

CEZ GROUP BRIEF REPORT FOR 1ST QUARTER 2006

NON-AUDITED, CONSOLIDATED RESULTS

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Highlights

- Net income grew CZK 2.9 billion (39.4%).
- EBITDA was up CZK 4.2 billion (26.0%).
- Agreement on purchase of Polish ELCHO and Skawina power plants signed.
- Agreement on purchase of Varna power station in Bulgaria signed.
- CEZ Group generation up 4.0%.
- Completed process of settling acquisition of Romania-based distribution company Electrica Oltenia, submitted final improved bid for second round of tender for Electrica Muntenia Sud.

Prague, 18 May 2006

Key Figures

	Units	As of March 31, or Three Months Ended March 31, 2006	As of March 31, or Three Months Ended March 31, 2005	Index 06/05
Generation of electricity (gross)	TWh	16.8	16.1	104.0%
Sales of electricity	TWh	22.2	19.6	113.1%
Sales of heat	TJ	4,602	4,179	110.1%
Operating revenues	CZK millions	41,547	33,019	125.8%
Operating expenses (less depreciation and amort.)	CZK millions	21,149	16,830	125.7%
of which, e.g.: CO ₂ emission permits	CZK millions	-615	0	x
EBITDA	CZK millions	20,398	16,189	126.0%
of which: power production and trading	CZK millions	12,876	10,403	123.8%
distribution and sale	CZK millions	5,688	4,310	132.0%
mining	CZK millions	1,218	1,060	114.9%
other	CZK millions	616	416	148.1%
EBIT	CZK millions	14,816	11,127	133.2%
Net income	CZK millions	10,371	7,438	139.4%
Return on Invested Capital (ROIC)	%	4.1	3.0	136.5%
Return on Equity (ROE), net	%	5.5	4.1	135.5%
Price/earnings ratio (P/E)	1	19.7	15.9	123.5%
EBIT margin	%	35.7	33.7	105.8%
EBITDA margin	%	49.1	49.0	100.1%
Total indebtedness, provisions excluded	%	26.6	27.1	98.2%
Long-term indebtedness	%	13.3	16.4	80.7%
Capital expenditure (CAPEX)	CZK millions	-4,296	-2,889	148.7%
Investments	CZK millions	-35	-1,287	2.7%
Operating cash flow	CZK millions	12,439	7,980	155.9%
Employee head count	persons	29,817	27,546	108.2%

Revenues, Expenses, Income

CEZ Group net income grew 39.4%, due in particular to a higher margin on electricity generation and trading. The year-on-year growth in income was driven in part by improved performance of our distribution companies in Bulgaria and income posted by Electrica Oltenia, which was not CEZ Group member company in Q1 2005.

Cash Flows

Net cash flows from operating activities were up CZK 4.5 billion (55.9%). Cash used in investing activities grew CZK 2.8 billion (121.0%) as additions to property, plant and equipment and other non-current assets increased by CZK 1.4 billion and the change in decommissioning and other restricted funds rose by CZK 1.3 billion in conjunction with preparations for the squeeze out of shares of Severočeské doly. Lower proceeds from disposal of subsidiaries & associates and sales of fixed assets were offset by a year-on-year drop in M&A expenditures. The year-on-year improvement in cash flows from financing activities was due to increased proceeds and lower payments of borrowings and lower expenditures for acquisition of treasury shares.

Capital Expenditures

In February 2006, a business plan was approved for the retrofit of Prunéřov II Power Station (4 x 200 MW), which will follow immediately after completion of the retrofit of Tušimice II Power Station (which has the same capacity). The business plans for construction of new 660 MW units in Počerady and Ledvice are expected to be approved in May.

