

CEZ Finance B.V.  
Amsterdam

Annual report and accounts  
for the year 2009

0976493



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<u>Table of contents:</u>	<u>page</u>
Annual report	
Directors' Report	3
Annual accounts	
Balance sheet as at December 31, 2009	4
Profit and loss account for the year 2009	5
Cash flow statement	6
Notes to the annual accounts	7
Other information	
Appropriation of results	14
Subsequent events	14
Auditor's report	15

## Director's Report

The management herewith presents to the shareholder the annual accounts of CEZ Finance B.V. (hereinafter: "the Company") for the year 2009.

## 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.

As per 15 February 2010 Mr. Jan Brozik resigned as Managing Director of the Company. As per the same date Mr. Jiri Postolka was appointed as his successor.

## Results

The net asset value of the Company as at December 31, 2009 amounts to EUR 3,003,962 (2008: EUR 2,837,126). The result for the year 2009 amounts to a profit of EUR 166,836 (2008: 239,846).

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  
-Debt to equity ratio: 136.55  
-Current Ratio: 1.29

(Liabilities / Assets)  
(Total liabilities / Shareholders' equity)  
(Current assets / Current liabilities)

## Liquidity and capital resources

Liquidity has increased slightly and shareholder's equity has increased with the profit for the year. Both are considered sufficient in view of the nature of the Company's business.

## 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 2009 as well as the result for the 2009 financial year; and
2. The report of the management provides a true and fair view of the financial position as at 31 December 2009, the development during the financial year, together with a description of the principal risks.

## Audit Committee

As an 'Organisatie van Openbaar Belang' (OPI) CEZ Finance B.V. is required to establish an Audit Committee. The shareholder (Parent Company) fulfils the required Audit Committee tasks and is responsible to keep supervision over the Board of Directors of CEZ Finance B.V.

## Future outlook

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

Amsterdam, April 9, 2010

Intertrust (Netherlands) B.V.

Jiri Postolka  
(appointed 15 February 2010)

Jan Brozik  
(resigned as per 15 February 2010)

Balance sheet as at December 31, 2009  
(Before the proposed appropriation of the result and expressed in Euro)

	Notes	Dec 31, 2009	Dec 31, 2008
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Loans to shareholder	1	399,469,426	399,099,141
Deferred issue expenses	2	204,697	347,554
<b>Total fixed assets</b>		<b>399,674,123</b>	<b>399,446,695</b>
<b>Current assets</b>			
Short term loan to shareholder	3	-	19,214,000
Loan interest receivable	4	10,647,400	10,647,400
Taxation	5	114,246	90,103
Cash at banks	6	2,764,535	2,607,637
<b>Total current assets</b>		<b>13,526,181</b>	<b>32,559,140</b>
<b>Current liabilities (due within one year)</b>			
Bonds interest payable	7	10,491,781	10,491,781
Accrued expenses	8	30,438	29,383
Loan from group entity	9	-	19,200,850
<b>Total current liabilities</b>		<b>10,522,219</b>	<b>29,722,014</b>
<b>Current assets less current liabilities</b>		<b>3,003,962</b>	<b>2,837,126</b>
<b>Total assets less current liabilities</b>		<b>402,678,085</b>	<b>402,283,821</b>
<b>Long term liabilities (due after one year)</b>			
Bonds	10	399,674,123	399,446,695
<b>Net asset value</b>		<b>3,003,962</b>	<b>2,837,126</b>
<b>Capital and reserves</b>			
Paid up and called up share capital	11	18,151	18,151
Share premium reserve		1,806,594	1,806,594
Other reserves		1,012,381	772,535
Unappropriated results		166,836	239,846
<b>Total capital and reserves</b>		<b>3,003,962</b>	<b>2,837,126</b>

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

Profit and loss account for the year 2009  
(Expressed in Euro)

	Notes	2009	2008
<b>Finance activities</b>			
Interest on loans to shareholder	12	18,793,993	19,723,434
Interest on bonds	13	(18,500,000)	(18,500,000)
Interest expense on loans	14	(19,104)	(934,870)
Interest income deposit account		15,696	81,109
Interest expense current account		(1)	(1,137)
Other interest income		-	4,224
Amortisation of deferred financing fees	15	370,286	370,286
Amortisation of discount on bonds	16	(227,429)	(227,429)
Amortisation of deferred issue expenses	17	(142,857)	(142,857)
Currency exchange rate differences		-	-
<i>Total financial income and expenses</i>		<u>290,584</u>	<u>372,760</u>
<b>Other income and expenses</b>			
General and administrative expenses	18	(79,841)	(73,899)
Other income		-	5,000
<i>Total other income and expenses</i>		<u>(79,841)</u>	<u>(68,899)</u>
<b>Result before taxation</b>		<u>210,743</u>	<u>303,861</u>
<b>Taxation</b>	19	(43,907)	(64,015)
<b>Result after taxation</b>		<u><u>166,836</u></u>	<u><u>239,846</u></u>

