

CEZ Finance B.V.
Amsterdam

Annual report and accounts
for the year 2008

adopted in the Annual General meeting of Shareholders held on 3 July 2009

0899060



<u>Table of contents:</u>	<u>page</u>
Annual report	
Report of the management	3
Annual accounts	
Balance sheet as at December 31, 2008	4
Profit and loss account for the year 2008	5
Cash flow statement	6
Notes to the annual accounts	7
Other information	
Appropriation of results	14
Subsequent events	14
Auditor's report	15

Report of the management

The management herewith presents to the shareholder the annual accounts of CEZ Finance B.V. (hereinafter: "the Company") for the year 2008.

General

The Company is a limited liability company incorporated under the laws of The Netherlands and acts as a finance company for CEZ A.S., located in the Czech Republic.

Overview of activities

The Company has issued Euro bonds on the Luxembourg Stock Exchange of which the proceeds have been used to grant a loan to its shareholder.

On April 25, 2008 the Company has borrowed EUR 37,315,000 from CEZ MH BV. This loan has been used to grant a loan to its shareholder. This loan was fully repaid on January 13, 2009.

The Company does not perform any research and development activities.

Results

The net asset value of the Company as at December 31, 2008 amounts to EUR 2,837,126 (2007: EUR 2,597,280). The result for the year 2008 amounts to a profit of EUR 239,846 (2007: 265,528).

The risks to which the Company is exposed include interest rate risks and solvability risks. The relating risk management policies are set out in note 20 of the notes to the annual accounts.

Selected indicators:	Formulas
-Debt to asset ratio: 0.99	(Liabilities / Assets)
-Debt to equity ratio: 151.27	(Total liabilities / Shareholders' equity)
-Current Ratio: 1.10	(Current assets / Current liabilities)

Responsibility statement

The management of CEZ Finance B.V. states that, to the best of its knowledge:

1. The annual accounts, which have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, provide a true and fair view of the assets, liabilities and financial position as at 31 December 2008 as well as the result for the 2008 financial year; and
2. The report of the management provides a true and fair view of the position as at 31 December 2008, the development during the financial year, together with a description of the principal risks.

Future outlook

The management is of the opinion that the remaining activities will be maintained during the next financial year.

Amsterdam, April 29, 2009
Fortis Intertrust (Netherlands) B.V.

Jan Brozik

Balance sheet as at December 31, 2008

(Before the proposed appropriation of the result and expressed in Euro)

	Notes	Dec 31, 2008	Dec 31, 2007
Fixed assets			
Financial fixed assets			
Loans to shareholder	1	399,099,141	398,728,855
Deferred issue expenses	2	347,554	490,411
Total fixed assets		399,446,695	399,219,266
Current assets			
Short term loan to shareholder	3	19,214,000	-
Loan interest receivable	4	10,647,400	10,647,400
Taxation	5	90,103	93,221
Cash at banks	6	2,607,637	2,354,919
Total current assets		32,559,140	13,095,540
Current liabilities (due within one year)			
Bonds interest payable	7	10,491,781	10,491,781
Accrued expenses	8	29,383	6,479
Loan from group entity	9	19,200,850	-
Total current liabilities		29,722,014	10,498,260
Current assets less current liabilities		2,837,126	2,597,280
Total assets less current liabilities		402,283,821	401,816,546
Long term liabilities (due after one year)			
Bonds	10	399,446,695	399,219,266
Net asset value		2,837,126	2,597,280
Capital and reserves			
Paid up and called up share capital	11	18,151	18,151
Share premium reserve		1,806,594	1,806,594
Other reserves		772,535	507,007
Unappropriated results		239,846	265,528
Total capital and reserves		2,837,126	2,597,280

The accompanying notes form an integral part of these financial statements.

