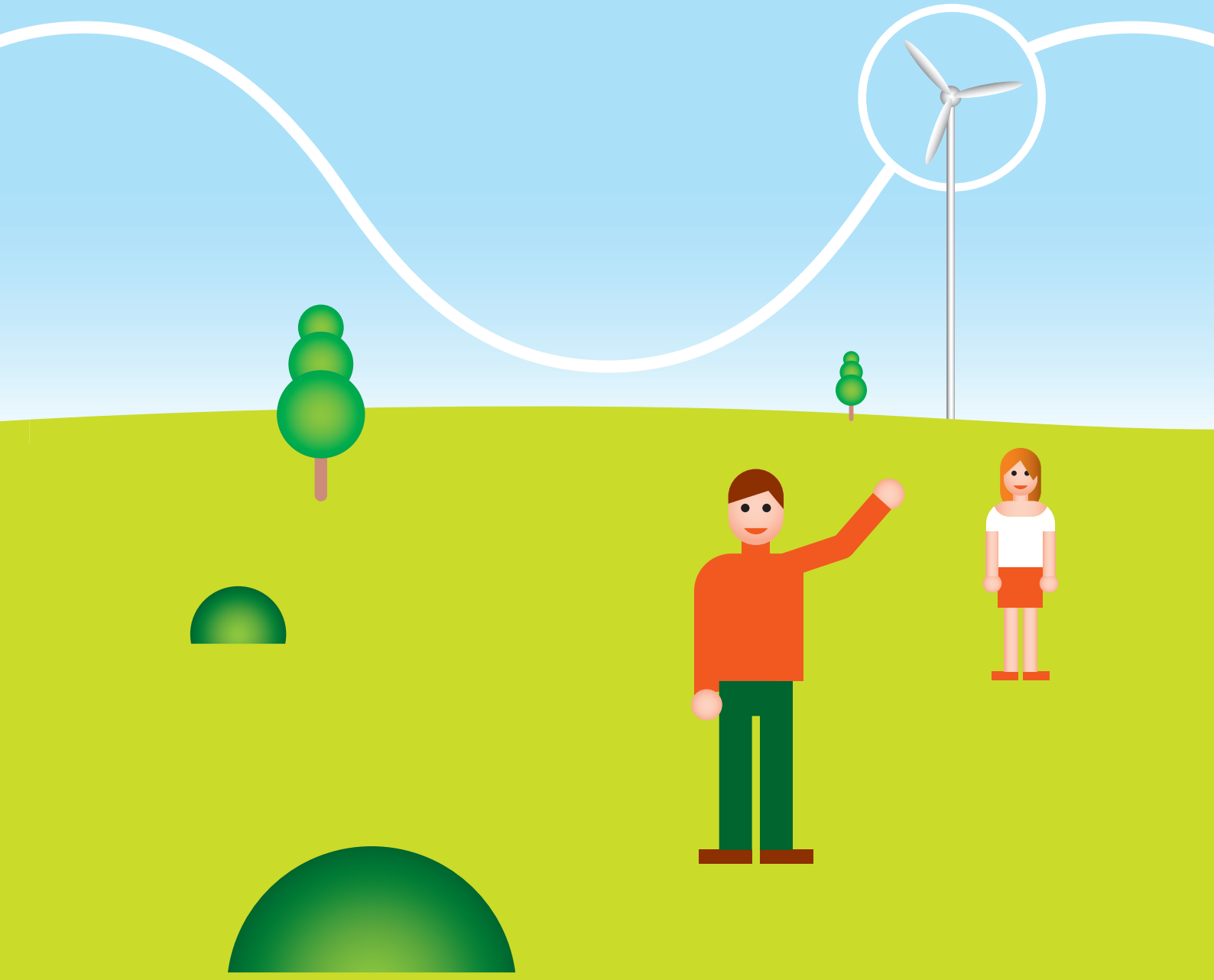
Corporate Social Responsibility Report 2008/2009



CEZ GROUP

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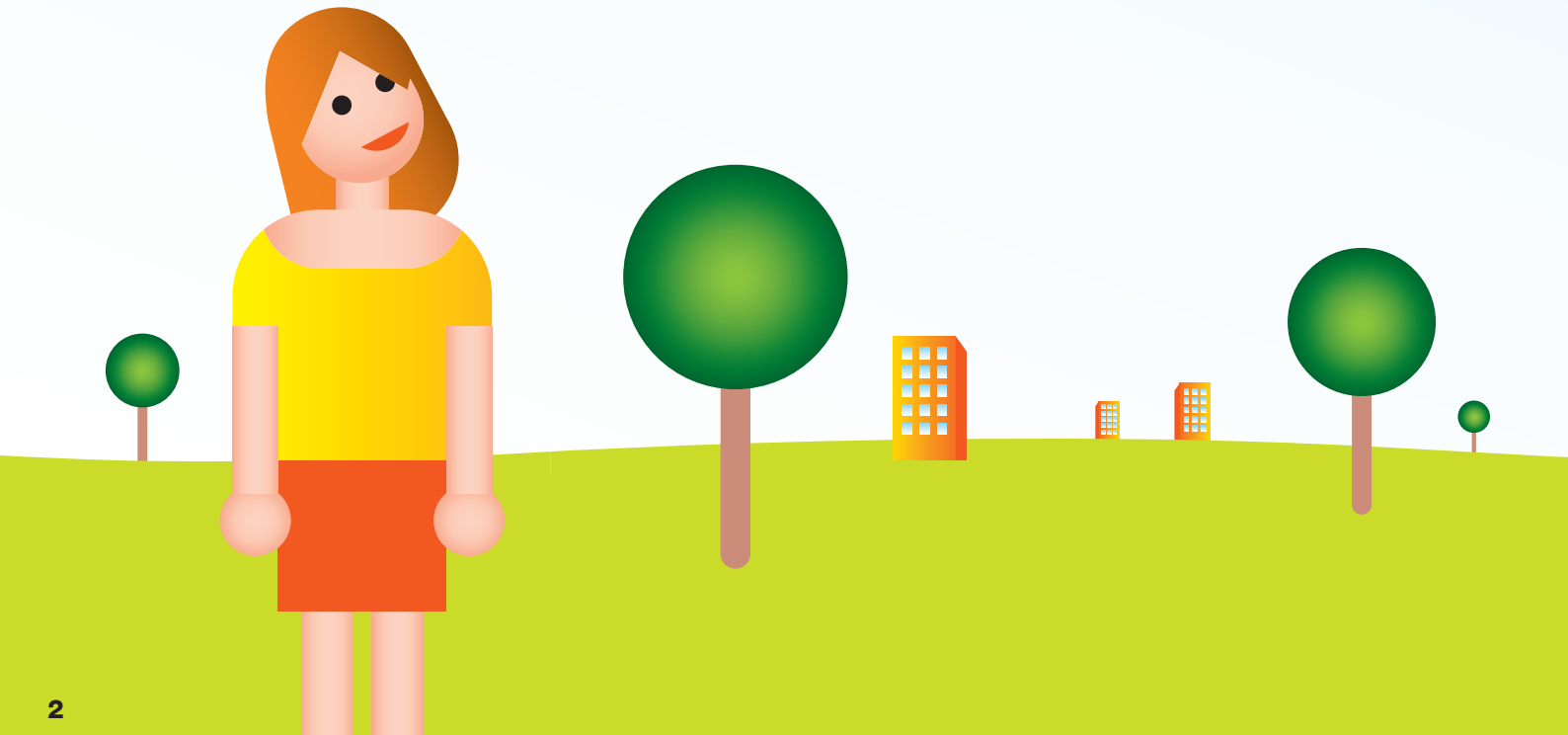
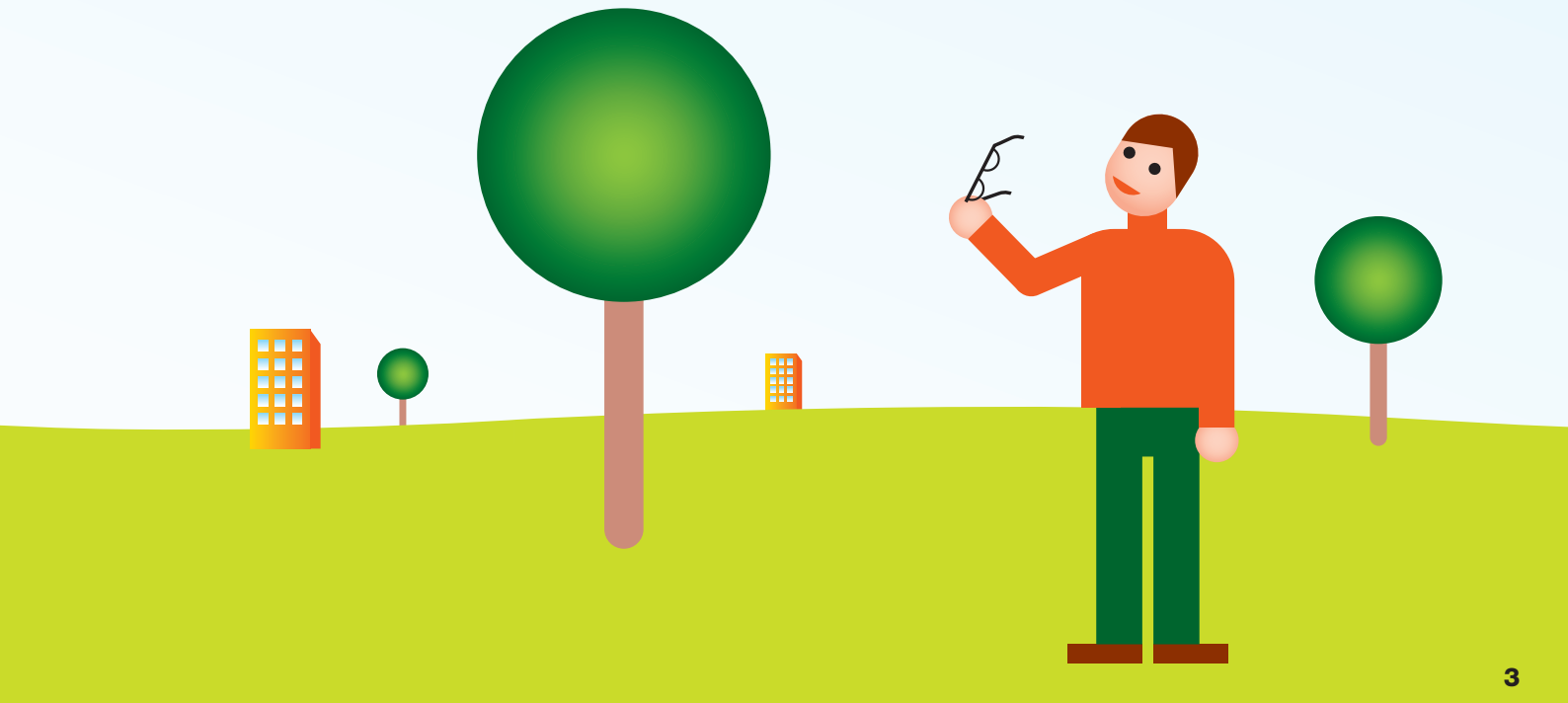




Introduction

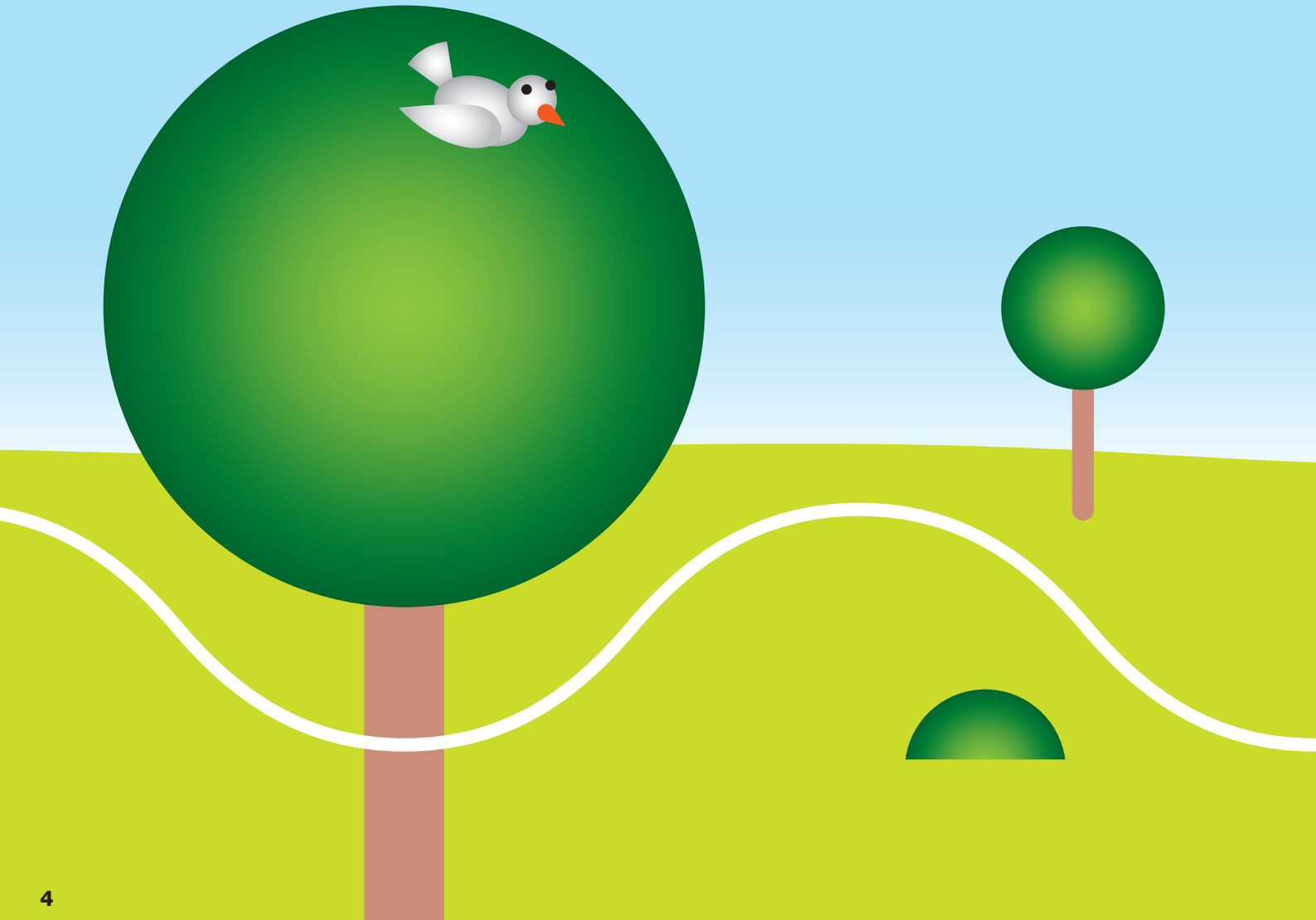
Ladies and gentlemen, dear readers,

More and more companies are declaring their Corporate Social Responsibility (CSR). I am proud that this is nothing new for CEZ Group. You are holding the third CEZ Group Corporate Social Responsibility Report – and that in itself is an indication of how seriously we take our orientation toward long-term goals beneficial to society as a whole.

At CEZ Group we are fully aware of the responsibility we share for the state of the environment that surrounds us, and we have made CSR a part of our strategic planning as well as the day-to-day work of all our employees, co-workers, and suppliers. CSR pervades the activities of the whole corporation, including those of all integrated Group companies. CEZ Group takes seriously its responsibilities toward shareholders, employees, the environment, and the public.

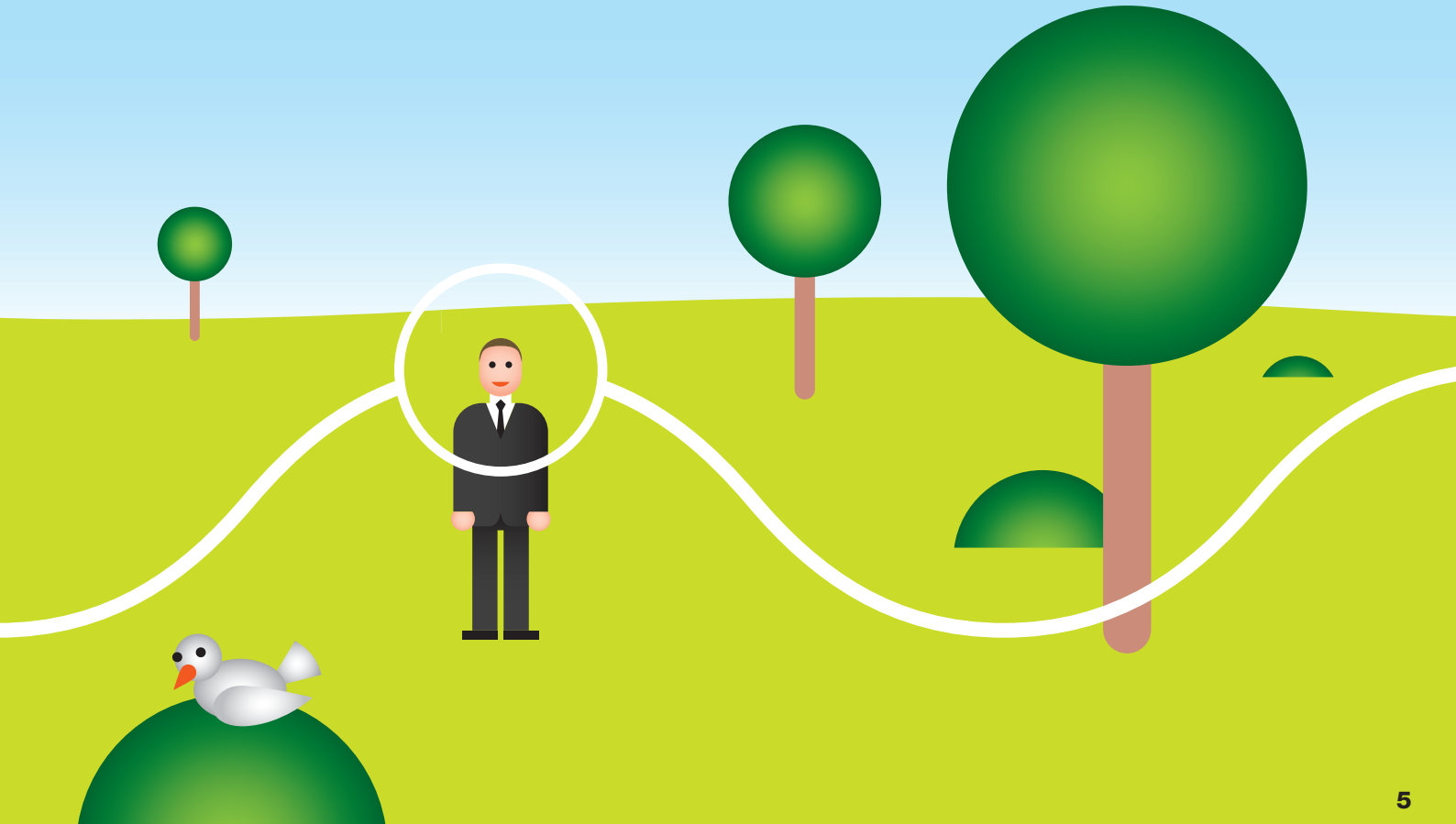
We are continuously searching for new ways to improve our systems and cooperation. Of course, we are responsible stewards of our tangible assets, but we also care for the intangible capital contained in natural resources, the value of our brand, and our relationships, which are characterized by trust and partnership. We are modernizing our technologies and techniques, introducing innovative production processes, and investing large sums in environmental protection and safety. We pay considerable attention to science and research. Through our seven fundamental business principles, we adhere to ethical behavior standards in all our dealings, both inside and outside the Group.

Our corporate culture creates an atmosphere of open communication and cooperation. One decision that contributes to this is the creation of the new position of ČEZ Ombudsman.



CEZ Group's operations are very closely interlinked with the needs and development of society. Each year, we donate large sums through the ČEZ Foundation as well as other long-term philanthropic activities. For us, donorship is an integral part of CSR, based on the principle of shared well-being. And that's why, in 2008, we helped to establish a new periodical, entitled CSR Forum, that documents the state of Corporate Social Responsibility in the Czech Republic and creates a much-needed platform for society-wide discussion on CSR topics.
Ladies and gentlemen, in the chapters of the CEZ Group Corporate Social Responsibility Report, you will find much information and, no doubt, a number of facts demonstrating that, for CEZ Group, social responsibility is not just about the words, but about providing concrete assistance that goes above and beyond legislative requirements.

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



CEZ Group and the Public

The CEZ Group 2009 Corporate Social Responsibility (CSR) Report that you are reading is divided into several chapters, each of which includes a number of illustrations – photographs, short videos, and tables, as well as links to information-rich websites of relevant players and stakeholders. In drafting this report, the authors drew from their experience with demand for this type of information and included in the report only the most frequently requested topics.

The last Corporate Social Responsibility Report was published in 2007, and since that time a number of conditions – legislative, economic, social, cultural, and other – have changed. But the development of CEZ Group has also shifted, as we take on more and more responsibility toward the public and the environment in which we operate and carry on our business activities. During the past two years, the individual companies that make up CEZ Group have undergone major changes, moving them toward a more pronounced customer focus, in which they have been aided by the corporate culture that CEZ Group cultivates.

The next edition of this report is planned for 2011. Once again, it will be influenced by many events that will happen around us. It is our wish that these developments will be favorable for CEZ Group and other entities.

ČEZ Public Relations

CEZ Group engages in systematic, open communications with the public at large, not just in places where it has direct operations.

Often, communication methods vary depending on the particular target group we wish to address:

- With customers, we communicate face-to-face in our customer centers, by telephone via the customer line, and over the Internet through the Virtual Sales Office. Various advertising campaigns and materials for customers, including the so-called Orange Guidebook, represent another mode of communication.

Orange Guidebook

- With the general public and those interested in electric power, we communicate through Information Centers located in our power plants.
- CEZ Group addresses the professional public, students, and job candidates through its presence at various exhibitions, trade shows, and professional gatherings.
- Another way we communicate with the broadest target groups is through the media: television, radio, nationwide and regional dailies, weeklies, and monthlies, as well as information servers on the Internet.

CEZ Group provides comprehensive information services, including visual reports, at its website www.cez.cz/en. Information is available there in the Czech and English languages, as well as some information in the German language. Selected reports are also published in the Polish language.

One visible and easily recognized element of CEZ Group's presentation is the unified visual style, which is based on:

- the logo,
- color scheme,
- selected typeface

as tools for drawing attention to the trademark and name, and to give the business name a graphical form. The unified visual style emphasizes the Group's cohesiveness as a unified whole and gives it an individual identity in the energy markets. The principal aim is to give the target group – the public and our business partners in particular – a point of reference, as well as to inform them and capture their attention. It also serves to reinforce the company's values, with which its employees and other co-workers identify.
All the details for ensuring that CEZ Group is unified in its external dealings are contained in the graphics manual, which is available to all employees. For any details on how to use the logo, color scheme, and typeface, they can refer to the website www.cez-brand.cz.

The CEZ Group logo is the fundamental building block of the entire unified visual style. It takes the form of a square with a stylized letter E in the center, symbolizing energy. The simple geometric lines in combination with bold color evoke the basic characteristics of CEZ Group:

- stability,
- effectiveness,
- openness,
- reliability.

The logo must have sufficient blank space around it, may not be deformed in any way, and may be used only against certain background colors. Finally, anyone who wishes to use the logo in a document, must always choose the logo size carefully. Where the logo is concerned, "bigger" is not always "better".

CEZ Group Logo

The basic color of CEZ Group is orange. Symbolizing the sun, the color orange is optimistic and modern.
It also underlines the company's change in focus from technical to commercial-technical. The complementary colors to the rich orange color, whose exact specification is given in terms of the Pantone Color Matching System, are light gray and dark gray. These cold colors evoke feelings of decency and dignity and provide a good contrast to the basic orange, which is enhanced thereby.

Visual Style Color Scheme

The typeface is the last element in the CEZ Group visual style, bringing all the elements together into a unified whole. The basic typeface is FUTURA CEZ – a geometrical, elegant, sans serif typeface. It is used exclusively in all-capital letters and only in the fonts DEMI and MEDIUM. The typefaces ARIAL and NIMBUS CEZ are designated as complementary to the primary typeface. Other typefaces than those listed above may not be used, so as not to detract from the unified visual style.

CEZ Group Brand

Day-to-day use of company letterhead by CEZ Group employees is simplified by the use of templates: letters, press releases, business trip reports, meeting minutes, e-mail, and the like. There are a large number of templates and all are available to employees. The templates include pre-set fields such as address, salutation, body text, name and space for signature, company letterhead, and other items. Thus, it should not be possible for someone to create a document that is not in compliance with the unified visual style.

CEZ Group Visual Style

In addition to documents, the graphics manual and principles of the unified visual style also cover other items such as the appearance of company clothing, vehicle fleet, orientation systems on/in buildings and within entire complexes, promotional items, advertisements, etc.
In the chapters that follow, you will read about CEZ Group's public relations and the other tools we use to communicate to the public our awareness of our responsibility.

Communication with Shareholders, Investors, and Analysts

ČEZ, a. s., as well as CEZ Group as a whole, acts in accordance with the provisions of the Commercial Code:

- it protects shareholder rights,
- it upholds the principle of equal access for all shareholders.

Company shareholders have at their disposal quarterly reports on the financial and commercial performance of CEZ Group, which are released on dates planned and announced in advance. Shareholders also receive timely information on an ad hoc basis concerning significant facts that might have an impact on the share price. Above and beyond statutory requirements, the Company aims to engage all capital market players in an active and open dialog so that each of them has sufficient information to independently assess CEZ Group's performance and strategy.

ČEZ, a. s. organizes:

- regular press conferences,
- conference calls following the announcement of quarterly results.

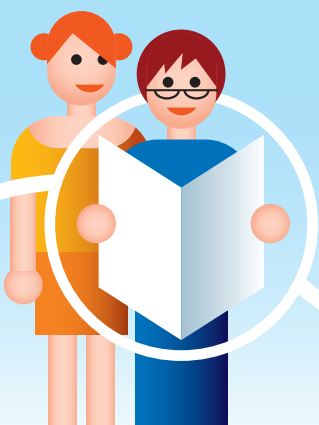
Information on financial performance and other material events and circumstances is also made public on our website, www.cez.cz/en.
During 2009 the Company's top executives also met with potential and current investors for 13 roadshows, eight investor conferences in the world's major financial centers, and a large number of individual meetings at ČEZ, a. s. headquarters. During these events, presentations were given on various themes, explaining key matters influencing electricity markets and describing CEZ Group's strategy. Afterwards, discussions were held on topics relating to electricity price trends in the Czech Republic and the region as a whole, and the possible impacts of the economic recession on CEZ Group's financial performance and capital expenditure plans. Topics relating to CEZ Group's capital structure and the availability of external financing received more attention than in the past.

Communication with the Mass Media

Information openness is one of the fundamental priorities of the CEZ Group strategy, and this is reflected in how CEZ Group cooperates with the mass media. Communication with the media is:

- regular,
- ongoing,
- as-needed,
- open,
- friendly.

Media representatives can contact CEZ Group through the press spokespersons and their teams of co-workers, who together bear responsibility for handling CEZ Group communications. Also at their disposal is the CEZ Group website, www.cez.cz/en, where they can find the latest press releases, an archive of previous press releases, and a variety of information on the Group's activities.



Good collaboration between CEZ Group and media representatives is reflected in mass media attention, which in 2009 increased 17% year-on-year. As the volume of media appearances and mentions rises, the number of positive materials published goes up as well. In 2009, CEZ Group issued 447 press releases, i.e. over eight press releases a week. This reflects how open CEZ Group's activities are toward the media and the public. The most successful initiative of 2009, in terms of media coverage, was the Appliance Scrappage Payments program. Not only did it appeal to the general public, its focus and content appealed to the media as well, which gave it sufficient coverage.
CEZ Group had a very good position in 2009 in all regions of the Czech Republic. Media interest focused particularly on events related to volunteer activities, sponsorship, and customer events.

The Company's Media Image

CEZ Group continues to have a high degree of media exposure, including positive, ambivalent, and negative coverage. In the second half of 2009, the media mentioned ČEZ in nearly 22,000 cases and the number of media appearances for the entire year 2009 was 40,724 in the Czech Republic. Foreign media accounted for another 20,000 appearances.

Graph: Number of Media Appearances in 2009

In 2009, CEZ Group issued 447 press releases – i.e. over eight press releases a week – which served as a basis for media coverage. The following press releases evoked the biggest media response:

- launch of pilot project to support electromobility (electric cars),
- three months of free electricity for those hit by flooding,
- current situation in East Bohemia,
- lower prices of electric power for ČEZ customers.

Most frequently, CEZ Group was presented in the media as:

- a socially responsible corporation,
- an organization that supports nuclear power and alternative sources of energy,
- a customer-oriented company,
- a well-run, dynamic company,
- an attractive employer.

CEZ Group received the most coverage in regional media outlets and Internet servers, and the Group also registered a high degree of interest from news agencies and the servers akcie.cz and point.cz focused on stock market reporting.
The company's media image is also supported by campaigns. One of those in 2009 was entitled "ČEZ for the Regions". It focused on CEZ Group and ČEZ Foundation projects targeted on individual areas of the Czech Republic.
The project was implemented through various forms of media: press, Internet, the website www.cezregionum.cz, and promo events at selected playgrounds and bikeways. These activities were also supported by regional press conferences at Orange Fields and Orange Playgrounds, celebrities in attendance at the events, and commercial presentations in the press.
The campaign took place in several stages, the first of which commenced in mid-July. A presentation was available on the website www.cezregionum.cz throughout 2009 and continues in the following period as well.
Of all the positive media appearances in 2009, 49% related to our sponsorship activities. Thus, the campaign significantly supported public perception of CEZ Group's social responsibility and credibility.

Communications with the Public

For the purposes of communicating with the public, CEZ Group has identified several target groups, each of which is composed of various individuals characterized by different features.

Whether or not one belongs to a particular group is given by an individual's:

- gender (male – female),
- age,
- place of residence in the Czech Republic (large city, small town, village, etc.),
- social status (single with separate household, or with a family and a common household),
- income level (low, middle, upper social class),
- interests,
- relationship to CEZ Group in terms of energy use (end customer, trader, supplier),
- relationship to CEZ Group in terms of volunteer activities (beneficiary, volunteer) etc.

The mode of communication is determined by the type of target group. CEZ Group appreciates the public, which perceives us as a strong power company, and pays due attention to communicating with the public.

Information Centers

Visitorship to CEZ Group power plants and Information Centers continues to climb. In 2009 it reached a record 165,262 people interested in the technical details of how electricity is made and handled. They included individuals as well as parents with children coming to see how certain phenomena work. The Information Centers present the information in an easy-to-grasp, fun way and that's why they are so popular. Here, for example, visitors may:

See the Invisible

Visitors to the Information Centers at Dukovany and Temelín Nuclear Power Stations can see a so-called "cloud chamber", which makes it possible to see radioactivity, which is otherwise invisible.

Create a Tornado

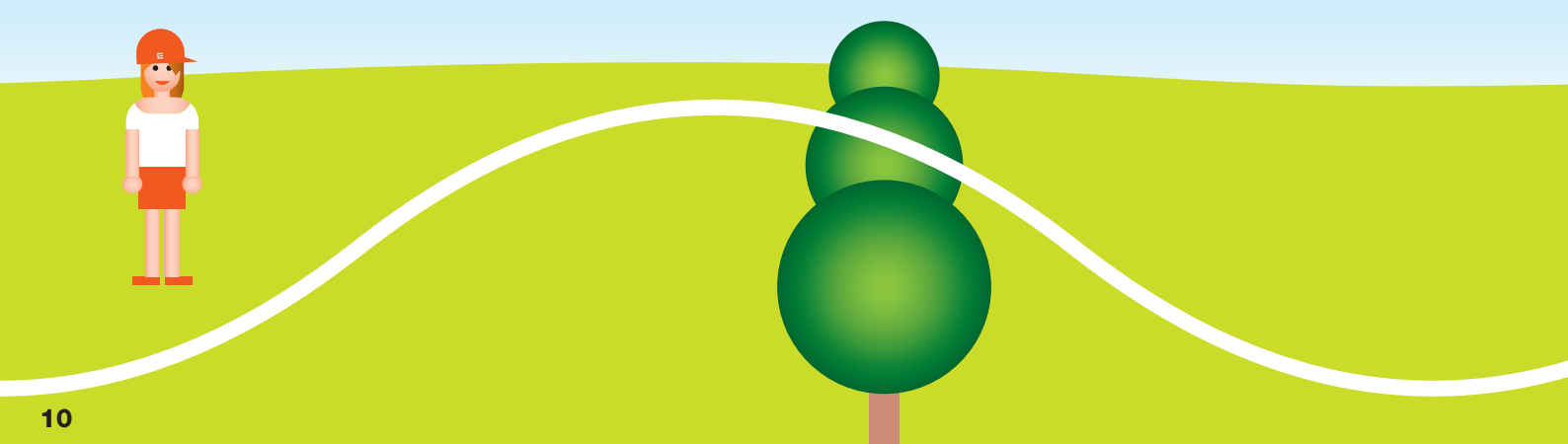
A definite rarity is the first model tornado in the Czech Republic, which visitors can activate in the Alternative Energy Sources Information Center at the Hradec Králové small-scale hydro power plant.

Cure Claustrophobia

Claustrophobia sufferers have a unique opportunity to overcome the unpleasant feelings associated with this condition – deep beneath the earth's surface under a rock mass, where the Dlouhé Stráně pumped-storage hydro power plant is located. They needn't be afraid to take the tour, because it will take them through a tunnel lined with colorful patterns developed by psychologists. They are reliable and really work, and with their help even those who would under other circumstances be afraid of the closed-in space can tour the power plant.

Encounter Dinosaurs

3D technology is no longer just an attraction that belongs in movie theatres. At the Ledvice Power Station Information Center, opened in late 2009, this technology allows visitors to walk among prehistoric animals. Thus, in addition to learning how coal came into being, the film also gives visitors a very interesting and memorable experience, whether they are adults or children. Tourists are tuning in to the technical wonders of the Czech Republic and are on the look-out for new and interesting experiences. For them, CEZ Group has prepared several tours that are part of the ČEZ educational program, "The World of Energy". As a result, the Spálov small-scale hydro power plant is now part of the Riegrova stezka tourist trail and the new Alternative Energy Sources Information Center in Hradec Králové, which opened its doors in mid-2008, has expanded opening hours.



And now for some statistics:

- as usual, the most popular tourist destination was the Dlouhé Stráně pumped-storage hydro power plant in the Jeseníky Mountains – over 54,000 visitors,
- Dukovany and Temelín Nuclear Power Stations together welcomed a total of over 55,000 visitors,
- coal-fired power plants, together, had nearly 6,500 visitors,
- among the coal-fired power plants, so far the most popular among visitors is Dětmarovice in North Moravia,
- most likely the most sought-after destination for visitors in 2010 will be Ledvice Power Station, which has an Information Center equipped with a 3D film screening, a virtual walk, on-line measurement of photosynthesis in a tree, and other remarkable attractions. After the new coal-fired generation unit is completed at Ledvice, a glazed observation deck will be opened at the top of what will be the highest building in the Czech Republic. At 150 meters, it will be even higher than the Pyramid of Cheops in Egypt.

For more on the CEZ Group Information Centers, including opening hours and tour reservations, please refer to the Annual Report or visit this Internet address: www.cez.cz/en/contacts/information-centers.html.

Visitorship at Information Centers and Power Plants in 2009

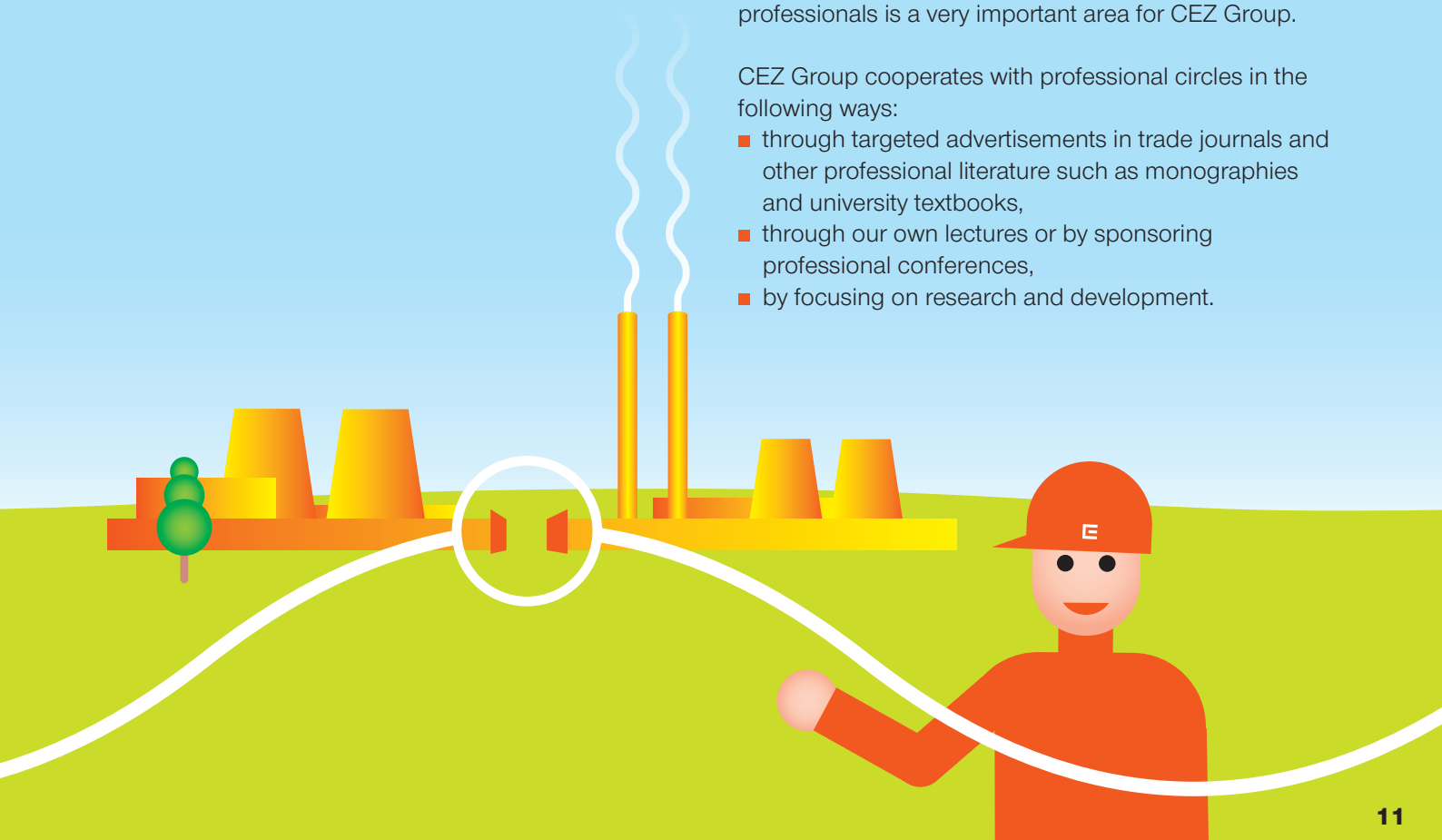
Dlouhé Stráně Power Station	54,064
Temelín Power Station	28,240
Dukovany Power Station	26,828
Alternative Energy Sources	13,490
Malešice Power Station	13,242
Lipno Power Station	8,863
Vydra and Čeňkova Pila	6,769
Štěchovice Power Station	5,485
Spálov small-scale hydro power plant	1,889
Dětmarovice Power Station	1,442
Chvaletice Power Station	1,051
Prunéřov Power Station	941
Tisová Power Station	625
Mělník Power Station	540
Počerady Power Station	504
Hodonín Power Station	426
Ledvice Power Station	412
Poříčí Power Station	391
Tušimice Power Station	20
Small-scale hydro power plant on the Elbe River	approximately 20
Bukovec, Hracholusky	approximately 20
Total	165 262

Communication with Professional Circles

In the Czech Republic, CEZ Group is one of an elite group of large corporations to which professionals frequently turn and which are considered authorities in their respective fields. In light of this, communication with professionals is a very important area for CEZ Group.

CEZ Group cooperates with professional circles in the following ways:

- through targeted advertisements in trade journals and other professional literature such as monographies and university textbooks,
- through our own lectures or by sponsoring professional conferences,
- by focusing on research and development.



Research and development (R&D) has a privileged position among CEZ Group activities:

- the FUTUR/E/MOTION initiative has given R&D an important role,
- a special Working Group for R&D and R&D Coordination and Management oversees R&D work,
- it generates information and know-how that are important in making decisions concerning long-term strategy, investment opportunities, and the like,
- it adds a knowledge element to the company's production and sales activity, thereby elevating it into the knowledge management category,
- it is a very important foundation for communication with the professional and lay public,
- it helps to create CEZ Group's image and its corporate identity,
- it helps in selecting new employees, and graduates of technical universities in particular,
- it provides a platform for collaboration with universities on master's theses, dissertations, and other student projects.

CEZ Group has an in-house R&D institute – Ústav jaderného výzkumu Řež – in which ČEZ, a. s. owns a 52.46% equity stake.

Communication with Schools – the Education Program

CEZ Group is a long-term supporter of child and youth education, because it is very aware of the necessity of educating the new generation in technical fields. Therefore, in 1992 it established an education program for them, which has become ever more and more popular and sought after since then. This has made the Company one of the few Czech industrial firms that endeavor to work with young people in the field of education. In terms of size and scope, ours is one of the top programs of its kind in the country.

"The importance of supporting education is society-wide," said Martin Roman, Chairman of the Board of Directors and Chief Executive Officer of ČEZ. "Energy is a promising field and ČEZ thinks for the future. We support science, education, and talented people, because without them further development would be impossible – and not just in the energy field," he added.

CEZ Group material

Facts of Interest About the Education Program

- first and foremost, the program is for primary and secondary school students, to impart in them a closer relationship to technical fields,
- it also offers teachers help in integrating interesting topics into the physics curriculum,
- CEZ Group seminars are accredited by the Ministry of Education, Youth and Sports of the Czech Republic,
- the program includes an offering of learning materials, films, software, Internet applications, round-table discussions for students, seminars for teachers, tours, and competitions for talented high school and university students,
- for university students, the program offers internships at ČEZ work sites, ČEZ sponsorship and defense of master's theses and dissertations, and support for student projects,
- in a university student competition held each year, the ČEZ Foundation Prize is awarded to the best science and technology project in energy fields,
- the ČEZ Prize is a competition for Master's theses and dissertations,
- all activities are provided to schools either free of charge or for a symbolic fee,
- since its launch, CEZ Group has invested over CZK 100 million in the program.

A catalog with detailed information on the education program can be found at the address www.cez.cz/vzdelavaciprogram. You can also learn about the program at the Information Centers of ČEZ power plants and in the student magazine Třetí pól (Third Pole) – at the website www.tretipol.cz. Also, certain parts of the program such as, for example, the Encyclopedia and computer programs, are also mentioned in media advertisements.

Science and Technology Week

Science and Technology Week is a special event for youth organized in cooperation with the Czech Republic Academy of Sciences (AV ČR). In 2009 the event's motto was "What is our world like?".

- At the AV ČR's building on Prague's Národní třída, an exhibit was held of unique historical posters on the topic of safe handling of electricity.
- At the Alternative Energy Sources Information Center, Hradec Králové, a public lecture was given on photovoltaic power plants.
- An exhibit entitled the "World of Physics" was held at the Secondary Vocational School of Electrical Engineering in Plzeň.
- Jihlava organized a special seminar for teachers, where it presented the Gamabeta, a new teaching aid for doing ionizing radiation experiments.

All ČEZ Information Centers and power plants were open throughout Science and Technology Week.

The World of Energy Club

In remembering students, however, CEZ Group does not neglect teachers. In 2006 it established the World of Energy Club for active physics teachers. The club currently has 337 members, who gather for events organized by CEZ Group.

World of Energy Club Program

- priority information on the latest ČEZ news and events,
- seminars and meetings with education, physics, and energy experts,
- an offering of exclusive tours of power plants and scientific laboratories,
- cooperation in developing modern learning materials.

The Club has already organized nine two-day gatherings with lectures and visits to attractive ČEZ plant sites.

Talent Recruiting and Support

At Secondary Schools

CEZ Group seeks out and supports talented students at secondary schools, showing them the way to gaining an education in technical fields and helping them make informed decisions on where to pursue further study.

Amavet High School Science and Technology Fair

- 2009 was the fair's 16th year,
- CEZ Group is General Partner of the event,
- the finale is held at the Czech Republic Academy of Sciences under the auspices of its Chairman,
- over the past 16 years, over 400 students have participated in the fair.

Summer Physics School

- designated for potential applicants to the Czech Technical University, Faculty of Nuclear Sciences and Physical Engineering and the Charles University, Faculty of Mathematics and Physics,
- provides lectures and learning materials to help students prepare for future study.

One-Week Training Programs for High School Science Teachers

- content is linked to the Open Science project,
- acquaints teachers with the latest findings from selected scientific fields,
- the teachers then pass on the information to their students,
- program has been running for 11 years now.

At Universities

The goal of talent recruiting and support at universities is to build professional expertise in general, and to obtain for CEZ Group new and talented employees with knowledge of the latest findings and techniques in the energy field.

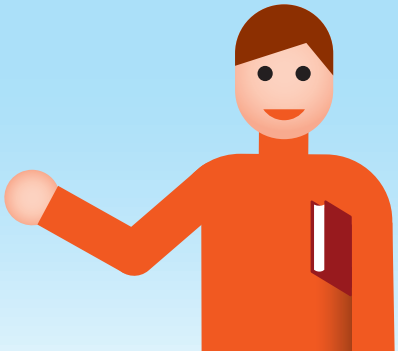
ČEZ Foundation Prize

- a competition for university students to find the best student work in science and technology,
- includes the fields of power engineering; electrical machines, devices, and drives; power engineering economics and management; technological systems and power technologies; thermal power equipment; and dosimetry and ionizing radiation,
- 2009 was the competition's 10th year,
- so far, 250 students have participated in the competition.

ČEZ Prize

- a competition for the best master's thesis and dissertation in the power engineering field,
- the goal is to recruit the best graduate students to work at CEZ Group,
- another goal is to foster student interest in science and research work in energy fields,
- 2009 was the competition's 12th year,
- so far, 300 students have participated in the competition.

A number of talented students who participated in the above competitions now work for CEZ Group.



Support for Schools

Video: The Energy of Education

In places like Europe and, for example, the United States there is a major shortage of graduates in technical fields. The Czech Republic, too, must face the problems that this brings. This is so despite the fact that graduates in these fields have lots of opportunities, so they needn't have any worries about finding a job.
One example is recruitment at CEZ Group, which will need to hire as many as 12,000 new employees by the year 2020. Therefore, we are examining the issue and intensively supporting the study of technical fields.

"Due to demographic trends and the growing capacity of universities, 2008 was the first year ever when the number of high school graduates was equal to the number of vacancies at universities. In other words, for each high school graduate there was a spot at a university without any limitation, without selection, and without motivating the student to educate him- or herself further," warned Miroslava Kopicová, Minister of Education.
Supporting Study in Technical Fields press kit, February 17, 2010

To make matters worse, students are more interested in the humanities and other "soft" fields, such as sociology. Technical and science fields have to compete for students.

"Over the past five years the number of students at our faculty has fallen by nearly 30%," said Prof. František Hrdlička, Dean of the Czech Technical University's Faculty of Mechanical Engineering.
Supporting Study in Technical Fields press kit, February 17, 2010

According to a sector analysis by the National Education Fund, in the electricity and heat generation and gas distribution industries in the Czech Republic alone, by the year 2016 the difference between the number of retirements and the number of graduates in the relevant technical fields could be as much as 14,000 people. The best positioned for job opportunities will be candidates with degrees in electrical and mechanical engineering – designers, engineers, ICT specialists, qualified technicians and chemical production specialists.
According to experts, teaching methods are one of the causes of flagging interest in technical fields. CEZ Group is taking an active role in changing the way physics is taught. Through the World of Energy Club, we organize various training programs and seminars where physics teachers are introduced to modern teaching methods. Another lecture gives teachers hands-on experience with the Gamabeta teaching aid that ČEZ offers to schools and which serves to demonstrate attributes, phenomena, and laws of nuclear physics and ionizing radiation, as well as teach students how to protect themselves and others from its effects.
It is necessary to give students opportunities to discover the power engineering field and acquaint them with modern technologies and innovative methods, so as to capture their interest and motivate them in their studies. CEZ Group has been active in popularizing the study of technical fields since 1992. The long-term objective is to secure a sufficient number of technical professionals to cover our future human resource needs. In this area, CEZ Group is focusing on certain high schools and universities with which we have formed close alliances. Currently we are cooperating with:

- 32 secondary schools and grammar schools,
- 11 university faculties.

