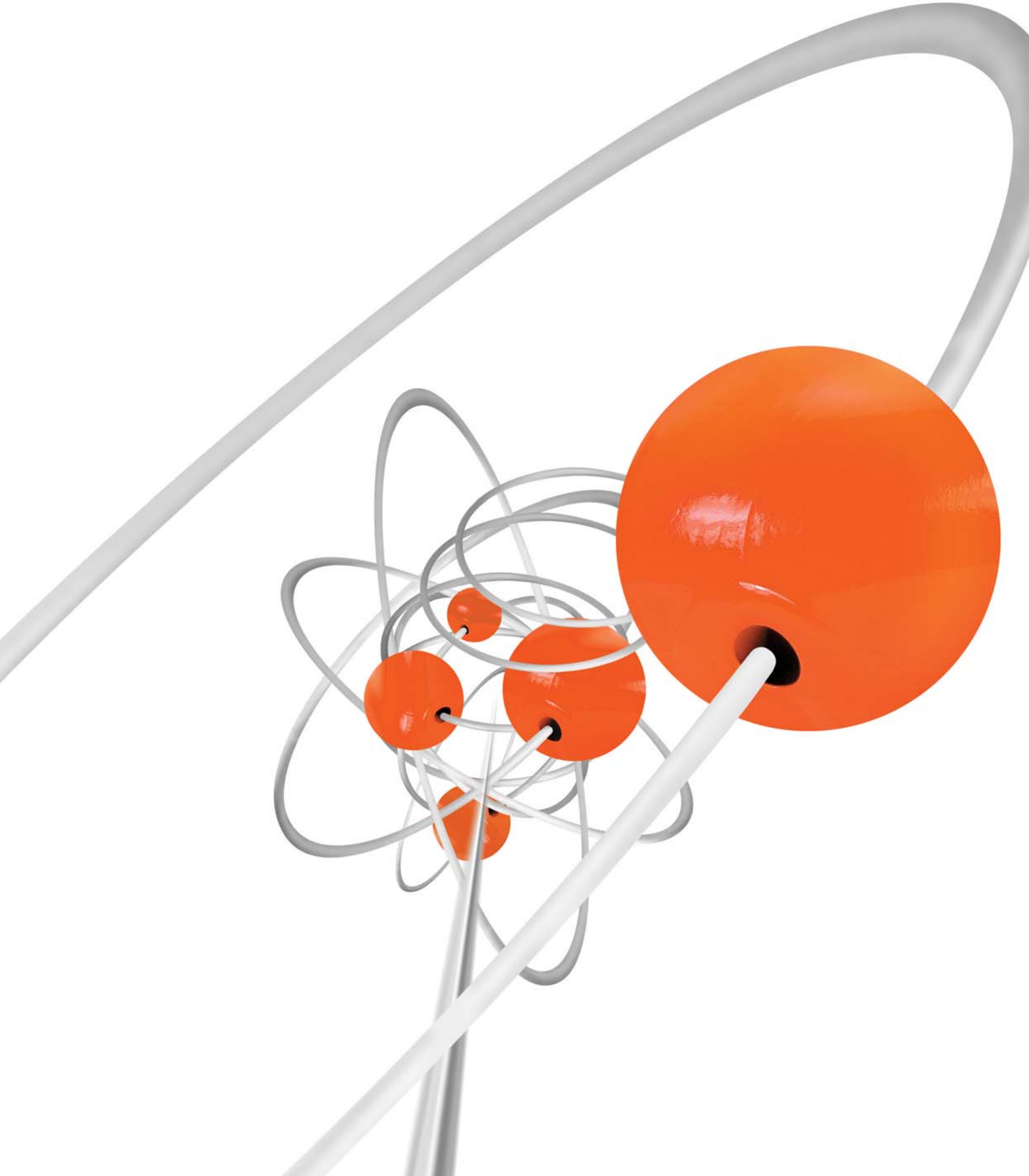
CEZ Group
Annual Report 2007



THE FUTURE

OF ENERGY

Energy is strength – the source that is a crucial element in the movement of things, the functioning of objects and human life itself. Energy is all around us – difficult to grasp, not easy to see, yet it is the driving force of all events. Everything we do, everything we experience, everything we live by, is connected with energy. Energy is in everything, energy has no borders, and its possibilities are as vast as the capabilities of man and as unfathomable as the future development of the entire universe.
That which can at first seem difficult to grasp – unreal, from the world of fantasy – has a surprisingly long history and a bright future. Science has been studying energy from time immemorial and today energy is taking on entirely new dimensions. Principles that are as yet little known harbor enormous potential. What is in the distant future can come true sooner than expected. Progress, courage and vision are the right path to success.

INFINIT

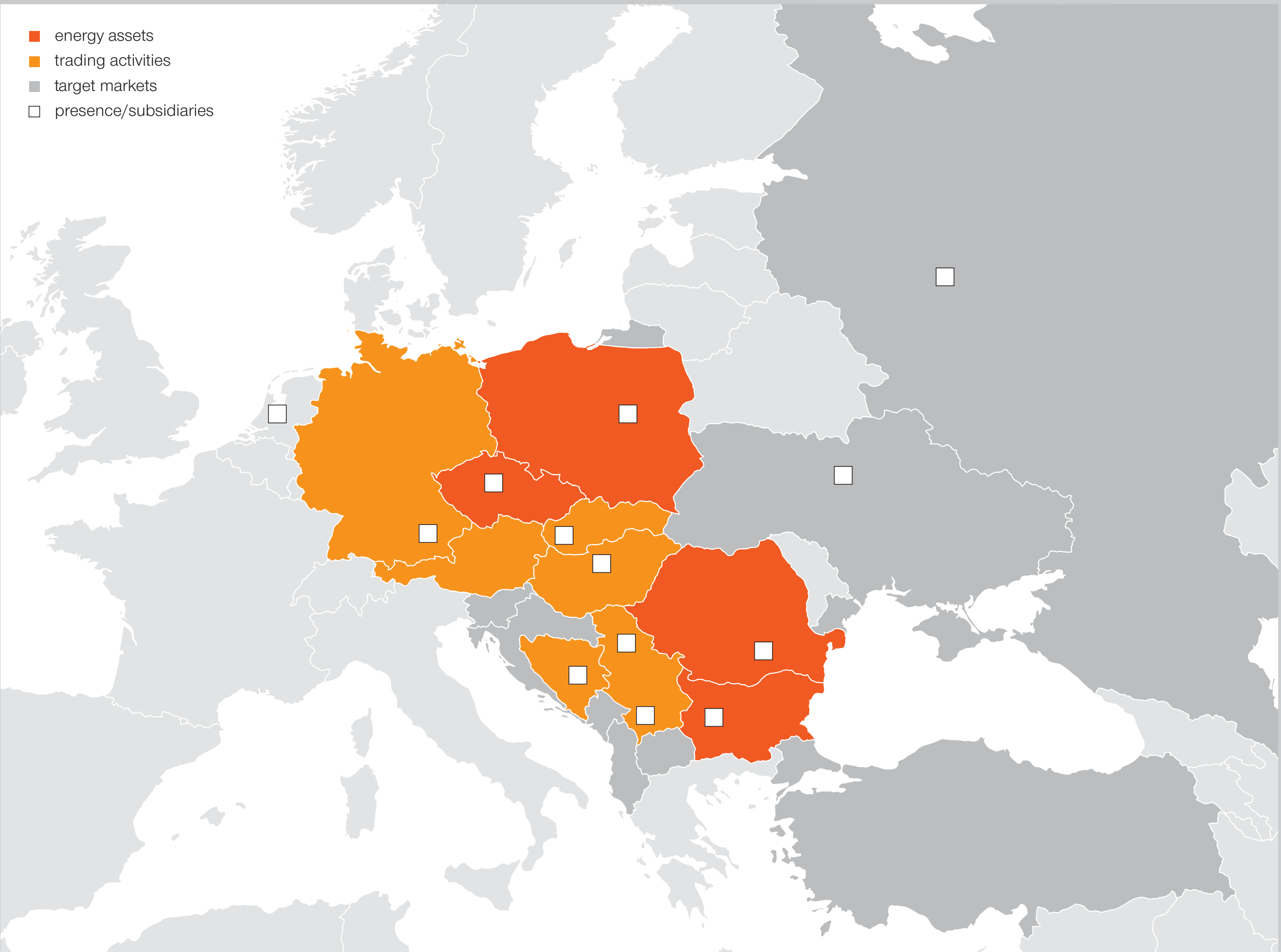
CEZ Group in 2007: CZK 53.2 billion operating income, 22.7 % return on equity, 13.7 % ROIC,

E POTENTIAL

CZK 42.8 billion net income, 80.7 TWh electricity sales

CEZ Group

CEZ Group Territory



The Leader in the Power Market of Central and Southeastern Europe

CEZ Group is a dynamic, integrated electricity conglomerate based in the Czech Republic and with operations in a number of countries of Central and Southeastern Europe. Its principal businesses encompass generation, distribution, and sale of electricity and heat as well as coal mining. The shares of the parent company ČEZ, a. s. are traded in Prague and Warsaw, and form a significant part of the stock exchange indexes there. In the NTX index of the best Central European stocks, compiled by the Vienna Stock Exchange and Erste Bank, the shares of ČEZ, a. s. have the highest weighting. With its market capitalization of CZK 738 billion, ČEZ, a. s. has become the largest corporation in the entire region. The Czech Republic continues to be the company's largest shareholder with a 66% stake as of 31 December 2007.

A critical part of CEZ Group's mission is to maximize returns and ensure long-term growth in shareholder value. To this end, CEZ Group focuses its efforts on fulfilling the vision of becoming the leader in the power market of Central and Southeastern Europe.

Operational Excellence

In May 2007, CEZ Group officially completed VIZE 2008 – the project that became the most extensive and most demanding corporate transformation yet in the Czech Republic. The project, whose goal was to separate, or "unbundle", electricity sales from electricity distribution and, at the same time, transform CEZ Group into an integrated, process-driven player, was completed earlier, with higher financial benefits, and a broader scope of operational improvements than was originally planned. The project's cumulative benefits in the 2004–2007 period compared to the reference year 2003 amount to nearly CZK 12 billion.

A new Operational Excellence program was announced in March 2007. It will build on the now-completed integration in the first pillar of the CEZ Group strategic temple. The aim of the program is to increase performance and improve the cost effectiveness of key processes in order to make CEZ Group one of the most efficient players in the European power industry by 2012. In order to flesh out the new program, in 2007 we selected over 20 initiatives and launched seven strategic projects focusing on key processes in electricity generation and distribution both in the Czech Republic and abroad – i.e., processes related to customer service and principal ancillary processes. More initiatives will be added to the program as time goes on.

International Expansion

Another part of the CEZ Group vision is to develop operations beyond the borders of the Czech Republic. CEZ Group's priority focus is on markets in Central and Southeastern Europe, where we can best apply our unique experience in managing an electricity conglomerate during a period of transition to a liberalized power market and with achieving operational excellence.

Successful acquisitions in Poland, Bulgaria, and Romania have opened up new markets for CEZ Group. The Group's trading subsidiaries in Hungary, Serbia, and Slovakia have gained a solid foothold in their respective markets. A joint venture engaged in upgrading and expanding a generating plant has been started in Republika Srpska in Bosnia and Herzegovina. ČEZ, a. s. is integrating new companies into the Group and implementing best practices in both core and ancillary processes. ČEZ, a. s. was selected as a partner for construction of the Cernavodă Nuclear Power Station in Romania. In late 2007, ČEZ, a. s. and Hungary-based MOL agreed to set up a joint venture whose mission will be to build and operate combined cycle power plants in oil refineries in Hungary and Slovakia. Both partners will reap significant synergies from the cooperation. CEZ Group is also actively seeking opportunities to leverage environmental energy sources by building wind power plants.

Vision: To be
the leader in the power market
of Central and Southeastern Europe.

Operational Excellence

International Expansion

Plant Portfolio Renewal

Corporate culture – 7 principles

Plant Portfolio Renewal

The third pillar for achieving CEZ Group's ambitious goal is the renewal of our existing coal-fired power stations. Plant renewal started on 2 June 2007 with the launch of a comprehensive retrofit of the brown coal-fired Tušimice II Power Station in the Czech Republic. A second project, the comprehensive retrofit of the Prunéřov II Power Station, has also been launched. In addition, work is now underway in a third project – a new 660 MW brown coal-fired plant in the Ledvice Power Station – to prepare the power station grounds for construction of what will be the first supercritical unit in the Czech Republic.

Thanks to their increased efficiency, the retrofitted and new coal-fired power stations will bring fuel savings of 15–25% compared to the plants currently in use and contribute substantially to reducing CO_2 emissions. CEZ Group has decided to build new low-emission gas-fired power plants in the Czech Republic as well.

Plant renewal will also take place, in the form of a joint venture, in Republika Srpska in Bosnia and Herzegovina, and we are also considering plants in Poland. CEZ Group is interested in similar activities in the target territory of Central and Southeastern Europe and is participating in tenders toward this end. In Romania, ČEZ, a. s. placed a bid in a tender for a strategic partner for the planned construction of a new power plant in Borzeşti and will participate in a tender to upgrade an existing power plant and, potentially, build a new one in Galați.

Corporate Culture

If CEZ Group is to continue to successfully fulfill its vision and achieve its demanding goals, it will be important to reinforce our performance-driven corporate culture, which is defined by seven principles – core values to be shared by all employees of CEZ Group:

1. creating value safely – our highest priority is to create value, while maintaining safety standards at all times,
2. responsibility for results – we are all personally responsible for the results achieved,
3. playing as one team – the actions of each of us must bring benefit to the CEZ Group as a whole,
4. developing our potential – we work continually to improve ourselves in both our professional and personal lives,
5. growing beyond borders – we are engaged in building an international organization,
6. seeking new solutions – we are open to change and we accept better solutions,
7. playing fair – we are honest and loyal to our principles and to society.

Corporate Citizenship and Environmental Stewardship

CEZ Group's business is governed by strict ethical standards that include behaving responsibly toward society and the environment.

CEZ Group is a major supporter of a number of non-profit organizations and public-benefit projects. In addition to continually reducing the environmental impact of coal mining and electricity generation and distribution, in March 2007 CEZ Group announced its CO_2 Reduction Action Plan containing, among other initiatives, a pledge to increase generation from renewable sources of energy. CEZ Group is also actively seeking opportunities to invest in CO_2 emission reduction projects in developing countries through the so-called "flexible mechanisms" of the Kyoto Protocol.

Anticipated Commercial and Financial Situation in 2008

CEZ Group anticipates the active measures in the Operational Excellence program and ongoing growth in electricity demand and prices in Central Europe in 2008 will lead to further improvements in performance.

Consolidated net income is expected to reach CZK 46.6 billion (i.e. up 9% from 2007, and up over 18% when adjusted for extraordinary impacts), EBITDA (earnings before interests, taxes, depreciation and amortization) is to be CZK 85.5 billion (up 16%), and EBIT is anticipated at CZK 63.5 billion (up 23%).

Solar Energy from the Moon

In 2050, the Earth will have a population of around 10 billion, or one third more than today. All those people will consume an enormous amount of electricity. There's no question that the Earth's resources won't suffice! In space, there is more than enough energy, since the Sun produces it in huge quantities. However, here on the Earth's surface there are a number of problems with processing the Sun's energy. One great idea is to put a solar power plant on the Moon, since the Sun's rays falling on the Moon's surface translate into 13,000 TW of power. A prosperous civilization of 10 billion people will require approximately 20 TW. Solar panels would be manufactured from moon dust, regolite, which contains all the necessary elements for that application. One way energy could be sent from the Moon to the Earth would be via microwave transmission.

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Selected Indicators of CEZ Group

Selected Indicators of CEZ Group (IFRS, consolidated)

	Units	2003	2004	2005	2006	2007	Index 2007/2006 (%)
Installed capacity	MW	12,297	12,297	12,298	14,392	14,292	99.3
Electricity generated (gross)	GWh	61,399	62,126	60,016	65,532	73,793	112.6
Electricity sold [1]	GWh	65,744	63,102	70,072	74,102	80,745	109.0
Heat sold	TJ	10,942	10,008	9,790	11,274	15,541	137.9
Employee head count at December 31	persons	23,098	22,768	29,905	31,161	30,094	96.6
Total revenues	CZK millions	87,264	102,670	125,083	149,134	174,563	117.1
of which: sales of electricity	CZK millions	78,974	92,183	115,949	138,157	160,046	115.8
EBITDA	CZK millions	33,561	39,627	50,126	64,344	75,326	117.1
EBIT	CZK millions	15,048	19,785	29,403	40,064	53,203	132.8
Net income	CZK millions	10,213	14,268	22,282	28,756	42,764	148.7
of which: net income attributable to equity holders of parent	CZK millions	9,594	13,213	21,438	27,697	41,555	150.0
Net income per share – basic	CZK/share	16.2	22.3	36.3	47.0	72.9	155.1
Net income per share – diluted	CZK/share	16.2	22.3	36.2	46.8	72.7	155.4
Dividend per share (gross) [2]	CZK/share	4.5	8.0	9.0	15.0	20.0	133.3
Additions to property, plant and equipment	CZK millions	(26,381)	(16,925)	(15,671)	(23,745)	(34,066)	143.5
Investments [3]	CZK millions	(28,373)	(18,166)	(12,258)	(21,925)	(2,462)	11.2
Operating cash flow	CZK millions	38,329	36,641	43,895	62,908	59,219	94.1
Return on Invested Capital (ROIC)	%	4.8	5.9	8.4	11.0	13.7	124.5
Return on Equity (ROE), net	%	6.3	7.9	12.3	14.9	22.7	152.2
Total assets	CZK millions	296,638	299,250	324,209	368,655	370,942	100.6
Equity (including minority shares)	CZK millions	171,075	178,447	191,289	207,653	184,226	88.7
Net debt/Equity	%	20.9	19.1	12.4	9.0	35.5	395.2
Net debt/EBITDA	%	100.8	83.0	43.8	27.2	80.8	297.1

[1] Sold to end customers + sold to cover grid losses + wholesale balance.
[2] Paid, relating to the previous year.
[3] Acquisitions of subsidiaries and associates, net of cash acquired.

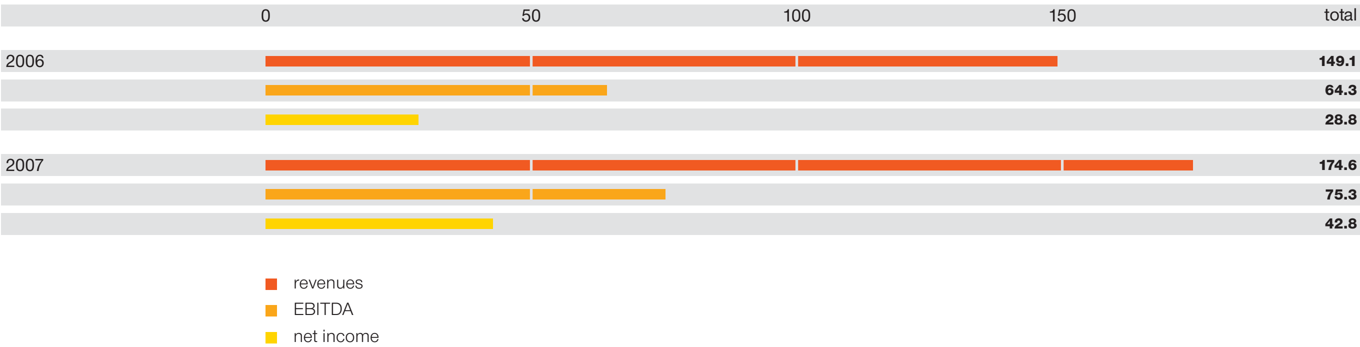
Key Figures by Geographical Segment, 2007

	Units	Central Europe 2006	Central Europe 2007	Southeastern Europe 2006	Southeastern Europe 2007	Eliminations 2006	Eliminations 2007	Consolidated 2006	Consolidated 2007
Sales other than intersegment sales	CZK millions	125,983	145,408	23,151	29,155	–	–	149,134	174,563
Intersegment sales	CZK millions	153	534	4	190	(157)	(724)	–	–
Total revenues	CZK millions	126,136	145,942	23,155	29,345	(157)	(724)	149,134	174,563
EBITDA	CZK millions	60,171	70,991	4,173	4,334	–	1	64,344	75,326
EBIT	CZK millions	37,798	51,215	2,266	1,987	–	1	40,064	53,203
Capital expenditure	CZK millions	20,065	27,403	2,480	3,263	–	–	22,545	30,666
Employee head count at December 31	persons	22,638	21,961	8,523	8,133	–	–	31,161	30,094

Key Figures by Business Segment, 2007

	Units	Power Production & Trading 2006	Power Production & Trading 2007	Distribution & Sale 2006	Distribution & Sale 2007	Mining 2006	Mining 2007	Other 2006	Other 2007	Eliminations 2006	Eliminations 2007	Consolidated 2006	Consolidated 2007
Sales other than intersegment sales	CZK millions	53,959	71,969	88,064	95,665	3,476	3,524	3,635	3,405	–	–	149,134	174,563
Intersegment sales	CZK millions	37,848	40,234	4,487	2,773	5,456	6,507	16,051	23,743	(63,842)	(73,257)	–	–
Total revenues	CZK millions	91,807	112,203	92,551	98,438	8,932	10,031	19,686	27,148	(63,842)	(73,257)	149,134	174,563
EBITDA	CZK millions	43,776	51,359	12,294	14,937	4,363	4,765	3,912	4,265	(1)	–	64,344	75,326
EBIT	CZK millions	29,683	37,357	7,509	9,774	3,369	3,670	(496)	2,402	(1)	–	40,064	53,203
Capital expenditure	CZK millions	10,553	14,639	7,881	11,193	1,866	1,695	4,985	7,099	(2,740)	(3,960)	22,545	30,666
Employee head count at December 31	persons	8,770	8,501	8,822	6,866	3,525	3,517	10,044	11,210	–	–	31,161	30,094

CEZ Group Results of Operations (CZK billions)



Important Events of 2007 and 2008 Up to Annual Report Closing Date

Important Events of 2007

January
- business plan for comprehensive retrofit of Prunéřov II Power Station approved.

March
- break-up of Electrica Oltenia S.A., with sales operations split off into CEZ Vanzare S.A. Distribution operations remain in Electrica Oltenia S.A., which was renamed to CEZ Distributie S.A.,
- Romanian subsidiary CEZ Trade Romania S.R.L. established,
- Government of the Czech Republic decides to sell a portion (7%) of the State's equity holdings in ČEZ, a. s.

April
- acquisition of a 100% stake in Teplárenská, a.s. (name changed to ČEZ Teplárenská, a.s. in January 2008),
- General Meeting of ČEZ, a. s.; among other things, the GM approved the payment of a CZK 20/share dividend (gross) and the buy-back of 10% of the Company's shares,
- agreement signed establishing European Works Council of CEZ Group employees.

May
- agreement signed on implementation of the joint venture NERS d.o.o. between ČEZ, a. s and Elektroprivreda Republike Srpske in Republika Srpska in Bosnia and Herzegovina,
- VIZE 2008 transformation project completed,
- new subsidiary, CEZ Servicii S.A., established in Romania,
- trading company CEZ Trade Polska sp. z o.o. established in Poland.

June
- implementation of comprehensive retrofit of Tušimice II Power Station commences, with completion planned for 2010 and estimated costs of CZK 25 billion; the upgrade will extend the plant's useful life by 25 years and increase its efficiency by 5.3%,
- gala opening of Bukovec Hydroelectric Power Station near the city of Plzeň, with 630 kW of installed capacity; the new plant was built at a cost of CZK 52 million and is the most modern facility of its kind in the Czech Republic,
- new program, "Efektivita", launched to optimize operations and leverage synergies in CEZ Group.

July
- end of shutdown of Unit 2 of Temelín Nuclear Power Station, which had lasted since May; during the shutdown one quarter of the fuel was replaced and a new component of the turbine's high-pressure rotor was replaced,
- ČEZ, a. s. electricity begins trading on the Prague Energy Exchange; in late August/early September, ČEZ, a. s. becomes one of the Exchange's market makers.

August
- CZK 7 billion in three-year Koruna bonds issued.

September	■ beginning of “Cast light on savings”, a 40-day campaign to promote electricity conservation which goes on to attract 150,000 visitors.
October	■ merger of former Czech regional electricity distribution companies Severočeská energetika, a.s., Severomoravská energetika, a. s., Středočeská energetická a.s., Východočeská energetika, a.s. and Západočeská energetika, a.s. with the parent company, ČEZ, a. s.; strike date of merger is 1 January 2007, ■ EUR 500 million (approximately CZK 13.7 billion) in Eurobonds issued, ■ CEZ is granted emission allowances for 34.3 million tons of CO_2 per year for the 2008–2012 period (NAP II).
November	■ merger of three Bulgarian electricity distribution companies: Elektrorazpredelenie Sofia Oblast AD and Elektrorazpredelenie Pleven AD folded into Elektrorazpredelenie Stolichno AD, which is subsequently renamed to CEZ Razpredelenie Bulgaria AD, ■ Romanian State company Societatea Națională “Nuclearelectrica” - S.A. selects CEZ as a partner in the planned construction and operation of Units 3 and 4 of the Cernavodă Nuclear Power Station in Romania.
December	■ joint venture agreement signed with Hungary-based MOL Nyrt.; in the initial phase, the joint venture will build combined cycle power plants in Hungary and Slovakia on the grounds of MOL oil refineries and, potentially, similar facilities in Croatia and Slovenia, ■ Board of Directors of ČEZ, a. s. decides to increase the dividend pay out ratio from the current 40–50% to 50–60% of CEZ Group net income, ■ decision made to merge ČEZData, s.r.o. and ČEZnet, a.s. by 1 January 2009 at the latest; the new company will provide comprehensive ICT services for CEZ Group.

Important Events of 2008 Up to Annual Report Closing Date

January	■ Memorandum of Understanding signed between ČEZ, a. s. and a member of United States Steel Corporation, creating a framework for possible construction of a power plant in US Steel’s mill in Košice, with installed plant capacity of up to 400 MW, ■ bid submitted to upgrade an existing power plant and possibly build a new one in Galați, Romania, ■ bid submitted for strategic partnership in planned construction of a new power plant in Borzeşti, Romania, ■ EUR 600 million (approximately CZK 15.8 billion) loan agreement signed, for general financing needs including purchase of a 7% stake in MOL as part of the strategic alliance between ČEZ, a. s. and MOL Nyrt., ■ launch of advertising campaign underlining the advantages of CEZ Group’s price offering over that of principal competitors.
February	■ board of Directors decides to merge ČEZ, a. s. with another CEZ Group power company Energetika Vítkovice, a.s.; closing is planned in 2008, ■ Martin Roman re-elected Chairman of the Board of Directors and confirmed as Chief Executive Officer of ČEZ, a. s.
March	■ within a single day, electricity supplies are restored to 96% of the total 925,000 customers who experienced a power outage due to the storm Emma, ■ positive zoning decision obtained for construction of the Mělník small-scale hydro power plant. Construction is to begin in late Q3 or early Q4 2008.
April	■ overhaul of Unit 3 of Dětmarovice Power Station begins; the project, which carries a price tag of CZK 0.5 billion, is to increase the unit’s efficiency and reduce unit emissions.

Energy 100 Years from Now

According to some forecasts, at the beginning of the next century 30–40% of all energy consumed will come from biomass. Also, nuclear energy will reach its zenith at around this time. If nuclear fusion is mastered, allowing energy to be generated from water, the atom will become the best solution. Direct biochemical production of energy or fuels from living organisms will most likely remain a marginal affair. Hydro and wind power plants will play a mostly supplemental role in areas where natural conditions are favorable.

Letter from the Chairman

Dear shareholders:

Hereby we are presenting to you the Annual Report which summarizes CEZ Group's operations and financial performance in 2007. The results we have the honor of presenting here are the best in the Company's 15-year history and document that our ambition of being the leader in the electricity market of Central and Southeastern Europe is realistic and achievable.

In 2007 we posted record income of CZK 42.8 billion, an improvement of nearly one half over 2006. Our commercial success and the Company's development plans for the future were reflected in a major, over 40% surge in the share price. As a result, the Company's market value now exceeds CZK 700 billion.

The sustained high level of our financial performance allowed us to improve our dividend policy, moving both the lower and upper boundaries of our dividend pay out ratio by 10 percentage points, to 50–60% of consolidated net income. I am confident that this step, which moves ČEZ, a. s. closer to its competitors in Western Europe, will be welcomed by our shareholders.

I would like to express appreciation for the part played by all employees in the Company's good performance and, in particular, to mention the manner in which they joined in the process of transforming and integrating the entire CEZ Group. Thanks to their striving, the extensive corporate transformation project entitled VIZE 2008 was completed one and a half years early and saved us billions of Crowns, which contributed to the good results.

This is not the end of our improvement efforts, however. We are pressing on with a new project entitled Efektivita. Our expectation of the project is that it will help us to become, within five years, one of the most effective players in the European power industry.

Our international expansion continued successfully all year long. As the most significant step we see the signing of a strategic partnership with MOL, the Hungary-based petroleum and gas company. The joint venture between ČEZ and MOL will focus on generating electricity in gas-fired power plants in Hungary, Slovakia, Croatia and Slovenia. Here, at home in the Czech Republic, we are beginning to plan new gas power plants that will complement our retrofitted coal-fired plants. Of the latter, I would like to mention in particular the cutting-edge 660 MW installed capacity coal-fired plant in Ledvice that we began building in 2007. The decision to accelerate the preparation of gas-fired plant projects is related to the European Union's CO_2 emissions reduction scheme.

The year 2007 also brought us two prestigious international awards in recognition of our strategy and accomplishments. In 2007, the Edison Electric Institute began evaluating European utilities using a well-respected American method. It is a great honor for us that we placed first in the ranking of companies with large market capitalization. The score of the second-ranking company, which is also based in Central Europe, was just half of ours. This was also the first time ever in history that the success of a Czech company received formal recognition in international capital markets. At the same time for you, our shareholders, this accomplishment is an assurance that we are putting your investments to good use. At the beginning of March 2008, ČEZ, a. s. won this award for the second time. In addition, in May 2007, the prestigious journal Euromoney named ČEZ, a. s. the company with the most convincing strategy in Central and Eastern Europe. We are very pleased that ČEZ, a. s. won this award for the second time in a row.

I am confident that 2008 will be yet another year in which we will bring good news.

Martin Roman
Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

Directors and Officers

In accordance with the ČEZ, a. s. Articles of Association, the Company's highest governing body is the General Meeting, which elects and removes the members of the Supervisory Board, except for members elected and removed by the employees. The Supervisory Board elects and removes the members of the Board of Directors. The Board of Directors is the statutory body that runs the Company's operations and fills positions in senior management.

Supervisory Board

The Supervisory Board is the Company's oversight body, which oversees the Board of Directors' exercise of authority and the Company's business activities. The Supervisory Board's powers include, in particular: inspecting for general compliance with laws and regulations, the Company's Articles of Association, and resolutions of the General Meeting; inspecting how the Board of Directors exercises the Company's rights of ownership in other legal entities; reviewing year-end, extraordinary, consolidated and interim financial statements, including income distribution proposals and stipulations of dividends and Board member bonuses and pay-out procedures. It also discusses the annual and semiannual reports, the quarterly performance results, and submits statements, recommendations and proposals to the General Meeting and the Board of Directors. The Supervisory Board elects and removes members of the Board of Directors, approves the Company's contracts with members of the Board of Directors and the rules for providing non-mandatory consideration to members of the Company's Board of Directors in accordance with Section 194(1) of the Commercial Code.
The Supervisory Board has twelve members. Two thirds are elected and removed by the General Meeting, one third is elected and removed by the Company's employees. Members of the Supervisory Board serve for four-year terms, and re-election is possible.
In accordance with the Articles of Association, the Supervisory Board meets at least once per month. The meetings are regularly attended by the Chairman of the Board of Directors as well as by employees invited by the Supervisory Board to report on particular topics. Sixteen Supervisory Board meetings were held in 2007, six of which were extraordinary meetings.
The work address of members of the Supervisory Board is the Company's registered office at Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Members of the ČEZ, a. s. Supervisory Board

Martin Kocourek (* 1966)
Chairman since 14 December 2006,
Member since 22 September 2006
A graduate of the Czech Technical University, Prague, where he majored in Economics and Management, Mr. Kocourek has done interships in investment banking (London, 1994) and the financial sector (USA, 1997).
Since July 2006 he has been an economic, financial, and organizational consultant and as of February 2007 he is an external economic consultant to the Prime Minister of the Government of the Czech Republic.
He serves on the Supervisory Boards of the following institutions: BASKETS AGAINST DRUGS Foundation (Chairman since 22 November 2004); Václav Klaus Foundation Fund (member since 22 December 1999); Classical Music Foundation Fund (member since 22 October 2004).
From 1998 to 2006 he was Vice Chairman of the Budget Committee of the Chamber of Deputies, Czech Republic Parliament; from April 1999 to January 2006 (with a break from October 9–22, 2002) he was a member of the Supervisory Board of the National Property Fund of the Czech Republic; from April 2002 to December 2005 he was a member of the Presidium of the Czech Republic Land Fund.

Tomáš Hüner (* 1959)
Vice Chairman and Member since 22 September 2006
A graduate of the Brno University of Technology, major in thermal and nuclear machinery and equipment.
Since 14 September 2006, Mr. Hüner has been Deputy Minister of Industry and Trade of the Czech Republic.
He serves on the following boards: OSINEK, a.s. (member and Vice Chairman of the Board of Directors since 11 October 2006), ČEPS, a.s. (member of the Supervisory Board since 19 December 2006, Chairman since 20 December 2006); Union Group, a.s. (member and Vice Chairman of the Supervisory Board since 21 March 2001; under a decision of the Regional Court the company was declared bankrupt and a bankruptcy administrator was appointed; the bankruptcy took effect on 10 September 2004), and the Foundation Fund of the Ostrava Children's Choir (Vice Chairman of the Board of Administration since 22 April 1999).
Past board engagements: CEZ Group Regional Manager in Bulgaria (from 13 September 2004 to 13 September 2006); CEZ Bulgaria EAD (Chairman of the Board of Directors from 25 April 2005 to 28 September 2006); Elektrorazpredelenie Stolichno AD (Chairman of the Board of Directors from 25 April 2005 to 28 September 2006); Union Leasing, a.s. (member and Chairman of the Supervisory Board from 30 September 1997 to 21 March 2003); Severomoravská energetika, a. s. (member of the Board of Directors from 17 June 1994 to 25 February 2003, Chairman from 22 June 1995 to 25 February 2003); Energetika Vítkovice, a.s. (member of the Board of Directors from 31 March 2000 to 21 March 2003); ePRIM, a.s. in liquidation (member of the Board of Directors from 29 August 2001 to 21 March 2003; company was struck from the Commercial Register at liquidator's request on 5 April 2006); GTS NOVERA a.s. (member of the Supervisory Board from 13 May 1996 to 10 April 2003, Chairman from 28 May 1999 to 10 April 2003); Mezinárodní hudební festival Janáčkův máj, o.p.s. (member of the Board of Administration from 11 June 2003 to 2 March 2006).

Zdeněk Židlický (* 1947)
Vice Chairman since 29 August 2006,
Member elected by the employees since 13 June 2002,
re-elected by the employees on 29 June 2006
A graduate of the Secondary Industrial School of Mechanical Engineering.
Since 1993, he has been on leave to act as Chairman of the Prunéřov Power Stations Labor Organization. He represents the Czech Labor Union of Northwest Power Workers in the association of North Bohemian Labor Organizations and in the Inter-regional Labor Council. He is the central labor federation's representative for power sector issues in the Economic and Social Alliance Council, where he is a member of the Economic Policy Task Force.

Jan Demjanovič (* 1953)
Member since 24 February 2003,
re-coopted on 18 May 2007
A graduate of the Mechanical Engineering Faculty of the Institute of Mechanical and Textile Engineering in Liberec.
Current board memberships: Severočeské doly a.s. (Sales Director until 30 June 2006, member of the Board of Directors since 25 June 1999, Chairman of the Board of Directors and General Manager since 30 June 2006); Coal Energy, a.s. (elected to the Board of Directors on 17 October 2001, Vice Chairman from 31 October 2001 to 17 January 2005, re-elected as a member on 30 November 2005, Vice Chairman since 7 December 2005).
Past board memberships: Teplárna Ústí nad Labem, a.s. (member of the Board of Directors from 27 March 2002 to 7 May 2004); Severozápadní ENERGO GROUP, a.s. (member and Chairman of the Supervisory Board from 21 December 2000 to 30 May 2003); SD - Kolejová doprava, a.s. (Vice Chairman of the Supervisory Board from 7 November 2001 to 26 September 2002, member of the Supervisory Board from 26 September 2002, and again Vice Chairman of the Supervisory Board from 25 November 2002 to 20 July 2006); SD - Humatex, a.s. (member and Vice Chairman of the Supervisory Board from 16 December 2002 to 15 December 2003); ENETECH a.s. (member and Chairman of the Supervisory Board from 23 April 2003 to 6 January 2004); COAL SEVEN s.r.o. in liquidation (partner from 19 August 1997 to 4 August 2007).

Ivan Fuksa (* 1963)
Member since 23 April 2007
A graduate of the University of Transport and Communications, Žilina, Slovak Republic.
Since 29 January 2007 he has been First Deputy Minister of Finance of the Czech Republic.
Current board memberships: Česká exportní banka, a.s. (Vice Chairman of the Supervisory Board since 20 February 2007); Exportní garanční a pojišťovací společnost, a.s. (Vice Chairman of the Supervisory Board since 19 February 2007).
Past board memberships: Oblastní nemocnice Příbram, a.s. (member of the Supervisory Board from 1 September 2003 to 1 September 2004, Chairman from 2 February 2005 to 27 March 2007); Svatá Hora Staircase and Environs Improvement Foundation Fund (member of the Supervisory Board from 19 October 2006 to 18 May 2007).

Zdeněk Hrubý (* 1956)
Member since 22 February 2007
A graduate of the Czech Technical University's Faculty of Electrical Engineering in Prague, where he majored in cybernetics, Mr. Hrubý holds a postgraduate degree in economics.
Since 1996 he has been a professor and research fellow at the Institute of Economic Studies of the Charles University, Faculty of Social Sciences, Prague.
Current board memberships: SEVEn, Středisko pro efektivní využívání energie o.p.s. (member of the Board of Administration since 12 May 2003); European Investment Bank (member of the Board of Directors since 1 May 2004).
Past memberships and appointments: Deputy Minister of Finance of the Czech Republic from 2002 to 15 April 2005; Vice Chairman of the Presidium of the National Property Fund of the Czech Republic from October 2002 to 30 June 2005; Sokolovská uhelná, a. s. (Member of the Board of Directors from 20 February 2001 to 29 June 2004); Telefónica O2 Czech Republic, a.s. (ČESKÝ TELECOM, a.s.) (member of the Board of Directors from 20 December 2002 to 13 June 2003, member of the Supervisory Board from 5 October 2000 to 15 June 2001, re-elected on 13 June 2006, Second Vice Chairman of the Supervisory Board from 26 November 2003 to 20 May 2004 and First Vice Chairman of the Supervisory Board from 20 May 2004 to 23 June 2005); České aerolinie, a.s. (member of the Supervisory Board from 9 April 2003 to 26 May 2004); Eurotel Praha, spol. s r.o. (member of the Supervisory Board from 8 April 2004 to 23 June 2005); ČEZ, a. s. (member and Vice Chairman of the Supervisory Board from 24 February 2003, Chairman of the Supervisory Board from 26 January 2006 to 13 December 2006); GARNET MINING a.s. (member of the Board of Directors from 13 September 2005 to 3 December 2007).

MUDr. Josef Janeček (* 1952)
Member since 23 April 2007
A graduate of the Palacký University, Faculty of Medicine, Olomouc.
In 1992–2006 he was a Member of the Chamber of Deputies of the Czech Republic Parliament; in 2007 he worked at the Office of the Government of the Czech Republic as an advisor, and since late April 2007 as an external consultant.
He has been Chairman of the civic society Parents Against Apathy since 5 September 2006.
From 20 April 2005 to 13 November 2007 he was a member of the Board of Administration of the Oliva Foundation.

Jiří Jedlička (* 1959)
Member elected by the employees since 10 November 2004
A graduate of the Zetor Brno Secondary Vocational School, Mr. Jedlička has been with ČEZ, a. s. since 1980. Since 1994 he has been relieved from his job responsibilities to serve as Chairman of the Labor Union of Shift Workers at the Dukovany Nuclear Power Station and, at the same time, he serves as Chairman of the Union of Nuclear Power Industry Employees and member of the Governing Board of the Association of Independent Labor Unions.

Petr Kalaš (* 1940)
Member since 23 April 2007
A graduate of the Czech Technical University in Prague, Faculty of Electrical Engineering, where he majored in energy industry economics.
From September 2006 to January 2007 Mr. Kalaš was Minister of the Environment of the Czech Republic; since February 2007 he has been an external consultant to the Chairman of the Government of the Czech Republic and to the Minister of the Environment of the Czech Republic.
Since 1 June 2007 he has been a Council member of Výzkumný ústav Silva Taroucy pro krajinu a okrasné zahradnictví, v.v.i.; since 1 January 2008 he has been a member of the Board of Administration of the National Education Fund.

Jan Ševr (* 1947)
Member elected by employees since 9 November 2000, re-elected by the employees on 10 November 2004
A graduate of the Secondary Industrial School of Mechanical Engineering in Česká Lípa, Mr. Ševr works for ČEZ, a. s. at the Mělník Power Station, where he heads up the shift operations management department. He is Chairman of the Mělník Power Station Labor Organization.

Drahoslav Šimek (* 1953)
Member elected by the employees since 29 June 2006
A graduate of the Secondary Vocational School in Domažlice (electromechanic) and the Secondary Vocational School in Chomutov (operational metalworker), Mr. Šimek has been an employee of ČEZ, a. s. since 1974. Currently he works at Dukovany Nuclear Power Station as a mechanical technician on the secondary coolant loop of the main generating unit.
Since 1995 he has served as Vice Chairman of the Labor Union of Shift Workers at Dukovany Nuclear Power Station and since 2000 he has been a member of the Governing Council of the Energy Workers Labor Union based in Dukovany.

Zdeněk Trojan (* 1936)
Member since 26 January 2006
A graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering, Mr. Trojan defended his dissertation in 1974 and habilitated in 1991.
In 2004–2005 he was an advisor to the Minister of Local Development; from 1 May 2005 to 30 June 2006 he was an advisor to the Prime Minister of the Government of the Czech Republic. He lectures at the Czech Technical University in Prague, Faculty of Mechanical Engineering, Institute of Process and Manufacturing Technology.
Since 20 January 1995 he has been President of the European Federation of National Engineering Associations (FEANI); since 17 December 2001 he has been a member of the Board of Trustees of the University of Hradec Králové.
From 17 August 1999 to 11 March 2003 he was a member of the Board of Directors of the Prague Municipal Transit Authority; from 14 December 1999 to 11 June 2003 he was Chairman of the Supervisory Board of TCP Vidoule, a.s.; from 27 June 2001 to 14 April 2003 he was a member of the Supervisory Board of Pražská energetika Holding a.s.; from 19 May 2000 to 16 April 2007 he was a member of the Supervisory Board of Střední průmyslové školy dopravní, a.s. (Vice Chairman from 17 December 2001 to 16 April 2007).

List of members of the ČEZ, a. s. Supervisory Board whose membership terminated in 2007 or before the Annual Report closing date

Aleš Cincibus (* 1956)
Member from 20 June 2005 to 23 April 2007

Petr Kousal (* 1954)
Member from 20 June 2005 to 23 April 2007

Karel Zeman (* 1956)
Member from 17 November 2006 to 23 April 2007

Committees of the Supervisory Board

Within the scope of its powers, the Supervisory Board sets up committees to which it elects and from which it removes committee members. Committee membership is open to Supervisory Board members only and the term of committee membership is concurrent with the term of Supervisory Board membership. Committees of the Supervisory Board meet at least once per quarter. The following three committees operated in 2007:

- Audit Committee, an advisory and oversight body of the Supervisory Board for communication with internal and external auditors, monitoring their activity and evaluating the adequacy and effectiveness of the Company's system of internal controls.

Chairman:	Martin Kocourek
Vice Chairman:	Jiří Jedlička
Members:	Ivan Fuksa
	Zdeněk Hrubý
	Zdeněk Židlický

- Strategic Planning Committee, which evaluates proposals for major business activities in the areas of investment and acquisition projects, proposals for establishing or winding up subsidiaries of ČEZ, a. s., building new generating plants and phasing out, selling or renewing production capacities.

Chairman:	Tomáš Hüner
Vice Chairman:	Jan Ševr
Members:	Jan Demjanovič
	Petr Kalaš

- Personnel Committee, which makes proposals for the Supervisory Board regarding its personnel policies vis-à-vis the Board of Directors, proposes committee methods and procedures, elections and removals of members of the Board of Directors, is responsible for submitting nominations of candidates for membership of the Board of Directors to the Supervisory Board for approval, and makes recommendations to the Supervisory Board regarding issuance of opinions in matters relating to the appointment and manner of remuneration of the Chief Executive Officer and members of the Board of Directors who are employees of the Company.

Chairman:	Tomáš Hüner
Vice Chairman:	Zdeněk Trojan
Members:	MUDr. Josef Janeček
	Zdeněk Židlický

Board of Directors of ČEZ, a. s.

As the statutory body, the Board of Directors manages the Company's operations and acts in its name. In particular, the Board of Directors is responsible for running the Company's business, including proper bookkeeping, as well as setting Company strategy and commercial policy principles. It also enters into agreements on the establishment and winding-up of subsidiaries or interest groups of legal entities, and on investing in or divesting of equity stakes in other legal entities. The Board of Directors convenes and organizes the Company's General Meeting and carries out its resolutions.
The powers and responsibilities of the Board of Directors are set forth in detail in the Articles of Association of ČEZ, a. s., the latest version of which was approved by the General Meeting on 23 April 2007. The Articles of Association are deposited in the Collection of Documents of the Commercial Register administrated by the Prague Municipal Court.
In accordance with the Articles of Association, the Board of Directors has five members, each of which is elected and removed by the Supervisory Board. The members serve for terms of four years.
In 2007, the Board of Directors met 48 times, eight of which were extraordinary meetings.
The work address of all members of the Board of Directors is the Company's registered office, i.e. Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Members of the ČEZ, a. s. Board of Directors

Martin Roman (* 1969)
Chairman since 23 February 2004,
re-elected effective 20 February 2008
Member since 19 February 2004,
re-elected effective 20 February 2008
A graduate of the Charles University Law Faculty in Prague, one-year scholarship at the Economics Faculty of the University of St. Gallen, Switzerland, and a one-year study stay at Karl-Ruprechtsuniversität Heidelberg, Germany.
Mr. Roman has been a member of the Supervisory Board of the Prague Stock Exchange since 9 June 2005; since 20 April 2007 he has been a member of the Supervisory Board of České dráhy a.s.; since 8 January 2007 he has been a member and Chairman of the Board of Trustees of První obnovené reálné gymnázium, o.p.s.; since 29 April 2004 he has been Vice President of the Confederation of Industry and Transport of the Czech Republic; and since 1 July 2006 he has been a member of the Science Council of the Faculty of Economics and Public Administration of the University of Economics, Prague.
From 1 April 2000 to 19 February 2004 he was a member of the Board of Directors of ŠKODA HOLDING a.s. (Chairman from 1 April 2000 to 20 March 2003 and from 25 March 2003 to 19 February 2004); from 6 October 2001 to 12 November 2003 he was a member of the Board of Trustees of CMC Graduate School of Business o.p.s.

Daniel Beneš (* 1970)
Vice Chairman since 10 May 2006,
Member since 15 December 2005

A graduate of the Mechanical Engineering Faculty, Technical University of Ostrava and Brno International Business School – Nottingham Trent University (MBA).

Current board memberships: Coal Energy, a.s. (member of the Supervisory Board since 11 April 2006, term expires 10 April 2010, Chairman since 26 April 2006); Severočeské doly a.s. (member of the Supervisory Board since 21 February 2006, term expires 20 February 2010, Chairman since 14 March 2006); ŠKODA PRAHA Invest s.r.o. (member of the Supervisory Board since 11 July 2005, term expires 10 July 2010, Chairman since 12 July 2005); PRODECO, a.s. (member and Chairman of the Supervisory Board since 30 March 2006, term expires 29 March 2010); ČEZ Foundation (member of the Board of Trustees since 26 March 2007, term expires 25 March 2010, Chairman since 31 May 2007).

Past board memberships: ČKD VAGONKA, a.s. (member of the Board of Directors from 25 September 2003 to 28 May 2004, Vice Chairman from 26 September 2003 to 28 May 2004); ŠKODA PRAHA a.s. (member of the Supervisory Board from 3 December 2004 to 22 June 2005 and from 11 January 2006 to 18 December 2007, Vice Chairman from 17 January 2006 to 18 December 2007); Severočeské doly a.s. (member of the Board of Directors from 25 June 2004 to 21 February 2006); ČEZ Logistika, s.r.o. (member of the Supervisory Board from 2 August 2004 to 15 June 2006, Chairman from 13 September 2004 to 15 June 2006);
ČEZ Správa majetku, s.r.o. (member and Vice Chairman of the Supervisory Board from 1 July 2005 to 3 March 2006).

Tomáš Pleskač (* 1966)
Vice Chairman since 11 February 2008,
Member since 26 January 2006

A graduate of the Brno Institute of Agriculture, Faculty of Operational Economics, Mr. Pleskač also holds an MBA from the Prague International Business School.

Supervisory Board memberships: ČEZ Distribuce, a. s. (member and Chairman from 31 March 2005 to 11 May 2006, re-appointed to the same office on 11 May 2006, term expires 10 May 2011, re-elected Chairman on 19 May 2006); ČEZ Bulgaria EAD (member since 30 June 2006, term expires 29 June 2011, Chairman since 15 September 2006);
CEZ Razpredelenie Bulgaria AD (member since 16 June 2006, term expires 5 December 2012); NERS d.o.o. (member and Chairman since 17 May 2007, term expires 16 May 2012).

Past board memberships: ČEZ ENERGOSERVIS spol. s r.o. (member of the Supervisory Board from 18 March 1994 to 30 June 2003); CEZTel, a.s. (member of the Board of Directors from 18 July 2000 to 19 June 2003); JVCD, a.s. (member of the Board of Directors from 10 August 2000 to 28 June 2004); ČEZnet, a.s. (member of the Supervisory Board from 20 December 2001 to 19 June 2003); CORRAL a.s. (Union Leasing, a.s., member of the Supervisory Board from 19 May 2003 to 30 June 2004, Chairman from 20 June 2003 to 30 June 2004); Elektrovod Holding, a.s. (member of the Supervisory Board from 20 May 2003 to 22 September 2006); ePRIM, a.s. in liquidation (member of the Board of Directors from 19 May 2003 to 30 June 2004, Chairman from 27 August 2003 to 30 June 2004); Severomoravská energetika, a. s. (member and Vice Chairman of the Board of Directors from 6 May 2003 to 16 June 2004, member of the Supervisory Board from 17 June 2004 to 1 October 2007, Vice Chairman of the Supervisory Board from 13 March 2007 to 1 October 2007); ENPRO, a.s. (member and Chairman of the Supervisory Board from 7 April 2004 to 30 June 2004); ČEZData, s.r.o. (Vice Chairman of the Supervisory Board from 17 May 2004 to 10 April 2007).

Vladimír Hlavinka (* 1966)
Member since 1 January 2008
A graduate of the Brno University of Technology, major in thermal and nuclear engineering, and Masaryk University, Brno, Faculty of Law.
Mr. Hlavinka has been a member of the Supervisory Board of Ústav jaderného výzkumu Řež a.s. since 14 December 2007 (Chairman since 11 April 2008, term expires 13 December 2012); a member of the Supervisory Board of ČEZ Obnovitelné zdroje, s.r.o. since 1 March 2008 (term expires 28 February 2013). Past board memberships: SLÉVÁRNA KUŘIM, A.S. (member and Vice Chairman of the Supervisory Board from 27 July 2005 to 31 August 2006); TOS KUŘIM - OS, a.s. (member and Vice Chairman of the Supervisory Board from 26 July 2005 to 31 August 2006); KULIČKOVÉ ŠROUBY KUŘIM, a.s. (member and Vice Chairman of the Supervisory Board from 26 July 2005 to 16 June 2006); RIPSL a.s. “in liquidation” (member of the Supervisory Board from 14 October 2005 to 4 September 2007); ALTA, akciová společnost (member of the Board of Directors from 26 September 2005 to 17 July 2006); TOS REALITY s.r.o. (Managing Director from 20 December 2005 to 1 August 2006).

Zdeněk Pasák (* 1966)
Member since 22 April 2006
A graduate of the Charles University, Prague, Faculty of Philosophy & Arts, major in psychology.
Since 9 August 2007 he has been a member of the Supervisory Board of ČEZ Distribuce, a. s. (term expires 15 January 2013); since 6 December 2007 he has been a member of the Board of Directors of the Czech Federation of Power Industry Employers. From 15 October 1997 to 28 February 2006 he was Chairman of the Board of Directors of MADSEN & TAYLOR Consulting a.s. and until 22 February 2006 he was the sole shareholder of the same company.

List of members of the ČEZ, a. s. Board of Directors whose membership terminated in 2007 or before the Annual Report closing date

Jiří Borovec (*1964)
Member from 21 October 2004 to 31 December 2007,
Vice Chairman from 9 January 2006

Remuneration Principles – Members of the Board of Directors and Supervisory Board

The manner of remunerating members of the Board of Directors is approved by the General Meeting. The terms and conditions for remunerating and providing benefits to members of the Board of Directors are set forth in the "Agreement on Acting as a Member of the Board of Directors" entered into between the Company and the member of the Board of Directors; said agreement is subject to approval by the Supervisory Board. The terms and conditions for remunerating and providing benefits to members of the Supervisory Board are set forth in the "Agreement on Acting as a Member of the Supervisory Board" which is subject to approval by the General Meeting. Under said agreements, members of the Company's governing bodies receive the following consideration:

- fixed remuneration (members of the Board of Directors and members of the Supervisory Board) – paid regularly, following the end of each calendar month. Should a member of the Board of Directors fall ill, for the first 30 days the fixed monthly remuneration is paid in full. Should the board member be incapacitated for an uninterrupted period longer than 30 days, the amount of the monthly remuneration for the period from the 31st day of incapacitation to the end thereof shall be decided by the Board of Directors under the condition that said monthly remuneration may not be less than 50% of the full monthly remuneration amount. In the event a member of the Supervisory Board is temporarily unable to discharge his or her duties, he or she shall be entitled to remuneration should the Supervisory Board so decide;
- board member bonuses – provided to members of the Board of Directors and Supervisory Board by General Meeting decision. The amount of the bonus for individual members of the Board of Directors is set pursuant to rules approved by the General Meeting;
- stock options – members of the Board of Directors are entitled to stock options (i.e. the option to purchase shares in the Company's stated capital) under the terms and conditions set forth in an option agreement. The share price is calculated as the one-month weighted average of the prices achieved in public-market trading prior to the date the member of the Board of Directors was elected (six-month average until May 2006). After the first, second and third anniversary of stock option granting/board member appointment, but no later than 12 months after leaving office, the member may exercise up to one third of the number of stock options in question. Since May 2006, under a General Meeting decision dated 23 May 2006, new option agreements are limited as follows: the benefit ensuing from an increase in value of Company shares may be at most 100% relative to the purchase price. For option agreements entered into before May 2006, the option could be exercised at any time after the first three months of board membership. The stock options program for members of the Supervisory Board was cancelled by the General Meeting on 20 June 2005;
- company car – members of the Board of Directors and Supervisory Board are entitled to a company car for business and personal use, subject to the terms and conditions of a special agreement. Company cars are subject to taxation, and the cost of fuel consumed for personal use is recovered by withholding from pay. In the event a member of a Company board uses his or her own automobile in an official capacity, the costs of such use for business shall be borne by the Company in accordance with applicable laws and regulations;
- insurance – the following types of insurance are taken out, at Company expense, for members of the Board of Directors and may be taken out for members of the Supervisory Board:
  - accident insurance to cover injuries suffered in accidents occurring during the course of official duties or in direct relation to them,
  - endowment life insurance which, upon the termination of board membership or the Company's withdrawal from the endowment life insurance policy, is transferred free-of-charge to the board member. Endowment life insurance premiums paid by the Company are treated as part of the board member's wages and are subject to taxation as such;

  Accident insurance applies to legacy contracts of members of the Board of Directors. Under new rules approved by the Company's Board of Directors in September 2006, this insurance is not taken out for new contracts of members of the Board of Directors.
- severance pay – contracts with members of the Board of Directors are entered into for a specified period of time. Should the contract be terminated before it is due to expire, the Company is obligated to provide severance pay to the board member. The severance pay amount is the aggregate total remuneration that would otherwise have been paid for the months remaining until the end of the board member's term. Persons who resign from the Board of Directors are not entitled to severance pay. Terms of payment of severance pay are set forth in the contract mentioned above;
- reimbursement of travel expenses – when traveling on business, members of the Board of Directors and Supervisory Board are entitled to receive meal allowances and per diem at rates above those set forth in applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value;
- in accordance with the Labor Code, members of the Supervisory Board who are delegated to serve on the Supervisory Board by a government body of which they are an employee do not receive remuneration. The Company also does not provide any other benefits not permitted by law to such Supervisory Board members.

ČEZ, a. s. Senior Management

The Chief Executive Officer runs the Company on a day-to-day basis, carrying out decisions of the Board of Directors, negotiating on the Company's behalf, and executing legal acts and signing in the name of ČEZ, a. s.

In 2007, a new position was created – the Chief Operating Officer, to whom the Chief Executive Officer delegated a portion of his authority. The Chief Operating Officer directs the internal operation of ČEZ, a. s. and the other Chief Officers with the exception of the Chief Finance Officer.

Top Level Management

Martin Roman (* 1969)
Chief Executive Officer since 1 April 2004
For personal data, see entry under Board of Directors, above.

Daniel Beneš (* 1970)
Chief Operating Officer since 1 June 2007
For personal data, see entry under Board of Directors, above.

Division Heads

The work address of the Division Heads is Duhová 2/1444, 140 53 Prague 4, Czech Republic..

Peter Bodnár (* 1960)
Chief Investment Officer since 1 January 2008
A graduate of the Slovak Technical University, Bratislava, Slovak Republic, Faculty of Mechanical Engineering, where he majored in thermal and nuclear power engineering.
Current engagements: ŠKODA PRAHA a.s. (Vice Chairman of the Supervisory Board since 31 October 2007, term expires 30 October 2012); ŠKODA PRAHA Invest s.r.o. (Vice Chairman of the Supervisory Board since 1 July 2007, term expires 30 June 2012); NERS d.o.o. (member of the Supervisory Board since 7 December 2007, term expires 17 May 2012).
Past engagements: ALSTOM Power, s.r.o., ALSTOM Group (Managing Director from 1 May 2003 to 30 November 2005); ALSTOM Power Slovakia, s.r.o. (Managing Director from 25 September 2002 to 29 December 2005); Chladiace veže Bohunice, spol. s r.o. (Chairman of the Supervisory Board from 13 July 2006 to 18 August 2007); DECOM Slovakia, spol. s r.o. (member of the Supervisory Board from 27 July 2006 to 28 June 2007); Ústav jaderného výzkumu Řež a.s. (member of the Supervisory Board from 30 June 2006 to 21 June 2007).

Vladimír Hlavinka (* 1966)
Chief Production Officer since 1 January 2008
For personal data, see entry under Board of Directors, above.

Jiří Kudrnáč (* 1965)
Chief Distribution Officer since 1 January 2008
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in electrical machinery and devices. From 31 March 2005 to 14 December 2007 he was Chairman and member of the Board of Directors of ČEZ Distribuce, a.s.; from 16 August 2004 to 31 January 2008 member of the Supervisory Board of ČEZ Zákaznické služby, s.r.o.

Ivan Lapin (* 1965)
Chief Administration Officer from 1 July 2007
A graduate of the Technical University of Ostrava, Faculty of Mining and Geology, major in deep drilling technology and techniques.
Current Supervisory Board memberships: ČEZ Energetické služby, s.r.o. (Chairman since 1 July 2007); Energetika Vítkovice, a.s. (member since 1 June 2005, term expires 31 May 2010, Vice Chairman from 8 September 2006 to 5 April 2007, Chairman since 6 April 2007); ČEZData, s.r.o. (member since 1 January 2008, term expires 31 December 2012, Vice Chairman since 14 February 2008); ČEZnet, a.s. (member since 1 January 2008, term expires 31 December 2012, Vice Chairman since 12 February 2008).
Past engagements: ČEZ Logistika, s.r.o. (member of the Supervisory Board from 15 September 2004 to 30 June 2007, Vice Chairman from 1 February 2005 to 15 July 2006, Chairman from 16 July 2006 to 30 June 2007); ČEZ Správa majetku, s.r.o. (member of the Supervisory Board from 4 March 2006 to 30 June 2006, Vice Chairman of the Supervisory Board from 6 March 2006 to 30 June 2006, Executive and General Manager from 20 December 2006 to 1 July 2007).

Martin Novák (* 1971)
Chief Finance Officer since 1 January 2008
A graduate of the University of Economics, Prague, Faculty of International Relations, major in international trade and business law, in 2007 Mr. Novák completed the Executive MBA program at the University of Pittsburgh. Since 1996 he has been a member of the Chamber of Tax Advisers.
Since 1 May 2007 he has been a member of the Supervisory Board of ČEZnet, a.s. (term expires 30 April 2012); since 1 May 2007 he has been a member of the Supervisory Board of ČEZ Správa majetku, s.r.o. (term expires 30 April 2012).
Past engagements: ConocoPhillips Hungary Kft (member of the Supervisory Board from 1 July 2003 to 28 February 2006); ConocoPhillips Czech Republic s.r.o. (Executive from 18 March 2003 to 23 January 2006); ConocoPhillips Poland sp. z o.o. (Executive from 1 July 2003 to 28 February 2006); Severočeská energetika, a.s. (member of the Supervisory Board from 10 March 2006 to 28 February 2007).

Zdeněk Pasák (* 1966)
Chief Personnel Officer since 15 March 2006
For personal data, see entry under Board of Directors, above.

Tomáš Pleskač (* 1966)
Chief International Affairs Officer since 1 January 2008
For personal data, see entry under Board of Directors, above.

