CEZ Group
Corporate Social Responsibility Report 2010/2011
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Dear friends,

It is my pleasure to present you with this report documenting the ways in which CEZ Group upholds its corporate social responsibility. In this year, which brought many changes for CEZ Group, we demonstrate in new ways that social responsibility is a fundamental value for us, and not just an empty place-holder. We provide specific assistance, going beyond what is required by law, and we always strive in our business to set and achieve goals that are beneficial to all and sustainable over the long term. We prefer broader projects that improve the environment or mitigate specific social problems over one-off events.

Social responsibility has become an integral part of both long-term planning and everyday practice at CEZ Group. Together with the company, the employees get involved in the activities of various non-profit organizations and take a hand in public-benefit projects (such as, for example, “Time For a Good Cause” and “Making Wishes Come True, Thinking of Others”).

Corporate social responsibility is a matter of course that pervades all the company’s activities as well as those of all its integrated subsidiaries. We treat our surrounding areas, customers, shareholders, employees, and the general public with the respect and consideration they deserve. Our social responsibility also extends to the care with which we utilize the tangible and intangible capital inherent in natural resources, leverage the value of our brand, and approach our relationships with our partners. Should they have any matters of concern, customers and other parties can take them up with the ČEZ Ombudsman.

We regularly update our technological processes and support scientific research and its applications. Among all priorities, the safety of all our operations is always placed first. We conduct continuous, thorough monitoring and evaluation of air pollution parameters, treat by-products from our coal-fired power plants and convert them into secondary raw materials, vigilantly manage spent nuclear fuel, and protect fauna by, for example, preventing unnecessary bird injuries due to electric shock.

Since 1992, CEZ Group has been stimulating young people’s interest in studying technical fields through its “World of Energy” education program. For its strategic approach to education, ČEZ, a. s. received the special “Company and School” award in the 2011 TOP RESPONSIBLE CORPORATION competition. What’s more, a survey conducted last year among university students showed that, for them, ČEZ is the most sought-after employer.

We provide long-term, unselfish support for education, culture, sports, and fellow citizens with health issues in accordance with the principle: “We help where we operate”. We have shown a willingness to hear the needs of local organizations that are familiar with local problems. We take into account public opinion and we respect it in the “Your Choice” project. Another example is a highly popular Nadace ČEZ Foundation program entitled “Trees 2011” in which cities and other municipalities received funding for planting greenery and/or renovating parks and greenways: all told, over 44,000 trees were planted.

CEZ Group listens to the civil society and advances it through beneficial programs. Our philanthropic programs further cooperation between the commercial and not-for-profit sectors. We are open to dialog and discussion on solutions to contemporary problems.

This report presents a basic array of information to enable you, the reader, to judge for yourself whether CEZ Group acted correctly, ethically, and considerately during the past two-year period. I am confident that you have already met with the results of our work and that you share our joy and satisfaction with the positive changes. Our actions speak for us louder than our words.

Daniel Beneš
Chairman of the Board of Directors and
Chief Executive Officer, ČEZ, a. s.
1. Introduction

1.1 About the Company

CEZ Group is an established, integrated electricity conglomerate with operations in a number of countries in Central and Southeastern Europe and Turkey, headquartered in the Czech Republic. Its principal businesses encompass generation, trading, and distribution of power and heat, trading in and sales of natural gas, and coal mining. The shares of the Group’s parent company, ČEZ, a. s., are traded on the Prague and Warsaw Stock Exchanges. As of December 31, 2011, the Czech Republic remained the company’s largest shareholder with a nearly 70% stake in the stated capital.

CEZ Group continues to implement technologies of the future. It commissioned its first charging station for electric cars and preparations for more are ongoing with partners. It is investing in research and development, environmental protection, and energy conservation projects. As part of its business activities, CEZ Group upholds principles of sustainable development, supports energy efficiency, rolls out new technologies, systematically mitigates the environmental burden posed by its business, and supports the development of education, child care, and health. CEZ Group operates its plant and equipment to the highest possible standards of safety.

Although the corporate culture is performance-oriented, at the same time CEZ Group’s business activities are governed by strict ethical standards – this includes acting responsibly toward local communities, society, and the environment. CEZ Group is a major supporter of a number of non-profit organizations and public-benefit initiatives.

We support technologies of the future.
1.2 Group Structure Chart

For accounting purposes, the CEZ Consolidated Group consisted of a total of 120 companies as at December 31, 2011. Of this number 99 were fully consolidated, and 21 associates and joint-ventures were consolidated by the equity method.

For accounting purposes, the companies of the CEZ Consolidated Group are divided into seven operational segments:
- Power Production & Trading Central Europe
- Distribution & Sale Central Europe
- Mining Central Europe
- Other Central Europe
- Power Production & Trading Southeastern Europe
- Distribution & Sale Southeastern Europe
- Other Southeastern Europe

A full, detailed description of the CEZ Consolidated Group, including the “Group structure chart” and the “Alphabetical list of companies – Group members”, can be found in the CEZ Group 2011 Annual Report.
1.3 Generation, Technology, Organization

In 2010–2011, CEZ Group offered end customers in the Czech Republic the following commodities and related services:

- electricity (ČEZ Prodej, ČEZ),
- natural gas (ČEZ Prodej),
- heat, i.e. thermal energy (ČEZ, Teplárna Trmice, ČEZ Teplárenská, ČEZ Energo, Elektrárna Chvaletice, Energetické centrum, ČEZ Energetické služby),
- electricity distribution (ČEZ Distribuce).

Customers can order electricity and natural gas directly, in the form of supplies of the actual commodity (Electricity or Natural Gas Supply Contract), in which case the customer obtains distribution service through a separate Distribution Service Supply Contract. Much more frequently, however, they do business with us through an Integrated Supply Contract for the commodity in question, under which ČEZ Prodej provides the customer not only with supplies of the commodity, but also arranges for provision of distribution services by the relevant local distributor in accordance with applicable legislation.

Location of CEZ Group Power Sources in the Czech Republic

<table>
<thead>
<tr>
<th>Power Plants</th>
<th>Mines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear</td>
<td>Brown coal</td>
</tr>
<tr>
<td>Hydro</td>
<td></td>
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<tr>
<td>Pumped-storage</td>
<td></td>
</tr>
<tr>
<td>Brown coal</td>
<td></td>
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<tr>
<td>Biomass combustion</td>
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<tr>
<td>Power heating plants</td>
<td></td>
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<tr>
<td>Black coal</td>
<td></td>
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<tr>
<td>Wind</td>
<td></td>
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<tr>
<td>Photovoltaic</td>
<td></td>
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<tr>
<td>Black coal with coke gas</td>
<td></td>
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<tr>
<td>Biogas</td>
<td></td>
</tr>
</tbody>
</table>

NAME OF POWER PLANT/MINE - owned by ČEZ, a. s.
NAME OF POWER PLANT/MINE - owned by other ČEZ Group member (sources in operation)
Introduction

Electricity

Despite ongoing market liberalization, CEZ Group is still the biggest supplier of electricity to end customers in the Czech Republic. We offer our existing and potential new customers in all market segments innovative products and services, and adapt them to the customer’s needs in justified cases. This enabled us to defend our leading position in all three basic segments – large end-customers, retail-commercial, and retail-residential – in 2011. As increased competitive pressure in the electricity market has expanded into the retail-commercial and retail-residential segments, CEZ Group’s market share in these segments declined despite the above-average success rate of our customer retention initiatives in 2011.

In 2011, CEZ Group power plants in the Czech Republic generated a total of 63,321 GWh of electricity, up 57 GWh from 2010. In 2010, CEZ Group power plants in the Czech Republic generated a total of 63,264 GWh of electricity, up 2,422 GWh from 2009.

At December 31, 2011, CEZ Group companies in the Czech Republic owned generation installations with aggregate installed capacity of 12,813.6 MW, up 85.7 MW from year-end 2010. The most significant changes included a 70 MW increase in the installed capacity of Unit 1 of Dukovany Nuclear Power Station following a turbine rebuild, the obtaining of 11.1 MW of installed capacity in cogeneration units within the company ČEZ Energo, the commissioning of a new turbine with 4.1 MW of installed capacity in Dvůr Králové nad Labem, and the commissioning of the Číčov biogas station belonging to the company Bioplyntechologie with 0.526 MW of installed capacity.

Natural Gas

In 2011, CEZ Group became the biggest alternative supplier of natural gas in the Czech Republic in terms of the number of customers acquired. The chosen strategy in the residential segment, resulting in over 174,000 new customers acquired in 2011, followed the Group’s successful entry into the natural gas market in the corporate customers segment in past years. Thus, CEZ Group now supplies natural gas to customers in all market segments – large end-customers, medium-sized end-customers, small end-customers, and residential customers.

We offer you natural gas.

Heat Generation

CEZ Group heat generation sources in the Czech Republic supplied a total of 10,422 TJ in 2011. In terms of the year-on-year comparison, this represents a 731 TJ (–7%) decline in supplies. Compared to 2010, the only addition to the production portfolio was ČEZ Energo, which generates heat in small-scale gas-fired cogeneration units.

We generate heat for you.
Distribution
In the Czech Republic, the CEZ Group company that distributes electricity is ČEZ Distribuce, which arranged for 32,613 GWh of electricity to be supplied to customers in 2011. The year-on-year decrease of 324 GWh was caused, in particular, by lower demand for electricity associated with weather conditions. In terms of voltage levels, the decrease took place mainly in the low-voltage segment (down 736 GWh). At the medium and high voltage levels, on the other hand, distribution volume grew – by 324 GWh and 88 GWh, respectively.

At year end 2011, CEZ Group included 76 international companies with nearly 14,000 employees in eight countries of Central Europe, Southeastern Europe, and Turkey. These companies now contribute CZK 67 billion to CEZ Group’s revenues and account for one quarter of the Group’s fixed assets.

In addition to the Czech Republic, there are CEZ Group companies with direct energy sector operations in Albania, Bulgaria, Hungary, the Netherlands, Poland, Romania, Slovakia, Serbia, and Turkey. In Albania, CEZ Group operates the country’s sole distribution company. In Bulgaria, it distributes and sells electricity in the western part of the country and generates power in its own coal-fired power plant near Varna, the Black Sea port city. In Poland, two black coal-fired power plants near the country’s border with the Czech Republic are part of CEZ Group, as is a company that is preparing to build wind power plants. In Romania, CEZ Group is involved in the generation of electricity from renewable sources through the operation of the Fântânele and Cogealac wind farms and the Reşiţa hydro power system, in addition to electricity distribution operations. In Turkey, CEZ Group and its local partner operate a distribution company and generate electricity in gas, hydro, and wind power plants. In the remaining countries, the companies carry on wholesale operations in electricity, other commodities, and related derivatives, function as holding companies, or engage in financing activities. Throughout Central and Southeastern Europe, CEZ Group engages in wholesale trading in electricity and natural gas.

We supply you with electricity.

International
CEZ Group focuses in particular on markets in Central and Southeastern Europe. Primarily, it concentrates on countries in which it already operates in some form, and where it can apply its rich experience in managing an electricity conglomerate at a time of a newly liberalized power market and pass on its know-how. Another important aspect of CEZ Group’s international operations is renewable sources of energy – in locations where the natural conditions are amenable to this purpose. CEZ Group is one of the ten biggest energy corporations in Europe.

2011 was the Group’s most successful year yet in terms of its international acquisitions. The aggregate EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) of the international acquisitions reached nearly CZK 11 billion, which is CZK 2 billion higher than the 2010 result which itself was the highest at the time. So far, the results of ČEZ’s international acquisitions have generated nearly 80% of the amount invested in them.

Anniversaries of CEZ Group Power Plants

Several CEZ Group power plants celebrated anniversaries in 2010.
- The first Czech nuclear power plant celebrated 25 years in operation. Thanks to its safe, reliable, and efficient operation, the plant in Dukovany is the flagship of CEZ Group’s generation portfolio. In recent years it has managed to get into the top one-fifth best operated nuclear power plants in the world and its operating indicators are better than the European Union average. It is even among the world’s best in terms of certain indicators.
- December 2010 marked ten years since the first reactor unit at Temelín Nuclear Power Station generated its first kilowatt-hour of electricity. Before the plant was commissioned, the region of South Bohemia where the Temelín plant is located was forced to bring in electricity from other areas—primarily from environmentally burdened North Bohemia. The plant in Temelín made it possible to replace, once and for all, the aging coal-fired power plants in North Bohemia that were being shut down one by one. This year saw the total amount of electricity generated so far by the Temelín plant pass the 100 billion kWh mark. That is enough to power all Czech households for a period of nearly seven years.

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CEZ Group is one of Europe’s top ten power companies

Top 10 Power Companies in Europe
(number of customers 2010, millions)

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<th>0</th>
<th>20</th>
<th>40</th>
<th>60</th>
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<tr>
<td>1</td>
<td>Enel</td>
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<td>2</td>
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<td>4</td>
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<tr>
<td>5</td>
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<tr>
<td>6</td>
<td>GdF Suez</td>
<td>11.3</td>
<td></td>
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<tr>
<td>7</td>
<td>EdP</td>
<td>11.0</td>
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<tr>
<td>8</td>
<td>ČEZ</td>
<td>9.3</td>
<td></td>
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<tr>
<td>9</td>
<td>EnBW</td>
<td>6.0</td>
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<tr>
<td>10</td>
<td>PGE</td>
<td>5.0</td>
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Top 10 Power Companies in Europe
(market capitalization in EUR billions, as at May 17, 2011)

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<th>20</th>
<th>40</th>
<th>60</th>
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<tbody>
<tr>
<td>1</td>
<td>GdF Suez</td>
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<tr>
<td>2</td>
<td>EdF</td>
<td>52.9</td>
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<tr>
<td>3</td>
<td>Enel</td>
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<td>5</td>
<td>Iberdrola</td>
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<td>6</td>
<td>RWE</td>
<td>23.6</td>
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<td>7</td>
<td>CEZ Group</td>
<td>20.8</td>
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<tr>
<td>8</td>
<td>Fortum</td>
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<td>9</td>
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<tr>
<td>10</td>
<td>EnBW</td>
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2010 marked 35 years since May 1975, when the first generating units of the power plant in Dětmarovice (North Bohemia) came on-line. Construction on the plant, located at a site adjoining the Polish border near the Bohumín – Český Těšín railroad corridor, began in 1971. The plant’s generating units went on-line one-by-one between May 1975 and November 1976. The project was designed by Energoprojekt Praha, the contractor for the construction portion was VOKD Ostrava, and the technical equipment was supplied by Škoda Plzeň.

Four decades have passed since the commissioning, in 1970, of units 1 and 2 of Počerady Power Station, one of the most utilized coal-fired power plants in the Czech Republic. With its installed capacity and relatively high level of use, it plays a substantial role in the economy and environment of Northwestern Bohemia. The plant generates heat only for use in its own operations. Technical and environmental programs implemented at the plant ensure reliable, economical, and environmentally-sound operation, fully comparable with similar plants in other advanced European countries.

The smallest and, at the same time, the oldest of the jubilee-celebrating power plants is Černé jezero, which turned 80 in 2011. The first pumped-storage hydro power station in the Czech Republic, the station is located in Šumava, at an elevation of 1,008 meters above sea level, in a beautiful natural setting northwest of Železná Ruda featuring the biggest glacial lake in Šumava and also the biggest natural lake in the Czech Republic. Černé jezero Lake has an area of 18.43 hectares and a maximum depth of 40.6 meters.

Our power plants are celebrating anniversaries.
2. Economics

2.1 Mission, Vision, Strategy

Mission and Vision
CEZ Group’s mission is to maximize its return and secure long-term growth in shareholder value. Therefore, CEZ Group directs its efforts toward fulfillment of its vision of becoming the leader in the electricity market in Central and Southeastern Europe.

For the Group, supporting economic growth and the living standard of the population is both a responsibility and a duty. As one of the most important players in the Czech Republic economy, CEZ Group is well aware of the need for it to behave responsibly. Over the past 15 years, the ČEZ Power Company has generated over CZK 106 billion in income tax receipts and dividends for the Czech State, its biggest shareholder. Of that figure, income tax receipts alone account for CZK 66 billion. At the same time, the economic accomplishments of CEZ Group lay groundwork for the Czech Republic’s overall business environment. CEZ Group’s businesses provide gainful employment to over 100,000 people and since the foundation of ČEZ, a. s. in 1992 the Group has invested nearly CZK 300 billion in the Czech Republic, benefiting domestic companies and of course their employees as well.

Strategy
In 2011, CEZ Group responded to turbulence in the electricity market related to economic stagnation in the Eurozone and European countries’ reaction to the Fukushima nuclear disaster. In conjunction with the NEW VISION strategic initiative, the CEZ Group strategy was updated. The updated strategy aspires to minimize the principal risks threatening CEZ Group’s business performance and, at the same time, leverage current growth opportunities.

In addition to electricity production, distribution, and sale, CEZ Group’s activities include nuclear research; designing, building, and maintaining power plants and grid infrastructure; mining of raw materials; processing of generation by-products; as well as information and communication technologies. At the same time, CEZ Group is one of the three largest producers of heat in the Czech Republic.
**2.2 Performance and Innovation**

2010–2011 was a time of conducting analyses and preparing measures in the various business segments.

In the Production segment, 2011 saw continued implementation of the SAFELY 15 TERA ETE project, the objective of which is to achieve annual generation volume of at least 15 TWh at Temelín Nuclear Power Station in 2012. The project moved ahead according to plan, with activities focused on plant & equipment, safety, working with suppliers, human resources, and organization & management. The principal project priorities in 2011 were operational reliability of equipment and organization of work during outages. In the human resources development area, the year saw continued development of a program for increasing the quality of human performance and standardizing it in the power plant’s executive processes.

The goal of the SAFELY 16 TERA EDU is to increase the annual electricity generation volume of Dukovany Nuclear Power Station to approximately 16 TWh starting from 2013, while maintaining the current level of safety and operating reliability. The project is reaching its goal by shortening planned outages for fuel replacement and increasing the plant’s output by making modifications to the main generating equipment to bring it up to its full design capacity. Through unit transformer and turbogenerator rebuilds, fuel modifications, and other improvements, the target achievable capacity of 500 MWₑ has so far been achieved on Units 1–4, one by one starting in 2005. New, shorter outage plans are also being implemented with success.

The “Securing LTO EDU” (Long Term Operation) project is the first phase of the “Securing the Long-term Operation of Dukovany Nuclear Power Station” program. The program’s objective is to operate the plant’s reactors, while maintaining the required level of safety, beyond 2015. The project’s goal is to prepare the plant’s equipment, personnel, documentation, and processes for an extension of the plant’s license beyond 2015 and carry out those measures necessary to operate the plant until 2025 with an outlook for further extension of operations. Progress made in implementing the project is documented and submitted each year to the State Office for Nuclear Safety.

The “Streamlined Corporation” project was concluded at the end of 2010. Its principal objectives were to put in place the optimal model of CEZ Group management and administration, effectively calibrate non-core services, and optimize the work force head count. Most importantly, the project brought about across-the-board changes to the organization, eliminating one level of management and thereby saving on staff costs, improving management of the consulting budget, etc.

2011 saw application of the Design-to-Cost methodology in the production division. This methodology is utilized with the aim of increasing the effectiveness of expenses incurred in developing the production division’s portfolio, including repair and maintenance expenses. During 2011, the methodology was applied in cost-intensive projects. All told, 14 projects with conservative cost estimates of CZK 3.8 billion were prepared, in which the use of Design-to-Cost tools resulted in potential savings amounting to 24% of total costs, with no changes to key project parameters. From 2012 on, the experience gained will be expanded to additional projects. CEZ Group intends to leverage the experience gained in application of the Design-to-Cost methodology in the production division by using it to optimize capital expenditures for distribution assets in the company ČEZ Distribuce and in coal mining at Severočeské doly.

A fundamental component of the “Performance” program is a project entitled “Framework Strategy for Provision of Services at CEZ Group”, implementation of which has already commenced. The establishment of a Shared Services Center (SSC) is based on the principles of higher integration of the Group’s current process-based subsidiaries, unified management, and service quality. The goal of the project is to improve support and service functions and propose a new model for providing services within the Group (in the Czech Republic only).

The “Securing LTO EDU” (Long Term Operation) project is the first phase of the “Securing the Long-term Operation of Dukovany Nuclear Power Station” program. The program’s objective is to operate the plant’s reactors, while maintaining the required level of safety, beyond 2015.
In distribution, 2011 saw the successful optimizing of preventive maintenance rules while maintaining compliance with all applicable laws, regulations, and safety standards. At ČEZ Distribuce, a project entitled “Asset Management” was implemented, the main outcome of which was a proposal for improving the effectiveness of internal asset management processes combined with extensive organizational changes that are being rolled out from February 2012. Internal processes were also optimized at ČEZ Distribuční služby, as well as in the technical operations section of ČEZ Měření.

In order to achieve the results demanded of the Sales segment, it is necessary to bring about a substantial improvement in the success rate in retaining the current customer portfolio, seek out new roads to market, and be even more aggressive in reducing sales- and customer service-related costs. The project is focused on potential improvements within the segment (e.g. improving churn management – convincing customers to stay, reducing customer service costs, accelerating cash flows, optimizing the supplier switching process), as well as without (acquiring new gas customers in the Czech Republic, improving information support, acquiring end customers in the Slovak Republic).

Accomplishments of the distribution and international affairs divisions included sustained, long-term reductions in operating expenses by transferring best practices in corporate management, as well as rigorous management of companies’ working capital. Another major priority in this area has been maximizing the repatriation of funds expended abroad, back to the corporate parent.

Optimization, Cost Effectiveness
In response to lower electricity consumption and prices in the wake of the economic crisis, increasing EU regulation of the power industry, and other unfavorable market factors, in the autumn of 2010 ČEZ Group launched its stabilization initiative, entitled NEW VISION.

NEW VISION saw cutbacks in the Group’s program of capital expenditures, together with aggressive optimizing of its internal processes and cost structure. New, ambitious goals were set to retain the current credit rating. This is important to ensure continued access to advantageous financing for development projects such as the completion of Temelín Nuclear Power Station.

We are improving performance and implementing innovative processes.
The NEW VISION initiative is based on the following priorities:
- We make financial management a key aspect of all parts of the company.
- We set ambitious goals in each segment, and we fulfill them.
- We implement best practices in every segment of CEZ Group’s business.
- Support functions must be inexpensive and effective.

In the autumn of 2011, five new strategic programs were added to the NEW VISION initiative. The new components were CEZ Group’s response to uncertainty and difficult-to-predict developments in the energy markets:
- “New nuclear source” – This program’s goal is to prepare a business plan that will enable profitable completion of new reactor units at Temelín Nuclear Power Station, including securing financing and resolving construction and regulatory risks.
- “Fuel procurement” – This program’s goal is to resolve relations with coal suppliers and secure sufficient fuel to operate the coal portfolio. Utilize biomass and alternative fuels to the maximum possible extent to increase the value of our conventional sources.
- “Performance” – This program’s goal is to obtain, by building on existing NEW VISION measures, an additional CZK 30 billion in cash flow by the year 2015 for growth initiatives and to bring about a long-term improvement in Group performance. We will endeavor to achieve maximum cost-efficiency, continue to consolidate support services, and reduce the number of subsidiaries.
- “Regional power” – This program’s goals are to build a strong position in the regions, expand business activities in district heat, cogeneration, and the production of energy from waste and biomass.
- “Renewable sources” – CEZ Group’s strategy in generation is based on the creation of a diversified production mix, by pursuing nuclear projects wherever possible, building gas-fired power plants, and investing in coal-fired power plants (when there is a significant cost incentive to do so), as well as through renewable sources and environmental investments.

The objective of the updated strategy and new strategic programs is to appropriately address the principal risks to CEZ Group’s bottom line and, at the same time, take maximum advantage of the growth opportunities currently in the market.

Our NEW VISION initiative is helping to stabilize our operations.

2.3 Safety and Quality Management

Safety, quality, and environmental protection constitute a mutually interrelated whole. For this reason, management of these areas within ČEZ is also integrated. CEZ Group’s safety and security stands on three fundamental pillars: management, technology, and people. The principal objectives are:
- nuclear safety,
- radiation protection,
- technical safety,
- fire protection,
- physical security of nuclear materials and nuclear installations,
- occupational safety and health,
- environmental protection.
Safety and Environmental Protection Policy

The ČEZ, a. s. Board of Directors is fully aware of and accepts without reservation its responsibility, under applicable law and the Czech Republic’s international obligations, to ensure the safety of its plants, protect individuals both within the company and members of the general public, protect the environment, and assure quality. To meet this responsibility, ČEZ, a. s. has pledged to put in place and develop commensurate conditions and bring to bear sufficient human and financial resources, effective governance structures, and control mechanisms. Therefore, it has promulgated the Safety and Environmental Protection Policy and the Management Quality Policy.

The Safety and Environmental Protection Policy was passed by the ČEZ, a. s. Board of Directors and issued as an order of the Chief Executive Officer effective from May 1, 2010. It includes the following chapters whose titles correspond to the strategic pillars of the Policy:

- We place protection of human life and health before all other interests.
- We pursue safety and environmental protection as integral parts of management.
- We comply with laws, regulations, and our public obligations, and we take note of recognized practices.
- We continually improve safety and environmental protection.
- We regularly assess risks and either prevent them, eliminate them, or reduce their impact to an acceptable level.
- We ensure that plant and equipment complies, long-term, with all technical, safety, and economic criteria.
- In selecting and evaluating suppliers, we take into account their attitudes toward safety and the environment.
- We communicate openly and effectively on safety-related topics.
- We secure sufficient numbers of high-quality, motivated employees and suppliers.
- We manage key knowledge.

Management of occupational safety and environmental protection is treated by internal directives in accordance with legislation and with the utilization of certification systems. All ČEZ conventional, nuclear, and hydro power stations are long-standing holders of ISO 14001 and Safe Enterprise certifications. One half of the subsidiaries subject to the new safety management system are holders of Safe Enterprise and/or OHSAS 18001 certifications, and depending on the character of their business nearly one half (43%) hold ISO 14001 certification.