Through the Education Program, ČEZ is also helping to develop study materials for all levels of schools, getting its experts involved in teaching at universities, and teaching high school teachers how to make learning physics fun for students.

"We are supporting recruitment of students for technical schools, declaring our interest in hiring them when they graduate, and thus attempting to influence parents, and young people directly, in their decisions. Although we cannot expect these efforts to bring immediate results, we are confident they will be worth it over the long run," said Hana Krbcová, Chief Personnel Officer, ČEZ, a. s.

Supporting Study in Technical Fields press kit, February 17, 2010

Activities Focused on Secondary Schools

For students of high schools, grammar schools, and power-related study areas at secondary industrial schools we offer the "Nuclear School-leaving Exams" – three days of tours, lectures, and discussion panels. The objective is to give students a chance to see nuclear power plant operations close-up and get them interested in studying power engineering, or otherwise continuing in their studies at technical universities. CEZ Group also supports the development and establishment of special study areas, such as the Energy study area at the Secondary Industrial School in Třebíč, which was newly opened in 2009.

Activities Focused on Universities

For university students we have attractive short-term internships entitled "Summer University" – fourteen days of lectures, discussion panels, and tours for university students with technical majors, planned to coincide with shutdowns of nuclear reactors in both nuclear power plants. From among the participants, CEZ Group selects secondary cooling circuit operators for its plant operations. CEZ Group supports university students with scholarships, gives awards for the best master's theses and dissertations, and each year organizes a competition for the best science and technology projects in selected power and electrical engineering-related fields. For schools, we organize discussion panels with experts, who also cooperate with the schools by providing topics for bachelor's theses, master's theses, and dissertations, by serving on students' committees, or by participating at their thesis and dissertation defenses. CEZ Group further organizes a trainee program, entitled ČEZ Potentials, for the most highly motivated university graduates. This is a one-year development program enabling selected participants to participate in interesting projects, acquisitions, etc.

CEZ Group Electronic Communications

CEZ Group electronic presentations and communications make it easy for shareholders and others to gain access to the information they need. CEZ Group presents a comprehensive information service, including visual reports, at its website www.cez.cz/en. The information is presented here in Czech and English, and partially in German as well, and selected reports are also published in Polish.

The following companies that are part of CEZ Group have also created websites for communicating with the public:

- CEZ Bulgaria EAD at the address www.cez.bg
- CEZ Romania at the address www.cez.ro
- CEZ Polska at the address www.cezpolska.pl.

On the blog (a website with articles and other contributions) located at the address blog.ihned.cz, readers will find information designed to support the communication of selected energy topics. By year end 2009, approximately 58,000 visitors had read 38 blogs from various CEZ Group authors. CEZ Group also provides a moderated discussion under each blog entry.

CEZ Group is also active in the field of so-called social networks. In particular, we utilize the Facebook network, where we maintain the following pages:

- www.facebook.com/fandime.elektromobilum, which keeps visitors informed of projects relating to the development of electromobility in the Czech Republic,
- www.facebook.com/CEZ.pomahame, where we publish reports on CSR projects, donorship, corporate volunteer work, and flood aid,
- www.facebook.com/pages/CEZ-pomahame-regionum/104932132876286, which presents information on how CEZ Group is helping regions in the Czech Republic,
- www.facebook.com/PracevCEZu, where potential applicants for jobs at CEZ Group can find information of interest to them.

CEZ Group is present on the Twitter platform at the address twitter.com/SkupinaCEZ. This tool is used by CEZ Group mostly to distribute press releases, particularly to people who access the Internet through their cell phones.
Nor is the YouTube platform neglected. Visitors to that site can watch a short film about CEZ Group at the address www.youtube.com/skupinacez.

The ČEZ Ombudsman

CEZ Group's goal is to provide the best possible services to its customers. Therefore, we have an interest in obtaining customers' ideas on how to improve them. That's why, on October 1, 2009, we created the ČEZ Ombudsman's Office – a team of specialists led by Josef Sedlák. Customers of CEZ Group can turn to the ČEZ Ombudsman whenever they feel their complaint was not interpreted or dealt with correctly. The ČEZ Ombudsman also deals with cases where a customer believes that actions taken by a CEZ Group company or its employees were in violation of the law or ethical principles. The office also accepts customer proposals on how we might improve customer services at CEZ Group.

"ČEZ is frequently criticized that, as a large corporation, it is not interested in its customers' problems and that it overlooks them, or is arrogant towards them. This is not true at all. For one, ČEZ is the least expensive established supplier in the Czech market. And one month ago our customer services won an award for being the best in Europe. But it is true that in a large corporation it is more difficult to look into each individual case. For this reason we have decided to take another systemic step by establishing the position of ombudsman, so as to give another chance to customers who are not satisfied with the result of the standard process of dealing with their request. In so doing we hope to improve the feedback we receive and thereby improve our services and customer relations. Because feedback is crucial for ensuring that we prevent any shortcomings in our relations with customers from recurring in the future," said ČEZ Chief Executive Officer Martin Roman of the new ombudsman position.

CEZ Group press release, November 3, 2009

Graph: Number of Customer Proposals

Graph: Time Required to Deal with Customer Filings

Graph: Number of Filings, by Justification

Graph: Number of Filings, by Region

The establishment of the Ombudsman position is in accordance with the provisions of EU Directive 2003/54, which states: "Member States shall ensure the implementation of independent mechanisms, such as, e.g., an energy ombudsman, to enable efficient treatment of complaints and out-of-court dispute settlement." In the Czech Republic, the independent State institutions to which customers of energy companies can address their complaints are the Energy Regulatory Office and the State Energy Inspection Board. However, the fact that these institutions do not have direct access to information on individual cases makes their investigations more complicated.

Taking certain other European countries as a model, ČEZ, a. s. has established an Ombudsman's Office in the interests of improving conditions for customers of its subsidiaries. In so doing, ČEZ, a. s. became the first Czech energy company to create such an institution for its domestic customers. And not just in the Czech Republic, but in the entire region where it operates.

The ČEZ Ombudsman investigates customer filings independently, regardless of any previous conclusions, and strictly maintains its neutrality toward both customers and CEZ Group companies. When investigating a filing, it bases its conclusion on the indisputable facts of the case, contractual relations, the letter of the law, and documentation provided by CEZ Group companies. For each relevant finding, the Office drafts an opinion, which is a written document containing the Office's conclusion regarding whether the filing was justified, along with a rationale and suggested solution, if any. The opinion is delivered to the originator of the filing and to the CEZ Group company to which the filing relates.

The ČEZ Ombudsman may also undertake independent investigations at its own behest, without any external filing, in cases where it believes that incorrect procedures are being used within CEZ Group against customers. It is empowered to issue recommendations for improving CEZ Group customer services.

During its three months of operation in 2009, the ČEZ Ombudsman took in 63 filings from CEZ Group customers, 41 of which were closed during the same period. Another 22 were resolved in 2010. Of the 41 cases closed, in six cases the ČEZ Ombudsman determined the customers' filings to be justified. In all of these cases the CEZ Group companies involved provided commensurate consideration to the customers in question.

ČEZ Foundation

The ČEZ Foundation (until 2005 the "Duhová energie" Foundation) was established by ČEZ, a. s. in 2002 as a platform for its donorship activities.
The mission of ČEZ Foundation is to systematically support public-benefit projects. The wide range of areas to which the Foundation directs its support and assistance makes it possible to address the current needs and requests of local organizations. The key to the success of ČEZ Foundation's work is thorough knowledge of the environment in which CEZ Group operates. ČEZ Foundation's long-term focuses include supporting leisure-time activities for children and youth, improving the quality of life of handicapped and socially disadvantaged residents, and supporting civic society initiatives in towns and cities.

CEZ Group in 2008 and 2009

Video: Orange Playgrounds

Over its existence, ČEZ Foundation has developed and applied a consistent donorship strategy and become one of the most generous corporate foundations in the Czech Republic. In 2008 the Foundation received a total of 2,047 requests for foundation contributions. It supported 301 projects with a total amount of CZK 126,685,281. In 2009 these numbers had risen to 2,343 requests, of which 359 projects were supported with a total amount of CZK 154,905,641.
The total amount distributed by ČEZ Foundation over its existence exceeds CZK 1 billion.

Graph: ČEZ Foundation Number of Applications Received, 2003–2009

ČEZ Foundation Number of Projects Funded, 2008–2009

Attesting to public interest in the Foundation's activities are a high number of media appearances and frequent meetings between Foundation representatives and organizations whose projects ČEZ Foundation has supported. For example, in 2009 there were 133 such meetings, including some held on occasions such as the opening ceremony of an Orange Playground and an Orange Wheel pedaling competition.

Graph: Media Coverage, 2004–2009

Information on the Foundation, its projects and grants, as well as all the latest news on the Foundation's activities, can be found on the web at www.nadacecez.cz.

ČEZ Foundation Projects

The areas on which ČEZ Foundation focuses its support are manifested by the three principal projects: Orange Playgrounds/Orange Fields, Orange Wheel, and Support Regions.

Orange Playgrounds/Orange Fields

For eight years now, Orange Playgrounds/Orange Fields has been a pivotal, country-wide Foundation project, through which ČEZ Foundation provides financial contributions to towns and cities toward the construction of playgrounds and sports facilities that fully comply with strict European Union standards designed to ensure children's safety and healthy development.

- Over the project's existence ČEZ Foundation has supported the creation of 144 Orange Playgrounds, sports fields, and multifunction facilities.
- In 2008, the 100th Orange Playground was opened in Český Krumlov.
- All supported projects are tailored to local needs and conditions. Thus, for example, 2008 saw the opening of a combined playground/field in Prachatice and in 2009 a "traffic playground" was opened in České Velenice.

Orange Playground in České Velenice

In early October 2009, a traffic-rules playground for children was opened for the first time at an elementary school in České Velenice. Here, even small schoolchildren can learn how to behave in traffic, how to safely cross the street and navigate an intersection. One million CZK of the up-front cost to build the playground was contributed by ČEZ Foundation, and additional funding was provided by the city.

"Children have to deal with traffic situations almost every day, for example when going to and returning from school. Therefore, it is important for them to have a playground where they can learn how to drive in a roundabout, how to behave at a railroad crossing, how traffic lights work, what a pedestrian-only zone is, and the like," said Petr Škerlecz from the České Velenice Municipal Building Department of the traffic playground's benefits.

ČEZ Foundation press release, October 5, 2009

České Velenice Orange Playground

Orange Playground in Prachatice

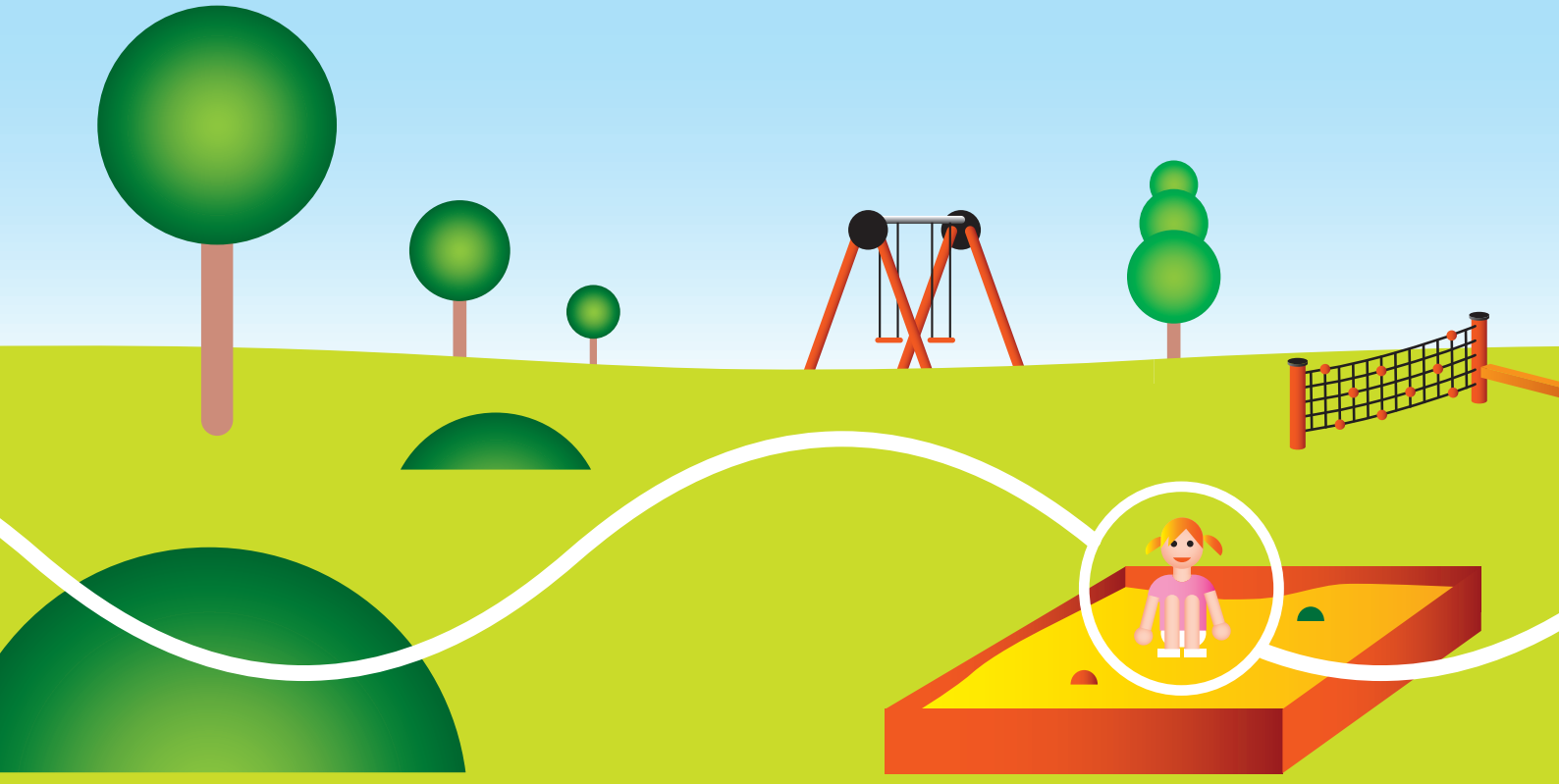
The Orange Playground in Prachatice was opened in October 2008. The Foundation supported it through a contribution of CZK 1 million.
Here, the children of Prachatice can play in a covered sandbox, on a swinging merry-go-round, a jungle gym, a swing rider, and the indispensable slide. This particular playground is also equipped with rare elements designed primarily for handicapped children. These include a hand-controlled integrated merry-go-round, a playboard/drawing board, and a special swing for wheelchair-bound children. Under the playground equipment, the city had soft rubber tile installed. It goes without saying that the playground is equipped with barrier-free access, paved pathways, benches for sitting, and wastebaskets.

Prachatice Orange Playground

Orange Playground in Český Krumlov

October 2008 saw the grand opening of the 100th Orange Playground at the Za Nádražím housing estate in Český Krumlov, towards the building of which ČEZ Foundation contributed CZK 1 million. Another CZK 252,000 was invested by the city out of its budget. The playground was built during the summer. It is designated for visitors aged two to 15 years. Here, they will find a total of five play aids – a merry-go-round, a conventional chain swing, two spring riders in the form of a dog and a horse, a climbing tower with nets, and two multifunction sets with slides.

Český Krumlov Orange Playground



Orange Wheel

The Orange Wheel project has a tradition of adding a charity dimension to a number of major social, arts & culture, and sports events throughout the Czech Republic. It is an interactive project based around two stationary bicycles. Volunteers from the public pedal them, generating energy that, after being converted into money, is donated by ČEZ Foundation to one of two selected local non-profit organizations. In the years 2008 and 2009, the project captured the attention of thousands of visitors, for example, at the Karlovy Vary International Film Festival, at the opening of the spa season in Teplice, at Náměšť nad Oslavou, and at the TNT Fortuna Meeting in Kladno.

Orange Wheel in Karlovy Vary

In July 2009, the wheels turned in Karlovy Vary for the sixth time as part of the program accompanying this year's International Film Festival. Once again they gave visitors an opportunity to help two non-profit organizations. Those who worked the pedals for a good cause included festival president Jiří Bartoška, Karlovy Vary regional government representatives, and Czech celebrities such as actors and athletes. Symbolic checks in a total amount of CZK 500,000 were distributed to Centrum Paraple and the Police Officers and Firemen's Foundation.

Karlovy Vary Orange Wheel

Orange Wheel in Kladno

For the second year in a row, the Orange Wheel turned in the program accompanying the TNT – Fortuna Meeting event, which took place in June 2008 at the Kladno Municipal Stadium. This gave visitors an untraditional way to help two non-profit organizations. Among those who pedaled at the event were sport celebrities Jan Železný, Tomáš Janků, Jiří Mužík and others. ČEZ Foundation handed over symbolic checks totaling CZK 200,000 to representatives of the designated beneficiary organizations.

Kladno Orange Wheel

Orange Wheel in Nové Město nad Metují

In September 2008, the ČEZ Foundation Orange Wheel livened up the program accompanying the 30th annual "Nové Město Kettle of Laughs" (Novoměstský hrnec smíchu) Czech film and television comedy festival. Children and adults alike pedaled for one minute each on a special stationary bicycle located on the terrace of Cinema 70, generating a total of CZK 100,000 worth of electricity for two Nové Město schools: Komenský Elementary School and Malecí Elementary School, Školní 1000.

Nové Město nad Metují Orange Wheel

Orange Wheel at NATO Days in Ostrava

In 2009, visitors to NATO Days – the biggest air, army, and security forces show in Central Europe – had the opportunity to help charitable causes. During Saturday, visitors pedaled the Orange Wheel to actively help two flood-damaged nursery schools. ČEZ Foundation set aside CZK 300,000 for the event.

"With the Orange Wheel project, we are visiting major cultural and sports events throughout the country. Our goal is to support important projects in the given region. In response to the destruction caused by recent floods, the Foundation's contribution this time will go towards renewing damaged facilities at two nursery schools in North Moravia," explains Jaroslav Jurča, CEZ Group spokesperson for Central and North Moravia.

CEZ Group press release, September 19, 2009

Ostrava Orange Wheel

Regional Projects – Examples from 2008 and 2009

The Foundation's most extensive and varied program is entitled Support Regions. It is focused on projects to improve the quality of life in areas where ČEZ has operations, including contributions to local infrastructure, health care, social affairs, culture & the arts, sports, social life, education, and the environment.

In 2008 and 2009 the program supported a total of 555 projects with total contributions exceeding CZK 219 million.

Cultural and Social Events Center in Studenec

April 2009 saw the grand opening of the renovated Sokol center in Studenec. The cost of renovating the center's restrooms and changing rooms was CZK 0.5 million. ČEZ Foundation contributed CZK 100,000 and another CZK 180,000 was raised from the Sokol Center's budget. Local citizens also volunteered, and thanks to them the renovation was completed in three months with a considerable cost savings.

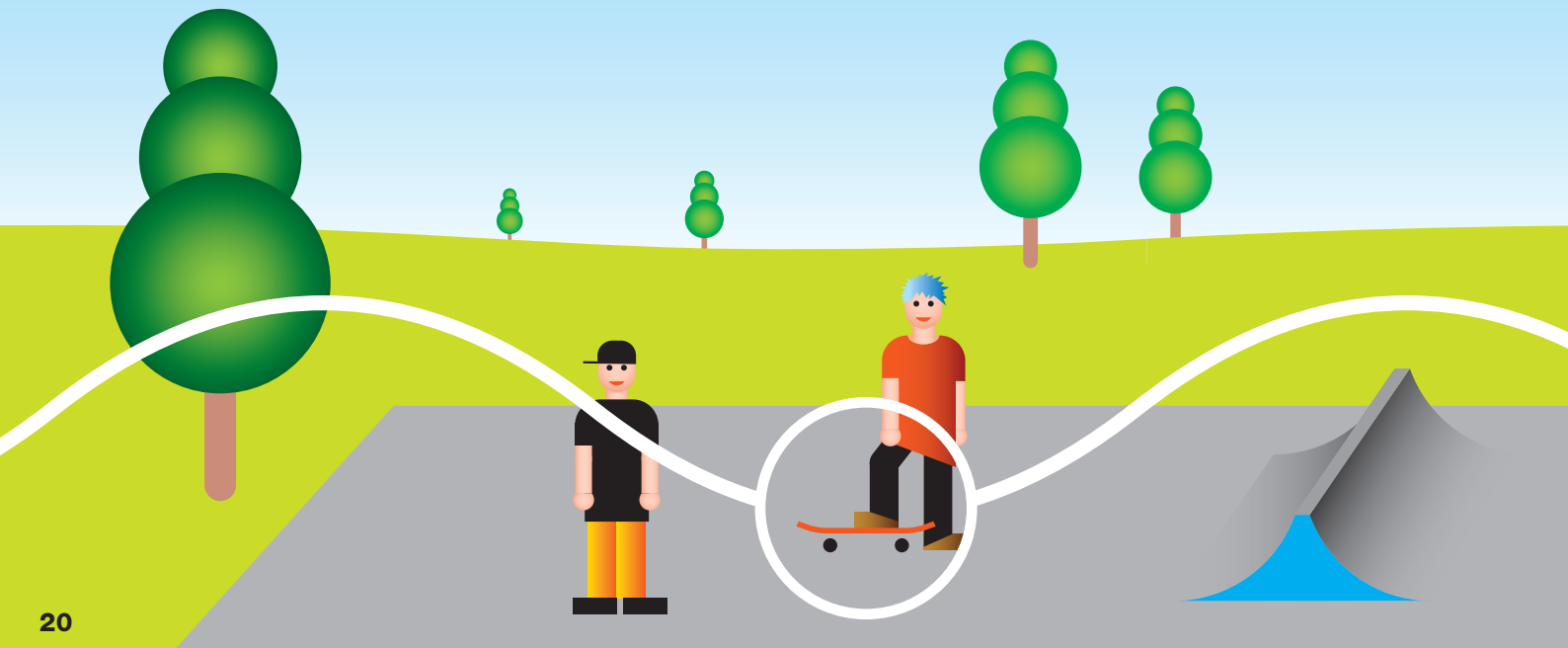
"Thanks to this event, we managed to improve the facilities not only for athletes, but for all visitors and organizers of the wide variety of events that take place here throughout the year. Here I should mention that the renovation also prevented further damage to the Sokol Center due to leaking sewer and water pipes, and the subsequent mold formation on the building's walls," said Sokol Center director František Komárek, in his comments on the renovation in a presentation given at the event.

CEZ Group press release, April 23, 2009

Sokol Center in Studenec

The Gamabeta, a Unique Learning Aid

In September 2009, representatives of eleven high schools and grammar schools in South Moravia came to the Dukovany Nuclear Power Station's Information Center to receive a unique learning aid, the Gamabeta. The event included a practical seminar, at which the teachers were able to try out the device for themselves. The learning aid, designed for use in physics classrooms, demonstrates attributes, phenomena, and laws from the areas of nuclear physics, ionizing radiation, and radiation protection.



"This learning aid will make it easier for students to understand certain physical phenomena associated with nuclear energy. As a result, they may find physics more interesting and decide they want to study the field further in the future," says Radka Kučírková, Regional Projects Coordinator, ČEZ Foundation.

CEZ Group press release, September 25, 2009

Gamabeta

Skate/Bike Park in Náměšť nad Oslavou

The Skate/Bike Park in Náměšť nad Oslavou had its grand opening in October 2009. The park is adjacent to the existing football stadium of the Náměšť nad Oslavou Football Club. ČEZ Foundation contributed CZK 200,000 to help build the park.

"The goal of the project was to create a space where young people can spend their time actively in a way that makes sense, and thereby limit their aimless wandering around town and visiting of restaurants," said Jarmila Wimmerová of the Náměšť City Hall, who is in charge of the project.

CEZ Group press release, October 6, 2009

Skate/Bike park

Museum of Log Rafting and Hydro Power Plants in Purkarec

New roof tiles on the historic building of the Museum of Log Rafting and Hydro Power Plants in Purkarec prevented rainwater from leaking into the museum's exhibit rooms. Following the roof repair, a re-opening ceremony was held on June 15, 2009, officially returning the museum to the list of tourist attractions in the vicinity of Hluboká nad Vltavou. ČEZ Foundation contributed a total of CZK 200,000 in support of the project.

Museum of Log Rafting

Wireless Public Announcement System in the Town of Dívčice

On June 1, 2009, a wireless public announcement (P.A.) system became operational in six settlements that are part of the Town of Dívčice. Thanks to the new system, citizens of the settlements Česká Lhota, Dívčice ves, Dívčice nádraží, Dubenec, Novosedly, and Česká Lhota now receive timely local news and information on town events. Residents of the settlements appreciate the new information service not only because it alerts them to approaching danger (high winds, floods, etc.), but also provides them with information on sports, cultural, and social events taking place in the various settlements. ČEZ Foundation contributed CZK 100,000 to the project.

"The P.A. system works great and the residents talk highly of it," adds Milada Pokorná, Town Mayor.

ČEZ Foundation material

Dívčice P.A. system

Žatec Hospital Pediatric Ward

In June 2009, the Žatec Hospital purchased a new, CZK 160,000 EKG device for its pediatric ward. This was made possible by the ČEZ Foundation, from which it received a CZK 150,000 towards purchase of the device.

"This is a fundamental and crucial medical device for examining the hearts of our little patients. The old device stopped working after ten years of operation, so we were in need of a replacement. Without any exaggeration I can say we have ČEZ Foundation to thank that we can now continue to preserve the high quality of care for children and youth from the areas of Žatec, Louny, and Podbořany," said hospital director Zdeněk Bergl, expressing his appreciation for the new acquisition.

ČEZ Foundation press release, June 17, 2009

Žatec Hospital

House of the Arts in Opava

In Opava, the House of the Arts opened to the public modernized facilities for exhibiting historic works of art. The new space was "christened" by a collection of old paintings from the collection of the Ostrava Gallery of Art. CZK 2 million of the project's CZK 3 million price tag was donated by ČEZ Foundation, with the city providing additional funding.

"Thanks to new, state-of-the-art lighting and picture-hanging systems, visitors can view the exhibits under better conditions, which are now up to the standards seen in other galleries," explains Irena Šindlerová, Director of the Opava Arts & Culture Organization. "The lighting was the most difficult and important part of the whole project. Photographs, water colors, and oil paintings each need to be lit in different ways to make sure they stand out. At the same time, the light mustn't be allowed to damage the works."

ČEZ Foundation material, April 6, 2009

Opava House of the Arts

Czech Republic Disabled Athletes Table Tennis Championships

On May 15–19, 2009, the Ostrava disabled athletes sports club organized the 15th annual Czech Republic Disabled Athletes Table Tennis Championships for individuals and teams. The championships took place in the TJ Mittal Ostrava sports hall with 24 players participating. The players were nominated based on the results of ten nomination tournaments. Players were divided into the following categories: paraplegic men (handicapped lower extremities), quadriplegic men (handicapped upper and lower extremities) and a separate category for women (with handicapped upper and lower extremities). ČEZ Foundation's support for the event totaled CZK 65,000.

Disabled Athletes

Saints Peter and Paul Church Organ in Mělník

One of the projects of the Mělník Awareness and Beautifying Association is entitled Renovation of the Saints Peter and Paul Church Organ in Mělník. This is a long-term project that commenced in 2004 and which is planned for completion in 2012, the 300th anniversary of the installation of the church's original organ, which was made by Jan Antonín Krásný. In 2009, ČEZ Foundation contributed CZK 300,000 to the project.

Organ

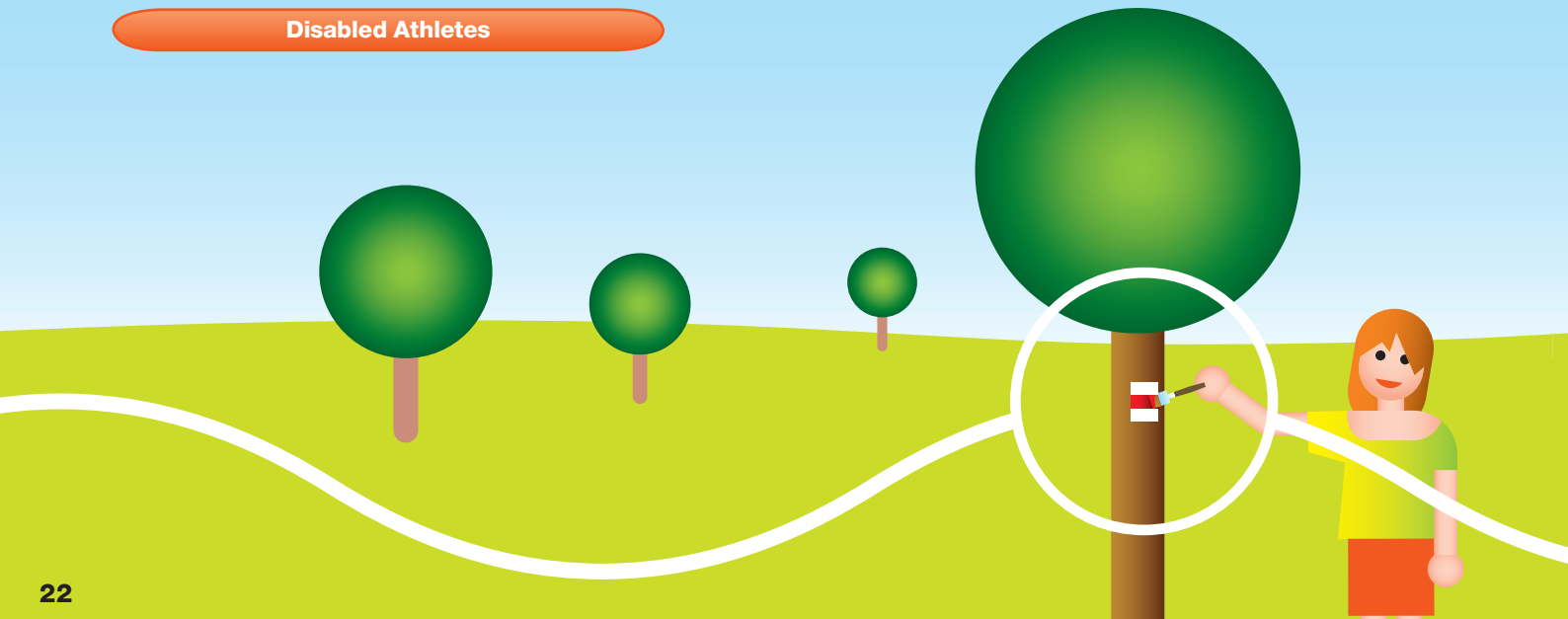
Children's Playground with Jungle Gym in Slapy

Starting in October 2009, children from the Slapy nad Vltavou Elementary and Nursery School can burn off their energy in a playground, equipped with a jungle gym, located in the renovated schoolyard. This gave the children more ways to be outside in the fresh air, and safe equipment to play on. ČEZ Foundation's contribution to the project was CZK 100,000.

"Our school is over 100 years old and the school grounds include an old schoolyard. For safety reasons we had to remove a lot of the old play equipment and in their place we built a new playground with a modern jungle gym, a slide, and other attractions," said school principal Renata Hacaperková.

ČEZ Foundation press release, October 22, 2009

Slapy Jungle Gym



Hospice in Pardubice Region

The Pardubice Region's first hospice was opened in October 2009 in Chrudim. ČEZ Foundation donated CZK 100,000 to the organization Smíření – hospicové sdružení pro Pardubický kraj.

"The hospice could hardly have come into existence without contributions from our many sponsors. ČEZ Foundation was one of them and is therefore deserving of our thanks. All were very supportive of us, especially in the early stages when it wasn't clear whether or not we would get a government subsidy and whether or not we would start building," said physician Marie Blažková, Director of the Hospice.

ČEZ Foundation press release, October 1, 2009

Pardubice Hospice

Interactive Learning System in Žichlínek

In 2009, ČEZ Foundation contributed CZK 100,000 toward the purchase and installation of an interactive whiteboard at the Žichlínek Elementary and Nursery School. The funds were used to equip a modern classroom for specialized learning. The installation consists of the interactive whiteboard and software installed on the teacher's computer. The image is projected on the whiteboard, which hangs on the wall, using a data projector. To meet other learning needs, it is possible to install sound apparatus, a DVD player, a video player, and Internet access.

"Thanks to the interactive whiteboard, students will be able to benefit from the latest didactic methods. The learning process will be made better and more attractive in all subjects taught. Therefore, we would like to thank ČEZ Foundation for helping us make this project a reality," said school principal Radomíra Divíšková.

ČEZ Foundation press release, October 7, 2009

Learning in Žichlínek

Hiking Path to Rabštejn Castle

September 2009 saw the grand opening of the newly repaired Rabštejn north footbridge, which spans the Střela River, 2 km upstream from the ruins of Rabštejn Castle. ČEZ Foundation provided a CZK 96,000 donation to the Czech Hiking Club to help fund the project.

"Support for hiking and cross-country skiing trails in the regions is a traditional focus area for us," said Lucie Speratová, Director of ČEZ Foundation, when asked why ČEZ Foundation chose to support this particular project.

ČEZ Foundation press release, September 17, 2009

Rabštejn Trail

New High School Classroom in Plzeň

In December 2009, the principal of the Plzeň Secondary Vocational School of Electrical Engineering officially opened a new practical learning lab at the school. In the lab, second- and higher-year students will learn how to read technical schematics, wire up electrical devices that really work, take measurements, fine tune equipment operation, and do diagnostics and troubleshooting. ČEZ Foundation donated CZK 400,000 to help fund the project.

"The industrial wiring solutions and diagnostics lab is an appropriate complement to the theory that students learn in their vocational subjects and will help substantially to improve the practical and theoretical competence of students of SOUE Plzeň," said the school's principal Jaroslav Černý.

CEZ Group press release, December 5, 2009

Plzeň Classroom

New Projects – Orange Staircase and Orange Classroom

During 2009 preparations were underway on two new ČEZ Foundation projects focused on improving how technical subjects are taught and on removing architectural and technical barriers at schools.

Orange Staircase

The objective of the Orange Staircase project is to give movement- and orientation-challenged students access to learning and make it easier for them to participate in life at the school and in society at large. Schools can use Foundation donations toward the purchase and installation of elevators, mobility stairclimbers, stair lifts, and guide systems. Barrier-free access to schools is also welcomed by parents with baby carriages as well as parents who are themselves handicapped.

Orange Staircase

Orange Classroom

The goal of the Orange Classroom project is to improve how students are taught, especially in technical and science subjects, at secondary schools and higher vocational schools. Schools can improve the equipment in their physics classrooms, chemistry classrooms, laboratories, and combined classrooms focusing on technical fields. This will give both students and teachers new learning simulators, special computer systems, interactive whiteboards, and other learning aids.

"Support for education is a long-term, important part of the CEZ Group strategy. We collaborate with schools at all levels, endeavoring to awaken student interest in technical subjects. I welcome ČEZ Foundation's new project Orange Classroom as a major step toward expanding this collaboration," summarized Bohdana Horáčková, Vice Chairwoman of the ČEZ Foundation Board of Administration.

CEZ Group website www.cez.cz/en

Orange Classroom

Donorship Outside of ČEZ Foundation

CEZ Group's high-profile corporate donorship activities are based on the long-term corporate philosophy. Its motto is "We help where we operate". CEZ Group perceives charity as a necessary part of overall socially responsible corporate behavior.

In particular, CEZ Group supports the following:

- community development,
- active lifestyles for children and youth,
- care for the elderly,
- science,
- healthcare,
- education,
- organizations that help handicapped fellow citizens in any way.

In recognition of its support for activities undertaken for the public benefit, CEZ Group placed first in the TOP Corporate Philanthropist 2009 ranking, for the sixth time, in the total donation volume category. Thus, we defended our position as the top corporate philanthropist in the Czech Republic.
PricewaterhouseCoopers Audit, s.r.o. oversees the compilation of the ranking. CEZ Group respects this and reports its figures using the internationally recognized London Benchmarking Group (LBG) framework for assessing and valuing the contribution their projects bring to the community. Using this framework, the overall value of CEZ Group's CSR projects in 2008 was reported as CZK 261,274,376. For details, see the website www.donorsforum.cz/en.
In addition to direct financial donations to specific projects, CEZ Group also supports the donation of time. Since 2008, mutual cooperation amongst the Company, our employees, and the Donors Forum civic association for the benefit of the needy has taken the form of the Time for a Good Cause corporate volunteership project. Together with employees, the Company also organizes and finances charity fund drives and the Making Wishes Come True project, which gets employees actively involved in groups helping their handicapped or otherwise disadvantaged fellow citizens. In 2008, thanks to this project, 1,200 Christmas gifts were delivered to orphanages and social care institutions in the Czech Republic.

In 2009 CEZ Group teamed with its employees, ČEZ Foundation and the Charta 77 Foundation – Barriers Account to hold a charity benefit entitled Making Wishes Come True, Thinking of Others. Special health aids, wheelchairs, a handbike, and strollers for handicapped children were purchased and donated to 13 handicapped citizens of the Czech Republic.
Hundreds of CEZ Group employees have taken a keen interest in providing hands-on help to public-benefit organizations and the non-profit sector – they care about the fates of the weak and forgotten, and they want to help improve their lot in life. And this is one of the reasons why CEZ Group offers its employees a number of ways to get involved in the Company's philanthropic initiatives: it's not only about generous financial donations – the efforts of well-meaning individuals are an integral part of philanthropy, too.

Top Corporate Philanthropist 2009 Logo

LBG Methodology Logo

Graph: LBG

Donorship Within the Czech Republic

These days, philanthropy and socially responsible behavior are part of what is expected of large corporations. CEZ Group strives to set an example by supporting the development of this area at the society-wide level. At the same time, however, we do not want our help to be reduced to anonymous financial transfers to applicants' bank accounts. Therefore, we carefully select the beneficiaries of our help, be it financial or organizational.

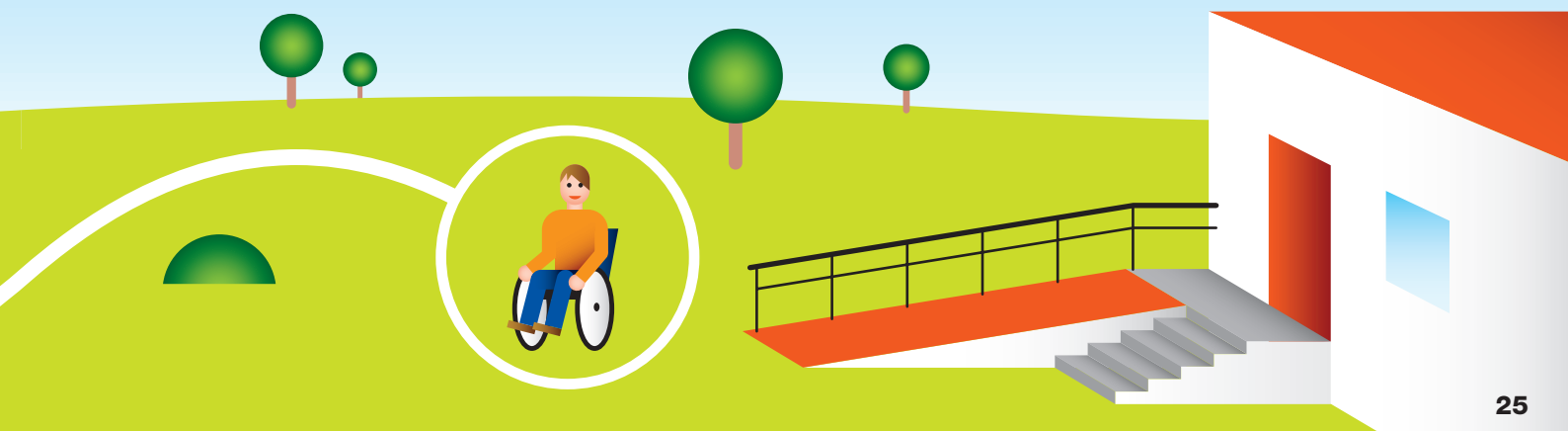
CEZ Group Donations in 2008

In 2008, CEZ Group companies provided a total of CZK 120.6 million in financial donations, primarily in support of municipal infrastructure renewal and regional development.

Donations in 2008	Donation amount (CZK, not rounded)
ČEZ, a. s.	100,587,580
the biggest recipients include:	
towns and villages in the vicinity of Dukovany Nuclear Power Station, Temelín Nuclear Power Station, and Ledvice Power Station	42,532,880
National Gallery in Prague	1,000,000
Heart on Sleeve Foundation Fund	1,700,000
Charles University – Physical Therapy Clinic	500,000
Czech Technical University in Prague – Faculty of Nuclear Sciences and Physical Engineering	1,200,000
Ostrava Faculty Hospital	200,000
Czech Paralympic Team	1,000,000

CEZ Group Donations in 2009

In 2009, the companies of CEZ Group provided CZK 448.1 million in donations. Of this figure, direct donations accounted for CZK 289.1 million and contributions to ČEZ Foundation totaled CZK 159 million. Direct financial donations in 2009 went to projects of regional significance. In the South Bohemia Region, for example, 20 sacral buildings were repaired at a total expense of CZK 1 million. Further, at the policlinic in Vejprty a lift was installed for persons in wheelchairs, for which a CZK 1 million donation was given to the City of Vejprty.
In the area of sports CEZ Group gave CZK 8 million to the České Budějovice Hockey and Volleyball Club in support of youth sports.
In support of technical education, CZK 5 million was donated to the Secondary Industrial School in Třebíč. The donation was used to equip a laboratory designated for teaching students in the new vocational program Energy.
The St. John N. Neumann Hospice civic association for terminally ill patients utilized a CZK 750,000 donation to cover up-front and operating costs. Another beneficiary was Centrum Paraple, which put its CZK 250,000 gift into a building addition. The new wing will house a gym hall for physical therapy and sports.



CEZ Group also supports medical research: the Motol Faculty Hospital used its CZK 2 million to digitalize the ENT operating room by installing the Karl Storz OR1TM system.
Another area supported by CEZ Group donorship is culture and the arts. For the third year in a row, the National Gallery announced NG 333 – a joint prize of the National Gallery in Prague and CEZ Group for young artists up to 33 years of age from the Czech and Slovak Republics. The company donated CZK 0.5 million for this purpose.

ČEZ Against the Crisis

"ČEZ Against the Crisis" Campaign

In 2009, CEZ Group implemented a mass media campaign targeted at the general public to call attention to the unpleasant impacts of the economic crisis and offer ways to address them. Targeted communications and customer projects like these are key elements of corporate social responsibility. CEZ Group launched specific aid programs to help households affected by phenomena such as unemployment. We helped over 21,000 households of the unemployed by paying, through an insurance policy, three monthly electric bills on their behalf. In this manner, CEZ Group provided nearly CZK 120 million to people who found themselves in difficult life situations due to the crisis.
CEZ Group is well aware that it can prosper only if the country itself is prosperous. At a time when the Czech Republic is facing an economic crisis, the biggest domestic corporation cannot afford to stand on the sidelines. We care about our customers and the Czech economy, and that's why we came forward with an initiative that will help to at least partially mitigate the crisis. The campaign had two forms: press and internet. Ads ran in the most popular daily newspapers, weekly magazines, and supplements, along with commercial presentations in the media's editorial sections – all on the topic of a specific household with the insurance coverage in question. On the Internet, the campaign took the form of banners on key information servers and search engines. In addition, a special microsite and web presentation were placed on the website, www.cez.cz/en. The campaign's two waves – spring and autumn – clearly strenthened the image of CEZ Group as a company that strives to respond, flexibly and positively, to real-life situations. During the period in question, the Group's website received over 260,000 visitors and nearly 25,000 took advantage of the electric bill payment insurance.

Flood Aid in 2009

CEZ Group endeavors to respond sensitively to residents' social problems. In 2009, we announced an initiative designed to help those whose homes were damaged in the floods – help all the more needed because the damage occurred during a recession.
To residents and businesses hit by the destructive floods, we offered to waive three monthly advance electricity payments and carry out a free-of-charge technical inspection of wiring at the connection site. Overall, CZK 7.6 million in aid was provided to 2,504 customers and 140 businesses.
Until July 31, 2009, CEZ Group customers could call the number 840 840 840 to have our staff verify whether the caller really is entitled to a discount. Callers received confirmation within one or two days of calling the number. Those who met the eligibility criteria were relieved of the obligation to pay the next three months' advance electricity bills and on the end-of-year bill one quarter of their electricity consumption was deducted.

"The most important job facing people hit by the floods now is to clean up and dry out their homes. That's why we've come out with this initiative – so that no one has to worry about how much the drying will cost. Speed is of the essence," said Martin Roman, Chief Executive Officer, ČEZ, a. s.
CEZ Group material

During the flash floods in the summer of 2009, 80 volunteers went out with the requisite equipment to help in the villages of Bernartice, Buková, and Tomíkovice in the Jesenicko area. They helped residents to clean wells, remove damaged stucco from buildings, move furniture, and clean gutters, ditches, and streams. CEZ Group also provided ADRA, a humanitarian organization that organized aid in the area, with a Ford Tranzit van on long-term loan along with a CCS debit card with a balance of CZK 20,000 to defray fuel costs. Furthermore, a fund drive among employees enabled ADRA to clean 60 local potable water wells.

Volunteers Helping

Donorship at CEZ Group Foreign Companies

Foreign companies that are part of CEZ Group also made contributions in support of their local communities.

Direct Donations by CEZ Group Foreign Companies (CZK millions)

	2008	2009
Bulgaria		
CEZ Bulgaria EAD	0.3	–
CEZ Elektro Bulgaria AD	0.2	–
CEZ Razpredelenie Bulgaria AD	0.3	–
CEZ Elektroproizvodstvo Bulgaria AD	–	0.3
TEC Varna EAD	0.3	0.4
Poland		
CEZ Polska sp. z o.o.	0.1	0.1
Elektrociepłownia Chorzów ELCHO sp. z o.o.	0.3	0.4
Elektrownia Skawina S.A.	0.4	0.8
Hungary		
CEZ Hungary Ltd.	–	less than 0.1
Serbia		
CEZ Srbija d.o.o.	–	less than 0.1
Romania		
CEZ Romania S.R.L.	0.1	–
Kosovo		
New Kosovo Energy L.L.C.	–	1.1

International Donorship and Advertising

Joint Philanthropic Projects Among CEZ Group, ČEZ Foundation, and Employees

The past two years have been successful ones in terms of joint philanthropic projects among CEZ Group, ČEZ Foundation, and the employees. During their short period of existence, they have demonstrated that their creation was justified and that all participants approach them in the same responsible manner. Thanks to the great support the projects received from CEZ Group management, we were able to bring joy in the pre-Christmas period to hundreds of needy people to whom life forgot to grant their dose of happiness.

Wish-Fulfilling Tree 2008

Wish-Fulfilling Tree 2008 is the name of a pre-Christmas event organized by CEZ Group in orphanages, social care institutions, and other institutions that care for handicapped children and adults. Local clients were asked to share their wishes with us and, if possible, to paint a picture of how they see themselves.

Ragged Boy

Little Girl

A short time after we contacted institutions in all regions of the Czech Republic, wishes began to come in from both children and adults. The institutions selected were the less assertive ones – those who do not yet have strong sponsors and lack the resources to help themselves. CEZ Group's goal was to not leave even one wish unfulfilled. Employees of the Group got involved; they were able to view the list of wishes on the corporate Intranet and, each according to his or her own means, could choose one of the gifts on the wish-list and purchase it for the intended recipient.

The gift drive culminated in gift-giving ceremonies held at each institution. Among those in attendance were representatives of the CEZ Group companies where the gifts originated. The joy experienced by the gift recipients was readily apparent to one and all.

After the event, it was clear that 1,158 individual CEZ Group employees and 69 teams contributed to the merry Christmas atmosphere in 39 orphanages and social care institutions throughout the Czech Republic. They purchased valuable gifts for 1,239 children and adults. In many cases, the gift-givers also included a personal Christmas card or a small "stocking filler". However, all the recipients had to wait until Christmas to open their presents.

Orphanage Joy

Making Wishes Come True, Thinking of Others 2009

The pre-Christmas period of 2009 was also the time for our event Making Wishes Come True, Thinking of Others 2009. It was a natural continuation of the preceding two years of the project, in which CEZ Group employees teamed with ČEZ Foundation and the Charta 77 Foundation – Barriers Account.

The 2009 event focused on 13 projects that contributed toward the purchase of equipment and services for handicapped people and others to whom fate was none too kind. We managed to raise CZK 843,366 in total, CZK 300,000 of which was contributed by ČEZ Foundation.

One of the first to benefit from the project was five-year-old Tadeáš, who received a new special stroller which cost CZK 55,000. "This is something else entirely – this stroller will grow along with Tadeáš! On my own I'd never have been able to buy it for him," said his mother, Radka Hartmanová.

Making Wishes Come True, ČEZ News No. 12/2009

Making Wishes Come True

Other recipients included Eva, Jaroslav, and Ladislav, all wheelchair-bound, from the Central Bohemia Region, for whom the donors contributed towards purchases of healthcare aids, a new wheelchair, and a handbike. The three received gifts in a value of CZK 167,366.

