# CEZ GROUP: THE LEADER IN POWER MARKETS OF CENTRAL AND SOUTHEASTERN EUROPE

Investment story, November 2010

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# AGENDA

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

**CEZ Group in Poland**
(100% stake in Skawina, 100% in Elcho)

| | |
|---|---|
| Electricity generation, gross (TWh) | 2.3 |
| **Market share** | **1.5%** |
| Installed capacity (MW) | 730 |
| **Market share** | **2.1%** |
| Number of employees | 530 |
| Sales (EUR million) | 160 |

**CEZ Group in Germany**
(50% stake in MIBRAG)

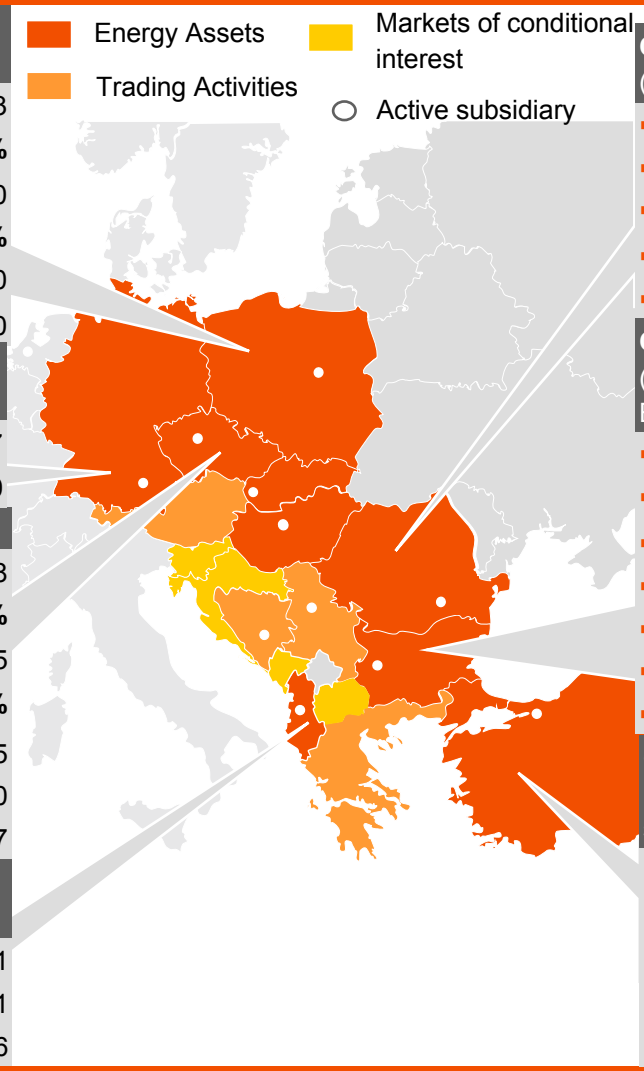
| | |
|---|---|
| Annual coal extraction (m t) | 19.7 |
| Lignite reserves (m t) | 530 |

**CEZ Group in the Czech Republic**

| | |
|---|---|
| Electricity generation, gross (TWh) | 60.8 |
| **Market share** | **74%** |
| Number of connection points (million) | 3.5 |
| **Market share** | **61%** |
| Installed capacity (MW) | 12,405 |
| Number of employees | 19,970 |
| Sales (EUR million) | 5,847 |

**CEZ Group in Albania**
(76% stake in OSSH)

| | |
|---|---|
| Number of connection points (million) | 1.1 |
| Electricity sales (TWh) | 4.1 |
| Number of emplyees | 6,086 |




**CEZ Group in Romania**
(100% stakes in CEZ Distributie, CEZ Vanzare)

| | |
|---|---|
| Electricity sales, net (TWh) | 3.3 |
| Number of connection points (million) | 1.4 |
| **Market share** | **17%** |
| Number of employees | 2,151 |
| Sales (EUR million) | 367 |

**CEZ Group in Bulgaria**
(67% stake in CEZ Razpredelenie Bulgaria, CEZ Electro Bulgaria, 100% in TPP Varna )

| | |
|---|---|
| Electricity sales, net (TWh) | 8.7 |
| Number of connection points (million) | 2.0 |
| **Market share** | **39%** |
| Installed capacity (MW) | 1,260 |
| **Market share** | **11%** |
| Number of employees | 4,154 |
| Sales (EUR million) | 730 |

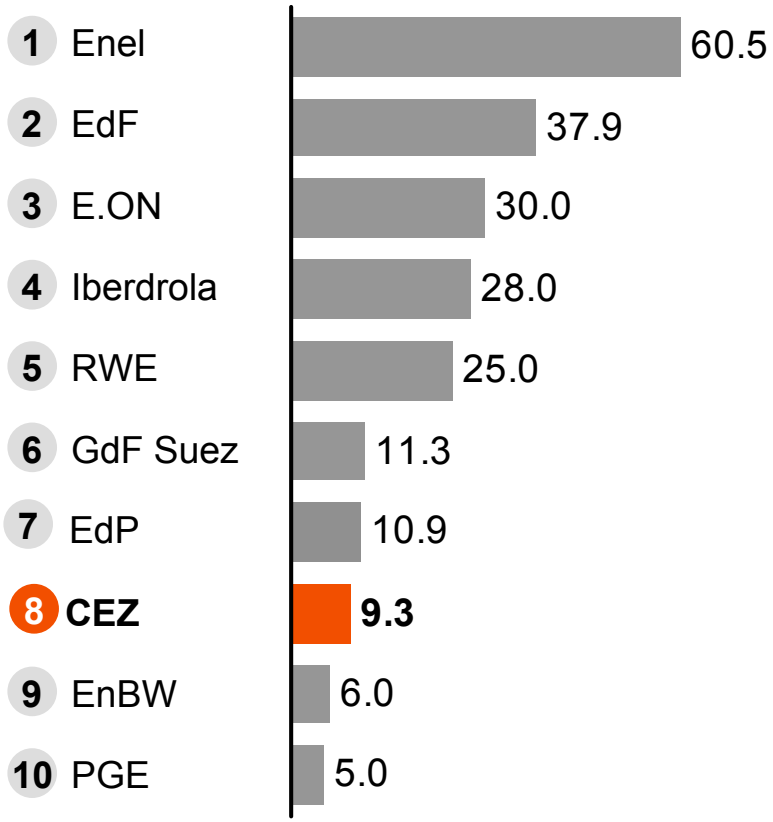
**CEZ Group in Turkey**
(44.3% stake in SEDAS through AkCez, 37.36% stake in Akenerji)

| | |
|---|---|
| Electricity sales, net (TWh) | 8.8 |
| Number of connection points (million) | 1.3 |
| **Market share** | **6.5 %** |
| Installed capacity (MW) | 373 |
| **Market share** | **1.1%** |

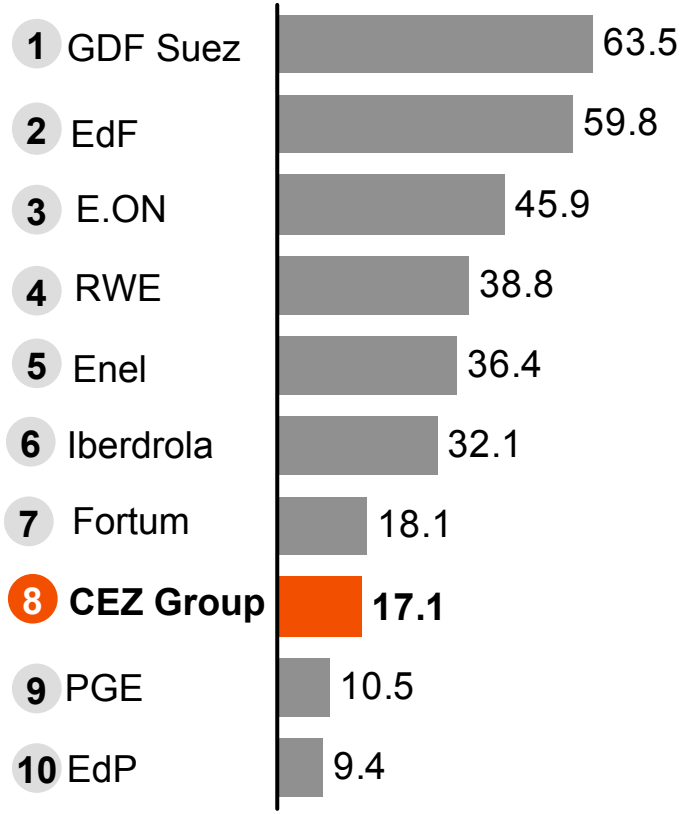
Source: CEZ, national statistics, data for 2009, CZK/EUR 26.45

# CEZ GROUP RANKS AMONG THE TOP 10 LARGEST UTILITY COMPANIES IN EUROPE

**Top 10 European power utilities**
Number of customers in 2009, in millions



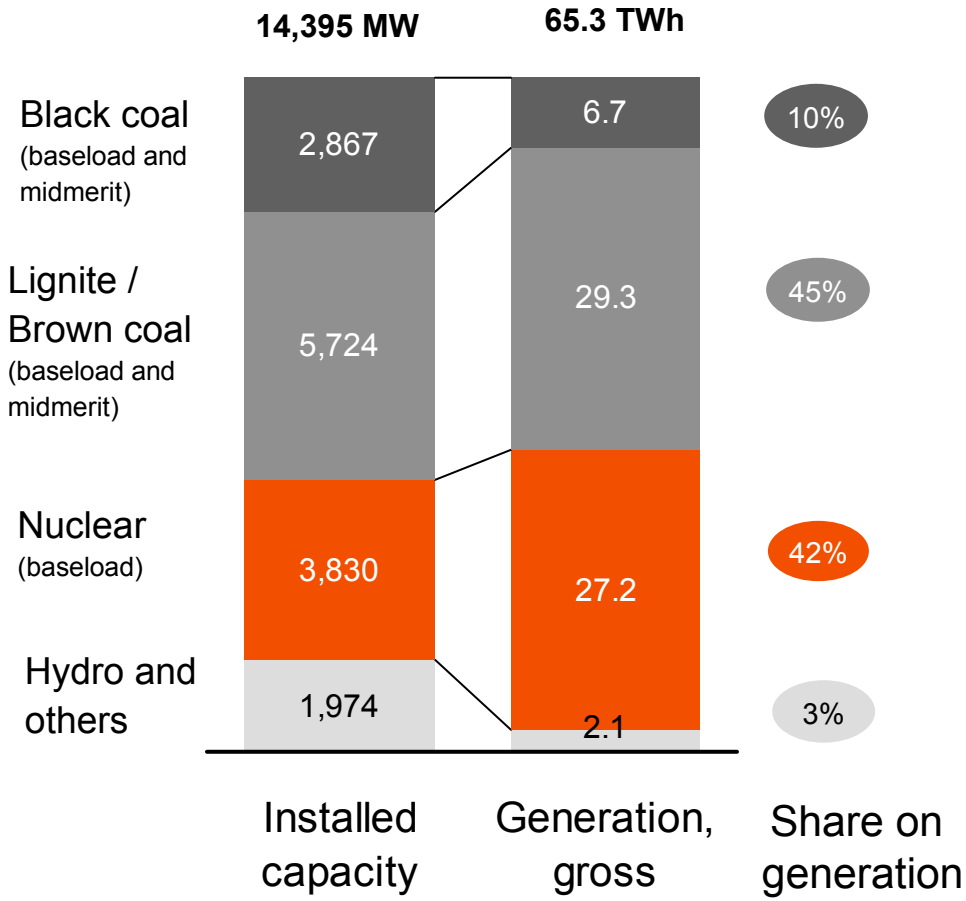

**Top 10 European power utilities**
Market capitalization in EUR bn, as of November 11, 2010




Source: Bloomberg, Annual reports

# CEZ GROUP IS BENEFITING FROM LOW COST GENERATION FLEET

## CEZ Group installed capacity and generation (2009)



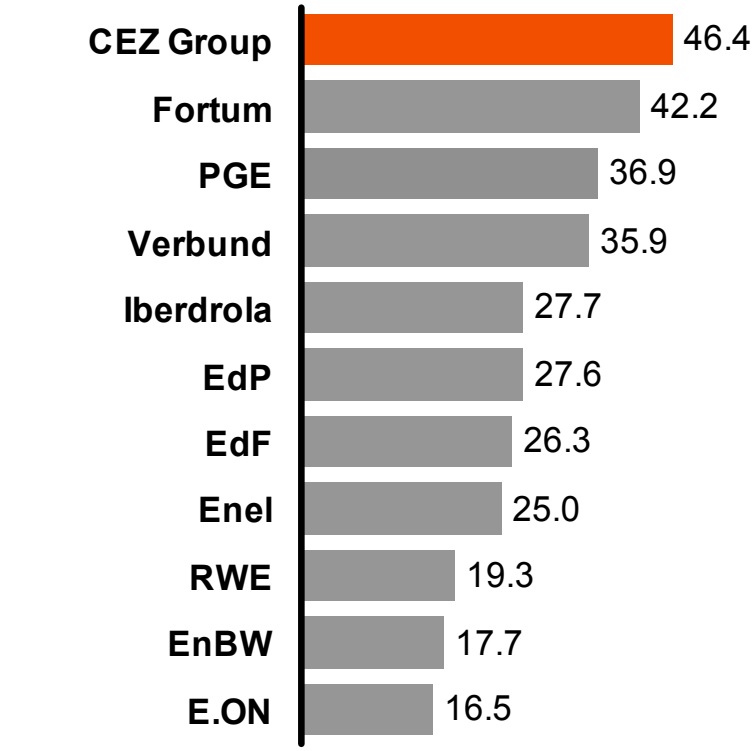

- **Coal power plants are using mostly lignite from CEZ's own mine** (60% of lignite needs sourced internally, remaining volume through long-term supply contracts)
- **Nuclear plants have very low operational costs**

**CEZ has a long-term competitive advantage of low and relatively stable generation costs**

Source: CEZ

# CEZ GROUP IS ONE OF THE MOST PROFITABLE EUROPEAN UTILITIES

**EBITDA margin, 2009**
Percent




Source: Annual reports, 2009 Financial Statements

# KEY STRENGTHS OF CEZ GROUP

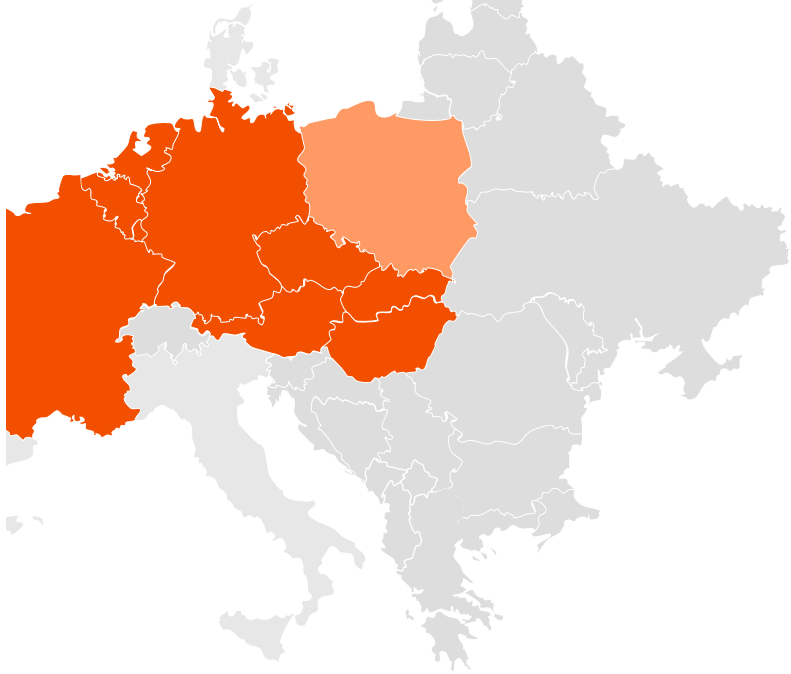
- Low cost generation fleet
- Clear path towards low emission portfolio
- Nuclear expertise
- Portfolio of high quality foreign assets purchased at attractive prices
- Strong balance sheet
- Attractive dividends

# AGENDA

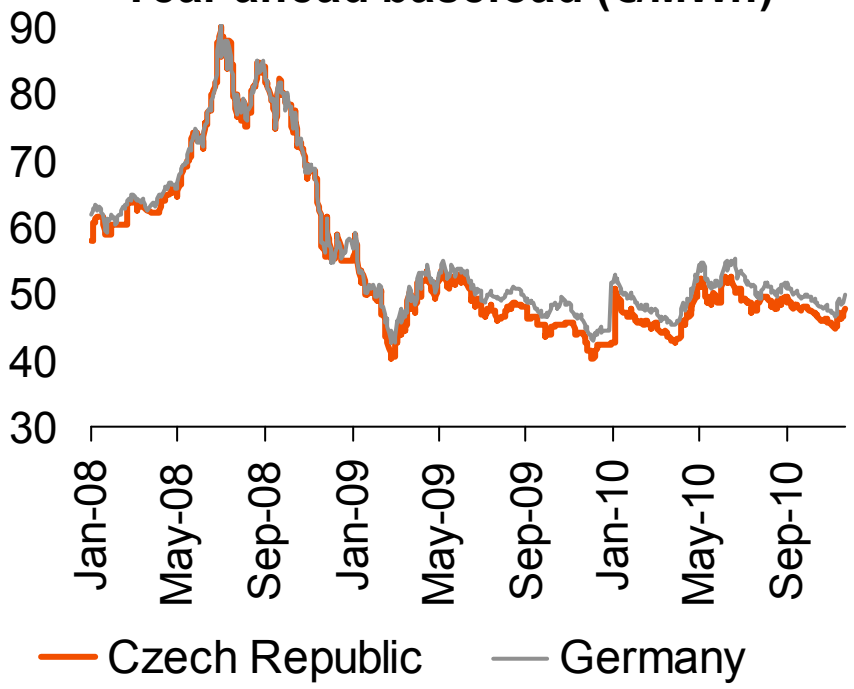
# CZECH ELECTRICITY MARKET HAS CONVERGED WITH GERMANY DUE TO STRONG CROSS-BORDER INTEGRATION

- **Czech market is an integral part of wider European electricity market**
- **Czech power prices are fully liberalized and are driven by the same fundamentals as German market**
- **There are no administrative interventions from the side of the government**

