A report on the company's business operations and the state of its assets in the year 2010

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

Dear shareholders, ladies and gentlemen,

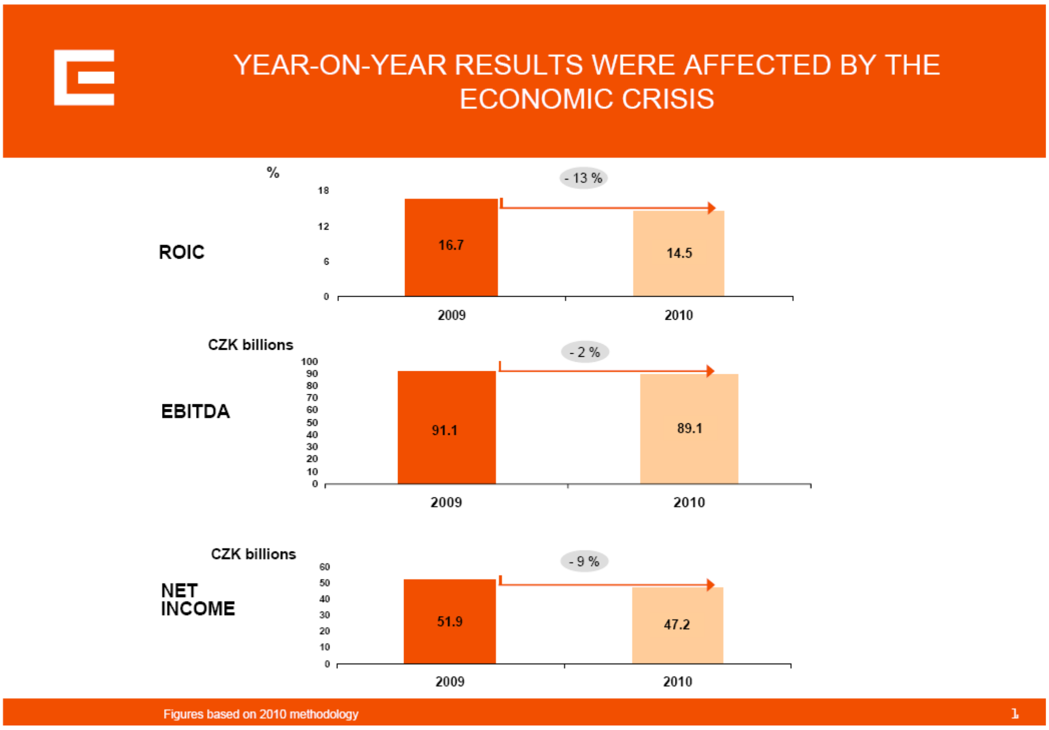
Allow me to present to you the most important performance results of ČEZ, a. s. over the past year and its plans for the future.

Before I do that, let me take a short detour. In 2010, we managed to get ahead of Google in the Czech Republic. In a survey among university students of economic and technical faculties related to which employer they consider the most attractive, ČEZ placed first. It is great news that we have such a positive image among young and educated people who trust the ČEZ Group to such an extent that they want to share their professional lives with it.

I understand this attitude since the year 2010 brought many reasons why to choose the ČEZ Group. It has, however, also presented us with a new challenge - the challenge of how to face the reality of the economic crisis. It has affected ČEZ with a certain delay related to the way electricity is sold. We managed to make a timely decision to sell electricity 3 years ahead, so before the prices declined most of our production had already been sold. We decided to face the situation using the best we have and we can do – our experience, great effort and financial discipline. Even though we suffered a minor profit decline, we were able to make the best of the situation and get many positives for the future of the ČEZ Group, and now we emerge stronger for the troubled times ahead.

Certainly, the crisis had to leave a mark on our business results. 2010 brought minor turnover growth and our profits already reflect a wholesale electricity market price drop. Lower prices reflected a lower demand for electricity in the Central European region, the reason for which being the economic crisis. The ČEZ Group's reaction to this situation was the adoption of a new measure leading to the streamlining of internal processes.

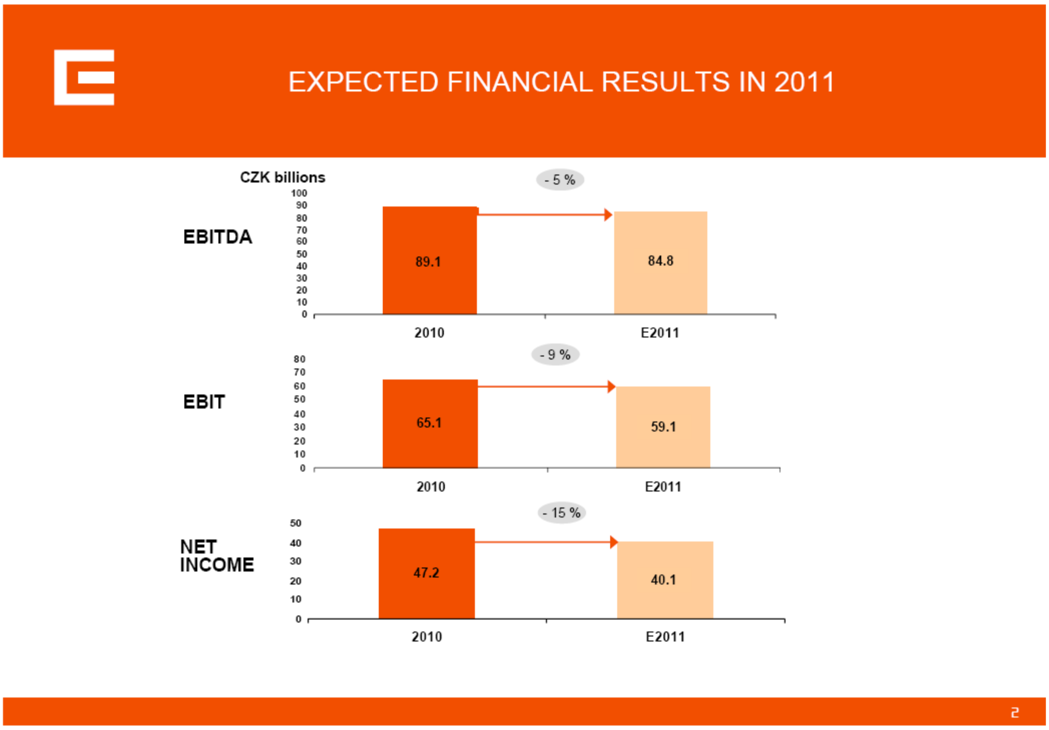
http://www.cez.cz/en/investors/general-meetings/24.html



Slide Charts for 2009, 2010

The Return On Invested Capital - ROIC – remained relatively high, reaching 14.5%, despite the 2.2% year-on-year decline.

