CEZ Group
Annual Report 2008

the path
of harmony between man and nature

For the future, it is important to maintain balance. Harmonizing the relationship between satisfying needs and preserving the quality of the environment in which we live, work, and produce is key. CEZ Group pays constant attention to protecting nature. We are aware that if we draw from nature, we must also give back to nature and help nature.

We share our success with those who helped us to achieve it. We accept and uphold our responsibility to the environment, people, and the future. We are investing in upgrading existing power plants and building new, environmentally friendly sources of energy. We are returning to the people land that was made temporarily inaccessible due to mining of fuel for power plants. We are initiators and promoters of projects designed to conserve energy, and we encourage our customers to do the same.

47.4
net income
(CZK billions)

27.0
return
on equity
(%)

74.5
sales
of electricity
(TWh)

CEZ Group is one of the top ten power utilities in Europe in terms of both installed generating capacity and number of customers. By acquiring existing companies, particularly in distribution and generation, and subsequently integrating them into CEZ Group, we are reinforcing our position throughout Europe.

65.2
EBIT
(CZK billions)

46.3
capital
expenditure
(CZK billions)

CEZ Group operates in the power generation, distribution, and sale, coal mining, and related segments in Central and Southeastern Europe. Over this entire territory, we implement our policy of corporate social responsibility and compliance with strict ethical rules.

CEZ Group

CEZ Group is a dynamic, integrated electricity conglomerate based in the Czech Republic and with operations in a number of countries of Central and Southeastern Europe. Its principal businesses encompass generation, distribution, and sale of electricity and heat as well as coal mining. The shares of the parent company ČEZ, a. s. are traded on the Prague and Warsaw Stock Exchanges, where they form a significant part of the respective indexes. The Czech Republic continues to be the company's largest shareholder with a 63% stake as of 31 December 2008.

A critical part of CEZ Group's mission is to maximize returns and ensure long-term growth in shareholder value. To this end, CEZ Group focuses its efforts on fulfilling the vision of becoming the leader in the power market of Central and Southeastern Europe. At the same time, however, CEZ Group adheres to sustainable growth principles, furthers energy conservation, systematically reduces the environmental burdens posed by its business, and furthers the development of education, childcare, and health.

The realization of CEZ Group's vision rests on three strategic pillars. The first is Operational Excellence, within which a new program was introduced in March 2007 as part of the ongoing integration process. The aim of the program is to increase performance and improve the cost effectiveness of key processes in order to make CEZ Group one of the most efficient players in the European power industry by 2012.

The second strategic pillar is to develop operations in selected target countries outside of the Czech Republic. CEZ Group's priority focus is on markets in Central and Southeastern Europe, where we can best apply our unique experience in managing an electricity conglomerate during a period of transition to a liberalized power market and in achieving operational excellence.

In addition to the Czech Republic, CEZ Group currently has actively operating companies in Poland, Bulgaria, Romania, the Netherlands, Germany, Hungary, Serbia, Turkey, Kosovo, Bosnia and Herzegovina, and Slovakia. In the Czech Republic, CEZ Group companies produce and distribute electricity and heat, trade in electricity, and mine coal. In Bulgaria, CEZ Group distributes and sells electricity in the western part of the country and produces electricity in its own coal-fired power plant near Varna, the Black Sea port city. In Romania, CEZ Group owns companies that distribute and sell electricity. In the power production area, CEZ Group began building the largest wind farm in Europe in Fântânele and Cogealac, two locations in Romania near the coast, and is participating in the construction of two new reactor units at the Cernavodă Nuclear Power Station. In Poland, CEZ Group has two black coal-fired power plants near the country's border with the Czech Republic. In Turkey, following victory in a tender, CEZ Group and its local partner are preparing to operate the distribution company Sedaş. Some of the Group's holdings in other countries are companies that function as holding companies or engage in financing activities (the Netherlands). The rest, for the most part, are trading companies and companies that monitor developments in a particular country in order to take advantage of possible acquisition opportunities there.

The purpose of the third pillar – Plant Portfolio Renewal – is to ensure the CEZ Group's continued successful operation in the future. The Group is investing, and will continue to invest, significant sums in upgrading aging Czech brown coal power plants and building new, high-efficiency plants in the Czech Republic, including some based on renewable sources of energy. CEZ Group is also planning to upgrade existing power plants and build new ones in Hungary, Romania, Bulgaria, Poland, and Slovakia as well.

In order to achieve the goals we have set, it is critical to have a functioning organization. Therefore, CEZ Group has come up with and is implementing a set of seven principles that are fundamental values for all employees:
1. creating value safely,
2. responsibility for results,
3. playing as one team,
4. developing our potential,
5. growing beyond borders,
6. seeking new solutions,
7. playing fair.

CEZ Group's business is governed by strict ethical standards that include behaving responsibly toward society and the environment. CEZ Group is a major supporter of a number of non-profit organizations and public-benefit projects.

CEZ Group Territory

All CEZ Group power plants are operated in accordance with environmental best practices. The processes and parameters used in the Czech Republic to reduce emissions of air pollutants are in line with best possible technology.

Over CZK 100 billion in plant renewal

One of the most important long-term investment decisions taken by CEZ Group was to implement a comprehensive plan to renew the Group's power plant portfolio at a cost of over CZK 100 billion. The implementation of this program will bring further reductions in SO_2 and NO_X emissions by over 50% and a major reduction in CO_2 emissions per unit of production.

CO_2

Reductions of emissions

In accordance with its action plan, CEZ Group is taking steps to roll out top technologies for reducing emissions of CO_2 into the atmosphere.

Contents

Information on Persons Responsible for the CEZ Group Annual Report

Responsibility for the Annual Report

Statutory Declaration
With the use of all due diligence, to the best of our knowledge the information presented in the Annual Report is correct and no facts have been omitted that could change the meaning of the Annual Report.

Prague, 7 April 2009

Pavel Cyrani
Director, Planning & Controlling
Section, ČEZ, a. s.

Responsibility for information on remuneration principles, information on cash and in-kind income and on securities in respect of members of the governing bodies and persons with executive authority.

Prague, 7 April 2009

Martin Novák
Chief Finance Officer
Member of the Board of Directors, ČEZ, a. s.

Interview with the Chairman

Mr. Chairman, the year 2008 was a turbulent time for the world economy and, for better or worse, it was a year of major change for many companies. How did ČEZ do in terms of financial performance?

Although the Czech Republic was affected by the economic crisis late in the year, we managed once again to post excellent financial performance results in 2008: our net income was a record CZK 47.4 billion, up 11% from the previous year. Factors that contributed to the growth included increased wholesale prices, nuclear power plants having a higher weighting in the power production mix, savings in operating costs, and the results of CEZ Group's international operations. Since we have no influence over electricity prices, our primary focus is on keeping our expenses at a level where we can continue to create value for our shareholders.

So, ČEZ is focusing on further increasing the effectiveness of individual processes across the Group?

More and more, it is becoming obvious that only the most effective companies will survive in the current and future economic environment. For us, the Operational Excellency program is a cornerstone that is becoming more and more important. Already in 2008, this strategic pillar focused on improving our internal performance brought its first fruits and contributed CZK 3.7 billion to EBIT. In 2013, we expect its contribution to EBIT to exceed CZK 25 billion. We will continue to focus on the effectiveness of our operations and investments and on improving production parameters.

That sounds good. But how does it go together with the new program "ČEZ Against the Crisis" that you introduced in February 2009?

Clearly, we can prosper only in a prosperous country. At a time when the entire Czech Republic is facing an economic crisis, as the biggest domestic company we cannot afford to stand on the sidelines. The three pillars of our initiative will help companies jump-start new ventures and create jobs, free up money for small businesses, and help people who are out of work to pay their electric bills. We care about our customers and we want the economy to work, and therefore we came forward with an initiative that will help mitigate the crisis. From a long-term perspective, being socially responsible is something that pays off for companys and their shareholders, too. I am certain that this will apply in our case as well.

One of the items in your anti-crisis initiative is to increase capital expenditures by CZK 5 billion in 2009 and 2010. But then there's the already ongoing renewal of CEZ Group's portfolio of coal-fired power plants – how's that progressing?

The domestic plant renewal project got fully underway in 2008. ČEZ has already invested a total of CZK 23.2 billion in this project, which will predetermine CEZ Group's success for decades to come. In 2009 we will complete the first phase of comprehensive plant renewal and move on to the second phase. We have also made substantial progress on building the new super-critical generating unit in Ledvice, North Bohemia.

ČEZ is an international company. What did the year 2008 mean for you in your international acquisitions and what are your plans for the years to come?

The greatest progress in our international expansion so far has come in 2008. The most important new activities for us are ČEZ's involvement in the future building of a new nuclear power plant in Jaslovské Bohunice, Slovakia, the building of the biggest wind farm in Europe in Fântânele and Cogealac, Romania, with a generation capacity of 600 MW, and the acquisition of the distribution company Sakarya Elektrik Dağıtım A.Ş., in Turkey, in partnership with the Akkök Group. In addition, the joint venture with MOL Group and other projects progressed according to plan. We also continued to negotiate on completing Units 3 and 4 of the Cernavodă Nuclear Power Station in Romania. In 2009 we will focus on completing projects we have already begun. We will continue to choose carefully only those projects that bring the highest value for our investors. We will focus more on the region where we already operate, i.e. Central and Southeastern Europe, and less on Russia and Ukraine, where we did not aspire to become a major market player.

Let's return to the Czech Republic. In July 2008 you asked the Ministry of the Environment to conduct an Environmental Impact Assessment on a possible completion of the Temelín Nuclear Power Station. Does that mean it's a done deal? If so, it would be one of the biggest capital projects ever in the Czech Republic.

We are considering it, and the results of the EIA will be one of the factors in the final decision-making process. And no matter where in the world it is located, for a country to pursue nuclear energy it is important that there be sufficient political will for such a direction. However, long-term forecasts of electricity consumption in the Czech Republic are sobering – they predict a shortage of power as early as the next decade. We are confident that when international safety standards are adhered to and state-of-the-art technologies are used, nuclear power plants – which are emission-free – are the best possible solution in terms of economy of operation and protection of the environment and climate.

Is there anything that you, personally, were pleased with last year?

Yes. In December 2008 ČEZ, as the first company from Central Europe to do so, won the title "Power Company of the Year" in the Platts Global Energy Awards, which is a very prestigious award. What pleased me even more, however, were the results of a survey conducted among Czech university students, in which ČEZ came out as one of the most sought-after employers. I am pleased that talented young people are interested in working at ČEZ.

Martin Roman
Chairman of the Board of Directors and CEO, ČEZ, a. s.

Selected Indicators of CEZ Group

Selected Indicators of CEZ Group (IFRS, consolidated)

	Units	2004	2005	2006	2007	2008	Index 2008/2007 (%)
Electricity generated (gross)	GWh	62,126	60,016	65,532	73,793	67,595	91.6
Installed capacity	MW	12,297	12,298	14,392	14,292	14,288	100.0
Electricity sold [1)]	GWh	63,102	70,072	74,102	80,745	74,547	92.3
Heat sold	TJ	10,008	9,790	11,274	15,540	14,016	90.2
Operating revenues	CZK millions	102,670	125,083	149,134	174,563	181,638	104.1
of which: sales of electricity	CZK millions	92,183	115,949	138,157	160,046	165,317	103.3
Operating expenses (excluding depreciation and amortization)	CZK millions	(63,043)	(74,957)	(84,790)	(99,237)	(94,428)	95.2
EBITDA	CZK millions	39,627	50,126	64,344	75,326	87,210	115.8
EBIT	CZK millions	19,785	29,403	40,064	53,203	65,163	122.5
Net income	CZK millions	14,268	22,282	28,756	42,764	47,351	110.7
of which: net income attributable to equity holders of parent	CZK millions	13,213	21,438	27,697	41,555	46,510	111.9
Dividend per share (gross) [2)]	CZK/share	8.0	9.0	15.0	20.0	40.0	200.0
Return on Invested Capital (ROIC)	%	5.9	8.4	11.0	13.7	17.1	124.8
Return on Equity (ROE), net	%	7.9	12.3	14.9	22.7	27.0	119.0
Return on Assets (ROA), net	%	4.8	7.1	8.3	11.6	11.2	96.6
Equity (including minority shares)	CZK millions	178,447	191,289	207,653	184,226	185,410	100.6
EBIT margin	%	19.3	23.4	26.9	30.5	35.9	117.7
EBITDA margin	%	38.6	39.8	43.1	43.2	48.0	111.1
Current ratio	%	121.0	133.0	142.4	93.3	83.3	89.3
Net debt/EBITDA	1	0.83	0.44	0.27	0.81	0.87	107.4
Total debt/Total capital	%	19.5	18.0	19.9	29.9	38.0	127.0
Capital expenditure	CZK millions	16,925	16,851	22,545	30,666	46,271	150.9
Investments including lendings [3)]	CZK millions	(18,166)	(12,258)	(21,870)	(2,287)	(15,118)	> 500
Net cash provided by operating activity	CZK millions	36,641	43,895	62,908	59,219	70,583	119.2
Work force head count at December 31	persons	22,768	29,905	31,161	30,094	27,232	90.5

1) Sold to end customers + sold to cover grid losses + wholesale balance.
2) Approved in the given year.
3) Acquisitions of subsidiaries, associates and joint ventures, net of cash acquired, and balance of lendings.

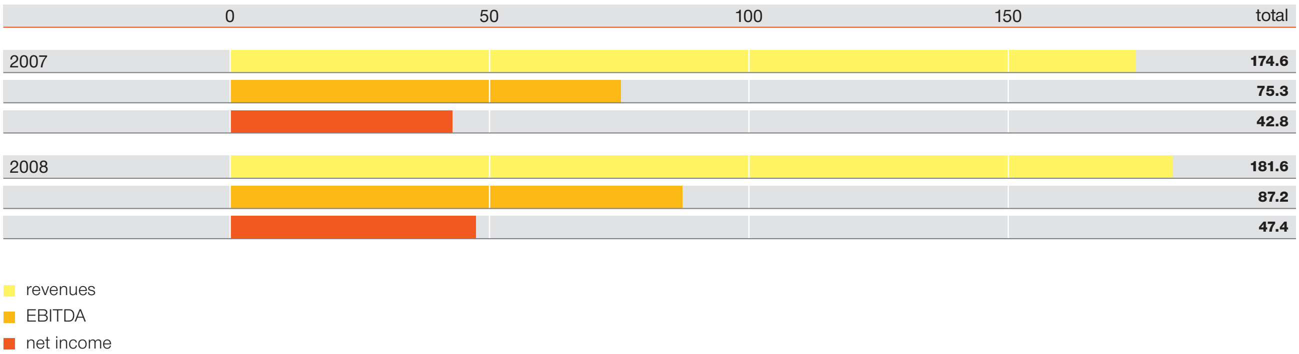
Key Figures, by Geographical Segment

	Units
Sales other than intersegment sales	CZK millions
Intersegment sales	CZK millions
Total revenues	CZK millions
EBITDA	CZK millions
EBIT	CZK millions
Work force head count at December 31	persons

Key Figures, by Business Segment

	Units	Power Production & Trading		Distribution & Sale	
		2007	2008	2007	2008
Sales other than intersegment sales	CZK millions	71,969	71,529	95,665	101,911
Intersegment sales	CZK millions	40,234	48,307	2,773	3,799
Total revenues	CZK millions	112,203	119,836	98,438	105,710
EBITDA	CZK millions	51,359	63,290	14,937	14,092
EBIT	CZK millions	37,357	48,954	9,774	9,594
Work force head count at December 31	persons	9,483	8,681	6,866	6,095

CEZ Group Results of Operations (CZK billions)



Central Europe		Southeastern Europe		Total for Both Segments		Eliminations		Consolidated	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
145,408	153,380	29,155	28,258	174,563	181,638			174,563	181,638
534	465	190	220	724	685	(724)	(685)		
145,942	153,845	29,345	28,478	175,287	182,323	(724)	(685)	174,563	181,638
70,991	84,091	4,334	3,117	75,325	87,208	1	2	75,326	87,210
51,215	64,103	1,987	1,058	53,202	65,161	1	2	53,203	65,163
21,971	20,438	8,123	6,794	30,094	27,232			30,094	27,232

Mining		Other		Total for All Business Segments		Eliminations		Consolidated	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
3,524	3,993	3,405	4,205	174,563	181,638			174,563	181,638
6,507	6,285	23,743	31,128	73,257	89,519	(73,257)	(89,519)		
10,031	10,278	27,148	35,333	247,820	271,157	(73,257)	(89,519)	174,563	181,638
4,765	4,819	4,265	5,013	75,326	87,214		(4)	75,326	87,210
3,670	3,593	2,402	3,026	53,203	65,167		(4)	53,203	65,163
3,517	3,517	10,228	8,939	30,094	27,232			30 094	27 232

Important Events of 2008 and 2009 Up to Annual Report Closing Date

Important Events of 2008

January

- Memorandum of Understanding signed between ČEZ, a. s. and a member of United States Steel Corporation, creating a framework for possible construction of a power plant in US Steel's mill in Košice, Slovakia, with installed plant capacity of up to 400 MW;
- bid submitted to upgrade an existing power plant and possibly build a new one in Galați, Romania;
- bid submitted for strategic partnership in planned construction of a new power plant in Borzeşti, Romania;
- EUR 600 million (approximately CZK 15.8 billion) loan agreement signed, for general financing needs including purchase of a 7% stake in MOL as part of the strategic alliance between ČEZ, a. s. and MOL Nyrt.;
- launch of advertising campaign underlining the advantages of CEZ Group's price offering over that of principal competitors.

February

- Martin Roman re-elected member and Chairman of the Board of Directors and confirmed as Chief Executive Officer of ČEZ, a. s.

March

- within a single day, electricity supplies are restored to 96% of the total 925,000 customers who experienced a power outage due to the storm Emma;
- positive zoning decision obtained for construction of the Mělník small-scale hydro power plant.

May

- General Meeting of ČEZ, a. s.; among other things, the GM approved payment of a CZK 40/share dividend, a reduction in the stated capital, another buy-back of the Company's shares, and a revision of the share option program for executives;
- CEZ Group opens a new information center – its eighth – in a small-scale hydro power plant in Hradec Králové, dedicated to renewable sources of energy;
- newest type of nuclear fuel is delivered from Russia-based TVEL to Dukovany Nuclear Power Station, enabling all four reactor units to operate in a more economical fashion.

June

- completion of the information and awareness campaign "Ways to Save Every Day" in 36 cities of the Czech Republic;
- I & C Energo a.s. sold to MOL, the Hungary-based petrochemical group;
- 9th issue of ČEZ, a. s. domestic bonds retired.

July

- new Eurobonds issued through the EMTN program;
- victory in an auction for the Sakarya Elektrik Dağıtım A.Ş., a distribution company in Turkey, will allow ČEZ, a. s., in consortium with a local partner, to take over this company's management and operation for the next 30 years;
- request for Environmental Impact Assessment on the possible completion of Temelín Nuclear Power Stations (Units 3 and 4) submitted to the Ministry of the Environment of the Czech Republic.

August

- CEZ Group's Internet sales office welcomes its 100,000th customer;
- Temelín Nuclear Power Station defends Safe Enterprise title;
- purchase of Fântânele and Cogealac wind farm project in Constanța County, Romania, with planned total installed capacity of 600 MW.

September
- ČEZ, a. s. enters wholesale natural gas market on National Balancing Point, the British natural gas trading platform;
- introduction of electronic billing option for electricity customers in the Czech Republic;
- acquisition of the Republic of Poland's 25.0% stake in the Poland-based power company Elektrownia Skawina S.A.

October
- agreement signed on strategic collaboration in Turkey's power sector; CEZ Group to purchase from Akkök Group a 37.4% stake in Akenerji Elektrik Üretim A. Ş., for which it is to pay USD 302.6 million (nearly CZK 5.5 billion).

November
- Memorandum of Understanding signed with Romania-based S.C. Termoelectrica S.A. and its 100% subsidiary S.C. Electrocentrale Galați S.A. setting out steps leading to creation of a joint venture to upgrade existing power plants and build a new one in Galați, Romania;
- cooperation between ČEZ Energetické služby, s.r.o. and South African beverage group SABMiller begins at that group's plants in Plzeň and Velké Popovice.

December
- signing of a memorandum on cooperation between the energy sectors of the Czech Republic and the Slovak Republic. The memorandum contains support for negotiations between ČEZ, a. s. and the Slovak company Jadrová a vyraďovacia spoločnosť, a.s. concerning the establishment of a joint venture.

Important Events of 2009 Up to Annual Report Closing Date

January
- validity period of loan agreement signed in January 2008 extended by one year. At the same time, the loan amount was reduced from EUR 600 million to EUR 550 million (approximately CZK 15.1 billion);
- ČEZ, a. s. delivers notice that it will exercise its put option to sell 51% stake in NERS d.o.o. to Elektroprivreda Republike Srpske, its partner in the Gacko project. ČEZ, a. s. is no longer interested in participating in NERS d.o.o.; however, we are still interested in implementing the project itself.

February
- Dukovany Nuclear Power Station long-term operation strategy and plan to obtain license and prepare Dukovany Nuclear Power Station for operation in the period 2015–2025 approved;
- stated capital of ČEZ, a. s. reduced in conjunction with share repurchase;
- "ČEZ Against the Crisis" initiative launched to help the Czech economy and customers of ČEZ to mitigate the impacts of the economic crisis;
- acquisition of Turkey distribution company Sakarya Elektrik Dağıtım A.Ş. (Sedaş) by ČEZ and Akkök Groups completed;
- Severočeské doly a.s. and J & T Group sign agreement with owners of the Mitteldeutsche Braunkohlengesellschaft mbH brown coal mining company on purchase of a 100% stake in the company.

March
- agreement signed with Albanian Government on purchase of a 76% stake in the Albanian distribution company Operatori i Sistemit te Shperndarjes sh. a.

April
- South Bohemia Regional Assembly revokes a 2004 resolution that rejected a plan to build two more reactor units at Temelín Nuclear Power Station. The current Assembly supports the completion plan and has approved a framework cooperation agreement between the South Bohemia Region and ČEZ.

CEZ Group operates various types of power plants: nuclear, coal, hydro, and solar. Members of the public have the opportunity to visit the plants and learn interesting facts about how they work, as well as all measures taken to protect the environment.

67,595 GWh

of electricity

CEZ Group power plants produced a total of 67,595 GWh of electricity in 2008. In so doing, CEZ Group enabled its customers to take advantage of conveniences of modern civilization that run on electricity. Through an information campaign, we also acquainted them with alternatives offering the same level of comfort while consuming less electricity.

Directors and Officers of ČEZ, a. s.

ČEZ, a. s. is a joint-stock company incorporated in the Commercial Register on 6 May 1992. The Company's core businesses are generation and distribution of electricity, electricity trading, generation and distribution of heat, and related activities.
The Company's highest governing body is the General Meeting, which elects and removes the members of the Supervisory Board, except for members elected and removed by the employees. The Supervisory Board oversees the activities of the Board of Directors, which is the Company's statutory body. The powers and responsibilities of the governing bodies are set out in detail in the ČEZ, a. s. Articles of Association, the latest version of which was approved by the General Meeting on 21 May 2008.

General Meeting

The General Meeting is the Company's highest governing body. It is convened at least once per year, no later than six months after the last day of the accounting period. The powers of the General Meeting include, in particular, the following:

- deciding on amendments to the Articles of Association;
- deciding on increases and decreases of the share capital and issues of convertible and priority bonds;
- electing and removing members of the Supervisory Board, except for members elected and removed by the employees, approving the Supervisory Board membership contracts and rules for providing consideration to members of the Supervisory Board beyond the consideration required by law;
- approving the annual or extraordinary financial statements, consolidated financial statements and (in cases stipulated by law) interim financial statements, decisions on distribution of net income or settlement of loss, determination of Board member bonuses and dividends, and allocations of income to Company reserves;
- deciding on remuneration of members of the Board of Directors and Supervisory Board, deciding on payments of and rules for distribution of Board member bonuses among individual members of the Supervisory Board and the Board of Directors;
- deciding on the Company's sponsorship budget for the period in question;
- deciding on changes in the class or form of shares and changes in rights associated with a particular class of shares;
- deciding on the Company's business policy and revisions thereof.

Supervisory Board

The Supervisory Board is the Company's oversight body, which oversees the Board of Directors' exercise of authority and the Company's business activities. The Supervisory Board's powers include, in particular:

- inspecting for compliance with laws and regulations, the Articles of Association, and General Meeting instructions;
- inspecting how the Board of Directors exercises the Company's rights of ownership in other legal entities;
- reviewing year-end, extraordinary, consolidated and interim financial statements, including income distribution proposals and stipulations of dividends and Board member bonuses and pay-out procedures;
- discussing the Company's quarterly financial performance figures, the half-year report pursuant to the Act on Doing Business in the Capital Market, and the annual report pursuant to the Accounting Act;
- electing and removing members of the Board of Directors;
- approving Board of Directors membership contracts and rules for providing consideration to members of the Board of Directors beyond that required by law, in accordance with Section 194(1) of the Commercial Code.

The Supervisory Board has twelve members. Two thirds of the members are elected and removed by the General Meeting, one third are elected and removed by the Company's employees. Members of the Supervisory Board serve for four-year terms, and re-election is possible. The Supervisory Board elects and removes its Chairman and two Vice Chairmen. It meets at least once per month. In 2008 there were 18 meetings (11 regular meetings and seven extraordinary meetings).
The work address of members of the Supervisory Board is the Company's headquarters: Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Members of the ČEZ, a. s. Supervisory Board

Martin Kocourek (* 1966)
Chairman since 14 December 2006,
Member since 22 September 2006
A graduate of the Czech Technical University, Prague, where he majored in Economics and Management, Mr. Kocourek has done internships in investment banking (London, 1994) and the financial sector (USA, 1997).
Since July 2006 he has been an economic, financial, and organizational consultant and since February 2007 he has been an external economic consultant to the Prime Minister of the Government of the Czech Republic.
He serves on the Supervisory Boards of the following institutions: Václav Klaus Foundation Fund (member since 22 December 1999); Classical Music Foundation Fund (member since 22 October 2004); BASKETS AGAINST DRUGS Foundation (Chairman since 22 November 2004); BORS Břeclav a.s. (member since 17 June 2008).
From 1998 to 2006 he was Vice Chairman of the Budget Committee of the Chamber of Deputies, Czech Republic Parliament; from April 1999 to January 2006 (with a break from October 9–22, 2002) he was a member of the Supervisory Board of the National Property Fund of the Czech Republic; from April 2002 to December 2005 he was a member of the Presidium of the Czech Republic Land Fund.

Tomáš Hüner (* 1959)
Vice Chairman and Member since 22 September 2006
A graduate of the Brno University of Technology, major in thermal and nuclear machinery and equipment.
Since 14 September 2006 he has been a Deputy Minister of Industry and Trade of the Czech Republic.
Current engagements: ČEPS, a.s. (member of the Supervisory Board since 19 December 2006, Chairman since 20 December 2006); Union Group, a.s. (member and Vice Chairman of the Supervisory Board since 21 March 2001, company was declared bankrupt under a Resolution of the Ostrava Regional Court and a bankruptcy administrator was appointed; bankruptcy took effect on 10 September 2004); Ostrava Children's Choir Foundation Fund (Vice Chairman of the Board of Administration since 22 April 1999).
Past engagements: OSINEK, a.s. (member and Vice Chairman of the Board of Directors since 11 October 2006, Chairman since 1 February 2008, removed from the Board of Directors of OSINEK, a.s. on 28 November 2008 following a decision of the Minister of Finance dated November 5 on the winding up of OSINEK, a.s. "in liquidation"); ČEZ, a. s. (Country Manager of ČEZ, a. s. in Bulgaria from 13 September 2004 to 13 September 2006); CEZ Bulgaria EAD (Chairman of the Board of Directors from 25 April 2005 to 28 September 2006); CEZ Elektrorazpredelenie Stolichno AD (Chairman of the Board of Directors from 25 April 2005 to 28 September 2006); Mezinárodní hudební festival Janáčkův máj, o.p.s. (member of the Board of Administration from 11 June 2003 to 2 March 2006).

Zdeněk Židlický (* 1947)
Vice Chairman since 29 August 2006,
Member elected by the employees since 13 June 2002,
re-elected by the employees on 29 June 2006
A graduate of the Secondary Industrial School of Mechanical Engineering in Prague.
Since 1993, he has been on leave to act as Chairman of the Prunéřov Power Stations Labor Organization. He represents the Czech Labor Union of Northwest Power Workers in the association of North Bohemian Labor Organizations and in the International Labor Council. He is the central labor federation's representative for power sector issues in the Economic and Social Alliance Council, where he is a member of the Economic Policy Task Force.

Jan Demjanovič (* 1953)
Member since 24 February 2003,
re-coopted on 18 May 2007
A graduate of the Mechanical Engineering Faculty of the Institute of Mechanical and Textile Engineering in Liberec.
Current engagements: Coal Energy, a.s. (member of the Board of Directors from 17 October 2001 to 17 January 2005, Vice Chairman from 31 October 2001 to 17 January 2005, re-elected as a member on 30 November 2005, Vice Chairman since 7 December 2005); Severočeské doly a.s. (Sales Director until 30 June 2006, member of the Board of Directors since 25 June 1999, re-elected from 27 June 2003 and 21 August 2007 – current term expires 20 August 2011; Chairman of the Board of Directors and General Manager since 30 June 2006).
Past engagements: COAL SEVEN s.r.o. in liquidation (partner from 19 August 1997 to 4 August 2007); SD - Kolejová doprava, a.s. (member of the Supervisory Board from 7 November 2001 to 20 July 2006, Vice Chairman from 7 November 2001 to 26 September 2002 and from 25 November 2002 to 20 July 2006); Teplárna Ústí nad Labem, a.s. (member of the Board of Directors from 27 March 2002 to 7 May 2004); ENETECH a.s. (member and Chairman of the Supervisory Board from 23 April 2003 to 6 January 2004).

Ivan Fuksa (* 1963)
Member since 23 April 2007
A graduate of the University of Transport and Communications, Žilina, Slovak Republic.
Since 29 January 2007 he has been First Deputy Minister of Finance of the Czech Republic.
Current engagements: Exportní garanční a pojišťovací společnost, a.s. (Chairman of the Supervisory Board since 28 February 2008); Česká exportní banka, a.s., (Chairman of the Supervisory Board since 29 February 2008); Letiště Praha, a.s. (member of the Supervisory Board since 13 November 2008).
Past engagements: Svatá Hora Staircase and Environs Improvement Foundation Fund (member of the Supervisory Board from 3 August 1999 to 19 October 2006 and member of the Board of Trustees from 19 October 2006 to 18 May 2007); Oblastní nemocnice Příbram, a.s. (member of the Supervisory Board from 1 September 2003 to 27 March 2007).

Petr Gross (* 1953)
Member elected by the employees since 22 January 2009
A graduate of the Secondary Industrial School of Electrical Engineering in Kutná Hora.
Chairman of the labor union in ČEZ, a. s. – Chvaletice Power Station since 1993.

Zdeněk Hrubý (* 1956)
Member since 22 February 2007
A graduate of the Czech Technical University's Faculty of Electrical Engineering in Prague, where he majored in cybernetics, Mr. Hrubý holds a postgraduate degree in economics.
Since 1996 he has been a professor and research fellow at the Institute of Economic Studies of the Charles University, Faculty of Social Sciences, Prague.
Current engagements: SEVEn, Středisko pro efektivní využívání energie, o.p.s. (member of the Board of Administration since 12 May 2003); European Investment Bank (member of the Board of Directors since 1 May 2004); Elektrownia Skawina S.A. (member of the Supervisory Board since 29 May 2008, Chairman since 30 September 2008 – term expires 28 May 2011).
Past engagements: Sokolovská uhelná, a. s. (member of the Board of Directors from 20 February 2001 to 29 June 2004); Deputy Minister of Finance of the Czech Republic from 2002 until 15 April 2005; National Property Fund of the Czech Republic (Vice Chairman of the Presidium from October 2002 until 30 June 2005); Telefónica O2 Czech Republic, a.s. (ČESKÝ TELECOM, a.s.) (member of the Board of Directors from 20 December 2002 to 13 June 2003, member of the Supervisory Board from 5 October 2000 to 15 June 2001, re-elected on 13 June 2003, Second Vice Chairman from 26 November 2003 to 20 May 2004, First Vice Chairman from 20 May 2004 to 23 June 2005); ČEZ, a. s. (member of the Supervisory Board from 24 February 2003 to 13 December 2006, Chairman from 26 January 2006 to 13 December 2006); České aerolinie a.s. (member of the Supervisory Board from 9 April 2003 to 26 May 2004); Eurotel Praha, spol. s r.o. (member of the Supervisory Board from 8 April 2004 to 23 June 2005); GARNET MINING a.s. (member of the Board of Directors from 13 September 2005 to 3 December 2007).

MUDr. Josef Janeček (* 1952)
Member since 23 April 2007
A graduate of the Palacký University, Faculty of Medicine, Olomouc.
In 1992–2006 he was a Member of the Chamber of Deputies of the Czech Republic Parliament, in 2007 he worked at the Office of the Government of the Czech Republic as an advisor, and since late April 2007 as an external consultant.
He has been Chairman of the civic society Parents Against Apathy since 5 September 2006.
From 20 April 2005 to 13 November 2007 he was a member of the Board of Administration of the Oliva Foundation.

Petr Kalaš (* 1940)
Member since 23 April 2007
A graduate of the Czech Technical University in Prague, Faculty of Electrical Engineering, where he majored in energy industry economics.
From September 2006 to January 2007 Mr. Kalaš was Minister of the Environment of the Czech Republic; since February 2007 he has been an external consultant to the Chairman of the Government of the Czech Republic and to the Minister of the Environment of the Czech Republic.
Since 1 June 2007 he has been a Council member of Výzkumný ústav Silva Taroucy pro krajinu a okrasné zahradnictví; since 1 January 2008 he has been a member of the Board of Administration of the National Education Fund; since 17 July 2008 he has been a member of the Supervisory Board of Holcim Česko a.s., a cement manufacturer.

Lubomír Klosík (* 1951)
Member elected by the employees since 22 January 2009
A graduate of the Secondary Industrial School of Chemical Technology in Ostrava.

Drahoslav Šimek (* 1953)
Member elected by the employees since 29 June 2006
A graduate of the Secondary Vocational School in Domažlice (electromechanic) and the Secondary Vocational School in Chomutov (operational metalworker).
Since 1995 he has served as Vice Chairman of the Labor Union of Shift Workers at Dukovany Nuclear Power Station and since 2000 he has been a member of the Governing Council of the Energy Workers Labor Union based in Dukovany.

Zdeněk Trojan (* 1936)
Member since 26 January 2006
A graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering, Mr. Trojan defended his dissertation in 1974 and habilitated in 1991.
In 2004–2005 he was an advisor to the Minister of Local Development; from 1 May 2005 to 30 June 2006 he was an advisor to the Prime Minister of the Government of the Czech Republic. He lectures at the Czech Technical University in Prague, Faculty of Mechanical Engineering, Institute of Process and Manufacturing Technology.
Since 20 January 1995 he has been President of the Czech National Commitee of the European Federation of National Engineering Associations (FEANI); since 17 December 2001 he has been a member of the Board of Trustees of the University of Hradec Králové.
From 19 May 2000 to 16 April 2007 he was a member of the Supervisory Board of Střední průmyslové školy dopravní, a.s. (Vice Chairman from 17 December 2001 to 16 April 2007).

Members of the ČEZ, a. s. Supervisory Board whose membership terminated in 2008 or before the Annual Report closing date

Jiří Jedlička (* 1959)
Member elected by the employees from 10 November 2004 to 21 January 2009

Jan Ševr (* 1947)
Member elected by the employees since 9 November 2000, re-elected by the employees from 10 November 2004 to 21 January 2009

Committees of the Supervisory Board

Within the scope of its powers, the Supervisory Board sets up committees to which it elects and from which it removes committee members. Committee membership is open to Supervisory Board members only and the term of committee membership is concurrent with the term of Supervisory Board membership. The following three committees operated in 2008:

- ČEZ, a. s. Audit Committee, an advisory and oversight body of the Supervisory Board for communication with internal and external auditors, monitoring their activity and evaluating the adequacy and effectiveness of the Company's system of internal controls;

Chairman:	Martin Kocourek
Members:	Ivan Fuksa
	Zdeněk Hrubý
	Lubomír Klosík
	Drahoslav Šimek

Committee members in 2008: Martin Kocourek, Jiří Jedlička, Ivan Fuksa, Zdeněk Hrubý and Zdeněk Židlický.

- ČEZ, a. s. Strategic Planning Committee, which evaluates proposals for major business activities in the areas of investment and acquisition projects, proposals for establishing or winding up subsidiaries of ČEZ, a. s., building new generating plants and phasing out, selling or renewing production capacities;

Chairman:	Tomáš Hüner
Members:	Jan Demjanovič
	Petr Kalaš
	Zdeněk Židlický

Committee members in 2008: Tomáš Hüner, Jan Ševr, Jan Demjanovič and Petr Kalaš.

- ČEZ, a. s. Personnel Committee, which makes proposals for the Supervisory Board regarding its personnel policies vis-à-vis the Board of Directors, proposes committee methods and procedures, nominates candidates for election to and removal from the Board of Directors, is responsible for submitting nominations of candidates for membership of the Board of Directors to the Supervisory Board for approval, and makes recommendations to the Supervisory Board regarding issuance of opinions in matters relating to the appointment and manner of remuneration of the Chief Executive Officer and members of the Board of Directors who are employees of the Company.

Chairman:	Tomáš Hüner
Vice Chairman:	Zdeněk Trojan
Members:	Josef Janeček
	Zdeněk Židlický

Board of Directors

As the statutory body, the Board of Directors manages the Company's operations and acts in its name. It decides in all matters not specified by law or the Company's Articles of Association as part of the powers of the General Meeting or Supervisory Board. In particular, the Board of Directors:

- sees to commercial management, including keeping of proper accounts;
- convenes and organizes the General Meeting. To the General Meeting, it submits:
  - the Company's draft business policy and amendments thereto,
  - draft amendments to the Articles of Association,
  - proposals to increase/decrease the share capital and for issue of convertible and/or priority bonds,
  - annual, extraordinary, consolidated or interim financial statements,
  - income distribution proposals including stipulation of dividend amount, manner of pay-out, and due date, amount of Board member bonuses, and amounts to be allocated to reserves or manner of settling Company losses,
  - annual report on the Company's business operations and the state of its assets,
  - summary explanatory report pursuant to Section 118(8) of the Act on Doing Business in the Capital Market;
- carries out General Meeting resolutions;
- elects and removes the Company's executives pursuant to Section 73 of the Labor Act;
- decides on receipt of long-term loans for periods of longer than one year;
- decides on distribution of remuneration stipulated by the General Meeting among the Supervisory Board and the Board of Directors and among individual members of the Board of Directors, unless the distribution was already decided by the General Meeting;
- decides on entering into agreements on formation of business companies or interest groups of legal entities and/or acquisition of ownership stakes in another legal entity, as well as on winding up a business company or interest group of legal entities and/or on the sale of the Company's ownership stake in another legal entity.

The Board of Directors has six members, all of whom are elected and removed by the Supervisory Board. Members of the Board of Directors serve for four-year terms; re-election is possible. The Board of Directors elects and removes its Chairman and First and Second Vice Chairmen.
The Board of Directors meets at least once per month. In 2008, 48 meetings took place, 38 of which were regular meetings and ten were extraordinary meetings.
The work address of members of the Board of Directors is the Company headquarters, i.e. Duhová 2/1444, 140 53 Prague 4.

Board of Directors Decision-making

In order to implement certain decisions, the Board of Directors is required to request the prior consent of the Supervisory Board, as well as to request the Supervisory Board's opinion in selected Company matters. At its meetings, the Board of Directors takes decisions by a simple majority of members present, provided at least three members are present. Each member of the Board of Directors has one vote. In the event of a tie, the vote of the member chairing the meeting decides. In necessary cases, decisions may be taken outside of a regular meeting (*per rollam*). Decisions taken in this matter must be entered into the minutes of the next Board of Directors meeting. Details of how the Board of Directors takes decisions are stipulated in the Board of Directors' Rules of Order.

Members of the ČEZ, a. s. Board of Directors

Martin Roman (* 1969)
Chairman since 23 February 2004,
re-elected effective 20 February 2008,
Member since 19 February 2004,
re-elected effective 20 February 2008
A graduate of the Charles University Law Faculty in Prague, one-year scholarship at the Economics Faculty of the University of St. Gallen, Switzerland, and a one-year study stay at Karl-Ruprechtsuniversität Heidelberg, Germany.
Current engagements: Confederation of Industry and Transport of the Czech Republic (Vice President since 29 April 2004, re-elected on 25 April 2007 – term expires 24 April 2011); Prague Stock Exchange (member of the Supervisory Board since 9 June 2005 – term expires 8 June 2010); Faculty of Economics and Public Administration of the University of Economics, Prague (member of the Science Council since 1 July 2006 – term expires 30 June 2010); České dráhy, a. s. (member of the Supervisory Board since 20 April 2007 – indefinite term); PORG – Gymnázium a základní škola, o.p.s. (Chairman of the Board of Trustees since 8 October 2007 – term expires 7 October 2010); Martin and Lenka Roman Foundation for PORG (Founder since 24 July 2008); Academy of Fine Arts (member of the Board of Trustees since 1 October 2008 – term expires 30 September 2012).
Past engagements: ŠKODA Holding a.s. (Chairman of the Board of Directors from 25 March 2003 to 19 February 2004).

Daniel Beneš (* 1970)
First Vice Chairman since 21 May 2008,
Vice Chairman since 10 May 2006,
Member since 15 December 2005
A graduate of the Mechanical Engineering Faculty, Technical University of Ostrava and Brno International Business School – Nottingham Trent University (MBA).
Current engagements: Severočeské doly a.s. (member of the Supervisory Board since 21 February 2006, Chairman since 14 March 2006 – term expires 20 February 2010); Coal Energy, a.s. (member of the Supervisory Board since 11 April 2006, Chairman since 26 April 2006 – term expires 10 April 2010); ČEZ Foundation (member of the Board of Trustees since 26 March 2007, Chairman since 31 May 2007); ČEZ Obnovitelné zdroje, s.r.o. (Chairman of the Supervisory Board since 10 February 2009).
Past engagements: ČKD VAGONKA, a.s. (member of the Board of Directors from 25 September 2003 to 28 May 2004, Vice Chairman of the Board of Directors from 26 September 2003 to 28 May 2004); Severočeské doly a.s. (member of the Board of Directors from 25 June 2004 to 21 February 2006); ČEZ Logistika, s.r.o. (member of the Supervisory Board from 2 August 2004 to 15 June 2006, Chairman from 13 September 2004 to 15 June 2006); ŠKODA PRAHA a.s. (member of the Supervisory Board from 3 December 2004 to 22 June 2005); ČEZ Správa majetku, s.r.o. (Vice Chairman of the Supervisory Board from 1 July 2005 to 3 March 2006); ŠKODA PRAHA a.s. (member of the Supervisory Board from 10 January 2006 to 18 December 2007, Vice Chairman from 17 January 2006 to 18 December 2007); PRODECO, a.s. (Chairman of the Supervisory Board from 30 March 2006 to 7 November 2008; ŠKODA PRAHA Invest s.r.o. (member of the Supervisory Board from 11 July 2008 to 18 December 2008, Chairman from 12 July 2005 to 5 February 2008).

Tomáš Pleskač (* 1966)
Second Vice Chairman since 21 May 2008,
Vice Chairman since 11 February 2008,
Member since 26 January 2006
A graduate of the Brno Institute of Agriculture, Faculty of Business and Economics, Mr. Pleskač also holds an MBA from the Prague International Business School.
Current engagements: CEZ Bulgaria EAD (member of the Supervisory Board since 30 June 2006, Chairman since 15 September 2006 – term expires 29 June 2011); CEZ Razpredelenie Bulgaria AD (member of the Supervisory Board since 16 June 2006 – term expires 15 December 2012); NERS d.o.o. (member and Chairman of the Supervisory Board since 17 May 2007 – term expires 16 May 2012); CM European Power International B.V. (member of the Board of Directors since 17 July 2008, Vice Chairman since 5 September 2008).
Past engagements: JVCD, a.s. (member of the Board of Directors from 10 August 2000 to 28 June 2004); Severomoravská energetika, a. s. (member and Vice Chairman of the Board of Directors from 6 May 2003 to 16 June 2004, member of the Supervisory Board from 17 June 2004 to 1 October 2007, and Vice Chairman of the Supervisory Board from 13 March 2007 to 1 October 2007); CORRAL a.s. (Union Leasing, a.s.) (member of the Supervisory Board from 19 May 2003 to 30 June 2004, Chairman from 20 June 2003 to 30 June 2004); ePRIM, a.s., in liquidation (member of the Board of Directors from 19 May 2003 to 30 June 2004, Chairman from 27 August 2003 to 30 June 2004); Elektrovod Holding, a. s. (member of the Supervisory Board from 20 May 2003 to 22 September 2006); ENPRO, a.s. (member and Chairman of the Supervisory Board from 7 April 2004 to 30 June 2004); ČEZ Distribuce, a. s. (member of the Supervisory Board from 31 March 2005 to 22 May 2008, Chairman from 31 March 2005 to 11 May 2006 and from 19 May 2006 to 22 May 2008); ČEZData, s.r.o. (member and Vice Chairman of the Supervisory Board from 17 May 2004 to 10 April 2007).

Vladimír Hlavinka (* 1966)
Member since 1 January 2008
A graduate of the Brno University of Technology, major in thermal and nuclear engineering, and Masaryk University, Brno, Faculty of Law.
Current engagements: Ústav jaderného výzkumu Řež a.s. (member of the Supervisory Board since 14 December 2007, Chairman since 11 April 2008 – term expires 13 December 2012); ČEZ Energetické produkty, s.r.o. (member of the Supervisory Board since 1 December 2008).
Past engagements: SLÉVÁRNA KUŘIM, A.S. (member and Vice Chairman of the Supervisory Board from 27 July 2005 to 31 August 2006); TOS KUŘIM - OS, a.s. (member and Vice Chairman of the Supervisory Board from 26 July 2005 to 31 August 2006); KULIČKOVÉ ŠROUBY KUŘIM, a.s. (member and Vice Chairman of the Supervisory Board from 26 July 2005 to 16 June 2006); ALTA, akciová společnost (member of the Board of Directors from 26 September 2005 to 17 July 2006); RIPSL a.s. “in liquidation” (member of the Supervisory Board from 14 October 2005 to 4 September 2007); TOS REALITY s.r.o. (Managing Director from 20 December 2005 to 1 August 2006); ČEZ Obnovitelné zdroje, s.r.o. (member of the Supervisory Board from 1 March 2008 to 12 January 2009).
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Martin Novák (* 1971)
Member since 21 May 2008
A graduate of the University of Economics, Prague, Faculty of International Relations, major in international trade and business law. In 2007 Mr. Novak completed an Executive MBA program at the University of Pittsburgh, specializing in the power industry. Since 1996 he has been a member of the Chamber of Tax Advisers.
Current engagements: ČEZnet, a.s. (member of the Supervisory Board since 1 May 2007, company name changed to ČEZ ICT Services, a. s. on 1 October 2008 – term expires 7 July 2012); ČEZ Správa majetku, s.r.o. (member of the Supervisory Board since 1 May 2007 – term expires 3 July 2012).
Past engagements: ConocoPhillips Czech Republic s.r.o. (Managing Director from 18 March 2003 to 23 January 2006); ConocoPhillips Hungary Kft (member of the Supervisory Board from 1 July 2003 to 28 February 2006); ConocoPhillips Poland sp. z o.o. (Managing Director from 1 July 2003 to 28 February 2006); Severočeská energetika, a.s. (member of the Supervisory Board from 10 March 2006 to 28 February 2007).

Zdeněk Pasák (* 1966)
Member since 22 April 2006
A graduate of the Charles University, Prague, Faculty of Philosophy & Arts, major in psychology.
Current engagements: ČEZ Distribuce, a. s. (member of the Supervisory Board since 9 August 2007 – term expires 15 January 2013); Czech Federation of Power Industry Employers (member of the Board of Directors since 6 December 2007).
Past engagements: MADSEN & TAYLOR Consulting a.s. (Chairman of the Board of Directors from 15 October 1997 to 28 February 2006, sole shareholder until 22 February 2006).

Remuneration Principles – Members of the Board of Directors and Supervisory Board

The terms and conditions for remunerating and providing benefits to members of the Board of Directors are set forth in the "Agreement on Acting as a Member of the Board of Directors" entered into between the Company and the member of the Board of Directors; said agreement is subject to approval by the Supervisory Board.

The terms and conditions for remunerating and providing benefits to members of the Supervisory Board are set forth in the "Agreement on Acting as a Member of the Supervisory Board" which is subject to approval by the General Meeting. In accordance with said agreements, members of the Company's governing bodies receive the following consideration:

- fixed remuneration (members of the Board of Directors and members of the Supervisory Board) – paid regularly, following the end of each calendar month. Should a member of the Board of Directors fall ill, for the first 30 days the fixed monthly remuneration is paid in full. Should the board member be incapacitated for an uninterrupted period longer than 30 days, the amount of the monthly remuneration for the period from the 31st day of incapacitation to the end thereof shall be decided by the Board of Directors under the condition that said monthly remuneration may not be less than 50% of the full monthly remuneration amount. In the event a member of the Supervisory Board is temporarily unable to discharge his or her office due to illness or long-term absence, the member shall be entitled to remuneration if he or she delivers to the Chairman of the Supervisory Board a written statement on the agenda items of missed meetings before the meetings take place, unless the Supervisory Board decides otherwise. Granting of remuneration in the event of a Supervisory Board member's temporarily inability to carry out his/her office shall be decided by the Supervisory Board;
- target remuneration – based on fulfillment of specific tasks assigned by the General Meeting, a member of the Board of Directors may receive target remuneration up to six times the amount of his or her monthly remuneration. Details, including amount and due date of the target remuneration, are set by the Board of Directors after discussing the matter with the Supervisory Board, while complying with the principles laid down by the General Meeting;
- board member bonuses – provided to members of the Board of Directors and Supervisory Board by General Meeting decision. The amount of the bonus for individual members of the Board of Directors is set pursuant to rules approved by the General Meeting;
- stock options – members of the Board of Directors are entitled to stock options (i.e. the option to purchase shares in the Company's stated capital) under the terms and conditions set forth in an option agreement. Under the rules for granting stock options approved by the General Meeting in May 2008, members of the Board of Directors receive options for a certain number of the Company's shares on an annual basis for as long as they remain in office. The purchase price of one share is set as the weighted average of the prices at which trades in the Company's shares took place in a regulated market in the Czech Republic during the month before the annual option granting date. Members of the Board of Directors are entitled to call upon the Company to transfer a number of shares no larger than the given option grant, no earlier than two years and no later than the mid-point of the fourth year after each option grant. The options are restricted in that the appreciation of the Company's shares may be at most 100% compared to the purchase price and the member of the Board of Directors is obligated to hold on his or her asset account such a number of shares obtained on the basis of a call to transfer that corresponds to the value of 20% of the gain achieved at the date of the call, for as long as the stock option program shall last. Members of the Board of Directors to whom the new option program rules apply, and who also participated in the option program under the principles that applied prior to May 2008, will be allowed to participate in the revised stock option program provided they fulfill the eligibility criteria and the conditions approved by the General Meeting in May 2008. Stock option program eligibility for members of the Supervisory Board was terminated by the General Meeting in June 2005;
- insurance – the following types of insurance are taken out, at Company expense, for members of the Board of Directors and may be taken out for members of the Supervisory Board:
  - insurance against liability for damage caused to the Company or third parties while discharging duties of office,
  - endowment life insurance which, upon the termination of board membership or the Company's withdrawal from the endowment life insurance policy, is transferred free-of-charge to the board member. Endowment life insurance premiums paid by the Company are treated as part of the board member's wages and, as such, are subject to income tax withholding;
- company car – members of the Board of Directors and the Chairman of the Supervisory Board are entitled to a company car for business and personal use. Terms and conditions are set forth in a separate agreement. Company cars provided for business and personal use are subject to taxation, and the cost of fuel consumed for personal use is recovered by withholding from pay. Members of the Supervisory Board may receive a company car for use on Company business only. In the event a member of one of the Company's governing boards uses his or her own car on Company business, the costs associated with such use are paid by the Company in accordance with applicable laws and regulations;
- severance pay – contracts with members of the Board of Directors are entered into for a specified period of time. Should the contract be terminated before it is due to expire, the Company is obligated to provide severance pay to the board member. The severance pay amount is the aggregate total remuneration that would otherwise have been paid for the months remaining until the end of the board member's term. Persons who resign from the Board of Directors are not entitled to severance pay. Terms of payment of severance pay are set forth in the contract mentioned above;
- reimbursement of travel expenses – when traveling on business, members of the Board of Directors and Supervisory Board are entitled to receive meal allowances and per diem at rates above those set forth in applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value;
- in accordance with the Labor Code, members of the Supervisory Board who are delegated to serve on the Supervisory Board by a government body of which they are an employee do not receive remuneration. The Company also does not provide any other benefits not permitted by law to such Supervisory Board members.

ČEZ, a. s. Senior Management

The Chief Executive Officer runs the Company on a day-to-day basis, carrying out decisions of the Board of Directors, negotiating on the Company's behalf, and executing legal acts and signing in the name of ČEZ, a. s. He has delegated a portion of his authority to the Chief Operating Officer, who directs the internal operation of ČEZ, a. s. and the other Chief Officers with the exception of the Chief Finance Officer.

Top Level Management

Work address is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Martin Roman (* 1969)
Chief Executive Officer since 1 April 2004
For personal data, see entry under Board of Directors, above.

Daniel Beneš (* 1970)
Chief Operating Officer since 1 June 2007
For personal data, see entry under Board of Directors, above.

Division Heads

Work address is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Peter Bodnár (*1960)
Chief Investment Officer since 1 January 2008
A graduate of the Slovak Technical University, Bratislava, Slovak Republic, Faculty of Mechanical Engineering, where he majored in thermal and nuclear power engineering.
Current engagements: ŠKODA PRAHA Invest s.r.o. (Vice Chairman of the Supervisory Board since 1 July 2007); ŠKODA PRAHA a.s. (Vice Chairman of the Supervisory Board since 31 October 2007); NERS d.o.o. (member of the Supervisory Board since 7 December 2007).
Past engagements: ALSTOM Power Slovakia, s.r.o. (Managing Director from 25 September 2002 to 29 December 2005); ALSTOM Power, s.r.o., ALSTOM Group (Managing Director from 1 May 2003 to 30 November 2005); Ústav jaderného výzkumu Řež a.s. (member of the Supervisory Board from 30 June 2006 to 21 June 2007); Chladiace veže Bohunice, spol. s r.o. (Chairman of the Supervisory Board from 13 July 2006 to 18 August 2007); DECOM Slovakia, spol. s r.o. (member of the Supervisory Board from 27 July 2006 to 28 June 2007); TPP Varna (member of the Supervisory Board from 10 May 2008 to 18 December 2008).

Vladimír Hlavinka (* 1966)
Chief Production Officer since 1 January 2008
For personal data, see entry under Board of Directors, above.

Jiří Kudrnáč (* 1965)
Chief Distribution Officer since 1 January 2008
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in electrical machinery and devices.
Current engagements: ČEZ Distribuce, a. s. (member of the Supervisory Board since 22 May 2008, Chairman since 17 June 2008 – term expires 21 May 2013).
Past engagements: ČEZ Distribuce, a. s. (member and Chairman of the Board of Directors from 31 March 2005 to 14 December 2007); ČEZ Zákaznické služby, s.r.o. (member of the Supervisory Board from 16 August 2004 to 31 January 2008).

Ivan Lapin (* 1965)
Chief Administration Officer since 1 July 2007
A graduate of the Technical University of Ostrava, Faculty of Mining and Geology, major in deep drilling technology and techniques.
Current engagements: ČEZ Energetické služby, s.r.o. (Chairman of the Supervisory Board since 1 July 2007); ČEZ ICT Services, a. s. (formerly ČEZnet, a.s.) (member of the Supervisory Board since 1 January 2008, Vice Chairman since 12 February 2008 – term expires 31 December 2012).
Past engagements: ČEZ Logistika, s.r.o. (member of the Supervisory Board from 15 September 2004 to 30 June 2007, Vice Chairman from 1 February 2005 to 15 July 2006, Chairman from 16 July 2006 to 30 June 2007); ČEZ Správa majetku, s.r.o. (member of the Supervisory Board from 4 March 2006 to 30 June 2006, Vice Chairman from 6 March 2006 to 30 June 2006, Managing Director and General Manager from 20 December 2006 to 1 July 2007); Energetika Vítkovice, a.s. (member of the Supervisory Board from 1 June 2005 to 1 October 2008, Vice Chairman from 8 September 2006 to 5 April 2007, and Chairman from 6 April 2007 to 1 October 2008); ČEZData, s.r.o. (member of the Supervisory Board from 1 January 2008 to 1 October 2008, Vice Chairman from 14 February 2008 to 1 October 2008; ČEZData, s.r.o. was merged into its successor company, ČEZnet, a.s.); ČEZnet, a.s. (member of the Supervisory Board from 1 January 2008, Vice Chairman from 12 February 2008; ČEZnet, a.s. was renamed ČEZ ICT Services, a. s.).

Martin Novák (* 1971)
Chief Finance Officer since 1 January 2008
For personal data, see entry under Board of Directors, above.

Zdeněk Pasák (* 1966)
Chief Personnel Officer since 15 March 2006
For personal data, see entry under Board of Directors, above.

Tomáš Pleskač (* 1966)
Chief International Affairs Officer since 1 January 2008
For personal data, see entry under Board of Directors, above.

Alan Svoboda (* 1972)
Chief Sales Officer since 1 January 2005
A graduate of the University of West Bohemia, Plzeň, major in information and financial management, Mr. Svoboda also holds an MBA in finance and an MA in economics from the University of Missouri in Kansas City (USA).
Current engagements: ČEZ Zákaznické služby, s.r.o. (Vice Chairman of the Supervisory Board since 21 March 2005 – term expires 20 March 2010, re-election is possible); ČEZ Prodej, s.r.o. (Vice Chairman of the Supervisory Board since 31 March 2005 – term expires 30 March 2010, re-election is possible); Eurelectric, the international association based in Brussels (a director since 1 December 2005); Foratom, the international association based in Brussels (member of the General Assembly and Executive Committee since 1 December 2005); EFET, the international association of electricity traders based in Amsterdam (member of the Board of Directors since 20 November 2007).
Past engagements: ČEZ, a. s. (Vice Chairman of the Board of Directors from 27 April 2004 to 21 April 2006); Západočeská energetika, a.s. (member of the Supervisory Board from 18 June 2004 to 1 October 2007, Vice Chairman of the Supervisory Board from 15 February 2007 to 1 October 2007); ČEZData, s.r.o. (member of the Supervisory Board from 29 June 2004 to 10 April 2007, Chairman from 29 June 2004 to 30 August 2004, Vice Chairman from 31 August 2004 to 10 April 2007).

Committees of the Chief Executive Officer

- the Senior Management Council has been operating since 2007 as a senior management advisory body to the Chief Executive Officer, especially in matters exceeding the scope of individual divisions;
- the Development Committee, which deals with matters relating to the Company's development in the principal businesses of CEZ Group;
- the Risk Committee, established in 2003 as the Chief Executive Officer's committee for CEZ Group risk management, administrates and allocates surplus cash to investments and oversees risk management per se;
- the Executive Committee, an advisory body whose activities were terminated effective 30 September 2008.

Committees of the Chief Operating Officer

- the Human Resources Committee, which assesses the strategy of key projects and key tools in the human resources area;
- the ICT Committee, which assesses the priorities of ICT projects;
- the International Holdings Committee, which deals, in particular, with the integration of international holdings into CEZ Group;
- the Committee for ČEZ, a. s. Plant Safety, which is responsible, in particular, for assessing the level and state of ČEZ, a. s. plant and equipment safety, with emphasis on nuclear plant and equipment, assessing the level of corporate culture from the perspective of quality and safety, and assessing systemic shortcomings in the safety and quality management areas;
- the Environmental Investment Committee, which has authority within CEZ Group over all areas falling within its remit, including assessing investment strategy, assessing specific investment opportunities, and monitoring the state and financial benefits of investments already made;
- the Environmental Committee, whose activities were terminated effective 31 January 2009.

Other Persons With Executive Authority

Unless stated otherwise, the work address of persons with executive authority is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Karel Böhm (* 1958)
Director, Safety and Quality Management Section since 1 August 2007
A graduate of the Czech Technical University, Faculty of Electrical Engineering, major in nuclear reactors, and the MBA program of ESMA Barcelona.

Jan Brožík (* 1972)
Director, Financing Section since 14 February 2007
A graduate of the University of Economics, Prague, Faculty of Finance.
Current engagements: CEZ Finance B.V. (Director since 14 February 2007); CEZ MH B.V. (Managing Director since 14 December 2007).
Past engagements: Patria Direct, a.s. (member of the Board of Directors from 23 May 2001 to 12 May 2005); Patria Finance CF, a.s. (member of the Board of Directors from 16 September 2002 to 13 July 2005).

Pavel Cyrani (* 1976)
Director, Planning and Controlling Section since 1 May 2006
A graduate of the University of Economics, Prague, major in international trade, Mr. Cyrani also holds an MBA in finance from the Kellogg School of Management in Evanston, Illinois, USA.

Jiří Feist (* 1962)
Director, Development Section since 1 January 2005
A graduate of the Czech Technical University, Faculty of Electrical Engineering, major in power engineering.
Current engagement: CM European Power International BV (member of the Board of Directors since 17 July 2008).
Past engagement: Elektrownia Skawina S.A. (member of the Supervisory Board from 29 May 2006 to 29 May 2008).

Miroslav Holan (* 1950)
Director, Safety Section since 1 April 2005
Work address: Temelín Nuclear Power Station, 373 05 Temelín 2, Czech Republic.
A graduate of the Czech Technical University in Prague, Faculty of Mechanical Engineering, major in power plants and equipment, the Brno University of Technology, major in nuclear power plant operation, and Sheffield Hallam University (School of Business and Finance) – MBA program.
From the year 2000 until 24 June 2004 he was a member of the Board of Directors of Ústav jaderného výzkumu Řež a.s.

Michaela Hrobská (* 1975)
Director, Procurement Section since 1 January 2008
A graduate of the University of West Bohemia, Plzeň, Faculty of Law, as well as the Executive Master of Business Administration Program (MBA) at the KATZ School of Business, University of Pittsburgh.
Current engagements: ČEZ ICT Services, a. s. (member of the Supervisory Board since 1 October 2008 – term expires 22 March 2011); ČEZ Logistika, s.r.o. (member and Chairwoman of the Supervisory Board since 1 July 2007 – term expires 30 June 2012); ŠKODA PRAHA Invest s.r.o. (member of the Supervisory Board since 19 December 2008 – indefinite term).
Past engagements: ČEZnet, a. s. (member of the Supervisory Board from 22 March 2006 to 30 September 2008); ČEZData, s.r.o. (member of the Supervisory Board from 11 April 2007 to 30 September 2008); Severočeská energetika, a.s. (member of the Supervisory Board from 23 June 2006 to 28 February 2007).

Karel Kohout (* 1953)
Director, Analytical Support Section since 1 January 2008
A graduate of the University of Mechanical and Electrical Engineering in Plzeň, major in power engineering, specializing in the generation and distribution of electricity.
Current engagement: ČEZ Distribuční služby, s.r.o. (member of the Supervisory Board since 1 July 2008 – term expires 30 June 2013).
Past engagement: ČEZ Obnovitelné zdroje, s.r.o. (member of the Supervisory Board from 1 January 2006 to 13 June 2007).

Hana Krbcová (* 1954)
Director, CEZ Group Human Resources Section since 1 January 2007
A graduate of the University of Economics, Prague, major in industrial economics, the Charles University Faculty of Law, Prague, major in labor law (two-year specialization study), and International Studies in Strategic Management (two-year course of study).
Current engagement: Czech Association for Human Resources Development and Management (member of the Board of Directors since 18 February 2003, re-elected since 19 February 2007 – term expires 18 February 2011).
Past engagements: Energetika Vítkovice, a.s. (member of the Supervisory Board from 21 March 2003 to 1 May 2006, Vice Chairwoman from 29 October 2003 to 1 May 2006); ELV-Servis, s.r.o. (Slovak Republic) (member of the Supervisory Board from 16 October 2002 to 7 April 2005).

Ladislav Kříž (* 1969)
Director, Media Section since 1 July 2008
A graduate of the Czech Technical University in Prague, Faculty of Electrical Engineering, major in power industry economics and management.

Karel Křížek (* 1953)
Director, Central Engineering Section since 1 July 2007
Work address: ČEZ, a. s., Temelín Nuclear Power Station, 373 05 Temelín, Czech Republic.
A graduate of the University of Mechanical and Electrical Engineering, Plzeň, major in technical cybernetics, Mr. Křížek was also awarded an MBA from Sheffield Hallam University (UK).
Current engagement: Ústav jaderného výzkumu Řež a.s. (Vice Chairman since 11 April 2008 – term expires 10 April 2013).
Past engagements: Association of Apartment Owners at Dr. Bureše 13, České Budějovice (Vice Chairman of the Committee from 22 August 2002 to 20 January 2008); Ústav jaderného výzkumu Řež a.s. (member of the Board of Directors from 27 June 2003 to 24 June 2004, member of the Supervisory Board from 25 June 2004 to 11 April 2008, Chairman from 6 September 2007 to 11 April 2008); ORGREZ SC, a.s. (member of the Board of Directors from 24 June 2003 to 21 June 2006).

Josef Lejček (* 1975)
Director, Human Resources Compensation Section since 1 June 2006
A graduate of the University of Economics, Prague, Faculty of Business Administration, and the Deutsche Telecom A.G. MBA program of the University of St. Gallen, Switzerland.

Vít Martinovský (* 1966)
Director, Taxes Section since 1 July 2008
A graduate of the Charles University, Prague, Faculty of Law. Tax advisor registered in the Chamber of Tax Advisors since 1993.

Martina Matoušková (* 1970)
Director, Engineering Design Office since 1 July 2007
A graduate of the University of Economics, Prague, Faculty of Finance.
Current engagements: CEZ Bulgaria EAD (member of the Supervisory Board since 17 March 2008 – term expires 16 March 2013); Providence Consulting s.r.o. (Managing Director since 3 February 2006).

