ČEZ GROUP CORPORATE SOCIAL RESPONSIBILITY REPORT 2007

1. Executive summary of the Corporate Social Responsibility Report

Dear friends of the ČEZ Group,

We offer you a brief summary of the Corporate Social Responsibility of the ČEZ Group for the recent period for better navigation in this extensive document. For the full wording of the Report, see the DVD disc attached.

Corporate social responsibility includes both approaches to accomplishing our mission exceeding the scope defined by laws as well as good morale. Open public dialogue has become a cornerstone of our corporate identity and a motivating factor for multiplication of our engagement in the fields of environment protection, customers, our employees as well as society.

In fact, the ČEZ Group's corporate social responsibility is interlaced in all activities engaged in by the Group. As one of the most important business entities in the Czech Republic and one of the biggest power engineering groups in Europe, we feel responsibility particularly for reliable and safe power supply and we perceive ourselves as a driver of the business environment, the creation of new jobs as well as an important wealth growth resource for citizens of this country. We sensitively perceive the issues of meeting constantly growing electric power demand in the context with forecasted lack of production capacities, and the energy satiation of the needs of Czech industry as well as of citizens is considered a matter of honour, our natural obligation and priority.

The ČEZ Group, a modern corporation with strong economic foundations, considers social responsibility one of the pillars of business ethics. We judge all activities conducted from the perspective of general benefit and we foresee impacts on our customers, shareholders, and employees. And of course – with respect to environmental protection – to all citizens of our country.

With respect to global climate changes, we place extra emphasis on environmental protection and its sustained improvement. We are interested in the possible use of renewable energy resources in the Czech Republic, permanent reduction of ČEZ's source emission intensity, and energy savings, and we pursue projects leading towards the reduction of emissions abroad.

Our corporate social responsibility includes support of non-profit making organizations on the grounds of our motto "We help where we operate". For the fourth time in a row, we came first in the TOP Corporate Philanthropist in 2007 in the category of overall volume of funds donated.

We believe the new Corporate Social Responsibility Report will bring you interesting information as well as the motivation to contribute in attaining goals similar to those set by the ČEZ Group. We wish you many happy moments while reading the Report and we hope the Report will bring you a lot of interesting information.

Martin Roman

Chairman and CEO ČEZ, a. s.

Daniel Beneš

First vice-chairman and managing director ČEZ, a.s.

The ČEZ Group and the public

The chapter on the public relations between the ČEZ Group and the public is fully devoted to the communication with all target groups covered under the "public" umbrella. The ČEZ Group attributes great importance to these target groups.

Activities in the field of corporate donations stem from the "We help where we operate" corporate philosophy. The ČEZ Group supports regional development through the ČEZ Foundation, being a partner in the field of donations as well as the form of direct assistance. A key to successful cooperation of the ČEZ Foundation is thorough knowledge of the area the ČEZ Group operates in. The support is mainly focused on three areas – children and young people's activities, handicapped citizens and regional development in the Czech Republic.

In 2007, the ČEZ Foundation donated almost CZK 168 million to the development of culture, health, children and young people, others in need and the environment to support 525 projects nationwide. Thanks to this, we came first in the TOP Corporate Philanthropist in 2007 in the category of overall volume of funds donated for the fourth time in a row. The summary amount of funds donated approached CZK 700 million from the first days of the Foundation.

The ČEZ Group, in cooperation with the ČEZ Foundation, supports nationwide foundation activities containing three basic projects: Orange Playground, Orange Bike and regional projects. The ČEZ Foundation contributes through projects to the development of playgrounds and sports fields for children, grants financial assistance to local non-profit making organizations and supports other events depending on the specific needs of individual regions. An important part of the funds is devoted to building or improving local infrastructure.

In 2007, the ČEZ Group expanded its corporate philanthropic concept by implementing the corporate volunteering project "Time to do a Good Deed". The ČEZ Group offers its employees to spend one fully paid workday per calendar year on work helping a selected non-profit making organization. The corporate volunteer work is an ethical gesture of the corporation to stimulate the interest of employees in personal involvement in publicly beneficial activities. The ČEZ Group has also launched a mutually-beneficial partnership of the company, employees and non-profit making organizations from regions where the ČEZ Group operates. ČEZ is an active member of the corporate donation club DONATOR as one of the biggest and most important Czech companies. The main goal of the prestigious association of companies active under the auspices of the Forum od Donators is supporting corporate philanthropy as well as responsible donations in the Czech Republic.

The ability to dynamically respond to prevailing conditions is closely related to the ability of effective communication. From the early days, the ČEZ Group has esteemed the transparency principle. The ČEZ Group's companies avow the principles of openness, up-to-datedness and verity when communicating with the public. Receivers of messages are particularly shareholders of ČEZ, analysts, banks and the mass media. Communication with the non-professional public, i.e. both current as well as potential clients, is important as well.

The shareholders form an important group authorized by law to receive all relevant information about the business and economic development of the ČEZ Group. The ČEZ Group strictly adheres to the principle of equality of approach to the relevant information for all capital market players when informing its shareholders. In addition

to the law, the ČEZ Group obeys the Code for Corporate Governance and Management. Day-to-day communication with shareholders mostly relates to the distribution of dividends. In 2007, the main themes of the communication with shareholders included development on the electricity markets in Central Europe, the CO_2 allowances market and the response of the ČEZ Group to abrupt drop in allowance price. Themes the shareholders were interested in included financial developments in newly included foreign entities as well as the acquisition policy including future plans.

The public dialogue transparency policy contributes to the consistently positive media image of the ČEZ Group and to its reputation for openness, impartiality and responsibility towards the general public. During the fourth quarter of 2007, the media image of ČEZ was particularly dictated by presenting ČEZ as a socially responsible citizen. This attribute overwhelmed the attribute most valued over the previous quarters– ČEZ as a properly managed international dynamic corporation.

The quality of printed materials – brochures, leaflets about the ČEZ Group and individual entities regarding activity-related fields is the information pool not only for the general public. The regularly updated website www.cez.cz is the central point of communication with the general public, where much information about the ČEZ Group as well as contacts required is available. ČEZ's website also practically performs the information obligations of an issuer, the obligation of updating information about the operation of nuclear power stations as well as the obligation to provide further information as required by power legislation.

The network of information centres operated at nuclear and hydro power plants of the ČEZ Group operates well as a tool for communication with the public. More than 105,000 visitors came to the centres in 2007. Admission to the information centres is either free or at a low admission fee. Traditionally, people are most interested in nuclear plants and the Dlouhé Stráně re-pumping hydro power plant. The centres are furnished with many printed materials – brochures, leaflets about the ČEZ Group as well as individual entities and related activity fields. The recently opened information centre is the eighth one in ČEZ – Renewable Resources in the facility of the Hučák hydro power plant in Hradec Králové. The centre was opened in May 2008.

The ČEZ Group's education programme is an example of its openness to the public. The programme called "Energy for Everybody" was presented by ČEZ in 1992. The programme was renamed in 2006 "The World of Energy". The goal of the recent programme is to allow students as well as teachers to actively engage in syllabuses from all points of view and to replace former mechanical memorizing of knowledge with creative thinking. In this regard, obtaining new accreditation for ČEZ by the Ministry of Education, Youth and Sports of the Czech Republic to organize training and further education of teachers is a brand new piece of information. Workshops provided by the ČEZ Group in this field are focused on the real application of new educational methods making students formulate their hypotheses and arguments at a higher quality level.

The ČEZ education programme is focused particularly on the effective support of physics teachers. The programme offers many possibilities – from printed materials through videos, computer software and Internet applications up to discussions and site tours. The six-part Encyclopaedia of Energy is the central document. Slide sets for projectors (for data projectors in electronic format) are available as well. The support materials for "The World of Energy" are completed by a detailed

methodology.

The ČEZ Group thinks of searching for talent – potential employees of ČEZ. To this end, ČEZ, in cooperation with the Amavet association and ASTRA projects, organizes competitions of science and technical projects for high school students, university students, diploma and inceptor studies in the form of "The ČEZ Award" and supports summer physics schools for talented students organized by the Nuclear and Physics Engineering Faculty of the Czech Institute of Technology and Mathematics-Physics Faculty of Charles University. For students, the "Třipól" internet magazine is published to popularize science and technology with the emphasis on power engineering.

The most active teachers may apply for membership in "The World of Energy Club" offering information about news and prepared events of "The World of Energy" programme, including seminars in which attendance is included in further pedagogical education based on the accreditation of the Ministry of Education, Youth and Sports of the Czech Republic. The Club events also include meeting with pedagogy, physics and power engineering experts or participation in exclusive tours. Club members receive a discount on paid documents of the education programme and they may directly cooperate in creating modern textbooks.

Environment

The goal of this chapter is to introduce the measures the ČEZ Group pursues to maintain a minimum negative footprint of electric energy production on the surrounding environment. The chapter is divided equally in the order of electricity production activities – starting with mining, preparing and transporting fuels, through electric power production up to its distribution to the points of consumption.

The chapter particularly deals with electric power production; it does not omit related activities either. The ČEZ Group is presented as a reliable custodian of values intending to hand them over to future generations in a better condition than it inherited. Investments in internal development and environmental measures amounting to more than CZK 200 billion evidence the position of such custodian. In 1992 – 1998, ČEZ invested about CZK 46 billion in its extensive programme of desulfurization of coal power plants.

Successive implementation of the environmental management system (EMS), which has become a part of the company management, is the non-technical measure of a responsible approach to environmental protection. The EMS implementation finished in 2002 following the issuing of an international certificate for all power plants operated on conformity with ISO 14001 management system requirements.

The installed capacity of ČEZ's coal power plants in the Czech Republic exceeds 6,500 MW; ČEZ also operates coal power sources abroad with total installed capacity 1,988 MW (ELCHO and Skawina in Poland and Varna in Bulgaria). Biomass is combusted in combination with coal in many coal power plants belonging to the ČEZ Group. The key aspects of environmental impacts relate to coal mining, fuel transport to power plants or processing or treatment of fuels followed by landscape reclamation. With respect to territorial occupations, selective mining of arable land and loess for use in future reclamations of exhausted areas and stock-piles is performed in order to minimize negative influences on the environment. Regarding transport, it is better to locate power plants as close as possible to coal mines due to the volume of combusted coal, and regarding longer distances, railway transport is

used almost exclusively. Concerning the combustion of biomass, the fuel is transported on railways as well as by road. Natural gas is supplied using a gas pipeline and fuel oils including crude oil are transported by railway. Sea transport to the in-house Black Sea port is used for the transport of fuels to Varna's power plant in Bulgaria.

Clean-up and reclamation of territory reflected in the price of coal purchased follows exhaustion of the mining areas. In 2007, CZK 1.83 billion was paid for these purposes and 6,561 hectares underwent reclamation. By 2025, the ČEZ Group assumes it will have spent almost CZK 4 billion on reclamation for the storage of ash materials from coal power plants and landscape revitalization in the Czech Republic.

Considering specific use, the transport of nuclear fuel requires special attention. Russia-based OAO TVEL produces and supplies the nuclear fuel for the Dukovany Nuclear Power Plant and the same for Temelín Nuclear Power Plant is procured from the USA-based Westinghouse Electric Company. Commencing 2010, the fuel will also be supplied by OAO TVEL. The fuel transport conforms to legal requirements based on recommendations of the International Atomic Energy Agency and many international treaties. In the Czech Republic, the rules are codified by legislation (the so-called Atomic Act and its implementation directives). ČEZ holds approval for the transport of nuclear fuel and is an operator responsible for nuclear damage in the sense of the Vienna Convention on Civil Liability for Nuclear Damage. Measures required both by laws and extraordinary and above-standard are adopted for conformance of all conditions required by the relevant supervisory bodies and for successful routine transport.

From the legislation point of view, coal power plant operation is subject to specific legal requirements. They particularly include emission limits and further tightening thereof. Thanks to the consistent implementation of measures for minimizing the electric power production influences on the environment, the technologies used by the ČEZ Group as well as the parameters for pollutant emissions reduction conform to the best practices available pursuant to European legislation (the so-called IPPC directives). They allow conformance to the requirements of new legal directives on environmental protection.

One of the key elements contributing to the further improvement of environmental parameters of coal resources is the coal power plant redevelopment programme launched in 2007. In addition to pollution reduction, it will significantly increase the efficiency of power plants, increase the lifecycle and – should new blocks be constructed – allow the use of the latest technologies providing top parameters both with respect to power engineering and environmental protection.

In the field of water management, the ČEZ Group constantly focuses on the protection of underground and surface waters. ČEZ power plants use surface water particularly for cooling purposes and for water treatment for the supply of power and heat engineering boilers. Prior to use, the water should be chemically and mechanically treated to reduce the content of impurities and to ensure conformity for power plant operation. The volume of water used is continuously measured and registered. Quality is checked by qualified laboratories.

Waste management provides space for the implementation of a responsible approach to environmental protection. Regarding radioactive waste and spent nuclear fuel management, handling conforms to the principles of nuclear safety, radiation protection, physical protection and emergency preparedness. Relevant

legislation applies to the management of wastes generated during electricity production in coal power plants. Almost all waste – more than 99% – is a secondary energy product that can be used in the building industry or landscape reclamation following certification.

The use of renewable resources, i.e. energy from the Sun, water, wind, and biomass, is closely related to the maximum reduction of CO_2 emissions generated in electric power production in coal power plants. Today, the ČEZ Group produces about 2.1% of total electric power production (not including large hydro power plants – they raise the sum to about 4%) using renewable resources and the proportion is continuously growing in the Czech Republic. In 2007, production of the ČEZ Group from renewable resources amounted to 1,575 GWh, i.e. about one-fifth less than in 2006. The drop was caused by electric power production reduction in large hydro power plants due to bad hydrological conditions.

In future, the renewable resources production volume will significantly grow, particularly thanks to generous investments in the pipeline of the ČEZ Group. By 2020, total investments in renewable resources should amount to CZK 30 billion, of which two-thirds on the construction of wind power plants and the rest especially on the development of biomass combustion.

Strict adherence to standards, rules and measures in the field of friendly approach to the environment is a day-to-day practice of the ČEZ Group in the operation, maintenance and development of electric power distribution grids. Special attention is paid to bird protection using wires and power line towers as rests or nesting sites. Considering injuries suffered by birds due to high voltage contact, the main attention is focused on modification of the tower heads to provide safety for birds. Broader cooperation with environmental protectors has been established in this field.

Climate change

Warming of the planet is a reality. The ČEZ Group sensitively perceives the urgency of the issue and the solution to it is considered to be an integral part of its activities. The main measures are mainly focused on searching for tools for limiting GHG, especially carbon dioxide (CO_2) and their application. One of the modern forms of emission regulation is economic tools such as emission allowance trading. This is an effective motivation factor for emission reductions and represents a business opportunity in addition to reducing emissions. Energy savings are an integral part of the measures leading towards minimized negative effects of electric power production on climate change.

The active involvement of the ČEZ Group's experts in many international initiatives and platforms attempting to discuss future policy forms for climate change and emission-reducing technologies and in general environmental burden is proof of the ČEZ Group's constructive approach. The ČEZ Group is a member of the "Combat Climate Change" initiative coordinated by Vattenfall, being a leader in the field of activities related to climate change. ČEZ Group representatives are also CEPS (Centre for European Policy Studies) members where there are several work groups involved in climate change, emissions trading and the development of technologies for reducing emissions. Similar platforms are operated by other profession organizations such as EURELECTRIC.

The use of fossil fuels, especially the combustion of brown coal, is the main originator of the carbon threat expressed by the "carbon exposure" indicator at power

engineering companies. Therefore, the ČEZ Group pays relevant attention to the application of non-carbon technologies and the GHG emission control level has become an important parameter of strategic development and investment planning.

An action plan, based on which the ČEZ Group acknowledged its liability for GHG emissions in October 2006, is a practical response of the ČEZ Group to the need for GHG emission control. The Group committed in its public declaration to invest its profit from sales of saved emission allowances in the EU ETS trading scheme into measures towards further GHG emission reduction, modernization of technologies for electric power production and measures for environmental quality improvements. The Group also committed to constantly minimize the footprints of its activity on the environment, to adopt measures for emission reductions, to support energy savings and to reduce energy demands of the national economy.

The ČEZ Group is the biggest producer of greenhouse gas emissions in the Czech Republic. The emissions of the ČEZ Group are monitored on a continuous basis and Det Norske Veritas CZ s.r.o. verified their volumes in 2007 in conformity with legislative requirements. The emissions have been determined by calculation but a continuous emissions monitoring system is being developed for more accurate results than the balance methods. Current development of the emission factor evidences that the GHG emissions reduction measures are effective and feasible by optimizing the operations of the current portfolio of fossil resources. However, it also surfaced that the measures have limited potential and further reductions require fundamental changes to technologies. The fastest possible transition to clean coal combustion technologies is the primary strategy for reducing the impact of coal power plants on the environment. One of the most important investment decisions of a long-term character by the ČEZ Group to implement a complete resources redevelopment plan amounting to over CZK 100 billion in the next ten years is an addition to the above. Implementation of the programme will further reduce SO_2 and NO_x emissions by more than 50% and will lead to a significant reduction in CO_2 emissions. From the long-term point of view, the ČEZ Group plans to strengthen the R&D area in the fields of low-emission technologies and other areas contained in the action plan.

A significant reduction in CO_2 emissions from fossil fuel power plants is expected from the use of modern technology of separation and storage of CO_2 (CCS – Carbon Capture and Storage). Regarding coal, clean coal technologies (CCT) are mentioned occasionally. The power engineering action plan of the European Council adopted early in 2007 assumes support for establishing roughly 10 to 12 full-capacity demonstration units of CCS technology commissioned in 2012 – 2015. Industry-wide application of the technology is forecasted for 2020 and later. The importance of the technology is supported by the fact that specific legislation is being prepared at the EU level to boost CCS technology. Whereas CO_2 capture and storage technology is a highly complex field with a bright future, ČEZ has been actively involved in various activities in this regard on the international scale as well.

Economic tools, more precisely the GHG emission allowance trading system in the European Union, have become part of the measures set for GHG emissions reduction. In 2007, the system registered about 11,000 installations in 27 EU member countries. Global markets under the umbrella of the Kyoto Protocol are the second group of markets with mutually interlaced links. Thanks to its geographical scope, the markets approach the idea of a solution to the global problem via a globally applied tool. The ČEZ Group's resources installed in the EU are obligatorily registered in the emissions allowance trading systems. The ČEZ Group is one of a few companies

from CEE countries active on this market. GHG emissions have become an integral part of the company's decision not from operational but further development of Czech utility point of view. Thanks to the positive approach of ČEZ, profits were generated in the allowances trading and they will be reinvested in further measures towards the reduction of GHG emissions pursuant to ČEZ's public declaration. Considering the nature of GHG emissions, use of the market tool for reduction of the emissions is appropriate because it is irrelevant where the GHG are emitted. Successive interconnection of individual local activities and the development of a global emission market is forecasted. ČEZ is a member of the International Emissions Trading Association (IETA), where it strives to be actively involved in discussions about the future global trading system. An international workshop devoted to EU ETS was organized in April 2007 by ČEZ in cooperation with IETA in Prague. ČEZ carries out similar activities at other international platforms involved in the trading issues (EURELECTRIC, CEPS).

The GHG emissions reduction agenda in the ČEZ Group goes well past the country's borders. It applies to many investments in renewable energy resources, energy savings and projects conducted in the CEE region or in the Balkans.

One of the important tools for the reduction of emissions and energy demands is savings in electric energy consumption. Savings are seen as a suitable tool for the future because of possible postponement of investments in new energy resources as well as distribution grids, and they enable optimization of the operation of existing installations for the production and "transport" of electricity. Considering the forecasted lack of electricity in Europe in the future, the savings will be one of the key elements with respect to environmental protection as well as grid stability.

According to results from benchmarking studies conducted by OECD and IEA, despite improvements, the Czech economy is under the burden of high energy demands. Though it is the heritage of the past to a great level related to industry and the industrial production structure, reducing demands should be one of the main priorities of the Czech Republic. The ČEZ Group conducts its activities in the field of energy savings at three basic levels: education, consultation and direct cooperation with customers.

Customers and contractors of the ČEZ Group

All fully integrated companies of the ČEZ Group apply the principle of social responsibility towards business partners, customers and contractors in their activities. Today, the ČEZ Group consists of parent company ČEZ, a.s., the biggest electricity producer in the Czech Republic, and ten fully integrated companies. They are engaged in a wide range of activities – from the sale of electricity and operation of the distribution grid through the ČEZ Group's assets management, information system services and technologies, up to full customer service, logistics and electric energy production from renewable resources.

Regarding relations to contractors, the process companies pay attention to the high quality and financial efficiency of procured products and services. They examine the approach of contractors to the environment, safety, health protection and other aspects when selecting them. Only a company conforming to technical, economic, environmental and other specific criteria may be a contractor to the ČEZ Group. Only then may a company be listed in the extensive database of business partners of the ČEZ Group. The Group also pays attention to local and regional subcontractors

where the process companies of the ČEZ Group operate. Local companies to which the ČEZ Group brings valuable job fulfilment may grasp their opportunity in public tenders.

Almost 6.8 million customers, 3.5 million of whom in the Czech Republic, were served by the ČEZ Group in 2007. In addition to acquisitions of important domestic companies such as Škoda Praha and Severočeské doly, the ČEZ Group acquired positions and important ownership interests in some foreign companies in South-East and Central Europe. They mainly include majority shares in three Bulgarian distribution companies in Western Bulgaria: Elektrorazpredelenie Stolichno AD, Elektrorazpredelenie Sofia Oblast AD and Elektrorazpredelenie Pleven AD, the acquisition of a black coal power plant in Varna and success in the tender for Romanian distribution company Electrica Oltenia. Neighbouring Poland is a strategic market for the ČEZ Group in the CEE market, where the ČEZ Group acquired majority shares in the High Silesian power engineering company Elektrociepłownia Chorzów "ELCHO" sp. z o.o. (ELCHO) and Elektrownia Skawina S. A.

Regarding domestic customers, the social responsibility of the ČEZ Group focuses on electricity customers as well as users of other services rendered. Queries and requests are handled mainly through the central call centre of the ČEZ Group. The centre underwent many substantial changes in 2007. Emphasis was put on improvement of the quality provided compared to 2006, when quantity indicators were the main focus of the centre. In total, 2.3 million inbound phone calls were received in 2007. Hundreds of thousands of requests were received by mail, e-mail, by fax or through the Virtual Business Office from the ČEZ Group's website.

Operation of the network of common customer offices of ČEZ Customer Care and regional distribution gas companies operating in the territory of the Czech Republic means higher quality services for customers. The customer centres managed 1,072 thousand contacts, 83% of which were personal contacts. In 2007, 99% customers were served within 30 minutes and 97% within 20 minutes. The average waiting time is 5 minutes and 14 seconds. The year-to-year comparison shows the waiting time dropped by 31%. The premises of former business points of the ČEZ Group in six cities house services associated with electricity and natural gas supply in common offices. Other ways of simplifying and accelerating quality contacts with customers are included in the ČEZ Group's offer, such as cash payment of electricity bills and advance payments through more than 4,500 lottery terminals of SAZKA.

Regarding services to wholesale customers, 2007 was the "Big Bang" year. The launch of the Energy Exchange in Prague, which started transparent determination of electricity purchase prices for ČEZ Prodej too through guaranteed wholesale prices, was an important event in this field.

The ČEZ Group acts responsibly towards its customers also in the field of promoting saving measures in electricity consumption. They are first directed to resolving the forecasted lack of production capacities of the ČEZ Group over the next decades and the provision of energy safety and self-reliance of the Czech Republic and, secondly, to minimized electricity costs for households and improvement in households' living standard. The ČEZ Group cannot reduce electricity prices, which are determined by the market. However, it may explain how to save electricity through expert consultations as well as direct cooperation with customers. Therefore, the ČEZ Group decided to organize a touring education event called "Look into Your Savings" in autumn 2007. The goal of the event, which visited 28 cities and towns in the Czech

Republic, was encouraging the public's interest in electricity savings. The road show also informed about consultancy in economic use of electricity. It focused on households, media and public administration. It noted the existence of the network of business offices (now 28 customer centres) in the Czech Republic providing full services, including energy consultancy to customers. The successful autumn tour continued in 2008 with a spring tour focused on the same theme and called "Look into Your Savings or Save Every Day".

The ČEZ Group is present in other countries as well through its business offices. CEZ Deutschland GbmH is involved in the presentation of the ČEZ Group in Germany, the support of acquisition and investment opportunities and services to end customers. The ČEZ Group also operates in Bratislava, Slovakia. Here, the Group is the biggest foreigner electricity supply provider and is ready to offer its know-how and infrastructure for CO_2 emissions allowance trading. The Group intends to contribute to the development of newly opening market for end customers. The purpose of the acquisition of Hungary-based CZ-2005 Magyarország Kft., whose name was changed to CEZ Hungary Ltd. - CEZ Magyarország Kft., is to create better conditions for electric energy trading in the territory of Hungary and to ensure access to the Hungarian distribution grid. Since March 2006, the Group has been licensed to engage in electricity trading. The ČEZ Group employs its representatives from Serbia and Kosovo in order to monitor further business and acquisition opportunities, where the Group successfully participates in public tenders for electricity supplies.

The ČEZ Group's social responsibility has significantly crossed national borders. EU member countries must respond to many challenges, particularly difficult situations on crude oil and natural gas markets, the high level of dependence on imports, growing world demand for energy, the need for increased energy market transparency including further integration as well as the interlinking of national markets due to the end of energy market liberalization. The ČEZ Group responds by specific results within the application of social responsibility: Czech electricity is fully competitive in the EU, and the Czech market is fully liberalized. The ČEZ Group enforces its interests in the EU through its representation office in Brussels and by the Section of European Agenda at ČEZ in Prague. The goal of the ČEZ Group is not only to be the leader on the Central and South-East European electric market but also an active player and partner of the European Union on these markets in favour of its shareholders, business partners and customers. This is backed by memberships in international organizations and associations such as EURELECTRIC and FORATOM.

The ČEZ Group and its employees

ČEZ is a company constantly creating conditions for the development and motivation of its employees. Its social policy, system of training and further education, internal communication and balanced social conciliation brings us to people working in the ČEZ Group interested in their work, desiring to bring values in favour of the company's benefit and the benefit of the company's shareholders.

The transformation project VIZE 2008, whose goal was the full integration of regional distribution companies into the ČEZ Group as well as improvement in the results attained, substantially influenced the social sphere of ČEZ. The project completely changed the operational, cultural and organizational structure of the ČEZ Group, particularly in the field of electricity distribution and sales as well as management and supporting processes. More than 7 thousand employees, including assets with a re-

valued value of more than CZK 115 billion and all relevant data about 3.5 million customers were moved to the new process companies or centralized departments. The project allowed the ČEZ Group to conform the unbundling conditions, i.e. separation of controlled activities (electricity distribution) from those not controlled (production and sale of electricity). More than 1,250 employees were actively involved in the project during the transformation phase within either teams or work groups.

The new structural model of the ČEZ Group based on centralization and specialization has significantly increased the efficiency of all activities within the ČEZ Group. Transformation processes have resulted in a reduced headcount. The VIZE 2008 project was successful among others due to the successful and continuous application of social responsibility for the employees and regions affected by transformation changes.

Current changes to the employees' area are reflected by a significant shift towards the so-called performance culture with an emphasis on support of consolidation of the process-transformed companies. An integral part of the general corporate culture is an emphasis on safety culture, whose importance stems from the use of demanding technologies, especially in nuclear power plants. The key principles of corporate culture are the development of human potential, setting up individuals and the development of human resources as a whole. Therefore, the ČEZ Group constantly updates its education, evaluation and reward systems.

According to the ČEZ Group, creating conditions attracting prospective employees and keeping them, including providing future professional growth, is an important part of staff care. The effective tools in this area are a well thought-out system of searching for and supporting prospective employees, including the annual competition "ČEZ Award" for the best dissertation and inceptor paper in the field of power engineering, and the "ČEZ Foundation Award" for the best university scientific and technical project.

When hiring new employees, the quality of candidates is evaluated from the point of view of expertise, personality and other assumptions. The ČEZ Group is interested particularly in students with excellent study results and an interest in active cooperation with the power engineering company. ČEZ Potentials, the development programme allowing selected students to spend one year in the ČEZ Group, focuses on university graduates with job experience from one to three years and with fluent English.

The ČEZ Group pays permanent attention to the education of its employees. In supporting the development of personalities of key company employees, expanding knowledge and skills, the ČEZ Group prefers active self-management of education where every employee may actively influence its personal development plan as well as professional career. The current motto of the education programme for employees is: "Though the corporate colour is orange, education and development at the ČEZ Group gets the green light!"

The ČEZ Group's management communication with employees is directed particularly towards work with well informed people in the Group both about the sense of their own work and of the important activities of other Group departments. Good availability of information about current Group goals, deliverables and future plans is very important for the team of employees. Also, in 2007 the personal meetings of the ČEZ Group's management with employees proved to be the most

effective way of communication. In addition to job meetings of unit employees and company management, closer informal discussions of top management with ordinary employees are organized, as well. They e.g. allow the management to explain the corporate vision, strategy and role of employees during implementation. They also help maintain continuous and mutually beneficial dialogue. The corporate bulletin ČEZ News is an effective communication form considered by experts as the best corporate bulletin in the Czech Republic. The ČEZ Group's intranet is used for the whole Group as well. Important notifications at the ČEZ Groups level are now communicated in the form of electronic newsletters. Internal online communication made further progress through the first online interviews of the ČEZ Group's top managers with employees.

Public acknowledgement and reward for the best employees is highly motivating and supports the high performance-oriented culture. Traditional "CEO Awards" were awarded in 2007 as well for the best individuals and teams contributing to increased efficiency in the ČEZ Group. New voting rules were defined and a more attractive form of remuneration for employees was proposed for further appreciation of the best employees from departments and companies of the ČEZ Group called "Čézar". The purpose of the changes is to increase the prestige and weight of the award.

Performance of the ČEZ Group's team of employees is supported by a sophisticated social policy covering monetary and non-monetary benefits. The basic principles of the ČEZ Group's social policy apply to employees working for foreign acquisitions as well.

Occupational health and safety is a primary focus of the ČEZ Group as well. Cooperation with trade union organizations associated in "Odborový svaz ECHO", "Český odborový svaz energetiků ČOSE" and "Odborový svaz zaměstnanců jaderných elektráren" is at a superb level. The currently applicable collective agreement is valid from 2007 to 2010. About 3,550 employees (54% of total headcount) are members of trade unions (in 2007).

Considering the operations of the ČEZ Group in several countries of Central and South-Eastern Europe and EU member countries, an agreement on establishment of the European Employees Council in 2006 by and between the trade union and ČEZ representatives was discussed. The Agreement on the European Employees Council was signed on 3 April 2007. Then, ČEZ became the first managing employer in the Czech Republic to assemble the European Employees Council. Today, the Council has 23 members, 14 of which from the Czech Republic, 4 from Bulgaria, 3 from Romania and 2 from Poland. The Council officially launched its operation during the first session, held on 7 and 8 November 2007.

