



# **DIRECTIONS AND MAJOR PROJECTS**

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# CEZ IS FIRMLY ESTABLISHED ON MOST CENTRAL AND EAST EUROPEAN MARKETS...

## CEZ Group in Poland

(75% share in Skawina, 89% in Elcho)

Electricity sales, net (TWh)	3.9
<b>Market share</b>	<b>2.4%*</b>
Installed capacity (MW)	830
<b>Market share</b>	<b>2.3%</b>
Number of employees	751
Sales (EUR million)	185

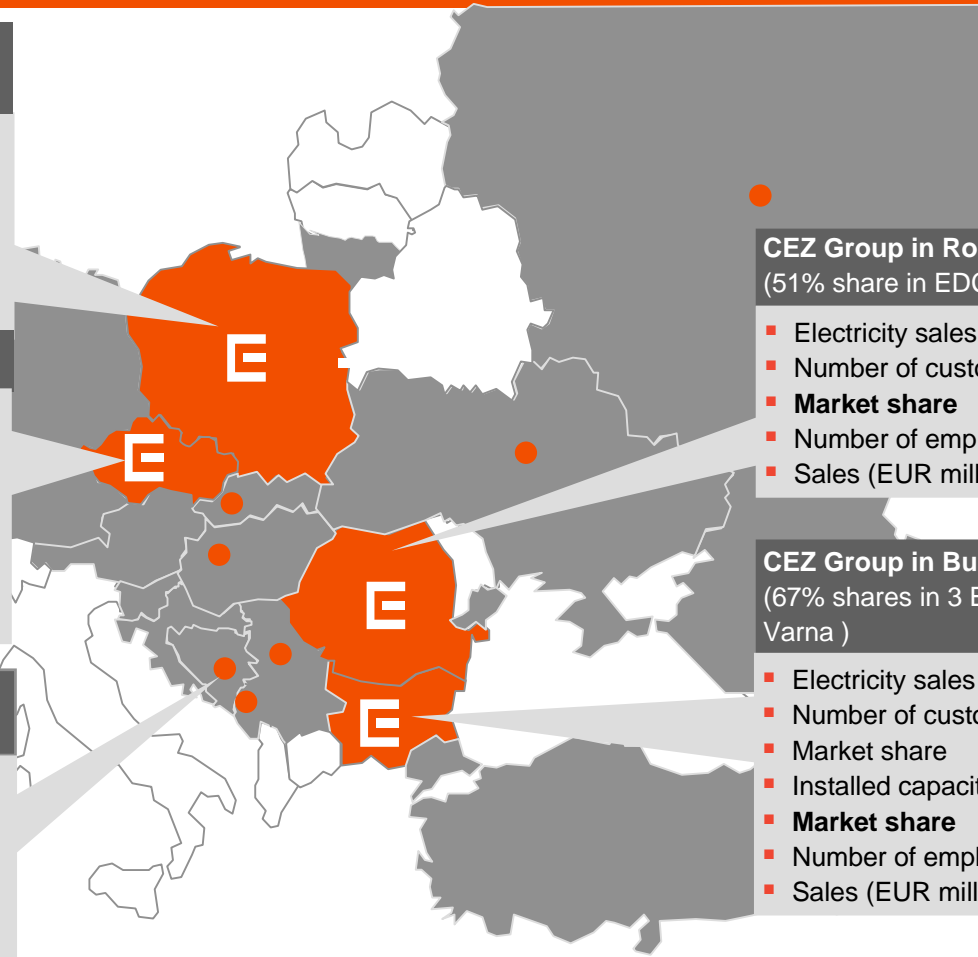
## CEZ Group in the Czech Republic

Electricity sales, net (TWh)	59.3
Number of customers (million)	3.46
<b>Market share</b>	<b>62%</b>
Installed capacity (MW)	12,302
<b>Market share</b>	<b>70%</b>
Number of employees	21,885
Sales (EUR million)	4,708

## CEZ Group in Bosnia and Herzegovina

(Project Gacko)

