

Inside Information

ČEZ will propose the General Meeting to approve cancellation of a part of the treasury stock, continuation in its buyback and doubling of the dividend sum

In accordance with the binding dividend policy, at today's meeting the Board of Directors of the power engineering company ČEZ decided on a proposal of the sum of the dividend from the last year's profit to be submitted to the General Meeting of Shareholders which will be held on 21 May 2008. The Board of Directors will propose a gross dividend amounting to 40 CZK per share.

The Board of Directors has also decided on submission of a proposal for cancellation of the treasury stock which has already been bought back and for granting of a mandate for new buyback to be implemented depending on the development of the cash-flow of ČEZ and the situation on financial markets.

The proposed amount of the dividend has grown by 100 per cent, compared to the dividend paid out last year when it amounted to 20 CZK/share. The total sum allocated for the dividends exceeds 21 billion CZK*. The majority owner, i.e. the state, will obtain more than 15 billion CZK*.

The dividend proposal is in accordance with the new dividend policy adopted and announced last December. The policy has increased the dividend pay-out ratio from previous 40-50 % to 50-60 % of the net profit, without the effect of extra income.

The Board of Directors has also stated that the almost completed treasury stock buyback program approved by the last year's General Meeting of the company has attained its objective, i.e. to streamline the capital structure of the ČEZ Group. Last year the net debt ratio (debt minus cash) to EBITDA increased from 0.3 to 1.0 (having made provision for the credit amounting to approximately 15 billion CZK intended for acquisition of an interest in MOL and granted in January this year).

The Board of Directors will propose the General Meeting to cancel the stock obtained in the on-going or rather almost completed round of the stock buyback, except for the stock intended for the participants in the option program. If the General Meeting approves the stock cancellation, the cancellation will take place within the shortest possible time determined by the Commercial Code. The treasury stock cancellation has no impact on the economic result of ČEZ. However, it will contribute significantly to improvement of ratio indexes of the company per stock.

The Board of Directors has also stated that the current capital structure has been still providing more than sufficient room for continuation in the expansive strategy of the company. ČEZ has been currently working on a number of acquisition and development projects on which it informs the public on a continuous basis and which are to be funded from the currently unutilized debt capacity. Moreover, some of the projects being prepared and considered involve expending of funds not before several years after initiation. Those projects do not have to lead to the optimum capital structure at a sufficient pace, particularly if some of them fail to be implemented in time or in the

expected volume. Due to the measures adopted within the scope of the initiative of the “Effectiveness” program and the growing prices of commodities, the expectations concerning the company’s free cash-flow from the operations have increased.

For these reasons the Board of Directors regards suitable to establish the room for possible further optimization of the capital structure through the second round of the treasury stock buyback. Therefore it supplemented the agenda of the General Meeting with the decision on extension of the opportunity of the company’s treasury stock acquisition by further 10 %. However, contrary to last year, ČEZ does not expect that the second treasury stock buyback program would be implemented with the same steadiness as the first one. The timing and the extent of the buyback will depend on the current development on financial markets, regular update of the cash-flow prognosis and the time sweep of investment opportunities and needs of ČEZ.

The Board of Directors will also propose the General Meeting to amend the Articles when one of the proposed changes is the increase in the number of members of the Board of Directors from the current five to six.

*) The state of shareholder’s interests as per 4 April 2008