

# CEZ GROUP BRIEF REPORT FOR Q1 2008

## NON-AUDITED, CONSOLIDATED RESULTS

### IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

#### Highlights

Prague, 15 May 2008

- Net income rose by CZK 2.7 billion (+21.2%) to CZK 15.7 billion.
- EBITDA was up CZK 5.5 billion (+25.3%) to CZK 27.2 billion.
- The Annual General Meeting of ČEZ, a. s. will take place on 21 May 2008; the Board of Directors is proposing a dividend of CZK 40/share.
- ČEZ, a. s. completed the repurchase of 10% of its own shares.

Key Figures	Units	As of March 31, or	As of March 31, or	Index 08/07
		3 months ended	3 months ended	
		March 31, 2008	March 31, 2007	
Generation of electricity (gross)	GWh	18,838	18,530	101.7%
Installed capacity	MW	14,288	14,392	99.3%
Sales of electricity <sup>*)</sup>	GWh	21,185	20,906	101.3%
Sales of heat	TJ	5,745	5,221	110.0%
Revenues	CZK millions	48,605	44,124	110.2%
Operating expenses (excl. depreciation & amortization)	CZK millions	-21,359	-22,383	95.4%
EBITDA	CZK millions	27,246	21,741	125.3%
- Central Europe	CZK millions	26,174	20,773	126.0%
- Southeastern Europe	CZK millions	1,072	968	110.7%
Depreciation and amortization	CZK millions	-5,525	-5,423	101.9%
Operating income (EBIT)	CZK millions	21,721	16,318	133.1%
Net income	CZK millions	15,726	12,977	121.2%
Return on equity (ROE), net**	%	23.0	15.4	149.1%
Price/earnings ratio (P/E)**	1	14.7	18.2	80.8%
Net debt / EBITDA**	1	0.9	0.1	>500%
Net debt / equity	%	38.9	4.1	>500%
Capital expenditure (CAPEX)	CZK millions	-6,526	-2,352	277.5%
Investments	CZK millions	-15,781	-134	>500%
Operating cash flow	CZK millions	21,890	17,754	123.3%
Employee head count	persons	29,529	31,072	95.0%

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

\*\* ) 12 month sliding

#### Revenues, Expenses, Income

In year-on-year terms, CEZ Group net profit increased by CZK 2.7 billion (+21.2%) and EBITDA was up CZK 5.5 billion (+25.3%). The principal factor was a CZK 5.7 billion increase in the gross margin. Other operating expenses were kept under control with just a slight increase of CZK 0.5 billion. The biggest driver of EBITDA was the Power Production & Trading segment in Central Europe, which saw its grow 37.0% year-on-year, driven by higher production in nuclear power plants, successful hedging, and an increase in wholesale electricity prices. EBITDA was also up in the Distribution & Sale segment in Southeastern Europe (+12.0%), where positive factors included higher distribution tariffs in Romania, lower electricity purchase prices, and increased electricity sales volume. The growth in EBIT is reduced by a CZK 1.8 billion decline in the financing result, due mainly to FOREX losses, losses on derivative transactions, and lower gains on sales of short-term securities. Income was reduced by another CZK 0.9 billion by a year-on-year increase in taxes in line with income growth.

#### Cash Flows

Net cash provided by **operating activity**, at CZK 21.9 billion, was up CZK 4.1 billion (+23.3%) year-on-year, due in particular to a CZK 3.6 billion increase in before-tax income. Another positive impact was working capital, which grew by CZK 2.2 billion (CZK 1.3 billion less than in 2007). On the other hand, cash on hand was reduced by higher advance income tax payments attributable to the increased income in 2006. CZK 24.2 billion in cash was used in **investing activity** – this is up CZK 15.6 billion (184%) in year-on-year terms. A major 2008

outlay in **financing activity** is the CZK 15.8 billion investment in shares of MOL. Borrowings were up CZK 10.7 billion from the previous year, in conjunction with share repurchasing outlays (up CZK 8.0 billion year-on-year), among other factors.

