

CEZ AS

FORM 20-F

(Annual and Transition Report (foreign private issuer))

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

Annual Report Pursuant to Section 13 or
15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2004
Commission File Number 333 - 7172 - 01

CEZ, a. s.

(Exact name of Registrant as specified in its charter)

Czech Republic

(Jurisdiction of incorporation or organization)

CEZ, a. s.

Duhova 2/1444

140 53 Prague 4

Czech Republic

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b)
of the Act: None.

Securities registered or to be registered pursuant to Section 12(g) of
the Act:

7 1/8% Guaranteed Notes due 2007

Securities for which there is a reporting obligation pursuant to Section 15(d)
of the Act: None.

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2004 was: 592,210,843 shares
of common stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

TECHNICAL TERMS AND PRESENTATION OF OTHER DATA

The technical abbreviations and expressions used herein have the following meanings:

CO	Carbon monoxide.
Demand	Consumption of the final consumer not including transmission and distribution losses and self consumption by the Company (including electricity used in pump storage facilities) and other electricity generators and distributors.
FBB	Fluidized-bed boiler, a kind of boiler which reduces the content of sulfur dioxide emissions in the flue gases during the combustion process.
FGD	Flue-Gas Desulphurization, a flue stack technology for reducing sulfur dioxide content in power plant emissions.
GW; GWh	One gigawatt equals 1,000 MW; one gigawatt-hour represents one hour of electricity consumption at a constant rate of 1 GW.
Installed Capacity	The highest constant level of generation of electricity which a power plant is designed to be capable of maintaining.
IPP	Independent Power Producer.
kV	A kilovolt is a unit of electric tension; one kilovolt equals one thousand volts.
kW; kWh	A kilowatt is a unit of power, representing the rate at which energy is produced; one kilowatt-hour represents one hour of electricity consumption at a constant rate of 1kW.
MW; MWh	One megawatt equals 1,000 kW; one megawatt-hour represents one hour of electricity consumption at a constant rate of 1 MW.
NOx	Nitrogen oxides.
PWR	A type of pressurized water nuclear reactor designed in the United States. This type of reactor uses water as both a moderator (the medium in the reactor core which facilitates the chain reaction) and coolant (the medium which conveys the heat generated in the reactor to a steam generator).
SO2	Sulfur dioxide.
T/h	Tons of steam per hour.
TW; TWh	One terawatt equals 1,000 GW; one terawatt-hour represents one hour of electricity consumption at a constant rate of 1 TW.
Ton	Metric ton.
VVER	A type of pressurized water nuclear reactor designed in the former Soviet Union which uses water as both a moderator and coolant.

Unless otherwise indicated, all figures in this Annual Report presenting units of electricity generation are gross (i.e., including the electricity consumed by the power plants themselves).

We have provided the data contained in this Annual Report as to installed capacity, generation and other market share information with respect to the electricity and heating industries in the Czech Republic. We compile and publish certain of this data on a regular basis, and also supply certain of this data to the Czech Statistical Office for use in compiling national data on the energy sector.

We have based the data contained in this Annual Report as to end-users of electricity (including end-user average prices and electricity demand) on data supplied to us by the regional distribution utilities (the "REAS") on a voluntary basis. We have no means of independent verification of such data.

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GENERAL INFORMATION

Forward-Looking Statements

Certain statements contained in this Annual Report are "forward-looking statements" within the meaning of U.S. federal securities laws. We intend that these statements be covered by the safe harbors created under these laws. Those statements include, but are not limited to:

- o statements as to expected revenues, operating results, market shares and certain expenses, including interest expenses, in respect of certain of our operations;
- o expectations as to the operation of Temelin and its power output;
- o expectations as to the anticipated privatization of our Company;
- o statements as to actions of our majority shareholder;
- o expectations as to energy prices and the deregulation of the energy market in the Czech Republic;
- o statements as to the rate of growth of the electricity market in the Czech Republic;
- o expectations as to our relations with the regional electricity distributors;
- o expectations as to our integration with the regional electricity distributors and with our newly-acquired companies;
- o expectations as to our compliance with the "unbundling" requirement under the Energy Act;
- o expectations as to implementation of our VIZE 2008 strategy;
- o statements about the rent we anticipate paying for certain of our hydroelectric power plants;
- o expectations as to the issuance of operations licenses, the schedule and cost for the refurbishment of Dukovany;
- o statements about the transfer of land to our Company;
- o expectations as to the approval and construction of interim fuel storage facilities;
- o expectations as to the expansion of our distribution grid;
- o expectations as to the closing of our purchase of distribution companies in Romania;
- o expectations as to our future acquisitions, participations in tender processes for such acquisitions and results of such tender processes;
- o expectations as to the development of our telecommunications services;
- o expectations of our future capital expenditures;
- o statements as to the funding of future expenditures and investments;
- o expectations of risks and liabilities of hedging transactions entered into;
- o statements as to the expected outcome of certain legal proceedings;
- o estimates of future levels of employees; and
- o expectations as to the legal and regulatory framework for our industry.

These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ materially from the information set forth in any forward-looking statements include:

- o the effect of general economic conditions and changes in interest rates in the Czech Republic;
- o difficulties encountered in the privatization of our Company;
- o difficulties encountered in the integration of our Company with some of the regional electricity distributors;
- o difficulties in controlling our distribution business due to the "unbundling" requirement of the Energy Act and/or other new legal requirements of the Czech Republic or European Union;
- o obstacles encountered in the process of implementation of our VIZE 2008 strategy;
- o difficulties encountered in the integration of our Company with businesses newly acquired by our Company in the future;
- o increases in competition in the markets in which we operate and changes in sales and marketing methods utilized by competitors;
- o changes in the structure and regulation of electricity prices in the Czech Republic;
- o difficulties encountered in the operation of our Temelin nuclear power plant and refurbishment of our Dukovany nuclear power plant;
- o the potential loss of key personnel;
- o acts of war or terrorism; and

o fluctuations in exchange rates between other currencies and the Czech crown in which our assets, liabilities and operating results are denominated;

as well as the other factors discussed elsewhere in this Annual Report. Many of these factors are beyond our ability to control or predict. Given these uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements.

Unless the context otherwise indicates, the terms "CEZ group", "our group", "we", "us", and "our" refer to CEZ, a. s. and our subsidiaries and affiliates. Unless the context otherwise indicates, the terms "CEZ" and "Company" refer solely to CEZ, a. s. without reference to our subsidiaries and affiliates. The term "EU" refers to the European Union. The term "REAS" refers regional electricity distribution companies in the Czech Republic. The term "Energy Act" refers Czech Act No. 458/2000 Coll., Energy Act, as amended.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should, where applicable, be read in conjunction with, and are qualified in their entirety by reference to, our Consolidated Financial Statements (including the notes thereto) contained in Item 18 "Financial Statements" of this Annual Report. We prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") which differ in certain important respects from U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). Note 30 to the Consolidated Financial Statements provides a description of the principal differences between IFRS and U.S. GAAP and a reconciliation to U.S. GAAP of net earnings and total shareholders' equity for the periods and as of the dates therein indicated.

	As of or for the year ended December 31,					
	2000	2001	2002	2003	2004	2004
	----	----	----	----	----	----
	(CZK millions except rates, ratios, operating and per share data)(1)					(USD millions, except per share data)(2)
Consolidated Income Statement Data(3)						
IFRS:						
Revenues.....	52,431	56,055	55,578	84,816	100,165	4,478.6
Operating expenses.....	39,570	41,304	44,355	71,812	81,010	3,622.2
Income before other expense and income taxes.....	12,861	14,751	11,223	13,004	19,155	856.5
Other expenses (income).....	2,260	1,459	(573)	2,267	1,227	54.9
Income before income taxes.....	10,601	13,292	11,796	10,737	17,928	801.6
Income taxes.....	3,364	4,169	3,375	1,349	3,845	171.9
Minority interests.....	-	-	-	519	1,024	45.8
Net income.....	7,237	9,123	8,421	8,869	13,059	583.9
Net income per share (CZK per share)						
Basic.....	12.2	15.4	14.3	15.0	22.1	0.99
Diluted.....	12.2	15.4	14.2	15.0	22.1	0.99
Cash dividend per share (CZK per share).....	0.0	2.0	2.5	4.5	8.0	
Cash dividend per share (USD per share) (4).....	0.0	0.052	0.080	0.156	0.304	
Weighted average number of shares (000's)						
Basic.....	592,088	591,926	590,363	590,772	592,075	
Diluted.....	592,088	592,088	592,150	592,211	592,211	
U.S. GAAP:						
Revenues.....	(5)	(5)	96,410	96,105	100,165	4,478.6
Net income.....	(5)	(5)	10,021	9,488	12,905	577.0
Other comprehensive income.....	(5)	(5)	144	(268)	4	0.2
Total comprehensive income.....	(5)	(5)	10,165	9,220	12,909	577.2
Net income per share (CZK per share)						
Basic.....	(5)	(5)	17.0	16.1	21.8	0.97
Diluted.....	(5)	(5)	16.9	16.0	21.8	0.97

	As of or for the year ended December 31,					
	2000	2001	2002	2003	2004	2004
	----	----	----	----	----	----
	(CZK millions except rates, ratios, operating and per share data)(1)					(USD millions, except per share data)(2)
Consolidated Balance Sheet Data(3)						
IFRS:						
Property, plants and equipment--net(6).....	98,717	93,605	146,914	226,392	216,809	9,694.1
Construction work in progress.....	103,591	111,929	56,513	10,204	10,626	475.1
Other assets.....	19,952	23,493	28,038	41,627	53,380	2,386.8
Total assets.....	222,260	229,027	231,465	278,223	280,815	12,556.0
Shareholders' equity.....	129,442	136,726	143,675	152,624	163,689	7,319.0
Minority interests.....	-	-	-	7,893	5,282	236.2
Long-term debt, net of current portion.....	49,059	42,899	35,729	30,965	38,190	1,707.6
Other long-term liabilities (7).....	21,547	21,578	23,866	33,370	34,633	1,548.5
Total long-term liabilities (7).....	70,606	64,477	59,595	64,335	72,823	3,256.1
Deferred tax liability.....	8,057	9,870	12,541	15,863	16,008	715.8
Current liabilities.....	14,155	17,954	15,654	37,508	23,013	1,029.0
Stated capital.....	59,209	59,050	59,041	59,152	59,218	2,647.8
U.S. GAAP:						
Total assets.....	(5)	(5)	289,491	279,617	280,985	12,563.6
Long-term liabilities (7).....	(5)	(5)	62,480	64,475	72,823	3,256.1
Deferred tax liability.....	(5)	(5)	16,101	15,942	16,454	735.7
Shareholders' equity.....	(5)	(5)	162,122	153,530	164,025	7,334.0
Minority interests.....	(5)	(5)	17,438	8,542	5,576	249.3
Other Financial Data						
IFRS:						
Depreciation rate.....	5.4	5.3	5.6	5.7	4.8	
Ratio of earnings to fixed charges.....	2.35	3.13	3.42	3.40	5.33	
Capital expenditures.....	21,346	15,706	10,419	52,316	33,949	1,518.0
Ratio of shareholders' equity to total capitalization(8).....	0.72	0.76	0.80	0.81	0.79	
U.S. GAAP:						
Ratio of earnings to fixed charges.....	(5)	(5)	4.52	3.75	5.25	
Ratio of shareholders' equity to total capitalization(8).....	(5)	(5)	0.88	0.81	0.79	
Selected Operating Data						
Installed capacity (MW).....	10,146	10,146	11,146	12,297	12,297	
Generation (GWh).....	50,842	52,162	54,118	61,399	62,126	
Employees.....	9,278	8,011	7,677	18,100	17,855	

(1) Certain prior year financial statement items have been reclassified to conform to the current year presentation.

(2) Czech crown amounts have been translated into U.S. dollars at the rate of CZK 22.365 per USD 1.00, the CNB Exchange Rate on December 31, 2004.

(3) For 2002 and 2003 comparative information has been restated (see Note 2.4(a) to the Consolidated Financial Statements).

(4) Translated into USD at the Czech National Bank rate on the dividend payment date.

(5) As discussed in Note 30 to our Consolidated Financial Statements, during 2004 we restated previously reported U.S. GAAP financial information to reflect the retroactive application of accounting similar to a "pooling of interest" for certain common control business combinations which we entered into during both January 2004 and April 2003. We did not restate, and therefore we do not provide, U.S. GAAP reconciled financial information for 2001 and 2000 designated by this footnote, because such U.S. GAAP reconciled financial information is not required to be provided in Note 30 to our Consolidated Financial Statements and we believe that we would not be able to obtain the relevant information without unreasonable effort and expense.

(6) Plant in service less accumulated provision for depreciation and nuclear fuel at amortized cost.

(7) Amounts also include accumulated provision for nuclear decommissioning and storage of spent fuel and other nuclear waste.

(8) Total capitalization includes stated capital, retained earnings and long-term debt (net of current portion).

Exchange Rates

The following table sets forth, for the periods and dates indicated high and low exchange rates for Czech crowns ("CZK") into U.S. dollars ("USD") as reported by the Czech National Bank (the "CNB Exchange Rate") for each month during the previous six months and, for the last five years, the average rate for each year calculated as the average of the exchange rates on the last day of each month during the period. No representation is made that the Czech crown or USD amounts referred to herein could have been made or could be converted into USD or Czech crowns, as the case may be, at the rates indicated or at any other rate. The Federal Reserve Bank of New York does not report a noon buying rate for Czech crowns. As of July 14, 2005, the CNB Exchange Rate was CZK 25.06 = USD 1.00.

Month -----	CNB Exchange Rates -----	
	Low(1) ---	High(1) ---
	(CZK per USD)	
December 2004	23.40	22.34
January 2005	23.48	22.48
February 2005	23.47	22.45
March 2005	23.35	21.97
April 2005	23.65	23.02
May 2005	24.62	23.09
June 2005	24.91	24.41

Source: Czech National Bank

(1) Actual high and low, on a day-by-day basis, for each period.

Year -----	CNB Exchange Rates -----			
	Low (1) ---	High (1) ---	Average (2) -----	Period-End -----
	(CZK per USD)			
2000	42.13	34.88	38.58	37.81
2001	40.29	34.84	38.03	36.26
2002	37.16	29.12	32.74	30.14
2003	30.35	25.65	28.23	25.65
2004	27.66	22.34	25.70	22.37

Source: Czech National Bank

(1) Actual high and low, on a day-by-day basis, for each period.

(2) Average of the exchange rates on the last day of each month during period.

For information regarding the effects of currency fluctuations on our results, see "Risk Factors" on page 9, "Item 5. Operating and Financial Review and Prospects" on page 47 and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" on page 69.

RISK FACTORS

FACTORS RELATING TO THE COMPANY

OUR MAJORITY SHAREHOLDER MAKES DECISIONS THAT REFLECT CZECH GOVERNMENT POLICY

The Czech National Property Fund (the "NPF" or the "National Property Fund"), which is under the direct control of the Czech Republic, holds approximately two-thirds of all shares in CEZ. The National Property Fund also holds significant equity interests in certain of our subcontractors, including Czech suppliers of coal. As of the end of 2005, the National Property Fund will be terminated and all its property, including all our shares owned by the NPF, will pass to the Czech Republic and will be administered by the Czech Ministry of Finance. Consequently, certain of our decisions and the decisions of our suppliers and contractors that are mandated by the National Property Fund (or will be mandated by the Ministry of Finance) reflect the Czech Republic government policy. We can give no assurance that these decisions will not adversely affect our business, prospects, financial condition or results of operations.

OUR INTEGRATION WITH THE REAS, BULGARIAN DISTRIBUTION COMPANIES OR OTHER ACQUISITIONS COULD ENCOUNTER OBSTACLES, NEGATIVELY INFLUENCING OUR BUSINESS

On April 1, 2003, we acquired from the Czech government majority shares in five regional distribution companies in the Czech Republic (the "REAS"). On January 18, 2005, we acquired from the Bulgarian government majority shares in three distribution companies in Western Bulgaria. We are in the process of fully integrating the five REAS and the Bulgarian distribution companies into our group. While we believe that we will be successful in our efforts, we can give no assurance that the integration of the REAS and the Bulgarian distribution companies will proceed smoothly and that minority shareholders in the REAS and in the Bulgarian distribution companies will not obstruct the integration process. Consequently, we can provide no assurance that our business, prospects, financial condition or results of operations will not be adversely influenced by these factors. Also, we may encounter similar difficulties in connection with integration into our group of other companies which we may acquire in the future.

SEPARATION OF ELECTRICITY DISTRIBUTION FROM ELECTRICITY GENERATION ("UNBUNDLING") REQUIRED BY CZECH LAW AS OF JANUARY 1, 2007 WILL LIMIT OUR ABILITY TO EXERCISE FULLY OUR CONTROL OVER THE REAS

Under Czech law, by January 1, 2007 distribution of electricity must be separated and independent from generation of electricity. The process of separation is called "unbundling". To ensure the required independence, management responsible for electricity distribution business must be different from management responsible for electricity generation business, appropriate measures must be taken to prevent professional conflicts of interest between persons responsible for electricity distribution and generation businesses, and control which can be exercised by shareholders over electricity distribution companies is restricted. After we comply with these requirements, we could encounter difficulties and obstacles in controlling our REAS, despite being a majority shareholder in those REAS. Consequently, our business, prospects, financial condition or results of operations may be adversely influenced by these legal limitations on our control over the REAS.

LIBERALIZATION OF THE ELECTRICITY MARKET IN THE CZECH REPUBLIC COULD ADVERSELY AFFECT OUR BUSINESS

We compete on the retail electricity market and the wholesale electricity market. With respect to the retail market in the Czech Republic, only "eligible final customers" may choose their electricity supplier and freely negotiate prices. Since January 1, 2005, all final customers except for households have been among the "eligible final customers". Households are scheduled to become "eligible final customers" as of January 1, 2006, when the Czech retail electricity market will become fully liberalized. We have direct access to all eligible final customers and this liberalized market represents approximately 60% of the Czech retail electricity market. On the other hand, the remaining 40% of the Czech retail electricity market (mostly households) is served by the REAS which are free to choose on the wholesale market the supplier to cover demand of their customers. The wholesale market is fully liberalized. As a consequence of this liberalization, the REAS and eligible final customers have purchased some electricity from producers outside the Czech Republic, which in fact has reduced our revenues. We have responded to these price and other pressures by increasing the quantity of electricity sold for low prices while keeping fixed costs constant. While we control five REAS in the Czech Republic, we can provide no assurance that decisions of the remaining three independent REAS or independent eligible final customers will not adversely affect our business, prospects, financial condition or results of operations.

OUR FUTURE PROFITABILITY IS DEPENDENT UPON SEVERAL FACTORS, SOME OF WHICH ARE OUTSIDE OUR CONTROL.

Costs structure and variable electricity prices. The operation of our power stations, in particular our nuclear power stations, is characterized by high fixed costs. Additionally, some of our costs are not borne by our non-nuclear competitors because they are unique to the nuclear power generation industry. Our ability to generate sufficient turnover at sufficient margin to cover our fixed costs is dependent, in part, on favorable electricity prices and our sales and trading strategy. Electricity prices depend on a number of market and other factors. Because our costs are primarily fixed in nature, they cannot be reduced in periods of low electricity prices. Therefore, in these circumstances it is possible that we may not produce sufficient revenue from our electricity sales and/or trading to cover our generation costs.

Unplanned outages. Unplanned outages of our power plants, in particular nuclear reactors, result in lost generation and, due to our contractual obligations to deliver electricity at pre-established prices and quantities, we may, therefore, be required to purchase replacement electricity volume in the open market which may be at unfavorable prices. Given the complexity of operating nuclear power stations, we do not believe that we will be able to completely eliminate the risk of unplanned outages and we cannot predict the timing or impact of these outages with any certainty. Therefore, there is no assurance that we will be profitable or generate sufficient cash to fund our operations or to meet our financial obligations as they fall due.

INTERRUPTIONS IN OPERATION OF THE TEMELIN NUCLEAR POWER PLANT COULD SIGNIFICANTLY LOWER OUR CASH FLOW

We have experienced continuing environmental and other opposition to our operation of Temelin nuclear power plant with demonstrations by Austrian citizens and others. As a result, the prime ministers of Austria and the Czech Republic met in the past and agreed to further studies and monitoring performed on Temelin. Also, several lawsuits were filed before Austrian courts and they referred the issue as to whether Austrian courts have jurisdiction in such lawsuits to the European Court of Justice. We can provide no assurance that, as a result of such studies and monitoring or such lawsuits, the operation of Temelin will not be disturbed as a result of events beyond the control of management. We can provide no assurance that any such problems will not adversely affect our business, prospects, financial condition or results of operations.

OUR COMMERCIAL RELATIONSHIP WITH THE REAS AND THE COMPETITIVE ENVIRONMENT FOR THE SUPPLY OF ELECTRICITY IN THE CZECH REPUBLIC COULD CHANGE

We sell a significant portion of the electricity we produce to the eight REAS. Except for two REAS for which ten-year supply contracts have been signed in 1996 (but contracts specifying volumes and prices, among others, for these two long-term contracts are signed annually), we sign our contracts with the other REAS annually. We own majority shares in five REAS. We can provide no assurance that the three REAS we do not control will continue to purchase power from us in the same quantities as they have in the past and/or for the same or better prices or that the competitive environment for the supply of electricity in the Czech Republic will not change.

THERE ARE RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS.

In January 2005, we acquired three electricity distribution companies in Western Bulgaria. We are in the process of bidding for acquisition of several other electricity generation and distribution companies outside the Czech Republic, including Bulgaria, Romania, Poland and Montenegro. We will continue to evaluate opportunities abroad and may expand our investments in these countries or in new markets. There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, trade barriers including import and export controls, tariffs, customs, duties, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalization, war and other political risks, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions and potentially adverse tax consequences, any of which could adversely impact the success of our international operations.

BECAUSE WE LOST CONTROL OF THE TRANSMISSION GRID, ELECTRICITY TRANSMISSION PRICES MAY INCREASE

Until April 1, 2003, we controlled the electricity transmission grid in the Czech Republic through our wholly-owned subsidiary, CEPS, a.s. As a part of process of the liberalization of the energy market and/or privatization in the Czech Republic, we had to sell our majority stake in CEPS, a.s. and we thereby lost control of the transmission grid. The prices for electricity transmission could increase as a result of our lost control of CEPS, a.s. If these

transmission prices increase and such increase is followed by increases in end prices for electricity, we can give no assurance that the possible resulting decrease of consumption or our increased costs would not adversely affect our business, prospects, financial condition or results of operations. Further, we can give no assurance that the specific regulatory or other relationship that actually develops with respect to the transmission of electricity will not adversely affect our business, prospects, financial condition or results of operations.

STATE SUPPORT TO SELECTED POWER GENERATION SOURCES COULD ADVERSELY AFFECT THE PORTION OF OUR BUSINESS SUBJECT TO REGULATED PRICES

Czech law requires the REAS to purchase certain amounts of electricity from environmentally friendly "co-generation," or "renewable" facilities and it provides state subsidies to them. This approach leads to a significantly higher state support for small generation sources or those that are connected directly to the REAS grids. We, however, operate large plants and transmit a major portion of our electricity to the transmission grid and thus cannot take full advantage of the state support for otherwise comparable power generation sources. While we believe that these purchases by the REAS will remain an insignificant portion of overall REAS electricity purchases, we can provide no assurance that this will in fact be the case and that our electricity sales to independent REAS will not decrease as a result and will not adversely affect our business, prospects, financial condition or results of operations.

THE COSTS WE ARE BEING CHARGED FOR RADIOACTIVE WASTE DISPOSAL MAY INCREASE

Under Czech law we are required to contribute funds to a "Nuclear Account" administrated by the Ministry of Finance based on the amount of electricity we produce in our nuclear power plants. This fund is used by the Radioactive Waste Repository Authority (the "Repository Authority") to centrally organize, supervise and undertake responsibility for all final disposal facilities and deposition of nuclear waste therein.

We can give no assurance that the government will not increase the contributions which the Nuclear Act requires us to pay into the Nuclear Account. Additionally, if the cash amounts accrued in the Nuclear Account are not sufficient to pay the final disposal costs, we may be required to pay additional amounts.

THE AMOUNTS WE HAVE TO KEEP IN A SPECIAL ESCROW ACCOUNT FOR FUTURE DECOMMISSIONING OF OUR NUCLEAR POWER PLANTS MAY INCREASE; WE MAY BECOME LIABLE FOR INCREASED COSTS OF FUTURE DECOMMISSIONING

Under Czech law we are required to keep funds in a special escrow account based on the expected costs of future decommissioning of our nuclear power plants. These funds can be used only for such decommissioning and only with the permission of the Repository Authority. We can give no assurance that our contributions to the special escrow account will not increase as a result of increased expected costs of decommissioning or other factors determining the amount of our annual contributions. Additionally, if the cash amounts accrued in the special escrow account are not sufficient to pay the decommissioning costs, we may be required to pay additional amounts.

OBSOLESCENCE OF SOME OF OUR EQUIPMENT AND COMPONENT PARTS THAT ARE REQUIRED TO OPERATE OUR POWER STATIONS AND MONITOR PLANT STABILITY COULD RESULT IN HIGHER OPERATING COSTS, UNPLANNED LOSSES OR THE CLOSURE OF OUR POWER STATIONS.

Some of our power plants became operational several decades ago. As a result, it is becoming increasingly difficult to source replacement parts for some older equipment and to find engineers qualified to service certain equipment. We may not be able to maintain our older equipment on a cost effective basis or at all. We believe the increasing obsolescence of some of our parts and systems may result in an increase in unplanned losses, longer planned outages, significantly higher repair costs and/or the closure of our stations.

THE CONDITION OF SOME OF THE PLANT, EQUIPMENT AND COMPONENTS AT OUR POWER STATIONS IS SUBJECT TO GRADUAL DETERIORATION OVER TIME.

The impact on the condition of some of the plant, equipment and components at our power stations of station operations and natural processes such as erosion and corrosion tends to increase as such plant, equipment and components grow older. While we attempt to implement inspection and maintenance practices such that we repair or replace such plant, equipment and components before they fail there is no guarantee that we will be successful and consequently we may experience unplanned losses which will adversely impact on our profitability.

OUR INSURANCE DOES NOT FULLY COVER OUR RISKS AND FACILITIES

We have limited insurance (e.g., property and machinery insurance) for certain of our significant assets, including the Dukovany and Temelin nuclear power plant. We can give no assurance that our business will not be adversely affected by the costs of accidents or other unexpected occurrences at such facilities.

WE COULD INCUR SIGNIFICANT LOSSES IF WE SUFFERED A NUCLEAR ACCIDENT

In accordance with the Vienna Convention, the Nuclear Act provides that the operator of a nuclear facility is liable for any damage caused by a nuclear accident up to CZK 6 billion per accident. The Nuclear Act also provides that operators of nuclear facilities, such as ourselves, are obligated to acquire insurance covering potential liabilities for nuclear damages in an amount of not less than CZK 1.5 billion. We have concluded insurance policies for both Dukovany and Temelin which provide coverage at these amounts. However, notwithstanding such limitation of liability and our additional coverage, any nuclear accident at a nuclear power station could have a material adverse effect on our business, prospects, financial condition or results of operations due to, amongst others, potential shut-down of the nuclear facility involved in the accident and the resulting loss of generation capacity, remedial and replacement expenses and negative public response. In addition, as the Nuclear Act has not been tested in court, we can give no assurance that judicial interpretations will be consistent with its stated limitation of liabilities.

FUTURE REGULATION COULD HAVE A SIGNIFICANT ADVERSE EFFECT ON OUR BUSINESS AND ITS PROFITABILITY

As an owner and operator of nuclear and coal-fired power stations and owner of electricity distribution businesses, we are subject to extensive governmental regulations. We are subject to, among others, nuclear safety, electricity market and environmental regulations of the Czech Republic, the EU and other governmental authorities. Future regulation by the Czech government or the European Union may require significant changes in our business or otherwise affect our business in ways that we cannot predict. Any new regulations that cause us to restructure or otherwise change our business may have a material adverse effect on our business prospects, results of operations and financial condition.

A FAILURE TO COMPLY WITH, OR THE INCURRENCE OF LIABILITIES UNDER, ENVIRONMENTAL, HEALTH AND SAFETY LAWS AND REGULATIONS TO WHICH WE ARE SUBJECT, OR A FAILURE TO OBTAIN OR MAINTAIN REQUIRED ENVIRONMENTAL, HEALTH AND SAFETY REGULATORY APPROVALS, COULD ADVERSELY AFFECT OUR BUSINESS OR OUR ABILITY TO TRADE PROFITABLY.

We are subject to various environmental and health and safety laws and regulations governing, amongst other things: (i) the generation, storage, handling, release, use, disposal and transportation of hazardous and radioactive materials; (ii) the emission and discharge of hazardous materials into the ground, air or water; and (iii) decommissioning and decontamination of our facilities and the health and safety of the public and our employees. Regulators in the Czech Republic administer these laws and regulations. We are also required to obtain environmental and safety permits from various governmental authorities for our operations. Certain permits require periodic renewal or review of their conditions and we cannot predict whether we will be able to renew such permits or whether material changes in permit conditions will be imposed. Therefore, we may not have been, or may not at all times in the future be, in complete compliance with such laws, regulations and permits. Violations of these laws, regulations or permits could result in plant shutdowns, fines and/or litigation being commenced against us or other sanctions. Other liabilities under environmental laws, including clean-up of radioactive or hazardous substances, can be costly to discharge. Environmental liabilities or failure to comply with environmental laws could also lead to negative publicity and significant damage to our reputation. Environmental and health and safety laws are complex, change frequently and have tended to become more stringent over time. Whilst we have budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws will change or become more stringent in the future. Therefore, our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, radioactive or hazardous substances, could adversely affect our business or our operating or financial performance.

DEVALUATION OF THE CZECH CROWN AGAINST THE U.S. DOLLAR AND/OR EURO WOULD NEGATIVELY IMPACT OUR BUSINESS; WE MAY SUFFER EXCHANGE RATE LOSSES IF CZECH CROWN BECOMES SIGNIFICANTLY WEAKER TO U.S. DOLLAR AND/OR EURO, OR LOSSES DUE TO HEDGING IF CZECH CROWN BECOMES SIGNIFICANTLY STRONGER

Majority of our revenues are denominated in Czech crowns and, after giving effect to foreign exchange swaps, approximately one-third of our indebtedness is effectively denominated in, and is expected to continue to be

denominated in, currencies other than the Czech crown. Consequently, we are exposed to currency exchange risks that could impact our ability to meet our debt obligations and finance our business. The Czech crown to euro exchange rate has been relatively stable and there has been a trend of a stronger Czech crown versus the U.S. dollar in 2004 with stabilization in 2005. However, we can give no assurance that these trends will continue. Devaluation of the Czech crown against the U.S. dollar and/or euro would result in a larger proportion of our revenues needed to service our indebtedness denominated in currencies other than the Czech crown, including the 7 1/8% notes due 2007 issued by CEZ Finance B.V. and guaranteed by our Company (the "Notes" and the guarantees provided by us the "Guarantees") which could have a material adverse effect on our ability to service the Notes or other indebtedness denominated in currencies other than the Czech crown.

We have entered into foreign exchange swap transactions (principally U.S. dollars and euro to Czech crowns) in order to reduce our exposure to the exchange rate risk by adjusting our exposure to non-Czech crown denominated liabilities. Although we intend to further reduce our exposure to exchange rate risk by entering into other hedging transactions, we can give no assurance that such hedging will be available or profitable.

FACTORS RELATING TO THE CZECH REPUBLIC

IF THE CZECH ECONOMY PERFORMS POORLY, OUR BUSINESS WILL BE IMPACTED NEGATIVELY

Our revenues are sensitive to the performance of the Czech economy. Most of our assets and operations are located in the Czech Republic and we derive the substantial majority of our electricity revenues from domestic sales. Changes in economic, regulatory, administrative or other policies of the Czech government, as well as political or economic developments in the Czech Republic over which we have no control, could have a significant effect on the Czech economy, which in turn could have a significant effect on our business, prospects, financial conditions or results of operations or our ability to proceed with our business plan.

The Czech Republic has experienced growing public finance deficits which could potentially destabilize the Czech crown against foreign currencies, increase inflation and increase the borrowing costs of the Czech Republic through lower debt ratings, and for us as well. While political parties in the Czech Republic acknowledge this problem, they have not reached political accord on a solution. Though the Czech crown is currently strong and the inflation low, we can give no assurance that this will be the case in the future years.

WE COULD INCUR UNFORESEEN TAX PENALTIES AND/OR SANCTIONS

Changing interpretations of tax regulations by the tax authorities, extended time periods relating to overdue liabilities and the possible imposition of high penalties and other sanctions result in the tax risk for a Czech company being significantly higher than in countries with more mature tax systems.

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF THE COMPANY

CEZ, a.s. (the "Company" or "CEZ") was established on May 6, 1992 as a joint-stock company organized under the law of the Czech Republic. We were established through the aggregation of formerly state-owned companies into one enterprise. The resulting company is the largest electricity generation company in the Czech Republic in terms of installed electricity generation capacity and one of the largest companies in the Czech Republic in terms of operating revenues. Following acquisition of majority stakes in five REAS in 2003 we also operate the largest electricity distribution business in the Czech Republic in terms of number of final customers we can access. We are governed by the provisions of Czech Civil and Commercial law and are registered with the Commercial Register of the District Court for Prague. Our headquarters is located in Prague, Czech Republic. Our U.S. agent's name and address is CT Corporation System, 1633 Broadway, New York, New York 10019.

Our registered address is:

CEZ, a. s.

Duhova 2/1444
140 53 Prague 4
Czech Republic

Tel: +420 (2) 7113 1111
Web site: www.cez.cz

As of December 31, 2004, group of our companies consisted of a total of 78 companies, of which 34 (ourselves, 26 subsidiaries and 7 affiliated companies), are included in our consolidated group. The structure of our consolidated group was determined based on significance of our individual subsidiaries and affiliated companies.(1) The core business of our consolidated group is the generation, distribution, and sale of electricity generated in our group's own facilities, and related provision of power grid ancillary services. In addition to electricity generation and distribution, businesses of individual companies in our group also include generation and sale of heat, mining of raw materials, telecommunications, scientific research, as well as engineering and activities in the construction, maintenance, upgrading of power plants and distribution system, and provision of information technologies.

All power plants that we operate are located in the Czech Republic. The total installed capacity of our generation facilities as of December 31, 2004 amounted to 12,297 MW. In 2004, we generated 62,126 GWh of electricity. Of this amount, coal-fired plants accounted for 54.7%, our nuclear power plants accounted for 42.4%, and hydroelectric plants accounted for 2.9% of electricity produced. The remaining electric power consumed in the Czech Republic comes from independent power producers, self generators and imports. CEZ operates twenty-four(2) power plants, including ten coal-fired plants, twelve hydroelectric plants and two nuclear power plants, while other members of our consolidated group operate a number of small power plants with aggregate installed capacity of 144 MW. See "Property, Plants and Equipment" on page 30. We also purchase electricity from Sokolovska uhelna a.s., certain other companies (this applies to our distribution companies), and, under favorable circumstances, from traders.

Through REAS we have direct access to approximately 3.4 million of end customers (including both eligible final customers and households) in the Czech Republic. Of the quantity of electricity we sold in the Czech Republic in 2004, we sold approximately 57% to final customers to cover electricity consumption in the Czech Republic. On January 18, 2005, we acquired majority shares in three electricity distribution companies in Western Bulgaria. These companies were not a part of our consolidated group as of the end of year 2004.(1) Through the distribution companies in Bulgaria we have access to approximately 1.8 million end customers. On April 5, 2005 we entered into an agreement to acquire a majority share in the largest distribution company in Romania, through which we will have access to another 1.4 million end customers. Combined the Czech Republic, Bulgaria and Romania, in aggregate we will have access to approximately 6.6 million end customers.

(1) For further information on consolidation of our financial statements see Notes to Consolidated Financial Statements.

(2) Calculation of the number of plants that we operate varies depending on whether a plant is counted independently or as a part of a larger organization unit. The number of plants used herein is based on larger organizational units.

The following table sets forth a breakdown of the amounts of electricity that we procured and which was supplied in and exported from the Czech Republic from 2002 through 2004:

	2002	2003	2004
	----	----	----
		(GWh)	
Procurement:			
Generated in-house (gross).....	54,118	61,399	62,126
Other purchasing for resale	2,018	13,983	11,625
Purchased from OTE(1).....	900	1,009	489
Purchased to cover own consumption.....	18	21	11
Purchased from outside the Czech Republic.....	1,338	919	2,129
	-----	-----	-----
Total.....	58,392	77,331	76,380
	=====	=====	=====
Supply:			
Sold in the domestic market.....	36,245	48,883	54,719(5)
Sold to electricity distribution companies.....	31,466	14,107	14,886
Sold to OTE(1).....	1,333	1,072	565
Sold to eligible customers(2).....	69	9,467	15,604
Sold to captive customers(3).....	0	21,259	16,066
Sold to traders(4).....	2,593	1,935	6,768
Of which: sold to traders for export.....	0	0	5,885
Sold to CEPS to cover losses in transmission grid..	598	719	677
Other domestic sales.....	186	324	153
Exports.....	16,008	19,227	10,966(6)
Trading outside of the Czech Republic (sales)	921	895	1,977
Total Sales.....	53,174	69,005	67,662
Other consumption of CEZ Group (including in-house consumption).....	5,218	5,665	5,933
Losses.....	0	2,661	2,785
	-----	-----	-----
Total.....	58,392	77,331	76,380
	=====	=====	=====

(1) Operator trhu s elektrinou, a. s. (Electricity Market Operator)

(2) Final customers pursuant to Section 28 of the Energy Act

(3) Final customers pursuant to Section 29 of the Energy Act

(4) Electricity traders pursuant to Section 30 of the Energy Act

(5) Domestic real 2004 sales (without export via traders) was 48,834 GWh

(6) Total real 2004 export (including export via traders) was 16,851 GWh

In addition to electric power, we also generate heat, which we supply to municipalities, district heating companies and industrial consumers via steam/hot water pipelines that we operate with other persons. See "Heat Generation" on page 19.

BREAKDOWN OF REVENUE BY ACTIVITY

The following table sets forth a breakdown of our principal activities together with the revenue generated from such activities for the years 2002 through 2004:

	2002	2003	2004
	----	----	----
		(CZK millions)	
Electricity and Transmission Sales(1)	52,938	79,548	92,748
Heat Sales.....	1,673	1,833	1,883
Other.....	967	3,435	5,534

(1) In 2002, our revenue from electricity sales amounted to approximately CZK 41,021 million, and our revenue from transmission sales amounted to approximately CZK 11,917 million. After the sale of 66% of our shares in CEPS, a.s. on April 1, 2003, we do not account for our transmission sales separately and we have no comparable data available for 2003 and for 2004. Additionally, we do not account for our electricity sales from our nuclear, hydro-electric and coal-fired power plants separately.

ELECTRICITY GENERATION

In 2004, we produced a total of 62,126 GWh of electricity, which represents approximately 73.7% of the total electricity produced in the Czech Republic. Revenues from electricity sales amounted to approximately CZK 92.7 million or 92.6% of our total revenues for 2004.

The following table provides information regarding our installed electricity generating capacity at December 31, 2004 and the method of electricity generation during the year ended December 31, 2004:

	At December 31, 2004		Year Ended December 31, 2004	
	Installed Capacity	Installed Capacity	Electricity Generation	Total Production
	(MW)	(%)	(GWh)	(%)
Coal-Fired Plants.....	6,603	53.7	34,002	54.7
Nuclear Plants.....	3,760	30.6	26,324	42.4
Hydroelectric Plants, Wind(1) and Solar Power Plant(2).....	1,934	15.7	1,800	2.9
Total.....	12,297	100	62,126	100
	=====	=====	=====	=====

(1) Power plant in the locality of Mravenecnik near the Dlouhe Strane hydroelectric power plant.

(2) Included under the Dukovany power plant organizational unit.

Coal-Fired Power Generation

Through CEZ, we own and operate ten (10) coal-fired power plants which are further described below under "Property, Plants and Equipment" on page 30. In 2004, our coal-fired plants owned by CEZ generated 33,666 GWh of electricity representing 54.2% of our total electricity production.

Our coal-fired plants have a diversified age profile, and we have a planned program of regular repairs and overhauls for the generating units. In most cases, parts of these units have already been completely reconstructed and modernized. As of December 31, 2004, we had installed FBB or FGD equipment on all of our coal-fired capacity and we have installed or refurbished electrostatic precipitators (which reduce particle emissions) on all but two of our coal-fired power plants. The coal-fired plants that we own and operate are situated at various locations throughout the Czech Republic, the largest concentration being in the lignite mining region in the northwest of the Czech Republic. We have decommissioned the Ledvice I power plant, two units of the Melnik II power plant and three units of the Tusimice I power plant. We decided to decommission these plants because, in our judgment, we have sufficient capacity to satisfy demand using our existing plants.

Types and Sources of Coal. The majority of our coal-fired power plants (97.6%) utilize lignite. Currently only one of our power plants (and partially another one) uses hard coal. We have four main domestic suppliers of lignite and one domestic supplier of hard coal.

Most of our coal-fired power plants are located in the vicinity of the North Bohemian brown coal basin. Conveyor belts from nearby mines directly supply coal to three power plants, Ledvice II, Tisova I and II and Tusimice II. In other cases, rail is primarily used to transport coal supplies over relatively short distances. We maintain coal stocks at a general level of 16% of our annual consumption at plants that are not in direct proximity to coal mines.

Coal Contracts. For the purchase of lignite we have entered into a number of annual, five-year and one long-term contract with Appian Group, a.s., Sokolovska uhelna, a.s., Severoceske doly, a.s., Lignit Hodonin, s.r.o., GEMEC-UNION, a.s. and with OKD, a.s. for the purchase of hard coal. We have signed a long-term contract with Severoceske doly, a.s., and short term contracts (annual) with Severoceske doly, a.s., Appian Group, a.s., Sokolovska uhelna, a.s. Our contract with Lignit Hodonin, s.r.o. for lignite is medium-term until 2010. We have signed a short term agreement with OKD, a.s. for hard coal. See "Equity Interests of CEZ in Other Companies as of December 31, 2004" on page 30.

We generally enter into contracts for coal deliveries on the basis of tenders. Short-term contracts resulting from such tenders fix prices for one year.

In October 1997, we signed a long-term contract with the largest producer of lignite in the Czech Republic, Severoceske doly, a.s. In 1999, we increased our stake in Severoceske doly, a.s. to more than one-third of the capital stock of Severoceske doly, a.s. Severoceske doly, a.s. supplies approximately 60% of our total consumption of

lignite. This contract covers supplies through the year 2030 and we intend to sign an amendment soon which will prolong the contract until 2052. The amendment will not change the agreed volume of supplies, but extends the supplies in time to cover the operation life of our coal-fired power plants. We purchase the largest amount of coal in the Czech Republic.

The following table sets forth the rate of price increases (decreases) for which we purchased lignite and hard coal as compared to inflation rates for the years 2002 through 2004:

Year	Lignite (%)	Hard Coal (%)	Inflation (%)
-----	-----	-----	-----
2002	0.0	0.7	1.8
2003	0.0	0.0	0.1
2004	2.5	(0.7)	2.8

Although we have been in a good bargaining position vis-a-vis coal suppliers and we have generally been able to keep increases in coal prices below increases in the annual inflation rates, there can be no assurance that we will be able to do so in 2005 or future years. The stagnation in lignite coal prices in 2004 was influenced primarily by the low inflation rate, market conditions and increased competitive pressures among suppliers. The decrease with respect to hard coal was primarily due to purchases of less quality hard coal.

We purchase limestone and lime for desulfurization facilities and fluidized-bed boilers under long and medium-term contracts from a total of five domestic suppliers. LOMY MORINA spol. s r.o. supplies approximately 49% of the total amount. We hold 51.05% of the registered capital of LOMY MORINA spol. s r.o. We hold 64.87% of the registered capital of KOTOUC STRAMBERK, spol. s r.o., which supplies approximately 21% of our total limestone and lime needs at prices which are renegotiated each year. These prices do not differ significantly from market prices.

Historically, prices for lime, limestone and other raw materials have generally risen, but such changes have not been material.

Taking into account geographical restrictions and current estimates of coal-fired generation needs, we estimate there are sufficient lignite reserves in the Czech Republic for the operation of our coal-fired power plants for approximately 50 years. This estimate is based on an expectation that in approximately 20 years, the amount of electricity produced in coal fired power plants will decrease by 50%.

Total expenses for energetic fuel in coal-fired power plants consumed in 2004 amounted to CZK 10,899 million or 13.5% of our total operating expenses. Total expenses for lime and limestone consumed in 2004 amounted to approximately CZK 630 million or 0.8% of our total operating expenses.

Final Disposal of Coal Waste. Pursuant to the 2001 Act on Wastes, effective from January 1, 2002, and related regulations, we dispose of coal ash by depositing it in landfills and disused shafts of existing mines. We sell some of the coal ash residues to certain producers of building materials. In addition, we have been selling a portion of the FGD gypsum remaining after the desulfurization process to certain producers of construction materials. Although such sales have not been material to our revenues, they represent an important element in our environmental initiatives.

Sources of Working Materials. We select suppliers of caustic soda, sulfuric acid, hydrochloric acid, technical gases, turbine and transformer oils and other working materials on the basis of tenders. Individual power plants conclude these supplier contracts. Our total expenditure for such supplies do not represent a material portion of our overall expenses.

Nuclear Power Generation

Through CEZ, we currently own and operate two nuclear power plants, one situated at Dukovany, in the South Moravian District of Trebic and the second at Temelin, in the South Bohemian district of Ceske Budejovice. We describe both Dukovany and Temelin in further detail below under "Property, Plants and Equipment" on page 30 and "Capital Investments" on page 36. In 2004, our nuclear power plants generated 26,324 GWh of electricity, representing 42.4% of our total electricity production.

Both nuclear power plants are equipped with VVER reactors. VVER is a pressurized water reactor in which water acts as both the moderator and the coolant. The design of a VVER plant is generally considered identical to the design of PWR plants based on U.S. technology (in which water also acts as the moderator and the coolant) and which is the most common reactor type commercially used around the world.

Unlike analogous western nuclear power plants, the units of the Dukovany nuclear plant have no full pressure containment, however the function of the barrier which prevents escape of radioactive steam into the atmosphere in case of any breach of the primary circuit (the sealed circuit comprised of the steel pressure vessel containing the reactor, the steam generator and the connecting pipe work) is ensured by hermetic zones complemented by bubbler tower which prevents hermetic zones from overpressurizing. In the Temelin nuclear power plant, both units are constructed with standard full pressure containment of western type. The Dukovany and Temelin nuclear plants are designed to withstand the maximum design accident caused by a breakdown of the primary circuit and are designed to be able to reduce the pressure and temperature of steam escaping from the primary circuit to the hermetic zones or containment by using spray systems.

Dukovany Nuclear Power Plant. The construction of the Dukovany nuclear power plant began in January 1979 and its four units became operational between May 1985 and July 1987. The power plant has been in continuous operation since 1985. The power plant uses four Soviet designed VVER 440-213 pressurized water reactors with a total installed electricity generating capacity of 1,760 MW. Outside the former Soviet Union, such reactors are in operation in the Czech Republic, Finland, Hungary, Bulgaria and the Slovak Republic.

The State Nuclear Safety Authority (the "Nuclear Safety Authority") grants operating licenses that are renewable upon application. The following table sets forth the status of licenses at the Dukovany power plant:

Unit	License Valid Until:
----	-----
1	December 31, 2005
2	December 31, 2006
3	December 31, 2007
4	December 31, 2007

From its initial operation to December 31, 2004, the Dukovany nuclear plant has generated approximately 238 TWh of electricity at an average load factor per year of 83.27%.

Temelin Nuclear Power Plant. Our second nuclear power plant is located at Temelin in South Bohemia, was completed in 2004 and entered into commercial operation in October 2004. It employs two VVER 1,000 pressurized water reactors, each with a capacity of 1,000 MW. See "Capital Investments--Nuclear Power Plants" on page 38 for more information about the Temelin power plant. From its initial operation to December 31, 2004, the Temelin nuclear plant has generated approximately 31,407 GWh of electricity.

The following table sets forth the status of licenses at the Temelin power plant:

Unit	License Valid Until:
----	-----
1	October 11, 2010
2	May 31, 2012

Procurement of Nuclear Fuel Materials. Nuclear fuel materials and services (i.e., uranium, conversion, and enrichment) are supplied on the basis of long term contracts. Current needs for nuclear materials are contractually fully covered for several forthcoming years. Majority of these supply contracts had been concluded before the recent growth of prices on the market. A diversified portfolio of suppliers and reasonable stockpiles of fuel materials have been maintained within the framework of our procurement policy and also in compliance with recommendations of the Euratom Supply Agency.

Nuclear fuel for the nuclear power plant Temelin is supplied by Westinghouse according to a requested schedule on the basis of our long term contract. Second refueling at Unit 1 and the first refueling at Unit 2 were completed in 2004. Regarding the nuclear power plant Dukovany, deliveries of nuclear fuel designated for the implementation of the progressed "five-year fuel cycle" continue under the very long term contract concluded with Russian OAO TVEL. Stocks of fuel, to cover at least one year needs, are kept at the nuclear power plant Dukovany.

Spent Nuclear Fuel Storage. Operation of an interim storage facility for spent nuclear fuel which utilizes transport and storage containers licensed and used in a number of countries (including the United States) at the site of the

Dukovany nuclear power plant became operational in December 1995. The capacity of this facility is sufficient for the operation of the power plant until 2005. We are in the process of building a new interim storage facility and expect the construction to be completed in 2005. Once the new storage facility starts operations, we estimate that the capacity of the interim storage facility will be sufficient for the planned life of the power plant. We are also planning the construction of an interim storage facility for spent nuclear fuel from the Temelin power plant at the Temelin site. In 2004, environmental impact assessment (EIA) procedure was initiated with Austria and Germany being participants of the proceedings. An underground interim storage facility at the Skalka site in South Moravia is being considered as an alternative for the storage of spent fuel from both power plants. A local zoning permit for this site was issued to us in March 2001. In 1999 we sold the repository for disposal of low and medium level radioactive waste from the operation of both Dukovany and Temelin nuclear power plants to the Repository Authority (state agency). The Repository Authority has engaged us to continue operating this repository located at Dukovany site.

Hydroelectric Power Generation

Through CEZ, we operate twelve (12) hydroelectric power plants (small storage or pump storage), which are described in individual detail under "Property, Plants and Equipment" on page 30. In 2004, our hydroelectric power plants generated 1,612 GWh of electricity representing 2.6% of our total electricity generation.

Eight of these plants are situated on dams on the Vltava river creating a cascade operation controlled by a central control system. The total of 1,869 MW of hydroelectric power capacity that we operate represents an important and cost-effective source of peak load generation for CEZ. In recent years, the electricity consumption pattern in the Czech Republic has exhibited increasing intra-day peak demand. Additional development of hydropower generation in the Czech Republic is limited by the topography of the country and we currently are not constructing and do not have plans to construct any new hydroelectric power plants.

Hydroelectric power plants have a high degree of flexibility in the regulation of their output. The ability to control conventional storage hydroelectric power plants and pump storage plants centrally permits the hydroelectric plants to commence operating very rapidly thereby facilitating our regulation of electric output.

Neither conventional storage nor pump storage hydroelectric power plants release polluting emissions into the atmosphere. These plants also represent an inexpensive source of electric energy, particularly in periods of peak demand. In addition, pump storage power plants allow the productive use of excess electricity generated by base load plants by operating storage pumps in periods of low demand.

HEAT GENERATION

In general, heat is a by-product of the generation of electricity. We sell heat to municipalities, district heating companies and industrial consumers. At the present time, we are supplying heat from all of our coal-fired plants and both of our nuclear power plants. Heat is supplied to customers via steam/hot water pipelines operated by us and other persons. In 2004, sales of heat amounted to CZK 1,883 million or 1.9% of our total revenues.

TRANSMISSION OF ELECTRICITY

Until April 1, 2003 we controlled the electricity transmission grid in the Czech Republic through our wholly-owned subsidiary, CEPS, a.s. CEPS, a.s. operates a total of approximately 4,477 km (approximately 2,782 miles) of transmission lines connection the power plants to the distribution network. On April 1, 2003 we transferred our 66% share in CEPS, a. s. to various governmental entities. On September 3, 2004, we sold our remaining 34% share in CEPS, a. s. to the Czech government as required by a decision of the Czech Anti-Monopoly Office. The purchase price for the 34% share was CZK 7,087 million and will be paid to us in five installments, the last one being payable in 2009. For more information see "--Distribution of Electricity."

DISTRIBUTION OF ELECTRICITY

The term "distribution" refers to the transportation of electricity from the transmission grid to end-users (i.e., customers that use the electricity). Currently, we operate distribution lines in the Czech Republic and Bulgaria, and we expect to enter Romanian distribution market soon through acquisition of shares in a major Romanian distribution company. In aggregate, we have access to approximately 6.6 million end customers (including the Czech Republic, Bulgaria, and Romania).

The Czech Republic

Acquisition of REAS. On March 11, 2002 the Czech government decided to sell to us its shares in the eight REAS (regional electric power distribution companies) held by the National Property Fund and the Czech Consolidation Agency. The Czech government also decided to purchase our 66% share in our transmission subsidiary CEPS, a. s. The transactions were approved at our shareholder's meeting held on June 11, 2002. On March 20, 2003, we received an affirmative opinion from the Czech Anti-Monopoly Office approving the sale of the distribution companies to us. After the fulfillment of this last condition precedent for the integration of the electric power industry, we signed promissory notes on March 28, 2003, and on April 1, 2003 the transfer of the shares of the eight distribution companies to us was consummated. Concurrently, we transferred a 51% share in CEPS, a. s. to OSINEK, a. s., a wholly-owned subsidiary of the National Property Fund, and a 15% share in CEPS, a. s. to the Ministry of Labor and Social Affairs. After netting the price we should pay for the REAS against the price that we should receive for CEPS, a.s., we are required to pay the National Property Fund approximately CZK 15.2 billion by mid-2006. As requested by the National Property Fund, we accelerated the repayment and the last installment of CZK 3.7 billion was repaid on June 30, 2004.

In its affirmative decision on the sale of REAS to us, the Czech Anti-Monopoly Office stated three conditions which we are required to fulfill and which were in the opinion of the Czech Anti-Monopoly Office necessary for the protection of economic competition in the electricity distribution market in the Czech Republic:

- o We were required to dispose of our remaining 34% share in CEPS, a. s. to the Czech government;
- o We were required to dispose of all our minority shares in the three REAS in which we hold such minority shares, namely in Jihoceska energetika, a.s., Jihomoravska energetika, a.s., and Prazska energetika, a.s.; and
- o We were required to dispose of a majority share in one of the REAS in which we acquired majority shares. The Anti-Monopoly Office did not specify which REAS in particular we should sell, and therefore we could choose to sell any of Severoceska energetika, a.s., Severomoravska energetika, a.s., Vychodoceska energetika, a.s., Zapadoceska energetika, a.s., or Stredoceska energeticka, a.s. Our Board of Directors decided to sell Severoceska energetika, a.s.

With respect to the first condition, we sold our remaining our remaining 34% share in CEPS, a. s. to the Czech government on September 3, 2004. See "--Transmission of Electricity."

With respect to the second condition, we have already fulfilled our obligation in relation to our two minority interests by swapping our minority shareholding interests in Jihoceska energetika a.s. and Jihomoravska energetika, a.s. with E.ON Czech Holding AG ("E.ON") for minority interests in Zapadoceska energetika, a.s. and Vychodoceska energetika, a.s. We have also fulfilled our obligation with respect to Prazska energetika, a.s. by selling our remaining 34% share in this company on August 20, 2004.

With respect to the third condition, in November 2004 we filed a request with the Czech Anti-Monopoly Office for this condition to be abolished. In March 2005 the Anti-Monopoly Office abolished the third condition in accordance with our request, and ordered that we adopt certain measures in order to ensure proper competition on the Czech electricity market in 2006 and 2007. As a result of this development, we are no longer required to sell one of our five REAS, and we will keep holding majority shares in Severoceska energetika, a.s., Severomoravska energetika, a.s., Vychodoceska energetika, a.s., Zapadoceska energetika, a.s., and Stredoceska energeticka, a.s.

In 2004, we further increased our shares in some of the REAS we control. In October 2004, we exercised certain call options from E.ON and increased our shares in Severoceska energetika, a.s. to 56.9% and in Severomoravska energetika, a.s. to 89.4%. Pursuant to a mandatory tender offer towards minority shareholders of Severomoravska energetika, a.s., which we announced in December 2004, we further increased our share in this company to 99.13%.

Distribution network characteristics. Following acquisition of the REAS, our distribution network is the largest in the Czech Republic. Through the distribution systems of our REAS, we sell electricity to approximately 3.4 million end customers, or approximately 62% of all end customers in the Czech Republic. This amounted to approximately 28.7 TWh of electricity distributed and sold in 2004. As at December 31, 2004 distribution network of our REAS consisted of a total of 9,492 km of high voltage lines, 49,418 km of medium voltage lines and 94,091 km of low

voltage lines. There are 188 HV/MV transformers stations, 2,947 MV/MV switching stations and 38,162 distribution ML/LV transformer stations in the area.

Unbundling. Pursuant to an amendment of the Energy Act adopted in 2004, as of January 1, 2007 distribution of electricity must be separated and independent from generation of electricity. This process is called "unbundling". To ensure the required independence, management responsible for electricity distribution business must be different from management responsible for electricity generation business, appropriate measures must be taken to prevent professional conflicts of interest between persons responsible for electricity distribution and generation businesses, and control which can be exercised by shareholders over electricity distribution companies is restricted. For more information see "Economic, Fiscal, Monetary or Political Policies or Factors Which Impact Our Business--Unbundling Requirement" on page 27 and "Risk factors" on page 9.

VIZE 2008. To ensure compliance with the unbundling requirement while efficiently integrating REAS and our other subsidiaries into our group, we are in the process of implementing a strategy called "VIZE 2008" ("Vision 2008" in English). The purpose of the project is to implement a new process-based business model in CEZ group which would cover CEZ and all subsidiaries of CEZ, including REAS. The main processes are envisaged to be:

- o electricity trading (including trading, marketing, sale, and customer services), which will be main focus of our newly-created subsidiaries CEZ Prodej, s.r.o. and CEZ Zakaznicke sluzby, s.r.o.;

- o electricity distribution and related activities, which will be main focus of our newly-created subsidiary CEZ Distribuce, a.s.;

- o management of CEZ group (including risk management, financing, controlling, communication, subsidiaries management, regulation, human resources), which will be main focus of CEZ; and

- o supporting services (including information technologies, telecommunications, property administration), which will be main focus of our newly-created subsidiaries CEZ Logistika, s.r.o., CEZData, s.r.o., and CEZ Sprava majetku, s.r.o.

In the process of implementation of VIZE 2008, activities of our various current subsidiaries will be gradually transferred into the above process-based companies. For instance, most of properties, employees and activities of our REAS will be transferred into CEZ Distribuce, a.s. We believe that this will allow us to increase efficiency through economies of scale and standardization of processes, while complying with the unbundling requirements.

Bulgaria

Acquisitions. On November 19, 2004, we entered into an agreement on the purchase of majority shares in three distribution companies in Western Bulgaria. Upon satisfaction of various conditions precedent, we became owners of the majority shares on January 18, 2005. For more information see "Material contracts" on page 63.

Distribution network characteristics. The acquired distribution companies have approximately 1.9 million customers, the overall annual volume of the electricity supplied by them is approximately 7.6 TWh, and their distribution network consisted of a total of 22,962 km of medium voltage lines and 32,776 km of low-voltage lines. There are 22 HV/MV transformer stations, 54 MV/MV switching stations and 13,874 distribution MV/LV transformer stations in the area.

Romania

Purchase of a distribution company in Romania. On April 5, 2005, we entered into a privatization agreement with the S. C. Electrica S.A., a company wholly-owned by the government of Romania. Pursuant to this agreement, we purchased from S. C. Electrica S.A., as the seller, 11,445,150 existing ordinary shares issued by Electrica Oltenia S.A., a major Romanian distribution company, representing 24.62% of the share capital of this company for the purchase price of EUR 47,372,550. Further, pursuant to the agreement the seller agreed to procure that Electrica Oltenia S.A. issues 25,036,265 new shares to us and we agreed to subscribe for these newly-issued shares for the subscription price of EUR 103,627,450. As a result, we expect to become owners of a 51% stake in Electrica Oltenia S.A.

Closing of the transactions envisaged by the agreement is still subject to various conditions precedent. These condition precedents include, among other conditions, issuance of all necessary competition approvals by the Competition Council of Romania and several legislative actions to be taken by the government of Romania. We expect closing in the end of October 2005, however, there is no certainty that all conditions precedent will be satisfied or waived and that closing of the agreement will actually occur.

On the signing date, we paid a deposit in the amount of EUR 4,737,255 into an escrow account. We will be required to pay the remainder of the purchase price and the subscription price for the new shares into special escrow accounts prior to closing. Upon closing, the purchase price and the subscription price, in total EUR 151,000,000, are to be paid to the seller, and the existing shares and new shares are to be delivered to us. The purchase price is subject to certain adjustments after the closing.

We have provided to the seller several post-closing covenants, including, amongst others, our obligation not to transfer, with limited exemptions, any of the acquired shares for the period of five calendar years commencing on closing. We have also provided certain warranties, and we agreed to pay certain contractual penalties to the seller if we breach some of our obligations under the agreement. The seller provided to us certain post-closing covenants, including, amongst others, certain put and call options, and a pre-emption right for our benefit. The seller also provided certain warranties and indemnification to us.

Distribution network characteristics. Electrica Oltenia S.A. is the largest of the eight Romanian distributors, having a 19% share on the Romanian power market and 1.36 million end customers. The aggregate annual power supplied by this company represents approximately 6.8 TWh, and its distribution network consisted of a total of 3,537 km of high voltage lines, 19,897 km of medium voltage lines and 27,183 km of low-voltage lines. There are 150 HV/MV transformer stations, 86 MV/MV switching stations and 9,963 distribution MV/LV transformer stations in the area.

EXPORTS, IMPORTS AND INTERNATIONAL EXCHANGE OF POWER

In 2004, we only imported 148 GWh on behalf of the Czech grid operator CEPS, a.s.

In 2004, our revenues from electricity exports, including trade outside the Czech Republic, amounted to CZK 10.3 billion or approximately 11.1% of revenues from electricity sales. The total export amounted to 16.9 TWh. Although the total export was lower than in 2003, the revenues were higher. We thus became the second largest European exporter of electricity. Our high-voltage transmission grid is interconnected with the transmission grids of Germany, Poland, Austria and the Slovak Republic. We exported electricity to or via all of above mentioned countries on the basis of both short and long-term contracts. However, our export sales in 2004 set our record, and we do not expect such high export activities in future.

SALES OF POWER

CEZ sells most of the electricity it supplies (approximately 57% of total revenues from electricity sales in 2004) to the eight REAS. In 2004 our direct sales of electric power to the regional distribution companies increased by 4,159 GWh in comparison with 2003, an increase of 11.9 %. Our total sales in the domestic market increased by 10,702 GWh, an increase of 27.4 %.

Changing Conditions in the Electricity Market.

In accordance with the Energy Act, starting from January 1, 2002, a gradual liberalization of the electricity market was initiated in the Czech Republic. The electricity market is based on regulated access to the transmission grid and the distribution systems. The participants in the electricity market include power-generation companies, the operator of the power transmission grid, the market operator, the commodities exchange, traders, and end customers. On January 1, 2003, the second group of end customers (customers with an annual consumption in excess of 9 GWh) obtained the status of eligible customers with the right of access to the transmission grid and the right to choose their supplier of electricity. From January 2006 all electricity consumers (including households) will become eligible customers having the possibility to choose their electricity supplier. Government regulated prices for electricity will then apply only to transmission and distribution of electricity, and to system-related prices (the prices of network monopolies).

We responded to these new conditions, under which the market for domestic power producers had been fully opened up and it became possible to secure power from foreign competitors, by selling electricity in a completely new and fundamentally different way. Under the brand name "Duhova energie" (Rainbow Energy), we offered electricity in the domestic market in the form of standardized products similar to those being traded in the liberalized European markets. The structure of the offered products consists of "building blocks" from which the customers can build the required supply regime. The structure of this offer makes it possible for all of the regional distribution companies to fully satisfy not only the requirements of the protected customers, to whom the law obligates them to supply electricity, but to also fully satisfy other requirements for delivery of electricity from us.

