

CEZ GROUP BRIEF REPORT FOR H1 2008

NON-AUDITED, CONSOLIDATED RESULTS

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Highlights

Prague, 14 August 2008

- Net income rose by CZK 7.9 billion to CZK 29.0 billion (+37.8%).
- EBITDA was up CZK 10.4 billion to CZK 48.6 billion (+27.3%).
- A consortium consisting of ČEZ, a. s. and a Turkish partner won an auction for the Turkish distribution company Sedaş.
- ČEZ, a. s. to cancel 54.2 million of its shares, reducing the basic capital by CZK 5.4 billion.

Key Figures	Units	As of June 30, or 6	As of June 30, or 6	Index 08/07
		months ended	months ended	
		June 30, 2008	June 30, 2007	
Generation of electricity (gross)	GWh	35,069	36,066	97.2%
Installed capacity	MW	14,288	14,392	99.3%
Sales of electricity ^{*)}	GWh	38,700	39,415	98.2%
Sales of heat	TJ	8,120	6,993	116.1%
Revenues	CZK millions	90,421	83,162	108.7%
Operating expenses (excl. depreciation & amortization)	CZK millions	-41,868	-45,008	93.0%
EBITDA	CZK millions	48,553	38,154	127.3%
- Central Europe segment	CZK millions	46,648	36,128	129.1%
- Southeastern Europe segment	CZK millions	1,905	2,026	94.0%
Depreciation and amortization	CZK millions	-10,806	-10,831	99.8%
Operating income (EBIT)	CZK millions	37,747	27,323	138.2%
Net income	CZK millions	28,958	21,011	137.8%
Return on equity (ROE), net ^{***)}	%	27.6	17.2	160.2%
Price/earnings ratio (P/E) ^{**)}	1	14.5	19.6	73.9%
Net debt / EBITDA ^{**)}	1	0.9	0.3	>200%
Net debt / equity	%	44.2	9.2	>200%
Capital expenditure (CAPEX)	CZK millions	-13,773	-11,020	125.0%
Investments	CZK millions	-15,615	-2,434	>200%
Operating cash flows	CZK millions	27,329	32,981	82.9%
Employee head count	persons	29,093	30,652	94.9%

*) sales to end customers + sales to cover grid losses + wholesale surplus/deficit

***) 12 month sliding

Revenues, Expenses, Income

In year-on-year terms, CEZ Group net income increased by CZK 7.9 billion (+37.8%) and EBITDA was up CZK 10.4 billion (+27.3%). The principal factor was growth in the gross margin, by CZK 11.4 billion. The results for the first half were also boosted by one-off items such as the clearing of a provision for emission allowances created in 2007 and gains on electricity derivative contracts in 2008, which peaked at mid-year together with electricity prices. Other operating expenses were under control, edging upward by CZK 1.0 billion. The biggest driver of EBITDA was the Power Production & Trading segment in Central Europe, which saw year-on-year growth of 35% in this indicator on higher production in nuclear plants and higher wholesale prices. The Distribution & Sale segment in Central Europe also saw its EBITDA rise, by 15%, primarily on growth in volumes distributed to end customers.

The growth in EBITDA was negatively affected by a CZK 0.8 billion decline in the financial result. Here, the principal influences were higher sales of short-term securities in 2007 as CEZ Group divested several smaller, non-core companies, and higher interest expenses due to greater average indebtedness resulting from rising investments and share repurchasing. The year-on-year growth in income tax resulting from the income growth reduced net income by another CZK 1.7 billion.

Cash Flows

Net cash provided by **operating activity**, at CZK 27.3 billion, was down CZK 5.7 billion (-17.3%) year-on-year, due in particular to a CZK 11.4 billion increase in working capital mainly due to increase in the balance of receivables and liabilities from derivative operations and introduction of margins on the energy exchange. Another reason was a CZK 4.6 billion increase in advance income tax payments, based on the growth in net income in 2006. This was partially offset by a CZK 9.6 billion increase in before-tax income.

Cash used in **investing activity**, at CZK 31.6 billion, was up CZK 12.8 billion (+68.1%) year-on-year. One major cash outlay in this area in 2008 was the CZK 15.0 billion financial investment in MOL company.