Martin Roman Presenting Check

Handbike from ČEZ Employees

Recipients Eva, Jaroslav, and Ladislav

The response to the event among employees was unexpectedly big, and so it was possible to increase the originally number of eight needy recipients to 13. A total of 1,138 CEZ Group employees got involved in the project.

"The goal of this year's voluntary charity fund drive is to help our handicapped fellow citizen by using the funds raised to purchase healthcare aids and services that make their lives easier," explained CEO Martin Roman. "Another big benefit that I see coming from this project is that we were able to acquaint ourselves with the life stories of handicapped people."

CEZ Group press release, December 16, 2009

Corporate Volunteer Work

Video: Corporate Volunteership

CEZ Group supports corporate volunteer work – both financially and organizationally. This is a supplement to financial donorship – called donorship of time. Employees donate their time in the form of personal, manual, social, and sometimes even professional work, to which CEZ Group adds logistical and financial support.

Under the name Time For a Good Cause, CEZ Group operates a year-round volunteer aid project in the Czech Republic. This long-term operation is built upon the voluntary, joint involvement of:

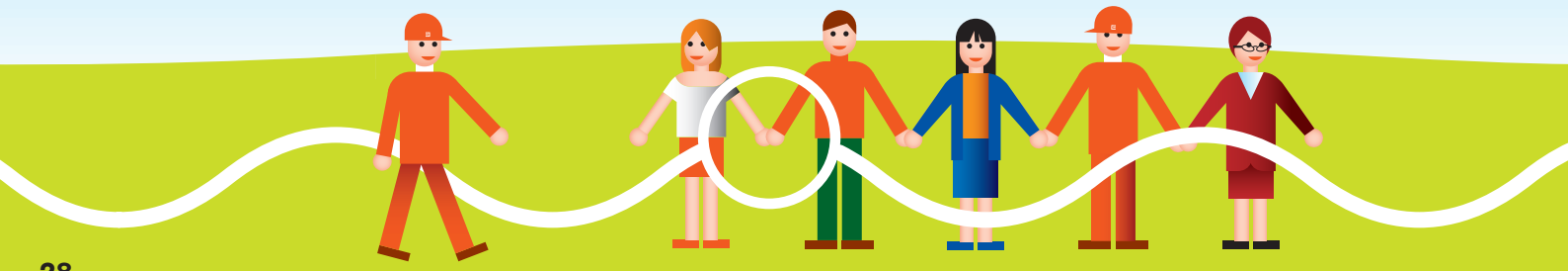
- the Company,
- its employees,
- aid recipients – public-benefit organizations.

The volunteer events are implemented by CEZ Group in cooperation with the Donors Forum in all regions of the Czech Republic and comply with basic standards of corporate volunteer work.

"The most important thing is to enable a person from the outside world to immerse her- or himself in the simple life of handicapped people – to live one day with them and to understand that they have the same personality as any other person. An experience like that changes each participant's outlook on life to some extent."

Karlovy Vary Parish Charity

CEZ Group material entitled Corporate Volunteering



CEZ Group has focused its support in two areas:
- social – focusing on physically, mentally, and socially handicapped citizens. This means, for example, helping organizations such as Charitas and Diakonie that care for handicapped children who have no one else to care for them, young people in halfway houses, senior citizens and people suffering from illnesses.
- environmental – employees did volunteer work for environmental- and science-oriented non-profit organizations.

Two types of events are held:
- group volunteer work days in each region, divided into seven phases,
- individual volunteer work days throughout the year.

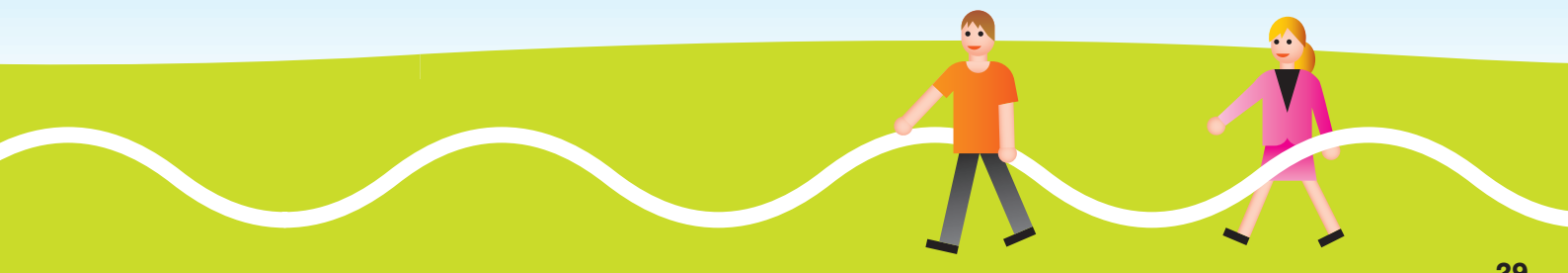
After the flash floods in June 2009, an extraordinary volunteer day was announced and organized within three days for the benefit of flood-stricken citizens in Moravia. 80 employees from various parts of the country volunteered for the event and came to the towns and villages to clean up, help, lend an ear, support, and comfort. Despite the painful confrontation with the flood's aftermath, the response – on the part of both the helpers and those to whom help was offered – was incredibly positive. The event, which took place at the employees' request, became a part of CEZ Group's overall flood aid program in 2009.
In 2008, a total of 331 employees got involved in working for the non-profit sector. Even though the work was often difficult and demanding, in the next year the number of Company volunteers rose to 481. While in 2008 the volunteers visited 55 public-benefit organizations, in 2009 that number rose to 74.
And how is CEZ Group's volunteer work organized? Employees have the option of dedicating one work day per calendar year to a non-profit organization. They themselves can choose the organization that is to benefit from their help. The conditions for their time donorship are set forth in the ČEZ, a. s. Collective Agreement. On that day, their employer gives them paid leave. All information regarding the project is available to employees on the corporate Intranet. They can also browse photos from the various volunteer events and read their colleagues' accounts of their experiences there.

"I can definitely recommend it to all my colleagues who work in office jobs. A day like that is a perfect way to get rid of job-related and other worries, and the feeling that you helped a good cause is really warming."
Světlana
CEZ Group material entitled Corporate Volunteering

"I've got lots of experiences but it makes no sense JUST to talk about them. You have to spend time with these people to understand. Under no circumstances were the experiences depressing – rather, they were about learning what handicaps, needs, thoughts, and problems these people have. Spending one day at the Diakonie ČCE is something I recommend to everyone."
Petra
CEZ Group material entitled Corporate Volunteering

Employees are well taken care of during the day they decide to give to the needy:
- they receive full pay,
- they are insured,
- they get refreshments,
- if needed, the Company helps with transportation costs.

All CEZ Group volunteers must follow the Seven Rules for Volunteers.
Thanks to frank and open feedback from both the employees and the non-profit organizations, CEZ Group was able to prepare new features and improvements for the next year's continued implementation of the project.



Strategic Objectives of CEZ Group

The mission of CEZ Group is to maximize return and ensure long-term growth in value for shareholders of the parent company. Therefore, CEZ Group focuses its efforts on fulfilling the vision of becoming the leader in the electricity market of Central and Southeastern Europe.

Group strategy is expressed in its strategy temple with four pillars representing the following strategic initiatives:

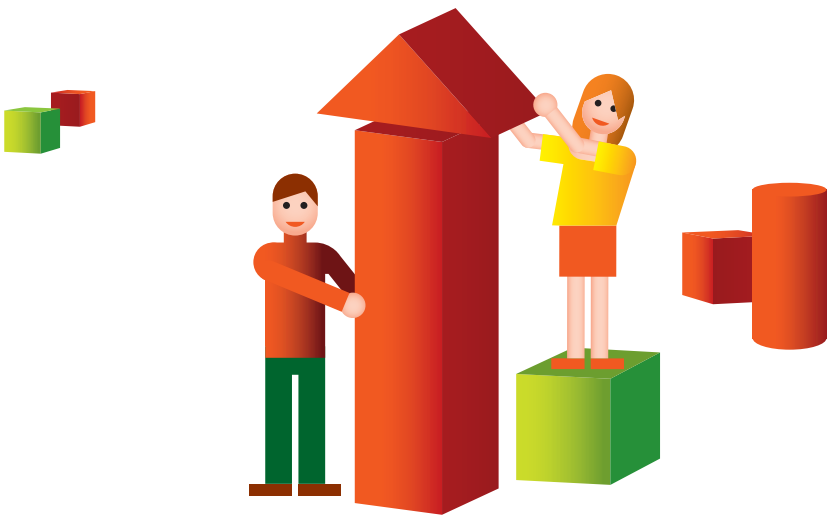
- Operational Excellence,
- International Expansion,
- Plant Portfolio Renewal,
- Innovation.

The corporate culture defined by seven principles forms the foundation of the strategy temple.

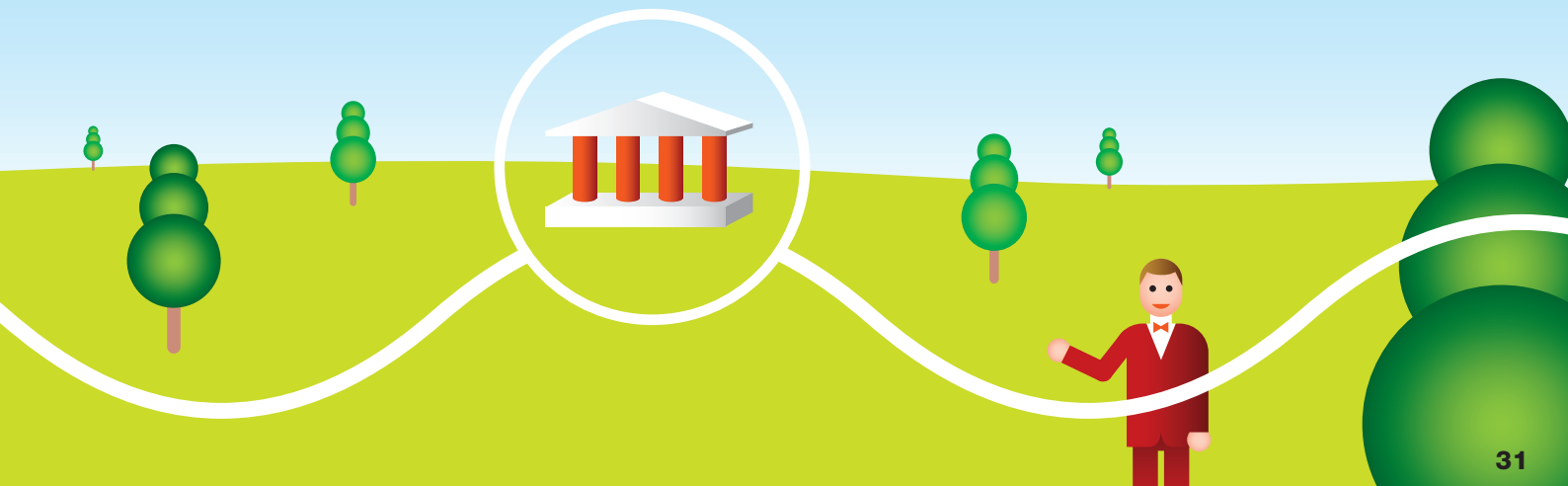
Temple

Operational Excellence

The aim of Operational Excellence is to improve overall performance and make key processes more cost effective, so that CEZ Group becomes one of the most effective European utilities. To fulfill this aim, in June 2007 we launched the Efektivita Program, which currently consists of a portfolio of 15 projects, including seven key projects. Individual projects are dedicated to optimizing the basic parameters of our operations and leveraging synergies throughout the entire CEZ Group, both in the Czech Republic and abroad.



Project name	Principal objectives and description
Transformation of ICT	The creation of a single, unified provider of ICT services, the introduction of an ICT service model at CEZ Group, which will centrally control and manage demand for and supply of ICT services in CEZ Group with the objective of achieving cost-effective functioning of the internal ICT services provider.
Streamlined Corporation	Achieving a CZK 1 billion optimization of CEZ Group overhead expenditures by rolling out an optimal corporate governance model at CEZ Group, implementing efficient Group shared services and ancillary services, and introducing management control tools, leading to lower overhead costs and workforce optimization.
Best Practices in Distribution	By optimizing processes and improving the efficiency of activities in the areas of asset management, operation, and maintenance, bring distribution operations up to par with the best power utilities. Targeted management of capital expenditures, minimizing of costs by applying a unified technical policy and optimization of the location and number of work sites in electricity distribution, equipment maintenance, and metering. Optimization of work management in distribution grid operation and maintenance.
Integration of International Holdings	By 2012, fully integrate the international holdings into CEZ Group with the objective of integrating foreign acquisitions into CEZ Group standard structures and achieving process optimization.
Safely 15 TERA Temelín	Bringing Temelín Nuclear Power Station's safety indicators up to the levels seen among the top one quarter of the world's nuclear power plants in 2010. Technical stabilizing to improve the failure rate and shorten shutdown times. Resolution of fuel issues. By 2012, generate 15 TWh of electricity per year.
Safely 16 TERA Dukovany	Modifying equipment at Dukovany Nuclear Power Plant to increase plant output, shorten shutdown times, reduce technical failure rate, and increase availability. By 2013, generate 16 TWh of electricity per year.
Dukovany Long-term Operation (LTO)	Obtaining a license to operate the reactor units after the year 2015. In phases, extend the useful lifetime of Dukovany Nuclear Power Station by 10, 20, and 30 years.



In 2009 we began to see the full benefits of implemented optimization measures, particularly in the following areas:
- improving the efficiency of ancillary and shared services,
- managing selected overhead expenses,
- providing optimized ICT services within CEZ Group,
- integrating international holdings,
- optimizing nuclear power plant safety and output.

Plant Portfolio Renewal

Video: Ledvice Power Station

Comprehensive Retrofit Program

In 2007, CEZ Group launched another wave of environmental upgrades of its coal-fired power plants. This follows the environmental program implemented in the years 1992–1998. The principal objectives of the comprehensive retrofit program are:
- to replace old technologies with new ones,
- to build new coal-fired thermal power plants,
- to execute a managed, definitive decommissioning of certain equipment, including certain generating units that have become obsolete.

The program, with a price tag upwards of CZK 100 billion, is the biggest capital expenditure project in the country's modern history, and will ensure that the Company remains competitive. Should the entire comprehensive retrofit program be implemented, there will be a major reduction in emissions. Compared to 2007 the following reductions in annual emissions are expected:
- nitrogen oxides by 65%,
- sulfur dioxide by 67%,
- solids by 48%,
- CO_2 by 30%.

The comprehensive retrofit program was launched in 2007 with the shutdown of two generating units at Tušimice 2 Power Station and the commencement of their upgrade. The upgraded units were commissioned in late 2009. At the same time, the upgrade of the plant's remaining two units began.
In 2008, construction began on a new 660 MW supercritical generating unit at Ledvice Power Station. With this project, CEZ Group joins the community of plant operators with state-of-the-art generating units that can boast top efficiency and very low emissions.
By implementing the comprehensive retrofit program, CEZ Group is significantly helping to mitigate the impacts of the financial crisis in the Czech Republic. The electricity generated by the retrofitted plants is less expensive and, at the same time, easier on the environment.

Ledvice Information Center

Together with the new generating unit at Ledvice Power Station, a new office building was built at the plant. The new building houses an Information Center focused on conventional power plants. It is the first of its kind in the Czech Republic. The Information Center consists of three floors, all packed with attractive modern architecture and design. The exhibits are full of interactive action – giving the presentations a hands-on format and making use of cutting-edge audiovisual technologies:
- 3D images,
- virtual reality,
- on-line measurement of photosynthesis in a living tree,
- detailed descriptions of technologies used in the new coal-fired generating unit, etc.

Ledvice Information Center

Innovation

"Several generations of fantastic engineers – from František Křižík to the builders of Temelín – left us with excellent power infrastructure, thanks to which ČEZ prospers today. It is our duty to face the challenges and leverage the opportunities posed by new technologies, so the generations that follow will remember us for our positive accomplishments," said Martin Roman, Chairman of the Board of Directors and Chief Executive Officer of ČEZ.

CEZ Group website www.cez.cz/en

Innovation, i.e. the use of the latest technologies in CEZ Group's business activities, is one of the strategic objectives. Attesting to this, for example, is the FUTUR/E/MOTION initiative.

The FUTUR/E/MOTION Project

The world is continually changing, and people's standards for living arrangements, education, work satisfaction, and leisure time activities are changing along with it. Technologies are being developing at a very fast pace and companies are striving to utilize advances in scientific research to protect the air, water, and other natural resources.

Environmental concerns have become part of State programs. Governments are calling on large corporations in particular to join in taking the initiative and support the efforts to save natural conditions for life on Earth. At the same time, governments of individual countries have developed programs and stimulus packages for companies that join "green" initiatives.

Deutsche Bank estimates that the global total volume of green government stimuli in the next few years at USD 200 billion. HSBC Bank estimates that support for clean technologies already accounts for 14% of overall world stimulus programs.

The FUTUR/E/MOTION is a project for the future with a contribution from CEZ Group, which has chosen innovation as one of its strategic pillars. The project has four basic areas:

- research and development,
- Smart Grids and Smart Region,
- electromobility,
- small-scale cogeneration.

"Innovation is an important area of CEZ Group's activities. Last year, we launched a long-term project entitled FUTUR/E/MOTION – Energy of Tomorrow. We want to put more effort into monitoring and supporting the development of technologies and techniques, invest in applied research, and play a role in putting new technologies into practical use. The new project focuses on research and development, environmental investments including support for electromobility, small-scale cogeneration, and energy conservation, and Smart Grids," said Martin Roman, Chief Executive Officer of ČEZ, a. s.

Supporting Study in Technical Fields press kit, February 17, 2010

FUTUR/E/MOTION 1

Research and Development Reinforced

2009 saw the creation, at ČEZ, of a new, coordinated and centralized R&D system. The objective is to help develop new, high-efficiency, reliable, and environmentally-friendly technologies. We are also planning to work more actively with universities, including support for student research work.

Specific activities in 2009 included:

- testing a new type of photovoltaic cells based on nanotechnologies (in cooperation with Elmarco),
- initiating activities to verifiy possibilities for intensifying flue gas desulfurization (in cooperation with the Prague Institute of Chemical Technology),
- analyzing possibilities for utilizing Hot Dry Rock (HDR) geothermal energy.
- work in conventional energy focused on identifying an appropriate project for demonstrating Carbon Capture and Storage (CCS) technology,
- ongoing support for Ústav pro jaderný výzkum Řež's participation in international projects sponsored by OECD – NEA (Nuclear Energy Agency), focusing on the safety aspects of nuclear reactors.

ČEZ is involved in research and development activities under the auspices of the following international organizations and inititatives: VGB, MAAE, OECD – IEA. We are also participating in several projects within the EU's Sixth and Seventh Framework Programs for Research and Technological Development (e.g. NULIFE, GeoCapacity, CO2EuroPipe).

CEZ Group is a member of three European technology platforms:

- SNE-TP (sustainable nuclear energy),
- Smart Grids,
- ZEP (clean coal technologies and CCS).

ČEZ, a. s. is one of the 13 founding members of the "Sustainable Energy Czech Republic" Technology Platform, where we hold important positions in the Board of Administration and Executive Committee.

Also involved in research and development are other CEZ Group companies: ČEZ Distribuce, a. s., ČEZ Energetické služby, s.r.o., Severočeské doly a.s., and, most of all, Ústav jaderného výzkumu Řež a.s. (ÚJV Řež). The latter is the most prominent R&D platform in CEZ Group, and focuses primarily on projects related to nuclear energy. ÚJV Řež is involved in many projects, at both the international and national levels. It is very active within the IAEA, where as of 2009 it has also become a provider of technical aid. ÚJV Řež is a member of the European Technical Safety Organizations Network (ETSON) and has entered into bilateral agreements with organizations such as CEA (France) and GRS (Germany). ÚJV Řež carries out research assignments financed by various government institutions, such as the Ministry of Industry and Trade of the Czech Republic, the Ministry of Education, Youth and Sports of the Czech Republic, the State Office for Nuclear Safety, and the Grant Agency of the Czech Republic.

With the help of the European Union's Structural Funds, construction was completed on an experimental pavilion and reactor loops for cooperation in development of a GIV reactor (amount of support: EUR 5 million). Reactor loops were built for reactors cooled by supercritical water and helium. In late 2009, Centrum výzkumu Řež (a subsidiary of ÚJV Řež) submitted to the Ministry of Education, Youth and Sports of the Czech Republic a comprehensive project entitled "Sustainable Energy" for financing through the "Research and Develpoment for Innovation" program (with a total budget of CZK 2.58 billion) focused on acquiring nuclear research infrastructure. The principal aim of the project is to build two regional centers (Southwest and Central Bohemia) for R&D in nuclear energy and related segments.

Smart Grids

The second pillar of the FUTUR/E/MOTION initiative is Smart Grids – sometimes also referred to, more accurately, as "intelligent grids".

The Smart Grids concept is an innovated distribution grid that is capable of effectively integrating the operations of all users connected to the grid – whether they are large power plants, local power plants (primarily alternative energy installations and combined power and heat installations), or consumers – giving them the ability to play an active role and integrating new distribution grid functions such as charging stations for electric cars.

FUTUR/E/MOTION 2

CEZ Group is currently preparing two pilot projects to try out new technologies. The first, Smart Meters, will be implemented in three locations, in which a total of approximately 40,000 smart electric meters will be installed. The purpose of the pilot project is to demonstrate infrastructure viability, logistical preparedness, and impact on CEZ Group ICT systems.

The second pilot project, entitled Smart Region, will take place in the selected location: the City of Vrchlabí. Its purpose is comprehensive testing of Smart Grids functionality in the distribution grid. ČEZ plans to equip approximately 4,500 Vrchlabí residents and businesses with Smart Meters, which will provide the customer with more detailed information on energy consumption, opening up possibilities for better control over it. The customer's active role in the Smart Region pilot project, then, will be designed to motivate the customer to better allocate electricity consumption to different times of day. Customers will be able to display a graph of their electricity consumption and fine-tune their electricity use. By installing smart meters, ČEZ plans to try out in practice the concept of electricity consumption and generation control.

In Smart Region, ČEZ also plans to install distribution grid automation and monitoring equipment at the level of low- and medium-voltage grids and distribution transformer stations. This equipment will make it possible to shift the flow of energy during power outages. The new functionality will enable us to reduce the severity of outages in a portion of the low-voltage grid.

Another component of the Smart Region project is infrastructure build-outs for electric cars. In Vrchlabí, ČEZ plans to build several charging stations and provide several electric cars to the city. In the future, electric car batteries could be used to level off grid peak loads, thereby helping to achieve a better overall balance between supply and use of electricity in the distribution grid.

In addition to utilizing energy from large power plants, ČEZ also plans to integrate local energy sources such as Combined Heat and Power (CHP) installations and various types of renewable energy sources. It is these local energy sources that will enable the creation and testing of so-called controlled island operation, in which energy consumption and generation within the Smart Region are in balance.

The City of Vrchlabí is joining regions elsewhere in Europe and the USA, where similar testing is already underway. These include, for example:

- Boulder, Colorado (USA),
- Malaga, Spain,
- Amsterdam, the Netherlands,
- Mannheim, Germany.

"We are pleased that Vrchlabí is the first region in the Czech Republic where these modern technologies will be installed and tested. We are long-term supporters of a responsible approach to the environment, and the Smart Region project satisfies that criterion. For us, it is a way to promote our region as well. We will also be glad if some industrial companies from our city can get involved in the project," said Jan Sobotka, Mayor, City of Vrchlabí.

CEZ Group material

CEZ Group's view was summed up by Milan Špatenka, Director of Distribution Development, ČEZ, a. s.: "The launch of the Smart Region project is an important part of the evolutionary route that we have taken since the summer of 2009, when we announced our endeavor to modernize and seek out new energy-related innovations. In this 'intelligent energy' region we want to try out how various new technologies can work together in a small location: smart metering systems in households, a large number of local energy sources including renewables, electric car charging stations, CHP installations. The objective is to find out, at a smaller scale, how intelligent grids do at managing a number of elements for the benefit of customers and the distribution grid as a whole."

CEZ Group material

The European Council reaffirmed its pledge to develop energy from renewable resources after 2010 in the entire Community. It approved a goal of having 20% of the entire European Union's energy come from renewables by 2020. This goal is accompanied by a requirement for a 20% increase in energy efficiency, also by 2020. The target share of energy from renewable sources for the Czech Republic is 13% of overall energy consumption. Smart Grids are intended to help meet these goals, and CEZ Group is beginning to test them in pilot projects.

Electromobility

Electromobility is by no means an unknown term, either for the world's automakers or its politicians. After London, Monte Carlo, Oslo, Strasbourg, and others, in the near future Prague is to become the next city equipped with stations for charging electric cars equipped with an environmentally-friendly power train that is extremely quiet and reduces the environmental burden. Even given CEZ Group's current energy mix, electromobile transport generates 40% less CO_2 emissions than conventional cars. Given CEZ Group's generation mix in 2020, the reduction in emissions would be 60% compared to traditional combustion engines.

"Inside the walls of Paris, there will be 700 stations (for use within the lending system): 500 above ground, and 200 underground," said Bertrand Delanoë, Mayor of Paris. "That will definitely bring about a transportation revolution."

CEZ Group material

The world's leading automobile manufacturers are of the same opinion. Here are quotes from some of them:

"Hybrid models are already essentially obsolete. In the future, in towns and cities cars will run on electricity only."

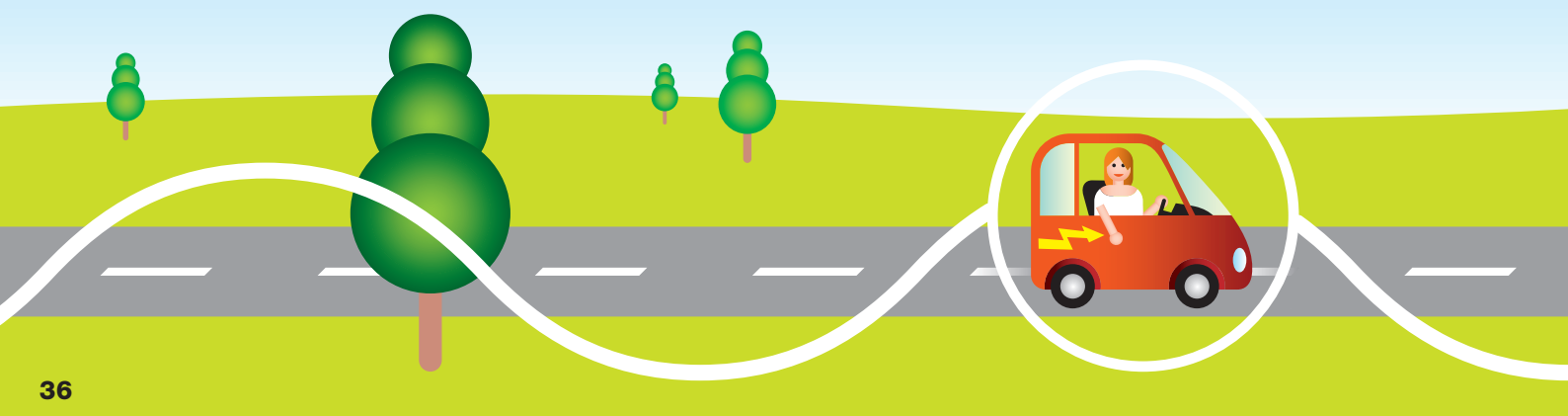
Rupert Stadler, Chairman of the Board of Directors of Audi AG

Rheinische Post, June 7, 2008

"We know of cities that need cars that run on electricity. We think that we are close to a solution for the mass market."

Carlos Ghosn, CEO Renault SA

Wall Street Journal, January 17, 2008



People will be willing to accept electric cars much more quickly than we expected. Lithium-ion batteries give us many possibilities ... Mass-market launches of electric cars will come within the next two to four years."
Hon.-Prof. dr. Ferdinand Karl Piëch, Chairman of the Supervisory Board of Volkswagen AG
Frankfurter Allgemeine Sonntagszeitung, June 8, 2008

In mid-2009, CEZ Group first unveiled its Electromobility project to the public. Later, it presented the information to mass media representatives as well. It purchased two Micro Vett Fiorino electromobiles, which were lent to the non-profit organization Sue Ryder International. Their operation is monitored and the data gathered will be used in further development and planning of the Electromobility project.
The first automobile manufacturer to respond to CEZ Group's efforts and express interest in cooperating in the project, is PSA Peugeot Citroën. For the year 2010 the two companies are preparing a pilot project for approximately 100 Peugeot electromobiles that will be able to be charged using CEZ Group's infrastructure. The pilot project will last until 2013.

Small-scale Cogeneration
Cogeneration is the combined generation of power and heat or cooling, making it possible to increase the energy efficiency of fuel use. Essentially, cogeneration means utilizing the waste heat arising from the generation of electricity to heat buildings, water, etc.

Currently CEZ Group uses cogeneration to produce heat in relatively large power plants and in approximately one hundred gas-fired boiler rooms and heating facilities. So far, only two small-scale cogeneration units are operated in the Group, at Ústav jaderného výzkumu Řež. Heating costs continue to grow and, for customers, the price of heat is at the very limits of acceptability.
For CEZ Group and its customers, the solution is a network of approximately 300 small-scale cogeneration units with an aggregate total output of 200 MW_e, dispersed throughout the Czech Republic. Thanks to the high efficiency with which these units transform fuel into useful forms of energy, they will reduce CO_2 emissions by a planned 1.7 million tons of CO_2 by the year 2020.

Small-Scale Cogeneration

A sufficiently large portfolio of centrally-controlled small-scale cogeneration units is part of the development of decentralized electric power sources and supports the combined generation of power along with heat/cooling in a single installation. It has many advantages, thanks to which it contributes to better utilization of primary fuels:
- it reduces the grid's dependence on large central plants,
- it significantly decreases emissions of greenhouse gases compared to separate generation of electricity and heat/cooling,
- it supports greater grid flexibility during and after sudden, unexpected events,
- it is becoming a very advantageous source of peak electricity to cover deviations from planned supplies by CEZ Group power plants.

And where will it be possible to utilize small-scale cogeneration? For example:
- in hospitals,
- on university campuses,
- in large office buildings,
- in shopping centers,
- in hotel complexes.

Responsible Business

Responsible business is a term referring to how an ethical company behaves and acts toward its surroundings and its employees. CEZ Group realizes that, as a large, strong, and dynamic company, it has an important position in the Czech and larger European markets, and its goal is long-term business success. Therefore, we are active in the debate on society-wide issues and our business activities comply with criteria defining a socially responsible approach to the environment, employees, suppliers, partners, and customers.
Responsible business also includes applying modern technologies in the company's operations, including innovative methods, supporting science and research, and a large number of other steps leading to improvements in the natural and social environment. The individual aspects of responsible business are reflected in all activities of CEZ Group – and that means all the Group's companies, as well as their employees and suppliers.

Safety and Quality Management

CEZ Group is a stable and successful company in both the national electricity market and the markets in European Union Member States. We intend to maintain this position through:

- quality products supplied at competitive prices,
- satisfied shareholders and employees,
- decent and proper relations with business partners,
- good relations with the public.

As parts of CEZ Group, all the companies are fully aware of and unconditionally accept their responsibility, under applicable law and international obligations of the Czech Republic, to ensure:

- safety of their generation plants,
- protection of company employees and the general public,
- protection of the environment,
- quality.

Safety and quality management are significant priorities of CEZ Group. They are achieved through the Group's official Safety and Environmental Protection Policy, Quality Policy, continually increasing the safety culture, obtaining and maintaining certifications, and other steps.

CEZ Group Safety Policy and Quality Policy

To fulfill the objectives given, CEZ Group pledges to create and bring to bear commensurate conditions, sufficient human and financial resources, effective management structures, and control mechanisms. To meet its goals, it has instituted the following policies:

ČEZ, a. s. Safety and Environmental Protection Policy

1. Safety and environmental protection are among our highest priorities and supersede production requirements and operational time considerations.
2. Safety, together with utilizing the quality management system, is an integral part of Company management.
3. In ensuring safety and environmental protection, we comply with applicable laws and regulations of the Czech Republic as well as with widely adopted international safety principles.

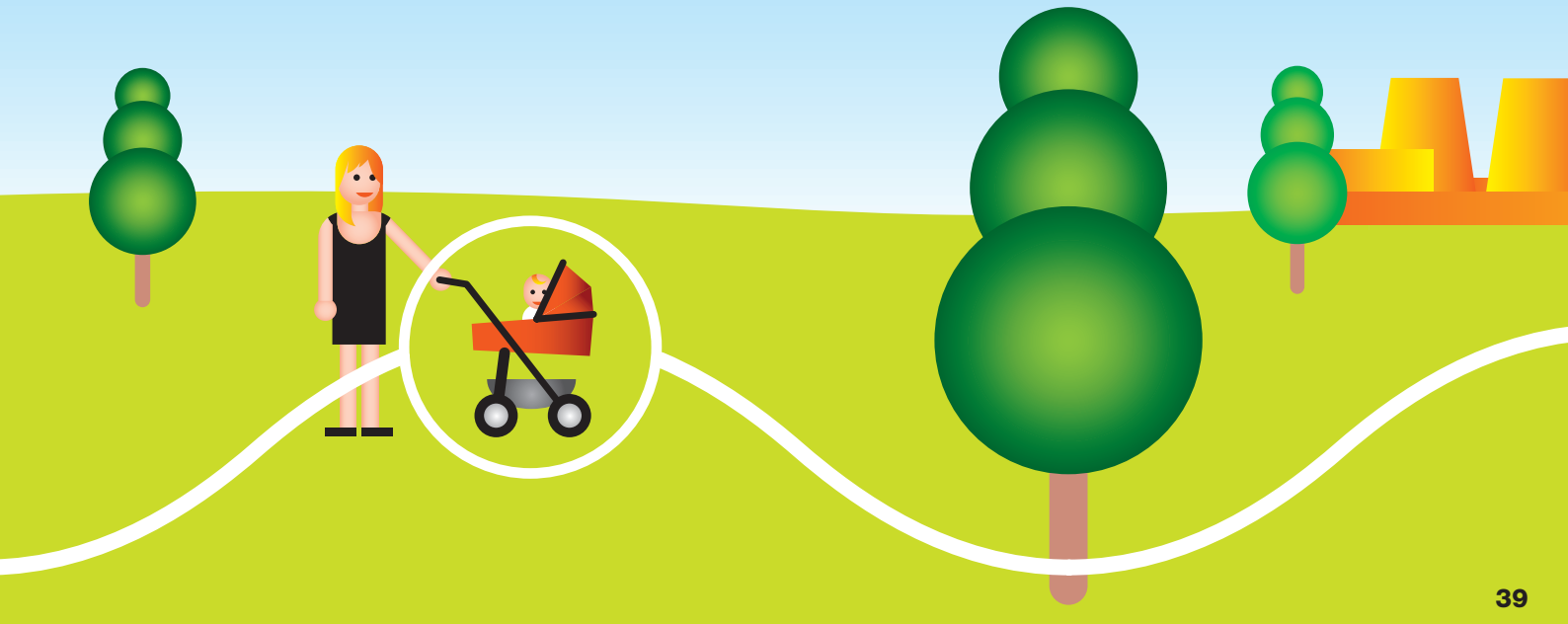
4. We are committed to continually assessing and increasing safety and environmental protection with regard to the current level of science and technology.
5. The foundation of safety and environmental protection consists of prevention and minimizing of safety risks and the creation of systemic conditions for the safe and reliable operation of all equipment and for safety of personnel.
6. To increase safety, we focus on using vetted, internationally recognized, affordable, and environmentally sound technologies.
7. In managing safety and environmental protection in our power plants and other installations, we apply a graduated approach with emphasis on nuclear and technical safety; radiation, fire, and physical protection; accident preparedness; and occupational safety and health.
8. Through systematic training and skills development, we increase employees' qualifications, encourage them to behave professionally, and lower the potential for human error.
9. We strive to continually increase the safety culture as an integral part of the overall corporate culture.
10. Processes that are significant in terms of safety and environmental protection are managed, and the most effective work procedures for them are documented.
11. Management of safety and environmental protection is carried out through specific, measurable, and deadlined targets, to ensure its effectiveness and economic efficiency at all levels.
12. We evaluate and select our suppliers and business partners based on their qualifications and ability to ensure safe supplies of goods and services.
13. In implementing this policy, we utilize operational experience; stipulate concrete goals, required parameters, and safety programs; and obtain resources for their realization.
14. We regularly assess fulfillment of the safety and environmental protection policy and utilize the results of these assessments to update the program and search for ways to improve it further.
15. We also use the assessment results to inform State and local government agencies and the public.

At its meeting of March 8, 2010, the Board of Directors of ČEZ, a. s. approved a new version of the Safety and Environmental Protection Policy for Creating Overall Conditions in the Safety Area and for Fulfilling the Mission and Business Objectives of CEZ Group.

Safety Policy

Safety Policy 2010

Quality Policy



Safety and Quality Management at CEZ Group

The safety and quality management system is an integral part of the CEZ Group management system and as such is implemented, maintained, and evaluated from the senior management level.

In the nuclear area in particular, it receives top priority. The system is:

- in compliance with legislative requirements (Decree of the State Office for Nuclear Safety No. 132/2008 Sb.),
- harmonized with the criteria of generally recognized ISO standards (ISO 14001, ISO 27001 and the Safe Enterprise program) and with specific recommendations of the International Atomic Energy Agency (GS-R-3).

In the area of nuclear operations, the management system is subject to State Office for Nuclear Safety oversight.
In order to meet its quality and safety objectives, CEZ Group formulates policies that are further developed into specific goals. In 2009, as part of the CEZ Group Unified Safety Policy project, preparations were made to amend the Safety and Environmental Protection Policy.
One of the goals is to continually increase the safety culture. Based on the results of a safety culture survey, we announced a Safety Culture Improvement Action Plan for the years 2009–2011. Safety and quality management system improvement tasks currently being carried out relate, in particular, to integration of policies, goals, and process management.

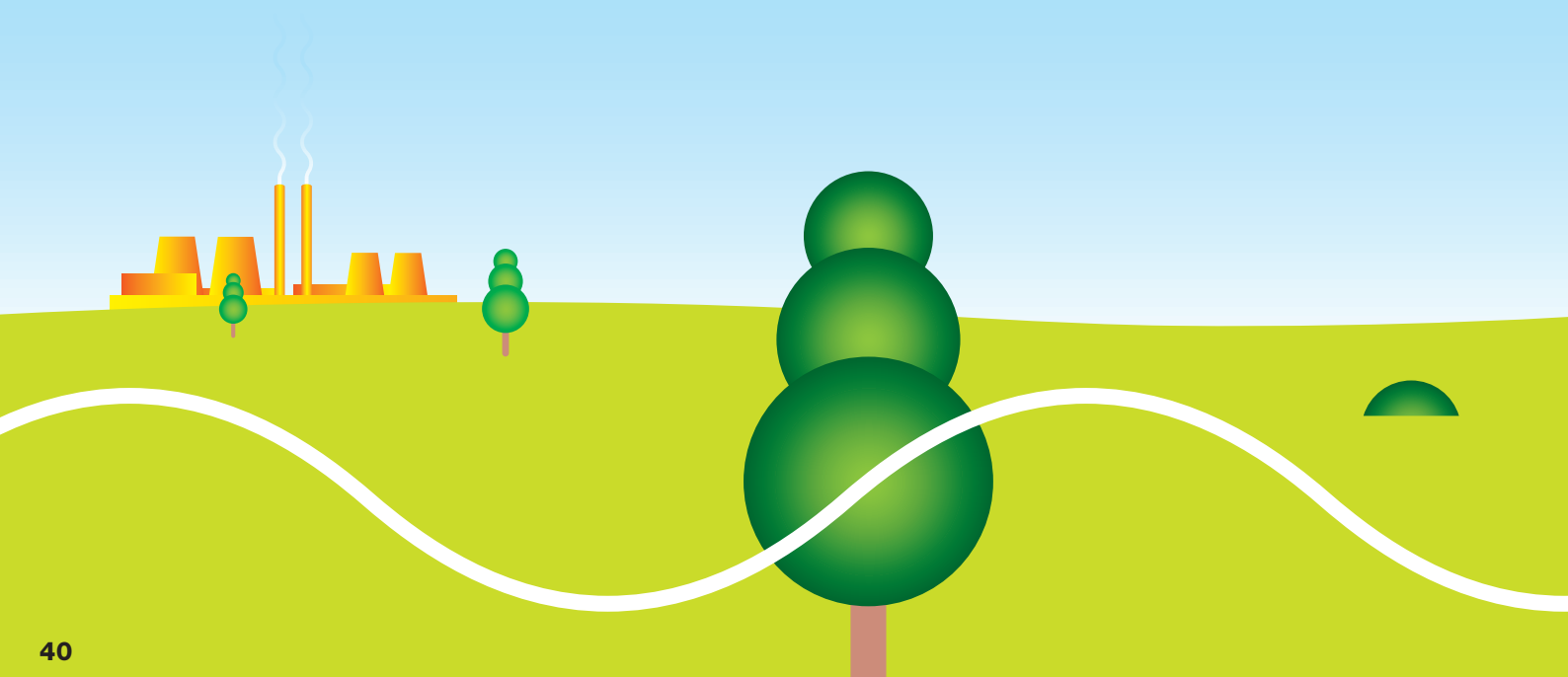
Another specific step includes maintenance of all management system certifications held:

- ISO 14001 certification for the Environmental Management System,
- ISO 27001 certification for the Safety Management System,
- Safe Enterprise program certification, corresponding in content to the requirements of the OHSAS 18001 standard.

2009 also saw the launch of the Costs of Non-quality project at ČEZ, a. s., the goal of which is to introduce a management tool interlinking the Quality Management System with the system of financial management, enabling the Company to optimize the costs of “non-quality” through regular, automated, and reliable measurement and assessment. The pilot project is being implemented at Temelín Nuclear Power Station.

Status of Management System Certification at CEZ Group

Compliance and a high level of safety and quality are declared by CEZ Group through the certifications it has obtained and which it regularly renews.
Selected CEZ Group companies in which increased risk has been identified in individual safety areas are certified for compliance with the requirements of the ISO 9001, ISO 14001, and OHSAS 18001 standards.



Newly in 2009, the management system of the company ČEZ Energetické produkty, s.r.o. was audited and certified as compliant with the requirements of ISO 9001:2008 and ISO 14001:2004 for services relating to the management of energy products.
The State Labor Inspection Office issued to ČEZ Distribuce, a. s. certification of implementation of an occupational safety and health system and of compliance with the requirements of ILO-OSH 2001 and OHSAS 18001:2007, with the right to utilize the Safe Enterprise mark.
In addition, the international holdings are being gradually integrated into the CEZ Group Safety Management System.

Safety

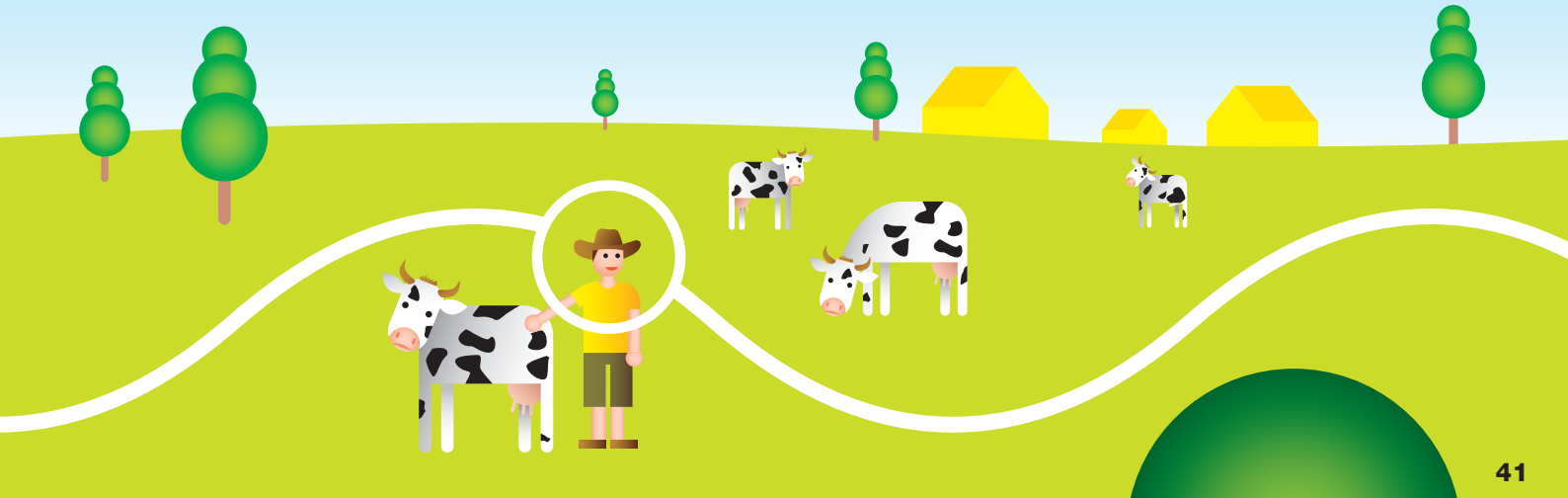
Safety plays a key role at ČEZ, a. s. Safety requirements are always met as a matter of first priority, over any other criteria, always of course with regard to cost relative to the degree of risk. The top document embodying this principle is the Safety and Environmental Protection Policy. The annual CEO's order – Strategic Priorities and Principal Goals of ČEZ, a. s. and Selected Subsidiaries – incorporates safety elements in the "Strategic Priorities" section.
The ČEZ, a. s. Safety Policy is implemented by meeting the following safety goals and by complying with safety principles that are applied using a graduated approach depending on the degree of risk and the seriousness of the possible consequences.

Safety goals of the following individual safety areas:

- nuclear safety,
- accident preparedness,
- radiation protection,
- technical safety,
- fire protection,
- physical protection,
- occupational safety and health,
- environmental protection.

Nuclear Safety

The general goal of nuclear safety is to protect individuals, the public, and the environment from dangerous radiation, i.e. to attain a permanent state and capability of nuclear facilities and their staff such as to prevent any uncontrolled release of radioactive materials and ionizing radiation into the environment.
Increasing the level of safety and safe operation of the Temelín and Dukovany Nuclear Power Stations are among the highest priorities of ČEZ, a. s. After the ČEZ, a. s. safety culture survey was conducted, 2009 was the first year of fulfilling the Safety Culture Improvement Action Plan. After ten years of operation, a periodic safety evaluation was completed at Temelín Nuclear Power Station (an assessment of the plant's safety via comparison with international recommendations and best practices). A similar evaluation was conducted at Dukovany Nuclear Power Station after 20 years of operation. Both power plants have implemented a Quality of Human Performance Improvement Program.



Accident Preparedness

At CEZ Group, our absolute priority is to ensure, every day and with full intensity, that there is no nuclear accident at any of our nuclear plants that could threaten lives and human health or result in significant damage to property. Therefore, accident preparedness is very important for us in the event such an accident were to take place, despite all measures taken to prevent it.
The goals of accident preparedness management are to prevent extraordinary events, to ensure that we are capable of recognizing when an extraordinary event occurs and determine how serious it is, to respond effectively to such events as they are occurring, and to reduce to the absolute possible minimum any effects on the health of employees and residents in the vicinity of nuclear power plants.

During 2009, ČEZ, a. s. organized eight accident drills. They focused on training:

- for various types of situations,
- of all components of the accident protection organization,
- of accident groups for transport of nuclear materials.