We have offered several "Duhova energie" products to the distribution companies on the domestic market. Approximately 90% of the domestic market sales targets for "Duhova energie" were achieved before the year 2004 started. In the course of 2004, we also used our available power production capacities for immediate sales of electricity on the Czech spot market that is organized by the Electricity Market Operator (Operator trhu s elektrinou, a. s.) and for the sale of electricity on the basis of bilateral agreements that were concluded for such purpose. We were selling electricity on the Czech and Moravian Commodities Exchange in Kladno as well. Electricity exports represented an important component of our business activities, one which had an impact on the overall volume of electricity sold in 2004.

Ancillary Services.

In order to ensure system-related services, CEPS, a. s., the operator of the transmission grid, announces tenders for the purchase of ancillary services, and based on the results of such tenders concludes bilateral contracts with the providers of such services, and also organizes a short-term (daily) market for ancillary services. In 2004, a total of ten companies, including us, offered ancillary services. In 2004, CEZ provided 65% of all ancillary services of CEPS, a. s. in financial terms. Total revenues from the sales of ancillary services amounted to 5.3 million CZK in 2004.

INSURANCE MATTERS

We maintain several types of insurance against damage of our property and against our potential liabilities. These include property insurance of conventional power plants, property insurance of nuclear power plants, nuclear liability insurance, other liability insurance and other property insurance. Our insurance coverage complies with the Act No. 18/1997 Coll. (the "Nuclear Act") and the Vienna Convention on Civil Liability for Nuclear Damage (the "Vienna Convention") requirements in respect of responsibility for damage caused by a nuclear incident.

Our coal-fired plants and hydroelectric plants are covered by property insurance since June 1, 1997. The policy covers any and all property of the power plants (except for land) duly kept in our accounts. Currently, the maximum coverage under the policy is CZK 3.3 billion, and the deductible per event is CZK 50 million. Damages we suffered as a result of floods in August 2002 have had an unfavorable impact on the amount of premium. The floods damaged the majority of our hydro-electric power plants on the Vltava river and the coal-fired power plant in Melnik. Liquidation of these damages has been completed at the end of 2003; the amount of damages accepted and covered by the insurers was CZK 766 million. In February 2004, we applied for additional coverage of our damages in connection with damage to our Orlik hydroelectric plant; the amount of damages accepted and covered by the insurers was CZK 27 million.

Pursuant to the Nuclear Act and the Vienna Convention, we are obliged to arrange insurance of liability for nuclear damages caused by operation of nuclear power plants and liability for nuclear damages caused during the transport of fresh nuclear fuel. The Nuclear Act also stipulates limits of operators' liability for nuclear damages and the minimum limits of liability insurance. As regards liability for operation of a nuclear facility, the operator is liable for nuclear damages up to CZK 6 billion and must be insured at least for CZK 1.5 billion. As regards transport of fuel, the maximum liability is CZK 1.5 billion, and the operator must be insured at least for CZK 200 million. As a rule, liability insurance for nuclear damages is concluded separately for each site and transport of fuel with the Czech Nuclear Pool.

In accordance with the requirements of the Nuclear Act, we have concluded a nuclear third party liability policy for damages connected with the operation of the Dukovany and Temelin nuclear power plants covering damages up to CZK 1.5 billion, and insurance policies covering the nuclear third party liability up to CZK 200 million for transport of nuclear fuel to the Dukovany and Temelin power plants.

We maintain insurance policies that cover all property of both Temelin and Dukovany nuclear power plants. These insurance policies were concluded under different conditions of risk coverage, in particular with different limits of insurance proceeds and various deductibles. Property insurance policy for the Dukovany nuclear power plant was concluded as of December 31, 1998 with the maximum coverage of CZK 3 billion, and the deductible per event CZK 80 million. For Temelin, property insurance policy is effective from July 5, 2000, the maximum coverage is CZK 35 billion, and the deductible per event is CZK 180 million.

All insurance policies for Dukovany and Temelin nuclear power plants are maintained with the Czech nuclear pool, which is an association of about 10 major insurance companies in the Czech insurance market and which enjoys a monopoly on nuclear risk insurance. The leader of the Czech Nuclear Pool is Ceska pojistovna, a.s. Through reinsurance, the Czech Nuclear Pool assigns the majority of risk to other approximately 20 national nuclear pools all over the world.

Apart from the above, we maintain other insurance policies, including directors and officers liability insurance to cover certain damage caused to the third parties by members of the Board of Directors and Supervisory Board of our Company and our subsidiaries.

SEASONALITY

The electricity generation business is seasonal, with electricity consumption in the Czech Republic increasing during the colder winter months and decreasing during the warmer summer months. Accordingly, sales of electricity and our revenues are generally higher in the first and fourth fiscal quarters than in the second and third fiscal quarters. In addition, unusually warm weather during the winter months in any single year can negatively affect our revenues during such year.

DEPENDENCE ON INTELLECTUAL PROPERTY

We own a number of registered tradenames and trademarks, including the marks for "CEZ" and our company logo. In 2002, we introduced the new brand "Duhova energie". Our tradenames and trademarks are not of material importance to our operations.

ECONOMIC, FISCAL, MONETARY OR POLITICAL POLICIES OR FACTORS WHICH IMPACT OUR BUSINESS

Effect of Czech Economy on Electricity Demand

Our revenues are sensitive to the performance of the Czech economy. Virtually all of our assets and operations are located in the Czech Republic and we derive most of our electricity revenues from domestic sales. The Czech Gross Domestic Product ("GDP"), annual rate of inflation and demand for electricity has fluctuated as follows for the period from 2000 through 2004:

	2000	2001	2002	2003	2004
	----	----	----	----	----
GDP.....	3.9%	2.6%	1.5%	3.7%	4.0
Inflation(1).....	3.9%	4.7%	1.8%	0.1%	2.8
Electricity Demand.....	2.8%	2.8%	(0.2)%	2.1%	2.9

(1) As measured by the consumer price index reported by the Czech Statistical Office.

Electricity Demand

Electricity demand is the net consumption of the final consumer, which does not include transmission losses and self-consumption (including electricity used by pump storage facilities). In 2004, when GDP rose by 4.0%, industrial demand increased by 4.1%, households demand by 0.1% and retail business consumption rose by 3.0%. Overall electricity demand increased in 2004 by 2.9%. Electricity demand was primarily influenced by good shape of the Czech economy, not by weather conditions. In 2004 average temperature was 0.6(degree)C above long-term normal. Adjusted for the weather, the overall growth in electricity demand would be 2.8%.

Inflation

The rate of inflation in the Czech Republic was 3.9% in 2000, 4.7% in 2001, 1.8% in 2002, 0.1% in 2003 and 2.8% in 2004. Businesses, in general, are adversely affected by inflation because amounts retained after the payment of costs are inadequate to replace the productive assets consumed. Electricity companies in the Czech Republic in particular have been especially affected as a result of their capital intensive nature and regulation which limits capital recovery and prescribes installation or modification of facilities to comply with increasingly stringent environmental requirements. Because the accounting and the revenue establishment processes followed by our regulators limit the amount of depreciation expense to the original cost of utility plant investment, the resulting cash flows are inadequate to provide for replacement of that investment in future years or preserve the purchasing power of stockholders' equity previously invested. Further, prices charged by us to the REAS have increased at a rate substantially lower than the rate of inflation. We are attempting to offset the adverse effects of inflation by reducing employee levels and by attempting to keep price increases with respect to fuel and other goods and services at levels less than the inflation rate.

A large portion of our debt is denominated in foreign currencies while substantial part of our revenues (approximately 77.5%) are in Czech crowns. While we have hedged against currency fluctuations to a certain degree, the value of the Czech crown has an impact on our financial results. The Czech crown to euro exchange rate has been relatively stable and there has been a trend of a stronger Czech crown versus the U.S. dollar in 2004 with stabilization in 2005. We can give no assurance that these trends will not continue and that they will not affect our financial results adversely.

Czech National Property Fund

The Czech National Property Fund, a property holding agency of the Czech Republic accountable to the Czech Parliament (the "Parliament"), owns approximately 67.6% of our outstanding voting shares. See "Major Shareholders and Related Party Transactions" on page 58. The NPF is headed by a presidium, members of which are appointed by the Chamber of Deputies, which is the lower chamber of the Parliament.

The NPF is a legal entity established pursuant to a special law of the Czech Republic that is accountable to Parliament. The Czech government established the NPF in 1991 for the purpose of, among other things, holding shares of state-owned companies during the distribution and sale of their shares pursuant to government resolutions on a company's privatization. The NPF is managed by a presidium consisting of nine members. The Minister of Finance is the chairman of the presidium and the Chamber of Deputies appoints the remaining members of the presidium.

The NPF, as the majority shareholder of CEZ, nominates and elects two-thirds of the members of our Supervisory Board. Czech law requires that our employees elect one-third of the members of the Supervisory Board. Our Supervisory Board elects members to the Board of Directors. For a description of the powers and responsibilities of members of the Board of Supervisors and Board of Directors, see "Item 10. Additional Information" on page 60.

The NPF has historically appointed the Minister of Industry and Trade as a proxy to exercise its voting rights in respect of our shares held by the NPF.

The NPF is under the direct control of the government. The NPF owns property, including equity interests, transferred to it in accordance with privatization decisions. The NPF holds significant equity interests in certain of our subcontractors, including Czech coal suppliers and equipment contractors and suppliers for the Temelin nuclear power plant. Consequently, certain of our decisions and the decisions of our suppliers and contractors which are mandated by the NPF reflect Czech Republic government policy. We can give no assurance that these decisions will not adversely affect our business, prospects, financial condition or results of operations.

Pursuant to a recently adopted law, as of the end of 2005, the National Property Fund will be terminated and all its property, including all our shares owned by the NPF, will by virtue of law transfer to the Czech Republic and will be administered by the Czech Ministry of Finance. Also, the Czech Republic will assume all obligations of the NPF. As of January 1, 2006, the Czech Republic, rather than the NPF, will be legally our majority shareholder.

Primary Regulators

The primary regulators of the energy industry in the Czech Republic are the Ministry of Industry and Trade, the State Energy Inspection, the Ministry of Environment, the Czech Environmental Inspection, the Energy Regulatory Office and the Nuclear Safety Authority. The Ministry of Industry and Trade and the Energy Regulatory Office have the authority to grant and cancel authorization to engage in business in the energy industry and to issue regulations to implement certain provisions of Act No. 458/2000 Coll. (the "Energy Act"), effective as of January 1, 2001. The Ministry of Industry and Trade also develops the energy policy for the Czech Republic and ensures that we comply with the Czech Republic's obligations resulting from international agreements and treaties or obligations resulting from membership in international organizations. The State Energy Inspection, which operates under the Ministry of Industry and Trade, is responsible for enforcing compliance with the Energy Act.

On June 1, 2002, a new Clean Air Act on the protection of air quality entered into force. The Clean Air Act introduces provisions for a "smog situation" where the air is extremely polluted such that the level of air pollution is so high that even a short-term situation may cause a risk of damage to human health or the ecosystem. Supplementary legislation specifies conditions under which the emergence of a smog situation can be announced by the Ministry of the Environment. After public announcement, the Ministry of the Environment is authorized to temporarily restrict or suspend the operation of power generation sources that account for the largest share of air pollution irrespective of whether a particular source meets general air pollution limits or meets the specific air pollution limits stipulated by the Czech government for individual power generation sources. Every operator of an air pollution source (such as ourselves) must comply with the limits so stipulated. The Czech Environmental Inspection monitors compliance and may impose fines for exceeding pollution limits and may prohibit the operation of a pollution source that exceeds the applicable emissions limits. The Clean Air Act also authorizes regional authorities to set, on the basis of a formula specified in the act, annual air pollution fees to be paid by the operator of each pollution source.

Effective as of January 1, 2005, the Czech Republic adopted the European Union-wide scheme for greenhouse gas emission allowance trading based on the requirements of the Kyoto Protocol. The process of distribution of allowances is currently pending in the Czech Republic.

The Czech government established the Energy Regulatory Office to support economic competition and protect consumers' interests in energy sector areas where competition is limited or impossible. The Energy Regulatory

Office grants and revokes energy producer licences and regulates energy prices. The Energy Regulatory Office through its administrative decisions or through the secondary legislation also sets quality and service standards, determines the rules regarding the organization of the electricity market and mutual obligations of its participants, sets pricing principles and administers special fund established to cover losses of holders of licence to which each holder of licence contributes proportionately to its turnover. In addition, the Energy Regulatory Office resolves disputes arising from the failure to conclude agreements between individual licence holders and/or their customers.

Effective as of January 5, 2001, the Czech government transferred the authority to set electricity prices, as well as gas and heat prices, to the Energy Regulatory Office pursuant to Act No. 526/1990 Coll. (the "Act on Prices"). The Czech government controls the Energy Regulatory Office. Consequently, the electricity prices set by the Energy Regulatory Office reflect Czech Republic government policy.

The Nuclear Safety Authority supervises nuclear-related activities in general and in particular the safety of nuclear facilities. The approval of the Nuclear Safety Authority is required for the operation of nuclear facilities.

Energy Act

The Energy Act regulates the electricity, gas and heat industries in the Czech Republic. Pursuant to this Act, the Ministry of Industry and Trade and the Energy Regulatory Office authorize activities in such industries and determine the rights and obligations of authorization holders. Under the Energy Act and the related regulations promulgated by the Ministry of Industry and Trade and the Energy Regulatory Office, a company must be authorized to operate in the energy industry. Before receiving an authorization an applicant must demonstrate, amongst others, its financial, technical and material qualification for the exercise of the authorized activity, and that such activity does not harm the environment (as defined in environmental regulations).

The Nuclear Safety Authority must also approve any nuclear electricity generation facility before the Energy Regulatory Office may authorize such facility. The Energy Regulatory Office has authorized us to operate nuclear facilities for power generation. The Energy Regulatory Office has also authorized us to operate power generation, power transmission, heat generation and heat distribution facilities.

Pursuant to the Energy Act, the Ministry of Industry and Trade and the Energy Regulatory Office each act independently as the state regulatory authorities and the State Energy Inspection acts as the supervisory body of business activities in the energy industry. The Ministry of Industry and Trade and/or the Energy Regulatory Office can regulate our activity and investment in resources and transmission lines with the aim of achieving a competitive environment depending on the extent of the investment. The Ministry of Industry and Trade and/or the Energy Regulatory Office can also monitor our capital investment plans and activities.

Liberalization of the Electricity Market

The Czech government passed the Energy Act with the aim of harmonizing Czech Law to EU requirements. The Energy Act establishes rules for the liberalization of the Czech electricity market with the aim of securing the reliable and efficient supply of electricity while protecting the environment. The new rules regulate access to the transmission system and the distribution systems and allow the operation of independent electricity generating plants and transmission lines. Regulated third-party access of electricity transmission and distribution began on January 1, 2002.

The Energy Act liberalized the Czech electricity market in a step-by-step fashion that can be summarized as follows (there was an amendment to the Energy Act adopted on August 6, 2003 which slightly increased the pace of liberalization):

- o starting January 1, 2002, if an electricity end user's electricity consumption at one supply point exceeded 40 GWh (including self-generated electricity) in the year 2000 (or in the one-year period from July 1, 2000 to June 30, 2001), then such user may choose its electricity supplier (and prices) from those electricity license holders producing more than 10 MW of electricity per year;

- o starting January 1, 2003, if an electricity end user's electricity consumption at one supply point exceeded 9 GWh (including self-generated electricity) in the year 2001 (or in the one-year period from July 1, 2001 to June 30, 2002), then such user may choose its electricity supplier (and prices) from all electricity license holders;

o starting January 1, 2004, if an electricity end user's delivery point is equipped by the continuous consumption meter, then such user may choose its electricity supplier (and prices) from all electricity license holders. Distribution companies are obliged to install such a metering device if the end user reserves the maximum connection capacity 250 kW.

o starting January 1, 2005, all end users except households may choose electricity suppliers (and prices) from all electricity license holders.

o starting January 1, 2006, all end users may choose electricity suppliers (and prices) from all electricity license holders.

For further discussion of the changing conditions in the Czech electricity market, see "Sales of Power" on page 22.

Unbundling Requirement

Effective as of January 1, 2007, the Energy Act was amended with the aim of harmonizing Czech law with EU requirements. The new amendment stipulates new rules for business groups that simultaneously hold licenses for distribution of electricity and for production of electricity. The new law requires such companies to either divest their distribution business or structure the legal form, organization, controlling mechanisms and management of the distribution companies in the manner that guarantees an independent decision-making process within the companies and non-discriminatory approach vis-a-vis all companies present in the market regardless of their ownership. We are currently in the process of adaptation to these requirements through implementation of our VIZE 2008 strategy. See "Distribution of Electricity" on page 19.

Nuclear Act

On June 24, 1994, the Czech Republic became a party to the Vienna Convention on Third Party Liabilities for Nuclear Damage. Principles of the Vienna Convention were implemented into the Nuclear Act adopted by Czech Parliament in 1997. The Nuclear Act came into force on July 1, 1997 and was amended in January 2002 (with the majority of the amendments taking effect from July 1, 2002). In accordance with the Vienna Convention, the Nuclear Act determines that only the operator of a nuclear facility is liable for any damage caused by a nuclear accident and that the operator's liability for such damage is limited to CZK 6 billion per accident. The Nuclear Act also prescribes that operators of nuclear facilities (such as our Company) are obligated to acquire insurance covering potential liabilities for nuclear damages in an amount of not less than CZK 1.5 billion. The Dukovany power plant and the Temelin power plant are fully insured in accordance with the Nuclear Act and the Vienna Convention.

The Nuclear Act requires the Ministry of Industry and Trade to establish the Repository Authority (the Radioactive Waste Repository Authority), as the central organizer and operator of facilities for the final disposal of spent fuel and other nuclear waste. The Repository Authority was established on June 1, 1997. The Nuclear Act provides that an owner of nuclear waste (such as our Company) will remain responsible for all storage costs of nuclear waste, but that the Repository Authority will centrally organize, supervise and be responsible for all final disposal facilities and deposition of nuclear waste therein. The establishment and activities of the Repository Authority are financed through a special fund or "Nuclear Account" funded by the producers of nuclear waste. We contribute CZK 50 per each MWh produced in our nuclear power plant to the Nuclear Account. Since October 1, 1997 we have made regular payments to the Nuclear Account based on the nuclear MWh generated. Since 1997 until the end of December 2004 we have paid CZK 6,006 billion to the Nuclear Account.

The Nuclear Act does not expressly indicate whether the Repository Authority will be liable for nuclear accidents involving nuclear waste under its supervision. The Nuclear Act, however, contains a provision to the effect that, subject to the conditions of the Nuclear Act, the Czech Republic shall guarantee the safe final disposal of nuclear waste.

Nuclear Safety Authority

Under Czech law, the Nuclear Safety Authority is responsible for state administration and supervision of utilization of nuclear energy and ionizing radiation. It shall carry out supervision of the nuclear safety, radiation protection, physical protection and emergency preparedness of nuclear installations. The Nuclear Safety Authority supervises compliance with relevant regulations and decrees and reviews our operating documents, safety reports regarding the

operation of nuclear facilities, the quality of selected facilities, repair and maintenance and personnel training. The Nuclear Safety Authority representatives (local inspectors) are permanently on site at Dukovany and Temelin to monitor the facility's performance and compliance with safety standards and operating procedures, and to make recommendations for improvements where appropriate. Safe operation at Dukovany and Temelin is controlled through approval by the Nuclear Safety Authority of various documentation (such as technical specifications, etc). Compliance with regulations and requirements set out in approved documentation is plant responsibility. The Nuclear Safety Authority carries out its supervision through inspections. In 2004, there were 158 inspections at the Dukovany nuclear power plant and 86 inspections at the Temelin nuclear power plant. In its Annual Reports on nuclear safety and protection against radiation presented to the government of the Czech Republic, the Nuclear Safety Authority has evaluated the operation of the Dukovany nuclear power plant as reliable and safe. Since their initial operation, the Dukovany and Temelin nuclear power plants continuously monitor (under supervision of Nuclear Safety Authority) levels of radiation in the immediate vicinity of the plants. To date, results of monitoring in the ventilation outlets and in the drains of the plants have indicated that radiation levels remain below statutory limits and, in the majority of cases, considerably below these limits.

IAEA, WANO

The Czech Republic is a member of the International Atomic Energy Agency ("IAEA"), a United Nations inter-governmental agency. Both nuclear power plants are also members of the World Association of Nuclear Operators ("WANO"), and, like other members of such organization, submit our nuclear power plant to periodic peer review by members of such association. A peer review mission carried out by WANO at the Dukovany nuclear power plant in 1997 commended the power plant for a high level of operation. As it is practice for such peer reviews, CEZ has implemented the recommendations of the WANO peer review mission. In 1999 a WANO peer review verified whether its recommendations had been implemented. Such inspection concluded that its recommendations were being implemented according to the recommended timetable. Similar WANO peer review mission is scheduled at Temelin plant for the end of 2004.

As a result of the Czech Republic's membership in the IAEA, the IAEA carried out an on-site IAEA assessment mission (ASSET mission) in October 1993 in order to evaluate the Dukovany nuclear power plant's operation with respect to failures, investigation thereof and remedial action in respect thereto. The IAEA mission commended Dukovany for a high level of operational safety, citing, among other things, a low occurrence of nuclear safety related incidents and the reduction of such incidents over the years immediately preceding the study. The next IAEA OSART mission of the Dukovany power plant which was initially scheduled for 1999 was rescheduled for November 2001. In November 2001, Dukovany underwent an Operational Safety Review Team (the "OSART") review. Dukovany received several "recommendations" "suggestions", which in overall put the plant among well operated nuclear power plants. Based on the review, Dukovany prepared action plan and fulfils it. In October 2003, a follow-up OSART mission was held to review implementation of its earlier recommendations and stated excellent fulfillment of previous recommendations. In February 2001 Temelin underwent an IAEA inspection (of the PRE OSART type), the results of which commended Temelin for its level of safety. As is usual with such inspections, the mission made recommendations regarding additional safety measures and suggested improvements which were already implemented. The main conclusions of the mission were positive (commitment of Temelin managers to improve operational safety and reliability, highly professional plant staff, plant material condition and housekeeping in accordance with good international practices). A follow up OSART mission took place at the end of 2003. The conclusions states that the OSART team was impressed with the actions taken in most areas to resolve the findings of the original mission. In November 2001, Temelin also underwent different IAEA review mission focused on resolution of safety issues recommended for implementation at VVER-1,000 reactors. This mission concluded that most of the IAEA recommendations have been fully implemented and a few improvements are in an advanced stage of implementation. The resolution of these improvements, however, should not preclude safer operation of the Temelin power plant. The IAEA review also noted that in some areas Temelin exceeds generally applicable safety standards. In April 2002, a mission IPPAS (International Physical Protection Advisory Service) performed final physical protection assessment of Temelin. The final report evaluated well the physical protection of the nuclear plant and stated that the level of the protection is adequate to the current international standards. In March 2003, a Site Seismic Hazard Assessment mission took place in Temelin to perform final seismic hazards assessment. The final report of this mission did not contain any negative conclusions as to the seismic hazard at Temelin. In December 2004, a WANO team conducted a peer review at Temelin. WANO's mission is to maximize the safety and reliability of the operation of nuclear power plants by exchanging information and encouraging communication, comparison, and emulation among its members. The purpose of the review was to determine strengths and areas in which improvements could be made, and to support Temelin in this improvement process. WANO recognizes that many activities and practices performed by Temelin are routinely done well. A fraction of these are identified as

strengths and good practices, primarily those that are done exceptionally well or that need to be brought to the attention of other utilities for emulation.

In 1991, IAEA and the Nuclear Energy Agency of the OECD introduced a seven-grade international nuclear events scale ("INES"), an internationally recognized standard used to inform the public of the safety significance of a nuclear event. Grades 5 to 7 mark accidents with a significant radiation exposure off-site, while grades 2 through 4 signify events with effects on the nuclear facilities only. Grade 1 means a deviation from normal operation and Grade 0 an incident not related to safety. According to this scale applied retrospectively, the Dukovany nuclear power plant has experienced since 1999 until the end of 2004 only 5 incidents assessed Grade 1 and no incident assessed Grade 2 or higher. The Temelin nuclear power plant has experienced throughout its lifetime 7 incidents assessed Grade 1 and no incident assessed Grade 2 or higher.

To enhance the performance of and safety at the Temelin nuclear power plant, we introduced a large modification program in the period of construction and commissioning. Main improvements are the instrumentation and control system replacement and supply of nuclear fuel assemblies in accordance with new design. Affiliates of the Westinghouse group were selected to supply this system. It is a requirement of the Nuclear Safety Authority and a contractual condition of the Company that the components comply with the relevant licensing standards of their countries of origin as well as the standards applicable in the Czech Republic. We believe that due to this modification program Temelin nuclear power plant has reached a technical level assuring compliance with not only existing Czech law and IAEA safety recommendations, but also a level comparable with the standards and recommendations of the U.S. Nuclear Regulatory Commission. This fact was confirmed by several international assessments.

European Monetary Union

The Treaty on European Economic and Monetary Union provides for the introduction of a single European currency, the euro, in substitution for the national currencies of the member states of the EU that adopt the euro. The euro became a reality on January 1, 1999 when irrevocable conversion rates were set between the national currencies of the 11 member states of the EU that have qualified to participate, and have elected to participate, in the euro at this time and when foreign exchange operations in the euro commenced. In the near term, the introduction of the euro has not had a material effect on our results of operations, cash flow or financial condition. However, we will continue to monitor closely developments with respect to the introduction of the euro. In the long term, however, we believe that adoption of the euro might reduce our risk exposure to currency exchange fluctuations and the management of foreign currency risk.

European Union

In March 1998, Czech Republic launched negotiations with the European Union on becoming a member state of the European Union. The negotiations were successfully concluded on December 13, 2002 and on April 16, 2003 the Accession Treaty was signed between the European Council and the Czech Republic. The treaty was subject to ratification by all member states of the European Union and all candidate countries. A referendum in the Czech Republic was held on June 13 and 14, 2003 and the citizens of the Czech Republic approved the accession of the Czech Republic to the European Union. After the completion of the ratification procedure, the Czech Republic acceded to the European Union on May 1, 2004. Even prior to this date, Czech Republic harmonized many of its laws and policies with those of the European Union. As the Czech Republic joined the European Union, it can be expected that gradually more of our laws and governmental policies will be dependent on the laws and policies formulated on the European Union level. These laws and policies may in the future influence the way we conduct our business and the environment in which we conduct it. For instance, in March 2005 the European Commission announced that it intended to review the way the EU's energy markets operate. The investigation should look into how competitive the energy markets are and whether the European Commission needs to take enforcement action to increase competitiveness. We can give no assurance that these potential and/or other laws, policies, and enforcement measures will not adversely affect our business, prospects, financial conditions or results of operations.

ORGANIZATIONAL STRUCTURE

Subsidiaries

The following table sets forth an overview of our equity interests in other companies, which we include into our consolidated group, as of December 31, 2004:

Equity Interests of CEZ in Other Companies as of December 31, 2004

Company -----	Country of Incorporation -----	Registered Capital(1) CZK '000 -----	CEZ's Interest in % -----
Subsidiaries			
CEZData, s.r.o.	Czech Republic	950,000	100.00
CEZnet, a.s.	Czech Republic	770,000	100.00
HYDROCEZ, a.s.	Czech Republic	449,798	100.00
CEZ Logistika, s.r.o.	Czech Republic	200,000	100.00
CEZ Sprava majetku, s.r.o.(2)	Czech Republic	150,100	100.00
I & C Energo a.s.	Czech Republic	150,000	100.00
Energetické opravny, a. s.	Czech Republic	55,000	100.00
rpg Energiehandel GmbH	Germany	45,698	100.00
CEZ Zakaznicke sluzby, s.r.o.	Czech Republic	20,000	100.00
EN-DATA a.s.	Czech Republic	6,000	100.00
CEZ FINANCE B.V.	The Netherlands	553	100.00
Zapadoceska energetika, a.s.	Czech Republic	1,605,615	99.13
Vychodoceska energetika, a.s.	Czech Republic	2,549,544	98.83
VCE - elektrarny, s.r.o.	Czech Republic	198,600	98.83
VCE - montaze, a.s.	Czech Republic	78,000	98.83
Stredoceska energeticka a.s.	Czech Republic	3,210,369	97.72
Severomoravska energetika, a.s.	Czech Republic	3,407,265	89.38
Energetika Vitkovice, a.s.	Czech Republic	402,000	89.38
ePRIM, a.s.	Czech Republic	50,000	89.38
MSEM, a.s.	Czech Republic	154,900	89.38
Union Leasing, a.s.	Czech Republic	100,000	89.38
Prvni energeticka a.s.	Czech Republic	10,000	87.27
STE - obchodni sluzby spol. s r.o.	Czech Republic	38,500	74.42
SKODA PRAHA a.s.	Czech Republic	1,257,524	68.88
Severoceska energetika, a.s.	Czech Republic	3,257,667	56.93
Ustav jaderného výzkumu Rez a.s.	Czech Republic	524,139	52.46
Associates			
KOTOUC STRAMBERK, spol. s r.o.(3)	Czech Republic	569,259	64.87
LOMY MORINA spol. s r.o.(3)	Czech Republic	333,000	51.05
Plzenska energetika a.s.	Czech Republic	500,000	49.57
KNAUF POCERADY, spol. s r.o.	Czech Republic	372,350	40.00
Severoceske doly a.s.	Czech Republic	9,000,055	37.20
Aliatel, a.s.	Czech Republic	5,474,340	26.40
Coal Energy, a.s.	Czech Republic	50,000	20.00

(1) This table sets forth the amount of the registered capital as indicated on the share registry as of December 31, 2004.

(2) AB Michle s.r.o. was renamed to CEZ Sprava majetku, s.r.o. and was an associate of CEZ in 2003.

(3) Our voting rights do not reflect our share on the registered capital (see note 7 to the Consolidated Financial Statements).

PROPERTY, PLANTS AND EQUIPMENT

Coal-Fired Power Plants of CEZ, a.s.

In 2004, CEZ generated 33,666 GWh of electricity in its coal-fired power plants. Each of its coal-fired power plants is located in the Czech Republic. CEZ's coal-fired plants have a diversified age profile as indicated in the table below.

CEZ owns and operates the following coal-fired power plants:

	Average Load Factor in 2004	Installed Capacity	Start of Operations
	-----	-----	-----
Location		(MW)	
Prunerov I and II.....	57.7	4 x 110	1967-1968
	65.8	5 x 210	1981-1982
Tusimice II.....	68.6	4 x 200	1974-1975
Melnik II and III.....	61.4	2 x 110	1971
	63.0	1 x 500	1981
Tisova I and II.....	54.0	3 x 57	1959
		1 x 12.8	1960
	70.5	1 x 112	1961
Hodonin.....	32.7	1 x 55	1958
		1 x 50	1954
Chvaletice.....	43.7	4 x 200	1977-1978
Detmarovice(1).....	29.1	4 x 200	1975-1976
Ledvice II.....	73.2	2 x 110	1966
Ledvice III.....	63.0	1 x 110	1968
Pocerady I and II.....	78.7	5 x 200	1970-1977
Porici(2).....	44.2	3 x 55	1957-1958
Dvur Kralove(3).....	17.8	1 x 6.3	1955
		1 x 12	1963

Total installed capacity.....		6,524.1	
		=====	

(1) Uses hard coal as fuel.

(2) Uses hard and lignite coal as fuel.

(3) Primarily heat generating plant--included under the Porici power plant organizational unit.

We sold the Nachod heat generation plant in March 2003. We also intended to sell the Dvur Kralove heat generation plant but in the end we cancelled the tender process due to the low bid which we received.

Hydroelectric Power Plants of CEZ, a. s.

In 2004, CEZ generated 1,612 GWh of electricity in its hydroelectric plants. CEZ operates the following hydroelectric power plants. Each of its hydroelectric power plants is located in the Czech Republic.

Location	Average Load Factor in 2004 -----	Installed Capacity ----- (MW)	Type of Plant -----	Start of Operations -----
Vrane	35.2	2 x 6.94	Accumulation and run-of-river	1936
Stechovice 1.....	33.3	2 x 11.25	Accumulation and run-of-river	1943
Stechovice 2	16.2	1 x 45	Pump Storage	1996
Slapy.....	23.7	3 x 48	Accumulation and run-of-river	1954
Lipno 1.....	11.3	2 x 60	Accumulation and run-of-river	1959
Lipno 2	38.4	1 x 1.5	Small-scale hydro plant	1957
Orlik.....	11.3	4 x 91	Accumulation and run-of-river	1961
Kamyk.....	18.9	4 x 10	Accumulation and run-of-river	1961
Mohelno.....	60.7	1 x 1.2	Small-scale hydro plant	1977
	30.1	1 x 0.56	Small-scale hydro plant	1999
Dalesice.....	7.1	4 x 112.5	Pump Storage	1978
Hnevkovice.....	31.7	2 x 4.8	Small-scale hydro plant	1992
Korensko 1.....	27.9	2 x 1.9	Small-scale hydro plant	1992
Korensko 2(1)	24.7	1 x 0.94	Small-scale hydro plant	2000
Zelina(2).....	43.6	2 x 0.315	Small-scale hydro plant	1993
Dlouhe Strane 1.....	4.7	2 x 325	Pump Storage	1996
Dlouhe Strane 2	30.7	1 x 0.16	Small-scale hydro plant	2000
Total installed capacity.....		1,867.77 =====		

(1) Included under the Temelin power plant organizational unit.

(2) Included under the Tusimice power plant organizational unit.

We own the dams at the Dalesice, Mohelno, Dlouhe Strane and Zelina power plants and lease the other dams used at all of our hydroelectric power plants. The leased dams are owned by the Czech Republic and managed by Povodi Vltavy, a.s., a company whose sole shareholder is the Czech Republic. In 1995, we entered into agreements with Povodi Vltavy, a.s. to lease the dams. The agreements were concluded for an indefinite period of time and do not permit unilateral termination. The rent we pay is based on a cost model and is agreed upon annually for each succeeding year. In 2004, the rent for all dams amounted to approximately CZK 101 million.

Wind and Solar Power Generation by CEZ, a.s.

CEZ operates three (3) wind power plants with installed electricity generation capacity 1 x 220 kW, 1 x 315 kW and 1 x 630 kW in the locality of Mravenecnik near the Dlouhe Strane hydroelectric power plant. In 2004 this wind power plants generated 478 MWh of electricity.

One solar power plant was installed in October 2003 in the locality of the nuclear power plant Dukovany with installed electricity generation capacity 1 x 10 kW. This solar power plant was originally installed in the locality of Mravenecnik.

Nuclear Power Plants of CEZ, a.s.

Each of our two nuclear power plants is located in the Czech Republic.

Dukovany. We own and operate a nuclear power plant at Dukovany, which has a total installed capacity of 1,760 MW and started operating between 1985 and 1987. In 2004, plant generated 13,632 GWh of electricity. From its initial operation to December 31, 2004, the Dukovany nuclear plant has generated approximately 238,028 GWh of electricity at an average load factor/year of 83.27%. In the years 2000 through 2004, the nuclear plant's average load factor was 87.9%, 88.2%, 86.3%, 89.2% and 88.18 % respectively.

Temelin. In 2004 we put into full operation our second nuclear power plant situated at Temelin. In 2004, we generated 12,692 GWh of electricity at Temelin nuclear power plant. See "Capital Investments--Nuclear Power Plants" on page 38 and "Nuclear Power Generation" on page 17.

Agreements regarding the construction of the Temelin power plant were concluded in 1986 with general contractors SKODA PRAHA, a.s. for the delivery of technology and Vodni stavby Bohemia, a.s. for the delivery of civil part of the plant. Both of these contracts were initially governed by the now repealed Economic Code, a law dating back to 1964, under which the contractor had title to the plant until the contracted performance was rendered in full (i.e., until the delivery of the completed plant). In mid 1995, we renegotiated the agreement with SKODA PRAHA, a.s. to be based on the current Commercial Code, under which we acquire title and ownership to parts of the plant as they are constructed, and to update the scope of work and estimated cost of the plant. On April 18, 2004, SKODA PRAHA, a.s. delivered Unit 2.

Power Plants of Other Members of Our Consolidated Group

Our power plants are mainly owned and operated by CEZ and these power plants are discussed in the preceding sections. The following table shows power plants owned and operated by other members of our consolidated group:

Owner -----	Location -----	Installed capacity (MW) -----	Start of operations -----
Fossil Plants			
Energetika Vitkovice, a.s.	Ostrava - Vitkovice	79	1995
Total Fossil Plants -----		79 --	
Accumulation and run-of-river Hydro Plants			
Severoceska energetika, a.s.	Strekov	19.5	1936
Small-scale Hydro Plants			
VCE - elektrarny, s. r.o.	Prelouc	1.75	1927
	Spalov	2.4	1926
	Hradec Kralove	0.75	1926
	Pracov	9.75	1953
	Pastviny	3	1938
HYDROCEZ, a.s.	Obristvi	3.358	1995
	Les Kralovstvi	1.2	1923
	Predmerice nad Labem	2.1	1953
	Pardubice	1.96	1978
	Spytihnec	2.6	1951
	Brno - Kninicky	3.1	1941
	Veseli nad Moravou	0.27	1914, 1923
	Brno - Komin	0.212	1923
Zapadoceska energetika, a.s.	Vydra	6.4	1939
	Hracholusky	2.55	1959
	Ceokova Pila	0.09	1912
	Cerne jezero 2	0.04	2004
Pumped Storage Hydro Plants			
Zapadoceska energetika, a.s.	Cerne jezero 1	1.5	1930
Total Hydro Plants -----		63 --	
Wind Power Plants			
Vychodoceska energetika, a.s.	Novy Hradek	1.6	2002
Total Wind Power Plants -----		1.6 ---	

Distribution Networks

We operate distribution networks in the Czech Republic, Bulgaria, and we expect to acquire a distribution network in Romania.

The Czech Republic. Following acquisition of the REAS, our distribution network is the largest in the Czech Republic. Through the distribution systems of our REAS, we sell electricity to approximately 3.4 million end customers, or approximately 62% of all end customers in the Czech Republic. This amounted to approximately 28.7 TWh of electricity distributed and sold in 2004. As at December 31, 2004 distribution network of our REAS consisted of a total of 9,492 km of high voltage lines, 49,418 km of medium voltage lines and 94,091 km of low voltage lines. There are 188 HV/MV transformers stations, 2,947 MV/MV switching stations and 38,162 distribution ML/LV transformer stations in the area.

Bulgaria. Our distribution companies in Bulgaria have approximately 1.9 million customers, the overall annual volume of the electricity supplied by them is approximately 7.6 TWh, and their distribution network consisted of a total of 22,962 km of medium voltage lines and 32,776 km of low-voltage lines. There are 22 HV/MV transformer stations, 54 MV/MV switching stations and 13,874 distribution MV/LV transformer stations in the area.

Romania. Upon expected completion of our acquisition of 51% majority share in Electrica Oltenia S.A., a major Romanian distribution company, our distribution network in Romania will consist of a total of 3,537 km of high voltage lines, 19,897 km of medium voltage lines and 27,183 km of low-voltage lines. There are 150 HV/MV transformer stations, 86 MV/MV switching stations and 9,963 distribution MV/LV transformer stations in the area. This network will provide us with access to approximately 1.4 million customers.

Telecommunications

In October 1999, we established a wholly owned subsidiary, CEZTel, a.s., to own and operate all of our telecommunications assets and business. We have not yet contributed our backbone digital network to CEZTel, a.s. consisting of approximately 2,400 km of fiber optical cable lines connecting all regions of the Czech Republic, including connections abroad. With the aim of incorporating a strategic partner to cooperate in the development of CEZTel, a.s. we signed an option agreement with Vivendi and Vivendi Telecom International on January 20, 2000 pursuant to which we granted them the right, subject to various approvals of CEZTel, a.s., Vivendi and Vivendi Telecom International, to purchase up to 66% of the share capital of CEZTel, a.s. This option agreement has since expired and we, together with Vivendi and Vivendi Telecom International, entered into an option cancellation agreement on June 21, 2001 which eliminated further obligations on our part under the option agreement.

During the course of 2001 we gradually contributed the telecommunication activities related to the provision of voice, data and internet services together with CEZ system integration operated by CEZTel, a.s. to a newly founded company which has recently changed its name to CEZnet, a.s. We own all of the issued and outstanding shares of CEZnet, a.s. The core of our development strategy in respect of CEZnet, a.s. and our telecommunications activities is focused on:

- o completion of the restructuring of our telecommunications assets and activities;
- o relatively large-scale investment into the telecommunications system and evaluation of the need for further expansion; and
- o introduction of quality telecommunications services for businesses in the CEZ group and the commercial use of reserve telecommunications capacity.

Title to Land

Under Czech real estate law, in principle the rightful owner of real property is the person in whose name such real property is registered in the local property register. Though we believe that we are the rightful owner of all our material real estate property, due to certain deficiencies in the local property registration of real estate in the Czech Republic and to certain provisions of applicable privatization laws, we were not registered as the rightful owner of all plots of land underlying our generating facilities. We assembled the necessary data regarding such plots of land and attempted to mend the situation by procuring proper registration in the property register and by purchasing the

relevant plots where desirable. We do not own certain sites that we use to store of ashes. Where we are not the owners of such sites, we executed a lease agreement to enable us to use such storage sites.

Our legal predecessor has settled all restitution claims and we are not aware of any plot of land under our generating facilities that would be materially affected by a restitution claim. We cannot exclude that a restitution claim could be filed with respect to the storage sites mentioned above.

Environmental Issues in the Czech Republic

Under Czech law, we are strictly liable for environmental damage that we cause to agricultural producers and forestry companies. Under Czech environmental laws, we are obligated to compensate parties for damage related to our business operations that pollute the environment (as defined in Czech environmental legislation). In 2004, we paid CZK 4 million in such damage compensation. We are currently litigating environmental compensation claims in the amount of CZK 153.0 million. In 2004, nine new claims in the aggregate amount of CZK 26.1 million were raised against us with respect to damage caused prior to 2004. The reduction of emissions has been reflected in a reduction of damages for air pollution, but other damages for pollution of the environment together with indemnities claimed by legal entities and individuals managing forests and farmland represent a financial burden for us. We have accumulated a provision for future indemnity of damage caused by emissions amounting to CZK 200 million as of December 2004. We accumulate provisions every year based on the amount of expected damage payments for such year. We expect that damages claimed from us by third parties due to air pollution will gradually decrease as a result of the implementation of the program of decommissioning the pollution sources and installation of facilities with limited solid and gaseous emission levels. However, a problematic trend for us has been that courts have tended to allow damage claims against us even when the concentrations of emissions do not reach critical levels that could cause damage as set under applicable Czech environmental laws.

Air Pollution. Pursuant to the Clean Air Act, all sources of air pollution, including coal-fired power plants, had to comply with a series of progressive limits between 1996 and 1998 set by the Czech Environmental Inspection. These limits affect emissions of SO₂, NO_x, CO, solid pollutants (e.g., fly ash) and hydrocarbons. We are currently in compliance with all requirements under the Clean Air Act. As the emission limits set under the Clean Air Act are generally in accordance with the limits in EU countries, the adoption of more stringent limits for existing power plants in connection with the possible membership of the Czech Republic in the EU is not anticipated.

We have a planned program of regular repairs and overhauls for the generating units to maintain our coal-fired power plants. In some cases, parts of these units have already been completely reconstructed and modernized and most of them have been equipped with desulfurization units. Since January 1, 1999, all coal-fired plant units have been in compliance with the requirements of the Clean Air Act.

The Clean Air Act empowers the Ministry of Environment to temporarily restrict emissions from, reduce output of or shut-down certain pollution sources (such as some of our coal-fired power plants) if overall air pollution levels are exceeded even if a given pollution source does not exceed applicable limits. In addition, the Clean Air Act empowers the Czech Environmental Inspection to order any pollution source exceeding pollution limits to be shut down. The Clean Air Act requires the operators of pollution sources exceeding a certain size to pay fees into a special environmental fund, based on the level of emissions released into the environment, whether or not the emission limits for such company have been exceeded. In 2004, our expenses for this fund amounted to approximately CZK 118 million.

Water Pollution. We observe all water pollution limits set by government regulations and applicable water management decisions set by local authorities. We are preparing, but have yet to implement, changes in our water management that will enable power plants to comply with anticipated limits to be put into effect after 2005. In 2004, we paid approximately CZK 17 million to the environmental fund.

Coal Waste Storage. We have prepared a project aimed at the collection of dry ash and desulfurization of end-products and their conversion into solids. This conversion reduces the negative impact of mines on the water table when such solids are deposited in landfills, open cast mines or disused shafts of existing mines. The new de-ashing technology used in the power plants allows us to process the ash and desulfurization end-products into a material with properties that will permit its deposition into existing mud pits without any further measures, or to use a portion of such waste as building material. We paid approximately CZK 387 million for the disposal of dry ash and desulfurization by-products, including costs for third party services, in 2004.

Nuclear Waste Final Disposal. Under the Nuclear Act, the responsibility for securing the final disposal of nuclear waste, including spent fuel, is the responsibility of the Repository Authority. We are required to finance the final disposal through contributions to the Nuclear Account. For a description of funds contributed, see "Nuclear Provisions" on page 47.

CAPITAL INVESTMENTS

Since enactment of the 1991 Clean Air Act we have undertaken an extensive capital investment program aimed primarily at minimizing the environmental effects of electricity generation, including the diversification of power sources, in order to comply with the Clean Air Act rather than to increase or diversify electricity production.

Since we were established as a new legal entity in 1992, we have embarked on a significant capital expenditure program aimed at reducing the environmental impact of coal-fired electricity generation and complying with Czech environmental laws designed to meet European Union ("EU") standards. The main elements of this program were aimed at reducing sulfur emissions at our coal-fired plants and the continuation of construction and completion of the Temelin nuclear power plant. We have completed the installation of desulfurization equipment. As of January 1, 1999, we have been in full compliance with all Czech environmental laws, some of which are stricter than EU standards. Both units of Temelin Nuclear Power Station completed their pilot operation periods in October 2004, when CEZ received final permission from the Nuclear Safety Authority to operate both units of Temelin.

We have been in compliance with the Clean Air Act since January 1, 1999 and our electricity generating operation is now at a level comparable to western European operational environmental standards.

Upon completion of the environmental program, the updated strategic core of our development is focused on:

- o foreign expansion with the aim to become the leader on electricity markets in central and south-east Europe;
- o preparation for next steps in the liberalization of the domestic and European energy market with the aim of increasing our share of the domestic electricity market and maintaining our dominant position in the provision of ancillary services to operators of the transmission grid;
- o renewal of CEZ generation base with focus on performance; we are preparing a complex renewal of our coal-fired power plant Tusimice II;
- o commencement of the modernization of the Dukovany nuclear power plant, together with its control center and preparation of the construction (extension) of the interim spent nuclear fuel storage facilities located at the nuclear plant sites; this process gradually started in April 2003;
- o integration of operations within our group in the Czech Republic and thereby also complying with the unbundling requirements under Czech law; and
- o evaluation of investment opportunities in the power sector so that we are able to respond flexibly to developments in demand.

Capital Investment Program Implementation Costs. From 2002 through 2004, we made investments totaling approximately CZK 50 billion as part of our capital investment program.

The following table sets forth a summary of our capital investments over the past three years (on a consolidated basis):

	Year ended December 31 (in CZK millions) (consolidated)		
	2002	2003	2004
	----	----	----
Additions to tangible fixed assets.....	10,025	11,794	12,422
Out of which: purchase of nuclear fuel.....	1,997	2,220	1,771
Additions to intangible fixed assets.....	339	880	1,276
Additions to financial investment.....	(34)	12,997	212
Change in payables from fixed assets acquisitions....	89	(1,729)	1,873
	-----	-----	-----
Total	10,419	23,942	15,783
	=====	=====	=====

The following table sets forth a summary of our capital investments (1) over the past three years (on a standalone basis for CEZ, a.s.):

	2002	2003	2004
	----	----	----
	(CZK millions) (unconsolidated)(2)		
Nuclear power plants:			
Temelin nuclear power plant construction.....	2,693	1,732	1,004
Dukovany nuclear power plant modernization.....	691	865	1,428
Central interim fuel repository.....	44	131	225
Other.....	52	106	191
	-----	-----	-----
Total nuclear power plants.....	3,480	2,834	2,847
	-----	-----	-----
Environmental improvement investments:			
Desulfurization.....	57	11	2
Fluidized-bed boilers.....	-	20	11
Electrostatic precipitators.....	-	-	45
Other.....	9	9	45
	-----	-----	-----
Total environmental investments.....	66	40	102
	-----	-----	-----
Waste management.....	463	356	470
Technical improvements.....	291	163	486
Heat supply.....	30	26	59
Hydroelectric power plants.....	6	112	65
Other investments.....	1,487	652	919
Total additions to plants, property and equipment...	5,823	4,183	4,948
	-----	-----	-----
Purchase of nuclear fuel.....	1,997	2,190	1,755
Capitalized interest(3).....	2,037	937	552
Change in payables from fixed assets acquisitions.....	92	182	(231)
	-----	-----	-----
Total	9,949	7,492	7,024
	=====	=====	=====

(1) Excluding financial investments.

(2) In order to allow comparison with previous years, this table only contains data for CEZ, a. s. on a standalone basis. The data contained in this table is not available on a consolidated basis for 2004 (see preceding table for data on capital investments which are available on a consolidated basis).

(3) The amounts represent interest capitalized for IFRS purposes which are in addition to amounts capitalized under Czech accounting standards.

As of December 31, 2004, the total investment cost for the implementation of program of CEZ, a. s. from 2005 through 2009 is currently projected to be CZK 105.6 billion. This amount does not include potential future acquisitions of subsidiaries and associates. The amount of such potential acquisitions could, in line with our expectations as to our available funds, reach up to CZK 90 billion for the same period. The actual amount will depend, amongst other things, on the number of our favorable investment opportunities in the future.

Financing Capital Expenditures. We generally finance our capital expenditures from loans, the issuance of bonds and cash depending on our cash sources and the situation on financial markets at the time in question.

Compliance with Emission Limits for Air Pollution. The Clean Air Act requires us to reduce the concentration levels of certain pollutants produced by our coal-fired power and heating plants and contained in waste gases, including, without limitation, solid emissions (i.e., fly ash), SO₂, NO_x, CO and hydrocarbons, to levels below the law's emission limits. While deciding upon emission limits, the authorities responsible for air protection took into account the condition of the environment, the thermal output, the age of the sources of pollution and technical parameters. The limits were set on a case-by-case basis.

In order to reduce emissions and meet the Clean Air Act compliance standards we undertook a specific program directed primarily toward the decommissioning of obsolete coal-fired power plants and their partial replacement with the new Temelin nuclear power plant. To date, this process has included the following efforts:

- o construction of desulfurization and denitrification units;
- o reconstruction of electrostatic precipitators;
- o increase efficiency of fossil fuel-fired power plants;
- o installation of new combustion technologies;
- o use of lower-sulfur coal; and
- o decommissioning of selected coal-fired power plant units.

Construction of Flue Gas Desulfurization Facilities. The construction of flue gas desulfurization units has been an important part of our environmental program. As of December 31, 2004, desulfurization units were in operation at five 200 MW units of the Pocerady power plant, four 110 MW units of the Prunerov I power plant, five 210 MW units in the Prunerov II power plant, two 110 MW units of the Ledvice power plant, four 200 MW units of the Tusimice II power plant, four 200 MW units of the Chvaletice power plant, one 100 MW unit of the Tisova power plant, four 200 MW units of the Detmarovice power plant, two 110 MW units of the Melnik II power plant and one 500 MW unit of the Melnik III power plant, accounting for a capacity of 5,930 MW out of our total coal-fired capacity of approximately 6,603 MW for the whole group, or 6,524 MW for CEZ.

Construction of Fluidized-Bed Combustion Boilers. In addition to the construction of desulfurization facilities, we have replaced the existing boilers of certain smaller 55 MW and 100-110 MW units by modern boilers with the circulating fluidized-bed combustion technology, which reduces sulfur dioxide emissions by adding limestone during the combustion process. As of December 31, 2004, we completed the installation of two new fluidized-bed boilers with a capacity of 350 t/h at Tisova I, two boilers with a capacity of 170 t/h at the Hodonin power plant, two boilers with a capacity of 250 t/h at the Porici power plant and one boiler with a capacity of 350 t/h at the Ledvice power plant. FBBs installed represent electric power capacity of 497 MW.

Solid Emissions and NO(X). The levels of solid emissions from coal-fired power plants have been reduced as a result of the implementation of a long-term program of refurbishment and replacement of electrostatic precipitators started as early as the 1970s. A program of combustion process optimization through the adjustment of burners and the control of the combustion air supply into the boilers is aimed at reducing nitrogen oxide emission levels.

Nuclear Power Plants

Temelin Nuclear Power Plant. Our most important capital investment project in last years was the construction of a second nuclear power plant at Temelin in South Bohemia. As of December 31, 2004, approximately CZK 97.2 billion had been invested in the Temelin nuclear power plant. For a discussion of some of the risks associated with Temelin, see "Risk Factors" on page 9.

The construction of the Temelin nuclear power plant commenced in 1986. According to the original project, the power plant was to have four Soviet designed units with a capacity of 1,000 MW each.

Following the Velvet Revolution in 1989, and as a result of an ensuing uncertainty with respect to the energy policy of the Czech Republic, construction of the Temelin nuclear power plant was delayed. In March 1993, the government approved the completion of two out of the originally planned four units and at the same time ordered a fundamental change in the design of the reactor, primarily to enhance operational safety of the nuclear power plant. This change consisted of adapting the existing installed Soviet plant technology to function with western instrumentation and control systems. Following the decision to fundamentally change the design, we launched a tender and selected Westinghouse to supply the instrumentation and control technology as well as the nuclear fuel to be used at Temelin. Other contracts have been concluded concerning additional technology needed for the completion of the power plant. The adaptation of U.S. technology supplied by Westinghouse to the original Soviet

plant construction at Temelin is the first such adaptation of its kind and, accordingly, has posed and continues to pose difficult technical challenges beyond what had been anticipated in 1993. As a result of extensive design and construction changes, the estimated completion date for Temelin has been delayed several times.

At the time of the government's decision in 1993, we estimated that fuel loading of the first unit of the power plant could take place at the end of 1995, with commercial operation commencing eight months later, and that the total investment costs would amount to CZK 68.8 billion. By year end 1994, as a result of the technical difficulties with the compatibility of U.S. and Soviet technologies becoming more apparent, we changed our estimate of the date of fuel loading of the first unit to September 1996. In early 1995, we announced a further delay of fuel loading to June 1997. In mid 1995, at the time the contract with SKODA PRAHA, a.s was renegotiated, we performed an extensive review of the required design and technical modifications. As a result, we revised the budgeted cost of the plant to CZK 76 billion with fuel loading to commence in fall of 1997--both subject to final design changes and contract modifications.

In June 1996, we announced that the envisaged date of initial fuel loading of the first unit was likely to be further delayed until mid 1998, again because the design changes resulted in unanticipated and further modifications necessary to make the original project safety standards meet U.S. standards. This delay had arisen, in particular, with regard to cabling, the control system and the primary circuit auxiliary systems. At year-end 1996, the budgeted cost for Temelin remained constant at CZK 76 billion. Analysis of the construction schedule shortly after year end, however, indicated that further delays and design changes would be required. At that time additional costs were estimated to be up to CZK 10 billion.

In August 1998, the Czech government commissioned an independent review of the Temelin project and, inter-alia, the expended and projected cost, financing, existing supply contracts, the risks jeopardizing the completion, social impact and alternative power supply solutions. The report made no clear recommendation on whether to complete or discontinue the construction. The report emphasized risk factors, particularly in relation to future developments in electricity demand in the Czech Republic. On the basis of this report the Czech cabinet decided on May 14, 1999 by a vote of eleven ministers to eight to proceed with the construction of both units of the Temelin nuclear power plant. However, government approval was conditioned on the budgeted cost not exceeding CZK 98.6 billion and the two blocks being loaded with fuel by September 2000 and December 2001, respectively.

In July 2000, we loaded Unit 1 of Temelin with nuclear fuel and in October 2000 we essentially completed construction on Unit 1 with initial nuclear reaction and testing activities beginning shortly thereafter. In January 2001 we connected the generator from Unit 1 of Temelin to the electricity network and test transmitted the first electricity from Temelin to the transmission network. By March 2001 we had brought Unit 1 up to 30% of its production capacity. During the month of March 2001, we brought Unit 1 to 55% of its capacity and did so again in early October 2001. In mid-October, after receiving approval from the Nuclear Safety Authority, we performed tests at 75% of Unit 1's capacity. In January 2002, we continued the energy generation start-up process of Unit 1 that had been commenced in November 2000 and proceeded to the start-up up to 100% of the nominal power output of the reactor. This phase was prolonged by delivery of new armatures and the necessary shut-down for the performance of the work connected with the replacement of the armatures. Following tests at a power output level of 100% and the completion of a 144-hour comprehensive testing process, Unit 1 obtained approval for pilot operation, which commenced on June 11, 2002. At the end of January 2003, a planned two-month shut-down commenced in connection with the replacement of one quarter of the fuel. After the inspection by IAEA and the Nuclear Safety Authority of the correctness of the delivery of fuel into the reactor's active zone and the deposition of spent fuel into the storage pool for spent fuel, the warranty-inspection was completed at the end of April 2003 and the pilot operation continues. In 2004 testing operation continued. In July 2004 a planned outage (extended complete overhaul) was effected during which, amongst other things, refueling and fuel check was accomplished. The unit again reached the nominal output on July 18, 2004. During 2004 Unit 1 generated 6,015 GWh of electricity. In October 2004, Nuclear Safety Authority issued a resolution permitting the plant to operate both Unit 1 and Unit 2.

In early 2002, the phase of non-active testing of Unit 2 was completed, a review after an integrated hydro-test was performed, and preparatory work for active testing was completed. In March, the Nuclear Safety Authority issued a permit for the commencement of active testing. Following the delivery of fuel, the reactor was closed and preparatory work and testing for the first activation of fuel was performed in May 2002. At the end of June 2002, following successful physical start-up, the phase of energy-generation start-up commenced. In the course of this phase, repeated defects appeared in the generator rotor. We had the generator rotor repaired, the defects were mended and there are no further consequences for the operation of Unit 2. The first turbo-generator phasing did not take place until December 29, 2002, during a sub-phase when the reactor was run up to a level of 55% of its nominal

power output. Pilot testing operation of the block commenced on April 18, 2003. In February 2004, Unit 2 was shut down for planned guarantee repair and the first refueling was accomplished. The guarantee repair, amongst other things, implemented modifications, reconstructions of equipment and systems for increase of reliability as well as planned changes in accordance with the requirements of the supervising authorities. The unit generated 6,677 GWh of electricity in 2004.

The contract with SKODA PRAHA, a.s. was revised and amended to reflect the increased costs and fuel loading dates on June 10, 1998. Since July 1999 the Ministry of Industry and Trade, with the personal participation of Minister Gregř (at that time the head of the Ministry of Industry and Trade), has conducted monthly reviews of the progress of the Temelin project focusing on the completion timetable, meeting the projected cost estimate and satisfying the conditions necessary for licensing the Temelin nuclear plant and bringing it into operation. Further, we performed hot tests of Unit 1 at the beginning of April 2000 and conducted a general review of the control system. The budgeted investment cost to construct Temelin is currently CZK 98.6 billion and this amount is final. We may also incur other testing and adjustment costs but these costs will be accounted for as operational expenses. As a result of past experience, however, we cannot assure that further increases in costs will not occur. Further associated additional costs may arise, for example, from (i) changes necessitated by tests performed during the trial operations of the power plant, and (iii) requirements of supervisory bodies. For example, while assembling the turbine for the secondary circuit for Temelin's Unit 1 we discovered certain technical problems that we have subsequently eliminated. However, we can give no assurance that these difficulties or any other difficulties that arise during testing or otherwise will not adversely affect our business, prospects, financial condition or results of operations.

We can provide no assurance that the operation of Temelin will not be interrupted as a result of events beyond the control of management. We can provide no assurance that any such interruptions will not adversely affect our business, prospects, financial condition or results of operations.

Dukovany Nuclear Power Plant. We have initiated a study assessing the possibility of the extension of the operating life of units at the Dukovany nuclear power plant beyond 2015/2018, the current operating life. The results of this initial study show that it is technically possible to extend the operating life of the Dukovany units.

We have been improving the safety standards at the Dukovany power plant in accordance with the requirements of the Nuclear Safety Authority and in respect of further operation. In 2004, we spent approximately CZK 18 billion on all modifications. As part of our modernization program we have also been progressively implementing recommendations resulting from domestic and foreign technical audits, including recommendations by the International Atomic Energy Agency, including, among others, introducing:

- o a multi-function and full scope simulator;
- o a main condenser tube exchange using titanium;
- o emergency feedwater pumps;
- o pump suction filters;
- o bus switchboards; and
- o vital power system reconstruction.

Additionally, we have implemented measures to improve the economy of operation and to extend the life of the main components of the production equipment including, among others, increasing the efficiency of the main condenser, improvement of the secondary circuit and up-rating the turbo-generator.

In 1996, a pre-feasibility study was started for a refurbishment of the instrumentation and control system (I&C) at the Dukovany power plant to improve its reliability and to prolong the plant operation. During the course of 1998, we continued to carry out work related to the development of this project and invited bids for the first stage of implementation in 1999. In September 2000, we signed an agreement with SKODA JS for the complete refurbishment of the major parts of the I&C system at the Dukovany power plant. The current project timetable anticipates an initiation of the refurbishment by 2002 and lasting until approximately 2010 with a budgeted cost of approximately CZK 7 billion. Because this refurbishment is being implemented in the course of standard refueling outages, we do not expect any additional loss of energy production. In 2004, Unit 3 (the unit first to be upgraded) was equipped with further part of process computer which was then put into standard operation, and the last part of new safety systems which were put into parallel operation in open-loop. On Unit 1 and 2 the preparatory work and amendments of field instrumentation continued. The refurbishment of Instrumentation and Control System of Unit 4 is planned for 2006, and the preparatory works on the project continued in 2004 in accordance with respective time schedule.

Nuclear Provisions. We are responsible for, and have established provisions for, decommissioning of our nuclear power plants. The most recent decommissioning study commissioned by us and verified by the Nuclear Safety Authority in 2003 estimates costs for decommissioning of Dukovany nuclear power plant at CZK 16.4 billion at 2002 price levels (compared to a 1997 estimate of CZK 12.5 billion at 1996 price levels). A 2004 decommissioning study commissioned by us and verified by the Nuclear Safety Authority estimates that decommissioning of Temelin will cost approximately CZK 13.7 billion at 2004 price levels (compared to previous estimate of CZK 11.1 billion at 1998 price levels). An updated study will be produced periodically in 5 year interval as current legislation requires. Pursuant to the Nuclear Act, our provisions for the decommissioning of nuclear plants calculated in accordance with Czech accounting principles have been tax-deductible since October 1, 1997. We are required to contribute appropriate funds annually to a special escrow account to cover the future decommissioning costs. These funds are designated for decommissioning purposes and can be used only with the permission of the Repository Authority.

In addition, we have provided for the estimated costs to cover interim storage and the final disposal of spent fuel. The Nuclear Act provides that the Czech Republic, through the Repository Authority, is responsible for the final disposal of spent fuel and nuclear waste, and that we must pay certain contributions into the Nuclear Account. Our payments to the Nuclear Account amounted to approximately CZK 1,316 million in 2004. We are responsible for the interim storage of spent fuel.

We have recorded the provisions for decommissioning, interim and final spent fuel storage in accordance with International Financial Reporting Standards. For a detailed description of the accounting treatment of these provisions, see notes 2.23 and 14 to our Consolidated Financial Statements. For 2004 in respect of the nuclear provisions cited above, we charged to income CZK 1,965 million as a separate component of interest expense and CZK 203 million as fuel expense. In 2004, we charged CZK 1,383 million of current nuclear-related expenditures against our accumulated provision for nuclear decommissioning and fuel storage. In 2004, we revised the estimates of provisions for spent fuel storage and charged CZK 44 million to other operating expenses as a result. Based on revised the estimates of provisions for decommissioning and final fuel storage we added CZK 536 million to fixed asset and the provisions.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

In this section, we explain our general financial condition and the results of our operations. As you read the following discussion and analysis, you should refer to our Consolidated Financial Statements and the related notes thereto for fiscal years 2002, 2003 and 2004 contained in Item 18 of this Annual Report. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards which differ in certain respects from U.S. GAAP. See Note 30 to the consolidated financial statements, included elsewhere in this Annual Report for a discussion of the principal material differences between IFRS and U.S. GAAP as they relate to us which apply to our Consolidated Financial Statements.