Income before other income (expenses), income taxes, depreciation, and amortization - EBITDA - amounted CZK 89.1 billion, down CZK 2.0 billion year-on-year, i.e. 2.2%. Net income was CZK 47.2 billion, down CZK 4.7 billion year-on-year, i.e. 9.1%.

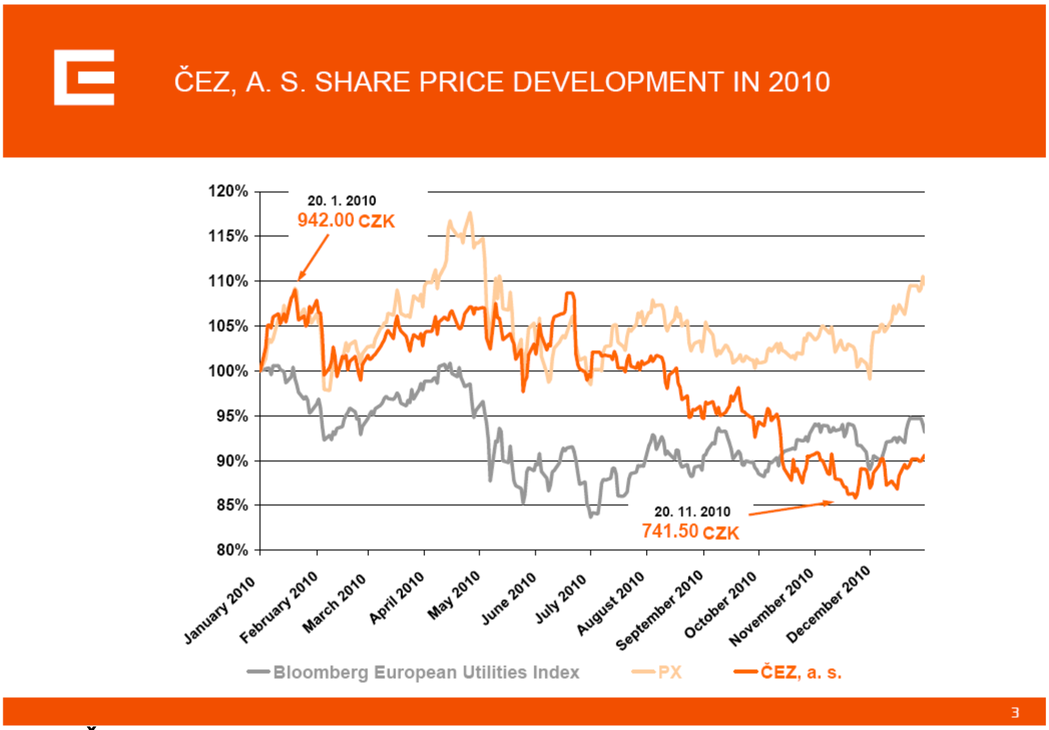


Slide Charts for 2010, 2011E

In 2011 the impact of the economic crisis will still be felt in the power industry. As a result we expect to see EBITDA amounting to CZK 84.8 billion, down CZK 4.3 billion or 5% compared to 2010. We expect the operating income to fall by CZK 6.0 billion. We estimate the net income to be CZK 40.1 billion, down CZK 7.1 billion compared to 2010.

Lower estimated incomes are related to external factors which will impact the ČEZ Group and which we are unable to influence. The first significant impact is represented by falling selling prices of electricity, despite the fact that the ČEZ Group has been forwarding the sale of its electricity by several years since 2008. Falling market prices will however affect us this year and their influence on net income is put at CZK -4.0 billion. The same amount is expected to be lost due to the Czech Crown becoming stronger against the Euro, as most of the Group's revenues are realized in Euro. The taxes newly introduced in the Czech Republic will play their role as well. Revenue generated from electricity produced in photovoltaic systems is subject to a 26% tax between 2011 and 2013. Up to 2012, freely allocated greenhouse gas emission allowances will be subject to a 32% tax. Overall impact of these two taxes on net income is also estimated at CZK 4.0 billion annually.

However, we also have some good news. The production of electricity in our wind power plants in Romania, as well as our sale and distribution company's activities in Albania should generate CZK 2 billion, the production in solar plants should bring in CZK 1 billion, and an increase in nuclear plant production another CZK 1 billion.



Slide ČEZ, a. s. share price

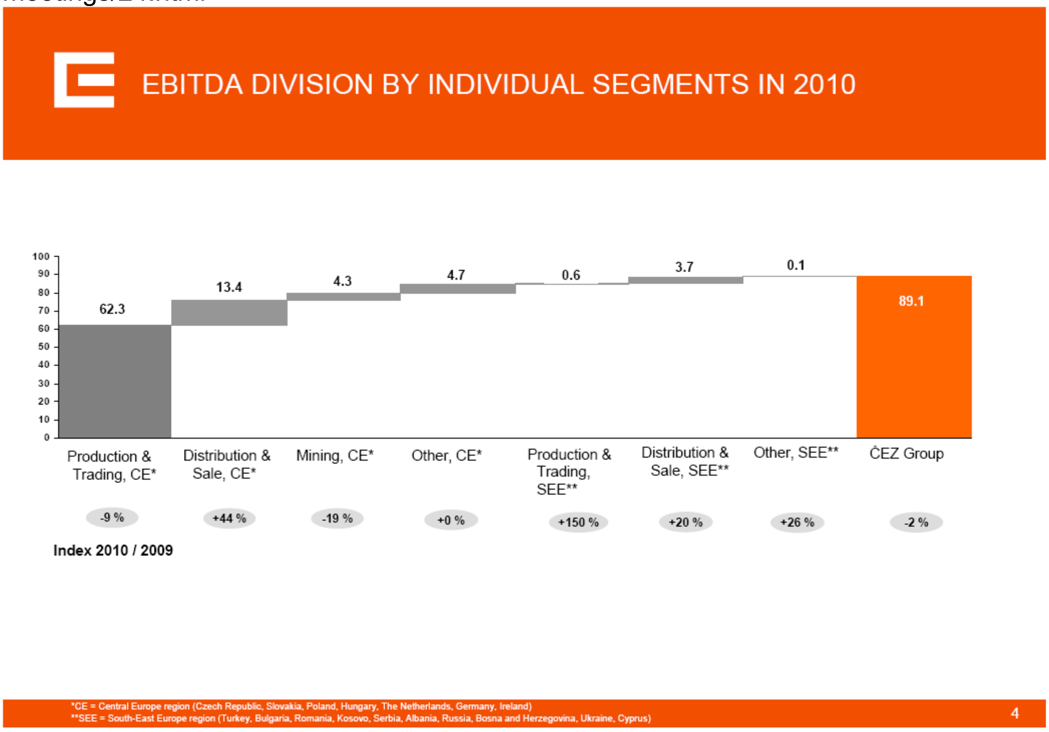
The year 2010 saw the ČEZ share prices develop in a manner similar to other European companies in network industries. Most of the year was substantially better for ČEZ; the end of the year, however, saw the full impact of the crisis connected with lower revenues. In the last quarter of 2010 the share price reacted negatively to the announcement of a new CO_2 allowance and photovoltaic production taxation. The share price at the end of the year was 10% lower than at its beginning. The situation, when ČEZ shares fared worse than the shares of similar West European companies, was very exceptional and came about after several years of ČEZ's dominance over its competitors. ČEZ's market capitalization reached CZK 418 billion by the end of 2010 and was thus closely related to share price development.

