

CEZ Finance B.V.
Amsterdam

Interim financial statements
as at 30 June 2010

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Director's Report

The management herewith presents the interim financial statements as at June 30, 2010 of CEZ Finance B.V. (hereinafter: "the Company").

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.

In 2010 the CEZ group and Citibank entered into a Multi Target Balancing Agreement ("MTBA") to enable the cross-border cash pooling. The Company and Citibank Europe Plc. entered into a schedule 5 of the MBTA which took effect on 1 February 2010.

In connection with the applicable provisions of the MBTA, on 1 March 2010 the Company and CEZ, a.s. entered into a Mutual Credit Facility Agreement. Based on the agreement, the Company and CEZ, a.s. wish to grant each other reciprocal credit facilities denominated in EUR and USD of a maximum of EURO 50,000,000 or its equivalent. The final repayment date is 31 March 2015.

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.

As per 1 July 2010 Intertrust (Netherlands) B.V. resigned as Managing Director of the Company. As per the same date Intercity Corporate Management B.V. was appointed as a new Managing Director.

Results

The net asset value of the Company as at June 30, 2010 amounts to EUR 2,234.898 (2009: EUR 3.003.962). The result as at June 30, 2010 amounts to a profit of EUR 68,062 (2009: 166,836).

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 18 of the notes to the interim financial statements.

Responsibility statement

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

1. The interim financial statements, 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, financial position and result as at 30 June 2010.
2. The report of the management provides a true and fair view of the financial position as at 30 June 2010, 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, February 7, 2011

Intercity Corporate Management B.V.
(appointed 1 July 2010)

Jiri Postolka
(appointed 15 February 2010)

Balance sheet as at June 30, 2010

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

	Notes	June 30, 2010	Dec 31, 2009
Fixed assets			
Financial fixed assets			
Loans to shareholder	1	399.656.091	399.469.426
Deferred issue expenses	2	132.681	204.697
<i>Total fixed assets</i>		<u>399.788.772</u>	<u>399.674.123</u>
Current assets			
Loan interest receivable	3	1.183.045	10.647.400
Taxation	4	72.563	114.246
Current-account shareholder		1.750.268	-
Other receivables		302	-
Cash at banks	5	415.733	2.764.535
<i>Total current assets</i>		<u>3.421.911</u>	<u>13.526.181</u>
Current liabilities (due within one year)			
Bonds interest payable	6	1.165.753	10.491.781
Accrued expenses	7	21.260	30.438
<i>Total current liabilities</i>		<u>1.187.013</u>	<u>10.522.219</u>
Current assets less current liabilities		<u>2.234.898</u>	<u>3.003.962</u>
Total assets less current liabilities		402.023.670	402.678.085
Long term liabilities (due after one year)			
Bonds	8	399.788.772	399.674.123
Net asset value		<u><u>2.234.898</u></u>	<u><u>3.003.962</u></u>
Capital and reserves			
Paid up and called up share capital	9	18.151	18.151
Share premium reserve		1.806.594	1.806.594
Other reserves		342.091	1.012.381
Unappropriated results		68.062	166.836
<i>Total capital and reserves</i>		<u><u>2.234.898</u></u>	<u><u>3.003.962</u></u>

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

Profit and loss account as at June 30, 2010
(Expressed in Euro)

	Notes	June 30, 2010	Dec 31, 2009
Finance activities			
Interest on loans to shareholder	10	9.310.045	18.793.993
Interest on bonds	11	(9.173.973)	(18.500.000)
Interest expense on loans	12	-	(19.104)
Interest income deposit account		1.063	15.696
Interest income current account		865	-
Interest expense current account		-	(1)
Other interest income		3.829	-
Amortisation of deferred financing fees	13	186.665	370.286
Amortisation of discount on bonds	14	(114.649)	(227.429)
Amortisation of deferred issue expenses	15	(72.016)	(142.857)
Currency exchange rate differences		-	-
<i>Total financial income and expenses</i>		<u>141.829</u>	<u>290.584</u>
Other income and expenses			
General and administrative expenses	16	(73.767)	(79.841)
Other income		-	-
<i>Total other income and expenses</i>		<u>(73.767)</u>	<u>(79.841)</u>
Result before taxation		<u>68.062</u>	<u>210.743</u>
Taxation	17	-	(43.907)
Result after taxation		<u>68.062</u>	<u>166.836</u>

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

Notes to the interim financial statements

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 2009.