Cash provided by **financing activity** totaled CZK 1.8 billion, up CZK 17.9 billion year-on-year, due primarily to higher borrowing to finance increased investing by CEZ Group.

Capital Expenditures

The total amount invested in plant renewal in H1 2008 was CZK 4.4 billion. Equipment installation and construction work continued on the Tušimice II Power Station (4 x 200 MW) retrofit project, while on the Prunéřov II Power Station (3 x 250 MW) retrofit an EIA was submitted for an opinion, surveying work continued, and RFP documentation was prepared. On the project for a new 660 MW plant in Ledvice, the building permit for Phase 4 (construction of the new plant proper) entered into legal force and work began on site preparation and reconstruction of the office building. At Počerady Power Station, engineering plans for a new cogeneration plant were completed. RFP documentation for tenders is being prepared.

Capital expenditures in **nuclear plants** in H1 2008 reached CZK 2.3 billion. On Unit 2 of Dukovany Nuclear Power Station, renovation of the safety I & C system was completed and low-pressure turbine components were replaced with new, more efficient counterparts. Now, each of the four reactor units has a generating capacity of 456 MW. At Temelín Nuclear Power Station, work continued to prepare the spent fuel storage facility and upgrade high-pressure components of the 1,000 MW turboaggregate.

Capital spending in the distribution grid focused on construction of new substations and power lines and renovation of existing ones. The biggest projects were as follows: a new 110 kV power line Mirovka – Hlinsko in the Czech Republic, renovation and construction of medium- and low-voltage substation equipment in Bulgaria, and upgrade of a 110/20 kV switching station in downtown Craiova, Romania.

Trading in Electricity and Emission Allowances

The 1st half of 2008 saw electricity demand in the Czech Republic grow by 4.2% in absolute terms, or 3.0% after adjustment for weather variations. Growth was most pronounced in the retail commercial segment (+9.1%), followed by the wholesale segment (+3.7%), while households consumed 2.7% more electricity than in the same period of last year.

The entire second quarter was characterized by continuous growth in prices of most commodities, to new record levels.

Electricity prices were very strong, moving inexorably upward to new peak levels. The extreme growth seen in prices of electricity products on the long end of the forward curve was related to similar development in the market for fuels in general, and crude oil in particular. The latter grew the fastest of all, influencing the entire market. In the second half of June, electricity prices jumped dramatically and by the end of the month they had risen by over 20%. (On June 30th, Cal-09 closed at 88.3 EUR/MWh.) The cause is the same as

before: the bullish mood in the market for fuels, crude oil and coal in particular, both of which set one new price record after another. At the end of June, the benchmark crude oil contract, Brent 12M, was trading for 143.75 USD/bl and Coal API2 Cal-09 was at 212 USD/t.

The strength in long-term electricity contracts was mirrored in the price of emission allowances. The main driver was crude oil (gas), whose price rose even faster than coal, driving up the switching price, i.e. the emission allowance price at which it would be cost effective to switch from coal to gas to generate electricity.

Playing a significant role on the long end of the FWD curve was the new, 100% auction based method for allocating emission allowances in NAP III, for which the market is already preparing itself by stockpiling allowances from NAP II. As a result, prices of emission allowances reached two-year highs at the end of the quarter.

Central Europe (CE)

Central Europe (CE)		Consolidated		Power Production & Trading		Distribution & Sale		Mining		Other	
		H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
Sales other than intersegment sales	CZK millions	77,191	69,719	34,409	33,584	38,776	33,613	1,960	1,721	2,290	903
Intersegment sales	CZK millions	244	102	24,534	19,958	1,678	1,414	3,320	3,381	12,167	8,984
Total revenues	CZK millions	77,435	69,821	58,943	53,542	40,454	35,027	5,280	5,102	14,457	9,887
EBITDA	CZK millions	46,648	36,128	36,275	26,822	4,672	4,069	2,617	2,677	3,084	2,558
EBIT	CZK millions	36,890	26,344	29,677	20,030	2,955	2,481	2,022	2,143	2,236	1,690
Employee headcount	persons	21,637	22,130	8,070	8,780	1,388	1,373	3,651	3,551	8,528	8,426