#### Capital Expenditures

**Plant renewal** accounted for CZK 1.9 billion of capital expenditure in Q1 2008. In the Tušimice II Power Station (4 x 200 MW) retrofit project, installation and construction work was underway on all major components. In the Prunéřov II Power Station (3 x 250 MW) retrofit, comments on the design concept are being solicited and public-administrative proceedings – EIA, IPPC, noise and dissipation studies – are being conducted. In the case of the new facility in Ledvice (1 x 660 MW), building permit proceedings are ongoing for Phase 4 of the project, and the requisite building permit should be issued in May 2008. Demolitions and other works are underway to clear up and ready the site for construction.

Capital expenditures at **nuclear plants** totaled CZK 1.0 billion in Q1 2008. One of the biggest projects at Dukovany Nuclear Power Station was the replacement of low-pressure turbine components with higher-efficiency versions which took place during a refueling outage on Reactor Unit 3. In the **distribution grid** area, ČEZ Distribuce, a.s. invested CZK 1.5 billion, primarily in medium and low voltage grid projects. CZK 0.7 billion was invested in projects designed to meet customer requirements – most significantly industrial parks, suburban developments, and single-family houses.

## Trading in Electricity and Emission Allowances

Q1 2008 saw a continuation of the growth trend in electricity demand. After adjustment for weather variations, demand was up 3.2%. The before-adjustment figure was even higher (+4.6%) due to the warmer winter in 2007. The fastest-growing component was retail commercial consumption (+9.4%), while wholesale customers consumed 4.1% more than last year and residential customers' consumption grew by 3.3%.

In Q1 2008, electricity prices at first grew in reaction to sustained high fuel prices caused by a coal shortage in Germany and lower stocks of crude oil combined with the weak U.S. Dollar. The market calmed down in the second half of January, accompanied by a price correction. The long-term market lost support from the spot market

(warm, windy weather) while prices of fuels, and crude oil in particular, declined in the short term.

This period was followed in February by resurgent prices, with coal again playing the most important role as its offer price was still under the 2007 level despite the global coal shortage. Other important factors included the financial market crisis and the subsequent speculation-driven boom in the commodity markets. Thus, in early March the one-year baseload contract for 2009 (Cal-09) neared its all-time record high (64.85 EUR/MWh).

The second half of March marked the beginning of a volatile period on the far end of the FWD curve, and prices dipped slightly. The mood in the long-term fuels market was one of uncertainty due to the speculative bubble combined with slowing economies and a short-term drop in fuel prices to lower price levels.

## Central Europe (CE)

Central Europe (CE)		Consolidated		Power Production & Trading		Distribution & Sale		Mining		Other	
		Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007
Sales other than intersegment sales	CZK millions	41,224	36,921	18,694	17,129	20,847	18,642	932	787	870	435
Intersegment sales	CZK millions	119	72	13,968	10,976	1,001	770	1,678	1,735	5,863	4,220
Total revenues	CZK millions	41,343	36,993	32,662	28,105	21,848	19,412	2,610	2,522	6,733	4,655
EBITDA	CZK millions	26,174	20,773	21,128	15,420	2,067	2,657	1,308	1,388	1,671	1,308
EBIT	CZK millions	21,196	15,871	17,705	12,042	1,231	1,903	1,014	1,120	1,246	805
Employee headcount	persons	21,640	22,667	8,136	7,864	1,379	1,379	3,646	3,541	8,479	9,883

### CE: Power Production & Trading

Production of electricity edged upward by 0.2 TWh (production in ČEZ, a. s. was up 0.5 TWh). More significantly, there was a change in the weightings of individual plant types in the overall production profile. Thanks to lower fault rates at nuclear power plants, nuclear power production increased by 1.4 TWh while hydropower production increased by 0.1 TWh on favorable weather conditions. Coal power plants, on the other hand, produced 1.4 TWh less than in the comparable period of last year. The bulk of the decline (1.1 TWh) occurred in coal-fired power plants in the Czech Republic due to emission ceilings. A production decline in Poland (by 0.3 TWh) was caused by the low electricity selling price there, which is not sufficient to cover variable expenses and the expense of purchasing needed CO<sub>2</sub> allowances.

