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CEZ SHPERNDARJE*



CEZ SHPERNDARJE

Privatization of the distribution energy sector an
important factor for increasing the efficiency in
consumption

Tirana, October 7th, 2010



CEZ GROUP IS AN INTERNATIONAL UTILITY WITH A STABLE POSITION IN DOMESTIC MARKET AND A GROWING PORTFOLIO IN CEE

CEZ Group in Poland (99.91% stake in Skawina, 89% in Elcho)

Electricity generation, gross (TWh)	4.1
Market share	2.5%
Installed capacity (MW)	730
Market share	2.2%
Number of employees	589
Sales (EUR million)	229

CEZ Group in Germany (50% stake in MIBRAG)

Annual coal extraction (m t)	19.0
Lignite reserves (m t)	530

CEZ Group in the Czech Republic

Electricity generation, gross (TWh)	61.1
Number of connection points (million)	3.5
Market share	45%
Installed capacity (MW)	12,298
Market share	73%
Number of employees	19,824
Sales (EUR million)	5,916

CEZ Group in Albania (76% stake in OSSH)

Number of connection points (million)	1.1
Electricity sales (TWh)	4.1



CEZ Group in Romania (51% stake in EDC Oltenia)

Electricity sales, net (TWh)	3.4
Number of connection points (million)	1.4
Market share	18.1%
Number of employees	2,578
Sales (EUR million)	417

CEZ Group in Bulgaria (67% stake in 3 EDCs, 100% in TPP Varna)

Electricity sales, net (TWh)	8.6
Number of connection points (million)	2.0
Market share	40%
Installed capacity (MW)	1,260
Market share	11.6%
Number of employees	4,207
Sales (EUR million)	715

CEZ Group in Turkey (50% stake in SEDAS through AkCez, 37.36% stake in Akenerji)

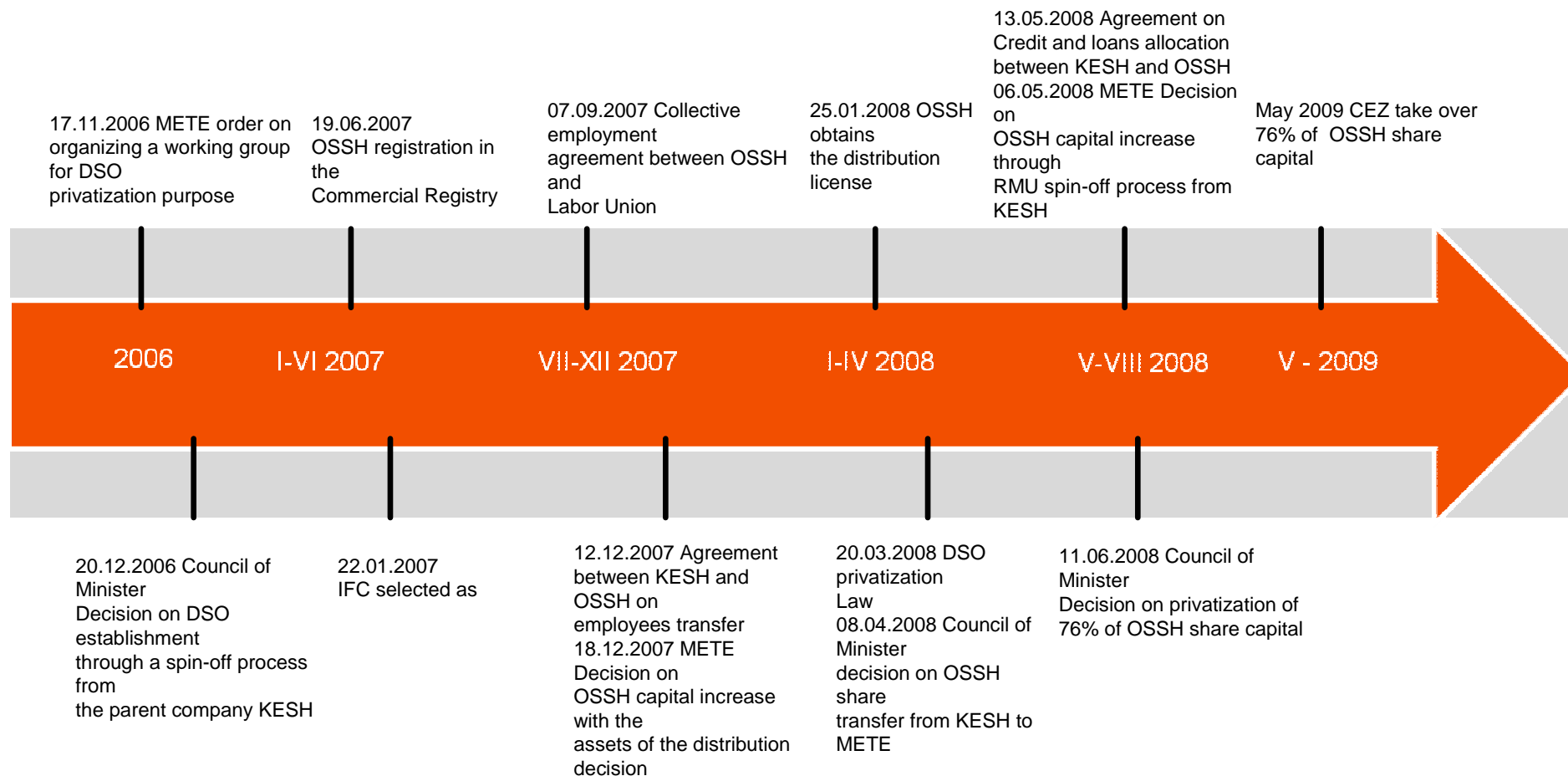
Electricity sales, net (TWh)	8
Number of connection points (million)	1.3
Installed capacity (MW)	496
Market share	2%