CE: Power Production & Trading

CEZ Group power plants in Central Europe produced 33.9 TWh of electricity in H1 2008, down 1.1 TWh (-3.2%) from the same period of last year. Coal-fired power stations in the Czech Republic cut their production by 2.3 TWh in order to optimize output with regard to the price of emission allowances and emission ceilings for NO_x, SO₂, and solids. The Dukovany and Temelín Nuclear Power Stations produced 1.6 TWh more than in last year's first half. H1 2007 was negatively impacted by an unplanned outage on Temelín Unit 1. Hydropower plant production was up 0.1 TWh year-on-year.

Production optimizing in Poland yielded a savings in CO₂ allowances and resulted in a 0.6 TWh cut in production volume, attributable to the low selling price of electricity, which is not sufficient to cover variable costs, including emission allowances.

CE: Power Production	H1 2008	H1 2007	
Power produced	TWh	33.9	35.0
of which: nuclear plants	TWh	13.8	12.2
coal plants	TWh	19.1	21.9
hydro and other plants	TWh	1.0	0.9

ČEZ, a. s. is expanding the range of trading commodities. In addition to electricity and emission allowances, we commenced active trading in coal, and soon we plan to begin trading in gas as well.

CE: Wholesale (trading)	H1 2008	H1 2007	
Electricity purchased	TWh	25.9	19.5
of which, outside CEZ Group	TWh	22.0	16.9
Electricity sold	TWh	56.2	51.2
of which, outside CEZ Group	TWh	38.3	34.7
- wholesale	TWh	37.9	34.3
- to end customers	TWh	0.4	0.5
Balance	TWh	30.3	31.6

CE: Distribution & Sale

EBITDA in the Distribution & Sale segment grew by 14.8%, due primarily to the warm winter in 2007 and the slower pace of expenditures in 2008. The average temperature in H1 2008 was 1.2°C lower than in the same period of 2007. The volume of electricity distributed to end customers grew by 5.2% year-on-year, to 17.4 TWh. In H1 2008, ČEZ Prodej, s.r.o. sold 13.9 TWh of electricity to end customers in the Czech Republic (0.4 TWh of which was within CEZ Group). The share of ČEZ Prodej, s.r.o. in the end customer market (45%) was unchanged from last year.

CE: Distribution & Retail	H1 2008	H1 2007	
Sales to end customers outside CEZ Group	TWh	13.5	12.7
Electricity distribution to end customers	TWh	17.4	16.6

CE: Mining

Severočeské doly, a.s. supplied 8.6 million tons of coal to ČEZ, a. s. in H1 2008, corresponding to a year-on-year decline of 0.6 million tons which was attributable to lower production in coal-fired plants. The lower supplies to ČEZ, a. s. were partially offset by a 0.1 million ton increase in sales volumes to outside customers, to a total of 2.8 million tons.

CE: Coal sales	H1 2008	H1 2007	
Coal sold, total	kt	11,406	11,857
of which: sold to ČEZ, a. s.	kt	8,607	9,187

Southeastern Europe (SEE)

Southeastern Europe (SEE)		Consolidated		Power Production & Trading		Distribution & Sale		Other	
		H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
Sales other than intersegment sales	CZK millions	13,230	13,443	1,544	1,240	11,787	12,199	1	40
Intersegment sales	CZK millions	102	36	72	0	73	23	1,166	404
Total revenues	CZK millions	13,332	13,479	1,616	1,240	11,860	12,222	1,167	444
EBITDA	CZK millions	1,905	2,026	124	158	1,750	1,912	31	-44
EBIT	CZK millions	857	979	-53	68	907	976	3	-65
Employee headcount	persons	7,456	8,522	643	828	5,084	6,463	1,729	1,231

SEE: Power Production & Trading

The Varna Power Station produced 1.2 TWh of electricity in H1 2008, up 11.9% from the same period of 2007. In both years, however, production volume was optimized to account for market opportunities and variable costs, coal prices in particular.