**European electricity market**



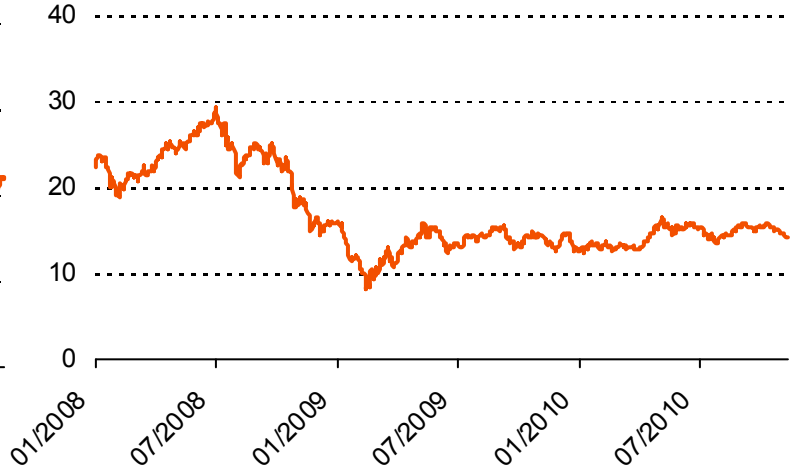
**Year ahead baseload (€/MWh)**



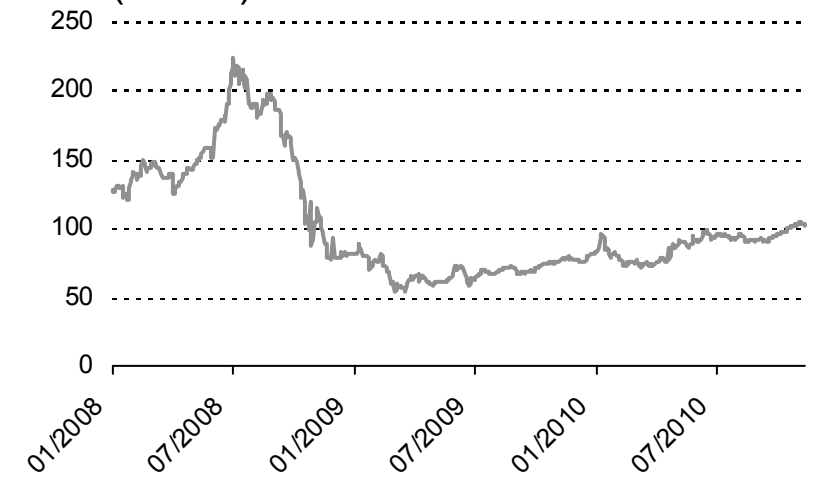
# PRICES OF ALL INPUT COMMODITIES ARE CURRENTLY VERY VOLATILE

**Oil Brent** (USD/bl)

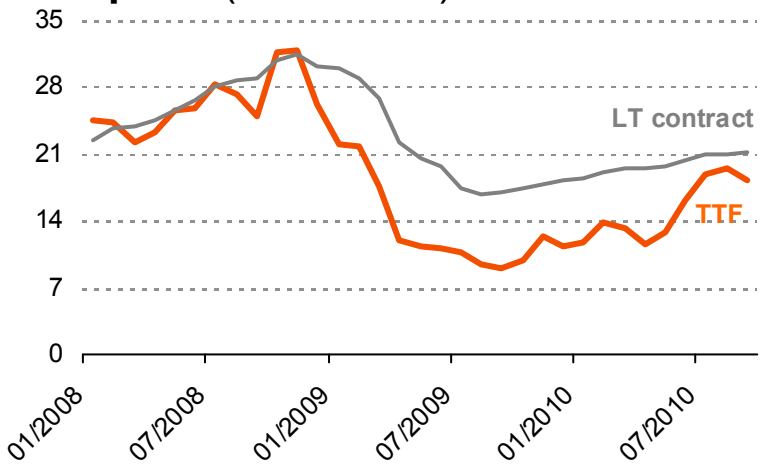

**$CO_2$ allowances – NAPII** (EUR/t)




**Coal** (USD/t)



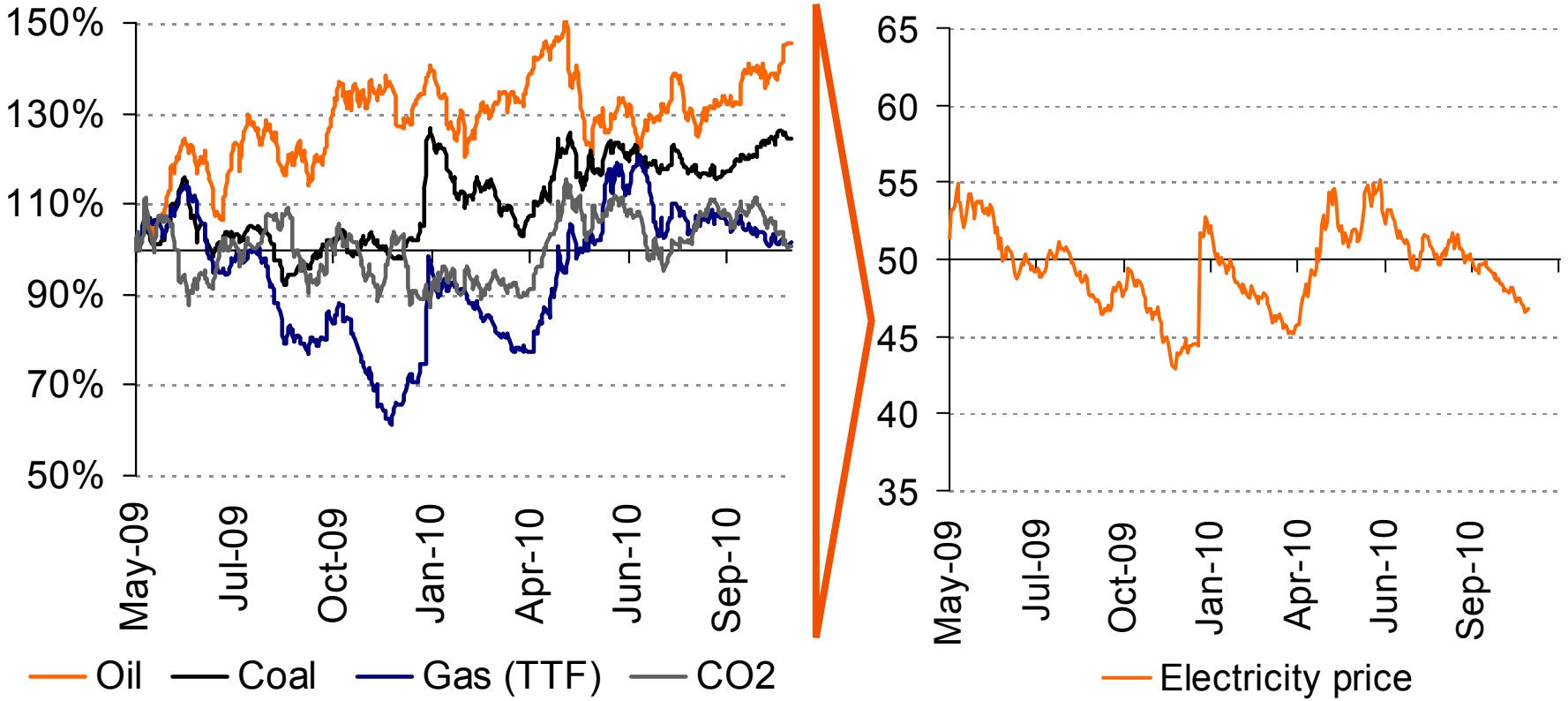

**Gas price** (EUR/MWh)




Note: next month deliveries or spot

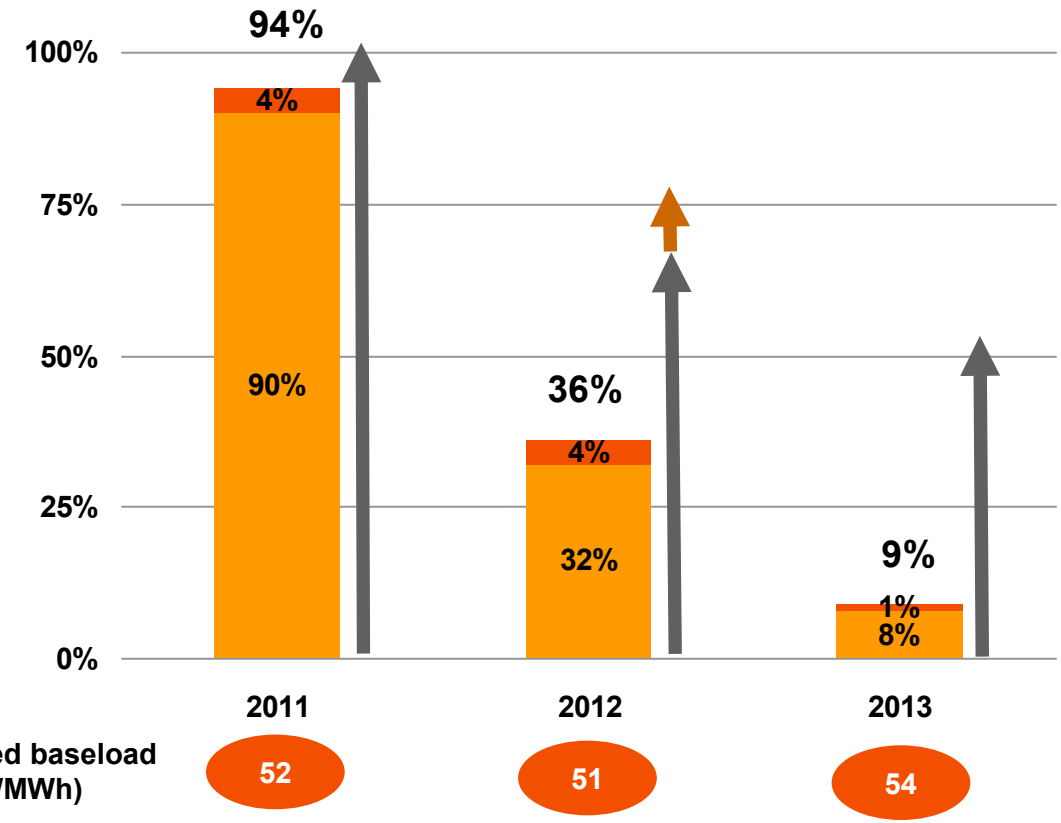
# ELECTRICITY PRICES HAVE UPSIDE POTENTIAL MAINLY DRIVEN BY PRICES OF GAS AND $CO_2$

- Prices of oil, coal recovered from their lows seen in Q1 2009 but prices of gas and $CO_2$ allowances remain depressed
- Therefore we did not see a rebound of electricity price yet



# CEZ ALREADY HEDGED 2011 PRODUCTION AT ATTRACTIVE PRICES

**Share of hedged generation from ČEZ, a. s. power plants**
(as of 15 Oct 2010, 100 % corresponds to 55 – 60 TWh)




- ČEZ, a. s., applies a standard concept of hedging its open positions from electricity generation portfolio against price risks and of hedging currency risk
- Within this strategy ČEZ, a.s. sells electricity on forward basis for years Y+1 to Y+3 and hedges currency for years Y+1 to Y+4

**Electricity hedging**

- Hedged volume from 31 July 2010 to 15 Oct 2010
- Hedged volume at 31 July 2010

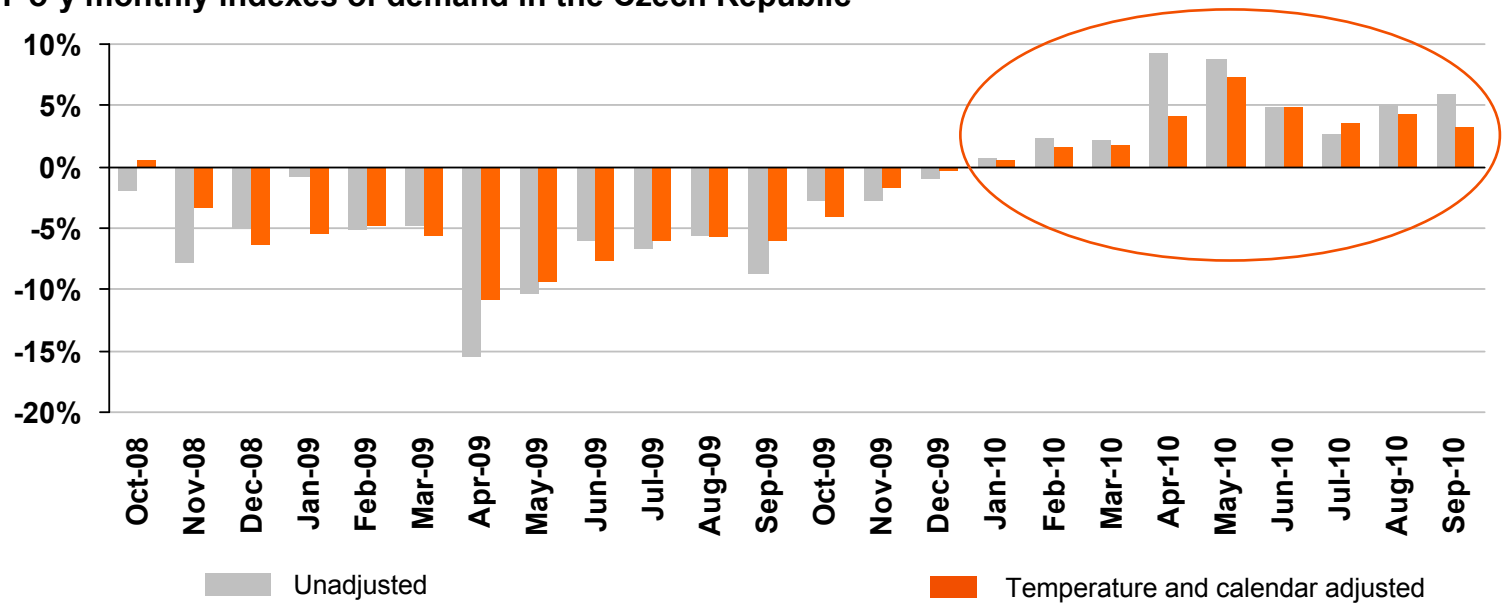
**Currency hedging**

- Transaction currency hedging (hedge accounting)
- Natural currency hedging – costs, investment and other expenses, debts in EUR (hedge accounting)

Source: CEZ

# SINCE JANUARY 2010 POWER CONSUMPTION HAS BEEN GROWING AGAIN

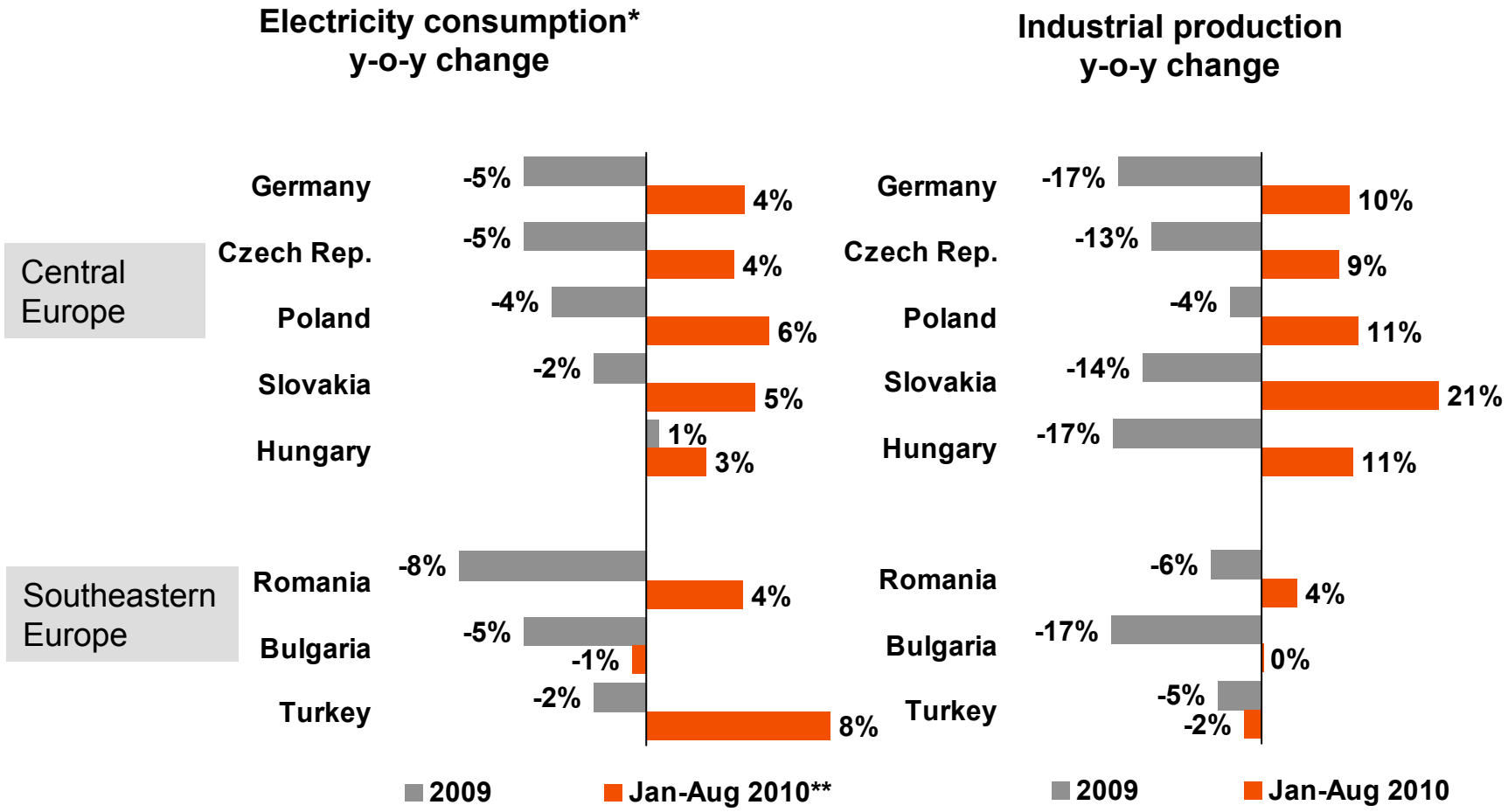
**Y-o-y monthly indexes of demand in the Czech Republic**




- In 2009 annual decline of electricity consumption reached 5.6% in the Czech Republic
- In Q1-Q3 2010 we saw growth of 4.4%:
  - + 6.5 % industrial customers
  - +1.6 % households
  - + 0.2 % small enterprises
- Our expectation for this year is approximately 2% growth

Source: CEZ, ERU

# ELECTRICITY CONSUMPTION IN CEE IS PICKING UP DRIVEN BY IMPROVEMENTS IN ECONOMIC ACTIVITY

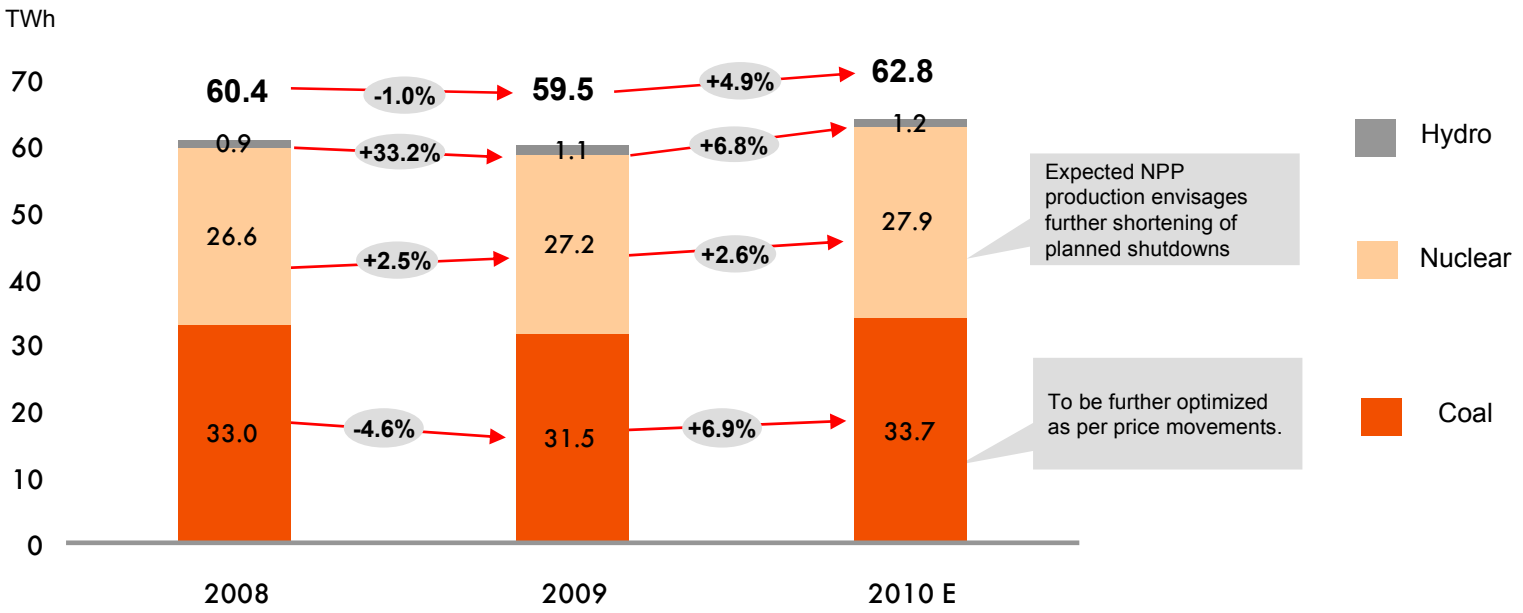



* Net consumption + grid losses, Turkey – gross consumption (includes own consumption of power plants)
** Hungary and Romania Jan-July 2010