2. Corporate Social Responsibility Report

1 Social responsibility of the ČEZ Group

Summary:

Martin Roman: "Social responsibility is an integral part of our business. We consistently esteem the basis of business ethics and have developed the corporate culture principles applied in the ČEZ Group in their spirit. We acknowledge our responsibility to the environment, customers, employees as well as other stakeholders of the ČEZ Group."

Dear readers.

One of the values we have appreciated and been applying for many years is an openness to the expert as well as general public and a constant willingness to engage in dialogue. The Corporate Social Responsibility Report of the ČEZ Group you are reading now, and let me take this opportunity to address you, is practical evidence. We conduct a wide range of activities and the awareness of social responsibility is in fact interlaced in each of them. The Report's field of view is not only a wide palette of our current activities but plans for the future, as well.

The care for sufficiency of electricity dominates the broad concept of the ČEZ Group's responsibility towards the community. Today and in the future. The issues of meeting constantly growing electricity demands are highly relevant both in the Czech Republic and in Europe in the context of the forecasted lack of production capacities. We are a company focusing on electricity production and supply and therefore, we consider meeting the energy needs of Czech industry and citizens a common obligation, a matter of honour and priority. It is our mission to cope with the issues of the country's energy security. The support of economic growth and the standard of living of our people is our responsible goal.

We are one of the most important economic entities in the Czech Republic and we are aware of our commitment to responsible behaviour. We are aware of our great responsibility towards our major shareholder – the Czech Republic. In the 15-year history of ČEZ, we have levied more than CZK 106 billion from income and dividend income tax, CZK 66 billion of which from income tax. At the same time, the business success of the ČEZ Group has created the background to the business environment of the Czech Republic – we have created more than 100,000 jobs in our operations and have invested more than CZK 300 billion since 1992, when ČEZ became a joint stock company, benefiting domestic companies and their employees as well. We have donated more than CZK 4 billion to generally beneficial projects.

An emphasis on environmental protection is the priority for conforming to sustainable development principles – from raw material extraction through electric and heat power production up to the storage of unusable products. This is clearly supported by investments in landscape reclaiming projects, nuclear waste management and the inclusion of renewable resources support in our strategy. We have declared our responsibility in resolving global climate changes related to GHG emissions through the public declaration related to emissions and the approved action plan for their reduction. Gains from sales of saved emission allowances are invested in measures towards further reductions in GHG emissions, modernization of technologies and other measures to improve the quality of the environment. In addition to reductions in emissions – including involvement in the implementation of foreign projects resulting in the same – we promote energy savings, provide our customers with hints on energy savings and attempt to enforce a reduction in energy demands of the national economy.

Measures towards the implementation of the EU's intention are applied also in the field of potential use of renewable energy resources in the Czech Republic. Our goal of trebling energy production from renewable resources to 5.1 TWh per year persists. During the next 15 years, the ČEZ Group will invest CZK 30 billion in their development.

We are successful in making more companies use our “Green Energy” products for the support of renewable energy resources. A record CZK 5.7 million was gathered in the Green Energy Fund at the end of 2007, financed by products, is being used for projects in the field of using renewable energy resources. The Green Energy Council selected and supported 15 projects from the 108 applications for grants in 2008. The success of the second year of the grant competition is reflected in the high quality of the projects and increasing number of contributors to the Green Energy Fund. Two “Green Ten-Hellers”, one of which is contributed by a household or corporate customer for each kWh of Green Energy and the second is donated by the ČEZ Group, accounted for the record sum. Successful implementation of projects selected in 2007 convinced us the ČEZ Group has taken the right step and launched an effective way, and that the Green Energy brand reflecting a positive relation to the environment has the best assumptions to be interesting to the public in the future, as well.

An important aid in our effort to reduce CO_2 emissions and secure sufficient electric energy and heat is the safe and reliable operation of our two nuclear plants. It has been shown that the pan-European insufficiency of energy production capacities forecasted for the near future combined with increasing electricity consumption is a warning and a good reason to find an active solution to future energy self-reliance already today.

An integral part of our social responsibility is the support of public-beneficial organizations in the territory where we operate. In 2007, the ČEZ Foundation spent more than CZK 167 million on the development of culture, health care, and leisure time activities for children and young people and the environment and supported 525 projects nationwide. For the fourth time in a row, we came first in the TOP Corporate Philanthropist in 2007 in the category of overall volume of funds donated. Our active communication with the general public, establishing long-term positive relationships with municipalities, communities and organizations stems from our motto: “We Help Where We Operate”. The summary amount of the foundation’s contributions approaches CZK 700 million in the Foundation’s history.

Communication with schools and students is considered paramount. The ČEZ education programme has a long-term tradition and has become a model for other companies. Today, ČEZ is the only industrial company with the programme active. Implementation of the programme allows us to search for talented students and increase their motivation to be a future member of our team.

Social responsibility is strongly anchored throughout the ČEZ Group and has become an inherent part of our corporate culture. It is one of the pillars of business ethics and commits us – electric energy producer and supplier – to consistently apply the general benefit principle. We are presenting you this report to see how responsibly the ČEZ Group behaved in the last year.

Martin Roman

Chairman of the Board of Directors and CEO ČEZ, a. s.

2 The ČEZ Group and the public

Summary:

Corporate donations are one of the most important priorities of the ČEZ Group. Philanthropic activities of the ČEZ Group are governed by one of the corporate philosophy articles, "to help where we operate". All regions where the ČEZ Group's companies operate understand them not only as a desired employer but also as a partner or good neighbour. In 2007, ČEZ was awarded "Top Corporate Philanthropist in the Czech Republic", the fourth award in the category of total funds distributed. The ČEZ Group supports the development of regions both through the ČEZ Foundation and the regional promotional partnership. The openness of the ČEZ Group is reflected in its active communication with the public. The ČEZ Group does not forget educational support at all levels through its long-term and full education programme.

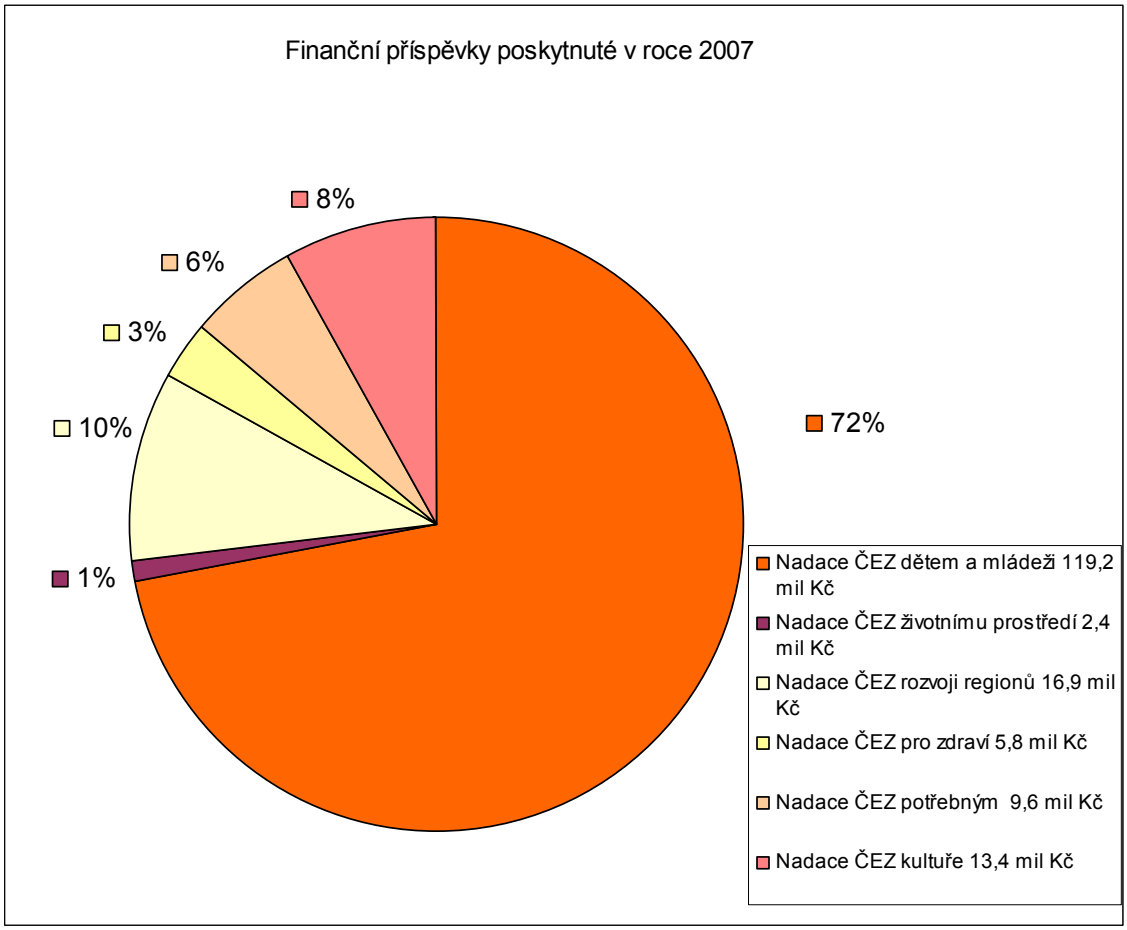
2.1 The ČEZ Foundation

Summary:

The Foundation was incorporated by ČEZ in 2002 to cover its donation activities. By 2006, the foundation was operating as the "Duhová energie" Foundation and now it is called the ČEZ Foundation. The Foundation receives funds from individual ČEZ Group members. The Foundation is managed by the nine-member Board of directors and three-member Supervisory board. In 2007, the Foundation supported 525 public benefit projects totalling CZK 167.4 million. The total amount of donations in the Foundation's history reaches CZK 690.9 million.

2.1.1 The ČEZ Foundation

The mission of the ČEZ Foundation is the systematic support of public beneficial projects and other activities important from the social point of view. The wide range of areas where the Foundation directs its assistance allows the needs and inputs of local non-profit making organizations to be met. The key to successful cooperation of the ČEZ Foundation is thorough knowledge of the area where the ČEZ Group operates. The support is mainly focused on three areas – children and young people's activities, handicapped citizens and regional development in the Czech Republic.



ČEZ Foundation to Children and Young People – CZK 119.2 million
ČEZ Foundation to Environment – CZK 2.4 million
ČEZ Foundation to Regional Development – CZK 16.9 million
ČEZ Foundation to Health – CZK 5.8 million
ČEZ Foundation to People in Need – CZK 9.6 million
ČEZ Foundation to Culture – CZK 13.4 million

2.1.2 Projects of the ČEZ Foundation

2.1.2.1 Orange Playground

The “Orange Playground” has been the central Foundation project of nationwide importance for five years. The ČEZ Foundation contributes to municipalities for the construction of playgrounds and sports fields fully conforming to strict European requirements for the safe and healthy development of children. In 2007, the construction of 29 Orange Playgrounds was supported in various towns in the Czech Republic. CZK 41 million was donated. Already 89 playgrounds totalling CZK 145.3 million have been constructed since the launch of the Foundation’s project.

2.1.2.2 Orange Bike

The “Orange Bike” project is an interactive touring project focused particularly on help for health- or socially-handicapped people. Since 2004, special stationary bicycles have been gathering attention during many cultural, social and sports events

nationwide. In 2007, the Orange Bike stopped at 16 places. CZK 2.75 million was donated to 32 organizations. Since 2004, 75 organizations have been supported with a total amount of CZK 8.9 million.

2.1.2.3 Regional projects

Regional support is represented by projects directing financial contributions according to specific needs and issues of individual regions of the Czech Republic. The Foundation's donations are used for the support of public beneficial projects in the area of schools, research and development, culture, sport, health care, the social area, the environment and improving local infrastructure. Following to the motto "We Help Where We Operate", the ČEZ Foundation contributed CZK 123.6 million in 2007.

Examples of regional projects in 2007

Northern Moravia Region

TANDEM – Association of parents and friends of the Elementary School for Vision and Speech Handicapped Pupils in Opava - "Tandem for Life 2007"

(donation: CZK 100,000)

The TANDEM association focuses on the integration of mainly visually handicapped children and young people into the community. The association organizes many sports activities, the most important being bike races on tandem bikes, "Tandem For Life", organized within the nationwide event "Bike For Life". The contribution from the Foundation was used for the involvement of blind athletes. The event was organized in seven towns of the Czech Republic and was attended by 120 blind pupils from elementary schools. A part of the contribution was used for the procurement and modification of existing and new tandem bikes.

Eastern Bohemia Region

ZOO Dvůr Králové – "African Village - Exhibition of rhinos"

(donation: CZK 500,000)

ZOO Dvůr Králové focuses on breeding endangered species of African animals. The donation was used for the construction of a new tour route called African Village, presenting to visitors rare African animals in a more natural and stylish environment. A pen for the rare Northern White Rhinoceros (Ceratotherium simum cottoni) was reconstructed and rest shelters for the public inspired by Africa were constructed for undisturbed observation of these rare rhinos as well as other exotic animals.

Northern Bohemia Region

Special Elementary School Děčín IX - Bynov – "Furniture for classrooms"

(donation: CZK 200,000)

Multi-functional wardrobes and put-away closets are now installed in each of the eight classrooms of the Special Elementary School in Teplická Street in Bynov, Děčín. Clothes for PE, coats, textbooks, tools for art subjects and other aids are now left by ninety children with special education needs in oak closets and wardrobes. The tailor-made wardrobes perfectly fit in the indented spaces of the classrooms without filling them too much and are suitable for wheelchair bound children (lower installed locks, etc.). Of course, the furniture conforms to all health care requirements. The school furniture was renewed after twenty years. These special facilities are under-financed due to legislation-based lower number of pupils in special school classrooms in standardized financing of schools per pupils.

Western Bohemia Region

Pomocné tlapky, o.p.s. – "Gimme your paw, I'll give you my paw"

(donation: CZK 130,000)

Pomocné tlapky specializes in training assistance and canis-therapy dogs. The contribution was used for complete training and care of Golden Retriever Karel in assisting a family with a physically handicapped child. In addition to common tasks such as handing over things, Karel provides rehabilitation to the child by heating its spasm-wracked muscles. A canine assistant can replace a human assistant to a great extent. In 2007, the organization Pomocné tlapky trained 14 assistance dogs for handicapped people across the country. In its 7-year history, this association has trained 75 assistance dogs.

Central Bohemia Region

Association of partners of the Ringing Station of the National Museum in Prague –

"Bird Migration Atlas for the Czech Republic and Slovakia"

(donation: CZK 200,000)

The project authors decided to present the issues of the migration of birds to the general public in a popular way and to evaluate the results collected over almost 70 years of systematic research in this field. It is a unique project working on data obtained over a long period and mapping specific groups of organisms.

A 500-page book explains the history of bird migration, gives a selection of more than 100,000 records of ringed birds and focuses on the explanation of why birds migrate in the Czech Republic in the context of the situation in other European countries. The book is full of attractive colour illustrations, maps and graphs.

Southern Bohemia Region

Town of Týn nad Vltavou – "Making the historical underground system accessible"

(donation: CZK 550,000)

An extensive complex of underground corridors probably constructed in the 15th century has been successively revealed in the north-western part of the historical centre of the town. About 160 metres of underground chiselled corridors including two water reservoirs were made accessible thanks to the project. The system was used for draining underground water under burghers' houses. The underground system was used as an escape route during the siege of the town.

The town used the ČEZ Foundation's contribution for the removal of sediments and landslides from part of the underground, and for the renewal of the drainage system. Entry and exit spaces in the cellars of the former archiepiscopal chateau were reconstructed.

Southern Moravia Region

Hodonín Family Centre – "Purchase of Pick-up Service Car"

(CZK 300,000)

The Family Centre used the contribution to purchase a specially modified nine-seater Renault Traffic used for picking up mentally and physically handicapped children and transporting them to Vlaštovka, a rehabilitation day centre in Hodonín. Providing permanent transport or trips is a big problem for many families with handicapped children. According to the Vlaštovka manager, the benefits of the car are the possibility of regular visits to the rehabilitation day centre and the availability of expert care. The centre uses the car for organizing trips as well.

2.2 Donations outside the ČEZ Foundation

In addition to the ČEZ Foundation, the ČEZ Group made donations through individual ČEZ Group companies both in the Czech Republic and abroad.

2.2.1 Donations in the Czech Republic

The parent company ČEZ has made significant donations amounting to CZK 34.4 million. The main recipients were municipalities surrounding Dukovany Nuclear Power Plant, Temelín Nuclear Power Plant and Ledvice Power Plant, Faculty Hospital Motol and the National Gallery in Prague. Further donations were made through ČEZ Distribuce, a. s., for example, to Masarykova nemocnice in Ústí nad Labem and Nemocnice Most. Also, ČEZ Prodej, s.r.o., ČEZ Správa majetku s.r.o., Energetika Vítkovice, a.s and Ústav jaderného výzkumu Řež, a.s. made donations totalling CZK 6.1 million.

Another important company regarding corporate donations is brown coal mining company Severočeské doly a.s. from Chomutov of which sole shareholder ČEZ became in 2006. ČEZ assumed the activities of the company towards the public of North-Western Bohemia because the activities of Severočeské doly, a.s. have always been focused particularly on the area of their brown coal mines - Bílina Mines and Nástup Mines in Tušimce. In 2007, we launched the system project "We Help Where

We Operate", which - based on impartial factors such as the distance of a municipality from the mine, the number of inhabitants, the prevailing wind direction and the mine progression direction - aims at assisting Severočeské doly a.s. especially in the fields of education and municipality infrastructure.

2.2.2 Corporate donations by foreign companies of the ČEZ Group

In Bulgaria, CEZ Trade Bulgaria donated BGN 5,000 (about CZK 71,000) to the production of a movie about the consequences of a prior accident of the 3rd and 4th bloc of the Kozloduj Nuclear Power Plant and the consequences for power engineering safety in the Balkans, and TEC Varna EAD donated BGN 18,000 (about CZK 255,000) to projects implemented in the surroundings of the power plant.

In Poland, Elektrociepłownia Chorzów ELCHO spol. z o.o. donated PLN 58,000 (about CZK 425,000) to a non-profit making social organization supporting culture, sport and people in need, and Elektrownia Skawina S.A. donated PLN 118,000 (about CZK 863,000) to local organizations and associations, research and education, health care and culture.

In Serbia, CEZ Srbija d.o.o. donated EUR 20,000 (about CZK 555,000) to a hospital in Beograd.

In Kosovo, New Kosovo Energy L.L.C donated EUR 7,000 (about CZK 194,000) to the intensive care unit at the University Clinic in Kosovo and EUR 900 (about CZK 25,000) to an SOS children village.

In Hungary, CEZ Hungary Ltd. donated EUR 1,600 (about CZK 44,400) to children.

2.3 Corporate volunteering

In 2007, the ČEZ Group enriched its philanthropic concept by launching the corporate volunteering project "Time to Do a Good Deed".

The ČEZ Group, as a big, successful and significant employer in the Czech Republic, offers its employees to spend one fully paid workday per calendar year helping a selected non-profit making organization. The employees can help weak people, people in need or the environment in their vicinity with the employer's support.

Corporate volunteering is an ethical gesture of the company to support the interest of employees in personal involvement in activities beneficial to the public - children, the environment, weak people, the elderly and physically and mentally handicapped citizens. The ČEZ Group started mutually beneficial partnerships of the company, employees and non-profit making organizations in regions where the ČEZ Group operates.

A voluntary questionnaire-based survey monitoring the interest of employees in corporate volunteering took place in 2006 among ČEZ Group employees. Thanks to the response and feedback received, the ČEZ Group offers a volunteering day for team assistance to non-profit making organizations within the "Time to Do a Good Deed" project. The first event of the volunteering assistance took place in March 2008 in the Podkrušnohorský zoo park in Chomutov, Northern Bohemia. Team volunteering days will be offered during the year to all employees in other regions as well.

The obliging step of the employer was discussed with trade unions and included in the Collective Agreement.

The volunteering day is considered a day worked by the employee under the following conditions:

- approval by direct superior;
- presentation of written confirmation in standardized form and certified by the non-profit making organization or organizer (in case of a team activity).

2.4 Cooperation with Forum of Donors

ČEZ, one of the biggest and most important Czech companies, is an active member of the corporate donation club DONATOR, a prestigious association of companies under the auspices of the Forum of Donors. The main goal of the club is supporting the development of corporate philanthropy and responsible donations in the Czech Republic. In this regard, the ČEZ Group significantly contributed to the organization of the Fourth International Corporate Donation Conference held in 2006 by the Forum of Donors.

In association with the Forum of Donors, in 2005 and 2006 the ČEZ Group supported the implementation of internationally respected metrics methodology for the corporate donation "Responsible Corporate Standard" (SOF) in the Czech Republic. In 2006 and 2007, the ČEZ Group informed about its philanthropic activities within the intentions of the methodology and came first in the TOP Corporate Philanthropist for the fourth time in a row in the category of total funds donated. In 2008, the cooperation was extended by the inclusion of employees in corporate volunteering activities.

2.5 Communication of ČEZ with public

Summary

Creating a corporate image is one of the assumptions for successful business under constantly changing electric energy market conditions. The ability to respond dynamically to the current situation is closely related to the abilities of efficient communication. The ČEZ Group companies promote the principles of openness, currency and verity for communication with the public. Message receivers are mainly shareholders of ČEZ, analysts, banks and mass media. Communication with the general public, i.e. both current and potential clients, is important as well.

2.5.1 Communication with shareholders, investors and analysts

ČEZ honours and strictly adheres to an equal approach to all its shareholders, who have all the relevant information about the business and financial situation of the Group available in time and on a continuous basis. The company obeys all provisions of the Commercial Code regarding protection of shareholders' rights, it particularly immediately provides all relevant information about the company, convenes and leads general meetings and ensures the equal treatment of all shareholders. In addition to the law and with respect to the shareholders, the ČEZ Group obeys the Code for Corporate Governance and Management. The company intends to maintain

an open dialogue, albeit exceeding the obligations defined by law, with all players on the capital markets. Each ČEZ shareholder may independently evaluate the performance of the ČEZ Group as well as ČEZ, and assess its strategy for the future.

In 2007, the main themes of the communication with shareholders included developments on the electricity markets in Central Europe, the CO_2 allowances market and the response of the ČEZ Group to the abrupt drop in the allowances price. Themes the shareholders were interested in included financial developments in newly included foreign entities as well as the acquisition policy, including future plans.

Day-to-day communication with shareholders mostly relates to the distribution of dividends. The communication uses standard mail, phone, e-mail or personal contact. At the same time, the ČEZ Group handles requests for information about payables for inheritance proceedings at notaries. Annually, there are about 150 requests of this type. Upon request, ČEZ also issues confirmations on the payment of dividends and levying of withholding tax (applies mostly to legal entities).

Off-site meetings of ČEZ management with investors and press conferences have proved to be a great form of communication; individual meetings are organized as well.

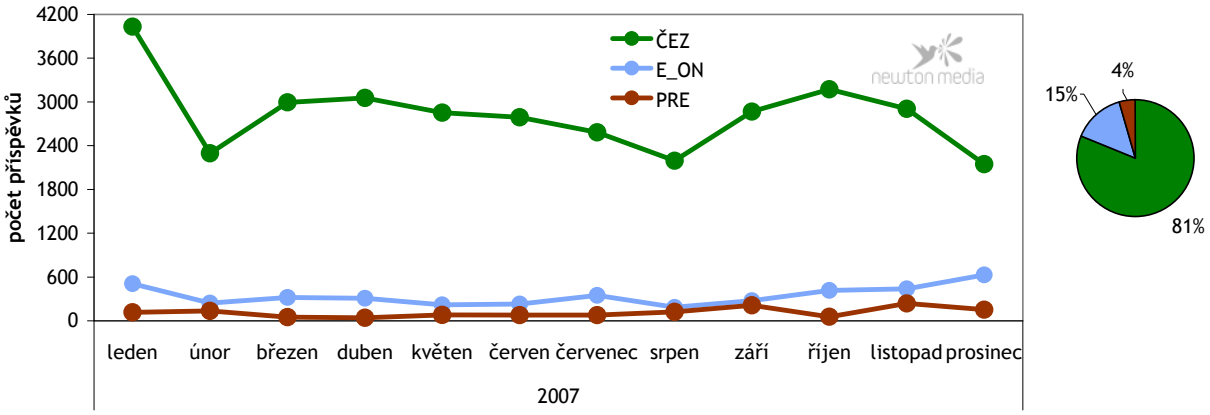
2.5.2 Communication with mass media

Particularly good cooperation with the mass media informed by press releases or during regular press conferences organized mainly in Prague is used for communication with the expert and general public outside the ČEZ Group. Three spokesmen operating at the headquarters of ČEZ ensure the communication itself. In all regions where the ČEZ Group operates, two local communicators are appointed whose task is communication with citizens (requests for sponsoring and promotional partnership) and public administration and local governments (crisis communication and mutual awareness). Local communicators are local spokespersons for the media.

ČEZ Press Department also handles matters related to foreign participations.

In addition to the four standard press conferences informing about the business results of the Group quarterly, ČEZ convened several press conferences themed on current situations, e.g. results of foreign companies of the ČEZ Group, the use of renewable resources, allocation, management and trading in allowances in EU member countries and in the Czech Republic, legislation allowing the investment of funds gained from saved allowances in environmentally-friendly technologies (financing of short-term and long-term measures), etc. Similarly to previous years, the public dialogue transparency policy contributed in 2007 to the image of openness, impartiality and responsibility of the ČEZ Group towards the general public.

Summary of media coverage of followed corporations - by number of articles

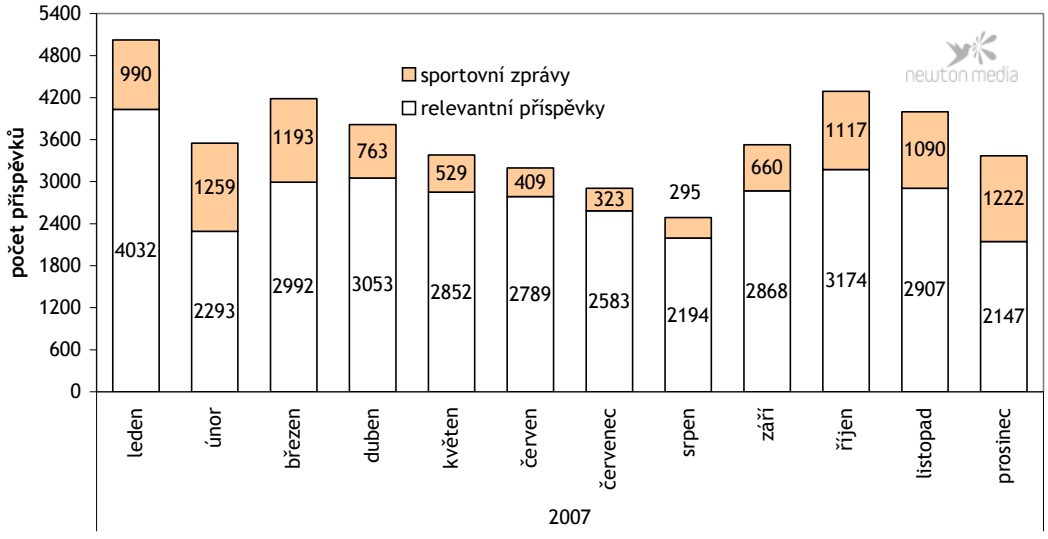


number of articles

January – February – March – April – May – June – July – August – September – October – November – December

The graph on the left shows the media coverage development of followed corporations by number of articles, and the graph on the right shows the percentage of the media coverage of the same during the period.

Media coverage of the ČEZ Group - numbers of relevant articles



number of articles

January – February – March – April – May – June – July – August – September – October – November – December

sports articles relevant articles

2.5.3 Corporation's media image

During the fourth quarter of 2007, the media image of ČEZ was particularly dictated by presenting ČEZ as well-managed, dynamic international corporation and socially responsible citizen. The positive media assessment related especially to:

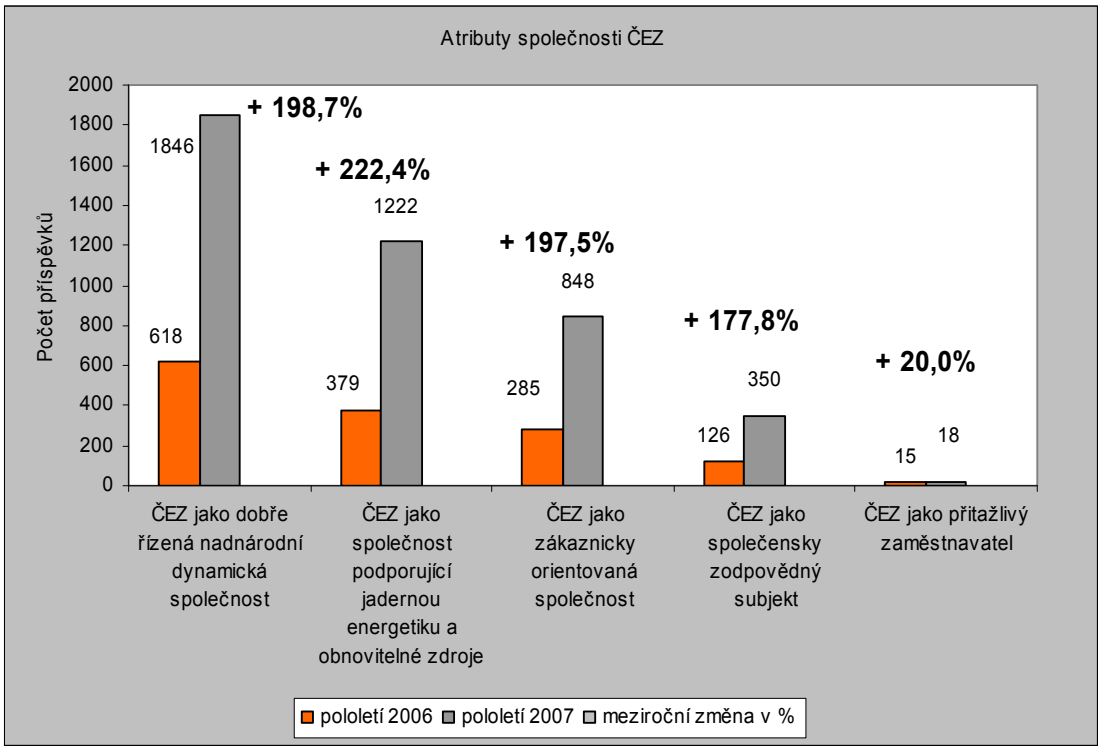
- good business results of ČEZ;
- investments in the ČEZ Group infrastructure, e.g. repairs and redevelopments of substations;
- activities of the ČEZ Foundation, frequently covered e.g. due to coming first in the top corporate donors in the Czech Republic;
- expansion of the company abroad (negotiations topped off with an agreement on strategic alliance with Hungary-based MOL, success in the state tender for completion of the third and fourth bloc of the Romanian nuclear power plant in Cernavoda, amalgamation of three Bulgarian distribution companies, plans for accession to the Turkish and Russian energy markets, etc.).