SEE: Power Production & Wholesale	H1 2008	H1 2007	
Power produced	TWh	1.2	1.1
Electricity purchased	TWh	0.0	0.3
of which, outside CEZ Group	TWh	0.0	0.2
Electricity sold	TWh	1.1	1.3
of which, outside CEZ Group	TWh	0.9	1.3

SEE: Distribution & Sale

Distribution companies in Bulgaria and Romania distributed a total of 8.7 TWh to end customers in H1 2008, up 2.2% from the same period of last year. Sales to end customers totaled 6.0 TWh (+2.4%). In addition to higher volumes, these figures reflect a positive trend established in the second half of 2007 in Romania: higher distribution tariffs and a lower purchase price of electricity for sale to end customers. EBITDA, however, is down 8.5% from the same period of 2007, due in particular to the Czech Koruna's strength vis-à-vis the Romanian currency.

SEE: Distribution & Retail	H1 2008	H1 2007	
Sales to end customers outside CEZ Group	TWh	6.0	5.8
Electricity distribution to end customers	TWh	8.7	8.5

Other Information

- On 12 August 2008, the shares of ČEZ, a. s. reached CZK 1,200 in trading on the PSE. Despite a decline of CZK 162 (-11.9%) from the beginning of 2008, the ČEZ share price has outperformed both the PX index and the Bloomberg utilities index.
- The Annual General Meeting of ČEZ, a. s. held on 21 May 2008 decided to pay a record dividend of CZK 40/share (gross). Dividend payout began on 4 August 2008.
- The same Annual General Meeting also decided to cancel 54.2 million treasury shares and reduce the basic capital by CZK 5,422 million.
- The Annual General Meeting approved another share buy-back round, with the possibility to repurchase up to 53,798,975 shares. The Company will be able to use the shares to reduce the basic capital and meet its obligations under the stock options program.
- 23 June 2008 saw payment of yields and retirement of the 9th issue of ČEZ, a. s. domestic bonds (CZK 3 billion); the strike date was 23 May 2008.
- On 18 July 2008, ČEZ, a. s. released a new issue of eurobonds through its EMTN program. These are six-year bonds with a 6% coupon in a total volume of EUR 600 million (approximately CZK 14.1 billion).
- On 1 July 2008, ČEZ, a. s. won an auction for the Turkish distribution company Sedaş. ČEZ, a. s. participated in the auction in consortium with the local partner AKENERJİ ELEKTRİK ÜRETİM A.Ş. and its parent company AKKÖK Sanayi Yatırım ve Geliştirme A.Ş., with whom ČEZ, a. s. will now set up a joint venture.
- On 11 July 2008, ČEZ, a. s. filed a request for an EIA on its plan to expand the Temelín Nuclear Power Station. The request was filed with the Ministry of the Environment of the Czech Republic.
- On 17 July 2008, a joint venture entitled CM European Power International B.V. was established between the companies ČEZ and MOL. Each company holds a 50% stake. The venture will invest in gas-fired plants in Hungary, Slovenia, Croatia, and Slovakia.
- In June 2008, a merger agreement was signed between ČEZData, s.r.o. (as the merged company) and ČEZnet, a.s. (as the surviving company), with the merger to take effect on 1 October 2008.
- On 30 June 2008, ČEZ, a. s. sold its subsidiary I & C Energo a.s. to MOL, the Hungary-based energy group.