- NERS - JV of ČEZ, a. s.(51%) and ERS a.d. (49%)
- Assets of RITE Gacko to be contributed to NERS, which will build a new unit of Gacko II
- Current installed capacity of RITE Gacko is 300 MW



- Asset positions
- Target markets
- Trading or development office

## CEZ Group in Romania

(51% share in EDC Oltenia)

Electricity sales netto (TWh)	3.9
Number of customers (million)	1.37
<b>Market share</b>	<b>17%*</b>
Number of employees	3,007
Sales (EUR million)	367

## CEZ Group in Bulgaria

(67% shares in 3 EDCs, 100% in TPP Varna )

Electricity sales netto (TWh)	8.2+2.7
Number of customers (million)	1.94
Market share	<b>42%*</b>
Installed capacity (MW)	1,260
<b>Market share</b>	<b>11%*</b>
Number of employees	4,653+851
Sales (EUR million)	431+89

Notes: IFRS 2006, Exchange rate CZK/EUR = 28.343, \* data from year 2005

Source: CEZ, Distribution companies, national statistics



# ...AND WANTS TO GROW FURTHER BOTH IN GENERATION AND DISTRIBUTION/SUPPLY

## Realized acquisitions

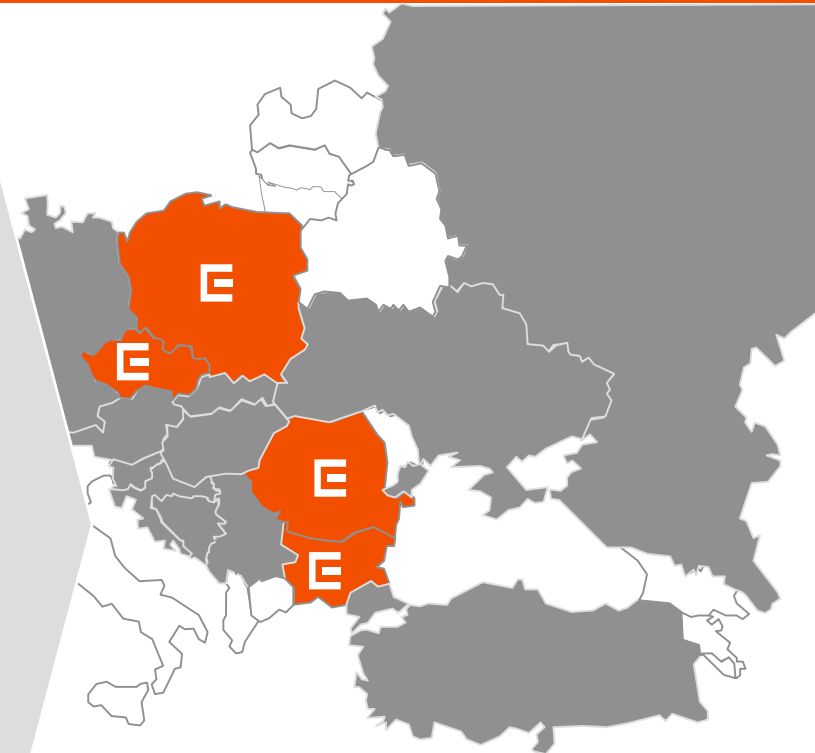
- Bulgaria (distribution) – 1.9 million cust.
- Romania (distribution) – 1.4 million cust.
- Poland (generation) – 830 MW
- Bulgaria (generation) – 1,260 MW

## Tender participations

- Romania, Cernavoda - **tender for strategic partnership to construction nuclear power plant**
- Romania, Borzești, Galati – **tenders for new units, modernization of current 535 MW plant**
- Russia – **considering CCGT in Moscow region**
- Albania – **distribution company**

## Structured deals under negotiations

- Rep. Srpska, B&H ~ **Gacko project (300MW existing, 660 MW new)**
- Hungary, Slovakia – **Strategic alliance with MOL signed**
- Russia, **Moscow ~ 660MW CCGT green field project**
- Turkey - **Negotiations on cooperation with Akenerji**
- Slovakia – **MOU signed with U.S. Steel with intention to build up to 400MW plant**