The most frequent theme of negative articles was the growing electricity prices.

The most frequent media attributes associated with ČEZ in 2007 were:

- ČEZ as a well-managed, dynamic international corporation;
- ČEZ as socially responsible entity;
- ČEZ as customer-focused corporation;
- ČEZ as a corporation supporting nuclear power engineering and renewable resources;
- ČEZ as an attractive employer

ČEZ as seen by the public



Attributes of the ČEZ Group
number of articles

ČEZ as a well-managed, dynamic international corporation
ČEZ as a corporation supporting nuclear power engineering and renewable resources
ČEZ as customer-focused corporation
ČEZ as socially responsible entity
ČEZ as an attractive employer

mid 2006 mid 2007 year-to-year change

The media articles relating ČEZ to the attribute of **socially responsible entity** themed especially on:

- sponsoring, e.g. the ČEZ Foundation, Orange Playgrounds, NG 333 Awards;
- investment in environmental protection (e.g. construction of windmills in more locations, statistical data on production in hydro power plants, ČEZ Renewable Resources, combustion of biomass, Green Energy Fund);
- education campaign "Look Into Your Savings";
- auction of paintings donated by ČEZ in favour of Konto Bariéry 77
- bird protection.

2.5.4 Communication with the public

Quality of printed materials – brochures, leaflets about the ČEZ Group and individual entities regarding activity-related fields is the information pool not only for the general

public. The regularly updated website www.cez.cz is the central point of communication with the general public, where much information about the ČEZ Group as well as contacts required is available. Visitors to the ČEZ website can get:

- structured information about products and services, including responses to frequently asked questions, documents needed for download (forms, tariffs, etc.);
- information about the current situation in the company, the ownership structure, management, business results;
- information about power plants and the environmental policy of the ČEZ Group;
- summary of currently available vacancies;
- offer of education program of the ČEZ Group;
- section reserved for communication with suppliers (publishing tenders for supplies) with password-protected access (database records of registered suppliers).

The Group's website also conforms to information requirements for issuers and includes current information about the operation of nuclear power plants as well as information required by the Energy Law (proportion of resources used for electricity production, consequences of electricity production on the environment and information about general fuel mixtures by suppliers). In 2007, the www.cez.cz website was visited by more than 1,589,000 Internet users.

2.5.4.1 Information centres

The network of Information Centres of the two nuclear and five hydro power plants of the ČEZ Group carries out communication of public activities as well. More than 105,000 visitors came to the Information Centres in 2007. Admission to the information centres is either free or for a low admission fee. The Information Centres of the nuclear power plants in Dukovany and Temelín were visited by 55,693 visitors altogether, which is the highest annual visit rate since 2001. The Information Centres of the hydro power plants were visited by 50,108 visitors in 2007. A remarkable drop in visitors to the Dlouhé Stráně Information Centre was caused by its closure during the summer season due to reconstruction of the upper reservoir of the re-pumping hydro power plant.

The eighth ČEZ Information Centre was opened in May 2008 - Renewable Resources.

The newest and most modern ČEZ Information Centre - Renewable Resources with interactive models, will operate in the small hydro power plant in Hradec Králové in the centre of this city in the Eastern Bohemia region.

Visitors to Information Centres (IC) in hydro and nuclear power plants in 2000-2007 (in persons)

IC / year	2000	2001	2002	2003	2004	2005	2006	2007
IC Dlouhé Stráně	44 374	41 414	42 833	38 806	41 768	54 275	60 976	17 862
Total IC of hydro	63 475	61 222	62 326	54 453	72 414	84 074	89 874	50 108

power plants per year								
IC Temelín	23 727	23 509	19 952	18 434	20 002	23 479	24 402	26 875
IC Dukovany	29 104	32 780	27 523	23801	26 055	25 056	26 063	28 818
Total IC of nuclear power plants per year	52 831	56 289	47 475	42 235	46 057	48 535	50 465	55 693
IC Total	116 306	117 511	109 801	96 688	118 471	132 609	140 339	105801

Information Centre Renewable Resources – NEWLY OPEN!

Křižíkova 233, Hradec Králové

Hours of operation: daily 9 a.m. to 4 p.m. except for New Year's Day, Easter Monday, Christmas Eve and New Year's Eve. Group visits to the small hydro power plant should be booked in advance.

Phone: 492 110 160, www.cez.cz/hucak

Information Centre of Temelín Nuclear Power Plant

E-mail: infocentrum.ete@cez.cz, phone: 381 102 639, fax 381 104 900. Internet orders: www.cez.cz/exkurze-ete

Hours of operation: open daily from 9 a.m. to 4 p.m.; on holidays to 5:30 p.m. Projection of a 3D movie for individual visitors starts in the cinema hall of the IC at 9:30 a.m., 11:30 a.m., 1:30 p.m. and 3:30 p.m.

Information Centre of Dukovany Nuclear Power Plant

E-mail: infocentrum.edu@cez.cz, phone: 561 105 519.

Hours of operation: July - August daily from 9 a.m. to 5 p.m. (September to June: 9 a.m. to 4 p.m.); first Monday of each month closed.

Admission: free

Information centre of Dalešice Hydro Power Plant

Phone: 561 105 519, infocentrum.edu@cez.cz

Hours of operation: July - August daily from 9 a.m. to 4 p.m. (low season - advance booking required).

Admission: free

Information centre of the Dlouhé Stráně Re-pumping Hydro Power Plant (operated by Energotis):

Contact: Orders: petrol station Loučná nad Desnou, 788 11

Hours of operation: open all year long including Saturdays, Sundays and holidays and based on advance booking only

Phone: 583 235 091 (orders 8 a.m. - 3 p.m.), Fax: 583 235 094

Information centre of Štěchovice Hydro Power Plant

Phone: 602 107 453, 603 769 197, 608 308 759.

Hours of operation: at any time upon advance booking.

Admission: free

Šumava Energy Exhibition

Vydra and Čeňkova pila Hydro Power Plants.

Hours of operation: daily except for Mondays from June to September.

Excursions at 9 a.m., 11 a.m., 1 p.m. and 3 p.m., otherwise upon advance booking. Phone: 840 840 840

Admission: free

Information centre of Lipno Hydro Power Plant

E-mail: infocentrum.eli@cez.cz, phone: 380 746 621, 606 445 798, 607 673 651.

Hours of operation: daily 10 a.m. - 4 p.m. (high season: 15 June - 15 September), low season upon advance booking only.

Admission: CZK 20 for adults, CZK 10 for children

2.5.4.2 Communication of ČEZ with expert public

ČEZ, the industry leader, places extra emphasis on the use of world-class technologies at the highest scientific and technological level possible. ČEZ operates an in-house R&D centre by the ÚJV Řež affiliate company covering not only nuclear physics but also classic power engineering processes. The company employs experts and expert studies for resolving sub-tasks. It communicates with universities and university centres not only to get graduates from tailored special study programmes but also to use the potential of experienced experts.

The ČEZ Group regularly supports expert conferences - e.g. VVER – International Conference on Pressurized-Water Reactors, NUSIM – International Conference on Nuclear Safety, Reliability and Efficiency, Hydroturbo – International Conference on Hydro Power Plants, Heat Engineering Days, etc., and actively participates in domestic and international expert conferences and fairs in the form of expert contributions. The Group employees publish in expert periodicals.

2.5.4.3 Communication with schools - Education program

The young generation plays an important role for the corporate future - they are future electric energy consumers, future voters, i.e. those deciding on the future of power engineering and, last but not least, potential future employees of the ČEZ Group. Therefore, an education program was selected as one of the main communication tools. The program called “Energy for Everybody” was presented by ČEZ already in 1992. The year 2007 entered the ČEZ Group with fifteen years of experience in this field.

The ČEZ education program is focused particularly on the effective support of physics teachers. The program offers many possibilities – from printed materials through videos, computer software and Internet applications up to discussions, site tours, and workshops. The program was renamed in 2006 as: "The World of Energy". Pursuant to the new concept of the Czech education system, the new education materials allow pupils, students as well as teachers to actively engage in syllabuses from all points of view and replace former mechanical memorizing of knowledge with creative thinking, opinion-making, recognizing associations, formulating own hypotheses and quality argumentation. The workshops have obtained accreditation

for ČEZ from the Ministry of Education, Youth and Sports of the Czech Republic to organize training and further education of teachers. The materials of "The World of Energy" are completed with detailed methodology. Through "The World of Energy" education program, teachers may, to a significant extent, cover the school syllabus devoted to physics lessons as well as touching on related syllabuses devoted to natural sciences and general themes.

2.5.4.4 Talent hunting and support

In cooperation with partners, ČEZ organizes competitions of science and technical projects for high school students, university students, diploma and inceptor studies in the form of “The ČEZ Award”, and supports autumn physics schools for high school teachers. Students reporting excellent study results or a high level of interest in working with the power engineering company are offered scholarships and expert stays. We also support summer physics schools for talented students organized by the Nuclear and Physics-Engineering Faculty of the Czech Institute of Technology and the Mathematics-Physics Faculty of Charles University. For students, the “Třipól” magazine is published to popularize science and technology with the emphasis on power engineering.

2.5.4.5 The World of Energy Club

The most active teachers may apply for membership in “The World of Energy Club” as a part of the education programme in the field of physics teaching. Among others, the club offers information about news and prepared events of “The World of Energy” program, including seminars of which attendance there is included in further pedagogical education based on the accreditation of the Ministry of Education, Youth and Sports of the Czech Republic, meeting pedagogy, physics and power engineering experts, exclusive tours and cooperation in the development of modern teaching materials. The Club intends to work as an exchange of good practice examples, an ideas bank for new educational materials for Czech schools.

The schools are offered by the ČEZ Group to use the in-house education programme for physics as the only industrial company in the Czech Republic; the ČEZ Group was also the first offering teachers effective assistance in the inclusion of physics themes in school syllabuses.

2.5.4.6 Support of schools

The ČEZ Group has been supporting elementary and high schools as well as universities through a complex education programme for fifteen years. The Group assists talented students and young researchers, cooperates with teachers and supports general education in the field of power engineering and the environment. Many educational tools have received prestige awards in competitions of teaching aids or recommended for use in schools by the Union of Czech Mathematicians and Physicists.

More than CZK 100 million has been directed to schools through the education programme; other significant sums headed there in the form of promotional cooperation, sponsoring or donations by the ČEZ Foundation, of which one of the main priorities is the education and support of young people.

3 Environment

Summary:

The parent company of the ČEZ Group has invested during its modern history more than CZK 200 billion in its development and environmental measures. In 1992 – 1998, ČEZ invested about CZK 46 billion in the extensive programme of desulphurization of coal power plants, which has been the most important environmental investment to date. Thanks to environmental investments, which are the greatest of all industrial companies, all coal power plants have been operating in conformity with the applicable legislation for air protection in the Czech Republic as well as the most stringent standards of the European Union since 1998.

The goal of this chapter is to introduce the measures the ČEZ Group pursues to maintain the minimum negative footprint of electric energy production on the surrounding environment. The chapter is divided equally in the order of electricity production activities – starting with mining, preparing and transporting fuels, through electric power production up to its distribution to points of consumption.

3.1 Responsible approach of the ČEZ Group to environmental protection

The strategic decisions of the ČEZ Group in the field of environmental protection stem from the assumption that the environment is an irreplaceable wealth a reliable custodian wants to hand over to future generations in better condition than he inherited it. Environmental protection is an integral part of key social themes at the pan-European level.

The ČEZ Group's strategy found twofold form in this field: on the first hand there is the effort to have the most economical and environmentally-oriented management of the Group companies and on the other, we strive to develop such forms of electricity production with the smallest footprint on the environment through emissions while saving strategic raw materials.

The complex desulphurization project applicable to coal power plants completed in the 1990's resulting in a principal improvement in air quality was one of the most important steps towards environmental protection in the Czech Republic. Increased use of renewable energy resources as well as energy savings support is an integral part of the ČEZ Group's strategic development. Successive implementation of the environmental management system (EMS), which has become a part of the company management, is the non-technical measure of a responsible approach to environmental protection. The EMS implementation based on the requirements of international standard ISO 14001:2004 started in 2002. The EMS implementation finished in 2002 following issue of an international certificate for all power plants operated in conformity with ISO 14001 management system requirements. One summary certificate for classic power plants and two separate certificates for Temelín and Dukovany nuclear power plants have been issued for ČEZ.

Many technical and biological reclamations related to the storage of remnants of unused secondary energy products have been carried out in order to revitalize the landscape. Since 2005, the recovery of emissions measurement equipment and preparation works for further improvements have been running in all coal mining power plants. ČEZ is the first corporation in the EU member countries to launch the complex recovery of resources pursuant to the new EU directives.

In 2006, ČEZ became the sole shareholder of mining company Severočeské doly a.s. and environmental protection responsibility extended also to the removal of environmental damage and reclamations related to mining activities. Experience and competencies in the removal of environmental damage and reclamations, which rank Severočeské doly as a leader in the Czech Republic, are shared with mining companies abroad, e.g. in Greece.

3.2 Safety and quality management system

The safety and quality management system is an integral part of the ČEZ Group management. The implemented EMS (Environmental Management System) supports conformance to the requirements of Czech legislation in the field of environmental protection and they are harmonized with EU legislation requirements on a continuous basis. The ČEZ Group respects recommendations from important world organizations, such as the International Energy Agency, International Atomic Energy Agency, Nuclear Energy Agency within OECD, Western European Nuclear Regulators' Association, etc. In 2006, the ČEZ Board declared and published the Safety, Environment Protection and Quality Policy. The company Board unconditionally assumed liability for the provision of:

- safety of its production resources;
- protection of individuals, the company and the public;
- protection of the environment;
- quality.

Appropriate conditions, sufficient human and financial resources as well as effective management structures and audit mechanisms have been created and developed to meet the responsibility. Participation in the program "Safe Plant" is an important element of the safety and occupational health safety system, of which content and structure conforms to the requirements of OHSAS 18001. At TEC Varna EAD (Bulgaria), the integrated quality management system was certified in January 2006.

The EMS conforming to the international standard ISO 14001:2004 has been implemented in ČEZ to arrange environmental protection. The programs for accomplishment of the environmental policy are based on the principle of prevention and continuous improvement of environmental protection. They include accomplishment of all legislation standards and define the goals the ČEZ Group desires to attain.

Safety, quality and environmental protection are a single interlaced unit. Therefore, these fields are interwoven from the integrated management point of view as well in ČEZ.

The ČEZ Group safety policy has been executed by accomplishing the following safety goals and adhering to many safety principles applied by ranked approach depending on the hazard importance and the severity of potential consequences.

Safety policy goals in the ČEZ Group

General goal of nuclear safety

To protect individuals, the public and the environment against radiation hazard, i.e. to attain permanent condition and ability of the nuclear facility and its operators to avoid uncontrolled leak of radioactive substances and ionizing radiation into the environment.

Radiation protection

To ensure the radiation exposures inside the facility and due to leak of radioactive materials into the environment are as low as reasonably possible during normal operation while considering economic and social factors and not exceeding the limits and to mitigate the extent of radiation exposure due to accidents.

Technical safety

To avoid accidents in nuclear facilities to the greatest extent possible.

To ensure the occurrence of only minor radiation or other harmful consequences in normal operation, mastering all accidents described in the project as well as low likelihood accidents.

To ensure extremely low likelihood of over-project accidents with serious radiation consequences.

Fire protection

To minimize fire occurrence and spread to the greatest extent possible due to internal or external events and to control the consequences thereof at the lowest possible level.

Physical protection

To avoid the intrusion of unauthorized persons in safeguarded spaces of the power plants, to avoid unauthorized handling or misuse or theft of materials (equipment), items and technologies. Regarding nuclear facilities, to especially prevent danger in the sense of nuclear safety and radiation protection.

Occupational health and safety

To minimize negative consequences of exposures to production and work processes on the health of employees and other persons.

Environmental protection

To avoid a negative production process footprint on the environment and to limit potential footprints at the lowest level possible.

Relevant control and work documentation is processed for environmental protection in ČEZ. The employees are informed and regularly trained in EMS workshops about their obligations regarding environmental protection and aspects of their job activities.

All employees are responsible for adherence to safety requirements at work within their competence. All employees are obliged to prevent pollution or damaging the environment particularly through measures at workplaces and to minimize the negative consequences of the employee's activity on the environment.

3.3 Impact of fuel mining and transport on the environment

Summary:

The ČEZ Group's power plants use various fuel types for electricity production. The fuel mix composition depends on the evaluation of many factors. Every fuel has different properties with respect to impact on the environment, transport or storage demands, price, technology for burning or availability of stock. The Czech Republic is a country without sufficiency of refined fuel resources e.g. crude oil or natural gas, and therefore, coal available from domestic resources is the primary source with respect to energy safety and independency of imports.

The installed capacity of ČEZ's coal power plants in the Czech Republic exceeds 6,500 MW; ČEZ also operates coal power sources abroad with total installed capacity of 1,988 MW (ELCHO and Skawina in Poland and Varna in Bulgaria). Biomass is combusted in combination with coal in many coal power plants belonging to the ČEZ Group. The issue of use of renewable energy resources is the subject of an independent chapter. Fuel oils and natural gas are only used in the ČEZ Group's power plants for ignition and stabilization of boilers.

The key aspects of environmental impacts relate to coal mining, noise, fuel transport to power plants or processing or treatment of fuels followed by landscape reclamation. Considering specific characteristics, the fuel for ČEZ's nuclear power plants is described separately.

3.3.1 Mining and transport of classic fuels

3.3.1.1 Coal

Most Czech power plants burn brown coal from Northern Bohemia mined by Severočeské doly, Mostecká uhelná and Sokolovská uhelná. Only one power plant of the ČEZ Group burns lignite mined nearby - in the Hodonín basin. Black coal is burnt in Dětmarovice power plant, Ostrava - Vítkovice power plant and in power plants in Poland. The Varna power plant burns anthracite black coal imported from several European and Asian mining areas.

Surface mining is used for the extraction of brown coal. Territorial occupations and the mining itself have the least positive impact on the environment. With respect to territorial occupations, selective mining of arable land and loess for use in future reclamations of exhausted areas and stock-piles is performed in order to minimize negative influences on the environment. Regarding dust and noise levels, both the effects are regularly monitored and technologies with reduced noise level are applied whenever possible. Protective mounds or forest strips separate the mining areas from the surrounding environment. Roads and piles are sprinkled to reduce the dust rate to the lowest level possible.

Black coal burnt in the ČEZ Group power plants is underground mined only. All measures associated with restrictions on the impact of mining on the environment are provided by mining companies, which applies to all coal procured from external suppliers.

Regarding transport, it is better to locate power plants as close as possible to coal mines due to the volume of burnt coal. If possible, the power plants in the Czech Republic and Poland are supplied by belt conveyors over short distances and regarding longer distances, railway transport is used almost exclusively. Due to high maintenance costs for river courses, river transport is no longer used. Sea transport

to the in-house Black Sea port is used for the transport of fuels to Varna's power plant in Bulgaria. Three moorings are available in the port and maximum vessel draft is 11.5 m. Maximum tonnage of one vessel is 55,000 tons (type PANAMAX).

The ČEZ Group obtained a 100% share in Severočeské doly, joint stock company, due to ensuring stable fuel supplies and due to the strategic character of coal for Czech power plants.

3.3.1.2 Biomass

Concerning the combustion of biomass, the fuel is transported by railway as well as by road. In the Czech Republic, ČEZ co-burns biomass in power plants with fluidized bed boilers installed (Hodonín, Poříčí, Tisová, Ledvice) and in Teplárna Dvůr Králové. The co-combustion was newly tested also in Skawina power plant and tests are prepared for ELCHO power plant (both in Poland). From the biomass type point of view, waste biomass has been used, particularly wood chips or farming products such as bran, waste from seed cleaning as well as sawdust particles. The biomass produced particularly for energy purposes (energy crops) is burnt to a limited extent due to insufficient production of these crops. Support for increased ratio of power energy crops is one of the strategic goals of the ČEZ Group.

3.3.1.3 Natural gas and fuel oils

Natural gas transported by gas pipeline to the consumption site as well as fuel oils including black oil are used as fuel for commissioning of blocs, stabilization and optimization of the burning process in the combustion spaces of the power plant's boilers. Natural gas is used especially in the following power plants: Tisová, Prunéřov, Tušimice, Ledvice, Počerady, Poříčí and Dětmarovice, in heat power plant Dvůr Králové nad Labem and in Temelín nuclear power plant. Natural gas is used in the Temelín Nuclear power plant as an emergency in case of outage of both nuclear blocs for heat supply for the power plant area and the nearby town of Týn nad Vltavou. For ČEZ purposes, natural gas is supplied by external suppliers.

Black oil is procured for Prunéřov, Mělník and Chvaletice power plants. Light fuel oils are purchased for Hodonín and Poříčí power plants including the heat power plant in Dvůr Králové nad Labem. ČEZ has concluded master agreements with three Czech suppliers for the supply of fuel oils.

3.3.2 Clean-up and reclamation of mining areas

Clean-up and reclamation immediately follows coal mining in depleted mining areas. The costs are covered by the mining company and are reflected in the coal supplied.

Severočeské doly, of which the sole shareholder is ČEZ, pay large amounts for reclamation and investments in environmental protection as well as to a fund for covering mining activity consequences following the termination of mining in order to minimize and eliminate the mining effects on the environment. Establishment of not only conceptual and technological but also financial assumptions is attempted to recover the territory following coal exhaustion to a condition conforming to regional needs and respecting environmental protection.

The clean-up and reclamations will take place for 15 years following the mining activities. A reserve used for covering future costs related to reclamation projects of

the exhausted location is created by law. Estimates of the reserves may differ from actual costs due to potential changes in technologies, changes in environmental requirements and time distribution of future expenses. Annual creation of reserves amounts to CZK 400 - 500 million and CZK 250 - 350 million is paid annually for reclamations.

Use of reserves for clean-up and reclamations

creation	use	balance	
	TCZK	TCZK	TCZK
1991	205 000	0	205 000
1992	405 000	0	610 000
1993	420 891	152 810	878 081
1994	376 674	191 421	1 063 335
1995	369 488	230 533	1 202 289
1996	444 311	260 383	1 386 218
1997	479 174	284 892	1 580 500
1998	473 353	273 663	1 780 191
1999	426 367	258 987	1 947 570
2000	455 030	247 963	2 154 637
2001	474 127	243 301	2 385 463
2002	452 304	304 433	2 533 334
2003	455 205	391 382	2 597 157
2004	444 813	312 364	2 729 605
2005	449 785	215 723	2 963 668
2006	451 496	254 416	3 160 749
2007	416 523	141 993	3 435 279
2008	403 231	185 046	3 653 464

Reclamations in 2007

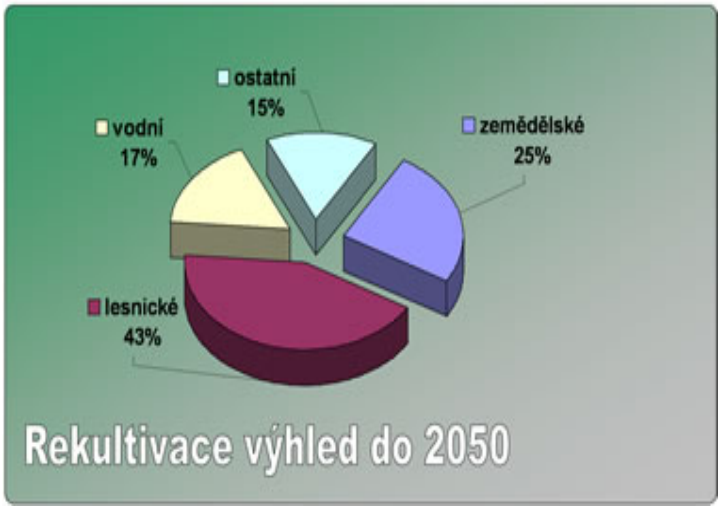
Areas	[ha]	%
farming	1417,06	21,6%
forests	2313,47	35,3%
water	2093,82	31,9%
other	736,82	11,2%
Total	**6561,17**	**100,0%**

Reclamations in 2007

water
other
farming
forest

Reclamation - forecast to 2050 (ha)

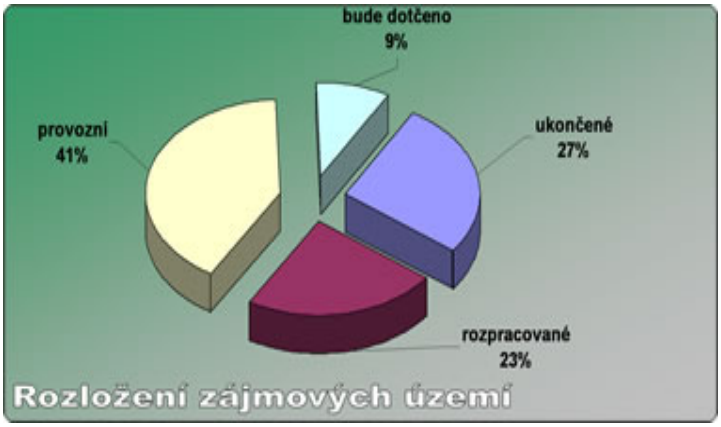
Areas	[ha]	%
farming	3325,32	25,3%
forests	5624,62	42,7%
water	2244,32	17,0%
other	1973,81	15,0%
Total	**13168,07**	**100,0%**



Reclamations forecast to 2050
water
other
farming
forest

Classification of areas of interest

Areas	[ha]	%
finished	3556,86	27,0%
in progress	3049,07	23,2%
operation	5373,71	40,8%
will be involved	1188,43	9,0%
Total	**13168,07**	**100,0%**



Classification of areas of interest
operation
will be involved
finished
in progress

It is obvious from the high ratio of reclamation in progress that Severočeské doly have been continuing in this field of activities. However, already finished reclamations serving the planned purpose make up a significant ratio as well.

3.3.3 Nuclear fuel

The transport volume is incomparable with the volumes required by the coal power plants. Although the transport volume amounts to only several dozens of tons per year, the specific nature of the material transported requires general and extraordinary attention.

Fresh nuclear fuel transport principles are defined by laws based on the recommendations of the International Atomic Energy Agency and many international treaties. In the Czech Republic, the rules are codified by legislation (the so-called Atomic Act and its implementation directives). The fuel sets may be transported exclusively in special packaging sets designed for the transport of nuclear materials of which use must be approved by the State Office for Nuclear Safety (SÚJB).

Also, directives applicable to health protection against ionising radiation apply to nuclear fuel. At the same time, this is a strategic material subject to the Treaty on the Non-proliferation of Nuclear Weapons and the Convention on the Physical Protection of Nuclear Material. International commitments of the Czech Republic are reflected in several Czech laws in this field. The strategic character of nuclear fuel transport is supported by the fact that the transport itself is subject to the Act On Protection of Secret Information.

The transport of nuclear fuel for specific power plant is performed based on approval issued by SÚJB. Preparation for the transport itself means - in addition to communication and notification obligations - the preparation of staff involved in the transport - training, briefings, testing - including those potentially intervening in case of non-standard situations. The same applies to equipment of which condition must be perfect and conforming to the applicable requirements of implementation directives. The transport usually requires several hours or days.

All transports of fresh nuclear fuels for ČEZ are of international importance due to the location of nuclear fuel suppliers. Therefore, all transports should conform to international rules. Due to the distances between production plants and the nuclear power plant, combined transport is required.

ČEZ holds approval for the transport of nuclear fuel and is an operator responsible for nuclear damage in the sense of the Vienna Convention on Civil Liability for Nuclear Damage. Pursuant to the law, ČEZ has arranged all master insurance policies covering liability risks for the transport of nuclear material, covering all approved methods of international combined transport of fuels from plants located abroad to the Czech Republic. Measures required both by laws and extraordinary and above-standard are adopted for conformance of all conditions required by the relevant supervisory bodies and for successful routine transport.

Russia-based OAO TVEL produces and supplies the nuclear fuel for the Dukovany nuclear power plant and the supply includes all nuclear materials and related services. The nuclear fuel for the Temelín nuclear power plant is procured from the USA-based Westinghouse Electric Company and the fuel will also be supplied by OAO TVEL from 2010. Regarding the nuclear fuel for Temelín, ČEZ provides the supply of raw material (enriched uranium) for the fuel producer. ČEZ procures the uranium concentrate or uranium at different processing phases on world markets and the concentrate conversion and enrichment are provided based on long-term contracts with primary providers of these services. The price includes the processing

costs and costs for safe storage of waste generated during uranium conversion and enrichment. Today, uranium conversion for the Czech nuclear power plant occurs in France, Canada, and Russia; enrichment occurs in the USA, Russia, Germany, the Netherlands, and Great Britain. ČEZ is systematically involved in technical development and fuel cycle optimization in order to maximize the use of nuclear fuel and to attain savings in the quantity of spent nuclear fuels.

3.4 Impact of electric energy production on the environment

Summary:

The impact on the environment is mostly obvious in relation to electricity and heat production. In addition to the air emissions visible at first sight, there are many other potential effects - water quality, products used from the combustion of coal and desulfurization of waste gases (so-called secondary energy products) up to issues related to noisiness accompanied by electric power production. This chapter deals with each component separately, contains a summary of the ČEZ Group's production resources being, in addition to coal and nuclear power plants, also hydro power plants, as well as a full portfolio of renewable energy resources. The renewable energy resources and their product in the form of Green Electricity are described in a separate chapter due to their properties. As is obvious from the range of production resources, environmental protection is a complex goal requiring a systemised and coordinated approach.

3.4.1 Electric energy production structure

As presented in the Annual report

3.4.2 Air

The coal power plants (15 in the Czech Republic, 2 in Poland and 1 in Bulgaria) contribute most to air pollutants emissions within the ČEZ Group. Most domestic power plants burn brown coal from Northern Bohemia. The power plants in Dětmarovice, Ostrava - Vítkovice and foreign power plants burn black coal and Hodonín power plant burns lignite.

Despite the large increase in the installed capacity of the nuclear power plants due to commissioning of the Temelín nuclear power plant, the coal power plants have 55% share in the electric power production. For practical reasons (limited transport of mined coal), most of them are located in close vicinity to brown coal mines in Northern and North-Western Bohemia. Relatively good performance control is an advantage of the plants. Start-up of the coal power plants takes several hours and they can be decommissioned almost immediately (though it is rather uneconomical).

Biomass is also burnt in combination with coal in many coal power plants belonging to the ČEZ Group. The power plant in Hodonín has the longest combustion history. More than 2,400 tons of biomass were burnt in Hodonín already in 2000. Then, combustion tests of the fluidized bed boilers in Tisová, Poříčí a Ledvice followed; in the first half of 2004, biomass was tested in the pulverized-fuel boiler in Chvaletice and the same is newly burnt in Skawina, Poland, and co-combustion in the second Poland-based ELCHO power plant will be tested in 2008. Experience from biomass combustion is an important criterion for further decision-making on the use of this

renewable energy resource.