Consolidated Income Statement (CZK m)	4-6/2008	1-6/2008	4-6/2007	1-6/2007	Consolidated Balance Sheet in accordance with IFRS (CZK m)	Jun 30, 2008	Dec 31, 2007
Revenues	41,816	90,421	39,038	83,162	Total assets	442,252	370,942
Sales of electricity	35,728	79,161	36,343	77,310	Non-current assets	326,347	313,081
Gains and losses from electricity derivative trading, net	2,707	4,595	428	965	Plant in service	477,330	479,091
Heat sales and other revenues	3,381	6,665	2,267	4,887	Less accumulated provision for depreciation	242,820	234,297
Operating expenses	-25,790	-52,674	-28,033	-55,839	Net plant in service	234,510	244,794
Fuel	-3,471	-7,466	-3,795	-7,856	Nuclear fuel, at amortized cost	6,518	6,983
Purchased power and related services	-8,285	-18,538	-10,844	-22,711	Construction work in progress	34,413	25,388
Repairs and maintenance	-1,028	-1,691	-1,223	-1,928	Investment in associates	236	248
Depreciation and amortization	-5,281	-10,806	-5,408	-10,831	Investments and other financial assets, net	31,917	16,126
Salaries and wages	-4,033	-7,707	-3,455	-6,991	Intangible assets, net	18,282	19,060
Materials and supplies	-1,220	-2,290	-1,414	-2,885	Deferred tax assets	471	482
Emission rights, net	71	112	57	550	Current assets	115,905	57,861
Other operating expenses	-2,543	-4,288	-1,951	-3,187	Cash and cash equivalents	9,155	12,429
Income before other income (expenses) and income taxes	16,026	37,747	11,005	27,323	Receivables, net	23,822	23,880
Other income (expenses)	898	-980	-82	-171	Income tax receivable	1,104	79
Interest on debt, net of capitalized interest	-690	-1,352	-585	-1,180	Materials and supplies, net	4,766	4,484
Interest on nuclear and other provisions	-512	-1,025	-481	-962	Fossil fuel stocks	2,014	857
Interest income	447	813	443	710	Emission rights	100	355
Foreign exchange rate gains (losses), net	-28	-656	-3	-32	Other financial assets, net	55,538	10,585
Gain (Loss) on sale of subsidiaries and associates	323	333	125	125	Other current assets	19,406	5,192
Other income (expenses), net	1,341	900	410	1,140	Total equity and liabilities	442,252	370,942
Income from associates	17	7	9	28	Equity	180,116	184,226
Income before income taxes	16,924	36,767	10,923	27,152	Equity attributable to equity holders of the parent	168,160	171,352
Income taxes	-3,692	-7,809	-2,889	-6,141	Stated capital	59,221	59,221
Net income	13,232	28,958	8,034	21,011	Treasury shares	-66,889	-55,972
Net income attributable to equity holders of the parent	13,068	28,583	7,814	20,495	Retained earnings and other reserves	175,828	168,103
Net income attributable to minority interests	164	375	220	516	Minority interests	11,956	12,874
Earning per Share in CZK - basic	24.5	53.3	13.4	35.0	Long-term liabilities	100,197	107,544
Earning per Share in CZK - diluted	24.4	53.0	13.3	34.8	Long-term debt, net of current portion	43,921	51,984

Statement of Shareholders' Equity (CZK m)	Attributable to Equity Holders of the Parent						Minority interests	Total equity
	Stated capital	Treasury shares	Translation differences	Fair Value and Other Reserves	Retained earnings	Total		
December 31, 2006	59,221	-1,943	-1,301	1,381	137,579	194,937	12,716	207,653
Change in fair value of available-for-sale financial assets recognized in equity				-1		-1		-1
Available-for-sale financial assets removed from equity				-272		-272		-272
Change in fair value of cash flow hedges recognized in equity				-624		-624		-624
Cash flow hedges removed from equity				1		1		1
Translation differences			2,402			2,402	1,155	3,557
Share on equity movements of associates					-18	-18		-18
Other movements					2	2	-1	1
Gain and loss recorded directly to equity			2,402	-896	-16	1,490	1,154	2,644
Net Income					20,495	20,495	516	21,011
Total gains and losses			2,402	-896	20,479	21,985	1,670	23,655
Acquisition of treasury shares					-11,785	-11,785		-11,785
Sale of treasury shares		-13,679				-13,679		-13,679
Share options				20		20		20
Transfer of exercised and forfeited share options within equity				-90	90			
Change in minority due to acquisitions							-275	-275
June 30, 2007	59,221	-15,254	1,101	415	146,119	191,602	14,111	205,713
December 31, 2007	59,221	-55,972	-2,296	3,225	167,174	171,352	12,874	184,226
Change in fair value of available-for-sale financial assets recognized in equity				-212		-212		-212
Available-for-sale financial assets removed from equity				7		7		7
Change in fair value of cash flow hedges recognized in equity				6,532		6,532		6,532
Cash flow hedges removed from equity				-1,110		-1,110		-1,110
Translation differences			-3,218			-3,218	-1,298	-4,516
Share on equity movements of associates					-1	-1		-1
Other movements					12	12	7	19
Gain and loss recorded directly to equity			-3,218	5,217	11	2,010	-1,291	719
Net Income					28,583	28,583	375	28,958
Total gains and losses			-3,218	5,217	28,594	30,593	-916	29,677
Acquisition of treasury shares					-21,321	-21,321	-2	-21,323
Sale of treasury shares		-13,079				-13,079		-13,079
Share options				50		50		50
Transfer of exercised and forfeited share options within equity				-204	204			
June 30, 2008	59,221	-66,889	-5,514	8,288	173,054	168,160	11,956	180,116

