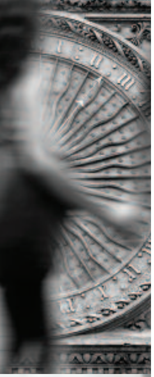





RE

CEZ GROUP

ANNUAL REPORT 2009

75.3 TWh electricity sales

CZK 56.6 billion capital expenditure

27.6% return on equity

RE

CZK 51.9 billion net income

CZK 26.5 billion dividends paid

CEZ Group is one of the ten biggest power utilities in Europe, both in terms of installed capacity and number of customers. Within Central Europe, we are the leader in the power market. We are an international group consisting of nearly 120 companies, Czech and foreign. One of the important priorities of CEZ is corporate donorship. CEZ Group's philanthropic activities are governed by one of the fundamental elements of our corporate philosophy: "We help where we operate."

SPON

SPON

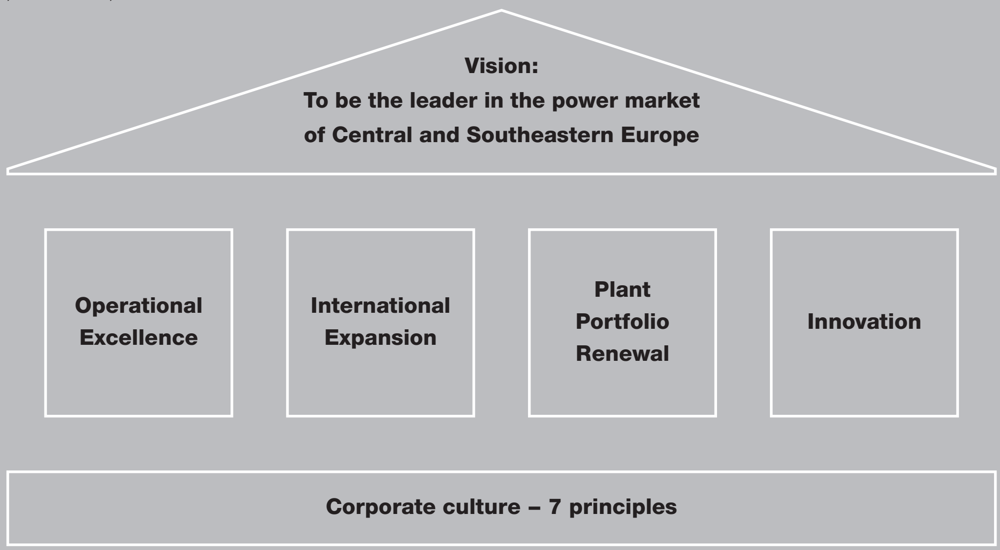
SIBLE

WE'RE WITH YOU

We like to put our energy into things that make sense. Therefore, through our foundation and direct contributions, we support projects in various fields that help to improve the environment in which we live, do business, and operate. Our philosophy is one of responsibility toward the environment, customers, employees, and all other persons in the CEZ Group service area.

CEZ Group

CEZ Group is a dynamic, integrated electricity conglomerate based in the Czech Republic and with operations in a number of countries of Central and Southeastern Europe and Turkey. Its principal businesses encompass generation, distribution, and sale of electricity and heat as well as coal mining. The shares of the parent company ČEZ, a. s. are traded on the Prague and Warsaw Stock Exchanges, where they form a significant part of the respective indexes. The Czech Republic continues to be the company's largest shareholder with a nearly 70% stake in the stated capital as of December 31, 2009.
A critical part of CEZ Group's mission is to maximize returns and ensure long-term growth in shareholder value. To this end, CEZ Group focuses its efforts on fulfilling the vision of becoming the leader in the electricity market of Central and Southeastern Europe. At the same time, however, CEZ Group adheres to sustainable growth principles, furthers energy conservation, systematically reduces the environmental burdens posed by its business, and furthers the development of education, childcare, and health.



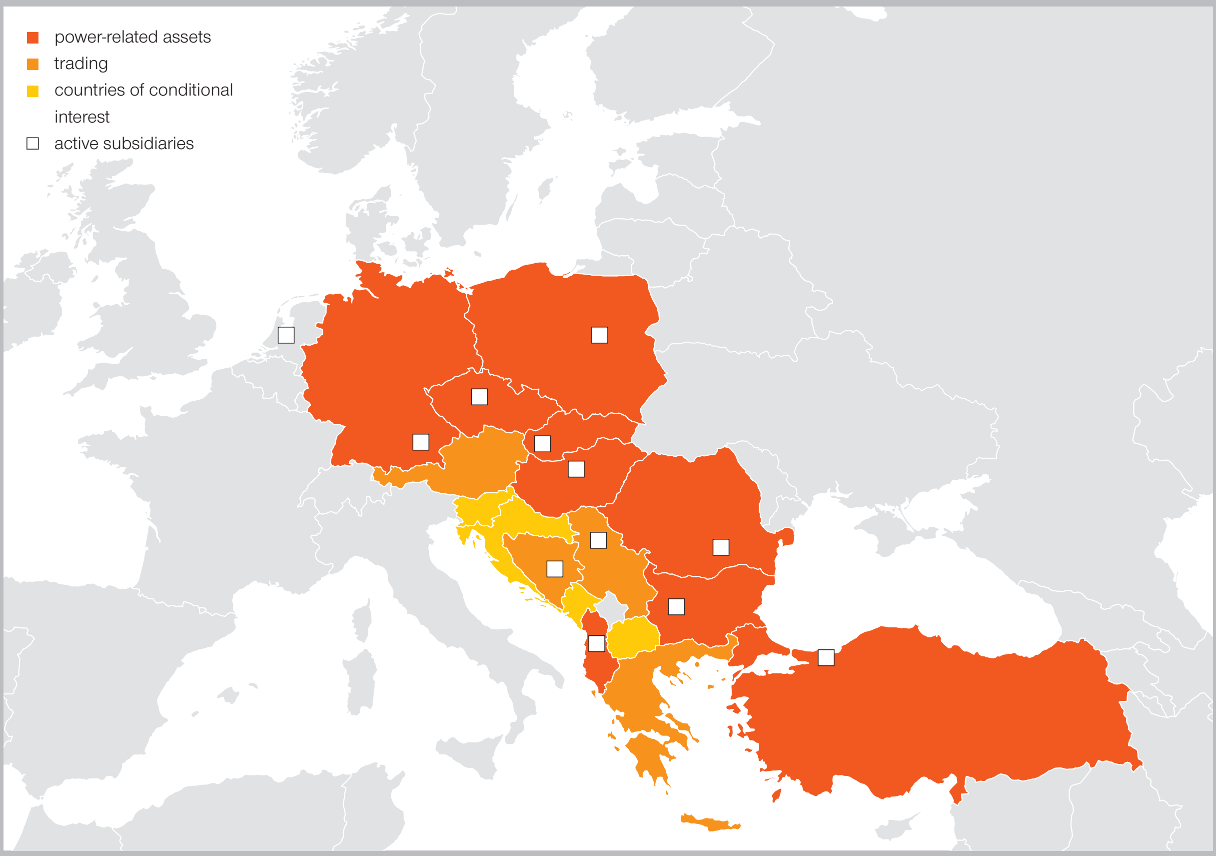
The realization of CEZ Group's vision rests on four strategic pillars. The first is Operational Excellence, within which a new program was introduced in March 2007 as part of the ongoing integration process. The aim of the program is to increase performance and improve the cost effectiveness of key processes in order to make CEZ Group one of the most efficient players in the European power industry by 2012.
The second strategic pillar is to develop operations in selected target countries outside of the Czech Republic. CEZ Group's priority focus is on markets in Central and Southeastern Europe, where we can best apply our unique experience in managing an electricity conglomerate during a period of transition to a liberalized power market and in achieving operational excellence.
In the Czech Republic, CEZ Group companies produce and distribute electricity and heat, trade in electricity, mine coal, and supply natural gas. In addition to the Czech Republic, CEZ Group currently has actively operating companies in Poland, Bulgaria, Romania, the Netherlands, Ireland, Germany, Hungary, Albania, Turkey, Serbia, and Slovakia. In Bulgaria, CEZ Group distributes and sells electricity in the western part of the country and generates electricity in its own coal-fired power plant near Varna, the Black Sea port city. In Romania, CEZ Group owns companies that distribute and sell electricity. In the power production area, the largest wind farm in Europe is currently under construction in Fântânele and Cogealac, two coastal locations in Romania. In Poland, CEZ Group has two black coal-fired power plants near the country's border with the Czech Republic. In Germany, the Group co-owns – with a local partner – a brown-coal mining company that includes power plants as well. In Turkey, CEZ Group and its local partner operate a distribution company, generate electricity, and are preparing to build new power plants. In Albania, CEZ Group operates the country's sole distribution company. In Slovakia, CEZ Group and its Slovak partner are preparing to build a new nuclear power plant at the Jaslovské Bohunice site. The Group's operations in the remaining countries are companies that provide electricity wholesale trade support, companies that monitor developments in a particular country in order to take advantage of possible acquisition opportunities there, as well as companies that function as holding companies or engage in financing activities (the Netherlands, Ireland).

The purpose of the third pillar – Plant Portfolio Renewal – is to ensure the CEZ Group's continued successful operation in the future. CEZ Group is investing, and will continue to invest, significant sums in upgrading aging Czech brown coal power plants and building new, high-efficiency plants in the Czech Republic. Some of the investments will also be in renewable sources of energy. CEZ Group is also planning to upgrade existing power plants and build new ones in Hungary, Germany, Romania, Bulgaria, Poland, Turkey, and Slovakia as well.
In 2009, the strategy was expanded by the addition of a fourth pillar – Innovation. This is CEZ Group's response to recent developments in the power sector, including environmental regulation and opportunities opening up in the form of new technologies and business models. This pillar includes research and development activities, investments in environmental protection, energy conservation, and intelligent distribution grids.

The corporate culture at CEZ Group is performance-driven. Therefore, CEZ Group has conceived and is implementing a set of seven principles that are fundamental values for all employees:
1. creating value safely
2. responsibility for results
3. playing as one team
4. developing our potential
5. growing beyond borders
6. seeking new solutions
7. playing fair.

CEZ Group's business is governed by strict ethical standards that include behaving responsibly toward society and the environment. The Group operates its industrial facilities to the highest possible safety standards. CEZ Group is a major supporter of a number of non-profit organizations and public-benefit projects.

CEZ Group Territory



Contents

Information on Persons Responsible for the CEZ Group Annual Report

Responsibility for the Annual Report

Statutory Declaration
With the use of all reasonable care, to the best of our knowledge the consolidated Annual Report provides a true and honest description of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the year 2009 and on the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group and that no facts have been omitted that could change the meaning of this report.

Prague, March 31, 2010

Martin Roman
Chairman of the Board
of Directors of ČEZ, a. s.

Martin Novák
Member of the Board
of Directors of ČEZ, a. s.

ERNST & YOUNG

Independent Auditor's Report

To the Shareholders of ČEZ, a. s.:

I. We have audited the consolidated financial statements of CEZ Group as of December 31, 2009 presented in the annual report of ČEZ, a. s. ("the Company") on pages 164–215 on which we have issued an auditors' report dated February 25, 2010, presented in the Annual Report on pages 162–163. We have also audited the separate financial statements of the Company as of December 31, 2009 presented in the Annual Report of the Company on pages 218–256 on which we have issued an auditors' report dated February 25, 2010, presented in the annual report on pages 216–217 (both referred further as "financial statements").

II. We have also audited the consistency of the annual report with the financial statements described above. The management of ČEZ, a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements. We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respect, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–160 is consistent with that contained in the audited financial statements as of December 31, 2009. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.
Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the above mentioned financial statements.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of ČEZ, a. s. for the year ended December 31, 2009 presented in the annual report of the Company on pages 276–278. The management of ČEZ, a. s. is responsible for the preparation of the report on related parties. Our responsibility is to issue a report based on our review.
We conducted our review in accordance with the applicable International Standard on Review Engagements and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of ČEZ, a. s. for the year ended December 31, 2009 is materially misstated.

Ernst & Young

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

March 31, 2010
Prague, Czech Republic

Martin Roman
Chairman of the Board of Directors
and Chief Executive Officer of ČEZ, a. s.

Letter from the Chairman

Dear shareholders,

Allow me, once again, to greet you and present to you this report on the development of CEZ Group's business in the past year. In 2009, electricity consumption in the Czech Republic – affected by the economic recession – declined 6% from the year before. Despite this, our company posted record operating and overall financial performance. EBITDA increased 3% (up CZK 2.4 billion) to CZK 91.1 billion. Net income grew by 10% (up CZK 4.5 billion) to CZK 51.9 billion. As a result, the companies of CEZ Group handed over CZK 44.6 billion in dividends, taxes, social and health insurance, and gifts for the benefit of the Czech nation and its citizens.

When the business environment changed, we responded actively and promptly. Our corporate strategy, symbolized by an ancient Greek temple, was expanded by the addition of another pillar representing a new strategic focus on innovation which, alongside the three existing pillars International Expansion, Plant Portfolio Renewal, and Operational Excellence, also supports the realization of our vision of being the leader in the power market of Central and Southeastern Europe. Therefore, in mid-2009 CEZ Group introduced a new project, FutureMotion, which covers activities in the so-called “new energy” area. The project's primary focus will be in four areas: research and development, utilization of “smart grids” technology, increasing the use of decentralized generation, and support for electromobility.

Another active measure we took in response to the changed business environment was to redouble our emphasis on the internal functioning of the entire CEZ Group. Since its launch the Efektivita Program, dedicated to improving our internal performance, has contributed CZK 12.9 billion to EBITDA despite the impacts of the economic crisis. We made substantial progress in component projects concerning IT and telecommunications services in CEZ Group, reducing the number of employees and administrative overhead expenses at the Company's headquarters, and in power production- and distribution-related measures.

The importance of CEZ Group's international portfolio is growing every year thanks to new acquisitions and the increasing performance of CEZ Group, which in the past year expanded further with the addition of companies in Turkey and Albania. At the same time, we significantly expanded our operations in Germany by acquiring MIBRAG, a mining and power company there. In Turkey and Germany, we operate through joint-ventures with local partners. One of the biggest accomplishments of last year, however, was the establishment of a joint-venture with the Slovak company JAVYS. It is tasked with building another nuclear reactor unit at the Jaslovské Bohunice site in Slovakia. We are very pleased that the Slovak government chose us as the strategic partner for this project, out of a field of world-class competitors.

CEZ Group's over 60 foreign companies have so far contributed CZK 30.8 billion to the Group's EBITDA and currently account for over a quarter of its total assets. The 2009 results point to a continuation of this positive development trend. The Efektivita Program is successfully optimizing CEZ Group's internal processes and functions at the international level as well.

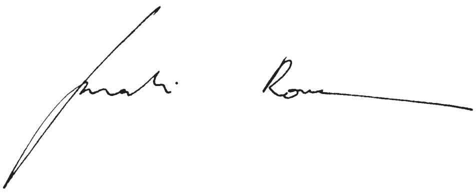
We also made substantial progress in renewing our plant portfolio. In 2009, we commissioned the first two retrofitted generating units at Tušimice II Power Station. Both units are now achieving very good environmental performance and high efficiency (which in January reached 43%, including heat supplies). Thus, we were able to commence phase two in the process of upgrading this plant, in which two more generating units are being retrofitted. An opinion has yet to be issued in the environmental impact proceedings concerning the Prunéřov Power Station retrofit project, which is planned to begin after completion of the Tušimice Power Station upgrade. The project for a new 660 MW supercritical unit at the Ledvice site in North Bohemia, on the other hand, is on schedule.

The development of CEZ Group's production portfolio, driven by the imperative of reducing carbon exposure, also includes a number of projects for low- and zero-emission power plants, in addition to the already mentioned projects for increasing the efficiency of our coal-fired power plants and making them more environmentally friendly. Our focus, then, is on renewable sources of energy and CCGT plants, which have so far been missing from CEZ Group's portfolio. Further, we are increasing generation in our nuclear power plants, Temelín and Dukovany, though the projects Safely 15 TERA and Safely 16 TERA, respectively. By 2012, these two plants are to generate 31 TWh of power per year, with zero CO_2 emissions. Another effect of our projects' focus is to reduce dependence by diversifying the generation mix. Last year, as part of a project currently under consideration to complete the Temelín Nuclear Power Station, we announced a public tender for a general contractor, in which three bidders qualified. At the same time, the project is undergoing the Environmental Impact Assessment (EIA) process.

CEZ Group is also exploring the possibility of leveraging synergies in power generation by supplying heat from our existing plants. In particular, this includes re-examining the possibility of supplying heat from Dukovany Nuclear Power Station to the city of Brno, and by commencing the process of acquiring a nearly 50% stake in Pražská teplárenská, a major player in Prague's district heat network, to arrive at a unified solution for generating electricity and heat at the Mělník site, where we are preparing to build a CCGT power plant with installed capacity of around 800 MW to replace the site's existing plant, which is nearing the end of its useful lifetime. A similar heat supply integration solution is part of the planned project for a new generating facility in Ústí nad Labem. Combined heat and power generation has a major environmental dimension, of course, because it substantially increases plant efficiency.

In 2010, we are expecting demand for electricity to stabilize. Only now, however, is the full impact of the economic crisis on CEZ Group financial performance being felt. Despite this, however, we anticipate that our emphasis on streamlining internal procedures and saving on costs will lead to very good results. In terms of operating profit, EBITDA is expected to be just 3% under 2009's record level. Positive factors will include, for example, the commissioning of Phase One of what will be Europe's largest coastal wind farm in Fântânele, Romania, and the launch of natural gas trading in the Czech Republic in late 2009. The results of our sales campaign exceeded expectations and we are readying to expand the offering to include additional customer segments, as well as to offer gas to customers in neighboring Slovakia.

Dear shareholders, the year 2010 will be a year of challenges for CEZ Group. I am confident that, at the next Annual General Meeting, I will be able to report to you that we met those challenges successfully. I wish you much success.



Martin Roman
Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

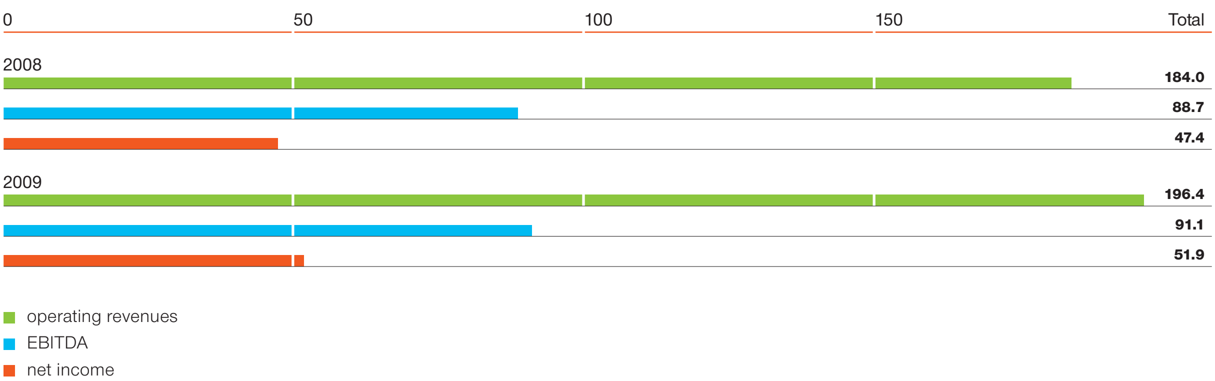
Selected Indicators of CEZ Group

Selected Indicators of CEZ Group in Accordance with IFRS

	Units	2005	2006	2007	2008	2009	Index 2009/2008 (%)
Electricity generated (gross)	GWh	60,016	65,532	73,793	67,595	65,344	96.7
Installed capacity	MW	12,298	14,392	14,292	14,288	14,395	100.8
Electricity sold [1]	GWh	70,072	74,102	80,745	74,451	75,347	101.2
Heat sold	TJ	9,790	11,274	15,540	14,016	13,040	93.0
Operating revenues	CZK millions	126,276	150,839	176,356	183,958	196,352	106.7
of which: sales of electricity	CZK millions	115,949	138,157	160,046	165,317	173,494	104.9
Operating expenses (excluding depreciation and amortization)	CZK millions	(76,150)	(86,134)	(101,023)	(95,257)	(105,277)	110.5
EBITDA	CZK millions	50,126	64,705	75,333	88,701	91,075	102.7
EBIT	CZK millions	29,403	40,425	53,210	66,654	68,199	102.3
Net income	CZK millions	22,282	28,756	42,764	47,351	51,855	109.5
of which: net income attributable to equity holders of parent	CZK millions	21,438	27,697	41,555	46,510	51,547	110.8
Dividend per share (gross) [2]	CZK/share	9.0	15.0	20.0	40.0	50.0	125.0
Return on Invested Capital (ROIC)	%	7.8	10.6	13.7	17.2	16.7	97.1
Return on Equity (ROE), net	%	12.3	14.9	22.7	27.0	27.6	102.2
Equity (including non-controlling shares)	CZK millions	191,289	207,653	184,226	185,410	206,675	111.5
Net debt/EBITDA	1	0.44	0.27	0.73	0.77	1.37	177.9
Total debt/Total capital	%	18.0	19.9	29.9	38.0	43.9	115.5
Capital expenditure [3]	CZK millions	(16,851)	(22,545)	(30,666)	(46,271)	(56,622)	122.4
Investments [4] [5] [6]	CZK millions	(12,258)	(21,925)	(2,462)	(15,118)	(38,075)	251.9
Net cash provided by operating activities	CZK millions	43,895	62,908	59,219	70,583	87,354	123.8
Work force head count at December 31	persons	29,905	31,161	30,094	27,232	32,985	121.1

[1] Sold to end customers + sold to cover grid losses + wholesale balance.
[2] Approved in the given year.
[3] Acquisitions of fixed assets.
[4] Acquisitions of subsidiaries and associates, net of cash acquired.
[5] Including loan to MOL in 2008.
[6] Including investment in Pražská teplárenská a.s. in 2009.