Alan Svoboda (* 1972)
Chief Sales Officer since 1 January 2005
A graduate of the University of West Bohemia, Plzeň, major in information and financial management, Mr. Svoboda also holds an MBA in finance and an MA in economics from the University of Missouri in Kansas City (USA).
Current engagements: ČEZ Prodej, s.r.o. (Vice Chairman of the Supervisory Board since 31 March 2005, term expires 30 March 2010, re-election is possible); ČEZ Zákaznické služby, s.r.o. (member of the Supervisory Board since 21 March 2006, term expires 20 March 2010, re-election is possible). In addition, he has been a director of Brussels-based international association Eurelectric since 1 December 2005 and since 1 December 2005 he has been a member of the General Assembly and Executive Committee of the international association Foratom, also based in Brussels. Since 20 November 2007 he has been a member of the Board of Directors of EFET, the international association of electricity traders, based in Amsterdam.
Past engagements: ČEZ, a. s. (Vice Chairman of the Board of Directors from 27 April 2004 to 21 April 2006); ČEZData, s.r.o. (Chairman of the Supervisory Board from 29 June 2004 to 31 August 2004, Vice Chairman of the Supervisory Board from 31 August 2004 to 10 April 2007); Západočeská energetika, a.s. (member of the Supervisory Board from 18 June 2004 to 1 October 2007, Vice Chairman from 15 February 2007 to 1 October 2007).

List of ČEZ, a. s. Division Heads who left office in 2007 or before the Annual Report closing date

Daniel Beneš (* 1970)
Chief Administration Officer from 1 February 2006 to 31 May 2007

Jiří Borovec (* 1964)
Chief Production Officer from 1 November 2004 to 31 December 2007

Tomáš Pleskač (* 1966)
Chief Distribution Officer from 1 February 2006 to 31 December 2007

Petr Vobořil (* 1950)
Chief Finance Officer from 1 January 2005 to 31 December 2007

Section Directors

Unless listed otherwise, the work address of Section Directors is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Jan Brožík (* 1972)
Director, Financing Section since 14 February 2007
A graduate of the University of Economics, Prague, Faculty of Finance.
Since 14 February 2007 Mr. Brožík has been Director of CEZ Finance B.V. and since 14 December 2007 Executive Director of CEZ MH B.V.
From 23 May 2001 to 12 May 2005 he was a member of the Board of Directors of Patria Direct, a.s.; from 16 September 2002 to 13 July 2005 he was a member of the Board of Directors of Patria Finance CF, a. s.

Pavel Cyrani (* 1976)
Director, Planning & Controlling Section since 1 May 2006
A graduate of the University of Economics, Prague, major in international trade, Mr. Cyrani also holds an MBA in finance from the Kellogg School of Management in Evanston, Illinois, USA.
In 1999–2006 he worked for McKinsey & Company.

Jiří Feist (* 1962)
Director, Development Section since 1 January 2005
A graduate of the Czech Technical University, Faculty of Electrical Engineering, major in Generation and Distribution.
Since 29 May 2006 he has been a member of the Supervisory Board of Elektrownia Skawina S.A. (term expires 28 May 2009).
From 1 August 2004 to 31 August 2006 he was a member of the Supervisory Board of the subsidiary CEZ Deutschland GmbH.

Michaela Hrobská (* 1975)
Director, Procurement Section since 1 January 2008
A graduate of the University of West Bohemia, Plzeň, Faculty of Law, as well as the Executive Master of Business Administration Program (MBA) and the KATZ School of Business, University of Pittsburgh.
Current Supervisory Board memberships: ČEZnet, a.s. (member since 22 March 2006, term expires 21 March 2011); ČEZData, s.r.o. (member since 11 April 2007, term expires 10 April 2012); ČEZ Logistika, s.r.o. (member and Chairwoman since 1 July 2007, term expires 30 June 2012).
From 23 June 2006 to 28 February 2007 she was a member of the Supervisory Board of Severočeská energetika, a.s.

Jan Krenk (* 1951)
Director, Asset Management Section since 1 July 2007
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in power engineering.
Since 8 November 2000 he has been a partner in QTA, s.r.o.
Board memberships: Servis Leasing a.s. (member of the Supervisory Board from 23 June 2003 to 29 March 2005); QTA, s.r.o. (Managing Director from 8 November 2000 to 31 March 2006); Infotea s.r.o. (Managing Director from 21 December 2000 to 19 February 2004 and Partner from 21 December 2000 to 14 April 2004); Czech Coal a. s. (member of the Board of Directors from 1 September 2002 to 15 March 2005); Mostecká uhelná společnost, a.s., právní nástupce (member of the Board of Directors from 1 April 2004 to 15 March 2005).

Karel Křížek (* 1953)
Director, Central Engineering Section since 1 July 2007
A graduate of the University of Mechanical and Electrical Engineering, Plzeň, major in technical cybernetics, Mr. Křížek was also awarded an MBA from Sheffield Hallam University.
Current engagements: Ústav jaderného výzkumu Řež a.s. (member and Vice Chairman of the Board of Directors since 11 April 2008); Association of Apartment Owners at Dr. Bureše 13, České Budějovice (Vice Chairman of the Committee since 22 August 2002).
Past engagements: OSC, a.s. (member of the Board of Directors from 24 June 2003 to 21 June 2006); Ústav jaderného výzkumu Řež a.s. (member of the Board of Directors from 27 June 2003 to 24 June 2004, member of the Supervisory Board from 25 June 2004 to 11 April 2008, Chairman of the Supervisory Board from 6 September 2007 to 11 April 2008).
Work address: ČEZ, a. s., Temelín Nuclear Power Station, 373 05 Temelín, Czech Republic.

Vladimír Schmalz (* 1966)
Director, M&A Section since 1 January 2005
A graduate of the University of Economics, Prague, Faculty of International Relations, major in foreign trade.
Since 27 April 2005 he has been a member of the Supervisory Board of ČEZ Bulgaria EAD (term expires 26 April 2008); since 29 December 2004 he has been a member of the Supervisory Board of CEZ Razpredelenie Bulgaria AD (term expires 5 December 2012); since 2006 he has been General Manager of ZAO TransEnergo.
Past engagements: Komplexní služby, s.r.o. - in liquidation (Partner from 21 June 1991 to 24 February 2003); MM CHANNEL s.r.o. (Partner from 24 November 1993 to 9 October 2004); S.C.T. s.r.o. (Partner from 8 March 2004 to 29 April 2004); SAWBAC Czech Republic a.s. in liquidation (member of the Board of Directors from 7 May 2003 to 26 May 2004, Chairman from 12 May 2003 to 26 May 2004); Schmalz & Co., s.r.o. in liquidation (Partner from 4 August 1994 to 10 November 2006, Liquidator from 5 June 2004 to 10 November 2006); ŠKODA PRAHA a.s. (member of the Supervisory Board from 2 May 2005 to 22 June 2005); Severočeská energetika, a.s. (member of the Supervisory Board from 25 June 2004 to 10 June 2005).

Michal Skalka (* 1975)
Director, Trading Section since 1 September 2005
A graduate of the University of Economics, Prague, major in Information Technologies.
In 1998–2001 and 2003–2005 he worked for Deloitte Czech Republic B.V., in 2001–2003 he was with Treasury Capital Markets (Deloitte), Amsterdam.

Radim Sladkovský (* 1967)
Director, Accounting Section since 1 March 2008
A graduate of the Prague Institute of Chemical Technology, Mr. Sladkovský also completed the MBA program at the University of Pittsburgh.
From 1 April 2006 to 31 May 2007 he was a member of the Supervisory Board of ConocoPhillips Hungary Kft; from 19 April 2006 to 1 June 2007 he was Executive of ConocoPhillips Czech Republic s.r.o.

Peter Szenasy (* 1975)
Director, Investments Preparation Section since 2 January 2008
A graduate of Lewis & Clark College, Portland, Oregon, USA (B.A.) and the US Business School Praha (MBA).
From 22 June 2005 to 13 December 2005 he was a member of the Supervisory Board of ŠKODA PRAHA a.s.

Dag Wiesner (* 1972)
Director, Investments Realization Section since 1 January 2008
A graduate of the University of Economics, Prague, Finance Section.
Mr. Wiesner is Executive of HOBBY SPORT, s.r.o.

Committees of the Chief Executive Officer

- the Senior Management Council has been operating since 2007 as a senior management advisory body to the Chief Executive Officer, especially in matters exceeding the scope of individual divisions;
- the Executive Committee, established in 2005, is typically staffed by Chief Officers, Section Directors, and other selected executives of CEZ Group;
- the Development Committee, which deals with matters relating to the Company's development in the principal businesses of CEZ Group;
- the Risk Committee, established in 2003 as the Chief Executive Officer's committee for CEZ Group risk management. The Risk Committee is responsible for developing the risk management system, administrating and allocating venture capital and overseeing risk management per se.

Committees of the Chief Operating Officer

The following new committees of the Chief Operating Officer were formed in 2007:

- the Environmental Committee is in charge of CEZ Group environmental policy and strategy;
- the Human Resources Committee assesses the strategy of key projects and key tools in the human resources sphere;
- the ICT Committee assesses the priorities of ICT projects;
- the International Holdings Committee deals, in particular, with the integration of international holdings into CEZ Group;
- the Committee for ČEZ, a. s. Plant Safety is responsible, in particular, for assessing the level and state of ČEZ, a. s. plant and equipment safety, with emphasis on nuclear plant and equipment, assessing the level of corporate culture from the perspective of quality and safety, and assessing systemic shortcomings in the safety and quality management areas.

List of members of the ČEZ, a. s. Senior Management whose memberships terminated in 2007 or before the Annual Report closing date

Peter Bodnár (* 1960)
Director, Plant Construction and Renewal Section from 1 June 2007 to 31 December 2007

Vladimír Hlavinka (* 1966)
Director, Power Plants Section, Acting Director of Temelín Nuclear Power Station from 18 July 2006 to 31 December 2007

Jan Krenk (* 1951)
Director, Fixed Assets Administration Section from 1 April 2006 to 30 June 2007

Karel Křížek (* 1953)
Director, Technology Section from 1 April 2005 to 30 June 2007

Martin Novák (* 1971)
Director, Accounting Section from 1 March 2006 to 31 December 2007

Jaroslav Suk (* 1954)
Director, Financing Section from 1 January 2005 to 13 February 2007

Lubomír Štěpán (* 1955)
Director, ICT Strategy Section from 1 December 2005 to 29 February 2008

Remuneration Principles – Senior Management

The Board of Directors is required to submit the manner of remunerating members of the Board of Directors who are also employees of the Company to the Supervisory Board for discussion and request its opinion on the matter.

The terms and conditions for remunerating individual members of the Company's senior management are set forth in the manager contracts, which are entered into between the Company and the managers for an indefinite period of time. These agreements stipulate the conditions for providing:

- base monthly wage – paid regularly for each calendar month. The base monthly wage is paid for the amount of time worked, including overtime;
- annual bonuses – to which the manager is entitled in addition to the base monthly wage. The bonus amount depends on fulfillment of criteria stipulated in advance. Expressed as a percentage of annual income (sum of the annual bonus and the base monthly wages in the given calendar year) the annual bonus may be as much as:
  - 77.8% for the Chief Executive Officer,
  - 60.0% for the Chief Operating Officer,
  - 60.0% (as a rule) for the Division Heads,
  - 20.0% (as a rule) for other executives.

  The basic criterion determining the granting of a bonus to an executive and its amount (bonus pool) is fulfillment of the EBITDA figure called for in the Company's budget – adjusted for certain items, such as impairment charges, that the executive cannot influence. Fulfillment can range from 90% (no bonus paid) to 110% (110% of annual bonus is paid if EBITDA is equal to or greater than 110% of budget). The criteria for granting an annual bonus to a Company executive are based on the strategic priorities and principal objectives of the Company that are announced each year by the Chief Executive Officer in an executive order following discussion in the Board of Directors. For 2007, they were stipulated as follows:
  - 30% for the CEZ Group economic indicator (ROIC) and the economic indicator for the unit managed,
  - 70% for specifically stated and deadlined tasks and for evaluation of overall work performance and approach to fulfilling assigned tasks.

  The criteria for individual executives and the dependence of annual bonus amount on their fulfillment are assessed by the executive's direct superior (or by the Board of Directors in the case of the CEO). The economic indicators in question are taken from the Board of Directors-approved and Supervisory Board-reviewed budget, and fulfillment is assessed by the Controlling unit based on the financial statements of the Company/CEZ Group or fulfillment of other measurable criteria. The assessment for 2007 was approved by the Board of Directors on 3 March 2008, entitling the relevant executives to payment of bonuses.

  In rare cases of employees in senior management and executives, targeted bonuses are paid upon fulfillment of a specific strategic objective. In the cases of two members of senior management whose units differ from the others, a system of targeted bonuses is used exclusively. This includes, for example, the plant construction and renewal program. Payment of bonuses is conditional upon fulfillment of predefined criteria such as compliance with the timelines, budgets, and technical parameters of individual projects.
- stock options – members of the Executive Committee (EXCO) are entitled to stock options (i.e. the option to purchase shares in the Company's stated capital) under the terms and conditions set forth in an option agreement. The share price is calculated as the one-month weighted average of the prices achieved in public-market trading prior to the date the member joined the Executive Committee (six-month average until May 2006). After the first, second, and third anniversary of stock option granting/EXCO appointment, the member may exercise one third of the number of stock options in question, but no later than twelve months after the end of EXCO membership. Since May 2006, under a General Meeting decision dated 23 May 2006, the options are limited as follows: for new stock option agreements, the benefit from an increase in value of Company shares is limited to 100% of the purchase price. For option agreements entered into before May 2006, option holders were entitled to exercise approximately one half of the options after one year in office, and the rest could be exercised after two full years in office, yet no later than three months after the end of EXCO membership;
- company car – to which the executive is entitled for business and personal use subject to the terms and conditions of a special agreement. Company cars are subject to taxation, and the cost of fuel consumed for personal use is recovered by withholding from pay. In the event the executive uses his or her own automobile in an official capacity, the costs of such use are borne by the Company in accordance with applicable laws and regulations;
- insurance – the Company enters into endowment life insurance at its own expense for the benefit of selected executives. When the executive leaves office or the Company withdraws from the endowment life insurance policy, the policy is transferred free-of-charge to the executive. Endowment life insurance premiums paid by the Company are treated as part of the executive's wages and are subject to taxation as such;
- reimbursement of travel expenses – when traveling on business, executives are entitled to receive meal allowances and per diem at rates above those set forth in applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value;
- mobility program – for eligible executives, the employer defrays some of the costs of temporary accommodation and travel undertaken to be with family,
- severance pay – paid in accordance with the Labor Code and the terms set forth in the Collective Agreement;
- cash settlement upon termination of contract – the employer agrees to provide executives, upon the termination of employment, a cash settlement for a period of six months (as a rule) subject to the fulfillment of conditions set forth in the "No Competition Agreement". The cash settlement is payable monthly in arrears.

Information on cash and in-kind income (gross amounts) and on securities

	Units	Supervisory Board	Board of Directors	Senior management, Division and Section Heads
Information on cash and in-kind income				
Base wage [1]	CZK '000	2,056	–	78,166
Bonus linked to Company performance [1]	CZK '000	93	–	67,108
Board member remuneration	CZK '000	7,216	4,399	–
2006 bonus paid to members of governance bodies [2]	CZK '000	12,065	7,178	–
Severance pay	CZK '000	–	–	1,487
Other cash income [1]	CZK '000	125	245	998
of which: Supplemental Pension Insurance contributions [1]	CZK '000	42	–	196
use of employee personal account [1]	CZK '000	24	–	127
business travel reimbursement within limit	CZK '000	34	70	543
international business travel reimbursement above limit	CZK '000	25	175	132
Other in-kind income [1]	CZK '000	4,861	2,579	4,638
of which: endowment life insurance	CZK '000	4,101	1,271	1,708
company car for personal use [1]	CZK '000	755	1,308	2,424
mobile telephone for personal use [1]	CZK '000	5	–	58
mobility program	CZK '000	–	–	448
Income from entities controlled by the issuer	CZK '000	12,415	–	8,758
of which: bonuses to board members of controlled companies	CZK '000	12,226	–	8,489
endowment life insurance	CZK '000	–	–	269
company car for personal use	CZK '000	189	–	–
Information on securities				
Number of shares held at 31 December 2006 and number of options received in 2007	number	450,000	2,240,000	1,140,000
average option price	CZK	139.07	347.34	615.58
Number of shares on which option was exercised	number	–	600,000	55,000
average option price	CZK	–	184.54	243.53
resulting in-kind income (taxed by Company)	CZK '000	–	469,955	32,828
Number of options held at 31 December 2007	number	450,000	1,640,000	1,085,000
average option price	CZK	139.07	406.90	634.44
Number of Company shares at 31 December 2007				
held by members of governance bodies and executives [3]	number	50,238	192,177	250,156
held by close persons [3]	number	165	–	1,152

[1] Cash and in-kind income of Supervisory Board members in these items include income from their present and/or past employment by the Company.
[2] Includes only bonuses paid to persons who were members of a governance body for at least part of the year; does not include bonuses to former board members.
[3] Figure is for persons that were members of Company's governance bodies or Company executives as of 31 December 2007. In cases where a person received options for being a member of the Board of Directors, these options are listed in the Board of Directors column even if the person is no longer a member. Shares held from exercising these options, however, are included in the Division and Section Heads column.

There are no conflicts of interest among members of the Supervisory Board, Board of Directors, and executive management who serve in the governance bodies of other companies.

No member of the Supervisory Board, Board of Directors, or executive management was convicted of a fraud-related crime.

On 14 December 2006, criminal charges were filed under a resolution of the Police of the Czech Republic, City of Prague Administration, against Mr. Zdeněk Hrubý for violation of duties in administering third-party assets. The Prague Municipal State Attorney's office terminated these criminal proceedings on 14 February 2007. Under a resolution dated 21 February 2008, the Police of the Czech Republic formally revoked the suspicion of having committed the crime of violating duties in administering third-party assets that had been directed against Zdeněk Hrubý and certain former members of the ČEZ, a. s. Supervisory Board.

On 5 April 2006, criminal charges were filed against Mr. Alan Svoboda for abuse of business information under Sections 128(1) and (3) of the Criminal Code, which he was alleged to have committed while trading in shares of ČEZ, a. s. The case is still pending before the Municipal Court in Prague.

Nuclear Reactors as a Source of Potable Water

Nuclear reactors can be used in various fields of human activity and, in many places in the world, for purposes other than generation of electricity. For example today, one fifth of the planet's population, or more than one billion people, suffer from a lack of drinking water. The solution is desalination of seawater using desalination technologies that can run on heat generated by nuclear reactors. Thus, a 100 MW nuclear power plant could power a desalination plant with a capacity of 654,000 cubic yards (500,000 m^3) per day, which would be enough to supply potable water to a city of three to four million people.

Report on Operations

CEZ Group Financial Performance

CEZ Group in 2007

As at 31 December 2007 CEZ Group, including the parent company ČEZ, a. s., encompassed a total of 80 business entities, 64 of which were headquartered in Central Europe (50 in the Czech Republic) and 16 in Southeastern Europe. The relatively substantial decrease in the number of companies compared to year end 2006 was caused, in particular, by the ongoing program of divestitures of companies whose businesses do not fit under CEZ Group's core businesses. On the other hand, new companies were added to the portfolio, both by purchasing existing entities and forming entirely new ones. A list of the companies is presented in the ČEZ, a. s. Related Parties Report for the Year Ended December 31, 2007, which is included in this Annual Report (pp. 211–213).
At year end 2007, the book value of equity stakes held by ČEZ, a. s. was CZK 93.6 billion.

Equity Holdings

Central Europe

Czech Republic

In accordance with the approved equity stakes strategy, 2007 saw the following most significant changes:

- on 1 January 2007, Středočeská energetická a.s. sold an 11% stake in ECK Generating, s.r.o. and a 10.99% stake in ENERGETICKÉ CENTRUM Kladno,spol.s r.o.;
- on 26 March 2007, Středočeská energetická a.s. sold a 23.6% equity stake in AZ Elektrostav, a.s.;
- on 29 March 2007, Ústav jaderného výzkumu Řež a.s. sold a 50% stake in the equity of WADE a.s.;
- on 29 March 2007 Středočeská energetická a.s. sold a 51% stake in ELTRAF, a.s.;
- on 5 April 2007, Teplárenská, a.s., whose distribution network provides heat to major North Bohemian cities including Chomutov, Jirkov, Klášterec nad Ohří, Kadaň, Teplice and Bílina, joined the CEZ Group. The heat provided comes mainly from ČEZ, a. s. power plants. The company's name was changed to ČEZ Teplárenská, a.s. on 28 January 2008;
- on 13 April 2007, Ústav jaderného výzkumu Řež a.s. sold a 74% stake in Ústav jaderných informací Zbraslav, a. s.;
- on 13 April 2007, Východočeská energetika, a.s. sold 100% stakes in VČE - montáže, a.s. and VČE - transformátory, s.r.o.;
- on 23 April 2007, Severomoravská energetika, a. s. sold a 100% stake in MSEM, a.s.;
- on 3 May 2007, Západočeská energetika, a.s. sold a 100% stake in SEG s.r.o.;
- on 7 May 2007, Ústav jaderného výzkumu Řež a.s. sold a 23% stake in DECOM Slovakia, spol. s r.o.;
- on 28 May 2007, the stated capital of ČEZ Obnovitelné zdroje, s.r.o. was raised by CZK 1.204 billion to CZK 1.404 billion in conjunction with capital contributions from Severočeská energetika, a.s., Východočeská energetika, a.s., and Západočeská energetika, a.s.;
- 1 July 2007 saw the formation of ČEZ Energetické služby, s.r.o., with Energetika Vítkovice, a.s. as sole partner;
- on 23 July 2007, Severočeské doly a.s. established a 100% subsidiary: SD - Rekultivace, a.s.;
- on 30 July 2007, ČEZ, a. s. sold its 40% stake in KNAUF POČERADY, spol. s.r.o. to the majority partner;
- on 1 October 2007, the former regional electricity distribution companies Severočeská energetika, a.s., Severomoravská energetika, a. s., Středočeská energetická a.s., Východočeská energetika, a.s. and Západočeská energetika, a.s. were dissolved. On that date, they were merged with the parent company, ČEZ, a. s., effective 1 January 2007. This resulted in changes to the ownership structure of several subsidiaries, including ČEZ Distribuce, a. s., ČEZ Obnovitelné zdroje, s.r.o., and ČEZ Prodej, s.r.o. – for details see the Related Parties Report;
- on 23 October 2007, ČEZ, a. s. sold a 100% equity stake in SIGMA-ENERGO s.r.o.;
- on 10 December 2007, ČEZ, a. s. sold a 50% stake in ELEKTROVOD HOLDING, a.s.;
- on 4 March 2008, ČEZ, a. s. sold a 100% stake in Energetické opravny, a.s.

Republic of Poland

CEZ Trade Polska sp. z o.o., with its registered office in Warsaw, was incorporated on 30 May 2007. The company's stated capital is PLN 1.9 million, the stake of the parent company, ČEZ, a. s., in the stated capital is 100%.
6 September 2007 saw the formation of the subsidiary CEZ Ciepło Polska sp. z o.o., which is also 100% owned by ČEZ, a. s.

Republic of Hungary

On 23 January 2008, the Netherlands-based subsidiary CEZ MH B.V. acquired a 7% stake in MOL Nyrt.

Kingdom of the Netherlands

The 100% subsidiaries Transenergo International N.V. and CEZ MH B.V. were formed on 13 December 2007 and 14 December 2007, respectively. These are ownership vehicles for international joint ventures.

Slovak Republic

27 June 2007 saw the formation of CEZ Slovensko, s.r.o., in which ČEZ, a. s. holds a 100% stake.

Southeastern Europe

Republic of Bulgaria

On 2 November 2007, two Bulgarian distribution companies, Elektrorazpredelenie Sofia Oblast AD and Elektrorazpredelenie Pleven AD, were merged with a third company, Elektrorazpredelenie Stolichno AD.
The name of the latter was changed to CEZ Razpredelenie Bulgaria AD by a decision of the General Meetings held on 6 December 2007. The name change was registered on 29 January 2008.

Romania

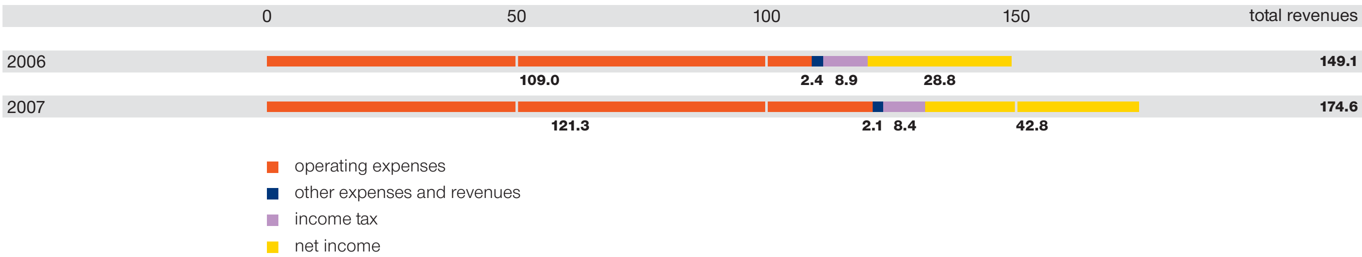
26 March 2007 saw the registration of a new subsidiary CEZ Trade Romania S.R.L. with total stated capital of RON 1.6 million. The share of ČEZ, a. s. in the stated capital is 99.99%. The remaining 0.01% is owned by ČEZ Správa majetku, s.r.o.
The distribution company Electrica Oltenia S.A. was split. The original company was renamed to CEZ Distributie S.A. (name change registered 15 March 2007) and is exclusively involved in electricity distribution. The share of ČEZ, a. s. in the stated capital is 51.01%. On the same day, the split gave rise to the sales company CEZ Vanzare S.A., in which ČEZ, a. s. also holds a 51.01% stake. A third company, CEZ Servicii S.A., was registered on 16 May 2007 with total stated capital of RON 6.1 million. The share of ČEZ, a. s. in the stated capital is 51.00%.

CEZ Group Financial Performance Results

CEZ Group net income was up CZK 14.0 billion (48.7%) to CZK 42.8 billion. Income before tax reached CZK 51.2 billion on growth of CZK 13.4 billion (35.7%) and EBITDA increased by CZK 11.0 billion (17.1%) to CZK 75.3 billion. Income taxes were down CZK 0.6 billion as an increase in tax payable was offset by a decline in deferred tax caused by a reduction in the tax rate for the future period.
The biggest absolute growth in EBITDA, CZK 7.6 billion (17.3%), was achieved by the Power Production & Trading segment on record electricity production, rising wholesale prices, successful optimizing of power production, and an expansion of CEZ Group. In total, CEZ Group produced 73.8 TWh, which is 8.3 TWh (12.6%) more than in 2006. 4.1 TWh was produced by CEZ Group power plants in Poland and the Varna Power Station in Bulgaria contributed 3.7 TWh. Heat sales totaled CZK 2.9 billion for year-on-year growth of CZK 0.7 billion (31.8%). CZK 0.7 billion of the heat sales was attributable to power plants outside the Czech Republic (up CZK 0.4 billion, or 75%, year-on-year). The increased income in this segment was driven by the expansion of CEZ Group to include the ELCHO and Skawina Power Stations in Poland, which entered the accounting results in June 2006, and the Varna Power Station in October 2006. Operating revenues in this segment were up CZK 20.4 billion (22.2%).

EBITDA in the Distribution & Sale segment grew by CZK 2.6 billion (21.5%), with revenues alone up CZK 5.9 billion (6.4%). Electricity distribution volume in the Czech Republic rose to 33.1 TWh (+0.2%) in line with the increase in demand.
The Mining segment's EBITDA was up by CZK 0.4 billion (9.2%), primarily on growth in sales within CEZ Group. The segment Other saw its EBITDA rise CZK 0.4 billion (9.0%).
Throughout CEZ Group, we managed to keep operating expenses under control. Fixed operating expenses (net of expenses for purchase of fuel, electricity and related services, and emission allowances) grew by just CZK 3.9 billion, due primarily to the addition of new acquisitions to CEZ Group and certain one-off impacts.

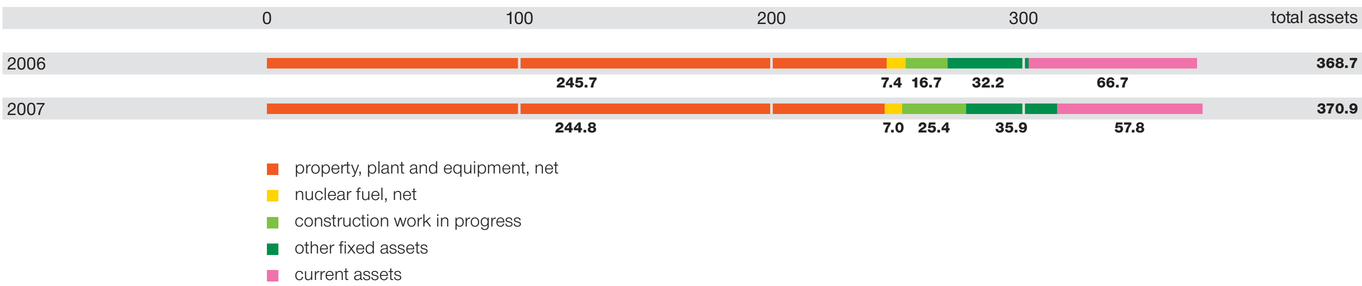
Net Income Breakdown (CZK billions)



Assets

CEZ Group consolidated assets expanded by CZK 2.2 billion (0.6%) year-on-year, to CZK 370.9 billion. Fixed assets were up CZK 11.1 billion, with most of the increase coming in additions to property, plant and equipment. The latter rose by CZK 8.7 billion, primarily on plant renewal and distribution grid upgrades.
Current assets were down CZK 8.9 billion (13.2%) to CZK 57.9 billion. Cash and cash equivalents fell by CZK 18.5 billion; they were used for share buy-backs, thereby improving the utilization of CEZ Group financial resources. Receivables were up CZK 7.5 billion, with the increase occurring particularly in receivables of ČEZ, a. s. in relation to the establishment of a clearing account on the Prague Energy Exchange, on which cash was deposited to cover trades. Emission allowances fell by CZK 1.9 billion as allowances from the first allocation period had to be used by the end of 2007. Other current assets were up CZK 2.6 billion.

Assets Structure at December 31 (CZK billions)



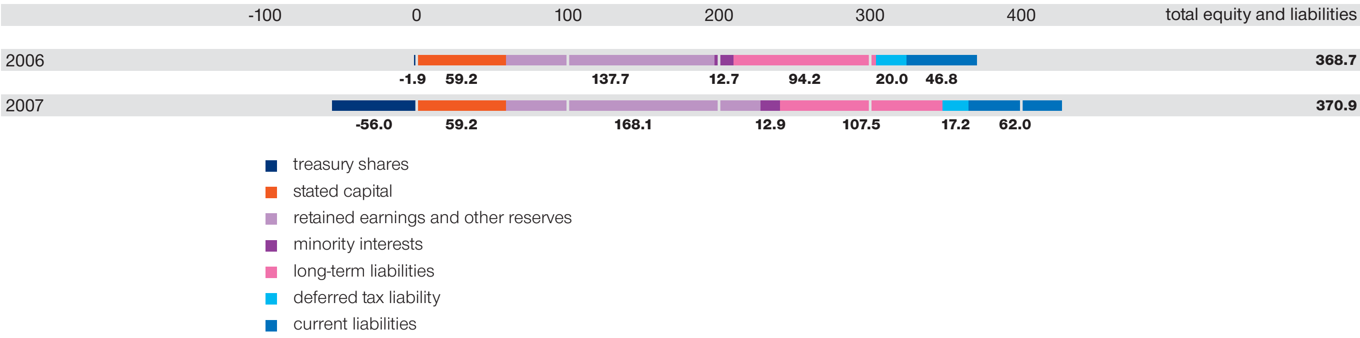
Equity and Liabilities

Equity decreased by CZK 23.4 billion (11.3%) to CZK 184.2 billion, primarily on a CZK 54.1 billion share buy-back. This was partially offset by CZK 30.4 billion growth in retained earnings.

Long-term liabilities were up CZK 13.3 billion (14.2%) to CZK 107.5 billion. Long-term debt increased by CZK 10.0 billion (23.9%) on a new bond issue. Deferred tax liabilities contracted by CZK 2.9 billion (14.3%) to CZK 17.2 billion as tax reform in the Czech Republic reduced the tax rate applicable to the future period.

Short-term liabilities increased by CZK 15.2 billion (32.5%) to CZK 62.0 billion. This increase consists primarily of growth in short-term borrowings (up CZK 17.9 billion) and trade and other payables (up CZK 2.8 billion, or 12.4%). This was partially offset by the current portion of long-term borrowings and other liabilities, which decreased by CZK 3.1 billion (49.3%) and CZK 2.2 billion (19.2%), respectively.

Structure of Equity and Liabilities at December 31 (CZK billions)



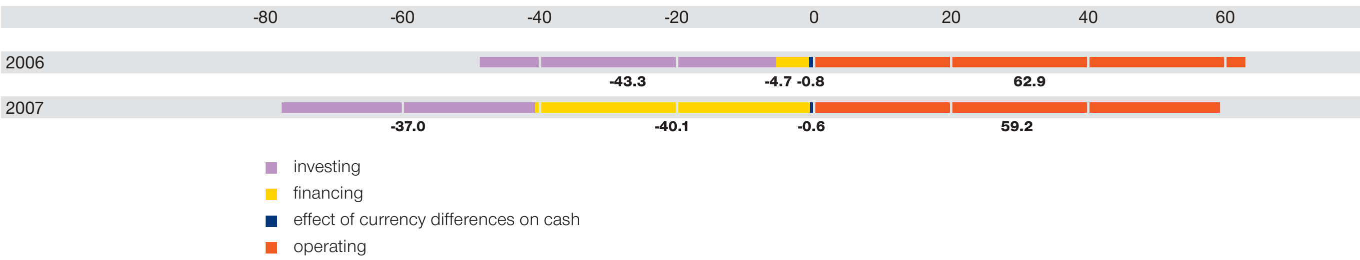
Cash Flows

Net cash flow from operating activities, at CZK 59.2 billion, was down CZK 3.7 billion (5.9%) year-on-year, primarily on growth in income taxes paid (additional tax payment for 2006).

Cash used in investing activities, at CZK 37.0 billion, was down CZK 6.3 billion (14.5%) year-on-year as higher investment in plant renewal was offset by a year-on-year decline in acquisition expenditures.

CZK 40.1 billion of cash was used in financing activities as a result of CZK 53.3 billion year-on-year increase in share repurchases. The share repurchases were partially financed from the Company's own resources.

Cash Flows (CZK billions)



Key Performance Indicators (%)

	2006	2007
Return on Invested Capital (ROIC)	11.0	13.7
Return on Equity (ROE), net	14.9	22.7
Return on Assets (ROA) net	8.3	11.6
Net debt/Equity	9.0	35.5
Net debt/EBITDA	27.2	80.8
Current ratio	142.4	93.3

Solvency in 2007

CEZ Group's solvency is good. No CEZ Group member had any difficulty meeting their obligations during 2007. 2007 saw a further expansion of the cash pool introduced in 2006; another five companies joined the pool, bringing the total number to 15.

The overall liquidity position of ČEZ, a. s. in 2007 was impacted by several factors, the most important of which was a decision by the General Meeting to repurchase up to 10% of the Company's own common stock.

The buy-back commenced on 30 April 2007 on the Prague and Warsaw exchanges, lasting through the end of 2007 and into 2008 as well.

In August 2007, ČEZ, a. s. issued domestic bonds with a face value of CZK 7 billion.

On 24 September 2007, ČEZ, a. s. established a program of issuing European Medium Term Notes (EMTN). In this program, ČEZ, a. s. can issue notes up to a total volume of EUR 2 billion. One advantage of the program is that notes can be issued in a relatively short time to quickly address any liquidity needs. The first use of this program took place on 12 October 2007, when ČEZ, a. s. issued notes with face value of EUR 500 million, maturing in 2012.

On 31 October 2007, ČEZ, a. s. acquired the PLN 313.2 million and USD 170.1 million in long-term borrowings of Elektrociepłownia Chorzów ELCHO sp. z o.o. from financing banks. From the perspective of CEZ Group, the move equates to early repayment of external bank debt.

CEZ Group Bonds Outstanding at 31 December 2007

	Security						
	6th bond issue	7th bond issue	9th bond issue	10th bond issue	3rd Eurobond issue	4th Eurobond issue	5th Eurobond issue
Issuer	ČEZ, a. s.	ČEZ, a. s.	ČEZ, a. s.	ČEZ, a. s.	CEZ Finance B.V.	ČEZ, a. s.	ČEZ, a. s.
ISIN	CZ0003501066	CZ0003501058	CZ0003501348	CZ0003501520	XS0193834156	XS0271020850	XS0324693968
Issue date	26 Jan 1999	26 Jan 1999	23 Jun 2003	27 Aug 2007	8 Jun 2004	17 Oct 2006	12 Oct 2007
Volume	CZK 4.5 billion	CZK 2.5 billion	CZK 3.0 billion [4)]	CZK 7.0 billion	EUR 400 million	EUR 500 million	EUR 500 million
Interest	zero coupon [1)]	9.22% [2)]	3.35% [3)]	4.3%	4.625%	4.125%	5.125%
Maturity	2009	2014	2008	2010	2011	2013	2012
Form	booked to owner	booked to owner	booked to owner	booked to owner	booked to owner	booked to owner	booked to owner
Face value	CZK 1,000,000	CZK 1,000,000	CZK 10,000	CZK 10,000	EUR 1,000 EUR 10,000 EUR 100,000	EUR 50,000	EUR 50,000
Manager	ING Barings Capital Markets	ING Barings Capital Markets	Československá obchodní banka, a. s.	Česká spořitelna, a.s. Komerční banka, a.s.	BNP Paribas, Merill Lynch	Deutsche Bank Société Générale Corporate & Investment Banking	BNP Paribas, Citi
Administrator	Citibank, a.s.	Citibank, a.s.	Československá obchodní banka, a. s.	Komerční banka, a.s.	The Bank of New York	Deutsche Bank Luxembourg S.A.	Deutsche Bank Luxembourg S.A.
Market	PSE Official Free Market RM-System	PSE Official Free Market RM-System	PSE Secondary Market	PSE Main Market	Bourse de Luxembourg	Bourse de Luxembourg	Bourse de Luxembourg
Traded since	26 Jan 1999 7 Dec 2001	26 Jan 1999 5 Dec 2001	23 Jun 2003	27 Aug 2007	8 Jun 2004	17 Oct 2006	12 Oct 2007

1) Yield is given by the difference between the issue price (CZK 1,862,905,005) and face value (CZK 4,500,000,000) of the bonds.
2) Starting in 2006, the bonds bear interest at a variable rate defined as CPI + 4.2%.
3) Offering price: 100.05%.
4) Bond program with maximum volume of outstanding bonds CZK 30 billion – program to last 10 years and any bonds issued in the program to have a maximum maturity of 10 years.

As of 31 December 2007, Severočeské doly a.s. owned a CZK 180 million portion of the 9th bond issue (part of the current portion of long-term debt) as well as CZK 150 million of the 10th issue, i.e. a total face value of CZK 330 million. As a result, the long-term debt reported for CEZ Group is lower by this amount.

ČEZ, a. s. has not issued any convertible bonds. Under the issue terms, the bonds are not guaranteed either by the State or by any bank.

With the exception of ČEZ, a. s., no CEZ Group company had any bonds outstanding at 31 December 2007.

The 10th issue of domestic bonds was released in August 2007. The fifth Eurobond issue took place in October 2007 through the EMTN program.

The Yankee bond issue was repaid in July 2007.

Financial Performance of the Parent Company, ČEZ, a. s.

ČEZ, a. s. is a joint-stock company incorporated on 6 May 1992 in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The principal shareholder is the Czech Republic, acting through the Ministry of Finance of the Czech Republic, which is charged with administering the equity stake.

The most significant businesses are, in particular:
a) power production and distribution,
b) trading in electricity,
c) generation of heat,
d) distribution of heat.

A detailed list of the Company's businesses is included in the Company's Articles of Association and in the Commercial Register.

Commercial and Financial Indicators of the Parent Company, ČEZ, a. s. (according to IFRS)

Key Figures of ČEZ, a. s. (IFRS)

	Units	2006	2007	Index 2007/2006 (%)
Installed capacity	MW	12,152	12,152	100.0
Electricity generated (gross)	GWh	62,011	65,442	105.5
Electricity sold [1]	GWh	26,720	30,983	116.0
Heat sold	TJ	7,578	6,969	92.0
Employee head count at December 31	persons	6,404	6,146	96.0
Revenues	CZK millions	88,289	101,155	114.6
of which: electric power sales	CZK millions	75,860	89,007	117.3
sales of ancillary and other services related to sale of electricity	CZK millions	7,339	6,403	87.2
EBITDA	CZK millions	43,343	48,847	112.7
EBIT	CZK millions	29,784	36,508	122.6
Net income	CZK millions	21,951	31,272	142.5
Income per share – basic	CZK/share	37.2	54.9	147.6
Income per share – diluted	CZK/share	37.1	54.7	147.4
Dividend per share (gross) [2]	CZK/share	15.0	20.0	133.3
Total assets	CZK millions	303,124	312,654	103.1
Equity	CZK millions	182,236	149,448	82.0
Financial debt	CZK millions	41,871	66,895	159.8
Additions to property, plant and equipment	CZK millions	(10,767)	(16,869)	156.7
Financial investments [3]	CZK millions	(21,291)	(2,651)	12.5
Operating cash flow	CZK millions	40,773	47,295	116.0
Return on Equity (ROE), net	%	14.4	18.4	127.8
Return on Assets (ROA), net	%	8.8	10.0	113.6
Net debt/Equity	%	14.1	43.5	308.5
Net debt/EBITDA	%	62.4	133.1	213.3
Current ratio	%	97.0	53.0	54.6

[1] Sales to end customers including sales to cover losses in grids + wholesale balance.
[2] Paid, relating to the previous year.
[3] Acquisitions of subsidiaries and associates.

ČEZ, a. s. Financial Performance Commentary

Revenues, Expenses, Income

ČEZ, a. s. income in 2007 reflects favorable developments in both the operational and financial components of the income statement.

ČEZ, a. s. net income was up CZK 9.3 billion (42.5%) to CZK 31.3 billion. Operating income grew CZK 6.7 billion (22.6%) year-on-year, while EBITDA increased by CZK 5.5 billion (12.7%) to CZK 48.8 billion.

Electricity revenues were driven primarily by electric power sales, which rose CZK 13.2 billion (17.3%) primarily on increased generation and a higher average selling price. Sales of ancillary and other services related to electricity sales were down CZK 0.9 billion (12.7%) as a result of higher competition in the market for ancillary services in the Czech and Slovak Republics. One positive influence was a lower balance of payments for deviations from the supply diagram thanks to lower plant downtime and an improved system for managing capacity reserves.

Along with the increase in sales, there was a proportionate, CZK 6.1 billion (10.5%) increase in operating expenses. Expenses to purchase energy and related services rose by CZK 2.2 billion (14.1%). Fuel consumption was up CZK 2.8 billion (18.8%) on higher production. Personnel expenses increased by CZK 0.1 billion (1.0%) due to one-off provisioning for future employee benefits, which was partially offset by a reduction in personnel expenses when the regional electricity distribution companies were merged into ČEZ, a. s. Depreciation and amortization fell by CZK 1.2 billion (9.0%). Gains on trading in emission allowances fell by CZK 2.3 billion (74.2%) year-on-year, as surplus emission allowances for 2007 were sold in 2006 at a price higher than that achieved in 2007.

The financial area saw a year-on-year performance improvement – other expenses and revenues were down CZK 2.4 billion. The biggest change, CZK 4.1 billion net, was in the “Other financial expenses and revenues” category, due to CZK 1.7 billion higher releasing of provisions and impairment allowances, a CZK 1.6 billion increase in proceeds from equity stakes, and CZK 0.8 billion higher sales of securities and equity shares. Dividends received were affected by the merger of ČEZ, a. s. with the regional electricity distribution companies. The impact of net foreign currency gains and losses, on the other hand, was negative at CZK -1.7 billion.

Structure of Assets and Capital

Total assets were up CZK 9.5 billion (3.1%) year-on-year to CZK 312.7 billion. Net property, plant and equipment fell CZK 7.3 billion year-on-year as the pace of depreciation exceeded the rate at which new property, plant and equipment was put into use. Long-term financial assets grew CZK 10.5 billion (10.8%) year-on-year, due in particular to a long-term loan provided to refinance borrowings of Elektrociepłownia Chorzów ELCHO sp. z o.o. Growth in equity stakes and restricted balances of cash also contributed to the increase.

Current assets posted a decline of CZK 3.0 billion, most of which was attributable to a CZK 13.7 billion reduction in cash and cash equivalents which was partially offset by a CZK 5.6 billion increase in receivables and a CZK 5.3 billion total increase in other financial assets and other current assets. The reduction in cash is related to the share buy-back.

Equity fell CZK 32.8 billion (18.0%) year-on-year, due to the share buy-back (CZK 54.0 billion in 2007) which was offset by a CZK 21.2 billion increase in retained earnings and other reserves. Long-term liabilities were up CZK 18.7 billion for the year, on new bond issues. Short-term liabilities were up CZK 25.6 billion year-on-year, due primarily to higher short-term borrowing (up CZK 11.8 billion) and a CZK 17.3 billion increase in trade and other payables.

Cash Flows

Net cash flows from operating activities rose CZK 6.5 billion to CZK 47.3 billion, due primarily to a CZK 11.5 billion increase in cash provided by operating activities, while a CZK 7.2 billion increase in income tax paid had an opposite effect.

Cash used in investing activities was down CZK 2.0 billion (7.2%). Expenditures on acquisitions fell CZK 18.6 billion year-on-year, being partially offset by a CZK 6.1 billion increase in additions to fixed assets resulting primarily from the plant renewal program and a CZK 6.2 billion increase in lending due to refinancing of loans taken out by Elektrociepłownia Chorzów ELCHO sp. z o.o.

Net cash flow from financing activities was down year-on-year from CZK -0.9 billion to CZK -34.9 billion, due in particular to the share buy-back. This decline was partially offset by higher borrowing (by CZK 16.4 billion) relating to new bond issues.

ČEZ, a. s. Financing

Borrowings and Their Maturity

a) Long-term loans

Creditor	Currency	Maximum loan amount in given currency (millions)	Valuation of debt at 31 Dec 2007 (CZK millions)	Maturity
European Investment Bank	CZK	3,058	1,412	2013
Long-term loans, total			1,412	
of which: current portion			235	
Long-term loans, net of current portion			1,177	

The long-term loan from the European Investment Bank is an unsecured loan.

b) Short-term borrowings

	Indebtedness at 31 Dec 2007 (CZK millions)
Short-term bank loans	4,670
Negative balance facilities	7,151
Current portion of long-term loans	235
Short-term borrowings, total	12,056

Expenses incurred by CEZ Consolidated Group companies in conjunction with external auditor activities in 2007 (CZK millions)

	Audit services	Tax consulting	Economic and organizational consulting	Other	Total
ČEZ, a. s.	15.9	0.8	9.2	0.5	26.4
Fully consolidated CEZ Group companies	29.5	3.1	21.9	5.9	60.4
CEZ Group, total	45.4	3.9	31.1	6.4	86.8

CEZ Group external audit firms

CEZ Group company	Audit firm
ČEZ, a. s.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
CEZ Bulgaria EAD	Ernst & Young Audit, OOD
CEZ Deutschland GmbH	Ernst & Young AG, Munich, Germany
	Kanzlei Beißwanger und Partner
CEZ Distributie S.A.	ERNST & YOUNG ASSURANCE SERVICES
	KPMG ROMANIA SRL
CEZ Elektro Bulgaria AD	Ernst & Young Audit, OOD
CEZ Hungary Ltd.	Ernst & Young Audit LTD
CEZ Chorzow B.V.	Ernst & Young (auditors)
	Houthoff Buruma (tax advisers)
CEZ Poland Distribution B.V.	Ernst & Young Accountants
	Houthoff Buruma (tax advisers)
CEZ Romania S.R.L.	Ernst & Young SRL
	KPMG ROMANIA SRL
	PRICEWATERHOUSECOOPERS ROMANIA
CEZ Silesia B.V.	Ernst & Young (auditors)
	Houthoff Buruma (tax advisers)
CEZ Trade Bulgaria EAD	Ernst & Young Audit, OOD
CEZ Trade Romania S.R.L.	Ernst & Young SRL
	KPMG ROMANIA SRL
CEZ Ukraine CJSC	Ernst & Young
CEZ Vanzare S.A.	ATK
	KPMG ROMANIA SRL
ČEZ Distribuce, a. s.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZ Distribuční služby, s.r.o.	Deloitte Advisory s.r.o.
ČEZ Logistika, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
	CSA, spol. s r. o.
ČEZ Měření, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZ Obnovitelné zdroje, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZ Prodej, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZ Správa majetku, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZ Zákaznické služby, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZData, s.r.o.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
ČEZnet, a.s.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
Elektrorazpredelenie Stolichno AD	Ernst & Young Audit, OOD
Energetické opravny, a.s.	BUSINESS VM SERVICE, s. r. o.
	Karel Brada, Ing.
Energetika Vítkovice, a.s.	AUDIT PROFESIONAL, spol. s r. o.
I & C Energo a.s.	TPA Horwath Notia Audit s.r.o.
PPC Úžín	KEPS s.r.o.
SD - 1.strojírenská, a.s.	AGIS spol.s r.o.
	Bureau Veritas Certification Czech Republic, s.r.o.
SD - Autodoprava, a.s.	MEDVĚD AUDIT s.r.o.
SD - Kolejová doprava, a.s.	AUDIT PLUS s.r.o.
Severočeské doly a.s.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
STE - obchodní služby spol. s r.o. in liquidation	Consultas - Audit s.r.o.
ŠKODA PRAHA a.s.	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
TEC Varna EAD	Ernst & Young Audit, OOD
Teplárenská a.s.	FINAUDIT, s.r.o.
Ústav jaderného výzkumu Řež a.s.	AUDIT PLUS s.r.o.
	PKM audit & Tax s.r.o.

CEZ Group – Segments as at 31 December 2007

The companies of the CEZ Consolidated Group are classified into two geographical segments according to where their assets are located:

- Central Europe Segment,
- Southeastern Europe Segment.

According to the character of their principal businesses, we further classify the companies into the business segments Power Production & Trading, Distribution & Sale, Mining, and "Other".

Central Europe Segment	Southeastern Europe Segment
Power Production & Trading	Power Production & Trading
ČEZ, a. s.	CEZ Srbija d.o.o.
CEZ Ciepło Polska sp. z o.o.	CEZ Trade Bulgaria EAD
CEZ Deutschland GmbH	CEZ Trade Romania S.R.L.
CEZ Finance B.V.	NERS d.o.o.
CEZ Hungary Ltd.	New Kosovo Energy L.L.C.
CEZ Chorzow B.V.	TEC Varna EAD
CEZ MH B.V.	Transenergo International N.V.
CEZ Poland Distribution B.V.	ZAO TransEnergo
CEZ Silesia B.V.	
CEZ Slovensko, s.r.o.	
CEZ Trade Polska sp. z o.o.	
ČEZ Energetické služby, s.r.o.	
ČEZ Obnovitelné zdroje, s.r.o.	
Elektrociepłownia Chorzów ELCHO sp. z o.o.	
Elektrownia Skawina S.A.	
Energetika Vítkovice, a.s.	
PPC Úžín, a.s.	
Teplárenská, a.s.	
Coal Energy, a.s. *)	
Distribution & Sale	Distribution & Sale
ČEZ Distribuce, a. s.	CEZ Distributie S.A.
ČEZ Prodej, s.r.o.	CEZ Elektro Bulgaria AD
	CEZ Vanzare S.A.
	Elektrorazpredelenie Stolichno AD
Mining	
Severočeské doly a.s.	
LOMY MOŘINA spol. s r.o. *)	
Other	Other
CEZ Polska sp. z o.o.	CEZ Bulgaria EAD
ČEZ Distribuční služby, s.r.o.	CEZ Laboratories Bulgaria EOOD
ČEZ Logistika, s.r.o.	CEZ Romania S.R.L.
ČEZ Měření, s.r.o.	CEZ Servicii S.A.
ČEZ Správa majetku, s.r.o.	CEZ Ukraine CJSC
ČEZ Zákaznické služby, s.r.o.	
ČEZData, s.r.o.	
ČEZnet, a.s.	
Energetické opravny, a.s.	
I & C Energo a.s.	
SD - 1.strojírenská, a.s.	
SD - Autodoprava, a.s.	
SD - Kolejová doprava, a.s.	
STE - obchodní služby spol. s r.o. in liquidation	
ŠKODA PRAHA a.s.	
ŠKODA PRAHA Invest s.r.o.	
Ústav jaderného výzkumu Řež a.s.	

*) Associate consolidated by the equity method.

Energy from Motion
Another place where the future of energy can be found is in the human body itself – or, more precisely, in its movement. Even today there are devices that run on energy released by walking. A device attached to the knee can generate approximately 5 watts of power. This device is being developed in particular as a source of energy for robotic prostheses, or medical implants. Other applications for the energy of human movement include, for example, a watch powered by hand movements and a backpack that can generate up to 7 watts of power while the wearer walks.

CEZ Group – Central Europe Segment

The Central Europe segment includes consolidated companies based in the Czech Republic, Kingdom of the Netherlands, Republic of Hungary, Republic of Poland, Slovak Republic and Federal Republic of Germany.

Key FIgures by Business Area, Central Europe Segment

	Units	Power Production & Trading		Distribution & Sale		Mining		Other		Eliminations		Consolidated	
		2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Sales other than intersegment sales	CZK millions	53,430	68,652	65,584	70,313	3,476	3,524	3,646	3,453	(153)	(534)	125,983	145,408
Intersegment sales	CZK millions	37,712	39,734	4,467	2,628	5,456	6,507	15,706	21,375	(63,188)	(69,710)	153	534
Total revenues	CZK millions	91,142	108,386	70,051	72,941	8,932	10,031	19,352	24,828	(63,341)	(70,244)	126,136	145,942
EBITDA	CZK millions	43,707	51,086	8,188	10,882	4,363	4,765	3,914	4,259	(1)	(1)	60,171	70,991
EBIT	CZK millions	29,659	37,488	5,256	7,613	3,369	3,670	(485)	2,445	(1)	(1)	37,798	51,215
Additions to property, plant and equipment	CZK millions	10,525	14,585	5,508	8,025	1,866	1,695	4,819	6,959	(2,653)	(3,861)	20,065	27,403
Employee head count at December 31	persons	7,898	7,697	1,372	1,376	3,525	3,517	9,843	9,371	–	–	22,638	21,961

Czech Republic

In addition to the parent company, ČEZ, a. s., the Czech Republic is home to the following material CEZ Group companies (in alphabetical order):

- ČEZData, s.r.o. – provision of IT services within CEZ Group and to outside customers, with the addition of telecommunication services following merger with ČEZnet, a.s. in 2008;
- ČEZ Distribuce, a. s. – distribution of electricity to 3.5 million connection points;
- ČEZ Obnovitelné zdroje, s.r.o. – generation of electricity in hydro and wind power plants;
- ČEZ Prodej, s.r.o. – sale of electricity to end customers;
- ČEZ Teplárenská, a.s. (company name until 28 January 2008 was Teplárenská, a.s.) – generation and distribution of heat in North Bohemia;
- Energetika Vítkovice, a.s. – power company in North Moravia;
- Severočeské doly a.s. – brown coal mining in North Bohemia;
- ŠKODA PRAHA Invest, s.r.o. – engineering organization in charge of implementing CEZ Group's plant renewal program.

Electricity Market

Business Environment in the Power Sector

The Czech electricity market is fully liberalized. Access to the transmission and distribution grids is regulated. The deadline for unbundling electricity distribution, a regulated activity, from other businesses was set by legislation for 1 January 2007 and all affected players met the deadline.

The wholesale market in the Czech Republic is part of the Central European market, thanks primarily to extensive cross-border transmission capacities. The region's primary price-setting market is Germany and its exchange in Leipzig.

Prices in the wholesale market are set on the basis of supply and demand, with the bulk of trading volume going through the Prague Energy Exchange and one-year bilateral contracts. The instruments that can be traded on the Czech Republic's exchange range from one-year contracts down to one-month contracts. Anonymous trading on a daily basis can be realized through the organized markets of Operátor trhu s elektřinou, a.s. Over 25 traders and four brokers are active in the wholesale market.

Over 10 traders actively operate in the retail market, supplying electricity to end customers. The number of customers that switch to a different supplier is rising every year. 2007 was the first year in which residential customers in larger numbers began exercising their right to change suppliers. Thanks to the capacities of producers outside CEZ Group and those of cross-border transmission lines, more than half of Czech Republic electricity demand can be met by suppliers other than CEZ Group.

Ancillary services are purchased by transmission grid operators in reverse auctions for a wide range of products and various time bands. This segment is one of the most competitive in Europe, with independent producers outside of CEZ Group offering over 30% of the necessary capacity of ancillary services.

Cross-border transmission capacity is offered in joint auctions held by the relevant transmission grid operators at the border in question. The products offered in these auctions are transmission diagrams for a wide variety of contracts from one year down to one day. The sole exceptions are the Czech-Austria border, where both transmission grid operators – VERBUND-Austrian Power Grid AG and ČEPS, a.s. – hold separate auctions, and the Polish cross-border line run by PSE S.A.

In the distribution area, 2007 was characterized by rising demand for new connections or increased capacity at existing connection points. In 2007, 20,059 new connection points were added (57 at the MV and HV levels and 20,002 in low voltage). This is primarily a reflection of positive developments in the Czech economy and progressive GDP growth and also has an impact on the level of capital expenditures in the distribution segment. Compared to past years, there was a very significant rise in capital expenditures to fulfill customer requests as a proportion of the overall CAPEX amount, which in the case of the CEZ Group distribution service area in the Czech Republic was roughly CZK 6.6 billion.

CEZ Group – Trading in Electricity and Ancillary Services

In 2007, ČEZ, a. s. confirmed its role as an active trader in the European context, particularly in Central and Southeastern Europe. It trades electricity actively in over ten countries, as well as trading CO_2 emission allowances and acting as a provider of ancillary services to transmission grid operators.

CEZ Group is an advocate of liberalizing markets and we strive to increase the transparency of the markets in which we operate. In 2007, we reaffirmed this stance through our active support for the Prague Energy Exchange, which undoubtedly brought a substantially higher level of transparency to electricity trading in the Central European region. We are continuing to pursue this advocacy through our memberships in the professional associations EURELECTRIC, EFET and IETA.

2007 saw a change in how electricity is traded in the Czech Republic. The old method of auctions was abandoned and contracts are now concluded through a new market – the Prague Energy Exchange (PXE). In addition to a highly competitive environment with transparent price setting, the formation of a functioning exchange (trading commenced on 17 July 2007) gives the Czech Republic electricity market guaranteed equal treatment of all market players and increased liquidity. ČEZ, a. s. fulfilled its pledge to join this exchange and sell all of its surplus electricity production through it. Off the PXE, electricity was sold to CEZ Group's own customers (through ČEZ Prodej, s.r.o.), under multiyear contracts, for operational reserves and to provide ancillary services. In addition, as of September ČEZ, a. s. is one of the PXE's market makers – another contribution toward ensuring liquidity and making this exchange a full-fledged electricity trading platform.

In contrast to the former auction-based method, on the PXE a larger volume of one-year electricity was sold at baseload, yet the overall volume of one-year contracts was smaller. Still, this is natural for continuous trading. There is much more potential for intra-year trading, i.e. quarterly, monthly, and even one-day trades.
For the time being, the main trading channels for the spot market remained unchanged, i.e. organized short-term trades (OKO), organized by the market operator, and broker platforms and the PXE for the forward market.
In 2007, ČEZ, a. s. contracted electricity on a one-year basis for 2008 through the PXE mainly through the so-called "compound product" (nearly 11 TWh), which was a two-year (2008/2009) product with a fixed supply price for 2008. This product was introduced by the exchange primarily as a temporary stay against the rapidly rising electricity price and its fixed price for 2008 of EUR 50.42/MWh ensured only a 12% year-on-year growth in price, while the price for 2009 was set fully on market principles. Another portion of the contracting volume was accomplished through standard exchange products (year, quarter, month).
ČEZ, a. s. continued to sell ancillary services primarily to ČEPS, a.s., the transmission grid operator, although we did supply these services in smaller volumes to a similar company in the Slovak Republic in 2007. ČEZ, a. s. is exposed to considerable competition in ancillary services, and as a result our share of the Czech market remains flat, at 63.2% in 2007 compared to 63.1% in 2006.

Development of the Power Industry Legislative Framework

In the power sector, the core legislative framework consists of the following:
- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act);
- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Atomic Energy Act),
- Act No. 406/2000 Sb. on Energy Management;
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Electricity Promotion Act).

No amendments to the above acts were passed in 2007 that would take effect in the same year. However, preparations did take place for a major amendment to the Energy Act, which is to enter the legislative process in 2008, and the amended act could come into force in late 2008. The aim of this amendment is to reflect real experience gained in operation of the emerging electricity market. At the same time, the amendment implements EU directives on energy effectiveness and efficiency as well as a directive on security of supplies. Last but not least, the amendment will cut some of the red tape involved in doing business in the power sector.

In 2007, the following lower-level regulations were promulgated that either implement the above acts or amend existing implementing regulations:
- Decree No. 363/2007 Sb. amending Decree No. 426/2005 Sb. on details of granting licenses to do business in the energy sectors;
- Decree No. 280/2007 Sb. implementing the provisions of the Energy Act regarding the Energy Regulation Fund and obligations beyond the license framework;
- Decree No. 150/2007 Sb. on how prices are regulated in the energy sectors and on price regulation procedures.

The following environmental protection regulations have a direct impact on the business of CEZ Group:
- Act No. 100/2001 Sb. on Environmental Impact Assessment and amending certain related acts;
- Act No. 185/2001 Sb. on Waste and amending certain acts;
- Act No. 254/2001 Sb. on Water and amending certain acts (the Clean Water Act);
- Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act);
- Act No. 76/2002 Sb. on Integrated Prevention and Mitigation of Pollution, on the Integrated Pollution Register and amending certain acts (the Integrated Prevention Act);
- Act No. 695/2004 Sb. on Conditions for Trading Greenhouse Gas Emission Allowances and amending certain acts;
- Decree No. 696/2004 Sb. stipulating procedures for determining, reporting, and verifying amounts of greenhouse gas emissions.

Some of the regulations listed above were amended in conjunction with the passage of Act No. 216/2007 Sb. amending Act No. 100/2001 Sb. on Environmental Impact Assessment and amending certain related acts, as amended, and Act No. 180/2007 Sb. amending Act No. 86/2002 Sb. on Air Protection and amending certain other acts, as amended.

The basic standards regulating the financial and commercial aspects of CEZ Group's activities are contained in Act No. 513/1991 Sb. (the Commercial Code) which saw no amendments take effect in 2007.

Economic competition is treated by Act No. 143/2001 Sb. on the Protection of Economic Competition and amending certain acts (the Economic Competition Protection Act), which was amended by Act No. 71/2007 Sb. amending Act No. 143/2001 Sb. on the Protection of Economic Competition and amending certain acts, as amended.

