REACTING TO CHANGING MARKET ENVIROMENT

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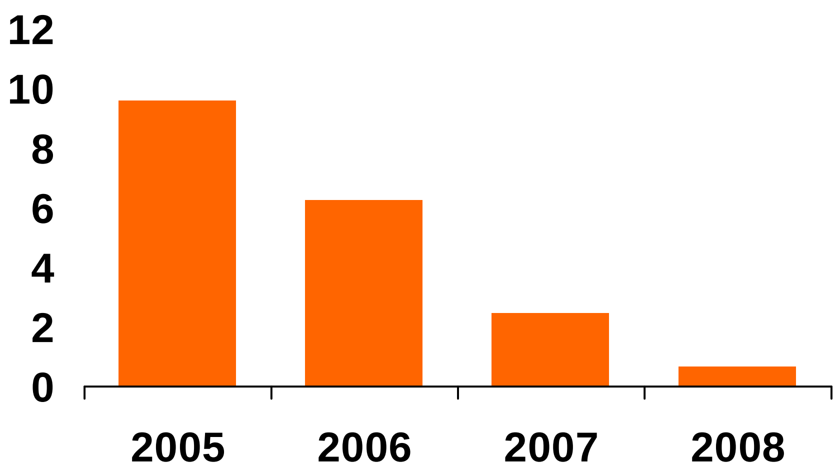
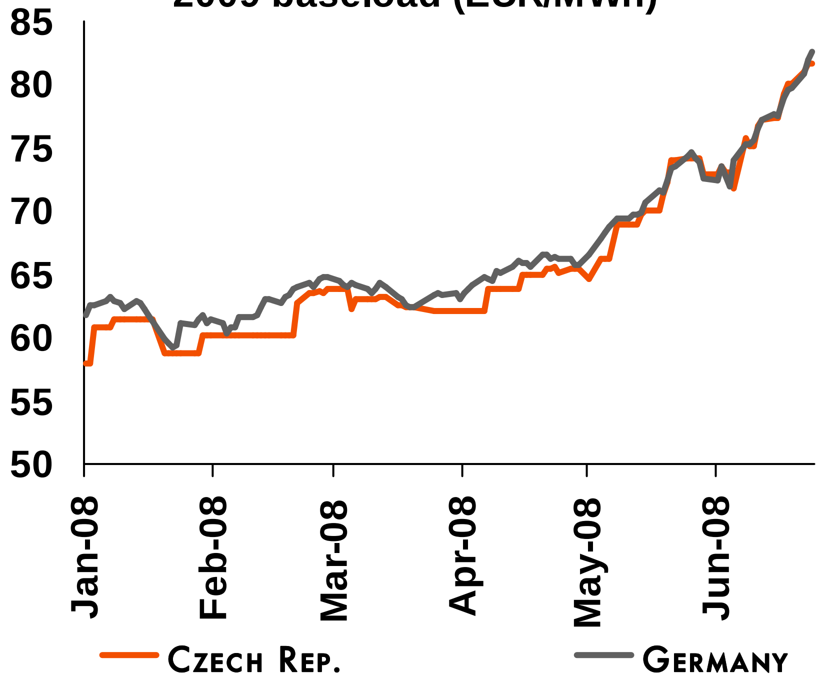
CZECH ELECTRICITY MARKET HAS FULLY CONVERGED WITH GERMANY AND THERE ARE NO ADMINISTRATIVE INTERVENTIONS

- **Czech market is integral part of wider European electricity market**
- **Czech power prices are fully liberalized and are driven by the same fundamentals as German market**
- **There are no administrative interventions from the side of government**

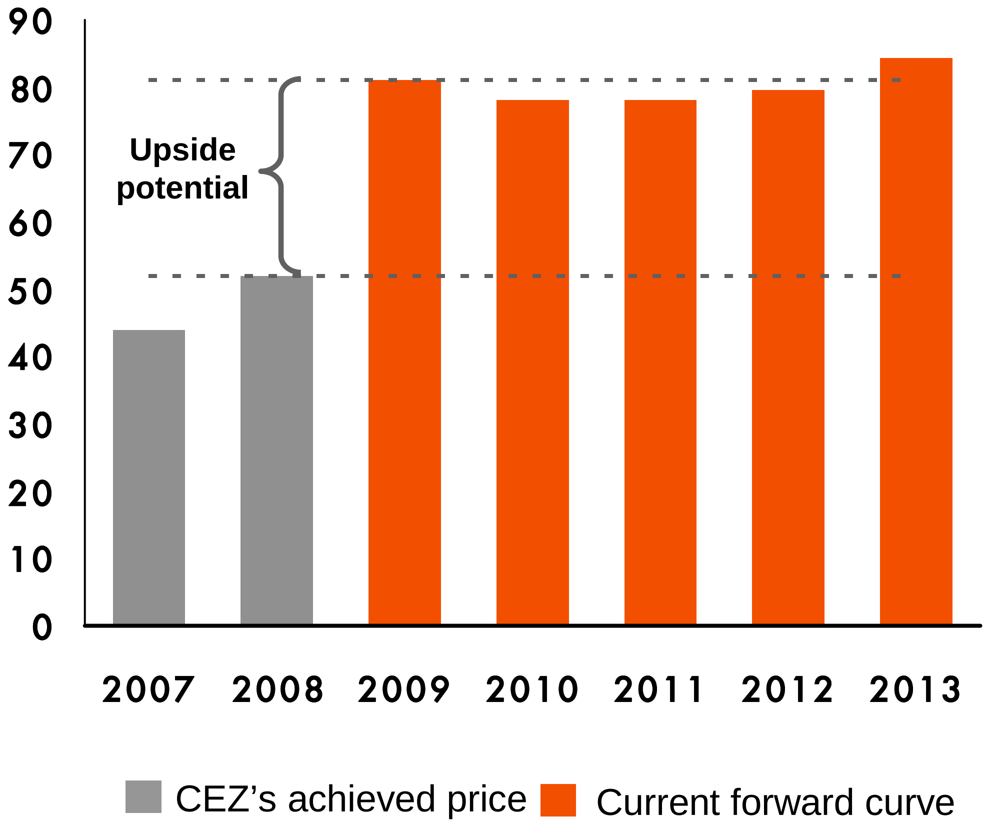
Spread of German and Czech 1 year ahead baseload (EUR/MWh)