Source: Eurostat, ENTSO-E, TEIAS

# AFTER A 1% DECLINE OF ELECTRICITY GENERATION OF ČEZ, A. S. IN 2009 WE EXPECT A 4.9% INCREASE IN 2010

## Electricity generation of ČEZ, a. s. (gross)




**Trends in 2009**

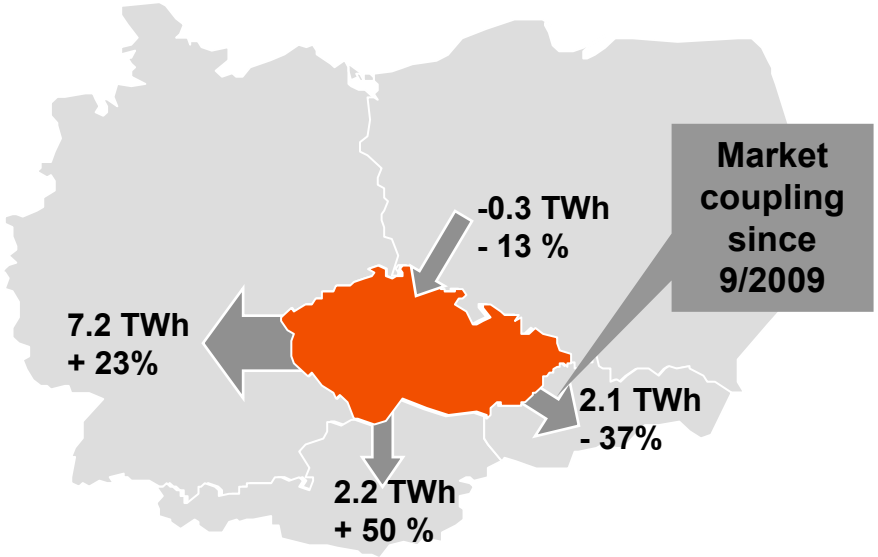
- The year-on-year decrease of generation in coal-fired power plants by 4.6% was mainly caused by lower electricity prices year-on-year, for which power plant operation is optimized, and by an increased fault rate in Q4 2009
- The year-on-year production increase in nuclear power plants by 2.5% was caused by shortening planned and accident shutdowns of Temelin NPP in 2009
- The year-on-year growth of production in hydroelectric power plants of 33% was especially caused by higher flow rates in summer

Source: CEZ

# CZECH REPUBLIC REMAINS NET EXPORTER OF ELECTRICITY

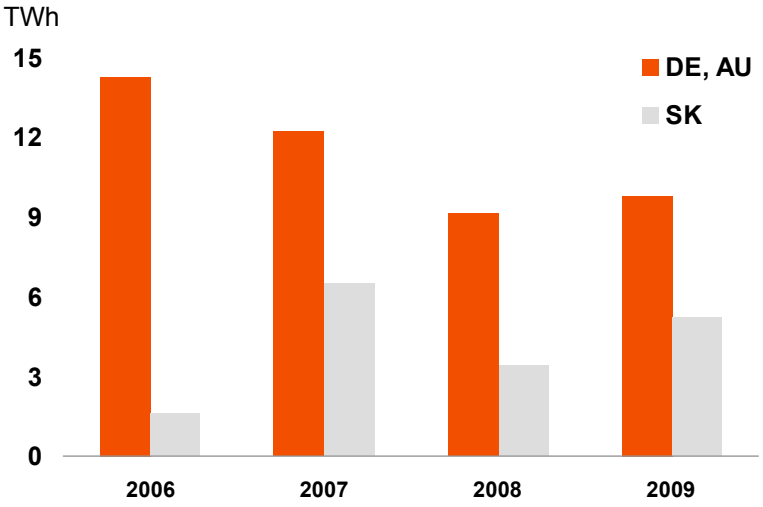
## Balance of cross border trades of the Czech Republic in 9M 2010

(Net exports in TWh, y-o-y changes in %)




**Total net exports: 9.5 TWh, +28%**

## Development of balance of cross border trades




| TWh | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| DE, AU | 14.3 | 12.2 | 9.1 | 9.8 |
| SK | 1.6 | 6.5 | 3.4 | 5.2 |
| PL | -2.7 | -2.1 | -0.8 | -0.7 |
| | **13.2** | **16.6** | **11.7** | **14.3** |

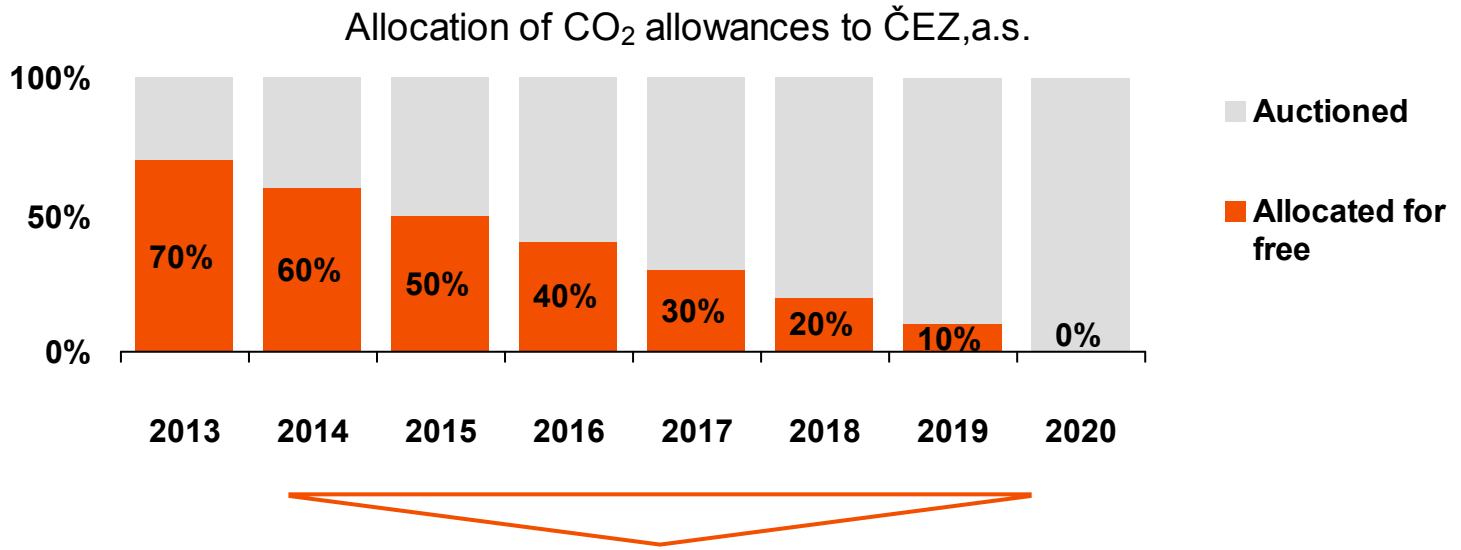
- CEZ is selling electricity on the Czech wholesale market
- Czech Republic remains net exported of power
- There are no bottlenecks on the borders (except Poland)

Source: CEPS

# AGENDA

# CZECH REPUBLIC IS ELIGIBLE FOR GRADUAL IMPLEMENTATION OF $CO_2$ AUCTIONING IN 2013-2020

- Parliament of the Czech Republic has approved an implementation of EU ETS directive, which enables partial free allocation of $CO_2$ allowances for Czech power industry
- Value of free $CO_2$ allowances should be invested into modernizing and upgrading infrastructure, clean technologies, and diversification of energy mix

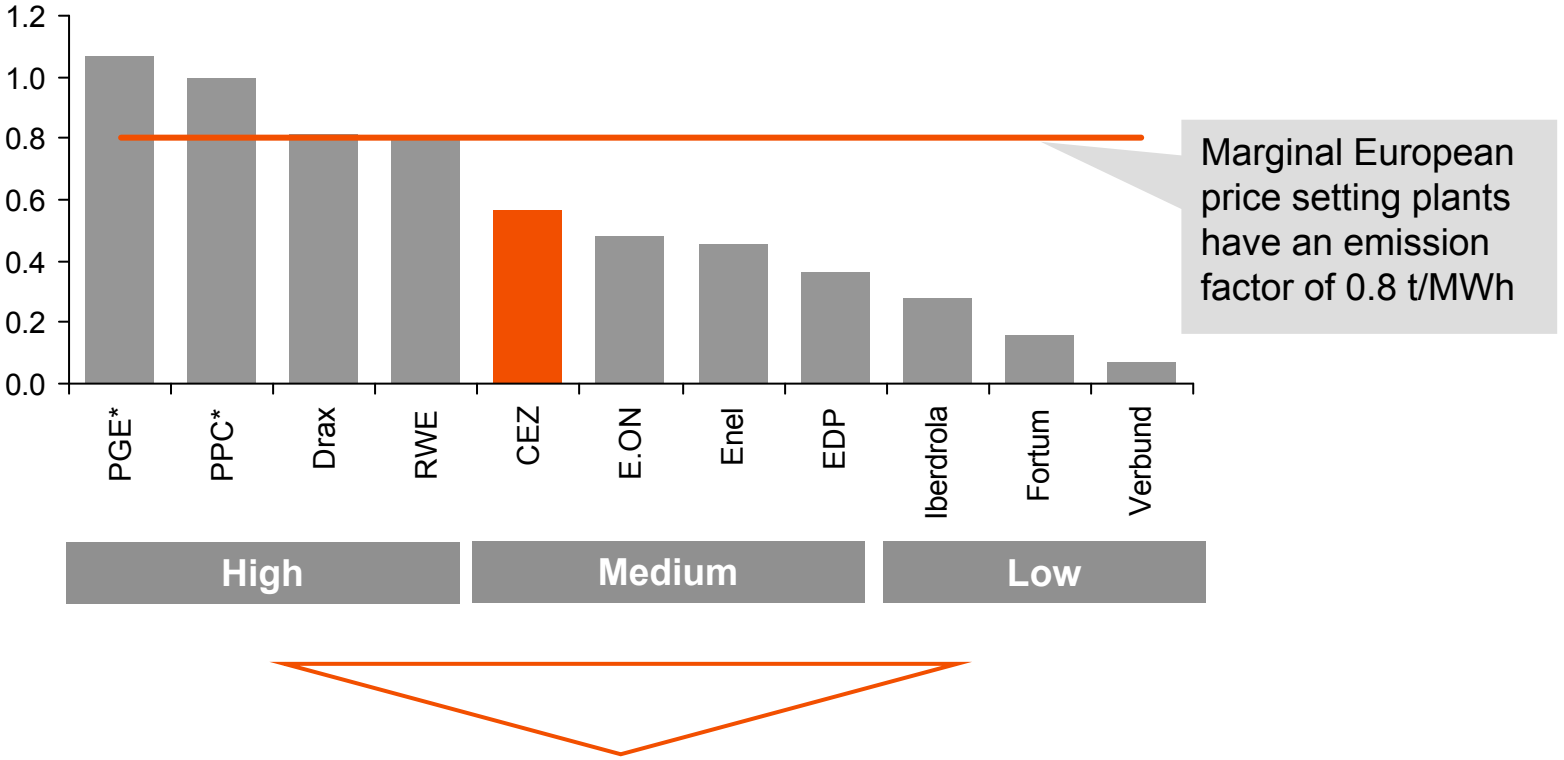



Nominal value of the free allocations in 2013-2020 is € 1- 2 bn *

* Calculation based on $CO_2$ price of 13 – 25 €/t

# ALREADY NOW OUR $CO_2$ INTENSITY IS BELOW EUROPEAN PRICE SETTING PLANT

**Carbon intensity of selected European utilities**
(2009, t/MWh)

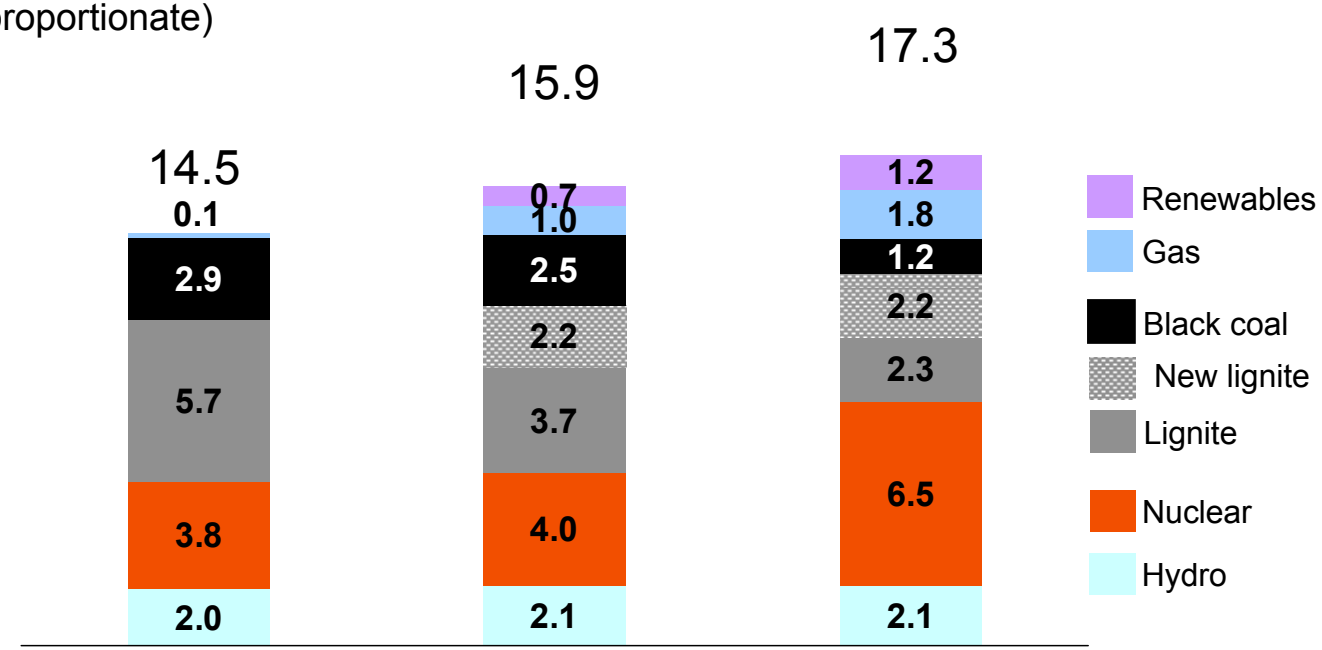



Increase in $CO_2$ price has a positive impact on CEZ profitability

Source: Company data, Iberdrola and PGE calculated from net production, *2008 data

# INVESTMENT PROGRAM WILL ALLOW CEZ TO REDUCE THE AVERAGE $CO_2$ EMISSION FACTOR BY 50%

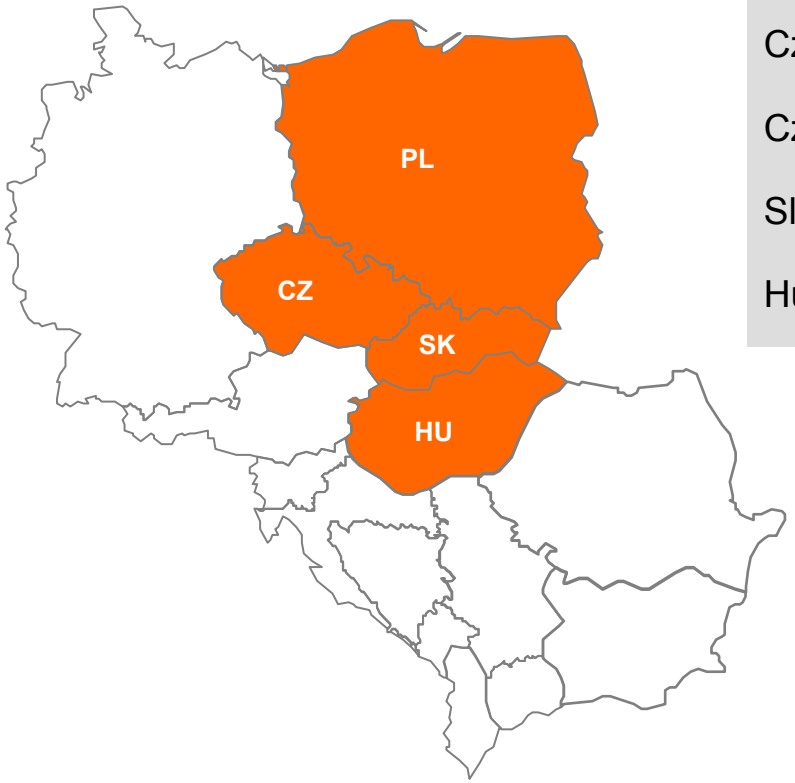
**Installed capacity (GW) - structure planned in 2010**
(proportionate)




| | 2009 | 2015 | 2020 |
|---|---|---|---|
| **Emissions $CO_2$** (m t $CO_2$) | 37.2 | 43.0 | 31.9 |
| **$CO_2$ Emissions (t $CO_2$/MWh supplied)** | 0.63 | 0.53 | 0.35 |

Source: CEZ

# CEZ PLANS CCGTS IN LOCATIONS WITH SUITABLE CONDITIONS




| Location | Name | Approximate Size (MW) |
|---|---|---|
| Czech Rep. | **Pocerady** | 841 |
| Czech Rep. | **Melnik** | 800 |
| Slovakia | **Slovnaft** (JV with MOL) | 800 +160 |
| Hungary | **Dufi** (JV with MOL) | 800 |

# NUCLEAR ENERGY REMAINS VERY ATTRACTIVE AND CEZ PURSUES OPPORTUNITIES IN THIS AREA

## Reasons for nuclear energy

- „in the money“
- $CO_2$ free solution
- Reliable & predictable fuel suppliers
- Another way to diversify generation portfolio
- Increasing awareness of the need for nuclear energy in the EU

## CEZ response

- Increase of **production at existing plants** from 26 TWh to 31 TWh by 2012
- **Temelin** – up to 3,400 MW of new capacity (in July 2008 EIA study submitted, in August 2009 tender for supplier launched)
- CEZ partnered with Slovakian government on construction of **Jaslovske Bohunice**
- **Dukovany** – up to 1,700 MW of new capacity

# ROMANIAN WIND PROJECT WILL SIGNIFICANTLY INCREASE OUR PRESENCE IN RENEWABLES

**Romania – Fantanele & Cogealac (600 MW)**

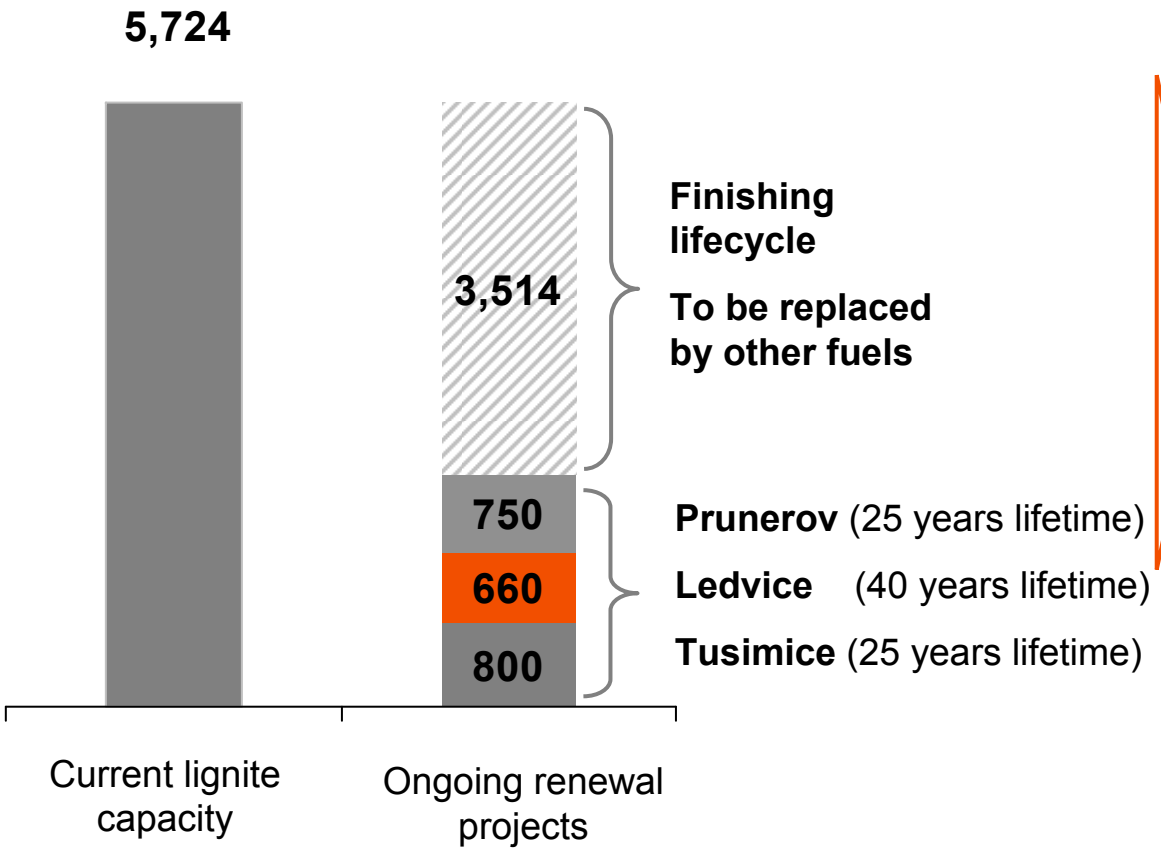
- Largest wind farm project in Europe
- 347.5 MW operational in 2010, additional 252.5 MW by 2011
- Excellent wind conditions for an on-shore site with expected net capacity factor of 28%
- Total investment is estimated at € 1.1 bn
- Support through green certificates (GC) – price range set by law at € 27-55 per certificate, 2 GCs received for each MWh until 2017, 1GC per MWh afterwards