CEZ Group Results of Operations (CZK billions)



Important Events of 2009 and 2010 Up to Annual Report Closing Date

Important Events of 2009

January

- validity period of loan agreement signed in January 2008 extended by one year. At the same time, the loan amount was reduced from EUR 600 million to EUR 550 million (approximately CZK 15.1 billion);
- ČEZ, a. s. delivers notice of exercise its put option to sell 51% stake in NERS d.o.o. to Elektroprivreda Republike Srpske, its partner in the Gacko project.

February

- Dukovany Nuclear Power Station long-term operation strategy and plan to obtain license and prepare Dukovany Nuclear Power Station for operation in the period 2015–2025 approved;
- stated capital of ČEZ, a. s. reduced in conjunction with share repurchase;
- “ČEZ Against the Crisis” initiative launched, which helped the Czech economy and CEZ Group customers to mitigate the impacts of the economic crisis;
- stake in Turkey distribution company Sakarya Elektrik Dagitim A.S. acquired;
- Severočeské doly a.s. and J & T Group sign agreement with owners of Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG), a brown coal mining company, on purchase of a 100% stake in the company.

March

- new service offering: power line installation and repair work in the renewal and construction of distribution grids, and in substations in particular. Provider of the service is ČEZ Energetické služby, s.r.o. and customers are industrial enterprises that operate their own distribution grids within the provider’s operating radius;
- Green Energy Council selects best 18 projects and distributes a total of CZK 8.6 million among their authors. In the third year of Green Energy Fund grants, 81 projects were entered in the Awareness category, 14 in the Research category, and 25 in the Construction category.

April

- South Bohemia Regional Assembly revokes original resolution from 2004 that rejected a plan to build Units 3 and 4 of Temelín Nuclear Power Station. The Assembly also approved a framework agreement with ČEZ, a. s. in which the Company pledged to invest CZK 4 billion in the region during the next ten years. Investments relating to completion of the power plant account for CZK 2.5 billion of this amount;
- agreement signed on purchase of CZECH HEAT a.s., whose subsidiary owns a combined heat and power generation facility based on clean combustion of biomass in Jindřichův Hradec, South Bohemia;
- management of ČEZ, a. s. approves business plan for new CCGT power plant with installed capacity 800 MW at the Mělník site in Central Bohemia.

May
- shareholders agreement signed between ČEZ and Slovakia company Jadrová a vyraďovacia spoločnosť, enabling the establishment of a joint venture to build a new nuclear power plant at the Jaslovské Bohunice site in the Slovak Republic;
- 76% stake acquired in Operatori i Sistemit te Shperndarjes Sh. A., the sole Albanian distribution company.

June
- "FutureMotion – Energy of Tomorrow" initiative launched, envisioning investments in new technologies;
- contracts signed to supply planned Počerady CCGT power plant with gas for 15 years. Groundbreaking on the new plant is planned in the fourth quarter of 2010;
- loan agreement for EUR 262 million (approximately CZK 6.8 billion) signed. The purpose of the loan is to finance an export contract with a multinational supplier of German technology in the Fântânele wind power station project in Romania.

July
- ČEZ, a. s. reaches deal with J & T Group, the new owner of Pražská teplárenská a.s., to purchase a 48.67% stake in the company.

August
- public tender commenced to select contractor to build two nuclear reactor units at the Temelín site and up to three additional nuclear reactor units elsewhere in Europe;
- loan agreement signed between CEZ Group and European Investment Bank for up to EUR 200 million (approximately CZK 5.2 billion) to support financing of the plant portfolio renewal program and development of the Czech Republic distribution grid.

October
- CEZ Group Ombudsman begins its mission of working with customers dissatisfied with the results of their complaints;
- CEZ Group increases to 100% its stakes in two subsidiaries in Romania – the sales company CEZ Vanzare and the distribution company CEZ Distributie. CEZ Group also increased – to 63% – its stake in services company CEZ Servicii, another Group member in Romania.

November
- test measurements carried out on an entirely new type of solar panels, the only ones of their kind in the world, based on nanofibers. Purpose of the tests is to compare their performance with that of conventional silicon-based panels;
- purchase agreements signed with Dalkia Česká republika, a.s. on purchase of 85% stake in Dalkia Ústí nad Labem, a.s. and with Dalkia International S.A. on purchase of 15% stake in Dalkia Česká republika, a.s.;
- European Commission – Directorate General for Competition commences an investigation into ČEZ on suspicion that the Company might have attempted to restrict the development of economic competition in the Czech Republic's wholesale electricity market.

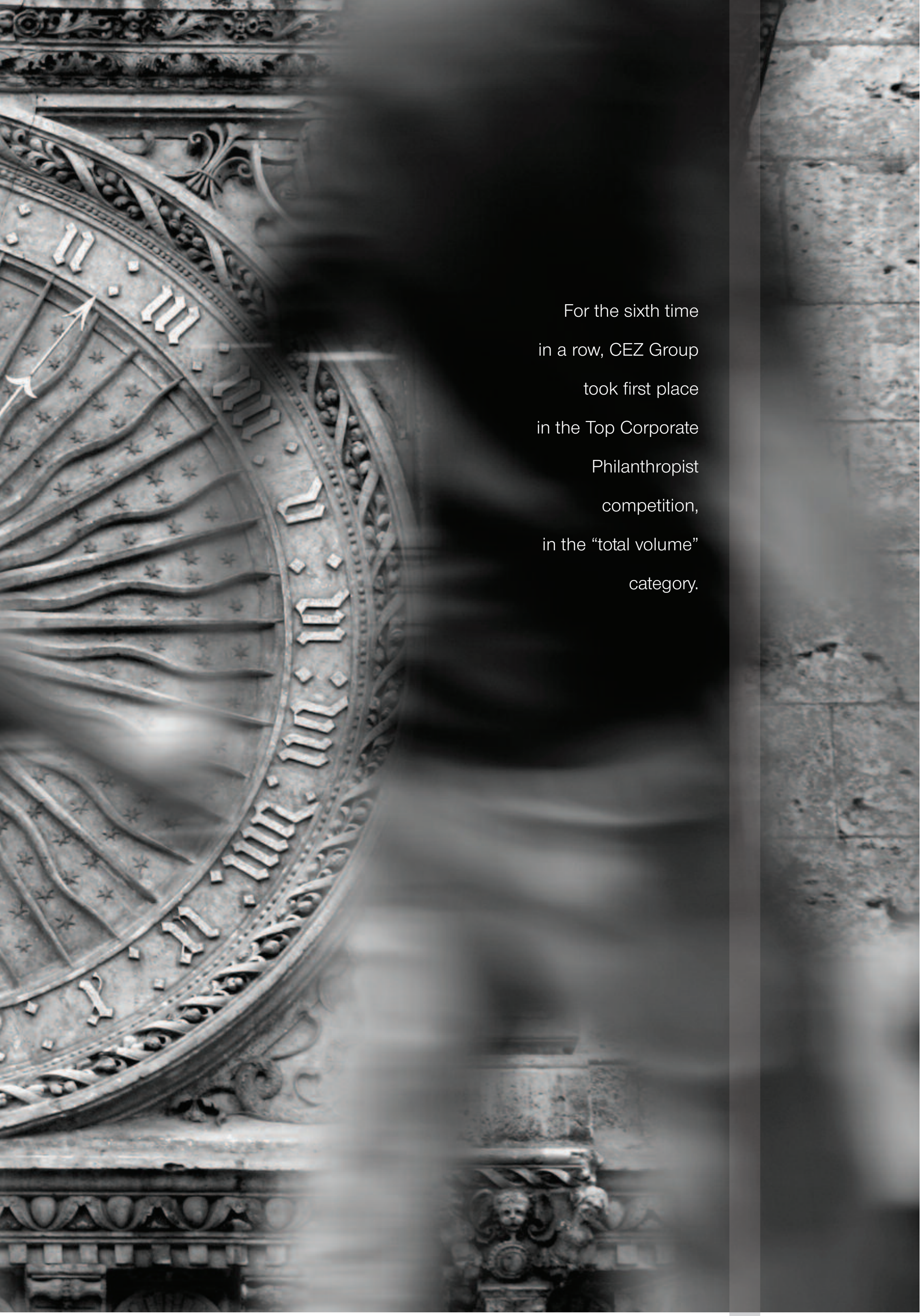
December
- acquisition of Czech company GENTLEY a.s., an engineering company specializing in renewable energy projects.

Important Events of 2010 Up to Annual Report Closing Date

January
- CEZ Group commences supplying natural gas in the Czech Republic, in a volume of 1.7 TWh, to over 90 customers at over 200 connection points. Most are large end-customers of natural gas.

February
- new company established for purpose of spinning off Chvaletice Power Station organizational unit;
- announcement released that all suppliers who filed requests to participate in RFP (Request For Proposal) proceedings in the public tender "Completion of Temelín Nuclear Power Station" qualified for participation.

March
- withdrawal from consortium that aimed to build a new plant, repair an existing one, and expand coal mining operations in Kosovo.



For the sixth time in a row, CEZ Group took first place in the Top Corporate Philanthropist competition, in the "total volume" category.

our responsibility goes **360°**

Governing Bodies of ČEZ, a. s.

ČEZ, a. s. is a joint-stock company incorporated in the Commercial Register on May 6, 1992. The Company's core businesses are generation and distribution of electricity, electricity trading, generation and distribution of heat, gas trading, and related activities. The Company is headquartered at Duhová 2/1444, Prague 4, Czech Republic.

The Company has the following governing bodies:
- the General Meeting
- the Supervisory Board
- the Board of Directors
- the Audit Committee.

The powers and responsibilities of the governing bodies are set out in detail in the ČEZ, a. s. Articles of Association, the latest version of which was approved by the General Meeting on May 13, 2009.

General Meeting

The Company's highest governing body is the General Meeting, which elects and removes members of the Supervisory Board with the exception of members elected and removed by the employees. The Annual General Meeting is held at least once per year, no later than six months after the last day of the accounting period. The powers of the General Meeting include, in particular, the following:
- deciding on amendments to the Articles of Association;
- deciding on increases and decreases of the stated capital and issues of convertible and priority bonds;
- electing and removing members of the Supervisory Board, except for members elected and removed by the employees, approving the Supervisory Board membership contracts and rules for providing consideration to members of the Supervisory Board beyond that required by law;
- electing and removing members of the Audit Committee, approving the Audit Committee membership contracts and rules for providing consideration to Audit Committee members beyond that required by law;
- approving the annual or extraordinary financial statements, consolidated financial statements and (in cases stipulated by law) interim financial statements, decisions on distribution of net income or settlement of loss, determination of Board member bonuses and dividends, and allocations of income to Company reserves;
- deciding on remuneration of members of the Board of Directors, Supervisory Board, and Audit Committee, deciding on payments of and rules for distribution of Board member bonuses among individual members of the Supervisory Board and the Board of Directors;
- deciding on the Company's sponsorship budget for the period in question;
- deciding on changes in the class or form of shares and changes in rights associated with a particular class of shares;
- deciding on the Company's business policy and revisions thereof;
- deciding on selection of auditor to audit the Company's financial statements and consolidated financial statements.

How the General Meeting Makes Decisions

The General Meeting makes decisions by a simple majority of the votes of shareholders present, unless a different majority is required by law or the Articles of Association. Each CZK 100 nominal value Company share equates to one vote. Certain decisions require a notarial record to be prepared. The Board of Directors is required to secure the keeping of minutes at the General Meeting. Details of the General Meeting's powers and responsibilities and how the General Meeting makes decisions are stipulated in the Articles of Association.

Supervisory Board

The Supervisory Board is the Company's oversight body, which oversees the Board of Directors' exercise of authority and the Company's business activities. The Supervisory Board's powers include, in particular:

- inspecting for compliance with laws and regulations, the Articles of Association, and General Meeting instructions;
- inspecting how the Board of Directors exercises the Company's rights of ownership in other legal entities;
- reviewing annual, extraordinary, consolidated, and/or interim financial statements, including income distribution proposals and stipulations of dividends and Board member bonuses and pay-out procedures;
- discussing the Company's quarterly financial performance figures, the half-year report pursuant to the Act on Doing Business in the Capital Market, and the annual report pursuant to the Accounting Act;
- electing and removing members of the Board of Directors;
- approving Board of Directors membership contracts and rules for providing consideration to members of the Board of Directors beyond that required by law, in accordance with Section 194(1) of the Commercial Code.

The Supervisory Board has twelve members. Two thirds of the members are elected and removed by the General Meeting, one third are elected and removed by the Company's employees. Members of the Supervisory Board serve for four-year terms, and re-election is possible. The Supervisory Board elects and removes its Chairman and two Vice Chairmen. It may invite to its meetings members of the Company's other governing bodies, its employees, or other persons. The Supervisory Board meets at least once per month. In 2009, 15 meetings were held, of which 11 were regularly scheduled and 4 were extraordinary meetings. The work address of members of the Supervisory Board is the Company's headquarters: Duhová 2/1444, 140 53 Prague 4, Czech Republic.

How the Supervisory Board Makes Decisions

At its meetings, the Supervisory Board makes decisions by a simple majority of all its members, unless the Articles of Association stipulate otherwise. Each Supervisory Board member has one vote. When necessary, a decision may be made without holding a meeting – such decisions are referred to as per rollam and must be included in the minutes of the next Supervisory Board meeting. Details on the Supervisory Board's powers and responsibilities and how it makes decisions are stipulated in the Articles of Association.

Members of the ČEZ, a. s. Supervisory Board

Martin Kocourek (* 1966)

Chairman since December 14, 2006,
Member since September 22, 2006

A graduate of the Czech Technical University in Prague, where he majored in Economics and Management, Mr. Kocourek has done internships in investment banking (London, 1994) and the financial sector (USA, 1997). Since July 2006 he has been an economic, financial, and organizational consultant and since February 2007 he has been an external economic consultant to the Prime Minister of the Government of the Czech Republic.

Current statutory board memberships other than ČEZ, a. s.:

- Václav Klaus Foundation Fund, member of the Supervisory Board since December 22, 1999,
- BASKETS AGAINST DRUGS Foundation, Chairman of the Supervisory Board since November 22, 2004,
- BORS Břeclav a.s., member of the Supervisory Board since June 17, 2008.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Classical Music Foundation Fund, member of the Supervisory Board from October 22, 2004 to October 22, 2005,
- Budget Committee of the Chamber of Deputies, Czech Republic Parliament, Vice Chairman from 1998 to 2006,
- National Property Fund of the Czech Republic, member of the Supervisory Board from April 1999 to January 2006 (with a break from October 9–22, 2002),
- Czech Republic Land Fund, member of the Presidium from April 2002 to December 2005.

Ivan Fuksa (* 1963)

Vice Chairman since May 21, 2009,
Member since April 23, 2007

A graduate of the University of Transport and Communications, Žilina, Slovak Republic.
From November 2002 to November 2006 he served as the Mayor of the City of Příbram, and since January 29, 2007 he has been the First Deputy Minister of Finance of the Czech Republic.

Current statutory board memberships other than ČEZ, a. s.:

- Česká exportní banka, a.s., member of the Supervisory Board since February 20, 2007, Chairman of the Supervisory Board since February 29, 2008,
- Exportní garanční a pojišťovací společnost,a.s., member of the Supervisory Board since February 19, 2007, Chairman of the Supervisory Board since February 28, 2008,
- Letiště Praha, a. s., member of the Supervisory Board since November 13, 2008, Chairman of the Supervisory Board since May 20, 2009.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Svatá Hora Staircase and Environs Improvement Foundation Fund, member of the Supervisory Board from August 3, 1999 to October 19, 2006, member of the Board of Trustees from October 19, 2006 to May 18, 2007,
- Oblastní nemocnice Příbram, a.s., member of the Supervisory Board from September 1, 2003 to March 27, 2007.

Zdeněk Židlický (* 1947)

Vice Chairman since August 29, 2006,
Member elected by the employees since June 13, 2002, re-elected by the employees since June 29, 2006

A graduate of the Secondary Industrial School of Mechanical Engineering in Prague.
Since 1993, he has been released to act as Chairman of the Basic Organization of the Czech Labor Union of Power Industry Workers at Prunéřov II Power Station. He represents the Czech Labor Union of Northwest Power Workers in the association of North Bohemian Labor Organizations and in the International Labor Council, and he is the central labor federation's representative for power sector issues in the Economic and Social Alliance Council, where he is a member of the Economic Policy Task Force.

Jan Demjanovič (* 1953)

Member since February 24, 2003
re-coopted May 18, 2007

A graduate of the Mechanical Engineering Faculty of the Institute of Mechanical and Textile Engineering in Liberec.
Past engagements include a stint as Sales Director of Severočeské doly a.s. At present he is Chairman of the Board of Directors and General Manager of that company.

Current statutory board memberships other than ČEZ, a. s.:

- Severočeské doly a.s., member of the Board of Directors since June 25, 1999, re-elected from June 27, 2003 and from August 27, 2007 (four-year term), Chairman of the Board of Directors and General Manager since June 30, 2006, re-elected Chairman of the Board of Directors on August 27, 2007, retaining post of General Manager.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- SD - Kolejová doprava, a.s., member of the Supervisory Board from November 7, 2001 to July 20, 2006 – within this period, he was Vice Chairman of the Supervisory Board from November 7, 2001 to September 26, 2002 and from November 25, 2002 to July 20, 2006,
- COAL SEVEN s.r.o. in liquidation, partner from August 19, 1997 to August 4, 2007,
- Coal Energy, a.s. in liquidation, member of the Board of Directors from October 17, 2001 to January 17, 2005, Vice Chairman of the Board of Directors from October 31, 2001 to January 17, 2005, once again elected a member of the Board of Directors from November 30, 2005, elected Vice Chairman of the Board of Directors on December 7, 2005. Membership in the company was terminated on December 18, 2009, when the company was wound up.

Petr Gross (* 1953)

Member elected by the employees since January 22, 2009

A graduate of the Secondary Industrial School of Electrical Engineering in Kutná Hora, specializing in computer-assisted measurement and regulation.
From 1977 to 1994 he was an employee of ČEZ, a. s., where he worked as a shift mechanic in 24-hour measurement and regulation. Since 1994 he has been released to serve as Chairman of the Basic Organization of the Czech Labor Union of Power Industry Workers at Chvaletice Power Station, and since 2005 he has been a member of the Coordination Committee of the Czech Power Industry Labor Federation. During 2001–2005 he was a member of the Regional Council of the Federation of Czech and Moravian Labor Unions.

Zdeněk Hrubý (* 1956)

Member since February 22, 2007

A graduate of the Czech Technical University's Faculty of Electrical Engineering in Prague, where he majored in cybernetics. Candidate of Sciences degree in economics. Since 1996 he has been a professor and research fellow at the Institute of Economic Studies of the Charles University, Faculty of Social Sciences, Prague.

Current statutory board memberships other than ČEZ, a. s.:

- SEVEn, Středisko pro efektivní využívání energie, o.p.s., member of the Board of Administration since May 12, 2003,
- European Investment Bank, member of the Board of Directors since May 1, 2004,
- Elektrownia Skawina S.A., member of the Supervisory Board since May 29, 2008, Chairman of the Supervisory Board since September 30, 2008.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Ministry of Finance of the Czech Republic, Deputy Minister from 2002 to April 15, 2005,
- National Property Fund of the Czech Republic, Vice Chairman of the Presidium from October 2002 to June 30, 2005,
- Telefónica O2 Czech Republic, a.s. (ČESKÝ TELECOM, a.s.), member of the Supervisory Board from June 13, 2003, Second Vice Chairman of the Supervisory Board from November 26, 2003 to May 20, 2004, First Vice Chairman of the Supervisory Board from May 20, 2004 to June 23, 2005,
- Eurotel Praha, spol. s r.o., member of the Supervisory Board from April 8, 2004 to June 23, 2005,
- GARNET MINING a.s., member of the Board of Directors from September 13, 2005 to December 3, 2007.

Vlastimil Jiřík (* 1968)

Member since May 13, 2009

A graduate of the Military Institute of Technology in Liptovský Mikuláš, Slovak Republic, specializing in military engineering. Served as Chairman of the Board of Directors of XODAX, a.s. and as an advisor to the Minister of Finance for preparation and management of the sale of a 7% stake in ČEZ, a. s.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- REDASH, a.s., member of the Board of Directors from November 1, 2006 to February 28, 2007,
- XODAX, a.s., Chairman of the Board of Directors from November 1, 2006 to February 28, 2007.