Source: CEZ, national statistics

Notes: IFRS 2008, Exchange rate CZK/EUR = 24.96

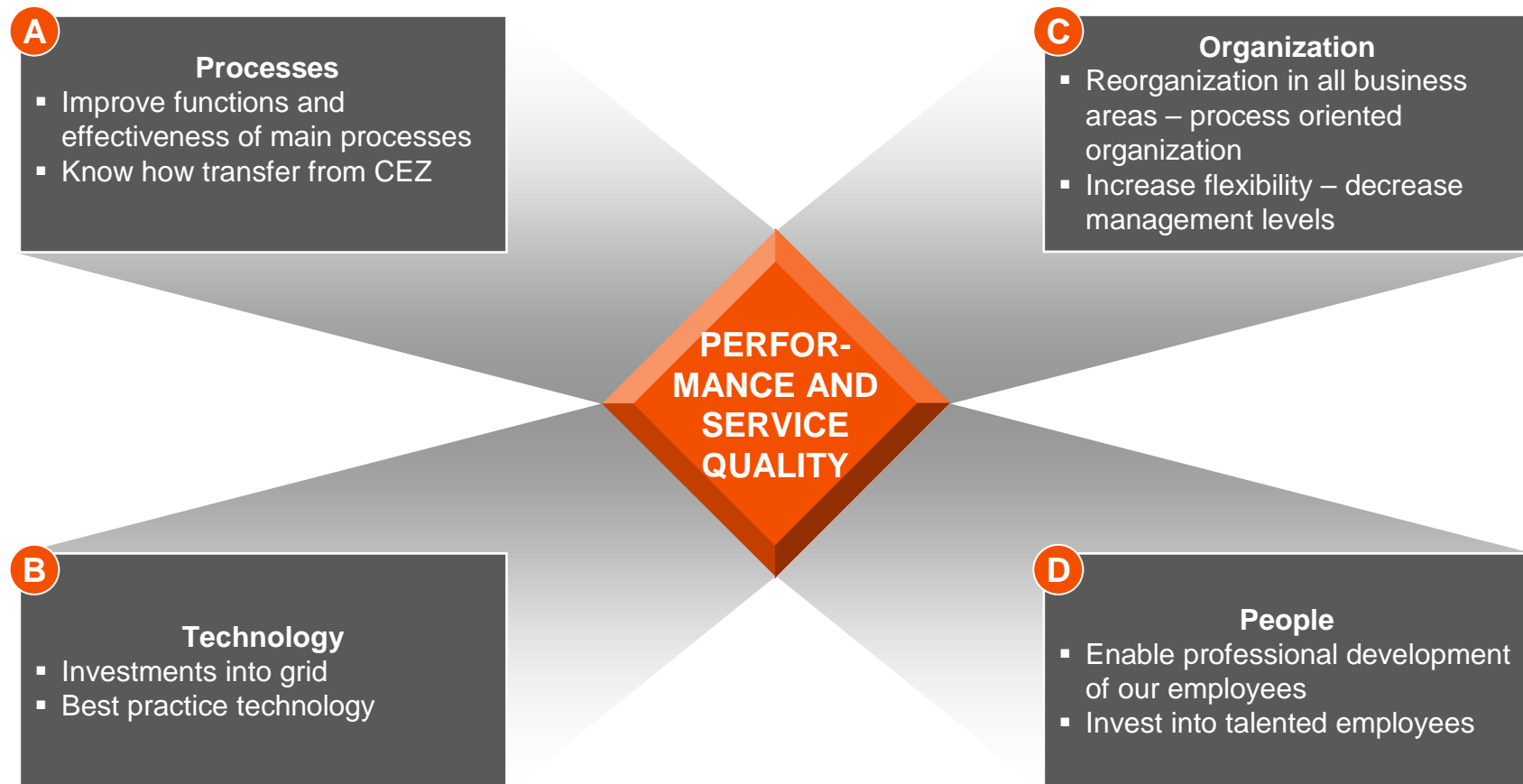


PRIVATISATION TIME-LINE





FOUR ASPECTS NEED TO BE ADDRESSED TO IMPROVE THE OVERALL PERFORMANCE AND SERVICE QUALITY OF CEZ SHPERNDARJE





OUR GOAL IS TO MOVE CEZ SHPERNDARJE TO CEZ STANDARDS BY 2015

Overview of transformation strategy





TRANSFORMATION IN ALBANIA IS MUCH FASTER THAN IN OTHER CEZ ACQUISITIONS

Key achievements

- Centralized back-office processes (Finance, IT, HR, Procurement, Logistics) with strong IT support (SAP)
- Process oriented structure of distribution and sales in line with best practices since 1.10.2010
- New collection processes and structure that significantly improved the collection