**Czech Republic**

- Development of 125 MW of solar plants is underway
  - Operational before the end of 2010 and thus eligible to favorable feed-in tariffs of € 476 (prior to revenue tax of 26%)
  - Expected investments of CZK10.5 bn

# IN THE CZECH REPUBLIC CEZ DECIDED TO INVEST INTO RENEWAL OF ONLY SELECTED LIGNITE PLANTS , WHICH MATCH OUR COAL SUPPLIES

**Lignite capacity (MW)**



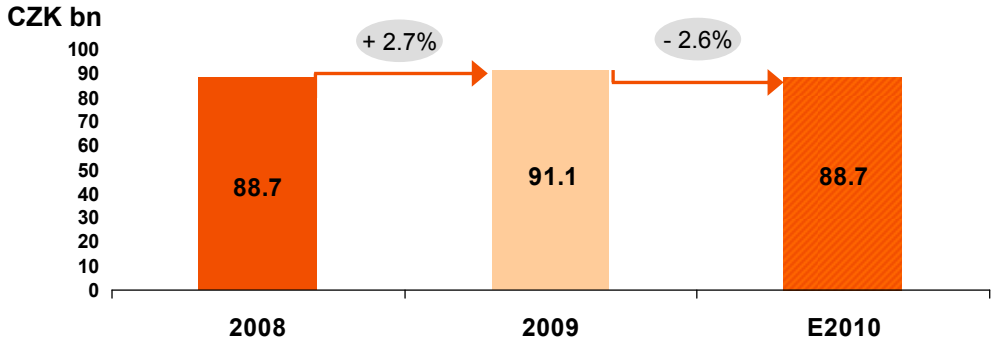

**Rationale**

- Low cost of domestic lignite
- Thermal power plants next to mines – only costs of internal logistics
- Replacement of old units with more efficient new technology (20% lower $CO_2$ emissions, from 1t $CO_2$/MWh to 0.8 $CO_2$/MWh)
- Secured lignite supplies for the investment lifetime

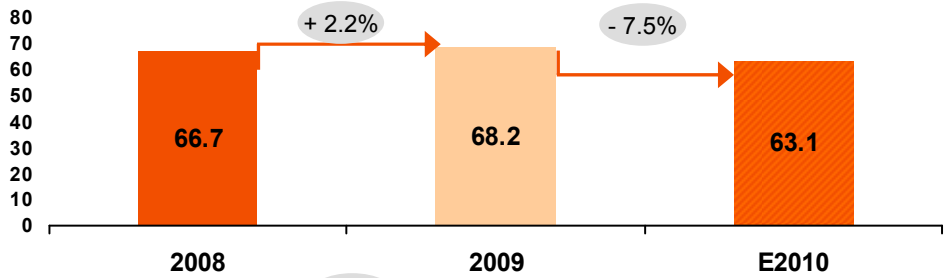
# AGENDA

# EXPECTED RESULTS IN 2010

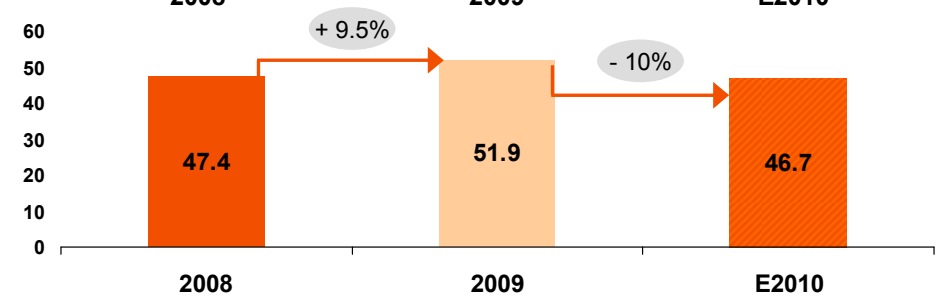
**EBITDA**




**EBIT**




**NET PROFIT**




**Key year on year factors**

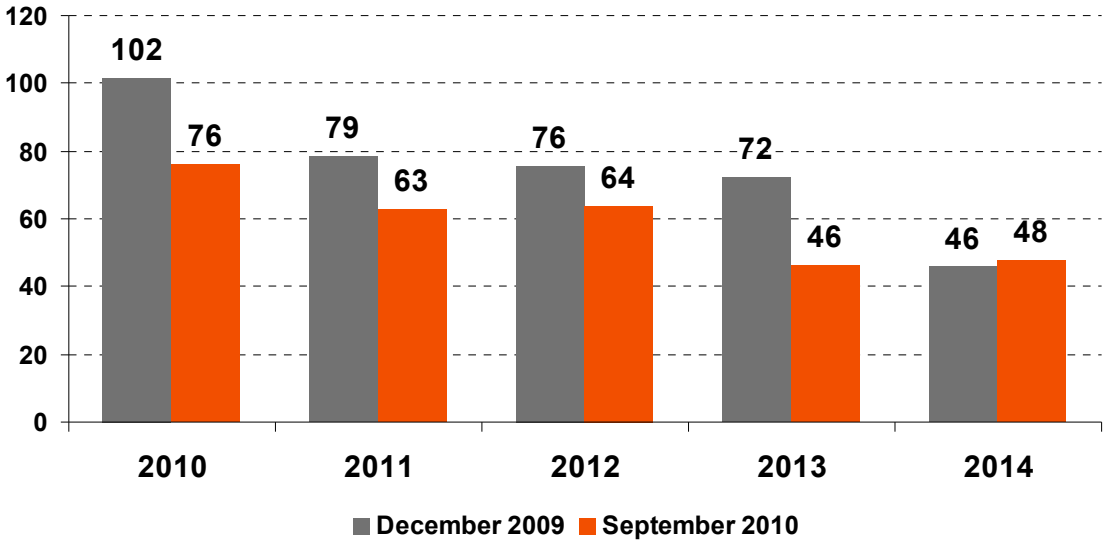
- Decrease in electricity sales prices (partly offset by hedgig the production up to 3 years ahead).
- Moderate growth of electricity demand.

**Key risk factors for 2010**

- Negative impact of generation from photovoltaic power plants in the Czech Republic. Due to a dramatic growth of electricity generated from photovoltaic power plants, there is a risk of a negative impact on expected results amounting to CZK 1 – 2 bn. This impact will be compensated in the permitted revenues in the years to come.
- Higher creation of adjustments to receivables.
- Regulatory and political risks in Southeastern Europe.

# THE INVESTMENT PROGRAMME WAS CUT BY 21% FOR THE 2010–2014 PERIOD COMPARED TO DEC 2009 EXPECTATIONS

**Investments for 2010-2014 (CAPEX and financial investments)**
CZK bn

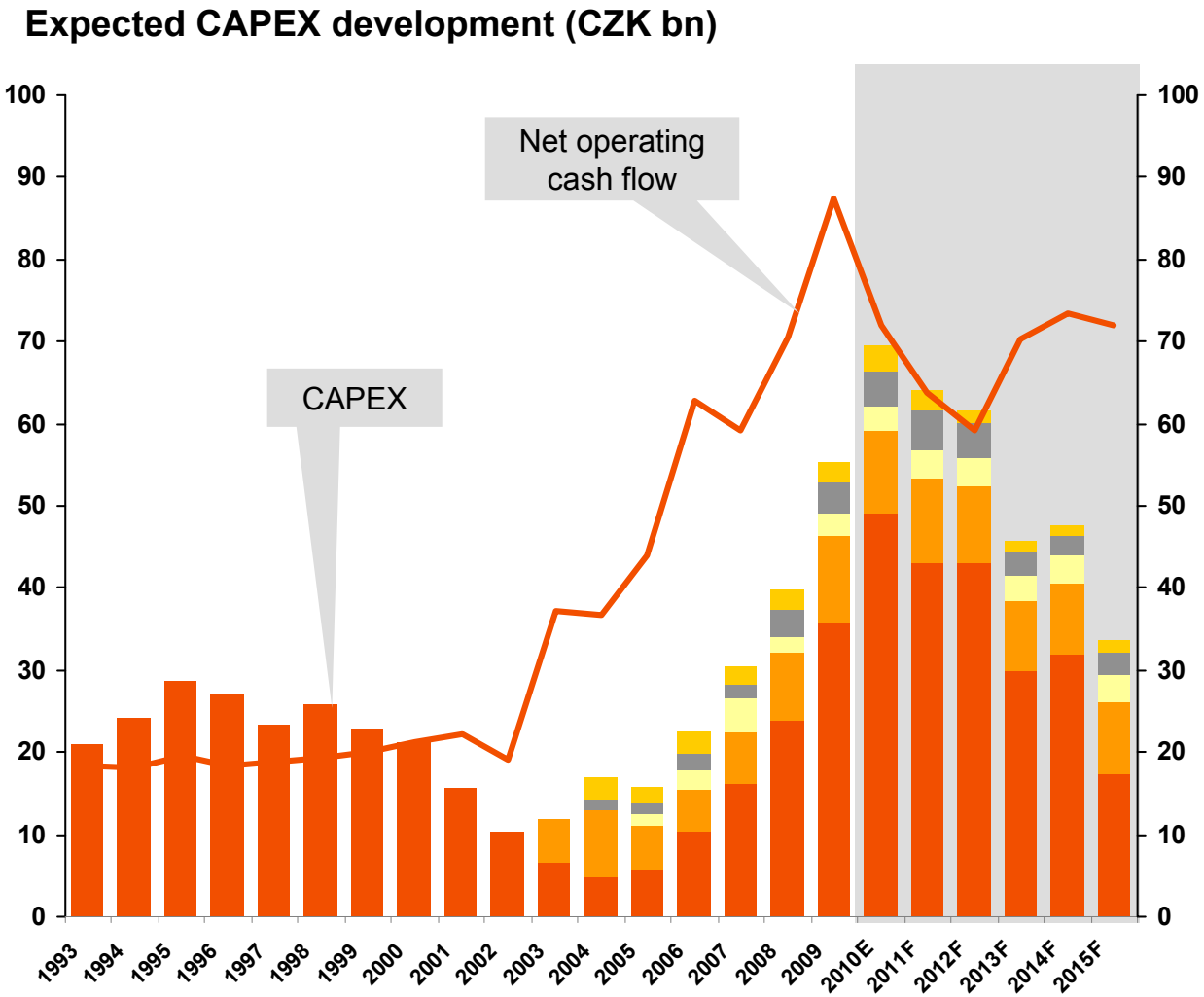



- Projects failing to meet strategic or return targets were excluded from the investment programme. In case of any improvements in the state of the energy market or the projects' rate of return, they can again be reconsidered.
- Every project must at least cover WACC including a return premium.

- **halted projects:** Varna and Skawina (new plants), Galați, Nováky, US STEEL
- **termination of acquisition projects:** STEAG, Geso/Enso, ENEA, Energa, privatisations of Turkish companies, PAK, Cernavodă
- **departure from countries without own energy assets, e.g.:** Kosovo, Serbia...

# NEW CAPEX PLAN CAN FINANCED FROM OPERATING CASH FLOW

## Expected CAPEX development (CZK bn)




Net cash provided by operating activities (Business plan from Sep 10 )

CAPEX breakdown:

- Other
- Mining
- Distribution and sales – foreign
- Distribution and sales – domestic
- Generation and trading

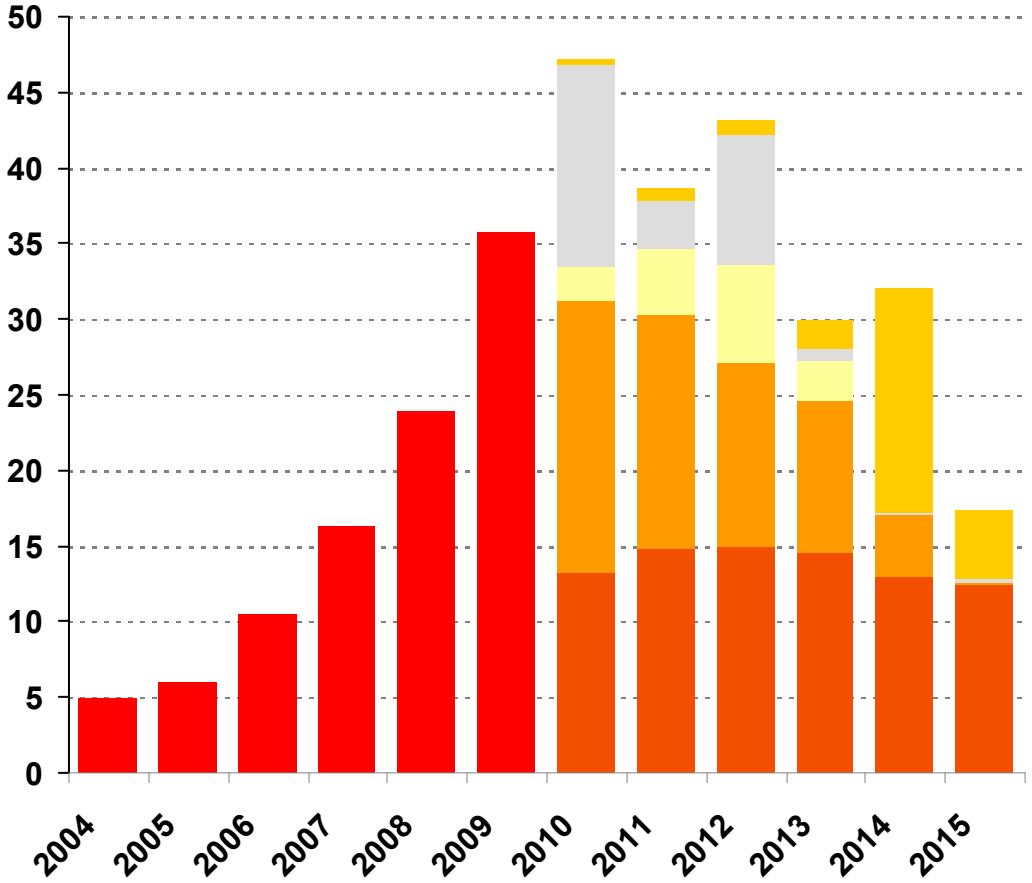
**Key projects:**

- upgrades of lignite plants
- Construction of Pocerady CCGT
- Construction of Romanian wind farm
- Preparatory capex for Temelin
- solar investments in the Czech Republic

Note: projects consolidated by equity method are not included

# LARGE PART OF OUR INVESTMENTS IN GENERATION IS DIRECTED INTO LOW CARBON TECHNOLOGIES

**CAPEX into our generation segment (CZK bn)**




- New nuclear
- Renewables
- New CCGTs
- Lignite uprades
- Maintainance and others *

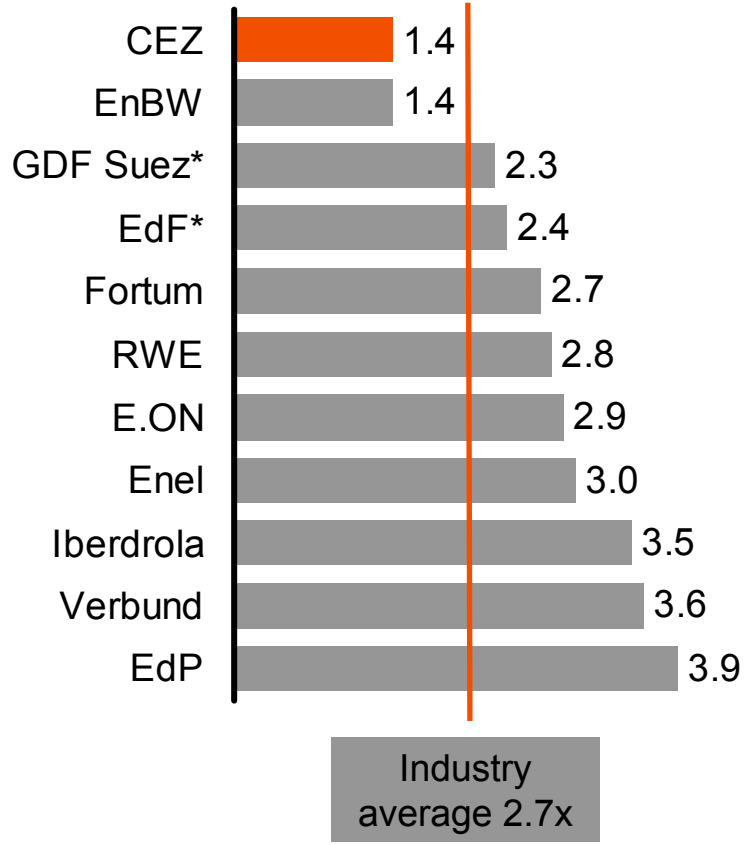
**Key generation projects:**

- Renewals of lignite plants Tusimice, Ledvice, Prunerov
- Wind farm in Romania and other solar projects in the Czech Republic
- New CCGT in Pocerady
- Preparatory works for new units of Temelin power plants

Source: CEZ, * including nuclear fuel, capitalized interest

# OUR CURRENT LEVERAGE IS LOW COMPARED TO INDUSTRY STANDARDS

**Net financial debt/ EBITDA**
Multiples, as of Sep 30, 2010




* As of 30/6/2010

Current level of debt is low, which is a comfortable position in the current environment

Medium-term target leverage remains intact:

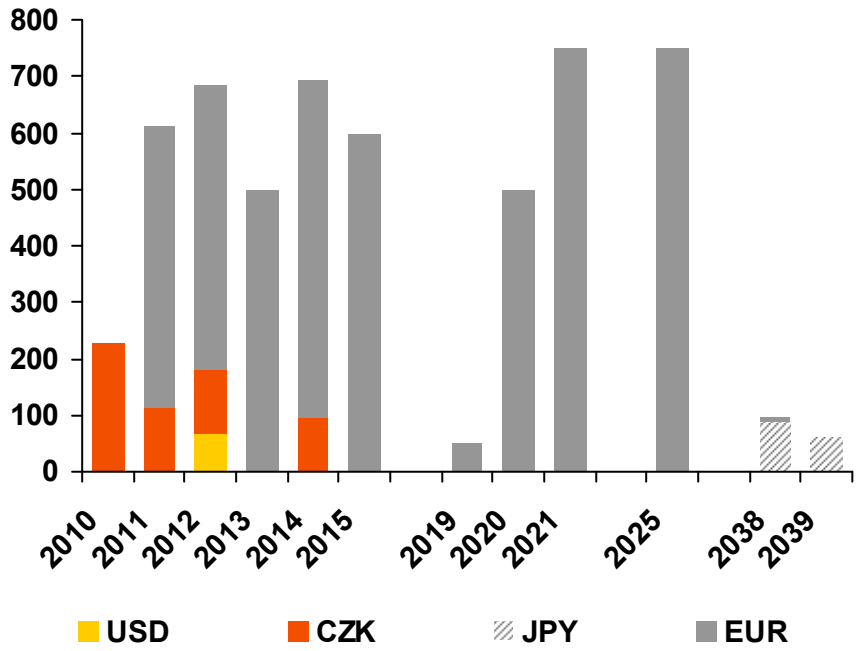
- Net debt/EBITDA ratio at 2.0-2.5x
- Consistent with current rating of A-/A2