As most of you know, the development at the beginning of 2011 is the complete opposite and confirms our excellent position.

Dear shareholders, now I would like to provide you with more details concerning our financial performance. Before I do so, allow me to comment briefly on the reporting structure used.The results of the ČEZ Group are monitored by segments, which divide the Group's operations both territorially between Central Europe and Southeastern Europe, and by sectors between Power Production & Trading, Distribution & Sales, Mining, and other important operations such as information and communication technology services, assets management, logistics, and others.

Distribution & Sale, CE*

http://www.cez.cz/en/investors/general-meetings/24.html



Slide Contributions of Geographical-Sector Segments to EBITDA

The largest share was attributable to the Power Production & Trading Segment Central Europe, which is comprised in particular of generation of electricity in the Czech Republic and Poland, and trading in electricity. This segment's nearly CZK 62 billion contribution to EBITDA was down 9.0% year-on-year. This segment shows a high sensitivity to the electricity market prices, the decrease of which was the main cause of this unfavourable development.

Distribution & Sale Central Europe showed positive results; its EBITDA was up CZK 4.1 billion, i.e. a significant increase of 43.4%. This segment's results rapidly reflect the economic recovery of 2010. The segment could therefore fully benefit from higher demand for distributed electricity. On the other hand, tough competition in the end customer market negatively impacted sales results in this segment. In the corporate customer sector, a customer had at least six different electricity traders to choose from. In 2010, competition became tough even in the thus far calm household segment, similar to other European markets. During 2010 the number of customers switching between electricity providers rose to tens of thousands per month. In the segment of companies the ČEZ Prodej's market share dropped to 31.5%; however it kept the largest portfolio represented by the biggest industrial customers. As to the small business and household segment our sale company successfully focused on retention activities aimed at minimizing the outflow of its customers to competitors, as a result of which the market share in the low voltage segment was only down by 1 percentage point. The total market share in the end customer market thus dropped to 42.5%.

New contributors to the segment's results were the former trading companies in Hungary, Poland and Slovakia which penetrate electricity markets in countries where we do not have our own distribution company. They successfully sell electricity to end customers and left trading electricity to ČEZ. Therefore, in terms of accounting, they left the Power Production & Trading segment and took their positions within the Distribution & Sale segment.

Mining Central Europe segment contributed CZK 4.3 billion to EBITDA selling 21.8 million tons of coal. The sale of brown coal in units was down 200 thousand tons, year-on-year. This was especially due to the reduction of the production in ČEZ's coal power plants, which are the major customer for this coal. On the other hand this number reflects an increase of output for external customers of 600 thousand tons. An output increase of 2.2 million tons in the Nástup Tušimice mines due to an increased demand from ČEZ, a. s. is expected in 2011.

Distribution and Sale segment accounts for most of the EBITDA in Southeastern Europe. This segment's contribution reached CZK 3.7 billion, i.e. 19.6% more than in 2009. The highest income increase was achieved by our Distribution & Sale company in Albania which posted CZK 0.2 billion profit in 2010 after posting a CZK 0.4 billion loss in 2009. This data is not outright comparable, as the company entered the consolidated results as late as May 2009. The truth is, however, that we can see the positive impact of the adopted restructuring measures aimed specifically at grid loss reduction and improvement of debt collection. The end of the economic crisis had a positive impact in Romania where high voltage sales increased. Cost savings due to outsourcing some activities also played their role. In total EBITDA in Romania was up CZK 0.3 billion year-on-year. On the other hand the EBITDA of Bulgarian companies was down CZK 0.3 billion year-on-year. Due to a regulatory body's decision dated July 1, 2010 the distribution rates at the low voltage levels decreased by 12.5%, which was caused by the percentage of recognized grid losses being decreased, which in turn led to a drop in the second half of 2010.

The EBITDA of the Production & Sale segment in Southeastern Europe was up from CZK 0.2 billion to CZK 0.6 billion year-on-year. This rise is owed to the start of production in the Romanian wind farm at Fântânele yielding CZK 0.5 billion in profits. ČEZ Group's Bulgarian power plant at Varna was down CZK 0.2 billion year-on-year due to a black coal price hike, which was not offset by the price of electricity mandatorily supplied as per the market regulator's requirements.