Profit and loss account for the year 2008

(Expressed in Euro)

	Notes	2008	2007
Finance activities			
Interest on loans to shareholder	12	19,723,434	23,916,182
Interest on bonds	13	(18,500,000)	(23,592,749)
Interest expense on loans	14	(934,870)	-
Interest income deposit account		81,109	72,692
Interest expense current account		(1,137)	-
Other interest income		4,224	2,908
Amortisation of deferred financing fees	15	370,286	438,789
Amortisation of discount on bonds	16	(227,429)	(231,131)
Amortisation of deferred issue expenses	17	(142,857)	(207,657)
Currency exchange rate differences		-	(2,091)
<i>Total financial income and expenses</i>		<u>372,760</u>	<u>396,943</u>
Other income and expenses			
General and administrative expenses	18	(73,899)	(47,275)
Other income		5,000	-
<i>Total other income and expenses</i>		<u>(68,899)</u>	<u>(47,275)</u>
Result before taxation		<u>303,861</u>	<u>349,668</u>
Taxation	19	(64,015)	(84,140)
Result after taxation		<u><u>239,846</u></u>	<u><u>265,528</u></u>

The accompanying notes form an integral part of these financial statements.

Cash flow statement for the year ended December 31, 2008

(Expressed in Euro)

	Notes	2008	2007
Cash flows from operating activities			
Net result		239,846	265,528
Working Capital Movements			
Movement receivables (excluding cash)		3,118	4,467,323
Movement current liabilities (excluding credit institutions)		22,903	(4,785,567)
		<u>265,867</u>	<u>(52,716)</u>
Cash flows from investing activities			
Increase long term loans receivable		(227,428)	129,079,043
Loan to parent		(37,315,000)	-
Repayment of loan		<u>18,101,000</u>	<u>-</u>
		(19,441,428)	129,079,043
Cash flows from financing activities			
Increase long term loans payable		227,429	(129,079,043)
Proceeds of intercompany borrowings		37,315,000	-
Repayment of intercompany borrowings		<u>(18,114,150)</u>	<u>-</u>
		19,428,279	(129,079,043)
Net Increase / (Decrease) in cash		<u>252,718</u>	<u>(52,716)</u>
Balance cash at bank and in hand as per opening balance		<u>2,354,919</u>	<u>2,407,635</u>
Cash at bank as per balance sheet date		<u><u>2,607,637</u></u>	<u><u>2,354,919</u></u>

Notes to the annual accounts

General

The Company is incorporated in The Netherlands with limited liability on November 28, 1994.

The Company is a wholly owned subsidiary of CEZ A.S., located in the Czech Republic.

The Company is engaged in financing activities for group companies.

The financial statements of the Company are included in the consolidated financial statements of CEZ A.S., which have been filed at the Chamber of Commerce in Prague, the Czech Republic.

Basis of presentation

The accompanying accounts have been prepared in accordance with Part 9 Book 2 of the Netherlands Civil Code.

The most important policies are:

a. Loans to shareholder and bonds

The bonds and loan receivable are carried at amortised cost using the effective interest rate method.

b. Other assets and liabilities

Other assets and liabilities are shown at face value, unless stated otherwise in the notes.

c. Recognition of income

Income and expenses, including taxation, are recognised and reported on accrual basis.

d. Corporate income tax

Provisions for taxation have been made in accordance with the standard ruling practice for finance companies in The Netherlands. Final corporate income tax assessments have been received for the financial years through 2006.

e. Cash flow statement

The cash flow statement has been prepared using the indirect method whereby the profit and loss account and the movements between the opening and closing balance are used as basis. The movement in funds consists of the movement in cash at banks. Interest income and expense are incorporated in cash flow from operating activities. The cash flows from investing and financing activities, although in fact settled by the parent Company, are presented in the cash flow statement of CEZ Finance B.V. to provide full insight in the operations of the Company.