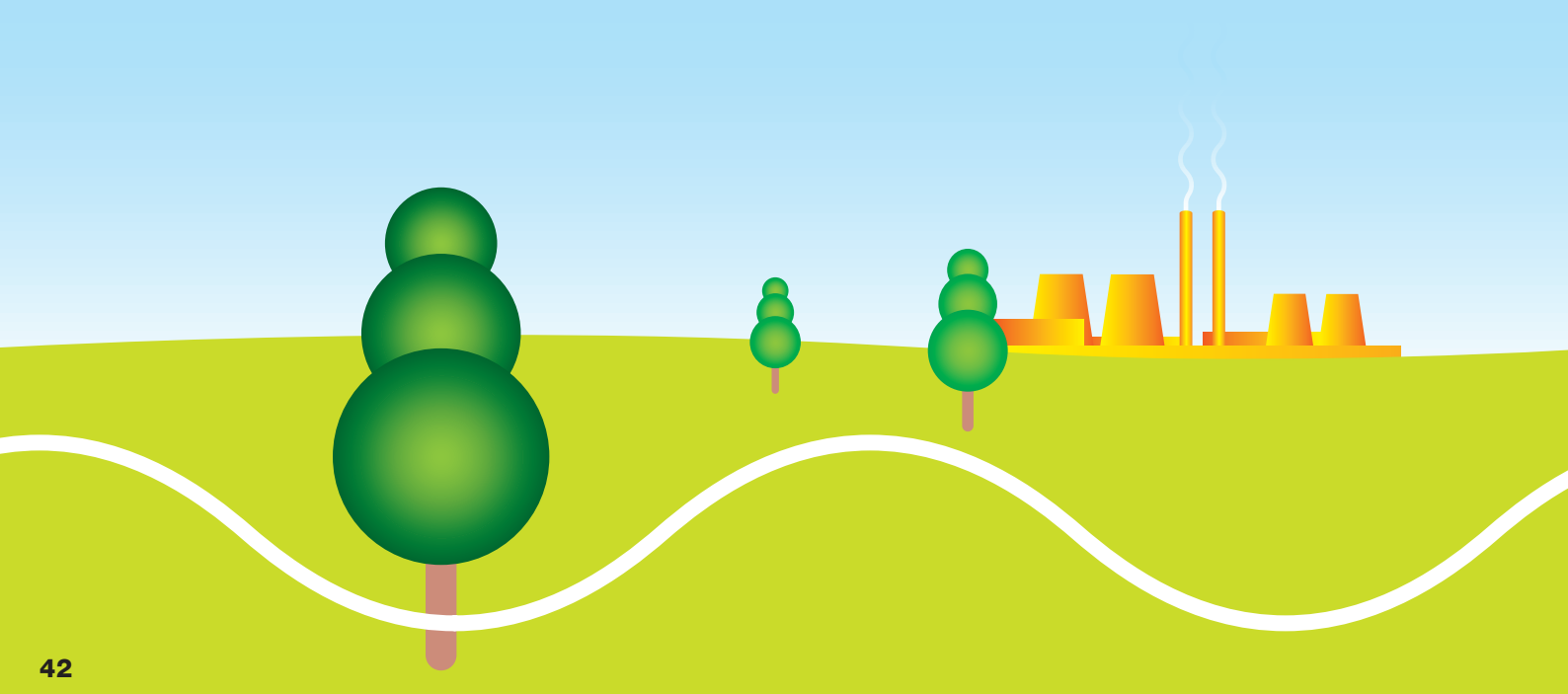
All the drills took place in the required scope and met their stipulated objectives.

In 2009 the following ČEZ, a. s. activities took place:

- Early in the year, we completed the regular, five-year replacement of iodine prophylaxis in the accident planning zones of Temelín and Dukovany Nuclear Power Stations, including the retail sale of tablets throughout the entire Czech Republic.
- Guidebooks on how to protect oneself were distributed to the public in the accident planning zones.
- The warning recordings for Czech Television and Czech Radio in the event of a third-degree extraordinary event were updated.

Radiation Protection

Radiation protection is defined as a system of technical and organizational measures for protecting human health and the environment from the negative effects of ionizing radiation. Protection from ionizing radiation is at a very high level in both plants (Temelín Nuclear Power Station and Dukovany Nuclear Power Station).
The objective of radiation protection is to ensure that, in normal operations, radiation exposure both inside the installation and as a result of release of radioactive materials into the surrounding areas is as low as reasonably possible when economic and social factors are taken into account, and within the prescribed limits, as well as to mitigate the extent of radiation exposure in the event of an accident.



Technical Safety

The objective of technical safety is to ensure a high degree of accident prevention at nuclear installations. In normal operations, measures must be put in place to handle all accidents listed in the project documentation, including accidents with a low probability of occurrence, so that they result in only small amounts of radiation or other consequences. And also to ensure that the probability of large-scale accidents that exceed design considerations, resulting in serious radiation, is extremely low.

Fire Safety

The objective of fire safety is to minimize the probability of occurrence and/or spreading of a fire caused by internal or external events, and to ensure that any resulting damage is as small as possible.

Physical Protection

The objective of physical protection is to:

- prevent unauthorized persons from accessing (breaking in) to guarded power plant areas,
- prevent unauthorized manipulation, abuse, or theft of materials (equipment), items, and/or technologies.

In the case of nuclear installations especially, to prevent any threats to nuclear safety and radiation protection.

Occupational Safety and Health

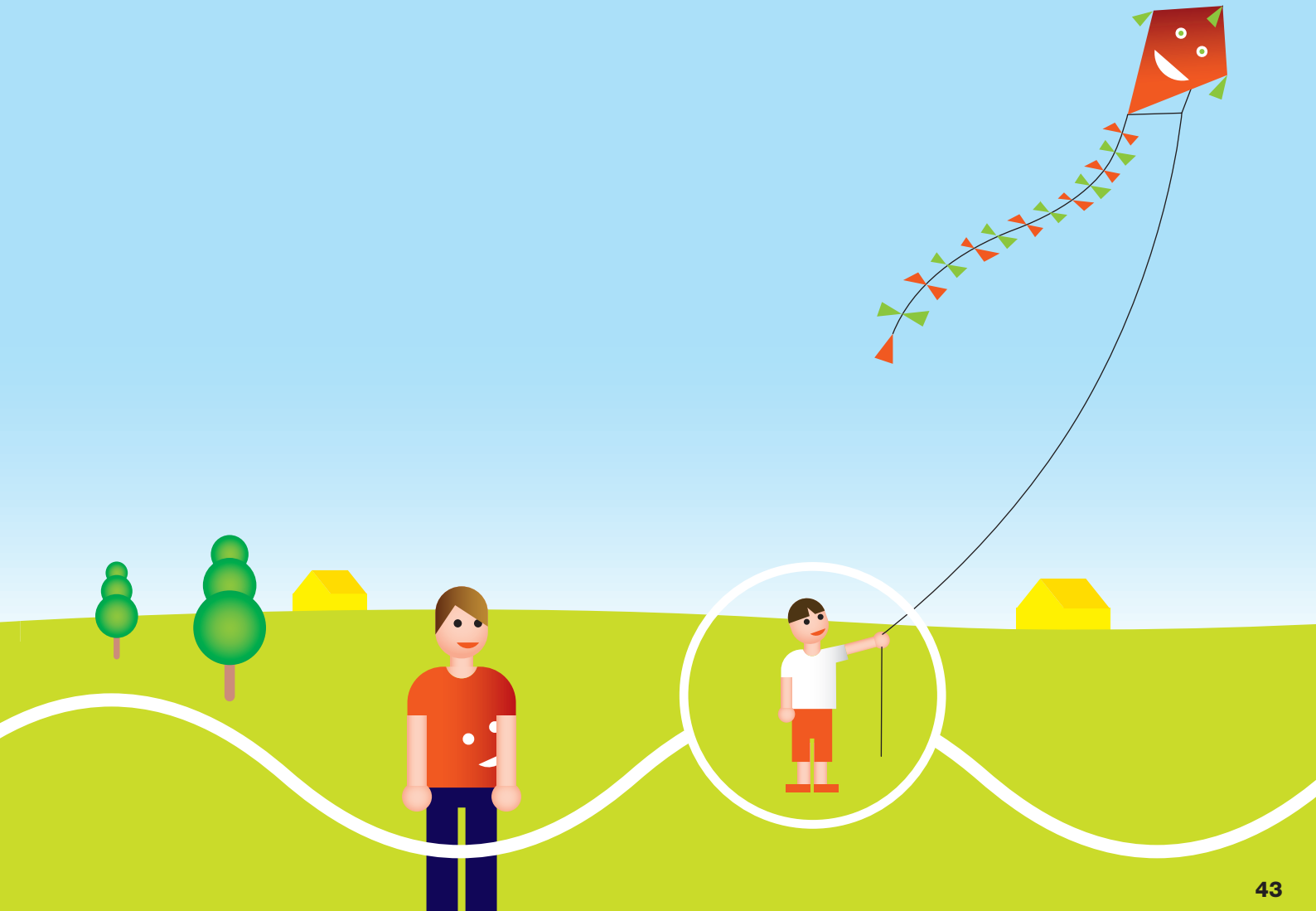
The objective of Occupational Safety and Health (OSH) is to minimize the negative effects of work and production processes on the health of employees and other persons.

Environmental Protection

Environmental protection aims to prevent the production process from having negative impacts on the environment and to limit what impacts its does have to the lowest acceptable level.

To ensure environmental protection, CEZ Group has developed and maintains various directives, work guidelines, and other documentation. Employees are notified of their environmental protection duties along with other aspects of their activities and undergo regular Environmental Management System (EMS) training.

All employees are responsible for meeting safety requirements in the course of their work activities in the given work function. Each employee is required – primarily by taking measures directly at his or her work site – to prevent pollution and damage to the environment and to minimize the negative environmental effects of his or her activities.

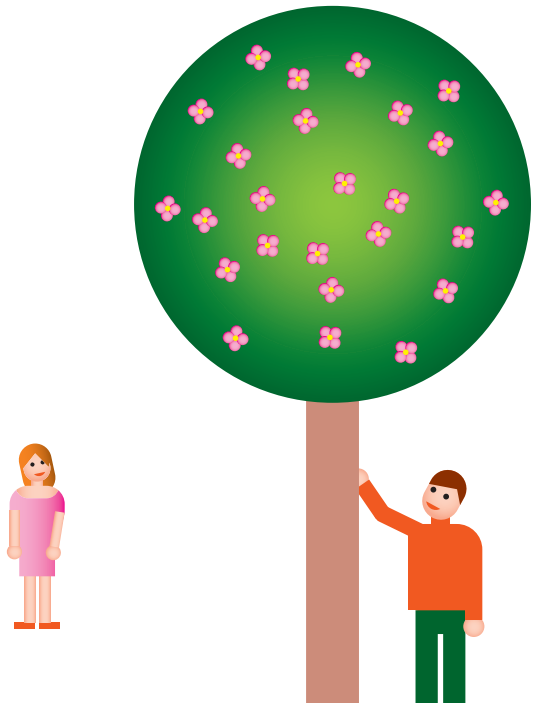


The Environment

During its new-age history, ČEZ, a. s. has invested over CZK 200 billion in its development and in environmental measures. So far, the biggest investment in the environment – at CZK 46 billion – was the extensive desulfurization program implemented at the Company's coal-fired power plants in the years 1992–1998.
In 2008 and 2009 we began to see the results of the investments made over time in generation of electricity from renewable sources. Generation volume in this category is growing steadily.

CEZ Group's Responsible Approach to Environmental Protection

CEZ Group's strategic decisions in the area of environmental protection are based on the conviction that the environment represents irreplaceable wealth that every responsible steward wishes to pass down to future generations in a condition better than that in which he inherited it. At the pan-European level as well, protection of the environment is an indispensable part of key social issues.



In practice, the CEZ Group strategy in this area takes two forms:

- striving to ensure that the management of Group enterprises is as cost-effective as possible, and environmentally oriented,
- developing those forms of energy that generate the least environment-burdening emissions and that reduce consumption of strategic raw materials.

One of the most important environment protection steps taken to-date in the Czech Republic was the comprehensive coal-fired power plants desulfurization program implemented in the 1990s, which led to a fundamental improvement in air quality.
Other integral parts of CEZ Group's strategy are increasing the utilization of renewable sources of energy and supporting energy conservation. One non-technical measure that is part of our responsible approach to environmental protection is the application of an Environmental Management System (EMS) as part of Company management.
Implementation of the EMS pursuant to the requirements of the international ISO 14001:2004 standard commenced in 1997. It was completed in 2004 with the issuance of the international EMS certificate confirming that the management system is in compliance with the requirements of the ČSN EN ISO 14001 standard. For ČEZ, a. s., one aggregate certificate has been issued for conventional power plants as well as two separate certificates for the Temelín and Dukovany Nuclear Power Stations.
In the vicinity of the coal-fired power plants, a number of technical and biological land reclamation projects have been implemented to help revitalize the landscape following the depositing there of unutilized energy generation by-products. Since 2005, we have been upgrading the technology used to measure emissions in all the coal-fired power plants and preparing to further increase its accuracy. CEZ Group is the first company in the European Union Member States to launch a comprehensive renewal of its plant portfolio pursuant to new EU directives.

In 2006, CEZ Group became the sole owner of the mining company Severočeské doly a.s. With this step, our responsibility for environmental protection expanded to include the area of environmental damage clean-up and land reclamation in relation to mining activity. Without a doubt, Severočeské doly is the leader in this area in the entire Czech Republic. It also shares its now-how and experience with other mining companies abroad, for example in Greece.

Environmental Impact of Mining and Fuel Transport

CEZ Group power plants generate electricity from various types of fuel. A number of factors are considered to determine the composition of the fuel mix. Each fuel type:

- has different effects on the environment,
- involves different methods of transport and storage,
- has a different price,
- requires different equipment for combustion and/or production.

The Czech Republic is not a country with sufficient reserves of such high-quality fuels as, for example, crude oil or natural gas. Instead, in terms of energy security and independence its primary fuel for generating electricity is coal from domestic coal deposits.

The aggregate installed capacity of CEZ Group coal-fired power plants in the Czech Republic exceeds 6,500 MW. It operates other coal-fired plants abroad (Elektrocieplownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A. in Poland and TEC Varna EAD in Bulgaria) – for another 1,988 MW of installed capacity. In a number of CEZ Group power plants, coal is combusted together with biomass.
The utilization of renewable sources of energy is treated in a separate chapter. Heating oils and natural gas are used in CEZ Group power plants only for lighting boilers and stabilizing them for operation.

Several aspects of coal mining affect the environment. These include, in particular:

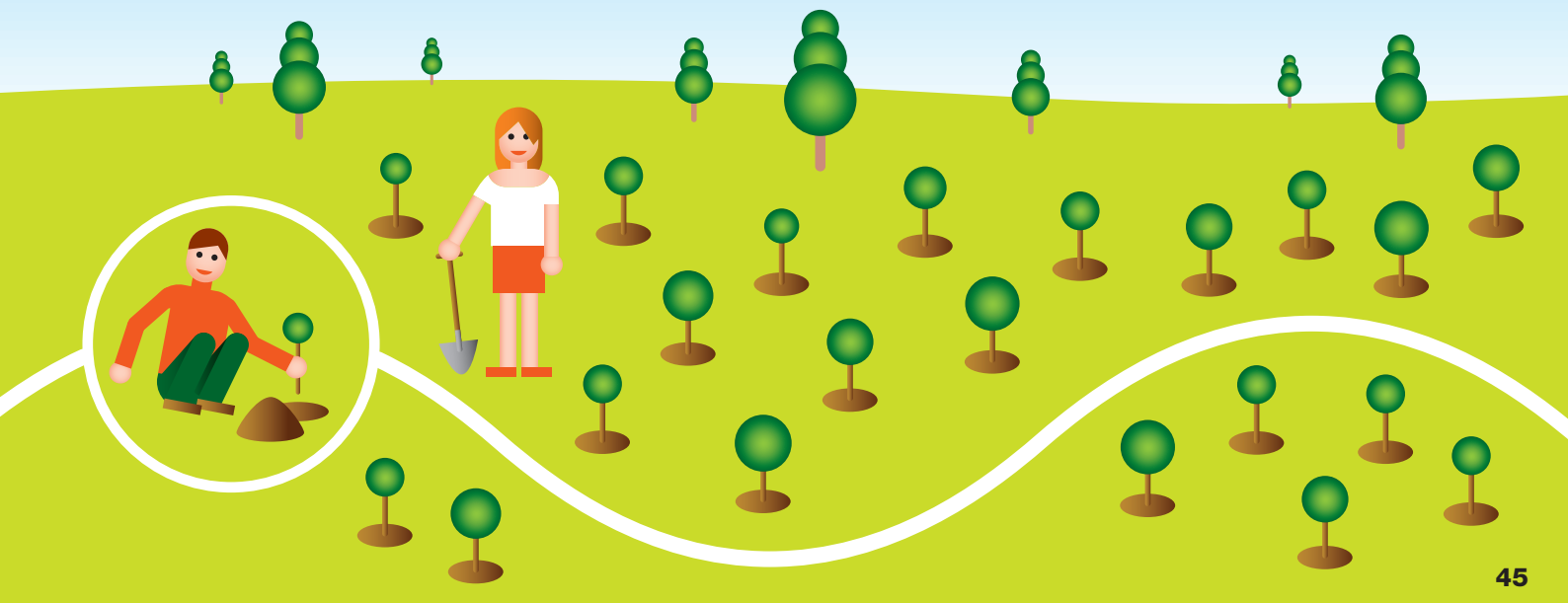
- noise,
- transport of fuel to power plants,
- processing and/or modification of fuel,
- land reclamation.

Extraction and Transport of Conventional Fuels

Conventional fuels are among those that are supplied to CEZ Group power plants. They include:

- brown and black coal,
- biomass,
- natural gas,
- heavy heating oil,
- light heating oil.

CEZ Group cannot make use of any other natural resources, such as crude oil, because the Czech Republic has no significant reserves.



In extracting fuels, CEZ Group takes consideration of the environment and invests no small sums to protect it. After the fuel has been extracted from a tract of land, the Group has effective programs in place for reclaiming it.

Coal

Most Czech power plants burn North Bohemian brown coal mined by the companies:

- Severočeské doly,
- Mostecká uhelná,
- Sokolovská uhelná.

One CEZ Group power plant burns lignite from the nearby Hodonín Basin.

Black coal is combusted:

- at Dětmarovice Power Station,
- in Ostrava – Vítkovice,
- at power plants in Poland.

The power plant TEC Varna EAD in Bulgaria burns anthracitic black coal imported from several mining regions in Europe and Asia.
Brown coal is extracted using surface mining techniques. The elements with the greatest impact on the environment are land clearance and the actual extraction process. For this reason, topsoil and loess is selectively stripped and used in subsequent reclamations of mined-out areas and spoilbanks. Dust and noise levels are regularly monitored and low-noise techniques are used when possible. In addition, protective embankments and strips of forest are used to insulate the surrounding areas from the effects of mining operations. Roads and dumps are sprinkled regularly to keep dust levels as low as possible. All black coal combusted in CEZ Group is extracted from underground mines. All measures associated with mitigating the effects of mining on the surrounding areas are handled by the mining companies themselves; this applies to all coal sourced from external suppliers.

As power plants combust significant volumes of coal, it is advantageous for them to be situated as close as possible to the source. Where the distances are short, power plants in the Czech Republic and Poland are supplied using belt conveyors. For longer hauling distances, rail transport is used almost exclusively. River transport has not been used for several years, due to the high cost of maintaining river beds. Fuel is supplied to the power plant TEC Varna EAD in Bulgaria by ocean-going ship via the plant's own harbor on the Black Sea, which is equipped with three docking points that can accommodate vessels with a draft of up to 11.5 meters. The maximum tonnage per vessel is 55,000 tons (PANAMAX type).
In the interests of ensuring stable supplies of fuel and in view of the strategic importance of coal for Czech power plants, CEZ Group has acquired a 100% stake in Severočeské doly, a.s.

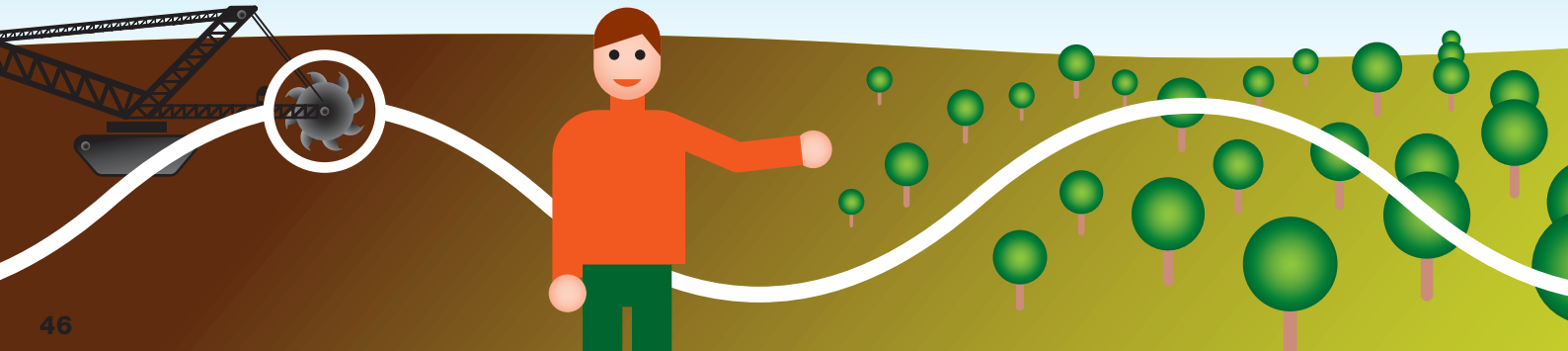
Biomass

Biomass is transported by rail or truck.

In the Czech Republic, ČEZ, a. s. co-fires biomass:

- in power plants equipped with fluidized-bed boilers (Hodonín, Poříčí, Tisová, Ledvice),
- at the Dvůr Králové nad Labem Power Heating Plant.

Co-firing was also newly tested at Elektrownia Skawina S.A. and at Elektrocieplownia Chorzów ELCHO sp. z o.o. (both in Poland).
Primarily, waste biomass is used, such as wood chips, as well as agricultural products such as bran, pellets made from waste products of the grain cleaning process, and sawdust. To a small extent, biomass purpose-grown for power generation (dedicated energy crops) is also used. For the time being, however, its use is limited primarily by insufficient production of the crops in question. Support for measures to increase the weighting of dedicated energy crops in the fuel mix is one CEZ Group's strategic objectives.



Natural Gas and Heating Oils

Natural gas and heating oils, including heavy heating oil, are used as fuel when starting up power plant boilers, and for stabilizing and optimizing the combustion process in the combustion chamber.

Natural gas, which is supplied over conventional pipes, is utilized in the following power plants:

- Tisová,
- Prunéřov,
- Tušimice,
- Ledvice,
- Počerady,
- Poříčí,
- Dětmarovice,
- the Dvůr Králové nad Labem Power Heating Plant,
- Temelín Nuclear Power Station.

At Temelín Nuclear Power Station, natural gas is used in the event of an outage of both nuclear reactors, primarily as a back-up for supplying the power plant compound and the nearby city of Týn nad Vltavou with heat. Natural gas to meet CEZ Group's requirements is sourced from external suppliers.

Heavy heating oil is purchased for the following power plants:

- Prunéřov,
- Mělník,
- Chvaletice.

Light heating oils are used by the power plants:

- Hodonín,
- Poříčí,
- and the Dvůr Králové nad Labem Power Heating Plant.

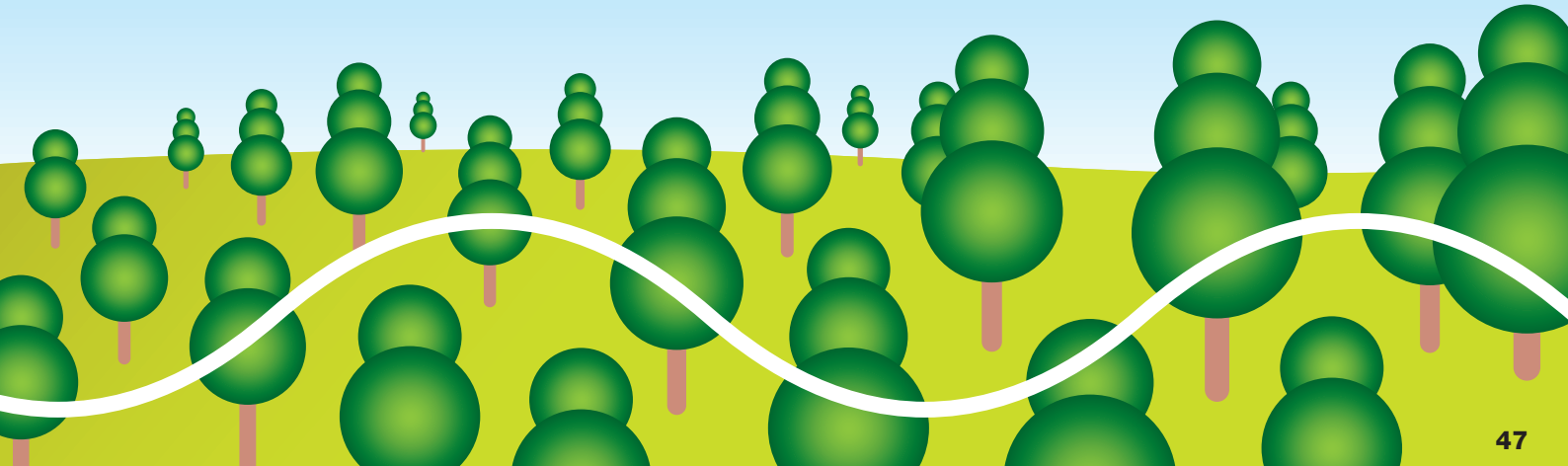
ČEZ, a. s. has entered into framework contracts with three domestic suppliers for supplies of heating oils.

Post-Mining Clean-up and Reclamation

Immediately after the last coal is mined from a given mining area, clean-up and reclamation of the land follows, paid for by the mining company. Severočeské doly, of which ČEZ, a. s. is the sole shareholder, strives to minimize and eliminate mining's effects on the environment. For this purpose it invests considerable sums in land reclamation, environmental protection, and the creation of a decommissioning and reclamation fund. The aim is to create conceptual, technological, and financial conditions, after mining is completed, for returning the land in question to a state that is in line with the needs of the region and respects environmental protection principles.
Clean-up and reclamation work will go on for some fifteen years after mining activities cease. Therefore, legislation requires that a decommissioning and reclamation provision be created, which will serve to cover future costs associated with implementing the reclamation plan for the mined-out locality. Each year, CZK 400–500 million is added to the fund and CZK 250–350 million is spent on reclamation works.

Reclamation – Outlook Until 2050 (acres)

Land area	acres	%
Agricultural	8,217.01	25.3
Forest	13,898.68	42.7
Man-made lakes	5,545.81	17.0
Other	4,877.37	15.0
Total	32,538.87	100.0



Nuclear Fuel

> "For a long time it was politically incorrect to even talk about the energy industry – and nuclear energy in particular. But even in Europe, politicians and the bureaucrats in Brussels who follow them, realize that the time is coming when Europe will have no replacement for the reactors currently in operation, and that when it comes to energy, it must use common sense without unnecessary ideology."
>
> **Interview with Dana Drábová, Chairwoman of the State Office for Nuclear Safety, ČEZ news No. 3/2010**

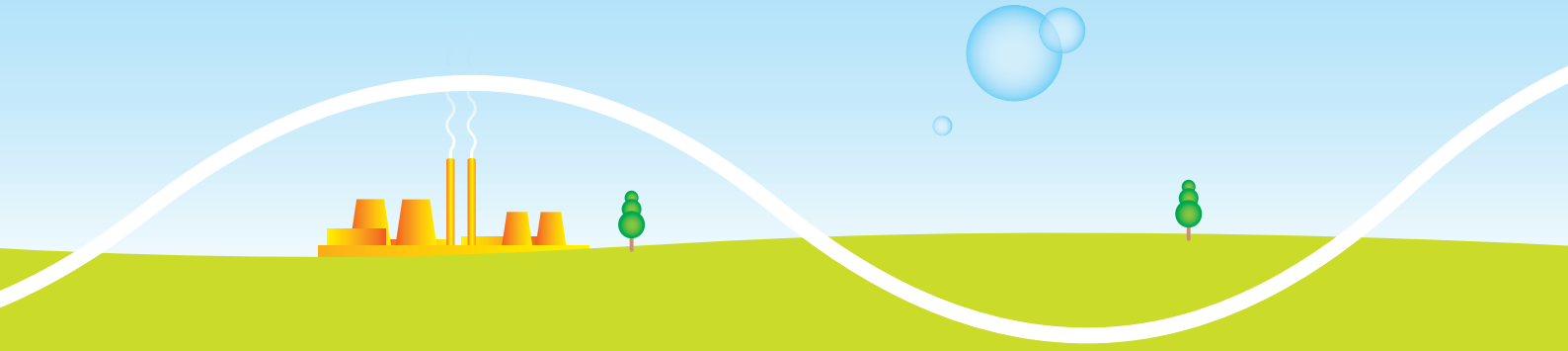
Compared to the volumes of conventional fuels that must be transported to coal-fired power plants, the volume of nuclear fuel transports is incomparably smaller. Although it is just tens of tons per year, due to the unique nature of the material being transported, it is a high-profile issue to which extraordinary attention is paid.

Principles for transporting fresh nuclear fuel are defined by laws and regulations that are based on International Atomic Energy Association recommendations and a number of international treaties.

- In the Czech Republic these principles are set forth directly in legislation (i.e. the Nuclear Act and its implementing regulations).
- Fuel assemblies may be transported only in container assemblies specially designed for transporting nuclear materials and approved for use by the State Office for Nuclear Safety (SONS).
- Nuclear fuel is subject to health regulations whose purpose is to protect against ionizing radiation.
- At the same time, it 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.
- The Czech Republic's international obligations in this area are reflected in several Czech laws.
- The strategic character of nuclear fuel transport is demonstrated by the fact that such transport is also subject to the Act on Protection of State Secrets.

Transports of nuclear fuel to specific power plants take place on the basis of a SONS permit.
In addition to fulfilling notification and disclosure requirements, preparations focus in particular on personnel involved in the transport – training, instruction, testing – including persons who would be called upon in the event of a non-standard situation. The same applies to the technical equipment involved in the transport: it must be fully fit for operation and in compliance with the legal requirements set forth in implementing regulations. The transport usually takes only a few hours or days.
All transports of fresh nuclear fuel for CEZ Group have an international element given by the locations of nuclear fuel suppliers. For this reason, each mode of transport is subject to international rules. Due to the distances between the manufacturing plants and the power plants in question, combined forms of transport must be used. ČEZ, a. s. holds a nuclear fuel transport permit and is the operator liable for nuclear damage pursuant to the Vienna Convention on Civil Liability for Nuclear Damage. Therefore, it has entered into all the framework insurance contracts required by law to cover nuclear material transport liability risk, including all permitted modes of international combined fuel transport from manufacturing plants abroad to the Czech Republic. In order to satisfy all the conditions imposed by regulatory bodies and ensure successful routine transports, the Company takes all the measures prescribed by law as well as exceptional and extraordinary measures.

- Nuclear fuel for Dukovany Nuclear Power Station is manufactured and supplied by the Russian company OAO TVEL, including the nuclear materials contained within the fuel assemblies and related services.
- Nuclear fuel for Temelín Nuclear Power Station is currently manufactured by U.S.-based Westinghouse Electric Company; from 2010 OAO TVEL will supply this plant as well.



In the case of nuclear fuel for Temelín, ČEZ, a. s. supplies the raw material – i.e., enriched uranium – to the fuel manufacturer. On world markets, it purchases uranium concentrate and/or uranium in various stages of processing. Conversion and enrichment of concentrate into the enriched uranium is sourced on the basis of long-term contracts with the primary suppliers of these services.

The price also includes the cost of processing and safely storing waste materials produced in the uranium conversion and enrichment process. At present, conversion of uranium for Czech nuclear power plants takes place in:

- France,
- Canada,
- Russia.

Enrichment takes place in:

- the USA,
- Russia,
- Germany,
- the Netherlands,
- the United Kingdom.

In order for CEZ Group to maximize utilization of nuclear fuel and thereby reduce the amount of spent fuel produced, it engages in systematic technical development and optimization of the fuel cycle.

Environmental Impact of Power Generation

The generation of electric power and heat affects the environment in the following areas:

- air emissions,
- impact on water quality,
- by-products of coal combustion,
- by-products of flue gas desulfurization, also referred to as Secondary Energy Products (SEP),
- increased noise levels in the vicinity of power plants.

Structure of Power Generation

In 2009, CEZ Group power plants in the Czech Republic produced a total of 60,842 GWh of electricity, down 294 GWh (–0.5%) from 2008. This slight decrease in generation is attributable primarily to low selling prices of electricity in 2009.

Location of CEZ Group Power Plants in the Czech Republic

Air Quality

At CEZ Group, the installations that account for the bulk of air emissions are coal-fired power plants:

- fifteen in the Czech Republic,
- two in Poland,
- one in Bulgaria.

Most domestic power plants fire North Bohemian brown coal. Dětmarovice Power Station, Ostrava – Vítkovice, and the international power plants fire black coal and Hodonín Power Station fires a combination of brown coal and lignite.
The coal-fired power plants account for roughly 52% (figure for 2009) of total electricity generated. For practical reasons (to take advantage of short coal transport distances), most of these plants are situated in the immediate vicinity of brown coal mines in the North and Northwestern Bohemia.
One of their advantages is relatively good regulation of output. Although it takes several hours to cold-start a coal-fired generation unit, it can be taken off-line almost immediately.

A number of CEZ Group coal-fired power plants fire biomass along with coal:

- The plant with the longest tradition of combined combustion is Hodonín Power Station. In 2000, this plant fired over 2,400 tons of biomass.
- Combustion tests on the fluidized-bed boilers in Tisová, Poříčí and Ledvice followed.
- In the first quarter of 2004, biomass was test-fired in the pulverized coal-fired boiler in Chvaletice.
- The latest step was testing of combined combustion at the CEZ Group power plants Skawina and ELCHO (2008).

The experienced we have gained in biomass firing is important for making further decisions on the utilization of this renewable energy source.
Although a number of measures have been implemented and others are planned, generation of electricity from coal is a significant source of air pollution. Coal-fired power plants are classified by legislation as Very Large Air-Polluting Combustion Installations and as such are subject to specific legislative conditions affecting their operation. The most important of these are:

- increasingly strict emission limits,
- emission ceilings for existing installations not capable of meeting the emission limits for new installations.

In 2009, the ČEZ, a. s. aggregate ceiling option was exercised for the existing power plants in the Czech Republic. This ceiling was set on the basis of the ceilings of each individual installation as of January 1, 2008.
In 2009, the actual emissions from existing ČEZ, a. s. installations operated under the aggregate ceiling option were approximately:

- 70% of the ceiling for solids (ash, etc.),
- 90% of the ceiling for sulfur dioxide,
- 90% of the ceiling for nitrogen oxides.

The emission reduction technologies and parameters used in the Czech Republic are in line with best available techniques in accordance with European Union legislation (the so-called IPPC Directive – 2008/1/EC) and allow us to meet the requirements of new clean air laws and regulations. Air protection includes monitoring air quality in stations measuring ground-level concentrations, which are located and operated so as to enable an objective assessment of how the operation of coal-fired power plants affects air quality. The stations are equipped with state-of-the-art systems for measuring ground-level concentrations of sulfur dioxide and nitrogen oxides in particular. Measurements are taken by an authorized firm, and are taken up by the Air Quality Information System of the Czech Republic.

The latest air quality data from the stations and power plants' weightings in the overall ground-level concentrations are published on the CEZ Group website.
Another integral part of the emission reduction program is maximum transparency – the CEZ Group website provides information on air pollution (emissions) and on air quality at selected locations (ground-level concentrations).

Measurements are taken:

- in the vicinity of all coal-fired power plants in the Ústí Region – Počerady, Ledvice, Prunéřov 1, Prunéřov 2, Tušimice 2,
- at the stations Horní Halže, Nová Víska u Domašína, Havraň, Milá, Blažim, Droužkovice, Kostomlaty pod Milešovkou, and Komáří Vížka.

As of January 1, 2010 air quality monitoring was expanded:

- measurement of PM_{10} dust particles was added to four existing stations: Droužkovice, Milá, Kostomlaty, and Nová Víska u Domašína,
- ground-level concentration measurement of sulfur dioxide, nitrogen oxides, and $PM_{2.5}$ dust particles was added in a completely new station named Výsluní (data generated can be attributed to Prunéřov Power Stations).

Currently we are also operating:

- a station near Tisová Power Station (Vítkov), a station near Chvaletice Power Station (Hošťákovice) and a station near Mělník Power Stations (Libkovice pod Řípem),
- two stations near Dětmarovice Power Station – Petrovice u Karviné and Šunychl. The monitoring stations are part of the Air Protection Information System (ISKO).

In view of the high proportion of fossil fuels in the energy mix, the issue of emissions receives a great deal of attention. Despite the progress that has undoubtedly been achieved to-date, additional measures are being taken to reduce emissions of solids, sulfur oxides, and nitrogen oxides.

Although CEZ Group has already made significant progress in reducing emissions, it continues to take measures in this area. One of the most important is the plant renewal program commenced in 2007 with the following objectives:

- to reduce air pollution,
- to significantly increase power plant efficiency,
- to extend power plant operational life,
- in cases where new generating units are built, to enable the utilization of the latest technology with top power generation and environmental protection parameters.

Solid By-Products of Fossil Fuel Combustion

The following basic categories of solid by-products arise in the combustion process:

- fly ash caught in equipment designed to separate solid particles from flue gas,
- slag formed in the fireboxes of dry-bottom boilers,
- cinders formed in the firebox of fire-grate boiler,
- bed ash formed in the combustor of fluidized-bed boilers.

Capturing of solids is a very important part of air protection. Under normal operating conditions, the fly ash content of flue gas from the boiler is 30 grams, on average, per cubic meter of gas. The first measure taken to improve air quality was to reduce these fly ash emissions. 25–30%, by volume, of the coal fired in CEZ Group power plants remains after combustion in the form of solid waste. Almost all of this solid energy generation by-product is further utilized and only the slight fraction that remains is disposed of as waste. In conjunction with the installation of flue gas desulfurization technologies in the 1990s, the power plants migrated away from hydraulic transport of fly ash to settling ponds to so-called “dry removal”, which enabled the waste to be re-used in the form of valuable secondary raw materials.

Applications for dry fly ash in the form of certified products include the following:

- in the production of concrete,
- as a substitute for rock material,
- as an ingredient in cement,
- in the construction industry,
- in road construction,
- to back-fill mined-out areas,
- in mining operations.

The biggest application, however, is its use in the form of certified products (with various names) in the clean-up and reclamation of former industrial sites pursuant to approved project documentation. These sites include, for example, mine spoilbanks, land revitalization projects, settling ponds, and other areas where the materials can serve as substitutes for large quantities of natural materials. Certified products are mixtures with a pre-defined composition of fly ash, slag, and desulfurization by-products. Certain types of fly ash are used in wastewater purification filters, where they can effectively last for up to 10–20 years. These filters are highly effective in removing bacterial pathogens, heavy metals, and polychlorinated biphenyls (PCBs).

Sulfur Emissions

The desulfurization of flue gas, i.e. reduction of SO_2 concentrations, is a more complicated process than removal of ash particles. Since all sulfur in the flue gas originates in the fuel, the first step is to select fuel with the lowest possible content of sulfur compounds. The fossil fuels with the lowest sulfur content are crude oil and natural gas. Black coal contains somewhat more sulfur, and brown coal has the highest content – commonly 1–2.5% of total mass.

Where the selection of a different type of fuel is not possible, other technological measures must be used:

- an appropriate type of combustion process,
- demanding purification of flue gases.

One of the methods, in which pollutants are removed from the gases as part of the combustion process itself, is fluidized-bed boiler technology. A fluidized-bed boiler combusts coal in a rising column of air within a so-called fluidized bed. Instead of grinding the coal into powder form, it is pulverized to a grade of approximately 20 mm and enters the boiler together with limestone. Upon a layer of ash, limestone and, in some cases, inert sand, the coal literally boils and whirls thanks to a stream of air forced underneath it. Essentially, the fuel behaves like a liquid (hence the term "fluidized"). Using this method of combustion, over 90% of the fuel is burned. Directly in the boiler, the limestone reacts with the sulfur dioxide in the coal and the solid product of this reaction becomes part of the ash. The combust–ion temperature is lower than in conventional boilers (700–900 °C), so substantially less nitrogen oxides are produced.

The high efficiency of combustion also implies a high efficiency of electric power generation. Fluidized-bed combustion does have certain disadvantages, however:

- the gypsum is permanently fused with the ash, rendering it useless for the construction industry,
- a larger quantity of limestone is consumed than when coal is combusted in pulverized coal-fired boilers with subsequent wet limestone scrubbing of the flue gases.

For these reasons, fluidized-bed boiler technology is most appropriate for installations with lower outputs. In the Czech Republic, boilers of this type are installed at the Tisová, Ledvice, Hodonín, and Poříčí Power Stations. Purification of flue gases in desulfurization installations is technically relatively demanding, and so desulfurization equipment is built into the power plant itself. In simplified terms, desulfurization processes can be divided into two categories:

- regenerable,
- non-regenerable – dry, semi-dry, and wet.

In total, approximately two hundred desulfurization processes are known in the world. Non-regenerable processes are the most common:

- In the wet processes, SO_2 is captured in liquids.
- In semi-dry processes, an active substance is sprayed into a stream of hot flue gases in the form of a water suspension; the liquid then evaporates and the product of the reaction leaves the process in solid form.
- In the dry method, SO_2 reacts in a dry state and the product is also a dry material.

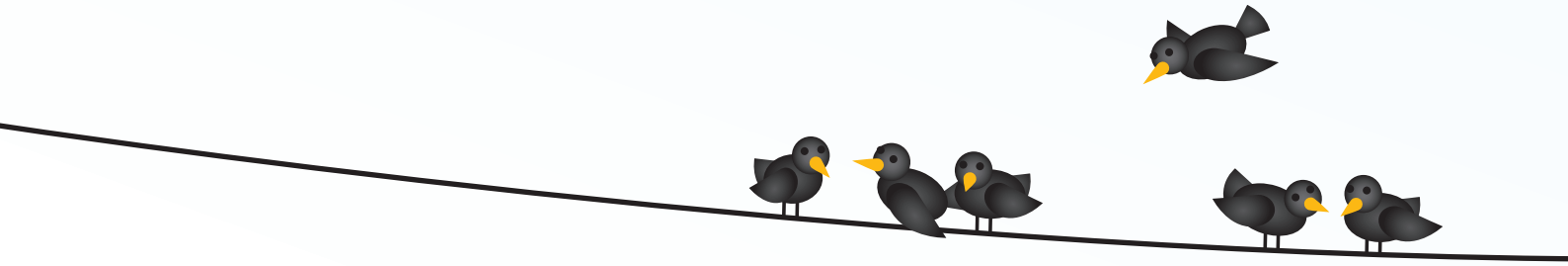
In the Czech Republic, over 80% of coal-fired power plant installed capacity is desulfurized using the so-called wet limestone scrubbing method. The desulfurization unit in which the process takes place is also sometimes called a scrubber or an absorber. It is a vessel over 40 meters high and 15 meters in diameter. In the scrubber, flue gases go through several stages of spraying with a limestone suspension (ground limestone mixed with water). The sulfur dioxide reacts chemically, producing calcium bisulfite, which further oxidizes into calcium sulfate dihydrate. The resulting product is called industrial gypsum.
Industrial gypsum, which is very pure (as it is produced via crystallization from solution), can be a full-fledged substitute for natural gypsum in the production of plaster and in the construction industry. Directly adjacent to certain power plants (such as Počerady and Mělník) there are gypsum drywall production lines. Industrial gypsum is also used in the production of cement, and in a mixture with fly ash it forms a material that can be used to back-fill mined-out areas, as well as for back-filling and packing in earthmoving and landscaping operations.
Wet limestone scrubbing-based desulfurization technology is capable of removing over 95% of sulfur dioxide from flue gases. A case in point: a 200 MW brown coal-fired boiler produces approximately 1,050,000 cubic meters of flue gas per hour, and each cubic meter of flue gas contains approximately 6,500 mg of SO_2. To desulfurize it, 9 tons of limestone is used, and 15 tons of industrial gypsum is produced.

Nitrogen Oxides

Nitrogen emissions from CEZ Group power plants are also being steadily reduced.

Flue gas contains approximately:

- 95% nitric oxide (NO),
- approximately 5% nitrogen dioxide (NO_2),
- at temperatures under 900 °C, nitrous oxide (N_2O) is also produced.



As a category, nitrogen oxides are labeled NO_x. Organic nitrogen is contained in the fuel (it accounts for approximately 1% of black coal, and can be more in the case of brown coal) as well as in the air used in combustion. How much nitrogen gets into the flue gas as a result of oxidation depends on the temperature and the oxygen content of the air in the burn zone.

There are two methods for reducing NO_X content:

- Primary methods, in which we attempt to prevent NO_X from forming by installing low-emission burners, technology for managing the combustion process, and boiler design. Using these methods NO_X emissions can be reduced by 40–60% at relatively low cost.
- Secondary methods, such as selective catalytic and non-catalytic reduction, which eliminate nitrogen oxides that have already formed. Selective catalytic reduction (SCR) takes place in a special SCR unit, using oxides of vanadium, molybdenum, or tungsten in a titanium dioxide medium. Ammonium is sprayed into the flue gas and the mixture is made to go through the catalysts, where elemental nitrogen and water form. These methods are more expensive, but they enable NO_x content in the flue gas to be reduced by 80–90%.

Environmental Program at Coal-Fired Power Plants

The CEZ Group coal-fired power plant environmental program implemented in the 1990s was of fundamental importance in terms of its scope. In terms of the results achieved, there was no other program in the world like it. The year the program was completed – 1998 – became an important milestone.

CEZ Group achieved the following results:

- 97% reduction in solid pollutants,
- 93% reduction in SO_2 emissions,
- 60% reduction in NO_x emissions,
- 80% reduction in CO emissions.

When expressed in terms of the absolute amount of emissions released into the air, the following numbers result:

- 95% reduction in solid pollutants,
- 92% reduction in SO_2 emissions,
- 50% reduction in NO_x emissions,
- 78% reduction in CO emissions.

The program's effects in terms of air quality can be best illustrated using maps of the Czech Republic showing ground-level concentrations before and after the measures were implemented.

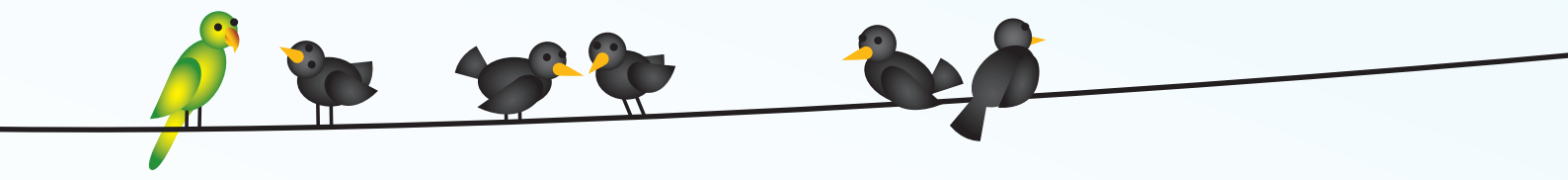
At present, additional projects are ongoing that will bring significant benefits by reducing environmental impacts:

- Since 2007, Tušimice 2 Power Station has been undergoing a comprehensive retrofit of four generating units, two of which have been completed and are back in operation. The technology used enables the units to meet the SO_2, NO_X, solids, and CO emission limits that apply to new plant installations. Currently, the second phase of the project is underway, during which the remaining two units will be retrofitted. Completion of the second phase is planned for 2011.
- At Prunéřov 2 Power Station, preparations are underway for comprehensive retrofits on three of the five existing generating units. Based on an evaluation of the EIA documentation, the emission limits will be made stricter so as to meet the BREF criteria. These retrofits are to begin in 2011.
- Construction on a new 660 MW_e installation has been underway at Ledvice Power Station since 2008. This is the first generating unit with supercritical parameters in the Czech Republic that satisfies the requirements of BAT (Best Available Techniques) and BREF (BAT Reference Documents). Construction of the new installation will be completed in December 2012.

Nuclear Power Plant Air Discharges

When nuclear power plants are operated, certain substances with a very low content of radionuclides are released into the air. These discharges are subject to the so-called authorization limits set by the State Office for Nuclear Safety (SONS) in permits that stipulate in what quantities radionuclides may be released into the environment.

Compliance with the limits is documented using SONS-approved programs for calculating the current discharge of radionuclides into the air under the actual meteorological conditions in the given year.



Radionuclides content in the discharges is closely monitored and assessed. It is also monitored independently by the regulatory body (SONS), which also monitors various elements of the environment. Gaseous discharges from nuclear power plants are only a few tenths of one percent of the authorized limit and their effect on the surrounding area is negligible.

Water

In the water management area, the plant installations operated by CEZ Group require that we continually focus on:

- protecting underground and surface water,
- potential risks,
- prevention,
- economical water management.

CEZ Group complies with applicable laws and regulations of the Czech Republic and decisions of water management authorities.

Surface water for ČEZ, a. s. coal-fired power plants is sourced from rivers in the following river basins:

- Elbe,
- Ohře,
- Morava,
- Odra.

The power plants use surface water for cooling and in the treatment of water used in the power and heat generation boilers. Prior to use, the water must be treated both mechanically and chemically to increase its purity and ensure that the water quality meets the requirements for use in power plant operation. At the same time, the volume of water used is continually measured and recorded, and its quality is monitored by an accredited laboratory.

Power plants use two types of cooling:

- circulation cooling, in which water circulates in a nearly closed circuit to which water is added only to replace that which evaporates or is discharged in the form of blow-down,
- flow-through cooling, which is based on a continuous flow of water from a natural body of water.