Power Production and Trading

		Power Production and Trading		TWh		Power Production		TWh		Trading			
										Q1 2006		Q1 2005	
		Q1 2006	Q1 2005			Q1 2006	Q1 2005			domestic	foreign	domestic	foreign
Total revenues	CZK m	24,754	18,401	Electricity generation		16.8	16.1	Electricity purchased		1.8	1.7	1.1	0.0
EBITDA	CZK m	12,876	10,403	of which: nuclear		7.1	7.5	Electricity sold		15.3	3.4	13.9	1.6
EBIT	CZK m	9,431	7,007	coal		9.2	8.0	of which: outside CEZ Group		5.7	3.4	7.5	1.6
Employee head count	persons	7,151	7,362	hydro and other		0.5	0.6	Balance		13.5	1.7	12.8	1.6

Electricity generation was up 4% in Q1 2006, year-on-year. Higher generation in coal power plants covered a portion of higher domestic demand, as nuclear generation fell due to a planned outage of Unit No. 2 of Temelín Nuclear Power Station in January 2006.

CEZ Group installed capacity in Q1 2006 remained unchanged at 12,298 MW, 6,603 MW of which is in coal power plants and 3,760 MW is nuclear.

The most significant wholesale trading partners in the domestic market are the distribution companies E.ON and PRE, and traders; within CEZ Group the key partner is ČEZ Prodej, s.r.o. Domestic wholesale sales were up CZK 3.1 TWh. The balance of foreign purchase and sale was flat due to emission permit arbitrage and, further, the critical situation in the Czech market, where low temperatures in January made it necessary to import electricity from abroad, despite all available domestic generating capacity being on-line.

In 2006, up to April 24, the price of emission permits grew steadily, in line with expectations, up to a high of over 30 EUR/ton. Subsequently, during one week at the end of April and the beginning of May, the price fell sharply on reports from EU Member States that permits were being saved, indicating a surplus of permits all over Europe. The lower price of emission permits resulted in a decline in electricity prices, and the year baseload price for 2007 in Germany is expected to fall to 50 EUR/MWh. Since the price of electricity has a direct impact on share prices of power utilities, these also declined (shares of ČEZ, a. s. also went down).

Distribution and Sale

		Total		Czech Republic			Bulgaria		Romania	
		Q1 2006	Q1 2005	Q1 2006	of which: ČEZ Distribuce	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005
Total revenues	CZK m	27,893	20,744	21,237	8,791	17,248	3,758	3,496	2,898	x
EBITDA	CZK m	5,688	4,310	4,309	3,123	3,701	852	609	527	x
EBIT	CZK m	4,467	3,116	3,543	2,496	2,813	603	303	321	x
Electricity sales	TWh	13.9	10.6	10.3	x	8.2	2.5	2.4	1.1	x
of which outside CEZ Group	TWh	13.0	10.3	9.5	x	7.9	2.5	2.4	1.1	x
Distribution (incl. losses)	TWh	18.4	15.6	12.1	12.1	12.6	3.0	3.0	3.2	x
Employee head count	persons	13,566	11,311	5,878	1,122	6,432	4,705	4,879	2,983	x

As of 2006, the Czech final consumer electricity market is fully liberalized. Although households now have the right to choose their electricity supplier, fluctuation has so far been minimal. In Bulgaria and Romania, complete liberalization is to take place in mid-year 2007. In the Czech Republic, CEZ Group finished separating regulated distribution operations from other operations (unbundling). The operations of the five regional electricity distribution companies were integrated into ČEZ Distribuce, ČEZ Prodej and other process-based companies. In Bulgaria, unbundling is to be completed by the end of 2006, while in Romania it is to last a half year longer.

Net electricity demand in the Czech Republic grew 5.7% year-on-year, or 4.4% when adjusted to the long-term sliding average temperature. Wholesale consumption (including consumption by power producers) was up 6.5% and retail demand increased by 6.0% - here, the higher growth for households is related to the drop in the average temperature in the 1st quarter (by 2.2 °C), compared to Q1 2005, and the related growth in demand for electricity used for heating. Decrease of other consumption and electricity sold inside generation compounds had counteractive effect while lowering by 11.4%.