Existing acquisitions

Opportunities



# EU STRATEGY TARGETS WILL HAVE A SERIOUS IMPACT ON FUTURE PRODUCTION PORTFOLIOS

## EU TARGETS BY 2020: 3 x 20%

- Increase of energy efficiency by 20% comparing with business as usual scenario
- Reduction of greenhouse gas emissions by 20% comparing with 1990 level
- The overall primary energy consumption should be covered by renewable energy sources from 20%\*

## POSSIBLE REACTION IN MEMBER STATES

- Higher energy savings
- Built up of renewables
- Clean coal technology, capture ready
- Wider penetration of gas to electricity generation
- New nuclear power plants

\*Depending on scenario, this means about 33 – 43 % of electricity in the EU should be produced from RES



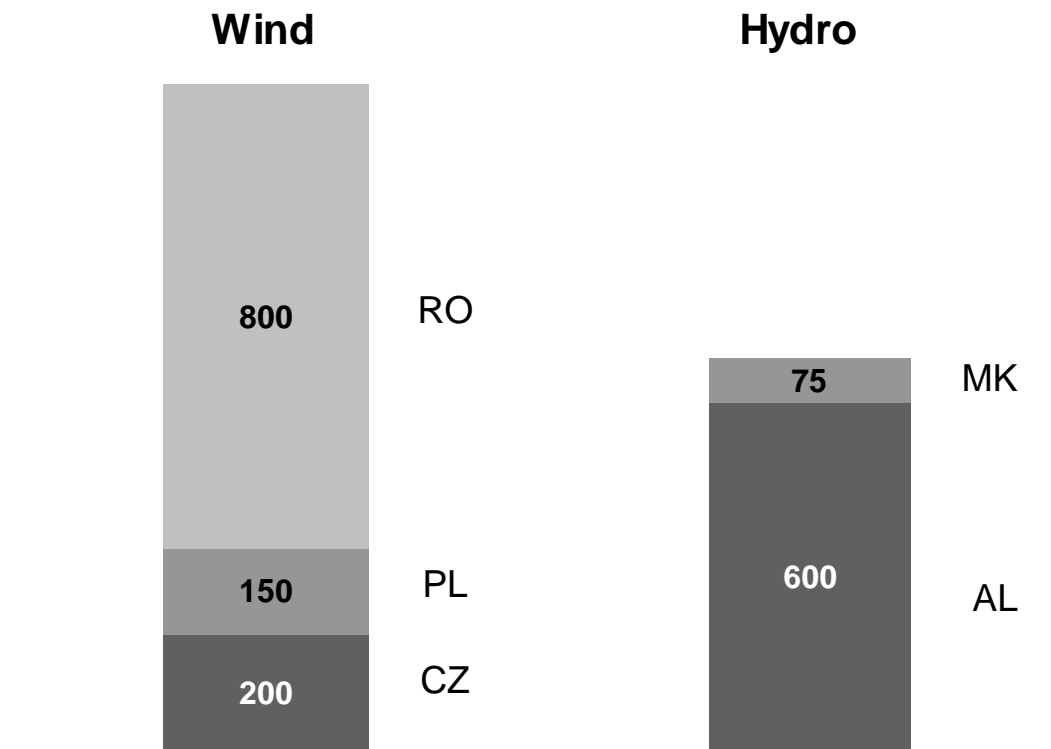
TO BE SUCCESSFUL IN THE LONG TERM, CEZ MUST MITIGATE ALL THE ABOVE MENTIONED CHALLENGES WELL IN ADVANCE