Flow-through cooling techniques are used at:

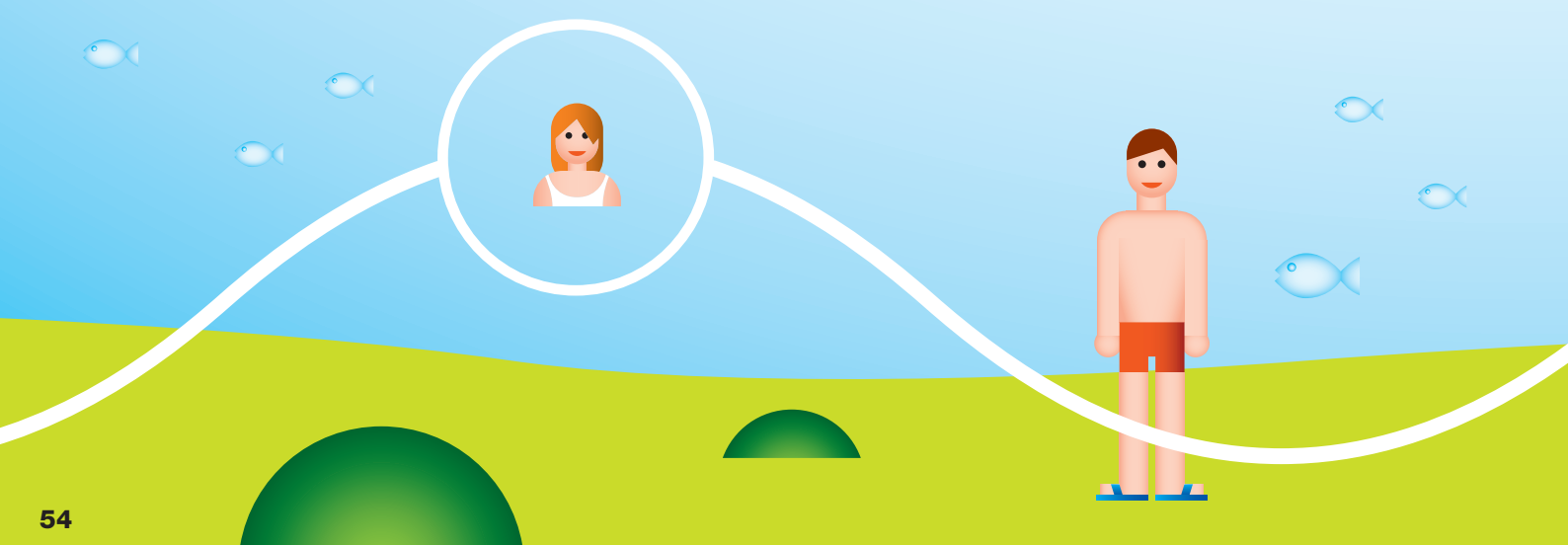
- Mělník Power Station,
- Dvůr Králové Power Heating Plant on the Elbe River,
- Hodonín Power Station on the Morava River.

All of the plants mentioned are located in places where there is enough water available for this type of cooling, which consumes tens of millions of cubic meters of water per month. Flow-through cooling water is only slightly warmer than the water in the river – that is very important in view of the statutory requirement that the water temperature in the river remain below 25 °C after mixing. Unlike circulation cooling, which involves evaporation, in flow-through cooling the amount of water returned to the river is essentially equal to the amount taken from it. Flow-through cooling does not increase the amount of pollution in the water, as is the case when water is thickened in cooling towers. For this reason, flow-through cooling is easier on the environment. In economic terms, however, it is worse because the volume of water used is several orders of magnitude higher.

Graph: Use of Water in Thermal Power Plants

Dětmarovice Power Station Water Management Chart

Before being discharged into the river, process wastewater from coal-fired power plants (oil-bearing wastewater, water from chemical treatment facilities, etc.) undergoes treatment using methods in line with the current state of technology. The amount of wastewater released is determined using continual measurements and pollution is monitored by an accredited laboratory.



Water is also used by nuclear power plants:
- Dukovany Nuclear Power Station uses water from the Jihlava River (Mohelno Reservoir),
- Temelín Nuclear Power Station uses water from the Vltava River.

The water use volumes of both nuclear power plants are within the limits given by the applicable decisions of water management authorities. Binding limits on liquid discharges from nuclear power plants are stipulated in the water management decision issued to the power plant in question by the relevant water management authority while respecting the requirements stipulated by the State Office for Nuclear Safety. Both nuclear power plants are in full compliance with the limits.
Water management is a key process element in the operation of coal-fired and nuclear power plants alike, and any water management-related problems that may arise have an effect on electricity generation. One example is the flood of 2002, which affected production at certain coal-fired power plants in addition to the flood wave's direct impact on the operation of hydro power stations in the Vltava River Cascade and, subsequently, on regulation of water flows.

Waste and Spent Nuclear Fuel

Waste produced in the generation of energy in CEZ Group power plants can be divided into two basic categories:
- radioactive waste and spent nuclear fuel from nuclear power plants,
- waste and generation by-products from coal-fired power plants.

Each of the categories consists of completely different materials and is subject to completely different legislative frameworks governing waste handling and disposal.

Radioactive Waste (RAW) and Spent Nuclear Fuel (SNF)

Handling of radioactive waste is subject to very strict regulation under the provisions of the Nuclear Act and related regulations, which stipulate duties and rights for:
- the originator of the waste (CEZ Group, www.cez.cz/en),
- the regulatory body (State Office for Nuclear Safety, SONS, www.sujb.cz/?r_id=26),
- State organizations specialized in RAW disposal (the Radioactive Waste Repository Authority, RAWRA, www.surao.cz/eng).

State Office for Nuclear Safety

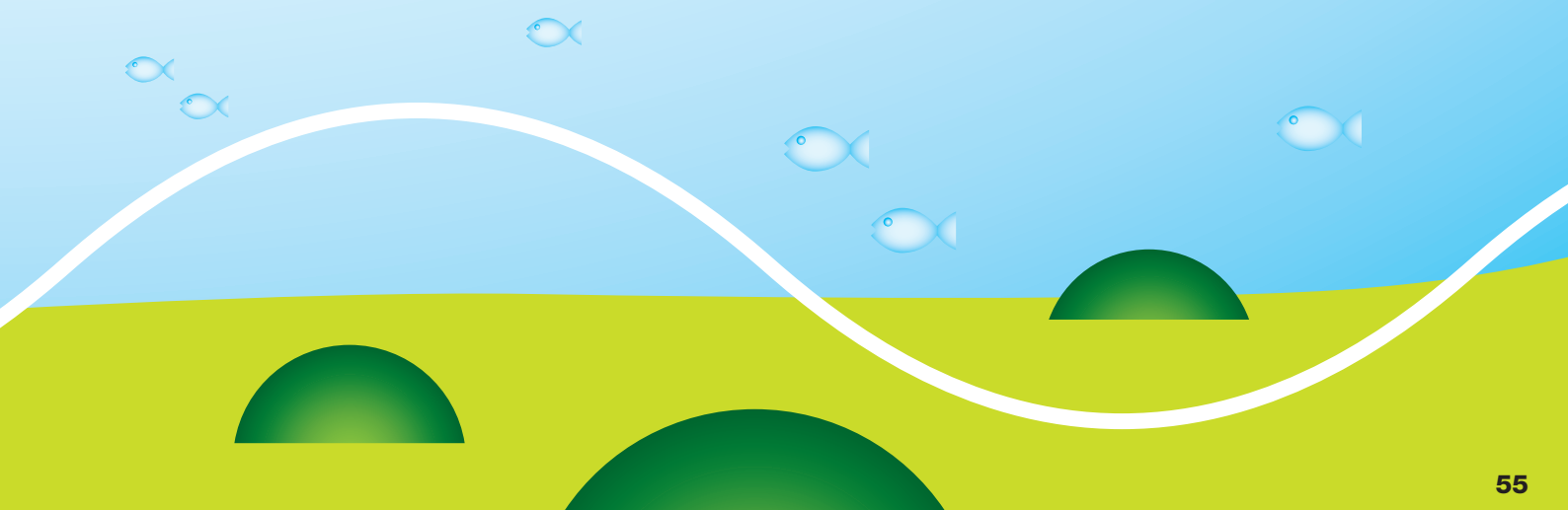
The State Office for Nuclear Safety stipulates conditions for handling RAW and SNF and issues relevant permits on the basis of which the materials in question are handled.

Radioactive Waste Repository Authority

Under law, the RAWRA is the only organization that is entitled to dispose of RAW and own the requisite repositories.

Originator of RAW and SNF

Under law, the originator of RAW and SNF, i.e. CEZ Group, pays all the costs associated with handling RAW from the moment it arises until its final disposal, including monitoring of radioactive waste repositories after they are closed.
CEZ Group regularly transfers funds to a so-called nuclear account, which has been opened at the Czech National Bank and which is administrated by the Ministry of Finance of the Czech Republic. These funds are used to pay contributions to the municipalities in whose cadastral areas the RAW repositories are located. A system of demanding technical and safety measures, sufficient funding, and clear assignment of responsibility and accountability in the area of RAW handling and disposal serve to guarantee that all waste arising in the nuclear energy area will be safely disposed of and that it will never have any undesirable effect on mankind or the environment.



RAW and SNF arising in the generation of electricity by CEZ Group in nuclear power plants is handled in accordance with all principles of:

- nuclear safety,
- radiation protection,
- physical protection,
- accident readiness.

In general, CEZ Group endeavors to minimize the production of radioactive waste and to reduce the amount that will be necessary to dispose of in the repository. Radioactive waste materials arising in the operation of nuclear power plants consist primarily of low- and medium-level solid and liquid materials. These are processed and treated into forms appropriate for disposal:

- liquid RAW is treated using bitumenation (mixing with molten asphalt),
- solid RAW is treated by low-pressure press forming or burning.

Waste materials with very low levels of radioactivity undergo certified measurement. If the radioactivity does not exceed stipulated limits, the materials are discharged into the environment in a controlled fashion.

Surface Radioactive Waste Repository in the Vicinity of Dukovany Nuclear Power Station

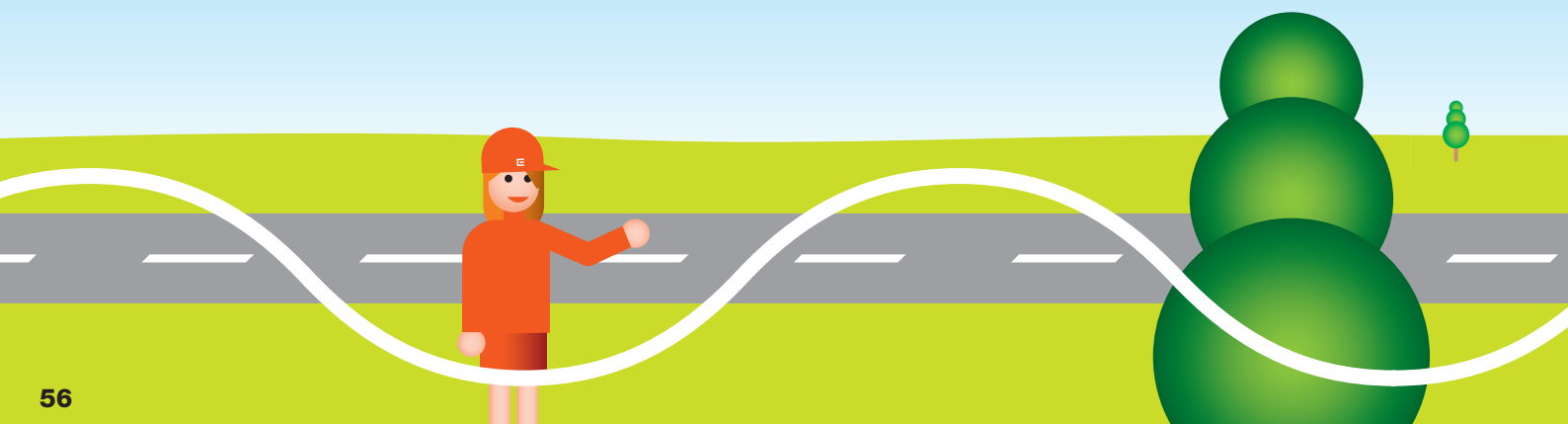
Processed RAW in 200 liter barrels is stored in a surface repository designated for low- and medium-level RAW located in the immediate vicinity of Dukovany Nuclear Power Station. The repository consists of 112 concrete vaults and is engineered and operated in such a way as to provide a sufficient degree of protection of the environment from the unfavorable effects of ionizing radiation. The repository, which is managed by the RAWRA, was commissioned in 1995 and has sufficient capacity for storing RAW arising in the operation of the Dukovany and Temelín Nuclear Power Stations. At year end 2009, fifteen vaults had been filled.

SNF Storage Facility in the Dukovany Nuclear Power Station Compound

SNF contains the largest quantity of radioactive material. After removal from the process areas of the nuclear power plant, it is stored in special thick-walled vessels in the spent fuel storage facility. CEZ Group utilizes so-called dry storage, where the fuel containers are cooled by natural air circulation. In terms of radiation protection and other effects, the environmental impact of storage is within the stipulated limits. The heat output and radioactivity of SNF gradually falls while in storage. Currently there are two such storage facilities in the Dukovany Nuclear Power Station compound and another is under construction at Temelín.

In view of the considerable content of potentially fissionable materials, stored SNF is not classified as RAW and its further handling will be decided in the future. SNF will be directly disposed of in an underground repository or utilized to produce energy. Certain foreign companies have decided to process their SNF. This is a complex process in which the SNF is dissolved and plutonium and uranium (which are potentially usable) are extracted and the remaining portion is vitrified (i.e., transformed into a stable glass-like substance) for future disposal in the underground repository.

CEZ Group's current strategy calls for the SNF to be disposed of in the underground repository. Nonetheless, the chosen method of dry SNF storage in vessels does not exclude the possibility of a change in strategy, allowing for the possibility for SNF reprocessing. Currently, advanced SNF reprocessing systems are in development that will enable the separation of more categories of substances contained in the SNF. Also in the research and development phase are Generation IV nuclear reactors (including particle accelerator-based transmutation technologies) that could potentially utilize some of the materials contained in the SNF produced today.



In order to dispose of all the waste whose parameters do not allow for final disposal in the repository currently operated in Dukovany, and for SNF, construction of an underground repository is planned.
In the Czech Republic, the RAWRA is responsible for preparing, building, operating, and closing this repository. Under the RAW and SNF disposal plan approved by the Government, two candidate sites are to be drawn into zoning plans by the year 2015. The current plan for the underground repository in the Czech Republic is based on placing disposal vessels containing SNF into granite rock. A clay-based material (bentonite) is to be used to fill in empty spaces. This plan is similar to those advocated by organizations responsible for SNF disposal in other countries.

Solid Remnants from Coal-Fired Power Plants
Waste material (solid remnants that are not utilized in the form of certified products) arising from the generation of electricity and heat in coal-fired power plants is handled in accordance with Act No. 185/2001 Sb. on Waste, as amended, and related implementing regulations. Different types of waste materials are classified into categories in accordance with the Waste Catalog. They are gathered in hoppers, marked, recorded, utilized, and – if necessary – disposed of through authorized entities.

The fuel combustion and flue gas desulfurization processes give rise to so-called generation by-products (GBP) which are certified as products under Act No. 22/1997 Sb., as amended, or under harmonized European standards. These certified products are utilized:

- internally, e.g. in the reclamation of settling ponds and dumps or for landscaping purposes,
- commercially, e.g. via sale for use in the construction industry.

The proper use of certified GBPs makes it possible to conserve roughly the same amount of natural materials that would otherwise have to be used in the reclamation application in question. Only that portion of solid remnants that cannot be utilized as a certified product is disposed of as waste, and the relevant fee is paid.

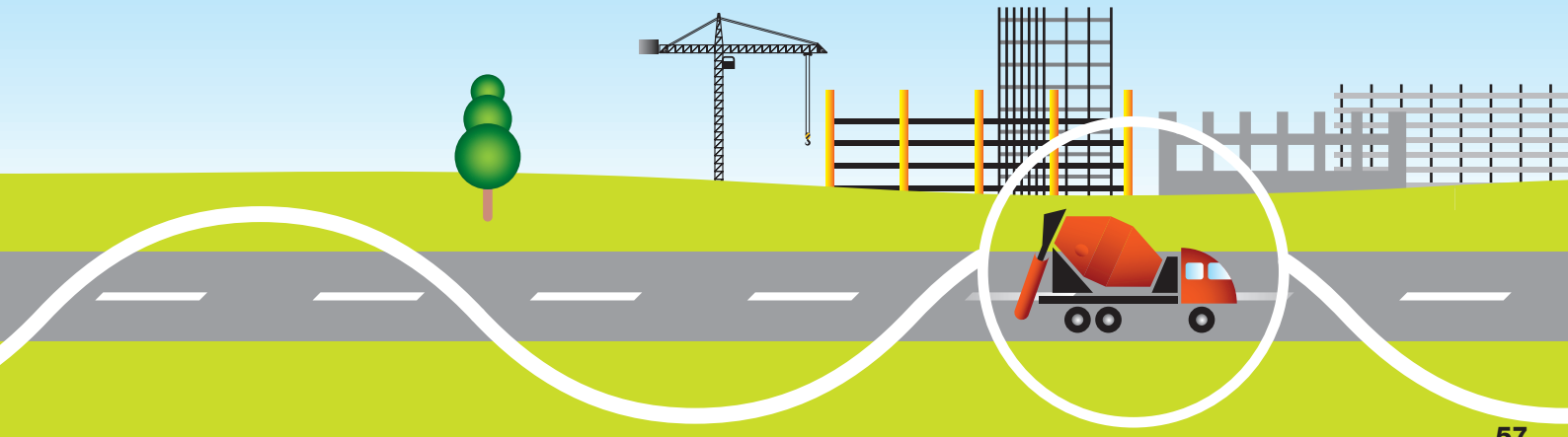
A) Production of GBPs
Fuel (coal, biomass, and additives) → boiler (combustion process) → production of GBPs (by-products of coal and biomass combustion)
Emissions → desulfurization (wet or dry type) → production of GBPs (by-products of the flue gas desulfurization process)

B) Utilization of GBPs
Production of GBPs → certification of GBPs → utilization of GBPs (internal utilization – land reclamation, landscaping; commercial utilization – sale to the construction industry) → non-utilized GBPs (disposal of a small amount of unutilized GBPs as waste for a fee in accordance with the Waste Act)

For example, one of the certified products is “Stabilized material for terrain shaping at the Debrné Settling Pond: product no. 204/C5/2006/040-025237” (currently valid certificate number). As is evident from its name, the product is designated for reclamation and shaping of the terrain at the Debrné Settling Pond, which is part of the Poříčí Power Stations organization unit of ČEZ, a. s.

CEZ Group is continually improving the technical and process conditions of GBP utilization. The processes currently in use are dominated by dry removal of products for direct utilization in the production of:

- cement,
- mortar and concrete mixes,
- masonry materials,
- gypsum drywall,
- other gypsum products, etc.,
- in road construction.



The process technologies in use include mixing centers for the preparation of various mixtures from the products and other added substances according to recipes adapted to the purpose of utilizing the mixtures in the reclamation of dumps and settling ponds and to shape terrain directly by CEZ Group or by other business entities.
The negligible fraction of the by-products of combustion and flue gas purification (less than 1% of total production volume) that cannot be utilized is disposed of for a fee in settling ponds or at dump sites operated by coal-fired power plants. In accordance with legal requirements designed to eliminate hazardous materials in the waste, the quality of the disposed material is regularly subjected to independent evaluation.
Settling ponds operated by CEZ Group coal-fired power stations are classified as water management facilities for the purposes of the Water Act. The extent to which products and mixtures are utilized as certified products outside of CEZ Group depends, in particular, on demand for the products in question.

Animation 1

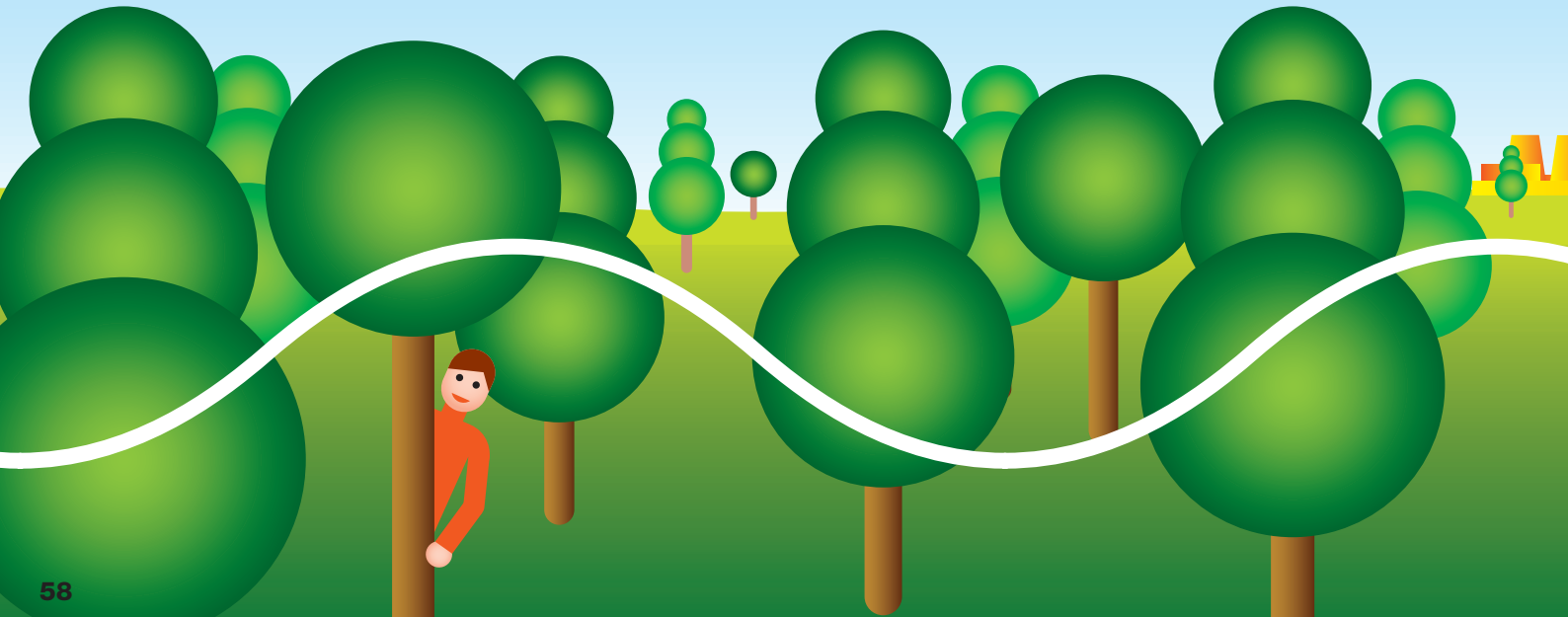
Noise

Approximately 85–90% of all noise in and around human habitations is caused by transportation. Limits on noise – defined as a sound that can be hazardous to health – are stipulated by legal regulation (Government Directive
No. 148/2006 Sb. on Protection of Health Against the Negative Effects of Noise and Vibrations). Noise assessment is an area of permanent interest in the operation of CEZ Group power plants.

The rules stipulate that if, in the course of using or operating a source of noise or vibrations, it is not possible to comply with public health limits due to serious considerations, such a source can be operated only on the basis of a permit issued by the relevant public health protection authority. The permit can be issued under the condition that the noise is reduced to the lowest reasonably achievable level. In addition, the permit is issued only for a certain period of time. The reasonably achievable level is defined as the ratio of the costs of anti-noise measures to their benefit in terms of reducing the noise levels to which natural persons are subjected, while taking into account the number of persons subjected to noise in excess of the stipulated limits.
Binding requirements for operators of noise sources in CEZ Group are stipulated in integrated permits issued under the Act on Integrated Prevention and Pollution (Act No. 76/2002 Sb., as amended). They are regularly evaluated and reported to the relevant Regional Authorities.

The following key authorities operate in the area of noise evaluation and reduction in terms of long-term average noise pollution in the environment:
a) the Ministry of Health of the Czech Republic,
b) regional public health stations,
c) the Ministry of Defense of the Czech Republic and the Ministry of the Interior of the Czech Republic,
d) the Ministry of Transport of the Czech Republic,
e) the Ministry of Local Development of the Czech Republic,
f) the Ministry of the Environment of the Czech Republic,
g) the Regional Authorities.

The regional public health stations are authorized to issue decisions, permits, and certificates and to carry out other tasks of State government related to protection of public health, including State health supervision.



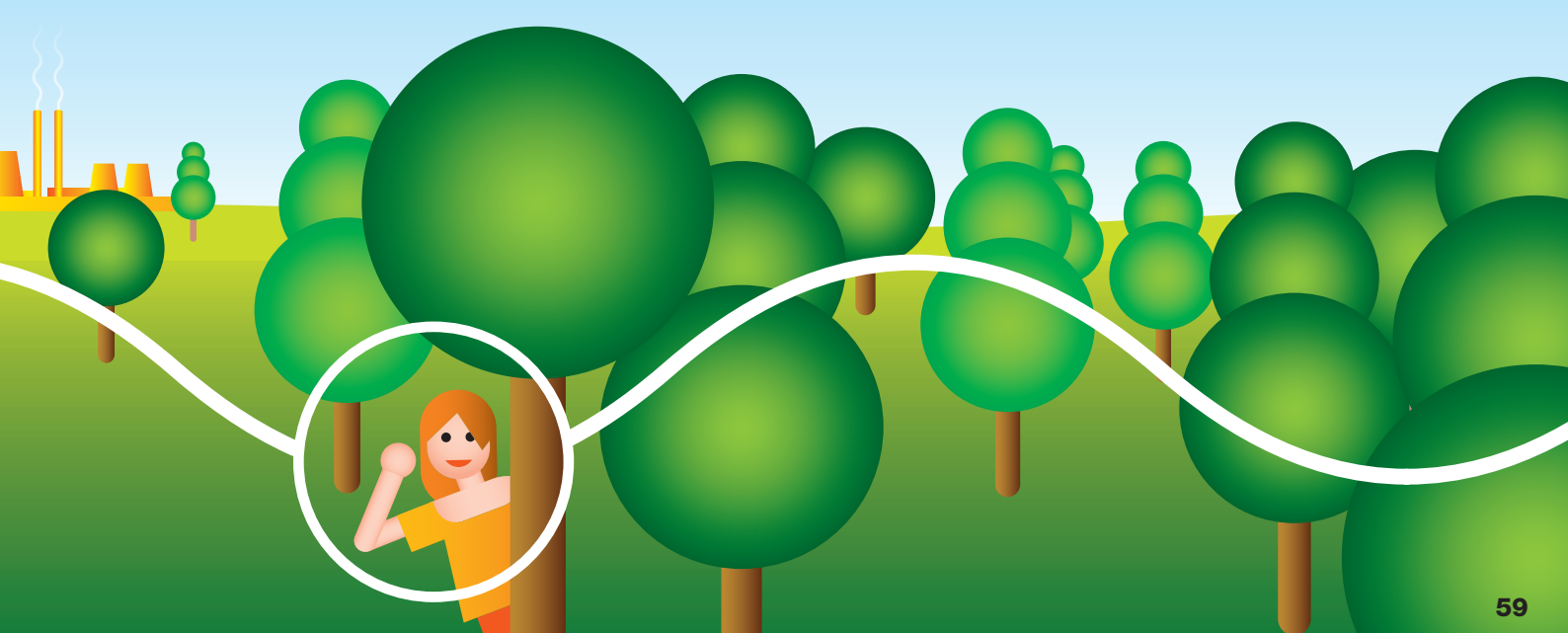
CEZ Group operates all power installations in accordance with applicable legislation and decisions of the relevant authorities. Specific attention is paid to installations that are located near human habitations, making their impact on their surroundings more intensive.

Hodonín Power Station
The integrated permit stipulates that Hodonín Power Station may operate noise sources for a limited time period (until March 31, 2011) in three protected outdoor areas. Noise measurements taken in January 2010 showed that noise levels in the power plant's vicinity have decreased. The measured values are under the levels stipulated by the integrated permit. Additional anti-noise measures are planned for 2010.

Mělník Power Station
The integrated permit issued for this plant stipulates a public health limit on noise in the outdoor protected area of buildings on the outer perimeter of the power plant compound in the direction of the nearest human habitation. The highest permissible equivalent levels of acoustic pressure are 50 dB (A) during the day and 40 dB (A) at night. With the help of an authorized entity, ČEZ, a. s. is required to secure one-off measurement of the impact of noise from the installation's operation on the human habitations nearest to Mělník Power Plant (in Horní Počaply) once every five years. (The first measurement is to take place five years after the integrated permit enters into legal force, i.e. in 2012).

Tisová Power Station
Based on unofficial complaints and documentation prepared for the integrated permit application, in September 2004 an authorized entity measured noise produced by power plant operation in the closest protected outdoor area. The measurements taken indicated that the main sources of noise are ventilation, release of steam, and the transformer station. Based on this noise measurement and additional measurements taken in February and March 2005, as well as on the results of a noise study, a permit was issued by a decision of the Regional Public Health Station for use of cooling tower nos. 1, 4, and 5, the machine house, boiler nos. 11 and 12, the compressor station, and the diffusers on cooling tower nos. 3, 4 and 5 until December 31, 2012.

Prunéřov Power Stations
The integrated permit stipulates that, once every three years, an authorized firm shall measure the noise emitted by the installation in the outdoor area on the perimeter of the public health protection zone of the Prunéřov 1 and 2 Power Stations compound. The results shall be forwarded to the Regional Authority of the Ústí Region, Department of the Environment and Agriculture, and to the public health protection authority – the Regional Public Health Station in Ústí nad Labem, Chomutov Office.
The stipulated public health noise limit for the installation is 50 dB (A) + a 20 dB (A) correction for the generation zone + a 5 dB (A) correction for noise from the main road (road I/13) + a 5 dB (A) correction for noise from the railroad.
The last noise measurement by an authorized entity took place in 2008 in conjunction with preparations for the Comprehensive Retrofit of Prunéřov 2 Power Station project. A noise study prepared on the basis of the measurement results is included in the Environmental Impact Assessment (EIA) documentation.



Poříčí Power Station
The integrated permit stipulates that noise sources may be operated for a limited period (until December 31, 2013) in three protected outdoor areas.

Dvůr Králové nad Labem Power Heating Plant
The integrated permit stipulates that noise sources may be operated for a limited period (until December 31, 2011) in three protected outdoor areas. A noise measurement taken in December 2009 showed that installation is in compliance with the stipulated noise limits.

Vítkovice Power Heating Plant
The cooling towers of Vítkovice Power Heating Plant have been identified as a source of noise from the plant. The noise level at a height of three meters on the facade of Vítkovice Hospital is 60.3 dB. Under a decision of the Regional Authority of the Moravia-Silesia Region, a permit was issued for short-term noise in excess of the public health limit, under stipulated conditions, for a limited period (until December 31, 2015). After that date, the installation must once again comply with the given public health limits.

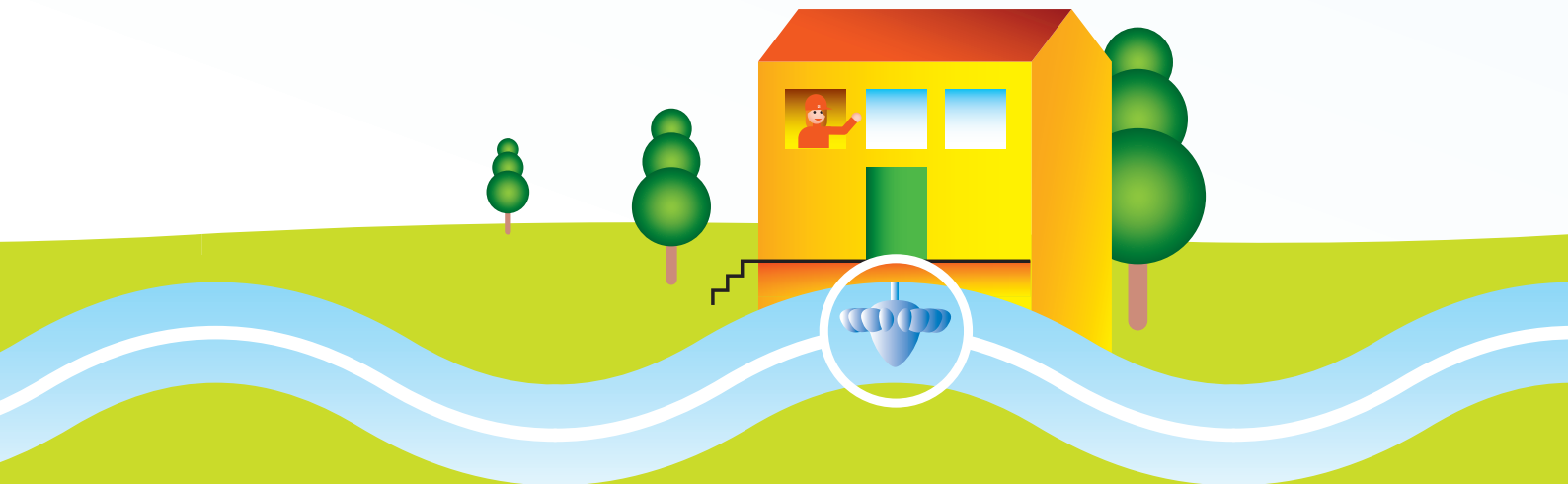
Reclamation of Land Surrounding Power Plants

CEZ Group is seeking the most advantageous reclamation methods for bringing life back to places it was driven out of in the past by the operation of coal-fired power plants.
In accordance with Czech and EU legislation, a company must know in advance how it will clean up land affected by the operation of its installations, i.e. before such installations are built.

The most common form of reclamation today is biological reclamation using forestry techniques. The success of this method depends primarily on the location and the climate prevailing there. It includes:
- planting of appropriate tree species,
- ongoing forestry work.

Forests can be a source of wood as a raw material as well as of wood as biomass for the production of energy. The advantage of biological reclamation is faster renewal of the land's function as a biological whole within the system of overall ecological stability. As plants return to land affected by human activity, animals return as well. By 2025, CEZ Group plans to invest nearly CZK 4 billion in reclamation and revitalization of land used in the past to dump ash material from coal-fired power plants. In the period since ČEZ, a. s. was established, approximately CZK 3.4 billion has been spent for these purposes. The overall area of ČEZ, a. s. repositories designated for reclamation is approximately 2,568 hectares.
Materials used to reclaim land and reshape the landscape include generation by-products (GBPs) arising from the generation of electricity. In 2009, ČEZ, a. s. power plants produced over 8.6 million tons of GBPs. Of this amount, over 99% was utilized in the form of certified products: 71% internally for land reclamation and terrain shaping, and 28% commercially via sale to outside customers. Since 2008, CEZ Group generation by-products have been sold by the subsidiary ČEZ Energetické produkty, s.r.o. The remaining amount, i.e. less than 1% of all generation by-products produced, was disposed of as waste in accordance with the Waste Act.

The principal land reclamation partners of CEZ Group include:
- Research Institute for Soil and Water Conservation, Prague
- Forest Management Institute, Brandýs nad Labem,
- Forestry and Game Management Research Institute, Opočno,
- Mendel University of Agriculture and Forestry, Brno,
- Czech University of Agriculture, Prague,
- other reclamation specialists.



Cooperation with these institutions involves, for example, research to determine optimal reclamation methods, soil research and cultivating trees in various soil mixtures, determining suitable forest composition in terms of tree species, and selection of appropriate procedures and processes.
One interesting finding in terms of environmental protection is that, due to restricted human access and the absence of other activities, power plant compounds and other enclosed spaces provide sanctuary to a large number of rare plants and animals.

Animation 2

Renewable Energy Sources

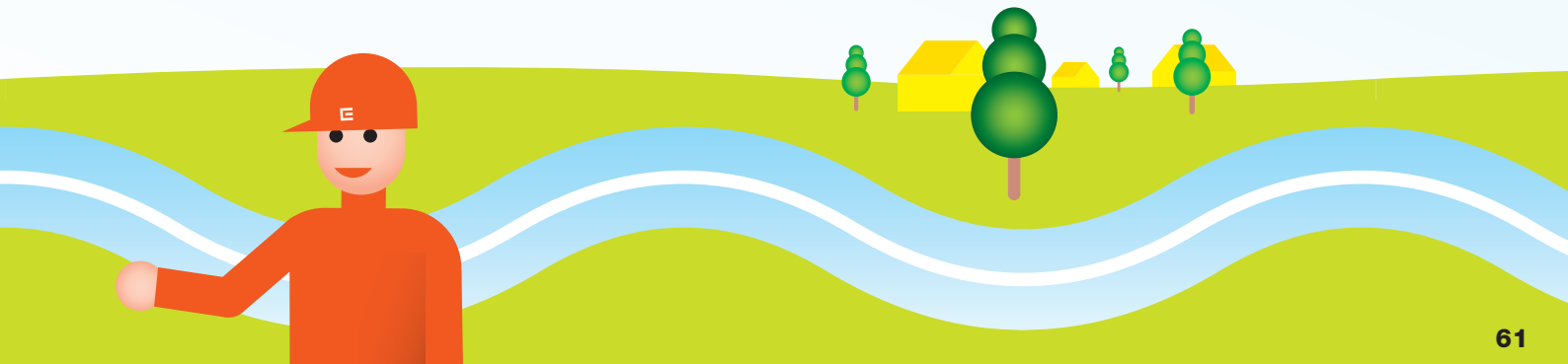
One of CEZ Group's key tasks in the years to come is to develop the utilization of renewable energy sources. The advantage of having them in the energy mix is given by the fact that they are easy on the environment and do not consume any dwindling energy resources.
In a situation in which our country must face rising electricity demand, search for alternatives to shrinking brown coal reserves, and adapt its energy industry to restricted CO_2 emissions, these sources are the logical choice.
Renewable sources already play a key role in the portfolio of energy sources used by CEZ Group. Generation from renewable sources at CEZ Group exhibits long-term growth.
CEZ Group's share in overall generation of electricity from renewable sources in the Czech Republic is 55%. Hydro power plants, which account for 78% of electricity generated from renewable sources, are in first place. Second place belongs to biomass, which accounts for the remaining 22%.

The volume of renewable energy generation is set to rise considerably in the future, thanks primarily to the generous investments that CEZ Group is making in this area. Total capital expenditure for renewable sources is to reach CZK 30 billion by 2020. Roughly two thirds of this amount will go on construction of photovoltaic power plants, with other funds dedicated to the construction of wind power plants and development of biomass combustion. This is one way that CEZ Group plans to contribute to the fulfillment of the Czech Republic's ambitious goals in the renewable energy sources area.
Although the Czech Republic's possibilities in this area are limited by its land area and geographical parameters, development potential definitely does exist and CEZ Group is prepared to leverage it. The objective is an optimally balanced energy mix that will ensure reliable coverage of electricity demand while at the same time being easy on the environment.
For ČEZ Obnovitelné zdroje, s.r.o., a part of CEZ Group, the operation and construction of these new installations will be its main mission. Currently it operates 20 small-scale hydro power plants, five photovoltaic power plants, and four wind power plants. In the near term, its plans call for intensive development of wind energy, as well as biomass and biogas utilization. Significantly, the company's headquarters are located right in a small-scale hydro power plant building in the center of Hradec Králové.

Water Energy

Video: Dlouhé Stráně Power Station

Hydro power has a long tradition in the Czech lands, from direct mechanical drives in flour mills, saw mills, and iron mills to the conversion of water energy into electricity. The oldest installation of this type in Bohemia was a hydro power station in Písek, built in 1888. In the early 20th century Prague was home to two hydro power plants – in Těšnov and on Štvanice Island.



Although the Czech Republic's natural resources are not ideal for building large-scale hydro power projects, hydro power plants are the country's principal renewable energy source. As our rivers and streams do not have the necessary declivity or sufficient flow rates, hydro's share in overall power generation is relatively low. An important role played by hydro power plants in the Czech Republic is to act as a complementary source of electricity generation, mainly utilizing their ability to quickly ramp up to full output, which is an advantage when immediate power is needed to maintain the balance between electricity generation and consumption in the Czech Republic Power System.
All large hydro power plants – with the exception of Dalešice, Mohelno, Dlouhé Stráně and Ústí nad Labem – Střekov – are located on the Vltava River, where they form a cascade-like system called the Vltava River Cascade. Their operation is automated and controlled from central dispatch in Štěchovice. The total installed capacity of CEZ Group large-scale hydro power plants is 724 MW (this figure does not include pumped-storage hydro power plants).
In addition to the large-scale power plants, CEZ Group also operates 26 smaller hydro power plants (25 in the Czech Republic and one in Poland). Their total installed capacity is 65 MW.

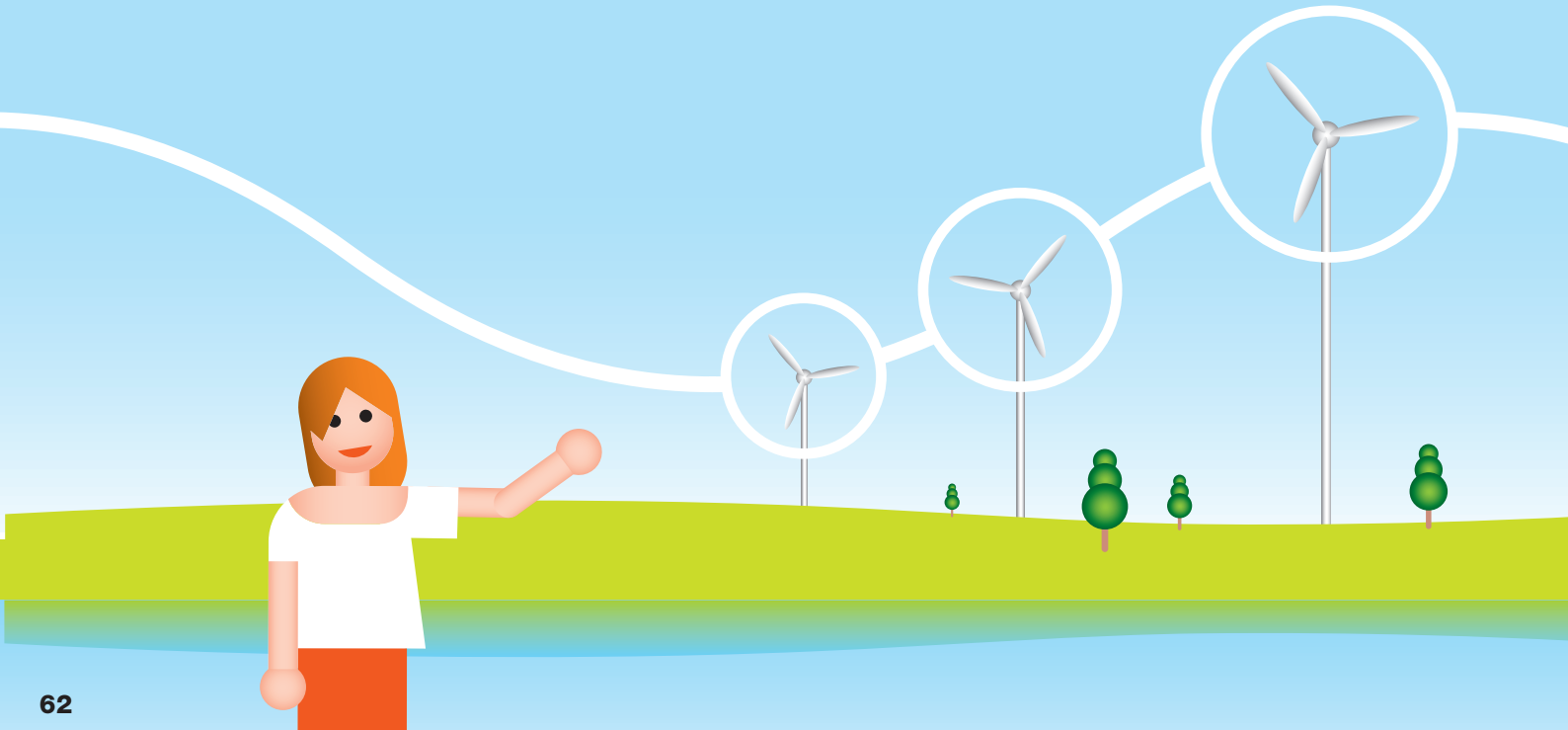
Small-scale hydro power plants operated by ČEZ Obnovitelné zdroje, s.r.o. can be found throughout the entire Czech Republic, e.g. on the following rivers:

- the Elbe,
- the Divoká Orlice,
- the Berounka,
- the Vydra,
- the Chrudimka,
- the Morava,
- the Svratka.

The oldest plant is the Čeňkova Pila small-scale hydro power plant in the Šumava region, with 0.1 MW of installed capacity. It was built in 1912.
The newest is the Bukovec small-scale hydro power plant in the City of Plzeň with 0.63 MW of installed capacity. It is also the most modern installation of its kind in the Czech Republic. An even newer installation, the Mělník small-scale hydro power plant, was commissioned in May 2010.
CEZ Group also operates one small-scale hydro power plant in Poland. Skawinka Power Station is situated close to the Skawina coal-fired power plant in southern Poland and its installed capacity is 1.6 MW.

Biomass

Biomass is second behind hydro power plants in terms of electricity generation volume. It also saw the greatest increase in utilization, and this trend is expected to continue in the future as well.
Currently, CEZ Group fires biomass in combination with coal, mostly in the Hodonín, Poříčí, and Tisová Power Stations, the Otín Power Heating Plant near Jindřichův Hradce, and, as part of CEZ Group's international operations, at Elektrownia Skawina S.A. in Poland.
Tests have confirmed that it is possible to fire biomass in combination with coal in fluidized-bed boilers at approximately 20% of the mixture's heat content and in fire-grate boilers at up to 100%. The problem is how to determine the annual volume of biomass to ensure that it pays, over the long term, to invest in processing the fuel prior to transport as well as in other measures for continuous combined combustion.



Thanks to combined firing of biomass in a significant number of power plants, CEZ Group is obtaining valuable experience. This includes, primarily, experience in:

- systematic procurement of appropriate crops,
- logistics (transportation and storage),
- the specifics of the actual combustion process.

In the next few years, CEZ Group plans to implement 100% biomass combustion projects. At the same time, we are supporting the development of targeted biomass production in the form of dedicated energy crops. One of the first sites is to be Hodonín Power Station, where a special boiler dedicated to the combustion of biomass is to be installed.

The key to development of this area is the fulfillment of three conditions:

- stable interest on the demand side,
- sufficient supply on the part of agriculture,
- government support for clear rules.

In terms of energy utilization, the biomass currently fired in the Czech Republic is mainly:

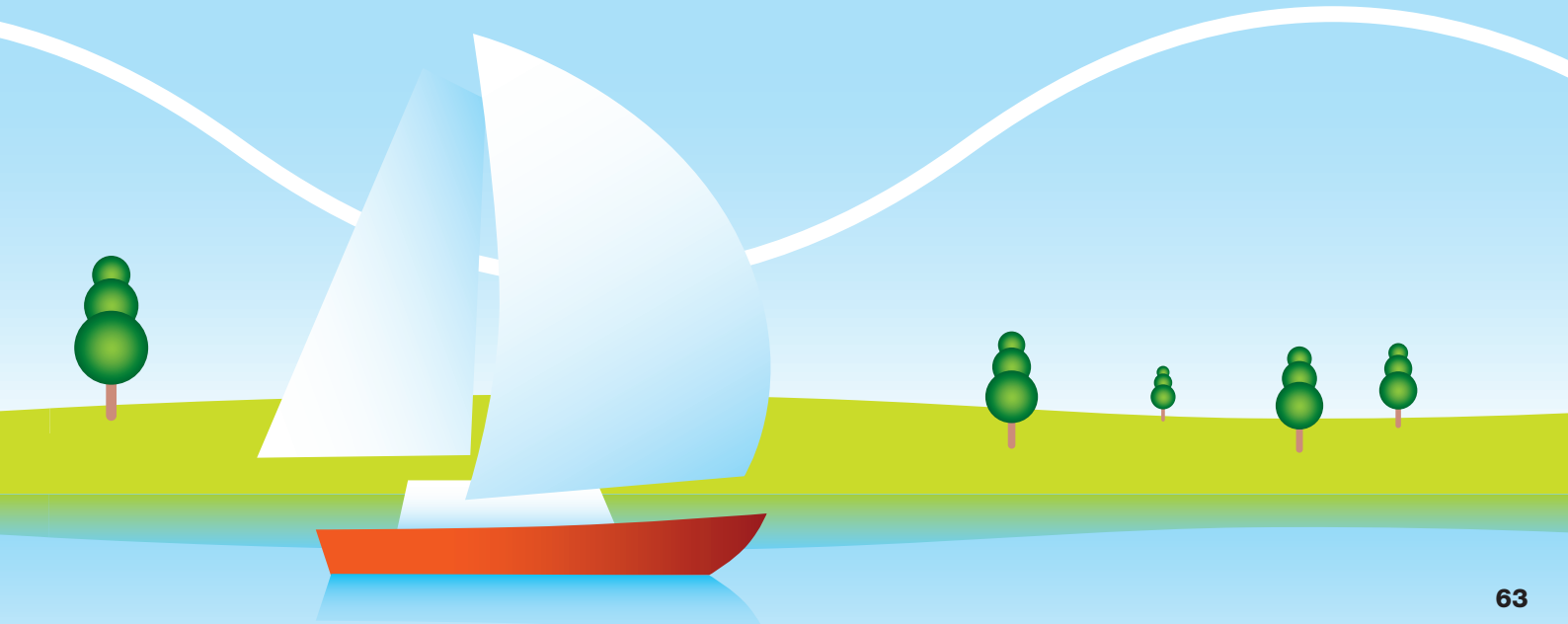
- wood,
- straw,
- certain agricultural surpluses,
- livestock fecal matter.