Prices on the spot market increased in reaction to the higher demand, and they reached German market levels – this, however, did not impact the prices for final consumers, since those are contracted on a yearly basis. Other factors contributing to the year-on-year revenue growth were higher sales margins and the inclusion of Romania-based Electrica Oltenia in the consolidated group starting in Q4 2005. CEZ Group electricity sales in Bulgaria rose by 113 GWh (4.8%), year-on-year.

Mining

		Mining		thousands of tons		Coal sales	
		Q1 2006	Q1 2005			Q1 2006	Q1 2005
Total revenues	CZK m	2,361	1,985	Total coal sales		5,833	5,453
EBITDA	CZK m	1,218	1,060	of which: ČEZ		4,258	4,236
EBIT	CZK m	990	822	plants above 50 MW		813	538
Employee head count	persons	3,549	3,650	coal export		57	51
				other plants and traders		705	629

ČEZ, a. s. Ratings

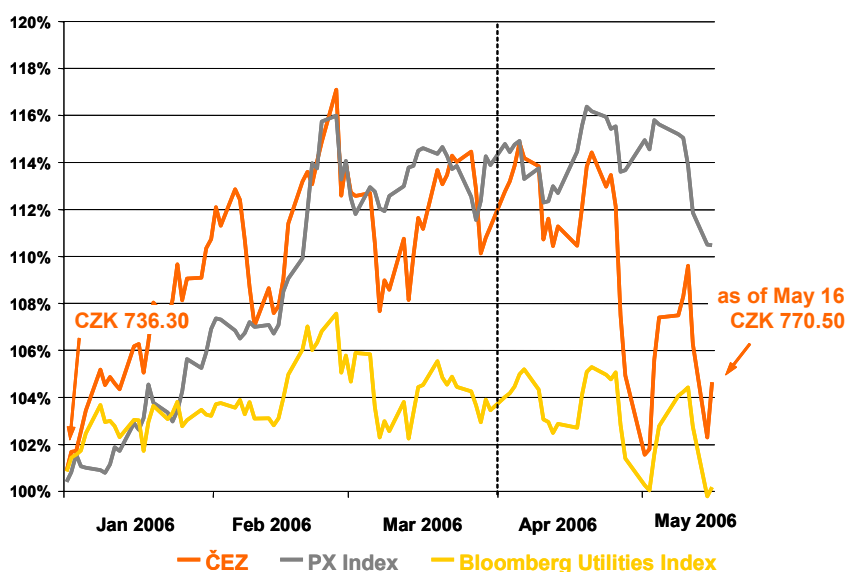
Standard & Poor's: "BBB+" with positive outlook