Public procurement is regulated by Act No. 137/2006 Sb. on Public Procurement, amended by Act No. 110/2007 Sb. on Certain Measures in the System of Central Government Agencies Relating to the Winding Up of the Ministry of Informatics and amending certain acts, as well as by the following related implementing regulations:

- Decree No. 304/2006 Sb. on translation of financial amounts stipulated by the Public Procurement Act in Euros into Czech currency and defining goods procured by the Czech Republic – Ministry of Defense subject to the financial limit stipulated in the Public Procurement Act;
- Decree No. 328/2006 Sb. stipulating a flat rate for costs of proceedings for reviewing an applicant's legal acts for the purposes of the Public Procurement Act;
- Decree No. 329/2006 Sb. stipulating more detailed requirements concerning electronic means of communication, electronic devices, and electronic legal acts in the course of public procurement;
- Decree No. 330/2006 Sb. on publishing tender announcements for the purposes of the Public Procurement Act.

A new development in energy legislation is the introduction of taxes on energy commodities: solid fuels, gaseous fuels, and electricity. The new taxes are governed by Act No. 261 dated 19 September 2007 on the Stabilization of Public Budgets, which was published in the Collection of Laws, Part 85, Year 2007, and the taxes themselves are specified in the separate parts 45–47 (part 45 specifies the tax on natural gas and certain other gases, part 46 specifies the tax on solid fuels, and part 47 specifies the tax on electricity). The act took effect on 1 January 2008.

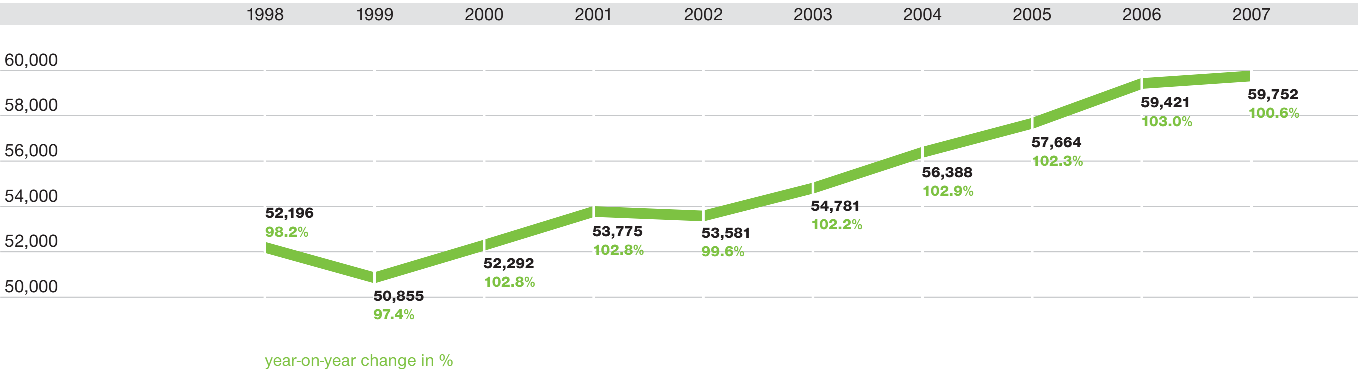
Specifically, there are three taxes: a tax on natural gas and certain other gases, a tax on solid fuels, and a tax on electricity. These three taken as a whole are referred to as "environmental taxes". There is no environmental tax on thermal energy or heat.

By instituting these taxes, the Czech Republic fulfilled its obligation to implement Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity, as amended. During the process of negotiating conditions for its accession to the European Union, the Czech Republic obtained an extension of the deadline for implementing this directive – to 1 January 2008.

Selected Indicators – Czech Republic

The bulk of CEZ Group's operations in the Central Europe segment are located in the Czech Republic.

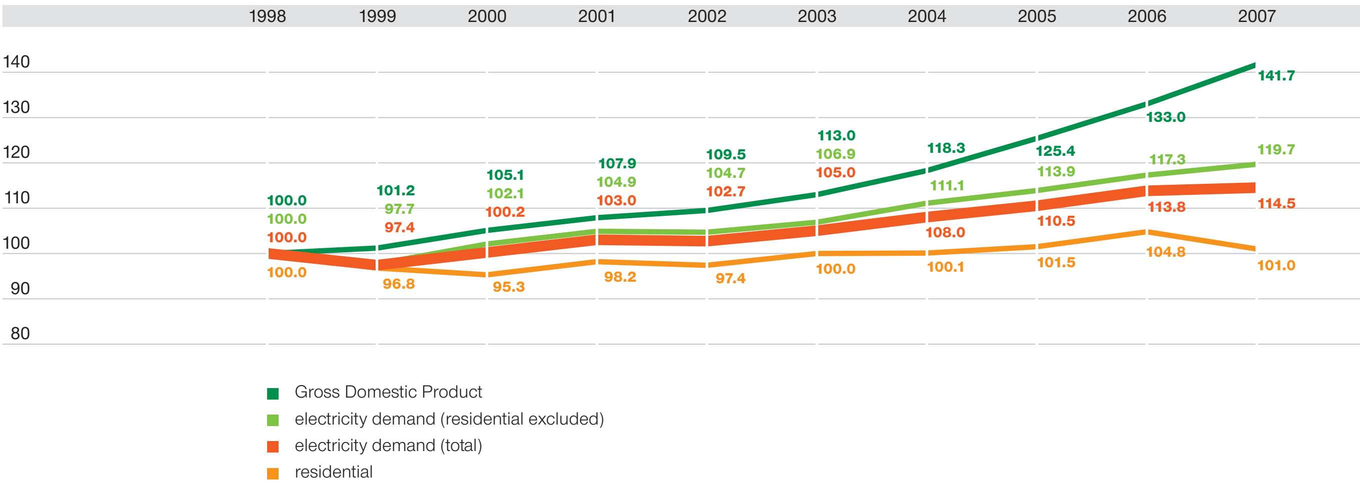
Electricity Demand in the Czech Republic (GWh)



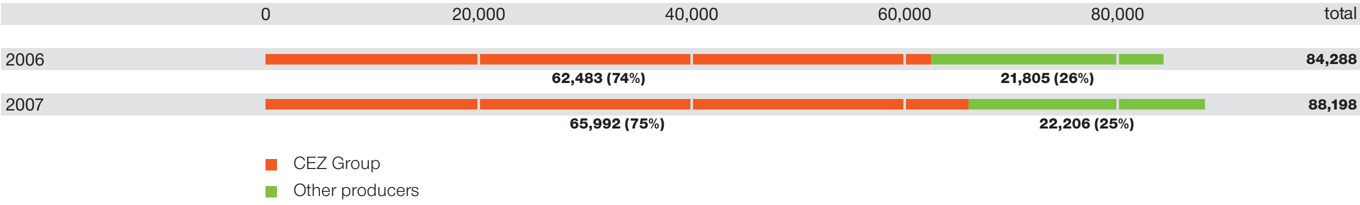
Electricity demand increased by 0.6% from 2006 to 2007. When both years are adjusted for weather variations, the growth was 1.5%.

Wholesale demand (including in-house consumption), which is essentially unaffected by meteorological conditions, grew by a total of 1,115 GWh, or 3.2%. Retail consumption, on the other hand, was down 696 GWh, or 3.0%, with retail commercial consumption down 143 GWh (1.8%) and residential consumption down 553 GWh (3.6%). The decline in retail demand was caused by higher average temperatures in the winter months of 2007. The average temperature in 2007 was 9.9°C, i.e. 2°C above the long-term average temperature (7.9°C) and 0.9°C above the average temperature in 2006.

Comparison of Czech Republic GDP and Electricity Demand Over Time (index 100% = 1998)



Power Production in the Czech Republic, Gross (GWh



CEZ Group in the Czech Republic – Electricity Procured and Supplied (GWh)

	2006	2007	Index 2007/2006 (%)
Electricity procured			
Produced in-house (gross)	62,483	65,992	105.6
In-house consumption, including pumping in pumped-storage plants	(6,098)	(6,025)	98.8
Supplied to customers	56,384	59,967	106.4
Purchased for distribution and sale	5,593	3,912	69.9
Electricity procured, total	61,977	63,879	103.1
Electricity consumed			
Sold to end customers	32,513	29,301	90.1
of which: sold to end customers in CEZ Group	2,917	2,578	88.4
Sold in the wholesale market (net)	26,436	31,541	119.3
Sold outside of CEZ Group in the Czech Republic	39,858	65,848	165.2
Purchased outside of CEZ Group in the Czech Republic	(13,422)	(34,307)	255.6
Grid losses	3,028	3,037	100.3
Electricity consumed, total	61,977	63,879	103.1

Republic of Poland

Business Environment in the Power Sector

CEZ Group's operations in Poland are focused on power production and trading and on supplying heat. Since May 2006, ČEZ, a. s. has owned two power companies, based in Poland – Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A. – operating black-coal and hydro power plants.

As of 31 October 2007, ČEZ, a. s. refinanced ELCHO's bank debt. The net present value of financing costs saved (i.e. the credit margin) is over CZK 187 million. Late in the year, we also paid and terminated the interest rate swaps associated with the loans.

CEZ Group's current CAPEX initiatives in Poland are focused, in particular, on developing renewable sources of energy and complying with long-term emission limits in existing plants. Production of electricity from renewable energy sources is supported by the introduction of "green certificates" and a requirement that sellers supply a set share of electricity from renewable sources (5% in 2007 and 7% in 2008), making investments in renewable sources more attractive. Poland has favorable conditions for the operation of wind power plants, especially in the north, where ČEZ, a. s. is involved in several projects for wind power plants as well as biomass production and combustion. We are also analyzing opportunities for building new power plants as well as privatization opportunities.

Poland's market is liberalized; all eligible customers have the option of switching to a different electricity supplier. In early 2008, wholesale electricity prices in Poland were still under the levels seen in Germany and the Czech Republic, but a gradual convergence is expected in the years to come. Long-term electricity supply contracts are to be done away with in 2008, which will help to increase market liquidity. Gradually, prices for end customers are being deregulated. The Polish regulator approved an average 11.6% growth in end customer prices in 2008, which improves conditions for investments in plant upgrades and development of the power sector.

Poland is gradually adopting legislation that complies with European Union directives. Generation, transmission, distribution, and sale of electricity have been legally separated from one another (unbundled). In autumn 2007, Poland issued a new energy master plan, accenting infrastructure development, security of supplies, support for domestic energy sources, as well as the construction of the country's first nuclear power plant by the year 2020.

CEZ Polska sp. z o.o.

This 100% subsidiary of ČEZ, a. s. is a management and service company based in Warsaw. Its primary aim is to provide management services to CEZ Group in the territory of Poland. Currently it is representing CEZ Group in the country and providing support to the acquisition team for possible additional acquisitions.

CEZ Trade Polska sp. z o.o.

This 100% subsidiary of ČEZ, a. s., this limited-liability company was formed in May 2007. It is based in Warsaw and its primary business is electricity trading in the territory of Poland. It holds a license for this activity and is replacing the ČEZ, a. s. organizational unit as of 1 January 2008.

CEZ Ciepło Polska sp. z o.o.

A company set up as a 100% subsidiary of ČEZ, a. s. in September 2007, it is based in Warsaw and prepared to implement new CEZ Group projects.

Federal Republic of Germany

CEZ Deutschland GmbH

CEZ Group has had a presence in Germany since 2001. Originally, the core business of CEZ Deutschland GmbH was electricity trading in the territory of Germany. In view of the market liberalization and streamlining of licensing conditions pertaining in Germany in 2007, only a portion of our electricity was traded through CEZ Deutschland GmbH. The rest was traded directly by ČEZ, a. s. CEZ Deutschland GmbH's role also includes providing support for potential acquisition activities in Germany.

Republic of Hungary

CEZ Hungary Ltd. (CEZ Magyarország Kft.)

The principal business of this Budapest-based 100% subsidiary of ČEZ, a. s., established in 2005, is electricity trading, for which it holds a license.

In late 2007, ČEZ, a. s. entered into a joint venture agreement with MOL. Under the agreement, each partner is to have an equal, 50%, stake in the stated capital and voting rights of the joint venture as well as equal decision-making/management powers over it. The joint venture will focus on production of electricity in gas-fired power plants, including related infrastructure, in countries of Central and Southeastern Europe – i.e., Hungary and Slovakia and, in the future, Croatia and Slovenia as well. The first major investment is the planned construction of two combined cycle gas turbine (CCGT) plants in MOL Százhalombatta Group refineries in Hungary and in the Slovnaft refinery in Bratislava, Slovakia. In both cases, the plants' installed capacity will be 800 MW. In addition, an existing plant in the Bratislava refinery will be upgraded and its capacity increased to 160 MW.

Slovak Republic

CEZ Slovensko, s.r.o.

The company was incorporated on 27 June 2007. Its primary business is electricity trading. As of 1 January 2008, this company took over the electricity trading remit from the ČEZ, a. s. organizational unit that had previously conducted these operations in Slovakia.

CEZ Group's operations in the Slovak Republic are also affected by the establishment of the joint venture with MOL NyRt., which will upgrade an existing plant and build a new one in the Slovnaft, a.s. refinery facility in Bratislava.

In late 2007, CEZ Group and the Slovak-based company U. S. Steel Košice, s.r.o. (a member of United States Steel Corporation) signed a Memorandum of Understanding that provides a framework for possible joint construction of a power plant in a production facility in Košice.

Kingdom of the Netherlands

CEZ Group has been active in the Netherlands since 1994, when CEZ Finance B.V. was established. Through that company, ČEZ, a. s. issued its international bonds prior to the Czech Republic's joining the European Union. Additional companies – CEZ Silesia B.V., CEZ Chorzow B.V. and CEZ Poland Distribution B.V. – were acquired by ČEZ, a. s. when it acquired stakes in the Polish power companies Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A., and ČEZ, a. s. took over this ownership model from the seller. In December 2007, two more companies were established: Transenergo International N.V. [1] and CEZ MH B.V. Both are based in Rotterdam. CEZ Group has no business operations in the Netherlands.

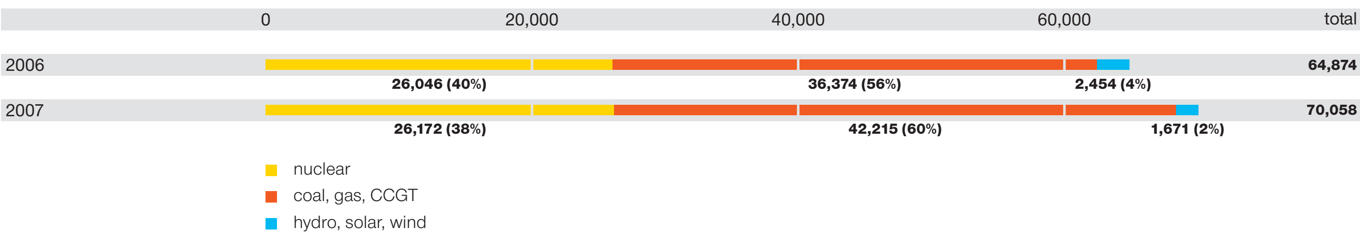
[1] In the books, Transenergo International N.V. is included in the Southeastern Europe segment due to its involvement in operations in the Russian Federation.

CEZ Group – Central Europe Segment – Power Production & Trading

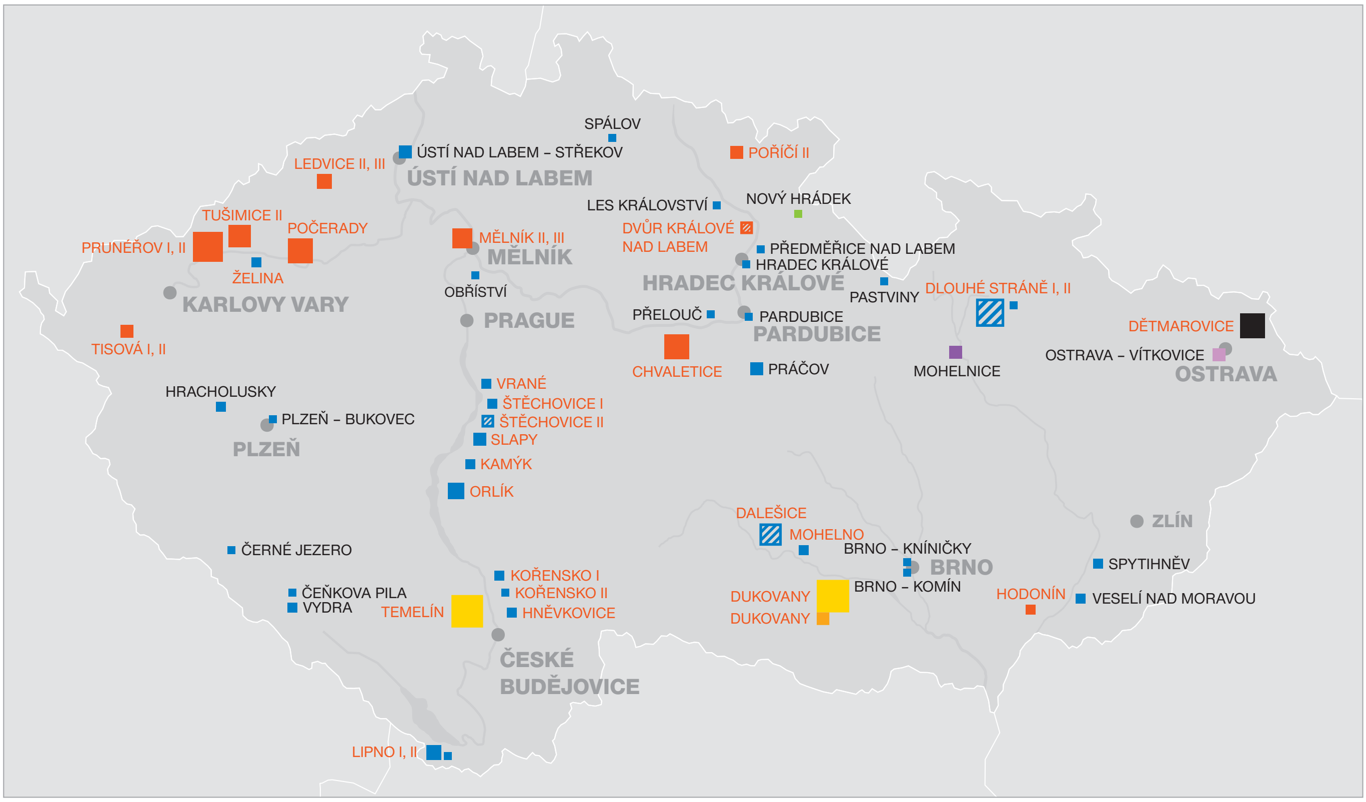
Power Production

70,058 GWh of electricity was produced in 2007, up 5,184 GWh (8%) year-on-year. Of this, growth in CEZ Group production in the Czech Republic was 3,509 GWh (5.6%), while production in Poland increased by 1,675 GWh (70%). This growth is due to the basis of comparison: the power plants in Poland were not included in the CEZ Consolidated Group until June 2006.

Power Production, Gross (GWh)



Location of CEZ Group Power Plants in the Czech Republic



- 2 nuclear
- 32 hydro
- 3 pumped storage
- 13 brown coal
- 1 power heating plant
- 1 black coal
- 1 wind
- 1 solar
- 1 black coal and coking gas
- 1 combined cycle

Name in orange letters = owned by ČEZ, a. s.
Name in black letters = owned by other CEZ Group members

Location of CEZ Group Power Plants in Poland

- 2 black coal
- 1 hydro

Installed Capacity at 31 December 2007

Installed capacity in the Central Europe segment totaled 13,032 MW at 31 December 2007. Of this amount, 12,302 MW was in the Czech Republic (nuclear 3,760 MW, coal 6,604 MW, CCGT and gas 4 MW, hydro 1,932 MW, wind 2 MW, and solar 0.01 MW) and 730 MW was in the Republic of Poland (coal 728 MW and hydro 2 MW).

List of Generating Plants

Nuclear Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2007	Year commissioned
Dukovany	ČEZ, a. s.	4 x 440	1985–1987
Temelín	ČEZ, a. s.	2 x 1,000	2002–2003
Nuclear power plants, total		3,760	x

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at 31 December 2007	Year commissioned	Desulfurized since
Mělník II	ČEZ, a. s.	brown coal	2 x 110	1971	1998
Mělník III	ČEZ, a. s.	brown coal	1 x 500	1981	1998
Tisová I	ČEZ, a. s.	brown coal	3 x 57; 1 x 12.8	1959–1960	1996–1997
Tisová II	ČEZ, a. s.	brown coal	1 x 112	1961	1997
Poříčí II	ČEZ, a. s.	black coal brown coal	3 x 55	1957–1958	1996, 1998
Dvůr Králové nad Labem	ČEZ, a. s.	brown coal	1 x 6.3; 1 x 12	1955, 1963	1997
Dětmarovice	ČEZ, a. s.	black coal brown coal	4 x 200	1975–1976	1998
Chvaletice	ČEZ, a. s.	brown coal	4 x 200	1977–1978	1997, 1998
Ledvice II	ČEZ, a. s.	brown coal	2 x 110	1966	1996
Ledvice III	ČEZ, a. s.	brown coal	1 x 110	1968	1998
Tušimice II	ČEZ, a. s.	brown coal	4 x 200	1974–1975	1997
Počerady	ČEZ, a. s.	brown coal	5 x 200	1970–1971, 1977	1994, 1996
Hodonín	ČEZ, a. s.	lignite	1 x 50; 1 x 55	1954–1958	1996–1997
Prunéřov I	ČEZ, a. s.	brown coal	4 x 110	1967–1968	1995
Prunéřov II	ČEZ, a. s.	brown coal	5 x 210	1981–1982	1996
Ostrava – Vítkovice	Energetika Vítkovice, a.s.	black coal	2 x 16; 1 x 25; 1 x 22	1983–1995	x
ELCHO	Elektrociepłownia Chorzów ELCHO sp. z o.o.	black coal	2 x 119,2	2003	x
Skawina	Elektrownia Skawina S.A. [1)]	black coal	4 x 110; 1 x 50	1957	x
Coal-fired power plants, total		x	7,332	x	x

[1)] 100 MW taken off-line in 2007 (liquidation of two 50 MW turbines).

CCGT and Gas-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at 31 December 2007	Year commissioned
Mohelnice	Energetika Vítkovice, a.s.	natural gas	1 x 4	1988
CCGT and gas-fired power plants, total		x	4	x

Hydro Power Plants

a) Accumulation and run-of-river power plants

Plant	Owner	Installed capacity (MW) at 31 December 2007	Year commissioned
Lipno I	ČEZ, a. s.	2 x 60	1959
Orlík	ČEZ, a. s.	4 x 91	1961–1962
Kamýk	ČEZ, a. s.	4 x 10	1961
Slapy	ČEZ, a. s.	3 x 48	1954–1955
Štěchovice I	ČEZ, a. s.	2 x 11,25	1943–1944
Vrané	ČEZ, a. s.	2 x 6.94	1936
Střekov	ČEZ Obnovitelné zdroje, s.r.o.	3 x 6.5	1936
Accumulation and run-of-river power plants, total		724	x

b) Small-scale hydro power plants

Plant	Owner	Installed capacity (MW) at 31 December 2007	Year commissioned
Lipno II	ČEZ, a. s.	1 x 1.5	1957
Hněvkovice	ČEZ, a. s.	2 x 4.8	1992
Kořensko I	ČEZ, a. s.	2 x 1.9	1992
Kořensko II	ČEZ, a. s.	1 x 0.94	2000
Mohelno	ČEZ, a. s.	1 x 1.2; 1 x 0.56	1977, 1999
Dlouhé Stráně II	ČEZ, a. s.	1 x 0.16	2000
Želina	ČEZ, a. s.	2 x 0.315	1994
Přelouč	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.68; 2 x 0.49	1927, retrofit 2005
Spálov	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.2	1926, retrofit 1999
Hradec Králové	ČEZ Obnovitelné zdroje, s.r.o.	3 x 0.25	1926
Práčov	ČEZ Obnovitelné zdroje, s.r.o.	1 x 9.75	1953, retrofit 2001
Pastviny	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3	1938, retrofit 2003
Obříství	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.679	1995
Les Království	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.06	1923, retrofit 2005
Předměřice nad Labem	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.1	1953
Pardubice	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.96	1978
Spytihněv	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.3	1951
Brno – Kníničky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3.1	1941
Brno – Komín	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.106	1923
Veselí nad Moravou	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.12; 1 x 0.15	1914, 1927
Vydra	ČEZ Obnovitelné zdroje, s.r.o.	2 x 3.2	1939
Hracholusky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.55	1964
Čeňkova Pila	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.09	1912
Černé jezero	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.5; 1 x 0.04; 1 x 0.37	1930, 2004, 2005
Plzeň – Bukovec	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.315	2007
Skawina/Skawinka	Elektrownia Skawina S.A.	1 x 1.6	1961
Small-scale hydro power plants, total		65	x

c) Pumped-storage hydro power plants

Plant	Owner	Installed capacity (MW) at 31 December 2007	Year commissioned
Štěchovice II	ČEZ, a. s.	1 x 45	1947–1949, retrofit 1996
Dalešice	ČEZ, a. s.	4 x 112.5	1978
Dlouhé Stráně I	ČEZ, a. s.	2 x 325	1996
Pumped-storage hydro power plants, total		1,145	x
Hydro power plants, total		1,934	x

Wind Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2007	Year commissioned
Nový Hrádek [1)]	ČEZ Obnovitelné zdroje, s.r.o.	4 x 0.4	2002
Wind power plants, total		1.6	x

[1)] Not in operation, awaiting equipment overhaul.

Solar Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2007	Year commissioned
Dukovany	ČEZ, a. s.	0.01	1998, 2003
Solar power plants, total		0.01	x

Electricity Generation Outlook

The main initiatives relating to electricity generation in the Czech Republic are focused on the ability of ČEZ, a. s. to maintain its production capacity over the long term. These initiatives include improving the technical parameters of the Dukovany and Temelín Nuclear Power Stations as well as retrofitting our coal-fired power plants. The program at Dukovany Nuclear Power Station involves increasing the achievable capacity of each generating unit by over 40 MW (i.e. total capacity increase of more than 160 MW) and, further, creating technical conditions for extending the plant's useful life by up to 20 years.

Within five years, ČEZ, a. s. will increase output from its nuclear plants by 19% through technological innovations enabling a 4–5% increase in capacity and by shortening the duration of refueling outages.

In coal-fired plants, 2008 will see the continuation of the already ongoing retrofit of the 4 x 200 MW Tušimice II Power Station (retrofits of Units 3 and 4) as well as the already ongoing construction of a new generating unit in Ledvice (1 x 660 MW). We are also preparing for the retrofit of Prunéřov II Power Station (3 x 250 MW) and the construction of a new unit in Počerady (1 x 660 MW). Late 2007 saw approval of a business plan for an 880 MW combined cycle plant in Počerady and conditions for construction of combined cycle plants in other locations in the Czech Republic are being analyzed.

At the international level, CEZ Group is focusing on three areas of power production:

1) complying with environmental standards in the newly acquired plants (flue gas desulfurization in Skawina);
2) acquiring additional generating facilities in Central Europe;
3) building new generating facilities.

Fuel

Nuclear Fuel

Fuel for Dukovany Nuclear Power Station is sourced under a long-term contract with Russia-based OAO TVEL, which not only fabricates the fuel, but also provides conversion and enrichment services as well as some of the base raw material (uranium). In 2007, an improved version of the second-generation fuel with an optimized enrichment profile was supplied and is gradually being loaded into the individual reactors. A license has been obtained to use the new fuel in all the reactors. Together with the Russian side and, concurrently, with the Czech organizations Ústav jaderného výzkumu Řež a.s. and ŠKODA JS a.s., development work continued on license documentation for introducing further modifications to the second-generation fuel.

At Temelín Nuclear Power Station, supplies of modified fuel assemblies from Westinghouse Electric Company LLC (USA) are continuing. Operational experience gained from the use of fuel assemblies based on the modern ZIRLO™ alloy, which provides higher dimensional stability, confirm the expected improvement in how the fuel assemblies behave in the active zone. The last supplies of fuel from Westinghouse Electric Company LLC for Units 1 and 2 are planned for 2009 and 2010 respectively. In later years, fuel will be supplied by OAO TVEL, with which ČEZ, a. s. has signed a contract for supplies of fuel after 2010. In accordance with the contract, in 2007 OAO TVEL implemented a development program, which will continue in 2008. The program includes building of a fuel assembly and subsequent safety analyses.

Uranium and its processing (conversion and enrichment services) are sourced under long-term contracts, most of which were entered into before 2004, i.e. before market prices went up. Approximately one third of the total need for uranium is sourced from the domestic producer DIAMO, s. p., and the rest from international suppliers and, in the case of Dukovany Nuclear Power Station, ready-made in the form of fuel components from OAO TVEL. Thus, nuclear fuel sources are diversified.

Solid Fossil Fuels and Sorbents

Fuel supplies for ČEZ, a. s. coal-fired power plants in 2007 were dominated by brown coal (29.6 million tons, 94%). Black coal was supplied in a total volume of 1.6 million tons (5%). In addition, 253,000 tons of biomass was supplied (1%). The largest suppliers of power generation coal to ČEZ, a. s. include Severočeské doly a.s., Czech Coal a.s., Sokolovská uhelná, právní nástupce, a.s. (brown coal) and OKD, a.s. (black coal). In 2007, 7,252,000 tons of power generation coal was conveyed by rail to power plants not located in the immediate vicinity of coal mines. In addition, 1,232,000 tons of sorbents were supplied. Sorbents are used in the flue gas desulfurization process.

Long-term contracts are in effect with Severočeské doly a.s. (agreement on future purchase agreements; valid until 2052) and Sokolovská uhelná, právní nástupce, a.s. (purchase agreement; valid until 2027). A Cooperation Agreement has been signed with Mostecká uhelná a.s. under which a long-term purchase contract for supplies of coal is to be negotiated. Currently, these negotiations have been suspended and compliance by Mostecká uhelná a.s. with the Cooperation Agreement, i.e. by entering into the long-term purchase contract with ČEZ, a. s., is being sought through the courts.
Medium term purchase contracts have been signed with Severočeské doly a.s. for the years 2006–2010, Czech Coal a.s. for 2006–2012, Sokolovská uhelná, právní nástupce, a.s. for 2005–2009, and Lignit Hodonín, s.r.o. for 2005–2010.
Coal from OKD, a.s., GEMEC - UNION a.s., and Polish coal suppliers is purchased under one-year contracts. The principal supplier of black coal for the ELCHO Power Station in Poland is Katowice-based Kompania Węglowa S.A. (approximately 800,000 tons per year), under a long-term contract. Skawina Power Station is supplied by three key power generation coal suppliers – two business companies (Kompania Węglowa S.A. and Katowicki holding Węglowy S.A.) and the Budryk Mine. Skawina Power Station also uses lower-quality secondary fuels from two other suppliers. Supplies take place on the basis of one-year contracts and purchase orders. In addition, biomass accounts for 10% of Skawina Power Station's power output.

Electricity Trading Outside of the Czech Republic

The overall balance of supply and demand in Central Europe and related price growth and availability of cross-border transmission capacities has led to an ongoing shift in export flows from West to East, i.e. mostly to the Slovak Republic and the Republic of Hungary. In 2007, Czech Republic exports exceeded imports by 16.6 TWh (at the transmission system level), with supplies to Germany totaling 11.1 TWh (up 1.7% year-on-year) and trades to the East at 6.5 TWh (up 317% year-on-year).
ČEZ's own electricity was not used to cover 2008 contracts in most international markets, due to the price risk associated with cross-border transmission fees. Thus, all electricity generated in the Czech Republic was sold in the Czech Republic through the Prague Energy Exchange with one exception: small supplies to the Slovak Republic, both wholesale and for end customers. In the Polish market, 2008 contracts were signed primarily for supplies from the ELCHO and Skawina Power Stations.

Provision of Ancillary Services Outside of the Czech Republic

In Poland, the ELCHO and Skawina Power Stations supply ancillary services to the national transmission grid operator.

Electricity and Heat Trading in Central Europe

CEZ Group continues to reinforce its position in the markets of Central Europe and is an active trader in the Czech Republic, Austria, Germany, Poland, Hungary, and Slovakia. To support our business activities in Germany, Poland, Hungary, and Slovakia we utilize a network of international business representations that are organized either as organizational units or subsidiaries owned by ČEZ, a. s. The parent company continues to trade actively in the German market, utilizing it for short-term sales and purchases to optimize the portfolio. ČEZ, a. s. and its representational entities conduct similar operations in all other markets in the region as well. ČEZ, a. s. trades in electricity through transparent markets – i.e. primarily the EEX in Western Europe, the PXE in Central Europe, and electronic brokerage platforms. 2007 confirmed that overall available capacity in Central Europe is declining, which together with rising demand is gradually bringing nearer the time when capacity reserves will be exhausted. Of course, the price is reacting to this development, with significant price increases seen throughout the region.

Electricity Sales

Net electricity sales (i.e. sales to end customers + wholesale balance, excluding the Power Production and Trading segment) were up 6.6 TWh year-on-year, to a total of 36.0 TWh. 5.1 TWh of the incremental growth amount is attributable to increased production in ČEZ's own power plants and 1.5 TWh to the balance of intrasegment trades within CEZ Group. The higher trading activity (purchase and sale of electricity, particularly in international markets) did not result in overall sales growth.

Heat

Sales of Heat (TJ)

Area	2006	2007	Index 2007/2006 (%)
Czech Republic	9,443	10,595	112.2
Republic of Poland	1,831 *)	4,938	269.7
Sales of heat, total	11,274	15,533	137.8

*) Values for 2006 are only for the period in which the plants were part of CEZ Group.

Supplies of heat totaled 15,533 TJ, a year-on-year increase of 4,259 TJ (37.8%). This increase includes both a new acquisition in 2007 – ČEZ Teplárenská, a.s., which supplied 1,805 TJ, and the power plants in Poland, which generated 4,938 TJ of heat in 2007. The ELCHO Power Station supplied 2,368 TJ to the cities of Katowice, Chorzów, Siemianowice Śląskie and Świętochłowice. Compared to 2006, heat sales fell by 6%, due in particular to weather-related factors, building insulation, and competition from gas-generated heat. The Skawina Power Station supplied 2,570 TJ to the cities of Cracow and Skawina. The 4% increase in sales from 2006 was caused by an increase in supplies of hot water in the summer months.

CO_2 Emission Allowances

ČEZ, a. s. actively trades in EUA and CER/ERU emission allowances, with regard to price developments and the needs of its power plants. Trading in the allowances takes place through the ECX (futures trading), PowerNext (spot trading), and bilateral contracts.

2007 was the last year of the first three-year allocation period (NAP I) within the European Union Emission Trading Scheme (EU ETS) and the year was characterized by a sustained fall in the market price of allowances for this allocation period, to just several Euro cents per allowance (under CZK 10). This decline was caused by expectation of a surplus for this allocation period, yet it had no negative impact on CEZ Group financial performance results, as the anticipated surplus had already been sold, at higher prices, in 2006.

Based on the substantial reduction in allowance volumes sought for the second allocation period (2008–2012) in nearly all countries participating in the system, the situation described is not likely to be repeated. This is confirmed by a stable price and expectations of growth.

CEZ Group – Central Europe Segment – Distribution & Sale

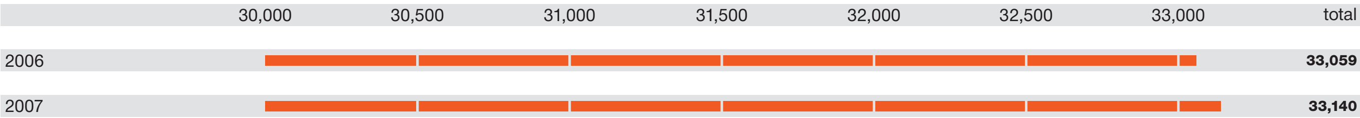
Electricity Sales

In the Czech Republic, electicity for final consumption is sold by the fully integrated company ČEZ Prodej, s.r.o., which sold 28.4 TWh of electricity (2.6 TWh of which was in CEZ Group). In year-on-year terms, this is a 3.2 TWh (or 2.9 TWh outside CEZ Group) reduction in sales, due in particular to increasing competition in the liberalized market. The market share of ČEZ Prodej, s.r.o. at year end 2007 was 45%.

Electricity Distribution

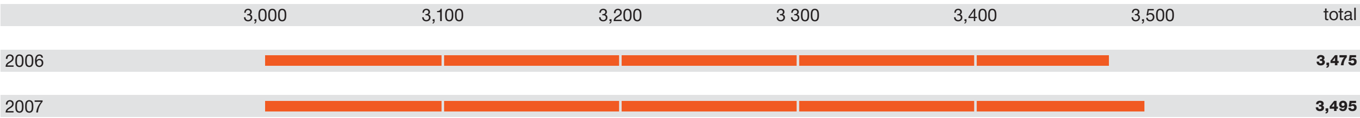
In the Czech Republic, CEZ Group distributes electricity through the company ČEZ Distribuce, a. s.

Central Europe – Electricity Distributed to End Customers (GWh)



Total volume of electricity distributed to end customers in the Central Europe segment was 33.1 TWh, up 0.1 TWh (0.2%) from the previous year.

Central Europe – Number of Connection Points (thousands)



CEZ Group – Central Europe Segment – Electricity Procured and Supplied

CEZ Group – Central Europe Segment – Electricity Procured and Supplied (GWh)

	2006	2007	Index 2007/2006 (%)
Electricity procured			
Produced in-house (gross)	64,874	70,058	108.0
In-house and other consumption, including pumping in pumped-storage plants	(6,341)	(6,449)	101.7
Supplied to customers	58,533	63,609	108.7
Purchased for distribution and sale	5,990	4,267	71.2
Electricity procured, total	64,522	67,877	105.2
Electricity consumed			
Sold to end customers	32,513	29,301	90.1
of which: sold to end customers in CEZ Group, including sales to cover grid losses	2,917	2,578	88.4
Sold in the wholesale market (net)	28,981	35,539	122.6
Sold outside of Central Europe segment	42,613	71,000	166.6
Purchased outside of Central Europe segment	(13,632)	(35,461)	260.1
Grid losses	3,028	3,037	100.3
Electricity consumed, total	64,522	67,877	105.2

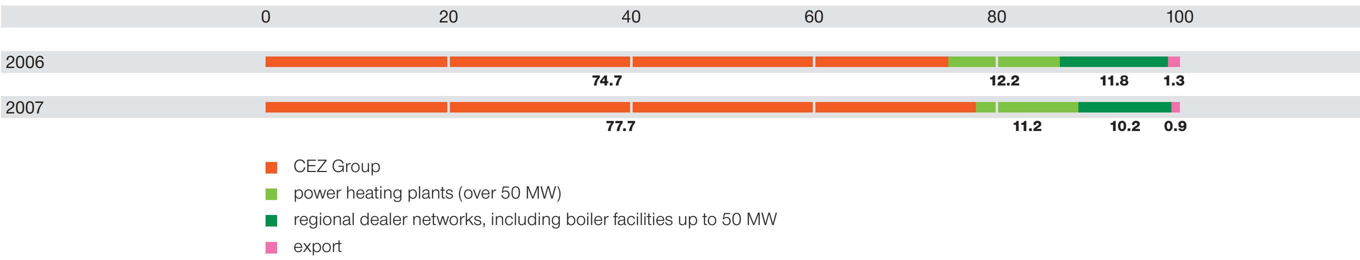
CEZ Group – Central Europe Segment – Mining

CEZ Group's brown coal mining operations are realized by Severočeské doly a.s., the largest Czech brown coal mining company. In 2007, our market share in the Czech Republic reached 47.8% (up 1.9 percentage points year-on-year) and net coal extraction volume was 23.6 million tons.
Mining at Nástup Tušimice Mines took place in the Libouš area, where 14.3 million tons of coal was extracted, 14.3 million tons of which was destined for ČEZ, a. s. power plants. The coal's heat content is 11.1 MJ/kg. Mining activity in this area has been permitted for the period 2006–2015. In 2010 a new permit application will be filed, to cover the period up until coal reserves are exhausted, i.e. until 2030. As of 31 December 2007, the Tušimice mining area held 285.8 million tons of extractable coal reserves.
Bílina Mines achieved record extraction volume of 9.2 million tons, 3.9 million tons of which was fired in ČEZ power plants. The coal's heat content ranges from 10.5 to 18 MJ/kg. A permit issued in 2004 for mining activity at Bílina Mines is valid until 2010 or until the borders stipulated in the permit are reached, whichever comes sooner. In 2007, preparatory work was conducted on documentation necessary to file a permit application for continued mining activity. Extractable coal reserves total 202.2 million tons. Given the environmental/territorial limits on mining set in 1991, Bílina is to be mined out in 2030–2032.

Coal Sales

A total of 23.6 million tons of coal was sold in 2007, up 1.1 million tons from 2006. Sales in the Czech Republic market (outside of CEZ Group) were down 0.3 million tons year-on-year, to 5.1 million tons, while purchasing by CEZ Group power plants was up 1.5 million tons to 18.3 million tons on increased generation at coal-fired power plants. In 2007, 0.2 million tons of coal was exported – that is 0.1 million tons less than in 2006.

Coal Sales by Customer (%)



Outlook

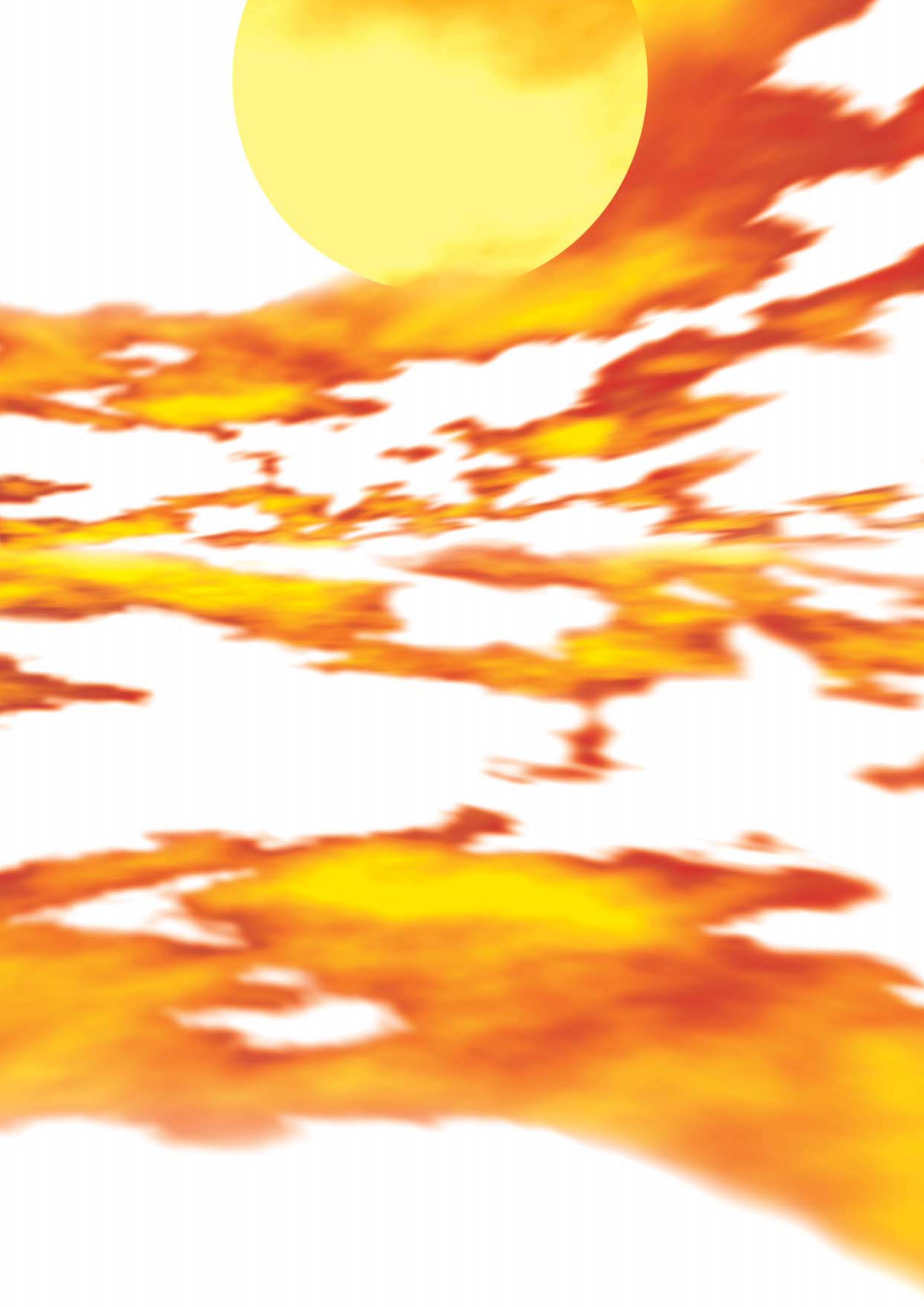
As of 31 December 2007, Severočeské doly a.s. had a total of 488.0 million tons of extractable coal reserves. In 2008, coal extraction volume is projected to fall to approximately 23 million tons, with qualitative parameters similar to those seen in 2007. Of this total, Nástup Tušimice Mines is to account for 13.5 million tons and Bílina Mines for the remaining 9.5 million tons. The bulk of sales will be to the parent company, ČEZ, a. s., with the remainder destined for power heating plants, independent electricity producers, and sorted coal for retail sale.

CEZ Group – Central Europe Segment – Other

In the Central Europe segment, the "Other" category consists of companies that play substantive roles in CEZ Group as a whole, such as overseeing new CAPEX projects, providing IT services, asset management, logistics, truck transport, repairs and maintenance, and others.

30-Year Weather Forecast

In Japan, they have created a computer that does 35.6 trillion operations per second. Using it, they can simulate even complex atmospheric phenomena. According to the research team that helped create this computer, it could be able to calculate, and thus predict, various natural disasters – from floods and hurricanes to droughts – on a global scale. At the same time, it should be able to predict the weather for any given location up to 30 years in advance and estimate the rate at which the Earth will warm over the next 300 years.



CEZ Group – Southeastern Europe Segment

The Southeastern Europe segment encompasses consolidated companies with seats in the Republic of Bulgaria, Romania, Kosovo, Republic of Serbia, Republika Srpska in Bosnia and Herzegovina, the Russian Federation, and Ukraine.

Key Figures by Business Area, Southeastern Europe Segment

	Units	Power Production & Trading		Distribution & Sale		Other		Eliminations		Consolidated	
		2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Sales other than intersegment sales	CZK millions	675	3,937	22,480	25,353	–	55	(4)	(190)	23,151	29,155
Intersegment sales	CZK millions	–	150	20	145	336	2,264	(352)	(2,369)	4	190
Total revenues	CZK millions	675	4,087	22,500	25,498	336	2,319	(356)	(2,559)	23,155	29,345
EBITDA	CZK millions	69	273	4,105	4,056	(1)	7	–	(2)	4,173	4,334
EBIT	CZK millions	24	(131)	2,253	2,161	(11)	(43)	–	–	2,266	1,987
Capital expenditure	CZK millions	28	53	2,375	3,168	167	140	(90)	(98)	2,480	3,263
Employee head count at December 31	persons	872	804	7,450	5,490	201	1,839	–	–	8,523	8,133

In 2007, ČEZ, a. s. further expanded its business operations in Southeastern Europe and is gradually increasing the volume of electricity it trades in the region. Through our trade representations, we participate actively in auctions for cross-border transmission capacities as well as auctions to supply electricity in various countries. Currently, we have three trade representations in the region: CEZ Trade Bulgaria EAD, CEZ Trade Romania S.R.L., and CEZ Srbija d.o.o. The markets of Southeastern Europe are continuing in their transformation and are characterized primarily by bilateral trades as well as auctions. Nonetheless, business growth is conditional upon the speed of transformation and the emergence of rules for trading in these markets. CEZ Group is actively involved in the drafting of market rules in the various countries.
In Bulgaria, Varna Power Station is also a provider of ancillary services.

Republic of Bulgaria

Officially, the end customer market in Bulgaria was opened up to competition as of 1 July 2007. In practice, however, most consumers remain in the market's regulated segment, in which electricity is supplied at regulated prices. For the time being, the price of electricity in Bulgaria is below the levels seen in surrounding countries; nevertheless, in mid-2007 the price applicable mainly to large customers jumped by over 15%. Bulgaria remains a net exporter of electricity despite the outage of 2 x 440 MW at the Kozloduy Nuclear Power Station. Plans are going forward for the construction of the Belene Nuclear Power Station with installed capacity of 2 x 1,000 MW. Renewable energy sources are another important area, with a rapidly rising number of projects, especially for wind power plants.
CEZ Group has electricity generation, distribution, and sales operations in Bulgaria. TEC Varna EAD operates in the regulated segment (contract for 3 x 200 MW of cold reserves and generation for regulated consumers) as well as in the unregulated market. CEZ Group distribution company distributes electricity to approximately 40% of the country's end customers.
On 3 January 2007, CEZ Group complied with the unbundling conditions laid down by Directive 2003/54/EC.

Elektrorazpredelenie Stolichno AD
Elektrorazpredelenie Sofia Oblast AD
Elektrorazpredelenie Pleven AD

The planned merger of three distribution companies in Bulgaria was implemented in 2007. On 2 November 2007, the companies Elektrorazpredelenie Pleven AD and Elektrorazpredelenie Sofia Oblast AD were dissolved without liquidation and all of their assets passed to the legal successor, Elektrorazpredelenie Stolichno AD. The merger itself had no effect on the stated capital, number of shares, or shareholder structure.
On 29 January 2008, the company's name was changed to CEZ Razpredelenie Bulgaria AD.

CEZ Bulgaria EAD

Established in 2005, this 100% subsidiary of ČEZ, a. s. is a management and service company with its seat in Sofia. Its primary mandate is to provide the CEZ Group with management support services in the territory of Bulgaria. At the same time, it comprehensively represents CEZ Group in the country and provides support to the acquisition team for possible future acquisitions. In 2007, the company expanded the range of shared and support services it provides.

CEZ Elektro Bulgaria AD

This sales company was established as a joint stock company owned by ČEZ, a. s. (67%) and the Republic of Bulgaria (33%). It was established in 2006 with its seat in Sofia. The company was established in order to comply with unbundling requirements. In 2007, post-unbundling, the company began selling electricity to end customers, at regulated prices. As the company also holds an electricity trading license, it can also sell electric power to customers in the unregulated market.

TEC Varna EAD

In October 2006, ČEZ, a. s. acquired a 100% stake in the coal-fired Varna Power Station. In 2007, the plant set a record, generating more electricity than at any time in the past 13 years.

CEZ Trade Bulgaria EAD

This 100% subsidiary with its seat in Sofia obtained an electricity trading license in 2005. The license is valid for 10 years.

CEZ Laboratories Bulgaria EOOD

This 100% subsidiary was formed as a limited-liability company in order to comply with the legislative requirement that activities related to electric meter certification be separated from distribution and purchasing of electric meters. This separation is part of the unbundling process. The company was established in 2006 with its seat in Sofia. It continued operating in 2007 and prepared to obtain an electric meter certification license from the Bulgarian National Centre of Metrology.

Romania

Business Environment in the Power Sector

CEZ Group has had operations in Romania since 2005. These operations encompass electricity distribution, sale, and trading. We serve 1.4 million customers here, supplying them 3.9 TWh of electricity per year. We see a number of attractive business opportunities in the Romanian market, particularly in the field of generation. CEZ Group is analyzing several projects in the renewable energy sources area, including wind farms and biomass combustion.

The Romanian power sector is in a transformative period and is rapidly approaching the model commonly seen in other European Union countries. Specific functions are being legally separated from one another (unbundled) and partially privatized. The bulk of production assets is concentrated in three State-owned companies by type of fuel – Nuclearelectrica, Termoelectrica, and Hidroelectrica. The production sector is opening up to foreign investment, typically in the form of joint ventures with a local partner. The transmission grid is operated by Transelectrica. The distribution segment is by far the most open – three regions are served by the State-owned Electrica, and the remaining five have already been privatized into the hands of foreign investors. Regulatory activity is conducted by ANRE. In 2007, the Government of Romania announced a plan to create a national champion – an integrated power producer with a balanced portfolio and an electricity distributor, which is to be formed by consolidating existing electric power assets.

The electricity market is in a period of transition, moving rapidly toward liberalization. Approximately 40% of customers are eligible; the remaining 60% are regulated. A considerable portion of production is traded over newly formed trading platforms in the form of one-day or one-year contracts. The electricity market is organized by the company OPCOM. Romania supports production of electricity from renewable sources of energy through a so-called “feed-in tariff” and “green certificates”. In mid-2008, a national energy strategy is to be approved, which will add further support for renewable sources of energy and determine how cogen will be supported. With its accession to the European Union, Romania became a member of the European Union Emission Trading Scheme (EU ETS) and approved the plan for LCPD compliance (regulation of SO_x, NO_x and solid particle emissions).

After completing a feasibility study, ČEZ will decide whether to participate in the construction and financing of Units 3 and 4 of the Cernavodă Nuclear Power Station. It is one of six partners chosen on 8 November 2007 in a tender by the State-owned Societatea Națională “Nuclearelectrica” - S.A.

Cernavodă is the only Romanian nuclear power plant. Both currently functioning units, the second of which was put into commercial operation in October 2007, are equipped with a Canadian Candu 6 heavy water reactor and each of the units has a gross installed capacity of 700 MW (total of 1,400 MW for the plant as a whole).

In 2007, ČEZ, a. s. also entered a tender to upgrade a 535 MW power plant and possibly build new generating facilities in Galați, as well as a tender to build a new 400–500 MW gas- or black coal-fired generating unit in Borzeşti.

In March 2007, the company CEZ Vanzare S.A. was split off from Electrica Oltenia S.A. The former will continue to sell electricity. Electrica Oltenia S.A. was renamed CEZ Distributie S.A. and is dedicated to distribution. Its stated capital and nominal share value were reduced in the split-off, which satisfied the unbundling requirements stipulated by Directive 2003/54/EC.

CEZ Romania S.R.L.

The primary task of this 100% subsidiary of ČEZ, a. s., based in Bucharest, is to provide management support services to CEZ Group in Romania. At the same time, it comprehensively represents CEZ Group in this territory and supports the acquisition team in preparing for possible future acquisitions.

CEZ Vanzare S.A.

This company was established on 15 March 2007 by split-off from Electrica Oltenia S.A. Its primary business is sale of electricity and its seat is in Craiova.

CEZ Servicii S.A.

CEZ Servicii S.A. was formed on 16 May 2007 and is based in Piteşti. It principal business is the provision of shared services, together with CEZ Romania S.R.L., for CEZ Group companies in Romania, in the scope agreed with the minority shareholders of CEZ Distributie S.A., CEZ Vanzare S.A., and CEZ Servicii S.A., i.e. the companies Electrica S.A. and Fondul Proprietatea S.A.

CEZ Trade Romania S.R.L.

CEZ Trade Romania S.R.L. was established on 26 March 2007 with its seat in Bucharest. Its principal business is electricity trading, for which it has obtained the necessary license.

Russian Federation

ZAO TransEnergo

In the Russian Federation, ČEZ, a. s. owns a 100% stake in the Moscow-based company ZAO TransEnergo. We also plan to establish new companies in conjunction with new acquisitions.
CEZ Group's business activities here are expected to develop further during 2008, with the beginning of implementation of projects planned in cooperation with the Moscow city government.
A decision of the Moscow city government gave ČEZ, a. s., together with our Russian subsidiary ZAO TransEnergo, an opportunity to carry out the construction and long-term operation, including financing, of a CCGT power plant with an installed capacity of approximately 600 MW. In addition to electricity, the plant, which is located close to the city center in Industrial Zone No. 11 "Ogorodniy proyezd – Novomoskovskaya", is also to supply hot water to the city's centralized distribution system. Late 2007 saw commencement of pre-project preparation as well as negotiations on contract documents that will be entered into with Moscow city institutions.

Kosovo

New Kosovo Energy L.L.C.

This 100% subsidiary was established in the form of a limited-liability company with its seat in Prishtina. The company was established in 2006 to develop business activities in Southeastern Europe.
A consortium consisting of ČEZ, a. s. and the U.S. power company AES submitted prequalification documents and expressed interest in building a new generating facility, upgrading an existing power plant, and developing an adjoining mine in Kosovo.
Effective 30 October 2006, ČEZ, a. s. obtained a license to trade in electricity in the territory of Kosovo and the Company engaged in electricity trades in Kosovo during 2007.

Republic of Serbia

CEZ Srbija d.o.o.

This limited-liability company is a 100% subsidiary set up primarily for acquisition activities, creating conditions and laying groundwork for electricity trading, and preparing a structure to support and roll out new acquisitions and projects. The company was formed in 2006 and is based in Belgrade. In 2007, the company substantially developed its electricity trading operation.

Bosnia and Herzegovina

NERS d.o.o.

This company was established as a limited-liability company in which ČEZ, a. s. holds a 51% stake. The remaining 49% is owned by Mješoviti Holding "Elektroprivreda" Republike Srpske Trebinje – Matično preduzeće akcionarsko društvo Trebinje. The company was established in 2006 and its seat is in Gacko, Republika Srpska in Bosnia and Herzegovina. The company's objective is – following acquisition – to operate the existing power plant in Gacko and to build a new generating facility there as well. In 2007, following the execution of an implementation agreement, preparations began for the existing Gacko I Power Station to be invested in NERS d.o.o. and work also continued on verifying the feasibility of building a new generating facility at the site.
Preparation also began on establishing a new company ČEZ BiH d.o.o. to support the development of CEZ Group's business in the country.

Ukraine

CEZ Ukraine CJSC

This 100% subsidiary was established in December 2006 as a closed joint stock company with its seat in Kyiv. The company's objective is to further the development of acquisition initiatives in Ukraine and foster conditions for implementing planned projects in the region.

CEZ Group – Southeastern Europe – Power Production & Trading

Electricity

In the Southeastern Europe segment, CEZ Group produces electricity in the Republic of Bulgaria in the Varna Power Station, which entered the CEZ Consolidated Group in the fourth quarter of 2006.

Power Production, Gross (GWh)

*) Figure for Q4 2006.

Location of CEZ Group Power Plant in Bulgaria

■ 1 black coal

Power Plant Portfolio

Coal-fired Power Plant

Plant	Owner	Type of fuel	Installed capacity (MW) at 31 December 2007	Year commissioned	Desulfurized since
Varna	TEC Varna EAD	black coal	6 x 210	1968–1969, 1977–1979	x
Coal-fired power plant, total		x	1,260	x	x

Electricity Generation Outlook

In power generation in the Southeastern Europe segment, CEZ Group is focusing on three areas:

1) compliance with environmental standards at the newly acquired power plants (flue gas desulfurization in Varna);
2) acquiring more generating facilities in Southeastern and Eastern Europe. For example, brown coal-fired power plants and mines are being privatized in Romania;
3) building new plants in Southeastern Europe. The first project is a brown coal-fired plant in Gacko (Republika Srpska in Bosnia and Herzegovina) which ČEZ, a. s. is preparing in cooperation with the local government. In addition, a number of other projects are emerging in the region – expansions of existing nuclear power plants for example – and ČEZ, a. s. intends to participate in them.

Fuel

The 1.7 million tons of black coal necessary for the Varna Power Station in Bulgaria was sourced from imports, 1.3 million tons (75%) from the Russian Federation and Ukraine and 0.4 million tons from Vietnam.

Electricity Trading

Of the total volume of electricity generated at TEC Varna EAD (3,735 GWh), 313 GWh was designated for in-house consumption and 3,422 GWh for sale (2,099 GWh at regulated prices). In 2007, TEC Varna EAD covered 9.1% of total electricity consumption in Bulgaria. That is 2.5 percentage points more than in 2006.

Heat

TEC Varna EAD produces and sells only a very small amount of heat, which it supplies to its immediately surrounding area. The resulting revenues are marginal at CZK 1.2 million.

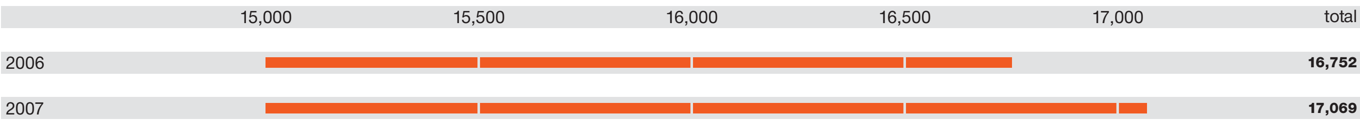
CEZ Group – Southeastern Europe Segment – Distribution & Sale

Sales of Electricity

The total volume of electricity sold in Bulgaria and Romania in 2007 was 12.6 TWh, 11.9 TWh of which was sold to end customers. These figures are up 4.9% and 2.8%, respectively, in year-on-year terms.

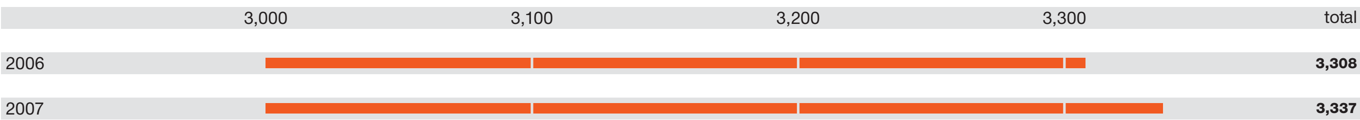
Distribution of Electricity

Southeastern Europe – Electricity Distributed to End Customers (GWh)



The volume of electricity distributed increased by 1.9% from 2006, to reach 17.1 TWh.

Southeastern Europe – Number of Connection Points (thousands)



CEZ Group – Southeastern Europe – Electricity Procured and Supplied

CEZ Group – Southeastern Europe – Electricity Procured and Supplied (GWh)

	2006	2007	Index 2007/2006 (%)
Electricity procured			
Produced in-house (gross)	658	3,735	567.2
In-house and other consumption, including pumping in pumped-storage plants	(54)	(313)	577.4
Supplied to customers	604	3,421	566.2
Purchased for distribution and sale	14,826	15,210	102.6
Electricity procured, total	15,431	18,632	120.7
Electricity consumed			
Sold to end customers	11,594	11,916	102.8
of which: sold to end customers in CEZ Group, including sales to cover grid losses	–	15	–
Sold in the wholesale market (net)	1,014	3,989	393.4
Sold outside the Southeastern Europe segment	1,014	4,612	454.9
Purchased outside the Southeastern Europe segment	–	(624)	–
Grid losses	2,823	2,727	96.6
Electricity consumed, total	15,431	18,632	120.7

CEZ Group – Southeastern Europe – Other

The Southeastern Europe “Other” segment includes companies whose businesses support the core business of CEZ Group in the Republic of Bulgaria, Romania, and Ukraine.

Activities of CEZ Group Companies Not Included in the Consolidated Group

CEZ Group also has operations in other countries of Southeastern Europe, but they have no influence on the consolidated group. In 2007, ČEZ, a. s. made its first supplies of electricity to Albania, Kosovo, and Greece. We also have a commercial presence in Bosnia and Herzegovina, Croatia, and Montenegro.