Despite already performed and planned measures, coal used for electricity production has a significant effect on air pollution. From the legislation point of view, coal power plants are enormous combustion sources polluting the air and therefore, they are subject to specific legislative requirements influencing their operation. They particularly include emission limits and their further tightening and the condition of not exceeding the emission limits of existing resources in case the emission limits for new resources cannot be attained.

The technologies used in the Czech Republic as well as the parameters for pollutant emission reduction conform to the best practices available pursuant to European legislation (the so-called IPPC directives) and they allow conformance to the requirements of new legal directives on environmental protection. The air protection includes quality monitoring in measurement ground-level concentration stations; they are located and operated to assess the influence of the coal power plants operation on air conditions impartially based on measurements. The stations are equipped with modern devices for sulphur dioxide and nitrogen oxide ground-level concentrations monitoring. An authorized entity provides the ground-level concentration monitoring. The values monitored are then provided to the Ground Level Concentrations Information System of Czech Air Quality. Station monitoring data as well as defined share of the power plants in ground-level concentrations are currently published on the ČEZ website in the power plants and Environment section.

An integral part of the emissions reduction programme is maximum transparency - air pollution (exhausted emissions) as well as air quality in selected locations (ground-level concentrations) is available on ČEZ's public access website. The monitoring is conducted in the vicinity of all coal power plants of the Ústí Region (power plants in Počerady, Ledvice, Prunéřov 1, Prunéřov 2, Tušimice) at the following stations: Horní Halže, Nová Víska u Domašína, Havraň, Milá, Blažim, Droužkovice, Kostomlaty pod Milešovkou, Komáří Vížka. One station at Tisová power plant (Vítkov), at Chvaletice power plant (Hošťalovice) and at Mělník power plant (Libkovice pod Řípem) is operated as well. Two stations operate at Dětmarovice power plant: Petrovice u Karviné and Šunychl. The monitoring stations are included in the Information System of Air Protection (ISKO).

The air emission issues are broadly discussed considering the high proportion of fossil fuels burnt despite conformance to strict emission limits by the power plants. A basic step towards improving air quality in the Czech Republic was the eco programme of the coal power plants performed in the 1990’s. Despite the indisputable progress made, further measurements for the reduction of emissions of both solid pollutants and sulphur oxides and nitrogen oxides are being taken. The nuclear power plants have a specific character regarding air emissions.

Despite progress in the field of air emissions, the ČEZ Group's measures further continue in an attempt to reduce the effect of the power plants on air quality. One of the key elements contributing to the further improvement of environmental parameters of coal resources operated by ČEZ is the coal power plant redevelopment programme launched in 2007. In addition to pollution reduction, it will significantly increase the efficiency of power plants, increase the lifecycle and – should new blocks be constructed – allow the use of the latest technologies providing top parameters both with respect to power engineering and environmental protection.

3.4.2.1 Solid pollutants generated in combustion of fossil fuels

In case of combustion, several basic categories of solid pollutants should be distinguished:

- Fly ash (trapped in precipitators)
- Airborne ash (released into atmosphere with flue gas)
- Dross (generated in combustion chambers of dry bottom boilers)
- Cinder (generated in combustion chambers of grate boilers)
- Bed ash (generated in fluid combustion chamber)
- Ash (mixture of dross or cinder or bed ash with fly ash)

Reduction of solid dust particles was the first measure for air quality improvement. Precipitation of solid pollutants is very important as they bind heavy metals, radioactive elements and other dangerous substances. Under normal conditions, average fly ash content is 30 g/m^3 of flue gas.

Coal burnt in the ČEZ Group's power plants generates incombustible solid waste of 25 - 30% of the original fuel. In most cases, the energy by-product is used and only a minor proportion is dumped as waste. In relation to the desulfurization of flue gas in the 1990's, the power plants abandoned hydraulic fly ash washing to a sludge bed and converted to so-called "dry intake" enabling more favourable use as valuable secondary material. Dry fly ash is a certified product and may, among others, be used for concrete production, as aggregate replacement, an active admixture, in the building industry, in the construction of roads and motorways, etc. It is also used for filling exhausted mine areas and in mining activity. However, dry fly ash is most used as a certified product (stabilizer, depositing agent, etc.) for the clean-up or reclamation of former industry-hit locations according to approved projects - mine stock-piles, landscape reclamation, sludge beds, etc. where it can replace many natural materials. The certified products are mixtures of a pre-defined proportion of fly ash, dross and post-desulfurization products. Some fly ashes are used as effective filter cartridges for waste water treatment and their lifecycle is 10 - 20 years. Cleaning via the filters is highly effective for the disposal of pathogenic bacteria, heavy metals and polychlorinated biphenyls (PCB).

3.4.2.2 Sulphur emissions

Desulfurization of flue gases (reduction of SO_2 concentrations) is more complex regarding technology than dust particles. Because all sulphur in flue gases comes from the fuels, the primary measure is selecting a fuel with lowest sulphur content. Crude oil and natural gas contain the least sulphur followed by black coal; brown coal has the highest sulphur concentrations, usually 1 to 2.5% of total weight.

It is necessary to implement technological measures where the fuel cannot be replaced: an appropriate combustion process or demanding purification of flue gases.

Fluid combustion is one of the methods for the removal of harmful substances from flue gases during combustion. A fluidized bed boiler is a device combusting uplifted coal on a so-called fluid bed. Coal is not ground to dust but to about 20 mm fraction and is fed to the boiler together with limestone. Coal literally boils on the layer of ash, limestone and possibly inert sand and whirls due to the air stream brought under it. In fact, the fuel behaves like a fluid (this is how the method got its name). More than

90% of the fuel is burnt in this combustion method. Lime reacts directly in the boiler with sulphur dioxide and the solid product becomes part of the ash. Combustion temperature is lower than in classic boilers (from 700 to 900 °C) resulting in much less nitrogen oxides generated.

High combustion efficiency also means high electric power production efficiency. A disadvantage of fluid combustion is permanent binding of gypsum with ash and its inapplicability in the building industry. Another disadvantage is the higher quantity of limestone consumed when compared to pulverized-fuel boilers followed by wet flue gas scrubbing. Therefore, fluid technologies are suitable for lower-performance operations. In the Czech Republic, these boilers are installed in power plants Tisová, Ledvice, Hodonín and Poříčí.

Purification of flue gases in a desulfurization facility is technologically demanding and the facility is a standalone technology unit built on the coal power plant area premises.

Simply speaking, the desulfurization processes can be divided into regenerative and non-regenerative and the latter into dry, semi-dry and wet. Worldwide, about 200 desulfurization methods are known. The non-regenerative processes are mostly used. For wet processes, SO_2 is intercepted in liquids; in semi-dry, the active substance is sprayed into the stream of hot flue gases in the form of aqueous suspension, the liquid vapours and the reaction product is a dry substance. For the dry process, SO_2 reacts in a dry condition and the product is again a dry substance.

The wet limestone scrubbing flue-gas desulfurization technique is used in 80% of the installed capacity of the coal power plants in the Czech Republic. Cleaning plant or absorber are the names for the desulfurization unit where the process takes place. The unit is a vessel 40 m in height and 15 m in diameter. Flue gases undergo a multiple washing process with limestone suspension sprayed (mixed ground limestone in water). Sulphur dioxide reacts and calcium hydrogensulfite is generated that oxidizes into calcium sulphate di-hydrate. The product generated is called synthetic gypsum.

High purity synthetic gypsum (formed by crystallization in solution) may be an excellent replacement for natural gypsum and may find its application in gypsum production and in the building industry. At some power plants (e.g. Počerady or Mělník), there are lines for the production of plasterboard building components. The synthetic gypsum is also used in cement production; mixture of the synthetic gypsum with fly ash produces a stabiliser suitable for filling exhausted mines and for backfilling and filling in the building industry (landscape arrangements).

More than 95% of sulphur oxide may be removed through the wet limestone scrubbing flue-gas desulfurization technique from flue gases. An illustration: A 200MW boiler of a brown coal bloc produces about 1,050,000 cubic metres of flue gases per hour and each m^3 contains about 6,500 mg SO_2. Nine tons of limestone is required for desulfurization and 15 tons of synthetic gypsum is produced.

3.4.2.3 Nitrogen oxides

Nitrogen emissions are reduced as well. About 95% of nitric oxide NO, about 5% of nitrogen dioxide NO_2 is present in the flue gases and at temperatures under 900 °C nitrous oxide N_2O is generated (they are all called NO_x). Organic nitrogen is contained in the fuel (about 1% in black coal and more in brown coal) and in air

during combustion. Temperature and oxygen content in the combustion zone are the factors determining nitrogen content in flue gases by oxidation of atmospheric nitrogen.

There are two methods for reducing NO_x content: primary, where their existence is prevented by the installation of low-emission burners, combustion process technology management and design of the boilers (NO_x emissions can be reduced by 40 to 60% at relatively low cost) and secondary, when already produced nitrogen oxides are removed. Selective catalytic and non-catalytic reductions are used for this purpose. The selective catalytic reduction occurs in a special reactor and catalysts are oxides of vanadium, molybdenum or tungsten on a titanium dioxide carrier. Ammonia is sprayed into flue gases and the mixture goes through the catalysts, where elementary nitrogen and water are generated. The method is more expensive but NO_x content in flue gases can be reduced by 80 - 90%.

3.4.2.4 Environmental programme of the coal power plants

The programme of environmental improvement through the ČEZ coal power plants implemented in the 1990's was a programme of very substantial importance. The results obtained were incomparable to any other country in the world. An important milestone was 1998, when the programme finished. The following results were obtained (converted into unit emissions):

Reduction of solid pollutants emissions by 97 %

Reduction of SO_2 emissions by 93 %

Reduction of NO_x emissions by 60 %

Reduction of CO emissions by 80 %

Should the reduction be related to the absolute volume of emissions released into the atmosphere, the values would be:

Reduction of solid pollutants emissions by 95 %

Reduction of SO_2 emissions by 92 %

Reduction of NO_x emissions by 50 %

Reduction of CO emissions by 78 %

The programme effects on the air quality can best be illustrated in maps monitoring the emission burdens in the Czech Republic prior to and following implementation of the measures:

3.4.2.5 Releases into air by the nuclear power plants

Operation of the nuclear power plants releases substances of very low radioactive nuclide content into the atmosphere. Emissions of radioactive nuclides from the nuclear power plants are limited by automated limits determined by SÚJB in approvals on releasing radioactive nuclides into the environment. Adherence to the limits is documented using calculation programmes approved by SÚJB for current radioactive nuclide release into the atmosphere under the actual weather conditions of the year in question. Content of radioactive nuclides in releases is carefully monitored and evaluated. SÚJB also independently monitors the emissions and various components of the environment are monitored as well. Gaseous releases of

the nuclear power plants range in tenths of a percent of the values of authorized limits and have a negligible effect on the environment.

3.4.3 Water

In the field of water management, the ČEZ Group constantly focuses on the protection of underground and surface waters, potential risk and hazard prevention in relation with the technologies operated. Useful water management is monitored as well. ČEZ obeys the applicable legislation of the Czech Republic and decisions of water management authorities in water management and water protection activities.

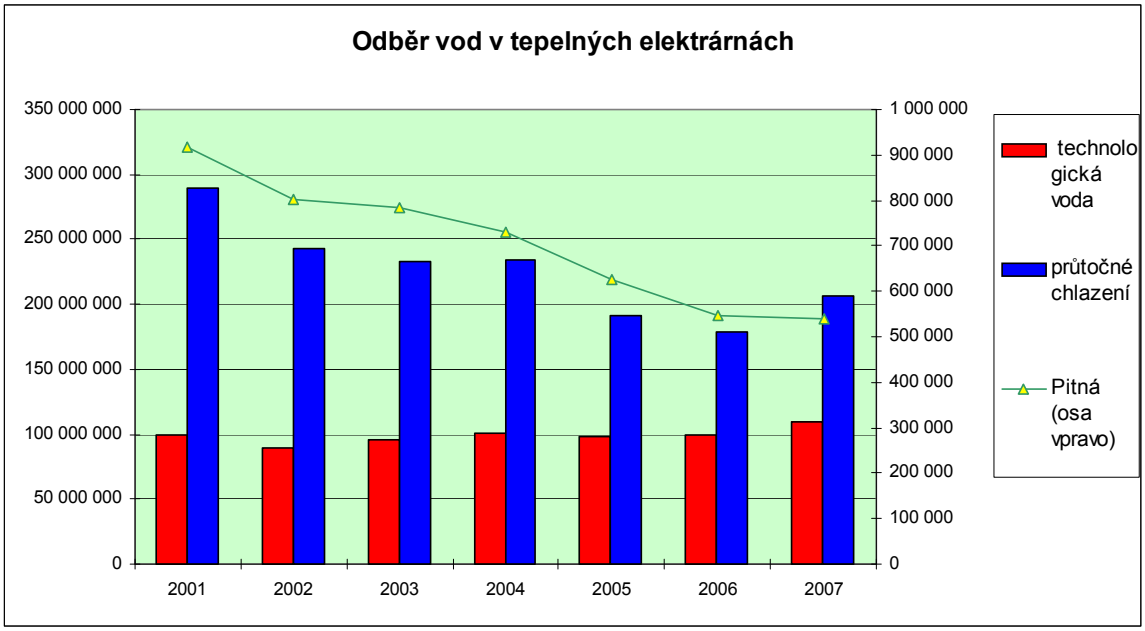
The resources of surface water for ČEZ's coal power plants are rivers in the river basin of the Labe, Ohře, Morava and Odra. ČEZ power plants use surface water particularly for cooling purposes and for water treatment for the supply of power and heat engineering boilers. Prior to use, the water should be chemically and mechanically treated to reduce the content of impurities and to ensure conformity for power plant operation. The volume of water used is continuously measured and registered. Quality is checked by qualified laboratories.

ČEZ's power plants use two methods for cooling the condensers. Water consumption is substantially lower for power plants using circulation cooling when compared to flow cooling because only vaporized or discharged water (as sludge or blowdown, i.e. about 5% of the circulating water) is replenished.

The flow cooling technology is used only in Mělník power plant and heat power plant Dvůr Králové on the Labe River and Hodonín power plant on the Morava River, which were constructed on locations with plenty of water for this type of cooling because water consumption is up to ten million m^3 per month. The flow cooling water temperature is slightly higher than river water temperature, which is important with respect to the legal requirement to keep river water temperature below 25 ºC after stirring.

Contrary to circulation cooling with vaporization, flow cooling returns water to the river in volumes equal to those input to the power plant. The flow cooling waste water is not contaminated contrary to thickening in cooling towers. The flow cooling is friendlier to the environment but from the economic point of view, the substantially higher volumes of water taken result in circulation cooling being preferred.

Water is supplied to nuclear power plants as well - for Dukovany nuclear power plant, water is taken from the Jihlava River (Mohelno reservoir) and for Temelín nuclear power plant, water is taken from the Vltava River. Water intake for both the nuclear power plants does not exceed the limits specified by the relevant decisions. The limit values of liquid discharges from nuclear power plant are defined in the water management decision issued to the power plant by the relevant water management body while respecting the requirements of the SÚJB. Both the nuclear power plants conform to the limits.

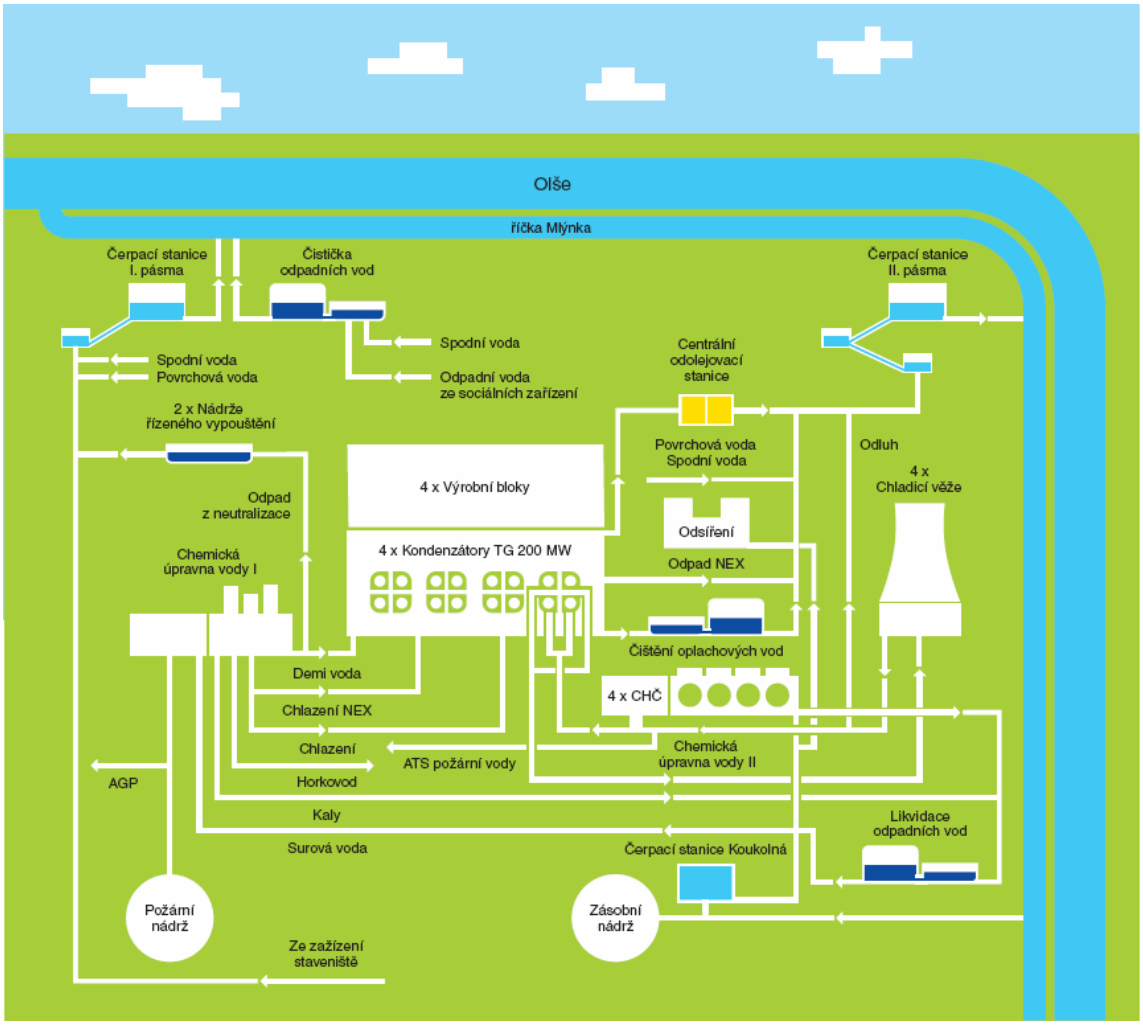


	2001	2002	2003	2004	2005	2006	2007
technologická voda	99 383 175	89 875 443	95 635 071	100 722 824	97974884	99281230	109283353
průtočné chlazení	289 930 603	243 025 825	232926901	233760446	191191223,6	179318472	206045099
Pitná (osa vpravo)	918 445	802 204	784 153	729 439	626 037	547200	540389

Water consumption in power plants
Process water
Flow cooling
Drinking (right axis)

Operation waste waters from coal power plant (oiled waste water, water from chemical treatment, etc.) are purified prior to discharge into rivers according to the state-of-the-art information about water treatment. The volume of waste water discharged is determined by continuous measurement and pollution is monitored by a relevant laboratory.

Scheme of water management of Dětmarovice power plant



Classification of areas of interest

Mlýnka rivulet	
čerpací stanice 1. pásma – First section pumping station	čerpací stanice 2. pásma – Second section pumping station
čistička odpadních vod – Waste water treatment plant	Centrální odoljeovací stanice – Central Unoiling Station
spodní voda – Underground water	spodní voda – Underground water
povrchová voda – Surface water	povrchová voda – Surface water
Opadní voda ze sociálních zařízení – Sewage waters	odluh – Continuously blowdown water
Odpad z neutralizace – Neutralization waste	4x chladicí věže – Four cooling towers
Chemická úpravna vody I – Water chemical treatment plant I	Odsíření – Desulfurization
4x výrobní bloky – Four production blocs	Odpad NEX – NEX waste
4x kondenzátory – Four condensers	Čištění oplachových vod – Purification of rinsing waters
Denní voda – Daily water	Chemická úpravna vody II – Water chemical treatment plant II
Chlazení NEX – NEX cooling	čerpací stanice Koukolná – Pumping station Koukolná
Chlazení – Cooling	Likvidace odpadních vod – Waste waters disposal
Horkovod – Hot pipe-line	Zásobní nádrž – Reservoir tank
Kaly – Sludges	
Surová voda – Raw water	
Požární nádrž – Fire reservoir	
Ze zařízení staveniště – From site installations	
ATS požární vody – ATS Fire water	

Similarly to the atmosphere, the nuclear power plants have a specific regime of discharge into streams when waste liquids of very low radioactive nuclide content are discharged into streams (particularly tricium). Emissions of radioactive nuclides from the nuclear power plants are limited by automated limits determined by SÚJB in approvals on releasing radioactive nuclides into the environment. Adherence to the limits is documented using calculation programmes approved by SÚJB for current radioactive nuclide release into streams under actual hydrological conditions of the year in question. Radioactive nuclide content is carefully monitored and evaluated as well as being monitored independently by a supervisory body (SÚJB); various components of the environment are monitored as well. Similarly to releases of nuclear power plants into the atmosphere, the discharges into streams have negligible effects on the environment and inhabitants as witnessed by the applicable data.

Water management is one of the key technological elements for the operation of coal power plants or nuclear power plants and potential problems related to the operation of water management influence electric power production. One example is the floods in 2003, which substantially influenced not only the operation of hydro power plants on the Vltava River's cascade in relation to the flood wave followed by control of streams, but also the production of some coal power plants.

3.4.4 Wastes and spent nuclear fuel

Considering the character of the ČEZ Group's production, operation-related wastes can be divided into two basic categories - radioactive wastes and spent nuclear fuel (from the nuclear power plants) and wastes and secondary energy products from the coal power plants. As the materials are totally different and applicable legislation is different as well, both the categories are described separately.

3.4.4.1 Radioactive waste (RAO) and spent nuclear fuel (PJP)

Strict requirements based on the so-called Atomic Act and related directives apply to radioactive waste management and they also define the rights and obligations of the waste originator (ČEZ), the supervisory body (SÚJB - State Office for Nuclear Safety, www.sujb.cz) and specialized state bodies for RAO disposal (SÚRAO - Radioactive Waste Repository Authority www.surao.cz). SÚJB defines the conditions for RAO and PJP management and issues the applicable approvals based on which these materials are manipulated. By law, SÚRAO is the only authorized organization to dispose of RAO and to operate RAO repositories. The originator of RAO and PJP, hence ČEZ as well, pays all costs related to RAO management by law from the moment of creation up to storage thereof, including monitoring of the repositories of radioactive waste until their closure. ČEZ regularly pays funds to the so-called Atomic Account opened with the Czech National Bank and administered by the Ministry of Finance of the Czech Republic. The account is used for the payment of contributions to municipalities in whose cadastral areas the RAO repositories are installed. The system of demanding technical and safety measures, sufficient financial coverage as well as precise definition of liabilities in the RAO management and disposal guarantee safe storage of all materials from nuclear power engineering and that no negative effects on humans and the environment will emerge.

The RAO and PJP management originating in electric power production in nuclear power plants designed and provided by ČEZ is performed in conformity with all the principles of nuclear safety, radiation protection, physical protection and emergency preparedness.

Generally, ČEZ, being the originator of radioactive waste, strives to implement measures resulting in minimized waste origination and volume to be stored in the repository. The radioactive waste generated during nuclear power plant operation consists particularly of low-active solid materials and liquids treated and processed into a form suitable for disposal in the repository. Solid waste is subject to certified measurement and should there be no contamination by radioactive elements exceeding the limits specified in the applicable approval, the waste is then released into the environment in a controlled way. Liquid RAO are processed by bituminization (stored in asphalt) and solid RAO are compressed at low pressure. Processed RAO is then stored in 200 l barrels in the surface repository of the low-active and medium-active RAO located in the close vicinity to the Dukovany nuclear power plant. The repository consists of 112 concrete pits and the repository design and operation modes guarantee sufficient environmental protection against the hazardous effects of ionising radiation. The repository administered by SÚRAO was commissioned in 1995 and its capacity is sufficient for the storage of RAO originating from operation of the Dukovany and Temelín nuclear power plants as well as from the decommissioning of these power plants. In total, 12 pits had been filled by the end of 2007.

Surface repository of radioactive waste close to Dukovany nuclear power plant

PJP contains the highest proportion of radioactive substances. Following delivery from technology areas of the nuclear power plant, PJP is stored in special thick-walled containers in the store of spent nuclear fuels. ČEZ uses the "dry" storage type,

where the containers of fuels are cooled by natural air circulation. The effects of the storage on the environment regarding radiation protection and other impacts are under the limits defined. Thermal power and radioactivity of PJP are successively falling in the stores. Today, two stores are operated on the premises of the Dukovany nuclear power plant and a new one is under construction in Temelín.

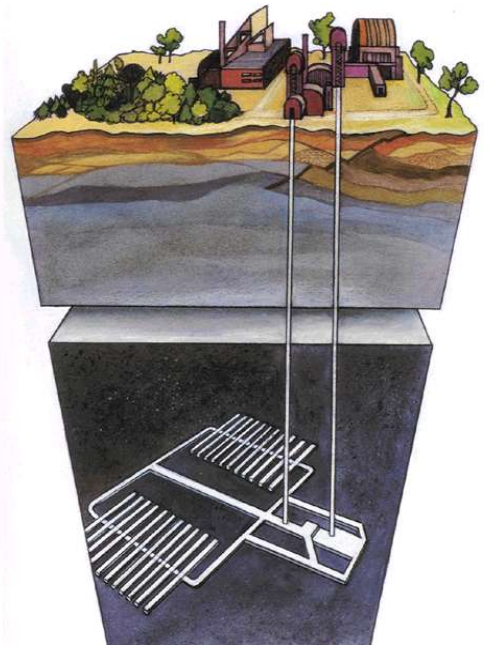
The PJP storage in the Dukovany nuclear power plant

Considering the high content of potentially usable fissile materials, the stored PJP fuels is not classified as RAO and further manipulation will be decided in the future. PJP will be stored either in an underground repository or used for power engineering purposes. Some foreign companies decided on reprocessing of PJP, which is a complex process of diluting PJP followed by extraction of plutonium and uranium (as potentially re-usable elements) and of residual elements that are vitrificated (sealed up in glass) and stored in a deep underground repository in the future. The current strategy of ČEZ assumes storage of PJP in a deep underground repository. However, the dry PJP storage technology in containers does not exclude a change to the strategy and the use of PJP reprocessing technology. Advanced PJP reprocessing systems separating more categories of substances contained in PJP are in the development stages now. Also, nuclear reactors of the fourth generation (including accelerator-controlled transmutation technologies), which may potentially use some elements from already produced PJP, are in the research and development phase.

A deep underground repository is planned for all waste of which parameters do not allow final storage in the existing repository in Dukovany or in PJP stores. SÚRAO is responsible for preparation of the deep underground repository in the Czech Republic, its construction, operation and decommissioning. Pursuant to the government concept of RAO and PJP management, the inclusion of two candidate locations in the master plans is forecasted by 2015. The existing concept of the deep repository in the Czech Republic is based on storing PJP in containers in granite

rocks and free spaces will be filled with a clay-based material (bentonite). This concept is similar to the assumptions of other organizations abroad responsible for storing PJP.

Concept design of the deep underground repository



3.4.4.2 Waste from coal power plants

Wastes generated in electric power and heat production in coal power plant are handled pursuant to Wastes Act No. 185/2001 Coll. as amended and related implementation directives. Wastes are classified by type and category pursuant to the Catalogue of Waste, collected in collection bins, labelled, registered, used and possibly used or disposed by authorized entities. So-called secondary energy products (VEP) are generated during fuel combustion and flue gas desulfurization and are subject to product certification according to Act No. 22/1997 Coll. as amended. The certified VEP are then used either for own needs (reclamation of sludge beds, dumps, landscaping) or for commercial purposes (sold to the building industry). The certified VEP used for this purpose can save roughly an equal quantity of natural materials that would otherwise have to be used. Only that part of the products that cannot be used as certified VEP is dumped for consideration.

A) Production of VEP

Fuel (coal, biomass or + additive) → boiler (combustion process) → produced VEP (products for combustion of coal or biomass)

Emission of pollutants → desulfurization (dry or wet method) → produced VEP (flue gas desulfurization products)

B) Application of VEP

Produced VEP → VEP certification → use of VEP (own use - reclamation, landscaping; non-own use - sold to building industry) → unused VEP (dumping of negligible quantity of unused VEP as waste for a fee pursuant to the Wastes Act)

One of the certified products is e.g. "Stabiliser for Landscape Forming in Debrné Sludge Bed: product No. 204/C5/2006/040-025237" (note: currently valid certificate number). As the name indicates, it is a product for landscape forming and reclamations in the Debrné sludge bed, which is part of ČEZ's Poříčí power plant.

ČEZ has been constantly improving technological and technical conditions in the field of use of VEP. Today, dry intake technologies for these products prevail in direct application in the production of cement, mortar and concrete mixtures, setting materials, plasterboard, plaster products, etc. The technologies include mixing centres for the preparation of various mixtures from products and additives from recipes adapted to the mixture application for the reclamation of dumps and sludge beds, for landscape forming either directly in ČEZ or for other business entities.

A negligible portion of combustion and flue gas purification products (less than 1% of total production) not suitable for the purposes listed above is dumped for free in sludge beds or dumps of coal power plants. In conformity with legislation focused, among others, on the exclusion of dangerous properties, the dumped material is regularly evaluated by an independent laboratory with respect to quality properties.

The ČEZ sludge beds of coal power plants are subject to water works management according to the Waters Act.

In 2007, ČEZ coal power plants produced more than 9.8 million tons of secondary energy products. Of that volume, more than 99% was used as certified products, of which 72% for reclamations and landscaping, and 27% was sold to external companies. The remaining quantity of secondary products (less than 1% of the total production, about 71,000 tons) was dumped for a fee as waste pursuant to the Wastes Act. The application range of the certified products and mixtures outside ČEZ depends on the demand for these products.