Forward-Looking Statements

For a discussion regarding forward-looking statements, see "Forward-Looking Statements" in the front of this Annual Report under the heading "General Information."

CRITICAL ACCOUNTING POLICIES

International Financial Reporting Standards

Our accounts are initially maintained in accordance with Czech Accounting Standards and for reporting purposes are transformed to International Financial Reporting Standards, or IFRS. IFRS represent our primary reporting standards. This requires the managers to adopt those accounting policies, which are most appropriate for the purpose of the accounts giving a true and fair view.

Our material accounting policies are set out in full in note 2 to our consolidated financial statements. In preparing the accounts in conformity with IFRS, our management is required to make estimates and assumptions which impact on the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates. Certain of our accounting policies have been identified as the most critical accounting policies by considering which policies involve particularly complex or subjective decisions or assessments and these are discussed below. The discussion below should be read in conjunction with the full statement of accounting policies.

Accounting developments

The International Accounting Standards Board, or IASB, has and will continue to critically examine current International Financial Reporting Standards, or IFRS, with a view toward increasing international harmonization of accounting rules. This process of amendment and convergence of worldwide accounting rules resulted in significant amendments to the existing rules from January 1, 2005 in such areas as the accounting for share-based compensation, goodwill and intangibles, marketable securities and derivative financial instruments as well as the classification of certain income statement and balance sheet positions. These are discussed in more detail in note 2 to our consolidated financial statements.

Nuclear Provisions

Our nuclear provisions principally relate to the cost of final and interim storage of spent fuel and the cost of decommissioning our nuclear power stations.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. In accordance with IFRS, the initial estimated costs of decommissioning our power plants are provided for when the power stations begin operating commercially and are capitalized as part of the cost of construction and depreciated over the same lives as the plants. The estimated costs of decommissioning are discounted to reflect the timescale before and during which the work will take place (following closure of the power station). Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. We anticipate that after de-fuelling the reactors, dismantling the reactors will not be possible for at least 50 years after the closure of the relevant power station.

In 2004 we adopted IFRIC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities ("IFRIC 1"). Following the interpretation, changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate are added to, or deducted from, the cost of the related asset in the current period. Prior to application of IFRIC 1 in 2004 we followed a different accounting policy, under which the changes in a decommissioning liability that resulted from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate were added to (or deducted from) the amount recognized as the related asset to the extent the change related to

future periods. To the extent the change related to the current or prior periods, it was reported as income or expense for the current period.

The estimated costs are based on decommissioning studies that are approved by the Nuclear Safety Authority and the Repository Authority. The studies are updated regularly to reflect changes in the estimates. We must make annual payments to a special escrow account to cover future decommissioning costs. These payments depend on the estimated decommissioning costs, the estimated time of decommissioning and other factors. If these factors change, our annual payments can change in the future.

Estimated costs of final storage of spent fuel are based on expected annual payments to Nuclear Account. The payments are approved by the authorities and are done in cash. The estimated cash payments include inflation considerations because these payments will not be done for many years. The estimated payments are discounted using the estimated risk free rate. The required annual payments are reviewed by the authorities each year and therefore they can change in the future.

Accounting lifetimes of our nuclear power stations reflect our current assessment of potential life limiting technical factors and independent engineering assessments. The operating lifetime of a nuclear power station is limited principally by the lifetime of items, which are uneconomical to replace such as the boiler and other components inside the reactor pressure vessel. The methodologies and technology used to evaluate the expected lifetimes of nuclear stations is dynamic, resulting in progressively improved measurement capabilities that allow us to determine whether the safety case for an extended accounting life of a nuclear power station can be supported. The estimates of station accounting lives are therefore subjective.

The actual provisions can vary significantly from our estimate, and as a result, the liabilities we report in our results can vary significantly if our assessment of these costs changes. Many of the factors that are integral to the determination of our estimate, such as governmental regulations and inflation, are beyond our control.

Derivatives

IAS 39, Financial Instruments: Recognition and Measurement, requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded in the balance sheet as either an asset or liability measured at its fair value. IAS 39 requires any changes in the derivative's fair value to be currently recognized in earnings, unless specific hedge accounting criteria are met.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

For fair value hedges the gain or loss from remeasuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to the net profit and loss such that it is fully amortized by maturity.

In case of cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

The fair value of derivatives is estimated using valuation models. The use of valuation models requires making assumptions and estimates regarding the volatility of underlying and inputs of market data, such as currency rates, interest rate curves, etc. Results of the valuation models could differ significantly from values obtained from other valuation models because of different assumptions, estimates and market data used in those models.

Deferred tax

We have significant deferred tax assets and liabilities which are expected to be realized through the statement of income over extended periods of time in the future. In calculating the deferred tax items, we are required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the consolidated financial statements and their tax basis. Significant assumptions made include the expectation that:

o future operating performance for subsidiaries will be consistent with historical operating results; o recoverability periods for tax credits and net operating loss carryforwards will not change; and o existing tax laws and rates which we are subject to will remain unchanged into the foreseeable future.

We believe that we have used prudent assumptions and feasible tax planning strategies in developing the deferred tax balances. However, any changes to the facts and circumstances underlying the assumptions could cause significant change in the deferred tax balances and resulting volatility in its operating results.

Impairment of assets

We undertake periodic reviews of the carrying value of our fixed assets compared with the economic value and net realizable value of those assets. In carrying out the economic valuations an assessment is made of the future cash flows being generated by the assets, taking into account current and expected future market conditions and the expected lives of our power stations. In assessing the value we primary take production capacity as aggregate unit. The assessment of future market conditions includes, for example, a view of likely overcapacity in the market over a number of years and the likely timing of the market returning to new entrant prices. The actual outcome can vary significantly from our future forecasts, thereby affecting our assessment of expected future cash flows. The expected future cash flows are discounted at a rate approximating to our weighted average cost of capital, as this is the rate most representative of those assets. A provision is created against an asset if its net realizable value is lower than the carrying amount.

OPERATING RESULTS

	Volume of Supplied Electricity (GWh)		
	Year ended December 31,		
	2002	2003	2004
Generated in-house (gross).....	54,118	61,399	62,126
Other purchasing for resale.....	2,018	13,983	11,625
Purchased from OTE*.....	900	1,009	489
Purchased to cover own consumption.....	18	21	11
Purchased outside the Czech Republic.....	1,338	919	2,129
Total.....	58,392	77,331	76,380
	=====	=====	=====
	Revenues (CZK millions)		
	Year ended December 31,		
	2002	2003	2004
Electricity revenues:			
Sales to distribution companies.....	39,230	19,843	13,541
Sales to end customers through distribution network.....	-	36,590	53,492
Sales to traders.....	2,010	1,592	5,172
Exports of electricity, including trade outside the Czech Republic	10,143	13,296	10,309
Revenues capitalized during construction.....	(1,373)	-	-
Other domestic sales of electricity.....	2,928	3,893	4,943
Sales of ancillary services.....	-	4,334	5,291
Total electricity revenues.....	52,938	79,548	92,748
Heat revenues.....	1,673	1,833	1,883
Other revenues.....	967	3,435	5,534
Total revenues.....	55,578	84,816	100,165
	=====	=====	=====

* Operator trhu s elektrinou, a. s. (Electricity Market Operator)

The structure of our revenues and expenses was influenced by a major change in the structure of our consolidated group since April 2003. Since April 2003 five distribution companies (REAS) have been fully consolidated into our consolidated financial statements (among other relevant subsidiaries). On the other hand, CEPS, a.s. was fully consolidated into our consolidated financial statements only for the first quarter of 2003. For more information on consolidation of the financial results see the Consolidated Financial Statements prepared in accordance with IFRS.

Revenues. In 2003, our total revenues were approximately CZK 84.8 billion, an increase of 52.6% from 2002. This increase of approximately CZK 29.2 billion was primarily due to increase of sales to end customers through five distribution companies (REAS) amounting to CZK 36.6 billion. On the other hand, the sales to distribution companies decreased by CZK 19.4 billion due to elimination of intercompany sales to the five newly acquired distribution companies in the period from April to December 2003. Exports of electricity increased by CZK 3.2 billion, from which CZK 3.2 billion relates to CEZ only. The sales of ancillary services in 2003 represent sales to CEPS, a.s. in the period from April to December 2003, i.e. after the sale of the majority stake in CEPS, a.s. on April 1, 2003. These sales have been eliminated in prior periods as intercompany transactions. In 2004, our total revenues were approximately CZK 100.2 billion, an increase of 18.1% from 2003. This increase of approximately CZK 15.3 billion was primarily the result of increase of electricity sales by CZK 13.2 billion. Total exports decreased by CZK 3.0 billion. Electricity sales to distribution companies we do not control decreased by CZK 6.3 billion. Sales to end customers through our distribution grid (five REAS owned by CEZ) rose by 46.2% to CZK 53.5 billion. The main reason for this increase was the expansion of CEZ group as of April 1, 2003, which resulted in consolidation of our REAS in our group for three quarters in 2003 and their consolidation for the full year in 2004.

In 2003, our total revenues from electricity sold were approximately CZK 79.5 billion, an increase of 50.3% above the 2002 level as the result of primarily to enlargement of our consolidated group. Electricity sold by our Company in the Czech Republic increased from 36.2 TWh in 2002 to 48.9 TWh in 2003 (by 34.9%), while exports increased to 19.2 TWh, an increase by 3.2 TWh (20.1%). In 2004, our total revenues from electricity sold were approximately

CZK 92.7 billion, an increase of 16.6% over the 2003 level, primarily as a result of the first-time consolidation of our REAS for the full year in 2004. Sales of electricity by our group in the Czech Republic increased by 11.9% to 54.7 TWh. Exports of electricity decreased by 8.3 TWh to 11.0 TWh (by 43.0%), but this decrease was in portion compensated by sales to traders for the purposes of export in the amount of 5.9 TWh.

In 2003, our revenues from sales of heat were approximately CZK 1.8 billion, an increase of 9.6% from 2002. The amount of heat sold increased by 14.6% in 2003 from 2002 levels. The increase of revenues from sales of heat in 2003 was primarily due to the enlargement of our consolidated group. However, the declining trend in heat demand seen in previous years continued, driven in particular by improvements in building insulation. In 2004, our revenues from sales of heat were approximately CZK 1.9 billion, an increase of 2.7% from 2003. The amount of heat sold decreased by 8.5% in 2004 from 2003 levels. The increase of revenues from sales of heat in 2004 was primarily due to higher revenues at Energetika Vitkovice, a.s.

In 2003, other revenues amounted to approximately CZK 3.4 billion, an increase of 255% above 2002. The year-on-year increase of CZK 2.5 billion was caused by newly consolidated companies, which contributed CZK 2.6 billion to the increase. In 2004, other revenues amounted to approximately CZK 5.5 billion, an increase in comparison with the level of 2003.

	Operating Expenses (CZK millions) Year ended December 31,		
	2002	2003	2004
Fuel.....	12,894	14,307	14,370
Purchased power and related services.....	7,328	21,100	26,511
Repairs and maintenance.....	3,847	4,226	4,420
Depreciation and amortization.....	11,721	16,961	18,384
Salaries and wages.....	3,854	7,994	9,644
Material and supplies.....	1,838	3,670	3,769
Other operating expenses.....	2,873	3,554	3,912
Total operating expenses.....	44,355	71,812	81,010

Operating Expenses. In 2003, our total operating expenses were approximately CZK 71.8 billion, an increase of 61.9% from 2002. The year-on-year increase of CZK 27.5 billion was primarily the result of the enlargement of our consolidated group. In 2004, our total operating expenses were approximately CZK 81.0 billion, an increase of 12.8% from 2003.

In 2003, the cost of fuel consumption was approximately CZK 14.3 billion, an increase of 11.0% from 2002 due to increased electricity production (mainly in nuclear power plants). In 2004, the cost of fuel consumption was approximately CZK 14.4 billion, an increase of 0.4% from 2003.

In 2003, our purchase of power and related services amounted to approximately CZK 21.1 billion, an increase of 188% from 2002 was mainly due to the enlargement of our consolidated group, in opposite the purchases of power and related services by previously consolidated companies decreased by CZK 1.9 billion. In 2004, our purchase of power and related services amounted to approximately CZK 26.5 billion, an increase of 25.6% from 2003 mainly due to purchase of electricity from producers for resale (increase of CZK 1.4 billion) and due to purchase of services related to sale of electricity (increase of CZK 2.8 billion).

In 2003, costs for repairs and maintenance amounted to approximately CZK 4.2 billion, an increase of 9.9% from 2002 primarily due to the enlargement of our consolidated group. In 2004, costs for repairs and maintenance amounted to approximately CZK 4.4 billion, an increase of 4.6% from 2003. The increase is approximately CZK 0.2 billion.

In 2003, depreciation and amortization expenses amounted to approximately CZK 17.0 billion an increase of 44.7% from 2002 primarily due to both enlargement of our consolidated group (CZK 3.3 billion) and commissioning of the second unit of the Temelin nuclear power plant in 2003. The depreciation and amortization of Temelin increased the total sum of this item by CZK 2.8 billion. In 2004, depreciation and amortization expenses amounted to approximately CZK 18.4 billion an increase of 8.4% from 2003 when depreciation of buildings reached CZK 4.1 billion and depreciation of plant and equipment totaled CZK 13.5 billion.

In 2003, salaries and wages expenses were CZK 8.0 billion, an increase of 107% from 2002. The biggest portion of increase in salaries and wages expenses is attributable to the newly consolidated companies. In 2004, salaries and wages expenses were CZK 9.6 billion, an increase of 20.6% from 2003 also due to enlargement of our group.

In 2003, our materials and supplies expenses were approximately CZK 3.7 billion, an increase of 99.7% from 2002. There was only insignificant increase of materials and supplies expense related to companies consolidated in 2002. In 2004, our materials and supplies expenses were approximately CZK 3.8 billion, an increase of 2.7% from 2003.

In 2003, our other operating expenses were approximately CZK 3.6 billion, an increase of 23.7% from 2002. This increase was mainly due to growth of expenses for services by CZK 1.4 billion, which was compensated by decrease of other expenses by CZK 0.7 billion, especially capitalization of material, goods and services. In 2004, our other operating expenses which include environmental charges and claims and purchased services, among other things, were approximately CZK 3.9 billion, an increase of 10.1% from 2003.

Income before Other Expense (Income) and Income Taxes. In 2003, our income before other expense (income) and income taxes amounted to approximately CZK 13.0 billion, an increase of 15.9% from 2002. The increase of approximately CZK 1.8 billion was a result of an increase in operating expenses by CZK 27.5 billion accompanied by an increase in revenues by CZK 29.2 billion. Large increases in both expenses and revenues are due to the enlargement of our consolidated group. The increase in operating expenses was further influenced by nuclear power station changes, i.e. the introduction of both units of the Temelin nuclear power plant into trial operation (increase in depreciation by CZK 2.8 billion). In 2004, our income before other expense (income) and income taxes amounted to approximately CZK 19.2 billion, an increase of 47.3% from 2003. The increase of approximately CZK 6.2 billion was a result of an increase in operating revenues by CZK 15.3 billion accompanied by an increase in operating expenses by CZK 9.2 billion.

Other Expense (Income). In 2003, other expense/income (net) amounted to approximately CZK 2.3 billion. The deterioration compared to 2002 is mainly due to higher interest expense, net of capitalized interest by CZK 1.1 billion, lower foreign currency exchange gains by CZK 1.4 billion, and due to increase in other expenses by CZK 0.9 billion. An increase in income from associates by CZK 0.6 billion, i.e. by 114% had a positive impact on the other expenses (income). In 2004, other expenses/income (net), which include interest on debt, net of capitalized interest, interest on nuclear provisions, interest income, foreign exchange rate losses/gains, other expenses, and income from our associates, amounted to approximately CZK 1.2 billion.

Income Taxes. In 2003, income taxes amounted to approximately CZK 1.3 billion, a decrease of 60.0% from 2002. Our effective corporate income tax rate in 2002, 2003 and 2004 was 29%, 13%, and 21% respectively. In 2004, income taxes amounted to approximately CZK 3.8 billion, an increase of 185% from 2003. This increase was primarily a result of higher profits and substantially lower effective tax rate in 2003, when company claimed a capital investment deduction of CZK 1.0 billion.

Net Income. In 2003, net income amounted to approximately CZK 8.9 billion, an increase of 5.3% (CZK 0.5 billion) from 2002. This improvement was mainly due to lower income tax by CZK 2.0 billion. In 2004, net income amounted to approximately CZK 13.1 billion, an increase of 47.2% (CZK 4.2 billion) from 2003. This improvement was due to substantially higher profits before income taxes by CZK 7.2 billion, despite higher income taxes by CZK 2.5 billion and higher minority interests by CZK 0.5 billion.

Earnings per common share were, CZK 14.3, CZK 15.0 and CZK 22.1 in fiscal years 2002, 2003 and 2004 respectively, representing an increase of 5.2% in 2003 and an increase of 46.9% in 2004.

Inflation

The rates of inflation on an annual average basis in the Czech Republic during 2002, 2003 and 2004 were 1.8%, 0.1%, and 2.8% respectively. The effects of inflation on our operations have not been significant in recent years.

Other

For a discussion of the impact of currency fluctuations on our business and hedging or other mechanisms that we use, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk" on page 69.

For a discussion on government economic, fiscal, monetary and political policies or factors that have or could materially affect our operations, see "Risk Factors" on page 9 and "Economic, Fiscal, Monetary or Political Policies or Factors Which Impact Our Business" on page 24.

LIQUIDITY AND CAPITAL RESOURCES

We expect our principal capital requirements to consist of the following:

- o commencement of the modernization of the Dukovany nuclear power plant, together with its instrumentation and control center;
- o preparation of the construction (extension) of the interim spent nuclear fuel storage facilities located at our nuclear plant sites;
- o participation in investment opportunities in the power sector in central and south-east Europe so that we are able to respond flexibly to developments in demand;
- o investments in subsidiaries, especially into distribution grid and automated switching equipment that substantially improves outage times; and
- o investments to replace our aging brown-coal-fired power plants (at least in the amount of two-thirds of the present installed capacity of such power plants) after the year 2010. At that time, the present power plants will be at the end of their useful lives and consequently they will be replaced by newer, more efficient plants.

Historically, our liquidity requirements have arisen primarily from the need to fund capital expenditures for the expansion of our business and for our working capital requirements. We expect to continue to incur substantial additional capital expenditures in order to expand and improve the quality of our service, react to market conditions, and to diversify our generating capacity. We believe that our existing financing together with cash flows provide us with sufficient financial capacity to fund our business and capital expenditure program and represent a source of working capital sufficient to meet our future short-term and long-term financing of our ongoing operations.

In 2003, our capital investments, including financial investments without acquisition of companies which are a part of our consolidated group totaled approximately CZK 23.9 billion, 130% more than in 2002. In 2004, they totaled approximately CZK 15.8 billion, 34.1% less than in 2003.

Financing Obligations

The following table presents our principal long-term financing obligations as at December 31, 2004:

		Payments Due By Period			
		(in CZK millions)			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	41,629	3,439	14,197	7,540	16,453
Total	41,629	3,439	14,197	7,540	16,453

We do not have significant obligations resulting from capital and operating lease contracts.

The following table summarizes our estimated capital expenditures, including uncommitted amounts, for the next five years (in CZK billions):

		Expected Capital Expenditures By Period				
		(in CZK billions)				
	Total	2005	2006	2007	2008	2009
Capital expenditures	105.6	17.3	19.9	23.4	22.4	22.6

These figures do not include the expected acquisitions of subsidiaries and associates, which in accordance with the estimated free cash flows can amount up to CZK 90 billion in the period 2005 through 2009. The actual payments for acquisitions will depend on the number of future investment opportunities, for which we will be a successful bidder and also considering the recoverability of these investments.

Sources of Financing

The financing of our capital investment program is obtained from cash flows from operating activities and financing. The primary sources of financing available to us consist of the following:

- o cash flow from operating activities;
- o financing from banks; and
- o the issuance of bonds.

Cash Flow and Liquidity

Net cash generated from our operating activities provides us with a significant source of liquidity. Our operating activities generated net cash of approximately CZK 19 billion in fiscal 2002, approximately CZK 35.8 billion in fiscal 2003, and approximately CZK 34.1 billion in fiscal year 2004. The year-on-year decrease of CZK 1.6 billion in 2004 was caused, among other things, by a CZK 6.4 billion increase in income tax payments, while cash generated from operations rose by CZK 3.9 billion (10.7%) and dividends received grew by CZK 0.7 billion (125%). In 2002, 2003, and 2004, we generated 100% of our capital investment needs from operations.

At year end 2003, our net receivables amounted to approximately CZK 7.1 billion, an approximately CZK 3.0 billion (74.9%) increase against the level at the end of 2002. At year end 2003, the largest portion of our receivables in the amount of CZK 3.6 billion was associated with the five REAS (including their affiliated entities) which are part of our consolidated group, and the second largest portion in the amount of CZK 3.2 was associated directly with CEZ. At year end 2004, our net receivables amounted to approximately CZK 8.9 billion, an approximately CZK 1.8 billion (26.0%) increase against the level at the end of 2003.

In 2003, our cash balances decreased to approximately CZK 4.0 billion at year end 2003. Cash balances can fluctuate substantially on the basis of the timing of borrowings and repayments of debt. Our cash balances increased from CZK 4.0 billion at year end 2003 to approximately CZK 7.5 billion at year end 2004.

Our total consolidated long-term debt (including current portion) decreased by 8.3% (approximately CZK 3.3 billion) during 2003 and totaled approximately CZK 36.7 billion at year end 2003. Total debt from bonds issued increased by CZK 1.1 billion mainly due to addition of domestic bond of Severomoravska energetika, a.s. Long-term bank loans and other loans (including current portion) decreased by approximately CZK 4.4 billion. Our total consolidated long-term debt (including current portion) increased by 13.6% (approximately CZK 5.0 billion) during 2004 and totaled approximately CZK 41.6 billion at year end 2004. Total debt from bonds issued increased by CZK 8.5 billion, mainly due to issue of EUR 400 million bonds. Long-term bank loans and other loans (including current portion) decreased by approximately CZK 3.6 billion.

We had CZK 2.3 billion short-term loans at the end of 2003. Current portion of long-term debt increased to approximately CZK 5.7 billion (or by 34.4%) primarily due to expected repayment of domestic bonds. We had no short term loans at year-end 2004. Long-term debt due within one year decreased from approximately CZK 5.7 billion to approximately CZK 3.4 billion (or by 39.6%).

Loans and Bonds

The following table shows our outstanding long-term indebtedness as at December 31, 2004:

Creditor	Interest Rate	Currency	Facility Amount	Indebtedness as of December, 31, 2004(1)	Maturity
-----	-----	-----	-----	-----	-----
			(millions)	(CZK millions)	
Bank Austria AG	fixed	EUR	20	36	2005
Citibank International	floating	USD		1,805	2007-2008
			317		

Ceska sporitelna	fixed	CZK	50	26	2007
CSOB	fixed	CZK	248	115	2007
Erste Bank AG	fixed/floating	EUR	17	103	2006
Erste (CR) a.s.	fixed	CZK	58	12	2006
European Investment Bank	fixed	USD	55	852	2013
European Investment Bank	fixed	EUR	44	945	2013
European Investment Bank	floating	CZK	3,441	2,382	2012-2013
Fortis Bank	floating	USD	55	432	2008-2009
IBRD	floating	USD	246	1,078	2007
ING Bank	floating	EUR	27	48	2005
Komerční banka	fixed	CZK	300	89	2006
Komerční banka	fixed	CZK	6	2	2007
Komerční banka	fixed	CZK	10	1	2006
Komerční banka	fixed	CZK	10	2	2006
Komerční banka	fixed	CZK	37	2	2006
Nordic Investment Bank	floating	USD	50	1,119	2007

Total				9,049	

Amount payable by December 31, 2005				1,939	
Balance				7,110	
				=====	

(1) Amounts have been translated into CZK at the CNB Exchange Rate at December 31, 2004.

The following table shows our outstanding bonds as at December 31, 2004:

Maturity	Interest Rate	Original Nominal Value	Indebtedness as of December 31, 2004	Pre-payment	Issue Date
-----	-----	-----	-----	-----	-----
		(millions)	(CZK millions)		
2014	9.22 %	CZK 2,500	2,494	-	1999
2009	9.22 %, zero coupon(1)	CZK 4,500	3,299	-	1999
2007	7.125%	USD 200(2)	3,962	-	1997
2006	7.250%	EUR 200	6,233	-	1999
2011	4.625%	EUR 400	12,101	-	2004
2008	3.350%	CZK 3,000	2,990	-	2003
2005	6M PRIBOR+0.4%	CZK 1,000	500	-	1998
2005	6M PRIBOR+1.3%	CZK 500	1,000	-	2000
-----			-----		
Total			32,579		
			=====		

(1) We realized proceeds of CZK1,863 million on this zero coupon bond.

(2) Open-market purchase by us in the amount of USD 22 million.

On June 8, 2004 CEZ Finance B.V. issued EUR 400 million 4 5/8% guaranteed notes due 2011. These notes are unconditionally and irrevocably guaranteed by CEZ.

On March 3, 1999, we began a CZK 5.0 billion domestic commercial paper program with a consortium of banks to cover short-term financing differences of cash inflows and outflows. On April 19, 2000, the domestic commercial program was extended up to CZK 9.0 billion. Out of this total sum CZK 3.0 billion are committed. Six banks are participating in the commercial paper program now. We have no outstanding indebtedness under this program as of December 31, 2004. The interest rates on indebtedness under this program range from the Prague inter-bank offering rate ("PRIBOR") to PRIBOR plus 0.20%, each 0.01% being a basis point ("b.p.").

Also, we have several committed short-term credit lines -- the syndicated revolving facility for USD 70 million and others credit lines at the amount of CZK 2.5 billion. For the preceding three months (March, April and May 2005) we have not utilized neither commercial paper program nor short-term lines.

On May 30, 2000, we entered into a syndicated multi-currency EUR 85 million guarantee facility in favor of the European Investment Bank due 2013. On February 24, 2005 this guarantee was replaced by new one, which is valid for another 5 years. Our outstanding indebtedness under this credit facility as of December 31, 2004 was CZK 2.1 billion at a floating interest rate of PRIBOR minus 5 b.p.

On October 20, 1999, CEZ Finance B.V., a wholly owned subsidiary of CEZ organized under the laws of The Netherlands and acting as a financing vehicle for CEZ, issued EUR 200 million 7.25 percent Guaranteed Notes due 2006. These notes are unconditionally and irrevocably guaranteed by CEZ.

On January 27, 1999, we exercised a call option for CZK 4.0 billion 14.375% bonds. We repaid the bonds using a portion of proceeds from two bond issues in aggregate amount of CZK 7 billion, an issue of CZK 4.5 billion domestic discounted bonds (with a zero coupon so that immediate funds due 2009 were obtained in an amount of CZK 1.9 billion), as well as an issue of CZK 2.5 billion domestic 9.22% bonds due 2014 (from 2006 these bonds will bear interest at a variable interest rate defined as CPI + 4.2%). On June 7, 1999 we issued CZK 3.0 billion domestic 8.75% bonds due 2004 and the proceeds were used to exercise the call option for CZK 3.0 billion 10.9% bonds. On June 6, 2000 we exercised a call option for CZK 4.0 billion 11.3% bonds. On June 27, 2003 we exercised a call option for CZK 3.0 billion 11 1/16% bonds. We repaid these bonds using proceeds from new CZK 3.0 billion domestic 3.35% bonds due 2008 issued on June 23, 2003. On June 7, 2004 we repaid our domestic 8.75% bonds due on 2004.

On November 11, 1998, we entered into a syndicated credit facility agreement for an aggregate amount of DEM 280 million with a consortium of thirteen banks with Sumitomo Bank Limited being the Facility Agent. For DEM portion of this facility we pay interest of LIBOR plus 50 b.p. and for the CZK portion, PRIBOR plus 50 b.p. The last installment of this facility was paid on November 11, 2003.

On January 27, 1998, we entered into a credit facility agreement with the Nordic Investment Bank for a total amount of USD 50 million. We pay interest of LIBOR plus 50 b.p. on this facility.

On December 14, 1995, we entered into a long-term multi-currency loan provided by the European Investment Bank in the amount of 200 million ECU (European Currency Unit). On July 11, 1996, we obtained a guarantee valid until 2003 from a consortium of commercial banks required by the loan agreement with the European Investment Bank allowing us to draw-down up to ECU 100 million under such agreement. We have made four drawdowns on this loan in denominations and with interest rates as follows: USD 7.05%, DEM 6.33%, EUR 5.17% and CZK PRIBOR minus 15 b.p. A new guarantee for next 5 years was obtained from the manager of the consortium on April 8, 2003.

On December 3, 1996, we entered into two syndicated credit facility agreements to secure financial resources for the completion of the Temelin nuclear power plant. The first facility, arranged by Citibank, is for USD 317 million and is guaranteed by the Export-Import Bank of the United States and by the Czech Republic. We drew down approximately USD 256 million for the information and control systems as well as for fuel for Unit I and II of Temelin. In 2001 we decided to cancel the undisbursed balance of the loan, or USD 61 million (USD 32 million for instrumentation and control system and USD 29 million for fuel). As at December 31, 2004 approximately USD 176 million of the principal had been repaid. The interest rate on this loan is LIBOR plus 30 b.p. The second facility, arranged by Generale Bank (now operating under the name Fortis Bank), is for USD 55 million and guaranteed by the Belgium Office of National du Ducroire and by the Czech Republic. We drew down altogether approximately USD 45.0 million for the information and control system. As at December 31, 2004 approximately USD 25.7 million of the principal had been repaid and no amount remained to be drawn down under this facility as we cancelled the undisbursed balance of the loan. The interest rate on this loan is LIBOR plus 50 b.p. In consideration for the Czech Republic guarantees of these two credit facility agreements, we have agreed to pledge to the Czech Republic (i) certain of our receivables from one of the REAS, within 30 days of demand by the Czech Republic under the applicable guarantee and (ii) the buildings (cooling towers) at the Temelin nuclear power plant, upon transfer of title thereto to us (after completion of construction thereof).

On July 17, 1992, we entered into a multi-currency loan agreement with the International Bank for Reconstruction and Development for an amount equal to USD 246 million. We currently have EUR and USD portions outstanding with applicable interest rates of EUR London inter-bank offering rate ("LIBOR") plus 50 b.p. and World Bank variable rate plus 50 b.p., respectively. On December 31, 2004 our outstanding indebtedness under this multi-currency loan agreement consisted of (i) a EUR portion of approximately EUR 6.2 million with an applicable interest rate of 2.28% and (ii) a USD portion of approximately USD 39.7 million with an applicable interest rate of 4.05%. This agreement contains several financial covenants relating to, among other things, interest coverage and revenues/expense ratio. This revenue/expense ratio requires us to maintain operating costs at a level no higher than 60% of our operating revenues and to furnish on a semi-annual basis to the International Bank for Reconstruction and Development forecasts for the next following year in respect of whether we expect to comply with the ratio. In the past our operating cost to operating revenue ratio has neared the 60% level. With the aim of avoiding a breach of this contract we successfully requested the International Bank for Reconstruction and Development to waive this

revenue/expense ratio requirement for 1999 and 2000. In 2001, 2002, 2003 and 2004 we met all of the financial covenants on this loan.

To manage short-term financing differences of cash inflows and outflows, we utilize a number of instruments, including commercial paper programs, T-bills, revolving multi-currency credit facilities and bank overdrafts. Our long-term liquidity depends on the future prices of electricity and on the demand for electricity. With respect to managing long-term liquidity, we believe that we will be able to secure necessary sources of funding.

Certain of our loans and the terms and conditions of guarantees issued by us include covenants that require us to be controlled by the Czech Republic. As part of the anticipated sale of CEZ, a. s., we plan to negotiate amendments to these covenants to allow the sale of CEZ, a. s. by the National Property Fund. As indicated above, certain of our loans required the proceeds to be used for the construction of Temelin or the refurbishment of some of our coal power plants to meet new environmental laws. In each case, we have used the proceeds in accordance with the restrictions on use as provided in such loans.

We hold cash and cash equivalents in EUR, USD and CZK.

For 2004 we hedged against foreign currency exchange rate fluctuations affecting our expenses of operations by using FX option strategy (zero cost premium). We believe this is the most effective strategy in situations where it is not possible to accurately predict the amount and maturity of expenses. We also executed several IR swaps to switch part of our floating rate liabilities into fixed rate using the situation of historically low Czech interest rates. For more information on hedging activities, see notes 2.20 and 13 to the Consolidated Financial Statements included herein.

Material Commitments for Capital Expenditures

Our existing fixed material commitments for capital expenditures for the last financial year and from January 1, 2005 relate to the completion of Temelin and the commencement of the modernization of the Dukovany nuclear power plant, together with its control center. See "Property, Plants and Equipment" on page 30 for a full discussion of capital expenditures related to Temelin. Further commitments for future capital expenditures in the amount of EUR 146.6 million related to our acquisition of a major distribution company in Romania are described in "Distribution of Electricity -- Romania" on page 21.

Research and Development

We hire external entities to perform research projects based on our technical assignments, evaluations, and performance check-ups. We provide documentation, technical information and data to those entities. The research performed by those external entities covers numerous projects primarily in the areas of conventional power and nuclear energy. Further, our REAS perform research regarding distribution grid operation. Some of our research is conducted with the support of the Czech Ministry of Industry and Trade. None of the research projects we are currently involved in is material for our business.

Trend Information

In 2003 the Czech Republic saw another phase of progressive market opening to final customers, with approximately 375 customers with a total consumption of about 16 TWh being able to select their respective suppliers. The REAS, as the regional electricity seller to final customers, refrained from purchasing electricity imports, as was the case in 2002, and purchased a major portion of their requirements from CEZ. The key event was the commissioning of the Temelin power plant, bringing about an increased option to make use of the business opportunity that presented itself in the market. Also related to these developments is the achievement of the historically largest quantity of electricity exports from the Czech Republic, which the first half-year development suggests will not be repeated.

As a consequence of the liberalization of the energy market in the Czech Republic, we have seen a decrease in the profitability on energy sold as the Czech energy market has faced competition from energy imports. This trend has been exacerbated by the lack of free competition and non-reciprocal rules applicable for the export of electricity from the Czech Republic to neighboring countries (as opposed to the import of electricity to the Czech Republic). As a consequence, fees imposed in neighboring countries on our exported electricity result in an energy price that is higher than prices for electricity imports from such countries to the Czech Republic. The REAS have reacted to this

imbalance by purchasing imported cheaper electricity. This has required us to respond by lowering our energy prices and decreasing our profitability. In 2003, for example, we have sold electricity to the REAS at lower prices than for the similar period in 2002 in an effort to improve our competitive position and improve market share. If this trend continues, we may respond by temporarily reducing our production of electricity.

Information on ongoing and potential future acquisitions

In July 2003, we entered a tender process organized by the National Property Fund of the Slovak Republic for the selection of the purchaser of its 66% interest in Slovenske elektrarne, a.s. However, the price offered by our competitors was higher than the price we offered in our final bid, we were not selected as winner of the tender process, and we did not acquire the 66% interest.

On November 19, 2004, we entered into an agreement to purchase 67% share in three distribution companies in Western Bulgaria from Bulgarian government. On January 18, 2005, we closed this transaction. We paid a total of EUR 281.5 million for the three majority shares. For more information see "Material contracts" on page 63.

In April 2005, we entered into an agreement to acquire a 51% majority share in Electrica Oltenia S.A., a Romanian distribution company, from Romanian government. The agreement is still subject to completion of various conditions precedent and we expect closing of this transaction in the end of October 2005. We have already paid EUR 4.7 million as a portion of the total purchase price of EUR 151.3 million. At closing, we will be required to pay the remainder in the amount of EUR 146.6. We intend to finance this commitment from our internal sources. For more information see "Distribution of Electricity -- Romania" on page 21.

We currently participate in several privatization tenders for selected coal power plants in Poland. On April 5, 2005, we made an individual offer for the purchase of a 39.2% interest in power company Zespól Elektrowni Patnów - Adamów - Konin SA, and currently we perform due diligence in the company. On April 21, 2005, we submitted an individual offer to the Polish government for purchase of a stake in Zespól Elektrowni Dolna Odra SA (Dolna Odra, Pomorzany and Szczecin power plants). On April 26, 2005, we made an offer to purchase a stake in the company Elektrownia Kozienice SA (Kozienice power plant). We were shortlisted in these two tenders.

In May 2005, the government of Montenegro announced a tender for privatization of a coal power plant (Pljevlja - 210 MW), and its minority stake (approximately 31%) in the adjoining Pljevlja Mine. We intend to participate in the tender process.

We intend to explore further opportunities for foreign acquisitions. In 2005, several tenders for privatization are expected to be announced in Romania (privatization of selected coal power plants and adjoining mines, and of a distribution company), Macedonia (privatization of generation and distribution), and Montenegro (privatization of distribution). We intend to participate in these tenders. Also, we are analyzing other potential acquisition targets including distribution in Poland, and power generation and distribution in Serbia.

On July 13, 2005, the Czech government granted to us a three-month exclusivity with respect to negotiation of the envisaged sale by the Czech government of its 55% stake in Severoceske doly a.s., our major supplier of lignite. We expressed our interest in purchasing the stake and intend to submit a bid to the Czech government.

OFF-BALANCE SHEET ARRANGEMENTS

We have not identified any material off-balance sheet arrangements.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

	Total	Payments due by period (in CZK millions)			
		less than	1 - 3	3 - 5	more than
		1 year	years	years	5 years
	-----	-----	-----	-----	-----
Contractual Obligations					
Long Term Debt Obligations.....	41,629	3,439	14,197	7,540	16,453
Insurance.....	485	485	-	-	-
Electricity purchase except of members of CEZ Group.....	6,379	6,379	-	-	-
I&C System for Dukovany.....	4,456	668	2,173	1,465	150
Fuel.....	20,861	7,996	5,329	5,034	2,502

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We have a two-tier board system consisting of a Board of Directors and a Supervisory Board. The Board of Directors represents us in all matters and is charged with our management, while the Supervisory Board oversees our Board of Directors and our executive officers. Our executive officers manage our daily operation. Under the Czech Commercial Code, the Supervisory Board may not make management decisions. Our highest governing body is the General Meeting of Shareholders. Members of the Supervisory Board are elected by the General Meeting of Shareholders, while members of the Board of Directors are elected by the Supervisory Board.

The Board of Directors must inform the Supervisory Board on certain matters, and the Supervisory Board may request information at any time. The Czech Commercial Code prohibits simultaneous membership on the Board of Directors and the Supervisory Board of any company.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Set forth below are members of our Board of Directors and our Executive Managers (Executive Officers).

Board of Directors:

Name	Position	Held Since	Age
----	-----	-----	---
Martin Roman.....	Chairman of the Board of Directors	2004	35
Alan Svoboda.....	Vice-Chairman of the Board of Directors	2004	33
Petr Voboril.....	Vice-Chairman of the Board of Directors	2002	54
Jiri Borovec.....	Member of the Board of Directors	2004	41
Radomir Lasak.....	Member of the Board of Directors	2004	40

Executive Managers:

Name	Position	Held Since	Age
----	-----	-----	---
Martin Roman.....	Chief Executive Officer	2004	35
Alan Svoboda.....	Chief Sales Officer	2004	33
Petr Voboril.....	Chief Financial Officer	2005	53
Jiri Borovec.....	Chief Generation Officer	2004	41
Radomir Lasak.....	Chief Administration Officer	2004	40

Martin Roman. Graduated from the Faculty of Law at Charles University in Prague. Then he studied a one-year scholarship program at St. Gallen University (Switzerland), the Faculty of Economics. He also spent one year studying at the Karl-Ruprechtsuniversitat Heidelberg (Germany). He began his professional career in 1992 when still a student, when he was appointed the sales director of the Czech branch of Wolf Bergstrasse CR, s. r. o., a company specializing in the manufacture of potato crisps. From 1994 to 1999 he worked as the CEO of Janka Radotin, a. s., and in 1998, after the acquisition of the company by a strategic partner - the American company LENNOX, he also became a member of the company board. His third chief executive position was in SKODA HOLDING (he began in 1999 in Pilsen as Chairman of the Board and General Director of SKODA, a. s., and in April 2000 he was appointed Chairman of the Board and a CEO of the entire joint-stock company SKODA HOLDING), from where he went on to our Company. In February 2004 he was appointed the Chairman of our Board of Directors and since April 1, 2004 he holds position of our Chief Executive Officer. He is a member of our Audit Committee. As of April 2004, he is a vice-president of the Confederation of Industry and Transport of the Czech Republic.

Alan Svoboda. Graduated from the University of West Bohemia in Pilsen in IT and financial management. He also completed MBA in Finance and MA in Economics at University of Missouri in Kansas City (USA). He holds a CFA certificate (Chartered Financial Analyst) issued by AIMR (Association for Investment Management and Research). Prior joining CEZ, Mr. Svoboda was a partner at McKinsey & Company where he specialized in advising clients coming from energy sector, gas industry and petrochemistry. From April 1998 to January 2000 he was a CFO and a Vice-Chairman of the Board of Directors of Zapadoceska energetika, a.s. Since May 2004 he has become a Vice-Chairman of our Board of Directors. From June 29, 2004 until August 31, 2004 he was Chairman of the Supervisory Board of CEZData, s.r.o., and since August 31, 2004 is a Vice-Chairman. Since June 29, 2004 he is a member of the Supervisory Board of Zapadoceska energetika, a.s. and since March 31, 2005 he is a Vice-Chairman of the Supervisory Board of CEZ Prodej, s.r.o.

Petr Voboril. Graduate of the Mechanical Engineering Faculty of the Czech Technical University, where he studied work space technology, and he did post-graduate work in district heat development. In 1997 he attended a management skills course at the InterManager European standard level. He started to work for Ceske energeticke zavody (the predecessor of our Company) in 1980 and spent the first ten years of his career with us in operation control and heat industry development. After 1990 he worked in various economic section posts, and from January 1995 to April 1998 he was Director of the Planning and Analysis Section. In 2000 he was appointed our Vice-CEO and the Executive Director for Finances and Administration. Since October 2002 he has held the position of our Chief Strategic Development Officer. From February 2003 to November 2003 he held the position of the Vice-Chairman of our Board of Directors, then he was appointed Chairman of the Board of Directors. He held this position until February 2004 when he became again the Vice-Chairman of our Board of Directors. From November 2003 to March 2004 he was our acting CEO. Since May 2003 he has been a member of the supervisory board of Stredoceska energeticka, a.s.

Jiri Borovec. Graduated from the Military Academy in Brno, Masaryk University, the United States Air Force Defense Language Institute (Texas, USA) and Brno Business School - also earning an MBA degree from Nottingham Trent University. In 1997 he attended the ABB International Management Workshop for ABB Group Senior Top Managers, and in 1999 he earned the ABB Service Management Certificate. From 1990 to 1995 he worked in the Czech Army as an interpreter and translator from and into English, Spanish and Russian. His next place of work was the ABB Czech Republic company, in which he worked from 1995 to 2000, holding the positions of Personnel Director, Vice-President for Human Resources, as well as being a Member of the Country Board. In 1999 and 2000 he held the position of CEO of the ABB Service Czech Republic and Business Unit Manager ABB Service Central Europe. Before joining CEZ in October 2004 as a member of our Board of Directors and Chief Generation Officer, he was the Chairman and CEO of the Skoda JS joint-stock company.

Radomir Lasak. Graduated from the University of Economics in Prague in 1989. In 1996, he earned the Master of Business Administration degree from the Prague International Business School. He began his professional career in 1991 in Komerční banka. In 1999 he was appointed Director of the Investment Banking Division in Komerční banka. In 2000 he became a member of the Komerční banka Board of Directors, whose special jurisdiction was trade, and also Deputy CEO. Since August 2002 he has been the Chairman and CEO of eBank. He joined our Company in September 2004 as a member of our Board of Directors and Chief Administration Officer.

SUPERVISORY BOARD

Set forth below are the incumbent members of the Supervisory Board:

Name ----	Initially Appointed -----	Current Term Expires -----	Age ---
Jiri Havel (Chairman)	2005	2009	47
Zdenek Hruby (Vice-Chairman).....	2003	2007	48
Vaclav Krejci(1) (Vice-Chairman).....	1993	2006	51
Ales Cincibus	2005	2009	49
Jan Demjanovic	2003	2007	51
Jiri Jedlicka(1).....	2004	2008	46
Jan Juchelka	2002	2006	33
Petr Kousal.....	2005	2009	51
Martin Pecina	2003	2007	36
Jan Sevr(1).....	1999	2008	58
Pavel Suchy	2003	2007	50
Zdenek Zidlicky(1).....	2002	2006	58

(1) Employee representative

Jiri Havel. Graduated from the Prague School of Economics. Since 1998 till 2000 he was an economic advisor of the Vice-Chairman of the Czech Government, and since 1999 till 2001 he was a Vice-Chairman of the National Property Fund, our majority shareholder. In 1999 and 2000 he was a member of the Supervisory Board of Ceska sporitelna, a.s., in 2000 and 2001 he was a Vice-chairman of the Supervisory Board of Komerční banka, a.s. Since 2004 till 2005 he was a member of the Board of Directors of Unipetrol, a.s. In June 2005, he was elected to our Supervisory Board and became its Chairman pursuant to an understanding with our majority shareholder the National Property Fund. He also became a member of our Audit Committee.

Zdenek Hruby. Graduated from the Czech Technical University's School of Electrical Engineering. Currently he is a vice-president of the presidium of the National Property Fund, a vice-chairman of the Supervisory Board of CESKY TELECOM, a.s., and since April 2004 a member of the Supervisory Board of Eurotel Praha, spol. s r.o. Till June 2004 he was a member of the Board of Directors of Sokolovska uhelna, a.s., since April 2003 till May 2004 a member of the Supervisory Board of Ceske aerolinie, a.s. and since December 2003 till May 2004 a member of the Board of Trustees of the Nadace Duhova energie. Until April 2005 he held the office of a Deputy Minister of Finance. He was elected Vice-Chairman of our Supervisory Board in 2003 pursuant to an understanding with our majority shareholder the National Property Fund.

Vaclav Krejci. Graduated from the Secondary Industrial School of Chemical Technology. Mr. Krejci has seven years experience working for Chemicke zavody Litvinov and is an employee representative on the Supervisory Board. Since 1982, he has worked at the Dukovany Nuclear Power Station. In 1992 he was elected to the CEZ Supervisory Board. Since 2000 he has been the Vice-Chairman of the Supervisory Board. He is a member of the Supervisory Board of Nadace Duhova energie (Rainbow Energy Foundation).

Ales Cincibus. Graduated from the University of Chemical Engineering in Prague. Since 1980 till 1992, he worked in several functions in Komsos Caslav, eventually as the chief commercial officer. Since 1993 till 2003 he acted in several companies as the chief commercial officer. In 2003, he became employed by the Czech Ministry of Industry and he was elected a member of the Supervisory Board of Transgas, a.s., Vice-Chairman of the Board of Directors of Severoceske doly a.s., and Chairman of the Supervisory Board of Cepro, a.s. He was elected as a member of our Supervisory Board in June 2005 pursuant to an understanding with our majority shareholder the National Property Fund.

Jan Demjanovic. Graduated from the Faculty of Mechanical Engineering of the Technical and Textile University in Liberec. He is business director and a member of the Board of Directors of Severoceske doly, a.s., a vice-chairman of the Board of Directors of Coal Energy, a.s., and a vice-chairman of Supervisory Board of SD - Kolejova doprava, a.s. Since March 2002 till May 2004 he was a member of the Board of Directors of Teplarna Usti nad Labem, a.s. and since April 2003 till January 2004 the chairman of the Supervisory Board of ENETECH a.s.

Jiri Jedlicka. Graduated from the Secondary Vocational School Zetor Brno. He has been employed in CEZ since 1980. Since 1994, he has been the released chairman of OOSP EDU. Currently, he is a member of the Board of the directors of the Association of the Independent Syndicates and the President of the Trade Union of the employees of the nuclear energy industry with seat in Dukovany. In 2004 he was elected to the CEZ Supervisory Board.

Jan Juchelka. Graduated from the Department of Business at Slezska University in Karvina. From June 1995 until the present he has been employed by the National Property Fund. He has held positions as the Director of the Securities Trading Department, the Director of the Securities Department, Director of the Company Holdings Department and the Second Vice-Chairman of the Executive Committee of the National Property Fund. Mr. Juchelka holds a broker's license. He is a chairman of the Supervisory Board of PPP Centrum a.s., and the member of the Supervisory Board of CESKY TELECOM, a.s., Komerční banka, a.s. and Eurotel Praha, spol. s r.o. He was elected to our Supervisory Board pursuant to an understanding with the National Property Fund, our majority shareholder.

Petr Kousal. Graduated from the University of Transportation in Zilina. Since 1978 he was employed in various positions at Czech Railways, including executive positions. In February 2003, he was elected as the Chairman of the Board of Directors of Ceske drahy, a.s., and in March 2003 he became CEO of Ceske drahy, a.s. He was elected into our Supervisory Board in June 2005 pursuant to an understanding with our majority shareholder the National Property Fund.

Martin Pecina. Graduated from Mechanical Faculty of VSB - Technical University in Ostrava, and obtained an MBA from Sheffield Business School. He has a CIME qualification. Until 2003 he was the CEO of HUTNI PROJEKT Frydek Mistek a.s. Since February 2003 he is a deputy minister of industry and trade. He is a member of the Supervisory Board of CEPS, a.s. and the chairman of the Board of Directors of OSINEK, a.s. Since September 2001 till March 2005 he was a member of the Board of Directors of NARODNI DUM - RADHOST, a.s. "in liquidation". Since March 2003 till June 2004 he was a member of the Supervisory Board of ISPAT NOVA HUT a.s. Mr. Pecina was elected to our Supervisory Board in June 2003 pursuant to an understanding with the National Property Fund, our majority shareholder.

Pavel Suchy. Graduated from the Prague School of Economics. Since 1994 he works for the National Property Fund. In November 2002, he was appointed the First Vice-Chairman of the Executive Committee of the NPF. He is a member of the Supervisory Boards of UNIPETROL, a.s., Ceske aerolinie a.s. and Konpo, s.r.o. He was elected to our Supervisory Board in 2003 pursuant to an understanding with our majority shareholder the National Property Fund. In May 2004 he was appointed to be the audit committee financial expert.

Jan Sevr. Graduated from the Secondary Industrial School of Mechanical Engineering. Mr. Sevr has worked at the Melnik Power Station since 1966 and is an employee representative on the Supervisory Board. He has worked as the head of the shift operations management department and is also the Chairman of the labor union organization at Melnik Power Station. In 1999 he was elected to the CEZ Supervisory Board.

Zdenek Zidlicky. Graduated from Secondary Technical School. Mr. Zidlicky has held various positions in our company since 1979. Since 1993 he has been the chairman of the CEZ-EPR II union organization. He represents the Czech Trade Union of Northwestern Power Engineers in the Association of Trade Unions of North Bohemia and in the Interregional Trade Union Council. He is also a representative of the trade union for energy issues in the Economic and Social Agreement Council of the Czech Republic, where he serves on the working team for economic policy. He is a member of our Audit Committee.

COMPENSATION

In accordance with Czech law, we are required to publish only aggregate information regarding compensation of the members of our Supervisory Board, Board of Directors and executive managers. As a result, we provided the following information about monetary and non-monetary benefits received by the members of our Supervisory Board, Board of Directors and executive managers:

	Supervisory Board	Board of Directors	Executive Managers
	(CZK thousands)		
Base salary(1).....	1,851	–	42,870
Bonuses based on company performance(1).....	380	–	40,291
Bonuses to Board members.....	5,375	4,237	
Share of profit for 2003 distribute to Board members(2)....	5,683	6,360	
Compensation in relation to termination of employment.....		3,814	11,853
Other monetary compensation(3).....	116	136	154
Other non-monetary compensation(4).....	8,136	11,997	3,278
Compensation from companies controlled by CEZ, a.s.....			3,828
Of which:			
Compensation of Board members of controlled.....			3,594
Other non-monetary compensation(5).....			235

(1) Monetary and non-monetary compensation of members of the Supervisory Board who are also our employees arise from their employment

(2) Only share of profit actually paid to members of our Supervisory Board is stated, excluding disputed share of profit

(3) Certain travel expenses and other compensation based on collective bargaining agreement

(4) Personal car and life insurance

(5) Life insurance

BOARD PRACTICES

As of January 29, 1998, we restructured our management organizational structure, creating a distinction between our Board of Directors and our executive officers. The members of the Board of Directors were nominated by the National Property Fund of the Czech Republic and elected at an Extraordinary General Meeting of the Shareholders on January 5, 1999. Members of our current Board of Directors are appointed by the Supervisory Board. See "Articles of Association (Stanovy)" on page 60.

Pursuant to the Czech Commercial Code, our shareholders are entitled to appoint and recall two-thirds of the members of the Supervisory Board. Members of the Supervisory Board are appointed for a four-year term. The remaining members of the Supervisory Board are (by law) employee representatives and are appointed and recalled by CEZ employees. The shareholders and employees elect members of the Supervisory Board for a period beginning at the end of the General Meeting of Shareholders at which a resolution is adopted appointing them and

serve until the following General Meeting of Shareholders at which a resolution is adopted discharging them. The Supervisory Board is responsible to the shareholders and employees for the general supervision of CEZ's business.

Audit Committee. We have an Audit Committee whose statutes state that it is a committee of our Supervisory Board and composed of members of our Supervisor Board. In particular, currently our Audit Committee is composed of Zdenek Zidlicky and Pavel Suchy, members of our Supervisory Board, and Radek Pomije, the director of our internal audit department (Mr. Pomije is a member without voting rights). One more member of the Audit Committee is expected to be elected soon. Pursuant to the its statutes, the Audit Committee is charged with the task of ensuring regular communication with and supervision of the internal audit department. Specifically, the Audit Committee should discuss and evaluate the audit department's annual report, annual audit plan, quarterly action plans and should ensure that the internal audit department follows the ethics code for internal company auditors. It is also responsible for, among other things, regular communication and supervision of our external auditors and prepares for the Board of Directors and Supervisory Board an evaluation of our external auditors. The Audit Committee also discusses the correctness and completeness of our quarterly, half-year and annual reports. Under Czech law, the Board of Directors is required to make all decisions regarding our Company, unless the authority to make a decision is delegated by statute or by articles of association to the General Meeting or to the Supervisory Board. It is not possible that our Audit Committee take decisions on its own, without appropriate formal action being taken by the Board of Directors, General Meeting, or the Supervisory Board. For these reasons, our Supervisory Board is in fact formally making certain decisions generally required to be made by the Audit Committee. Audit Committee however prepares documents for the Supervisory Board and discusses relevant matters before they are being decided by the Supervisory Board.

Severance Pay. In the event that a member of our Board of Directors is recalled from office or the office otherwise terminates prior to the end of the period for which the member was originally appointed or elected to the board, other than as a result of a willful criminal act committed in connection with the performance of his duties or certain other gross violations of such duties, he or she is entitled to receive a lump sum payment from CEZ, a.s. equal to the aggregate amount of his or her salary calculated for the entire remaining term of office.

EMPLOYEES

As of the end of 2002, 2003, and 2004 we had 7,677, 18,100, and 17,855 employees on a consolidated basis respectively, and as of the end of 2004 CEZ, a. s. had 6,629 employees on a standalone basis, approximately 48% of which are members of trade unions. The present collective bargaining agreement between the Company and the employees, legally represented by trade unions, expires on December 31, 2006.

We do not offer a defined benefit pension or other such post employment benefits to our employees. Instead, we pay a payroll related tax (similar to FICA) to the government. The Czech government provides pension payments to retired employees (similar to the U.S. Social Security Program). The government also compensates, directly, employee absences from work due to illness. We accrue for unused available vacation pay at year end. We expense as incurred any severance pay incurred; two months salary as required by law.

We do not have a history of strikes or work stoppages and no material labor related claims are pending. We believe that relations with our employees are good. There have been no strikes or work stoppages since the foundation of the Company in 1992. Although we have experienced strike alerts in the past these did not result in actual strikes or work stoppages. Since the date of our foundation in 1992 we have reduced the number of employees by approximately 9,634 which represents a 59.2% reduction from our 1992 level. This reduction has brought the ratio of employees to installed MW closer to ratios found in other advanced European power companies. The reduction has also resulted in an increase in the average level of education of our employees. We have completed the process of an organizational audit which resulted at lowering the number of our employees, and we are weighing other options aimed at further lowering the number of our employees. Czech law entitles all employees dismissed by reason of redundancy or organizational changes to a severance payment in the amount of two months' pay.

SHARE OWNERSHIP

Our members of the Board of Directors hold 17,500 of our common shares. Our members of the Supervisory Boards hold, in aggregate, 330,425 of our common shares. None of the members of the Board of Directors or the Supervisory Board holds more than 1% of our outstanding common shares.

Share Options. Our shareholders approved stock option agreements originally in 2001 with each member of our Board of Directors and Supervisory Board as part of their compensation package. In 2003 and 2004 the conditions of stock option agreements were slightly modified. Pursuant to such agreements, the members have now the right to purchase, in aggregate, up to 7 million common shares of CEZ at a price equal to the six-month weighted average of our share price on the Prague Stock Exchange measured from the date the member is appointed to the position. The members of the Board of Directors and Supervisory Board received these options from us as part of their compensation package and without paying consideration for them. Each member may exercise its call option rights, in full or in part, at any time during the period specified in the relevant stock option agreement, such period being generally set to correspond with the term for which the member was elected or appointed to the respective board. Now, it is possible to call option right until 3 months after the end of member's position. The stock option agreements do not restrict a member's right to exercise call rights in the event that the member is recalled from office or resigns prior to the original term. Our members of the Board of Directors hold 1,750,000 call options for our common shares (they held call options for 1,350,000 common shares as of end of 2004). Our members of the Supervisory Board hold, in aggregate, options for 750,000 of our common shares (they held call options for 460,000 common shares as of end of 2004). None of the members of the Board of Directors or the Supervisory Board holds call options for more than 1% of our outstanding common shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

As of December 31, 2004, our registered capital was equal to CZK 59,221,084,300 in denominations of nominal value CZK 100. All of these shares have been paid in full and are book-entry shares in bearer form. Our common stock is publicly traded on the two largest organized trading markets in the Czech Republic, the Burza cennych papiru Praha, a.s. (the "Prague Stock Exchange") and the RM System, a.s.

MAJOR SHAREHOLDERS

The following table sets forth shareholdings in our company according to the records of the Czech Securities Center by all owners of more than 5% of our voting shares and by all officers and directors of the Company as a group as of June 14, 2005:

Identity of Person or Group -----	Shares Owned -----	Percentage of Total Shares Outstanding -----
National Property Fund	400,407,897	67.610
Members of the Board of Directors, members of the Supervisory Board, and other Executive Officers as a group (8 persons)	347,925	0.059

With the exception of the NPF, to our knowledge, no other individual shareholder owns more than 5% of our outstanding shares.

Voting rights of shareholders owning more than 5% of our shares do not differ from other shareholders.

36 persons with U.S. addresses directly hold a total of 13,113,606 of our common shares. It is difficult and impractical to determine what portion of our common shares is beneficially held in the United States and the number of such beneficial holders in the United States.

The Czech government has passed several resolutions calling for the sale of CEZ. The Czech government controls our majority shareholder, the NPF. While the government has expressed its intention through such resolutions and otherwise, there can be no assurance that the Czech government will, in fact, instruct the NPF to sell all or part of the NPF's shareholding in CEZ. For more information on the proposed privatization of CEZ, see "Risk Factors" on page 9.

The Notes and Guarantees are held in fully registered global form in the name of Cede & Co. as the nominee of the Depository Trust Company ("DTC"). Thus, Cede & Co. is the only record holder of the Notes and Guarantees.

Transfer of beneficial interests of the Notes and Guarantees are effected through the records of DTC (for transfers among DTC participants) and through the records of individual DTC participants (for transfers among the clients of such DTC participants). Thus, it is difficult and impractical to determine what portion of the Notes and Guarantees is beneficially held in the United States and the number of such beneficial holders in the United States.

RELATED PARTY TRANSACTIONS

We purchase products from related parties in the ordinary course of business. Severoceske doly, a.s., a company in which we hold an approximately 37% share, supplies approximately 59% of our brown coal consumption. In 2002, 2003 and 2004 coal purchases from Severoceske doly, a.s., amounted to approximately CZK 4,921 million, CZK 5,177 million, and CZK 5,054 million, respectively. The prices of fossil fuel supplies from Severoceske doly, a.s. do not differ significantly from market prices.

As of April 1, 2003, we own majority interests in five REAS and we owned minority interests in three REAS, all of whom are our primary customers. Since August 2004 we own no minority interests in REAS. We also control certain strategic decisions of the REAS where we hold majority interests.

During 2004, 2003 and 2002 we granted share options to the Board of Directors, certain members of the management and Supervisory Board members. At December 31, 2004, the aggregate number of share options granted to members of Board of Directors was 1,350,000 and the number of share options granted to Supervisory Board members was 460,000 (see Share Options on page 58).

ITEM 8. FINANCIAL INFORMATION

See the selected consolidated financial data presented under "Item 3. Key Information" and financial statements presented under "Item 18. Financial Statements". We prepare the Consolidated Financial Statements in accordance with IFRS which differ in certain important respects from U.S. GAAP. Note 30 to the Consolidated Financial Statements provides a description of the principal differences between IFRS and U.S. GAAP and a reconciliation to U.S. GAAP of net earnings and total shareholders' equity for the periods and as of the dates therein indicated.

Dividends. Prior to our general meeting of shareholders on June 19, 2001, we have never paid dividends. Our general meeting of shareholders on June 19, 2001 approved a dividend distribution of CZK 2.0 per share to be paid to shareholders of record as of June 13, 2001 to be paid on August 1, 2001. Our general meeting of shareholders on June 11, 2002 approved a dividend distribution of CZK 2.5 per share to be paid to shareholders of record as of June 5, 2002 to be paid on August 1, 2002. Our general meeting of shareholders on June 17, 2003 approved a dividend distribution of CZK 4.50 per share to be paid to shareholders of record as of June 11, 2003 to be paid on or after August 1, 2003. Our general meeting of shareholders on June 17, 2004 approved a dividend distribution of CZK 8.00 per share to be paid to shareholders of record as of June 11, 2004 to be paid on or after August 1, 2004. Our general meeting of shareholders on June 20, 2005 approved a dividend distribution of CZK 9.00 per share to be paid to shareholders of record as of June 14, 2005 to be paid on or after August 1, 2005.

Export Sales

In 2004, we exported a total of 12,943 TWh (including trade outside the Czech Republic) which generated revenues of CZK 10.3 billion. In 2004, the revenues from electricity exports represented approximately 11.1% of total revenues from electricity sales.

Litigation

We are involved in legal proceedings that are incidental to the normal conduct of our business. We do not believe that liabilities relating to such proceedings will have a material adverse effect on our business, prospects, financial condition or results of operations.

On July 31, 2001 the Austrian federal land of Upper Austria filed a lawsuit with the Land Court of Linz, Austria, against our company by which it sought a ruling ordering to us to refrain from the potential negative impacts of the Temelin nuclear power plant. On April 17, 2002, the court ruled that it had no jurisdiction over a power plant located outside of Austria. The plaintiff has filed an appeal against this decision with the Higher Land Court in Linz, which affirmed the decision of the first stage court. However, a second appeal was filed with the Prime Court in Vienna which overturned the original decision and on August 1, 2003 recognized the jurisdiction of the Land Court in Linz,

returning the file to Linz for further proceeding. The hearing has not taken place yet and the matter has not yet been finally resolved.

On March 1, 2002 two owners of small pieces of land in Upper Austria, filed a separate lawsuit with the Land Court of Linz, Austria, against us and Westinghouse by which they sought a ruling ordering to us and Westinghouse to introduce adequate measures to prevent a threat substantially damaging use of their land. Further, such persons have sought a declaration that we and Westinghouse should be jointly and severally liable for any damage caused by the Temelin nuclear power plant's operation.

Both of the above mentioned lawsuits filed with the Austrians Courts have been suspended till the time the European Court of Justice adopts a decision about preliminary question as regards jurisdiction of the Austrian Courts over the lawsuits. The matter was recently referred to the European Court of Justice by the Prime Court in Vienna.

On May 31, 2004, we were served with a request for arbitration before the ICC International Court of Arbitration by DALKIA FRANCE. In this request for arbitration DALKIA FRANCE alleges a breach of a joint venture contract by us and seeks liquidated damages in the amount of USD 25 million. The dispute was amicably settled between the parties by signing a settlement agreement in December 2004. As a result, we paid approximately one third of the claimed amount and DALKIA FRANCE withdrew its arbitration claims.

