

# CEZ GROUP BRIEF REPORT FOR THE YEAR 2007

## PRELIMINARY NON-AUDITED, CONSOLIDATED RESULTS

### IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### Highlights

Prague, 25 February 2008

- Net income rose by CZK 14.0 billion (+48.7%) year-on-year to CZK 42.8 billion.
- EBITDA was up CZK 11.0 billion (+17.1%) to CZK 75.3 billion.
- ČEZ, a. s. entered into a strategic alliance with the leading Hungarian power company MOL Nyrt.

Key Figures	Units	2007	2006	Index 07/06
Generation of electricity (gross)	GWh	73,793	65,532	112.6%
Installed capacity	MW	14,290	14,392	99.3%
Sales of electricity	GWh	80,745	74,102	109.0%
Sales of heat	TJ	16,680	11,274	148.0%
Revenues	CZK millions	174,563	149,134	117.1%
Operating expenses (excl. depreciation & amortization)	CZK millions	-99,237	-84,789	117.0%
EBITDA	CZK millions	75,326	64,344	117.1%
- Central Europe segment	CZK millions	70,991	60,171	118.0%
- Southeastern Europe segment	CZK millions	4,334	4,173	103.9%
Depreciation and amortization	CZK millions	-22,123	-24,280	91.1%
Operating income (EBIT)	CZK millions	53,203	40,064	132.8%
Net income	CZK millions	42,764	28,756	148.7%
Return on equity (ROE), net	%	22.7	14.9	152.2%
Price/earnings ratio (P/E)	1	17.8	20.4	87.0%
Net debt / EBITDA	1	0.81	0.27	296.7%
Net debt / equity	%	35.5	9.0	395.2%
Capital expenditure (CAPEX)	CZK millions	-30,666	-22,545	136.0%
Investments	CZK millions	-2,462	-21,925	11.2%
Operating cash flows	CZK millions	59,219	62,908	94.1%
Employee head count	persons	30,094	31,161	96.6%

\*) sales to end customers + sales to cover grid losses + wholesale surplus/deficit

#### Revenues, Expenses, Income

CEZ Group's net income rose by CZK 14.0 billion (+48.7%) year-on-year and EBITDA was up CZK 11.0 billion (+17.1%). Growth in EBITDA was driven by higher margins on electricity (+ CZK 14.7 billion) and the Group's expansion during 2006 (+ CZK 0.7 billion). In addition to higher wholesale prices, the factors contributing to the year-on-year margin increase included extraordinary income from uninvoiced electricity (CZK 1.4 billion), record electricity generation volume (73.8 TWh, +12.6%), and increased efficiency in power production. The most important changes in Group composition were the addition of the ELCHO and Skawina Power Stations in Poland, which entered the accounting results in June 2006, and the Varna Power Station, which is included in the results as of Q4 2006. The volume of electricity distributed by CEZ Group to end customers increased by 0.4 TWh (+0.8%).

#### Cash Flows

Net cash provided by operating activities, at CZK 59.2 billion, was down CZK 3.7 billion (-5.9%) year-on-year, due primarily to higher income tax paid. Cash used in investing activities (CZK 37.0 billion) was down CZK 6.3 billion (-14.5%) year-on-year as higher plant renewal expenditures were offset by a year-on-year drop in acquisition outlays. Cash provided by financing activities was down CZK 40.1 billion on buying of treasury shares (CZK 53.3 billion) that was partially financed from internal sources.

#### Capital Expenditures

In 2007, CEZ Group invested CZK 30.7 billion in property, plant and equipment and intangible assets. A total of CZK 7.5 billion was spent on **plant portfolio renewal**. In phase one of the comprehensive retrofit of the Tušimice II Power Station (4 x 200 MW), including renewal of Units 3 and 4, demolition and equipment dismantling was

completed, the final permit for a new back-up gas-fired hot-water boiler room and rerouted hot-water line was obtained, and installation of new equipment commenced. In the comprehensive retrofit of the Prunéřov II Power Station (3 x 250 MW), we conducted preparatory work and drafted documentation for the Environmental Impact Assessment (EIA). Key contracts (general contractor, boiler room, machine room, and flue gas desulfurization) were signed. In the project for the new plant in Ledvice, the EIA was approved in early 2007, a zoning decision was issued, State authorization for construction of the new plant was granted, key contracts (boiler room, machine room) were signed, and demolition work began.

In **nuclear plants**, capital expenditures reached CZK 4.7 billion. At Dukovany Nuclear Power Station, the Instrumentation & Control systems renewal project went forward, as did a project to take advantage of unused generating potential to boost capacity to 2,000 MW (the Safely 16 Tera project). At the Temelín Nuclear Power Station, high-pressure turbine rotor components were replaced on both units to increase reliability and generating capacity (the Safely 15 Tera project).