Production and use of VEP in ČEZ in classic power plants (in thousand tons)

Year	Production	Use as certified products pursuant to the Wastes Act
1996	7,392	1,510
1997	8,065	1,816
1998	7,546	1,546
1999	7,655	3,769
2000	9,066	5,365

2001	9,240	5,375
2002	9,234	8,016
2003	9,202	8,740
2004	8,981	8,754
2005	8,833	8,756
2006	9,084	9,027
2007	9,800	9,720

Based on the requirements of the Wastes Act, reviews of facilities with potential content of poly-chlorinated biphenyls (PCB) took place in 2004 in classic power plants of ČEZ. Of a total of 2,857 facilities, these substances were not found at all. Pursuant to legislation, the summary records were submitted to The T. G. Masaryk Water Research Institute, delegated by the Ministry of Environment to administer the agenda. Analysis costs related to PCB determination amounted to CZK 1.6 million.

3.4.5 Noise

Transport is accountable for about 85 - 90% of all noise in our vicinity. Despite that, evaluation of noise in the sense of sound harmful to health and of which limits are defined by implementation directive (Government Decree No. 48/2006 Coll. on health protection against the harmful effects of noise and vibrations) is a matter of permanent interest. Rules state that should it be impossible to adhere to the limits in the use or operation of the noise source due to serious reasons, the noise or vibration source can be operated only based on an approval issued by the relevant body of health care protection. Approval for operation of such noise source may be issued under condition the noise will be limited to a reasonable level and furthermore, the approval is time limited. A reasonable level means the ratio between costs for anti-noise measures and their benefits in favour of reducing noise stress to individuals determined, among others, with respect to the number of individuals exposed to the over-limit noise.

Obligations of the noise source operators in ČEZ are officially defined in the integrated approvals issued based on the Integrated Prevention and Pollution Control Act. The conditions are regularly reviewed and the relevant regional authorities notified. The following bodies are the key entities with respect to noise evaluation and reduction with respect to long-term average noise burden on the environment:

a) Ministry of Health;

b) regional hygiene stations;

c) Ministry of Defence and Ministry of the Interior;

d) Ministry of Transport;

e) Ministry for Regional Development;

f) Ministry of the Environment;

g) regional authorities.

Regional hygiene stations are authorized to issue decisions, approvals, certificates and to conduct other tasks of the state administration regarding noise protection and public health protection, including state health care supervision.

The ČEZ Group operates all energy resources in conformity with the applicable legislation and decisions of relevant bodies. Specific attention is paid to power plants located in close proximity to residential developments and of which impact on the environment is more intensive.

3.4.5.1 Hodonín power plant

The integrated permit defines the condition to annually measure noise in outdoor protected spaces by the closest development in daytime and night time. The goal is checking adherence to the maximum noise levels permitted. Agreed reference points are used for measurement. Should there be substantial changes to production, e.g. increase thereof, a control noise outdoors measurement will be made and the measurement results will be discussed with the Regional Hygiene Station for the Southern Moravia Region. With reference to the scheduled change to turbo-generator cooling technology, an authorized company conducted noise measurement in 2005 and the noise study is a part of the developed EIA (environmental impact assessment) study.

3.4.5.2 Mělník power plant

The issued integrated permit defines noise limits in outdoor protected areas of buildings on the facility area border towards the closest residential development. Maximum permitted equivalent acoustic pressure level for daytime and night time is 50 dB (A) and 40 dB (A), respectively. ČEZ shall arrange one-off noise impact measurement by the facility operation towards the closest development in the Mělník power plant in Horní Počáply by an authorized organization every five years (for the first time, five years from the effective date of the integrated approval, i.e. by 2012).

3.4.5.3 Tisová power plant

Based on unofficial complaints and on documents for the application for integrated permit, an authorized organization conducted measurement of noise coming from the power plant outdoors in relation to the closest protected outdoor area. The measurements showed that the main noise sources are air conditioning, steam relief and the transformer station. Based on noise measurements and additional measurements from February and March 2005 and based on the noise study results, the Regional Hygiene Station issued a time-limited approval for the use of cooling towers No. 1, 4, and 5, the machine room, boilers No. 11 and 12, compressor stations and diffusers of cooling towers No. 3, 4, and 5 by 31 December 2012.

3.4.6 Reclamation of the power plants surroundings

ČEZ is looking for the best methods of reclamation to recover life where it was forced out by operation of the coal power plant in the past. The most widely used reclamation method is forestry biological reclamation. Success of the method depends on the location and climatic conditions. It covers seeding of suitable wood

species and breeding care of vegetation recovered. Forest may be used also as a wood source as a raw material for e.g. energy biomass. Benefits of biological reclamation are faster territory function recovery as a biological unit within the general environmental stability system. In addition to vegetation, animals are returning to territories disrupted by mankind. By 2025, the ČEZ Group assumes it will have spent almost CZK 4 billion on reclamation for the storage of ash materials from coal power plants and landscape revitalization. In the joint stock company's history, about CZK 3.4 billion has been spent for these purposes. The total area of repositories intended for reclamation by ČEZ is about 2,568 hectares, of which 1,189 and 399 hectares were reclaimed technically and biologically, respectively, in 1992 - 2006.

Pursuant to Czech and EU legislation, a company should know before starting construction how to remove landscape footprints of its operation resources.

Among others, the secondary energy products generated during electric power energy are used for reclamations and landscaping. In 2007, the ČEZ Group produced more than 9.8 million tons of these products, of which volume, more than 99% was used as certified products, of which 72% for reclamations and landscaping and 27% was sold to external companies. The remaining quantity of secondary products (less than 1% of the total production) was dumped for a fee as waste pursuant to the Wastes Act.

The most important partners for ČEZ in reclamations are the Research Institute for Melioration and Soils Protection in Prague, the Forest Management Institute in Brandýs nad Labem, the Forestry and Game Management Research Institute in Opočno, the Mendel University of Agriculture and Forestry in Brno, the Czech University of Life Sciences in Prague and other reclamation experts. Cooperation includes, for example, research and determination of optimal reclamation methods, soil research and breeding of trees in soil mixtures or determination of suitable wood composition and selection of suitable technological procedures.

From the environmental protection point of view, it is interesting to say that the power plants spaces or other enclosed areas provide - due to limited human access or the absence of other activities in this territory – a sanctuary for many rare animals and plants.

3.4.7 Renewable resources

Development of the use of renewable resources is one of the key tasks for the ČEZ Group in the future. The benefits of renewable resources in the energy mix lies particularly in their friendliness to the environment and no demands for permanently shrinking reserves of energy raw materials. Renewable resources are a logical option when our country has to face growing electricity demand, search for alternatives to reducing reserves of brown coal and to adopt its power engineering to the requirements for CO_2 emission reductions.

Today, the portfolio of energy resources used by the ČEZ Group firmly includes renewable resources. At the same time, production from renewable resources is growing in the ČEZ Group. In 2007, the production of ČEZ Group from renewable resources amounted to 1,575 GWh, i.e. about one-fifth less than in 2006. The drop was caused by electric power production reduction in large hydro power plants due to bad hydrological conditions.

The share of the ČEZ Group in electricity production from renewable resources in the Czech Republic amounts to 55%. The first rank is occupied by hydro power plants (78%). The second rank with the remaining 22% is occupied by biomass combustion resulting in 351 GWh of electricity produced in 2007. Year-to-year increase amounted to 57% (223 GWh in 2006).

In the future, renewable resources production volume will significantly grow, particularly thanks to generous investments in the pipeline of the ČEZ Group. By 2020, total investments in renewable resources should amount to CZK 30 billion, of which two-thirds on the construction of wind power plants and the rest especially on the development of biomass combustion. These steps are intended by the ČEZ Group to reach the ambitious goals of the Czech Republic in the field of production from renewable resources.

Though the possibilities of the Czech Republic regarding renewable resources are limited by the area and geography, room for development undoubtedly exists and ČEZ is ready to go for it. The goal is an optimally balanced energy mix ensuring reliable electricity supply and consideration for the environment.

As the development of renewable resources is important for the ČEZ Group, ČEZ Obnovitelné zdroje was incorporated with the mission to operate and develop these resources in the Czech Republic. In today's shape, ČEZ Obnovitelné zdroje has been operating since 2006 and operates 21 small hydro power plants. Short-term plans of the company assume the intensive development of wind energy followed by the use of biomass and biogas. The registered office of the company is in a building of the small hydro power plant located in the centre of Hradec Králové.

Potential of energy renewable resources in the Czech Republic

Resource	Available potential
Biomass	112.7 PJ
Bio-fuels	29 PJ
Hydro	9.6 PJ
Wind	4.42 PJ

Source: Ministry of Industry and Trade, 2007

3.4.7.1 Energy from water

The use of hydro energy is well-rooted in Bohemia. From direct mechanical drive of mills, sawmills and hammer mills up to conversion into electricity. The oldest facility of this type in Bohemia is the hydro power plant in Písek, built in 1888. Two hydro power plants existed early in the 20th century in Prague - in Těšnov and Štvanice.

Although the nature profile of the Czech Republic is not perfect for the construction of big water energy works and dams, hydro power plants play a primary role within renewable resources. Our streams have neither the gradient required nor the water quantity and therefore, the electric power share produced by hydro plants in total

production relatively low. An important mission of the hydro power plants in the Czech Republic serves as an additional electricity production resource exploiting particularly the ability of quick launch to full power, hence balancing the immediate energy balance in the electricity grid of the Czech Republic.

All big hydro power plants except for Dalešice, Mohelno, Dlouhé Stráně and Ústí nad Labem - Střekov are located on the Vltava River, where they form a cascade system - the Vltava Cascade. Their operation is automatic and they are controlled from the central control room in Štěchovice. Total installed capacity of the big hydro power plants of the ČEZ Group is 724 MW (this without the inclusion of re-pumping hydro power plants).

In addition to the big hydro power plants, the ČEZ Group also operates 26 small hydro power plants (of which 25 in the Czech Republic and 1 in Poland). Their total installed capacity is 65 MW.

Small hydro power plants (MVE) operated by ČEZ Obnovitelné zdroje are installed nationwide, for example, on the rivers Labe, Divoká Orlice, Berounka, Vydra, Chrudimka, Morava and Svratka. The oldest PPE is Čeňkova pila in Šumava with installed capacity 0.1 MW, built 1912. The newest is Bukovec near Plzeň with installed capacity 0.63 MW and this small hydro power plant is the most advanced facility of its kind in the Czech Republic.

The ČEZ Group also operates one small hydro power plant in Poland. The hydro power plant Skawinka is located close to the coal power plant Skawina in southern Poland. The power plant was built in 1961 and its installed capacity is 1.6 MW.

3.4.7.2 Biomass

Regarding electricity produced using renewable resources, biomass follows hydro power plant and ranks second. Use of biomass reported the highest growth - in 2007, 351 GWh was produced from biomass, which is a 57% increase when compared to 2006. Further significant increases are forecasted for biomass.

At present, the ČEZ Group uses biomass for co-combustion with coal, mostly in Hodonín, Poříčí and Tisová power plants (abroad, also in Polish power plant Skawina within the ČEZ Group). Tests show that it is possible to co-combust biomass with coals in fluidized bed boilers at 20% level of mixture thermal content and at 100% in case of grate boilers. Determination of the optimum annual quantity of biomass is difficult to invest in the long-term run in fuel treatment and other measures for continuous co-combustion.

The ČEZ Group gains experience thanks to co-combustion of biomass in more power plants. Experience particularly include systematic buy out of suitable plants, logistics (transport and storage) as well as specific technologies of the combustion itself. Within the horizon of a few years, ČEZ intends to implement projects focused on the combustion of pure biomass. At the same time, ČEZ supports the development of targeted biomass growing, i.e. growing energy crops directly for the purpose of combustion in power plants. The Hodonín power plant should be one of the first locations for the installation of a special boiler designed exclusively for the combustion of biomass. Accomplishment of three assumptions is the key for development - stable interest of customers, sufficient offers from farmers and support of clear rules by the state.

From the point of view of power energy use, wood is mainly combusted in the Czech

Republic (or sorted waste), straw and some farming residues and animal excrements. Power engineering-suitable sorted communal waste or gaseous products generated during water treatment plant operation can be combusted as well.

Combustion of wood fuel is the cheapest method for heat generation. Due to higher technological demands and thereby investments, other methods of energy conversion of biomass are not widely used in the Czech Republic albeit their potential is indisputable. Generally, the use of biomass for energy production is desirable and suitable with respect to minimized impacts on the environment.

Existing experience shows that the greatest biomass use will be associated in future with decentralized resources of smaller capacities, especially co-generation units or tri-generation units (production of electricity, heat and cold at the same time).

3.4.7.3 Wind energy

Similarly to water energy resources, the use of wind is traditional in our country. Historically, the very first windmill built in the territory of Bohemia, Moravia and Silesia was documented in 1277 in the garden of Strahov monastery in Prague. Wind turbines for driving water pumps date back to the first decades of the twentieth century. The beginning of modern wind power plants dates back to late 1980's.

According to study by Euroenergy dated November 2004, the installed capacity of Czech wind power plants should reach max 1,044 MW (however, this seems to be real today due to time-consuming preparation of individual projects). Considering substantially better technical parameters, modern wind power plants have up to 30% usefulness and this predestines wind power engineering to approach the production from hydro power plants. By 2020, total investments in wind power plants by the ČEZ Group should amount to CZK 20 billion.

ČEZ Obnovitelné zdroje has already received approvals for the construction of wind power plants of total installed capacity 110 MW. This corresponds to about 55 machines, the first of them should be erected as early as in 2009. The goal of the ČEZ Group is the operation of windmills totalling 100 MW installed capacity in 2012.

Modern wind power plants have minimum impacts on their surroundings. Research shows that the installation of wind power plants does not have any substantial effect on bird injuries or scaring animals away. The new power plants no longer bother by noise. These are reliable, quiet and effective devices producing no emissions.

Areas at altitudes of over 600 metres above sea level are supposed for the construction of wind power plants, however, technologies allow the production of electricity effectively in non-mountainous areas as well.

Locations with appropriate wind conditions are situated in legally-protected territories. According to estimates, 60 - 70% of suitable areas for the construction of wind power plants are divested by that. Today, when a wind power plant is up to 100 - 150 metres tall, forested areas may be used as well. According to expert studies, the highest wind energy potential is in the Czech Moravian Highlands, the Vysočina Region and the Southern Moravia Region followed by the Krušné Mountains in the Ústí Region and the Jeseníky area in the Moravia-Silesian Region.

3.4.7.4 Solar energy

From the environmental protection point of view, direct use of the Sun's energy is the purest and friendliest way of electricity production. It is an abundant power source that is and will always be available. When compared to other energy sources, solar electric (photo-voltaic) systems used for electricity production are still too expensive. However, the prices of photo-voltaic systems are decreasing due to technological progress. Considering the trend, solar energy is an interesting opportunity for the ČEZ Group.

In the past, the ČEZ Group focused on the possibilities of generating energy using this renewable resource. ČEZ operates a photo-voltaic power plant of 10 kW power output and total effective area of 75 m^2 on the premises of the Dukovany nuclear power plant. It consists of 200 photo-voltaic panels with mono-crystalline silicon cells. Peak capacity is 53 W/cell, optimum voltage 17.5 V/cell. Almost 8,000 kWh is produced here annually.

Energy volume obtained now from solar radiation energy is negligible, however, that does not mean it will be like this forever. Although the share of photo-voltaic systems is about 0.01% of total electric energy production worldwide, the technologies for solar radiation use pose a great growth potential and developed countries count upon this renewable resource for the future. The development of this area is proportional to the development of new technologies of which benefit is particularly higher energy efficiency.

3.4.7.5 Green Energy of the ČEZ Group

Green Energy is a project of the ČEZ Group allowing households and companies to express their responsibility towards the environment and to support environmental protection activities. The Green Energy project is available to all customers of the ČEZ Group and directly focuses on the support of renewable energy sources.

For the consumption of Green Energy, customers pay a symbolic supplement of 10 hellers per one kWh in addition to the standard electricity price according to their tariff in 2007. All funds received in conjunction with Green Energy are collected in the Green Energy Fund to finance non-profit making and generally beneficial projects in the field of renewable energy sources. In 2006, the Green Energy Council was established whose members are scientists, environmentalists and experts on renewable resources. The Green Energy Council decides on the distribution of funds from the Green Energy Fund to projects aimed at the support and development of renewable resources in the field of research, education and construction.

The Green Energy Council selected and supported 15 projects from more than 100 applications for grants in 2007 and distributed CZK 5.7 million from the Green Energy Fund. Of the 15 selected projects, 8 were focused on education, 5 on research and 2 on construction. The Green Energy funds will help, among others, to construct solar panels for hands-on teaching of students (Apprentices School of Electrical Engineering in Pilsen), to continue in the project of establishing a nation-wide reference laboratory of bio-gas transformations (Mendel University of Agriculture and Forestry in Brno) and to install a thermal pump for the asylum house of the Salvation Army in Havířov.

The ČEZ Group also committed to plant a new tree in the Green Energy Forest for each new customer of Green Energy. In October 2007, 650 young trees were planted in the Green Energy Forest for customers who started to use Green Energy of the

ČEZ Group. Moreover, the ČEZ Group committed to add another ten hellers to each ten hellers collected from customers in order to double the sum distributed and to support more projects.

In 2007, customers consumed about 28.4 GWh of Green Energy. There are 1,460 household customers, 101 retail customers and 50 corporate customers of Green Energy.

3.5 Impact of transport and distribution on the environment

Summary:

Electrical energy creates no values if not delivered to the place of consumption in a safe and environmentally-friendly way. To this end, the ČEZ Group has numerous technical facilities that can be summed under "distribution system". Special attention is paid to bird protection using wires and power line towers as rests or nesting sites in addition to environmental protection related to the operation of distribution technologies, especially transformer stations. Considering injuries suffered by birds due to high voltage contact, the main attention is focused on modification of the tower heads to provide safety for birds. Older types of supporting points should be additionally protected to eliminate current effects or replaced by new safe structures (consoles). Broader cooperation with environmental protectors as well as the Ministry of the Environment has been established in this field.

3.5.1 Distribution grid and environment

According to the applicable legislation, the ČEZ Group pays permanent attention to the creation of conditions for environmental protection also in relation to the operation of distribution technologies and facilities. There are many areas the ČEZ Group focuses on.

3.5.1.1 Water management

Some distribution facilities contain heat-resistant insulation oil that may pose a hazard to the environment in case of leaks. There are safety measures against oil leaks in most cases; for the remainder, there are trap containers installed which can trap minimum and maximum oils leaking from facilities. Trapped water is treated in our water treatment plants or removed to large town water treatment plants.

3.5.1.2 Poly-chlorinated biphenyls (PCB)

The quality of oil cartridges in distribution facilities has been systematically checked since 2002 also with respect to the potential presence of poly-chlorinated biphenyls. In 2007, about 7,500 cartridges were checked at a cost of CZK 6.75 million. All facilities with oil cartridges should be checked by 2009 according to the amendment to the Wastes Act. In fact, we have to check 27,000 pieces of distribution facilities at a cost of about CZK 25 million by the end of 2009.

3.5.1.3 Environmental burdens from the past

There are 78 locations hit by environmental burdens from the past in the area of ČEZ Distribuce. Of that number, 5 locations have been cleaned up. More than 26 million CZK from the state fund was used in 2007 for cleaning up environmental burdens from the past.

3.5.1.4 Wastes

High volumes of different wastes are created when operating the distribution grid. Pursuant to the preventive approach, the goal of ČEZ is either minimizing the volume or preventing occurrence. Controlled waste management is used for this purpose. Waste generated is preferentially supplied for further use. In addition to used cables, ropes, steel structures, transformers, including windings from non-ferrous metals, complex wastes consisting of different materials are delivered for recycling as well. For example, electric meters are not dumped but disassembled and sorted into reusable materials for further processing. We are talking about 20 - 30 thousand pieces every month. ČEZ workplaces have installed containers for sorted waste. Dangerous wastes are handled separately pursuant to strict rules.

3.5.1.5 Noise

Noise from facilities is mostly managed by the distance of the stations from residential developments. Otherwise, the stations are de-noised by anti-noise structures or the planting of vegetation strips. These measurements have partially been implemented in Neznášov transformer station and in 2007 CZK 180,000 was invested in the planting of the green strip of the first stage. Completion of the measure will require an extra CZK 320,000 in the next years.

Treatment of rain water from transformer stations

3.5.2 Bird protection

In 2007, the ČEZ Group continued in measures for the protection of birds against injures from electricity lines and in preparation of plants for further steps in this area. Establishment of tighter cooperation with environmental protection organizations played an important role and Partnerství, a generally beneficial association, and the Czech Ornithological Association and Czech Fauna Protection drew up a study for ČEZ containing many recommendations for safeguarding electricity lines.

Nature and Landscape Protection Act No. 114/1992 Coll. orders ČEZ Distribuce to install safeguarding elements to prevent injuries from electric current commencing 2004; this applies to all new and reconstructed high voltage lines. Within its responsibility for the environment, the ČEZ Group decided to exceed the letters of the law and the safeguarding elements will be installed on all potentially dangerous lines within NATURA 2000 areas as well as outside them. This means the ČEZ Group will safeguard older lines as well, which is not required by law. In fact, the ČEZ Group will install safeguarding elements on high voltage lines in exposed areas of bird areas of the NATURA 2000 system and in some other territories recommended by environmental protection organizations. The ČEZ Group will invest more than CZK 100 million in these measures by 2013.

There are 26 of a total of 38 declared bird areas of the NATURA 2000 system in territories where ČEZ Distribuce operates its high voltage lines. Thanks to cooperation with environmental protection organizations and their recommendations, the measures will be optimized to effectively safeguard the protected areas as well as

other important places with potential bird injuries on electricity lines.

The organizations have prepared proposals for ČEZ Distribuce for efficient use of funds – they have identified territories, particularly in lowlands, which are critical with respect to the prevention of bird injuries. The safeguarding measures of the ČEZ Group will be directed to confirm the presence of rare bird species most. This will save funds, which will be invested in the safeguarding of other territories not included in the NATURA 2000 territory following an agreement. By 2013 at the latest, ČEZ Distribuce will protect about 2,516 kilometres of electricity lines. 3,299 kilometres of high voltage electricity lines of ČEZ Distribuce crosses NATURA 2000 territories. Of that, 933 kilometres of lines at a cost of CZK 27 million were protected by safeguarding elements in the past.

Selected bird areas of NATURA 2000 will be safeguarded during the first phase of the measures exceeding the legislation. Priority is given to solutions using safe supporting points for newly installed high voltage lines. The preferred solution will be those types of consoles of which design prevents injuries to birds.

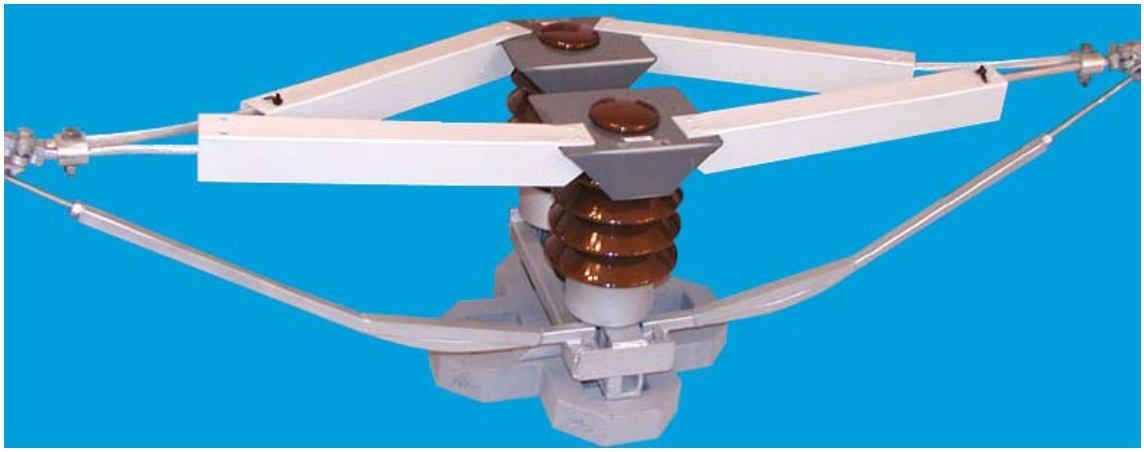
Discussions between ČEZ Distribuce, the Ministry of the Environment and the Agency for Nature Conservation and Landscape Protection of the Czech Republic started in order to determine the most efficient bird protection against electric shock injury.

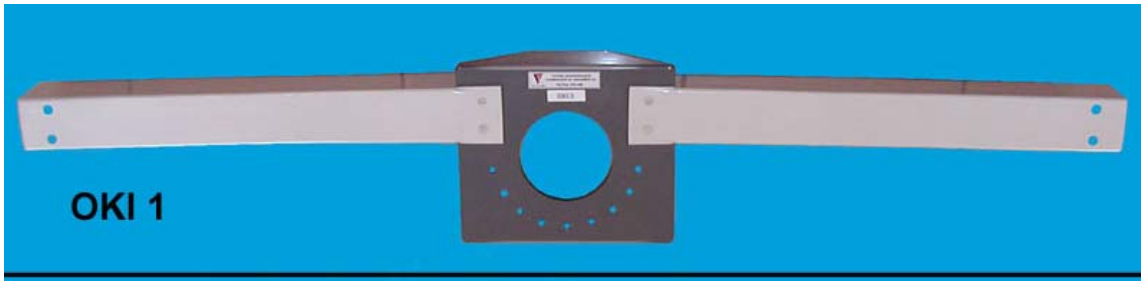
Today, there are about 750,000 electric line poles in the Czech Republic that may be dangerous to birds. About 10% of electricity lines are fitted with efficient safeguarding in the Czech Republic. The problem emerges particularly on 22 and 35 kV high voltage lines. Potentially, 110 kV lines administered by ČEZ Distribuce may be dangerous as well. In total, the ČEZ Group administers through ČEZ Distribuce lines with a total length of 153.77 thousand kilometres in the Czech Republic, of which 50.1 thousand kilometres are outdoor 22 - 35 kV electricity lines.

The ČEZ Group also cares for the safety of strictly preserved populations of white stork. According to estimates, about one-tenth of stork nests are located on electricity line poles. Therefore, special metal structures called "stork seats" are installed on them. To protect the birds as well as electricity line, some nests are moved from the poles in cooperation with environmental protectors. The weight of a stork nest may be up to 500 kg.

A nesting basket for osprey was constructed on a high voltage line in Krásná Lípa as a bonus for environmental protection based on the recommendations of the Czech Switzerland National Park Administration in Krásná Lípa. Monitoring of the artificial nest in 2007 resulted in finding that a young osprey pair had appeared here for short time and stayed without permanent nesting or raising of young ospreys. Should the intention for osprey nesting succeed, it will be the very first roost of the bird in the Czech Republic after many years.

Extra safeguarding of birds for older console types





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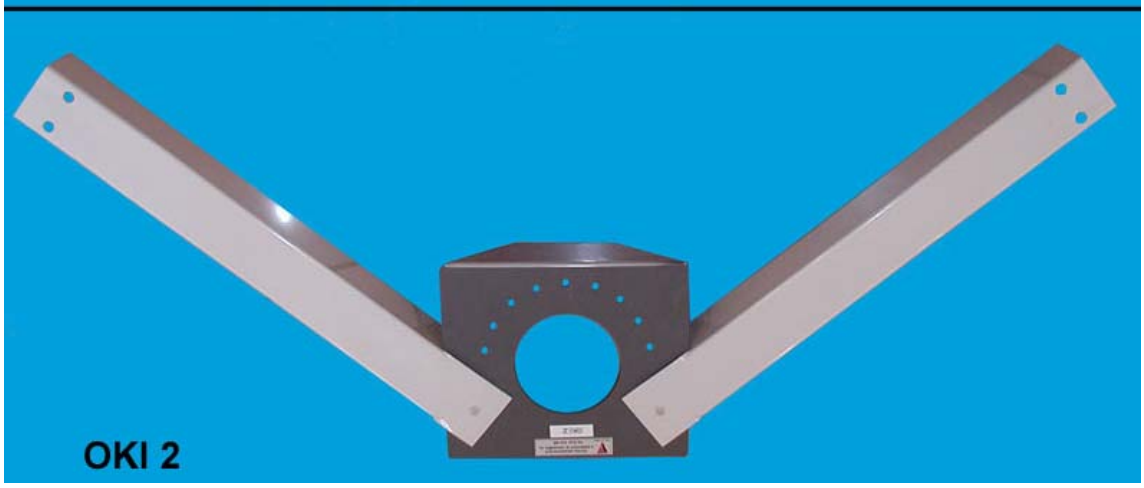

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4 Climate

Summary:

Climate change issues or GHG emission reduction related therewith is one of the key themes of the environment. The long-term framework of the issue and its global dimensions require searching for a solution based on international cooperation both at the European as well as worldwide level. Attempts at mitigating the climatic changes effect is particularly accompanied by implementation of tools and measures towards the reduction of GHG. Important emission producers, hence primarily energy producers, are the target group.

From ČEZ's point of view, GHG control is a reality regardless of numerous insecurities related to the level of effect of human activities on changing climate. It is an absolute necessity for a company with high GHG emissions such as ČEZ to monitor the latest trends in this field. Moreover, the control form using economic tools such as emission allowances trading brings, in addition to emissions control, business opportunities in the form of motivation to reduce emissions in the most effective way.

The chapter is divided into three parts - the first deals with GHG emissions, the second describes the activity of ČEZ on environmental markets and the third mentions energy saving issues. Independent text interlaced through all the chapters is the introductory sections about carbon exposure and the presentation of the action plan that is the reaction of the ČEZ Group to GHG emissions regulation.

4.1 Company's carbon exposure

One of the key environmental themes widely discussed at the highest political level is the issue of global climate change. Logically, GHG emissions - being one of the originators of climatic changes - are the matter of regulation.

Power production is one of the industries with the highest carbon dioxide (CO_2) production. Naturally, utilities pay extra attention to emission control. The "carbon exposure" indicator may be used to describe the level the emission producer is influenced by the regulatory framework. This indicator says how important the company activities are in producing GHG emissions in the company's total activities.

The use of fossil fuels, especially the combustion of brown coal, particularly that associated with high GHG emissions, is the main originator of the carbon threat at utilities. Should no-carbon technologies (renewable resources, nuclear) be included in the resource portfolio, the carbon exposure decreases. Therefore, the future form and the GHG emissions regulation level is an important parameter of strategic development and investments planning.

Considering the character of the company's activities, GHG emission control is important for ČEZ. The question is not only a decision on operating the existing resources portfolio but also expectations for the future; it relates to retrofits or replacement of power plants, further company development including renewable energy resource development, energy savings and last but not least, expansion abroad. ČEZ's response to climate change gains a positively international dimension.

The active involvement of the ČEZ Group’s experts in many international initiatives and platforms attempting to discuss future policy forms for climate change and emission-reducing technologies and in general environmental burden is proof of the

ČEZ Group's constructive approach. The ČEZ Group is a member of the "Combat Climate Change" initiative coordinated by Vattenfall, being a leader in the field of activities related to climate change and of which goal is contribution to discussions about combating climatic change from the eyes of industrial corporations and ČEZ Group also takes part in a Carbon Disclosure Project (CDP). ČEZ Group representatives are also CEPS (Centre for European Policy Studies) members where there are several work groups involved in climate change, emissions trading and the development of technologies for reducing emissions. Similar platforms are operated by other professional organizations such as EURELECTRIC. A constructive approach in the form of searching for an effective solution for the reduction of emissions, support of economic tools as well as international cooperation is supported by the ČEZ Group during bilateral or other discussions both with EC representatives as well as EU member countries and representatives from business, and presents them at various domestic and international events.