Quality-of-Management Policy

In September 2010, the ČEZ, a. s. Board of Directors of passed the Quality-of-Management Policy, setting forth the primary principles by which quality is to be perceived by all employees. ČEZ management defines the word “quality” to mean fulfillment of these principles:

- We treat our partners and customers with respect.
- We conduct our planning in accordance with our strategic objectives.
- We standardize and describe our best practices.
- We complete work assignments flawlessly on the first try.
- We perform checks, and respond immediately to shortcomings.
- We take decisions based on knowledge of the matter and verified facts.
- We improve things, and we make changes flexibly and safely.

The Quality-of-Management Policy.
Economics

In order to implement the Quality-of-Management Policy, the management system and all related internal processes must be properly calibrated, assessed, documented and approved. In 2011, we completed and evaluated the Integrated Management System project. CEZ Group helps to meet ever increasing demands concerning the quality of deliveries and the safety and products and services, and creates conditions for effective process-based and line management in all areas. For this reason, we undertook a new task entitled Implement a communications campaign focused on the Quality-of-Management Policy. Processes are modeled to ensure we meet the requirements of our external and internal customers and stakeholders. Here, the PDCA model is applied. CEZ Group organizes workshops for managers focusing on application of the new projects’ objectives, helps to develop modern methods of evaluation such as Self-evaluation and Elimination of Root Causes, and thereby creates conditions for achieving fault-free, reliable deliveries of products and services.

By continually improving the management system and implementing good practices, CEZ Group is engaging in long-term efforts to remove discrepancies and potential weak points. When evaluating the management system, we check the extent to which established goals and requirements (including requirements of the general public) are being met.

CEZ Group supports the management system by correctly formulating its management and work documentation, in particular through the project “Change in the document management system in the production division”, which at the same time is helping ensure that stakeholders always obtain quality documentation.

The objective of nuclear safety is to prevent an uncontrolled fission chain reaction as well as any unpermitted releases of radioactive substances or ionizing radiation into the environment. The minimum requirements for meeting this objective are given by the Nuclear Act and its implementing regulations, and by international recommendations issued by the International Atomic Energy Agency in Vienna and other organizations (WANO, WENRA, NEA, etc.).

On October 31, 2011, ČEZ submitted the Final Reports relating to the stress tests carried out on the Czech nuclear power plants. After assessing them, the State Office for Nuclear Safety drafted a National Report, which it submitted to the European Commission. Taken together, the Final Reports on the safety of both Czech nuclear power plants have over 400 pages, and it took tens of ČEZ experts six months to draft them. Specialists from other institutions, such as the Nuclear Research Institute in Rež and the Czech Technical University, were also involved. The assessment confirmed that both plants are resistant and no safety faults requiring immediate action were found. In the analyses, the experts assessed Temelín and Dukovany’s resistance to highly unlikely external influences. For example, they assessed how both plants would deal with earthquakes in excess of design parameters, freezing temperatures of –46 °C lasting an entire month, or extended hot spells with highs of 46 °C. The possibility of flooding was also considered – for example, what would happen if the nearby Vltava River were to rise to levels seen only once in 10,000 years, either due to a catastrophic failure of the Lipno Dam or rainfall exceeding the maximum levels seen over the past 10,000 years.

Nuclear Safety

Safety of nuclear installations must be, and is, our absolute priority. Since the management of ČEZ, a. s. understands this imperative, it systemically builds and applies a safety culture and creates conditions for its ongoing improvement. For this reason, among others, it has embarked on a “Unified Safety” project, within which a new Safety and Environmental Protection Policy and a new Quality-of-Management Policy have been promulgated. This has resulted in changes to process-based safety management and a reorganization of related functions.

Nuclear safety is our priority.
In the event of a radiation accident at the Temelín Nuclear Power Station, in 2011 CEZ Group once again published a guide intended to protect people living in the plant’s vicinity. The guide contains information and basic instructions to ensure the protection of persons in the Temelín Nuclear Power Station accident planning zone. The guide contains the following information:

- The area that could be potentially endangered by radioactive substances in the event of a radiation accident at Temelín Nuclear Power Station.
- What measures can be taken to protect the populace.
- Shelters.
- Iodine prophylaxis.
- Evacuation.
- Principles of telephone use.

In late 2011, an accident guide with a 2012–2013 calendar was distributed to residents and organizations within 20 km of Dukovany Nuclear Power Station. People have been receiving calendars from the power plant since 1994. At the back of the current issue there is information on what to do in the event of an extraordinary radiation event. The basic instructions for taking shelter, use of iodine tablets, and evacuation are repeated. The calendar is illustrated with 50 pictures by clients of the World of Colors (Barevný svět) Day Center.

2.4 Risk Management

CEZ Group continually develops an integrated risk management system and a system of internal control mechanisms, including an independent internal audit function that continually vets all processes for compliance with best practices, internal and external standards, and legislation.

An important risk management body is the Risk Management Committee, an advisory committee to the Chief Executive Officer of ČEZ which, with the exception of approving the risk limit in the one-year plan (in the competency of the ČEZ Board of Directors), proposes how the integrated risk management system will be developed; proposes the overall allocation of risk capital to individual risks and organization units; proposes binding rules, accountability, and a structure of limits for individual risks; and monitors the overall impact of risks on CEZ Group, including the degree to which CEZ Group’s debt capacity is drawn down, and fulfillment of rating requirements.

The monthly reports for the Risk Management Committee quantify unified development scenarios for selected risk factors and their impact on the current year, the business plan period, and the debt capacity.

During 2011, the risk management tools were further integrated with the strategy and central controlling processes: in particular, central unified management and quantification tools were introduced for risks associated with new plant and plant retrofit CAPEX projects, including putting additional emphasis on the importance of the risk profile of CAPEX projects being considered as the projects compete internally for CEZ Group resources.
2.5 Audits, Document Management and Distribution Systems

Internal Audit
CEZ Group sees internal audit activities as a part of its social responsibility. The mission of internal audit is to help add value by providing independent, objective assurance and consulting services to meet the needs of CEZ Group’s entire organization structure and its statutory bodies. It provides the company’s governance bodies with assurances that all risks – substantial ones in particular – are known and under control. It thereby helps CEZ Group achieve its goals and initiates business improvements and measures to mitigate business risks. ČEZ has had an internal audit function since 1993.

In accordance with the Internal Audit Professional Practice Standards, the internal audit department is subject to a periodic (once every five years) independent assessment. The last such assessment confirmed, among other things, that internal audit’s findings and recommendations help management to improve the functioning and effectiveness of processes. Internal audit is a professional department providing quality services to its internal customers, and it has great potential for further increasing value for customers. It is fully integrated into CEZ Group’s corporate governance structure, is sufficiently independent, and has the necessary powers to duly fulfill all its tasks. It is very much appreciated by the management of ČEZ. The Head of Internal Audit Section is a member of the company’s senior management team and the department’s remit covers the entire CEZ Group, including international acquisitions.

The results of audit activities are presented to the ČEZ Board of Directors and the Audit Committee on a regular, quarterly basis.

The efficiency with which audit results are put into practice and/or reflected in relevant processes was increased in two ways – through the audited entity’s cooperation in implementation of corrective measures (e.g. in the area of management documentation) and through direct transference of recommendations lying outside the competency of the audited entity to the competent departments/entities. The systemic form of the recommendations/corrective measures improved the effectiveness of follow-up audits to a level enabling them to fully cover the initial audits.

Relations are maintained with other audit departments within CEZ Group (ČEZ Distribuce, Severočeské doly, Bulgaria, Romania, Albania, and Turkey).

In cooperation with the risk management department, the internal audit risk map is interconnected with the corporate risk map and updated annually. Auditing and vetting activities were coordinated between the internal audit department and the safety and quality department, to forego any duplication or conflicts in the audited entities.

Internal audit’s position within the organization structure and its guiding principles (powers and responsibilities, including its Statute and Code of Ethics) are defined in the company’s internal governance documents as well as at the corporate level.

Through audits, we help make our business more effective.
Document Management and Distribution Systems

CEZ Group Document Management
At CEZ Group, documents serve to ensure safety and effective planning, functioning, measuring, and improvement of systems, processes, and activities in accordance with external requirements and the strategies of the individual companies. They are also used to manage projects, operate core and non-core equipment, and provide services. Documents must be interlinked.

Centrally Issued Documents
Administration of documents (record-keeping, comment and approval processes, publishing and demonstrable distribution) is accomplished using CEZ Group document management software systems (the ECM Managed Documents application or other applications operated for these purposes). Binding forms and annexes relating to issued documents are recorded and published in similar fashion.

2.6 Respect for the Law

Legislation
The basic set of standards regulating the economic and commercial aspects of CEZ Group’s business activities is contained in Act No. 513/1991 Sb., the Commercial Code, and as an issuer of a security accepted for trading in a public market, ČEZ is also subject to Act No. 256/2004 Sb. on Doing Business in the Capital Market. Both acts were amended several times in 2011. In selecting its suppliers, ČEZ is bound by Act No. 137/2006 Sb. on Public Procurement, which was also amended several times in 2011 as well as being the subject of several new Government decrees and regulations.

In addition to the general legislative framework described above, legislation specifically treating the power industry is of key importance for CEZ Group. This sector-specific legislative framework is based on the following:

- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Nuclear Act),
- Act No. 406/2000 Sb. on Energy Management,
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act).

In addition to the four core acts listed above for the power sector, the energy business in general – and the generation of electricity and heat in particular – is being affected more and more by environmental legislation and legislation implementing the European Union’s efforts to bring about a global improvement in the environment. Of this legislation, the following acts are of key importance:

- Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act),

We respect legislation.
International Controls
CEZ Group’s electricity and heat generation operations are regularly subjected to international controls, particularly in relation to nuclear power plants.

2011 saw the third IAEA (International Atomic Energy Agency in Vienna) review in the history of Dukovany Nuclear Power Station. The review team stated that the plant is a very well-operated installation, and recommended that it make three changes. In eleven cases, the review team proposed additional improvements to existing procedures. However, the OSART (Operational Assessment Review Team) review also took back with it ten good practices that it will recommend to other nuclear plant operators at an international forum.

The OSART review vets the manner in which the plant is operated and developed. It takes place at the IAEA's recommendation once every year, based on an invitation from the Government of the Czech Republic. Upon being discussed by the Governments of nuclear countries, the recommendations and good practices of all OSART reviews become public and can be found in the database at www.iaea.org.

Also in 2011, Temelín Nuclear Power Station and Dukovany Nuclear Power Station were subjected to stress tests. The nuclear plant stress test mandated by the European Commission is defined as a targeted assessment of nuclear power plant safety margins and resistance in the face of events like those that took place at the Fukushima Daiichi plant in Japan after the earthquake and subsequent tsunami on March 11, 2011. The mandate calls for the tests to analyze combinations of extreme situations that could lead to a nuclear disaster, even though the probability of such a combination actually occurring is low.

The results of the stress tests confirm that Temelín Nuclear Power Station’s robustness provides a considerable margin of safety to withstand serious accidents. The results of the stress tests reaffirm the effectiveness and correctness of earlier decisions to implement measures leading to increased resistance compared to the original design. No shortcomings were found that would require immediate corrective measures. The plant is able to safely withstand even highly improbable, extreme accident conditions without posing any threat to its surroundings.

The assessment was carried out by specialists in nuclear safety, design of nuclear installations, accident management, disaster preparedness, and disaster phenomenology research, all fully qualified for this work. In assessing the extreme scenarios, they took a deterministic approach, proceeding from the assumption of successive failures of all preventive measures.

The Final Report provides a description of Dukovany Nuclear Power Station and its location in light of the knowledge gained from safety studies, analyses, surveys, historical experience, and engineering estimates relating to a concurrence of several unexpected (i.e., exceeding design parameters) and improbable situations and failures – combinations of conditions that could result in a hypothetical catastrophic failure of a generating unit with an estimated frequency of occurrence of once every 1,000,000 years of plant operation (or even lower).
Internal Control Mechanisms
CEZ Group’s system of internal controls consists of a number of rules and procedures put in place by management. The purpose is to help meet targets in terms of proper and effective company operation, which means monitoring, in particular, the following:
- adherence to management policies,
- proper care for and protection of company assets,
- improvements in the efficiency of utilization of company assets,
- economical use of all company resources,
- safe and reliable operation of plant and equipment,
- prevention and identification of fraud and errors,
- correct and complete accounting,
- compilation of reliable financial statements,
- timely identification of risks, assignment of responsibility, and adoption of adequate measures.

The system applies throughout the company and provides crucial feedback in the management process. It includes all activities of executives at all levels of management, through which it determines, on an ongoing basis, whether achieved results are in line with plan.

Company management endeavors to continuously improve the system of internal controls in line with changing internal and external business conditions. The state and effectiveness of the internal control system are monitored and assessed by the Internal Audit Section, based on the principles of internationally recognized standards, and are evaluated by the external auditor as well. The ČEZ Audit Committee coordinates activities between the external and internal auditors, and vets the objectiveness of the assessment of the internal control system.

In 2011, a total of 64 audits were conducted: 18 at ČEZ itself and 46 in the subsidiaries (including 11 audits in international holdings), where they are conducted by the Internal Audit Section of ČEZ under contract. In 2010, 63 audits were conducted, five of which took place abroad.

Also in 2011, CEZ Group published its Report on the Application of GPW (Warsaw Stock Exchange) Principles, which includes a list of aspects where the application differs from the provisions of the Corporate Governance Codex, along with the company’s rationale. The document is public and can be found on the CEZ Group website.

We continuously improve the system of internal controls.
Certifications
CEZ Group proves that it is serious about compliance and maintaining high levels of safety and quality by obtaining and regularly renewing various certificates.

Selected CEZ Group companies which have been determined to have increased risk in individual safety-related areas are certified for compliance with the ISO 9001, ISO 14001, and OHSAS 18001 standards. International holdings, too, are gradually being integrated into the CEZ Group safety management system.

All ČEZ conventional, nuclear, and hydro power stations are long-standing holders of ISO 14001 and Safe Enterprise certifications. One half of the subsidiaries subject to the new safety management system are holders of Safe Enterprise and/or OHSAS 18001 certifications, and depending on the character of their business nearly one half (43%) hold ISO 14001 certification.

International members of CEZ Group, too, are subject to certification processes. In 2011, we began the process of certifying the Bulgarian companies CEZ Bulgaria, CEZ Elektro Bulgaria, and CEZ Razpredelenie Bulgaria. In early 2012 they obtained a final report according to which they successfully passed the compliance vetting process according to the EN ISO 9001:2008 international standard.

2.7 Tendering Principles
In order to ensure its deliveries are of the highest quality, ČEZ is pursuing a new strategy for collaboration with suppliers. Under the new strategy, suppliers are selected in a competitive environment based on the results of tenders, supplier evaluations, and subsequent negotiations. The strategy is to find competitive suppliers with the objective of securing the best standards of contractual performance. Above all, the company prefers price, quality, and speed.

On its website, at the address http://www.cez.cz/edee/www/cs/registrace/registrace.jsf?type=dodavatel, ČEZ has introduced an Internet portal where new suppliers can register. Should any changes on the supplier’s side take place at a later time, the supplier can modify its on-line profile (http://www.cez.cz/edee/www/cs/registrace/prihlaseni.jsf). Registration gives the supplier an option for simple, fast communications.

Our tenders are transparent.
3. Social Responsibility

3.1 Employees

Employees are part of CEZ Group’s spiritual wealth. They create high-quality value for our customers. Therefore, we care about them, provide them good conditions for their work, and encourage them to continuously develop their qualifications. We support employees’ personal growth and give them interesting options for spending their free time.

Employees are our spiritual wealth.

3.1.1 Corporate Culture Principles

If CEZ Group is to continue fulfilling its vision and keep on achieving ambitious goals, it is important for an appropriate corporate culture to take root and grow. That culture is defined by the Seven Principles, and has been a part of the CEZ Group strategic framework since 2005.

The Seven Principles

- Create value safely
- Take responsibility for results
- Play as one team
- Develop our potential
- Grow beyond borders
- Seek new solutions
- Play fair

The principles for CEZ Group employees are values that they share and respect: they are an important part of what it means to be a part of CEZ Group. Great emphasis is placed on bringing the principles to life, so they are not just empty words, but an easy-to-understand guide to how to behave and make decisions in one’s day-to-day work.

Each of the Seven Principles is broken down into specific behaviors. This is a more detailed interpretation of how the employee should act toward his or her colleagues and towards internal and external customers. Assessment of the extent to which employees’ actual behavior is in line with these principles is a standard, integral component of the employee evaluation process. The evaluation results are reflected in individual employees’ compensation, encouraging them to perform to their best potential and act in accordance with the corporate culture.
3.1.2 Antidiscriminatory Measures
Antidiscriminatory measures, procedures, and instructions are built into the work rules and collective agreements of the individual companies as well as into the documents governing recruiting and selection of employees.

ČEZ and the CEZ Group integrated subsidiaries are highly technical companies that place high demands not only on employees’ professional qualifications, but also on their physical and psychological fitness for their jobs. Yet these companies also employ 120 handicapped persons in selected positions, thereby giving them an opportunity for integration into society and improving their quality of life.

When hiring, we apply antidiscriminatory measures.

3.1.3 Training and Development
Through its employee development programs, CEZ Group offers its employees a wide variety of activities. First and foremost is the system for ensuring that employees have and maintain the requisite professional qualifications in line with the qualification requirements of the respective job position.

During 2010 we completed a project for implementing modern electronic methods and tools for training and testing employees whose job positions call for electrotechnical qualifications.

CEZ Group’s development programs are capable of being tailored to specific departments, organizational units, and target groups in both professional subjects and “soft skills”. At the same time, they include work-study programs that enable employees to develop their qualifications in technical fields by studying at secondary schools and universities. For managers, there are special activities designed to improve management skills, such as coaching and leadership programs.

In order to train and educate its employees, CEZ Group utilizes the newest methods and shares best practices. One such tool is the e-learning platform. The e-learning portfolio is continually expanding and currently encompasses over 100 courses in the areas of mandatory training, development programs, and specialized courses in various fields.

CEZ Group pays special attention to training nuclear plant managers. To develop middle managers and their management skills, including leadership skills, 2011 saw the implementation of a training program entitled “ČEZ Manažer”. Managers stationed in generating unit control rooms took part in regular Play Safe courses focused on teamwork and making safe and effective decisions.

In the framework of international cooperation among nuclear plant operators, several support missions took place in 2010 and 2011 in CEZ Group’s nuclear power plants, focused on workflow control, assessments of outages, and self-evaluation. Since 2011, the nuclear preparation department has been intensively involved in a project entitled “Corrective measures ensuing from stress tests and the accident response management program”.

In 2011, specialized nuclear power plant staff training processes were reviewed and evaluated by the international OSART review team at Dukovany Nuclear Power Station and by the WANO Peer Review team at Temelín Nuclear Power Station. Both reviews yielded very good results, including the identification of several good practices that can be put to use in other countries.
Also, a team of experts from the human resources development department is playing a major role in preparing and securing human resources as well as training employees for the planned completion of Units 3 and 4 of Temelin Nuclear Power Station and for Dukovany Nuclear Power Station’s LTO (Long Term Operation) project.

The “ČEZ Leader” program for the Temelin and Dukovany Nuclear Power Stations is now in its second year. The project aims to systematically prepare and develop participants’ individual management potential for possible future assignments to management positions in both nuclear plants.

ČEZ Potentials
The “ČEZ Potentials” program is open to university graduates with technical or economic majors who have no more than two years of work experience. Program participants, who are chosen from a larger pool of applicants, are appointed to specific job positions in CEZ Group companies. Over a period of 12 months they undergo an all-around practical training program designed to develop soft skills, including workshops, coaching, tours of CEZ Group operations, and motivational meetings with top management. The whole time they are led by experienced managers, actively involved in key projects and working on important individual task assignments.

Nuclear Power Plant Training Centers
CEZ Group has training centers in three locations: at Dukovany Nuclear Power Station, at Temelin Nuclear Power Station, and in Brno. They include full-scale simulators of generating units of both nuclear power plants, which are used to train both our own employees and those of external suppliers. The primary mission of these centers is to prepare employees to engage in activities that are important in terms of nuclear safety. 2011 saw the opening of a Practical Skills Center at Temelin Nuclear Power Station, where several teams provide practical training in selected procedures and manipulations for employees of both ČEZ and its suppliers. The new center is licensed by the State Office for Nuclear Safety.

Knowledge Management
Preserving and sharing the experience of experts plays an important role in mitigating risk associated with staff mobility and aging. At the nuclear power stations in particular, this area receives increased attention in view of its impact on operational safety. CEZ Group applies Knowledge Management principles primarily to key expert experience that is not covered by the standard documentation.

In principle, knowledge management helps both to identify significant practical experience and those who possess it, as well as to systemically ensure it is shared and mitigate the risk of its loss. In 2010 and 2011, after implementation of the knowledge management process at Temelín and Dukovany Nuclear Power Stations was completed, the process was expanded to other units in the organization structure. The International Atomic Energy Agency designated the CEZ Group’s process-based Knowledge Management model as a “good practice”.

The long-term objective is to gradually expand the implementation of knowledge management until it is fully integrated into the day-to-day work of all employees. CEZ Group intends to live up to its slogan: “We respect our employees’ knowledge and we know how to work with it.”
3.1.4 Motivational Programs and Benefits
The principal goal of motivational programs and benefits is to motivate and retain individual employees in support of the fulfillment of the company’s strategic objectives while efficiently managing personnel expenses and ensuring their optimal distribution among individuals.

Employee Compensation
The compensation system and wage policy are designed to facilitate internal fairness and external competitiveness. At CEZ Group, employees are paid wages that are in line with the long-term financial performance results of CEZ Group and its standing in the labor market. Base wages are differentiated according to the complexity, responsibility, and difficulty levels of the work performed. Variable wage components ensure that the employee’s compensation is linked to company-wide and individual targets, as well as to the employee’s acting in accordance with company principles. Thus, they motivate the employee to take personal responsibility for results, as well as for meeting strategic targets. Planning for and managing deviations in personnel expenses—especially factors such as the work force head count, year-on-year wage adjustments, and wage policies—leads to cost effectiveness.

ČEZAR is awarded to rank-and-file employees, not teams, since CEZ Group seeks to support the principle of taking individual responsibility for fulfillment demanding targets. The winners of the award are employees who made substantial contributions to their unit’s results during the past year and achieved excellent results in terms of meeting their personal targets. In 2011 there were 45 ČEZAR winners: 30 from companies in the Czech Republic and 15 from abroad. In 2010, 42 employees won the award: 34 from the Czech Republic and eight from abroad.

The awards are announced each year at work meetings. The main prize, however, is an all-expenses-paid trip to a gala, where the Chief Executive Officer officially presents the award to the winners. The purpose of this exclusive meeting is to give key CEZ Group employees an opportunity to exchange work experience and communicate with each other on an informal basis.

CEO Awards for Extraordinary Contributions to CEZ Group’s Growth
Each year, the Chief Executive Officer recognizes one individual and two work or project teams for their extraordinary contributions to CEZ Group’s growth. Nominations for these “CEO Awards” are gathered from all divisions, organizational units, subsidiaries, and international holdings. According to tradition, the awards are announced and presented during the ČEZ Management Meeting.

In 2010, the award for individuals went to Balázs Hajdu in recognition of his accomplishments in developing the ČEZ sales representation in Hungary and jump-starting sales of electricity to end customers, and to Viktor Černý for a proposal for managing international projects using gates and designing a process-based model for projects in the investment division. In the category of teams, the award went to the 18-member team of the Gas Retail team consisting of employees of ČEZ, ČEZ Prodej, and ČEZ Zákaznické služby, for the quick preparation and successful launch of sales of natural gas to households, with a focus on CEZ Group employees.

We motivate our employees.

Award for Best Employees of Divisions, Organizational Units, and Subsidiaries
Each year, the head of each division, subsidiary, and power plant selects one of his or her subordinates as a candidate for the ČEZAR award. This award is given in recognition of the most successful employee across all the countries where CEZ Group operates.
In 2011, in the individuals category, the award went to Petr Roháček, who played a key role in transforming the accounting function, primarily in setting up the newly formed transaction accounting department. He helped to define unified accounting processes, as well as playing a role in recruiting and training new employees in Ostrava. In the teams category, the award winner was the six-member Strategic Recruiting team at the human resources division which worked to recruit graduates trained in technical fields and build the employer’s brand. The team achieved excellent results in 2012: it defended for ČEZ the title The Most Desired Company in the Employer of the Year competition. It won the company another most-preferred-employer title in a Trendence Institute survey of technical and economic school students. The team’s work was also recognized by the professional public, which awarded it the “Personnel Project of the Year” award within the Employer of the Year competition.

Benefits are included in every employee’s compensation and can be both monetary and in-kind. Each year, they add up to many thousands of CZK in financial value. ČEZ Group companies operate with a shortened, 37.5-hour work week, one additional week of paid vacation is provided beyond the statutory minimum, and employees are entitled to paid personal time beyond that required by law. ČEZ Group companies provide employees a wide portfolio of benefits, such as personal accounts intended in particular for rest and relaxation, Supplemental Pension Insurance contributions, life insurance, employee meal plans, contributions to help cover expenses during the first three days of sick leave, health care, special bonuses for employee jubilees and upon retirement, the Mobility program designated for key employees whose work responsibilities require them to travel frequently either within the company or ČEZ Group as a whole, and one-off social aid in extraordinary cases. Above and beyond the benefits set forth in the collective agreements, the employer negotiates on behalf of its employees discounts and other special terms on the purchase of goods and services from selected companies.

Most of all, the employer strives to offer its employees benefits that are advantageous for them, and by offering a wide variety of benefits to encourage as many employees as possible to take advantage of them. Although the employer incurs considerable expense to provide the benefits, employees often see them as an entitlement or natural part of the employer-employee relationship, not as an added bonus or expression of the employer’s appreciation.

Our employees receive company awards.