Certain classes of sorted municipal waste and gases produced in the operation of wastewater treatment plants can be combusted as well.

Burning of wood fuel is one of the least expensive methods for obtaining heat. Other methods are less common in the Czech Republic, as they are technologically more demanding and involve higher capital expenditures, though there is no doubt about their potential. In any case, the generation of energy from biomass is generally considered desirable, and appropriate in terms of minimizing environmental burdens.
Based on experience obtained to date, the biggest application for biomass will be in smaller, decentralized installations – in particular cogeneration units and trigeneration units (i.e. those that generate electricity, heat, and cooling at the same time).

Wind Energy

Like hydro power, the utilization of wind has a tradition in our country, too. From a historical perspective, the first documented wind mill in the lands of Bohemia, Moravia, and Silesia was built in 1277 on the grounds of the Strahov Monastery in Prague. In the Czech Republic, the period when wind turbines were mostly used to drive water pumps was the first two decades of the 20th century. Generation in modern wind power plants dates back to the late 1980s.
A study conducted by Euroenergy in November 2004 predicted that installed capacity in wind power plants in the Czech Republic could reach a maximum of 1,044 MW by the year 2010. (Today, however, that does not appear realistic due to the long lead times for wind power projects.) Thanks to their much improved technical parameters, modern wind power plants have up to 30% usability, and that clearly shows that wind energy has the potential to approach today's hydro power generation volume.

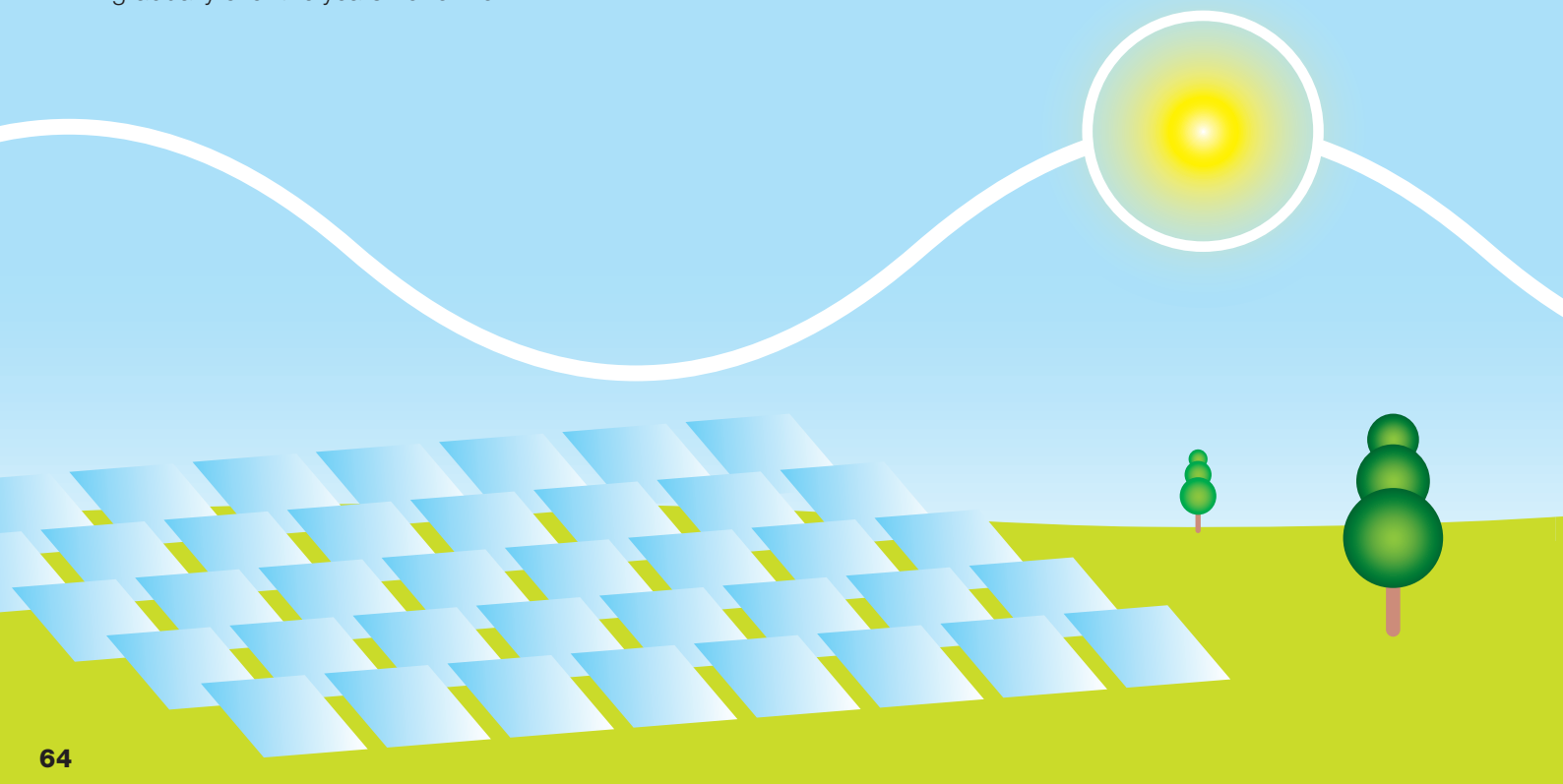


Modern wind power plants place only minimal burdens on their surrounding environment. Research has shown that the operation of a wind power plant has no fundamental impact on bird survival rates, nor does it scare wild animals. In addition, new power plants do not create noise pollution. They are reliable, quiet, high-performance machines that produce no air emissions.
As a general rule, wind power plants are planned for sites with an elevation of at least 600 meters above sea level. However, the technology has already progressed to the point that electricity can be generated efficiently in lower-lying areas as well. Most sites with favorable wind conditions are located within protected natural areas. An estimated 60–70% of wind power plant candidate sites are ruled out for this reason. On the other hand, today's towers can be up to 100–150 meters high, which opens up the possibility of locating them in forests.

According to specialized studies, the following areas have the greatest wind energy potential:
- the Českomoravská Highland region in the Vysočina Region,
- the South Moravia Region,
- the Krušné Hory (Ore Mountains) area in the Ústí Region,
- the Jeseníky Mountains area in the Moravia-Silesia Region.

In 2009, CEZ Group had the following wind power plants in its portfolio: Janov (4 MW), Věžnice (4.1 MW), and Nový Hrádek (1.6 MW – not in operation; preparations are underway for an equipment overhaul).
On August 26, 2008, CEZ Group acquired the Fântânele a Cogealac wind power project in Constanța County, Romania. The two wind farms, with a total installed capacity of 600 MW, are planned to be completed gradually over the years 2010–2011.

Solar Energy
In terms of environmental protection, direct utilization of solar energy is the purest and environmentally sound method of electricity generation. The sun is a natural source of abundant energy and will continue to provide that energy for a long time. For CEZ Group, harnessing the sun's energy represents an interesting opportunity. Already in the past, CEZ Group focused on possibilities for obtaining energy from the above mentioned renewable source. In 2007, we expanded our renewables portfolio to include five photovoltaic power plants with a combined total output of 19 MW. These are photovoltaic power plants located near the towns of Hrušovany nad Jevišovkou (3.8 MW), Žabčice (5.6 MW), Chýnov (2 MW), Bežerovice (3 MW), and Čekanice (4.5 MW). One small photovoltaic power plant with 21 kW of installed capacity has been built on the roof of the Přelouč Hydro Power Station.
The Group also operates a 10 kW photovoltaic power plant with 75 m^2 of total effective area in the Dukovany Nuclear Power Station compound. It consists of 200 monocrystalline silicon photovoltaic panels. Its peak output is 53 W/cell, optimal voltage 17.5 V/cell. The installation generates nearly 8,000 kWh of power per year. The amount of energy we get today, out of the total amount of solar energy available, is negligible. However, this does not mean that it will always be this way. Although worldwide, solar accounts for only approximately 0.01% of total electricity generation, solar technologies have great growth potential and advanced countries are counting on them for the future. Their growth is directly proportional to the development of new technologies, the principal advantage of which is their substantially higher energy efficiency.



"Thanks to government subsidies, the prices at which electricity from solar power plants is purchased in the Czech Republic are among the highest in the entire European Union... As of the middle of last year (2009), there has been a huge rise in requests for connection of photovoltaic power plants to the distribution grid. In 2009 alone, CEZ Group received over 11,000 requests through its distribution company, ČEZ Distribuce."

Growth in Photovoltaic Power, ČEZ news č. 3/2010

CEZ Group Green Energy

Green Energy is a CEZ Group project that enables both households and businesses to express their environmental responsibility and to support environmental protection activities. The Green Energy product is available to all CEZ Group customers and is directly focused on supporting renewable sources of energy.

Customers who order "green energy" pay a symbolic fee of 10 hellers per kilowatt-hour in addition to the regular electricity price calculated using the applicable rate. All of these fees are collected in the Green Energy Fund, which serves to finance non-profit and public-benefit projects in the area of renewable energy sources.

2006 saw the formation of the Green Energy Council, consisting of scientists, ecologists, and experts in renewable energy. The Council makes decisions concerning the distribution of funds from the Green Energy Fund to projects focusing on financing science and education in the area of renewable energy.

CEZ Group has pledged to plant a new tree in the Green Energy Forest for each Green Energy customer. In addition, in 2008 CEZ Group pledged to match each 10 hellers collected from customers with another 10 hellers, thereby doubling the amount distributed by the Fund and making it possible to support more projects.

Green Energy Newsletter 2004–2009

Environmental Impact of Power Transmission and Distribution

After it is generated, electricity must be transported, in a safe and environmentally friendly manner, to the place of consumption. At CEZ Group, a wide range of technical equipment is used for this purpose, and together this equipment is referred to as the "distribution grid".

In addition to protecting the environment in conjunction with the operation of distribution equipment such as, in particular, transformer stations, CEZ Group pays the most attention to protecting birds, which use outdoor power lines and their support structures for roosting and nesting. Since birds can sustain injury when they come into contact with energized equipment, our main focus is on modifying consoles to make them safe for birds. Old types of line support points must be protected using so-called "supplemental protection", which eliminates the effects of current and thereby serves as a substitute for the new, safe console design. In this area we have successfully developed broad, mutually effective cooperation with nature protection advocates and the Ministry of the Environment of the Czech Republic.

Distribution Lines and the Environment

In accordance with applicable legislation, CEZ Group pays continual attention to creating conditions for environmental protection in conjunction with the operation of distribution technologies and equipment. There are a large number of areas on which CEZ Group focuses. These include:

- water management,
- polychlorinated biphenyls,
- legacy environmental burdens,
- waste,
- noise.

Water Management

Certain distribution equipment contains heat-transfer oils, which can pose a certain threat to the environment if accidentally released. In most cases, the equipment is technically secured against oil escaping from the casing. For the remaining equipment, the problem is dealt with by installing containment systems that are capable of capturing oil even from very small leaks.

Polychlorinated Biphenyls (PCBs)

Since 2002, we have been systematically verifying the quality of oil used in our distribution equipment, including checking for the presence of polychlorinated biphenyls. In 2009, we verified over 3,000 pieces of equipment at a cost of approximately CZK 4.5 million. In view of the fact that, out of the many thousands of oil samples tested, only a small number have been shown to contain PCBs over the limit, the equipment administered by ČEZ Distribuce, a. s. that has not yet been tested can be deemed to be uncontaminated or slightly contaminated. An amendment of the Waste Act makes it possible to defer testing for PCBs in such equipment until the end of its operating life.

Legacy Environmental Burdens

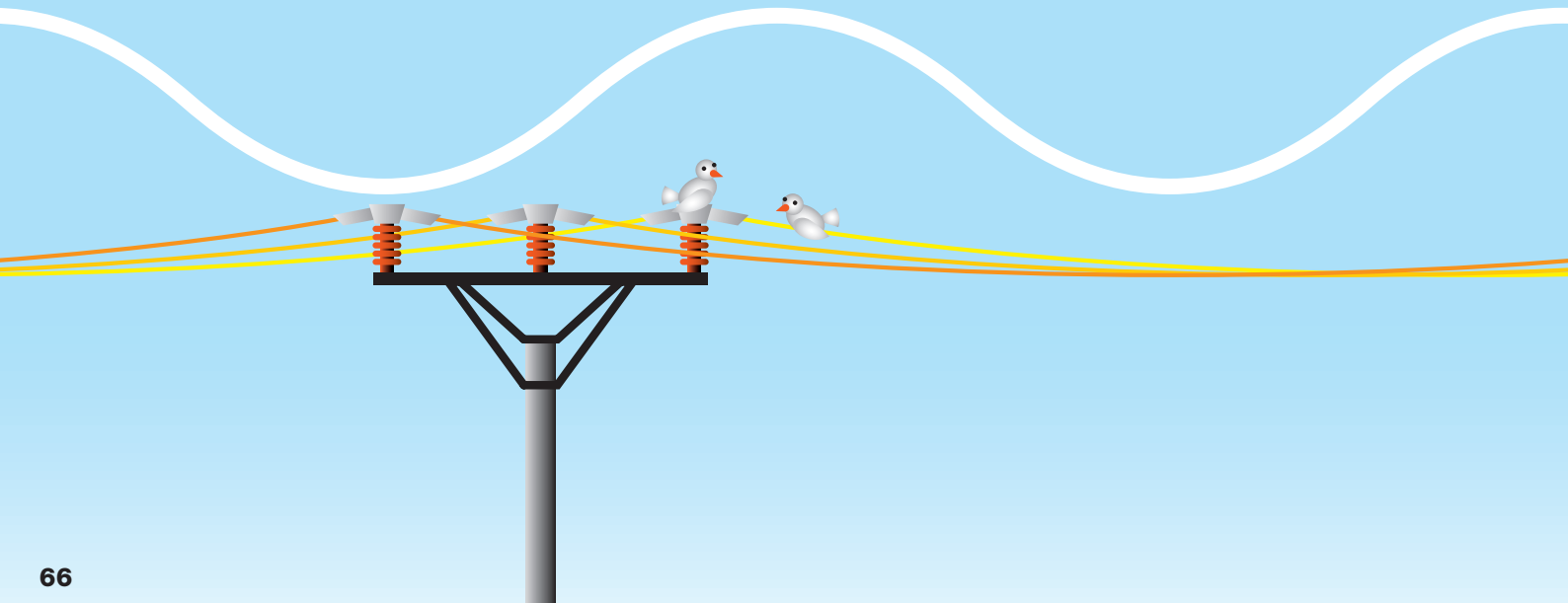
Within the ČEZ Distribuce, a. s. service area, there are 78 sites with legacy environmental burdens. Of this total number, three sites were cleaned up in 2009 and work is ongoing at another 13 sites. In 2009, nearly CZK 1.7 million was drawn from the government's fund reserved for cleaning up legacy environmental burdens.

Waste

Various waste materials are generated in the course of distribution grid operation. In accordance with our prevention-based approach, the objective of CEZ Group is to minimize the amount of waste and/or prevent waste from being produced in the first place. This is the job of our waste management function. Waste that is produced is reused where possible. Other waste is recycled. Recycled waste materials include old cables, wires, steel structures, and transformers (including coils made of non-ferrous metals), as well as more complicated waste composed of a number of different materials. For example, no electric meters are landfilled; instead, they are disassembled and sorted into usable components for further processing. In this manner, a total of 192,700 pieces of equipment were processed in 2009. CEZ Group work areas are equipped with sorted waste containers. Any hazardous waste that arises is handled in accordance with especially strict rules.

Noise

In most cases, equipment noise is dealt with by locating the equipment sufficiently far away from human habitations. Where that is not the case, noise from the stations is suppressed using anti-noise barriers or by planting vegetation around the station.

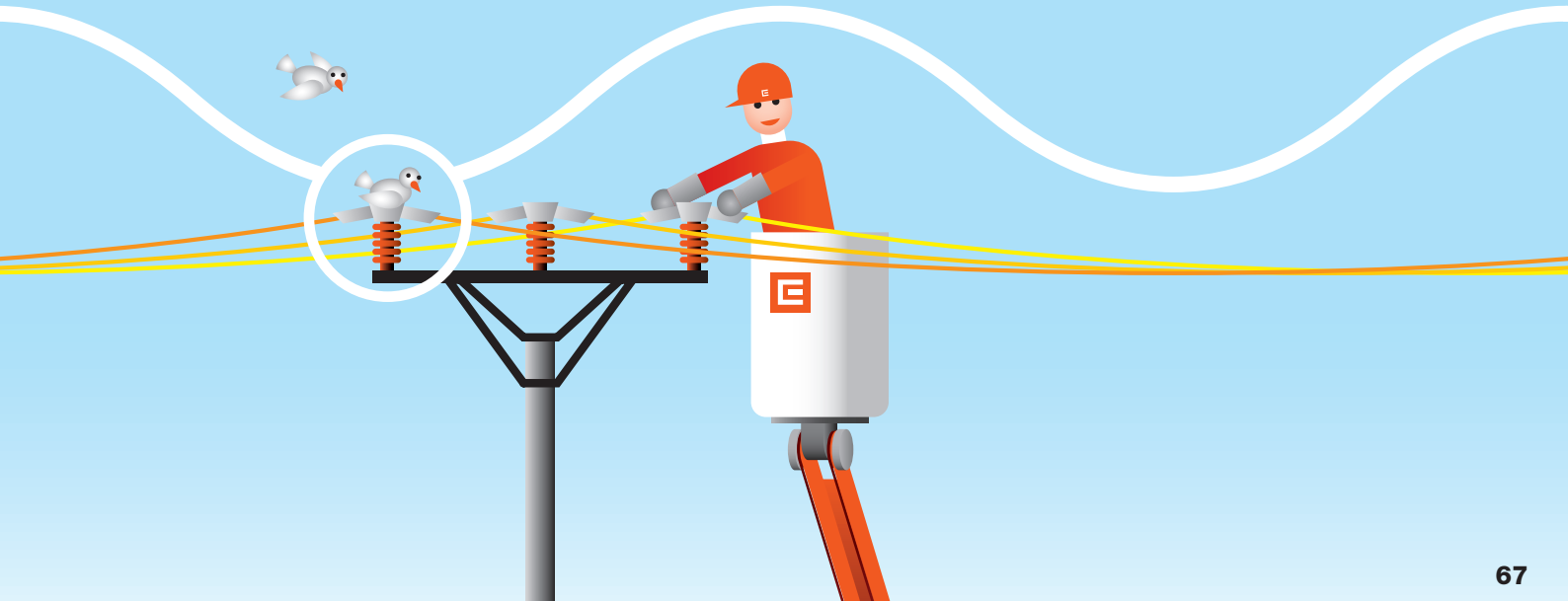


Bird Protection

In 2009, CEZ Group continued to take measures to protect birds from coming into contact with electric current and to prepare plans for further activities in this area.
Act No. 114/1992 Sb. on Protection of Nature and the Landscape stipulates that, starting in 2004, ČEZ Distribuce, a. s. must equip all new and rebuilt medium-voltage lines with elements designed to protect birds from electric current. As part of our environmental responsibility, in 2007 CEZ Group decided to go beyond what the law requires and install protective equipment on all potentially dangerous medium-voltage lines. This included legacy power lines where such equipment was not required by law. In 2009, an amendment of the Energy Act made it mandatory to secure all medium-voltage power lines within 15 years, i.e. by 2024.
At the recommendation of ornithologists, the protective measures will first be taken in locations where the bird-injury risk posed by the power lines is critical. CEZ Group's protective measures are designed to reflect, in the best manner possible, where endangered bird species occur. In 2008 and 2009, over 700 km of power lines were secured in this manner at a capital expenditure of nearly CZK 38 million.
The priority solution is to use safe support points on new medium-voltage lines. The preferred solution will be to use consoles specially designed to completely prevent bird injuries.

Currently, there are roughly 750,000 power poles in the Czech Republic that could potentially be dangerous to birds. Today, approximately 11% of power lines are equipped with effective protection. The problem arises particularly on 22 and 35 kV medium voltage lines. The 110 kV power lines operated by ČEZ Distribuce, a. s. are potentially dangerous as well. In total, CEZ Group – through its member, ČEZ Distribuce, a. s. – manages 153,770 km of power lines in the Czech Republic. Of this number, 22–35 kV outdoor power lines account for 50,100 km.
CEZ Group is also engaged in ensuring the safety of the strictly protected White Stork population. It is estimated that approximately one tenth of stork nests are located on power poles. For this reason, special metal structures called Stork Nesting Points are installed on them. In cooperation with nature protection experts, in some cases stork nests are moved to protect the birds as well as the electrical equipment. A stork nest can weigh up to a half ton.
As a bonus related to environmental protection, an Osprey nesting basket was installed on a medium-voltage power line in Krásná Lípa at the recommendation of the České Švýcarsko ("Czech Switzerland") National Park Administration. Monitoring of the artificial nest undertaken in 2007 showed that a young pair of ospreys appeared and even stayed at the location for a short time, but without making a permanent nest or raising any young. If the osprey nesting plan is successful, it will be the first osprey nest in the Czech Republic for many tens of years.

Bird Protection in Frýdlant Area



Climate

Animation

CEZ Group aims to gradually reduce its greenhouse gas emissions. Therefore, we are continually looking for ways to do this effectively. We are rolling out modern technologies as well as advocating alternative methods that can also play a role in achieving the above goal.

Carbon Exposure

The Carbon Exposure indicator expresses to what extent a producer of carbon dioxide (CO_2) emissions is affected by carbon regulation. It expresses the proportion of greenhouse gas emission-producing activities in the company's operations.

In the case of power utilities, the main source of carbon exposure is the utilization of fossil fuels, especially those (such as brown coal) whose combustion is accompanied by a large amount of greenhouse gas emissions. When power generation installations utilizing non-carbon technologies (renewables, nuclear) are added to the plant portfolio, carbon exposure drops. Therefore, the form and, most importantly, extent of greenhouse gas emissions regulations in the future is an important consideration in CEZ Group's strategic development and investment planning.

This concerns more than just how to go about using the sources currently used to generate electricity. The main question is how electricity will be generated in the future, as these sources run low. Therefore, each year CEZ Group invests substantial funds in developing renewable energy sources and other forms that result in environmental protection.

The governments of world powers are discussing a solution that would reduce the environmental burden. Alan Svoboda, Chief Sales Officer of ČEZ, had this to say about it: "Regardless of the results of political negotiations, we are introducing a number of measures designed to bring about a major reduction in CO_2 emissions. These include increasing nuclear generation, building gas-fired power plants, investing in renewable energy, and building an extensive portfolio of JI/CDM projects."

Interview with Alan Svoboda at www.euractiv.cz/energetika/interview/svoboda-na-prisne-regulace-co2-doplati-predevsim-spotrebitele

CEZ Group and its specialists are members of a number of international organizations that deal with climate change issues and technologies for reducing greenhouse gas emissions. For example, we are a member of:

- Carbon Disclosure Project (see www.cdproject.net),
- CEPS (Center for European Policy Studies) (www.ceps.be),
- EURELECTRIC (www.eurelectric.org).

CEZ Group takes a constructive approach by seeking effective solutions to reduce emissions, supporting economical tools, and engaging in international cooperation, including bilateral and other negotiations with representatives of the European Commission, European Union Member States, and various industries. We also give presentations at various events, both at home and abroad.

CEZ Group Action Plan Measures

In 2007, CEZ Group introduced its CO_2 Emissions Reduction Action Plan for the period until 2020. The plan rests on four key pillars:

- increasing the weighting of renewables in the energy mix,
- reducing the intensity of greenhouse gas emissions,
- contributing to fulfillment of the Czech Republic's national energy conservation objectives,
- through the above mechanisms, contribute to the realization of energy savings.

Pillar 1: the goal is to triple the volume of electricity generated by the renewable energy installations of CEZ Group from 1.7 TWh per year (in 2005) to 5.1 TWh (in 2020).

- CEZ Group is successfully developing its renewables portfolio in Central and Eastern Europe.
- The past few years have seen the acquisition of several important plants and plant projects, such as the Fântânele and Cogealac wind farm in Romania (planned total installed capacity 600 MW), a solar power plant in Ševětín, South Bohemia (30 MW), a solar power plant in Hrušovany nad Jevišovkou (3.75 MW), and others.
- Combined firing of biomass in conventional coal-fired power plants also plays a major role. In 2009, CEZ Group generated over 327 million kWh of electricity from biomass in its domestic power plants (Hodonín, Poříčí, Tisová Power Stations and Dvůr Králové Power Heating Plant). In late 2009, one generating unit at Hodonín Power Station was switched over to firing 100% pure biomass.

Action Plan 2011–2019

Pillar 2: the goal is to reduce the intensity of greenhouse gas emissions at CEZ Group by 15%, i.e. to lower the overall emission factor from 0.55 t CO_2/MWh (in 2005) to 0.47 t CO_2/MWh (in 2020).

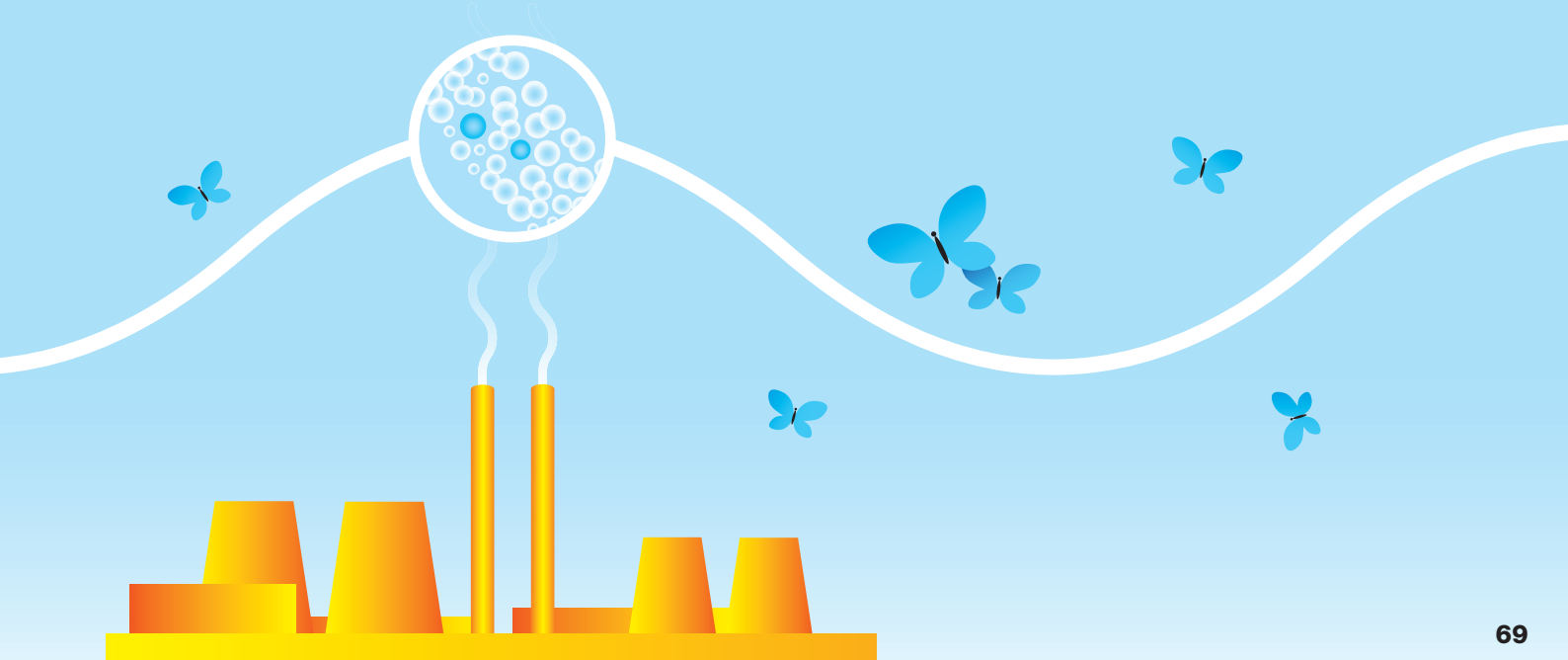
- Through investments in renewable energy sources, the emission factor is falling steadily.
- However, investments in conventional thermal power plants will make a much greater contribution. The modernization of the Ledvice and Tušimice Power Stations has already begun, and preparations are underway for the modernization of Prunéřov Power Station.
- CEZ Group is also seeking ways to make nuclear energy generation more efficient. It launched the Safely 15 TERA initiative in Temelín and the Safely 16 TERA in Dukovany, which will increase the generation efficiency and reliability of both nuclear power plants and reduce the number of days spent in unforced outages.

Pillar 3: the goal is to help the Czech Republic meet its national goal of reducing its energy requirement by 23 TWh per year up until 2020, compared to what the consumption figures would be if conservation measures had not been put in place.

- Through the FUTUR/E/MOTION initiative, CEZ Group is supporting development and investment in several areas – particularly, the development of electromobility in the Czech Republic, tri-generation of electricity, heat and cooling in small-scale installations, and the development of Smart Grids that enable customers to better control their electricity consumption.

Pillar 4: the goal is, through the above mechanisms, to contribute to the implementation of energy-saving projects in a total equivalent volume of at least 30 million tons of CO_2 by 2020.

- CEZ Group is continuing to invest in JI and CDM projects in order to fulfill its pledge by 2020.



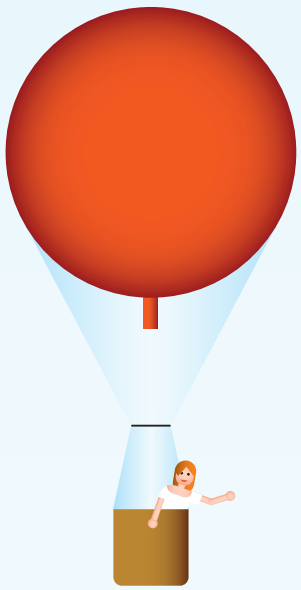
Greenhouse Gas Emissions

In 2009, CEZ Group power plants produced 32,608,000 tons of CO_2 in the Czech Republic, 2,249,000 tons of CO_2 in Poland, and 2,337,000 tons of CO_2 in Bulgaria. In the following table, you will find a list of emission rights issued to CEZ Group along with values for reported/produced CO_2 emissions for individual power plants in the first and second trading periods of the EU ETS (*emission rights, or tons of CO_2).

Remark:
The EU ETS is a system for trading in greenhouse gas emission rights pursuant to Directive 2003/87/EC, as amended.
The year 2010 is in the middle of the second trading period, which ends with the year 2012.
CEZ Group emissions are verified by Det Norske Veritas CZ, s. r. o. The methodology for determining (verifying) emissions is defined by the European Trading Scheme.

Reducing the Emission Intensity of ČEZ Sources

By 2020, CEZ Group plans to triple its generation from renewable sources of energy. This goal is set forth in the Action Plan for Reducing CO_2 Emissions by 2020, which has been published by Company management. Under the plan, generation of electricity from renewable energy sources is to reach 5.1 TWh in 2020. That is three times more than CEZ Group produced in 2005 (1.7 TWh). Other goals include reducing the intensity of greenhouse gas emissions by 15%, helping to meet the national goal of reducing energy intensity by 23 TWh per year, and investing abroad in projects that will lead to a savings of at least 30 million tons of CO_2. The planned measures will require total additional expenditures of over CZK 17 billion by 2012.



"Under the Action Plan, the intensity of CEZ Group's greenhouse gas emissions is to fall by 15%, with a reduction of the overall emission factor from 0.55 t/MWh in 2005 to 0.47 t/MWh," said Alan Svoboda. The basic measure for reducing emissions is to accelerate renewal of our coal-fired power plants while utilizing the best available technologies, including 'Clean Coal' technologies.
CEZ Group website, www.cez.cz/en

CEZ Group Verified Emissions in the Czech Republic and Abroad

ČEZ Operations in Environmental Markets

Compared to other pollutant emissions that are regulated, the area of greenhouse gas emission reduction is, in a way, different. This difference lies in the utilization of economic tools (trading in emissions rights) at a global scale. In the past, trading was used only to a limited degree to address local problems with pollution. No major breakthrough took place until the USA instituted a system, at the federal level, for trading in emissions of sulfur oxides. The experience gained in the USA was subsequently used to design the European Union's system for trading in greenhouse gas emission rights. Currently, this European market is the largest environmental market in the world.
A second group of markets, which are closely interlinked with the European emission rights market, are global markets governed by the Kyoto Protocol. These markets, with their geographic scope (not limited to EU Member States) and number of regulated gases (all the greenhouse gases in the Kyoto Protocol), come close to being a global solution in the form of a globally applied tool.
CEZ Group's operations in environmental markets are not optional – ČEZ's sources are required to participate in the Emissions Trading Scheme.
In financial and investment terms, today's environmental markets are comparable in importance to markets for other commodities. They are planned for the long term, even though they have a number of shortcomings. It is absolutely imperative that CEZ Group find the optimal strategy. That is one reason why ČEZ has become one of the few corporations from Central and Eastern Europe that are active in these markets.

Environmental Markets: What Are They?

One special feature of environmental protection regulation in general, and the greenhouse gas emissions reduction area in particular, is the utilization of market mechanisms, which are economic tools for protecting the environment.

Another term you will encounter in this area is environmental markets. These are markets in which the commodity traded consists of emission rights that are freely negotiable among market participants (CEZ Group trades in EUA, CER, ERU, and AAU emission rights). The market players are either direct participants (governments and individual greenhouse gas emitters) or intermediaries (exchanges, brokers, and other traders). Trading in emission rights gives rise to price stimuli that reduce greenhouse gas emissions in an economical manner.

CEZ Group operations in this area focus on two principal carbon markets:

- the Kyoto mechanism,
- the EU ETS.

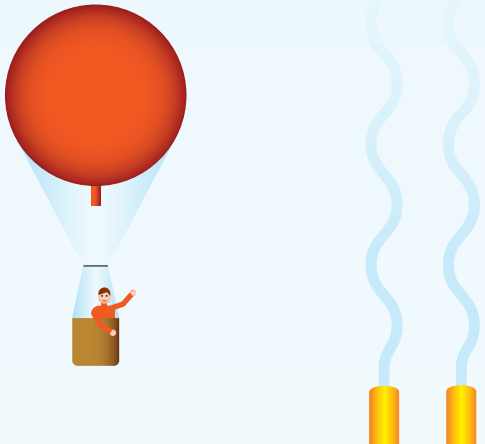
In the beginning, these two markets were independent of each other. However, they were later linked under the Linking Directive 2004/101/EC.

The Kyoto Protocol

The countries that signed the Kyoto Protocol pledged to meet their target, which is to limit or reduce greenhouse gas emissions through national policies. The JI, CDM, and IET projects were integrated into the Kyoto Protocol mechanism as supplemental tools.

There are three so-called flexible mechanisms of the Kyoto Protocol:

- two mechanisms are based on the implementation of projects (Joint Implementation – JI projects and Clean Development Mechanism – CDM projects),
- the third (International Emissions Trading – IET) is based on trading in emission units amongst countries, without implementation of projects.



The European Union Emission Trading scheme (EU ETS)

The European Union has set two ambitious goals for itself, entitled “20 – 20 by 2020” – a 20% reduction in greenhouse gas emissions compared to 2005, and 20% of EU energy consumption to come from renewable sources.

Currently, the end of the second trading period is drawing near, after which there will be a third, eight-year period ending in 2020. The number of entities required to reduce their emissions is growing, as is the list of gases subject to regulation.

The tradable units are entitled EU Emission Allowances (EUAs).

ČEZ’s Pro-Active Approach

For CEZ Group, the regulation of greenhouse gases via market mechanisms represents a significant business risk, but at the same time it is an opportunity to enter new markets and contribute to sustainable development. Risk is controlled and hedged to ensure that it does not become a threatening factor. Thus, seen positively, regulation brings short- and long-term business opportunities.

Short-Term Opportunities

- optimizing the energy mix vis-a-vis the price of emission rights,
- trading in emission rights on exchanges and OTC markets, both directly and indirectly,
- increasing the efficiency of power plants and increasing the availability of zero-emission installations.

Long-Term Opportunities

- participating in domestic and international projects,
- operating in the domestic and international markets both in the EU ETS, where participation is mandatory, as well as in the Kyoto Protocol flexible mechanisms, which are voluntary.

Our efforts are aimed at gaining experience with the operation of emission rights markets and, most importantly, leveraging the potential offered by these mechanisms. The goal is, in accordance with trading principles, to optimize the cost of reducing emissions and to invest in emissions reductions when the system offers a sufficient stimulus (in the form of the price of emissions rights) to do so. In this manner, greenhouse gas emissions have become an integral part of the Company’s decision-making process, not only in operations, but particularly so in the area of future development.

CEZ Group also expresses its pro-active approach by its membership of the International Emissions Trading Association (IETA) and other organizations (EURELECTRIC, CEPS).

Domestic Greenhouse Gas Emission Reduction Programs Within CEZ Group

In accordance with European Community legislation, Czech law provides plant operators a transition period in which they receive funds to equip and upgrade electricity and heat generation facilities and to invest in clean electricity and heat generation technologies with the aim of bringing about an overall improvement in technical facilities that will be reflected in a reduction in CO_2 emissions produced by these facilities.

Solving problems related to climate change cannot remain only on government's shoulders: industrial enterprises must also play their part. Responsible plant operators realize that it is their duty to search for ways to utilize natural resources more effectively, reduce environmental impacts, and look for ways forward that are in accordance with sustainable development principles.

CEZ Group has openly declared its acceptance of this responsibility. The publicly declared pledge of CEZ Group is perceived as a long-term obligation toward the public – by making this pledge, CEZ Group demonstrates that it is aware of the impacts its operations have on the environment and that, as the largest producer of greenhouse gas emissions in the Czech Republic, it feels a fundamental responsibility for further reducing these emissions.

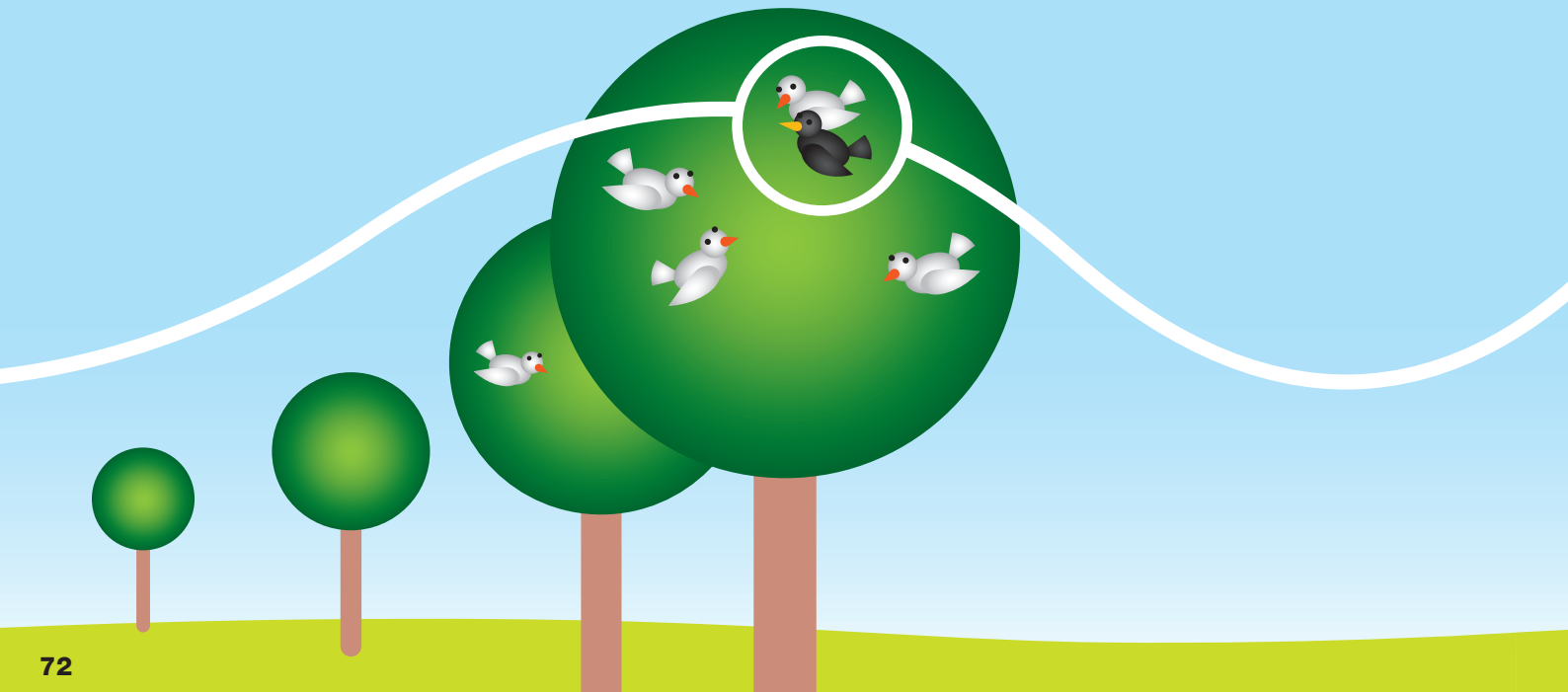
CEZ Group has commenced a program of investments in its plant and equipment that, when completed, will reduce the amount of greenhouse gas emissions.

The entities currently participating in the program are the following:

Ledvice Power Station	Address	Plant specification pursuant to Act No. 695/2004 Sb.	
New 660 MW_{el} installation	418 48 Bílina	building permit	05/2005
		nameplate capacity	1,290 MW_t
		type of technology used	electricity and heat generation
		fuel consumed	brown coal

Tušimice 2 Power Station	Address	Plant specification pursuant to Act No. 695/2004 Sb.	
KO ETU2 4 x 200 MW_{el}	432 01 Kadaň	building permit	04/2006
		nameplate capacity	4 x 437 MW_t
		type of technology used	electricity and heat generation
		fuel consumed	brown coal

List of Emission-Reducing Projects Commenced

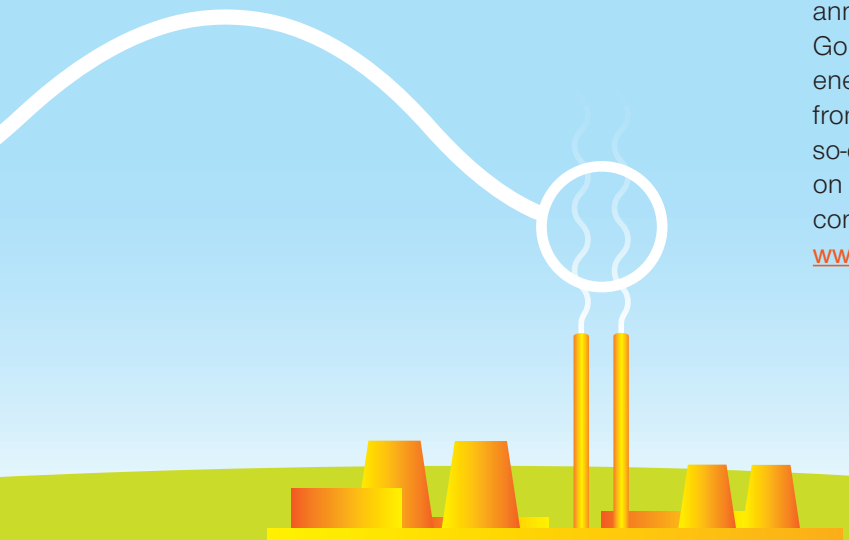


International Greenhouse Gas Emission Reduction Projects Outside of CEZ Group

CEZ Group is an active company for whom reducing emissions of greenhouse gases is a key objective. As part of its strategy for achieving this objective, it has planned and is currently implementing three types of projects:

1. Either directly or through intermediaries, CEZ Group is purchasing credits from 25 CDM projects, situated mostly in China. Some are already in the final stage – i.e. they are already generating emission credits. The rest are going through the individual stages from development and construction to registration with the UNFCCC, which is necessary for CER credits to be issued.
2. CEZ Group is investing in the carbon fund of the European Bank for Reconstruction and Development (EBRD) and in the Multilateral Carbon Credit Fund (MCCF). Thanks to its participation in these two funds, CEZ Group is able to choose the JI projects in which it wishes to participate. The project cycle is managed directly by the fund managers. The emission savings generated can be used in place of emission rights.
3. Direct participation in projects is the third way in which CEZ Group is operating in the area of greenhouse gas emission reduction. Here we are focusing on Central and Eastern Europe and the Balkan States in particular.

After 2012, the second trading period of the EU ETS will end, as will the Kyoto Protocol's control period. A meeting of parties to the Kyoto Protocol held in December 2009 in Copenhagen failed to live up to the expectation that a legally binding, strict, international treaty would be negotiated to replace the Kyoto Protocol and lead to a further reduction in greenhouse gas emissions after 2012. Therefore, CEZ Group will focus on assessing proposed and final legislation at the national and international level, as well as at the European Union level. The objective is to come up with a trading strategy for the post-2012 period.



Energy Conservation

One of the most important tools for reducing emissions and energy intensity is energy conservation. The government, too, is providing support for initiatives in this area. In the autumn of 2009, for example, it announced a Nationwide Competition in the Area of Energy Conservation and Utilization of Renewable and Secondary Sources of Energy. This is the latest in a series of programs under the patronage of the Ministry of Industry and Trade of the Czech Republic:

- the State Program for Supporting Energy Conservation and Renewable Sources of Energy,
- Intelligent Energy for Europe,
- Support from EU structural funds.

CEZ Group is active in the energy conservation area on three basic levels:

- raising awareness,
- providing advice to customers,
- directly cooperating with customers.

Communicating to the Public

Awareness is a very important factor for CEZ Group, as it can help to shape electricity consumption. In conjunction with CEZ Group's environmentally friendly approach, the goal is to reduce consumption and utilize renewable sources of energy. Campaigns and other initiatives and programs for the public explain how it is possible to achieve this goal.

One such campaign was entitled Shine a Light On Conservation. It took place during November and December 2009 and lasted seven weeks. It focused on everyone in the Czech Republic who pays electricity bills. Its objectives were to:

- educate the public regarding conservation measures that can be taken without incurring high costs,
- encourage reduced energy consumption in households,
- show CEZ Group as a company that accepts its share of social responsibility.

The campaign could be heard on radio stations that broadcast in the MMS network, and consisted of conventional radio advertisements, announcements, and announcer talk, as well as a special radio show, "How to Go About It?", which offered specific tips on how to save energy in a household setting, along with messages from sponsors. In city streets, it was possible to meet so-called "roving radio patrols" that provided information on the campaign's theme to passers-by. The campaign content was also available on the Internet at the website www.posvittesinauspory.cz.

The results of the campaign were very interesting: half the population were aware of the campaign. The website received 13,500 visitors, and over 5,300 people participated in the competition.

Advice to Customers

CEZ Group is well aware of its strong position among energy companies not only in the Czech Republic, but in all of Europe. It is also aware that, without its customers, it would not be what it is. Therefore, it is continually working to improve its services to customers, so as to give them the right arguments why they should choose CEZ Group.
It provides conventional energy advice, focusing on improving electricity service, how prices are set, etc. In addition, it also advises customers on the ways in which they can reduce their electricity consumption, how to save on electricity both at home and at work, how to behave in a more considerate way toward the environment, how to optimize electricity use during the daytime and nighttime hours, etc. This is accomplished through an array of tools that are described in the following sections.

Basic Advice Provided With Offering of Electric Power Products

Since CEZ Group respects its customers, it offers them a wide array of services designed to make it easier for them to communicate with us and obtain the information they need.

For example, the customer can choose how he or she wishes to be served. The choices include:

- in person at customer service centers,
- by phone through the call centers,
- through contractual partners,
- through the Virtual Sales Office.

CEZ Group has 24 customer service centers located throughout the entire Czech Republic. Services are also provided by 58 contractual partners. A map showing service locations and opening hours can be found at the CEZ Group website, at the address www.cez.cz/en/ contacts/contact-points.html.

