

## Internal Information

### CEZ Group will support the start of the Energy Exchange

CEZ is not a dominant supplier in the Czech Republic in the segment of large- and medium-sized enterprises any more, its share has decreased below 40 per cent

At the Prague Energy Exchange, CEZ Group will offer futures contracts with the possibility of electric supply for 2008 in all planned products, i.e. annual, quarterly and monthly in the category of basic and peak supply.

„We assume that this will be the main way of the electricity wholesale from our production sources. We have committed ourselves and count that we will become one of the so called market makers, i.e. that we will be obliged to offer and demand all the time for current and mutually close prices. It can be expected that the new Energy Exchange will become the main platform for the wholesale electricity contracting in 2008 for more than 30 active traders on the Czech market who have participated before in the CEZ wholesale auctions. There should also be the offer of other electricity producers at the Exchange, not only from the Czech Republic but also abroad,“ Alan Svoboda, Director of the CEZ Sales Division, said.

At the Exchange, CEZ expects to trade the whole free volume of electricity from its power stations. The Energy Exchange will replace the current system of wholesale auctions through which CEZ has realised the sale of electricity since opening the electric energy market in 2001, including the virtual power station auctions and voluntary auctions based on the market principles started last year. CEZ would return to the auction system operatively and temporarily only if the start of the Exchange is slower, in terms of its liquidity, than it is now expected.

CEZ wants to contribute to the electricity market transparency in the Czech Republic as much as possible, to which the Exchange itself will contribute most. As the first producer in the Czech Republic, CEZ will publish regularly the disposable volume of its power stations, by which means the whole market will have the current information on the size of possible electricity offer from the CEZ power stations.

The foundation of the Prague Energy Exchange will contribute to the standardisation of electricity trading in the Czech Republic and price transparency. Thus, the price fluctuations at the Exchange can be used not only by the electricity traders, but also the final electricity consumers.

In view of the interconnection of the energetic markets, the Czech price is more and more dependant on the situation in the whole Central European region. While as recently as last summer the difference between the price in the Czech Republic and at the German Exchange was ca EUR 12 EUR per MWh, deals at the end of the last year and short-term deals for the whole period of this year are already made for such prices that are nearly identical with the German ones. It can be expected that the situation will not change much when making deals for 2008. The countries situated east of our country pay for electricity even more. In Slovakia, that has been deficit since the beginning of this year, the price is even higher by the cross-border fee of EUR 1-3/MWh and in Hungary with a high deficit the price is even much higher and is practically determined by the Balkan price level – it is by EUR 10-20 /MWh above the price level of Central Europe.

In the near future, they will be just Slovakia, Hungary and the countries of South Eastern Europe that will determine the electricity prices in the region of Central Europe. They are countries that had to shut down a number of their power stations (V1 in Jaslovské Bohunice, Slovakia) or are directly influenced by shutdowns in the Balkans (Kozloduy in Bulgaria, etc.) and have problems already now with shortage of electricity. It can be expected that in the future shortage of electricity in the Balkans will influence the rise in electric energy prices also in our region.

CEZ is only a receiver of prices determined by the market, better to say by the demand of customers on the market. CEZ cannot influence the prices, and therefore it focuses intensively on the improvement of services for their clients. One of the improvements will also be, for example, the new better-arranged form of invoices or extended consultancy for electricity saving so that the customers could use electricity as effectively and economically as possible.

The evidence of the fact that there is the market environment functioning in the Czech Republic with strong competition on the electricity market is a decreasing share of CEZ in electric supplies for the final consumers, now 45 per cent. The market share of large- and medium-sized enterprises, where the competition is the strongest, has decreased below 40 per cent, it means below the limit defining the dominant position on the market.