Inside Information

The ČEZ Group raised the estimation of this year's consolidated profit to CZK 42.6 billion, for the next year they expect the profit of CZK 46.6 billion.

At the same time the power company ČEZ decided to increase the dividend payment. From now 50 to 60 percent of the CEZ Group net profit should be allocated to dividends. So far it was 40 to 50 percent.

ČEZ temporarily suspends buy-back of share starting from Christmass holidays.

Negotiations with MUS

ČEZ group raises its expectation for this year to CZK 42,6 billion at the level of consolidated net profit, respectively CZK 74.4 billion EBITDA (from previous net profit of CZK 41.4 billion, resp. CZK 73.4 billion EBITDA) in particular due to clarified estimation of unbilled power estimation.

„The total result is affected by extraordinary effects such as the impact of tax reform in the amount exceeding CZK 3 billion due to impact of lower tax rates on deferred tax as well as change in the estimation of unbilled power," said Petr Vobořil, financial department director.

Nevertheless, „business as usual" (business without impact of extraordinary effects) gives the net profit of CZK 37.3 billion, which more than covers drops in distribution due to warm weather thanks to increase in generation and wholesale margin, maintenance optimization as well as savings in other operating costs.

In addition ČEZ Group announced expected profit for the next year. They expect net profit increase to CZK 46.6 billion with operating profit before depreciations (EBITDA) in the amount of CZK 85.5. Further improvement of ČEZ business results from planned increase of generation in nuclear power plants and related higher sale of power, increase of wholesale power prices, cost control thanks to effectivity program progress and lower tax burden.

On long term basis ČEZ company achieves stable results and at the same time optimizes capital structure by increasing indebtedness. Although the processing for renewal of resources and related use of financial means already started the expenses in M&A area are shifted in time in relation to transfer of acquisitions from privatization to development projects in which financial means are used later and within longer period of time.

Considering the above facts ČEZ, a. s. Board of Directors decided to increase the dividend pay-out-ratio from existing 40-50% to 50-60% of the net profit without impact of extraordinary income provided, that the 2008 budged counts on higher level dividends.

As of December 17, 2007 ČEZ purchased 7.92% of its own shares within the ongoing buy-back program and so is getting closer to the specified 10% limit.

Another approximately 0.5% from the total number of ČEZ shares, held by the company prior buy-back initiation, present liabilities of the company resulting from the option program. Nevertheless ČEZ management abstained from their right to apply the option right for the whole duration of own shares buy-back. The company considers beginning of the year to be suitable time for creation of a time space for application of at least part of the option in order to enable ČEZ to use the 10 percent limit within the buy-back.

Therefore the company shall suspend buy-back of shares for the period of approximately four weeks starting from December 22, 2007 and open it again in the fourth week of January.

During the recent weeks information occurred concerning ČEZ negotiations with MUS owners on eventual take-over of the mining company. Actually some probing meetings did happen, but with no results so far. On the contrary yesterday ČEZ took back all its proposals and the negotiations returned back to their initial point provided, that MUS owners announced presentation of new proposals.

ČEZ assumes that eventual MUS acquisition would take place in cooperation with J&T group, since it is only interested in Vršany mine, which plays the key role in the coal power plants upgrade plans. ČEZ assumes that this solution should comply with the principles of economic competition protection.