Notes to the interim financial statements (continued)
(Expressed in Euro)

	June 30, 2010	Dec 31, 2009
Balance sheet		
1 Loans to shareholder		
Loan EUR 400,000,000	400.000.000	400.000.000
Deferred financing fee EUR 2,592,000	(343.909)	(530.574)
	<u>399.656.091</u>	<u>399.469.426</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, 2010		399.469.426
Amortisation deferred finance fee 2010		186.665
Balance as per June 30, 2010		<u>399.656.091</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	(867.319)	(795.303)
Total deferred issue expenses	<u>132.681</u>	<u>204.697</u>

Notes to the interim financial statements (continued)
(Expressed in Euro)

		June 30, 2010	Dec 31, 2009
3 Loan interest receivable			
Loan EUR 400,000,000			
	Period June 09, 2009 - June 30, 2010	1.183.045	10.647.400
	Total loan interest receivable	<u>1.183.045</u>	<u>10.647.400</u>
EUR	400.000.000	Maturity June 08, 2011	Interest rates applicable 4,6936
4 Taxation			
	Corporate income tax 2010	49.380	-
	Corporate income tax 2009	23.183	23.183
	Corporate income tax 2008	-	91.063
		<u>72.563</u>	<u>114.246</u>
<p>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.</p>			
5 Cash at banks			
	Current account	415.733	4.535
	Deposit account	-	2.760.000
		<u>415.733</u>	<u>2.764.535</u>

Notes to the interim financial statements (continued)
(Expressed in Euro)

	June 30, 2010	Dec 31, 2009
6 Bonds interest payable		
Bond EUR 400,000,000 - interest rate 4.625%		
Period June 09, 2009 - June 30, 2010	1.165.753	10.491.781
	<u>1.165.753</u>	<u>10.491.781</u>
7 Accrued expenses		
Management / Administration fees payable	4.156	438
Tax consultant fees payable (partly estimated)	15.000	15.000
Legal fees payable	2.104	-
Audit fees payable	-	15.000
	<u>21.260</u>	<u>30.438</u>
8 Bonds		
Bonds are specified as follows:		
Bond EUR 400,000,000 - 4.625%	400.000.000	400.000.000
Discount	(211.228)	(325.877)
	<u>399.788.772</u>	<u>399.674.123</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, 2010		399.674.123
Amortization discount		<u>114.649</u>
Balance as per June 30, 2010		<u>399.788.772</u>

Notes to the interim financial statements (continued)
(Expressed in Euro)

9 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, 2010	18.151	1.806.594	1.012.381	166.836
Transfer	-	-	166.836	(166.836)
Dividend	-	-	(837.126)	-
Result for the period	-	-	-	68.062
Balance as per June 30, 2010	<u>18.151</u>	<u>1.806.594</u>	<u>342.091</u>	<u>68.062</u>

Notes to the interim financial statements
(Expressed in Euro)

	June 30, 2010	Dec 31, 2009
Profit and loss account		
10 Interest on loans to shareholder		
Loan EUR 400,000,000 - 4.6936%	9.310.045	18.774.400
Loan EUR 37,315,000	-	19.593
	<u>9.310.045</u>	<u>18.793.993</u>
11 Interest on bonds		
Bond EUR 400,000,000 - 4.625%	9.173.973	18.500.000
	<u>9.173.973</u>	<u>18.500.000</u>
12 Interest on loans from group entities		
Loan EUR 37,315,000	-	19.104
	<u>-</u>	<u>19.104</u>
13 Amortisation of deferred financing fees		
Financing fee EUR 2,592,000		
Straight line - 7 years	186.665	370.286
	<u>186.665</u>	<u>370.286</u>
14 Amortisation of discount on bonds		
Discount EUR 1,592,000		
Straight line - 7 years	114.649	227.429
	<u>114.649</u>	<u>227.429</u>
15 Amortisation of deferred issue expenses		
Issue expenses EUR 1,000,000		
Straight line - 7 years	72.016	142.857
	<u>72.016</u>	<u>142.857</u>
16 General and administrative expenses		
Management fees	4.320	4.320
Administration fees	36.648	27.241
Fiscal advisory services	18.552	20.313
Bank charges	689	218
General expenses	160	116
Audit fees	4.784	17.850
Legal / notary fees	8.614	-
Other professional fees	-	9.783
	<u>73.767</u>	<u>79.841</u>

Notes to the interim financial statements (continued)
(Expressed in Euro)

	June 30, 2010	Dec 31, 2009
17 Taxation		
Provision for corporate income tax 2009 (2008)	-	44.867
Provision for corporate income tax previous years	-	(960)
	<u>-</u>	<u>43.907</u>

18 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.

19 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.

Amsterdam, February 7, 2011

Intercity Corporate Management B.V.
(appointed 1 July 2010)

Jiri Postolka
(appointed 15 February 2010)