Benefits at ČEZ Group
The provision of benefits is common practice at most companies. Compared to other companies in its class, ČEZ Group offers its employees an above-average number of benefits. The collective agreements at ČEZ Group include a social component where the benefits are described.
3.1.5 Turnover and Care for Departing Employees

CEZ Group dedicates increased care to employees who are departing as a result of reorganizations. In order to mitigate the impact of these changes, all departing employees are eligible for the “Outplacement” program, which aims to ease their transition and help them continue in their professional careers.

CEZ Group also thinks of its former employees – retirees, caring for them, for example, through the CEZ Group Seniors Foundation. The last annual seniors meeting took place on October 6, 2011 at the Dalešice pumped-storage hydro power station, where the seniors met with the management of the Hydro Power Stations organizational unit. Meeting participants took a tour of the power plant, talked with their former colleagues right at the workplace, and concluded the meeting by taking rides in the Peugeot iOn electric car.

We offer care to our departing employees.

3.1.6 Occupational Safety and Health

The Safety and Environmental Protection Policy was passed by the ČEZ Board of Directors and issued as an order of the Chief Executive Officer effective from May 1, 2010. It includes the following chapters whose titles correspond to the strategic pillars of the Policy:

- We place protection of human life and health before all other interests.
- We pursue safety and environmental protection as integral parts of management.
- We comply with laws, regulations, and our public obligations, and we take note of recognized practices.
- We continually improve safety and environmental protection.
- We regularly assess risks and either prevent them, eliminate them, or reduce their impact to an acceptable level.
- We ensure that plant and equipment complies, long-term, with all technical, safety, and economic criteria.

In selecting and evaluating suppliers, we take into account their attitudes toward safety and the environment.
- We communicate openly and effectively on safety-related topics.
- We secure sufficient numbers of high-quality, motivated employees and suppliers.
- We manage key knowledge.

Caring for employees' safety and health a key priority for ČEZ. In 2010 and 2011, the company brought about a major increase in care for the safety and health of workers of its subsidiaries and even those of suppliers, as demonstrated by the following figures.

<table>
<thead>
<tr>
<th>Number of Injuries in the Production Segment, Including ČEZ</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Injuries</td>
</tr>
<tr>
<td>Injuries</td>
</tr>
</tbody>
</table>

In June 2011, after three years, CEZ Group conducted a new, extensive survey of employees’ opinions on the safety culture. Compared to 2008, the index increased from 4.6 to 5.04, with 6 being the highest possible score. Another way of presenting the overall evaluation of the safety culture is to say that 84% of employees are satisfied, on average, with the level of all aspects covered by the survey. 92% of employees agreed that culture of safety at CEZ Group is improving. Among other factors, this is attributed to a number of measures and activities that were put in place on the basis of the previous survey. CEZ Group approved and implemented a new Safety and Environmental Protection Policy, and employees can also participate in discussions on this topic on the new “safety portal”.

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The term “safety culture” was first used in a report published by the IAEA in 1986 and was further elaborated in publications that followed. It is used in conjunction with the safety of nuclear power plants, but the interpretation of the term remains very broad, and principles defining a culture of safety can be used to assess the level of safety outside the nuclear power field as well. At CEZ Group, safety culture is defined as “that assembly of characteristics and attitudes in organizations and individuals which establishes that, as an overriding priority, safety issues receive the attention warranted by their significance.”

For employees, 2010 saw the opening of a “safety portal” that is part of the corporate Intranet. Here, employees can find the Safety and Environmental Protection Policy, information on the assessment of safety throughout the entire CEZ Group, information and figures excerpted from the Final Reports on the nuclear power plant stress tests, statistics on material events at CEZ Group from a safety perspective, and a range of other information. Popular sections include Your Stories, where employees can read about their colleagues’ experiences, and My Perspective, which carries interviews in which CEZ Group representatives share their opinions on specific situations. An employee brochure entitled You Decide has also been published, based on the safety portal.

3.1.7 Employee Communications

The objectives of the company’s internal communications are to provide employees with clear, comprehensible information that they need for their work; create an atmosphere of open, frank communication; and encourage employees to be involved and maintain a positive attitude toward the company. For its internal communications, CEZ Group utilizes a wide variety of communication channels:
- the corporate Intranet,
- the ČEZ News magazine,
- on-line interviews on the Intranet,
- ČEZ.TV – the Intranet television portal,
- electronic newsletters,
- the roadshow – a big annual meeting between managers and employees,
- informal round-table discussion meetings – utilized by managers to get feedback from their employees.

Profession meetings, whose objective is to facilitate sharing of experience between employees with the same profession but from different regions, have become very popular, as have meetings of employees in cooperating units, which serve to fine-tune cooperation across the Group. Each year, dozens of such meetings take place. They bring added value by reinforcing person-to-person contacts and communication among people who need to work together effectively, even though their respective workplaces are hundreds of kilometers apart.

CEZ Group strives to develop an open dialog between the company’s management and its employees. Members of senior management obtain feedback from employees by visiting them at their workplaces or in settings where they feel best, and use that feedback in their work. Employees can also share their opinions, suggestions, and/or questions through the on-line application Orange Connection. Answers to frequently asked questions are published on the Intranet and in the employee magazine. At the roadshow, CEZ Group encourages employees to ask questions and share opinions openly. Prior to events, they can send in suggestions for presentation topics and questions for management representatives either through the Intranet application or via SMS. The most interesting topics are treated by panel discussions, which also encourage employees to ask questions. Thanks to these measures, the number of questions and duration of the discussions at the regular roadshows are growing.
CEZ Group also supports informal meetings among employees and events organized for employees and their family members in recognition of their good work. For example, various pre-Christmas events are held.

Another example is the family summer vacation event. In 2011, employees and their families – and younger children especially – were invited to visit the most interesting technical exhibits in the country. This event was partially a benefit for employees, but the principal goal was to support children’s and young people’s interest in technology and the study of technical fields.

Popular employee events include open houses held by the individual power plants. For example, in November 2011 the Temelín Nuclear Power Station Information Center organized an evening tour of the plant for the first time ever. Two tour buses were prepared for participating employees and their closest family members. A total of 87 people – most of them children – boarded the buses. Each of the visitors was treated to a bus tour inside the plant compound, driving right past the generating units, machine rooms, the spent fuel repository, and the cooling tours. After leaving the guarded plant complex, they took another tour through the village of Temelín so they could view the lit-up power plant from afar. The entire tour, including a running explanation by a guide from the information center, lasted just under an hour and made a huge impression, especially on the younger participants. The objective of these events is both to reinforce employees’ sense of belonging, but also to support the upbringing of a new generation of technicians.

In June 2011, CEZ Group conducted an opinion survey among employees to measure their levels of satisfaction and engagement. Since the survey also included measurement of the safety culture, employees of key suppliers who influence safety were also invited to participate. 81% of the work force participated in the survey. Their overall satisfaction reached 92%. Of the overall number of participants, 98% said they liked their job, and 95% said they would apply for a job at CEZ Group again. The results are better than at other companies with which CEZ Group compares itself (a group of 15 companies from Central and Southeastern Europe, power and other industrial companies including nuclear power plant operators). The survey found high standards of corporate culture, internal functioning, and employee care. In all measured areas, including the area of communication, CEZ Group received scores above the market average. Within the framework of managed discussion (in so-called focus groups), issues and areas where CEZ Group had the weakest scores were discussed with employees from various professions and levels of management. The employees clarified what needs to be improved, and how. Subsequently, an action plan was formulated, including a set of measures aimed at improving these weak points. It is focused on reinforcing employee trust, dialog with management, and interdepartmental cooperation. Some of the corrective measures have already been put into practice, and their results are being monitored and evaluated on an ongoing basis.

Another source of information for employees is the “safety portal”, which was launched in 2010. Since then, it has been regularly updated with safety-related information that has a positive influence on employee behavior and actions.

Communicating with our employees is important to us.
3.1.8 Employee Charitable Activities

2010 was the fourth year of the “Making Wishes Come True, Thinking of Others” project, in which employees help orphaned children, handicapped people, and newly young people from foster families as well. Nearly 1,000 employees from all CEZ Group workplaces made wishes come true. The project also received support from various celebrities, including sports stars. In 2010, CEZ Group and the Nadace ČEZ Foundation donated a total of CZK 1,154,600 to the project, which was used to purchase things like housing, a new computer, and music lessons – to name just a few. The Sense and Sensibility (Rozum a cit) Foundation became a partner of the project.

“I’m in my second year as an apprentice mason and I really like it. I also want to get certified to work with drywall and scaffolding, and one day I want to make a living at it,” says Martin, one of the project’s beneficiaries from East Bohemia.

In 2011, CEZ Group employees participating in the “Making Wishes Come True, Thinking of Others” project provided support to 30 protected workshops from all over the Czech Republic, donating a total of CZK 425,353, to which the Nadace ČEZ Foundation added another CZK 500,000. The protected workshops used the contributions to help cover their operating expenses; purchase tools, equipment, and materials; and improve working conditions for their clients.
CEZ Group employees also helped in other projects. For example, in 2010 they teamed with the ADRA Foundation to extend a helping hand to people hit by flooding in the Liberec area. In addition to screening the affected area, they did clean-up work and helped with whatever else was needed.

In the spring of 2011, CEZ Group employees initiated a fund drive to help victims of the natural disaster in Japan. A total of 705 employees provided financial donations, raising a total of CZK 574,238. The Nadace ČEZ Foundation provided a matching donation. The cheque for CZK 1,148,476 was presented to the director of the ADRA humanitarian organization. The money went to towns in the Sendai, Fukushima, and Yamamoto areas, where they were used primarily to help senior citizens, people with no relatives to help them, and handicapped people. The money raised in the fund drive helped build temporary housing and obtain school supplies and bicycles for school children who used to attend school in the immediate vicinity of Fukushima and now must commute to schools farther away.

3.1.9 Employee Feedback
Employees of ČEZ and the integrated subsidiaries had the option of taking their complaints relating to the exercise of rights and obligations ensuing from the employer-employee relationship to the Chief Human Resources Officer of ČEZ. Complaints are dealt with by the social relations department, which ensures that the content of each complaint is duly investigated and the employee receives a response. When shortcomings are found, necessary corrective measures are taken.

3.1.10 Labor Unions
At year end 2011, there were a total of 29 separate basic labor organizations at ČEZ, and approximately 2,000 employees, or 34% of the company’s total work force, were unionized. At the integrated subsidiaries of ČEZ Group in the Czech Republic, a total of 44 basic labor organizations operated, and approximately 3,200 employees, or 50% of these companies’ total work force, were unionized. 35 basic labor organizations were members of four regional Associations of Basic Organizations, while another nine basic organizations operated independently in the subsidiaries.

The labor organizations are organized into two labor unions: the ECHO Labor Union and the Czech Union of Power Industry Employees.

During 2010 and 2011, regular meetings were held between the employer and labor representatives, at which the labor organizations received information and topics set forth by the Labor Code and the Collective Agreement were discussed.

At ČEZ and the integrated subsidiaries, the current Collective Agreements expire on December 31, 2014. In the autumn of 2011, collective bargaining took place on amendments to the collective agreements at ČEZ and the integrated subsidiaries, relating primarily to wage growth for 2012. Collective bargaining culminated in December with the signing of Amendment No. 9 to the ČEZ Collective Agreement and Amendment No. 6 to the collective agreements of the integrated subsidiaries.

Fifteen basic labor organizations operate within the Severočeské doly Group. The collective agreements there are entered into for three-year periods and are currently set to expire at the end of 2012.
Labor organizations also operate in CEZ Group companies abroad. At all three Romanian companies, CEZ Distributie, CEZ Romania, and CEZ Vanzare, the current collective agreements are set to expire at the end of 2012. Negotiations with labor organizations in 2011 centered primarily on the gradual unification of all the collective agreements. In the Polish CEZ Group companies, there were a total of four labor organizations in 2011. On January 13, 2011, a new collective agreement was entered into for employees of ELCHO Power Station, effective until December 31, 2013. The collective agreement for employees of Skawina Power Station has no pre-set expiration date. Three labor organizations operate at Varna Power Station in Bulgaria. On December 9, 2011, a new collective agreement was signed, effective from January 1, 2012 for two years. At CEZ Razpredelenie Bulgaria AD there were four labor organizations, while CEZ Bulgaria EAD and CEZ Elektro Bulgaria AD had four and two labor organizations, respectively. From December 12, 2011 a newly signed collective agreement took effect in these companies; it expires on December 31, 2013. At the Albanian distribution company CEZ Shpërndarje there were two labor organizations. On November 26, 2009, a four-year collective agreement was signed at the company.

Through their memberships in the Czech Federation of Power Industry Employers, ČEZ and certain CEZ Group subsidiaries also take part in higher-level collective bargaining concerning the power industry as a whole. The current higher-level collective agreement entered into between the Czech Federation of Power Industry Employers and the various labor unions is binding for a period until December 31, 2012.

The CEZ Group European Works Council is a platform for keeping employee representatives informed, and holding discussions with them, concerning key strategic issues of CEZ Group.

Two meetings of the CEZ Group European Works Council were held in 2010: the first, in May, in Poland and the second, in December, in the Czech Republic. Multinational reports and discussions related primarily to CEZ Group policy and strategy, including strategic mergers and acquisitions, CEZ Group organization and assets, the economic and financial situation, and how CEZ Group companies are affected by the financial crisis. The meetings also touched on the topics of social responsibility and occupational safety and health.

In 2011, 23 members of the CEZ Group European Works Council were elected for its second, four-year term. Of these, fourteen are from the Czech Republic, four from Bulgaria, three from Romania, and two from Poland. Two meetings of the CEZ Group European Works Council were held in 2011. Multinational reports and discussions related primarily to CEZ Group’s policy and strategy, its organization and asset structure, its economic and financial situation, and occupational safety and health.

We cooperate with labor unions.
3.2 Corporate Identity

One visible and easily recognized element of CEZ Group’s presentation is the unified visual style, which uses the logo, color scheme, and selected typeface as tools to draw attention to the trademark and name, and to lend a graphical form to the business name. The unified visual style emphasizes the Group’s cohesiveness as a unified whole and forms its 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 details on how to use the logo, color scheme, and typeface, they can refer to the website www.cez-brand.cz.

3.2.1 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 Orange Guidebook (an easy-to-understand guide for customers), are another mode of communication.

- With the general public, we communicate through the information centers attached to individual power plants, and we also offer tours of all the power plants that lack information centers.

- CEZ Group addresses the professional public, students, and job candidates through its presence at various exhibitions, trade shows, and professional gatherings.

- With all target groups, we also communicate through the mass media: television, radio, nationwide and regional dailies, weeklies, and monthlies, as well as modern, electronic channels – the Internet and social networks.

CEZ Group publishes a number of periodicals for public consumption, either in print or electronic form:

- ČEZ Info – published quarterly for corporate customers,
- Bulletin (Zpravodaj), the magazine published by Dukovany Nuclear Power Station,
- Temelinky, the magazine published by Temelín Nuclear Power Station,
- Orange Guide (succeeded by Juice (Štáva) magazine as of November 2011),
- Juice (Štáva) – a lifestyle magazine,
- Threepole (Třípól) – popular science e-zine,
- Power Industry in the EU (Energetika v EU) – monthly bulletin for employees,
- ČEZ News – employee magazine.

Public relations are important to us.
3.2.1.1 Principles and Types of Communication

Communications with Shareholders and Capital Market Players
The company’s shareholders have at their disposal quarterly reports on financial and commercial developments at CEZ Group. The reports are published on dates planned and announced in advance. Also, investors are always kept informed, on an ad hoc basis, of all other material circumstances that could influence the share price.

Above and beyond the statutory requirements, the company aims to engage all capital market players in an intensive and open dialog so that each of them has sufficient information to independently assess CEZ Group’s performance and strategy. ČEZ organizes for them:
- regular press conferences,
- telephone conference calls when quarterly figures are released.
Financial figures and other pertinent information are also published on the CEZ Group website.

Communications with the Mass Media
Information openness is one of the fundamental priorities of the CEZ Group information strategy. The press spokesperson and his team of coworkers communicate with media representatives, managers grant interviews and answer questions. Also available to the media is the website www.cez.cz with current and archived press releases and a variety of other information on the Group’s activities. Each year, CEZ Group issues a total of approximately 400 press releases, both centrally and in the regions.

Communications with Professional Circles
It is CEZ Group’s intent to be innovative and modern in its business, and to make use of the latest scientific advances. Therefore, we cooperate with professional circles and support science, research, and technical schools.
- Through targeted advertising, CEZ Group supports the publishing of specialized literature such as monographs, university textbooks, and trade journals.
- By sending lecturers and/or sponsorship, we support professional conferences focused on research and development.

We cooperate with professional circles.

CEZ Group Electronic Presentations
CEZ Group electronic presentations and communications make it easier for shareholders, customers, and the general public to find the information they seek.

Through its website, www.cez.cz, CEZ Group provides a comprehensive information service, including multimedia news reports. Information on the website is available in Czech and English, with some information in German as well. Selected reports are also published in the Polish language. In 2011, www.cez.cz recorded nearly 2 million visitors, over one half of which were newcomers to the site. According to statistics from Google Analytics, the visitors spend over four minutes, on average, at the site and one third of them come back regularly.
CEZ Group operates a set of websites, with unified design, in the various countries where it has operations. The unique concept of a multilingual web portal based on the Czech website operates at the addresses www.cez.al for Albania, www.cez.bg for Bulgaria, www.cez.hu for Hungary, www.cez.ro for Romania, www.cezpolska.pl for Poland, and www.cez.sk for Slovakia. Other than the last two, the sites also provide a subset of information in the English language as well. The number-one CEZ Group international website in terms of visitorship, with nearly 0.5 million visitors per month, is the Bulgarian CEZ Group site. The sites contain descriptions of the operations in the given country, a listing of local events, and information for customers.

In 2011, CEZ Group also launched the first ever version of its corporate website, www.cez.cz, for mobile devices. The service is optimized for all mobile phones and will be gradually expanded to offer visitors other useful functions.

In addition to the sites mentioned above, the Group also operates the following thematic microsites, which supplement the information on the primary website:
1) www.cezregionum.cz presents projects through which CEZ Group engages with customers in various regions of the Czech Republic.
2) www.kdejinde.cz provides information on job vacancies and highlights the advantages of working for CEZ Group.
3) www.futuremotion.cz and www.elektromobilita.cz introduce visitors to the FutureMotion project.
4) www.levnyplynodcez.cz and www.cez.cz/etarif inform customers of special offers, and include a practical price calculator.

At the very end of the year, the self-service CEZ Group Geoportal was launched at the address geoportal.cez.cz. By providing grid maps and facility location information, the Geoportal enables builders and engineers to obtain statements regarding the existence of power grid and network infrastructure and other necessary information from the companies ČEZ ICT Services and ČEZ Distribuce.

CEZ Group videos are available at the address www.youtube.com/user/SkupinaCEZ.

CEZ Group also publishes a number of magazines on various topics, the complete editions or on-line versions of which can be found on the Internet:
6) the e-zine Threepole (Třípól) popularizes science and technology with an emphasis on the power industry: www.tretipol.cz.
7) an information site sponsored by CEZ Group in Hungary, carrying energy- and power industry-related news reports, can be found at: www.energiainfo.hu.
8) the monthly bulletin Power Industry in the EU (Energetika v EU) keeps its readers abreast of European integration-related developments in the power industry: www.cez.cz/cs/o-spolecnost/evropska-agenda/bulletin-energetika-eu.html.
For the professional public, we have two sites in the English language: first, a presentation for investors at www.cez.cz/cs/pro-investory/prezentace-pro-investory/ and, second, recordings of conference calls held on days when the Group holds press conferences, available at www.cez.cz/cs/pro-investory/kalendar-ir-akci.html. In both cases, one must first select a year to display the relevant information.

CEZ Group Presentations on Social Networks

CEZ Group is an active participant in the field of social networks. Here, we use Facebook in particular, where we operate five profiles:

1) www.facebook.com/PracevCEZu presents opportunities for building a career with CEZ Group, both in the Czech Republic and abroad.

2) www.facebook.com/fandime.elektromobilum presents progress reports on projects relating to the development of electromobility in the Czech Republic.

3) www.facebook.com/CEZlidem (CEZ for People) was established in 2011 to provide information concerning the Nadace ČEZ Foundation, social responsibility, corporate volunteer work, and other CEZ Group engagement projects in the various regions of the Czech Republic.

4) www.facebook.com/CEZinformacni.centra publishes reports on what’s going on at CEZ Group power station information centers.

5) www.facebook.com/CEZslovensko – also newly established in 2011 – is the Facebook profile of ČEZ Slovakia, offering an energy savings calculator along with the opportunity to order gas and/or electricity directly from CEZ Group.

On the Twitter platform, CEZ Group operates at the address www.twitter.com/SkupinaCEZ. CEZ Group uses this tool to distribute press releases, particularly to those who access the Internet through their cell phones.

We communicate electronically.

3.2.1.2 Information Centers

Visitorship at CEZ Group power plants and information centers continues to rise. The information centers are located at the following places:

- Temelín Nuclear Power Station
- Dukovany Nuclear Power Station
- Renewable Sources Information Center (Hradec Králové)
- Dlouhé Stráně pumped-storage hydro power station
- Dalešice hydro power station
- Lipno hydro power station
- Vydra and Čeňkova Pila hydro power stations
- Orlík Hydro power station
- Štěchovice hydro power station
- Ledvice Power Station
CEZ Group Power Plants and Information Centers, Visitorship in 2010 and 2011

<table>
<thead>
<tr>
<th>Plant and Center</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dlouhé Stráně Power Station</td>
<td>47,099</td>
<td>47,724</td>
</tr>
<tr>
<td>Temelín Nuclear Power Station</td>
<td>31,951</td>
<td>32,661</td>
</tr>
<tr>
<td>Dukovany Nuclear Power Station</td>
<td>26,535</td>
<td>26,559</td>
</tr>
<tr>
<td>Renewable Sources Information Center</td>
<td>13,755</td>
<td>12,890</td>
</tr>
<tr>
<td>Dalešice Power Station</td>
<td>12,059</td>
<td>11,357</td>
</tr>
<tr>
<td>Lipno Power Station</td>
<td>9,632</td>
<td>8,515</td>
</tr>
<tr>
<td>Vydra and Čeňkova Pila Hydro Power Stations</td>
<td>6,577</td>
<td>6,050</td>
</tr>
<tr>
<td>Stěchovice Power Station</td>
<td>6,433</td>
<td>6,002</td>
</tr>
<tr>
<td>Ledvice Power Station</td>
<td>3,906</td>
<td>2,829</td>
</tr>
<tr>
<td>Spálov Small-Scale Hydro Power Station</td>
<td>1,600</td>
<td>1,829</td>
</tr>
<tr>
<td>Dětmarovice Power Station</td>
<td>2,300</td>
<td>1,717</td>
</tr>
<tr>
<td>Small-scale hydro power stations of Eastern Bohemia and Moravia</td>
<td>about 350</td>
<td>1,627</td>
</tr>
<tr>
<td>Orlik Power Station</td>
<td>1,861</td>
<td></td>
</tr>
<tr>
<td>Střekov Power Station</td>
<td>1,000</td>
<td>1,133</td>
</tr>
<tr>
<td>Chvaletice Power Station</td>
<td>1,304</td>
<td>1,127</td>
</tr>
<tr>
<td>Wind Power Stations</td>
<td></td>
<td>1,095</td>
</tr>
<tr>
<td>Prunéřov Power Station</td>
<td>1,093</td>
<td>887</td>
</tr>
<tr>
<td>Počerady Power Station</td>
<td>421</td>
<td>727</td>
</tr>
<tr>
<td>Poříčí Power Station</td>
<td>540</td>
<td>564</td>
</tr>
<tr>
<td>Želina Small-Scale Hydro Power Station</td>
<td></td>
<td>467</td>
</tr>
<tr>
<td>Mělník Power Station</td>
<td>620</td>
<td>360</td>
</tr>
<tr>
<td>Tisová Power Station</td>
<td>667</td>
<td>350</td>
</tr>
<tr>
<td>Hodonín Power Station</td>
<td>358</td>
<td>306</td>
</tr>
<tr>
<td>Slapy Power Station</td>
<td>165</td>
<td>234</td>
</tr>
<tr>
<td>Číčov Biogas Power Station</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Photovoltaic power stations</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Bukovec, Hracholusky</td>
<td>about 30</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>168,395</td>
<td>168,741</td>
</tr>
</tbody>
</table>

The information centers hold a number of events for the general public. For example, in 2011 the fifth annual Small Festival of MARIONETTES (Malý festival LOUTKY) was enriched with the addition of an art competition for children. Children drew pictures inspired by the marionette theatre play they watched. Then, fourteen out of 100 artists received awards at the Dukovany Nuclear Power Station Information Center. The 13 runners-up received orange lamps, while the absolute winner, five-year-old Adam Večeřa from Budkovice, received a soft blanket in addition. All of the works will be on display at next year’s festival.

On December 3, 2011, a total of 142 guests had the opportunity to take a tour that took them through two power plant information centers, the simulator of a Dukovany Nuclear Power Station reactor control room, and the Dalešice hydro power plant operation. During the tour, they all met St. Nicholas and his faithful sidekicks – the Devil and the Angel. At the end of the tour, all participants received small presents and good season’s wishes.
In 2011, Temelín Nuclear Power Station organized its seventh annual sports and entertainment event Temelín Atomic Olympics (Temelínská atomiáda) for children, in front of the plant’s information center. Nearly 200 children from six primary schools in the vicinity of the Temelín plant took part in the event. The winner of the contest was Týn nad Vltavou, Hlinecká Primary School.

You can learn more about CEZ Group’s information centers, including their opening hours and how to reserve a tour, on pp. 179–182 of the 2011 Annual Report or on the web at http://www.cez.cz/cs/kontakty/informacni-centra.html?tagcloud=of.

Every year, when the school year is half over, the series of round-table discussions entitled Energy – the Future of Humanity, which is a part of the “World of Energy” education program, culminates with the What Do You Know About Energy competitions, in which participants compare their knowledge, as well as physical and psychic strength. Over the past 11 years, over 4,000 round-table discussions have been held, attended by over 150,000 boys and girls aged 14–19.