4.1.1 The ČEZ Group's action plan

The ČEZ Group acknowledged its liability for GHG emissions in October 2006 by adopting a public declaration. The declaration responded to an appeal by the minister of the environment, who launched a dialogue about environment protection with industrial corporations. The Group committed in its public declaration to reinvest its profit from sales of saved emission allowances in the EU ETS trading scheme in measures towards further GHG emission reduction, modernization of technologies for electric power production and measures for environmental quality improvements. The Group also committed to constantly minimize the footprints of its activity on the environment, to adopt measures for emission reductions, to support energy savings and to reduce energy demands of the national economy.

The public commitment of the ČEZ Group resulted in developing and approving the action plan for CO_2 emission reduction by 2020.

The emission reduction action plan covers four main areas of activities:

- use of renewable energy resources;
- reduction of emissions intensity from ČEZ resources;
- provision of energy savings;
- implementation of foreign projects for reduction of emissions.

The action plan defines four main goals of which accomplishment is expected by 2020:

- To triple energy production from the ČEZ Group's renewable resources - to increase annual production from 1.7 TWh in 2005 to 5.1 TWh.
- To decrease the intensity of GHG emissions of the ČEZ Group by 15%: to decrease the total emission factor from 0.55 t CO_2/MWh to 0.47 t CO_2/MWh.
- To demonstrably contribute to accomplishment of the Czech Republic's national goal to reduce energy demands by 23 TWh per year.
- To contribute to the implementation of projects aimed at GHG reduction outside the territory of the Czech Republic by "carbon funding" of a total volume of at least

30 million ton CO_2 equivalents of savings attained.

The action plan is implemented on a continuous basis and updates will be prepared depending on the development of the regulatory framework (namely climate-energy package). The production from renewable energy resources is described in the chapter on electricity production impact on the environment; conformance to the other goals is described below.

4.2 GHG emissions

Summary

The ČEZ Group is the biggest producer of greenhouse gas emissions in the Czech Republic. The ČEZ power plants released more than 38.3 million tons of CO_2 in the Czech Republic in 2007 and an additional 4.2 million tons were released by the power plants ELCHO and Skawina in Poland and 3.8 million tons by the Varna power plant in Bulgaria. In most cases, the emissions originate from combustion of fossil fuels, particularly brown and black coal. Click here to see a summary of emissions by individual sources.

All the emission sources of the ČEZ Group in the Czech Republic, Poland and Bulgaria are included in the GHG emissions allowance trading as defined by Directive 2003/87/EC. The Czech Republic and Poland have been trading members since 2005; Bulgaria accessed the market in 2007. Considering the European allowances trading system, 2007 is very important because the first trading period ends and in 2008, the system enters the second phase of which parameters are different from the first one.

The emissions of the ČEZ Group are monitored on a continuous basis and Det Norske Veritas CZ s.r.o. verified their volumes in 2007 in conformity with legislative requirements. The emissions were determined by calculation but a continuous emissions detection system is being developed for more accurate results than the balance methods.

Regarding the emissions monitoring system, uniform methodology is defined by the European GHG allowance trading systems for all facilities. The methodology strives to ensure the marketable commodity (the allowance) is of the same quality and always represents one ton of carbon dioxide exactly. However, the situation is somewhat complicated by the fact that facility operators were not obliged to determine the GHG emissions in the same way in the past - only fuel consumption was reported. Emissions can be calculated retrospectively but at substantially lower accuracy than the EU level methodology allows. Historical emissions should be assessed in the context of methodology change when comparing the timelines of GHG emissions.

When analysing the factors influencing emissions reported in the Czech Republic, historical emissions from 1999 - 2001 and 2002 - 2004 had to be decreased by 2% and 6.5% respectively to attain comparability with the emissions actually reported in 2005 - 2007. The development of the emission factor as the CO_2 volume released per energy produced (factor EU ETS is related to production of coal power plants, total factor includes production of all resources including those emission-free) can be illustrated in "purified" data only.

Allocation of allowances and CO_2 emissions produced and reported by the ČEZ Group power plants within the first EUETS trading period for the Czech Republic (allowances or tons of CO_2):

	NAP 1 allocation	2005	2006	2007
ČEZ, a. s. - Dětmarovice power plant (CZ-0198-05)	2,701,795	2,257,834	2,593,041	3,607,388

ČEZ, a. s. - Hodonín power plant (CZ-0199-05)	471,739	423,000	459,736	506,992
ČEZ, a. s. - Chvaletice power plant (CZ-0200-05)	3,416,398	2,677,734	2,691,689	4,115,529
ČEZ, a. s. - Ledvice power plant (CZ-0201-05)	2,169,682	1,981,563	2,116,621	1,952,997
ČEZ, a. s. - Mělník power plant (CZ2 -0202-05)	1,365,607	1,143,938	1,032,409	1,165,733
ČEZ, a. s. - Mělník power plant (CZ2 -0203-05)	2,689,047	2,141,476	1,778,477	2,870,227
ČEZ, a. s. - Počerady power plant (CZ-0204-05)	7,177,091	6,667,871	6,556,532	6,895,997
ČEZ, a. s. - Poříčí power plant (CZ-0205-05)	858,706	640,240	781,405	871,785
ČEZ, a. s. - Prunéřov power plant (CZ2 -0206-05)	2,491,503	2,191,315	2,346,704	2,998,936
ČEZ, a. s. - Prunéřov 2 power plant (CZ2 -0207-05)	6,116,917	5,923,891	6,586,790	7,104,828
ČEZ, a. s. - Tisová power plant (CZ-0208-05)	2,075,720	1,481,417	1,891,798	2,041,128
ČEZ, a. s. - Tušimice 2 power plant (CZ2 -0209-05)	5,135,943	5,121,047	5,364,440	4,107,278
ČEZ, a. s. - Heat power plant in Dvůr Králové n. Labem (CZ-0211-05)	173,216	95,572	103,142	70,157
ČEZ, a. s. - Temelín power plant (CZ-0210-05)	23,820	3,428	1,745	929
	36,867,184	**32,750,326**	**34,304,529**	**38,309,904**
Energetika Vítkovice (CZ-0302-05 + CZ-0394-05)	655,227	570,085	472,269	518,103
	37,522,411	**33,320,411**	**34,776,798**	**38,828,007**
ČEZ Teplárenská, a.s. (CZ-0191-05)	100,000	93,820	90,834	74,494

Note: The ČEZ Group has owned Teplárenská a.s. since April 2007

Allocation of allowances and CO_2 emissions produced and reported by the ČEZ Group power plants within the first EUETS trading period for Poland (allowances or tons of CO_2):

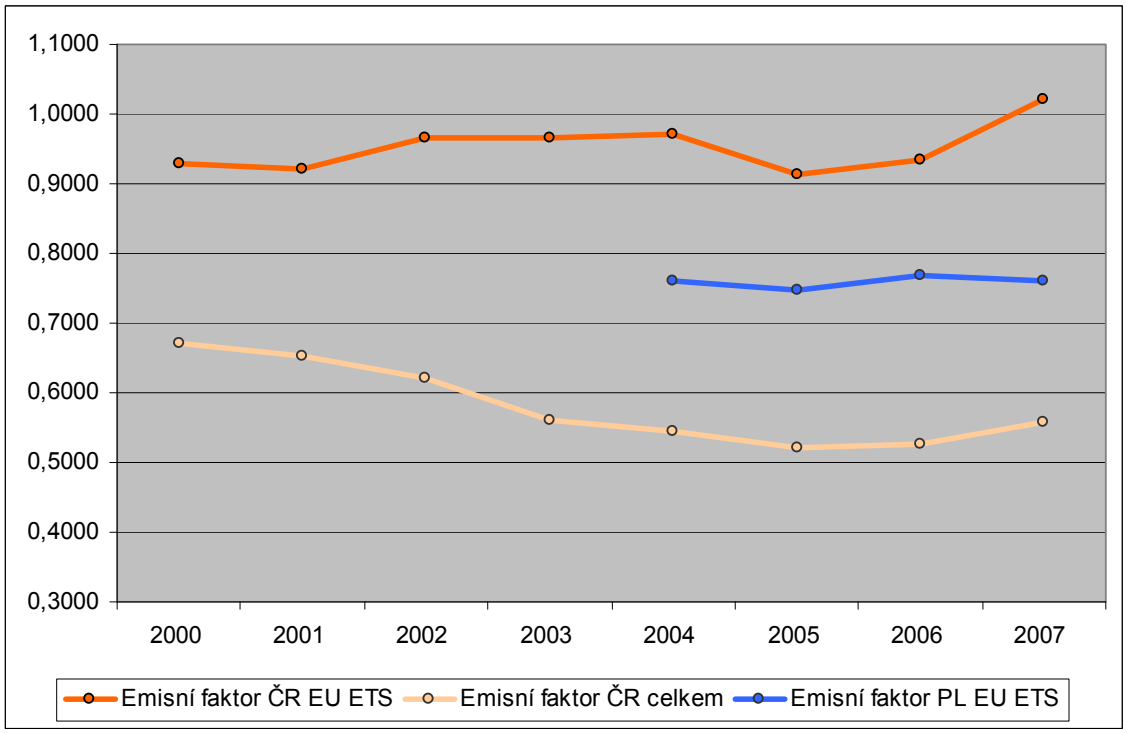
	NAP 1 allocation	2005	2006	2007
ELCHO (PL-0024-05)	1,725,600	1,503,080	1,492,413	1,518,045
Skawina (PL-0007-05)	2,895,200	2,577,259	2,764,094	2,685,215
	4,620,800	**4,080,339**	**4,256,507**	**4,203,260**

Allocation of allowances and CO_2 emissions produced and reported by the ČEZ Group power plants within the first EUETS trading period for Bulgaria (allowances or tons of CO_2):

	NAP 1 alokace	2007
TEC Varna EAD	data not available at the time of preparation of the report	3 822 473
		3 822 473

Note: It is expected that allocation for 2007 will be made at the level of real emissions in that year

Development of the emission factor in electricity production in the Czech Republic and Poland (total and EUETS)



Emission factor Czech Republic EU ETS

Emission factor Czech Republic total

Emission factor Poland EU ETS

Notes:

Total emission factor = emissions related to production at all sources (including non-fossil)

EU ETS emission factor = emissions related to production in fossil sources only

Production of heat energy for heat engineering purposes was considered in addition to electricity production when calculating the emission factor (see graph above; considering the absence of the Varna timeline, the power plant is not included). Using a tabulated constant, the heat produced was converted into units equal to the electricity produced and though the calculation is highly simplified (conversion of heat energy into electric energy may be much more complicated), it illustrates the reality much better than when only CO_2 production is compared to electricity produced. A significant bias would be created particularly for large heat production sources for heat engineering purposes - the emission factor calculated like this would be higher than the actual emission source efficiency. Regarding the Czech Republic, the effect is rather low but Poland-based power plants have a much higher heat delivery proportion. The fact is one of the reasons the emission factor is lower than for Czech sources (the other reason is the use of black coal as fuel as well as biomass proportion in co-combustion). Development of the issue factor in time is interesting as well - it illustrates the efficiency of the EU ETS system or the price as the main decision-making parameter. Whereas the allowance prices were high in 2005 and motivated the emission originators to make savings because it was a part of the variable costs in decisions on operation and use of the sources, the allowance price drop caused weakened motivation and other economic factors prevailed, whereas the main one is growing demand for electricity and lower potential for optimization

and implementation of environmentally-friendly resources.

4.2.1 Reduction of ČEZ's emissions intensity

One of the most important investment decisions of a long-term character by the ČEZ Group is to implement a complete resources redevelopment plan amounting to over CZK 100 billion. Implementation of the programme will further reduce SO_2 and NO_x emissions by more than 50% and will lead to a significant reduction in CO_2 emissions per production unit.

Maximum acceleration of the transition to clean technologies of fuel combustion is the elementary strategy for reducing the coal power plants operational impact on the environment. The strategy has two time horizons:

- from the short-term point of view (up to 10 years), to accelerate renovation of resources by implementing the best technologies available as a quality standard and not to wait for the end of lifecycle of existing resources (accelerated renovation means extra emission savings when compared to those attained when the renovation occurs after the end of existing resources' lifecycle);
- from the long-term point of view, to implement a demonstration project of low-emission source with the use of the latest CCS (Carbon Capture and Storage) technologies; full commercial application of these technologies is forecasted for after 2020.

From the long-term point of view, the ČEZ Group plans to strengthen the R&D area in the fields of low-emission technologies and other areas contained in the action plan.

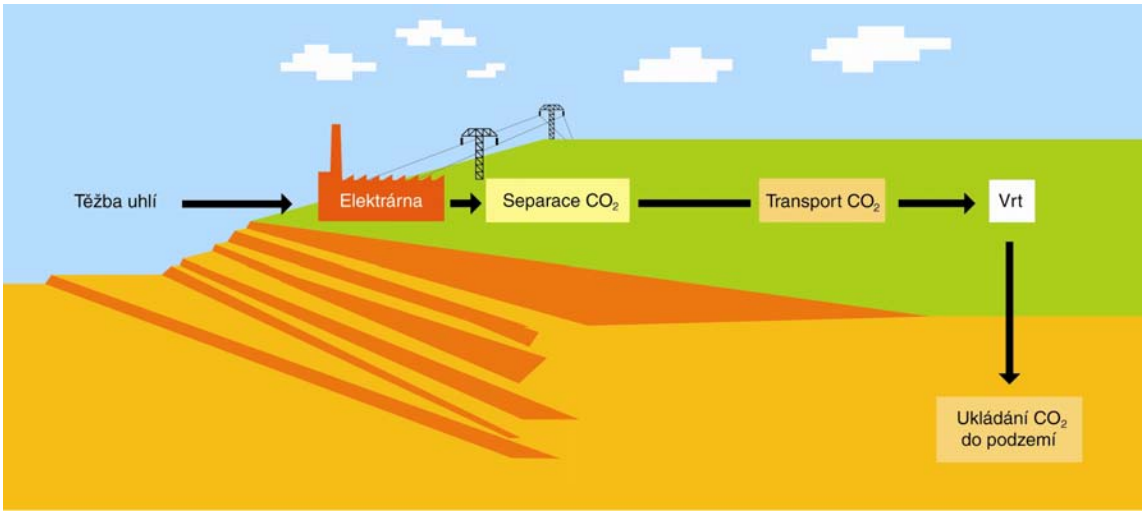
4.2.2 Preparation of low-emission technologies based on fossil fuels

The current trend in the field of energy application of fossil fuels is the implementation of CCT (CCT – Clean Coal Technologies), i.e. attaining maximum efficiency with minimum impacts on the environment. A significant reduction in CO_2 emissions from fossil fuel power plants is expected from the use of the modern technology of capture and storage of CO_2 (CCS – Carbon Capture and Storage). Similarly to other significant energy corporations, ČEZ is taking steps towards future implementation of these technologies into operation. For verification of the functionality of CCS in the power engineering scale, the European Commission supports establishing roughly 10 to 12 full-capacity demonstration units of CCS technology to be commissioned in 2012 – 2015 (contrary to experimental units, where units or tens of tons of CO_2 are separated daily, full-scale units are facilities with daily volume of separated CO_2 approaching actual power plant production), whereas wide application of CCS technologies is forecasted for after 2020.

The energy CCS energy cycle consists of three elementary steps:

1. Capture (capture, separation, precipitation) of CO_2 from flue gases or gases generated by gasification of carbon fuel
2. Transport from the CO_2 capture site to stores
3. Storage of CO_2

Energy production scheme with capture and storage of CO_2



Coal mining → Power plant → CO2 capture → CO2 transport → Borehole → CO2 underground storage

Ad 1) Capture of CO_2 in power plant operation units

A wide spectrum of potential CO_2 capture is in the development stage for power engineering; for now, it is unclear which of the methods will prove to be the most suitable. Therefore, ČEZ monitors a wider spectrum of variants described in brief below.

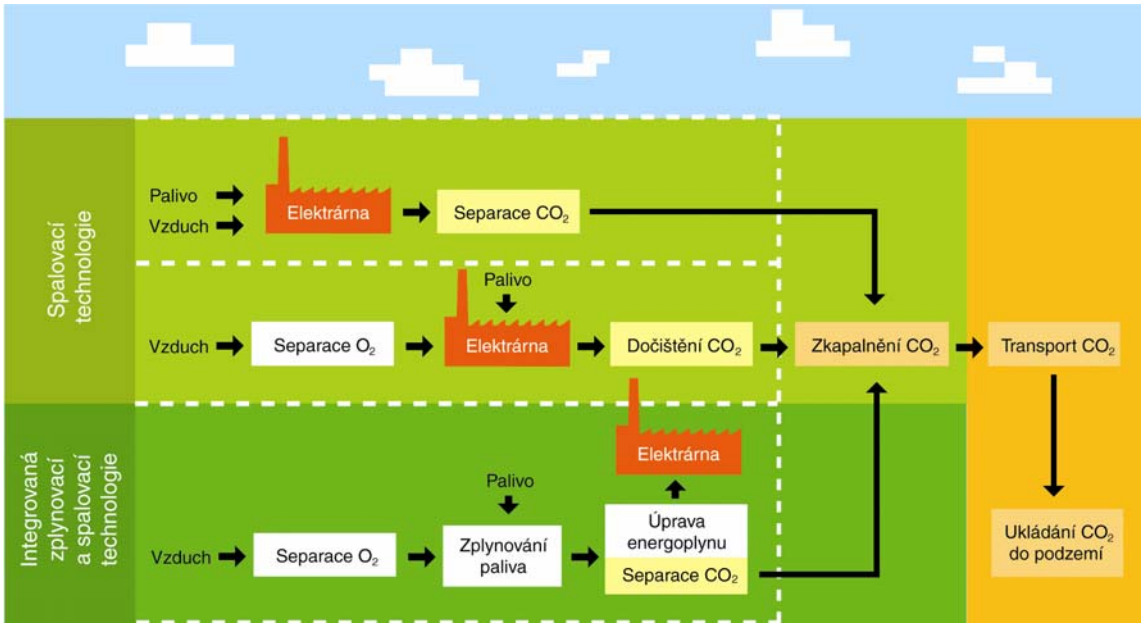
In fact, there are three methods of CO_2 capture in power energy operation units:

a) CO_2 capture after the combustion process (post-combustion capture);

b) CO_2 capture prior to the combustion process (pre-combustion capture);

c) oxygen combustion technology (i.e. combustion in oxygen atmosphere) followed by CO_2 capture.

Schematic illustration of individual CO_2 capture methods



Combustion technologies

Fuel

Air Power plant CO_2 capture

Air O_2 capture Power plant CO_2 purification CO_2 fluidification CO_2 transport

Integrated gasification and capture technologies

Power plant

Fuel

Air O_2 capture Fuel gasification Syngas treatment CO_2 underground

CO_2 capture storage

Application of a suitable method for CO_2 capture from flue gases depends on their properties - temperature, pressure and CO_2 concentration, and on other gases and components. The CO_2 concentrations in flue gases from fossil fuel boilers usually range from 10 to 20% vol. CO_2 capture from flue gases is in principle based on absorption, adsorption and diaphragm procedures and the amines scrubbing method seems to be the most suitable for practical use. However, the power demands of the method are high and it substantially increases in-house power energy demand. Therefore, the chemical absorption method is refined by the development of more efficient sorbents, an innovative solution of column management, the development of more efficient, selective and stable separation media and more effective interlacing of energy streams within the energy power production unit with CCS technology.

In principle, CO_2 capture prior to combustion is applicable to solid fuels (coal, biomass, carbon waste) and gaseous fuels (natural gas). In the case of solid fuels, the energy cycle consists of fuel gasification, purification of gas generated (so-called syngas) from unwanted components, including carbon monoxide transformation into carbon dioxide followed by the capture and subsequent use of syngas in the steam-gas energy cycle - so-called IGCC (Integrated Gasification Combined Cycle). In this case, the procedures of physical absorption are more suitable for CO_2 capture due to the pressure situation and higher CO_2 concentrations in syngas.

Oxygen combustion technology (so-called oxyfuel) is applicable both in coal blocs and steam-gas cycles. Should solid fuel be used, oxygen combustion technology is similar to classic boiler combustion but the fuel is combusted in an oxygen stream mixed with partially re-circulated flue gases (to reduce the temperature); particularly nitrogen, forming a substantial proportion of air, is expunged from the combustion process and the flue gases are directly formed particularly of CO_2.

Ad 2) Transport of CO_2

CO_2 can be transported in various states; liquid transport is suitable for high volume CO_2 from power plants (up to several million tons per year); in case of excessive volumes, a pipeline system can be used. The latter transport system is most developed in the USA, where more than 3,000 km of network is operated to transport over 45 million tons of CO_2 per year. In future, the CO_2 transport network may be similar to the existing gas system for CO_2 transport to distances of up to several hundred kilometres, however, CO_2 will probably be stored close to power plants with a transport distance of up to several kilometres or tens of kilometres only.

Ad 3) Storage of CO_2

Abroad, different possibilities for the storage of CO_2 are being developed, however, sufficient capacity is usually provided by deep permeable sediment units of the sandstone type. These geological units should be deeper than 800 metres and should guarantee the capture of carbon dioxide in the rock environment and the guarantee is verified by complex security analyses. In addition to plain storage, some conditions assume the use of captured carbon dioxide from power plant operations for so-called tertial EOR (Enhanced Oil Recovery). This recovery method is used in several countries today but the carbon dioxide used comes exclusively from natural resources.

Examples of specific activities of ČEZ in preparing low-emission technologies

The carbon dioxide capture and storage technology is a complex one with a bright future and therefore, ČEZ actively involves itself in various activities at the international level. ČEZ is involved in several workgroups of the pan-European technological platform for the preparation of low-emission technologies (ETP-ZEP) and has become a member of the research programme of GHG at the International Energy Agency. ČEZ supports selected projects from the sixth framework programme of the European Communities for research, development of technology and demonstrations (e.g. Geocapacity) and the project support within the next framework programme (2006 - 2013) is forecasted to be much higher. Tighter cooperation with one of the potential technology vendors was established for evaluation of the technical and economical aspects of the amine scrubbing application in some ČEZ sources. Cooperation with geological and mining organizations was established and we expect successive improvement of actual storage capacities in the Czech Republic. There are initial indications that the Czech Republic has a sufficient storage capacity for carbon dioxide particularly in deeper formations of sedimentary rocks.

ČEZ intends to actively involve itself in the preparation of demonstration units of low-

emission technologies and in mid 2007, the company declared a programme for this area based on two projects. Each of these projects has its potential, specific benefits, advantages and disadvantages, as well as risks, as summarized in the following table:

	Advantages and potential	Disadvantages and risks
Hodonín CO_2 Separation Project	- geological potential for storing close to the production unit - co-combustion of biomass - possibility of testing CO_2 separation from flue gases from fluidized bed boilers	- low installed capacity - low efficiency due to fluidized combustion of low-quality fuel - separate desulfurization is not installed
North Bohemia Clean Coal Project	- high installed capacity - high clean efficiency (over 42%, without capture and storage of CO_2) - continued tradition of electricity production in the region - project of making electricity production of European importance friendly	- possible spatial limitations - uncertainties regarding source location and actual possibilities for storing carbon dioxide

ČEZ also checks possibilities of cooperation with other power engineering corporations in the implementation of CCS demonstration units and monitors carbon dioxide storage in countries where the ČEZ Group actively operates.

4.3 Activities of ČEZ in the field of environmental markets

Summary

When compared to other emissions of controlled pollutants, the GHG emissions reduction area is somewhat specific. The difference lies in the use of economic instruments in the form of emission rights (simply speaking, emission trading) on the world scale. In the past, trading was used to a limited extent to resolve local pollution problems. A significant breakthrough followed when the USA implemented sulphur dioxide emissions trading at the federal level. Experience from the USA was then employed in designing the emission allowances trading system for GHG in the European Union, which has registered about 11,000 pollutants from 27 EU member countries in 2007 and today, the system presents the most important environmental market worldwide.

Global markets under the umbrella of the Kyoto Protocol are the second group of markets tightly related to the European allowances trading market. Thanks to its geographical scope (not only the territory of the EU) and range of controlled gases (all GHG of the Kyoto Protocol), the markets approach the idea of a solution to the global problem via a globally applied tool. Both of the most important market groups replenish the other market mechanisms in the field of environmental investments to a broader extent, support of modern technologies and other related financial tools.

The presence of the ČEZ Group on these environmental markets is a must - ČEZ is an obligatory member of the allowances trading system - and, particularly, a challenge. The essence of the market instruments is motivating and offering an opportunity to find an optimum solution. From the financial and investment point of view, today's environmental markets are comparable to markets trading with other commodities. Both the market frameworks are planned as long-term and though they are full of imperfections, one may expect their operation for decades. Finding an optimum strategy is a must for a company of ČEZ's size. This is the reason the ČEZ Group is one of only a few companies from CEE countries active on this market.

4.3.1 What are environmental markets

Environmental markets, more specifically carbon emission markets, are one of the most dynamically developing areas of environmental control combined with a business opportunity. Operation of carbon markets (through emission allowances or emission credits or other units) is based on the principle of marketable emission rights transferable between entities falling under some form of carbon dioxide or other GHG control regime. Trading logic is the most favourable allocation of funds for the reduction of emissions. In other words: the market mechanism will ensure emissions are reduced first where it is the cheapest.

Today, the markets can be divided into two basic groups - allowances trading within the EU (EU ETS) established in 2005 which is mandatory for a selected group of polluting entities from the EU member countries. The second group of market is the trading defined by the Kyoto Protocol or its so-called flexible mechanisms.

Two mechanisms are based on the implementation of projects (Joint Implementation - JI and Clean Development Mechanism - CDM); the third one is based on emission unit trading between countries without implementing the projects (International Emissions Trading - IET).

Considering the nature of GHG emissions, use of the market trading tool is useful because it does not matter where on the planet the GHG were released. Successive interconnection of individual local activities and the development of a global emission market are forecasted. The first step is so-called linking of the allowances trading system with the Kyoto protocol allowances trading system (JI and CDM) implemented into the Communities legislation by directive No. 2004/101/EC, allowing companies included in the EU ETS to use not only the allowances but credits as well from JI projects (ERU - Emission Reduction Units) and CDM projects (CER - Certified Emission Reduction) to conform to their obligations. In this way, companies may invest in foreign projects and they may associate the investment with the transfer of technologies or know-how in addition to the benefit of emission reductions achieved.

4.3.2 Active approach of ČEZ

Since the launch of the allowances trading market, ČEZ has been very active in this field and now, the same applies to the project mechanisms. The goal is to gain experience from operation of these markets and to use the potential offered by the mechanisms and to optimize emission reduction costs pursuant to trading principles or to invest in emissions reduction when there is sufficient motivation offered by the system (motivation in the form of the allowance price). GHG emissions have become an integral part of the company's decision not from the operational but further

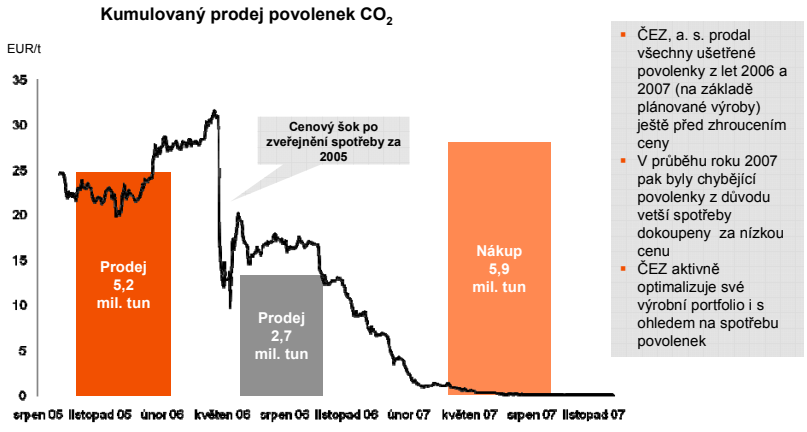
development of Czech electric power engineering point of view.

Thanks to the positive approach of ČEZ, profits were generated in the allowances trading and they will be reinvested in further measures towards the reduction of GHG emissions pursuant to ČEZ's public declaration. The result is that success on the environmental market brings more advantages for the environment. The profit calculation methodology is described in the appendix to the action plan that is ČEZ's response to newly emerging challenges in the field of GHG emissions. Generally, GHG emissions reduction projects can be divided into two main groups - projects implemented in the Czech Republic and projects implemented abroad.

From the short-term point of view, which is important for the implementation of savings in the near future, the field of measures adopted by ČEZ can be divided into three groups:

- In the operation area, implementation of measures increasing the efficiency of electricity production, the reduction of in-house electric power demand and increasing availability of no-emission resources (atomic energy, energy from renewable resources).
- In the resources application area, the allowance price's consideration influences its optimization, where the application of resources depends on the allowance and electric energy price.
- In the trading area, balancing of ČEZ's production is the key of which part is both trading at its own expense as well as trading through brokers. An active trading approach and market development monitoring enabled the sale of saved allowances yet before their price drop for the first trading period and it contributed to the profit used for reinvestments in further measures for emissions reduction pursuant to the declaration adopted by ČEZ.

ČEZ ZAJISTIL SVÉ POZICE V POVOLENKÁCH CO_2 PRVNÍHO ALOKAČNÍHO OBDOBÍ JEŠTĚ PŘED ZHROUCENÍM JEJICH CENY



- ČEZ, a. s. prodal všechny ušetřené povolenky z let 2006 a 2007 (na základě plánované výroby) ještě před zhroucením ceny
- V průběhu roku 2007 pak byly chybějící povolenky z důvodu vetší spotřeby dokoupeny za nízkou cenu
- ČEZ aktivně optimalizuje své výrobní portfolio i s ohledem na spotřebu povolenek

zdroj: ČEZ, a. s., burza IPE/ECX

ČEZ HEDGED ITS POSITION OF THE CO2 ALLOWANCES OF THE FIRST ALLOCATION PERIOD YET BEFORE THEIR PRICE DROP

Accumulated sale of CO2 allowances

- ČEZ sold all allowances saved in 2006 and 2007 yet before their price drop (based on scheduled production)
- In 2007, missing allowances due to higher consumption were purchased at low price
- ČEZ actively optimizes its production portfolio with respect to allowances consumption as well

Substantial emission volume reduction is achievable only when new low-emission and/or no-emission technologies are employed. They require considerable investments as well as time (preparation and implementation of an investment and potential effect in the form of realized emission savings). Therefore, ČEZ supports such projects striving for inclusion of the long-term stability element in the trading system to allow actual global linking of individual trading systems.