Turkey

CEZ Group and the Turkey-based AKENERJİ ELEKTRİK ÜRETİM A.Ş. are in exclusive talks on the possibility of cooperating in Turkey's market for electricity. According to experts, rising demand for electricity will make it necessary to build new power plants with an aggregate installed capacity of approximately 50,000 MW by 2020.

Macedonia

On 3 September 2007, ČEZ, a. s. expressed interest in building and operating the Boshkov most dam and hydro power plant in Macedonia with 68 MW of installed capacity. Fourteen bidders, ČEZ, a. s. among them, qualified for the tender. At the present time, the Macedonian side is preparing further steps to continue the tender.

H2PIA
A visionary concept of a city that will run primarily on hydrogen energy. Hydrogen is one of the alternatives that will one day replace the fuels currently in use. According to the experts, hydrogen could become an important fuel as early as 2050. The first hydrogen city is being created in Denmark. The city's inhabitants will be able to utilize hydrogen as energy for their homes and cars. Hydrogen will be produced primarily from renewable energy sources – solar and wind. The only waste product from the conversion of hydrogen into energy is pure water.


Grosvenor House

Results of Individual CEZ Group Companies (according to IFRS)

	Operating revenues		Operating expenses		EBITDA	
	2007 CZK millions	Index 2007/2006 %	2007 CZK millions	Index 2007/2006 %	2007 CZK millions	Index 2007/2006 %
Czech Republic						
ČEZ, a. s.	101,155	114.6	(64,647)	110.5	48,847	112.7
ČEZ Distribuce, a. s.	31,341	107.6	(28,659)	98.5	8,118	122.6
ČEZ Distribuční služby, s.r.o.	4,020	213.9	(3,348)	201.3	1,102	275.9
ČEZ Energetické služby, s.r.o.	–	–	(6)	–	(6)	–
ČEZ Logistika, s.r.o.	4,039	125.1	(3,542)	126.3	499	116.7
ČEZ Měření, s.r.o.	1,628	124.2	(1,272)	117.4	367	154.3
ČEZ Obnovitelné zdroje, s.r.o.	385	191.5	(327)	157.0	226	250.5
ČEZ Prodej, s.r.o.	70,054	102.2	(67,678)	100.5	2,757	174.0
ČEZ Správa majetku, s.r.o.	1,695	208.6	(1,335)	188.5	674	249.2
ČEZ Zákaznické služby, s.r.o.	1,271	121.6	(920)	107.5	351	185.0
ČEZData, s.r.o.	2,808	87.7	(2,651)	78.2	1,090	83.7
ČEZnet, a.s.	1,687	107.1	(1,180)	112.6	936	98.8
Energetické opravny, a.s.	413	84.9	(445)	94.0	(25)	–
Energetika Vítkovice, a.s.	2,591	100.4	(2,404)	99.7	276	101.4
I & C Energo a.s.	1,573	125.2	(1,445)	123.1	152	144.3
PPC Úžín, a.s.	–	–	(1)	113.4	(1)	84.9
SD - 1.strojírenská, a.s.	806	105.6	(786)	105.6	33	109.9
SD - Autodoprava, a.s.	432	94.4	(401)	95.2	122	105.0
SD - Kolejová doprava, a.s.	330	119.0	(315)	119.7	49	103.4
Severočeské doly a.s.	10,031	112.3	(6,361)	114.4	4,766	109.2
STE - obchodní služby spol. s r.o. in liquidation	9	86.5	1	–	11	345.8
ŠKODA PRAHA a.s.	1,831	143.5	(2,235)	166.5	(398)	> 500
ŠKODA PRAHA Invest s.r.o.	4,244	> 500	(4,152)	> 500	92	> 500
Teplárenská, a.s.	890	–	(875)	–	172	–
Ústav jaderného výzkumu Řež a.s.	1,358	167.9	(1,241)	168.6	215	131.4
Poland						
CEZ Ciepło Polska sp. z o.o.	–	–	–	–	–	–
CEZ Polska sp. z o.o.	3	–	(14)	–	(11)	–
CEZ Trade Polska sp. z o.o.	–	–	(3)	–	(3)	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	2,451	100.1	(1,332)	80.4	1,363	132.0
Elektrownia Skawina S.A.	2,914	104.4	(2,743)	109.0	401	110.8
Bulgaria						
CEZ Bulgaria EAD	1,676	> 500	(1,663)	> 500	58	> 500
CEZ Elektro Bulgaria AD	12,885	> 500	(12,699)	> 500	186	> 500
CEZ Laboratories Bulgaria EOOD	18	> 500	(17)	> 500	2	> 500
CEZ Trade Bulgaria EAD	48	> 500	(45)	> 500	3	–
Elektrorazpredelenie Stolichno AD	4,773	39.2	(3,943)	35.9	1,718	85.1
TEC Varna EAD	3,739	149.0	(3,671)	152.2	468	165.4
Romania						
CEZ Distributie S.A.	7,614	73.6	(6,356)	69.1	2,122	109.4
CEZ Romania S.R.L.	426	402.7	(416)	395.2	18	> 500
CEZ Servicii S.A.	296	–	(323)	–	(24)	–
CEZ Trade Romania S.R.L.	218	–	(262)	–	(44)	–
CEZ Vanzare S.A.	8,297	–	(8,360)	–	(62)	–
Germany						
CEZ Deutschland GmbH	1,343	131.2	(1,347)	131.6	(4)	–
Netherlands						
CEZ Finance B.V.	–	–	(1)	100.0	(1)	100.0
CEZ Chorzow B.V.	–	–	(1)	120.5	(1)	120.5
CEZ MH B.V.	–	–	–	–	–	–
CEZ Poland Distribution B.V.	–	–	(1)	79.0	(1)	79.0
CEZ Silesia B.V.	–	–	(1)	121.0	(1)	121.0
Transenergo International N.V.	–	–	–	–	–	–
Slovakia						
CEZ Slovensko, s.r.o.	(116)	–	(3)	–	(118)	–
Hungary						
CEZ Hungary Ltd.	2,504	–	(2,244)	–	261	–
Russia						
ZAO TransEnergo	–	–	(15)	> 500	(14)	> 500
Serbia						
CEZ Srbija d.o.o.	149	> 500	(151)	> 500	(1)	28.1
Kosovo						
New Kosovo Energy L.L.C.	–	–	(9)	273.4	(8)	274.6
Republika Srpska in Bosnia and Herzegovina						
NERS d.o.o.	–	–	(31)	–	(31)	–
Ukraine						
CEZ Ukraine CJSC	–	–	(5)	–	(5)	–

Depreciation and amortization		Net income		Total assets		Equity		Employee head count	
2007 CZK millions	Index 2007/2006 %	2007 CZK millions	Index 2007/2006 %	2007 CZK millions	Index 2007/2006 %	2007 CZK millions	Index 2007/2006 %	2007 persons	Index 2007/2006 %
(12,339)	91.0	31,272	142.5	312,654	103.1	149,448	82.0	6,146	96.0
(5,436)	82.6	3,703	> 500	78,720	101.8	53,475	106.6	1,153	100.3
(431)	233.8	794	486.1	8,099	130.2	6,299	142.1	2,128	123.8
–	–	(6)	–	445	–	440	–	–	–
(2)	102.7	384	118.1	988	88.8	620	117.0	216	112.5
(11)	104.8	274	157.1	745	120.6	518	127.9	968	98.8
(168)	172.6	111	–	2,369	133.3	2,016	142.5	95	113.1
(381)	100.4	2,037	222.8	20,164	99.1	7,854	120.9	223	100.5
(314)	189.2	327	309.6	4,536	131.5	3,911	124.1	348	107.7
–	100.0	270	186.5	652	142.4	408	149.8	817	98.3
(932)	62.7	120	–	4,459	111.5	1,870	106.8	435	99.3
(429)	102.3	429	104.4	3,078	99.5	2,672	104.2	274	101.5
(8)	98.9	(34)	–	181	85.3	53	60.5	422	92.3
(90)	86.0	171	136.6	1,824	163.1	877	128.4	657	100.2
(24)	105.7	95	177.1	729	105.7	428	122.4	1,180	107.7
–	–	–	43.0	109	100.0	109	99.6	1	100.0
(14)	116.9	16	118.7	356	161.9	121	115.5	617	104.9
(90)	114.4	32	109.3	535	110.1	450	108.1	369	93.9
(34)	101.9	24	222.5	466	107.6	365	107.2	190	99.5
(1,095)	110.2	2,925	110.8	31,431	127.3	17,146	108.3	3,517	99.8
(2)	88.8	8	> 500	17	84.2	(11)	57.0	–	–
(7)	118.1	(531)	416.4	1,802	106.5	180	25.3	337	98.0
–	192.9	70	> 500	7,089	291.7	71	> 500	84	254.5
(157)	–	79	–	2,089	–	1,713	–	130	–
(98)	108.0	91	217.2	2,065	137.3	898	111.4	986	100.0
–	–	–	–	–	–	–	–	–	–
–	–	(11)	–	25	290.1	(3)	–	3	150.0
–	–	(3)	–	12	–	11	–	–	–
(244)	101.3	1,566	282.7	9,247	97.0	3,018	215.7	153	91.6
(230)	263.9	120	58.1	5,486	209.1	3,367	254.9	499	86.2
(46)	485.3	3	–	830	217.2	5	194.0	872	> 500
–	–	202	> 500	2,586	> 500	1,211	> 500	70	–
–	–	1	> 500	12	85.8	2	215.9	36	100.0
–	–	2	–	70	243.2	7	141.8	4	36.4
(888)	106.5	766	66.9	8,820	87.7	6,931	93.0	3,105	69.3
(400)	216.6	171	176.6	7,063	99.0	6,464	99.3	785	92.2
(864)	109.8	1,187	154.7	16,858	94.6	13,560	98.5	2,264	76.2
(7)	367.8	8	> 500	291	332.6	12	237.1	343	> 500
(4)	–	(22)	–	176	–	26	–	588	–
–	–	(34)	–	119	–	(18)	–	2	–
–	–	(53)	–	3,153	–	251	–	51	–
–	36.8	(2)	–	183	123.4	45	92.0	3	150.0
–	–	7	77.8	10,976	72.4	69	107.8	–	–
–	–	16	–	1,068	92.7	292	102.1	–	–
–	–	–	–	1	–	1	–	–	–
–	–	(1)	–	1,157	96.8	1,156	96.8	–	–
–	–	(57)	100.6	1,074	92.1	1,074	92.1	–	–
–	–	–	–	1	–	1	–	–	–
–	–	(96)	–	55	–	(84)	–	7	–
–	–	209	–	519	–	52	–	3	100.0
–	–	(15)	> 500	5	> 500	-3	193.5	4	133.3
(1)	> 500	(4)	86.9	40	238.5	11	253.5	4	100.0
–	244.0	(9)	270.7	5	197.7	5	196.4	2	66.7
–	–	(32)	–	116	–	(19)	–	3	–
–	–	(5)	–	5	–	5	–	–	–

Strategic Objectives of CEZ Group

Brief Power Industry Development Forecast from the Perspective of CEZ Group

The European power sector is experiencing a sustained boom, driven by growth in electricity prices. The price of electricity will continue to be influenced by movements in the prices of oil, gas, and coal, as well as the price of CO_2 emission allowances. The regional capacity surplus in Central and Southeastern Europe will narrow steadily, which combined with growing demand is creating conditions favorable to further electricity price convergence between Western, Central, and Southeastern Europe.

In the Czech Republic, thanks to double-digit growth in electricity prices during the past three years, the wholesale price has for practical purposes already reached full convergence with the price in Germany.

The electricity price set on the newly formed Prague Energy Exchange confirmed that wholesale electricity markets are interlinked throughout Europe. Thus, the future direction of prices in the Czech Republic will depend on how prices move in Germany. German prices, for their part, will in the short and medium term be affected primarily by the prices of oil and CO_2 emission allowances. Local capacity shortages, in Hungary and Slovakia for example, created a business opportunity for CEZ Group to export electricity elsewhere than to Germany.

In the medium and long term, rising electricity prices are expected to bring a wave of new power plant building in the region. In choosing a specific technology mix for the new plants, the principal criteria will be sensitivity to a fall in oil and natural gas prices over the long term and strict regulation of CO_2 emissions after 2012, as the manner in which CO_2 is regulated after 2012 will have a major impact on returns from investments in new power plants as well as the profitability of existing plants. The European Commission has proposed further talks on a scenario that assumes 100% buy-back (via auctions) of CO_2 allowances which, in the final analysis, would mean pressure to build low-CO_2 power plants and further growth in the price of electricity.

CEZ Group Business Policy

The primary mission of CEZ Group is to deliver for its shareholders stable, long-term growth in share prices by operating a successful business in the electricity markets. All strategic, tactical, and operational processes in CEZ Group, the principles of which are summarized in the document “CEZ Group Business Policy”, are designed to further this mission.

CEZ Group Strategic Objectives

The fundamental vision of CEZ Group is to be the leader in the electricity market of Central and Southeastern Europe. To fulfill its strategic objectives, three years ago CEZ Group commenced activities aimed at:

- maintaining a strong position and achieving operational excellence in the Czech market,
- building a strong position in the markets of Central & Southeastern Europe through M&A expansion and construction of new generating facilities,
- renewing the portfolio of power plants.

In this respect, CEZ Group created a good starting position in 2007 for further growth in profitability over the medium term. In order to help improve efficiency and maintain our positions in the Czech market, CEZ Group has signed long-term fuel supply contracts covering the entire useful life of existing and newly built power plants. By investing in JI/CDM projects, CEZ Group has secured CO_2 allowances sufficient to cover its needs until 2012.

The Efektivita Program

In mid-2007 we launched the Efektivita (Czech word for “efficiency”) program, the individual projects of which have several common features – quality improvements, increased performance and reduced costs. While some initiatives in the program focus on fundamental operating parameters, others aim to leverage synergies throughout CEZ Group, in the Czech Republic and at the international level as well.

The Efektivita program consists of seven key initiatives that will contribute significantly to improving CEZ Group’s operations. The program itself is broader, however – in addition to the seven key initiatives, it assigns optimizing and development measures to each division to help to find the right ratio between quality and costs in individual units and encourage each and every Group employee to think about efficiency.

CEZ Group is actively continuing to build its positions in Central and Southeastern Europe. We are actively participating in tenders to build new power plants, building alliances with major players in the power sector of Central Europe (e.g., construction of CCGT plants with MOL in Hungary, Slovakia, and potentially in Slovenia and Croatia). Furthermore, CEZ Group is working with leading industrial enterprises to build new power plants guaranteeing long-term sales of heat and electricity and, last but not least, we are preparing to build new generating units in power plants that are already in our portfolio, such as the Varna Power Station in Bulgaria.

The strategy of renewing the brown coal-based generating portfolio is designed to optimize the utilization of brown coal reserves in the Czech Republic. The strategy includes both building new plants and comprehensively retrofitting certain existing plants, while phasing out others. Renewal of the brown coal generating portfolio responds to declining coal extraction volumes and is closely linked to the plan to build CCGT plants with the objective of contributing substantially toward reducing the CO_2 emission factor.

In renewable sources of energy, CEZ Group has adopted an action plan for reducing carbon dioxide emissions. The action plan’s objectives and measures are divided into four main areas: 1. renewable sources of energy, 2. reducing emissions from ČEZ power plants, 3. energy conservation, and 4. international emission reduction projects.

At the international level, ČEZ, a. s. is actively developing JI/CDM and we plan to triple production of renewable energy by 2020. The biomass plan calls for, e.g., up to 25% biomass combustion at Poříčí Power Stations and 30% biomass combustion at Hodonín Power Station. Beyond the borders of the Czech Republic, we will bid in tenders to build or acquire hydro and wind power stations throughout the entire region of Central and Southeastern Europe.

In summary we can state that in the medium term CEZ Group plans to reduce its CO_2 emission factor by 15% through the following measures:

- construction of CCGT power plants,
- development of nuclear energy through active participation in tenders to build nuclear power plants abroad,
- cautious investments in coal power plants, but only those that offer a major cost advantage,
- reductions in CO_2 emissions and investments in JI/CDM,
- investments in renewable sources of energy.

Key Initiatives of the Efektivita Program

1) Transformation of ICT services

The purpose of this project is, by 2010, to roll out a cost-effective model for managing and providing information and communication technology (ICT) services in CEZ Group. The project's principal tasks include implementing a model for managing demand for ICT services, a model for managing the level of services, and a reorganization of ICT service providers. Following approval of a plan to merge the companies ČEZData, s.r.o. and ČEZnet, a.s. by the Company's Board of Directors, the project also includes the formation of a single, consolidated ICT services provider in CEZ Group by no later than 1 January 2009.

2) The Customer

The project's aim is to ensure that, by 2009, CEZ Group is among the best corporations in the area of mass end customer services in the Czech Republic. The project's basic motto is: available, professional, helpful. The Customer project is to achieve the defined goals primarily by optimizing service processes throughout Group companies, effective churn management, and bringing out products that respond effectively to market developments. Another part of the project will be to create a price setting methodology linked to continuous trading and market development.

3) Best practice in distribution

This project focuses on optimizing and improving the effectiveness of processes in the area of distribution asset management, operation, and maintenance. The aim is to reach the level of leading power companies in Europe. The key activities of this project include targeted management of investments, minimizing costs by applying unified technical policies, optimizing the location and number of work sites in operation, maintenance, and electricity metering and optimizing works management in distribution grid operation and maintenance.

4) Integration of international holdings

The principal objective of this initiative is, by 2012, to fully integrate the international holdings into CEZ Group standard structures and fully optimize processes. Currently, the integration process itself applies to holdings in Bulgaria, Romania, and Poland. The main tasks of integration include implementing the so-called "geographical" model of managing international holdings and realization of synergies through adoption of CEZ Group corporate best practices in the international companies.

5) Safely 15 TERA – Temelín Nuclear Power Station

The aim of this initiative is to technically and organizationally stabilize Temelín Nuclear Power Station so as to improve its fault rate down to the level of the top quarter of the world's nuclear power plants, improve available capacity and reduce equipment failure rates. The project is divided into the following five areas: equipment, organization and management, partnership projects, team of professionals, and communication. Each area is further divided into subprojects with assigned accountability and stipulated success criteria. By 2012, the project should help Temelín Nuclear Power Station achieve a generation level of 15 TWh/year.

6) Safely 16 TERA – Dukovany Nuclear Power Station

This project aims to modify Dukovany Nuclear Power Station's equipment in a way that increases performance. In order for the project to achieve its defined aims and effects, it will primarily concern itself with shortening outages, reducing the technical failure rate and increasing availability. The Safely 16 TERA project contains subprojects focusing on improving the efficiency of Dukovany Nuclear Power Station's generating units and introducing a system of three types of refueling outages with an overall reduction in the duration of planned refueling outages. As a result, Dukovany Nuclear Power Station should achieve an electricity generation output of 16 TWh/year from 2013.

7) Streamlined corporation

This project focuses on two basic areas: CEZ Group's management and governance model and optimizing overhead expenses. While the project's various activities will take place primarily at ČEZ, a. s. headquarters, other selected CEZ Group companies that provide shared and supporting services are also included in the project. The project's primary activities include effective functioning of CEZ Group shared and support services and the introduction of management and accountability tools enabling effective allocation of financial resources to selected administrative overhead items.

Anticipated Commercial and Financial Situation in 2008

CEZ Group expects to see continued growth in commercial performance in 2008. The increased performance will be driven by active measures taken within the Efektivita program, rising electricity demand and price growth in Central Europe in 2008. Consolidated net income is projected at CZK 46.6 billion (i.e. up 18% from 2007, excluding one-off items), EBITDA is to reach CZK 85.5 billion (up 16%) and EBIT is forecasted at CZK 63.5 billion (up 23%).

We expect to see financial performance results improve at the parent company, ČEZ, a. s., as well, with net income up 25% to at least CZK 39 billion and EBITDA to improve by 25%, reaching over CZK 60.7 billion.

The results of the power plants in Poland will also grow, thanks to the integration project, as will those of the spun-off distribution operations in Bulgaria after unbundling is implemented there. The transformation of the other international companies will continue toward closer integration – with the aim of further optimizing costs throughout CEZ Group – as an integral part of the Efektivita program.

In 2008, we expect to complete the share buy-back. As a result, in 2007 we have already begun improving the Company's capital structure and this effort will continue in 2008.

The benefits of the individual projects in the Efektivita program, will begin to be realized, especially in terms of improved organization and functioning of headquarters, provision of ICT services to customers, an optimized distribution function, approach to customers, gradual integration of international holdings, and optimized safety and performance at the nuclear power plants.

The changes in the operation of the Czech Republic's wholesale electricity market brought about by the start of trading on the Prague Energy Exchange will come fully to light in 2008. In view of the state of power generation and grid assets in Central Europe and fuel price trends in world markets, prices on the Prague Energy Exchange are expected to converge with those in adjoining markets, i.e. especially the German, Polish, and Slovak markets, in which CEZ Group also has operations. Power production in 2008 will also take into consideration the current five-year trading period for CO_2 emission allowances and the new ceilings for other emissions.

December 2008 is to see the completion of the first project in the ČEZ, a. s. power plant portfolio renewal program – the retrofit of Units 3 and 4 (2 x 200 MW) of Tušimice II Power Station. Subsequently, the plant's remaining two units will be retrofitted as well. Work will continue on the construction of a new generating facility in Ledvice (660 MW) and on preparation for the comprehensive retrofit of the Prunéřov facility.

In the electricity distribution area, CEZ Group plans to substantially increase investments in the distribution grid in 2008 (by 32% compared to 2007), mainly to provide service to new industrial parks.

Risk Management at CEZ Group

CEZ Group continued to develop the integrated risk management system with the objective of increasing the value of CEZ Group while keeping risk at a level acceptable for shareholders.
In 2007 we began integrating international subsidiaries into the risk management system, and for the year 2007 we set an aggregate risk limit for the budget of the entire CEZ Group (Profit at Risk), which together with the overall budget amount expresses CEZ Group's risk profile. We also increased the number and volume of risks quantified uniformly throughout CEZ Group (i.e. including their weighting in the aggregate risk limit), particularly in the operational, credit, and commodity risk areas. In 2007 we also identified the principal risk factors for CEZ Group's value and began taking steps toward systematic CEZ Group value risk management on the basis of Cash Flow at Risk.

CEZ Group uses a unified risk categorization reflecting the uniqueness of the conglomerate and focusing on the primary causes of unexpected developments, which are divided into four basic categories:

1. Market risk
   In the trading area, commodity risks affecting trade in electricity and emission allowances are centrally managed and uniformly quantified in accordance with stipulated limits, including relevant CEZ Group companies outside of the Czech Republic. In addition, as of 2007 we have been uniformly quantifying the price risk for coal purchasing and volume risk for electricity distribution and heat sale in the Czech Republic.
   In the finance area, currency and interest rate risk is managed/hedged using standard financial instruments in accordance with stipulated limits. In addition, currency risk is hedged internally using managed balancing of operating, capital, and financial flows denominated in foreign currencies. As of 2007, we specifically manage and limit the impact of currency risk on the current fiscal year and, at the same time, its medium-term impact on the value of CEZ Group.
2. Credit risk
   Credit risk linked to trading and financing partners is managed by setting individual limits derived from credit ratings and, additionally, from internal credit analyses for selected partners. End customer credit risk is managed via payment terms, which are set on the basis of the customer's internally determined credit. As of August 2007, the share of individual Czech members of CEZ Group in the overall risk limit is quantified at regular intervals.
3. Operational risk
   Measured operational risks include the risk that a power plant's actual output will deviate from its current plan. As of 2007, operational risk is uniformly quantified for nuclear power plants and for coal-fired power plants in the Czech Republic. Other current operational risks include the integration of foreign equity stakes into CEZ Group and the implementation of the plant renewal process, especially upgrades of existing coal-fired generating facilities. Risk associated with cash flow planning and actual cash flows is managed via a cash-pooling system in which most of CEZ Group participates.
4. Business risk
   The most important business risks are those associated with M&A expansion in foreign countries and the building of new power plants, regulatory risks (in particular regulation of emission allowances for future periods, unbundling, decisions on regulated prices for distribution and related services), and risks related to development of legislation in the region where CEZ Group does business.

Insurance in CEZ Group

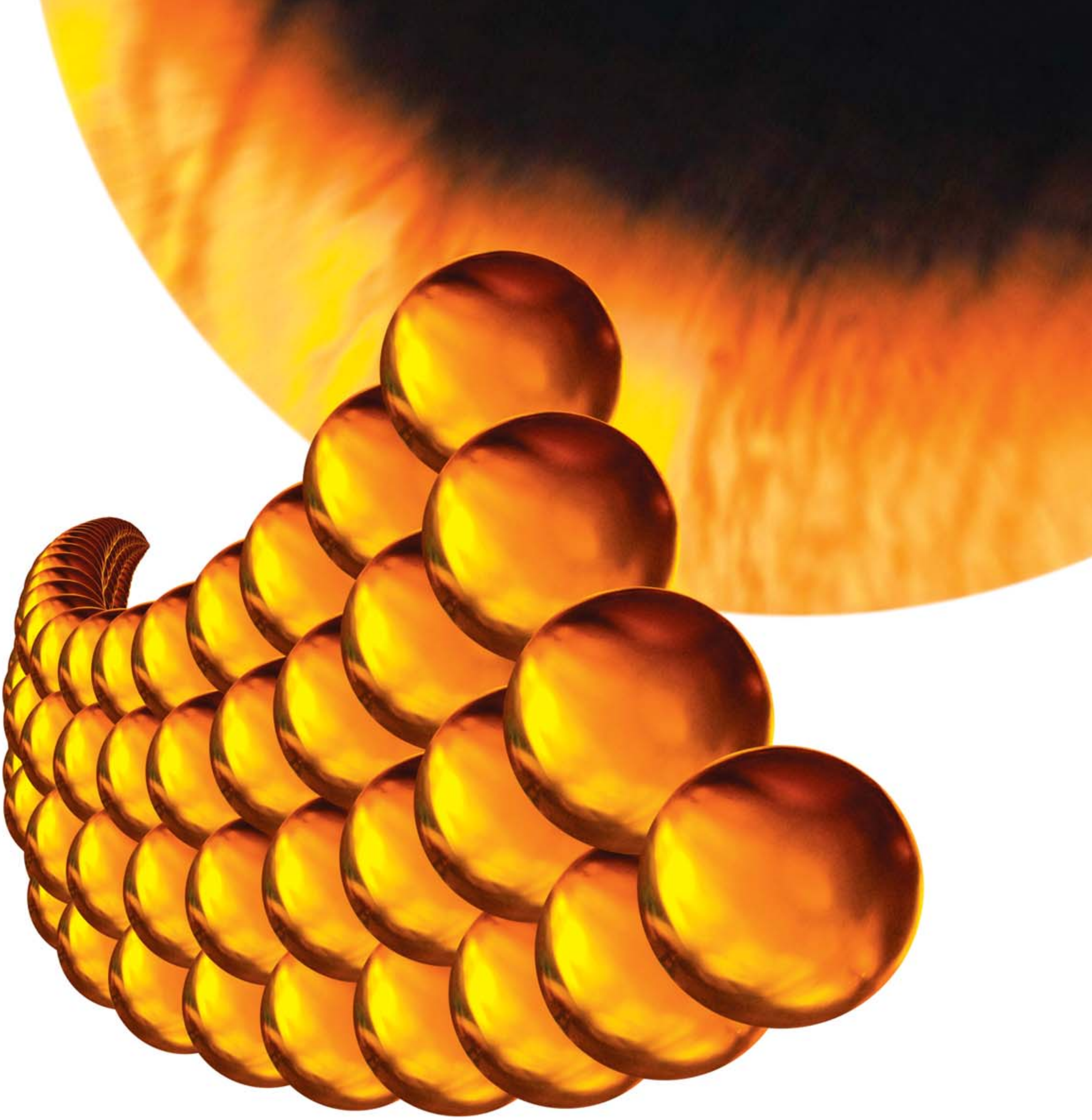
ČEZ, a. s. is developing an extensive insurance program that is gradually being rolled out in its fully integrated subsidiaries as well. The program's main elements are as follows:

- insurance against liability for nuclear damage covering both Dukovany and Temelín Nuclear Power Stations and complying with conditions laid down by the Nuclear Act. Both insurance contracts are for the statutory limit of CZK 1.5 billion. We are also insured against liability for nuclear damage arising out of the conveyance of fresh nuclear fuel to both nuclear power plants, up to a limit of CZK 200 million;
- property insurance for the nuclear power plants covering natural hazard and machinery risks, including the risk of a nuclear accident;
- property insurance for the coal-fired and hydro power plants providing insurance coverage against natural hazards and machinery risk;
- construction-installation insurance covering risks associated with the project for building and renewing ČEZ, a. s. coal-fired power plants;
- property insurance for selected ČEZ, a. s. subsidiaries, covering distribution grid assets, among other things,
- general third-party liability insurance that covers companies of ČEZ Group against financial losses that may arise from damages relating to the company's operating activities;
- statutory and supervisory board liability insurance covering the statutory and supervisory board members of the Company as well as those of selected subsidiaries.

Subsidiaries in the Republic of Bulgaria carry property insurance, general third-party liability insurance, and insurance against occupational injuries and illnesses, in compliance with the provisions of licenses for the generation and distribution of electricity.
For other companies, regions, and risks, we are gradually applying CEZ Group standards in line with the development of the CEZ Group insurance program and in compliance with applicable legislation. One exception is Romania, where insurance is not used because damages are reflected in the regulated tariffs.

Life on Mars

NASA plans to put a mirror-like device made of 300 reflective balloons, each 164 yards in diameter, into orbit around Mars. The mirror is to focus the sun's light on a half-mile wide spot on the surface of Mars. This energy boost will raise the temperature at that spot from the current -220 to -256 degrees Fahrenheit up to a pleasant 68 degrees Fahrenheit. The goal of the project is to create more favorable conditions for future missions – both for astronauts and for their equipment.
At present, special radioisotope batteries help to keep electronic devices warm enough to operate.



CEZ Group Capital Expenditure

As reported by the individual CEZ Group companies, CEZ Group incurred capital expenditures totaling CZK 29,401.2 million. CAPEX is financed through companies' general financing arrangements.

Capital Expenditures, by Segment – 2007 (CZK millions)

Category	Central Europe	Southeastern Europe	Total
Nuclear	4,693.2	–	4,693.2
Coal and CCGT	8,515.8	46.8	8,562.6
of which: retrofits	6,116.2	46.8	6,163.0
new-build	2,254.6	–	2,254.6
other	145.0	–	145.0
Renewables	277.0	–	277.0
Distribution	6,553.5	2,833.5	9,387.0
Production and distribution of heat	167.1	–	167.1
Mining of raw materials	1,235.0	–	1,235.0
Environmental	643.6	–	643.6
Information systems	2,233.7	123.9	2,357.6
Waste management	195.0	–	195.0
Other	1,516.8	366.3	1,883.1
Total	26,030.7	3,370.5	29,401.2

Note: The difference compared to total expenditures for additions to property, plant and equipment and intangibles is due to foreign currency and methodological factors.

CAPEX efforts were concentrated on renewal of the portfolio of coal-fired plants, whose useful lives are to expire between the years 2015 and 2025, as well as on preparing for construction of a new coal-fired plant and upgrades of the nuclear power plants.

Nuclear Power

Dukovany Nuclear Power Station

At Dukovany Nuclear Power Station, 2007 saw the continuation of major CAPEX projects aimed at upgrading the plant and increasing the efficiency of power generation.

The biggest CAPEX project was the renewal of the I & C systems on modules 1 and 2 of Unit 1, which was necessary to comply with the conditions of the operating license issued by the State Office for Nuclear Safety.

We completed the replacement of 0.4 kV secured subpanels used to provide power to important components of Units 2 and 3. Unit 1 saw continued refurbishment of the flow-through portions of low-pressure steam pressure components, which will reduce the turboaggregate's heat rate by a minimum of 3.5%. The refurbishment will be completed when Unit 2 undergoes the procedure in 2008. We also completed a replacement of activation systems on two generators (Units 2 and 3), increasing the reliability and operational parameters of these units.

Also, the first steps were taken toward increasing the plant's generating capacity in the future.

In mid-2007, a contract was signed with ŠKODA JS a.s., the generator contractor on the I & C system renewal project. Forthwith thereafter, project preparation was commenced to enable renewal of turbine control on Unit 3 to be implemented in 2009. Another project at Dukovany Nuclear Power Station, utilization of generating unit project reserves, continued with the signing and implementation of annexes to contracts with various suppliers. The annexes are necessary for further work on the project.

Temelín Nuclear Power Station

Like at Dukovany, the largest CAPEX measures at Temelín Nuclear Power Station focused on increasing the plant's reliability and nuclear safety.

During refueling outages of both main generating units, the high-pressure turbine component was refurbished with the aim of increasing reliability and generating capacity. In addition, fast-acting fittings on steam lines were replaced to eliminate undesirable dynamic effects.

An upgrade of the Temelín Nuclear Power Station full-scope simulator went forward in 2007 and will be completed by August 2008. The simulator is used to train operating personnel.

Spent Fuel Storage Facility

As early as 21 April 2006, an application was filed for a zoning decision on the location of the spent fuel storage facility at Temelín Nuclear Power Station. Neither of two zoning decisions issued entered into legal force.

The latest was issued on 24 July 2007. After it was appealed by participants in the proceedings, the decision was cancelled by the Ministry of Local Development of the Czech Republic and returned to the České Budějovice Regional Authority for new hearings that will take place in the first half of 2008. The reasons for returning the case for new hearings are procedural in nature and are not the fault of ČEZ, a. s.

Conventional Power

Plant Renewal

Comprehensive Retrofit of Tušimice II Power Station

The date 2 June 2007 marked the official beginning of Phase One and the main provisional arrangements were made for shutdown of the first two generating units. Dismantling and demolition work was completed, a substitute gas-fired hot-water boiler was commissioned, hot-water lines were rerouted and installation of new equipment began.

Comprehensive Retrofit of Prunéřov II Power Station

February 2007 saw the approval of the project plan/building plan for the 3 x 250 MW variant, which was recommended as it optimizes the coal reserves available at the Libouš Mine. At the same time, the process of drafting a conceptual project and documentation for notification of an Environmental Impact Assessment (EIA) began. During the year, the basic contracts for the general contractor, boiler room, and machine room were signed, followed in December 2007 by signing of the flue gas desulfurization contract.

New-build Plant

New Generating Facility at Ledvice Power Station, 1 x 660 MW

During 2007, EIA documentation was approved, a zoning decision was issued, and State authorization pursuant to the Energy Act (458/2000 Sb.) was granted for construction of a new brown coal-fired power plant. Furthermore, buildings earmarked for demolition were condemned and on 31 December 2007 a building permit was issued for Phase 3 (vacating the site). In September 2007, a draft Integrated Permit application was filed for the new facility, and documentation for building permit proceedings on Phase 4 (construction of the new facility) was prepared. On 26 October 2007, the main contracts for the boiler room and the machine room were signed. The rail spur was renovated and a replacement workshops and storage building was built.

ELCHO and Skawina Power Stations

In Poland, control equipment was installed for biomass at the ELCHO Power Station and, at Skawina, work continued on flue gas desulfurization and an overhaul and upgrade of the K 11 boiler.

Distribution

In this area, CAPEX is focused primarily on refurbishing the distribution grid, improving its reliability and safety, and automating grid operation.

Two of the most important projects in the Czech Republic are connection of the Nošovice industrial park and refurbishment of the Kolín East 110/22 kV transformer station.

The most significant CAPEX projects in Bulgaria are in CEZ Razpredelenie Bulgaria AD, while in Romania they are in CEZ Distributie S.A. In both countries, the bulk of CAPEX goes on the distribution grid, metering and substation equipment, as well as new customer connections.

Mining

At Severočeské doly a.s., Bílina Mines continued to ramp up its overburden extraction operation by refurbishing and repairing three existing conveyors and rebuilding, repairing, and relocating three drive stations. Compared to 2006, the overall length of the conveyor line increased by 1.4 mi (2.3 km). In a measure to accelerate overburden removal, three existing belt conveyors were refurbished and 2.0 mi (3.2 km) of new pipe belt conveyors were put into service.

Information Systems

2007 saw the continuation of the IT support project for new electricity and heat customer service processes according to user requirements and legislation. On 1 September 2007, a unified technical information system was commissioned for ČEZ Distribuce, a. s. and ČEZ Distribuční služby, s.r.o. and a project to work toward fault-free operation of IT systems at CEZ Group continued. At the parent company, ČEZ, a. s., sundry IT applications and technologies were transferred to a unified corporate IT platform that began operating on 1 January 2008.

In Romania, we continued to implement a financial information system and a customer information system. In Bulgaria, the financial information system project was completed.

Additions to property, plant and equipment and other non-current assets, including capitalized interest (CZK millions)

	2006	2007
Additions to property, plant and equipment	21,092	28,810
of which: nuclear fuel	2,147	2,034
Additions to intangible assets	1,453	1,856
Additions to long-term financial assets	1,113	3,048
Change in balance of liabilities attributable to capital expenditures	87	352
Total	23,745	34,066

Research and Development

Total CEZ Group expenditures for research and development in 2007 totaled CZK 578.6 million (of which, ČEZ, a. s. accounted for CZK 78.3 million).

ČEZ, a. s.
ČEZ, a. s. hires outside entities to carry out research projects. The process includes drafting a technical assignment, including independent evaluation, conducting regular progress check-ups, preparing documentation and collecting technical information, data, measurement results, etc.

We were engaged in the following projects in nuclear energy:
- compiling project safety fundamentals, including support information down to the component level on individual pieces of equipment at Temelín Nuclear Power Station,
- specimen surveillance program; applied research in nuclear plant and equipment lifetime estimates.

The following studies were realized with support from Ministry of Industry and Trade of the Czech Republic programs:
- ensuring long-term nuclear safety in the operation of nuclear power plants in the Czech Republic; the project's objective is to develop tools for periodic safety assessments, proposing and verifying a method for more precise determination of flaws in materials, developing an information system for graphical and expert support of nuclear power plant operation, designing technical measures to mitigate serious accidents and their aftermath,
- securing know-how and technology for safety analyses and safety evaluation campaigns (computing codes and methologies accepted by the State Office for Nuclear Safety).

Ústav jaderného výzkumu Řež a.s.
Ústav jaderného výzkumu Řež a.s. (ÚJV Řež) is a technical, engineering and research organization in CEZ Group. The key mission of ÚJV Řež covers R&D, project engineering services, technical engineering, manufacture of specialized products and devices, and providing expert analyses and opinions in the areas of electric power, industry, and healthcare.

ÚJV Řež is a significant part of the European Research Space, contributing to sustainable energy development both within the EU and in the Czech Republic. Its core activities are research, development, and project design services for power plant and equipment operators and suppliers. Concurrently, it is also a significant R&D player at the international level, particularly in areas of EU strategic interest, focusing among other things on:
- long-term, economical, safe, and reliable operation of nuclear power equipment (points 6 and 7 of the EU Framework Programme),
- research and development of new types of nuclear power plants within the scope of international cooperation (EURATOM, GIF IV),
- utilization of nuclear technologies in healthcare, especially in research, development, and production of conventional and new radiopharmaceuticals,
- clean coal combustion technologies,
- hydrogen technologies,
- the nuclear fuel cycle and handling of radioactive waste,
- nuclear fusion (the ITER project).

ÚJV Řež's long tradition of cooperation with the International Atomic Energy Agency (IAEA) continued in 2007, primarily through regional technical cooperation projects and coordinated research projects. ÚJV Řež keeps close track of world research trends in the nuclear area through active participation in OECD Nuclear Energy Agency international projects.
In order to concentrate R&D management and increase its effectiveness, ÚJV Řež has several specialized subsidiaries – ŠKODA VÝZKUM s.r.o. (research and testing in the power industry and transport systems), Centrum výzkumu Řež s.r.o. (scientific and research activities associated with the utilization of the LR-0 and LVR-15 research reactors), and Ústav aplikované mechaniky, Brno s.r.o., which has a long tradition in applied mechanics research and providing mechanical and structural engineering services.
Taken as a whole, research and development accounted for approximately 30% of Ústav jaderného výzkumu Řež's operations in 2007. Typically, these operations are financed either by grants and purpose-bound government subsidies (CZK 239.8 million) or from internal sources (CZK 189.8 million). Research contracts from outside customers make up a smaller category.
Ústav jaderného výzkumu Řež a.s. coordinates a project to develop, implement, and operate the first hydrogen-powered bus and hydrogen filling station in the new European Union Member States.
The hydrogen-powered bus is envisioned as a triple-hybrid, with PEM-type fuel cells, ultracapacitors, and batteries. Hydrogen stored on the bus's roof will provide a range of approximately 185 mi (300 km). A hydrogen filling station will be built on the grounds of a conventional gas station and will become part of the so-called "European Hydrogen Highway". The bus's first ride is planned for the spring of 2009 and it will operate as part of the municipal mass transit system of Neratovice in the Central Bohemia region. Other participants in the project include Škoda Electric a.s., Germany-based Proton Motor plc. and Norway-based IFE Halden.
The project is co-financed from European Union structural funds and by the Ministry of Transport of the Czech Republic.

Some of the most important research tasks assigned by Czech Republic institutions include:

Ministry of Industry and Trade

- a new nuclear power generating facility,
- R&D on new materials and technologies for treatment of radioactive and hazardous waste materials,
- research on barriers for radioactive waste storage facilities,
- SPHINX nuclear transmutation system with liquid nuclear fuel based on melted fluorides,
- development of conceptual technological solution for a new nuclear generating unit satisfying Generation III requirements based on a VVER 1000 reactor, etc.

State Office for Nuclear Safety

- R&D on possibilities for reducing risk and mitigating aftermath of serious nuclear power plant accidents in the Czech Republic based on advanced experimental and analysis methods.

Grant Agency

- extraction methods for isolating fission products from nuclear waste using new environmentally-friendly solvents,
- vertical and horizontal migration of transuranium elements and long-lived fission products in soils and sediments in areas surrounding radioactive waste storage facilities.

Ministry of Education, Youth and Physical Fitness

- participation in projects run by the OECD's Nuclear Energy Agency (e.g. Halden, CABRI, PSB-VVER, ROSA, SCIP, etc.),
- participation in and utilization of results of EDFA program,
- involvement in Phebus FP international research program,
- targeted therapeutics center, etc.

Severočeské doly a.s.

Research and development, dealt with in the form of technical development assignments, includes tasks that are both tangible and intangible in character, focused on increasing operational reliability in production as well as areas that address environmental impact and occupational safety and health. In most cases the tasks do not qualify as primary research, but are better described as tasks whose results are being used for the first time in our mines and are at the required technical level.

I & C Energo a.s.

In 2007, the company expended CZK 6.7 million on research and development of its products in the framework of Ministry of Industry and Trade of the Czech Republic programs. These include, in particular:

- development of general method and Computer Aided Engineering (CAE) system to support project design and administration of cabling systems,
- creating advanced methods and tools for increasing thermal efficiency of power plants and power heating plants,
- developing methods and software tools for ensuring data reliability for managing operation of power and industrial plant and equipment.

Research & Development Expenditures

Company	CZK millions
ČEZ, a. s.	78.3
ČEZ Distribuční služby, s.r.o.	1.7
I & C Energo a.s.	6.7
Severočeské doly a.s.	37.2
Ústav jaderného výzkumu Řež a.s.	454.7
CEZ Group, total	578.6

Fees Relating to Registration of ČEZ, a. s. Trademarks in 2007

	CZK '000
Fees to patent representatives	179.1
Fees to Industrial Property Office for registering trademarks, extending registrations, and trademark license fees in the Czech Republic	43.0
International trademark registration fees to the International Bureau of the World Intellectual Property Organization in Geneva under the Madrid Treaty and individual registrations in individual States	10.2
Total	232.3

A Home That Follows the Sun

At present, households account for about 40% of total energy consumption in Central Europe. The search is on for ways to reduce energy consumption. One idea that might have a future is Heliotrop – a type of house that turns to follow the sun, just like a sunflower does. The house is not dependent on energy supplied from the grid; it generates its own using photovoltaic panels. The home is cylindrical in shape, built around a 14-meter central pillar connected to an electric motor that rotates the pillar, and the entire house along with it, thereby ensuring that the house faces its energy source – the Sun – at all times.

Safety, Quality and Environmental Management in CEZ Group

Safety and Quality Management System

Management of safety and quality is an integral part of CEZ Group management.
Our established management systems meet applicable Czech legislative requirements, which are being harmonized with European Union directives and recommendations of other major world organizations such as the International Atomic Energy Agency, the Nuclear Energy Agency within the Organization for Economic Cooperation and Development (OECD), the Western European Nuclear Regulators' Association, etc.

Through the Safety and Environmental Policy and the Quality Policy, the ČEZ, a. s. Board of Directors has declared unconditional responsibility for ensuring:

- safety of the Company's generating facilities,
- protection of individuals, the Company, and the public,
- protection of the environment,
- quality.

In order to meet this responsibility, CEZ Group is creating and developing the necessary conditions, sufficient human and financial resources, and effective management structures and control mechanisms.
An important element of the occupational health and safety management system is participation in the Safe Enterprise program, which meets the requirements of the OHSAS 18001 standard in terms of both content and structure. Similarly, the maintenance of valid Environmental Management System (EMS) certification compliant with the ISO 14001 standard confirms ČEZ's sensitive approach to the environment.
In order to implement the Quality Policy and CEZ Group's vision of becoming the leader in the electricity market of Central and Southeastern Europe, in November 2007 we approved a strategic project entitled "Integrated Management System". The project's objective is to implement an integrated management system at ČEZ, a. s. and, subsequently, to create a strategy for implementing an integrated, process-driven management system in CEZ Group.
The Dukovany and Temelín Nuclear Power Stations hold environmental protection certificates from Det Norske Veritas. Another power plant operator, Energetika Vítkovice, a.s., renewed its certificate in March 2007.

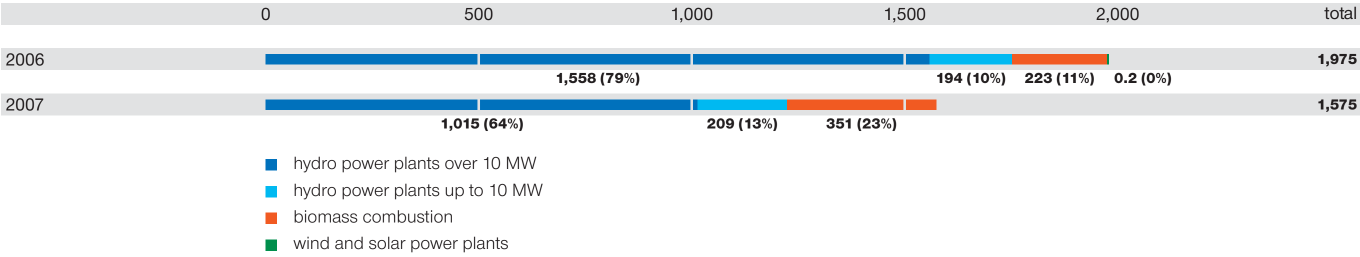
Environmental Protection

While managing its processes in 2007, CEZ Group continued to proceed in a manner that maximally reflects sustainable development and environmental protection. The power production sector is, by its very nature, closely linked to protection of the environment in general, and air and climate in particular, and awareness of the importance and significance of developments in the areas of pollution regulation and environmental protection is becoming one of the key attributes of risk management for a company of such size and stature as CEZ Group.
One important aspect is to adopt a proactive stance toward modern technologies and a constructive approach toward the regulatory framework, including involvement in international cooperation. Since early 2007, ČEZ, a. s. has been a member of the Combat Climate Change (3C) initiative, and is active in a number of industry and special-interest associations (Eurelectric, Center for European Political Studies – CEPS, International Emission Trading Association – IETA) as well as directly participating in both national and international dialogues on the issues. CEZ Group is very intensively monitoring the development of legislation at the European Union level, and particularly in the areas of CO_2 emission allowance trading, renewable sources of energy, support for modern technologies, and other related areas.
In order to protect the environment, ČEZ, a. s. has implemented an Environmental Management System (EMS) in accordance with the international ISO 14001:2004 standard, based on the principles of prevention and sustained improvements in the area of environmental protection.

CEZ Group Electricity Production from Renewable Energy Sources

The main CEZ Group members engaged in generating electricity from renewable sources of energy in the Czech Republic are the parent company, ČEZ, a. s., and the fully integrated company ČEZ Obnovitelné zdroje, s.r.o. set up especially for this purpose. In the Republic of Poland, Elektrownia Skawina S.A. deals in renewable energy.

Production of Electricity from Renewable Energy Sources (GWh)



Production of Electricity from Renewable Energy Sources (MWh)

	2006	2007	Index 2007/2006 (%)
CEZ Group, total	1,975,266	1,574,719	79.7
Central Europe	1,975,266	1,574,719	79.7
ČEZ, a. s.	1,708,240	1,255,285	73.5
Other CEZ Group members in the Czech Republic	202,565	209,306	103.3
Elektrownia Skawina S.A. (Republic of Poland)	64,461	110,128	170.8
Hydro power plants, total (less pumped-storage)	1,752,117	1,223,792	69.8
Central Europe	1,752,117	1,223,792	69.8
ČEZ, a. s.	1,544,620	1,006,038	65.1
Other CEZ Group members in the Czech Republic	202,565	209,306	103.3
Skawinka (Republic of Poland)	4,932	8,448	171.3
of which: plants with installed capacity under 10 MW	194,129	209,311	107.8
Central Europe	194,129	209,311	107.8
ČEZ, a. s.	61,172	51,950	84,9
Other CEZ Group members in the Czech Republic	128,025	148,913	116,3
Skawinka (Republic of Poland)	4,932	8,448	171,3
Wind power plants, total	176	–	–
Central Europe	176	–	–
ČEZ, a. s.	176	–	–
Solar power plants, total	8	8	100.0
Central Europe	8	8	100.0
ČEZ, a. s.	8	8	100.0
Biomass combustion, total	222,965	350,919	157.4
Central Europe	222,965	350,919	157.4
ČEZ, a. s.	163,436	249,239	152.5
Skawinka (Republic of Poland)	59,529	101,680	170.8

Integrated Prevention

In order to comply with requirements laid down by Act No. 76/2002 Sb. on Integrated Prevention and related implementing regulations, a total of 12 decisions on issuance of an integrated permit were issued by 30 October 2007, the statutory deadline. These permits cover all ČEZ, a. s. plant facilities that fall within the category of combustion facilities with nominal thermal output of over 50 MW.

In compliance with the requirement laid down by Act No. 76/2002 Sb. to record, evaluate, and report emissions and transmissions of selected pollutants in the Ministry of the Environment's integrated pollution register, by 15 February 2007 disclosure requirements were met through the Central Disclosure Office of the Ministry of the Environment for all coal-fired power plants, Dukovany Nuclear Power Station, and the Orlík Hydro Power Station for the year 2006. The disclosure requirement for 2007 was met by 31 March 2008.

At the international level, the ELCHO Power Station holds an integrated permit which includes all environmental components – air emissions, water consumption, waste water handling, waste, noise, and electromagnetic radiation. The plant obtained the permit from the Silesian Voivodeship on 17 April 2003. The permit is valid for 10 years.

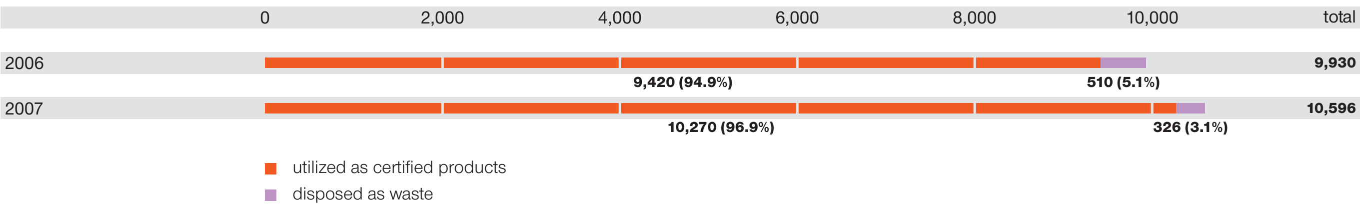
Skawina Power Station obtained an integrated permit by a decision of the Lesser Poland Voivodeship on 30 June 2006. By a decision of the Lesser Poland Voivodeship dated 30 October 2007, an integrated permit was issued for a waste disposal facility in the nearby town of Borek Szlachecki.

The Varna Power Station has held an integrated permit since 2005, and its validity was extended on 19 March 2007. In 2007, the plant also took steps to update the permit to allow generation volume to be increased from 5.5 TWh to 7 TWh.

Utilization of Generation By-products

Electricity generation by-products include primarily ash, semidry FGD product, and synthetic gypsum produced by the wet limestone scrubbing FGD method. They are used, e.g., in reclaiming land used for coal mining and in reclaiming settling ponds. Certain components of ash are used to produce cement, concrete mixes, asphalt-based insulation materials, etc. Specially modified ash serves as a construction and sealing material.
In 2007, ČEZ's electricity and heat generation operations produced a total of 9,898,000 tons of electricity generation by-products. Of this total figure, over 99% was utilized in the form of certified products. Of the amount utilized, approximately 71.5% was used in landscaping and reclamation, 28.0% was sold to outside companies, and 0.5% was disposed as waste in accordance with the Waste Act.

Processing of Electricity Generation By-products in CEZ Group (thousands of tons)



Skawina Power Station supplied fly ash for further processing (for production of construction materials, among other applications) and a portion was used to enlarge the embankments of its own fly ash disposal facility. ELCHO Power Station has its fly ash removed. Varna Power Station sells 250,000 tons of fly ash per year to Devnja Ciment for use in producing construction materials.

Air Protection

In years past, CEZ Group companies have played a major role in reducing emissions of the principal pollutants released into the air from combustion facilities. Within the stipulated deadlines they complied not only with the requirements of the Clean Air Act of 1991, but also with new legislation passed in 2002 to harmonize the Czech Republic's clean air requirements with the applicable European Union regulations.
CEZ Group made a substantial contribution to the overall improvement of air quality in the Czech Republic, as well as a major contribution toward meeting international clean air obligations.
Production of air emissions from CEZ Group coal-fired power plants and a gas boiler island at Temelín Nuclear Power Station is continually monitored. The public is kept informed on pollution in the vicinity of combustion facilities operated in the Czech Republic through the website www.cez.cz, where measurements of emissions, ground-level concentrations, and the proportion of air pollution attributable to coal power plants are available.
The operation of surface mines by Severočeské doly a.s. pollutes the air primarily through airborne dust. In municipalities affected by the mining operations, measurement stations operated by an independent laboratory provide continuous measurement of ground level dust concentrations, especially suspended particles of the PM10 fraction, with results transmitted over computer network and disclosed to the municipalities at regular monthly intervals. In 2007, Nástup Tušimice Mines implemented a project entitled "Dust Mitigation at the Tušimice II Central Coal Crushing Facility", which will lead to a significant improvement in the quality of the work environment in the crushing facility as well as reducing emissions of dust particles into the surrounding area. Dust is mitigated by an air circulation system in which dust-bearing air passes through a textile filters. The unit has a high degree of efficiency and emissions of dust particles from this source will be minimal henceforth.
In December 2007, Skawina Power Station completed one of its air protection projects by installing the last of eight electrostatic dust separators, which capture 99.9% of dust. Phase One of flue gas desulfurization was completed in December 2007 and the equipment was put into trial operation. In March 2007 a contract was signed for FGD Phase Two, with completion expected in December 2008. As of January 2009, we plan for the plant to be fully desulfurized via the semidry method, without waste water, and with a guaranteed effectiveness of 92%.
ELCHO Power Station met the requirements stipulated in the integrated permit and in January 2008 an authorized firm approved its 2007 CO_2 emission measurements.
Regular emission measurements at Varna Power Station did not exceed monthly permitted values. All measurements are subject to approval by the authority RIOSV Varna.

Emissions in 2007 Compared to 1993

	Units	Solids	Sulfur Dioxide	Nitrogen Oxides	Carbon Monoxide	Carbon Dioxide
1993	t	55,764	724,052	124,633	17,497	35,568,898
2007	t	7,076	118,889	92,234	4,888	46,853,953 ***)
Change	%	(87.3)	(83.6)	(26.0)	(72.1)	31.7
1993	kg/GJ *)	0.1793	2.3281	0.3956	0.0554	114.1
2007	kg/GJ *)	0.0168	0.2819	0.2187	0.0116	111.1 **)
Change	%	(90.6)	(87.9)	(44.7)	(79.1)	(2.7)

*) Specific emissions are related to 1 GJ of heat generated in the boilers.
**) The decline in specific emissions of carbon dioxide in 2007 compared to 1993 is influenced, among other things, by a methodology change (now calculated according to carbon content in fuel as opposed to the correlation coefficients of heat content used in the past).
***) One-year values (ČEZ, a. s., ELCHO, Skawina, Varna, Energetika Vítkovice, a.s.).

Development of Environmental Markets

Trading in Greenhouse Gas Emission Allowances

2007 was the last year of the first phase in the greenhouse gas emission allowances trading system. CO_2 emissions became an integral part of management and decision-making, not only at the coal-fired power plants which are directly affected by the trading, but also at non-fossil plants, which play a major role in optimizing generation in terms of CO_2 emissions. In 2007, CEZ Group carbon emissions totaled 38,828,007 tons of CO_2 in the Czech Republic, 4,203,260 tons of CO_2 in Poland, and 3,822,473 tons of CO_2 in Bulgaria. Allowances covering these emissions will be invalidated in accordance with valid legislation, within the framework of the national registries of the relevant countries.

In accordance with the public declaration we have adopted, ČEZ, a. s. continued to implement its Emission Reduction Action Plan, particularly in the context of further development of renewable sources of energy and generally developing the ČEZ plant portfolio, where CO_2 emissions are one of the key factors used to evaluate investment opportunities.

Thanks to our pro-active strategy in carbon markets, CEZ Group suffered no significant negative impact from the decline in the price of emission allowances for the first allocation period that occurred in 2006 and lasted until the end of the trading period. What is more, market prices for allowances for the next trading period (2008–2012) have returned to high levels, confirming that a long-term strategy of managing and reducing emissions is an suitable tool for dealing with this type of risk.

In view of developments in the electricity market, CEZ Group increased electricity production compared to 2006, and this showed up in CO_2 emissions and, subsequently, in the calculation of gains on sales of emission allowances saved, which were also affected by the decline in price and, therefore, sales proceeds as well, and at the same time by increased investment measures in 2007 that were carried forward from 2006. As a result, actual gains on sales of allowances in 2006 were higher than originally estimated, but on the other hand they were lower by a similar amount in 2007.

From this perspective, the approval of allocation plans for the second trading period will be a key decision. In the case of the Czech Republic, CEZ Group plants were allocated a total of 34,731,209 allowances. Allocation plans for Poland and Bulgaria have yet to be finalized.

In addition to carbon allowance markets, there are other environmental markets that are important for CEZ Group: in particular, markets for savings in greenhouse gas emissions from projects undertaken abroad. In accordance with the fourth pillar of the Action Plan, CEZ Group is intensively investing in emission reduction projects through the so-called “flexible mechanisms” of the Kyoto Protocol, and in particular Clean Development Mechanism (CDM) projects and Joint Implementation (JI) projects. Primarily, we are interested in investing in renewable energy projects and projects for secondary energy sources, energy conservation projects, and others not only in countries of Central and Eastern Europe, but most significantly China and other Asian countries.

Other Emission Reduction Projects

Development of renewable energy is one of CEZ Group’s long-term priorities. All countries where CEZ Group has operations are of interest in this area, however specific projects are limited by climate and other conditions of the country and/or locality.

We continue to pay close attention to wind energy and biomass, which are emerging as promising sources of energy in the conditions that apply in a country like the Czech Republic, but we are examining other renewable sources (geothermal, solar, biogas) as well. A new strategy for further development of renewable sources of energy is being prepared and will be discussed in the second quarter of 2008.

ČEZ, a. s. is analyzing the potential for utilizing low-emission technologies based on fossil fuels – primarily Carbon Capture and Storage (CCS). These technologies represent a way to continue using fossil fuels (especially coal) while at the same time achieving a major reduction in CO_2 emissions. However, they are not currently available in the scope required by the power sector, and therefore the European Commission is supporting the creation of 10–12 full-capacity CCS demonstration units by the year 2015, together with amendments of legislation to allow safe storage of CO_2 in geological formations. ČEZ, a. s. is preparing a demonstration unit in the Czech Republic. We are currently considering the advantages and disadvantages of two alternatives: a CO_2 separation unit adjacent to the Hodonín Power Station or a modern high-efficiency generating unit in North Bohemia. In either case, the unit would utilize state-of-the-art separation processes. Along with CO_2 separation we are also evaluating possibilities for storage – in deep sedimentary aquifers in North Bohemia and in defunct hydrocarbon mines in South Moravia, in cooperation with a local mining company.

Water Protection and Management

CEZ Group's water protection efforts comply with the Euro-amendment of the Water Act and related implementing decrees. Use of water and discharge of wastewater is governed by conditions stipulated in integrated permits issued by regional authorities and/or in decisions of water management authorities.

In accordance with decisions issued by these authorities, CEZ Group also operates its own power plants.

ČEZ, a. s. uses surface and underground water from five river basins – Elbe, Morava, Ohře, Odra and Vltava.

A total of 519,205,000 cubic yards (396,961,000 m^3) of water from these sources was used in 2007.

ČEZ, a. s. uses underground water mainly for potable water applications. For other applications, underground water is used for at most 3% of the total amount.

Severočeské doly a.s. does not directly withdraw any water from underground sources or rivers. Both mines utilize raw surface water purchased from ČEZ, a. s. under contact. At Nástup Tušimice Mines, a new minewater retention basin was built with a maximum capacity of 209,000 cubic yards (160,000 m^3). It will be used to accumulate the necessary volume of water to ensure the minimal flow rate of the Hutná stream in the town of Březno, as well as to protect adjoining municipalities and the Hutná stream against flood conditions. Also, the company refurbished and upgraded its recirculation wastewater treatment plant to increase its capacity and the quality of treated water. All waste and mine water discharged meet the conditions given in the relevant decisions of water management authorities.

ELCHO Power Station plans to refurbish its water management facility in 2008. At Skawina Power Station, there were no changes to water management during 2007.

In 2007, Varna Power Station began measuring amounts of cooling and waste water and renewed its wastewater discharge permit. The plant had its wastewater monitored by an accredited laboratory, and all hazardous substance levels were within prescribed limits.

Waste Management

The companies of CEZ Group handle waste in accordance with applicable laws. In 2007, Bílina Mines (part of Severočeské doly a.s.) received consent to operate a facility for utilizing inert waste on an in-mine spoilbank, and the Varna Power Station in Bulgaria drew up a waste management plan for the years 2006–2010, which was subsequently approved by RIOSV Varna.