Jiří Pačovský (* 1959)
Director, Asset Management – Production Section since 1 July 2008
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in power industry economics and management.

Daniel Rous (* 1968)
Director of CEZ Group Security Section since 1 January 2008
A graduate of the Brno University of Technology, major in thermal and nuclear machinery and equipment.
Past engagement: ČEZnet, a.s. (member of the Board of Directors from 21 December 2006 to 31 July 2007).

Vladimír Schmalz (* 1966)
Director, Mergers & Acquisitions Section since 1 January 2005
A graduate of the University of Economics, Prague, Faculty of International Relations, major in foreign trade.
Current engagements: CEZ Razpredelenie Bulgaria AD, former name Elektrorazpredelenie Stolichno AD (member of the Supervisory Board since 29 December 2004 – term expires 5 December 2012); CEZ Bulgaria EAD (member of the Supervisory Board since 27 April 2005 – term expires 26 April 2013); TEC Varna EAD (member of the Supervisory Board since 10 May 2008 – until 9 May 2011); ZAO TransEnergo (General Manager since 2006); CEZ RUS OOO (General Manager since 2008); ŠKO-ENERGO, s.r.o. (member of the Supervisory Board since 1 January 2008); ŠKO-ENERGO FIN, s.r.o. (member of the Supervisory Board since 1 January 2008).
Past engagements: MM CHANNEL s.r.o. (partner from 24 November 1993 to 9 October 2004); Schmalz & Co., s.r.o. in liquidation (partner from 4 August 1994 to 10 November 2006, liquidator from 5 June 2004 to 10 November 2006); SAWBAC Česká republika a.s., in liquidation (member of the Board of Directors from 7 May 2003 to 26 May 2004, Chairman from 12 May 2003 to 26 May 2004); S.C.T. s.r.o. (partner from 8 March 2004 to 29 April 2004); Severočeská energetika, a. s. (member of the Supervisory Board from 25 June 2004 to 10 June 2005); ŠKODA PRAHA a.s (member of the Supervisory Board from 2 May 2005 to 22 June 2005).

Michal Skalka (* 1975)
Director, Trading Section since 1 September 2005
A graduate of the University of Economics, Prague, major in information technology.

Radim Sladkovský (* 1967)
Director, Accounting Section since 1 March 2008
A graduate of the Prague Institute of Chemical Technology and the University of Pittsburgh (MBA).
Past engagements: ConocoPhillips Hungary Kft (member of the Supervisory Board from 1 April 2006 to 31 May 2007), ConocoPhillips Czech Republic s.r.o. (Managing Director from 19 April 2006 to 1 June 2007).

Juraj Szabó (* 1969)
Director, Legal Section since 1 January 2008
A graduate of the Charles University, Prague, Faculty of Law, including a doctorate (Ph.D.) at the same institution and a one-year post-graduate course of study in monetary economics and banking at the University of Economics, Prague.
Past engagements: GE Money, a.s. and GE Money Brokers, a.s., Bratislava (member of the Supervisory Board from 27 June 2007 to 19 December 2008).

Peter Szenasy (* 1975)
Director, Project Development Section since 2 January 2008
A graduate of Lewis & Clark College, Portland, Oregon, USA (B.A.) and the US Business School in Prague (MBA).
Current engagement: CEZ Elektroproizvodstvo Bulgaria AD (member of the Supervisory Board since 10 December 2008 – term expires 9 December 2011).
Past engagement: ŠKODA PRAHA a.s. (member of the Supervisory Board from 22 June 2005 to 13 December 2005).

Ladislav Štěpánek (* 1957)
Director, Fuel Cycle Section since 1 September 2004
A graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering.
Current engagement: TEC Varna EAD (member of the Supervisory Board since 10 May 2008 – term expires 9 May 2011).

Dag Wiesner (* 1972)
Director, Project Execution Section since 1 January 2008
A graduate of the University of Economics, Prague.
Current engagement: HOBBY SPORT, s.r.o. (Managing Director since 25 April 2005).

Petr Zlámal (* 1966)
Director of Asset Management – Supplier System Section since 1 January 2009
A graduate of the Brno University of Technology, major in automation technology.

Martin Zmelík (* 1975)
Director, Management of International Holding Section since 1 January 2005
A graduate of the University of Economics, Prague, Faculty of Business Administration and the U.S. Business School in Prague (MBA).
Current engagements: CEZ Bulgaria EAD (member of the Supervisory Board since 27 April 2005, Vice Chairman since 22 September 2005 – term expires 26 April 2013).
Past engagements: GAFFIN CZ a.s. (member and Vice Chairman of the Board of Directors from 11 September 2003 to 3 October 2005); Středočeská energetická a.s. (member of the Supervisory Board from 17 October 2005 to 22 August 2006); CEZ Razpredelenie Bulgaria AD (former name Elektrorazpredelenie Stolichno AD) (member of the Supervisory Board from 29 December 2004 to 12 November 2008, Chairman from 17 March 2005 to 12 November 2008); Elektrorazpredelenie Pleven AD (member of the Supervisory Board from 29 December 2004 to 2 November 2007 [*)], Chairman from 17 March 2005 to 2 November 2007); Elektrorazpredelenie Sofia Oblast AD (member of the Supervisory Board from 29 December 2004 to 2 November 2007 [*)], Chairman from 17 March 2005 to 2 November 2007).

[*)] On 2 November 2007, Elektrorazpredelenie Pleven AD and Elektrorazpredelenie Sofia Oblast AD were dissolved without liquidation and all of their assets passed to their legal successor, Elektrorazpredelenie Stolichno AD. Subsequently the company's name was changed to CEZ Razpredelenie Bulgaria AD (effective 29 January 2008).

Tomáš Žák (* 1962)
Director, Process Management Section since 1 July 2007
A graduate of the Brno University of Technology, Faculty of Electrical Engineering.

Other persons with executive authority whose engagements terminated in 2008 or before the Annual Report closing date

Tomáš Dzik (* 1967)
Director, Equity Stakes Section from 1 May 2006 to 28 February 2009

Jan Krenk (* 1951)
Director, Asset Management Section from 1 July 2007 to 30 June 2008

Lubomír Štěpán (* 1955)
Director, ICT Strategy Section from 1 December 2005 to 29 February 2008

Remuneration Principles – Persons with Executive Authority

The remuneration principles for persons with executive authority in the Company are set forth in manager contracts entered into between the Company (Board of Directors) and the managers for the period during which they are to remain in office, or in contracts stipulating individual terms of remuneration, entered into between the Company and the manager in question for the period during which he or she is to remain in office. The Board of Directors is required to submit the manner of remunerating members of the Board of Directors who are also employees of the Company to the Supervisory Board for discussion and request its opinion on the matter. These contracts stipulate the conditions for providing:

- base monthly wage – paid regularly for each calendar month. The base monthly wage is paid for the amount of time worked;
- annual bonuses – to which the manager is entitled in addition to the base monthly wage. The bonus amount depends on fulfillment of criteria stipulated in advance. Expressed as a percentage of annual income (sum of the annual bonus and the base monthly wages in the given calendar year), the annual bonus may be as much as:
  - 77.8% for the Chief Executive Officer,
  - 60.0% for the Chief Operating Officer,
  - 60.0% (as a rule) for the Division Heads,
  - 20.0% (as a rule) for other managers.

  The basic criterion determining the pay-out and final amount of the annual bonus to an executive is fulfillment of the EBITDA figure called for in the Company's budget – adjusted for certain items, such as impairment charges, that the executive cannot influence. Fulfillment can range from 90% of EBITDA (no annual bonus paid) to 110% of EBITDA (110% of annual bonus is paid if EBITDA is equal to or greater than 110% of budgeted level). The criteria for granting an individual annual bonus to a Company executive are based on the strategic priorities and principal objectives of the Company that are announced each year by the Chief Executive Officer in an executive order following discussion in the meeting of Division Heads. For 2008, the criteria were stipulated as follows:
  - 10% for the CEZ Group economic indicator (ROIC),
  - 20% for the economic indicator (influencable portion of fixed costs, as a rule) linked to costs and income of the unit managed,
  - 70% for specifically stated and deadlined tasks.

  The criteria for individual executives and the dependence of annual bonus amount on their fulfillment are assessed by the executive's direct superior (or by the Board of Directors in the case of the CEO) or the superior set forth in the manager contract. In determining the final amount of the executive's annual bonus, the assessor takes into account his or her overall work performance and approach to completing tasks. The economic indicators in question are taken from the Board of Directors-approved and Supervisory Board-reviewed budget, and fulfillment is assessed by the Controlling unit based on the financial statements of the Company/CEZ Group or fulfillment of other measurable criteria.
  In the cases of two executives whose units differ from the others, only a system of targeted bonuses is used, linked to fulfillment of strategic tasks;
- target bonuses – in the cases of three executives, a system of target bonuses is used, linked to the fulfillment of specific, long-term tasks in the areas of power plant build-out and renewal, and M&A. Payment of bonuses is linked to fulfillment of criteria defined in advance, such as compliance with the timeline, budget, and technical parameters of individual projects, and realization of major acquisitions;
- stock options – based on a decision of the Company's Board of Directors and consent of the Supervisory Board, a selected group of executives are entitled to stock options under the terms set forth in a stock option contract. Under the rules for granting of stock options approved by the General Meeting in May 2008, the executives receive options to purchase a certain number of Company shares each year that they serve in the given executive position. The purchase price per share is set as the weighted average of the prices at which trades in the Company's shares took place in a regulated market in the Czech Republic during the month before the annual option granting date. Executives are entitled to call upon the Company to transfer a number of shares no larger than the given option grant, no earlier than two years and no later than the mid-point of the fourth year after each option grant. The stock options are restricted in that the appreciation of the Company's shares may be at most 100% compared to the purchase price and the executive is obligated to hold on his or her asset account such a number of shares obtained on the basis of a call to transfer that corresponds to the value of 20% of the gain achieved at the date of the call, for as long as the stock option program shall last. Executives to whom the new option program rules apply and who also participated in the option program under principles that applied prior to May 2008, will be allowed to participate in the revised stock option program provided they fulfill the eligibility criteria and the conditions approved by the General Meeting in May 2008;

- company car – depending on the importance of the executive's position, he or she may be entitled to a company car for business and personal use, subject to the terms and conditions of a special agreement. Company cars provided for business and personal use are subject to taxation, and the cost of fuel consumed for personal use is recovered by withholding from pay. In the event an executive uses his or her own car on Company business, the costs associated with such use are paid by the Company in accordance with applicable laws and regulations;
- insurance – based on a decision of the Company's Board of Directors, endowment life insurance policies are taken out at Company expense for the benefit of a selected group of executives. When the executive leaves his or her executive position or when the Company withdraws from the endowment life insurance policy, the insurance is transferred free-of-charge to the executive. Endowment life insurance premiums paid by the Company are treated as part of the executive's wages and, as such, are subject to income tax withholding;
- reimbursement of travel expenses – when traveling on business, executives are entitled to receive meal allowances and per diem in accordance with applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value. A small group of executives are entitled to receive meal allowances and per diem at rates higher than those set by the applicable laws and regulations;
- severance pay – is provided in accordance with the Labor Code and the terms set forth in the valid Collective Agreement;
- cash settlement upon termination of contract – with regard to the importance of their positions, the employer agrees to provide a selected group of executives, upon the termination of their employment, a cash settlement for a period of six months (as a rule) subject to the fulfillment of conditions set forth in the "No Competition Agreement". The cash settlement is payable monthly in arrears;
- mobility program – the employer reimburses executives participating in the Mobility Program for a portion of costs of temporary accommodation and provides them a contribution to help defray the costs of travelling to visit their families;
- employee benefits – a selected group of executives receive premium healthcare. All executives receive benefits in accordance with the valid Collective Agreement, i.e. Supplemental Pension Insurance contribution, meal contribution, recuperation & relaxation contribution, or life insurance contribution.

In the event an executive also serves as a member of the Company's Board of Directors, he or she is entitled to stock options, company car, insurance, and reimbursement of travel expenses only once.

Information on Cash and In-kind Income (Gross Amounts) and on Securities

	Units	Supervisory Board	Board of Directors	Persons with executive authority
Information on cash and in-kind income				
Base wage [1]	CZK '000	1,995		124,178
Bonus linked to Company performance [1]	CZK '000	185		112,460
Board member remuneration	CZK '000	7,308	4,878	
2007 bonus paid to members of governance bodies [2]	CZK '000	14,180	6,136	
Severance pay and cash settlements	CZK '000		5,413	3,070
Other cash income [1]	CZK '000	143	150	1,209
of which: Supplemental Pension Insurance contributions [1]	CZK '000	45		438
use of employee personal account [1]	CZK '000	91		687
business travel reimbursement within limit	CZK '000		14	21
international business travel reimbursement above limit	CZK '000	7	136	63
Other in-kind income [1]	CZK '000	7,011	2,867	9,580
of which: endowment life insurance	CZK '000	6,285	1,283	4,520
company car for personal use [1]	CZK '000	719	1,584	4,006
mobile telephone for personal use [1]	CZK '000	7		125
mobility program	CZK '000			929
Income from entities controlled by the issuer	CZK '000	14,403		12,750
of which: bonuses to board members of controlled companies	CZK '000	14,034		12,750
endowment life insurance	CZK '000	180		
company car for personal use [1]	CZK '000	189		
Information on securities				
Number of options held at 31 December 2007 and new options granted in 2008 [3]	number	450,000	2,765,000	1,075,000
average option price	CZK	139.07	727.55	668.29
Number of shares on which option was exercised	number	300,000	1,140,000	495,000
average option price	CZK	101.92	276.05	445,50
resulting in-kind income (taxed by Company)	CZK millions	325	1,154	438
Number of options held at 31 December 2008	number	150,000	1,625,000	580,000
average option price	CZK	213.36	1,044.30	858.42
Number of Company shares at 31 December 2008				
held by members of governance bodies and executives [4]	number	170,194	437,123	131,857
held by close persons [4]	number	165		930

[1] Cash and in-kind income of Supervisory Board members in these items include income from their present and/or past employment by the Company.
[2] Includes only bonuses paid to persons who were members of a governance body for at least part of the year; does not include bonuses to former board members.
[3] In the case of stock options contracts with persons with executive authority who were elected members of the Board of Directors, options granted after election appear in the Board of Directors column.
[4] Figure is for persons that were members of Company's governance bodies or Company executives as of 31 December 2008.

Information on Persons with Executive Authority

Convictions for fraud-related crimes during the past five years:
None of the members of the Supervisory Board and Board of Directors and no persons with executive authority have been tried for fraud-related crimes.

Bankruptcy proceedings, forced administration and/or liquidation during the past five years:
Tomáš Hüner – member and Vice Chairman of the Supervisory Board of Union Group, a.s. since 21 March 2001 (company declared bankrupt by a Resolution of the Ostrava Regional Court, bankruptcy administrator appointed, bankruptcy took effect on 10 September 2004); member and Vice Chairman of the Board of Directors of OSINEK, a.s. since 11 October 2006, Chairman since 1 February 2008, removed from the Board of Directors of OSINEK, a.s. on 28 November 2008 (on November 5th, the Minister of Finance promulgated a decision winding up the company OSINEK, a.s. "in liquidation");
Vladimír Hlavinka – member of the Supervisory Board of RIPSL a.s. "in liquidation" from 14 October 2005 to 4 September 2007.
Tomáš Pleskač – member of the Board of Directors of ePRIM, a.s., in liquidation, from 19 May 2003 to 30 June 2004, Chairman from 27 August 2003 to 30 June 2004.
Vladimír Schmalz – Managing Director of Schmalz & Co, s.r.o. in liquidation from 4 August 1994 to 10 November 2006; member of the Board of Directors of SAWBAC Česká republika a.s., in liquidation from 7 May 2003 to 26 May 2004.

Official public accusation or sanction brought down by statutory or regulatory bodies (including designated professional bodies) and court-ordered declaration of incompetence to act as a member of administrative, executive or supervisory bodies:
Under a resolution of the Police of the Czech Republic, Prague Headquarters, charges were brought against Zdeněk Hrubý on 14 December 2006 for the crime of breach of obligations in administering the property of others. On 14 February 2007 this charge was cancelled by a resolution of the Prague Municipal State Attorney's Office.
Under a Decision of the Czech National Bank dated 15 May 2008, Martin Roman was fined CZK 50,000 for breach of obligations under Section 125(5) of the Act on Doing Business in the Capital Market.
Alan Svoboda was charged with abusing information in business relations under Sections 128(1) and (3) of the Penal Code. By a decision of the Prague Municipal Court dated 18 March 2009, the criminal charges against Alan Svoboda were dropped and the matter was forwarded to the Czech National Bank for completion of an investigation into a possible misdemeanor. As of the Annual Report closing date the resolution had not yet entered into legal force.

Possible conflicts of interest:
No members of the Supervisory Board or Board of Directors and no persons with executive authority have any conflicts of interest.

Agreements with key shareholders or other entities on selection for current job position:
No members of the Supervisory Board or Board of Directors and no persons with executive authority have any agreement with key shareholders or other entities regarding selection for their current job position.

Agreement with ČEZ, a. s. on restricted disposition of securities of ČEZ, a. s.:
Beneficiaries who entered into a stock options agreement with the issuer after the 2006 General Meeting are obligated to hold 10% of the shares acquired under the stock options agreement on their asset account in the central register of securities for as long as they remain in the position that made them eligible for the stock options.
Beneficiaries who entered into a stock options agreement with the issuer after the 2008 General Meeting are obligated to hold on their asset account in the central register of securities such a number of shares acquired in each exercise of options that are equal in value to 20% of the gain achieved by the beneficiary on the options exercise date, up until the end of the stock options program.

Monitoring the state of the environment in conjunction with the operation of Dukovany Nuclear Power Station is the job of the Surroundings Radiation Control Laboratory. Its employees systematically collect and analyze samples of air, soil, water, vegetation, and agricultural products. The laboratory holds an accreditation demonstrating the high technical level of its measurements. Ever since Dukovany Nuclear Power Station was commissioned, its annual levels of discharges, both into the air and into water flows, have been miniscule fractions of permitted levels. As a comparison of this indicator with other nuclear power plants shows, Dukovany is one of the top nuclear installations in the world.

71,937 cubic yards

of utilizable volume

Dukovany Nuclear Power Station houses the largest and most modern radioactive waste storage facility in the Czech Republic. Its utilizable volume is enough to hold over 180,000 barrels of radioactive waste from the operation of both Czech nuclear plants, as well as waste from their future decommissioning.

Report on Operations
Equity Stakes

CEZ Group in 2008

As at 31 December 2008 CEZ Group, including the parent company ČEZ, a. s., encompassed a total of 84 business entities, 61 of which were headquartered in countries of Central and Western Europe (45 in the Czech Republic) and 23 in countries of Southeastern and Eastern Europe. The increase of four companies compared to the previous year resulted from preparations for development of operations in the target market of Southeastern Europe and from successful acquisitions.
At year end 2008, the book value of equity stakes held by ČEZ, a. s. was CZK 104.1 billion.

Equity Stakes in the Czech Republic – List of Most Important Changes

- On 12 February 2008, CEZ Group member ČEZ Teplárenská, a.s. acquired a 100% stake in ALLEWIA leasing s.r.o., a company involved generating and distributing heat in North Moravia;
- On 4 March 2008, ČEZ, a. s. sold its 100% equity stake in Energetické opravny, a.s.;
- 7 March 2008 saw the incorporation in the Commercial Register of ČEZ Energetické produkty, s.r.o., whose sole owner is ČEZ, a. s. The company took over operations related to power generation by-products from all ČEZ, a. s. power plants as well as operations related to the back fuel cycle of coal-fired power plants;
- On 1 April 2008, ČEZ, a. s. acquired a 100% stake in ŠKODA PRAHA Invest s.r.o. via purchase from its subsidiary ŠKODA PRAHA a.s.;
- On 4 June 2008, the merger of ENPRO, a.s. and ENPROSPOL, s.r.o. into the successor company I & C Energo a.s. was recorded in the Commercial Register. Subsequently, on 30 June 2008, I & C Energo a.s. was sold to MOL, the Hungarian petrochemical group;
- On 1 October 2008, ČEZData, s.r.o. merged with ČEZ ICT Services, a. s., which was formed from ČEZnet, a.s. (via name change) one day earlier;
- On 1 October 2008, Energetika Vítkovice, a.s. was merged into ČEZ, a. s.;
- On 15 December 2008, Ústav jaderného výzkumu Řež a.s. (ČEZ, a. s. stake: 52.46%) acquired a 66% stake in the engineering company EGP INVEST, spol. s r.o.

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International Holdings – List of Most Important Changes

Bosnia and Herzegovina

- CEZ Bosna i Hercegovina, d.o.o. was incorporated on 21 March 2008. ČEZ, a. s. has a 100% stake in the company, which plays a supporting and managerial role.

Republic of Bulgaria

- A change in the name of the company Elektrorazpredelenie Stolichno AD to CEZ Razpredelenie Bulgaria AD was registered on 29 January 2008;
- A new company, CEZ Elektroproizvodstvo Bulgaria AD, was incorporated on 10 December 2008.

Republic of Hungary

- On 23 January 2008, CEZ MH B.V., a company headquartered in the Netherlands, made a financial investment in the amount of 7% of the stated capital of MOL Nyrt.
- On 31 March 2009, CM European Power International B.V. became the owner of the company Dunai Gőzfejlesztő Kft.

Kingdom of the Netherlands

- On 10 April 2008, the 100% stake of ČEZ, a. s. in Transenergo International N.V. was reduced by the sale of 33% of the shares to a Russian partner;
- On 17 July 2008, a joint venture was established between ČEZ and MOL, entitled CM European Power International B.V., which will build gas-fired power plants in Hungary, Slovenia, Croatia, and Slovakia.

Romania

- On 29 August 2008, the companies Tomis Team S.R.L., Ovidiu Development S.R.L. and M.W. Team Invest S.R.L. were acquired in conjunction with the construction of wind power plants.

Russian Federation

- The company CEZ RUS OOO was incorporated on 6 February 2008. The stake of ČEZ, a. s. in this company is 100%. This is a support and managerial company.

Republic of Turkey

- 21 November 2008 saw the incorporation, in the Commercial Register of the Chamber of Commerce in İstanbul, of a joint venture between ČEZ, a. s. and Turkey-based Akkök Group entitled Akcez Enerji A.S. ČEZ, a. s. holds a 50% stake in the share capital of this company.

Slovak Republic

- 5 December 2008 saw the incorporation in the Commercial Register of CM European Power International s.r.o., which is 100% owned by the Netherlands-based company CM European Power International B.V.

Poland

- 19 January 2009 saw the incorporation in the Commercial Register of the company CEZ Produkty Energetyczne Polska sp. z o.o., which is 100% owned by ČEZ, a. s.

Financial Performance of CEZ Group

CEZ Group Financial Figures

CEZ Group's net income grew CZK 4.6 billion (+10.7%) year-on-year, to CZK 47.4 billion. EBITDA increased by CZK 11.9 billion (+15.8%) to CZK 87.2 billion. Income before income tax reached CZK 60.7 billion, up CZK 9.6 billion (+18.7%). Income tax grew CZK 5.0 billion (+59.4%) to CZK 13.4 billion.

EBITDA growth of CZK 12.2 billion (+23.9%) was posted by the Power Production & Trading business area in Central Europe, driven by higher wholesale prices in the Czech Republic and a more advantageous production portfolio mix, as a decline in production in coal power plants was partially offset by higher utilization of nuclear power plants. Also related to this was a year-on-year savings in fuel costs of CZK 0.7 billion. Total production in Central Europe fell by 6.1 TWh (-8.7%) to 64.0 TWh. Electricity purchasing fell CZK 4.7 billion from the previous year due to a higher proportion of contracts classified as derivative contracts, which are reported on a net basis together with revenues.

The EBITDA of the Power Production & Trading business area in Southeastern Europe fell CZK 0.3 billion year-on-year. The Varna Power Station produced 3.6 TWh, down 3.3% from the previous year. An increase in the price of coal was a factor in the decline, as it was not adequately reflected in the regulated purchase price of electricity due to specific features of the regulatory environment in Bulgaria. It is not clear what rules will apply to the distribution of allowances (NAP not yet approved) and the results were also negatively impacted by export restrictions.

The EBITDA of the Distribution & Sale business area in Central Europe was up CZK 0.2 billion (+1.5%) year-on-year on a 0.9 TWh (+2.5%) increase in the volume of electricity distributed to end customers and a 0.3 TWh (+1.1%) increase in sales to end customers outside of CEZ Group. The impact on EBITDA of updated consumption estimates and the related adjustment to uninvoiced electricity was down CZK 0.5 billion year-on-year.

The EBITDA of the Distribution & Sale business area in Southeastern Europe was down CZK 1.0 billion (-25.1%), CZK 0.5 billion of which was attributable to strengthening of the Czech Koruna against foreign currencies in general, and the Bulgarian and Romanian currencies in particular. Companies in Bulgaria and Romania distributed a total of 17.0 TWh of electricity to end customers, down 0.2% year-on-year. Sales to end customers totaled 12.1 TWh (11.8 TWh of which was outside of CEZ Group), i.e. 0.1 TWh (+1.2%) more than in the previous year. The companies in Romania were negatively impacted by provisioning and other charges (CZK 0.7 billion), primarily on receivables from the Romanian State railway and the recording of an impairment charge based on a re-valuation of distribution assets. Performance in Bulgaria was negatively impacted in the 4th quarter by a 5% year-on-year drop in the volume of distributed electricity.

The EBITDA of the Mining business area was up CZK 0.1 billion (+1%) from 2007, mainly on growth in sales revenues from outside customers.

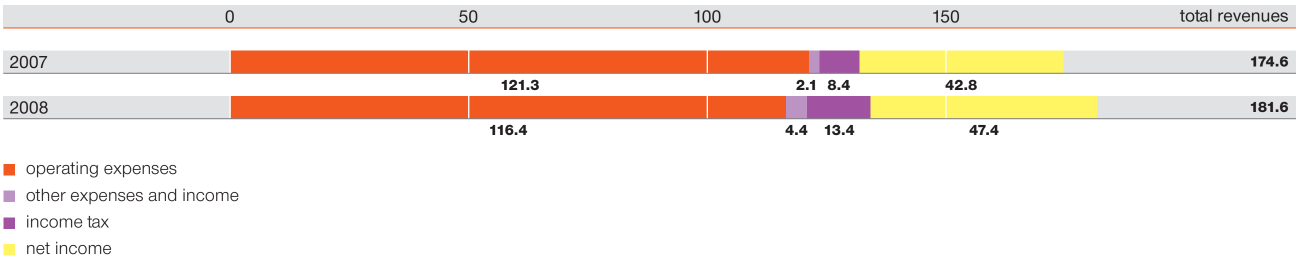
Other business areas saw their collective EBITDA rise by CZK 0.8 billion (+17.7%), primarily on growth in intra-Group revenues, in which the comprehensive plant portfolio renewal program and ICT services played a particularly significant role.

Across CEZ Group, operating expenses were kept under control. Wages and salaries were up CZK 0.1 billion (+0.3%) year-on-year. Expenses for repairs and maintenance, materials and supplies, and other operating expenses, total, declined by CZK 0.1 billion (-0.3%). Depreciation and amortization was down CZK 0.1 billion (-0.3%), with the decrease coming mainly from an extension of the operational lives of power plant and equipment in ČEZ Distribuce, a. s. effective 1 January 2008 pursuant to a Decree of the Energy Regulatory Authority. The gain on emission allowances, CZK 0.5 billion, was half the previous year's figure. The CZK 0.6 billion year-on-year decline in the gain on emission allowances was due to the transition to the next allocation period, a lower grant in the new allocation period, and the reversal of a provision in 2007.

Other expenses increased by CZK 2.4 billion (+117%) compared to the previous year. Thanks to successful currency hedging, gains on financial derivatives rose substantially (i.e., by CZK 3.4 billion) while foreign exchange rate losses rose by just CZK 1.3 billion. On the other hand, however, the value of a derivative related to the financial investment in MOL declined by CZK 5.5 billion. The gain on emission allowance derivatives (up CZK 1.5 billion year-on-year) reflects our successful trading strategy including effects from JI/CDM, an environmental program based on the Kyoto Protocol, the aim of which is to reduce CO_2 emissions. Interest expenses rose CZK 1.1 billion on higher overall indebtedness, which was caused primarily by higher borrowing to finance financial investments and optimize the capital structure (in particular through share repurchases). The year-on-year growth in gains on sales of subsidiaries is due to the sale of the subsidiary I & C Energo a.s.

Income taxes grew by CZK 5.0 billion year-on-year. Income taxes in 2007 were affected by a recomputation of deferred tax to reflect lower future corporate income tax rates in the Czech Republic.

Net Income Breakdown (CZK billions)



Working Capital

The increases in current assets and current liabilities (by CZK 70.1 billion and CZK 91.6 billion, respectively) were due, in particular, to higher trading in emission allowance derivatives.

On the equity and liabilities side, short-term loans were up in conjunction with the financing of the transaction in shares of MOL. On the assets side, receivables rose on a purchase of short-term securities to invest a portion of cash earmarked for the acquisition of Sedaş in early 2009, pending settlement of the deal.

Non-Current Assets

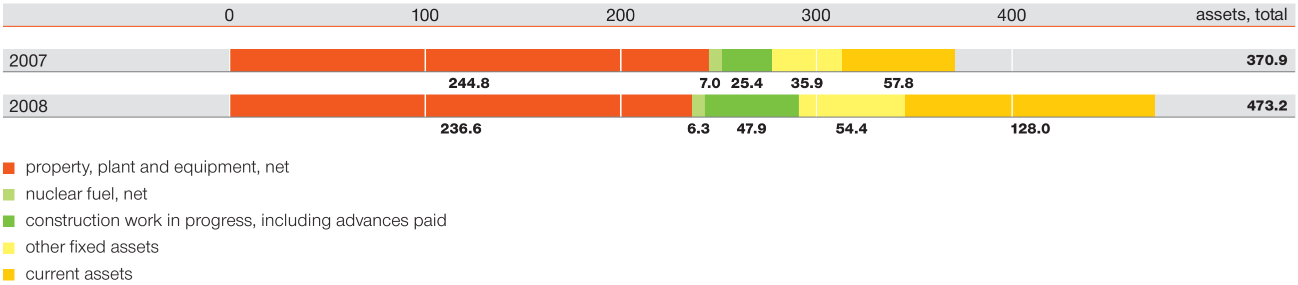
The growth in other non-current assets (i.e., by CZK 18.5 billion) was caused primarily by the financial investment in MOL. The CZK 13.7 billion increase in property, plant and equipment is attributable in particular to the acquisition of a project to build wind power plants in Romania, renewal of the power plant portfolio, and distribution grid upgrades.

Equity and Long-Term Liabilities

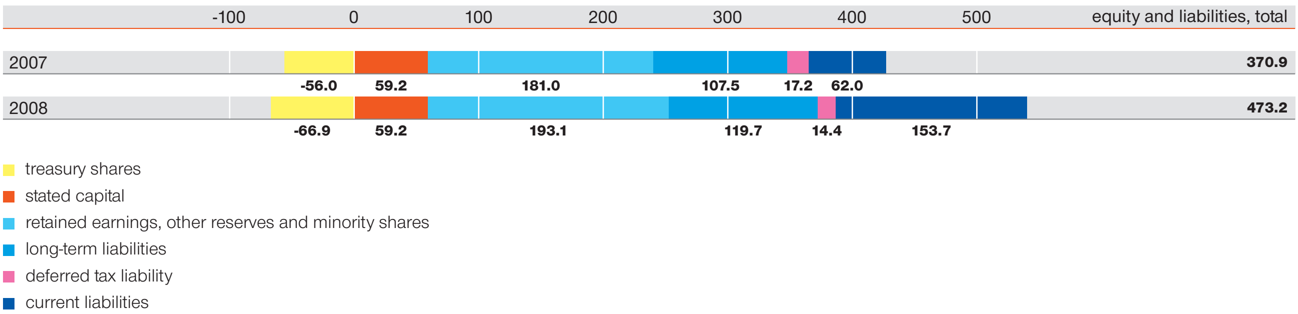
The CZK 1.2 billion increase in equity is attributable to income of the current period, which was decreased, in particular, by dividends paid, share repurchasing, and valuation- and FOREX-related factors.

Long-term liabilities, not including provisions, were up CZK 15.7 billion primarily on a bond issue. Nuclear provisions declined by CZK 3.6 billion on a change in estimated provisions for decommissioning of Dukovany Nuclear Power Station and permanent storage of nuclear fuel as well as on use of provisions for storage of nuclear fuel.

Assets Structure at December 31 (CZK billions)



Structure of Equity and Liabilities at December 31 (CZK billions)



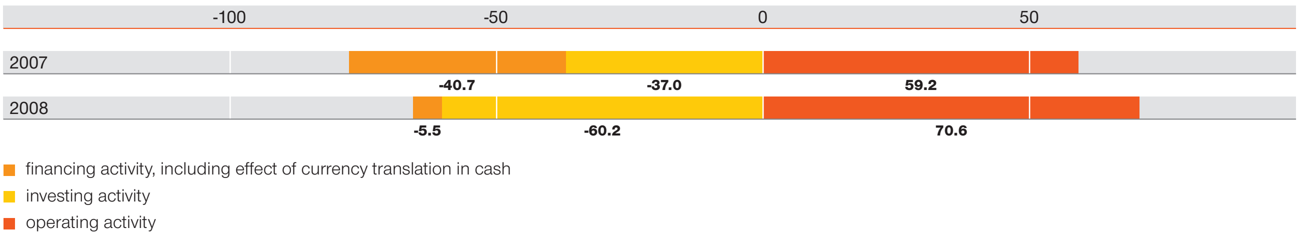
Cash Flows

The year 2008 saw a CZK 11.4 billion increase in net cash provided by operating activity, driven in particular by the CZK 9.6 billion year-on-year growth in income before income taxes, less the change in the balance of assets and liabilities (CZK 5.1 billion); on the other hand, 2008 brought a CZK 4.4 billion increase in taxes paid.

Cash used in investing activity was higher by CZK 23.1 billion in year-on-year terms, due primarily to the financial investment in MOL (CZK 15.5 billion) and higher investment in property, plant and equipment (by CZK 12.1 billion). Additions to decommissioning and other restricted funds, which are created in conjunction with the operation of nuclear power plants and for other purposes, were lower (by CZK 2.1 billion) compared to the previous year. Other financial investments were also lower (by CZK 2.0 billion) in year-on-year terms.

Cash flows from financing activity were up CZK 34.2 billion from the previous year's figure. Here, the main driver was a CZK 41.9 billion year-on-year decline in the balance of purchases and sales of treasury shares (due in particular to share repurchasing). The balance of loan drawdowns and repayments increased by CZK 1.4 billion while, on the other hand, dividends paid increased by CZK 9.5 billion.

Cash Flows (CZK billions)



Anticipated Commercial and Financial Situation in 2009

Like all industries, the power sector will be affected by the economic and financial crisis in 2009. Still, in 2009 CEZ Group anticipates further income growth, although it will be slower than in previous years. Consolidated net income is expected to be CZK 50.2 billion (i.e. 6% higher than in 2008), EBITDA is forecast at CZK 90.3 billion (+4%), and EBIT at CZK 67.1 billion (+3%).
At the parent company, ČEZ, a. s., we expect the improvement in financial results to be 9.2% for EBITDA, bringing this indicator to a level of over CZK 66.0 billion.

Four principal factors will influence the income result:
- successful sales of electricity for 2009 prior to the sharp fall in prices,
- ongoing implementation of the Efektivita Program,
- negotiation of more favorable regulatory conditions abroad,
- new M&A and construction projects.

CEZ Group sells electricity continually, three years in advance, thereby hedging itself against any extraordinary volatility. Of course, we will continue with this strategy in 2009 as well. In addition, CEZ Group is developing active trading operations in electricity and other commodities – CO_2 allowances, CER credits, coal, natural gas – the results of which offset some of the losses caused by declines in wholesale electricity prices.
The Efektivita Program will continue in all principal cost-saving measures. Significant advantages, however, will also come from projects designed to increase production in nuclear power plants and develop operations in heat. All told, we expect to reap benefits of more than CZK 7 billion over the basis of comparison.
In international markets, key achievements will be successful negotiation of distribution tariffs for the 2009–2010 period, optimizing of the operation of the Varna Power Station in Bulgaria and sales of electricity and heat from the ELCHO and Skawina Power Stations in Poland. An important challenge will be to integrate new acquisitions in Germany, Turkey, and Albania, which represent a major expansion of CEZ Group's international operations. For the time being, the anticipated results given above do not include the impact of these new acquisitions.
In mid-2009 we plan to commission the first retrofitted generating units of the Tušimice Power Station; these will contribute to the 2009 income result. Subsequently, the remaining two generating units will be retrofitted. Work will continue on construction of a new generating facility in Ledvice (660 MW) and on preparations for the comprehensive retrofit of the Prunéřov Power Station.
Another thing that will make 2009 an important year for CEZ Group is the "ČEZ Against the Crisis" initiative, which aims to protect customers and support the entire national economy of the Czech Republic.

Financial Performance of ČEZ, a. s.

ČEZ, a. s. is a joint-stock company incorporated on 6 May 1992 as a going concern in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The principal shareholder is the Czech Republic, acting through the Ministry of Finance of the Czech Republic, which is charged with administering the equity stake.
Its core businesses encompass the generation, distribution, and trading of electricity and the generation and distribution of heat.
A detailed description of the Company's core businesses can be found in the Articles of Association and in the Commercial Register.

Commercial and Financial Indicators of the Parent Company, ČEZ, a. s.

Key Figures of ČEZ, a. s. (IFRS)

	Units	2007	2008	Index 2008/2007 (%)
Electricity generated (gross)	GWh	65,442	60,921	93.1
Installed capacity	MW	12,152	12,231	100.6
Balance of electricity sold and procured [1)]	GWh	30,983	55,400	178.8
Sales of heat	TJ	6,969	8,901	127.7
Operating revenues	CZK millions	103,746	109,528	105.6
Operating expenses (excluding depreciation and amortization)	CZK millions	54,622	49,129	89.9
EBITDA	CZK millions	49,124	60,399	123.0
EBIT	CZK millions	36,696	47,364	129.1
Net income	CZK millions	31,425	47,118	149.9
Dividend per share (gross) [2)]	CZK/share	20.0	40.0	200.0
Total assets	CZK millions	313,894	392,593	125.1
Equity	CZK millions	149,882	154,927	103.4
Financial debt	CZK millions	66,896	84,289	126.0
Return on Equity (ROE), net	%	18.4	30.9	167.9
Return on Assets (ROA), net	%	10.1	13.3	131.7
Net debt/EBITDA	1	1.32	1.05	79.8
Current ratio	%	53.0	79.1	149.2
Work force head count at December 31	persons	6,146	6,196	100.8

[1)] Sales to end customers including sales to cover losses in grids + wholesale balance.
[2)] Approved in given year.

ČEZ, a. s. Financial Performance Commentary

Revenues, Expenses, Income

ČEZ, a. s. income in 2008 reflects favorable developments in both the operating and financial components of the income statement. The net income of ČEZ, a. s. was up CZK 15.7 billion (+49.9%) to CZK 47.1 billion. Operating income grew by CZK 10.7 billion (+29.1%) year-on-year, while EBITDA increased by CZK 11.3 billion (+23.0%) to CZK 60.4 billion.

In 2008 there was a CZK 10.4 billion (+13.0%) year-on-year increase in the balance of sales of electricity and derivative trading, on one hand, and purchases of electricity and related services, on the other, thanks in particular to the successful electricity sales strategy and growth in wholesale electricity prices. Sales of heat and other revenues, on the other hand, declined in year-on-year terms (by CZK 0.9 billion, -20.8%) due to the warm 2007/2008 winter.

Production of electricity in coal power plants fell by 4.8 TWh (-12.7%) year-on-year on strict optimizing of production based on the existence of emission ceilings. Fuel expenses declined in 2008 by CZK 1.4 billion (-7.7%) for the same reason. Reduced production in coal power plants was partially offset by higher production in nuclear plants; however, nuclear generation capacity was limited by an extended outage of Temelín Nuclear Power Station in the fourth quarter.

Repair and maintenance expenses were up slightly (by CZK 0.1 billion, +4.0%), mostly due to inflation. Wages and salaries were down CZK 0.4 billion (-6.8%) year-on-year. Depreciation and amortization was CZK 0.6 billion (+4.9%) higher than in 2007. Gains on emission allowances did not reach the level seen in 2007, which was positively impacted by a decline in market prices towards the end of the NAP I allocation period. Other operating expenses were down CZK 0.7 billion (-9.9%).

The financing result is up CZK 9.1 billion from the previous year's figure. In particular, dividends received were higher (by CZK 5.0 billion). Successful trading in emission allowances contributed CZK 1.5 billion to the increased financial result. Growth in gains on financial derivatives increased the financial result by CZK 3.6 billion. The CZK 0.4 billion year-on-year rise in gains on sales of subsidiaries is attributable to the sale of I & C Energo a.s. The balance of interest expenses and revenues fell CZK 0.7 billion year-on-year due to higher indebtedness during 2008.

Income taxes were higher by CZK 4.1 billion compared to the previous year. Income tax due rose by CZK 2.7 billion due to higher income. The positive impact of deferred income tax was CZK 1.5 billion lower than in the previous year; this is attributable, in particular, to a recomputation of deferred tax in 2007 to reflect reduced future corporate income tax rates.

Structure of Assets and Capital

Total assets were up CZK 78.7 billion (25.1%) year-on-year to CZK 392.6 billion. Net property, plant and equipment fell CZK 10.8 billion year-on-year as the pace of depreciation exceeded the rate at which new property, plant and equipment was put into use. The value of construction work in progress, including advances paid, increased by CZK 12.2 billion. Long-term financial assets, net, grew CZK 10.5 billion (9.7%) year-on-year on new acquisitions.

Current assets grew by CZK 67.6 billion (i.e. they tripled). The bulk of the increase in current assets (CZK 45.9 billion) took place in other financial assets, one component of which, derivative-related receivables, grew CZK 32.3 billion. This, however, was offset by higher derivative-related payables. Short-term securities grew by CZK 13.6 billion. Other receivables were up CZK 18.0 billion. Cash and cash equivalents increased CZK 5.0 billion year-on-year.

The CZK 5.0 billion (+3.4%) increase in equity is attributable to current period income, which was partially offset, in particular, by dividends paid and share repurchasing.

Long-term liabilities were up CZK 11.3 billion year-on-year, primarily on new bond issues. Nuclear provisions, on the other hand, were recomputed in the light of a new decommissioning study and declined by CZK 3.6 billion year-on-year. Deferred income tax liability was down CZK 3.0 billion.

Current liabilities were up CZK 65.4 billion year-on-year, primarily on a CZK 36.1 billion increase in derivative-related payables and current trade payables which were higher by CZK 26.6 billion. Of the latter amount, payables to suppliers increased by CZK 19.9 billion and payables related to the acquisition of fixed assets were up CZK 6.6 billion.

Cash Flows

Net cash provided by operating activity grew CZK 6.0 billion from the previous year, to a total of CZK 53.4 billion, driven in particular by a CZK 19.8 billion (+53.3%) increase in income before income taxes. The change in working capital, on the other hand, declined by CZK 10.4 billion from the previous year. Income taxes paid were up CZK 2.4 billion year-on-year.

Cash used in investing activity fell slightly (by CZK 1.5 billion, or -5.7%) to CZK 24.6 billion. Of this figure, acquisition expenditures were up CZK 4.1 billion and additions to property, plant and equipment grew CZK 0.8 billion year-on-year. Lendings were down CZK 2.5 billion; repayments of those lendings, on the other hand, were up CZK 1.6 billion. Additions to decommissioning and other restricted funds were down CZK 2.8 billion year-on-year.

Net cash flow from financing activity declined by CZK 10.4 billion (-29.9%) to a total of CZK -24.5 billion. The balance of treasury shares purchased and sold fell by CZK 41.9 billion, due in particular to lower share repurchasing compared to the previous year. Repayments of credits and loans, including credits and loans within the group, exceeded drawdowns by CZK 22.1 billion.

ČEZ, a. s. Financing

Borrowings and Their Maturity
a) Long-term Loans

Creditor	Currency	Maximum loan amount in given currency (CZK millions)	Valuation of debt at 31 December 2008 (CZK millions)	Maturity	Collateral
European Investment Bank	CZK	3,058	1,176	16 Sep 2013	none
Long-term loans, total			1,176		
of which: current portion			235		
Long-term loans, net of current portion			941		

b) Short-term Loans

	Indebtedness at 31 December 2008 (CZK millions)
Short-term bank loans	9,523
Negative balance facilities	391
Portion of long-term loans that falls due before end of 2009	235
Other short-term financing	3,107
Short-term borrowings, total	13,256

Water – the giver of life. In CEZ Group it is used for cooling and as a heat-bearing medium in power and heat generation boilers.

Over 70 % of all "environmentally-friendly electricity" comes from hydro power plants

Hydro power plants and the water management works associated with them are major landmarks. Reservoirs are used by people for active and passive recreation, and often they serve as transportation infrastructure for ships as well. And somewhere, at the end of the dam, high-performance turbines generate electricity at times of peak demand – when people need it most.

Supplementary Information on CEZ Group Members

Individual Results of CEZ Group Companies (IFRS)

Company	Operating revenues		Operating expenses		EBITDA	
	2008 (CZK millions)	Index 2008/2007 (%)	2008 (CZK millions)	Index 2008/2007 (%)	2008 (CZK millions)	Index 2008/2007 (%)
ČEZ, a. s. and Czech companies						
ČEZ, a. s.	109,527.7	105.6	(62,163.7)	92.7	60,399.4	123.0
ALLEWIA leasing s.r.o.	33.9		(28.4)		7.3	
ČEZ Distribuce, a. s.	33,751.5	107.7	(29,219.3)	102.0	8,816.8	108.6
ČEZ Distribuční služby, s.r.o.	4,169.1	103.7	(3,748.1)	111.9	894.1	81.1
ČEZ Energetické produkty, s.r.o.	113.7		(102.1)		12.0	
ČEZ Energetické služby, s.r.o.	1,384.4		(1,422.4)	> 500	(7.6)	137.9
ČEZ ICT Services, a. s.	4,683.9	104.2	(3,195.0)	83.4	2,780.7	137.2
ČEZ Logistika, s.r.o.	4,596.1	113.8	(3,999.9)	112.9	600.2	120.2
ČEZ Měření, s.r.o.	1,695.6	104.2	(1,408.8)	110.8	297.8	81.1
ČEZ Obnovitelné zdroje, s.r.o.	455.6	118.5	(334.0)	102.2	274.7	121.4
ČEZ Prodej, s.r.o.	78,147.0	111.6	(76,300.5)	112.7	2,225.6	80.7
ČEZ Správa majetku, s.r.o.	1,876.8	110.7	(1,641.4)	122.9	600.1	89.0
ČEZ Teplárenská, a.s.	961.7	108.1	(941.4)	107.6	160.8	93.5
ČEZ Zákaznické služby, s.r.o.	1,325.9	104.4	(954.8)	103.8	371.4	105.8
PPC Úžín, a.s.			(1.1)	110.0	(1.1)	147.0
PRODECO, a.s.	502.9		(458.6)		50.7	
SD - 1.strojírenská, a.s.	858.7	106.6	(836.7)	106.4	39.2	117.4
SD - Autodoprava, a.s.	467.5	108.1	(438.6)	109.5	139.7	114.6
SD - Kolejová doprava, a.s.	341.3	103.3	(324.0)	102.8	55.8	113.3
SD - KOMES, a.s.	797.7		(790.1)		14.2	
SD - Rekultivace, a.s.	270.5		(230.2)		47.5	
Severočeské doly a.s.	10,278.0	102.5	(6,684.6)	105.1	4,819.4	101.1
STE - obchodní služby spol. s r.o. in liquidation	6.5	74.7	8.5	> 500	15.1	139.4
ŠKODA PRAHA a.s.	555.8	30.4	(675.9)	30.2	(115.6)	29.1
ŠKODA PRAHA Invest s.r.o.	11,081.4	261.1	(10,957.2)	263.9	127.3	138.0
Ústav jaderného výzkumu Řež a.s.	1,163.0	85.7	(1,087.2)	87.6	185.0	86.2
Republic of Poland						
CEZ Ciepło Polska sp. z o.o.			(0.1)	70.8	(0.1)	70.8
CEZ Polska sp. z o.o.	57.8	> 500	(73.4)	> 500	(11.4)	102.7
CEZ Trade Polska sp. z o.o.	1,359.5	> 500	(1,361.8)	> 500	(1.8)	67.6
Elektrociapłownia Chorzów ELCHO sp. z o.o.	2,606.7	106.3	(1,320.3)	99.1	1,523.5	111.7
Elektrownia Skawina S.A.	2,162.7	74.2	(2,049.3)	74.7	394.4	98.5
Republic of Bulgaria						
CEZ Bulgaria EAD	1,327.6	79.2	(1,306.5)	78.6	64.0	110.2
CEZ Elektro Bulgaria AD	13,679.2	106.2	(13,550.6)	106.7	128.7	69.3
CEZ Elektroproizvodstvo Bulgaria AD						
CEZ Laboratories Bulgaria EOOD	14.2	78.7	(14.0)	83.7	0.7	46.0
CEZ Trade Bulgaria EAD	1,478.6	> 500	(1,472.8)	> 500	5.8	196.8
CEZ Razpredelenie Bulgaria AD	4,814.1	100.9	(4,068.7)	103.2	1,556.7	90.6
TEC Varna EAD	4,048.3	108.3	(4,368.8)	119.0	38.3	8.2
Romania						
CEZ Distributie S.A.	4,993.2	65.6	(4,214.1)	66.3	1,497.8	70.6
CEZ Romania S.R.L.	628.0	147.3	(623.9)	150.1	9.9	55.6
CEZ Servicii S.A.	508.6	171.9	(487.5)	150.8	34.6	
CEZ Trade Romania S.R.L.	516.2	236.3	(477.5)	182.0	38.7	
CEZ Vanzare S.A.	8,770.0	105.7	(8,689.6)	103.9	80.4	
M.W. Team Invest S.R.L.			(1.0)		(1.0)	
Ovidiu Development S.R.L.			0.7		0.7	
Tomis Team S.R.L.			(35.7)		(35.7)	
Federal Republic of Germany						
CEZ Deutschland GmbH	163.6	12.2	(167.3)	12.4	(3.6)	100.1
Kingdom of the Netherlands						
CEZ Finance B.V.			(1.6)		(1.6)	
CEZ Chorzow B.V.			(1.5)	110.6	(1.5)	110.6
CEZ MH B.V.			(3.9)	> 500	(3.9)	> 500
CEZ Poland Distribution B.V.			(1.6)	212.7	(1.6)	212.7
CEZ Silesia B.V.			(1.2)	115.8	(1.2)	115.8
Transenergo International N.V.			(1.4)	342.1	(1.4)	342.1
Slovak Republic						
CEZ Slovensko, s.r.o.	4,433.1		(4,067.8)	> 500	365.4	
Republic of Hungary						
CEZ Hungary Ltd.	2,371.2	94.7	(2,192.3)	97.7	179.2	68.7
Russian Federation						
CEZ RUS OOO	1.4		(14.9)		(13.1)	
ZAO TransEnergo			(6.2)	41.6	(6.0)	41.5
Serbia						
CEZ Srbija d.o.o.	357.2	239.7	(360.4)	238.7	(2.6)	225.3
Kosovo						
New Kosovo Energy L.L.C.			(8.9)	103.0	(8.7)	103.6
Bosnia and Herzegovina						
NERS d.o.o.			(25.1)	81.3	(25.0)	81.0
CEZ Bosna i Hercegovina d.o.o.			(1.0)		(1.0)	
Ukraine						
CEZ Ukraine CJSC			(5.3)	96.7	(5.1)	97.8

Depreciation and amortization		Net income		Total assets		Equity		Work force head count	
2008 (CZK millions)	Index 2008/2007 (%)	2008 (CZK millions)	Index 2008/2007 (%)	2008 (CZK millions)	Index 2008/2007 (%)	2008 (CZK millions)	Index 2008/2007 (%)	2008 (persons)	Index 2008/2007 (%)
(13,035.3)	104.9	47,117.7	149.9	392,593.4	125.1	154,927.0	103.4	6,196	100.8
(1.8)		4.3		59.7		22.3		12	
(4,284.6)	78.8	3,781.6	102.1	81,821.7	103.9	55,318.4	103.4	1,183	102.6
(473.0)	109.8	361.9	45.6	7,386.4	91.2	5,798.6	92.1	2,211	103.9
(0.4)		9.1		83.1		14.1		17	
(30.3)	> 500	(30.8)	> 500	553.2	124.4	393.9	89.4	383	
(1,291.8)	94.9	1,156.7	210.9	7,366.0	97.7	5,298.8	116.7	599	84.5
(4.0)	210.7	481.2	125.3	1,081.9	109.5	716.9	115.7	200	92.6
(11.0)	96.4	233.4	85.2	780.5	104.8	509.5	98.3	962	99.4
(153.0)	90.9	100.5	90.8	2,481.5	104.8	2,116.4	105.0	97	102.1
(379.1)	99.5	1,190.2	58.4	20,368.6	101.0	6,847.9	87.2	230	103.1
(364.7)	116.1	214.5	65.7	4,406.1	97.1	4,126.0	105.5	285	81.9
(140.5)	89.6	19.7	24.8	2,204.8	105.6	1,775.4	103.7	138	106.2
(0.2)	100.0	294.9	109.0	505.3	77.5	329.4	80.8	858	105.0
		0.6		160.4	147.2	159.2	146.6	1	100.0
(6.4)		44.6		1,681.4		128.1		69	
(17.2)	122.0	17.4	106.6	502.4	140.9	138.8	114.3	623	101.0
(110.8)	122.9	23.5	74.7	553.2	103.4	473.1	105.2	374	101.4
(38.5)	113.1	14.8	60.5	498.8	107.1	379.8	104.0	232	122.1
(6.6)		5.4		394.4		260.2		53	
(7.2)		32.2		153.1		83.4		55	
(1,225.9)	111.9	3,146.1	107.6	32,633.1	103.8	18,569.3	108.3	3,517	100.0
(0.2)	12.4	14.4	171.8	4.5	27.2	3.3			
(4.5)	66.1	363.8		1,064.3	59.1	544.2	301.7	38	11.3
(3.0)	> 500	31.3	44.4	10,623.7	149.9	32.0	45.0	451	> 500
(109.2)	111.5	15.8	17.3	1,802.4	87.3	914.1	101.8	1,040	105.5
		(0.1)	33.5	0.1	367.6	0.1			
(4.2)		(18.9)	166.4	63.8	255.5	17.8		46	> 500
(0.6)	> 500	(8.1)	302.0	268.8	> 500	13.7	120.5	8	
(237.1)	97.1	652.8	41.7	8,056.9	87.1	3,224.6	106.8	132	86.3
(281.0)	122.2	45.9	38.2	5,294.2	96.5	2,992.7	88.9	403	80.8
(43.0)	94.1	2.5	89.3	622.4	75.0	8.2	151.8	791	90.7
	185.7	183.3	90.8	3,109.8	120.2	1,423.0	117.5	68	97.1
				9.6		9.6			
(0.5)	193.0	0.1	11.3	12.2	105.7	1.7	108.1	36	100.0
-		4.8	194.7	243.0	345.6	12.6	170.9	4	100.0
(811.3)	91.3	721.6	94.2	9,477.5	107.5	7,803.4	112.6	2,695	86.8
(358.8)	89.6	(177.3)		7,324.6	103.7	6,348.8	98.2	613	78.1
(718.7)	83.2	866.7	73.0	16,709.6	99.1	13,198.0	97.3	1,864	82.3
(5.8)	83.1	2.1	26.3	242.5	83.2	9.5	79.4	218	63.6
(13.6)	339.8	20.2		143.3	81.3	47.5	184.8	438	74.5
		34.5		112.8	95.0	17.4		3	150.0
		14.0		1,923.1	61.0	200.8	80.0	55	107.8
		(68.8)		521.5		517.7			
		0.5		2.4		0.5			
		(309.0)		3,177.2		2,818.9			
(0.1)	41.3	(2.8)	114.5	44.0	24.1	42.7	94.5		
		6.3		11,624.8		76.8			
		(34.2)		1,101.1	103.1	258.7	88.5		
		(5,542.5)	> 500	17,872.1	> 500	(5,983.4)			
		(0.2)	22.4	2,507.5	216.7	2,358.8	204.0		
		68.3		1,144.4	106.6	1,143.8	106.5		
		0.2		20.4	> 500	1.0	128.9		
(0.1)	> 500	303.3		2,007.3	> 500	239.4		9	128.6
(0.4)	172.9	159.4	76.1	1,261.6	243.3	224.2	435.1	5	166.7
(0.4)		(11.1)		58.3		58.0		7	
(0.2)	44.1	(8.7)	57.9	32.0	>500	16.6		3	75.0
(0.6)	75.4	(7.6)	209.4	126.0	317.4	14.8	131.0	4	100.0
(0.2)	86.2	(8.8)	102.3	6.4	127.7	6.1	128.2	2	100.0
(0.1)		(31.0)	98.2	67.2	58.1	(52.9)	273.1	3	100.0
		(0.6)		20.0		20.0			
(0.2)	72.9	(5.9)	116.0	9.9	194.0	9.8	193.9	1	

Fees Paid by Companies of the CEZ Consolidated Group to External Auditors in 2008 (CZK millions)

	Audit services	Tax consulting	Economic and organizational consulting	Other	Total
ČEZ, a. s.	19.7	16.6	2.0	1.0	39.3
Fully consolidated CEZ Group companies	44.9	4.6	12.0	6.6	68.1
CEZ Group, total	64.6	21.2	14.0	7.6	107.4

CEZ Group External Audit Firms

CEZ Group company	Audit firm
ČEZ, a. s.	Ernst & Young Audit, s.r.o.
CEZ Bosna i Hercegovina d.o.o.	"EFRevizor" d.o.o.
	Ernst & Young Audit, s.r.o.
CEZ Bulgaria EAD	Ernst & Young Audit OOD
CEZ Deutschland GmbH	Ernst & Young AG, München
CEZ Distributie S.A.	Ernst & Young SRL
	KPMG ROMANIA SRL
	PRICE WATERHOUSE COOPERS
	DELOITTE CONSULTANTA SRL
CEZ Elektro Bulgaria AD	Ernst & Young Audit OOD
CEZ Hungary Ltd.	Ernst & Young Könyvvizsgáló Kft.
CEZ Laboratories Bulgaria EOOD	Ernst & Young Audit OOD
CEZ MH B.V.	Ernst & Young Accountants LLP
CEZ Poland Distribution B.V.	Ernst & Young Accountants LLP
CEZ Razpredelenie Bulgaria AD	Ernst & Young Audit OOD
CEZ Romania S.R.L.	Ernst & Young SRL
CEZ Srbija d.o.o.	Ernst & Young Beograd d.o.o.
CEZ Servicii S.A.	Ernst & Young SRL
	KPMG ROMANIA SRL
CEZ Silesia B.V.	Ernst & Young Accountants LLP
CEZ Trade Bulgaria EAD	Ernst & Young Audit OOD
CEZ Trade Romania S.R.L.	Ernst & Young SRL
CEZ Ukraine CJSC	Ernst & Young Audit Services LLC
CEZ Vanzare S.A.	Ernst & Young SRL
	GDV AUDIT CONSULT SRL
	KPMG ROMANIA SRL
ČEZ Distribuce, a. s.	Ernst & Young Audit, s.r.o.
ČEZ Distribuční služby, s.r.o.	Deloitte Advisory s.r.o.
	Ernst & Young Audit, s.r.o.
ČEZ Energetické služby, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ ICT Services, a. s.	Ernst & Young Audit, s.r.o.
ČEZ Logistika, s.r.o.	Ernst & Young Audit, s.r.o.
	CSA, spol. s r. o.
ČEZ Měření, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Prodej, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Správa majetku, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Teplárenská, a.s.	Ernst & Young Audit, s.r.o.
ČEZ Zákaznické služby, s.r.o.	Ernst & Young Audit, s.r.o.
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Ernst & Young Audit sp. z o.o.
Elektrownia Skawina S.A.	Ernst & Young Audit sp. z o.o.
M.W. Team Invest S.R.L.	ELF Expert SRL
	Ernst & Young SRL
New Kosovo Energy L.L.C.	Ernst & Young Audit & Advisory s.r.o. člen koncernu
NERS d.o.o.	Ernst & Young Audit, s.r.o.
Ovidiu Development S.R.L.	ELF Expert SRL
	Ernst & Young SRL
PPC Úžín, a.s.	KEPS, s.r.o.
PRODECO, a.s.	NEXIA Prague a.s.

CEZ Group company	Audit firm
SD - 1.strojírenská, a.s.	NEXIA Prague a.s.
	Bureau Veritas Certification Czech republic, s.r.o.
	SVV Praha s.r.o.
	DOM-ZO 13, s.r.o.
SD - Autodoprava, a.s.	NEXIA Prague a.s.
SD - KOMES, a.s.	AUDICO s.r.o.
SD - Kolejová doprava, a.s.	NEXIA Prague a.s.
SD - Rekultivace, a.s.	AUDIT PLUS s.r.o. (NEXIA PRAGUE A.S.)
Severočeské doly a.s.	Ernst & Young Audit, s.r.o.
ŠKODA PRAHA a.s.	Ernst & Young Audit, s.r.o.
	Euro-Trend, s.r.o.
ŠKODA PRAHA Invest s.r.o.	Ernst & Young Audit, s.r.o.
	Euro-Trend, s.r.o.
TEC Varna EAD	Ernst & Young Audit OOD
Tomis Team S.R.L.	Ernst & Young SRL
	ELF Expert SRL
Transenergo International N.V.	Ernst & Young Accountants LLP
Ústav jaderného výzkumu Řež a.s.	AUDIT PLUS s.r.o.
	TÜV NORD Czech, s.r.o.
	PKM Audit & Tax s.r.o.
ZAO TransEnergo	Limited Liability Company 'Radde'

CEZ Consolidated Group as of December 31, 2008

ČEZ, a. s.

- 100% CEZ Ciepło Polska sp. z o.o.
- 100% CEZ Deutschland GmbH
- 100% CEZ Finance B.V.
- 100% CEZ Hungary Ltd.
- 100% CEZ MH B.V.
- 100% CEZ Trade Romania S.R.L.
- 100% CEZ Srbija d.o.o.
- 100% CEZ Silesia B.V.
  - 100% CEZ Chorzow B.V.
    - 75.2% Elektrociepłownia Chorzów ELCHO sp. z o.o.
- 100% CEZ Slovensko, s.r.o.
- 100% CEZ Trade Polska sp. z o.o.
- 100% ČEZ Distribuce, a. s.
- 100% ČEZ Distribuční služby, s.r.o.
- 100% ČEZ Energetické produkty, s.r.o.
- 100% ČEZ Energetické služby, s.r.o.
- 100% ČEZ Logistika, s.r.o.
- 100% ČEZ Měření, s.r.o.
- 100% ČEZ Obnovitelné zdroje, s.r.o.
- 100% ČEZ Prodej, s.r.o.
- 100% CEZ Trade Bulgaria EAD

- 100% ČEZ Správa majetku, s.r.o.
- 100% ČEZ Teplárenská, a.s.
  - 100% ALLEWIA leasing s.r.o.
- 100% ČEZ ICT Services, a. s.
- 100% CEZ Polska sp. z o.o.
- 100% ČEZ Zákaznické služby, s.r.o.
- 100% PPC Úžín, a.s.
- 100% STE - obchodní služby spol. s r.o. in liquidation
- 100% ŠKODA PRAHA a.s.
- 100% ŠKODA PRAHA Invest s.r.o.
- 52.5% Ústav jaderného výzkumu Řež a.s.
- 100% Severočeské doly a.s.
  - 100% SD - 1.strojírenská, a.s.
  - 100% SD - Autodoprava, a.s.
  - 100% SD - Kolejová doprava, a.s.
  - 100% SD - Rekultivace, a.s.
  - 92.7% SD - KOMES, a.s.
  - 100% PRODECO, a.s.
  - 20% Coal Energy, a.s.
- 20% Coal Energy, a.s.
- 51.1% LOMY MOŘINA spol. s r.o.
- 50% CM European Power International B.V.
  - 100% CM European Power International s.r.o.

- 100% CEZ Poland Distribution B.V.
  - 99.9% Elektrownia Skawina S.A.
- 95% Ovidiu Development S.R.L. (5%)
- 95% Tomis Team S.R.L. (5%)
  - 100% M.W. Team Invest S.R.L.
- 100% CEZ Laboratories Bulgaria EOOD
- 67% CEZ Razpredelenie Bulgaria AD
- 100% CEZ Romania S.R.L.
- 100% CEZ RUS OOO
- 51% CEZ Servicii S.A.
- 100% CEZ Bulgaria EAD
- 51% CEZ Distributie S.A.
- 67% CEZ Elektro Bulgaria AD
- 100% CEZ Ukraine CJSC
- 51% CEZ Vanzare S.A.
- 51% NERS d.o.o.
- 100% New Kosovo Energy L.L.C.
- 100% TEC Varna EAD
- 67% Transenergo International N.V.
  - 100% ZAO TransEnergo
- 100% CEZ Bosna i Hercegovina d.o.o.
- 100% CEZ Elektroproizvodstvo Bulgaria AD
- 50% Akcez Enerji A.S.

- parent company
- subsidiary in Central Europe Segment
- subsidiary in Southeastern Europe Segment
- associate

% indicates Controlling Entitiy's stake in the company's stated capital.

CEZ Group – Segments as at 31 December 2008

The companies of the CEZ Consolidated Group are classified into two geographical segments according to where their assets are located:

- Central Europe Segment,
- Southeastern Europe Segment.

According to the character of their principal businesses, we further classify the companies into the business segments Power Production & Trading, Distribution & Sale, Mining, and “Other”.