### **Major investment targets:**

- 1 Renewables
- 2 Nuclear plants
- 3 JI/CDM projects
- 4 Gas-fired generation



# CEZ PARTICIPATES IN MANY TENDERS TO INCREASE ITS PORTFOLIO OF RENEWABLES



CEZ targets 1,000 MW of wind capacity by 2020, of which 500 MW in CZ

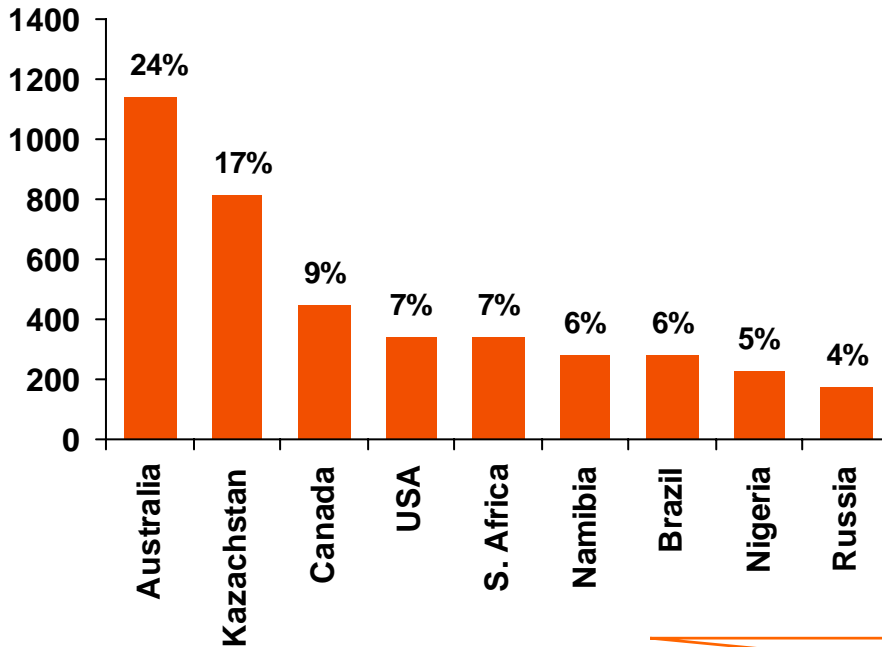
CEZ has a strong intention to participate on any other RES build up like hydro and biomass



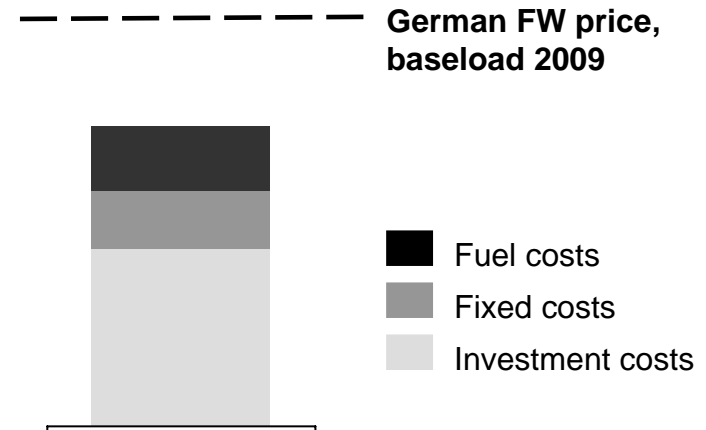
# NUKE IS THE BEST BASELOAD POWER PLANT

C2

### World uranium supply th t



### Nuke full cost vs. EEX price, EUR/MWh



### MAJOR BENEFITS:

- Well in the money
- No CO<sub>2</sub> emissions
- High security of supply



# CEZ IS CAREFULLY WATCHING THE NUKE OPPORTUNITIES

## Opportunities for CEZ:

### ▪ **Romania - Cernavoda**

- Nuclearelectrica accepted CEZ's offer in a tender for strategic partnership to build and operate units 3 and 4 of Cernavodă nuclear power plant
- Negotiations about investment contract are ongoing

### ▪ **Further potential opportunities - Slovakia, Czech Republic**

- Potential to participate in construction of new blocks in Slovakia
- Possible construction of additional two units of Temelin, which would add additional min. 2000 MW of capacity