ČEZ GROUP FINANCIAL PERFORMANCE

Main indicators	Unit	2009	2010	Year-on-year change 10/09 %
Operating revenue	CZK millions	196,352	198,848	1.3
Operating cost	CZK millions	128,153	133,791	4.4
EBITDA	CZK millions	91,075	89,089	-2.2
EBIT	CZK millions	68,199	65,057	-4.6
Net income	CZK millions	51,855	47,158	-9.1
Total assets	CZK millions	530,259	543,691	2.5
Tangible and intangible fixed assets	CZK millions	347,458	377,942	8.8
ROE, net	%	27.6	22.4	-18.8
ROA, net	%	10.3	8.8	-14.6

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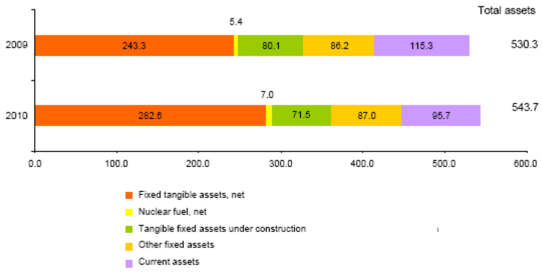
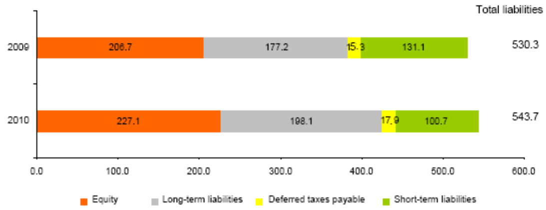
Slide ČEZ Group financial performance

Despite the impact of the crisis we managed to grow ČEZ Group's operating revenues by 1.3% year-on-year to CZK 198.8 billion. We owe this to higher production levels, expansion in the heat supplies sector and the successful acquisition of an Albanian Sale & Distribution company. In the electricity wholesale market the price drop has fully shown even though ČEZ Group has not carried its full burden thanks to prudent forward sales several years ahead. As I previously mentioned, the net income reached CZK 47.2 billion representing a year-on-year drop of 9.1%.

ČEZ GROUP ASSETS AND LIABILITIES AS OF DECEMBER 31, 2010





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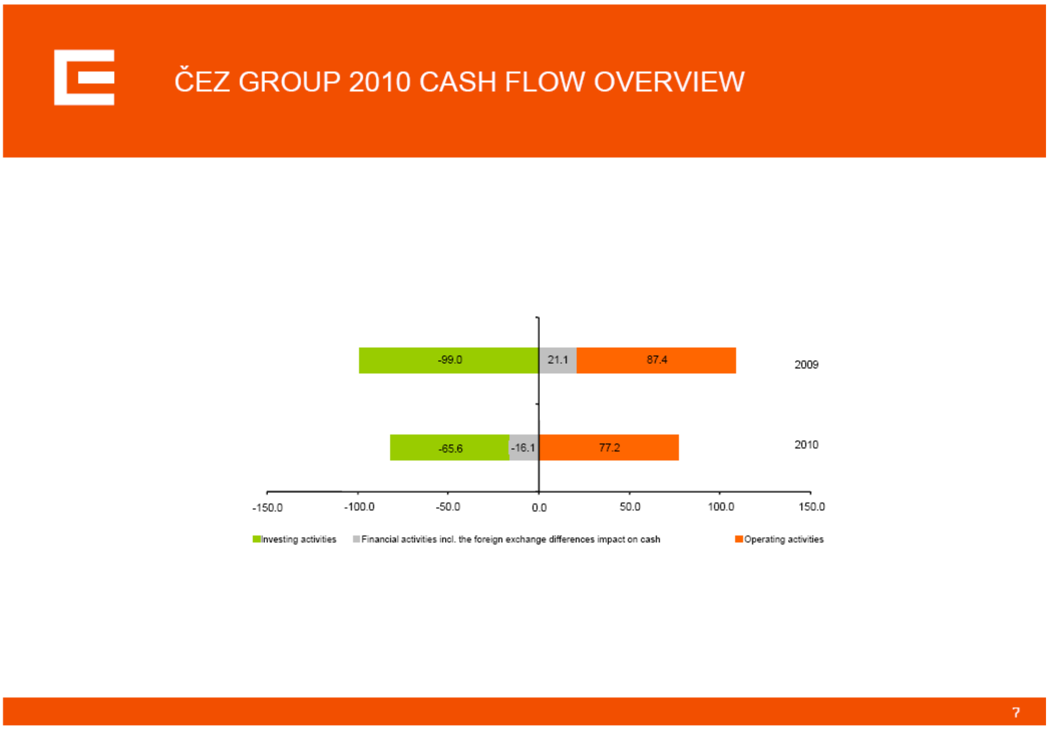
Slide Balance sheet

ČEZ Group’s consolidated assets were up CZK 13.4 billion year-on-year reaching CZK 543.7 billion. This increase is largely owed to a tangible and other fixed assets increase related to investment and acquisitions. Tangible fixed asset gross value increased by CZK 48.3 billion year-on-year, i.e. 9.5%. Among the largest investments are ČEZ’s production source renewal, investment into the distribution network and the construction of wind farms in Romania. Other fixed assets recorded growth in relation to the acquisition of an interest in Dalkia.

The equity, including non-controlling interests, was up CZK 20.4 billion year-on-year to a level of CZK 227.1 billion. Net income generated in 2010 increased the equity by CZK 47.2 billion. The dividends paid out including non-controlling interests decreased the equity by CZK 28.3 billion. Long-time liabilities were up CZK 20.9 billion to CZK 198.1 billion. Bonds outstanding as of December 31, 2010 totaled CZK 125.1 billion, up CZK 19.9 billion year-on-year. Long-term borrowings, excluding current portion payable within 1 year, totaled CZK 13.3 billion as of the end of 2010, up CZK 0.8 billion CZK more year-on-year.

In 2010, the ČEZ company issued 3 bond issues. A calming of the capital market situation at the end of the first quarter of 2010 facilitated ČEZ to issue so far the longest issue of 15-year maturity Eurobonds. At the end of the year we managed to realize the first transaction in ČEZ’s history in the German registered bond market totalling CZK 1 billion. At the same time, through bond repurchase we intended to decrease the risk related to refinancing bonds maturing in 2011. We managed to repurchase bonds totalling over CZK 6 billion maturing in 2011 and this allowed us in December to raise by the same value the existing bond issue with maturity in 2020.

ČEZ Group also furthered its cooperation with the European Investment Bank and signed all agreements on the financing of the construction of renewable electricity sources. In November the company closed a ca. CZK 2.5 billion credit contract intended to co-finance the completion of photovoltaic power plants in the Czech Republic, followed in December by a contract of CZK 5.0 billion to finance the construction of the Fântânele power plant project.