Central Europe Segment

Power Production & Trading
ČEZ, a. s.
ALLEWIA leasing s.r.o.
CEZ Ciepło Polska sp. z o.o.
CEZ Deutschland GmbH
CEZ Finance B.V.
CEZ Hungary Ltd.
CEZ Chorzow B.V.
CEZ MH B.V.
CEZ Poland Distribution B.V.
CEZ Silesia B.V.
CEZ Slovensko, s.r.o.
CEZ Srbija d.o.o.
CEZ Trade Bulgaria EAD
CEZ Trade Polska sp. z o.o.
CEZ Trade Romania S.R.L.
ČEZ Energetické produkty, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ Teplárenská, a.s.
Elektrociepłownia Chorzów ELCHO sp. z o.o.
Elektrownia Skawina S.A.
PPC Úžín, a.s.
Coal Energy, a.s.*)
CM European Power International B.V. *)
CM European Power International s.r.o. *)

Distribution & Sale
ČEZ Distribuce, a. s.
ČEZ Prodej, s.r.o.

Mining
Severočeské doly a.s.
LOMY MOŘINA spol. s r.o. *)

Other
CEZ Polska sp. z o.o.
ČEZ Distribuční služby, s.r.o.
ČEZ Energetické služby, s.r.o.
ČEZ ICT Services, a. s.
ČEZ Logistika, s.r.o.
ČEZ Měření, s.r.o.
ČEZ Správa majetku, s.r.o.
ČEZ Zákaznické služby, s.r.o.
PRODECO, a.s.
SD - 1.strojírenská, a.s.
SD - Autodoprava, a.s.
SD - KOMES, a.s.
SD - Kolejová doprava, a.s.
SD - Rekultivace, a.s.
STE - obchodní služby, spol. s r.o. in liquidation
ŠKODA PRAHA a.s.
ŠKODA PRAHA Invest s.r.o.
Ústav jaderného výzkumu Řež a.s.

Southeastern Europe Segment

Power Production & Trading
CEZ Elektroproizvodstvo Bulgaria AD
NERS d.o.o.
TEC Varna EAD
Transenergo International N.V.
ZAO TransEnergo
Ovidiu Development S.R.L.
M.W. Team Invest S.R.L.
Tomis Team S.R.L.

Distribution & Sale
CEZ Distributie S.A.
CEZ Elektro Bulgaria AD
CEZ Razpredelenie Bulgaria AD
CEZ Vanzare S.A.
Akcez Enerji A.S. *)

Other
CEZ Bosna i Hercegovina d.o.o.
CEZ Bulgaria EAD
CEZ Laboratories Bulgaria EOOD
CEZ Romania S.R.L.
CEZ RUS OOO
CEZ Servicii S.A.
CEZ Ukraine CJSC
New Kosovo Energy L.L.C.

*) Associate

Risk Management at CEZ Group

CEZ Group continued to develop the integrated risk management system with the objective of increasing the value of CEZ Group while taking on an acceptable level of risk.

In 2008, medium-term risk management was standardized and an EBITDA-at-Risk model was created based on a MonteCarlo simulation, which enables us to:

- measure the financial impact of principal market risks over the next three years,
- decide on acquisitions and investments in the context of CEZ Group's overall approach to risk as well as its realistic debt capacity, including an objective safety margin for a potential shortfall in operating cash flow,
- actively manage the extent to which future cash flows are fixed, thereby minimizing the risk that ČEZ's fundamental value will be threatened as well as the risk that we will be unable to meet our external obligations,
- methodologically interconnect the surplus cash investment strategy with the CEZ Group Business Plan.

At the same time as the CEZ Group budget, we approve the CEZ Group budget's aggregate risk limit (Profit at Risk), which together with the total budget figure expresses CEZ Group's approach to risk in the given year. The Risk Committee regularly allocates this limit among CEZ Group's various operations.

CEZ Group uses a unified risk categorization focusing on the primary causes of unexpected developments. Under this system, risks are divided into four basic categories:

1. Market risks

In the trading area, commodity risks affecting trade in electricity, emission allowances and, since 2008, gas and black coal as well, are centrally managed and uniformly quantified. 2008 saw the formulation of a standardized strategy of sliding electricity sales for the next three years, as well as the stipulation of a strategy for managing CEZ Group's overall CO_2 position in the context of the NAP III allocation period, with the objective of managing EUA price risk.
In the finance area, currency and interest rate risk was hedged internally using managed balancing of operating, capital, and financial flows denominated in foreign currencies as well as through standard financial instruments in accordance with CEZ Group risk limits. 2008 saw the formulation of a standardized strategy of gradual hedging of currency risks over the medium term.
In 2008 the list of regularly monitored risks was expanded to include stock (equity) risk. As a result of the exceptionally negative developments in equity markets and our successful strategy of managing currency and commodity risks, the overall impact of market risk factors on CEZ Group financial performance in 2008 was neutral.

2. Credit risk

Credit risk linked to trading and financing counterparties is managed by setting individual limits, and a number of *ad hoc* measures were taken in the second half of the year to address the financial crisis. In 2008, no loss was sustained due to credit risk associated with Trading and Treasury counterparties. In the area of end customer credit risk, which is managed via payment terms set on the basis of the customer's internally determined credit, 2008 brought slightly above-average losses. These, however, did not exceed the limits allocated to these risks out of the overall CEZ Group risk limit.

3. Operational risk

CEZ Group is subject to various operational risks. For example, the risk that the actual output of nuclear and Czech coal-fired power plants will deviate from the current plant use plan is quantified monthly in a unified manner including quantification of their weighting in the overall CEZ Group risk limit. Other material operational risks including integration of international equity stakes into CEZ Group and implementation of the power plant portfolio renewal project, i.e. in particular the upgrade of coal power plants in the Czech Republic.

4. Business risk

As before, the most important business risks are those associated with M&A expansion in foreign countries and the building of new power plants. As the crisis in the world's financial and capital markets deepened, there was a negative impact on the value of companies. This led to growth in acquisition opportunities and, at the same time, lower overall availability/affordability of financing. In the area of regulatory and legislative risks, there was another change in the rules for regulation of emission allowances in the NAP III period in Europe and for regulation of other emissions within the territory of the Czech Republic.

Insurance in CEZ Group

ČEZ, a. s. is developing an insurance program that is gradually being rolled out in its integrated subsidiaries as well. The program's main elements are as follows:

- insurance against liability for nuclear damage covering both Dukovany and Temelín Nuclear Power Stations and complying with conditions laid down by the Nuclear Act. Both insurance contracts are for the statutory limit of CZK 1.5 billion. We are also insured against liability for nuclear damage arising out of the conveyance of fresh nuclear fuel to both nuclear power plants, up to a limit of CZK 200 million. The insurer is Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool;
- property insurance for the nuclear power plants covering natural hazard and machinery risks, including the risk of a nuclear accident. During the years 2007–2008, this insurance contract was renegotiated with the result that we obtained more advantageous price terms and, at the same time, improved coverage compared to past years. The insurers are Česká pojišťovna a.s. (representing the Czech Nuclear Insurance Pool) and the European Mutual Association for Nuclear Insurance;
- property insurance for the coal-fired and hydro power plants providing insurance coverage against natural hazards and machinery risk;
- the principles of comprehensive construction-installation insurance contracts, including coverage of lost profits in the event of construction delays, applies to projects for renewing the ČEZ, a. s. portfolio of coal-fired power plants;
- property insurance for selected ČEZ, a. s. subsidiaries;
- property insurance covering the assets of ČEZ Distribuce, a. s., including insurance of distribution power lines;
- general third-party liability insurance that covers companies of CEZ Group against financial losses that may arise from damages sustained by third parties relating to the company's operating activities and/or resulting from a defective product;
- statutory and supervisory board liability insurance covering the statutory and supervisory board members of the Company as well as those of selected subsidiaries.

Subsidiaries in the Republic of Bulgaria carry property insurance, general third-party liability insurance, and insurance against occupational injuries and illnesses, in compliance with the provisions of licenses for the generation and distribution of electricity.
In Romania, construction-installation insurance was taken out in conjunction with the Fântânele Wind Farm project. The insurance covers the possibility of the investor losing profits as a result of construction delays.
In Poland, insurance of the Chorzów Power Station was renegotiated. As a result, more advantageous conditions were obtained in comparison with the previous insurance contract.
For other companies, regions, and risks, we are gradually applying CEZ Group standards in line with the development of the CEZ Group insurance program and in compliance with applicable legislation.

Safety and Quality Management at CEZ Group

The safety and quality management system is an integral part of CEZ Group management, and it is implemented, maintained, and assessed by top management as an integrated management system. In nuclear power plant operations in particular, the quality and safety management system is given top priority.
The management system complies with both the generally recognized criteria of ISO standards (ISO 9001, ISO 14001 and OHSAS 18001) and with the specific recommendations of the International Atomic Energy Agency. The quality and safety management system is overseen by the State Office for Nuclear Safety and, in the nuclear operations area, it is in compliance with the requirements of Act No. 18/1997 Sb. and its implementing regulations.

By way of stipulating top-priority objectives in the area of quality and safety, the Board of Directors of ČEZ, a. s. issues the Safety and Environmental Policy and the Quality Policy, and specific targets are set to ensure their fulfillment. In this document, the Board of Directors has pledged to create and develop conditions and sufficient human and financial resources, effective management structures, and control mechanisms to ensure fulfillment of its responsibilities to ensure:

- safety of the Company's generating facilities,
- protection of individuals and the general public,
- protection of the environment,
- quality.

The Policy also includes a pledge to continually increase the culture of safety. To this end, periodic safety culture surveys are conducted using IAEA, WANO, and INPO methodologies. The latest survey, conducted in late 2008 with the active contribution of over 2,000 ČEZ employees, showed an ongoing high level of safety culture indicated by a satisfaction index of 4.6 on a scale of 1 to 6 (best). Satisfaction prevailed in the areas of strategy, objectives, clear responsibilities, and knowledge of safety risks. Certain minor areas were found, however, that ČEZ, a. s. will continue to improve.
Another measure specifically designed to fulfill the Board of Directors' pledge is the arrangement for an external assessment of both the maintenance of the certified ISO 14001-compliant Environmental Management System and participation in the Safe Enterprise program, whose content meets the requirements of the OHSAS 18001 standard. The Dukovany and Temelín Nuclear Power Stations as well as the coal and hydro power stations are certified for ISO 14001 compliance and hold certificates on implementation of an occupational safety and health management system in accordance with the requirements of ILO-OSH and OHSAS 18001.
Another measure is the ongoing implementation of the "Integrated Management System" project, which includes the goal of modifying the ČEZ, a. s. management system to bring it into compliance with ISO 9001. One of the outputs of this project is a self-evaluation and analysis report on the state of the integrated management system in the nuclear operations area and an implementation plan containing improvement measures.
December 2008 saw the completion, at Varna Power Station, of an audit for recertification of the integrated system for monitoring quality, environmental protection, health and work conditions in accordance with the ISO 900001:2001, 140014:2004 and OHSAS 1801:1999 (1:2002) standards. The certificate has been extended for another three years.
Certain CEZ Group companies also hold certificates of compliance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. The objective is full harmonization of the CEZ Group management system with these standards wherever appropriate.

ISO 14001:2004

In order to protect the environment, ČEZ, a. s. has implemented an Environmental Management System (EMS). Compliant with the ISO 14001:2004 international standard, it is based on the principle of prevention and continual improvement in the environmental protection area.

The issue of sustainable development and taking a responsible approach to the environment are among the main management principles within CEZ Group. With interest, we follow the development of technology and search its results for answers to the challenges posed by the imperative of protecting nature.

ČEZ, a. s. Internal Control Mechanisms

Internal Audit

The Internal Audit Section of ČEZ, a. s. is independent of the Company's executive management. It reports directly to the Company's Board of Directors in addition to sending the results of its audits to the Audit Committee of the ČEZ, a. s. Supervisory Board as well as to the statutory bodies of relevant subsidiaries within CEZ Group. The Director of the ČEZ, a. s. Internal Audit Section has direct access to meetings of the Board of Directors, which he attends, and as a guest he also attends meetings of the Safety Committee, the Risk Committee, and the Development Committee. The Section's independence has been verified by an external assessment of internal audit quality conducted in 2006 under the Internal Audit Professional Practices Standards and confirmed in 2008 by our own internal assessment using the same methodology.

The internal audit activity plan is compiled on the basis of an assessment of the risk inherent in individual processes. This assessment utilizes suggestions provided by CEZ Group executives and integrates follow-up audits. In total, 49 audits were conducted in 2008, 21 in ČEZ, a. s. and 28 in subsidiaries, including international subsidiaries.

Audits in subsidiaries are conducted by the Internal Audit Section of ČEZ, a. s. on the basis of a contractual relationship. Certain companies of CEZ Group have their own internal audit departments (ČEZ Distribuce, a. s., Severočeské doly a.s., as well as independent audit departments in Bulgaria and Romania), with which activities are coordinated.

Audits are conducted in three phases: preparation, fact-finding, and concluding, and last 5–8 weeks.

The result of each audit is a Concluding Report, in which all objective findings are set forth (and documented) and, where shortcomings are found, recommendations are formulated. Concluding Reports and other audit results are discussed with the managements of the audited companies, who subsequently work up remedial measures.

The Internal Audit Section conducts follow-up audits to verify the effectiveness of remedial measures in resolving shortcomings. In the event of serious shortcomings or shortcomings whose resolution surpasses the competence of the given unit or subsidiary, the Internal Audit Section informs the Board of Directors of ČEZ, a. s., which passes resolutions as needed to correct the shortcomings. On a quarterly basis, the Board of Directors and the Audit Committee of the Supervisory Board of ČEZ, a. s. are informed on the results of audit activity in general, including any modifications to the work plan.

Comment Proceedings on Important Documents Approved by the Board of Directors of ČEZ, a. s.

Materials discussed by the Board of Directors are subject to comment proceedings on their substance (if they concern or propose tasks for multiple sections or divisions), after which they are assessed in a general fashion by the Legal and Internal Audit Sections (in terms of general legal risks and compliance with laws and regulations, the Articles of Association, the ČEZ, a. s. Signing Rules, and the Company's relevant internal processes and guidelines). Material comments are typically integrated into the relevant materials and/or draft resolutions, while general comments are made available to the Board of Directors in advance and subsequently taken into account at the relevant meeting of the Board of Directors.

Before the meeting, the Legal and Internal Audit Sections prepare position statements which they submit to the individual members of the Board of Directors. A manager from the Legal Section is present at the meeting to provide legal advice to members of the Board of Directors.

Vetting of Large Financial Outlays for Acquisitions and Investments

Prior to the realization of each large investment and/or acquisition, the plan goes through at least four levels of checks and assessments.

All relevant Company units are involved, either directly or through comment proceedings, in the preparation of large investment and/or acquisition projects. A unified methodology is used to evaluate the project (according to a unified set of assumptions) and to assess its risks. Prior to being discussed in the Board of Directors, the project is typically evaluated by the Development Committee or other advisory body and also undergoes standard comment proceedings for materials submitted to the Board of Directors for approval.

Under Section 19(9) of the ČEZ, a. s. Articles of Association, consent of the Supervisory Board is required for investments of more than CZK 500 million. Prior to discussion in the Supervisory Board, the investment proposal is examined in detail by the Supervisory Board's Strategic Planning Committee, which submits its recommendation to the Supervisory Board.

For the plant portfolio renewal program, which consists of projects totaling tens of billions of Czech Korunas, a process-based management model has been adopted. This model defines responsibilities, powers, and obligations of CEZ Group units involved in the individual projects throughout their entire duration. Two versions of the model have been worked out, one for projects that take place in the Czech Republic, and another for international projects in which the investor is ČEZ, a. s., a 100% subsidiary, or a joint venture.

A fundamental aspect of the approved model is the defining of milestones marking the completion and enabling the verification of each phase of the relevant plant's construction or comprehensive renewal and defining the starting conditions for the next phase. Each milestone has clearly defined conditions for the project's transition into the next phase as well as clearly defined approval authority (Chief Operating Officer, Chief Executive Officer, Board of Directors, Supervisory Board). This enables precise project management with a high degree of flexibility in relation to internal and external factors that affect the progress and value of every project.

Like every process-based model, this one also includes outputs for controlling the project. At each milestone, the project's immediate economic parameters are assessed and a binding budget is defined for the next phase. The data are regularly submitted in aggregated form to the Board of Directors and Supervisory Board of ČEZ, a. s.

CEZ Group Capital Expenditures

CEZ Group Investment

In 2008, CEZ Group invested a total of CZK 46,271 million in capital projects.

Capital Expenditure, by Area (CZK millions)

Area	Central Europe		Southeastern Europe		Total	
	2007	2008	2007	2008	2007	2008
Nuclear energy	4,941	4,023			4,941	4,023
Coal and CCGT power plants	8,965	14,074	45	21	9,010	14,095
of which: retrofits	6,439	8,278	45		6,484	8,278
new-build	2,373	4,809			2,373	4,809
other	153	987		21	153	1,008
Renewables	292	293		10,568	292	10,861
Distribution of electricity	6,899	8,483	2,743	1,292	9,642	9,775
Generation and distribution of heat	176	50			176	50
Mining of raw materials	1,300	3,250			1,300	3,250
Environmental	677	414			677	414
Information systems	2,351	1,398	120	97	2,471	1,495
Waste management	205	84			205	84
Other	1,597	1,658	355	566	1,952	2,224
Total	27,403	33,727	3,263	12,544	30,666	46,271

The most significant CAPEX projects this year were the construction of wind power plants in Romania, distribution grid upgrades, and refurbishment of power plants outside of the Czech Republic.

Additions to Property, Plant and Equipment and Other Non-current Assets, Including Capitalized Interest (CZK millions)

	2007	2008
Additions to property, plant and equipment	28,810	45,136
of which: nuclear fuel	2,034	2,519
Additions to intangibles	1,856	1,135
Additions to long-term financial assets	3,048	2,610
Change in balance of liabilities attributable to capital expenditure	352	(2,695)
Total	34,066	46,186

The year-on-year change in liabilities for property, plant and equipment is attributable to liabilities relating to the construction of a wind farm in Romania (CZK 2.4 billion).

CEZ Group National and World Records

The highest building in the Czech Republic, a 470-foot (143.5-meter) high boiler room, is being built in the Ledvice Power Station in North Bohemia.

Tušimice Power Station has the longest coal conveyor belt in the world. It was commissioned in the recent upgrade of the plant. At over 1,968 feet (600 meters) in length, it exceeds a similar installation in the sea port of Singapore by a full 328 feet (100 meters).

CEZ Group – Electricity Procured and Supplied

Electricity Procured and Supplied by CEZ Group (GWh)

	2007	2008	Index 2008/2007 (%)
Electricity procured			
Generated in-house (gross)	73,793	67,595	91.6
In-house consumption, including pumping in pumped-storage plants	(6,762)	(6,182)	91.4
Supplied to customers	67,031	61,413	91.6
Purchased for distribution and sale	19,478	18,996	97.5
Electricity procured, total	86,509	80,409	92.9
Electricity consumed			
Sold to end customers	41,217	41,230	100.0
of which: sold to end customers in CEZ Group, including sales to cover grid losses	2,593	2,533	97.7
Sold in the wholesale market (net)	39,528	33,439	84.6
Sold outside of CEZ Group	76,031	94,001	123.6
Purchased outside of CEZ Group	(36,503)	(60,562)	165.9
Grid losses	5,764	5,739	99.6
Electricity consumed, total	86,509	80,409	92.9

Electricity Procured and Supplied by CEZ Group in Central Europe (GWh)

	2007	2008	Index 2008/2007 (%)
Electricity procured			
Generated in-house (gross)	70,058	63,985	91.3
In-house consumption, including pumping in pumped-storage plants	(6,449)	(5,867)	91.0
Supplied to customers	63,609	58,118	91.4
Purchased for distribution and sale	4,174	3,547	85.0
Electricity procured, total	67,783	61,665	91.0
Electricity consumed			
Sold to end customers	29,301	29,174	99.6
of which: sold to end customers in CEZ Group, including sales to cover grid losses	2,578	2,285	88.6
Sold in the wholesale market (net)	35,446	29,515	83.3
Sold outside Central Europe	71,530	89,014	124.4
Purchased outside Central Europe	(36,085)	(59,499)	164.9
Grid losses	3,037	2,976	98.0
Electricity consumed, total	67,784	61,665	91.0

Electricity Procured and Supplied by CEZ Group in Southeastern Europe (GWh)

	2007	2008	Index 2008/2007 (%)
Electricity procured			
Generated in-house (gross)	3,735	3,610	96.7
In-house consumption, including pumping in pumped-storage plants	(313)	(315)	100.6
Supplied to customers	3,421	3,295	96.3
Purchased for distribution and sale	15,304	15,449	100.9
Electricity procured, total	18,725	18,744	100.1
Electricity consumed			
Sold to end customers	11,916	12,056	101.2
of which: sold to end customers in CEZ Group, including sales to cover grid losses	15	248	> 500
Sold in the wholesale market (net)	4,082	3,924	96.1
Sold outside Southeastern Europe	4,082	3,925	96.1
Purchased outside Southeastern Europe		(1)	
Grid losses	2,727	2,764	101.4
Electricity consumed, total	18,725	18,744	100.1

Strategic Objectives of CEZ Group

CEZ Group's vision remains: to be the leader in the power market of Central and Southeastern Europe. To fulfill its strategic objectives, in 2004 CEZ Group commenced implementing a series of initiatives with the goal of:

1. renewing the portfolio of power plants,
2. building a strong position in the markets of Central and Southeastern Europe through M&A expansion and construction of new generating facilities,
3. maintaining a strong position in target markets and achieving operational excellence.

Plant Portfolio Renewal and M&A Expansion

M&A expansion and plant portfolio renewal are affected by the European Union's environmental packages adopted in 2008 to reduce CO_2 emissions. In this respect, CEZ Group's objective is to reduce the CO_2 emission factor by over 40% through:

- construction of CCGT power plants,
- development of nuclear energy through active participation in tenders to build nuclear power plants abroad,
- cautious investments in coal power plants, but only those that offer a major cost advantage,
- reductions in CO_2 emissions and investments in JI/CDM,
- investments in renewable sources of energy.

In the Czech Republic, CEZ Group continues to implement its program of renewing brown coal power plants (projects in Tušimice, Prunéřov and Ledvice). In accordance with the plant diversification strategy, the Group is also preparing a project to build CCGT installations in Úžín and Počerady. By optimizing the plant portfolio, ČEZ, a. s. is responding to reductions in brown coal extraction volume in the Czech Republic.

The interruption of supplies of natural gas to European countries through Ukraine from 7 January 2009 to 20 January 2009 did not affect CEZ Group's interest in building gas-fired power plants. We still see potential for gas plant projects. Even now, ČEZ is considering its supply diversification strategy. We will not rely on a single source that could prove to be problematic in the future.

In the construction of CCGT power plants, CEZ Group strengthened its international position through successful ongoing preparation to build CCGT power plants in a joint venture with MOL and commencement of preparatory work on CCGT power plant projects in Poland (Skawina) and Bulgaria (Varna). ČEZ, a. s. won a tender to build a new CCGT power plant in Galați (Romania).

In the nuclear power segment, ČEZ, a. s. was selected as the strategic partner for construction of a nuclear power plant in Jaslovské Bohunice, Slovakia. The Company was also selected in a tender to be one of the investors in the Cernavodă Nuclear Power Station construction project in Romania.

In distribution, ČEZ, a. s. won tenders for distribution companies in Albania and Turkey. In Turkey, in cooperation with our partner there, Akenerji, it develops projects to build CCGT and coal-fired power plants. Currently, Akenerji is also building hydro power plants.

In renewable sources of energy, CEZ Group is building a 600 MW wind park in Romania. When completed, this project, consisting of the Fântânele and Cogealac wind farms, will be the largest landlying wind park in Europe and will give ČEZ, a. s. a 30% share of the renewable energy sources market in Romania.

The Efektivita Program

In 2007 we commenced the Efektivita Program, which is tasked with increasing performance, improving the cost effectiveness of key processes, and thereby making CEZ Group one of the most effective power utilities in Europe by 2012. The Efektivita Program consists primarily of eight key projects, each of which is designed to make a major contribution to improved operations in CEZ Group:

- Transformation of ICT
- Streamlined Corporation
- The Customer
- Best Practices in Distribution
- Integration of International Holdings
- Safely 15 TERA – Temelín Nuclear Power Station
- Safely 16 TERA – Dukovany Nuclear Power Station
- Extending the Operational Life of Dukovany Nuclear Power Station (from January 2009).

All projects and development initiatives are progressing according to the approved timelines. In 2008, the first major positive effects of the individual projects within the Efektivita Program began to appear. Substantial benefits were realized, for example, in streamlining headquarters organization and operation, provision of ICT services to customers, optimizing the distribution function, approach to customers, integration of international equity holdings, and optimizing of nuclear power plant safety and output. The Efektivita Program's contribution to the EBITDA indicator was quantified at CZK 88.2 billion through the year 2013 and this figure is now reflected in the long-term business plan. In 2008 the Efektivita Program contributed CZK 3.7 billion to EBITDA.

The objective of the Transformation of ICT project is to roll out a cost-effective model for managing and providing information and telecommunication (ICT) services in CEZ Group. As of 1 October 2008 there is a single provider of information and telecommunication services – ČEZ ICT Services, a. s. – for the entire CEZ Group . As part of the Transformation of ICT project, a new Group-wide ICT management model has been implemented, an opportunity management process has been set up, and an ICT Sourcing Strategy has been formulated for potential outsourcing of selected ICT components.

The Streamlined Corporation project focuses on two basic areas: optimizing the CEZ Group management model and saving on administrative overhead expenses. One of the most important across-the-board changes initiated by the project in 2008 was a reorganization that reduced the number of management levels and substantially decreased the total number of sections at ČEZ headquarters. This brought the management structure of ČEZ, a. s. into line with best practices and parameters standard for comparable international corporations. In addition to optimizing the number of employees involved in providing support and shared services, the Streamlined Corporation project introduced new policies and standards. Over the long term, these mechanisms are expected to enable effective control and management of selected administrative overhead expense items within CEZ Group.
The Customer Project, the objective of which is to make CEZ Group one of the best corporations in terms of customer services, reaffirms the importance of ensuring that the entire CEZ Group is customer-oriented. The aim is to streamline and optimize internal procedures and processes, implement customer service best practices, and set high standards of behavior and communication. As demonstrated by customer satisfaction surveys conducted by outside agencies, 2008 brought an improvement in the quality of customer service in the retail segment, thanks to measures implemented in the Customer Project and other factors.
The Best Practices in Distribution Project achieved its economic goals in 2008. We optimized the process of making decisions on whether to implement capital expenditure projects to take into account their economic effectiveness, refined technical policies for individual areas of the distribution grid, and improved the system for standardizing components and materials used in the distribution grid. We have prepared and are now rolling out optimized distribution grid operation, maintenance, and electricity metering procedures.
The principal objectives of the Integration of International Holdings Project is full integration of international equity stakes into standard CEZ Group structures and process optimizing. Currently being integrated are holdings in Bulgaria, Romania, and Poland. In the course of 2008 we succeeded in implementing a geographic model for managing international holdings. A number of measures were taken, which led to increased internal effectiveness and optimizing of processes in the areas of distribution, customer processes, sales, and support processes.

The Safely 15 TERA – Temelín Nuclear Power Station project is designed to stabilize Temelín Nuclear Power Station, both technically and as an organization, with the objective of improving selected safety indicators there, up to levels seen among the top quarter of the world's nuclear power plants, and to produce 15 TWh of electricity in 2012 with the assumption that this value will be met or even exceeded in subsequent years. Important steps taken in 2008 included addressing issues with safety envelopes and conducting equipment reliability analyses. Furthermore, a number of capital expenditure projects were implemented to extend the intervals between "long" outages from four to six years – the most important of these were: replacement of accident flash protectors in 6 kV substations, back-up power to cover in-house electricity consumption, and the commencement of an upgrade of fuel loading machinery on Unit 1 of Temelín Nuclear Power Station. In addition to technical projects, we set the parameters of a program for improving the quality of human performance, prepared a knowledge management project and began implementing it. Another important project is preparation for transition to a new nuclear fuel supplier in 2010/2011.
The objective of the Safely 16 TERA – Dukovany Nuclear Power Station project is to increase the plant's electricity output to 16 TWh/year starting in 2013 while maintaining the current level of safety. This effect will be achieved by reducing outages for refueling and increasing the output of the plant's reactor units. Increased output will be achieved by making modifications to the main generating equipment to take advantage of the plant's design potential. So far at Dukovany Nuclear Power Station, we have completed an upgrade of low-pressure turbine components (with Unit 2 the last to undergo reconstruction). In this manner, the output of all four reactor units was increased to the current level of 456 MW. In addition, planned outages were completed in a shorter time than planned.
The Extending the Operational Life of Dukovany Nuclear Power Station project is investigating ways to operate Dukovany Nuclear Power Station after 2015. The three scenarios being considered would extend the plant's operating life by 10, 20, and 30 years, respectively.
In 2009 the Efektivita Program will continue to implement planned measures in its respective projects, and is expected to contribute up to CZK 7.3 billion to EBITDA. Substantial positive benefits will be realized primarily through the ongoing optimizing of support and shared services, standardization of internal processes and services, improvements in the provision of ICT services to customers, optimizing the distribution function, ongoing integration of international holdings, and optimizing nuclear power plant safety and performance. The Efektivita Program is not only the long-term strategic direction that CEZ Group wants to move in and a tool for managing optimizing activities; it is also an approach for continually increasing effectiveness by uncovering latent potential in the organization.

Compared to other resources, the sun's energy is little utilized; CEZ Group was the first in the Czech Republic to begin using solar energy to generate electricity.

110 kWh

of electricity per year from one square meter

Currently, using photovoltaic panels it is possible to obtain 110 kWh of electricity per year from just one square meter of active panel area.

An example of an installation using photovoltaic panels is the first Czech solar power plant, with installed capacity of 10 kW and a total effective area of 75 m^2. It is located inside the Dukovany Nuclear Power Station compound.

CEZ Group Operations in the Czech Republic

Business Environment in the Power Sector

The Czech electricity market is fully liberalized. Access to the transmission and distribution grids is regulated. The deadline set by legislation for unbundling electricity distribution, a regulated activity, from other businesses was 1 January 2007 and all affected players completed the unbundling process in advance of the deadline.

The wholesale market in the Czech Republic is part of a larger Central European market, thanks primarily to extensive cross-border transmission capacities. The region's primary price-setting market is Germany and its exchange in Leipzig. Prices in the wholesale market are set on the basis of supply and demand, with the bulk of trading volume going through the Prague Energy Exchange, which was established in 2007, and one-year bilateral contracts. The instruments that can be traded on the Czech Republic's exchange range from one-year contracts down to one-day contracts. Anonymous trading on a daily basis can be realized through the organized markets of Operator trhu s elektřinou, a.s. In addition to one-day trades, these markets also enable intra-day trading. Over 25 traders and four brokers are active in the wholesale market.

Over 20 traders actively operate in the retail market, supplying electricity to end customers. The number of customers that switch to a different supplier is rising every year. In 2008 it was typical for residential customers in larger numbers to change their supplier. Thanks to the capacities of producers outside CEZ Group and those of cross-border transmission lines, more than half of Czech Republic electricity demand can be met by suppliers other than CEZ Group. As the retail market has developed, CEZ Group's share of this market is approximately 45%, and the share of new suppliers (i.e. other than the three traditional ones formed out of the former regional electricity distribution companies) is now approximately 23%. In 2008 it was typical for non-tariff, individually managed customers to enter into multi-year contracts – most frequently for two years, but in some cases for three years. In the retail segment, 2008 brought a significant expansion in trader offerings as opposed to the standard one-year pricelists.

Ancillary services are purchased by transmission grid operators in reverse auctions for a wide range of products and various time bands. This segment is one of the most competitive in Europe, with independent producers outside of CEZ Group offering over 30% of the necessary capacity of ancillary services. The market share of ČEZ, a. s. in the Czech market in 2008 was 56.5%.

Cross-border transmission capacity is offered in joint auctions held by the relevant transmission grid operators on both sides of the border in question. The products offered in these auctions are transmission diagrams for a wide variety of contracts from one year down to one day. The sole exceptions are the Czech-Austria border, where both transmission grid operators – VERBUND-Austrian Power Grid AG and ČEPS, a.s. – hold separate auctions, and the Polish cross-border line run by PSE S.A.

In the distribution area, demand continues to rise for new connections or increased capacity at existing connection points. In 2008, 22,201 new connections were added (265 at the MV and HV levels and 21,936 in low voltage). Based on customer demand, there was a very sharp rise – compared to past years – in capital expenditures to fulfill customer requests as a proportion of the overall CAPEX amount, which in the case of the CEZ Group distribution service area in the Czech Republic was roughly CZK 8.3 billion. In line with the development of support (mandatory purchasing and bonuses) for generation of electricity from renewable sources of energy, in 2008 the number of newly connected renewable sources of electricity increased to 909, with aggregate installed capacity of 81.4 MW. Of these, 836 were new solar power plants with a total installed capacity of 20.2 MW.

Brief Power Industry Development Forecast from the Perspective of CEZ Group

After more than four boom years driven by growth in both prices and electricity consumption, the European power sector is currently undergoing a correction. Prices of electricity traded for 2009 and 2010 have fallen by more than 40% compared to the highest prices for 2008. This trend is driven primarily by declines in the prices of oil and other commodities such as gas, coal, and CO_2 allowances, which are determinative for electricity prices.
The future development of electricity prices in the short term will be fundamentally influenced by the severity and duration of the financial and economic crisis. After it ends, we can expect commodity prices to return to their fundamental values and electricity prices to return to growth in the medium term.
Despite the anticipation of slower growth, the regional shortage in production capacities in Central and Southeastern Europe will continue to increase. With new plant construction in the region proceeding at a slower pace due to the higher cost of capital and banks less willing to finance new projects, conditions will be favorable for further convergence of electricity prices between Western, Central and Southeastern Europe and prices will grow over the medium term. The German and Czech energy exchanges will continue to be the main markets that set the price of electricity in the Czech Republic and its environs.

Growth in electricity prices in the medium term and exacerbation of the production capacity deficit in Central and Southeastern Europe will lead to a wave of new plant construction in this region. The technology selection for new-build plant projects will be substantially determined by:

a) developments in European Union regulation for the NAP III period,
b) sensitivity of the portfolio mix to movements in oil and gas prices.

Only the most effective power plants that are also environmentally friendly will enjoy a competitive advantage.

Coal Mining in the Czech Republic

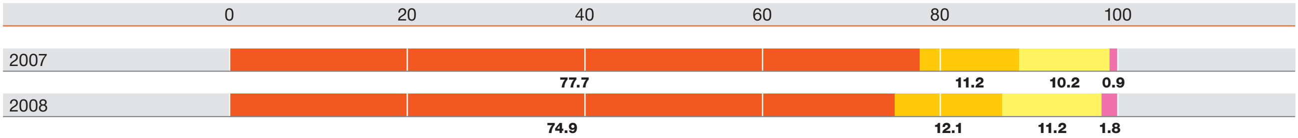
Severočeské doly a.s.

CEZ Group's brown coal mining operations are carried on by Severočeske doly a.s., the Czech brown coal mining company, which holds the largest share of the brown coal market (46.9%, down 1 percentage point from the previous year).
In 2008 coal was extracted in two locations: Bílina Mines and Nástup Tušimice Mines.
The coal mined at Bílina Mines, in the area between Teplice and Bílina, is characterized by a high heat content and low proportion of hazardous substances. Coal extraction volume in 2008 was 9.7 million tons. Mines has 196 million tons of coal on hand. The mining permit is valid until 2010 or until the mining operation reaches the borders of the permitted mining area. Currently, documentation is being prepared for an application for a mining permit for the years 2010–2030.
Nástup Tušimice Mines operates in the westernmost part of the North Bohemian coal belt. Its biggest customer is ČEZ, a. s. – specifically, the power plants in Tušimice and Prunéřov. Coal extraction volume in 2008 was 12.7 million tons. Extractable coal reserves at 31 December 2008 totaled 273 million tons. The mining permit expires in 2015.

Coal Sales

In 2008, Severočeské doly a.s. sold a total of 22.3 million tons of coal, a slight (-1.3 million ton) decline from the previous year. 16.7 million tons of coal was supplied to ČEZ, a. s. power plants.

Coal Sales, by Customer (%)



- CEZ Group
- power heating plants (over 50 MW)
- regional dealer networks, including boiler facilities up to 50 MW
- export

Capital Expenditure

Severočeské doly a.s. recorded capital expenditures of CZK 3.0 billion. The biggest CAPEX projects implemented in 2008 included:

- Commissioning of an excavator and spreader as part of the renewal of TC2 machinery complexes.
  The company contracted for a KK 1300 excavator and a ZPDH 6300.1-CZ spreader. A substantial portion of the mechanical components in the spreader project was manufactured and installation of the lower steel structure began. The spreader installation will be completed in December 2009, with completion of the excavator to follow in June 2011;
- Reconstruction of the Jana installation facility
  This project involves the construction of a facility for installation of the spreader and the excavator, including supporting facilities;
- Libouš Mine Construction
  This project includes the installation of key plant and equipment and construction of buildings necessary for progress of the Nástup Tušimice mining operation.

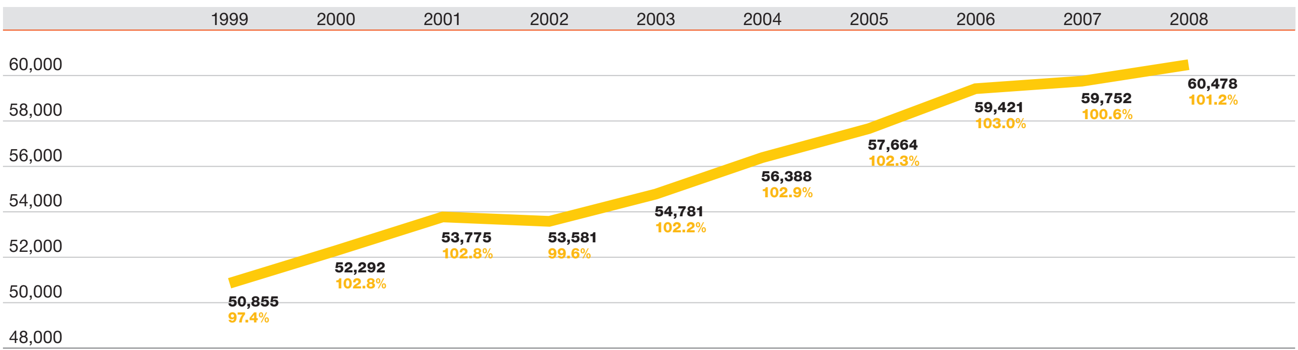
Outlook

In 2009, Severočeské doly a.s. forecasts that coal extraction and sales volume will be 1.9 million tons higher than in 2008.

Power Production in the Czech Republic

Selected Indicators – Czech Republic

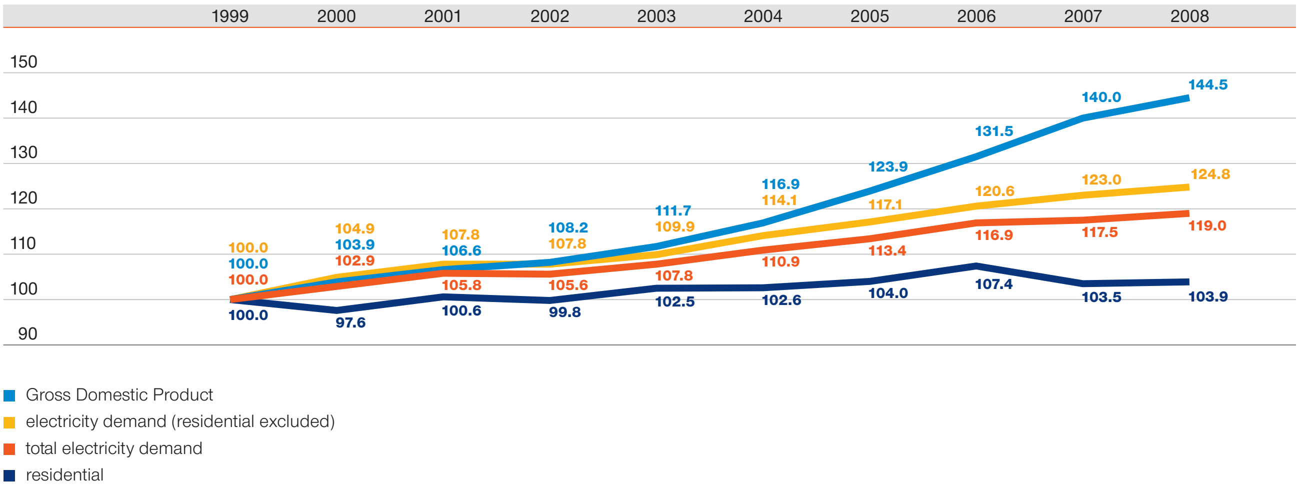
Electricity Demand in the Czech Republic (GWh)



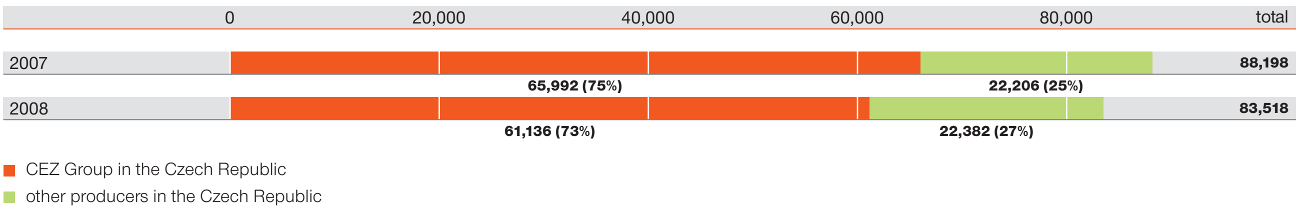
year-on-year index

Electricity demand in the Czech Republic increased by 726 GWh (+1.2%) compared to 2007. Total power production in the Czech Republic, on the other hand, fell by 4,680 GWh (-5.3%): production in ČEZ, a. s. power plants was down 4,521 GWh (-6.9%) and production in other plants fell by 159 GWh (-0.7%). The Czech Republic's electricity trade surplus contracted by 4,684 GWh (-29.0%). Wholesale consumption (including in-house consumption) was up 57 GWh (+0.2%), while retail consumption grew by 609 GWh (+2.7%). Within retail, commercial consumption was higher by 552 GWh (+7.0%), while residential consumption increased by 57 GWh (+0.4%). The overall growth in demand for electricity, then, was attributable to the growth in retail commercial consumption. For the most part, weather conditions have a substantial impact only on residential consumption and that segment exhibited only minimal growth. As the winter months in both 2008 and 2007 were warm (average temperature in the first quarter of 2008 was 3.1 °C above the long-term average, and in the first quarter of 2007 the average temperature was 4.6 °C above the long-term average), this very small growth in residential consumption was evidently not caused by consumption of electricity for heating.

Comparison of Gross Domestic Product to Electricity Demand in the Czech Republic (index 100% = 1999)



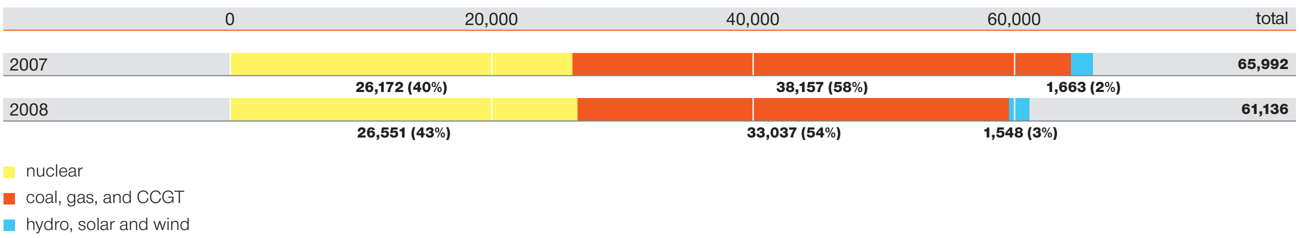
Power Production in the Czech Republic, Gross (GWh)



CEZ Group Power Production in the Czech Republic

In 2008, CEZ Group power plants in the Czech Republic produced a total of 61,136 GWh of electricity, i.e. 4,856 GWh (-7.4%) less than in 2007.

CEZ Group Power Production in the Czech Republic, Gross (GWh)



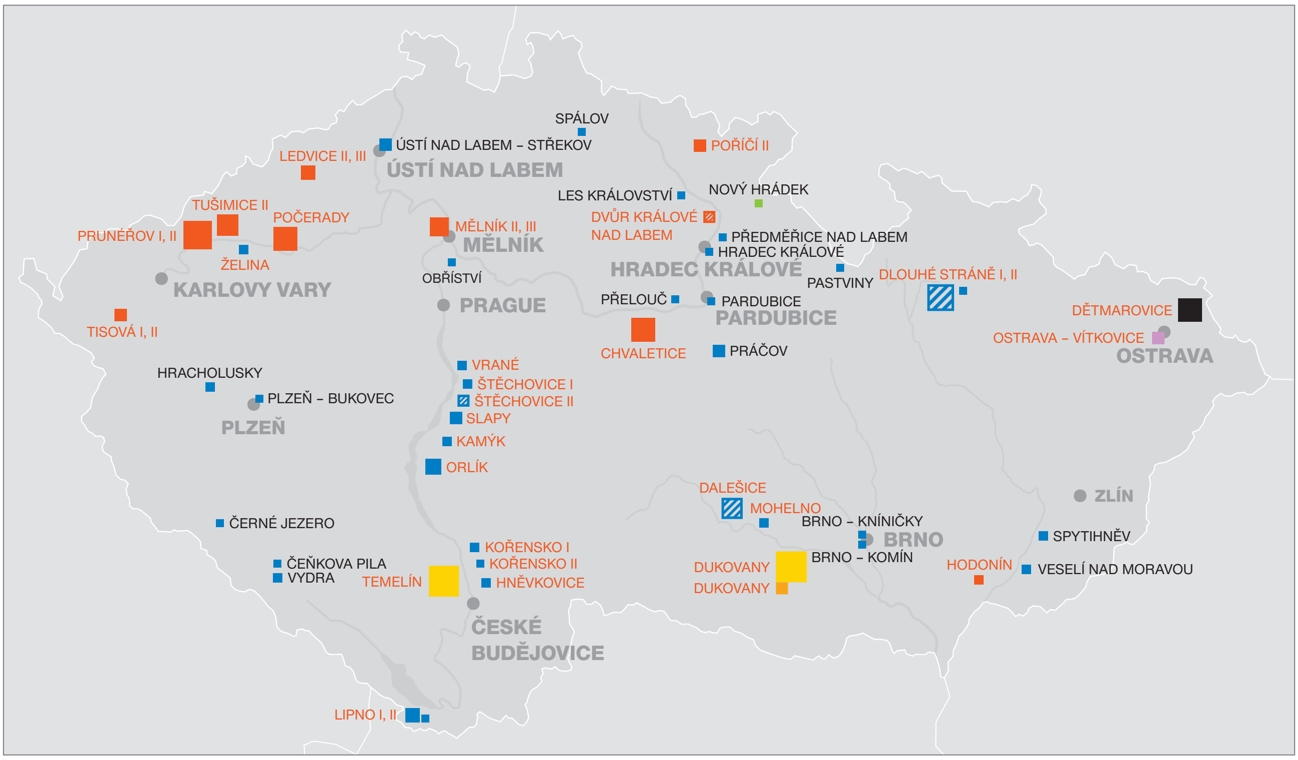
Installed Capacity at 31 December 2008

As of 31 December 2008, CEZ Group companies in the Czech Republic owned power plants with an aggregate installed capacity of 12,298 MW (of which: nuclear 3,760 MW, coal 6,603 MW, hydro 1,933 MW, wind 2 MW, and solar 0.01 MW). The 4 MW drop in installed capacity resulted from termination of the lease on the Mohelnice gas-fired power station, modification of the installed capacity of the Les Království small-scale hydro power station, and an increase in the installed capacity of the Brno – Komín small-scale hydro power station following a retrofit.

Power and Heat Companies

The following companies operated in the Czech Republic:
ČEZ, a. s. – the largest Czech power company, at 31 December 2008 it had an aggregate installed capacity of 12,231 MW. It operated both Czech nuclear power plants as well as a broad portfolio of coal and hydro power plants.
ČEZ Obnovitelné zdroje, s.r.o. – operates small-scale hydro power plants and a large hydro power plant in the Elbe River valley under Střekov Castle, whose sluiceway is a technical landmark. In addition, the plant plays an important role in ensuring sufficient water depth and conditions for shipping on the river and, since 2002, it has been fitted with a modern fish passage allowing all types of fish to pass through it. At 31 December 2008 the company's aggregate installed capacity was 67 MW.
Energetika Vítkovice, a.s. – dissolved without liquidation as a result of its merger into ČEZ, a. s., with merger date 1 January 2008 and effective date 1 October 2008. In 2008, Energetika Vítkovice, a.s. generated electricity and heat, in addition to distributing and selling heat. After the merger, these operations passed to ČEZ, a. s., Production Division. Other operations – distribution system operation, grid operation and maintenance – passed to the appropriate CEZ Group process companies as of 1 January 2008.
ALLEWIA leasing s.r.o. – this company owns district heat networks in Bohumín, North Moravia.
ČEZ Teplárenská, a.s. – this company operates district heat networks in North Bohemia and also generates a small amount of heat in its own plant.

Location of CEZ Group Power Plants in the Czech Republic



- 2 nuclear
- 32 hydro
- 3 pumped storage
- 13 brown coal
- 1 power heating plant
- 1 black coal
- 1 wind
- 1 solar
- 1 black coal and coking gas

Name in orange letters = owned by ČEZ, a. s.
Name in black letters = owned by other CEZ Group members

List of CEZ Group Power Plants in the Czech Republic

Nuclear Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Dukovany	ČEZ, a. s.	4 x 440	1985–1987
Temelín	ČEZ, a. s.	2 x 1,000	2002–2003
Nuclear power plants, total		3,760	

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at 31 December 2008	Year commissioned	Desulfurized since
Mělník II	ČEZ, a. s.	brown coal	2 x 110	1971	1998
Mělník III	ČEZ, a. s.	brown coal	1 x 500	1981	1998
Tisová I	ČEZ, a. s.	brown coal	3 x 57; 1 x 12.8	1959–1960	1996–1997
Tisová II	ČEZ, a. s.	brown coal	1 x 112	1961	1997
Poříčí II	ČEZ, a. s.	black coal brown coal	3 x 55	1957–1958	1996, 1998
Dvůr Králové nad Labem	ČEZ, a. s.	brown coal	1 x 6.3; 1 x 12	1955, 1963	1997
Dětmarovice	ČEZ, a. s.	black coal brown coal	4 x 200	1975–1976	1998
Chvaletice	ČEZ, a. s.	brown coal	4 x 200	1977–1978	1997, 1998
Ledvice II	ČEZ, a. s.	brown coal	2 x 110	1966	1996
Ledvice III	ČEZ, a. s.	brown coal	1 x 110	1968	1998
Tušimice II	ČEZ, a. s.	brown coal	4 x 200	1974–1975	1997
Počerady	ČEZ, a. s.	brown coal	5 x 200	1970–1971, 1977	1994, 1996
Hodonín	ČEZ, a. s.	lignite	1 x 50; 1 x 55	1954–1958	1996–1997
Prunéřov I	ČEZ, a. s.	brown coal	4 x 110	1967–1968	1995
Prunéřov II	ČEZ, a. s.	brown coal	5 x 210	1981–1982	1996
Ostrava – Vítkovice	ČEZ, a. s.	black coal	2 x 16; 1 x 25; 1 x 22	1983–1995	
Coal-fired power plants, total			6,603		

Hydro Power Plants
1. Accumulation and run-of-river power plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Lipno I	ČEZ, a. s.	2 x 60	1959
Orlík	ČEZ, a. s.	4 x 91	1961–1962
Kamýk	ČEZ, a. s.	4 x 10	1961
Slapy	ČEZ, a. s.	3 x 48	1954–1955
Štěchovice I	ČEZ, a. s.	2 x 11.25	1943–1944
Vrané	ČEZ, a. s.	2 x 6.94	1936
Střekov	ČEZ Obnovitelné zdroje, s.r.o.	3 x 6.5	1936
Accumulation and run-of-river power plants, total		724	

2. Small-scale hydro power plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Lipno II	ČEZ, a. s.	1 x 1.5	1957
Hněvkovice	ČEZ, a. s.	2 x 4.8	1992
Kořensko I	ČEZ, a. s.	2 x 1.9	1992
Kořensko II	ČEZ, a. s.	1 x 0.94	2000
Mohelno	ČEZ, a. s.	1 x 1.2; 1 x 0.56	1977, 1999
Dlouhé Stráně II	ČEZ, a. s.	1 x 0.16	2000
Želina	ČEZ, a. s.	2 x 0.315	1994
Přelouč	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.68; 2 x 0.49	1927, reconstruction 2005
Spálov	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.2	1926, reconstruction 1999
Hradec Králové	ČEZ Obnovitelné zdroje, s.r.o.	3 x 0.25	1926
Práčov	ČEZ Obnovitelné zdroje, s.r.o.	1 x 9.75	1953, reconstruction 2001
Pastviny	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3	1938, reconstruction 2003
Obříství	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.679	1995
Les Království	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.105	1923, reconstruction 2005
Předměřice nad Labem	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.1	1953
Pardubice	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.96	1978
Spytihněv	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.3	1951
Brno – Kníničky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3.1	1941
Brno – Komín	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.106; 1 x 0.140	1923, reconstruction 2008
Veselí nad Moravou	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.12; 1 x 0.15	1914, 1927
Vydra	ČEZ Obnovitelné zdroje, s.r.o.	2 x 3.2	1939
Hracholusky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.55	1964
Čeňkova Pila	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.096	1912
Černé jezero	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.5; 1 x 0.04; 1 x 0.37	1930, 2004, 2005
Plzeň – Bukovec	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.315	2007
Small-scale hydro power plants, total		64	

3. Pumped-storage hydro power plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Štěchovice II	ČEZ, a. s.	1 x 45	1947–1949, reconstruction 1996
Dalešice	ČEZ, a. s.	4 x 112.5	1978
Dlouhé Stráně I	ČEZ, a. s.	2 x 325	1996
Pumped-storage hydro power plants, total		1,145	
Hydro power plants, total		1,933	

Wind Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Nový Hrádek [1)]	ČEZ Obnovitelné zdroje, s.r.o.	4 x 0.4	2002
Wind power plants, total		1.6	

[1)] Not in operation pending renovation.

Solar Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Dukovany	ČEZ, a. s.	0.01	1998, 2003
Solar power plants, total		0.01	

Fuel

Nuclear Fuel

Fuel for Dukovany Nuclear Power Station is sourced under a long-term contract with Russia-based OAO TVEL, which not only fabricates the fuel, but also provides conversion and enrichment services as well as some of the base raw material (uranium). In 2008, supplies of an improved version of the second-generation fuel with an optimized enrichment profile continued and this fuel is gradually being loaded into the individual reactors. At the same time, delivery was taken of the first supplies of modified, advanced second-generation fuel enabling Dukovany Nuclear Power Station's reactors to operate at higher output while preserving the optimal fuel cycle. Together with the Russian side and, concurrently, with the Czech organizations Ústav jaderného výzkumu Řež a.s. and ŠKODA JS a.s., development work continued on license documentation for loading this fuel and, in late 2008, this license was obtained for all the reactors. First loading of the new fuel is planned for 2009 – on Reactor Unit 3.

At Temelín Nuclear Power Station, supplies of modified fuel assemblies from Westinghouse Electric Company LLC (USA) are continuing. In 2008, more good operational experience was obtained from the use of fuel assemblies based on the modern ZIRLO™ alloy, which provides higher dimensional stability, and once again there was an improvement in how the fuel assemblies behave in the active zone. The last supplies of fuel from Westinghouse Electric Company LLC for Units 1 and 2 are planned for 2009 and 2010 respectively. In later years, fuel will be supplied by OAO TVEL, with which ČEZ, a. s. has signed a contract for supplies of fuel after 2010. In accordance with the contract, in 2008 OAO TVEL implemented a development program, which will continue in 2009. The program includes building of a fuel assembly and subsequent safety analyses.

Uranium and its processing (conversion and enrichment services) are sourced under long-term contracts, most of which were entered into before 2004, i.e. before market prices went up. In 2008, a purchase contract with the domestic uranium producer Diamo s.p. was entered into for the 2008–2010 period with an option to extend the contract until 2012. In 2008, uranium purchased under this contract accounted for roughly one third of ČEZ's total annual requirement. Other uranium is sourced from international suppliers and, in the case of Dukovany Nuclear Power Station, ready-made in the form of fuel components from OAO TVEL. Thus, the desirable diversification of nuclear fuel sources is preserved. Also, to mitigate the risk of a supply interruption, ČEZ, a. s. maintains a strategic inventory of uranium in various stages of processing.

Solid Fossil Fuels and Sorbents

Fuel supplies for ČEZ, a. s. coal-fired power plants in 2008 were dominated by brown coal (27.4 million tons, 94.5%). Black coal was supplied in a total volume of 1.25 million tons (4.3%). In addition, 343,000 tons of biomass was supplied (1.2%).

The largest suppliers of power generation coal to ČEZ, a. s. include Severočeske doly a.s., Czech Coal a.s., and Sokolovská uhelná, právní nástupce, a.s.

The bulk of black power generation coal for ČEZ, a. s. power plants is supplied by OKD, a.s., which supplied 878,000 tons (70.3%). The remaining 372,000 tons (29.7%) was imported from Poland.

Supplies of sorbents for use in flue gas desulfurization at power plants totaled 1,216,000 tons. In 2008, a total of 6,811,000 tons of power generation coal was conveyed by rail to power plants not located in the immediate vicinity of coal mines.

Long-term contracts are in effect with Severočeské doly a.s. (agreement on future purchase agreements; valid until 2052) and Sokolovská uhelná, právní nástupce, a.s. (purchase agreement; valid until 2027). A Cooperation Agreement has been signed with Mostecká uhelná a.s. under which a long-term purchase contract for supplies of coal is to be negotiated. As of the Annual Report closing, these negotiations have been suspended and compliance by Mostecká uhelná a.s. with the Cooperation Agreement, i.e. by entering into the long-term purchase contract with ČEZ, a. s., is being sought through the courts.

Medium term purchase contracts have been signed with Severočeské doly a.s. (for the years 2006–2010), Czech Coal a.s. (2006–2012), Sokolovská uhelná, právní nástupce, a.s. (2005–2009), and Lignit Hodonín, s.r.o. (2005–2010) .

One-year purchase contracts are entered into with OKD, a. s. and with Polish coal suppliers, and a small quantity of black coal was sourced from Russian mines on a trial basis.

Biomass Combustion

Within the CEZ Group renewables portfolio, biomass is number two after hydropower. Generation of electricity from biomass grew in the Czech Republic by 31.2% from the 2007 level and reached nearly 327 GWh, enough to power 93,000 households. The volume of biomass combusted by ČEZ, a. s. grew by 43.8% from 2007 to 2008. The bulk of the biomass combusted is wood chip and other types of waste biomass. For the time being, the proportion of purpose-grown energy crops is still low.

In the Czech Republic, biomass is combusted in the existing coal-fired power plants Hodonín, Poříčí, Tisová and Dvůr Králové nad Labem.

Capital Expenditure

Nuclear Power

Dukovany Nuclear Power Station

At the Dukovany Nuclear Power Station, 2008 saw the continuation of projects designed to upgrade the plant and increase its power generation efficiency. The replacement of flow-through parts of low-pressure turbine components with new ones was completed on Unit 2, thereby increasing the available capacity of each reactor unit to 456 MW.

The year also saw the I&C systems renewal project move forward, making a substantial contribution to increased safety and operational efficiency.

Temelín Nuclear Power Station

At Temelín Nuclear Power Station, preparatory work went forward for construction of a spent fuel storage facility. Other material capital expenditures went on measures designed to increase the level of nuclear safety and power generation reliability as part of the “Safely 15 TERA” project.

On 11 July 2008, ČEZ, a. s. filed an application to the Ministry of the Environment of the Czech Republic for an Environmental Impact Assessment (EIA) of the possible completion of Temelín Nuclear Power Station.

Conventional Power

In 2008, the renewal of the coal-fired production base was once again a high priority. A not insignificant part of the CAPEX budget was dedicated to increasing the share of biomass in the fuel mix and improving handling and disposal of combustion by-products and waste materials.

Comprehensive Retrofit of Tušimice II Power Station

2008 saw the completion of Phase One technology installation work, including common buildings and technical installations. Pre-comprehensive testing began on coal loading and fly ash removal systems. Some of the new buildings were completed and officially handed over.

In addition, pipe pressure tests were carried out and clean-up work began.

Comprehensive Retrofit of Prunéřov II Power Station

The most significant work in 2008 was done on preparing for project implementation. The project concept – i.e., the first stage of the project documentation – was completed and approved in May 2008. On 6 June 2008, documentation announcing the EIA was filed with the Ministry of the Environment of the Czech Republic. Based on the results of fact-finding proceedings, the documentation was revised and subsequently resubmitted on 12 December 2008.

RFP documentation was drawn up for tenders to select suppliers of additional installations with the objective of finalizing a substantial portion of the contracts during 2009.

Construction of CCGT at Počerady Power Station

Progress made during the year on this project included completion of the project plan and feasibility study, and signing of an agreement to agree concerning the installation’s connection to the Transmission System.

ŠKODA PRAHA Invest s.r.o. was selected to be the project’s general contractor. RFP documentation was issued for the purpose of selecting suppliers for the main CCGT components.

On 19 December 2008, EIA announcement documentation was filed with the Ministry of the Environment of the Czech Republic, and negotiations with RWE were commenced on connection to the gas transmission network.

New 1 x 660 MW Generating Unit at Ledvice Power Station

In order to improve transport efficiency and reliability both during the construction of the new generating unit and in the operation of Ledvice Power Station itself, a rail spur was built and a permit obtained for its use, including a freight portal with a connection to the nationwide rail network. In Phase Three of the project – construction of new technical facilities and buildings to replace those currently occupying space that must be vacated for the new generating unit to be built – work was completed on the heating gas installation (including a reduction station and piping) and a new chemical water treatment plant equipped with ballasted microsand clarification technology. Part of the existing office building was renovated and structural work was completed on a new, six-storey office building.

The building permit entered into legal force in July 2008 and construction work on the main generating unit began in January 2009.

Electricity Generation Outlook

From April to October 2009, planned refueling outages will take place on both reactor units of Temelín Nuclear Power Station. Units 3 and 4 of Dukovany Nuclear Power Station were and will be shut down in the beginning and end of the year for the same reason. Overall, power generation in the two nuclear power plants is to rise by 1 TWh.

The comprehensive retrofit of Units B23 and B24 (2 x 200 MW) of Tušimice Power Station, a brown-coal plant in North Bohemia, will be completed in the third quarter. In the fourth quarter, the same work will begin on Units B21 and B22. Further extensive repair work is planned in 2009 at Chvaletice Power Station (Units B1 and B2, 2 x 200 MW). At the Dětmarovice Power Station, which runs on black coal, two units (2 x 200 MW) will remain shut down in the first and second quarter due to a defective absorber, the repair of which is planned for the third quarter. The year-on-year increase in coal-fired power generation is forecasted at 2.5 TWh.

Heat

Sales of Heat (TJ)

	2007	2008	Index 2008/2007 (%)
CEZ Group in the Czech Republic	10,595	9,001	85.0

Effective 1 October 2008, Energetika Vítkovice was merged into ČEZ, a. s., with the merger date being 1 January 2008. Energetika Vítkovice is now listed as one of the power plants of ČEZ, a. s., under the name Teplárna Vítkovice (Vítkovice Power Heating Plant). Supplies of heat in 2008 totaled 9,001 TJ, which is a year-on-year decrease of 1,594 TJ (-15%). Supplies of heat from ČEZ, a. s. plants, including Vítkovice Power Heating Plant, were down 2,768 TJ. Supplies made through the subsidiary ČEZ Teplárenská, a.s. were up 1,174 TJ in 2008, compared to 2007 (no relation to the decline in supplies from ČEZ, a. s.). The bulk of the decline in supplies from ČEZ, a. s. was due to lower consumption on the part of industrial customers supplied from Vítkovice Power Heating Plant, Poříčí Power Station, and Dvůr Králové Power Heating Plant. Sales from Vítkovice Power Heating Plant were lower due to lower supplies to the customers EVRAZ, Vítkovice, and Dalkia. Supplies from Poříčí Power Station and Dvůr Králové Power Heating Plant were negatively impacted by lower consumption in the textile industry. Another factor is the long-term trend towards increased building insulation and weather conditions.

Power Distribution and Sale in the Czech Republic, Electricity Trading

Power Distribution and Sale in the Czech Republic

Power Distribution and Sale Equity Holdings in the Czech Republic

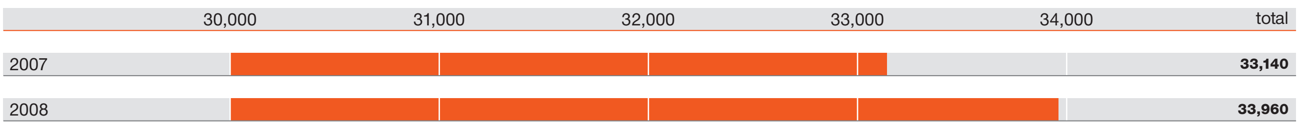
Power is distributed by ČEZ Distribuce, a. s.

Power for final consumption is sold through ČEZ Prodej, s.r.o.

Power Distribution

In 2008, ČEZ Distribuce, a. s. intermediated the supply of 33,960 GWh of electricity to end customers. The year-on-year increase of 820 GWh was due in particular to a 590 GWh increase in distribution volume at the medium-voltage level, a 425 GWh increase at low-voltage level, and a 195 GWh decrease in distribution volume at the high-voltage level.

Czech Republic – Electricity Distributed to End Customers (GWh)



The number of connection points was up 22,000 from 2007, to a total of 3,517,000.

Capital Expenditure

Capital expenditures in 2008 went in particular on distribution projects initiated by customers, investments in underground and overhead power lines, and investments in substations, transformer stations, and transformers.