2011 saw the 21st nationwide finale of the What Do You Know About Energy competition, which took place in České Budějovice. The winner this time around was a team of grammar school students from Pilsen.

3.2.1.3 Education Program

In 2012, ČEZ celebrated the 20-year anniversary of “World of Energy”, its systematic, comprehensive information and education program, which is designed for young people and offers students, teachers, and schools help in understanding electric power and integrating related topics into school curricula. Support for education is another service that ČEZ offers to the public. All learning activities are provided either free of charge or at symbolic prices. ČEZ is the only Czech industrial company that provides such a long-standing education support program.

The program includes not only an offering of learning materials, but also round-table discussions with students; seminars for teachers through the Physics Teachers Club, through which teachers take tours of power plant operations and meet with specialists; and contests designed to identify and support talented students.

More than ten times a year, CEZ Group organizes seminars for teachers, at which it introduces teachers to new and engaging methods for teaching physics. The seminars are accredited by the Ministry of Education, Youth, and Sports of the Czech Republic.

In late September and early October 2011, one of these seminars was hosted by the Jirásek Grammar School in Náchod. The seminar included hands-on electricity measurement, with teaching aids loaned by ČEZ Měření, a member of CEZ Group. In February 2011, primary and secondary school teachers from the Hradec Králové Region met for a practical physics seminar at the Information Center in Hradec Králové. During the seminar, they got acquainted with the Gamabeta modern didactic aid that makes it easier for them to teach physics in general, and nuclear physics in particular. All “World of Energy” activities and offerings for students, teachers, and the general public can be found at www.cez.cz/vzdelavaci program.
CEZ Group actively seeks out future employees while they are still in school. In so doing, it focuses on schools specialized in energy-related fields.

2011 saw continued strategic recruiting-related initiatives, the goal of which is to incite interest in studying technical fields and ensure the availability of sufficient personnel to navigate the generational “changing of the guard” and to staff the newly built and retrofitted plants. The recruiting-support initiatives have been repeatedly given positive evaluations by university students – for example, CEZ Group defended its first-place ranking in The Most Desired Company survey within the Employer of the Year competition.

The human resources division organizes a network of partner schools consisting of 13 faculties at seven universities, and 46 secondary schools. CEZ Group supported a number of industry-related activities and provided scholarships to selected students. In addition to plant tours and information center visits, it offers students the traditional programs “Nuclear School Leaving Exams”, a three-day internship for secondary school students, and “Summer University”, a 14-day internship for university students at both nuclear power plants – Temelín and Dukovány. 2010 saw the first ever Power Engineering School-Leaving Exams focusing on conventional power at the Prunéřov and Ledvice Power Stations, and CEZ Group also began holding Power Engineering School-Leaving Exams in the field of electricity distribution as well.

In a related initiative, CEZ Group commenced a close cooperation with the Czech Technical University in Prague to marry scientific research and industry practice. Within this project, students acquaint themselves with the latest fossil fuel combustion technologies as university researchers strive to find solutions to specific technical problems. The program also includes lectures by ČEZ specialists on various topics as well as training for ČEZ employees focusing on theoretical knowledge concerning the new CCGT sources.

In December 2011, Temelín Nuclear Power Station organized the The Temelín Quiz: What South Bohemian Grammar Schools Know About Energy. The winning team consisting of third-year students of the Třeboň Grammar School was awarded a CZK 25,000 cheque in a ceremony at Temelin’s Information Center.
In 2011, CEZ Group organized a cycle of lectures as part of the FUTUR/E/MOTION project, focusing on new trends in the power industry and their practical applications. The seminars by British expert Michael Londesborough were designated for students of partner secondary schools with energy-related specializations. Londesborough, a Czech Republic-based scientist, is a promoter of clean energy technologies of the future, both renewables-based and nuclear. His lectures are based on the FUTUR/E/MOTION series broadcast by Czech Television, which CEZ Group helped to fund. During each one-hour talk including several interesting experiments, students learn all about “smart grids”, electromobility, and the utilization of wind, solar, and nuclear energy.

Recently ČEZ decided to spark young people’s interest in studying technical fields in an original way: through music. At the website www.elektrikajecool.cz we launched a competition for bands in which at least one member is a student of a technically-oriented school. The winner of the competition was Faces Are Fiction, a band from North Bohemia. The website was visited by many young people.

3.2.1.4 Seeking Out and Supporting Talent
CEZ Group has been involved in education for a long time now, because it is very much aware of the crucial importance of bringing up a new generation of specialists in technical fields. In the next ten years, the company will need to hire 12,000 technical graduates: the new employees will be needed particularly for building and operating new generation installations and in electricity distribution. Therefore, CEZ Group’s objective is to recruit gifted candidates focused on the power industry whose first job, right after graduation, will be a specialized, prestigious, and well-paid position in a CEZ Group operation. It offers them scholarship programs that are a first step in a mutually beneficial career.

The “University Student” scholarship program is designated for students of technical universities and institutes, as well as all other university students who are interested in engineering. In order to be eligible for the program, students must complete the Nuclear and Power Engineering School-Leaving Exams and the Summer University. On September 1, 2011, thirteen graduates of the study program commenced their career in nuclear power by becoming nuclear power plant operators and physicists. For further information, see http://www.kdejinde.cz/cs/pro-studenty-a-pedagogy/studenti/stipendijni-program.html.

As students who have already visited the CEZ Group website in the past already know, the website contains a range of interesting information. At the address http://www.kdejinde.cz/cs/pro-studenty-a-pedagogy.html, for example, there are study materials, information on the Nuclear and Power Engineering School-Leaving Exams, the Summer University, the math and physics Olympics, CEZ Group’s quarterly magazine Where Else (Kde jinde), the Internet magazine Threepole (Třípól) (http://www.kdejinde.cz/cs/pro-studenty-a-edagogy/studenti/casopis-tripol.html), and a number of other useful materials.

We’re looking for new talent.
3.3 Donorship and Partnership Programs

3.3.1 The Nadace ČEZ Foundation

Basic facts:
- The Nadace ČEZ Foundation was established on July 25, 2002.
- Seat: Duhová 153/3, 140 53 Prague 4, Czech Republic, ID Number 26721511.
- Contact: tel. 211 046 720, nadacecez@cez.cz, www.nadacecez.cz

The Nadace ČEZ Foundation is one of the biggest donors in the Czech Republic. Through its various projects, it provides funding to support healthy, active lifestyles for children and young people, improve the quality of life of disadvantaged population groups, and further the overall development of civil society activities.

Alongside the existing projects “Orange Bicycle”, “Orange Playground”, and “Support for Regions”, 2010 saw the addition of “Orange Stairs” and “Orange Classroom”, and another project, “Trees 2011” was launched in 2011.

Orange Bicycle
From spring to autumn, the Foundation visits various cultural, social, and sports events with its two specially-modified stationary bicycles and offers attendees the opportunity to support non-profit organizations by pedaling on the bicycles for one minute.

We ride to support non-profit organizations.

Eurocup at the ČEZ Arena in Pardubice
On March 23, 2010, the “Orange Bicycle” came to the semi-final match of the Eurocup European basketball championship at the ČEZ Arena in Pardubice. Visitors to the championship had the opportunity to pedal the specially-modified stationary bicycle to help raise funds for two non-profit organizations. In the end, a total of CZK 150,000 was raised. Czech Olympic athletes Martina Sáblíková and Robert Změlík took turns pedaling.

“The money will go towards the purchase of another vehicle, which is extremely important for our work,” said Jitka Varechová, director of the Ondrášek mobile hospice.
### Summer of Smiles (Vysmáť léto) in Kadaň

The Nadace ČEZ Foundation’s “Orange Bicycle” charity project was also part of the program accompanying the Summer of Smiles rock festival in Kadaň, where on July 25, 2010 it raised CZK 100,287 for two non-profit organizations in North Bohemia. The money benefited children from the orphanage in Mašťov and the RADKA Civic Association in Kadaň.

“Our building is old and has various technical problems. Therefore, we intend to use the donation from Orange Bicycle to fund necessary repairs. We get an average of 1,000 visitors per month, and in order to offer them the best possible services, we need to have high-quality facilities,” said Hana Vodrážková, director of the RADKA Civic Association.

### Adrenalin Cup 2011 in Ostravice

On June 25, 2011, as teams of extreme athletes competed in the Adrenalin Cup 2011 on foot, in gliders, on bicycles, and in kayaks, at the CEZ Group’s Orange Bicycle booth visitors pedaled a specially-modified stationary bicycle to benefit charitable causes. Several hundred people took advantage of the opportunity to ride the Orange Bicycle and thereby raise money for the non-profit organizations Dad and Mom Foundation (Nadace táta a máma) and Line of Joy (Linie radosti). The final amount raised totaled over CZK 100,000. Eager to help, Olympic medalist in the whitewater slalom Lukáš Pollert, mountain climber Leopold Sulovský, professional cyclist Tereza Huříková, and cross-country skiers Dušan Kožiček and Aleš Razým all came out for the event.
Jičín – City of Fairy Tales (Jičín – město pohádky)
When Jičín held its all-day City of Fairy Tales festival on September 10, 2011, the Orange Bicycle was there. One of the volunteers who pedaled it to support a good cause was skier Šárka Záhrobská. When the day was done, she presented cheques totaling CZK 100,000 to representatives of two selected non-profit organizations: the Tereza Day Center for the handicapped in Semily, and the Fokus Center for the mentally impaired in Mladá Boleslav.

Ševětín
A modernized playground for small children opened in Ševětín on July 14, 2010. The children tried out all nine pieces of playground equipment that the playground has to offer. In the section for the smallest children there are three rocking horses on a special spring in the form of different animals, a swing with two seats, a merry-go-round, and a tower with two slides. In a separate section for bigger kids there is a suspended merry-go-round, a climbing frame, a structure with two towers, a rope bridge, monkey bars, and a slide. The playground, with a price tag of nearly CZK 1 million, was built by the local city government with a grant from the Nadace ČEZ Foundation.

“There are approximately 170 pre-school and school-aged children living in Ševětín, who will visit the playground. We are pleased to be able to offer them a modern, safe place to have fun,” said Petr Lenc, deputy mayor of Ševětín.

Orange Playground
This program helps towns and cities finance the building and reconstruction of playgrounds and sports facilities.

We help build playgrounds.
Opava – Malé Hoštice
A traffic-themed Orange Playground in Opava opened on October 4, 2010. The new playground, featuring asphalt “roads” with traffic signs, traffic lights, crosswalks, a roundabout, and a railroad crossing, will be open on weekdays for the benefit of students of Opava’s 14 primary schools and 17 preschools. In the afternoons, it will be open to the general public as well. At the playground, with a price tag of over CZK 2 million, over half of which was paid for by the Foundation, municipal police officers will teach students the rules of the road.

Chlum u Třeboňě
A beautiful, modern, and safe playground was built in the middle of an apartment complex in the vicinity of a preschool in Chlum u Třeboňě. It opened on September 20, 2011. The Nadace ČEZ Foundation contributed CZK 0.5 million.

“Today, we opened a playground that had been sorely missed here in Chlum. Even now it is getting good use and I think the children, most importantly, are really glad to have all this interesting and modern playground equipment. Most of the children in our apartment complex are still little, and just a short distance from the playground we have a preschool attended by 60 children, who use the playground mainly in the morning hours,” said Jiří Hájek, mayor of the city of Chlum u Třeboňě.
Kobylnice
A new Orange Playground in Kobylnice, in South Moravia, has been open to the public since October 4, 2011. It is located close to a primary school and a preschool, and offers fun for the entire family. Here, children can play on a climbing frame, and for adults there’s a fire pit for grilling sausages. The Nádace ČEZ Foundation donated CZK 300,000 to help make the new playground a reality.

Motýl, o.s.
Through Early Care, Motýl, o.s. offers support to families with children aged 0–7. In a Support for Regions 2011 grant proceeding, the Nádace ČEZ Foundation donated it CZK 250,000 towards purchase of a motor vehicle.

“We asked the Nádace ČEZ Foundation to support our project, ‘With Motýl on four wheels’, so that we could provide Early Care to families in their homes throughout the Pilsen Region. That’s the best option for handicapped children; they know their home well and it’s the best place for their psychomotoric development,” said Tereza Plzáková, head of the service.

Support for Regions
This long-term grant program is focused on providing support for activities that improve the quality of life in towns, cities, and entire regions.

We support the regions.
Lysice Parish
A new multi-function hall at the parish in Lysice (a village in the Blansko area) celebrated its opening to the public on January 10, 2010. The space, created by remodeling one room of an old granary, is designated primarily for children and young people to attend various meetings, seminars, and cultural events. The Nadace ČEZ Foundation donated just under CZK 0.5 million to the project.

František Křižík Museum in Plánice
On June 29, 2010, the Nadace ČEZ Foundation donated CZK 0.5 million to preserve an original farmhouse that houses an exhibit commemorating Czech inventor and electrical engineer František Křižík. In the building where he was born, there is a model dynamo with a power distribution board, an arc lamp, and interactive information panels. The donation enabled the museum in Plánice to reopen following a three-year renovation.
**Pardubice Regional Emergency Rescue Service**

Thanks to the Nadace ČEZ Foundation, on July 21, 2010 the Pardubice Regional Emergency Rescue Service received 36 new, modern backpacks and four physician’s instrument cases. Equipping rescue personnel with better gear will make a significant contribution toward improving care for patients whose health, or even life, is in danger. The Nadace ČEZ Foundation donated CZK 300,000 to support the project.

“Since most callers to the emergency line do not make it completely clear exactly what is wrong with the patient, rescue personnel must take all their gear with them when they respond to a call. Most importantly, that means various devices – a vital functions monitor, a ventilator, a portable suction unit, and another nearly 20 kg of medical gear. The gear will be divided into three backpacks for ambulances – one for standard situations, a second for saving lives, and a third for pediatric patients,” said Dr. Pavel Svoboda, M.D., director of the Emergency Rescue Service, when asked to explain how the donation would be used.

**Bells for St. Jakub**

On Czech Statehood Day, September 28, 2010, two bells returned to the bell tower of the Church of St. Jakub in Týn nad Vltavou, after a 68-year absence. Only one of the bells, the 17th-century Jiří Toušek, survived the world wars; the others were confiscated by the German Army in 1942. The new bells, named Václav (1,300 kg) and Vltavotýn (740 kg), sounded for the first time at a mass dedicated to fallen soldiers in World War II. The Nadace ČEZ Foundation donated CZK 0.5 million to fund the new church bells.

**Repair of Old Smithy and Firehouse in Zbudov**

Zbudov, belonging to the Town of Divčice, is a part of the village Zbudovská Blata. Thanks to a CZK 180,000 grant from the Nadace ČEZ Foundation, it was able, in 2011, to repair the old smithy and firehouse, thereby completing the renovation of its memorial zone featuring architecture in the “peasant baroque” style. The newly repaired village square brightens the days not just of the locals, but also of tourists riding by on the local bike path.
Center for Handicapped Skiers, Janské Lázně

2011 saw the 13th annual Monoski Courses in Janské Lázně, for the wheelchair-bound. Monoski is a special sports aid that compensates for the user’s physical handicap and enables him or her to ski along with the non-wheelchair-bound skiing public. Getting involved in sports helps the person overcome isolation, makes him or her more resilient, and strengthens the immune system. In the 2011 winter season, over 220 participants attended the course and its accompanying sports program, which was staffed by 95 volunteers. The Nadace ČEZ Foundation donated CZK 100,000 to make the event possible.

Ceramics Workshop at Březová Elementary School and Preschool, Děčín

Březová Elementary School and Preschool in Děčín III had been contemplating the idea to build its own ceramics workshop for a long time. In October 2011, that wish became a reality. With a CZK 88,000 donation from the Nadace ČEZ Foundation, an old, disused warehouse was transformed into a modern ceramics workshop equipped with a kiln, a slab roller, and a number of smaller implements and supplies, such as shapers and glazes. The workshop is used to teach art and shop courses, as well as for afternoon extracurricular activities for students and a ceramic arts class for senior citizens.
Hospital of the Merciful Sisters of St. Karel Boromejský, Prague
On November 23, 2011, the Hospital of the Merciful Sisters of St. Karel Boromejský in Prague unveiled a new Palliative Care ward. As the first of its kind in the capital city and only the second in the Czech Republic to do so, it will offer care to patients with incurable conditions. With the help of a CZK 200,000 donation from the Nadace ČEZ Foundation, the hospital purchased necessary furnishings and equipment for patients’ rooms as well as rooms intended for healthcare personnel. Most importantly, the equipment included modern, electric adjustable hospital beds, special mattresses to prevent bedsores, drip stands, night tables, walkers, wheelchairs, and other furniture and aids.

“We are pleased that we will be able to provide our seriously ill patients care with a certain level of comfort, greater privacy, and unlimited contact with their loved ones. The modern equipment will also make our healthcare personnel’s demanding jobs a little easier,” said Hana Soudková, hospital project manager.

Orange Stairs
The aim of the program is to remove architectural barriers at primary and secondary schools.

We remove barriers.

Příbram
On September 1, 2010, the Jiráskovysady Primary School held an unveiling ceremony for its new stair climber, which makes it easier for physically handicapped students to get around the school. The Nadace ČEZ Foundation donated CZK 160,000 to help fund the purchase and installation of this barrier-removing measure.
Ivančice
A new elevator for handicapped students at the Ivančice Preschool, Elementary School, and Orphanage was commissioned on October 9, 2010. The Nadace ČEZ Foundation donated CZK 950,000 to help fund the new installation.

“Until now, children with physical handicaps had to take their lunches in the classroom and had difficulty moving between floors. Thanks to the new elevator, they will be able to freely access the cafeteria, the shop classrooms, and the courtyard where all the children meet during recess,” explained Miroslava Křupalová, statutory representative of Ivančice.

Kostelec nad Černými lesy
Through the “Orange Stairs” project, the Elementary School in Kostelec received a donation of CZK 837,000 from the Foundation. This donation made it possible to purchase and install two stairlifts. As of September 13, 2011 the school, which has nearly 600 students, has newly remodeled bathroom facilities and is entirely barrier-free.

“Getting handicapped children involved with the other students is beneficial not only for them, but for the non-handicapped children as well. They learn to be considerate and that helping is a matter of course,” said school principal Lenka Lasáková.

“During recess, René likes to join in the discussions and games with the other children, and his joy at being with the other children is indescribable. Unfortunately, we often sat for hours in an empty classroom because the stairs prevented us from getting to the classrooms where his schoolmates were. That made him sad,” said Anna Tóthová, René’s mother and assistant.
České Budějovice

The Máj II Elementary School in České Budějovice applied to the “Orange Stairs” project for a grant, which it received, enabling it to commission a new elevator on November 4, 2011. The grant it received from the Nadace ČEZ Foundation amounted to CZK 889,000.

“Finally, we can integrate any and all physically disadvantaged children from the South Bohemian Region. At our school we also have 22 students with special educational needs, eleven of which are sight-impaired. Handicapped children have different needs, but they are just like their schoolmates in all other respects – they want to meet with their friends, help each other,” said school principal Marie Nedvědová.

“To attend a normal class was my dream,” said Dominika, who now – thanks to the elevator – can move without difficulty from floor to floor. Without the elevator, she would be limited to the ground floor only, where she would spend a number of hours alone with her assistant.

Orange Classroom

Thanks to these grants, primary schools, secondary schools, and higher vocational schools can equip their specialized classrooms, modernize their curricula, and make learning more engaging for their students.

We modernize classrooms.

Rožnov pod Radhoštěm

The 5th of May Primary School in Rožnov pod Radhoštěm obtained a new interactive learning board for its physics and chemistry classroom. As of November 2010, it is being used in physics classes for 6th-year students, chemistry classes for 8th- and 9th-year students, and as a supplemental aid in geography classes for 8th-year students. The school received a CZK 130,000 grant from Nadace ČEZ Foundation to help fund the purchase.
**Vyškov**

A new, special classroom for technical subjects at the Secondary Vocational School in Vyškov has been in use since December 18, 2010, enabling modern, interactive learning in mechanical engineering subjects for better visualization and motivation of students. The project received a CZK 200,000 grant through the Nadace ČEZ Foundation’s “Orange Classroom” program.

**Rakovník**

Students of Second Elementary School in Rakovník are learning physics in a fun, new way. On May 31, 2011, the school publicly unveiled a newly equipped classroom that is designed to help students understand how electricity works. The school was able to purchase the necessary equipment, which carried a price tag of nearly CZK 200,000, thanks to an “Orange Classroom” grant from the Nadace ČEZ Foundation.

“For our students we acquired demonstration aids that illustrate the measurement and basic effects of electrical current. Without such equipment, this material was often difficult for students to imagine and understand – especially for sixth-graders encountering the material for the first time,” said school principal Miroslav Plincner.
Śpindlerův Mlýn
Since December 20, 2011, the Primary School and Preschool in Śpindlerův Mlýn has a new physics classroom that is helping teachers introduce children to Newton’s laws, optics, dynamics, electricity, and other phenomena. The Nadace ČEZ Foundation donated CZK 200,000 toward the cost of modern equipment for the new classroom.

Trees 2011
This project aims to plant over 44,000 trees with a value of nearly CZK 18 million. With the help of Foundation funding, cities and towns all over the Czech Republic have been able to renew tree-lined avenues, build new parks, and plant trees as noise barriers. The cities and towns most involved in the project have been those in the vicinity of coal-fired power plants.

We plant trees.

Davle
On October 22, 2011, families with children set about planting maples, ashes, and pear trees along the Davle – Měchenice country road. The trees lining the 350-meter long stretch will provide shade in what is otherwise open countryside, adorn the road to the forest, and even offer juicy refreshment to those taking walks in the autumn. Through the “Trees 2011” project, the Nadace ČEZ Foundation donated CZK 191,000 to purchase 60 trees.

“I’m happy to see that people from Davle – adults and children – got involved in planting the trees. That reinforces relations among neighbors and it also makes residents proud that they played a part in creating this beautiful avenue. Each participant got to plant at least one tree of their ‘own’ and even received a certificate,” said Jiří Prokůpek, mayor of Davle.
Kunice
A new rest zone in Kunice is located on cycling trail No. 0025 that goes from Kunice, through Hrusice, all the way to the Šmejkalka crossing. It opened on November 17, 2011. The project was supported by the Nadace ČEZ Foundation, which donated CZK 163,000 through the “Trees 2011” grant proceeding.

“The rest zone will serve the locals, but will also be a place where cyclists can take a break,” said Jiří Šíma, mayor of Kunice.

In 2010, CEZ Group defended – for the seventh time – its number-one ranking in the TOP Corporate Philanthropist competition in the total donation volume category. In 2011, we also defended first place in the ranking TOP Responsible Company, in the category Biggest Corporate Donor 2011 according to total donation volume. Also in the TOP Responsible Company competition, we received a special award from the Business for Society platform in the category Company and School in recognition of our systematic and strategic approach to developing education and talent in the Czech Republic. In particular, this was in recognition of the results achieved over the past 19 years of our “World of Energy” education program. CEZ Group remains the biggest corporate donor in the Czech Republic, a position it has held for a long time, now.

3.3.2 Regional Partnerships
In addition to all the other activities and causes it supports, CEZ Group endeavors to be a supporter of regional cooperation, through advertising and sponsorship in particular. Since there are many such events and it was necessary to impose firm rules on our participation in them, 2011 saw the implementation of a methodology, entitled Evaluation of Advertising Partnership Requests, for assessing them.

For taking in advertising partnership requests, a new e-mail address spoznoring@cez.cz was set up and new forms entitled “Application for Sponsorship Contribution” and “Advertising Proposal” were created. Both forms can be found on the web at www.cez.cz/pomahame. Using these forms, the applicant provides information on the organization and the offer of advertising. The information gathered is used not only to make the actual decision on the application, but also – in the event it is approved – to prepare a CEZ Group purchase order or advertising and promotion contract for the events to be supported. Applications are evaluated once every quarter at dates announced in advance on the website at www.cez.cz/pomahame.
CEZ Group is aware of and meets the needs of young people, seniors, and disadvantaged citizens. It supports care and activities designated for people who are disadvantaged in any way. Through personal help from its employees and financial aid, it helps the SPMP Hvazdy Special Home for Young People, the Civic Association JAU – parents and friends of people with autism, the World of Colors (Barevný svět) Day Center, TyfloCentrum ČR, o.p.s., and the Home of St. Anežka – protected workshops in Týn nad Vltavou. It is a partner of Rozmarýna, o. p. s., an organization that works with young adults who were raised in orphanages; Femisphera, o.s., an association focused on issues concerning life in the third world; and the Sense and Sensibility (Rozum a cit) Foundation which has long-standing activities in the field of foster care.

Handicapped people are entitled to lead active lives, too, and therefore CEZ Group is a major supporter of the Center for the Handicapped in South Bohemia (Centrum zdravotně postižených JČ, o.s.), helping to fund the construction of a storage unit for racing wheelchairs and a number of double skiffs and four-oars for sight-impaired, physically handicapped, and intellectually challenged athletes. Another example is our collaboration with the Czech Abilympic Association (Česká abilympijská asociace, o. s.), Hvězda SKP Pardubice, and the handicapped table tennis team of the Janské Lázně Sports Club.

We are also a long-standing, traditional partner of KOMPAKT and of social motor vehicles delivered to areas such as Vysočina for the Vrátká civic association, and to residents of Kanina in the Central Bohemia Region. In the Ústí Region a social motor vehicle was acquired for the Dlažkovice Orphanage and the Municipal Social Services Institute in Klášterec nad Ohří. Another two social vehicles serve handicapped people in Oleška – Kamenice and the Chomutov Orphanage.