Slide Cash Flows

Compared to 2009, the net cash provided by operating activities was down CZK 10.2 billion, mainly due to a CZK 5.8 billion decrease in income before income tax after non-monetary adjustments. In relation to the decrease of acquisitions and investment into fixed assets, the volume of funds intended for investment activities was down CZK 33.4 billion as well. A reduction of acquisition activities was instrumental in the drop. Cash flow from financing activities ended with a cash decrease of CZK 15.6 billion due primarily to a CZK 35.6 billion year-on-year net decrease in credits and loans. Share dividend expenditures were up CZK 1.7 billion compared to 2009.

Dear shareholders, now I would like to briefly discuss figures relating only to ČEZ, a. s.

2010 saw ČEZ keep its high credit rating. In November the credit rating agency Standard & Poor's reaffirmed the Company's A– rating with stable outlook and subsequently in December Moody's reaffirmed its A2 rating with the same stable outlook.

ČEZ, a. s. FINANCIAL PERFORMANCE

Main indicators	Unit	2009	2010	Year-on-year change 10/09 %
Operating revenue	CZK millions	119,205	110,198	-7.6
Operating cost	CZK millions	66,230	65,189	-1.6
EBITDA	CZK millions	65,902	58,187	-11.7
EBIT	CZK millions	52,975	45,009	-15.0
Net income	CZK millions	45,427	34,762	-23.5
Total assets	CZK millions	444,698	469,161	5.5
Tangible and intangible fixed assets	CZK millions	184,909	195,172	5.6
ROE, net	%	27.3	18.9	-30.8
ROA, net	%	10.9	7.6	-30.3

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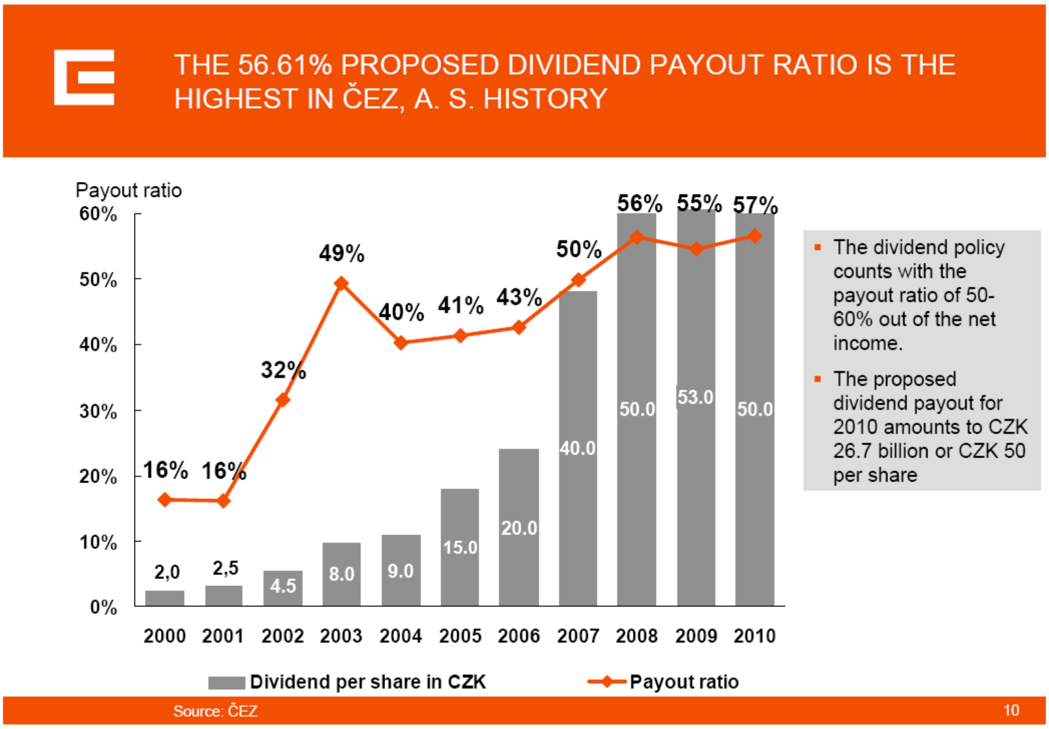
Slide Separate ČEZ, a. s. Results

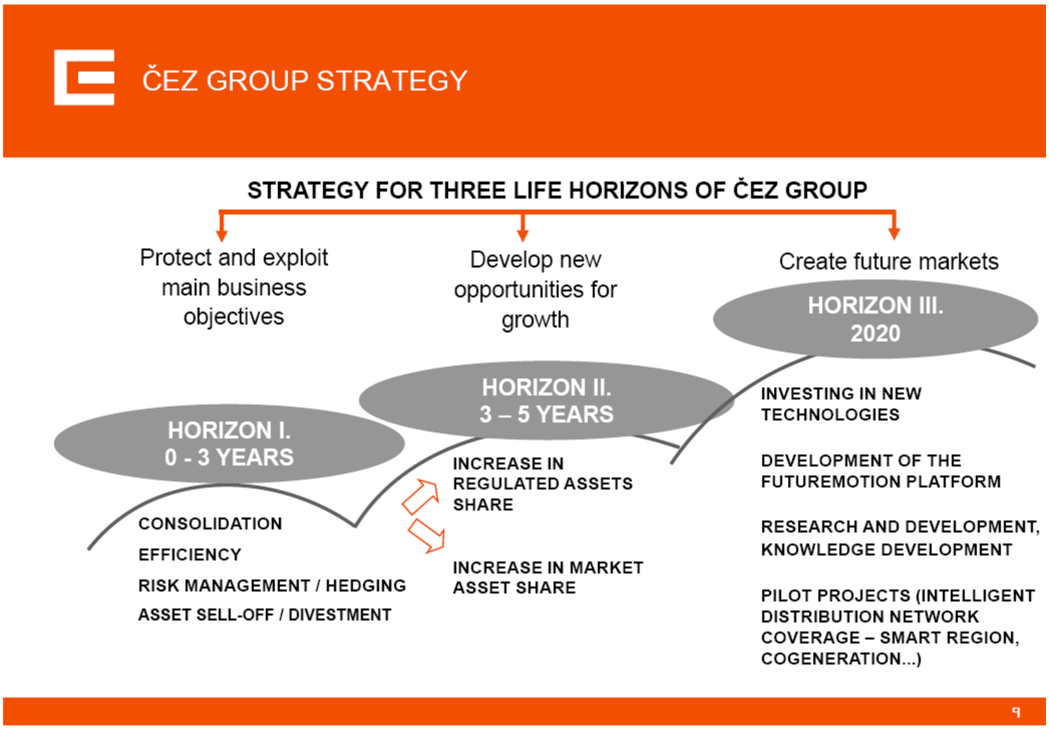
ČEZ, a. s., the parent company of the entire group, saw its net income fall 23.5% in 2010. The lower income was also the cause of decreases in the return on assets and the return on equity. Operating income before depreciation was down CZK 7.7 billion i.e. 11.7%, mostly due to the wholesale market price drop.



