

Inside Information

CEZ Group reached profit of 42.8bn CZK last year Investments into property (excluding acquisitions) amounted to 30.7bn CZK

CEZ Power Group reached a net profit of 42.8bn CZK in 2007, which was 49 per cent up on the previous year. The growth was given by higher production, a rise in wholesale prices, operating cost savings and the results of CEZ Group's activities abroad. The growth was also markedly affected by extraordinary influences, like an impact of the tax reform in the amount of over 3 billion CZK, which reflected the influence of lower tax rates for deferred tax calculation and a change in the estimate of non-invoiced electricity. The contribution of foreign activities to the operating profit was 6bn CZK, which was 27 % more than in the previous year.

„We are now concentrating not only on further improvement of effectiveness of single processes within entire CEZ Group, but we are also putting emphasis on the renewal of our sources, because these investments will predetermine our success in the next decades. The renewal of our domestic coal-fired power plants is gaining pace; we have already invested 7.5bn CZK. Owing to the climate-energy packet newly adopted by the EU, we are updating our plans so that new measures will lead to a new energy mix based mainly on nuclear, gas and renewable sources. Preparations of gas power plants construction are well under way. The first stage will include two sources with the total installed capacity of ca 1,200 MW in North Bohemia and two other sources prepared together with Hungarian MOL in Slovakia and Hungary. Two new power plant projects in the amount of 150 – 200bn CZK are currently in the advanced stages of development,“ said Martin Roman, Chairman of the Board of Directors and CEO of CEZ.

Labour productivity growth and realized divestments led to a reduction in the number of CEZ Group's employees in 2007. At the end of the year the number was 30,094, which represented a year-on-year fall of more than 1,000 employees, i.e. 3.4 per cent.

The electricity production in CEZ, a.s., alone was 5.5 % up on the previous year and amounted to 65.4 TWh. The electricity generation in CEZ Group's power plants, including outland power plants (Bulgarian plant in Varna and Polish ELCHO and Skawina */), reached 73.8 TWh which was a 12.6 % increase year-on-year.

The electricity demand in the Czech Republic was 0.6 per cent up on the previous year despite an abnormal fall at the beginning of the year – in January the demand dropped by 9 per cent - caused by a warm winter. If both years were recounted to correspond to temperature standards, the electricity demand would rise by 1.5 per cent. CEZ Group (CEZ Prodej) accounted for 45 % of electricity sales to end customers as a result of strengthening competition in the liberalized market in the Czech Republic.

„Because trading at the Prague Energy Exchange (PXE) is realized in euros, most of our income is in that currency. Considering risks related to the fluctuation of the CZK/EUR exchange rate, we have taken a number of measures to eliminate the risk. As a result we have secured ca 90 per cent of all our anticipated incomes this year against euro exchange rate fluctuations. With respect to following years, we are implementing a long-term gradual security strategy, “ said Martin Novak, director of finance division.

**/ Polish power plants ELCHO and Skawina were included in the accounting results in June 2006 so they influenced the results of 2006 only by four months; Varna power plant was included in the results in the fourth quarter of 2006.*

Table: Economic Results of CEZ Group for 2007

	(millions CZK)	year-on-year change
Operating revenues	174 563	+ 17,1 %
EBITDA (Operating profit before depreciation)	75 326	+ 17,1 %
Pre-tax profit	51 151	+ 35,7 %
After-tax profit	42 764	+ 48,7 %

Note: preliminary non-audited consolidated results