# JII/CDM PROGRAM – 10M OF CREDITS ALREADY CONTRACTED

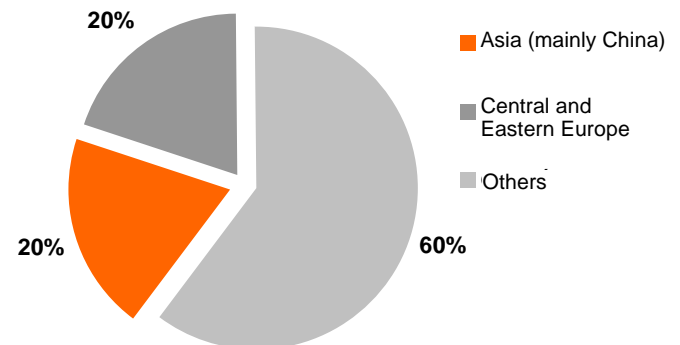
*JII (Joint Implementation), CDM (Clean Development Mechanism) – mechanisms of Kyoto protocol, which enable investments into projects for reduction of green house gases and their import to ETS for utilization instead of CO<sub>2</sub> allowances*

- **Until 2012 CEZ Group can import to EU ETS approximately 21 m of CER credits from JII/CDM**
- **So far CEZ contracted more than 10 m of credits with deliveries in 2008-2012**
  - Directly from CDM projects
    - **Example** : wind farm or project of biomass power plant in China
  - On secondary markets

## **Next steps in development of JII/CDM program of CEZ Group: direct investments into projects**

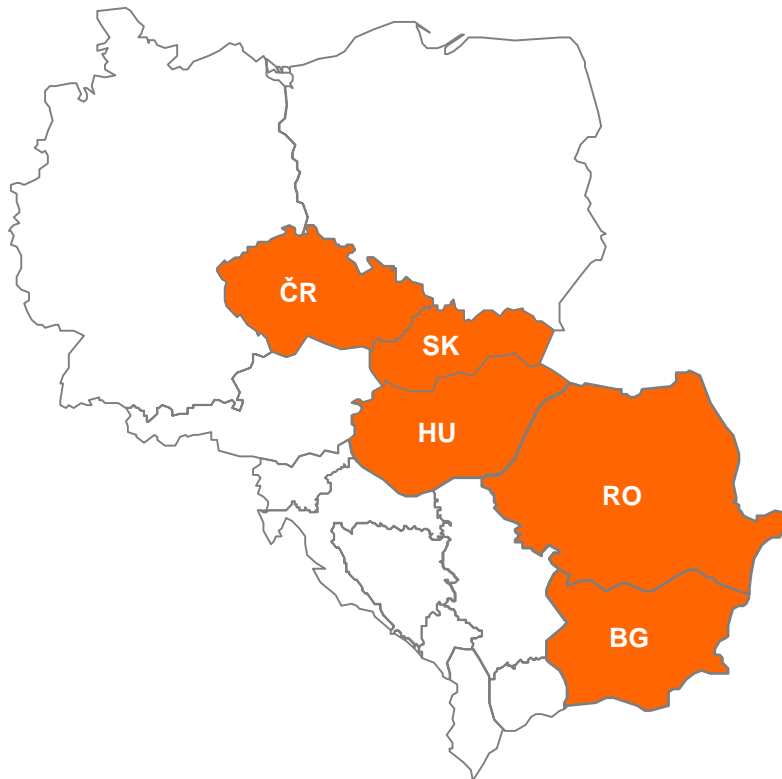
- **To import at least 10 m of CER credits by 2012**
- **Current pipeline includes projects with volume > 15 m CO<sub>2</sub> credits**
- **Expected composition: > 70 % energy projects (renewable energy, fire damp, energy savings)**

Expected geographical composition JII/CDM portfolio of direct investments





# CEZ GROUP DECIDED TO BUILD NEW GAS FIRED POWER PLANTS IN THE WHOLE REGION WHERE IT IS PRESENT



- **Czech Republic**, 880 MW in Northern Bohemia, preferred locations Počerady, Úžín
- **Slovakia**, 800 + 160 MW (joint venture with MOL)
- **Hungary**, 800 MW (joint venture with MOL)
- **Romania**, tender for gas fired power plants Galati and Borzesti
- **Bulgaria**, 880 MW in Varna location

Note: Other projects are under consideration.