Petr Kalaš (* 1940)

Member since April 23, 2007

A graduate of the Czech Technical University in Prague, Faculty of Mechanical Engineering, where he majored in energy industry economics.

From September 2006 to January 2007 he was Minister of the Environment of the Czech Republic, and since February 2007 he has been an external consultant to the Prime Minister of the Government of the Czech Republic and to the Minister of the Environment of the Czech Republic.

Current statutory board memberships other than ČEZ, a. s.:

- Silva Tarouca Research Institute for Landscape and Ornamental Gardening, Council member since June 1, 2007,
- Holcim (Česko) a.s., člen koncernu, member of the Supervisory Board since July 17, 2008.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Národní vzdělávací fond, o.p.s., member of the Board of Administration from January 1, 2008 to March 2009.

Miloš Kebrdle (* 1950)

Member since May 13, 2009

A graduate of the Prague Institute of Chemical Technology, major in organic technology, and a postgraduate study of the gas industry at the Prague Institute of Chemical Technology, he completed the JASPEX language and social sciences program at the Charles University, Prague, and the D.E.S.S. program for corporate managers at the University of Economics, Prague, and the University of Lyon.

During 2000–2005 he was Chairman of the Board of Directors, Vice Chairman of the Board of Directors, and CEO of Středočeská plynárenská, a.s., and since 2005 he has been Secretary General of the Czech Gas Association.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Středočeská plynárenská, a.s., Vice Chairman of the Board of Directors from May 17, 2002 to May 18, 2005,
- AERO Vodochody a.s., member and Chairman of the Supervisory Board from June 29, 2005 to August 31, 2006.

Lubomír Klosík (* 1951)

Member elected by the employees since January 22, 2009

A graduate of the Secondary Industrial School of Chemical Technology in Ostrava, he also attended a continuing education course in Social and Economic Management at the Mendel University in Brno, Faculty of Operational Economics.

From 1975 to 2004 he worked for ČEZ, a. s., Dětmarovice Power Station, as a shift foreman. He has been Chairman of the Basic Organization of the Czech Labor Union of Power Industry Workers at Dětmarovice Power Station since 1990, and since 2004 he has been released to act in the same capacity. He is also a member of the Board of Trustees of the ECHO Labor Union, and since 2007 he has been Chairman of the Regional Federation of ČMKOS Labor Unions, Moravia-Silesia Region, and since 2008 he has been Vice Chairman of the CEZ Group European Works Council.

Drahoslav Šimek (* 1953)
Member elected by the employees since June 29, 2006
A graduate of the Secondary Vocational School in Domažlice (electrician) and the Secondary Vocational School in Chomutov (metalworker).
Employed at ČEZ, a. s. since 1974, he is currently a plant technician at Dukovany Nuclear Power Station. Since 1995 he has served as Vice Chairman of the Czech Labor Union of Power Industry Workers, Labor Organization of Shift Workers at Dukovany Power Station.

Zdeněk Trojan (* 1936)
Member since January 26, 2006
A graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering, Mr. Trojan defended his dissertation in 1974 and habilitated in 1991.
In 2004–2005 he was an advisor to the Minister of Local Development, and from May 1, 2005 to June 30, 2006 he was an advisor to the Prime Minister of the Government of the Czech Republic. He lectures at the Czech Technical University, Prague, Faculty of Mechanical Engineering, Institute of Process and Manufacturing Technology.
Current statutory board memberships other than ČEZ, a. s.:
- Czech National Committee of the European Federation of National Engineering Associations (FEANI), President since January 20, 1995,
- University of Hradec Králové, member of the Board of Trustees since December 17, 2001.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- Střední průmyslová škola dopravní, a.s., member of the Supervisory Board from May 19, 2000 to April 16, 2007, Vice Chairman from December 17, 2001 to April 16, 2007.

Members of the ČEZ, a. s. Supervisory Board whose membership terminated in 2009 or before the Annual Report closing date

Tomáš Hüner (* 1959)
Vice Chairman and member from September 22, 2006 to May 13, 2009

Josef Janeček (* 1952)
Member from April 23, 2007 to May 13, 2009

Jiří Jedlička (* 1959)
Member elected by the employees from November 10, 2004 to January 21, 2009

Jan Ševr (* 1947)
Member elected by the employees from November 9, 2000, re-elected by the employees from November 10, 2004 to January 21, 2009

Committees of the Supervisory Board

Within the scope of its powers, the Supervisory Board sets up committees to which it elects and from which it removes committee members. Only Supervisory Board members are eligible for committee membership, and their term of office in the committee must be identical to their term of office in the Supervisory Board. The following three committees operated in 2009:

- Strategic Planning Committee of the ČEZ, a. s. Supervisory Board, which evaluates proposals for major business activities (such as projects involving major capital outlays), proposals for establishing or winding up subsidiaries of ČEZ, a. s., building new generating plants and phasing out, selling, or renewing production plant and equipment.

Chairman:	Petr Kalaš
Vice Chairman:	Zdeněk Židlický
Members:	Jan Demjanovič
	Miloš Kebrdle

List of all committee members in 2009 (in order of their terms of office in the Supervisory Board): Jan Demjanovič, Tomáš Hüner, Petr Kalaš, Miloš Kebrdle, Jan Ševr and Zdeněk Židlický.

- Personnel Committee of the ČEZ, a. s. Supervisory Board, which makes proposals for the Supervisory Board regarding its personnel policies vis-à-vis the Board of Directors, proposes committee methods and procedures, nominates candidates for election to and removal from the Board of Directors, is responsible for submitting nominations of candidates for membership of the Board of Directors to the Supervisory Board for approval, makes recommendations to the Supervisory Board regarding issuance of opinions in matters relating to the appointment and manner of remuneration of the Chief Executive Officer and members of the Board of Directors who are employees of the Company and gives to the Supervisory Board its opinion on nominations to the supervisory boards of equity holdings whose stated capital exceeds CZK 500 million.

Chairman:	Zdeněk Trojan
Vice Chairman:	Petr Gross
Members:	Vlastimil Jiřík
	Zdeněk Židlický

List of all committee members in 2009 (in order of their terms of office in the Supervisory Board): Petr Gross, Tomáš Hüner, Josef Janeček, Vlastimil Jiřík, Zdeněk Trojan and Zdeněk Židlický.

→ Audit Committee of the ČEZ, a. s. Supervisory Board, terminated on May 13, 2009 when the General Meeting established, in accordance with Act No. 93/2009 Sb. on Auditors, a separate Company governing body – the Audit Committee, was an advisory and oversight body of the Supervisory Board for communication with internal and external auditors, monitoring their activity and evaluating the adequacy and effectiveness of the Company's system of internal controls.
List of all committee members in 2009 (in order of their terms of office in the Supervisory Board): Ivan Fuksa, Zdeněk Hrubý, Jiří Jedlička, Martin Kocourek, Lubomír Klosík, Drahoslav Šimek, Zdeněk Židlický.

How Supervisory Board Committees Make Decisions
At their meetings, committees of the Supervisory Board make decisions by a simple majority of the votes of members present. Each committee member has one vote. In the case of a tie, the vote of the committee member chairing the meeting decides. Details on how Supervisory Board committees make decisions are stipulated in their rules of order.

Board of Directors

As the statutory body, the Board of Directors manages the Company's operations and acts in its name. It decides in all matters not specified by law or the Articles of Association as part of the powers of the General Meeting or Supervisory Board. In particular, the Board of Directors:

→ sees to commercial management, including keeping of proper accounts;
→ convenes and organizes the General Meeting. To the General Meeting, it submits:
  – the Company's draft business policy and amendments thereto
  – draft amendments to the Articles of Association
  – proposals to increase/decrease the stated capital and for issue of convertible and/or priority bonds
  – annual, extraordinary, consolidated, and/or interim financial statements
  – income distribution proposals including stipulation of dividend amount, manner of pay-out, and due date, amount of Board member bonuses, and amounts to be allocated to reserves or manner of settling Company losses
  – yearly report on the Company's business operations and the state of its assets
  – summary explanatory report pursuant to Section 118(8) of the Act on Doing Business in the Capital Market;
→ carries out General Meeting resolutions;
→ removes the Company's executives pursuant to Section 73 of the Labor Code;
→ decides on receipt of long-term loans for periods of longer than one year;
→ decides on distribution of remuneration stipulated by the General Meeting among the Supervisory Board and the Board of Directors and among individual members of the Board of Directors, unless the distribution was already decided by the General Meeting;
→ decides on entering into agreements on formation of business companies or interest groups of legal entities and/or acquisition of ownership stakes in another legal entity, as well as on winding up a business company or interest group of legal entities and/or on the sale of the Company's ownership stake in another legal entity.

The ČEZ, a. s. Board of Directors has six members, all of whom are elected and removed by the Supervisory Board. The Board of Directors elects and removes its Chairman and First and Second Vice Chairmen. Members of the Board of Directors serve for four-year terms; re-election is possible. The work address of members of the Board of Directors is the Company headquarters, i.e. Duhová 2/1444, 140 53 Prague 4, Czech Republic. As a rule, the Board of Directors meets once per week. A total of 47 meetings were held in 2009: 41 regular meetings and 6 extraordinary meetings.

How the Board of Directors Makes Decisions

In order to implement certain decisions, the Board of Directors is required to request the prior consent of the Supervisory Board, and to obtain its opinion in selected Company matters. At its meetings, the Board of Directors takes decisions by a simple majority of members present, provided at least three members vote in favor. Each member of the Board of Directors has one vote. In the event of a tie, the vote of the member chairing the meeting decides. In necessary cases, decisions may be taken outside of a regular meeting *(per rollam)*. Decisions taken in this matter must be entered into the minutes of the next Board of Directors meeting. Details of how the Board of Directors makes decisions are stipulated in the Articles of Association.

Members of the ČEZ, a. s. Board of Directors

Martin Roman (* 1969)

Chairman since February 23, 2004,
re-elected effective February 20, 2008,
Member since February 19, 2004,
re-elected effective February 20, 2008

A graduate of the Charles University, Prague, Faculty of Law, Mr. Roman was awarded a one-year scholarship to study at the University of St. Gallen, Switzerland, Faculty of Economics, and a one-year study stay at Karl-Ruprechtsuniversität, Heidelberg, Germany.

In the past he has served as Chairman of the Board of Directors of ŠKODA Holding a.s.

Current statutory board memberships other than ČEZ, a. s.:

- Confederation of Industry and Transport of the Czech Republic, Vice President since April 29, 2004, re-elected April 25, 2007 (four-year term),
- Prague Stock Exchange, member of the Supervisory Board since June 9, 2005 (five-year term),
- University of Economics, Prague, Faculty of Economics and Public Administration, member of the Science Council since July 1, 2006 (four-year term),
- PORG – gymnázium a základní škola, o.p.s., Chairman of the Board of Trustees since October 8, 2007 (three-year term),
- Martin and Lenka Roman for PORG Foundation, founder, established July 24, 2008,
- Academy of Fine Arts, member of the Board of Trustees since October 1, 2008 (four-year term),
- Akenerji Elektrik Üretim A.S., member of the Board of Directors since May 13, 2009, Vice Chairman of the Board of Directors since May 15, 2009 (term expires December 17, 2012).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- České dráhy, a.s., member of the Supervisory Board from April 20, 2007 to December 10, 2009.

Daniel Beneš (* 1970)

First Vice Chairman since May 21, 2008, re-elected effective December 16, 2009, Vice Chairman since May 10, 2006, Member since December 15, 2005

A graduate of the Technical University of Ostrava, Faculty of Mechanical Engineering, and the Brno International Business School – Nottingham Trent University (MBA).

Current statutory board memberships other than ČEZ, a. s.:

- Severočeské doly a.s., member of the Supervisory Board since February 21, 2006, re-elected on February 22, 2010 (four-year term), Chairman of the Supervisory Board since March 14, 2006,
- ČEZ Foundation, member of the Board of Trustees since March 26, 2007 (term expires July 16, 2011), Chairman of the Board of Trustees since May 31, 2007,
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board since January 13, 2009 (five-year term), Vice Chairman of the Supervisory Board since September 1, 2009,
- ČEZ Bohunice a.s., Chairman of the Supervisory Board since March 19, 2009, re-elected March 26, 2010 (five-year term),
- Technical University of Ostrava, member of the Board of Trustees since August 14, 2009 (six-year term),
- Jadrová energetická spoločnosť Slovenska, a.s., Vice Chairman of the Supervisory Board since December 31, 2009 (five-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Severočeské doly a.s., member of the Board of Directors from June 25, 2004 to February 21, 2006,
- ČEZ Logistika, s.r.o., member of the Supervisory Board from August 2, 2004 to June 15, 2006, Chairman of the Supervisory Board from September 13, 2004 to June 15, 2006,
- ŠKODA PRAHA a.s., member of the Supervisory Board from December 3, 2004 to June 22, 2005 and from January 10, 2006 to December 18, 2007, Vice Chairman of the Supervisory Board from January 17, 2006 to December 18, 2007,
- ČEZ Správa majetku, s.r.o., Vice Chairman of the Supervisory Board from July 1, 2005 to March 3, 2006,
- ŠKODA PRAHA Invest s.r.o., member of the Supervisory Board from July 11, 2005 to December 18, 2008, Chairman of the Supervisory Board from July 12, 2005 to February 5, 2008,
- PRODECO, a.s., Chairman of the Supervisory Board from March 30, 2006 to November 7, 2008,
- Coal Energy, a.s. in liquidation, member of the Supervisory Board from April 11, 2006 to December 18, 2009, Chairman of the Supervisory Board from April 26, 2006 to December 18, 2009.

Tomáš Pleskač (* 1966)

Second Vice Chairman since May 21, 2008,
re-elected effective from January 27, 2010,
Vice Chairman since February 11, 2008,
Member since January 26, 2006

A graduate of the Brno Institute of Agriculture, Faculty of Business and Economics, Mr. Pleskač holds an MBA from Prague International Business School.

Current statutory board memberships other than ČEZ, a. s.:

- CEZ Bulgaria EAD, member of the Supervisory Board since June 30, 2006 (five-year term), Chairman of the Supervisory Board since September 15, 2006,
- CEZ Razpredelenie Bulgaria AD, member of the Supervisory Board since June 16, 2006 (term expires December 15, 2014),
- CM European Power International B.V., member of the Board of Directors since July 17, 2008 (three-year term), Vice Chairman of the Board of Directors since September 5, 2008,
- Akenerji Elektrik Üretim A.S., member of the Board of Directors since May 13, 2009 (term expires December 17, 2012),
- Mitteldeutsche Braunkohlengesellschaft mbH, member of the Supervisory Board from June 10, 2009 (term expires when General Meeting approves the 2011 financial statements, expected in April 2012).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- NERS d.o.o., member and Chairman of the Supervisory Board from May 17, 2007 to October 8, 2009,
- ČEZData, s.r.o., Vice Chairman of the Supervisory Board from May 17, 2004 to April 10, 2007,
- Elektrovod Holding, a.s., member of the Supervisory Board from May 20, 2003 to September 22, 2006,
- ČEZ Distribuce, a. s., member of the Supervisory Board from March 31, 2005 to May 22, 2008, within this period he served as Chairman of the Supervisory Board from March 31, 2005 to May 11, 2006 and from May 19, 2006 to May 22, 2008.

Peter Bodnár (* 1960)

Member since August 20, 2009

A graduate of the Slovak Technical University, Bratislava, Slovak Republic, Faculty of Mechanical Engineering, where he majored in thermal and nuclear power engineering.

Current statutory board memberships other than ČEZ, a. s.:

- ŠKODA PRAHA a.s., Vice Chairman of the Supervisory Board since October 31, 2007 (five-year term),
- ŠKODA PRAHA Invest s.r.o., Vice Chairman of the Supervisory Board since July 1, 2007 (no term specified),
- Akenerji Elektrik Üretim A.S., Member of the Board of Directors since May 12, 2009 (term expires December 17, 2012),
- ČEZ Bohunice a.s., member of the Supervisory Board since March 19, 2009, re-elected March 26, 2010 (five-year term),
- Jadrová energetická spoločnosť Slovenska, a.s., member of the Supervisory Board since December 31, 2009 (five-year term),
- Ústav jaderného výzkumu Řež a.s., member of the Supervisory Board since February 13, 2009 (co-opted), elected since June 3, 2009 (five-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- ALSTOM Power, s.r.o., ALSTOM Group, Managing Director from May 1, 2003 to November 30, 2005,
- ALSTOM Power Slovakia, s.r.o., Managing Director from September 25, 2002 to December 29, 2005,
- Chladiace veže Bohunice, spol. s r.o., Chairman of the Supervisory Board from July 13, 2006 to August 18, 2007,
- DECOM Slovakia, spol. s r.o., member of the Supervisory Board from July 27, 2006 to June 28, 2007,
- Ústav jaderného výzkumu Řež a.s., member of the Supervisory Board from June 30, 2006 to June 21, 2007,
- TEC Varna EAD, member of the Supervisory Board from May 10, 2008 to December 18, 2008,
- NERS d.o.o., member of the Supervisory Board from December 7, 2007 to October 8, 2008.

Vladimír Hlavinka (* 1966)

Member since January 1, 2008

A graduate of the Brno University of Technology, major in thermal and nuclear power engineering, and the Masaryk University, Brno, Faculty of Law.

He has served as a member of the Board of Directors of ALTA, akciová společnost, and Director of the Temelín Nuclear Power Station.

Current statutory board memberships other than ČEZ, a. s.:

- Ústav jaderného výzkumu Řež a.s., member of the Supervisory Board since December 14, 2007 (five-year term), Chairman of the Supervisory Board since April 11, 2008,
- ČEZ Energetické produkty, s.r.o., member of the Supervisory Board since December 1, 2008 (no term specified),
- ŠKODA PRAHA Invest s.r.o., member of the Supervisory Board since November 24, 2009 (no term specified).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- TOS KUŘIM – OS,a.s., member and Vice Chairman of the Supervisory Board from July 26, 2005 to August 31, 2006,
- KULIČKOVÉ ŠROUBY KUŘIM,a.s., member and Vice Chairman of the Supervisory Board from July 26, 2005 to June 16, 2006,
- SLÉVÁRNA KUŘIM, A.S., member and Vice Chairman of the Supervisory Board from July 27, 2005 to August 31, 2006,
- ALTA, akciová společnost, member of the Board of Directors from September 26, 2005 to July 17, 2006,
- RIPSL a.s. “in liquidation”, member of the Supervisory Board from October 14, 2005 to September 4, 2007,
- TOS REALITY s.r.o., Managing Director from December 20, 2005 to August 1, 2006,
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board from March 1, 2008 to January 12, 2009.

Martin Novák (* 1971)

Member since May 21, 2008

A graduate of the University of Economics, Prague, Faculty of International Relations, major in international trade and business law. In 2007 Mr. Novák completed an Executive MBA program at the University of Pittsburgh, specializing in the power industry.

Since 1996 he has been a member of the Chamber of Tax Advisers.

He has worked in managerial positions at the world headquarters of ConocoPhillips in the USA, at its regional headquarters in the United Kingdom, and for ConocoPhillips Czech Republic, s.r.o. as Director of Finance for the region Central & Eastern Europe.

Current statutory board memberships other than ČEZ, a. s.:

- ČEZ ICT Services, a. s., member of the Supervisory Board since May 1, 2007 (term expires July 7, 2012),
- ČEZ Správa majetku, s.r.o. – member of the Supervisory Board since May 1, 2007 (term expires July 3, 2012),
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board since October 1, 2009 (five-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- ConocoPhillips Czech Republic, s.r.o., Managing Director from March 18, 2003 to January 23, 2006,
- ConocoPhillips Hungary Kft., member of the Supervisory Board from July 1, 2003 to February 28, 2006,
- ConocoPhillips Poland sp. z o.o., Managing Director from July 1, 2003 to February 28, 2006,
- Severočeská energetika, a.s., member of the Supervisory Board from March 10, 2006 to February 28, 2007.

Members of the ČEZ, a. s. Board of Directors whose membership terminated in 2009 or before the Annual Report closing date

Zdeněk Pasák (* 1966)
Member from April 22, 2006 to August 19, 2009

Audit Committee

By a decision of the General Meeting, starting from May 13, 2009 ČEZ, a. s. has an Audit Committee that, in particular, monitors the process of compiling the financial statements and consolidated financial statements, evaluates the effectiveness of the Company's internal controls, internal audit, and risk management systems, monitors the process of the mandatory audit of the financial statements and consolidated financial statements, evaluates the independence of the statutory auditor and audit firm and, in particular, provision of supplementary services by that company, and recommends an auditor to audit the Company's financial statements and consolidated financial statements.