Slide Dividends

The dividend paid to you, our dear shareholders, has corresponded to our dividend policy in recent years, which means distributing ca. 50-60% of consolidated profit amongst you. The Board of Directors of ČEZ, a. s. keeps the same target for this year proposing a dividend of CZK 50 per share. This represents a slight year-on-year decrease caused by a lower total profit to be distributed. The actual dividend amount paid, dear shareholders, will however be determined by your decision.

Now I would like to describe to you the Group's strategy for the following period.



Slide Strategy

Dear shareholders, allow me to present to you the changes made to the ČEZ Group strategy in 2010. Our strategic goal remains being No.1 in the electricity market in Central and Southeastern Europe. In order to secure the necessary growth which will allow us to be a strong player in the energy market, we now have to undergo a phase of asset consolidation and improvements in our activities' efficiency. We keep investing massively in our production resources renewal, especially in the Czech Republic. In the coming years we are going to focus on the optimization of the current portfolio management aiming to maximize operating efficiency and performance. All this will be accompanied by careful risk management and hedging against its harmful impact. There is also space for asset sell-off, so-called divestment, as long as such a step proves to be convenient. In the longer run we would like to strengthen our position in the target region of Central and Southeastern Europe by constructing new resources and carrying out further acquisitions. These should be directed at both regulated assets such as distribution, and market assets. In the long run we want to create markets ourselves. Our plan is to actively introduce new technologies to support research and development which could help us acquire the necessary knowledge. The first tangible outcome of this part of our strategy is the Futuremotion project or the energy of tomorrow and ČEZ's involvement in the operation of 45 small cogeneration units producing, simultaneously, electricity and heat.

Stabilization and consolidation are the core elements of our activities for the coming years. In September 2010, a new program titled NEW VISION was announced, whose aim is to overcome the turbulent changes in the energy market. One of its core elements is its emphasis on free cash flow creation and thorough application of financial management tools in all ČEZ Group's divisions. For each individual industry we have set ambitious but attainable goals and we pursue their achievement relentlessly. All parts of the ČEZ Group's business value chain will adopt the best practices. All support activities must be cheap and effective. The most visible step of the NEW VISION program is a decrease in the planned investment expenditures within the next 5 years by approximately CZK 100 billion to CZK 311 billion, completely in line with current and future possibilities of ČEZ Group. That's why only the most profitable projects leading to the achievement of strategic goals and providing the greatest benefits will be realized. Putting some projects on hold is certainly not final, in case the situation in the energy market gets better and their profitability increases they may apply for realization again.

The NEW VISION project consists not only of the aforementioned Futuremotion but also of ongoing projects of the former Efektivita (Effectivity) program. During the 4 years of its duration it contributed to ČEZ Group's operating profit CZK 27.1 billion. With respect to the already finished projects Štíhlá firma (Lean Company), Transformace ICT (ICT Transformation), Nejlepší praxe v distribuci (Best Practice in Distribution) and Integrace zahraničních majetkových účastí (Integration of Foreign Equity Assets) , the necessary activities initiated within these projects will continue under line management of the responsible departments. The remaining projects will continue realizing their measures within NEW VISION. This concerns the nuclear plant production increase projects Bezpečně 15 TERA ETE (Safely 15 TERA ETE) and Bezpečně 16 TERA EDU (Safely 16 TERA EDU), the Dukovany nuclear plant life extension project and the Efektivita v prodeji a obsluze (Efficiency in Sale & Service) project.

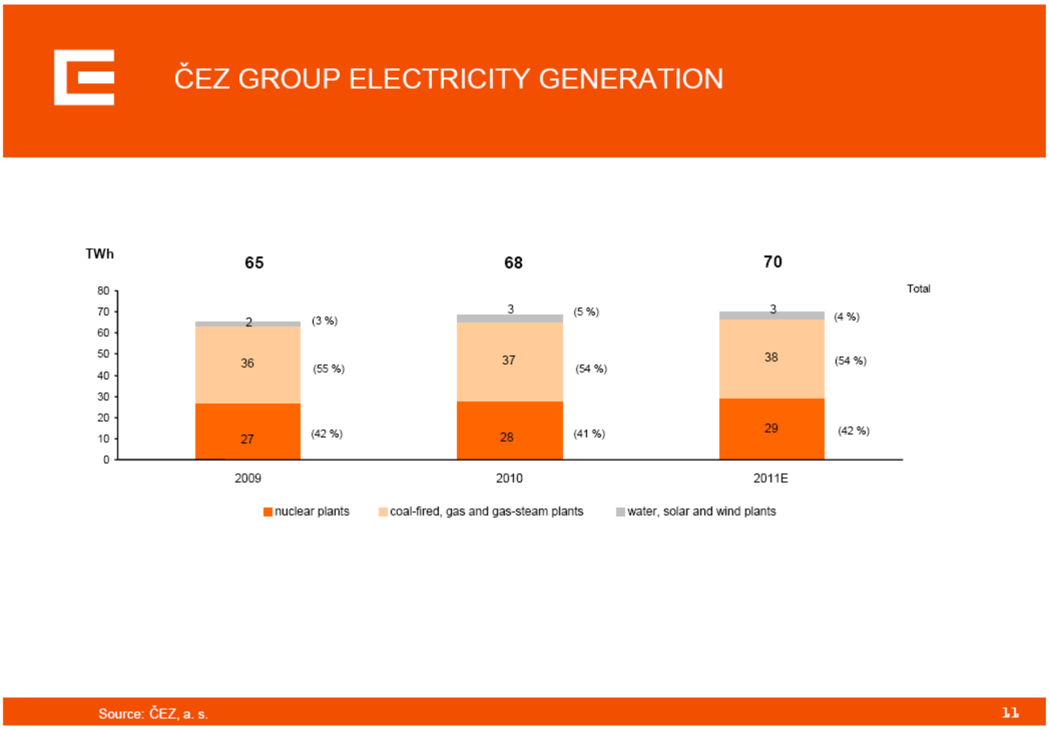
The year 2010 brought many significant events in power plant renewal in the Czech Republic. We invested CZK 19.6 billion into the production resources renewal. The Tušimice II power plant's renewed blocks no. 23 and 24 were granted a go-ahead for trial operation. In case of a complex renewal of the Prunéřov II power plant, planning approval was given and the emission values of sulfur dioxide and carbon monoxide were tightened as a result of the EIA process, which in turn reflected into the contracts closed with technology suppliers. The construction works on a new source in the Ledvice power plant continued. At the end of

March 2011 we started the construction of a new gas-steam source in Počerady. A pilot study for a gas-steam power plant in the Mělník area was also carried out.

