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CEZ Finance B.V.
Amsterdam

Annual report and accounts
for the year 2006

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<u>Table of contents:</u>	<u>page</u>
Annual report	
Report of the management	3
Annual accounts	
Balance sheet as at December 31, 2006	4
Profit and loss account for the year 2006	5
Cash flow statement	7
Notes to the annual accounts	8
Other information	
Appropriation of results	14
Subsequent events	14
Auditors' 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 2006.

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 and USD bonds on the Luxembourg Stock Exchange and the New York Stock Exchange, of which the proceeds have been used for granting loans to its shareholder.

During the year, the loan facility and the outstanding bonds, each EUR 200,000,000 matured. The proceeds from the loan facility were used to repay the bonds.

The Company's main financial risk relates to increasing USD foreign exchange rates. To mitigate this risk the Company has fully hedged the USD bond position through a USD loan granted to the Parent Company for the same amount.

The Company does not perform any research and development activities.

Results

The net asset value of the Company as at December 31, 2006 amounts to EUR 2,331,752 (2005: EUR 2,324,866). The result for the year 2006 amounts to a profit of EUR 329,763 (2005: 322,877).

Due to the maturing of the EUR 200 million bonds and loans during the year, the total interest income on loans decreased by EUR 3,097,923, or 7.1% to EUR 40,655,912 from EUR 43,753,835 in 2005. The interest expense on bonds decreased by EUR 3,077,869, or 7.1% to EUR 40,174,758 from EUR 43,252,627 in 2005.

Selected indicators:	Formulas
-Debt to asset ratio: 99.58	(Liabilities / Assets)
-Debt to equity ratio: 235.04	(Total liabilities / Shareholders' equity)
-Current Ratio: 1.15	(Current assets / Current liabilities)

Future outlook

During the next financial year, the loan facility and the outstanding bonds, each USD 178,000,000 will mature (July 15, 2007). It is expected that the proceeds from the loan facility will be used to repay the bonds.

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

Amsterdam, 26 April 2007
Fortis Intertrust (Netherlands) B.V.

Jan Brozik

Balance sheet as at December 31, 2006

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

	Notes	Dec 31, 2006	Dec 31, 2005
Fixed assets			
Financial fixed assets			
Loans to group entities	1	533,291,962	748,085,019
Deferred issue expenses	2	698,068	1,050,696
<i>Total fixed assets</i>		<u>533,990,030</u>	<u>749,135,715</u>
Current assets			
Loan interest receivable	3	15,145,579	19,098,570
Taxation	4	62,365	0
Cash at banks	5	2,407,635	1,713,095
<i>Total current assets</i>		<u>17,615,579</u>	<u>20,811,665</u>
Current liabilities (due within one year)			
Intercompany payable	6	322,877	130,901
Bonds interest payable	7	14,945,456	18,313,754
Taxation	5	0	20,857
Expenses payable	8	15,493	21,287
<i>Total current liabilities</i>		<u>15,283,826</u>	<u>18,486,799</u>
Current assets less current liabilities		<u>2,331,753</u>	<u>2,324,866</u>
Total assets less current liabilities		536,321,783	751,460,581
Long term liabilities (due after one year)			
Bonds	9	533,990,031	749,135,715
Net asset value		<u>2,331,752</u>	<u>2,324,866</u>
Capital and reserves			
Paid up and called up share capital	10	18,151	18,151
Share premium reserve		1,806,594	1,806,594
Other reserves		177,244	177,244
Unappropriated results		329,763	322,877
<i>Total capital and reserves</i>		<u>2,331,752</u>	<u>2,324,866</u>

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

Profit and loss account for the year 2006

(Expressed in Euro)

