



CEZ GROUP Q1 2006 RESULTS

NONAUDITED CONSOLIDATED RESULTS (IFRS)

Prague, May 18, 2006



PROGRAM

- **Financial results, main events and trading position**

Petr Vobořil, CFO

- **CEZ Trading position**

Michal Skalka, Director, Trading

- **CEZ Group M&A Activities**

Vladimír Schmalz, Director, M&A

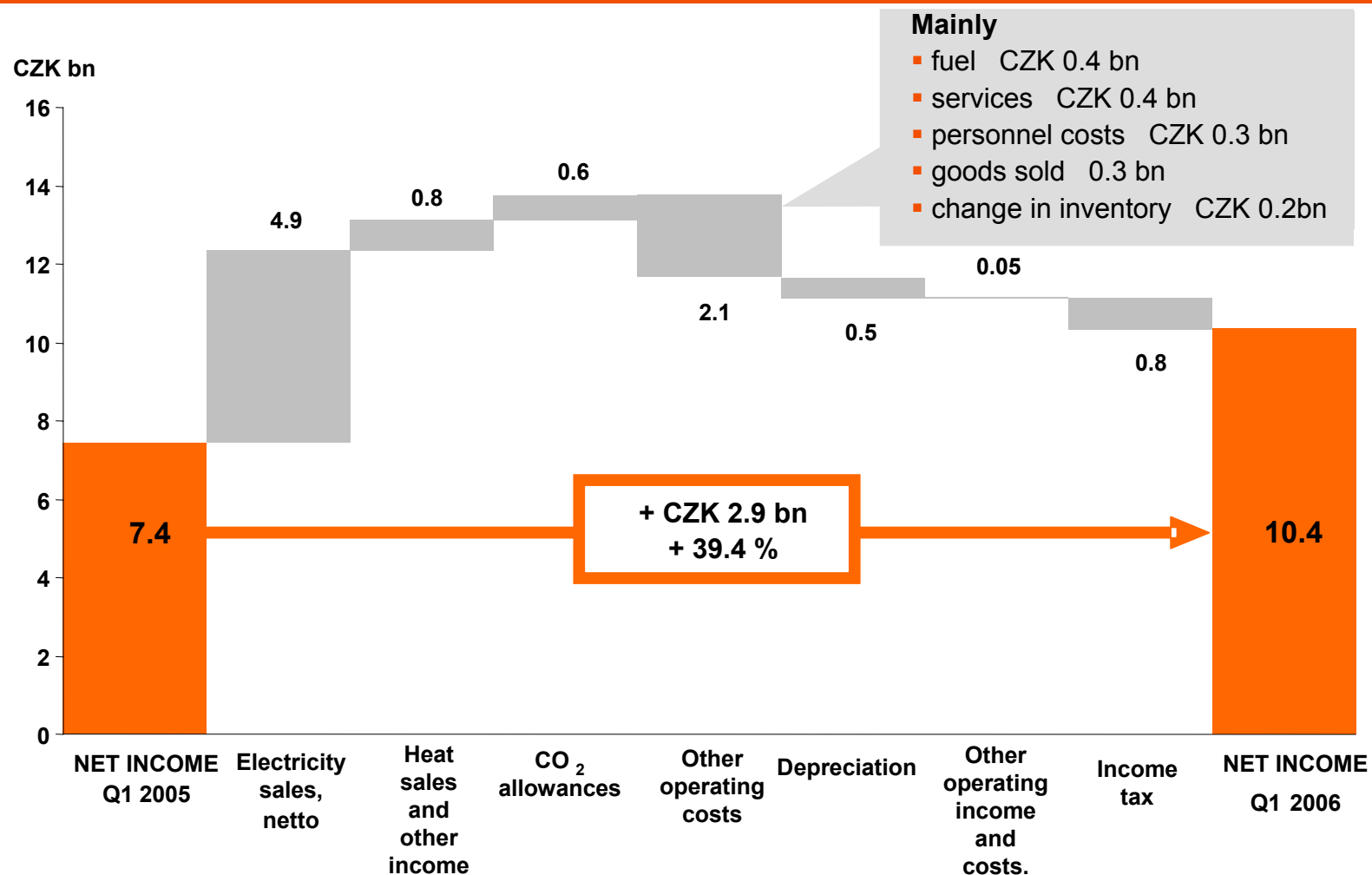


Q1 2006 MAIN RESULTS AND EXPECTED FINANCIAL PERFORMANCE FOR 2006

- **EBITDA** increased y-o-y by 26 % to CZK 20.4 bn for an increase of CZK 4.2 bn
- **EBIT** increased y-o-y by 33 % to CZK 14.8 bn, which represents a y-o-y increase of CZK 3.7 bn
- **Net income** increased y-o-y by 39 % to CZK 10.4 bn (increase of CZK 2.9 bn)
- **ROE** increased y-o-y by 29 % to 5.5 %
- **CEZ share price** increased in Q1 2006 from CZK 742.8 to CZK 819.2 (by 10.3 %) and as of May 16, 2006 the price stood at CZK 771
- **CEZ Group's 2006 EBITDA** guidance revised to CZK 60.1 bn (from CZK 58.1 bn) and **EBIT** to CZK 37.7 bn (from CZK 36.8 bn)
- ČEZ announced its new **dividend policy targeting payout ratio** in the range of **40% - 50%**
- The Board of Directors will propose to AGM **dividend of CZK 15 per share**



NET INCOME INCREASED Y-O-Y BY ALMOST 40 %





EBITDA Y-O-Y INCREASED BY 26 % TO CZK 20 BN,
WHICH REPRESENTS Y-O-Y INCREASE BY CZK 4.2 BN

(CZK m)	Q1 2005	Q1 2006	Change 06-05	Index 06/05 (%)
Operating revenues	33,019	41,547	8,528	125.8
Sales of electricity	30,741	38,459	7,718	125.1
Heat sales and other revenues	2,278	3,088	810	135.6
Operating expenses	21,892	26,731	4,839	122.1
Fuel	2,299	2,657	358	115.6
Purchased power and related service	9,782	12,770	2,988	130.5
Repairs and maintenance	527	672	145	127.5
Salaries and wages	2,573	2,885	312	112.1
Material and supplies	828	938	110	113.3
CO ₂ allowances	0	-615	-615	x
Other operating expenses	821	1,842	1,021	224.4
<i>Out of which: services</i>	1,069	1,459	390	136.5
<i>goods sold</i>	109	359	250	329.5
<i>inventories change</i>	-123	121	245	x
EBITDA	16,189	20,398	4,209	126.0
Depreciation and Amortization	5 062	5 582	520	110.3
EBIT	11,127	14,816	3,689	133.1

Main impacts on EBITDA

- + higher margin from generation and trading
- + production costs control
- + generation and CO₂ allowances sale optimization
- + contribution of Bulgarian distribution and Severoceske doly
- + Electrica Oltenia included from Q4 2005
- Higher purchased power



NET INCOME GREW Y-O-Y BY 39 % TO CZK 10 BN (INCREASE OF CZK 2.9 BN)

(CZK m)	Q1 2005	Q1 2006	Change 06-05	Index 06/05 (%)
EBIT	11,127	14,816	3,689	133.1
Other expenses / Income	1,158	1,109	-49	95.7
Interest on debt	462	420	-42	90.9
Interest on nuclear provisions	606	473	-132	78.2
Interest income	-83	-99	-16	119.3
FX profit and loss, net	-2	-167	-165	> 500.0
Sale of subsidiaries and associates	187	0	-187	x
Negative goodwill write off	-20	0	20	x
Other expense/income, net	63	539	476	> 500.0
Out of which: derivatives	132	375	244	284.1
creation/use of reserves	0	185	185	> 500.0
Income from associates	-54	-57	-3	105.6
Profit before taxes	9,969	13,707	3,738	137.5
Income tax	2,531	3,336	805	131.8
Net Income	7,438	10,371	2,933	139.4

Main impacts CZK m

- 0.8 income tax
- 0.2 derivatives
- 0.2 reserves
- + 0.2 sale of subsidiaries and associates
- + 0.2 FX profit and loss