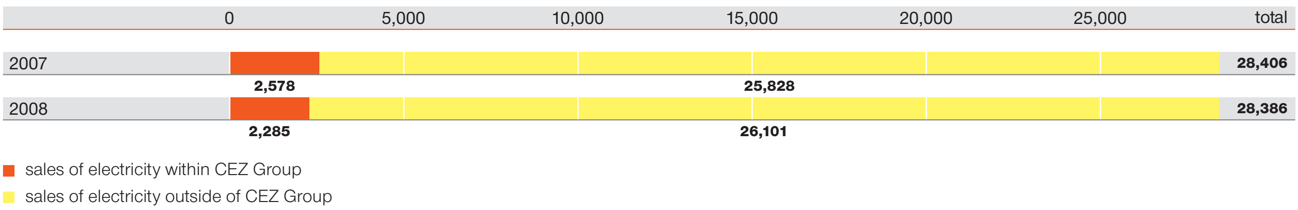
The most significant projects included:

- 110 kV power line Mírovka – Hlinsko
- 110/22 kV transformer station – Mošnov Industrial Park
- 110/22 kV transformer station – Ostrava Rudná
- renovation of 110 kV part of 110/35 kV transformation station – Poříčí
- construction of new 110 kV transformer station – Bělá nad Radbuzou
- 110 kV substation – Týnec
- completion of renovation of 110 kV substation – Příbor.

Sales of Electricity

ČEZ Prodej, s.r.o. sold a total of 28,386 GWh in 2008 (2,285 GWh of which was sold to members of CEZ Group). In year-on-year terms, this represents a 20 GWh (-0.1%) reduction in sales for final consumption. Sales to wholesale customers declined by 197 GWh; this was offset by a 214 GWh increase in retail sales.

Czech Republic – Electricity Sold to End Customers (GWh)



Sales of Electricity for 2009

ČEZ Prodej, s.r.o. expects to sell 27,463 GWh of power to end customers, a decline of 923 GWh (-3.3%). Most of the decline is expected to take place in sales to wholesale customers at the high- and medium-voltage levels, due to the global economic situation (recession).

Sales of Electricity in Countries where CEZ Group Does not Operate a Distribution Company

CEZ Group is successfully developing sales of electricity to end customers in other countries of Central Europe as well. In our 2009 sales campaign, we succeeded in penetrating the Polish and Hungarian markets, where we acquired five and 19 customers, respectively, and we will supply 587 GWh and 746 GWh, respectively. In Slovakia, the number of customers in the 2009 campaign increased by 69 from the 2008 campaign.

Electricity Trading

Trading in the Wholesale Market for Electricity and Other Energy Commodities

Trading in wholesale markets for electricity and other energy commodities in the various European countries where CEZ Group has operations is run centrally by the relevant section of ČEZ, a. s. It encompasses the following functions:

- wholesale sale of in-house generated electricity,
- sale of ancillary services provided by CEZ Group power plants,
- procuring electricity in the wholesale market for resale to end customers,
- trading in electricity, EUAs, CERs, natural gas, and black coal, in wholesale markets.

In their operations in individual country markets, CEZ Group companies must respect the local situation, which is based on local energy legislation, the state of power market liberalization, the relative balance between supply and demand, cross-border transmission capacity, etc. In countries where no license is required to trade in electricity or where eligibility for such a license is not limited to entities formed under local law (Austria, Germany, Poland, Kosovo), ČEZ, a. s. conducts trading directly. In other countries (Hungary, Slovakia, Romania, Bulgaria, Serbia), ČEZ, a. s. operated through subsidiaries who hold the necessary local license. CEZ Group companies engaged in production or supply to end customers are always organized under local law. In markets for other commodities (EUAs, CERs, black coal, natural gas), ČEZ, a. s. operates directly.

Czech Republic

As domestic electricity consumption grew, available generating capacity in the Czech Republic fell, and overall cross-border transmission capacity remained constant, in 2008 demand and supply were even, as expected. As a result, prices in the Czech Republic and the Federal Republic of Germany leveled off, and the Czech Republic's electricity trade surplus at the Transmission System level declined to 11.5 TWh in 2008. For this reason, ČEZ's results are no longer dependent on exports. Almost all of the electricity produced in the Company's Czech power plants is sold in the Czech power market, either on a wholesale basis through the Prague Energy Exchange or electronic broker market platforms, or to end customers through ČEZ Prodej, s.r.o.

In 2008, ČEZ, a. s. standardized multi-year electricity sales to three years in advance. The objectives of this move were to take advantage of market demand for these products and partially hedge sales against possible price volatility.

Power plants located in the Czech Republic provided ancillary services to transmission grid operators in the Czech Republic and the Slovak Republic, as well as, though to a lesser extent, to distribution grid operators in the Czech Republic.

Poland

The output of both power plants was sold in Poland's wholesale market. In the case of ELCHO Power Station, the compensation scheme defined by law for plants that voluntarily terminated long-term electricity sale contracts was utilized from 1 April 2008. Skawina Power Station and, to a lesser extent, ELCHO Power Station provided ancillary services to the transmission grid operator.

Bulgaria

Varna Power Station supplied electricity primarily to the regulated market and, secondarily, within the limited potential defined by law, to the free market. The plant also supplied an ancillary service to the transmission grid operator. Supplies to eligible customers in the free market went through CEZ Trade Bulgaria EAD, which procured electricity in the local free market in cooperation with ČEZ, a. s. Supplies to end customers in the regulated segment went through CEZ Elektro Bulgaria AD, which procured electricity in the local regulated market.

Romania

Supplies to end customers in both the free and regulated markets went through CEZ Vanzare S.A., which procured electricity for regulated customers separately in the local regulated market.

Slovakia

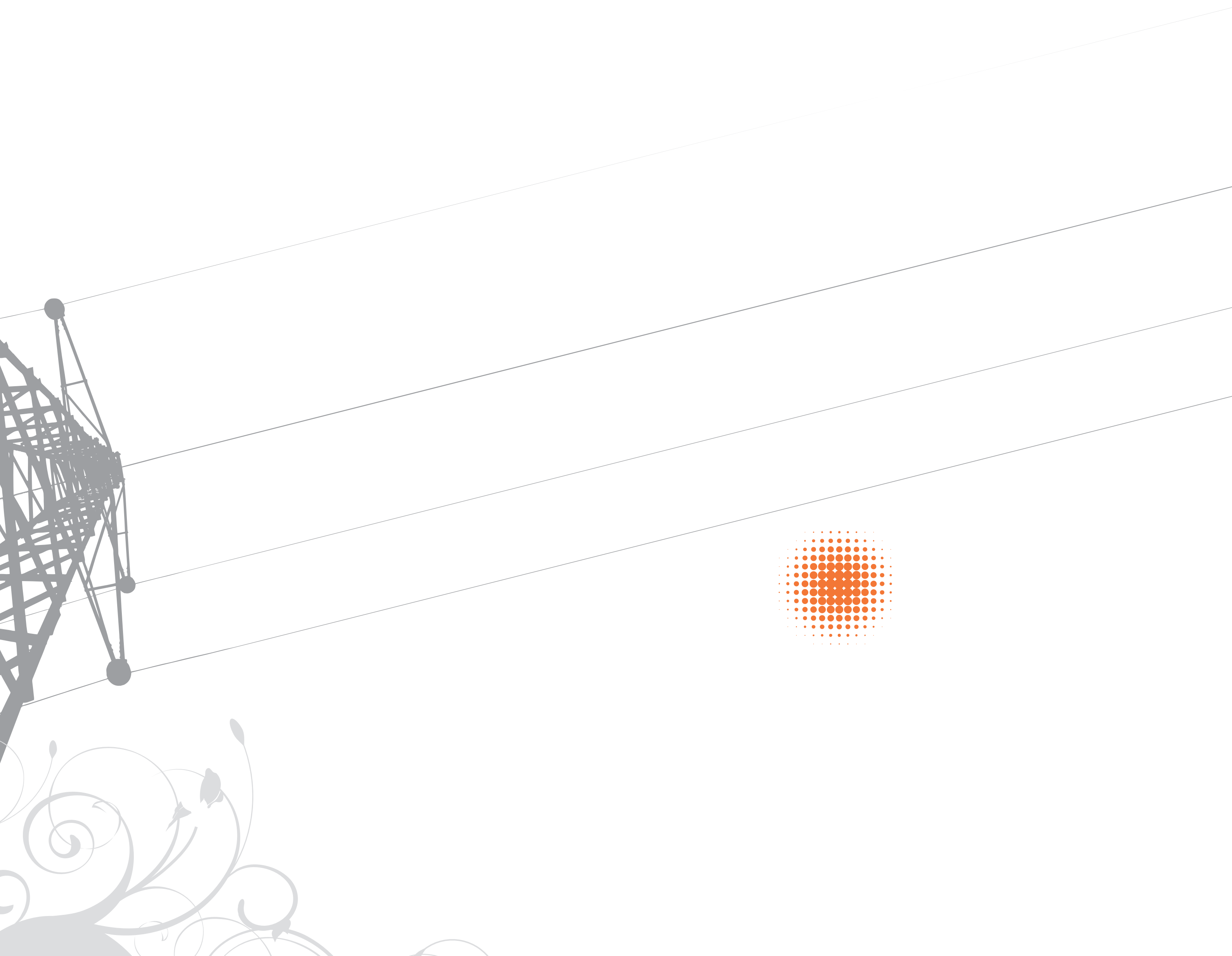
In 2008 a newly established company, CEZ Slovensko, s.r.o., began supplying electricity to end customers. The new company supplied a total of 0.5 TWh of electricity during the year.

Trading for the Group's Own Account

In addition to sales of electricity generated in-house and procurement of electricity for end customers, CEZ Group traded a total of 67 TWh of electricity for delivery in 2008. For comparison, 24 TWh was traded for delivery in 2007 and, as of 1 March 2009, the amount traded so far for delivery in 2009 is 124 TWh. These trades were made for several reasons: to hedge future sales of internally generated electricity, to hedge future procurement of electricity for sale to end customers, to purchase additional electricity in the event of an unplanned outage of generating facilities and, most importantly, to generate additional profit by taking advantage of arbitrage opportunities and other forms of speculative trading in wholesale markets. Traditionally, electricity and EUAs have been the main commodities in which ČEZ, a. s. trades for its own account. During 2008, ČEZ, a. s. also began trading in black coal futures on the ICE in London and commodity swap products on the OTC market, trading a total of 3.9 million tons. It also began trading in natural gas futures on the ICE in London, trading 15.8 million therms. As a secondary effect of trading in these commodities, the Company is preparing to operate new plants that will be fired by black coal and/or natural gas. In 2008, ČEZ, a. s. traded 191 million tons of EUAs and CERs. Trading for the Company's own account is governed by standard risk management rules.

52 % of electricity generated in renewable sources of energy is from CEZ Group

CEZ Group accounts for 52% of all electricity generated from renewable sources of energy in the Czech Republic. Of our own renewables generation volume, hydro power plants account for 73% and combustion of biomass is in the second place with 27%.



Both CEZ Group and government authorities are striving to increase utilization of renewable energy sources. This applies to both traditional sources such as hydropower, as well as to development of new technologies.

CEZ Group
International Operations

Republic of Poland

Business Environment

As the Polish market is liberalized, all eligible customers have the option of switching to a different electricity supplier. Currently, wholesale electricity prices in Poland are below those in Germany and the Czech Republic, although during 2008 they moved significantly toward levels seen in the German market. Full convergence is expected in the years to come. In 2008, long-term electricity supply contracts were terminated, contributing to increased market liquidity. Prices for end customers are being deregulated gradually.

Poland is obligated to implement European Union directives relating to market liberalization and reduction of CO_2 emissions. 2008 saw the first privatization of a minority stake in one of the big State-owned power companies and this process is expected to continue in the years to come.

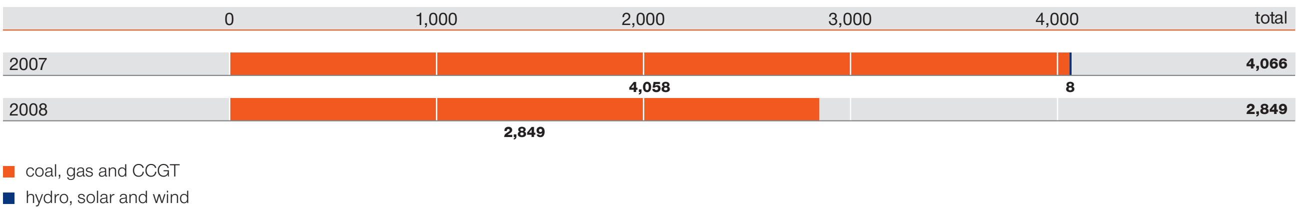
Production of electricity from renewable sources of energy and production of heat are supported by a system of certificates for power producers (Green Certificates for renewable sources of energy, Red and Yellow Certificates for combined generation of heat and power from black coal and/or gas). On the other hand, electricity sellers are required to ensure that a portion of the energy they supply is from renewable sources. In 2008, that portion was 7%. The development of wind projects, most of which are, for the time being, still in the licensing phase, continues at a fast pace, particularly in the north of Poland.

With regard for the European Union's environmental policies, CEZ Group is considering plans to build other than black coal-fired plants in Poland – i.e., low-emission plants such as CCGTs – and is seeking suitable locations for them.

Power Production

In 2008, CEZ Group generated 2,849 GWh of power in the Republic of Poland, i.e. 1,217 GWh (-30%) less than in 2007. The reasons for the drop were optimizing of the return on emission allowances and offsetting of the termination of long-term contracts with PSE SA and Green and Red Certificates.

Power Production in Poland, Gross (GWh)



Installed Capacity at 31 December 2008

The installed capacity of CEZ Group power plants in the Republic of Poland was 730 MW (728 MW of which was attributable to coal power plants and 2 MW to hydro power plants).

Location of CEZ Group Power Plants in Poland

■ 2 black coal

■ 1 hydro

List of CEZ Group Power Plants in Poland

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at 31 December 2008	Year commissioned	Desulfurized since
ELCHO	Elektrociepłownia Chorzów ELCHO sp. z o.o.	black coal	2 x 119.2	2003	[1]
Skawina	Elektrownia Skawina S.A.	black coal	4 x 110; 1 x 50	1957	partly 2008
Coal-fired power plants, total			728.4		

[1] ELCHO has met SO_x limits ever since it was commissioned.

Small-scale Hydro Power Plants

Plant	Owner	Installed capacity (MW) at 31 December 2008	Year commissioned
Skawina/Skawinka [1]	Elektrownia Skawina S.A.	1 x 1.6	1961
Small-scale hydro power plants, total		1.6	

[1] Plant has been shut down since May 2008 pending overhaul.

Solid Fossil Fuels and Sorbents

The main supplier of black coal to ELCHO Power Station in Poland is, under a long-term contract, Katowice-based Kompania Węglowa S.A. (approximately 800,000 tons/year). Skawina Power Station has three principal power generation coal suppliers: two trading companies, Kompania Węglowa S.A. and Katowicki Holding Węglowy S.A., and Jastrzębska Spółka Węglowa S.A. Skawina Power Station is phasing out its use of lower-quality fuels. Supplies are made under one-year contracts and purchase orders.
More and more, CEZ Group is burning biomass in both Polish power plants. In 2008, Skawina Power Station produced 84.9 GWh of electricity from biomass (approximately 10% of its total output). Another 41.5 GWh of electricity from biomass was generated by ELCHO Power Station, which only began using it in 2008. In 2009, we expect approximately 40% of the plant's output to be from biomass.

Electricity Generation Outlook

ELCHO Power Station expects to reduce its output by roughly 15% in 2009, due to movements in market prices and optimizing of the production of electricity and heat. Skawina Power Station's electricity output is expected to remain at 2008's level, with utilization of 70% of the plant's annual allocation of CO_2 allowances. Important projects at Skawina will include the overhaul of Turbine No. 5, and an approximately half-year interruption of heat supplies to Cracow due to the planned replacement of a section of the main supply line, which is not owned by Skawina Power Station.

Heat

The power plants in Poland supplied 5,009 TJ of heat in 2008, up 1% from 2007. ELCHO Power Station supplied 2,377 TJ of heat to Katowice, Chorzów, Siemianowice Śląskie and Świętochłowice. Compared to 2007 there was a slight increase in heat supplies thanks to successful implementation of a program that supports low-emission sources of heat by connecting coal-burning end consumers to the district heat system. Skawina supplied 2,632 TJ to the cities of Cracow and Skawina.

Equity Stakes

Elektrownia Skawina S.A. a Elektrociepłownia Chorzów ELCHO sp. z o.o.

Since May 2006, two power companies – Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A. – are part of CEZ Group. ELCHO Power Station operates two state-of-the-art generating units, each of which produces both heat and power. ČEZ, a. s. owns both plants through companies registered in the Kingdom of the Netherlands: ELCHO Power Station through the companies CEZ Silesia B.V. and CEZ Chorzow B.V. (75.2% stake) and Skawina Power Station through CEZ Poland Distribution B.V. In 2008, the Republic of Poland's stake in Skawina Power Station was purchased, bringing CEZ Group's stake in the plant's equity to 99.91%. In late 2008, the company began the process of squeezing out minority shareholders. Upon completion of the process in March 2009, CEZ Poland Distribution B.V. became the company's 100% owner.

CEZ Polska sp. z o.o.

This is a service company, with its seat in Warsaw. In 2008, the share capital was increased to PLN 6,900,000. The company's primarily objective is to provide administrative and management services to CEZ Group in Poland. At the same time, it represents CEZ Group's interests in Poland and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Polska sp. z o.o.

This company is tasked primarily with electricity trading in Poland, for which it holds the necessary license. In 2008, its share capital was increased to PLN 3,620,000.

CEZ Ciepło Polska sp. z o.o.

This company was formed in 2007 and is used to provide services relating to projects in Poland. Its share capital was increased to PLN 88,000 in 2008.

Republic of Bulgaria

Business Environment

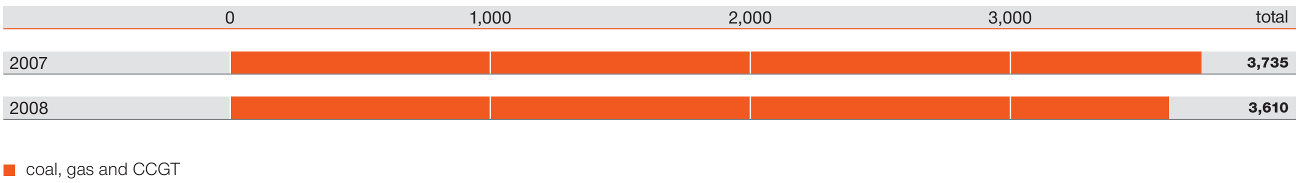
In the Bulgarian power market, which was officially liberalized by the Energy Act on 1 July 2007, the country still uses a system of quotas to determine supplies of electricity at prices regulated by the State. 83% of electricity supply volume is at regulated prices. Despite growth of 17–30%, regulated prices are still at roughly 50% of market prices in surrounding countries. This prevents true liberalization of the power market and restricts the amount of production capacity available for free trade. A second major State intervention in the market is a cap on exports, which may be no more than 25% of the volume supplied to end customers in Bulgaria. In the first half of 2008, the European Union commenced a legal process aimed at doing away with the export cap and moving toward a clear and transparent system for allocating quotas for regulated electricity supply, which should improve CEZ Group's position in the country.

In 2008, Bulgaria maintained its position as a net power exporter despite the ongoing retrofit of the brown coal-fired Maritsa East II Power Station and the shutdown of one brown coal-fired generating unit at Bobov Dol Power Station. Of the new plants in the planning stages, the prospective Belene Nuclear Power Station (2 x 1,000 MW) has particular importance for Bulgaria. Renewable sources of energy are a fast-growing area; several wind farms with an aggregate installed capacity of nearly 1,000 MW are to be commissioned by 2010. Three hydro power plants with total installed capacity of 775 MW are also planned.

Power Production

In Bulgaria, CEZ Group produces electricity in the Varna Power Station, which generated 3,610 GWh in 2008, down 125 GWh (-3%) from 2007.

Power Production in Bulgaria, Gross (GWh)



Installed Capacity

CEZ Group owns and operates a single power plant in Southeastern Europe: Varna Power Station in Varna, Bulgaria, with installed capacity of 1,260 MW.

Location of CEZ Group Power Plant in the Republic of Bulgaria

■ 1 black coal

List of CEZ Group Power Plants in Bulgaria

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at 31 December 2008	Year commissioned	Desulfurized since
Varna	TEC Varna EAD	black coal	6 x 210	1968–1969 1977–1979	
Coal-fired power plants, total			1,260		

Solid Fossil Fuels and Sorbents

The 1.7 million tons of black coal necessary for the Varna Power Station in Bulgaria was sourced from imports, 1.4 million tons (81%) from the Russian Federation and Ukraine and 0.3 million tons from Vietnam.

Electricity Generation Outlook

In 2009 TEC Varna EAD plans to produce a higher volume of electricity than in 2008. The increase is estimated at up to 36.9%. The reason is higher anticipated sales in the regulated and free markets.

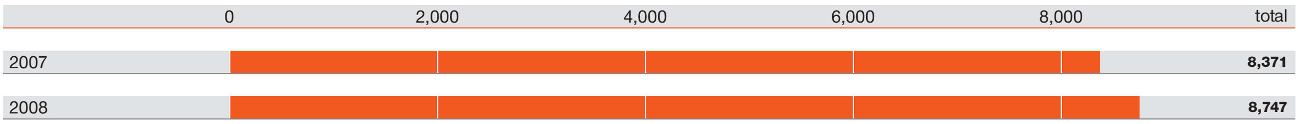
Heat

TEC Varna EAD produces and sells only a very small amount of heat, which it supplies to its immediately surrounding area. The resulting revenues – CZK 1 million – are marginal.

Distribution of Electricity

The distribution company CEZ Razpredelenie Bulgaria AD covers approximately 40% of end customers in Bulgaria. The volume of electricity distributed to end customers in 2008 totaled 8,747 GWh; compared to 2007 this is an increase of 376 GWh (+4%).

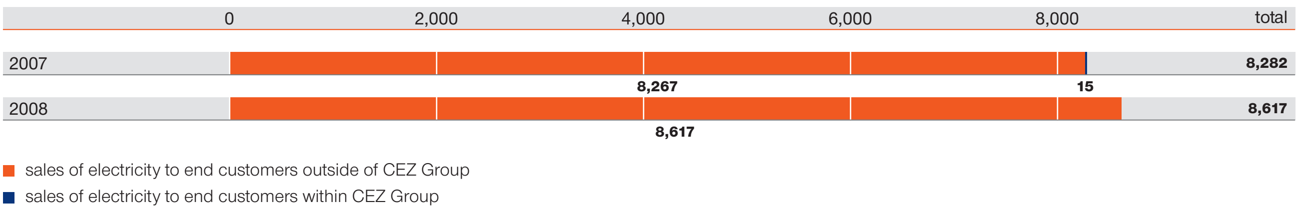
Electricity Distributed to End Customers in Bulgaria (GWh)



Sales of Electricity

Electricity sales in Bulgaria are the domain of CEZ Elektro Bulgaria AD, which sold a total of 8,617 GWh to end customers in 2008 and traded another 4 GWh in the wholesale market. In year-on-year terms, sales for end consumption increased by 335 GWh (+4%). The company is licensed to sell electricity to customers in the free market as well.
CEZ Elektro Bulgaria AD supplies electricity to customers both in the free market and, predominantly, in the regulated market.

Electricity Sold in Bulgaria (GWh)



The number of connection points grew by 40,000 from 2007, up to a total of 2,007,000 connection points.

Sales of Electricity for 2009

In 2009, sales of electricity are forecasted to be roughly the same as in 2008.

Equity Stakes

CEZ Bulgaria EAD

The company's primary aim is to provide administrative and managerial services to CEZ Group in Bulgaria. At the same time, it represents CEZ Group's interests in this territory and provides support to the acquisition team in the event of further acquisitions.

CEZ Razpredelenie Bulgaria AD

This company is involved primarily in distributing electricity in the area of Pleven, the country's capital Sofia, and environs. It achieves its goals primarily through high-quality maintenance and development of the technical condition of the power distribution grid, necessary maintenance of plant and equipment, and development of the distribution grid in line with the country's economic development forecast and the likelihood of changes in electricity consumption in the region. The capital expenditure program is focused on improving the quality of electricity supply, reducing technical and commercial losses, and reducing the time required to effect repairs.

CEZ Elektro Bulgaria AD

This company is engaged in selling electricity to end customers. It was formed to comply with Bulgarian unbundling legislation concerning the separation of power companies' distribution function from their other functions.

TEC Varna EAD

As of October 2006, ČEZ, a. s. is the sole owner of Varna Power Station. Varna Power Station lies in northeast Bulgaria, close to the Black Sea port of the same name.

CEZ Trade Bulgaria EAD

This company has held a ten-year electricity trading license since 2005.

CEZ Laboratories Bulgaria EOOD

This company was established to comply with the legislative requirement of separating the electric meter verification function from distribution and purchase of electric meters. This separation is part of the unbundling process in Bulgaria. In March 2008, the company obtained a license from the State Agency for Metrological and Technical Supervision to perform initial and periodic checks of electric meters. Granting of this license was preceded by the process of obtaining ISO certification.

CEZ Elektroproizvodstvo Bulgaria AD

This 100% subsidiary was established in 2008 in the form of a joint-stock company with stated capital of BGN 700,000 and with its seat in Varna. Its establishment is connected with preparations for a project to build a CCGT power plant in Varna with planned installed capacity of 880 MW. This project is important in terms of optimizing the production plant portfolio and will also reinforce CEZ Group's position in the Bulgarian market.

Romania

Business Environment

The Romanian energy sector is in a period of transformation and is quickly converging on the model commonly seen in other European Union countries. Individual functions have been legally separated (unbundled) and partially privatized. Most production assets are concentrated in the hands of three State-owned companies, depending on the type of power plant. Certain city and local power heating plants are under municipal ownership. The production sector is now being opened to foreign investment, typically through joint ventures with a local partner. The transmission grid is managed by Transelectrica. The distribution segment is by far the most open – three regions are served by the State-owned Electrica, while another five have been privatized into the hands of foreign investors. Regulation is carried out by ANRE.

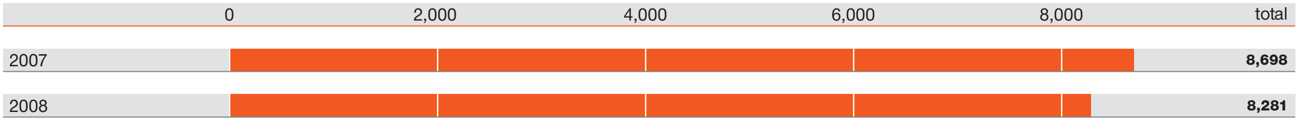
The electricity market is in transition, moving quickly toward liberalization. Approximately 40% of customers have eligible customer status and the remaining 60% are subject to regulation. A substantial portion of production is traded on new trading platforms in the form of one-year contracts and one-day supplies. The electricity market is organized by the company OPCOM. Romania supports the generation of electricity from renewable sources of energy through a "feed-in tariff" and Green Certificates. A new law passed in 2008 to support generation from renewable sources of energy improved conditions for building power plants based on renewables. By joining the European Union, Romania became a member of the European Union Emission Trading Scheme (EU ETS) and has approved a plan to implement LCPD (regulation of SO_X, NO_X and ash emissions).

On 26 August 2008, CEZ Group acquired a project to build the Fântânele and Cogealac wind farms in Constanța County, Romania. The two farms, with an aggregate total installed capacity of 600 MW, are planned to be completed gradually in the years 2009–2010. Construction of the project's first phase has already begun, while the second phase is in building permit proceedings. CEZ Group is also pursuing several opportunities in the biomass combustion area.

Distribution of Electricity

Distribution of electricity in Romania is handled by CEZ Distributie S.A. The volume of electricity distributed to end customers in 2008 totaled 8,281 GWh, a 417 GWh (-5%) decrease from 2007.

Electricity Distributed to End Customers in Romania (GWh)

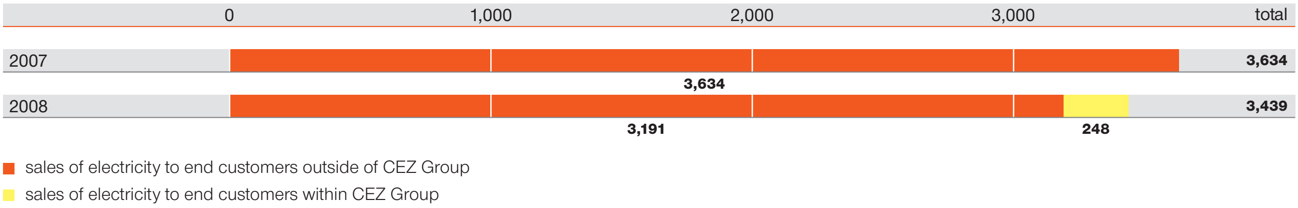


The number of connection points was up 31,000 to a total of 1,400,000 connection points.

Sales of Electricity

The company charged with selling electricity in Romania is CEZ Vanzare S.A. This company sold a total of 3,439 GWh in 2008 to end customers (248 GWh of which was within CEZ Group) and traded another 625 GWh in the wholesale market. In year-on-year terms, there was a 195 GWh (-5%) decline in sales for final consumption.

Electricity Sold in Romania (GWh)



Sales of Electricity for 2009

Despite ongoing market liberalization and market conditions unfavorable for procuring electricity for resale to eligible customers, CEZ Vanzare S.A. plans to sell 3,279 GWh to end customers in 2009.

Equity Stakes

CEZ Distributie S.A.

This company is dedicated exclusively to distribution of electricity.

CEZ Romania S.R.L.

This company's primary objective is to provide administrative and managerial services to CEZ Group in Romania. At the same time, it represents CEZ Group's interests in Romania and provides support to the acquisition team in the event of further acquisitions.

CEZ Vanzare S.A.

This company was formed in 2007 by split-off from the former Electrica Oltenia S.A. It is involved in selling electricity to end customers and has its seat in Craiova.

CEZ Servicii S.A.

CEZ Servicii S.A. was established for the purpose of providing shared services to CEZ Group companies in Romania.

CEZ Trade Romania S.R.L.

CEZ Trade Romania S.R.L. was established for the purpose of electricity trading, for which it has obtained the necessary license.

Acquisition Opportunities

Nuclear Power Station Cernavodă
On 22 December 2008, ČEZ, a. s. signed an investment agreement on the formation of the engineering company "S.C. EnergoNuclear S.A.", whose objective will be the construction, commissioning, and operation of Units 3 and 4 of the Cernavodă Nuclear Power Station in Romania. The design capacity of these two new units is 2 x 720 MW. The agreement was signed by Societatea Nationala Nuclearelectrica S.A. (51%) and six investors including ČEZ, a. s., whose stake exceeds 9.15%.

Galați CCGT Power Station
On 20 November 2008, ČEZ, a. s. signed a Memorandum of Understanding concerning cooperation with the Romanian power companies Termoelectrica and Electrocentrale Galați SA.

The signed Memorandum defines all necessary steps for establishing a joint venture between ČEZ, a. s. and Electrocentrale Galați SA, with ČEZ, a. s. to become the majority owner. The aim of the joint venture is to upgrade the existing gas-fired power plant and to build a new generating unit. The installed capacity of the new CCGT is to be 400 MW. The design of the new CCGT will be finalized on the basis of a feasibility study.

Republic of Turkey

Business Environment
Electricity consumption in Turkey is growing at a fast pace, driven by a dynamic, growing economy that is moving the country's standard of living closer to that seen in Western Europe. In the decade to come, this trend will continue and new power plants will need to be built to meet the growing demand. The Turkish State is looking to private investors in particular as a source of capital to invest in these new plants and is currently endeavoring to create favorable conditions for them, in particular by liberalizing the market and introducing advanced electricity trading mechanisms.

CEZ Group is monitoring the Turkish market for appropriate investment opportunities. In 2008, three of Turkey's approximately twenty distribution companies were privatized through a public tender in which ČEZ, a. s. took part in partnership with the Turkish holding company Akkök. By submitting the winning big to purchase the company Sakarya Elektrik Dagitim A.S., ČEZ, a. s. has entered the Turkish market.

Akenerji Elektrik Üretim A.S.
An agreement on purchase of a 37.5% stake in Akenerji Elektrik Üretim A.S. was signed on 8 October 2008. The company will serve as a joint venture with a local Turkish partner, operating in Turkey's power industry. ČEZ, a. s. will obtain the stake in the company after all conditions precedent of the transaction are fulfilled.

Akcez Enerji A.S.
In November 2008, a new company was formed in Turkey: Akcez Enerji A.S. with its seat in Istanbul and share capital of TRY 250,000,000. It is a joint venture in which ČEZ, a. s. has a 50% stake, Akenerji Elektrik Üretim A.S. holds 45% and the remaining 5% is held by Akkök Sanayi Yatirim ve Geliştirme A. Ş, Ömer Dinçkök and Ali Raif Dinçkök.

Sakarya Elektrik Dagitim A.S.
On 11 February 2009, Akcez Enerji A.S. acquired a 100% stake in Sakarya Elektrik Dagitim A.S., which has a 30-year concession to distribute electricity in the Sakarya service area.

Other Countries

Bosnia and Herzegovina

NERS d.o.o.
This company has its seat in Gacko. Following the signing of an Implementation Agreement, preparations began in 2007 to execute the Gacko project, which consists of the operation of the existing Gacko I Power Station, the construction of a new power plant, and the opening of a new mine at Gacko.
The Bosnian Serb partners did not meet their obligations under the Implementation Agreement and failed to invest the existing power plant and mine assets in the joint venture. For this reason, on 27 January 2009 ČEZ exercised its put option in the Gacko Project. Under the Implementation Agreement, the put option represents a mechanism by which ČEZ can withdraw from the joint venture. It constitutes an offer for the local partner to take over ČEZ's 51% stake in the joint venture, NERS. The deadline for acceptance of the put option by MH ERS passed on 18 February 2009. This was another breach of the Implementation Agreement on the part of MH ERS.
Depending on how the situation develops, legal risk analyses will be drawn up concerning arbitration and other legal steps, including the option of proceeding pursuant to the bilateral investment treaty between the Czech Republic and Bosnia and Herzegovina. In addition, further specific steps to protect ČEZ's interests will be proposed in conjunction with the Gacko Project. Commencement of legal recourse is planned for the second quarter of 2009.
CEZ Bosna i Hercegovina d.o.o.
This company was formed in March 2008 and has its seat in Sarajevo. It was established for the purpose of trading in electricity, supporting acquisition activity in Bosnia and Herzegovina, and as an administrative services company to support all CEZ Group operations in the country.

Republic of Serbia

CEZ Srbija d.o.o.
This company was set up primarily for acquisition activities, to create conditions and lay groundwork for electricity trading, and to prepare a structure for supporting and rolling out new acquisitions and projects. In 2008, the company's share capital was increased to EUR 1.2 million.

Republic of Kosovo

New Kosovo Energy L.L.C.
This company was established with the objective of supporting business development in this area of Southeastern Europe. As of 30 October 2006, ČEZ, a. s. obtained a license to trade electricity in the territory of Kosovo. In 2008, the share capital of New Kosovo Energy L.L.C. was increased to EUR 1 million.

Kingdom of the Netherlands

CEZ Group has had a presence here of one kind or another since 1994, when CEZ Finance B.V. was established. Through that company, ČEZ, a. s. issued its foreign bonds prior to the Czech Republic joining the European Union. Other companies – CEZ Silesia B.V., CEZ Chorzow B.V. and CEZ Poland Distribution B.V. were acquired by ČEZ, a. s. in conjunction with the acquisition of stakes in the Polish power companies Elektrocieplownia ELCHO sp. z o.o. and Elektrownia Skawina S.A. This ownership model of the Polish power plants was taken over by ČEZ, a. s. from the seller.
In December 2007, two more companies in the Netherlands were established – Transenergo International N.V. with share capital of EUR 45,000 and CEZ MH B.V. with share capital of EUR 50,000. Both companies have their seat in Rotterdam. Through Transenergo International N.V., ČEZ, a. s. holds a stake in Russia-based ZAO TransEnergo. Through CEZ MH B.V., a 7% stake is held in MOL Nyrt. (MOL Magyar Olaj – és Gázipari Nyilvánosan Működő Részvénytársaság), which was acquired in conjunction with the formation of a joint venture with MOL. The joint venture between ČEZ and MOL, formed in July 2008 and 50% owned by each partner, is incorporated as CM European Power International B.V. Its share capital is EUR 8.3 million and its seat is in Rotterdam.
ČEZ, a. s. does not have any power sector operations in the Netherlands. All of the above are holding companies.

Federal Republic of Germany

CEZ Deutschland GmbH
CEZ Group has had operations in Germany since 2001. CEZ Deutschland GmbH was set up as an electricity trading company. However, after the German market was liberalized and licensing conditions there were simplified, CEZ Deutschland GmbH's trading operations were phased out and terminated during the year, and the remaining portion of the electricity trading activity in Germany was taken over by ČEZ, a. s. The operations of CEZ Deutschland GmbH have been minimized and we plan to use the company to support possible future CEZ Group operations and/or acquisitions in Germany.

Mitteldeutsche Braunkohlengesellschaft mbH

On 25 February 2009, Severočeské doly a.s., a member of CEZ Group, and J & T Group entered into an agreement with the owners of the brown coal mining company Mitteldeutsche Braunkohlengesellschaft mbH, which operates in Germany, on the purchase of a 100% stake in the company. Settlement of the transaction is expected in the second quarter of 2009, at the earliest, following its approval by the European Commission. The company mines brown coal in the Central Germany coal belt, near Leipzig. It owns and operates two open-pit coal mines as well as three cogeneration plants with total installed capacity of 208 MW_e.

Republic of Hungary

CEZ Magyarország Kft. (CEZ Hungary Ltd.)

This company's core business is electricity trading, for which it holds a license.

Dunai Gőzfejlesztő Kft.

This company has been owned by CM European Power International B.V. since 31. March 2009.

Slovak Republic

CEZ Slovensko, s.r.o.

This company's core business is electricity trading.

CM European Power International s.r.o.

December 2008 saw the registration in Slovakia of a new company, CM European Power International s.r.o., with its seat in Bratislava and total share capital of EUR 7.5 million. It is 100% owned by CM European Power International B.V., in which ČEZ, a. s. owns a 50% stake. The new company will support and develop projects in collaboration with Hungary-based MOL Group.

Jaslovské Bohunice Nuclear Power Station

On 17 December 2008, in the presence of cabinet members of the Czech Republic and the Slovak Republic, a Memorandum of Cooperation between the energy sectors of both countries was signed in Bratislava, Slovak Republic. The Memorandum contains support for the implementation of joint measures. One of these is the establishment of a joint venture to build new nuclear reactor units in the existing Jaslovské Bohunice Nuclear Power Station.

Russian Federation

ZAO TransEnergo

In the Russian Federation, ČEZ, a. s. has owned a 100% stake in Moscow-based ZAO TransEnergo since 2006. In 2008, the stake in ZAO TransEnergo was transferred to the subsidiary TransEnergo International B.V., in which ČEZ, a. s. holds a 67% stake. The remaining 33% is owned by ZAO Infoterm with its seat in Moscow, Russian Federation.

CEZ RUS OOO

This 100% subsidiary has its seat in Moscow and was formed in February 2008 for the purpose of supporting acquisition activities in the Russian Federation and to provide administrative support for all CEZ Group operations here. The company has a share capital of RUB 105 million.

Ukraine

CEZ Ukraine CJSC

This company was established with the objective of furthering acquisition activities in Ukraine and to provide support for planned projects here. In December 2008 its share capital was increased to UAH 7.075 million.

Countries Outside the Accounting Segments

Albania

Operatori i Sistemit te Shperndarjes sh. a. (OSSh)

In October 2008, ČEZ, a. s. was declared the winner of a tender for the privatization of a 76% stake in the sole Albanian distribution company, OSSh. In March 2009, the Company signed an agreement with the Albanian Government on purchase of this stake.

2x more

CCGT power plants generate electricity at nearly double the efficiency of a typical coal-fired power plant, with minimum environmental impact.

A CCGT plant uses a form of combi cycle in which incoming heat is utilized multiple times. Combined cycles have two principal advantages: they make better use of energy inputs and they have lower emissions per MWh of electricity generated.

Finance

Shares, Shareholders and Securities

Shareholder Structure

The total stated capital of the parent company, ČEZ, a. s., recorded in the Commercial Register at 31 December 2008 was CZK 59,221,084,300.

A court resolution on registration of a decrease in the Company's stated capital entered into legal force on 12 February 2009. The Company's stated capital was decreased by CZK 5,422,108,400 to CZK 53,798,975,900. As of that date, the Company's stated capital is divided into 537,989,759 shares, each with a nominal value of CZK 100. On 27 February 2009, 9.16% of the shares booked in the share register – i.e. the Prague Securities Center – were terminated.

Structure of Shareholders (%)

	Stake in share capital at	Stake in voting rights	Stake in share capital at	Stake in voting rights
	31 December 2007		31 December 2008	
Legal entities, total	95.86	95.47	95.45	94.95
Czech Republic	65.99	72.13	63.39	70.43
Other legal entities	19.04	11.51	12.97	3.31
of which: domestic	10.24	1.90	11.59	1.77
of which: ČEZ, a. s.	8.51	0.00	9.99	0.00
third parties	1.73	1.90	1.60	1.77
foreign	8.80	9.61	1.38	1.54
Asset managers	10.83	11.83	19.09	21.21
Private individuals, total	4.14	4.53	4.55	5.05
of which: domestic	4.04	4.42	4.43	4.92
foreign	0.10	0.11	0.12	0.13

As at 31 December 2008, ČEZ, a. s. was aware of four entities with stakes of over 3% of the stated capital.

The first of these was the Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic. During the year 2008, the Czech Republic's stake declined to 63.39% on the sale of some ČEZ, a. s. shares previously owned by the State. The Czech Republic's share in the voting rights, on the other hand, rose to 70.43%, because the increase in the number of treasury shares held by ČEZ, a. s. exceeded the decrease in the number of shares held by the Czech Republic.

The Czech Republic's equity stake allows it to exercise direct control over ČEZ by conventional means, i.e. in particular by voting at General Meetings. Other shareholders are informed of any negative influence the controlling entity may have on the Company through the Related Parties Report which is a public document under Czech law and is included in the Annual Report. As an issuer of shares accepted for trading on the Prague and Warsaw Stock Exchanges, ČEZ, a. s. is required to regularly inform the mentioned exchanges of all important events. The reports are made in the Czech, English and Polish languages and are also available to the public on the Company's website.

The second entity with a stake of over 3% in the stated capital of ČEZ, a. s. was the Company itself, with 9.99% of the stated capital; of course, under Czech law this stake has no voting rights.

The third such shareholder was the asset manager UNI CREDIT BANK CZECH REPUBLIC, which managed the assets of 37 shareholders with an aggregate stake of 8.07% in the stated capital of ČEZ, a. s. and an 8.97% share in the voting rights of ČEZ, a. s. The fourth shareholder with a stake exceeding 3% of the stated capital was the asset manager Citibank EUROPE, which managed the assets of 107 shareholders with an aggregate stake of 6.75% in the stated capital of ČEZ, a. s. and a 7.50% stake in ČEZ's voting rights.

Other asset managers in the list of shareholders as at 31 December 2008 were Československá obchodní banka, which managed the securities of 20 shareholders in a total nominal value of CZK 583.4 million, ČSOB – Special Accounts managing the securities of 176 shareholders in a total nominal value of CZK 1.028 billion, ING BANK NV, which managed the securities of 91 shareholders with a total nominal value of CZK 911.7 million, and Komerční banka, which managed the securities of one shareholder with a total nominal value of CZK 1.3 million.
Shares in ČEZ, a. s. held by foreign entities (legal entities and private individuals) amounted to 1.5% of the stated capital at year end 2008. Compared to the end of 2007, they declined by 7.39 percentage points. However, since the stake held by shareholders whose accounts are managed by asset managers rose by 8.26% over the same period, it is likely that a large portion of the decline in the stake held by foreign shareholders resulted from a shift of these accounts to asset managers. ČEZ, a. s. has no way to determine details concerning individual shareholders (including information on their domicile) whose accounts are managed by asset managers.

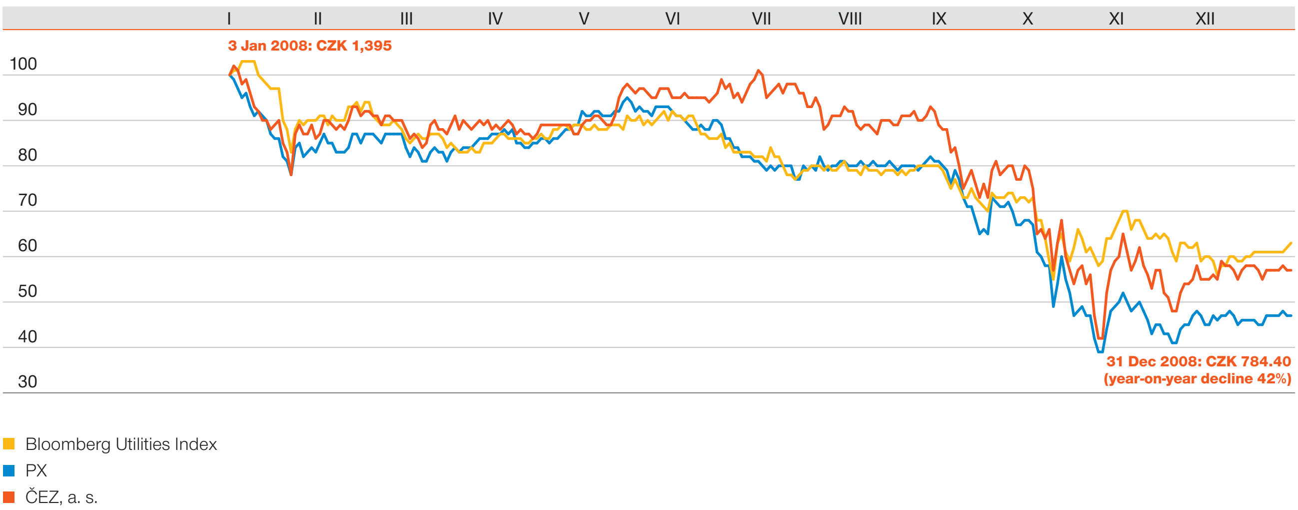
Shares

Security	ISIN	Issue date	Volume	Appearance	Form	Face value	Market	Traded since
Registered share *)	CZ0005112300	15 February 1999	CZK 59.2 billion	booked	to owner	CZK 100	PSE	22 June 1993
(until 12 February 2009)							PSE main market	25 January 1994
							RM-System	23 February 1999
							GPW	25 October 2006
(change as of 12 February 2009)			CZK 53.8 billion					

*) Number of shares outstanding until 12 February 2009: 592,210,843.
Number of shares outstanding as of 12 February 2009: 537,989,759.
Amount of share capital remaining to be paid in: 0.

Shares of ČEZ, a. s. are also traded by third parties (unsponsored listing) in the Federal Republic of Germany on the XETRA market operated by Deutsche Börse Gruppe and on exchanges in Munich, Frankfurt am Main, Berlin, and Stuttgart.
As at 31 December 2008, no member of CEZ Group owned any shares issued by ČEZ other than ČEZ, a. s., itself.

ČEZ, a. s. Share Performance in 2008 (%)



Per-share Indicators

	Units	2003	2004	2005	2006	2007	2008	Index 2008/2007 (%)
Net income per share – basic	CZK/share	16.2	22.3	36.3	47.0	72.9	87.0	119.3
Net income per share – diluted	CZK/share	16.2	22.3	36.2	46.8	72.7	86.9	119.5
Dividend per share (gross) *)	CZK	4.5	8.0	9.0	15.0	20.0	40.0	200.0
Dividend amount	CZK billions	2.7	4.7	5.3	8.9	11.8	21.3	180.7
Dividend as percentage of previous year's consolidated net income	%	16	31	49	40	41	50	121.7
High for year	CZK	146	341	748	1,010	1,423	1,395	98.0
Low for year	CZK	88	146	347	566	828	581	70.2
Year end	CZK	146	341	736	960	1,363	785	57.6
Number of registered shares (at December 31)	thousands	592,211	592,211	592,211	592,211	592,211	592,211	100.0
Number of treasury shares (at December 31)	thousands	745	10	2,440	3,455	50,370	59,171	117.5
Number of shares in circulation (at December 31)	thousands	591,466	592,201	589,771	588,756	541,841	533,040	98.4
Market capitalization (at December 31)	CZK billions	86	202	434	565	738	465	63.0
Book value per share	CZK	274	291	300	331	316	325	102.8
Price-to-book value ratio (P/BV)	%	53	117	246	290	431	241	55.9
Price-to-earnings ratio (P/E)	1	9	15	20	20	18	9	50.6
Total shareholder return (TSR)	%	62.4	139.3	118.8	32.4	44.1	(39.5)	
ČEZ share trading volume on PSE	CZK billions	44	108	299	348	403	386	95.9
ČEZ share in overall PSE trading volume	%	17.2	22.5	28.7	41.9	39.8	45.4	114.0

*) Paid, relating to the previous year.

Dividends

ČEZ, a. s. has been paying regular dividends to shareholders since 2001. Pay out takes place once per year. Starting with the dividends for the fiscal year 2007, ČEZ, a. s. applies a dividend policy of paying out to shareholders 50–60% of the consolidated net income. The General Meeting decides on the Board of Directors' proposed specific dividend amount and approves the actual dividend amount.

Credit Ratings

The credit ratings of ČEZ, a. s. remained unchanged over the period. On 19 November 2008, the credit rating agency Moody's reaffirmed the A2 rating with stable outlook and on 11 December 2008 the credit rating agency Standard & Poor's reaffirmed the A- rating with stable outlook.

Treasury Shares

Treasury Shares	Total	Of which	
		Main account	Brokers
Balance at 1 January 2008	**50,370,144**	**2,950,010**	**47,420,134**
Purchased on or before 2 May 2008	10,456,633		10,456,633
Settled trades from 2007	255,588		255,588
Sold on or before 2 May 2008	1,871,260	1,871,260	
of which: to beneficiaries	1,871,260	1,871,260	
Purchased on or after 3 May 2008	20,000		20,000
Sold on or after 3 May 2008	60,000	60,000	
of which: to beneficiaries	60,000	60,000	
Balance at 31 December 2008	**59,171,105**	**1,018,750**	**58,152,355**
Purchased on or before 27 February 2009			
Sold on or before 27 February 2009			
Shares erasure from Prague Securities Center	54,221,084		54,221,084
Balance at 27 February 2009	**4,950,021**	**1,018,750**	**3,931,271**

Highest and Lowest Share Repurchase Prices

	Price (CZK)	Date	Market
Highest price	1,288.33	14 February 2008	GPW
Lowest Price	1,123.72	21 January 2008	PSE

During the year, 19 beneficiaries exercised their options, in several tranches, to purchase a total of 1,931,260 shares of ČEZ. The average price for these shares was CZK 291.73 (lowest price was CZK 101.92 per share, and the highest was CZK 911.64 per share). Proceeds from sale of shares to beneficiaries totaled CZK 564,205,000 including interest.

The ČEZ, a. s. share buy-back program, implemented since 30 April 2007, was terminated on 2 May 2008. The total number of shares purchased from the beginning of 2008 until the end of the share buy-back (71 trading days) was 10,456,633. The ČEZ, a. s. share buy-back met the conditions set in Commission Regulation (EC) No. 2273/2003 for granting of an exemption under Article 8 of Directive 2003/6/EC. The disclosures made under Section 4(3) of the Regulation are available on the CEZ Group website, in the "Inside information" section.

During the entire buy-back process (30 April 2007 to 2 May 2008), the average purchase price was CZK 1,158.24/share. The total amount used in both years of the buy-back was CZK 67,330.1 million.

In September 2008, ČEZ, a. s. purchased another 20,000 of its own shares, i.e. the amount remaining up to the limit of 10% that the Company may hold.

At year end 2008, ČEZ, a. s. had 59,171,105 treasury shares on its asset account with the Prague Securities Center.

Average Share Price in 2008 (CZK)

Month	Purchase price	Market average
January	1,190.83	1,259.78
February	1,241.24	1,230.50
March	1,215.66	1,208.20
April	1,220.89	1,207.75
May	1,215.00	1,282.57
Total	1,216.72	1,237.76

General Meeting

16th Annual General Meeting

Held on 21 May 2008, the 16th Annual General Meeting of ČEZ, a. s., *inter alia*:

- approved the financial statements of ČEZ, a. s. for the year ended 31 December 2007 and the consolidated financial statements of CEZ Group for the year ended 31 December 2007;
- approved the distribution of 2007 net income;
- decided on a decrease in the stated capital of ČEZ, a. s.;
- decided on the acquisition of treasury shares by the Company;
- approved the 2009 donorship budget;
- decided on a revision of the stock options program;
- decided on a change in endowment life insurance for members of the Company's governing boards.

CEZ Group Bonds Outstanding at 31 December 2008

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form
6th bond issue	ČEZ, a. s.	CZ0003501066	26 January 1999	CZK 4.5 billion	zero coupon [1]	2009	booked to owner
7th bond issue	ČEZ, a. s.	CZ0003501058	26 January 1999	CZK 2.5 billion	9.22% [2]	2014	booked to owner
10th bond issue	ČEZ, a. s.	CZ0003501520	27 August 2007	CZK 7 billion	4.3%	2010	booked to owner
3rd Eurobond issue	CEZ Finance B.V.	XS0193834156	8 June 2004	EUR 400 million	4.625%	2011	booked to owner
4th Eurobond issue	ČEZ, a. s.	XS0271020850	17 October 2006	EUR 500 million	4.125%	2013	booked to owner
5th Eurobond issue	ČEZ, a. s.	XS0324693968	12 October 2007	EUR 500 million	5.125%	2012	booked to owner
6th Eurobond issue	ČEZ, a. s.	XS0376701206	18 July 2008	EUR 600 million	6.00%	2014	booked to owner
7th Yen bond issue	ČEZ, a. s.	XS0384970652	17 September 2008	JPY 12,000 million [3]	3.005%	2038	booked to owner
8th Eurobond issue	ČEZ, a. s.	XS0387052706	22 September 2008	EUR 6 million	zero coupon [4]	2038	booked to owner

[1] Yield is given by the difference between the issue price (CZK 1,862,905,005) and face value (CZK 4,500,000,000) of the bond.
[2] Starting in 2006, the bonds bear interest at a variable rate defined as CPI + 4.2%.
[3] Proceeds of Yen bond issue were swapped for Euros using a Credit Linked Swap.
[4] Yield is given by the difference between the issue price (EUR 1,071,696) and face value (EUR 6,000,000) of the bond.

As of 31 December 2008, Severočeské doly a.s. owned a CZK 150 million portion of the 10th bond issue (face value CZK 330 million). As a result, the long-term debt reported for CEZ Group is lower by this amount.
ČEZ, a. s. has not issued any convertible bonds. Under the issue terms, the bonds are not guaranteed either by the State or by any bank.
With the exception of ČEZ, a. s., no CEZ Group company had any bonds outstanding at 31 December 2008.

Face value	Manager	Administrator	Market	Traded since
CZK 1,000,000	ING Barings Capital Markets	Citibank, a.s.	PSE Official Free Market RM-System	26 January 1999 7 December 2001
CZK 1,000,000	ING Barings Capital Markets	Citibank, a.s.	PSE Official Free Market RM-System	26 January 1999 5 December 2001
CZK 10,000	Česká spořitelna, a.s. Komerční banka, a.s.	Komerční banka, a.s.	PSE Main Market	27 August 2007
EUR 1,000 EUR 10,000 EUR 100,000	BNP Paribas Merill Lynch	The Bank of New York	Bourse de Luxembourg	8 June 2004
EUR 50,000	Société Générale Corporate & Investment Banking	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	17 October 2006
EUR 50,000	BNP Paribas, Citi	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	12 October 2007
EUR 50,000	BNP Paribas Deutsche Bank AG ING Bank N.V. Erste Bank	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	18 July 2008
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	17 September 2008
EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	22 September 2008

Solvency in 2008

CEZ Group enjoyed ongoing excellent solvency in 2008. During 2008, no CEZ Group company reported any shortcomings in the course of meeting its obligations.

The overall liquidity position of CEZ Group was impacted by several factors: termination of the share buy-back program in May, payment of advances to enable trading on energy exchanges, acquisition of a wind farm in Romania (the Fântânele and Cogealac projects) and acquisition of the distribution company Sakarya Elektrik Dagitim A.S. in Turkey, which was not settled until February 2009.

During 2008 there was a major renewal of the ČEZ, a. s. bill of exchange program, increasing the program's volume to CZK 25 billion from CZK 9 billion and expanding the number of participating banks. More than half of the volume was covered by committed loan facilities.

Until the autumn of 2008, the banks themselves, in particular, were active in the program. In the fourth quarter, as the crisis of confidence in the banking sector deepened, there was an enormous upswing in non-bank entities, and by year end 2008 they accounted for 80% of the total volume of bills of exchange outstanding.

In July, as part of the Euro Medium Term Notes (EMTN) program, ČEZ, a. s. issued notes in a total nominal value of EUR 600 million, maturing in 2014.

In early September, just before the liquidity crisis broke out, ČEZ, a. s. issued JPY 12 billion (approximately CZK 1.9 billion) Yen-denominated bonds maturing in 2038. This is the longest bond ČEZ, a. s. has issued yet and it is fully in line with the useful lifetimes of property, plant and equipment operated by the CEZ Group.

Despite the deteriorating situation in the capital markets, all the issues were very well received by investors.

In the last quarter of 2008, the situation in the global financial markets was hit heavily by a liquidity crisis, which relatively quickly transformed into a global economic slowdown. Even in this difficult time, CEZ Group's financial position remained unthreatened, thanks in particular to the conservative approach taken to structuring the Company's financing.

At year end 2008 ČEZ, a. s. had drawn just 13% of its committed loan facilities.

In January 2009, CEZ MH B.V., a member of CEZ Group, successfully renewed a EUR 550 million loan taken out to finance the acquisition of a 7% stake in MOL, among other purposes.

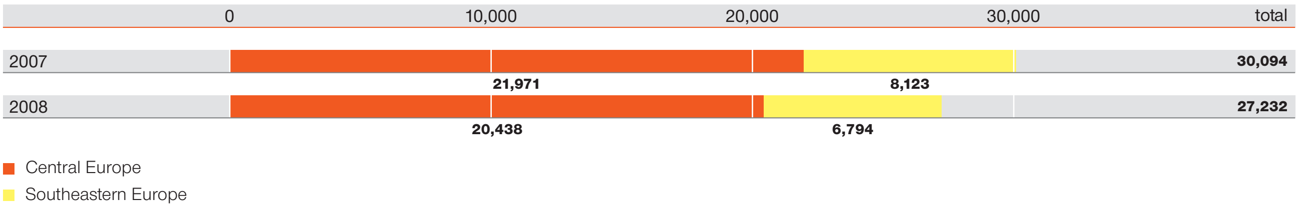
Human Resources

CEZ Group Human Resources

Work Force Size and Structure

As of 31 December 2008, the work force head count (i.e. the total number of employees of all fully consolidated companies of CEZ Group) was 27,232 employees, i.e. down 2,862 (-9.5%) year-on-year.

Work Force Head Count (Persons) at December 31



Occupational Safety

As we operate complex technical equipment, most of which requires a special license to operate and which also includes nuclear installations, which are subject to special operating rules, CEZ Group has put in place a management system that enables us to meet our obligations regarding safe and reliable operation and thereby ensure a safe work environment for our employees and contractual partners.
Among employees of ČEZ, a. s., a total of 12 occupational injuries were reported resulting in sick leave of longer than three calendar days. The employer was not at fault in any of the occupational injuries and there were no lethal occupational injuries.

Employee Motivation

At CEZ Group, employees receive wages in an amount that is in line with the Group's long-term economic performance. Wages are differentiated according to employees' individual performance, based on work behavior evaluations and the seven corporate principles.
The CEZ Group social policy encompasses a wide variety of activities and benefits, both cash and in-kind, that are provided to employees. CEZ Group companies have a shortened work week of 37.5 hours, an additional week of paid vacation beyond that required by law, and employees also receive paid personal time beyond the scope required by applicable laws and regulations. CEZ Group companies provide employees further employment benefits such as personal accounts for rest and relaxation, health care, Supplemental Pension Insurance contributions, life insurance, cafeteria meal plans, contributions during the first three days of sick leave, contributions for birth of a child, rewards on life jubilees and upon retiring and, in extraordinary cases, one-off social aid grants. Another area is care for former employees (retirees), which is accomplished through a foundation fund.

Wages and the system of employee benefits, taken together, provide a substantial incentive that supports employees and stimulates them to strive for high work performance, develops their willingness and loyalty, helps us to recruit the best employees, stabilize the work force and reduce turnover. At the same time, the system allows us to achieve the optimum distribution of employee benefits with regard to employees' motivational needs, improves the image of CEZ Group, and makes us a more attractive employer – a competitive advantage in the labor market.
The basic principles of compensation and social policy used by CEZ Group for international acquisitions are based on collective agreements, long-term contracts, and the specific conditions applying in local markets.

Equal Treatment of Employees
In accordance with applicable law, in labor-law relations CEZ Group emphasizes equal treatment of employees and implements a total ban on discrimination.

Employee Development
Employees of nuclear power plants receive specific development care. In 2008, the personnel of the Dukovany and Temelín Nuclear Power Stations – both in-house employees and those of suppliers – underwent specialized training to increase their qualifications and preparedness. The overall high level of professional fitness is demonstrated by the granting of licenses to provide specialized training to selected personnel at nuclear installations and selected personnel who work with sources of ionizing radiation. In both cases, the licenses were granted by the State Office for Nuclear Safety for a period of ten years.
Another training area is linked directly to the qualification level employees need in order to engage in a particular work activity. In integrated subsidiaries, training programs aimed at improving the effectiveness of customer communications are implemented for selected employees as part of the Customer Project.
In line with the human resources development strategy and in accordance with regular employee evaluations, ČEZ, a. s. and the process-driven subsidiaries implement a comprehensive program for developing "soft" skills, the objective of which is to build and reinforce employees' managerial and expert potential, create conditions for continual growth, and prepare employees to be more effective in fulfilling their current and future work responsibilities. In 2008, employee development initiatives were designed on the basis of the seven corporate principles.

Cooperation with Schools
In 2008, ČEZ, a. s. cooperated with 23 high schools and nine faculties at a total of six universities. As part of this cooperation, CEZ Group supported a number of specialized activities and provided scholarships to selected students. We also ran the "Nuclear School-Leaving Exams" and "Summer University in Temelín" programs for students.

Fulfillment of Corporate Principles
In 2008, CEZ Group implemented a number of innovations designed to fulfill the corporate principles and foster a performance-oriented corporate culture. The seven corporate principles were further developed and became an integral part of how employees are evaluated at ČEZ, a. s. and its fully integrated subsidiaries.
Employee loyalty is built by organizing informal motivational events. 2008 saw the CEZ Group in Motion winter sports games, the summer event Families On the Road, and the Christmas event Holidays of Light for employees and their partners. Another event held for CEZ Group employees highlighted their volunteer work – in this pre-Christmas event, entitled We Make Wishes Come True, CEZ Group employees gave nearly 1,300 gifts to clients of children's homes and social care institutions. Open houses at the various power plants are also popular.
Public recognition and awards for the best employees also have a strong motivational effect. In 2008, these included the traditional CEO AWARDS for the individuals and teams that made the best contributions to the growth of CEZ Group. Another initiative, entitled ČÉZAR and designed to recognize the best employees of individual units and companies in the CEZ Group, was updated during 2008 with a new, attractive award designed to lend the title increased prestige.

CEZ Group News
Keeping employees abreast of the latest goings-on at CEZ Group in the Czech Republic is the job of the monthly magazine ČEZ NEWS, which in April 2008 won the Best Internal Magazine award in the Zlatý středník 2007 (Golden Semicolon) competition organized by PR Klub.
Important announcements from CEZ Group management are communicated to employees through electronic newsletters. The corporate Intranet also includes a so-called “Orange Box”, through which all employees can send in their questions, opinions, and suggestions.
In addition to print and on-line tools, managerial tools for personal communication and for obtaining employee feedback are rising in importance. One such tool is Business Report – a quarterly presentation by management on progress being made toward meeting the CEZ Group’s economic and safety goals and strategic priorities. Also, we organize a series of regular work sessions where employees sit down with managers. These meetings enable Company management to sufficiently explain the corporate vision and strategy, as well as employees’ role in their fulfillment. At the same time, they help to maintain a continual dialog which is useful for both sides.

Labor Relations
There are a total of 31 separate labor organizations at ČEZ, a. s., and approximately 2,400 employees, or 38% of the Company’s total work force, were unionized in 2008.
At the fully integrated subsidiaries of CEZ Group, a total of 48 basic labor organizations operate, and approximately 3,600 employees, or 54% of the total work force, were unionized. 35 of the basic labor organizations are members of five regional Associations of Basic Organizations, while another 13 basic organizations operate in CEZ Group subsidiaries on an independent basis.
The labor organizations are organized into three labor unions: the ECHO Labor Union, the Czech Labor Union of Power Industry Employees, and the Labor Union of Nuclear Power Plant Employees.
Employee social benefits are set forth in collective agreements. At ČEZ, a. s., the Collective Agreement is entered into for the period 2007–2010, and Amendment No. 5 thereto was signed and took effect on 1 January 2009. Collective agreements in the fully integrated subsidiaries are entered into for the years 2008–2010, and Amendments No. 2 were signed, and took effect from 1 January 2009.
The CEZ Group European Works Council is a platform for discussing the key strategic issues for CEZ Group that have an impact on employee interests in at least two European Union Member States. Of the 23 members of the CEZ Group European Works Council, 14 are from the Czech Republic, four are from Bulgaria, three from Romania, and two from Poland. In 2008, two meetings of the CEZ Group European Works Council were held: in May and in December. Multinational reports and discussions related primarily to CEZ Group policy and strategy, including strategic mergers & acquisitions, the economic and financial condition of CEZ Group, and employment trends.

Fulfillment of the Corporate Governance Codex by CEZ Group

Our corporate governance is based on the Corporate Governance Codex, in the drafting of which in the Czech Republic ČEZ, a. s. took part and whose provisions we comply with in all material respects.
Important information on the Company’s statutory bodies, a description of how they are established, their current composition, a description of how their members are remunerated, and a summary of Supervisory Board committees can be found on pages 18–35 of this Annual Report. ČEZ, a. s. complies with all Commercial Code provisions regarding shareholder rights, convening its General Meetings and ensuring equal treatment of all shareholders.