2009 baseload (EUR/MWh)



CURRENT EARNINGS ARE BASED ON POWER PRICES MUCH LOWER THAN CURRENT FORWARDS



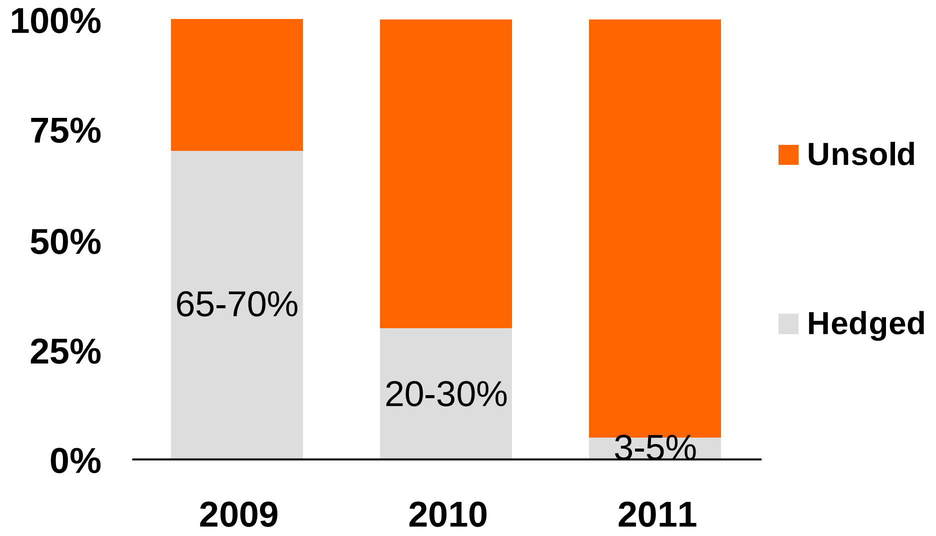
- Record 2008 financial results are based on >52 Eur/MWh baseload price
- Current German 1Y baseload futures trade around 80 Eur/MWh

There is large room to improve profitability in 2009 and onwards

CEZ IS BENEFITING FROM HIGH POWER PRICES DUE TO ITS OPEN POSITIONS

Hedging of CEZ, a.s. own generation

100% = 40 – 45 TWh*



Achieved baseload price including currency hedging (EUR/MWh)

2009	2010	2011
63	67	77

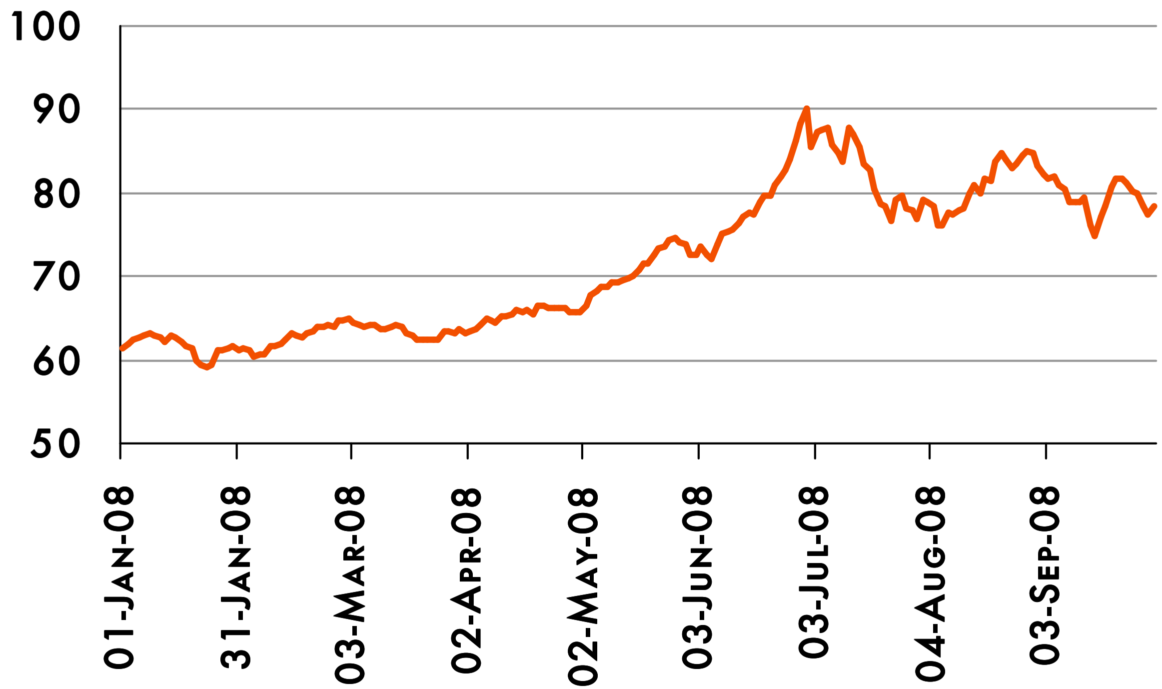
- CEZ, a. s. applied standard concept of gradual hedging of its open position from generation portfolio against price risks
- Within this strategy CEZ, a. s., sells electricity on forward basis for years Y+1 through to Y+3
- Hedged volume for 2009 is influenced mainly by sales of two-year (08/09) compound product realized in Q3 2007