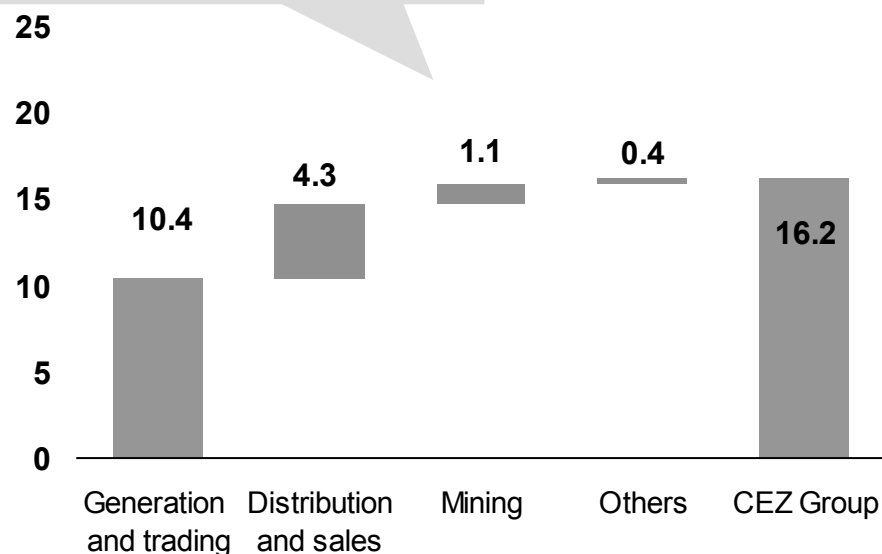
GENERATION SEGMENT CONTINUES TO BE THE BIGGEST CONTRIBUTOR TO THE GROUP'S EBITDA (63.2%); CONTRIBUTION OF DISTRIBUTION AND SALES INCREASED FROM 26.5% TO 27.9%

	Generation and trading	Distribution and sales	Mining	Others	Consolidated
Revenues	13,340	26,594	950	663	41,547
EBITDA	12,876	5,688	1,218	616	20,398
EBIT	9,431	4,467	990	-72	14,816

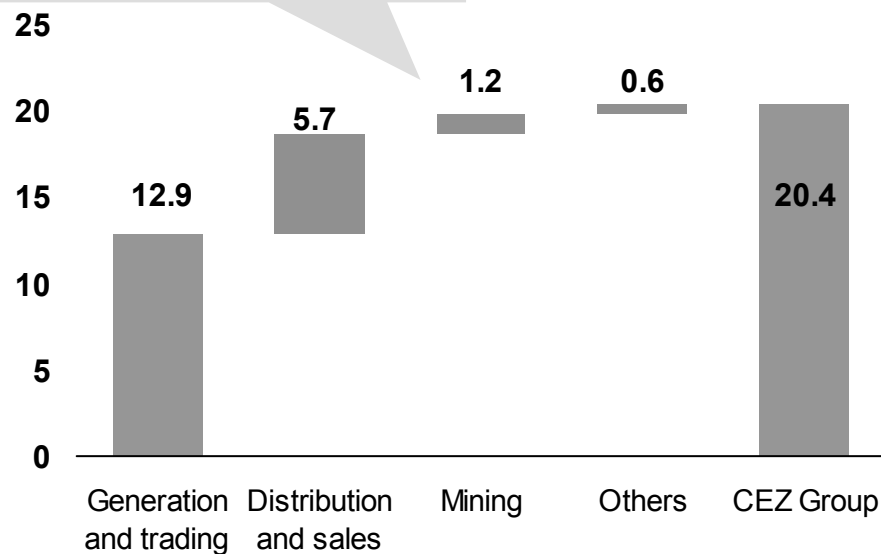
Contribution to EBITDA

- generation and trading maintain it's dominant position with more than 60%
- distribution and sales grow thanks to progress of Bulgarian distribution and inclusion of Romanian distribution to consolidation

Contribution to EBITDA Q1 2005 CZK bn



Contribution to EBITDA Q1 2006 CZK bn





IN DISTRIBUTION AND SUPPLY SEGMENT CZECH ACTIVITIES IMPROVED OPERATING PROFIT BY 26%; PROFITABILITY IMPROVEMENT IN BULGARIA CONTINUED IN Q1 2006

	Unit	Total		Czech Republic			Bulgaria		Romania	
		Q1 2006	Q1 2005	Q1 2006	Out of which: ČEZ Distribuce	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005
Revenues total	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	GWh	13,868	10,555	10,326	x	8,192	2,475	2,363	1,067	x
<i>Out of this external</i>	<i>GWh</i>	<i>12,986</i>	<i>10,295</i>	<i>9,453</i>	<i>x</i>	<i>7,942</i>	<i>2,466</i>	<i>2,353</i>	<i>1,067</i>	<i>x</i>
Electricity distribution	GWh	18,418	15,561	12,136	12,136	12,585	3,047	2,976	3,234	x
No. of employees	person	13,566	11,311	5,878	1,122	6,432	4,705	4,879	2,983	x

Main influence on EBIT growth

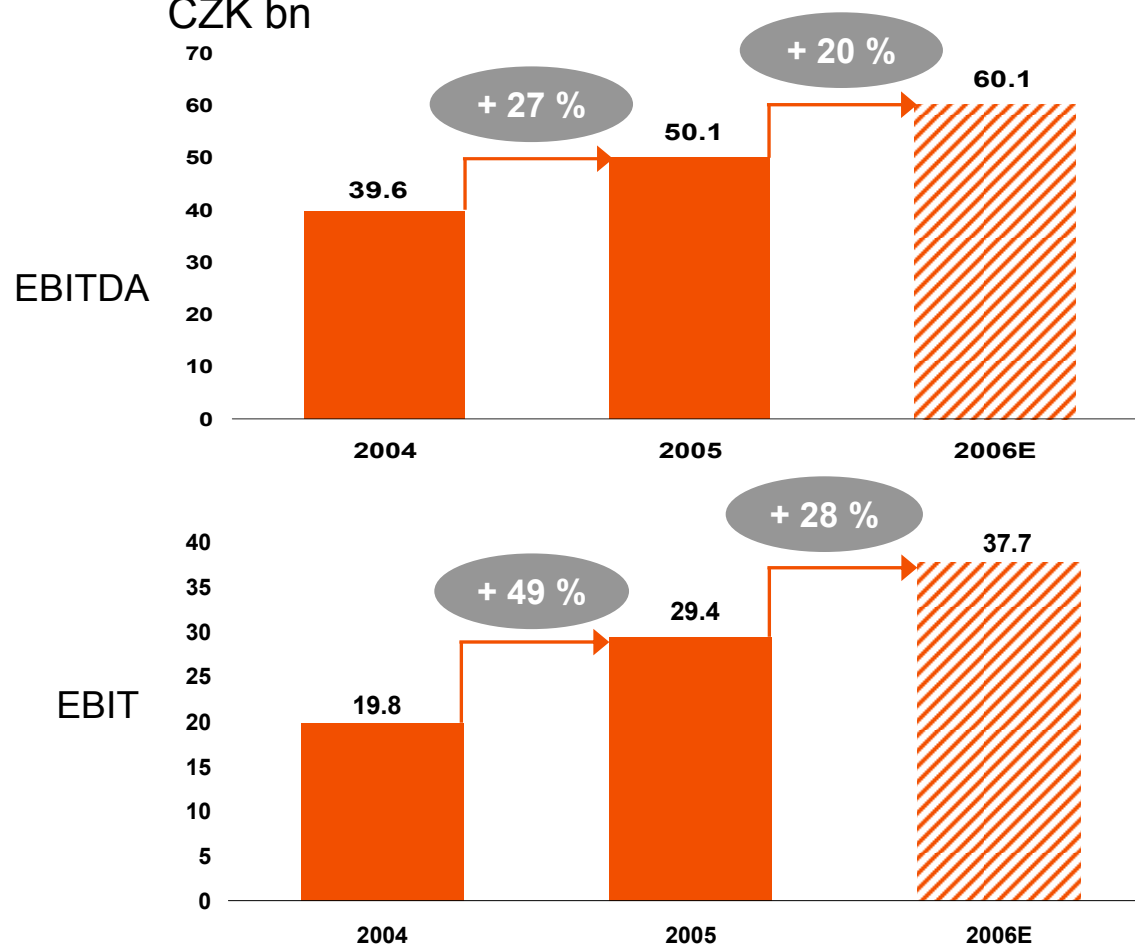
- higher electricity sales
- better results of Bulgarian distribution companies
- inclusion of Romanian distribution since Q4 2005