ČEZ, a. s. has formulated a strict insider trading policy for the Board of Directors and selected executives with access to insider information. The Financing Section maintains a list of board members and employees that can be deemed insiders under the Act on Doing Business in the Capital Market. ČEZ, a. s. follows Czech National Bank, Prague Stock Exchange, and GPW directives on disclosure of all material information, enabling all shareholders and potential shareholders to know the Company's financial situation, performance, ownership, and governance so that they can make informed investment decisions. All material information is published in Czech, English and Polish.

The Company maintains its compliance with all statutory obligations towards stakeholders, including employees, creditors, and suppliers. In addition, the Company keeps in view its wider obligations toward local government authorities in the communities where it operates, and therefore consults and discusses its investment plans at this level as well.

As the issuer of a security listed on the GPW, in preparation for its share listing on this market ČEZ, a. s. published a declaration concerning observance of GPW's corporate governance standards. None of the information presented in that declaration had changed as of the closing date of the 2008 Annual Report.

A more detailed summary of compliance with the Corporate Governance Codex can be found on the Company website, www.cez.cz, in the section for investors. The declaration concerning observance of the Codex promulgated by GPW can be found on the GPW subsite, www.corp-gov.gpw.pl.

ČEZ, a. s. Shareholder and Investor Relations

ČEZ, a. s. complies with Commercial Code provisions regarding protection of shareholder rights and upholds the principle of equal access for all shareholders. On dates planned and announced in advance, the Company's shareholders receive timely quarterly reports on the financial and commercial performance of CEZ Group. Like corporate governance, the Company's shareholder and investor relations are based on the recommendations of the Corporate Governance Codex.

Above and beyond statutory requirements, the Company aims to engage all capital market players in an active and open dialog so that each of them can arrive at an independent assessment of CEZ Group's performance and strategy. The Company's top executives met with investors for 12 roadshows, seven investor conferences, and countless individual meetings at ČEZ, a. s.

The Company also organized Capital Markets Day, an event attended by nearly fifty analysts and investor representatives. During the meeting, presentations were made on various themes, where managers explained key matters and fielded questions from the attendees. In addition to the latest figures, the discussions centered around topics relating to electricity price trends in the Czech Republic and the region as a whole, CEZ Group's international expansion strategy and its investment plans. Another important topic was the so-called climate and energy package, a collection of new European Union directives dealing in particular with trading in CO_2 allowances and support for renewable sources of energy after 2013. ČEZ, a. s. intends to maintain mutual dialog on a similar basis in the future as well.

Development of the Power Industry Legislative Framework in the Czech Republic

In the power sector, the core legislative framework consists of the following:

- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act);
- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Atomic Energy 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 Electricity Promotion Act).

During 2008, almost all of these laws were amended in some way or another. In most cases, the changes reflected amendments of other, related laws and regulations.
During the reporting period, the following lower-level regulations were promulgated that either implement the above acts or amend existing implementing regulations:

- Decree No. 110/2008 Sb. amending Decree No. 439/2005 Sb., which stipulates details concerning the method for determining the amount of electricity from combined generation of power and heat and determining the amount of electricity from secondary sources of energy;
- Decree No. 365/2007 Sb. amending Decree No. 541/2005 Sb. on the Electricity Market Rules, principles for setting prices for activities by the electricity market operator and the implementation of certain other provisions of the Energy Act. The decree as a whole is effective from 1 January 2008, with certain of its provisions taking effect later, from 1 February 2008 or 1 July 2008;
- Decree No. 454/2008 Sb. amending Decree No. 541/2005 Sb. on the Electricity Market Rules, principles for setting prices for activities by the electricity market operator and the implementation of certain other provisions of the Energy Act;
- A new Decree No. 132/2008 Sb. on the system of quality in carrying out and securing activities related to the utilization of nuclear energy and radiation activities and on securing the quality of selected equipment with regard for their inclusion in security classes, and which repeals Decree No. 214/1997 Sb.;
- Decree No. 453/2008 Sb. amending Decree No. 482/2005 Sb., which stipulates the types, methods of utilization, and parameters of biomass for purposes of supporting the generation of electricity from biomass;
- Government Regulation No. 80/2008 Sb. on the National Allocation Plan for the trading period 2008–2012.

The following environmental protection regulations have a direct impact on the business of CEZ Group:

- Act No. 100/2001 Sb. on Environmental Impact Assessment and amending certain related acts;
- Act No. 185/2001 Sb. on Waste and amending certain acts;
- Act No. 254/2001 Sb. on Water and amending certain acts (the Clean Water Act);
- Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act);
- Act No. 76/2002 Sb. on Integrated Prevention and Mitigation of Pollution, on the Integrated Pollution Register and amending certain acts (the Integrated Prevention Act);
- Act No. 695/2004 Sb. on Conditions for Trading Greenhouse Gas Emission Allowances and amending certain acts;
- Decree No. 696/2004 Sb. stipulating procedures for determining, reporting, and verifying amounts of greenhouse gas emissions;
- Act No. 25/2008 Sb. on the integrated register of environmental pollution and the integrated system for meeting environmental disclosure obligations and amending certain acts;
- Act No. 167/2008 Sb. on preventing and correcting environmental damage and amending certain acts.

Some of the laws and regulations listed above were amended in conjunction with the passage of Act No. 296/2007 Sb. amending Act No. 182/2006 Sb. on Bankruptcy and Methods for Dealing With It (the Insolvency Act) and Act No. 124/2008 Sb. amending Act No. 269/1994 Sb. on the Penal Register. Furthermore, Act No. 185/2001 Sb. on Waste was amended by Act No. 34/2008 Sb. and Act No. 254/2001 Sb. on Water was amended by Act No. 181/2008 Sb.

An implementing regulation to Act No. 86/2002 Sb. on Air Protection was promulgated: Government Regulation No. 372/2007 Sb. on the national program for reducing emissions from existing especially large-scale combustion sites.

The basic standards regulating the financial and commercial aspects of CEZ Group's activities are contained in Act No. 513/1991 Sb. (the Commercial Code), which was amended in 2008 primarily in conjunction with amendments to and passage of other laws and regulations. In particular, these included: Act No. 296/2007 Sb. amending Act No. 182/2006 Sb. on Bankruptcy and Methods for Dealing With It; Act No. 36/2008 Sb. (amendment of the provision concerning comparison advertising); Act No. 344/2007 Sb. amending the Commercial Code; Act No. 104/2008 Sb. on Take-Over Offers; Act No. 126/2008 Sb. amending certain acts in conjunction with the passage of the Act on Transformations of Business Companies and Cooperatives; Act No. 130/2008 Sb. amending Act No. 455/1991 Sb. (the Trades Licensing Act); and Act No. 230/2008 Sb. amending Act No. 256/2004 Sb. on Doing Business In the Capital Market.

In terms of tax legislation, worthy of mention is Act No. 261/2007 Sb. on the Stabilization of Public Budgets dealing, among other things, with the tax on natural gas and certain other gases, the tax on solid fuels, and the tax on electricity.

Economic competition issues are dealt with by Act No. 143/2001 Sb. on the Protection of Economic Competition and amending certain acts (the Act on the Protection of Economic Competition), which was amended by Act No. 296/2007 Sb. amending Act No. 182/2006 Sb. on Bankruptcy and Methods for Dealing With It (the Insolvency Act), as amended, and certain acts in conjunction with its passage.

Public procurement is regulated by Act No. 137/2006 Sb. on Public Procurement, amended by Act No. 296/2007 Sb. amending Act No. 182/2006 Sb. on Bankruptcy and Methods for Dealing With It (the Insolvency Act), Act No. 76/2008 Sb. amending Act No. 137/2006 Sb. on Public Procurement, as amended by Act No. 110/2007 Sb., and Act No. 124/2008 Sb. amending Act No. 269/1994 Sb. on the Penal Register, as amended, and certain other acts. The most important implementing regulations concerning public procurement are the following:

- Government Regulation No. 77/2008 Sb. on the stipulation of financial limits for purposes of the Public Procurement Act, on definition of goods acquired by the Czech Republic – Ministry of Defense subject to special financial limits, and on translation into the Czech currency of amounts stipulated by the Public Procurement Act in Euros;
- Decree No. 328/2006 Sb. stipulating a flat rate for costs of proceedings for reviewing an applicant's legal acts for the purposes of the Public Procurement Act;
- Decree No. 329/2006 Sb. stipulating more detailed requirements concerning electronic means of communication, electronic devices, and electronic legal acts in the course of public procurement;
- Decree No. 330/2006 Sb. on publishing of announcements for the purposes of the Public Procurement Act.

Nuclear Safety

The safe operation of both nuclear plants – Dukovany Nuclear Power Station and Temelín Nuclear Power Station – and overall increasing safety are the highest priorities of ČEZ, a. s. The Company conducts regular safety assessments in order to protect individuals, society as a whole, and the environment. Contributing significantly to the increasing level of safety in nuclear plant operation are the practical use of new technologies and R&D results, active utilization of deterministic and probability-based risk assessment methods, and the utilization of operating experience gathered by other operators. Both nuclear power plants have implemented QLV (Human Performance Quality Improvement) programs.

Events

One of the important indicators for evaluating nuclear power plant safety is the number of events occurring during nuclear plant operation. Pursuant to an agreement with the State Office for Nuclear Safety, selected ("reported") events are communicated with the Office, including how the operator learned from them and operations taken to ensure that they are not repeated. At the same time, all events are classified according to INES (International Nuclear Event Scale). The lowest possible score is INES 0, reserved for so-called deviations – events of no safety significance. Level 1 (Anomaly) is used to describe incidents that depart from the approved operational regime, in which no radiation is released either within the nuclear power plant or into its vicinity.

Most of the events registered at the Dukovany and Temelín Power Stations in 2008 were classified as INES 0. In 2008, both nuclear power plants saw a further decrease in the number of events classified as deviations, and each plant registered one event classified as an anomaly.

Number of INES 0 and 1 Events

Year/INES	2002	2003	2004	2005	2006	2007	2008
INES 0 – EDU	12	13	12	19	14	19	13
INES 0 – ETE	26	34	42	42	31	24	18
INES 1 – EDU	2	1	0	0	0	1	1
INES 1 – ETE	1	2	1	3	1	2	1

EDU = Dukovany Nuclear Power Station
ETE = Temelín Nuclear Power Station

Radiation Protection

Radiation protection refers to a system of technical and organizational measures designed to protect human health and the environment from the negative effects of ionizing radiation.
Both nuclear power plants have a very high degree of protection against ionizing radiation, as demonstrated from the Collective Effective Dose indicator. This indicator expresses the sum of external and internal irradiation of nuclear power plant personnel, employees of supplier companies, and visitors.

The low values of this indicator

- Nuclear Power Station Temelín – 267.50 mSv, representing 3.41% of the optimizing limit for the plant's installed capacity (determined in accordance with Section 17(5) of Decree No. 307/2002 Sb.)
- Nuclear Power Station Dukovany – 419.74 mSv, representing 5.96% of the optimizing limit for the plant's installed capacity (determined in accordance with Section 17(5) of Decree No. 307/2002 Sb.)

confirm the high level of radiation protection at the Dukovany and Temelín Nuclear Power Stations and place ČEZ, a. s. among the top nuclear plant operators in the world.
In terms of radioactive discharges into the environment, both nuclear power plants are installations whose impact on their surroundings is minimal. For example, the values for gaseous discharges typically run in the tenths of one percent of the permitted limit. This trend was preserved in 2008 as well. Low values of this parameter in both plant locations demonstrate that our nuclear installations have only a minimal impact on the environment and the surrounding population.

Accident Preparedness

During 2008, ČEZ, a. s. organized a total of nine accident exercises designed to practice our response to various situations and train all components of the accident protection organization, including accident groups dedicated to transport of nuclear materials. All exercises were completed in the required scope and all goals of the exercises were met.
The biggest coordination exercise in the history of the Czech Republic, "Zóna 2008", took place on 26–28 November 2008 with the participation of all components of the country's accident and crisis management system. For the first time, post-accident protective measures for the population were trained. The training revolved around a hypothetical extraordinary event at Dukovany Nuclear Power Station. The exercise confirmed that all external components and the power plant itself are prepared to deal with an extraordinary situation whose likelihood of occurrence is 1:10 million.

The word biomass means material organic in nature which, when heated to high temperatures, emits combustible gases. Combustion of biomass takes place in the fluidized bed boilers of coal-fired power plants, which can make use even of less high-quality biomass with higher moisture content.

327 GWh

of energy from biomass

Within the CEZ Group’s portfolio of renewable energy sources, biomass is number two after hydropower. Compared to 2007, production of electricity from biomass increased by 31.2% to nearly 327 GWh – enough to power 93,000 households.

Protection of the Environment

Power generation and operations related directly to it are activities with a significant impact on the environment and climate. Therefore, sustainable development and taking a responsible approach are among the key principles upon which CEZ Group is managed. In the years to come, regulation of greenhouse gas emissions will be a decisive factor, with direct impact on the CEZ Group's economic parameters.

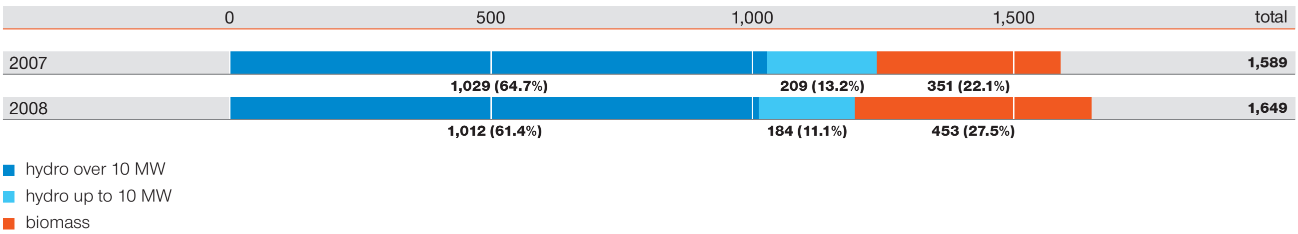
From this perspective, it is important for CEZ Group to monitor the development of carbon markets, preparation for and creation of the regulatory framework and, last but not least, the development and roll-out of new, modern technologies. As greenhouse gas emissions in particular are global in scope, active involvement in international cooperation is an important element.

Since the beginning of 2007, ČEZ, a. s. has been a member of the Combat Climate Change (3C) initiative, is active in a number of industry and interest associations (Eurelectric, the Centre for European Policy Studies – CEPS, the International Emissions Trading Association – IETA) as well as participating directly in national and international dialogs on these issues. CEZ Group is very intensively monitoring the development of legislation at the European Union level, particularly in CO_2 emission allowance trading, renewable sources of energy, support for modern technologies, and other related areas.

To ensure that the environment is protected, ČEZ, a. s. has implemented an Environmental Management System (EMS) in accordance with the international ISO 14001:2004 standard, based on the principle of prevention and continual improvements in environmental protection.

CEZ Group Production of Electricity from Renewable Sources of Energy

Production of Electricity from Renewable Sources of Energy (GWh)



Power Production from Renewable Energy Sources (MWh)

	2007	2008	Index 2008/2007 (%)
CEZ Group, total	1,588,543	1,648,714	103.8
Central Europe	1,588,543	1,648,714	103.8
ČEZ, a. s.	1,255,285	1,308,250	104.2
Other CEZ Group members in the Czech Republic	223,130	213,900	95.9
Other CEZ Group members in the Republic of Poland	110,128	126,564	114.9
Hydro power plants, total (excluding pumped-storage)	1,237,616	1,195,397	96.6
Central Europe	1,237,616	1,195,397	96.6
ČEZ, a. s.	1,006,038	981,332	97.5
Other CEZ Group members in the Czech Republic	223,130	213,900	95.9
Skawinka (Republic of Poland)	8,448	165	2.0
of which: plants with installed capacity <= 10 MW	209,311	183,495	87.7
Central Europe	209,311	183,495	87.7
ČEZ, a. s.	51,950	50,030	96.3
Other CEZ Group companies in the Czech Republic	148,913	133,300	89.5
Skawinka (Republic of Poland)	8,448	165	2.0
Solar power stations, total	8	8	100.0
Central Europe	8	8	100.0
ČEZ, a. s.	8	8	100.0
Combustion of biomass, total	350,919	453,310	129.2
Central Europe	350,919	453,310	129.2
ČEZ, a. s.	249,239	326,910	131.2
Republic of Poland	101,680	126,400	124.3

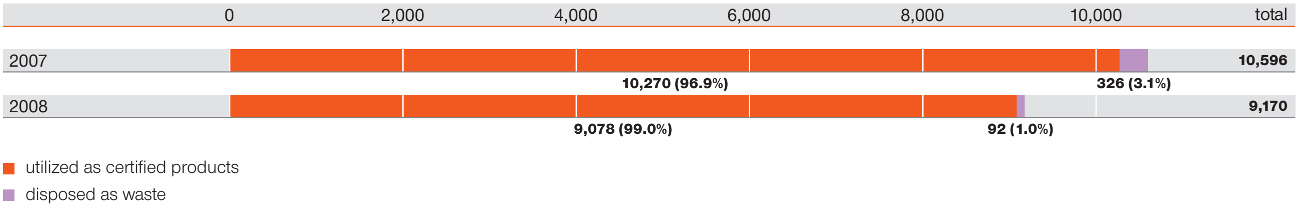
Utilization of Generation By-Products

Electricity generation by-products include primarily ash, semidry FGD product, and synthetic gypsum produced by the wet limestone scrubbing FGD method. They are used, e.g., in reclaiming land used for coal mining and in reclaiming settling ponds. Certain components of ash are used to produce cement, concrete mixes, asphalt-based insulation materials, etc. Specially modified ash serves as a structural and sealing material.

In 2008, ČEZ's electricity and heat generation operations produced a total of 8,798,000 tons of generation by-products. Of this amount, over 99% was utilized in the form of certified products. Of the amount utilized, approximately 68% was used in reclamation and landscaping and approximately 31% was sold to outside companies. The remaining generation by-products were disposed of as waste in accordance with the Waste Act.

Skawina Power Station supplied fly ash for further processing, including the production of construction materials, and utilized some to enlarge the embankments of its own fly ash disposal site. Since June 2008, the plant has been producing semidry FSG products resulting from the operation of a new FSG installation. It supplies these products to a coal mining company which uses them in fire prevention. ELCHO Power Station also found uses for its fly ash.
Starting in 2009, all generation by-products in Poland are to be handled by CEZ Produkty Energetyczne Polska sp. z o.o.
Varna Power Station sold approximately 250,000 tons of dried fly ash to the company Devnja Ciment for use in the production of construction materials.

Handling of Generation By-products at CEZ Group (kt)



The year-on-year decline in generation by-products produced was caused by lower overall production in coal-fired power plants.

Consumption, Waste and Emissions

ČEZ, a. s.	Units	2007	2008
Electricity, total	GWh	5,981	5,576
Total water used	m³ thousands	397,220	385,876
of which: surface water	m³ thousands	396,961	385,716
underground water	m³ thousands	259	159
Water used for cooling *)	m³ thousands	143,150	140,150
Amount of hazardous waste	kt	1.3	1.6
of which: radioactive waste	kt	0.3	0.4
Amount of non-hazardous waste	kt	326.0	416.3
Hazardous waste/share of waste for recycling	%	0.7	0.1
Non-hazardous waste/share of waste for recycling	%	1.1	7.8
Wastewater	m³ thousands	72,631	69,286
Wastewater from flow-through cooling	m³ thousands	206,045	208,164
Unit emissions of air pollutants			
Solids	tons	2,954	2,059
Solids	kg/GJ *)	0.0086	0.0068
Sulfur dioxide	tons	65,615	54,525
Sulfur dioxide	kg/GJ *)	0.1913	0.1795
Nitrogen oxides	tons	66,066	56,975
Nitrogen oxides	kg/GJ *)	0.1927	0.1876
Carbon monoxide	tons	4,152	3,701
Carbon monoxide	kg/GJ *)	0.0121	0.0122
Carbon dioxide	tons	38,828,007	33,767,687
Carbon dioxide	kg/GJ *)	113.2	111.2

*) Determined based on average.

Air Protection

Czech Republic

In years past, CEZ Group has been a major contributor to reductions in emissions of principal pollutants discharged into the air from combustion installations. It also complied with the new statutory requirements valid since 2002, which are based on European Union regulations. CEZ Group has made a substantial contribution to improving overall air quality in the Czech Republic and to the fulfillment of international clean air obligations.

Production of emissions discharged into the air from ČEZ, a. s. coal-fired power plants and a gas boiler island at Temelín Nuclear Power Station is subject to constant monitoring and the public is kept informed of air pollution in the vicinity of these installations continually (24-hours) on the CEZ Group website, in the section "Power Plants and Environment", which contains measurement results for emissions, ground-level concentrations, and a calculation of coal-fired power plants' share of air pollution in their area.

Since early 2008, continual measurement of CO_2 concentrations was commenced in all coal-fired power plants of ČEZ, a. s. with the exception of the Dvůr Králové nad Labem Power Heating Plant and the gas boiler island at Temelín. Determining CO_2 emissions requires two measurements: the concentration of CO_2 in flue gas and the amount of flue gas. CO_2 concentration is always measured using the so-called "extraction method", in which a sample is taken continually at a certain point in the flue. Continual measurement data are made available practically immediately.

Concurrently with the continual measurement, the amount of CO_2 emissions is continually calculated using a balance formula based on stipulation of emission and oxidation factors from combusted fuel samples taken for this purpose. For each reporting period, the measured values should be identical to values obtained using a confirmation calculation, and this method enables this equality to be checked.

In 2008 Nástup Tušimice Mines, which is run by Severočeské doly, commissioned dust-mitigation equipment at the Tušimice II Central Coal-Crushing Facility, which made a major contribution to improving the quality of the work environment in the building. Measurement of solid pollutants emissions taken after commissioning of the new equipment confirmed its high efficiency. Emissions of solid pollutants into the surrounding area are minimal.

Other Countries

In 2008, Skawina Power Station substantially reduced sulfur dioxide emissions by fully commissioning its FGD installation.

ELCHO Power Station decreased its sulfur dioxide, nitrogen oxide, and solid pollutant emissions by adding lime to the combustion process, reducing combustion temperature, and installing a high-performance electrostatic precipitator, respectively.

Continual emission measurement equipment has been installed at Varna Power Station, and measurements taken with it confirmed that the plant did not exceed monthly permitted values for any pollutant. All measurement results are subject to approval by the authority RIOSV Varna. In March 2008, the plant successfully verified its CO_2 emissions. Measurements taken in the nearby town of Ezerovo demonstrated that SO_2 a NO_x are not exceeded there, either.

Protection and Support of Fauna

Protecting birds from being injured by electric shock is a fundamental topic in the area of nature protection for the distribution company ČEZ Distribuce, a. s., which in 2007 committed itself to make investments above and beyond its statutory obligations. In 2008 this commitment was fulfilled, in cooperation with ornithologists, by the installation of bird protectors on 180 miles (290 km) of medium voltage lines. ČEZ, a. s. also demonstrates its pro-active approach to fauna protection by organizing regular, non-violent captures of hares in the Dukovany Nuclear Power Station compound. The animals are returned to their natural habitat.

Soil Protection

CEZ Razpredelenie Bulgaria AD replaced over 1,500 oil-filled transformers, thereby substantially reducing the risk of soil contamination. Also in 2008, we completed the process of checking transformer oil for the presence of PCBs (polychlorinated biphenyls). Laboratory tests confirmed that the oil present in CEZ Razpredelenie Bulgaria AD equipment is free of substances that could contaminate the soil or water.

Land Clean-up and Reclamation

In 2008, reclamation of land in the vicinity of ČEZ, a. s. coal-fired power plants (waste disposal sites, settling ponds, dumps, etc.) continued in accordance with approved project documentation. Over 6 million tons of energy generation by-products certified for these purposes were used in the above reclamation projects in 2008.

In 2008, Skawina Power Station completed the reclamation of a fly ash dump that has not been used since 1975.

Severočeske doly a.s. continued in its reclamation activities designed to remedy the consequences of mining activity. As of 31 December 2008 reclamation work had been completed on a total of 9,538 acres (3,860 hectares) and had been commenced on another 6,385 acres (2,854 hectares) of land. For the most part the projects involve returning the reclaimed land to the country's forest fund.

CO_2 Emission Allowances

Greenhouse Gas Emission Allowances and Development of Environmental Markets

With the year 2008, the European Union Emissions Trading Scheme entered its second trading period. Compared to the first period (2005–2007), a number of changes were made; the most important of which were the following:

- the trading period lasts for five years (2008–2012) and ends in the same year as the Kyoto Protocol's verification period;
- unutilized allowances from the second trading period may be carried over into the following period;
- plant operators may cover a portion of their emissions using credits from the JI and CDM project mechanisms (provided these credits meet certain qualitative criteria given by legislation);
- higher sanctions will be imposed on violators than in the first period.

Differences in certain of the Scheme's parameters were also reflected in the strategy conceived by CEZ Group for fulfilling the Scheme's requirements. The most important response to this development was CEZ Group's active approach to acquiring credits from the JI (Joint Implementation) and CDM (Clean Development Mechanism) project mechanisms to ensure that CEZ Group fully utilizes the potential of these credits, which is defined by legislation at 10% of emission allowances granted.

In terms of emission management, in 2008 CEZ Group continued to optimize plant operation to take into account expenses related to emissions of carbon dioxide. CEZ Group emissions in 2008 totaled 33,768,688 tons of CO_2 in the Czech Republic, 2,892,120 tons of CO_2 in Poland, and 3,714,732 tons of CO_2 in Bulgaria. In all cases, both at home and abroad, the level of emissions was independently verified by Det Norske Veritas CZ s.r.o. in accordance with applicable legislation. Allowances covering these emissions will be struck from the national registers of the appropriate countries in accordance with applicable legislation.

For the years 2008–2012, CEZ Group power plants in the Czech Republic were granted a total of 34,731,209 tons of allowances, while CEZ Group power plants in Poland were granted 3,628,509 allowances. Physical registration of the allowances in the Czech Republic was delayed due to connection of the register system to the Kyoto Protocol system. In the case of Poland, there was a delay due to the procedure for approving the final version of the allocation. Nonetheless, registration in both countries took place without any difficulty. However, the situation is still complicated in Bulgaria, whose allocation plan has not yet been finalized.

In 2008, CEZ Group continued, in accordance with its public declaration, to fulfill the CO_2 Emissions Reduction Action Plan by increasing the weighting of renewables in the power plant portfolio and making reduction of the emission factor of power production one of the principal criteria for developing the production portfolio.

On one hand, the tightening of emission regulation over the long term poses a substantial risk for power utilities, but on the other hand it also brings with it new opportunities.
Especially significant from this perspective is how emissions of CO_2 and greenhouse gases in general will be regulated after 2012, the year that marks the end of both the trading period of the European Union Emission Trading Scheme, and the verification period of the Kyoto Protocol.

European Union Emission Trading Scheme (EU ETS)
The key step taken in the EU ETS was the approval of the so-called climate-energy package, which includes, among other measures, an amendment of the emission trading directive that will affect the scheme after 2012. In addition to a higher degree of harmonization and clear definition of emission reduction targets for all European Union Member States, the trading mechanism will undergo a number of changes. From the power sector's perspective, the most important of these will be the gradual introduction of auctions as a tool for allocating allowances. Member States that meet certain conditions may apply for an exemption moderating the phase-in of auctions (the Czech Republic meets the conditions). The trading period will be extended in accordance with the European Union's medium term goals concerning reduction of greenhouse gas emissions up until 2020. The process of transposing approved regulations into national legislation will begin as early as 2009.

Development of Other Emission Reduction Projects
In 2008, ČEZ, a. s. signed contracts to purchase over 3 million unguaranteed emission credits. Most of this amount comes from projects in China. Toward the end of the year, purchasing activities were phased out in conjunction with the financial crisis and the accompanying steep drops in the prices of all commodities, including emission allowances and credits.
CEZ Group is continuing to evaluate possibilities for building and operating a Carbon Capture and Storage (CCS) demonstration unit, the objective of which is to verify how all system components work together, i.e. from CO_2 separation in the plant, through compression and conveyance via a pipeline system, to depositing of the CO_2 in an appropriate underground geological formation. CEZ Group is analyzing two potential sites for the demonstration unit in the Czech Republic: near the Hodonín Power Station or near the new, modern, high-efficiency generating unit in North Bohemia; in both cases, the unit would utilize the most advanced separation techniques available today. Concurrently with CO_2 separation, storage possibilities are also being explored. CEZ Group is also participating in the preparation of this technology within its international activities such as the European Zero Emission Fossil Fuel Power Plants Technology Platform (ETP-ZEP).

Research and Development

CEZ Group expenditures for research and development in 2008 totaled CZK 284.2 million.

CEZ Group Research and Development Expenditures (CZK millions)

Company	
ČEZ, a. s.	67.1
ČEZ Distribuce, a. s.	0.4
Severočeské doly a.s.	38.7
Ústav jaderného výzkumu Řež a.s.	167.6
Elektrociepłownia Chorzów ELCHO sp. z o.o.	10.4
Total	284.2

ČEZ, a. s.

ČEZ, a. s. hires outside entities to carry out research projects. The process includes drafting a technical assignment, subjecting it to an independent evaluation, conducting regular progress check-ups, preparing documentation, and collecting technical information, data, measurement results, etc.

R&D projects in nuclear energy included, in particular, the specimen surveillance program and applied research in nuclear plant and equipment operational life estimates.

Ústav jaderného výzkumu Řež a.s.

Ústav jaderného výzkumu Řež a.s. (ÚJV Řež) is a technical, engineering and research organization. The key mission of ÚJV Řež encompasses R&D, project engineering services, technical engineering, manufacture of specialized products and equipment, and providing expert analyses and opinions in the areas of electric power, industry, and healthcare.

ÚJV Řež is a significant part of the European Research Space, contributing to sustainable energy development both within the EU and, in particular, within the Czech Republic. Its core activities are research, development, and project design services for power plant and equipment operators and suppliers. Concurrently, it is also a significant R&D player at the international level, particularly in areas of EU strategic interest, focusing among other things on:

- long-term, economical, safe, and reliable operation of nuclear power equipment (points 6 and 7 of the EU Framework Programme);
- research and development of new types of nuclear power plants within the scope of international cooperation (EURATOM, GIF IV);
- utilization of nuclear technologies in healthcare, especially in research, development, and production of conventional and new radiopharmaceuticals;
- participation in the European Union's Sustainable Nuclear Energy Technology Platform (SNETP);
- clean coal combustion technologies;
- hydrogen technologies;
- the nuclear fuel cycle and handling of radioactive waste;
- nuclear fusion (the ITER project);
- JHR nuclear reactor for materials research;
- high-temperature reactor for generation of electricity, heat, and hydrogen.

ÚJV Řež's long tradition of cooperation with the International Atomic Energy Agency (IAEA) continued in 2008, primarily through regional technical cooperation projects and coordinated research projects. ÚJV Řež keeps close track of world research trends in the nuclear area through active participation in OECD Nuclear Energy Agency international projects.

In order to concentrate R&D management and increase its effectiveness, ÚJV Řež has several specialized subsidiaries – ŠKODA VÝZKUM s.r.o. (research and testing in the power industry and transport systems), Centrum výzkumu Řež s.r.o. (scientific and research activities associated with the utilization of the LR-0 and LVR-15 research reactors), and Ústav aplikované mechaniky Brno, s.r.o., which has a long tradition in applied mechanics research and providing mechanical and structural engineering services.

Taken as a whole, research and development accounted for approximately 41% of Ústav jaderného výzkumu Řež's operations in 2008. Typically, these operations are financed either by grants and purpose-bound government subsidies (CZK 263.5 million) or from internal sources (CZK 167.6 million). Research contracts from outside customers are a smaller source of funding.

Ústav jaderného výzkumu Řež a.s. coordinates a project to develop, implement, and operate the first hydrogen-powered bus and hydrogen filling station in the new European Union Member States. The hydrogen-powered bus is envisioned as a triple-hybrid, with PEM-type fuel cells, ultracapacitors, and batteries. Hydrogen stored on the bus's roof will provide a range of approximately 185 miles (300 km). The bus will be operated as part of the municipal mass transit system of Neratovice in the Central Bohemia region. Other participants in the project include Škoda Electric a.s., Germany-based Proton Motor plc and Norway-based IFE Halden. The project is co-financed from European Union structural funds and by the Ministry of Transport of the Czech Republic. The bus and filling station are to begin operating in the summer of 2009. More details of the project can be found on the website www.h2bus.cz.

Some of the most important research tasks assigned by Czech Republic institutions include:

Ministry of Industry and Trade

- a new nuclear power generating facility;
- R&D on new materials and technologies for treatment of radioactive and hazardous waste materials;
- research on barriers for radioactive waste storage facilities;
- SPHINX nuclear transmutation system with liquid nuclear fuel based on melted fluorides;
- development of a conceptual technological solution for a new nuclear generating unit satisfying Generation III requirements based on a VVER 1000 reactor;
- security and legislative aspects of building and commissioning new-generation nuclear power plants for the Czech Republic's power industry;
- safety aspects of advanced nuclear reactors, etc.

State Office for Nuclear Safety

- R&D on possibilities for reducing risk and mitigating aftermath of serious nuclear power plant accidents in the Czech Republic based on advanced experimental and analysis methods.

Grant Agency

- extraction methods for isolating fission products from nuclear waste using new environmentally-friendly solvents;
- vertical and horizontal migration of transuranium elements and long-lived fission products in soils and sediments in areas surrounding radioactive waste storage facilities.

Ministry of Education, Youth and Physical Fitness

- participation in R&D work on the JHR materials research reactor (hot chamber), within the framework of EURATOM research projects (FP6 and FP7);
- participation in OECD Nuclear Energy Agency projects (e.g. the Halden Reactor Project, FIRE, ROSA, SCIP, OECD SETH II, THAI, MCCI, LTD, TENORM, etc.);
- participation in and utilization of results of EDFA program (nuclear fusion);
- targeted therapeutics center, etc.

Severočeské doly a.s.

This company's research and development function works on tasks that are both tangible and intangible in character, dealing with issues of technical innovation, research and assessment of coal seam overburden conditions, and mitigation of environmental burdens. The purpose of the R&D work is to increase production reliability, address environmental impact, and improve occupational safety and health. In most cases the tasks do not qualify as primary research, but are better described as tasks whose results are being used for the first time in our mines and are at the required technical level.

In 2008, the company became a research partner in the project "Research of Multilevel Vibration Dampening System for Drivers of Bucket-Wheel Excavators and Other Mining Machines", which is part of the Ministry of Industry and Trade of the Czech Republic's TANDEM program. Funding for the project in 2008–2010 is planned at CZK 14.8 million.

Elektrociepłownia Chorzów ELCHO sp. z o.o.

R&D at the Polish power plant Elektrociepłownia Chorzów ELCHO sp. z o.o. focused on generation and distribution of heat: new heat line sections, heat exchangers, and a new metering system for heat sales.

Fees Relating to Registration of ČEZ, a. s. Trademarks (CZK '000)

Fees to patent representatives	152.0
To International Bureau in Geneva for registration of trademarks	67.9
To Industrial Property Office in Prague for registration and renewal of trademarks	47.6
Total	267.5

CEZ Group's Donorship and Advertising Partnership Program

Donorship

In 2008, CEZ Group continued to be engaged in corporate philanthropy, which we consider an integral part of our corporate social responsibility. In 2008 – for the fifth time – CEZ Group placed first in the Top Corporate Philanthropist ranking in the volume of funding category. Thus, CEZ Group defended its position as the largest corporate philanthropist in the Czech Republic.
In 2008, the companies of CEZ Group provided CZK 331.2 million in funding. Of this amount, direct donations accounted for CZK 210.6 million and contributions to ČEZ Foundation CZK 120.6 million.

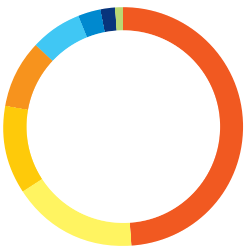
Direct Donations by CEZ Group Companies (CZK millions)

Company	Total value
Czech Republic	
ČEZ, a. s.	80.6
ČEZ Distribuce, a. s.	20.0
ČEZ Distribuční služby, s.r.o.	1.5
ČEZ ICT Services, a. s.	0.2
ČEZ Logistika, s.r.o.	0.2
ČEZ Měření, s.r.o.	0.8
ČEZ Obnovitelné zdroje, s.r.o.	0.3
ČEZ Prodej, s.r.o.	5.9
ČEZ Správa majetku, s.r.o.	0.9
ČEZ Zákaznické služby, s.r.o.	0.8
SD - Kolejová doprava, a.s.	0.1
SD - Rekultivace, a.s.	0.1
Severočeské doly a.s.	89.3
Ústav jaderného výzkumu Řež a.s.	7.9
Bulgaria	
CEZ Bulgaria EAD	0.3
CEZ Elektro Bulgaria AD	0.2
CEZ Razpredelenie Bulgaria AD	0.3
TEC Varna EAD	0.3
Poland	
CEZ Polska sp. z o.o.	0.1
Elektrociepłownia Chorzów ELCHO sp. z o.o.	0.3
Elektrownia Skawina S.A.	0.4
Romania	
CEZ Romania S.R.L.	0.1
Total	210.6

In 2008, direct financial donations were once again directed primarily to projects of regional importance in the vicinity of CEZ Group power plants and/or subsidiaries, to renewing municipal infrastructure, and regional development. Donations can be divided into several areas.

CEZ Group Direct Donations, by Area

	CZK millions	%
municipal infrastructure and regional development	103.9	49
culture and the environment	36.4	17
education, science and youth	25.4	12
healthcare	19.2	9
sport	14.4	7
needy and handicapped	6.0	3
CEZ Group Seniors foundation fund	3.8	2
other	1.5	1
Total	210.6	100



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

Company	Contribution
ČEZ, a. s.	20.0
ČEZ Distribuce, a. s.	60.0
ČEZ Distribuční služby, s.r.o.	4.0
ČEZ Logistika, s.r.o.	10.6
ČEZ Měření, s.r.o.	3.0
ČEZ Prodej, s.r.o.	20.0
ČEZ Zákaznické služby, s.r.o.	3.0
Total	120.6

ČEZ Foundation

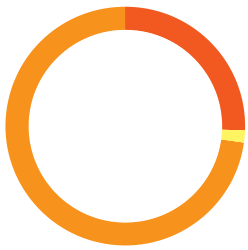
ČEZ Foundation has been funding public-benefit activities in the Czech Republic since 2002. In 2008, ČEZ Foundation supported 301 projects with a total of CZK 126.7 million, making it one of the most generous foundations in the Czech Republic.

ČEZ Foundation implemented the following projects in 2008:

- The “Support Regions” project is focused on developing healthcare, culture, sports, education, the environment, social life, and infrastructure in places where CEZ Group has a presence.
- The “Orange Playgrounds” project continues to support cities and towns by building safe “Orange Playgrounds” for children as well as sports facilities, all to European standards. 2008 saw the grand opening of the 100th Orange Playground in Český Krumlov.
- The aim of the “Orange Wheel” project is to help non-profit organizations with a predominantly social focus and at the same time get the public involved through competitions. Participants exercise on a stationary bicycle for the benefit of those in need. During 2008, the Foundation supported 18 organizations through the Orange Wheel project.

ČEZ Foundation – Donations by Cause

	CZK millions	%
Orange Playgrounds	32.7	25.8
Orange Wheel	2.0	1.6
Support Regions	92.0	72.6
Total	126.7	100.0



CEZ Group Advertising Partnership Program

Through advertising, CEZ Group supported beneficial social events and, as a major business, a number of projects in various areas as well.

Supported projects in the area of environment and tourism development included: bicycle paths in Kadaň and South Bohemia, maintenance of the Jizerská lyžařská magistrála cross-country skiing trails, Orange Trails through the heart of Šumava, Blansko Forest, and Czech Canada, support for the zoological and botanical gardens in Dvůr Králové nad Labem, Plzeň, Hluboká nad Vltavou, Olomouc and Ostrava, contributions to support the operation of the Czech Union for Nature Conservation in Poděbrady and Nový Jičín, establishment of the Ing. Ivan Dejmal Forest Park in the area of Lom – Mariánské Radčice, support for construction of a monument to the Škorpil Brothers (both archeologists) in Bulgaria.

Supported projects in the area of arts and education included: the Karlovy Vary International Film Festival, VELEHRAD 2008 People of Good Will Days, the Colours of Ostrava music festival, the MEZI PLOTY festival, the Smetanova Litomyšl opera festival, the FINÁLE PLZEŇ film festival, the Concertino Praga 2008 international radio competition for young musical artists, the Miroslav Ondříček Film Academy in Písek, the Anifest international animated film festival in Třeboň, Theatrical Summer Under the Plzeň Sky and the Olomouc and Losiny Summer of Culture, the Science and Technology Days in Plzeň and Brno, the EKOFILM 2008 film festival, a contribution toward a gala evening for holders of scholarships to the American University of Kosovo, publishing of the book Mushrooms of Kosovo, the Rinia në fokus documentary film festival in Mitrovicë, a job opportunities fair in Craiova, and a contribution to the Fundația Ileana Foundation.

Supported projects in the area of sports included: the Czech Olympic Committee, the Czech Paralympic Team 2008, the Czech Track and Field Union, the Ice Hockey Extra League, the Czech men's and women's national basketball teams, the Czech Paralympic Committee, the Hvězda SKP Pardubice track and field team, the Zlatá tretra track and field meet in Ostrava-Vítkovice, TALENT 2008 Kutnohorská laťka, abilympics – Czech Republic Championships for the Handicapped in Work Disciplines, the TNT Fortuna Meeting decathlon event in Kladno, the World Orienteering Championships, the European Modern Triathlon Youth Cup in Plzeň, the international student downhill skiing competition Skiinterkritérium 2008 in Říčky (Orlické Mountains), the Chomutov Ice Hockey Club, the HC Energie Karlovy Vary Ice Hockey Club, and the FK Teplice Soccer Club.

In the area of healthcare supported projects included: the Czech Red Cross Water Rescue Service and the South Bohemia Regional Health Rescue Service.

In Poland, CEZ Group was one of the principal partners of the prestigious Economic Forum (Forum ekonomiczne) organized in Krynica by the Fundacja Instytut Studiów Wschodnich foundation.

1st place in Europe

CEZ Group obtained the right to build a complete project consisting of two wind farms in Fântânele and Cogealac in Constanța County, Romania, with planned total installed capacity of 600 MW. When completed, this wind park will be the largest installation of its kind on the European continent.

Wind turbines are the most environmentally friendly way to generate energy – they produce no pollution or waste heat, nor do they burden the environment with waste.

Litigation Concerning CEZ Group Companies

1. In ongoing litigation before Austrian courts based on suits filed by Austrian persons (demanding cease-and-desist from generating alleged ionizing radiation from Temelín Nuclear Power Station), deliberations in the period in question centered on whether Austrian courts have jurisdiction over the dispute. In this matter, the Supreme Court in Vienna asked the European Court of Justice in Luxembourg (the "ECJ") for an interpretation of the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (the "Brussels Convention"). In its "preliminary issue proceedings", the ECJ decided that the relevant provisions of the Brussels Convention do not support the Austrian courts' jurisdiction over the matter. Despite this ECJ decision, the Supreme Court in Vienna issued a decision that jurisdiction is given by internal Austrian law. Based on this decision, the matter was returned to the Linz Regional Court, as the court of first instance. On 20 December 2007, this court issued a resolution announcing that, on the basis of an expert opinion prepared at the behest of ČEZ, a. s. by Professors Schroeder and Weber from the University of Innsbruck, it is opening proceedings on the preliminary issue before the European Court of Justice in Luxembourg, as it has doubts concerning the applicability of Section 364(a) of the Austrian Civil Code. In the ongoing proceedings before the ECJ, statements of opinion were presented by the Republic of Austria, the Czech Republic, the Republic of Poland, and the European Commission. A public hearing is to be ordered during 2009.

2. The Company is a party to the suits set forth below, relating to the realization of takeover offers and squeeze-outs in the former regional electricity distribution companies:
   - In a suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severomoravská energetika, a. s., complainants Roman Minarik and KOR BUSINESS LTD are demanding CZK 20,000 per share in addition to the consideration already paid (should the complainants win the suit, for ČEZ, a. s. this would mean a payment of up to CZK 620 million plus interest). According to an expert opinion requested by the court, for the time being at this phase of the proceedings there is a possibility that an additional payment of approximately CZK 100 million (maximum) will be ordered, but the outcome of the litigation is impossible to predict. Another suit for review of consideration has been attached to this suit. The later suit was filed by the Small Shareholders Protection Association, which is proposing that the court set the consideration amount at CZK 7,700 per share.
   - ALTERNATIVA CZ s.r.o., BD FINOS, a.s., Rudolf Padyšák and Milan Jerman filed suit seeking payment of the difference from a takeover offer for shares of Severomoravská energetika, a. s. made in early 2005. In the suit, the complainants are seeking for ČEZ, a. s. to pay an additional amount of up to CZK 400 million, plus interest. The results of the proceedings are impossible to predict.
   - In a suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Západočeská energetika, a.s., complainants Roman Minarik, KOR BUSINESS LTD and Jakub Sedláček are demanding CZK 30,000 per share in addition to the consideration already paid (should the complainants win the suit, for ČEZ, a. s. this would mean a payment of up to CZK 420 million plus interest). The result of the proceedings is impossible to predict.
   - In a suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Východočeská energetika, a.s., complainants Roman Minarik and KOR BUSINESS LTD are demanding an additional unspecified amount above consideration already paid. During future proceedings it can be expected that similar demands will be made as in the suits mentioned above. The proceedings are currently in the phase of appointing an expert to prepare a new expert opinion regarding the value of one share at the date of its passage to ČEZ, a. s., review of the original expert opinion, and filing of certain additional opinions. The results of the proceedings are impossible to predict.
   - In a suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severočeská energetika, a.s., complainant Zbyněk Drbohlav is demanding CZK 8,000 per share. Should the complainant win the suit, for ČEZ, a. s. this would mean a payment of up to CZK 550 million plus interest.

– Four suits seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Středočeská energetická a.s.:
   a) complainants Roman Minarik, KOR BUSINESS LTD, Pavel Suda, Karel Hendrych, and Pavel Hořanský – amount of consideration sought has not yet been specified; so far, the court has appointed an expert to prepare a new expert opinion concerning the value of one share as of the date it passed to ČEZ, a. s.;
   b) complainant OSDA – ČR – Středočeská energetická Association is demanding consideration of CZK 6,900 per share;
   c) complainant Václav Charbuský is demanding consideration of CZK 6,888 per share; the complainant withdrew the suit and the court issued a resolution granting his request. However, in an appeal of this resolution the complainant is now demanding CZK 10 billion in damages; so far, the court has not acted in the matter.
   d) complainant Jaroslav Licehamr – amount of consideration sought has not yet been specified.

3. In all cases of the General Meetings of the former regional electricity distribution companies that decided on the squeeze-outs, shareholders have filed suit seeking that the General Meetings be declared null and void. In three of these cases, the suits seeking for resolutions of the regional electricity distribution company general meetings to be declared null and void have been terminated due to the impossibility of continuing in the proceedings with ČEZ, a. s. as successor under Section 107(5) of the Code of Civil Procedure. These terminations have entered into legal force and no appeals have been filed. No decisions have entered into legal force in the other cases.

4. In addition, the following suits have been filed in conjunction with the restructuring of CEZ Group, seeking either nullification of contributions of assets of the former regional electricity distribution companies to certain ČEZ, a. s. subsidiaries or of the resolutions by which these contributions were approved:
   – Suit seeking nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on 17 October 2005 as well as of contracts on contribution of assets. The complainants, Roman Minarik and KOR BUSINESS LTD, filed suit against the respondents Středočeská energetická, a.s., ČEZ Distribuce, a. s. and ČEZ Prodej, s.r.o. seeking nullification of the resolution of the above general meeting and of contracts on contribution of assets of Středočeská energetická a.s. The Prague Municipal Court issued a resolution deciding that it is possible for ČEZ, a. s. to continue in the suit in place of Středočeská energetická a.s. This decision was confirmed by the High Court and an appeal will be filed against this confirmation. The court proceedings in the actual matter have not yet been completed in legally binding fashion and the result of the court proceedings is impossible to predict.
   – Suit seeking nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on 21 June 2006 and of contracts on contribution of assets. The complainant, Roman Minarik, filed suit against the respondents Středočeská energetická a.s., ČEZ Správa majetku, s.r.o. and ČEZ Distribuční služby, s.r.o. seeking nullification of the above general meeting resolution and of contracts on contribution of assets of Středočeská energetická, a. s. The court proceedings have not yet been completed in legally binding fashion and the result of the court proceedings is impossible to predict.

5. A suit filed by Milan Grondzík demanding CZK 1 billion in compensation for alleged damage to health caused by non-supply of electricity (originally against Východočeská energetika, a.s.) has still not been resolved. The Company considers the amount sought and the suit itself baseless. On 19 April 2008, the Prague High Court decided that the Hradec Králové District Court has jurisdiction over the matter.

CEZ Group
Social Responsibility

As a modern corporation with a strong economic base, CEZ Group considers social responsibility a pillar of business ethics. We evaluate all of our operations for their overall benefits and forecast the impacts they will have on our customers, shareholders, and employees. Steps taken by CEZ Group in the environmental protection area affect all residents of the regions in question.
In the past few years, approximately 60% of personal safety aids purchased by CEZ Group are sourced from so-called protected workshops – i.e. operations where over half of the employees are handicapped.
CEZ Group's approach to social responsibility is summarized in the CEZ Group Corporate Social Responsibility Report, the latest version of which was published in October 2008. The report is available in the form of an interactive DVD-ROM in both Czech and English languages as well as on the CEZ Group website, where a Polish language version is available as well. The Report's interactive format makes it possible to utilize a rich variety of accompanying materials such as charts, images, and documents so as to better illustrate CEZ Group's activities and initiatives in this area. The report is issued every two years with the possibility of updates in-between.
Corporate social responsibility exists at the international level as well. In our international business operations, CEZ Group applies an identical approach to social responsibility as we do in the Czech Republic. All operations are evaluated for their overall benefits and impacts on customers, employees, and co-owners are considered.

ČEZ Against the Crisis

On 17 February 2009, CEZ Group unveiled "ČEZ Against the Crisis", an initiative that constitutes our contribution to protecting customers and the Czech Republic's national economy as a whole in a time of economic crisis. The initiative consists of three parts:

1. More Work for Employers

In 2009–2010, CEZ Group will increase planned investment in power generation and distribution by over CZK 5 billion. During this period, ČEZ, a. s. will spend CZK 4 billion more than originally planned on upgrading its power plants and making them more environmentally friendly. In addition, CZK 1.1 billion more will be dedicated to renewing and strengthening the distribution grid. In this way, ČEZ, a. s. will enable existing and new suppliers to newly create or preserve 5,600 jobs.

2. Freeing Up Small Business Cash

ČEZ Prodej, s.r.o. has given all small businesses the option of moving back the due date of their advance payments for electricity by 30 days. Thus, instead of 12 monthly payments in 2009, they would pay only 11 and the remainder would be settled in 2010, along with the final bill for 2009. This could immediately free up to CZK 800 million for small Czech businesses and entrepreneurs, enabling businesses in energy-intensive segments in particular to reduce their loan load.

3. Insuring Electricity Payments Against Job Loss

On behalf of all households in the Czech Republic that are its customers, ČEZ Prodej, s.r.o. will insure electricity payments against job loss. Everyone who loses their job and reports this to the Labor Office after 1 March 2009 will not have to pay three monthly electricity advances – the insurance company will pay them on their behalf. The basic conditions are previous employment duration of at least one half year and timely payment of electric bills during the past year.

Contents of the Financial Section

Independent Auditor's Report

To the Shareholders of ČEZ, a. s.:

I. We have audited the consolidated financial statements of CEZ Group as at December 31, 2008 presented in the annual report of ČEZ, a. s. ("the Company") on pages 130–174 on which we have issued an auditors' report dated February 24, 2009, presented in the annual report on page 129. We have also audited the separate financial statements of the Company as at December 31, 2008 presented in the annual report of the Company on pages 176–212 on which we have issued an auditors' report dated February 24, 2009, presented in the annual report on page 175 (both referred further as "financial statements").

II. We have also audited the consistency of the annual report with the financial statements described above. The management of ČEZ, a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respect, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–127 is consistent with that contained in the audited financial statements as at December 31, 2008. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the above-mentioned financial statements.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of ČEZ, a. s. for the year ended December 31, 2008 presented in the annual report of the Company on pages 230–232. The management of ČEZ, a. s. is responsible for the preparation of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of ČEZ, a. s. for the year ended December 31, 2008 is materially misstated.

Ernst & Young

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

7 April 2009
Prague, Czech Republic

Independent Auditor's Report on the Consolidated Financial Statements of CEZ Group

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of CEZ Group which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

February 24, 2009
Prague, Czech Republic

CEZ Group
Consolidated Balance Sheet in Accordance with IFRS as of December 31, 2008

(in CZK millions)

ASSETS	2008	2007
Property, plant and equipment		
Plant in service	488,956	479,091
Less accumulated provision for depreciation	252,330	234,297
Net plant in service (Note 3)	236,626	244,794
Nuclear fuel, at amortized cost	6,287	6,983
Construction work in progress (Note 3)	47,913	25,388
Total property, plant and equipment	290,826	277,165
Other non-current assets		
Investment in associates and joint-ventures	1,907	248
Investments and other financial assets, net (Note 4)	33,582	16,126
Intangible assets, net (Note 5)	18,074	19,060
Deferred tax assets (Note 27)	816	482
Total other non-current assets	54,379	35,916
Total non-current assets	345,205	313,081
Current assets		
Cash and cash equivalents (Note 8)	17,303	12,429
Receivables, net (Note 9)	41,729	23,880
Income tax receivable	140	79
Materials and supplies, net	4,914	4,484
Fossil fuel stocks	2,959	857
Emission rights (Note 10)	1,523	355
Other financial assets, net (Note 11)	57,269	10,585
Other current assets (Note 12)	2,133	5,192
Total current assets	127,970	57,861
TOTAL ASSETS	473,175	370,942

EQUITY AND LIABILITIES	2008	2007
Equity attributable to equity holders of the parent		
Stated capital	59,221	59,221
Treasury shares	(66,910)	(55,972)
Retained earnings and other reserves	180,941	168,103
Total equity attributable to equity holders of the parent (Note 13)	173,252	171,352
Minority interests	12,158	12,874
Total equity	185,410	184,226
Long-term liabilities		
Long-term debt, net of current portion (Note 14)	66,526	51,984
Accumulated provision for nuclear decommissioning and fuel storage (Note 17)	35,631	39,191
Other long-term liabilities (Note 18)	17,545	16,369
Total long-term liabilities	119,702	107,544
Deferred tax liability (Note 27)	14,421	17,153
Current liabilities		
Short-term loans (Note 19)	35,001	18,048
Current portion of long-term debt (Note 14)	4,874	3,226
Trade and other payables (Note 20)	95,732	25,738
Income tax payable	3,910	5,969
Accrued liabilities (Note 21)	14,125	9,038
Total current liabilities	153,642	62,019
TOTAL EQUITY AND LIABILITIES	473,175	370,942

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Income in Accordance with IFRS for the Year Ended December 31, 2008

(in CZK millions)

	2008	2007
Revenues		
Sales of electricity	165,317	160,046
Gains and losses from electricity, coal and gas derivative trading, net	4,095	2,690
Heat sales and other revenues	12,226	11,827
Total revenues (Note 22)	181,638	174,563
Operating expenses		
Fuel	(16,176)	(16,883)
Purchased power and related services	(41,670)	(46,328)
Repairs and maintenance	(5,597)	(4,881)
Depreciation and amortization	(22,047)	(22,123)
Salaries and wages (Note 23)	(16,956)	(16,900)
Materials and supplies	(4,589)	(6,066)
Emission rights, net (Note 10)	507	1,058
Other operating expenses (Note 24)	(9,947)	(9,237)
Total expenses	(116,475)	(121,360)
Income before other income (expenses) and income taxes	65,163	53,203
Other income (expenses)		
Interest on debt, net of capitalized interest (Note 2.8)	(3,103)	(1,954)
Interest on nuclear and other provisions (Note 2.24, 17 and 18)	(2,056)	(1,937)
Interest income (Note 25)	1,842	1,163
Foreign exchange rate gains (losses), net	(1,311)	22
Gain on sale of subsidiaries and associates	333	129
Negative goodwill write-off and goodwill impairment, net	14	–
Other income (expenses), net (Note 26)	(178)	485
Income from associates and joint-ventures (Note 2.2)	12	40
Total other income (expenses)	(4,447)	(2,052)
Income before income taxes	60,716	51,151
Income taxes (Note 27)	(13,365)	(8,387)
Net income	47,351	42,764
Net income attributable to		
Equity holders of the parent	46,510	41,555
Minority interests	841	1,209
Net income per share attributable to equity holders of the parent (CZK per share) (Note 30)		
Basic	87.0	72.9
Diluted	86.9	72.7
Average number of shares outstanding (000s) (Notes 13 and 30)		
Basic	534,594	569,981
Diluted	535,341	571,914

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2008

(in CZK millions)

	Attributable to equity holders of the parent							
	Stated capital	Treasury shares	Translation difference	Fair value and other reserves	Retained earnings	Total	Minority interests	Total equity
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	–	–	–	(78)	–	(78)	–	(78)
Available-for-sale financial assets removed from equity	–	–	–	(354)	–	(354)	–	(354)
Change in fair value of cash flow hedges recognized in equity	–	–	–	2,802	–	2,802	–	2,802
Cash flow hedges removed from equity	–	–	–	44	–	44	–	44
Deferred tax recognized in equity	–	–	–	(525)	–	(525)	–	(525)
Translation differences	–	–	(995)	–	–	(995)	(759)	(1,754)
Share on equity movements of associates	–	–	–	–	(21)	(21)	–	(21)
Other movements	–	–	–	–	(5)	(5)	(3)	(8)
Gain and loss recorded directly to equity	–	–	(995)	1,889	(26)	868	(762)	106
Net income	–	–	–	–	41,555	41,555	1,209	42,764
Total gains and losses for the year	–	–	(995)	1,889	41,529	42,423	447	42,870
Acquisition of treasury shares	–	(54,397)	–	–	–	(54,397)	–	(54,397)
Sale of treasury shares	–	368	–	–	(244)	124	–	124
Dividends	–	–	–	–	(11,780)	(11,780)	(3)	(11,783)
Share options	–	–	–	45	–	45	–	45
Transfer of exercised and forfeited share options within equity	–	–	–	(90)	90	–	–	–
Change in minority due to acquisitions	–	–	–	–	–	–	(286)	(286)
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	–	–	–	372	–	372	–	372
Available-for-sale financial assets removed from equity	–	–	–	2	–	2	–	2
Change in fair value of cash flow hedges recognized in equity	–	–	–	(7,564)	–	(7,564)	–	(7,564)
Cash flow hedges removed from equity	–	–	–	(3,196)	–	(3,196)	–	(3,196)
Deferred tax recognized in equity	–	–	–	2,110	3	2,113	1	2,114
Translation differences	–	–	(2,729)	–	–	(2,729)	(728)	(3,457)
Share on equity movements of associates	–	–	–	–	112	112	–	112
Other movements	–	–	–	4	8	12	9	21
Gain and loss recorded directly to equity	–	–	(2,729)	(8,272)	123	(10,878)	(718)	(11,596)
Net income	–	–	–	–	46,510	46,510	841	47,351
Total gains and losses for the year	–	–	(2,729)	(8,272)	46,633	35,632	123	35,755
Acquisition of treasury shares	–	(13,098)	–	–	–	(13,098)	–	(13,098)
Sale of treasury shares	–	2,160	–	–	(1,596)	564	–	564
Dividends	–	–	–	–	(21,321)	(21,321)	(2)	(21,323)
Share options	–	–	–	123	–	123	–	123
Transfer of exercised and forfeited share options within equity	–	–	–	(204)	204	–	–	–
Change in minority due to acquisitions	–	–	–	–	–	–	(837)	(837)
December 31, 2008	59,221	(66,910)	(5,025)	(5,128)	191,094	173,252	12,158	185,410

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2008

(in CZK millions)

	2008	2007
OPERATING ACTIVITIES		
Income before income taxes	60,716	51,151
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation, amortization and asset write-offs	22,090	22,166
Amortization of nuclear fuel	2,654	2,936
(Gain) loss on fixed asset retirements, net	(563)	(637)
Foreign exchange rate losses (gains), net	1,311	(22)
Interest expense, interest income and dividend income, net	1,210	697
Provision for nuclear decommissioning and fuel storage	309	695
Valuation allowances, other provisions and other adjustments	(214)	(193)
Income from associates and joint-ventures	(12)	(40)
Changes in assets and liabilities		
Receivables	(18,470)	(8,724)
Materials and supplies	(43)	(612)
Fossil fuel stocks	(2,031)	345
Other current assets	(42,233)	(2,934)
Trade and other payables	58,148	5,111
Accrued liabilities	4,372	1,457
Cash generated from operations	87,244	71,396
Income taxes paid	(16,285)	(11,920)
Interest paid, net of capitalized interest	(1,586)	(1,552)
Interest received	1,142	1,186
Dividends received	68	109
Net cash provided by operating activities	70,583	59,219
INVESTING ACTIVITIES		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired (Note 6)	(490)	(2,462)
Proceeds from disposal of subsidiaries and associates, net of cash disposed of	1,501	1,416
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(46,186)	(34,066)
Loans made	(15,491)	(2)
Proceeds from sale of fixed assets	833	1,216
Change in decommissioning and other restricted funds	(1,200)	(3,312)
Repayment of loans	863	177
Total cash used in investing activities	(60,170)	(37,033)
FINANCING ACTIVITIES		
Proceeds from borrowings	349,972	83,051
Payments of borrowings	(322,365)	(56,803)
Proceeds from other long-term liabilities	526	289
Payments of other long-term liabilities	(293)	(542)
Dividends paid to Company's shareholders	(21,218)	(11,694)
Dividends paid to minority interests/Contributions received from minority interests, net	(4)	22
(Acquisition) sale of treasury shares	(12,535)	(54,443)
Total cash used in financing activities	(5,917)	(40,120)
Net effect of currency translation in cash	378	(569)
Net increase (decrease) in cash and cash equivalents	4,874	(18,503)
Cash and cash equivalents at beginning of period	12,429	30,932
Cash and cash equivalents at end of period	17,303	12,429
Supplementary cash flow information		
Total cash paid for interest	2,851	2,284

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Notes to Consolidated Financial Statements as of December 31, 2008

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 63.4% (70.4% of voting rights) at December 31, 2008 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group ("the Group"), which is primarily engaged in the business of production, distribution and sale of electricity (see Notes 2.2 and 7). ČEZ is an electricity generation company, which in 2008 produced approximately 73% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates eleven fossil fuel plants, sixteen hydroelectric plants and two nuclear plants. The Company also operates through its subsidiaries several hydroelectric power plants in the Czech Republic, two fossil fuel plants in Poland and one in Bulgaria. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria and Romania. The average number of employees of the Company and its consolidated subsidiaries was 28,330 and 30,565 in 2008 and 2007, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

Third-party access started to be introduced gradually from 2002. Since 2006 all customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The accompanying consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Group do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) except for IFRIC 12 which has not yet been adopted by the EU (see Note 2.3).

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2007 or as at December 31, 2007 are presented in the format required for 2008.

2.2. Group Accounting

a. Group Structure
The financial statements of CEZ Group include the accounts of ČEZ, a. s., its subsidiaries, associates and joint-ventures, which are shown in the Note 7.

b. Subsidiaries
Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has a power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries from unrelated parties. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the Group's interest in the fair value of acquiree's net assets exceeds the cost of business combination ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss. In case of subsequent acquisition of a minority interest in a subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the minority interest acquired.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates
Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Joint-ventures
Joint-venture is a jointly controlled entity, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2 c).

The financial statements of the joint-venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

e. Transactions involving entities under common control
Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. Financial statements of the Group report results of operations for the period in which the transfer occurs as though the transfer of net assets had occurred at the beginning of the period. Results of operations for that period thus comprise those of the previously separate entities from the beginning of the period to the date the acquisition is completed and those of the combined operations from that date to the end of the period. Financial statements and financial information presented for prior years is restated to furnish comparative information on the same basis. The cost of acquisition of subsidiaries from entities under common control is recorded directly in equity.

Net gain on sale of a subsidiary, an associated company or a joint-venture to an entity controlled by the Group's majority shareholder is recognized directly in equity.

2.3. Change in Accounting Policies

a. New IFRS standards and interpretations
In 2008 the Group adopted the following new IFRIC Interpretation, which is relevant for the Group:

IFRIC 11 Group and Treasury Share Transactions
IFRIC interpretation 11 effective for annual periods beginning on or after 1 March 2007 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly.

Adoption of the new interpretation did not have any effect on the opening balance of equity attributable to the Company's shareholders as at January 1, 2008 and 2007, respectively.

b. New IFRS Standards and Interpretations either not yet effective or not yet adopted by the EU
The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2009 or later. Most relevant to the Company's activities are IAS 1 Presentation of financial statements (Revised), IFRS 3 Business Combinations (Revised), IFRS 8 Operating Segments, IAS 23 Borrowing Costs (Revised), IAS 27 Consolidated and Separate Financial Statements (Revised) and IFRIC 12 Service Concession Arrangements.

Amendment to IAS 1 Presentation of Financial Statements
The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements.

Amendment to IAS 23 Borrowing Costs
The amendment will require capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs shall be recognized as an expense. This amendment has no impact on the Group as the Group has the policy of including the borrowing costs as part of the cost of the asset.

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (Revised)
The revised standards were issued in January 2008 and become effective for annual periods starting on or after 1 July 2009. Amended IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Amended IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by revised IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

IFRS 8 Operating Segments
This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine business and geographical reporting segments of the Group. The Group determined that the operating segments were the same as the segments previously identified under IAS 14 Segment Reporting. Additional disclosures required by new standard will be included in the notes.

IFRIC 12 Service Concession Arrangements
IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation has not yet been adopted by the EU. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Group is currently assessing the potential impact of this new interpretation on its financial statements.