	Notes	2006	2005
Finance activities			
Interest on loans to group entities	11	40,655,912	43,753,835
Interest on bonds	12	(40,174,758)	(43,252,627)
Interest income deposit account		47,056	3,724
Amortisation of deferred financing fees	13	606,399	634,906
Amortisation of discount on bonds	14	(253,771)	(258,707)
Amortisation of deferred issue expenses	15	(352,628)	(376,199)
Currency exchange rate differences	16	(4,785)	47
<i>Total other financial income and expenses</i>		<u>523,425</u>	<u>504,979</u>
Other income and expenses			
General and administrative expenses	17	(52,266)	(64,464)
Other income	18	0	133,280
<i>Total other income and expenses</i>		<u>(52,266)</u>	<u>68,816</u>
Result before taxation		<u>471,159</u>	<u>573,795</u>
Taxation	19	(141,396)	(250,918)
Result after taxation		<u><u>329,763</u></u>	<u><u>322,877</u></u>

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

Cash flow statement for the year ended December 31, 2006

(Expressed in Euro)

	Notes	2006	2005
Cash flows from operating activities			
Net result		329,763	322,877
Working Capital Movements			
Movement receivables (excluding cash)		3,890,627	(1,164,147)
Movement current liabilities (excluding credit institutions)		(3,202,973)	736,176
		<u>1,017,417</u>	<u>(105,094)</u>
Cash flows from investing activities			
Decrease long term loans receivable		200,000,000	0
Cash flows from financing activities			
Decrease long term loans payable		(200,000,000)	0
Declared dividend		(322,877)	0
Capital increase		0	1,806,594
		<u>(200,322,877)</u>	<u>1,806,594</u>
Net (Decrease)/Increase in cash		<u>694,540</u>	<u>1,701,500</u>
Balance cash at bank and in hand as per opening balance		<u>1,713,095</u>	<u>11,595</u>
Cash at bank as per December 31, 2006		<u><u>2,407,635</u></u>	<u><u>1,713,095</u></u>

Cash flows from operating activities includes the net result of interest in the amount of EUR 528,210 for the year 2006 (2005: EUR 504,932) as well as taxation in the amount of EUR 141,396 (2005: EUR 250,918).

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 accounting principles generally accepted in The Netherlands, the most significant of which are as follows:

a. Foreign currencies

Assets and liabilities in foreign currencies are translated into Euro at the exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are translated into Euro at the exchange rates in effect at the time of the transactions. The resulting currency exchange rate differences are taken to the profit and loss account.

The exchange rates used in the annual accounts are:

	Dec 31, 2006	Dec 31, 2005
US dollar - Euro	0.75844	0.84495

In accordance with the CEZ Group policy the company has hedged the foreign currency positions using financial instruments.

b. Assets and liabilities

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 2003.

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

(Expressed in Euro)

	Dec 31, 2006	Dec 31, 2005
Balance sheet		
1 Loans to group entities		
Loan USD 178,000,000	135,001,896	150,401,352
Deferred financing fee USD 1,480,000	(68,503)	(190,587)
Loan EUR 200,000,000	0	200,000,000
Deferred financing fee EUR 997,750	0	(114,029)
Loan EUR 400,000,000	400,000,000	400,000,000
Deferred financing fee EUR 2,592,000	(1,641,431)	(2,011,717)
	<u>533,291,962</u>	<u>748,085,019</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
USD 178,000,000	July 15, 2007	7.1936
EUR 200,000,000	October 20, 2006	7.3186
EUR 400,000,000	June 08, 2011	4.6936
Balance as per January 01, 2006		748,085,019
Maturity loan EUR 200,000,000		(200,000,000)
Amortisation deferred finance 2006		606,399
Currency exchange rate differences		(15,399,456)
Balance as per December 31, 2006		<u>533,291,962</u>

2 Deferred issue expenses

The issue expenses on the LTL Bond USD 178,000,000 are amortised in ten years according to a straight line method. The principal amount was USD 1,400,000 or EUR 1,297,585. The historic USD - EUR rate = 0.9266.