How the Audit Committee Makes Decisions

The Audit Committee has five members, which are elected and removed by the General Meeting from among members of the Supervisory Board or third parties. As a rule, its members meet once every two months, or as needed. Members of the Board of Directors and Company Proxies are not eligible for membership of the Audit Committee. Members of the Audit Committee serve for terms of four years. The Audit Committee takes decisions by a simple majority vote of its members; each member has one vote. The vote of the member chairing the meeting decides in the event of a tie. Details on the Audit Committee's powers and responsibilities and how it makes decisions are stipulated by the Articles of Association.
Members of the Audit Committee attend the Company's General Meeting and are required to report to the General Meeting on the results of their activities.
Four regular meetings were held in 2009.
The work address of members of the Audit Committee is the Company headquarters, i.e. Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Audit Committee Members

Zdeněk Hrubý (* 1956)
Chairman since June 25, 2009
Member since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Martin Kocourek (* 1966)
Vice Chairman since June 25, 2009
Member since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Ivan Fuksa (* 1963)
Audit Committee expert since June 25, 2009
Member since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Drahoslav Šimek (* 1953)
Member since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Lubomír Klosík (* 1951)
Member since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Remuneration Principles – Members of the Board of Directors, Supervisory Board, and Audit Committee

Remuneration of members of the Board of Directors, Supervisory Board, and Audit Committee, including all benefits, are approved by the General Meeting. In accordance with approved General Meeting resolutions, the Company enters into membership contracts with individual board and committee members.

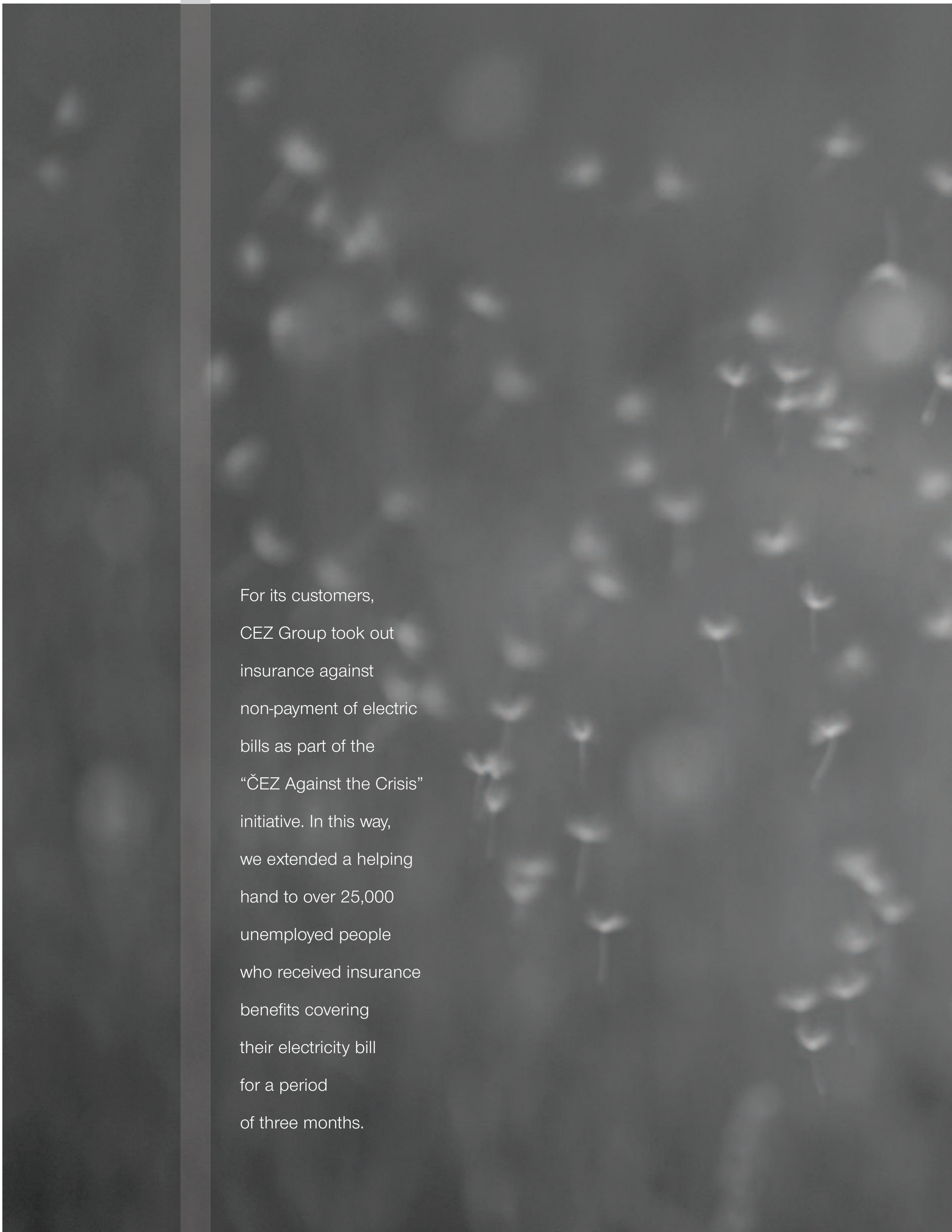
Members of the Company's governing bodies receive the following remuneration and benefits:

- fixed remuneration (members of the Board of directors and Supervisory Board) – paid regularly, following the end of each calendar month. Should a member of the Board of Directors fall ill, for the first 30 days the fixed monthly remuneration is paid in full. Should the board member be incapacitated for an uninterrupted period longer than 30 days, the amount of the monthly remuneration for the period from the 31st day of incapacitation to the end thereof shall be decided by the Board of Directors under the condition that said monthly remuneration may not be less than 50% of the full monthly remuneration amount. In the event a member of the Supervisory Board is temporarily unable to discharge his or her office due to illness or long-term absence, the member shall be entitled to remuneration if he or she delivers to the Chairman of the Supervisory Board a written statement on the agenda items of missed meetings before the meetings take place, unless the Supervisory Board decides otherwise. Granting of remuneration in the event of a Supervisory Board member's temporarily inability to discharge office shall be decided by the Supervisory Board;
- remuneration (members of the Audit Committee) – paid regularly, following the end of each calendar month. In the event a member is temporarily unable to discharge his or her office due to illness or long-term absence, the member shall be entitled to remuneration if he or she delivers to the Committee Chairman a written statement on the agenda items of missed meetings before the meetings take place, unless the Audit Committee decides otherwise. Granting of remuneration in the event of temporary inability to discharge office shall be decided by the Audit Committee;
- target remuneration – based on fulfillment of specific tasks assigned by the General Meeting, a member of the Board of Directors may receive target remuneration up to six times the amount of his or her monthly remuneration. Details, including amount and due date of the target remuneration, are set by the Board of Directors after discussing the matter with the Supervisory Board, while complying with the principles laid down by the General Meeting;
- board membership bonuses – provided to members of the Board of Directors and Supervisory Board by General Meeting decision. The amount of the bonus for individual members of the Board of Directors is set pursuant to rules approved by the General Meeting;
- stock options – members of the Board of Directors are entitled to Company stock options under the conditions set forth in the relevant option contract. See page 45 for details. Members of the Supervisory Board do not receive stock options;
- insurance – the following insurance is taken out, at Company expense, for the benefit of members of Company governing bodies:
  - insurance against liability for damage caused to the Company or third parties while discharging duties of office;

  In addition, the following insurance is taken out, at Company expense, for the benefit of members of the Board of Directors and Supervisory Board:
  - endowment life insurance which, upon the termination of board membership or the Company's withdrawal from the endowment life insurance policy, is transferred free-of-charge to the board member. Endowment life insurance premiums paid by the Company are treated as part of the board member's wages and, as such, are subject to income tax withholding;
- company car – members of the Board of Directors are entitled to a company car for business and personal use. Members of the Supervisory Board may be assigned a company car for use in the course of discharging their office. Terms and conditions for lending and use of company cars are set forth in separate agreements. Company cars provided for business and personal use are subject to taxation, and the cost of fuel consumed for personal use is recovered by withholding from pay. In the event a member of one of the Company's governing boards uses his or her own car on Company business, the costs associated with such use are paid by the Company in accordance with applicable laws and regulations;
- severance pay – contracts with members of the Board of Directors are entered into for a specified period of time. Should the contract be terminated before it is due to expire, the Company is obligated to provide severance pay to the board member. The severance pay amount is the aggregate total remuneration that would otherwise have been paid for the months remaining until the end of the board member's term. Persons who resign from the Board of Directors are not entitled to severance pay. Terms of payment of severance pay are set forth in the membership contract;
- reimbursement of travel expenses – when traveling on business, members of the Board of Directors and Supervisory Board are entitled to receive meal allowances and per diem at rates above those set forth in applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value. In the case of work-related travel by Audit Committee members, meal allowances and per diem are provided at the maximum rates set by the Labor Code.

In accordance with the Labor Code, members of the Supervisory Board and Audit Committee who are government employees do not receive remuneration, nor do they receive any other benefits except as permitted by law.

good light all the time



For its customers, CEZ Group took out insurance against non-payment of electric bills as part of the "ČEZ Against the Crisis" initiative. In this way, we extended a helping hand to over 25,000 unemployed people who received insurance benefits covering their electricity bill for a period of three months.

Persons with Executive Authority at ČEZ, a. s.

Persons with executive authority are members of the Board of Directors (see p. 23), members of the Supervisory Board (see p. 17) and executives (the Chief Executive Officer, the Chief Operating Officer, other chief officers and section directors – see also "Other Persons with Executive Authority").

Senior Management of ČEZ, a. s.

At the executive employees level, the senior management of ČEZ, a. s. consists of the Chief Executive Officer, the Chief Operating Officer, and other Chief Officers. The work address of members of senior management is the ČEZ Headquarters, Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Chief Executive Officer and Chief Operating Officer

The Chief Executive Officer carries out decisions of the Board of Directors and decides in Company matters that are not reserved by law, the Articles of Association of ČEZ, a. s., or resolutions of the General Meeting or Board of Directors for the General Meeting, Supervisory Board, or Board of Directors. The Chief Operating Officer carries out decisions of the Board of Directors and decides in Company matters falling within areas delegated to him or her by the Chief Executive Officer.

Martin Roman (* 1969)
Chief Executive Officer since April 1, 2004
For personal data, see entry under Board of Directors, above.

Daniel Beneš (* 1970)
Chief Operating Officer since June 1, 2007
For personal data, see entry under Board of Directors, above.

Division Heads

Peter Bodnár (* 1960)
Chief Investment Officer since January 1, 2008
For personal data, see entry under Board of Directors, above.

Vladimír Hlavinka (* 1966)
Chief Production Officer since January 1, 2008
For personal data, see entry under Board of Directors, above.

Hana Krbcová (* 1954)
Chief Personnel Officer since October 1, 2009
A graduate of the University of Economics, Prague, where she majored in industrial economics, the Charles University, Prague, Faculty of Law, where she specialized in labor law (two-year specialization study), and International Studies in Strategic Management (two-year course of study).
In the past she served as Director of the Human Resources Section.
Current statutory board memberships other than ČEZ, a. s.:
- Czech Association for Human Resources Development and Management, member of the Board of Directors since February 19, 2007 (four-year term),
- Czech Association of Power Industry Employers, member of the Board of Directors since October 2009.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- Energetika Vítkovice, a.s., member of the Supervisory Board from March 21, 2003 to May 1, 2006; Vice Chairwoman of the Supervisory Board from October 29, 2003 to May 1, 2006,
- ELV-Servis, s.r.o. (Slovak Republic), member of the Supervisory Board from October 16, 2002 to April 7, 2005.

Jiří Kudrnáč (* 1965)
Chief Distribution Officer since January 1, 2008
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering.
Past engagements include Severočeská energetika, a.s., Head of Strategy Department, and ČEZ Distribuce, a. s., Chairman of the Board of Directors and General Manager.
Current statutory board memberships other than ČEZ, a. s.:
- ČEZ Distribuce, a. s., member of the Supervisory Board since May 22, 2008 (five-year term); Chairman of the Supervisory Board since June 17, 2008,
- Czech Switzerland Public-Benefit Organization, member of the Board of Administration since January 15, 2010 (three-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- ČEZ Distribuce, a. s., Chairman of the Board of Directors from March 31, 2005 to December 14, 2007,
- ČEZ Zákaznické služby, s.r.o., member of the Supervisory Board from August 16, 2004 to January 31, 2008.

Ivan Lapin (* 1965)
Chief Administration Officer since July 1, 2007
A graduate of the Technical University of Ostrava, Faculty of Mining and Geology, major in deep drilling technology and techniques.
Past engagements include General Manager of ČEZ Správa majetku, s.r.o. and current engagements Chief Information Officer of CEZ Group.
Current statutory board memberships other than ČEZ, a. s.:
- ČEZ Energetické služby, s.r.o., Chairman of the Supervisory Board since July 1, 2007,
- ČEZ ICT Services, a. s.,*) member of the Supervisory Board since January 1, 2008; Vice Chairman of the Supervisory Board since February 12, 2008,
- Severočeské doly a.s., member of the Supervisory Board since October 23, 2009.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- ČEZ Logistika, s.r.o., member of the Supervisory Board from September 15, 2004 to June 30, 2007; Vice Chairman of the Supervisory Board from February 1, 2005 to July 16, 2006 and Chairman of the Supervisory Board from July 16, 2006 to June 30, 2007,
- ČEZ Správa majetku, s.r.o., member of the Supervisory Board from March 4, 2006 to June 30, 2006; Vice Chairman of the Supervisory Board from March 6, 2006 to June 30, 2006; Company Executive and General Manager from December 20, 2006 to July 1, 2007,
- Energetika Vítkovice, a.s.,**) member of the Supervisory Board from June 1, 2005, Vice Chairman of the Supervisory Board from September 8, 2006 to April 6, 2007 and Chairman of the Supervisory Board from April 6, 2007 to October 1, 2008,
- ČEZData, s.r.o.,*) member of the Supervisory Board from January 1, 2008 to September 31, 2008; Vice Chairman of the Supervisory Board from February 14, 2008 to September 31, 2008,
- ČEZnet, a.s.,*) member of the Supervisory Board from January 1, 2008; Vice Chairman of the Supervisory Board from February 12, 2008.

Martin Novák (* 1971)
Chief Finance Officer since January 1, 2008
For personal data, see entry under Board of Directors, above.

Tomáš Pleskač (* 1966)
Chief International Affairs Officer since January 1, 2008
For personal data, see entry under Board of Directors, above.

Alan Svoboda (* 1972)
Chief Sales Officer since January 1, 2005
A graduate of the University of West Bohemia, Plzeň, major in information and financial management, Mr. Svoboda also holds an MBA in Finance and an MA in Economics from the University of Missouri, Kansas City (USA).
Past engagements include a stint as partner with McKinsey & Company, focusing on the power industry.
Current statutory board memberships other than ČEZ, a. s.:
- ČEZ Zákaznické služby, s.r.o., Vice Chairman of the Supervisory Board since March 21, 2005 re-appointed March 21, 2010 (five-year term),
- ČEZ Prodej, s.r.o., Vice Chairman of the Supervisory Board since March 31, 2005 (five-year term),
- Eurelectric, the international association based in Brussels, member of the Board of Directors since December 1, 2005,
- EFET, the international association of electricity traders based in Amsterdam, member of the Board of Directors since November 20, 2007.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- ČEZ, a. s., Vice Chairman of the Board of Directors from April 27, 2004 to April 21, 2006,
- ČEZData, s.r.o., Vice Chairman of the Supervisory Board from August 31, 2004 to April 10, 2007,
- Západočeská energetika, a.s., member of the Supervisory Board from June 18, 2004 to October 1, 2007; Vice Chairman of the Supervisory Board from February 15, 2007 to October 1, 2007,
- Foratom, the international association based in Brussels, member of the General Assembly and Executive Committee from December 1, 2005 to December 31, 2009.

Members of the senior management whose membership terminated in 2009 or before the Annual Report closing date

Zdeněk Pasák (* 1966)
Chief Personnel Officer from March 15, 2006 to September 30, 2009

*) ČEZnet, a.s. merged with ČEZData, s.r.o., with the latter as the merged company and the former as the surviving company. The undertaking of the merged company, ČEZData, s.r.o., passed to ČEZnet, a.s. Subsequently, the company's name was changed from ČEZnet, a.s. to ČEZ ICT Services, a. s.
**) Energetika Vítkovice, a.s. was wound up and dissolved without liquidation with a legal successor as a result of its merger with ČEZ, a. s., with the latter as the surviving company.

Committees of the Chief Executive Officer

- the Senior Management Council, which has been operating since 2007 is a senior management advisory body to the Chief Executive Officer, especially for matters exceeding the scope of individual divisions;
- the Development Committee, an advisory body to the Chief Executive Officer for managing growth opportunities and CEZ Group projects; oversees management of the Company's development in the principal businesses of CEZ Group;
- the Risk Committee, which was established in 2003 as the Chief Executive Officer's committee for CEZ Group risk management, administrates and allocates surplus cash to investments and oversees risk management *per se*;
- the Strategy Committee, which has been operating at the Company since February 15, 2010, is an advisory body to the Chief Executive Officer for the area of CEZ Group strategy.

Committees of the Chief Operating Officer

- the Human Resources Committee, which assesses the strategy of key projects and key tools in the field of human resources;
- the ICT Committee, which assesses the priorities of ICT projects;
- the International Holdings Committee, which deals, in particular, with the integration of international holdings into CEZ Group;
- the Committee for ČEZ, a. s. Plant Safety, which is responsible, in particular, for assessing the level and state of ČEZ, a. s. plant and equipment safety, with emphasis on nuclear installations, assessing the level of corporate culture from the perspective of quality and safety, and assessing systemic shortcomings in the fields of safety and quality management;
- the Environmental Investment Committee, which has authority within CEZ Group over all areas falling within its remit, including assessing investment strategy, assessing specific investment opportunities, and monitoring the state and financial benefits of investments already made;
- the Plant Construction and Renewal Committee, which was formed effective from May 1, 2009 and whose remit includes, in particular, strategic management of projects to build and retrofit power plants in the Czech Republic and abroad;
- the Environmental Committee, whose activities were terminated effective January 31, 2009.

Other Persons With Executive Authority (Section Heads)

Unless stated otherwise, the work address of other persons with executive authority is the Company Headquarters, i.e. Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Karel Böhm (* 1958)

Director, Safety and Quality Management Section since August 1, 2007

A graduate of the Czech Technical University, Faculty of Electrical Engineering, major in nuclear reactors, and the MBA program of ESMA Barcelona.

Mr. Böhm has worked at Dukovany Nuclear Power Station as a reactor operator and reactor unit head, as well as in government agencies such as the State Office for Nuclear Safety, where he was Deputy Director for Nuclear Safety, Management, and Responsibility where he was in charge of all activities related to nuclear safety, technical safety, physical protection of nuclear materials and nuclear installations, and handling of nuclear materials and radioactive waste.

Jan Brožík (* 1972)

Director, Financing Section since February 14, 2007

A graduate of the University of Economics, Prague, Faculty of Finance.

At Patria Finance, he participated in mergers and acquisitions projects, including consulting on the sale of Česká spořitelna, the acquisition of an independent electricity producer in the Czech Republic, and the acquisition of a major Slovak manufacturer of glass for use in packaging applications. He also held the position of Head of Capital Markets Trading at ABN AMRO and Treasurer at Živnostenská banka.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Patria Direct, a.s., member of the Board of Directors from May 23, 2001 to May 12, 2005,
- Patria Finance CF, a.s., member of the Board of Directors from September 16, 2002 to July 13, 2005,
- CEZ Finance B.V., Managing Director from February 14, 2007 to February 15, 2010,
- CEZ MH B.V., Managing Director from December 14, 2007 to February 15, 2010,
- CEZ International Finance B.V., Managing Director from May 27, 2009 to February 15, 2010,
- CEZ Finance Ireland Ltd., Managing Director from May 28, 2009 to February 15, 2010.

Pavel Cyrani (* 1976)

Director, Asset Management – Technology Section since January 1, 2010

A graduate of the University of Economics, Prague, major in international trade, Mr. Cyrani also holds an MBA in finance from the Kellogg School of Management in Evanston, Illinois (USA).

In 1999–2006 he worked for McKinsey & Company, and from May 1, 2006 to December 31, 2009 he was Director, Planning and Controlling Section, ČEZ, a. s.

Tomáš Dzik (* 1967)

Director, Equity Holdings Section since January 1, 2010

A graduate of the Technical University of Ostrava, Steel Production Faculty, major in steel production economics and management.

Current statutory board memberships other than ČEZ, a. s.:

- MORAVSKOSLEZSKÝ HOLDING, a.s., sole member of the Board of Directors since September 24, 2008 (five-year term),
- HD Partners, s.r.o., Managing Director since September 24, 2008 (unlimited term),
- CEZ Bulgaria EAD, member of the Supervisory Board since January 30, 2008 (five-year term),
- Elektrownia Skawina S.A., member of the Supervisory Board since May 29, 2008 (three-year term),
- ČEZ Správa majetku, s.r.o., member of the Supervisory Board since July 1, 2006 (five-year term), Chairman of the Supervisory Board since December 21, 2006,
- Severočeské doly a.s., member of the Supervisory Board since July 1, 2007 (four-year term), Chairman of the Supervisory Board since August 21, 2007,
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board since January 13, 2009 (five-year term),
- MALLA, a.s., member of the Supervisory Board since July 1, 2009,
- EDICOLLA a.s., member of the Supervisory Board since October 23, 2009.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Lesy České republiky, s.p., statutory representative from March 1, 2009 to September 3, 2009,
- ORELEAS, společnost s ručením omezeným, Managing Director from September 24, 2008 to September 3, 2009,
- ČD Cargo, a.s., member of the Supervisory Board from December 1, 2007 to December 1, 2008,
- ČEZ Logistika, s.r.o., member and Vice Chairman of the Supervisory Board from July 16, 2006 to July 31, 2008,
- LOMY MOŘINA spol. s r.o., member of the Supervisory Board from July 1, 2006 to July 4, 2007,
- ČEZ Energetické služby, s.r.o., member and Vice Chairman of the Supervisory Board from July 1, 2007 to June 30, 2008,
- ČEZ Energetické produkty, s.r.o, member and Chairman of the Supervisory Board from March 7, 2008 to November 10, 2009.