Land Clean-up and Reclamation

In 2007, land reclamation in the vicinity of ČEZ, a. s. coal-fired power plants (waste disposal sites, settling ponds, dumps, etc.) continued in accordance with approved project documentation. Approximately 7.1 million tons of energy generation by-products certified for these purposes was used in the above reclamation projects in 2007.

Severočeské doly a.s. had ongoing reclamation activities designed to remedy the consequences of mining activity on 7,386 acres (2,989 hectares) of land at year end 2007.

Skawina Power Station is reclaiming a portion of a decommissioned fly ash disposal site where it has a permit to extract a fly ash-slag mixture for use in producing construction materials. So far, the ELCHO Power Station has no land reclamation operations. Varna Power Station reclaimed a portion of its fly ash disposal site.

ČEZ Distribuce, a. s. cleaned up a total of five sites with legacy environmental damage in 2007. Also during the year, it took over contracts for dealing with legacy environmental damage from the former Czech regional electricity distribution companies.

Fauna Protection and Support

To protect bird populations, CEZ Group approved an investment of over CZK 100 million with realization slated for the years 2008 to 2013. The project will help to ensure that bird protectors are installed on approximately 1,550 mi (2,500 km) of high voltage lines. ČEZ Foundation contributed to a project to raise Atlantic salmon in a defunct facility at Počerady Power Station, with subsequent release of the fish into their natural environment.

Shares, Shareholders and Securities of ČEZ, a. s.

Shareholder Structure

The total stated capital of the parent company, ČEZ, a. s., recorded in the Commercial Register at 31 December 2007 was CZK 59,221,084,300.

Shareholder Structure (%)

	at 31 December 2006	at 31 December 2007
Legal entities, total	95.74	95.86
Czech Republic	67.61	65.99
Other legal entities	24.27	19.04
of which: domestic	2.93	10.24
of which: ČEZ, a. s.	0.58	8.51
third parties	2.35	1.73
foreign	21.34	8.80
Asset managers	3.86	10.83
Private individuals, total	4.26	4.14
of which: domestic	4.15	4.04
foreign	0.11	0.10

The only shareholder with a stake amounting to over 3% in the stated capital of ČEZ, a. s. is the Czech Republic represented by the Ministry of Finance of the Czech Republic. The Czech Republic's stake in the share capital decreased in 2007 by implementation of a Government of the Czech Republic decision dated 19 March 2007 on sale of a 7% stake in ČEZ, a. s. The Czech Republic's share of voting rights, however, is growing as the number of treasury shares owned by ČEZ, a. s. increased by more than the number of shares held by the Czech Republic decreased. The Czech Republic's equity stake enables direct control over ČEZ, a. s. by conventional methods, voting at General Meetings in particular. Other shareholders are kept informed of any negative influence the controlling entity may have on the Company through the Related Parties Report which is a public document under Czech law and is included in the Annual Report. As an issuer of shares accepted for trading on the Prague and Warsaw Stock Exchanges, ČEZ, a. s. is required to regularly inform the mentioned exchanges of all important events. The reports are made in the Czech, English and Polish languages and are also available to the public on the Company's website.

Shares in ČEZ, a. s. held by foreign entities (legal entities and private individuals) amounted to 8.9% of the stated capital. There is also the possibility of additional foreign shareholders who hold shares through asset managers, but ČEZ, a. s. has no way to verify it.

Securities of 117 shareholders with an aggregate total nominal value of CZK 1.243 billion are managed by Československá obchodní banka, a. s., while Citibank, a.s. manages shares held by 95 shareholders in a total nominal value of CZK 4.106 billion and ING Bank N. V. manages the shares of 70 shareholders with an aggregate nominal value of CZK 1.063 billion.

Shares

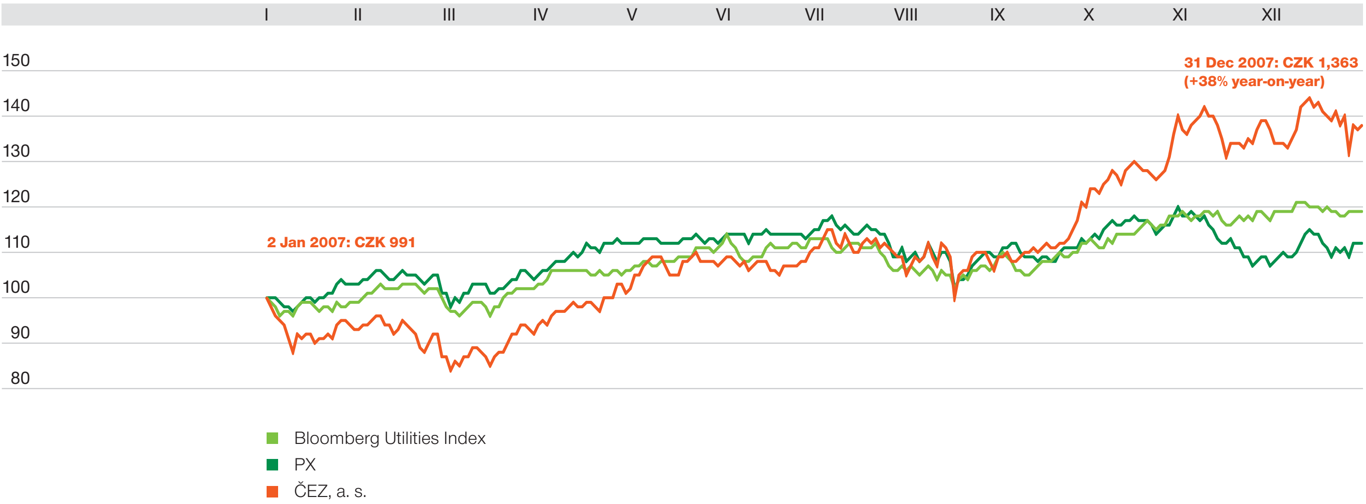
Security	ISIN	Issue date	Volume	Appearance	Form	Face value	Market	Traded since
Registered share *)	CZ0005112300	15 February 1999	CZK 59.2 billion	booked	to owner	CZK 100	PSE	22 June 1993
							PSE main market	25 January 1994
							RM-System	23 February 1999
							GPW	25 October 2006

*) As of 15 February 1999, the two preceding share issues (with face value CZK 1,000 and CZK 1,100, respectively) were merged and subsequently split into shares with face value of CZK 100.
Number of shares issued: 592,210,843.
Amount of share capital remaining to be paid in: 0.

Shares of ČEZ, a. s. are also traded by third parties (unsponsored listing) in the Federal Republic of Germany on the XETRA market operated by Deutsche Börse Group and on exchanges in Munich, Frankfurt am Main, Berlin, and Stuttgart.

ČEZ's weighting in the NTX (New Europe Blue Chip) index compiled by the Vienna Stock Exchange and Erste Bank reached 9.712% at year end 2007. Later, in 2008, it exceeded 10%. This index compares share prices from Austria, the Czech Republic, Hungary, Slovenia, Poland, Slovakia, Croatia, Romania, and Bulgaria and consists of 30 listed securities with the highest market capitalization.

ČEZ, a. s. Share Price in 2007 (%)



Per-share Indicators

	Units	2003	2004	2005	2006	2007	Index 2007/2006 (%)
Dividend per share (gross) *)	CZK	4.5	8.0	9.0	15.0	20.0	133.3
Dividend amount	CZK billions	2.7	4.7	5.3	8.9	11.8	132.4
Dividend as percentage of previous year's consolidated net income	%	16	31	49	40	41	102.5
High for year	CZK	146	341	748	1,010	1,423	140.9
Low for year	CZK	88	146	347	566	828	146.2
Year end	CZK	146	341	736	960	1,363	142.0
Number of registered shares (at December 31)	thousands	592,211	592,211	592,211	592,211	592,211	100.0
Number of treasury shares (at December 31)	thousands	745	10	2,440	3,455	50,370	> 500.0
Number of shares outstanding (at December 31)	thousands	591,466	592,201	589,771	588,756	541,841	92.0
Market capitalization (at December 31)	CZK billions	86	202	434	565	738	130.6
Book value	CZK/share	274	291	300	331	316	95.5
Price-to-book value ratio (P/BV)	%	53	117	246	290	431	148.6
Price-to-earnings ratio (P/E)	%	9	15	20	20	18	89.0
ČEZ share trading volume on PSE	CZK billions	44	108	299	348	403	115.8
ČEZ share in overall PSE trading volume	%	17.2	22.5	28.7	41.9	39.8	95.0

*) Paid, relating to the previous year.

Dividends

ČEZ, a. s. has been paying regular dividends to shareholders since 2001. Pay out takes place once per year. Rising dividends reflect the financial success of CEZ Group. Starting with the dividends for the fiscal year 2007, ČEZ, a. s. will be applying a new dividend policy under which it will pay out to shareholders 50–60% of the consolidated net income. Previously the range had been set at 40–50%.

Credit Ratings

The credit ratings of ČEZ, a. s. remained unchanged over the period. On 14 September 2007, the credit rating agency Moody's reaffirmed the A2 rating with stable outlook and on 25 September 2007 the credit rating agency Standard & Poor's reaffirmed the A- rating with stable outlook.

Treasury Shares

Treasury Shares	Total number of shares	Of which	
		Main account	Brokers
Balance at 1 January 2007	3,455,000	3,455,000	
Purchased on or before 29 April 2007	150,000	150,000	
Purchased on or after 30 April 2007	47,675,722		47,675,722
Obtained in merger with ZČE	10	10	
Trades closed but not settled	(255,588)		(255,588)
Sold on or before 29 April 2007	655,000	655,000	
of which: to beneficiaries	655,000	655,000	
Balance at 31 December 2007	50,370,144	2,950,010	47,420,134

Note: The figures in this table reflect ČEZ, a. s. equity account balances and, unlike the accounting figures, the merger of ČEZ, a. s. and the regional electricity distribution companies is included as of its effective date.

The 3,455,000 treasury shares held at the beginning of 2007 represented 0.58% of the ČEZ, a. s. stated capital. During the month of March, 150,000 shares were purchased for the stock options program at an average purchase price of CZK 911.81 per share, including broker commission and exchange fee (lowest price was CZK 883.31, highest was CZK 936.68). The total amount expended on share purchases in 2007 was CZK 136.77 million, including broker commissions and exchange fees.

In 2007, the Company sold 655,000 treasury shares to six beneficiaries who exercised options on these shares for an average price of CZK 189.50 (lowest price was CZK 139.20 per share, highest was CZK 243.53 per share). Proceeds from sale of shares to beneficiaries totaled CZK 124.2 million, including interest.

Starting on 30 April 2007, ČEZ, a. s. is engaged in a share buy-back through two securities brokers.

On 166 trading days during 2007, a total of 47,675,722 shares were repurchased. The total purchase price was CZK 54,609 million.

Highest and Lowest Share Purchase Prices

	Price (CZK)	Date	Market
Highest price	1,438.85	14 Dec 2007	GPW
Lowest price	1,001.10	4 May 2007	PSE

Average Share Price in 2007 (CZK)

Month	Purchase	Market average
May	1,064.95	1,049.74
June	1,066.25	1,070.53
July	1,109.86	1,095.20
August	1,076.30	1,055.66
September	1,090.76	1,118.83
October	1,237.46	1,278.31
November	1,357.24	1,329.65
December	1,372.75	1,374.27
Total	1,144.25	1,163.82

At the end of 2007, ČEZ, a. s. held a total of 50,370,144 treasury shares, corresponding to 8.51% of the stated capital.

General Meeting

The 15th Annual General Meeting, held on 23 April 2007, discussed and passed resolutions, in particular, on the following matters:

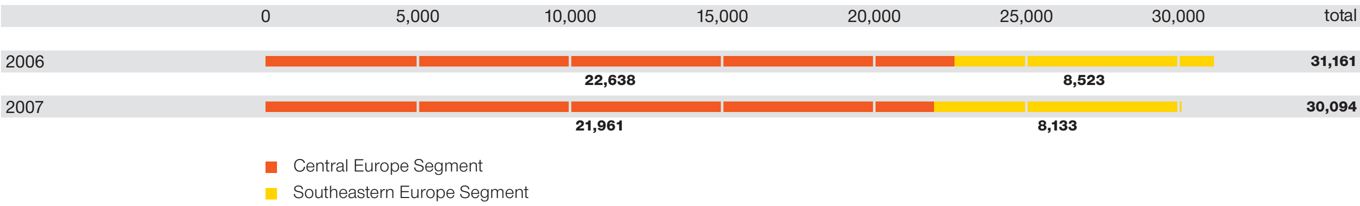
- report on the Company's business activities and the state of its assets in 2006 (noted),
- report of the Supervisory Board (noted),
- termination of the Company's social fund and remuneration fund with transfer of these funds' final balance to Company operating expenses (approved),
- amendment to Articles of Association (passed),
- ČEZ, a. s. financial statements for 2006 and CEZ Group consolidated financial statements for 2006 (approved),
- distribution of 2006 net income (approved),
- pay out of dividends and Board member remuneration (passed),
- report on the state of the public procurement project Renewal of I & C System at Dukovany Nuclear Power Station with proposal that the Board of Directors decide on the project in accordance with the Public Procurement Act (137/2006 Sb.) in the manner most economically advantageous for ČEZ, a. s. (approved),
- proposal to increase sponsorship budget for 2007 and provide non-monetary donations in the form of measurement devices with zero book value (approved),
- share buy-back proposal, including buy-back terms (approved),
- existing members of the Supervisory Board: Martin Kocourek, Tomáš Hüner, and Zdeněk Hrubý (approved); new members of the Supervisory Board: Ivan Fuksa, MUDr. Josef Janeček and Petr Kalaš (elected),
- Board member contracts and consideration provided thereunder (approved) and system for remunerating and providing benefits to members of the Board of Directors (approved).

CEZ Group Human Resources

Work Force Size and Structure

As of 31 December 2007, the work force head count (i.e. the total number of employees of all fully consolidated companies of CEZ Group) was 30,094 employees, i.e. down 1,067 year-on-year.

Work Force Head Count (persons) at December 31



Employee Training Program

The companies of CEZ Group both at home and abroad place continuous emphasis on developing the qualifications of their employees. Language skills courses at CEZ Group companies were focused primarily on improving English-language skills. A fundamental, mandatory area is periodic statutory training, which is realized for individual employees whose jobs require them to undertake activities for which applicable legislation requires periodic testing or re-training. Individual employees are enabled to improve their qualifications by studying at secondary schools and/or universities. Study in a given area or program is dependent on the employee's current job position or desired career growth. Qualification development plans are drafted for individual employees and groups of employees, and the fulfillment of these plans is subsequently evaluated.

At ČEZ, a. s. and the fully integrated companies of CEZ Group, a Catalog of Development Programs has been created to foster employee development. Based on applicable legislation, a new method was introduced for improving employee qualifications and programs were implemented to improve the managerial and specialized professional skills of executives.

Social Policy

The social policies of CEZ Group companies are governed by the terms of valid Collective Agreements.

At ČEZ, a. s. this includes, for example, a shorter, 37.5 hour work week; one additional week of paid vacation above the statutory minimum; employee personal accounts for rest & relaxation; electricity credit; contribution for Supplemental Pension Insurance, life insurance, and employee meal programs; and healthcare.

In late 2007 we began the collective bargaining process both at ČEZ, a. s. and at fully integrated subsidiaries, relating in particular to setting wages for the next period. On 11 December 2007, representatives of the employer and the unions signed Annex No. 2 to the ČEZ, a. s. Collective Agreement for the period 2007–2010 and Annex No. 3 to the same was signed on 29 January 2008.

On 18 December 2007, Collective Agreements were signed by the CEZ Group fully integrated subsidiaries for the period 2008–2010.

A number of new benefits were added to the Collective Agreements at ČEZ, a. s. and the fully integrated subsidiaries: for example, an employer contribution of CZK 200 per day for the first three calendar days of sickness and an employee entitlement to one day of paid leave per calendar year for the purpose of volunteer work on public-benefit projects or for a non-profit organization.
Outside of the Czech Republic, social policy is also governed by Collective Agreements. Individual benefits vary from company to company and from country to country, with contributions for employee meals, sport and culture among the most frequent. Benefits also include contributions for rest & relaxation during vacation time, and contributions to fund summer camps for younger children.

Labor Relations
There are a total of 29 separate labor organizations at ČEZ, a. s., and approximately 2,500 employees, or 41% of the total work force, were unionized in 2007. The labor organizations are organized into three labor unions: the ECHO Labor Union, the Czech Labor Union of Power Industry Employees, and the Labor Union of Nuclear Power Plant Employees.
ČEZ, a. s. deals with the labor unions in accordance with applicable law and the Company's personnel policy. Good relations between the Company and the unions resulted in the Collective Agreement which is to remain in force until 2010.
In the Collective Agreement, ČEZ, a. s. agreed at its own expense to create conditions for the activities of employee representatives (e.g., by providing offices with requisite technical equipment).
In addition, the employer provides the unions with an annual budget of CZK 3 million. These funds are used by the various labor organizations for such purposes as covering the expenses of travel, training and seminars, purchases of specialized literature and periodicals, to cover the cost of expert opinions, etc.
Currently ČEZ, a. s. has given long-term leave to 11 labor organization chairmen, who are thus enabled to act as employee representatives in accordance with the relevant provisions of the Labor Code and the Collective Agreement, as well as to five more labor organization members. The Company provides the labor organization chairman wage compensation at 90% of average earnings over the entire period of their leave. The other labor personnel on leave receive wage compensation at 40% of average earnings over their period of leave.
In integrated CEZ Group subsidiaries, there are a total of 50 basic labor organizations, in which approximately 3,700 employees are organized, i.e. 55% of the total work force. Of which 35 basic labor organizations are organized into five Associations of Basic Organizations, along regional lines. Another 15 basic organizations in the subsidiaries are independent. The labor organizations belong to one of two labor unions: the ECHO Labor Union or the Czech Labor Union of Power Industry Employees.
At the Elektrownia Skawina S.A. power plant in Poland there are three labor organizations and 73.9% of the employees are unionized. The unions' position is regulated by an agreement reached in 2001 between company management and all the labor organizations regarding labor union operations at Elektrownia Skawina S.A. The Collective Agreement was signed in 1995 and is valid for an indefinite period. In the years since then a number of annexes have been signed.
At the TEC Varna EAD power plant in Bulgaria there are three labor organizations and 96.3% of the employees are unionized. All three labor organizations are parties to the Collective Agreement that was signed on 10 December 2007 for a two-year validity period. Company management and the unions are on good terms thanks to a newly established Social Cooperation Commission that deals with disputed issues and interprets the Collective Agreement.
At CEZ Razpredelenie Bulgaria AD, labor relations were governed by a collective agreement signed in February 2006. In November 2007, negotiations began on a new collective agreement.
At the Romania-based CEZ Distributie S.A. there are eight basic labor organizations, in which 95% of employees are organized.

European Works Council
On 3 April 2007, at a joint meeting of members of the negotiating committee consisting of representatives of employees and the employer's headquarters, a CEZ Group European Works Council was established. Council members and a Chairman were elected in June 2007. Of the 23 members, 14 are from the Czech Republic, four are from the Republic of Bulgaria, three are from Romania, and two are from the Republic of Poland.
The CEZ Group European Works Council is a platform for discussing important CEZ Group strategic issues that have an impact on the interests of employees and employers in at least two European Union Member States. The CEZ Group European Works Council officially commenced operating at its first meeting, which took place on 7 and 8 November 2007.

CEZ Group Donorship and Sponsorship Program

Donorship

CEZ Group is one of the largest donors in the Czech Republic. In 2007, the corporate parent, ČEZ, a. s., was awarded the title TOP Corporate Philanthropist for the fourth time in the category absolute volume of funds. In 2007, financial donations and advertising partnerships were once again directed primarily to projects of local importance in the vicinity of CEZ Group power plants and subsidiaries.

ČEZ Foundation

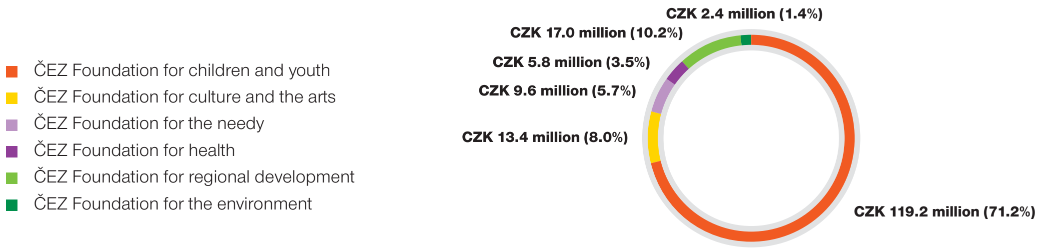
For five years now, the donorship activities of CEZ Group are concentrated in ČEZ Foundation, which during that time has distributed CZK 709.1 million in donations.
In 2007, CEZ Group companies contributed a total of CZK 205.6 million to ČEZ Foundation.

Amounts Contributed by CEZ Group Companies to ČEZ Foundation, 2007 (CZK millions)

Company	Contribution
ČEZ, a. s.	75.0
ČEZ Distribuce, a. s.	60.0
ČEZ Distribuční služby, s.r.o.	4.0
ČEZ Logistika, s.r.o.	20.6
ČEZ Měření, s.r.o.	3.0
ČEZ Prodej, s.r.o.	30.0
ČEZ Zákaznické služby, s.r.o.	13.0
Total	205.6

In 2007, ČEZ Foundation provided a total of CZK 167.4 million in donations to various projects, making it one of the most generous donors in the Czech Republic.

ČEZ Foundation – Distribution of Sponsorship Donations in 2007, by Cause



ČEZ Foundation's support in 2007 was realized through three projects in particular:

- active cooperation with regions where CEZ Group has operations – each year, the Foundation holds grant proceedings to provide funding to projects in education, scientific research, culture and the arts, sports, healthcare, social causes, and the environment, which are focused on development of individual regions. Of the total amount of CZK 123.2 million, CZK 25 million went to the Ústí Region, where most of the coal-fired power plants are located, as well as Severočeské doly a.s.;
- construction of Orange Playgrounds, taking into account the latest advances in safety for children at play, support for children's creativity and development of motor skills. ČEZ Foundation's support for this project totaled CZK 41.4 million;
- the project Orange Bicycle, which travels to major social events in the Czech Republic and in which volunteer cyclists convert their performance into money to support a selected non-profit organization in the region. ČEZ Foundation's support for this project totaled CZK 2.8 million.

Donorship Outside of ČEZ Foundation

Outside of ČEZ Foundation, Czech companies of CEZ Group donated a total of CZK 123.3 million.

	CZK millions
ČEZ, a. s.	34.4
the largest recipients included:	
municipalities in the vicinity of Dukovany and Temelín Nuclear Power Stations and Ledvice Power Station	29.9
Motol University Hospital	3.0
National Gallery, Prague	1.5
ČEZ Distribuce, a. s.	18.2
the largest recipients included:	
Masaryk Hospital in Ústí nad Labem	2.6
Most Hospital	1.8
Královské Vinohrady University Hospital	0.5
Jan Evangelista PURKYNĚ University	0.7
Hradec Králové University Hospital	0.6
ČEZ Prodej, s.r.o.	4.3
projects supporting the utilization of renewable energy sources	
ČEZ Správa majetku, s.r.o.	0.7
City of Klatovy, water supply network	
Energetika Vítkovice, a.s.	0.3
Severočeské doly a.s.	64.6
the largest recipients included:	
Ústí Region	25.0
City of Kadaň	3.0
Town of Braňov	1.7
City of Ledvice	2.5
City of Litvínov	2.0
Orphanage in Chomutov	1.0
Ústav jaderného výzkumu Řež a.s.	0.8

CEZ Group companies outside of the Czech Republic gave donations in a total of approximately CZK 2.4 million in 2007. The biggest donors were the following:

Bulgaria:

- CEZ Trade Bulgaria, BGN 5,000 (approximately CZK 71,000) toward production of a historical film about an accident on Units 3 and 4 of Kozloduy Nuclear Power Station and its consequences for nuclear energy safety in the Balkans;
- TEC Varna EAD donated BGN 18,000 (approximately CZK 255,000) to projects in the vicinity of the plant.

Poland:

- Elektrociepłownia Chorzów ELCHO spol. z o.o. donated PLN 58,000 (approximately CZK 425,000) to non-profit social organizations to support culture and the arts, sports, and help for the needy;
- Elektrownia Skawina S.A. donated PLN 118,000 (approximately CZK 863,000) to various local organizations and associations, science, education, healthcare, culture and the arts.

Serbia:

- CEZ Srbija d.o.o. donated EUR 20,000 (approximately CZK 555,000) to a hospital in Belgrade.

Kosovo:

- New Kosovo Energy L.L.C. donated EUR 7,000 (approximately CZK 194,000) to the intensive care unit of a pediatric university clinic in Kosovo and EUR 900 (approximately CZK 25,000) to an SOS Children's Village.

Hungary:

- CEZ Hungary Ltd. donated EUR 1,600 (approximately CZK 44,400) to help children.

CEZ Group Advertising Partnership Program

CEZ Group is a major advertising partner to a number of projects in many areas:

- in the environment and tourism, e.g.: construction of cycling trails in Klášterec nad Ohří and Kadaň, construction of cross-country ski trails in Kvilda, the Czech Canada region and the Blanský les Nature Preserve, support for zoological and botanical gardens in Dvůr Králové, Plzeň, Hluboká nad Vltavou and Olomouc, support for Czech Union for Nature Conservation environmental activities in Orlice and Nový Jičín, Podkrušnohorský ZOO park in Chomutov;
- in culture, the arts, and education, e.g.: Karlovy Vary International Film Festival, VELEHRAD 2007, Colors of Ostrava festival, MEZI PLOTY festival, Janáček's Hukvaldy International Music Festival, 27th annual Smetana Days festival, FINÁLE PLZEŇ film festival, Olomouc and Losiny Summer of Culture, 7th INTERNATIONAL FESTIVAL OF STUDENT FILMS PÍSEK 2007, Science and Technology Days in Plzeň, EKOFILM 2007, classical music concerts project in the districts of Most, Teplice, Chomutov, fashion show in Kosovo, Miss Kosovo 2007, a concert in Cracow, Polish premiere of the film "I Served the King of England," University of Craiova 60th anniversary celebration;
- in sports, e.g.: Czech Olympic Committee, Ice Hockey Extra-League, Czech Athletics Union, Men's and Women's Czech National Basketball Teams, Czech Paralympic Committee, Hvězda SKP Pardubice, Most Hippodrome, Chomutov Ice Hockey Club, Klub Piłki Ręcznej RUCH Chorzów, annual meeting of Balkan mountain climbers;
- in healthcare, e.g.: HEMS Association – airborne emergency rescue service, fold-out picture book by children in Motol University Hospital's oncological ward, Social Care Institute in Vejprty, Masaryk Hospital in Ústí nad Labem, South Bohemia Region Emergency Rescue Service.

Mountains Can Provide Fuel, Too

Generation of electricity from biomass is nothing new – wood, straw or even dedicated energy crops are used for this purpose. The amount of carbon dioxide produced when they are burned is the same as the amount the plants took out of the air during growth. The most common form of biomass existing in nature is ordinary grass, which is significantly less difficult to grow, as fertilizers and farming equipment are not required. What is more, since it consists of a variety of different plant species, it is more resilient and easier to protect. Grass can even be grown in otherwise infertile areas at higher elevations above sea-level that ordinarily lie fallow. So why not use them as a source of cheap energy?

Fulfillment of the Corporate Governance Codex by CEZ Group

Corporate Governance Codex Compliance

Our corporate governance is based on the Corporate Governance Codex, in the drafting of which in the Czech Republic ČEZ, a. s. took part and whose provisions we comply with in all material respects.

Material information on the Company's statutory bodies, a description of how they are established, their actual composition, a description of how their members are remunerated, and a summary of Supervisory Board committees can be found on pages 18–31 of this Annual Report.

ČEZ, a. s. complies with all Commercial Code provisions regarding shareholder rights, convening its General Meetings and ensuring equal treatment of all shareholders.

ČEZ, a. s. has formulated a strict insider trading policy and the Financing Section has drawn up a list of board members and employees that can in general be deemed insiders. ČEZ, a. s. follows Czech National Bank and GPW directives on disclosure of all material information, enabling all shareholders and potential shareholders to know the Company's financial situation, performance, ownership, and governance so that they can make informed investment decisions. All material information is published in Czech, English, and Polish.

The Company maintains its compliance with all statutory obligations towards stakeholders, including employees, creditors, and suppliers. In addition, the Company keeps in view its wider obligations toward local government authorities in the communities where it operates, and therefore consults and discusses its investment plans at this level as well.

As the issuer of a security listed on the GPW, in preparation for its share listing on this market ČEZ, a. s. published a declaration concerning observance of GPW's corporate governance standards. None of the information presented in that declaration had changed as of the closing date of the 2007 Annual Report.

A more detailed summary of compliance with the Corporate Governance Codex can be found on the Company website, www.cez.cz, in the section for investors. The declaration concerning observance of the Codex promulgated by GPW can be found on the GPW subsite, www.corp-gov.gpw.pl.

CEZ Group Shareholder and Investor Relations

The companies of CEZ Group comply with Commercial Code provisions regarding protection of minority shareholder rights and uphold the principle of equal access for all shareholders. On dates planned and announced in advance, the Company's shareholders receive timely quarterly reports on the financial and commercial performance of CEZ Group.

Like corporate governance, the Company's shareholder and investor relations are based on the recommendations of the Corporate Governance Codex.

Above and beyond statutory requirements, the Company aims to engage all capital market players in an intensive, open dialog so that each of them can arrive at an independent assessment of CEZ Group's performance and our future strategy. In 2007, the principal topics of discussion, besides quarterly performance results, were movements in electricity prices in the Central Europe market, commencement of trading on the Prague Energy Exchange, developments in the CO_2 emission allowances market, and allocation of CO_2 allowances to CEZ Group for the second allocation period, 2008–2012. Reporting on the financial performance of newly acquired foreign companies and the Company's M&A policy, including the strategic alliance with Hungary-based MOL, was a major topic in its own right.

The Company's top executives met with investors at 12 roadshows, eleven investor conferences, and many face-to-face meetings. During the meetings, presentations were given explaining the key topics set forth above, after which the executives fielded questions from the attendees. CEZ Group's intention is to maintain this dialog on a similar basis as we go forward.

The ČEZ, a. s. share buy-back running since 30 April 2007 satisfies safe harbor conditions set in Commission Regulation No. 2273/2003 for granting of an exemption from Article 8 of Directive 2003/6/EC. Information disclosed pursuant to Article 4, paragraph 3 of the Regulation are available on the CEZ Group's website in the section Inside Information.

Litigation Concerning CEZ Group Companies

As at the Annual Report closing date, no CEZ Group companies were involved in litigation that could have a material impact on their financial performance.

Central Europe

Czech Republic

1. In ongoing litigation before Austrian courts based on suits filed by Austrian persons (demanding cease-and-desist from generating alleged ionizing radiation from Temelín Nuclear Power Station), deliberations in the period in question centered on whether Austrian courts have jurisdiction over the dispute. In this matter, the Supreme Court in Vienna asked the European Court of Justice in Luxembourg (the “ECJ”) for an interpretation of the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (the “Brussels Convention”). In its “preliminary issue proceedings,” the ECJ decided that the relevant provisions of the Brussels Convention do not support the Austrian courts’ jurisdiction over the matter. Despite this ECJ decision, the Supreme Court in Vienna issued a decision that jurisdiction is given by internal Austrian law. Based on this decision, the matter was returned to the Linz Regional Court, as the court of first instance. On 20 December 2007, this court issued a resolution announcing that, on the basis of an expert opinion prepared at the behest of ČEZ, a. s. by Professors Schroeder and Weber from the University of Innsbruck, it is opening proceedings on the preliminary issue before the ECJ, as it has doubts concerning the applicability of Section 364(a) of the Austrian Civil Code.
2. Lesy České republiky, s.p. has filed eight suits against the Company, all identical in substance. The complainant is seeking compensation of damages to forests allegedly caused by ČEZ, a. s. operations in the years 1997–2004. The oldest suit is from 1999 and the latest was filed in 2006. The total amount sought in all the suits is CZK 176.2 million, plus interest.

The Company is also a party to the suits set forth below in items 3–9, all of which were filed by minority shareholders in conjunction with the realization of takeover offers (the first suit mentioned below) or squeeze-outs in the former regional electricity distribution companies:

3. ALTERNATIVA CZ s.r.o., BD FINOS, a.s., Rudolf Padyšák and Milan Jerman filed suit seeking payment of the difference from a takeover offer for shares of Severomoravské energetiky, a. s. made in early 2005. In the suit, the complainants are seeking for ČEZ, a. s. to pay an additional amount of up to CZK 400 million, plus interest. Although the results of the proceedings are impossible to predict, the amount sought can be considered exaggerated.
4. In a suit for review of consideration paid and seeking that the court declare a different consideration amount in the squeeze-out of minority shareholders from Severomoravská energetika, a. s., complainants Roman Minarik and KOR BUSINESS LTD are seeking payment of an additional amount of CZK 20,000 per share in addition to the consideration already paid (should the complainants win the suit, for ČEZ, a. s. this would mean a payment of up to CZK 620 million plus interest). According to an expert opinion requested by the court, for the time being at this phase of the proceedings there is a possibility that an additional payment of approximately CZK 100 million (maximum) will be ordered, but the outcome of the litigation is impossible to predict. Another suit for review of consideration has been attached to this suit. The later suit was filed by the Small Shareholders Protection Association, which is proposing that the court set the consideration amount at CZK 7,700 per share.

5. In a suit for review of consideration paid and seeking that the court declare a different consideration amount in the squeeze-out of minority shareholders from Západočeská energetika, a.s., complainants Roman Minarik, KOR BUSINESS LTD and Jakub Sedláček are seeking payment of an additional amount of CZK 30,000 per share in addition to the consideration already paid (should the complainants win the suit, for ČEZ, a. s. this would mean a payment of up to CZK 420 million plus interest). The result of the suit is impossible to predict. However, ČEZ, a. s. considers the amount sought to be groundless and exaggerated.
6. In a suit for review of consideration paid and seeking that the court declare a different consideration amount in the squeeze-out of minority shareholders from Východočeská energetika, a.s., complainants Roman Minarik and KOR BUSINESS LTD are seeking payment of an additional amount above consideration already paid, but they do not specify what amount of additional consideration they are seeking. During future proceedings it can be expected that similar demands will be made as in the suits mentioned above. The results of the proceedings are impossible to predict.
7. In a suit for review of consideration paid and seeking that the court declare a different consideration amount in the squeeze-out of minority shareholders from Severočeská energetika, a.s., complainant Zbyněk Drbohlav is seeking payment of CZK 8,000 per share (should the complainant win the suit, for ČEZ, a. s. this would mean a payment of up to CZK 550 million plus interest). The outcome is impossible to predict; at this juncture the amount sought appears to be baseless and exaggerated.
8. Four suits for review of consideration paid and seeking that the court declare a different consideration amount in the squeeze-out of minority shareholders from Středočeská energetická a.s.:
   a) complainants Roman Minarik, KOR BUSINESS LTD, Pavel Suda, Karel Hendrych, and Pavel Hořanský – amount of consideration sought has not yet been specified;
   b) complainant OSDA – ČR – Středočeská energetická Association is seeking consideration of CZK 6,900 per share;
   c) complainant Václav Charbuský is seeking consideration of CZK 6,888 per share;
   d) complainant Jaroslav Licehamr – amount of consideration sought has not yet been specified.

   Should the complainants succeed with their current demands, the consideration paid to all shareholders would be approximately CZK 270 million plus interest. However, the results of the proceedings are impossible to predict. In all of the suits mentioned above, the court can be expected to reject certain overly exaggerated demands, but in other respects the results of the disputes cannot be predicted.
9. In all cases of the General Meetings of the former regional electricity distribution companies that decided on the squeeze-outs, shareholders have filed suit seeking that the General Meetings be declared null and void. The suits are considered groundless. In three cases the suits were rejected by the court of first instance; however, the complainants appealed the decisions. In one case (Východočeská energetika, a.s.) the proceedings were terminated with legal force; however, the complainant appealed.
10. A suit filed by Milan Grozdík seeking compensation of CZK 1 billion in compensation for alleged damage to health caused by non-supply of electricity (originally against Východočeská energetika, a.s.) has still not been resolved. The Company considers the amount sought and the suit itself baseless.
11. The court has not yet decided in a suit filed by Roman Minarik and KOR BUSINESS LTD seeking for a resolution of a 2005 General Meeting of Středočeská energetická a.s. to be declared null and void. The resolution in question decided on contribution of parts of the company's business enterprise to ČEZ Distribuce, a.s. and ČEZ Prodej, s.r.o. In addition, the suit seeks for the relevant agreements on contribution of a part of the business to be declared null and void. The Company considers the suit groundless.
12. Similarly, the court has not yet decided in a suit filed by Roman Minarik seeking for a resolution of the General Meeting of Středočeská energetická a.s. held on 21 June 2006 to be declared null and void. The resolution in question decided on contribution of parts of the company's business to ČEZ Správa majetku, s.r.o. and ČEZ Distribuční služby, s.r.o. The suit also seeks for the relevant agreements on contribution of a part of the business to be declared null and void. Like the previous one, the Company considers this suit groundless.

13. A suit filed by ČEZ, a. s. against Pražská energetika, a.s. for CZK 171.7 million in back fees owed for reserved capacity and transmission in 2001. The suit was filed in 2002. In 2005 the Municipal Court in Prague decided in favor of the complainant, but the appeals court nullifed the decision and returned the matter to the court of first instance for further proceedings.
14. In 2006, the High Court in Prague granted Pražská energetika's appeal against the decision of the Municipal Court in Prague ordering it to pay ČEZ, a. s. an amount of CZK 49.2 million, and rejected ČEZ's suit. ČEZ, a. s. appealed the decision to the Supreme Court, which has not yet decided in the matter.
15. ŠKODA PRAHA a.s. appealed a decision of the Nitra Tax Directorate ordering that the company pay an additional income tax amount of SKK 11,537,600. The court rejected the suit. The company appealed the decision to the Supreme Court of the Slovak Republic.

Southeastern Europe

Bulgaria

1. TEC Varna EAD has filed a complaint against a decision of the State Energy and Water Regulation Commission concerning the electricity price set by that authority.
2. Arbitration proceedings with the Republic of Bulgaria are continuing in the matter of guarantees made in the privatization agreement on the privatization of three Bulgarian electricity distribution companies. The proceedings are being held before the Arbitration Tribunal of the International Chamber of Commerce in Paris. In 2007, the arbitration tribunal was formed and the complaint was finalized. The amount sought is EUR 6.5 million (CZK 162.4 million) plus interest and court costs.

Romania

1. CEZ Distributie S.A. is suing various entities representing the Romanian national railways (SNCFR) for a total amount of RON 59.8 million (CZK 503 million). CEZ Vanzare S.A. is suing the Romanian national railways (SNCFR SA) for compensation of RON 5.5 million (CZK 46.4 million) worth of electricity supplies.
2. S.C. ZAHARUL Calafat is seeking RON 23.1 million (CZK 191 million) in damages for interruption of electricity supply.

Independent Auditors' Report

To the Shareholders of ČEZ, a. s.:

I. We have audited the consolidated financial statements of CEZ Group as at December 31, 2007 presented in the annual report of ČEZ, a. s. ("the Company") on pages 114–154 on which we have issued an auditors' report dated February 25, 2008, presented in the annual report on page 113. We have also audited the separate financial statements of the Company as at December 31, 2007 presented in the annual report of the Company on pages 156–192 on which we have issued an auditors' report dated February 25, 2008, presented in the annual report on page 155 (both referred further as "financial statements").

II. We have also audited the consistency of the annual report with the financial statements described above. The management of ČEZ, a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respect, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–111 is consistent with that contained in the audited financial statements as at December 31, 2007. Our work as auditors was to confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the above-mentioned financial statements.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of ČEZ, a. s. for the year ended December 31, 2007 presented in the annual report of the Company on pages 211–213. The management of ČEZ, a. s. is responsible for the preparation of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with applicable International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of ČEZ, a. s. for the year ended December 31, 2007 is materially misstated.

Ernst & Young Audit & Advisory, s.r.o., člen koncernu
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

April 15, 2008
Prague, Czech Republic

Independent Auditors' Report on the Consolidated Financial Statements of CEZ Group

ERNST & YOUNG

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of CEZ Group which comprise the consolidated balance sheet as at December 31, 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Board of Directors of ČEZ, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young

Ernst & Young Audit & Advisory, s.r.o., člen koncernu
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

February 25, 2008
Prague, Czech Republic

CEZ Group
Consolidated Balance Sheet in Accordance with IFRS as of December 31, 2007

(in CZK millions)

ASSETS	2007	2006
Property, plant and equipment		
Plant in service	479,091	464,776
Less accumulated provision for depreciation	234,297	219,073
Net plant in service (Note 3)	244,794	245,703
Nuclear fuel, at amortized cost	6,983	7,376
Construction work in progress	25,388	16,684
Total property, plant and equipment	277,165	269,763
Other non-current assets		
Investment in associates	248	430
Investments and other financial assets, net (Note 4)	16,126	13,277
Intangible assets, net (Note 5)	19,060	17,820
Deferred tax assets (Note 27)	482	699
Total other non-current assets	35,916	32,226
Total non-current assets	313,081	301,989
Current assets		
Cash and cash equivalents (Note 8)	12,429	30,932
Receivables, net (Note 9)	23,880	16,334
Income tax receivable	79	152
Materials and supplies, net	4,484	4,308
Fossil fuel stocks	857	1,195
Emission rights (Note 10)	355	2,224
Other financial assets, net (Note 11)	10,585	8,952
Other current assets (Note 12)	5,192	2,569
Total current assets	57,861	66,666
TOTAL ASSETS	370,942	368,655

EQUITY AND LIABILITIES	2007	2006
Equity attributable to equity holders of the parent		
Stated capital	59,221	59,221
Treasury shares	(55,972)	(1,943)
Retained earnings and other reserves	168,103	137,659
Total equity attributable to equity holders of the parent (Note 13)	171,352	194,937
Minority interests	12,874	12,716
Total equity	184,226	207,653
Long-term liabilities		
Long-term debt, net of current portion (Note 14)	51,984	41,956
Accumulated provision for nuclear decommissioning and fuel storage (Note 17)	39,191	36,683
Other long-term liabilities (Note 18)	16,369	15,543
Total long-term liabilities	107,544	94,182
Deferred tax liability (Note 27)	17,153	20,017
Current liabilities		
Short-term loans (Note 19)	18,048	121
Current portion of long-term debt (Note 14)	3,226	6,365
Trade and other payables (Note 20)	25,738	22,905
Income taxes payable	5,969	6,222
Accrued liabilities (Note 21)	9,038	11,190
Total current liabilities	62,019	46,803
TOTAL EQUITY AND LIABILITIES	370,942	368,655

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Income in Accordance with IFRS for the Years Ended December 31, 2007

(in CZK millions)

	2007	2006
Revenues		
Sales of electricity	160,046	138,157
Gains and losses from electricity derivative trading, net	2,690	(308)
Heat sales and other revenues	11,827	11,285
Total revenues (Note 22)	174,563	149,134
Operating expenses		
Fuel	(16,883)	(11,637)
Purchased power and related services	(46,328)	(43,001)
Repairs and maintenance	(4,881)	(5,487)
Depreciation and amortization	(22,123)	(24,280)
Salaries and wages (Note 23)	(16,900)	(15,084)
Materials and supplies	(6,066)	(4,981)
Emission rights, net (Note 10)	1,058	3,077
Other operating expenses (Note 24)	(9,237)	(7,677)
Total expenses	(121,360)	(109,070)
Income before other income (expenses) and income taxes	53,203	40,064
Other income (expenses)		
Interest on debt, net of capitalized interest (Note 2.8)	(1,954)	(2,236)
Interest on nuclear and other provisions (Note 2.24, 17 and 18)	(1,937)	(1,891)
Interest income (Note 25)	1,163	922
Foreign exchange rate gains, net	22	1,204
Gain (loss) on sale of subsidiaries and associates	129	(228)
Other income (expenses), net (Note 26)	485	(201)
Income from associates (Note 2.2)	40	74
Total other income (expenses)	(2,052)	(2,356)
Income before income taxes	51,151	37,708
Income taxes (Note 27)	(8,387)	(8,952)
Net income	42,764	28,756
Net income attributable to		
Equity holders of the parent	41,555	27,697
Minority interests	1,209	1,059
Net income per share attributable to equity holders of the parent (CZK per share) (Note 30)		
Basic	72.9	47.0
Diluted	72.7	46.8
Average number of shares outstanding (000s) (Notes 13 and 30)		
Basic	569,981	589,329
Diluted	571,914	592,211

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Changes in Equity in Accordance with IFRS for the Years Ended December 31, 2007

(in CZK millions)

	Attributable to equity holders of the parent							
	Stated capital	Treasury shares	Translation difference	Fair value and other reserves	Retained earnings	Total	Minority interests	Total equity
December 31, 2005	59,221	(984)	(789)	588	118,637	176,673	14,616	191,289
Change in fair value of available-for-sale financial assets recognized in equity	–	–	–	285	–	285	2	287
Available-for-sale financial assets removed from equity	–	–	–	36	–	36	1	37
Change in fair value of cash flow hedges recognized in equity	–	–	–	316	–	316	–	316
Cash flow hedges removed from equity	–	–	–	181	–	181	–	181
Translation differences	–	–	(512)	–	–	(512)	(2)	(514)
Share on equity movements of associates	–	–	–	–	21	21	–	21
Other movements	–	–	–	(20)	15	(5)	(1)	(6)
Gain and loss recorded directly to equity	–	–	(512)	798	36	322	–	322
Net income	–	–	–	–	27,697	27,697	1,059	28,756
Total gains and losses for the year	–	–	(512)	798	27,733	28,019	1,059	29,078
Acquisition of treasury shares	–	(1,273)	–	–	–	(1,273)	–	(1,273)
Sale of treasury shares	–	314	–	–	(179)	135	–	135
Dividends	–	–	–	–	(8,852)	(8,852)	–	(8,852)
Share options	–	–	–	235	–	235	–	235
Transfer of exercised and forfeited share options within equity	–	–	–	(240)	240	–	–	–
Change in minority due to acquisitions	–	–	–	–	–	–	(2,959)	(2,959)
December 31, 2006	59,221	(1,943)	(1,301)	1,381	137,579	194,937	12,716	207,653
Change in fair value of available-for-sale financial assets recognized in equity	–	–	–	(113)	–	(113)	–	(113)
Available-for-sale financial assets removed from equity	–	–	–	(269)	–	(269)	–	(269)
Change in fair value of cash flow hedges recognized in equity	–	–	–	2,236	–	2,236	–	2,236
Cash flow hedges removed from equity	–	–	–	35	–	35	–	35
Translation differences	–	–	(995)	–	–	(995)	(759)	(1,754)
Share on equity movements of associates	–	–	–	–	(21)	(21)	–	(21)
Other movements	–	–	–	–	(5)	(5)	(3)	(8)
Gain and loss recorded directly to equity	–	–	(995)	1,889	(26)	868	(762)	106
Net income	–	–	–	–	41,555	41,555	1,209	42,764
Total gains and losses for the year	–	–	(995)	1,889	41,529	42,423	447	42,870
Acquisition of treasury shares	–	(54,397)	–	–	–	(54,397)	–	(54,397)
Sale of treasury shares	–	368	–	–	(244)	124	–	124
Dividends	–	–	–	–	(11,780)	(11,780)	(3)	(11,783)
Share options	–	–	–	45	–	45	–	45
Transfer of exercised and forfeited share options within equity	–	–	–	(90)	90	–	–	–
Change in minority due to acquisitions	–	–	–	–	–	–	(286)	(286)
December 31, 2007	59,221	(55,972)	(2,296)	3,225	167,174	171,352	12,874	184,226

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Cash Flows in Accordance with IFRS for the Years Ended December 31, 2007

(in CZK millions)

	2007	2006
OPERATING ACTIVITIES		
Income before income taxes	51,151	37,708
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation, amortization and asset write-offs	22,166	24,352
Amortization of nuclear fuel	2,936	3,156
(Gain) loss on fixed asset retirements, net	(637)	21
Foreign exchange rate losses (gains), net	(22)	(1,204)
Interest expense, interest income and dividend 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		
Receivables	(8,724)	(2,859)
Materials and supplies	(612)	(375)
Fossil fuel stocks	345	(16)
Other current assets	(2,934)	(2,680)
Trade and other payables	5,111	4,596
Accrued liabilities	1,457	(19)
Cash generated from operations	71,396	66,182
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
Net cash provided by operating activities	59,219	62,908
INVESTING ACTIVITIES		
Acquisition of subsidiaries and associates, net of cash acquired (Note 6)	(2,462)	(21,925)
Proceeds from disposal of subsidiaries and associates, net of cash disposed of	1,416	3,278
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(34,066)	(23,745)
Loans made	(2)	(174)
Proceeds from sale of fixed assets	1,216	1,330
Change in decommissioning and other restricted funds	(3,312)	(2,287)
Repayment of loans	177	229
Total cash used in investing activities	(37,033)	(43,294)
FINANCING ACTIVITIES		
Proceeds from borrowings	83,051	43,506
Payments of borrowings	(56,803)	(38,081)
Proceeds from other long-term liabilities	289	385
Payments of other long-term liabilities	(542)	(456)
Dividends paid to Company's shareholders	(11,694)	(8,838)
Dividends paid to minority interests / Contributions received from minority interests, net	22	(44)
(Acquisition) sale of treasury shares	(54,443)	(1,139)
Total cash used in financing activities	(40,120)	(4,667)
Net effect of currency translation in cash	(569)	(806)
Net increase in cash and cash equivalents	(18,503)	14,141
Cash and cash equivalents at beginning of period	30,932	16,791
Cash and cash equivalents at end of period	12,429	30,932
Supplementary cash flow information		
Total cash paid for interest	2,284	2,539

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Notes to Consolidated Financial Statements as of December 31, 2007

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 66.0% at December 31, 2007 by the Ministry of Finance of the Czech Republic. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group ("the Group"), which is primarily engaged in the business of production, distribution and sale of electricity (see Notes 2.2 and 7). ČEZ is an electricity generation company, which produced in 2007 approximately 74.2% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates ten fossil fuel plants, sixteen hydroelectric plants and two nuclear plants. The Company also operates through its subsidiaries several hydroelectric, fossil fuel and gas fired power plants in the Czech Republic, two fossil fuel plants in Poland and one in Bulgaria. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria and Romania. The average number of employees of the Company and its consolidated subsidiaries was 30,565 and 30,231, for the year 2007 and 2006, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

Third-party access started to be introduced gradually from 2002. From 2006 all customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The accompanying consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Group do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2006 or as at December 31, 2006 are presented in the format required for 2007. Certain prior year financial statement items have been reclassified to conform to the current year presentation. Since 2007 the Group changed the presentation of revenues and expenses related to electricity trading (see Note 2.21). In the income statement and the related notes expenses or losses are presented as negative balances and revenues or gains are presented as positive balances.

2.2. Group Accounting

a. Group Structure
The financial statements include the accounts of ČEZ, a. s., its subsidiaries and associates, which are shown in the Note 7.

b. Subsidiaries
Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has a power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries from unrelated parties. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the Group's interest in the fair value of acquiree's net assets exceeds the cost of business combination ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss. In case of subsequent acquisition of a minority interest in a subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the minority interest acquired.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates
Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Transactions involving entities under common control
Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. Financial statements of the Group report results of operations for the period in which the transfer occurs as though the transfer of net assets had occurred at the beginning of the period. Results of operations for that period thus comprise those of the previously separate entities from the beginning of the period to the date the acquisition is completed and those of the combined operations from that date to the end of the period. Financial statements and financial information presented for prior years is restated to furnish comparative information on the same basis. The cost of acquisition of subsidiaries from entities under common control is recorded directly in equity.

Net gain on sale of a subsidiary or an associated company to an entity controlled by the Group's majority shareholder is recognized directly in equity.

2.3. Change in Accounting Policies

a. New IFRS standards
In 2007 the Group adopted the following new and amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Group:
– IFRS 7 Financial Instruments: Disclosures
– IFRIC Interpretation 8 Scope of IFRS 2
– IFRIC Interpretation 9 Reassessment of Embedded Derivatives
– IFRIC Interpretation 10 Interim Financial Reporting and Impairment
– IAS 1 Presentation of Financial Statements (Amendment)

Adoption of the new or revised IFRS standards and interpretations did not have any effect on the opening balance of equity attributable to the Company's shareholders as at January 1, 2007 and 2006, respectively. They did however give rise to additional disclosures.

The principal effects of these changes on the Group are as follows:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements (Amendment)
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 13.

b. New IFRS Standards and Interpretations not yet effective
The Group is currently assessing the potential impacts of the new and revised standards that will be effective from January 1, 2008 or later. Most relevant to the Group's activities are IFRS 3 Business Combinations (Revised), IFRS 8 Operating Segments, IAS 23 Borrowing Costs (Revised), IAS 27 Consolidated and Separate Financial Statements (Revised), IFRIC Interpretation 11 Group and Treasury Share Transactions, IFRIC Interpretation 12 Service Concession Arrangements. The Group currently does not expect that the new standards and interpretations will have a significant effect on the Group's results and financial position, although they may expand the disclosures in certain areas.

The principal expected effects on the Group will be as follows:

IFRS 8 Operating Segments
This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine business and geographical reporting segments of the Group. The Group determined that the operating segments were the same as the segments previously identified under IAS 14 Segment Reporting. Additional disclosures required by new standard will be included in the notes.

2.4. Estimates
The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Revenues
The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Connection fees received from customers are deferred and recognized in income over the expected term of the customer relationship, which is currently estimated to be 20 years.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included either in the line item of Receivables, net or Trade and other payables.

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,936 million and CZK 3,156 million for the years ended December 31, 2007 and 2006, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 17). Such charges amounted to CZK 317 million and CZK 182 million in 2007 and 2006, respectively.

2.8. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 732 million and CZK 527 million, which was equivalent to an interest capitalization rate of 5.0% and 5.9% in 2007 and 2006, respectively.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost and related accumulated depreciation of the disposed item or its replaced part are eliminated from the accounts. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment and impairment reversals are recognized directly in profit or loss in the line item of Other operating expenses.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	25–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 20,675 million and CZK 22,612 million for the years ended December 31, 2007 and 2006, which was equivalent to a composite depreciation rate of 4.4% and 5.0%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.24). At December 31, 2007 and 2006 capitalized costs at net book value amounted to CZK 455 million and CZK 580 million, respectively.

2.11. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 15 years. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses.

For assets excluding goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.12. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2007 and 2006 certain companies of the Group have been granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by their facilities in the calendar year and this amount has to be audited by an authorized person.

On April, 30, of the following year, at latest, these companies are required to remit a number of certificates representing the number of tones of CO_2 actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 40 per 1 ton of CO_2.

In the financial statements the emission rights, which were granted free of charge, are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. If the granted allowances are not sufficient to cover actual emissions, the Group recognizes a provision, which is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date.

The Group also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

2.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments, loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less (see Note 8). Foreign currency deposits are translated at December 31, 2007 and 2006 exchange rates, respectively.

2.16. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. At December 31, 2007 and 2006 the allowance for uncollectible receivables amounted to CZK 2,614 million and CZK 2,452 million, respectively.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified. At December 31, 2007 and 2006 the provision for obsolescence amounted to CZK 343 million and CZK 116 million, respectively.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

b. Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

– a physical delivery takes place under such contracts;
– the volumes purchased or sold under the contracts correspond to the Group's operating requirements;
– the contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company, and do not therefore come under the scope of IAS 39.

Commodity contracts, which fall under the scope of IAS 39, are carried at fair value with changes in the fair value recognized in the income statement. Since 2007 the Group started to present revenues and expenses related to electricity trading net in the line Gains and losses from electricity derivative trading, net. Prior year financial information has been restated to conform to the current year presentation. The reclassification decreased sales of electricity by CZK 7,487 million and purchased power and related services by CZK 7,391 million for the year ended December 31, 2006.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic current income taxes are provided at a rate of 24% and 24% for the year ended December 31, 2007 and 2006, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2008, 2009 and 2010 will be 21%, 20% and 19%, respectively.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, except:

– where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
– in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.23. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors (see Note 17).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation is 2.0%.

The decommissioning process is expected to continue for approximately a sixty-year period subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Group's current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating live (see Note 18). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation is 2.0% annually.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangements is, or contains a lease is based on the substance of the arrangement at inception data of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

– There is a change in contractual terms, other than a renewal or extension of the arrangement;
– A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
– There is a change in determination of whether fulfillment is dependant on a specified asset; or
– There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.29. Share Options

Board of Directors, members of Executive Committee (advisory body of Chief Executive Officer) and the Supervisory Board members have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2007 and 2006 the expense recognized in respect of the share option plan amounted to CZK 45 million and CZK 235 million, respectively.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

3. Net Plant in Service

Net plant in service at December 31, 2007 and 2006 is as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2007	Total 2006
Cost – opening balance	171,869	288,855	4,052	464,776	439,416
Plant additions	7,698	10,129	400	18,227	14,576
Disposals	(704)	(4,547)	(31)	(5,282)	(3,958)
Acquisition of subsidiaries	1,656	123	13	1,792	15,206
Disposal of subsidiaries	(248)	(295)	(22)	(565)	–
Change in estimate of decommissioning provisions	–	1,659	–	1,659	(36)
Reclassification and other	137	(110)	(12)	15	2
Currency translation differences	(1,232)	(278)	(21)	(1,531)	(430)
Cost – closing balance	179,176	295,536	4,379	479,091	464,776
Accumulated deprec. and impairment – opening balance	(68,747)	(149,500)	(826)	(219,073)	(199,756)
Depreciation	(5,183)	(15,471)	(21)	(20,675)	(22,612)
Net book value of assets disposed	(284)	(228)	(5)	(517)	(551)
Disposals	704	4,547	4	5,255	3,931
Disposal of subsidiaries	87	189	3	279	–
Reclassification and other	(132)	139	–	7	(20)
Impairment losses recognized	(491)	–	–	(491)	(280)
Impairment losses reversed	597	27	8	632	159
Currency translation differences	162	120	4	286	56
Accumulated deprec. and impairment – closing balance	(73,287)	(160,177)	(833)	(234,297)	(219,073)
Net plant in service – closing balance	105,889	135,359	3,546	244,794	245,703

At December 31, 2007 and 2006 plant and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2007	2006
Cost	21,967	20,505
Accumulated depreciation	(4,803)	(4,312)
Total net book value	17,164	16,193

The carrying value of plant and equipment held under finance lease at December 31, 2007 and 2006 is CZK 39 million and CZK 106 million, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2007 and 2006 is CZK 76 million and CZK 308 million, respectively.

4. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Restricted debt securities available-for-sale	3,233	–
Restricted debt securities held to maturity	996	–
Restricted cash	4,160	5,088
Total restricted financial assets	8,389	5,088
Financial assets in progress, net	241	104
Debt securities held-to-maturity	765	705
Debt securities available-for-sale	4,810	4,039
Equity securities available-for-sale	525	933
Long-term receivables, net	1,396	2,408
Total	16,126	13,277

The financial assets in progress represent amounts paid in respect of planned acquisitions.

Movements in impairment provisions (in CZK millions)

	2007			2006		
	Financial assets in progress	Available-for-sale financial assets	Long-term receivables	Financial assets in progress	Available-for-sale financial assets	Long-term receivables
Opening balance	–	202	13	89	173	13
Additions	–	–	–	–	78	–
Reversals	–	(72)	(13)	(89)	(53)	–
Acquisition of subsidiaries	–	–	–	–	4	–
Closing balance	–	130	–	–	202	13

Debt securities at December 31, 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	1,334	318	1,457	3,109
Due in 2–3 years	23	334	1,372	1,729
Due in 3–4 years	7	–	181	188
Due in 4–5 years	5	–	860	865
Due in more than 5 years	27	113	940	1,080
Total	1,396	765	4,810	6,971

Debt securities at December 31, 2006 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	919	52	1,354	2,325
Due in 2–3 years	1,351	325	889	2,565
Due in 3–4 years	16	328	1,190	1,534
Due in 4–5 years	9	–	183	192
Due in more than 5 years	113	–	423	536
Total	2,408	705	4,039	7,152

Debt securities at December 31, 2007 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	1,371	–	1	1,372
From 2.0% to 3.0%	10	340	1,249	1,599
From 3.0% to 4.0%	–	105	2,091	2,196
From 4.0% to 5.0%	15	113	1,425	1,553
Over 5.0%	–	207	44	251
Total	1,396	765	4,810	6,971

Debt securities at December 31, 2006 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	2,282	–	–	2,282
From 2.0% to 3.0%	–	343	1,988	2,331
From 3.0% to 4.0%	43	217	1,972	2,232
From 4.0% to 5.0%	–	145	32	177
Over 5.0%	83	–	47	130
Total	2,408	705	4,039	7,152

The following table analyses the debt securities at December 31, 2007 by currency (in CZK millions)

	CZK	EUR	Total
Long-term receivables	1,382	14	1,396
Debt securities held-to-maturity	765	–	765
Debt securities available-for-sale	4,810	–	4,810
Total	6,957	14	6,971

The following table analyses the debt securities at December 31, 2006 by currency (in CZK millions)

	CZK	EUR	Total
Long term receivables	2,403	5	2,408
Debt securities held-to-maturity	705	–	705
Debt securities available-for-sale	4,039	–	4,039
Total	7,147	5	7,152

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2007 and 2006 are as follows (in CZK millions)

	Software	Rights and Other	Goodwill	Total 2007	Total 2006
Cost – opening balance	5,645	4,982	11,058	21,685	10,163
Additions	937	163	–	1,100	1,112
Disposals	(237)	(7)	–	(244)	(1,573)
Acquisition of subsidiaries	–	232	652	884	12,130
Disposal of subsidiaries	(3)	(4)	(129)	(136)	(1)
Reclassification and other	53	(58)	–	(5)	(1)
Currency translation differences	(6)	45	81	120	(145)
Cost – closing balance	6,389	5,353	11,662	23,404	21,685
Accumulated amortization – opening balance	(4,177)	(731)	–	(4,908)	(4,805)
Amortization charge for the year	(762)	(686)	–	(1,448)	(1,668)
Net book value of assets disposed	(16)	(4)	–	(20)	(16)
Disposals	237	7	–	244	1,571
Disposal of subsidiaries	3	4	–	7	–
Reclassification and other	(11)	16	–	5	–
Impairment losses recognized	(35)	–	–	(35)	(7)
Impairment losses reversed	–	–	–	–	5
Currency translation differences	4	(1)	–	3	12
Accumulated amortization – closing balance	(4,757)	(1,395)	–	(6,152)	(4,908)
Net intangible assets – closing balance	1,632	3,958	11,662	17,252	16,777

At December 31, 2007 and 2006, intangible assets presented in the balance sheet include intangible assets in progress in the amount of CZK 1,808 million and CZK 1,043 million, respectively.