WE REVISE OUR GUIDANCE FOR 2006 EBITDA TO CZK 60.1 BN FROM CZK 58.1 BN AND EBIT TO CZK 37.7 BN FROM CZK 36.8 BN

Main financial results

CZK bn

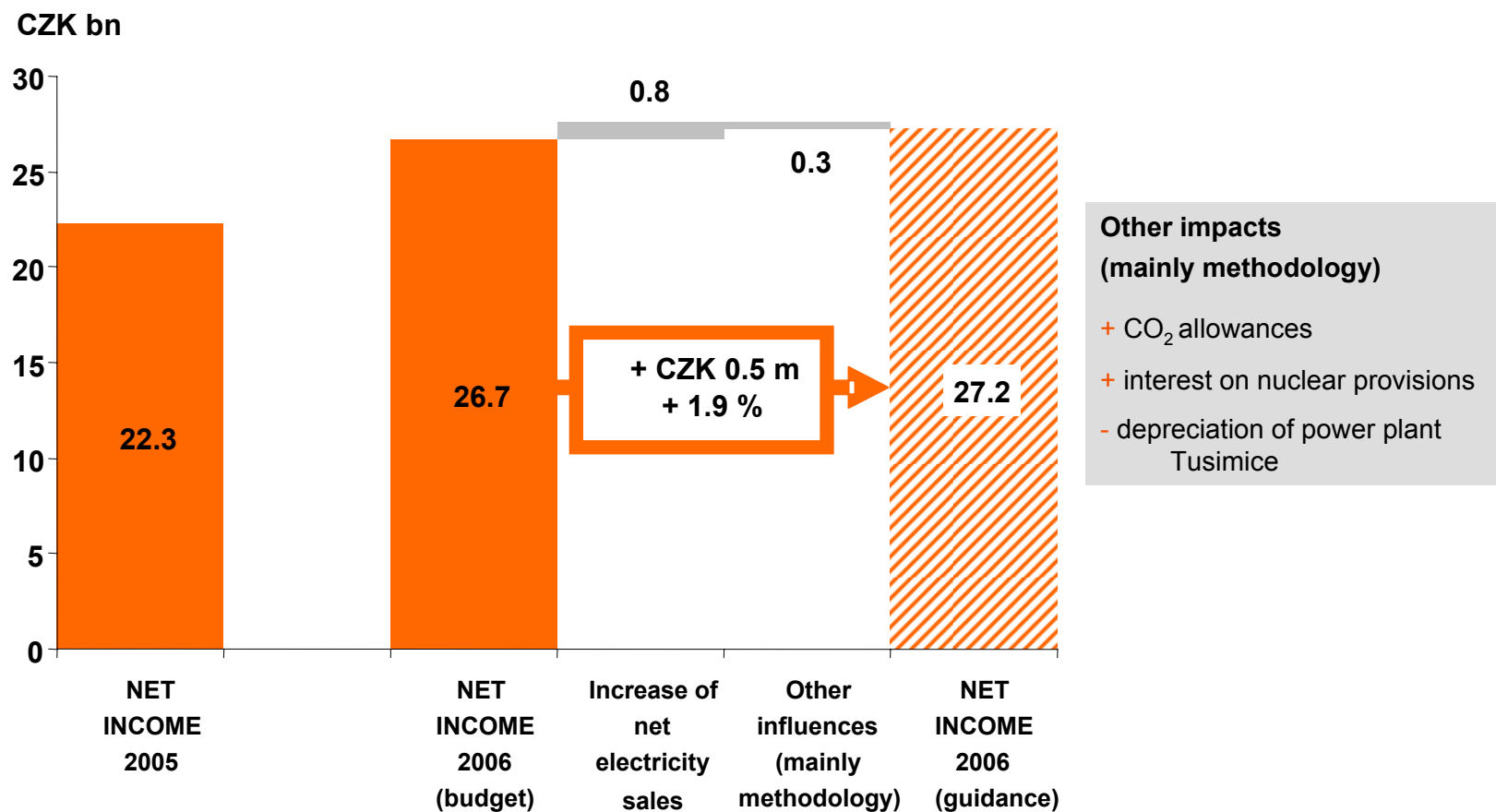


Main growth factors

- Gross margin from generation and trading
- Savings from VISION 2008 and costs control
- CO₂ allowances arbitrage
- Contribution of CEZ Group foreign operations (Bulgaria, Romania)

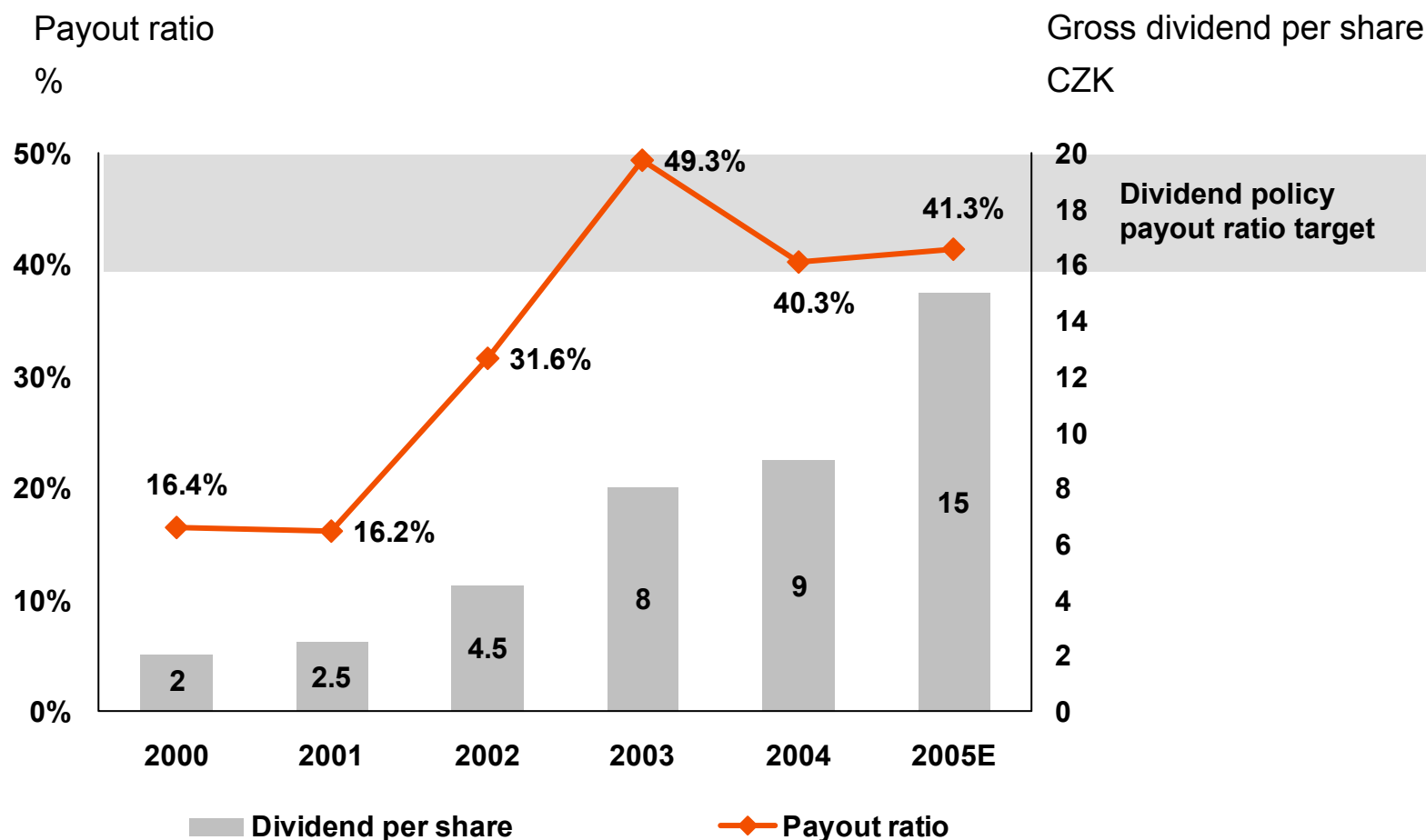


WE REVISE OUR NET INCOME GUIDANCE TO CZK 27.2 BN FROM CZK 26.7 BN





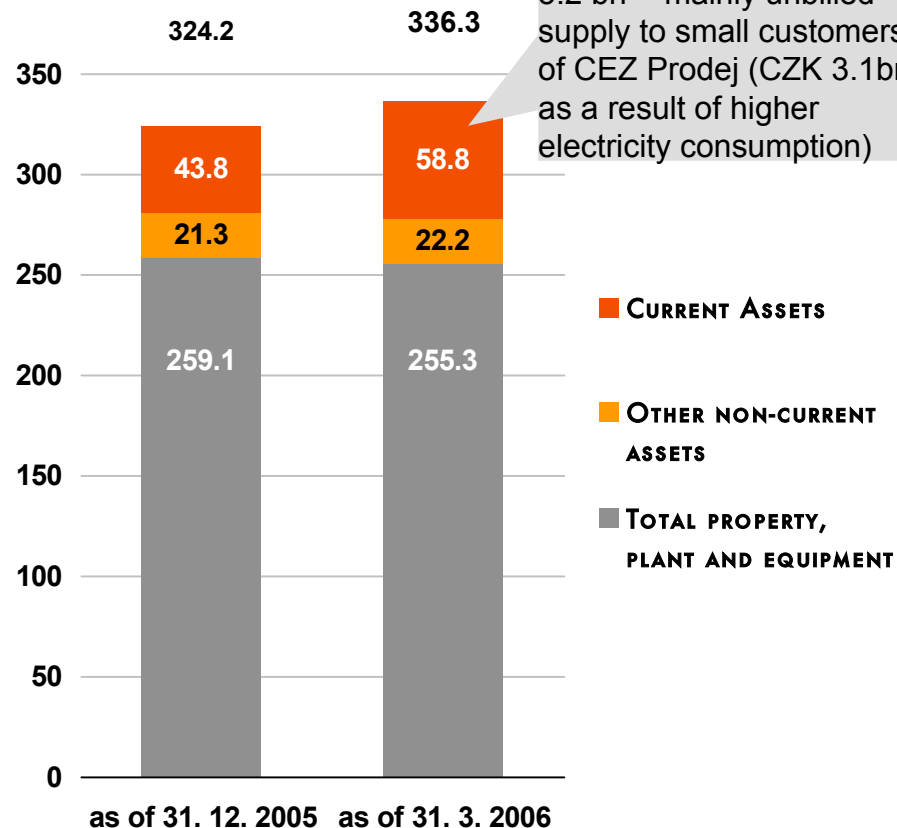
NEW DIVIDEND POLICY TARGETS PAYOUT RATIO IN THE RANGE OF 40% TO 50 % OF THE CONSOLIDATED PROFIT