* Expected net generation of 55-60 TWh reduced by 15TWh reserved for tariff customers

POWER PRICE SIGNIFICANTLY INCREASED TO A NEW LEVEL OF 80 EUR/MWH

1-year forward price

EEX baseload, EUR/MWh



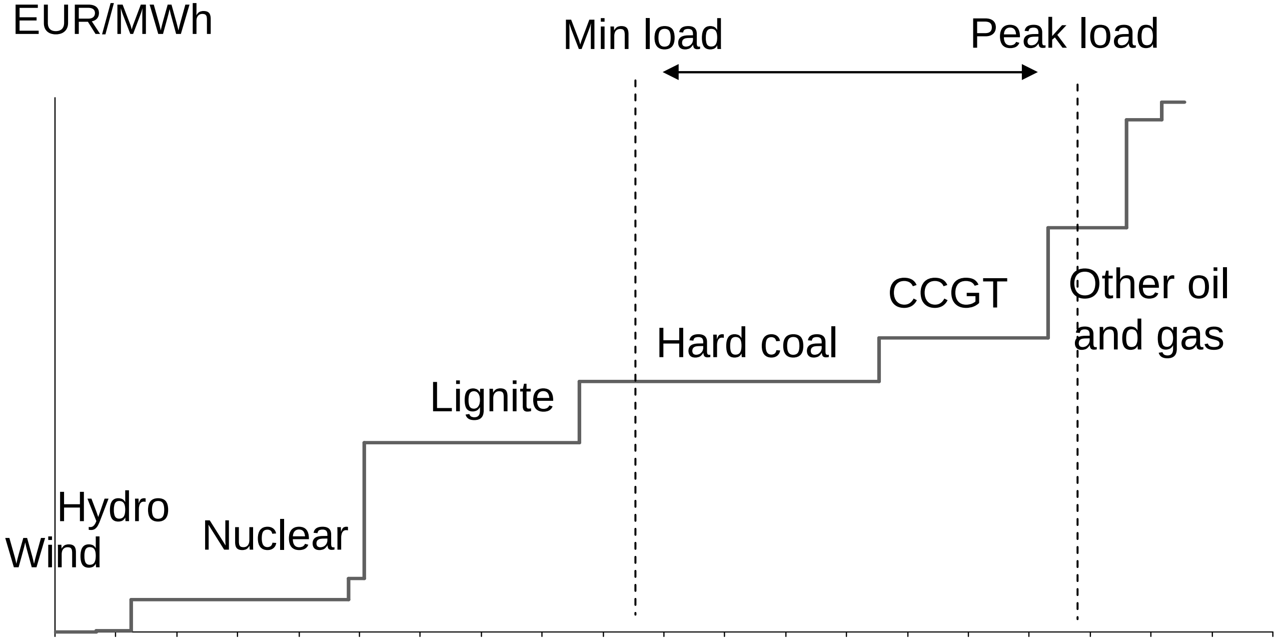
- Power price is almost 30% higher compared to beginning of the year
- Large volatility of power price over the last year

MAIN DRIVERS OF POWER PRICE IN GERMANY ARE PRICE OF HARD COAL, GAS AND CO_2

ILLUSTRATIVE

Generation cost curve

EUR/MWh



Available capacity

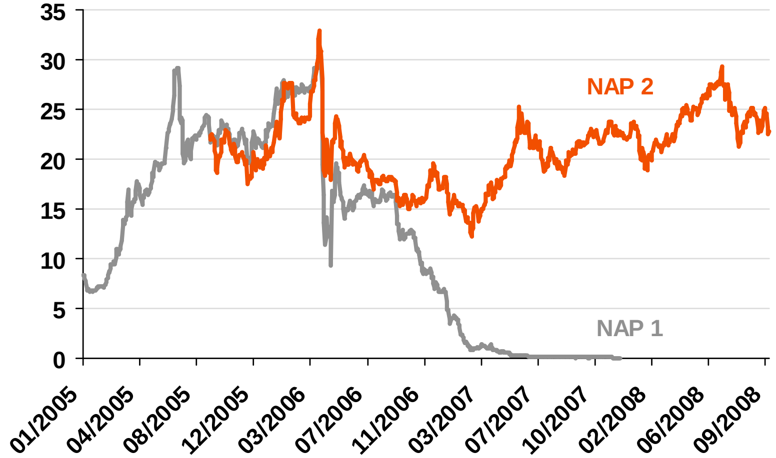
MW

- In free market, power price is set by variable cost of marginal plants
- In Germany, the marginal plants are fueled by hard coal (in off peak) or gas (in peak)
- As a result, the power price should be driven by coal, gas and CO_2 price