CEZ Group also supports activities that benefit nature and animals. In cooperation with Společnost pro Jizerské hory o.p.s., we are long-standing financial supporters of the Let’s Clean Up the Jizerka Mountains (Ukliďme Jizerky) event. Thanks to our support for a local chapter of the Czech Union for Nature Protection, the Rescue Station for Injured and Handicapped Animals – Elbe River Eco-center (Polabské ekocentrum) has better conditions for its work. We supported another Rescue Station for Animals Living in the Wild – Žleby Reserve (obora Žleby) through the civic association Stanice terénní ochrany přírody – STOP. We are traditional supporters of the Cleaning Up the Malše River ecological event in České Budějovice. Other recipients of our help include Exotic Animals Park (Park extr眺ých zvířat o.p.s.) at the Dvorec Zoo and the Dvůr Králové Zoo. The Czech Council of Children and Youth used financial aid from CEZ Group to organize an event entitled Agnes of Bohemia’s Trees (Stromy Anežky České).

Health issues affect each and every one of us and regional healthcare facilities need equipment. Therefore, CEZ Group supported the purchase of a hydraulic hospital bed for the neurosurgery department of the Ostrava Municipal Hospital. We were also a major contributor toward the purchase of a positioning arm for taking X-rays during operations for the Ivančice Hospital, and the purchase of a videocolonoscope for the Thomayer Faculty Hospital in Prague. Another donation went to Žatec Hospital to purchase and install a CT device.

CEZ Group is a traditional supporter of the Christmas concert organized by the Mole (Krtek) Foundation, a charity that helps children with oncological illnesses. Thanks to support from CEZ Group, for example, the St. Jan N. Neumann Hospice was able to repair and paint its building and purchase a motor vehicle. CEZ Group was there when the Máša Civic Association endeavored to equip an information center for allergy and asthma sufferers and prepare a useful web portal.
CEZ Group is also a partner to organizations that organize events open to the general public. For example, we helped to fund the Charity Concert on Old Town Square commemorating 20 years of DROP IN. Our employees participated in the Baar Cup competition for the Help for life o. s. humanitarian organization, Bohemia JazzFest 2010 and 2011 (a cultural event open to the general public), and the popular Ladronka fest 2010 and 2011, which is also free for all comers. Other events include the Vth Summer Olympics for Children and Young People, the Prague University of Economics Handicapped Students Day, and Opera in Šárka 2011 (Dalibor) organized in an natural outdoor setting by OHDP – the Original Musical Theater of Prague (Originální hudební divadlo Praha).

Events in the regional partnership category include the Martina Sáblíková Pentathlon (Pětiboj Martiny Sáblíkové), which motivates children to engage in healthy exercise. CEZ Group and the Nadace ČEZ Foundation have teamed up to support the project. 2011 was the event’s first year, and saw primary school students from all over the Czech Republic compete in a relay race, basketball dribbling, medicine-ball throw, standing broad-jump, and handball free-throw. The event was very popular among the children, and it is evident that this new CEZ Group project is a step in the right direction.

3.3.3 Corporate Volunteering
CEZ Group encourages corporate volunteering, in which employees donate their time and energy, providing personal, manual, social, and sometimes also professional help, to which CEZ Group adds logistical and financial support. CEZ Group teams with Donors’ Forum (Fórum dárů) to organize volunteer work in all regions of the Czech Republic, and complies with the basic standards of corporate volunteering.

We give our time to those who need us.

“Time for a Good Cause” is a CEZ Group corporate volunteering project that enables employees to spend one work day working for a non-profit organization. It is focused primarily on social work: caring for seniors, handicapped citizens, children, and the environment. As of 2010, employees interested in participating in the program can register at the web portal www.zapojsimse.cz, which they can access from home as well.
CEZ Group also cooperates with Jedlička Institute (Jedličkův ústav). One of the events, which began in 2009 as part of the Time for a Good Cause volunteering day, was a visit by clients of Jedlička Institute in Liberec to ČEZ Distribuce in Děčín. The most recent visit took place on June 20, 2012. The reason for the visit was to thank the employees, and not just those from Děčín, for the support and time they donate to the Jedlička Institute. This “thank you” took on an unconventional form: two distribution-themed paintings on silk by Tonda Rejnyš, a client of the institute. However, for a long time now the employees of ČEZ Distribuce have been regularly caring for the institute’s clients in their spare time as well, above and beyond their corporate volunteer work.

Time for a good cause.

CEZ Group is also a member of the Business for Society (Býznys pro společnost) platform, whose members are Czech companies that strive to be socially responsible and behave in an ethical manner. During 2011, which was designated the International Year of Volunteers, CEZ Group got involved in the platform’s activities – its working group for Corporate Volunteering in particular – and was invited to be a part of the Volunteering During Extraordinary Events and Crisis Situations group as well. CEZ Group provided work and financial support at European Year of Volunteers 2011 activities. All eleven types of volunteering were presented in the Czech Museum of Music during the nationwide Week of Volunteers. During that week, CEZ Group supported the Strategic Corporate Volunteering conference held on November 3, 2011, as well as other events.

Under the umbrella of the European Year of Volunteers 2011, volunteers from the Business for Society platform donated a total of 6,240 man-days, valued at approximately CZK 9.5 million, to publically beneficial organizations. For more information, see www.byznysprospolecnost.cz.
European Corporate Volunteering Day
GIVE & GAIN 2011

Another European Year of Volunteers 2011 event took place on Friday, June 24. Entitled GIVE & GAIN, its objective was to mobilize as many volunteers from participating companies to spend the day working in the non-profit sector. All told, eleven countries took part, including the Czech Republic, along with 38 non-profit organizations and 250 employees from 14 companies. One fifth of the volunteers were employees of ČEZ. They volunteered at the following organizations:
- Červený Kostelec Area Charity – St. Joseph Home, O.s.
- Lunaria, the Andromédá Society, the České Budějovice Municipal Charity, Arkadie, the Prokopské and Dalejské Valleys Protection Society (Společnost pro ochranu Prokopského a Dalejského údolí), the Orphanage and School Cafeteria in Ostrava, the Chotěšov – Lesovna Monastery, the Podkrušnohorský Zoo in Chomutov (Podkrušnohorský zoopark Chomutov), the Hvozdy Services Center, and the Charlotte Masaryková Orphanage.

We supported European Corporate Volunteering Day.

Temelin Nuclear Power Station

On June 23 and 24, 2010, employees of Temelin Nuclear Power Station helped out five non-profit organizations from the České Budějovice, Vltavotýn, and Písek areas. The group of 24 employees did various jobs such as fence painting, landscaping work, general clean-up, and working in a ceramics workshop. For two days, the volunteers exchanged their ordinary jobs for places like the Arpida Children’s Center, České Budějovice Day Care Centers and Halfway Houses, the Týn nad Vltavou Parish Charity, the České Budějovice DOMINO Municipal Charity, and the Rainbow (Duha) Day and Week Center in Písek.

“Volunteers from ČEZ came out to help last year, too. This year they once again did a huge amount of work. All day, they removed weeds and accumulated dirt between pavement stones, while others brought in dirt and spread it out with rakes, preparing the terrain for construction of a multi-purpose children’s playground,” said Jiří Jankovský, director of Arpida.
Nearly 30 volunteers from Temelín Nuclear Power Station spent the first week of June, 2011, helping non-profit organizations in South Bohemia. They visited five different organizations, where they did work such as building a “therapeutic garden”, painting a fence, and spending time with children from a halfway house.

Dukovany Nuclear Power Station
In the first half of May, 2010, 43 volunteers came out to help non-profit organizations in the South Moravia Region and in Vysočina. They painted, cleaned, gardened, and helped with computer equipment at six organizations, while 17 of them set about cleaning the Dalešice Dam. The beneficiary organizations were: Oasis (Oáza) Hodonín, Ruth Counselling Center, the Koutkova Seniors Home, St. Antonin House, the Smile (Úsměv) Center in Třebíč, and the Hrotovice Charity Care Service.

In late May 2011, nearly 40 volunteer employees of Dukovany Nuclear Power Station helped non-profit organizations in Vysočina. They went to five non-profit organizations, where they cleaned, painted, gardened, and spent time with seniors. Once again, the largest group of volunteers cleaned the Dalešice Dam reservoir.
North Bohemia
In mid-September 2010, a group of 35 CEZ Group employees gave freely of their time to benefit a good cause. In the Ústí Region, they worked for the RADKA Civic Association in Kadaň, the ARKADIE Society for Comprehensive Care for the Handicapped in Teplice, and the Mašťov Orphanage. Some of the volunteers from the north – specifically, those from ČEZ Distribuce in Děčín – traveled all the way to Labská bouda in East Bohemia. There, eight volunteers helped the Bumblebee (Čmelák) Society of Friends of Nature remove non-native Mountain Pine trees at the source of the Elbe River.

“I must admit I was a little worried how things would turn out today, since the work we had for the volunteers is normally done by masons. But they are all very talented – they mix mortar, lay bricks, and apply stucco and plaster like real pros,” said Marie Kafková, director of the Mašťov Orphanage, in praise of the volunteers.

A group of nine ČEZ employees had their work cut out for them, renewing an old, almost unusable bridge in the Prokopské Valley. They removed the old, rotten beams, cleaned the bridge of grass, saved new beams and laid them on the steel structure, to make the bridge usable once again. What had been a hazard for pedestrians is now a natural part of a pleasant walk through Prokopské Valley,” said Mrs. Matoušková from the Prokopské and Dalejské Valleys Protection Society.

Central Bohemia and Prague
During the last week of May, 2010, over 50 volunteers from ČEZ helped out at non-profit organizations in Prague and Central Bohemia. Their outing took them to a total of eight organizations, where they painted, did gardening and clean-up work, picked up trash in the forest, helped with office work and organizing, and spent time with mentally and physically handicapped people. The beneficiary organizations were: the Hvozdy Services Center, the Czech AIDS Help Society, Autisík, Hare on a Horse (Zajíček na koni) in Bušovice, Civil Inspiration (Občanská inspirace), the Prokopské and Dalejské Valleys Protection Society, the Prague Botanical Garden, and the Creativity Workshops (Dílny tvořivosti) in Prague.

In April 2011, CEZ Group employees from Prague and the hydro power stations volunteered in the following non-profit organizations: the Prokopské and Dalejské Valleys Protection Society, the Hvozdy Services Center, the Toulcův dvůr Society, the Kladno Orphanage, and the Andromédá Society.
East Bohemia
On April 21 and 22, 2010, 38 volunteers from CEZ Group helped out at the following non-profit organizations: the Slatiňany Social Services House, Hajnice Colorful Houses (Barevné domky Hajnice), the Orphanage and School Cafeteria in Nechanice, the Veská Children’s Center, and SKP-CENTRUM for people who are at risk due to health conditions and/or social circumstances.

In June 2011, over 40 CEZ Group employees volunteered to help non-profit organizations in East Bohemia. They visited five organizations, where despite inclement weather they helped, for example, to build a roof over an outdoor stage for a benefit concert, paint fences, wash windows, do landscaping, and complete a gazebo. The beneficiary organizations were: Life Without Barriers (Život bez bariér) in Nová Paka, the Veská Children’s Center, the Hradec Králové Area Charity, the Orphanage and School Cafeteria in Nechanice, and the Slatiňany House of Social Services.

West Bohemia
In the course of CEZ Group corporate volunteering, on April 9–10, 2010, 29 volunteers worked at four non-profit organizations in the Pilsen, Karlovy Vary, and Central Bohemia Regions, where they painted, cleaned, and did gardening work. They also worked on renewing cultural and natural heritage at Hartenberg Castle; this work continued in 2011 as well. On September 14 and 15, 2011, a group of 14 volunteers from the Pilsen and Karlovy Vary Regions also helped out at the non-profit organization Berkut, one of whose objectives is to renew the botanical garden in Bečov nad Teplou.
**North Moravia**

On April 28 and 29, 2010, 27 volunteers turned out to help at five non-profit organizations in the Moravia-Silesia and Zlín Regions, where they painted, cleaned up, did gardening work, and dispensed legal and PR advice. The beneficiary organizations were: Charita Ostrava, St. Lukáš Hospice, Citadela Hospice, the Chamomile (Heřmánek) Civic Association, and the Little House (Domeček) Children’s Center.

“Our volunteers did a lot of work that we ourselves lacked the capacity to do. They painted the wood trim around the entire building and still had time left over to paint the railings and benches in the park where clients can spend time visiting with their families,” said Miloslav Běťák, director of Citadela Hospice.

In 2011, 40 CEZ Group volunteers from the Moravia-Silesia, Olomouc, and Zlín Regions spent several days in May helping out at the following non-profit organizations: the Little House Children’s Center, the St. Václav House of Charity, the Salvation Army in Havířov and Ostrava – Poruba, the Jabloňová Seniors Home, Na Vizině Orphanage, St. Lukáš Hospice, and the Pomměnka Center for the Mentally Handicapped.

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**3.4 Suppliers and Customers**

In cases that exceed the legal limit, CEZ Group selects its suppliers through public tenders in accordance with Act No. 137/2006 Sb. on Public Procurement. The Group also organizes tenders in cases that are under said limit.

In selecting suppliers, CEZ Group places emphasis on the quality of the goods or services provided, as well as price. Qualification criteria have been defined to aid in the selection. These include various certifications, certificates of ISO quality compliance, trades licenses, and other documents. There are also evaluation criteria, one of which is always an opinion on the price, and technical evaluation criteria are used, where appropriate, as well.

In the last week of March, 2012, the business segment represented by ČEZ Prodej successfully underwent a supervisory audit by Lloyd’s Register Quality Assurance – in the form of a stress test – and thereby demonstrated that it continues to be worthy of this widely recognized, prestigious certification. According to Lloyd’s Register Quality Assurance, not just the behavior and attitude of ČEZ Prodej toward individually serviced customers, but the entire processes of customer service and sale of electricity and gas are prepared to continue providing and guaranteeing top quality for customers and satisfying the demanding criteria necessary to obtain this major certification.
In sourcing office supplies, CEZ Group joined in the “Trees for Life” program launched in 2003 by one of our suppliers, Office Depot. Each package of paper that goes through this company’s hands was once part of a living tree. Therefore, the company decided to plant one tree for each 50 packages of PAPIRIUS and OFFICE DEPOT paper sold. The “Trees for Life” environmental program is implemented under the auspices of the Ministry of the Environment of the Czech Republic and with the support of the Forestry and Environmental Faculty of the Czech University of Agriculture, Prague. The program is regularly assessed. At the beginning of each year, new members of the program receive certificates. Tree planting takes place once a year, in the spring.

CEZ Group has been a member of this environmental program since the very beginning. Since then, it has contributed to the planting of approximately 2,500 new trees.

We take care to choose high-quality suppliers.

### Number of Trees Planted for the Years 2010–2011
Based on Office Paper Purchased by CEZ Group from Office Depot

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<tr>
<th>Company</th>
<th>2010</th>
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<tr>
<td>ČEZ Distribuce</td>
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<td><strong>244</strong></td>
</tr>
</tbody>
</table>

### 3.4.1 Competitive Behavior
Ethical competitive behavior of CEZ Group employees is treated by the Behavior Codex, which sets forth principles, requirements, and instructions for dealing with electricity and gas customers and dealers, and particularly in discussions relating to new contracts, contract termination, and change of electricity or gas supplier.

The Codex is a practical document, based on European directives that have been implemented in Czech law as part of the Energy Act (No. 458/2000 Sb.).
This Codex gives customers certainty that the Customer Center, acting either through the call center or in writing, will treat them in the manner set forth by law. Within CEZ Group, the Standards of Written Customer Communications deal with individual policies and procedures.

Another way CEZ Group guarantees its ethical behavior toward customers is by assuring them that ČEZ will not abuse its market position.

3.4.2 Contractual Principles
When entering into contracts, CEZ Group places emphasis on protecting business secrets. With its suppliers, it enters into a so-called anticorruption clause, the wording of which is as follows.

Anticorruption Clause
1. In providing advertising pursuant to this agreement, the Customer requires that the Supplier adhere to the highest ethical principles, including behaving in a way that is counter to corruption.
2. To achieve this end, the parties hereby define the following term: “corruption-like behavior” shall mean the offer, promise, or delivery, as well as the demanding or acceptance, of any inappropriate advantage; further, the provision or acceptance of any reward, inappropriate gift, expression of hospitality, payment of expenses, either directly or indirectly, to a person or from a person in a position of any employee or statutory body in the private or public sector (including any person who by virtue of any position decides on behalf of or works for any company or organization in the private or public sector), for the purpose of obtaining, leaving, or directing business or securing any other advantage in entering to and/or implementing this agreement.

3. The Supplier is obligated to ensure that entities controlled by it (as defined by Section 66a(2) of Act No. 513/1991 Sb., the Commercial Code, as amended) are governed by these anticorruption principles.
4. The Supplier further agrees to ask all entities that, for it, are controlling entities pursuant to Section 66a(2) of Act No. 513/1991 Sb., the Commercial Code, as amended, to comply with these principles vis-à-vis the Customer.

Protection of Information
1. The Supplier hereby pledges to protect from third parties and maintain the confidentiality of facts constituting business secrets, confidential information, and other information provided to it in the course of the contractual relationship with the Customer or in the course of day-to-day business interaction. The parties agree that confidential information means all information, materials, and documents provided by the Customer that are not ordinarily available in public sources of information (e.g. the Commercial Register).
2. Business secrets and confidential information shall include all facts and information of a commercial, production, and/or technical nature relating to the Customer, results of research relating to the Customer that have a real or at least potential tangible or intangible value, unless they are ordinarily available in the relevant business circles or unless they are generally known facts, and provided it is the will of the Customer that they be kept secret.
3. The obligation to protect business secrets and confidential information shall last for as long as this agreement remains in effect and thereafter, and shall end upon a unilateral termination of said obligation made in writing by the Customer. Should, in the course of business, the Customer provide the Supplier any information constituting a business secret or confidential information, the Supplier may not make it available to any third party, or use it for the benefit of any third party, use it to the detriment of the Customer, or use it for the Supplier’s own purposes in contravention of its purpose.
4. Should it be necessary to disclose confidential information to a third party in order to meet the Supplier’s obligations hereunder, the Supplier may disclose such confidential information only with the Customer’s prior written consent and under the condition that the third party in question accepts, in writing, an obligation to refrain from disclosing, and maintain the confidentiality of, the information disclosed to it. Should the third party breach its confidentiality obligation, the Supplier shall be liable in full for any and all damages ensuing from such breach.

5. In the event contractual sanctions and/or damages are sought, this shall not prejudice the material and penal liability of the individuals that acted on behalf of the Supplier and failed to uphold the confidentiality obligation.

6. When this agreement terminates, the Supplier shall be obligated, at the Customer’s request and without unnecessary delay, to return to the Customer all materials necessary for its implementation, as well as any copies made, provided they contain business secrets and/or confidential information. A protocol, signed by both parties hereto, shall be drawn up concerning the hand-over and receipt.

3.4.3 Consumer Protection
CEZ Group appreciates its customers and endeavors to provide them not just high-quality services, but also information that will help them understand and keep their bearings in the energy markets.

3.4.3.1 The ČEZ Ombudsman
CEZ Group strives to provide its customers with quality services and, at the same time, give them recourse in certain atypical situations and/or unsatisfactorily resolved cases. Therefore, in 2009, CEZ Group instituted the ČEZ Ombudsman. It was the first power company, not just in the Czech Republic but in the entire region where it operates, to create such an institution for its customers. The ombudsman position was created in accordance with Directive 2009/72/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity.

Customers of CEZ Group can turn to the ČEZ Ombudsman anytime they feel that their complaint or return was not correctly assessed and dealt with. The ČEZ Ombudsman also deals with cases where the customer believes that action taken by a CEZ Group company was in violation of the law or was not in line with good morals. The ombudsman also deals with customer suggestions for improvements to CEZ Group customer services.

The ČEZ Ombudsman is entirely independent of the CEZ Group companies, reporting directly to the Chief Executive Officer of ČEZ, a. s., who guarantees the ombudsman’s independence. The ombudsman is entitled to access any and all information relating to the case at hand. Based on his investigation, he issues opinions that are delivered to the customer and the appropriate CEZ Group company.

We enter into anticorruption clauses with our suppliers.
In 2010, the ČEZ Ombudsman received 307 filings from dissatisfied customers. In 34 cases, the ombudsman issued an opinion in favor of the customer and called upon the company in question to meet the customer’s demands. In some of the cases, the ombudsman recommended that the companies make changes in their policies and procedures, or take other effective corrective measures. Most of the filings related to electricity distribution (38% – voltage quality, supply interruption, connection terms, issues related to ownership title), metering and billing (26% – disagreement with consumption amount metered and billed, unjustified electricity use), and contractual matters and payments (24%). In 91% of cases, the ombudsman issued his opinion within 30 calendar days; in the remaining 9% of cases, the investigations required a longer time frame. The region with the most filings was Central Bohemia.

In 2011, the ČEZ Ombudsman received 518 filings, of which 482 were complaints and 36 were suggestions. 116 of the complaints were irrelevant because the filing parties did not meet the requirement that the complaint must first be made through standard ČEZ Group channels, while 79 more complaints were judged irrelevant for other reasons. In 2011, the ČEZ Ombudsman decided to grant the customers’ requests in 19 cases, even though no ČEZ Group company was found to be at fault, while in another 28 cases the complaints were assessed as justified. The 30-calendar-day period for dealing with complaints and other filings was exceeded in just 6% of the cases.

3.4.3.2 Customer Awareness and Education
The total length of the power lines owned by ČEZ Distribuce is nearly 155,000 kilometers. That’s nearly enough to go around the Earth four times. Providing information on the precise geographic location and parameters of such an extensive network was extremely time-intensive for the companies ČEZ Distribuce and ČEZ ICT Services. Therefore, a project team consisting of representatives of ČEZ, ČEZ Distribuce, ČEZ ICT Services, and ČEZ Zákaznické služby set about optimizing this state of affairs. The result is a modular system operating primarily with data in a geographic information system, that from the customer’s perspective appears as a self-service web portal. That portal is incorporated into the websites of ČEZ and ČEZ Distribuce. The project, entitled “Geoportál”, commenced operation in late 2011. You can find it at the address http://geoportal.cez.cz.

ČEZ Prodej decided to capture its customer’s attention in an interesting new way. In November 2011, it began publishing an entire new lifestyle – product magazine entitled Juice (Šťáva), which replaced the previous publication Orange Guide (Oranžový průvodce). By the end of November, the first issue of the new magazine had been delivered to the mailboxes of all retail customers. Then, from December, it was made available in the Customer Centers as well. At the same time, an on-line version of the magazine was launched on the web. In recognition of its effectiveness, Šťáva magazine won a Special Award in the Golden Semicolon 2011 corporate periodicals competition organized by PR Klub. The jury’s award for effectiveness has been part of the competition since 2010, and the principal deciding factor is feedback from the magazine’s readers (i.e., how the magazine is received by readers – whether the magazine fulfilled the purpose for which it was created and for which it is distributed to customers).

We were the first power company in the Czech Republic to have an ombudsman.
The unfair practices of some door-to-door salespeople are a long-standing problem for CEZ Group. Not everyone (by far) who does business in the power sector respects the principle of fair play. Therefore, in 2010, CEZ Group published a brochure for its customers, in which it explains how to recognize a dishonest door-to-door salesperson, and how to resist his or her “hard sell”. The brochure is designed to protect senior citizens, who constitute the group most at risk in this respect. Among other things, the brochure lists the ten signs of less-than-upright methods. From early 2010, we began to see a rise in the number of cases when door-to-door salespeople fraudulently posed as employees of ČEZ and offered “advantageous” contracts to optimize people’s electricity and gas bills. Customers themselves reported the fraudsters to the CEZ Customer Line. Every month, we receive around 70 complaints concerning the behavior of door-to-door salespeople. Therefore, CEZ Group is currently readying a second edition of the Ten Signs brochure.

CEZ Group has also published a newspaper entitled Uninvited Guest (Nezvany host), which was delivered free to customers’ mailboxes. Visitors to CEZ Group’s website can also find information about the dishonest practices at the address http://www.cez.cz/cs/pro-media/tiskove-zpravy/2867.html or http://www.cez.cz/cs/pro-media/tiskove-zpravy/3040.html. Another way we are warning customers of these practices is through a direct mail campaign. In addition to just a warning, the letter offers assistance in the event a disadvantageous contract has already been signed, but the customer has changed his or her mind and wants to remain with CEZ Group.
Customers of alternative suppliers are writing about their experiences on the Internet. You can read about how the companies that intermediate the door-to-door sales work on some of the blogs dealing with this topic – such as varovani.blog.cz. Should customers have any questions regarding door-to-door sales, they can call the ČEZ infoline at 840 840 840 or send their question via e-mail to the address neseriozninabidky@cez.cz.

CEZ Group also organizes various events for its customers, such as a meeting in the Plzeňský Prazdroj brewery.

“When someone says Pilsen, you immediately think of two things: ČEZ Logistika in Skladová Street, and then Pilsner beer, of course. Therefore, we joined these two things together and we are pleased that you accepted our invitation to Plzeňský Prazdroj,” said Vladimír Špiler at the introduction of the meeting between ČEZ Logistika, Region West, with external customers that took place on October 13, 2011.

3.4.3.3 Customer Services
CEZ Group has issued a guidebook for its employees, entitled Standards of Correspondence With Customers. 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.

A top-quality website is a natural part of our customer services. In addition to all the other information that customers can find at the address www.cez.cz, as of September 1, 2011 ČEZ Prodej launched www.cez.cz/business for corporate customers in the Business segment, i.e. those who use over 100 MWh of electricity per year. Here, our corporate customers will find, for example, easy-to-understand interactive graphs showing the development of electricity and gas prices, with very simple and intuitive controls allowing them to set the time period over which they would like to display the prices of these commodities. The values are continually updated, and when the visitor clicks on a source, a more detailed view is displayed complete with the latest news and archived data that can be used to conduct deeper analyses. Also included are foreign currency exchange rates and trends, as well as on-line updated economic news from the renowned economic news server, EURO24. Another feature of the new website for the Business segment is a “Tips of the Day” section, where visitors will find practical, concrete advice on topics relating to accounting, taxes, and social policy, as well as upcoming changes in energy legislation, including commentaries, and tips on how to save electricity and gas. It goes without saying that the site also includes a complete listing of ČEZ Prodej’s portfolio of products and services, along with an explanation of the advantages customers receive when they do business with ČEZ Prodej. An interactive map with contacts for each customer in this individually served segment is an important supplementary feature.