Notes to the annual accounts (continued)

(Expressed in Euro)

			Dec 31, 2008	Dec 31, 2007
Balance sheet				
1 Loans to shareholder				
Loan EUR 400,000,000			400,000,000	400,000,000
Deferred financing fee EUR 2,592,000			(900,859)	(1,271,145)
			<u>399,099,141</u>	<u>398,728,855</u>
<p>According to the loan agreement between the Company and its shareholder, the shareholder should pay a financing fee equal to the aggregate of the administration expenses in relation with the issue of the Bonds by the Company. As a result, the issue expenses in relation with the issue of the Bonds have been deducted from the principal loan amount granted to the shareholder. This deferred financing fee will be released to income over the term of the loan.</p>				
EUR	400,000,000	Maturity June 08, 2011	Interest rates applicable 4.6936	
Balance as per January 01, 2008			398,728,855	
Amortisation deferred finance 2008			370,286	
Balance as per December 31, 2008			<u>399,099,141</u>	
2 Deferred issue expenses				
The issue expenses on the LTL Bond EUR 400,000,000 are amortised in seven years according to a straight line method. The principal amount was EUR 1,000,000.				
Deferred issue expenses LTL Bond EUR 400,000,000			1,000,000	1,000,000
Accumulated amortisation			(652,446)	(509,589)
Total deferred issue expenses			<u>347,554</u>	<u>490,411</u>
3 Short term loan to shareholder				
Loan EUR 37,315,000			19,214,000	-
			<u>19,214,000</u>	<u>-</u>

According to the loan agreement for the lent amount of EUR 37,315,000 the EURIBOR will be determined two days prior to the date the relevant interest period starts.

The interest applicable on this loan is monthly EURIBOR +0.2574%. This loan was fully repaid on 13 January 2009.

Notes to the annual accounts (continued)

(Expressed in Euro)

	Dec 31, 2008	Dec 31, 2007
7 Bonds interest payable		
Bond EUR 400,000,000 - interest rate 4.625%		
Period June 08, 2008 - December 31, 2008	10,491,781	10,491,781
	<u>10,491,781</u>	<u>10,491,781</u>
8 Accrued expenses		
Management / Administration fees payable	3,611	1,479
Tax consultant fees payable (partly estimated)	10,772	5,000
Audit fees payable	15,000	-
	<u>29,383</u>	<u>6,479</u>
9 Loan from group entity		
Loan from CEZ MH BV	19,200,850	-
	<u>19,200,850</u>	<u>-</u>

According to the loan agreement for the borrowed amount of EUR 37,315,000 the EURIBOR will be determined two days prior to the date the relevant interest period starts.

The interest applicable on this loan is monthly EURIBOR + 0.1888%. This loan was fully repaid on 13 January 2009.

10 Bonds

Bonds are specified as follows:

Bond EUR 400,000,000 - 4.625%	400,000,000	400,000,000
Discount	(553,305)	(780,734)
	<u>399,446,695</u>	<u>399,219,266</u>

The EUR Bonds have been issued at the Luxembourg Stock Exchange. The bonds are guaranteed by the share holder. The proceeds of the Bonds have been lent through to the Company's share holder.

		Maturity	Interest
EUR	400,000,000	June 08, 2011	4.6250
Balance as per January 01, 2008			399,219,266
Depreciation discount			<u>227,429</u>
Balance as per December 31, 2008			<u>399,446,695</u>

Notes to the annual accounts (continued)
(Expressed in Euro)

11 Capital and reserves

The authorised share capital of the Company amounts to EUR 90,756.04 divided into 200 shares of EUR 453.78 each. Issued and paid up are 40 shares.

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Unappr.results</u>
Balance as per Jan 01, 2007	18,151	1,806,594	177,244	329,763
Transfer	-	-	329,763	(329,763)
Result for the period	-	-	-	265,528
Balance as per Dec 31, 2007	18,151	1,806,594	507,007	265,528
Transfer	-	-	265,528	(265,528)
Result for the period	-	-	-	239,846
Balance as per Dec 31, 2008	18,151	1,806,594	772,535	239,846

Notes to the annual accounts
(Expressed in Euro)