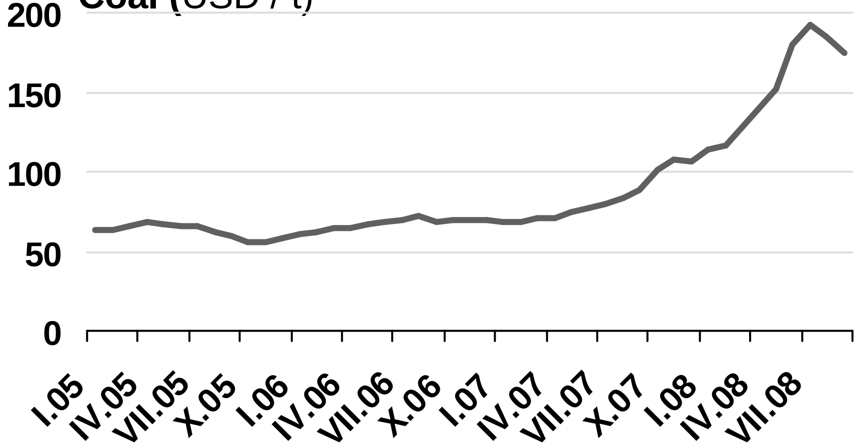
PRICES OF THESE COMMODITIES ARE INCREASING AS WELL

Brent oil (USD / bl)

CO_2 allowances
EUR/t



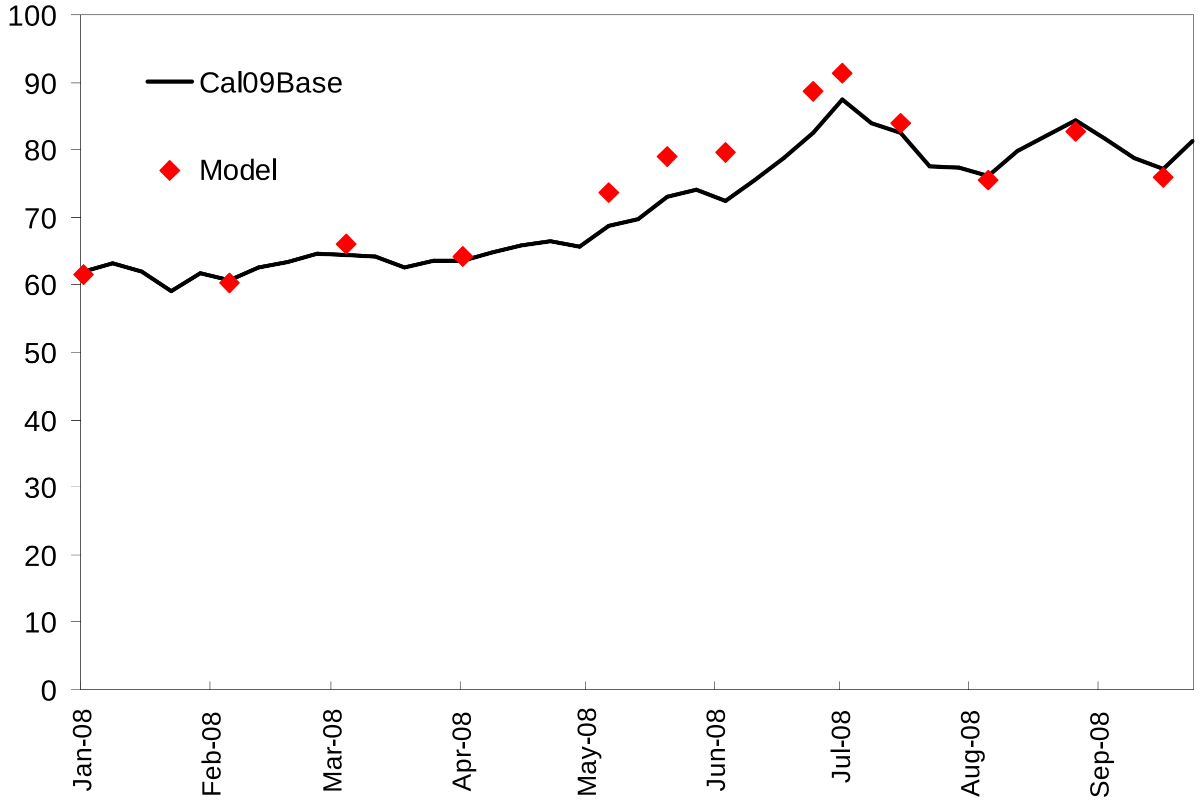
Coal (USD / t)



MODELLING RESULTS DEMONSTRATE THAT POWER PRICE IS DIRECTLY LINKED TO THE COMMODITY PRICES

1-year forward price

EEX baseload, EUR/MWh



- Fundamental model shows a very good fit of model outputs based on commodity price forwards with the actual forward power prices.
- The analysis shows that changes in commodity prices directly translate into power price variations.