At December 31, 2007 and 2006, goodwill was allocated to the respective business and geographical segments based on the classification of the related subsidiaries (see Note 29). There have been no accumulated impairment losses of goodwill at December 31, 2007 and 2006, respectively.

Impairment testing of goodwill

At December 31, 2007 and 2006 goodwill was allocated to the following cash-generating units for the purpose of impairment testing (in CZK millions):

	2007	2006
Bulgarian distribution	1,063	1,098
TEC Varna	1,947	2,011
Polish power-plants	5,689	5,508
Czech distribution and sale	2,182	2,302
Teplárenská	643	–
Other	138	139
Total carrying amount of goodwill	11,662	11,058

The Group performed impairment tests and as result of these tests the Group did not recognize any impairment losses of goodwill in 2007 and 2006. The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Bulgarian distribution and TEC Varna has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 6.0% for distribution and seven-year period budget and discount rate 7.6% for Varna power-plant. Cash flows beyond the five-year period are extrapolated using an average growth rate of 5.0% for the distribution companies, while the calculation did not include any cash-flow for Varna power-plant beyond 2014. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The recoverable amount of Polish power-plants has also been determined based on a value in use calculation. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and a discount rate of 7.6%. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.4%. This growth rate represents the predicted long-term average growth rate of cash flows under currently known capacities and circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale and Teplárenská. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and a discount rate of 5.7% for distribution and 7.4% for Teplárenská. Cash flows beyond the five-year period are extrapolated using an average growth rate of 5.0%. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average of cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the forecast of market and regulatory environment, where subsidiaries conduct the business.

6. Acquisition of Subsidiaries

Acquisitions of subsidiaries from third parties in 2007

On April 5, 2007 the Company acquired 100% share in Teplárenská, a.s. ("Teplárenská").

The fair value of the identifiable assets and liabilities of the subsidiary acquired in 2007 at the date of acquisition is as follows (in CZK millions):

	Teplárenská
Shares acquired in 2007	100%
Property, plant and equipment, net	1,792
Other non-current assets	232
Cash and cash equivalents	144
Other current assets	153
Long-term liabilities	–
Deferred tax liability	(362)
Current liabilities	(186)
Total net assets	1,773
Minority interests	–
Share of net assets acquired	1,773
Goodwill	643
Total purchase consideration	2,416
Less	
Consideration paid for shares in previous periods	(7)
Cash and cash equivalents in subsidiaries acquired	(144)
Cash outflow on acquisition of subsidiary	2,265

The total purchase consideration paid for acquisition of subsidiary in 2007 consists of the following amounts (in CZK millions):

	Teplárenská
Acquisition price of the shares	2,307
Costs directly attributable to the acquisition of shares	109
Total purchase consideration	2,416

The carrying values of the acquired assets and liabilities of the subsidiary acquired in 2007 immediately before the acquisition were as follows (in CZK millions):

	Teplárenská
Property, plant and equipment, net	1,913
Other non-current assets	2
Cash and cash equivalents	144
Other current assets	153
Long-term liabilities	–
Deferred tax liability	(335)
Current liabilities	(186)
Total book value of net assets	1,691

From the date of acquisition, the newly acquired subsidiary has contributed the following balances to the Group's income statement for the year 2007 (in CZK millions):

	Teplárenská
Revenues	551
Income before other income (expenses) and income taxes	15
Net income	79

If the combination had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 42,800 million and revenues from continuing operation would have been CZK 174,913 million. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisition of minority shares in 2007

During 2007 the Group purchased further minority shares in Středočeská energetická a.s. (STE). The following table summarizes the critical terms of the subsequent acquisition of minority shares during 2007 (in CZK millions):

	Group STE
Shares acquired in 2007 from third parties	2.1%
Share of net assets acquired	176
Goodwill	9
Total purchase price	185

The following table summarizes the cash outflows on acquisitions of subsidiary and minority shares during 2007 (in CZK millions):

Cash outflows on acquisition of subsidiary	2,265
Cash outflows on purchase of minority	185
Change in payables from acquisitions	12
Total cash outflows on acquisitions in 2007	2,462

7. Investments in Subsidiaries and Associates

The consolidated financial statements include the financial figures of ČEZ, a. s., and the subsidiaries and associates listed in the following table:

Subsidiaries	Country of incorporation	% equity interest [1] 2007	% voting interest 2007	% equity interest [1] 2006	% voting interest 2006
CEZ Bulgaria EAD	Bulgaria	100.00	100.00	100.00	100.00
CEZ Ciepło Polska sp. z o.o.	Poland	100.00	100.00	–	–
CEZ Deutschland GmbH	Germany	100.00	100.00	100.00	100.00
CEZ Distributie S.A.	Romania	51.01	51.01	51.01	51.01
CEZ Elektro Bulgaria AD	Bulgaria	67.00	67.00	67.00	67.00
CEZ FINANCE B.V.	Netherlands	100.00	100.00	100.00	100.00
CEZ Hungary Ltd.	Hungary	100.00	100.00	100.00	100.00
CEZ Chorzow B.V.	Netherlands	100.00	100.00	100.00	100.00
CEZ Laboratories Bulgaria EOOD	Bulgaria	100.00	100.00	100.00	100.00
CEZ MH B.V.	Netherlands	100.00	100.00	–	–
CEZ Poland Distribution B.V.	Netherlands	100.00	100.00	100.00	100.00
CEZ Polska sp. z o.o.	Poland	100.00	100.00	100.00	100.00

Subsidiaries	Country of incorporation	% equity interest [1] 2007	% voting interest 2007	% equity interest [1] 2006	% voting interest 2006
CEZ Romania S.R.L.	Romania	100.00	100.00	100.00	100.00
CEZ Servicii S.A.	Romania	51.00	51.00	–	–
CEZ Silesia B.V.	Netherlands	100.00	100.00	100.00	100.00
CEZ Slovensko, s.r.o.	Slovakia	100.00	100.00	–	–
CEZ Srbija d.o.o.	Serbia	100.00	100.00	100.00	100.00
CEZ Trade Bulgaria EAD	Bulgaria	100.00	100.00	100.00	100.00
CEZ Trade Polska sp. z o.o.	Poland	100.00	100.00	–	–
CEZ Trade Romania S.R.L.	Romania	100.00	100.00	–	–
CEZ Ukraine CJSC	Ukraine	100.00	100.00	100.00	100.00
CEZ Vanzare S.A.	Romania	51.01	51.01	–	–
ČEZ Distribuce, a. s.	Czech Republic	100.00	100.00	99.52	100.00
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00	100.00	99.45	100.00
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00	100.00	–	–
ČEZ Logistika, s.r.o.	Czech Republic	100.00	100.00	100.00	100.00
ČEZ Měření, s.r.o.	Czech Republic	100.00	100.00	100.00	100.00
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00	100.00	100.00	100.00
ČEZ Prodej, s.r.o.	Czech Republic	100.00	100.00	99.64	100.00
ČEZ Správa majetku, s.r.o.	Czech Republic	100.00	100.00	99.29	100.00
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00	100.00	100.00	100.00
ČEZData, s.r.o.	Czech Republic	100.00	100.00	100.00	100.00
ČEZnet, a.s.	Czech Republic	100.00	100.00	100.00	100.00
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	88.82	75.20	88.82	75.20
Elektrorazpredelenie Pleven AD [2]	Bulgaria	–	–	67.00	67.00
Elektrorazpredelenie Sofia Oblast AD [2]	Bulgaria	–	–	67.00	67.00
Elektrorazpredelenie Stolichno AD [2]	Bulgaria	67.00	67.00	67.00	67.00
Elektrownia Skawina S.A.	Poland	74.82	74.82	74.82	74.82
Energetické opravny, a.s.	Czech Republic	100.00	100.00	100.00	100.00
Energetika Vítkovice, a.s.	Czech Republic	100.00	100.00	100.00	100.00
I & C Energo a.s.	Czech Republic	100.00	100.00	100.00	100.00
MSEM, a.s.	Czech Republic	–	–	100.00	100.00
NERS d.o.o.	Bosnia and Herzegovina	51.00	51.00	51.00	51.00
New Kosovo Energy L.L.C.	Kosovo	100.00	100.00	100.00	100.00
PPC Úžín, a.s.	Czech Republic	100.00	100.00	100.00	100.00
SD - 1.strojírenská, a.s.	Czech Republic	100.00	100.00	100.00	100.00
SD - Autodoprava, a.s.	Czech Republic	100.00	100.00	100.00	100.00
SD - Kolejová doprava, a.s.	Czech Republic	100.00	100.00	100.00	100.00
Severočeská energetika, a.s. [3]	Czech Republic	–	–	100.00	100.00
Severočeské doly a.s.	Czech Republic	100.00	100.00	100.00	100.00
Severomoravská energetika, a. s. [3]	Czech Republic	–	–	100.00	100.00
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	100.00	100.00	97.91	100.00
Středočeská energetická a.s. [3]	Czech Republic	–	–	97.91	97.91
ŠKODA PRAHA a.s.	Czech Republic	100.00	100.00	100.00	100.00
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00	100.00	100.00	100.00
TEC Varna EAD	Bulgaria	100.00	100.00	100.00	100.00
Teplárenská, a.s.	Czech Republic	100.00	100.00	–	–
Transenergo International N.V.	Netherlands	100.00	100.00	–	–
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46	52.46	52.46	52.46
VČE - montáže, a.s.	Czech Republic	–	–	100.00	100.00
Východočeská energetika, a.s. [3]	Czech Republic	–	–	100.00	100.00
ZAO TransEnergo	Russia	100.00	100.00	100.00	100.00
Západočeská energetika, a.s. [3]	Czech Republic	–	–	100.00	100.00

Associates	Country of incorporation	% equity interest [1] 2007	% voting interest 2007	% equity interest [1] 2006	% voting interest 2006
Coal Energy, a.s.	Czech Republic	40.00	40.00	40.00	40.00
KNAUF POČERADY, spol. s r.o.	Czech Republic	–	–	40.00	50.00
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05	50.00	51.05	50.00

[1] The equity interest represents effective ownership interest of the Group.
[2] The companies merged into Elektrorazpredelenie Stolichno AD (effective as at 2.11.2007) which was in January 2008 renamed to CEZ Razpredelenie Bulgaria AD.
[3] These companies merged on 1.1.2007 with ČEZ, a. s.

The associates are not listed on any public exchange. The following table illustrates summarized financial information of associates for the year ended December 31, 2007 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	1,004	855	149	10,988	39
LOMY MOŘINA spol. s r.o.	418	56	362	222	9
Total	1,422	911	511	11,210	48

8. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Cash on hand and current accounts with banks	4,655	6,621
Short-term bank notes	1,586	7,568
Term deposits	6,188	16,743
Total	12,429	30,932

At December 31, 2007 and 2006, cash and cash equivalents included foreign currency deposits of CZK 8,081 million and CZK 21,880 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2007 and 2006 was 5.0% and 3.7%, respectively. For the years 2007 and 2006 the weighted average interest rate was 3.7% and 3.4%, respectively.

9. Receivables, Net

The composition of receivables, net, at December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Unbilled electricity supplied to retail customers	–	361
Received advances from retail customers	–	–
Unbilled supplies to retail customers, net	–	361
Trade receivables	22,453	17,213
Taxes and fees, excluding income taxes	802	461
Other receivables	3,239	751
Allowance for doubtful receivables	(2,614)	(2,452)
Total	23,880	16,334

The information about receivables from related parties is included in Note 28.

At December 31, 2007 and 2006 the ageing analysis of receivables, net is as follows (in CZK millions)

	2007	2006
Not past due	20,871	14,156
Past due but not impaired [1]		
Less than 3 months	2,589	1,773
3–6 months	203	136
6–12 months	196	233
more than 12 months	21	36
Total	23,880	16,334

[1] Past due but not impaired receivables include net receivables, for which the Group recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions)

	2007	2006
Opening balance	2,452	2,288
Additions	1,596	1,883
Reversals	(1,323)	(1,862)
Acquisition of subsidiaries	–	157
Disposal of subsidiaries	(3)	–
Currency translation differences	(108)	(14)
Closing balance	2,614	2,452

10. Emission Rights

In 2005 an emission trading scheme was introduced in the European Union. The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights held by the Group during 2007 and 2006 (in CZK millions):

	2007		2006	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights granted and purchased for own use				
Granted emission rights at January 1	37,109	2,207	35,092	–
Emission rights granted	42,143	–	37,522	–
Settlement of prior year actual emissions	(39,118)	(2,036)	(33,320)	–
Emission rights acquired in business combination	200	7	5,161	2,461
Emission rights sold	(930)	–	(7,346)	(257)
Emission rights purchased	3,820	202	–	–
Fair value adjustment	–	(200)	–	–
Currency translation differences	–	51	–	3
Granted and purchased emission rights at December 31	43,224	231	37,109	2,207
Emission rights held for trading				
Emission rights for trading at January 1	41	7	219	134
Emission rights purchased	4,937	288	2,997	1,627
Emission rights sold	(4,966)	(308)	(3,175)	(1,746)
Fair value adjustment	–	13	–	(8)
Emission rights held for trading at December 31	12	–	41	7

During 2007 and 2006 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 43,105 thousand tons (including 32 thousand tons emitted by Teplárenská before the day of acquisition) and 39,033 thousand tons of CO_2 (including 1,811 thousand tons emitted by Polish power plants before the day of acquisition), respectively. In 2007 and 2006 the Group recognized a provision for CO_2 emissions in total amount of CZK 231 million and CZK 2,438 million, respectively (see Note 2.12).

At December 31, 2007 and 2006 the balance of emission rights presented in the balance sheet includes also green certificates in total amount CZK 124 million and CZK 10 million, respectively.

The following table shows the impact of transactions with emission rights and green certificates on income for the year ended December 31, 2007 and 2006 (in CZK millions):

	2007	2006
Gain on sales of granted emission rights	281	3,531
Net gain from emission trading	568	4
Gain on sales of green certificates	175	–
Settlement of provisions for contracts acquired in business combinations	–	1,140
Creation of provisions for emissions rights	(227)	(1,590)
Settlement of provisions for emissions rights	2,486	–
Remitted emission rights	(2,038)	–
Fair value adjustment	(187)	(8)
Net gain related to emission rights and green certificates	1,058	3,077

11. Other Financial Assets, net

Other financial assets, net, at December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Debt securities held for trading	14	12
Debt securities held-to-maturity	1,057	1,756
Debt securities available-for-sale	1,345	1,664
Equity securities held for trading	9	38
Equity securities available-for-sale	63	2,085
Derivatives	8,097	3,397
Total	10,585	8,952

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission right derivatives. At December 31, 2006 the equity securities available-for-sale represent mainly investments into mutual funds.

Short-term debt securities at December 31, 2007 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	366	101	–	467
From 3.0% to 4.0%	691	1,212	–	1,903
From 4.0% to 5.0%	–	32	–	32
Over 5.0%	–	–	14	14
Total	1,057	1,345	14	2,416

Short-term debt securities at December 31, 2006 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	1,566	568	–	2,134
From 3.0% to 4.0%	190	784	–	974
From 4.0% to 5.0%	–	73	–	73
Over 5.0%	–	239	12	251
Total	1,756	1,664	12	3,432

All short-term debt securities are denominated in CZK.

12. Other Current Assets

The composition of other current assets at December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Prepaid variation margin on “own use” electricity futures	2,992	–
Advances paid	1,485	1,835
Prepayments	715	734
Total	5,192	2,569

13. Equity

As at December 31, 2007, the share capital of the Company registered in the Commercial Register totaled CZK 59,221,084,300 and consisted of 592,210,843 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on April 23, 2007, passed a resolution concerning acquisition of the Company's own shares ("Share-Buy-Back Program"). The General Meeting approved that the Company may acquire own equity shares as from April 23, 2007 in the quantity, which does not exceed 59,221,084 shares in total. The lowest price, at which the ČEZ company is allowed to buyback its shares, is CZK 300 per share. The highest price, at which the company is allowed to acquire its shares, is CZK 2,000 per share. The period during which the Company is authorized to acquire its own shares, is 18 months as from the date of holding the General Meeting. The acquired shares may be used for the reduction of the stated capital of the Company and for fulfilling the commitments arising from the share option plan (see Note 2.29) namely within the amount of 5 million shares. The main reason for carrying out the share-buy-back program is to make the capital structure of the Group more effective.

Development of the number of treasury shares in 2007 and 2006 is as follows (in pieces)

	2007	2006
Number of treasury at beginning of period	3,455,010	2,440,010
Acquisitions of treasury shares	47,570,134	1,715,000
Sales of treasury shares	(655,000)	(700,000)
Number of treasury at end of period	50,370,144	3,455,010

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Dividends paid per share were CZK 20.0 and CZK 15.0 in 2007 and 2006, respectively. Dividends from 2007 profit will be declared on the general meeting, which will be held by the end of May 2008.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. The Group's goal is to keep this ratio at maximum in the range of 2.0–2.5. In addition, the Group also monitors capital using a net debt to equity ratio, which is total debt less cash and cash equivalents divided by total equity attributable to equity holders of the parent. The Group's policy is to keep the net debt to equity ratio below 50%. EBITDA consists of income before income taxes and other expenses/income plus depreciation and amortization. Capital includes issued shares and other reserves attributable to equity holders of the parent. The Group includes within total net debt the long-term and short-term interest bearing loans and borrowings less cash and cash equivalents. The calculation and evaluation of the ratios is done using consolidated numbers.

	2007	2006
Total long-term debt (CZK millions)	55,210	48,321
Total short-term loans	18,048	121
Less: Cash and cash equivalents	(12,429)	(30,932)
Total net debt	60,829	17,510
Income before income taxes and other expenses/income	53,203	40,064
Plus: Depreciation and amortization	22,123	24,280
EBITDA	75,326	64,344
Total equity attributable to equity holders of the parent	171,352	194,937
Net debt to EBITDA ratio (ratio)	0.81	0.27
Net debt to equity ratio (%)	35.5	9.0

14. Long-term Debt

Long-term debt at December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
7.125% Notes, due 2007 (USD 178 million)	–	3,765
4.625% Eurobonds, due 2011 (EUR 400 million)	10,606	10,942
4.125% Eurobonds, due 2013 (EUR 500 million)	13,179	13,593
5.125% Eurobonds, due 2012 (EUR 500 million)	13,250	–
9.22% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	4,147	3,843
9.22% Debentures, due 2014 (CZK 2,500 million) [1)]	2,496	2,495
3.35% Debentures, due 2008 (CZK 3,000 million)	2,820	2,867
4.30% Debentures, due 2010 (CZK 7,000 million)	6,834	–
Long-term bank loans		
2.00% to 2.99% p. a.	–	1,864
3.00% to 3.99% p. a.	19	266
4.00% to 4.99% p. a.	1,856	413
5.00% to 5.99% p. a.	–	3,666
6.00% to 6.99% p. a.	3	3,946
7.00% to 7.99% p. a.	–	618
8.00% p. a. and more	–	43
Total long-term debt	55,210	48,321
Less: Current portion	(3,226)	(6,365)
Long-term debt, net of current portion	51,984	41,956

[1)] From 2006 the interest rate changes to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2007 and 2006 was 5.90% and 6.40%, respectively.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group. For the fair values of interest rate hedging instruments see Note 15.

The future maturities of long-term debt are as follows (in CZK millions)

	2007	2006
Current portion	3,226	6,365
Between 1 and 2 years	4,551	3,583
Between 2 and 3 years	7,118	4,576
Between 3 and 4 years	10,886	717
Between 4 and 5 years	13,519	11,703
Thereafter	15,910	21,377
Total long-term debt	55,210	48,321

The following table analyses the long-term debt at December 31, 2007 and 2006 by currency (in millions)

	2007		2006	
	Foreign currency	CZK	Foreign currency	CZK
EUR	1,400	37,035	925	25,233
USD	–	–	436	9,170
PLN	37	276	368	2,643
BGN	–	–	4	52
CZK	–	17,899	–	11,223
Total long-term debt		55,210		48,321

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2007 and 2006 without considering interest rate hedging (in CZK millions):

	2007	2006
Floating rate long-term debt		
with interest rate fixed for 1 month	272	553
with interest rate fixed from 1 to 3 months	1,415	2,069
with interest rate fixed from 3 months to 1 year	2,587	9,254
Total floating rate long-term debt	4,274	11,876
Fixed rate long-term debt	50,936	36,445
Total long-term debt	55,210	48,321

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 15 and Note 16.

The Group has entered into a number of loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2007 and 2006 the Group has complied with all required covenants.

15. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For unquoted equity instruments the Group considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Receivables and Payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2007 and 2006 are as follows (in CZK millions)

	Category	2007		2006	
		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Investments		16,126	16,039	13,277	13,147
Restricted debt securities available-for-sale	AFS	3,233	3,233	–	–
Restricted debt securities held to maturity	HTM	996	996	–	–
Restricted cash	LaR	4,160	4,160	5,088	5,088
Financial assets in progress, net	LaR	241	241	104	104
Debt securities held-to-maturity	HTM	765	754	705	700
Debt securities available-for-sale, net	AFS	4,810	4,810	4,039	4,039
Equity securities available-for-sale	AFS	525	525	933	933
Long-term receivables, net	LaR	1,396	1,320	2,408	2,283
Receivables	LaR	23,880	23,880	16,334	16,334
Cash and cash equivalents	LaR	12,429	12,429	30,932	30,932
Other financial assets		2,488	2,488	5,555	5,555
Debt securities held for trading	HFT	14	14	12	12
Debt securities held-to-maturity	HTM	1,057	1,057	1,756	1,756
Debt securities available-for-sale	AFS	1,345	1,345	1,664	1,664
Equity securities held for trading	HFT	9	9	38	38
Equity securities available-for-sale	AFS	63	63	2,085	2,085
Other current assets	LaR	5,192	5,192	2,569	2,569
LIABILITIES					
Long-term debt	AC	(55,210)	(54,766)	(48,321)	(49,339)
Short-term loans	AC	(18,048)	(18,048)	(121)	(121)
Accounts payable	AC	(18,864)	(18,864)	(16,362)	(16,362)
DERIVATIVES					
Cash flow hedges					
Receivables	HFT	1,009	1,009	–	–
Payables	HFT	–	–	(701)	(701)
Total cash flow hedges		1,009	1,009	(701)	(701)
Fair value hedges					
Receivables	HFT	–	–	–	–
Payables	HFT	–	–	(979)	(979)
Total fair value hedges		–	–	(979)	(979)
Electricity trading contracts					
Receivables	HFT	5,385	5,385	2,695	2,695
Payables	HFT	(5,250)	(5,250)	(2,935)	(2,935)
Total electricity trading contracts		135	135	(240)	(240)
Other derivatives					
Receivables	HFT	1,703	1,703	702	702
Payables	HFT	(1,624)	(1,624)	(1,928)	(1,928)
Total other derivatives		79	79	(1,226)	(1,226)

LaR Loans and receivables
AFS Available-for-sale investments
HTM Held to maturity
HFT Held for trading
AC Financial liabilities at amortized cost

16. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every fiscal year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Risk management organization

The supreme authority for risk management in the Group is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

Group risk map

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group;
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency and interest) risks, commodity prices (electricity, emission allowances, coal), volume (electricity distribution and heat supply);
- Credit risks: financial and business counterparty risk and electricity end-customers risk;
- Operational risks: risks of nuclear and coal power plants operation in the Czech Republic.

The development of the above Group's quantified risks is reported to the Risk Management Committee every month and contains an actual share of individual risks in the aggregate annual Profit@Risk limit, i.e. on a unified 95% level.

16.1. Qualitative description of risks associated with financial instruments

Commodity risks

The development of electricity and emission allowances prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of the Group's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR and the VaR bases), and (ii) the margin from the proprietary trading of electricity and emission allowances within the whole Group (the potential risk is managed on the VaR basis).

Market financial risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the Group's value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows of the Group (including operational and investment foreign currency flows).

Credit risks

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end-customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses. In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group's expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group.

16.2. Quantitative description of risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at 31 December) was prepared based on the assumptions given below:

- the source of market prices is mainly EEX, PXE and PointCarbon;
- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Group: electricity, emission allowances EUA and CER/ERU);
- for the calculation of volatility and, in the case of electricity, of internal correlations (between points in time series), the SMA (Simple Moving Average) method is applied to 60 daily time series while the volatilities identified for EUA are used for VaR with respect to CER/ERU commodity because the Group uses them as EUA.

Potential impact of the above risk factors as at 31 December (in CZK millions)

	2007	2006
Monthly VaR (95%) – impact of changes in electricity market price	206	162
Monthly VaR (95%) – impact of changes in emission allowances market price	169	59*

* Only EUA trades are included because the trades with CER/ERU were not commenced until 2007.

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

– the source of market foreign exchange rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data;
– the indicator of currency risk is defined as the monthly parametric VaR (95% confidence);
– for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series;
– the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS);
– the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2008 and highly probable forecasted foreign-currency revenues from electricity sales in the future;
– the relevant currency positions reflect all significant foreign-currency flows of the Group units in the monitored basket of foreign currencies.

Potential impact of the currency risk as at December 31 (in CZK millions)

	2007	2006
Monthly currency VaR (95% confidence)	150	34

Interest risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of interest risk as at 31 December) was prepared based on the assumptions given below:

– the source of market interest rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data;
– the indicator of interest risk is determined as the monthly parametric VaR (95% confidence);
– for the calculation of volatility and internal correlations of interest rate curves, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series;
– the relevant interest position is defined as a discounted value of interest-sensitive flows from all contracted and highly probable instruments (including the fixed interest financial instruments);
– the relevant interest positions reflect all significant interest-sensitive flows of the Group units.

Potential impact of the interest risk as at December 31 (in CZK millions)

	2007	2006
Monthly interest VaR (95% confidence) *	501	346

* The VaR values indicate a potential change of market price of financial instruments (including the fixed-interest debt) on the defined confidence (i.e. the values cannot be interpreted as a potential increase in interest costs of the Group debt).

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2007 (in CZK millions)

	Bank loans	Bonds and debentures	Trade payables and other liabilities	Derivatives*
Less than 1 year	476	5,419	19,151	95,157
Between 1 and 2 years	456	6,347	340	18,648
Between 2 and 3 years	322	9,012	84	8,531
Between 3 and 4 years	306	12,486	13	1,831
Between 4 and 5 years	284	14,551	–	367
Thereafter	240	16,524	–	–
Total	2,084	64,339	19,588	124,534

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 15.

Contractual maturity profile of financial liabilities at December 31, 2006 (in CZK millions)

	Bank loans	Bonds and debentures	Trade payables and other liabilities	Derivatives*
Less than 1 year	3,111	5,674	16,626	45,452
Between 1 and 2 years	1,145	4,525	321	4,346
Between 2 and 3 years	1,117	5,101	67	–
Between 3 and 4 years	1,077	1,233	19	–
Between 4 and 5 years	1,095	12,174	2	–
Thereafter	6,516	17,672	20	–
Total	14,061	46,379	17,055	49,798

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 15.

16.3. Hedge accounting

The Group entered into a number of derivatives transactions, mainly cross-currency and interest swaps, to hedge its long-term debt denominated in foreign currencies against the currency risk and interest rate risk. These hedges were classified as either fair value hedges or cash flow hedges and matured in 2007.

In 2007 and 2006 the remeasurement of hedged items in fair value hedges resulted in gain (loss) of CZK (14) million and CZK 457 million, respectively. In 2007 and 2006 the net gains (losses) on the related hedging derivatives in the fair value hedges were recognized in profit or loss in the amount of CZK (31) million and CZK (397) million, respectively.

In 2007 and 2006 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the line Other income (expense), net. In 2007 and 2006 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 0 million and CZK (4) million, respectively.

The Group also enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2008 to 2011. The hedging instruments are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 1,400 million and currency forward contracts.

17. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants, Dukovany and Temelín. Nuclear power plant Dukovany consists of four 440 MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000 MW units, which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act (“Act”), which defines certain obligations for the decontamination and dismantling (“decommissioning”) of nuclear facilities and the disposal of radioactive waste and spent fuel (“disposal”). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant’s operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. An updated 2003 Dukovany estimate and a 2004 Temelín decommissioning cost study estimates that nuclear decommissioning will cost CZK 15.6 billion and CZK 13.7 billion, respectively.
The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority (“RAWRA”) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a “nuclear account” funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government decision at 50 CZK per MWh produced at nuclear power plants. In 2007 and 2006, respectively, the payments to the nuclear account amounted to CZK 1,307 million and CZK 1,304 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Group has established provisions as described in Note 2.24, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2007 and 2006 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage Interim	Spent fuel storage Long-term	Total
Balance at December 31, 2005	9,722	4,174	21,973	35,869
Movements during 2006				
Discount accretion	243	104	549	896
Effect of inflation	195	84	439	718
Provision charged to income statement	–	220	–	220
Effect of change in estimate credited to income statement (Note 2.24)	–	(46)	–	(46)
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(4)	564	(32)	528
Current cash expenditures	–	(198)	(1,304)	(1,502)
Balance at December 31, 2006	10,156	4,902	21,625	36,683
Movements during 2007				
Discount accretion	257	122	541	920
Effect of inflation	205	98	433	736
Provision charged to income statement	–	394	–	394
Effect of change in estimate charged to income statement (Note 2.24)	–	438	–	438
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(4)	32	1,467	1,495
Current cash expenditures	–	(168)	(1,307)	(1,475)
Balance at December 31, 2007	10,614	5,818	22,759	39,191

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2007 the Company recorded the change in estimate for long-term fuel storage due to the modification of the expected output of the nuclear power plants. The changes in estimate for interim fuel storage have been caused by alterations of estimate of expected operating costs of fuel storage.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

18. Other Long-term Liabilities

Other long-term liabilities at December 31, 2007 and 2006 are as follows (in CZK millions)

	2007	2006
Provision for decommissioning and reclamation of mines and mining damages	6,608	7,175
Other long-term provisions	–	140
Deferred connection fees	7,983	7,082
Other	1,778	1,146
Total	16,369	15,543

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. The current cost estimates for the decommissioning and reclamation provision have been discounted using an estimated real rate of interest of 2.5%.

The following is the summary of the provisions for the years ended December 31, 2007 and 2006 (in CZK millions):

	Mine reclamation	Mining damages	Total
Balance at December 31, 2005	6,083	1,120	7,203
Movements during 2006			
Discount accretion	145	–	145
Effect of inflation	117	–	117
Provision charged to income statement	89	–	89
Effect of change in estimate credited to income statement	(125)	–	(125)
Current cash expenditures	(254)	–	(254)
Balance at December 31, 2006	6,055	1,120	7,175
Movements during 2007			
Discount accretion	119	–	119
Effect of inflation	148	–	148
Provision charged to income statement	41	–	41
Effect of change in estimate added to fixed assets	197	–	197
Current cash expenditures	(142)	(930)	(1,072)
Balance at December 31, 2007	6,418	190	6,608

Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

19. Short-term Loans

Short-term loans at December 31, 2007 and 2006 are as follows (in CZK millions)

	2007	2006
Short-term bank loans	10,571	45
Bank overdrafts	7,477	76
Total	18,048	121

Interest on short-term loans is variable. The weighted average interest rate was 4.1% at December 31, 2007 and 4.4% at December 31, 2006. For the years 2007 and 2006 the weighted average interest rate was 3.5% and 2.8%, respectively.

20. Trade and Other Payables

Trade and other payables at December 31, 2007 and 2006 are as follows (in CZK millions)

	2007	2006
Advances received from retail customers	18,240	17,460
Unbilled electricity supplied to retail customers	(17,886)	(15,379)
Received advances from retail customers, net	354	2,081
Trade payables	15,993	12,372
Derivatives	6,874	6,543
Other payables	2,517	1,909
Total	25,738	22,905

The information about payables to related parties is included in Note 28.

21. Accrued Liabilities

Accrued liabilities at December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Provision for CO_2 emissions	231	2,438
Provision for waste storage reclamation	453	452
Other provisions	1,432	1,771
Accrued interest	891	859
Taxes and fees, except income tax	1,005	1,209
Unbilled goods and services	3,764	2,814
Contingent liabilities from acquisitions	604	713
Social and similar funds	83	327
Deferred income	575	607
Total	9,038	11,190

In 2007 and 2006, the provision for CO_2 emissions also includes a provision recorded as at the acquisition date of Teplárenská and the Polish power plants, which amounted to CZK 4 millions and 864 millions respectively. Other provisions represent provisions for environmental claims, restructuring and legal cases and are based on the best estimates of the costs needed to settle the related obligations.

22. Revenues

The composition of revenues for the year ended December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Sale of electricity		
Sales to end customers	94,538	88,066
Sales to distribution companies	15,509	17,236
Exports of electricity	12,923	13,512
Other sales of electricity	31,795	13,314
Sales of ancillary and other services	5,281	6,029
Total sales of electricity	160,046	138,157
Electricity derivative trading		
Sales of electricity	39,800	7,487
Purchases of electricity	(37,372)	(7,391)
Changes in fair value of electricity trading contracts	262	(404)
Total gains and losses from electricity derivative trading, net	2,690	(308)
Sales of heat	2,935	2,255
Sales of coal	3,444	3,382
Other	5,448	5,648
Total revenues	174,563	149,134

In October 2007 the Shareholder's meeting of Elektrociepłownia Chorzów ELCHO sp. z o.o. (ELCHO) decided to terminate its long-term contract for the sale of electricity with Polskie Sieci Elektroenergetyczne S.A. (PSE) based on which the electricity should have originally been delivered until 2023. According to the Act on termination of long term agreements ELCHO will receive compensation in cash from an entity established by Polish state, to compensate the revenues lost (the equivalent of the difference between original contractual price and market price with the total limit of PLN 889 million). From April 2008 on ELCHO will start to sell the electricity on the free market.

23. Salaries and Wages

Salaries and wages for the year ended December 31, 2007 and 2006 were as follows (in CZK millions)

	2007		2006	
	Total	Key management personnel [1]	Total	Key management personnel [1]
Salaries and wages	(11,293)	(155)	(10,136)	(141)
Remuneration of the board members, including royalties	(87)	(34)	(103)	(34)
Share options	(45)	(45)	(235)	(235)
Social and health security	(4,001)	(54)	(3,706)	(50)
Other personal expenses	(1,474)	(13)	(904)	(27)
Total	(16,900)	(301)	(15,084)	(487)

[1] Key management personnel represent members of Supervisory Board, Board of Directors and members of Executive Committee. Members of Board of Directors are also members of Executive Committee.

At December 31, 2007, the aggregate number of share options granted to members of Board of Directors, Executive Committee (advisory body of Chief Executive Officer) and to Supervisory Board members was 3,175 thousand. Share options granted to the members of Board of Directors and the Executive Committee vest over a three year period after the grant date, or the date of appointment, respectively, with one third of the options vesting at each annual anniversary. The options can be exercised during the term of office of the respective employee and in a further 12 months after the end of such period. The options granted to the members of the Board of Directors before May 2006 vested 3 months after appointment of the respective member to the Board. The options granted to the members of the Executive Committee before May 2006 had a two years vesting period, with approximately one half of the options vesting after one year and the remaining options vesting after two years from date of appointment of the respective Committee member. Options granted before May 2006 could be exercised during the term of office of the respective employee and in a further 3 months after the end of such period. The exercise price for the granted options is based on the average quoted market price of the shares on the Prague stock exchange during the one month period preceding the date of appointment of the respective Board or Committee member (six months average for options granted before May 2006). Since May 2006 the option right is limited so that the profit per share option will not exceed 100% of exercise price. The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on annual meeting held in June 2005. In 2007 and 2006 the Company has recognized a compensation expense of CZK 45 million and CZK 235 million related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2007 and 2006 in the number of granted share options and the weighted average exercise price of these options:

	Number of share				
	Supervisory Board '000s	Board of Directors '000s	Executive Committee '000s	Total '000s	Weighted average options exercise price (CZK per share)
Share options at December 31, 2005	600	1,750	975	3,325	198.47
Options granted	–	900	225	1,125	646.91
Options exercised [1]	(150)	(410)	(140)	(700)	192.26
Options forfeited	–	–	(295)	(295)	285.07
Share options at December 31, 2006 [2]	450	2,240	765	3,455	338.35
Options granted	–	–	375	375	995.65
Options exercised [1]	–	(600)	(55)	(655)	189.50
Share options at December 31, 2007 [2]	450	1,640	1,085	3,175	446.70

[1] In 2007 and 2006 the weighted average share price at the date of the exercise for the options exercised was CZK 957.10 and CZK 798.30 respectively.

[2] At December 31, 2007 and 2006 the number of exercisable options was 2,490 thousand pieces and 2,650 thousand pieces, respectively. The weighted average exercise price of the exercisable options was 304.91 CZK per share and 254.17 CZK per share at December 31, 2007 and 2006, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2007	2006
Weighted average assumptions		
Dividend yield	2.8%	2.0%
Expected volatility	28.5%	30.6%
Mid-term risk-free interest rate	2.8%	2.7%
Expected life (years)	2.0	2.9
Share price (CZK per share)	1,027.3	797.6
Weighted average grant-date fair value of options (CZK per 1 option)	177.7	230.2

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

On December 31, 2007 and 2006 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2007	2006
CZK 100–500 per share	1,750	2,405
CZK 500–900 per share	1,125	1,050
CZK 900–1,200 per share	300	–
Total	3,175	3,455

The options granted to the members of Board of Directors and Supervisory Board, which were outstanding on December 31, 2007 and 2006, respectively, had an average remaining contractual life of 1.5 years and 2.5 years, respectively. The options granted to members of the Executive Committee can be exercised in a period ending 12 months (3 months for options granted before May 2006) after the end of the membership in the Executive Committee. The membership is not set for a definite period of time.

24. Other Operating Expenses

Other operating (expenses) income, net, for the year ended December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Services	(10,955)	(8,217)
Travel expenses	(278)	(255)
Gain on sale of property, plant and equipment	153	181
Gain on sale of material	138	79
Capitalization of expenses to the cost of assets and change in own inventory	2,979	2,694
Fines, penalties and penalty interest, net	330	236
Change in provisions and valuation allowances	438	308
Taxes and fees	(1,558)	(998)
Write-off of bad debts and cancelled investment	(540)	(844)
Gifts	(352)	(249)
Other, net	408	(612)
Total	(9,237)	(7,677)

25. Interest Income

Interest income for each category of financial instruments for the year ended December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Loans and receivables	196	231
Investments held-to-maturity	160	65
Available-for-sale investments	–	43
Financial assets held for trading	4	8
Bank accounts	803	575
Total	1,163	922

26. Other Income (Expenses), Net

Other income (expenses), net, for the year ended December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Derivative gains (losses), net	(585)	(327)
Gains from sales available-for-sale financial assets	772	–
Gain (loss) on sale of financial assets held for trading	1	(2)
Change in impairment of financial investments	79	108
Other, net	218	20
Total	485	(201)

27. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 24% in 2007 and 2006. The Czech corporate income tax rate for 2008, 2009 and 2010 will be 21%, 20% and 19%, respectively. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have a potentially effect on reported income.

The components of the income tax provision are as follows (in CZK millions)

	2007	2006
Current income tax charge	(11,776)	(9,168)
Adjustments in respect of current income tax of previous periods	(115)	(16)
Deferred income taxes	3,504	232
Total	(8,387)	(8,952)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2007	2006
Income before income taxes	51,151	37,708
Statutory income tax rate in the Czech Republic	24%	24%
"Expected" income tax expense	(12,276)	(9,050)
Add (deduct) tax effect of		
Change in tax rates	3,212	377
Czech/IFRS accounting differences	96	6
Non-deductible provisions, net	(84)	(14)
Investment tax relief	–	1
Other non taxable (non-deductible) items, net	290	(562)
Income already taxed or exempt	226	209
Tax credits	5	4
Adjustments in respect of current income tax of previous periods	(115)	(16)
Effect of different tax rate in other countries	294	186
Change in unrecorded deferred tax receivables	(35)	(93)
Income taxes	(8,387)	(8,952)
Effective tax rate	16%	24%

Deferred Income Taxes, Net

Deferred income taxes, net, at December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Accumulated provision for nuclear decommissioning and spent fuel storage	6,363	7,511
Financial statement depreciation in excess of tax depreciation	3	370
Revaluation of financial instruments	56	238
Allowances	495	555
Other provisions	1,086	1,364
Unpaid interest to abroad	11	23
Tax loss carry forwards	230	232
Other temporary differences	77	70
Total deferred tax assets	8,321	10,363
Tax depreciation in excess of financial statement depreciation	23,089	28,312
Revaluation of financial instruments	825	630
Other provisions	973	641
Penalty receivables	19	6
Investment in associate	11	10
Other temporary differences	75	82
Total deferred tax liability	24,992	29,681
Total deferred tax liability, net	16,671	19,318

Movements in net deferred tax liability were as follows (in CZK millions)

	2007	2006
Opening balance	19,318	18,031
Deferred tax recognized in profit or loss	(3,504)	(232)
Deferred tax charged directly to equity	525	232
Acquisition of subsidiaries	363	1,347
Disposal of subsidiaries	(20)	–
Currency translation differences	(11)	(60)
Closing balance	16,671	19,318

At December 31, 2007 and 2006 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 20,737 million and CZK 4,107 million, respectively.

28. Related Parties

The Group purchases products, goods and services from related parties in the ordinary course of business.

At December 31, 2007 and 2006, the receivables from related parties and payables to related parties are as follows (in CZK millions)

	Receivables		Payables	
	2007	2006	2007	2006
Associates and other affiliates				
AZ Elektrostav, a.s. [1)]	–	7	–	20
Centrum výzkumu Řež s.r.o.	1	1	–	–
Coal Energy, a.s.	175	394	29	2
ČEZ ENERGOSERVIS spol. s r.o.	1	4	36	45
ELTRAF, a.s. [1)]	–	4	–	11
Energetická montážní společnost Česká Lípa, s.r.o. [2)]	–	60	–	31
Energetická montážní společnost Liberec, s.r.o. [3)]	–	20	–	13
Energetická montážní společnost Ústí nad Labem, s.r.o. [2)]	–	39	–	17
ENPRO, a.s.	1	–	3	3
ENPROSPOL, s.r.o.	1	2	2	4
KNAUF POČERADY, spol. s r.o. [3)]	–	8	–	–
LOMY MOŘINA spol. s r.o.	–	–	4	14
OSC, a.s.	–	–	17	9
PRODECO, a.s.	206	13	68	36
SEG s.r.o. [4)]	–	3	–	60
SHD - KOMES a.s.	–	14	82	71
SIGMA - ENERGO s.r.o. [5)]	–	–	–	16
SINIT,a.s.	–	2	19	4
Others	16	26	45	49
Total associates and other affiliates	401	597	305	405
Companies under the control of Company's majority owner				
ČEPS, a.s.	201	219	191	782
Česká pošta s.p.	3	–	56	12
České dráhy, a.s.	480	21	66	171
Ministry of Finance of the Czech Republic	2,012	2,854	–	–
Others	–	1	2	–
Total companies under the control of Company's majority owner	2,696	3,095	315	965
Total	3,097	3,692	620	1,370

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (in CZK millions)

	Sales to related parties		Purchases from related parties	
	2007	2006	2007	2006
Associates and other affiliates				
AZ Elektrostav, a.s. [1)]	9	88	62	149
Centrum výzkumu Řež s.r.o.	44	1	9	–
Coal Energy, a.s.	2,229	4,627	465	25
ČEZ ENERGOSERVIS spol. s r.o.	13	18	296	255
ELTRAF, a.s. [1)]	1	4	–	103
Energetická montážní společnost Česká Lípa, s.r.o. [2)]	8	118	72	98
Energetická montážní společnost Liberec, s.r.o. [3)]	1	36	8	25
Energetická montážní společnost Ústí nad Labem, s.r.o. [2)]	5	84	11	55
ENPRO, a.s.	6	4	54	32
ENPROSPOL, s.r.o.	5	3	48	26
KNAUF POČERADY, spol. s r.o. [3)]	70	120	11	–
LOMY MOŘINA spol. s r.o.	20	13	155	151
OSC, a.s.	10	–	208	11
PRODECO, a.s.	11	13	270	1,498
SEG s.r.o. [4)]	10	105	38	336
SHD - KOMES a.s.	11	10	865	612
SIGMA - ENERGO s.r.o. [5)]	5	6	77	74
SINIT,a.s.	5	6	117	33
Others	64	95	172	403
Total associates and other affiliates	2,527	5,351	2,938	3,886
Companies under the control of Company's majority owner				
ČEPS, a.s.	7,488	7,701	10,031	11,227
Česká pošta s.p.	128	106	120	173
České dráhy, a.s.	2,911	2,548	1,815	1,520
Others	12	13	–	–
Total companies under the control of Company's majority owner	10,539	10,368	11,966	12,920
Total	13,066	15,719	14,904	16,806

[1)] Part of CEZ Group till 3/2007
[2)] Part of CEZ Group till 8/2007
[3)] Part of CEZ Group till 7/2007
[4)] Part of CEZ Group till 5/2007
[5)] Part of CEZ Group till 10/2007

Information about compensation of key management personnel is included in Note 23.

29. Segment Information

The Group reports its result based on business and geographical segments.

The power production and trading segment includes production of electricity and heat and the commodity trading activities of the Group. The distribution and sale segment sells electricity to end customers through the power distribution grid. The mining segment produces coal and limestone used by the power production segment and sold to third parties.

The Group's geographical segments are based on the location of the Group's assets. The Central Europe segment includes the Czech Republic, the Netherlands, Poland, Germany, Hungary and Slovakia. The South East Europe segment consists of the operations of the Group in Bulgaria, Romania, Russia, Serbia, Kosovo, Bosnia and Herzegovina and the Ukraine.

The accounting policies of the segments are the same as those described in Note 2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments and allocates resources to them based on operating income.

The following table summarizes segment information by business segments for the years ended December 31, 2007 and 2006, respectively (in CZK millions):

Year 2007	Power Production and Trading	Distribution and Sale	Mining	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	71,969	95,665	3,524	3,405	174,563	–	174,563
Intersegment sales	40,234	2,773	6,507	23,743	73,257	(73,257)	–
Total revenues	112,203	98,438	10,031	27,148	247,820	(73,257)	174,563
Operating income	37,357	9,774	3,670	2,402	53,203	–	53,203
Identifiable assets	190,070	68,019	11,615	13,692	283,396	(6,231)	277,165
Goodwill	8,342	3,245	60	15	11,662	–	11,662
Investment in associates	60	–	188	–	248	–	248
Unallocated assets							81,867
Total assets							370,942
Identifiable liabilities	152,528	20,182	14,027	16,305	203,042	(33,479)	169,563
Unallocated liabilities							17,153
Total liabilities							186,716
Income from associate	16	–	4	20	40	–	40
Depreciation and amortization	(14,002)	(5,163)	(1,095)	(1,863)	(22,123)	–	(22,123)
Change in provisions and allowances	2,887	(46)	1,105	(259)	3,687	–	3,687
Capital expenditure	14,639	11,193	1,695	7,099	34,626	(3,960)	30,666

Year 2006	Power Production and Trading	Distribution and Sale	Mining	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	53,959	88,064	3,476	3,635	149,134	–	149,134
Intersegment sales	37,848	4,487	5,456	16,051	63,842	(63,842)	–
Total revenues	91,807	92,551	8,932	19,686	212,976	(63,842)	149,134
Operating income	29,683	7,509	3,369	(496)	40,065	(1)	40,064
Identifiable assets	185,740	63,279	10,805	12,442	272,266	(2,503)	269,763
Goodwill	7,583	1,098	60	2,317	11,058	–	11,058
Investment in associates	65	–	189	176	430	–	430
Unallocated assets							87,404
Total assets							368,655
Identifiable liabilities	118,902	21,573	8,680	9,886	159,041	(18,056)	140,985
Unallocated liabilities							20,017
Total liabilities							161,002
Income from associate	60	–	1	13	74	–	74
Depreciation and amortization	(14,093)	(4,785)	(994)	(4,408)	(24,280)	–	(24,280)
Change in provisions and allowances	(169)	(159)	345	(178)	(161)	–	(161)
Capital expenditure	10,553	7,881	1,866	4,985	25,285	(2,740)	22,545

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following tables summarize geographical segment information for the years ended December 31, 2007 and 2006, respectively (in CZK millions):

Year 2007	Central Europe	South East Europe	Combined	Elimination	Consolidated
Sales other than intersegment sales	145,408	29,155	174,563	–	174,563
Intersegment sales	534	190	724	(724)	–
Total revenues	145,942	29,345	175,287	(724)	174,563
Operating income	51,215	1,987	53,202	1	53,203
Identifiable assets	249,797	27,368	277,165	–	277,165
Goodwill	8,649	3,013	11,662	–	11,662
Investment in associates	248	–	248	–	248
Unallocated assets					81,867
Total assets					370,942
Identifiable liabilities	164,437	7,533	171,970	(2,407)	169,563
Unallocated liabilities					17,153
Total liabilities					186,716
Income from associate	40	–	40	–	40
Depreciation and amortization	(19,776)	(2,347)	(22,123)	–	(22,123)
Change in provisions and allowances	4,154	(467)	3,687	–	3,687
Capital expenditure	27,403	3,263	30,666	–	30,666

Year 2006	Central Europe	South East Europe	Combined	Elimination	Consolidated
Sales other than intersegment sales	125,983	23,151	149,134	–	149,134
Intersegment sales	153	4	157	(157)	–
Total revenues	126,136	23,155	149,291	(157)	149,134
Operating income	37,798	2,266	40,064	–	40,064
Identifiable assets	241,741	28,022	269,763	–	269,763
Goodwill	7,945	3,113	11,058	–	11,058
Investment in associates	430	–	430	–	430
Unallocated assets					87,404
Total assets					368,655
Identifiable liabilities	134,127	6,981	141,108	(123)	140,985
Unallocated liabilities					20,017
Total liabilities					161,002
Income from associate	74	–	74	–	74
Depreciation and amortization	(22,373)	(1,907)	(24,280)	–	(24,280)
Change in provisions and allowances	449	(610)	(161)	–	(161)
Capital expenditure	20,065	2,480	22,545	–	22,545

30. Net Income per Share

	2007	2006
Numerator (CZK millions)		
Basic and diluted		
Net income attributable to equity holders of the parent	41,555	27,697
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	569,981	589,329
Dilutive effect of share options	1,933	2,882
Diluted		
Adjusted weighted average shares	571,914	592,211
Net income per share (CZK per share)		
Basic	72.9	47.0
Diluted	72.7	46.8

31. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2007 to total CZK 182.7 billion over the next five years, as follows: CZK 39.2 billion in 2008, CZK 33.4 billion in 2009, CZK 38.2 billion in 2010, CZK 38.0 billion in 2011 and CZK 33.9 billion in 2012. These figures do not include the expected acquisitions of subsidiaries and associates, which will depend on the number of future investment opportunities, for which the Group will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2007 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded mentioned insurance policies with the Czech nuclear pool, a group of insurance companies.

The Group also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Company.

32. Events after the Balance Sheet Date

In January 2008 the Group acquired a 7% share in MOL. At the same moment the Group granted to MOL a call option, which enables MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share. The amount paid to MOL after deduction of option premium received was EUR 560 million. The purchase was financed through a new loan in the total amount of EUR 600 million. The transaction was carried out through its newly established Dutch subsidiary CEZ MH B.V. Within the scope of cooperation the Group together with MOL also wishes to establish 50-50% joint-ventures in order to pursue jointly business opportunities and develop projects in the business of gas-fired power and heat plants in Central and South-Eastern Europe.

Independent Auditors' Report on the Financial Statements of ČEZ, a. s.

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of ČEZ, a. s., which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on ČEZ, a. s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as at December 31, 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young

Ernst & Young Audit & Advisory, s.r.o., člen koncernu
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

February 25, 2008
Prague, Czech Republic

ČEZ, a. s.
Balance Sheet in Accordance with IFRS as of December 31, 2007

(in CZK millions)

	Note	2007	2006*
ASSETS		312,654	303,124
Fixed assets		280,667	268,127
Property, plant and equipment		171,494	169,581
Plant in service		293,914	293,238
Less accumulated provision for depreciation		149,989	142,016
Net plant in service	4.	143,925	151,222
Nuclear fuel, at amortized cost		6,955	7,343
Construction work in progress		20,614	11,016
Other non-current assets		109,173	98,546
Investments and other financial assets, net	5.	108,169	97,661
Intangible assets, net	6.	1,004	885
Current assets		31,987	34,997
Cash and cash equivalents	7.	1,844	15,551
Receivables, net	8.	15,273	9,670
Materials and supplies, net		2,705	2,611
Fossil fuel stock		543	865
Emission rights	9.	2	7
Other financial assets, net	10.	7,999	5,524
Other current assets	11.	3,621	769
EQUITY AND LIABILITIES		312,654	303,124
Equity	12.	149,448	182,236
Stated capital		59,221	59,221
Treasury shares		(55,972)	(1,943)
Retained earnings and other reserves		146,199	124,958
Long-term liabilities		91,319	72,650
Long-term debt, net of current portion	13.	51,839	36,051
Accumulated provision for nuclear decommissioning and fuel storage	16.	38,997	36,503
Other long-term liabilities		483	96
Deferred tax liability	24.	11,557	13,471
Current liabilities		60,330	34,767
Short-term loans		11,821	–
Current portion of long-term debt		3,235	5,820
Trade and other payables	17.	38,398	21,059
Income tax payable		3,683	4,193
Accrued liabilities	18.	3,193	3,695

* Comparative information has been restated due to the merger of ČEZ, a. s. and regional distribution companies (see Note 3).

ČEZ, a. s.
Statement of Income in Accordance with IFRS for the Years Ended December 31, 2007

(in CZK millions)

	Note	2007	2006*
Revenues	19.	101,155	88,289
Sales of electricity		95,410	83,199
Gains and losses from electricity derivative trading, net		2,583	(134)
Heat sales and other revenues		3,162	5,224
Operating expenses		(64,647)	(58,505)
Fuel		(17,829)	(15,010)
Purchased power and related services		(17,700)	(15,510)
Repair and maintenance		(3,375)	(4,287)
Depreciation and amortization		(12,339)	(13,559)
Salaries and wages	20.	(6,007)	(5,955)
Materials and supplies		(1,704)	(2,163)
Emission rights, net	9.	794	3,078
Other operating expenses	21.	(6,487)	(5,099)
Income before other income (expenses) and income taxes		36,508	29,784
Other income (expenses)		479	(1,901)
Interest on debt, net of capitalized interest		(1,968)	(1,737)
Interest on nuclear and other provisions	16.	(1,643)	(1,606)
Interest income	22.	756	472
Foreign exchange rate gains (losses), net		(465)	1,264
Gain (loss) on sale of subsidiaries		266	272
Other income (expenses), net	23.	3,533	(566)
Income before income taxes		36,987	27,883
Income taxes	24.	(5,715)	(5,932)
Net income		31,272	21,951

* Comparative information has been restated due to the merger of ČEZ, a. s. and regional distribution companies (see Note 3).

ČEZ, a. s.
Statement of Changes in Equity in Accordance with IFRS for the Years Ended December 31, 2007

(in CZK millions)

	Stated Capital	Treasury shares	Fair Value and Other Reserves	Retained Earnings	Total Equity
December 31, 2005, as previously reported	59,221	(984)	613	115,426	174,276
Effect of merger (note 3)	–	–	(24)	(5,016)	(5,040)
January 1, 2006, as restated	59,221	(984)	589	110,410	169,236
Change in fair value of cash flow hedges recognized in equity	–	–	315	–	315
Cash flow hedges removed from equity	–	–	181	–	181
Change in fair value of available-for-sale financial assets recognized in equity	–	–	278	–	278
Available-for-sale financial assets removed from equity	–	–	32	–	32
Other movements	–	–	–	(2)	(2)
Gain and loss recorded directly to equity	–	–	806	(2)	804
Net income	–	–	–	21,951	21,951
Total gains and losses	–	–	806	21,949	22,755
Dividends declared	–	–	–	(8,852)	(8,852)
Acquisition of treasury shares	–	(1,273)	–	–	(1,273)
Sale of treasury shares	–	314	–	(179)	135
Transfer of exercised and forfeited share options within equity	–	–	(240)	240	–
Share options	–	–	235		235
December 31, 2006*	59,221	(1,943)	1,390	123,568	182,236
Change in fair value of cash flow hedges recognized in equity	–	–	2,239	–	2,239
Cash flow hedges removed from equity	–	–	35	–	35
Change in fair value of available-for-sale financial assets recognized in equity	–	–	(56)	–	(56)
Available-for-sale financial assets removed from equity	–	–	(270)	–	(270)
Gain and loss recorded directly to equity	–	–	1,948	–	1,948
Net income	–	–	–	31,272	31,272
Total gains and losses	–	–	1,948	31,272	33,220
Dividends declared	–	–	–	(11,780)	(11,780)
Acquisition of treasury shares	–	(54,397)	–	–	(54,397)
Sale of treasury shares	–	368	–	(244)	124
Transfer of exercised and forfeited share options within equity	–	–	(90)	90	–
Share options	–	–	45	–	45
December 31, 2007	59,221	(55,972)	3,293	142,906	149,448

* Comparative information has been restated due to the merger of ČEZ, a. s. and regional distribution companies (see Note 3).

ČEZ, a. s.
Statement of Cash Flows in Accordance with IFRS for the Years Ended December 31, 2007

(in CZK millions)

	2007	2006*
OPERATING ACTIVITIES		
Income before income taxes	36,987	27,883
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation, amortization and asset write-offs	12,376	13,578
Amortization of nuclear fuel	2,930	3,151
(Gain) loss on fixed assets retirements, net	(584)	(485)
Foreign exchange rate losses (gains), net	465	(1,264)
Interest expense, interest income and dividends income, net	(2,121)	(364)
Provision for nuclear decommissioning and fuel storage	683	97
Valuation allowances, other provisions and other adjustments	(35)	1,864
Changes in assets and liabilities		
Receivables	(5,851)	(2,146)
Materials and supplies	(126)	128
Fossil fuel stocks	321	(135)
Other current assets	(5,394)	(2,627)
Trade and other payables	13,758	1,527
Accrued liabilities	(144)	505
Cash generated from operations	53,265	41,712
Income taxes paid	(8,612)	(1,365)
Interest paid, net of capitalized interest	(1,496)	(1,530)
Interest received	726	406
Dividends received	3,412	1,550
Net cash provided by operating activities	47,295	40,773
INVESTING ACTIVITIES		
Acquisition of subsidiaries and associates	(2,651)	(21,291)
Proceeds from disposal of subsidiaries and associates	1,600	3,342
Additions to property, plant and equipment and other non-current assets	(16,869)	(10,767)
Loans made	(6,711)	(511)
Proceeds from sales of fixed assets	927	1,390
Repayments of loans	1,009	160
Change in decommissioning and other restricted funds	(3,291)	(324)
Total cash used in investing activities	(25,986)	(28,001)
FINANCING ACTIVITIES		
Proceeds from borrowings	59,479	43,083
Payments of borrowings	(33,490)	(37,247)
Payments of other long-term liabilities	(96)	(97)
Change in payables/receivables from group cashpooling	5,325	7,948
Dividends paid	(11,694)	(8,836)
(Acquisition) sale of treasury shares	(54,443)	(5,750)
Total cash provided by (used in) financing activities	(34,919)	(899)
Net effect of currency translation in cash	(97)	(506)
Net increase (decrease) in cash and cash equivalents	(13,707)	11,367
Cash and cash equivalents at beginning of period	15,551	4,184
Cash and cash equivalents at end of period	1,844	15,551
Supplementary cash flow information		
Total cash paid for interest	2,219	2,057

* Comparative information has been restated due to the merger of ČEZ, a. s. and regional distribution companies (see Note 3).

ČEZ, a. s.
Notes to the Financial Statements as of December 31, 2007

1. Description of the Company

ČEZ, a. s. (the Company), business registration number 45274649, is a joint stock company incorporated on May 6, 1992 under the laws of the Czech Republic in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The Company's registered office is located at Duhová 2/1444, Prague 4, Czech Republic. The Company is involved primarily in the production and sale of electricity and the related support services and in the production, distribution and sale of heat.

As at December 31, 2007, the organizational structure of the Company comprised eight divisions as follows: Chief Executive Officer's Division, Chief Operating Officer´s Division, Finance Division, Administration Division, HR Division, Distribution Division, Sale and Trading Division, and Production Division. The Production Division supervises 13 organizational units, namely ten fossil fuel plants (Mělník, Tisová, Poříčí, Dětmarovice, Chvaletice, Ledvice, Tušimice, Počerady, Hodonín, Prunéřov), one organizational unit operating impoundment, run-off-river and pumped storage hydro plants, and two nuclear power plants (Dukovany and Temelín).

The Ministry of Finance of the Czech Republic was the only shareholder who held a 20% or greater interest in the Company's share capital as at December 31, 2007; its interest amounted to 66.0% of the Company's share capital.

Members of the statutory and supervisory bodies at December 31, 2007 were as follows

Board of Directors		Supervisory Board	
Chair	Martin Roman	Chair	Martin Kocourek
Vice-chair	Daniel Beneš	Vice-chair	Tomáš Hüner
Vice-chair	Jiří Borovec	Vice-chair	Zdeněk Židlický
Member	Zdeněk Pasák	Member	Jan Demjanovič
Member	Tomáš Pleskač	Member	Ivan Fuksa
		Member	Zdeněk Hrubý
		Member	Josef Janeček
		Member	Jiří Jedlička
		Member	Petr Kalaš
		Member	Jan Ševr
		Member	Drahoslav Šimek
		Member	Zdeněk Trojan

2. Summary of Significant Accounting Policies

2.1. Basis of Presentation of the Financial Statements

Pursuant to the Accounting Law, the accompanying separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Company do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2006 or as at December 31, 2006 are presented in the format required for 2007. Certain prior year financial statement items have been reclassified to conform to the current year presentation. Since 2007 the Company changed the presentation of revenues and expenses related to electricity trading (see Note 2.18). In the income statement and the related notes expenses or losses are presented as negative balances and revenues or gains are presented as positive balances.

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period. The consolidated financial statements were authorized for issue on February 25, 2008.

2.2. Presentation Currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the presentation currency has been determined to be Czech crowns (CZK).

2.3. Revenue Recognition

The Company recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Dividends earned on investments are recognized when the right of payment has been established.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,930 million and CZK 3,151 million for the years ended December 31, 2007 and 2006, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 16). Such charges amounted to CZK 317 million and CZK 182 million in 2007 and 2006, respectively.

2.6. Interest

The Company capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 723 million and CZK 527 million, which was equivalent to an interest capitalization rate of 5.0% and 5.9% in 2007 and 2006, respectively.

