

Inside Information

Members of CEZ management will exercise part of their options

As CEZ announced already at the end of last year (December 20, 2007), meanwhile the buy-back is interrupted, members of the CEZ management are exercising their options, or their parts, allocated under the share incentive scheme of CEZ. Chairman of the Board of Directors and CEO Martin Roman will exercise all of his remaining options due to the approaching end of his first four-year term,

List of options exercised by members of Board of Directors and CEZ management team in January 2008

Name	Current number of option rights	Now exercised options	Estimate of expense ratio (percentage) *	Gains
Roman Martin	675 thsnd shares	675 thsnd shares	28 %	CZK 677m
Benes Daniel	225 thsnd shares	75 thsnd shares	54 %	CZK 47.6m
Pleskac Tomas	225 thsnd shares	75 thsnd shares	58 %	CZK 44.1m
Pasak Zdenek**	100 thsnd shares	100 thsnd shares	68 %	CZK 44.5m
Cyrani Pavel**	25 thsnd shares	22,979 thsnd shares	64 %	CZK 11.5m
Feist Jiri	55 thsnd shares	20 thsnd shares	40 %	CZK 16.6m
Krizek Karel	75 thsnd shares	25 thsnd shares	42 %	CZK 20.1m
Mazac Bohumil	75 thsnd shares	75 thsnd shares	40 %	CZK 62.1m
Schmalz Vladimir	75 thsnd shares	75 thsnd shares	40 %	CZK 62.1m
Sedlak Josef	75 thsnd shares	45 thsnd shares	40 %	CZK 37.2m
Skalka Michal	75 thsnd shares	75 thsnd shares	62 %	CZK 39.8m
Smucr Igor	75 thsnd shares	75 thsnd shares	42 %	CZK 60.3m
Stepan Lubomir	75 thsnd shares	40 thsnd shares	68 %	CZK 17.7m

* Ratio of expenses (purchase share price and income tax representing 15 % of the difference between the purchase price and CEZ's share quotations at the Prague Stock Exchange on January 4, 2008) to total gains.

** The share option scheme according to new rules approved by the general meeting on May 23, 2006 – which, for instance, means that the gross pre-tax profit is limited to a maximum increase of 100 % in a share price, the option is divided into thirds – the first third 1 year, the 2nd two years and the 3rd three years after the share option is granted, and the participant has to hold at least 10 % of already exercised shares on their asset account for the period in office.

Many members of CEZ management still keep most of their share options. The fact that Martin Roman is exercising all his remaining share options now relates to the approaching end of his first four-year term; he has already been appointed for another four-year term by the Supervisory Board of CEZ.

„There are not many „moments“ for the firm’s management team to exercise their options during the year. It is necessary to find a moment when the market has the same information as the company management team and no suspicion of insider trading can arise. The turn of the year is such period and in my case, it is also the time when I have to exercise the options, if I want to keep my promises. Definitely, I still firmly believe in the firm’s stocks, my colleagues as well as I believe in other potential for growth. For that reason, I am going to keep part of the shares on my asset account and the others are going to keep parts of their options or hold at least 10 per cent of their acquired shares as well.“ said Martin Roman, Chairman of the Board of Directors and CEO of CEZ.

The share option scheme was implemented in CEZ in 2001, when none of the present members of the Board of Directors was a member of the company management. Share options are a standard financial tool giving the holder a right to purchase shares for a fixed price in the future which can be bought by any investor. Members of the Board of Directors of CEZ gain a right to buy shares at a price based on the average share price in the period prior to their entry into office. In 2006, the rules limiting the potential gain to a maximum of double the rate of the price increase of shares were changed. The goal of this incentive scheme is to interest the company management team in increasing the shareholder value. In case of CEZ, each shareholder earned over CZK 700 per each crown of gains of the firm management (Board of Directors and Member of Executive Committee).

At the arrival of the new management team of CEZ (February 24, 2004), the share price was at CZK 174.50, which with 592,210,843 shares gives a capitalization of CZK 103.3bn. With the present price of ca CZK 1 387 the market capitalization is CZK 821.4 bn. The increase in value is CZK 718.1 bn, which includes CZK 481 bn increase in value of the property of the state.

Results of the Share Option Scheme:

The share option scheme of CEZ has surely contributed to a nearly sevenfold increase in the company’s market capitalization, i. e. by CZK 718bn (two thirds of which belong to the state), in the last two-and-a-half years. The value of CEZ is growing much faster than the value of other energy companies owing to effective management, cost cutting and cautious behaviour while investing abroad. And all that despite the fact that electricity prices in the Czech Republic are growing more slowly than in all neighbouring countries.

	Increase in electricity price in 2004-2006 in %	Increase in share prices of CEZ/utility*) v %
Czech Republic	59 %	690 %
Germany, Europe	71 %	104 %

*) Bloomberg Utilities Index

Basic information about the Share Option Scheme of CEZ

- The share option scheme is a standard incentive tool for motivation of the company management team connecting their interests with the interests of shareholders.
- The share option scheme of CEZ was approved by the general meeting of CEZ in 2001. It did not apply to any of the present members of the Board of Directors then.

- Information about the share option scheme was published during the approval phase in 2001.
- CEZ's share price until the beginning of 2004 was practically stagnating and the share option scheme did not bring significant gains to the beneficiaries.
- Since the arrival of the new management of CEZ in the spring of 2004, the share price has been increasing steadily which has resulted in a rise in potential gains from share options in addition to shareholders' profit.

The Share Option Scheme:

Who it applies to:

Board of Directors

Members of Executive Committee of CEZ

(They are entitled to sign the option contract 3 months after their entry into office)

What it involves:

Company shares can be bought at the price valid prior to their entry into office (A share option is a standard financial product – the participants of the scheme have the advantage of not paying for it and choosing the moment of its exercise)

Rules:

- The participation in the share option scheme is a single step (the value of the potential gain cannot be therefore added to the yearly income)
- The value of the share option depends on the share price (it changes up and down over time) – the exact gain cannot be therefore estimated until the moment of option exercise
- The participants of the scheme have to spend their own money to purchase shares and pay the income tax on the difference between the purchase price and the current value – the net gain is consequently significantly lower.