WE EXPECT POWER PRICES TO REMAIN STRONG DUE TO THE POSITIVE COMMODITY OUTLOOK

	Future outlook
Oil/gas	>100 USD/bl due to demand fueled by growth in China, India, Brazil and slow expansion of production capacity due to delays and increasing costs of new upstream projects
Hard coal	Potential of high prices if oil remains high, in spite of increasing transportation capacity
CO2	Increase from current levels around 25 EUR/t CO_2 to 30-40 EUR/t CO_2 driven by switching economies and banking from NAP II to NAP III

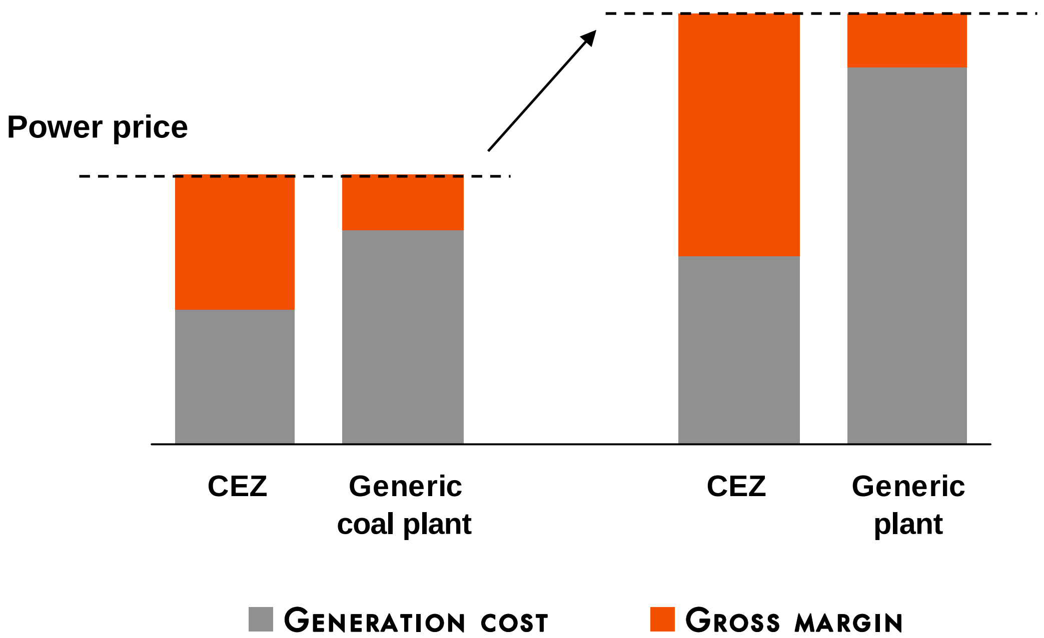
- The commodity prices are likely to be high/grow further in the mid term
- There is potential for further power price growth due to the link to the commodity prices

ELECTRICITY PRICE GROWTH HAS POSITIVE IMPACT ON CEZ'S GROSS MARGIN, BECAUSE VARIABLE COSTS REMAIN ALMOST UNCHANGED

ILLUSTRATIVE

Power plant economics

€/MWh



- CEZ has > 90% domestic production in lignite & nuclear energy
- Long-term contracts have been closed for fuel for the lifetime of power plants
- CEZ is 100% covered until 2012 for CO_2 emissions

CEZ unit costs will remain stable even under short-term growth in oil & CO_2 prices

Source: CEZ

CEZ is in an excellent position to create significant value for shareholders in the next 5 years

- Current profits are driven by power prices at a large discount to prevailing futures curve
- Market power price has potential for further growth
- Our input costs are stable
- We have 100% allocation of CO_2 allowances