The Group is also assessing the potential impacts of the following amended standards and interpretations that will be effective or adopted by the EU from January 1, 2009 or later: IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (Amendment), IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment). There were also certain improvements made to current IFRS, mainly: IAS 1 Presentation of Financial Statements (distinction between current and non current classification in the balance sheet of held for trading assets and liabilities), IAS 23 Borrowing Costs (revised definition of components of borrowing costs) and IAS 36 Impairment of Assets (disclosure of estimates used to determine recoverable amount). The Group currently does not expect that the amended standards will have a significant effect on the Group's results and financial position, although they may affect the presentation and disclosures in certain areas.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Connection fees received from customers are deferred and recognized in income over the expected term of the customer relationship, which is currently estimated to be 20 years.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included either in the line item of Receivables, net or Trade and other payables.

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,654 million and CZK 2,936 million for the years ended December 31, 2008 and 2007, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 17). Such charges amounted to CZK 248 million and CZK 317 million in 2008 and 2007, respectively.

2.8. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 1,265 million and CZK 732 million, which was equivalent to an interest capitalization rate of 5.0% and 5.0% in 2008 and 2007, respectively.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost and related accumulated depreciation of the disposed item or its replaced part are eliminated from the accounts. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item of Other operating expenses.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 20,839 million and CZK 20,675 million for the years ended December 31, 2008 and 2007, which was equivalent to a composite depreciation rate of 4.3% and 4.4%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.24). At December 31, 2008 and 2007 capitalized costs at net book value amounted to CZK 329 million and CZK 455 million, respectively.

2.11. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 15 years. The assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses.

For assets excluding goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.12. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plans in 2008 and 2007 certain companies of the Group have been granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

On April, 30 of the following year, at latest, these companies are required to remit a number of certificates representing the number of tones of CO_2 actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2 (in 2007 EUR 40 per 1 ton of CO_2).

In the financial statements the emission rights, which were granted free of charge, are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. If the granted allowances are not sufficient to cover actual emissions, the Group recognizes a provision, which is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date.

The Group also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) are treated as derivatives in period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

2.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint-ventures is included in investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments, loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less. Foreign currency deposits are translated at December 31, 2008 and 2007 exchange rates, respectively.

2.16. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified. At December 31, 2008 and 2007 the provision for obsolescence amounted to CZK 216 million and CZK 343 million, respectively.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

b. Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- the contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company, and do not therefore come under the scope of IAS 39.

Commodity contracts, which fall under the scope of IAS 39, are carried at fair value with changes in the fair value recognized in the income statement. The Group presents revenues and expenses related to commodity trading net in the line Gains and losses from electricity, coal and gas derivative trading, net.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic current income taxes are provided at a rate of 21% and 24% for the year ended December 31, 2008 and 2007, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2009 and 2010 will be 20% and 19%, respectively.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.23. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors (see Note 17).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2008 and 2007 the estimate for the effect of inflation is 2.5% and 2.0%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín plant and sixty-year period for Dukovany plant subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Group's current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating live (see Note 18). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2008 and 2007 the estimate for the effect of inflation is 2.5% and 2.0%, respectively.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangements is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in determination of whether fulfillment is dependant on a specified asset; or
- There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.29. Share Options

Members of Board of Directors and selected managers (and Supervisory Board members in prior years) have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2008 and 2007 the expense recognized in respect of the share option plan amounted to CZK 123 million and CZK 45 million, respectively.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

3. Property, Plant and Equipment

Net plant in service at December 31, 2008 and 2007 is as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2008	Total 2007
Cost – opening balance	179,176	295,536	4,379	479,091	464,776
Plant additions	7,824	12,200	296	20,320	18,227
Disposals	(812)	(2,455)	(73)	(3,340)	(5,282)
Acquisition of subsidiaries	238	27	30	295	1,792
Disposal of subsidiaries	(115)	(287)	(1)	(403)	(565)
Change in capitalized part of provisions	–	(4,139)	(190)	(4,329)	1,659
Reclassification and other	193	(99)	(34)	60	15
Currency translation differences	(1,461)	(1,261)	(16)	(2,738)	(1,531)
Cost – closing balance	185,043	299,522	4,391	488,956	479,091
Accumulated deprec. and impairment – opening balance	(73,287)	(160,177)	(833)	(234,297)	(219,073)
Depreciation	(5,326)	(15,490)	(23)	(20,839)	(20,675)
Net book value of assets disposed	(619)	(175)	(5)	(799)	(517)
Disposals	812	2,455	18	3,285	5,255
Disposal of subsidiaries	37	324	1	362	279
Reclassification and other	(110)	96	4	(10)	7
Impairment losses recognized	(260)	(132)	(11)	(403)	(491)
Impairment losses reversed	145	54	32	231	632
Currency translation differences	81	56	3	140	286
Accumulated deprec. and impairment – closing balance	(78,527)	(172,989)	(814)	(252,330)	(234,297)
Net plant in service – closing balance	106,516	126,533	3,577	236,626	244,794

At December 31, 2008 and 2007 plant and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2008	2007
Cost	17,828	21,967
Accumulated depreciation	(5,319)	(4,802)
Total net book value	12,509	17,165

The carrying value of plant and equipment held under finance lease at December 31, 2008 and 2007 is CZK 6 million and CZK 39 million, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2008 and 2007 is CZK 51 million and CZK 76 million, respectively.

In August 2008 the Group paid for the acquisition of a project in Romania to develop and operate two wind power farms. The total consideration paid amounted to EUR 300,584 thousand (CZK 7,372 million). As at December 31, 2008 construction work in progress includes CZK 10,005 million related to this project.

In addition, most of the remaining balance of construction work in progress relates to refurbishments performed on Tušimice, Ledvice, Prunéřov and Dukovany power plants and electricity distribution network of subsidiary ČEZ Distribuce, a. s.

4. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Restricted debt securities available-for-sale	7,756	3,233
Restricted debt securities held to maturity	25	996
Restricted cash	1,791	4,160
Total restricted financial assets	9,572	8,389
Financial assets in progress, net	230	241
Debt securities held-to-maturity	453	765
Debt securities available-for-sale	6,020	4,810
Equity securities available-for-sale	522	525
Investment in MOL	16,543	–
Other long-term receivables, net	242	1,396
Total	33,582	16,126

The financial assets in progress represent amounts paid in respect of planned acquisitions.

In January 2008 the Group acquired a 7% share in MOL. At that time the Group granted to MOL a call option, which enables MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share. The amount paid to MOL after deduction of option premium received was EUR 560 million. The transaction was recorded as a receivable together with a written put option. The purchase was financed through a new loan in the total amount of EUR 600 million. Within the scope of cooperation the Group together with MOL also established 50–50% joint-ventures in order to pursue jointly business opportunities and develop projects in the business of gas-fired power and heat plants in Central and South-Eastern Europe. The written put option is shown as liabilities from derivatives in payables and other liabilities (see Note 20).

Movements in impairment provisions (in CZK millions)

	2008			2007		
	Financial assets in progress	Available-for-sale financial assets	Long-term receivables	Financial assets in progress	Available-for-sale financial assets	Long-term receivables
Opening balance	–	130	–	–	202	13
Additions	–	–	27	–	–	–
Reversals	–	(52)	–	–	(72)	(13)
Closing balance	–	78	27	–	130	–

Debt instruments at December 31, 2008 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	74	342	1,382	1,798
Due in 2–3 years	16,672	–	594	17,266
Due in 3–4 years	7	–	1,044	1,051
Due in 4–5 years	3	–	411	414
Due in more than 5 years	29	111	2,589	2,729
Total	16,785	453	6,020	23,258

Debt instruments at December 31, 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	1,334	318	1,457	3,109
Due in 2–3 years	23	334	1,372	1,729
Due in 3–4 years	7	–	181	188
Due in 4–5 years	5	–	860	865
Due in more than 5 years	27	113	940	1,080
Total	1,396	765	4,810	6,971

Debt instruments at December 31, 2008 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	242	–	–	242
From 2.0% to 3.0%	–	178	789	967
From 3.0% to 4.0%	–	–	833	833
From 4.0% to 5.0%	16,543	111	3,805	20,459
Over 5.0%	–	164	593	757
Total	16,785	453	6,020	23,258

Debt instruments at December 31, 2007 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	1,371	–	1	1,372
From 2.0% to 3.0%	10	340	1,249	1,599
From 3.0% to 4.0%	–	105	2,091	2,196
From 4.0% to 5.0%	15	113	1,425	1,553
Over 5.0%	–	207	44	251
Total	1,396	765	4,810	6,971

The following table analyses the debt instruments at December 31, 2008 by currency (in CZK millions)

	CZK	EUR	Total
Long-term receivables	173	16,612	16,785
Debt securities held-to-maturity	453	–	453
Debt securities available-for-sale	6,020	–	6,020
Total	6,646	16,612	23,258

The following table analyses the debt instruments at December 31, 2007 by currency (in CZK millions)

	CZK	EUR	Total
Long-term receivables	1,382	14	1,396
Debt securities held-to-maturity	765	–	765
Debt securities available-for-sale	4,810	–	4,810
Total	6,957	14	6,971

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2008 and 2007 are as follows (in CZK millions)

	Software	Rights and Other	Goodwill	Total 2008	Total 2007
Cost – opening balance	6,389	5,353	11,662	23,404	21,685
Additions	1,484	99	–	1,583	1,100
Disposals	(208)	–	(162)	(370)	(244)
Acquisition of subsidiaries	14	125	46	185	884
Disposal of subsidiaries	(35)	–	–	(35)	(136)
Reclassification and other	12	(10)	–	2	(5)
Currency translation differences	(9)	(396)	(663)	(1,068)	120
Cost – closing balance	7,647	5,171	10,883	23,701	23,404
Accumulated amortization and impairment – opening balance	(4,757)	(1,395)	–	(6,152)	(4,908)
Amortization charge for the year	(765)	(443)	–	(1,208)	(1,448)
Net book value of assets disposed	(22)	(71)	–	(93)	(20)
Disposals	208	–	–	208	244
Disposal of subsidiaries	116	–	–	116	7
Reclassification and other	(9)	8	–	(1)	5
Impairment losses recognized	–	–	–	–	(35)
Currency translation differences	5	127	–	132	3
Accumulated amortization and impairment – closing balance	(5,224)	(1,774)	–	(6,998)	(6,152)
Net intangible assets – closing balance	2,423	3,397	10,883	16,703	17,252

At December 31, 2008 and 2007, intangible assets presented in the balance sheet include intangible assets in progress in the amount of CZK 1,371 million and CZK 1,808 million, respectively.

At December 31, 2008 goodwill was allocated to the respective business and geographical segments based on the classification of the related subsidiaries (see Note 29).

Impairment testing of goodwill

At December 31, 2008 and 2007 goodwill was allocated to the following cash-generating units for the purpose of impairment testing (in CZK millions):

	2008	2007
Bulgarian distribution	1,076	1,063
TEC Varna	1,970	1,947
Polish power plants (ELCHO, Skawina)	4,829	5,689
Czech distribution and sale	2,182	2,182
ČEZ Teplárenská	643	643
Other	183	138
Total carrying amount of goodwill	10,883	11,662

The Group performed impairment tests and as result of these tests the Group did not recognize any impairment losses of goodwill in 2008 and 2007. The goodwill at Skawina was decreased by CZK 166 million in 2008 due to the acquisition of minority interest (see Note 6). The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Bulgarian distribution and TEC Varna has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rates in 2007 and 2008 of 6.0% for distribution and eight-year period budget and discount rate of 7.6% for Varna power plant. Cash flows beyond the five-year period are extrapolated using an average growth rate of 5.0% for the distribution companies, while the calculation did not include any cash flow for Varna power plant beyond 2016. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The recoverable amount of Polish power plants has also been determined based on a value in use calculation. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rates in 2007 and 2008 of 7.6%. Cash flows beyond the five-year period are extrapolated using zero growth rate. This growth rate represents the predicted long-term average growth rate of cash flows under currently known capacities and circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale and ČEZ Teplárenská. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rates in 2007 and 2008 are 5.7% for Czech distribution and sale and 7.4% for ČEZ Teplárenská in both years. Cash flows beyond the five-year period are extrapolated using an average growth rate of 5.0% in 2007 and 2008. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average of cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the forecast of market and regulatory environment, where subsidiaries conduct the business.

6. Business Combinations and Acquisition of Minority Shares

Acquisitions of subsidiaries from third parties in 2008

In January 2008 the Group acquired 100% share in ALLEWIA leasing s.r.o. (“ALLEWIA”), in August 2008 46.32% share in SD - KOMES, a.s. (“KOMES”) and in September 2008 49.50% share in PRODECO, a.s. (“PRODECO”). Until the acquisition of majority of voting rights the Group owned 46.33% shares (46.33% voting rights) in KOMES and 50.50% shares (50.00% voting rights) in PRODECO.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired in 2008 at the date of acquisition are as follows (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Shares acquired in 2008	46.32%	49.50%	100%
Property, plant and equipment	231	29	35
Other non-current assets	3	68	–
Cash and cash equivalents	–	591	6
Receivables, net	110	89	31
Income tax receivable	–	10	–
Materials and supplies, net	55	278	–
Other current assets	1	302	2
Long-term liabilities	(1)	–	–
Deferred tax liability	(8)	–	(4)
Short-term loans	(22)	–	–
Trade and other payables	(101)	(1,218)	(33)
Accrued liabilities	–	(45)	(3)
Total net assets	268	104	34
Minority interests	(144)	(52)	–
Share of net assets acquired	124	52	34
Goodwill/(negative goodwill)	(4)	(10)	46
Total purchase consideration	120	42	80
Less			
Non-cash consideration paid	(120)	–	–
Cash and cash equivalents in subsidiaries acquired	–	(591)	(6)
Cash outflow/(inflow) on acquisition of subsidiaries	–	(549)	74

The total purchase consideration paid for acquisition of subsidiaries in 2008 consists of the following amounts (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Acquisition price of the shares	120	42	80
Costs directly attributable to the acquisition of shares	–	–	–
Total purchase consideration	120	42	80

The carrying values of the acquired assets and liabilities of the subsidiaries acquired in 2008 immediately before the acquisitions were as follows (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Property, plant and equipment	231	29	16
Other non-current assets	3	68	–
Cash and cash equivalents	–	591	6
Receivables, net	110	89	31
Income tax receivable	–	10	–
Materials and supplies, net	55	278	–
Other current assets	1	302	2
Long-term liabilities	(1)	–	–
Deferred tax liability	(8)	–	–
Short-term loans	(22)	–	–
Trade and other payables	(101)	(1,218)	(33)
Accrued liabilities	–	(45)	(3)
Total book value of net assets	268	104	19

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2008 (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Revenues	22	83	34
Income before other expense (income) and income taxes	(7)	33	5
Net income	2	44	3

If the combinations had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 47,355 million and revenues from continuing operation would have been CZK 182,444 million. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisitions of minority shares in 2008

In September 2008 the Group purchased further minority shares in Elektrownia Skawina S.A. ("Skawina"). The following table summarizes the critical terms of the subsequent acquisition of minority shares during 2008 (in CZK millions):

	Skawina
Shares acquired in 2008 from third parties	25.09%
Share of net assets acquired	874
Negative goodwill	(166)
Total purchase price	708

The following table summarizes the cash outflows on acquisitions during 2008 (in CZK millions):

Cash inflows on acquisition of subsidiaries	(475)
Cash contribution to joint-venture	97
Cash outflows on purchase of minority	708
Change in payables from acquisitions	160
Total cash outflows on acquisitions in 2008	490

Acquisitions of subsidiaries from third parties in 2007

On April 5, 2007 the Company acquired 100% share in Teplárenská, a.s. ("Teplárenská").

The fair values of the identifiable assets and liabilities of the subsidiary acquired in 2007 at the date of acquisition are as follows (in CZK millions):

	Teplárenská
Shares acquired in 2007	100%
Property, plant and equipment	1,792
Other non-current assets	232
Cash and cash equivalents	144
Other current assets	153
Long-term liabilities	–
Deferred tax liability	(362)
Current liabilities	(186)
Total net assets	1,773
Minority interests	–
Share of net assets acquired	1,773
Goodwill	643
Total purchase consideration	2,416
Less	
Consideration paid for shares in previous periods	(7)
Cash and cash equivalents in subsidiaries acquired	(144)
Cash outflow on acquisition of subsidiaries	2,265

The total purchase consideration paid for acquisition of subsidiary in 2007 consists of the following amounts (in CZK millions):

	Teplárenská
Acquisition price of the shares	2,307
Costs directly attributable to the acquisition of shares	109
Total purchase consideration	**2,416**

The carrying values of the acquired assets and liabilities of the subsidiary acquired in 2007 immediately before the acquisitions were as follows (in CZK millions):

	Teplárenská
Property, plant and equipment	1,913
Other non-current assets	2
Cash and cash equivalents	144
Other current assets	153
Long-term liabilities	–
Deferred tax liability	(335)
Current liabilities	(186)
Total book value of net assets	**1,691**

From the date of acquisition, the newly acquired subsidiary contributed the following balances to the Group's income statement for the year 2007 (in CZK millions):

	Teplárenská
Revenues	551
Income before other expense (income) and income taxes	15
Net income	**79**

If the combinations had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 42,800 millions and revenues from continuing operation would have been CZK 174,913 millions. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisitions of minority shares in 2007

During 2007 the Group purchased further minority shares in Středočeská energetická a.s. ("STE"). The following table summarizes the critical terms of the subsequent acquisition of minority shares during 2007 (in CZK millions):

	Group STE
Shares acquired in 2007 from third parties	2.1%
Share of net assets acquired	176
Goodwill	9
Total purchase price	**185**

The following table summarizes the cash outflows on acquisitions of subsidiaries and minority shares during 2007 (in CZK millions):

Cash outflows on acquisition of subsidiaries	2,265
Cash outflows on purchase of minority	185
Change in payables from acquisitions	12
Total cash outflows on acquisitions in 2007	**2,462**

7. Investments in Subsidiaries, Associates and Joint-ventures

The consolidated financial statements include the financial figures of ČEZ, a. s., and the subsidiaries, associates and joint-ventures listed in the following table:

Subsidiaries	Country of incorporation	% equity interest [1] 2008	% voting interest 2008	% equity interest [1] 2007	% voting interest 2007
ALLEWIA leasing s.r.o.	Czech Republic	100.00%	100.00%	–	–
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	–	–
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Ciepło Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	51.01%	51.01%	51.01%	51.01%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Elektroproizvodstvo Bulgaria AD	Bulgaria	100.00%	100.00%	–	–
CEZ FINANCE B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Laboratories Bulgaria EOOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ RUS OOO	Russia	100.00%	100.00%	–	–
CEZ Servicii S.A.	Romania	51.00%	51.00%	51.00%	51.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%	100.00%
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine CJSC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	51.01%	51.01%	51.01%	51.01%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	–	–
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Logistika, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Měření, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Správa majetku, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Teplárenská, a.s	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZData, s.r.o. [2]	Czech Republic	–	–	100.00%	100.00%
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	88.82%	75.20%	88.82%	75.20%
Elektrownia Skawina S.A.	Poland	99.91%	99.91%	74.82%	74.82%
Energetické opravny, a.s.	Czech Republic	–	–	100.00%	100.00%
I & C Energo a.s.	Czech Republic	–	–	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	–	–
NERS d.o.o.	Bosnia and Herzegovina	51.00%	51.00%	51.00%	51.00%
New Kosovo Energy L.L.C.	Kosovo	100.00%	100.00%	100.00%	100.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	–	–
PPC Úžín, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	–	–
SD - 1.strojírenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Autodoprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - KOMES, a.s.	Czech Republic	92.65%	92.65%	–	–
SD - Rekultivace, a.s.	Czech Republic	100.00%	100.00%	–	–
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Tomis Team S.R.L.	Romania	100.00%	100.00%	–	–
Transenergo International N.V.	Netherlands	67.00%	67.00%	100.00%	100.00%
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46%	52.46%	52.46%	52.46%
ZAO TransEnergo	Russia	67.00%	67.00%	100.00%	100.00%

Associates and joint-ventures	Country of incorporation	% equity interest [1] 2008	% voting interest 2008	% equity interest [1] 2007	% voting interest 2007
Akcez Enerji A.S. [3]	Turkey	50.00%	50.00%	–	–
CM European Power International B.V.	Netherlands	50.00%	50.00%	–	–
CM European Power International s.r.o.	Slovakia	50.00%	50.00%	–	–
Coal Energy, a.s.	Czech Republic	40.00%	40.00%	40.00%	40.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	50.00%	51.05%	50.00%

[1] The equity interest represents effective ownership interest of the Group.
[2] Company ČEZData, s.r.o. merged as at January 1, 2008 with company ČEZnet, a.s. which was renamed to ČEZ ICT Services, a. s.
[3] At the end of 2008 the Group together with Akkök Group and Akenerji formed a joint-venture Akcez Enerji A. S. with the intention to acquire the distribution company SEDAŞ in Turkey (see Note 32).

The associates are not listed on any public exchange. The following table illustrates summarized financial information of associates and joint-ventures for the year ended December 31, 2008 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	641	547	94	5,670	(8)
LOMY MOŘINA spol. s r.o.	411	48	363	219	(2)
Akcez Enerji A.S.	3,143	–	3,143	–	–
CM European Power International B.V.	226	2	224	3	1
CM European Power International s.r.o.	317	117	200	–	(2)
Total	4,738	714	4,024	5,892	(11)

The following table illustrates summarized financial information of associates for the year ended December 31, 2007 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	1,004	855	149	10,988	39
LOMY MOŘINA spol. s r.o.	418	56	362	222	9
Total	1,422	911	511	11,210	48

8. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
Cash on hand and current accounts with banks	5,125	4,655
Short-term bank notes	591	1,586
Term deposits	11,587	6,188
Total	17,303	12,429

At December 31, 2008 and 2007, cash and cash equivalents included foreign currency deposits of CZK 14,471 million and CZK 8,081 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2008 and 2007 was 7.9% and 5.0%, respectively. For the years 2008 and 2007 the weighted average interest rate was 6.1% and 3.7%, respectively.

9. Receivables, Net

The composition of receivables, net, at December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
Unbilled electricity supplied to retail customers	14,208	–
Received advances from retail customers	(12,746)	–
Unbilled supplies to retail customers, net	1,462	–
Trade receivables	41,129	22,453
Taxes and fees, excluding income taxes	1,022	802
Other receivables	1,840	3,239
Allowance for doubtful receivables	(3,724)	(2,614)
Total	41,729	23,880

The information about receivables from related parties is included in Note 28.

At December 31, 2008 and 2007 the ageing analysis of receivables, net is as follows (in CZK millions)

	2008	2007
Not past due	39,164	20,871
Past due but not impaired [1]		
Less than 3 months	2,156	2,589
3–6 months	244	203
6–12 months	161	196
more than 12 months	4	21
Total	41,729	23,880

[1] Past due but not impaired receivables include net receivables, for which the Group recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions)

	2008	2007
Opening balance	2,614	2,452
Additions	1,906	1,596
Reversals	(726)	(1,323)
Acquisition of subsidiaries	27	–
Disposal of subsidiaries	(2)	(3)
Currency translation differences	(95)	(108)
Closing balance	3,724	2,614

10. Emission Rights

In 2005 an emission trading scheme was introduced in the European Union. The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and certified emission reductions held by the Group during 2008 and 2007 (in CZK millions):

	2008		2007	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and certified emission reductions (CERs) granted and purchased for own use				
Granted and purchased emission rights at January 1	43,224	231	37,109	2,207
Emission rights granted	42,022	–	42,143	–
Settlement of prior year actual emissions	(43,103)	(221)	(39,118)	(2,036)
Emission rights acquired in business combination	–	–	200	7
Disposal of remaining emission rights from the first allocation period	(134)	–	–	–
Emission rights sold	(3,215)	–	(930)	–
Emission rights purchased	447	251	3,820	202
Certified emission reductions purchased	2,510	1,023	–	–
Fair value adjustment	–	(1)	–	(200)
Currency translation differences	–	(9)	–	51
Granted and purchased emission rights and certified emission reductions at December 31	41,751	1,274	43,224	231
Emission rights held for trading				
Emission rights for trading at January 1	12	–	41	7
Emission rights purchased	24,623	14,117	4,937	288
Emission rights sold	(24,347)	(14,084)	(4,966)	(308)
Disposal of remaining emission rights from the first allocation period	(288)	–	–	–
Fair value adjustment	–	(33)	–	13
Emission rights held for trading at December 31	–	–	12	–

During 2008 and 2007 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 40,421 thousand tons and 43,103 thousand tons of CO_2, respectively. In 2008 and 2007 the Group recognized a provision for CO_2 emissions in total amount of CZK 1,033 million and CZK 231 million, respectively (see Note 2.12).

At December 31, 2008 and 2007 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 249 million and CZK 124 million, respectively.

The following table shows the impact of transactions with emission rights, green and similar certificates on income for the years ended December 31, 2008 and 2007 (in CZK millions):

	2008	2007
Gain on sales of granted emission rights	1,809	281
Net gain (loss) from emission trading	(538)	568
Gain on green and similar certificates	292	175
Creation of provisions for emissions rights	(1,023)	(227)
Settlement of provisions for emissions rights	222	2,486
Remitted emission rights	(221)	(2,038)
Fair value adjustment	(34)	(187)
Net gain related to emission rights and green and similar certificates	507	1,058

11. Other Financial Assets, net

Other financial assets, net, at December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Debt securities held for trading	–	14
Debt securities held-to-maturity	327	1,057
Debt securities available-for-sale	1,459	1,345
Equity securities held for trading	–	9
Equity securities available-for-sale	13,580	63
Derivatives	41,903	8,097
Total	57,269	10,585

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission right derivatives.

At December 31, 2008 the equity securities available-for-sale represent mainly investments in mutual fund.

Short-term debt securities at December 31, 2008 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	172	481	–	653
From 3.0% to 4.0%	103	618	–	721
From 4.0% to 5.0%	–	317	–	317
Over 5.0%	52	43	–	95
Total	327	1,459	–	1,786

Short-term debt securities at December 31, 2007 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	366	101	–	467
From 3.0% to 4.0%	691	1,212	–	1,903
From 4.0% to 5.0%	–	32	–	32
Over 5.0%	–	–	14	14
Total	1,057	1,345	14	2,416

All short-term debt securities are denominated in CZK.

12. Other Current Assets

The composition of other current assets at December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
Prepaid variation margin on "own use" electricity futures	–	2,992
Advances paid	1,209	1,485
Prepayments	924	715
Total	2,133	5,192

Prepaid variation margin represents the net variation margin paid to or by Prague Energy Exchange in respect of the electricity future contracts treated as own use, which will be delivered after balance sheet date. This prepaid variation margin resulted in net liability in 2008 and therefore is presented as part of Accrued liabilities (see Note 21).

13. Equity

As at December 31, 2008, the share capital of the Company registered in the Commercial Register totaled CZK 59,221,084,300 and consisted of 592,210,843 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on April 23, 2007, passed a resolution concerning acquisition of the Company's own shares ("Share-Buy-Back Program"). The General Meeting approved that the Company may acquire own equity shares as from April 23, 2007 in the quantity, which does not exceed 59,221,084 shares in total. The lowest price, at which the ČEZ company was allowed to buyback its shares, was CZK 300 per share. The highest price, at which the company was allowed to acquire its shares, was CZK 2,000 per share. The acquired shares might have been used for the reduction of the stated capital of the Company and for fulfilling the commitments arising from the share option plan (see Note 2.29) namely within the amount of 5 million shares. The main reason for carrying out the share-buy-back program was to make the capital structure of the Group more effective.

The General Meeting of the Company, held on May 21, 2008, passed a resolution to reduce the share capital of the Company from CZK 59,221,084,300 to CZK 53,798,975,900, i.e. by CZK 5,422,108,400. The reduction of share capital will be in the form of cancellation of 54,221,084 own shares with a nominal value of CZK 100 per share, i.e. by the delisting of shares. As at December 31, 2008, the Company owns 59,171,105 of own shares, which represents 9.99% of share capital.

Development of the number of treasury shares in 2008 and 2007 is as follows (in pieces)

	2008	2007
Number of treasury shares at beginning of period	50,370,144	3,455,010
Acquisitions of treasury shares	10,732,221	47,570,134
Sales of treasury shares	(1,931,260)	(655,000)
Number of treasury shares at end of period	59,171,105	50,370,144

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Dividends paid per share were CZK 40.0 and CZK 20.0 in 2008 and 2007, respectively. Dividends from 2008 profit will be declared on the general meeting, which will be held in the first half of 2009.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. The Group's goal is to keep this ratio at maximum in the range of 2.0–2.5. In addition, the Group also monitors capital using a total debt to total capital ratio. The Group's policy is to keep the total debt to total capital ratio below 50%.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization. The Group includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid short-term financial assets. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2008	2007
Total long-term debt	71,400	55,210
Total short-term loans	35,001	18,048
Total debt	106,401	73,258
Less: Cash and cash equivalents	(17,303)	(12,429)
Less: Highly liquid short-term financial assets	(13,580)	–
Total net debt	75,518	60,829
Income before income taxes and other income (expenses)	65,163	53,203
Plus: Depreciation and amortization	22,047	22,123
EBITDA	87,210	75,326
Total equity attributable to equity holders of the parent	173,252	171,352
Total debt	106,401	73,258
Total capital	279,653	244,610
Net debt to EBITDA ratio	0.87	0.81
Total debt to total capital ratio	38.0%	29.9%

14. Long-term Debt

Long-term debt at December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
4.625% Eurobonds, due 2011 (EUR 400 million)	10,742	10,606
4.125% Eurobonds, due 2013 (EUR 500 million)	13,362	13,179
5.125% Eurobonds, due 2012 (EUR 500 million)	13,419	13,250
6.000% Eurobonds, due 2014 (EUR 600 million)	16,020	–
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,559	–
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	29	–
7.88% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	4,475	4,147
9.22% Debentures, due 2014 (CZK 2,500 million) [1)]	2,497	2,496
3.35% Debentures, due 2008 (CZK 3,000 million)	–	2,820
4.30% Debentures, due 2010 (CZK 7,000 million)	6,841	6,834
Total bonds and debentures	69,944	53,332
Less: Current portion	(4,475)	(2,820)
Bonds and debentures, net of current portion	65,469	50,512
Long-term bank loans		
3.00% to 3.99% p. a.	1,176	19
4.00% to 4.99% p. a.	96	1,856
6.00% to 6.99% p. a.	184	3
Total long-term bank loans	1,456	1,878
Less: Current portion	(399)	(406)
Long-term bank loans, net of current portion	1,057	1,472
Total long-term debt	71,400	55,210
Less: Current portion	(4,874)	(3,226)
Long-term debt, net of current portion	66,526	51,984

[1)] Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2008 and 2007 was 9.60% and 5.90%, respectively.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group. For the fair values of interest rate hedging instruments see Note 15.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.20.

The future maturities of long-term debt are as follows (in CZK millions)

	2008	2007
Current portion	4,874	3,226
Between 1 and 2 years	7,098	4,551
Between 2 and 3 years	11,022	7,118
Between 3 and 4 years	13,685	10,886
Between 4 and 5 years	13,617	13,519
Thereafter	21,104	15,910
Total long-term debt	71,400	55,210

The following table analyses the long-term debt at December 31, 2008 and 2007 by currency (in millions)

	2008		2007	
	Foreign currency	CZK	Foreign currency	CZK
EUR	1,989	53,572	1,400	37,035
JPY	11,987	2,559	–	–
PLN	28	184	37	276
CZK	–	15,085	–	17,899
Total long-term debt		71,400		55,210

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2008 and 2007 without considering interest rate hedging (in CZK millions):

	2008	2007
Floating rate long-term debt		
with interest rate fixed for 1 month	22	272
with interest rate fixed from 1 to 3 months	1,176	1,415
with interest rate fixed from 3 months to 1 year	2,679	2,587
Total floating rate long-term debt	3,877	4,274
Fixed rate long-term debt	67,523	50,936
Total long-term debt	71,400	55,210

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 15 and Note 16.

The Group has entered into loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2008 and 2007 the Group has complied with all required covenants.

15. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments
The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments
The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For unquoted equity instruments the Group considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Receivables and Payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2008 and 2007 are as follows (in CZK millions)

		2008		2007	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Investments		33,582	33,965	16,126	16,039
Restricted debt securities available-for-sale	AFS	7,756	7,756	3,233	3,233
Restricted debt securities held-to-maturity	HTM	25	25	996	996
Restricted cash	LaR	1,791	1,791	4,160	4,160
Financial assets in progress, net	LaR	230	230	241	241
Debt securities held-to-maturity	HTM	453	462	765	754
Debt securities available-for-sale, net	AFS	6,020	6,020	4,810	4,810
Equity securities available-for-sale	AFS	522	522	525	525
Long-term receivables, net	LaR	16,785	17,159	1,396	1,320
Receivables	LaR	41,729	41,729	23,880	23,880
Cash and cash equivalents	LaR	17,303	17,303	12,429	12,429
Other financial assets		15,366	15,366	2,488	2,488
Debt securities held for trading	HFT	–	–	14	14
Debt securities held-to-maturity	HTM	327	327	1,057	1,057
Debt securities available-for-sale	AFS	1,459	1,459	1,345	1,345
Equity securities held for trading	HFT	–	–	9	9
Equity securities available-for-sale	AFS	13,580	13,580	63	63
Other current assets	LaR	2,133	2,133	5,192	5,192
LIABILITIES					
Long-term debt	AC	(71,400)	(70,817)	(55,210)	(54,766)
Short-term loans	AC	(35,001)	(35,001)	(18,048)	(18,048)
Accounts payable	AC	(44,154)	(44,154)	(18,864)	(18,864)
DERIVATIVES					
Cash flow hedges					
Receivables	HFT	109	109	1,009	1,009
Payables	HFT	(4,753)	(4,753)	–	–
Total cash flow hedges		(4,644)	(4,644)	1,009	1,009
Electricity, coal and gas trading contracts					
Receivables	HFT	38,079	38,079	5,385	5,385
Payables	HFT	(37,519)	(37,519)	(5,250)	(5,250)
Total electricity trading contracts		560	560	135	135
Other derivatives					
Receivables	HFT	3,715	3,715	1,703	1,703
Payables	HFT	(9,306)	(9,306)	(1,624)	(1,624)
Total other derivatives		(5,591)	(5,591)	79	79

LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

16. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Risk management organization

The supreme authority for risk management in the Group is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:
- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:
- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas), volume (electricity distribution and heat supply).
- Credit risks: financial and business counterparty risk and electricity end customer risk.
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic.

The development of the above Group's quantified risks is reported to the Risk Management Committee every month and contains an actual share of individual risks in the aggregate annual Profit@Risk limit, i.e. on a unified 95% level.

16.1. Qualitative description of risks associated with financial instruments

Commodity risks

The development of electricity and emission allowances prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of the Group's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR and the VaR bases), and (ii) the margin from the proprietary trading of electricity and emission allowances within the whole Group (the potential risk is managed on the VaR basis).

Market financial risks (currency, interest and stock price risks)

The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows of the Group (including operational and investment foreign currency flows).

Credit risks

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses. In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group's expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group.

16.2. Quantitative description of risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at 31 December) was prepared based on the assumptions given below:

- the source of market prices is mainly EEX, PXE and PointCarbon
- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Group: electricity, emission allowances EUA and CER/ERU, gas UK BNP, coal API2 and API4)
- for the calculation of volatility and, in the case of electricity, of internal correlations (between points in time series), the SMA (Simple Moving Average) method is applied to 60 daily time series while the volatilities identified for EUA are used for VaR with respect to CER/ERU commodity because the Group uses them as EUA

Potential impact of the above risk factors as at December 31 (in CZK millions)

	2008	2007
Monthly VaR (95%) – impact of changes in electricity market price	478	206
Monthly VaR (95%) – impact of changes in emission allowances market price	152	169
Monthly VaR (95%) – impact of changes in gas market price	16	–
Monthly VaR (95%) – impact of changes in coal market price	0	–

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the source of market foreign exchange rates and interest rate curves is mainly IS REUTERS, IS Bloomberg and ČNB (Czech National Bank) data
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS)
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2009 and highly probable forecasted foreign-currency revenues from electricity sales in the future
- the relevant currency positions reflect all significant foreign-currency flows of the Group units in the monitored basket of foreign currencies

Potential impact of the currency risk as at December 31 (in CZK millions)

	2008	2007
Monthly currency VaR (95% confidence)	557	150

Interest risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of interest risk as at 31 December) was prepared based on the assumptions given below:

- the source of market interest rates and interest rate curves is mainly IS REUTERS, IS Bloomberg and ČNB data
- the indicator of interest risk is determined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of interest rate curves, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant interest position is defined as a discounted value of interest-sensitive flows from all contracted and highly probable instruments (including the fixed interest financial instruments)
- the relevant interest positions reflect all significant interest-sensitive flows of the Group units

Potential impact of the interest risk as at December 31 (in CZK millions)

	2008	2007
Monthly interest VaR (95% confidence) *	1,054	501

* The VaR values indicate a potential change of market price of financial instruments (including the fixed-interest debt) on the defined confidence level (i.e. the values cannot be interpreted as a potential increase in interest costs of the Group debt).

Stock price risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of stock price risk as at 31 December) was prepared based on the assumptions given below:

- the source of market data is IS Bloomberg and ČNB data
- the indicator of stock risk is determined as the monthly parametric VaR (95% confidence)
- the relevant implied volatility and standard deviation is determined from risk module IS Bloomberg
- the relevant stock position is defined as market value of stocks/stock options as at December 31, 2008
- the relevant stock positions reflect all significant stock-sensitive deals of the ČEZ Group units

Potential impact of the stock price risk as at December 31 (in CZK millions)

	2008	2007
Monthly stock VaR (95% confidence)	3,829	N/A *

* The stock instruments were not used before 2008.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2008 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *
Less than 1 year	35,732	7,811	44,446	200,269
Between 1 and 2 years	297	10,178	466	56,015
Between 2 and 3 years	306	13,540	137	17,410
Between 3 and 4 years	282	15,954	37	3,835
Between 4 and 5 years	260	15,208	24	–
Thereafter	–	24,241	149	–
Total	36,877	86,932	45,259	277,529

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 15.

Contractual maturity profile of financial liabilities at December 31, 2007 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *
Less than 1 year	18,534	5,419	19,151	95,157
Between 1 and 2 years	456	6,347	340	18,648
Between 2 and 3 years	322	9,012	84	8,531
Between 3 and 4 years	306	12,486	13	1,831
Between 4 and 5 years	284	14,551	–	367
Thereafter	240	16,524	–	–
Total	20,142	64,339	19,588	124,534

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 15.

16.3. Hedge accounting

The Group entered into a number of derivatives transactions, mainly cross-currency and interest swaps, to hedge its long-term debt denominated in foreign currencies against the currency risk and interest rate risk. These hedges were classified as either fair value hedges or cash flow hedges and matured in 2007.

In 2008 and 2007 the remeasurement of hedged items in fair value hedges resulted in gain (loss) of CZK 0 million and CZK (14) million, respectively. In 2008 and 2007 the net gains (losses) on the related hedging derivatives in the fair value hedges were recognized in profit or loss in the amount of CZK 0 million and CZK (31) million, respectively.

In 2008 and 2007 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the line Sales of electricity and Other income (expenses), net. In 2008 and 2007 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (3) million and CZK 0 million, respectively.

The Group also enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2009 to 2012. The hedging instruments as at December 31, 2008 are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 2 billion and currency forward contracts.

17. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants, Dukovany and Temelín. Nuclear power plant Dukovany consists of four 440 MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000 MW units, which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act (“Act”), which defines certain obligations for the decontamination and dismantling (“decommissioning”) of nuclear facilities and the disposal of radioactive waste and spent fuel (“disposal”). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant’s operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. An updated 2008 Dukovany and a 2004 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 17.3 billion and CZK 13.7 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority (“RAWRA”) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a “nuclear account” funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government decision at 50 CZK per MWh produced at nuclear power plants. In 2008 and 2007, respectively, the payments to the nuclear account amounted to CZK 1,328 million and CZK 1,307 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Group has established provisions as described in Note 2.24, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2008 and 2007 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2006	10,156	4,902	21,625	36,683
Movements during 2007				
Discount accretion	257	122	541	920
Effect of inflation	205	98	433	736
Provision charged to income statement	–	394	–	394
Effect of change in estimate charged to income statement (Note 2.24)	–	438	–	438
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(4)	32	1,467	1,495
Current cash expenditures	–	(168)	(1,307)	(1,475)
Balance at December 31, 2007	10,614	5,818	22,759	39,191
Movements during 2008				
Discount accretion	269	146	569	984
Effect of inflation	215	116	455	786
Provision charged to income statement	–	346	–	346
Effect of change in estimate charged to income statement (Note 2.24)	–	203	–	203
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(2,866)	23	(1,273)	(4,116)
Current cash expenditures	–	(435)	(1,328)	(1,763)
Balance at December 31, 2008	8,232	6,217	21,182	35,631

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2007 the Company recorded the change in estimate for long-term fuel storage due to the modification of the expected output of the nuclear power plants.

In 2008 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

18. Other Long-term Liabilities

Other long-term liabilities at December 31, 2008 and 2007 are as follows (in CZK millions)

	2008	2007
Provision for decommissioning and reclamation of mines and mining damages	6,363	6,608
Other long-term provisions	1	–
Deferred connection fees	8,927	7,983
Other	2,254	1,778
Total	17,545	16,369

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. The current cost estimates for the decommissioning and reclamation provision have been discounted using an estimated real rate of interest of 2.5%.

The following is the summary of the provisions for the years ended December 31, 2008 and 2007 (in CZK millions):

	Mine reclamation	Mining damages	Total
Balance at December 31, 2006	6,055	1,120	7,175
Movements during 2007			
Discount accretion	148	–	148
Effect of inflation	119	–	119
Provision charged to income statement	41	–	41
Effect of change in estimate added to fixed assets	197	–	197
Current cash expenditures	(142)	(930)	(1,072)
Balance at December 31, 2007	6,418	190	6,608
Movements during 2008			
Discount accretion	155	–	155
Effect of inflation	125	–	125
Provision charged to income statement	46	–	46
Effect of change in estimate credited to income statement	(50)	–	(50)
Effect of change in estimate credited to fixed assets	(190)	–	(190)
Current cash expenditures	(176)	(155)	(331)
Balance at December 31, 2008	6,328	35	6,363

Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

19. Short-term Loans

Short-term loans at December 31, 2008 and 2007 are as follows (in CZK millions)

	2008	2007
Short-term bank loans	31,394	10,571
Bank overdrafts	500	7,477
Other short-term borrowings	3,107	–
Total	35,001	18,048

Interest on short-term loans is variable. The weighted average interest rate was 3.3% at December 31, 2008 and 4.1% at December 31, 2007. For the years 2008 and 2007 the weighted average interest rate was 4.0% and 3.5%, respectively.

At December 31, 2008 short-term bank loans include the loan of CZK 16,158 million which was used to finance the acquisition of investment in MOL (see Note 4).

20. Trade and Other Payables

Trade and other payables at December 31, 2008 and 2007 are as follows (in CZK millions)

	2008	2007
Advances received from retail customers	7,359	18,240
Unbilled electricity supplied to retail customers	(6,490)	(17,886)
Received advances from retail customers, net	869	354
Trade payables	41,065	15,993
Fair value of option (see Note 4)	7,534	–
Derivatives	44,044	6,874
Other	2,220	2,517
Total	95,732	25,738

The information about payables to related parties is included in Note 28.

21. Accrued Liabilities

Accrued liabilities at December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Provision for CO_2 emissions	1,033	231
Provision for waste storage reclamation	406	453
Other provisions	1,426	1,432
Accrued interest	1,387	891
Taxes and fees, except income tax	1,134	1,005
Unbilled goods and services	4,324	3,764
Contingent liabilities from acquisitions	524	604
Deferred variation margin on “own use” electricity futures (see Note 12)	2,561	–
Deferred income	1,252	575
Other	78	83
Total	14,125	9,038

22. Revenues

The composition of revenues for the years ended December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
Sale of electricity		
Sales of electricity to end customers	59,679	53,945
Sales of electricity through energy exchange	22,810	55
Sales to distribution companies	1,258	15,509
Exports of electricity	6,452	12,923
Other sales of electricity	24,496	31,740
Effect of hedging (see Note 16.3)	3,245	–
Sales of ancillary, system, distribution and other services	47,377	45,874
Total sales of electricity	165,317	160,046
Electricity, coal and gas derivative trading		
Sales	85,246	39,800
Purchases	(82,605)	(37,372)
Changes in fair value of commodity derivatives	1,454	262
Total gains and losses from electricity, coal and gas derivative trading, net	4,095	2,690
Sales of heat	3,295	2,935
Sales of coal	3,701	3,444
Other	5,230	5,448
Total revenues	181,638	174,563

In October 2007 the Shareholder's meeting of Elektrociepłownia Chorzów ELCHO sp. z o.o. ("ELCHO") decided to terminate its long-term contract for the sale of electricity with Polskie Sieci Elektroenergetyczne S.A. (PSE) based on which the electricity should have originally been delivered until 2023. According to the Act on termination of long-term agreements ELCHO will receive compensation in cash from an entity established by Polish state, to compensate the revenues lost (the equivalent of the difference between original contractual price and market price with the total limit of PLN 889 million). From April 2008 ELCHO started to sell the electricity on the free market. In 2008 ELCHO recognized CZK 719 million of revenues as a result of the above mentioned compensations.

23. Salaries and Wages

Salaries and wages for the years ended December 31, 2008 and 2007 were as follows (in CZK millions)

	2008		2007 [2]	
	Total	Key management personnel [1]	Total	Key management personnel
Salaries and wages	(11,467)	(239)	(11,293)	(275)
Remuneration of the board members, including royalties	(106)	(35)	(87)	(34)
Share options	(123)	(123)	(45)	(45)
Social and health security	(3,735)	(15)	(4,001)	(82)
Other personal expenses	(1,525)	(22)	(1,474)	(14)
Total	(16,956)	(434)	(16,900)	(450)

[1] Key management personnel represent members of Supervisory Board, Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments with group field of activity. The remuneration of former members of company bodies is included in personal expenses.
[2] Due to organizational changes in 2008, the information about salaries and wages related to key management personnel is not fully comparable between 2007 and 2008.

At December 31, 2008 and 2007, the aggregate number of share options granted to members of Board of Directors, Supervisory Board and selected managers was 2,355 thousand and 3,175 thousand, respectively.

The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on General Meeting held in June 2005.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Pursuant to the resolution of the May 2008 General Meeting, members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficent has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2008 and 2007 the Company has recognized a compensation expense of CZK 123 million and CZK 45 million related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2008 and 2007 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board '000s	Board of Directors '000s	Selected managers '000s	Total '000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2006	450	2,240	765	3,455	338.35
Options granted	–	–	375	375	995.65
Options exercised [1]	–	(600)	(55)	(655)	189.50
Share options at December 31, 2007 [2]	450	1,640	1,085	3,175	446.70
Options granted	–	975	140	1,115	1,232.65
Movements	–	150	(150)	–	–
Options exercised [1]	(300)	(1,140)	(495)	(1,935)	292.40
Share options at December 31, 2008 [2]	150	1,625	580	2,355	945.60

[1] In 2008 and 2007 the weighted average share price at the date of the exercise for the options exercised was CZK 1,290.78 and CZK 957.10, respectively.
[2] At December 31, 2008 and 2007 the number of exercisable options was 865 thousand pieces and 2,490 thousand pieces, respectively. The weighted average exercise price of the exercisable options was CZK 551.23 per share and CZK 304.91 per share at December 31, 2008 and 2007, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2008	2007
Weighted average assumptions		
Dividend yield	2.9%	2.8%
Expected volatility	31.2%	28.5%
Mid-term risk-free interest rate	3.9%	2.8%
Expected life (years)	2.0	2.0
Share price (CZK per share)	1,169.0	1,027.3
Weighted average grant-date fair value of options (CZK per 1 option)	173.0	177.7

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at December 31, 2008 and 2007 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2008	2007
CZK 100–500 per share	265	1,750
CZK 500–900 per share	700	1,125
CZK 900–1,400 per share	1,390	300
Total	2,355	3,175

The options granted, which were outstanding as at December 31, 2008 and 2007 had an average remaining contractual life of 1.8 years and 1.5 years, respectively.

24. Other Operating Expenses

Other operating expenses for the years ended December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Services	(9,891)	(10,955)
Travel expenses	(285)	(278)
Gain on sale of property, plant and equipment	68	153
Gain on sale of material	121	138
Capitalization of expenses to the cost of assets and change in own inventory	1,721	2,979
Fines, penalties and penalty interest, net	731	330
Change in provisions and valuation allowances	618	1,745
Taxes and fees	(2,477)	(2,865)
Write-off of bad debts and cancelled investment	(234)	(540)
Gifts	(336)	(352)
Other, net	17	408
Total	(9,947)	(9,237)

Taxes and fees include the contributions to the nuclear account (see Note 17). The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

25. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
Loans and receivables	694	196
Held-to-maturity investments	68	160
Available-for-sale investments	263	–
Financial assets held for trading	10	4
Bank accounts	807	803
Total	1,842	1,163

26. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Derivative gains (losses), net	(1,194)	(585)
Gains from sales available-for-sale financial assets	968	772
Gain on sale of financial assets held for trading	1	1
Change in impairment of financial investments	37	79
Other, net	10	218
Total	(178)	485

27. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 21% and 24% in 2008 and 2007. The Czech corporate income tax rate for 2009 and 2010 will be 20% and 19%, respectively. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have a potentially effect on reported income.

The components of the income tax provision are as follows (in CZK millions)

	2008	2007
Current income tax charge	(14,271)	(11,776)
Adjustments in respect of current income tax of previous periods	78	(115)
Deferred income taxes	828	3,504
Total	(13,365)	(8,387)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2008	2007
Income before income taxes	60,716	51,151
Statutory income tax rate in Czech Republic	21%	24%
"Expected" income tax expense	(12,750)	(12,276)
Add (deduct) tax effect of		
Change in tax rates	150	3,212
Non-deductible provisions, net	68	(84)
Non-deductible loss from derivatives	(1,146)	–
Non-deductible expenses related to shareholdings	(194)	(144)
Other non taxable (non-deductible) items, net	(72)	530
Income already taxed or exempt	286	226
Tax credits	4	5
Adjustments in respect of current income tax of previous periods	78	(115)
Effect of different tax rate in other countries	135	294
Change in unrecorded deferred tax receivables	76	(35)
Income taxes	(13,365)	(8,387)
Effective tax rate	22%	16%

Deferred Income Taxes, Net

Deferred income taxes, net, at December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Accumulated provision for nuclear decommissioning and spent fuel storage	5,625	6,363
Financial statement depreciation in excess of tax depreciation	142	3
Revaluation of financial instruments	1,367	56
Allowances	383	495
Other provisions	903	1,086
Penalty payables	3	11
Tax loss carry forwards	199	230
Other temporary differences	113	77
Total deferred tax assets	8,735	8,321
Tax depreciation in excess of financial statement depreciation	21,109	23,089
Revaluation of financial instruments	141	825
Other provisions	539	973
Penalty receivables	20	19
Investment in associate	–	11
Other temporary differences	531	75
Total deferred tax liability	22,340	24,992
Total deferred tax liability, net	13,605	16,671

Movements in net deferred tax liability were as follows (in CZK millions)

	2008	2007
Opening balance	16,671	19,318
Deferred tax recognized in profit or loss	(828)	(3,504)
Deferred tax charged directly to equity	(2,114)	525
Acquisition of subsidiaries	(1)	363
Disposal of subsidiaries	(21)	(20)
Currency translation differences	(102)	(11)
Closing balance	13,605	16,671

At December 31, 2008 and 2007 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 16,885 million and CZK 20,737 million, respectively.

28. Related Parties

The Group purchases products, goods and services from related parties in the ordinary course of business.

At December 31, 2008 and 2007, the receivables from related parties and payables to related parties are as follows (in CZK millions)

	Receivables		Payables	
	2008	2007	2008	2007
Associates, joint-ventures and other affiliates				
Akcez Enerji A.S.	–	–	1,571	–
CM European Power International s.r.o.	63	–	–	–
Coal Energy, a.s.	262	175	35	29
ČEZ ENERGOSERVIS spol. s r.o.	9	1	48	36
LOMY MOŘINA spol. s r.o.	–	–	14	4
OSC, a.s.	–	–	20	17
SINIT,a.s.	–	–	18	19
Ústav aplikované mechaniky Brno, s.r.o.	–	–	14	10
Others	10	15	28	25
Total associates, joint-ventures and other affiliates	344	191	1,748	140
Entities under the control of Company's majority owner				
ČEPS, a.s.	614	201	116	191
Česká pošta s.p.	1	3	61	56
České dráhy, a.s.	–	480	–	66
ČD Cargo, a.s.	–	–	247	–
Správa železniční dopravní cesty, státní organizace	511	–	–	–
Ministry of Finance of the Czech Republic	1,270	2,012	–	–
Others	–	–	2	2
Total entities under the control of Company's majority owner	2,396	2,696	426	315
Total	2,740	2,887	2,174	455

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (in CZK millions)

	Sales to related parties		Purchases from related parties	
	2008	2007	2008	2007
Associates, joint-ventures and other affiliates				
AFRAS Energo s.r.o. 1)	–	2	17	26
Centrum výzkumu Řež s.r.o.	41	37	12	8
CM European Power International s.r.o.	63	–	–	–
Coal Energy, a.s.	2,541	1,873	383	391
ČEZ ENERGOSERVIS spol. s r.o.	6	11	135	249
ENERGOPROJEKT SLOVAKIA, a. s.	–	–	6	25
ENPRO, a.s. 2)	1	5	12	45
ENPROSPOL, s.r.o. 2)	1	4	18	40
LOMY MOŘINA spol. s r.o.	14	17	120	130
OSC, a.s.	–	8	90	175
SD - Vrtné a trhací práce, a.s.	6	7	23	20
SINIT,a.s.	3	4	68	98
Ústav aplikované mechaniky Brno, s.r.o.	2	2	15	15
Výzkumný ústav pro hnědé uhlí a.s.	2	2	22	18
AZ Elektrostav, a.s. 3)	–	8	–	52
Energetická montážní společnost Česká Lípa, s. r. o. 3)	–	7	–	61
KNAUF POČERADY, spol. s r.o. 3)	–	59	–	9
SEG s.r.o. 3)	–	8	–	32
SIGMA - ENERGO s.r.o. 3)	–	4	–	65
Others	23	46	25	39
Total associates, joint-ventures and other affiliates	2,703	2,104	946	1,498
Entities under the control of Company's majority owner				
ČEPS, a.s.	6,450	6,292	8,318	8,429
Česká pošta s.p.	106	108	123	101
České dráhy, a.s.	64	2,446	5	1,525
ČD Cargo, a.s.	–	–	1,643	–
Správa železniční dopravní cesty, státní organizace	2,284	–	–	–
Others	2	10	–	–
Total entities under the control of Company's majority owner	8,906	8,856	10,089	10,055
Total	11,609	10,960	11,035	11,553

1) Part of CEZ Group till 6/2008
2) Part of CEZ Group till 5/2008
3) Companies sold in 2007

Information about compensation of key management personnel is included in Note 23.

29. Segment Information

The Group reports its result based on business and geographical segments.

The power production and trading segment includes production of electricity and heat and the commodity trading activities of the Group. The distribution and sale segment sells electricity to end customers through the power distribution grid. The mining segment produces coal and limestone used by the power production segment and sold to third parties.

The Group's geographical segments are based mainly on the location of the Group's assets. The Central Europe segment includes the Czech Republic, the Netherlands, Poland, Germany, Hungary and Slovakia. The South East Europe segment consists of the operations of the Group in Bulgaria, Romania, Russia, Serbia, Kosovo, Bosnia and Herzegovina, Turkey and the Ukraine except for trading operations that are provided at the Group headquarters and therefore presented in the Central Europe segment.

The accounting policies of the segments are the same as those described in Note 2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments and allocates resources to them based on operating income.

The following tables summarize segment information by business segments for the years ended December 31, 2008 and 2007, respectively (in CZK millions):

Year 2008	Power Production and Trading	Distribution and Sale	Mining	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	71,529	101,911	3,993	4,205	181,638	–	181,638
Intersegment sales	48,307	3,799	6,285	31,128	89,519	(89,519)	–
Total revenues	119,836	105,710	10,278	35,333	271,157	(89,519)	181,638
Operating income	48,954	9,594	3,593	3,026	65,167	(4)	65,163
Identifiable assets	198,683	71,653	13,331	15,770	299,437	(8,611)	290,826
Goodwill	7,550	3,258	60	15	10,883	–	10,883
Investment in associates and joint-ventures	149	1,571	187	–	1,907	–	1,907
Unallocated assets							169,559
Total assets							**473,175**
Identifiable liabilities	253,444	21,507	13,653	18,361	306,965	(33,621)	273,344
Unallocated liabilities							14,421
Total liabilities							**287,765**
Income from associates and joint-ventures	(4)	–	(1)	17	12	–	12
Depreciation and amortization	(14,336)	(4,498)	(1,226)	(1,987)	(22,047)	–	(22,047)
Change in provisions and allowances	448	(1,428)	345	201	(434)	–	(434)
Negative goodwill write-off and goodwill impairment, net	–	–	–	14	14	–	14
Capital expenditure	31,260	8,396	3,100	6,057	48,813	(2,542)	46,271

Year 2007	Power Production and Trading	Distribution and Sale	Mining	Other	Combined	Elimination	Consolidated
Sales other than intersegment sales	71,969	95,665	3,524	3,405	174,563	–	174,563
Intersegment sales	40,234	2,773	6,507	23,743	73,257	(73,257)	–
Total revenues	112,203	98,438	10,031	27,148	247,820	(73,257)	174,563
Operating income	37,357	9,774	3,670	2,402	53,203	–	53,203
Identifiable assets	190,070	68,019	11,615	13,692	283,396	(6,231)	277,165
Goodwill	8,342	3,245	60	15	11,662	–	11,662
Investment in associates	60	–	188	–	248	–	248
Unallocated assets							81,867
Total assets							**370,942**
Identifiable liabilities	152,528	20,182	14,027	16,305	203,042	(33,479)	169,563
Unallocated liabilities							17,153
Total liabilities							**186,716**
Income from associates	16	–	4	20	40	–	40
Depreciation and amortization	(14,002)	(5,163)	(1,095)	(1,863)	(22,123)	–	(22,123)
Change in provisions and allowances	2,887	(46)	1,105	(259)	3,687	–	3,687
Capital expenditure	14,639	11,193	1,695	7,099	34,626	(3,960)	30,666

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following tables summarize geographical segment information for the years ended December 31, 2008 and 2007, respectively (in CZK millions):

Year 2008	Central Europe	South East Europe	Combined	Elimination	Consolidated
Sales other than intersegment sales	153,380	28,258	181,638	–	181,638
Intersegment sales	465	220	685	(685)	–
Total revenues	153,845	28,478	182,323	(685)	181,638
Operating income	64,103	1,058	65,161	2	65,163
Identifiable assets	254,798	36,028	290,826	–	290,826
Goodwill	7,834	3,049	10,883	–	10,883
Investment in associates and joint-ventures	336	1,571	1,907	–	1,907
Unallocated assets					169,559
Total assets					473,175
Identifiable liabilities	267,205	8,552	275,757	(2,413)	273,344
Unallocated liabilities					14,421
Total liabilities					287,765
Income from associates and joint-ventures	12	–	12	–	12
Depreciation and amortization	(19,988)	(2,059)	(22,047)	–	(22,047)
Change in provisions and allowances	925	(1,359)	(434)	–	(434)
Negative goodwill write-off and goodwill impairment, net	14	–	14	–	14
Capital expenditure	33,727	12,544	46,271	–	46,271

Year 2007	Central Europe	South East Europe	Combined	Elimination	Consolidated
Sales other than intersegment sales	145,408	29,155	174,563	–	174,563
Intersegment sales	534	190	724	(724)	–
Total revenues	145,942	29,345	175,287	(724)	174,563
Operating income	51,215	1,987	53,202	1	53,203
Identifiable assets	249,797	27,368	277,165	–	277,165
Goodwill	8,649	3,013	11,662	–	11,662
Investment in associates	248	–	248	–	248
Unallocated assets					81,867
Total assets					370,942
Identifiable liabilities	164,437	7,533	171,970	(2,407)	169,563
Unallocated liabilities					17,153
Total liabilities					186,716
Income from associates	40	–	40	–	40
Depreciation and amortization	(19,776)	(2,347)	(22,123)	–	(22,123)
Change in provisions and allowances	4,154	(467)	3,687	–	3,687
Capital expenditure	27,403	3,263	30,666	–	30,666

30. Net Income per Share

	2008	2007
Numerator (CZK millions)		
Basic and diluted		
Net income attributable to equity holders of the parent	46,510	41,555
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	534,594	569,981
Dilutive effect of share options	747	1,933
Diluted		
Adjusted weighted average shares	535,341	571,914
Net income per share (CZK per share)		
Basic	87.0	72.9
Diluted	86.9	72.7

31. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2008 to total CZK 277.9 billion over the next five years, as follows: CZK 52.8 billion in 2009, CZK 59.0 billion in 2010, CZK 59.2 billion in 2011, CZK 62.2 billion in 2012 and CZK 44.7 billion in 2013. These figures do not include the expected acquisitions of subsidiaries and associates, which will depend on the number of future investment opportunities, for which the Group will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates.
At December 31, 2008 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded mentioned insurance policies with the Czech nuclear pool, a group of insurance companies.

The Group also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Company.

32. Events after the Balance Sheet Date

In February 2009 joint-venture of CEZ Group and Turkish group Akkök (Akcez Enerji A.S.), 50% owned by ČEZ, a. s. and the remaining 50% by the companies Akkök (5%) and Akenerji (45%), acquired 100% share in the Turkish grid company Sedaş. The Consortium Akkök – Akenerji – ČEZ won the tender with USD 600 million and paid USD 300 million in cash, while the remaining amount will be paid in two years in equal installments with an interest rate of LIBOR+2.5%.

In February 2009 the reduction of share capital of the Company to the amount of CZK 53,799 million (i.e. by CZK 5,422 million) was registered in the Commercial Register.

These financial statements have been authorized for issue on February 24, 2009.

Independent Auditor's Report on the Financial Statements of ČEZ, a. s.

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of ČEZ, a. s. which comprise the balance sheet as at December 31, 2008, and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on ČEZ, a. s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as at December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

February 24, 2009
Prague, Czech Republic

ČEZ, a. s.
Balance Sheet in accordance with IFRS
December 31, 2008

(in CZK Millions)

	Note	2008	2007 *
ASSETS		392,593	313,894
Fixed assets		292,613	281,555
Property, plant and equipment		173,032	172,252
Plant in service		296,094	295,255
Less accumulated provision for depreciation		162,220	150,603
Net plant in service	4.	133,874	144,652
Nuclear fuel, at amortized cost		6,266	6,955
Construction work in progress	4.	32,892	20,645
Other non-current assets		119,581	109,303
Investments and other financial assets, net	5.	118,799	108,294
Intangible assets, net	6.	782	1,009
Current assets		99,980	32,339
Cash and cash equivalents	7.	7,011	1,988
Receivables, net	8.	33,409	15,368
Income tax receivable		2	–
Materials and supplies, net		2,832	2,731
Fossil fuel stock		1,069	592
Emission rights	9.	1,274	2
Other financial assets, net	10.	53,864	7,999
Other current assets	11.	519	3,659
EQUITY AND LIABILITIES		392,593	313,894
Equity	12.	154,927	149,882
Stated capital		59,221	59,221
Treasury shares		(66,910)	(55,972)
Retained earnings and other reserves		162,616	146,633
Long-term liabilities		102,620	91,341
Long-term debt, net of current portion	13.	66,559	51,839
Accumulated provision for nuclear decommissioning and fuel storage	16.	35,422	38,997
Other long-term liabilities		639	505
Deferred tax liability	24.	8,613	11,618
Current liabilities		126,433	61,053
Short-term loans		13,020	11,822
Current portion of long-term debt		4,710	3,235
Trade and other payables	17.	97,856	39,061
Income tax payable		3,381	3,696
Accrued liabilities	18.	7,466	3,239

* Comparative information has been restated due to the merger of ČEZ, a. s. and Energetika Vítkovice, a.s. (see Note 3).

ČEZ, a. s.
Statement of Income in accordance with IFRS December 31, 2008

(in CZK Millions)

	Note	2008	2007 *
Revenues	19.	109,528	103,746
Sales of electricity		102,505	96,657
Gains and losses from electricity, coal and gas derivative trading, net		3,455	2,583
Heat sales and other revenues		3,568	4,506
Operating expenses		(62,164)	(67,050)
Fuel		(16,790)	(18,194)
Purchased power and related services		(15,474)	(19,172)
Repair and maintenance		(3,583)	(3,444)
Depreciation and amortization		(13,035)	(12,428)
Salaries and wages	20.	(5,904)	(6,335)
Materials and supplies		(1,765)	(1,758)
Emission rights, net	9.	294	838
Other operating expenses	21.	(5,907)	(6,557)
Income before other income (expenses) and income taxes		47,364	36,696
Other income (expenses)		9,603	460
Interest on debt, net of capitalized interest		(2,934)	(1,969)
Interest on nuclear and other provisions	16.	(1,755)	(1,643)
Interest income	22.	983	759
Foreign exchange rate gains (losses), net		(909)	(466)
Gain (loss) on sale of subsidiaries		679	266
Other income (expenses), net	23.	13,539	3,513
Income before income taxes		56,967	37,156
Income taxes	24.	(9,849)	(5,731)
Net income		47,118	31,425

* Comparative information has been restated due to the merger of ČEZ, a. s. and Energetika Vítkovice, a.s. (see Note 3).