The issue expenses on the LTL Bond EUR 200,000,000 are amortised in seven years according to a straight line method. The principal amount was EUR 825,000.

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 USD 178,000,000	1,297,585	1,297,585
Deferred issue expenses LTL Bond EUR 200,000,000	0	825,000
Deferred issue expenses LTL Bond EUR 400,000,000	1,000,000	1,000,000
Accumulated amortisation	(1,599,517)	(2,071,889)
Total deferred issue expenses	<u>698,068</u>	<u>1,050,696</u>

Notes to the annual accounts

(Expressed in Euro)

	Dec 31, 2006	Dec 31, 2005
3 Loan interest receivable		
Loan USD 178,000,000		
Period July 15, 2006 - December 31, 2006	4,496,810	4,970,462
Loan EUR 200,000,000	0	2,871,927
Period up to October 20, 2006	752	0
Loan EUR 400,000,000		
Period up to June 08, 2006	617	0
Period June 08, 2006 - December 31, 2006	10,647,400	11,256,181
Total loan interest receivable	<u>15,145,579</u>	<u>19,098,570</u>

	<u>Maturity</u>	<u>Interest rates applicable</u>
USD 178,000,000	July 15, 2007	7.1936
EUR 200,000,000	October 20, 2006	7.3186
EUR 400,000,000	June 08, 2011	4.6936

4 Taxation

Corporate income tax 2006	54,899	0
Corporate income tax 2005	7,357	(20,966)
Corporate income tax 2004	109	109
	<u>62,365</u>	<u>(20,857)</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 at 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.

5 Cash at banks

Current account	507,635	113,095
Deposit account	1,900,000	1,600,000
	<u>2,407,635</u>	<u>1,713,095</u>

6 Intercompany payable

Intercompany payable	<u>322,877</u>	<u>130,901</u>
Balance as per January 01, 2006	130,901	
Receipts during the year	(130,901)	
Dividend	322,877	
Balance as per December 31, 2006	<u>322,877</u>	

Notes to the annual accounts

(Expressed in Euro)

	Dec 31, 2006	Dec 31, 2005
7 Bonds interest payable		
Bond USD 178,000,000 - interest rate 7.125%		
Period July 15, 2006 - December 31, 2006	4,453,675	4,961,699
Bond EUR 200,000,000 - interest rate 7.25%	0	2,860,274
Bond EUR 400,000,000 - interest rate 4.625%		
Period June 08, 2006 - December 31, 2006	10,491,781	10,491,781
	<u>14,945,456</u>	<u>18,313,754</u>
8 Expenses payable		
Management / Administration fees	4,560	14,287
Tax consultant fee, estimated	10,933	7,000
	<u>15,493</u>	<u>21,287</u>
9 Bonds		
Bonds are specified as follows:		
Bond USD 178,000,000 - 7.125%	135,001,896	150,401,352
Discount	(3,702)	(10,301)
	<u>134,998,194</u>	<u>150,391,051</u>
Bond EUR 200,000,000 - 7.25%	0	200,000,000
Discount	0	(19,743)
	<u>0</u>	<u>199,980,257</u>
Bond EUR 400,000,000 - 4.625%	400,000,000	400,000,000
Discount	(1,008,163)	(1,235,593)
	<u>398,991,837</u>	<u>398,764,407</u>
	<u>533,990,031</u>	<u>749,135,715</u>

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

	<u>Maturity</u>	<u>Interest</u>
USD 178,000,000	July 15, 2007	7.125
EUR 200,000,000	October 20, 2006	7.250
EUR 400,000,000	June 08, 2011	4.625
Balance as per January 01, 2006		749,135,715
Maturity bond EUR 200,000,000		(200,000,000)
Depreciation discount		253,771
Currency exchange rate differences		(15,399,455)
Balance as per December 31, 2006		<u>533,990,031</u>

Notes to the annual accounts

(Expressed in Euro)