A number of users have taken advantage of the new service and registered to receive news via e-mail. Already, 50 registered users are receiving the e-newsletter, the weekly pricelist, and/or ČEZ Info, the magazine for customers in the Business segment. Also available for customers to use is a new e-mail address, business@cez.cz, where they can send questions and comments regarding the new website.

Customers can choose how they wish to communicate with CEZ Group. They can choose from among the following services:
- the customer centers,
- our contractual partners,
- the call centers,
- the Virtual Sales Office.
CEZ Group has a network of 24 customer centers in various locations throughout the Czech Republic. In March 2010, a new, barrier-free customer center was opened in Prague’s Karlín district. With a total area of 600 m², its personnel are capable of serving over 500 customers a day. The new building, which is part of the Futurama Business Park, has the top energy conservation certificate in category A, reserved for the most efficient buildings. To make it easier for customers to communicate with us, they can make an appointment for a specific date and time, over the Internet, so they can avoid unpleasant lines and save time that they can dedicate to other activities. Should customers wish to make an appointment, they just point their browser to www.cez.cz/cs/kontakty/sjednani-schuzky.html and reserve a time slot that is convenient for them.

CEZ Group also has a network of 58 contractual partners who provide customer services. A map showing their locations and contact information, including opening hours, can be found on the CEZ Group website at the address www.cez.cz/cs/kontakty/kontaktni-mista.html.

CEZ Group operates two call centers: in Pilsen and in Zábřeh na Moravě. Each of them operates as a back-up for the other, to ensure that the CEZ Group customer lines are always available. Each day, 300 experienced, professional operators take an average of 4,500 telephone calls. In addition to these calls, the operators and other customer center employees also deal with 6,500 requests that come in via other channels (faxes, e-mails, letters, responses from the Virtual Sales Office, etc.) and care for 3.5 million customers. Customers can reach the call center by dialing 840 840 840 from within the Czech Republic.

The Internet application Virtual Sales Office 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 up-to-date information concerning their electric bills and a listing of all connection points, as well as enabling them to make requests on-line. In late 2009, the Virtual Sales Office was relaunched with a new design and an innovated user interface.

Currently, we are readying a new Internet application for customers. Entitled ČEZ Online, it will give them an even more convenient option for getting personalized information and dealing with their requests concerning electricity and gas use. Through ČEZ Online, it will be possible to communicate free of charge, 24 hours a day, seven days a week, without visiting a branch and without any waiting. In the Czech Republic, the application will be launched during 2012. The version for Slovakia is already in operation.

In addition, CEZ Group has implemented an electronic billing service. That means that the customer no longer receives bills in paper form. Instead, they are delivered to the customer’s e-mail box as PDF files, or directly to the customer’s accounting system. This makes it very simple to view, pay, and archive the bills. This system fully replaces paper bills; their electronic counterparts are full-fledged VAT documents. For greater customer data security, the bills are signed electronically with a qualified certificate. Electronic billing saves time, conserves energy, and is easy on Mother Nature.

In order to provide top-quality customer services, we need to maintain the electricity distribution grid and keep it running. When faults occur, CEZ Group’s fault response teams have all necessary technology and mechanization at their disposal, including all-terrain vehicles, mobile boom lifts, as well as light, heavy, and all-terrain utility vehicles. In mountainous areas, our vehicles are equipped with snow chains and winches. Teams in North Bohemia have four snowmobiles, along with sleds for hauling equipment. Workers responding in mountainous areas are also equipped with snowshoes, which improve their ability to move around in deep snow, and cross-country skis.
4. The Environment

On November 9, 2010, the Minister of the Environment of the Czech Republic and representatives of ČEZ signed a Declaration of Strategic Cooperation on Air and Climate Protection. By this declaration, which has no expiration date, the partners agreed to reduce air emissions of pollutants beyond the reductions required by existing legislation. At the same time, there will be a substantial reduction in carbon dioxide emissions, which will be achieved directly in power plants operated by ČEZ Group in the Czech Republic.

The document defines cooperation in the areas of sustainable development education and awareness, cooperation between the signers in the areas of renewable sources and energy conservation, and cooperation in formulating a strategy for biomass co-combustion. By signing the declaration, the parties pledged to take a total of 21 measures that will substantially mitigate environmental burdens and lead to sustainable development of the power industry. The parties also agreed to exchange information regarding the fulfillment of the defined measures and to establish a working group that will evaluate progress on an annual basis. The pledge also includes drafting an annual joint report on implementation of the Declaration of Strategic Cooperation.
Right in the first year after the Declaration was signed, the agreed emission reduction target for CEZ Group sources was achieved, thereby fulfilling the declared objective of reducing emissions beyond legal requirements.

| Type of Pollutant SO₂ NOₓ | Actual emissions in t/year, 2010 2,181 | 52,944 | 52,458 |
| Actual emissions in t/year, 2011 2,112 | 46,936 | 44,618 |
| Maximum emissions (t/year) for 2011, Declaration Schedule No. 1 2,675 | 50,126 | 52,898 |
| Actual emissions as percentage of maximum emissions pursuant to Declaration Schedule No. 1 79% | 94% | 84% |

Remark: As of 2011, Chvaletice Power Station is no longer part of the ČEZ generation portfolio.

CEZ Group has also entered into similar voluntary environmental protection and burden mitigation arrangements with the Association of Regions and with the Ústí Region.

CEZ Group has also pledged to invest EUR 1.25 billion, above and beyond the value of emission rights, in upgrading its plant and equipment to mitigate environmental burdens.

Other integral components 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, one aggregate certificate has been issued for the conventional power plants as well as two separate certificates for the Temelín and Dukovany Nuclear Power Stations.

The objective of the EMS is to make environmental protection imperatives part of ČEZ’s overall strategy and reflect them in the standard activities by which the company supports environmental protection and prevention of pollution in balance with social and economic needs. Through the EMS, the company declares that, in the course of its business activities, it takes care to protect the environment and that in planning production operations, the environmental impact of these operations is taken into account.

We go beyond our statutory obligations to protect the environment.

### 4.1 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.
Of fundamental importance for the EMS is the Safety and Environmental Protection Policy, which contains a pledge of continuous improvement and prevention of pollution in accordance with legislative requirements in the area of environmental protection. The document is available to the public on the ČEZ website, at the address http://www.cez.cz/cs/odpovedna-firma/zivotni-prostredi/politika-bezpecnosti-a-ochrany-zivotniho-prostredi.html.

All company employees are required to read it, as are the employees of selected CEZ Group subsidiaries, and employees of contractors operating in plant compounds are also required to read it, as part of orientation training.

The EMS includes internal audits, external EMS audits, and management EMS reviews. The frequency of the internal audits is set so that they can vet fulfillment of findings from the preceding external EMS audit. The internal audits include checking ČEZ’s internal directives and work documentation for compliance with the requirements of the ISO 14001 standard and with legislation in various areas of environmental protection – air protection, water protection, waste management, handling of chemicals and hazardous substances, integrated prevention, and the integrated pollution register.

ČEZ’s Environmental Management System was first certified for ISO 14001 compliance in 2002 by the certification authority DET NORSKE VERITAS CZ. In 2011, a recertification audit was conducted by the certification authority Bureau Veritas Czech Republic. The current EMS certification expires on May 21, 2014. The auditors identified potential for further improvement in water management and handling of chemicals and mixtures. The head of the audit team recommended that the organization seek certification in the future as well.

Our nuclear power stations, Temelin and Dukovany, also submit to regular environmental audits. In 2010 and 2011, the auditors reaffirmed that both Temelin and Dukovany meet the environmental protection requirements of the international ISO 14001:2004 standard. Temelin Nuclear Power Station first obtained certification of ISO 14001:2004 compliance for its EMS in November 2004. The certificate is valid for three years, and each year the plant confirms its adherence to the environmental protection rules.

“We’ve been doing audits at Temelin for eight years now, and during that time we have come to expect a high standard here. That, however, has not compromised our vigilance: we take the audits very seriously. This year, the plant demonstrated the qualities of its environmental protection system once again. Temelin can be held up as an example in this area, even for other industries,” said Vlastimil Pejčoch, head of the audit team from the international audit firm DET NORSKE VERITAS CZ.

4.2 Generation, Mining, Construction

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. CEZ Group power plants also use other types of fuel, however.

Generation

Nuclear Fuel

Fuel for Dukovany Nuclear Power Station is sourced, under a long-term contract, from Russia-based OAO TVEL, which not only fabricates the fuel, but also provides a comprehensive array of conversion and enrichment services. All deliveries in 2011 were of the improved, latest version of the VVER 440 second-generation fuel.

Up until a fuel replacement at Temelin Nuclear Power Station, in 2011 continued to operate Unit 2 with modified fuel from Westinghouse Electric Company LLC (USA) – this is fuel with a reinforced structural skeleton utilizing the modern ZIPLO™ alloy).
Concurrently, a project to develop and license a new fuel of the TVSA-T type from the Russian supplier OAO TVEL was successfully implemented. All necessary permits from the State Office for Nuclear Safety were obtained. A complete fuel replacement was undertaken on Unit 1 as early as 2010. Also in 2010, ahead of schedule, delivery of a portion of the fuel for Unit 2 was secured, while the remaining fuel was delivered on schedule in the first half of 2011. During a planned outage, all 163 fuel assemblies in Unit 2 of Temelín Nuclear Power Station were replaced.

In the years to come, the TVSA-T fuel both units are now running on will enable a further planned increase in the output of Temelín Nuclear Power Station.

Raw uranium necessary to fabricate nuclear fuel, and processing thereof (conversion and enrichment services), were sourced under long-term contracts. Nearly one third of our uranium needs is covered long-term by supplies from the domestic uranium producer DIAMO, with the remainder purchased from international suppliers or through direct deliveries of complete fuel assemblies (mostly for Dukovany Nuclear Power Station).

Based on the change in the supplier of fuel for Temelín Nuclear Power Station, in late 2010 ČEZ began implementing physical deliveries to Russia of enriched uranium processed by suppliers of conversion and enrichment services in the European Union. This strategy will continue in order to maintain the desirable diversification of suppliers, as recommended by the supply management policy of the EURATOM Supply Agency. Concurrently, ČEZ also maintains a strategic inventory of uranium in various stages of processing, at supplier sites, in order to mitigate the risk of supply interruption.

Solid Fossil Fuels and Sorbents
Supplies of solid fuels for ČEZ coal-fired power plants in 2011 were dominated by brown coal, which at 28.0 million tons accounted for 95% of total coal consumption. In 2010 the figure was 25.9 million tons (95% of coal consumption). The biggest suppliers of brown power generation coal to ČEZ are Severočeské doly, Czech Coal, and Sokolovská uhelná.

Long-term coal supply contracts are in effect with Severočeské doly (agreement on future purchase agreements; valid until 2052) and Sokolovská uhelná (purchase agreement; valid until 2027). Medium-term purchase agreements are in effect with Severočeské doly (2011–2015) and Czech Coal (2006–2012).

Black coal volume supplied to ČEZ power plants totaled 1.4 million tons (5%) in 2011, the same amount as in 2010. The bulk, 1.0 million tons (71%) – and 0.9 million tons (67.1%) in 2010 – was supplied by OKD. The remaining 0.4 million tons (29%) – 0.5 million tons (32.9%) in 2010 – was sourced by import from Polish and Russian suppliers.

Black coal supplies take place under one-year purchase contracts.

The total volume of sorbents for flue gas desulfurization at coal-fired power plants was 1.3 million tons in 2011 and 1.2 million tons in 2010.

Severočeské doly is our biggest coal supplier.
Biomass Combustion and Co-combustion

Biomass consumption within ČEZ totaled 379,749 tons in 2011 (+1.9% year-on-year), and 372,500 tons in 2010. Most frequently, biomass is combusted in the form of wood chip. Other forms include plant matter in the form of pellets made of straw, sugar beet, and sunflower, as well as briquettes and shreadings. For the time being, the share of purpose grown energy crops is low.

Within ČEZ biomass is combusted in the existing coal-fired power and power heating plants Hodonín, Poříčí, Tisová, Vítkovice, and Dvůr Králové nad Labem.

The company Energetické centrum consumed a total of 44,886 tons of this raw material in 2011 for its biomass-fired power plant in Otín u Jindřichova Hradce.

Generation from Biomass in ČEZ Power Plants in the Czech Republic (MWh)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tisová</td>
<td>45,956</td>
<td>12,705</td>
<td>10,270</td>
</tr>
<tr>
<td>Poříčí</td>
<td>92,418</td>
<td>87,437</td>
<td>99,068</td>
</tr>
<tr>
<td>Teplárna Dvůr Králové</td>
<td>11,944</td>
<td>9,572</td>
<td>18,630</td>
</tr>
<tr>
<td>Hodonín</td>
<td>177,348</td>
<td>197,921</td>
<td>223,076</td>
</tr>
<tr>
<td>Vítkovice</td>
<td>–</td>
<td>29</td>
<td>202</td>
</tr>
<tr>
<td><strong>Czech Republic, Total</strong></td>
<td><strong>327,666</strong></td>
<td><strong>307,664</strong></td>
<td><strong>351,246</strong></td>
</tr>
</tbody>
</table>

We combust biomass.

Natural Gas

ČEZ secured flexible supplies of natural gas for the CCGT power plant in Počerady which is to enter trial operation in 2012.

Mining

Severočeské doly

The core business of Severočeské doly is mining activity. In 2010–2011, it maintained its position as the largest Czech brown coal company. Its share of the brown coal market rose by 4.3 percentage points compared to 2010, to reach 53.7%. The company has two mining operations: Bílina Mines and Nástup Tušimice Mines.

Bílina Mines, operating in the Teplice – Bílina area, mines coal that is characterized by a high heat content and a low proportion of hazardous substances. In 2011, the unit extracted 10.44 million tons of coal, and in 2010 the figure was 9.3 million tons. Bílina Mines supplies power generation coal to the Ledvice and Mělník III Power Stations and to other large power heating plants. Bílina sorted coal, of which the company supplied 2.3 million tons, is another important component in the unit’s production range. The mining operations permit for the Bílina pit was issued under the Opening, Preparation, and Extraction Plan for the Years 2010–2030 by the Most District Mining Office on November 8, 2010, and it entered into legal force on January 26, 2011. As at December 31, 2011, Bílina Mines had approximately 164 million tons of extractable coal reserves.
The Nástup Tušimice Mines brown coal-mining operation is located in the westernmost portion of the Ústí Region. In 2011, Nástup Tušimice Mines extracted 14.9 million tons of coal, and in 2010 its extraction volume was 12.3 million tons. All produced coal went to the following recipients: Tušimice and Pruněřov Power Stations, which are local to the mine; the Chvaletice and Mělník II Power Stations; and the Komoriány power heating plant (United Energy právní nástupce, a.s.). Nástup Tušimice Mines’ operations in the Tušimice Extraction Area take place under the Opening, Preparation, and Extraction Plan and are permitted by a decision of the Most District Mining Office dated February 28, 2006. The validity of this decision will end when the mining operation reaches the boundaries of the overburden and coal extraction advances set forth in the documentation accompanying the Opening, Preparation, and Extraction Plan of November 2005 (estimated to take place in 2014). As at December 31, 2011, Nástup Tušimice Mines had approximately 240 million tons of extractable reserves.

LOMY MOŘINA
ČEZ owns a 51.05% stake in LOMY MOŘINA. The company’s core business is the mining and processing of rock matter for use in the construction industry and high-percentage limestones utilized in the flue-gas desulfurization (FGD) systems of coal-fired power plants. The company is a major supplier of limestone for use in the FGD systems of ČEZ Group coal-fired power plants, to which it supplies approximately 600,000–700,000 tons of limestone per year, approximately half of their annual consumption of this commodity. In 2011, supplies to ČEZ power plants totaled approximately 675,000 tons of limestone. In 2012, they are expected to reach approximately 700,000 tons.

The second key commodity offered by LOMY MOŘINA is construction rock. All of the company’s customers for this commodity are from outside the ČEZ Group, and LOMY MOŘINA supplies them approximately 300,000 tons per year, with a moderately declining year-on-year trend. Verified limestone reserves provide good prospects for sustained, long-term extraction operations.

During the months of October and November 2010 we completed the registration of all energy products (so-called power generation by-products) produced by ČEZ Group in accordance with the requirements of Regulation No. 1907/2006 of the European Parliament and Council (EC) (the REACH Regulation). Based on long-term testing and subsequent assessment, there is no obligation to classify, mark, or restrict these registered substances for any of the uses identified in the submitted documentation. The testing and assessment, which took place pursuant to the methodologies defined in the REACH Regulation, showed no negative impacts of the above mentioned substances, on either human health or the environment.

Our fuel mining operations are considerate towards the environment.

Construction

Dukovany Nuclear Power Station
During an outage on Unit 1 that included complete removal of nuclear fuel from the reactor, a CAPEX project was carried out that enabled full utilization of the unit’s design capacity, increasing its output to 510 MW. The unit first achieved the new output level on November 23, 2011, as the third of the power plant’s four units to do so. A similar modification to the last unit (No. 2) will be carried out in 2012.
Temelín Nuclear Power Station
ČEZ announced the public tender Completion of Temelín Nuclear Power Station on August 3, 2009. Pre-qualification of bidders was completed in the spring of 2010, with the following bidders emerging: the consortium of Westinghouse Electric Company LLC and Westinghouse Electric Czech Republic s.r.o.; the consortium ŠKODA JS a.s., Atomstroyexport JSC, and JSC OKB Gidropress; and AREVA NP SAS. From the spring of 2010 to October 2011, pre-bidding discussions were held with the qualified bidders pursuant to Section 33 of Act No. 137/2006 Sb. on Public Procurement, with the objective of finding one or more solutions that meet the needs and requirements of ČEZ.

On October 31, 2011, ČEZ delivered calls to submit bids, including Request for Proposal (RFP) documentation, to the bidders that qualified for the RFP proceedings of the public tender. In the documentation, ČEZ precisely specified its needs and requirements for the subject matter of the public tender, i.e. turn-key delivery of two complete nuclear power plant generating units, including fuel assemblies covering nine years of operation. The RFP documentation also contained commercial and technical conditions to be met within project implementation, assessment criteria, and a description of how the bids will be evaluated.

ČEZ opened the bids submitted in the public tender for completion of Temelín Nuclear Power Station on July 3, 2012 in the presence of the bidders: AREVA; the consortium of Westinghouse Electric Company LLC and Westinghouse Electric Czech Republic; and the consortium of ŠKODA JS, Atomstroyexport, and Gidropress. Starting from that date, a team of experts has been assessing and evaluating the bids in detail, and conducting negotiations with the bidders for the purpose of improving the terms of the bids. ČEZ has over one year in which to make a selection. Signing of the contract is planned for late 2013.

Comprehensive Renewal of Tušimice II Power Station
The Comprehensive Renewal of Tušimice II Power Station is the first completed project in the ČEZ coal-fired plant renewal program. The upgrade of Tušimice II Power Station increased the plant’s net efficiency from 34% to 39%, resulting in a savings of approximately 14% of primary fuels, i.e. coal. At the same time, the plant’s emissions were reduced: nitrogen oxides by 70%, sulfur dioxide by 79%, and solid particulate emissions by 87%.

Comprehensive Renewal of Prunéřov II Power Station
The zoning decision entered into legal force on December 22, 2011. On December 27, 2011 the building permit application was filed to the relevant building permits authority. It is expected to be obtained in August 2012.

Construction of CCGT Installation at Počerady Power Station
The project entered the implementation phase on March 28, 2011. Construction work got underway. The boilers were installed, including bundles and flue-gas inlets, and two stacks were built, as was the steel superstructure for the main generating unit, including cladding and an encapsulated substation. Work also took place on the chemical water treatment plant, the generator machine room, transformer foundations, vertical structures, fire containment walls, and foundations for the gas regulation station. The new installation is to be handed over for trial operation in mid-2013.

Construction of New 660 MW Installation at Ledvice Power Station
2011 saw continued installation work on the boiler building, machine room, and flue-gas desulfurization system. In the electrical portion of the project, installation of the main transformer, branch transformer, and substation were completed. The first trial activation of the 400 kV line took place in early December 2011. Due to delays in installation of the boiler’s steel superstructure and problems that arose in the manufacture of a component of the boiler’s pressure system (membrane walls), commissioning of the installation for trial operation is expected in 2015.

The plant renewal program calls for the investment of over CZK 100 billion in upgrading selected installations and building new generating units. It is the largest capital project in the recent history of the Czech Republic. It will ensure that the Czech power industry remains competitive, and will bring improvements in the plants’ economic as well as environmental parameters.
4.3 Distribution and Conveyance

After it is generated, electricity must be conveyed, 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. Electricity is conveyed to customers via the transmission grid as well.

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 conductors, 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 limits the effects of current. 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 Equipment and the Environment

In accordance with applicable law, 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.

ČEZ Distribuce has been successfully addressing environmental protection issues for a number of years now. In late 2011, it obtained ČSN EN ISO 14001:2005 certification for its Environmental Management System (EMS). The independent certification authority confirmed that the design and practical implementation of the management process are compliant with the standard.

We bring electricity to you.

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 (PCB)**

Since 2002, we have been systematically vetting the quality of oil used in our distribution equipment, including checking for the presence of polychlorinated biphenyls. So far, several tens of thousands of checks have been performed. 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 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 service area, 78 sites with legacy environmental burdens have been identified. Of this total number, 42 have been settled to date.

**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. 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. Since 2010, the Group has been doing noise checks on its distribution equipment in places where housing developments have moved closer to transformers.

**4.4 Land Clean-up and Reclamation**

CEZ Group looks for the most appropriate ways to bring life back to places where it was suppressed in the past, due to power industry operations. This is happening through reclamation, which means transforming the landscape into a condition that enables flora and fauna to return, and ecological stability to be assured. The most common form of land reclamation today is the planting of appropriate tree species, followed by forestry care to foster their growth.

In 2010–2011, ČEZ continued to reclaim sites in the vicinity of its conventional power plants (ash and other waste dumps, settling ponds, etc.). In 2011, over 7.5 million tons of certified power generation by-products were utilized in land reclamation (2010: over 6 million tons).

Another important area is limiting the amount of waste generated, particularly by preventing waste from occurring and utilizing certified generation by-products. Currently, for example, Chvaletice Power Station has nine such certificates, and all are fully utilized. Certified generation by-products are used in the construction industry (cement, concrete), construction of roads and railroads, and – most importantly – in landscaping and land reclamation.

Based on a building permit (notification of project), the land devastated by the legacy operations of Manganokyzové závody (MKZ) Chvaletice is currently being reshaped. The reclamation work ongoing in the Chvaletice area is in accordance with the Chvaletice Area Land Reclamation Program, the city’s urban development plan, the Pardubice Regional Strategy, and environmental protection principles.
For economic reasons, Chvaletice Power Station is classified as a plant in danger of being shut down. In an effort to maintain employment in the region and successfully complete the reclamation program, including its biological components, the management of ČEZ, a. s. is currently involved in negotiations on a possible sale of this subsidiary. Continuation of operation as part of CEZ Group is another alternative. This would enable the addition of another stage in the Chvaletice Area land reclamation process and gradually reduce the plant’s emissions. In the past, large sums were invested in reducing emissions, bringing solid particulate emissions and sulfur dioxide down to 5% of their previous levels. If the plant were to be operated until 2020, the amount released would be reduced by another two thirds. There are now two stations for monitoring ground-level concentrations: in addition to the station in Hoštákovice, one in Chvaletice was built in 2011.

Reclamation work to renew the landscape and ecological stability following brown coal mining was also conducted by Severočeské doly: its focus in 2011 was on reforestation, while the reclamation plans for 2012 give greater scope for man-made lakes. The Trmice power heating plant invested in reclamation of the waste dump at May 5th Mine and the Barbora III settling pond.

We’re cleaning up and reclaiming the land in the vicinity of our power plants.

### CEZ Group Consumption, Waste, and Emissions

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total electricity</td>
<td>GWh</td>
<td>5,664</td>
<td>5,774</td>
</tr>
<tr>
<td>Total water consumption</td>
<td>m³ '000</td>
<td>1,084,769</td>
<td>950,308</td>
</tr>
<tr>
<td>of which: surface water</td>
<td>m³ '000</td>
<td>760,741</td>
<td>948,183</td>
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<tr>
<td></td>
<td>underground water</td>
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</tr>
<tr>
<td>Emissions and unit emissions of air pollutants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solids</td>
<td>tons</td>
<td>4,696</td>
<td>4,237</td>
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<tr>
<td>Sulfur dioxide</td>
<td>tons</td>
<td>91,687</td>
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<td>Nitrogen oxides</td>
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<tr>
<td>Carbon dioxide</td>
<td>tons</td>
<td>38,845,671</td>
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</tr>
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</table>
4.5 Environmental Program

CO₂ Emissions Reduction Action Plan
In March 2007, CEZ Group introduced its CO₂ Emissions Reduction Action Plan, which calls for generation from renewable sources of energy to triple by 2020. According to the plan, by 2020 generation of electricity from renewable sources should reach 5.1 TWh, i.e. three times more than CEZ Group generated in 2005 (1.7 TWh).

Other goals of the plan include reducing the intensity of greenhouse gas emissions by 15%, contributing to fulfillment of the national energy conservation target (i.e., to reduce consumption by 23 TWh per year), and investing in international projects leading to a savings of at least 30 million tons of CO₂.

By 2012, the planned measures will require an additional total investment of over CZK 17 billion.

The goals and measures of the Action Plan are divided into four areas:
1. renewable sources of energy,
2. reducing emission intensity of ČEZ sources,
3. energy conservation,
4. international emissions reduction projects.

Air Protection
In 2010–2011, CEZ Group continued to optimize the operation of its plant portfolio to take into account the price of greenhouse gas emission rights in accordance with the strategy chosen for managing emission rights and emission credits from the JI and CDM mechanisms.