ČEZ, a. s.
Statement of Changes in Equity in accordance with IFRS December 31, 2008

(in CZK Millions)

	Stated Capital	Treasury shares	Fair Value and Other Reserves	Retained Earnings	Total Equity
December 31, 2006, as previously reported	59,221	(1,943)	1,390	123,568	182,236
Effect of merger (Note 3)	–	–	–	282	282
January 1, 2007, as restated	59,221	(1,943)	1,390	123,850	182,518
Change in fair value of cash flow hedges recognized in equity	–	–	2,802	–	2,802
Cash flow hedges removed from equity	–	–	44	–	44
Change in fair value of available-for-sale financial assets recognized in equity	–	–	(70)	–	(70)
Available-for-sale financial assets removed from equity	–	–	(355)	–	(355)
Deferred tax recognized in equity	–	–	(474)	–	(474)
Gain and loss recorded directly to equity	–	–	1,947	–	1,947
Net income	–	–	–	31,425	31,425
Total gains and losses	–	–	1,947	31,425	33,372
Dividends declared	–	–	–	(11,780)	(11,780)
Acquisition of treasury shares	–	(54,397)	–	–	(54,397)
Sale of treasury shares	–	368	–	(244)	124
Transfer of exercised and forfeited share options within equity	–	–	(90)	90	–
Share options	–	–	45	–	45
December 31, 2007 *	59,221	(55,972)	3,292	143,341	149,882
Change in fair value of cash flow hedges recognized in equity	–	–	(7,564)	–	(7,564)
Cash flow hedges removed from equity	–	–	(3,198)	–	(3,198)
Change in fair value of available-for-sale financial assets recognized in equity	–	–	260	–	260
Deferred tax recognized in equity	–	–	2,137	–	2,137
Other movements	–	–	–	24	24
Gain and loss recorded directly to equity	–	–	(8,365)	24	(8,341)
Net income	–	–	–	47,118	47,118
Total gains and losses	–	–	(8,365)	47,142	38,777
Dividends declared	–	–	–	(21,321)	(21,321)
Acquisition of treasury shares	–	(13,098)	–	–	(13,098)
Sale of treasury shares	–	2,160	–	(1,596)	564
Transfer of exercised and forfeited share options within equity	–	–	(204)	204	–
Share options	–	–	123	–	123
December 31, 2008	59,221	(66,910)	(5,154)	167,770	154,927

* Comparative information has been restated due to the merger of ČEZ, a. s. and Energetika Vítkovice, a.s. (see Note 3).

ČEZ, a. s.
Cash Flow Statement in accordance with IFRS December 31, 2008

(in CZK Millions)

	2008	2007 *
OPERATING ACTIVITIES		
Income before income taxes	56,967	37,156
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation, amortization and asset write-offs	13,052	12,465
Amortization of nuclear fuel	2,647	2,930
(Gain) loss on fixed assets retirements, net	(711)	(584)
Foreign exchange rate losses (gains), net	909	466
Interest expense, interest income and dividends income, net	(6,317)	(2,102)
Provision for nuclear decommissioning and fuel storage	293	683
Valuation allowances, other provisions and other adjustments	(2,027)	(253)
Changes in assets and liabilities		
Receivables	(16,527)	(5,853)
Materials and supplies	(103)	(125)
Fossil fuel stocks	(477)	329
Other current assets	(43,400)	(5,174)
Trade and other payables	50,091	13,825
Accrued liabilities	2,856	(204)
Cash generated from operations	57,253	53,559
Income taxes paid	(11,035)	(8,665)
Interest paid, net of capitalized interest	(2,091)	(1,497)
Interest received	1,031	728
Dividends received	8,268	3,322
Net cash provided by operating activities	53,426	47,447
INVESTING ACTIVITIES		
Acquisition of subsidiaries, associates and joint-ventures	(6,703)	(2,650)
Proceeds from disposal of subsidiaries and associates	1,607	1,600
Additions to property, plant and equipment and other non-current assets	(17,746)	(16,978)
Loans made	(4,134)	(6,631)
Proceeds from sales of fixed assets	323	931
Repayments of loans	2,551	960
Change in decommissioning and other restricted funds	(464)	(3,291)
Total cash used in investing activities	(24,566)	(26,059)
FINANCING ACTIVITIES		
Proceeds from borrowings	241,563	59,479
Payments of borrowings	(227,934)	(33,490)
Payments of other long-term liabilities	–	(96)
Change in payables/receivables from group cashpooling	(4,371)	5,325
Dividends paid	(21,218)	(11,694)
(Acquisition) sale of treasury shares	(12,535)	(54,443)
Total cash provided by (used in) financing activities	(24,495)	(34,919)
Net effect of currency translation in cash	658	(97)
Net increase (decrease) in cash and cash equivalents	5,023	(13,628)
Cash and cash equivalents at beginning of period	1,988	15,616
Cash and cash equivalents at the end of period	7,011	1,988
Supplementary cash flow information		
Total cash paid for interest	3,346	2,220

* Comparative information has been restated due to the merger of ČEZ, a. s. and Energetika Vítkovice, a.s. (see Note 3).

ČEZ, a. s.
Notes to the Financial Statements as of December 31, 2008

1. Description of the Company

ČEZ, a. s. (the Company), business registration number 45274649, is a joint stock company incorporated on May 6, 1992 under the laws of the Czech Republic in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The Company's registered office is located at Duhová 2/1444, Prague 4, Czech Republic.

The Company is involved primarily in the production and sale of electricity and the related support services and in the production, distribution and sale of heat.

The average recounted number of employees was 6,218 and 7,126 in 2008 and 2007, respectively.

The Czech Republic, represented by the Ministry of Finance, is a majority shareholder holding 63.4% of the Company's share capital at December 31, 2008. The majority shareholder's share of the voting rights represented 70.4% at the same date.

Members of the statutory and supervisory bodies at December 31, 2008 were as follows:

Board of Directors		Supervisory Board	
Chair	Martin Roman	Chair	Martin Kocourek
1st Vice-chair	Daniel Beneš	Vice-chair	Tomáš Hüner
2nd Vice-chair	Tomáš Pleskač	Vice-chair	Zdeněk Židlický
Member	Vladimír Hlavinka	Member	Jan Demjanovič
Member	Martin Novák	Member	Ivan Fuksa
Member	Zdeněk Pasák	Member	Zdeněk Hrubý
		Member	Josef Janeček
		Member	Jiří Jedlička
		Member	Petr Kalaš
		Member	Jan Ševr
		Member	Drahoslav Šimek
		Member	Zdeněk Trojan

2. Summary of Significant Accounting Policies

2.1. Basis of Presentation of the Financial Statements

Pursuant to the Accounting Law, the accompanying separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Company do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) except for IFRIC 12 which has not yet been adopted by the EU (see Note 2.26).

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2007 or as at December 31, 2007 are presented in the format required for 2008.

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period. The consolidated financial statements were authorized for issue on February 24, 2009.

2.2. Presentation Currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the presentation currency has been determined to be Czech crowns (CZK).

2.3. Revenue Recognition

The Company recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Dividends earned on investments are recognized when the right of payment has been established.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,647 million and CZK 2,930 million for the years ended December 31, 2008 and 2007, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 16). Such charges amounted to CZK 248 million and CZK 317 million in 2008 and 2007, respectively.

2.6. Interest

The Company capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 1,255 million and CZK 723 million, which was equivalent to an interest capitalization rate of 5.0% in both years 2008 and 2007.

2.7. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and valuation allowances. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The costs of completed technical improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment the cost and related accumulated depreciation of the disposed item or its replaced part are derecognized from balance sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item of Other operating expenses.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation is calculated according to a depreciation plan, based on the acquisition cost and the estimated useful life of related asset. The estimated useful lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

Average depreciable lives based on the functional use of property, plant and equipment are as follows:

	Average Life
Hydro plants	
Buildings and structures	48
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	33
Machinery and equipment	15
Nuclear power plant	
Buildings and structures	36
Machinery and equipment	17

Depreciation of plant in service was CZK 12,848 million and CZK 12,254 million for the years ended December 31, 2008 and 2007, which was equivalent to a composite depreciation rate of 4.4% and 4.5%, respectively. The tangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of heat generated (in GJ) and on a consumption coefficient (CZK per GJ) reflecting the cost of fuel elements located in the reactor, their scheduled life in the reactor and scheduled heat generation.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.21). As at December 31, 2008 and 2007 capitalized costs at net book value amounted to CZK 329 million and CZK 455 million, respectively.

2.9. Intangible Assets

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 10 years. The intangible asset's residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. The costs of completed technical improvements are capitalized.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses. At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.10. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2008 and 2007 the Company was granted emission rights free of charge.

The Company is responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person. On April, 30 of the following year, at latest, the Company is required to remit a number of certificates representing the number of tones of CO_2 actually emitted. Should the Company not fulfill this requirement and remit necessary number of emission rights, it would have to pay a penalty of EUR 100 per 1 ton of CO_2.

In the financial statements, the emission rights, which were granted free of charge, are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. If the granted allowances are not sufficient to cover actual emissions, the Company recognizes a provision, which is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date.

The Company also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Company assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) are treated as derivatives in period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

2.11. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments and loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Changes in the fair value of available-for-sale financial assets are recognized directly in equity. Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Investments in subsidiaries, associates and joint-ventures are carried at cost which includes directly attributable transaction costs. Impaired investments are provided for or written off.

Mergers with subsidiaries which are entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the merged subsidiaries are included in separate financial statements of the Company at their book values. Financial statements of the Company report results of operations for the period in which the merger occurs as though the merger had occurred at the beginning of the period. Results of operations for that period thus comprise those of the previously separate entities from the beginning of the period to the effective date of the merger and those of the combined operations from that date to the end of the period. Financial statements and financial information presented for prior years is restated to furnish comparative information on the same basis. The difference between the cost of investment in subsidiaries and net assets merged from entities under common control is recorded directly in equity.

2.12. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less. Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.13. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 5.2), relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and financial guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Company. As at December 31, 2008 and 2007, restricted financial assets totaled CZK 6,864 million and CZK 6,409 million, respectively.

2.14. Receivables, Payables and Accruals

Receivables are carried at their nominal value. Ceded receivables are valued at cost. Doubtful receivables are adjusted for uncollectible amounts through a provision account. Additions to the provision account are charged to income. In December 31, 2008 and 2007 the allowance for short-term uncollectible receivables amounted to CZK 397 million and CZK 404 million, respectively.

Trade and other payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.15. Material and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenditure which has been incurred in respect of the acquisition of material and supplies, transportation costs included. When put in use, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision account to the income statement.

2.16. Fossil Fuel Stock

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.17. Derivative Financial Instruments

The Company uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the attached balance sheet such derivatives are presented as part of Other financial assets, net and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in equity and are presented as part of Retained earnings and other reserves. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other income (expenses), net.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.18. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Company provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

Forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts,
- the volumes purchased or sold under the contracts correspond to the Company's operating requirements,
- the contract cannot be considered as written option as defined by the standard. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Company thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company, and do not therefore come under the scope of IAS 39.

Commodity contracts, which fall under the scope of IAS 39, are carried at fair value with changes in the fair value recognized in the income statement. Since 2007 the Company started to present revenues and expenses related to electricity trading and since 2008 revenues and expenses related to coal and gas trading net in the line Gains and losses from electricity, coal and gas derivative trading, net.

2.19. Income Taxes

The provision for corporate tax is calculated in accordance with the Czech tax regulations and is based on the income or loss reported under the Czech accounting regulations, increased or decreased by the appropriate permanent and temporary differences (e.g. differences between book and tax depreciation, etc.). Income tax due is provided at a rate of 21% and 24% for the years ended December 31, 2008 and 2007, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2009 and 2010 will be 20% and 19%, respectively.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is calculated as the product of the tax rate that is expected to apply to the year when the asset is realised or the liability is settled and temporary differences between book and tax accounting.

Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilties due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.20. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit and loss using the effective interest rate method.

2.21. Nuclear Provisions

The Company has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation for the years ended 2008 and 2007 is approximately 2.5% and 2%, respectively; the effect of interest rate is estimated 2.5%. The decommissioning process is expected to continue for approximately a sixty-year period (60 years for Dukovany nuclear power plant and 50 years for Temelín nuclear power plant) subsequent to the termination of operation in the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Company has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Company's current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.22. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction of equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.23. Share Options

Board of Directors and selected managers (and in the past also the Supervisory Board members) have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted.

In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted.

The expense recognized reflects the best estimate of the number of share options, which will ultimately vest. In 2008 and 2007 the expense recognized in respect of the share option plan amounted to CZK 123 million and CZK 45 million, respectively.

2.24. Translation of Foreign Currencies

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns using the exchange rate prevailing at the date of the transaction, as published by the Czech National Bank. In the accompanying financial statements, assets and liabilities are translated at the rate of exchange ruling at December 31. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

Exchange rates used as at December 31, 2008 and 2007 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2008	2007
CZK per 1 EUR	26.930	26.620
CZK per 1 USD	19.346	18.078
CZK per 1 PLN	6.485	7.412
CZK per 100 SKK	89.335	79.179
CZK per 1 BGN	13.770	13.610
CZK per 1 RON	6.695	7.443

2.25. Adoption of New IFRS Standards in 2008

In 2008 the Company adopted the following new IFRIC Interpretation, which is relevant for the Company:

IFRIC 11 Company and Treasury Share Transactions

IFRIC interpretation 11 effective for annual periods beginning on or after 1 March 2007 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Company amended its accounting policy accordingly.

Adoption of the new interpretation did not have any effect on the opening balance of equity as at January 1, 2008 and 2007, respectively.

2.26. New IFRS Standards and Interpretations IFRIC not yet effective

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2009 or later. Most relevant to the Company's activities are IAS 1 Presentation of financial statements (Revised), IFRS 3 Business Combinations (Revised), IFRS 8 Operating Segments, IAS 23 Borrowing Costs (Revised), IAS 27 Consolidated and Separate Financial Statements (Revised) and IFRIC 12 Service Concession Arrangements.

Amendment to IAS 1 Presentation of Financial Statements

The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements.

Amendment to IAS 23 Borrowing Costs

The amendment will require capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs shall be recognized as an expense. This amendment has no impact on the Company as the Company has the policy of including the borrowing costs as part of the cost of the asset.

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (Revised)

The revised standards were issued in January 2008 and become effective for annual periods starting on or after 1 July 2009. Amended IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Amended IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by revised IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests. The Company does not expect any impact on separate financial statements.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Company's operating segments and replaced the requirement to determine business and geographical reporting segments of the Company. The Company determined that the operating segments were the same as the segments previously identified under IAS 14 Segment Reporting. The Company does not expect any impact on separate financial statements.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation has not yet been adopted by the EU. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company is currently assessing the potential impact of this new interpretation on its financial statements.

The Company is also assessing the potential impacts of the following amended standards and interpretations that will be effective or adopted by the EU from January 1, 2009 or later: IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (Amendment), IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment). There were also certain improvements made to current IFRS, mainly: IAS 1 Presentation of Financial Statements (distinction between current and non current classification in the balance sheet of held for trading assets and liabilities), IAS 23 Borrowing Costs (revised definition of components of borrowing costs) and IAS 36 Impairment of Assets (disclosure of estimates used to determine recoverable amount). The Company currently does not expect that the amended standards will have a significant effect on the Company's results and financial position, although they may affect the presentation and disclosures in certain areas.

3. Merger of ČEZ, a. s. with Energetika Vítkovice, a.s.

ČEZ, a. s. merged with Energetika Vítkovice, a.s (hereafer “EVi”). The effective date of the merger was January 1, 2008. The legal succeeding company is ČEZ, a. s.

At the time of the transaction the Company was the majority shareholder of EVi. This transaction between entities under common control was therefore accounted for using a method similar to pooling of interests. Prior year financial information was restated to furnish comparative information on the same basis as in the current period (see Note 2.11).

The following table summarizes the impact of retrospective accounting using the method similar to the pooling of interests method on the previously reported statement of income of ČEZ, a. s. for the year ended December 31, 2007 (in CZK millions):

Statement of income for the year ended December 31, 2007	As previously reported	Results of EVi	Eliminations	As restated
Operating revenues	101,155	2,591	–	103,746
Operating expenses				
Fuel	(17,829)	(365)	–	(18,194)
Purchased power and related services	(17,700)	(1,472)	–	(19,172)
Repairs and maintenance	(3,375)	(69)	–	(3,444)
Depreciation and amortization	(12,339)	(90)	1	(12,428)
Salaries and wages	(6,007)	(328)	–	(6,335)
Materials and supplies	(1,704)	(54)	–	(1,758)
Emission rights, net	794	44	–	838
Other operating expenses	(6,487)	(70)	–	(6,557)
Total expenses	(64,647)	(2,404)	1	(67,050)
Income before other expenses (income) and income taxes	36,508	187	1	36,696
Other income (expenses), net	479	–	(19)	460
Income before income taxes	36,987	187	(18)	37,156
Income taxes	(5,715)	(16)	–	(5,731)
Net income	31,272	171	(18)	31,425

The following table summarizes the impact of retrospective accounting using the method similar to the pooling of interests method on the previously reported balance sheet of ČEZ, a. s. as of December 31, 2007 (in CZK millions):

Balance sheet as of December 31, 2007	As previously reported	EVi	Eliminations	As restated
Non-current assets				
Property, plant and equipment	171,494	805	(47)	172,252
Investments and other financial assets, net	108,169	532	(407)	108,294
Intangible assets, net	1,004	5	–	1,009
Total non-current assets	280,667	1,342	(454)	281,555
Current assets				
Cash and cash equivalents	1,844	144	–	1,988
Receivables, net	15,222	225	(79)	15,368
Other current assets, net	14,870	113	–	14,983
Total current assets	31,936	482	(79)	32,339
Total assets	312,603	1,824	(533)	313,894
Equity				
Stated capital	59,221	434	(434)	59,221
Treasury shares	(55,972)	–	–	(55,972)
Retained earnings and other reserves	146,199	443	(9)	146,633
Total equity	149,448	877	(443)	149,882
Long-term liabilities				
Long-term debt, net of current portion	51,839	–	–	51,839
Accumulated provision for nuclear decommissioning and fuel storage	38,997	–	–	38,997
Other long-term liabilities	483	22	–	505
Total long-term liabilities	91,319	22	–	91,341
Deferred tax liability	11,557	70	(9)	11,618
Current liabilities				
Short-term loans	11,822	–	–	11,822
Current portion of long-term debt	3,235	–	–	3,235
Trade and other payables	38,397	745	(81)	39,061
Income tax payable	3,682	14	–	3,696
Accrued liabilities	3,143	96	–	3,239
Current liabilities	60,279	855	(81)	61,053
Total equity and liabilities	312,603	1,824	(533)	313,894

4. Property, Plant and Equipment

Net plant in service at December 31, 2008 and 2007 was as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2008	Total 2007
Cost – opening balance	81,043	213,243	969	295,255	293,238
Effect of merger (see Note 3)	–	–	–	–	1,172
Additions	1,422	5,468	31	6,921	5,712
Disposals	(180)	(856)	(37)	(1,073)	(3,579)
Change in capitalized part of the provision	–	(4,139)	–	(4,139)	–
Non-monetary contribution and other	(448)	(363)	(59)	(870)	(1,288)
Cost – closing balance	81,837	213,353	904	296,094	295,255
Accumulated depreciation and impairment – opening balance	(36,524)	(114,079)	–	(150,603)	(142,016)
Effect of merger (see Note 3)	–	–	–	–	(480)
Depreciation	(2,551)	(10,297)	–	(12,848)	(12,254)
Net book value of assets disposed	(251)	(70)	–	(321)	(236)
Non-monetary contribution and other	188	242	–	430	601
Disposals	180	856	–	1,036	3,561
Impairment losses recognized	–	–	–	–	(325)
Impairment losses reversed	59	27	–	86	546
Accumulated depreciation and impairment – closing balance	(38,899)	(123,321)	–	(162,220)	(150,603)
Property, plant and equipment, net	42,938	90,032	904	133,874	144,652

At December 31, 2008 and 2007, machinery and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2008	2007
Cost	17,828	21,967
Accumulated depreciation	(5,319)	(4,802)
Net book value	12,509	17,165

Construction work in progress containts mainly refurbishments performed on Tušimice, Ledvice, Prunéřov and Dukovany power plants.

5. Investments and Other Financial Assets, Net

Investments and other financial assets at December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Restricted debt securities available-for-sale	6,547	3,233
Restricted debt securities held to maturity	25	996
Restricted cash	292	2,180
Total restricted financial assets	6,864	6,409
Equity securities and interests, net	104,143	93,230
Loans granted	4,347	6,561
Other long-term receivables, including prepayments	74	1,319
Financial assets in progress	3,371	775
Total	118,799	108,294

The balance of long-term financial assets in progress includes expenses incurred so far in certain future acquisitions and increase of subsidiaries' capital that was not yet registered on December 31, 2008.

Movements in impairment provisions (in CZK millions)

	2008			2007		
	Subsidiaries and associates at cost	Financial assets in progress	Long-term receivables	Subsidiaries and associates at cost	Financial assets in progress	Long-term receivables
Opening balance	2,244	–	–	2,346	–	13
Additions	–	–	–	–	–	–
Reversals	(3)	–	–	(102)	–	(13)
Closing balance	2,241	–	–	2,244	–	–

In 2006, the Company created provision against the share in ČEZ Správa majetku, s.r.o. at the amount of the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2008 and 2007, the provision totaled CZK 1,473 million.

In 2006, the Company created provision against the share in ČEZData, s.r.o. (nowadays ČEZ ICT Services, a. s.). This provision relates to the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2008 and 2007, the provision totaled CZK 155 million.

In previous years, the Company maintained a provision against the shares of ŠKODA PRAHA a.s., covering the difference between the market price of the shares at the Prague Stock Exchange and their carrying value. As at December 31, 2008 and 2007, the provision totaled CZK 566 million.

Loans granted and other long-term receivables at December 31, 2008 and 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1–2 years	640	66	439	1,303
Due in 2–3 years	555	3	508	12
Due in 3–4 years	370	5	1,385	–
Due in 4–5 years	389	–	401	–
Due in more than 5 years	2,393	–	3,828	4
Total	4,347	74	6,561	1,319

Loans granted and other long-term receivables at December 31, 2008 and 2007 have following effective interest rate structure (in CZK millions)

	2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.0%	–	74	–	1,310
From 2.0% to 3.0%	–	–	–	9
From 3.0% to 4.0%	144	–	850	–
From 4.0% to 5.0%	47	–	165	–
Over 5.0%	4,156	–	5,546	–
Total	4,347	74	6,561	1,319

5.1. Investments in Subsidiaries, Associates and Joint-ventures

100% of the subsidiary Energetické opravny, a.s. was sold in the beginning of 2008.

Several subsidiaries and joint-ventures were founded during 2008: CEZ RUS OOO (100%) based in Moscow, CEZ Bosna i Hercegovina d.o.o. (100%) based in Sarajevo, CM European Power International B.V. (50%) based in Rotterdam, Akcez Enerji A.S. (50%) based in Istanbul and CEZ Elektroproizvodstvo Bulgaria AD (100%) based in Varna.

The Company bought 100% of shares of ŠKODA PRAHA Invest s.r.o. from ŠKODA PRAHA a.s. in April 2008.

During 2008 was increased the stated capital in New Kosovo Energy L.L.C., CEZ Ciepło Polska sp. z o.o., CEZ Polska sp. z o.o., CEZ Srbija d.o.o., CEZ Trade Polska sp. z o.o. and ČEZ Teplárenská, a.s.

Enpro, a.s. and Enprospol, s.r.o. merged in June 2008 into succeeding company I & C Energo a.s. ČEZ, a.s. transferred 100% of shares of I & C Energo, a.s. to MOL company in the same period.

In August 2008 ZAO TransEnergo (100%) was sold to Transenergo International N.V. and the company Energokov, s.r.o. ceased to exist.

Furthermore the majority shares of Romanian companies dealing with wind park projects Tomis Team S.R.L. (95%) and Ovidiu Development S.R.L. (95%) were purchased. Remaining 5% is held by subsidiary CEZ Poland Distribution B.V. which simultaneously increased its basic capital in 2008.

The share of VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s. was increased from 32% to 42.22% in October 2008.

ČEZnet, a.s. and ČEZData, s.r.o. merger is effective from 1 January 2008 and succeeding company was renamed ČEZ ICT Services, a. s. on 30 September 2008.

Due to the Energetika Vítkovice, a.s. merger with succeeding company ČEZ, a. s. (see note 3) the ownership of subsidiaries ČEZ Správa majetku, s.r.o. and ČEZ Distribuce, a. s. was increased to final 100% of stated capital. ČEZ, a. s. gained 100% of shares of the subsidiary ČEZ Energetické služby, s.r.o. as a result of the merger with Energetika Vítkovice, a.s.

The following table summarizes investments in subsidiaries, associates and joint-ventures at December 31, 2008 and 2007:

At December 31, 2008

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,987	100.00	1,927
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,816
TEC Varna EAD	Bulgaria	8,804	100.00	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	8,689	67.00	–
CEZ Poland Distribution B.V.	Netherlands	6,240	100.00	–
CEZ Silesia B.V.	Netherlands	5,774	100.00	–
ČEZ Správa majetku, s.r.o.	Czech Republic	4,960	100.00	–
CEZ Distributie S.A.	Romania	4,784	51.01	–
Tomis Team S.R.L.	Romania	4,533	95.00	–
ČEZ ICT Services, a. s.	Czech Republic	4,391	100.00	400
Ovidiu Development S.R.L.	Romania	2,548	95.00	–
ČEZ Teplárenská, a.s.	Czech Republic	2,459	100.00	–
Akcez Enerji A.S.	Turkey	1,550	50.00	–
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	2,197
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	792	100.00	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	862
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	–
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	–
CEZ Vanzare S.A.	Romania	284	51.01	–
PPC Úžín, a.s.	Czech Republic	220	100.00	–
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	242
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	384
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	–
NERS d.o.o.	Bosnia and Herzegovina	110	51.00	–
CM European Power International B.V.	Netherlands	97	50.00	–
CEZ RUS OOO	Russia	73	100.00	–
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	42.22	–
CEZ FINANCE B.V.	Netherlands	53	100.00	–
CEZ Polska sp. z o.o.	Poland	50	100.00	–
CEZ Deutschland GmbH	Germany	47	100.00	–
STE – obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	8
CEZ Hungary Ltd.	Hungary	35	100.00	–
CEZ Srbija d.o.o.	Serbia	32	100.00	–
New Kosovo Energy L.L.C.	Kosovo	27	100.00	–
CEZ Trade Polska sp. z o.o.	Poland	27	100.00	–
CEZ Servicii S.A.	Romania	27	51.00	–
ČEZ Zákaznické služby, s.r.o.	Czech Republic	20	100.00	372
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	20	100.00	–
Other		97	–	35
Total		106,384		
Provision		(2,241)		
Total, net		104,143		

At December 31, 2007

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,872	100.00	–
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,544
TEC Varna EAD	Bulgaria	8,804	100.00	–
Elektrorazpredelenie Stolichno AD [1)]	Bulgaria	8,689	67.00	–
CEZ Silesia B.V.	Netherlands	5,774	100.00	–
CEZ Poland Distribution B.V.	Netherlands	5,156	100.00	–
ČEZ Správa majetku, s.r.o.	Czech Republic	4,934	100.00	–
CEZ Distributie S.A.	Romania	4,784	51.01	–
Teplárenská, a.s.	Czech Republic	2,416	100.00	–
ČEZnet, a.s. [2)]	Czech Republic	2,288	100.00	320
ČEZData, s.r.o. [2)]	Czech Republic	2,103	100.00	–
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	677
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	792	100.00	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	–
CEZ Vanzare S.A.	Romania	284	51.01	–
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	161
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	294
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	–
PPC Úžín, a.s.	Czech Republic	170	100.00	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	6
NERS d.o.o.	Bosnia and Herzegovina	102	51.00	–
Energetické opravny, a.s.	Czech Republic	75	100.00	–
I & C Energo a.s.	Czech Republic	56	100.00	15
CEZ FINANCE B.V.	Netherlands	53	100.00	–
CEZ Deutschland GmbH	Germany	47	100.00	–
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	7
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	42	32.00	–
CEZ Hungary Ltd.	Hungary	35	100.00	–
CEZ Servicii S.A.	Romania	27	51.00	–
ČEZ Zákaznické služby, s.r.o.	Czech Republic	20	100.00	135
CEZ Srbija d.o.o.	Serbia	20	100.00	–
Other		143	–	15
Total		95,474		
Provision		(2,244)		
Total, net		93,230		

[1)] The company Elektrorazpredelenie Stolichno AD was renamed CEZ Razpredelenie Bulgaria AD in January 2008.
[2)] ČEZnet, a.s. merged with ČEZData, s.r.o. and the effective date of the merger was January 1, 2008.

5.2. Restricted Financial Assets

At December 31, 2008 and 2007, restricted balances of financial assets totaled CZK 6,864 million and CZK 6,409 million, respectively, and represented accumulated provision for the decommissioning, reclamation and maintenance of waste storages after they are put out of services, escrow accounts securing the Company's liquidity (pursuant to contracts entered into with the respective banks) from significant financial market volatility affecting market prices of designated hedging transactions, and accumulated provision for nuclear decommissioning in compliance with the Nuclear Act. Since 2007 restricted financial assets comprise not only restricted cash balances, but also term deposits and government bonds.

At December 31, 2008 and 2007, restricted funds representing accumulated provision for waste storage and reclamation totaled CZK 445 million and CZK 465 million, respectively, while restricted funds representing accumulated provision for nuclear decommissioning totaled CZK 6,255 million and CZK 5,522 million, respectively.

5.3. Loans Granted

Loans granted at December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Elektrociepłownia Chorzów ELCHO sp. z o.o.	3,958	5,392
Elektrownia Skawina S.A.	305	267
ČEZ ICT Services, a. s.	150	1,000
Tomis Team S.R.L.	144	–
NERS d.o.o.	108	107
Other	106	43
Current portion	(424)	(248)
Long-term portion of loans granted	4,347	6,561

Current portion of loans granted is presented as part of short-term receivables.

6. Intangible Assets, Net

Intangible assets, net, at December 31, 2008 and 2007 were as follows (in CZK millions)

	Software	Rights and Other	Total 2008	Total 2007
Cost at January 1	905	919	1,824	1,649
Effect of merger (see Note 3)	–	–	–	16
Additions	103	28	131	163
Disposals	(8)	–	(8)	(4)
Non-monetary contribution	(9)	–	(9)	–
Cost at December 31	991	947	1,938	1,824
Accumulated amortization at January 1	(816)	(251)	(1,067)	(885)
Effect of merger (see Note 3)	–	–	–	(12)
Amortization	(73)	(114)	(187)	(174)
Disposals	8	–	8	4
Non-monetary contribution	6	–	6	–
Accumulated amortization at December 31	(875)	(365)	(1,240)	(1,067)
Intangible assets, net	116	582	698	757

At December 31, 2008 and 2007, intangible assets presented in the balance sheet included intangible assets in progress in the amount of CZK 84 million and CZK 252 million, respectively.

7. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Cash on hand and current accounts with banks	3,994	814
Term deposits	3,017	1,174
Total	7,011	1,988

At December 31, 2008 and 2007, cash and cash equivalents included foreign currency deposits of CZK 6,971 million and CZK 1,341 million, respectively.

Average interest rates on term deposits at December 31, 2008 and 2007 were 2.94% and 4.53%, respectively. The weighted average interest rate for 2008 and 2007 was 3.29% and 3.40%, respectively.

8. Receivables, Net

The composition of receivables, net, at December 31, 2008 and 2007 is as follows (in CZK millions)

	2008	2007
Trade receivables	31,751	12,211
Taxes and fees, excluding income tax	33	–
Short-term loans granted	759	633
Other receivables	1,263	2,928
Allowance for doubtful receivables	(397)	(404)
Total	33,409	15,368

The information about receivables from related parties is included in Note 25.

At December 31, 2008 and 2007 the ageing analysis of receivables, net is as follows (in CZK millions)

	2008	2007
Not past due	32,634	14,818
Past due but not impaired [1]		
less than 3 months	744	489
3–6 months	23	24
6–12 months	8	24
more than 12 months	–	13
Total	33,409	15,368

[1] Past due, but not impaired receivables include net receivables, for which the Company recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions)

	2008	2007
Opening balance	404	360
Additions	506	223
Reversals	(513)	(179)
Closing balance	397	404

9. Emission Rights

The following table summarizes the movements and balances of emission rights and certified emission reductions in measurement units (thousands of tons) in 2008 and 2007 and as at December 31, 2008 and 2007, respectively, and their valuation presented in the accompanying financial statements:

	2008		2007	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and certified emission reductions (CERs) granted and purchased for own use				
Granted and purchased emission rights at January 1	38,905	2	31,951	–
Effect of merger (see Note 3)	–	–	535	–
Emission rights granted	34,711	–	37,522	–
Settlement of prior year actual emissions with register	(38,812)	(1)	(34,777)	–
Disposal of remaining emmission rights from the first allocation period	(93)	–	–	–
Emission rights purchased	447	251	3,854	202
Certified emission reductions purchased	2,510	1,023	–	–
Emission rights sold	(3,215)	–	(180)	–
Fair value adjustment	–	(1)	–	(200)
Granted and purchased emission rights and CERs at December 31	34,453	1,274	38,905	2
Emission rights held for trading				
Emission rights held for trading at January 1	12	–	41	7
Emission rights purchased	24,723	14,175	5,937	539
Emission rights sold	(24,447)	(14,142)	(5,966)	(559)
Disposal of remaining emmission rights from the first allocation period	(288)	–	–	–
Fair value adjustment	–	(33)	–	13
Emission rights held for trading at December 31	–	–	12	–

In 2008 and 2007, total emissions of greenhouse gases made by the Company amounted to an equivalent of 33,768 thousand tons of CO_2 and 38,812 thousand tons of CO_2, respectively. The amount of emissions CO_2 in 2008 and 2007 was higher than the amount of granted emission rights as at December 31, 2008 and 2007, respectively. Because of that in 2008 and 2007 the provision of CZK 925 million and CZK 2 million, respectively, was created.

The following table shows the impact of transactions with emission rights on income for the year ended December 31, 2008 and 2007 (in CZK millions):

	2008	2007
Gain on sales of granted emission rights	1,809	44
Net gain (loss) from emission trading	(557)	568
Remitted emission rights	(1)	–
Fair value adjustment	(34)	(187)
Creation of provisions for emission rights	(925)	(2)
Settlement of provisions for emission rights	2	415
Net gain related to emission rights	294	838

10. Other Financial Assets, Net

Other financial assets, net, at December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Derivatives	40,269	7,975
Securities available-for-sale	13,580	1
Debt securities held-to-maturity	15	–
Securities held for trading	–	23
Total	53,864	7,999

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission right derivatives. At December 31, 2008 the securities available-for-sale represent mainly investments in mutual fund.

11. Other Current Assets

Other current assets at December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Prepaid variation margin on "own use" electricity futures	–	2,992
Prepayments	321	442
Advances granted	198	225
Total	519	3,659

Prepaid variation margin represents the net variation margin paid to or by Prague Energy Exchange in respect of the electricity future contracts treated as own use, which will be delivered after balance sheet date. This prepaid variation margin resulted in net liability in 2008 and therefore is presented as part of Accrued liabilities (see Note 18).

12. Equity

As at December 31, 2008, the share capital of the Company registered in the Commercial Register totaled CZK 59,221,084,300 and consisted of 592,210,843 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on April 23, 2007, passed a resolution concerning acquisition of the Company's own shares ("Share-Buy-Back Program"). The General Meeting approved that the Company may acquire own equity shares as from April 23, 2007 in the quantity, which does not exceed 59,221,084 shares in total. The lowest price, at which ČEZ was allowed to buyback its shares, was CZK 300 per share. The highest price, at which the company was allowed to acquire its shares, was CZK 2,000 per share. The acquired shares might have been used for the reduction of the stated capital of the Company and for fulfilling the commitments arising from the share option plan (see Note 2.23) namely within the amount of 5 million shares. The main reason for carrying out the share-buy-back program was to make the capital structure of the Company more effective.

The General Meeting of the Company, held on May 21, 2008, passed a resolution to reduce the share capital of the Company from CZK 59,221,084,300 to CZK 53,798,975,900, i.e. by CZK 5,422,108,400. The reduction of share capital will be in the form of cancellation of 54,221,084 own shares with a nominal value of CZK 100 per share, i.e. by the delisting of shares. As at December 31, 2008, the Company owns 59,171,105 of own shares, which represents 9.99% of share capital.

Development of the number of treasury shares in 2008 and 2007 is as follows (in pieces)

	2008	2007
Number of treasury shares at beginning of period	50,370,144	3,455,010
Acquisitions of treasury shares	10,732,221	47,570,134
Sales of treasury shares	(1,931,260)	(655,000)
Number of treasury shares at end of period	59,171,105	50,370,144

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

In accordance with Czech regulations, joint stock companies are required to establish a non-distributable reserve fund for contingencies against possible future losses. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of stated capital. The fund can only be used to offset losses. As at December 31, 2008 and 2007, the balance was CZK 78,756 million and CZK 67,817 million, respectively and presented as part of retained earnings. The reserve fund also includes amounts equal to the purchase price of treasury shares held by the Company. At December 31, 2008 and 2007 such balances amounted to CZK 66,910 million and CZK 55,972 million, respectively, and were recorded against distributable retained earnings.

Dividends paid per share were CZK 40.0 and CZK 20.0 in 2008 and 2007, respectively. Dividends from 2008 profit will be declared on the general meeting which will be held in the first half of 2009.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company primarily monitors capital using the the ratio of net debt to EBITDA. The Company's goal is to keep this ratio at maximum in the range of 2.0–2.5. In addition, the Company also monitors capital using a total debt to total capital ratio. The Company's policy is to keep the total debt to total capital ratio below 50%.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization. The Company includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid short-term financial assets. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of ratios is done using consolidated figures (in CZK millions)

	2008	2007
Total long-term debt	71,400	55,210
Total short-term loans	35,001	18,048
Total debt	106,401	73,258
Less: Cash and cash equivalents	(17,303)	(12,429)
Less: Highly liquid short-term financial assets	(13,580)	–
Total net debt	75,518	60,829
Income before income taxes and other income (expenses)	65,163	53,203
Plus: Depreciation and amortization	22,047	22,123
EBITDA	87,210	75,326
Total equity attributable to the equity holders of the parent	173,252	171,352
Total debt	106,401	73,258
Total capital	279,653	244,610
Net debt to EBITDA ratio	0.87	0.81
Total debt to total capital ratio	38.0%	29.9%

13. Long-term Debt

Long-term debt at December 31, 2008 and 2007 was as follows (in CZK millions)

	2008	2007
4.625% Eurobonds, due 2011 (EUR 400 million) [1]	10,742	10,606
4.125% Eurobonds, due 2013 (EUR 500 million)	13,362	13,179
5.125% Eurobonds, due 2012 (EUR 500 million)	13,419	13,250
6.0% Eurobonds, due 2014 (EUR 600 million)	16,020	–
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,559	–
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	29	–
7.88% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	4,475	4,147
9.22% Debentures, due 2014 (CZK 2,500 million) [2]	2,497	2,496
3.35% Debentures, due 2008 (CZK 3,000 million)	–	3,000
4.30% Debentures, due 2010 (CZK 7,000 million)	6,990	6,984
Total long term bonds and debentures	70,093	53,662
Less: Current portion	(4,475)	(3,000)
Long-term bonds and debentures, net of current portion	65,618	50,662
Long-term bank loans		
3.00% to 3.99% p.a.	1,176	–
4.00% to 4.99% p.a.	–	1,412
Total long term loans	1,176	1,412
Less: Current portion	(235)	(235)
Long-term loans, net of current portion	941	1,177
Long term debt total	71,269	55,074
Less: current portion	(4,710)	(3,235)
Long-term debt, net of current portion	66,559	51,839

[1] These Eurobonds have been issued through the subsidiary, CEZ FINANCE B.V. The Company was granted a loan by CEZ FINANCE B.V., corresponding to the nominal value of the bonds.
[2] Floating interest rate (Czech Republic CPI + 4.20%) from 2006. The rate was 9.60% and 5.90% at December 31, 2008 and 2007, respectively.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company. For the fair values of hedging instruments see Note 14.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.17.

The future maturities of long-term debt are as follows (in CZK millions)

	2008	2007
Current portion	4,710	3,235
Between 1 and 2 years	7,225	4,382
Between 2 and 3 years	10,977	7,219
Between 3 and 4 years	13,654	10,841
Between 4 and 5 years	13,597	13,485
Thereafter	21,106	15,912
Total long-term debt	71,269	55,074

The following table analyses long-term debt by currency (in millions)

	2008		2007	
	Foreign currency	CZK	Foreign currency	CZK
EUR	1,989	53,572	1,400	37,035
JPY	11,987	2,559	–	–
CZK	–	15,138	–	18,039
Total long-term debt		71,269		55,074

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2008 and 2007 without considering interest rate hedging (in CZK millions):

	2008	2007
Floating rate long-term debt		
with interest rate fixed from 1 to 3 months	1,176	1,412
with interest rate fixed from 3 months to 1 year	2,497	2,496
Total floating rate long-term debt	3,673	3,908
Fixed rate long-term debt	67,596	51,166
Total long-term debt	71,269	55,074

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 14 and Note 15.

The Company has entered into loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2008 and 2007 the Company has complied with all required covenants.

14. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amounts of cash and other current financial assets approximate fair value due to the relatively short-term maturity of these financial instruments.

Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For equity instruments for which there are no quoted market prices the Company considered use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Receivables and payables

The carrying amounts of receivables and payables approximate fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2008 and 2007 are as follows (in CZK millions)

		2008		2007	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Long-term financial assets		118,799	118,799	108,294	108,218
Equity securities and interests, net	SaA	104,143	104,143	93,230	93,230
Restricted debt securities available-for-sale	AFS	6,547	6,547	3,233	3,233
Restricted debt securities held-to-maturity	HTM	25	25	996	996
Restricted cash	LaR	292	292	2,180	2,180
Other long-term financial assets, net	LaR	7,792	7,792	8,655	8,579
Receivables	LaR	33,409	33,409	15,368	15,368
Cash and cash equivalents	LaR	7,011	7,011	1,988	1,988
Short-term equity securities held for trading	HFT	–	–	9	9
Short-term debt securities held for trading	HFT	–	–	14	14
Short-term debt scurities held-to-maturity	HTM	15	15	–	–
Short-term debt securities available-for-sale	AFS	13,580	13,580	1	1
Other current assets	LaR	198	198	3,217	3,217
LIABILITIES					
Long-term debt including the current portion	AC	(71,269)	(70,686)	(55,074)	(54,630)
Short-term loans	AC	(13,020)	(13,020)	(11,822)	(11,822)
Current liabilities	AC	(55,200)	(55,200)	(32,475)	(32,475)
DERIVATIVES					
Cash flow hedges					
Receivables	HFT	109	109	1,009	1,009
Payables	HFT	(4,753)	(4,753)	–	–
Total cash flow hedges		(4,644)	(4,644)	1,009	1,009
Electricity, coal and gas trading contracts					
Receivables	HFT	36,173	36,173	5,385	5,385
Payables	HFT	(36,134)	(36,134)	(5,250)	(5,250)
Total electricity, coal and gas trading contracts		39	39	135	135
Other derivatives					
Receivables	HFT	3,986	3,986	1,581	1,581
Payables	HFT	(1,769)	(1,769)	(1,336)	(1,336)
Total other derivatives		2,217	2,217	245	245

SaA Subsidiaries and associates at cost
LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

15. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Risk management organization

The supreme authority for risk management is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock) risks, commodity prices (electricity, emission allowances, coal, gas), volume (electricity distribution and heat supply)
- Credit risks: financial and business counterparty risk and electricity end customer risk
- Operational risks: risks of nuclear and fossil power plants operation

The development of the above quantified risks is reported to the Risk Management Committee every month and contains an actual share of individual risks in the aggregate annual Profit@Risk limit, i.e. on a unified 95% level.

15.1. Qualitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The development of electricity and emission allowances prices is a key risk factor of the ČEZ value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of ČEZ's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR and the VaR bases), and (ii) the margin from the proprietary trading of electricity and emission allowances (the potential risk is managed on the VaR basis).

Market financial risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows (including operational and investment foreign currency flows).

Credit risks

Credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

Liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of ČEZ, a. s.

15.2. Quantitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at 31 December) was prepared based on the assumptions given below:
- the source of market prices is mainly EEX, PXE and PointCarbon
- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Company: electricity, emission allowances EUA and CER/ERU, gas UK BNP, coal API2 and API4)
- for the calculation of volatility and, in the case of electricity, of internal correlations (between points in time series), the SMA (Simple Moving Average) method is applied to 60 daily time series while the volatilities identified for EUA are used for VaR with respect to CER/ERU commodity because ČEZ uses them as EUA

Potential impact of the above risk factors as at 31 December (in CZK millions)

	2008	2007
Monthly VaR (95%) – impact of changes in electricity market price	324	174
Monthly VaR (95%) – impact of changes in emission allowances market price	152	169
Monthly VaR (95%) – impact of changes in gas market price	16	–
Monthly VaR (95%) – impact of changes in coal market price	0	–

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at 31 December) was prepared based on the assumptions given below:
- the source of market foreign exchange rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS)
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2009 and highly probable forecasted foreign-currency revenues from electricity sales in the future
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies

Potential impact of the currency risk as at 31 December (in CZK millions)

	2008	2007
Monthly currency VaR (95% confidence)	495	93

Interest risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of interest risk as at 31 December) was prepared based on the assumptions given below:

- the source of market interest rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- the indicator of interest risk is determined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of interest rate curves, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant interest position is defined as a discounted value of interest-sensitive flows from all contracted and highly probable instruments (including the fixed interest financial instruments)
- the relevant interest positions reflect all significant interest-sensitive flows

Potential impact of the interest rate risk as at 31 December (in CZK millions)

	2008	2007
Monthly VaR (95% confidence) *	1,271	570

* The VaR values indicate a potential change of market price of financial instruments (including the fixed-interest debt) on the defined confidence level (i.e. the values cannot be interpreted as a potential increase in interest costs of ČEZ debt).

Liquidity risks

Contractual maturity profile of financial liabilities at December 31, 2008 (in CZK millions)

	Bonds and debentures	Loans	Derivatives *	Trade and other payables
Less than 1 year	7,818	13,424	200,269	55,200
Between 1 and 2 years	10,332	268	56,015	–
Between 2 and 3 years	13,540	259	17,410	–
Between 3 and 4 years	15,954	249	3,835	–
Between 4 and 5 years	15,208	240	–	–
Thereafter	24,241	–	–	–
Total	87,093	14,440	277,529	55,200

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 14.

Contractual maturity profile of financial liabilities at December 31, 2007 (in CZK millions)

	Bonds and debentures	Loans	Derivatives *	Trade and other payables
Less than 1 year	5,609	12,119	93,955	32,475
Between 1 and 2 years	6,355	278	18,648	–
Between 2 and 3 years	9,181	269	8,532	–
Between 3 and 4 years	12,528	259	1,831	–
Between 4 and 5 years	14,611	250	367	–
Thereafter	16,659	240	–	–
Total	64,943	13,415	123,333	32,475

*Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 14.

15.3. Hedge accounting

The Company entered into a number of derivatives transactions, mainly cross-currency and interest swaps, to hedge its long-term debt denominated in foreign currencies against the currency risk and interest rate risk. These hedges were classified as either fair value hedges or cash flow hedges and matured in 2007.

In 2008 and 2007 the remeasurement of hedged items in fair value hedges resulted in gain (loss) of CZK 0 million and CZK (14) million, respectively. In 2008 and 2007 the net gains (losses) on the related hedging derivatives in the fair value hedges were recognized in profit or loss in the amount of CZK 0 million and CZK (31) million, respectively.

In 2008 and 2007 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the line Sales of electricity and Other income (expenses), net. In 2008 and 2007 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (3) million and CZK 0 million, respectively.

The Company also enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2009 to 2012. The hedging instruments as at December 31, 2008 are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 2 billion and currency forward contracts.

16. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four 440 MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000 MW units, which started commercial operation in 2002 and 2003. Czech parliament has enacted a Nuclear Act ("Act"), which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. An updated 2008 Dukovany and a 2004 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 17.3 billion and CZK 13.7 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 5).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution at 50 CZK per MWh produced at nuclear power plants. In 2008 and 2007, respectively, the payments to the nuclear account amounted to CZK 1,328 million and CZK 1,307 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Company has established provisions as described in Note 2.21, to recognize its estimated liabilities for decommissioning and spent fuel storage.

The following is a summary of the provisions for the years ended December 31, 2008 and 2007 (in CZK millions).

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage Interim	Spent fuel storage Long-term	Total
Balance at December 31, 2006	9,982	4,896	21,625	36,503
Movements during 2007				
Discount accretion	249	122	541	912
Effect of inflation	199	98	433	730
Provision charged to income statement	–	393	–	393
Effect of change in estimate charged to income statement	–	439	–	439
Effect of change in estimate added to (deducted from) fixed assets	(4)	32	1,467	1,495
Current cash expenditures	–	(168)	(1,307)	(1,475)
Balance at December 31, 2007	10,426	5,812	22,759	38,997
Movements during 2008				
Discount accretion	261	146	569	976
Effect of inflation	208	116	455	779
Provision charged to income statement	–	346	–	346
Effect of change in estimate charged to income statement	–	203	–	203
Effect of change in estimate added to (deducted from) fixed assets	(2,866)	23	(1,273)	(4,116)
Current cash expenditures	–	(435)	(1,328)	(1,763)
Balance at December 31, 2008	8,029	6,211	21,182	35,422

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2007 the Company recorded the change in estimate for long-term fuel storage due to the modification of the expected output of the nuclear power plants.

In 2008 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

17. Trade and Other Payables

Trade and other payables at December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Trade payables	35,588	9,027
Derivatives	42,656	6,586
Payables from Group cashpooling and similar intra-group loans	18,855	22,378
Other	757	1,070
Total	97,856	39,061

18. Accrued Liabilities

Accrued liabilities at December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Provisions	1,688	801
Accrued interest	1,394	916
Taxes and fees, except income tax	593	413
Unbilled goods and services	1,225	1,106
Prepaid variation margin on “own use” electricity futures (see Note 11)	2,561	–
Other	5	3
Total	7,466	3,239

In addition to the nuclear provisions, the Company establishes other provisions. In 2008 and 2007, the Company, in compliance with the Law on Wastes, established a provision for future expenditures related to the decommissioning, reclamation and maintenance of waste storages after they are put out of services. The balance of the provision at December 31, 2008 and 2007 was CZK 406 million and CZK 453 million, respectively.

The Company is by law liable for damages caused by pollution and establishes a provision for environmental claims, which is based on the current estimates of its future liabilities. At December 31, 2008 and 2007, the provision totaled CZK 296 million and CZK 280 million, respectively.

In 2008 and 2007, the Company recognized provision in total amount of CZK 925 million and CZK 2 million, respectively, for insufficient amount of granted allowances to cover actual emissions (see Note 9).

19. Revenues

Revenues for the years ended December 31, 2008 and 2007 were as follows (in CZK millions)

	2008	2007
Sale of electricity		
Unregulated sales domestic [1)]	83,895	74,813
Unregulated sales foreign	9,161	15,082
Effect of hedging (see Note 15.3)	3,245	–
Sales of ancillary and other services	6,204	6,762
Total sales of electricity	102,505	96,657
Electricity, coal and gas derivative trading		
Sales	83,354	37,631
Purchases	(80,762)	(35,220)
Changes in fair value of commodity derivatives	863	172
Total gains and losses from electricity, coal and gas derivative trading, net	3,455	2,583
Sales of heat	1,967	1,939
Other	1,601	2,567
Total revenues	109,528	103,746

[1)] Domestic sales of electricity also include domestic sales of electricity intended for export, including regulation electricity and deviations from the Electricity Market Operator.

Domestic sales of electricity and ancillary services are concentrated primarily with ČEZ Prodej, s.r.o., Prague Energy Exchange and ČEPS, a.s.

20. Salaries and Wages

Salaries and wages for the years ended December 31, 2008 and 2007 were as follows (in CZK millions)

2008	Total	Key management personnel [1]
Salaries and wages	(3,920)	(239)
Remuneration of board members, including royalties	(35)	(35)
Share options	(123)	(123)
Social security and health security	(1,178)	(15)
Other personal expenses	(648)	(22)
Total	(5,904)	(434)

2007 [2]	Total	Key management personnel
Salaries and wages	(4,016)	(275)
Remuneration of board members, including royalties	(34)	(34)
Share options	(45)	(45)
Social and health security	(1,391)	(82)
Other personal expenses	(849)	(14)
Total	(6,335)	(450)

[1] Members of Supervisory Board and Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments with group field of activity. The remuneration of former members of company bodies is included in personal expenses.
[2] Due to organizational changes in 2008, the information about salaries and wages related to key management personnel is not fully comparable between 2007 and 2008.

The members of Board of Directors and selected managers were entitled to use company cars for both business and private purposes in addition to the personal expenses in 2008 and 2007.

If the Company terminates a contract with a member of Board of Directors before his/her term of office expires, the Director is entitled to a severance pay that amounts to all monthly remuneration he/she would receive until the end of the originally agreed term of office. This provision does not apply if a Director resigns.

At December 31, 2008 and 2007, the aggregate number of share options granted to members of Board of Directors, Supervisory Board members and selected managers was 2,355 thousand and 3,175 thousand, respectively.

The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on annual meeting held in June 2005.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Pursuant to the resolution of the May 2008 General Meeting, members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficent has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2008 and 2007 the Company has recognized a compensation expense of CZK 123 million and CZK 45 million, respectively, related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2008 and 2007 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board	Board of Directors	Selected managers	Total	Weighted average exercise price
	000s	000s	000s	000s	(CZK per share)
Share options at December 31, 2006	450	2,240	765	3,455	338.35
Options granted	–	–	375	375	995.65
Options exercised [1]	–	(600)	(55)	(655)	189.50
Share options at December 31, 2007 [2]	450	1,640	1,085	3,175	446.70
Options granted	–	975	140	1,115	1,232.65
Movements	–	150	(150)	–	–
Options exercised [1]	(300)	(1,140)	(495)	(1,935)	292.40
Share options at December 31, 2008 [2]	150	1,625	580	2,355	945.60

[1] In 2008 and 2007 the weighted average share price at the date of the exercise for the options exercised was CZK 1,290.78 and CZK 957.10, respectively.
[2] At December 31, 2008 and 2007 the number of exercisable options was 865 thousand pieces and 2,490 thousand pieces, respectively. The weighted average exercise price of the exercisable options was CZK 551.23 per share and CZK 304.91 per share at December 31, 2008 and 2007, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2008	2007
Weighted average assumptions		
Dividend yield	2.9%	2.8%
Expected volatility	31.2%	28.5%
Mid-term risk-free interest rate	3.9%	2.8%
Expected life (years)	2.0	2.0
Share price (CZK per share)	1,169.0	1,027.3
Weighted average grant-date fair value of options (CZK per 1 option)	173.0	177.7

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At December 31, 2008 and 2007 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2008	2007
CZK 100–500 per share	265	1,750
CZK 500–900 per share	700	1,125
CZK 900–1,400 per share	1,390	300
Total	2,355	3,175

The options granted, which were outstanding as at December 31, 2008 and 2007 had an average remaining contractual life of 1.8 years and 1.5 years, respectively.

21. Other Operating Expenses

Other operating expenses for the years ended December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Services	(6,003)	(5,723)
Change in provisions and valuation allowances	1,510	882
Taxes and fees	(1,523)	(1,777)
Write-off of bad debts and cancelled investment	(21)	(81)
Travel expense	(109)	(95)
Gifts	(101)	(124)
Gain (loss) on sale of property, plant and equipment	27	(16)
Gain on sale of material	60	55
Fines, penalties and penalty interest, net	(8)	59
Other, net	261	263
Total	(5,907)	(6,557)

Taxes and fees include the contributions to the nuclear account (see Note 16). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

22. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2008 and 2007 was as follows (in CZK millions)

	2008	2007
Loans and receivables	513	114
Held-to-maturity investments	21	62
Available-for-sale investments	253	–
Financial assets held for trading	–	4
Bank accounts	196	579
Total	983	759

23. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2008 and 2007 consist of the following (in CZK millions)

	2008	2007
Dividends received	8,268	3,313
Gain on sale of available-for-sale financial assets	808	752
Gain on sale of financial assets for trading	1	1
Change in impairment of financial investments	3	115
Derivative gains (losses), net	4,539	(568)
Other, net	(80)	(100)
Total	13,539	3,513

24. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 21% and 24% in 2008 and 2007. The Czech corporate income tax rate for 2009 and 2010 will be 20% and 19%, respectively.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have potentially effect on reported income.

The components of the income tax provision were as follows (in CZK millions)

	2008	2007
Current income tax charge	(10,803)	(8,096)
Adjustments in respect of current income tax of previous periods	86	(47)
Deferred income taxes	868	2,412
Total	(9,849)	(5,731)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings were as follows (in CZK millions):

	2008	2007
Income before income taxes	56,967	37,156
Statutory income tax rate in Czech Republic	21%	24%
"Expected" income tax expense	(11,963)	(8,917)
Add (deduct) tax effect of		
Change in tax rates	94	2,560
Non-deductible provisions, net	111	36
Non-deductible expenses related to shareholdings	(194)	(144)
Other non-deductible (non taxable) items, net	42	(19)
Non-taxable revenue from dividends	1,974	798
Tax credits	1	2
Adjustments in respect of current income tax of previous periods	86	(47)
Income taxes	(9,849)	(5,731)
Effective tax rate	17%	15%

Deferred income tax liability, net, at December 31, 2008 and 2007 was calculated as follows (in CZK millions):

	2008	2007
Accumulated provision for nuclear decommissioning and spent fuel storage	5,604	6,344
Other provisions	61	–
Allowances	60	85
Deferred tax recognized in equity	1,367	–
Other temporary differences	28	30
Total deferred tax assets	7,120	6,459
Tax depreciation in excess of financial statement depreciation	15,404	16,844
Other provisions	–	394
Penalty receivables	15	16
Deferred tax recognized in equity	–	770
Other temporary differences	314	53
Total deferred tax liability	15,733	18,077
Total deferred tax liability, net	8,613	11,618

25. Related Parties

The Company purchases products from related parties in the ordinary course of business.

At December 31, 2008 and 2007, the receivables from related parties and payables to related parties were as follows (in CZK millions):

Subsidiaries, associates and joint-ventures	Receivables		Payables	
	2008	2007	2008	2007
Akcez Enerji A.S.	–	–	1,571	–
CEZ FINANCE B.V.	–	–	11,265	10,606
CEZ MH B.V.	162	–	810	–
CEZ Romania S.R.L.	59	154	–	–
CEZ Slovensko, s.r.o.	843	1	189	–
CEZ Trade Polska sp. z o.o.	96	–	134	–
Coal Energy, a.s.	154	175	34	29
ČEZ Distribuce, a. s.	91	85	2,397	4,663
ČEZ Distribuční služby, s.r.o.	8	6	1,398	1,789
ČEZ ICT Services, a. s. [1)]	164	1,032	898	1,417
ČEZ Logistika, s.r.o.	3	2	556	536
ČEZ Měření, s.r.o.	4	4	515	511
ČEZ Obnovitelné zdroje, s.r.o.	1	1	258	114
ČEZ Prodej, s.r.o.	1,185	1,260	2,746	3,471
ČEZ Správa majetku, s.r.o.	6	366	283	199
ČEZ Teplárenská, a.s.	76	–	275	174
ČEZ Zákaznické služby, s.r.o.	3	3	374	488
CM European Power International s.r.o.	63	–	–	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	3,959	5,457	–	–
Elektrownia Skawina S.A.	584	301	–	59
Severočeské doly a.s.	13	–	6,971	7,449
ŠKODA PRAHA a.s.	–	–	321	412
ŠKODA PRAHA Invest s.r.o.	23	17	3,358	105
TEC Varna EAD	–	–	1,885	–
Ústav jaderného výzkumu Řež a.s.	66	3	149	76
Other	434	507	332	186
Total	7,997	9,374	36,719	32,284

[1)] In 2007 data for CEZnet, a.s. and CEZData, s.r.o. that merged with effective date on January 1, 2008 are presented combined.

Other related parties	Receivables		Payables	
	2008	2007	2008	2007
ČEPS, a.s.	136	164	22	18
ČD Cargo, a.s.	–	–	247	–
Ministry of Finance of the Czech Republic	1,270	2,012	–	–
Other	–	–	–	2
Total	1,406	2,176	269	20

The following table provides the total amount of transactions (sales and purchases), which have been entered into with related parties for the relevant financial year (in CZK millions):

Subsidiaries, associates and joint-ventures	Sales to related parties		Purchases from related parties	
	2008	2007	2008	2007
CEZ Bulgaria EAD	176	286	–	–
CEZ Deutschland GmbH	166	1,331	–	–
CEZ Hungary Ltd.	17	–	292	–
CEZ Romania S.R.L.	150	125	–	–
CEZ Slovensko, s.r.o.	2,939	–	1,958	–
CEZ Trade Polska sp. z o.o.	73	1	1,293	–
Coal Energy, a.s.	1,421	1,873	121	391
ČEZ Distribuce, a. s.	486	556	78	239
ČEZ Distribuční služby, s.r.o.	59	46	1	5
ČEZ Energetické služby, s.r.o.	21	2	202	–
ČEZ ENERGOSERVIS spol. s r.o.	3	6	122	225
ČEZ ICT Services, a. s. [1]	75	81	2,029	1,696
ČEZ Obnovitelné zdroje, s.r.o.	8	8	291	223
ČEZ Prodej, s.r.o.	46,877	39,310	3,080	1,906
ČEZ Správa majetku, s.r.o.	42	78	570	587
ČEZ Teplárenská, a.s.	453	–	6	–
CM European Power International s.r.o.	63	–	–	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	11	6	–	125
Elektrownia Skawina S.A.	44	311	62	1,330
OSC, a.s.	–	–	81	166
Severočeské doly a.s.	47	20	6,167	6,376
ŠKODA PRAHA a.s.	–	1	301	1,101
ŠKODA PRAHA Invest s.r.o.	82	16	10,739	4,244
Ústav jaderného výzkumu Řež a.s.	3	5	299	270
Energetické opravny, a.s. [2]	–	8	–	256
I & C Energo a.s. [2]	11	20	201	576
Other	151	169	328	452
Total	53,378	44,259	28,221	20,168

[1] In 2007 data for CEZnet, a.s. and CEZData, s.r.o. that merged with effective date on January 1, 2008 are presented combined.
[2] The shares of those companies were sold during 2008.

Other related parties	Sales to related parties		Purchases from related parties	
	2008	2007	2008	2007
ČEPS, a.s.	6,333	6,144	113	703
České dráhy, a.s.	–	–	3	1,511
ČD Cargo, a.s.	–	–	1,643	–
Other	–	–	–	8
Total	6,333	6,144	1,759	2,222

In 2008 and 2007 the Company made non-monetary contributions to several subsidiaries (see Notes 4 and 6 for amounts of contributed assets).

The Company granted loans to related parties (see Note 5.3).

The Company and some of its subsidiaries are included in the system of cash-pooling. Payables to subsidiaries related to cash-pooling and similar borrowings are included in Trade and other payables (see Note 17).

26. Segment Information

The Company is involved in the generation and sale of electricity and trading in electricity and operates mainly the European Union markets. The Company has not identified any other separate business or geographical segments.

27. Earnings per Share

	2008	2007
Numerator (CZK millions)		
Basic and diluted		
Net profit	47,118	31,425
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	534,594	569,981
Dilutive effect of share options	747	1,933
Diluted		
Adjusted weighted average shares	535,341	571,914
Net income per share (CZK per share)		
Basic	88.1	55.1
Diluted	88.0	54.9

28. Commitment and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2008 to total CZK 138.1 billion over the next five years, as follows: CZK 21.3 billion in 2009, CZK 26.2 billion in 2010, CZK 32.3 billion in 2011, CZK 33.9 billion in 2012 and CZK 24.4 billion in 2013. These figures do not include the expected acquisitions of subsidiaries and associates, which will depend on the number of future investment opportunities, for which the Company will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2008 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). The Company concluded mentioned insurance policies with the Czech nuclear pool, a group of insurance companies.

The Company also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Company.

29. Events after the Balance Sheet Date

The liability amounting to USD 71 million related to additional contribution to the share capital of the Turkish joint-venture Akcez Enerji A.S. was settled in January 2009.

The amount of USD 228 million was deposited to an escrow account in respect of the acquisition of Turkish company Akenerji in January 2009.

In February 2009 the reduction of share capital of the Company to the amount of CZK 53,799 million (i.e. by CZK 5,422 million) was registered in the Commercial Register.