ITEM 9. THE OFFER AND LISTING

The Notes and Guarantees are not listed on any U.S. or foreign securities exchange or other organized trading market. Thus, no reliable pricing information is available and we can give no assurance as to the existence or the liquidity of the trading market for the Notes.

On March 18, March 23, April 15 and June 11, 1998, we repurchased USD 2 million, USD 10 million, USD 7 million and USD 3 million, in nominal value of the Notes, respectively, at prices of USD 97.25, USD 96.97, USD 97.10 and USD 98.40, respectively, per Note plus accrued interest.

ITEM 10. ADDITIONAL INFORMATION

ARTICLES OF ASSOCIATION (STANOVY)

Organization and Register

CEZ, a. s. is a stock corporation organized in the Czech Republic under the Commercial Code. CEZ, a.s. is registered in the Commercial Register (Obchodni rejstrik) maintained by the local court in Prague, Czech Republic, under the entry number "B1581".

Corporate Governance

Czech stock corporations are governed by three separate bodies: the general meeting of shareholders, the supervisory board and the board of directors. Their roles are defined by Czech law and by our articles of association (stanovy), and may be described generally as follows:

- o The General Meeting of Shareholders approves the amount of the annual dividend, if any, amendments to the Articles of Association, liquidation, capital increases, electing and recalling of Supervising Board members (other than those elected by employees), our financial statements, and certain significant corporate transactions.

- o The Supervisory Board appoints and removes the members of the board of directors and oversees the management of our company. This differs from the default provisions of the Czech Commercial Code, which state that Members of the Board of Directors are appointed by the general meeting. Czech law permits the Articles of Association to empower the Supervisory Board to appoint the Board of Directors. Although prior approval of the Supervisory Board may be required in connection with certain significant matters, the law prohibits the Supervisory Board from making management decisions.

o The Board of Directors manages our business and represents us in dealings with third parties. The board of directors submits regular reports to the Supervisory Board about our operations and business strategies, and prepares special reports upon request. A person may not serve on the Board of Directors and the Supervisory Board of a corporation at the same time.

Several additional corporate governance provisions applicable to CEZ, a.s. are summarized below.

Objects and Purposes

Our Articles of Association state our scope of business in Article 5. Our object is to pursue, directly or indirectly, business in the fields of the energy industry, in particular in the following lines of business:

- o generation, transmission, sale, transit, import and export of electricity;
- o generation, distribution, and sale of heat;
- o electrical equipment design;
- o production and installation of, and repairs to electrical machines and devices;
- o automated data processing;
- o installation, repair, maintenance of designated electrical equipment;
- o reprographic services;
- o testing of electrical equipment;
- o production of de-mineralized water; analyses of oils, water and coal;
- o lease of goods;
- o purchase of goods for resale and sale - except for goods listed in the appendices to Act No. 455/1991 Coll. on Trades, and goods excluded thereby;
- o installation, repairs, reconstruction and periodic testing of designated pressure equipment;
- o installation and repairs of electronic equipment; and
- o production of machinery, trading in goods, transport, quality consulting and other related support activities.

The Articles of Association authorize CEZ, a.s. to take all actions that serve the ends of its objects.

Directors

Under Czech law, our Supervisory Board and Board of Directors members owe a duty of loyalty and care to CEZ, a.s. They must exercise the standard of care of a prudent and diligent businessman and bear the burden of proving they did so if their actions are contested. Those who violate their duties may be held jointly and severally liable for any resulting damages.

Under the Articles of Association, the general meeting of the shareholders decides on the Board Directors compensation. Directors may not award compensation to themselves. However, the Board of Directors may decide on the distribution of director compensation awarded by the general meeting, unless the general meeting has already done so.

See also "Item 6. Directors, Senior Management and Employees" on page 53 for further information about the Supervisory Board and the Board of Directors.

Ordinary Shares

The capital stock of CEZ, a.s. consists of ordinary shares, nominal value CZK 100, which are issued in registered form. Record holders of ordinary shares are registered in the share register maintained by the Czech Securities Center (Středisko cenných papírů).

Some of the significant provisions under Czech law and our Articles of Association relating to ordinary shares may be summarized as follows:

- o Capital Increases. The share capital may be increased in consideration for contributions in cash or in property, or by establishing authorized capital or conditional capital. Authorized capital provides the Board of Directors with the flexibility to issue new shares for a period up to five years under certain conditions. Conditional capital allows the Board of Directors to issue new shares for a specific purpose. Capital

increases require a decision of General meeting of shareholders approved by 2/3 of the votes present at the shareholders' meeting (3/4 of the votes in case of increase by in-kind contribution). Our Articles of Association do not contain conditions regarding changes in the share capital that are more stringent than the law requires.

o Redemption. The share capital may also be reduced by a decision of the general meeting of shareholders approved by 2/3 of the votes present at the shareholders' meeting.

o Preemptive Rights. Our Articles of Association provide that the preemptive right of shareholders to subscribe for any issue of additional shares in proportion to their share holdings in the existing capital may be excluded under certain circumstances.

o Liquidation. If CEZ, a.s. were to be liquidated, any liquidation proceeds remaining after all of its liabilities were paid would be distributed to its shareholders in proportion to their share holdings.

o No Limitation on Foreign Ownership. There are no limitations under Czech law or in our Articles of Association on the right of persons who are not citizens or residents of the Czech Republic to hold or vote ordinary shares.

Dividends

Dividends in respect of ordinary shares may be declared once a year at the general meeting of shareholders. The Supervisory Board discusses the financial statements for each fiscal year and recommends the disposition of all unappropriated profits for approval by shareholders at the general meeting of shareholders. Shareholders registered in the share register on the date of the meeting are entitled to receive the dividend, if any. Dividends, if any, are paid to shareholders in proportion to their percentage ownership of the outstanding capital stock.

Our Articles of Association state that we may distribute our profit in the following manner: we must contribute at least 5% of profit to our non-distributable reserve fund until the reserve fund reaches a level of 20% of the amount of our registered capital, into other funds of the Company, dividends, and benefits for members of the Supervisory Board and the Board of Directors.

Voting Rights

Each ordinary share represents one vote. Cumulative voting is not permitted under Czech law. Our Articles of Association provide that resolutions are passed at shareholder meetings by a simple majority of votes cast, unless a higher vote is required by law or our Articles of Association. Our Articles of Association require that the following matters, among others, be approved by the affirmative vote of 2/3 of the issued shares present at the shareholders' meeting at which the matter is proposed:

- o amendments to the Articles of Association;
- o capital increases and capital decreases; and
- o dissolution.

Czech law requires that, among other things, the limitation or exclusion of preemptive rights of shareholders to subscribe for new shares under certain conditions or to acquire convertible or priority debt shall be approved by a 3/4 majority of votes of all shareholders present at the shareholder's meeting at which the matter is proposed. Furthermore, Czech law requires that, among other things, (i) a change of form and type of shares, (ii) a change of rights related to certain types of shares, (iii) restrictions of the disposability of shares and (iv) cancellation of public tradability shall be approved, in addition to the simple majority of votes of all attending shareholders, also by at least a 3/4 majority of votes of attending shareholders holding the shares to be affected by such change.

General Meetings of Shareholders

The Board of Directors, the Supervisory Board under specific circumstances, or shareholders owning in the aggregate at least 3% of the issued shares may call a meeting of shareholders. There is a 30% minimum quorum of outstanding shares requirement for shareholder meetings. Among other things, the general meeting approves the amount of the annual dividend, if any, amendments to the Articles of Association, and certain significant corporate

transactions. Eight members of the Supervisory Board are appointed by the general meeting of shareholders and four members are elected by employees.

In order to be entitled to participate and vote at the general meeting of shareholders, a shareholder must be registered in the share register six days prior to the meeting date. Shareholders may vote by proxy. As a foreign private issuer, CEZ, a.s. is not required to file a proxy statement under U.S. securities law. The proxy voting process for our shareholders is similar to the process utilized by publicly held companies incorporated in the United States.

Change in Control

There are no provisions in the Articles of Association that would have an effect of delaying, deferring or preventing a change in control of CEZ, a.s. However, general principles of Czech law may restrict business combinations under certain circumstances.

Disclosure Of Share Holdings

Our Articles of Association do not require shareholders to disclose their share holdings. The Czech Commercial Code, however, requires holders of voting securities of a corporation whose shares are listed on a stock exchange to notify the corporation, Czech Securities Commission and Czech Securities Center of the number of shares they hold if that number reaches, exceeds or falls below specified thresholds. These thresholds are 5 %, 10%, 15%, 20%, 25%, 30%, 1/3, 40%, 45%, 50%, 55%, 60%, 2/3, 70%, 75%, 80%, 90% and 95% of the corporation's outstanding voting rights.

MATERIAL CONTRACTS

Purchase of three distribution companies in Western Bulgaria

On November 19, 2004, we entered into a share privatization sale agreement with the Republic of Bulgaria acting through the Privatization Agency of the Republic of Bulgaria. Pursuant to this agreement, we purchased from the Republic of Bulgaria 67% majority shares in three distribution companies in Western Bulgaria. In particular, we purchased:

- o 129,176 ordinary shares issued by Elektrorazpredelenie - Stolichno EAD, Sofia, representing 67% of all voting rights in this company, for the purchase price of EUR 188,793,000;
- o 143,983 ordinary shares issued by Elektrorazpredelenie - Sofia Oblast EAD, Sofia, representing 67% of all voting rights in this company, for the purchase price of EUR 35,689,000; and
- o 80,802 ordinary shares issued by Elektrorazpredelenie - Pleven EAD, Pleven representing 67% of all voting rights in this company, for the purchase price of EUR 57,018,000.

On the signing date, we paid a deposit in the amount of EUR 56,300,000. We paid the remainder of the aggregate purchase price at closing on January 18, 2005, following the satisfaction of various conditions precedent stipulated in the agreement, including approval of the transaction by the Bulgarian Commission on Protection of the Competition. As of January 18, 2005, we became owners of the above shares.

We have provided to the Republic of Bulgaria several post-closing covenants, including, amongst others, our obligation no to transfer, with limited exemptions, any of the acquired shares prior to December 31, 2008, and our obligation to maintain certain level of labor related expenses. We have also provided certain warranties and indemnification to the Republic of Bulgaria.

The Republic of Bulgaria provided to us certain post-closing covenants, including, amongst others, obligation not to transfer any of the unsold shares prior to December 31, 2008, and a right of first refusal with respect to such unsold shares. However, such right of first refusal will be only be effective if Bulgarian law is changed in the future in order to allow for a grant of the right of first refusal by the Republic of Bulgaria. The Republic of Bulgaria also provided certain warranties and indemnification to us.

No Other Material Contracts

Apart from the above transactions, in the years 2004 and 2003, we did not enter into any material contracts, other than contracts entered into in the ordinary course of business.

EXCHANGE CONTROLS

The CZK is a fully convertible currency. We are not required to have any foreign exchange license or other authorization under Act No. 219/1995 Coll. (the "Foreign Exchange Act") for direct or indirect payment of the principal and interest on the Notes or the Guarantees. The Foreign Exchange Act sets forth certain exchange controls, which include both direct and indirect tools. As a principle, any person (other than licensed banks operating in the Czech Republic and banks authorized under the "European passport" single licence) who wants to carry out transactions in foreign exchange values or arrange payments to or from abroad needs a foreign exchange license if such activity is to be carried out as a business activity. Furthermore, certain transactions effected by Czech residents (as well as foreign residents carrying out business activity in the Czech Republic) are subject to a notification duty.

The Foreign Exchange Act has established equal access to foreign exchange for all residents, whether individuals or legal entities and whether or not the exchange is for business purposes. The Foreign Exchange Act no longer requires residents to convert any acquired foreign exchange funds into crowns, and allows all entities (whether residents or non-residents) to open foreign exchange accounts with Czech banks or, subject to a notification duty, with foreign banks.

Currently, the Foreign Exchange Act allows Czech and foreign residents to purchase or sell an unlimited amount of Czech or foreign currency from or to any person for any purpose. Prior to making any payment abroad, banks are authorized to require the production of documents evidencing the purpose of the requested payment.

The Foreign Exchange Act introduced the possibility of a "compulsory deposit," which would impose a duty upon certain entities (which could include the Company) to keep a certain amount of cash in a special account with a

Czech bank in the interests of stabilizing the Czech currency. Such moneys include, among others, funds raised by Czech residents through foreign bond issues or loans provided by non-residents. The Czech National Bank, in consultation with the Ministry of Finance, must establish and promulgate in full in the Collection of Laws, an administrative ruling for the compulsory deposit obligation. The Czech National Bank has not issued any such administrative ruling measure.

The Foreign Exchange Act authorizes the government to declare a state of emergency in the foreign exchange economy in the event of an imminent and serious danger to (i) the paying capacity with respect to foreign countries or to (ii) the internal currency balance of the Czech Republic. The government must announce any state of emergency in the foreign exchange economy in the mass media and it may not last for longer than three months from the date of the announcement. In the event of a danger to the paying capacity with respect to foreign countries, it would be prohibited, inter-alia, to make any payments from the Czech Republic abroad, including any transfers of funds between banks and their branch offices, except as specifically permitted by the applicable foreign exchange authority. In the event of a danger to the internal currency balance, it would be prohibited, inter-alia, to sell domestic securities to non-residents, to open accounts for non-residents in the Czech Republic, to deposit funds into non-residents' accounts or to transfer funds from abroad to the Czech Republic between banks and their branch offices, except as permitted in each of the above cases by the applicable foreign exchange authority.

TAXATION GENERAL

The information set out below is only a summary description of certain material Dutch, Czech and United States Federal income tax consequences of the purchase, ownership and disposition of the Notes, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than The Netherlands, the Czech Republic and the United States.

This summary is based on the tax laws of The Netherlands, the Czech Republic and the United States as in effect on the date of this Annual Report, as well as regulations, rulings and decisions of The Netherlands, the Czech Republic and the United States and their respective taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Because it is a general summary, holders of the Notes should consult their own tax advisors as to the Dutch, Czech, United States or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Netherlands Taxation

All payments under the Notes may be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

A holder of a Note will not be subject to Dutch taxation on (deemed) income or capital gains in respect of the Note, unless: (i) such holder is, or is deemed to be, resident in The Netherlands, or is an individual who has elected to be taxed as a resident of the Netherlands; or (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or permanent representative in The Netherlands; or (iii) such holder is an individual and such income or gain qualifies as 'benefits from miscellaneous activities' (resultaat uit overige werkzaamheden) in The Netherlands, which would, for instance, be the case if an individual performs activities in The Netherlands with respect to the Notes that exceed normal asset management; or (iv) such holder is an individual who has, or certain persons related or deemed related to that holder have, directly or indirectly, a substantial interest, as defined in the Netherlands Income Tax Act 2001 (Wet inkomstenbelasting 2001), in the issuer of the Notes, or in any company that has, or that is part of a co-operation (samenwerkingsverband) that has, legally or in fact, directly or indirectly, the disposition of any part of the proceeds of the Notes; or (v) such holder is an entity and has, directly or indirectly, a substantial interest or a deemed substantial interest, as defined in the Netherlands Income Tax Act 2001 (Wet inkomstenbelasting 2001), in the issuer (unless the holder of the Note and the issuer thereof qualify for application of EU Council Directive 2003/49/EC as implemented in article 17a-2 of the Dutch Corporate Income Tax Act 1969 (Wet op de vennootschapsbelasting 1969)), or, in the event that that holder does have such interest, it forms part of the assets of an enterprise; or (vi) such holder is entitled to a share in the

profits of, or has an interest in, an enterprise effectively managed in The Netherlands other than by way of the holding of securities or through an employment contract and the Note, the income or the gain is attributable to such enterprise. If a holder of a Note is not a resident or a deemed resident in the Netherlands, but is a resident in another country the following may apply. If a double taxation convention is in effect between the Netherlands and the country in which such holder of a Note is resident, such holder, may, depending on the terms of and subject to compliance with the procedures for claiming benefits under such double taxation convention, be eligible for a full or partial exemption from Netherlands taxes (if any) on (deemed) income or capital gains in respect of the a Note provided such holder is entitled to the benefits of that treaty.

Dutch gift, estate or inheritance taxes will not be levied on the transfer of a Note by way of gift by, or on the death of, a holder unless: (i) such holder is, or is deemed to be, resident in The Netherlands; or (ii) the transfer is construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or his death, is or was a resident or a deemed resident of The Netherlands; or (iii) such holder owns an enterprise or an interest in an enterprise which is carried on through a permanent establishment or a permanent representative in The Netherlands to which or to whom the Note is attributable; or (iv) such holder is entitled to a share in the profits of an enterprise effectively managed in The Netherlands other than by way of the holding of securities or through an employment contract and the Note, the income or the gain is attributable to such enterprise.

There is no Dutch registration tax, capital tax, stamp duty or any other similar tax or duty other than court fees, payable in The Netherlands by a holder of a Note in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of The Netherlands) of the Notes or the performance of the CEZ' obligations under the Notes.

There is no Dutch value added tax payable by a holder of a Note in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

A holder of a Note will not become resident, or be deemed to be resident, in The Netherlands by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Notes.

The Council of the European Union has on June 3, 2003 adopted a directive regarding the taxation of savings income. Under this directive, subject to a number of conditions being met, Member States will, as at July 1, 2005, be required to provide to the competent authorities of another Member State information (including the identity of the recipient) regarding payments of interest or other similar income if the paying agent (as defined in the directive, this not necessarily the debtor of the debt-claim producing the interest) is resident in that Member State and the individual who is beneficial owner of the interest payment is resident in that other Member State, subject to the right of Belgium, Luxembourg and Austria to opt instead for a withholding system during a transitional period.

Czech Republic Taxation

Payments Under the Guarantee to Holders of the Notes. In general, Czech withholding tax would be levied at a flat rate of 15% on such payments by the Guarantor under the Guarantee to Holders of the Notes who are not resident in the Czech Republic that are referable to interest payable on the Notes or such payments that are referable to repayment of principle amount of the Notes to the extent such repayment exceeds the issue price of the Notes. No withholding tax is levied if the beneficial owner of the interest is resident in the United States, is eligible for the benefits of the applicable tax treaty between the Czech Republic and the United States, and does not have a permanent establishment or a fixed base in the Czech Republic. Similarly, withholding tax at a reduced rate or no withholding tax may be levied if the beneficial owner of the interest is resident of the state which has an applicable tax treaty with the Czech Republic, the payments qualify as interest under such treaty and all conditions for the application of such treaty are fulfilled.

Under the legislation implementing the Savings Directive of the European Union which enters into force on July 1, 2005, agents paying interest income or other similar income beneficially owned by an individual resident in another EU Member State will be required to provide to the Czech tax authorities certain information regarding the payments (including the identity of the beneficial owner of the income).

Payments by CEZ to CEZ Finance B.V. In general, Czech withholding tax would be levied at a flat rate of 15% on interest payments of CEZ to CEZ Finance B.V. to enable CEZ Finance B.V. make payments of interest in respect of the Notes (repayment of principle of the loan is not subject to withholding tax). Pursuant to the applicable tax treaty between the Czech Republic and the Netherlands, the withholding tax is not levied if CEZ Finance B.V. qualifies as

the beneficial owner of the interest, is eligible for the benefits of the tax treaty between the Czech Republic and the Netherlands and does not have a permanent establishment in the Czech Republic.

United States Federal Income Taxation

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership and retirement of Notes by a holder thereof. This summary only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organizations or dealers or traders in securities or currencies, or to holders that will hold a Note as part of a position in a "straddle" or as part of a "hedging", "conversion" or "integrated" transaction for U.S. federal income tax purposes or that have a "functional currency" other than the U.S. dollar. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial issue price. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This summary is based on the Internal Revenue Code of 1986, as amended, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation or a partnership organized in or under the laws of the United States or any State thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control. A "Non-U.S. Holder" is a beneficial owner of Notes other than a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partnership or partner should consult its own tax advisor as to its consequences.

Interest

Interest paid on a Note or under the CEZ guarantee thereof (including the amount of any Dutch or Czech withholding tax thereon and any Additional Amounts) will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes or under the CEZ guarantee will be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute "passive income," or, in the case of certain U.S. Holders, "financial services income," while interest paid under the Guarantee would constitute "high withholding tax interest" payments if such interest is subject to withholding tax at a rate of 5% or more. U.S. holders should note, however, that recently enacted legislation eliminates the "financial services income" and "high withholding tax interest" categories for taxable years beginning after December 31, 2006. Under the recently enacted legislation, the foreign tax credit limitation categories would be limited to "passive category income" and "general category income".

Subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," payments of interest on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Sale, Exchange or Retirement

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement (other than accrued but unpaid

interest which will be taxable as such) and the U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of such Note to the Holder. Such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for such Note exceeds one year. Any gain or loss realized on the sale, exchange or retirement of a Note generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

Subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

United States backup withholding tax and information reporting requirements generally apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of Notes that are United States persons. Information reporting generally will apply to payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation made within the United States, or by a United States payor or United States middleman, to a holder of an obligation (other than an "exempt recipient", including a corporation and certain other persons). The payor will be required to withhold backup withholding tax on payments made within the United States, or by a United States payor or United States middleman, on a Note to a holder of a Note that is a United States person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a United States payor or United States middleman, of principal and interest to a holder of a Note that is not a United States person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% for years through 2010.

In the case of such payments made within the United States to a "foreign simple trust," a "foreign grantor trust" or a foreign partnership (other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a "withholding foreign trust" or a "withholding foreign partnership" within the meaning of the applicable U.S. Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States), the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a United States person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description and opinion set forth herein with respect to U.S. federal tax issues were not intended or written to be used, and such description and opinion cannot be used by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description and opinions were written to support the marketing of the Notes. This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of an investment in the Notes, or the matter that is the subject of the opinion noted herein, and this description does not consider or provide any conclusions with respect to any such additional issues. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

Payment of Additional Amounts

CEZ Finance B.V. is required to make all payments in respect of the Notes and the Guarantor is required to make all payments in respect of the Guarantees, free and clear of, and without withholding or deduction for any present or future taxes, duties or fines (or interest thereon) imposed by The Netherlands, the Czech Republic or any political subdivision thereof (collectively, "Tax" or "Taxes"), unless such withholding or deduction is required by law. In such event CEZ Finance B.V. or CEZ is required to pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by the holders of the Notes after such withholding or deduction shall equal the amounts of principal, interest and premium, if any, which would have been receivable in respect of the Notes in the absence of such withholding or deduction.

No such Additional Amounts shall be payable, however, in respect of any Note or Guarantee (i) in the case of payments for which presentation of such Note is required, presented for payment more than 30 days after the later of (a) the date on which such payment first became due and (b) if the full amount payable has not been received in the Place of Payment by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders by the Trustee, except to the extent that the holder of the Notes would have been entitled to such Additional Amounts on presenting such note for payment on the last day of such period of 30 days, (ii) held by or on behalf of a holder of the Notes who is liable for Taxes in respect of such Notes by reason of having some present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, trust a partnership or a corporation) and The Netherlands or the Czech Republic including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of such notes or the receipt of amounts in respect thereof, (iii) as a result of any estate, inheritance, gift, sales, transfer or personal property Tax or any similar Tax, (iv) as a result of any Tax which is payable otherwise than by withholding from payments on or in respect of any Note, or (v) as a result of any Tax which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of such Note, if such compliance is required by statute or by regulation of The Netherlands or the Czech Republic or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such Tax and requested by the Company or CEZ Finance B.V.; nor shall Additional Amounts be paid with respect to any payment on a Note to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

DOCUMENTS ON DISPLAY

CEZ, a.s. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the Securities and Exchange Commission. These materials, including this Annual Report and the exhibits thereto, may be inspected and copied at the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk identification and analyses

In the ordinary course of business, we are exposed to foreign currency risks, interest rate risk, commodity price risks, and counterparty (or repayment) risk. These risks create volatility in equity, earnings and cash flow from period to period. We make use of derivative instruments in order to manage currency risk and interest rate risk. We generally utilize established and widely used foreign exchange and interest rate derivatives.

As part of our risk management system, we utilize instruments such as interest rate swaps, cross currency swaps and foreign exchange forwards and options, seeking to reduce our risk exposure by entering into offsetting market positions.

Foreign Exchange Rate Risk Management

Due to international nature of our certain business activities, we are exposed to foreign exchange risk related to sales, purchases, financial assets and liabilities denominated in currencies other than CZK. According to our foreign exchange policy guidelines, we hedge material foreign exchange transaction exposure. This exposure is mainly hedged with derivative financial instruments such as forwards, swaps and options. However, we elected not to treat the derivatives as hedging instruments in the financial statements. Financial instruments that are used to hedge foreign exchange risk have maximum maturity till year 2008.

The break-down by currency of our underlying foreign exchange transaction exposure at December 31, 2004 was as follows: USD 22%, EUR 47%, and CZK 31%.

We use the Value at Risk (or VaR), methodology to assess the foreign exchange risk related to the treasury management exposure. The VaR figure represents the potential losses for a portfolio resulting from adverse changes in market factors using a specified time period and confidence level based on historical data.

The VaR figures for the whole portfolio including loans and derivatives in a one-year horizon and 95 % confidence interval are shown in Table 1, below.

Table 1 Transaction foreign exchange position Value at Risk

Value at Risk (VaR)	2002	2003	2004
	(in million of CZK)		
At December 31	1,612	1,467	1,483
Average for the year	1,538	1,322	1,385
Range for the year	1,316 - 1,788	1,023 - 1,524	1,123 - 1,573

Interest Rate Risk Management

Several financial assets and liabilities in our balance sheet, as well as the derivatives, bear fixed interest rates and are therefore subject to changes in fair value resulting from changes in market interest rates. We also face a similar risk with regard to balance sheet items bearing floating interest rates, as changes in the interest rates will affect our cash flows. We seek to maintain a desired mix of floating-rate and fixed-rate debt in its overall debt portfolio. We use interest rate swaps, cross currency interest rate swaps and interest rate options to allow us to diversify our sources of funding and to reduce the impact of interest rate volatility on our financial condition.

The tables below provide information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows in corresponding year and related weighted average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Fair values are calculated as at December 31, 2004. The information is presented in CZK, which is our reporting currency.

Table 2 Variable to variable derivatives

Outstanding notional amounts					
Derivatives	2005	2006	2007	2008	Fair Value
	(in million of CZK, except percentages)				
Variable to Variable (USD 12M Libor / USD 6M Libor)					
Notional Amounts	316	231	147	63	(8)
Average Pay Rate	12M Libor*	12M Libor*	12M Libor*	12M Libor*	
Average Receive Rate	6M Libor	6M Libor	6M Libor	6M Libor	

Variable to Variable (USD 12M Libor / USD 6M Libor)

Notional Amounts	559	559	559	-	(7)
Average Pay Rate	12M Libor**	12M Libor**	12M Libor**	-	
Average Receive Rate	6M Libor	6M Libor	6M Libor	-	
Variable to Variable (CZK Pribor / USD Libor)					
Notional Amounts	430	315	201	86	(130)
Average Pay Rate	6M Pribor	6M Pribor	6M Pribor	6M Pribor	
	+0.85%	+0.85%	+0.85%	+0.85%	
Average Receive Rate	6M Libor	6M Libor	6M Libor	6M Libor	
	+0.3%	+0.3%	+0.3%	+0.3%	

* If interest rate is in interval from 4.83% to 6.9%, we pay 4.83% ** If interest rate is in interval from 4.92% to 4.97%, we pay 4.92%

Table 3 Fixed to variable derivatives

Outstanding notional amounts

Derivatives	2005	2006	2007	2008	Fair Value
(in million of CZK, except percentages)					
Fixed to Variable (EUR Euribor)					
Notional Amounts	1,523	1,523	-	-	13
Average Pay Rate	6M Euribor*	6M Euribor*	-	-	
Average Receive Rate	7.25%	7.25%	-	-	
Fixed to Variable (CZK Pribor)					
Notional Amounts	2,296	2,296	2,296	-	(388)
Average Pay Rate	6M Pribor 1.25%	6M Pribor 1.25%	6M Pribor 1.25%	-	
Average Receive Rate	7.125%	7.125%	7.125%	-	
Fixed to Variable (CZK Pribor)					
Notional Amounts	1,845	1,845			(247)
Average Pay Rate	6M Pribor	6M Pribor			
Average Receive Rate	-4.68%	-4.68%			
Fixed to Variable (CZK Pribor)					
Notional Amounts	1,833	1,833			(281)
Average Pay Rate	6M Pribor	6M Pribor			
Average Receive Rate	+2.84%	+2.84%			
Fixed to Variable (CZK Pribor)					
Notional Amounts	925	925		-	(154)
Average Pay Rate	6M Pribor	6M Pribor			
Average Receive Rate	+2.62%	+2.62%			
Fixed to Variable (CZK Pribor)					
Average Receive Rate	7.25%	7.25%			

* If interest rate is lower than 7.25%, we pay 6.665%.

Table 4 Variable to fixed derivatives

Outstanding notional amounts

Derivatives	2005	2006	2007	2008	Fair Value
-------------	------	------	------	------	------------

(in million of CZK, except percentages)

Variable to Fixed (USD Libor)

Notional Amounts	1,268	705	141	(662)
Average Pay Rate	3.07%	3.07%	3.07%	
	6M Libor	6M Libor	6M Libor	
Average Receive Rate	+0.3%	+0.3%	+0.3%	
Variable to Fixed (EUR Libor)				

Notional Amounts	2,000	1,764	1,646	(11)
Average Pay Rate	3.245%	3.245%	3.245%	
	6M Pribor -	6M Pribor -	6M Pribor -	
Average Receive Rate	-0.05%	-0.05%	0.05%	
Variable to Fixed (EUR Libor)				

Notional Amounts	524	384	245	2
Average Pay Rate	6M Libor*	6M Libor*	6M Libor*	
Average Receive Rate	6M Libor	6M Libor	6M Libor	

* If interest rate is lower than 3.75%, we pay 2%.

Remaining derivatives with their fair value of minus 2,032 million CZK as at December 31, 2004 represent fix to fix currency swaps, which are not subject to significant interest rate risk.

Table 5 Debt obligations denominated in USD
Expected Maturity Date

Obligations	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
(in million of CZK, except percentages)								
Fixed rate debt denominated in USD								
Yankee bonds due 2007 at 7.125%	-	-	3,962	-	-	-	3,962	4,283
Long-term debt	95	95	95	95	95	377	852	975
Weighted average interest rate, related to long-term debt	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%		
Variable rate debt denominated in USD								
Long-term debt	1,134 Libor	1,134 Libor	1,655 Libor	322 Libor	-	-	4,245	4,306
Weighted average interest rate	+0.39%	+0.39%	+0.43%	+0.38%				

Table 6 Debt obligations denominated in EUR
Expected Maturity Date

Obligations	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
(in million of CZK, except percentages)								
Fixed rate debt denominated in EUR								
Euro bonds due 2011 at 4.625%	-	-	12,101	-	-	-	12,101	12,687
Euro bonds due 2006 at 7.25%	-	-	6,233	-	-	-	6,233	6,559
Long-term debt	193	156	105	105	105	420	1,084	1,200
Weighted average interest rate, related to long-term debt	5.9%	5.6%	5.6%	5.6%	5.6%	5.6%		
Variable rate debt denominated in EUR								
Long-term debt	127 Euribor	78 Euribor	37 Euribor	0	0	0	242	243
Weighted average interest rate	+0.21%	+0.16%	+0.16%			-		

Table 7 Debt obligations denominated in CZK
Expected Maturity Date

Obligations	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
(in million of CZK, except percentages)								
Fixed rate debt denominated in CZK								
6th issue of zerocoupon bonds due 2009	-	-	-	-	3,299		3,299	3,843
7th issue due 2014 at 9.22%, since 2006 variable rate CPI + 4.2%	-	-	-	-	-	2,494	2,494	2,625

9th issue due 2008 at 3,35%					2,990		2,990	2,984
6M Pribor +0.4%, due 2005	1,000	-	-	-	-	-	1,000	1,000
6M Pribor +1.3%, due 2005	500	-	-	-	-	-	500	500
Long-term debt	147	55	43			-	245	260
Weighted average interest rate, related to long-term debt	5.3%	8.1%	10.2%					
Short-term debt	240	-	-	-	-	-	240	240
Weighted average interest rate, related to long-term debt	3.2%							
Variable rate debt denominated in CZK								

Long-term debt	265	265	265	265	265	1,057	2,382	2,383
	Pribor	Pribor	Pribor	Pribor	Pribor	Pribor		
Weighted average interest rate	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%		

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) of the Securities Exchange Act of 1934, as amended) as of the

end of the period covered by this Annual Report, have concluded that, as of such date, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Supervisory Board has determined that Mr. Pavel Suchy is an "audit committee financial expert" serving on the Audit Committee.

ITEM 16B. CODE OF ETHICS

Our Board of Directors adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, and Principal Accounting Officer. This code of ethics for financial matters is posted on our website, www.cez.cz, and may be found as follows:

1. From our main web page first click on "For investors."
2. Next, click on "Corporate governance."
3. Finally, click on "Code of Ethics."

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young served as our independent public accountant for each of the fiscal years in the two-year period ended December 31, 2004, for which audited financial statements appear in this annual report. The auditor is selected based on a public tender and approved by our Supervisory Board and Audit Committee. We have selected Ernst & Young as our auditor also for 2005.

The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young to us in 2004 and 2003.

	2003	2004
	----	----
	(CZK millions)	
Audit Fees(1)	17.2	30.7
Audit-related Fees(2)	31.1	15.8
Tax Fees(3)	1.4	1.7
All other Fees(4)	0.5	0.0
	-----	-----
Total	50.2	48.2
	=====	=====

(1) Audit Fees consist of fees billed for the annual audit of the company's consolidated financial statements and the financial statements of the company's subsidiaries. They also include fees billed for other audit services, which are those services that only the external auditor reasonably can provide, and include the provision of comfort letters and consents, attestation services relating to internal controls and the review of documents filed with the Securities and Exchange Commission.

(2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the company's financial statements or that are traditionally performed by the external auditor, and include post acquisition due diligence of REAS, audit of subsidiary CEPS, a. s. in connection with its sale, general accounting advice in the area of derivatives hedging and consolidation and internal control reviews.

(3) Tax Fees include fees billed for tax consultations, such as assistance in connection with tax audits and appeals and advice on various corporate income tax issues.

(4) All other fees include fees billed for training related to European union accession and comparative study of European utilities.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

Our Audit Committee is responsible mainly for the oversight of internal audit department and communication with independent registered accounting firm. Under Czech law, the Board of Directors is required to make all decisions regarding our Company, unless the authority to make a decision is delegated by statute or by articles of association to the General Meeting or to the Supervisory Board. It is not possible that our Audit Committee take decisions on its own, without appropriate formal action being taken by the Board of Directors, General Meeting, or the Supervisory Board. For these reasons, our Supervisory Board is in fact formally making certain decisions generally required to be made by the Audit Committee. The Supervisory Board is a board of non-executive directors and,

among other decisions, it approves the selection of independent registered accounting firm, their fees and pre-approves audit and non-audit services. Our Audit Committee is also involved in these processes but only through its consideration and discussion of the matters to be formally approved by our Supervisory Board.

During 2004 our Audit Committee discussed, and our Supervisory Board formally pre-approved our independent auditor's services on a case-by-case basis for specific projects, such as due diligence engagements, or a general pre-approval was granted in areas such as tax services. All services, which were performed during 2004 by our independent registered accounting firm and fall under the pre-approval requirement, were discussed by our Audit Committee and were formally pre-approved by our Supervisory Board. Neither our Audit Committee nor our Supervisory Board delegated any of their pre-approval authorities to any other committee or person.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

The Company has elected to provide financial statements for the fiscal year ended December 31, 2004 and the related information pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this Annual Report on Form 20-F:

Report of independent registered accounting firm.....	F-1
Consolidated balance sheets as of December 31, 2004 and 2003.....	F-2
Consolidated statements of income for the years ended December 31, 2004, 2003, and 2002..	F-4
Consolidated statements of shareholders' equity for the years ended December 31, 2004, 2003, and 2002.....	F-5
Consolidated statements of cash flows for the years ended December 31, 2004, 2003, and 2002.....	F-6
Notes to consolidated financial statements as of December 31, 2004.....	F-8

ITEM 19. EXHIBITS

1.*	Articles of Association (Stanovy) of CEZ, a. s.
4.1*	Collective Bargaining Agreement, dated January 29, 2004
4.2	Share Privatization Sale Agreement between the Republic of Bulgaria and CEZ, a. s., dated November 19, 2004
8.	List of Subsidiaries
12.1	Certification of Martin Roman, our Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Petr Voboril, our Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* This exhibit is incorporated by reference to the Exhibits filed with our Annual Report on Form 20-F dated June 30, 2004. ** This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Supervisory Board of CEZ, a. s.:

We have audited the accompanying consolidated balance sheets of the CEZ, a. s., and subsidiaries ("the Company") as of December 31, 2004 and 2003 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CEZ, a. s., and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with International Financial Reporting Standards, which differ in certain respects from accounting principles generally accepted in the United States of America (see note 30 to the consolidated financial statements).

As discussed in Note 2.4(a) to the consolidated financial statements, in 2004 the Company changed its method of accounting for changes in existing decommissioning and restoration liabilities.

Ernst & Young

July 12, 2005
Prague, Czech Republic

CEZ, A. S., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004 and 2003

in CZK Millions

	2004	2003 *)
	-----	-----
Assets		
Property, plant and equipment:		
Plant in service	374,731	366,594
Less accumulated provision for depreciation	165,878	149,776
	-----	-----
Net plant in service (Note 3)	208,853	216,818
Nuclear fuel, at amortized cost	7,956	9,574
Construction work in progress	10,626	10,204
	-----	-----
Total property, plant and equipment	227,435	236,596
Other non-current assets:		
Investment in associates	7,474	10,999
Investments and other financial assets, net (Note 4)	19,690	8,642
Intangible assets, net (Note 5)	3,294	1,997
Deferred tax assets (Note 21)	189	288
	-----	-----
Total other non-current assets	30,647	21,926
	-----	-----
Total non-current assets	258,082	258,522
Current assets:		
Cash and cash equivalents (Note 8)	7,545	4,014
Receivables, net (Note 9)	8,904	7,064
Income tax receivable	26	103
Materials and supplies, net	3,184	3,242
Fossil fuel stocks	739	979
Other current assets (Note 10)	2,335	4,299
	-----	-----
Total current assets	22,733	19,701
	-----	-----
Total assets	280,815	278,223
	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ, A. S., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004 and 2003

continued

	2004	2003 *)
	-----	-----
Shareholders' equity and liabilities		
Shareholders' equity:		
Stated capital	59,218	59,152
Retained earnings and other reserves	104,471	93,472
	-----	-----
Total shareholders' equity (Note 11)	163,689	152,624
Minority interest	5,282	7,893
Long-term liabilities:		
Long-term debt, net of current portion (Note 12)	38,190	30,965
Accumulated provision for nuclear decommissioning and fuel storage (Note 14)	29,441	28,164
Other long-term liabilities	5,192	5,206
	-----	-----
Total long-term liabilities	72,823	64,335
Deferred tax liability (Note 21)	16,008	15,863
Current liabilities:		
Short-term loans (Note 15)	240	2,320
Current portion of long-term debt (Note 12)	3,439	5,691
Trade and other payables (Note 17)	12,409	20,579
Income taxes payable	1,021	3,203
Accrued liabilities (Note 18)	5,904	5,715
	-----	-----
Total current liabilities	23,013	37,508
	-----	-----
Total shareholders' equity and liabilities	280,815	278,223
	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ, A. S., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

in CZK Millions

	2004	2003 *)	2002 *)
	-----	-----	-----
Revenues:			
Sales of electricity (Note 19)	92,748	79,548	52,938
Heat sales and other revenues	7,417	5,268	2,640
	-----	-----	-----
Total revenues	100,165	84,816	55,578
Operating expenses:			
Fuel	14,370	14,307	12,894
Purchased power and related services	26,511	21,100	7,328
Repairs and maintenance	4,420	4,226	3,847
Depreciation and amortization	18,384	16,961	11,721
Salaries and wages	9,644	7,994	3,854
Materials and supplies	3,769	3,670	1,838
Other operating expenses (Note 20)	3,912	3,554	2,873
	-----	-----	-----
Total expenses	81,010	71,812	44,355
	-----	-----	-----
Income before other expenses (income) and income taxes	19,155	13,004	11,223
Other expenses (income):			
Interest on debt, net of capitalized interest (Note 2.9)	1,864	1,714	582
Interest on nuclear provisions (Note 2.23 and 14)	1,965	1,680	1,532
Interest income	(329)	(319)	(149)
Foreign exchange rate losses (gains), net	(1,766)	(1,915)	(3,340)
Other expenses (income), net (Note 22)	227	2,170	1,299
Income from associates (Note 2.3)	(734)	(1,063)	(497)
	-----	-----	-----
Total other expenses (income)	1,227	2,267	(573)
	-----	-----	-----
Income before income taxes	17,928	10,737	11,796
Income taxes (Note 21)	3,845	1,349	3,375
	-----	-----	-----
Income after income taxes	14,083	9,388	8,421
Minority interest	1,024	519	-
	-----	-----	-----
Net income	13,059	8,869	8,421
	=====	=====	=====
Net income per share (CZK per share) (Note 26)			
Basic	22.1	15.0	14.3
Diluted	22.1	15.0	14.2
Average number of shares outstanding (000s) (Notes 11 and 26)			
Basic	592,075	590,772	590,363
Diluted	592,211	592,211	592,150

*) Comparative information has been restated (see Note 2.4(a)).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ, A. S., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

in CZK Millions

	Number of Shares (in thousand)	Stated Capital	Translation Difference	Fair value and Other Reserves	Retained Earnings	Total Equity
December 31, 2001	590,138	59,050	-	-	77,676	136,726
Additional paid-in capital	123	12	-	-	-	12
Net income	-	-	-	-	8,421	8,421
Acquisition of treasury shares	(1,950)	(181)	-	-	-	(181)
Sale of treasury shares	1,965	160	-	-	17	177
Dividends declared	-	-	-	-	(1,480)	(1,480)
December 31, 2002 as previously reported	590,276	59,041	-	-	84,634	143,675
Change in accounting policy - effect of change in group structure (Note 2.4(b))	-	-	-	-	609	609
January 1, 2003, as restated	590,276	59,041	-	-	85,243	144,284
Net income	-	-	-	-	8,869	8,869
Change in fair value of available-for-sale financial assets recognized in equity	-	-	-	(101)	-	(101)
Gain on sale of subsidiary CEPS, net of tax (Note 25)	-	-	-	-	7,162	7,162
Effect of acquisition of REAS on equity (Note 6)	-	-	-	-	(5,023)	(5,023)
Sale of treasury shares	1,190	111	-	-	(5)	106
Dividends declared	-	-	-	-	(2,657)	(2,657)
Returned dividends on treasury shares	-	-	-	-	4	4
Share options	-	-	-	21	-	21
Share on equity movements of associates	-	-	-	-	(25)	(25)
Other movements	-	-	1	(1)	(16)	(16)
December 31, 2003	591,466	59,152	1	(81)	93,552	152,624
Net income	-	-	-	-	13,059	13,059
Change in fair value of available-for-sale financial assets recognized in equity	-	-	-	55	-	55
Change in fair value of cash flow hedges recognized in equity	-	-	-	(690)	-	(690)
Cash flow hedges removed from equity	-	-	-	621	-	621
Gain on sale of subsidiary CEPS, net of tax (Note 25)	-	-	-	-	2,436	2,436
Effect of acquisition of SKODA PRAHA on equity (Note 6)	-	-	-	-	331	331
Acquisition of treasury shares	(2,355)	(488)	-	-	-	(488)
Sale of treasury shares	3,090	554	-	-	(223)	331
Dividends declared	-	-	-	-	(4,738)	(4,738)
Share options	-	-	-	130	-	130
Share on equity movements of associates	-	-	-	-	34	34
Other movements	-	-	(3)	-	(13)	(16)
December 31, 2004	592,201	59,218	(2)	35	104,438	163,689

The accompanying notes are an integral part of these consolidated financial statements.

CEZ, A. S., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

in CZK Millions

	2004	2003 *)	2002 *)
	-----	-----	-----
Operating activities:			
Income before income taxes	17,928	10,737	11,796
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation, amortization and asset write-offs	18,522	16,969	11,735
Amortization of nuclear fuel	3,391	3,484	2,071
(Gain) loss on fixed asset retirements, net	(1,137)	(384)	(363)
Foreign exchange rate loss (gain), net	(1,766)	(1,915)	(3,340)
Interest expense, interest income and dividend income, net	1,308	1,054	356
Provision for nuclear decommissioning and fuel storage	538	228	641
Provisions for doubtful accounts, environmental claims and other adjustments	(1,251)	1,602	(53)
Income from associates	(734)	(1,063)	(497)
Changes in assets and liabilities:			
Receivables	2,387	1,137	(282)
Materials and supplies	285	(152)	44
Fossil fuel stocks	240	(343)	39
Other current assets	715	1,903	334
Trade and other payables	(1,836)	2,142	353
Accrued liabilities	521	1,103	(363)
	-----	-----	-----
Cash generated from operations	39,111	36,502	22,471
Income taxes paid	(6,425)	(44)	(3,395)
Interest paid, net of capitalized interest	(1,478)	(1,601)	(434)
Interest received	327	316	149
Dividends received	1,322	587	210
	-----	-----	-----
Net cash provided by operating activities	32,857	35,760	19,001
	-----	-----	-----
Investing activities:			
Acquisition of subsidiaries, net of cash acquired (Note 6)	(18,166)	(28,374)	-
Proceeds from disposal of a subsidiary, net of cash disposed of	-	12,208	-
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(14,501)	(23,942)	(10,419)
Proceeds from sales of fixed assets	4,760	9,585	1,078
Change in decommissioning and other restricted funds	(443)	(407)	(594)
	-----	-----	-----
Total cash used in investing activities	(28,350)	(30,930)	(9,935)
	-----	-----	-----

*) Comparative information has been restated (see Note 2.4(a)).

The accompanying notes are an integral part of these consolidated financial statements.

CEZ, A. S., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

continued

	2004	2003 *)	2002 *)
	-----	-----	-----
Financing activities:			
Proceeds from borrowings	15,004	31,284	8,446
Payments of borrowings	(10,419)	(33,736)	(13,864)
Proceeds from other long-term liabilities	96	131	-
Payments of other long-term liabilities	(373)	(66)	-
Dividends paid to Company's shareholders	(4,724)	(2,640)	(1,480)
Dividends paid to minority interests	(117)	(227)	-
Acquisition / sale of treasury shares	(156)	106	(4)
	-----	-----	-----
Total cash used in financing activities	(689)	(5,148)	(6,902)
	-----	-----	-----
Net effect of currency translation in cash	(287)	(59)	(219)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	3,531	(377)	1,945
Cash and cash equivalents at beginning of period	4,014	4,225	2,280
Effect of change in group structure on opening balance of cash and cash equivalents	-	166	-
	-----	-----	-----
Cash and cash equivalents at beginning of period, as restated	4,014	4,391	2,280
	-----	-----	-----
Cash and cash equivalents at end of period	7,545	4,014	4,225
	=====	=====	=====
Supplementary cash flow information			
Total cash paid for interest	2,029	2,538	2,562
	=====	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004**

1. The Company

CEZ, a. s. ("CEZ" or "the Company") is a Czech Republic joint-stock company, owned 67.6% at December 31, 2004 by the Czech Republic National Property Fund. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhova 2/1444, Praha 4, 140 53, Czech Republic. The average number of employees of the Company and its consolidated subsidiaries was 16,702, 16,093 and 7,806 for the year 2004, 2003 and 2002, respectively.

CEZ is an electricity generation company, which produced approximately 73% of the electricity and a portion of the district heating in the Czech Republic in 2004. The Company sells majority of its electricity production to eight distribution companies ("REAS") in the Czech Republic which distribute the electricity to end customers (see Note 19). The Company operates ten fossil fuel plants, thirteen hydroelectric plants and two nuclear plants.

The company is a parent company of the CEZ Group ("the Group"), which is primarily engaged in the business of production, distribution and sale of electricity (see Notes 2.3 and 7).

In December 2004 Czech Parliament revised The Act on Conditions of Business Activity and State Administration in the Energy Industries and on State Power Inspection (the "Energy Law"). The Energy Law provides the conditions for business activities, performance of public administration and regulation in the energy sectors, including electricity, gas and heat, as well as the rights of and obligations of individuals and legal entities related thereto. The business activities in the energy sectors in the Czech Republic may only be pursued by individuals or legal entities upon the basis of government authorization in the form of licenses granted by the Energy Regulatory Office.

Responsibility for public administration in the energy sectors is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international agreements and treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

Third-party access is being introduced gradually between 2002 and, at the latest, 2006 at which time all electricity customers will be able to purchase electricity from any distributor, eligible generator, or trader.

On March 11, 2002 the Government decided to sell its shares in the eight REAS, which are held by the National Property Fund and Czech Consolidation Agency, to CEZ and to purchase from CEZ a 66% share in its transmission subsidiary CEPS. The transaction was carried out on April 1, 2003 (see Notes 2.3, 6 and 25).

Through this transaction CEZ has acquired a majority share in five REAS, and a minority share in three REAS. However, the Economic Competition Protection Authority has ruled that CEZ had to sell its shares in one of the REAS in which it acquired a majority share and in three of the REAS in which it acquired a minority share. The Economic Competition Protection Authority has also decided that CEZ should sell its remaining equity share in CEPS. Following the decisions of the Economic Competition Protection Authority, CEZ has sold in September 2003 its shares in two of the three REAS (Jihoceska energetika, a.s., a Jihomoravska energetika, a.s.), where CEZ previously acquired minority shares. The shares in Prazska energetika, a.s., and CEPS, a.s., have been sold during 2004. In March 2005 the Economic Competition Protection Authority canceled its previous decision, which

required CEZ to sell its majority share in one of the acquired REAS. This new decision is conditioned by an obligation of CEZ to allow access to its electricity production capacity of total 400 MW for independent subjects in the period 2006 and 2007. The price for the offered production capacity will be result of an auction.

2. Summary of Significant Accounting Policies

2.1. Basis of Accounting

The Company is required to maintain its books and records in accordance with accounting principles and practices mandated by the Czech Law on Accounting. The accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of the Company in order to conform the Czech statutory balances to financial statements prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The adjustments are summarized in Note 29.

2.2. Financial Statements

The accompanying consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). They are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

2.3. Group Accounting

a. Group Structure

The financial statements include the accounts of CEZ, a. s., its subsidiaries and associates, which are shown in the Note 7. Other investments are excluded from the consolidation because the impact on the consolidated financial statements would not be material. These investments are included in the balance sheet under investments and other non-current assets and are stated at cost net of provision for diminution in value (see Note 4).

b. Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries from unrelated parties. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. In case of subsequent acquisition of a minority interest in subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the minority interest acquired.

In case of acquisitions of subsidiaries from entities under common control the assets and liabilities of the acquired subsidiaries are initially included in the consolidated financial statements at their book values at the date of acquisition. The difference between the cost of acquisition and the share of the book value of net assets of the subsidiary acquired is recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

c. Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

2.4. Change in Accounting Principle

a. Adoption of IFRIC 1

In 2004 the Company adopted IFRIC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities ("IFRIC 1"). Following the interpretation, changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate are added to, or deducted from, the cost of the related asset in the current period (see Notes 2.23 and 14).

Prior to application of IFRIC 1 in 2004 the Group followed a different accounting policy, under which the changes in a decommissioning liability that resulted from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate were added to (or deducted from) the amount recognized as the related asset to the extent the change related to future periods. To the extent the change related to the current or prior periods, it was reported as income or expense for the current period.

IFRIC 1 has been applied retrospectively and comparative information has been restated. The effect of the retrospective adoption of IFRIC 1 was to increase consolidated net income for the year 2003 by CZK 2,937 million with the corresponding increase in capitalized costs of nuclear provisions and the deferred tax liability. The adoption of IFRIC 1 had no effect on the presentation of the Group's results of operations or cash plans for the year 2002.

b. Change in group structure

In 2003 the Company included in the consolidated group certain companies, which previously have not been consolidated, because the impact on the consolidated financial statements was not significant. In previous periods the investments in these companies was included in other financial assets as available for sale financial investments. The impact of consolidation of the previously unconsolidated subsidiaries and associates was recorded in 2003 directly in equity by adjusting the opening balance of retained earnings (see Note 7). Comparative information for 2002 was not restated, because it was insignificant.

c. Comparatives

Certain prior year financial statement items have been reclassified to conform to the current year presentation.

d. New IFRS standards

The IASB published several revised International Accounting Standards, issued several new International Financial Reporting Standards and gave notice of the withdrawal of one International Accounting Standard. Most of these revised and new standards will apply to accounting periods commencing on or after January 1, 2005. The new pronouncements are the following:

- o IAS 1, "Presentation of Financial Statements",
- o IAS 2, "Inventories",
- o IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors",
- o IAS 10, "Events after the Balance Sheet Date",
- o IAS 16, "Property, Plant and Equipment",
- o IAS 17, "Leases",
- o IAS 19, "Employee Benefits",
- o IAS 21, "The Effects of Changes in Foreign Exchange Rates",
- o IAS 24, "Related Party Disclosures",
- o IAS 27, "Consolidated Financial Statements and Accounting for Investments in Subsidiaries",
- o IAS 28, "Investments in Associates",
- o IAS 31, "Interests in Joint Ventures",
- o IAS 32, "Financial Instruments: Disclosure and Presentation (revised 2003)",
- o IAS 33, "Earnings per Share",
- o IAS 39, "Financial Instruments: Recognition and Measurement",
- o IAS 40, "Investment Property",
- o IFRS 2, "Share-based Payment",
- o IFRS 3, "Business Combinations",
- o IFRS 4, "Insurance Contracts".

The withdrawn standard was IAS No. 15, "Information Reflecting the Effects of Changing Prices."

The revised standards also superseded SIC 1 "Consistency - Different Cost Formulas for Inventories," SIC 2 "Consistency - Capitalization of Borrowing Costs," SIC 3 "Elimination of Unrealised Profits and Losses on Transactions with Associates," SIC 5 "Classification of Financial Instruments - Contingent Settlement Provisions," SIC 6 "Costs of Modifying Existing Software," SIC 11 "Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations," SIC 14 "Property, Plant and Equipment - Compensation for the Impairment or Loss of Items," SIC 16 "Share Capital - Reacquired Own Equity Instruments (Treasury Shares)," SIC 17 "Equity - Costs of an Equity Transaction," SIC 18 "Consistency - Alternative Methods," SIC 19 "Reporting Currency--Measurement and Presentation of Financial Statements under IAS 21 and IAS 29," SIC 20 "Equity Accounting Method - Recognition of Losses," SIC 23 "Property, Plant and Equipment - Major Inspection or Overhaul Costs," SIC 24 "Earnings Per Share - Financial Instruments that May Be Settled in Shares," SIC 30 "Reporting Currency - Translation from Measurement Currency to Presentation Currency," and SIC 33 "Consolidation and Equity Method - Potential Voting Rights and Allocation of Ownership Interest".

IAS 16, as revised, would require annual revision of residual value, useful life and depreciation method applied to an asset. The Group will reconsider useful life of property, plant and equipment when applying the revised standard. The Group is currently in process of assessing the potential impact this standard may have on useful lives adopted by the Group, and accordingly, the Group's results of operations. Any changes in residual value, useful life and depreciation method applied to an asset will be accounted for as a change in accounting estimate in accordance with IAS 8.

On December 16, 2004, an amendment to IAS 19 "Employee Benefits" was issued. Previously, IAS 19 required actuarial gains and losses to be recognized in profit or loss, either in the period in which they occur or spread over the service lives of the employees. Under the amendment, entities that at present spread the gains and losses are not required to change their approach, but are now free to choose to do so and recognize actuarial gains and losses in full in the period in which they occur, outside profit or loss. The amendment also (a) specifies how group entities

should account for defined benefit group plans in their separate or individual financial statements and (b) requires additional disclosures. The amended standard will be effective for annual periods beginning on or after January 1, 2006. The Group is currently evaluating the impact of this amendment on its results of operations, financial position and cash flows and is in process of developing an implementation strategy.

On November 11, 2004, an amendment to SIC-12 "Consolidation - Special Purpose Entities" was published. The amendment removes the scope exclusion in SIC-12 for equity compensation plans. The amendment also amends the scope exclusion in SIC-12 for post-employment benefit plans to include other long-term employee benefit plans, to ensure consistency with the requirements of IAS 19. The amendment is effective for annual periods beginning on or after January 1, 2005. The Group is currently evaluating the impact of new standard on its results of operations, financial position and cash flows and is in process of developing an implementation strategy.

On November 25, 2004, IFRIC 2 "Members' Shares in Co-operative Entities and Similar Instruments" was released, giving guidance on the classification of members' shares in co-operative entities either as financial liabilities or as equity. On December 2, 2004, IFRIC 3 "Emission Rights" and IFRIC 4 "Determining whether an Arrangement contains a Lease" were released. IFRIC 3 specifies the accounting for companies participating in government schemes aimed at reducing greenhouse gas emissions. IFRIC 4 gives guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for in accordance with IAS 17 "Leases." On December 16, 2004, IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" was issued. IFRIC 5 explains how to treat expected reimbursements from funds set up to meet the costs of decommissioning plant or equipment or in undertaking environmental restoration or rehabilitation. IFRIC 2, IFRIC 3 and IFRICs 4 and 5 are effective for annual periods beginning on or after January 1, 2005, March 1, 2005 and January 1, 2006, respectively, with earlier adoption encouraged. The Group is currently evaluating the impact of these new interpretations on its results of operations, financial position and cash flows and is in process of developing an implementation strategy.

On December 17, 2003, the IASB released its revised standard, IAS No. 32, "Financial Instruments: Disclosure and Presentation (revised 2003)". This standard replaces IAS No. 32, "Financial Instruments: Disclosure and Presentation (revised 2000)", and should be applied for annual periods beginning on or after January 1, 2005. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Group's results of operations, financial position and cash flows.

The IASB also issued IAS No. 39, "Financial Instruments: Recognition and Measurement (2003)", in December 2003. This standard supersedes IAS No. 39, "Financial Instruments: Recognition and Measurement (revised 2000)". A further amendment to IAS 39, incorporating new provisions that permit, in certain cases, fair value hedge accounting for a portfolio hedge of interest rate risk (macro hedging), was issued on March 31, 2004. The revised IAS 39 must be applied for annual periods beginning on or after January 1, 2005. Earlier application is permitted only if the revised IAS 32 is also early applied. On December 17, 2004, limited amendments to IAS 39 were issued. The amendments give entities a choice of applying the "day 1" gain or loss recognition requirements in IAS 39: retrospectively (as previously required by IAS 39); prospectively to transactions entered into after October 25, 2002 (the effective date of similar requirements in US GAAP); or prospectively to transactions entered into after January 1, 2004. The adoption of this standard is not expected to have a material impact on the Group's results of operations, financial position and cash flows.

On March 31, 2004, the IASB issued International Financial Reporting Standard No. 3 ("IFRS No.3"), "Business Combinations", on accounting for business combinations and revised IAS 36, "Impairment of Assets", and IAS 38, "Intangible Assets". The main features of the new and revised standards are that all business combinations within the scope of IFRS No. 3 must be accounted for using the purchase method. The pooling of interests method is prohibited. The costs expected to be incurred to restructure an acquired entity's (or the acquirer's) activities must be treated as post-combination expenses, unless the acquired entity has a pre-existing liability for restructuring its activities at the date of acquisition. Intangible items acquired in a business combination must be recognized as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights, and their fair value can be measured reliably. Identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, must be initially measured at fair value. Amortization of goodwill and intangible assets with indefinite useful lives is prohibited. Instead they must be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. These standards apply to business combinations commencing on or after March 31, 2004. For previously recognized goodwill the standards will apply prospectively from the beginning of the first annual period commencing on or after March 31, 2004, i.e. January 1, 2005 for the Group. The adoption of this standard is not expected to have a material impact on the Group's results of operations, financial position and cash flows.

On March 31, 2004, the IASB issued International Financial Reporting Standard No. 4 ("IFRS No.4"), "Insurance Contracts", that provides guidance on accounting for insurance contracts. The adoption of this standard is not expected to have a material impact on the Group's results of operations, financial position and cash flows.

On December 9, 2004, IFRS 6 "Exploration for and Evaluation of Mineral Resources" was issued. IFRS 6 is effective for annual periods beginning on or after January 1, 2006. Earlier application is encouraged, and if an entity adopts IFRS 6 before January 1, 2006, transitional relief is available for some comparative disclosures. The adoption of this standard is not expected to have a material impact on the Group's results of operations, financial position and cash flows.

2.5. Measurement Currency

Based on the economic substance of the underlying events and circumstances relevant to the company, the measurement currency of the Company has been determined to be the Czech crown (CZK).

2.6. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.7. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Any differences between contracted amounts and actual supplies are settled through the market operator.

2.8. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 3,391 million, CZK 3,484 million and CZK 2,071 for the years ended December 31, 2004, 2003 and 2002, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 14). Such charges amounted to CZK 203 million, CZK 113 million and CZK 82 million in 2004, 2003 and 2002, respectively.

2.9. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the assets had not been made. Such capitalized interest costs amounted to CZK 552 million, CZK 937 million and CZK 2,128 million, which was equivalent to an interest capitalization rate of 6.5%, 7.4% and 7.5% in 2004, 2003 and 2002, respectively.

2.10. Property, Plant and Equipment

Property, plant and equipment are recorded at cost net of accumulated depreciation and valuation allowances. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain environmental installations decrease the acquisition cost of the respective items of property, plant and equipment.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values.

Depreciation

The Group depreciates the original cost of property, plant and equipment by using the straight-line method over the estimated economic lives. The depreciable lives used for property, plant and equipment are as follows:

	Lives -----
Buildings and structures	25 - 50
Machinery and equipment	4 - 25
Vehicles and other transportation equipment	4 - 20
Furniture and fixtures	8 - 15

Average depreciable lives based on the functional use of property are as follows:

	Average Life -----
Hydro plants	
Buildings and structures	44
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	32
Machinery and equipment	14
Nuclear power plant	
Buildings and structures	32
Machinery and equipment	17
Electricity distribution grid	30

Depreciation of plant in service was CZK 17,648 million, CZK 16,319 million and CZK 11,375 million for the years ended December 31, 2004, 2003 and 2002, which was equivalent to a composite depreciation rate of 4.8%, 5.7% and 5.6%, respectively.

2.11. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.23). At December 31, 2004 and 2003 capitalized costs at net book value amounted to CZK 233 million and CZK 360 million, respectively.

2.12. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful life using the straight-line method. The estimated useful life of intangible assets ranges from 4 to 15 years.

2.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition (see Note 2.3). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in other expense (income).

Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less (see Note 8). Foreign currency deposits are translated at December 31, 2004 and 2003 exchange rates, respectively.

2.16. Cash Restricted in Its Use

Restricted balances of cash shown under other non-current financial assets as restricted funds (see Note 4) relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. At December 31, 2004 and 2003 the allowance for uncollectible receivables amounted to CZK 1,653 million and CZK 2,317 million, respectively.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from remeasuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to the net profit and loss such that it is fully amortized by maturity.

b. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Income Taxes

The provision for corporate tax is calculated in accordance with Czech tax regulations and is based on the income or loss reported under Czech accounting regulations, adjusted for appropriate permanent and temporary differences from Czech taxable income. In the Czech Republic, income taxes are calculated on an individual company basis as the tax laws do not permit consolidated tax returns. Current income taxes are provided at a rate of 28%, 31% and 31% for the year ended December 31, 2004, 2003 and 2002, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, except goodwill for which amortization is not deductible for tax purposes. Deferred tax assets and liabilities of group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.22. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

2.23. Nuclear Provisions

Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation is approximately 4.5%, which is based on the current rate of interest on long-term Czech government bonds of approximately 7% and the estimated 2.5% real rate of interest.

The decommissioning process is expected to continue for approximately a sixty-year period subsequent to the final operation of the plants. Furthermore, spent nuclear fuel will be stored on a temporary basis until approximately 2065 when permanent storage facilities are planned to become available. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

Since 2004, pursuant to IFRIC 1 (see Note 2.4), changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period. If the adjustment results in an addition to the cost of an asset, the Company performs an impairment review to confirm, whether the value of the asset is fully recoverable.

2.24. Leases

a. A Group company is a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

b. A Group company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized over the lease term as finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.25. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.26. Share Options

Board of directors, certain members of management of the Company and the Supervisory Board members have been granted options to purchase common shares of the Company. Employee compensation expense is measured on the date of the grant to the extent the quoted market price of the shares exceeds the exercise price of the share options.