The tender for the supplier of new blocks for the Temelín nuclear plant was also under way. The year 2010 saw the end of the qualifying round where all three participants succeeded. The ministry of environment was delivered our documentation necessary for the construction's EIA process.

Concerning the existing power plants, the most important event was the replacement of all fuel sets at the Temelín nuclear plant's 1st unit as a part of the change to the fuel supplied by TVEL. A nuclear waste repository was also completed at this nuclear plant, and its trial operation commenced.

Dear shareholders, now I would like to explain to you the development in electricity generation and demand.



Slide Electricity Generation

The demand for electricity in the Czech Republic in 2010 turned upwards again after a drop in 2009. The year-on-year increase was 3.8% or 2.4% if temperature impact is considered. This rise, whose origins can be traced back to the end of 2009, is attributable mainly to the economic recovery manifested by the Czech GDP rise of 2.2%. The biggest 4.8% increase was posted in the large end-customers segment whose consumption is directly linked to the current state of the economy.

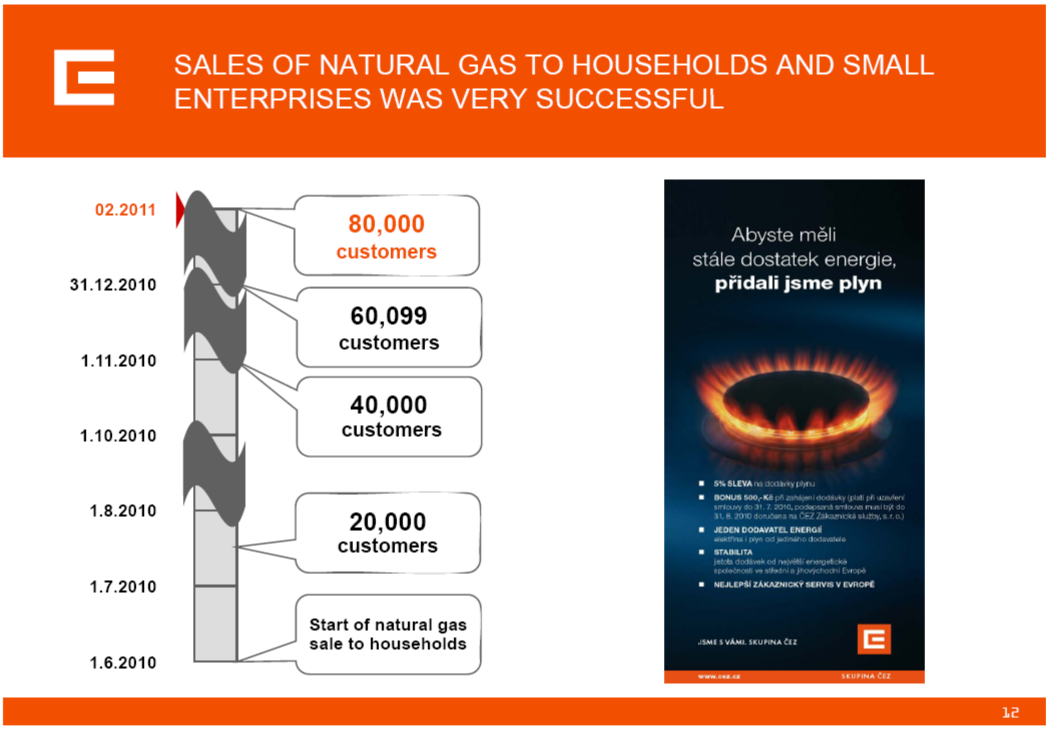
ČEZ Group's generation was up 3.1 TWh year-on-year, to 68.4 TWh, out of which the generation in the Czech republic was up 2.4 TWh, to 63.3 TWh. The most cost-effective power generation in nuclear plants was increased. More power was also generated in coal-fired power plants, whose production is adjusted to the development in the wholesale electricity market. Our Bulgarian Varna power plant's generation was up more than one quarter as other producers' power plants were experiencing an increased failure rate in the 2nd half. We became a significant renewable source producer in Romania. Since June, wind turbines have been commissioned and, as at the end of 2010, 120 were already in operation.

Their electricity production in 2010 amounted to 256 GWh. A year-on-year drop was registered by ČEZ Group's power plants in Poland, which was linked to the optimization of greenhouse gas emission allowance sales and the determination of maximum revenue from compensations for the Polish transmission system operator long term contracts termination.

A change on the commodity markets trading in oil and natural gas was new for power generation companies. The development of wholesale electricity prices was linked to black coal and natural gas prices; however natural gas and oil prices were not so tightly linked as before. The causes of this broken link between both commodities' price development can be found in the new way of extraction and transportation of natural gas. The new extraction methods allowed the extracting of slate gas from places previously untouched and the transport in liquefied form allowed a way to get this material from previously inaccessible countries.

Renewable source subsidies within the EU related to the CO_2 emission curb played a significant role, too. Until 2020 this kind of generation of electricity should double and contribute along with heat distribution and transport to achieving a 20% share of renewable energy in the total consumption. Renewable sources are not very stable, owing to the fact that their production depends on current weather conditions, their rapid growth therefore calls for an increase in the transmission network capacity.