Source: Company data

# CEZ HAS A GOOD ACCESS TO DEBT MARKETS

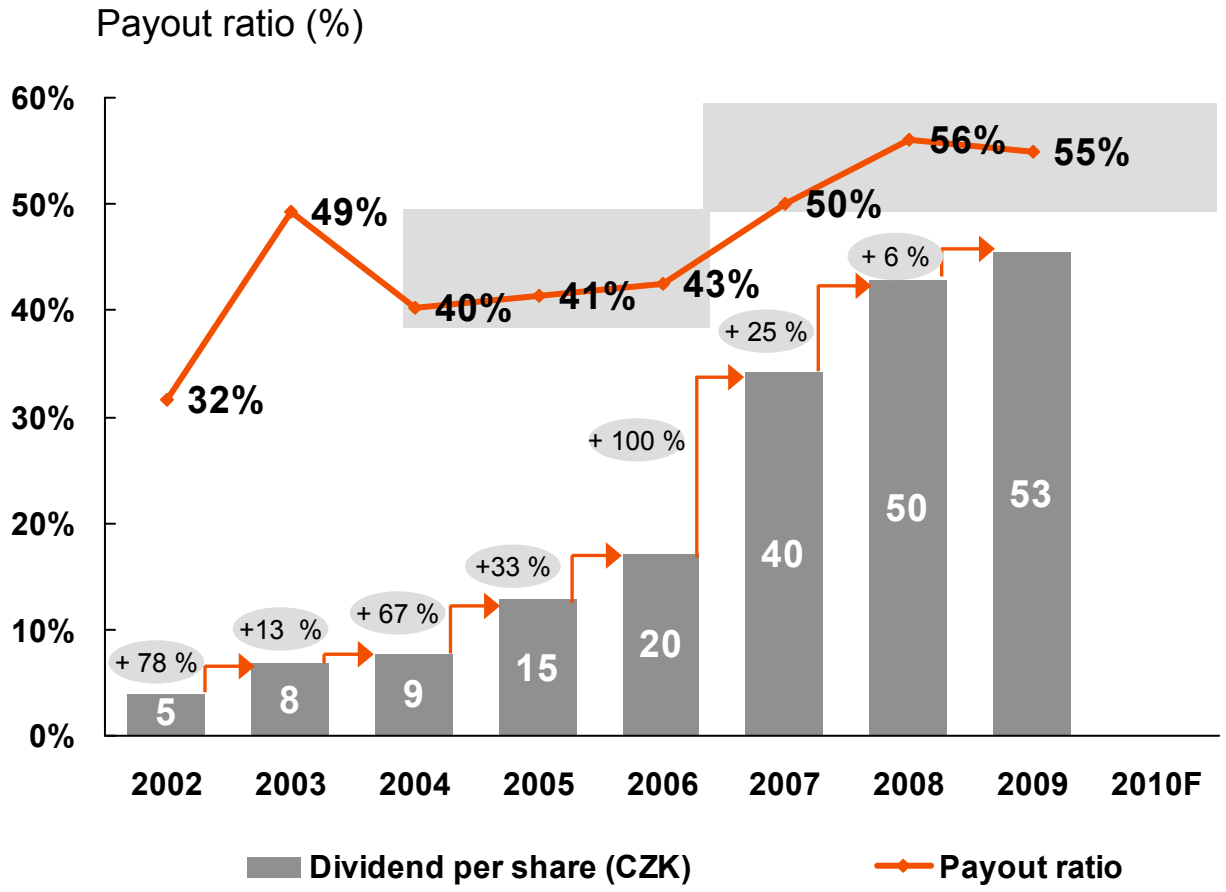
- CEZ has been regularly issuing bonds on Eurobond market
- Euro is the preferred currency because it serves as natural hedge to largely Euro denominated revenues
- Maturities are evenly spread over coming years; in the last 12 months average maturity increased by 2 years to current 7.7 years
- In April 2010 CEZ issued € 750 m bond with 15 year maturity and a coupon of 4.875%, the issue was priced at 122 bp spread to mid-swaps
- In June 2010 CEZ issued € 500 m bond with 10year maturity and 4.5% coupon at 167 bp spread to mid-swaps

**Bond maturity profile** (EUR m)




Note: CZK/EUR 26.465 as of December 31, 2009

# CEZ GROUP IS COMMITTED TO MAINTAIN ITS PAYOUT RATIO OF 50 – 60 % OF NET INCOME



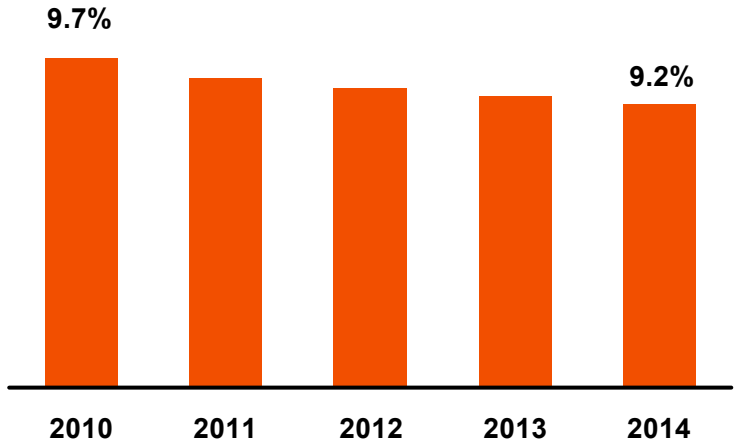

- Dividend policy targets payout ratio in the range of 50% to 60% of the consolidated profit adjusted for extraordinary items
- Dividend from 2009 profit was approved by AGM at CZK 53 per share

Source: CEZ

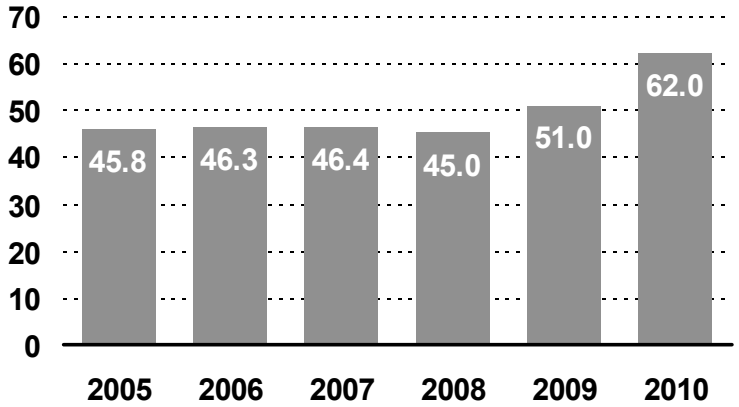
# OUTCOME OF REGULATORY REVIEW OF THE CZECH DISTRIBUTION IS POSITIVE

- Parameters of 3rd regulatory period (2010-2014) improved
  - Formula is very supportive for new investments
  - Gradual increase of regulatory asset based is firmly incorporated into the formula – in 2010 RAB increased by CZK 9 bn
  - WACC increased from 7.6% to 7.9%
- Regulated fees increased by 12.2% for households and by 9.6% for small businesses in CEZ's distribution area
- We budgeted CZK 3 bn* increase in EBITDA in 2010 compared to 2009 in our Czech distribution business

**Returns on new investments**




**Czech distribution RAB development**
CZK bn

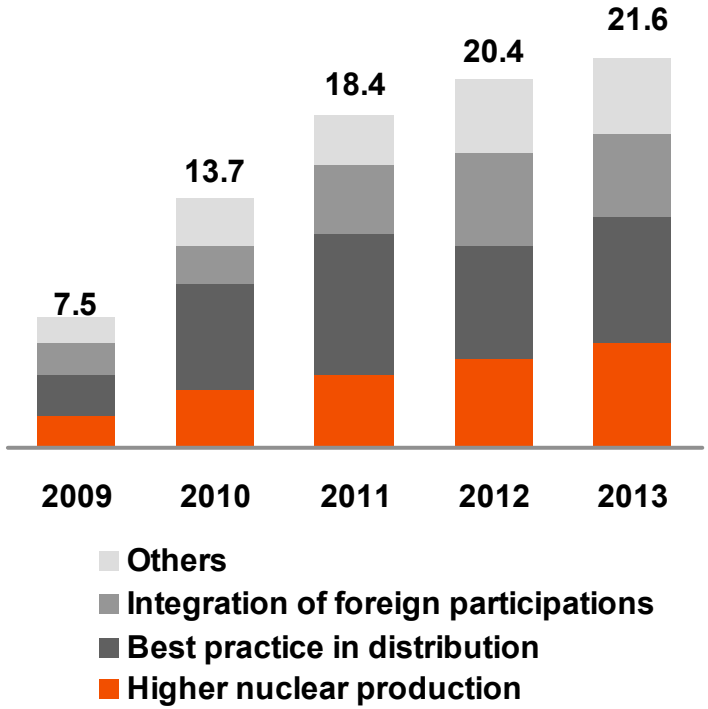



* This increase might be CZK 1-2 bn lower if the capacity of renewables exceeds regulator's assumptions

# EFFICIENCY PROGRAM "EFEKTIVITA" IS ON TRACK TO DELIVER CZK 13.7 BN CONTRIBUTION IN 2010

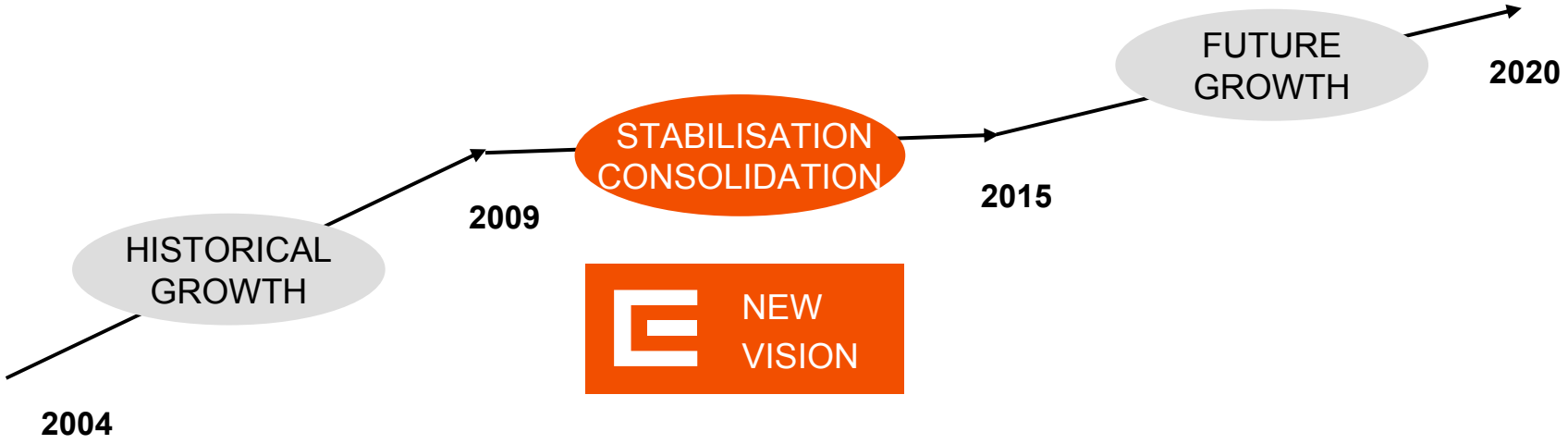
| Key initiatives | |
|---|---|
| Transformation of ICT | Cost effective function of internal ICT suppliers |
| Lean Company | Process improvements in CEZ Group, particularly at headquarters |
| Customer | To become the company with the best customer services in the Czech Republic by 2009 |
| Best Practice in Distribution | To optimize processes to the level of the best European companies by 2012 |
| Integration of Foreign Equity Participations | Full integration of foreign equity participations to CEZ Group |
| Safely 15 TERA Temelín | Increase of production to 15 TWh by 2010 (technical innovations, limiting of unplanned shutdowns, shortening of re-fuelling outages) |
| 16 TERA Dukovany | Increase of production by 2013 (technical innovations, shortening of re-fuelling outages) |

**Increase of EBITDA vs. baseline in 2006**
(CZK bn.)




**The Efektivita program, which focuses on improving our internal performance, brings the results in line with the long-term plan**

# CEZ NEW VISION: A NEW INITIATIVES TO ACHIEVE STABILITY AND CONSOLIDATION




- We are rolling out a robust programme of stabilising CEZ Group to steer it through a period of turbulent change on the energy market.
- We are cutting down our investment programme in line with the current requirements and resources of CEZ Group.
- We are radically optimising the internal functioning and cost structure of CEZ Group.

# "NEW VISION" BRINGS NEW ASPIRATIONS ACROSS THE ENTIRE CEZ GROUP VALUE CHAIN

**Aspirations across the value chain**

1. Linking efficiency of extraction with the life-span of conventional power stations
2. Improving the efficiency of nuclear and other power stations
3. Bringing distribution performance to best practice levels
4. Increase trading margin
5. Maintain profitability of sales to end customers
6. Increase contribution from acquisition assets
7. Save across all segments

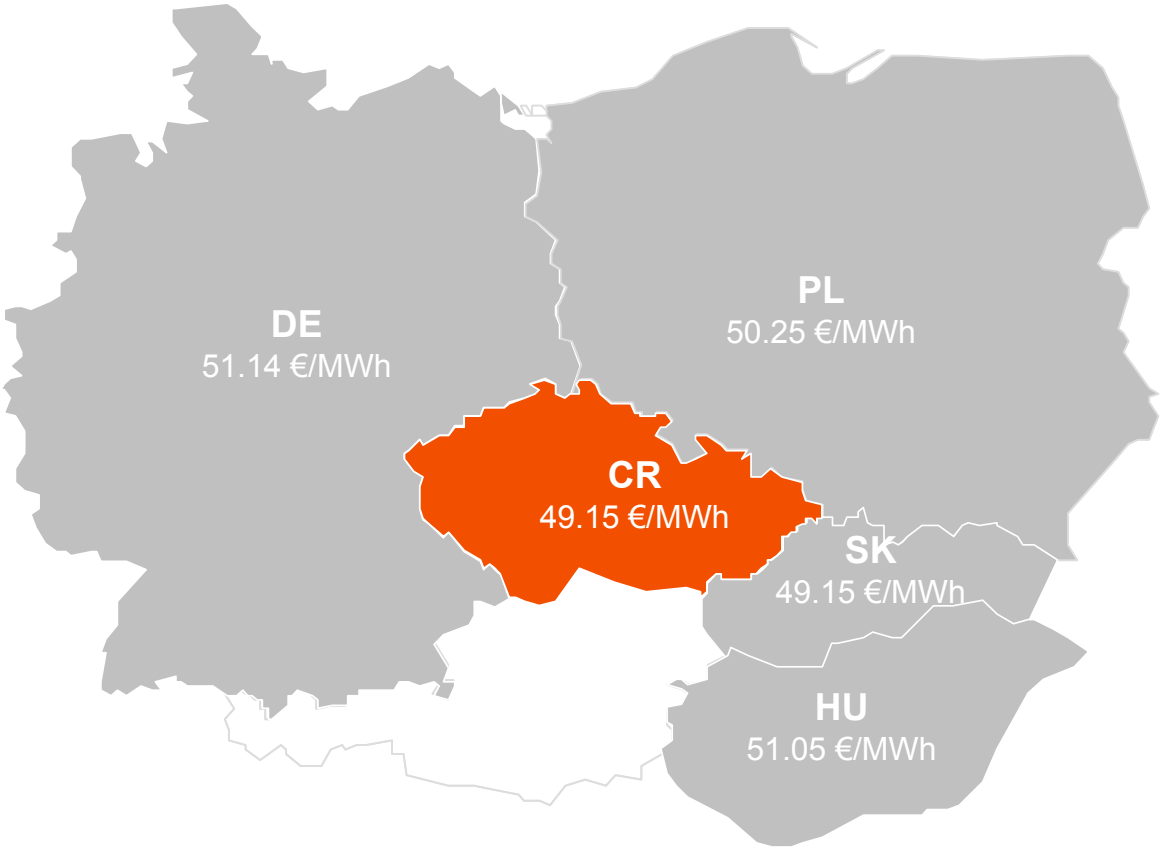
# AGENDA

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

| | Lignite mining | Generation | Transmission | Distribution | Supply |
|---|---|---|---|---|---|
| CEZ | **49**% 22 million tons | **74**% 60.6 TWh | **100**% 58.2 TWh | 5 out of 8 distribution regions<br>61% of customers | **44%** 24.4 TWh |
| Others | **51**% 23 million tons | **26**% 21.6 TWh | | 39% of customers | **56**% 31.2 TWh |
| | ▪ CEZ fully owns the largest Czech mining company (SD) covering 60% of CEZ' s lignite needs<br>▪ Remaining 2 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 |

Source: CEZ, ERU; 2009

# ELECTRICITY MARKETS IN THE REGION ARE INTEGRATED, CEZ CAN SELL ITS POWER ABROAD

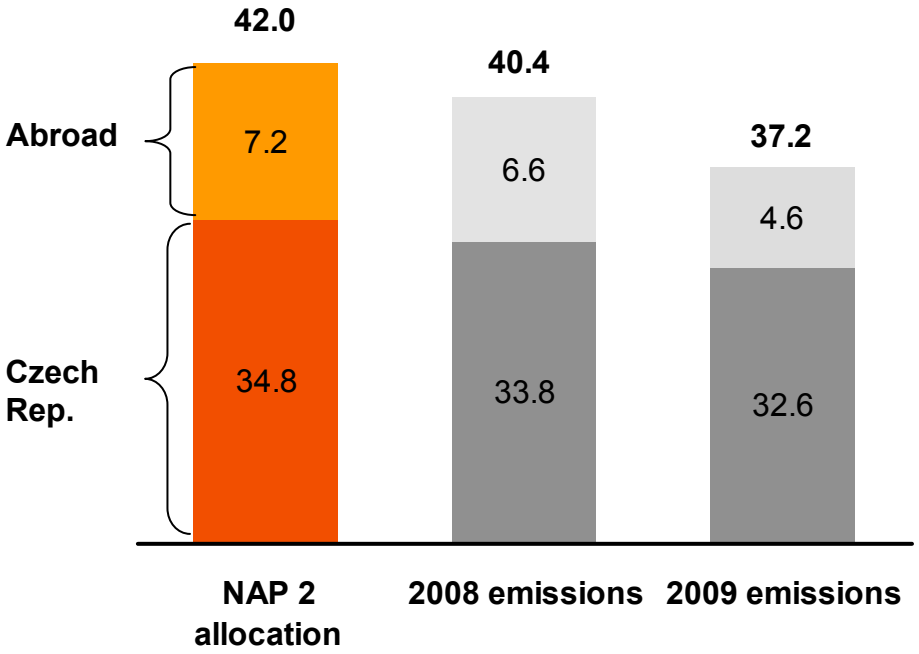



Note: Prices for base load 2012 as of Nov 24, 2010

Source: EEX, PXE; PolPX

# NAP 2 ALLOCATION IS SUFFICIENT TO COVER CEZ GENERATION NEEDS

**$CO_2$ Emissions of CEZ Group**
Millions of Tons




- **Czech** power plants allocation is 34.8 m in NAP2, compared to 36.8 m in NAP1. Average emissions were 35.2 m in 2005 - 07
- **Polish** power plants Elcho and Skawina got allocated 3.6 m in NAP2, a reduction of 21% compared to NAP1. Their average emissions were 4.2m in 2005-07.
- Varna plant in **Bulgaria** got allocated on average 3.6m per year in NAP2 (allocations are not same for all years but are in a range of 3.4-3.9 m in 2008-2012)

Source: CEZ

# MODERNIZATION OF TUSIMICE AND CONSTRUCTION OF NEW UNIT IN LEDVICE IS PROGRESSING ACCORDING TO SCHEDULE AND BUDGET

**Coal power plant Tusimice**
Complex renewal (4 x 200 MWe)

- Gradual renewal (2+2 units)
- Increase in net efficiency to 38%
- Extension of service life until 2035
- Initiation of renewal: June 2, 2007
- Planned start of operation: June 2010 and August 2011

**Coal power plant Ledvice**
New supercritical unit (1 x 660 MWe)

- Construction of the boiler structure, cooling tower and desulphurization unit are ongoing
- Planned net efficiency 42.5%
- Expected service life 40 years, i.e. until 2052
- Initiation of implementation: July 17, 2007
- Planned start of operation: Dec 2012

# PREPARATION OF MODERNIZATION OF PRUNEROV AND OF CCGT POCERADY IS UNDERWAY

**Coal power plant Prunéřov**

**Complex renewal** (3 units x 250 MWe)

- Project received EIA approval in May 2010
- Selection of suppliers and finalization of basic design is underway
- Increase in net efficiency to above 39 percent
- Extension of service life by 25 - 30 years
- Initiation of renewal: March 1, 2011
- Planned start of operation of new units: Q4 2012 – Q1 2013

**CCGT Počerady**

New construction (841 MW)