2.27. Translation of Foreign Currencies

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in the revaluation reserve in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction.

The Group has used the following exchange rates for the translation of monetary items at December 31, 2004 and 2003:

	2004	2003
	-----	-----
CZK per EUR	30.465	32.405
CZK per USD	22.365	25.654

3. Net Plant in Service

Net plant in service at December 31, 2004 and 2003 is as follows (in CZK millions):

	Buildings	Plant and Equip- ment	Land and Other	Total 2004	Total 2003 *)
Cost - opening balance	130,406	234,623	1,565	366,594	242,338
Plant additions	4,354	6,123	15	10,492	58,991
Retirements	(1,073)	(1,812)	(74)	(2,959)	(4,081)
Acquisition of subsidiaries	333	257	14	604	83,963
Disposal of subsidiaries	-	-	-	-	(14,617)
Cost - closing balance	134,020	239,191	1,520	374,731	366,594
Accumulated deprec. and allowances - opening balance	(50,677)	(99,027)	(72)	(149,776)	(103,355)
Depreciation	(4,102)	(13,546)	-	(17,648)	(16,319)
Net book value of assets disposed	(667)	(114)	(1)	(782)	(1,309)
Retirements	1,073	1,812	-	2,885	4,036
Acquisition of subsidiaries	(91)	(244)	-	(335)	(40,821)
Disposal of subsidiaries	-	-	-	-	8,087
Impairment losses recognized	(387)	(29)	(17)	(433)	(224)
Impairment losses reversed related to assets disposed	31	153	27	211	129
Accumulated deprec. and allowances - closing balance	(54,820)	(110,995)	(63)	(165,878)	(149,776)
Net plant in service - closing balance	79,200	128,196	1,457	208,853	216,818
	=====	=====	=====	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

At December 31, 2004 and 2003 plant and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2004	2003 *)
Cost	15,429	14,892
Accumulated depreciation	(3,467)	(3,128)
Total net book value	11,962	11,764
	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

The carrying value of plant and equipment held under finance lease at December 31, 2004 and 2003 is CZK 811 million and CZK 173 million, retrospectively (see Note 16).

None of the Group's plant in service is pledged as security for liabilities.

4. Investments and Other Financial Assets, Net

Investments at December 31, 2004 and 2003 consist of the following (in CZK millions):

	2004	2003
Financial assets in progress, net	8,722	116
Investments in REAS, net	-	3,401
Financial assets available for sale, net	1,992	2,146
Restricted funds for nuclear decommissioning	1,580	1,245
Other restricted funds	1,177	1,069
Long-term receivables, net	6,219	665
Total	19,690	8,642

In 2003 the investments in REAS represent a 34% share in Prazska energetika, a.s., which based on the decision of the Economic Competition Protection Authority was sold in 2004. Financial assets available for sale include also other majority and minority shareholdings in operationally related companies (see Note 2.3).

The financial assets in progress represent advances and other consideration paid for shares in subsidiaries and associates, for which the ownership rights have not been transferred to the Company at the year-end. At December 31, 2004, the balance includes the investment in three Bulgarian distribution companies (see Note 28).

At December 31, 2004 and 2003 impairment provisions for financial assets available for sale amounted to CZK 100 million and CZK 281 million, respectively. Impairment provision for investment in REAS (Prazska energetika, a.s.) was CZK 421 million at December 31, 2003 only. At December 31, 2004 and 2003 impairment provisions for financial assets in progress amounted to CZK 77 million and CZK 615 million, respectively.

5. Intangible Assets, Net

Intangible assets at December 31, 2004 and 2003 were as follows (in CZK millions):

	Software	Rights and Other	Goodwill	Total 2004	Total 2003
Cost - opening balance	4,420	244	-	4,664	2,023
Additions	827	258	-	1,085	834
Retirements	(300)	(1)	-	(301)	(70)
Acquisition of subsidiaries	21	1	759	781	2,086
Disposal of subsidiaries	-	-	-	-	(209)
Cost - closing balance	4,968	502	759	6,229	4,664
Accumulated amortization - opening balance	(3,236)	(30)	-	(3,266)	(1,212)
Amortization charge for the year	(712)	(24)	-	(736)	(642)
Net book value of assets disposed	(6)	(59)	-	(65)	(1)
Disposals	300	1	-	301	70
Acquisition of subsidiaries	(20)	(1)	-	(21)	(1,563)
Disposal of subsidiaries	-	-	-	-	82
Accumulated amortization - closing balance	(3,674)	(113)	-	(3,787)	(3,266)
Net intangible assets - closing balance	1,294	389	759	2,442	1,398

At December 31, 2004 and 2003, intangible assets presented on the balance sheet included intangible assets in progress in the amount of CZK 852 million and CZK 599 million, respectively.

At December 31, 2004, the total amount of goodwill was allocated to the distribution segment cash-generating unit (see Note 24) and there have been no accumulated impairment losses.

The recoverable amount of the distribution cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 7% and cash flows beyond the 5-year period are considered at constant level.

6. Acquisition of subsidiaries and associates

Acquisitions in 2004

In January 2004 the Company increased its share in SKODA PRAHA a.s. from 29.8% to 68.9% by non-monetary contribution of receivables. Through this transaction the Group obtained control over SKODA PRAHA a.s. As the shares have been effectively acquired from Czech National Property Fund, an entity under control of CEZ's ultimate parent (Czech government), CEZ has accounted for this transaction as an acquisition of subsidiaries under common control (see Note 2.3).

The values of the identifiable assets and liabilities of SKODA PRAHA a.s. and other subsidiaries acquired in 2004 are as follows (in CZK millions):

	SKODA PRAHA a.s.	Other subsidiaries acquired	Total
Shares acquired in 2004	39.1%		
Property, plant and equipment, net	269	-	269
Deferred income taxes	199	-	199
Other non-current assets	168	-	168
Cash and cash equivalents	249	156	405
Other current assets	1,230	11	1,241
Long-term liabilities	(141)	-	(141)
Current liabilities	(1,363)	(3)	(1,366)
Total net assets	611	164	775
Minority interests	(190)	-	(190)
Share of net assets in associate already recognized using the equity method	(5)	(164)	(169)
Share of net assets acquired	416	-	416
Effect of acquisition of SKODA PRAHA recognized directly in equity	(331)	-	(331)
Goodwill	-	-	-
Total purchase consideration	85	-*	85
Less:			
Non-monetary contributions	(85)	-	(85)
Cash and cash equivalents in subsidiaries acquired	(249)	(156)	(405)
Cash outflow on acquisition of subsidiaries	(249)	(156)	(405)
	=====	=====	=====

* The amount paid for acquisitions of other subsidiaries in 2004 was less than CZK 1 million.

During 2004 CEZ purchased further minority shares in 2 of the REAS and other companies from various third parties. The following table summarizes the critical terms of the subsequent acquisitions of minority shares in REAS and other companies during 2004 (in CZK millions):

	Group SME	Group SCE	Other companies	Total
Shares acquired in 2004 from third parties	30.3%	5.9%		
Share of net assets acquired	3,282	434	680	4,396
Goodwill	641	118	-	759
Negative goodwill	-	-	(1)	(1)
Less:				
Non-monetary contributions	-	-	(675)	(675)
Total purchase consideration paid to third parties in cash	3,923	552	4	4,479

The following table summarizes the cash outflows on acquisitions of subsidiaries and minority shares during 2004 (in CZK millions):

Cash acquired in business combination	(405)
Cash outflows on purchase of minority shares in REAS	4,479
Change in payables from acquisitions	5,378
Cash paid for financial assets in progress	8,714

Total cash outflows on acquisitions in 2004	18,166
	=====

The cash paid for financial assets in progress represents advances and other consideration paid for shares in subsidiaries and associates, for which the ownership rights have not been transferred to the Company at the year-end (see Notes 4 and 28).

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2004 (in CZK millions):

	SKODA PRAHA a.s.	Other subsidiaries acquired	Total
Revenues	723	5	728
Income before other expense (income) and income taxes	225	(7)	218
Net income	93	(11)	82

Acquisitions in 2003

On April 1, 2003, CEZ acquired majority of the voting shares in 5 Czech electricity distribution companies ("REAS") from Czech National Property Fund and Czech Consolidation Agency. Through the acquisition of REAS CEZ has also gained control over several other companies, which were owned directly by the respective REAS companies. As the REAS companies and their subsidiaries were acquired from the direct parent of CEZ and an agency under common control of CEZ's ultimate parent (Czech government), CEZ has accounted for this transaction as an acquisition of subsidiaries under common control (see Note 2.3).

The book values of the identifiable assets and liabilities of the REAS companies acquired from companies under common control are (in CZK millions):

	Group SCE	Group SME	Group STE
	-----	-----	-----
Shares acquired in 2003 from entities under common control	48.05%	48.65%	58.3%
Shares acquired in previous years *)	2.95%	10.43%	-
	-----	-----	-----
Total shares	51.00%	59.08%	58.3%
	=====	=====	=====
Property, plant and equipment, net	7,306	10,523	9,741
Deferred income taxes	189	-	-
Other non-current assets	524	1,069	697
Cash and cash equivalents	76	265	33
Other current assets	3,843	7,222	4,346
Minority interests	(1)	-	(8)
Long-term liabilities	(65)	(2,215)	(256)
Deferred income taxes	-	(1,015)	(835)
Current liabilities	(5,839)	(6,065)	(6,738)
	-----	-----	-----
Total net assets	6,033	9,784	6,980
Minority interests	(2,956)	(4,004)	(2,911)
	-----	-----	-----
Share of net assets acquired	3,077	5,780	4,069
Effect of acquisition of REAS recognized directly in equity	1,660	1,730	(363)
	-----	-----	-----
Total purchase consideration	4,737	7,510	3,706
Less:			
Outstanding payables from acquisition	(1,031)	(1,450)	(866)
Consideration paid for shares in previous periods	(327)	(1,310)	-
Cash and cash equivalents in subsidiaries acquired	(76)	(265)	(33)
	-----	-----	-----
Cash outflow on acquisition from entities under common control	3,303	4,485	2,807
	=====	=====	=====

*) Shares acquired in previous periods have been accounted for as available for sale financial assets in 2002.

	Group VCE	Group ZCE	Total REAS
	-----	-----	-----
Shares acquired in 2003 from entities under common control	49.62	50.26%	
Shares acquired in previous years *)	0.45%	-	
	-----	-----	-----
Total shares	50.07%	50.26%	
	=====	=====	=====
Property, plant and equipment, net	8,553	5,176	41,299
Deferred income tax	-	-	189
Other non-current assets	259	1,892	4,441
Cash and cash equivalents	151	130	655
Other current assets	4,735	4,302	24,448
Minority interests	(1)	(1)	(11)
Long-term liabilities	109	(262)	(2,907)
Deferred income taxes	952	(502)	(3,304)
Current liabilities	(5,550)	(4,069)	(28,261)
	-----	-----	-----
Total net assets	7,086	6,666	36,549
Minority interests	(3,538)	(3,316)	(16,725)
	-----	-----	-----
Share of net assets acquired	3,548	3,350	19,824
Effect of acquisition of REAS recognized directly in equity	356	1,640	5,023
	-----	-----	-----
Total purchase consideration	3,904	4,990	24,847
Less:			
Outstanding payables from acquisition	(903)	(1,121)	(5,371)
Consideration paid for shares in previous periods	(41)	-	(1,678)
Cash and cash equivalents in subsidiaries acquired	(151)	(130)	(655)
	-----	-----	-----
Cash outflow on acquisition from entities under common control	2,809	3,739	17,143
	=====	=====	=====

*) Shares acquired in previous periods have been accounted for as available for sale financial assets in 2002.

During 2003 CEZ purchased further minority shares in 3 of the REAS from various third parties. The following table summarizes the critical terms of the subsequent acquisitions of minority shares in REAS during 2003 (in CZK millions):

	Group STE	Group VCE	Group ZCE	REAS total
	-----	-----	-----	-----
Shares acquired in 2003 from third parties	39.4%	48.76%	48.87%	
Share of net assets acquired	2,578	3,799	4,854	11,231
Goodwill (negative goodwill)	-	-	-	-
	-----	-----	-----	-----
Total purchase consideration paid to third parties	2,578	3,799	4,854	11,231
	=====	=====	=====	=====

The following table summarizes the cash outflows on acquisitions of subsidiaries during 2003 (in CZK millions):

Cash outflows on acquisition from entities under common control	17,143
Cash outflows on acquisitions from third parties	11,231

Total cash outflows on acquisitions in 2003	28,374
	=====

From the date of acquisition, the REAS companies and their subsidiaries have contributed the following balances to the Group's income statement for the year 2003 (in CZK millions):

	Group SCE	Group SME	Group STE
	-----	-----	-----
Revenues	8,055	10,900	7,829
Income before other expense (income) and income taxes	725	520	138
Net income	238	286	256

	Group VCE	Group ZCE	Total REAS
	-----	-----	-----
Revenues	7,922	5,388	40,094
Income before other expense (income) and income taxes	193	166	1,742
Net income	183	34	997

7. Investments in Subsidiaries and Associates

The consolidated financial statements include the financial statements of CEZ, a. s., and the subsidiaries and associates listed in the following table:

Subsidiaries	Country of incorporation	% equity 5) interest 2004	% voting interest 2004	% equity 5) interest 2003	% voting interest 2003
Zapadoceska energetika, a.s.	Czech Republic	99.13%	99.13%	99.13%	99.13%
Vychodoceska energetika, a.s.	Czech Republic	98.83%	98.83%	98.83%	98.83%
Stredoceska energeticka a.s.	Czech Republic	97.72%	97.72%	97.72%	97.72%
Severomoravska energetika, a.s.	Czech Republic	89.38%	89.38%	59.08%	59.08%
Severoceska energetika, a.s.	Czech Republic	56.93%	56.93%	51.00%	51.00%
CEZ FINANCE B.V.	the Netherlands	100.00%	100.00%	100.00%	100.00%
CEZnet, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Energetické opravny, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
HYDROCEZ, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
I & C Energo a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
rpg Energiehandel GmbH	Germany	100.00%	100.00%	100.00%	100.00%
EN-DATA a.s.	Czech Republic	100.00%	100.00%	99.13%	100.00%
VCE - elektrarny, s.r.o.	Czech Republic	98.83%	100.00%	98.83%	100.00%
VCE - montaze, a.s.	Czech Republic	98.83%	100.00%	98.83%	100.00%
STE - obchodní služby spol. s r.o.	Czech Republic	74.42%	76.16%	74.42%	76.16%
Energetika Vitkovice, a.s.	Czech Republic	89.38%	100.00%	59.08%	100.00%
ePRIM, a.s.	Czech Republic	89.38%	100.00%	59.08%	100.00%
MSEM, a.s. 1)	Czech Republic	89.38%	100.00%	59.08%	100.00%
STMEM, a.s.1)	Czech Republic	-	-	59.08%	100.00%
Union Leasing, a.s.	Czech Republic	89.38%	100.00%	59.08%	100.00%
První energetická a.s.	Czech Republic	87.27%	100.00%	52.99%	62.00%
Ustav jaderného výzkumu Rez a.s.	Czech Republic	52.46%	52.46%	52.46%	52.46%
CEZ Sprava majetku, s.r.o. 3)	Czech Republic	100.00%	100.00%	99.99%	50.00%
CEZData, s.r.o. 4)	Czech Republic	100.00%	100.00%	-	-
CEZ Logistika, s.r.o. 4)	Czech Republic	100.00%	100.00%	-	-
CEZ Zakaznicke služby, s.r.o. 4)	Czech Republic	100.00%	100.00%	-	-
SKODA PRAHA a.s. 2)	Czech Republic	68.88%	68.88%	29.80%	29.80%
Associates	Country of incorporation	% equity interest 2004	% voting interest 2004	% equity interest 2003	% voting interest 2003
CEPS, a.s.	Czech Republic	-	-	34.00%	34.00%
KOTOUC STRAMBERK, spol. s r.o.	Czech Republic	64.87%	50.00%	64.87%	50.00%
LOMY MORINA spol. s r.o.	Czech Republic	51.05%	50.00%	51.05%	50.00%
Plzenska energetika a.s.	Czech Republic	49.57%	50.00%	49.57%	50.00%
KNAUF POCERADY, spol. s r.o.	Czech Republic	40.00%	50.00%	40.00%	50.00%
Severoceske doly a.s.	Czech Republic	37.20%	37.20%	37.20%	37.20%
Aliatel a.s.	Czech Republic	26.40%	30.58%	21.10%	29.99%
Coal Energy, a.s.	Czech Republic	20.00%	20.00%	20.00%	20.00%

1) STMEM, a.s. has merged with MSEM, a.s. during year 2004.

2) SKODA PRAHA a.s. was an associate of CEZ in 2003.

3) AB Michle s.r.o. was renamed to CEZ Sprava majetku, s.r.o. and was an associate of CEZ in 2003.

4) These companies have been founded in 2004.

5) The equity interest represents effective ownership interest of the group. 8.

8. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
	-----	-----
Cash on hand and current accounts with banks	1,704	1,264
Short-term bank notes	4,940	2,501
Term deposits	901	249
	-----	-----
Total	7,545	4,014
	=====	=====

At December 31, 2004 and 2003, cash and cash equivalents included foreign currency deposits of CZK 1,207 million and CZK 869 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2004, 2003 and 2002 was 2.2%, 1.7% and 2.6%, respectively. For the years 2004, 2003 and 2002 the weighted average interest rate was 2.1%, 1.9% and 3.0%, respectively.

9. Receivables, Net

The composition of receivables, net, at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
	-----	-----
Unbilled electricity supplied to retail customers	2,203	-
Received advances from retail customer	(2,020)	-
	-----	-----
Unbilled supplies to retail customers, net	183	-
Trade receivables	9,911	9,112
Other taxes and fees	437	205
Other receivables	26	64
Less allowance for doubtful receivables	(1,653)	(2,317)
	-----	-----
Total	8,904	7,064
	=====	=====

At December 31, 2004 and 2003, the total receivables included receivables from associates and affiliates in the net amount of CZK 434 million and CZK 1,113 million, respectively.

10. Other Current Assets

The composition of other current assets at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
	-----	-----
Securities held for trading	1,340	1,756
Debt securities held to maturity	81	1,476
Advances granted	259	360
Prepayments	496	477
Derivatives	159	230
	-----	-----
Total	2,335	4,299
	=====	=====

11. Shareholders' Equity

The Company's stated capital as of December 31, 2004 and 2003 is as follows:

	Number of Shares Outstanding	Par Value per Share (CZK)	Total (CZK millions)
		2004	
Registered shares	592,210,843	100	59,221
Treasury shares	(10,000)	100	(3)
Total	592,200,843		59,218
	=====		=====
		2003	
Registered shares	592,210,843	100	59,221
Treasury shares	(745,000)	100	(69)
Total	591,465,843		59,152
	=====		=====

During 2003 the Company sold 1,190,000 treasury shares. During year 2004 the Company acquired 2,355,000 treasury shares and sold 3,090,000 treasury shares. The remaining 10,000 treasury shares are reflected in the balance sheet at cost as a deduction from stated capital. The profit or loss on sale of treasury shares were included in retained earnings.

In accordance with Czech regulations, joint stock companies are required to establish an undistributable reserve fund for contingencies against possible future losses and other events. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of profit each year thereafter, until the fund reaches at least 20% of capital. The fund can only be used to offset losses. As of December 31, 2004 and 2003, the balance was CZK 9,913 million and CZK 9,185 million, respectively, and is reported as a component of retained earnings.

Dividends paid per share were CZK 8.0 and CZK 4.5 in 2004 and 2003, respectively. Dividends from 2004 profit will be declared on general meeting, which will be held in June 2005.

12. Long-term Debt

Long-term debt at December 31, 2004 and 2003 is as follows (in CZK millions):

	2004	2003
	-----	-----
7.125% Notes, due 2007 (USD 178 million)	3,962	4,545
7.25% Eurobonds, due 2006 (EUR 200 million)	6,233	6,467
4.625% Eurobonds, due 2011 (EUR 400 million)	12,101	-
8.75% Debentures, due 2004 (CZK 3,000 million)	-	3,000
9.22% Zero Coupon Debentures, due 2009 1)	3,299	3,057
9.22% Debentures, due 2014 (CZK 2,500 million) 2)	2,494	2,494
3.35 % Debentures, due 2008 (CZK 3,000 million)	2,990	2,987
6M PRIBOR + 1.3 %, due 2005 (CZK 500 million)	500	500
6M PRIBOR + 0.4 %, due 2005 (CZK 1,000 million)	1,000	1,000
Long-term bank loans:		
less than 2.00%	-	4,852
2.00% to 2.99%	5,975	2,787
3.00% to 3.99%	113	286
4.00% to 4.99%	889	-
5.00% to 5.99%	747	2,365
6.00% to 6.99%	324	382
7.00% to 7.99%	887	1,241
8.00% and more	115	693
Total long-term debt	41,629	36,656
Less: Current portion	(3,439)	(5,691)
Long-term debt, net of current portion	38,190	30,965
	=====	=====

1) Nominal value of these zero coupon debentures is CZK 4,500 million

2) From 2006 the interest rate changes to consumer price index in the Czech republic plus 4.2%.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group. For fair values of interest rate hedging instruments see Note 13.

The future maturities of long-term debt are as follows (in CZK millions):

	2004	2003
	-----	-----
Current portion	3,439	5,691
Between 1 and 2 years	8,035	3,696
Between 2 and 3 years	6,162	8,464
Between 3 and 4 years	3,734	7,012
Between 4 and 5 years	3,806	3,769
Thereafter	16,453	8,024
Total long-term debt	41,629	36,656
	=====	=====

The following table analyses the long-term debt at December 31, 2004 and 2003 by currency (in millions):

	2004		2003	
	Foreign currency	CZK	Foreign currency	CZK
EUR	643	19,656	258	8,360
USD	405	9,058	454	11,637
CZK	-	12,915	-	16,659
		-----		-----
Total long-term debt		41,629		36,656
		=====		=====

In the normal course of business, the financial position of the Group is routinely subjected to a variety of risks, including market risk associated with interest rate movements and with currency rate movements on non-Czech crown denominated liabilities. The Group regularly assesses these risks and has established policies and business practices to partially protect against the adverse effects of these and other potential exposures.

As currency rate movements expose the Group to significant risk, the Group uses sensitivity analyses to determine the impacts that market risk exposures may have on the fair values of the Group's financial instruments. To perform sensitivity analyses, the Group assesses the risk of loss in fair values from the impact of hypothetical changes in foreign currency exchange rates and interest rates on market sensitive instruments and considers the expected costs and benefits of various hedging techniques. The Group will continue to explore cost-effective possibilities to reduce its current exchange rate movement and other market risks.

The Company has entered into a number of derivatives transactions, mainly cross-currency swaps, to hedge its long-term debt denominated in foreign currencies against the currency risk and interest rate risk. These hedges are classified as either fair value hedges or cash-flow hedges (see Note 13). As at December 31, 2004, a net unrealized loss of CZK 69 million is included in equity in respect of the cash-flow hedges.

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2004 and 2003 (in CZK millions):

	2004	2003
	-----	-----
Floating rate long-term debt		
with interest rate fixed for 1 month	1,152	1,818
with interest rate fixed from 1 to 3 months	4,584	5,701
with interest rate fixed from 3 months to 1 year	1,242	1,840
with interest rate fixed for more than 1 year	2,494	2,494
	-----	-----
Total floating rate long-term debt	9,472	11,853
Fixed rate long-term debt	32,157	24,803
	-----	-----
Total long-term debt	41,629	36,656
	=====	=====

In 1992 the Company has entered into a loan agreement with the International Bank for Reconstruction and Development. The agreement contains financial covenants relating to capital expenditure coverage, cash flow coverage and debt service coverage. In 2004, 2003 and, 2002 the Company has complied with the required covenants.

13. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. The management believes that for instruments for which there are no quoted market prices the carrying amount approximates the fair value of such investments.

Receivables and Payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon market to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2004 and 2003 were as follows (in CZK millions):

	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Investments	7,474	7,474	10,999	10,999
Receivables	8,904	8,904	7,064	7,064
Cash and cash equivalents	7,545	7,545	4,014	4,014
Liabilities:				
Long-term debt	(41,629)	(43,848)	(36,656)	(39,626)
Short-term loans	(240)	(240)	(2,320)	(2,320)
Accounts payable	(8,234)	(8,234)	(17,548)	(17,548)
Derivatives:				
Cash flows hedges				
Receivables	-	-	-	-
Payables	(1,265)	(1,265)	-	-
Total cash flows hedges	(1,265)	(1,265)	-	-
Fair values hedges				
Receivables	21	21	-	-
Payables	(1,900)	(1,900)	-	-
Total fair values hedges	(1,879)	(1,879)	-	-
Other derivatives				
Receivables	138	138	230	230
Payables	(1,010)	(1,010)	(3,030)	(3,030)
Total other derivatives	(872)	(872)	(2,800)	(2,800)

14. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

CEZ operates two nuclear power plants, Dukovany and Temelin. Nuclear power plant Dukovany consists of four 440 MW units which were placed into service from 1985 to 1987. The second nuclear power plant, Temelin, has two 1 000 MW units, which have started commercial operation in 2002 and 2003. Czech Republic has enacted a Nuclear Act ("Act"), which defines certain obligations for the decontamination and dismantling ("decommissioning") of the Company's nuclear power plants and the final disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelin. An updated 2003 Dukovany estimate and a 2004 Temelin decommissioning cost study estimate that nuclear decommissioning will cost CZK 15.6 billion and CZK 13.7 billion, respectively. The Company makes contributions to a restricted account in the amount of the nuclear provisions recorded under the Act. These restricted funds are shown in the balance sheet under other non-current financial assets (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution in 1997, at 50 CZK per MWh produced at nuclear power plants. Since October 1, 1997, CEZ has made regular payments to the nuclear account based on its average nuclear MWh generated during the last 5 years. From 2003 CEZ is making these payments based on the actual quantity of electricity generated in

nuclear power plants in the respective period. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim and long-term spent fuel storage.

Group has established provisions as described in Note 2.23, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2004, 2003 and 2002 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommis- sioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2001	5,398	2,651	13,347	21,396
Movements during 2002				
Discount accretion	144	70	334	548
Effect of inflation	258	126	600	984
Provision charged to income statement	-	82	-	82
Effect of change in estimate credited to income statement (Note 2.23)	-	(82)	-	(82)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.23)	932	-	(59)	873
Capitalized cost of Temelin provisions	619	254	-	873
Current cash expenditures	-	(135)	(673)	(808)
Balance at December 31, 2002	7,351	2,966	13,549	23,866
Effect of change in group structure	142	4	-	146
Movements during 2003				
Discount accretion	187	74	339	600
Effect of inflation	337	133	610	1,080
Provision charged to income statement	-	113	-	113
Effect of change in estimate credited to income statement (Note 2.23)	-	(56)	-	(56)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.23)	153	-	3,661	3,814
Current cash expenditures	-	(103)	(1,296)	(1,399)
Balance at December 31, 2003	8,170	3,131	16,863	28,164
Movements during 2004				
Discount accretion	202	78	422	702
Effect of inflation	363	141	759	1,263
Provision charged to income statement	-	203	-	203
Effect of change in estimate credited to income statement (Note 2.23)	-	(44)	-	(44)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.23)	359	-	177	536
Current cash expenditures	-	(67)	(1,316)	(1,383)
Balance at December 31, 2004	9,094	3,442	16,905	29,441
	=====	=====	=====	=====

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

15. Short-term Loans

Short-term loans at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004	2003
	-----	-----
Short-term bank loans	129	2,295
Bank overdrafts	107	17
Other short-term notes payable	4	8
	-----	-----
Total	240	2,320
	=====	=====

Interest on short-term loans is variable. The weighted average interest rate was 3.2% at December 31, 2004 and 2.1% at December 31, 2003. For the years 2004, 2003 and 2002 the weighted average interest rate was 4.6%, 2.2% and 3.0%, respectively.

16. Finance Leases

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows (in CZK millions):

	2004	2003
	-----	-----
Within one year	60	31
After one year but not more than five years	27	25
More than five years	-	-
	-----	-----
Total minimum lease payments	87	56
	-----	-----
Future finance charges on finance leases	(9)	(6)
	-----	-----
Present value of finance lease liabilities	78	50
	=====	=====

17. Trade and Other Payables

Trade and other payables at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004	2003
	-----	-----
Advances received from retailers	12,374	15,855
Unbilled electricity supplied to retail customers	(11,105)	(12,962)
	-----	-----
Advances received from retailers, net	1,269	2,893
	-----	-----
Payables from purchase of REAS	-	7,470
Trade payables	5,925	6,251
Derivatives	4,175	3,031
Other payables	1,040	934
	-----	-----
Total	12,409	20,579
	=====	=====

At December 31, 2004 and 2003, the total payables included payables from associates and affiliates in the amount of CZK 674 million and CZK 1,192 million, respectively.

18. Accrued Liabilities

Accrued liabilities at December 31, 2004 and 2003 consist of the following (in CZK millions):

	2004	2003
	-----	-----
Provisions	2,330	2,811
Accrued interest	929	805
Taxes and fees, except income tax	968	864
Unbilled goods and services	929	546
Social and bonus funds	285	254
Deferred income	463	435
	-----	-----
Total	5,904	5,715
	=====	=====

19. Sales of Electricity

The composition of sales of electricity at December 31, 2004, 2003 and 2002 is as follows (in CZK millions):

	2004	2003	2002
	-----	-----	-----
Sales to distribution companies	13,541	19,843	39,230
Sales to end customer through distribution grid	53,492	36,590	-
Exports of electricity including trade outside the Czech Republic	10,309	13,296	10,143
Sales to traders	5,172	1,592	2,010
Revenues capitalized during construction	-	-	(1,373)
Other domestic sales of electricity	4,943	3,893	2,928
Sales of ancillary services	5,291	4,334	-
	-----	-----	-----
Total	92,748	79,548	52,938
	=====	=====	=====

20. Other Operating Expenses

Other operating expenses (income), net, for the year ended December 31, 2004, 2003 and 2002 consist of the following (in CZK millions):

	2004	2003	2002
	-----	-----	-----
Services	5,031	4,411	3,199
Travel expenses	207	147	34
Loss (gain) on sale of property, plant and equipment	(616)	(326)	20
Loss on sale of material	57	73	136
Capitalization of expenses to the cost of fixed assets and change in own inventory	(1,914)	(1,565)	(437)
Fines, penalties and penalty interest, net	(103)	(43)	(258)
Change in provisions and valuation allowances	(1,480)	359	(71)
Taxes and fees	354	448	466
Write off of bad debts and cancelled investment	239	146	15
Gifts	254	112	49
Other, net	1,883	(208)	(280)
	-----	-----	-----
Total	3,912	3,554	2,873
	=====	=====	=====

21. Income Taxes

Income Tax Legislation

Corporate income tax is calculated in accordance with Czech tax regulations at the rate of 28%, 31% and 31% in 2004, 2003 and 2002, respectively. The corporate income tax rate for 2005 will be 26%.

The Czech Republic currently has a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value-added tax, corporate tax, and payroll (social) taxes, together with others. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains those relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

Income Tax Provision

The components of the income tax provision are as follows (in CZK millions):

	2004	2003 *)	2002 *)
	-----	-----	-----
Current income tax charge	2,484	1,007	450
Adjustments in respect of current income tax of previous periods	154	11	254
Deferred income taxes	1,207	331	2,671
	-----	-----	-----
Total	3,845	1,349	3,375
	=====	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

The differences between income tax expense computed at statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2004	2003 *)	2002 *)
	-----	-----	-----
Income before income taxes	17,928	10,737	11,796
Statutory income tax rate	28%	31%	31%
	-----	-----	-----
"Expected" income tax expense	5,020	3,328	3,657
Add (deduct) tax effect of:			
Change in tax rates	(1,008)	(1,561)	-
Czech/IFRS accounting differences	1	78	282
Non deductible provisions, net	(158)	123	(30)
Investment tax relief	(57)	(1,010)	(1,181)
Tax credits	(5)	(212)	(103)
Additional tax assessments	154	11	254
Withholding tax on dividend	2	42	-
Difference between carrying and tax value of financial asset	-	410	-
Deferred tax on undistributed profits of subsidiary	-	-	613
Other non deductible (non taxable) items, net	(104)	140	(117)
	-----	-----	-----
Income taxes	3,845	1,349	3,375
	=====	=====	=====
Effective tax rate	21%	13%	29%
	=====	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

Deferred Income Taxes, Net

Deferred income taxes at December 31, 2004 and 2003 consist of the following (in CZK millions):

	2004	2003*)
	-----	-----
Accumulated provision for nuclear decommissioning and spent fuel storage	5,925	6,641
CASTOR containers write off	286	338
Other provisions and allowances	650	885
Tax loss carry forwards	110	25
Revaluation of financial assets	11	17
Other temporary differences	71	171
	-----	-----
Total deferred tax assets	7,053	8,077
	-----	-----
Tax depreciation in excess of financial statement depreciation	13,103	12,102
Capitalized interest	5,032	5,590
Capitalized cost of provisions	2,927	3,395
Repairs and maintenance accrual	1,206	987
Penalty receivables	46	71
Other temporary differences	38	17
Investment in associate	520	1,490
	-----	-----
Total deferred tax liabilities	22,872	23,652
	-----	-----
Total deferred tax liabilities, net	15,819	15,575
	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

22. Other Expenses (Income), Net

Other expenses, net, for the year ended December 31, 2004, 2003 and 2002 consist of the following (in CZK millions):

	2004	2003	2002
	-----	-----	-----
Derivative losses (gains), net	1,630	1,157	1,643
Losses (gains) from valuation allowances to financial investments	(509)	9	(385)
Change in impairment of financial investments	(342)	1,426	(31)
Other, net	(552)	(422)	72
	-----	-----	-----
Total	227	2,170	1,299
	=====	=====	=====

23. Related Parties

The Company purchases products from related parties in the ordinary course of business. Approximately 59% of the brown coal consumption is supplied by Severoceske doly a.s. ("SD"), a company in which CEZ holds a 37.2% share. In 2004, 2003 and 2002, coal purchases from SD amounted to CZK 5,054 million, CZK 5,177 million and CZK 4,921 million, respectively. Receivables from SD amounted to CZK 10 million and CZK 10 million as of December 31, 2004 and 2003, respectively. Payables to SD amounted to CZK 535 million and CZK 508 million as of December 31, 2004 and 2003 respectively. The prices of fossil fuel supplies from SD do not differ significantly from market prices.

During 2004, 2003 and 2002 the Company granted share options to the Board of Directors, certain members of the management of the Company and Supervisory Board members. The following table shows changes during 2004, 2003 and 2002 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options	Weighted average exercise price (CZK per share)
Share options at December 31, 2001	3,375,000	92.58
Options granted	30,000	73.30
Options exercised	(30,000)	79.38
Options forfeited	(300,000)	96.39
Share options at December 31, 2002	3,075,000	93.07
Options granted	1,650,000	105.23
Options exercised	(1,190,000)	89.65
Options forfeited	(285,000)	87.83
Share options at December 31, 2003	3,250,000	100.95
Options granted	1,800,000	152.84
Options exercised	(3,090,000)	107.26
Options forfeited	(150,000)	105.78
Share options at December 31, 2004	1,810,000	141.38

At December 31, 2004, the aggregate number of share options granted to members of Board of Directors was 1,350,000 and the number of share options granted to Supervisory Board members was 460,000. The options granted do not have any vesting period and can be exercised during the terms of office of the respective Board members and in further 3 months after the end of such period. The exercise price for the granted options was based on the average quoted market price on the Prague stock exchange in the six-month period preceding the date of the grant. In 2004 and 2003 the Company has recognized compensation expense of CZK 148 million and CZK 2 million related to the granted options (see Note 2.26). No expense was recognized in 2002. The Company has settled all options exercised using treasury shares. The gain or loss on the sale of treasury shares were recognized directly in equity.

24. Segment Information

On April 1, 2003 CEZ has sold majority share in its transmission subsidiary CEPS, a. s. ("CEPS") and at the same moment CEZ has acquired majority shares in 5 electricity distribution companies REAS (see Note 1). Following this transaction CEZ has modified its reporting of business segments by including new distribution segment, which is formed by the 5 majority owned REAS companies. During 2004 CEZ has sold the remaining shares in CEPS (see Note 25).

The accounting policies of the segments are the same as those described in Note

2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments and allocates resources to them based on operating income.

The following table summarizes segment information for the years ended December 31, 2004, 2003 and 2002, respectively (in CZK millions):

Year 2004:

	Power Produc- tion	Trans- mission	Distribu- tion	Other	Combined	Elimina- tion	Consoli- dated
	-----	-----	-----	-----	-----	-----	-----
Sales other than intersegment sales	41,223	-	53,156	5,786	100,165	-	100,165
Intersegment sales	22,986	-	5,728	2,896	31,610	(31,610)	-
Total revenues	64,209	-	58,884	8,682	131,775	(31,610)	100,165
Operating income	13,048	-	5,971	353	19,372	(217)	19,155
Identifiable assets	180,425	-	43,759	3,439	227,623	(188)	227,435
Identifiable liabilities	81,571	-	13,066	5,644	100,281	(4,444)	95,837
Investment in associate	356	-	-	7,118	7,474	-	7,474
Income (share of loss) from associate	22	780	-	(68)	734	-	734
Depreciation and amortization	13,969	-	4,004	389	18,362	22	18,384
Change in provisions and allowances	(216)	-	(1,012)	(49)	(1,277)	-	(1,277)

Year 2003*)

	Power Produc- tion	Trans- mission	Distribu- tion	Other	Combined	Elimina- tion	Consoli- dated
	-----	-----	-----	-----	-----	-----	-----
Sales other than intersegment sales	40,756	3,569	38,373	2,118	84,816	-	84,816
Intersegment sales	14,936	152	657	2,768	18,513	(18,513)	-
Total revenues	55,692	3,721	39,030	4,886	103,329	(18,513)	84,816
Operating income	9,884	758	2,017	90	12,749	255	13,004
Identifiable assets	190,364	-	44,215	2,084	236,663	(67)	236,596
Identifiable liabilities	85,240	-	15,965	2,608	103,813	(1,971)	101,842
Investment in associate	333	2,924	-	7,742	10,999	-	10,999
Income (share of loss) from associate	(23)	630	-	456	1,063	-	1,063
Depreciation and amortization	13,558	476	2,962	220	17,216	(255)	16,961
Change in provisions and allowances	384	4	67	16	471	-	471

Year 2002:*)

	Power Production	Trans- mission	Other	Combined	Elimination	Consolidated
	-----	-----	-----	-----	-----	-----
Sales other than intersegment sales	43,651	11,927	-	55,578	-	55,578
Intersegment sales	6,235	441	-	6,676	(6,676)	-
	-----	-----	-----	-----	-----	-----
Total revenues	49,886	12,368	-	62,254	(6,676)	55,578
Operating income	9,539	661	-	10,200	1,023	11,223
Identifiable assets	195,747	17,899	-	213,646	(10,219)	203,427
Identifiable liabilities	74,462	3,704	-	78,166	(2,917)	75,249
Investment in associate	-	-	5,880	5,880	-	5,880
Income from associate	-	-	497	497	-	497
Depreciation and amortization	10,869	1,865	-	12,734	(1,013)	11,721
Change in provisions and allowances	10	2	-	12	-	12

*) Comparative information has been restated (see Note 2.4(a)).

The power generation segment sells the major part of its electricity generated to the eight REAS. Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

25. Discontinuing Operation

On March 11, 2002 the Government decided to purchase from CEZ a 66% share in its transmission subsidiary CEPS. General meeting of CEZ's shareholders held on June 11, 2002, has confirmed the above mentioned decision of the Government. This transaction was carried out on April 1, 2003. Based on the decision of Economic Competition Protection Authority CEZ has also sold its remaining equity share in CEPS in September 2004.

The purchase of CEPS shares was made by OSINEK, a.s., a company controlled by the National Property Fund, and the Ministry of Labor and Social Affairs and the Ministry of Finance. Based on the fact that the transaction was carried out between parties under common control of CEZ's ultimate parent, CEZ has recorded the net gain on the sale directly in equity. The composition of the amount recorded in equity in 2004 and 2003 is as follows (in CZK millions):

	2004	2003
	-----	-----
% of shares sold	34%	66%
Total selling price	7,087	15,224
Book value of shares sold	(3,703)	(4,453)
Current income tax related to the sale	(1,721)	(4,152)
Deferred tax related to the sale	773	543
	-----	-----
Effect of sale recognized in equity	2,436	7,162
	=====	=====

The reconciliation of the proceeds from disposal of a subsidiary as presented in the cash-flow statement in 2004 and 2003 is as follows (in CZK millions):

	2004	2003
	-----	-----
Total selling price	7,087	15,224
Cash disposed of	-	(3,016)
Change in receivables from the sale of subsidiary or associate	(7,087)	-
	-----	-----
Proceeds from disposal of subsidiary, net of cash disposed of	-	12,208
	=====	=====

The operations of CEPS were reported in the transmission segment (see Note 24).

The carrying amounts of total assets and total liabilities attributable to the discontinuing operation at December 31, 2004 and 2003 are as follows (in CZK millions):

	2004	2003
	-----	-----
Total asset	-	2,924*)
Total liabilities	-	-
	-----	-----
Total net assets disposed off	-	2,924
	=====	=====

*) The amount represents investment in associate only.

The amounts shown above in respect of 2003 do not include the deferred tax liability from consolidation of undistributed retained earnings of CEPS.

The following items of income, expenses and cash flows can be attributed to the discontinuing operation (in CZK millions):

	2004	2003	2002
	-----	-----	-----
Total revenues	-	2,023	5,692
Operating profit	-	1,013	1,684
Income from associate	780	630	-
Income before income taxes	780	1,609	1,531
Income tax expense	-	302	470
	-----	-----	-----
Cash flow from operating activities	-	1,055	1,460
Cash flow from investing activities	-	(113)	(477)
Cash flow from financing activities	-	-	-

The income tax expense shown above does not include deferred tax from consolidation of undistributed retained earnings of CEPS.

26. Net Income per Share

	2004	2003*)	2002*)
	-----	-----	-----
Numerator - basic and diluted (CZK millions)			
Net income	13,059	8,869	8,421
	=====	=====	=====
Denominator (thousands shares)			
Basic:			
Weighted average shares outstanding	592,075	590,772	590,363
Dilutive effect of treasury shares	136	1,439	1,787
	-----	-----	-----
Diluted:			
Adjusted weighted average shares	592,211	592,211	592,150
	=====	=====	=====
Net income per share (CZK per share)			
Basic	22.1	15.0	14.3
Diluted	22.1	15.0	14.2

*) Comparative information has been restated (see Note 2.4(a)).

27. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2004 to total CZK 105.6 billion over the next five years, as follows: CZK 17.3 billions in 2005, CZK 19.9 billions in 2006, CZK 23.4 billions in 2007, CZK 22.4 billions in 2008 and CZK 22.6 billions in 2009. These figures do not include the expected acquisitions of subsidiaries and associates, which are estimated at up to CZK 90 billions in the period 2005 through 2009. The actual payments for acquisitions will depend on the number of future investment opportunities, for which the Company will be successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2004 significant purchase commitments were outstanding in connection with the construction program.

The Company currently projects that its planned construction expenditures will be funded mainly with cash provided by operating activities.

Environmental Matters

The Czech Republic has adopted a series of environmental acts and laws and regulations ("the Acts") including a timetable for the reduction of atmospheric emissions in the period from 1992 through December 31, 1998. As of December 31, 1998, all plants operated by the Company had been upgraded to meet the environmental requirements of the Acts.

The Company is also liable under the Acts for past environmental damage. In 2004, 2003 and 2002, payments made to state farms, individual farms, cooperatives, other agricultural firms and forests totaled CZK 4 million, CZK 6 million and CZK 9 million, respectively. Based on current estimates of its probable future obligations, the Company provided CZK 40 million in 2004, CZK 40 million in 2003 and CZK 47 million in 2002, respectively, for pollution damages. In 2004, 2003 and 2002 the Company further reversed CZK 36 million, CZK 54 million and CZK 72 million, respectively. Although uncertainties exist due to interpretations of applicable laws, management does not believe, based upon the information available at this time, that the ultimate outcome of these matters will have a material adverse effect on the Company's financial position or results of operations.

Insurance Matters

The Nuclear Act (see Note 14) sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident and that the reimbursement of such liability up to CZK 6 billion is guaranteed by the state. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). CEZ has obtained all insurance policies with minimal limits as required by the law. CEZ concluded about mentioned insurance policies with Czech nuclear pool, a group of insurance companies.

CEZ has renewed insurance policies covering the assets of its fossil, hydro and nuclear power plants, insurance policies covering non-technological equipment, general third party liability insurance in connection with main operations of the Company and car insurance.

CEZ and the Group companies have insurance policies covering directors and officers liability. CEZ also controls other property and liability insurance policies of the Group companies.

28. Events After the Balance Sheet Date

On January 18, 2005, CEZ obtained a 67% share in three Bulgarian electricity distribution companies, Elektrorazpredelenie Pleven EAD, Elektrorazpredelenie Sofia Oblast EAD and Elektrorazpredelenie Stolichno EAD. For this acquisition the Company has paid in cash a total of EUR 281.5 million (see Notes 4 and 6). The valuation of assets and liabilities of the acquired companies was not finalized as of the date, when these financial statements have been authorized for issue.

On April 5, 2005, CEZ signed an agreement about the privatization of a Romanian distribution company Electrica Oltenia. Through this transaction CEZ will acquire 51% share in the company for a total amount of EUR 151 million.

29. Presentation of Financial Statements

The accompanying consolidated financial statements are presented on the basis of International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board. Certain accounting principles generally accepted in the Czech Republic ("CAS") do not conform to IFRS used in preparing the accompanying consolidated financial statements. A description of the significant adjustments required to conform the Company's statutory balances to consolidated financial statements prepared in accordance with IFRS is set forth in the following tables.

The effect on retained earnings and other reserves of differences in IFRS and CAS is as follows (in CZK millions):

	December 31,	
	2004	2003
Balance per CAS (standalone)	88,523	79,863
Impact of consolidation	1,109	(635)
Balance per CAS (consolidated)	89,632	79,228
Accumulated provision for nuclear decommissioning and spent fuel storage (Note 14)	(14,569)	(14,415)
Capitalized costs of nuclear provisions	12,195	12,125
CASTOR containers write-off	(1,191)	(1,209)
Deferred tax on nuclear provisions, capitalized costs of nuclear provisions and CASTOR containers write-off, net	865	971
Reversal of repairs and maintenance accrual, net of deferred tax	3,647	2,545
Impact of CAS/IFRS accounting differences on the associate, net of deferred tax	(537)	(247)
Interest capitalized, net of deferred tax	17,705	16,829
Depreciation of interest capitalized, net of deferred tax	(3,383)	(2,455)
Grants received, net of deferred tax	(550)	(670)
Gain (loss) on derivatives, net of deferred tax	2	-
Other IAS 39 differences	94	43
Electrometers, net of deferred tax	779	970
Finance leases - lessee, net of deferred tax	102	109
Share options	-	18
Rights, net of deferred tax	(54)	(116)
Revaluation on acquisition	2	(5)
Reclassification of items from retained earnings, net	(246)	(223)
Other differences	(22)	(26)
Balance per IFRS	104,471	93,472

The effect on net income of differences in IFRS and CAS is as follows (in CZK millions):

	Year ended December 31,		
	2004	2003	2002
Net income per CAS (standalone)	12,364	13,931	6,713
Impact of consolidation	1,416	1,648	608
Net income per CAS (consolidated)	13,780	15,579	7,321
Accumulated provision for nuclear decommissioning and spent fuel storage (Note 14)	406	889	413
Capitalized costs of nuclear provisions	(466)	(344)	(261)
CASTOR containers write-off	17	(26)	(63)
Deferred tax on nuclear provisions, capitalized costs of nuclear provisions and CASTOR containers write-off, net	(130)	(266)	(28)
Reversal of repairs and maintenance accrual, net of deferred tax	1,095	179	170
Impact of CAS/IFRS accounting differences on the associate, net of deferred tax	(319)	(10)	91
Interest capitalized, net of deferred tax	876	1,348	1,405
Depreciation of interest capitalized, net of deferred tax	(928)	(835)	(471)
Grants received, net of deferred tax	51	32	34
Gain (loss) on derivatives, net of deferred tax	1,188	(263)	580
Additional foreign exchange rate differences under IAS 39, net of deferred tax	-	-	(577)
Other IAS 39 differences, net of deferred tax	50	(12)	(85)
Electrometers, net of deferred tax	(102)	21	-
Finance leases - lessee, net of deferred tax	(1)	4	-
Share options	(148)	(2)	-
Rights, net of deferred tax	28	(17)	-
Revaluation on acquisition	9	(5)	-
Sale of CEPS, net of tax	(2,436)	(7,162)	-
(Profit) loss on sale of treasury shares	223	5	(18)
Reclassification of items from retained earnings, net	(232)	(220)	(90)
Other differences	98	(26)	-
Net income per IFRS	13,059	8,869	8,421

30. Summary of Differences between Accounting Principles Adopted by CEZ and Generally Accepted Accounting Principles in the United States (US GAAP)

The consolidated financial statements of CEZ have been prepared in accordance with International Financial Reporting Standards (IFRS), which differ in certain respects from generally accepted accounting principles in the United States (US GAAP). The significant differences are described below. Other differences do not have a significant effect on either consolidated net income or shareholders' equity.

Reconciliation of Consolidated Net Income for 2004

The estimated effect of the significant adjustments to consolidated net income for the year ended December 31, 2004 which would be required if US GAAP were to be applied are summarized in the following table (in CZK millions).

	2004
Net income under IFRS	13,059
Fair value adjustment on acquisition of minority interest	(9)
Provision for onerous contract	(345)
Minority interest in reconciling items	118
Deferred taxes	82

Net income under US GAAP	12,905
Other comprehensive income	4

Total comprehensive income	12,909
	=====
Earnings per share (CZK per share):	
Net income	
Basic	21.8
Diluted	21.8
Average number of shares ('000's shares)	
Basic	592,075
Diluted	592,211

Reconciliation of Consolidated Net Income for 2003 and 2002 - Restated

In separate transactions during both April 2003 and in January 2004, the Group acquired majority control in various entities which were and are ultimately under the common control of the Group's ultimate shareholder. Specifically, in April 2003 the Group acquired control of five regional distribution companies ("REAS"). Also, in January 2004 the Group acquired direct controlling ownership over SKODA PRAHA in which it previously held a minority investment (see Notes 6 and 7).

Under IFRS existing at the time of the transactions, common control acquisitions have been accounted for at historical costs with results of operations of the acquired companies being consolidated prospectively from the date of acquisition (see Note 2.3). Under US GAAP, the Group is required to restate its historical financial information to present comparative financial information for accounting periods prior to these acquisitions so as to present the combined results of operations in a manner similar to a "pooling of interests". Due to the significance of this reconciling item between IFRS and US GAAP, the consolidated income statement reconciliation has been expanded to reflect the impact of this common control accounting on condensed financial statement line items.

The net income, shareholders equity and earnings per share amounts in accordance with US GAAP as previously disclosed for 2003 and 2002 and the amounts included in the restated reconciliation from IFRS to US GAAP, which reflect the effect of acquisitions under common control accounted in a manner similar to "pooling of interest", are as follows (in CZK millions):

	2003	2002
Net income		
As previously disclosed	8,837	8,421
As restated using pooling of interest method	9,488	10,021
Shareholders' equity under IFRS		
As previously disclosed	153,114	143,675
As restated using pooling of interest method	153,530	162,122
Net income per share basic (CZK per share)		
As previously disclosed	15.0	14.3
As restated using pooling of interest method	16.1	17.0
Net income per share diluted (CZK per share)		
As previously disclosed	14.9	14.2
As restated using pooling of interest method	16.0	16.9

The estimated effect of the significant adjustments for the year ended December 31, 2003 and 2002 which would be required if US GAAP were to be applied are summarized as follows (in CZK millions):

Year ended December 31, 2003 (restated)	IFRS as reported	Pre-acquisition results of commonly controlled acquisitions	Other US GAAP / IFRS differences ¹⁾	Total
Revenues:				
Sales of electricity	79,548	8,882	-	88,430
Heat sales and other revenues	5,268	2,407	-	7,675
	-----	-----	-----	-----
Total revenues	84,816	11,289	-	96,105
Operating expenses:				
Fuel	14,307	108	-	14,415
Purchased power and related services	21,100	4,378	-	25,478
Repairs and maintenance	4,226	207	-	4,433
Depreciation and amortization	16,961	1,018	-	17,979
Salaries and wages	7,994	1,123	-	9,117
Materials and supplies	3,670	339	-	4,009
Other operating expenses	3,554	2,374	272	6,200
	-----	-----	-----	-----
Total expenses	71,812	9,547	272	81,631
	-----	-----	-----	-----
Income before other expenses (income) and income taxes	13,004	1,742	(272)	14,474
Other expenses (income):				
Interest on debt, net of capitalized interest	1,714	35	-	1,749
Interest on nuclear provisions	1,680	-	-	1,680
Interest income	(319)	(44)	-	(363)
Foreign exchange rate losses (gains), net	(1,915)	(10)	-	(1,925)
Other expenses (income), net	2,170	(16)	-	2,154
Income from associates	(1,063)	(67)	-	(1,130)
	-----	-----	-----	-----
Total other expenses (income)	2,267	(102)	-	2,165
	-----	-----	-----	-----
Income before income taxes	10,737	1,844	(272)	12,309
Income taxes	1,349	573	(156)	1,766
	-----	-----	-----	-----
Income after income taxes	9,388	1,271	(116)	10,543
Minority interest	519	600	(64)	1,055
	-----	-----	-----	-----
Net income	8,869	671	(52)	9,488
	=====	=====	=====	=====
Other comprehensive income				(268)

Total comprehensive income				9,220
				=====
Net income per share (CZK per share)				
Basic	15.0			16.1
Diluted	15.0			16.0
Average number of shares outstanding (000s)				
Basic	590,772			590,772
Diluted	592,211			592,211

1) Other US GAAP / IFRS differences represent the adjustments related to provision for onerous contract, which was reversed for US GAAP purposes.

Year ended December 31, 2002 (restated)		Pre-acquisition results of commonly controlled acquisitions	Other US GAAP / IFRS differences ¹⁾	Total
	IFRS as reported			
Revenues:				
Sales of electricity	52,938	34,450	-	87,388
Heat sales and other revenues	2,640	6,382	-	9,022
	-----	-----	-----	-----
Total revenues	55,578	40,832	-	96,410
Operating expenses:				
Fuel	12,894	263	-	13,157
Purchased power and related services	7,328	19,368	-	26,696
Repairs and maintenance	3,847	1,745	-	5,592
Depreciation and amortization	11,721	3,868	-	15,589
Salaries and wages	3,854	4,108	-	7,962
Materials and supplies	1,838	1,946	-	3,784
Other operating expenses	2,873	5,180	333	8,386
	-----	-----	-----	-----
Total expenses	44,355	36,478	333	81,166
	-----	-----	-----	-----
Income before other expenses (income) and income taxes	11,223	4,354	(333)	15,244
Other expenses (income):				
Interest on debt, net of capitalized interest	582	230	-	812
Interest on nuclear provisions	1,532	-	-	1,532
Interest income	(149)	(149)	-	(298)
Foreign exchange rate losses (gains), net	(3,340)	(703)	-	(4,043)
Other expenses (income), net	1,299	(23)	-	1,276
Income from associates	(497)	244	-	(253)
	-----	-----	-----	-----
Total other expenses (income)	(573)	(401)	-	(974)
	-----	-----	-----	-----
Income before income taxes	11,796	4,755	(333)	16,218
Income taxes	3,375	1,539	(103)	4,811
	-----	-----	-----	-----
Income after income taxes	8,421	3,216	(230)	11,407
Minority interest	-	1,498	(112)	1,386
	-----	-----	-----	-----
Net income	8,421	1,718	(118)	10,021
	=====	=====	=====	=====
Other comprehensive income				144

Total comprehensive income				10,165
				=====
Net income per share (CZK per share)				
Basic	14.3			17.0
Diluted	14.2			16.9
Average number of shares outstanding (000s)				
Basic	590,363			590,363
Diluted	592,150			592,150

1) Other US GAAP / IFRS differences represent the adjustments related to provision for onerous contract, which was reversed for US GAAP purposes.

Reconciliation of Consolidated Shareholders Equity for 2004 and 2003

The estimated effect of the significant adjustments to consolidated net shareholders equity as of December 31, 2004 and 2003 which would be required if US GAAP were to be applied are summarized in the following table (in CZK millions).

	December 31	
	2004	2003 *)
Shareholders' equity under IFRS	163,689	152,624
Fair value adjustment on acquisition of minority interest:		
Fair value adjustment to assets	857	-
Decrease of goodwill	(687)	-
Provision for onerous contract	906	1,251
Common control accounting applied to SKODA PRAHA	-	416
Minority interest in reconciling items	(294)	(458)
Deferred tax effect of the reconciling items	(446)	(303)
Shareholders' equity under US GAAP	164,025	153,530
	=====	=====

*) Comparative information has been restated (see Note 2.4(a)).

US GAAP Consolidated Statement of Shareholders' Equity (in millions of CZK)

	Number of Shares (in thousands)	Stated Capital	Transla- tion Difference	Fair value and Other Reserves	Retained Earnings	Share- holders' Equity
	-----	-----	-----	-----	-----	-----
December 31, 2001	590,138	59,050	-	6	94,881	153,937
Non-cash capital contribution	123	12	-	-	-	12
Change in fair value of available-for-sale financial assets recognized in equity	-	-	-	128	-	128
Net income	-	-	-	-	10,021	10,021
Acquisition of treasury shares	(1,950)	(181)	-	-	-	(181)
Sale of treasury shares	1,965	160	-	-	17	177
Dividends declared	-	-	-	-	(1,988)	(1,988)
Other movements	-	-	-	-	16	16
	-----	-----	-----	-----	-----	-----
December 31, 2002	590,276	59,041	-	134	102,947	162,122
Change in accounting policy - effect of change in group structure (Note 2.4(b))	-	-	-	-	721	721
Net income	-	-	-	-	9,488	9,488
Unrealized loss on available for sale securities	-	-	-	(233)	-	(233)
Gain on sale of subsidiary CEPS, net of tax (Note 25)	-	-	-	-	7,162	7,162
Effect of acquisition of REAS on equity	-	-	-	-	(23,169)	(23,169)
Sale of treasury shares	1,190	111	-	-	(5)	106
Dividends declared	-	-	-	-	(2,657)	(2,657)
Returned dividends on treasury shares	-	-	-	-	4	4
Share options	-	-	-	21	-	21
Share on equity movements of associates	-	-	-	-	(15)	(15)
Other movements	-	-	1	(3)	(18)	(20)
	-----	-----	-----	-----	-----	-----
December 31, 2003	591,466	59,152	1	(81)	94,458	153,530
Net income	-	-	-	-	12,905	12,905
Unrealized gain on available for sale securities	-	-	-	55	-	55
Change in fair value of cash flow hedges recognized in equity	-	-	-	(690)	-	(690)
Reclassification into earnings from cash flow hedges	-	-	-	621	-	621
Gain on sale of subsidiary CEPS, net of tax (Note 25)	-	-	-	-	2,436	2,436
Effect of acquisition of SKODA PRAHA on equity (Note 6)	-	-	-	-	(85)	(85)
Acquisition of treasury shares	(2,355)	(488)	-	-	-	(488)
Sale of treasury shares	3,090	554	-	-	(223)	331
Dividends declared	-	-	-	-	(4,738)	(4,738)
Share options	-	-	-	130	-	130
Share on equity movements of associates	-	-	-	-	34	34
Other movements	-	-	(3)	-	(13)	(16)
	-----	-----	-----	-----	-----	-----
December 31, 2004	592,201	59,218	(2)	35	104,774	164,025
	=====	=====	=====	=====	=====	=====

Fair value adjustment on acquisition of minority interest

Under IFRS in case of subsequent acquisition of a minority interest in subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the minority interest acquired. Under US GAAP acquisitions of minority interests in subsidiaries are accounted for using the purchase method, which is based on the fair values of the acquired minority interests. Under US GAAP the Group therefore records a fair value adjustment to the assets and liabilities acquired and makes a corresponding adjustment to the balance of goodwill. In subsequent periods the difference between IFRS and US GAAP is due to the depreciation and amortization of fair value adjustments and the related deferred tax effect.

Provision for onerous contract

Under IFRS the Group recognized a provision for onerous executory contract. Under the definitions of IAS 37 an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The recognition by a purchaser of losses on firmly committed executory contracts was discussed by the EITF in November 1999 and January 2000, but the Task Force did not reach consensus on this issue and further discussions on the EITF Issue 99-14 have been discontinued. Under the current US generally accepted accounting principles, companies do not accrue the contingent losses related to executory contracts in their balance sheets, but rather these losses are recognized over the remaining life of the contract. Therefore the provision, which was recognized under IFRS, was reversed for US GAAP purposes.

Other US GAAP Related Disclosures:

Associated Companies

As described in Note 7, the Company accounts for its investments in associated companies using the equity method.

Consolidated retained earnings include undistributed earnings of associated companies. These undistributed earnings net of deferred tax amounted to CZK 1,625 million, CZK 3,032 million and CZK 1,399 million as of December 31, 2004, 2003 and 2002. In 2004, 2003 and 2002, net dividends received from associated companies amounted to CZK 824 million, CZK 182 million and CZK 114 million, respectively.

Related Parties

As disclosed in Note 17, the payables from purchase of REAS to National Property Fund amount to CZK 7,470 million as of December 31, 2003. The amount is represented by two notes payable in the amount of CZK 3,735 million each with original maturity on June 30, 2004, and June 30, 2005. Based on an agreement between the Company and the National Property Fund both notes have been repaid in 2004. Both notes had an interest rate of 3M PRIBOR + 0.3%.

Nuclear Decommissioning, Radioactive Waste and Spent Fuel Disposal Provisions

As discussed in Notes 2.23 and 14 to the consolidated financial statements the Company adopted International Accounting Standard IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". According to the IAS 37, the amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. For calculation of these estimates in the case of nuclear provisions CEZ has discounted expected future cash flows to their present values. The initial costs of provisions were capitalized and are depreciated over the useful life of the related assets (nuclear power plants). The increase of the provisions due to the accretion of discount and effect of inflation is charged to income as a separate component of interest expense. Under US GAAP the accretion of discount should be presented as part of operating expenses. Changes in the provision, which result from the consumption of nuclear fuel, are charged to income as part of the fuel expense.

Under US GAAP CEZ applied SFAS No. 143 "Accounting for Asset Retirement Obligations ". The statement requires the classification of the provision as a liability on the balance sheet and its measurement using an expected cash flow approach, in which multiple cash flow scenarios that reflect the range of possible outcomes and a credit-

adjusted risk-free rate are used to estimate fair value. Since very similar approach is used when calculating provision under IAS 37, there is no material difference in calculation of the provision under US GAAP and IFRS.

Capitalized Software Costs

Included in Intangible Assets as of December 31, 2004 and 2003 is capitalized software costs of CZK 1,294 million and CZK 1,184 million, respectively. Under US GAAP, these costs would typically be classified as a component of property, plant and equipment.

Intangible Assets

Aggregate amortization expenses of intangible assets were estimated for each of the five succeeding fiscal years in million of CZK.

Year	Amortization
2005	817
2006	658
2007	520
2008	365
2009	34

Financial Assets Available for Sale

The composition of financial assets available for sale was as follows (in CZK millions):

	2004	2003
	-----	-----
Equity securities	1,760	5,157
Debt securities	232	390
	-----	-----
Total	1,992	5,547
	=====	=====

The proceeds from sales of available for sale securities and the net realized gains and losses were as follows (in CZK millions):

	2004	2003	2002
	-----	-----	-----
Proceeds from the sale of available for sale securities	4,643	5,169	718
Historical cost basis	(4,121)	(5,174)	(315)
	-----	-----	-----
Net realized gains/(losses)	522	(5)	403
	=====	=====	=====

The future maturities of debt securities are as follows (in CZK millions):

	2004	2003
	-----	-----
Within one year	-	-
After one year through five years	-	158
After five years through ten years	232	-
More than ten years	-	232
	-----	-----
Total debt securities	232	390
	=====	=====

Debt Guarantees

Czech Republic has guaranteed certain debt of the Company. The balance of the long-term debt guaranteed by the State amounted to CZK 3,315 millions and CZK 5,028 millions as of December 31, 2004 and 2003, respectively.