There are two call centers – one in Plzeň and the other in Zábřeh na Moravě. Each acts as a back-up for the other, to ensure that CEZ Group's customer lines are always available. Each day, 300 experienced, professional operators take in an average of 4,500 telephone requests. Customer service center personnel work with the operators to deal with another 6,500 requests that come in via other channels (e.g. fax, e-mail, postal mail, the Virtual Sales Office, etc.) and together they care for 3.5 million customers. You can reach a call center by dialing the Customer Line: 840 840 840.
In recognition of the high service quality of its call centers and customer service centers, CEZ Group received an award in the international competition, European Contact Center Awards 2009. It reached the finals in the category The Best Multi-Channel Contact Center, thereby winning the title of Finalist, European Contact Center Awards 2009.
2009 was the sixth year of this competition, which kicks off the Call Centre Expo, the biggest event of its kind in Europe. Out of hundreds of companies from Europe and elsewhere that entered the competition, an international jury selected candidates to advance into the second round. Participants in the competition included high-profile companies such as Barclays Commercial Bank, British Telecommunications, British Gas, and others. The jury members evaluated the level of customer care as well as the work environment, technological equipment, and treatment of employees of the contact centers.

"With this award, we took a place amongst Europe's top professionals in customer care. Such an accomplishment would not have been possible without the hard work and dedication of all our employees and excellent cooperation with our partners and co-workers from other units and companies of CEZ Group," said Milena Linhartová, Director of Customer Care, ČEZ Zákaznické služby, when the company made it to the finals.
CEZ Group press release, August 6, 2009

Another service for CEZ Group customers is the Virtual Sales Office web application, which enables customers to comfortably gain access to personal information and deal with their requirements regarding the use of electricity. Customers need no longer go to the bank, as they can manage their account through Internet banking. Thanks to 24-hour availability, the Virtual Sales Office saves time and enables customers to access their account whenever it is convenient for them. Customers' personal data is password-protected.

The Virtual Sales Office gives customers access to:
- a list of their electricity bills,
- a list of all their connection points,
- on-line resolution of their requests.

Graph: Number of Customers 2009

Graph: Type of Customers 2009

If a customer is interested in this service, he or she can register for it on the CEZ Group website, at the address www.cez.cz/vok.

CEZ Group Advice Center

For its customers, CEZ Group operates 24 customer service centers throughout the entire Czech Republic. Services are also provided by 58 contractual partners. A map showing service locations and opening hours can be found at the CEZ Group website, at the address www.cez.cz/en/contacts/contact-points.html.
In March 2010, a new customer service center with barrier-free access was opened in Prague's Karlín district. It has a total area of 600 m^2 and its employees are capable of serving over 500 customers a day. The new building, which is part of the Futurama business park, has the highest possible energy certificate in category A, reserved for buildings with the highest degree of energy savings.
For added convenience, customers can reserve a specific date and time over the Internet, thereby avoiding unpleasant lines and saving time that they need for other activities. If they wish to schedule a meeting, all they need do is open the web address www.cez.cz/cs/kontakty/ sjednani-schuzky.html and reserve a time that is convenient for them.

Promotion of Household Consumption Optimization (Appliance Scrappage Payments)

Information on opportunities to save on electricity that CEZ Group offers to its customers must get to them somehow. One of the routes is the Group website, www.cez.cz/en, which is a rich source of information. In addition, there is the Orange Guidebook, subtitled Practical Information and Tips From the World of Electricity. This publication comes out once a year and contains information on, for example, the Virtual Sales Office, electronic billing, "green energy", FUTUR/E/ MOTION, and other CEZ Group programs. It also contains energy saving tips such as replacing conventional light bulbs with energy-saving ones, turning off appliances when not in use, washing only full loads of laundry, planning the ironing process ahead of time for maximum efficiency, proper placement of appliances in the kitchen, and other information.

Orange Guidebook

In 2009, our efforts to raise public awareness of energy conservation continued with the Appliance Scrappage Payments project, which saved money for thousands of ČEZ customers and gave substantial relief to nature as well. The basic principle of the event was to purchase a new electrical appliance and have the old one disposed of in an environmentally sound fashion – with a CZK 1,000 contribution from CEZ Group for every appliance scrapped.

Production of Energy Saving Advice POS Materials Focusing on Various Segments and Fields

CEZ Group's service portfolio is very extensive. We provide special products for customers with various types of electricity use:
- ordinary customers who use electricity for lighting and/or cooking,
- those who use electricity to heat hot water,
- others who use electricity to heat buildings using off-peak storage heaters, space heaters, or heat pumps.

To ensure that customers have all the information they need on the services offered, in an easy-to-understand form, CEZ Group publishes so-called "product sheets" for them.

List of Products

Promotion of Energy Saving Advice in the Media

Through its campaigns, CEZ Group ensures that the public is sufficiently well informed regarding how to behave responsibly toward natural and other resources from which electricity is generated. However, the information cannot be too specialized. It must be prepared and presented in such a way that people will find the information itself not only understandable, but also of interest to them and beneficial in terms of their needs. That means advising the public.

The media are a reliable way to get advice to the public. In 2009, CEZ Group ran a media campaign entitled Appliance Scrappage Payments, the goals of which were to:

- encourage households to reduce electricity consumption by purchasing a new, energy-saving appliance,
- highlight the environmental benefit of the campaign by ensuring proper disposal of old appliances,
- build CEZ Group's image as a company that behaves responsibly.

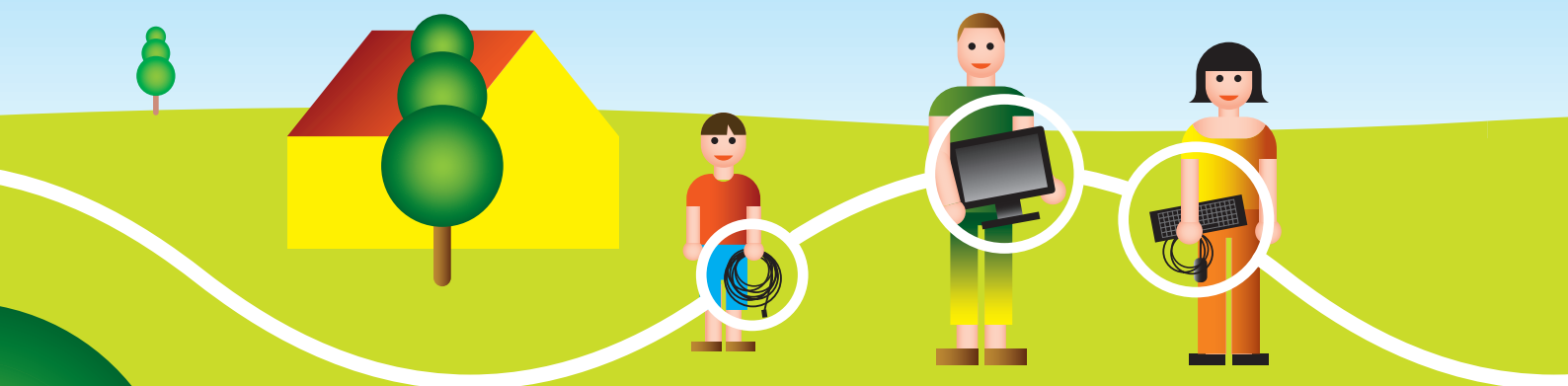
The essence of the program was that the customer returned an old appliance, which was subsequently disposed of in an environmentally sound fashion by a specialized firm, and bought in its place a new appliance – with a CZK 1,000 contribution (= appliance scrappage payment) from CEZ Group.
The CEZ Group Appliance Scrappage Payments program, which lasted from April to mid-June 2009, saved thousands of ČEZ customers money and gave substantial relief to nature as well. 600 tons of old appliances were collected and disposed of in an environmentally sound fashion by our partner company, ELEKTROWIN. Recycling of the scrapped appliances yielded over 400 tons of iron, over 25 tons of non-ferrous metals, and nearly 150 tons of plastics.

"Right from the beginning, the Appliance Scrappage Payments program had two basic goals: to raise people's awareness of the economic advantages inherent in new energy-saving appliances and to inform them of the environmental benefits of replacing old appliances. Environmentally sound disposal of hazardous substances and recycling of reusable materials is a big plus for nature," said Milan Mika, Marketing Director, ČEZ Prodej, s.r.o.

CEZ Group press release, July 16, 2009

Thanks to recycling of materials and environmental disposal of freon from the turned-in appliances, 7,200 tons of emissions of CO_2, a greenhouse gas, were saved. The energy saved by recycling the materials – i.e. the energy that would otherwise have been used to produce new materials – was approximately 4 million kWh – equivalent to the annual consumption of 500 residents of the Czech Republic.
CEZ Group, in cooperation with the Electrotechnical Testing Institute (EZU), tested a total of eleven energy-efficient refrigerators, which after the testing was over were donated to families in Moravia whose homes had been damaged by the floods there.
The campaign was implemented through print advertisements in flyers distributed by the retail chains Datart and Euronics, as well as through PR activities, and in-store promotions. Readers of the daily newspaper Mladá fronta Dnes were acquainted with the tests conducted on different types of appliances, and the event had its own special web presentation at the address www.cez.cz/uspory.
The campaign got a great response in all the media, and over half the adult population recalled seeing it. Over 50% of respondents said that the initiative made them view ČEZ in a more positive light. In addition, a total of 10,500 energy-saving appliances were sold, thereby reducing electricity consumption.

Appliance Scrappage Payments



Electricity Consumption and Savings Calculator on the Internet

Another way to effectively advise the public on how to choose and handle electrical appliances is the website www.cez.cz/en. Here, visitors will find an interesting application that, when provided with specific information, will "calculate" how much energy a household's appliances use. Through interactive calculations, it is possible to find out, for example, how much the household could save by buying energy-saving light bulbs, how big the household's carbon footprint is, etc. You can find the calculator application in the section How to Save (in the sub-section Energy Advisor) at the address www.cez.cz/cs/pro-zakazniky/jak-usetrit.html.

Direct Cooperation With Customers

CEZ Group works directly with customers, using the type of communication the customer chooses. The communication channels available to the customer are:

- customer service centers and contractual partners throughout the entire Czech Republic,
- the call centers and their 300 professional operators,
- the Virtual Sales Office on the Internet,
- the central e-mail address, cez@cez.cz.

In addition, CEZ Group has introduced the so-called electronic billing service. This means the customer no longer receives a bill in paper form, opting instead to receive the bill via e-mail.

CEZ Group also thinks of its handicapped fellow citizens, for whom it has rolled out a special product entitled BASIC_SP. Its advantage lies in:

- priority service at customer service centers,
- lower monthly connection point fee.

This helps nearly 2,000 customers to deal with their financial situation and other requirements.

Provision of Non-Energy Products

In addition to conventional services, CEZ Group also provides its customers so-called non-energy products, which are products that are directly related to electricity. These include, for example:

- the electronic billing system,
- the Virtual Sales Office,
- distribution transformers,
- Carrot Euro back-up power sources.

For its customers, CEZ Group has introduced the so-called electronic billing service. This means the customer no longer receives a bill in paper form, opting instead to receive the bill via e-mail.

Invoice 24

The Virtual Sales Office enables the customer to comfortably gain access to personal information and deal with their requirements regarding the use of electricity. Thanks to 24-hour availability, the Virtual Sales Office saves time and enables customers to check up on their account whenever it is convenient for them. Customers' personal data is password-protected.

Virtual Sales Office

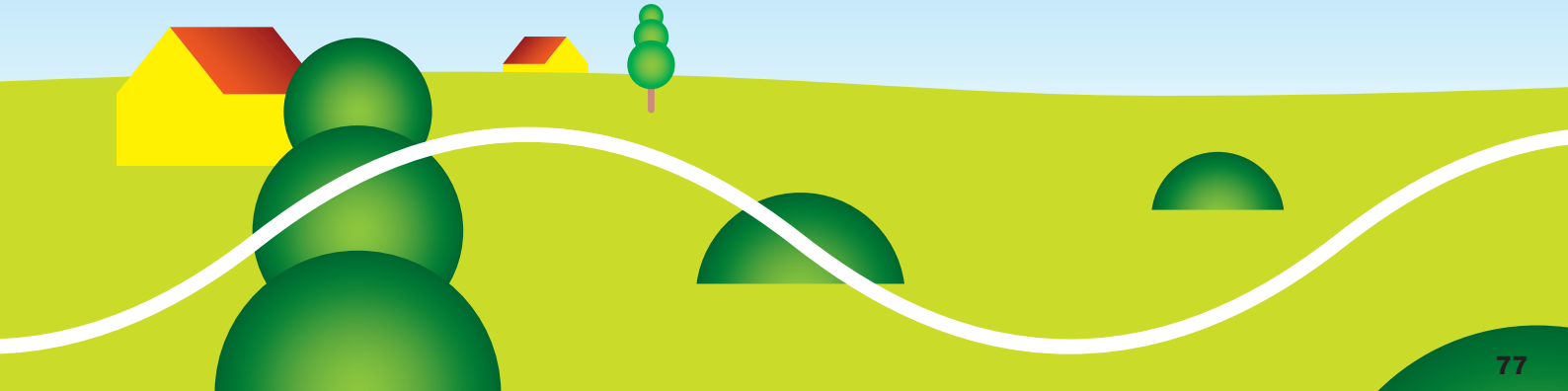
CEZ Group and TrafoCZ, a. s. are jointly offering services in the area of distribution transformers operation, repairs, and maintenance. These services include, e.g.:

- repairs of oil-filled distribution transformers,
- refurbished transformers,
- purchasing of transformers for rotation,
- lease of transformers,
- filtering of transformer oil,
- taking of oil samples and conducting of PCB tests.

Distribution of transformers

The last mentioned service for CEZ Group customers is the provision of Carrot Euro back-up power sources, which help customers effectively resolve problems with their electricity supply and back-up power in relation to planned supply outages on the part of the distributor, accidents, supply interruptions, natural catastrophes, during maintenance of the customer's own electrical wiring, etc.

Carrot Euro



CEZ Group's Customers and Suppliers

Animation

Customers and suppliers are very important elements in CEZ Group's business, and we strive to continually improve our services for them and treat them with openness, directness, and fair play. Relations between the company and customers, and between the company and its suppliers, must be founded on mutual trust.
In this way, CEZ Group is building a position for itself as a strong power company whose strength lies in the credibility of its operations, not only in the Czech Republic but in other countries – in Europe and further afield – in which it operates. Mutually beneficial cooperation with customers and suppliers alike is the cornerstone upon which the positive perception of CEZ Group is built.

Entities of Interest in CEZ Group Relations

Suppliers

Video: Rudná Substation

When choosing suppliers, we look at their approach to the environment, to safety, and to protection of health, as well as the social aspects of their operations. We examine whether potential suppliers have instituted systems for managing quality, health protection, safety, and their relation to the environment. Thanks to this, the potential risk that a single contract could have a negative impact on the environment, safety, and health protection in the fully integrated companies of CEZ Group is reduced to a minimum.
Selection of suppliers takes place in accordance with the law, i.e. transparently and without discrimination, and all suppliers are given equal opportunity.

At CEZ Group companies that fall under the Public Procurement Act, selection of suppliers for contracts above the limit takes place in accordance with that Act. In the case of tenders under the legal limit and CEZ Group companies that are not subject to the Public Procurement Act, selection of suppliers takes place pursuant to internal directives, the basic rules of which concerning the procedures used to select suppliers are based on the provisions of the Public Procurement Act. The tender process is always documented and the rules for evaluating bidders are set before the tender begins. When working with potential suppliers, we follow strict criteria and clear procedures to determine and evaluate their level of qualification to implement the contract or job in question. When a supplier is determined to meet the qualification requirements, the bid tendered by that supplier is subject to an evaluation process that, as a rule, focuses on the bid's economic merits. Economic merits include various evaluation criteria, one of which is always the price offered.
All bidders receive an End-of-Tender Notification containing information on whether that supplier won the tender or not.

Customers

CEZ Group has a large number of customers throughout the Czech Republic. They fall into two basic categories: retail (including small businesses) and wholesale customers. (The latter are also sometimes referred to as large end-customers.)

Customers can always choose in which form they wish to conduct their communication with CEZ Group. They can make requests through the following channels:

- customer service centers and contractual partners throughout the entire Czech Republic,
- the call centers and their 300 professional operators,
- the Virtual Sales Office on the Internet,
- the central e-mail address, cez@cez.cz.

As the first power company in the Czech Republic to do so, CEZ Group in 2009 created a new position, the ČEZ Ombudsman. Customers whose complaint or request was not resolved to their satisfaction through the normal course of business can turn to the ombudsman. Within thirty days, they receive a reply. If needed, they are invited to come in for a face-to-face meeting.

Retail Customers

Currently CEZ Group serves over 3 million households and over 260,000 small businesses, providing them a broad range of products in line with the volume of electricity they use. The price of our services differs from product to product.

For the satisfaction of our customers with smaller volumes of electricity use, CEZ Group offers the following special services:

- customer service centers and contractual partners, where representatives are available to answer customers' questions,
- customers can also contact our call centers, which are available day and night,
- they may take advantage of Virtual Sales Office services,
- they can send their questions, suggestions, and/or comments to our central e-mail address, cez@cez.cz,
- they can download the necessary forms from our website, www.cez.cz/en,
- they can take their own meter reading using the instructions on the website, www.cez.cz/en,
- at the same address, they will find a price comparison calculator, using which they can compare the price they are paying for electricity to their current supplier with the price of potential electricity supplies from CEZ Group,
- they can pay for electricity using electronic bills or in cash at all Sazka locations,
- once a year, the Orange Guidebook is published for them.

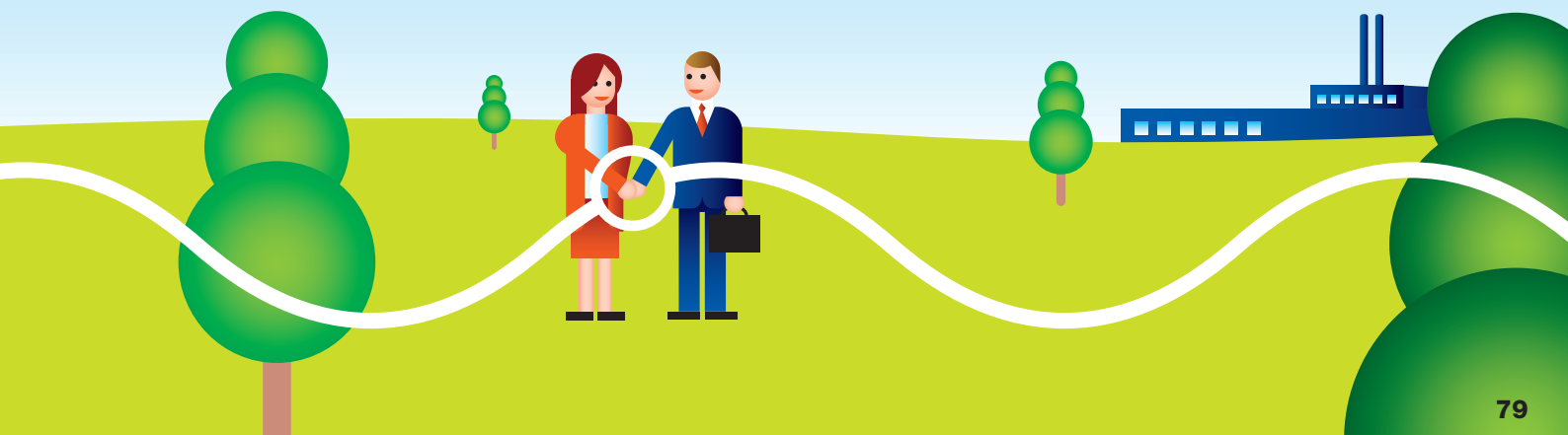
Wholesale Customers

CEZ Group also offers a number of electricity-related products targeted at wholesale customers.

Wholesale customers can take advantage of services similar to those provided to their retail counterparts:

- customer service centers and contractual partners,
- call centers,
- the Virtual Sales Office,
- the central e-mail address, cez@cez.cz, for questions, suggestions, and comments,
- electronic invoices and the option of paying in cash at Sazka locations.

In addition, through its subsidiary, ČEZ Prodej, CEZ Group publishes a magazine for its corporate partners. The magazine, entitled ČEZ Info, was classified as "top-rated" in the prestigious Golden Semicolon competition. The magazine has been coming out for four years now, and as of 2010 it includes inserts on various topics. The current edition is always available for download on the website, at the address www.cez.cz/cs/pro-zakazniky/elektrina-a-tarify/firmy-a-podnikatele/male-a-stredni-firmy/cez-info.html.



Standards of Correspondence

A guidebook entitled Standards of Correspondence With Customers has been issued for employees. It stipulates:

- how to go about writing a letter or e-mail,
- how written business communication should be structured,
- what forms of communication are available (letter, e-mail, fax),
- what type of communication to choose (notification, request, reply to request, reply to complaint, reminder),
- practical tips (style recommendations, organization into paragraphs, grammar).

The guidebook also explains how employees are to behave toward customers: helpfully, openly, positively, and properly. Trust based on experience is the foundation upon which good relationships are built. If this trust is compromised, it can result in destruction of the relationship and loss of the customer.

Standards for Written Communication

Social Responsibility of Fully Integrated CEZ Group Companies

Our efforts to help where help is needed are reflected in the activities of the entire CEZ Group. For this reason, all the fully integrated companies – as parts of CEZ Group – have a hand in fulfilling the goals of all joint programs focused on helping the needy.

In particular, the fully integrated companies of CEZ Group took part in various ČEZ Foundation projects. These included the following programs:

- Orange Playgrounds/Orange Fields,
- Orange Wheel,
- Orange Staircases,
- Orange Classrooms,
- Support Regions.

In addition to the above projects, the fully integrated companies of CEZ Group also supported the Group's other activities in the area of donorship. These included the following:

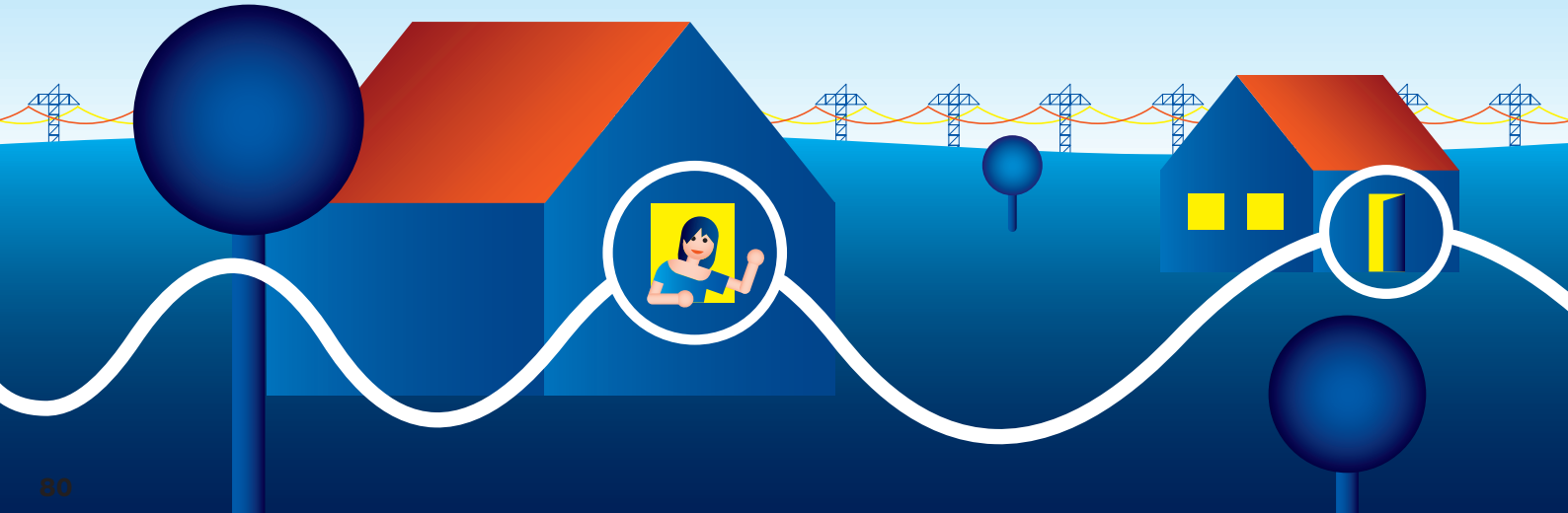
- in 2008, the Making Wishes Come True project,
- in 2009, the Making Wishes Come True, Thinking of Others initiative
- a volunteership project entitled Time For a Good Cause.

Direct Donations by CEZ Group Companies (CZK millions)

ČEZ, a. s.	151.4
ČEZ Distribuce, a. s.	18.9
ČEZ Distribuční služby, s.r.o.	3.9
ČEZ ICT Services, a. s.	1.1
ČEZ Logistika, s.r.o.	0.3
ČEZ Měření, s.r.o.	0.8
ČEZ Obnovitelné zdroje, s.r.o.	0.4
ČEZ Prodej, s.r.o.	9.0
ČEZ Správa majetku, s.r.o.	0.7
ČEZ Teplárenská, a.s.	0.2
ČEZ Zákaznické služby, s.r.o.	0.7
SD - Rekultivace, a.s.	0.2
Severočeské doly a.s.	98.2
Ústav jaderného výzkumu Řež a.s.	0.2

Contributions to ČEZ Foundation by CEZ Group Companies (CZK millions)

ČEZ, a. s.	50.0
ČEZ Distribuce, a. s.	65.4
ČEZ Distribuční služby, s.r.o.	4.3
ČEZ Logistika, s.r.o.	11.3
ČEZ Měření, s.r.o.	3.2
ČEZ Prodej, s.r.o.	21.6
ČEZ Zákaznické služby, s.r.o.	3.2



Structure of CEZ Group – ČEZ, a. s. and the Fully Integrated Companies

CEZ Group's business is governed by applicable law and other related regulations. These include, in particular, the following:

- Act No. 513/1991 Sb., the Commercial Code,
- Act No. 104/2008 Sb. on Takeover Offers,
- Act No. 256/2004 Sb. on Doing Business in the Capital Market,
- Act No. 143/2001 Sb. on Protection of Economic Competition,
- Act No. 137/2006 Sb. on Public Procurement,
- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors
- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation,
- Act No. 406/2000 Sb. on Energy Management,
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources,
- Act No. 314/2009 Sb., consolidated version of the amended so-called Energy Act,
- a number of implementing regulations to amended acts,
- a number of European Union directives,
- the so-called climate energy package of the European Union issued in 2009.

CEZ Group's behavior and businesses are also governed by internal directives, which also apply to the individual companies within the Group.

ČEZ, a. s.

The parent company of the entire CEZ Group is ČEZ, a. s. It is the largest electricity producer in the Czech Republic.
For detailed information, see the company's website, www.cez.cz/en.

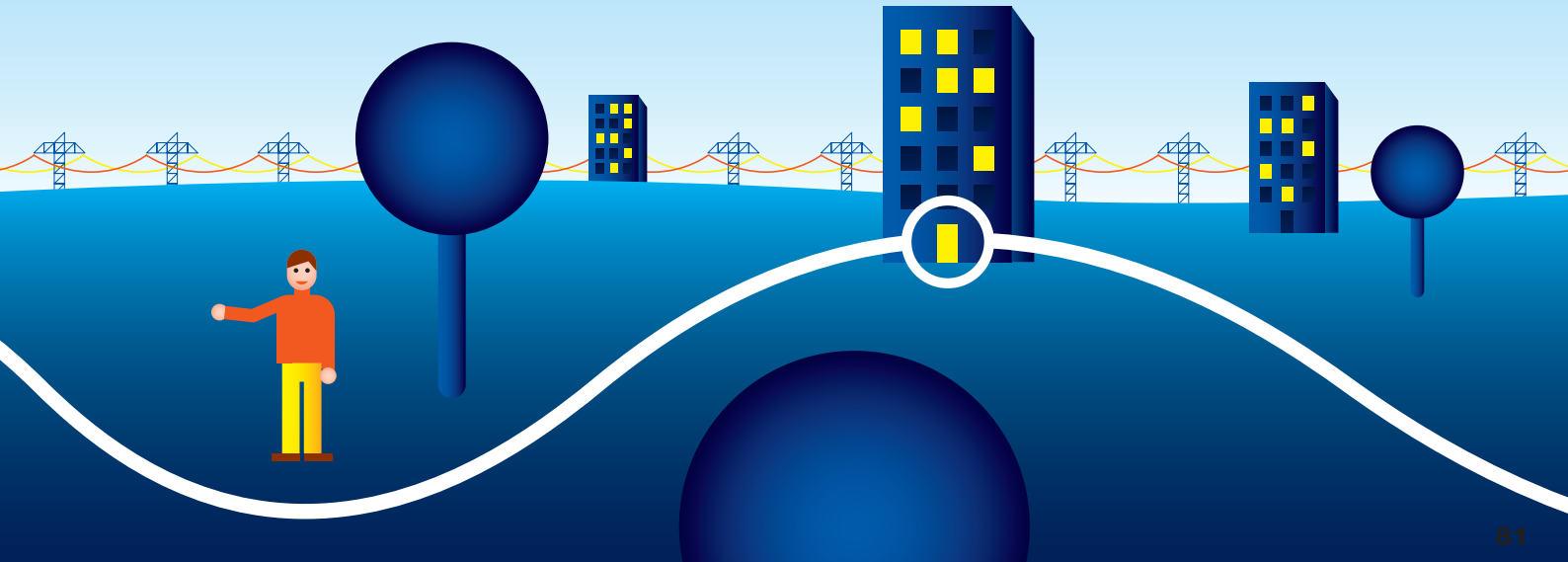
ČEZ Prodej, s.r.o.

ČEZ Prodej, s.r.o. is one of the process-driven companies formed within CEZ Group. It was established as a limited-liability company with its seat in Prague. By the end of 2005, all the sales-related activities of all the regional electricity distribution companies passed to it, including customers, contracts, and obligations. ČEZ Prodej, s.r.o. has been fully operational since January 1, 2006.
This company became a contractual partner for all CEZ Group companies, newly unifying the product offering throughout the Group, as well as the treatment of customers and service quality. A team of approximately 230 people engages in sales activities, works with corporate customers, provides support to sales representatives, and sees to the Group's marketing activities. In cooperation with the employees of ČEZ Zákaznické služby, s.r.o., it also takes care of all retail customers, i.e. small businesses and households.

ČEZ Distribuce, a. s.

ČEZ Distribuce is the holder of an electricity distribution license and, under the Energy Act (458/2000 Sb.) it is a distribution grid operator. It operates in the following eleven regions:

- Plzeň,
- Karlovy Vary,
- Ústí,
- Central Bohemia,
- Liberec,
- Hradec Králové,
- Pardubice,
- Olomouc,
- Zlín,
- Moravia-Silesia,
- part of the Vysočina Region.



It conducts all activities relating to safe and reliable operation of the distribution grid at the high, medium, and low voltage levels, including providing electricity distribution service to end customers.
A key asset of the company in terms of fulfilling its business plan and mission is the rich tradition and know-how inherited from the former regional electricity distribution companies, supported by commensurate technical equipment and human resources.
As of December 31, 2009, ČEZ Distribuce distributed electricity to over 3.5 million customer connection points and operated power lines in the Czech Republic with an extended length totaling over 154,000 km (9,600 km of high-voltage, 50,100 km of medium-voltage, and 94,300 km of low-voltage lines). It cooperates with over 920 external construction, installation, and engineering companies.

ČEZ Distribuční služby, s.r.o.

ČEZ Distribuční služby was established in October 2005 as a 100% subsidiary of ČEZ, a. s. It commenced full-scale operations in July 2006. The company provides comprehensive services in the areas of distribution grid operations, fault correction, maintenance, and repairs. It took over these activities from the regional electricity distribution companies.
The company has a team of experienced employees who have excellent professional knowledge backed up by practical experience. Great emphasis is placed not only on work quality and occupational safety, but also on ensuring that employees behave in an environmentally friendly manner.
In 2009, the company cooperated with 561 suppliers and over 1,700 customers purchased its services.

ČEZ Správa majetku, s.r.o.

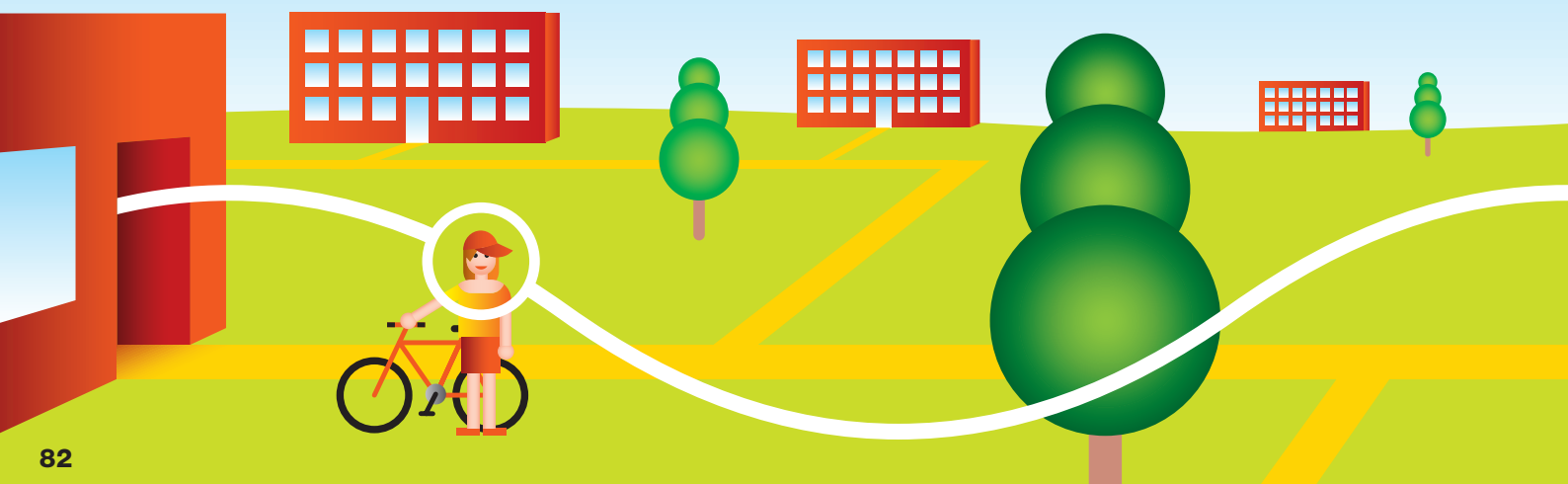
This company's principal business is providing services in the following two basic areas:

- management and maintenance of real property (non-energy-related) – the company sees to the functional management of non-energy and non-process-related assets used by CEZ Group, including the provision of office space and equipment,
- providing administrative support services in all regions where CEZ Group has operations – this includes operating file rooms, copy centers, archives, company cafeterias, building security, inspections, mailing services, etc.

To meet the needs of all its customers, most of which are members of CEZ Group, the company makes active use of the services of a large number of suppliers, numbering in the thousands.

ČEZ Zákaznické služby, s.r.o.

ČEZ Zákaznické služby was established by ČEZ, a. s. on August 16, 2004.
The company's basic business activity is comprehensive and reliable provision of customer services to end customers, holders of electricity trading licenses, holders of electricity distribution licenses, and holders of electricity generation licenses. The business plan is based on the legislative framework that governs the electric power sector.



The company's activities include the following:
- providing customer services to holders of the above licenses,
- entering into, amending, and terminating contracts pursuant to which connection points are connected to the grid,
- electricity distribution,
- electricity trading,
- purchasing electricity generated from renewable sources and other services,
- dealing with complaints and other customer requests,
- billing services,
- receivables management services,
- debt collection, both in and out of court,
- printing, envelope-stuffing, and mailing of invoices and other documents, including issuing of documents to customers for VAT reporting purposes,
- providing support for generation of electricity from renewable sources, combined heat and power generation, and secondary sources,
- managing data stored in the customer information system.

ČEZ Zákaznické služby provides services to approximately 3.5 million customers.

ČEZ Logistika, s.r.o.

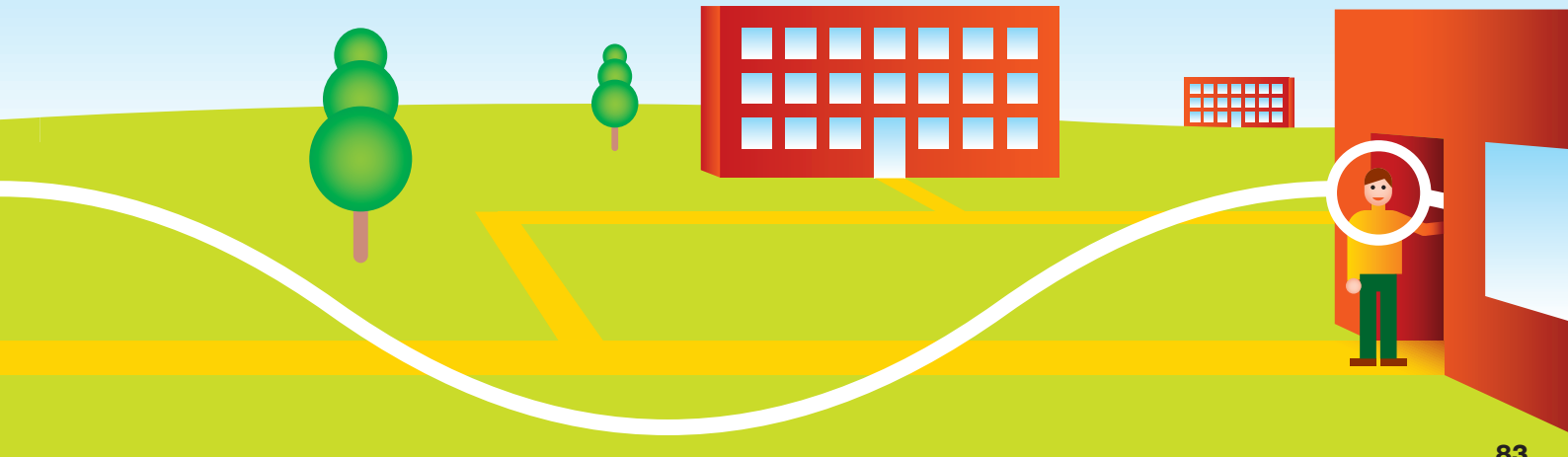
ČEZ Logistika was formed and incorporated in the Commercial Register on August 2, 2004 in accordance with CEZ Group's plan to centralize, in a dedicated subsidiary, processes related to the buying and selling of materials and services for the distribution grid. The company commenced its business activities on July 1, 2005.

Its principal businesses are:
- electrical materials purchase, sale, and logistics,
- providing services to CEZ Group distribution and generation units as well as to external customers.

The company's biggest customer is ČEZ Distribuce, a. s., which purchases materials for use in grid construction and renewal, including substations. Another large customer is ČEZ Distribuční služby, s.r.o., which sources materials for grid operation and maintenance.
The company's business philosophy is to take the best care of its customers, cultivate business relationships with them, and further intensively develop those relationships.

ČEZ Měření, s.r.o.

ČEZ Měření commenced full operations as part of CEZ Group on June 1, 2005 (after acquiring a 100% stake in VČE – měřicí technika, s.r. o. and after changing its name to ČEZ Měření, s.r.o.).
The company's core business encompasses all activities related to metering electricity, including sourcing devices for the same. For all end customers connected to the distribution grid, the company provides meter readings, as well as installation, de-installation, regular inspection-related rotation, inspection, and maintenance of meter technology. It also engages in all aspects of seeking out, dealing with, preventing, and minimizing unauthorized electricity use. The company verifies stipulated meters under an Authorization granted by the Czech Office for Standards, Metrology, and Testing and the approved Terms of Authorization.
In 2009, ČEZ Měření cooperated with over 20 major customers and purchased materials and services from approximately 30 suppliers.



ČEZ Obnovitelné zdroje, s.r.o.

An important aspect in fulfilling the principle of sustainable development at CEZ Group is the utilization of renewable sources of energy, which help significantly to reduce air emissions and to decentralize energy sources.
Since 2007, ČEZ Obnovitelné zdroje has expanded its renewables portfolio to include the Plzeň – Bukovec small-scale hydro power plant (0.630 MW) on the Berounka River, the Věžnice wind power plant (4.1 MW), and the Přelouč solar power plant (21 kW).

ČEZ ICT Services, a. s.

ČEZ ICT Services, a. s., a 100% owned company of ČEZ, a. s., began operating under its current name on September 30, 2008. Subsequently, on October 1, 2008, it merged with ČEZData, s. r. o. The company provides comprehensive ICT services throughout the entire Czech Republic.

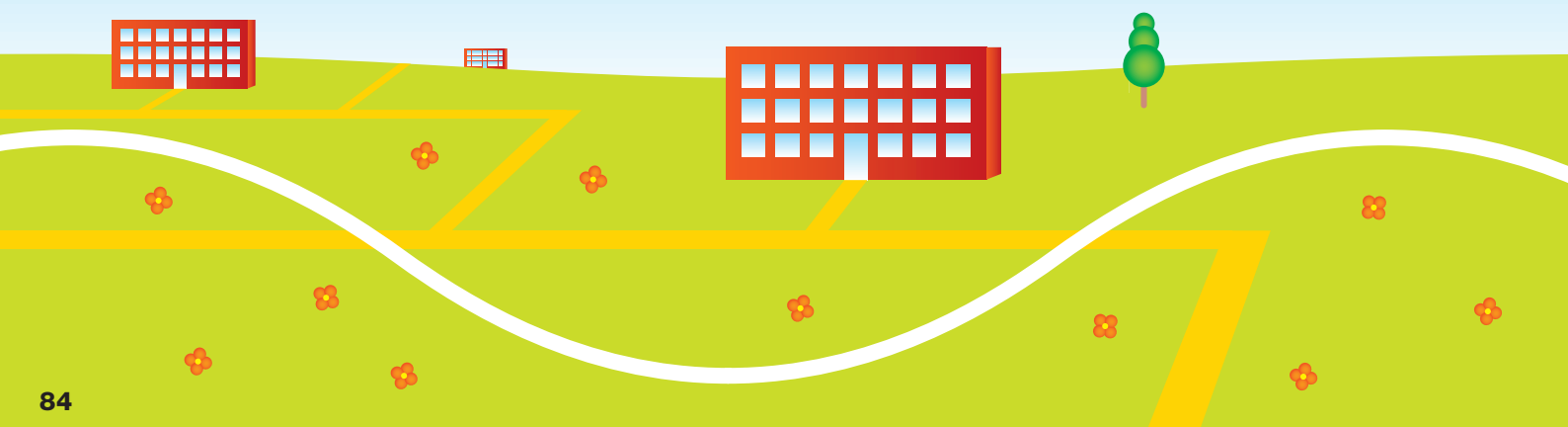
ČEZ ICT Services, a. s. is an advanced provider of fully convergent ICT services. It owns extensive infrastructure, thanks to which it can provide attractive and highly professional ICT services. These include, in particular, the following:

- consulting and integration solutions both in the Czech Republic and abroad,
- everything from design to practical implementation.

The company's special position is given by a contractual alliance with its owner, the corporate parent ČEZ, a. s. The company is a member of the international associations of energy operators 4cE (For Connecting Europe) and RIPE (Réseaux IP Européens), as well as of APVTS (Association of Public Telecommuniations Network Operators), ČAT (Czech Telecommunications Association), and NIX.CZ (Neutral Internet eXchange).

ČEZ Teplárenská, a.s.

ČEZ, a. s. became the 100% owner of Teplárenská, a.s. on April 5, 2007. In January 2008, the company was renamed ČEZ Teplárenská, a.s.
ČEZ Teplárenská, a.s. supplies its customers with heat generated in its own plants as well as heat purchased from ČEZ, a. s. for resale. From its own coal-fired plant in Proboštov, it supplies heat to Teplice. In addition, the company operates single-building gas boiler rooms and district gas boiler houses supplying heat to the cities of Teplice, Krupka, Dubí, Bílina, Duchcov, Osek, Hrob, and Bohumín.
In 2009, ČEZ Teplárenská, a.s. generated 459 TJ of heat in the installations it owns. In all eight operational units, it generated a total of 5,668 TJ of heat. The total extended length of the district heat networks operated by the company is 424 km.
At present, ČEZ Teplárenská, a.s. supplies over 6,000 locations and its annual heat supplies to customers total nearly 6,000 TJ. The company supplies heat to customers in 36 towns and cities in the Ústí, Karlovy Vary, Central Bohemia, Pardubice, Hradec Králové, Moravia-Silesia, and South Moravia Regions, where it also exports heat across the border – from Hodonín Power Station to the town of Holíč, Slovakia. In addition to 105,000 households, our heat customers include hospitals, government agencies, schools, commercial premises, and industrial plants.
The company is divided into eight operational units: PJ Chomutov, PJ Bílina, PJ Teplice, PJ Tisová, PJ Mělník and Chvaletice, PJ Poříčí and Dvůr, PJ Hodonín, and PJ Dětmarovice.
ČEZ Teplárenská, a.s. has sufficient capacity to further increase supplies of heat, in terms of both sources and heat distribution networks, whether to existing or new customers.



ČEZ Energetické služby, s.r.o.

ČEZ Energetické služby was established in 2007 by ČEZ, a. s. as a 100% subsidiary.
The company implements and secures systematic and fault-related equipment maintenance and repairs. It took over these activities from Energetika Vítkovice, a.s. in a spin-off implemented as part of the VIZE 2008 project.

ČEZ Energetické služby, s.r.o. is primarily involved in the following areas:

- operating energy management facilities and public lighting,
- providing energy-related services,
- generating and distributing heat and electricity,
- distributing natural gas, coking gas, and a converter gas,
- water treatment and purification,
- cooling,
- producing and distributing compressed air,
- consumption metering.

The company has a team of experienced employees and co-workers who have excellent professional knowledge backed up by practical experience in operating energy-related equipment and public lighting systems. The company places great emphasis on work quality and occupational safety and holds an Integrated Quality Management certificate.
In 2009, ČEZ Energetické služby invested over CZK 20 million in public lighting development and upgrades, particularly in Moravia and in western and central Bohemia.

ČEZ Energetické produkty, s.r.o.

ČEZ Energetické produkty, s.r.o. is a subsidiary of ČEZ, a. s. established in 2008. It is a modern, customer-focused company tasked with the following functions:

- in a reliable and economical manner, to operate the equipment of the front and back fuel cycle of conventional power plants,
- to remove and sell generation by-products (GBPs) from said power plants.

The main customers for GBPs are construction firms and manufacturers of construction materials (cement and concrete plants).
ČEZ Energetické produkty operates the equipment entrusted to its care at substantially lower costs than its current owner, ČEZ, a. s., for whom activities associated with operation of the front and back fuel system and sale of GBPs are essentially non-core operations, since its principal focus is on the generation of electricity. Optimization of operating costs and increased sales of GBPs brings substantial financial savings within CEZ Group. The final objective of ČEZ Energetické produkty is to gradually expand its service offering to all conventional power plants in CEZ Group.

International Acquisitions

In addition to acquiring important domestic companies, CEZ Group has also acquired representations and major equity stakes in certain companies elsewhere in Europe. CEZ Group's vision is to become the leader in the power market of Central and Southeastern Europe.

CEZ Group in Bulgaria

CEZ Group's sole Bulgarian power plant in Varna generated a total of 2,241 GWh of electricity in 2009. That is 1,369 GWh (–37.9%) less than in 2008. The reason for the decrease was optimization of production with regard to reduced quota and increased revenue from provision of ancillary services.

Varna Power Station consumed a total of 999,000 tons of coal in 2009. Its coal requirement was covered by imports from Russia and Ukraine.

The volume of electricity distributed in Bulgaria in the CEZ Group service area in 2009 was 8,786 GWh, up 39 GWh (+0.4%) from the previous year. The main reason for the increase was connection of new customers to the distribution grid.

CEZ Group has equity holdings in the following companies in Bulgaria:

- CEZ Bulgaria EAD,
- CEZ Trade Bulgaria EAD,
- CEZ Razpredelenie Bulgaria AD,
- CEZ Elektro Bulgaria AD,
- TEC Varna EAD,
- CEZ Laboratories Bulgaria EOOD,
- CEZ Elektroproizvodstvo Bulgaria AD.

CEZ Group in Romania

The Romanian distribution company, CEZ Distributie S.A., distributed 7,073 GWh of electricity in 2009, down 1,208 GWh (–14.6%) year-on-year.

In 2009, capital expenditures on equipment operated in Romania focused on improving the parameters of the distribution grid. Upgrades took place on over 380 km of the grid – at various voltage levels – and 173 transformers. 56 new transformers and over 270 km of low-voltage power lines were connected to the grid.

CEZ Group has equity stakes in the following companies in Romania:

- CEZ Romania S.R.L.,
- CEZ Trade Romania S.R.L.,
- CEZ Distributie S.A.,
- CEZ Vanzare S.A.,
- CEZ Servicii S.A.,
- Tomis Team S.R.L.,
- MW Team Invest S.R.L.,
- Ovidiu Development S.R.L.

CEZ Group in Poland

In Poland, CEZ Group companies own generation installations with 730 MW of installed capacity, of which 728 MW is in coal-fired power plants and 2 MW in hydro power plants.