Jiří Feist (* 1962)

Director, Development Section since January 1, 2005

A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in power engineering.

Current statutory board memberships other than ČEZ, a. s.:

- CM European Power International, B.V., member of the Board of Directors since July 17, 2008 (three-year term),
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board since October 1, 2009 (five-year term).

Miroslav Holan (* 1950)

Director, Safety Section since April 1, 2005

A graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering, major in power engineering, the Brno University of Technology, Faculty of Mechanical Engineering, major in nuclear plant operation, the Czech Technical University (Masaryk Institute of Higher Studies), Prague, and Sheffield Hallam University (Faculty of Organisation and Management) – MBA.

He has worked as Assistant Director for Safety, Temelín Nuclear Power Station, and safety manager in the Nuclear Plants Section.

Work address: Temelín Nuclear Power Station, 373 05 Temelín 2, Czech Republic.

Bohdana Horáčková (* 1969)

Director, CEZ Group Communications Section since June 8, 2009

A graduate of the Technical University of Ostrava, Faculty of Mechanical and Electrical Engineering.

She has worked as Public Relations Director and Press Spokesperson at Moravia Steel a.s. and Třinecké železárny, a. s., and Marketing Manager and member of the Board of Directors of Conti Capital, a.s. and companies under its control, as well as at Czech Television in the news reporting service.

Current statutory board memberships other than ČEZ, a. s.:

- ČEZ Foundation, Vice Chairwoman since July 13, 2009.

Michaela Chaloupková (* 1975)

Director, Procurement Section since January 1, 2008

A graduate of the University of West Bohemia, Faculty of Law, and an Executive Master of Business Administration Program (MBA) at the KATZ School of Business, University of Pittsburgh (USA).

Current statutory board memberships other than ČEZ, a. s.:

- ČEZ ICT Services, a. s., member of the Board of Directors since March 22, 2006 (five-year term),
- ČEZ Logistika, s.r.o., member and Chairwoman of the Supervisory Board since July 1, 2007 (five-year term),
- ŠKODA PRAHA Invest s.r.o., member of the Supervisory Board since December 19, 2008 (unlimited term),
- ČEZ Distribuce, a. s., member of the Supervisory Board since November 2, 2009 (five-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- ČEZData, s.r.o., member of the Supervisory Board from April 11, 2007 to September 30, 2008,
- Severočeská energetika, a.s., member of the Supervisory Board from June 23, 2006 to February 28, 2007.

Jan Kanta (* 1966)
Director, Legislation and Markets Section
since August 1, 2004
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering.
Past engagements include Středočeská energetická a.s., Chairman of the Board of Directors and General Manager, and Západočeská energetika, a.s., Sales Director and member of the Board of Directors.
Current statutory board memberships other than ČEZ, a. s.:
- Association of Power Industry Managers, member of the Board of Directors since March 15, 2006, re-elected March 15, 2009 (three-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board from January 1, 2006 to February 25, 2008,
- První energetická a.s., Chairman of the Board of Directors from June 30, 2004 to March 1, 2005,
- Východočeská energetika, a.s., member of the Supervisory Board from June 10, 2004 to February 28, 2007.

Jan Klaus (* 1974)
Director, Risk Management Section since July 1, 2005
A graduate of the University of Economics, Prague, major in finance and banking.
Current statutory board memberships other than ČEZ, a. s.:
- VERDA Foundation Fund, member of the Board of Trustees since September 20, 2001.

Karel Kohout (* 1953)
Director, Distribution Services Section
since February 1, 2009
A graduate of the University of Mechanical and Electrical Engineering, Plzeň, major in power engineering, where he specialized in the generation and distribution of electricity.
Past engagements include Středočeská energetická a.s., Director, Distribution Grid Operation and Maintenance, and ČEZ, a. s., Director, Distribution Analytical Support Section.
Current statutory board memberships other than ČEZ, a. s.:
- ČEZ Distribuční služby, s.r.o., member of the Supervisory Board since July 1, 2008 (five-year term),
- ČEZ Distribuční zařízení, a.s., member of the Board of Directors since July 2, 2009 (five-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board from January 1, 2006 to June 13, 2007.

Karel Křížek (* 1953)
Director, Central Engineering Section since July 1, 2007
A graduate of the University of Mechanical and Electrical Engineering, Plzeň, major in technical cybernetics,
Mr. Křížek was also awarded an MBA from Sheffield Hallam University (UK).
Past positions include Executive Director of Ústav jaderného výzkumu Řež a.s. and Director of Construction at Temelín Nuclear Power Station.
Work Address: ČEZ, a. s., Temelín Nuclear Power Station, 373 05 Temelín, Czech Republic.
Current statutory board memberships other than ČEZ, a. s.:
- VGB PowerTech e. V., Essen, Germany, member of the Board of Directors since September 24, 2009 (open-ended term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- Ústav jaderného výzkumu Řež a.s., member of the Board of Directors from June 27, 2003 to June 24, 2004, Vice Chairman of the Board of Directors from April 11, 2008 to December 31, 2009, member of the Supervisory Board from June 25, 2004 to April 11, 2008, during which time he served as Chairman of the Supervisory Board from September 6, 2007 to April 11, 2008,
- OSC, a.s., member of the Board of Directors from June 24, 2003 to June 21, 2006.

Josef Lejček (* 1975)
Human Resources Compensation Section
since June 1, 2006
A graduate of the University of Economics, Prague, Faculty of Business Administration.
Past engagements include compensation and employee benefits manager at T-Mobile, Czech Republic.

Vít Martinovský (* 1966)
Director, Taxes Section since July 1, 2008
A graduate of the Charles University, Prague, Faculty of Law.
In the past he worked as tax manager at Philip Morris ČR.

Martina Matoušková (* 1970)
Director, Engineering Design Office since July 1, 2007
A graduate of the University of Economics, Prague, Faculty of Finance.
Past engagements include PricewaterhouseCoopers and IBM.
Current statutory board memberships other than ČEZ, a. s.:
- Providence Consulting, s.r.o., Managing Director since February 3, 2006.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:
- CEZ Bulgaria EAD, member of the Supervisory Board from January 30, 2008 to October 14, 2009.

Martin Pacovský (* 1973)

Director, International Holdings Management Section since February 1, 2010

A graduate of the University of Economics, Prague, Faculty of Finance and Accounting, and Rochester Institute of Technology (MBA).

Current statutory board memberships other than ČEZ, a. s.:

- Identifikační systémy, s.r.o., 34% partner since January 6, 2010,
- CEZ Bulgaria EAD, member of the Supervisory Board since February 11, 2010, Vice Chairman of the Supervisory Board since March 10, 2010 (five-year term),
- Operatori i Sistemit te Shperndarjes Sh.A., member of the Supervisory Board since March 15, 2010 (term expires May 29, 2012).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Identifikační systémy, s.r.o., Managing Director from April 22, 2002 to January 15, 2005,
- CEZ Romania S.R.L., Managing Director from November 1, 2005 to January 31, 2010,
- CEZ Distributie S.A., member of the Board of Directors from October 21, 2005 to January 31, 2010.

Jiří Pačovský (* 1959)

Director, Asset Management – Production Section since July 1, 2008

A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in power industry economics and management.

In the past he has worked as Head of the Production Department of Chvaletice Power Station and Director of Mělník Power Station.

Current statutory board memberships other than ČEZ, a. s.:

- Elektrárna Chvaletice a.s., member and Vice Chairman of the Supervisory Board since February 1, 2010 (one-year term).

Jiří Postolka (* 1970)

Director, Planning & Controlling Section since March 1, 2010

A graduate of the University of Economics, Prague, Faculty of Business Administration, major in industrial economics.

Past engagements include a stint as Finance Director at CEZ Bulgaria EAD.

Current statutory board memberships other than ČEZ, a. s.:

- CEZ Bulgaria EAD, member of the Board of Directors since March 28, 2008,
- CEZ Razpredelenie Bulgaria AD, Vice Chairman of the Board of Directors since July 31, 2008,
- CEZ Finance B.V., Managing Director since February 15, 2010,
- CEZ MH B.V., Managing Director since February 15, 2010.

Pavel Puff (* 1963)

Director, Strategic Recruiting Section since January 1, 2010

A graduate of the Technical University of Ostrava, Faculty of Economics.

Past positions include Head of the Human Resources Department, ČEZ, a. s.

Work address: Teplická 874/8, Děčín, Czech Republic.

Daniel Rous (* 1968)

Director of CEZ Group Security Section since January 1, 2008

A graduate of the Brno University of Technology, Faculty of Mechanical Engineering, major in conventional and nuclear power engineering.

He gained experience and know-how from managerial positions in Czech Republic regional and nationwide security units in protecting major economic interests of the Czech Republic, as well as information, persons, and objects of special importance.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- ČEZnet, a.s., member of the Board of Directors from December 21, 2006 to July 31, 2007.

Vladimír Schmalz (* 1966)

Director, Mergers & Acquisitions Section since January 1, 2005

A graduate of the University of Economics, Prague, Faculty of International Relations, major in foreign trade.

Current statutory board memberships other than ČEZ, a. s.:

- CEZ Razpredelenie Bulgaria AD, member of the Supervisory Board since December 29, 2004 (term expires December 15, 2014),
- ŠKO-ENERGO, s.r.o., member of the Supervisory Board since January 1, 2008 (unlimited term); Chairman of the Supervisory Board from January 1, 2009 to December 31, 2009,
- ŠKO-ENERGO FIN, s.r.o., member of the Supervisory Board since January 1, 2008 (unlimited term); Vice Chairman of the Supervisory Board from January 1, 2008 to December 31, 2008,
- TEC Varna EAD, member of the Supervisory Board since May 10, 2008 (three-year term),
- Akenerji Elektrik Üretim A.S., member of the Supervisory Board since May 13, 2009 (term expires December 17, 2012),
- Mitteldeutsche Braunkohlengesellschaft mbH, member of the Supervisory Board since June 10, 2009 (term expires when General Meeting approves the 2011 financial statements, expected in April 2012),
- ČEZ Obnovitelné zdroje, s.r.o., member of the Supervisory Board since January 13, 2009 (five-year term),
- ČEZ Bohunice a.s., member of the Supervisory Board since March 19, 2009, re-elected March 26, 2010 (five-year term),
- CEZ Bulgaria EAD, member of the Supervisory Board since April 27, 2005 (eight-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- CEZ RUS OOO, General Manager from February 6, 2008 to August 31, 2009,
- ZAO TransEnergo, General Manager from February 15, 2006 to January 30, 2009,
- ŠKODA PRAHA a.s., member of the Supervisory Board from May 2, 2005 to November 28, 2006,
- Schmalz & Co., s.r.o. in liquidation, Partner and Managing Director from August 4, 1994 to November 10, 2006; liquidator from June 29, 2004 to November 10, 2006,
- Severočeská energetika, a.s., member of the Supervisory Board from June 25, 2004 to June 10, 2005.

Michal Skalka (* 1975)

Director, Trading Section since September 1, 2005

A graduate of the University of Economics, Prague, major in information technology.

Past engagements include a stint as Energy Trading a Risk Management manager with Deloitte Czech Republic and as manager with Treasury Capital Markets Amsterdam.

Radim Sladkovský (* 1967)

Director, Accounting Section since March 1, 2008

A graduate of the Prague Institute of Chemical Technology and the University of Pittsburgh (MBA).

Past experience includes Financial Director of ConocoPhillips Czech Republic, s.r.o. and Financial Director of Lukoil Czech Republic s.r.o.

Current statutory board memberships other than ČEZ, a. s.:

- CITELUM, a.s., member of the Supervisory Board since June 30, 2009,
- CEZ International Finance B.V., Managing Director since February 15, 2010,
- CEZ Finance Ireland Ltd., Managing Director since February 15, 2010.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- ConocoPhillips Czech Republic, s.r.o., Managing Director from April 19, 2006 to June 1, 2007,
- ConocoPhillips Hungary Kft., member of the Supervisory Board from April 1, 2006 to May 31, 2007.

Juraj Szabó (* 1969)

Director, Legal Section since January 1, 2008

A graduate of the Charles University, Prague, Faculty of Law and postgraduate work (Ph.D.) at the same institution, Mr. Szabó also completed a one-year postgraduate course of study in monetary economics and banking at the University of Economics, Prague.

He has worked as Head of the Legal Section of Raiffeisenbank, a.s. and as Senior Manager of the Legal Division at GE Money Bank, a.s.

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- GE Money, a.s., Bratislava and GE Money Brokers, a.s., Bratislava, member of the Supervisory Board from June 27, 2007 to December 19, 2008.

Peter Szenasy (* 1975)

Director, Project Development Section since January 2, 2008

A graduate of Lewis & Clark College, Portland, Oregon, USA (B.A.) and US Business School in Prague (MBA).

Past engagements include manager for logistics projects at Sunmar, Inc., Seattle, Washington, USA and Director of Procurement at ŠKODA PRAHA a.s.

Current statutory board memberships other than ČEZ, a. s.:

- CEZ Elektroproizvodstvo Bulgaria AD, member of the Supervisory Board since December 10, 2008 (three-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- ŠKODA PRAHA a.s., member of the Supervisory Board from June 22, 2005 to December 13, 2005.

Milan Špatenka (* 1970)

Director, Distribution Development Section since February 1, 2009

A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering.

Current statutory board memberships other than ČEZ, a. s.:

- ČEZ Distribuce, a. s., member of the Supervisory Board since July 21, 2009 (five-year term).

Past statutory board memberships other than ČEZ, a. s. terminated since January 1, 2005:

- Energetická montážní společnost Ústí nad Labem, s.r.o., member of the Supervisory Board from January 1, 2005 to August 31, 2006; Chairman of the Supervisory Board from February 18, 2005 to August 31, 2006,
- ENPROSPOL, s.r.o., member of the Supervisory Board from March 23, 2005 to August 31, 2006; Chairman of the Supervisory Board from March 24, 2005 to August 31, 2006,
- Energetická montážní společnost Liberec, s.r.o., member of the Supervisory Board from January 1, 2005 to August 31, 2006,
- Energetická montážní společnost Česká Lípa, s.r.o., member of the Supervisory Board from April 1, 2005 to June 20, 2006,
- EFIS s.r.o., member of the Supervisory Board from June 17, 2005 to December 16, 2005.

Ladislav Štěpánek (* 1957)

Director, Fuel Cycle Section since September 1, 2004

A graduate of the Czech Technical University, Prague, Faculty of Mechanical Engineering.

Current statutory board memberships other than ČEZ, a. s.:

- TEC Varna EAD, member of the Supervisory Board since May 10, 2008 (three-year term).

Miloš Štěpanovský (* 1957)
Director, Temelín Nuclear Power Station Organizational Unit since December 1, 2007
A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, major in nuclear power plants.
Work experience includes management of nuclear power plant maintenance.
Work address: ČEZ, a. s., Temelín Nuclear Power Station, 373 05 Temelín, Czech Republic.

Dag Wiesner (* 1972)
Director, Project Execution Section since January 1, 2008
A graduate of the University of Economics, Prague.
Current statutory board memberships other than ČEZ, a. s.:
→ HOBBY SPORT, s.r.o., Managing Director since April 25, 2005.

Ivan Zavadil (* 1963)
Director, CEZ Group Human Resources Management Section since October 1, 2009
A graduate of the Charles University, Prague, Faculty of Arts.
In the past he has worked in human resources management and in the labor law field.

Petr Závodský (* 1970)
Director, Nuclear Power Plants Construction Section since April 1, 2009
A graduate of the University of Transport and Communications, Žilina, Slovak Republic, Faculty of Electrical Engineering.
Past responsibilities at ČEZ, a. s. included head of the independent safety systems verification and validation software project at Temelín Nuclear Power Station and head of the technical contracts department.
Work address: ČEZ, a. s., Vyskočilova 1461/2a, 140 00 Prague 4, Czech Republic.

Petr Zlámal (* 1966)
Director, Asset Management – Supplier System Section since January 1, 2009
A graduate of the Brno University of Technology, Faculty of Mechanical Engineering, major in automation technology.
Previously he worked as Director, Nuclear Power Plants Maintenance Section.
Work address: ČEZ, a. s., Dukovany Nuclear Power Station, 675 50 Dukovany, Czech Republic.

Tomáš Žák (* 1962)
Director, Dukovany Nuclear Power Station Organizational Unit since January 1, 2010
A graduate of the Brno University of Technology, Faculty of Electrical Engineering, and the Masaryk Institute in cooperation with Sheffield Hallam University (MBA).
Past engagements include head of the asset management project and Director, Asset Management Technologies Section, both at ČEZ, a. s.

Other persons with executive authority who left their positions in 2009 or before the Annual Report closing date

Pavel Cyrani (* 1976)
Director, Planning & Controlling Section from May 1, 2006 to December 31, 2009

Tomáš Dzik (* 1967)
Director, Equity Stakes Section from May 1, 2006 to February 28, 2009

Hana Krbcová (* 1954)
Director, CEZ Group Human Resources Section from January 1, 2007 to September 30, 2009

Soňa Křítková (* 1972)
Director, Strategic Communications Section from July 1, 2008 to June 30, 2009

Ladislav Kříž (* 1969)
Director, Media Section from July 1, 2008 to June 7, 2009

Zdeněk Linhart (* 1953)
Director, Dukovany Nuclear Power Station Organizational Unit from April 1, 2005 to December 31, 2009

Martin Zmelík (* 1975)
Director, International Holdings Management Section from January 1, 2005 to January 31, 2010

Tomáš Žák (* 1962)
Director, Asset Management – Technology Section from July 1, 2007 to December 31, 2009

Remuneration Principles – Persons With Executive Authority

The remuneration principles for persons with executive authority in the Company are set forth in manager contracts entered into between the Company (Board of Directors) and the managers for the period during which they are to remain in office, or in contracts stipulating individual terms of remuneration, entered into between the Company and the manager in question for the period during which he or she is to remain in office.
The Board of Directors is required to submit the manner of remunerating members of the Board of Directors who are also employees of the Company to the Supervisory Board for discussion and request its opinion on the matter.

These contracts stipulate the conditions for providing:

- base monthly wage – paid regularly for each calendar month. The base monthly wage is paid for the amount of time worked;
- annual bonus – to which the manager is entitled in addition to the base monthly wage. The bonus amount depends on fulfillment of criteria stipulated in advance. Expressed as a percentage of annual income (base wage and annual bonus), the annual bonus may be as much as:
  - 77.8% for the Chief Executive Officer
  - 71.4% for the Chief Operating Officer
  - 60.0% (as a rule) for the other Chief Officers (Division Heads)
  - 20.0% (as a rule) for all other executives.

The basic criterion determining the pay-out and final amount of the annual bonus to an executive is fulfillment of the EBITDA figure called for in the Company's budget – adjusted for certain items, such as impairment charges, that the executive cannot influence. Fulfillment can range from 90% of EBITDA (no annual bonus paid) to 110% of EBITDA (110% of annual bonus is paid if EBITDA is equal to or greater than 110% of budgeted level). The criteria for granting an individual annual bonus to a Company executive are based on the strategic priorities and principal objectives of the Company that are announced each year by the Chief Executive Officer in an executive order following discussion in the meeting of Division Heads. For 2009, the criteria were stipulated as follows:

- 10% for the CEZ Group economic indicator (ROIC)
- 20% for the economic indicator (influencable portion of fixed costs, as a rule) linked to expenses and income of the unit managed
- 70% for specifically stated and deadlined tasks.