- Increased quality of billing by using MyAvis terminals (currently more than 400 ths. customers read by terminals)
- Transparent new connection process in Tirana and from 1.10. 2010 in all Albania
- Setup of NTL teams to fight with losses (currently covering all Albania)
- Successful pilot project for load-profile meters
- New enveloped invoices; proved delivery to big customers from 1.10.2010





EARLY REBRANDING SHOWS CEZ LONG TERM COMMITMENT TO ALBANIA

Expected effect of rebranding

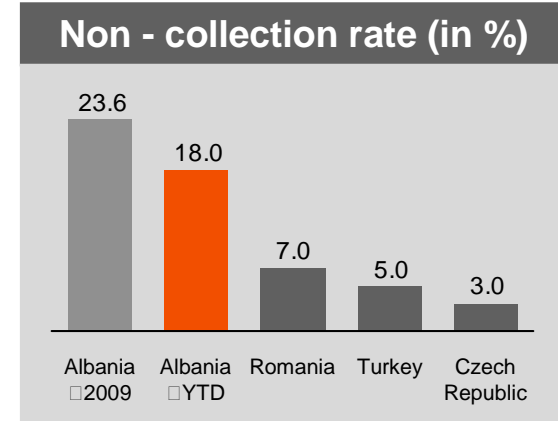
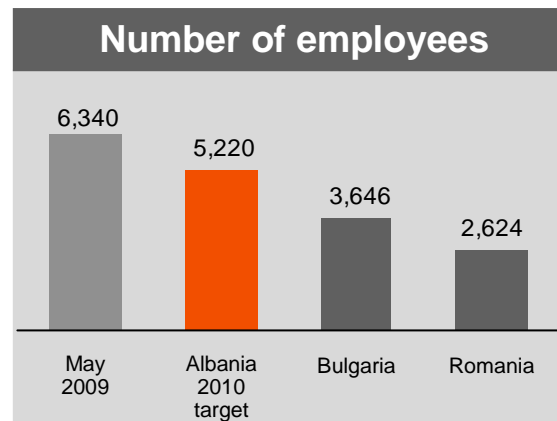
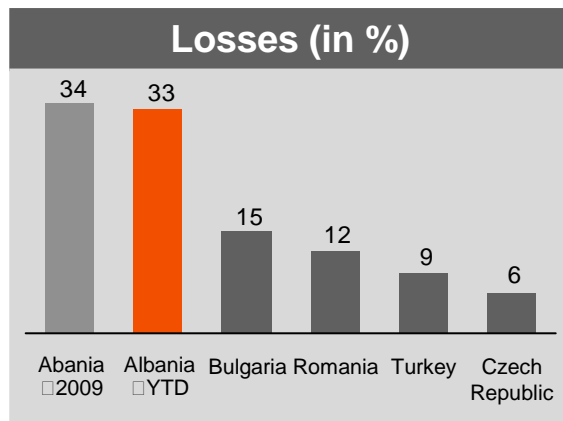


Improvement in perception of the company by its employees, customers and general public is vital for its successful future.