10 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, 2006	<u>18,151</u>	<u>1,806,594</u>	<u>177,244</u>	<u>322,877</u>
Transfer	0	0	322,877	(322,877)
Dividend	0	0	(322,877)	0
Result for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>329,763</u>
Balance as per Dec 31, 2006	<u><u>18,151</u></u>	<u><u>1,806,594</u></u>	<u><u>177,244</u></u>	<u><u>329,763</u></u>

Notes to the annual accounts

(Expressed in Euro)

			2006	2005
Profit and loss account				
11 Interest on loans to group entities				
Loan USD 178,000,000 - 7.1936%			10,131,650	10,261,343
Loan EUR 200,000,000 - 7.3186%			11,749,862	14,511,653
Loan EUR 400,000,000 - 4.6936%			18,774,400	18,980,839
			<u>40,655,912</u>	<u>43,753,835</u>
12 Interest on bonds				
Bond USD 178,000,000 - 7.125%			10,035,032	10,252,627
Bond EUR 200,000,000 - 7.25%			11,639,726	14,500,000
Bond EUR 400,000,000 - 4.625%			18,500,000	18,500,000
			<u>40,174,758</u>	<u>43,252,627</u>
13 Amortisation of deferred financing fees				
Financing fee USD 1,317,200 at historic rate				
Straight line - 10 years	USD	131,720	122,084	122,084
Financing fee EUR 997,750				
Straight line - 7 years			114,029	142,536
Financing fee EUR 2,592,000				
Straight line - 7 years			370,286	370,286
			<u>606,399</u>	<u>634,906</u>
14 Amortisation of discount on bonds				
Discount USD 80,000 at historic rate				
Straight line - 10 years	USD	7,120	6,599	6,599
Discount EUR 172,750				
Straight line - 7 years			19,743	24,679
Discount EUR 1,592,000				
Straight line - 7 years			227,429	227,429
			<u>253,771</u>	<u>258,707</u>
15 Amortisation of deferred issue expenses				
Issue expenses USD 1,400,000 at historic rate				
Straight line - 10 years.	USD	124,600	115,485	115,485
Issue expenses EUR 825,000				
Straight line - 7 years.			94,286	117,857
Issue expenses EUR 1,000,000				
Straight line - 7 years.			142,857	142,857
			<u>352,628</u>	<u>376,199</u>
16 Currency exchange rate differences				
On outstanding bonds			15,399,456	(20,093,884)
On outstanding loans			(15,399,456)	20,093,884
On accrued interest bonds			318,975	(495,310)
On accrued interest loans			(323,760)	495,357
			<u>(4,785)</u>	<u>47</u>

Notes to the annual accounts

(Expressed in Euro)

	2006	2005
17 General and administrative expenses		
Management fees	4,320	4,320
Administration fees	37,580	37,838
Fiscal advisory services	10,000	10,169
Bank charges	222	222
General expenses	144	1,979
Capital tax	0	9,936
	<u>52,266</u>	<u>64,464</u>
18 Other income		
Amount to be reimbursed by the shareholder for the period.	<u>0</u>	<u>133,280</u>
19 Taxation		
Provision for corporate income tax 2006 (2005)	141,396	251,408
Provision for corporate income tax previous years	<u>0</u>	<u>(490)</u>
	<u>141,396</u>	<u>250,918</u>

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.

The Company has no (previous year: none) supervisory directors.

Amsterdam, 26 April 2007

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.

To: Board of Directors and Shareholder of CEZ Finance B.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the annual accounts (as set out on pages 4 to 13) for the year 2006 of CEZ Finance B.V., Amsterdam, which comprise the balance sheet as at December 31, 2006, 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 annual report of the board of directors, 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 December 31, 2006 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 e of the Netherlands Civil Code, we report, to the extent of our competence, that the Director's Report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, April 26, 2007

for Ernst & Young Accountants

sgd P.W.J. Laan