Stock-based Compensation

As described in Note 23, during 2004, 2003 and 2002 the Company has granted stock options to members of the Board of Directors, Supervisory board and certain other members of management. The Company has elected to account for employee stock options under US GAAP in accordance with Accounting Principles Board Opinion No. 25 (APB 25) "Accounting for Stock Issued to Employees" and related interpretations and to furnish the pro forma disclosures required under SFAS No. 123 "Accounting for Stock-Based Compensation".

APB 25 requires recognition of compensation expense over the period, when the employee performs services for the Company. The expense recognized in accordance with APB 25 is the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay. The measurement date is the first date on which are known both the number of shares that an individual employee is entitled to receive and the exercise price payable by the employee. In contrast, SFAS No. 123 requires recognition of compensation expense for grants of stock options based on the estimated grant-date fair values of those grants.

The options may be exercised immediately and at any time during the period specified in the relevant stock option agreement, such period generally set to correspond the term for which the member was elected or appointed to the respective board. Accordingly, the measurement date was the grant date.

In 2004, 2003 and 2002 the Company has recognized the compensation expense in accordance with APB 25. In 2002 the exercise price of CEZ's employee stock options was higher than the market price of the underlying stock at the measurement days and therefore no compensation expense was recognized in accordance with APB 25 in these periods. Had compensation cost for management incentive schemes been determined based on the fair value at the grant dates for options under those schemes consistent with the method prescribed in SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in CZK millions, except per share data):

	2004	2003 *)	2002 *)
Net income, as reported	12,905	8,837	8,421
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	148	2	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(163)	(2)	-**)
Pro forma	12,890	8,837	8,421
Basic income per share (CZK per share)			
As reported	21.8	15.0	14.3
Pro forma	21.8	15.0	14.3
Diluted income per share (CZK per share)			
As reported	21.8	14.9	14.2
Pro forma	21.8	14.9	14.2

*) Comparative information has been restated (see Note 2.4(a)). **) The fair value of options granted in 2002 is 0.3 million CZK.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's

opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2004	2003	2002
Weighted average assumptions	-----	-----	-----
Dividend yield	3.8%	7.6%	2.9%
Expected volatility	29.49%	22.4%	40.2%
Risk-free interest rate	2.79%	2.1%	2.6%
Expected life (years)	2.3	3.6	1.3
Weighted average grant-date fair value of options [CZK per 1 option]			
	75.9	17.9	17.4

On December 31, 2004, 2003 and 2002, respectively, the exercise prices of outstanding options were in the range from CZK 101.9 to CZK 185.6 from CZK 88.8 to CZK 128.6 and from CZK 72.5 to CZK 96.4 per share. On December 31, 2004, 2003 and 2002, respectively the options outstanding had an average remaining contractual life of 3.2 years, 1.8 years and 1.4 years, respectively.

For further information on stock-based compensation see Note 23.

Valuation and Qualifying Accounts (in millions of CZK)

Provisions on assets to which they apply:	Balance at beginning of year	Acquisition of subsidiaries	Disposal of subsidiary	Charges to cost and expenses	Deductions	Balance at end of year
-----	-----	-----	-----	-----	-----	-----
2002						
Nuclear provision	21,396	-	-	3,278	(808)	23,866
Other provisions	649	-	-	91	(88)	652
Provision for doubtful current and non-current receivables	715	-	-	348	(335)	728
2003						
Nuclear provision	23,866	146	-	5,551	(1,399)	28,164
Provision for onerous contract	-	1,486	-	-	(235)	1,251
Other provisions	652	586	-	735	(413)	1,560
Provision for doubtful current and non-current receivables	728	1,642	(4)	1,090	(1,124)	2,332
2004						
Nuclear provision	28,164	-	-	2,660	(1,383)	29,441
Provision for onerous contract	1,251	-	-	39	(384)	906
Other provisions	1,560	290	-	752	(1,178)	1,424
Provision for doubtful current and non-current receivables	2,332	191	-	264	(1,104)	1,683

Contingencies

In the ordinary course of business, the Company is involved in various legal actions and claims. Although it is not possible to predict with certainty the outcome or costs of these matters, the Company believes the likelihood is remote that individually or in the aggregate any sum required to be paid in connection with liabilities recorded related to these matters will have a material adverse affect on its financial position, results of operations or cash flows.

Deferred Taxes

Under IFRS, the presentation of deferred taxes differs from the methodology set forth in US GAAP. For purposes of US GAAP, deferred tax assets and liabilities must either be classified as current or non-current based on the classification of the related non-tax asset or liability for financial reporting. The table presents the deferred tax assets and liabilities computed based on IAS 12 but presented based on the methodology of FAS 109."Accounting for Income Taxes" (in millions of CZK).

	2004	2003 *)
	-----	-----
Non-current assets:		
Accumulated provision for nuclear decommissioning and spent fuel storage	5,925	6,641
CASTOR containers write off	286	338
Other provisions	650	885
Tax loss carry forwards	110	25
Revaluation of financial assets	11	17
Other deductible differences	71	171
	7,053	8,077
Deferred tax assets	7,053	8,077
Current liabilities:		
Penalty receivables	46	71
Other temporary differences	38	17
	84	88
Non-current liabilities:		
Tax depreciation in excess of financial statement depreciation	13,103	12,102
Capitalized interest	5,032	5,590
Capitalized cost of provisions	2,927	3,395
Repairs and maintenance accrual	1,206	987
Investment in associate	520	1,490
	22,788	23,564
Deferred tax liabilities	22,872	23,652
Total deferred tax liabilities, net	15,819	15,575

*) Comparative information has been restated (see Note 2.4(a)).

New pronouncements

In December 2003, the FASB revised the provisions of FASB Statement No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, to include additional disclosures related to defined-benefit pension plans and other defined-benefit post-retirement plans, such as the following:

- o The long-term rate of return on plan assets, along with a narrative discussion on the basis for selecting the rate of return used
- o Information about plan assets for each major asset category (i.e. equity securities, debt securities, real estate, etc.) along with the targeted allocation percentage of plan assets for each category and the actual allocation percentages at the measurement date
- o The amount of benefit payments expected to be paid in each of the next five years and the following five-year period in the aggregate
- o The current best estimate of the range of contributions expected to be made in the following year
- o The accumulated benefit obligation for defined-benefit pension plans
- o Disclosure of the measurement date utilized.

The provisions of FAS 132R do not change the measurement or recognition provisions of defined-benefit pension and post-retirement plans as required by previous accounting standards. The provisions of FAS 132R were applied by the Group effective for the year ended December 31, 2004.

In March 2004, the EITF reached a consensus on Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, which provides guidance on assessing whether impairments are other-than-temporary for marketable debt and equity securities accounted for under SFAS No. 115, and non-marketable equity securities accounted for under the cost method. The consensus also requires certain disclosures about unrealized losses that have not been recognized in earnings as other-than-temporary impairments. The disclosure provisions were effective for all periods ending after December 15, 2003. The other-than-temporary impairment application guidance was to be effective for reporting periods beginning after June 15, 2004.

In September 2004, the FASB issued FSP No. EITF Issue 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments, which delays indefinitely the application of guidance provisions of EITF Issue No. 03-1 until further application guidance can be considered by the FASB. The FSP did not delay the effective date for the disclosure provisions of EITF No. 03-1. The Group continues to monitor this issue; however, based upon developments to date the Group does not expect the final guidance to have a material impact on its consolidated results of operations, financial position or cash flows.

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payments (FAS 123R). The statement requires the measurement and recognition of the cost of employee services received in exchange for an award of equity instruments based on fair value of the award at the grant-date. The cost is recognized over the period during which an employee is required to provide service in exchange for the award. The standard supersedes APB 25, Accounting for Stock Issued to Employees, and prohibits the use of the "intrinsic value" method of accounting for share-based payment transactions. FAS 123R is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005; however, early application is possible. The Group intends to adopt the revised standard as of January 1, 2005, from which date the Group will also adopt IFRS 2, a similar standard under IFRS. The Group is currently estimating the impact of adopting FAS 123R on the financial statements.

In November 2004, the FASB issued FASB Statement No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4, clarifying the existing requirements in ARB No. 43 by adopting language similar to that used in IAS 2. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of FAS 151 will not have an impact on the Group's consolidated results of operation or financial position, since the key elements are already utilized in the Group's IFRS and US GAAP consolidated financial statements.

In December 2004, the FASB published FASB Statement No. 153, Exchanges of Non Monetary Assets an amendment of APB Opinion No. 29. This statement addresses the measurement of exchanges of non monetary assets. It eliminates the exception from fair value measurement for non monetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion 29, and replaces it with an exception for exchanges that do not have commercial substance. This statement specifies that a non monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. FASB No. 153 is effective

for non monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, however early adoption is possible.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CEZ, a. s.

By: /s/ Martin Roman

Name: Martin Roman
Title: Chief Executive Officer and
Chairman of the Board of
Directors

By: /s/ Petr Voboril

Name: Petr Voboril
Title: Chief Financial Officer and
Vice-Chairman of the Board of
Directors

Date: July 15, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CEZ, a. s.

Exhibits to Form 20-F

- 1.* Articles of Association (Stanovy) of CEZ, a. s.
- 4.1* Collective Bargaining Agreement, dated January 29, 2004
- 4.2 Share Privatization Sale Agreement between the Republic of Bulgaria and CEZ, a. s., dated November 19, 2004
- 8. List of Subsidiaries
- 12.1 Certification of Martin Roman, our Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification of Petr Voboril, our Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.** Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* This exhibit is incorporated by reference to the Exhibits filed with our Annual Report on Form 20-F dated June 30, 2004. ** This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

Dated 19 November 2004

**THE REPUBLIC OF BULGARIA
ACTING THROUGH
THE PRIVATISATION AGENCY
OF THE REPUBLIC OF BULGARIA**

and

CEZ, a. s.

SHARE PRIVATISATION SALE AGREEMENT

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SHARE PRIVATISATION SALE AGREEMENT (the "Agreement") is dated 19 November 2004 and is made BETWEEN:

(1) THE REPUBLIC OF BULGARIA acting through THE PRIVATISATION AGENCY OF THE REPUBLIC OF BULGARIA (the "Privatisation Agency" or the "Seller"), duly empowered pursuant to the Privatisation and Post-Privatisation Control Act, promulgated in State Gazette Issue No. 28 of March 19, 2002, as amended (the "Privatisation Act"), duly represented by Mr. Atanas Kirilov Bangachev, Executive Director, holder of identity card no. 101175201, issued on 27.10.2000 by the Ministry of the Interior, Blagoevgrad Department, Personal Identification No. 7602190162; and

(2) CEZ, a. s. (the "Buyer"), a joint stock company duly incorporated and validly existing under the laws of the Czech Republic, having its seat and registered office at Duhova 2/1444, 140 53 Prague 4, Czech Republic, Business Identification Number 45274649, registered in the commercial register maintained by the municipal court in Prague, Czech Republic, under section B, file number 1581, represented by Mr. Martin Roman, Chairman of the Board of Directors, citizen of the Czech Republic, Birth No. 691029/5546, residing at Kamenice 26, Kamenice 251 68, Czech Republic, holding passport No. 34150108, issued in Ricany, Czech Republic, on 14 May 2003 valid until 14 May 2013, and Mr. Radomir Lasak, Member of the Board of Directors, citizen of the Czech Republic, Birth No. 651202/1780, residing at Krajnikova 142, Dobrichovice 252 29, Czech Republic, holding passport No. 34435864, issued in Cernosice, Czech Republic, on 20 October 2003 valid until 20 October 2013;

The Seller and the Buyer together are referred to in this Agreement as the "parties" and each of them is referred to as a "party".

WHEREAS:

This Agreement is executed pursuant to Art. 1, para 2, item 1, Art 3, para 1 and para 7, Art. 4, para 1, Art 32, para 1, item 3 and Chapter VIIa of the Privatisation Act; the Regulation on Auctions and Tenders (promulgated in State Gazette issue No. 85 dated 26 September 2003), the strategy for the privatisation of the Companies ratified by Parliament on 29 July 2003 (promulgated in State Gazette issue No.69 dated 5 August 2003), and in accordance with Decision No. 2484-I dated 24 October 2003 of the Privatisation Agency (promulgated in State Gazette issue No. 95 dated 28 October 2003), the Decision No 581/16.07.2004 of the Council of Ministers on the selection of a buyer, the Decision of the Supervisory Board of the Privatisation Agency dated 8 November 2004 (Minutes No. 69) and Decision No. 898 of the Council of Ministers dated 12 November 2004 concerning approval of this agreement (together the "Tender Regulations").

NOW IT IS HEREBY AGREED as follows:

1 Definitions and Interpretations

1.1 For the purposes of this Agreement unless the context otherwise requires the following words and expressions will have the following meaning:

"Applicable Law" means the Bulgarian laws, decrees, ordinances, orders, regulations, instructions and other normative acts, Bulgarian court decisions or arbitral awards, and decisions of the Council of Ministers and of the Parliament.

"Bank Guarantee" means the bank guarantee established with the Guarantee Bank pursuant to clause 4.2.2(b) in an amount equal to the Guarantee Amount.

"Board of Directors" means the Board of Directors of a Company as appointed in accordance with the By-Laws.

"Bulgarian Leva" or "BGN" means the currency of the Republic of Bulgaria which, at the time of payment, is legal tender in the Republic of Bulgaria.

"Business Day" means a day on which banks are generally open in Sofia, Bulgaria, and Prague, Czech Republic, for the transaction of normal banking business.

"Buyer Claim" has the meaning ascribed to such term in clause 10.5.2.

"Buyer Share" means a Share with respect to a Company owned by the Buyer who has acquired such Share pursuant to this Agreement.

"Buyer's Warranties" means the warranties of the Buyer set out in clause 13.

"By-Laws" means the by-laws of each Company in effect as of the Signing Date.

"Companies" means, together, Company 1, Company 2 and Company 3 and "Company" will mean any one of them.

"Company 1" means the electricity distribution and supply company Elektrorazpredelenie - Stolichno EAD, Sofia, having its seat and address of management at 330, Tzar Simeon St., Ilinden Municipality, 1309 Sofia, Bulgaria, capital to the amount of BGN 1,928,000 (one million and nine hundred and twenty eight thousand Bulgarian Leva) entered into the Trade Register of the Sofia City Court with Decision No. 1 of 27 April 2000, under c.c. 6358.

"Company 1 Shares" means the 129,176 (one hundred and twenty nine thousand one hundred and seventy six) physical ordinary registered voting shares in Company 1, each having a par value of BGN 10 (ten Bulgarian Leva), representing 67% (sixty seven percent) of the total voting share capital of Company 1.

"Company 2" means the electricity distribution and supply company Elektrorazpredelenie - Sofia Oblast EAD, Sofia having its seat and address of management at 2, Evropa Blvd., Vrabnitsa Municipality, 1360 Sofia, Bulgaria, capital to the amount of BGN 2,149,000 (two million and one hundred and forty nine thousand Bulgarian Leva) entered into the Trade Register of the Sofia City Court with Decision No. 1 of 28 April 2000 under c.c. 6315.

"Company 2 Shares" means the 143,983 (one hundred and forty three thousand nine hundred and eighty three) physical ordinary registered voting shares in Company 2, each having a par value of BGN 10 (ten Bulgarian Leva), representing 67% (sixty seven percent) of the total voting share capital of Company 2.

"Company 3" means the electricity distribution and supply company Elektrorazpredelenie - Pleven EAD, Pleven having its seat and address of management at 73 Doiran St., 5800 Pleven, Bulgaria, capital to the amount of BGN 1,206,000 (one million and two hundred and six thousand Bulgarian Leva) entered into the Trade Register of the Pleven Regional Court with Decision No. 833 of 28 April 2000 under c.c. 833.

"Company 3 Shares" means the 80,802 (eighty thousand eight hundred and two) physical ordinary registered voting shares in Company 3, each having a par value of BGN 10 (ten Bulgarian Leva), representing 67% (sixty seven percent) of the total voting share capital of Company 3.

"Completion" means the completion of the privatisation sale and purchase of the Sale Shares under this Agreement by the performance by the Buyer and the Seller of their respective obligations under clause 4.

"Completion Date" means either (a) 10 (ten) Business Days after the Condition Date or (b) such later date as contemplated by this Agreement, or
(c) such later date as the parties may agree in writing.

"Condition Date" means the date on which all Conditions Precedent set forth at clauses 3.1.1, 3.1.4, 3.2.1, 3.2.2 and 3.2.3 have been met (or waived, as the case may be).

"Conditions Precedent" means the conditions precedent set out in clauses 3.1 and 3.2.

"CPC" means the Bulgarian Commission on Protection of the Competition established pursuant to the Protection of the Competition Act of Bulgaria, promulgated in State Gazette Issue No. 52 of 1998, last amended in State Gazette Issue No. 107 of 2003.

"CPC Decision" means a decision by the CPC described in clauses 3.1.1 and 3.2.1.

"Deposit" will have the meaning given to it in clause 2.3.

"Encumbrances" means all claims, charges, mortgages (whether by fixed or floating charge), pledges, liens, security interests, encumbrances, equities, put and call options and other third party rights.

"Energy Act" means the Energy Act promulgated in State Gazette Issue No.107 of 9 December 2003.

"Escrow Account" means the bank account established by the Buyer and the Seller pursuant to the terms of the Escrow Agreement.

"Escrow Agent" means Bulbank AD, 7 Sveta Nedelia sq., 1000 Sofia, Bulgaria.

"Escrow Agreement" means the escrow agreement attached hereto as Schedule 1.1 (B).

"Euro" or "EUR" means the currency defined in Art. 2 of Council Regulation (EC) No. 974/98 of 3 May 1998.

"Financial Statements" means the audited balance sheets of each of the Companies as of 31 December 2002 and 2003 ("Balance Sheets") and the related audited statements of income, changes in stockholders' equity and cash flow for the financial years ended 2002 and 2003 in each case prepared in accordance with IFRS, together with the reports thereon of the Registered Auditors.

"Governmental Entity" means any Bulgarian governmental or regulatory department, commission, board, agency or other similar entity, whether national, regional or municipal, acting pursuant to Applicable Law.

"Guarantee Amount" means EUR 28,150,000 (twenty eight million and one hundred and fifty thousand Euro) an amount equal to 10% (ten percent) of the Purchase Price.

"Guarantee Bank" means ING Bank N.V., with its registered seat at Amstelveenseweg 500, 1081 KL Amsterdam, The Netherlands, a company limited by shares and registered in the Trade Register of the Chamber of Commerce and Industry for Amsterdam under the file no. 33031431, acting in Bulgaria through its Sofia branch, registered with Sofia City Court, Company File 11357/94, Batch 18182, Volume 227, Register 1, page 168, BULSTAT K831553811, having its registered office at 12 Emil Bersinski Street, Ivan Vazov Region, Sofia 1408.

"Indebtedness" means (i) all debentures, bonds, notes or other instruments representing borrowings with banks, financial institutions or other entities (ii), all agreements classified as capital leases pursuant to IFRS and (iii) all guarantees, indemnities or similar assurances against financial loss of any person with respect to the foregoing; provided that the indemnities provided in connection with the Settlement Agreement will not qualify as Indebtedness for the purposes of this definition.

"Indemnification Damages" means all damages, not including lost profits but including costs of investigation and defence and reasonable attorneys' fees.

"Information" means all information, whether oral or written (on whatever medium stored) provided by the Seller and the Minister to the Buyer in connection with the privatisation sale of the Sale Shares, together with all notes, data, analyses, compilations, studies or other documents derived from or otherwise reflecting such information.

"IFRS" means the International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB).

"Long Stop Date" means 30 April 2005 or such later date as contemplated by this Agreement.

"Management Board" means the Management Board of a Company to be appointed in accordance with the Restated By-Laws and as constituted from time to time.

"Minister" means the Minister of Energy and Energy Resources of the Republic of Bulgaria.

"NEK" means Natzionalna Elektricheska Kompania EAD (National Electric Company) a company incorporated under the Law on Commerce, registered with the Sofia City Court under company file # 29869/1991, having its registered address at 8 Triaditza st., Oborishte Municipality, Sofia, Bulgaria.

"OCA" means the Obligations and Contracts Act promulgated in State Gazette issue No. 275 of 1950, as amended from time to time.

"Officer's Certificate" means, if to be delivered by the Buyer, a certificate or letter signed by a duly authorised officer of the Buyer and, if to be delivered by the Seller, a certificate or letter signed by a duly authorised representative of the Seller, as set out in Annex 10 of the Escrow Agreement.

"Ordinance on Price Regulation" means the Ordinance on the Electricity Price Regulation promulgated in State Gazette issue no. 17 of 2004, as amended from time to time.

"PEA" means the Protection of the Environment Act promulgated in State Gazette issue No. 91 of 2002, as amended from time to time.

"PEA Regulation" means the Regulation (adopted by virtue of Decree No. 173 of the Council of Ministers dated 19 July 2004, promulgated in State Gazette issue No. 66 of 2004 and as amended from time to time) on the terms and conditions for determining the liability of the State and for negating damages to the environment arising, in the context of a privatisation transaction, as a direct result of the actions of the State prior to the date of the relevant privatisation.

"Permitted Transferee" means either the European Bank for Reconstruction and Development, International Finance Corporation or the Black Sea Trade and Development Bank.

"Post-Privatisation Control Agency" means a Governmental Entity within the meaning of Art. 18 of the Privatisation Act.

"Pre-Completion Period" means the period from and including the Signing Date to and including the Completion Date.

"Purchase Price" will have the meaning given to it in clause 2.2.

"Registered Auditor" means a qualified chartered accountant or a firm of professional auditors registered with the special register of the Chartered Accountants Institute within the Republic of Bulgaria and approved in accordance with this Agreement.

"Remaining Seller Share" means a Share in the capital of a Company owned by the Republic of Bulgaria following Completion.

"Retention Amount" means EUR 56,300,000 (fifty six million and three hundred thousand Euro) an amount equal to 20% (twenty percent) of the Purchase Price.

"Republic" or "Republic of Bulgaria" means the Bulgarian State acting through a Governmental Entity competent to act on its behalf.

"Restated By-Laws" means the by-laws of each Company, substantially in the form of Schedule 1.1 (C), to be adopted at Completion as provided for in this Agreement.

"Sale Shares" means the Company 1 Shares, the Company 2 Shares and the Company 3 Shares.

"Seller's Account" means account of the Seller in Euro, opened at BNB - Head Office, Sofia, numbered 54 00150339, bank code 66196611, SWIFT BNBGBGSF.

"Seller Indemnity Termination Date" means the date occurring 18 (eighteen) months after the date on which Completion occurs.

"Seller's Warranties" means the warranties of the Seller set out in clause 12.

"SERC" means the State Energy Regulation Commission of the Republic of Bulgaria established pursuant to the Energy Act.

"SERC 2004 Filings" means the filings required to be made with the SERC for the regulatory period 1 July 2004 to 31 December 2004.

"SERC 2005 Filings" means the filings required to be made with the SERC for the first regulatory period beginning 1 January 2005.

"Share" means one ordinary physical registered voting share in the capital of a Company.

"Shareholders Agreements" means the shareholders agreements between the Buyer and the Minister, in his capacity of a body exercising the ownership rights of the Republic of Bulgaria in each Company, with respect to each Company entered into simultaneously with the execution of this Agreement and which shareholders agreements will become effective upon Completion.

"Signing Date" means the date hereof.

"Supervisory Board" means the Supervisory Board of a Company to be appointed in accordance with the Restated By-Laws and as constituted from time to time.

"Tax" or "Taxation" means all forms of taxes or any other imposition in the nature of taxation imposed in accordance with Applicable Law, as well as any mandatory social security and health insurance contributions, together with any related penalties, interest, fines, surcharges or other amounts due to a Tax Authority.

"Tax Authority" means any Governmental Entity responsible for the imposition of Taxation.

"Temporary Share Certificate" has the meaning provided in Article 167(1) of the Bulgarian Law on Commerce.

"Third Party Proceeding" means any arbitration, audit, investigation or litigation commenced, brought or conducted by a third party or a Governmental Entity against a Company after Completion (with respect to any period prior to Completion) and with respect to which the Buyer (acting reasonably and in good faith) believes it has a claim against the Seller pursuant to this Agreement.

"Transaction Documents" means this Agreement, the Escrow Agreement, the Bank Guarantee, the Shareholders Agreements and the Restated By-Laws and the documents entered into pursuant to these documents.

"Transfer" means any of the following:

- (a) the sale, transfer or other disposal or dealing of any share of capital stock (including of a Share), of any other equity interest or of any direct or indirect legal or beneficial interest in any of the foregoing or the entering into any agreement for any of the foregoing;
- (b) the entering into any agreement with respect to the voting rights attached to any share of capital stock in any Company (including of a Share); or
- (c) the Encumbrance of any share of capital stock in any Company (including of any Share) or of any other equity interest or in any legal or beneficial interest in any of the foregoing.

1.2 In this Agreement, unless the context otherwise requires:

- 1.2.1 references to a "party" include its legal successors and persons to whom rights or obligations may be assigned pursuant to the terms of this Agreement;
- 1.2.2 words importing the singular include the plural and vice versa, words importing a gender include every gender and references to "persons" will include individuals and legal entities;

- 1.2.3 references to a clause or schedule are to a clause of, or a schedule to, this Agreement, references to this Agreement include its recitals and schedules and references in a schedule or part of a schedule to a paragraph are to a paragraph of that schedule or that part of that schedule;
- 1.2.4 references to this Agreement or any other document or to any specified provision of this Agreement or any other document are to this Agreement, that document or that provision as in force for the time being and as amended from time to time in accordance with the terms of this Agreement or that document or, as the case may be, with the agreement of the relevant parties;
- 1.2.5 the contents table and the descriptive headings to clauses, schedules and paragraphs are inserted for convenience only, have no legal effect and will be ignored in the interpretation of this Agreement;
- 1.2.6 references to any enactment (meaning any statute or statutory provision or any other subordinate legislation or regulations made under any such statute or statutory provision) will be construed as references to such enactment and any re-enactments, replacements, or modifications thereto made from time to time;
- 1.2.7 the words "herein", "hereto", "hereof" and other similar words refer to this Agreement as a whole and not to any particular provision of this Agreement;
- 1.2.8 the word "procure" in this Agreement will mean the taking of all required actions or refraining from taking actions for the achievement of a particular result to the extent permitted by Bulgarian Law;
- 1.2.9 if a date as provided for in this Agreement falls on a day that is not a Business Day, such date will be deemed to be the next Business Day after such date; and
- 1.2.10 the rule known as the *eiusdem generis* rule will not apply and accordingly:
- (a) general words introduced by the words and phrases such as "include", "including", "other" and "in particular" will not be given a restrictive meaning or limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible; and
 - (b) general words will not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; and references to writing includes any method of reproducing words in a legible and non-transitory form.

2 Subject of the Agreement

2.1 Privatisation Sale

On and subject to the terms of this Agreement, the Seller agrees to sell and the Buyer agrees to purchase the Sale Shares at Completion, free and clear from Encumbrances and together with all rights and obligations attaching to them as of Completion.

2.2 Purchase Price

The purchase price (the "Purchase Price") for the Sale Shares will be EUR 281,500,000 (two hundred and eighty one million and five hundred thousand Euro), allocated as follows:

- 2.2.1 EUR 188,793,000 (one hundred and eighty eight million and seven hundred and ninety three thousand Euro) for Company 1 Shares (equivalent to EUR 1,461.517 (one thousand four hundred and sixty one and five hundred and seventeen thousandths Euro) per Share for Company 1);
- 2.2.2 EUR 35,689,000 (thirty five million and six hundred and eighty nine thousand Euro) for Company 2 Shares (equivalent to EUR 247.869 (two hundred and forty seven and eight hundred and sixty nine thousandths Euro) per Share for Company 2); and
- 2.2.3 EUR 57,018,000 (fifty seven million and eighteen thousand Euro) for Company 3 Shares (equivalent to EUR 705.65 (seven hundred and five and sixty five hundredths Euro) per Share for Company 3).

2.3 Payment of the Purchase Price

2.3.1 Deposit

- (a) On the Signing Date, the Buyer shall deposit into the Escrow Account the amount of EUR 56,300,000 (fifty six million and three hundred thousand Euro) (the "Deposit"), representing 20% (twenty percent) of the Purchase Price, to be held by the Escrow Agent pursuant to the terms of the Escrow Agreement.
- (b) Upon receipt by the Seller of written confirmation from the Escrow Agent of the Escrow Agent's receipt of the Deposit, the Seller shall (i) return the Bid Bond to the Buyer (or otherwise cancel the Bid Bond), and (ii) deliver a statement to the Buyer to the effect that the Seller has no further interest in the Bid Bond or that the Bid Bond has been cancelled, as applicable.

2.3.2 Payment of Balance of Purchase Price

The Buyer shall pay an amount equal to the difference between the Purchase Price and the Deposit (the "Amount Due at Completion") pursuant to clause 4.

2.4 Dividends

2.4.1 Financial year 2003

In accordance with Decree No. 30 of the Council of Ministers for the Implementation of the Republic of Bulgaria's Budget for year 2004 (promulgated in State Gazette issue No. 13 of 17 February 2004), the Companies have declared and distributed to the Seller dividends relating to the year ended 31 December 2003 equal to 50% (fifty percent) of the Companies' profits accrued in such year (after mandatory deductions for the Reserves Funds of the Companies). Such dividends are in a total amount of BGN 3,124,696 (three million one hundred and twenty four thousand six hundred and ninety six Bulgarian Leva) for Company 1, BGN 731,526.85 (seven hundred and thirty one thousand five hundred and twenty six and eighty five hundredths Bulgarian Leva) for Company 2 and BGN 2,597,400.98 (two million five hundred and ninety seven thousand four hundred and ninety eight hundredths Bulgarian Leva) for Company 3. In so far as the same (i) have not been paid at the Signing Date and (ii) may be paid in accordance with Applicable Law, the Buyer acknowledges that such payments shall be effected by the Companies prior to Completion. The Seller undertakes to procure that none of the Companies will declare or pay any other dividends relating to the year ended 31 December 2003 prior to Completion.

2.4.2 Financial years 2004 and 2005

The Seller undertakes to procure that none of the Companies will declare or pay any dividends relating to the year ending 31 December 2004 prior to Completion, and any dividends of the Companies with respect to the years ending 31 December 2004 and 31 December 2005, as the case may be ("Post 2003 Dividends"), will be distributed between the Buyer and the Seller in the proportion of their respective shareholdings in the Companies as of the respective dates of declaration of the Post 2003 Dividends.

2.5 Escrow Agreement

The parties shall enter into the Escrow Agreement simultaneously with the execution of this Agreement.

3 Conditions precedent and consequences of conditionality

3.1 Completion of this Agreement by the Seller will be conditional upon fulfilment of the following conditions precedent:

3.1.1 CPC Decision

- (a) the CPC having issued a decision (an "Unconditional CPC Decision") (i) to authorise the privatisation sale of the Sale Shares as contemplated by this Agreement and imposing no restrictions and/or conditions on such sale and such decision having entered into force, or (ii) that

- no permit from the CPC authorising the privatisation sale of the Sale Shares is required under Applicable Law; or
- (b) the CPC having issued a Conditional CPC Decision (as defined in clause 3.2.1), the Buyer having accepted the restrictions and/or conditions pursuant to clause 3.2.1 and such decision having entered into force.
- 3.1.2 the Buyer having fulfilled its pre-completion obligations pursuant to clause 6;
 - 3.1.3 the Buyer's Warranties being true and correct as of both the Signing Date and the Completion Date; and
 - 3.1.4 the Buyer not having been dissolved, not having entered into (or taken steps to enter into) liquidation, administration or administrative receivership and not being insolvent or unable to pay its debts as they become due.
- 3.2 Completion of this Agreement by the Buyer is conditional upon fulfilment of the following conditions precedent:
 - 3.2.1 CPC Decision
 - (a) The CPC having issued an Unconditional CPC Decision and such decision having entered into force; or
 - (b) the CPC having issued a decision authorising the privatisation sale of the Sale Shares as contemplated by this Agreement, but imposing restrictions and/or conditions to such authorisation in accordance with Applicable Law (a "Conditional CPC Decision") and
 - (i) the Buyer, acting in accordance with clause 6.1.2, having accepted such restrictions and/or conditions by providing a written notice to the Seller within 10 (ten) days after the publication of such Conditional CPC Decision in the Bulgarian State Gazette and (ii) the Conditional CPC Decision having entered into force.

In the event that the Buyer may decide not to accept a Conditional CPC Decision, it shall forthwith notify the Seller of such decision by providing a written notice to the Seller to that effect within 10 (ten) days after publication of such decision in the Bulgarian State Gazette, setting out its substantial reasons for not accepting such restrictions and/or conditions. In the event that the Seller either (x) accepts the decision of the Buyer, this Agreement shall terminate and the provisions of clauses 4.6 through 4.8 shall apply, or (y) rejects the decision of the Buyer, the provisions of clause 4.8 shall apply and the matter shall be referred to arbitration pursuant to clause 15 hereof.

 - 3.2.2 Each of the Companies having received licences for distribution and supply of electricity in compliance with paragraph 17 of the Energy Act, and such licenses having been issued for distribution and supply in the territories set out in Schedule 3.2.2 hereto.
 - 3.2.3 Settlement Agreement
 - (a) NEK and each of the seven Bulgarian electricity distribution companies (the "EDCs" and each an "EDC") will have entered into a multi-lateral contractual arrangement (the "Settlement Agreement") in the form attached as Part A of Schedule 3.2.3 to this Agreement; and
 - (b) NEK and the Companies will have entered into an annex to the Settlement Agreement in the form attached as Part B of Schedule 3.2.3 of this Agreement.
 - 3.2.4 The Seller having fulfilled its pre-completion obligations contained at clauses 2.3.1(b), 2.4 and 5.
 - 3.2.5 The Seller Title Warranties (as defined below) being true and correct as of the Completion Date, and all other Seller Warranties being true and correct in all material respects as of the Completion Date, it being agreed that:

- (a) the Seller Warranty contained at clause 12.2.13 will be deemed materially correct unless the Agreement Net Worth is less than 90% (ninety percent) of the Aggregate 2003 B/S Date Net Worth (both as defined in, and to be determined in accordance with clause 10.9); and
 - (b) the Seller Warranty contained in clause 12.2.14 will be deemed materially correct if there are either (i) no proceedings or (ii) to the extent there are proceedings that they do not have a reasonable likelihood of success.
- 3.3 If at any time the Buyer or the Seller becomes aware of a fact or circumstance that might prevent or materially delay any of the Conditions Precedent set out in clauses 3.1 or 3.2, respectively, from being satisfied, such party will promptly notify the other party.
- 3.4 Except for the Conditions Precedent contained at clauses 3.1.1 and 3.2.1 (which both parties agree cannot be waived, except for the condition therein that the CPC Decision should have entered into force, which can be waived only by both parties jointly), the Buyer may waive (to the extent thought fit by the Buyer) all or any of the Conditions Precedent set out in clause 3.2 or any part of them, and the Seller may waive (to the extent thought fit by the Seller) all or any of the Conditions Precedent set out in clause 3.1 or any part of them. Any waiver by the Buyer or the Seller under this clause is without prejudice to any other rights which each of them may have under this Agreement.

4 Completion

- 4.1 If all of the Conditions Precedent have been satisfied or waived (to the extent they can be waived), and if no termination has occurred pursuant to clause 4.6, Completion will take place at the premises of the Seller (or at such other place as the parties may agree) on the Completion Date.

4.2 Actions undertaken on the Condition Date

On the Condition Date, the following will occur:

- 4.2.1 The Buyer and the Seller will each issue a certificate (a "CP Certificate") confirming that, as of the Condition Date, (i) the Conditions Precedent applicable to it (other than those which relate to the Completion Date) have been met (or confirming that it has waived the same in accordance with clause 3.4, as the case may be), (ii) in the case of the Seller, that the Seller's Warranties are true and correct as of the Condition Date, in the case of the Buyer, that the Buyer's Warranties are true and correct as of the Condition Date and (iii) that it has performed those pre-completion obligations hereunder that are to be performed prior to the Condition Date. In the event that either party shall refuse to sign its CP Certificate, the matter shall be referred to arbitration pursuant to clause 15.
- 4.2.2 No later than 3 (three) Business Days following the issuance of the CP Certificates,
 - (a) the Buyer will pay the Amount Due at Completion by electronic funds transfer to the Escrow Agent; and
 - (b) the Buyer will cause the Bank Guarantee to be established in the amount of the Guarantee Amount and will procure that the Guarantee Bank forward the original Bank Guarantee to the Seller and a copy of the Bank Guarantee to the Escrow Agent.
- 4.2.3 Subject to the Buyer fulfilling its obligations referred to in clause 6.2 and upon having received notice from the Escrow Agent that the Buyer has complied with its obligations pursuant to clause 4.2.2, the Seller will before the Completion Date:
 - (a) provide to the Buyer and to the Escrow Agent copies of the resolutions, in each case signed by the Minister of Energy and Energy Resources, (i) amending the By-Laws so that they are in the form of the Restated By-Laws as applicable to each Company, (ii) dismissing the members of the Board of Directors of each of the Companies and (iii) appointing the members of the Supervisory Board (as provided for in the Restated By-laws) in accordance with Schedule 4.3.3;
 - (b) provide to the Buyer, if available, copies of the settlement agreements of the outgoing members of the Companies' Boards of Directors confirming that they do not have any legal or financial

claims against the respective Company. The Seller will undertake reasonable efforts to cause each Company to obtain a settlement agreement from each outgoing member of the Companies' Boards of Directors, and in the absence of any such settlement agreement from a director the Seller shall indemnify the Buyer against any claim in relation to his dismissal as a member of such Company's Board of Directors brought by such director; and

- (c) procure that the appropriate filings with the commercial courts are made by each Company for the registration in the respective commercial register in the jurisdiction of such Company of the changes to such Company's corporate status reflecting the resolutions at clause 4.2.3(a) as well as the appointment of the Company's new Management Board and Executive Directors (nominated by the Buyer as provided for in the Shareholders Agreement applicable to such Company).

4.3 On the Completion Date, the following actions will be undertaken in the order stated below:

- 4.3.1 the Seller will provide to the Buyer, with a copy to the Escrow Agent, an Officer's Certificate confirming that the Seller Title Warranties are true and correct as of the Completion Date, that the other Seller's Warranties are true and correct in all material respects as of the Completion Date and that the Seller has performed its pre-completion obligations contained at clauses 2.3.1(b), 2.4 and 5;
- 4.3.2 the Buyer will provide to the Seller, with a copy to the Escrow Agent, an Officer's Certificate confirming that the Buyer's Warranties are true and correct as of the Completion Date and that the Buyer has performed its pre-completion obligations contained at clause 6;
- 4.3.3 the Seller will provide to the Buyer, with a copy to the Escrow Agent, copies of the court decisions certified by the competent courts ordering the registration of the matters referred to in clause 4.2.3(c); and
- 4.3.4 the Seller will endorse the Temporary Share Certificates relating to the Sale Shares to the Buyer's name and deliver the endorsed Temporary Share Certificates to the Buyer and will provide a copy thereof to the Escrow Agent.

4.4 Deferral

- 4.4.1 Subject to clause 4.4.2, if either the Seller or the Buyer (as the case may be, the "Affected Party") fails to comply with any of its obligations under the preceding provisions of this clause 4 on the Completion Date other than the Seller's obligation pursuant to clause 4.3.3, then the other (the "Unaffected Party") may, at its option and with notice to the Affected Party:
 - (a) defer Completion by 15 (fifteen) days (provided always that such deferral shall not extend beyond the Long Stop Date), in which case both the Affected Party and the Unaffected Party will provide notice to the Escrow Agent of such extension; or
 - (b) proceed to Completion so far as practicable but without prejudice to the Unaffected Party's rights where the Affected Party has not complied with its obligations under this Agreement.
- 4.4.2 In the event the Seller is unable to fulfil its obligation pursuant to clause 4.3.3 because of a delay by any court to make the registrations referred to in clause 4.2.3(c) for reasons outside the reasonable control of the Seller or the Company with respect to which such registration is to be made, the Seller shall be entitled to defer Completion until completion of the delayed registration provided that the Buyer will have received copies of the filings made by each Company as referred to in clause 4.2.3(c) (provided always that such deferral shall not extend beyond the Long Stop Date), unless the Buyer shall have agreed in writing to proceed with Completion without waiting for such registration to be made, in which case 2 (two) original copies of such written agreement shall be provided to the Seller. The Seller shall notify the Escrow Agent of any such deferral and such deferral shall be on a rolling 7 (seven) day basis.
- 4.5 If the Buyer fails to comply with any of its obligations under clause 4.2.1 or 4.2.2 as a result of which Completion is deferred or extended pursuant to clause 4.4.1(a), the Buyer shall pay to the Seller statutory interest for delay on the Amount Due at Completion,

calculated from the date of due payment until the

date on which such amount is paid. Such payment shall be without prejudice to any other remedies the Seller may have against the Buyer.

4.6 Termination

If all Conditions Precedent are not fulfilled or waived (if capable of being waived) on or before the date occurring 10 (ten) Business Days prior to the Long Stop Date, then this Agreement will terminate and clause 4.7 will apply, provided always that in the event that (i) the CPC Decision referred to in clauses 3.1.1 and 3.2.1 has been issued but has not yet entered into force and the parties have not jointly waived such entry into force as a Condition Precedent in accordance with clause 3.4 (or the CPC has issued a refusal to authorise the privatisation sale of the Sale Shares as contemplated by this Agreement and such refusal, having been appealed by the Buyer, the Seller or both, has not yet been finalised) and (ii) all other Conditions Precedent have been duly satisfied, then the Long Stop Date shall automatically be extended for a period of 6 months to 31 October 2005.

4.7 Effect of Termination

In the event of a termination pursuant to clauses 3.2.1 or 4.6 above, all of the provisions of this Agreement will terminate, except for clauses 4.8 (which will terminate only once the obligations provided for therein have been performed) and clauses 14 through 16, which will remain in full force and effect. Termination pursuant to this clause is without prejudice to a party's right to claim damages against the other party for a breach of the other party's obligations contained at clauses 5 and 6.

4.8 Deposit

- 4.8.1 Subject to clause 4.8.2, (a) if Completion does not occur as a result of a breach by the Buyer of its obligations under this Agreement, then the Deposit (together with any interest accrued thereon) will be paid to the Seller as a penalty (liquidated damages) from the Escrow Account and (b), if Completion does not occur as a result of any reason other than as stated at clause 4.8.1(a) above, then the Deposit plus the Amount Due at Completion if the Buyer has already paid over the Amount Due at Completion (together with any interest accrued thereon) will be returned to the Buyer, all in accordance with the terms of the Escrow Agreement.
- 4.8.2 Subject to clause 4.8.3, if (a) Completion does not occur solely as a result of the Condition Precedent set out in clause 3.2.1(b) not being satisfied as a result of the Buyer not having accepted a condition and/or restriction as part of a Conditional CPC Decision on the basis that such condition and/or restriction would have had either (i) a material adverse economic impact on the Buyer, acting reasonably or (ii) a material adverse impact on the Companies in the aggregate (to be determined in accordance with clause 6.1.2) and (b) the Seller agrees with the Buyer's determination in accordance with clause 4.8.4 below, then the Deposit (together with any interest earned thereon) will be paid from the Escrow Account to the Buyer.
- 4.8.3 If the Seller receives notice pursuant to clause 3.2.1 that Completion will not occur solely as a result of the Condition Precedent set out in clause 3.2.1(b) not being satisfied and the Buyer is unable to prove, if applicable in an arbitration pursuant to clause 4.8.4, that such Conditional CPC Decision would have had a material adverse economic impact on the Buyer or the Companies as defined in clause 6.1.2, then the Seller shall be entitled to an amount of EUR 5,000,000 (five million Euro) (together with any interest earned thereon) from the Escrow Account (as liquidated damages). If the Buyer has acted fraudulently, with gross negligence or with wilful misconduct in making its determination as to whether such Conditional CPC Decision would have a material adverse economic impact on the Buyer or the Companies as defined in clause 6.1.2, then the Seller shall be entitled to an additional EUR 10,000,000 (ten million Euro) (together with any interest earned thereon) from the Escrow Account (as liquidated damages). Any moneys remaining to the credit of the Escrow Account (together with any interest earned thereon) shall belong to the Buyer, and shall be paid over to the Buyer in accordance with the procedure set out in clause 4.8.4 and the terms of the Escrow Agreement.
- 4.8.4 If the Seller receives notice from the Buyer pursuant to clause 3.2.1 that Completion will not occur solely as a result of the failure of the Condition Precedent set out in clause 3.2.1(b), the Seller shall have 30 (thirty) Business Days to either accept or reject the Buyer's

underlying determination provided that the Buyer agrees promptly to provide the Seller with any information or clarification reasonably

requested by the Seller in connection with such notice. If the Seller fails to notify the Buyer within the aforementioned period, the Seller shall be deemed to have accepted the Buyer's determination and the provisions of clause 4.8.2 shall apply. If the Seller desires to challenge the Buyer's decision in this regard, the Seller shall notify the Buyer as set out above and may initiate arbitration proceedings in accordance with clause 15 of this Agreement. With respect to such arbitration proceedings, the following additional provisions shall apply:

- (a) If (i) the Seller commences arbitration proceedings in accordance with this clause, and (ii) the Seller specifies in its initial declaration commencing arbitration proceedings that it desires to claim that the Buyer has acted fraudulently, with gross negligence or with wilful misconduct in making its determination as to whether such Conditional CPC Decision would have a material adverse economic impact on the Buyer or the Companies, an amount equal to the Deposit less EUR 15,000,000 (fifteen million Euro) (together with interest accrued thereon) will be paid to the Buyer at the commencement of such proceedings; and provided further that an amount equal to EUR 10,000,000 (ten million Euro) (together with interest accrued thereon) will be paid to the Buyer from the Escrow Account as soon as the Buyer, bearing costs, posts a bank guarantee from the Guarantee Bank (or such other bank acceptable to the Seller) in favour of the Seller, pursuant to terms substantially similar to the Bank Guarantee and reflecting the terms of this clause, in the amount of EUR 10,000,000 (ten million Euro) until such proceeding has been settled, terminated or finally determined.
- (b) If (i) the Seller commences arbitration proceedings pursuant to this clause, and (ii) the Seller does not claim in its initial declaration commencing arbitration proceedings that it desires to claim that the Buyer has acted fraudulently, with gross negligence or with wilful misconduct in making its determination as to whether such Conditional CPC Decision would have a material adverse economic impact on the Buyer or the Companies, an amount equal to the Deposit less EUR 5,000,000 (five million Euro) (together with any interest earned thereon) will be paid from the Escrow Account to the Buyer at the commencement of such proceedings.
- (c) If applicable, the arbitrator's award shall set forth whether the Buyer has acted fraudulently, with gross negligence or with wilful misconduct in making its determination as to whether such Conditional CPC Decision would have a material adverse economic impact on the Buyer or the Companies and will finally determine the amounts to which the Buyer and the Seller are entitled pursuant to clause 4.8.3. For the avoidance of doubt, the arbitrator in giving its decision shall act as an expert and not as an arbitrator.

4.8.5 Where a matter is referred to arbitration pursuant to the terms of this Agreement, the Deposit, if subject to such arbitration, shall be paid as is provided for in the arbitration award.

4.8.6 If following the provision of the bank guarantee referred to in clause 4.8.4(a) above the Seller loses such arbitration then the Seller will pay the reasonable costs of the Buyer incurred in providing the said bank guarantee.

5 Seller's Pre-Completion Covenants

5.1 Observer

5.1.1 During the Pre-Completion Period (or until the earlier termination of this Agreement), (i) the Seller will procure that the Companies will carry on their respective businesses in the ordinary course consistent with past practice (ii) the Buyer will, upon 3 (three) Business Days written notice, be allowed access to the Companies and to meet with management and (iii) the Buyer will be entitled to have an authorised representative attend any meeting of the Boards of Directors of the Companies as an observer (such authorised representative being referred to as an "Observer"). The Seller agrees to procure that the Companies will, at least 3 (three) Business Days in advance of each such meeting, provide the Buyer with notice of such meeting, together with copies of documents and materials distributed to the members of the Board of Directors with respect to such meeting.

5.1.2 The Seller agrees to procure that the Companies will provide the Observer with copies of the SERC 2005 Filings (together with all

supplements and correspondence to and from SERC generated in connection therewith) in advance of the same being filed with the SERC and that each Company will

give its Observer a reasonable period of time to comment upon the SERC 2005 Filings and such additional supplements and correspondence. The Seller also will procure that the Observer will have an opportunity to, upon reasonable notice, (i) have access to such information and personnel as the Observer may reasonably request in connection with the SERC 2005 Filings and the underlying information upon which the same have been prepared, (ii) deliver and discuss with the Executive Director of such Company the Buyer's comments on such filings and (iii) participate in all meetings between the Companies and the SERC in relation to the SERC 2005 Filings. The Seller further agrees to procure that each Company will provide the Observer with a copy of any written communication by the SERC in response to any such filings within 2 (two) Business Days of the same being received and to provide the Observer with an opportunity to comment on any response to such communication. The Seller also agrees to procure that the Companies will agree to include in the SERC 2005 Filings a statement to the effect that the Companies intend to introduce and implement new investment programmes and that they would like such investment programmes to be taken into account by the SERC with a view to introducing subsequent changes to the prices to be applied by the Companies in 2005 and thereafter.

5.2 Except as otherwise expressly provided for in this Agreement or consented to or approved in writing by the Buyer, or imposed by Applicable Law, the Seller will procure that during the Pre-Completion Period the Companies will not undertake any of the following actions without the prior written consent of the Buyer:

- 5.2.1 the change of a Company name or an alteration of its By-Laws (save for any resolution to adopt the Restated By-Laws);
- 5.2.2 the issue or agreement to issue any Shares of a Company, the grant or agreement to grant rights which confer on the holder any right to acquire or subscribe any such Shares, the change in the type, form, nominal value or any rights attaching to any of the Shares of a Company, or subjecting Company share capital or any Share or voting interests to any Encumbrance;
- 5.2.3 the repayment, redemption, purchase of its own shares or reduction of any of the share capital of a Company;
- 5.2.4 any resolution of a Company to be voluntarily liquidated;
- 5.2.5 change of the Registered Auditors of each Company;
- 5.2.6 change of (i) accounting principles or (ii) material accounting policies (in each case other than as required by IFRS or Applicable Law), provided that for the purposes of clause 5.2.6(ii), the term "material accounting policies" shall mean those accounting policies which are required to be disclosed in the footnotes to financial statements prepared in accordance with IFRS;
- 5.2.7 the entering into transactions or series of related transactions where the consideration of such transaction is in excess of 2% (two percent) of the balance sheet value of the assets of each such Company as of 31 December 2003, measured pursuant to the IFRS;
- 5.2.8 (a) the entering into an agreement to incur Indebtedness or the creation of any Encumbrance over any of such Company's properties or assets, (b) the amending or extending of any terms of any agreements related to Indebtedness or Encumbrances entered into prior to the Signing Date and (c) the drawing of any Indebtedness pursuant to any agreements related to Indebtedness entered into prior to the Signing Date, in each case in an amount exceeding 5% (five percent) of the balance sheet value of the assets of each such Company as of 31 December 2003, measured pursuant to IFRS;
- 5.2.9 the sale, assignment, transfer or disposal of any material assets to third persons, provided that, for the purposes of this clause 5.2.9, the term "material" shall mean and include (i) any network assets of the Companies with an individual value of in excess of EUR 25,000 (twenty five thousand Euro) and (ii) other assets with an individual value of in excess of EUR 250,000 (two hundred and fifty thousand Euro);
- 5.2.10 the entering into agreements or transactions or series of related agreements or transactions outside of the ordinary course of business the consideration for which exceeds EUR 50,000 (fifty thousand Euro);

- 5.2.11 the taking of any action that would cause (i) any licence required pursuant to the Energy Act once granted or (ii) any other material licence required to operate the business of the Companies to be terminated;
 - 5.2.12 the increase in the number of a Company's employees as from the Signing Date, the change of the terms of any collective labour agreement applicable to any Company or any existing employment agreement for any Company employee or the making of any new employment agreement or collective labour agreement applicable to any Company, except that, for clarification, a Company may replace (on terms substantially similar) employees whose employment relationship is terminated by resignation, removal, retirement or otherwise and may increase the compensation of its employees in accordance with past Company practice;
 - 5.2.13 the issue of bonds or other debt instruments;
 - 5.2.14 acquisition of or consolidation with any other entity or undergoing any other form of a reorganisation; or
 - 5.2.15 the entering into, or the agreement to enter into, any transaction that is not on an arms' length basis.
- 5.3 For the purposes of clause 5.2, the Buyer will be deemed to have given its consent if the Seller or the Company to which such action applies, will have submitted a written request with relevant supporting documentation to the Buyer requesting its consent to a particular course of action and the Buyer has not provided any instruction to such request by the expiry of the 15th (fifteenth) Business Day after the date of receipt by the Buyer of the original request, provided that the Buyer will have received a repeat request no later than 5 (five) Business Days prior to expiry of such period. Notwithstanding the foregoing, if a response from the Buyer is required within a shorter period than is set out above as a result of public procurement requirements under Applicable Law, the Buyer shall respond to such request from the Seller or the Company within such time period so as to allow the Companies to comply with Applicable Law. In any event, the Observer, if attending the Board of Directors meeting or a General Meeting, may consent in writing on behalf of the Buyer to any action pursuant to clause 5.2. Any such requests shall comply with the notice provisions set out in clause 16.7.
- 5.4 The Seller agrees to provide to the CPC all the information, documents and assistance that the CPC may require from the Seller, in accordance with the Applicable Law, in connection with the approval set out in clauses 3.1.1 and 3.2.1, as well as to procure that the Companies, NEK and any other Governmental Entities will provide such information, documents and assistance as required by the CPC from the Companies, NEK and any other Governmental Entities in accordance with the Applicable Law.
- 5.5 The Seller undertakes to notify the Buyer in writing if it becomes aware of any circumstance arising during the Pre-Completion Period which would cause any of the warranties contained in clause 12 to become untrue or inaccurate in any material respect.
- 6 Buyer's Pre-Completion Covenants
- 6.1 CPC Matters
- 6.1.1 The Buyer warrants to the Seller that, within 7 (seven) days after being declared the Winning Bidder with respect to the Sale Shares under the Tender Regulations, the Buyer filed an application with the CPC for the issuance of a CPC Decision. The Buyer warrants that such application contained all such material information as was reasonably available to the Buyer at the time the application was filed. The Buyer agrees to provide to the CPC all such additional information and take all such other actions as the CPC may require in accordance with the Applicable Law in connection with such application so as to do anything that it can reasonably do to ensure the due and timely issuance of a CPC Decision as soon as possible after the Signing Date.
- 6.1.2 Subject to the provisions of clause 3.2.1, the Buyer undertakes to exercise its right not to accept any restrictions and/or conditions of a Conditional CPC Decision and not to proceed to Completion if such restrictions and/or conditions would have a material adverse economic impact either on the Companies in the aggregate as set out below or on the Buyer (acting reasonably). For the purposes of this Agreement, the parties agree that a Conditional CPC Decision will be deemed to have a material

adverse impact on the Companies if the conditions or restrictions imposed as part of such Conditional CPC Decision would adversely affect (i) the net asset value, (ii) the annual revenues, or (iii) the annual earnings before interest, taxes, depreciation and amortization measured pursuant to IFRS, in each case by more than 10% (ten percent) when measured against the Financial Statements of the Companies for 2003 in the aggregate; the foregoing notwithstanding, however, the parties agree that any conditions and/or restrictions imposed by the CPC which are already imposed by the Energy Act and/or any other Applicable Law will be deemed not to have a material adverse impact on a Company.

6.2 The Buyer undertakes to procure that the new members of the Supervisory Board and the Management Board nominated by the Buyer sign the necessary documents for applying for the courts decisions, ordering the registration of the Supervisory Board, the Management Board and the Executive Directors (if any) of each of the Companies in due time when requested by the Seller (and in any event not later than 3 (three) Business Days after the Condition Date) so as not to prejudice the Seller's ability to fulfil its obligations pursuant to clause 4.2.3(c).

6.3 The Buyer undertakes to notify the Seller in writing if it becomes aware of any circumstance arising during the Pre-Completion Period which would cause any of the warranties contained in clause 13 to become untrue or inaccurate in any material respect.

7 Mutual Pre-Completion Covenants

7.1 During the Pre-Completion Period, the Buyer and the Seller agree to keep each other informed of the progress of all applications and filings made with respect to this Agreement with any Governmental Entity.

7.2 Each party undertakes to notify the other as soon as reasonably practicable of the satisfaction or waiver in accordance with its terms of all of their respective Conditions Precedent.

8 Buyer's Post-Completion Covenants

8.1 Certain Restrictions as to Transfers of Buyer Shares

- 8.1.1 Subject to clauses 8.1.2, 8.1.3 and 8.1.4, the Buyer agrees that, during the period beginning at Completion and ending on 31 December 2008 (the "Buyer Lock-in Period"), it will not Transfer any Buyer Share.
- 8.1.2 Notwithstanding the provisions of clause 8.1.1, the Buyer may Transfer any number of the Buyer Shares to a Permitted Transferee so long as the Buyer always retains at least 51% (fifty one percent) or more of all shares of a Company. If the Buyer makes such a Transfer, it will provide written notice of such Transfer to the Seller at least 10 (ten) Business Days prior to making such Transfer.
- 8.1.3 Notwithstanding the provisions of clause 8.1.1, the Buyer may Transfer any Buyer Share to a Majority-owned Buyer Affiliate (as defined below), provided that (i) such Majority-owned Buyer Affiliate has experience in the energy sector, (ii) such Transfer does not have the effect of the Buyer, the Buyer together with such Majority-owned Buyer Affiliate or the Majority-owned Buyer Affiliate owning a lesser proportionate amount of the shares of such Company after such Transfer has become effective than the Buyer owned immediately prior to such Transfer and (iii) the Buyer has obtained the prior consent of the Seller (who will consult with the Minister prior to giving or withholding such consent) with respect to such Transfer.
- (a) If the Buyer intends to effect a Transfer under this clause 8.1.3, it will provide a written notice of such Transfer to the Seller and the Minister at least 30 (thirty) Business Days prior to the date of the intended Transfer. If the Seller consents to such Transfer, (i) the Buyer undertakes to procure that such Majority-owned Buyer Affiliate will assume (within the meaning of Art. 101 of the OCA) the Buyer's obligations under this Agreement and will become a party to this Agreement and any Shareholders Agreement or other agreement applicable to such Shares as a condition precedent to such Transfer taking effect.

- (b) In addition, if the Buyer intends to make a Transfer under this clause 8.1.3, the Buyer will procure that such Majority-owned Buyer Affiliate will not undergo a Change in Ownership Status during the Buyer Lock-in Period.
- (c) For the purpose of this clause 8.1.3, the Seller's consent to the Transfer of Buyer Shares is deemed given only in the following circumstances:
 - (i) the Buyer establishes a Majority-owned Buyer Affiliate (being a Bulgarian legal entity) and the Buyer subsequently either (a) causes the merger or consolidation of one or more of the Companies into such entity or (b) causes such entity to acquire all of the Buyer's Shares in one or more of the Companies, provided always that the Buyer may not establish more than one such entity;
 - (ii) the Buyer merges the Companies so as to form one entity comprising of the business of all of the Companies; or
 - (iii) the Buyer causes a reorganisation of one or more of the Companies as required by Applicable Law.
- (d) The consent provided for in clause (c) is deemed given only if (A) such acquisition, merger, consolidation or reorganisation does not have a dilutive effect on the Remaining Seller Shares owned by the Republic immediately preceding such transaction before and after such acquisition, merger, consolidation or reorganisation takes effect; (B) such acquisition, merger, consolidation or reorganisation does not have the direct or indirect effect of any party other than the Buyer, the Buyer and a Majority-owned Buyer Affiliate or a Majority-owned Buyer Affiliate obtaining any equity interest in any of the Companies; (C) the Republic is given at least 30 (thirty) Business Days' prior written notice of such acquisition, merger, consolidation or reorganisation which notice will describe such acquisition, merger, consolidation or reorganisation in reasonable detail and will confirm and explain in reasonable detail that the conditions contained in this clause are met as well as all of the other obligations of the Buyer under clause 8.1.3; and (D) the Republic's rights under clause 8.1.4 are preserved.
- (e) For purposes of this clause 8.1, the following definitions will apply:
 - (i) "Majority-owned Buyer Affiliate" means any legal entity with respect to which either (a) the Buyer or (b) the Buyer's ultimate parent company both (i) owns an absolute majority of all shares (voting and non-voting) and other ownership interests in such legal entity (but at a minimum more than 50% (fifty percent) of all of the foregoing) so that no minority shareholder of such legal entity has the right to prevent a decision from being taken that the Buyer (or its ultimate parent) desires to take in its capacity as majority shareholder (whether at a general meeting, by resolution or otherwise) of such entity and (ii) possesses, through a sufficient majority on such legal entity's governing board, the power to fully control all management and policies of such legal entity's governing boards so that no member of such governing board who has not been appointed by the Buyer or its ultimate parent has the ability to prevent a decision from being taken that the Buyer's (or its ultimate parent's) governing board representatives desire to take in their capacity as members on such governing board.
 - (ii) A legal entity's "governing board" means its management board, its supervisory board, both its management and supervisory boards, or its board of directors, as the case may be depending on the legal structure and organisational jurisdiction of such legal entity.
 - (iii) "Change in Ownership Status" with respect to a Majority-owned Buyer Affiliate means, in each case by means of a single transaction or a series of related transactions, any one or more of (i) the sale of all or substantially all of the assets of such Majority-owned Buyer Affiliate to any person not also a Majority-owned Buyer Affiliate, (ii) the completion of any consolidation, merger or other transformation involving such Majority-owned Buyer Affiliate (unless such consolidation, merger or other transformation involves only entities all

of which, before and after such consolidation, merger or other transformation takes effect, are Majority-owned Buyer Affiliates), (iii) the issuance, assignment, sale, Transfer

or other disposal (by contract or otherwise) of any equity interest or any voting right in such Majority-owned Buyer Affiliate to any person not also a Majority-owned Buyer Affiliate or (iv) the Majority-owned Buyer Affiliate otherwise ceasing to be a Majority-owned Buyer Affiliate as defined herein.

8.1.4 During the Buyer Lock-in Period, the Buyer undertakes to vote the Buyer Shares at any general meeting of a Company and to cause all members of a Company's Supervisory and Management Boards nominated by the Buyer to vote at any meetings of such boards in a manner ensuring that a Company will not undergo (i) any capital increase, capital reduction, or other change in shareholding structure and (ii) any reorganisation (including pursuant to section 8.1.3(c)), notwithstanding the manner in which such reorganisation will be accomplished (including but not limited to splitting, separation of a new entity, transfer of ongoing concern, asset transfer, etc.) and/or liquidation (each a "Capital Event") having the effect that any person other than shareholders holding Shares immediately prior to such Capital Event becomes the owner, holder or beneficiary of any Shares. The Buyer agrees that in the event of any Capital Event (including following reorganisation of the Companies in accordance with ss. 17(1) of the Transitional and Final Provisions of the Energy Act), then this Agreement is hereby deemed modified so that the provisions of this clause 8 continue to apply to the Shares held in a Company in its altered form or to all shares held by the Buyer in the Company's successor, as the case may be.

8.1.5 Liquidated Damages

- (a) Subject to clause (b) below, if the Buyer breaches any of its obligations to the Seller contained at clauses 8.1.1 through 8.1.4 above, the Buyer will pay to the Seller a penalty (liquidated damages) of an amount equal to 100% (one hundred percent) of the amount of the Purchase Price apportioned (pursuant to clause 2.2 of this Agreement) to that Company with respect to which there has been a breach of these obligations.
- (b) In relation to any breach of clause (a), (i) the Buyer shall be given a period of 45 (forty five) days to remedy such breach to the reasonable satisfaction of the Seller, such 45 (forty five) day period to run from the earlier of (A) the date on which the Buyer was notified by the Seller of such breach and (B) the date on which the Buyer knew or should have reasonably known of any such breach and (ii) in relation to the notification periods set out in clauses 8.1.2 and 8.1.3 above, any penalty which directly relates to a delay in notification (but not the actual breach itself) shall incur a "fine" of EUR 1,000 (one thousand Euro) per Business Day of delay, which will be the exclusive remedy of the Seller with respect to such delay in notification.

8.1.6 No Off-Shore Holding Company

Notwithstanding any other provision to the contrary contained in this clause 8, at no time will any Buyer Share be held through an affiliate of the Buyer which is an Off-Shore Entity and any Transfer to any affiliate of the Buyer shall be subject to the condition precedent that such affiliate is not an Off-Shore Entity. For purposes of this Agreement, an "Off-Shore Entity" is a business entity which is organized in a jurisdiction where (a) such entity has no operations other than the holding or administration of ownership interests in other business entities and (b) such entity receives material tax benefits not otherwise available to companies having operations in such jurisdiction beyond the holding or administration of ownership interests.