CEZ ALREADY MADE SIGNIFICANT IMPROVEMENTS IN ALBANIA BUT THERE IS MUCH MORE TO ACHIEVE

Achieved results in key areas



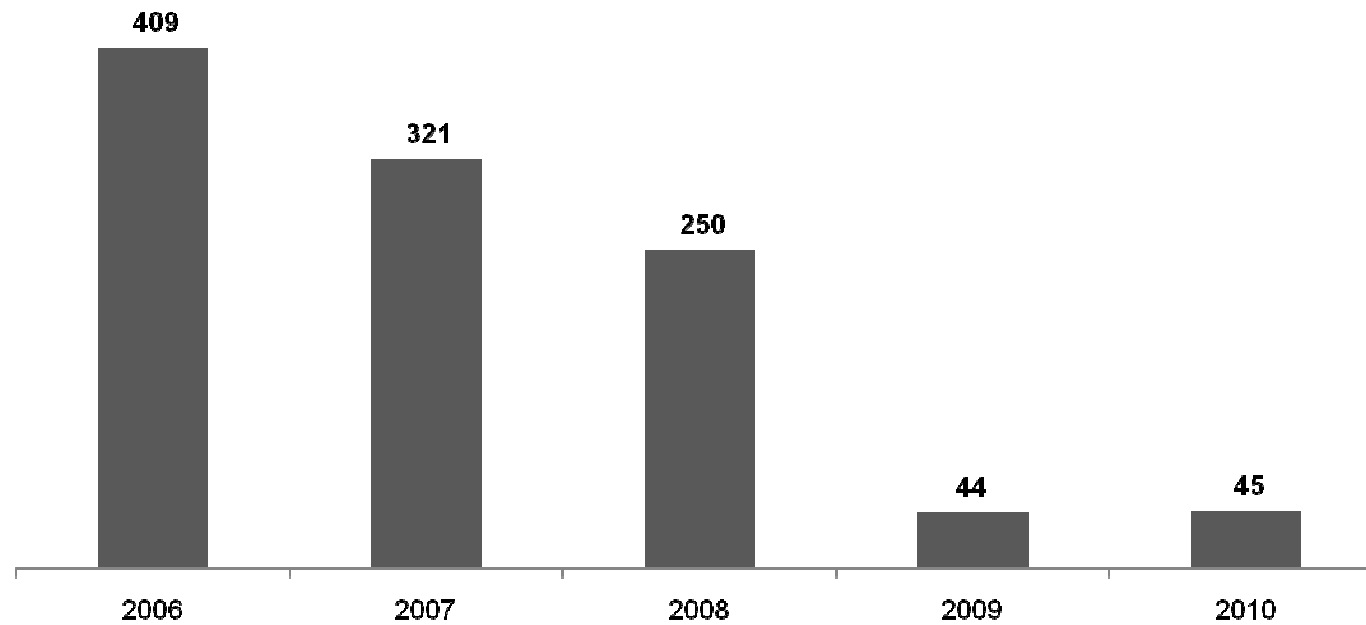
Main observations

- Percentage of losses in Albania remains to be many times higher than in other CEZ Group members. Despite tremendous loss-decrease activities the overall losses are higher than expected mainly due to negative influence of data cleaning and cancelation of over-billing. Late acquisition date as well as lack of long-term investment money also played a significant role
- Even though Albania reduced significantly number of employees it still has significantly more employees compared to CEZ Romania and CEZ Bulgaria which are comparable benchmarks. The gap is in efficiency of internal processes as well as in use of outsourcing
- Despite significant improvement in collection rate Albania is far behind other CEZ acquisitions



THE ENERGY SUPPLY INDICATOR IMPROVED SIGNIFICANTLY AFTER PRIVATIZATION

Load shedding (GWh)



- Year 2006-2007 according to KESH sh.a.
- Year 2008 according to ERE
- 2010 up to date



CEZ IN ALBANIA IS EXAMPLE FOR OTHER INVESTORS

KEY BENEFITS FOR ALBANIA

- Improved electricity distribution quality and reliability of energy supply that will trigger further development of Albania
- Investments of more than 200 mil. EUR till 2015 in distribution grid and linked socio-economical benefits
- Improved efficiency of distribution by application of CEZ group best-practices (performance, losses, collection) will bring lower distribution tariffs in mid-term perspective
- Improved customer experience and satisfaction
- Attraction of other foreign investors

CRITICAL SUCCES FACTORS

- Socio-economical situation in Albania and customer behavior
- ERE – its role to properly balance interests of individual electricity market players
- Payment morale of state institutions
- Finalization of long-term investment loan agreement with EBRD/IFC
- Political stability
- Reliable legal system