The criteria for individual executives and the dependence of annual bonus amount on their fulfillment are assessed by the executive's direct superior (or by the Board of Directors in the case of the CEO) or the superior set forth in the manager contract. In determining the final amount of the executive's annual bonus, the assessor takes into account his or her overall work performance and approach to completing tasks. The economic indicators in question are taken from the Board of Directors-approved and Supervisory Board-reviewed budget, and fulfillment is assessed by the Controlling unit based on the financial statements of the Company/CEZ Group or fulfillment of other measurable criteria.
In the cases of certain executives whose units differ from the others, only a system of targeted bonuses is used, linked to fulfillment of strategic tasks;

- target bonuses – in the cases of certain executives, a system of target bonuses is used, linked to the fulfillment of specific, long-term tasks in the areas of power plant build-out and renewal, and M&A. Payment of bonuses is linked to fulfillment of criteria defined in advance, such as compliance with the timeline, budget, and technical parameters of individual projects, and realization of major acquisitions;
- stock options – based on a decision of the Board of Directors and consent of the Supervisory Board, a selected group of executives are entitled to stock options under the terms set forth in a stock option contract. For details, see page 45;
- company car – depending on the importance of the executive's position, he or she may be entitled to a company car for business and personal use, subject to the terms and conditions of a special agreement. Company cars provided for business and personal use are subject to taxation, and the cost of fuel consumed for personal use is recovered by withholding from pay. In the event an executive uses his or her own car on Company business, the costs associated with such use are paid by the Company in accordance with applicable laws and regulations;
- insurance – based on a decision of the Company's Board of Directors, endowment life insurance policies are taken out at Company expense for the benefit of a selected group of executives. When the executive leaves his or her executive position or when the Company withdraws from the endowment life insurance policy, the insurance is transferred free-of-charge to the executive. Endowment life insurance premiums paid by the Company are treated as part of the executive's wages and, as such, are subject to income tax withholding;
- reimbursement of travel expenses – when traveling on business, executives are entitled to receive meal allowances and per diem in accordance with applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value. A small group of executives are entitled to receive meal allowances and per diem at rates higher than those set by the applicable laws and regulations;
- severance pay – is provided in accordance with the Labor Code and the terms set forth in the valid Collective Agreement;
- cash settlement upon termination of contract – with regard to the importance of their positions, the employer agrees to provide a selected group of executives, upon the termination of their employment, a cash settlement for a period of six months (as a rule) subject to the fulfillment of conditions set forth in the "No Competition Agreement". The cash settlement is payable monthly in arrears;
- mobility program – the employer reimburses executives participating in the Mobility Program for a portion of costs of temporary accommodation and provides them a contribution to help defray the costs of travelling to visit their families;
- employee benefits – a selected group of executives receive premium healthcare. All executives receive benefits in accordance with the valid Collective Agreement;
- international secondment bonus – provided to executives seconded temporarily to work abroad. The bonus amount is set based on the difficulty level of the work performed by the executive during the secondment, conditional upon the fulfillment of stipulated criteria, and is paid out upon the executive's return, unless stipulated otherwise.

In the event an executive also serves as a member of the Company's Board of Directors, he or she is entitled to stock options, company car, insurance, and reimbursement of travel expenses only once.

Information on Cash and In-kind Income (Gross Amounts) and on Securities

	Units	Supervisory Board	Board of Directors	Persons with executive authority
Information on cash and in-kind income				
Base wage [1]	CZK '000	2,401	–	143,195
Bonus linked to Company performance [1]	CZK '000	–	–	113,777
Board member remuneration	CZK '000	8,110	5,166	–
2008 bonus paid to members of Boards	CZK '000	15,373	8,627	–
Severance pay and cash settlement	CZK '000	–	–	6,433
Other cash income [1]	CZK '000	184	172	1,334
of which: Supplemental Pension Insurance contributions [1]	CZK '000	63	–	507
use of employee personal account [1]	CZK '000	64	–	665
domestic business travel reimbursement above limit	CZK '000	57	3	12
international business travel reimbursement above limit	CZK '000	–	169	150
Other in-kind income [1]	CZK '000	5,371	2,653	10,649
of which: endowment life insurance	CZK '000	4,571	846	4,975
company car for personal use [1]	CZK '000	787	1,807	4,628
mobile telephone for personal use [1]	CZK '000	13	–	187
mobility program	CZK '000	–	–	767
other in-kind income	CZK '000	–	–	92
Income from entities controlled by the issuer	CZK '000	15,679	–	11,465
of which: bonuses to board members of controlled companies	CZK '000	15,426	–	11,465
endowment life insurance	CZK '000	8	–	–
company car for personal use [1]	CZK '000	245	–	–
Information on securities				
Number of options held at December 31, 2008 and options granted in 2009 [2]	number	150,000	1,770,000	825,000
average option price	CZK	213.36	1,028.90	851.09
Transfers of options between categories	number	–	75,000	(75,000)
average option price	CZK	–	1,106.52	1,106.52
Number of shares on which option was exercised	number	150,000	75,000	170,000
average option price	CZK	213.36	594.29	410.32
resulting in-kind income, taxed	CZK millions	87	23	79
Number of options terminated	number	–	–	25,000
average option price	CZK	–	–	752.95
Number of options held at December 31, 2009	number	–	1,770,000	555,000
average option price	CZK	–	1,050.61	955.99
Number of Company shares at December 31, 2009				
held by members of Boards and executives [3]	number	120,450	427,123	227,900
held by close persons [3]	number	858	–	785

[1] Cash and in-kind income of Supervisory Board members in these items include income from their present and/or past employment by the Company.
[2] In the case of stock options granted to persons with executive authority who were elected members of the Board of Directors, in this table the relevant option contracts have been moved into the Board of Directors column.
[3] Figure is for persons that were members of Company's governing bodies or Company executives as of December 31, 2009.

Other Information on Persons With Executive Authority

Convictions for fraud-related crimes during the past five years:
No members of the Supervisory Board or Board of Directors have been tried for fraud-related crimes, nor have any persons with executive authority.

Bankruptcy proceedings, forced administration and/or liquidation during the past five years:
Jan Demjanovič was a member of the Board of Directors of Coal Energy, a.s. in liquidation from October 17, 2001 to January 17, 2005, Vice Chairman of the Board of Directors from October 31, 2001 to January 17, 2005, once again a member from November 30, 2005 and Vice Chairman of the Board of Directors from December 7, 2005. Membership in the company was terminated on December 18, 2009 because the company was wound up.
Daniel Beneš was a member of the Supervisory Board of Coal Energy, a. s. in liquidation from April 11, 2006 to December 18, 2009, and Chairman of the Supervisory Board from April 26, 2006 to December 18, 2009, when the company was wound up.
Vladimír Hlavinka was a member of the Supervisory Board of RIPSL a.s. "in liquidation" from October 14, 2005 to September 4, 2007.
Vladimír Schmalz was Partner and Managing Director of Schmalz & Co., s.r.o. in liquidation and from June 29, 2004 to November 10, 2006 he was liquidator of same.

Official public charges or sanctions brought down by statutory or regulatory bodies (including designated professional bodies) and court-ordered declaration of incompetence to act as a member of administrative, executive or supervisory bodies:
Under a Decision of the Czech National Bank dated May 15, 2008, a CZK 50,000 monetary fine was imposed on Martin Roman for breach of obligations under Section 125(5) of the Act on Doing Business in the Capital Market. Alan Svoboda was charged with abuse of information in business relations under Section 128(1) and (3) of the Penal Code. By a decision of the Prague Municipal Court dated March 18, 2009, the criminal charges were dropped and the matter was forwarded to the Czech National Bank for completion of an investigation into a possible misdemeanor. In the administrative proceedings with the Czech National Bank, it was decided that a misdemeanor occurred in 2005 in the course of trading shares of ČEZ, a. s. An administrative complaint has been filed, seeking reversal of the decision.

Information on employment or other contracts with the issuer and/or its subsidiaries along with a description of benefits received upon termination of employment:
Members of the Supervisory Board, Audit Committee, and Board of Directors discharge their office pursuant to a board/committee membership contract. Persons with executive authority do so in accordance with a managerial contract. Target bonus contracts with precisely defined tasks are entered into with selected persons with executive authority. Certain contracts include no-competition clauses. In addition to the above, option contracts are entered into with selected employees.

Possible conflicts of interest:
No members of the Supervisory Board or Board of Directors and no persons with executive authority have any conflicts of interest.

Agreements with key shareholders and/or other entities concerning selection for current job position:
No members of the Supervisory Board or Board of Directors and no persons with executive authority have any agreement with key shareholders or other parties regarding selection for their current job position.

Agreement with ČEZ, a. s. on restricted disposition of securities of ČEZ, a. s.:
Beneficiaries who entered into a stock options agreement with the issuer after the 2006 General Meeting are obligated to hold 10% of the shares acquired under the stock options agreement on their asset account in the central register of securities for as long as they remain in the position that made them eligible for the stock options. Beneficiaries who entered into a stock options agreement with the issuer after the 2008 General Meeting are obligated to hold on their asset account in the central register of securities such a number of shares acquired in each exercise of options that are equal in value to 20% of the gain achieved by the beneficiary on the options exercise date, up to the end of the stock options program.

we respect professionalism and fair play

For the tenth year now, CEZ Group has been a general partner of the Czech Olympic Team. Together with the best Czech athletes and their fans, we watched in suspense the summer Olympics in Athens (2004) and Beijing (2008), as well as the winter Olympic Games in Salt Lake City (2002), Turin (2006) and Vancouver (2010).

Summary Report Pursuant to Section 118(8) of the Act on Doing Business in the Capital Market, on Certain Aspects of the Shareholders' Equity of ČEZ, a. s.

(included on the General Meeting agenda)

The Summary Report pursuant to Section 118(8) of the Act on Doing Business on the Capital Market, on certain aspects of shareholders' equity, is based on the requirements set forth in Sections 118(5)(a)-(k) of said Act.
As at December 31, 2009, the Company's stated capital as recorded in the Commercial Register totaled CZK 53,798,975,900. It was composed of 537,989,759 shares, each with a face value of CZK 100. The issue price of all shares had been fully paid in. All the shares were booked to owner, and were listed.
The Company's stated capital is allocated exclusively to common shares, with no special rights attached. All of the Company's shares are accepted for trading on the Prague Stock Exchange and the Warsaw Stock Exchange in the Republic of Poland and are negotiable without limitations.
Treasury shares were carried in the amount of CZK 5,150,809,000, which is the price for which they were acquired.
Retained earnings and other reserves totaled CZK 128,811,812,000.
No other securities issued by ČEZ, a. s. are limited in their negotiability, nor are any special rights attached thereto.

Structure of Shareholders (%)

	Stake in stated capital	Stake in voting rights	Stake in stated capital	Stake in voting rights
	at December 31, 2008		at December 31, 2009	
Legal entities, total	95.45	94.95	94.59	94.54
Czech Republic	63.39	70.43	69.78	70.38
Other legal entities	12.97	3.31	4.02	3.19
of which: domestic	11.59	1.77	2.73	1.89
of which: ČEZ, a. s.	9.99	–	0.85	–
third parties	1.60	1.77	1.88	1.89
foreign	1.38	1.54	1.29	1.30
Asset managers	19.09	21.21	20.79	20.97
Private individuals, total	4.55	5.05	5.41	5.46
of which: domestic	4.43	4.92	5.26	5.31
foreign	0.12	0.13	0.15	0.15

As at December 31, 2009, ČEZ, a. s. was aware of three entities with stakes of over 3% of the stated capital.
The first of these was the Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic.
The Czech Republic's equity stake allows it to exercise direct control over ČEZ using conventional means, i.e. in particular by voting at General Meetings. Other shareholders are informed of any negative influence the controlling entity may have on the Company through the Related Parties Report, which is a public document under Czech law and is included in the Annual Report. As an issuer of shares accepted for trading on the Prague and Warsaw Stock Exchanges, ČEZ, a. s. is required to inform the exchanges named of all important events. The reports are made in the Czech, English and Polish languages and are also made available to the public through the Company's website.
The second entity with a stake of over 3% in the stated capital was the asset manager UNICREDIT BANK CZECH REPUBLIC, which managed 43 accounts containing shares representing an aggregate total of 9.885% of the stated capital. UNICREDIT BANK HUNGARY ZRT., in turn, held another 0.010% of the shares of ČEZ, a. s., bringing UNICREDIT's total stake to 9.895% of the stated capital.
The third such shareholder was the asset manager Citibank Europe plc, Dublin, which managed 86 accounts containing shares in an aggregate amount of 5.749% of the stated capital of ČEZ, a. s.

These entities hold the rights set forth in Sections 181 and 182 of the Commercial Code.
Foreign entities (legal entities and private individuals) held 1.44% of the stated capital of ČEZ, a. s. at year-end 2009, a reduction of 0.06 of a percentage point compared to year-end 2008. ČEZ, a. s. has no way to determine the identities (including domiciles) of the actual shareholders behind shares managed by asset managers.
In terms of restrictions on voting rights associated with certain shares, the following applies: in accordance with Section 161d of the Commercial Code, the voting rights associated with treasury shares acquired by ČEZ on the basis of a General Meeting resolution are not exercised by the Company. As at December 31, 2009, ČEZ, a. s. held 4,555,021 such treasury shares.
ČEZ is not aware of any contracts among its shareholders that could result in any limitations on the negotiability of shares or voting rights.
In accordance with the Articles of Association, the Supervisory Board elects members to and removes them from the Board of Directors by a simple majority vote. Amendments to the Articles of Association are decided by the General Meeting by a qualified, two-thirds majority of votes present.
As the statutory body, the Board of Directors runs the Company and acts in its name. It decides in all Company matters not reserved for the General Meeting or the Supervisory Board by the Commercial Code or the Articles of Association. Except as described above, the Board of Directors has no other special powers.
ČEZ, a. s. has entered into material contracts that take effect, change, or are voided in the event control over ČEZ changes as a result of a takeover offer. They are: the 5th, 6th, 8th, 11th, 13th, 14th, and 15th Eurobond issues, the 7th and 12th Yen bond issues, the bill of exchange program, a USD 300 million guarantee contract in Turkey, and EUR 200 million and EUR 100 million loan agreement with the EIB. In all of these contracts, should there be a change in the controlling entity of ČEZ, the counterparty would be entitled, but not required, to demand early repayment. In the case of the guarantee contract in Turkey, the counterparty has that right only if it did not grant prior consent with the change in controlling entity. At the same time, however, this right can be exercised only if either Standard & Poor's or Moody's publicly declares or communicates to ČEZ in writing that it has reduced ČEZ's credit rating due in full or in part to the change in controlling entity. A reduction in the existing credit rating is defined as a change from investment to non-investment grade, any rating lower than an originally non-investment-grade rating, or non-determination of investment grade if no rating was assigned at all. The above reduction would have to take place in the period from the time when the step that could result in the change in controlling entity was made public until 180 days after the notification of the change in controlling entity. The counterparty could not exercise its right to early repayment if, following a factual change in the controlling entity, the rating agency in question re-evaluated its position and, within the period defined above, either returned ČEZ to investment grade or restored the previous non-investment-grade rating. The contractual provisions on a change in control over ČEZ should be seen in the context of ČEZ's credit rating, which in 2009 reached A– from Standard & Poor's and A2 from Moody's, with stable outlook, i.e. 4 and 5 levels, respectively, above the agencies' highest non-investment-grade ratings. In the case of the EUR 200 million and EUR 100 million loan agreement with EIB mentioned last, above, the above mentioned rating change condition is not applied; only a change in control over ČEZ, a. s.
No contracts have been entered into between ČEZ and members of its Board of Directors and/or employees that would bind ČEZ, a. s. to provide consideration in event they should leave their office and employment in conjunction with a takeover offer.
At ČEZ, remuneration of senior executives includes an incentive program that enables these executives to acquire Company shares. Members of the Board of Directors and selected employees were/are entitled to options on the Company's common shares under the conditions set forth in a stock option contract.
Under the rules for granting stock options approved by the General Meeting in May 2008, members of the Board of Directors and selected employees receive options for a certain number of the Company's shares on an annual basis for as long as they remain in office. The purchase price of one share is set as the weighted average of the prices at which trades in the Company's shares took place in a regulated market in the Czech Republic during the month before the annual option granting date. Members of the Board of Directors are entitled to call upon the Company to transfer a number of shares no larger than the given option grant, no earlier than two years and no later than the mid-point of the fourth year after each option grant. The option right is restricted in that the appreciation of the Company's shares may be at most 100% compared to the purchase price and the member of the Board of Directors is obligated to hold on his or her asset account such a number of shares obtained on the basis of a call to transfer that corresponds to the value of 20% of the gain achieved at the date of the call, for as long as the stock option program shall last. Members of the Board of Directors to whom the new option program rules apply and who also participated in the option program under principles that applied prior to May 2008, will be allowed to participate in the revised stock option program provided they fulfill the eligibility criteria and the conditions approved by the General Meeting in May 2008.
In 2009, among employees and members of the Board of Directors there were 13 persons who obtained shares through the stock option program and owned shares during said year. Of this number, three persons exercised their voting rights at the General Meeting and nine persons exercised their right to dividends. According to information submitted to the Company for the purpose of drawing up this report, no beneficiary of the stock options program transferred any separately negotiable right attaching to their shares to any third party.

Fulfillment of the Corporate Governance Codex

Corporate Governance Codex

Our corporate governance is based on the recommendations of the Corporate Governance Codex, in the drafting of which in the Czech Republic ČEZ, a. s. took part and whose provisions we comply with in all material respects. The Codex was compiled under the patronage of the then Securities Commission and it can be found on the website of that body's successor for supervision of capital markets, the Czech National Bank, under the link www.cnb.cz/export/CZ/Kapitalovy_trh_podle_temat/Emitenti_cennych_papiru/.

Important information on the Company's statutory bodies, a description of how they are established, their current composition, a description of how their members are remunerated, and a summary of Supervisory Board committees can be found on pages 16–27 of this Annual Report. ČEZ, a. s. complies with all Commercial Code provisions regarding shareholder rights, convening its General Meetings and ensuring equal treatment of all shareholders.

As an issuer of securities accepted for trading on the Warsaw Stock Exchange (GPW), ČEZ, a. s. is obligated to comply with the Codex released by said exchange. As part of the preparations for launching our shares on this exchange, the Company issued a declaration of compliance with the GPW Codex. On December 21, 2009, ČEZ, a. s. released a Codex compliance summary for the previous year, i.e. 2008, which is available in Czech, English, and Polish on the CEZ Group website, in the "Regulatory announcements" section.

The text of the GPW Codex can be found on the Warsaw Stock Exchange's special-purpose site, in English under the link www.corp-gov.gpw.pl/assets/library/english/best_practices_2007.pdf, and in Polish under the link www.corp-gov.gpw.pl/assets/library/polish/dobrepraktyki2007.pdf.

In the year in question (i.e. in 2008), certain aspects of ČEZ's practices differed from the provisions of the GPW Codex. In particular, this applied in the following cases:

1) In its General Meeting announcements, ČEZ, a. s. did not publish proposed General Meeting resolutions. In 2008, the Company was not required by law to do so. The General Meeting agenda was published within the statutory term and on the date the General Meeting was held, all shareholders were able to acquaint themselves with all materials under discussion, including draft resolutions, as soon as the meeting was called to order;
2) In its General Meeting announcements, ČEZ, a. s. does not publish biographical and other information on persons nominated for membership of the Supervisory Board who are to be elected to office by the General Meeting. These persons are nominated by the shareholders and ČEZ, a. s. has no way of forcing the shareholders to provide such information;

3) The Report of the Supervisory Board on its activities in the previous year is discussed by the General Meeting, which means that the shareholders can acquaint themselves with it, but it is not published on the CEZ Group website. Other interested parties can learn of the shareholders' position on said report from the General Meeting minutes, which are available on the website;
4) The Supervisory Board is supposed to review and submit its opinion on matters that are the subject of General Meeting resolutions. In accordance with the Articles of Association, the Supervisory Board discusses and provides to the Board of Directors its opinion on all proposals submitted to the General Meeting by the Board of Directors. In the case of proposals the Board of Directors is required by law to submit to the General Meeting, the Articles of Association stipulate that it is sufficient for the Supervisory Board to be informed of the proposal to be submitted;
5) ČEZ does not explicitly require members of the Supervisory Board to disclose their relationships (financial, family) with shareholders controlling at least 5% of the voting rights at the General Meeting. However, ČEZ, a. s. does require that members of the Supervisory Board disclose, in a sworn statement made to the Company each year, any possible conflicts of interest, and deems this a sufficient description of such relationships;
6) Pursuant to the GPW Codex, members of the Supervisory Board are not to resign from their positions, so as not to threaten the Supervisory Board's viability and ability to take decisions. At ČEZ, however, there is an effective mechanism for preventing such a situation: the Supervisory Board is authorized to name substitute Supervisory Board members to serve until the next General Meeting, provided the proportion of members elected by the General Meeting has not fallen below one half;
7) The GPW Codex requires that at least two members of the Supervisory Board be independent of ČEZ, a. s. and persons related to it. As at December 31, 2008 this criterion was met, however as a general rule the Company cannot guarantee it will always be met, since the members of the Supervisory Board are elected by the shareholders and employees and hence ČEZ, a. s. has no influence over the Supervisory Board's composition;
8) Under the GPW Codex, media representatives are to have access to the ČEZ, a. s. General Meeting. If these representatives are not shareholders ČEZ, a. s., their presence at the General Meeting is subject to approval by the Board of Directors;
9) The GPW Codex requires each shareholder who requests that an item be added to or removed from the General Meeting agenda to submit documents enabling participants to make an informed decision when voting on the General Meeting resolution in question. ČEZ, a. s., however, is not entitled to force its shareholders to submit such documentation;
10) The beginning of dividend pay-out is to come as soon as possible after the dividend strike date, and the period between them should be at most 15 business days. As this matter is not addressed by ČEZ, a. s. internal guidelines, the Company always deals with it on a one-time basis, in the General Meeting decision on dividend pay-out;
11) According to the GPW Codex, the General Meeting or Supervisory Board should ensure that the authorized audit firm is replaced at least once every seven accounting years. The law does not require the Company to replace its audit firm. A change in the statutory auditor is required by law, and ČEZ, a. s. complies with this requirement.