- EIA issued
- Gas turbine, HRSG and steam turbines contracted
- Net efficiency 57.4% (ISO)
- Service life until 2043
- Start of construction by December 2010
- Planned start of operation: April - June 2013

# PREPARATION OF PROJECTS IN COOPERATION WITH OUR PARTNER MOL GROUP

## CCGT Slovnaft

New construction (800 - 900MW)

- Next to refinery site Slovnaft, Bratislava
- CCGT multi shaft
- Request for EIA submitted
- On-going tender for technology and gas
- Assumed life cycle 30 years
- Planned commissioning in late 2014

## CCGT Dufi

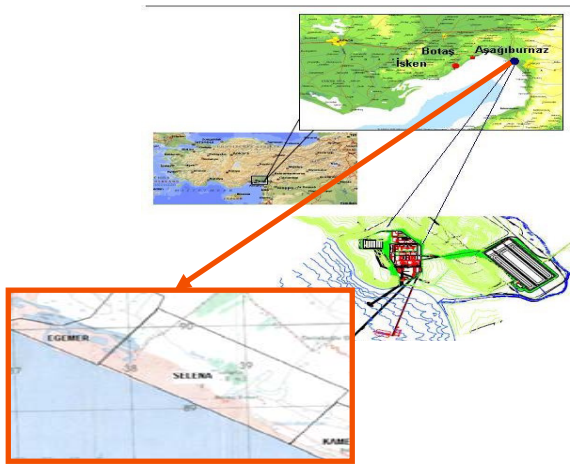
New construction (800 - 900MW)

- Next to refinery site Dufi, 30 km to the south of Budapest
- CCGT multi shaft
- Project in-waiting for EIA
- On-going tender for technology
- Assumed life cycle 30 years
- Planned commissioning in late 2013

# PREPARATION OF CCGT PROJECT IN TURKEY

**CCGT Hatay (Egemer), Turkey**

New construction (800 - 900MW)




- Activities realized via Akenerji
- EIA process ongoing
- Assumed life cycle of power plant 30 years
- Owner's engineer: Parsons Brinckerhoff
- On-going selection of technology and gas
- Planned commissioning in late 2013

# IN 2009 CEZ GROUP MADE SEVERAL ACQUISITIONS TAKING ADVANTAGE OF ATTRACTIVE PRICES

**Key acquisitions made in 2009**

| | |
|---|---|
| **Stable cash flow businesses** | ▪ Acquisition of distribution company **OSSH** in Albania<br>▪ Lignite mine **MIBGRAG** in Germany<br>▪ **SEDAS**, Turkey distribution company acquired in February 2009 |
| **Gas** | ▪ Acquisition of 37.4% stake in **Akenerji** in Turkey finalized in May 2009, development of gas project **Hatay** |
| **Heat** | ▪ Acquisition of controlling stake in **Dalkia Usti nad Labem** and 15% stake in **Dalkia CR** which are important players in the Czech heat market<br>▪ Agreement to buy 49% stake in **Prazska teplarenska** (major heat supplier in Prague, Czech Republic) |
| **Nuclear** | ▪ In May 2009 shareholder **agreement** was signed between CEZ and Slovakian party **to build** new **nuclear** power **plant in Jaslovske Bohunice** in Slovakia |

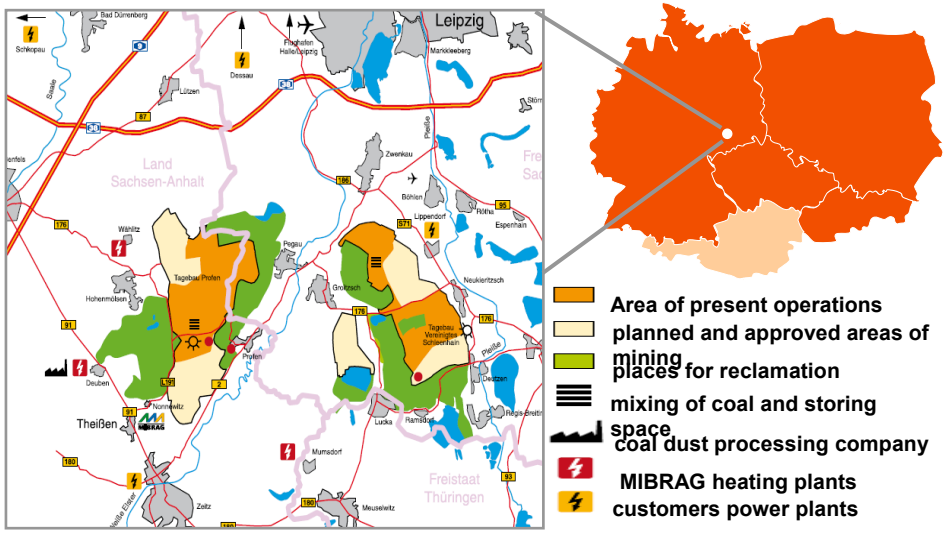
# MIBRAG ACQUIRED AT ATTRACTIVE MULTIPLES

## Transaction details

- On June 2, 2009 Severočeské doly and J&T Group jointly acquired 100 % of MIBRAG from two U.S. companies, URS Corporation and NRG Energy Inc. for EUR 404 m.
- The acquisition price implies 2008 EV/EBITDA multiple of 3.8x.

## Key facts on MIBRAG

- Mibrag owns and operates two opencast coal pits Profen and United Schleenhain in central German brown-coal basin, near Leipzig. Their combined annual production is approximately 19 m tons.
- The proven reserves in current coal mines are 530 m tons of lignite, with significant expansion options.
- Coal is supplied primarily to power plants of Lippendorf (2*900 MW) and Schkopau ( 2*450 MW) based on long-term contracts and also to 3 combined heat and power plants owned and operated by Mibrag with installed capacity of 208 MWe.
- MIBRAG also runs coal dust processing factory.




| EUR m | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Revenues | 371.6 | 372.5 | 404.7 | 419.7 |
| of which: sales of raw brown coal | | 260.3 | 279.1 | 304.2 |
| electricity sales | | 40.5 | 52.1 | 48.1 |
| EBITDA | 124.0 | 128.5 | 120.6 | 139.5 |
| EBIT | 50.9 | 50.8 | 39.2 | 63.4 |
| Net income | 36.8 | 39.8 | 31.8 | 51.9 |
| Assets | 979.1 | 950.4 | 970.1 | 1,005 |
| Net financial debt | 110.4 | 74.2 | 51.9 | 28.4 |
| Environmental and mining provisions | 201.8 | 203.4 | 220.2 | 231.0 |
| Investments | 62 | 34.3 | 26.8 | 33.2 |
| Raw coal extraction (m t) | 19.9 | 18.6 | 19.0 | 19.7 |
| Electricity generation (GWh) | 1,284 | 1,449 | 1,402 | 1,320 |

Source: CEZ, MIBRAG

# ON MAY 10, 2010 CEZ GROUP ACQUIRED STAKES IN DALKIA ÚSTÍ NAD LABEM AND DALKIA ČESKÁ REPUBLIKA

- In November 2009, CEZ has concluded a contract for purchase of 85% stake in Dalkia Ústí nad Labem from Dalkia Česká republika. The price for 100% share equivalent of Dalkia Ústí nad Labem is CZK 6.3 bn and comprises of fixed and variable sum.

- CEZ concurrently singed an agreement to acquire 15% of Dalkia Česká republika for the price amounting to CZK 3.6 bn.

- The transaction was concluded on May 10, 2010 after it received clearance from Czech Antimonopoly Authority.

- An option for remaining 15% share in Dalkia Ústí nad Labem as well as possible share buy back of 85% by Dalkia Česká republika is part of the agreement. Realization of the options is related to a trouble-free continuity of performance in Usti nad Labem and development of further negotiations regarding potential assets transactions.

- The transaction will enable CEZ to strengthen its position in a heating industry in the area where it already owns companies Martia and PPC Uzin.

# BASIC FACTS ON DALKIA ČESKÁ REPUBLIKA, A.S. AND DALKIA ÚSTÍ NAD LABEM

- Dalkia Česká republika (Dalkia CR) is one of the most important players in Czech energy market active in generation, distribution and sale of heat and generation and sale of electricity.
- 51.1 % of the company is owned by Veolia Environment and 25.3 % by EDF through companies Dalkia and Dalkia International.
- Total installed capacity for heat generation is 3,850 MW. Dalkia CR supplied heat to 262,000 households in 2008.
- Total installed capacity for electricity generation is 550 MW. Customers for electricity are mainly Czech electricity traders.
- Dalkia Usti nad Labem (Dalkia UnL) is 100% subsidiary of Dalkia CR. In the city of Usti nad Labem it operates heat capacity of 470 MW and supplies 3,300 TJ of heat. Its electric capacity is 158 MW. It serves 30,000 households.

Assets of Dalkia Česká republika


**Dalkia Česká Republika key figures (consolidated)**

| CZK m | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Revenues | 9,455 | 10,055 | 10,979 | 12,761 |
| of which: sales of heat and related products | | 5,601 | 6,056 | 6,512 |
| sales of electricity and support services | | 4,165 | 4,536 | 5,939 |
| EBITDA | 3,263 | 4,037 | 4,062 | 4,263 |
| EBIT | 2,202 | 2,929 | 2,899 | 3,108 |
| Net income | 1,593 | 2,204 | 2,163 | 2,415 |
| Assets | 14,239 | 14,974 | 14,968 | 17,924 |
| Net debt | 1,787 | 1,394 | 1,115 | 703 |
| Cash flow from investing activities | 1,753 | 1,243 | 1,403 | 984 |
| Total volume of heat sold TJ | 17,919 | 17,941 | 18,394 | 16,340 |
| Total volume of electricity sold GWh | 2,440 | 2,432 | 2,055 | 2,574 |

**Dalkia Ústí nad Labem key figures 1), 2)**

| CZK m | 2006 | 2007 | 2008 |
|---|---|---|---|
| Revenues | 1,871 | 1,827 | 1,803 |
| of which: sales of heat | | | 806 |
| sales of electricity | | | 513 |
| ancillary services | | | 449 |
| EBITDA | 929 | 829 | 843 |
| EBIT | 734 | 626 | 621 |
| Earnings before tax | 746 | 621 | 625 |
| Assets | 3,014 | 3,188 | 3,132 |
| Net debt[1)] | 376 | 297 | 238 |
| Total volume of heat supplied TJ | 2,632 | 2,483 | 3,204 |
| Total volume of electricity supplied GWh | 457 | 445 | 307 |

1) Dalkia UnL was an organizational unit of Dalkia CR till September 30, 2009. The organizational unit was transformed into an independent legal entity via contribution of assets and liabilities (ie. the whole enterprise) on November 1, 2009; the contribution was on a debt free basis

2) Dalkia UnL is a $CO_2$ emitter and within the second allocation phase of EU ETS receives allocation of 1.1 mil tons of EUAs on annual basis for free; its annual consumption is around 0.75 mil tons, i.e. 0.35 mil tons p. a. is available for sale. We do not know to what extent are the historical sales reflected in the Dalkia UnL in 2008 and before.

Source: www.dalkia.cz, www.justice.cz

# IN JULY 2009 CEZ GROUP AGREED TO BUY A STAKE IN PRAZSKA TEPLARENSKA

- On July 1, 2009 CEZ agreed to buy almost 49% stake in Prazska teplarenska from J&T, its new owner. J&T gained the stake in cooperation with Dalkia in a sale of Czech assets of International Power.
- Transaction is subject to approval from European Commission.
- Prazska teplarenska is the largest heat producer and supplier in Prague.
- Through its 100% subsidiary Energotrans it also operates 352 MW power plant in Melnik
- CEZ became interested in Prazska teplarenska in connection with preparation of a project for CCGT plant in Melnik, which will replace an existing coal plant and will secure electricity and heat supplies for Prague in the future.

Prazska teplarenska consolidated financials

| CZK m | 2007 | 2008 | 2009 |
|---|---|---|---|
| Total revenues | 7,074 | 8,235 | 8,919 |
| of which: heat sales | 4,750 | 5,285 | 5,467 |
| electricity sales | 2,087 | 2,712 | 3,161 |
| EBITDA | 2,573 | 2,884 | 3,440 |
| Net income | 1,549 | 1,761 | 2,175 |
| Assets | 13,476 | 13,650 | 14,106 |
| Net financial debt (cash if negative) | -1,875 | -1,975 | -2,097 |
| CF from investing | -371 | -434 | -828 |
| Total volume of heat sold (TJ) | 12,596 | 13,088 | 12,814 |

Prazska teplarenska shareholder structure
(As of Dec 10, 2009 in %)

| | |
|---|---|
| International Power Opatovice | 48.67 |
| Prazska teplarenska Holding* | 47.33 |
| Dalkia Česká republika | 1.05 |

* Controlled by City of Prague (51%), EnBW (49%)

Source: Prazska teplarenska (www.ptas.cz)

# CEZ GROUP HAS COMPLETED ACQUISITON OF ALBANIAN DISTRIBUTOR

## Albania – distribution

- On June 1, 2009 CEZ acquired 76% stake in Albanian distribution company OSSH from Albanian government for EUR 102 m.
- OSSH is the only distribution company in Albania. It serves more than 1 m customers and supplies 4.1 TWh of electricity.
- Albania has been affected by a large shortage of electricity lately in particular due to the absence of investment in power development in last decades. In 2008 Albania imported over 30% of its annual consumption amounting to 6.5 TWh.


Source: CEZ

# IN FEBRUARY 2009 WE FINISHED TAKEOVER OF TURKISH DISTRIBUTION

- CEZ Group together with Turkish partner finished takeover of Turkish distribution company SEDAŞ on February 11, 2009
- Half i.e. USD 300 m of total price for the transaction has been transferred, the rest of the price will be paid in two equal payments in two following years.
- Sedaş distributes electricity to 1.3 m customers in region including city Sakarya, Bolu, Düzce a Kocaeli located in industrial heart of Turkey

**Corporate re-structuring**

- Change of organization from regional to process-oriented has begun
- Customer care is under re-organization (change of structure of customer centers, central customer line, outsourcing of cash collection, centralization of billing and receivables)
- Individual teams are built in the field of electricity trading - in 2010, they will start operating under the leadership of Akenerji‘s sales team
- Optimization of other activities (quality management, risk management, internal audit, ICT etc.)


| Key facts – SEDAŞ (2009) | |
|---|---|
| Number of customers (m) | 1.3 |
| Electricity sales (TWh) | 8.4 |
| Of which: to industry customers (%) | 55% |
| Losses | 6.3%* |

*2008

Source: ČEZ, TEDAS

# ACQUISITON OF STAKE IN AKENERJI CLOSED ON MAY 15, 2009

- On May 15, 2009 CEZ bought 37.36% stake in Akenerji for USD 302.6 m from subjects related to Akkök. Thus CEZ and subjects related to Akkök have an equal stake in Akenerji with combined shareholding of 75%
- Akenerji is the largest company among private generation companies with 10% market share. It produces 2% of Turkey's electricity generation
- Current power plants of 373 MW are located in the backbone of main industrial zones in western part of Turkey, in 9/2009, the wind farm Ayyildiz was put in operation (5x3MW)
- Between 2010 – 2011, we plan to commission more than 300MW, mostly involving projects with renewable resources
- Development of the project of up to 900MW CCGT in Hatay is underway (commissioning expected in 2013; EPC contract planned for 7/2010)

| Project | Installed capacity (MW) |
|---|---|
| Uluabat | 100 |
| Akocak | 81 |
| Burc | 28 |
| Bulam | 7 |
| Feke 1 | 30 |
| Feke 2 | 70 |


Source: CEZ, http://www.akenerji.com.tr/

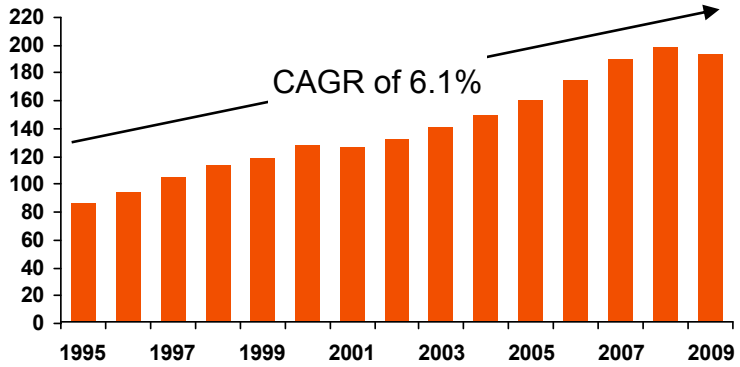
# TURKISH ELECTRICITY MARKET IS VERY ATTRACTIVE

**Selected data on Turkey:**

- Turkey, with its 80 m inhabitants, is comparable in size to all of Central Europe
- Dynamically growing economy, fast urbanization
- In 2009 electricity demand reached 193.5 TWh (almost three times as much as in the Czech Republic)
- Electricity consumption per capita is currently low (a quarter of EU average)
- Annual growth of electricity demand is around 6-9% in 2003-07 which compares to growth in European countries* of 0.6-2.6 %
- Demand also driven by growing population (80 m inhabitants, the average age 27.3 years)
- Need for additional 50,000 MW of the installed capacity by 2020 to match growing demand

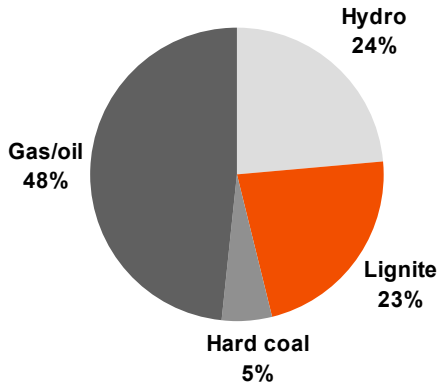
**Gross Electricity Consumption in Turkey**

TWh




*EU27

**Structure of installed capacity in Turkey**




Source: Eurostat, TEIAS

# STRATEGIC ALLIANCE WITH MOL:
## PRINCIPLES OF CEZ – MOL JOINT VENTURE

- JV 50:50 in equity interest, voting rights and other benefits
- Operations targeted for 4 countries of CSEE – Hungary, Slovakia, Croatia and Slovenia
- The initial projects in Hungary and Slovakia - 800 MW CCGT in Dufi (Százhalombatta) and 800 MW CCGT + 160 MW TPP expansion in Bratislava
- MOL contributes current heat plants and related infrastructure into JV
- JV investment of app. 1.4 bn EUR (for initial projects)
- Gas supply contract from MOL, off-take contract for refineries – steam, electricity
- Dual fuel capability (gas, liquid residuals)

Source: CEZ - MOL

# STRATEGIC ALLIANCE WITH MOL:
## RELATED FINANCIAL TRANSACTION

- Purchase 7.6% of the common stock of MOL by CEZ to strengthen the strategic alliance

- CEZ sells to MOL an American call option with strike price 20,000 HUF:

  - Option  can be exercised until January 2014

  - Call price covers spread between strike and purchase price and guarantees CEZ capital cost coverage until the option expires or is exercised

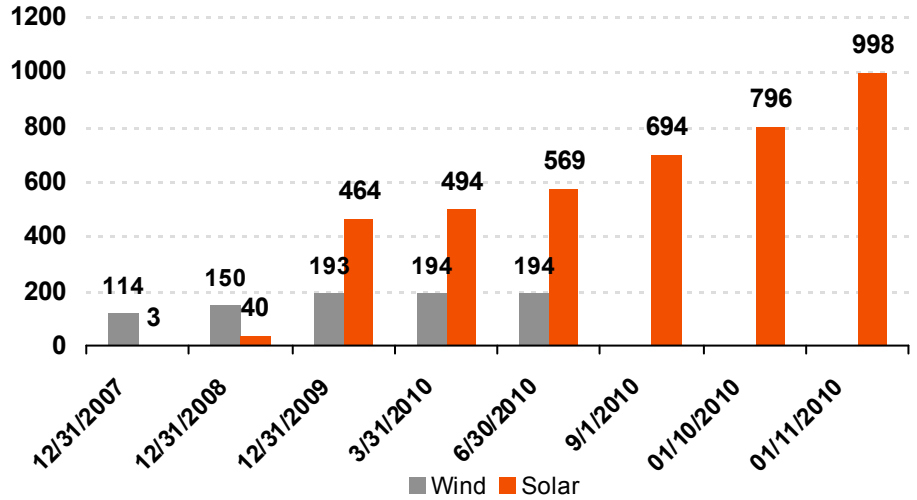
- Purchase of stake in MOL, net of the option premium received upfront, resulted in cash outlay of ca EUR 560 m in Q1 2008