8.1.7 The Buyer agrees to procure that the Companies will not issue any bearer shares before the end of the Buyer Lock-in Period.

8.2 Social Obligations

8.2.1 Subject to clause 8.2.3, if Completion occurs during the 2004 calendar year, the Buyer will not, and will cause each Company not to, reduce the amount of Labour-related Expenses of each Company in each of the financial years ended 31 December 2004, 2005 and 2006 below the amount of Labour-related Expenses that such Company has incurred during the year ended 31 December 2003 ("2003 Base Labour-related Expenses"). If Completion occurs during the 2005 calendar year, the Buyer will not, and will cause each Company not to, reduce the amount of Labour-related Expenses of each Company in each of the financial years ended 31 December 2005 and 2006 below the amount of the 2004 Base

Labour-related Expenses. For the purposes of this clause 8.2, the "2004 Base Labour-related Expenses" means the 2003 Base Labour-related Expenses increased by 5% (five percent).

- 8.2.2 For the purposes of clause 8.2, "Labour-related Expenses" means (measured pursuant to IFRS) (i) the total costs and expenses for salaries and other remuneration (not including expense reimbursements) under employment and service contracts for each of the Companies' personnel, (ii) employment benefits associated with such costs and expenses and (iii) costs related to training, education and maintaining professional qualifications.
- 8.2.3 For clarification, the above provisions apply even where there have occurred Ordinary Labour Departures. Accordingly, the Buyer will cause such Company to apply any savings in Labour-related Expenses related to Ordinary Labour Departures to (i) employment benefits or (ii) additional training, education and maintaining or improving professional qualifications of employees who remain with the Company, so that the total amount of Labour-related Expenses incurred during a financial year equals or exceeds the 2003 Base Labour-related Expenses, or the 2004 Base Labour-related Expenses, as the case may be, irrespective of an Ordinary Labour Departure having occurred. For the purposes of this clause, an "Ordinary Labour Departure" means the termination of an employee's employment with a Company due to (a) bona fide disciplinary dismissal, (b) regularly scheduled or voluntary retirement, or (c) such employee's resignation or other voluntary departure.
- 8.2.4 For the avoidance of doubt, the Buyer will not be subject to any social obligation under this Agreement other than those included in this clause 8.2.
- 8.2.5 Liquidated Damages
- For each financial year with respect to which the Buyer breaches its obligations pursuant to clause 8.2.1 (and always provided that the Buyer has not remedied such breach prior to 30 April of the following year), the Buyer will pay to the Seller a penalty (liquidated damages) in an amount equal to 150% (one hundred-fifty percent) of the amount resulting by subtracting (i) the actual Labour-related Expenses incurred during a financial year with respect to which the obligation of clause 8.2.1 applies from (ii) the 2003 Labour-related Expenses or the 2004 Labour-related Expenses, as the case may be.
- 8.2.6 Until the expiration of the obligations pursuant to clause 8.2.1 above, the Buyer agrees not to change any accounting policies, practices or estimates as they relate to or affect Labour-related Expenses without the prior written consent of the Republic.
- 8.2.7 The parties will act reasonably with regard to the social obligations under this clause 8.2 where the CPC issues a Conditional CPC Decision directly impacting the number of persons to be employed by the Companies.

8.3 Obligations for Assistance

- 8.3.1 The Buyer agrees to assist the Seller in receiving relevant information about the performance of the Buyer's obligations under this Agreement and in making the required inspections of the Companies and their relevant documentation (including through ensuring access to the Companies) for the duration of the obligations of the Buyer assumed under this Agreement in accordance with Applicable Law. The Seller will notify the Buyer of such inspections in advance and will maintain information obtained during the course of such inspections confidential in accordance with Applicable Law.
- 8.3.2 The Buyer undertakes that, on or before 30 June of each calendar year and at its expense, it will submit to the Post-Privatisation Control Agency a written report (in the Bulgarian language) confirming in detail its performance of and compliance with the obligations assumed by it under this clause 8.
- 8.3.3 If the Buyer breaches its obligations pursuant to clauses 8.3.1 or 8.3.2 and the Buyer fails to remedy such breach within 30 (thirty) days of receipt of a written notice from the Post-Privatisation Control Agency, the Buyer will pay to the Seller a penalty (liquidated damages) in an amount equal to EUR 1,000 (one thousand Euro) for each instance of non-compliance. In addition, (a) with respect to any breach of clause 8.3.1 that occurs more than once in a given financial year (and the Buyer fails to remedy the breach as set out above) or (b) if the Buyer does not amend, supplement or correct a report pursuant to a written request acting in accordance with

Post-Privatisation Control Agency, the Buyer will pay to the Seller a penalty (liquidated damages) in an additional amount equal to EUR 10,000 (ten thousand Euro) for each instance of non-compliance.

- 8.3.4 The Buyer undertakes not to suspend the provision of any services, which the Companies are obliged to provide in accordance with their licences issued by the SERC pursuant to the Energy Act.

9 Seller's Post-Completion Covenants

9.1 Certain Restrictions as to Transfers of Shares held by Republic

- 9.1.1 The Seller agrees that, during the period beginning at Completion and ending on 31 December 2008 (the "Seller Lock-in Period"), it will not Transfer any of the Remaining Seller Shares without having first obtained the written consent of the Buyer. For the purposes of this clause 9.1.1, the Buyer will be deemed to have given its consent if the Seller, will have submitted a written request to the Buyer requesting its consent to a particular course of action and the Buyer has not provided any instruction to such request by the expiry of the 30th (thirtieth) Business Day after the date of receipt by the Buyer of the original request, provided that the Buyer will have received a repeat request no later than 10 (ten) Business Days prior to the expiry of such period. Any such requests shall comply with the notice provisions of clause 16.7 hereof.

- 9.1.2 During the Seller Lock-in Period, the provisions of clauses 9.2, 9.3 and 9.4 shall be subject to the provisions of clause 9.1.1.

9.2 Right of First Refusal

- 9.2.1 The parties acknowledge that Applicable Law presently in effect does not permit the Seller to grant the Buyer any right of first offer or right of first refusal to purchase any of the Remaining Seller Shares. Accordingly, the provisions contained in this clause, as well as the provisions of clauses 9.3 and 9.4, will be given effect only if the Applicable Law is changed so as to allow the applicability of such clauses.

- 9.2.2 If the Seller desires to Transfer all or any portion of its Remaining Seller Shares to a person other than to the Buyer, it will obtain from such third party purchaser ("Third Party Purchaser") a bona fide written offer to purchase such Remaining Seller Share, stating the terms and conditions upon which the purchase is to be made and the consideration offered therefore ("Third Party Offer"), accompanied by a copy of the Third Party Offer. The Seller will deliver the Third Party Offer to the Buyer (a "Notice of Sale").

- 9.2.3 The Buyer will have the right ("Buy Right") to purchase all, but not less than all, of the Remaining Seller Shares subject to the Third Party Offer. The Buy Right may be exercised by the Buyer by giving written notification ("Buy Notice") to the Seller within 30 (thirty) days after receiving the Notice of Sale ("Refusal Period"). If the Buyer does not provide a Buy Notice within the Refusal Period, the Seller will be entitled to consummate the sale upon terms no less favourable than are set forth in the Third Party Offer. If the Buyer provides a Buy Notice within the Refusal Period, the Buyer will designate a reasonable time, date and place (to be within Bulgaria) of closing of such sale, provided that the date of closing will be within 30 (thirty) days after the receipt of the Buy Notice. At the closing, the Buyer will purchase, and the Seller will sell, the Remaining Seller Shares subject to the Third Party Offer for an amount equal to the purchase price contained in the Third Party Offer and in accordance with such other terms and conditions as are set forth in the Third Party Offer.

- 9.2.4 The provisions contained in this clause 9.2 will be effective for so long as the Buyer or a Majority-owned Buyer Affiliate individually or together own at least 50% (fifty percent) plus one of the Shares of a relevant Company and will expire on 31 December 2009.

- 9.3 The sale of any Remaining Seller Shares made pursuant to clause 9.2 will be made at a price per Share at least equal to the price per Share paid by the Buyer for such Company pursuant to clause 2.2 (subject to adjustments due to reorganisations and similar restructurings of the share capital of a Company).

- 9.4 The provisions contained in clause 9.2 will not be given effect if the Seller decides to conduct a public offering for any of the Remaining Seller Shares. In the event the Seller intends to conduct a public

offering for the Remaining Seller Shares, the Seller agrees to provide the Buyer written notice of such intent (a "Public Offer Notice"). The Buyer may, within 30 (thirty) days after its receipt of the Public Offer Notice, make a firm and binding offer to purchase the Remaining Seller Shares, which offer will set forth the purchase price as well as other conditions of such purchase and sale. The Seller will then decide, within 30 (thirty) days, whether to accept the Buyer's offer to acquire the Remaining Seller Shares but shall not be under any obligation to accept such offer. During the period beginning on the date of the Public Offer Notice and ending on the date on which the Seller communicates its written acceptance or rejection of the Buyer's offer, the Seller will not sell the Remaining Seller Shares to any third party and will not conduct such a public offering. The provisions contained in this clause 9.4 will be effective for so long as the Buyer owns at least 50% (fifty percent) plus one of the Shares of any relevant Company and will expire on 31 December 2009.

10 Indemnification by Seller

10.1 General Indemnification

Except as is provided for in clauses 10.2 and 10.3:

- 10.1.1 all Buyer Indemnifiable Seller Warranties (defined below) and the indemnification provided for at clause 10.1.2 will survive Completion and will expire on the Seller Indemnity Termination Date except that (i) the indemnification provided for at clause 10.1.2 as it relates to breaches of the Seller Warranty contained at clause 12.2.10 expires at the end of the period required for the respective Company to acquire title by acquisitive prescription over the asset subject to the dispute underlying such Buyer Claim, but in any event no later than 31 May 2010, and (ii) the indemnification provided for at clause 10.1.3 will expire on the third anniversary of the Completion Date.
- 10.1.2 the Seller will indemnify the Buyer against any Indemnification Damages incurred by the Buyer arising from or in connection with any misrepresentation of any Seller Warranty except the Seller Warranties in clauses 12.2.1, 12.2.2, 12.2.3 and 12.2.11 (together the "Buyer Indemnifiable Seller Warranties"); and
- 10.1.3 (a) the Seller will indemnify the Buyer against any Indemnification Damages incurred by the Buyer arising from or in connection with any Successful repayment claim of a customer of any Company against the latter claiming the return of any amount paid by such customer to such Company under one or more bills for electricity consumed by such customer and supplied to such customer by the Company where the legal basis for such claim is the revocation of any of the increases of the tariffs for electricity for customers of the Companies made pursuant to any SERC decision and applicable to any time period ending on Completion or at the end of the current regulatory period whichever is the first to occur. For the purposes of this clause 10.1.3, "Successful" shall mean a claim (i) which has been honoured by a final judgment of a court of competent jurisdiction, and (ii) which is not subject to any further appeals or challenges whatsoever. The Buyer undertakes to procure that the Companies shall reasonably and diligently defend themselves against any claims referred to above. The amount of any Indemnification Damages owing to the Buyer under this clause 10.1.3 shall accordingly be reduced to take into account any amounts the payment of which the Company could have avoided if the Buyer complied with its obligation under the immediately preceding sentence hereof.

(b) the Buyer agrees that it will not directly or indirectly support, promote, elicit or solicit claims by customers referred to herein so as to be indemnified pursuant to this clause 10.1.3.

10.2 Indemnification for Seller Title Warranties

- 10.2.1 The Seller Warranties made in clauses 12.2.1 to 12.2.3 (inclusive) (the "Seller Title Warranties") and the indemnification provided for at clause 10.2.2 will survive Completion and will expire on the third anniversary of the Completion Date.
- 10.2.2 The Seller will indemnify the Buyer against any Indemnification Damages arising from or in connection with any misrepresentation of any Seller Title Warranty.

10.3 Indemnification for Seller Tax Warranty

10.3.1 The Seller Warranty made in clause 12.2.11 (the "Seller Tax Warranty") and the indemnification provided for at clause 10.3.2 will survive Completion and will expire on 31 December of the fifth year after the year during which Completion occurs (the "Tax Indemnity Expiration Date"); provided, however, that if a Tax Authority has initiated against a Company proceedings related to Tax before the Tax Indemnity Expiration Date, the indemnification provided for at clause 10.3.2 with respect to a Buyer Claim against the Seller relating to such proceedings will survive until the date 2 (two) months after the final settlement of such proceeding.

10.3.2 The Seller will indemnify the Buyer from and against any Indemnification Damages arising from or in connection with the following:

- (a) any misrepresentation of the Seller Tax Warranty; and
- (b) (i) all Taxes arising or occurring for the period beginning on the date of incorporation of such Company and ending on the Completion Date, which Taxes, (A) with respect to the financial years ending prior to or on 31 December 2003, have not been paid or accrued for in the 31 December 2003 Balance Sheet or (B) with respect to financial periods beginning on 1 January 2004, are unpaid when due or have not been accrued for by such Company in accordance with Applicable Law related to Taxation in effect for such periods; and (ii) any loss of a right to a repayment of Taxation arising from the method of submitting Taxation returns before Completion, the failure to file timely and accurate Tax returns becoming due before Completion, in each case of (i) and (ii) above as a result of any transaction, occurrence and/or treatment for Tax purposes arising or occurring on or before Completion;

provided always, however, that the foregoing indemnity shall not apply to, and the Seller shall not be liable for Indemnification Damages with respect to, Taxes incurred by the Buyer which result from the Seller's payment to the Buyer of Indemnification Damages pursuant to this Agreement.

10.4 The Seller will not be liable for a Buyer Claim (as defined below) unless the Buyer has given the Seller notice (a "Buyer Claim Notice") of that claim, stating in reasonable detail the nature of the Buyer Claim and the amount of the Buyer Claim on or before the applicable indemnification termination date as provided for in clauses 10.1.1, 10.2.1 and 10.3.1 above, respectively. The Seller shall not be obligated to indemnify with respect to any Buyer Claim if the Buyer shall have specifically waived in writing any inaccuracy regarding the underlying Seller Warranty or has waived in writing the specific Condition Precedent regarding such inaccuracy of such Seller Warranty.

10.5 Exclusive Remedy; Limitations

10.5.1 The indemnities provided for in clauses 10.1.2, 10.1.3, 10.2.2 and 10.3.2 constitute the Buyer's sole and exclusive remedy against the Seller for any misrepresentation of any Seller Warranty with respect to which such indemnification is made and with respect to any other obligation of the Seller arising pursuant to or in relation with this Agreement in connection with any Seller Warranty.

10.5.2 Subject to the following sentence, the Seller will only be liable with respect to any claim by the Buyer for Indemnification Damages (each a "Buyer Claim") (i) if such Buyer Claim exceeds EUR 50,000 (fifty thousand Euro) or (ii) if such Buyer Claim is less than EUR 50,000 (fifty thousand Euro), but such Buyer Claim exceeds EUR 25,000 (twenty five thousand Euro) ("Small Buyer Claim") and the aggregate of all Small Buyer Claims taken together exceeds EUR 250,000 (two hundred and fifty thousand Euro), in which case the Seller will be liable for the aggregate amount of Small Buyer Claims. Notwithstanding the foregoing, (a) the Seller will only be liable with respect to any Buyer Claim made relating to the warranties made pursuant to clauses 12.2.17, 12.2.18 and 12.2.19 if such Buyer Claim exceeds EUR 150,000 (one hundred and fifty thousand Euro), (b) the limitations and amount contained in the first sentence of this clause do not apply with respect to Buyer Claims relating to the Seller Tax Warranty and the indemnity contained at clause 10.3.2 and (c) the Seller will only be liable with respect to any Buyer Claim made relating to the warranty made pursuant to clause 12.2.13 if such Buyer Claim exceeds EUR 5,000,000 (five million Euro).

- 10.5.3 The Seller's total liability with respect to all Buyer Claims made with respect to the indemnity provided for at clauses 10.1.2 is limited to the Retention Amount.
- 10.5.4 The Seller's total liability with respect to all Buyer Claims made with respect to the indemnities provided at clauses 10.1.3, 10.2.2 and 10.3.2 shall be limited to an amount equal to the Purchase Price, less any amounts paid to the Buyer in connection with the indemnities provided for at clause 10.1.2 or otherwise in connection with any breaches of this Agreement by the Seller.
- 10.5.5 The Seller will not be liable for Indemnification Damages with respect to a Buyer Claim to the extent that the matter giving rise to the claim:
- (a) would not have arisen or occurred but for an act, omission or transaction on the part of the Buyer or the relevant Company or any of its respective directors, employees or agents after Completion otherwise than (i) as required by Applicable Law, (ii) pursuant to a legally binding commitment of the relevant Company created on or before Completion and (iii) otherwise than in the ordinary course of business as carried on immediately before Completion;
 - (b) results exclusively from (i) a change in the accounting or taxation policies, practices or estimates of the Buyer or any Company (including the method of submitting taxation returns after Completion) introduced or having effect after Completion or (ii) the failure to file timely and accurate Tax returns becoming due after Completion or (iii) the failure to pay any Taxes becoming due after Completion;
 - (c) is an amount (i) for which the Buyer or any Company has a right of recovery against or indemnity from any person other than the Seller (which right of recovery as well as all appeals the Buyer first has to exhaust), including under the terms of any insurance policy; provided, however, that where there is an outstanding claim against a third party (including an insurance company) that is unresolved and unpaid prior to the expiration of the applicable indemnification period, such limitation period will be extended pending final determination of such claim; or (ii) for which the Buyer or any Company would have had such a right but for (A) a change in the terms of or cancellation of its insurance cover after Completion or (B) any act or omission of the Buyer or any Company after Completion which results in such right being diminished or extinguished;
 - (d) arises as a consequence of any act or omission under the terms of this Agreement, by reason or in consequence of the execution and performance of this Agreement, or at the request of the Buyer or member of the Buyer's group of companies (including, following Completion, any Company);
 - (e) was taken into account in calculating an allowance, provision or reserve in the Financial Statements or which was specifically referred to and quantified in the notes to the Financial Statements;
 - (f) arises in consequence of an assessment, audit or other imposition of Tax by a Tax Authority, with respect to which the Buyer and the Company have not exhausted all possibilities of appeal, except that the foregoing limitation will not apply if the procedure contained in the remainder of this clause is followed. Accordingly, if the Company has received an assessment for any Tax prior to the expiration of the indemnity provided for at clause 10.3.2, the Buyer will reserve its right to bring a claim against the Seller hereunder by providing written notice thereof. Once Tax becomes due, and as the Company actually makes payment to the Tax Authority, the Seller will pay to the Buyer an amount equal to its Indemnification Damages. In addition and as a condition precedent to the indemnification provided for herein, the Buyer will cause such Company to appeal any final assessment of Tax unless the Seller waives this requirement; furthermore, any amounts of Tax paid that are returned to the Company or that are offset against a Company's Tax liability will be returned to the Seller forthwith.
- 10.5.6 Notwithstanding any other provision contained in this Agreement to the contrary, the Buyer agrees that, with respect to any matter which may give rise to a liability under this Agreement including a Buyer Claim, (a) the Seller will not meet any liability more than once and (b) the Seller's aggregate

liability hereunder shall be limited to the Purchase Price.

- 10.5.7 The Buyer agrees to use reasonable efforts for each Company to apply to the Ministry of Finance to commence an audit with respect to Taxes within 1 (one) year after Completion.
- 10.5.8 Notwithstanding any other provision contained herein to the contrary, the Seller's liability for breach of the Seller's Warranty in clause 12.2.19 shall be only for Indemnification Damages with respect to which the Buyer obtains no indemnification pursuant to the PEA Regulation as amended from time to time.

10.6 Third Party Claims

The Buyer will notify the Seller of the initiation of any Third Party Proceedings and will provide to the Seller such assistance as is necessary for the Seller to take part in any Third Party Proceedings as an interested party or otherwise pursuant to the procedural and substantive law applicable to the particular Third Party Proceedings.

10.7 Procedure for Indemnification

- 10.7.1 Subject always to the limitations and exclusions provided for at clause 10.5, if the Buyer desires to make a Buyer Claim, the Buyer will deliver the Buyer Claim Notice to the Seller on or before the applicable indemnification termination date as provided for in clauses 10.1.1, 10.2.1 and 10.3.1 above, respectively, and the Seller's obligation to indemnify the Buyer with respect to a timely Buyer Claim will survive until such time as such Buyer Claim is finally resolved and, if applicable, payment has been made to the Buyer pursuant to the terms of this Agreement. The Buyer shall be entitled to withdraw and/or reissue Buyer Claim Notices in accordance with clause 7.1 of the Escrow Agreement.
- 10.7.2 Upon receipt by the Seller of the Buyer Claim Notice and subject always to the limitations and exclusions provided for at clause 10.5, the Parties will agree within 45 (forty five) Business Days (or such other period of time as the Buyer and the Seller may agree) as to whether the Buyer Claim is proper (in which case a "Buyer Claim Event" has occurred) and, if so, the amount to be paid by the Seller or deducted from the Escrow Account (a "Buyer Claim Amount"), as the case may be.
- 10.7.3 If the Parties agree on the Buyer Claim Amount, then:
- (a) If the Escrow Account is in operation and in funds, the Buyer and the Seller will send a joint notification (the form of which is attached to the Escrow Account Agreement) to the Escrow Agent; or
 - (b) If (i) the Buyer elects not to utilise the Escrow Account (with respect to a Buyer Claim which is not a Buyer Indemnifiable Seller Warranty) or (ii) if the Escrow Account is not in operation or (iii) to the extent the Escrow Account is not in sufficient funds to satisfy a Buyer Claim Amount (or any part thereof), the Seller shall pay to the Buyer such amount or such portion of the amount with respect to which the Escrow Account does not have funds sufficient to satisfy a Buyer Claim Amount.
- 10.7.4 If the Parties are unable to agree whether the Buyer's Claim is proper or on the Buyer Claim Amount within the time period described in clause 10.7.1, the Buyer will be entitled to initiate arbitration proceedings pursuant to clause 15.

10.8 Escrow Account Matters

- 10.8.1 Where any payment is made to the Buyer out of the Escrow Account as provided in this clause, the Buyer will at the same time be entitled to a corresponding proportion of the interest accrued on the Escrow Account. Otherwise, all interest accrued on the Escrow Account will be payable to the Seller (by payment to the Seller's Account) on the Seller Indemnity Termination Date.
- 10.8.2 Unless clause 10.8.3 applies, any amount standing to the credit of the Escrow Account (including all interest accrued thereon) on the Seller Indemnity Termination Date will be paid to the Seller.
- 10.8.3 If the Buyer has delivered a Buyer Claim Notice to the Seller with respect to a Buyer Claim which has not been finally determined, settled or withdrawn on or before the Seller Indemnity Termination Date

and there is an amount standing to the credit of the Escrow Account on the Seller Indemnity Termination Date, then, at the Seller's option, and the Seller agrees to notify the Buyer of which option it chooses to exercise at the latest upon Completion (and provided that the Seller will have the right to choose (b) below, only after the Seller has delivered to the Buyer a copy of the relevant decision of the Council of Ministers enabling it to fulfil its obligations thereunder):

EITHER

- (a) an amount equal to the amount of Indemnification Damages contained in the Buyer Claim Notice up to the amount then standing to the credit of the Escrow Account will be paid to the Buyer. Within 5 (five) days after the Buyer Claim is finally determined, settled or withdrawn, the Buyer will pay to the Seller an amount equal to (a) the difference between the amount paid to the Buyer under this clause and the amount owed by the Companies to third parties if smaller, in respect of the relevant Buyer Claim made by it or (b) the amount paid to the Companies by third parties in respect of the relevant Buyer Claim up to the amount paid to the Buyer pursuant to this clause as applicable; in both cases pursuant to the final determination, settlement or withdrawal, if any, of the said claims. The Buyer agrees to procure that the Companies shall pursue such remedies and such appeals as are necessary to mitigate the amount of Indemnification Damages payable by the Seller unless the Seller waives in writing such pursuit of a remedy or appeal;

OR

- (b) an amount equal to the amount of Indemnification Damages contained in the Buyer Claim Notice will remain in the Escrow Account (or if the amount standing to the credit of the Escrow Account is less than the amount of such claim, then the full amount standing to the credit of the Escrow Account) until the Buyer Claim is finally determined, settled or withdrawn. Unless the Seller (i) agrees with the Buyer Claim or (ii) does not agree with the Buyer Claim and initiates arbitration proceedings in relation to such Buyer Claim, the Seller shall be obliged to issue a notice pursuant to clause 7.1 of the Escrow Agreement. Once such Buyer Claim or dispute has been determined, settled or withdrawn, and has been satisfied from the Escrow Account, any then remaining amount in the Escrow Account will be paid to the Seller's Account.

- 10.8.4 The Seller and the Buyer undertake to give prompt written instructions with regard to the Escrow Account where necessary or desirable in order to give proper effect to the provisions of this Agreement and the Escrow Agreement. Any such instructions given by the Buyer will also be given to the Seller and any such instructions given by the Seller will also be given to the Buyer.

10.9 Calculation of Aggregate Net Worth

- 10.9.1 Whether the Seller Warranty contained at clause 12.2.13 is correct and whether the Buyer is entitled to indemnity provided for at clause 10.1.2 as it relates to the warranty contained at clause 12.2.13 shall be determined exclusively pursuant to the remainder of this clause.
 - (a) After Completion, the Buyer and the Seller will jointly cause each Company to prepare a statement (each a "Net Worth Statement") of Net Worth (defined below) of each Company as of Completion ("Completion Date Net Worth"). Each Net Worth Statement shall be prepared in accordance with IFRS and in a manner consistent with the accounting policies, assumptions, valuation methods and estimates used by the Company in connection with the preparation of the 2003 Balance Sheet, subject to clauses (b) and (c) below. For the purposes of this clause, the term "Net Worth" means a Company's total assets less its total liabilities, determined in accordance with IFRS and in a manner consistent with the accounting policies, assumptions, valuation methods and estimates used by such Company in connection with the preparation of the 2003 Balance Sheet; the term "Aggregate Completion Date Net Worth" means the sum of the Completion Date Net Worth for all 3 (three) Companies, and the term "Aggregate 2003 B/S Date Net Worth" means the sum of the Net Worth of all 3 (three) Companies as reflected in the 2003 Balance Sheets, and the term "Agreement Net Worth" is the Aggregate Completion Date Net Worth as adjusted pursuant to clauses (b) and (c) below.

- (b) The parties agree that (i) fixed assets for the purposes of the Completion Date Net Worth shall be calculated using the revaluation undertaken for preparation of the 2003 Balance Sheet as

reflected in the 2003 balance sheet of each Company, with no new valuation of fixed assets being performed for purposes of the Completion Date Net Worth determination, (ii) dividends determined and/or paid in accordance with clause 2.4 will be added back in the calculation of Completion Date Net Worth and (iii) any liability of a Company that is accrued for in the Net Worth Statements of each of the Companies pursuant to IFRS will not reduce a Company's Completion Date Net Worth if such liability would give the Buyer the right to claim indemnification as such indemnification relates to clauses pursuant to clauses 10.1.2, 10.1.3 and 10.3.2.

- (c) If Completion occurs before the end of 2004, the Aggregate 2003 B/S Date Net Worth will be adjusted downwards, with regard to the aggregate audited net income for the year 2003, by the percentage obtained by taking the number of uncompleted months left in 2004 (including the month in which Completion occurs) and dividing it by 12 (twelve). By way of example, if Completion occurs in November 2004, the percentage is obtained by taking 2 (two) uncompleted months and dividing by 12 (twelve).
- (d) Within 30 (thirty) days after the Completion Date, the Buyer and the Seller shall jointly engage either KPMG or PricewaterhouseCoopers (the "Net Worth Auditor") pursuant to the Net Worth Auditor's standard engagement letter to review the Net Worth Statements on the basis of clause 10.9.1(a),(b) and (c) and in accordance with the procedures attached hereto as Schedule 10.9. The fees, costs and expenses of the Net Worth Auditor shall be borne by the Buyer.
- (e) Within 45 (forty five) days after the Completion Date, the Buyer and the Seller shall cause each Company to deliver its Net Worth Statement to the Net Worth Auditor, with a copy to the Seller and the Buyer. The Buyer will procure that the Net Worth Auditor will have full access to the Companies' premises and will be able to make such inquiries of the Companies and their respective accountants and management so as to be able to perform such review. The Net Worth Auditor shall complete its review of the Net Worth Statements within 30 (thirty) days after the delivery of the Net Worth Statements. In its report, the Net Worth Auditor shall set forth the Aggregate 2003 B/S Date Net Worth, the Completion Date Net Worth for each Company, the Aggregate Completion Date Net Worth and the Agreement Net Worth. In its report, the Net Worth Auditor shall also set forth the amount by which the Agreement Net Worth exceeds or is less than the Aggregate 2003 B/S Date Net Worth. The determination by the Net Worth Auditor of the Agreement Net Worth shall be final and binding upon the Seller and the Buyer.

10.10 Any payments received by the Buyer from the Seller or from the Escrow Account pursuant to the terms of this Agreement, as applicable, shall be deemed compensation for the lost value of the Buyer's investment in the Companies as a result of substantiated liabilities.

11 Indemnification by Buyer

11.1 Survival

The indemnification provided for by the Buyer in this clause will survive Completion and will expire at the end of the Buyer Lock-in Period. The Buyer will not be liable for a Seller Claim (defined below) unless the Seller has given the Buyer and the Guarantee Bank notice of its claim, stating in reasonable detail the nature of the Seller Claim and the amount of the Seller Claim before the end of the Buyer Lock-in Period (a "Seller Claim Notice").

11.2 Indemnification

- 11.2.1 The Buyer will indemnify the Seller against any damages (not including lost profits but including costs of investigation and defence and reasonable attorneys' fees) (together "Seller Damages"), arising from or in connection with:

- (a) any misrepresentation of any Buyer Warranty; or
- (b) any breach of the Buyer's obligations arising under clause 8.

provided always that the Buyer's liability therefor is not limited by the Guarantee Amount.

11.3 Limitations

- 11.3.1 The Buyer will only be liable with respect to any claim by the Seller (each a "Seller Claim") for Seller Damages under this clause 11 if such Seller Claim exceeds EUR 100,000 (one hundred thousand Euro); provided, however, that the foregoing does not apply to provisions of this Agreement pursuant to which the Buyer is required to pay liquidated damages to the Seller.
- 11.3.2 The Seller agrees that, with respect to any matter which may give rise to a liability under this Agreement including a Seller Claim, but except where the Buyer is required to pay liquidated damages to the Seller, the Buyer will not meet any liability more than once.

11.4 Procedure for Indemnification

- 11.4.1 If the Seller desires to make a Seller Claim against the Buyer, the Seller will deliver the Seller Claim Notice to the Buyer. Upon receipt by the Buyer of the Seller Claim Notice, the Parties will agree within 45 (forty five) Business Days (or such other period of time as the Buyer and the Seller may agree) as to whether the Seller's Claim is proper (in which case a "Seller Claim Event" has occurred) and, if so, the appropriate amount to be paid by the Buyer (a "Seller Claim Amount"). If the Parties agree on the Seller Claim Amount, the Buyer will pay the Seller Claim Amount to the Seller within 5 (five) Business Days. If the Buyer does not pay such amount to the Seller within 5 (five) Business Days, the Seller will send a notification to the Guarantee Bank ("Seller Claim Notice") in the form contained in Schedule 11.4.1 and the terms of the Bank Guarantee will provide that the Guarantee Bank is to pay to the Seller the Seller Claim Amount upon receipt of such notification and written confirmation. If a Seller Claim Amount is higher than the amount available under the Bank Guarantee, the Seller will be entitled to pursue such other remedies against the Buyer as it deems just and proper to recover such difference.
- 11.4.2 If the Parties are unable to agree whether the Seller's Claim is proper or on the Seller Claim Amount within the time period described in clause 11.4.1, the Seller will be entitled to initiate arbitration proceedings pursuant to clause 15.

11.5 Payments from Bank Guarantee

- 11.5.1 If the Seller has delivered the Seller Claim Notice to the Buyer and the Guarantee Bank of a Seller Claim which has not been finally determined, settled or withdrawn on or before the end of the Buyer Lock-in Period, the Bank Guarantee will remain in place unaffected until the Buyer Claim is finally determined, settled or withdrawn. Once such Seller Claim or dispute has been determined, settled or withdrawn, and once all or the portion up to the then available Guarantee Amount has been satisfied from the Bank Guarantee, the Bank Guarantee will terminate.
- 11.6 The Seller and the Buyer undertake to give prompt written instructions with regard to the Bank Guarantee where necessary or desirable in order to give proper effect to the provisions of this Agreement and the Bank Guarantee. Any such instructions given by the Seller will also be given to the Buyer and any such instructions given by the Buyer will also be given to the Seller.

12 Warranties of the Seller

12.1 The Seller hereby warrants to the Buyer that each of the statements contained in clause 12.2 is true, complete and accurate as of the Signing Date and will continue to be true, complete, and accurate as of the Completion Date.

12.2 The Seller warrants as follows:

- 12.2.1 Organisation and Capitalisation
 - (a) Each Company is a joint stock company duly organised and validly existing under the laws of the Republic of Bulgaria.
 - (b) The registered share capital of each Company is set forth in Schedule 12.2.1.
 - (c) The Shares have been duly issued.

- (d) There are no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for Shares or other securities of the Company.
- (e) Upon the transfer of the Temporary Share Certificates pursuant to this Agreement, the Buyer will hold 67% (sixty seven percent) of the voting Shares of each Company.
- (f) The endorsement and delivery to the Buyer of the Temporary Share Certificates pursuant to this Agreement will transfer to the Buyer the good and valid title to all of the Sale Shares, free and clear of all Encumbrances.

12.2.2 Authority; No Conflict

- (a) This Agreement has been duly authorised, executed and delivered by the Seller and constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms. Pursuant to the Tender Regulations, the Seller has the authority and capacity to execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The execution, delivery and performance of this Agreement by the Seller will not (i) conflict with Applicable Law or (ii) violate any judicial or administrative decision to which the Seller is a party or by which it is bound.
- (c) The terms and conditions of the Transaction Documents do not conflict with any provision of Applicable Law or with the Tender Regulations.

12.2.3 This Agreement and the actions taken by the Seller in furtherance of this Agreement are commercial or civil rather than public or governmental acts and the Seller is not entitled to claim immunity from legal proceedings or liability with respect to itself on the grounds of state sovereignty or otherwise under any law or in any jurisdiction where an action may be brought for the enforcement of any of the obligations arising under or relating to this Agreement.

12.2.4 Financial Statements

- (a) The Seller has delivered to the Buyer the Financial Statements.
- (b) The Financial Statements give a true and fair view of the financial position and results of operations and cash flows of each Company to which they apply as of the respective dates of and for the periods referred to in such Financial Statements, all in accordance with the IFRS.
- (c) The Financial Statements fully disclose all material financial commitments of the Company in existence as of their respective dates of preparation to the extent required by IFRS.
- (d) The statutory books and books of accounts of the Company are up-to-date and have been properly prepared and maintained in accordance with Applicable Law.

12.2.5 Insolvency

- (a) No Company has been liquidated or entered into (or taken steps to enter into) liquidation, administration or administrative receivership.
- (b) No Company is insolvent or unable to pay its debts as they become due.

12.2.6 No resolution was adopted by any of the Companies to issue new shares, bonds, convertible bonds or similar instruments. There are no options, warrants, or instruments convertible into shares of any of the Companies or other agreements applicable to each Company relating to the existing shares of each Company or for the issuance of any additional shares.

12.2.7 Except as listed in Schedule 12.2.7, none of the Companies has any subsidiaries and owns no shares or other ownership interests in any other entity.

- 12.2.8 Except as is listed at Schedule 12.2.8, as of signing, no litigation or arbitral proceedings alleging a claim in excess of EUR 100,000 (one hundred thousand Euro) have been brought against any Company, whether civil, administrative or criminal in nature, in, before or by any court, arbitrator or Governmental Entity.
- 12.2.9 Assuming the issue of the licences listed at Schedule 12.2.9, the Companies possess all permits, approvals and licences materially required to carry out their business and operations, and each Company is in compliance in all material respects with such licences, approvals and permits.
- 12.2.10 (a) (i) Neither NEK nor any of the other EDCs has or will have a Successful claim against any Company with respect to title or other property rights to real estate assets which pursuant to the Settlement Agreement are confirmed to be owned by such Company (a "Real Estate Claim") and (ii) except as disclosed in Schedule 12.2.10(a), no third party has or will have a Successful Real Estate Claim against a Company with respect to any real estate asset confirmed in the Settlement Agreement to be owned by such Company. For the purposes of this clause 12.2.10, "Successful" shall mean a claim (i) which has been honoured by a final judgement of a court of competent jurisdiction, (ii) which is not subject to any further appeals or challenges whatsoever, and (iii) with respect to which the Company has reasonably and diligently defended itself.
- (b) Each Company owns, free of any encumbrances (except as disclosed to the Buyer prior to the Signing Date, such disclosure to be extracts from the various public registers dated no older than 5 (five) Business Days prior to the Signing Date), or has a valid right to use (i) the real estate assets that are recorded in its 2003 Financial Statements as owned by or subject to the right of use by such Company with the exception of those real estate assets that have been disposed of after 31 December 2003, and (ii) the tangible fixed assets that form part of the electricity distribution network of such Company. For the purposes of this clause 12.2.10(b), "encumbrance" shall mean any mortgage, pledge or other security interest. For the avoidance of doubt, the term "valid right to use" shall mean either property right to use or a contractual right to be used or a right to use in accordance with Applicable Law. The warranty pursuant to this clause 12.2.10(b) shall not apply to the assets with respect to which the warranty pursuant to clause 12.2.10(a) above applies.
- 12.2.11 Each Company (i) has filed all Tax-related returns, notices, declarations, registrations and any other necessary information related to Tax required to be filed with the Tax Authorities pursuant to Applicable Law on a timely basis as from the date of such Company's incorporation and such returns, notices, declarations and information were when given and are now accurate in all material respects, (ii) has paid all Taxes required to be paid in accordance with Applicable Law prior to Completion and (iii) has properly withheld, accounted for and paid over to the relevant Tax Authority all Tax required to be so withheld from payments made to third parties (including employees) in accordance with Applicable Law.
- 12.2.12 The Seller has incurred no obligation for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement that would impose a liability on (a) the Buyer or (b) any Company.
- 12.2.13 The Companies have an Agreement Net Worth as of the Completion Date that is at least equal to the Aggregate 2003 B/S Date Net Worth, both of which shall have been determined and adjusted in accordance with clause 10.9, which determination shall be final and conclusive with respect to the Seller Warranty contained in this clause being correct. Notwithstanding anything to the contrary contained herein, the Seller Warranty contained in this clause is given only as of the Completion Date.
- 12.2.14 No proceedings are being conducted before any court or Governmental Entity the purpose of which is to challenge the Seller's authority to enter into or perform its obligations under this Agreement.
- 12.2.15 The Companies have conducted, in all material respects, their respective business in accordance with Applicable Law.
- 12.2.16 The Buyer has been provided with true and complete copies of the SERC 2004 Filings and, if already filed as of the date hereof, the SERC 2005 Filings.

- 12.2.17 All material intellectual property (whether registered or not) and all pending applications therefor which is being used in connection with the business of each Company is legally owned by such Company or is lawfully used with the consent of the owner pursuant to a license or otherwise.
- 12.2.18 All material information technology and related systems used in connection with the business of each Company is legally owned by such Company or is lawfully used with the consent of the owner pursuant to a license or otherwise.
- 12.2.19 Each Company has complied and is complying in all material respects with (a) Applicable Law as in effect prior to or as of the Completion Date of any competent Governmental Entity which protects or relates to the protection of the environment (including the production, emission, storage, transportation, treatment, recycling or disposal of any waste or any noxious, offensive or hazardous substance) and (b) all legally binding requests or demands from any Governmental Entity charged with overseeing or enforcing Applicable Law related to the environment. The Seller further warrants that there is no outstanding environmental liability (based on Applicable Law as in effect prior to or as of the Completion Date) with respect to a Company's real property as of the date hereof.

13 Warranties of the Buyer

13.1 The Buyer hereby warrants to the Seller that each of the statements contained in this clause is true, complete and accurate as of the Signing Date and will continue to be true, complete, and accurate as of the Completion Date.

13.2 The Buyer declares that, except as specifically provided for in this Agreement, no representations or warranties of any kind with respect thereto have been made to the Buyer by the Seller, the Minister, Company personnel, the managing directors or the members of the Board of Directors of each of the Companies or by anyone else on behalf of the Seller, the Minister or each Company in connection with this Agreement or any of the transactions contemplated hereby. The Buyer (acting for itself, and all of its representatives and advisers) expressly confirms to the Seller, the Minister, all of the representatives and advisers of the foregoing, that it has not relied upon the Information Memoranda circulated to it by the Privatisation Agency as a basis on which to enter into this Agreement.

13.3 The Buyer undertakes to notify the Seller in writing promptly if it becomes aware of any circumstance arising during the Pre-Completion Period which would cause any of the following warranties to become untrue or inaccurate in any material respect.

13.4 The Buyer warrants as follows:

13.4.1 Organisation

The Buyer is a duly organised, validly existing joint stock company in good standing under the laws of the Czech Republic.

13.4.2 Authority; No Conflict

- (a) This Agreement has been duly authorised, executed and delivered by the Buyer and constitutes a legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms. The Buyer has the authority and capacity to execute and deliver this Agreement and to perform its obligations hereunder. The power of attorney authorising the execution of this Agreement on behalf of the Buyer is attached hereby as Schedule 13.4.2.
- (b) The execution, delivery and performance of this Agreement by the Buyer will not (i) conflict with Applicable Law or with any other law, regulation, agreement, court order, contract or other restriction in force at Completion under which the Buyer is obligated, (ii) violate the provisions of any formation document regulating the internal organisation of the Buyer or (iii) violate any judicial or administrative decision to which the Buyer is a party or by which it is bound.
- (c) Other than the CPC Decision, the Buyer has obtained all necessary consents, licences and permissions from third parties including Governmental Entities and other governmental entities

to which it may be subject to as to enable it to enter into each of the Transaction Documents and to own the Sale Shares.

13.4.3 Acquisition of Sale Shares and Financing

- (a) The Buyer has the financial resources or obtained the required financing so as to be able to pay the Purchase Price in accordance with the terms of this Agreement, and has delivered to the Seller prior to the execution of this Agreement the declaration in the form of Schedule 13.4.3 as to the origin of the Buyer's funds.
- (b) The Buyer has the financial and human resources to fulfil its obligations under this Agreement.
- (c) The Buyer is acquiring the Sale Shares with the purpose of carrying out the business of the Companies in accordance with the terms of their respective licences, and not with the purpose of liquidating, closing down or discontinuing the provision of the services constituting the business of the Companies in violation of any such licence.
- (d) All information and documents submitted by the Buyer to the Republic of Bulgaria during the process of the Buyer's selection as the bidder who won the Privatisation tender for the purchase of the Sale Shares were true, complete and accurate in all respects when given.
- (e) The Buyer fully meets all of the eligibility criteria as set out in the Privatisation Agency's Decision No 2484-P/24.10.2003, Article 6, and the relevant tender documentation pursuant to which the Buyer was admitted to participate in the Privatisation tender for the purchase of the Sale Shares.

13.4.4 Insolvency

- (a) The Buyer has not been dissolved or entered into (or taken steps to enter into) liquidation, administration or administrative receivership.
- (b) The Buyer is not insolvent or unable to pay its debts as they become due.
- (c) There is no pending litigation, and there are no claims against the Buyer for bankruptcy or liquidation and no judgements or governmental orders have been made against the Buyer and, to the best of the knowledge of the Buyer, there is no threat to the Buyer that may result in a material adverse effect on the property, assets or operations of the Buyer or that may prevent, delay or otherwise hinder the Buyer's performance of this Agreement.

13.4.5 The Buyer has incurred no obligation for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement that would impose a liability on Seller or the Companies.

14 Confidentiality and Public Announcement

14.1 Until Completion or, if Completion does not occur, until the third anniversary of the Signing Date, all Information furnished by or on behalf of the Seller or each Company to the Buyer, its representatives (which will include, for the purposes of this clause 14, its advisers) or its employees in connection with the privatisation sale of the Sale Shares will be held and will not be revealed by the Buyer to any person other than its authorised representatives or employees. If Completion does not occur, the Buyer (and its representatives) will

- (a) (at the Seller's option) (i) return all Information to the Seller or to the respective Company or (ii) destroy all such Information and all copies on all media thereof and certify to the Seller that it has done so, (b) procure that all of its representatives, its employees and any transferees of any of the Sale Shares keep confidential all such Information, and (c) not directly or indirectly use such Information for any competitive or other commercial purpose. If Completion occurs, the Buyer will nonetheless maintain confidential all Information that pertains solely to the Seller or the Minister and will not reveal such Information to any person other than those representatives of the Buyer that have been involved in connection with the privatisation sale of the Sale Shares.

14.2 The obligation of the Buyer, its representatives and employees to keep the Information confidential will not apply to any Information which:

- 14.2.1 at the time of such disclosure is, or subsequently becomes, publicly available (other than as a result of its disclosure by such party, its representatives or employees in breach of this Agreement);
 - 14.2.2 that party can conclusively prove, by written evidence, that at the time of disclosure is, or subsequently becomes, available to the Buyer on a non-confidential basis from a source other than the sources referred to in clause 14.1, provided that such source was not subject to any duty of confidentiality in respect thereof;
 - 14.2.3 the Buyer can conclusively prove, by written evidence, that it has acquired or developed such Information without breaching any of its obligations under this Agreement; or
 - 14.2.4 is required to be disclosed in accordance with Applicable Law or other law binding on the Buyer.
- 14.3 Subject to clause 14.4, neither the Buyer nor the Seller (or their respective representatives or employees) will make or issue, or cause to be made or issued, any public disclosure, announcement or written statement concerning the Transaction Documents or the transactions contemplated thereby without the prior consent of the other party, such consent not to be unreasonably withheld or delayed; provided that this clause 14.3 will not apply to any disclosure, announcement or written statement required to be made by Applicable Law or other law binding on a party to this Agreement.
- 14.4 Notwithstanding the provisions of clause 14.3, the Buyer agrees that the Seller will be permitted to make public disclosure of the basic terms of this Agreement provided that the Seller will disclose details of the relevant announcement to the Buyer in advance and in good faith take into consideration all reasonable comments made by the Buyer. For this purpose, the basic terms of this Agreement include the name of each Company and the number and percentage of the Sale Shares.

15 Arbitration

15.1 The parties will attempt to resolve all and any disputes, controversies, claims or differences arising out of or in connection with this Agreement through amicable negotiations.

15.2 If the parties are not able to resolve amicably such disputes, controversies, claims or differences within a reasonable period (and not later than 30 (thirty) Business Days) of one party giving notice to the other in writing of such disputes, controversies, differences or claims arising out of or in connection with this Agreement, all and any such disputes, controversies, differences or claims arising out of or in connection with this Agreement, including any dispute as to the existence, breach, termination or invalidity thereof, will be finally settled under the Rules of Arbitration of the International Chamber of Commerce ("ICC").

15.3 The arbitration tribunal shall be appointed in accordance with the rules of the ICC. Where the amounts or the aggregate of the amounts in dispute are higher than EUR 1,000,000 (one million Euro), the arbitration tribunal shall be composed of 3 (three) arbitrators and where the amounts or the aggregate of the amounts in dispute are EUR 1,000,000 (one million Euro) or less, the arbitration tribunal shall be composed of one arbitrator.

15.4 The place and seat of the arbitration will be Paris, France, and the language of the arbitration will be the English language (except that a party may have the proceedings translated into a language of its choice at its expense).

15.5 The parties agree that if an arbitral panel has been appointed under the Escrow Agreement, the same arbitral panel will be appointed to resolve a dispute pursuant to this Agreement. In addition, the parties agree that the arbitral panel has the power to consolidate arbitration proceedings if, as determined in the sole discretion of the arbitral panel, the dispute arising under the Escrow Agreement and under this Agreement is based on substantially similar facts or substantially similar issues or if the arbitration panel determines, in its sole discretion, that it would be cost-effective to consolidate such proceedings.

15.6 To the extent expressly permitted by Applicable Law, it is expressly agreed that the right to appeal to the courts or to apply to such courts for the determination of a preliminary point of law is excluded.

15.7 The parties agree not to disclose any details of any arbitral proceedings pursuant to this clause 15 including the submissions and evidence of the parties and including any awards (their contents, reasons and results), except with the prior written consent of the other or to the extent that such information or documents are in the public domain or their disclosure is required by Applicable Law or any other law that is binding on a party or is necessary to protect or pursue a legal right or remedy, including for the purposes of enforcement.

16 Miscellaneous

16.1 Continuation after Completion; Further Assurances

- 16.1.1 Clauses 14, 15, 16 and 17 will survive Completion unless and until the parties otherwise agree in writing; the same applies to those provisions which are specifically provided for in this Agreement as provisions surviving Completion.
- 16.1.2 Each of the Buyer and the Seller will execute and/or cause to be delivered to the other all such instruments and other documents, as the other may from time to time reasonably require, prior to or after Completion, for the purpose of giving to one another the full benefit of all the provisions of this Agreement. Whichever of the Buyer or the Seller requests such further assurance will be liable for all reasonable costs incurred in connection with such request.

16.2 Entire Agreement

This Agreement, together with the other Transaction Documents and each of their respective schedules embodies and sets forth the entire agreement and understanding of the parties and supersedes all prior oral or written negotiations, agreements, representations, understandings or arrangements (if any) between the parties with respect to the subject matter contained herein. Neither party hereto will be entitled to rely on any document, agreement, understanding or arrangement which is not expressly set forth in this Agreement and the other Transaction Documents as well as the schedules hereto or thereto. Each of the parties hereby acknowledges that it has placed no reliance and will not at any time hereafter place reliance on any information or warranty (whether expressed or implied and whether written or oral) given by any other party relating to the transactions contemplated hereby other than information and warranties contained in this Agreement and the other Transaction Documents as well as the schedules hereto or thereto.

16.3 Variation

No purported variation of this Agreement will be effective unless it is in writing and is duly executed by or on behalf of the Buyer and the Seller. The expression "variation" will include any variation, supplement, deletion or replacement however effected.

16.4 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Republic of Bulgaria.

16.5 Copies and Language

This Agreement will be executed in 3 (three) identical copies in both the English and Bulgarian languages: two sets for the Seller and one set for the Buyer. In the event of any conflict in the terms of this Agreement between the two language versions, the terms of the English language version of this Agreement will prevail.

16.6 Assigns and Successors

- 16.6.1 No party may assign any rights under this Agreement without the prior written consent of the other party, subject only to the exceptions contained in this clause 16.6.
- 16.6.2 This Agreement will be binding upon and enure for the benefit of the successors in title of each of the parties.

- 16.6.3 Subject to the provisions of clause 8.1 and 16.6.5, the Buyer may not assign its rights or delegate its duties or undertakings under this Agreement.
- 16.6.4 Each of the parties hereto acknowledges that the rights and obligations of the Seller pursuant to the terms of this Agreement are assigned, upon Completion, to the Post Privatisation and Control Agency of the Republic of Bulgaria by operation of law.
- 16.6.5 The Buyer may upon written notice to the Seller assign its right to make a claim and any resulting receivables of such claim under the indemnities contained in clause 10 above to a Majority-owned Buyer Affiliate provided that the Buyer shall remain liable for the reasonable costs of the Seller to the extent that the Seller is successful in defending such claim.

16.7 Notices

Any notice, request, demand, consent, approval or other communication to a party will be effective when received and will be given in writing in the English language, and delivered in person against receipt therefor, or sent by certified mail, postage prepaid, telefax confirmed by certified mail, or courier service at its authorised address as set out below or to such other address as it will hereafter furnish in writing to the other. All such notices and other communications will be deemed given on the date received by the addressee.

If to the Buyer:
CEZ - Legal Department
Duhova 2/1444,
140 53 Prague 4,
Czech Republic
Attn: Ms. Jarmila Ponikelska
Head of Legal Department
Tel: +420 271 132 372
Fax: +420 271 132 008

If to the Seller:
29 Aksakov St.
1000 Sofia
Bulgaria
Attn: Atanas Bangachev, Executive Director
Tel: +359 2 987 75 79; +359 2 980 38 46
Fax: +359 2 981 13 07

If to the Post-Privatisation Control Agency:
52A G.M.Dimitrov Blvd.
1000 Sofia
Bulgaria

Attn: Atanaska Bozova, Executive Director
Tel: +359 2 971 24 56
Fax: +359 2 970 16 89

16.8 Waiver

- 16.8.1 A party may waive their respective rights, powers or privileges under this Agreement provided that such waiver will be in writing.
- 16.8.2 The parties agree that no failure or delay on the part of a party to exercise any right, power or privilege under this Agreement will operate as a waiver thereof.
- 16.8.3 The parties agree that no single or partial exercise of any right, power or privilege under this Agreement will preclude any other or further exercise thereof or the exercise of any other right, power or privilege by a party under the terms of this Agreement.
- 16.8.4 The parties agree that no waiver under clause 16.8.1 will operate or be construed as a future waiver of any right, power or privilege under this Agreement.

16.9 Costs, Fees and Expenses

Each party will bear its respective costs, fees and expenses incurred in connection with or incidental to the matters contained in this Agreement, including without limitation any fees and disbursements to its financial advisers, accountants and legal counsel.

16.10 Severability

If any provision of this Agreement is invalid or unenforceable then, to the extent possible, all of the remaining provisions of this Agreement will remain in full force and effect and will be binding upon the parties.

16.11 Acknowledgement

- 16.11.1 The Seller hereby acknowledges that it has not entered into this Agreement in reliance on any warranties, representations, covenants, undertakings or indemnities howsoever or by whosoever or to whomsoever made except insofar as they are contained in this Agreement.
- 16.11.2 The Buyer hereby acknowledges that it has not entered into this Agreement in reliance on any warranties, representations, covenants, undertakings or indemnities howsoever or by whosoever or to whomsoever made except insofar as they are contained in this Agreement.

16.12 Payments

Except as otherwise expressly provided in this Agreement, all payments to be made under this Agreement will be made in full without any set-off or counterclaim and free from any deduction or withholding, except as may be required by law (in which event such deduction or withholding will not exceed the minimum amount required by Applicable Law and the payer will simultaneously pay to the payee whatever additional amount is required for the net amount received to equal what would have been received if no such deduction or withholding had been required).

16.13 Environmental Matters

The parties acknowledge that pursuant to Paragraph 9 of the Final and Transitional Provisions of the PEA the Seller shall be liable for any Past Environmental Damages (as such term is defined in the PEA) in accordance with the PEA Regulation. Both parties shall use their best endeavours to secure the execution of an agreement pursuant to Article 8(1) of the PEA Regulation co-ordinating the liabilities of the Republic of Bulgaria with respect to past environmental damages and comprising the terms and conditions for financing and removing the past environmental damages as required by the Applicable Law within 9 (nine) months after the Completion Date.

17 Classified Information

- 17.1.1 Following Completion, the Buyer will nominate one or more persons, which will be investigated in accordance with the requirements of the Protection of Classified Information Act ("PCIA") and the Regulation on Application of the PCIA. Upon the nomination of such person or persons, the Buyer will file the required documents for investigation of the officials pursuant to approved list of the positions under Art. 37 of the PCIA and for obtaining a permit for access to classified information in accordance with the requirements of Chapters V and VI of the PCIA and Chapter VI, Section II of the Regulation on Application of the PCIA.
- 17.1.2 The Buyer will procure that the Companies ensure the necessary conditions for creating, processing and storage of the classified information, as well as the granting of access to the same in accordance with the requirements of the PCIA.
- 17.1.3 The Buyer will procure that the Companies observe the requirements for protection of the classified information.
- 17.1.4 The Buyer will procure that the Companies will not admit unregulated access to classified information.
- 17.1.5 The Buyer will procure that the Companies submit the required information upon request of the competent bodies pursuant to Art. 10, Par.1, Art.11, Par.4 and Art. 16, Par.1 PCIA.
- 17.1.6 Upon request, the Buyer will procure that the Companies provide to the representatives of the State Information Security Commission and to the competent security divisions, immediate access to the

premises where classified information related to the fulfilment of the functions in accordance with the requirements set forth in Chapter II, Sections I and II PCIA is being created, processed and stored.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement in Sofia on 19 November 2004, in (3) three original copies in the Bulgarian and English language, the Seller acknowledging receipt of two originals in each language and the Buyer acknowledging receipt of one original in each language.

EXECUTED

signature

by Atanas Kirilov Bangachev
for and on behalf of
THE PRIVATISATION AGENCY OF THE REPUBLIC OF BULGARIA

EXECUTED

signature

by Martin Roman

for and on behalf of
CEZ, a. s.

signature

Radomir Lasak

Schedule 1.1 (B)

Escrow Agreement

Schedule 1.1 (C)

Restated By-laws

Schedule 3.2.2

Territory of Electricity Distribution and Supply Licenses

Schedule 3.2.3

Part A - Form of Settlement Agreement

Part B - Form of Annex 1 to the Settlement Agreement

Schedule 4.3.3

Supervisory Board

1. Elektrorazpredelenie Stolichno EAD:

Nominees of the Buyer:

1.1 Mr. Martin Zmelik;

1.2 Mr. Radomir Lasak;

1.3 Mr. Vladimir Schmalz.

Nominees of the Seller:

1.1 To be nominated prior to Completion;

1.2 To be nominated prior to Completion.

2. Elektrorazpredelenie Sofia Oblast EAD:

Nominees of the Buyer:

Mr. Martin Zmelik

Mr. Bohdan Malaniuk

Mr. Vladimir Johanes

Nominees of the Seller:

1.1 To be nominated prior to Completion;

1.2 To be nominated prior to Completion.

3. Elektrorazpredelenie Pleven EAD:

Nominees of the Buyer:

Mr. Martin Zmelik

Mr. Jan Juchelka

Mr. Tomas Petran

Nominees of the Seller:

1.1 To be nominated prior to Completion;

1.2 To be nominated prior to Completion.

Schedule 10.9

Net Worth Auditor Procedures

Schedule 11.4.1

Seller Claim Notice

To: [Provide details of Guarantee Bank]

Pursuant to clause 11.4.1 of the Share Privatisation Sale Agreement by and among The Privatisation Agency of the Republic of Bulgaria (the "Seller") and [o] (the "Buyer"), made and entered into as of [] 2004 ("the Share Privatisation Sale Agreement"), and pursuant to the Bank Guarantee established pursuant to clause 4.2.2(b) of the Share Privatisation Sale Agreement, the Seller hereby requests the [Guarantee Bank] to immediately release and disburse to the Seller the amount of [Euro] pursuant to the terms of the above-mentioned Bank Guarantee.

Funds shall be delivered by [wire transfer] to the account designated below:

[Account details]

For the Post-Privatisation Control Agency:

[name and title]

Schedule 12.2.1

Information on the Companies

Part I	

Company name	Elektrozrazpredelenie Stolichno EAD
Registered office	330, Tzar Simeon St., Ilinden Municipality, 1309 Sofia, Bulgaria,
Share capital (BGN)	BGN 1,928,000
No. and date of court decision establishing Company as an independent regional company	Decision No. 1 of 27 April 2000
Date of Registration of order with court	27 April 2000
Court at which order has been filed	Sofia City Court
Company file no. held by the court	c.c. 6358.
Part II	

Company name	Elektrozrazpredelenie Sofia Oblast EAD
Registered office	2, Evropa Blvd., Vrabnitsa Municipality, 1360 Sofia, Bulgaria
Share capital (BGN)	BGN 2,149,000
No. and date of court decision establishing Company as an independent regional company	Decision No. 1 of 28 April 2000
Date of Registration of order with court	28 April 2000
Court at which order has been filed	Sofia City Court
Company file no. held by the court	c.c. 6315.
Part III	

Company name	Elektrozrazpredelenie Pleven EAD
Registered office	73 Doiran St., 5800 Pleven, Bulgaria,
Share capital (BGN)	BGN 1,206,000
No. and date of court decision establishing Company as an independent regional company	Decision No. 833 of 28 April 2000

Date of Registration of order with court
Court at which order has been filed
Company file no. held by the court

28 April 2000
Pleven Regional Court
c.c. 833.

Schedule 12.2.7

Subsidiaries of the Companies

Part I: EDC Stolichno EAD

EDC Stolichno EAD is a member of the National Committee of Bulgaria to the World Energy Council - a non-for-profit legal entity.

Part II: EDC Sofia Oblast EAD

EDC Sofia Oblast EAD is a member of the National Committee of Bulgaria to the World Energy Council - a non-for-profit legal entity.

Part III: EDC Pleven EAD

EDC Pleven EAD is a member of the National Committee of Bulgaria to the World Energy Council - a non-for-profit legal entity.