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

Cash flow statement for the year ended December 31, 2009  
(Expressed in Euro)

	Notes	2009	2008
<b>Cash flows from operating activities</b>			
Net result		166,836	239,846
<b>Working Capital Movements</b>			
Movement receivables (including tax receivable, excluding cash)		(24,143)	3,118
Movement current liabilities (excluding credit institutions)		1,055	22,903
		<u>143,748</u>	<u>265,867</u>
<b>Cash flows from investing activities</b>			
Loan to parent		-	(37,315,000)
Repayment of loan		19,214,000	18,101,000
		<u>19,214,000</u>	<u>(19,214,000)</u>
<b>Cash flows from financing activities</b>			
Proceeds of intercompany borrowings		-	37,315,000
Repayment of intercompany borrowings		(19,200,850)	(18,114,150)
		<u>(19,200,850)</u>	<u>19,200,850</u>
Balance cash at bank and in hand as per opening balance		<u>2,607,637</u>	<u>2,354,919</u>
Net Increase / (Decrease) in cash		<u>156,898</u>	<u>252,718</u>
Cash at bank as per balance sheet date		<u>2,764,535</u>	<u>2,607,637</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**

Other assets are stated initially at fair value and subsequently at amortized cost based on the effective interest method less provisions if considered necessary. Insofar the difference between the discounted and nominal value is not material, other assets are stated at cost.

**Other liabilities**

Liabilities are recognized initially at fair value and subsequently at amortized costs based on the effective interest method. Insofar the difference between the discounted and nominal value is not material, other liabilities are stated at cost. Gains or losses are recognized in the profit and loss account when the liabilities are derecognised, as well as through the amortization process.

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 2007.

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.

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

	Dec 31, 2009	Dec 31, 2008
<b>Balance sheet</b>		
<b>1 Loans to shareholder</b>		
Loan EUR 400,000,000	400,000,000	400,000,000
Deferred financing fee EUR 2,592,000	(530,574)	(900,859)
	<u>399,469,426</u>	<u>399,099,141</u>

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.

	Maturity	Interest rates applicable
EUR	400,000,000	June 08, 2011
		4.6936
Balance as per January 01, 2009		399,099,141
Amortisation deferred finance fee 2009		370,286
Rounding		(1)
Balance as per December 31, 2009		<u>399,469,426</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	(795,303)	(652,446)
Total deferred issue expenses	<u>204,697</u>	<u>347,554</u>

**3 Short term loan to shareholder**

Loan EUR 37,315,000	-	19,214,000
	<u>-</u>	<u>19,214,000</u>

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



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

	Dec 31, 2009	Dec 31, 2008
<b>4 Loan interest receivable</b>		
Loan EUR 400,000,000		
Period June 09, 2009 - December 31, 2009	10,647,400	10,647,400
Total loan interest receivable	<u>10,647,400</u>	<u>10,647,400</u>

		Maturity	Interest rates applicable
EUR	400,000,000	June 08, 2011	4.6936

<b>5 Taxation</b>		
Corporate income tax 2009	23,183	-
Corporate income tax 2008	91,063	90,103
	<u>114,246</u>	<u>90,103</u>

Income taxes are based on an Advance Pricing Agreement with the Dutch tax authorities. Under this Advance Pricing Agreement, the Company has to report an arm's length remuneration of 6.86 basis points over the average balance of outstanding loans. The provision for income taxes is calculated in accordance with this Advance Pricing Agreement.

<b>6 Cash at banks</b>		
Current account	4,535	32,637
Deposit account	2,760,000	2,575,000
	<u>2,764,535</u>	<u>2,607,637</u>

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

	Dec 31, 2009	Dec 31, 2008
<b>7 Bonds interest payable</b>		
Bond EUR 400,000,000 - interest rate 4.625%		
Period June 09, 2009 - December 31, 2009	10,491,781	10,491,781
	<u>10,491,781</u>	<u>10,491,781</u>
<b>8 Accrued expenses</b>		
Management / Administration fees payable	438	3,611
Tax consultant fees payable (partly estimated)	15,000	10,772
Audit fees payable	15,000	15,000
	<u>30,438</u>	<u>29,383</u>
<b>9 Loan from group entity</b>		
Loan from CEZ MH BV	-	19,200,850
	<u>-</u>	<u>19,200,850</u>