CE: Power Production		Q1 2008	Q1 2007
Power produced	TWh	18.2	18.0
of which: nuclear plants	TWh	7.5	6.0
coal plants	TWh	10.3	11.7
hydro and other plants	TWh	0.4	0.3

Electricity sales in the segment were up 4.1 TWh on higher trading volume.

CE: Wholesale (trading)		Q1 2008	Q1 2007
Electricity purchased	TWh	13.8	9.5
of which, outside CEZ Group	TWh	11.6	8.5
Electricity sold	TWh	30.2	26.1
of which, outside CEZ Group	TWh	20.4	17.5
- wholesale	TWh	20.1	17.3
- to end customers	TWh	0.2	0.3
Balance	TWh	16.4	16.5

### CE: Distribution & Sale

ČEZ Prodej, s.r.o. sold 7.6 TWh of electricity to end customers in the Czech Republic (0.2 TWh of which was sold within CEZ Group). The volume of electricity distributed to end customers grew by 5.8% to 9.4 TWh.

CE: Distribution & Retail		Q1 2008	Q1 2007
Sales to end customers outside CEZ Group	TWh	7.4	7.2
Electricity distribution to end customers	TWh	9.4	8.9

The Distribution & Sale segment's EBITDA fell by 22.2%, due in particular to higher electricity purchase prices and a change in how electricity is invoiced to retail customers. Taken over the whole year, both factors will be neutral. Compared with the previous year, the purchasing diagram exhibits a bigger price difference between the less expensive baseload and more expensive additional purchasing. In other words, winter months with higher additional purchasing are more expensive this year. At the same time the valuation of retail electricity was changed to reflect tariff statistics, which better express the actual distribution of revenues over the course of the year via quarterly recomputation (2007 was not restated quarter-by-quarter, but the valuation change took place in Q4 2007).

### CE: Mining

CE: Coal sales		Q1 2008	Q1 2007
Coal sold, total	kt	5,867	6,184
of which: sold to ČEZ, a. s.	kt	4,407	4,815

Severočeské doly a.s. reduced coal supplies by 317,000 tons in year-on-year comparison. Supplies to ČEZ, a. s. in Q1 2008 were down by approximately 400,000 tons (in conjunction with lower production in coal power plants). On the other hand, there was a slight (approximately 90,000-ton) increase in supplies to customers outside of CEZ Group.

## Southeastern Europe (SEE)

Southeastern Europe (SEE)		Consolidated		Power Production & Trading		Distribution & Sale		Other	
		Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007	Q1 2008	Q1 2007
Sales other than intersegment sales	CZK millions	7,381	7,203	768	658	6,656	6,543	0	3
Intersegment sales	CZK millions	43	1	26	0	39	1	538	222
Total revenues	CZK millions	7,424	7,204	794	658	6,695	6,544	538	225
EBITDA	CZK millions	1,072	968	33	62	1,007	899	31	8
EBIT	CZK millions	525	447	-57	17	564	432	17	-1
Employee headcount	persons	7,889	8,405	704	852	5,404	6,520	1,781	1,033

### SEE: Power Production & Trading

The Varna Power Station produced 0.6 TWh of electricity in Q1 2008, for year-on-year growth of 25.7%.

SEE: Power Production & Wholesale		Q1 2008	Q1 2007
Power produced	TWh	0.6	0.5
Electricity sold	TWh	0.6	0.5
of which, outside CEZ Group	TWh	0.5	0.5

### SEE: Distribution & Sale

Our distribution companies in Bulgaria and Romania distributed a total of 4.8 TWh to end customers in Q1 2008, up 4.1% from the same period of last year. Sales to end customers totaled 3.4 TWh for year-on-year growth of 7.7%. EBITDA was up 12.0% compared to the same period of 2007. There was a continuation of the trend, established in the second half of 2007, toward higher distribution tariffs and lower purchase prices on electricity for sale to end customers in Romania. This combined with higher volumes contributed to the positive EBITDA performance.

