

# Summary Explanatory Report on Certain Aspects of Shareholders' Equity Pursuant to Section 118 of the Act on Doing Business in the Capital Market for the Year 2007

Part 2 of Agenda Item 2, Annual General Meeting, 21 May 2008

## Dear shareholders, Ladies & Gentlemen:

Allow me herewith to acquaint you with the summary explanatory report issued pursuant to Section 118(8) of the Act on Doing Business on the Capital Market, relating to certain requirements set forth in the provisions of Section 118(3)(g)–(q) of said Act. The requirement to compile this report and submit it to you, the shareholders of ČEZ, was newly instated as of April 1st of this year.

### Shareholders' Equity as at 31 December 2007 (CZK millions)

	2007	2006
ČEZ, a. s.		
Shareholders' equity	149,448	182,236
Stated capital	59,221	59,221
Treasury shares	(55,972)	(1,943)
Retained earnings and capital reserves	146,199	124,958
CEZ Group Consolidated Results		
Shareholders' equity	184,226	207,653
Stated capital	59,221	59,221
Treasury shares	(55,972)	(1,943)
Retained earnings and capital reserves	168,103	137,659
Shareholders' equity attributable to equity holders of parent	171,352	194,937
Minority interests	12,874	12,716

### 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

The shareholders' equity of ČEZ, a. s. at year end 2007 totaled CZK 149.4 billion. It is composed of three basic components: share capital, treasury shares, and retained earnings.

The Company's share capital as recorded in the Commercial Register is CZK 59,221,084,300. It is composed of 592,210,843 shares, each with a face value of CZK 100. All the shares are fully paid in, booked to owner, and registered.

A total of CZK 56.0 billion in treasury shares are on the books. The shares are carried at the prices for which they were purchased.

Retained earnings totaled CZK 146.2 billion.

100% of the Company's share capital is allocated to common shares, with no special rights attached. All of the Company's shares are accepted for trading on the Prague Stock Exchange and the Warsaw Stock Exchange in the Republic of Poland and are negotiable without restrictions.

No other securities issued by ČEZ, a. s. are limited in their negotiability, nor are any special rights attached thereto.

## Shareholder Structure (%)

	Share of stated capital as at 31 Dec 2006	Share of voting rights	Share of stated capital as at 31 Dec 2007	Share of voting rights	Share of stated capital as at 15 May 2008	Share of voting rights
Legal entities, total	95.74	95.72	95.86	95.47	95.55	95.06
The Czech Republic	67.61	68.01	65.99	72.13	64.28	71.42
Other	24.27	23.82	19.04	11.51	19.68	10.76
of which: domestic	2.93	2.36	10.24	1.90	11.52	1.70
of which: ČEZ, a. s.	0.58	0.00	8.51	0.00	9.99	0.00
third parties	2.35	2.36	1.73	1.90	1.53	1.70
foreign	21.34	21.46	8.80	9.61	8.16	9.06
Asset managers	3.86	3.89	10.83	11.83	11.59	12.88
Private individuals, total	4.26	4.28	4.14	4.52	4.45	4.94
of which: domestic	4.15	4.17	4.04	4.41	4.34	4.82
foreign	0.11	0.11	0.10	0.11	0.11	0.12

Share of voting rights is based on the following:

- 1) ČEZ, a. s. treasury shares are non-voting (Section 161d(1) of Act No. 513/1991 Sb.)
- 2) Asset managers vote all shares managed by them.

ČEZ's largest shareholder is the Czech Republic, represented by the Ministry of Finance of the Czech Republic. During 2007, the Czech Republic's share of the stated capital was reduced by the implementation of the decision of the Government of the Czech Republic dated 19 March 2007 on sale of a 7% stake in ČEZ, a. s. Its level at year end was 65.99%.

The Company is not aware of any other shareholder with a stake exceeding the level stipulated in Section 181(1) of the Commercial Code, which in our case is 3% of the stated capital. Such a shareholder, if there were one, would be afforded certain additional rights by the Commercial Code.

Individual shareholders' share of voting rights differs from their stakes in the Company's share capital due to the presence of treasury shares. As the treasury shares cannot be voted by the Company, the share of the voting rights belonging to all other shareholders is higher than their respective stakes in the share capital.

Asset managers held 10.83% of the stated capital at 31 December 2007. ČEZ has no way to identify the shareholders whose securities are managed by them. At the General Meeting, the shareholder rights of these shareholders are exercised by the respective asset manager.

In terms of restrictions on voting rights associated with certain shares, the following applies: in accordance with Section 161d of the Commercial Code, the voting rights associated with treasury shares acquired by ČEZ, a. s. on the basis of a General Meeting resolution are not exercised.

ČEZ, a. s. is not aware of any contracts between you, the shareholders, that could result in any limitations on the negotiability of shares or voting rights.

In accordance with the Articles of Association, members of the Company's Board of Directors are elected by the Supervisory Board by a simple majority of votes. Amendments to the Articles of Association are decided by the General Meeting by a qualified, two-thirds majority of votes present.

As the statutory body, the Board of Directors runs the Company and acts in its name. It decides in all Company matters not explicitly reserved for the General Meeting or the Supervisory Board by the Commercial Code or the Articles of Association. At the General Meeting of 23 April 2007, the Board of Directors proposed a resolution authorizing the Company to repurchase up to 59,221,084 of its own shares. The General Meeting approved the share repurchase in the given maximum volume. The Board of Directors has no special powers beyond those described above.

ČEZ, a. s. has not entered into any contracts that take effect, change, or are voided in the event control over ČEZ changes as a result of a takeover offer.

No contracts have been entered into between ČEZ and members of its Board of Directors and/or employees, that would bind ČEZ to provide consideration in the event they should leave office or their employment be terminated in conjunction with a takeover offer.

Remuneration of ČEZ senior executives includes an incentive program that enables these executives to acquire Company shares. Members of the Board of Directors and selected employees were/are entitled to options on the Company's common shares under the conditions set forth in an option agreement.

Members of the Board of Directors and the Executive Committee may exercise up to 1/3 of their options in the period following the the date of each anniversary of option granting or assumption of office. For contracts entered into with members of the Board of Directors prior to May 2006, the entire options amount could be exercised after three months had passed from assumption of office, while in contracts entered into with Executive Committee members prior to May 2006 approximately one half of the options granted could be exercised after one year in office and the remainder after two full years in office. If not exercised, the options expire 12 months after leaving office for option agreements entered into before May 2006 and three months after leaving office for option agreements entered into thereafter.

When an option is exercised, the share purchase price is based on the one-month weighted average of prices achieved in trading on a public market prior to assumption of office by the member of the Board of Directors or Executive Committee or, prior to May 2006, on the six-month weighted average. As of May 2006, options are restricted in that the maximum increase in the Company's share price is 100% relative to the purchase price. Certain other changes to the incentive program will be discussed at the Annual Meeting of 21 May 2008 (Agenda Item 13).

Without exception, all employees and members of the Board of Directors who obtained shares through the share option program and owned shares in 2007 exercised their right to dividends, but with the exception of two beneficiaries they did not exercise their right to vote at the General Meeting. According to information provided to the Company for the purpose of this report, no beneficiaries transferred any separately negotiable rights attaching to their shares to a third party.

Thank you for your attention.

A handwritten signature in black ink, appearing to read 'Martin Roman', is written over a horizontal line. The signature is fluid and cursive.

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