Moody's: "A2" with stable outlook

Other Information

- In January 2006, ČEZ, a. s. joined the Amsterdam-based ECX (European Climate Exchange), where it traded its first CO₂ emission permits on January 12, 2006.
- On January 31, 2006, ČEZ, a. s. signed an agreement on purchase of stakes in the power utilities Elektrociepłownia Chorzów Sp. z o.o. (89% stake) and Elektrownia Skawina S.A. (75% stake), both in Upper Silesia, Poland, which have an aggregate installed capacity of 810 MW.
- Based on a post-acquisition audit, ČEZ, a. s. paid an additional amount of EUR 15.5 million for Electrica Oltenia S.A. in January 2006. This was the last payment under the privatization agreement, and corresponds to ČEZ's share in the incremental growth in net assets. This brought the total amount paid by ČEZ, a. s. for Electrica Oltenia to EUR 166.5 million.
- On March 14, 2006, our subsidiary CEZ Hungary Ltd. obtained a license to trade electricity in Hungary.
- On March 27, 2006, after receiving the prior consent of the erstwhile capital markets oversight body – the Securities Commission – the General Meeting of Severočeské doly a.s. approved the passage of shares to the principal shareholder, ČEZ, a. s. (squeeze out)
- On April 14, 2006, ČEZ, a. s. increased its stake in Severočeská energetika, a.s. to 96.14% and is currently preparing to buy out all remaining shares.
- Effective April 22, 2006, Zdeněk Pasák, Chief Personnel Officer, became a member of the Board of Directors, replacing Alan Svoboda, who resigned from the Board.
- On April 27, 2006, ČEZ, a. s. signed a CZK 20 billion contract with ŠKODA PRAHA Invest, s.r.o. for the retrofit of Tušimice II Power Station.
- On May 4, 2006, ČEZ, a. s. and the Government of the Republic of Bulgaria signed an agreement on the purchase of the power plant in Varna. ČEZ will pay EUR 206 million (approximately CZK 5.8 billion) for a 100% stake in the plant, invest another approximately EUR 100 million (approximately CZK 2.8 billion) in the plant's basic capital, and invest another EUR 40 million in power sector projects in Bulgaria. Varna Power Station's 1,260 MW (6 x 210 MW) will increase the Group's overall installed capacity (hitherto in the Czech Republic and Poland) by approximately 10% and it will be CEZ Group's largest conventional power plant.
- On May 9, 2006, ČEZ, a. s. submitted its final improved bid to purchase a majority stake in Romania-based distribution company Electrica Muntenia Sud. A total of five companies submitted bids in the tender's second round. The winning company will acquire a 67.5% equity stake.
- At the ČEZ, a. s. General Meeting to be held on May 23, 2006, the Board of Directors will propose a dividend of CZK 15 per share. The total amount intended for dividends is CZK 8.85 billion and the suggested pay-out ratio of 41% is in the range common for power utilities in Europe.

ČEZ, a. s. Share Performance in 2006 Compared to the Prague Stock Exchange's PX Index and the Bloomberg Utilities Index



Income Statement (CZK m)		Q1 2006	Q1 2005
Revenues		41,547	33,019
Sales of electricity		38,459	30,741
Heat sales, sale of coal and other revenues		3,088	2,278
Operating expenses		26,731	21,892
Fuel		2,657	2,299
Purchased power and related services		12,770	9,782
Repairs and maintenance		672	527
Depreciation and amortization		5,582	5,062
Salaries and wages		2,885	2,573
Materials and supplies		938	828
Emission rights		-615	0
Other operating expenses		1,842	821

Income before other expense/income and income taxes	14,816	11,127
Other expenses/income	1,109	1,158
Interest on debt, net of capitalized interest	420	462
Interest on nuclear and other provisions	473	605
Interest income	-99	-83
Foreign exchange rate losses/gains, net	-167	-2
Gain(-)/Loss on sale of subsidiary/associate	0	187
Negative goodwill write-off	0	-20
Other expenses/income, net	539	63
Income from associates	-57	-54

Income before income taxes	13,707	9,969
Income taxes	3,336	2,531
Net income	10,371	7,438
Net income attributable to equity holders of the parent	9,989	7,115
Net income attributable to minority interests	382	323
Earning per Share in CZK - basic	16.9	12.0
Earning per Share in CZK - diluted	16.9	12.0

Statement of Shareholders' Equity (CZK m)	Attributable to Equity Holders of the Parent				Minority Interests	Total Equity
	Stated Capital	Translation Differences	Fair Value and Other Reserves	Retained Earnings		