SINCE 2013, MORE STRINGENT RULES FOR CO_2 ALLOCATION ARE EXPECTED

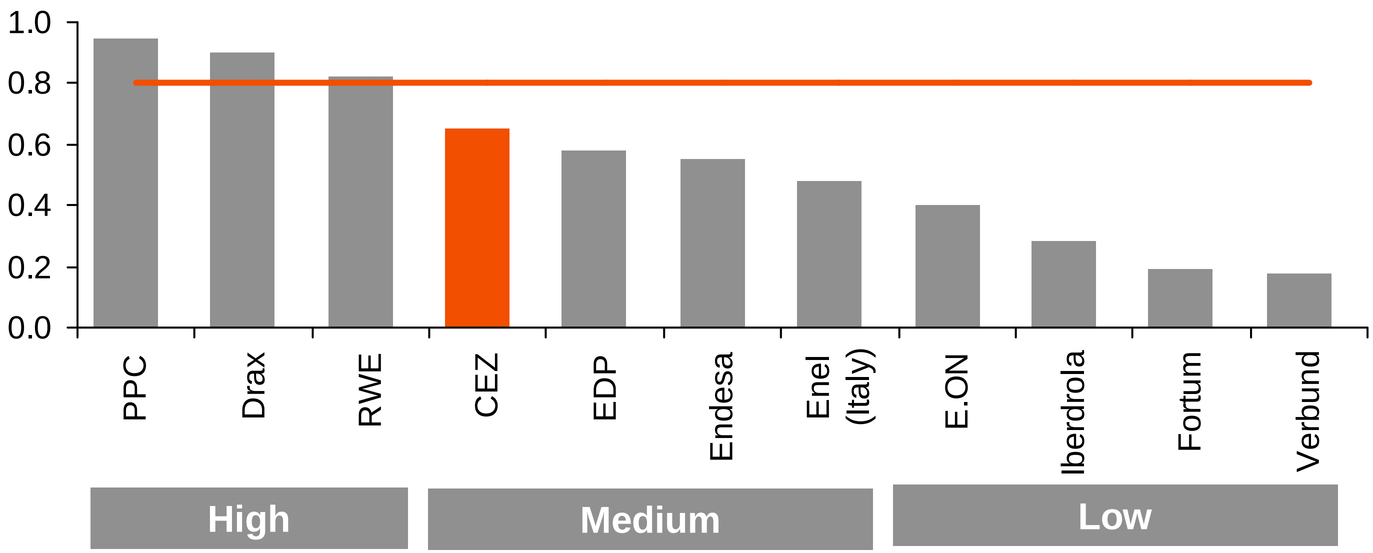
- Current draft of EU directive proposes full auctioning of all CO_2 allowances for power industry, while gradual implementation of auctioning is proposed for other sectors
- Multiple EU member states advocate gradual implementation of auctioning, especially new EU members who over-delivered against their Kyoto targets and who need massive investments to refurbish their energy infrastructure

Benchmark based free allocation is likely to continue beyond 2013

ALREADY NOW OUR CO_2 INTENSITY IS BELOW EUROPEAN AVERAGE

- CEZ Group CO_2 intensity currently stands at 0.65 t/MWh of supplied electricity
- This is already below European price setting plant, which we estimate has an emission factor of 0.8 t/MWh
- Thus increase in CO_2 price has positive impact on CEZ profitability

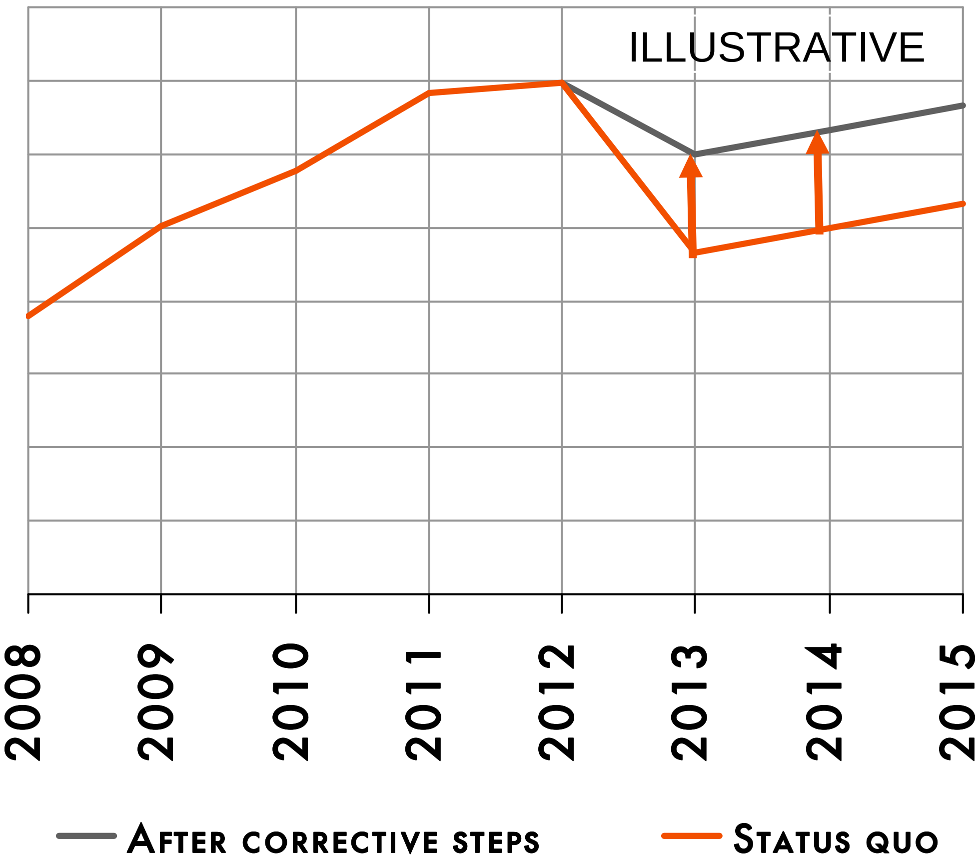
Carbon intensity of selected European utilities (t/MWh)



Source: Company data

NEGATIVE IMPACT OF CO_2 AUCTIONING ON OUR PROFITABILITY CAN BE SIGNIFICANTLY REDUCED

CEZ Group EBITDA



- Until 2013 EBITDA will grow driven by power prices
- One-off drop in 2013 due to CO_2 auctioning can be largely mitigated
- After 2013 growth should resume due to the expected growth of CO_2

IN ORDER TO ELIMINATE NEGATIVE IMPACT OF CO_2 AUCTIONING WE ARE IMPLEMENTING SEVERAL MEASURES

CEZ is reacting by following strategic priorities:

1. **Diversification of the generation fleet by constructing gas plants**
2. **Development of nuclear power projects wherever possible**
3. **Establishing portfolio of renewables and environmental investments**
4. **Within the EU, investments in coal plants only if there is a significant cost advantage**
5. **Investment in JI/CDM projects, forward purchases of emission allowances**
6. **Investments into projects in growing markets outside the EU**

PROJECTS UNDERWAY WILL BRING 3,760 MW OF GAS CAPACITY BY 2013-14

1.