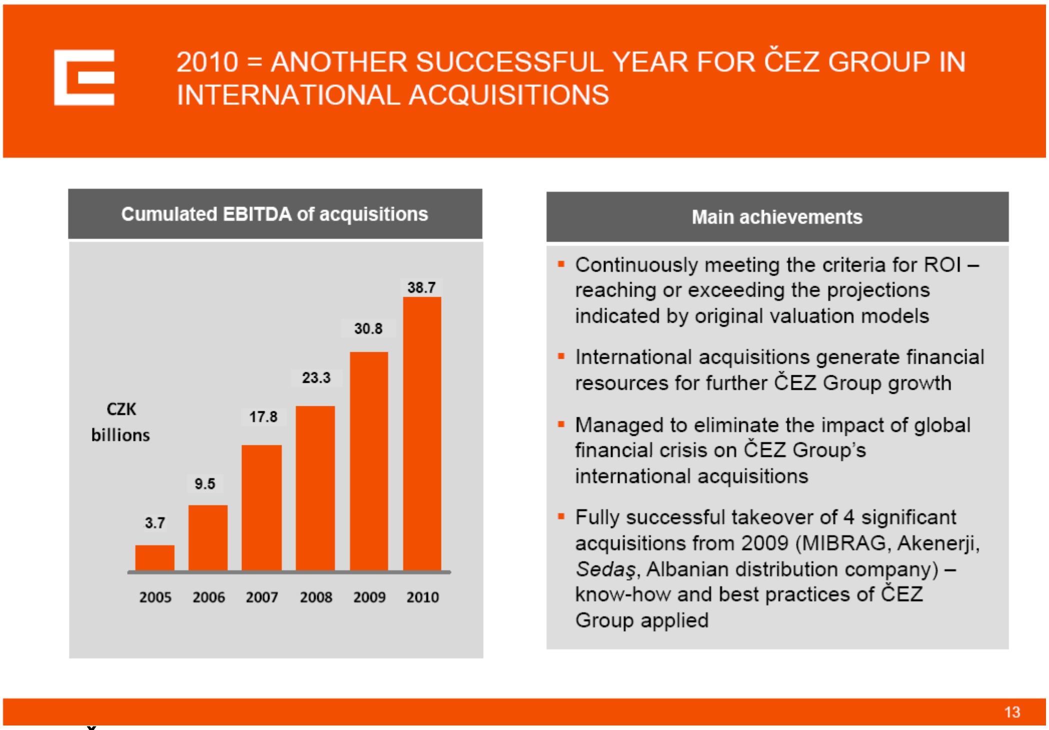
The situation after the Fukushima nuclear plant problems caused by natural forces proved to be another important factor affecting the energy sector. The ČEZ sources always keep a high safety standard and will undergo a safety test as directed by the European Union.



Slide Sales of Natural Gas

In 2010 ČEZ Group continued its successful expansion onto the natural gas retail market. We took advantage of the fact that the market has been fully liberalized in the Czech Republic and we offered customers gas supplies through the sale company ČEZ Prodej. After a well-targeted advertising campaign, the numbers of large end-customers were expanded by 60,000 households at the end of 2010. The market share in the large end-customer segment reached 4%, or 3% in the household segment. Since January 2011 ČEZ

Group has also been providing natural gas to end-customers in Slovakia, getting 70 large customers. Furthermore, our Romanian subsidiary has become a holder of a license to sell natural gas in the retail segment and the supplies to end-customers have already begun.



Slide ČEZ Group International Operations

In 2010, we managed to consolidate ČEZ Group international operations. We managed to successfully expand in the local markets.

We have clearly defined our strategy in the target Central and Southeastern European market and we intend to follow it through. We concentrate on markets where we are already present in some form. In 2010 the ČEZ and AES consortium quit the tender for the modernization and construction of a power plant in Kosovo and the existence of this consortium was terminated.

On the other hand we seek expansion in our target markets. In June 2010 ČEZ Group expanded the scope of its operations in Romania to power generation launching successfully the first wind turbine at the Fântânele wind farm. More wind power plants followed soon afterwards and, by the end of 2010, the installation of 120 wind power plants with a total installed output of 300 MW were finished. The power plants managed to generate the first 256 GWh of power in this period. This year we expect to finish and commission the remaining 19. We should also continue with the construction of the second stage of the Romanian wind farm at Fântânele-Cogealac. The power plant should be partly commissioned this year; its completion is planned for 2012. In December 2010, we signed an acquisition contract for a company owning a hydro energy system in the Caraş-Severin district in south-west Romania. It consists of 4 dams and 4 smaller hydroelectric power plants with a total output of 18MW. These power plants were procured using means generated solely in Romania.

In relation to the acquired license, the Romanian company CEZ Vanzare commenced the sales of natural gas towards end customers.

In July 2010 ČEZ, a. s. acquired a 37% interest in the Romanian company of ČEZ Servicii from a minority holder becoming its sole owner. As of the end of 2010 ČEZ Servicii was terminated merging with CEZ Romania S.A. - another member of ČEZ Group.

At the end of the year ČEZ Group performed a divestment in Romania selling its interest in a company working on the completion of a local nuclear plant at Cernavodă.

An operation concerning a change of ownership stake was also carried out in Poland where ČEZ Group acquired a 24.8% stake in a company directly owning ELCHO power plant and became its sole owner.

In 2009 ČEZ Group carried out four major acquisitions and in 2010 worked on their smooth incorporation into the Group's operations. In all cases know-how and best practices from its operations were used. The Albanian Distribution and Sale company improved the collection of debts and improved efficiency. A small wind farm was commissioned in the German mining and power generating company of MIBRAG. Our Turkish acquisitions fared well, too. 5 new hydroelectric plants were commissioned and we entered the wholesale electricity market. The local distribution company secured favourable prices for 2011. Before further ventures in Turkey we consulted our Turkish partner – AKKÖK – and decided to consider an optional withdrawal from the acquisition and ask for indicative quotations for the whole portfolio. The final decision will be made after their evaluation.

International acquisitions also perform well economically. The foundations for this success can be traced back to the origins of our acquisition steps when we adopted a conservative approach. In each case, we compared costs and potential returns according to the valuation model.The return on investment currently reaches or even exceeds the projections indicated by these models. The cumulated operation income before depreciation in international acquisitions reached CZK 38.7 billion at the end of 2010 thus generating further resources for ČEZ Group's growth.

Dear shareholders, based on the results presented above, I would like to express my conviction that ČEZ Group will emerge stronger from the current stabilization. It will take advantage of opportunities and technical innovations, many of which it initiated itself and secure its further growth.

Thank you for your attention and interest in developments at ČEZ.