Source: CEZ - MOL

# RENEWABLES SUPPORT IN THE CZECH REPUBLIC

| Renewables type | 2010 feed-in tariff (€/MWh) | 2010 green bonus (€/MWh) | 2011 feed-in tariff (€/MWh) | 2011 green bonus (€/MWh) |
|---|---|---|---|---|
| Solar <30 kW | 480 | 442 | 294 | 255 |
| Solar >30 kW < 100 kW | 476 | 438 | 231 / 0 * | 192 / 0* |
| Solar > 100 kW | 476 | 438 | 231 / 0 * | 176 / 0 * |
| Wind | 87 | 72 | 87 | 72 |
| Small hydro | 118 | 80 | 118 | 80 |
| Biogas stations | 139-162 | 101-124 | 139-162 | 101-124 |
| Pure biomass burning | 103-180 | 65-142 | 103-180 | 65-142 |

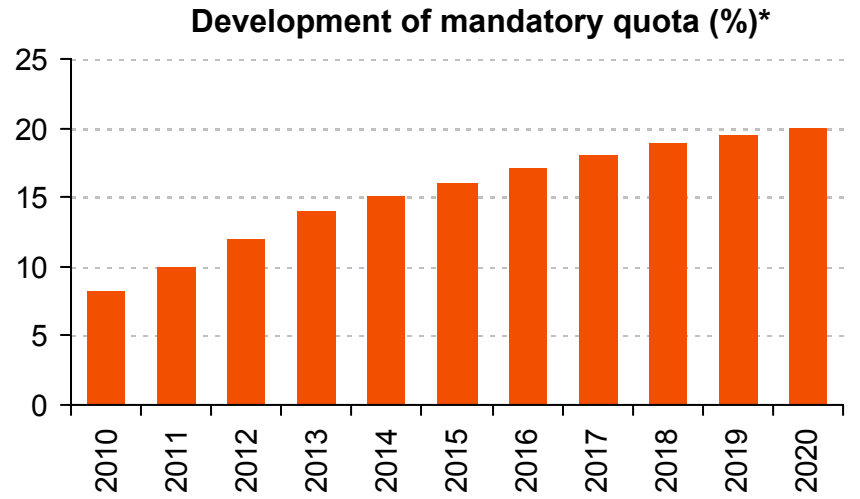
**Installed capacity of wind and solar power plants in the Czech Republic (MWe)**

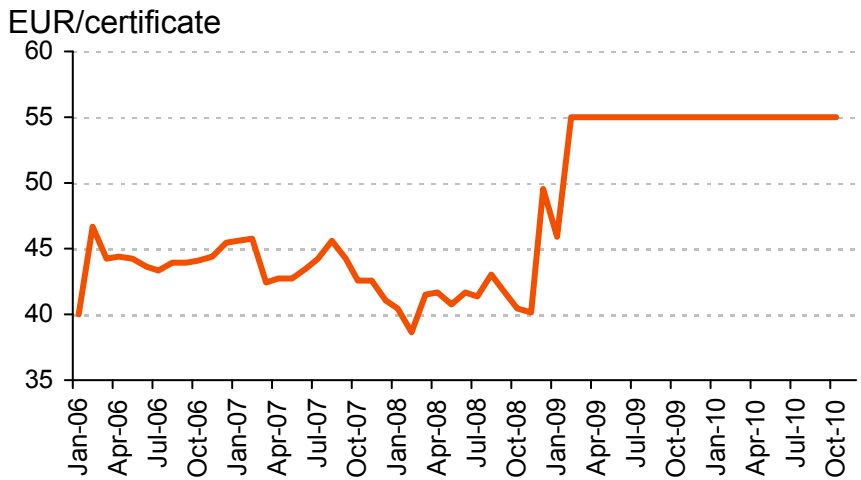



- Operators of renewable energy sources can choose from 2 options of support:
  - Feed-in tariffs (electricity purchased by distributor)
  - Green bonuses (electricity sold on the market, bonuses paid by distributor, level of green bonuses is derived from feed-in tariffs)
- Fees for renewables are part of regulated distribution tariffs charged to final customers.
- Feed-in tariffs are set by a regulator to ensure 15-year payback period. During operation of a power plant they are increased each year by PPI index or by 2% at minimum and 4% at maximum.
- Tariffs for new projects can decrease by 5% at maximum compared to previous year. However the law amendment which becomes effective in Jan-2011, allows the regulator to cut the tariffs by more than 5% if payback period falls below 11 years.
- Support is provided for 20 years to solar, wind, pure biomass and biogas plants and for 30 years to hydro.
- Solar plants put into operations in 2009 and 2010 are obliged to pay 26% withholding tax until 2013

Source: Energy regulatory office (www.eru.cz), CZK/EUR=25.5, * no support from March 2011

# RENEWABLES SUPPORT IN ROMANIA




## Support of renewables

- Two green certificates (GC) are obtained by the producer for each MWh supplied from wind to the network until 2017, one GC from 2018 onwards (previously 1 GC per MWh for the whole time)
- Legally set up price for green certificate is 27 to 55 EUR in 2008 - 2025
- GC may be sold :
  - To electricity suppliers within bilateral contracts at negotiated prices
  - Monthly on the centralized market of green certificates
- Duration of support – 15 years
- Penalty for suppliers unable to comply with annual mandatory quota – double of the maximum trade value of GC
- The mandatory quota has been increasing gradually, from 8.3 % in 2010 to 20% in 2020

*annual percentage of the gross national electricity consumption, source: ANRE, OPCOM

# PRINCIPLES OF REGULATION IN THE CZECH REPUBLIC ARE IDENTICAL TO THE REST OF EUROPE

**Regulatory Framework**

- Regulated by ERU (Energy Regulatory Office, www.eru.cz)
- The regulatory formula for distribution
  - Revenue cap = Operating expenses + Depreciation + Regulatory return on RAB
  - RAB adjusted annually to reflect net investments
  - Regulatory rate of return (WACC nominal, pre-tax) – 7.923% for 2010
  - Operating costs are indexed to CPI (30% weight) and market services price index (70% weight). They are also adjusted by efficiency factor of 1.0206%.

**Regulatory period**

- Regulatory period lasts 5 years
- 2nd regulatory period: January 1, 2005 – December 31, 2009
- 3rd regulatory period: January1, 2010 – December 31, 2014

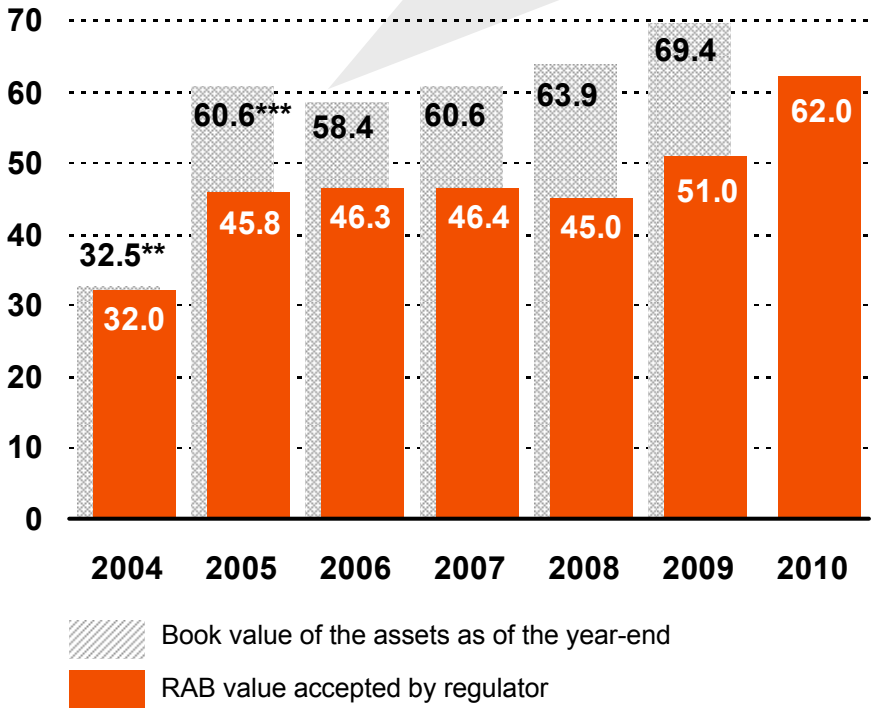
**Unbundling & Liberalization**

- Since January 1, 2006 all customers can choose their electricity supplier, market is 100% liberalized

# GRADUAL REVALUATION OF RAB IS INCORPORATED INTO THE REGULATORY FORMULA FROM 2010 ONWARDS

**RAB* development**
CZK bn

2005/2006 drop in asset value caused mainly by lower investment during transition period and one off write off of some old already depreciated assets that were formerly valued with 10% value for transfer.




- Assets revaluation conducted as a part of an assets transfer within Vision 2008 on the basis of requirement stipulated by commercial law.
- Book value of the assets is higher than the RAB value used by the regulator.
- RAB will be gradually adjusted upwards in 2010-2014 and thus RAB discount to asset book value will decrease.
  - Formula:
    $RAB_t = RAB_{t-1} + Investments_t - k * Depreciation_t$,
    where $k_t = (RABt_{-1})/(Book\ value_{t-1})$ i.e. $k<1$

* Adjusted to reflect assets transfer to support companies

**Historical value of assets contributed into CEZ Distribuce

***Revalued asset value to the last asset contribution date 01/ 2006

# REVIEW OF BULGARIAN REGULATORY ENVIRONMENT

**Regulatory Framework**

- Regulated by SEWRC (State Energy and Water Regulatory Commission)
- The regulatory formula for distribution
  - Revenue cap = Costs + Regulatory return on RAB + Depreciation
  - Regulatory rate of return (WACC nominal, pre-tax) –12% for 2nd regulatory period
  - RAB set at Eur 276 m for 2nd regulatory period
  - CPI adjustment used for part of costs (OPEX)
  - Losses in 2nd regulatory period set by regulator – 18.5%
  - Efficiency factor introduced in 2nd regulatory period
  - Investment plan – approved by the regulator on yearly basis

**Regulatory period**

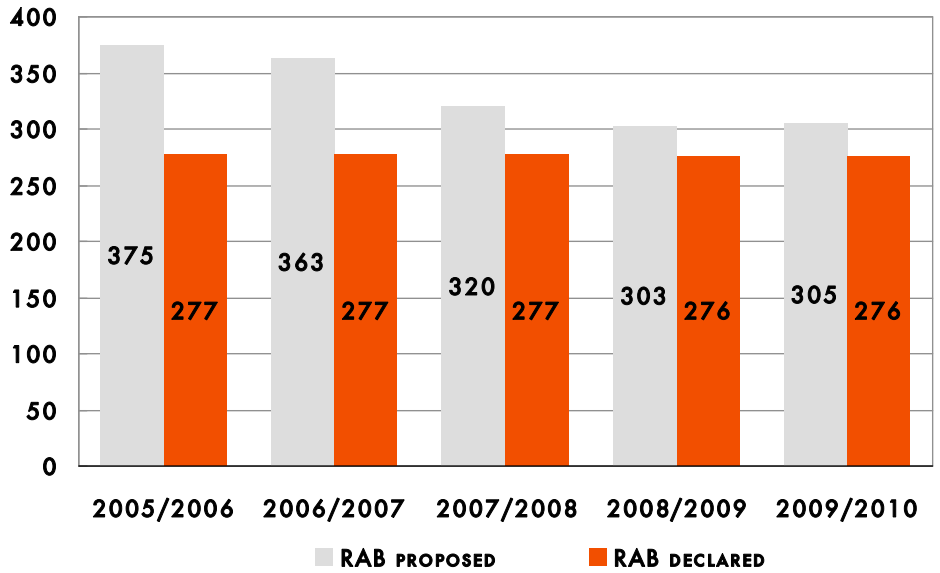
- 1st regulatory period 1.10. 2005 – 30.6. 2008
- 2nd regulatory period 1.7. 2008 – 31.6. 2013

**Unbundling & Liberalization**

- Successfully completed by December 31, 2006
- Since July 2007, all consumers have the right to become eligible but the effective market degree of liberalized market is negligible.

# BULGARIAN NEW REGULATORY RULES ARE BELOW OUR PROPOSALS BUT STILL ABOVE VALUATION CASE

**Regulatory asset base**
(EUR m)




- In 2005/2006 end user prices increased on average by 7.1% compared to 2005/2004
- In 2006/2007 end user prices increased on average by 0.7 % compared to 2006/2005
- In 2007/2008 end user prices increased on average by 14.3 % compared to 2006/2007
- In 2008/2009 end user prices increased on average by 12.2 % compared to 2007/2008
- In 2009/2010 end user prices decreased on average by 1.08 % compared to 2008/2009
- Electricity purchase price from NEK and renewables in 2006/2007 rose faster than the end-user price (both regulated, but each on a different basis) , impacting the expected y-o-y results

- Significant reduction of regulated Capex (79% 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
- Assumed ROIC is still above original valuation case (savings from losses reduction, synergy effect, efficiency improvements)

# REVIEW OF ROMANIAN REGULATORY ENVIRONMENT – ELECTRICITY DISTRIBUTION

**Regulatory Framework**

- Regulated by ANRE (Autoritatea Nationala de Reglementare in domeniul Energiei)
- Price cap (tariff basket) methodology
- Revenue = Controllable OPEX + non-controllable OPEX + Depreciation + Purchase of losses + Regulatory return on RAB + Working capital
  - Efficiency factor of 1% applied only to controllable OPEX
  - Losses ( technical + commercial ) reduction program agreed with ANRE on voltage levels
  - S (minimum quality) from 2009 in formula, Penalty/premium - maxim annual 2% from revenues
  - Possibility for annual corrections
  - Investment plan – approved by ANRE before regulatory period starts
  - Regulatory return (WACC pre-tax real terms) equals 10% in second regulatory period
  - Working capital is regulated remuneration of 1/8 from total OPEX
- Distribution tariff growth capped in real terms at 12% in the second regulatory period

**Regulatory periods**

- 1st regulatory period 1.1. 2005 – 12.31. 2007
- Completion of privatization was reason to re-open inputs into regulatory formula
- 2nd regulatory period 1.1. 2008 – 12.31. 2012

**Unbundling**

- Legal deadline according to Electricity law July 1, 2007
- CEZ - first company in Romania achieving legal unbundling on March 15, 2007

**Liberalization**

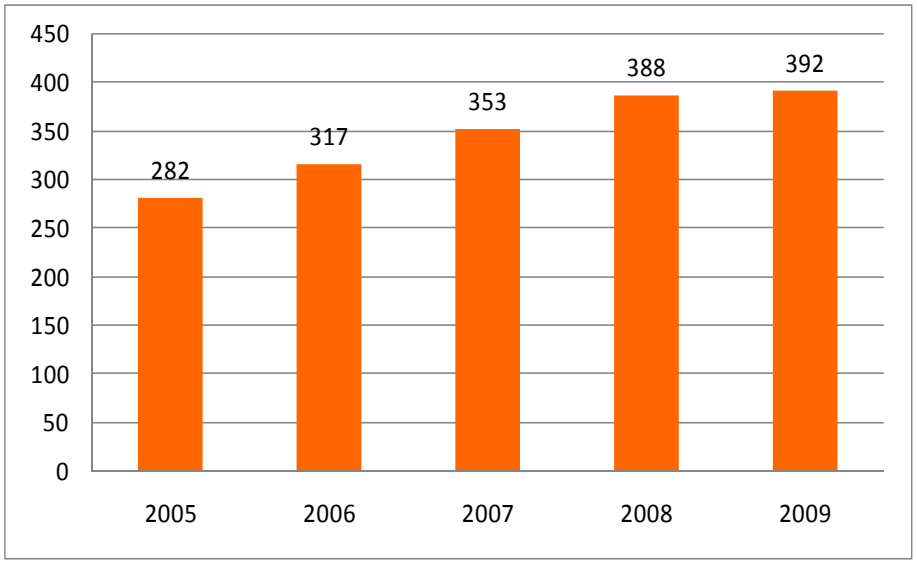
- New Electricity law (no.13/2007; harmonized with EU directives) called for full liberalization by July 2007
- Effective market degree approx. 55%; 60 active suppliers (end-user suppliers and traders)
- Prolongation of the tariff regulation after the full opening of the market for households and small commercials

**Call option**

- First company in Romania to buy state shares (30% from Fondul Proprietatea and 19% from Electrica) – applied in CEZ Distributie and CEZ Vanzare – for the biggest transaction in Romania for 2009 - 375 mio.Euro
- CEZ a.s. is currently sole owner of CEZ Distributie and CEZ Vanzare

# ROMANIAN REGULATORY FRAMEWORK IS SIMILAR TO CZECH AND EU

**I. Regulated Asset Base (2005 - 2009)**
EUR mio*




*Note: Compared with end 2008, at end 2009, RON was weaker by 6%*

## CEZ Distributie SA

- the biggest number of served customers in Romania (1.38 m)
- the highest RAB due to the most ambitious investment program
- as result, the highest distribution tariffs in 2008 and the highest rate of annual increase for regulatory period (2008-2012), out of all eight distributors
- the lowest internal consumption (technical & commercial)
- best practice concepts implemented (Start from home, Thermovision, Converge, SAP)
- core business transformation in 2008-2009 (Progres IV) brought a reduction of 800 employees
- DEEP – focused on standardization of O&M activities, establishment of operational controlling, changes in supplier relationships, process improvement, introduction of skills for management oriented to a culture of performance
- new concepts in support functions (purchasing and logistics, non-technical losses, customer care optimization)
- New motivational system negotiated in 2009 – applied starting 2010

* Exchange rate used as of year end

# SUPPLY IN ROMANIA REMAINS REGULATED

- Still regulated tariffs for 45% of Romanian electricity consumption; mainly residential, commercial and small industrial consumers
- Methodology for **sales to captive customers -** the approach is 2.5% margin on top of electricity procurement costs (including wholesale price, transmission, ancillary services, market administration)
- **CEZ proposed a yardstick supply methodology** rather than cost plus one – under discussion
- Since 2008, ANRE approves differentiated regional tariffs for industrial consumers;
- End-user tariffs for residential customers are still uniform at the national level

**Since January 2009:**

- **Tariffs for captive residential consumers were maintained at 2008** level for all suppliers
- **Tariffs for captive industrial consumers have been increased by 3.3% for CEZ**; CEZ has the highest regulated tariffs for regulated industrial consumers

# ALBANIA: PRINCIPLES OF DISTRIBUTION REGULATION

**Regulatory Framework**

- Regulated by ERE (Energy Regulatory Entity, www.ere.gov.al)
- The regulatory formula for distribution
  - Revenue cap = Operating expenses + Regulatory return on RAB
  - RAB reflects planned investments for the regulatory period: 20 339m LEK*
  - Regulatory rate of return (WACC nominal, pre-tax) – 9.98% for 2011
  - costs are indexed to CPI and adjusted by efficiency factor
  - efficiency factor is zero for all three regulatory periods