In the **distribution grid**, ČEZ Distribuce, a.s. invested CZK 6.6 billion, primarily in rebuilding HV/MV transformer stations and renewing low-voltage and 110 kV overhead power lines. Connection of the Nošovice Industrial Zone to the grid and reconstruction of the Kolín East 110/22 kV transformer station were among the biggest projects.

Investments in **information technologies** through the ČEZData company totaled CZK 1.8 billion. The principal projects here went on a system to support distribution grid construction, operation, maintenance, and management projects, a system to support ČEZ, a. s. economic processes, as well as a system to support economic processes and a customer service system in Romania.

## Trading in Electricity and Emission Allowances

A drop in electricity demand early in the year, caused primarily by above-average winter temperatures, was offset over the remainder of the year, and the final figure was up 0.6%; when adjusted for weather variations, demand was up 1.5% year-on-year. Growth in demand was driven by wholesalers (+8.5%), while households and businesses lagged (-3.6% and -1.8%, respectively).

In Q4, electricity prices at first continued in the steady growth trend previously established in the spot and forward markets. In early November, the market situation changed from stable to highly volatile. This period lasted for an entire month, with volatility especially high in the spot market (due to weather-related factors and insufficient generation in France

due to outages in nuclear plants there). The price of baseload supply for 2008, which had climbed up to CZK 62.15 EUR/MWh during this period, fell to 56 EUR/MWh. For the rest of the quarter, electricity prices reverted to a steadily rising trend, without significant variations, driven by continued strength in fuel prices, which climbed to new absolute highs (coal traded for as much as 128 USD/ton, oil neared 100 USD/bl).

ČEZ, a. s. kept its promise to sell all of its surplus production for 2008 through the Prague Energy Exchange (PXE); as of year end 2007 this totaled over 15 TWh. In conjunction with the transition to continuous trading, ČEZ, a. s. is also hedging its positions several years in advance. For the years 2009 and 2010 we have already sold 30% and 8% of anticipated production, respectively.

## Central Europe (CE) Segment

Central Europe (CE)		Consolidated		Power Production & Trading		Distribution & Sale		Mining		Other	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales other than intersegment sales	CZK millions	145,408	125,983	68,652	53,430	70,313	65,584	3,524	3,476	3,453	3,646
Intersegment sales	CZK millions	534	153	39,734	37,712	2,628	4,467	6,507	5,456	21,375	15,706
Total revenues	CZK millions	145,942	126,136	108,386	91,142	72,941	70,051	10,031	8,932	24,828	19,352
EBITDA	CZK millions	70,991	60,171	51,086	43,707	10,882	8,188	4,765	4,363	4,259	3,914
EBIT	CZK millions	51,215	37,798	37,488	29,659	7,613	5,256	3,670	3,369	2,445	-485
Employee headcount	persons	0	22,638	0	7,898	0	1,372	0	3,525	0	9,843

### CE: Power Production & Trading

Production of electricity climbed 5.2 TWh (+8.0%) year-on-year, with 1.7 TWh of the increase attributable to our power plants in Poland. These plants were not part of CEZ Group in January – May 2006. Production in the Czech Republic was up 3.5 TWh (+5.6%) overall: production in coal-fired plants rose by 12.3% (+4.2 TWh) and production in nuclear plants was up 0.5% (+0.1 TWh) after fault-free operation in Q4 made up for a shortfall caused by an additional forced outage of Unit One and an extended overhaul of Unit Two at Temelín Nuclear Power Station. Production in hydropower plants was down 0.8 TWh.

CE: Power Production		2007	2006
Power produced	TWh	70.1	64.9
of which: nuclear plants	TWh	26.2	26.0
coal plants	TWh	42.2	36.4
hydro and other plants	TWh	1.7	2.5

Sales of electricity grew by 28.6 TWh, of which 21.8 TWh was in international markets and 6.8 TWh in domestic markets. This growth is attributable to higher trading activity, particularly in international markets, as well as an increase in Group electricity production.

CE: Wholesale (trading)		2007		2006	
		domestic	foreign	domestic	foreign
Electricity purchased	TWh	11.4	29.0	7.4	9.4
of which, outside CEZ Group	TWh	7.7	27.7	4.2	9.4
Electricity sold	TWh	64.8	39.2	58.0	17.4
of which, outside CEZ Group	TWh	34.3	37.2	25.7	17.4
- wholesale	TWh	33.4	37.2	24.8	17.4
- to end customers	TWh	0.9	0.0	0.9	0.0
Balance	TWh	53.4	10.2	50.6	7.9

### CE: Distribution & Sales

In the Czech Republic, ČEZ Prodej, s.r.o. sold 28.4 TWh of electricity for final consumption (2.6 TWh of which within CEZ Group).