In 2009, CEZ Group power plants in the Republic of Poland generated 2,261 GWh of electricity, down 588 GWh (–20.7%) from the previous year on optimization of revenues from the sale of CO_2 emission rights and securing maximum proceeds from compensation paid in return for the termination of long-term contracts with PSE S.A.

CEZ Group has equity stakes in the following companies in Poland:

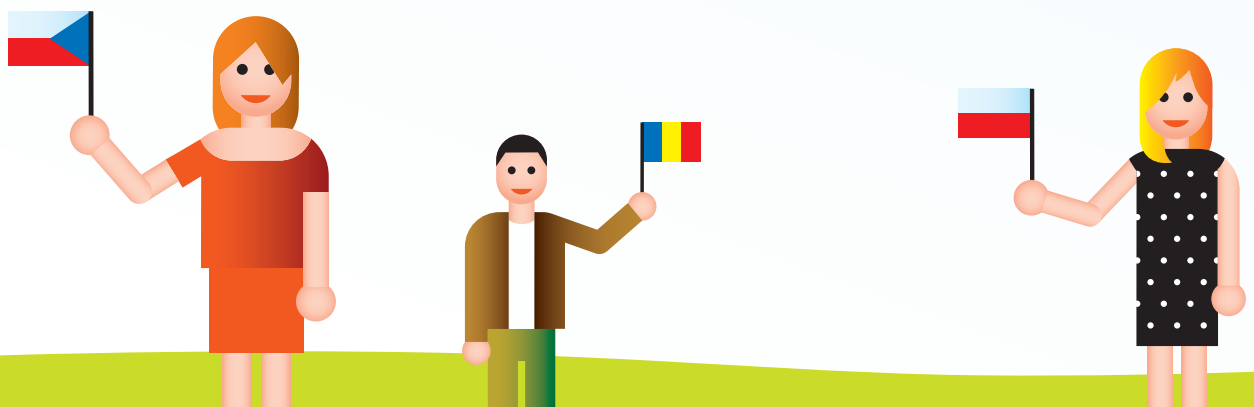
- CEZ Polska sp. z o.o.,
- CEZ Trade Polska sp. z o.o.,
- Elektrownia Skawina S.A.,
- Elektrociepłownia Chorzów ELCHO sp. z o.o.,
- CEZ Ciepło Polska sp. z o.o.,
- CEZ Produkty Energetyczne Polska sp. z o.o.,
- CEZ Nowa Skawina S.A.

Other Commercial Representations

In addition to Bulgaria, Romania, and Poland, CEZ Group does business in other countries as well.

These include Albania, where the Group holds stakes in the following companies:

- CEZ Albania Sh.A.,
- CEZ Trade Albania Sh.A.,
- Operatori i Sistemit te Shperndarjes Sh.A. (OSSh).



The end-customer distribution and sale sector consists of the company Operatori i Sistemit te Shperndarjes Sh.A., in which ČEZ, a. s. acquired a majority stake in 2009 through the country's privatization program. In the entire year 2009, Operatori i Sistemit te Shperndarjes Sh.A. sold 4,264 GWh of electricity to end customers, up 155 GWh (+3.8%) year-on-year.

Another country into which CEZ Group has expanded is Turkey. Here, the Group holds stakes in the following companies:
- Akenerji Elektrik Üretim A.Ş.,
- Akcez Enerji A.Ş.,
- Sakarya Elektrik Dagitim A.Ş.

CEZ Group began to do business in Germany in 2001. Currently it has holdings in the following companies there:
- CEZ Deutschland GmbH,
- JTSD Braunkohlebergbau GmbH,
- Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG).

In Ireland, CEZ Group has an equity stake in the company CEZ Finance Ireland Ltd., which was established in 2009. Its principal businesses relate to the financing of CEZ Group projects – the MIBRAG project in particular.

In Hungary, CEZ Group holds stakes in the following companies:
- CEZ Magyarország Kft. (CEZ Hungary Ltd.),
- MOL – CEZ European Power Hungary Kft.,
- MOL Nyrt. (through a financial investment).

ČEZ, a. s. does not engage in any proprietary electricity trading activity in the Kingdom of the Netherlands. It operates there only through holding and financing companies.

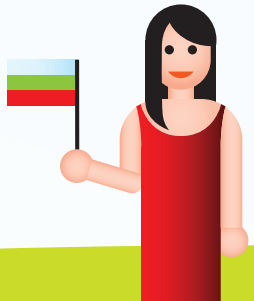
CEZ Group maintains a business presence in Bosnia and Herzegovina through equity stakes in the companies:
- NERS d.o.o.,
- CEZ Bosna i Hercegovina d.o.o.

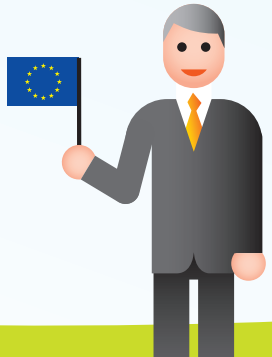
CEZ Group also does business in Republic of Serbia, where it established the company CEZ Srbija d.o.o., and in the Slovak Republic, where it has equity stakes in the following companies:
- CEZ Slovensko, s.r.o.,
- CM European Power International s.r.o.,
- CM European Power Slovakia s.r.o.,
- Jadrová energetická spoločnosť Slovenska, a. s.

CEZ Group and the European Union

CEZ Groups plays an active role in forming European Union energy policy, which has become a key European topic in recent years. The European Union must respond to a number of challenges, such as:
- the global economic crisis,
- the difficult situation in oil and gas markets,
- a high degree of dependence on imports,
- growing demand for energy worldwide,
- the necessity of increasing the transparency of energy markets and further integrating them,
- interconnecting national markets in conjunction with completion of the energy markets liberalization process.

CEZ Group is successfully facing up to these challenges. In the European Union, the Czech Republic is fully competitive. The Czech Republic market is fully liberalized and all European Union regulations – in particular Directive 2003/54/EC – are respected.
The Group advocates its interests in the European Union through the ČEZ, a. s. representative office in Brussels as well as through the European Affairs Unit of ČEZ, a. s., based in Prague. Through them, CEZ Group pursues its interests, actively defends its positions, and builds the necessary relationships in European Union institutions. Therefore, the objective of CEZ Group is not only to become the leader in the power market of Central and Southeastern Europe, but also to be an active player and partner of the European Union in these markets.
Another way that CEZ Group advocates its interests is through membership of organizations and associations (e.g., EURELECTRIC, FORATOM etc.), in which a number of CEZ Group representatives actively pursue the interests of the Czech power sector.





Employees of CEZ Group

Animation

The employees of CEZ Group are the potential that individual CEZ Group companies rely on to fulfill their strategy and demanding goals.

Corporate Culture

If CEZ Group is to continue successfully fulfilling its vision and achieving demanding goals, it is crucial for it to cultivate a desirable corporate culture. Therefore, the seven company values form the foundation of the strategy temple and great attention is paid to the everyday attitudes and behavior of all employees.

Temple

The Seven Principles

All employees represent CEZ Group by respecting and upholding shared values. Great emphasis is placed on ensuring that the Seven Principles are not empty phrases, but instead an easy-to-understand guide to making the right decisions in everyday work situations. To ensure that it is clear to each and every employee how they should conduct themselves and what specific types of behavior are expected of their positions. The principles are reflected in measurable actions and behaviors and have become a part of the system for evaluating and compensating all employees. Each of the Seven Principles is further elaborated into a set specific attitudes and behaviors that are expected of the given job position or segment. This provides a more detailed description of how employees in the given segment are to behave, both toward their colleagues and toward internal and external customers.

Our Principles 1

Our principles represent:

- shared values,
- desirable modes of behavior,
- evaluation criteria,
- directions for development,
- a framework and guide for providing feedback.

The corporate culture CEZ Group is building is focused on performance, emphasizing in particular support for unification of all processes. After management elements, another key element in the corporate culture is human resources development, as a part of which CEZ Group is modernizing its systems of:

- recruitment,
- selection,
- evaluation,
- remuneration,
- and motivation of employees.

We are also continually increasing what we expect of employees in terms of individual and group responsibility in the areas of safety and knowledge sharing.
Since CEZ Group utilizes highly complex technological equipment, especially in its nuclear power plants, it places emphasis on cultivating a culture of safety – which is an integral part of the corporate culture – while respecting globally declared principles recommended by the IAEA, INPO, and WANO.
CEZ Group leveraged its Seven Principles of corporate culture primarily in the area of performance management.

Performance Management

The implementation of the corporate principles has become a key element for integrating CEZ Group's performance management system and corporate culture. This makes it possible to effectively support the corporate strategy by breaking down strategic goals into individual targets. At the same time, the inclusion of the corporate values – expressed by the Seven Principles – in the system enables managers to encourage desirable work behavior in accordance with the company's vision, mission, and goals. The performance management system also provides important outputs for use in the compensation area, as well as in development. Performance-based compensation is linked to the fulfillment of stipulated targets (WHAT) and work behavior in accordance with our principles (HOW). A more specific identification of employees' development needs helps to entrench desirable on-the-job behavior. The use of this methodology enables CEZ Group managers to better differentiate employee performance while effectively supporting development of the corporate culture. Implementation of the new evaluation system increased the potential for performance differentiation – in the 2007 evaluation, performance differentiation was 2.6 times higher than in the year before. By unifying the evaluation system and using internal benchmarking to measure performance, we are succeeding in encouraging desirable work behavior.

For managers, behavior patterns act as a guide for leading and evaluating employees and on how best to give them feedback concerning their work performance. For employees, behavior patterns are standards that demonstrate how they conduct themselves when carrying out job responsibilities and when working with internal and external customers.

CEZ Group reinforces and develops managers' skills in terms of providing correct feedback both through conventional training sessions and in less conventional ways such as an e-learning course, whose aim is to introduce managers to the theoretical principles and rules of providing feedback and to support them in their day-to-day communication with employees as well as during employee evaluation interviews by giving specific examples of the expected work behavior in relation to the company's principles. At the same time, the course teaches participants how to identify desirable and non-desirable work behavior. Based on precisely determined development needs, managers then propose individual development plans tailored to each employee's needs.

Specific CEZ Group Corporate Culture-Related Activities in 2008–2009

2008

- Our Principles were developed into behavior patterns (January).

Our Principles 2

- Development activity matrices were prepared in accordance with Our Principles (January).

Development Activity Matrices

- Our Principles were expressed in easy-to-understand terms with a new graphic design (March).
  A campaign was carried out, in which over 13,000 CEZ Group employees were contacted (education video with an introduction by the CEO, intranet portal/ naseprincipy.cz, special insert in ČEZ News, presentations at working meetings, branding of buildings, 3D items).
- Our Principles were integrated into the system for evaluating contractual employees at ČEZ, a. s. and IDS (March).
- Our Principles were integrated into the system for evaluating tariff employees at ČEZ, a. s. and IDS (November).

Evaluation Scale

- Teambuilding activities were designed to reinforce Our Principles (December).

2009

- An e-learning course was developed to teach management how to provide feedback linked to Our Principles (from April).

Feedback

- In the "Principles Seen Through Your Eyes" campaign, CEZ Group focused on showing how the principles work in everyday practice. It asked eight employees to become actors in the communications campaign and share with the others how they see the principles – and what they mean to them. Through their opinions and specific practical experience, CEZ Group showed how the principles are beneficial to each of them and how they work in employees' day-to-day activities in various processes and units (posters, a microsite with medallions from work life, a videospot at working meetings, ČEZ News: Employees' stories and profiles, Backstage during campaign production).
- In other activities organized during 2009, CEZ Group focused on highlighting the role of management in building the corporate culture. It got lower and middle managers involved in an analysis of the corporate culture. In the period from January 22 to March 18, 2009, 19 workshops took place, mapping out behavior pursuant to the principles. At its various power plants and subsidiaries, CEZ Group found out what the principles mean, specifically, for work in different units and locations, how successful it has been in rolling out the principles, what has been accomplished and where the weak points are. At 34 working meetings that took place from March to June 2009, nearly 6,000 employees had an opportunity to express their opinions on these issues. Based on the specific findings and identified weak points, CEZ Group prepared action plans that are currently being implemented by the directors of the individual power plants and subsidiaries.

Graph: Principles

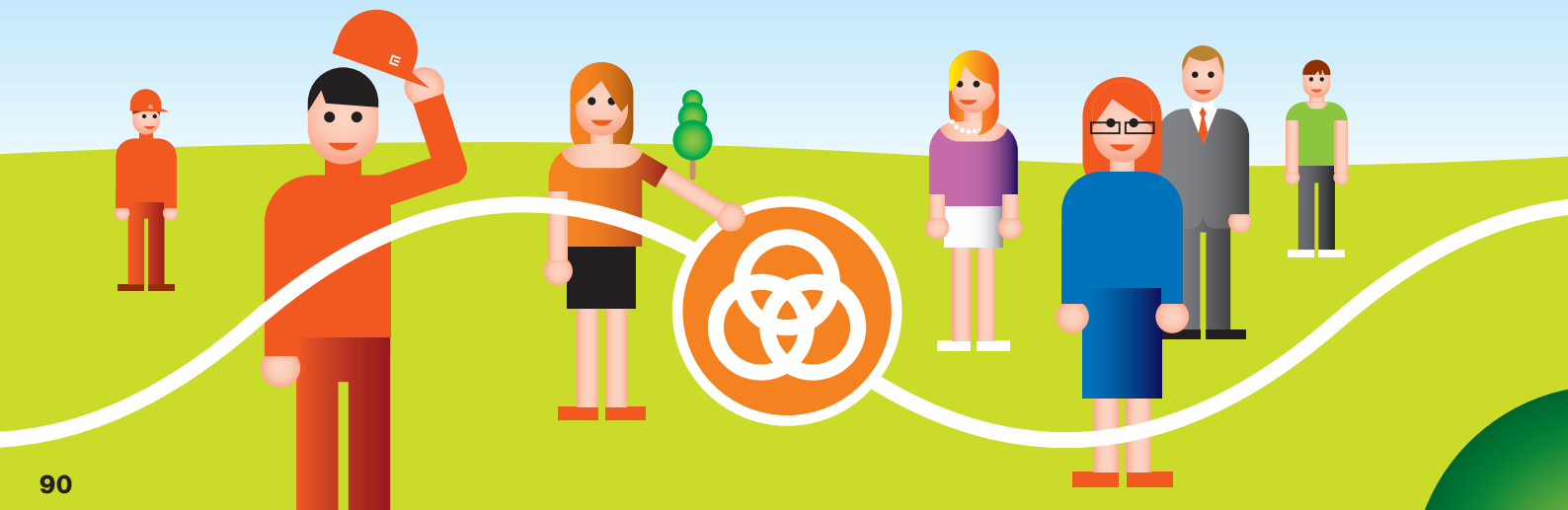
Evaluation Table

- Our Principles were also introduced in the international holdings of CEZ Group.

ČÉZAR Award

CEZ Group appreciates the good work of its employees and rewards the best of them. Therefore, we created the ČÉZAR award as a way to reward the best employees in the divisions, organizational units, and subsidiaries.

ČÉZAR Award



Each year, the directors of the divisions, subsidiaries, and power plants choose candidates for the ČÉZAR Award from among those nominated by their subordinates. Last year, the competition gained an international dimension – the most successful employees are now announced in all countries where CEZ Group has operations.
ČÉZAR is an award for rank-and-file employees and line managers – i.e., for individuals and not for teams, because CEZ Group wishes to reinforce the principle of individual responsibility for fulfillment of demanding goals. This award goes to employees who made a substantial contribution to their unit's results in the past year and achieved excellent results in meeting their personal targets.
The awards are announced annually at working meetings. The grand prize, however, is an experience-packed trip with a gala, at which the best employees receive their award directly from the CEO, Martin Roman. The aim of this exclusive meeting is exchange of work experience and informal communication between key employees of CEZ Group.

The following received awards for their results in the year 2008:
- 41 employees,
- including 12 from abroad.

The following received awards in recognition of their contribution to their unit's result for the year 2009:
- 42 employees,
- including nine from abroad.

CEO Award

The CEO Award is the name of an award granted by the Chief Executive Officer in recognition of extraordinary contributions made to CEZ Group's growth.

CEO Award

Each year the CEO, Martin Roman, presents the award to one individual and two work or project teams in recognition of their extraordinary contributions to CEZ Group's growth. Nominations for the award come in from all divisions, organizational units, and subsidiaries, including the international holdings. As a matter of tradition, the awards are announced and presented during the ČEZ Management Meeting.

IDEA Award

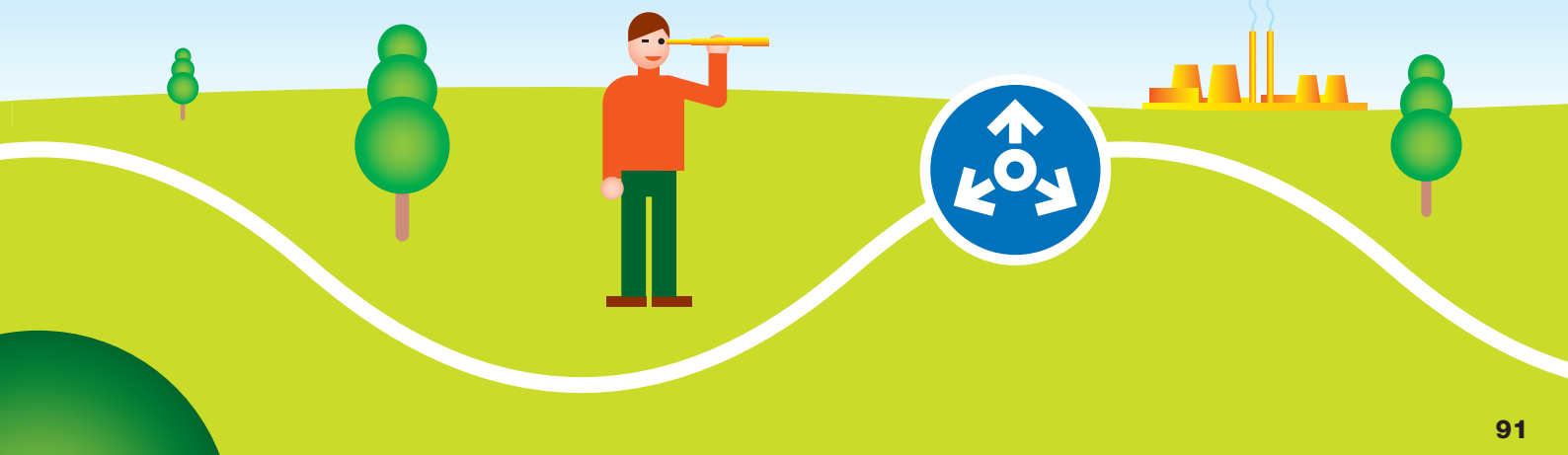
IDEA 2009 is a competition for the best improvement suggestion in the area of safety.

IDEA Award

The purpose of the competition is to implement the highest-quality ideas for improving processes and projects in the fields of nuclear, technical, fire, and occupational safety, radiation protection, environmental protection, and accident preparedness. In 2009, the competition's first year, the award went to two individuals and one group.

Employee Care

Our interest in employing energy professionals demands that CEZ Group create the right conditions that not only attract candidates for jobs with the company, but also keep them with us and ensure their further professional growth. The company's advantages include a long and rich tradition in the area of employee development and training, and close relationships with technically oriented universities, whose graduates form a strong group of potential company reinforcements for the years to come. This area is also part of CEZ Group's highly developed social policy, which is comparable with those of other top corporations both in the Czech Republic and abroad.



ČEZ Potentials: Support for Potential Employees

The ČEZ Potentials program is designed for university graduates in technical and economic fields with zero to two years of work experience. Candidates selected for participation in the program through a tender are assigned a specific job position in CEZ Group companies. During twelve months on the job, they become very well acquainted with the company and its operations, and under the leadership of experienced managers they get opportunities to work on key projects and important individual tasks. They also have the opportunity to participate in a Self-Leadership program, where they work intensively on developing their professional skills and abilities, as well as their own personal growth.

Talent Cultivation and Knowledge Management

Based on the company's planned goals and strategic objectives, CEZ Group actively develops the potential and personalities of key employees and places emphasis on their gaining in knowledge and skills. If they develop, then the company's potential in domestic and international markets will build along with them.
In order to develop employees' managerial and expert potential, executive MBA-type programs are included in their personal plans, as are individual development activities such as coaching and mentoring.
Retaining and sharing experts' experience plays an important role in mitigating the risks associated with workforce mobility and aging. It is a subject that receives increased attention especially in nuclear power plants, in view of their safe operation. The Knowledge Management principle at CEZ Group is focused primarily on the experience of key experts – i.e., things that are not covered by the standard documentation.

The Knowledge Management principle helps to identify important experience and those who have it, as well as to systemically reduce the risk of losing them. The long-term objective is to gradually make knowledge management a part of employees' everyday practice. CEZ Group wants to live up to the slogan: "We respect employees' knowledge and we know how to work with it."

Talent Cultivation

Employee Education Programs

CEZ Group offers its employees a wide variety of activities. Each employee has the opportunity to participate in a soft skills development program, focusing on areas such as:

- communication,
- self-management,
- approach to customers, etc.

It also supports increasing the breadth and depth of employee qualifications through study at universities and MBA programs.
For managers, CEZ Group prepares special activities to increase the quality of people management – for example, coaching and development programs focused on leadership.
For selected teams, a new Philanthropic Teambuilding concept has been introduced, focusing on building teams while integrating the dimension of caring for things around us (e.g., by helping a non-profit organization), as well as the dimension of team and individual development.
CEZ Group is building a highly professional team of employees. We encourage them to take an interest in their own education and development, and to know how to manage it. Therefore, each employee has the opportunity to actively shape his or her own personal development plan, and thereby his or her career at CEZ Group as well.

- For the purpose of managing professional training and managerial courses, CEZ Group implemented the Kontis Learning Management System and substantially increased the number of e-learning courses for corporate professionals.

E-learning Courses Comparison

Courses	2007	2009
Transportation	1	2
Safety	0	11
Soft Skills	0	1
MS Office	0	4
SAP	0	23

- International expansion and preparations to build new power plants called for the creation of a comprehensive system of language skills development, including interconnection with the Common European Framework of Reference. The system, which supports the professional language skills development of CEZ Group's traders, country managers of international holdings, and engineering and nuclear energy specialists, was in 2009 accepted as an entry in the HR Awards, an annual competition organized by the Czech Society for Human Resources Development.

Graph: Language Skills Development

Teaching of Local Languages in the International Equity Holdings

Local Languages

- The training system, which ensures that employees remain professionally fit for their jobs and can increase their qualifications in a managed way, was interconnected with the Employee Self Service and Manager Self Service portal.
- A SAP FIS e-learning courses pool was created for CEZ Group, in order to ensure a problem-free migration to the SAP-based management system.
- CEZ Group pays special attention to training nuclear power plant employees – managers underwent a training program in how to improve Human Performance.performance.
- Reactor control room management personnel participated in Play Safe courses focused on teamwork and three-way communication.
- In the area of international cooperation among nuclear power plants, in 2008 CEZ Group representatives took part in the WANO (World Association of Nuclear Operators) Training and Qualification mission to the Gronde nuclear power plant in Germany.
- In 2009, training center representatives attended a conference entitled "Simulators: Advanced Training Tools and Technologies for the Nuclear Industry" held at the headquarters of the International Atomic Energy Agency, of which ČEZ is a member.
- Processes relating to the professional training of nuclear power plant personnel are regularly evaluated and assessed by internal and external inspections and missions, including some with an international dimension (audits, licensing, OSART – Operational Assessment Review Team mission, WANO Peer Review mission).

Training Centers

CEZ Group has nuclear power plant training centers in three locations: at Dukovany Nuclear Power Station, at Temelín Nuclear Power Station, and in Brno. The centers are equipped with full-scope simulators of the reactors at both nuclear power plants. Here, CEZ Group provides specialized training to the employees of both nuclear power plants and those of external suppliers as well. Professional training of selected nuclear power plant employees is licensed by the State Office for Nuclear Safety.
In accordance with the human resources development strategy, CEZ Group has prepared a knowledge management program as a fundamental tool for retaining and managing the company's unique know-how. The program is being rolled out on a pilot basis at both Temelín and Dukovany. At the same time, we are also implementing a performance management system.

Full-Scope Simulator Replica of EDU Reactor Control Room

Social Policy

Employees are part of ČEZ Group's spiritual wealth – part of what creates high-quality value for our customers. Therefore, we care for our employees, provide them with good work facilities, and endeavor to continually increase their qualifications. We support employee personal growth and help them find interesting ways to spend their free time.

The CEZ Group social policy includes both monetary and non-monetary components. In addition to wages, at CEZ Group the social policy includes a range of social benefits and advantages such as:

- a shortened work week of 37.5 hours,
- an additional week of paid vacation beyond that required by law,
- paid personal time beyond that required by law,
- personal accounts for rest and relaxation,
- Supplemental Pension Insurance and life insurance contributions,
- employee meal plan,
- health care,
- in extraordinary cases, one-off social aid as well.

The basic principles of the CEZ Group social policy also apply to employees working for our international acquisitions; here, however, social policy is linked to long-term agreements signed between local labor unions and the previous employers.

Communication With Employees

Video: Making Wishes Come True

Companies with effective internal communication have been shown to achieve better financial performance. The goals of internal communication are to provide employees, in a clear and straightforward fashion, with the information they need for their work, and to motivate them to support our common goals as a company. CEZ Group makes use of a wide variety of communication channels.

One area is the mass media:

- the Intranet – announcements, TV reports, financial figures, and updates on progress being made in strategic initiatives,
- the monthly magazine ČEZ news (winner of the CZECH TOP 2009 Employee Magazine competition),
- electronic newsletters.

Other areas are tools focused on dialogue:

- on-line interviews with senior managers on the Intranet,
- discussion meetings – used by managers to get feedback from their employees,
- work meetings at the individual company level – providing strategic information concerning the company, presenting awards to the best employees,
- professional gatherings – exchange of experience and know-how across regions.

Employees are also encouraged to identify themselves with the company brand and corporate culture through a number of informal Group-wide events, such as the ČEZ in Motion Sports Games, the Holidays of Light Christmas meeting, Family Days, and the pre-Christmas charity event Making Wishes Come True. Also popular are open houses at the Group's power plants.

For employees, access to timely, up-to-date information is important. That way they know what is expected of them and whether they are doing their work well. Their opinions are welcomed and respected.

A satisfaction survey conducted in November 2009 among 3,082 employees showed that 82% of employees are satisfied with the quality of internal communication at CEZ Group.

Outplacement: Caring for Departing Employees

CEZ Group implements a unified, high-quality outplacement program that endeavors to mitigate, to the greatest extent possible, the negative impact on employees of layoffs due to organizational changes. The program includes group and individual activities designed to prepare the departing employee to look for a new job and to make headway in the outside job market. The program is an expression of thanks for the employee's past work for CEZ Group. The activities are voluntary and are designed to encourage the employees to take the initiative by providing them professional assistance and practical information. If they are interested, the program can also assist them in requalification.

Occupational Safety and Health

Occupational safety and health, both of its own employees and those of supplier companies, is a long-term high-priority area for CEZ Group.

One of the fundamental goals of CEZ Group in the area of safety is to ensure a long-term improving or stable trend in the injury rate among employees of CEZ Group and its suppliers. A long-term stable trend is the goal in cases where the rate is already at a very good level. Despite all technical, organizational, and training measures taken to prevent them, work-related injuries do sometimes occur.

For illustration, in the tables below we present the number of injuries that resulted in employee incapacitation lasting longer than three calendar days or death of an employee for selected companies of CEZ Group.

At ČEZ, a. s., most injuries resulted from falls – on level ground, from a height, into holes or other cavities, or due to the floor giving way. The least injuries, on the other hand, were caused by chemicals and other hazardous substances.

Number of Work-Related Injuries at ČEZ, a. s., by Cause

Year	2008	2009
Number of Employees	6,089	6,180
Injuries Caused		
fall on level ground, from a high, into a hole or other cavity, or due to floor giving way	6	7
other unspecified cause	4	
industrial hazardous materials, chemicals	2	
material, heavy lifting, objects (falling, colliding, flying, etc.)		5
tools and devices		2
electric current		3
vehicle		2
TOTAL	12	19

At the integrated distribution companies ČEZ Distribuce, a. s. (DSO), ČEZ Distribuční služby, s.r.o. (ČDS), and ČEZ Měření, s.r.o. (ČME), the most injuries were caused on public and private roads or due to falls.

Number of Injuries In the Integrated Subsidiaries, by Cause

Company	ČEZ Distribuce, a. s.		ČEZ Distribuční služby, s.r.o.		ČEZ Měření, s.r.o.	
Year	2008	2009	2008	2009	2008	2009
Cause of injury	1,164	1,187	2,208	2,116	958	974
Cause of injury						
public and private roads, bodily fall	1		11	17	11	10
low-voltage electricity			5	1	1	1
traffic accidents			3			
people						1
material			3	1		
tools and devices				1		1
animals (dog)					1	1
TOTAL	1	0	22	20	13	14

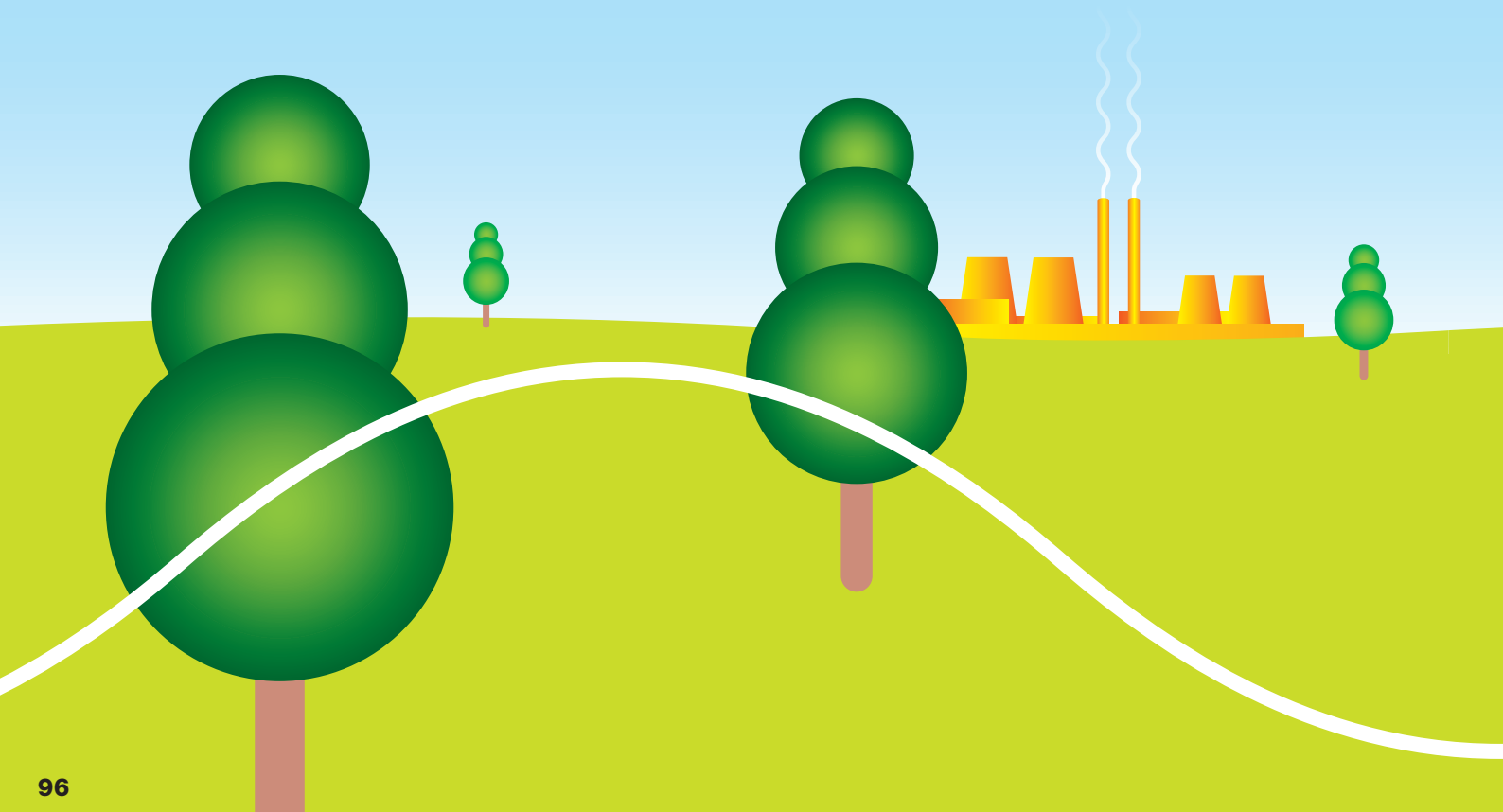
The following tables give the number of injuries at other CEZ Group subsidiaries, by cause.

Company	ČEZ Logistika, s.r.o.		ČEZ ICT Services, a. s.		ČEZ Správa majetku, s.r.o.	
Year	2008	2009	2008	2009	2008	2009
Number of employees	206	187	559	602	310	277
Cause of injury						
roads, bodily fall	2					1
traffic accident			1			1
material		1			1	
TOTAL	2	1	1	0	1	2

Company	ČEZ Zákaznické služby, s.r.o.		ČEZ Prodej, s.r.o.		ČEZ Obnovitelné zdroje, s.r.o.	
Year	2008	2009	2008	2009	2008	2009
Number of employees	846	852	227	233	97	101
Cause of injury						
roads, bodily fall	1			2	1	
TOTAL	1	0	0	2	1	0

Company	ČEZ Energetické produkty, s.r.o.		ČEZ Teplárenská, a.s.		ČEZ Energetické služby, s.r.o.	
Year	2008	2009	2008	2009	2008	2009
Number of employees	11	21	135	145	385	386
Cause of injury						
roads, bodily fall	1				1	
electric current, short – scorching, burns						1
material, heavy lifting, objects					1	
tools and devices			1			
TOTAL	1	0	1	0	2	1

The last table shows the number of work-related injuries by cause in the years 2008 and 2009 at Severočeské doly. As was the case at ČEZ, a. s., the most common cause of injury was falls – on level ground, from a height, into holes or other cavities, or due to the floor giving way.



Year	2008	2009
Number of employees	3,527	3,493
Cause of injury		
vehicle	2	
contact with mechanical equipment or part thereof	1	1
material, heavy lifting, objects (falling, colliding, flying, etc.)	9	8
fall on level ground, from a high, into a hole or other cavity, or due to floor giving way	14	11
tools and devices	1	3
people, animals, or the elements		1
other unspecified cause	3	1
TOTAL	30	25

In 2008 and 2009, serious work-related injuries took place at the following companies:

ČEZ, a. s.
- 2008: two lethal work-related injuries,
- 2009: one lethal and one serious work-related injury.

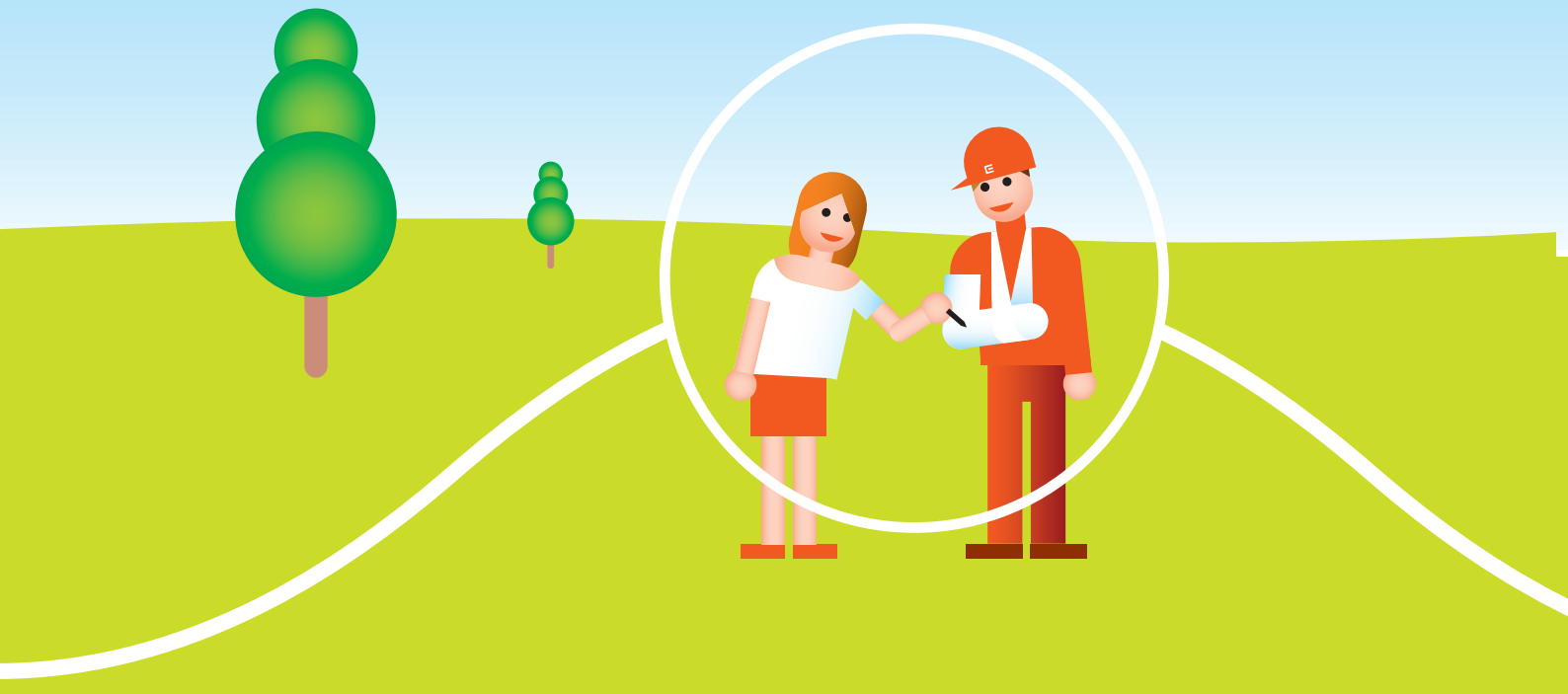
ČEZ Distribuční služby, s.r.o.
- 2008: seven serious and two lethal work-related injuries,
- 2009: one serious work-related injury.

ČEZ Měření, s.r.o.
- 2008: one serious work-related injury,
- 2009: one serious work-related injury.

Severočeské doly a.s.
- 2009: three serious work-related injuries.

The law requires owners of distribution equipment to investigate all extraordinary events that occur on said equipment. In 2008 there were a total of 23 injuries – of this number, 12 injuries were sustained by employees of suppliers, and in 11 cases outside persons were injured. In 2009 the total number of injuries was 28, of which 12 injuries were sustained by employees of suppliers and 16 by outside persons.

ČEZ Distribuce, a. s. is responsible for the technical safety of the distribution equipment it owns and operates. And we are not indifferent when injuries occur on equipment we own, whether to employees of our suppliers or to outside persons who came into contact with distribution equipment by purposefully trespassing in the protection zone. These injuries are primarily due to electric current, burns, and falls.

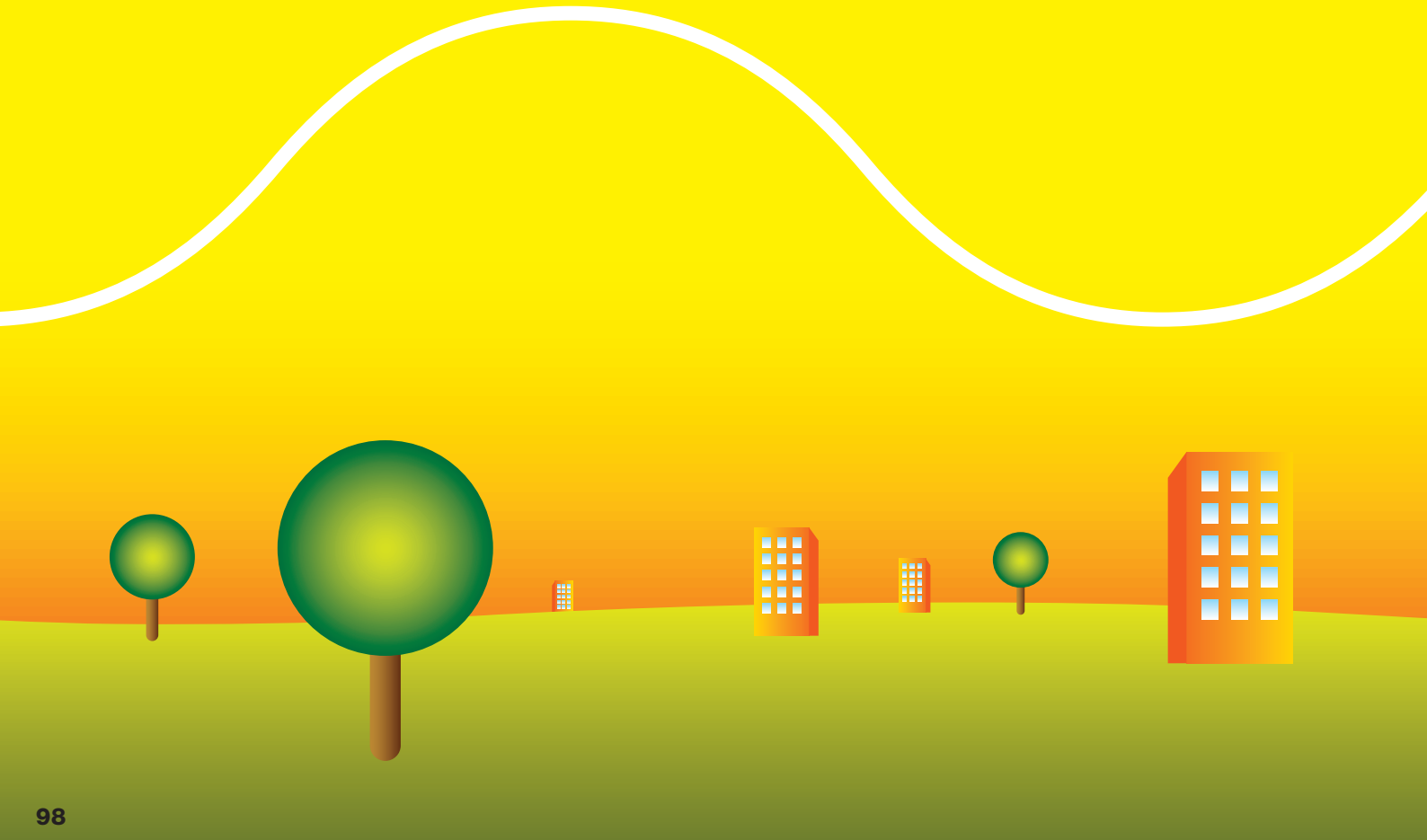


Occupational Safety at the International Holdings
As with the Czech companies of CEZ Group, occupational safety is also a top priority at the Group's international holdings.

Poland
At the Polish companies Elektrownia Skawina S.A., Elektrocieplownia Chorzów ELCHO sp. z o.o., and CEZ Polska sp. z o.o. there were five minor injuries in 2008–2009. Most of the cases involved injured ankles, arms, or hands. In three of the cases, the injuries were caused – in whole or in part – by the employees themselves, due to lack of attention. No serious or lethal injuries occurred during the period in question.

Bulgaria
At the Bulgarian companies CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, CEZ Laboratories Bulgaria EOOD, CEZ Bulgaria EAD, and TEC Varna EAD, there were 49 injuries in 2008–2009, 40 of which occurred on work sites (under Bulgarian law, injuries that occur on the way to and from work are classified as work-related). The employees themselves were at fault in 19 cases.

Romania
At the Romanian company CEZ Romania S.R.L., six registered work-related injuries occurred during the period 2008–2009. One of these was a lethal injury due to electrocution, three cases were of serious injuries, and two cases involved injuries that incapacitated the person in question for longer than three days.



Labor Relations

There are a total of 31 independent labor organizations at ČEZ, a. s., in which approximately 2,300 employees were organized in 2009 – i.e., 38% of the company's total workforce.
At the integrated subsidiaries of CEZ Group there are a total of 46 basic labor organizations, in which approximately 3,300 employees were organized – i.e., 51% of the total number.

The labor organizations are members of two labor federations:
- the ECHO Labor Union,
- the Czech Union of Power Industry Employees.

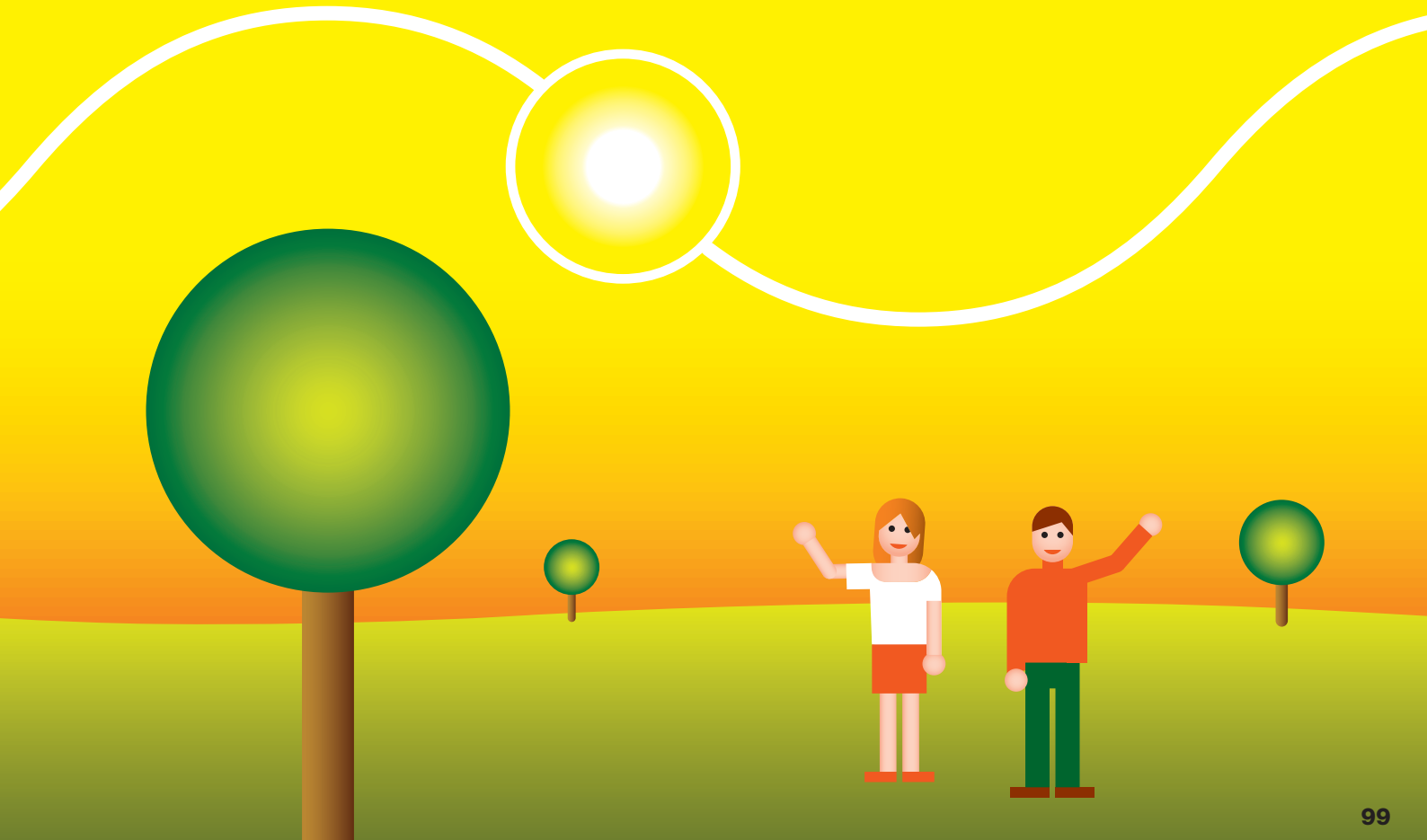
Regular meetings are held between the employer and labor representatives, providing a forum where employee representatives receive information, which is then discussed in accordance with the Labor Code and valid Collective Agreements.
At ČEZ, a. s. and the integrated subsidiaries, the current Collective Agreements have been in effect since 2007 and will expire on December 31, 2014.

CEZ Group European Works Council

Since 2007, CEZ Group has had a CEZ Group European Works Council. Its mission is to provide a multinational forum for discussion and provision of information to employee representatives, concerning in particular:
- CEZ Group policies and strategies, including strategic mergers and acquisitions,
- the commercial and financial situation of CEZ Group,
- the structure of CEZ Group's organization and assets.

The information and discussions also relate to occupational safety and health at CEZ Group companies. The CEZ Group European Works Council meets twice a year.

The CEZ Group European Works Council has 22 members:
- 14 from the Czech Republic,
- three from Bulgaria,
- three from Romania,
- two from Poland.



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