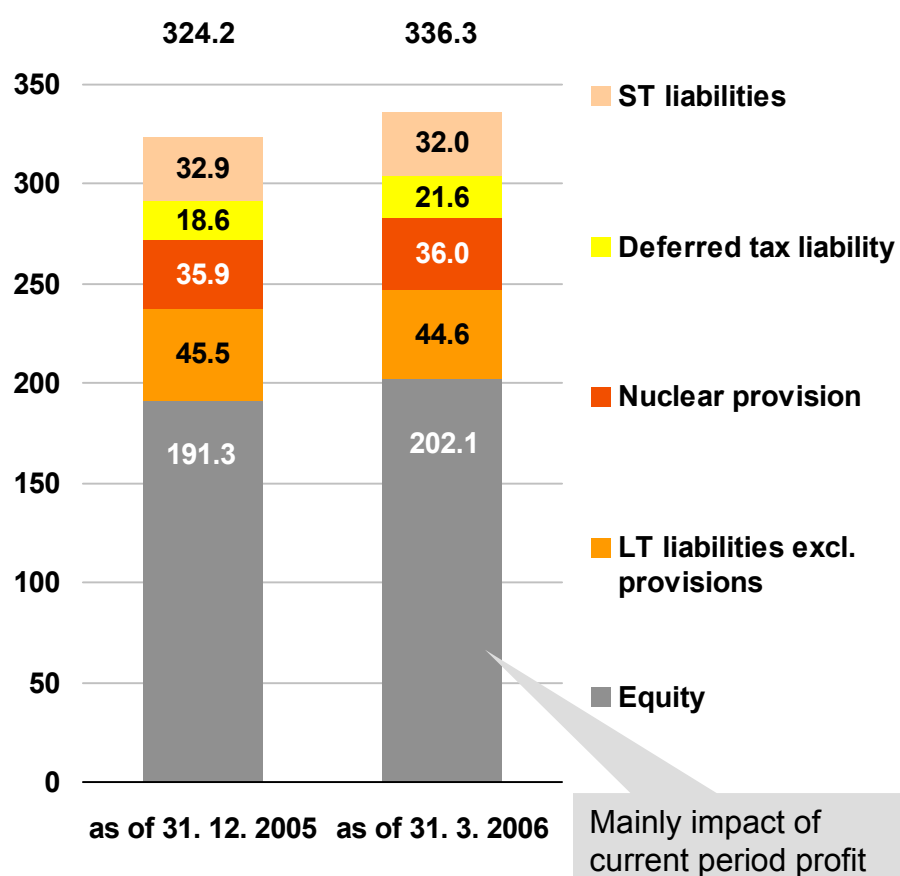


CEZ GROUP CONTINUES TO HAVE A HEALTHY BALANCE SHEET

ASSETS CZK bn

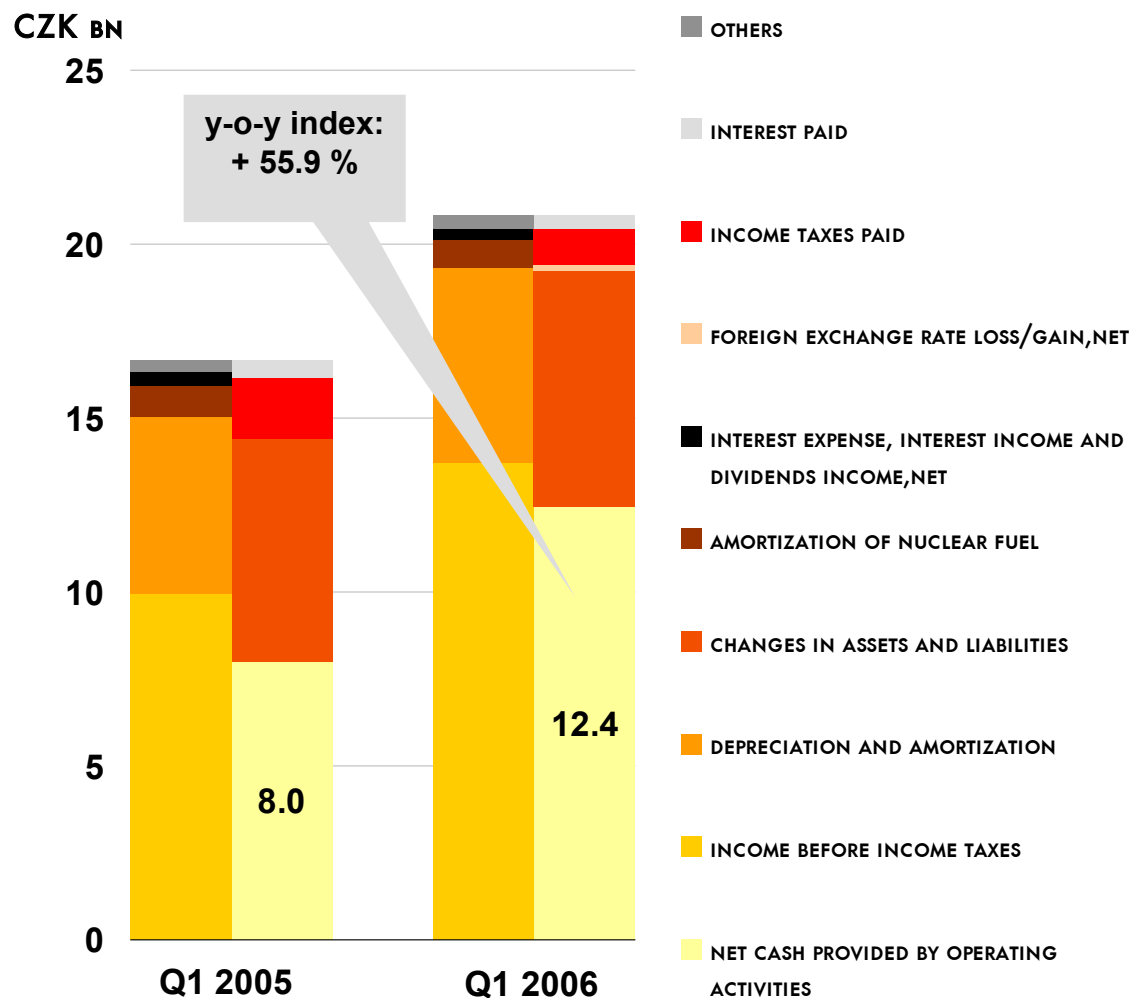


EQUITY AND LIABILITIES CZK bn





OPERATING CASH FLOW INCREASED Y-O-Y BY 55.9%



Key impacts on operating cash flow increase
CZK bn

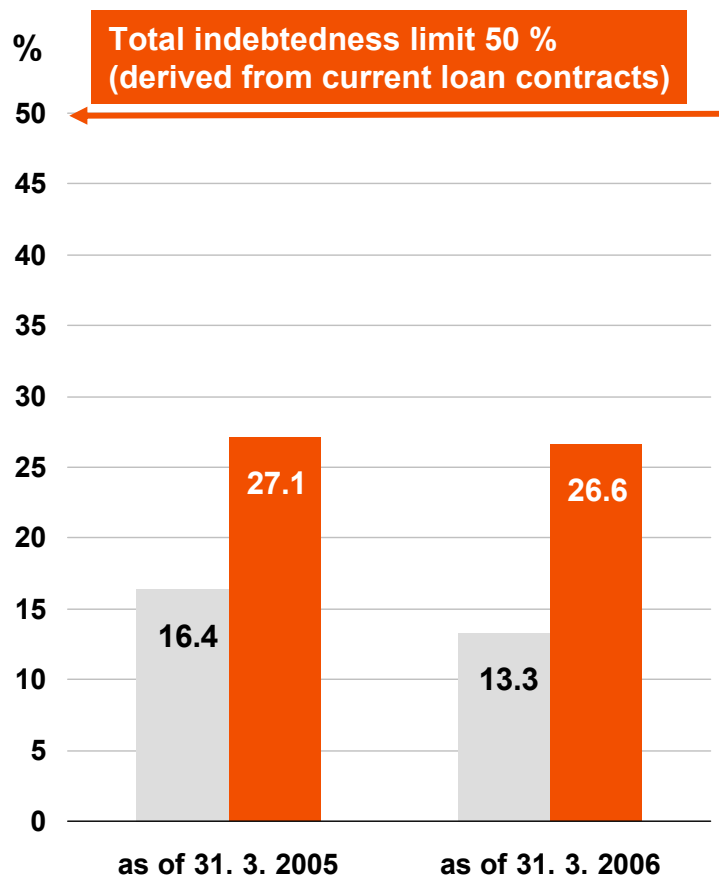
+ 4.0 EBIT adjusted for non-cash items

+ 0.7 income taxes paid

- 0.4 change in assets and liabilities (namely receivables)



