicki Holding Węglowy – hard coal mining
  - Preliminary bid submitted.
4. Privatization of Zespół Elektrowni Dolna Odra SA (power plants Dolna Odra, Pomorzany and Szczecin)
  - CEZ is not short listed.

▪ Installed capacity (MW)	2,820
▪ Sales (2004, TWh)	11.8
▪ Sales (2004, EUR mil.)	414



# ACQUISITION TARGETS IN SOUTHEAST EUROPE



## Bulgaria

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### Generation

- CEZ placed bids for the power plants Varna and Russe. CEZ's bid was second behind the Russian company RAO in both cases. Bulgarian Antitrust Office ruled it is not possible to sell both power plants to one bidder. RAO and respective Bulgarian ministry endorsed draft purchase agreement for Varna; situation in Russe remains open.



## Romania

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### Generation

- Power plants and mines – Rovinari (1,320 MW), Turceni (2,310 MW) and Craiova (630 MW). Tender for Turceni is to begin soon.

### Distribution

- Distribution company Muntenia Sud. Final bids expected on January 31, 2006.



# ACQUISITION TARGETS IN SOUTHEAST EUROPE

(CONTINUED)



## **Serbia incl. province of Kosovo, Bosnia and Herzegovina, Macedonia, Montenegro**

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Further possible investment opportunities in generation and distribution are monitored.

### **Montenegro**

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#### **Generation**

- Pljevlja
  - Generation assets and minority share in mine.

### **Macedonia**

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#### **Distribution**

- ESM
  - Distributing company is spun-off from mother holding.
  - Privatization should begin within forthcoming months.