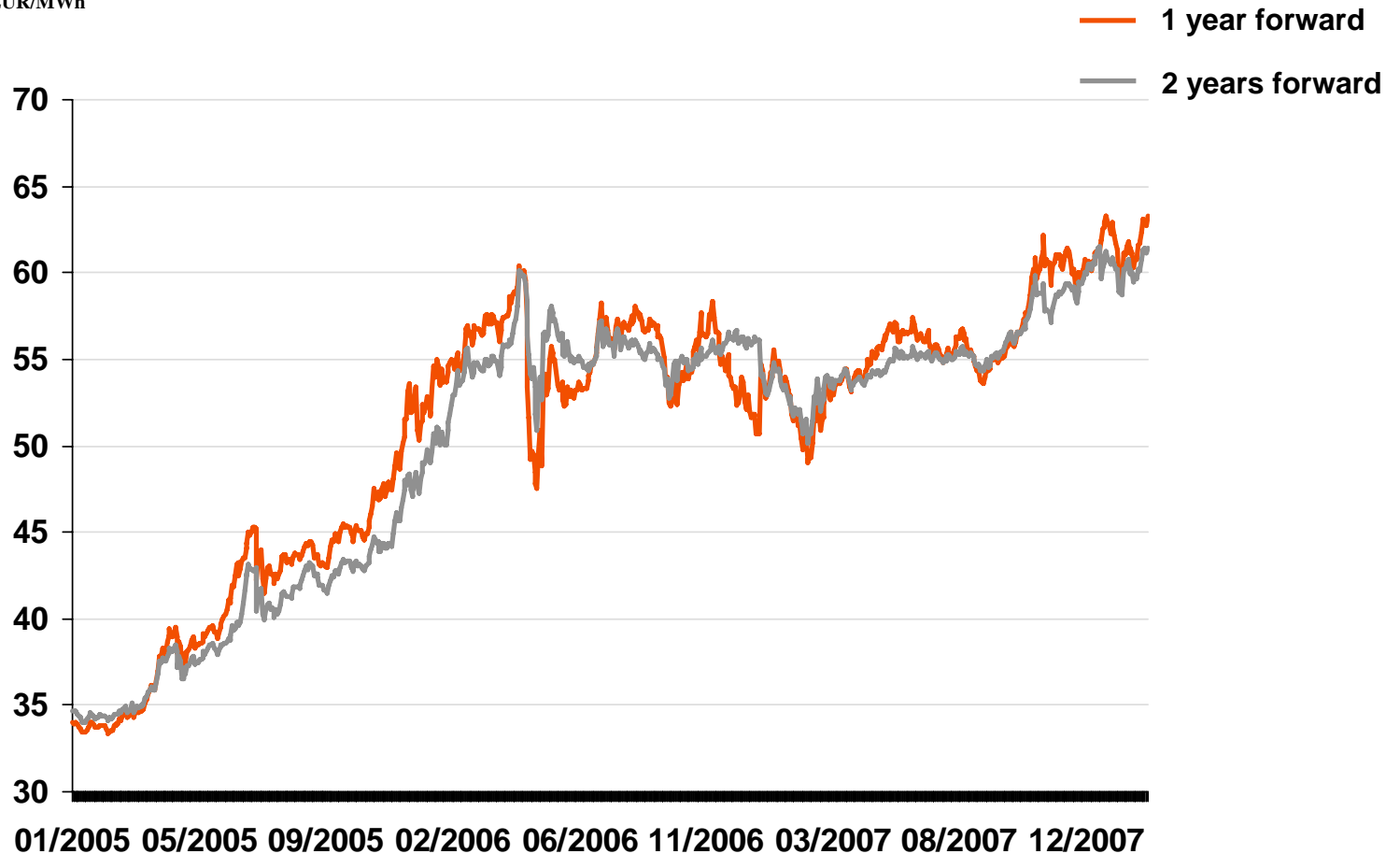
# STRATEGIC ALLIANCE WITH MOL: PRINCIPLES OF CEZ – MOL JOINT VENTURE

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