INDEBTEDNESS SLIGHTLY DECLINED Y-O-Y



Expected expenditures may result in need of new external sources, which would lead to a change in indebtedness trend

- ELCHO
 - Skawina
 - Varna
 - CEZ dividends
 - squeeze-out in SČE and SD
 - purchase of heat distribution Northern Bohemia
- Total CZK 31.2 bn**

■ long-term indebtedness ■ total indebtedness (without reserves)



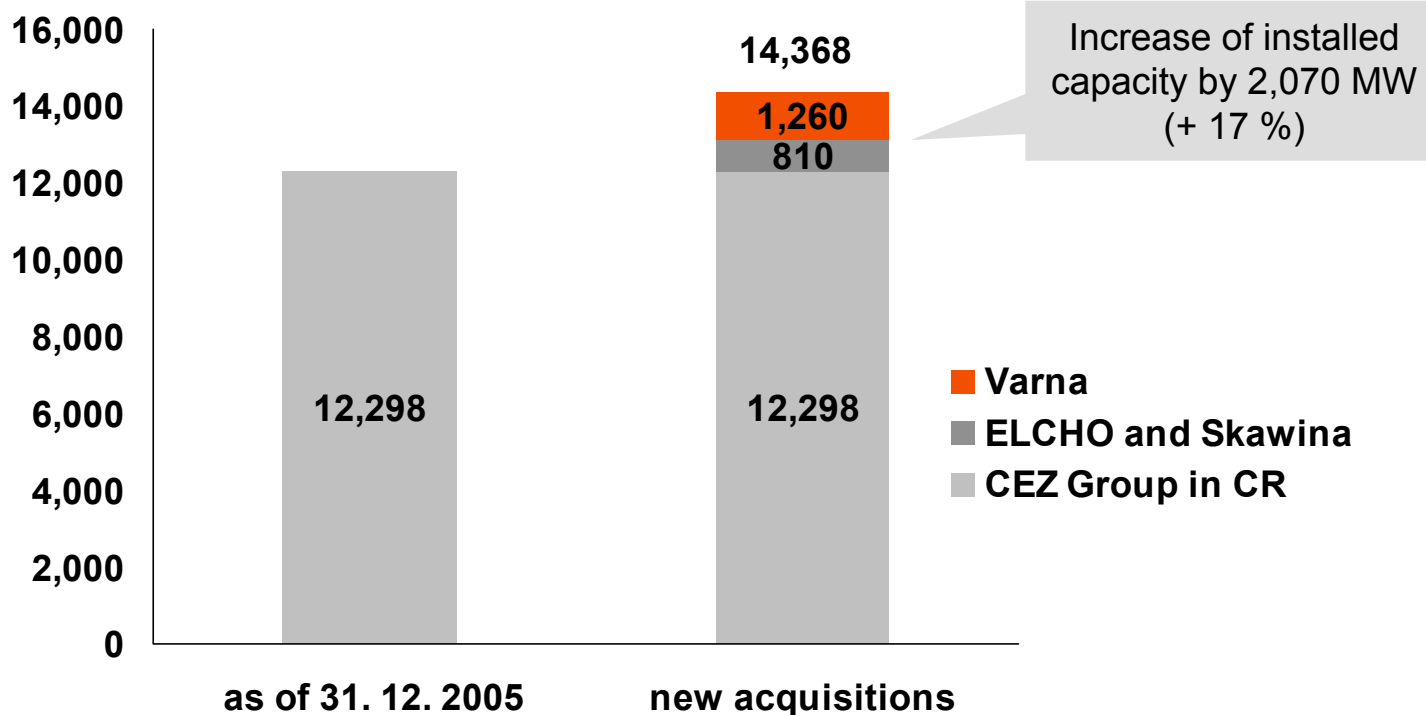
MAIN EVENTS SINCE THE START OF 2006

- Polish market entrance – in January signed contract to purchase power plants ELCHO and Skawina; transaction to settle soon
- Signed privatization contract to purchase black coal power plant in Varna, Bulgaria (EUR 306m). Installed capacity is 1,260 MW
- Power plant portfolio renewal project successfully progressing
- Execution of contract with general supplier SKODA PRAHA Invest, s.r.o. for a “Complex renewal of power plant Tusimice II” (investment of CZK 20 bn) – also sub-contracts executed for supply of turbine room and boiler room with SKODA POWER a.s. and VÍTKOVICE HEAVY MACHINERY a. s.
- Initiated process for construction of new power plant in Ledvice, installed capacity 660 MW (estimated costs of CZK 26 bn)
- Overhaul of the biggest coal unit in Melnik power plant finished (CZK 780 m)



FOLLOWING ACQUISITION OF SKAWINA, ELCHO AND VARNA EARLIER THIS YEAR CEZ GROUP GENERATION CAPACITY GREW BY 17 %

CEZ Group installed capacity
MW





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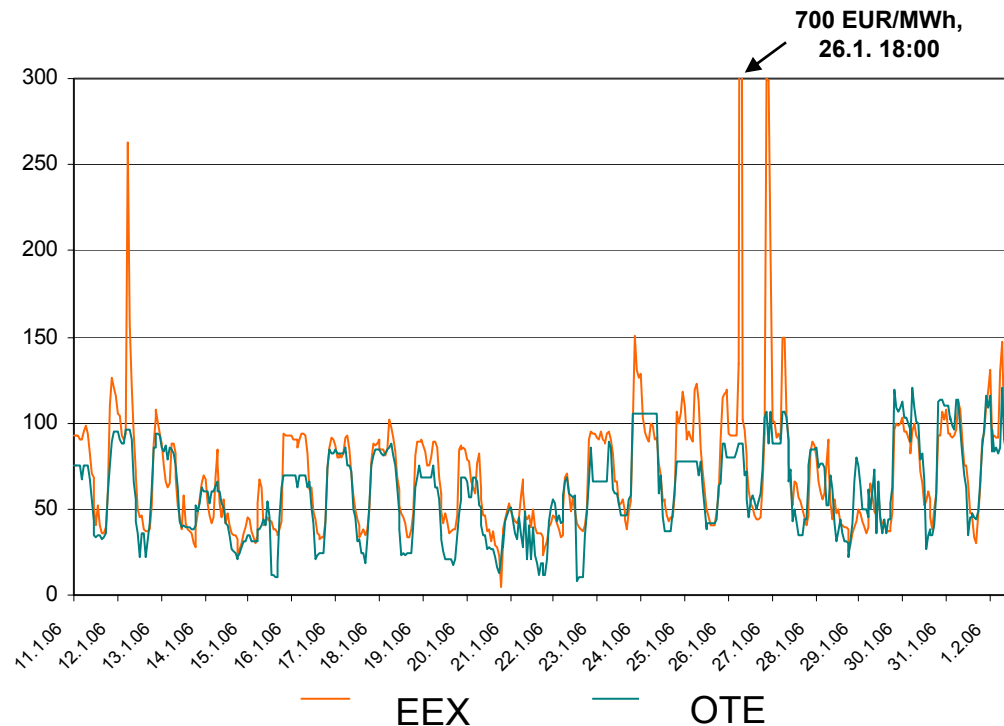
ČEZ TRADING ACTIVITIES BENEFITED FROM MARKETS DEVELOPMENT IN Q1

- Cold winter resulted in higher electricity demand; as a result Czech short term market has seen power pricing rising to German levels
- Price of CO₂ emission allowances increased sharply in Q1; it fell in recent weeks after it became clear EU ETS is in surplus
- ČEZ hedged significant part of expected surplus
- Lower prices of allowances impacted forward power prices in liquid markets
- Nevertheless power prices development in Central Europe in the coming years will continue to be under influence of (i) available generation capacity development and (ii) price development in the liquid markets
- 2007 wholesale auctions under preparation – virtual power plant auction as well as the wholesale auction
- International expansion of ČEZ's trading activities well on the way – office in Hungary obtained a trading license, new trading office in Budapest opening soon, another trading office under preparation in Balkan