The interest applicable on this loan was 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	(325,877)	(553,305)
	<u>399,674,123</u>	<u>399,446,695</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, 2009		399,446,695
Amortization discount		<u>227,429</u>
Balance as per December 31, 2009		<u>399,674,123</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, 2008	<u>18,151</u>	<u>1,806,594</u>	<u>507,007</u>	<u>265,528</u>
Transfer	-	-	265,528	(265,528)
Result for the period	-	-	-	239,846
Balance as per Dec 31, 2008	<u>18,151</u>	<u>1,806,594</u>	<u>772,535</u>	<u>239,846</u>
Transfer	-	-	239,846	(239,846)
Result for the period	-	-	-	166,836
Balance as per Dec 31, 2009	<u>18,151</u>	<u>1,806,594</u>	<u>1,012,381</u>	<u>166,836</u>

Notes to the annual accounts  
(Expressed in Euro)

	2009	2008
<b>Profit and loss account</b>		
12 Interest on loans to shareholder		
Loan EUR 400,000,000 - 4.6936%	18,774,400	18,774,400
Loan EUR 37,315,000	19,593	949,034
	<u>18,793,993</u>	<u>19,723,434</u>
13 Interest on bonds		
Bond EUR 400,000,000 - 4.625%	18,500,000	18,500,000
	<u>18,500,000</u>	<u>18,500,000</u>
14 Interest on loans from group entities		
Loan EUR 37,315,000	19,104	934,870
	<u>19,104</u>	<u>934,870</u>
15 Amortisation of deferred financing fees		
Financing fee EUR 2,592,000		
Straight line - 7 years	370,286	370,286
	<u>370,286</u>	<u>370,286</u>
16 Amortisation of discount on bonds		
Discount EUR 1,592,000		
Straight line - 7 years	227,429	227,429
	<u>227,429</u>	<u>227,429</u>
17 Amortisation of deferred issue expenses		
Issue expenses EUR 1,000,000		
Straight line - 7 years.	142,857	142,857
	<u>142,857</u>	<u>142,857</u>
18 General and administrative expenses		
Management fees	4,320	4,320
Administration fees	27,241	36,904
Fiscal advisory services *	20,313	10,772
Bank charges	218	391
General expenses	116	141
Audit fees *	17,850	15,000
Legal / notary fees	-	5,071
Other professional fees	9,783	1,300
	<u>79,841</u>	<u>73,899</u>

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

2009

2008

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:

2009	E&Y Accountants LLP	Other E&Y	Total E&Y
Audit of annual report	17,850	-	17,850
Other review activities	-	-	-
Fiscal advisory services	-	20,313	20,313
Other non audit activities	-	-	-
<b>Total</b>	<b>17,850 a)</b>	<b>20,313 b)</b>	<b>38,163</b>

- a) This amount represent the VAT part over the invoice received for the audit 2008 and estimated costs without VAT for the audit 2009, which amount to EUR 15,000.
- b) This amount represent an amount of EUR 6,812.75, which is including VAT, an amount of EUR 3,500 for services rendered by E&Y Czech Republic and estimated costs without VAT for fiscal advisory services in relation to 2009.

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	-	-	-
<b>Total</b>	<b>15,000</b>	<b>10,772</b>	<b>25,772</b>

## 19 Taxation

Provision for corporate income tax 2009 (2008)	44,867	63,931
Provision for corporate income tax previous years	(960)	84
	<u>43,907</u>	<u>64,015</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.

## 21 Contingent liabilities

There are no contingent liabilities.

## 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 Intertrust (Netherlands) B.V. receives a remuneration in the amount of EUR 4,320 (2008: EUR 4,320).

Amsterdam, April 9, 2010

Intertrust (Netherlands) B.V.

Jiri Postolka  
(appointed 15 February 2010)

Jan Brozik  
(resigned as per 15 February 2010)

**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.

Management proposes to the shareholders to distribute the result for the year amounting to EUR 166,836, as dividend to the shareholders.

**Subsequent events**

As per 15 February 2010 Mr. Jan Brozik resigned as Managing Director of the Company. As per the same date Mr. Jiri Postolka was appointed as his successor.

In accordance with the resolutions of the Extraordinary General Meeting of Shareholders, held on 30 March 2010, a dividend amounting to EUR 837,126 has been declared from the general reserves of CEZ Finance B.V.

**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 for the year 2009 of CEZ Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2009, 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 directors' report, 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 2009, 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 directors' report included in the annual report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 9 April 2010

Ernst & Young Accountants LLP

signed by P.W.J. Laan