For the years 2008–2012, CEZ Group installations in the Czech Republic were allocated just under 35 million tons of emission rights per year. In accordance with applicable law, the emission reports of all CEZ Group installations were subjected to an independent audit by DET NORSKE VERITAS CZ. Emission rights to cover these emissions will be stricken from the national registers of the relevant countries, in accordance with applicable legislation.

The production of pollutant emissions released into the air from CEZ Group sources is continually monitored. In 2011, emission limits were complied with at all CEZ Group combustion sources, as was the ČEZ-wide emission sum ceiling along with all other technical conditions for operation relating to air protection, as imposed upon said sources in the operation permits issued by the relevant administrative authorities.

We introduced our CO₂ Emissions Reduction Action Plan.
In operating coal-fired power plants and power heating plants, CEZ Group conducts long-term, systematic monitoring of their impact on air pollution through its own in-house network for measuring ground-level concentrations. Currently, 14 measurement stations are in operation, all located in the vicinity of coal-fired power plants and power heating plants. The stations measure gaseous pollutants (SO₂, NOₓ) and suspended dust particles (PM10, PM2.5). The public is kept informed of the results of emissions and ground-level concentration monitoring conducted in conjunction with the operation of combustion sources through the website, http://www.cez.cz/cs/odpovedna-firma/zivotni-prostredi/sledovani-parametru-pro-ochranu-ovzdusi.html, where the results of emissions and ground-level concentration measurements are published, along with figures calculated for individual sources expressing the proportion of the air pollution in their vicinity attributable to them. All ČEZ coal-fired power plants, with the exception of the Dvůr Králové power heating plant, have implemented continuous measurement of CO₂ concentrations meeting the requirements of Decree No. 205/2009 Sb. of the Ministry of the Environment of the Czech Republic.

In the technical project documentation for the comprehensive renewal of Tušimice Power Station, the brown coal combustion equipment is designed so that, in addition to increasing the absorption capability of the flue gas purification equipment beyond the legal requirement, the purified flue gas will be better dispersed with the aim of further lowering the ground-level concentrations of various pollutants in the region. Among other measures, this was achieved by routing the flue gas into the cooling towers, even though this involved incurring additional expenses for longer flue gas piping and demolishing the existing stack. The following graph and table illustrate how the comprehensive renewal of Tušimice Power Station is having a positive effect on the air.

### Emissions, Tušimice Power Station (in mg/Nm³)

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>100</th>
<th>200</th>
<th>300</th>
<th>400</th>
<th>500</th>
<th>600</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO₂</td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
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<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
</tr>
<tr>
<td>NOₓ</td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
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<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
</tr>
<tr>
<td>Solids</td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
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<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
</tr>
<tr>
<td>CO</td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
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<td><img src="graph.png" alt="Graph" /></td>
<td><img src="graph.png" alt="Graph" /></td>
</tr>
</tbody>
</table>

- Emission limits under current integrated permit
- Emission limits for renewed sources
- Actual emissions in 2010
- Actual emissions in 2011

The following graph and table illustrate how the comprehensive renewal of Tušimice Power Station is having a positive effect on the air.
Also of interest is the comparison of emissions from the CCGT with those from the conventional generating units at Počerady Power Station.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Actual amount in 2010</th>
<th>Actual amount in 2011</th>
<th>Fulfillment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. emissions of SO₂</td>
<td>200 mg/m³</td>
<td>107 mg/m³</td>
<td>achieved</td>
</tr>
<tr>
<td>NOₓ</td>
<td>200 mg/m³</td>
<td>169 mg/m³</td>
<td>achieved</td>
</tr>
<tr>
<td>Solids</td>
<td>30 mg/m³</td>
<td>12 mg/m³</td>
<td>achieved</td>
</tr>
<tr>
<td>CO</td>
<td>250 mg/m³</td>
<td>71 mg/m³</td>
<td>achieved</td>
</tr>
<tr>
<td>2. efficiency</td>
<td>37.8%</td>
<td>39.1%</td>
<td>fulfilled</td>
</tr>
</tbody>
</table>

The amounts of SO₂ and solids (dust) are not given, as the actual values for the CCGT are borderline immeasurable.

CO₂ production will be 0.36 t/MWhₑ, which is much less than the figure for coal-fired sources (~0.96–1.10 t/MWhₑ).

The international members of CEZ Group protect the environment, too. In 2011, ELCHO Power Station built a new line for conveying biomass into the boilers. It is equipped with a dust separator that has contributed significantly to reducing dust particulate emissions.

We’re reducing emissions.

### Emission Rights Granted and CO₂ Produced, 2011

<table>
<thead>
<tr>
<th>Unit</th>
<th>Emission rights granted</th>
<th>CO₂ produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEZ</td>
<td>31,992,214</td>
<td>29,403,036</td>
</tr>
<tr>
<td>CEZ Teplárenská</td>
<td>93,508</td>
<td>17,369</td>
</tr>
<tr>
<td>Chvaletice Power Station</td>
<td>2,719,059</td>
<td>3,109,820</td>
</tr>
<tr>
<td>Trmice power heating plant</td>
<td>1,125,198</td>
<td>775,202</td>
</tr>
<tr>
<td>Energetické centrum</td>
<td>19,203</td>
<td>1,426</td>
</tr>
<tr>
<td>Poland</td>
<td>3,628,509</td>
<td>2,321,555</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3,357,936</td>
<td>3,110,725</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42,935,627</strong></td>
<td><strong>38,739,133</strong></td>
</tr>
</tbody>
</table>
Water Protection

Water use and wastewater discharge is governed by conditions set forth in integrated permits issued by regional authorities and in decisions handed down by water management bodies.

In 2010, four water management decisions concerning ČEZ’s Lipno Hydro Power Station were amended. At Bílina Mines (Severočeské doly), a project was drawn up of a new process for treating mine water up until the planned decommissioning of the mines. Also drawn up was an alternative plan for purifying a portion of the mine water using root systems. After this purification method is verified, it will be possible to decide whether or not to use it in the future.

In 2011, all CEZ Group generation facilities complied with discharge limits and all other water protection-related technical terms and conditions of operation as imposed in the operation permits issued by the relevant administrative bodies. No accidental discharges of hazardous substances entailing a threat to water quality were recorded. Analysis of groundwater samples demonstrated that, thanks to immediate clean-up response, a discharge of approximately 1.5 m³ of ferric sulfate into the soil at Mělník Power Station in June 2011 resulting from a pipe failure posed no serious risk.

The projects for the comprehensive renewal of Tušimice II Power Station and the construction of a new generation unit at Ledvice Power Station include water management upgrades designed to limit any release of pollutants into surface water flows. An agreement on cooperation was signed with the Morava River Water Management District, concerning monitoring of polluters on the Jihlava River, including its tributaries. The objective is to improve the purity of water in that river and propose effective measures to eliminate pollution.

In 2011, CEZ Group supported the conference and trade show HYDRO 2011: Practical Solutions for a Sustainable Future. This is the largest conference of its kind in Europe – a destination for specialists from around the world. The principal items on the agenda were safety, technological innovation, economics, and environmental aspects in the field of hydro energy. The event included an international conference and trade show, that once again this year attracted the top hydro energy manufacturers and engineers, financiers, politicians, and high-profile managers.

We protect water resources.

Protection and Support of Fauna

In 2010 and 2011, CEZ Group continued to take measures to protect birds from electric shock and in planning further activities in this area.

Act No. 114/1992 Sb. on the Protection of Nature and the Landscape stipulates that, starting in 2004, ČEZ Distribuce 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. In 2010 and 2011, approximately 300 km of power lines were secured in this manner, at a capital expenditure of over CZK 30 million. The priority 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 12% 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 are potentially dangerous as well. In total, CEZ Group – through its member, ČEZ Distribuce – 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.

In order to address a lack of information concerning bird injuries sustained by flying into medium- and high-voltage power lines under conditions of reduced visibility, in July 2011 we installed – based on consultations with ornithologists – a monitoring system that can detect such impacts on a selected power line that extends across the Elbe River in the Elbe Canyon in North Bohemia. So far, no collisions with this power line have been recorded.

In 2011, Romania-based CEZ Distributie S.A. commenced a project to equip power lines with bird-protection devices.

CEZ Group takes great interest in protecting fauna inside and around its power plant compounds. For example, CEZ Group’s efforts made it possible to protect the Peregrine Falcon (Falco peregrinus), the acutely endangered European Beaver (Castor fiber), the specially protected Sand Martin (Riparia riparia) and the Grayling (Hipparchia semele), as well as endangered species of ants. In the vicinity of Dukovany Nuclear Power Station, CEZ Group is a long-term supporter of the Mohelno Serpentinite Steppe, which is home to the critically endangered species Praying Mantis (Mantis religiosa), the European Owlfly (Ascalaphus macaronius), and the European Green Lizard (Lacerta viridis).
For several years now, CEZ Group has been supporting the Pasička Wildlife Rescue Station and Eco-center (Záchranná stanice živočichů a ekoncentrum Pasička). In 2011, the rescuers received a CZK 1 million contribution from a Green Energy grant. They are using the money to expand the rescue station so that they can provide professional care for injured wild animals, and they also acquired a new motor vehicle for transporting injured animals. The station’s principal mission is to treat injured and weakened animals and return them to their natural habitats. For example, April 2012 saw the return of 54 hedgehogs which had spent the winter at the rescue station. Due to their low weight, the probability that they would not survive the winter was high, so they were taken in. They were returned in small groups at several locations in the Pardubice Region, i.e. the area where they were originally found.

Green Energy
Green Energy is a CEZ Group project that enables us to assure both households and businesses of our environmental responsibility and support for 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. 2010 saw a redefinition of the Green Energy program – under the new rules, only those companies that document that they adhere to sustainable development principles will be eligible to use the Green Energy logo and certificate.

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. Out of a total of 113 projects that applied in 2010, the Green Energy Council selected 12 and provided a total of CZK 5.6 million in grants to finance their implementation. In 2011, the Council distributed nearly CZK 3 million to implement ten projects that were chosen out of a competitive field of 37 applicants for Green Energy Fund grants.
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.

May 2010 saw the establishment of the second Green Energy Forest, in which for each customer on the Green Energy tariff, CEZ Group donates one tree. The forest is located in Přírmá, in western Bohemia.

We support the Green Energy program.

4.6 Plant Renewal

Renewal of Coal-fired Units

In 2007, CEZ Group launched another wave of environmental upgrades of its coal-fired power plants. This follows the environmental program implemented, at a cost of approximately CZK 50 billion, in the years 1992–1998. The principal objectives of the comprehensive retrofit program are:

- to build new coal-fired power heating plants,
- to execute a managed, definitive decommissioning of installations 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%,
- CO₂ by 30%.

The comprehensive renewal of Tušimice Power Station can serve as an example. In this project, we managed to achieve higher-than-design efficiency in the generating units, leading to a reduction in the amount of fuel (brown coal) consumed per unit of power output. That, understandably, also reduces the amount of emissions per MWh generated. Tušimice II Power Station saw its net efficiency rating increase from 34% to 39%, which translated into a savings of approximately 14% in primary fuels, i.e. coal. At the same time, emissions figures were slashed: nitrogen oxides by 70%, sulfur dioxide by 79%, and solid particulate emissions by 87%.

Hydro Power Stations and Small-Scale Hydro Power Stations

CEZ Group’s 35 hydro power stations in the Czech Republic account for 14% of total installed capacity. Their share in overall generation volume is 3–4%. The large hydro power stations contribute greatly to the stability of the power system: they can be used to optimize the operation of power heating plants, thereby reducing the amount of fossil fuels needed as well as the amount of resulting greenhouse gas emissions. Small-scale hydro power stations are a renewable source of energy with relatively predictable generation output. Their advantages include open-ended lifespans and a very fast start-up time of 90–150 seconds.
Despite these advantages, regular maintenance is necessary, as well as periodic equipment upgrades. In particular, this means the replacement of major moving parts and mechanical overhauls of most hydro power installations owned by ČEZ. This renewal plan will make it possible, by 2022, to increase output by 60,000 MWh, enough to power over 17,000 homes, and reduce CO₂ emissions by roughly 60,000 tons. Other indisputable advantages of the upgrades are that no land use is necessary and the landscape will remain unchanged.

In 2010–2011, overhauls of the following CEZ Group small-scale power stations were either completed or commenced: Kníničky, Pardubice, Vrané nad Vltavou, Slapy.

4.7 Renewable Sources

One of CEZ Group’s key tasks is to further develop its utilization of renewable sources. The benefit of having them in the energy mix is given primarily by their positive environmental profile and by the fact that they do not place any demands on dwindling fossil fuel reserves.

In 2010, the Czech Republic met a partial, indicative target that is part of its valid obligations toward the European Union: renewable sources now represent 8% of overall gross energy consumption (the next target is 13.5% by 2020). The updated National Action Plan calls for implementation of a de facto ceiling on photovoltaic installed capacity; ČEZ’s market share in this segment has stabilized at 6.3%. The company plans to steadily increase biomass generation volume: for 2012 the plan is to generate approximately 300 GWh from this commodity within ČEZ alone: i.e., enough to power 120,000 homes.

Through its “Biomass” project, CEZ Group continues to grow solid biofuels-based generation. At Hodonín Power Station we developed, installed, and – in early 2012 – commissioned an automatic biomass sampler. At the same facility, a system for conveyance of biomass in the form of pellets was installed in order to increase the output of the fluidized-bed boiler that runs on 100% biomass. At Poříčí Power Station, 2011 saw the preparation of project documentation and selection of a contractor to modify the fluidized-bed boiler there in order to increase the weighting of biomass in its fuel mix. Also in 2011, a milling test of a black coal-biomass mixture in the form of pellets was conducted at the Ostrava – Vítkovice Power Station in order to investigate that plant’s potential for biomass co-combustion.

Each year, CEZ Group in the Czech Republic generates approximately 2 billion kWh of clean energy (hydro, biomass, solar, wind), thereby making a major contribution toward meeting the Czech Republic’s obligations toward the European Union. In the future, CEZ Group plans to build new renewable sources facilities exclusively in other European Union countries, where the natural conditions are much more amenable to these applications than they are in the Czech Republic.

CEZ Group hydro, photovoltaic, and wind power stations in the Czech Republic generated a total of 2,353 GWh of electricity in 2010 and a total of 2,007 GWh of electricity in 2011. These figures do not include biomass combustion and co-combustion, which amounted to 337 GWh and 428 GWh in 2010 and 2011, respectively. All together, then, CEZ Group electricity generation from renewable sources in the Czech Republic totaled 2,690 GWh in 2010 and 2,435 GWh in 2011.

We also generate electricity from renewable sources.
The Environment


Hydro Energy
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 68 MW.

Biomass
Another significant renewable energy source is biomass, in which solar energy is stored. The term “biomass” usually means a substance of biological origin, such as plant biomass grown in soil or water, animal biomass, organic by-products, and/or organic waste.

In general, using biomass to generate energy is considered desirable, and appropriate in terms of minimizing environmental burdens. It has a promising future at CEZ Group. We are planning to steadily increase biomass co-combustion operations at the Hodonín, Poříčí, Dvůr Králové, and Tisová Power Stations. In addition, CEZ Group plans to build new plants designed to combust 100% biomass.

Currently, CEZ Group is active in acquisitions. In April 2009 we announced the acquisition of a combined heat and power plant in Jindřichův Hradec that runs exclusively on biomass. As of December 31, 2009, one of the generating units at Hodonín Power Station runs on 100% biomass as well.

In 2011, CEZ Group produced over 400 million kWh from biomass, enough to power 120,000 homes.

Solar Energy
In terms of environmental protection, direct utilization of solar energy is the purest and environmentally sound method of electricity generation. The sun’s power output exceeds the theoretical consumption of the entire human race by a factor of 40 trillion. Today, however, we are capable of utilizing only a small portion. The amount of energy we obtain is negligible compared to the total amount of solar energy. Even though photovoltaics currently account for only about 0.01% of overall world electricity generation, solar technologies have great growth potential and advanced countries are counting on this renewable resource for the future.
CEZ Group is a pioneer in the utilization of solar energy to generate electricity. The power plant at Mravenečník, originally commissioned in 1997 and currently located in the Dukovany Nuclear Power Station compound, was the first of its kind in the Czech Republic. Even today, we are installing modern photovoltaic power plants to develop our renewables portfolio.

**Solar energy is pure and environmental.**

**Wind Energy**
Our country has a tradition of using windmills to harness wind energy. Historically, the first documented windmill in Bohemia, Moravia, and Silesia dates back to 1277, and was built in the garden of the Strahov Monastery in Prague. The first new-age wind power plants appeared in the late 1980s. Currently, wind power plants are in operation at several tens of sites in the Czech Republic, and their nominal output ranges from small (300 kW) for private applications, up to 2 MW. As of year-end 2011, total installed wind power generation capacity in the Czech Republic according to Energy Regulatory Office figures was nearly 219 MW.

CEZ Group is one of the pioneers of wind energy in the Czech Republic, having operated wind power plants at Dlouhá Louka nad Osekem (near Litvínov in the Giant Mountains), at Mravenečník in the Jeseníky Mountains, and at Nový Hrádek near Náchod. The first modern, new-generation wind power plants were commissioned in 2009 at Janov (near Litomyšl) and Věžnice (near Polná). Events for wind-energy fans – Open House Days, “Drakiáda” kite-flying competitions, school tours, etc. – are held regularly at both locations.

In order to popularize wind energy, on October 15, 2011 we launched a special program for visitors to the Věžnice wind power plant.

With one of the new, modern units towering nearby, an all-day kite competition was held. Participants and other visitors could take a guided tour, led by a specialist, of the inside of the power station, and compete for attractive prizes. The event was organized by the Czech Wind Energy Association in cooperation with ČEZ Obnovitelné zdroje and the Town of Věžnice.

On June 11, 2011, wind energy buffs had the opportunity to participate in the sixth annual Open House Day, on which 16 wind power stations at 16 sites throughout the Czech Republic opened their doors to the public. Each year, this event is organized by the Czech Wind Energy Association (www.csve.cz) in cooperation with the European Wind Energy Association in commemoration of Global Wind Day. CEZ Group opened its wind power plants at two sites: Janov (near Litomyšl) and Věžnice (near Havlíčkův Brod).
4.8 The FUTUR/E/MOTION Initiative

Four years ago, CEZ Group came out with a new strategic initiative, designed to develop innovation and innovative technologies. The initiative was ČEZ’s response to trends in the power industry and related technologies that represent potential future growth opportunities, but could also be a threat, given the long-term lifespans of power industry assets. So, it is becoming crucial for power industry players to monitor trends. In terms of their background, these changes have several common denominators: protection of the environment and climate, energy conservation, enhancing energy independence by utilizing local energy sources, and the development and related integration of information technologies.

The FUTUR/E/MOTION strategic initiative is perceived as a flexible tool for developing new trends and technologies at various levels of intensity. The goal is not so much the technologies themselves, as their practical application to generate value over the long term. The initiative is to operate as an “incubator” of various new technologies, following initial identification, elaborating them into pilot projects, at which point they can be handed over to line management. This approach reflects the process by which new technologies and trends arrive and are gradually integrated into our lives.

When the initiative was launched, it was conceived as consisting of four interrelated pillars:

- supporting scientific research and putting new technologies into practice,
- supporting local power sources to supplement traditional big power plants,
- introducing intelligent solutions in the areas of distribution and grid control (Smart Grids),
- developing electromobility.

Of course, new themes may emerge in the future.

Research and Development

Research and development forms the logical basis for innovation at CEZ Group. It is unique in that it is a common thread that ties together the pillars of FUTUR/E/MOTION with the areas of nuclear and conventional power, renewable sources, and district heating. Our interest in this area is in applied and industrial research and development, not primary research. R&D at CEZ Group is divided into eight areas encompassing the entire power industry, with priorities including, for example, nuclear energy, increasing plant efficiency, and energy storage.

In terms of nuclear research, we are seeing the first palpable results from our membership in the international shared research community of the Electric Power Research Institute (EPRI), which has 450 member organizations from 40 countries. Within the EPRI, CEZ Group nuclear technologies cover all research areas important for optimizing the operation of existing power plants, such as degradation of materials, reliability of equipment and nuclear fuel, non-destructive testing, safety, radioactive waste, and new nuclear technologies. Other significant areas of research include the behavior of key materials and joints (e.g. heterogeneous welds) and safety (e.g. the issue of accidents that exceed design parameters, which is a very current topic following the events at Fukushima).

We support smart technologies.
In conventional power, we completed research into ways to reduce the moisture content in fuel coal – which is one possible way to increase the efficiency of conventional coal-fired generation units. At the same time, projects are ongoing to reduce emissions through more perfect knowledge of the combustion process (and the temperature field) and our ability to control it – with pilot projects currently ongoing on the fluidized-bed boiler in Poříčí and the dry-bottom boiler in Tisová.

Yet, research into renewable sources is not neglected. In cooperation with VUT Brno we are developing a so-called vortex turbine, a hydro power technology that could be used in low-head conditions. In order to step up the utilization of biomass, an automatic biomass sampler was developed at Hodonín Power Station.

Another important area is our major support for rolling out Smart Grids – in the “Smart Region Vrchlabí” program. Projects in this category include automating various grid components and developing a dynamic model of distribution grid behavior in cooperation with VŠB-TU Ostrava.

Cogeneration
Small-scale cogeneration is an example of a project that has gone from initial idea all the way to the commercial application phase under line management. The objective of small-scale cogeneration is combined heat and power generation off the grid “backbone” that serves the big power plants. Construction and operation of cogeneration units is done by ČEZ Energo, which currently owns 45 units in 16 locations in the Czech Republic with a combined total installed capacity of 12 MW. The company’s long-range goal is to have 200 MW of cogeneration installed capacity in operation by 2020.

Smart Grids
The objective of the “Smart Grids” project is to vet new distribution technologies and gradually integrate them into the grid. These technologies will enable reliable and efficient grid control even under new conditions – particularly in light of the development of decentralized generation. CEZ Group is currently implementing two pilot projects in the Smart Grids area: “Smart Region Vrchlabí” and “AMM”, a smart electric meters project.

Great importance is also attached to researching energy storage technologies. In the future, they will become more and more necessary as more power is generated from difficult-to-manage renewable sources, and as more decentralized power sources are developed. A basic study was conducted into the current state of energy storage technologies and their readiness for practical use, and preparatory work was completed on a pilot project to install batteries in the distribution grid.

New technologies drive change.
We are on the cusp of a new age which requires the implementation of new technologies not just so we can maintain our standard of living, but also – and most importantly – for us to behave more efficiently and not have our very existence put needless burdens on the environment.

The “Smart Region Vrchlabí” pilot project is designed to investigate how the smart grids concept works in practice – through on-line participation of all grid connection points with no impact on their comfort, active control of both sources and appliances, and the integration of local cogeneration and difficult-to-manage renewable sources.

“Smart Region” has become part of the biggest European demonstration project, “Grid4EU”, cofinanced by the European Union and led by six of Europe’s largest distribution companies – Enel, EdF, Iberdrola, RWE, Vattenfall, and CEZ Group. This is a big opportunity to try out a number of modern technologies in practice and, at the same time, gain access to our international partners’ know-how and experience.

Smart Grids.
Smart Meters

The futuristic idea that, one day, computers will help to manage our households is not as unrealistic as we may have thought. The modern smart meter promises not just on-line monitoring of household energy use and evaluation of consumption history, but also control of household appliances via wireless modules and many other new possibilities.

In the “WPP AMM” pilot project, over 30,000 households at three locations in the Czech Republic – Vrchlabí, the Jeřmanice area, and the Pardubice area – were equipped with smart electric meters in the second half of 2011. CEZ Group is subjecting the technology to a detailed analysis in real-world conditions in the Czech Republic so as to be able to assess the impacts of the European Union’s requirement that these meters be installed in a majority of households by 2020.

The European Union is demanding that consumers be given the ability to better monitor their electricity use, and to respond appropriately. Today’s electric meter only records total consumption, and is read only once per year for billing purposes. Customers whose homes are outfitted with smart meters will be able to see how much energy they used at any particular time, and use this information to optimize their electricity use in the future. The system also makes it possible for electricity dealers to develop new tariffs that will give customers an incentive to limit consumption at hours when the price of energy is higher – e.g., by not turning on the washing machine or dishwasher during peak times. CEZ Group is investigating whether customers are willing to take advantage of additional features beyond today’s two-tariff rates, and whether the investment in smart electric meters could be offset by benefits and cost savings for individual market players.
Electric Cars
Without a doubt, “Electromobility” is one of the most significant CEZ Group CAPEX projects that develop environmental technologies. CEZ Group has been involved in electromobility for several years now – in 2008 we commenced preparation of a pilot project. That was a time when a number of factors emerged, indicating that the development of electricity for propelling road vehicles was one of the major trends of the coming years and decades. Technology development, falling prices, and emphasis on reducing environmental burdens – those are the principal reasons why electromobility, though still in the early stages, is being taken seriously by all the major players.

For us in the power industry, electromobility is both an opportunity and a potential danger. Electric cars run on electricity, which power companies produce, distribute, and sell to end customers; logically, then, electromobility is a business opportunity. At the same time, there arises the question of how the electric vehicles will be charged, since charging of large numbers of vehicles could put undue stress on the distribution system, and an uncontrolled expansion could become a source of problems.

From this perspective, “Electromobility” is a typical example of a project that will remain in the non-commercial sphere for the next few years, and only during the pilot phase will certain assumptions be verified and practical experience gained, on the basis of which it will be possible to arrive at a suitable long-term technical solution.

Therefore, CEZ Group decided to launch a pilot project to test the key hypotheses and enter into collaboration with other partners in this new area. In so doing, CEZ Group sees its role in electromobility as that of a service provider: i.e., the operator of a network of charging stations for electric vehicles.