COLD WINTER RESULTED IN HIGHER ELECTRICITY DEMAND; AS A RESULT CZECH SHORT TERM MARKET HAS SEEN POWER PRICES RISING TO GERMAN LEVELS

**Electricity spot prices development – EEX, OTE
EUR/MWh**

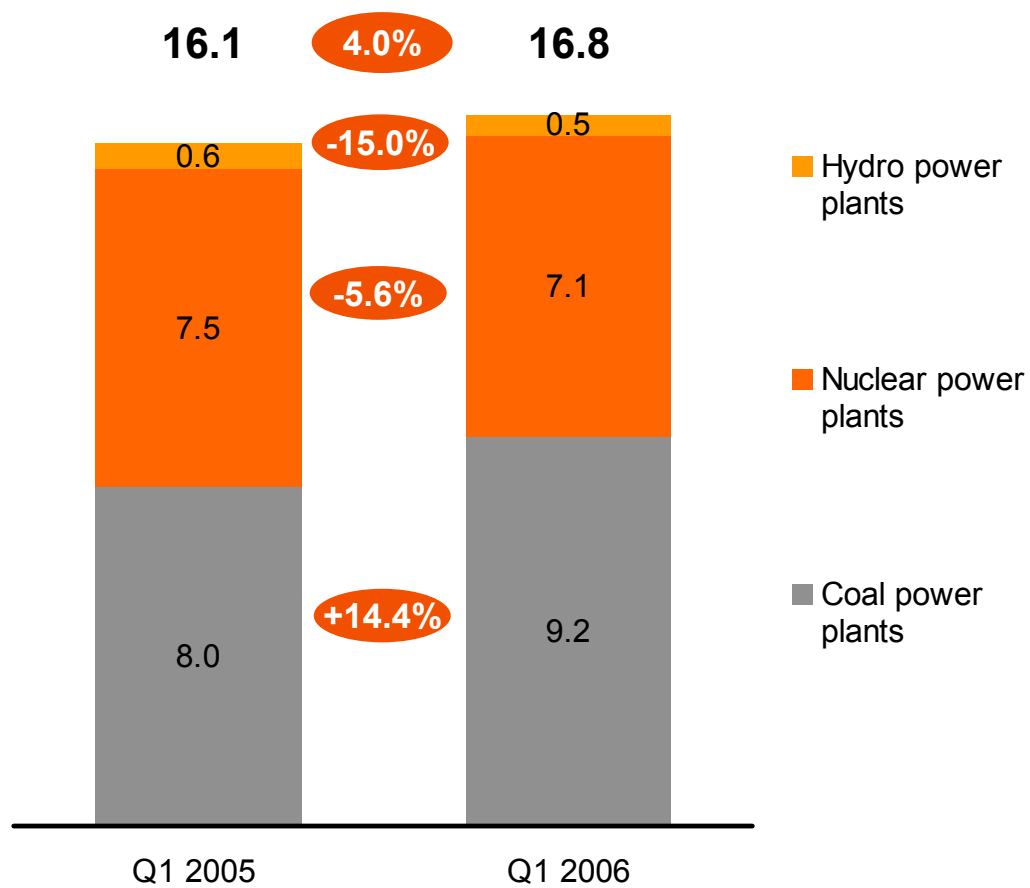


- Winter temperatures were below long term average
- Domestic electricity demand rose sharply, Czech power network came under pressure
- CEZ increased generation and kept power supplies as well as ancillary services at committed levels
- Due to high transmission grid strain CEPS (grid operator) imported regulatory power from Germany
- At this point Czech and German price levels coupled



CEZ GROUP GENERATION INCREASED BY 4 % DRIVEN BY HIGH DEMAND

CEZ Group production split by fuel type TWh

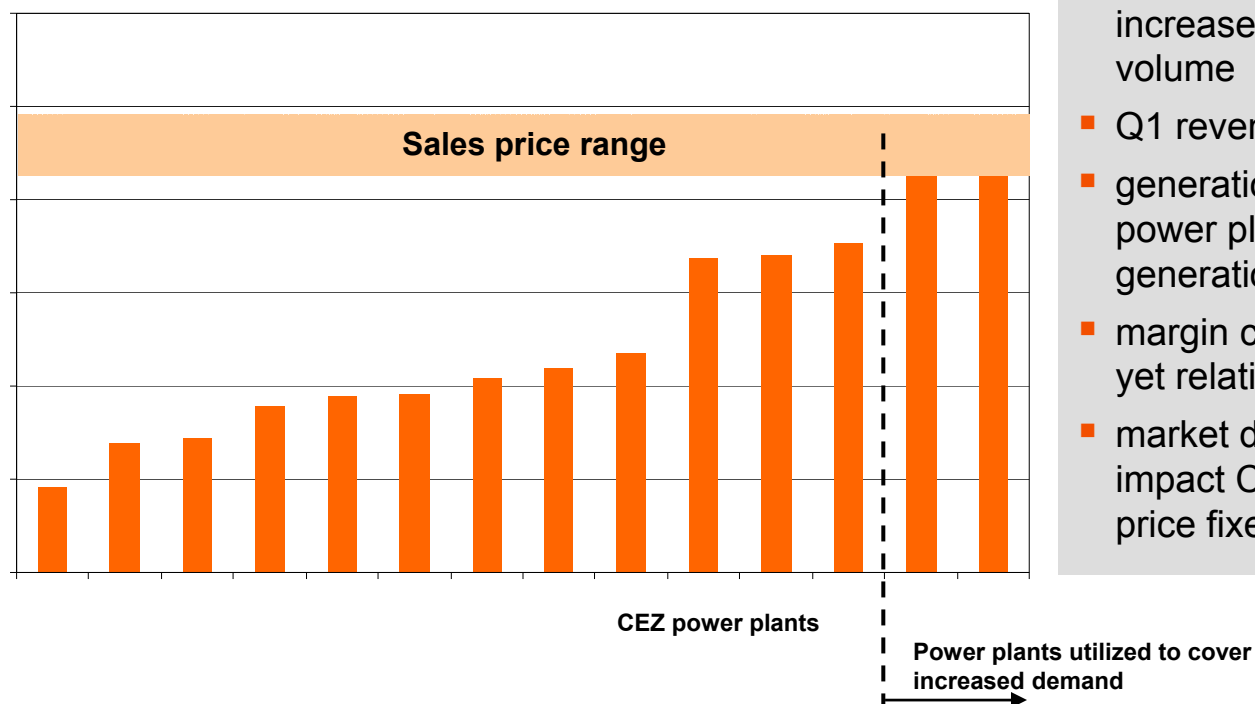


- lower contribution of nuclear power plants as a result of scheduled Temelin outage
- increase to record volumes in Q1 2006 (+ 4,0 %) mainly due to higher electricity demand in the Czech Republic



CEZ INCREASED GENERATION AT MORE EXPANSIVE POWER PLANTS, THEREFORE, PROFITABILITY IMPACT WAS NOT LARGE

Variable cost structure of CEZ generation fleet
(incl. CO₂ allowances)
CZK/MWh

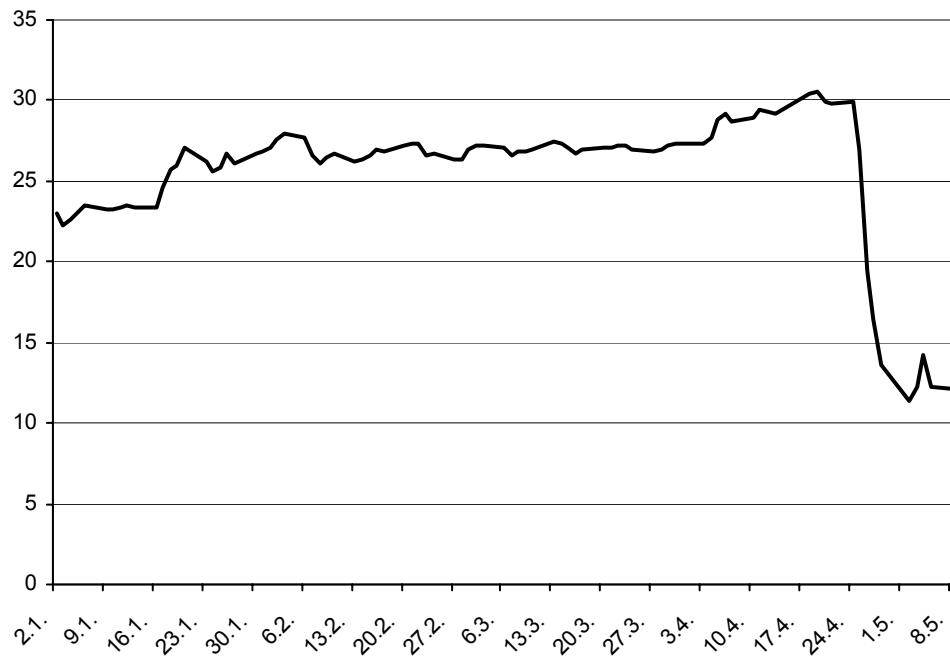


- CEZ responded to demand increase by higher generation volume
- Q1 revenues increased
- generation increase came at power plants with highest variable generation costs
- margin contribution was positive yet relatively small
- market development in Q1 did not impact Czech final customers – price fixed on annual basis



