Internal Memorandum

Net income of CEZ Group (without minority shares) in 2006 reached 28.8bn CZK and was 29.1 per cent up on the previous year. Total operating revenues amounted to nearly 160bn CZK

The company has been the first Czech company in the history to reach profit of over a billion EUR

The growth was given by the highest ever production, increase in electricity sales, cost economies under the integration of CEZ Group and foreign acquisitions with their two and half times higher year-on-year contribution. Stronger exchange rate of the koruna had a positive effect as well. While revenues were growing, operating expenses costs were successfully kept under control.

„We have been the first Czech company to exceed 1 billion EUR net profit, which confirms the importance of CEZ Group for the entire Czech economy. More and more do the results reflect our foreign acquisitions in a positive way. After acquisitions of Bulgarian and Romanian distribution companies, two Polish plants, Elcho and Skawina, and a Bulgarian plant in Varna, were added to our group in 2006. We believe that we will start a project in Gacko , that is in the Republic of Serbia, Bosnia and Herzegovina this year. A joint investment into construction of a new plant, modernization of the present plant with 300 MW and the development of the local mine will surpass 40bn CZK. Our investment capital expenditures were enormous. We placed 44.5bn CZK in property as well as in financial investments,“ said Martin Roman, Chairman of the Board and CEO of CEZ.

The electricity production in CEZ Group power plants reached 65.5 TWh last year and due to production in new foreign power plants as well as higher production in home power plants it was 9.2 per cent up on the previous year. The generation in the Czech Republic reached 62 TWh and represented the highest-ever production. In the first place, the generation in the Temelin nuclear power plant increased, owing to more stabilized operation, by 9.4 %.

„Despite the increasingly though competitive environment on electricity market, our sales of electricity on the Czech wholesale market grew by 6.9 per cent as a result of better price and trading conditions offered by CEZ. As expected, our share of supplies to end customers is decreasing, last year it was 53.4 per cent,“ said Alan Svoboda, Chief Sales Officer, and he continued: „Our sales rose by 12.5 per cent, including foreign markets, mainly in Bulgary and Poland. However, we are trading there local electricity, our electricity exports from the Czech Republic have been falling for three years and the net export realized by CEZ was only 8 TWh last year.

The electricity demand in the Czech Republic increased by 2.9 per cent compared to the previous year due to the economic growth; the rise deducted by the influence of temperatures would be 3.1 %.

There were 31,162 employees in CEZ Group as of the end of 2006, which represented a year-on-year increase of 1,257 given, however, by CEZ Group´s enlargement by new companies. If it had not been for this influence, the number of employees would have fallen compared to the previous year.

„The reliable operation of the Temelin nuclear power plant makes us raise the anticipated amount of net profit for this year by 1.1bn CZK to 35.1bn CZK compared to the forecast from last December," said Petr Voboril, Chief Finace Officer.

Ladislav Kříž, Press Officer CEZ

Table: Economic results of CEZ Group for 2006

	(bn CZK)	year-on-year change
Operating revenues	159,6	+ 27,6 %
Operating costs (withour depreciation)	95,2	+ 27,1 %
EBITDA (operating profit before depreciation)	64,3	+ 28,4 %
Pre-tax profit	37,7	+ 38,1 %
Net profit	28,8	+ 29,1 %

Note: preliminary non-audited consolidated results