The pilot project was launched in 2010 and will run until 2013, at which time it will be assessed and a decision made concerning further steps. In 2011, the project entered the key phase when a supplier chosen in a public tender began installing public charging station infrastructure. By year end 2011, seven public charging stations for normal charging (alternating current) had been installed and began to yield the first data and practical experience. Dozens more stations are in the pipeline, scheduled for installation during 2012. They will be located at so-called CEZ Group infrastructure partner locations – places that attract many visitors and where there is a greater likelihood the stations will be used. The first installations are in Prague and its surrounding areas, but the project calls for the network’s steady expansion to cover the entire Czech Republic. The project also envisions the installation of ultra-fast charging stations based on direct current, which bring the time required to fully charge a car down to just tens of minutes, but have much higher requirements in terms of connection capacity.

CEZ Group charging stations are state-of-the-art, combining safety and performance with practical elements and intuitive controls. In order to use the stations, one must become a CEZ Group electromobility customer. Then, for a symbolic fee, one can charge one’s vehicle through the pilot project with no restrictions.
In addition to installing charging stations, CEZ Group has also taken steps to forge partnerships with automakers. Our strategic partner in this area is Peugeot, which has agreed to deliver up to 65 Peugeot iOn vehicles for use in the pilot project. By the end of 2011, the first twenty electric cars were put into operation, being tested and used by CEZ Group and partner organizations such as selected city district governments. Another two vehicles are engaged in long-term testing as part of the “Smart Region Vrchlabí” pilot project, where they are providing transportation for employees of city hall and the Giant Mountains (Krkonoše) National Park Administration, and where they are being tested in very demanding weather conditions. Other partners include suppliers of electric scooters and electric bicycles (AKUMOTO, Citybikes, and AVACOM), and manufacturers of utility vehicles (SMITH) and buses (SOR Libchavy). The aim is to demonstrate that electromobility is gradually gaining a foothold in all vehicle categories and that, even now, it can present a realistic alternative for certain situations. In addition to data gathering, exchange of practical experience, and awareness, the collaborations with our partners aim to present “Electromobility” to the general public at various events and trade fairs, often with the opportunity to try out the new technology.
One of the events designed to highlight the advantages of electromobility was one where we teamed up with AKUMOTO to set a new world record for distance traveled on an electric scooter within 24 hours. The record-breaking event took place on September 19 and 20, 2011 at the velodrome in Prague’s Strašnice district, where the riders racked up a total of 1,136.3 kilometers within a continuous 24-hour period.

The future belongs to electric cars.

CEZ Group also began testing electric vehicles as full-fledged parts of the company’s fleet. ČEZ Měření is set to replace two conventional vehicles with Peugeot iOn in a two-seater “cargo” configuration. The objective is to verify their readiness for daily use transporting technicians as they go on service calls and perform electric meter replacement at various locations throughout the city, and for whom an electric car can be a suitable alternative. The testing will take place at the company’s Ostrava and Hradec Králové branches.
Through the “Electromobility” pilot project, CEZ Group is endeavoring to commence cooperation with other projects and market players. For example, we are participating as an associate member in the “Green E-motion” project, exchanging experience with other power companies and with automakers, and, together with other partners in the public sector (the Ministry of the Environment of the Czech Republic, the Ministry of Industry and Trade of the Czech Republic, CzechInvest, the Economic Chamber) we are striving to remove the barriers to the development of electromobility in the Czech Republic as a technology with major potential for improving the air and quality of life, particularly in the cities. The pilot project has its own website (www.elektromobilita.cz), where one can both obtain more details on CEZ Group’s partners in the project and monitor the operation of our charging stations on-line.

4.9 Conservation

Conserving energy by reducing consumption is one of the most important tools for cutting emissions. The government is among those supporting initiatives in this area. For example, the Ministry of Industry and Trade of the Czech Republic has patronage over the following programs:
- the State Program in Support of Energy Conservation and Renewable Sources of Energy,
- Intelligent Energy Europe,
- Support from the EU Structural Funds.

The importance of encouraging customers to reduce their electricity consumption lies in the imperative of protecting the environment. CEZ Group’s conservation activities are three-pronged:
- awareness,
- dispensing advice to customers,
- direct cooperation with customers.

Awareness

Awareness is a very important tool for CEZ Group, because it can influence the amount of electricity that is consumed. In conjunction with CEZ Group’s environmental strategy, our goals are to reduce consumption and utilize renewable sources of energy. Campaigns and other initiatives and programs for the public explain how this can be achieved.

Raising awareness can influence the way energy is used.

Advice

CEZ Group dispenses advice on how to make the best use of electricity, along with information on how prices are set, etc. In addition, it endeavors to inform customers of ways they can reduce their power bill – how to save energy in the home and workplace, how to behave in a more environmentally-friendly manner, how to optimize electricity use during the day and at night, etc.

CEZ Group has 24 customer centers in the Czech Republic. Customer services are also provided by 58 contractual partners. A map showing these customer service locations and contact information can be found on the CEZ Group website at the address www.cez.cz/cs/kontakty/kontaktni-mista.html.
CEZ Group operates two call centers: in Pilsen and in Zábřeh na Moravě. Each of them operates as a back-up for the other, to ensure that the CEZ Group customer lines are always available. Each day, 300 experienced, professional operators take an average of 4,500 telephone calls. In addition to these calls, the operators and other customer center employees also deal with 6,500 requests that come in via other channels (faxes, e-mails, letters, responses from the Virtual Sales Office, etc.) and care for 3.5 million customers. Customers can reach the call center by dialing 840 840 840 from within the Czech Republic.

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. 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 provides customers with the following:
- a list of their electricity bills,
- a list of all their connection points,
- on-line resolution of their requests.

Customers interested in this service can register for it on the CEZ Group website at the address www.cez.cz/vok. Any time the customer wishes to make an appointment, all they need to do is point their browser to www.cez.cz/cs/kontakty/sjednani-schuzky.html and reserve a time slot that is convenient for them.

Another way to effectively advise the public on how to choose and handle electrical appliances is an 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. The Internet application can be found in the section “I want to save” (in the Energy Advisor sub-section) at the address http://www.cez.cz/cs/pro-zakazniky/jak-usetrit.html.

Direct Cooperation
CEZ Group works directly with customers, using the type of communication the customer chooses. The communication channels available to the customer are:
- Customer Centers and contractual partners throughout the 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 an electronic billing service. Customers who opt for this service no longer receive their bills in paper form. Instead, the bills are sent electronically to the customer’s e-mail address.

CEZ Group also thinks of its handicapped fellow citizens, for whom it has rolled out a special product entitled BASIC_SP. It has the following advantages:
- priority service,
- lower monthly connection point fee.

This service is currently helping nearly 2,000 customers to address their needs and requirements.

We communicate with you directly.
5. Social Issues

5.1 Memberships in Organizations

Memberships in International and Domestic Organizations

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:
- CEPS (Center for European Policy Studies) (www.ceps.be),
- EURELECTRIC (www.eurelectric.org).

ČEZ is involved in the following international research and development organizations and initiatives: VGB, IAEA, and the OECD-IEA implementing agreement. We also participate in several projects within the EU’s 6th and 7th Framework Programs for research and development (e.g. NULIFE, Geocapacity, and CO2EuroPipe).

ČEZ is also a member of three European technology platforms:
- SNE-TP (sustainable nuclear energy),
- Smart Grids,
- ZEP (clean coal and CCS technologies).

As of January 2011, CEZ Group joined the 450 organizations from 40 countries that are members of EPRI (the Electric Power Research Institute). Membership gives us access to a knowledge base encompassing all kinds of different electric power projects and their implementation.

ČEZ is one of the 13 founding members of the Sustainable Energy Czech Republic Technology Platform, where it holds key positions in the Board of Administration and Executive Committee.

Since 2008 our subsidiary, the nuclear research institute Ústav jaderného výzkumu Řež, has been a member of the European Technical Safety Organisation Network (ETSON). Fellow members include the following leading European research organizations: IRSN (France), GRS (Germany), VTT (Finland), and Bel V (Belgium). In late 2009, the subsidiary of Ústav pro jaderný výzkum Řež – Centrum výzkumu Řež – was accepted into the European Energy Research Alliance (EERA), an association of 15 key European energy research organizations.

Another of our subsidiaries, ČEZ ICT Services, is a member of a strong international association of energy-sector companies involved in providing telecommunications services, registered under the 4cE mark.
Czech Republic Quality Council and Quality in the Power Industry Section

In 2010, ČEZ acceded to the Czech Republic Quality Charter, thereby pledging to meet the obligations set forth in that document. The objective of the Charter is to support, in the private and public sectors, the approach to quality formulated in the approved National Quality Policy strategy, develop quality-oriented education at all levels, and support awareness of ethics and morals in society.

In October 2010, ČEZ supported the Charter’s goals by becoming an administrator and founding member of a professional section within the Czech Republic Quality Council, entitled Quality in the Power Industry.

The new section covered a missing segment in the Quality Council’s activity spectrum, and gave rise to cross-segment cooperation on quality in an important field. The new section is beneficial for the National Quality Policy and is a platform for addressing topics of current interest relating, for example, to the influence of human resources quality on nuclear safety in conjunction with the power industry. In addition to the administrator, other members of the Quality in the Power Industry section include, for example, representatives of the Ministry of Industry and Trade of the Czech Republic, ČEZ Distribuce, ČEPS, PRE Distribuce, ŠKODA JS, I & C Energo, EGP INVEST, the State Office for Nuclear Safety, and others.

The Business for Society Platform

CEZ Group is an active member of the Business for Society platform, working in the platform’s expert groups and supporting the idea of cultivating the business footprint. We are involved, both conceptually and practically, in setting the standards for corporate social responsibility and strategic donorship. CEZ Group recognizes the need for discussion, innovation, collaboration, and sharing of good practices. In the Czech Republic, we apply the international LBG/SOF (Responsible Corporation Standard) methodology to data reports.

CEZ Group is a member of a network entitled “Know-how for a better world”. This is a Czech network of responsible corporations that support the non-profit sector through expert donorship (professional consulting in line with the professional qualifications of individual volunteers, in such areas as marketing, communications, PR, IT, and legal services) and professional Pro Bono services. The network was launched within the Business for Society platform in commemoration of European Year of Volunteers 2011.

We pursue quality education at all levels.
Acting both on their own and together, the member companies endeavor to help non-profit organizations. Their common goal is to increase the societal benefit and effectiveness of corporate volunteering programs as a whole. This is a strategically advanced form of support.

**Awards Won by CEZ Group**

**2010**

**February**

**March**
- 2nd place in All Stars overall ranking, 1st place in Production and Distribution of Electricity, Water, Gas, and Steam category, and 1st place in City of Prague in the 100 Most Admired Companies in the Czech Republic for the year 2009, announced by the CZECH TOP 100 Association.

**May**
- CEZ recognized by the Ministry of Finance of the Czech Republic as the biggest corporate income tax contributor to the Czech Republic’s state budget in 2009.
- Award in the 5th annual Czech Public Relations Prize announced by the Association of Public Relations Agencies. CEZ Group took first prize in the category Corporate Social Responsibility and Philanthropy in recognition of its project “Time for a Good Cause” – CEZ Group corporate volunteering.

**June**
- 1st place in the Most Desired Company category in the Sodexo Employer of the Year 2010 competition; ČEZ won the award based on votes from university students.
- 1st place in the overall CZECH TOP 100 ranking for the year 2009 and 1st place in the Top Manufacturing and Commercial Companies category.

**October**
- ČEZ Zákaznické služby wins Golden Quality Star in the 2010 International Quality Award competition.

- Romanian company CEZ Distributie wins the following awards from Camera de Comerț și Industrie a Județului Dolj (Dolj County Chamber of Commerce and Industry): 1st place in the ranking of the best companies in generation, transmission, and distribution of electricity 2009, award for regularly placing among the best companies in the last five years, and award among companies with the highest turnover in 2009.
November
- 1st place in the TOP Philanthropist 2010 competition in the biggest corporate donor category; this competition is organized by the Donors Forum civic association, in cooperation with CZECH TOP 100.
- 1st place in the Over 250 Employees category in the National Prize of the Czech Republic corporate social responsibility competition.
- 1st place overall, 1st place in the Information Value category, 2nd place in the Graphic Design category in the Best Annual Report of the Czech Republic 2009 competition organized by the CZECH TOP 100 Association.
- 1st place in the Best Company Magazine for Employees in 2009 category in ranking announced by CZECH TOP 100 Association.
- 2nd place in the 100 Best Czech competition organized by Comenius, the pan-European Society for Culture, Education, Scientific & Technical Co-operation.
- Award for exceptional success in Geographical Information System roll-out goes to the Bulgarian company CEZ Razpredelenie Bulgaria AD from software firm ESRI Bulgaria Ltd.
- ČEZ Zákaznické služby wins 3rd place in the worldwide competition entitled 2010 Top Ranking Performers in the Contact Center Industry. The company reached the global finale from the EMEA (Europe, Middle East, and Africa) regional group, where it succeeded in the categories Best Contact Center, Best Leader, and Best Contact Center Trainer.

Our accomplishments are recognized by others.

2011

February

April
- 2nd place in All Stars overall ranking; 1st place in the category Production and Distribution of Electricity, Water, Gas, and Steam; and 1st place in the City of Prague in the 100 Most Admired Companies of the Czech Republic 2010 ranking compiled by the CZECH TOP 100 Association.
- 2nd place overall in the 100 Most Admired Companies of the Czech Republic competition – 2011. The competition is organized by the CZECH TOP 100 Association.
- 1st place in a competition for implemented district heating and cooling system projects organized by the Association of Power Heating Plants of the Czech Republic. CEZ Group and the City of Bohumín won in the category Development of District Heat Systems for a project to supply heat from Dětmarovice Power Station and build a new district heat network.

June
- 2nd place overall in the 100 Most Admired Companies of the Czech Republic competition – 2010, organized by the CZECH TOP 100 Association.
- CEZ Group defends top ranking in the Country - Czech Republic 2011 category in an annual survey of investors and analysts conducted by IR Magazine.
July
- Industry Champion Award Winner for the Czech Republic goes to ČEZ Zákaznické služby. The award, decided by an international jury vote, was granted by the Global Association For Contact Center Best Practices & Networking in cooperation with ContactCenterWorld on the occasion of the 2011 Top Ranking Performers in the ContactCenterWorld conference.
- 1st place in the Employer of the Year competition in the category Most Desired Company – according to a survey conducted among university students – and HR managers’ award for the human resources project “Where Else...” (Kde jinde...) designed to encourage students to study at technical schools and to recruit graduates. The competition is organized by Fincentrum Media under the patronage of the Ministry of Labor and Social Affairs of the Czech Republic.

October
- Platinum star for quality awarded to ČEZ Zákaznické služby in the 2011 International Quality Award competition, in recognition of CEZ Group customer services.
- 1st place in the Energy Sector in the WebTOP100 competition, 7th place overall. The competition is organized by the WebTOP100 club.

November
- Awards for ČEZ from the Business for Society platform in the TOP Responsible Company 2011 ranking: 1st place in Biggest Corporate Donor category, 7th place in TOP Responsible Large Corporation category, 5th place in Most Engaged Employees category, 5th place in Socially Beneficial Project category, 5th place in Environmental Innovator category, and a special award in the Company and School category for the company’s systematic, strategic to the development of education in the Czech Republic.
- Honorable mention by the jury of the 9th annual nationwide competition Czech Energy and Environmental Project/Innovation for a project to supply heat for heating homes and businesses from Dětmarovice Power Station and a new district heating system in Bohumin.
- 1st place in the Best Annual Report 2010 ranking, 1st place in Information Value category, 2nd place in Graphic Design category, and 1st place in Magazine for Employees category. The competition is organized by the CZECH TOP 100 Association.
- 2nd place for ČEZ and 10th place for Severočeské doly in the 100 Best Czech competition organized by Comenius, the pan-European Society for Culture, Education, Scientific & Technical Co-operation.

December
- Certification award for the Dlouhé Stráně pumped-storage hydro power plant – absolute winner in the public survey The Seven Wonders of the Olomouc Region. The plant also placed first in a similar survey conducted by the Olomoucký deník, a daily newspaper.

We receive awards for excellence.
CEZ Group international member companies also won awards in 2011. In the “Responsible Business Awards 2011”, the prestigious CSR competition in Bulgaria organized by the Bulgarian Business Leaders Form (Български форум на бизнес лидерите), ČEZ Bulharsko took first place in the category Human Resources Investor (Инвеститор в човешкия капитал). The award was given in recognition of how the company cares for its employees in the areas of OSH, fair wages, and open social dialog. The award was presented to company representatives by the Bulgarian Minister of Labor and Social Affairs Totju Mladenov. In 2011, a total of 65 projects were entered in the competition by leading Bulgarian companies – the biggest industrial enterprises, industrial corporations, and banks.

### 5.2 Social Dialog

For a long time now, CEZ Group has been focused on maintaining good relations with all social groups that are affected in any way by its business, whether in electric power or related industries.

For example, we initiated a memorandum between ČEZ and a group of local governments representing roughly 130 regional mayors. The subject matter of the memorandum was cooperation and sustainable development in the vicinity of Dukovany Nuclear Power Station. The participants signed it at a joint event held on January 19, 2012.

Also very important is communication in the vicinity of Temelín Nuclear Power Station – not just with local citizens and associations, but also with interested parties from Austria and Germany. On September 24–25, 2011, a group of 65 representatives of Germany’s Greens and members of Greenpeace from the Netherlands, Poland, and Germany visited Temelín’s Information Center. 32 of them took a tour of the generating unit control room simulator and the machine room of Temelín’s Unit 1. Each year, around 1,000 people from Austria and Germany who are interested in the future of nuclear power come to visit the power station. That was the theme of the above mentioned visit as well.
“We appreciate the support we have among local residents. We also respect the opinions of people living abroad. Our information center isn’t the only place where we talk with our international neighbors about nuclear power. For example, discussions also take place in the framework of various inter-state consultations during the EIA process concerning completion of the power station,” said Marek Sviták, press spokesperson of Temelin Nuclear Power Station.

International opinions are not the only ones CEZ Group cares about, however. We also endeavor to keep residents living close by our nuclear plants informed, so that they have enough relevant news reports and figures so as not to be vulnerable to possible manipulation on the part of the mass media, citizens’ initiatives, and other entities.

“Hard work pays off – we learned that this summer in the STEM regional survey. For 74% of the residents in the vicinity, our power plant is a guarantee of safety, and even more – 90% – say that it on a par with the best in the world. That is the best result yet, and even the problems in Japan had no detrimental effect. At the same time, it represents our obligation toward the people in the towns and cities where most of us live. Let’s do our work responsibly, with enthusiasm, and I’m confident we will be successful,” said Miloš Štěpanovský, Director of Temelín Nuclear Power Station concerning the survey, which took place in 2011.

Good relations are important to us.

5.3 Public Activities

In pursuing its businesses, CEZ Group implements various projects designed to help improve the residents’ quality of life.

On November 9, 2010, the Minister of the Environment of the Czech Republic and representatives of ČEZ signed a Declaration of Strategic Cooperation on Air and Climate Protection. By this declaration, which has no the partners agreed to reduce air emissions of pollutants beyond what is required by existing legislation. At the same time, there will be a substantial reduction in carbon dioxide emissions, which will be achieved directly in power plants operated by CEZ Group in the Czech Republic.
CEZ Group has signed similar voluntary agreements on environmental protection and mitigation of environmental burdens with the Association of Regions and with the Ústí Region.

We help improve residents’ quality of life.

A similar project is “Supply of Heat from Dětmarovice Power Station and a New District Heat Supply Network in Bohumin”. In recognition of this project, CEZ Group and the City of Bohumin received an honorable mention from the jury in the nationwide competition Czech Energy and Environmental Project/Innovation. The jury awarded the prize for the project’s contribution toward improving air quality in the city. The project, which involved building an entirely new district heat network in the city itself and connecting it to the Dětmarovice Power Station, led directly to the shutdown of 57 local boiler houses. These boiler houses, which used to release 11.5 tons of nitrogen oxides into the air each year, no longer constitute an environmental burden. The competition, currently in its 9th year, is organized jointly by the Ministry of Industry and Trade of the Czech Republic and the Ministry of Local Development of the Czech Republic, and takes place under the patronage of the Chairman of the Government of the Czech Republic Petr Nečas, Vice Chairman of the Committee for Industry, Research, and Energy of the European Parliament Evžen Tošenovský, cabinet ministers, and other leaders.

“It was definitely worth digging up the city for. The new heating system is environmentally-friendly and our residents save about 20% on their heat and hot water bills. Supplies of heat to our city are assured for many years into the future, with no need for us to invest in the municipal boiler houses,” said Petr Vicha, Mayor of Bohumin.

Another worthy project is the renovation of Malešická Street in the Kozina district of the city. The local streets got new blacktop, a sidewalk with parking spots for cars, and new street lamps. The renovation took place during 2011.
CEZ Group’s coal-fired power plants have a large, professional fire protection and response unit that, until the end of 2010, operated under the name Fire Rescue Squad. In addition to the Tušimice and Pruněřov Power Stations, which have a single station between them, there are fire stations at the Mělník, Dětmarovice, Tisová, and Počerady Power Stations. Company firemen also watch over the safe operation of the Chvaletice Power Station, and they help out in its surrounding area as well. As part of the integrated rescue system, in 2011 they were called out to extinguish a fire at the nearby coal storage facility in Zdechovice and burning garbage by a COOP shop in Chvaletice. They also responded at a traffic accident that occurred near Chvaletice. Most of their calls, however, are to industrial events.

“We provided technical assistance in 74 cases. We were called out to fix heating water pipes that had burst, we helped to transport fuel to the power plant during a period of very low, freezing temperatures, we put out a fire at the dump, and we helped ensure transport of fuel from the storage facility to keep the power plant running, and we also pump and haul water. In three cases, we provided first aid. Since the beginning of the year we opened elevator cabins six times to free people stuck in them,” said Jaroslav Brožek, Chief of the Fire Protection Unit.

In mid-October 2011, volunteer firemen were received a NISSAN PICK-UP fire response vehicle as a gift from CEZ Group. They were presented the keys by the Mayor of the Town of Mohelnice, Jiří Kostelník, in a ceremony held in honor of the occasion. The vehicle had been used at Dukovany Nuclear Power Station and when the fleet was renewed, it was offered to firemen in the vicinity of the plant.

In late 2011, four towns and one city received Christmas gifts from ČEZ. In front of the Temelín Nuclear Power Station, their representatives received the keys to Škoda Fabia Combi cars. These were the 13th–17th utility vehicles so donated by ČEZ in South Bohemia. The towns will use the vehicles primarily for providing social services. Just a few days later, another two vehicles went to the Town of Olešník and the Municipality of Dolní Bukovsko.
On December 2, 2011, President of the Olomouc Region Martin Tesařík presented CEZ Group with a certificate that the Dlouhé Stráně pumped-storage hydro power plant won in the “Seven Wonders of the Olomouc Region” survey. The purpose of the survey is to promote places of interest in the region. From January to October 2011, Dlouhé Stráně received 83,405 visitors, 46,089 of whom took a tour of the power plant and reservoir and another 37,316 took the cable-car ride to the upper pumped-storage plant’s upper reservoir. 2011 marked 15 years since the turboaggregates were put into operation. Dlouhé Stráně pumped-storage hydro power plant boasts three “biggests”: it has the biggest reverse water turbine in Europe (325 MW), the biggest head in the Czech Republic (534 meters), and the biggest installed capacity (650 MW) of all CEZ Group’s hydro power plants. ČEZ is pleased that the plant is also the most mentioned power plant in the mass media.

In early August 2010, three districts in North Bohemia – Liberec, Česká Lípa, and Děčín – were hit by a flash flood. ČEZ Distribuce announced a state of emergency in all three districts. The high water destroyed roads, took out bridges, people could not get to their homes, and many people lost their homes altogether. CEZ Group’s customers responded to an offer from ČEZ Prodej of one month of free electricity for the flood’s victims. In the Liberec and Ústí Regions, the discount provided by CEZ Group totaled nearly CZK 4.5 million. Eligible for the offer were households and small businesses, and it was closely coordinated with the mayors of affected towns, to ensure that the aid got to those who needed it most. Customers could register for the discount until the end of September by calling the CEZ Group Customer Line or by visiting the company’s contact locations. In addition, CEZ Group offered affected customers a free visit from a specialist technician to determine whether it is possible and safe to reconnect their homes to the grid.
CEZ Group also responds to the changing situation and demand throughout the entire Czech Republic. In late July 2011, work began on a ČEZ Distribuce strategic CAPEX project – the Jablonec South 110/22(10) kV transformer stations. The principal objective of this project, with a price tag of CZK 320 million, is to increase distribution grid capacity and enable new customers to be connected at this location. The project is slated for completion in mid-2012. Another CZK 50 million will be invested in medium-voltage lines to bring additional electricity to the City of Jablonec nad Nisou. Until then, restrictions put in place to ensure reliable and safe delivery of electricity to existing connections in Jablonec nad Nisou made it impossible to connect additional customers, with the exception of customers in categories C and D (i.e., retail household and retail commercial customers connected to the low-voltage grid) subject to a maximum connection capacity of 3x25 A.

In 2010, a boom in new housing in the Town of Jílové and its surrounding area necessitated capital expenditures to enable us to connect new customers. We built new distribution transformer stations, extended the low-voltage grid, and rebuilt medium-voltage power lines that had reached the end of their useful lifetimes. The work is designed to provide high-quality, reliable deliveries of electricity to this location.

Another big opportunity for power and heat generation is the construction of incinerators that burn unsorted municipal waste that today lies unutilized and rotting at waste dumps. EU landfill directives relating are getting ever-stricter and the Union is putting pressure on its Member States to utilize waste to generate energy. Incinerating waste to generate heat is one of the most viable ways of disposing of waste while at the same time reducing consumption of valuable and ever-more-expensive coal. Municipal waste is quite suitable for use as a fuel: in terms of heat content it is fully comparable with the brown coal that CEZ Group uses in North Bohemia. In the course of its combustion testing, CEZ Group ran tests in which it co-combusted waste in its power plants. The tests were designed to determine which process technologies and fuel ratios yield the best results.

We respond to the changing situation and demand.