ČEZ is a member of the International Emissions Trading Association (IETA), where it strives to be actively involved in discussions about the future global trading system. An international workshop devoted to EU ETS was organized in April 2007 by ČEZ in cooperation with IETA in Prague. ČEZ carries out similar activities on other international platforms involved in trading issues (EURELECTRIC, CEPS).

The international workshop devoted to the current issues of emission trading was organized in April 2007 by ČEZ in cooperation with IETA. The future structure and development of the second phase of emissions trading within the EU and interconnection thereof with the Kyoto Protocol mechanisms were the most discussed themes. An interesting and balanced agenda was successfully created in the presence of a diverse panel of lecturers, being major world experts in the field of environmental markets, domestic politicians, representatives of the European Commission as well as representatives of non-governmental organizations.

4.3.3 Domestic projects for GHG emissions reduction within the ČEZ Group

ČEZ has adopted many measures in the field of GHG emissions reduction. In addition to the three basic categories, these are mainly investment measures at ČEZ facilities operated in the Czech Republic.

The matter is increasing the availability of nuclear and renewable resources in the field of no-emission resources. Regarding renewable resources, other measures on existing sources have been adopted in addition to the construction of new production facilities, particularly in the field of in-house consumption or increasing efficiency. However, their potential is limited. Regarding the existing coal resources, they include additional measures towards greater availability, increase in electric power production efficiency and acceleration of prepared or scheduled investments.

The projects and measures implemented or planned by ČEZ are described in the action plan; the plan is subject to regular reviews and updates.

4.3.4 Foreign projects for GHG emissions reduction outside the ČEZ Group

The Joint Implementation (JI) and Clean Development Mechanism (CDM)

established by the Kyoto Protocol quickly became an important tool for the development of renewable energy resources and for the reduction of pollution in developing countries worldwide. In relation to the merging of the European allowances trading system with these mechanisms, the emissions reduction agenda outside the ČEZ Group became an important part of the activities. Implementation of the JI and CDM project secures ČEZ against a lack of allowances by using the emission savings created by these ČEZ projects instead of emission allowances.

Activities of the ČEZ Group in the JI and CDM mechanisms have three forms:

- ČEZ accessed the Multilateral Carbon Fund, purchasing emission credits from the projects in CEE as an investor. The fund is administered by the European Bank for Reconstruction and Development (EBRD).
- ČEZ purchases emission credits from specialized investors for JI and CDM projects.
- ČEZ has become a direct participant in emission reduction projects.

From the projects type point of view, the ČEZ Group is primarily interested in investments in renewable energy resources, energy savings or projects implemented in CEE or in the Balkans. In addition, ČEZ is intensively interested in projects implemented in other regions as well. With the help of specialized companies, ČEZ has been searching for viable projects in China and South-East Asia and considers any opportunity available worldwide. The basic assumption for the selection of projects is compatibility with the requirements of the relevant UN bodies that administer the mechanisms.

Regarding examples of specific projects, ČEZ signed an agreement on the procurement of emission credits with Chinese developers of wind and hydrogen power plants in the Hebei and Sichuan provinces and with a company distributing mine methane for boiling to 50,000 households in Fengcheng in southern China. In Europe, ČEZ procures credits from a Hungarian company combusting landfill methane and considers participation in other projects for GHG disposal. ČEZ considers the procurement of credits from renewable resources projects in the Balkans, Russia and Caucasus through the EBRD fund.

4.4 Energy savings

Summary

One of the most important tools for the reduction of emissions and energy demands is savings in electric energy consumption. According to results from benchmarking studies conducted by OECD and IEA, despite improvements, the Czech economy is under the burden of high energy demands. Though it is the heritage of the past to a great extent related to industry and the industrial production structure, reducing demands should be one of the main priorities of the Czech Republic.

The area of energy savings is paradoxically an important theme for electricity producers as well. At least three reasons explain the support for saving measures.

The first is the uniqueness of the commodity, i.e. of electricity, which cannot be innovated, improved or stored for stocking purposes or for cases of insufficiency as with other forms of energy - gas, heat, solid and liquid fuels. Production and transport of electricity is subject to physical laws that need to be respected while ensuring minimum loss and maximum safety. An attempt by a responsible electricity producer is especially ensuring stability of the electricity system and minimized impacts on the environment. The commodity volume is defined by the

long-term demand of all users as well as momentary demand. Therefore, optimized consumption of electricity in time attainable through saving programmes is in the interest of producers.

The second reason is the attempt by producers to postpone investments in new energy resources as well as distribution grids, and to optimize operation of existing installations for the production and "transport" of electricity. Time-demanding project approval processes and investments make the investments in new facilities non-flexible and leads rather to solutions in a longer time period. Considering the forecasted lack of electricity in Europe in the future, the savings will be one of the key elements with respect to environmental protection as well as grid stability.

The third reason is natural care for a product that a lot of power has been expended on for us to deliver. The power engineering industry has always been an area with strong professional honour. If you know how much work we have to do from construction of a power plant through procurement of all resources up to electricity distribution so that you can flick a switch , you cannot be satisfied if you see how electricity is uselessly wasted.

The ČEZ Group conducts its activities in the field of energy savings on three basic levels: education, consultation and direct cooperation with customers.

4.4.1 Communication with the public - education

Educational communication promotes a thrifty lifestyle and energy savings as part of it in the media. The communication also includes support of changes to customers' behaviour in cooperation with appliance producers and other energy-saving equipment. Attention is also paid to interconnecting the communication with the "Green Energy" project promotion to complement energy savings support - as a part of consumer behaviour change - by supporting electricity production from renewable resources.

4.4.2 Consultancies for customers

4.4.2.1 Basic consultancies offered with power electricity products

Basic consultancy services are offered to all ČEZ Group customers, both households and corporations and businessmen. The range of consultancy services granted is directly related to the selection of a specific product. The basic consultancy differs by individual segments and is provided both within mass services rendered by Customer Centres and the Customer Line as well as sales representatives in the form of an individual service.

4.4.2.2 Consultancy centre of the ČEZ Group

This activity is directly related to basic consultancy and consists of many specialized workshops organized in conjunction with energy-saving appliances or technology producers and companies providing clear proposals for streamlining energy management.

4.4.2.3 Promotion of households' optimized consumption

The goal of the promotion is to improve public awareness about distribution conditions and efficient use of the low tariff in order to reduce consumption during more expensive periods. The promotion occurs in the form of brochures and leaflets.

4.4.2.4 Production of POS materials themed on consultancy with focus on segments and industries

Materials with all information related to energy savings will be available at all POS of the ČEZ Group. The materials will focus on individual segments - households, retail customers and corporate customers, and on industries - for businessmen, tradesmen, etc.

4.4.2.5 Media promotion of consultancies

The goal of the activity is to expand the promotion of saving measures resulting in energy savings in households and companies, the promotion of consultancy as a service offered by the ČEZ Group within its business centres and other service channels to its customers. The goal is to expand the number of customers who actively use the consultancy services.

4.4.2.6 Website for calculation of consumption and energy savings

Today, the ČEZ Group offers a website for customers to calculate the suitable circuit-breaker value, corresponding distribution tariff as well as optimum product of power electricity. A new website calculating savings thanks to individual saving steps will be available soon. These calculations may motivate them to actually adopt energy saving measures.

4.4.3 Direct cooperation with customers

4.4.3.1 Provision of non-energy products

"Non-energy products" are products and services directly related to electricity sales and they influence the savings potential differently in the individual areas they are related to. Their content is directly related to consultancy and develops it into specific and real savings directly at the point of consumption. Internal sources will be used to provide the products and services, however, in most cases, cooperation with external entities with sufficient know-how in the implementation of the activities is assumed as well. In this case, the ČEZ Group will always be a guarantor of the quality of individual products rendered.

A specific example of cooperation with external entities in the field of energy products is the partnership with company Carrot Euro, providing services in the field of alternate energy resources. The cooperation includes the lease of resources to our customers as well as the organization of presentations and training for ČEZ Prodej employees and then to our customers. The growing number of business cases is evidence of interest among our customers.

Another area of providing non-energy products is the service of transformers rendered in cooperation with VČE Transformátory. The main area of cooperation is the service and maintenance or supply of transformers.

5 Customers and contractors of the ČEZ Group

Summary:

All fully integrated companies of the ČEZ Group apply the principle of social responsibility towards business partners, customers and contractors in their activities. In order to improve the quality of customer services, better use of production capacities, increase competitiveness and strengthen ČEZ Group's position on the new market, a network of business centres and offices was established in the Czech Republic and business agencies were opened in other CEE and Southern European countries.

5.1 Social responsibility of fully integrated companies of the ČEZ Group

The fully integrated companies of the ČEZ Group express their social responsibility both with respect to the contractor and its customers.

5.1.1 Contractors

In addition to the emphasis on high quality and economic efficiency of the products and services supplied, broader economic, social and environmental relations of the cooperation with contractors play an important role at the ČEZ Group. The approach of contractors to the environment, safety, health protection and other aspects when selecting them is always taken into account. To this end, a definition of potential risks of individual business cases and central database of contractors containing an evaluation of approaches as well is used. Prospective contractors are checked for implementation of a quality management system, occupational health and safety system and environment management system. In this way, the potential risk of negative impacts of individual business cases on environmental protection, occupational health and safety system is reduced to a minimum in fully integrated companies of the ČEZ Group.

Only a company conforming to technical, economic, environmental and other specific criteria may be a contractor to the ČEZ Group. All prospective contractors are thoroughly assessed prior to their inclusion in the extensive database of business contractors. They may be erased from the database if they fail to conform to all requirements related to social responsibility even though a remedy request is delivered.

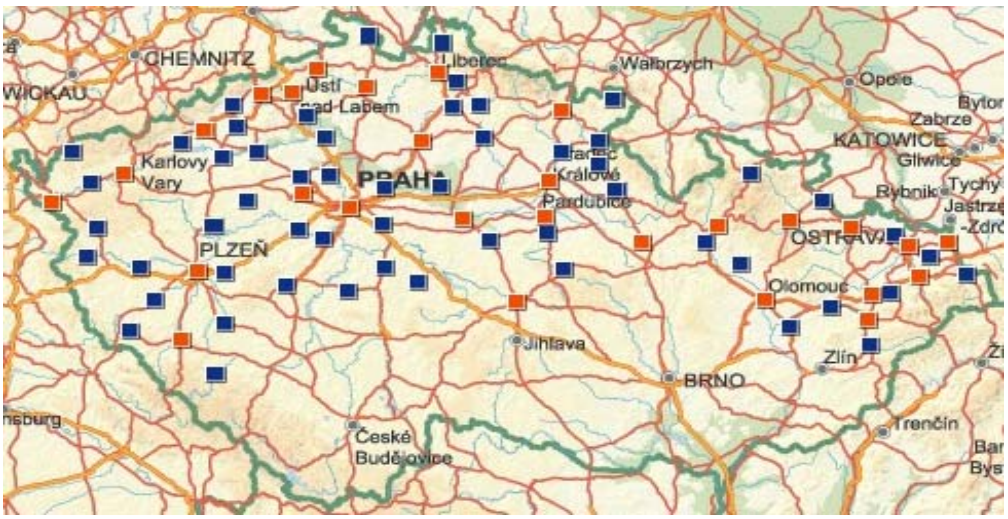
The Group also pays attention to local and regional subcontractors where the process companies of the ČEZ Group operate. Local companies to which the ČEZ Group brings valuable job fulfilment may grasp their opportunity in public tenders due to the close location of the customer.

5.1.2 Customers

The ČEZ Group's customer base can be divided into two categories: Electricity customers (hereinafter "the customers") and customers of other services rendered by the ČEZ Group (hereinafter "the other customers").

Almost 6.8 million customers, 3.5 million of whom in the Czech Republic, were served by the ČEZ Group in 2007. ČEZ Zákaznické služby takes care of retail customers (households and small- and medium-sized enterprises) of the ČEZ Group. Sales representatives from ČEZ Prodej take care of large-sized enterprises.

The ČEZ Group has available a unique system for quick, reliable and easy communication with customers. The backbone consists of a unified call centre with nationwide operation, a virtual business office on Internet and a network of contact points in regions. The ČEZ Group is available 24/7 through its Customer Line 840 840 840 and Failures Line 840 850 860.



- **Customer Centres**
- **Contractual partners**

5.1.2.1 Retail customers

High quality, complex and reliable provision of services is our mission. Particularly top quality should be the basic factor distinguishing the ČEZ Group from competitors. Conformance to determined quality and quantity indicators was in the viewfinder in 2007. According to "Customer" projects, the quality of services rendered has successively increased to a level comparable e.g. with banks. Decree No. 540/2005 Coll., defining the basic parameters of the services provided, is conformed to.

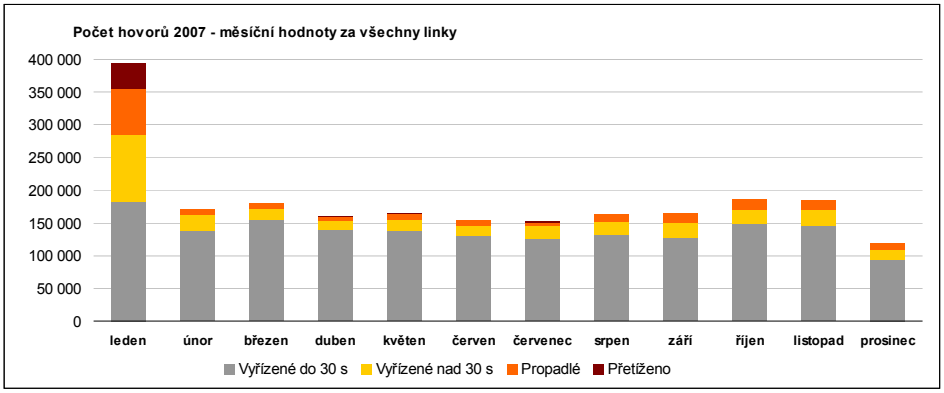
Call back research, mystery shopping and mystery calling are conducted regularly. An evaluation system, system of maintaining and deepening operator knowledge through e-learning and training was implemented, particularly in expert knowledge and communication skills. Regular testing of operator knowledge with an impact on the assessment and motivation programme was implemented.

The call centre underwent many changes in 2007. Emphasis was put on improvement of the quality provided compared to 2006, when quantity indicators were the main focus of the centre. In total, 2.298 million phone calls were received in 2007, of which: 95 % calls (1,988 thousand) received (i.e. 5% of calls were terminated by the caller before connecting to the operators), 81% calls (1,678 thousand) were resolved within 30 seconds. When compared to 2006, the number of inbound calls dropped by 13%, availability of the Call Centre increased by 9% and

+16% calls were handled within 30 seconds.

The customer centres managed 1,072 thousand contacts, 83% of which were personal contacts (886 thousand). In 2007, 99% customers were served within 30 minutes and 97% within 20 minutes. The average waiting time is 5 minutes and 14 seconds. The year-to-year comparison shows the waiting time dropped by 31%.

Inbound calls 2007 – monthly sums for all lines, source: CC Pulse

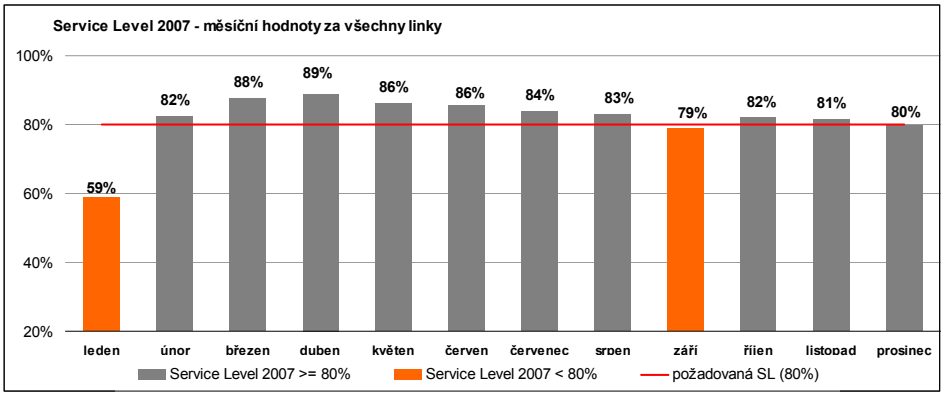


Number of calls 2007 – monthly sums for all lines

January – February – March – April – May – June – July – August – September – October – November – December

Served within 30 seconds Served over 30 seconds Failed Busy

Service Level 2007- monthly values for all lines, source: CC Pulse (Service level is the share of phone calls received by the operator within 30 seconds of total inbound calls)

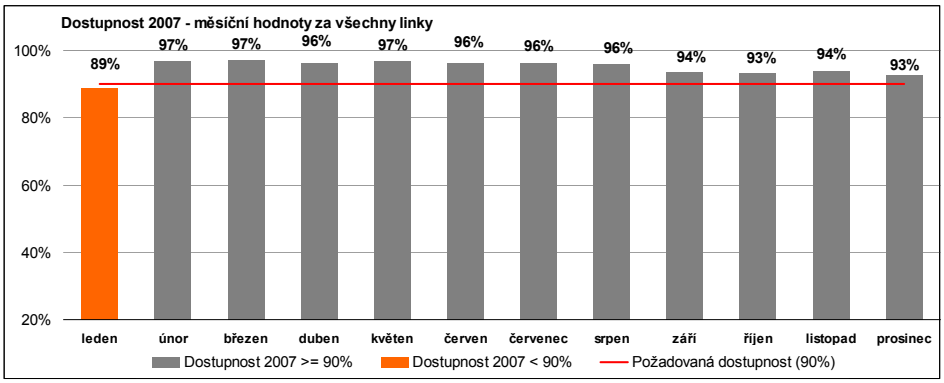


Service level 2007 – monthly sums for all lines

January – February – March – April – May – June – July – August – September – October – November – December

required SL (80%)

Availability 2007- monthly values for all lines, source: CC Pulse (availability is the share of phone calls handled of total number of inbound calls)



Availability 2007 – monthly sums for all lines

January – February – March – April – May – June – July – August – September – October – November – December

Availability 2007 Availability 2007 Required availability (90%)

The ČEZ Group meets the demands of customers requiring personal assistance in handling their matters. We managed to maintain the network of customer centres in all important towns also thanks to cooperation with RWE and now, customers can visit one point of contact to handle their electricity and gas supply needs. Contractual partners assist in extending the network and they can manage most customer wishes. These are independent, most often power-supply related companies controlled methodologically by ČEZ Zákaznické služby and authorized to handle some tasks. The quality of the services provided by these contractors is subject to extremely strict control.

The ČEZ Group is searching for new ways for modernizing, accelerating and improving customer contact. An example is the option of cash payment of electricity bills and advance payments through more than 4,500 lottery terminals of SAZKA.

ČEZ Group customers can easily and quickly manage their matters regarding electricity supply through the internet as well. Through the Virtual Business Office, they can get a summary of invoices, connection points, contracts and their requirements. Users of the Virtual Business Office may also use Electronic Billing services and receive PDF invoices by e-mail instead of paper invoices.

5.1.2.2 Corporate customers

Corporate and large-sized enterprise customers are served by sales representatives from ČEZ Prodej, s.r.o. The goal is to be a flexible, customer-oriented company and a stable partner on the electricity market.

Regarding services for wholesale customers, 2007 was the “Big Bang” year. The launch of the Energy Exchange in Prague, which started transparent determination of electricity purchase prices for ČEZ Prodej too through guaranteed wholesale prices, was an important event in this field. Since July 2007, ČEZ has been offering fixed electricity prices to our customers for more than one year as well as for shorter timelines, e.g. quarters or months.

In relation to the Energy Exchange operation launch, ČEZ Prodej informed its customers about the principles and operation of the Energy Exchange. Almost 100% of contractually agreed electricity was sold by the company during the first months following trading on the Exchange.

ČEZ Prodej presented an extra offer within the improvement of service quality - electronic billing, hire of emergency electricity systems, repairs and maintenance of transformers, etc.

5.2 The ČEZ Group and promotion of electric energy savings

Electric energy savings activities are conducted by the ČEZ Group in the field of education, consultancies for customers as well as direct cooperation with customers. Educational communication by the ČEZ Group promotes a thrifty lifestyle and energy savings to the public as part thereof in the media. The activities described below include support of changes to consumer behaviour in cooperation with energy-saving appliances and other energy-saving devices.

- Basic consultancies offered with power electricity products Basic consultancy services are offered to all ČEZ Group customers, both households and corporations and businessmen. The range of consultancy services granted is directly related to the selection of a specific product and differs in individual segments. The consultancy is provided both within mass services rendered by Customer Centres and Customer Line as well as sales representatives in the form of an individual service.
- Consultancy centre of the ČEZ Group This activity is directly related to basic consultancy and consists of many specialized workshops organized in conjunction with energy-saving appliance or technology producers and companies providing clear proposals for streamlining energy management.
- Promotion of households' optimized consumption The goal of the promotion is to improve public awareness about distribution conditions and efficient use of the low tariff in order to reduce consumption by effective use of the low tariff and on the other hand to reduce their consumption during high tariff. Information is provided in the form of brochures and information leaflets.
- Production of materials focusing on consultancy, especially segments and industries Relevant materials with all information related to energy savings are available at all POS of the ČEZ Group.
- Media promotion of consultancies This activity complements the promotion of saving measures resulting in energy savings in households and companies, the promotion of consultancy as a service offered by the ČEZ Group within its business centres and other service channels to its customers. This activity helps to broaden customers who actively use consultancy services.
- Website applications for calculating electricity consumption and savings. Today, the ČEZ Group offers a website for customers to calculate the suitable circuit-breaker value, corresponding distribution tariff as well as the optimum product of power electricity. Another feature is a calculator for the consumption of domestic appliances and energy savings of fluorescent lamps. The application also allows customers to calculate the "carbon footprint" of each individual in total carbon dioxide emissions into the atmosphere. Simply speaking, it is the calculated volume of carbon dioxide and other GHG created by our everyday activities.
- Virtual guide for savings in a flat and house. The application provides the customer with a multimedia tour of an example house and flat with clearly defined

saving measures for electricity reduction in the household.

- Direct cooperation with customers - rendering non-energy products. "Non-energy products" are products and services directly related to electricity sales and they differently influence the savings potential in the individual areas they are related to. Their content is directly related to consultancy and develops it into specific and actual savings directly at the point of consumption. Internal resources will be used to provide the products and services, however, in most cases, cooperation with external entities with sufficient know-how in the implementation of the activities is assumed as well. In this case, the ČEZ Group will always be a guarantor of the quality of individual products rendered.

  A specific example of cooperation with external entities in the field of energy products is the partnership with company Carrot Euro, providing services in the field of alternate energy resources. The cooperation includes the lease of resources to our customers as well as organizing presentations and trainings for ČEZ Prodej employees and then to our customers. The growing number of business cases is evidence of the interest among our customers.

  Another area of providing non-energy products is the service of transformers rendered in cooperation with VČE Transformátory. The main area of cooperation is the service and maintenance or supply of transformers.

Education examples - "Look Into Your Savings" touring event

One of the ways to resolve the forecasted energy power deficiency is the use of energy savings on the consumption side. Although these provisions will not finally settle the production deficit, economic power energy management may contribute to future energy savings and self-reliance of the Czech Republic and generally of the EU. Energy savings are therefore an important social theme that is one of the key pillars of the Action plan for carbon dioxide emission reduction in the ČEZ Group.

Within the Action Plan, the ČEZ Group decided to organize a touring educational event called “Look into Your Savings” in autumn 2007. The goal of the event, which visited 28 cities and towns in the Czech Republic, was to encourage the public’s interest in electricity savings. The ČEZ Group is aware of its inability to ensure electricity savings in households as the electric energy producer but it may note households for useless energy wasting and uneconomical electricity use. Using specific and understandable examples, the ČEZ Group explained ways to save thanks to easy steps and principles while maintaining ease of use of all modern appliances and keeping electricity bills at an equal or lower level.

At the same time, the road show noted the existence of consultancy as another product in this field targeted at households, the media and public administration. The road show noted the existence of the network of business offices (now 28 customer centres) in the Czech Republic providing full services, including energy consultancy to customers.

Two specially designed trailers visited towns and cities in the Czech Republic during the road show. The first of them was adapted as a mobile exhibition area where visitors obtained much interesting information on power engineering through the exhibition "Learn to Save Energy - Yours and Electrical ". The second trailer was designed as a mobile customer centre and used as an actual business and

consultancy centre. Experts from the ČEZ Group advised visitors e.g. in the field of purchase of power-saving appliances, use of alternative energy sources, sense and possibilities for the installation of heat insulation on external walls, effective heating and many other questions related to the effective use of electric energy. The agenda included competitions for small prizes. The partners of the event were Philips and Baumax.

The successful autumn tour continued in 2008 with a spring tour focused on the same theme and called "Look into Your Savings or Save Every Day". Based on rich experience in the field, the savings presentations were modified so as to be more comprehensible for the general public. The bigger of the trailers is now designed as an example household equipped with appliances and occupied by four trained actors - household members who present savings opportunities in households during interaction with visitors. The function of the mobile customer centre remained unchanged and still provides full-value services and consultancy.

During May and June, the road show visited 36 towns in Bohemia and Moravia and in 12 towns a special programme for kindergartens was prepared - a theatre performance showing simple savings steps. The concept of the fairytale story is adapted for children.

5.3 Structure of the ČEZ Group – ČEZ, a. s. and fully integrated companies

5.3.1 ČEZ, a. s.

The parent company of the ČEZ Group is ČEZ, a.s., the largest electricity producer in the Czech Republic. The number of business partners located in all regions of the Czech Republic amounted to 43,536 at the end of 2007.

Number of business partners of ČEZ, a. s. located in the regions as of 31 December 2007

Region	Number of business partners as of 31 December 2007 - of which:	Contractors	Customers
City of Prague	10,229	9,359	870
Central Bohemia Region	3,695	3,137	558
South Bohemia Region	3,744	3,537	207
Plzeň Region	1,110	1,016	94
Karlovy Vary Region	1,286	1,088	198
Ústí nad Labem Region	4,597	3,914	683
Liberec Region	1,016	922	94
Hradec Králové Region	3,686	2,182	1,504
Pardubice Region	1,985	1,295	690
Vysočina	2,251	2,028	223
South Moravia Region	4,571	4,154	417
Olomouc Region	1,114	1,044	70

Zlín Region	965	891	74
Moravia-Silesian Region	3,287	3,142	145
Total	**43,536**	**37,709**	**5,827**

5.3.2 ČEZ Prodej, s.r.o.

ČEZ Prodej, s.r.o. is one of the process companies incorporated within the ČEZ Group. This is a limited liability company with its registered office in Prague. Business sections of all regional energy companies including customers, contracts and liabilities had been transferred to the new company by the end of 2005. ČEZ Prodej, s.r.o. has been fully operational since 1 January 2006.

ČEZ Prodej became a contractual partner to all customers of the ČEZ Group, unified product offer through the Group as well as approach to customers and quality of services. The team of about 230 individuals provides business activities and corporate customer care, provides support to sales representatives and arranges the marketing activities of the Group. Last but not least and in cooperation with ČEZ Zákaznické služby, s.r.o., the company provides care to all customers in the small-enterprises and households areas.

In 2007, the company served more than 2.8 million and 700,000 end users from retail customers and corporate customers, respectively. It totalled more than 3.4 million connection points at low voltage level and 11, 000 connection points at high and very high voltage level.

5.3.3 ČEZ Distribuce, a. s.

ČEZ Distribuce, a. s. is a holder of the licence for electricity distribution and operates the distribution grid pursuant to Energy Act No. 458/2000 Coll.

The company operates in eleven regions: Plzeň, Karlovy Vary, Ústí nad Labem, Liberec, Hradec Králové, Olomouc, the Zlín Region, Central Bohemia Region, Moravia-Silesian Region and in part of the Vysočina Region. The company pursues all activities related to safe and reliable operation of the distribution grid at very high, high and low voltage level, including the provision of electricity distribution services to end users. An assumption for meeting the business plan and the mission of the company is the rich tradition and know-how taken from former regional distribution companies backed by the corresponding technical and HR background.

As of 31 December 2007, ČEZ Distribuce distributed electricity to almost 3.49 million customer connection points and administers a developed line system of more than 153,000 km in the Czech Republic (of which 9,500 km, 10,100 km and 94,100 km of very high, high and low voltage level, respectively). It cooperates with more than 750 external building, assembly and design companies.

5.3.4 ČEZ Distribuční služby, s. r. o.

ČEZ Distribuční služby, s. r. o. was incorporated in October 2005 as a 100% affiliate company of ČEZ, a. s. Full operation started in July 2006. The company provides full services in the field of operation, failure removal, diagnosis, maintenance and repairs

of the distribution system. These activities have been taken from regional distribution companies.

The company has available a team of expert employees with excellent specialist knowledge tested by practical experience. The environmentally-friendly behaviour of its employees is put next to quality and occupational health and safety.

In 2007, the company cooperated with more than 2,780 contractors and 5,820 customers of its services.

5.3.5 ČEZ Správa majetku, s. r. o.

ČEZ Správa majetku, s.r.o. is the process organization incorporated within the VIZE 2008 project. The subject of business is the provision of all services in the following areas:

Property administration and maintenance (non-energy areas). The company provides functional administration of non-energy and non-technical property used by the ČEZ Group including the provision of office spaces and equipment.

Provision of support services in all regions where the ČEZ Group operates today. They mainly include mail rooms, copy centres, registers, boarding, security, revision activities, etc.

The company actively uses a high number of contractors (in the order of thousands) to satisfy all the needs of its customers, being mostly members of the ČEZ Group.

5.3.6 ČEZData, s. r. o.

ČEZData, s. r. o. was incorporated by ČEZ a.s. as the sole partner based on the Deed on Foundation dated 9 April 2004.

The main subject of ČEZData's activity is the provision of full services in the field of information systems and technologies to companies of the ČEZ Group. The main mission of the company is securing the needs and requirements of the ČEZ Group in the field of IS/IT. ČEZData's business activities are particularly aimed at securing the operational needs of the ČEZ Group.

The company pursues business activities as well. An integral part of the company's activity is its focus on development for the continued competitiveness of the company according to the IS/IT market development.

ČEZData has 20 important customers (inside and outside the ČEZ Group) and cooperates with 50 primary contractors.

5.3.7 ČEZ Zákaznické služby, s. r. o.

ČEZ Zákaznické služby, s.r.o. was incorporated by ČEZ, a.s. as of 16 August 2004.

Full and reliable provision of customer services for end users, electricity trading licence holders, electricity distribution licence holders as well as electricity production licence holders are the basic business activity of the company. The company's business plan stems from power engineering legislation (Czech Republic, EU) including links to unbundling and the electricity market liberalization schedule.