December 31, 2004	59,218	-2	85	112,796	6,350	178,447
Change in fair value of available-for-sale financial assets recognized in equity			35	35	3	38
Change in fair value of cash flow hedges recognized in equity			-26	-26		-26
Translation differences		-150			-63	-213
Other movements				-4	-2	-6
Gain and loss recorded directly to equity			9	-4	-62	-207
Net income for period 1-3/2005				7,115	323	7,438
Total gains and losses for period 1-3/2005			9	7,111	261	7,231
Effect of acquisition of SKODA PRAHA on equity		-150		111		111
Acquisition of treasury shares	-679			-679	-679	
Sale of treasury shares	331			-78	253	253
Change in minority due to acquisitions					2,343	2,343
March 31, 2005	58,870	-152	94	119,940	8,954	187,706
December 31, 2005	58,237	-789	588	118,637	14,616	191,289
Change in fair value of available-for-sale financial assets recognized in equity			-4		-7	-7
Change in fair value of financial assets removed from equity to P&L			3		3	3
Change in fair value of cash flow hedges recognized in equity			105			105
Translation differences		85			85	233
Other movements				1	1	1
Gain and loss recorded directly to equity		85	104	1	145	335
Net income for period 1-3/2006				9,989	382	10,371
Total gains and losses for period 1-3/2006		85	104	9,990	527	10,706
Sale of treasury shares	177			-86	91	91
Share options						
Change in minority due to acquisitions			18		18	18
March 31, 2006	58,414	-704	710	128,541	15,169	202,130

Business Segment Breakdown of Q1 2006 (CZK m)		Power Production & Trading	Distribution & Sales	Mining	Other	Total
Total revenues		24,754	27,893	2,361	2,218	57,226
External revenues		13,340	26,594	950	663	41,547
EBIT		9,431	4,467	990	-72	14,816
EBITDA		12,876	5,688	1,218	616	20,398
Employees head count		7,151	13,566	3,549	5,551	29,817

Balance Sheet (CZK m)		Mar 31, 2006	Dec 31, 2005
Assets		336,266	324,209
Fixed assets		277,516	280,400
Plant in service		441,149	439,416
Less accumulated provision for depreciation		205,331	199,756
Net plant in service		235,818	239,660
Nuclear fuel, at amortized cost		7,094	7,860
Construction work in progress		12,379	11,570
Investment in associates		774	929
Investments and other financial assets, net		15,220	13,811
Intangible assets, net		5,825	6,046
Deferred tax assets		406	524
Current assets		58,750	43,809
Cash and cash equivalents		24,641	16,791
Receivables, net		19,205	14,792
Income tax receivable		2,217	1,478
Materials and supplies, net		4,414	3,671
Fossil fuel stock		552	756
Emission rights		240	134
Other current assets		7,481	6,187
Equity and liabilities		336,266	324,209
Equity		202,130	191,289
Equity attributable to equity holders of the parent		186,961	176,673
Stated capital		58,414	58,237
Retained earnings and other reserves		128,547	118,436
Minority interests		15,169	14,616
Long-term liabilities		80,556	81,429
Long-term debt, net of current portion		29,335	30,586
Accumulated provision for nuclear decommissioning and fuel storage		35,982	35,869
Other long-term liabilities		15,239	14,974
Deferred taxes liability		21,579	18,555
Current liabilities		32,001	32,936
Short-term loans		1,619	265
Current portion of long-term debt		7,774	7,888
Trade and other payables		13,408	16,243
Income tax payable		543	630
Accrued liabilities		8,657	7,910

Cash Flow Statement (CZK m)		Q1 2006	Q1 2005
Cash and cash equivalents at beginning of period		16,791	8,942
Operating activities:		12,439	7,980
Income before income taxes		13,707	9,969
Depreciation and amortization and asset write-offs		5,583	5,062
Amortization of nuclear fuel		830	906
(Gain)/Loss in fixed assets retirements		-108	31
Foreign exchange rate loss (gain)		-167	-2
Interest expense, interest income and dividends income, net		319	378
Provision for nuclear decommissioning and fuel storage		50	39
Valuation allowances, other provisions and other adjustments		411	221
Income from associates		-57	-54
Changes in assets and liabilities		-6,793	-6,407
Income taxes paid		-1,028	-1,776
Interest paid, net of interest capitalized		-414	-468
Interest received		105	80
Dividends received		1	1
Investing activities		-5,082	-2,300
Financing activities		641	-2,613
Net effect of currency translation on cash		-148	-11
Cash and cash equivalents at end of period		24,641	11,998