Approach to Risks in Relation to Financial Reporting

ČEZ, a. s. maintains accounts in accordance with International Financial Reporting Standards (IFRS) and, for the purpose of the Income Tax Act, in accordance with Czech Accounting Standards (CAS). This is done by maintaining two general ledgers: one for IFRS and the other for CAS.

ČEZ also provides accounting services to selected subsidiaries (referred to as "integrated" subsidiaries) headquartered in the Czech Republic, which together with ČEZ, a. s. and other companies make up the CEZ Consolidated Group. The books of these integrated subsidiaries are kept in accordance with Czech accounting regulations and, at the same time, documentation is prepared for use in consolidation according to IFRS.

Accounting processes at ČEZ and in the integrated subsidiaries are governed by joint directives issued by ČEZ, a. s., which are valid also in said subsidiaries, or by directives issued by the parent company and subsidiaries individually, but based on unified rules. The principles contained in these directives are then worked out in more detail in work procedures and methodological materials, which describe specific parts of the accounting function.

Accounting policies at ČEZ and the integrated subsidiaries are set in full compliance with generally binding laws and regulations in the CEZ Group Accounting Standards. These standards are further supplemented by a set of lower-level methodological materials focusing in more detail on specific areas of the accounting process. Consolidation rules and other general principles used to prepare the CEZ Group statutory consolidated financial statements are stipulated in the Rules of Consolidation.

Processing of accounting documents takes place in accordance with a directive issued by each company individually, subject to the general principle that all accounting documents are recorded only when approved by two authorized employees. Approval takes place either in writing for documents forwarded to the accounting department in paper form, or electronically through the SAP system's approval process for documents forwarded in electronic form. The scope of each approving officer's signature authority is set forth in the management directives of the company in question.

In terms of the organization, the accounting function is separated from the process of managing business partners, including management of bank account information and settlement of accounts payable. This rules out any possibility of a single employee entering a business partner in the database, recording a payable with respect to that partner, and issuing a payment order. Accounts are paid only when approved by the employee authorized to purchase the goods or services in question and by an employee authorized to confirm that the goods and/or services have been received.

Only users with the necessary authorization have access to the accounting system. The process of granting access to the system takes place through a software application and is subject to approval by a superior employee and the owner of the accounting process. Access is authorized according to the employee's job position. Access for active operations (recording transactions) in the accounting system is limited to employees of the accounting department only. All logins to the accounting system are recorded in a database and can be searched retroactively. For each accounting document in the system there are records on who created it, as well as who changed it or reversed it, if applicable.

An inventory-taking of assets and liabilities is an integral part of the system of accounting controls. The inventory-taking process verifies whether all predictable risks and potential losses associated with assets have been reflected in the accounts, whether the assets are properly protected and maintained, and whether records of assets and liabilities are accurate.

The correctness of the accounts and the financial statements is checked internally by the Accounting Section as well as audited by an external auditor, who carries out the audit of the individual and consolidated financial statements as at December 31.

Several times a year, selected accounting areas are also subjected to an internal audit to determine whether the procedures used are in compliance with applicable legislation and the Company's internal directives. Where discrepancies are found, corrective measures are immediately proposed and implemented in the shortest possible time.

The effectiveness of ČEZ's system of internal controls and the process of compiling the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group, as well as of the external audit process on the mentioned financial statements, is also verified by the Audit Committee which, as a Company governing body, conducts these activities without affecting the responsibilities of members of the Board of Directors and Supervisory Board.

Changes in CEZ Group Ownership Participations

Albania

- CEZ Albania Sh.A., a new subsidiary, was formed on April 29, 2009
- On May 29, 2009 ČEZ, a. s. acquired a 76% stake in Operatori i Sistemit te Shperndarjes Sh.A.
- CEZ Trade Albania Sh.P.K., a new subsidiary, was registered on September 29, 2009.

Czech Republic

- ČEZ Bohunice a.s. was incorporated in the Commercial Register on March 19, 2009
- Š-BET s.r.o. became a part of CEZ Group on April 2, 2009
- On April 9, 2009 ČEZ, a. s. purchased a 100% stake in CZECH HEAT a.s.
- MALLA, a.s. became a part of CEZ Group on July 1, 2009
- ČEZ Distribuční zařízení, a.s. was incorporated in the Commercial Register on July 2, 2009
- Elektra Žabčice a.s. was added to CEZ Group on September 30, 2009
- EDICOLLA a.s. became a part of CEZ Group on October 23, 2009
- On December 21, 2009 ČEZ, a. s. acquired a 100% stake in GENTLEY a.s.
- On December 21, 2009 the 100% stake in ČEZ Obnovitelné zdroje, s.r.o. was split up, with one part being sold to ČEZ Správa majetku, s.r.o.

Ireland

- CEZ Finance Ireland Ltd., a new subsidiary, was registered on May 28, 2009. It is 100% owned by ČEZ, a. s.

Hungary

- On March 31, 2009 CM European Power International B.V. acquired a 100% stake in Dunai Gőzfejlesztő Kft., which on April 29, 2009 was renamed MOL - CEZ European Power Hungary Kft.

Germany

- On June 10, 2009 a consortium consisting of Severočeské doly a.s. from CEZ Group, on the one hand, and J & T Group on the other, took over a 100% stake in MIBRAG, the German mining company.

The Netherlands

- CEZ International Finance B.V., a new subsidiary, was formed on May 27, 2009. It is 100% owned by ČEZ, a. s.
- A 67% stake in Transenergo International N.V. was sold on May 28, 2009.

Poland

- CEZ Produkty Energetyczne Polska sp. z o.o. was registered on January 19, 2009
- On March 18, 2009 ČEZ, a. s. acquired 100% control over Elektrownia Skawina S.A.
- A new company, CEZ Nowa Skawina S.A., was formed on September 10, 2009.

Romania

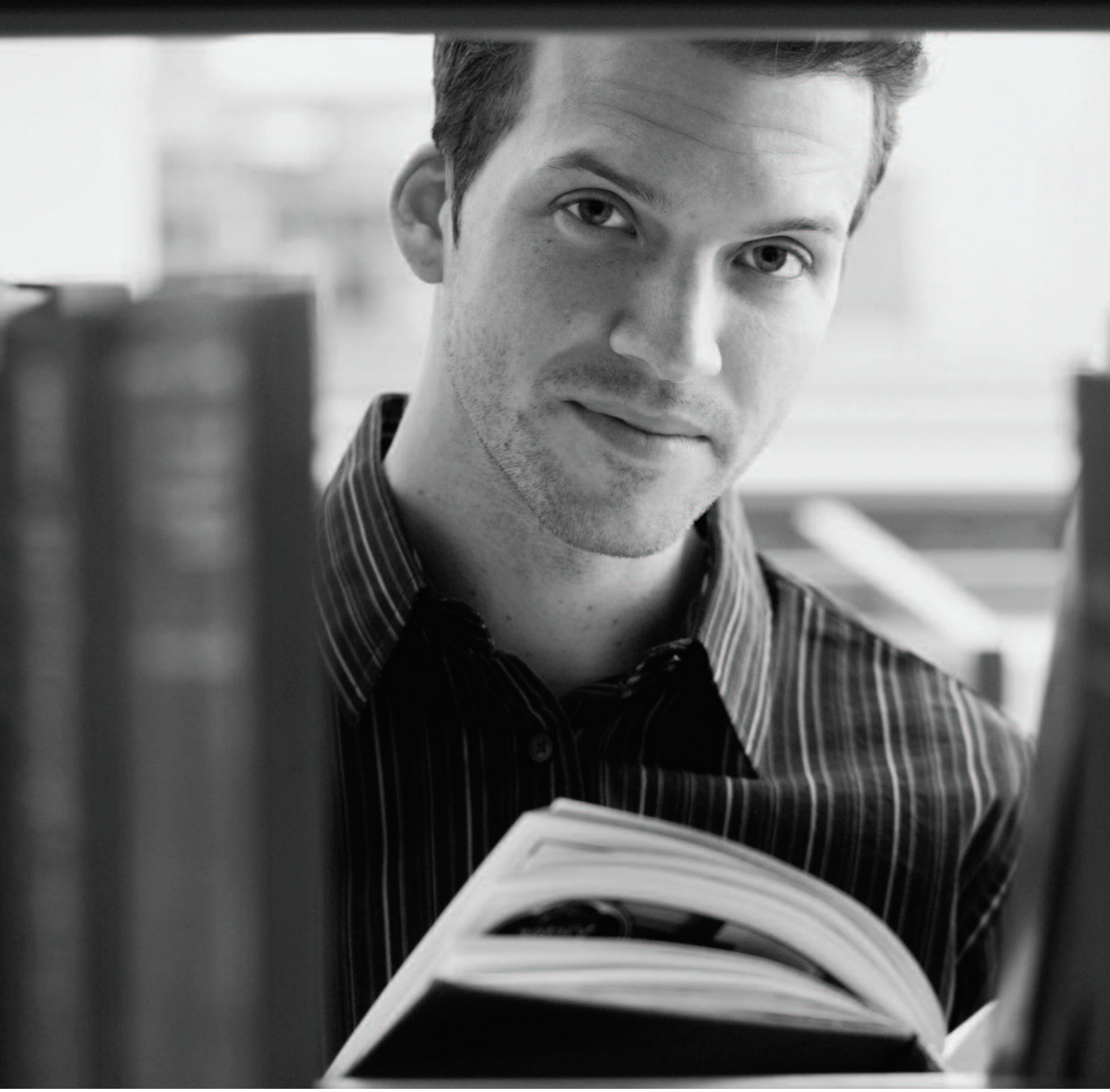
- On March 27, 2009 a new company, Energonuclear S.A., was registered in which ČEZ, a. s. holds a 9.15% stake
- On September 28, 2009 the stake of ČEZ, a. s. in CEZ Distributie S.A. and CEZ Vanzare S.A. was increased to 81.01% in both companies
- On September 30, 2009 the stake of ČEZ, a. s. in CEZ Servicii S.A. was increased to 63%
- On October 9, 2009 the stake of ČEZ, a. s. in CEZ Distributie S.A. and CEZ Vanzare S.A. was increased to 100% in both companies.

Turkey

- On February 11, 2009, Sakarya Elektrik Dagitim A.S. was registered as a 100% subsidiary of Akcez Enerji A.S.
- A 37.4% stake in the stated capital of Akenerji Elektrik Üretim A.S. passed to ČEZ, a. s. on May 14, 2009
- On May 14, 2009 ČEZ, a. s. transferred a 22.5% stake in Akcez Enerji A.S. to Akkök Sanayi Yatirim ve Gelistirme A.S.

Slovakia

- On November 30, 2009 CM European Power International B.V. (a joint-venture between ČEZ, a. s. and MOL) acquired a 51% stake in CM European Power Slovakia, s. r. o. ČEZ, a. s. itself holds a 24.5% stake in the company.



For a long time now, CEZ Group has been systematically supporting schools and gifted students through an extensive in-house education program. For the 18th year now, we cooperate with schools at all levels and endeavor to spark students’ interest in electric power and technical subjects in general.

knowledge is the best investment

Report on Operations
Financial Performance of CEZ Group

As at December 31, 2009 CEZ Group encompassed a total of 119 business entities (including the parent company ČEZ, a. s.), 85 of which were headquartered in countries of Central and Western Europe, 54 of them in the Czech Republic. 34 companies were headquartered in Southeastern Europe and Turkey. Compared to the same period of 2008, the number of companies increased by 35. In the Czech Republic, the increase occurred in particular due to expansion of business activities in power production, in Turkey it occurred due to expansion of production activities, in Germany due to expansion into the mining sector, and in Albania due to the Group's entry into Albania's electricity market.
As at December 31, 2009, the CEZ Consolidated Group consisted of a total of 99 companies including the parent company, ČEZ, a. s. Of the total, 79 were fully consolidated and 20 joint-ventures and associates were consolidated by the equity method.

CEZ Group Companies, by Segment

The companies of the CEZ Consolidated Group are classified into seven business segments:

Power Production & Trading Central Europe
ČEZ, a. s.
Bohemian Development, a.s.
CEZ Ciepło Polska sp. z o.o.
CEZ Deutschland GmbH
CEZ Finance B.V.
CEZ Hungary Ltd.
CEZ Chorzow B.V.
CEZ MH B.V.
CEZ Nowa Skawina S.A.
CEZ Poland Distribution B.V.
CEZ Produkty Energetyczne Polska sp. z o.o.
CEZ Silesia B.V.
CEZ Slovensko, s.r.o.
CEZ Srbija d.o.o.
CEZ Trade Albania Sh.P.K.
CEZ Trade Bulgaria EAD
CEZ Trade Polska sp. z o.o.
CEZ Trade Romania S.R.L.
CZECH HEAT a.s.
CZ INVEST - PLUS, a.s.
ČEZ Bohunice a.s.
ČEZ Energetické produkty, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ Teplárenská, a.s.
EDICOLLA a.s.
Elektra Žabčice a.s.
Elektrociepłownia Chorzów ELCHO sp. z o.o.
Elektrownia Skawina S.A.
Energetické centrum s.r.o.
GENTLEY a.s.
Jadrová energetická spoločnosť Slovenska, a.s. *)
MALLA, a.s.
MARTIA a.s.
PPC Úžín, a.s.
Š-BET s.r.o.
TEPLEX s.r.o.
CM European Power International B.V. *)
CM European Power International s. r. o. *)
CM European Power Slovakia, s. r. o. *)
MOL - CEZ European Power Hungary Kft. *)

Power Production & Trading Southeastern Europe
Aken B.V. *)
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret *)
Akenerji Elektrik Üretim A.S. *)
Akka Elektrik Üretim A.S. *)
Akkur Enerji Üretim A.S. *)
AK-EL Yalova Elektrik Üretim A.S. *)
CEZ Elektroproizvodstvo Bulgaria AD
Egemer Elektrik Üretim A.S. *)
Energonuclear S.A. *)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S. *)
M.W. Team Invest S.R.L.
NERS d.o.o.
Ovidiu Development S.R.L.
TEC Varna EAD
Tomis Team S.R.L.

Distribution & Sale Central Europe
ČEZ Distribuce, a. s.
ČEZ Distribuční zařízení, a.s.
ČEZ Prodej, s.r.o.

Mining Central Europe
CEZ Finance Ireland Ltd.
CEZ International Finance B.V.
Severočeské doly a.s.
JTSD - Braunkohlebergbau GmbH *)
LOMY MOŘINA spol. s r.o. *)
Mibrag B.V. *)
Mitteldeutsche Braunkohlengesellschaft mbH *)

Distribution & Sale Southeastern Europe
CEZ Albania Sh.A.
CEZ Distributie S.A.
CEZ Elektro Bulgaria AD
CEZ Razpredelenie Bulgaria AD
CEZ Vanzare S.A.
Operatori i Sistemit te Shperndarjes Sh.A.
Akcez Enerji A.S. *)
Sakarya Elektrik Dagitim A.S. *)

Other Central Europe
CEZ Polska sp. z o.o.
ČEZ Distribuční služby, s.r.o.
ČEZ Energetické služby, s.r.o.
ČEZ ICT Services, a. s.
ČEZ Logistika, s.r.o.
ČEZ Měření, s.r.o.
ČEZ Správa majetku, s.r.o.
ČEZ Zákaznické služby, s.r.o.
PRODECO, a.s.
SD - 1.strojírenská, a.s.
SD - Autodoprava, a.s.
SD - Kolejová doprava, a.s.
SD - KOMES, a.s.
SD - Rekultivace, a.s.
STE - obchodní služby, spol. s r.o. in liquidation
ŠKODA PRAHA a.s.
ŠKODA PRAHA Invest s.r.o.
Ústav jaderného výzkumu Řež a.s.

Other Southeastern Europe
CEZ Bosna i Hercegovina d.o.o.
CEZ Bulgaria EAD
CEZ Laboratories Bulgaria EOOD
CEZ Romania S.R.L.
CEZ RUS OOO
CEZ Servicii S.A.
CEZ Ukraine CJSC
New Kosovo Energy L.L.C.

*) associate or joint-venture

CEZ Consolidated Group as at December 31, 2009

ČEZ, a. s.

- 100% CEZ Ciepło Polska sp. z o.o.
- 100% CEZ Deutschland GmbH
- 100% CEZ Finance B.V.
- 100% CEZ Finance Ireland Ltd.
- 100% CEZ Hungary Ltd.
- 100% CEZ International Finance B.V.
- 100% CEZ MH B.V.
- 100% CEZ Nowa Skawina S.A.
- 100% CEZ Polska sp. z o.o.
- 100% CEZ Produkty Energetyczne Polska sp. z o.o.
- 100% CEZ Trade Albania Sh.P.K.
- 100% CEZ Trade Bulgaria EAD
- 100% CEZ Trade Romania S.R.L.
- 100% CEZ Srbija d.o.o.
- 100% CEZ Slovensko, s.r.o.
- 100% CEZ Trade Polska sp. z o.o.
- 100% CZECH HEAT a.s.
  - 100% Energetické centrum s.r.o.
- 100% ČEZ Bohunice a.s.
  - 49% Jadrová energetická spoločnosť Slovenska, a.s.
- 100% ČEZ Distribuce, a. s.
- 100% ČEZ Distribuční služby, s.r.o.
- 100% ČEZ Distribuční zařízení, a.s.
- 100% ČEZ Energetické produkty, s.r.o.
- 100% ČEZ Energetické služby, s.r.o.
- 100% ČEZ Logistika, s.r.o.
- 100% ČEZ Měření, s.r.o.
- 99.9% ČEZ Obnovitelné zdroje, s.r.o. 0.1%
  - 100% EDICOLLA a.s.
    - 100% CZ INVEST - PLUS, a.s.
  - 100% Elektra Žabčice a.s.
  - 100% MALLA, a.s.
  - 90% Š-BET s.r.o. 10%
- 100% ČEZ Prodej, s.r.o.
- 100% ČEZ Správa majetku, s.r.o.
- 100% ČEZ Teplárenská, a.s.
  - 100% MARTIA a.s.
  - 100% TEPLEX s.r.o.
- 100% ČEZ ICT Services, a. s.
- 100% ČEZ Zákaznické služby, s.r.o.
- 100% GENTLEY a.s.
  - 100% Bohemian Development, a.s.
- 100% PPC Úžín, a.s.
- 100% STE - obchodní služby spol. s r.o. in liquidation
- 100% ŠKODA PRAHA a.s.
- 100% ŠKODA PRAHA Invest s.r.o.
- 52.5% Ústav jaderného výzkumu Řež a.s.

- parent company
- subsidiary in Central Europe
- subsidiary in Southeastern Europe
- associate or joint-venture

% indicates controlling entity's stake in the company's stated capital.

- 100% Severočeské doly a.s.
  - 100% SD - 1.strojírenská, a.s.
  - 100% SD - Autodoprava, a.s.
  - 100% SD - Kolejová doprava, a.s.
  - 100% SD - Rekultivace, a.s.
  - 92.7% SD - KOMES, a.s.
  - 100% PRODECO, a.s.
  - 50% JTSD - Braunkohlebergbau GmbH
    - 100% Mibrag B.V.
      - 100% Mitteldeutsche Braunkohlengesellschaft mbH
- 51.1% LOMY MOŘINA spol. s r.o.
- 9.15% Energonuclear S.A.
- 50% CM European Power International B.V.
  - 100% CM European Power International s. r. o.
  - 100% MOL - CEZ European Power Hungary Kft.
  - 51% CM European Power Slovakia, s. r. o.
- 24.5% CM European Power Slovakia, s. r. o.

- 100% CEZ Poland Distribution B.V.
  - 100% Elektrownia Skawina S.A.
  - 5% Ovidiu Development S.R.L.
- 95% Ovidiu Development S.R.L.
- 100% Tomis Team S.R.L. (1 share)
  - 100% M.W. Team Invest S.R.L.
- 100% CEZ Albania Sh.A.
- 100% CEZ Laboratories Bulgaria EOOD
- 67% CEZ Razpredelenie Bulgaria AD
- 100% CEZ Romania S.R.L.
- 100% CEZ RUS OOO
- 63% CEZ Servicii S.A.
- 100% CEZ Bulgaria EAD
- 100% CEZ Distributie S.A.
- 67% CEZ Elektro Bulgaria AD
- 100% CEZ Ukraine CJSC
- 100% CEZ Vanzare S.A.
- 100% CEZ Bosna i Hercegovina d.o.o.
- 100% CEZ Elektroproizvodstvo Bulgaria AD
- 76% Operatori i Sistemit te Shperndarjes Sh.A.
- 100% TEC Varna EAD
- 51% NERS d.o.o.
- 100% New Kosovo Energy L.L.C.
- 37.36% Akenerji Elektrik Üretim A.S.
  - 100% Aken B.V.
  - 90% Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.
  - 90% Akka Elektrik Üretim A.S.
  - 99% Akkur Enerji Üretim A.S.
  - 90.07% AK-EL Yalova Elektrik Üretim A.S.
  - 99% Egemer Elektrik Üretim A.S.
  - 99% Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.
  - 45% Akcez Enerji A.S.
- 27.5% Akcez Enerji A.S.
  - 100% Sakarya Elektrik Dagitim A.S. (1 share; 1 share)
- 100% CEZ Silesia B.V.
  - 100% CEZ Chorzow B.V.
    - 75.2% Elektrociepłownia Chorzów ELCHO sp. z o.o.