These activities particularly include services rendered to said licence holders, entering into, amending and terminating agreements based on which connection points are administered, electricity distribution, electricity trading, electricity purchase from renewable resources or other services, as well as handling of complaints and other requests from customers, billing, provision of AR administration, provision of extrajudicial and judicial enforcement of receivables, printing, enveloping and sending of bills and other documents, including making out tax documents to customers, provision of electricity production from renewable resources, from combined production of electricity, heat and secondary resources as well as data management regarding information stored in the customer information centre.

ČEZ Zákaznické služby, s.r.o. serves about 3.5 million customers.

5.3.8 ČEZ Logistika, s. r. o.

ČEZ Logistika, s. r. o. was incorporated and registered in the Commercial Register on 2 August 2004 according to the ČEZ Group's intention to centralize materials and services procurement and sale processes for distribution grids into a standalone affiliate business company. Business activity started on 1 July 2005. The main subject of business is the procurement, sale and logistics of power engineering materials and rendering services for distribution and production of the ČEZ Group and external customers. The biggest customer of ČEZ Logistika is ČEZ Distribuce, which purchases material for the construction and redevelopment of grids and substations. Another important customer is ČEZ Distribuční služby, which procures material for the operation and maintenance of grids. In 2007, ČEZ Logistika traded with more than 650 customers and cooperated with more than 800 contractors from the Czech Republic and abroad. Customer care and customer relationship development are the business philosophy of the company.

5.3.9 ČEZ Měření, s. r. o.

The company was incorporated on 1 July 2000 by Východočeská energetika as VČE - měřicí technika, s.r.o. Full operation within the ČEZ Group started on 1 June 2005.

The main tasks of ČEZ Měření are activities related to electricity metering, including procurement of meters for electricity metering. The company performs readings of electricity consumed by all end users connected to very high voltage, high voltage and low voltage distribution grids, assemblies, disassemblies, replacement for regular calibration, calibration and maintenance of metering equipment and procurement thereof. Another important activity is the complex searching for, resolving, preventing, and minimizing of unauthorized consumptions. Calibration of specified meters is conducted by the company based on the Authorization Decision issued by The Czech Office for Standards, Metrology and Testing and the Authorization Terms and Conditions adopted.

In 2007, ČEZ Měření cooperated with more than 20 important customers and procured materials and services from about 30 contractors.

5.3.10 ČEZ Obnovitelné zdroje, s. r. o.

ČEZ Obnovitelné zdroje, s. r. o. was incorporated in 2005 by renaming VČE – elektrárny, s. r. o. The reason for incorporating a new company was an attempt to expand electricity production from renewable resources within the ČEZ Group. The main subject of business is the production of electricity from renewable resources, particularly hydro power plants owned by the company. For the future, the company plans developments in hydro power engineering and other areas of renewable resources such as wind power plants, combustion and gasification of biomass and the use of solar energy. Geothermal power engineering is considered as well.

The customers of ČEZ Obnovitelné zdroje are big power engineering companies in the territory of the Czech Republic (ČEZ, a. s., E.ON Energie, a.s.). In 2007, the company cooperated with 92 important contractors.

5.3.11 ČEZnet, a. s.

ČEZNet is an affiliate company fully owned by ČEZ, a. s. The company was incorporated on 14 November 2001 to fully procure services of electronic communication in the field of telecommunication and data operation nationwide.

ČEZnet is a developed provider of fully convergent services in the Czech Republic. The company operates attractive voice and data services on the broadband platform with interesting organization and a wide range of potential use through the in-house and widespread optical network. The special position of the company among similar Czech companies is based on the contractual link to its parent company, ČEZ, a. s.

Seven years of first-hand experience in the field of telecommunication and data services for power engineering is a well-proven key to full and professional services of a guaranteed quality level.

With reference to the expansion policy of the parent company, ČEZNet has been participating in consultation and integration solutions at home and abroad, from design proposals up to implementations.

Continuous improvement of availability and operational quality of telecommunication services through the natural development of business activities and with respect to optimizing target solutions including implementation and operation costs is the key strategy element of ČEZNet.

The company is a member of the international association of power engineering operators 4cE (For Connecting Europe) and RIPE (Réseaux IP Européens), APVTS (Association of Public Telecommunications Network Operators), ČAT (Czech Association of Telecommunications) and NIX.CZ (Neutral Internet eXchange).

In the first quarter of 2008, ČEZNet served 660 customers in the Czech Republic and abroad. The most important clients are the ČEZ Group, ČEPS, a.s., Ministry of Defence of the Czech Republic, GTS Novera and Telefónica O2 Czech Republic,a.s.

5.3.12 ČEZ Teplárenská, a. s.

On 5 April 2007, ČEZ became the full owner of Teplárenská, a.s. which was renamed ČEZ Teplárenská, a.s. in January 2008.

The company distributes heat produced in the Tušimice, Prunéřov, and Ledvice power plants. The company owns roughly 200 km of heat supply lines and

distribution grids, 205 heat exchange stations, the coal heating plant in Proboštov and more than 60 gas boiler rooms of various type, design and capacity. Own-source heat production amounted to about 25 %. The most important external heat contractor is ČEZ, from which more than 68% of heat is procured. Another contractor is Actherm, s.r.o. supplying about 9% of the annual heat volume.

In the Chomutov area, the company owns and operates 78.6 km of hot-line distribution grid and heat is supplied to Chomutov, Jirkov, Kadaň and Klášterec nad Ohří.

In the Bílina area, the company supplies heat to Bílina, Osek, Duchcov and Hrob. The distribution grids in this area are divided into steam-line (6.5 km), hot-line (2.2 km) and heat-line (12 km). In addition, the company owns and operates 19 gas boiler rooms.

In the Teplice area, the company owns 43 gas boilers rooms and 37.8 km of steam-line, 4.4 km of hot-line and 23.5 km of heat-line distribution grids. In addition to Teplice, the company operates in Dubí and Krupka as well.

ČEZ Teplárenská supplies heat mostly to residential areas (76%), civil facilities (22%) and industry (only 2%).

5.3.13 Foreign acquisitions

The ČEZ Group attained representations and significant ownership interests in some foreign companies in South-Eastern Europe and the CEE in addition to acquisitions in domestic companies. The vision of the ČEZ Group is to be the leader on the Central and South-Eastern European electric market. The majority shares in three Bulgarian distribution companies in Western Bulgaria contribute to achieving the vision: Elektrorazpredelenie Stolichno AD, Elektrorazpredelenie Sofia Oblast AD, and Elektrorazpredelenie Pleven AD, the acquisition of a black coal power plant in Varna and success in the tender for Romanian distribution company Electrica Oltenia. Neighbouring Poland is a strategic market for the ČEZ Group in the CEE market of which power engineering is a long-term and good partner to the Czech one. In Poland, the ČEZ Group acquired majority shares in the High Silesian power engineering company Elektrociepłownia Chorzów “ELCHO“ sp. z o.o. (ELCHO) and Elektrownia Skawina S. A. A.

5.3.13.1 The ČEZ Group in Bulgaria

ČEZ entered the Bulgarian electricity market in 2005 and acquired relevant ownership interests following the awarding of a contract for majority shares in three distribution companies, Elektrorazpredelenie Stolichno EAD, Elektrorazpredelenie Sofia Oblast EAD, and Elektrorazpredelenie Pleven EAD. A restructuring process has been running since 2005 within the ČEZ Group in Bulgaria for unbundling (separated sale and distribution of electricity in independent companies) and implementation of the Bulgarian electricity market liberalization rules the country agreed to adopt in accession treaties to the European Union.

The newly incorporated CEZ Elektro Bulgaria AD, which merged the sales activities of all three distribution companies into one, has been delivering electricity to almost two million Bulgarian customers since January 2007. Of the customers, less than one

half (46%) are households, 32% are companies consuming low voltage grid electricity and the remaining 22% are companies supplied by medium voltage grid electricity. On 2 November 2007, restructuring merged the distribution companies into one and since 29 January 2008, the company has been operating under the name CEZ Razpredelenie Bulgaria AD.

In 2006, the ČEZ Group expanded its activities in Bulgaria into electricity production by acquiring TEC Varna EAD, a power engineering company.

Shared services in the field of information technologies, customer services, human resources, property management and other supporting services have been centralized since 2007 into ČEZ Bulgaria EAD. This company provides procurement and logistics of material and services and manages the financial affairs of all companies of the ČEZ Group in Bulgaria. A new company, ČEZ LABORATORIES BULGARIA EOOD, was incorporated to conduct activities related to the calibration of electricity meters. CEZ Trade Bulgaria EAD, the electricity trading licence holder, has been fully operational since 2006.

5.3.13.2 The ČEZ Group in Romania

The ČEZ Group entered the Romanian power energy market in the same year the Group entered Bulgaria, i.e. in 2005, by the awarding of a privatization contract for a 51% share in distribution company Electrica Oltenia. Intensive restructuring works are running for operation of the ČEZ Group in Romania. The Romanian electricity market has been fully liberalized since 1 July 2007 and the newly incorporated CEZ Vanzare is engaged in the sale of electric power to almost 1.4 million customers within the unbundling rules implemented.

Due to the unbundling process (separation of controlled activities from those not controlled), the original Electrica Oltenia is now engaged in electricity distribution only under the new name CEZ Distributie. Regarding the not controlled activities, which include power electricity sale to end users, CEZ Vanzare was incorporated in March 2007 by separation. They are both joint stock companies managed by a board of directors and general meeting through which the ČEZ Group controls its 51% ownership interest. A new joint stock company, CEZ Servicii, was incorporated in May 2007 to provide shared services such as ICT support, HR management, financial and account management. The ČEZ Group holds a 51% ownership interest in this company as well. CEZ Romania S.R.L. operates in Romania of which primary goal is the provision of service and management services to ČEZ Group members, and the acquisition assistance team assists in further potential expansion of assets. Until the incorporation of separated CEZ Trade Romania S.R.L. in March 2007, the company also conducted electricity trading based on the trading licence. 2006 was the first year of full operation. The ČEZ Group holds a 100% ownership interest in both limited liability companies.

5.3.13.3 The ČEZ Group in Poland

The ČEZ Group confirmed its serious interest in the Polish energy sector by the successful awarding of majority shares in the power engineering companies Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S. A. About a 75% share in the Skawina and ELCHO power plants is owned by the ČEZ Group through CEZ Chorzow B. V. and CEZ Poland Distribution B.V. Through this acquisition, the ČEZ Group significantly strengthened its black coal portfolio and

Northern Moravia became the base for operation on the Polish electricity market. In total, the ČEZ Group operates 1,673 MW of installed power capacity in Silesia. The installed capacity of the black coal power plant in Skawina is 490 MW and annual electricity production is about 3 TWh. ELCHO produces electricity and heat in the combined process using two modern blocs with total installed capacity 238 MW.

CEZ Polska sp.z o.o. has been representing the interests of the ČEZ Group in Poland since 2007. This fully owned affiliate company of ČEZ is active particularly in the field of searching for new investment opportunities in Poland (e.g. wind power plants, participation in privatization projects of the new Polish government, etc.). CEZ Trade Polska sp. z o.o. is involved in the support of business activities in Poland. This company is also fully owned by ČEZ.

5.3.13.4 Other business representations

CEZ Deutschland GbmH is involved in the presentation of the ČEZ Group in Germany, the support of acquisition and investment opportunities and services to end customers.

The ČEZ Group also operates in Bratislava, Slovakia. Here, the Group is the biggest foreigner electricity supply provider and is ready to offer its know-how and infrastructure for CO_2 emissions allowance trading. The Group intends to contribute to the development of the newly opening market for end customers. The ČEZ Group's share in supply to small and medium-sized enterprises is 10%.

The purpose of the acquisition of Hungary-based CZ-2005 Magyarország Kft., whose name was changed to CEZ Hungary Ltd. - CEZ Magyarország Kft., is to create better conditions for electric energy trading in the territory of Hungary and to ensure access to the Hungarian distribution grid. Since March 2006, the Group has been licensed to engage in electricity trading.

The ČEZ Group employs its representatives from Serbia and Kosovo in order to monitor further business and acquisition opportunities, where the Group successfully participates in public tenders for electricity supplies.

5.3.13.5 The ČEZ Group and the European Union

The ČEZ Group is actively involved in development of the EU energy policy, which has become one of the key European themes. EU member countries must respond to many challenges, particularly the difficult situation on the crude oil and natural gas markets, the high level of dependence on imports, growing world demand for energy, the need for increased energy market transparency including further integration, as well as the interlinking of national markets due to the end of energy market liberalization. The ČEZ Group responds by specific results within the application of social responsibility: Czech electricity is fully competitive in the EU, and the Czech market is fully liberalized, and all legislation of the EU, particularly Directive No. 2003/54/EC, is fully respected.

The ČEZ Group enforces its interests in the EU through its representation office in Brussels and by the Section of European Agenda at ČEZ in Prague. Through the above, the ČEZ Group enforces its interests, actively defends its statements and develops the necessary relationships in European institutions. The goal of the ČEZ Group is not only to be the leader on the Central and South-Eastern European electric market but also an active player and partner of the European Union on these

markets.

This is backed by memberships in international organizations and associations such as EURELECTRIC and FORATOM. In this regard, the interests of the Czech energy sector have been enforced by many of ČEZ Group's representatives.

6 The ČEZ Group and its employees

Summary:

Skilled managers will confirm that the employees are the wealth of a company. The ČEZ Group is fully aware of that and it pays permanent and extraordinary attention to its employees, their motivation and development. Its social policy, system of training and further education, internal communication and balanced social conciliation are the main tools that make people working in the ČEZ Group interested in their work and desire to bring values in favour of the company's benefit. The employees feel the necessity to work hard to achieve their power and abilities. One of many examples when employees "touched their bottoms" is extraordinary deployment during natural disasters such as floods and wind storms in the past. As of 31 March 2008, the ČEZ Group employed 25,529 employees, of which 6,084 work for the parent company ČEZ, a.s. and 8,527 work for foreign affiliate companies. The other employees work for other ČEZ Group companies in the Czech Republic.

6.1 The VIZE 2008 project

Moderately different but substantially identical activities were conducted originally by five Czech regional distribution companies (REAS) where ČEZ gained its majority ownership interest in 2003. They distributed electricity in their supply area, sold electricity to its customers and provided all management and supporting activities necessary for the organization's operation: HR, accounts, office administration or procurement. The project analyzed the activities of REAS, defined and subsequently, following specification, moved related activities into ten new specialized process organizations or to ČEZ's headquarters.

More than 7 thousand employees, assets with a re-valued value of more than CZK 115 billion and all relevant data about 3.5 million customers were moved to the new process companies or centralized departments.

The project mobilized an enormous number of people. More than 1,250 employees were actively involved in the project during the transformation phase within either teams or work groups. Each employee had the chance to contribute to the development of something new - a new company and its processes, new information systems, new customer relationships.

Downsizing of employees was a logical step resulting from the transformation processes based on the Group's integration. However, the downsizing was not significant - the strategy of attaining "business excellence" played an important role, saying that: "we do not want to be the cheapest but get the highest quality at the lowest costs." Therefore, the main reason was application of the business excellence strategy and not cutting of costs. Over four years, the number of employees related to REAS activities has dropped from 8,206 as of 31 December 2003 to 7,002 as of 31 December 2006.

Extra emphasis was put on the transformation changes and their regional impact in the course of the project. Minimizing negative consequences on regions and their regular spreading was one of the most important conditions in designing the new ČEZ Group structure. As the facts show, the condition was successfully met.

The project avoided the centralization of functions in the capital city: downsizing of employees in Central Bohemia and in the capital city was highest and amounted to

21%, whereas in Northern Moravia the number of employees dropped by 6% only.

Continuous communication with trade unions was a part of the successful transformation we must highlight. Above-standard communications during the transformation existed between the trade unions and project management, communications between the management of companies as well as human resources. Smooth transformation and the development of new, progressive collective agreements are the results of factual and constructive negotiations between the trade unions and the HR team that represented the management of the companies.

The VIZE 2008 project was successful among others due to the successful and continuous application of social responsibility for employees and regions affected by transformation changes.

6.2 Corporate culture

The ČEZ corporate culture stems from the organization's strategy and expresses a uniform platform for the common sharing of basic corporate values on which all principles, standards and formulas of forecasted behaviour are based. Seven Corporate Principles expressing the nature, philosophy and approach to all activities is an important tool supporting attainment of the demanding set goals. They define the manner of interpreting every decision, order or instruction. They also define behaviour towards employees, customers and business partners.

The corporate culture is based on the following principles:

1. We create values safely – the creation of values while retaining safety is the highest priority
2. We are responsible for results – we are all personally responsible for the attainment of results
3. We are one team – the behaviour of each of us must always lead to the success of the ČEZ Group
4. We work hard to get it – we are constantly working on our expert and personal development
5. We grow past borders – we are creating an international company
6. We search for new solutions – we are open to changes and adopt better solutions
7. We act fairly – we are honest and loyal to our principles and company.

Since 2006, the ČEZ Group's corporate culture has been developed as a performance culture aimed especially at support of the consolidation of process-transformed companies and the unification of all processes. In addition to management sections, the key component of the corporate culture is HR development, including modern employee hiring, selecting, evaluating, rewarding and motivating systems. Requirements for individual and group responsibility in the fields of safety and knowledge management are continuously increasing.

Whereas the ČEZ Group uses technologically demanding equipment, particularly in nuclear power plants, the safety culture is highly emphasized and developed as an

integral part of the corporate culture while respecting globally declared principles recommended by the International Agency for Nuclear Power, INPO or WANO.

6.3 Staff care

Summary:

Creating conditions attracting prospective employees and keeping them, including providing future professional growth, is an important part of staff care. The organization's advantage is long-term tradition coupled with expert training of ČEZ employees as well as tight relationships with schools of technical focus of which graduates form a strong prospective group for our company in the future. The sophisticated social policy of the ČEZ Group comparable to top organizations in the Czech Republic and abroad covers the area described above.

6.3.1 Searching for and support of prospective employees

6.3.1.1 Gender issues

The ČEZ Group adheres to the principle of equal opportunities for men and women. This area is anchored in the corporate culture's principles and the relevant legislation the ČEZ Group fully adheres to.

The technical focus of the organization suggests that men will be more interested in working with the organization than women. Women are less interested in explicitly technical professions. However, if interested, they penetrate professions of a purely technical nature. Women are interested in working with the organization in economic, HR, business, administration, etc. departments. Here, women substantially prevail over men. Should we compare the ratio of men and women in power engineering studies, the ratio of men and women employed in the ČEZ Group roughly corresponds to male graduates and female graduates from technical schools.

We neither prefer men nor women when recruiting new employees. We assess the quality of female and male candidates with respect to expert, personal and health conditions. We behave similarly in supporting talented male and female students from schools or talents from internal or external job markets. We choose male and female students with excellent study results who are interested in working with our organization on an active basis.

6.3.1.2 Working with talents

The ČEZ Group supports university students and therefore its potential employees through several activities. One of them is the diploma and inceptor competition in the form of “The ČEZ Award” for the power engineering field.

The competition focuses on searching for and selecting new technical as well as organizational solutions leading towards substantial decreases in energy demands and improvement of environmental indicators. The ČEZ Group is hereby attempting to support and promote solutions not usual in existing technical practice. It praises solutions for increased electric energy efficiency and solutions where other energy resources are replacing electricity. The goal of the competition is searching for and supporting talented young expert or future potential ČEZ Group employees.

The "ČEZ Foundation Award" is for technical university students competing for the best university scientific and technical project in the following branches:

- power engineering
- electrical devices, appliances and drives
- economy and management of electrical engineering and power engineering
- technological systems and electric technology
- heat energy devices
- dosimetry and application of ionising radiation

The goal of the projects is searching for and supporting talented university students and in general, increasing the interest of university students in the selected branches.

6.3.1.3 ČEZ Potentials

This development programme is focused on university graduates of technical, economic or humanitarian focus with job experience from zero to two years. Selected programme participants are appointed to specific job positions within the ČEZ Group following successful tender participation. They are then fully informed about the organization and its operation and experienced managers coach them in work on key projects and important individual tasks. At the same time, they may intensively work on the development of their expert knowledge and personal growth. The programme includes coaching in Czech and English.

6.3.1.4 Example of the success of ČEZ Potentials:

GMC Euromanager

A young team from the ČEZ Group participating in an international competition of students and managers, GMC EUROMANAGER 2007, ranked first in the international round in the competition of 25 international teams. Over the two days of competitions, the participants had to incorporate a fictive company using a computer simulation and the decisive criterion was the final share price at a virtual stock exchange.

In addition to other prices, the winning team won an MBA course, Microsoft Vista operating system and of course, represented the Czech Republic in the international finals in exotic Macao. The four-member team led by Pavel Kunc from the ČEZ finance division won the international finals as well.

6.3.1.5 Educational programme for employees

The current motto of the education programme for employees is: “Though the corporate colour is orange, education and development at the ČEZ Group gets the green light!”

Within the motto, the ČEZ Group in tight relation to strategic goals builds a professionally competent team of employees. We develop the current as well as future personality of key employees and put emphasis on increasing their knowledge and skills. We know the potential of the organization on both the domestic as well as foreign market will develop in conjunction with their development.

To a maximum extent, we apply pro-active individual educational management and each employee may actively influence their personal plan development and career in the organization.

The basic education areas in the ČEZ Group are:

- Professional education as needed
- Mandatory training and tests
- Seminars, workshops, conferences in the Czech Republic and abroad
- Management education
- Employee's personality development
- Language skills

Management and special profession knowledge of the employees is developed in accordance with the preparation policy focused on the organization's increased efficiency. In 2006, representatives of the ČEZ Group attended the regular meeting of the "Technical Working Group – Training and Qualification" at the offices of the International Agency for Nuclear Power, which ČEZ is a member of.

We pay extra attention to the education of employees in nuclear power plants. It should be noted that the WANO Peer Review mission took place in both nuclear power plants of which part is an assessment of training quality and personnel preparedness.

6.3.1.6 Training Centre in Brno

The Training Centre in Brno (SKS) provides training and employee preparation services for both the nuclear power plants - Dukovany nuclear power plant and Temelín nuclear power plant and for external contractors. The mission is particularly the provision and implementation of preparation for selected employees from the nuclear power plants, other ČEZ employees and external contractors to conduct activities important with respect to nuclear safety.

In relation to the HR development strategy at the ČEZ Group, a knowledge management programme is in the pipeline as the basic assumption for retaining and handling the organization's unique knowledge. A performance management system will be implemented as well.

6.3.1.7 Communication with employees

The ČEZ Group's management communication with employees is directed particularly towards work with well informed people in the Group both about the sense of their own work and of the important activities of other Group departments. Good availability of information about current Group goals, deliverables and future plans is very important for the team of employees.

We prefer the active involvement of employees in performing corporate goals and we focus on the development of an open communication environment where the opinions of employees are welcomed and respected. Permanent discussion of the ČEZ Group management with employees at all levels provides the management with valuable feedback and grounds for further decision-making. Also, in 2007 the personal meetings of the ČEZ Group's management with employees proved to be the most effective way of communication. In addition to job meetings of unit employees and company management, closer informal discussions of top management with

ordinary employees are organized, as well. They e.g. allow the management to explain the corporate vision, strategy and role of employees during implementation. They also help maintain continuous and mutually beneficial dialogue.

Implementation of some brand new tools of internal communication in 2007 accounted for an important improvement in timely awareness within the ČEZ Group. Timely and more addressed form is now used for the communication of business results and the development of strategic initiatives of the ČEZ Group. Important notifications at the ČEZ Group's level are now communicated in the form of electronic newsletters. Internal online communication made further progress through the first online interviews of the ČEZ Group's top managers with employees.

The corporate bulletin ČEZ News was significantly modified in 2007 as well. A satisfaction survey showed the way the bulletin should follow for the employees and their voice was taken into account when adopting the new structure, content and graphical layout of the ČEZ News. The bulletin approached the information and communication needs of regular employees much more. Formation of the Editors Board consisting of employee representatives from various departments and companies of the ČEZ Group contributed to the deliverables as well. Also in 2007, the bulletin defended its position as one of the best internal bulletins on the Czech market.

Public acknowledgement and reward for the best employees is highly motivating and supports a high performance-oriented culture. Traditional "CEO Awards" were awarded in 2007 as well for the best individuals and teams contributing to increased efficiency in the ČEZ Group. New voting rules were defined and a more attractive form of remuneration for employees was proposed for further appreciation of the best employees from departments and companies of the ČEZ Group, called "Čézar". The purpose of the changes is to increase the prestige and weight of the award.

Many informal events for employees and their family members supported identification of the employees with the organization's brand and culture in 2007. The goal of these regular events is providing employees with deserved above-standard benefits for good work done and an opportunity to meet and have fun informally. A series of Family Days at Czech castles took place in summer. At the end of the year, the employees and their partners were invited to a gala evening called "Feast of Light". Open door days at the power plants are popular events for the employees and they allow family members to see the environment where the employees spend most of their time.

6.3.1.8 Social policy

The ČEZ Group's social policy covers monetary and non-monetary benefits. At ČEZ, this area includes, in addition to salaries and wages, social benefits and advantages, e.g. shortened working hours to 37.5 hours a week, one extra week of holiday in addition to the entitlement according to the Labour Code, day off for compensated obstacles at work in addition to legislation, personal accounts for recreation, pension insurance contributions, life insurance, boarding, health care and one-off social allowance in extraordinary cases.

The basic principles of the ČEZ Group's social policy apply to employees working for foreign acquisitions as well; however, the social policy relates to long-term agreements concluded between the trade unions and the previous employer.

6.3.1.9 Chance Programme: above-standard care for leaving employees

Changes to the Production Division of ČEZ conducted in conjunction with the Asset Management project in 2007 did not primarily focus on personnel cost savings. Unfortunately, the new structure was unable to offer a job for everybody. For maximum mitigation of the adverse effect, the HR division prepared a complex above-standard programme called Chance.

The programme included well-proven HR methods applied in the course of transformation of the power engineering organizations into the ČEZ Group. The programme summarized group and individual activities in order to best prepare leaving employees from the Production Division to search for a new job and be successful on the external job market. At the same time, the programme was a kind of thank you for the work done for the ČEZ Group. The activities were designed to develop the initiative of employees and to provide expert assistance and useful information. The support granted to leaving employees also included active cooperation with potential employees in individual regions. Participation in the two-month programme was voluntary. Employees had the chance to enrol immediately following talks about termination of employment or were allowed to think about it for one week and to enrol later. The Change Programme services were provided by external experts particularly at the employee's workplace.

6.4 Occupational health and safety

The safety of our employees is a precondition for failure-free, reliable and economical operation of production as well as distribution technologies. Therefore, occupational health and safety is the primary focus of the ČEZ Group. The emphasis on housekeeping, adherence to safety standards, continued training of new and existing employees including contractors, the creation of system technical assumptions for safe operation of power plant and distribution facilities form a complex set of effective measures leading towards failure-free accomplishment of the mission by power engineers. Occupational health and safety is interlaced with the quality system and safety culture system including nuclear safety as well as with the areas controlled by legislation and partial internationally acknowledged recommendations.

6.5 Relationship with trade unions

There are 29 trade union organizations operating at the ČEZ Group in which about 2,500 employees were organized, i.e. about 41% of the total headcount in 2007. The organizations are associated into three trade unions: Odborový svaz ECHO, Český odborový svaz energetiků ČOSE and Odborový svaz zaměstnanců jaderných elektráren.

In the fully integrated organizations of the ČEZ Group, there were 51 base trade union organizations operating in 2007, 35 of which are associated in five Associations of Base Organizations of regional competence. Furthermore, 16 base organizations work in the affiliate companies. The trade unions are associated in two trade union associations – Oborový svaz ECHO and Český odborový svaz energetiků – ČOSE. About 3,550 employees, i.e. 54% of the total headcount, were active in the trade unions operating in the fully integrated organizations.

The currently applicable collective agreement is valid from 2007 to 2010. The high level of labour-employment relationships, rewards and benefits make the agreement a guarantee for social peace in the organization for the next years.

In 2007 and early in 2008, negotiations on amendments 1, 2, and 3 to the Collective Agreement of ČEZ started. The most important changes in the amendments are the change to rewarding of employees for occupational emergency preparedness. Increase in wage tariffs and surcharges for 2008 and 2009 is another important provision agreed. The wage provision shall apply for two years.

The collective bargaining of the fully integrated organizations resulted in concluding new collective agreements for years 2008 - 2010.

6.5.1 Bulgaria

At TEC Varna EAD, there are three trade union organizations in which more than 90% employees are active. A united collective agreement was concluded with all the trade union organizations in December 2007 for two years. Following the signing of the collective agreement, the cooperation between the company management and the trade union organization continues and potential issues are resolved during mutual meetings.

In 2007, three distribution organizations merged into CEZ Razpredelenie Bulgaria AD and the number of partners on the trade union's side decreased. Today, negotiations with four trade union organizations on the conclusion of a new collective agreement are running; the last agreement's effective date ended on 31 January 2008. The effective date of the collective agreement for CEZ Razpredelenie Bulgaria AD is proposed for two years as well.

6.5.2 Poland

Elektrownia Skawina S. A. has three trade union organizations and 370 employees (74.1%) are active in the trade unions. Trade unions and their activity are controlled by the Trade Unions Act and agreement on activity of the trade unions at Elektrownia Skawina S. A. concluded by and between all trade unions and the company management effective from 2001 to 12 June 2008. The collective agreement was concluded in 1995 for an undefined period of time and then modified by a series of amendments.

At Elektrociepłowni Chorzów ELCHO sp. z o.o., one trade union organization has been operating since 30 November 2007 with organization rate 61.3%. A Mutual Memorandum on Understanding is in the pipeline to define communication and cooperation rules between the company management and trade unions.

6.5.3 Romania

At CEZ Distributie, there are 7 local trade union organizations with 97% of all employees. The current collective agreement is valid to February 2009.

At CEZ Servici, two trade union organizations are active. The collective agreement is valid to the end of May 2008.

So-called "representatives of employees" are currently working at CEZ Vanzare and CEZ Romania. At CEZ Vanzare, the collective agreement is concluded but not registered and at CEZ Romania, the collective agreement is valid to 2011.

6.6 European Employees Council

The Agreement on the European Employees Council was signed on 3 April 2007 during the common meeting of the negotiation committee of the employees' representatives and HQ employees (hereinafter "ERZ ČEZ only").

Voting for the ERZ ČEZ members was organized in June 2007. Mr Karel Klusák was appointed chairman.

Today, the Council has 23 members, 14 of which from the Czech Republic, 4 from Bulgaria, 3 from Romania and 2 from Poland.

ERZ ČEZ is a platform to discuss particularly the following themes: the policy and strategy of the ČEZ Group including strategic mergers and acquisitions, organizational structure, economic and financial condition of the ČEZ Group, likely development of activities, production, sale, employment status, investments and substantial changes to technology, cancellation and transfers of employees of the ČEZ Group influencing the interest of employees of the ČEZ Group at least in two EU member countries, decision of the HQ based on which mass downsizing of employees of the ČEZ Group will be conducted in at least two EU member countries.

The Council officially launched its operation during the first session, held on 7 and 8 November 2007.