2.7. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and valuation allowances. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The costs of completed technical improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost and related accumulated depreciation of the disposed item or its replaced part are derecognized from balance sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment and impairment reversals are recognized directly in profit or loss in the line item of Other operating expenses. At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation is calculated according to a depreciation plan, based on the acquisition cost and the estimated useful life of related asset. The estimated useful lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	25–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

Average depreciable lives based on the functional use of property, plant and equipment are as follows:

	Average Life
Hydro plants	
Buildings and structures	44
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	32
Machinery and equipment	14
Nuclear power plant	
Buildings and structures	32
Machinery and equipment	17

Depreciation of plant in service was CZK 12,166 million and CZK 13,392 million for the years ended December 31, 2007 and 2006, which was equivalent to a composite depreciation rate of 4.3% and 4.7%, respectively. The tangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of heat generated (in GJ) and on a consumption coefficient (CZK per GJ) reflecting the cost of fuel elements located in the reactor, their scheduled life in the reactor and scheduled heat generation.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.21). As at December 31, 2007 and 2006 capitalized costs at net book value amounted to CZK 455 million and CZK 580 million, respectively.

2.9. Intangible Assets

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 15 years. The intangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The costs of completed technical improvements are capitalized.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses. At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.10. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2007 and 2006 the Company was granted emission rights free of charge.

The Company is responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person. On April, 30 of the following year, at latest, the Company is required to remit a number of certificates representing the number of tones of CO_2 actually emitted. Should the Company not fulfill this requirement and remit necessary number of emission rights, it would have to pay a penalty of EUR 40 per 1 ton of CO_2.

In the financial statements, the emission rights, which were granted free of charge, are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. If the granted allowances are not sufficient to cover actual emissions, the Company recognizes a provision, which is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date.

The Company also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Company assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

2.11. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments and loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Changes in the fair value of available-for-sale financial assets are recognized directly in equity. Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Investments in subsidiaries and associates are carried at cost which includes directly attributable transaction costs. Impaired investments are provided for or written off.

Mergers with subsidiaries which are entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the merged subsidiaries are included in separate financial statements of the Company at their book values. Financial statements of the Company report results of operations for the period in which the merger occurs as though the merger had occurred at the beginning of the period. Results of operations for that period thus comprise those of the previously separate entities from the beginning of the period to the effective date of the merger and those of the combined operations from that date to the end of the period. Financial statements and financial information presented for prior years is restated to furnish comparative information on the same basis. The difference between the cost of investment in subsidiaries and net assets merged from entities under common control is recorded directly in equity.

2.12. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less (see Note 7). Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.13. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 5.2), relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Company. As at December 31, 2007 and 2006, restricted financial assets totaled CZK 6,409 million and CZK 3,118 million, respectively.

2.14. Receivables, Payables and Accruals

Receivables are carried at their nominal value. Ceded receivables are valued at cost. Doubtful receivables are adjusted for uncollectible amounts through a provision account. Additions to the provision account are charged to income. At December 31, 2007 and 2006 the allowance for uncollectible receivables amounted to CZK 404 million and CZK 360 million, respectively.

Trade and other payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.15. Material and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenditure which has been incurred in respect of the acquisition of material and supplies, transportation costs included. When put in use, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision account to the income statement.

2.16. Fossil Fuel Stock

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.17. Derivative Financial Instruments

The Company uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the attached balance sheet such derivatives are presented as part of Other financial assets, net and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in equity and are presented as part of Retained earnings and other reserves. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other expenses/income, net.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.18. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Company provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

Forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Company's operating requirements;
- the contract cannot be considered as written option as defined by the standard. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Company thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company, and do not therefore come under the scope of IAS 39.

Commodity contracts, which fall under the scope of IAS 39, are carried at fair value with changes in the fair value recognized in the income statement. Since 2007 the Company started to present revenues and expenses related to electricity trading net in the line Gains and losses from electricity derivative trading, net. Prior year financial information has been restated to conform to the current year presentation. The reclassification decreased sales of electricity by CZK 7,211 million and purchased power and related services by CZK 7,149 million for the year ended December 31, 2006.

2.19. Income Taxes

The provision for corporate tax is calculated in accordance with the Czech tax regulations and is based on the income or loss reported under the Czech accounting regulations, increased or decreased by the appropriate permanent and temporary differences (e.g. differences between book and tax depreciation, etc.). Income tax due is provided at a rate of 24% for the years ended December 31, 2007 and 2006, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2008, 2009 and 2010 will be 21%, 20% and 19%, respectively.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is calculated as the product of the tax rate that is expected to apply to the year when the asset is realised or the liability is settled and temporary differences between book and tax accounting.

Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilties due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.20. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit and loss using the effective interest rate method.

2.21. Nuclear Provisions

The Company has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation is approximately 2%; the effect of interest rate is estimated 2.5%. The decommissioning process is expected to continue for approximately a sixty-year period subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Company has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Company’s current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.22. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction of equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.23. Share Options

Board of Directors, members of Executive Committee (advisory body of Chief Executive Officer) and the Supervisory Board members have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2007 and 2006 the expense recognized in respect of the share option plan amounted to CZK 45 million and CZK 235 million, respectively.

2.24. Translation of Foreign Currencies

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns using the exchange rate prevailing at the date of the transaction, as published by the Czech National Bank. In the accompanying financial statements, assets and liabilities are translated at the rate of exchange ruling at December 31. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

Exchange rates used as at December 31, 2007 and 2006 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2007	2006
1 EUR	26.620	27.495
1 USD	18.078	20.876
1 PLN	7.412	7.177
100 SKK	79.179	79.858
1 BGN	13.610	14.059
1 RON	7.443	8.127

2.25. Adoption of New IFRS Standards in 2007

In 2007 the Company adopted the following new and amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Company:

– IFRS 7 Financial Instruments: Disclosures
– IFRIC Interpretation 8 Scope of IFRS 2
– IFRIC Interpretation 9 Reassessment of Embedded Derivatives
– IFRIC Interpretation 10 Interim Financial Reporting and Impairment
– IAS 1 Presentation of Financial Statements (Amendment)

Adoption of the new or revised IFRS standards and interpretations did not have any effect on the opening balance of equity as at January 1, 2007 and 2006, respectively. They did however give rise to additional disclosures.

The principal effects of these changes on the Company are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements (Amendment)

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 12.

2.26. New IFRS Standards and Interpretations not yet Effective

The Company is currently assessing the potential impacts of the new and revised standards that will be effective from January 1, 2008 or later. Most relevant to the Company's activities are IFRS 3 Business Combinations (Revised), IFRS 8 Operating Segments, IAS 23 Borrowing Costs (Revised), IAS 27 Consolidated and Separate Financial Statements (Revised), IFRIC Interpretation 11 Group and Treasury Share Transactions, IFRIC Interpretation 12 Service Concession Arrangements. The Company currently does not expect that the new standards and interpretations will have a significant effect on the Company's results and financial position, although they may expand the disclosures in certain areas.

3. Merger of ČEZ, a. s. with Regional Distribution Companies

ČEZ, a. s. merged with 5 former regional distribution companies: Středočeská energetická a.s., Západočeská energetika, a.s., Severočeská energetika, a.s., Východočeská energetika, a.s., and Severomoravská energetika, a. s. (together "REAS"). The effective date of the merger was January 1, 2007. The legal succeeding company is ČEZ, a. s.

At the time of the transaction the Company was the majority shareholder of REAS. This transaction between entities under common control was therefore accounted for using a method similar to pooling of interests. Prior year financial information was restated to furnish comparative information on the same basis as in the current period (see Note 2.11).

The following table summarizes the impact of retrospective accounting using the method similar to the pooling of interests method on the previously reported statement of income of ČEZ, a. s. for the year ended December 31, 2006 (in CZK millions):

Statement of income for the year ended December 31, 2006	As previously reported	Results of REAS	Eliminations	As restated
Total revenues	85,780	2,660	(151)	88,289
Operating expenses				
Fuel	(15,010)	–	–	(15,010)
Purchased power and related services	(15,494)	(89)	73	(15,510)
Repairs and maintenance	(4,033)	(254)	–	(4,287)
Depreciation and amortization	(13,345)	(214)	–	(13,559)
Salaries and wages	(4,928)	(1,028)	1	(5,955)
Materials and supplies	(1,910)	(253)	–	(2,163)
Emission rights, net	3,091	(13)	–	3,078
Other operating expenses	(4,473)	(705)	79	(5,099)
Total expenses	(56,102)	(2,556)	153	(58,505)
Income before other expenses (income) and income taxes	29,678	104	2	29,784
Other income (expenses), net	2,793	(776)	(3,918)	(1,901)
Income before income taxes	32,471	(672)	(3,916)	27,883
Income taxes	(6,668)	736	–	(5,932)
Net income	25,803	64	(3,916)	21,951

The following table summarizes the impact of retrospective accounting using the method similar to the pooling of interests method on the previously reported balance sheet of ČEZ, a. s. as of December 31, 2006 (in CZK millions):

Balance sheet as of December 31, 2006	As previously reported	REAS	Eliminations	As restated
Non-current assets				
Property, plant and equipment, net	168,845	736	–	169,581
Investments and other financial assets, net	108,156	36,276	(46,771)	97,661
Intangible assets, net	885	–	–	885
Total non-current assets	277,886	37,012	(46,771)	268,127
Current assets				
Cash and cash equivalents	15,014	537	–	15,551
Receivables, net	9,446	650	(426)	9,670
Other current assets, net	9,031	843	(98)	9,776
Total current assets	33,491	2,030	(524)	34,997
Total assets	311,377	39,042	(47,295)	303,124
Equity				
Stated capital	59,221	14,031	(14,031)	59,221
Treasury shares	(1,943)	–	–	(1,943)
Retained earnings and other reserves	133,544	24,340	(32,926)	124,958
Total equity	190,822	38,371	(46,957)	182,236
Long-term liabilities				
Long-term debt, net of current portion	36,051	–	–	36,051
Accumulated provision for nuclear decommissioning and fuel storage	36,503	–	–	36,503
Other long-term liabilities	82	14	–	96
Total long-term liabilities	72,636	14	–	72,650
Deferred tax liability	13,389	82	–	13,471
Current liabilities				
Current portion of long-term debt	5,820	–	–	5,820
Trade and other payables	21,050	224	(215)	21,059
Income tax payable	4,291	–	(98)	4,193
Accrued liabilities	3,369	351	(25)	3,695
Current liabilities	34,530	575	(338)	34,767
Total equity and liabilities	311,377	39,042	(47,295)	303,124

4. Net Plant in Service

Net Plant in Service at December 31, 2007 and 2006 were as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2007	Total 2006
Cost – opening balance	80,653	211,728	857	293,238	291,100
Effect of merger (see Note 3)	–	–	–	–	25,838
Additions	715	4,855	6	5,576	4,478
Disposals	(264)	(3,261)	(12)	(3,537)	(1,928)
Non-monetary contribution and other (see Note 5.1)	(570)	(772)	(21)	(1,363)	(26,250)
Cost – closing balance	80,534	212,550	830	293,914	293,238
Accumulated depreciation and impairment – opening balance	(34,809)	(107,207)	–	(142,016)	(130,368)
Effect of merger (see Note 3)	–	–	–	–	(12,240)
Depreciation	(2,020)	(10,146)	–	(12,166)	(13,392)
Net book value of assets disposed	(129)	(81)	–	(210)	(394)
Non-monetary contribution and other (see Note 5.1)	34	567	–	601	11,604
Disposals	264	3,261	–	3,525	1,909
Impairment losses recognized	(250)	–	–	(250)	(113)
Impairment losses reversed	509	18	–	527	978
Accumulated depreciation and impairment – closing balance	(36,401)	(113,588)	–	(149,989)	(142,016)
Property, plant and equipment, net	44,133	98,962	830	143,925	151,222

At December 31, 2007 and 2006, machinery and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2007	2006
Cost	21,967	20,505
Accumulated depreciation	(4,802)	(4,312)
Net book value	17,165	16,193

No property, plant and equipment were pledged as security at December 31, 2007.

5. Investments and Other Financial Assets, Net

Investments and other financial assets at December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Restricted debt securities available-for-sale	3,233	–
Restricted debt securities held to maturity	996	–
Restricted cash	2,180	3,118
Total restricted financial assets	6,409	3,118
Equity securities and interests, net	93,635	91,156
Loans granted	6,561	1,112
Other long-term receivables, including prepayments	1,310	2,076
Financial assets in progress, net	254	199
Total	108,169	97,661

The balance of long-term financial assets in progress includes expenses incurred so far in certain future acquisitions.

Movements in impairment provisions (in CZK millions)

	2007			2006		
	Subsidiaries and associates at cost	Financial assets in progress	Long-term receivables	Subsidiaries and associates at cost	Financial assets in progress	Long-term receivables
Opening balance	2,346	–	13	566	89	13
Effect of merger (see Note 3)	–	–	–	122	–	–
Additions	–	–	–	1,669	–	–
Reversals	(102)	–	(13)	(11)	(89)	–
Closing balance	2,244	–	–	2,346	–	13

In 2006, the Company created provision against the share in ČEZ Správa majetku, s.r.o. at the amount of the difference between book value of the share and expert valuation of the assets contributed (see Note 5.1). As at December 31, 2007 and 2006, the provision totaled CZK 1,473 million and CZK 1,514 million, respectively.

In previous years, the Company maintained a provision against the shares of ŠKODA PRAHA a.s., covering the difference between the market price of the shares at the Prague Stock Exchange and their carrying value. As at December 31, 2007 and 2006, the provision totaled CZK 566 million.

In 2006, the Company created provision against the share in CEZData, s.r.o. in the total amount of CZK 155 million. This provision relates to the difference between book value of the share and expert valuation of the assets contributed (see Note 5.1). As at December 31, 2007 and 2006, the provision totaled CZK 155 million.

Loans granted and other long-term receivables at December 31, 2007 and 2006 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	2007		2006	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1–2 years	439	1,295	75	766
Due in 2–3 years	508	11	4	1,287
Due in 3–4 years	1,385	–	2	8
Due in 4–5 years	401	–	952	3
Due in more than 5 years	3,828	4	92	12
Total	6,561	1,310	1,125	2,076
Provision	–	–	(13)	–
Total, net	6,561	1,310	1,112	2,076

Loans granted and other long-term receivables at December 31, 2007 and 2006 have following effective interest rate structure (in CZK millions)

	2007		2006	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.0%	–	1,310	13	2,076
From 2.0% to 3.0%	–	–	10	–
From 3.0% to 4.0%	850	–	1,018	–
From 4.0% to 5.0%	165	–	1	–
Over 5.0%	5,546	–	83	–
Total	6,561	1,310	1,125	2,076
Provision	–	–	(13)	–
Total, net	6,561	1,310	1,112	2,076

5.1. Investments in Subsidiaries and Associates

In 2006, the Company contributed administrative asset management and distribution services businesses of 4 former distribution companies (merged with ČEZ, a. s. in 2007, see Note 3) to ČEZ Správa majetku, s.r.o. and ČEZ Distribuční služby, s.r.o., respectively. In addition, the Company contributed its IT business into ČEZData, s.r.o., which was followed by the contribution of telecommunication assets into the registered capital of ČEZnet, a.s. The Company also increased the registered capital of CEZ Trade Bulgaria EAD (by a cash contribution of CZK 3 million) and CEZ Hungary Ltd. (by a cash contribution of CZK 29 million). In 2007, the Company contributed remaining administrative asset management and distribution services businesses of Severočeská energetika, a.s. (merged with ČEZ, a. s. in 2007, see Note 3) to ČEZ Správa majetku, s.r.o. and ČEZ Distribuční služby, s.r.o., respectively.

As a result of the merger (see Note 3) the ownership shares in ČEZ Prodej, s.r.o., ČEZ Správa majetku, s.r.o., ČEZ Distribuční služby, s.r.o. and ČEZ Obnovitelné zdroje, s.r.o. were increased to 100%.

In April 2007, the Company acquired 100% share in heat selling and producing company Teplárenská, a.s.

In 2007, the Company established several subsidiaries in order to support the existing as well as future activities in different regions and also because of restructuring changes in several countries and resulting demerger of activities: CEZ Trade Romania S.R.L. (99,99%) and CEZ Servicii S.A. (51%) in Romania, CEZ Slovensko, s.r.o. (100%) in Slovakia, and CEZ Ciepło Polska sp. z o.o. (100%) and CEZ Trade Polska sp. z o.o. (100%) in Poland.

At 2007 year-end, the Company also established two Dutch subsidiaries Transenergo International N.V. (100%) and CEZ MH B.V. (100%).

In March 2007, the Romanian distribution company Electrica Oltenia S.A. was renamed to CEZ Distributie S.A. and a new electricity selling company CEZ Vanzare S.A. was stablished by demerger.

At 2007 year-end, Bulgarian distribution companies Elektrorazpredelenie Pleven AD and Elektrorazpredelenie Sofia Oblast AD have been deregistered and merged with Elektrorazpredelenie Stolichno AD which was then renamed to CEZ Razpredelenie Bulgaria AD.

In 2006, the Company purchased 100% interests in Dutch companies CEZ Silesia B.V. and CEZ Poland Distribution B.V. CEZ Silesia B.V. is a sole owner of CEZ Chorzow B.V., which holds 88.82% of shares of a Polish power plant Elektrociepłownia Chorzów ELCHO sp. z o.o. CEZ Poland Distribution B.V. holds 74.8% of shares of a Polish power plant Elektrownia Skawina S.A. In the third quarter of 2006, the Company acquired the 100% interest in TEC Varna EAD, Bulgaria, and increased its registered capital through a cash contribution.

By a squeeze out of minority shareholders exercised in 2006 the Company increased its ownership interest in Severočeské doly a.s. from 93.1% to 100%.

The Company established several subsidiaries in 2006 in order to support the existing as well as future acquisitions in different regions. In this regard, CEZ Srbija d.o.o. (100%) was established in Serbia, New Kosovo Energy L.L.C. (100%) was established in Kosovo, and CEZ Laboratories Bulgaria EOOD (100%) and CEZ Elektro Bulgaria AD (67%) in Bulgaria.

In 2006, the Company acquired a 100% interest in KRAPPA TRADE a. s., Czech Republic (in November 2006 renamed to PPC Úžín, a.s.), and a 100% interest in ZAO TransEnergo, Russia.

At 2006 year-end, the Company established subsidiaries CEZ Polska sp. z o.o. (100%), Poland, CEZ Ukraine CJSC (100%), Ukraine and NERS d.o.o. (51%), Bosnia and Herzegovina.

The following table summarizes investments in subsidiaries and associates at December 31, 2007 and 2006. The financial information about these companies was obtained mainly from the companies' individual unaudited financial statements compiled for the year ended December 31, 2007 and audited financial statements compiled for the year ended December 31, 2006.

At December 31, 2007

Company	Interest in CZK millions	% interest	Number of Shares	Nominal Value in CZK	Dividends in CZK millions	Equity in CZK millions	Profit/Loss in CZK millions
ČEZ Distribuce, a. s.	30,872	100.00	63,578,396	778	–	53,447	3,704
Severočeské doly a.s.	14,112	100.00	9,080,631	1,000	1,544	17,146	2,925
TEC Varna EAD	8,804	100.00	850,550	10 [1]	–	6,599	311
Elektrorazpredelenie Stolichno AD	8,689	67.00	129,176	10 [1]	–	6,931	766
CEZ Silesia B.V.	5,774	100.00	–	–	–	1,074	(57)
CEZ Poland Distribution B.V.	5,156	100.00	–	–	–	1,156	(1)
ČEZ Správa majetku, s.r.o.	4,934	100.00	–	–	–	3,888	342
CEZ Distributie S.A.	4,784	51.01	36,481,415	9.44 [2]	–	13,560	1,187
Teplárenská, a.s.	2,416	100.00	19,129,322	9	–	1,715	82
ČEZnet, a.s.	2,288	100.00	1,895	1,000,000	320	2,672	426
ČEZData, s.r.o.	2,103	100.00	–	–	–	1,870	114
ČEZ Prodej, s.r.o.	1,100	100.00	–	–	677	7,850	2,045
ŠKODA PRAHA a.s.	987	100.00	1,257,524	1,000	–	111	(475)
ČEZ Obnovitelné zdroje, s.r.o.	792	100.00	–	–	–	2,016	111
ČEZ Distribuční služby, s.r.o.	728	100.00	–	–	–	6,295	790
Energetika Vítkovice, a.s.	407	100.00	20,100 1	20,000 32,100,000	20	807	165
CEZ Vanzare S.A.	284	51.01	36,481,415	0.56 [2]	–	251	(53)
ČEZ Měření, s.r.o.	217	100.00	–	–	161	518	269
ČEZ Logistika, s.r.o.	200	100.00	–	–	294	620	383
Ústav jaderného výzkumu Řež a.s.	185	52.46	274,963	1,000	–	967	114
PPC Úžín, a.s.	170	100.00	1,100	100,000	–	109	–
LOMY MOŘINA spol. s r.o.	169	51.05	–	–	6	362	2
NERS d.o.o.	102	51.00	–	–	–	(19)	(32)
Energetické opravny, a.s.	75	100.00	5,500	10,000	–	53	(34)
I & C Energo a.s.	56	100.00	15,000	10,000	15	353	77
CEZ FINANCE B.V.	53	100.00	–	–	–	71	9
CEZ Deutschland GmbH	47	100.00	–	–	–	45	(2)
STE - obchodní služby spol. s r.o. v likvidaci	47	100.00	–	–	–	(11)	8
CITELUM, a.s.	43	48.00	432	100,000	7	135	27
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	42	32.00	4,200	10,000	–	169	(3)
CEZ Hungary Ltd.	35	100.00	–	–	–	23	1
CEZ Servicii S.A.	27	51.00	3,111,000	1 [2]	–	26	(22)
ČEZ Zákaznické služby, s.r.o.	20	100.00	–	–	135	408	265
CEZ Srbija d.o.o.	20	100.00	–	–	–	11	(4)
Other	141	–	–	–	15	–	–
Total	95,879						
Provision	(2,244)						
Total, net	93,635						

[1] Nominal value of shares presented in BGN
[2] Nominal value of shares presented in RON

At December 31, 2006

Company	Interest in CZK millions	% interest	Number of Shares	Nominal Value in CZK	Dividends in CZK millions	Equity in CZK millions	Profit/Loss in CZK millions
ČEZ Distribuce, a. s.	30,873	100.00	63,578,396	778	–	49,602	362
Severočeské doly a.s.	14,112	100.00	9,080,631	1,000	999	17,527	2,656
TEC Varna EAD	8,804	100.00	850,550	10 [1)]	–	6,508	97
Elektrorazpredelenie Stolichno AD	5,827	67.00	129,176	10 [1)]	–	4,155	835
CEZ Silesia B.V.	5,774	100.00	–	–	–	2,946	424
CEZ Poland Distribution B.V.	5,156	100.00	–	–	–	2,516	225
Electrica Oltenia S.A.	5,068	51.01	36,481,412	10 [2)]	–	13,771	767
ČEZ Správa majetku, s.r.o.	4,570	100.00	–	–	–	3,115	119
ČEZnet, a.s.	2,288	100.00	1,895	1,000,000	–	2,568	413
ČEZData, s.r.o.	2,103	100.00	–	–	–	1,755	(207)
Elektrorazpredelenie Pleven AD	1,760	67.00	80,802	10 [1)]	–	1,275	71
Elektrorazpredelenie Sofia Oblast AD	1,102	67.00	143,983	10 [1)]	–	2,026	70
ČEZ Prodej, s.r.o.	1,100	100.00	–	–	–	6,482	935
ŠKODA PRAHA a.s.	987	100.00	1,257,524	1,000	–	588	(251)
ČEZ Distribuční služby, s.r.o.	599	100.00	–	–	–	4,431	174
ČEZ Obnovitelné zdroje, s.r.o.	558	100.00	–	–	–	1,415	(12)
Energetika Vítkovice, a.s.	402	100.00	20,100	20,000	150	620	107
MSEM, a.s.	257	100.00	1,549	100,000	266	373	36
ČEZ Měření, s.r.o.	217	100.00	–	–	90	410	179
ČEZ Logistika, s.r.o.	200	100.00	–	–	–	531	327
KNAUF POČERADY, spol. s r.o.	200	40.00	–	–	19	459	42
Ústav jaderného výzkumu Řež a.s.	185	52.46	274,962	1,000	–	852	39
PPC Úžín, a.s.	170	100.00	1,100	100,000	–	109	(1)
LOMY MOŘINA spol. s r.o.	169	51.05	–	–	–	372	2
SEG s.r.o.	87	100.00	–	–	–	178	31
Elektrovod Holding, a.s.	84	50.00	160,569	755 [3)]	–	296	60
Energetické opravny, a.s.	75	100.00	5,500	10,000	–	87	8
ENERGETICKÉ CENTRUM Kladno, spol. s r.o.	61	10.99	–	–	–	–	–
I & C Energo a.s.	55	100.00	15,000	10,000	–	303	31
CEZ FINANCE B.V.	53	100.00	–	–	9	64	9
NERS d.o.o.	50	51.00	–	–	–	11	–
CEZ Deutschland GmbH	47	100.00	–	–	–	49	–
VČE - transformátory, s.r.o.	47	100.00	–	–	3	58	9
STE - obchodní služby spol. s r.o. v likvidaci	47	100.00	–	–	–	(19)	–
CITELUM, a.s.	43	48.00	432	100,000	7	125	22
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	42	32.00	4,200	10,000	–	172	–
VČE - montáže, a.s.	36	100.00	780	100,000	13	133	20
Other	294	–	–	–	73	–	–
Total	93,502						
Provision	(2,346)						
Total, net	91,156						

1) Nominal value of shares presented in BGN
2) Nominal value of shares presented in RON
3) Nominal value of shares presented in SKK

5.2. Restricted Financial Assets

At December 31, 2007 and 2006, restricted balances of financial assets totaled CZK 6,409 million and CZK 3,118 million, respectively, and represented accumulated provision for the decommissioning, reclamation and maintenance of waste storages after they are put out of services, escrow accounts securing the Company's liquidity (pursuant to contracts entered into with the respective banks) from significant financial market volatility affecting market prices of designated hedging transactions, and accumulated provision for nuclear decommissioning in compliance with the Nuclear Law. Since 2007 restricted financial assets comprise not only restricted cash balances, but also term deposits and government bonds.

At December 31, 2007 and 2006, restricted funds representing accumulated provision for waste storage and reclamation totaled CZK 465 million and CZK 460 million, respectively, while restricted funds representing accumulated provision for nuclear decommissioning totaled CZK 5,522 million and CZK 2,272 million, respectively.

5.3. Loans Granted

Loans granted at December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Elektrociepłownia Chorzów ELCHO sp. z o.o.	5,392	–
ČEZData, s.r.o.	1,000	1,300
Elektrownia Skawina S.A.	267	–
NERS d.o.o.	107	–
Other	43	174
Current portion	(248)	(362)
Long-term portion of loans granted	6,561	1,112

In 2007 the loans granted to Elektrociepłownia Chorzów ELCHO sp. z o.o. were ceded to the Company from banks. Current portion of loans granted is presented as part of short-term receivables.

5.4. Long-term Receivables from Disposal of Non-current Assets

At December 31, 2007 and 2006, long-term receivables from the disposal of non-current assets were CZK 1,277 million and CZK 2,012 million, respectively, and represent mainly the balance of a receivable from the Ministry of Finance of the Czech Republic arising from the sale of the shares of ČEPS, a.s., in 2004. The Ministry of Finance of the Czech Republic paid CZK 842 million and CZK 2,817 million in 2007 and 2006, respectively. In addition, an amount due within one year, i.e. CZK 742 million and CZK 842 million, respectively, was reclassified from long-term to short-term trade receivables in 2007 and 2006.

The total balance of the receivable arising from the sale of the shares of ČEPS, a.s., including the current portion, was CZK 2,012 million and CZK 2,854 million at December 31, 2007 and 2006, respectively.

6. Intangible Assets, Net

Intangible assets, net, at December 31, 2007 and 2006 are as follows (in CZK millions)

	Software	Rights and Other	Total 2007	Total 2006
Cost at January 1	851	798	1,649	3,427
Effect of merger (see Note 3)	–	–	–	79
Additions	41	121	162	393
Disposals	(3)	(1)	(4)	(83)
Non-monetary contribution (see Note 5.1)	–	–	–	(2,167)
Cost at December 31	889	918	1,807	1,649
Accumulated amortization at January 1	(742)	(143)	(885)	(2,289)
Effect of merger (see Note 3)				(66)
Amortization	(65)	(108)	(173)	(167)
Net book value of assets disposed	–	–	–	(6)
Non-monetary contribution (see Note 5.1)	–	–	–	1,558
Disposals	3	1	4	83
Reversal of impairment provision	–	–	–	2
Accumulated amortization at December 31	(804)	(250)	(1,054)	(885)
Intangible assets, net	85	668	753	764

At December 31, 2007 and 2006, intangible assets presented in the balance sheet included intangible assets in progress in the amount of CZK 251 million and CZK 121 million, respectively.

7. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Cash on hand and current accounts with banks	787	3,146
Deposit notes	–	2,969
Term deposits	1,057	9,436
Total	1,844	15,551

At December 31, 2007 and 2006, cash and cash equivalents included foreign currency deposits of CZK 1,341 million and CZK 12,862 million, respectively.

Average interest rates on term deposits and bank notes at December 31, 2007 and 2006 were 4.68% and 3.90%, respectively. The weighted average interest rate for 2007 and 2006 was 3.41% and 3.04%, respectively.

8. Receivables, net

The composition of receivables, net, at December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Trade receivables	11,985	9,024
Short-term loans granted	713	493
Other receivables	2,979	513
Allowance for doubtful receivables	(404)	(360)
Total	15,273	9,670

The information about receivables from related parties is included in Note 25.

At December 31, 2007 and 2006 the ageing analysis of receivables, net is as follows (in CZK millions)

	2007	2006
Not past due	14,734	9,484
Past due but not impaired [1]		
less than 3 months	478	168
3–6 months	24	18
6–12 months	24	–
more than 12 months	13	–
Total	15,273	9,670

[1] Past due, but not impaired receivables include net receivables, for which the Company recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions)

	2007	2006
Opening balance	360	346
Effect of merger (see Note 3)	–	257
Additions	223	321
Reversals	(179)	(564)
Closing balance	404	360

9. Emission Rights

The following table summarizes the movements and balances of emission rights in measurement units (thousands of tons) in 2007 and 2006 and as at December 31, 2007 and 2006, respectively, and their valuation presented in the accompanying financial statements:

	2007		2006	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights granted and purchased for own use				
Granted emission rights at January 1	31,951	–	34,467	–
Emission rights granted	36,867	–	36,867	–
Settlement of prior year actual emissions with register	(34,305)	–	(32,750)	–
Emission rights purchased	3,854	202	–	–
Emission rights sold	–	–	(6,633)	–
Fair value adjustment	–	(200)	–	–
Granted and purchased emission rights at December 31	38,367	2	31,951	–
Emission rights held for trading				
Emission rights held for trading at January 1	41	7	205	125
Effect of merger (see Note 3)	–	–	14	9
Emission rights purchased	5,937	539	3,680	1,916
Emission rights sold	(5,966)	(559)	(3,858)	(2,035)
Fair value adjustment	–	13	–	(8)
Emission rights held for trading at December 31	12	–	41	7

In 2007 and 2006, total emissions of greenhouse gases made by the Company amounted to an equivalent 38,310 thousand tons of CO_2 and 34,305 thousand tons of CO_2, respectively. The amount of emissions CO_2 in 2007 and 2006 was higher than the amount of emissions granted and purchased for 2007 and 2006, respectively. Because of that in 2007 and 2006 the provision of CZK 2 million and CZK 415 million, respectively, was created.

The following table shows the impact of transactions with emission rights on income for the year ended December 31, 2007 and 2006 (in CZK millions):

	2007	2006
Gain on sales of granted emission rights	–	3,481
Net gain from emission trading	568	20
Fair value adjustment	(187)	(8)
Creation of provisions for emission rights	(2)	(415)
Settlement of provisions for emission rights	415	–
Net gain related to emission rights	794	3,078

10. Other Financial Assets, net

Other financial assets, net, at December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Derivatives	7,975	3,388
Securities available for sale	1	2,085
Securities held for trading	23	51
Total	7,999	5,524

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission right derivatives. At December 31, 2006 the equity securities available-for-sale represent mainly investments into mutual funds.

11. Other Current Assets

Other current assets at December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Prepaid variation margin on “own use” electricity futures	2,992	–
Prepayments	437	519
Advances granted	192	250
Total	3,621	769

Prepaid variation margin represents the net variation margin paid to Prague Energy Exchange (PXE) in respect of the electricity futures contracts treated as own use, which will be delivered in 2008 and thereafter.

12. Equity

As at December 31, 2007, the share capital of the Company registered in the Commercial Register totaled CZK 59,221,084,300 and consisted of 592,210,843 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on April 23, 2007, passed a resolution concerning acquisition of the Company's own shares ("Share-Buy-Back Program"). The General Meeting approved that the Company may acquire own equity shares as from April 23, 2007 in the quantity, which does not exceed 59,221,084 shares in total. The lowest price, at which the ČEZ company is allowed to buyback its shares, is CZK 300 per share. The highest price, at which the company is allowed to acquire its shares, is CZK 2,000 per share. The period during which the Company is authorized to acquire its own shares, is 18 months as from the date of holding the General Meeting.
The acquired shares may be used for the reduction of the stated capital of the Company and for fulfilling the commitments arising from the share option plan (see Note 2.23) namely within the amount of 5 million shares. The main reason for carrying out the share-buy-back program is to make the capital structure of the company more effective.

Development of the number of treasury shares in 2007 and 2006 is as follows (in pieces)

	2007	2006
Number of treasury at beginning of period	3,455,010	2,440,010
Acquisitions of treasury shares	47,570,134	1,715,000
Sales of treasury shares	(655,000)	(700,000)
Number of treasury at end of period	50,370,144	3,455,010

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

In accordance with Czech regulations, joint stock companies are required to establish a non distributable reserve fund for contingencies against possible future losses. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of stated capital. The fund can only be used to offset losses. As at December 31, 2007 and 2006, the balance was CZK 67,817 million and CZK 13,167 million, respectively and presented as part of retained earnings. The reserve fund also includes amounts equal to the purchase price of treasury shares held by the Company. At December 31, 2007 and 2006 such balances amounted to CZK 55,972 million and CZK 1,943 million, respectively, and were recorded against distributable retained earnings.

Dividends paid per share were CZK 20.0 and CZK 15.0 in 2007 and 2006, respectively. Dividends from 2007 profit will be declared on the general meeting which will be held by the end of May 2008.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company primarily monitors capital using the ratio of net debt to EBITDA. The Company's goal is to keep this ratio at maximum in the range of 2.0–2.5. In addition, the Company also monitors capital using a net debt to equity ratio, which is total debt less cash and cash equivalents divided by total equity attributable to equity holders of the parent. The Company's policy is to keep the net debt to equity ratio below 50%. EBITDA consists of income before income taxes and other expenses/income plus depreciation and amortization. Capital includes issued shares and other reserves attributable to equity holders of the parent. The Company includes within total net debt the long-term and short-term interest bearing loans and borrowings less cash and cash equivalents. The calculation and evaluation of ratios is done using consolidated numbers.

	2007 consolidated	2006 consolidated
Total long-term debt (CZK millions)	55,210	48,321
Total short-term loans	18,048	121
Less: Cash and cash equivalents	(12,429)	(30,932)
Total Net debt	60,829	17,510
Income before income taxes and other expenses/income	53,203	40,064
Depreciation and amortization	22,123	24,280
EBITDA	75,326	64,344
Total equity attributable to the equity holders of the parent	171,352	194,937
Net debt to EBITDA ratio (ratio)	0.81	0.27
Net debt to equity ratio (%)	35.5	9.0

13. Long-term Debt

Long-term debt at December 31, 2007 and 2006 was as follows (in CZK millions)

	2007	2006
7.125% Notes, due 2007 (USD 178 million) [1)]	–	3,765
4.625% Eurobonds, due 2011 (EUR 400 million) [1)]	10,606	10,942
4.125% Eurobonds, due 2013 (EUR 500 million)	13,179	13,593
5.125% Eurobonds, due 2012 (EUR 500 million)	13,250	–
9.22% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	4,147	3,843
9.22% Debentures, due 2014 (CZK 2,500 million) [2)]	2,496	2,495
3.35% Debentures, due 2008 (CZK 3,000 million)	3,000	2,997
4.30% Debentures, due 2010 (CZK 7,000 million)	6,984	–
Total long term bonds and debentures	53,662	37,635
Less: Current portion	(3,000)	(3,765)
Long-term bonds, net of current portion	50,662	33,870
Long-term bank loans		
2.00% to 2.99% p. a.	–	1,853
3.00% to 3.99% p. a.	–	200
4.00% to 4.99% p. a.	1,412	–
5.00% to 5.99% p. a.	–	1,338
6.00% to 6.99% p. a.	–	227
7.00% to 7.99% p. a.	–	618
Total long term loans	1,412	4,236
Less: Current portion	(235)	(2,055)
Long-term loans, net of current portion	1,177	2,181
Long term debt total	55,074	41,871
Less: Current portion	(3,235)	(5,820)
Long-term debt, net of current portion	51,839	36,051

[1)] These Eurobonds and U.S. Notes have been issued through the subsidiary, CEZ FINANCE B.V. The Company was granted a loan by CEZ FINANCE B.V., corresponding to the nominal value of the bonds.

[2)] Floating interest rate (Czech Republic CPI + 4.20%) from 2006. The rate was 5.90% and 6.40% at December 31, 2007 and 2006, respectively.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company. For the fair values of hedging instruments see Note 14.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.17.

The future maturities of long-term debt are as follows (in CZK millions)

	2007	2006
Current portion	3,235	5,820
Between 1 and 2 years	4,382	3,356
Between 2 and 3 years	7,219	4,202
Between 3 and 4 years	10,841	359
Between 4 and 5 years	13,485	11,301
Thereafter	15,912	16,833
Total long-term debt	55,074	41,871

The following table analyses long-term debt by currency (in millions)

	2007		2006	
	Foreign currency	CZK	Foreign currency	CZK
EUR	1,400	37,035	925	25,233
USD	–	–	258	5,451
CZK	–	18,039	–	11,187
Total long-term debt		55,074		41,871

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2007 and 2006 without considering interest rate hedging (in CZK millions):

	2007	2006
Floating rate long-term debt		
with interest rate fixed for 1 month	–	325
with interest rate fixed from 1 to 3 months	1,412	2,053
with interest rate fixed from 3 months to 1 year	2,496	3,072
Total floating rate long-term debt	3,908	5,450
Fixed rate long-term debt	51,166	36,421
Total long-term debt	55,074	41,871

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 14 and Note 15.

The Company has entered into a number of loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2007 and 2006 the Company has complied with all required covenants.

14. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

14.1. Cash and cash equivalents

The carrying amounts of cash and other current financial assets approximate fair value due to the relatively short-term maturity of these financial instruments.

14.2. Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

14.3. Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For equity instruments for which there are no quoted market prices the Company considered use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

14.4. Receivables and payables

The carrying amounts of receivables and payables approximate fair value due to the short-term maturity of these financial instruments.

14.5. Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

14.6. Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

14.7. Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2007 and 2006 are as follows (in CZK millions)

		2007		2006	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Long-term financial assets		108,169	108,093	97,661	97,536
Equity securities and interests, net	SaA	93,635	93,635	91,156	91,156
Restricted debt securities available-for-sale	AFS	3,233	3,233	–	–
Restricted debt securities held to maturity	HTM	996	996	–	–
Restricted cash	LaR	2,180	2,180	3,118	3,118
Other long-term financial assets, net	LaR	8,125	8,049	3,387	3,262
Receivables	LaR	15,273	15,273	9,670	9,670
Cash and cash equivalents	LaR	1,844	1,844	15,551	15,551
Short-term equity securities held for trading	HFT	9	9	39	39
Short-term debt securities held for trading	HFT	14	14	12	12
Short-term debt securities available-for-sale	AFS	1	1	2,085	2,085
Other current assets	LaR	3,184	3,184	250	250
LIABILITIES					
Long-term debt including the current portion	AC	(55,074)	(54,630)	(41,871)	(42,889)
Short-term loans	AC	(11,821)	(11,821)	–	–
Current liabilities	AC	(31,812)	(31,812)	(15,857)	(15,857)
DERIVATIVES					
Cash flow hedges					
Receivables	HFT	1,009	1,009	–	–
Payables	HFT	–	–	(701)	(701)
Total cash flow hedges		1,009	1,009	(701)	(701)
Fair value hedges					
Receivables	HFT	–	–	–	–
Payables	HFT	–	–	(979)	(979)
Total fair value hedges		–	–	(979)	(979)
Electricity trading contracts					
Receivables	HFT	5,385	5,385	2,687	2,687
Payables	HFT	(5,250)	(5,250)	(2,716)	(2,716)
Total electricity trading contracts		135	135	(29)	(29)
Other derivatives					
Receivables	HFT	1,581	1,581	701	701
Payables	HFT	(1,336)	(1,336)	(806)	(806)
Total other derivatives		245	245	(105)	(105)

SaA Subsidiaries and associates at cost
LaR Loans and receivables
AFS Available-for-sale investments
HTM Held to maturity
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

15. Financial Risk Management

Risk management approach
An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every fiscal year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Risk management organization
The supreme authority for risk management is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management
The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

Group risk map

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:
– Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group;
– Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:
– Market risks: financial (currency and interest) risks, commodity prices (electricity, emission allowances, coal), volume (electricity distribution and heat supply);
– Credit risks: financial and business counterparty risk and electricity end-customers risk;
– Operational risks: risks of nuclear and coal power plants operation.

The development of the above quantified risks is reported to the Risk Management Committee every month and contains an actual share of individual risks in the aggregate annual Profit@Risk limit, i.e. on a unified 95% level.

15.1. Qualitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The development of electricity and emission allowances prices is a key risk factor of the ČEZ value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of ČEZ's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR and the VaR bases), and (ii) the margin from the proprietary trading of electricity and emission allowances (the potential risk is managed on the VaR basis).

Market financial risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows (including operational and investment foreign currency flows).

Credit risks

Credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

Liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of ČEZ.

15.2. Quantitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at 31 December) was prepared based on the assumptions given below:

– the source of market prices is mainly EEX, PXE and PointCarbon;
– the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Company: electricity, emission allowances EUA and CER/ERU);
– for the calculation of volatility and, in the case of electricity, of internal correlations (between points in time series), the SMA (Simple Moving Average) method is applied to 60 daily time series while the volatilities identified for EUA are used for VaR with respect to CER/ERU commodity because ČEZ uses them as EUA.

Potential impact of the above risk factors as at 31 December (in CZK millions)

	2007	2006
Monthly VaR (95%) – impact of changes in electricity market price	174	139
Monthly VaR (95%) – impact of changes in emission allowances market price	169	59*

* Only EUA trades are included because the trades with CER/ERU were not commenced until 2007.

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at 31 December) was prepared based on the assumptions given below:

- the source of market foreign exchange rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data;
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence);
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series;
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS);
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2008 and highly probable forcasted foreign-currency revenues from electricity sales in the future;
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies.

Potential impact of the currency risk as at 31 December (in CZK millions)

	2007	2006
Monthly currency VaR (95% confidence)	93	21

Interest risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of interest risk as at 31 December) was prepared based on the assumptions given below:

- the source of market interest rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data;
- the indicator of interest risk is determined as the monthly parametric VaR (95% confidence);
- for the calculation of volatility and internal correlations of interest rate curves, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series;
- the relevant interest position is defined as a discounted value of interest-sensitive flows from all contracted and highly probable instruments (including the fixed interest financial instruments);
- the relevant interest positions reflect all significant interest-sensitive flows.

Potential impact of the interest rate risk as at 31 December (in CZK millions)

	2007	2006
Monthly VaR (95% confidence)*	570	371

* The VaR values indicate a potential change of market price of financial instruments (including the fixed-interest debt) on the defined confidence (i.e. the values cannot be interpreted as a potential increase in interest costs of ČEZ debt).

Liquidity risks

Contractual maturity profile of financial liabilities at December 31, 2007 (in CZK millions)

	Bonds and debentures	Bank loans	Derivatives*	Trade and other payables
Less than 1 year	5,609	288	93,955	31,812
Between 1 and 2 years	6,355	278	18,648	–
Between 2 and 3 years	9,181	269	8,532	–
Between 3 and 4 years	12,528	259	1,831	–
Between 4 and 5 years	14,611	250	367	–
Thereafter	16,659	240	–	–
Total	64,943	1,584	123,333	31,812

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 14.

Contractual maturity profile of financial liabilities at December 31, 2006 (in CZK millions)

	Bonds and debentures	Bank loans	Derivatives*	Trade and other payables
Less than 1 year	5,679	2,171	45,127	15,857
Between 1 and 2 years	4,660	412	4,346	–
Between 2 and 3 years	5,103	403	–	–
Between 3 and 4 years	1,233	393	–	–
Between 4 and 5 years	12,231	383	–	–
Thereafter	17,831	763	–	–
Total	46,737	4,525	49,473	15,857

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 14.

15.3. Hedge accounting

The Company entered into a number of derivatives transactions, mainly cross-currency and interest swaps, to hedge its long-term debt denominated in foreign currencies against the currency risk and interest rate risk. These hedges were classified as either fair value hedges or cash flow hedges and matured in 2007.

In 2007 and 2006 the remeasurement of hedged items in fair value hedges resulted in gain (loss) of CZK (14) million and CZK 457 million, respectively. In 2007 and 2006 the net gains (losses) on the related hedging derivatives in the fair value hedges were recognized in profit or loss in the amount of CZK (31) million and CZK (397) million, respectively.

In 2007 and 2006 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the line Other income (expense), net. In 2007 and 2006 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 0 million and CZK (4) million, respectively.

The Company also enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2008 to 2011. The hedging instruments are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 1,400 million and currency forward contracts.

16. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four 440 MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000 MW units, which started commercial operation in 2002 and 2003. Czech parliament has enacted a Nuclear Act ("Act"), which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. An updated 2003 Dukovany estimate and a 2004 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 15.6 billion and CZK 13.7 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 5).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution at 50 CZK per MWh produced at nuclear power plants. In 2007 and 2006, respectively, the payments to the nuclear account amounted to CZK 1,307 million and CZK 1,304 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Company has established provisions as described in Note 2.21, to recognize its estimated liabilities for decommissioning and spent fuel storage.

The following is a summary of the provisions for the years ended December 31, 2007 and 2006 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage: Interim	Spent fuel storage: Long-term	Total
Balance at December 31, 2005	9,556	4,168	21,973	35,697
Movements during 2006				
Effect of real interest rate	239	104	549	892
Effect of inflation	191	84	439	714
Provision charged to income statement	–	220	–	220
Effect of change in estimate credited to income statement	–	(46)	–	(46)
Effect of change in estimate added to (deducted from) fixed assets	(4)	564	(32)	528
Current cash expenditures	–	(198)	(1,304)	(1,502)
Balance at December 31, 2006	9,982	4,896	21,625	36,503
Movements during 2007				
Effect of real interest rate	249	122	541	912
Effect of inflation	199	98	433	730
Provision charged to income statement	–	393	–	393
Effect of change in estimate charged to income statement	–	439	–	439
Effect of change in estimate added to (deducted from) fixed assets	(4)	32	1,467	1,495
Current cash expenditures	–	(168)	(1,307)	(1,475)
Balance at December 31, 2007	10,426	5,812	22,759	38,997

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2007 the Company recorded the change in estimate for long-term fuel storage due to the modification of the expected output of the nuclear power plants. The changes in estimate for interim fuel storage have been caused by alterations of estimate of expected operating costs of fuel storage.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

17. Trade and Other Payables

Trade and other payables at December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Trade payables	8,926	7,369
Derivatives	6,586	5,202
Payables from Group cashpooling and similar intra-group loans	21,858	7,948
Other payables	1,028	540
Total	38,398	21,059

18. Accrued Liabilities

Accrued liabilities at December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Provisions	796	1,227
Accrued interest	916	793
Taxes and fees, except income tax	452	532
Unbilled goods and services	1,029	895
Other	–	248
Total	3,193	3,695

In addition to the nuclear provisions, the Company establishes other provisions. In 2007 and 2006, the Company, in compliance with the Law on Wastes, established a provision for future expenditures related to the decommissioning, reclamation and maintenance of waste storages after they are put out of services. The balance of the provision at December 31, 2007 and 2006 was CZK 453 million and CZK 452 million.

The Company is by law liable for damages caused by pollution and establishes a provision for environmental claims, which is based on the current estimates of its future liabilities. At December 31, 2007 and 2006, the provision totaled CZK 280 million and CZK 264 million, respectively.

In 2007 and 2006, the Company recognized provision in total amount of CZK 2 million and CZK 415 million, respectively, for insufficient amount of granted allowances to cover actual emission (see Note 9).

19. Revenues

Revenues for the year ended December 31, 2007 and 2006 were as follows (in CZK millions)

	2007	2006
Sale of electricity		
Unregulated sales domestic [1)]	73,925	62,289
Unregulated sales foreign	15,082	13,571
Sales of ancillary and other services	6,403	7,339
Total sales of electricity	95,410	83,199
Electricity derivative trading		
Sales of electricity	37,631	7,211
Purchases of electricity	(35,220)	(7,149)
Change in fair value of derivatives	172	(196)
Total gains and losses from electricity derivative trading, net	2,583	(134)
Sales of heat	1,470	1,504
Other	1,692	3,720
Total revenues	101,155	88,289

[1)] Domestic sales of electricity also include domestic sales of electricity intended for export, including regulation electricity and deviations from the Electricity Market Operator.

Domestic sales of electricity and ancillary services are concentrated primarily with ČEZ Prodej, s.r.o., and ČEPS, a.s.

20. Salaries and Wages

Salaries and wages for the year ended December 31, 2007 and 2006 were as follows (in CZK millions)

2007	Total	Supervisory Board	Board of Directors	Management
Average recalculated number of employees (persons)	6,472	12 [1)]	5 [1)]	63 [2)]
Salaries and wages	(3,779)	–	–	(275)
Remuneration of board members, including royalties	(34)	(22)	(12)	–
Share options	(45)	–	–	(45)
Social security and health insurance	(1,312)	–	–	(82)
Other personnel expenses	(837)	(4)	(1)	(9)
Total personnel expenses	(6,007)	(26)	(13)	(411)

2006	Total	Supervisory Board	Board of Directors	Management
Average recalculated number of employees (persons)	7,998	12 [1)]	5 [1)]	57 [2)]
Salaries and wages	(3,935)	–	–	(224)
Remuneration of board members, including royalties	(34)	(18)	(16)	–
Share options	(235)	–	(201)	(34)
Social and health security	(1,398)	–	–	(81)
Other personnel expenses	(353)	(12)	(6)	(40)
Total personnel expenses	(5,955)	(30)	(223)	(379)

[1)] Eight external members of Supervisory Board and members of Board of Directors are not included in total headcount.
[2)] Directors with executive powers are included under both the “Board of Directors” caption and the “Management” caption.

Management includes the CEO and managers of divisions, departments, organizational units and sections.

In addition to the above personnel costs, Directors and other managers were entitled to use company cars for both business and private purposes.

If the Company terminates a contract with a Director before his/her term of office expires, the Director is entitled to a severance pay that amounts to all monthly remuneration he/she would receive until the end of the originally agreed term of office. This provision does not apply if a Director resigns.

At December 31, 2007, the aggregate number of share options granted to members of Board of Directors, Executive Committee (advisory body of Chief Executive Officer) and to Supervisory Board members was 3,175 thousand. Share options granted to the members of Board of Directors and the Executive Committee vest over a three year period after the grant date, or the date of appointment, respectively, with one third of the options vesting at each annual anniversary. The options can be exercised during the term of office of the respective employee and in a further 12 months after the end of such period. The options granted to the members of the Board of Directors before May 2006 vested 3 months after appointment of the respective member to the Board. The options granted to the members of the Executive Committee before May 2006 had a two years vesting period, with approximately one half of the options vesting after one year and the remaining options vesting after two years from date of appointment of the respective Committee member. Options granted before May 2006 could be exercised during the term of office of the respective employee and in a further 3 months after the end of such period. The exercise price for the granted options is based on the average quoted market price of the shares on the Prague stock exchange during the one month period preceding the date of appointment of the respective Board or Committee member (six months average for options granted before May 2006). Since May 2006 the option right is limited so that the profit per share option will not exceed 100% of exercise price. The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on annual meeting held in June 2005. In 2007 and 2006 the Company has recognized a compensation expense of CZK 45 million and CZK 235 million related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2007 and 2006 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board	Board of Directors	Executive Committee	Total	Weighted average exercise price
	'000s	'000s	'000s	'000s	(CZK per share)
Share options at December 31, 2005	600	1,750	975	3,325	198.47
Options granted	–	900	225	1,125	646.91
Options exercised [1]	(150)	(410)	(140)	(700)	192.26
Options forfeited	–	–	(295)	(295)	285.07
Share options at December 31, 2006 [2]	450	2,240	765	3,455	338.35
Options granted	–	–	375	375	995.65
Options exercised [1]	–	(600)	(55)	(655)	189.50
Share options at December 31, 2007 [2]	450	1,640	1,085	3,175	446.70

[1] In 2007 and 2006 the weighted average share price at the date of the exercise for the options exercised was CZK 957.10 and CZK 798.30 respectively.
[2] At December 31, 2007 and 2006 the number of exercisable options was 2,490 thousand pieces and 2,650 thousand pieces, respectively. The weighted average exercise price of the exercisable options was 304.91 CZK per share and 254.17 CZK per share at December 31, 2007 and 2006, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2007	2006
Weighted average assumptions		
Dividend yield	2.8%	2.0%
Expected volatility	28.5%	30.6%
Mid-term risk-free interest rate	2.8%	2.7%
Expected life (years)	2.0	2.9
Share price (CZK per share)	1,027.3	797.6
Weighted average grant-date fair value of options (CZK per 1 option)	177.7	230.2

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

On December 31, 2007 and 2006 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2007	2006
CZK 100–500 per share	1,750	2,405
CZK 500–900 per share	1,125	1,050
CZK 900–1,200 per share	300	–
Total	3,175	3,455

The options granted to the members of Board of Directors and Supervisory Board, which were outstanding on December 31, 2007 and 2006, respectively, had an average remaining contractual life of 1.5 years and 2.5 years, respectively. The options granted to members of the Executive Committee can be exercised in a period ending 12 months (3 months for options granted before May 2006) after the end of the membership in the Executive Committee. The membership is not set for a definite period of time.

21. Other Operating Expenses

Other operating expenses for the year ended December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Services	(5,612)	(5,201)
Change in provisions and valuation allowances	(445)	362
Taxes and fees	(467)	(244)
Write-off of bad debts and cancelled investment	(79)	(51)
Travel expense	(95)	(103)
Gifts	(123)	(136)
Gain (loss) on sale of property, plant and equipment	(16)	173
Gain (loss) on sale of material	55	(12)
Fines, penalties and penalty interest, net	60	–
Other, net	235	113
Total	(6,487)	(5,099)

22. Interest Income

Interest income for each category of financial instruments for the year ended December 31, 2007 and 2006 is as follows (in CZK millions)

	2007	2006
Loans and receivables	114	67
Investments held-to-maturity	62	15
Available-for-sale investments	–	8
Financial assets held for trading	4	8
Bank accounts	576	374
Total	756	472

23. Other Income (Expenses), Net

Other finance income (expenses), net, for the year ended December 31, 2007 and 2006 consist of the following (in CZK millions)

	2007	2006
Dividends received	3,333	1,629
Gain on sale of available-for-sale financial assets	752	–
Gain (loss) on sale of financial assets for trading	1	(2)
Change in impairment of financial investments	115	(1,569)
Derivative gains (losses), net	(568)	(441)
Other, net	(100)	(183)
Total	3,533	(566)

24. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 24% in 2007 and 2006. The Czech corporate income tax rate for 2008, 2009 and 2010 will be 21%, 20% and 19%, respectively.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have potentially effect on reported income.

The components of the income tax provision are as follows (in CZK millions)

	2007	2006
Current income tax charge	(8,055)	(6,605)
Adjustments in respect of current income tax of previous periods	(47)	14
Deferred income taxes	2,387	659
Total	(5,715)	(5,932)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2007	2006
Income before income taxes	36,987	27,883
Statutory income tax rate in Czech Republic	24%	24%
"Expected" income tax expense	(8,877)	(6,692)
Add (deduct) tax effect of		
Change in tax rates	2,557	–
Czech/IFRS accounting differences	92	8
Non-deductible provisions, net	35	(398)
Non-deductible expenses related to shareholdings	(144)	(5)
Other non-deductible (non taxable) items, net	(131)	748
Non-taxable revenue from dividends	798	393
Tax credits	2	–
Adjustments in respect of current income tax of previous periods	(47)	14
Income taxes	(5,715)	(5,932)
Effective tax rate	15%	21%

Deferred income tax liability, net, at December 31, 2007 and 2006 was calculated as follows (in CZK millions):

	2007	2006
Accumulated provision for nuclear decommissioning and spent fuel storage	6,344	7,489
Allowances	71	115
Other temporary differences	28	50
Total deferred tax assets	6,443	7,654
Tax depreciation in excess of financial statement depreciation	16,782	20,337
Other provisions	379	436
Penalty receivables	16	3
Deferred tax recognized in equity	770	296
Other temporary differences	53	53
Total deferred tax liability	18,000	21,125
Total deferred tax liability, net	11,557	13,471

In 2007 and 2006 the Company charged deferred tax of CZK 474 million and CZK 258 million, respectively, directly to equity.

25. Related Parties

The Company purchases products from related parties in the ordinary course of business.

At December 31, 2007 and 2006, the receivables from related parties and payables to related parties are as follows (in CZK millions):

Subsidiaries and associates

Company	Receivables		Payables	
	2007	2006	2007	2006
Direct control				
CEZ Bulgaria EAD	200	60	–	–
CEZ Deutschland GmbH	111	83	–	–
CEZ FINANCE B.V.	–	9	10,606	14,707
CEZ Romania S.R.L.	154	46	–	–
Coal Energy, a.s.	175	394	29	2
ČEZ Distribuce, a. s.	83	87	4,646	3,499
ČEZ Distribuční služby, s.r.o.	6	81	1,788	1
ČEZ Logistika, s.r.o.	2	1	536	2
ČEZ Měření, s.r.o.	4	6	511	304
ČEZ Obnovitelné zdroje, s.r.o.	1	47	114	64
ČEZ Prodej, s.r.o.	1,260	1,200	3,471	2,820
ČEZ Správa majetku, s.r.o.	365	133	199	153
ČEZ Zákaznické služby, s.r.o.	3	5	488	257
ČEZData, s.r.o.	1,027	1,376	328	717
ČEZnet, a.s.	1	5	1,088	39
I & C Energo a.s.	1	2	97	146
NERS d.o.o.	107	–	–	–
Severočeské doly a.s.	–	10	7,449	478
ŠKODA PRAHA a.s.	–	–	412	78
Teplárenská, a.s.	–	–	174	–
Ústav jaderného výzkumu Řež a.s.	3	–	76	189
Other	167	142	76	138
Total – direct control	3,670	3,687	32,088	23,594
Indirect control				
Elektrociepłownia Chorzów ELCHO sp. z o.o.	5,457	3	–	–
Elektrownia Skawina S.A.	301	–	59	–
ŠKODA PRAHA Invest s.r.o.	17	–	105	101
Other	–	–	13	26
Total – indirect control	5,775	3	177	127
Total	9,445	3,690	32,265	23,721

Other related parties

Company	Receivables		Payables	
	2007	2006	2007	2006
ČEPS, a.s.	164	172	18	50
České dráhy, a.s.	–	2	2	170
Ministry of Finance of the Czech Republic	2,012	2,854	–	–
Total	2,176	3,028	20	220

The following table provides the total amount of transactions (sales and purchases, including VAT), which have been entered into with related parties for the relevant financial year (in CZK millions):

Subsidiaries and associates

Company	Sales to related parties		Purchases from related parties	
	2007	2006	2007	2006
Direct control				
CEZ Bulgaria EAD	286	112	–	–
CEZ Deutschland GmbH	1,331	844	–	–
CEZ Romania S.R.L.	125	47	–	–
Coal Energy, a.s.	2,229	4,623	465	24
ČEZ Distribuce, a. s.	652	2,451	86	99
ČEZ Distribuční služby, s.r.o.	55	294	1	4
ČEZ ENERGOSERVIS spol. s r.o.	7	8	268	248
ČEZ Logistika, s.r.o.	322	19	–	118
ČEZ Měření, s.r.o.	202	201	3	–
ČEZ Obnovitelné zdroje, s.r.o.	10	13	266	68
ČEZ Prodej, s.r.o.	46,859	44,722	1,660	3,455
ČEZ Správa majetku, s.r.o.	92	139	696	404
ČEZ Zákaznické služby, s.r.o.	160	77	7	3
ČEZData, s.r.o.	75	391	1,533	1,755
ČEZnet, a.s.	336	31	480	424
Energetické opravny, a.s.	9	19	304	501
I & C Energo a.s.	38	26	685	795
Knauf Počerady, spol. s r.o.	70	120	11	–
LOMY MOŘINA spol. s r.o.	6	–	155	151
OSC, a.s.	9	–	197	–
Severočeské doly a.s.	1,557	1,046	7,587	6,380
ŠKODA PRAHA a.s.	1	3	1,310	219
Ústav jaderného výzkumu Řež a.s.	6	1	321	370
Other	71	53	339	273
Total – direct control	54,508	55,240	16,374	15,291
Indirect control				
Elektrociepłownia Chorzów ELCHO sp. z o.o.	6	3	125	–
Elektrownia Skawina S.A.	311	–	1,330	–
ŠKODA PRAHA Invest s.r.o.	17	–	5,051	823
Other	–	1	100	128
Total – indirect control	334	4	6,606	951
Total	54,842	55,244	22,980	16,242

Other related parties

Company	Sales to related parties		Purchases from related parties	
	2007	2006	2007	2006
ČEPS, a.s.	7,311	7,459	836	1,743
České dráhy, a.s.	1	15	1,798	1,504
Other	–	2	9	2
Total	7,312	7,476	2,643	3,249

In 2007 and 2006 the Company made non monetary contributions to several subsidiaries (see Note 5.1 for description of contributions and Notes 4 and 6 for amounts of contributed assets).

The Company granted loans to related parties (see Note 5.3).

The Company and some of its subsidiaries are included in the system of cash-pooling. The balance payable to subsidiaries under the scheme is included in Trade and other payables (see Note 17) and the individual balances in the table of payables above.

26. Segment Information

The Company is involved in the generation and sale of electricity and trading in electricity and operates mainly the European Union markets. The Company has not identified any other separate industry or geographical segments.

27. Earnings per Share

	2007	2006
Numerator (CZK millions)		
Basic and diluted		
Net profit	31,272	21,951
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	569,981	589,329
Dilutive effect of share options	1,933	2,882
Diluted		
Adjusted weighted average shares	571,914	592,211
Net income per share (CZK per share)		
Basic	54.9	37.2
Diluted	54.7	37.1

28. Commitment and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2007 to total CZK 108.6 billion over the next five years, as follows: CZK 21.9 billion in 2008, CZK 19.7 billion in 2009, CZK 23.4 billion in 2010, CZK 24.6 billion in 2011 and CZK 19.0 billion in 2012. These figures do not include the expected acquisitions of subsidiaries and associates, which will depend on the number of future investment opportunities, for which the Company will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2007 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded mentioned insurance policies with the Czech nuclear pool, a group of insurance companies.