Contents

ČEZ, a. s. Basic Organization Chart as at 1 April 2009

General Meeting

Board of Directors

1000000 Chief Executive Officer's Division – Martin Roman

Head Office

- 1001000 Mergers & Acquisitions
- 1002000 Internal Audit
- 1003000 Legal
- 1004000 Strategic Communication
- 1005000 Media
- 1000010 CEO's Office

2000000 Finance Division – Martin Novák

- 2001000 Accouting
- 2002000 Planning and Controlling
- 2003000 Financing
- 2004000 Taxes
- 2005000 Risk Management

8000000 Chief Operating Officer's Division – Daniel Beneš

- 8001000 CEZ Group Security
- 8002000 Engineering Design
- 8003000 Quality Management
- 8004000 Equity Interests
- 8000010 COO's Office

6000000 Administration Division – Ivan Lapin

- 6001000 Procurement
- 6002000 Fuel Cycle
- 6000100 ICT Strategy

7000000 Human Resources Division – Zdeněk Pasák

- 7001000 CEZ Group Human Resources
- 7002000 Human Resources Development
- 7003000 CEZ Group Human Resources Personnel Service
- 7004000 Human Resources Compensation
- 7005000 Internal Communication

Investment

9000000 Investment Division – Peter Bodnár

- 9003000 Project Development
- 9004000 Project Execution
- 9005000 Nuclear Power Plant Construction
- 9000100 Projects Support
- 9000300 Analytical Support

Supervisory Board

International

A000000
International Division
Tomáš Pleskač

- **A001000** Management of International Equity Holdings
- **A002000** Foreign Acquisitions – Bulgaria
- **A003000** Foreign Acquisitions – Romania
- **A004000** Foreign Acquisitions – Poland
- **A005000** Foreign Acquisitions – Turkey
- **A006000** Foreign Acquisitions – Albania
- **A000500** Foreign Acquisitions – MOL

Distribution

3000000
Distribution Division
Jiří Kudrnáč

- **3001000** Distribution Development
- **3002000** Distribution Grid Services
- **3005000** Legislation and Markets
- **3000010** Analytical Support

Sales

4000000
Sales Division
Alan Svoboda

- **4003000** Trading
- **4004000** Development
- **4000100** European Agenda
- **4000200** Foreign Commercial Representation
- **4000400** Sales Management Support

Production

5000000
Production Division
Vladimír Hlavinka

- **5002000** Safety
- **5004000** Asset Management – Production
- **5005000** Asset Management – Technology
- **5006000** Central Engineering
- **5007000** Asset Management – Supplier System
- **5000100** Production Division Analytical Support
- **53DU000** Dukovany Nuclear Power Station
- **53TE000** Temelín Nuclear Power Station
- **53CM000** Chvaletice and Mělník Power Stations
- **53DE000** Dětmarovice Power Station
- **53PL000** Počerady and Ledvice Power Stations
- **53TP000** Tušimice and Prunéřov Power Stations
- **53VD000** Hydro Power Stations
- **53VT000** Hodonín, Poříčí, Tisová and Vítkovice Power Heating Plants

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Information Centers and Locations Accessible for Public Tours

Information Centers and Locations Accessible for Public Tours

	Štěchovice Hydro Power Station	Dalešice Hydro Power Station	Lipno Hydro Power Station	Vydra and Čeňkova Pila Hydro Power Stations
Type of exhibit	power plant and information center	power plant and information center	power plant and information center	permanent exhibition “Energy of Šumava” on utilization of Šumava water resources in past and present; two small-scale hydro power plants
Operator	ČEZ, a. s.	ČEZ, a. s.	ČEZ, a. s.	ČEZ Obnovitelné zdroje, s.r.o.
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Fax		561 106 370 561 104 960		
E-mail	cez@cez.cz	infocentrum.edu@cez.cz	infocentrum.eli@cez.cz	cez@cez.cz
Opening hours	Open year-round	July–August: Sunday–Saturday 9:00 a.m.–4:00 p.m. September–June: Monday–Friday by advance reservation only	June 15–September 15: seven days a week, tours begin on the hour 10:00 a.m.–3:00 p.m.	June–September: Sunday and Tuesday–Saturday, tours begin at 9:00 a.m., 11:00 a.m., 1:00 p.m. and 3:00 p.m.
Advance reservation necessary	yes	September–June	September 16–June 14	October–May
Name of nearest public transport station/stop	Štěchovice (bus)	Kramolín (bus)	Lipno n. Vlt., žel. st. (bus); Lipno nad Vltavou (train)	Srní, Čeňkova pila (bus)

	Dlouhé Stráně Pumped-storage Hydro Power Station	Dukovany Nuclear Power Station	Temelín Nuclear Power Station	Renewable Energy Sources Information Center
Type of exhibit	power plant	power plant and information center	power plant and information center	information center, small-scale hydro power station
Operator	K3 Sport, s. r. o.	ČEZ, a. s.	ČEZ, a. s.	ČEZ Obnovitelné zdroje, s.r.o.
Street number	Přečerpávací vodní elektrárna Dlouhé Stráně	Jaderná elektrárna Dukovany	Jaderná elektrárna Temelín (Vysoký Hrádek Chateau, next to power station)	Křižíkova 233
Zipcode and city	788 11 Loučná nad Desnou	675 50 Dukovany	373 05 Temelín – elektrárna	500 03 Hradec Králové
Telephone	602 322 244 585 438 100 (weekdays 8:00 a.m.–4:00 p.m., at other times reservation can be made via voice mail), on weekends use the following number: 583 283 282	561 105 519	381 102 639 381 103 237	492 110 160 725 781 564 725 781 565
Fax			381 104 900	
E-mail	infocentrum.eds@cez.cz www.dlouhe-strane.cz/cs/objednavka-exkurze	infocentrum.edu@cez.cz	infocentrum.ete@cez.cz	infocentrum.oze@cez.cz
Opening hours	year round, seven days a week including holidays: 8:00 a.m.–3:00 p.m.	year round, seven days a week including holidays: 9:00 a.m.–4:00 p.m., in July and August extended hours until 5:00 p.m. Closed January 1, Easter Monday, December 24–26, and on the first Monday of each month	year round, seven days a week including holidays: 9:00 a.m.–4:00 p.m., in July and August extended hours until 5:30 p.m. Closed January 1, Easter Monday, December 24–26	Tours of the Hradec Králové Small-scale Power Station take place every Saturday and Sunday at 2:00 p.m.
Advance reservation necessary	yes	for groups: always; for individuals: to visit power plant	for groups: always; for individuals: to visit power plant	power plant tours: Monday–Friday (no advance reservation required for information center)
Name of nearest public transport station/stop	Loučná n. Des., Kouty n. Des., pošta (bus); Kouty nad Desnou (train)	Dukovany, EDU (bus)	Temelín, Březí u Týna, JE (bus)	Zimní stadion (bus, trolleybus)

	Nástup Tušimice Mines	Bílina Mines
Type of exhibition	surface mine	surface mine
Operator	Severočeské doly a.s.	Severočeské doly a.s.
Street number		Důlní 375/89
Zipcode and city	432 01 Kadaň	418 29 Bílina
Telephone	474 602 956	417 805 012
Fax	474 652 264	417 804 002
E-mail	buskova@sdas.cz	bila@sdas.cz
Opening hours	Monday–Friday: 6:00 a.m.–2:00 p.m.	Monday–Friday: 6:00 a.m.–2:00 p.m.
Advance reservation necessary	yes	yes
Name of nearest public transport station/stop	Tušimice, důl Merkur (bus)	Bílina, aut. nádr. (bus); Bílina (train)

Information for Shareholders and Investors

Events Calendar	
CEZ Group audited consolidated financial statements for the year 2008	3 March 2009
ČEZ, a. s. audited financial statements for the year 2008	
CEZ Group consolidated financial figures for 2008 Financial statements Press conference Conference call Brief report	
Financial statements of subsidiaries included in the CEZ Consolidated Group	
Related Parties Report	31 March 2009
Financial statements of associates included in the CEZ Consolidated Group	
CEZ Group 2008 Annual Report – electronic, only Czech version in print	30 April 2009
ČEZ, a. s. Annual General Meeting	13 May 2009
CEZ Group 2008 Annual Report – English version in print	
CEZ Group non-audited consolidated financial figures for Q1 2009 Financial statements Press conference Conference call Brief report	
ČEZ, a. s. non-audited consolidated financial figures for Q1 2009 Financial statements	
CEZ Group non-audited consolidated financial figures for H1 2009 Financial statements Press conference Conference call Brief report	13 August 2009
ČEZ, a. s. non-audited consolidated financial figures for H1 2009 Financial statements	
CEZ Group 2009 Half-year Report	31 August 2009
CEZ Group non-audited consolidated financial figures for Q1–Q3 2009 Financial statements Press conference Conference call Brief report	12 November 2009
ČEZ, a. s. non-audited consolidated financial figures for Q1–Q3 2009 Financial statements	
CEZ Group preliminary consolidated financial performance results for the year 2009 Financial statements Press conference Conference call Brief report	25 February 2010
CEZ Group audited consolidated financial statements for the year 2009	26 February 2010
ČEZ, a. s. audited financial statements for the year 2009	

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Investor Relations	Barbara Seidlová	barbara.seidlova@cez.cz	+420 211 042 529
	Dana Fantová	dana.fantova@cez.cz	+420 211 042 514
Website	Pavel Foršt	pavel.forst@cez.cz	+420 211 043 362
	Martin Schreier	martin.schreier@cez.cz	+420 211 042 612
		www.cez.cz	
ČEZ Foundation	Lucie Speratová	lucie.speratova@cez.cz	+420 211 046 720
		www.nadacecez.cz	
Customer Line for the Czech Republic	ČEZ Zákaznické služby, s.r.o.		+420 840 840 840

Glossary of Terms and Abbreviations

Term	Commentary
CDM	Clean Development Mechanism A part of the Kyoto Protocol enabling advanced countries with an obligation to reduce greenhouse gas emissions to invest in reducing emissions in developing countries that do not have such an obligation.
CER	Certified Emission Reductions Emission reductions obtained by implementing CDM projects.
CO_2	Carbon dioxide
EIA	Environmental Impact Assessment
EU ETS	European Union Emission Trading Scheme The EU ETS is one of the tools for meeting the EU's reduction obligation under the Kyoto Protocol. It is defined in Directive 2003/87/EC, which was passed by the European Parliament in July 2003 and which introduces within the EU 25 a system for trading in rights to discharge greenhouse gases for selected groups of polluters. The emission rights are transferable within the EU 25.
EUA	EU Emission Allowance The right of an operator to discharge a single ton of CO_2 into the atmosphere.
EURATOM	European Atomic Energy Committee
GPW	Giełda papierów wartościowych w Warszawie S.A. The Warsaw Stock Exchange, where the shares of ČEZ, a. s. have been listed since 25 October 2006.
HV	High voltage
IAEA	International Atomic Energy Agency
ILO	International Labor Organization
ICE in London	ICE Futures Europe A London-based company that is part of the InterContinental Exchange group. Operator of a commodity exchange supervised by the Financial Services Authority, the body that oversees all financial services in the United Kingdom.
ICT	Information and Communication Technology Technologies used for data processing and transmission.

Term	Commentary
JI	Joint Implementation A Kyoto mechanism enabling governments and corporations in industrialized countries to purchase emission reduction units (ERUs) from projects implemented in other industrialized countries that reduce, or otherwise prevent, greenhouse gas emissions.
NAP	National Allocation Plan A document showing the number of CO_2 emission allowances granted to individual CO_2 producing installations for a given trading period in a given country. The first trading period encompasses the years 2005–2007, the second 2008–2012, and the third 2013–2020.
LV	Low voltage
MV	Medium voltage
NO_x	Nitrogen oxides
OECD	Organization for Economic Cooperation and Development
OHSAS	Occupational Health and Safety Assessment Specification A specification for assessing occupational safety and health pursuant to the British standard BS OHSAS 18001.
PXE	Prague Energy Exchange
REAS	Regional electricity distribution company In the Czech Republic there used to be eight regional electricity distribution companies that distributed electricity to end customers and could also engage in electricity trading. Starting in 2006, distribution of electricity in the Czech Republic is secured on a process-driven basis by separate distribution companies.
RIOSV	Регионалната инспекция по околна среда и води Regional Inspectorate of the Environment and Water Resources. A field office of the Ministry of the Environment and Water Resources of Bulgaria.
SO_x	Sulfur oxides
Squeeze-out	The right to purchase equity securities that enables a majority shareholder (with a stake of at least, or more than, 90% of the company's stated capital) to force the transfer of shares owned by minority shareholders to itself, for a price determined by said majority shareholder, the level of which is documented by an expert opinion.
therm	A unit of heat volume equal to 100,000 British Thermal Units (BTUs). Used in trading on the wholesale natural gas market in the United Kingdom. A BTU is a unit of work and energy used in the power sector. It is defined as the amount of heat necessary to increase the temperature of one pound of liquid water from 60° to 61° Fahrenheit at a constant temperature of one atmosphere. One million BTUs of natural gas is equal to 1.055 gigajoule. One gigajoule is equal to 26.8 m^3 of natural gas at standard temperature and pressure.
WANO	World Association of Nuclear Operators
ZIRLO	Trademark owned by Westinghouse Electric Company, Pittsburgh, USA.

Explanation of Units Used in this Document

Unit	Commentary
Wh	watt-hour; a unit of work
V	volt; a unit of electrical potential (voltage)
W	watt; a unit of power (load)
t	metric ton; a unit of mass
TJ	terajoule; a unit of work (energy)
$J.kg^{-1}$	joules per kilogram; a unit of heat content

The names of Czech companies in the 2008 Annual Report are given as they appear in the Commercial Register of the Ministry of Justice of the Czech Republic.

Foreign Currencies

Country	Currency Code	Name	Remark
Federal Republic of Germany	EUR	Euro	
Kingdom of the Netherlands	EUR	Euro	
Kosovo	EUR	Euro	Not a member of the Eurozone; EUR is used under Administrative Decision No. 2001/24.
Republic of Bosnia and Herzegovina	KM, international code BAM	Convertible Mark	1 KM = 0.51129 EUR Exchange rate is fixed, based on the German Mark (DEM)-to-Euro conversion rate.
Republic of Bulgaria	BGN	български лев (Lev)	
Republic of Poland	PLN	Złoty	
Republic of Turkey	TRY	Türk lirası (Turkish Lira)	
Romania	RON	Leu	
Russian Federation	RUB	рубль (Ruble)	
Serbia	RSD	динар (Dinar)	Foreign companies are permitted to state their capital in EUR.
Slovak Republic	SKK	Slovak Koruna	Until 31 December 2008
Ukraine	UAH	гривня (Hrivnia)	

Method Used to Calculate Key CEZ Group Indicators

Name of indicator	Calculation
Current ratio	Current assets / Current liabilities
Dividend per share (gross)	Dividend granted in current year, before tax, on shares outstanding (paid in the reporting year out of previous year's income)
EBIT	Income before income taxes and other expenses/income
EBITDA	Income before income taxes and other expenses/income + Depreciation and amortization
Net debt	Long-term debt, net of current portion + Short-term loans + Current portion of long-term debt – (Cash and cash equivalents + highly liquid short-term financial assets)
Net debt / EBITDA	Net debt / (EBIT + Depreciation and amortization)
Return on Assets (ROA), net	Net income / Average total assets
Return on Equity (ROE), net	Net income attributable to equity holders of parent / Average equity attributable to equity holders of parent *) Net income / Average equity
Return on Invested Capital (ROIC)	(EBIT + Creation/release of other provisions + Gain / loss on carbon allowance derivatives) * (1 – Corporate income tax rate) / (Average invested capital)
Total capital	Equity attributable to equity holders of the parent + Total debt
Total debt	Long-term debt, net of current portion + Current portion of long-term debt + Short-term loans

*) Definition is for ČEZ, a. s., if different from definition for CEZ Group.
Average value = (Value at end of previous year + Value at end of current year) / 2.

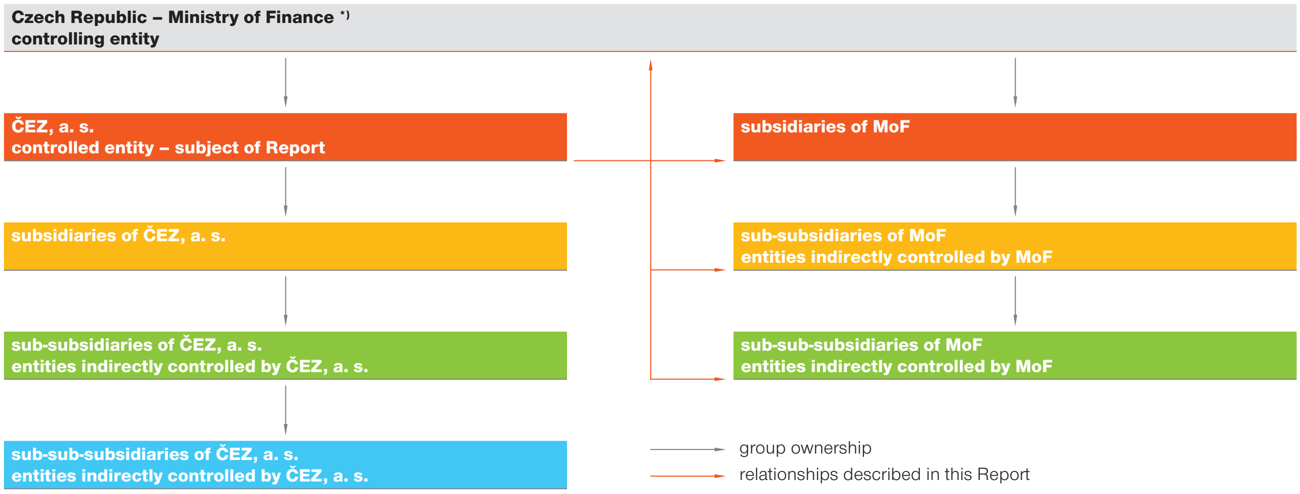
List of Tables and Graphs Used

Tables Used

Graphs Used

ČEZ, a. s.
Related Parties Report
for the Year Ended December 31, 2008

1. Chart showing relationships within Group



*) The Czech Republic is the Controlling Entity. The State's equity stake in ČEZ, a. s. is managed by the Ministry of Finance of the Czech Republic.

2. Group structure chart

See insert under back cover flip.

3. Controlling Entity and subject of Related Parties Report

Czech Republic – Ministry of Finance – Controlling Entity	
Name	Ministry of Finance of the Czech Republic
With its seat at	Letenská 525/15, 118 10 Prague 1
ID Number	00006947

ČEZ, a. s. – Controlled Entity – subject of Report	
Company	ČEZ, a. s.
With its seat at	Duhová 2/1444, 140 53 Prague 4
ID Number	45274649
Incorporated in the Commercial Register	maintained by the Municipal Court in Prague, Part B, insert 1581
Method of control	As of 31 December 2008, the Controlling Entity, MoF, owned a 63.39% stake in ČEZ, a. s.

In accordance with Section 66a(9) of the Commercial Code, the Related Parties Report covers the period 1 January – 31 December 2008.

4. Alphabetical list of companies – Group members

See insert under back cover flip.

5. Contractual relations

This list contains contracts entered into by ČEZ, a. s. with related parties, i.e. between the controlling entity and a controlled entity and by a controlled entity with one or more entities controlled by the same controlling entity.

1. České aerolinie a.s.

Contract No. 4100027580 dated 28 November 2008 concerning air transport of attendees of Czech Energy Day in Brussels.

2. ČEPS, a.s.

- Amendment No. 1 dated 31 March 2008 to Agreement No. 3210/08/329 on accession to the general terms and conditions for cross-border transmission of electricity through the Czech Republic Transmission System in the year 2008. The subject matter of this amendment is the procedure for negotiating cross-border intra-day transmissions with EO.ON Netz GmbH and Vattenfall Europe Transmission GmbH.
- Amendment No. 2 dated 22 July 2008 to Agreement No. 3210/08/329 on accession to the general terms and conditions for cross-border transmission of electricity through the Czech Republic Transmission System in the year 2008. The subject matter of this amendment is the enabling of electronic transfer and return of long-term allocated capacity in the Austrian auction system.
- Amendment No. 3 dated 14 November 2008 to Agreement No. 3210/08/329 on accession to the general terms and conditions for cross-border transmission of electricity through the Czech Republic Transmission System in the year 2008. The subject matter of this amendment is the procedure for negotiating cross-border intra-day transmissions with VERBUND-Austrian Power Grid AG.
- Agreement No. 3210/09/329 dated 17 December 2008 on accession to the general terms and conditions for cross-border transmission of electricity through the Czech Republic Transmission System in the year 2009. The subject matter of this agreement is the obligation of ČEPS, a.s. to implement cross-border transmission in specific cases in the scope stipulated in the relevant business contract and under the conditions defined in this Agreement.
- Agreement No. 3210/08/009580 dated 15 January 2008 on sourcing and providing electricity from abroad.
- Agreement No. 3210/08/009/590 dated 10 March 2008 on supply of ancillary transmission services.
- Agreement No. 3210/08/009/600 dated 20 March 2008 on supply of ancillary transmission services.
- Amendment No. 3210/06-09/009/560 to the Agreement on supply of ancillary transmission services in the years 2006–2009.
- Agreement dated 2 June 2008 on redispatching in the year 2008.
- Amendment No. 3210/08/009/540 dated 4 September 2008 to the Agreement on supply of ancillary transmission services.
- Agreement No. 3210/09/009/530 dated 3 November 2008 on supply of ancillary transmission services.
- Agreement No. 3210/09/009/540 dated 18 November 2008 on supply of ancillary transmission services.
- Agreement No. 3210/09/009/550 dated 8 December 2008 on supply of ancillary transmission services.
- Agreement No. 3210/09/009/580 dated 8 December 2008 on supply of ancillary transmission services.
- Agreement No. 3210/09/009/590 dated 8 December 2008 on supply of ancillary transmission services.
- Agreement No. 3210/09/009/600 dated 8 December 2008 on conditions for requested reduction in power plant output in the year 2009.
- Amendment to Agreement No. 3210/07-09/009/640 dated 8 December 2008 on supply of ancillary transmission services in the years 2007–2009.
- Agreement No. 3210/09/109 dated 9 December 2008 on supply of transmission system services.
- Agreement No. 4100015951 dated 5 August 2008 on connection of new Ledvice Power Plant to the Transmission System.
- Agreement to Agree No. 4100015042 dated 10 June 2008 on connection of envisioned cogeneration plant in Počerady Power Station compound to the Transmission System.

All the above contractual arrangements were entered into at arm's length; the consideration and counter-consideration agreed and provided was in line with customary business terms. These business relations did not damage ČEZ, a. s. in any way.

6. Other relations

ČEZ, a. s. did not take any legal actions in the interests of related parties nor did it accept or perform any other measures in the interests of related parties or at their behest.

7. Other information

7.1 Confidentiality

Within the Group, information and facts are considered confidential if they constitute part of a business secret of related parties or if they have been declared confidential by any entity that is part of the Group. Also considered confidential is all commercial information that could be, by itself or in conjunction with other information, injurious to any of the entities constituting the Group. For this reason this Report does not contain information on prices or quantities.

7.2 Auditor's review of the 2008 Related Parties Report

This Related Parties Report has been reviewed by the auditor, Ernst & Young Audit, s.r.o., License No. 401. The auditor's statement is given in the 2008 Annual Report of CEZ Group.

7.3 Companies that did not provide information

Despite the use by the subject of this Report of the best efforts that can be fairly expected of it to obtain the information necessary for inclusion in this Report, the following Group companies failed to provide the requested information:

- KONAX a.s. - in liquidation
- UNITEX a.s.
- HOLDING KLADNO a.s."in liquidation"
- Českomoravská nemovitostní, a. s.
- LETKA, a.s. in liquidation
- Junia s.r.o. "in liquidation"
- Česká inkasní, s.r.o. in liquidation

8. Conclusion

The compilation of the Related Parties Report was secured by the statutory body of ČEZ, a. s. within the time stipulated by law. The Related Parties Report was compiled according to the best knowledge and awareness of the subject and best efforts were used to obtain the documentation from which the information was drawn.
The definition of the Czech Republic's Group was prepared from information provided by the majority shareholder.
The auditor's opinion is given in the 2008 Annual Report of CEZ Group.
The Report was submitted to the Supervisory Board for review. The Supervisory Board will present its opinion at the Company's annual General Meeting.

Prague, 16 March 2009

Martin Novák
Member of the Board of Directors

Zdeněk Pasák
Member of the Board of Directors

Summary Report Pursuant to Section 118(8) of the Act on Doing Business in the Capital Market, on Certain Aspects of the Shareholders' Equity of ČEZ, a. s.

(included on the General Meeting agenda)

The Summary Report pursuant to Section 118(8) of the Act on Doing Business on the Capital Market, on certain aspects of shareholders' equity, is based on the requirements set forth in Sections 118(3)(g)-(q) of said Act. ČEZ, a. s. is required to draw up this report and submit it to its shareholders at the Annual General Meeting.

Shareholders' Equity as at 31 December 2008 (CZK millions)

ČEZ, a. s.	2007	2008
Equity	149,882	154,927
Share capital	59,221	59,221
Treasury shares	(55,972)	(66,910)
Retained earnings and other reserves	146,633	162,616

CEZ Group Consolidated Figures (CZK millions)

	2007	2008
Equity	184,226	185,410
Share capital	59,221	59,221
Treasury shares	(55,972)	(66,910)
Retained earnings and other reserves	168,103	180,941
Total equity attributable to equity holders of the parent	171,352	173,252
Minority shares	12,874	12,158

Security	ISIN	Issue date	Volume	Appearance	Form	Face value	Market	Traded since
Registered share *)	CZ0005112300	15 February 1999	CZK 59.2 billion	booked	to owner	CZK 100	PSE	22 June 1993
(until 12 February 2009)							PSE main market	25 January 1994
							RM-System	23 February 1999
							GPW	25 October 2006
(change as of 12 February 2009)			CZK 53.8 billion					

*) Number of shares outstanding until 12 February 2009: 592,210,843.
Number of shares outstanding as of 12 February 2009: 537,989,759.
Amount of share capital remaining to be paid in: 0.

The shareholders' equity of ČEZ, a. s. at year end 2008 totaled CZK 154.9 billion. It is composed of three basic components: share capital, treasury shares, and retained earnings.

The Company's share capital as recorded in the Commercial Register is CZK 59,221,084,300. It is composed of 592,210,843 shares, each with a face value of CZK 100. All the shares are fully paid in, booked to owner, and registered.

A total of CZK 66.9 billion in treasury shares are on the books. The shares are carried at the prices for which they were purchased.

Retained earnings totaled CZK 162.6 billion.

100% of the Company's share capital is allocated to common shares, with no special rights attached. All of the Company's shares are accepted for trading on the Prague Stock Exchange and the Warsaw Stock Exchange in the Republic of Poland and are negotiable without limitations.

No other securities issued by ČEZ, a. s. are limited in their negotiability, nor are any special rights attached thereto.

ČEZ Shareholders (%)

	Stake in share capital at	Stake in voting rights	Stake in share capital at	Stake in voting rights
	31 December 2007		31 December 2008	
Legal entities, total	**95.86**	**95.47**	**95.45**	**94.95**
Czech Republic	65.99	72.13	63.39	70.43
Other legal entities	19.04	11.51	12.97	3.31
of which: domestic	10.24	1.90	11.59	1.77
of which: ČEZ, a. s.	8.51	0.00	9.99	0.00
third parties	1.73	1.90	1.60	1.77
foreign	8.80	9.61	1.38	1.54
Asset managers	10.83	11.83	19.09	21.21
Private individuals, total	**4.14**	**4.53**	**4.55**	**5.05**
of which: domestic	4.04	4.42	4.43	4.92
foreign	0.10	0.11	0.12	0.13

Share of voting rights is based on:
1) ČEZ, a. s. treasury shares are non-voting (Section 161d(1) of Act No. 513/1991 Sb.).
2) Asset managers vote all shares managed by them.

As at 31 December 2008, ČEZ, a. s. was aware of four entities with stakes of over 3% of the stated capital.

The first of these was the Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic. During the year 2008, the Czech Republic's stake declined to 63.39% on the sale of some ČEZ, a. s. shares previously owned by the State. The Czech Republic's share in the voting rights, on the other hand, rose to 70.43%, because the increase in the number of treasury shares held by ČEZ, a. s. exceeded the decrease in the number of shares held by the Czech Republic.

The Czech Republic's equity stake allows it to exercise direct control over ČEZ using conventional means, i.e. in particular by voting at General Meetings. Other shareholders are informed of any negative influence the controlling entity may have on the Company through the Related Parties Report which is a public document under Czech law and is included in the Annual Report. As an issuer of shares accepted for trading on the Prague and Warsaw Stock Exchanges, ČEZ, a. s. is required to regularly inform the mentioned exchanges of all important events. The reports are made in the Czech, English and Polish languages and are also available to the public on the Company's website.

The second entity with a stake of over 3% in the stated capital of ČEZ, a. s. was the Company itself, with 9.99% of the stated capital; of course, under Czech law this stake has no voting rights.

The third such shareholder was the asset manager UNI CREDIT BANK CZECH REPUBLIC, which managed the assets of 37 shareholders with an aggregate stake of 8.07% in the stated capital of ČEZ, a. s. and an 8.97% share in the voting rights of ČEZ, a. s. The fourth shareholder with a stake exceeding 3% of the stated capital was the asset manager Citibank EUROPE, which managed the assets of 107 shareholders with an aggregate stake of 6.75% in the stated capital of ČEZ, a. s. and a 7.50% stake in ČEZ's voting rights.

Individual shareholders' share of voting rights differs from their stakes in the Company's share capital due to the presence of treasury shares. As the treasury shares cannot be voted by the Company, the share of the voting rights belonging to all other shareholders is higher than their respective stakes in the share capital.

Asset managers held 19.09% of the share capital at 31 December 2008. ČEZ has no way to identify the shareholders whose securities are managed by them. At the General Meeting, the shareholder rights of these shareholders are exercised by the respective asset manager.

In terms of restrictions on voting rights associated with certain shares, the following applies: in accordance with Section 161d of the Commercial Code, the voting rights associated with treasury shares acquired by ČEZ, a. s. on the basis of a General Meeting resolution are not exercised.

ČEZ, a. s. is not aware of any contracts among its shareholders that could result in any limitations on the negotiability of shares or voting rights.

In accordance with the Articles of Association, members of the Company's Board of Directors are elected by the Supervisory Board by a simple majority of votes. Amendments to the Articles of Association are decided by the General Meeting by a qualified, two-thirds majority of votes present.

As the statutory body, the Board of Directors runs the Company and acts in its name. It decides in all Company matters not explicitly reserved for the General Meeting or the Supervisory Board by the Commercial Code or the Articles of Association. The Board of Directors has no special powers beyond those described above.

ČEZ, a. s. has entered into material contracts that take effect, change, or are voided in the event control over ČEZ changes as a result of a takeover offer. They are: the 5th and 6th Eurobond issues, the 7th issue of bonds denominated in Japanese Yen, the bill of exchange program, and a USD 300 million guarantee contract in Turkey. In all of these contracts, should there be a change in the controlling entity of ČEZ, the counterparty would be entitled, but not required, to demand early repayment. In the case of the latter contract, the counterparty has that right only if it did not grant prior consent with the change in controlling entity. At the same time, however, for this right to be exercised it is necessary for either Standard & Poor's or Moody's to publicly declare or communicate to ČEZ in writing that it has reduced its credit rating due in full or in part to the change in controlling entity.

A reduction in the existing credit rating is defined as a change from investment to non-investment grade, any rating lower than an originally non-investment-grade rating, or non-determination of investment grade if no rating was granted at all. The above reduction would have to take place in the period from the time when the step that could result in the change in controlling entity was made public until 180 days after the notification of the change in controlling entity. The counterparty could not exercise its right to early repayment if, following a factual change in the controlling entity, the rating agency re-evaluated its position and, within the period defined above, either returned ČEZ to investment grade or restored the previous non-investment-grade rating.

The contractual provisions on a change in control over ČEZ should be seen in the context of ČEZ's credit rating, which in 2008 reached A- from Standard & Poor's and A2 from Moody's, with a stable outlook, i.e. 4 and 5 levels, respectively, above the agencies' highest non-investment-grade ratings.

No contracts have been entered into between ČEZ and members of the Board of Directors and/or employees, that would bind ČEZ to provide consideration in the event they should leave office or their employment be terminated in conjunction with a takeover offer.

Remuneration of ČEZ senior executives includes an incentive program that enables these executives to acquire Company shares. Members of the Board of Directors and selected employees were/are entitled to options on the Company's common shares under the conditions set forth in a stock option contract.

Under the rules for granting stock options approved by the General Meeting in May 2008, members of the Board of Directors receive options for a certain number of the Company's shares on an annual basis for as long as they remain in office. The purchase price of one share is set as the weighted average of the prices at which trades in the Company's shares took place in a regulated market in the Czech Republic during the month before the annual option granting date. Members of the Board of Directors are entitled to call upon the Company to transfer a number of shares no larger than the given option grant, no earlier than two years and no later than the mid-point of the fourth year after each option grant. The option right is restricted in that the appreciation of the Company's shares may be at most 100% compared to the purchase price and the member of the Board of Directors is obligated to hold on his or her asset account such a number of shares obtained on the basis of a call to transfer that corresponds to the value of 20% of the gain achieved at the date of the call, for as long as the stock option program shall last. Members of the Board of Directors to whom the new option program rules apply and who also participated in the option program under principles that applied prior to May 2008, will be allowed to participate in the revised stock option program provided they fulfill the eligibility criteria and the conditions approved by the General Meeting in May 2008.

In 2008, among employees and members of the Board of Directors there were 15 persons who obtained shares through the stock option program and owned shares in the year in question. Of this number, three persons exercised their voting rights at the Company's General Meeting and 11 persons exercised their right to dividends. The remaining four no longer had any shares on their accounts as of the strike date. According to information submitted to the Company for the purpose of drawing up this report, no beneficiary of the stock options program transferred any separately transferable right attaching to their shares to any third party.

Awards Received by CEZ Group in 2008 and 2009 Up to Annual Report Closing Date

Awards Won in 2008

March

- "Edison Electric Institute International Utility Award" – first place in European large-cap category. Ranking by market capitalization over the three-year period ended 31 December 2007.

April

- 100 Most Admired Companies in the Czech Republic – first place. Ranking is compiled by CZECH TOP 100;
- ČEZ NEWS wins first place in the "Best Internal Magazine" category in Zlatý středník (Golden Semicolon) 2007 competition organized by PR Klub.

May

- "Europas TOP 500" – 226th place in ranking of the largest European public companies with stock exchange listings in 2007. Ranking is compiled by German daily newspaper Handelsblatt based on company turnover in 2007. In the same ranking for 2006, ČEZ, a. s. placed 239th.

June

- ČEZ, a. s. places first in ranking of payers of income tax to the Czech Republic State budget (ranking compiled by Ministry of Finance of the Czech Republic). For the year 2007, ČEZ, a. s. paid CZK 8.6 billion in income tax. ČEZ Distribuce, a. s. placed 14th and Severočeské doly a.s. was 20th.

August

- Severočeské doly a.s. was one of 10 companies that made the short list in the national round of the international competition "European Corporate Responsibility Award" organized by the European Independent Consulting Group, represented in the Czech Republic by the company M.C.TRITON.

September

- ČEZ, a. s. placed fifth in the CEE Top 500, a ranking by Deloitte based on turnover.

October

- first place in the main WebTop100 as well as the Power Industry category in ranking compiled by the company Internet Info as part of its Dobrý web (Good Web) project.

November

- first place overall, first place in Power Industry category, first place in information value category, and first place in graphic design category in the Best Annual Report of the Czech Republic 2007 competition, organized by CZECH TOP 100;
- Romania-based CEZ Distributie wins second place in Power Industry category in the "TOP national private companies" competition organized by the National Council for Small and Mid-sized Businesses in Romania;
- Romania-based CEZ Vanzare takes a top ranking among Romanian companies in the "TOP 100 Romania 2007" competition organized by the media group FinMedia;
- Romania-based companies CEZ Distributie, CEZ Servicii and CEZ Romania win "Best Investors in People" award granted by the Romanian non-governmental organization CODECS.

December

- TOP Corporate Philanthropist – first place in "total volume" category in competition organized by the Donors Forum civic association;
- ČEZ, a. s. wins "Power Company of the Year" title in the 10th annual worldwide Platts Global Energy Awards competition organized by the Platts division of U.S.-based McGraw-Hill Companies, Inc. The winners were selected by a panel of judges from a field of nearly 200 participants.

Group structure chart
Alphabetical list of companies – Group members

ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
Czech Republic

Registered in the Commercial Register
maintained by the Municipal Court in Prague
(part B, insert 1581)

Established: 1992
Legal form: joint-stock company
ID Number: 452 74 649
Tax ID: CZ45274649
Bankers: KB Praha 1, account no. 24003-011/0100
Telephone: +420 211 041 111
Fax: +420 211 042 001
Internet: www.cez.cz
E-mail: cez@cez.cz

Closing date of the 2008 Annual Report: 7 April 2009

Design and production:

2. Group structure chart

Czech Republic – Ministry of Finance

- 63.39% ČEZ, a. s.
  - 100% Severočeské doly a.s.
    - 100% PRODECO, a.s.
      - until 26 September 2008 stake was 50.50%
    - 100% SD - 1.strojírenská, a.s.
    - 100% SD - Autodoprava, a.s.
    - 100% SD - Humatex, a.s.
      - until 7 November 2008 stake was 100%, afterwards 0%
    - 100% SD - Kolejová doprava, a.s.
    - 100% SD - Rekultivace, a.s.
    - 100% SD - Vrtné a trhací práce, a.s.
    - 98.00% Skládka Tušimice, a.s.
    - 92.65% SD - KOMES, a.s.
      - stake held since 1 July 2008
    - 92.65% SHD - KOMES a.s.
      - stake held from 26 June 2008 to 1 July 2008
  - 100% ČEZ Správa majetku, s.r.o.
    - from 4 January 2008 to 1 October 2008, ČEZ, a. s. stake was 99.23%
    - remaining 0.77% stake was held by EVI, a.s.
  - 100% CEZTel, a.s.
  - 100% ČEZ ENERGOSERVIS spol. s r.o.
  - 100% ČEZ ICT Services, a. s.
    - until 30 September 2008 name was ČEZnet, a.s.
    - 100% SINIT,a.s.
  - 100% ČEZ Logistika, s.r.o.
  - 100% ČEZ Zákaznické služby, s.r.o.
  - 100% ČEZ Měření, s.r.o.
  - 100% Energetické opravny, a.s.
    - stake sold on 4 March 2008
  - 100% PPC Úžín, a.s.
  - 100% I & C Energo a.s.
    - stake held until 30 June 2008, afterwards 0%
    - 100% AFRAS Energo s.r.o.
      - stake held until 30 June 2008, afterwards 0%
  - 51.05% LOMY MOŘINA spol. s r.o.
  - 100% ČEZ Energetické služby, s.r.o.
    - until 1 October 2008, EVI, a.s. held a 100% stake,
    - since 1 October 2008 ČEZ, a. s. has held 100% stake
  - 100% ČEZ Energetické produkty, s.r.o.
  - 100% ČEZ Teplárenská, a.s.
    - 100% ALLEWIA leasing s.r.o.
      - stake held since 12 December 2008
  - 100% ČEZData, s.r.o.
    - company dissolved on 1 October 2008
  - 66.67% OSC, a.s.
  - 100% STE - obchodní služby spol. s r.o. (abbreviated name: STE-OS s.r.o.) in liquidation
  - 52.46% Ústav jaderného výzkumu Řež a.s.
    - 100% Centrum výzkumu Řež s.r.o.
    - 100% ŠKODA VÝZKUM s.r.o.
    - 62.50% LACOMED, spol. s r.o.
    - 40.00% Nuclear Safety & Technology Centre s.r.o.
    - 100% Ústav aplikované mechaniky Brno, s.r.o.
    - 66.00% EGP INVEST, spol. s r.o.
      - stake held since 15 December 2008
  - 12.00% ŠKO-ENERGO, s.r.o.
  - 5.00% ŠKO-ENERGO FIN, s.r.o.
  - 100% ENERGOKOV, s.r.o. in bankruptcy
    - struck from Commercial Register on 21 August 2008
  - 100% ENPROSPOL, s.r.o.
    - company dissolved on 4 June 2008
  - 51.00% ESS s.r.o., in liquidation
    - company entered liquidation on 18 April 2008
  - 100% Energetika Vítkovice, a.s. (EVI, a.s.)
    - company dissolved on 1 October 2008
  - 100% ENPRO, a.s.
    - company dissolved on 4 June 2008
  - 100% ČEZ Obnovitelné zdroje, s.r.o.
  - 100% ČEZ Distribuce, a. s.
    - from 22 January 2008 to 1 October 2008, ČEZ, a. s. stake was 99.72%;
    - remaining 0.28% stake was held by EVI, a.s.
  - 100% ČEZ Distribuční služby, s.r.o.
  - 100% ČEZ Prodej, s.r.o.
  - 100% ŠKODA PRAHA a.s.
    - 100% EGI servis, s.r.o., in bankruptcy
    - 100% EGI, a.s. in liquidation
  - 100% ŠKODA PRAHA Invest s.r.o.
    - until 1 April 2008 stake held by ŠKODA PRAHA a.s.
  - 100% CEZ Bosna i Hercegovina d.o.o.
    - company formed on 21 March 2008
  - 100% CEZ Bulgaria EAD
  - 100% CEZ Trade Bulgaria EAD
  - 100% CEZ Laboratories Bulgaria EOOD
  - 67.00% CEZ Elektro Bulgaria AD
  - 100% TEC Varna EAD
  - 100% CEZ Silesia B.V.
    - 100% CEZ Chorzow B.V.
      - 75.20% Elektrociepłownia Chorzów ELCHO sp. z o.o.
  - 100% CEZ Poland Distribution B.V.
    - 99.91% Elektrownia Skawina S.A.
      - until 23 September 2008 stake was 74.91%
  - 100% CEZ Polska sp. z o.o.
  - 100% CEZ Trade Polska sp. z o.o.
  - 100% CEZ Ciepło Polska sp. z o.o.
  - 100% CEZ Srbija d.o.o.
  - 100% New Kosovo Energy L.L.C.
  - 51.01% CEZ Distributie S.A.
  - 51.01% CEZ Vanzare S.A.
  - 51.00% CEZ Servicii S.A.
  - 100% CEZ Romania S.R.L.
  - 99.99% CEZ Trade Romania S.R.L.
    - other partner's stake: ČEZ Správa majetku, s.r.o. stake: 0.01%
  - 100% CEZ Ukraine CJSC
  - 51.00% NERS d.o.o.
  - 100% CEZ Hungary Ltd.
  - 100% CEZ MH B.V.
  - 67.00% Transenergo International N.V.
    - until 10 April 2008 stake was 100%
    - 100% ZAO TransEnergo
      - ownership changed hands from ČEZ, a. s. as of 29 August 2008
  - 100% CEZ Slovensko, s.r.o.
  - 100% CEZ Deutschland GmbH
  - 100% CEZ Elektroproizvodstvo Bulgaria AD
    - company formed on 10 December 2008
  - 67.00% CEZ Razpredelenie Bulgaria AD
  - 100% CEZ Finance B.V.
  - 100% CEZ RUS OOO
    - company formed on 6 February 2008
  - 50.00% CM European Power International B.V.
    - company formed on 17 July 2008
    - 100% CM European Power International s.r.o.
      - company formed on 5 December 2008
  - 95.00% Tomis Team S.R.L.
    - other partner's stake: CEZ Poland Distribution B.V.: 5.00%,
    - stake held since 29 August 2008
    - 100% MW Team Invest S.R.L.
  - 95.00% Ovidiu Development S.R.L.
    - other partner's stake: CEZ Poland Distribution B.V.: 5.00%,
    - stake held since 29 August 2008
- 40.00% Exportní garanční a pojišťovací společnost,a.s.
  - 34.00% Komerční úvěrová pojišťovna EGAP, a.s.
- 100% OSINEK, a.s.
  - 51.00% ČEPS, a.s.
- 100% PPP Centrum a.s.
- 100% ŠKODAEXPORT, a.s.
  - 67.30% LIFOX a.s. "in liquidation"
  - 100% PRAGHOTELS s.r.o.
  - since 9 June 2008 ČKD EXPORT, a.s.
- 37.95% Česká exportní banka, a.s. , abbreviated name: ČEB, a.s.
- 100% ČEPRO, a.s.
- 100% MERO ČR, a.s.
  - 100% MERO Pipeline, GmbH
- 100% PAL a.s. in liquidation
- 40.78% Severočeské mlékárny, a.s. Teplice, in bankruptcy
- 44.10% KONAX a.s. - in liquidation
- 46.99% Ormilk, a.s.in liquidation, in bankruptcy
- 52.00% UNITEX a.s.
- 100% LETKA, a.s. in liquidation
- 91.51% České aerolinie a.s.
  - 65.00% AMADEUS MARKETING CSA, s.r.o.
  - 100% CSA Services, s.r.o.
    - 100 % ClickforSky, a.s.
      - until 26 May 2008
  - 100% ČSA Support s.r.o.
  - 100% SLOVAK AIR SERVICES s.r.o.
  - 100% Air Czech Catering a.s.
    - struck from Commercial Register on 3 April 2008
  - 100% HOLIDAYS Czech Airlines, a.s.
  - 100% ClickforSky, a.s.
    - since 26 May 2008
- 49.00% Municipální finanční společnost a.s. abbreviated name: MUFIS a.s.
- 100% STAVOCENTRAL, a.s.
  - 100% HYPO-CONSULT,a.s.
- 100% JUNIOR centrum, a.s. in liquidation
- 100% AGM, a.s. in liquidation
- 100% JUNIA s.r.o. "in liquidation"
- 100% Česká inkasní, s.r.o. in liquidation
  - struck from Commercial Register on 30 September 2008
- 73.52% Teplotechna Praha, a.s., in bankruptcy
- 78.86% SEVAC a.s. in liquidation
- 96.85% HOLDING KLADNO a.s."in liquidation"
- 100% Silnice Teplice a.s. in liquidation
- 100% THERMAL-F, a.s.
- 100% Dřevařské závody Borohrádek - F, a.s.
- 100% STROJÍRNY TATRA PRAHA,a.s.
- 47.55% Výzkumný a zkušební letecký ústav, a.s.
- 100% Hotelinvest a.s., in bankruptcy
- 51.72% ČMFL, a.s.
  - 100% AGROCREDIT, a.s.
- 71.89% BH CAPITAL, a.s.
- 100% Explosia a.s.
  - 100% FOSPOL a.s.
  - 100% Istrochem Explosives a. s.
- 100% GALILEO REAL, k.s.
- 100% Global Investment a.s. in liquidation
- 98.85% TECHNOEXPORT akciová společnost pro zahraniční obchod
  - 49.26% Zemědělská akciová společnost Březno abbreviated name: Zemědělská a.s. Březno
- 99.22% STROJIMPORT a.s., franc. Société Anonyme, něm. Aktiengesellschaft, špaň. Sociedad Anónima, rusky Akcionërnoje obščestvo, angl. Joint-Stock Company
  - 50.00% Evropské fondy a dotace spol. s r.o.
- 100% Českomoravská nemovitostní, a.s. in liquidation
  - struck from Commercial Register on 12 August 2008
- 100% IMOB a.s.
- 100% PRISKO a.s.
- 100% Letiště Praha, a. s.
  - 100% Realitní developerská, a.s.
    - 100% Sky Venture a.s.
    - 100% Whitelines Industries a.s.

4. Alphabetical list of companies – Group members

A white number on red background in the “No.” column means that ČEZ, a. s. had a commercial relationship covered in this Report during the year in question.
For meaning of colors in “Company name” column, see Related Parties Report, Chapter 1.

No.	Company name	ID No.	Seat
1	AFRAS Energo s.r.o.	60714123	Třebíč, Pražská 684/49, postcode 674 01
2	AGM, a.s. in liquidation	49240269	Prague 1, Senovážné nám. 24, postcode 110 00
3	AGROCREDIT, a.s.	25542524	Prague 4, Durychova 101, postcode 142 01
4	Air Czech Catering a.s.	27880427	Prague 6, K letišti č.p. 1018, postcode 160 08
5	ALLEWIA leasing s.r.o.	61942634	Bohumín, Šunychelská 1159, postcode 735 81
6	AMADEUS MARKETING CSA, s.r.o.	49680030	Prague 1, Gestin Centrum, V Celnici 1040/5, postcode 110 00
7	BH CAPITAL, a.s.	00546682	Brno, Příkop 834, postcode 602 00
8	Centrum výzkumu Řež s.r.o.	26722445	Husinec-Řež č. p. 130, postcode 250 68
9	CEZ Bosna i Hercegovina d.o.o.	65-01-0142-08	Sarajevo, Fra Andela Zvizdovica br. 1, Bosnia and Herzegovina
10	CEZ Bulgaria EAD	BULSTAT No. 131434768	Sofia, Municipality of Sredets, 140 G.S. Rakovski street, postcode 1000, Republic of Bulgaria
11	CEZ Ciepło Polska sp. z o.o.	0000287855	Warsaw, ul. Nowy Świat 64, postcode 00-357, Republic of Poland
12	CEZ Deutschland GmbH	HRB 139537	München, Karl-Theodor Str. 69, postcode 80803, Federal Republic of Germany
13	CEZ Distributie S.A.	14491102	Craiova, Dolj County, 2, Brestei St, postcode 200581, Romania
14	CEZ Elektro Bulgaria AD	BULSTAT No. 175133827	Sofia, Municipality of Sredets, 140 G.S. Rakovski street, postcode 1000, Republic of Bulgaria
15	CEZ Elektroproizvodstvo Bulgaria AD	200511185	Village of Ezerovo, Varna District, postcode 9168 Varna, Republic of Bulgaria
16	CEZ Finance B.V.	33264065	Amsterdam, Prins Bernhardplein 200, 1097JB, Kingdom of the Netherlands
17	CEZ Hungary Ltd.	13520670-4013-113-01	Budapest, Károlyi Mihály u. 12, IV. em., Ybl Palota Irodaház, postcode 1053, Republic of Hungary
18	CEZ Chorzow B.V.	24305703	Rotterdam, Weena 327, 3013 AL, Kingdom of the Netherlands (seat until 1 December 2008: Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands)
19	CEZ Laboratories Bulgaria EOOD	BULSTAT No. 175123128	Sofia, 1 Dobrinova Skala str., Lyulin Municipality, Republic of Bulgaria
20	CEZ MH B.V.	24426342	Rotterdam, Weena 327, 3013 AL, Kingdom of the Netherlands (seat until 1 December 2008: Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands)
21	CEZ Poland Distribution B.V.	24301380	Rotterdam, Weena 327, 3013 AL, Kingdom of the Netherlands (seat until 1 December 2008: Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands)
22	CEZ Polska sp. z o.o.	000026614	Warsaw, ul. Rondo ONZ lokal VII Pietro, postcode 00-124, Poland
23	CEZ Razpredelenie Bulgaria AD (name until 29 January 2008: Elektrorazpredelenie Stolichno AD)	BULSTAT No. 130277958	Sofia, 330 Tsar Simeon St., Ilinden region, postcode 1309, Republic of Bulgaria
24	CEZ Romania S.R.L.	18196091	Bucharești, Sector 1, Str. Ion Ionescu De La Brad, Nr. 2A, Romania
25	CEZ RUS OOO	1087746177628	Presnenskij val 19, Moscow, 123557, Russian Federation
26	CEZ Servicii S.A.	20749442	Pitești, 148 Republicii Boulevard, postcode 110177, Romania
27	CEZ Silesia B.V.	24305701	Rotterdam, Weena 327, 3013 AL, Kingdom of the Netherlands (seat until 1 December 2008: Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands)
28	CEZ Slovensko, s.r.o.	36797332	Bratislava, Gorkého 3, postcode 811 01, Slovak Republic
29	CEZ Srbija d.o.o.	20180650	Belgrade, Bulevar Mihajla Pupina 6, Republic of Serbia
30	CEZ Trade Bulgaria EAD	BULSTAT No. 113570147	Sofia, Municipality of Sredets, 140 G.S. Rakovski street, postcode 1000, Republic of Bulgaria
31	CEZ Trade Polska sp. z o.o.	0000281965	Warsaw, ul. Rondo ONZ, lokal VII Pietro, postcode 00-124, Poland
32	CEZ Trade Romania S.R.L.	21447690	Bucharest, Sector 1, Ion Ionescu de la Brad, Nr. 2B, Romania
33	CEZ Ukraine CJSC	34728482	Velika Vasilkivska street 5, postcode 01004 Kyiv, Ukraine
34	CEZ Vanzare S.A.	21349608	Craiova, Dolj County, 2, Brestei St, postcode 200581, Romania
35	CEZTel, a.s.	25107950	Prague 2, Fügnerovo náměstí 1866/5, postcode 120 00
36	CM European Power International B.V.	44525133	Rotterdam, Weena 327, 3013 AL, Kingdom of the Netherlands (seat until 1 December 2008: Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands)
37	CM European Power International s.r.o.	44525133	Bratislava, Vlčie hrdlo 1/A, postcode 824 12, Slovak Republic
38	ClickforSky, a.s. (since 26 May 2008)	27145573	Prague 6, Jana Kašpara 1/1069, postcode 160 08
39	ClickforSky, a.s. (until 26 May 2008)	27145573	Prague 6, Jana Kašpara 1/1069, postcode 160 08
40	CSA Services, s.r.o.	25085531	Prague 6, K letišti, postcode 161 00
41	ČEPRO, a.s.	60193531	Prague 7, Dělnická č.p.213, č.or.12, postcode 170 04
42	ČEPS, a.s.	25702556	Prague 10, Elektrárenská 774/2, postcode 101 52
43	Česká exportní banka, a.s. , abbreviated name: ČEB, a.s.	63078333	Prague 1, Vodičkova 34 č.p. 701, postcode 111 21
44	Česká inkasní, s.r.o. in liquidation	60468165	Prague 7, Komunardů 6, postcode 170 00
45	České aerolinie a.s.	45795908	Prague 6, Letiště Ruzyně, postcode 160 08
46	Českomoravská nemovitostní, a.s. in liquidation (name until 3 January 2008: Českomoravská nemovitostní, a.s.)	60192836	Prague 7, Janovského 438/2, postcode 170 06
47	ČEZ Distribuce, a. s.	27232425	Děčín 4, Teplická 874/8, postcode 405 02
48	ČEZ Distribuční služby, s.r.o.	26871823	Ostrava – Moravská Ostrava, 28. října 3123/152, postcode 709 02
49	ČEZ Energetické služby, s.r.o.	27804721	Ostrava – Vítkovice, Výstavní 1144/103, postcode 706 02
50	ČEZ Energetické produkty, s.r.o.	28255933	Hostivice, Komenského 534, postcode 253 01
51	ČEZ ENERGOSERVIS spol. s r.o.	60698101	Třebíč, Bráfova 16, postcode 674 01
52	ČEZ Logistika, s.r.o.	26840065	Ostrava – Moravská Ostrava, 28. října 3123/152, postcode 709 02
53	ČEZ Měření, s.r.o.	25938878	Hradec Králové, Riegrovo náměstí 1493, postcode 500 02
54	ČEZ Obnovitelné zdroje, s.r.o.	25938924	Hradec Králové, Křižíkova 788, postcode 500 03
55	ČEZ Prodej, s.r.o.	27232433	Prague 4, Duhová 1/425, postcode 140 53
56	ČEZ Správa majetku, s.r.o.	26206803	Děčín IV., Teplická 874/8, postcode 405 49
57	ČEZ Teplárenská, a.s.	27309941	Chomutov, Školní 1051/30, postcode 430 01 (seat from 28 January 2008 to 6 March 2008: Chomutov, Školní 1051, postcode 430 01; seat until 28 January 2008: Most, Komořany, Teplárenská 2, postcode 434 03)
58	ČEZ Zákaznické služby, s.r.o.	26376547	Plzeň, Guldenerova 2577/19, postcode 303 28
59	ČEZ, a. s.	45274649	Prague 4, Duhová 2/1444, postcode 140 53
60	ČEZData, s.r.o.	27151417	Plzeň, Guldenerova 2577/19, postcode 303 38
61	ČEZ ICT Services, a. s. (ČEZnet, a.s.)	26470411	Prague 2, Fügnerovo náměstí 1866/5, postcode 120 00
62	ČMFL, a.s.	25541889	Prague 7, Janovského 438/2, postcode 170 06
63	ČSA Support s.r.o.	25674285	Prague 6, Letiště Ruzyně, ul. K letišti, postcode 160 08
64	Dřevařské závody Borohrádek - F, a.s.	25288016	Borohrádek, Nádražní 35, postcode 517 24
65	EGI servis, s.r.o., in bankruptcy	26423316	Čelákovice, Kozovazská 1049, postcode 250 88
66	EGI, a.s. in liquidation	60721332	Prague 6, M. Horákové 109, postcode 160 41
67	EGP INVEST, spol. s r.o.	16361679	Uherský Brod, Antonína Dvořáka 1707, postcode 688 01
68	Elektrociepłownia Chorzów ELCHO sp. z o.o.	0000060086	Chorzów, ul. M. Skłodowskiej-Curie 30, postcode 41-503, Republic of Poland
69	Elektrownia Skawina S.A.	0000038504	Skawina, ul. Piłsudskiego 10, postcode 32-050, Republic of Poland
70	Energetické opravny, a.s.	25040707	Kadaň, Prunéřov č. 375, postcode 432 01
71	Energetika Vítkovice, a.s. (EVI, a.s.)	25854712	Ostrava – Vítkovice, Výstavní 1144/103, postcode 706 02
72	ENERGOKOV, s.r.o., in bankruptcy	25015621	Děčín 1, Krokova 12, postcode 405 01
73	ENPRO, a.s.	26831848	Přerov I, Město, nábř. Dr. Edvarda Beneše 1913/20, postcode 750 02
74	ENPROSPOL, s.r.o.	25488767	Děčín, Resslova 357/9, postcode 405 02
75	ESS s.r.o. in liquidation (name until 18 April 2008: ESS s.r.o.)	25013271	Teplice – Sobědruhy, Důlní 97, postcode 415 10
76	Evropské fondy a dotace spol. s r.o.	BULSTAT No. 175251302	Sofia, okrsek Vzaraždane, ul. Pirotska 98, Republic of Bulgaria
77	Exportní garanční a pojišťovací společnost,a.s.	45279314	Prague 1, Vodičkova 34/701, postcode 111 21
78	Explosia a.s.	25291581	Pardubice, Semtín 107, postcode 530 50
79	FOSPOL a.s.	15053628	Prachovice, Tovární 302, postcode 538 04
80	GALILEO REAL, k.s.	26175291	Prague 7, Janovského 438/2, postcode 170 06
81	Global Investment a.s. in liquidation	25071858	Prague 1, Těšnov 1
82	HOLIDAYS Czech Airlines, a.s. (name until 31 July 2008: ČSA Airtours a.s.)	61860336	Prague 6, Jana Kašpara 1069, postcode 160 08 (seat until 25 August 2008: Prague 1, Štěpánská 27, č.p. 1742, postcode 110 00)
83	HYPO-CONSULT,a.s.	25072145	Prague 2, Jaromírova 64, postcode 128 00
84	HOLDING KLADNO a.s."in liquidation"	45144419	Kladno, Cyrila Boudy 1444, postcode 272 01
85	Hotelinvest a.s., in bankruptcy	00251976	Prague 1, Nekázanka 4
86	I & C Energo a.s.	49433431	Třebíč, Pražská 684/49, postcode 674 01
87	IMOB a.s.	60197901	Prague 7, Janovského 438/2, postcode 170 06
88	Istrochem Explosives a. s.	44254504	Bratislava, Nobelova 34, postcode 836 05, Slovak Republic
89	JUNIA s.r.o. "in liquidation"	45788740	Ostrava, Stodolní 9, postcode 702 00
90	JUNIOR centrum, a.s. in liquidation	48154946	Seč, ul. Čs. pionýrů 197, postcode 538 07
91	Komerční úvěrová pojišťovna EGAP, a.s.	27245322	Prague 4, Na Pankráci 1683/127, postcode 140 00 (seat until 4 December 2008: Prague 1, Vodičkova 34/701, postcode 111 21)
92	KONAX a.s. - in liquidation	46347801	Jihlava, Křižíkova 17, postcode 586 01
93	LACOMED, spol. s r.o.	46348875	Husinec-Řež čp. 130, postcode 250 68
94	LETKA, a.s. in liquidation (name until 10 January 2008: LETKA, a.s.)	25134132	Prague 2, Rašínovo nábřeží 42, postcode 128 00
95	Letiště Praha, a. s.	28244532	Prague 6, K Letišti 6/1019, postcode 160 08
96	LIFOX a.s. "in liquidation"	49240994	Prague 4, Novodvorská 1010/14B
97	LOMY MOŘINA spol. s r.o.	61465569	Mořina, postcode 267 17
98	MERO ČR, a.s.	60193468	Kralupy nad Vltavou, Veltruská 748, postcode 278 01
99	MERO Pipeline, GmbH	IdNr 152122768	Vohburg a. d. Donau, MERO-Weg 1, postcode 850 88, Federal Republic of Germany
100	Municipální finanční společnost a.s. abbreviated name: MUFIS a.s.	60196696	Prague 1, Jeruzalémská 964/4, postcode 110 00
101	MW Team Invest S.R.L.	18926986	Galbiori, 2 Morii St., Constanța County, Romania
102	NERS d.o.o.	RU-1-1864-00	Gacko, Industrijska zona bb, Bosnia and Herzegovina
103	New Kosovo Energy L.L.C.	70371863	Prishtina, Andrej Gropa Nr. 1, postcode 10000, Kosovo
104	Nuclear Safety & Technology Centre s.r.o.	27091490	Husinec-Řež čp. 130, postcode 250 68
105	Ormilk, a.s.in liquidation, in bankruptcy	60109092	Žamberk, postcode 564 01
106	OSC, a.s.	60714794	Brno, Staňkova 18a, postcode 612 00
107	OSINEK, a.s. "in liquidation" (name until 19 November 2008: OSINEK, a.s.)	00012173	Prague 8, Prvního pluku 206/7, postcode 186 00 (seat until 15 December 2008: Ostrava – Vítkovice, Ruská 56, č. p. 397, postcode 706 02)
108	Ovidiu Development S.R.L.	18874682	Galbiori, 2 Morii St., Constanța County, Romania
109	PAL a.s. in liquidation	00211222	Prague 2, Rašínovo nábřeží 390/42, postcode 120 00
110	PPC Úžín, a.s.	27198367	Prague 3, Seifertova 570/55, postcode 130 00
111	PPP Centrum a.s.	00013455	Prague 2, Rašínovo nábřeží 42, postcode 128 00
112	PRAGHOTELS s.r.o.	61509094	Prague 1, Opletalova 41, postcode 110 00
113	PRISKO a.s.	46355901	Prague 7, Janovského 438/2
114	PRODECO, a.s.	25020790	Teplice, Masarykova 51, postcode 416 78
115	Realitní developerská, a.s.	27174166	Prague 1, Na Příkopě 583/15, postcode 110 00
116	SD - 1.strojírenská, a.s.	25437127	Bílina, Důlní 437, postcode 418 01
117	SD - Autodoprava, a.s.	25028197	Bílina, Důlní 429, postcode 418 01
118	SD - Humatex, a.s.	25458442	Bílina, Důlní 199, postcode 418 01
119	SD - Kolejová doprava, a.s.	25438107	Kadaň, Tušimice 7, postcode 432 01
120	SD - KOMES, a.s.	28666674	Most, Moskevská 14/1, postcode 434 01 (seat from 1 July 2008 to 8 July 2008: Most, Moskevská 1/14, postcode 434 01)
121	SD - Rekultivace, a.s.	27329011	Kadaň, Tušimice 7, postcode 432 01
122	SD - Vrtné a trhací práce, a.s.	25022768	Bílina, Důlní 375/89, postcode 418 29
123	SEVAC a.s. in liquidation	60192968	Kostelec nad Černými Lesy, Bohumile, postcode 281 63
124	Severočeské doly a.s.	49901982	Chomutov, Boženy Němcové 5359, postcode 430 01
125	Severočeské mlékárny, a.s. Teplice, in bankruptcy	48291749	Teplice, Libušina 2154, postcode 415 03
126	SHD - KOMES a.s.	44569891	Most, Moskevská l/l4
127	Silnice Teplice a.s. in liquidation	47285583	Teplice, Chelčického 7, postcode 415 01
128	SINIT,a.s.	25397401	Ostrava – Mariánské Hory, Emila Filly 296/13, postcode 709 00
129	Skládka Tušimice, a.s.	25005553	Kadaň, Tušimice 7, postcode 432 01
130	Sky Venture a.s.	27361381	Prague 1, Na Příkopě 583/15, postcode 110 00
131	SLOVAK AIR SERVICES s.r.o.	31373844	Bratislava, Letiště M. R. Štefánika, postcode 820 01, Slovak Republic
132	STAVOCENTRAL, a.s.	47116943	Prague 2, Jaromírova 64, postcode 128 00
133	STE - obchodní služby spol. s r.o. (abbreviated name: STE-OS s.r.o.) in liquidation	49826182	Prague 2, Vinohradská 8, postcode 120 21
134	STROJIMPORT a.s., franc. Société Anonyme, něm. Aktiengesellschaft, špaň. Sociedad Anónima, rusky Akcioněrnoje obščestvo, angl. Joint-Stock Company	00000795	Prague 3, U Nákladového nádraží 6
135	STROJÍRNY TATRA PRAHA,a.s.	00674311	Prague 5 – Zličín, K metru 312, postcode 155 21
136	ŠKODA PRAHA a.s.	00128201	Prague 4, Duhová 2/1444, postcode 140 74 (seat until 4 January 2008: Prague 6, Milady Horákové č.or. 109 č.p. 116, postcode 160 41)
137	ŠKODA PRAHA Invest s.r.o.	27257517	Prague 4, Duhová 2/1444, postcode 140 74
138	ŠKODA VÝZKUM s.r.o.	47718684	Plzeň, Tylova 1/57, postcode 316 00
139	ŠKODAEXPORT, a.s. (name since 9 June 2008: ČKD EXPORT, a.s.)	00548421	Prague 1, Opletalova 41/1683, postcode 113 32
140	ŠKO-ENERGO, s.r.o.	61675938	Mladá Boleslav 1, Tř. Václava Klementa 869, postcode 293 60
141	ŠKO-ENERGO FIN, s.r.o.	61675954	Mladá Boleslav 1, Tř. Václava Klementa 869, postcode 293 60
142	TECHNOEXPORT akciová společnost pro zahraniční obchod	00000841	Prague 1, Václavské náměstí 846/1, postcode 113 34
143	TEC Varna EAD	BULSTAT No. 103551629	Village of Ezerovo, Varna District, postcode 9168 Varna, Republic of Bulgaria
144	Teplotechna Praha, a.s., in bankruptcy	60192933	Prague 2, Ječná 39, postcode 113 39
145	THERMAL-F, a.s.	25401726	Karlovy Vary, I. P. Pavlova 2001/11, postcode 360 01
146	Tomis Team S.R.L.	18874690	Galbiori, 2 Morii St., Constanța County, Romania
147	Transenergo International N.V.	24426210	Rotterdam, Weena 327, 3013 AL, Kingdom of the Netherlands (seat until 1 December 2008: Rotterdam, Weena 340, 3012 NJ, Kingdom of the Netherlands)
148	UNITEX a.s.	49969358	Brno, Šumavská 31, postcode 659 07
149	Ústav aplikované mechaniky Brno, s.r.o.	60715871	Brno, Veveří 95, postcode 611 00
150	Ústav jaderného výzkumu Řež a.s.	46356088	Husinec-Řež čp. 130, postcode 250 68
151	Výzkumný a zkušební letecký ústav, a.s.	00010669	Prague, Letňany, Beranových 130, postcode 199 05 (seat until 26 June 2008: Prague 9, Beranových 130)
152	Whitelines Industries a.s.	27105733	Prague 1, Na Příkopě 583/15, postcode 110 00
153	ZAO TransEnergo	No. 1057748236897	Moscow, Dvornikova 7, Russian Federation
154	Zemědělská akciová společnost Březno abbreviated name: Zemědělská a.s. Březno	61672700	Dlouhá Lhota 107, postcode 294 05