Location	Name	Approximate Size (MW)
Czech Rep.	**Pocerady**	800
Czech Rep.	**Uzin**	400
Slovakia	**MOL**	800+160
Hungary	**MOL**	800
Bulgaria	**Varna**	800

More projects are under consideration

NUCLEAR ENERGY REMAINS VERY ATTRACTIVE AND CEZ PURSUES OPPORTUNITIES IN THIS AREA

2.

Reasons for nuclear energy

- „in the money“
- CO_2 free solution
- Reliable & predicable fuel suppliers
- Another way to diversify generation portfolio
- Increasing awareness of the need for nuclear energy in the EU

CEZ response

- Increase of **production at existing plants** from 26TWh to 31 TWh in 2012
- **Temelin** – up to 3,400 MW of new capacity, in July 2008 EIA study submitted to Ministry of Environment
- **Dukovany** – up to 1,700 MW of new capacity
- CEZ bids for **Cernavoda** (RO)
- Interested in participation in construction of **Jaslovske Bohunice** (Slovakia) when tender is launched

RECENTLY ACQUIRED WIND PROJECT WILL SIGNIFICANTLY INCREASE OUR PRESENCE IN RENEWABLES

3.

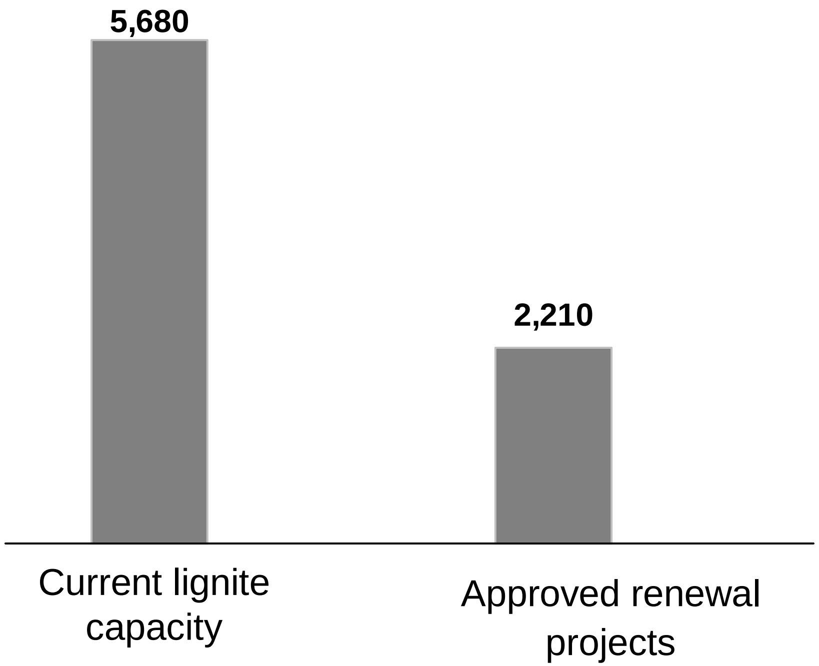
- **Romania – Fantanele & Cogealac project will bring 600 MW wind capacity by 2011**

- **2020 targets in the Czech Republic**
  - **Triple the annual renewable energy production from 1.7 TWh to 5.1 TWh**
  - **Intention to invest CZK 30 bn into renewable sources**
  - **Wind power preferred, promising opportunities in photovoltaic**
  - **Already 150-220 MW of capacity in five locations have secured agreement of municipalities, have guaranteed connection to the grid and partly land assurance**

CEZ DECIDED TO INVEST INTO RENEWAL OF ONLY SELECTED LIGNITE PLANTS IN THE CZECH REPUBLIC

4.

Lignite capacity (MW)



Rationale

- Low cost of domestic lignite
- Thermal power plants next to mines – only costs of internal logistics
- Replacement of old units with more efficient new technology (20% lower CO_2 emissions, from 1t CO_2/MWh to 0.8 CO_2/MWh)
- Secured lignite supplies for the investment lifetime

CEZ ALREADY CONTRACTED OVER 2/3 OF ITS TOTAL QUOTA OF CERs

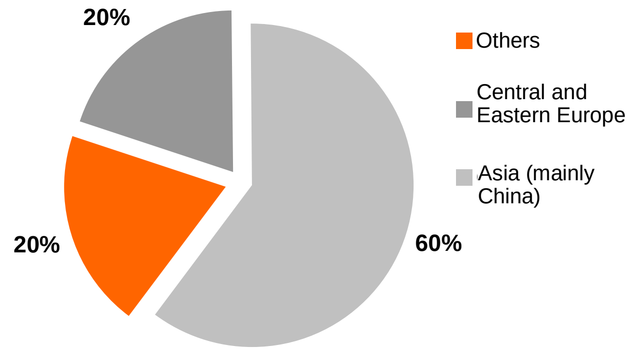
5.