PRICE OF CO₂ ALLOWANCES INCREASED SHARPLY IN Q1; IT FELL IN RECENT WEEKS AFTER IT BECAME CLEAR ETS IS IN SURPLUS

**Development of CO₂ allowances price
EUR/t**



- prices of allowances in Q1 increased in reaction to commodity prices development
- market with allowances was very liquid with large volumes traded
- prices of allowances grew to all time highs (above 30 EUR/t)
- following information on actual CO₂ emissions in 2005 price of the allowances fell sharply



CEZ HAS ADOPTED EU ETS PRINCIPLES AND IS CONVINCED IT IS FUNCTIONING MECHANISM MOTIVATING COMPANIES TO ECOLOGICAL BEHAVIOUR

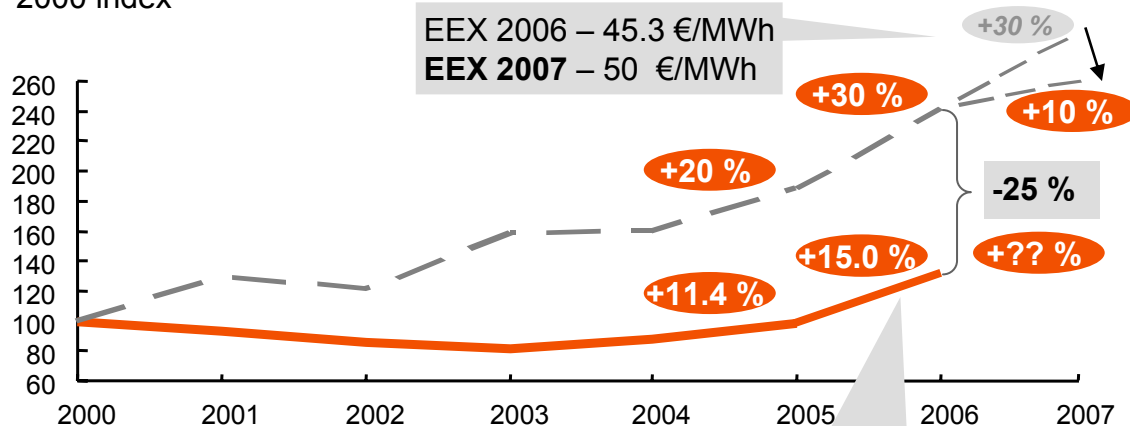
- in 2005 CEZ adopted EU ETS principles and has been optimizing its production in relation to CO₂ emissions
- at a period of high prices CEZ actively traded the allowances, optimized its generation decisions and hedged significant part of its allowances position
- CEZ is convinced that EU ETS is functional mechanism providing liquidity and transparency and reacting to basic market principles (price decline in reaction to excess supply)
- 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 cleaner technologies



DESPITE DECLINE IN GERMAN POWER PRICES THE CZECH PRICES ARE STILL 45% BELOW GERMAN 2007 PRICES (AND WERE 30% BELOW RECENT 2007 LOWS)

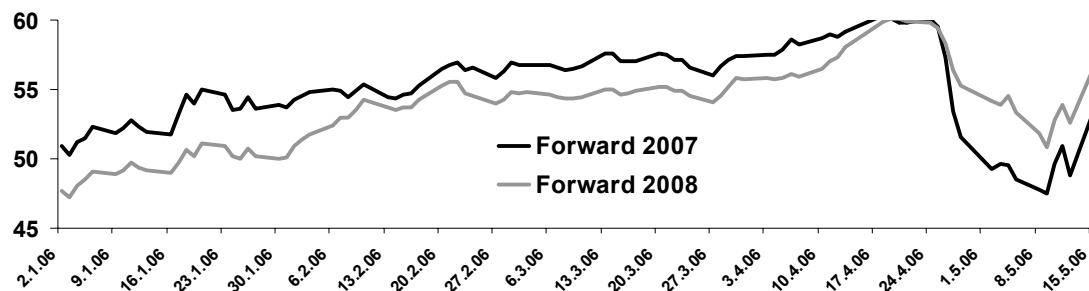
Wholesale power price (baseload)

2000 index



EEX Forward 2007 (baseload)

EUR/MWh



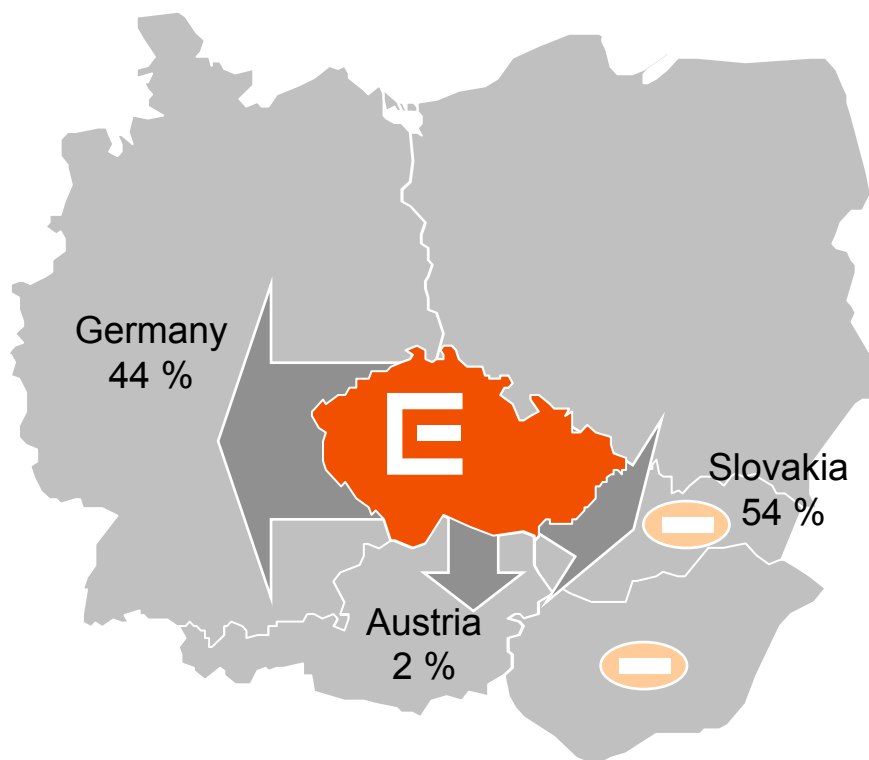
CR 2006 – 35.9 EUR/MWh
(exchange rate CZK 29 / EUR)

- Electricity prices for year 2007 reacted to EUA price development with a decrease
- Annual range for year 2007 on the German market converges to 50 EUR/MWh level
- Price in CR and surrounding countries will be influenced by supply and demand development (available capacity) and will still converge to dominant European prices



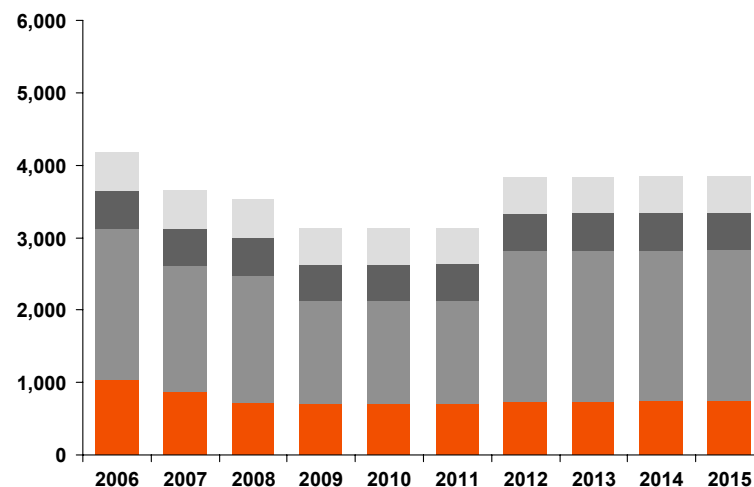
DEVELOPMENT OF DEMAND AND AVAILABLE CAPACITY IN THE REGION OF CENTRAL EUROPE WILL CONTRIBUTE TO PRICE CONVERGENCE AND WILL INFLUENCE CEZ COMMERCIAL FLOWS

2006



- Demand in CR and other countries will grow proportionally to GDP growth
- Shut down of nuclear and lignite units in Slovakia
- Hungary doesn't have enough available generation capacity

Available capacity development* in SR (MW)



* Available capacity = installed capacity – planned outages



WHOLESALE ELECTRICITY AUCTIONS FOR 2007 ARE IN PREPARATION

VIRTUAL POWER PLANT AUCTION

- In accordance with the decision of Antitrust office, CEZ organizes an auction to sell virtual power plant with an installed capacity of 400 MW and max. volume of 3.2 TWh (decreased to 240 MW in summer)
- Total capacity is divided into 8 units with 50 MW (decreased to 30 MW in summer)
- 1st round of the auction will take place at the turn of July and August
- Traders who would like to sign up for the auction must be financially and personally independent of CEZ, a. s.