CE: Distribution & Retail		2007	2006
Sales to end customers outside CEZ Group	TWh	25.8	28.7
Electricity distribution to end customers	TWh	33.1	33.1

In year-on-year terms, this meant a 3.2 TWh (2.9 TWh outside of CEZ Group) decrease in sales, attributable in particular to increasing competition in the liberalized market. The share of ČEZ Prodej, s. r. o. in the end customer market in 2007 was 45%. The volume of electricity distributed to end customers grew slightly (+0.2%) to 33.1 TWh. The Distribution & Sales Segment's EBITDA was up 32.9%, due in particular to a change in how uninvoiced electricity is calculated and cleared (CZK 1.4 billion). The financial performance of ČEZ Distribuce, a. s. was also impacted by higher costs for mandatory buying of electricity produced from renewable energy sources, green bonuses redeemed, and higher temperatures in Q1 2007.

### CE: Mining Segment

CE: Coal sales		2007	2006
Coal sold, total	kt	23,597	22,461
of which: sold to ČEZ, a. s.	kt	18,316	16,775

The most significant member of CEZ Group in the Mining segment is Severočeské doly a.s.

## Southeastern Europe (SEE) Segment

Southeastern Europe (SEE)		Consolidated		Power Production & Trading		Distribution & Sale		Other	
		2007	2006	2007	2006	2007	2006	2007	2006
Sales other than intersegment sales	CZK millions	29,155	23,151	3,937	675	25,353	22,480	55	0
Intersegment sales	CZK millions	190	4	150	0	145	20	2,264	336
Total revenues	CZK millions	29,345	23,155	4,087	675	25,498	22,500	2,319	336
EBITDA	CZK millions	4,334	4,173	273	69	4,056	4,105	7	-1
EBIT	CZK millions	1,987	2,266	-131	24	2,161	2,253	-43	-11
Employee headcount	persons	0	8,523	0	872	0	7,450	0	201

### SEE: Production & Trading

The Varna Power Station has been a part of CEZ Group since Q4 2006. In 2007, it produced 3.7 TWh of electricity.

SEE: Power Production & Wholesale		2007	2006
Power produced	TWh	3.7	0.7
Electricity purchased	TWh	0.8	0.0
of which, outside CEZ Group	TWh	0.6	0.0
Electricity sold	TWh	4.2	0.6
of which, outside CEZ Group	TWh	3.9	0.6

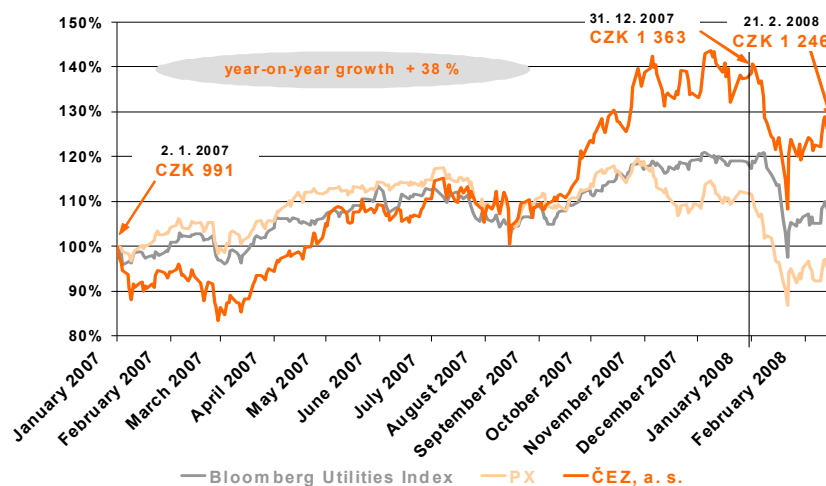
### SEE: Distribution & Sales

A total of 12.6 TWh (+4.9%) was sold in Bulgaria and Romania in 2007. Of the total, 11.9 TWh (+2.8%) was sold to end customers.

