

## Internal Memorandum

### CEZ completed buyback of its stocks

**CEZ Power Company today completed a buyback of its stocks under so called „Share buy back program“. Until today, CEZ has bought 58 132 355 its own shares, which represents 9,816 % of the total volume. As CEZ had owned a part of the shares already before the program was commenced, it currently has a total of 9,998 % of its own shares on its account. CEZ was buying back its shares according to the decision of the general meeting on April 23, 2007, which, among others, passed a resolution to acquire up to 10 per cent of the company's own shares. The buy back started on April 30, 2007.**

At that time, the general meeting approved an acquisition of the company's own ordinary shares in the volume not exceeding 59,221,084 pieces by CEZ starting April 23, 2007.

CEZ charged the two largest Czech brokers - WOOD & Company Financial Services, a.s. and Patria Finance, a.s. – to carry out the purchases. The buyback of shares was realized on regulated markets, where the shares were quoted (Prague, Warsaw), and especially on an anonymous market to avoid discrimination of the company's shareholders.

The reason for this buyback of shares was the non-efficient structure of capital and unsuitable debt-to-equity capital ratio of the company. Timing of the buyback was also influenced by the Czech government's decision from March 19, 2007 to sell a part of CEZ's shares through the capital market. The Czech government's intention which was made public offered an interesting opportunity to carry out the buyback of CEZ's shares in a way that is beneficial to companies and all shareholders as well.

At the beginning of this April, the Board of Directors of CEZ stated that the Share buy back program had achieved its goal, i.e. improvement of CEZ Group's capital structure. Last year the capital ratio of net debt (debt minus cash) to EBITDA rose from 0.3 to 1.0 (taking into account a roughly CZK 15bn loan for an acquisition of a share in MOL, which was accepted in January this year).

The Board will offer to the general meeting (held on May 21, 2008) a proposal of cancelling the shares acquired by the buyback, excluding the shares of the option scheme members. If the cancellation of shares is approved by the general meeting, it will be realized in the shortest possible term pursuant to the Commercial Code. The cancellation of own shares has no impact on CEZ's economic results. However, it will significantly contribute to improvement of the company's ratios per share.

The Board has also claimed that the current capital structure still offers more than sufficient room to continue the company's expansion strategy. Currently CEZ is working on a number of acquisition or development projects, which it intends to finance using the present spare debt capacity and about which the public is continuously being informed. Moreover, some of the projects being prepared or considered are connected to amounts incurred even several years after their commencement. As a result these projects do not need to lead to an optimal capital structure at an adequate pace, namely in the event that some of them are not successfully realized in time or in the assumed volume. Due to the measures taken under the initiative of the Effectivity Program and growing prices of commodities, on the other side, the expectations of the company's free cash-flow from operating activities grew.

For these reasons, the Board regards opening opportunities for further prospective optimization of the capital structure through a second round of a shares buyback as advisable. Therefore, it added to the agenda for the general meeting a decision about a possibility to acquire another 10 % of the company's own shares. Unlike last year, however, CEZ does not suppose that the second share buy back program would be realized as regularly as the first one. Timing and extend of the buyback will be determined by current developments on financial markets, regular up-dating of cash-flow prognosis, the time sweep of investment opportunities and needs of CEZ and legal regulations.