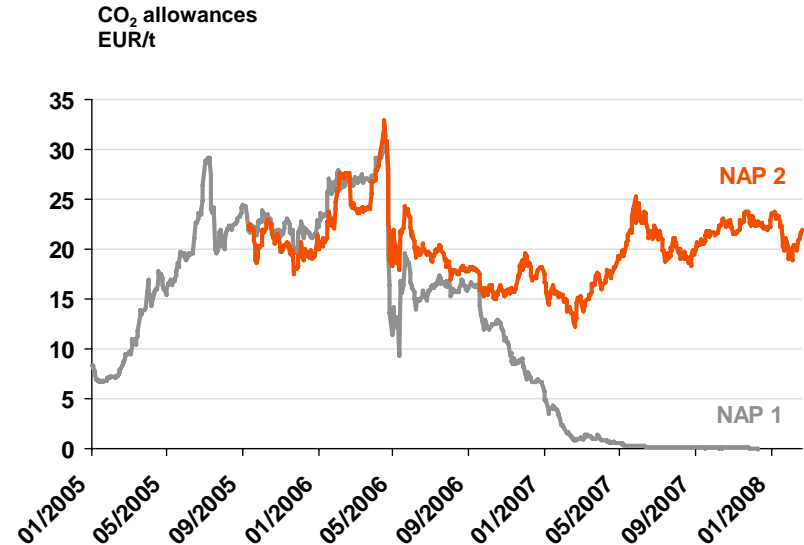
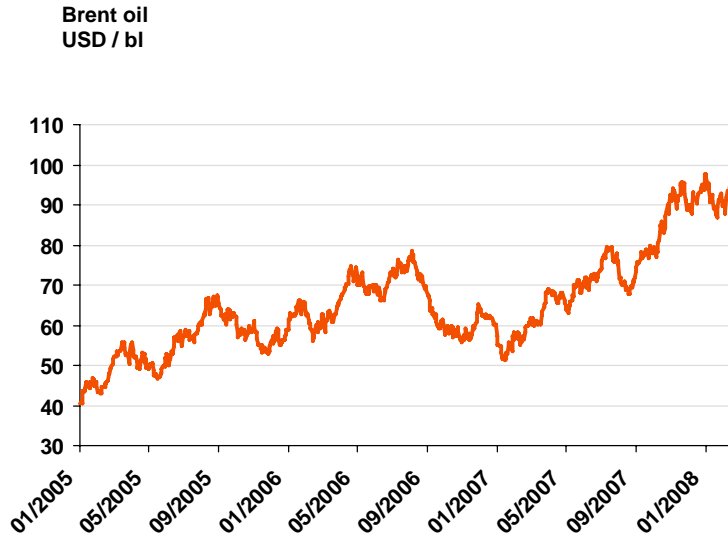
# FUTURE DEVELOPMENT WILL BE DRIVEN BY GERMAN POWER PRICES, WHICH ARE THE BENCHMARK FOR THE REGION