SEE: Distribution & Retail		2007	2006
Sales to end customers outside CEZ Group	TWh	11.9	11.6
Electricity distribution to end customers	TWh	17.1	16.8

### Other Information

- In trading on the PSE, the shares of ČEZ, a. s. reached CZK 1,246. In the full year 2007, the share price grew by CZK 372 (+38%).
- As of 21 February 2008, the company had purchased 51.1 million treasury shares, representing 8.6% of the share capital.
- On 27 August 2007, ČEZ, a. s. issued CZK 7 billion in three-year bonds with a 4.3% coupon.
- On 12 October 2007, ČEZ, a. s. issued EUR 500 million in five-year bonds with a 5.125% coupon.
- On 20 December 2007, ČEZ, a. s. formed a strategic alliance with MOL Nyrt, the Hungarian power conglomerate. The two companies will establish a joint venture to build a gas-fired power plant in the MOL Százhalombatta refinery in Hungary and the Slovnaft refinery in the Slovak Republic. By the year 2013, the strategic alliance will build 1,600 MW of new installed generating capacity and renew another 160 MW, at a total cost of EUR 1.4 billion. In addition, projects in Slovenia and Croatia are possible in the future.
- The strategic alliance with MOL also includes an equity partnership. On 23 January 2008, ČEZ, a. s. acquired a 7% stake in MOL, direct from its Hungarian partner. MOL can buy back these shares using a call option within three years of the signing date.
- On 10 January 2008, ČEZ, a. s. signed a Memorandum of Understanding with a member of United States Steel Corporation, creating a framework for possible construction of a power plant in the corporation's steel mill in Košice. The plant's installed capacity could be as much as 400 MW.
- On 14 January 2008, ČEZ, a. s. submitted a bid to upgrade an existing power plant and potentially build a new one in Galați, Romania. The present plant's installed capacity is 535 MW.
- On 21 January 2008, ČEZ, a. s. submitted a bid in the tender for a strategic partner in the planned construction of a new power plant in Borzești, Romania.
- On 22 January 2008, ČEZ, a. s. drew a EUR 600 million (approximately CZK 15.8 billion) loan for general financing needs.
- On 18 October 2007, the ČEZ, a. s. Supervisory Board confirmed Martin Roman as a member of the Board of Directors for another term. On 11 February 2008, the ČEZ, a. s. Board of Directors re-elected Martin Roman as Chairman for a term until 2012 and confirmed him as CEO.