**Regulatory periods**

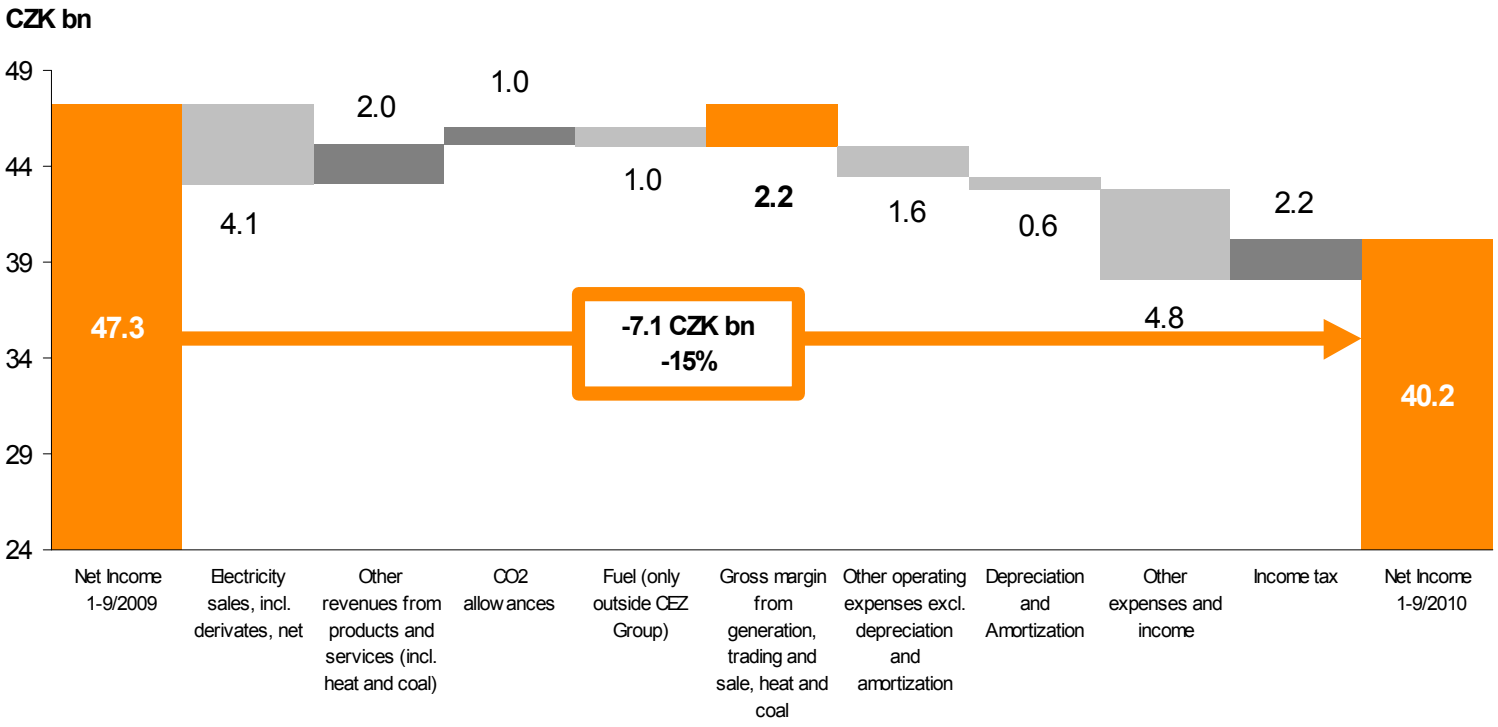
- 1st regulatory period : January 1, 2010 – December 31, 2010
- 2nd regulatory period: January 1, 2011 – December 31, 2011
- 3rd regulatory period: January 1, 2012 – December 31, 2014
- following regulatory periods will last from 3 to 5 years

**Unbundling & Liberalization**

- Transmission unbundled in 2006.
- Generation unbundled in 2008

* request of OSSH, not approved by ERE yet

# IN Q1-Q3 2010 NET INCOME WENT DOWN BY CZK 7.1 BN Y-O-Y




**Highlighted factors**

- year-on-year decrease of achieved prices of electricity sold
- higher revenues for heat
- successful business strategy for emission allowances in H1 2010
- increase of other operational costs due to new acquisitions
- CZK 3.1 bn write-off of negative goodwill resulting from the MIBRAG acquisition affecting 2009 income

# GROSS MARGIN FROM GENERATION, TRADING, SUPPLY AND DISTRIBUTION OF ELECTRICITY DOWN BY 2% TO CZK 95 BN Y-O-Y.

| (in CZK millions) | 1-9/2009 | 1-9/2010 | Change 10-09 | Index 10/09 |
|---|---|---|---|---|
| Electricity sales and services | 126,908 | 125,376 | | |
| Purchased power and related services | 3,298 | 6,442 | -4,147 | 96% |
| Electricity, gas and coal derivative trading, netto | -33,858 | -39,617 | | |
| Heat sales and other revenues | 10,610 | 12,570 | 1,960 | 118% |
| Fuel | -10,955 | -11,984 | -1,029 | 109% |
| CO2 allowances | 1,244 | 2,221 | 977 | 179% |
| **Gross margin (simplified)** | **97,247** | **95,008** | **-2,239** | **98%** |
| **Operating revenues** | **140,816** | **144,388** | **3,572** | **103%** |
| **Variable operating costs** | **-43,569** | **-49,380** | **-5,811** | **113%** |

- The decrease of gross margin was caused by a y-o-y decrease of electricity prices, which was partly compensated by forward electricity sales one or more years in advance at prices higher than those achievable on the spot market in Q1-Q3 2010.
- CEZ Group's gross margin was helped by the distribution and sales segment, mainly due to growth of regulated tariffs. The collected contributions for renewable resources do not cover the growing costs of compulsory purchases of electricity made from renewables. Sales were supported by the results of trading in a new commodity - natural gas.
- Revenues from heat grew y-o-y: In the Czech Republic, mainly due to increased deliveries caused by the inclusion of new companies; in Poland, due to an increase in the volume of heat produced (the previous year was partly influenced by a stoppage of the heat distribution operator).
- The increasing cost of fuel is caused mainly by a switch of NPP Temelín to a new type of nuclear fuel (stocks of old fuel are depreciated faster). Another factors include higher consumption of fuel associated with a higher utilisation of some coal sources, and the fuel consumption of the newly included Trmice heating plant.
- The welcome increase of margin on emission allowances is attributable the profits generated by a successful trading strategy in derivatives based on these allowances.

# SELECTED OPERATING COSTS IN CEZ GROUP GREW BY 6% YEAR ON YEAR

| (in CZK millions) | 1-9/2009 | 1-9/2010 | Change 10-09 | Index 10/09 |
|---|---|---|---|---|
| **Selected operating costs** | **-26,242** | **-27,834** | **-1,592** | **106%** |
| Salaries and wages | -12,053 | -12,903 | -850 | 107% |
| **Other selected operating costs** | **-14,189** | **-14,931** | **-742** | **105%** |
| Repairs and maintenance | -3,789 | -3,476 | 313 | 92% |
| Material and supplies | -3,283 | -3,356 | -73 | 102% |
| Other operational cost | -7,117 | -8,099 | -982 | 114% |
| **EBITDA** | **71,005** | **67,174** | **-3,831** | **95%** |
| Depreciation and Amortization | -16,533 | -17,153 | -620 | 104% |

- The increase in selected operating costs was primarily caused by the inclusion of the new acquisition of ČEZ - Albanian distributor Shpërndarje at a value of CZK -1.3 bn. The new acquisition also impacted the growth of depreciation by – CZK 0.3 bn.
- The increase in personnel costs is primarily attributable to the inclusion of the CEZ Shpërndarje acquisition and by increased costs in ČEZ, a.s. (increases in headcount due to new investments, construction and renewal of sources).
- The other expenses and income item is adversely affected by the formation of adjustments for receivables past due date, particularly for foreign receivables (CZK -0.8 bn).

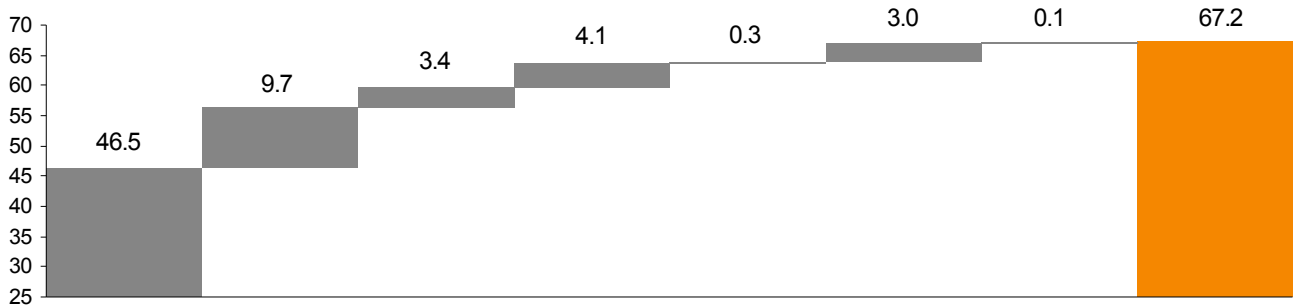
# YEAR-ON-YEAR DETERIORATION OF OTHER EXPENSES AND INCOME BY CZK 4.8 BN

| (in CZK millions) | 1-9/2009 | 1-9/2010 | Change 10-09 | Index 10/09 |
|---|---|---|---|---|
| **Other expenses and income** | **3,505** | **-1,257** | **-4,762** | **x** |
| Interest on debt, net of capitalized interest | -2,349 | -2,694 | -345 | 115% |
| Interest on nuclear and other provisions | -1,568 | -1,520 | 48 | 97% |
| Interest income | 1,765 | 1,594 | -171 | 90% |
| FX profit / loss and financial derivates | 1,957 | 981 | -976 | 50% |
| Gain (Loss) from associates and joint-ventures | 3,571 | -87 | -3,658 | x |
| Others | 129 | 469 | 338 | 364% |
| **Profit before taxes** | **57,977** | **48,764** | **-9,213** | **84%** |
| Income tax | -10,711 | -8,551 | 2,160 | 80% |
| **Net Income** | **47,266** | **40,213** | **-7,053** | **85%** |

- Interest costs increased in connection with a higher financing requirement.
- The lower y-on-y gain in the “exchange rate gains/losses and financial derivatives” item is affected mainly by changes in the real value of the option in connection with MOL shares, and by changes in the real value of derivatives used to hedge the exchange rate and interest rate risk of CEZ Group.
- The profit/loss from securities in equivalence includes the Group's net profit share from the ČEZ and MOL joint venture , the Mibrag mines and the results of the Turkish acquisitions of Sakarya Elektrik Dagitim and Akenerji. Profits from securities in equivalence in 2009 was positively influenced by the one-off impact of writing off negative goodwill for the MIBRAG acquisition (CZK 3.1 bn). On the other hand, 2010 results are burdened by the need to finance the MIBRAG acquisition and the acquisition in Turkey.
- The Other item is positively affected by income from associates and JV (dividend received from Dalkia ČR).

# CONTRIBUTIONS TO EBITDA BY SEGMENT

**Contribution to EBITDA for 1 – 9/2010 CZK bn)**




| | Generation and trading CE* | Distribution and supply CE* | Mining CE* | Others CE* | Generation and trading SEE** | Distribution and supply SEE** | Others SEE** | CEZ Group |
|---|---|---|---|---|---|---|---|---|
| **Index 1-9´10/ 1-9´09** | **90 %** | **118 %** | **85 %** | **91 %** | **659 %** | **124 %** | **106 %** | **95 %** |
| **Index Q3 2010/Q3 2009** | **106 %** | **76 %** | **105 %** | **96 %** | **x %** | **189 %** | **97 %** | **104 %** |

- **Generation and trading CE*:** The EBITDA of the segment fell by CZK 5.2 bn (by 10%) mainly due to a fall in wholesale electricity prices. This decrease is partly compensated by forward sales of electricity in the previous years.
- **Distribution and sales CE*:** EBITDA in the segment increased y-o-y by CZK 1.5 bn (18%). The EBITDA increase was influenced particularly by a higher distribution margin, relating mostly to an increase of regulated tariffs, especially in the "reserved capacity" items. The contributions for renewable resources collected from customers do not cover the increased costs of compulsory purchases of electricity produced from renewables. The CZK 0.7 bn (24 %) year-on-year decrease of EBITDA in Q3 was primarily caused by lower sales margins on electricity sales and distribution. In Q3, we saw a more significant negative impact of the increased costs of compulsory purchases of electricity produced from renewable sources.
- **Mining CE*:** EBIDTA of the Mining Central Europe segment has dropped by CZK 0.6 bn (15%) due to lower coal sales by Severočeské doly. In Q3 EBITDA is influenced by increased sales of coal to external buyers.
- **Generation and trading SEE*:** The Varna power plant produced 1.8 TWh of electricity, 2.5 % more than last year. The wind farm is gradually being phased in in Fântânele, Romania, where production started in June 2010.
- **Distribution and sales SEE*:** Our companies in Bulgaria, Romania and Albania distributed 14.8 TWh and sold 12.0 TWh to end users. EBITDA of this segment has improved y-o-y thanks to increases in electricity sales on the high voltage and low voltage levels by the Romanian distributor, lower costs of losses in the Romanian distribution system and better results of the Albanian distribution and sales company.

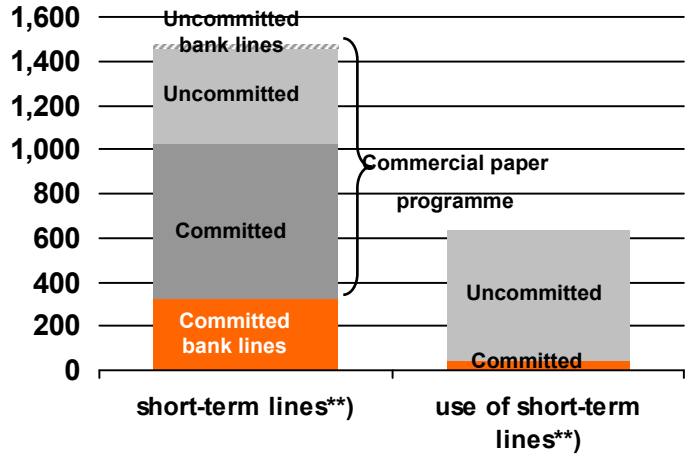
*CE = the Central European region (Czech Republic, Slovakia, Poland, Hungary, the Netherlands, Germany, Ireland)
**SEE = the South-Eastern European region (Turkey, Bulgaria, Romania, Kosovo, Serbia, Abania, Russia, Bosnia and Herzegovina, the Ukraine)

# CEZ MAINTAINS A STRONG LIQUIDITY POSITION, A SIGNIFICANT PORTION OF COMMITTED LINES ARE HELD AS RESERVES

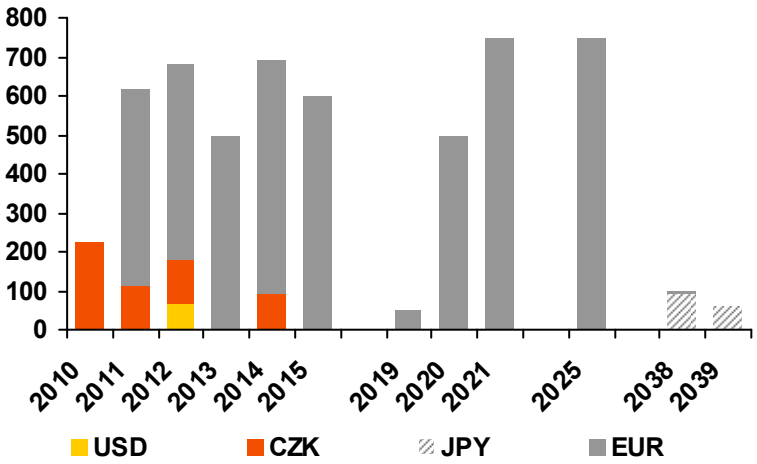
- EUR 945 m of unused committed lines
- EUR 1,209 m of cash and cash equivalents*)
- Mostly uncommitted lines in the commercial paper programme were used
- Committed lines were maintained as a reserve to cover unexpected financial needs

- Average maturity of bonds grew by 1 year to 6.1 years
- One-year loan contract “MOL” (EUR 550 mil.) successfully re-financed under better conditions through five private placement emissions (EUR 473 mil.) and one loan contract (EUR 75 mil.) with an average maturity of 3 years

**Utilization of lines** (December 31, 2009, EUR m)




**Bond maturity profile** (EUR m)




Note: CZK/EUR 26.465 as of December 31, 2009 *) Include high liquid financial assets **) Without MOL loan

# SELECTED HISTORICAL FINANCIALS OF CEZ GROUP CZK

## Profit and loss

| CZK bn | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Revenues | 102.7 | 125.1 | 149.1 | 174.6 | 184.0 | 196.4 |
| Sales of electricity | 92.2 | 115.9 | 148.3 | 162.7 | 165.3 | 173.5 |
| Heat sales and other revenues | 10.5 | 9.1 | 11.3 | 11.8 | 14.5 | 16.0 |
| Operating Expenses | 63.0 | 74.9 | 84.8 | 99.2 | 95.3 | 105.3 |
| Purchased power and related services | 26.5 | 37.5 | 43.0 | 46.3 | 41.7 | 48.2 |
| Fuel | 9.3 | 9.0 | 11.6 | 16.9 | 16.2 | 15.8 |
| Salaries and wages | 11.4 | 13.4 | 15.1 | 16.9 | 17.0 | 18.1 |
| Other | 15.9 | 15.0 | 15.1 | 19.1 | 20.5 | 23.2 |
| **EBITDA** | **39.6** | **50.2** | **64.3** | **75.3** | **88.7** | **91.1** |
| *EBITDA margin* | *39%* | *40%* | *43%* | *43%* | *48%* | *46%* |
| Depreciaiton | 19.8 | 20.7 | 24.3 | 22.1 | 22.0 | 22.9 |
| **EBIT** | **19.8** | **29.4** | **40.0** | **53.2** | **66.7** | **68.2** |
| *EBIT margin* | *19%* | *24%* | *27%* | *30%* | *36%* | *35%* |
| Net Income | 13.2 | 21.5 | 27.7 | 41.6 | 47.4 | 51.6 |

## Balance sheet

| CZK bn | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Non current assets | 271.7 | 280.4 | 302.0 | 313.1 | 346.2 | 415.0 |
| Current assets | 27.5 | 43.8 | 66.7 | 57.9 | 126.9 | 115.3 |
| - out of that cash and cash equivalents | 8.9 | 16.8 | 30.9 | 12.4 | 17.3 | 26.7 |
| **Total Assets** | **299.3** | **324.2** | **368.7** | **370.9** | **473.2** | **530.3** |
| Shareholders equity (excl. minority. int.) | 178.4 | 191.3 | 194.9 | 171.4 | 173.3 | 200.4 |
| Interest bearing debt | 41.8 | 38.7 | 48.4 | 73.3 | 106.4 | 156.8 |
| Other liabilities | 79.0 | 94.2 | 125.3 | 126.3 | 193.5 | 173.1 |
| **Total liabilities** | **299.3** | **324.2** | **368.7** | **370.9** | **473.2** | **530.3** |

**Note:** 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.

Source: CEZ

# SELECTED HISTORICAL FINANCIALS OF CEZ GROUP EUR

## Profit and loss

| EUR m | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Revenues | 3,881 | 4,729 | 5,638 | 6,599 | 6,954 | 7,425 |
| Sales of electricity | 3,485 | 4,383 | 5,606 | 6,152 | 6,250 | 6,559 |
| Heat sales and other revenues | 396 | 345 | 427 | 447 | 550 | 605 |
| Operating Expenses | 2,383 | 2,833 | 3,207 | 3,752 | 3,601 | 3,982 |
| Purchased power and related services | 1,003 | 1,417 | 1,626 | 1,751 | 1,575 | 1,822 |
| Fuel | 352 | 341 | 440 | 638 | 612 | 597 |
| Salaries and wages | 430 | 508 | 570 | 639 | 641 | 684 |
| Other | 599 | 568 | 571 | 722 | 773 | 877 |
| **EBITDA** | **1,498** | **1,896** | **2,431** | **2,848** | **3,353** | **3,443** |
| *EBITDA margin* | *39%* | *40%* | *43%* | *43%* | *48%* | *46%* |
| Depreciaiton | 750 | 784 | 918 | 836 | 833 | 866 |
| **EBIT** | **748** | **1,112** | **1,513** | **2,011** | **2,520** | **2,577** |
| *EBIT margin* | *19%* | *24%* | *27%* | *30%* | *36%* | *35%* |
| Net Income | 500 | 811 | 1,047 | 1,573 | 1,790 | 1,950 |

## Balance sheet

| EUR m | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Non current assets | 10,272 | 10,601 | 11,416 | 11,836 | 13,089 | 15,687 |
| Current assets | 1,041 | 1,656 | 2,520 | 2,187 | 4,799 | 4,359 |
| - out of that cash and cash equivalents | 338 | 635 | 1,169 | 470 | 654 | 1,010 |
| **Total Assets** | **11,313** | **12,257** | **13,937** | **14,023** | **17,888** | **20,046** |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholders equity (excl. minority. int.) | 6,746 | 7,232 | 7,368 | 6,478 | 6,550 | 7,575 |
| Interest bearing debt | 1,581 | 1,465 | 1,831 | 2,770 | 4,022 | 5,928 |
| Other liabilities | 2,986 | 3,560 | 4,737 | 4,775 | 7,316 | 6,543 |
| **Total liabilities** | **11,313** | **12,257** | **13,937** | **14,023** | **17,888** | **20,046** |

**Note:** 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.

Exchange rate used: 26.452CZK/EUR

Source: CEZ

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