WHOLESALE AUCTION

- After closing Virtual power plant auction, CEZ will initiate a wholesale auction for 2007
- CEZ is currently analyzing the market interest in individual products and is preparing campaign structure



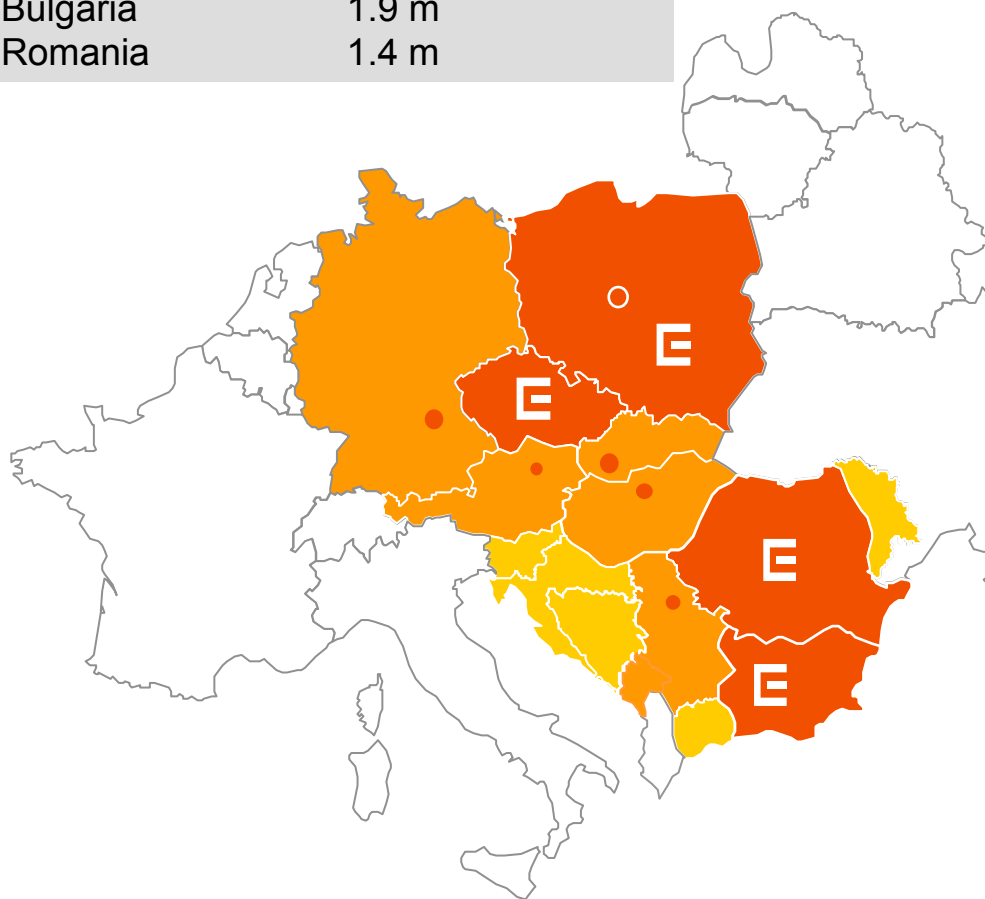
INTERNATIONAL EXPANSION OF CEZ TRADING ACTIVITIES WELL ON THE WAY

Number of CEZ Group final customers

■ Czech Republic	3.5 m
■ Bulgaria	1.9 m
■ Romania	1.4 m

Representative offices

- opened
- in preparation
- markets with CEZ activities
- markets with CEZ presence
- target markets



CEZ Group representative offices in Central and Southeastern Europe

- Czech Republic
- Poland
- Germany
- Slovakia

- Hungary – opening on 1. 6. 2006
- Serbia - in preparation

Distribution companies

- Bulgaria
- Romania



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CEZ GROUP IS INCREASINGLY EXPLORING GREENFIELD/BROWNFIELD OPPORTUNITIES WHERE COMPETITION IS LIMITED

Realized acquisitions (no. of customers)

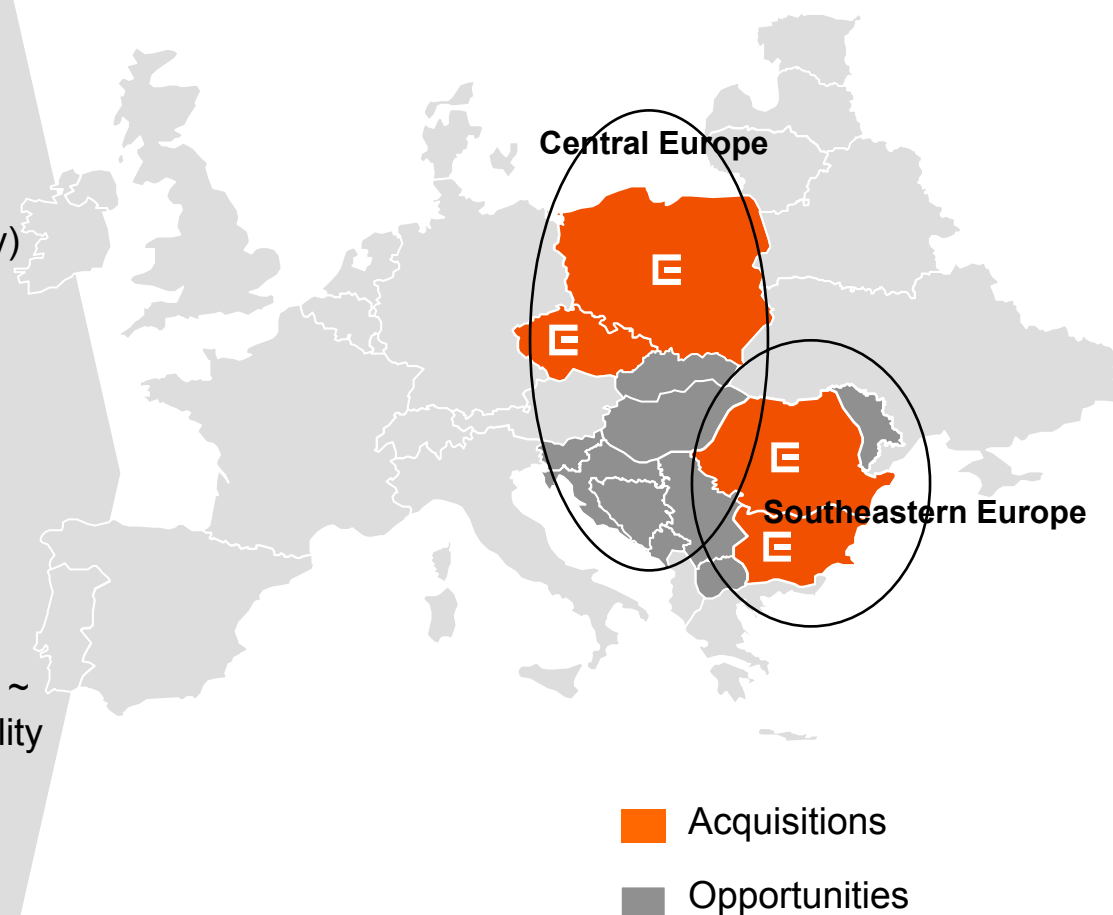
- Bulgaria (distribution) – 1.9 million
- Romania (distribution) – 1.4 million

On-going acquisitions (installed capacity)

- Bulgaria (generation) – 1,260 MW
- Poland (generation) – 810 MW
- Ukraine (distribution) – 2.6 million
- Romania (distribution) – 1.1 million
- Russia (generation) – 100 MW

Other opportunities

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





DESPITE INCREASED COMPETITION CEZ IS NOT WILLING TO PRICE ASSETS AT LEVELS IT CANNOT JUSTIFY – ELECTRICA MUNTENIA SUD IS ANOTHER EVIDENCE

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) - do not expect to beat the advertised price
- 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 (possible difficulties in negotiations with NEK about cold reserve)
- interested in **Sofia heating**





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

Slovenia

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

Montenegro

- lost interest in **TPP Plevlja**
- unable to find and justify positive scenario

Serbia

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



Rep. Srpska

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

Ukraine

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



IN RUSSIA ČEZ IS LOOKING AT PROJECT FINANCING TYPE OF GREENFIELD INVESTMENT IN MOSCOW AREA



Kosovo

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

Russia

- participating in tender for construction of **PPC in Moscow** (100 MW)
- analyzing other projects in Moscow and St. Petersburg region