Income Statement (CZK m)	10-12/2007	10-12/2006	1-12/2007	1-12/2006	Consolidated Balance Sheet in accordance with IFRS (CZK m)	as of	Dec 31, 2007	Dec 31, 2006
<b>Revenues</b>	<b>51,067</b>	<b>40,655</b>	<b>174,563</b>	<b>149,134</b>	<b>Assets</b>		<b>370,942</b>	<b>368,655</b>
Sales of electricity	45,598	37,139	160,046	138,157	<b>Non-current assets</b>		<b>313,081</b>	<b>301,989</b>
Sales and costs from electricity derivative trading, net	1,106	143	2,690	-308	Plant in service		479,091	464,776
Heat sales and other revenues	4,363	3,373	11,827	11,285	Less accumulated provision for depreciation		234,297	219,073
<b>Operating expenses</b>	<b>-36,820</b>	<b>-30,532</b>	<b>-121,360</b>	<b>-109,070</b>	Net plant in service		244,794	245,703
Fuel	-4,682	-3,553	-16,883	-11,637	Nuclear fuel, at amortized cost		6,983	7,376
Purchased power and related services	-13,203	-11,811	-46,328	-43,001	Construction work in progress		25,388	16,684
Repairs and maintenance	-1,757	-2,273	-4,881	-5,487	Investment in associates		248	430
Depreciation and amortization	-5,942	-5,922	-22,123	-24,280	Investments and other financial assets, net		16,126	13,277
Salaries and wages	-5,958	-4,995	-16,900	-15,084	Intangible assets, net		19,060	17,820
Materials and supplies	-1,614	-1,468	-6,066	-4,981	Deferred tax assets		482	699
Emission rights, net	754	2,606	1,058	3,077	<b>Current assets</b>		<b>57,861</b>	<b>66,666</b>
Other operating expenses	-4,418	-3,116	-9,237	-7,677	Cash and cash equivalents		12,429	30,932
<b>Income before other income (expenses) and income taxes</b>	<b>14,247</b>	<b>10,123</b>	<b>53,203</b>	<b>40,064</b>	Receivables, net		23,880	16,334
<b>Other income (expenses)</b>	<b>-1,657</b>	<b>-850</b>	<b>-2,052</b>	<b>-2,356</b>	Income tax receivable		79	152
Interest on debt, net of capitalized interest	-181	-725	-1,954	-2,236	Materials and supplies, net		4,484	4,308
Interest on nuclear and other provisions	-495	-475	-1,937	-1,891	Fossil fuel stocks		857	1,195
Interest income	118	411	1,163	922	Emission rights		355	2,224
Foreign exchange rate gains (losses), net	122	644	22	1,204	Other financial assets, net		10,585	8,952
Gain (Loss) on sale of subsidiaries and associates	0	-3	129	-228	Other current assets		5,192	2,569
Other income (expenses), net	-1,231	-702	485	-201	<b>Equity and liabilities</b>		<b>370,942</b>	<b>368,655</b>
Income from associates	10	0	40	74	<b>Equity</b>		<b>184,226</b>	<b>207,653</b>
<b>Income before income taxes</b>	<b>12,590</b>	<b>9,273</b>	<b>51,151</b>	<b>37,708</b>	Equity attributable to equity holders of the parent		171,352	194,937
<b>Income taxes</b>	<b>475</b>	<b>-2,536</b>	<b>-8,387</b>	<b>-8,952</b>	Stated capital		59,221	59,221
<b>Net income</b>	<b>13,065</b>	<b>6,737</b>	<b>42,764</b>	<b>28,756</b>	Treasury shares		-55,972	-1,943
Net income attributable to equity holders of the parent	12,627	6,572	41,555	27,697	Retained earnings and other reserves		168,103	137,659
Net income attributable to minority interests	438	165	1,209	1,059	Minority interests		12,874	12,716
<b>Earning per Share in CZK - basic</b>	<b>23.2</b>	<b>11.2</b>	<b>72.9</b>	<b>47.0</b>	<b>Long-term liabilities</b>		<b>107,544</b>	<b>94,182</b>
<b>Earning per Share in CZK - diluted</b>	<b>21.3</b>	<b>11.1</b>	<b>70.2</b>	<b>46.8</b>	Long-term debt, net of current portion		51,984	41,956
					Accumulated provision for nuclear decommissioning and fuel storage		39,191	36,683
					Other long-term liabilities		16,369	15,543
					<b>Deferred taxes liability</b>		<b>17,153</b>	<b>20,017</b>
					<b>Current liabilities</b>		<b>62,019</b>	<b>46,803</b>
					Short-term loans		18,048	121
					Current portion of long-term debt		3,226	6,365
					Trade and other payables		25,738	22,905
					Income tax payable		5,969	6,222
					Accrued liabilities		9,038	11,190
					<b>Cash Flow Statement (CZK m)</b>		<b>1-12/2007</b>	<b>1-12/2006</b>
					<b>Cash and cash equivalents at beginning of period</b>		<b>30,932</b>	<b>16,791</b>
					<b>Net cash provided by operating activities</b>		<b>59,219</b>	<b>62,908</b>
					Income before income taxes		51,151	37,708
					Depreciation, amortization and asset write-offs		22,166	24,352
					Amortization of nuclear fuel		2,936	3,156
					Gain(-)/loss in fixed assets retirements, net		-637	21
					Foreign exchange rate losses (gains), net		-22	-1,204
					Interest expense, interest income and dividends income, net		697	1,232
					Provision for nuclear decommissioning and fuel storage		695	105
					Valuation allowances, other provisions and other adjustments		-193	2,239
					Income from associates		-40	-74
					Changes in assets and liabilities		-5,357	-1,353
					Income taxes paid		-11,920	-2,237
					Interest paid, net of capitalized interest		-1,552	-2,012
					Interest received		1,186	844
					Dividends received		109	131
					<b>Total cash used in investing activities</b>		<b>-37,033</b>	<b>-43,294</b>
					<b>Total cash provided by (used in) financing activities</b>		<b>-40,120</b>	<b>-4,667</b>
					<b>Net effect of currency translation in cash</b>		<b>-569</b>	<b>-806</b>
					<b>Cash and cash equivalents at end of period</b>		<b>12,429</b>	<b>30,932</b>
					<b>Supplementary information: Total cash paid for interest</b>		<b>2,284</b>	<b>2,539</b>
					<b>Details according to business segments for 2007 (CZK m)</b>			
					Power Production & Trading		112,203	98,438
					Distribution & Sale		98,438	10,031
					Mining		27,148	27,148
					Other		3,405	3,405
					Consolidated		174,563	174,563
					<b>revenues total</b>		<b>112,203</b>	<b>98,438</b>
					of which: outside CEZ Group		71,969	95,665
					<b>EBITDA</b>		<b>51,359</b>	<b>14,937</b>
					<b>EBIT</b>		<b>37,357</b>	<b>9,774</b>
					<b>Head count</b>		<b>8,501</b>	<b>6,866</b>
							<b>3,517</b>	<b>11,210</b>
							<b>11,210</b>	<b>30,094</b>