The Company also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Company.

29. Events after the Balance Sheet Date

In January 2008 the Board of Directors of the Company approved the intentiton to merge with its subsidiary Energetika Vítkovice, a.s. with the succeeding company being ČEZ, a. s.

In January 2008 the Company acquired a 7% share in MOL. At the same moment the Company granted to MOL a call option, which enables MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share. The amount paid to MOL after deduction of option premium received was EUR 560 million. The purchase was financed through a new loan in the total amount of EUR 600 million. The transaction was carried out through its newly established Dutch subsidiary CEZ MH B.V. Within the scope of cooperation the Company together with MOL also wishes to establish 50-50% joint-ventures in order to pursue jointly business opportunities and develop projects in the business of gas-fired power and heat plants in Central and South-Eastern Europe.

CEZ Consolidated Group at 31 December 2007

As of 31 December 2007 the CEZ Consolidated Group consisted of a total of 57 companies, 55 of which were fully consolidated and two were consolidated by the equity method.

CEZ Group Organization Chart

ČEZ, a. s.

- 100% CEZ Deutschland GmbH
- 100% CEZ Hungary Ltd.
- 100% CEZ Finance B.V.
- 100% CEZ MH B.V.
- 100% Transenergo International N.V.
- 100% CEZ Silesia B.V.
  - 100% CEZ Chorzow B.V.
    - 75.2% Elektrociepłownia Chorzów ELCHO sp. z o.o.
- 100% CEZ Poland Distribution B.V.
  - 74.8% Elektrownia Skawina S.A.
- 100% CEZ Ciepło Polska sp. z o.o.
- 100% CEZ Polska sp. z o.o.
- 100% CEZ Trade Polska sp. z o.o.
- 100% CEZ Slovensko, s.r.o.
- 100 % ČEZ Distribuce, a. s.
- 100% ČEZ Distribuční služby, s.r.o.
- 100% ČEZ Energetické služby, s.r.o.
- 100% ČEZ Logistika, s.r.o.
- 100% STE - obchodní služby spol. s r.o. in liquidation
- 100% ČEZ Měření, s.r.o.
- 100% ČEZ Obnovitelné zdroje, s.r.o.
- 100% ČEZ Prodej, s.r.o.
- 100% ČEZ Správa majetku, s.r.o.
- 100% ČEZ Zákaznické služby, s.r.o.
- 100% ČEZData, s.r.o.
- 100% ČEZnet, a.s.
- 100% Energetické opravny, a.s.
- 100% I & C Energo a.s.
- 100% Teplárenská, a.s.
- 100% Energetika Vítkovice, a.s.
- 100% PPC Úžín, a.s.
- 100% Severočeské doly a.s.
  - 100% SD - 1.strojírenská, a.s.
  - 100% SD - Autodoprava, a.s.
  - 100% SD - Kolejová doprava, a.s.
- 100% ŠKODA PRAHA a.s.
  - 100% ŠKODA PRAHA Invest s.r.o.
- 52.5% Ústav jaderného výzkumu Řež a.s.
- 40% Coal Energy, a.s.
- 51.1% LOMY MOŘINA spol. s r.o.
- 100% CEZ Bulgaria EAD
- 67% CEZ Elektro Bulgaria AD
- 100% CEZ Laboratories Bulgaria EOOD
- 67% Elektrorazpredelenie Stolichno AD
- 100% CEZ Trade Bulgaria EAD
- 100% TEC Varna EAD
- 51% CEZ Distributie S.A.
- 100% CEZ Romania S.R.L.
- 51% CEZ Servicii S.A.
- 100% CEZ Trade Romania S.R.L.
- 51% CEZ Vanzare S.A.
- 100% CEZ Srbija d.o.o.
- 51% NERS d.o.o.
- 100% New Kosovo Energy L.L.C.
- 100% CEZ Ukraine CJSC
- 100% ZAO TransEnergo

■ parent company
■ subsidiary
■ associate

% indicates Controlling Entity's stake in the company's stated capital.

Directory of Companies in the Consolidation Group

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  Gacko
  Republika Srpska in Bosnia and
  Herzegovina

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A new information center focused on renewable sources of energy will open in 2008 in Hradec Králové.

Coal-fired Power Plants

Tours of all ČEZ, a. s. coal-fired power plants can be arranged by appointment.

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Chvaletice Power Station
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Open House held once per year

ČEZ, a. s. Basic Organization Structure as of 1 April 2008

General Meeting

Board of Directors

Head Office

Plant Renewal

1000000 Chief Executive Officer's Division
Martin Roman

- **1100000 Mergers & Acquisitions Section**
- **1000010** CEO's Office
- **1000100** Strategic Communication
- **1000200** Legal
- **1000300** Public Relations
- **1002000** Internal Audit

2000000 Finance Division
Martin Novák

- **2100000 Accounting Section**
- **2200000 Planning and Controlling Section**
- **2300000 Financing Section**
- **2000200** Risk Management
- **2000300** Taxes

8000000 Chief Operating Officer
Daniel Beneš

- **8000010** COO's Office
- **8001000** Safety and Security
- **8002000** Engineering Design
- **8003000** Quality Management
- **8004000** Equity Interests

6000000 Administration Division
Ivan Lapin

- **6100000 Procurement Section**
- **6200000 ICT Strategy Section**
- **6004000** Fuel Cycles

7000000 Personnel Division
Zdeněk Pasák

- **7000100** Internal Communications
- **7001000** Human Resources of CEZ Group
- **7002000** Development of Human Resources
- **7003000** Human Resources Personnel Service of CEZ Group
- **7004000** Human Resources Remuneration

9000000 Investment Division
Peter Bodnár

- **9100000 Power Plant Development Section**
- **9200000 Power Plant Construction Section**
- **9000010** Analytical Support
- **9001000** Projects Support
- **9002000** Nuclear Power Plant Construction Analysis

Supervisory Board

International | **Distribution** | **Trade** | **Production**

- **A000000 International Division** – Tomáš Pleskač
  - **A000100** Strategy and Post Merger Management
  - **A000200** Foreign Acquisition Ukraine
  - **A000300** Foreign Acquisition Serbia
  - **A000400** Foreign Acquisition Bosnia and Herzegovina
  - **A001000** Foreign Acquisition Management
  - **A002000** Foreign Acquisition Bulgaria
  - **A003000** Foreign Acquisition Romania
  - **A004000** Foreign Acquisition Poland

- **3000000 Distribution Division** – Jiří Kudrnáč
  - **3000010** Analytical Support
  - **3004000** Methodical Support of Distribution
  - **3005000** Rules and Market

- **4000000 Sales Division** – Alan Svoboda
  - **4100000 Trading Section**
  - **4200000 Development Section**
  - **4000010** Foreign Commercial Representation
  - **4000100** European Agenda
  - **4001000** Sales Management Support

- **5000000 Production Division** – Vladimír Hlavinka
  - **5200000 Central Engineering**
  - **5400000 Asset Management**
  - **5001000** Economics and Management System
  - **5002000** Safety
  - **5300000 Power Plants Section**
    - **53DE000** Dětmarovice Power Station
    - **53HO000** Hodonín Power Station
    - **53CH000** Chvaletice Power Station
    - **53LE000** Ledvice Power Station
    - **53ME000** Mělník Power Station
    - **53PC000** Počerady Power Station
    - **53PO000** Poříčí Power Stations
    - **53TI000** Tisová Power Station
    - **53TP000** Tušimice and Prunéřov Power Stations
    - **53VD000** Hydro Power Plants
    - **53DU000** Dukovany Nuclear Power Station
    - **53TE000** Temelín Nuclear Power Station

Information for Shareholders and Investors

Events Calendar

CEZ Group preliminary consolidated financial performance results for the year 2007 Financial statements Press conference Conference call Brief report	25 February 2008
CEZ Group audited consolidated financial statements for the year 2007 ČEZ, a. s. audited financial statements for the year 2007	28 February 2008
Financial statements of subsidiaries included in the CEZ Consolidated Group	14 March 2008
Related Parties Report	31 March 2008
Financial statements of associates included in the CEZ Consolidated Group	31 March 2008
CEZ Group 2007 Annual Report – electronic, only Czech version in print	30 April 2008
CEZ Group 2007 Annual Report – English version in print	12 May 2008
CEZ Group non-audited consolidated financial figures for Q1 2008 Financial statements Press conference Conference call Brief report ČEZ, a. s. non-audited financial figures for Q1 2008 Financial statements	15 May 2008
ČEZ, a. s. Annual General Meeting	21 May 2008
CEZ Group non-audited consolidated financial figures for H1 2008 Financial statements Press conference Conference call Brief report ČEZ, a. s. non-audited financial figures for H1 2008 Financial statements	14 August 2008
CEZ Group 2008 Half-year Report	1 September 2008
CEZ Group non-audited consolidated financial figures for Q1–Q3 2008 Financial statements Press conference Conference call Brief report ČEZ, a. s. non-audited financial figures for Q1–Q3 2008 Financial statements	13 November 2008
CEZ Group preliminary consolidated financial performance results for the year 2008 Financial statements Press conference Conference call Brief report	25 February 2009
CEZ Group audited consolidated financial statements for the year 2008 ČEZ, a. s. audited financial statements for the year 2008	28 February 2009

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Glossary of Terms and Abbreviations

Term	Commentary
Achievable capacity	Power plant nameplate capacity less shut-downs caused by changes that are permanent in nature.
Ancillary services	Activities carried on by private individuals and/or legal entities to provide for system services.
Available capacity	Maximum active capacity for generation of electrical energy and supply of heat that can be achieved by a given generation facility when considering internal technical and operational conditions but disregarding external ones. Equals achievable capacity less selected basic shut-downs (for overhauls, extended overhauls, upgrades, guarantee repairs, routine repairs) and technical failure rate. Used to calculate working availability.
Cash-pooling	A service under which the balances on all accounts of a particular client belonging to a given group are summed at the end of each day and the client receives a higher interest rate on its primary account based on that sum.
CO_2	Carbon dioxide.
Cross-border capacity auction	Auction of cross-border power line capacity use.
ČEPS, a. s.	Owner and operator of the Czech Republic Transmission Grid.
Distribution grid	A mutually interconnected set of 110 kV power lines and equipment – with the exception of 110 kV power lines and equipment that are part of the transmission grid, and power lines and equipment with voltages 0.4/0.23 kV, 3 kV, 6 kV, 10 kV, 22 kV and 35 kV that serve purposes of distributing electricity in a designated area of the Czech Republic, including metering, protective, control, security, information and telecommunications systems and technologies.
ECX	European Climate Exchange. A pan-European exchange for trading emission allowances. Based in Amsterdam, Kingdom of the Netherlands.
EEX	European Energy Exchange. A place where electricity is traded. Headquartered in Leipzig, Federal Republic of Germany.
EFET	European Federation of Electricity Traders.
Electricity demand	Total electricity consumed by end customers in a given geographical area over a given time period. Demand does not include electricity used for pumping at pumped-storage hydro power stations, in-house consumption, or grid losses.
Electricity generation/production	Overall electricity generated over the period in question, as measured from generator terminals.
Electricity producer	Private individual or legal entity that produces electricity and holds a license to produce electricity.

Term	Commentary
Electricity supply	Total electricity generation less in-house consumption and losses inherent in generation technologies.
Electricity trader	Private individual or legal entity who holds a license to trade in electricity and who purchases electricity for the purpose of resale.
Emission limits	Highest permissible concentrations of pollutants released into the air.
End customer	A customer that uses electricity supplied only for the customer's own consumption, not for resale.
EU ETS	European Union Greenhouse Gas Emissions Trading Scheme The European Union's emissions trading system as defined by Directive of the European Parliament and Council No. 2003/87/EC, which entered into force on 25 October 2003. The emission allowances exist only in booked form, in national registers.
EURATOM	European Atomic Energy Committee.
Fabrication	Production of nuclear fuel.
Flue Gas Desulfurization (FGD)	Technologies and/or equipment for reducing the content of sulfur oxides in pulverized-coal boiler flue gases.
Fully integrated company	A CEZ Group company that is the sole executor of one or more processes for the other members of CEZ Group.
GPW	(Giełda papierów wartościowych w Warszawie S.A.) The Warsaw Stock Exchange, where the shares of ČEZ, a. s. have been listed since 25 October 2006.
Greenhouse gas emission allowance	Represents the right of a facility operator to release the equivalent of one ton of carbon dioxide into the air during a given calendar year.
IETA	International Emissions Trading Association.
IFRS	International Financial Reporting Standards.
Installed capacity	Sum of generator nameplate capacities, including generators for in-house consumption. The only capacities that are not counted are those of generators that have been permanently decommissioned and generators whose drive motor has been permanently removed and therefore are serving as compensators.
JI/CDM	For economically achieving the goals of the Kyoto Protocol, emission trading mechanisms, Joint Implementation (JI) projects, and Clean Development Mechanisms (CDM) were created. The investment flows made possible by these mechanisms should make renewable sources of energy a more profitable proposition.
NAP	National Allocation Plan. A document showing the allocation of CO_2 emission allowances to each CO_2 producing facility in the given country and trading period. The first trading period encompasses the years 2005–2007, and the second will be 2008–2012.
NO_x	Nitrogen oxides.
NTX	Index of Central Europe's top stocks.
OECD	Organization for Economic Co-operation and Development.
OKO	Organized short-term trade in electricity.

Term	Commentary
Operátor trhu s elektřinou, a.s. (OTE)	A State-established joint-stock company whose purpose is to operate the Czech Republic electricity market, draw up the reconciliation of agreed and actual amounts of electricity supplied and purchased by market players, see to the settlement of deviations of actual supply amounts from contracted-for amounts, and operate the electricity spot market.
PowerNext	Energy exchange in France co-owned by the French and Belgian transmission grid operators and French power utilities, among others. Headquartered in Paris.
PSE	Prague Stock Exchange.
PX	Official index of the Prague Stock Exchange.
PXE	Prague Energy Exchange.
Regional electricity distribution company	In the Czech Republic there used to be eight regional electricity distribution companies that distributed electricity to end consumers and could also engage in electricity trading. Starting in 2006, distribution of electricity in the Czech Republic is secured on a process-driven basis by separate distribution companies. CEZ Group also operates separate distribution companies in Bulgaria and Romania.
Renewable energy sources	Energy resources that renew themselves naturally. This category includes hydro, geothermal, solar and wind energy as well as energy obtained by combustion of biomass.
Retail electricity customer	A category of electricity consumers, members of which are connected to the low-voltage grid (1 kV and under). The category is further subdivided into households and businesses.
RIOSV	(Регионалната инспекция по околна среда и води). Regional Inspectorate of the Environment and Water Resources. A field office of the Ministry of the Environment and Water Resources of Bulgaria.
System services	Activities of the transmission grid operator (ČEPS, a.s.) and distribution grid operators to ensure reliable operation of the Czech Republic Power System with consideration for the operation of interconnected power systems.
Transmission grid	A mutually interconnected system of 400 kV, 220 kV power lines and equipment and selected power lines and equipment of the 110 kV grid, which serves the purpose of electricity transmission throughout the entire Czech Republic and that of interconnection with power systems of neighboring countries, including metering, protective, control, safety, information and telecommunications equipment; the transmission grid is built and operated in the public interest.
Unbundling	The separation, for accounting and legal purposes, of transmission and distribution grid operation from other activities (e.g. electricity generation, trading, etc.). European Union Member States are subject to this requirement under EU Directive No. 2003/54/EC. In the Czech legal system, this requirement is given by Sections 24a and 25a of Act No. 91/2005 Sb. It takes effect on 1 January 2005 for transmission grid operators and on 1 January 2007 for distribution grid operators.
VVER	A type of pressurized water reactor.
Wholesale electricity customer	A customer who purchases electricity from the high- and medium-voltage grids.
ZIRLO	Trademark owned by Westinghouse Electric Company, Pittsburgh, USA.

Explanation of Units Used in this Document

Unit	Commentary
Wh	watt-hour; a unit of work
V	volt; a unit of electrical potential (voltage)
W	watt; a unit of power (load)
t	metric ton; a unit of mass
TJ	terajoule; a unit of work (energy)
$J.kg^{-1}$	joules per kilogram; a unit of heat content

The names of Czech companies in the 2007 Annual Report are given as they appear in the Commercial Register of the Ministry of Justice of the Czech Republic.

Foreign Currencies

Country	Currency Code	Name	Remark
Federal Republic of Germany	EUR	Euro	
Kingdom of the Netherlands	EUR	Euro	
Kosovo	EUR	Euro	official currency
Republic of Bosnia and Herzegovina	KM international code BAM	convertible mark	1 KM = 0.51129 EUR exchange rate is fixed, based on the Deutsche Mark-to-Euro conversion rate
Republic of Bulgaria	BGN	български лев (lev)	
Republic of Poland	PLN	złoty	
Romania	RON	leu	
Russian Federation	RUB	рубль (ruble)	
Serbia	RSD	динар (dinar)	foreign companies are permitted to have their stated capital in EUR
Slovak Republic	SKK	Slovak Koruna	
Ukraine	UAH	гривня (hrivnia)	

Method Used to Calculate Key CEZ Group Indicators

Name of indicator	Calculation
Current ratio	Current assets / Current liabilities
Dividend per share (gross)	Dividend paid or to be paid in the current year, before taxes / Number of shares outstanding
EBIT	Income before income taxes and other expenses/income
EBITDA	Income before income taxes and other expenses/income + Depreciation and amortization
Net debt	Long-term debt, net of current portion + Short-term loans + Current portion of long-term debt - Cash and cash equivalents
Net debt / Equity	Net debt / Equity attributable to equity holders of the parent
Operating cash flow	Net cash provided by operating activities
Return on Assets (ROA), net	Net income / Average total assets
Return on Equity (ROE), net	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent *) Net income / Average equity
Return on Invested Capital (ROIC)	(EBIT + Creation/clearance of other provisions + Gain on carbon allowance derivatives) * (1 - Corporate income tax rate) / (Average invested capital)

*) Definition is for ČEZ, a. s., if different from definition for CEZ Group.
Average value = (Value at end of previous year + Value at end of current year) / 2.

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Information on Persons Responsible for the CEZ Group Annual Report

Responsibility for the Annual Report

Statutory Declaration:
With the use of all due diligence, to the best of our knowledge the information presented in the Annual Report is factual and no facts have been omitted that could change the meaning of the Annual Report.

Prague, 15 April 2008

Pavel Cyrani
Director, Planning & Controlling Section

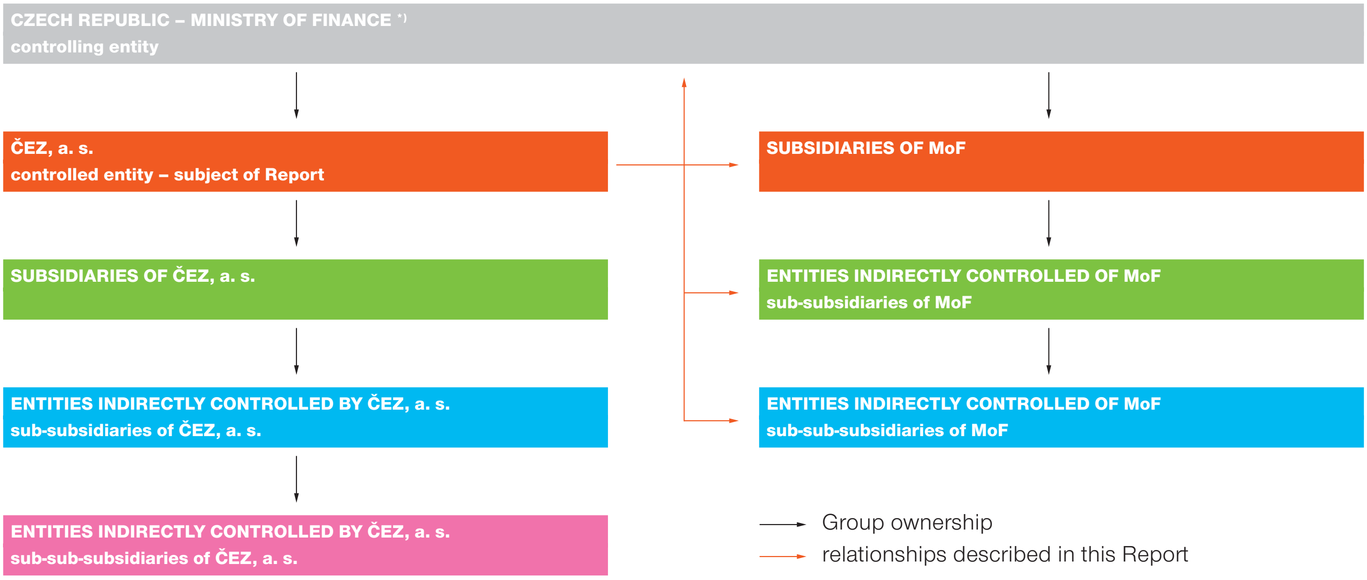
Responsibility for information on remuneration principles, cash and in-kind income and other securities respective to members of the governing bodies, the Company's senior management:

Prague, 15 April 2008

Martin Novák
Chief Finance Officer

ČEZ, a. s.
Related Parties Report for the Year Ended December 31, 2007

1. Chart showing relationships within Group



*) The Czech Republic is the Controlling Entity. The State's equity stake in ČEZ, a. s. is managed by the Ministry of Finance of the Czech Republic.

2. Group structure chart

See insert under back cover flip.

3. Controlling Entity and subject of Related Parties Report

Czech Republic – Ministry of Finance – Controlling Entity	
Name	Ministry of Finance of the Czech Republic
With its seat at	Letenská 525/15, 118 10 Prague 1
ID Number	00006947

ČEZ, a. s. – Controlled Entity – subject of Report	
Company	ČEZ, a. s.
With its seat at	Duhová 2/1444, 140 53 Prague 4
ID Number	45274649
Incorporated in the Commercial Register maintained by	Municipal Court in Prague (Part B, Insert 1581)
Method of control	As of 31 December 2007, the Controlling Entity, MoF, owned a 65.99% stake in ČEZ, a. s.

In accordance with Section 66a(9) of the Commercial Code, the Related Parties Report (unlike the 2007 Annual Report) covers only the period 1 January – 31 December 2007.

4. Alphabetical list of companies – Group members

See insert under back cover flip.

5. Contractual relations

List of contracts signed

This list includes contracts entered into by ČEZ, a. s. with related parties within the Group belonging to the Czech Republic – Ministry of Finance. The companies are listed alphabetically regardless of the value of the contracts in question.

1. BAUFELD - ekologické služby, s.r.o.

Three purchase contracts and one supply contract were signed.
Purchase contracts: one agreement on cleaning a vessel for returned impure oils and one agreement on disposal of oil-laden waste. Also, an annex was signed to an agreement on disposal of petroleum products and oil-laden waste materials.
Supply contracts: one annex to an agreement on disposal of oil-laden waste materials.

2. ČEPRO, a.s.

One agreement on sale of distilled water (ČEZ, a. s. was supplier).

3. ČEPS, a.s.

Three purchase contracts and 11 supply contracts were signed.
Purchase contracts: one agreement on connection to the ČEPS, a.s. transmission grid and two annexes to existing agreements – an agreement on provision of transmission system services in 2007 and an agreement on accession to commercial terms for cross-border transmission of electricity via the Czech Republic Transmission System.
Supply contracts: five ancillary service agreements, one agreement on conditions for consent for ČEZ, a. s. to supply regulation energy to the operator of the Slovak Republic's transmission system, one agreement on accession to general terms and conditions of purchase and provision of ancillary services in the years 2008–2010, one agreement on supply of electricity to cover losses in the transmission system, and three annexes to existing ancillary services agreements.

4. STAVOCENTRAL, a.s.

One agreement on sale of fly ash (ČEZ, a. s. was supplier).

All the above contractual arrangements were entered into at arm's length; the consideration and counter-consideration agreed and provided was in line with customary business terms and did not damage ČEZ, a. s. in any way.

6. Other relations

ČEZ, a. s. did not take any legal actions in the interests of related parties nor did it accept or perform any other measures in the interests of related parties or at their behest.

7. Other information

7.1. Confidential information

Within the Group, information is considered confidential if it constitutes:
- part of a business secret of the Ministry of Finance of the Czech Republic,
- part of a business secret of ČEZ, a. s.,
- part of a business secret of other related parties,

as well as information that has been declared confidential by any entity that is part of the Group and all commercial information that could be, by itself or in conjunction with other information or facts, injurious to any of the entities constituting the Group.

For this reason, this Report does not include:
- information on prices, installments, interest rates, currency rates, and other financial amounts, provided such non-disclosure does not restrict the information value of this Related Parties Report,
- information on quantities.

7.2. Auditor's review of the 2007 Related Parties Report

Name of audit firm	Ernst & Young Audit & Advisory, s.r.o., člen koncernu
License number	401
Name and surname of auditor	Josef Pivoňka
Statutory auditor number	1963

This Related Parties Report has been reviewed by the auditor. The auditor's statement is given in the 2007 Annual Report of CEZ Group.

7.3. Abbreviations used

CR	Commercial Register

7.4. Companies that did not provide information

Despite the subject's best efforts to obtain the information necessary to compile the Related Parties Report, for various reasons (letter returned to sender, failure to respond) the necessary documentation was not obtained by the closing date of this Report, which was 12 March 2008, from the following subsidiaries of the Czech Republic:

KONAX a.s. – in liquidation	ID No. 46347801
Ormilk, a.s.in liquidation, in bankruptcy	ID No. 60109092
UNITEX a.s.	ID No. 49969358
SEVAC a.s. in liquidation	ID No. 60192968
HOLDING KLADNO a.s."in liquidation"	ID No. 45144419
Silnice Teplice a.s. in liquidation	ID No. 47285583
Česká inkasní, s.r.o. in liquidation	ID No. 60468165
JUNIA s.r.o. "in liquidation"	ID No. 45788740

8. Conclusion

The compilation of this Report as of 31 December 2007 was secured by the statutory body of ČEZ, a. s.

The Report was compiled according to the best knowledge and awareness of the subject and best efforts were used to obtain the documentation from which the information was drawn.

The definition of the Czech Republic's Group was prepared from information provided by the majority shareholder.

The Report was submitted to the Supervisory Board for review. The Supervisory Board will present its opinion at the Company's annual general meeting.

Prague, 17 March 2008

Martin Roman
Chairman of the Board of Directors

Daniel Beneš
Vice Chairman of the Board of Directors

Publications Planned for 2008

Name of Publication	Estimated Publishing Date
Operation of nuclear power plants of ČEZ, a. s. in 2007 (in Czech and English)	January
CEZ Group Coal-fired Power Plants (reprint)	Spring
Renewable Energy Sources and CEZ Group (reprint)	Spring
Advanced Nuclear Technologies and CEZ Group (reprint)	Spring
Radioactive Waste and CEZ Group (reprint)	Spring
Energy from South Moravia (reprint)	Spring
Energy from South Bohemia (reprint)	Spring
The Hučák Hydropower Station – Come On a Tour	Spring
The Lipno Hydropower Station – Come On a Tour (reprint)	Spring
The Štěchovice Hydropower Station – Come On a Tour (reprint)	Spring
The Dlouhé Stráně Hydropower Station – Come On a Tour (reprint)	Spring
The Dalešice Pumped Storage Hydropower Station – Come On a Tour (reprint)	Spring
CEZ Group (in Czech and English) (reprint)	Spring
CEZ Group in 2007 (excerpts from 2007 Annual Report in Czech, English, Polish, Romanian, and Bulgarian)	June–July

Awards Received by CEZ Group in 2007 and 2008 Up to Annual Report Closing Date

Awards Won in 2007

February	■ prize for the best debut on the Warsaw Stock Exchange in 2006 in the “Bulls and Bears” annual event.
March	■ “Edison Electric Institute International Utility Award” – first place in large-cap category.
April	■ second place in “Best Internal Magazine” category for ČEZ NEWS in Zlatý středník (Golden Semicolon) 2006 competition organized by PR Klub.
May	■ first place in “Most Convincing Strategy” category of the Euromoney Magazine ranking including countries of Central and Eastern Europe.
June	■ 100 Most Admired Companies in the Czech Republic: second place in the overall (“All Stars”) ranking, first place in Production and Distribution of Electricity, Water, Gas and Steam, and first place in Prague Region.
October	■ first place in absolute amount of donations in TOP Corporate Philanthropist 2007, for philanthropic activities realized by CEZ Group through ČEZ Foundation in 2006, ■ first place in Corporate and Prestige Films category for the film Návrat přírody (Nature’s Return), produced by Severočeské doly a.s. in cooperation with Czech University of Agriculture Prague, at the Agrofilm Festival in Nitra, Slovak Republic.
November	■ first place overall for CEZ Group set of annual reports in the Best Annual Report of the Czech Republic 2006 competition organized by CZECH TOP 100 association, also second place in Information Value category, first place in Graphic Design category, first place in Energy sector, and prize for Best Investor Relations on the Internet, ■ first place in Českých 100 nejlepších 2007 (100 Best Czech) ranking organized by the agency Comenius.

Awards Won in 2008

March	■ “Edison Electric Institute International Utility Award” – first place in category consisting of companies with high market capitalization.
April	■ first place in 100 Most Admired Companies of the Czech Republic ranking, ■ first place in “Best Internal Magazine” category for ČEZ NEWS in Zlatý středník (Golden Semicolon) 2007 competition organized by PR Klub.

ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
Czech Republic

Registered in the Commercial Register maintained
by the Municipal Court in Prague (part B, insert 1581)

Established: 1992
Legal form: joint-stock company
ID Number: 452 74 649
Tax ID: CZ45274649
Bankers: KB Praha 1, account no. 71504011/0100
Telephone: +420 211 041 111
Fax: +420 211 042 001
Internet: http://www.cez.cz
E-mail: cez@cez.cz

Closing date of the 2007 Annual Report: 15 April 2008

Group structure chart
Alphabetical list of companies – Group members

Consulting, design, and production:

Information on illustration pages:
21. STOLETÍ magazine (published by RF HOBBY s.r.o.)

2. Group structure chart

Czech Republic – Ministry of Finance

- 65.99% **ČEZ, a. s.**
  - 40.00% **KNAUF POČERADY, spol. s r.o.**
    stake held until 30 July 2007, afterwards 0%
  - 100% **ČEZ Distribuční služby, s.r.o.**
    ownership from 29 June 2007 to 1 October 2007 was:
    ČEZ, a. s. stake: 0.15%
    SČE stake: 20.23%
    STE stake: 20.95%
    VČE stake: 21.33%
    ZČE stake: 15.26%
    SME stake: 22.08%
    ownership until 29 June 2007 was:
    ČEZ, a. s. stake: 0.18%
    STE stake: 26.27%
    VČE stake: 26.74%
    ZČE stake: 19.13%
    SME stake: 27.68%
  - 100% **Severočeské doly a.s.**
    - 50.50% **PRODECO, a.s.**
    - 100% **SD - 1.strojírenská, a.s.**
    - 100% **SD - Autodoprava, a.s.**
    - 100% **SD - Humatex, a.s.**
    - 100% **SD - Kolejová doprava, a.s.**
    - 100% **SD - Rekultivace, a.s.**
      date of inception: 23 July 2007
    - 100% **SD - Vrtné a trhací práce, a.s.**
    - 98.00% **Skládka Tušimice, a.s.**
    - 44.58% **Výzkumný ústav pro hnědé uhlí a.s.**
  - 100% **ČEZ Správa majetku, s.r.o.**
    ownership from 3 July 2007 to 1 October 2007 was:
    ČEZ, a. s. stake: 16.14%
    STE stake: 30.02%
    SČE stake: 11.83%
    VČE stake: 13.11%
    ZČE stake: 13.69%
    SME stake: 15.21%
    ownership until 3 July 2007 was:
    ČEZ, a. s. stake: 18.30%
    STE stake: 34.05%
    VČE stake: 14.87%
    ZČE stake: 15.53%
    SME stake: 17.25%
  - 100% **CEZTel, a.s.**
  - 100% **ČEZData, s.r.o.**
  - 100% **ČEZ ENERGOSERVIS spol. s r.o.**
  - 100% **CEZ Finance B.V.**
  - 100% **ČEZ Logistika, s.r.o.**
  - 100% **ČEZ Zákaznické služby, s.r.o.**
  - 100% **ČEZ Měření, s.r.o.**
  - 100% **Energetické opravny, a.s.**
  - 100% **CEZ Deutschland GmbH**
  - 100% **PPC Úžín, a.s.**
  - 100% **I & C Energo a.s.**
    - 100% **AFRAS Energo s.r.o.**
  - 51.05% **LOMY MOŘINA spol. s r.o.**
  - 100% **ČEZ Energetické služby, s.r.o.**
  - 100% **Teplárenská, a.s.**
    stake held since 5 April 2007
  - 100% **ČEZnet, a.s.**
    - 100% **SINIT,a.s.**
  - 66.67% **OSC, a.s.**
  - 51.00% **SIGMA - ENERGO s.r.o.**
    stake held until 23 October 2007, afterwards 0%
  - 52.46% **Ústav jaderného výzkumu Řež a.s.**
    - 100% **Centrum výzkumu Řež s.r.o.**
    - 23.08% **DECOM Slovakia, spol. s r.o.**
      stake held until 7 May 2007, afterwards 0%
    - 100% **ŠKODA VÝZKUM s.r.o.**
    - 62.50% **LACOMED, spol. s r.o.**
    - 40.00% **Nuclear Safety & Technology Centre s.r.o.**
    - 100% **Ústav aplikované mechaniky Brno, s.r.o.**
    - 74.00% **Ústav jaderných informací Zbraslav, a. s.**
      stake held until 13 April 2007, afterwards 0%
    - 50.00% **WADE, a.s.**
      stake held until 29 August 2007, afterwards 0%
  - 100% **Středočeská energetická a.s.**
    100% stake held until merger with ČEZ, a. s. [1] on 1 October 2007
    until 8 January 2007 stake was 97.91%
    - 11.00% **ECK Generating, s.r.o.**
      stake held until 1 January 2007, afterwards 0%
    - 51.00% **ELTRAF, a.s.**
      stake held until 29 March 2007, afterwards 0%
    - 10.99% **ENERGETICKÉ CENTRUM Kladno,spol.s r.o.**
      stake held until 1 January 2007, afterwards 0%
  - 100% **STE - obchodní služby spol. s r.o. (abbreviated name STE-OS s.r.o.) in liquidation**
    until 1 October 2007 stake was 100%, held by STE
  - 12.00% **ŠKO-ENERGO, s.r.o.**
    until 1 October 2007 stake was 12.00%, held by STE
  - 5.00% **ŠKO-ENERGO FIN, s.r.o.**
    until 1 October 2007 stake was 5.00%, held by STE
  - 100% **Severočeská energetika, a.s.**
    stake held until merger with ČEZ, a. s. [1] on 1 October 2007
    - 49.00% **Energetická montážní společnost Česká Lípa, s.r.o.**
      stake held until 9 August 2007, afterwards 0%
    - 100% **Energetická montážní společnost Liberec, s.r.o.**
      stake held until 24 July 2007, afterwards 0%
    - 100% **Energetická montážní společnost Ústí nad Labem, s.r.o.**
      stake held until 28 August 2007, afterwards 0%
  - 100% **ENERGOKOV, s.r.o., in bankruptcy**
    until 1 October 2007 stake was 100%, held by SČE
  - 100% **ENPROSPOL, s.r.o.**
    until 1 October 2007 stake was 100%, held by SČE
  - 51.00% **ESS s.r.o.**
    until 1 October 2007 stake was 51,00%, held by SČE
  - 100% **Severomoravská energetika, a. s.**
    stake held until merger with ČEZ, a. s. [1] on 1 October 2007
    - 50.00% + 1 share **Elektrovod Holding, a.s.**
      stake held until 10 December 2007, afterwards 0%
      - 100% **Elektrovod, a.s.**
      - 100% **ELV Projekt, a.s.**
      - 83.34% **ELV - SERVIS, spol. s r.o.**
      - 50.00% **Elektrovod Stav s.r.o.**
      - 70.00% **Elektrovod Rozvádzače, s.r.o.**
      - 50.00% **ELTODO OSVETLENIE, s.r.o.**
        name until 24 August 2007
      - 50.00% **ELTODO Slovakia, s.r.o.**
        struck from Commercial Register on 31 March 2007
    - 100% **MSEM, a.s.**
      stake held until 23 April 2007, afterwards 0%
  - 100% **Energetika Vítkovice, a.s. (EVI, a.s.)**
    until 1 October 2007 stake was 100%, held by SME
  - 100% **ENPRO, a.s.**
    until 1 October 2007 stake was 100%, held by SME
  - 100% **Východočeská energetika, a.s.**
    stake held until merger with ČEZ, a. s. [1] on 1 October 2007
    - 100% **VČE - montáže, a.s.**
      stake held until 13 April 2007, afterwards 0%
    - 100% **VČE - transformátory, s.r.o.**
      stake held until 13 April 2007, afterwards 0%
  - 100% **ČEZ Obnovitelné zdroje, s.r.o.**
    ownership from 28 May 2007 to 1 October 2007:
    ČEZ, a. s. stake: 30.70%
    SČE stake: 25.30%
    VČE stake: 21.20%
    ZČE stake: 22.80%
    ownership until 28 May 2007:
    ČEZ, a. s. stake: 60.80%
    VČE stake: 39.20%
  - 100% **Západočeská energetika, a.s.**
    stake held until merger with ČEZ, a. s. [1] on 1 October 2007
    - 100% **SEG s.r.o.**
      stake held until 3 May 2007, afterwards 0%
  - 100% **ČEZ Distribuce, a. s.**
    stake held since 1 October 2007
    owners until 1 October 2007:
    STE stake: 22.81%
    VČE stake: 21.54%
    SČE stake: 20.11%
    ZČE stake: 12.70%
    SME stake: 22.84%
  - 100% **ČEZ Prodej, s.r.o.**
    stake held since 1 October 2007
    owners until 1 October 2007:
    ČEZ, a. s. stake: 11.95%
    STE stake: 17.05%
    VČE stake: 16.32%
    SČE stake: 18.07%
    ZČE stake: 15.84%
    SME stake: 20.77%
  - 100% **ŠKODA PRAHA a.s.**
    - 100% **EGI servis, s.r.o., in bankruptcy**
    - 100% **EGI, a.s. in liquidation**
    - 100% **ŠKODA PRAHA Invest s.r.o.**
  - 100% **CEZ Bulgaria EAD**
  - 100% **CEZ Trade Bulgaria EAD**
  - 100% **CEZ Laboratories Bulgaria EOOD**
  - 67.00% **CEZ Elektro Bulgaria AD**
  - 100% **TEC Varna EAD**
  - 67.00% **Elektrorazpredelenie Pleven AD**
    merged into Elektrorazpredelenie Stolichno AD on 2 November 2007
  - 67.00% **Elektrorazpredelenie Sofia Oblast AD**
    merged into Elektrorazpredelenie Stolichno AD on 2 November 2007
  - 67.00% **Elektrorazpredelenie Stolichno AD**
  - 100% **CEZ Silesia B.V.**
    - 100% **CEZ Chorzow B.V.**
      - 75.20% **Elektrociepłownia Chorzów ELCHO sp. z o.o.**
  - 100% **CEZ Poland Distribution B.V.**
    - 74.82% **Elektrownia Skawina S.A.**
  - 100% **CEZ Polska sp. z o.o.**
  - 100% **CEZ Trade Polska sp. z o.o.**
    date of inception: 30 May 2007
  - 100% **CEZ Ciepło Polska sp. z o.o.**
    date of inception: 6 September 2007
  - 100% **CEZ Srbija d.o.o.**
  - 100% **New Kosovo Energy L.L.C.**
  - 51.01% **CEZ Distributie S.A.**
    name until 15 March 2007: Electrica Oltenia S.A.
  - 51.01% **CEZ Vanzare S.A.**
    split off from Electrica Oltenia S.A. on 15 March 2007
  - 51.00% **CEZ Servicii S.A.**
    date of inception: 16 May 2007
  - 100% **CEZ Romania S.R.L.**
  - 99.99% **CEZ Trade Romania S.R.L.**
    share of other partner:
    share of ČEZ Správa majetku, s.r.o.: 0.01%
    date of inception: 26 March 2007
  - 100% **CEZ Ukraine CJSC**
  - 51.00% **NERS d.o.o.**
  - 100% **CEZ Hungary Ltd.**
  - 100% **CEZ MH B.V.**
    date of inception: 14 December 2007
  - 100% **ZAO TransEnergo**
  - 100% **Transenergo International N.V.**
    date of inception: 13 December 2007
  - 100% **CEZ Slovensko, s.r.o.**
    date of inception: 27 June 2007
- 40.00% **Exportní garanční a pojišťovací společnost,a.s.**
  - 100% **Komerční úvěrová pojišťovna EGAP, a.s.**
    control until 11 October 2007
- 100% **OSINEK, a.s.**
  - 51.00% **ČEPS, a.s.**
    - 100% **ENIT, a.s.**
      struck from Commercial Register on 31 August 2007
- 100% **PPP Centrum a.s.**
- 100% **ŠKODAEXPORT, a.s.**
  - 67.30% **LIFOX a.s. "in liquidation"**
  - 100% **PRAGHOTELS s.r.o.**
- 37.95% **Česká exportní banka, a.s. , abbreviated name: ČEB, a.s.**
- 100% **ČEPRO, a.s.**
  - 49.00% **BAUFELD - ekologické služby, s.r.o.**
    stake held until 15 October 2007, afterwards 0%
- 100% **MERO ČR, a.s.**
  - 100% **MERO Pipeline, GmbH**
- 100% **PAL a.s.**
  - 44.61% **Výzkumný a zkušební letecký ústav, a.s.**
- 40.78% **Severočeské mlékárny, a.s. Teplice, in bankruptcy**
- 44.10% **KONAX a.s. - in liquidation**
- 46.99% **Ormilk, a.s.in liquidation, in bankruptcy**
- 52.00% **UNITEX a.s.**
- 100% **LETKA, a.s. in liquidation**
- 56.92% **České aerolinie a.s.**
  - 65.00% **AMADEUS MARKETING CSA, s.r.o.**
  - 100% **CSA Services, s.r.o.**
  - 100% **ČSA Airtours a.s.**
  - 100% **ČSA Support s.r.o.**
  - 100% **Slovak Air Services s.r.o.**
  - 100% **Air Cargo Terminal a.s.**
    stake held from 1 April 2007 to 22 October 2007
  - 100% **Air Czech Catering a.s.**
    incorporated on 1 April 2007
- 49.00% **Municipální finanční společnost a.s. abbreviated name: MUFIS a.s.**
- 100% **STAVOCENTRAL, a.s.**
  - 100% **HYPO-CONSULT,a.s.**
- 100% **JUNIOR centrum, a.s. in liquidation**
- 100% **AGM, a.s. in liquidation**
- 100% **JUNIA s.r.o. "in liquidation"**
- 100% **Česká inkasní, s.r.o. in liquidation**
  name until 21 March 2007: Česká inkasní, s.r.o.
- 61.83% **AERO HOLDING a.s. in liquidation**
  stake held until 12 April 2007, afterwards 0%
- 73.52% **Teplotechna Praha, a.s., in bankruptcy**
- 78.86% **SEVAC a.s. in liquidation**
- 96.85% **HOLDING KLADNO a.s."in liquidation"**
- 100% **Silnice Teplice a.s. in liquidation**
- 100% **THERMAL-F, a.s.**
- 100% **Dřevařské závody Borohrádek - F, a.s.**
- 100% **STROJÍRNY TATRA PRAHA,a.s.**
  stake held since 30 September 2007

[1] Merger took effect as of 1 October 2007, strike date was 1 January 2007.

4. Alphabetical list of companies – Group members

Notes: A white number on red background in the "No." column means that ČEZ, a. s. had a commercial relationship covered in this Report during the year in question.
For meaning of colors in "Company name" column, see Related Parties Report, Chapter 1.

No.	Company name	ID No.	Seat
1	AERO HOLDING a.s. in liquidation	00002127	Prague 9, Beranových 130, postcode 199 04
2	AFRAS Energo s.r.o.	60714123	Třebíč, Pražská 684/49, postcode 674 01
3	AGM, a.s. in liquidation	49240269	Prague 1, Senovážné nám. 24, postcode 116 47
4	Air Cargo Terminal a.s.	27880176	Prague 6, Laglerové 1075/4, postcode 161 00
5	Air Czech Catering a.s.	27880427	Prague 6, K letišti č.p. 1018, postcode 160 08
6	AMADEUS MARKETING CSA, s.r.o.	49680030	Prague 1, GESTIN Centrum, V Celnici 1040/5, postcode 110 00
7	BAUFELD - ekologické služby, s.r.o.	49681036	Prague 6, Na Petynce 716/48, postcode 169 00
8	Centrum výzkumu Řež s.r.o.	26722445	Husinec-Řež č. p. 130, postcode 250 68
9	CEZ Bulgaria EAD	BULSTAT No. 131434768	Sofia, Municipality of Sredets, 140 G.S. Rakovski street, postcode 1000, Republic of Bulgaria
10	CEZ Ciepło Polska sp. z o.o.	0000287855	Warsaw, ul. Nowy Świat 64, postcode 00-357, Republic of Poland
11	CEZ Deutschland GmbH	HRB 139537	Munich, Karl-Theodor Str. 69, postcode 80803, Federal Republic of Germany
12	CEZ Distributie S.A.	14491102	Craiova, Dolj County, 2, Brestei St, postcode 200581, Romania
13	CEZ Elektro Bulgaria AD	BULSTAT No. 175133827	Sofia, Municipality of Sredets, 140 G.S. Rakovski street, postcode 1000, Republic of Bulgaria
14	CEZ Finance B.V.	33264065	Amsterdam, Prins Bernhardplein 200, 1097JB, Kingdom of the Netherlands
15	CEZ Hungary Ltd.	13520670-4013-113-01	Budapest, Károlyi Mihály u. 12, IV. em., Ybl Palota Irodaház, postcode 1053, Republic of Hungary
16	CEZ Chorzow B.V.	24305703	Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands
17	CEZ Laboratories Bulgaria EOOD	BULSTAT No. 175123128	Sofia, 1 Dobrinova Skala str., Lyulin Municipality, Republic of Bulgaria
18	CEZ MH B.V.	24426342	Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands
19	CEZ Poland Distribution B.V.	24301380	Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands
20	CEZ Polska sp. z o.o.	000026614	Warsaw, ul. Nowy Świat 64, postcode 00-357, Republic of Poland
21	CEZ Romania S.R.L.	18196091	Bucharest, Sector 1, Str. Ion Ionescu De La Brad, Nr. 2A, Romania
22	CEZ Servicii S.A.	20749442	Piteşti, 148 Republicii Boulevard, postcode 110177, Romania
23	CEZ Silesia B.V.	24305701	Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands
24	CEZ Slovensko, s.r.o.	36797332	Bratislava, Gorkého 3, postcode 811 01, Slovak Republic
25	CEZ Srbija d.o.o.	20180650	Belgrade, Bulevar Mihajla Pupina 6, Republic of Serbia
26	CEZ Trade Bulgaria EAD	BULSTAT No. 113570147	Sofia, Municipality of Sredets, 140 G.S. Rakovski street, postcode 1000, Republic of Bulgaria
27	CEZ Trade Polska sp. z o.o.	0000281965	Warsaw, ul. Nowy Świat 64, postcode 00-357, Republic of Poland
28	CEZ Trade Romania S.R.L.	21447690	Bucharest, Sector 1, Ion Ionescu de la Brad, Nr. 2B, Romania
29	CEZ Ukraine CJSC	34728482	Kyiv, Velika Vasilkivska street 5, postcode 01004, Ukraine
30	CEZ Vanzare S.A.	21349608	Craiova, Dolj County, 2, Brestei St, postcode 200581, Romania
31	CEZTel, a.s.	25107950	Prague 2, Fügnerovo náměstí 1866/5, postcode 120 00
32	CSA Services, s.r.o.	25085531	Prague 6, Letiště Ruzyně, ul. K letišti, postcode 161 00
33	ČEPRO, a.s.	60193531	Prague 7, Dělnická č.p.213, č.or.12, postcode 170 04
34	ČEPS, a.s.	25702556	Prague 10, Elektrárenská 774/2, postcode 101 52
35	Česká exportní banka, a.s. , abbreviated name: ČEB, a.s.	63078333	Prague 1, Vodičkova 34 č.p. 701, postcode 111 21
36	Česká inkasní, s.r.o. in liquidation	60468165	Prague 7, Komunardů 6, postcode 170 00
37	České aerolinie a.s.	45795908	Prague 6, Letiště Ruzyně, postcode 160 08
38	ČEZ Distribuce, a. s.	27232425	Děčín 4, Teplická 874/8, postcode 405 02
39	ČEZ Distribuční služby, s.r.o.	26871823	Ostrava – Moravská Ostrava, 28. října 3123/152, postcode 709 02
40	ČEZ Energetické služby, s.r.o.	27804721	Ostrava – Vítkovice, Výstavní 1144/103, postcode 706 02
41	ČEZ ENERGOSERVIS spol. s r.o.	60698101	Třebíč, Bráfova 16, postcode 674 01
42	ČEZ Logistika, s.r.o.	26840065	Ostrava – Moravská Ostrava, 28. října 3123/152, postcode 709 02
43	ČEZ Měření, s.r.o.	25938878	Hradec Králové, Riegrovo náměstí 1493, postcode 500 02
44	ČEZ Obnovitelné zdroje, s.r.o.	25938924	Hradec Králové, Křižíkova 788, postcode 500 03
45	ČEZ Prodej, s.r.o.	27232433	Prague 4, Duhová 1/425, postcode 140 53 (until 15 June 2007, seat was: Prague 2, Vinohradská 325/8, postcode 120 21)
46	ČEZ Správa majetku, s.r.o.	26206803	Děčín IV., Teplická 874/8, postcode 405 49
47	ČEZ Zákaznické služby, s.r.o.	26376547	Plzeň, Guldenerova 2577/19, postcode 303 28
48	ČEZ, a. s.	45274649	Prague 4, Duhová 2/1444, postcode 140 53
49	ČEZData, s.r.o.	27151417	Plzeň, Guldenerova 2577/19, postcode 303 38
50	ČEZnet, a.s.	26470411	Prague 2, Fügnerovo náměstí 1866/5, postcode 120 00
51	ČSA Airtours a.s.	61860336	Prague 1, Štěpánská 27, č.p. 1742, postcode 110 00
52	ČSA Support s.r.o.	25674285	Prague 6, Letiště Ruzyně, ul. K letišti, postcode 160 08
53	DECOM Slovakia, spol. s r.o.	31438318	Trnava, Jána Bottu 2, postcode 917 01, Slovak Republic
54	Dřevařské závody Borohrádek - F, a.s.	25288016	Borohrádek, Nádražní 35, postcode 517 24
55	ECK Generating, s.r.o.	62956761	Kladno – Dubí, Dubská 257, postcode 272 03
56	EGI servis, s.r.o., in bankruptcy	26423316	Čelákovice, Kozovazská 1049, postcode 250 88
57	EGI, a.s. in liquidation	60721332	Prague 6, M. Horákové 109, postcode 160 41
58	Electrica Oltenia S.A.	14491102	Craiova, Judetul Dolj, 2, Brestei St, postcode 200581, Romania
59	Elektrociepłownia Chorzów ELCHO sp. z o.o.	0000060086	Chorzów, ul. M. Skłodowskiej-Curie 30, postcode 41-503, Republic of Poland
60	Elektrorazpredelenie Pleven AD	BULSTAT No. 114521288	Pleven, 73 Doyran St., postcode 5800, Republic of Bulgaria
61	Elektrorazpredelenie Sofia Oblast AD	BULSTAT No. 130278316	Sofia, 2 Evropa Blvd., Municipality Vrabnitsa, postcode 1360, Republic of Bulgaria
62	Elektrorazpredelenie Stolichno AD	BULSTAT No. 130277958	Sofia, 330 Tsar Simeon St., Ilinden region, postcode 1309, Republic of Bulgaria
63	Elektrovod Holding, a.s.	35834111	Bratislava, Čulenova 5, postcode 816 46, Slovak Republic
64	Elektrovod Rozvádzače, s.r.o.	35801859	Bratislava, Čulenova 5, postcode 816 46, Slovak Republic
65	Elektrovod Stav s.r.o.	35872241	Bratislava, Čulenova 5, postcode 816 46, Slovak Republic
66	Elektrovod, a.s.	25302736	Brno – Horní Heršpice, Traťová 574/1, postcode 619 00
67	Elektrownia Skawina S.A.	0000038504	Skawina, ul. Piłsudskiego 10, postcode 32-050, Republic of Poland
68	ELTODO OSVETLENIE, s.r.o.	36170151	Košice, Krmanova 14, postcode 040 01, Slovak Republic
69	ELTODO Slovakia, s.r.o.	31662030	Skalica, Potočná 6, postcode 909 01, Slovak Republic
70	ELTRAF, a.s.	46357483	Kralice č. p. 49, p. Uhlířské Janovice, postcode 285 04
71	ELV - SERVIS, spol. s r.o.	35702095	Bratislava, Čulenova 5, postcode 816 46, Slovak Republic
72	ELV Projekt, a.s.	35768584	Bratislava, Čulenova 5, postcode 816 46, Slovak Republic
73	Energetická montážní společnost Česká Lípa, s.r.o.	62743333	Česká Lípa, Dubická ulice 959, postcode 470 02
74	Energetická montážní společnost Liberec, s.r.o.	62743325	Liberec, Budyšínská 1294, postcode 460 01
75	Energetická montážní společnost Ústí nad Labem, s.r.o.	62743317	Ústí nad Labem, U vlečky 440, postcode 400 01
76	ENERGETICKÉ CENTRUM Kladno,spol.s r.o.	46358293	Kladno – Dubí, Dubská 257, postcode 272 03
77	Energetické opravny, a.s.	25040707	Kadaň, Prunéřov č. 375, postcode 432 01
78	Energetika Vítkovice, a.s. (EVI, a.s.)	25854712	Ostrava – Vítkovice, Výstavní 1144/103, postcode 706 02
79	ENERGOKOV, s.r.o., in bankruptcy	25015621	Děčín 1, Krokova 12, postcode 405 01
80	ENIT, a.s.	25426796	Prague 10, Elektrárenská 774/2, postcode 101 52
81	ENPRO, a.s.	26831848	Přerov I, Město, nábř. Dr. Edvarda Beneše 1913/20, postcode 750 02
82	ENPROSPOL, s.r.o.	25488767	Děčín, Resslova 357/9, postcode 405 02
83	ESS s.r.o.	25013271	Teplice – Sobědruhy, Důlní 97, postcode 415 10
84	Exportní garanční a pojišťovací společnost,a.s.	45279314	Prague 1, Vodičkova 34/701, postcode 111 21
85	HOLDING KLADNO a.s."in liquidation"	45144419	Kladno, Cyrila Boudy 1444, postcode 272 01
86	HYPO-CONSULT,a.s.	25072145	Prague 2, Jaromírova 64, postcode 128 00
87	I & C Energo a.s.	49433431	Třebíč, Pražská 684/49, postcode 674 01
88	JUNIA s.r.o. "in liquidation"	45788740	Ostrava, Stodolní 9, postcode 702 00
89	JUNIOR centrum, a.s. in liquidation	48154946	Seč, ul. Čs. pionýrů 197, postcode 538 07
90	KNAUF POČERADY, spol. s r.o.	47780690	Počerady čp. 17, postcode 439 44
91	Komerční úvěrová pojišťovna EGAP, a.s.	27245322	Prague 1, Vodičkova 34/701, postcode 111 21
92	KONAX a.s. - in liquidation	46347801	Jihlava, Křižíkova 17, postcode 586 01
93	LACOMED, spol. s r.o.	46348875	Husinec-Řež čp. 130, postcode 250 68
94	LETKA, a.s. in liquidation	25134132	Prague 2, Rašínovo nábřeží 42, postcode 128 00
95	LIFOX a.s. "in liquidation"	49240994	Prague 4, Novodvorská 1010/14B
96	LOMY MOŘINA spol. s r.o.	61465569	Mořina, postcode 267 17
97	MERO ČR, a.s.	60193468	Kralupy nad Vltavou, Veltruská 748, postcode 278 01
98	MERO Pipeline, GmbH	IdNr 152122768	Vohburg a. d. Donau, Mero-Weg 1, postcode 85088, Federal Republic of Germany
99	MSEM, a.s.	64610080	Frýdek-Místek, Collo louky 126, postcode 738 02
100	Municipální finanční společnost a.s. abbreviated name: MUFIS a.s.	60196696	Prague 1, Jeruzalémská 964/4, postcode 110 00
101	NERS d.o.o.	RU-1-1864-00	Gacko, Industrijska zona bb, Bosnia and Herzegovina
102	New Kosovo Energy L.L.C.	70371863	Prishtina, Andrej Gropa Nr. 1, postcode 10000, Kosovo
103	Nuclear Safety & Technology Centre s.r.o.	27091490	Husinec-Řež čp. 130, postcode 250 68
104	Ormilk, a.s.in liquidation, in bankruptcy	60109092	Žamberk, postcode 564 01
105	OSC, a.s.	60714794	Brno, Staňkova 18a, postcode 612 00
106	OSINEK, a.s.	00012173	Ostrava – Vítkovice, Ruská 56, č. p. 397, postcode 706 02
107	PAL a.s.	00211222	Prague 2, Rašínovo nábřeží 390/42, postcode 120 00
108	PPC Úžín, a.s.	27198367	Prague 3, Seifertova 570/55, postcode 130 00
109	PPP Centrum a.s.	00013455	Prague 2, Rašínovo nábřeží 42, postcode 128 00
110	PRAGHOTELS s.r.o.	61509094	Prague 1, Opletalova 41, postcode 110 00
111	PRODECO, a.s.	25020790	Teplice, Masarykova 51, postcode 416 78
112	SD - 1.strojírenská, a.s.	25437127	Bílina, Důlní 437, postcode 418 01
113	SD - Autodoprava, a.s.	25028197	Bílina, Důlní 429, postcode 418 01
114	SD - Humatex, a.s.	25458442	Bílina, Důlní 199, postcode 418 01
115	SD - Kolejová doprava, a.s.	25438107	Kadaň, Tušimice 7, postcode 432 01
116	SD - Rekultivace, a.s.	27329011	Kadaň, Tušimice 7, postcode 432 01
117	SD - Vrtné a trhací práce, a.s.	25022768	Bílina, Důlní 375/89, postcode 418 29
118	SEG s.r.o.	46883657	Plzeň, Skladová 4, postcode 326 00
119	SEVAC a.s. in liquidation	60192968	Kostelec nad Černými Lesy, Bohumile, postcode 281 63
120	Severočeská energetika, a.s.	49903179	Děčín IV, Teplická 874/8, postcode 405 49
121	Severočeské doly a.s.	49901982	Chomutov, Boženy Němcové 5359, postcode 430 01
122	Severočeské mlékárny, a.s. Teplice, in bankruptcy	48291749	Teplice, Libušina 2154, postcode 415 03
123	Severomoravská energetika, a. s.	47675691	Ostrava – Moravská Ostrava, 28. října 3123/152, postcode 709 02
124	SIGMA - ENERGO s.r.o.	60702001	Třebíč, Na Nivkách 299, postcode 674 01
125	Silnice Teplice a.s. in liquidation	47285583	Teplice, Chelčického 7, postcode 415 01
126	SINIT,a.s.	25397401	Ostrava – Mariánské Hory, Emila Filly 296/13, postcode 709 00
127	Skládka Tušimice, a.s.	25005553	Kadaň, Tušimice 7, postcode 432 01
128	Slovak Air Services s.r.o.	31373844	Bratislava, Letiště M. R. Štefánika, postcode 820 01, Slovak Republic
129	STAVOCENTRAL, a.s.	47116943	Prague 2, Jaromírova 64, postcode 128 00
130	STE - obchodní služby spol. s r.o. (abbreviated name: STE-OS s.r.o.) in liquidation	49826182	Prague 2, Vinohradská 8, postcode 120 21
131	STROJÍRNY TATRA PRAHA,a.s.	00674311	Prague 5 – Zličín, K metru 312, postcode 155 21
132	Středočeská energetická a.s.	60193140	Prague 2, Vinohradská 325/8, postcode 120 21
133	ŠKODA PRAHA a.s.	00128201	Prague 6, Milady Horákové č.or. 109 č.p. 116, postcode 160 41
134	ŠKODA PRAHA Invest s.r.o.	27257517	Prague 4, Duhová 2/1444, postcode 140 74 (until 13 December 2007, seat was: Prague 6, Milady Horákové 109/116, postcode 160 41)
135	ŠKODA VÝZKUM s.r.o.	47718684	Plzeň, Tylova 1/57, postcode 316 00
136	ŠKODAEXPORT, a.s.	00548421	Prague 1, Opletalova 41/1683, postcode 113 32
137	ŠKO-ENERGO, s.r.o.	61675938	Mladá Boleslav 1, Tř. Václava Klementa 869, postcode 293 60
138	ŠKO-ENERGO FIN, s.r.o.	61675954	Mladá Boleslav 1, Tř. Václava Klementa 869, postcode 293 60
139	TEC Varna EAD	BULSTAT No. 103551629	Town of Ezerovo, Varna District, postcode 9168 Varna, Republic of Bulgaria
140	Teplárenská, a.s.	27309941	Most, Komořany, Teplárenská 2, postcode 434 03
141	Teplotechna Praha, a.s., in bankruptcy	60192933	Prague 2, Ječná 39, postcode 113 39
142	THERMAL-F, a.s.	25401726	Karlovy Vary, I. P. Pavlova 2001/11, postcode 360 01
143	Transenergo International N.V.	24426210	Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands
144	UNITEX a.s.	49969358	Brno, Šumavská 31, postcode 659 07
145	Ústav aplikované mechaniky Brno, s.r.o.	60715871	Brno, Veveří 95, postcode 611 00
146	Ústav jaderného výzkumu Řež a.s.	46356088	Husinec-Řež čp. 130, postcode 250 68
147	Ústav jaderných informací Zbraslav, a. s.	45270902	Prague 5 – Zbraslav, Elišky Přemyslovny 1335, postcode 156 00
148	VČE - montáže, a.s.	25938746	Pardubice, Arnošta z Pardubic 2082, postcode 531 17
149	VČE - transformátory, s.r.o.	25938916	Hradec Králové, Koutníkova 208, postcode 503 01
150	Východočeská energetika, a.s.	60108720	Hradec Králové, Sladkovského 215, postcode 501 03
151	Výzkumný a zkušební letecký ústav, a.s.	00010669	Prague 9, Beranových 130, postcode 199 00
152	Výzkumný ústav pro hnědé uhlí a.s.	44569181	Most, Budovatelů 2830, postcode 434 37
153	WADE, a.s.	25523520	Třebíč, Bráfova třída 531, postcode 674 01
154	ZAO TransEnergo	No. 1057748236897	Moscow, Dvornikova 7, Russian Federation
155	Západočeská energetika, a.s.	49790463	Plzeň, Guldenerova 19, postcode 303 28