SEE: Distribution & Retail		Q1 2008	Q1 2007
Sales to end customers outside CEZ Group	TWh	3.4	3.2
Electricity distribution to end customers	TWh	4.8	4.6

## Other Information

- In trading on the PSE, the shares of ČEZ, a. s. reached CZK 1,220 on 12 May 2008. The decline CZK 142 (-10.4%) from the beginning of 2008 is in line with the performance of the Czech Republic stock market as a whole, as well as that of the Bloomberg Utilities Index and the PX Index.
- The Annual General Meeting of ČEZ, a. s. will take place on 21 May 2008. Under the new dividend policy, the Board of Directors will propose a gross dividend of CZK 40 per share.
- May 2 saw the end of the repurchase of shares corresponding to 10% of the registered capital. The share repurchase was approved by the General Meeting in 2007. At the General Meeting, the Board of Directors will ask the shareholder to approve a reduction in the registered capital and, at the same time, it will request approval for another buy-back of 10% of registered capital.
- Windstorm Emma hit the Czech Republic in early March. CEZ Group restored electricity supplies within one day to 96% out of 925,000 customers who experienced outages due to the storm.
- The Boards of Directors of ČEZ, a. s. and CEZ Group member Energetika Vítkovice, a.s. approved a merger of the two companies with a strike date of 1 January 2008 and an effective date of 1 October 2008. The plan is for ČEZ, a. s. to take over all power and heat production and distribution operations as of the latter date. All other operations of the latter company were transferred to fully integrated CEZ Group companies as of January 1st.
- At the end of Q1 2008, ČEZ Obnovitelné zdroje, s.r.o. had obtained the consent of local authorities for the construction of 55 wind power plants with a total installed capacity of 110 – 150 MW.
- In March, CEZ Group obtained a positive zoning decision for the construction of the Mělník Small-scale Hydropower Station. Groundbreaking is expected in late Q3 or early Q4 2008.
- The 9th domestic bond issue of ČEZ, a. s. (CZK 3 billion) will be repaid, along with interest yield, on 23 June 2008. The strike date is 23 May 2008.