EEX Futures (baseload)  
EUR/MWh





# GERMAN PRICES ARE DRIVEN BY GROWING OIL PRICES, CO<sub>2</sub> ALLOWANCES AND SUPPLY DEMAND SQUEEZE

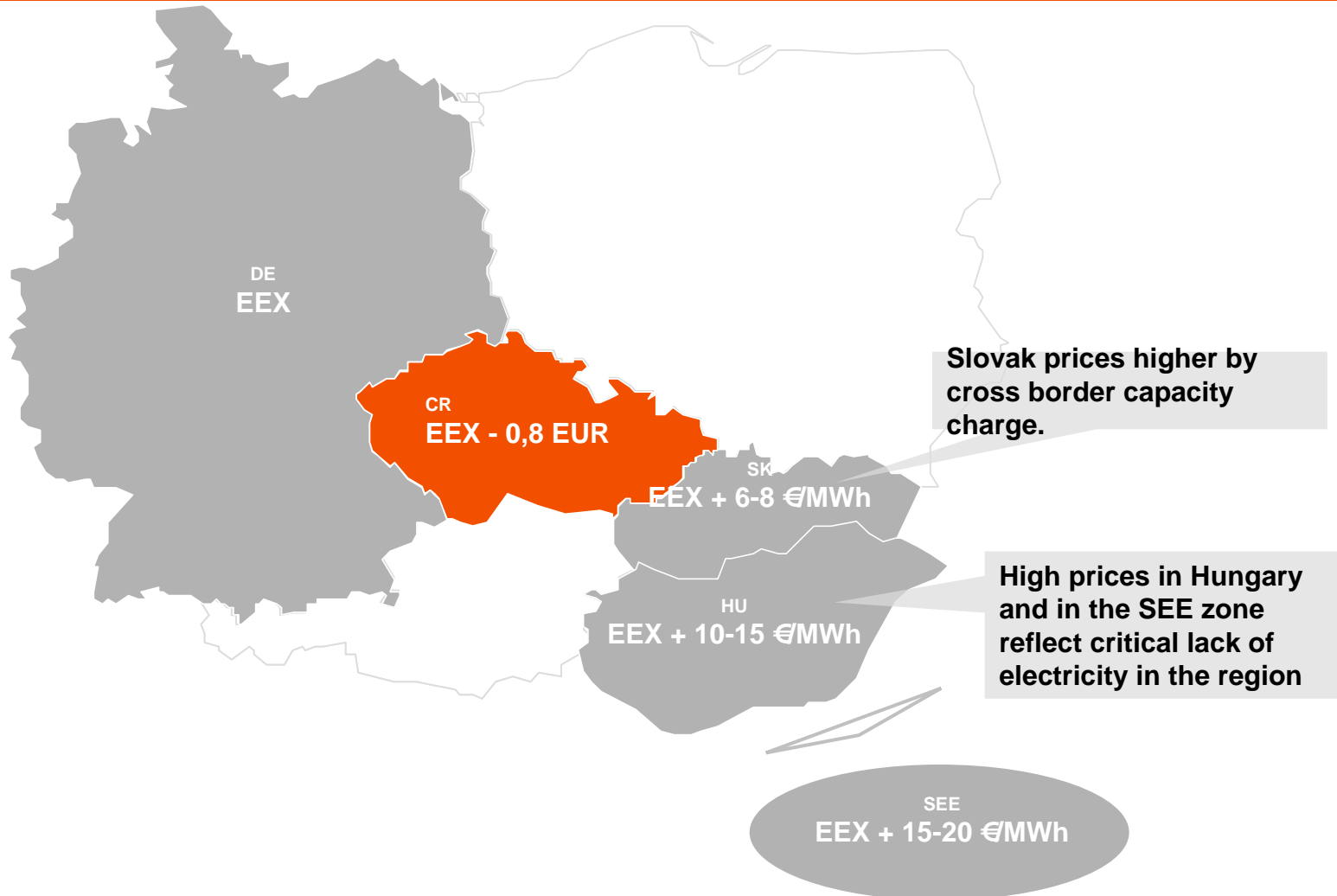


Additional factor  
Supply / Demand  
Squeeze

- CO<sub>2</sub> allowances were distributed to emitters for free in volume believed to be lower than required
- Market price of CO<sub>2</sub> allowances reflects the extra costs of emissions saving (fuel switching, new technologies, ...)
- Market price of CO<sub>2</sub> de facto represents additional variable (opportunity) cost



# SHORTAGE OF SUPPLY IS PUSHING PRICES EAST OF CZECH REPUBLIC ABOVE GERMAN LEVELS





# CEZ GROUP IS BEST POSITIONED TO SUCCEED IN THE REGION OF CENTRAL AND SOUTHEASTERN EUROPE

- **Focus on one region**
- **Intimate knowledge of the region**
- **Very well accepted due to close cultural/historical ties and electricity industry transformation experience**
- **First-hand experience with transformation of power markets**
- **Natural hedge and synergies to current position of CEZ Group providing significant synergies/risk mitigation**
- **Management capacity available from restructuring in the Czech Republic**