	2008	2007
<u>Profit and loss account</u>		
12 Interest on loans to shareholder		
Loan USD 178,000,000 - 7.1936%	-	5,141,782
Loan EUR 400,000,000 - 4.6936%	18,774,400	18,774,400
Loan EUR 37,315,000	949,034	-
	<u>19,723,434</u>	<u>23,916,182</u>
13 Interest on bonds		
Bond USD 178,000,000 - 7.125%	-	5,092,749
Bond EUR 400,000,000 - 4.625%	18,500,000	18,500,000
	<u>18,500,000</u>	<u>23,592,749</u>
14 Interest on loans from group entities		
Loan EUR 37,315,000	934,870	-
	<u>934,870</u>	<u>-</u>
15 Amortisation of deferred financing fees		
Financing fee USD 1,317,200 at historic rate		
Straight line - 10 years	-	68,503
Financing fee EUR 2,592,000		
Straight line - 7 years	370,286	370,286
	<u>370,286</u>	<u>438,789</u>
16 Amortisation of discount on bonds		
Discount USD 80,000 at historic rate		
Straight line - 10 years	-	3,702
Discount EUR 1,592,000		
Straight line - 7 years	227,429	227,429
	<u>227,429</u>	<u>231,131</u>
17 Amortisation of deferred issue expenses		
Issue expenses USD 1,400,000 at historic rate		
Straight line - 10 years.	-	64,800
Issue expenses EUR 1,000,000		
Straight line - 7 years.	142,857	142,857
	<u>142,857</u>	<u>207,657</u>
18 General and administrative expenses		
Management fees	4,320	4,320
Administration fees	36,904	31,976
Fiscal advisory services *	10,772	10,492
Bank charges	391	279
General expenses	141	208
Audit fees *	15,000	-
Legal / notary fees	5,071	-
Other professional fees	1,300	-
	<u>73,899</u>	<u>47,275</u>

Notes to the annual accounts (continued)
(Expressed in Euro)

	2008	2007
--	------	------

Pursuant to the legal requirements under Article 382a, Book 2 of the Netherlands Civil Code the total fees charged by Ernst & Young are as follows:

* 2008	E&Y Accountants LLP	Other E&Y	Total E&Y
Audit of annual report	15,000	-	15,000
Other review activities	-	-	-
Fiscal advisory services	-	10,772	10,772
Other non audit activities	-	-	-
Total	15,000	10,772	25,772

2007	E&Y Accountants	Other E&Y	Total E&Y
Audit of annual report	-	-	-
Other review activities	-	-	-
Fiscal advisory services	-	10,492	10,492
Other non audit activities	-	-	-
Total	-	10,492	10,492

19 Taxation

Provision for corporate income tax 2008 (2007)	63,931	87,005
Provision for corporate income tax previous years	84	(2,865)
	<u>64,015</u>	<u>84,140</u>

20 Risks and risk management

The risks to which the Company is exposed include interest rate risks and solvability risks.

a. Interest rate risks

The interest rate risk on the outstanding bonds is fully hedged through identical loan agreements entered into with the parent company.

b. Solvability risks

The solvability risks is limited as the bonds are fully guaranteed by the parent company, CEZ a.s.

Related party transactions

Apart from the transactions already disclosed in the notes to the accounts, the Company did not enter into other transactions with related parties.

Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

Directors

The Company has two (previous year: two) managing directors, of which Fortis Intertrust (Netherlands) B.V. receives a remuneration in the amount of EUR 4,320 (2007: EUR 4,320).

Amsterdam, April 29, 2009
Fortis Intertrust (Netherlands) B.V.

Jan Brozik

Other information

Appropriation of results

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, other reserves and unappropriated results are at the disposal of the shareholder in accordance with the Company's articles of association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal and/or statutory reserves.

The management proposes to the shareholder to add the result for the year to the other reserves.

Subsequent events

No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.

Other information

Auditor's Report

To: the Annual General Meeting of Shareholders of CEZ Finance B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of CEZ Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the report of the management, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires 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 give a true and fair view of the financial position of CEZ Finance B.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 29 April 2009

Ernst & Young Accountants LLP

signed by P.W.J. Laan