Income Statement (CZK m)	1-3/2008		1-3/2007		Consolidated Balance Sheet in accordance with IFRS (CZK m)						Mar 31, 2008	Dec 31, 2007			
<b>Revenues</b>	<b>48,605</b>		<b>44,124</b>		<b>Assets</b>						<b>388,435</b>	<b>370,942</b>			
Sales of electricity	43,433		40,967		<b>Non-current assets</b>						<b>327,290</b>	<b>313,081</b>			
Sales and costs from electricity derivative trading, net	1,888		537		Plant in service						477,473	479,091			
Heat sales and other revenues	3,284		2,620		Less accumulated provision for depreciation						238,576	234,297			
<b>Operating expenses</b>	<b>-26,884</b>		<b>-27,806</b>		Net plant in service						238,897	244,794			
Fuel	-3,995		-4,061		Nuclear fuel, at amortized cost						6,756	6,983			
Purchased power and related services	-10,253		-11,867		Construction work in progress						29,867	25,388			
Repairs and maintenance	-663		-705		Investment in associates						236	248			
Depreciation and amortization	-5,525		-5,423		Investments and other financial assets, net						32,568	16,126			
Salaries and wages	-3,674		-3,536		Intangible assets, net						18,500	19,060			
Materials and supplies	-1,070		-1,471		Deferred tax assets						466	482			
Emission rights, net	41		493		<b>Current assets</b>						<b>61,145</b>	<b>57,861</b>			
Other operating expenses	-1,745		-1,236		Cash and cash equivalents						10,492	12,429			
<b>Income before other income (expenses) and income taxes</b>	<b>21,721</b>		<b>16,318</b>		Receivables, net						25,370	23,880			
<b>Other income (expenses)</b>	<b>-1,878</b>		<b>-89</b>		Income tax receivable						84	79			
Interest on debt, net of capitalized interest	-662		-595		Materials and supplies, net						4,591	4,484			
Interest on nuclear and other provisions	-513		-481		Fossil fuel stocks						1,183	857			
Interest income	366		267		Emission rights						256	355			
Foreign exchange rate gains (losses), net	-628		-29		Other financial assets, net						12,366	10,585			
Gain (Loss) on sale of subsidiaries and associates	10		0		Other current assets						6,803	5,192			
Other income (expenses), net	-441		730		<b>Equity and liabilities</b>						<b>388,435</b>	<b>370,942</b>			
Income from associates	-10		19		<b>Equity</b>						<b>191,168</b>	<b>184,226</b>			
<b>Income before income taxes</b>	<b>19,843</b>		<b>16,229</b>		Equity attributable to equity holders of the parent						178,919	171,352			
<b>Income taxes</b>	<b>-4,117</b>		<b>-3,252</b>		Stated capital						59,221	59,221			
<b>Net income</b>	<b>15,726</b>		<b>12,977</b>		Treasury shares						-62,820	-55,972			
Net income attributable to equity holders of the parent	15,515		12,681		Retained earnings and other reserves						182,518	168,103			
Net income attributable to minority interests	211		296		Minority interests						12,249	12,874			
<b>Earning per Share in CZK - basic</b>	<b>28.8</b>		<b>21.5</b>		<b>Long-term liabilities</b>						<b>101,778</b>	<b>107,544</b>			
<b>Earning per Share in CZK - diluted</b>	<b>26.2</b>		<b>21.4</b>		Long-term debt, net of current portion						45,954	51,984			
					Accumulated provision for nuclear decommissioning and fuel storage						39,335	39,191			
					Other long-term liabilities						16,489	16,369			
					<b>Deferred taxes liability</b>						<b>21,488</b>	<b>17,153</b>			
					<b>Current liabilities</b>						<b>74,001</b>	<b>62,019</b>			
					Short-term loans						26,771	18,048			
					Current portion of long-term debt						7,444	3,226			
					Trade and other payables						27,299	25,738			
					Income tax payable						3,549	5,969			
					Accrued liabilities						8,938	9,038			
					<b>Cash Flow Statement (CZK m)</b>						<b>1-3/2008</b>	<b>1-3/2007</b>			
					<b>Cash and cash equivalents at beginning of period</b>						<b>12,429</b>	<b>30,932</b>			
					<b>Net cash provided by operating activities</b>						<b>21,890</b>	<b>17,754</b>			
					Income before income taxes						19,843	16,229			
					Depreciation, amortization and asset write-offs						5,525	5,423			
					Amortization of nuclear fuel						768	650			
					Gain(-)/loss in fixed assets retirements, net						-35	21			
					Foreign exchange rate losses (gains), net						628	29			
					Interest expense, interest income and dividends income, net						289	263			
					Provision for nuclear decommissioning and fuel storage						65	112			
					Valuation allowances, other provisions and other adjustments						-606	-594			
					Income from associates						10	-19			
					Changes in assets and liabilities						-2,220	-3,543			
					Income taxes paid						-2,533	-882			
					Interest paid, net of capitalized interest						-75	-324			
					Interest received						231	315			
					Dividends received						-	74			
					<b>Total cash used in investing activities</b>						<b>-24,150</b>	<b>-8,504</b>			
					<b>Total cash provided by (used in) financing activities</b>						<b>876</b>	<b>-2,001</b>			
					<b>Net effect of currency translation in cash</b>						<b>-553</b>	<b>425</b>			
					<b>Cash and cash equivalents at end of period</b>						<b>10,492</b>	<b>38,606</b>			
					<b>Supplementary information: Total cash paid for interest</b>						<b>318</b>	<b>490</b>			
					<b>Details according to business for Q1 2008 (CZK m)</b>						<b>Power Production &amp; Trading</b>	<b>Distribution &amp; Sale</b>	<b>Mining</b>	<b>Other</b>	<b>Consolidated</b>
					<b>revenues total</b>						<b>33,342</b>	<b>28,543</b>	<b>2,610</b>	<b>7,272</b>	<b>48,605</b>
					of which: outside CEZ Group						19,298	27,503	932	872	48,605
					<b>EBITDA</b>						<b>21,162</b>	<b>3,074</b>	<b>1,308</b>	<b>1,702</b>	<b>27,246</b>
					<b>EBIT</b>						<b>17,649</b>	<b>1,795</b>	<b>1,014</b>	<b>1,263</b>	<b>21,721</b>
					<b>Head count</b>						<b>8,840</b>	<b>6,783</b>	<b>3,646</b>	<b>10,260</b>	<b>29,529</b>

Non-audited results of CEZ Group in accordance with International Financial Reporting Standards