Consolidated Balance Sheet in accordance with IFRS (CZK m)	Jun 30, 2008	Dec 31, 2007
Total assets	442,252	370,942
Non-current assets	326,347	313,081
Plant in service	477,330	479,091
Less accumulated provision for depreciation	242,820	234,297
Net plant in service	234,510	244,794
Nuclear fuel, at amortized cost	6,518	6,983
Construction work in progress	34,413	25,388
Investment in associates	236	248
Investments and other financial assets, net	31,917	16,126
Intangible assets, net	18,282	19,060
Deferred tax assets	471	482
Current assets	115,905	57,861
Cash and cash equivalents	9,155	12,429
Receivables, net	23,822	23,880
Income tax receivable	1,104	79
Materials and supplies, net	4,766	4,484
Fossil fuel stocks	2,014	857
Emission rights	100	355
Other financial assets, net	55,538	10,585
Other current assets	19,406	5,192
Total equity and liabilities	442,252	370,942
Equity	180,116	184,226
Equity attributable to equity holders of the parent	168,160	171,352
Stated capital	59,221	59,221
Treasury shares	-66,889	-55,972
Retained earnings and other reserves	175,828	168,103
Minority interests	11,956	12,874
Long-term liabilities	100,197	107,544
Long-term debt, net of current portion	43,921	51,984
Accumulated provision for nuclear decommissioning and fuel storage	39,540	39,191
Other long-term liabilities	16,736	16,369
Deferred taxes liability	25,810	17,153
Current liabilities	136,129	62,019
Short-term loans	34,829	18,048
Current portion of long-term debt	4,678	3,226
Trade and other payables	83,855	25,738
Income tax payable	357	5,969
Accrued liabilities	12,410	9,038
Cash Flow Statement (CZK m)	1-6/2008	1-6/2007
Cash and cash equivalents at beginning of period	12,429	30,932
Net cash provided by operating activities	27,329	32,981
Income before income taxes	36,767	27,152
Depreciation, amortization and asset write-offs	10,807	10,836
Amortization of nuclear fuel	1,460	1,382
Gain(-)/loss in fixed assets retirements, net	-383	-251
Foreign exchange rate losses (gains), net	656	32
Interest expense, interest income and dividends income, net	496	387
Provision for nuclear decommissioning and fuel storage	190	217
Valuation allowances, other provisions and other adjustments	-807	-630
Income from associates	-7	-28
Changes in assets and liabilities	-14,976	-3,574
Income taxes paid	-6,865	-2,233
Interest paid, net of capitalized interest	-523	-1,122
Interest received	489	728
Dividends received	25	85
Total cash used in investing activities	-31,573	-18,769
Total cash provided by (used in) financing activities	1,796	-16,100
Net effect of currency translation in cash	-826	902
Cash and cash equivalents at end of period	9,155	29,946
Supplementary information: Total cash paid for interest	1,090	1,480

Details according to business segments for H1 2008 (CZK m)	Power Production & Trading	Distribution & Sale	Mining	Other	Consolidated
revenues total	60,406	52,314	5,280	15,624	90,421
of which: outside CEZ Group	35,631	50,563	1,960	2,267	90,421
EBITDA	36,400	6,423	2,617	3,113	48,553
EBIT	29,625	3,862	2,022	2,238	37,747
Head count	8,713	6,472	3,651	10,257	29,093

Non-audited results of CEZ Group in accordance with International Financial Reporting Standards