Schedule 12.2.8

Litigation or Arbitration Proceedings

Part I: EDC Stolichno EAD

No	Parties	Type, No of court case, Court Name	Legal ground	Amount of claim	Stage of the proceedings
1.	"Konex" STK	Civil case No 7226/2000 Regional Court of Sofia, panel 74	unpaid construction works	BGN 3,855.12	Court of 1st instance
2.	1. Stoyan Pancev Petrov 2. Ludmila V. Milanova	Civil case No 1009/2001, Sofia City Court, division 1, panel 3	Compensation for losses and missed profits	BGN 27,360	Court of 2nd instance
3.	"Mladost" RPK	Civil case No 1304/2000, Sofia City Court, division 6, panel 9	Compensation for the exploitation of a kiosk	BGN 96,227	Court of 2nd instance
4.	1. Antonina Georg. Bachvarova 2. Georgi Rusl. Bachvarov 3. Katherina Bachvarova	Civil case No 358/2000, Sofia City Court, panel 11	Losses under art. 49 of the Law on Obligations and Contracts, losses under art. 52 of the Law on Obligations and Contracts	BGN 60,000	Court of 2nd instance
5.	"Mladost" RPC	Civil case No 000617/2002 Regional Court of Sofia, panel 28	Compensation for the exploitation of two kiosks	BGN 6,820	Court of 2nd instance
6.	1. Sabka Daceva Stavreva 2. Sophroni Dim. Stavrev	Civil case No 3692/2000, Regional Court of Sofia, panel 30	Losses	BGN 5,300	Court of 1st instance
7.	"Mraz" AD	Civil case No 2639/02, Sofia City Court, panel II A	Claim under art.108 of the Ownership Act and compensation	BGN 2,229.10	Court of 2nd instance
8.	"Vinprom Service - Portugal" AD	Civil case 846/2002, Sofia City Court, division 6, panel 10	Claim for establishment of facts	BGN 15,626.16	Court of 2nd instance
9.	Lilyana Vaskova Doynova	Civil case No869/2001, SAC, panel 2	Compensation for professional disease	BGN 7,735	Supreme Cassation Court
10.	Christo Atanasov Palashki	Civil case No3854/2002, Sofia City Court, panel II-A	Illegal dismissal and compensation	BGN 2,648.16	Supreme Cassation Court
11.	Svetosalv Boyanov	Civil case No 9567/2000, Regional Court of Sofia, panel 76	Revocation of a Summery dismissal and compensation	BGN 1,826.40	Court of 2nd instance
12.	1. Jordanka Gjurova 2. Tzvetan Ivanov	Civil case No 1408/2002, Regional Court of Sofia, panel IV-B	Compensation for losses	BGN 4,175.07	Court of 2nd instance
13.	"Natasha Kiliovska" ET	Civil case No 13907/2002,	Claim for establishment of lack of facts for	BGN 897	Court of 2nd instance

		Regional Court of Sofia, panel 28	unpaid electricity bills		
14.	Bojidar Dim. Vassilev	Civil case No 2339/03, Sofia City Court, panel II-B	Illegal dismissal and compensation	BGN 2,900	Court of 3d instance
15.	Nikolina Krumova Vassileva	Civil case No 4105/03, Regional Court of Sofia, panel 28	Compensation for losses	BGN 9,770	Court of 2nd instance
16.	Daphinka Evloguieva Petrova	Civil case No1488/2003, Regional Court of Sofia, panel 64	Illegal dismissal and compensation	BGN 1,800	Court of 2nd instance
17.	Stephko Gueorgiev Kolev	Civil case No 17527/2002	Legally unjustified enrichment	BGN 1,200	Court of 1st instance
18.	Ventzislav Cv. Dudolenski	Civil case No 4316/2003, Regional Court of Sofia, panel 26	Compensation for losses	BGN 1,000	Court of 1st instance
19.	Ugo OOD	Civil case No17527/02, Regional Court of Sofia, panel 27	Claim for establishment of lack of facts	BGN 2,000	Court of 2nd instance
20.	Krassimira Assenova Bojilova	Civil case No 3194/2003	Compensation for losses	BGN 530	Court of 2nd instance
21.	1. Christo Al. Mishev 2. Jana Korneva Misheva	Civil case No 3183/2003, Regional Court of Sofia, panel 24	Compensation for losses	BGN 1,000	Court of 1st instance
22.	Gueorgy Simeonov Todorov	Civil case No 404/2003, Sofia City Court, panel I-7	Compensation for losses	BGN 2,000,000	Court of 1st instance
23.	Jivka Vangelova Gabrovska	Civil case No 19013/03, Regional Court of Sofia, panel 52	Claim for establishment of lack of facts - unpaid electricity bills	BGN 4,780.22	Court of 1st instance
24.	"Veda-Danail Stojanov" ET	Civil case No 7758/2003, Regional Court of Sofia, panel 31	Claim for establishment of lack of facts - unpaid electricity bills	BGN 5,715.28	Court of 2nd instance
25.	"Nedibor - Krassimir Vassilev" ET	Civil case No 6579/2003, Regional Court of Sofia, panel 33	Claim for establishment of lack of facts - unpaid electricity bills	BGN 2,311.95	Court of 2nd instance
26.	Tzvetan Vassilev Petrov	Civil case No 15313/02, Regional Court of Sofia, panel 25	Claim for establishment of lack of facts - unpaid electricity bills	BGN 1,500	Court of 1st instance
27.	Ahavni Tavitian	Civil case No3359/03, Sofia City Court	Removal of electricity distribution desk	-	Court of 2nd instance
28.	"Zarian-5-Petko Petkov" ET	Civil case No 1461/02, Regional Court of Sofia, panel I-7	Compensation for losses	BGN 29,271	Court of 1st instance

29.	Bojidar Petrov Terzijski	Civil case No 8037/03, Regional Court of Sofia, panel 32	Bills paid, but not due	BGN 660	Court of 1st instance
30.	Nikolaj Jordanov Jordanov	Civil case No 20457/03	Irregular dismissal	BGN 3,908	Court of 1st instance
31.	Daphinka Dimitrova	Civil case No 9688/03, Regional Court of Sofia, panel 33	Irregular dismissal and compensation for losses	BGN 2,120	Court of 2nd instance
32.	Valentina Assenova Veleva	Civil case No 8064/03, Regional Court of Sofia, panel 68	Unlawful dismissal and compensation	BGN 2,160	Court of 1st instance
33.	1. Metodi Stoyanov Geshev 2. Tzvetan Ves. Dimitrov 3. Gueorgi Geshev, etc.	Civil case No 7544/03, Regional Court of Sofia, panel 42	Property claim for "Drujba" residential district - main warehouse	BGN 16,981.20	Court of 1st instance
34.	1. Margarita Vas. Alexieva 2.Kiril Dim. Alexiev	Civil case No 12444/02, Regional Court of Sofia, panel 46	Claim for removal of an electricity pole situated in "Gurubljiane" district	-	Court of 2nd instance
35.	Slavka Ilieva Cirilova	Civil case No 6370/03, Regional Court of Sofia, panel 65	Irregular dismissal and compensation	BGN 1,050	Court of 1st instance
36.	1. Milen Rajicev Vassilev 2. Milena Trend. Vassileva 3. Yanka Vassileva, etc.	Civil case No 9429/03, Regional Court of Sofia, panel 30	Claim for establishment of lack of facts - unpaid electricity bills	BGN 5,000	Court of 1st instance
37.	Nikola Dimitrov Doytchev	Civil case No 6299/03, Regional Court of Sofia, panel 30	Claim for establishment of lack of facts - unpaid electricity bills	BGN 4,664.50	Court of 2nd instance
38.	Marko G. Dimitrov	Civil case No 14159/03, Regional Court of Sofia, panel 36	Claim for establishment of lack of facts - unpaid electricity bills	BGN 3,750	Court of 2nd instance
39.	Minka Evtimova Zlatkova	Civil case No 11654/02, Regional Court of Sofia, panel 73	Irregular dismissal and compensation	BGN 3,024	Court of 2nd instance
40.	Toni Tzokov Stamenov	Civil case No 21569/03, Regional Court of Sofia, panel 79	Irregular dismissal and compensation	BGN 3,000	Court of 1st instance
41.	"Grigo-X" EOOD	Civil case No1635/ 03, SAC, panel 3	Legally unjustified enrichment	BGN 40,095	Court of 2nd instance
42.	Galia Petrova Dimitrova	Civil case No22310/03, Regional Court of Sofia, panel 37	Claim for establishment of lack of facts - unpaid electricity bills	BGN 4,214.95	Court of 2nd instance
43.	1.Kocho Rajichev Kochev 2. Nadejda Kocheva 3. Blagoj Kochev	Civil case No 21674/03, Regional Court of Sofia, panel 24	Compensation	BGN 3,000	Court of 1st instance

44.	Vassilka Slavtcheva Vassileva	Civil case No1050/ 03, Sofia City Court, panel IVB	Claim for establishment of lack of facts	BGN 7,761.23	Court of 2nd instance
45.	"Sandi" ET	Civil case No 673/01, Sofia City Court, panel I-3	Compensation for losses	BGN 12,882	Court of 2nd instance
46.	Orlin Dim. Mashalov	Civil case No19011/ 03, Regional Court of Sofia, panel 50	Claim for establishment of lack of facts	BGN 9,663.56	Court of 2nd instance
47.	"Poletinska zora" ET	Civil case No 1696/2004. Sofia City Court, panel VI-2	Losses from illegal interruption of electricity supply	BGN 10,035.44	Court of 1st instance
48.	Krastjio Kirilov Balabanov	Civil case No21718/03, Regional Court of Sofia, panel 31	Claim for establishment of facts for corrected electricity bills	BGN 2,736.96	Court of 1st instance
49.	Kocho Rajchev Kochov	Civil case No22649/03, Regional Court of Sofia, panel 31	Non material damages from racial discrimination	BGN 3,000	Court of 1st instance
50.	Toni Tzokov Stamenov	Civil case No21674/03, Regional Court of Sofia, panel 24	Irregular dismissal and compensation	BGN 3,000	Court of 1st instance
51.	1. "Levski" SK 2. " R-L Commerce-Rossen Pishiev" ET	Civil case No21818/03, Regional Court of Sofia, panel 35	Claim for establishment of facts for corrected electricity bills	BGN 9,309.91	Court of 1st instance
52.	1. Rossitzza Assenova 2. Evgueni Assenov	Civil case 15487/03, Regional Court of Sofia, panel 32	Claim for establishment of facts for corrected electricity bills	BGN 2,467	Court of 1st instance
53.	Tanya Atanassova Kitova	Civil case No22978/03, Regional Court of Sofia, panel 35	Damages	BGN 3,000	Court of 1st instance
54.	1. Maria Damianova Sotirova 2.Dessislava Gueorguieva	Civil case No16/04, Sofia City Court, panel 1-6	Illegal damage	BGN 26,713	Court of 1st instance
55.	Boris Stoyanov Jelev	Civil case No679/04, Regional Court of Sofia panel 46	Claim for establishment of facts for corrected electricity bills	BGN 4,336.88	Court of 1st instance
56.	"Flo-Krum Nedkov" ET	Civil case No275/04, Sofia City Court	Claim for establishment of facts for corrected electricity bills	BGN 4,192.61	Court of 2nd instance
57.	Stoyna Gueorguieva Dimitrova	Civil case No6800/04, Regional Court of Sofia, panel 36	Claim for establishment of facts for corrected electricity bills	BGN 648.31	Court of 1st instance
58.	Milen Krastanov Krastev	Civil case No8463/03, Regional Court of Sofia, panel 52	Illegal damages as a result of irregular interruption of electricity supply	BGN 900	Court of 1st instance
59.	Bogdan Dimitrov Geshev	Civil case No375/04, Regional Court of Sofia, panel 69	Unlawful dismissal and compensation	BGN 4,524	Court of 1st instance
60.	"Kontrax" OOD	Civil case No62/04	Compensation for losses and missed profits	BGN 20,000	Court of 1st instance

61.	" Tanimia-Angel Vesselinov" ET	KZK - No20/04	Inpaid electricity bills	BGN 3,708.96	Court of 1st instance
62.	Lubomir Hr. Privodanov	KZK-228/04	Irregular interruption of electricity supply	BGN 51,892.49	Court of 1st instance
63.	1.Donka Iv. Vassileva, 2.Gueorguin Krastev, etc.	Administrative case No2581/03, Sofia City Court, panel III-3	Appeal of a decision -PA-09-50-81/1999 - "Studentski grad" CZP	-	Court of 1st instance
64.	Dimitar Trenev Konakchijski	Civil case No1501/04, Regional Court of Sofia, panel 29	Claim for establishment of facts for corrected energy bills	BGN 3,370	Court of 1st instance
65.	Jordan Vassilev Krastanov	Civil case No1259/04, Regional Court of Sofia, panel 44	Claim for establishment of facts for corrected energy bills	BGN 1,149.11	Court of 1st instance
66.	Gueorgy Dimitrov Kolev	Civil case No1387/04, Regional Court of Sofia, panel 47	Claim for establishment of facts for corrected energy bills	BGN 2,345.01	Court of 1st instance
67.	Foundation "Romani Bah" and Bulgarian Helsinki Committee	Civil case No1262/04, Regional Court of Sofia, panel 39	Claim for establishment of facts for racial discrimination	-	Court of 1st instance
68.	"Aleko Sport 99" AD	Civil case No139/04, Sofia City Court, division III-6	Claim for establishment of facts for corrected energy bills	BGN 71,101.07	Court of 1st instance
69.	"Anna - Raco Iv. Mintzev" ET	Civil case 317/04, Regional Court of Sofia, panel VI-1	Claim for establishment of facts for corrected energy bills	BGN 42,747	Court of 1st instance
70.	Tzvetan Gueorgiev Ranguelov	Civil case No1663/04, Regional Court of Sofia, panel 36	Claim for establishment of facts for corrected energy bills	BGN 2,925.16	Court of 1st instance
71.	Nikolaj Jordanov Batshki	Civil case No21879/03, Regional Court of Sofia, panel 29	Claim for establishment of facts for corrected energy bills	BGN 63,000	Court of 1st instance
72.	"Tara-99" EOOD	Civil case No2873/04, Regional Court of Sofia, panel 55	Claim for establishment of facts for corrected energy bills and losses	BGN 5,067.79	Court of 1st instance
73.	"Goriana" OOD	Civil case No2214/04, Regional Court of Sofia, panel 77	Losses and reestablishment to power supply	BGN 900	Court of 1st instance
74.	Yavor Damianov Arnaudov	Civil case No2894/04, Regional Court of Sofia, panel 41	Claim for establishment of facts for corrected energy bills	BGN 5,093.95	Court of 1st instance
75.	Detelin Vassilev Genkov	Civil case No2896/04, Regional Court of Sofia, panel 42	Claim for establishment of facts for corrected energy bills	BGN 4,537.78	Court of 1st instance
76.	"Marven" EOOD	Civil case No2973/04, Regional Court of Sofia, panel 27	Claim for establishment of facts for corrected energy bills	BGN 4,831	Court of 1st instance
77.	1. Smilen Petrov Todorov 2. Petar Simeonov Todorov	Civil case No1277/04, Regional Court of Sofia, panel 26	Losses from electric shock	BGN 2,000	Court of 1st instance
78.	Rumen Kostadinov Grigorov	Civil case No1184/04, Regional Court of Sofia, panel 24	Claim for establishment of facts for racial discrimination	BGN 2,500	Court of 1st instance
79.	Ivan Nikolov Ivanov	Civil case No3586/04, Regional Court of Sofia, panel 50	Claim for establishment of facts for corrected energy bills	BGN 6,330	Court of 1st instance
80.	Anelia Jordanova	Civil case No2763/04,	Claim for establishment	BGN 893,13	Court of 1st

	Dimitrova	Regional Court of Sofia, panel 50	of facts for corrected energy bills		instance
81.	"Dimitraka-P Apostolov" ET	Civil case No4148/04, Regional Court of Sofia, panel 47	Claim for establishment of facts for corrected energy bills	BGN 5,000	Court of 1st instance
82.	Nikolaj Petrov Grantcharov	Civil case No22876/03, Regional Court of Sofia, panel 74	Labour dispute	BGN 2,520	Court of 1st instance
83.	"Marti 11 - Alexander Assenov" ET	Civil case No3921/04, Regional Court of Sofia, panel 49	Claim for establishment of facts for corrected energy bills	BGN 1,883.18	Court of 1st instance
84.	"TREP" OOD	Civil case No576/04, Sofia City Court, division 4, panel 1	Claim for establishment of facts for corrected energy bills	BGN 23,969.92	Court of 1st instance
85.	Petko Stoyanov Gueorguiev	Civil case No1104/04, Sofia City Court, division 1, panel 5	Claim for establishment of facts for corrected energy bills	BGN 16,000	Court of 1st instance
86.	"Karat-69"OOD	Civil caseNo 488/2004 Sofia City Court, VI-4	Claim for establishment of facts for corrected energy bills	BGN 13,600	Court of 1st instance
87.	Krassimir Mitev	Civil case No 5785/2004 Regional Court of Sofia, panel 45	Buy out of kiosk and power lines		Court of 1st instance
88.	Vladimir Iv. Georgiev	Civil case No 5986/2004 Regional Court of Sofia - panel 42	Buy out of equipment	BGN 9,040	Court of 1st instance
89.	Naiden Nikolov	Civil case No 6043/04 Regional Court of Sofia, panel 29	Claim for establishment of facts for corrected energy bills	BGN 1,821	Court of 1st instance
90.	Margarita Zaharieva	Civil case No 6139/2004	Claim for establishment of facts for corrected energy bills	BGN 3,098	Court of 1st instance
91.	Nikolay Vukadinov	Civil case No 6450/04 Regional Court of Sofia, panel 42	Claim for establishment of facts for corrected energy bills	BGN 3,283	Court of 1st instance
92.	Romil Bogoev	Civil case No 4977/2004 Regional Court of Sofia, panel 43	Claim for establishment of facts for corrected energy bills	BGN 1,700	Court of 1st instance
93.	Dessislava Dorosieva	Civil case No 6522/04 Regional Court of Sofia, panel 40	Restoring electricity supply		Court of 1st instance
94.	ET Bobison-Miho Hristov	Civil case No 6322/04 Regional Court of Sofia, panel 46	Claim for establishment of facts for corrected energy bills	BGN 4,223	Court of 1st instance
95.	Metodi Popov	Civil case No 6322/04 Regional Court of Sofia, panel 46	Claim for establishment of facts for corrected energy bills	BGN 3,224	Court of 1st instance
96.	Snezhanka Petrunova	Civil case No 8360/04 Regional Court of Sofia, panel 28	Claim for establishment of facts for corrected energy bills	BGN 1,259	Court of 1st instance
97.	Sava Ivanov Rachev	Civil case No8720/04 Regional Court of Sofia, panel 41	Claim for establishment of facts for corrected energy bills	BGN 3,313	Court of 1st instance

98.	Georgi Metodiev Jugov	Civil case No6545/04 Regional Court of Sofia, panel 51	Under the Law on protection against discrimination	BGN 250	Court of 1st instance
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Part II: EDC Sofia Oblast EAD

No	Parties	Type, No of court case, Court name	Legal ground	Amount of the claim
1	Simeon Iliev Mavrov	Civil case No 2341/2003, Sofia City Court	Art. 344, para. 1, item 1, 2, 3 of the Labour Code	Principle of BGN 6,084 and lawful interests from 30th of July, 2002
2	"Elprom Termo 97" AD	Civil case No 125/2003, Sofia City Court	Appeal of an open procedure for assignment of a public offer under the Public Procurement Act	Undetermined claim
3	Hotel "Botevgrad" EAD	Civil case No 384/2004 Sofia City Court	Claim for establishment of lack of facts	BGN 39,097.29
4	Svetoslav Momchilov Djeliiov	Administrative case No 1053/2003, Sofia City Court	Claim for tacit refusal for issuance of a objective and fair recommendation	-
5	Svetoslav Momchilov Djeliiov	Civil case No 1888/2004, Sofia City Court	Non-material and material losses	BGN 6,000 BGN 102.6
6	Svoqe Municipality	Civil case No 278/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interest of BGN 6,862.3
7	Svoqe Municipality	Civil case No 279/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
8	Svoqe Municipality	Civil case No 280/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipment for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
9	Svoqe Municipality	Civil case No 281/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
10	Svoqe Municipality	Civil case No 282/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
11	Svoqe Municipality	Civil case No 291/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
12	Svoqe Municipality	Civil case No 284/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed	Principle of BGN 18,000 and interests

			equipments for the period 05, November 1998 - 05, November 2003.	of BGN 6,862.3
13	Svoqe Municipality	Civil case No 285/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
14	Svoqe Municipality	Civil case No 286/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
15	Svoqe Municipality	Civil case No 287/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
16	Svoqe Municipality	Civil case No 288/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
17	Svoqe Municipality	Civil case No 289/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
18	Svoqe Municipality	Civil case No 283/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
19	Svoqe Municipality	Civil case No 290/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
20	Svoqe Municipality	Civil case No 301/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
21	Svoqe Municipality	Civil case No 292/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
22	Svoqe Municipality	Civil case No 294/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
23	Svoqe Municipality	Civil case No 295/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3

24	Svoqe Municipality	Civil case No 296/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
25	Svoqe Municipality	Civil case No 297/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
26	Svoqe Municipality	Civil case No 298/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
27	Svoqe Municipality	Civil case No 293/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
28	Svoqe Municipality	Civil case No 299/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
29	Svoqe Municipality	Civil case No 300/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
30	Svoqe Municipality	Civil case No 302/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
31	Svoqe Municipality	Civil case No 303/2004, Sofia City Court	Claim for payment of rent for kiosk and the installed equipments for the period 05, November 1998 - 05, November 2003.	Principle of BGN 18,000 and interests of BGN 6,862.3
32	Svetoslav Momcilov Djeliov	Civil case No 15492/2003, Regional Court of Sofia	Art. 193, para. 1 of the Labour Code	BGN 5,500 non material losses and lawful interests from 12, December 2002
33	Svetoslav Momcilov Djeliov	Civil case No 16988/2003 No 1492/2003 No 10430/2003, Regional Court of Sofia	Art. 344, para. 1, item 1, 2, 3 of the Labour Code	BGN 2,400, lawful interest, court charges and collateral of BGN 600 according to art. 221, para. 2 of the Labour Code
34	Svetoslav Momcilov Djeliov	Civil case No 251/2003 of Regional Court of Blagoevgrad	Art. 213, para. 2 of the Labour Code	BGN 1,291.3 compensation with lawful interest
35	Svetla Draganova Dimitrova	Civil case No 2479/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 2,569.26 with the lawful interests from 14, October 2002 and court charges

36	Margarita Dimitrova Petrevska	Civil case No 2486/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 1,897.62 with the lawful interest from 16, December, 2002 and court charges
37	Zdravka Stoilova Toneva	Civil case No 2687/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 1,738.8 with the lawful interest from 14, October 2002 and court charges
38	Vassilka Grozdanova Najdenska	Civil case No 2692/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 2,641.86 with the lawful interest from 11, October 2002 and court charges
39	Lenka Jordanova Kostadinova	Civil case No 2693/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 2,686.74 with the lawful interests from 11, October 2002 and court charges
40	Rumen Tontzev Apostolov	Civil case No 2928/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 2,546.22 with the lawful interest from 11, October 2002 and court charges
41	Elena Momchilova Ilieva	Civil case No 167/2003, Supreme Cassation Court	Art. 344, para 1, p. 1, 2, 3 of the Labour Code	BGN 2,561.94 with the lawful interest from 11, October 2002 and court charges
42	Elena Mitova	8/2003 Regional Court of Elin Pelin	Art. 60-64 of the Penalty Procedural Act	BGN 9,982
43	Ana Krumova Chaprashnikova	Administrative case 213/01 District Court of Kjustendil	Art.2, para 1 of the Law on Compensation of Owners of Expropriated Property	Decision for compensation with Compensatory notes in the amount of BGN 86,784
44	Kostadinka Vassileva Milenkova	515/01, regional Court of Dupnitsa	Art.344, para 1,p.1,2 and 3 of the Labour Code, art. 225, p.1 of the Labour Code	BGN 1,700
45	Gueorgy Krumov Vaklev	Civil case 983/01, Regional Court of Kjustendil	Art. 79, para.1 of the Law on Obligation and Contracts	BGN 3,500
46	Anastassia Alexandrova Ilieva	Civil case 967/02, Regional Court of Kjustendil	Art.344, para.1, p.1,2 and 3 of the Labour Code, art. 225, para.1 of the Labour Code	BGN 1,383.26
47	Vassilka Emilova Stoilova	Civil case 1304/02, Regional Court of Kjustendil	Art.344,para.1, item.1,2 and 3 Labor Code, art.225,para.1 from Labor Code	BGN 1,646 /amounts are paid /
48	Natalia Christova Gueorguieva	Civil case 822/02, regional Court of Kjustendil	Art.344,para.1, p.1,2 and 3 of the Labour Code, art. 225, para.1 of the Labour Code	BGN 4,000
49	Kiril Verguilov Christov	Administrative case 390/02, District Court of	Art.117 of the Mandatory Social Security Code	-

		Kjustendil		
50	Ekaterina Gueorguieva Taushanova, Jordan Stoyanov Taushanov and Ana Krumova Chaprashnikova	Administrative case 4437/02, Supreme Appeal Court	Art.6, para. 6 of the Law on the Compensation of Owners of Nationalised Real Estate	-
51	District Governor of Kjustendil	Administrative case 114/02, District Court of Kjustendil	Art. 32, para. 2 of the Law on Administration and art. 14, para.2 of the Law on the Municipality Property and art. 21, 24 of the Law on the Local Government and Local Administration	-
52	Ivan Gueorguiev Angarev	Civil case 54/03, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 3,000
53	Jordan Stoyanov Anichkin	Civil case 504/02, Regional Court of Kjustendil	Art.97, para.1 of the Civil Procedural Act	BGN 798,20
54	Metodi Lubenov Belchinski	Civil case 1347/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 3,869 /amounts are paid/
55	Gueorguy Kirilov Dimitrov	Civil case 496/02, regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 5,000
56	Vassil Nikolov Slatinski	Civil case 1335/02, Regional Court of Dupnitza	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 1,568
57	Todor Ivanov Iliev	Civil case 839/01, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 3,600
58	Todor Ivanov Iliev	Civil case 1066/02, Regional Court of Kjustendil	Art.45 of the Law on Obligation and Contracts	-
59	Spasenka Dimitrova Kostova	Civil case 446/03, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 2,300
60	Julia Lubomirova Alexandrova	Civil case 755/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 2,358 /amounts are paid/
61	Koprinka Krumova Velichkova	Civil case 1317/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 2,300 / amounts are paid /
62	Jordan Stephanov Mirchev	Civil case 1382/01, Regional Court of Kjustendil; civil case 286/03, District Court of Kjustendil	Art. 127, para.2 and art.49 and.53 of the Law on Obligation and Contracts	BGN 6,000

63	Todor Ivanov Iliev	Civil case 1641/01, Regional Court of Kjustendil	Art.200 of the Labour Code	BGN 10,000
64	Kiril Stojchev Vassilev	Civil case 1342/03, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 5,490
65	Borislav Assenov Djelepsi	Civil case 815/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 3,000
66	Stoya Alexandrova Velinova	Civil case 1299/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 1,800 /amounts are paid/
67	Gocho Gueorguiev Djigrev and Assen Sokolov	Civil case 170/01, Regional Court of Dupnitsa	Art. 109 of the Ownership Act	
68	Ivan Pavlov Simeonov	Administrative case 7504/03, Supreme Appeal Court	Art.&11, para. 2 of the Transitional Provisions of the Law on Property and Use of Agricultural Lands	-
69	Violeta Vassileva Gizdova	Civil case.1147/03, Regional Court of Kjustendil	Art.97 of the Civil Procedural Act	BGN 8,797.11
70	Jordan Serafimov Peev	Civil case 902/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 1,185
71	Galya Todorova Mitova	Civil case 1300/02, Regional Court of Kjustendil	Art. 344,para.1,p.1,2 and 3 of the Labour Code, art.225, para.1 of the Labour Code	BGN 2,283
72	Alexander Stanulov	3581/02, Sofia City Court	Art. 344 of the Labour Code	BGN 3,500 and the lawful interests and court charges
73	Ilia Iliev	1961/03, SAC	Art. 50 of the Civil Procedural Act	BGN 35,000
74	Spaska Lobutova	2896/02 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 4,291.30, Decision pending
75	Bojana Vassileva	185/01, Sofia City Court	Art.344 of the Labour Code	BGN 2,580 and lawful interest and court charges
76	Kostadin Kostadinov	4428/01, Sofia City Court	Art. 344 of the Labour Code	BGN 4,032 and lawful interest and court charges
77	Dinka Ignatova	2625/02, Sofia City Court	Art. 344 of the Labour Code	BGN 2,400 and lawful interest and court charges
78	Valery Terzijski	5548/00, Regional Court of Sofia	Art. 12 of of the Law on Obligation and Contracts	BGN 7,200 and lawful interest and court charges
79	Heirs of Deyanka Bojilova	388/02, District Court of Sofia	Art. 50-52 of the Law on Obligation and Contracts	BGN 40,000 and lawful interest and court charges
80	Spaska Lobutova	8638/01, Regional Court of Sofia	Art. 357 of the Labour Court	BGN 300 and court charges

81	Nikolaj Nikolov	63/01, Regional Court of Elin Pelin	Court case of penalty administrative character	BGN 4,058
82	Georgy Manolov	Civil case 442/04 Sofia District Court	Art. 45 of the Law on Obligation and Contracts	BGN 1,480, Claim sustained + BGN 800, Second instance
83	Guerogy Todorov	29931/03, regional Court of Elin Pelin	Art. 50 of the Law on Obligation and Contracts	BGN 7,800
84	Jordan Jordanov	10985/ Regional Court of Sofia	Art. 325 of the Labour Code	BGN 6,000
85	"Mulin" SD	1332/02, Sofia City Court	Art. 97 of the Civil Procedural Act	BGN 19,870
86	Ivan Boikin	466/03, Regional Court of Botevgrad	Art. 344 of the Labour Code	BGN 2,800
87	Christo Petkov	332/03, Regional Court of Botevgrad	Penalty Procedural Act	BGN 2,954.00
88	Emil Vassilev	188/03, Regional Court of Slivnica	Art. 45 of the Law on Obligation and Contracts	BGN 2,000
89	Gueorgy Stefanov	2093/03, Regional Court of Sofia	Art. 45 of the Law on Obligation and Contracts	BGN 7,800
90	"Ivender" ET	11547/03, Regional Court of Sofia	Art. 97 of the Civil Procedural Act	BGN 2,648
91	Borislav Draganov	3334/04, Regional Court of Sofia	Art.55 of the Law on Obligation and Contracts	BGN 1,391.23
92	Gueorgy Klestanov	4635/04, Regional Court of Sofia	Claim for establishment of lack of facts	BGN 955.45
93	Institut for animal breeding	777/04, Sofia City Court	Art.55 of the Law on Obligation and Contracts	BGN 29,036.70
94	Tzvetanka Krumova Stoyanova, Ciril Krumov Kostov and Vita Krumova Manova	1325/2001, Regional Court of Pernik	Art. 93 of the Ownership Act	BGN 9,000
95	Gueorgy Simeonov Tarnev	No 389/2004, Regional Court of Pernik	Art. 200 of the Labour Code	BGN 20,000
96	Breznik Municipality	1057/2002, District Court of Pernik	Art. 97 para.(1) of the Civil Procedural Act	BGN 54,765
97	Elincho Stoyanov Serdarov	318/2002, , District Court of Pernik	Art. 200 of the Labour Code	BGN 14,000
98	Emil Lazarov Anakiev	1274/2002, Regional Court of Pernik	Art. 344 of the Labour Code	BGN 6,500
99	Metodi Petrov Vassilev	1034/2002, Regional Court of Pernik	Art. 59 of the Law on Obligation and Contracts	BGN 8,000
100	Nikolaj Iliev Milev	2043/2002, Regional Court of Pernik	Art. 344 of the Labour Code	BGN 6,500
101	"Balkancar ZFI" AD, Breznik	1080/2002, District Court of Pernik	Art. 59 of the Law on Obligation and Contracts	BGN 12, 000
102	"Jabliano" AD	2144/2001, Regional Court of Pernik	Art. 49 of the Law on Obligation and Contracts	BGN 16,717
103	Simeon Gueorguiev Spasov	152/2004, Regional Court of Pernik	Art. 59 of the Law on Obligation and Contracts	BGN 400
104	Simeon Gueorguiev Spasov	2160/2001, SAC	Art. 59 of the Law on Obligation and Contracts	BGN 400
105	"Polia Dimitrova - Polding" ET	1068/2003, District Court of Pernik	Art. 97 of the Civil Procedural Act	BGN 7,556
106	ZPK "Uspeh" , Kosharevo village	119/2003, Regional Court of Pernik	Art. 97 of the Civil Procedural Act	BGN 2,473

107	Bogomil Ivanov Slavcev	342/200, Regional Court of Pernik	Art. 97 of the Civil Procedural Act	BGN 2,251
108	Kiril Christov Milev	501/2003, Regional Court of Pernik	Art. 49 of the Law on Obligation and Contracts	BGN 1,104
109	Nikolaj Iliev Milev	39/2003, Regional Court of Pernik	Art. 344 of the Labour Code	BGN 3,150
110	Nikolaj Iliev Milev	122/2003	Art. 344 of the Labour Code	BGN 200
111	Radoslav Ninov Rajkov	747/2003, Regional Court of Pernik	Art. 97 of the Civil Procedural Act and art. 49 of the Law on Obligation and Contracts	BGN 2,386
112	Stephan Ivanov Andreev	64/2003, Regional Court of Pernik	Art. 97 of the Civil Procedural Act	BGN 154.20
113	Stephan Stoyanov Kostov	367/2003, Regional Court of Pernik	Art. 49 of the Law on Obligation and Contracts	BGN 2,350
114	Borislav Jivkov Stamenov	274/2004, District Court of Pernik	Art. 49 of the Law on Obligation and Contracts	BGN 10,000
115	"POLIPOST" AD and "Bulgarian Post" EAD	651/2003	Art. 56 of the Public Procurement Act	-
116	Dobri Kirilov Nikolov	1985/2003, Regional Court of Pernik	Art. 97 of the Civil Procedural Act	BGN 1,635
117	Boris Kirilov Batalski	154/2004, District Court of Pernik	Art. 344 of the Labour Code	BGN 2,000
118	Sashka Vassileva	No 242/04, Regional Court of Pernik	Art. 344 of the Labour Code	BGN 1,600
119	Daniel Evtimov	No 239/04, Regional Court of Pernik	Art. 344 of the Labour Code	BGN 2,400
120	Valentin Metodiev	No 240/04	Art. 344 of the Labour Code	BGN 2,400
121	Anastassia Kostadinova Arsova	758/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,532.60, third instance
122	Nadka Ilieva Kitanova	32/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 3,331.20, third instance
123	Maria Nikolova Vassileva	2570/03 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 1,641 third instance
124	Valentina Hadjieva	454/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,411 third instance
125	Gueorgy Strahilov Gracky	1117/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 5,599.80 third instance
126	Emilia Ilieva Popilieva	No 917/2003, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,638.00
127	Dimitar Krumov Ivanov	515/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,500 third instance
128	Slavco Smilkov	1272/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 4,224.18 third instance
129	Luben Velinov Petrov	400/04 Blagoevgrad District Court	Art. 344 of the Labour Code	BGN 2,763.12 second instance
130	Viktor Smochevski	1194/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 1,280.22 third instance
131	Ekaterina Alexandrova	No 1156/2002, Regional Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,700.00
132	Julietta Dumbanova	No 1374/2002, Regional Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 1,923.54

133	"Riko - Snejana Tuparova" ET	No 639/2002, Regional Court of Blagoevgrad	Art.49 of the Law on Obligations and Contracts	BGN 3,000.00
134	Elena Emilova Shishkova	2766/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,053 third instance
135	"Super plam el. Elena Angova" ET	No 1170/2002, Regional Court of Blagoevgrad	Claim of findings	-
136	Borislav Dimov Gueorguiev	No 1273/2002, Regional Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 1,536.00
137	"Dimco Gueorguiev - Dig" ET	No 1169/2002, Regional Court of Blagoevgrad	Art.97 of the Civil Procedural Act	-
138	Ganka Lubenova Tuleva	3155/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 3,000 third instance
139	Guiorgi Ivanov Bojkov	3153/03 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,735 third instance
140	Emil Kostadinov Perov	No 243/2003, Regional Court of Blagoevgrad	Art.59 of the Law on Obligations and Contracts	BGN 2,000.00
141	Svetoslav Momcilov Djeliov	No 1196/2003, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 907.00
142	Maria Mirceva Dimitrova	224/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,555 third instance
143	Alberto Vassilev Avedis	1538/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,000.00 third instance
144	"Orbel" AD	557/04 Regional Court of Gotse Delchev	Claim of findings	First instance, decision pending-
145	Jivko nikolov Lazarov	1320/04 Supreme Court of Cassation	Art. 344 of the Labour Code	Third instance
146	Petko Krumov Olev	No 113/2004, District Court of Blagoevgrad	Art.109 of the Ownership Act	BGN 450 second instance-
147	Svetoslav Momcilov Djeliov	No 251/2003, Regional Court of Blagoevgrad	Art.213 of the Labour Code	-
148	"MAK TURS" AD	No 1203/2003, Regional Court of Blagoevgrad	Claim of findings under art. 97 of the Civil Procedure code	-
149	Luben Iliev Gueorguiev	No 718/2003, Regional Court of Blagoevgrad	Art. 109 of the Ownership Act	-
150	Kostadin Petrov Stoilkov	No 1007/2003, Regional Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,400.00
151	Vassil Christov Bahtarliev	No 388/2003, Regional Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 1,878.00
152	Jordan Nikolov Balev	No 632/2004, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,046 second instance
153	Franceska Gueorguieva Pavlova	No 631/2004, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,497.32 second instance
154	"Hliab I Hlebni Izdelia"	No 1194/2003, Regional Court of Blagoevgrad	Art.45 of the Law on Obligations and Contracts	BGN 8,100.00
155	Maxim Jivkov Radev	No 879/2003, District Court of Blagoevgrad	Art.97 of the Civil Procedural Act	-
156	Boris Nikolov Smilenov	No 698/2004, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,400 second instance
157	Angel Vesselinov Vaglariski	No 1409/2004, Sofia Regional Court	Art.59 of the Law on Obligations and Contracts	BGN 1,300 first instance
158	Sevda Bogdanova	No 874/2002, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 2,155.86
159	Iskra Vojnova	No 878/2002, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 3,100.86

160	Ivailo Genchev	No 1538/04 Supreme Court of Cassation	Art. 344 of the Labour Code	BGN 2,500 third instance
161	Liliana Ivanceva	No 319/2003, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 6,990.00
162	Blagoj Simeonov Barzacki	No 1248/2001, District Court of Blagoevgrad	Art. 344 of the Labour Code	BGN 4,466.2
163	Emil Kostadinov Perov	No 566/1995, Regional Court of Blagoevgrad	Art.97 of the Civil Procedural Act	Claim for establishment of facts
164	ET Kiril Borissov	Civil case 14018/02 Sofia Regional Court	Art.97 Civil Procedure Code	First instance
165	Angel Vaglariski	Civil case 1409/04	Art.97 Civil Procedure Code	First instance
166	Petar Petrov	Civil case 3895/04 Sofia Regional Court	Art. 357 Labor Code	First instance
167	Mihail Madjunov	Civil case 202/04	Art.97 Civil Procedure Code	BGN 7,502 First instance
168	Krastjo Tzolov	Civil case 191/04 Etropole Regional Court	Art. 344 Labor Code	BGN 1,990 First instance
169	Kiril Ankov	Civil case 183/04 Regional court	Art. 49 Law on Obligations and Contracts	BGN 2,500 First instance
170	Bogomil Petrov	Civil case 5435/04 Pernik Regional Court	Art. 79 Law on Obligations and Contracts	BGN 2,000 First instance
171	Tzvetanka Ilcheva	Civil case 1170/04 Blagoevgrad Regional Court	Art. 344 Labor Code	BGN 2,548 First instance
172	Verginia Mancheva	Civil case 1171/04 Blagoevgrad Regional Court	Art. 344 Labor Code	BGN 1,704 First instance
173	Rokon Trade	Plea Incoming No. 19774	No movement	
174	Filkab	Administrative case 2808/04	Law on Public Procurement	First instance
175	Elkabel Co	Administrative case 2401/03	Law on Public Procurement	First instance
176	Dragoman el	Administrative case 2254/04	Law on Public Procurement	First instance
177	Integra	Administrative case 3594/04	Law on Public Procurement	First instance
178	Progress Komers	Administrative case 3142/04	Law on Public Procurement	First instance

Part III: EDC Pleven EAD

No	Parties	Type, No of court case, Court	Legal ground	Amount of claim
1	"Tihomir Yacin" ET	Court case of penalty administrative character No283/2004 scheduled for 30.11.2004 before the District Court of Pleven	Appeal of a Punitive Order	BGN 1,949
2	Owners of Joint property in Block No 8, "Mara Dencheva"	Civil case No 596/2003, District Court of Pleven. With decision No 91 dated 07.10.2004 the	Art. 108 of Ownership Act Art. 109 of Ownership Act Art. 55 of the Law on	BGN 100

	residential district, bl. 8,	demand of EDC Pleven for putting on hold the decision No 389 dated 10.06.2004 issued in respect of the civil case No 596/2003 of District Court of Pleven	Obligations and Contracts	
3	Rumianco Velichkov Krastev	Civil case in Supreme Cassation Court (not scheduled)	Art.344, para.1, point 1,2 and 3 from Labour Code	BGN 2,520
4	"Podempolimer" EOOD	41/2003 of the District Court of Pleven. Pending in front of VTAC - court case Civil case No 399/2004. The issuance of decision is pending	Art. 79 of the Law on Obligations and Contracts	BGN 26,000
5	"Podempolimer" EOOD	Civil case 2108/2004 of Regional Court of Pleven. Pending in front of the Regional Court of Pleven	Claim for compensation for breach of a contractual agreement under contract for sell of electricity energy and use of a kiosk without legal grounds	BGN 9,900
6	"Pivi Compass" AD	16/2003 of District Court of Pleven. The District Court of Pleven has honoured the claims. With decision under civil court case No 64/2004 VTAC has fully revoked the decisions of the District Court of Pleven. A claim has been logged with respect to the decision of the VTAC. The case is pending at the Supreme Cassation Court	Claim for establishment of facts Reimbursement of funds	BGN 26,762 BGN 3,367.2
7	Veska Todorova Russeva	Civil case 2375/2003 of Regional Court of Pleven. The first instance decision has been appealed in front of the District Court of Pleven, which has confirmed the decision of the Regional Court of Pleven. The decision is final and cannot be appealed further. The case has been terminated with the decision having entered into force.	Art. 357 from the Labour Code	-
8	Danail Gueorguiev Gueorguiev	Civil case 2375/2003 of Regional Court of Pleven, pending in front of the Regional Court of Pleven.	Labour dispute	BGN 6,343 together with lawful interest
9	Sasho Christov Radulovski	Civil case 2723/2003 of Regional Court of Pleven, pending in front of the Regional Court of Pleven.	Labour dispute	Principle BGN 2,400 together with lawful interest
10	Yoto Dimitrov Dobrev	Civil case 2879/2003 of Regional Court of Pleven. The claims have been refuted at first and second instances. The period for logging claim in front of the Supreme Cassation Court have not elapsed.	Labour dispute	Claim for revocation of a dismissal and reinstatement in former position
11	Pavlina Ninova Simeonova	Civil case 6/2004 of Regional Court of Kneja. After	Labour dispute	Claim for revocation of a

		contestation for local suability, the court case is pending in front of the Regional Court of Pleven under No 847/2004, 1st civil panel		dismissal and reinstatement in former position
12	Danail Tzvetanov Kilogramski	Civil case 16/2004 of Regional Court of Kneja. After contestation for local suability, the court case is pending in front of the Regional Court of Pleven under No 84/2004, 1st civil panel	Labour dispute	Claim for revocation of a dismissal and reinstatement in former position
13	Krasimir Blajev Kolev	Civil case 234/2004 of Regional Court of Pleven. A decision at this instance is pending.	Labour dispute	BGN 2 592 together with interests
14	Galina Gueorguieva Petrova	Civil case 388/2003 of Regional Court of Lovec	Art. 344 of the Labour Code	BGN 470
15	Nadka Peneva Valcheva	Civil case 563/2004 of Regional Court of Lovec	Art. 344 of the Labour Code	BGN 585
16	Pelo Petkov Triphonov	Civil case 607/2004 of Regional Court of Lovec	Art. 344 of the Labour Code	BGN 550
17	Stephan Ivanov Vetev	Civil case 498/2004 of Regional Court of Lovec	Art. 344 of the Labour Code	BGN 7,126.92
18	Krassimir Aldinov Aldinov	Civil case 137/2004 of Regional Court of Lovec	Art. 109 of the Ownership Act	BGN 1,101
19	Valentin Atanasov Kotov	Civil case 95/2004 of Regional Court of Teteven	Art. 109 of the Ownership Act	Claim for moving a 20 KV overhead line
20	"ViK" OOD	Civil case 588/1999 of Regional Court of Vratza	Legally unjustified enrichment; the claim has been honoured, the decions has been appealed by EDC Pleven in front of the Sofia Court of Appeal (civil court case No 1771/2001) which has confirmed the decision. This decision has been appealed in front of the Supreme Cassation Court (civil court case No 1833/2002) which has returned the case for new consideration by another panel of the Regional Court of Vratza - civil court case No 749/2003, court hearing scheduled for 25.11.2004	BGN 167,609.92
21	Borovan Municipality	Civil case 374/2001 of Regional Court of Vratza	Claim for compensation for the exploitation without legal grounds of kiosks and the respective land; the claim has been fully revoked and the decision has been appealed by the plaintiff in front of the Sofia Court of Appeal. Subsequently, the claim has been withdrawn and the decision of the	BGN 137,820

			Regional Curt of Vratza has entered into force.	
22	Kozloduj Municipality	Civil case 609/2001 of Regional Court of Vratza	Litigation for a rent of a premise. ; the claim has been fully revoked and the decision has been appealed by the plaintiff in front of the Sofia where no hearing has been scheduled yet	BGN 57,393.87
23	Svetlinka Kancheva	Civil case 2570/2000 of Regional Court of Vratza	Labour dispute; the calim has been honoured at first instance, but has been revoked at second instance - Regional Court of Vratza (civil court case No 1276 ! 2001) for which reason the plaintiff has appealed in front of the Supreme Cassation Court (civil court case No 1931/2002) where the decision of the second instance has been reconfirmed	BGN 2,387.16 and court charges of BGN 135.49
24	"Avtotrans-97" OOD	Civil case 1265/2001 of Regional Court of Vratza	Claim for removal of installed equipments and compensation for missed profits - art. 109 and art. 82 of the Law on Obligation and Contracts; the claim has been fully refuted and the plaintiff has appealed the decision in front of the Regional Court of Vratza (civil court case No 1004/2003) which has confirmed the decision; the decision of the second instance has been appealed in front of the Supreme Cassation Court but no hearing has been scheduled as of now	BGN 2,000
25	Ivan Gueorguiev Ivanov	Civil case 940/2002 of Regional Court of Vratza	Claim for Legally unjustified enrichment - art. 55 of the Law on Obligation and Contracts; the claim has been honoured and the decision has been appealed in front of the Regional Court of Vratza (civil court case No 726/2003) which has confirmed this decision; an appeal in front of the Supreme Cassation Court (civil court case No 69/2004) with latest hearing on 27.10.2004 but no decision as of now.	BGN 330

26	Plamen Nikolov Christov	Civil case 934/2003 of Regional Court of Vratza	Claim for Legally unjustified enrichment - art. 55 of the Law on Obligation and Contracts; the claim has been honoured and the decision has entered into force.	BGN 150.22
27	DA "State reserves and war-time inventory", Council of Ministers Sofia	Civil case 1250/2002 of Regional Court of Vratza	Claim for Missing cables from DA "State reserves and war-time inventory"; the court case is currently pending and has been scheduled for 11.02.2005.	BGN 6,288.44
28	Kozloduj Municipality	Civil case 663/2003 of Regional Court of Vratza	Claim for compensation for the use without legal grounds of the land on which kiosks are located; the claim has been fully refuted and the plaintiff has appealed the decision in front of the Sofia Court of Appeal (civil court case No 1493/2004) scheduled for 21.01.2005; currently the Municipal Council of Kozloduj has taken the decision to withdraw the claim	BGN 318,602.70
29	Leorita Tzenova Naidenova	Civil case 1478/2003 of Regional Court of Vratza	Labour dispute for non paid work remuneration and compensation; the claim has been partially honoured and the decision has been appealed in front of the Regional Court of Vratza (civil court case No 643/2004) which has confirmed it; it has been appealed in front of the Supreme Cassation Court but no hearing has been scheduled as of now	BGN 1,195.41
30	Pavlin Rebarkovski	Civil case 198/2004 of Regional Court of Vratza	Art. 108 of the Ownership Act and art. 59 of the Law on Obligations and Contracts; pending at this instance, next hearing on 24.11.2004.	Establishment of the property rights on a kiosk, situated in the village of Tishevica
31	"Septemvri" PC - Krivodol	Civil case 1575/2004 of Regional Court of Vratza	Art. 97, para 1 of the Civil Procedural Code and art. 157 of the State Ownership Act; pending at this instance; next hearing on 17.11.2004	Establishment of the property rights on a kiosk, situated in the city of Krivodol
32	RKS /presently OKS/, Montana city	Civil case 528/1999 (previous No 1064/1994) of Regional Court of Montana	Claim for property rights on tangible assets - buildings	-

33	Dimitar Lubenov Dimitrov	Civil case 38/2003 of the District Court of Vratza	Art. 344, p. 1, 2, 3 of the Labour Code	BGN 2,853 with the interests from 25 Feb, 1998
34	Krassimir Markov Savov	Civil case 376/2000 of the District Court of Montana	Art. 344, p. 1, 2, 3 of the Labour Code	BGN 2,700 with the lawful interests from 16 of Feb, 2000
35	Svetlin Lubenov	Civil case 202/2003 of the District Court of Montana	Art. 59 of the Law on Obligations and Contracts	Principle of BGN 12,000 and interests of BGN 3,000
36	Borislav Arsov Trendafirov	Civil case 535/2003 of the District Court of Montana	Art. 49 and art. 45 of the Law on Obligations and Contracts	Claim of an amount paid, but not due
37	Margarita Lozanova	Civil case 566/2003 of the Regional Court of Montana	Art. 49 and art. 45 of the Law on Obligations and Contracts	BGN 600
38	PKCMontana	Civil case 477/2003 of the Regional Court of Montana	Art. 108 of the Ownership Act	Claim for property rights on a land
39	Tzvetan Ilarionov Tzakov	Civil case 276/2003 of the District Court of Vidin	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour Code	BGN 2,504.22
38	Nedialko Ivanov Najdenov	Civil case 427/2003 of the District Court of Vidin	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour Code	BGN 696.08
39	Tzvetana Gueorguieva Pueva	Civil case 590/2003 of the Regional Court of Vidin	Art. 97, para. 1 of the Civil Procedural Code	BGN 1,212.38
40	Vladimir Tzvetkov Tzolov	Civil case 242/2003 of the Regional Court of Vidin (civil case No 9/2004 of District Court of Vidin)	Art. 97, para. 1 of the Civil Procedural Code	BGN 5,394.92
41	Ivan Gueorguiev Ivanov	Civil case 244/2003 of the Regional Court of Vidin PC (civil case No 2147/2003 of Sofia Appeal Court)	Art. 49 and art. 45 of the Law on Obligations and Contracts	BGN 20,000
42	Tzetzka Zlatkova Ivanova	Civil case 424/2003 of District Court of Vidin	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour Code	BGN 2,612.4
43	Verco Tincev Assenov	Civil case 602/2003 of District Court of Vidin	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour Code	BGN 2,650.32
44	Penka Parvanova Goranova	Civil case 1042/2002 of District Court of Vidin	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour Code	BGN 2,082.90
45	Milka Slavcheva Gueorguieva	Civil case 638/2002 of District Court of Vidin	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour Code	BGN 1,482.78
46	Valentina Mladenova Nikolova	Civil case 01879/2002 Supreme Cassation Court. The court case has been terminated whereby the	Art. 225, para 1 of the Labour Code and art. 344, para 1,2,3 of the Labour	BGN 1,849.26

		Supreme Cassation Court has renoked the decision of the Regional Court of Vidin	Code	
47	Rossica Damianova Ivkova	Civil case 358/2004 of District Court of Vidin. The court case has been terminated wereby the Supreme Cassation Court has maintained the decision of the Regional Court of Vidin	Art. 55 and art. 86 of the Law on Obligations and Contracts	BGN 1,066.51
48	"SERBI-Biser Emilov Borisov" ET	Civil case 361/2004 of Regional Court of Vidin	Art. 45 of the Law on Obligations and Contracts	BGN 262.64
49	Ciril Mikov Liliv	Civil case 63/2004 KRC	Art. 45 of the Law on Obligations and Contracts	Principle of BGN 4,800 and interests of BGN 200
50	"Podempolimer" EOOD	Civil case 97/2003 , STAC. With decision dated 04.03.2004 STAC has revoked the first instance decision in the part under which EDC Pleven has been sentenced to pay together with NEK the amount of the difference between BGN 5,222 and BGN 9,054. The decision is pending in front of the Supreme Cassation Court	Art. 79, art. 82 of the Law on Obligations and Contracts and art. 216, para. 2 of the Commercial Law; Art. 109 of the Ownership Act	BGN 10,000
51	Ivan Lenkov Stoyanov	Civil court case No 2794/2004 PRC, 1st panel	Art. 344 of the Labour Code	Restitution at the position held before dismissal and compensation of BGN 3,000 and lawful interest for remaining without work
52	Zlatna Panega Cement AD, city of Lovec	Court case No102/2004 of the Regional Court of Pleven	Refund of amounts paid but undue /legally unjustified enrichment/ and interest	BGN 41,021.21 of which BGN 39,521.21 principal and BGN 1,500 interest
53	Julian Gueorgiev Todorov	Civil court case No 2397/2004 of the Regional Court of Vratza	Art. 344, para. 1, 2 and 3 of the Labour Cade; first hearing on 22.11.2004	BGN 2,500
54	Five heirs of Emil Andreev Gunovski	Civil court case No 953/2004 of the Regional Court of Vratza	Art. 200, para. 1 and 2 of the Labour Code; first hearing on 16.12.2004	BGN 90,000
55	Volodja Ivanov Iliev	Civil court case No 647/2004 of the Regional Court of Vidin. The court case has been established in October 2004. The case is pending in front of the Regional Court of Vidin whereby a hearing has been scheduled for 22.11.2004	Art. 55 of the Law on Obligations and Contracts. Claim for legally unjustified enrichment as a result of amount collected for damage following correction of bill on the basis of punitive order for unlawful use of electricity, the punitive order being subsequently revoked being unproven	BGN 3,095.64 principal and BGN 414.08 interest. Expected outcome: the Regional Court of Vidin to renoke entirely the claim as unjustified. It is

				very likely the decision to be appealed in front of the District Court of Vidin. Time for completion: up to six months
56	HIOPLAST OOD	Court case of penalty administrative character No 280/2004 of the Regional Court of Berkovitza	Appeal against punitive order	BGN 8,980.6
57	HIOPLAST OOD	Civil court case No 2041/2004 of the Regional Court of Montana	Art 55 of the Law of Obligations and Contracts - legally unjustified enrichment	BGN 8,980.6
58	Anka Dimitrova Ahmedova	Civil court case No434/2004, Regional Court of Lom	Art 55 of the Law of Obligations and Contracts - legally unjustified enrichment	BGN 304.18

Schedule 12.2.9

Permits, Approvals and Licences

Part I: EDC Stolichno EAD

Type of license/permit	Number and date of issuance of license/permit	Issued by	Term
License for distribution of electricity	No E-135-07/13.08.2004	SCER	35 years
License for public supply of electricity	No E-135-11/13.08.2004	SCER	35 years
License for construction, maintenance and use of a separate mobile radio telephone network for company's own needs	No 120-00175/06.07.2000 -amendment No 120-00175-01/26.10.2000 -amendment No 120-00175-02/14.12.2000 -amendment No 120-00175-03/12.04.2001	Communications Regulation Commission	12 years

Part II: EDC Sofia Oblast EAD

Type of license/permit	Number and date of issuance of license/permit	Issued by	Term
License for public supply of electricity	No E- 136-11/13.08.2004	SCER	35 years
License for distribution of electricity	No E -136-07/13.08.2004	SCER	35 years
License for construction, maintenance and use of a separate mobile radio telephone network for company's own needs	No 120 - 00174/06.07.2000	Communications Regulation Commission	12 years
Amendment No 120 - 00174/06.07.2000	Amendment No. 120-00174-01/26.10.2000		12 years

Part III: EDC Pleven EAD

Type of license/permit	Number and date of issuance of license/permit	Issued by	Term
License for distribution of electricity	No E-137-07/13.08.2004	SCER	35 years
License for public supply of electricity	No E-137-11/13.08.2004	SCER	35 years
License for telecommunications via a separate telecommunications mobile network	No 120-02870/22.04.2004	Communications Regulation Commission	15 years

Schedule 12.2.10(a)

Disclosed Real Estate Claims

Part I: EDC Stolichno EAD

Claiming person	Material interest of the claim	Description of the real estate, subject to the claim	Stage of the proceedings
Boris Kirilov Antonov, Sultana Petrova Antonova, Nikolay Kirilov Antonov, Velichka Angelova Maneva, Done Angelov Antonov, Tinka Doneva Antonova	Recovered ownership under Art. 2 of Restitution of Nationalized Real Property Act	Real estate 1, 110 sq. m., part of estate area No 4, polygon 4, quarter 8, location Orion under the plan of Sofia City dated 1975.	Appeal by the EDC against Order No -DA-09-530/18.10.2004 of the Mayor of Region Vrabnitsa PENDING
Angel Borisov Malinov	Recovered ownership	Yard at 71, Iskar Str. where a kiosk of the EDC is built on area 24.5 sq. m.	Rent contract with Omikron Firm, which purchased estate by Mr. Malinov
Ema Dimitrova Krasteva	Recovered ownership under Restitution of Nationalized Real Property Act	Basement converted into kiosk, located on 33, Alabin Str.	Rent contract
Bulgarian Doctors' Union	Claim for payment of rent on a kiosk, which is located onto shop premises	Kiosk, located at a shop premises on 22, Stamboliiski Str.	No case initiated. No rent contract.
Elize OOD	Recovered ownership of a real estate	Part of estate on which a kiosk is built on 245, Slivnitsa Blvd.	Negotiations for right of use of the location of the equipment
Hristina Georgieva Koleva, Nikolay Tsvetanov Gueorguiev and others - heirs to Gueorgi Kolev Ionchev	1. Recovered ownership under Ownership and Use of Agricultural Lands Act 2. Negative claim EDC of proof by the EDC	Real estate at Hadzi Dimitar, near Gintsi St., under cadastral list 295, with plan No 778, with area of 2,190 sq. m.	1.Sofia City Court-Civil Case No 1333/02 - STOPPED 2. Sofia Regional Court -Civil Case No 2911/03 - negative claim of proof against the heirs - decided in favor of EDC
Agnelina Ognjanova Nedoklanova	Recovered ownership under Ownership and Use of Agricultural Lands Act	Real estate, representing estate under plan .No 4389, cadastral list No 15, location Pardishteto with area 1,500 sq. m. under cadastral plan dated 1939, square 79	No case initiated.
Tzvetan Vesselinov Dimitrov. Nikolina Vesselinova Krastanova, Katia Ivanova Stefanova, Stoyanka Ivanova Netovska, Gueorgi Stoyanov Geshev, Metodi Stoyanov Geshev, Grigor Stoyanov Geshev	1.Negative claim of proof under art. 97 of the Civil Procedure Code by the EDC that the heirs are not owners of the real estate. The tax valuation is BGN 4,245.25 ea. 2. Under Art. 108 of the Ownership Act by the owners - case stopped	Real estate with area of 1,060 sq. m., estate No1211, identical with estate No 4388, square 79, location Pardishteto, Iskar Region	1.Sofia City Court-Civil Case No 8243/03-won at first instance by the EDC. 2.Sofia Regional Court-Civil Case 7544/03-claim under Art. 108 the Ownership Act of the heirs - STOPPED.

"Mladost" RPC	Compensation for premises, where the kiosk is located. Kiosk relocated.	Kiosk built in Supermarket, located at area II of square 21 under the plan of Sofia, Mladost, Kiosk built into a Supermarket, located at sq. V, area 1 of the Sofia plan	Case won at first instance, decision appealed, PENDING at second instance
Stefan Raikov Dasklov and Svetla Raikova Daskalova	By a Supreme Administrative Court decision, ownership is recovered on a non built area in the yard of Zapad Region	Yard, representing an estate area N01, square 1, location (2)(2)(2) Industrial Zone Orion /Shahovets/	No case initiated. Rent contract.
Joint property on 15, Gerlovo Str.	Recovered ownership under Restitution of Nationalized Real Property Act	Kiosk located at 15 Gerlovo St., area of 20 sq. m.	No case initiated. Rent contract.

Part II: EDC Sofia Oblast EAD

Claiming person	Material interest of the claim	Description of the real estate, subject to the claim	Stage of the proceedings
MAK TOURS AD	Claim of findings under Art.97 of the Civil Procedure Code, that the kiosk is owned by MAK TOURS AD	Built-in kiosk, situated at BOR Hotel in Blagoevgrad	Hearing to be scheduled at the Blagoevgrad Regional Court
Ana Chaprashnikova, Ekaterina Taushanova /In their capacity of heirs/	Art.2, Para. 1 of Law on Compensation of Owners of Expropriated Property, pending at the Sofia Court of Appeal	1/2 Administrative Building of EDC Sofia Oblast, located in Dupnitsa	Claim denied by the previous instance court. Decision pending by the Sofia Court of Appeal

Part III: EDC Pleven EAD

Claiming person	Material interest of the claim	Description of the real estate, subject to the claim	Stage of the proceedings
Joint property at Block No 8, "Mara Dencheva" residential district, Pleven	At first instance court, the plaintiff has waived the initially claimed rent. At present a rent of BGN 100 is claimed.	Based on Art.108 of the Ownership Act, the claim is for return of the ownership and delivery of possession of the premises, located at the base floor of the block, which is used by the EDC as a kiosk. Based on Art. 109 of the Ownership Act, a dismantling of the equipment is requested.	Pending at the Supreme Court of Cassation /not yet scheduled/
"Septemvri" PC, Krivodol	Claim based on Art. 97 of the Civil Procedure Code and Art. 157, Para. 1 of the	Kiosk located in Krivodol, Vratza Region	Civil case No 1575/2004 First court hearing at the Regional Court is

	State Ownership Act as the claim is for proving the ownership over a kiosk in Krivodol, Vratza Region		scheduled for 17.09.2004 in Vratza; pending at this instance; next hearing scheduled for 17.11.2004
Pavlin Rebarkovski	Claim based on Art. 108 of the Ownership Act and Art. 59 of the Obligations and Contracts Act, as the case is for proving ownership over kiosk	Kiosk located at Tishevitsa, Vratza Region	Civil case No 198/2004 at Regional Court Vratza. First court hearing was held on 17.03.2004, in which the trueness of the notary deed of the plaintiff was challenged. The statement of claim was entered into the Land Registry at Regional Court Vratza; pending at this instance -- next hearing scheduled for 24.11.2004
Kozloduj Municipality	The claim is for compensation for the use without legal ground by the EDC of the land on which kiosks are built; value of the claim - BGN 318,602.70	The claim is for compensation for the use without legal ground by the EDC of the land on which 119 kiosks are built	Civil case No 663/2003 at Regional Court-Vratza, the claim has been rejected completely by the first instance, last hearing was on 04.05.2004; the claim has been fully refuted and the plaintiff has appealed the decision in front of the Sofia Court of Appeal(civil court case No 1493/2004) scheduled for 21.01.2005; currently the Municipal Council of Kozloduj has taken the decision to withdraw the claim
RKS /presently OKS/, Montana city	As at 31.08.2004 the balance sheet value of the assets is BGN 88,595.40	Real estate - administrative building and garages where technical region "town" is located, excluding the land.	Regional Court decided in favor of the EDC. Case appealed before Supreme Court of Cassation

Schedule 13.4.2

Buyer's Power of Attorney

Schedule 13.4.23

Buyer Funds Declaration

**LIST OF SUBSIDIARIES OF CEZ, a. s.
AS OF DECEMBER 31, 2002**

The following table sets forth an overview of our equity interests in other companies, which we include into our consolidated group, as of December 31, 2004:

Company -----	Country of Incorporation -----	Registered Capital(1) CZK `000 -----	CEZ's Interest in % -----
Subsidiaries			
CEZData, s.r.o.	Czech Republic	950,000	100.00
CEZnet, a.s.	Czech Republic	770,000	100.00
HYDROCEZ, a.s.	Czech Republic	449,798	100.00
CEZ Logistika, s.r.o.	Czech Republic	200,000	100.00
CEZ Sprava majetku, s.r.o.(2)	Czech Republic	150,100	100.00
I & C Energo a.s.	Czech Republic	150,000	100.00
Energetické opravy, a.s.	Czech Republic	55,000	100.00
rpg Energiehandel GmbH	Germany	45,698	100.00
CEZ Zakaznické služby, s.r.o.	Czech Republic	20,000	100.00
EN-DATA a.s.	Czech Republic	6,000	100.00
CEZ FINANCE B.V.	The Netherlands	553	100.00
Zapadoceska energetika, a.s.	Czech Republic	1,605,615	99.13
Vychodoceska energetika, a.s.	Czech Republic	2,549,544	98.83
VCE - elektrárny, s.r.o.	Czech Republic	198,600	98.83
VCE - montáže, a.s.	Czech Republic	78,000	98.83
Stredoceska energetická a.s.	Czech Republic	3,210,369	97.72
Severomoravská energetika, a. s.	Czech Republic	3,407,265	89.38
Energetika Vitkovice, a.s.	Czech Republic	402,000	89.38
ePRIM, a.s.	Czech Republic	50,000	89.38
MSEM, a.s.	Czech Republic	154,900	89.38
Union Leasing, a.s.	Czech Republic	100,000	89.38
První energetická a.s.	Czech Republic	10,000	87.27
STE - obchodní služby spol. s r.o.	Czech Republic	38,500	74.42
SKODA PRAHA a.s.	Czech Republic	1,257,524	68.88
Severoceska energetika, a.s.	Czech Republic	3,257,667	56.93
Ustav jaderného výzkumu Rez a.s.	Czech Republic	524,139	52.46
Associates			
KOTOUC STRAMBERK, spol. s r.o.(3)	Czech Republic	569,259	64.87
LOMY MORINA spol. s r.o.(3)	Czech Republic	333,000	51.05
Plzeňská energetika a.s.	Czech Republic	500,000	49.57
KNAUF POCERADY, spol. s r.o.	Czech Republic	372,350	40.00
Severoceske doly a.s.	Czech Republic	9,000,055	37.20
Aliatel, a.s.	Czech Republic	5,474,340	26.40
Coal Energy, a.s.	Czech Republic	50,000	20.00

(1) This table sets forth the amount of the registered capital as indicated on the share registry as of December 31, 2004.

(2) AB Michle s.r.o. was renamed to CEZ Sprava majetku, s.r.o. and was an associate of CEZ in 2003.

(3) Our voting rights do not reflect our share on the registered capital (see note 7 to the Consolidated Financial Statements).

CERTIFICATION

I, Martin Roman, certify that:

1. I have reviewed this annual report on Form 20-F of CEZ, a. s.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 15, 2005

/s/ Martin Roman

Chief Executive Officer

CERTIFICATION

I, Petr Voboril, certify that:

1. I have reviewed this annual report on Form 20-F of CEZ, a. s.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 15, 2005

/s/ Petr Voboril

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CEZ, a. s. (the "Company") on Form 20-F for the period ending December 31, 2004, as filed with the Securities and Exchange Commission (the "Annual Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Annual Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 15, 2005

/s/ Martin Roman
By: -----
Name: Martin Roman
Title: Chief Executive Officer

Date: July 15, 2005

/s/ Petr Voboril
By: -----
Name: Petr Voboril
Title: Chief Financial Officer