JI (Joint Implementation), CDM (Clean Development Mechanism) – mechanisms of Kyoto protocol, which enable investments into projects for reduction of green house gases and their import to ETS for utilization instead of CO_2 allowances

- Until 2012 CEZ Group can import to EU ETS approximately 21 mil of CER credits from JI/CDM
- So far CEZ contracted more than 14 mil of credits with deliveries in 2008-2012
  - Directly from CDM projects

    Example : wind farm or project of biomass power plant in China
  - On secondary markets
- Outstanding target of 7 mil to be contracted till Q2 2009

Expected geographical composition JI/CDM portfolio of direct investments



CEZ IS INVESTIGATING OPPORTUNITIES OUTSIDE EUROPEAN UNION

6.

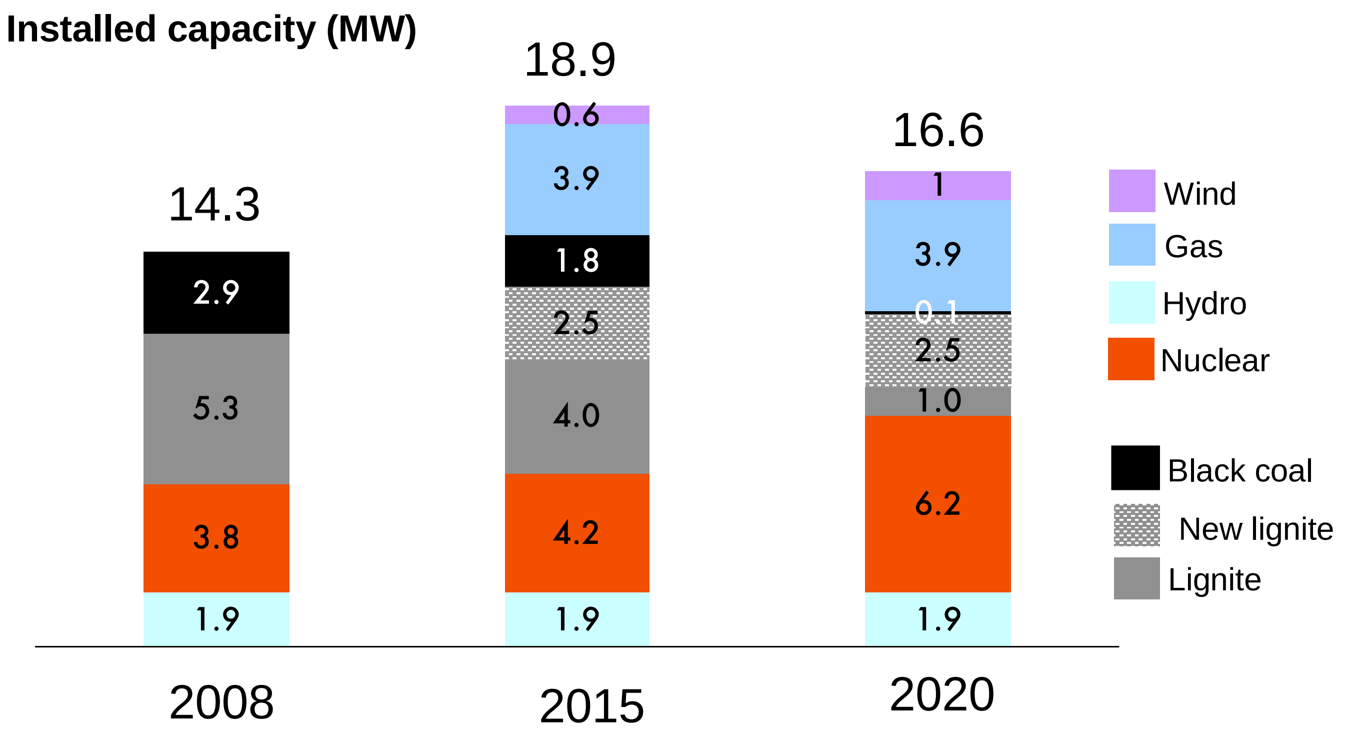
CEZ FINDS COUNTRIES OUTSIDE EU ATTRACTIVE DUE TO FOLLOWING REASONS:

- **Dynamic growth of GDP leads to high electricity demand growth**
- **Need to build additional generation capacities**
- **Exclusion from EU ETS gives higher flexibility regarding portfolio mix**

NEGOTIATIONS ON SPECIFIC OPPORTUNITIES ARE ALREADY UNDER WAY:

- **Russia – 600 MW of CCGT co-generation planned in Moscow**
- **Turkey - JV with Akkok, negotiations pending**

INVESTMENT PROGRAM WILL ALLOW CEZ TO REDUCE THE AVERAGE CO_2 EMISSION FACTOR BY 50%



	2008	2015	2020
CO2 Emissions (mil t CO2)	40.8	46.6	27.4
CO2 Emissions (t CO2/MWh supplied)	**0.65**	**0.50**	**0.30**