CEZ Group Financial Performance Results

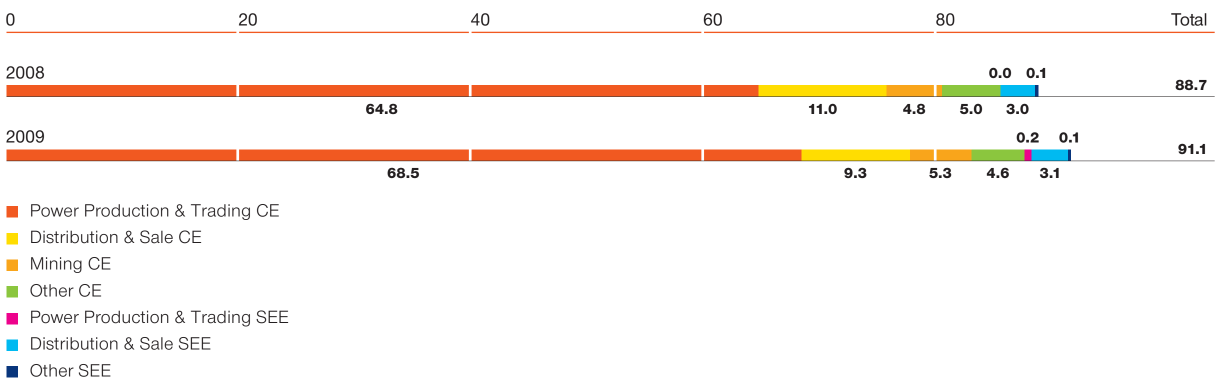
Net income grew CZK 4.5 billion (+9.5%) year-on-year, to CZK 51.9 billion, which is the best result in the history of CEZ Group. Income before other income (expenses), income taxes, depreciation, and amortization (EBITDA) increased by CZK 2.4 billion (+2.7%) to CZK 91.1 billion.

Segment Analysis

Segment	Sales other than intersegment sales CZK millions	Intersegment sales CZK millions	Total revenues CZK millions	EBITDA CZK millions	Depreciation and amortization CZK millions
Mining CE					
2008	4,018	6,285	10,303	4,819	(1,226)
2009	4,523	6,641	11,164	5,287	(1,415)
Power Production & Trading CE					
2008	69,032	48,488	117,520	64,815	(13,988)
2009	73,033	53,066	126,099	68,464	(13,730)
Distribution & Sale CE					
2008	79,356	3,678	83,034	11,045	(2,843)
2009	81,932	4,126	86,058	9,316	(3,065)
Other CE					
2008	4,569	28,892	33,461	4,950	(1,932)
2009	3,931	33,735	37,666	4,576	(2,137)
Power Production & Trading SEE					
2008	3,143	917	4,060	(33)	(349)
2009	2,871	294	3,165	244	(366)
Distribution & Sale SEE					
2008	23,819	155	23,974	3,046	(1,654)
2009	30,042	123	30,165	3,086	(2,100)
Other SEE					
2008	21	2,247	2,268	63	(55)
2009	20	2,676	2,696	82	(63)
Elimination					
2008	–	(90,662)	(90,662)	(4)	–
2009	–	(100,661)	(100,661)	20	–
Consolidated					
2008	183,958	–	183,958	88,701	(22,047)
2009	196,352	–	196,352	91,075	(22,876)

Results of Operations, by Segment

EBITDA, by Segment (CZK billions)



EBITDA of the Mining Central Europe segment grew CZK 0.5 billion (+9.7%). Severočeské doly a.s. extracted 243 kt of coal less, year-on-year, due to lower demand from ČEZ, a. s., ensuing from lower generation in coal-fired power plants in 2009. For external customers, Severočeské doly a.s. extracted only 54 kt less (1%), which is a favorable result when seen in light of the major slump in market demand for sorted coal (as the residential and municipal sectors migrated to cleaner sources of heat). MIBRAG, the German mining company consolidated by the equity method, is only reflected in the segment's net income, more than doubling it to CZK 6.6 billion primarily on a reversal of negative goodwill.

EBIT CZK millions	Income taxes CZK millions	Net income CZK millions	Capital expenditure CZK millions	Work force head count at December 31 persons	Segment
					Mining CE
3,593	(812)	3,136	3,100	3,517	2008
3,872	(799)	6,553	3,498	3,485	2009
					Power Production & Trading CE
50,827	(10,154)	34,207	20,844	7,029	2008
54,734	(9,729)	37,708	28,675	7,199	2009
					Distribution & Sale CE
8,202	(1,649)	6,406	7,491	1,413	2008
6,251	(1,209)	5,121	9,778	1,449	2009
					Other CE
3,018	(675)	2,337	4,835	8,479	2008
2,439	(481)	2,061	4,055	8,460	2009
					Power Production & Trading SEE
(382)	15	(562)	10,416	619	2008
(122)	(16)	19	9,657	582	2009
					Distribution & Sale SEE
1,392	(88)	1,838	800	4,682	2008
986	(853)	391	2,523	10,395	2009
					Other SEE
8	(2)	(11)	1,326	1,493	2008
19	(4)	2	103	1,415	2009
					Elimination
(4)	–	–	(2,541)	–	2008
20	–	–	(1,667)	–	2009
					Consolidated
66,654	(13,365)	47,351	46,271	27,232	2008
68,199	(13,091)	51,855	56,622	32,985	2009

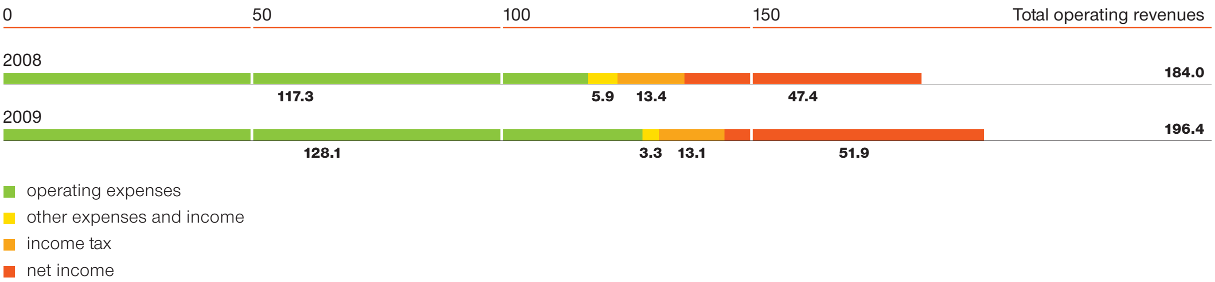
The Power Production & Trading Central Europe segment, which is still the largest segment in CEZ Group, posted EBITDA of CZK 68.5 billion, up CZK 3.6 billion (+5.6%) year-on-year. A major factor in this result was successful hedging against movements in electricity prices. As a matter of standard practice, CEZ Group sells generated electricity one year or more in advance. Thus, nearly all electricity produced in 2009 was already sold during 2008, when market electricity prices reached peak levels. Another positive factor influencing the segment's EBITDA was strict optimizing of generation in coal-fired power plants. After wholesale electricity prices dropped in 2009, it became cheaper to buy electricity in the marketplace than to generate it. That led to 1.5 TWh and 0.6 TWh year-on-year decreases in electricity generation in coal-fired power plants in the Czech Republic and Poland, respectively. Nuclear power plants, on the other hand, saw their generation volume rise by 0.6 TWh. Temelín Nuclear Power Station produced a record 13.3 TWh of electricity, up 1.1 TWh from 2008. Lower generation in the Polish coal-fired power plants led to a reduction in fuel costs, but in the Czech Republic fuel costs rose despite lower production, as the price of coal for ČEZ, a. s. power plants is linked to electricity prices in the preceding year. Gains on emission rights were down year-on-year, due to a number of factors, the most important of which included an extraordinary gain realized in 2008 from the so-called JI/CDM program, i.e. substituting a portion of EUA emission rights with less expensive credits pursuant to the Kyoto Protocol. One negative factor in the 2009 result was the removal of a portion of emission right derivatives purchased for the year 2013 from the hedging accounts (in conjunction with a clarification of emission right auction rules for the period after 2012), which had an impact on expenses.

EBITDA of the Distribution & Sale Central Europe segment fell CZK 1.7 billion (–15.7%) year-on-year, to CZK 9.3 billion. However, this decline was caused in particular by an extraordinary revenue item of CZK 2.4 billion recorded in 2008 due to an adjustment in the calculation of uninvoiced electricity. Demand for electricity was lower due to the economic crisis and that led to 2.2 TWh (–6.5%) and 1.6 TWh (–6.2%) drops in electricity distributed and sold, respectively. The impact on EBITDA was not significant in distribution due to regulation of this field. In electricity sales, the failure by certain wholesale customers to take delivery of the entire contracted electricity volume had a negative impact. This undelivered electricity was sold in the marketplace at a time when its price was lower. A new IFRS treatment of how connection fees are reported had a positive impact. These fees are now recorded directly in the income statement as revenues, which were up CZK 1.0 billion from the previous year as a result.

EBITDA of the Power Production & Trading Southeastern Europe segment rose CZK 0.3 billion, taking it from the previous year's negative number to CZK 0.2 billion. Varna Power Station generated 2.2 TWh of electricity, down 1.4 TWh from one year before. Positive factors included growth in the margin from maintaining and activating a cold reserve and lower losses from generation to meet quota. Gains on emission rights rose on reversal of a provision created in 2008 for additional purchasing for 2008, which did not occur due to a delay in implementation of an emission right register in Bulgaria. In Romania, construction of wind parks at the Fântânele site continued. Overheads associated with wind power plant projects in Romania decreased EBITDA by CZK 0.1 billion. At the level of net income, the segment's result was improved by Turkey-based Akenerji and its subsidiaries. Akenerji operated power generating facilities and its subsidiaries built new plants. As joint-ventures they are consolidated by the equity method.

EBITDA of the Distribution & Sale Southeastern Europe grew moderately (+1.3%) to CZK 3.1 billion. Companies in Bulgaria, Romania, and Albania distributed a total of 20.0 TWh of electricity to end customers, up 17.3% from the previous year on inclusion of the Albanian acquisition which contributed 4.0 TWh of volume. Sales to end customers outside CEZ Group totaled 16.2 TWh, which is 37.0% more than in 2008. However, when adjusted for Albania the figure is the same as in 2008. EBITDA of the Romanian companies grew CZK 0.5 billion year-on-year despite a negative CZK 0.2 billion impact of foreign currency exchange rates. Here performance was driven primarily by lower creation of provisions and valuation allowances to receivables from electricity customers. EBITDA of the Bulgarian companies was down CZK 0.4 billion. Here the principal factor was lower supplies and sales of electricity at the medium voltage level due to the economic crisis in the country. EBITDA of the Albanian companies was CZK –0.4 billion and can be attributed to transformation initiatives that began in 2009, but whose positive contribution to financial performance is not expected to show up until 2010 (reduced grid losses and receivables). A new IFRS treatment of newly collected connection fees increased revenues by CZK 0.2 billion and CZK 0.2 billion in the Bulgarian and Romanian distribution companies, respectively. Sakarya Elektrik Dagitim A.S., which operates a distribution grid in a defined service area in Turkey, also belongs to this segment and is consolidated by the equity method.

Net Income Breakdown (CZK billions)



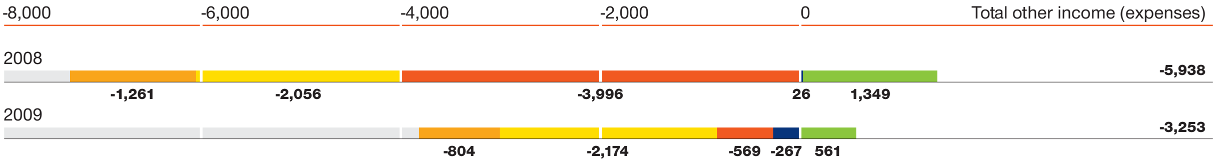
Other Expenses and Income

Other expenses and income was up CZK 2.7 billion from the previous year. Despite a higher need for financing, interest expenses were kept under control, rising by just CZK 0.2 billion, and effective utilization of cash increased interest revenues by CZK 0.6 billion.

Foreign exchange rate gains (losses) and financial derivative gains and losses increased by CZK 3.4 billion; here, a gain resulting from revaluation of an option associated with the financial investment in MOL had a major positive impact. Based on testing of goodwill in the Poland subsidiaries, this item was reduced by CZK 3.3 billion. This amount arose from the existence of long-term electricity purchasing contracts in Poland, which the CEZ Group power plants in Poland had entered into before they become a part of CEZ Group. In accordance with IFRS rules, these contracts were recognized as goodwill rather than as intangible assets. Under European Union rules, however, the contracts had to be terminated and Poland adopted a special law to provide compensation for this to the power companies affected. Although compensation payments will continue until the end of 2023, most of the compensation has already been paid and this is accounted for in assets as a write-off of goodwill. On the other hand, CZK 3.3 billion in negative goodwill relating to the MIBRAG acquisition was reversed to revenues. The impact of these two transactions on the items Income from associates and joint-ventures and Negative goodwill write-off and goodwill impairment, net was approximately neutral in net terms.

Other financial income (expenses), net was down CZK 0.8 billion year-on-year; in 2008 this item was positively impacted by the sale of I & C Energo a.s. at a profit of CZK 0.3 billion and by CZK 0.7 billion in gains on short-term securities relating to more advantageous investment of surplus cash in securities. On the other hand, in 2009 deposits were used, with a positive impact on interest revenue.

Other Expenses and Income (CZK millions)

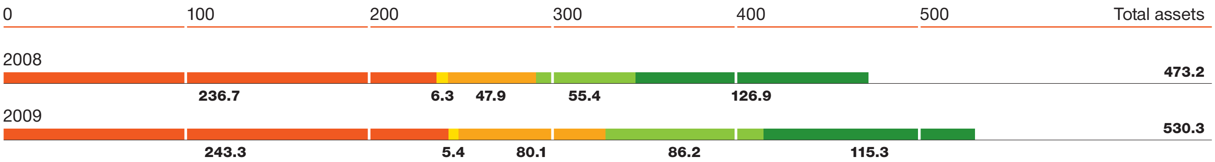


- interest income (expenses)
- interest on nuclear and other provisions
- foreign exchange rate gains (losses) and financial derivatives, net
- income from associates and joint-ventures and Negative goodwill write-off and goodwill impairment, net
- other income (expenses), net

Income tax decreased CZK 0.3 billion and the effective tax rate was down 1.8 percentage points year-on-year. This was caused by a year-on-year decrease in the tax rate in the Czech Republic and higher non-taxable revenues in CEZ Group.

Structure of Assets and Capital

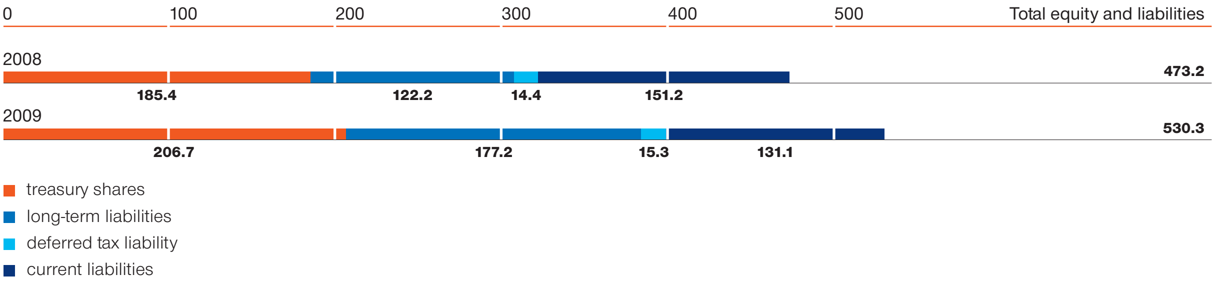
Structure of Assets at December 31 (CZK billions)



- property, plant and equipment, net
- nuclear fuel, net
- construction work in progress, including advances paid
- other fixed assets
- current assets

CEZ Group consolidated assets were up CZK 57.1 billion in comparison with 2008, to CZK 530.3 billion.
Non-current assets grew CZK 68.7 billion to CZK 415.0 billion. Within this amount, the book value of property, plant and equipment, nuclear fuel, and construction work in progress rose CZK 38.0 billion. Higher financial investments increased other fixed assets by CZK 30.7 billion.
Current assets fell CZK 11.6 billion in 2009, to CZK 115.3 billion. This decrease was caused primarily by a CZK 4.4 billion decline in cash and cash equivalents, including short-term securities, and a CZK 12.8 billion decrease in derivative receivables, which was offset on the equity and liabilities side by a CZK 14.4 billion decrease in derivative liabilities.
Short-term lendings, on the other hand, grew CZK 4.9 billion, mainly in conjunction with the acquisition of MIBRAG.

Structure of Equity and Liabilities at December 31 (CZK billions)



In 2009 total equity (i.e. including non-controlling interests) grew CZK 21.3 billion to CZK 206.7 billion. Net income generated in 2009 increased equity by CZK 51.9 billion. Growth in equity was reduced by a CZK 26.7 billion recognized dividend. Other factors – non-controlling interests in particular – lowered equity by CZK 4.0 billion.

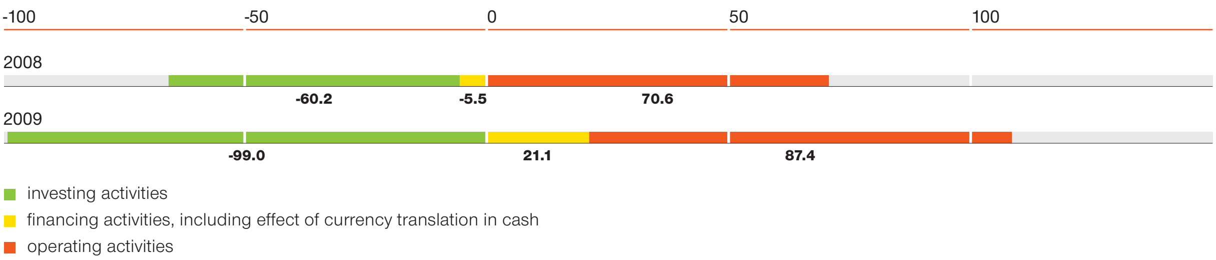
Long-term liabilities were up CZK 55.0 billion to CZK 177.2 billion, primarily on new bond issues and growth in long-term bank borrowing. ČEZ, a. s. bond issuing activity intensified in 2009: bonds outstanding, including current portion, reached CZK 111.0 billion at December 31, 2009, up CZK 41.1 billion from one year before. Long-term borrowings, including current portion, totaled CZK 14.5 billion at year end, which is CZK 13.1 billion higher than one year before. The proceeds from the bond issues and borrowings were used to finance investments in property, plant and equipment, acquisitions, and dividend pay-outs, which in 2009 represented a cash outlay of CZK 122.5 billion. Surplus cash is invested in short-term deposits and serves as a reserve in the event of refinancing.

Deferred tax liability rose slightly from the past year – by CZK 0.9 billion to CZK 15.3 billion.

The CZK 20.1 billion decline in current liabilities, to CZK 131.1 billion, was caused primarily by a CZK 14.4 billion decrease in derivative liabilities. This, however, was offset on the assets side by a CZK 12.8 billion decline in derivative receivables. The decline in current liabilities was further caused by a CZK 2.0 billion decline in short-term borrowings, including the current portion of long-term borrowings, and a CZK 2.5 billion decrease in payables to suppliers and payables related to the acquisition of fixed assets.

Cash Flows

Cash Flows (CZK billions)



Net cash provided by operating activities grew by CZK 16.8 billion in 2009. The biggest component in this growth was income before income taxes after adjustments to reconcile income before income taxes to net cash provided by operating activities, which was up CZK 10.6 billion from one year ago. Contributing positively to that was, primarily, a CZK 6.3 billion change in working capital, attributable in particular to lower receivables from PXE trading as market prices fell and PXE trades are settled continually in cash.

Cash flows used in investing activities grew CZK 38.9 billion year-on-year, primarily on a CZK 24.7 billion increase in investments in subsidiaries, associates, and joint-ventures and CZK 24.6 billion higher investments in non-current assets. Lendings were down CZK 8.6 billion. Other cash used in investing activities was down CZK 1.9 billion, and within that item proceeds from sales of assets grew CZK 1.7 billion.

Cash flows provided by financing activities including the net effect of currency translation in cash increased CZK 26.6 billion year-on-year. Here the principal factor was a CZK 20.8 billion year-on-year increase in borrowings and other long-term obligations, net, and a CZK 12.7 billion decrease in share buy-back expenditures. The buy-back took place in 2008.
A CZK 5.3 billion year-on-year increase in dividends paid in 2009 had an opposing effect. The impact of currency translation in cash was to reduce cash flows by CZK 1.5 billion.

Comprehensive Income

The comprehensive income, net of tax, increased CZK 17.0 billion from the previous year, to CZK 52.7 billion. Within this figure, net income increased CZK 4.5 billion to CZK 51.9 billion and changes in equity accounted for a CZK 12.4 billion year-on-year increase in comprehensive income. The biggest factor in the increase was a stronger Czech Koruna against the Euro: the overall change in the fair value of cash-flow hedge instruments, transfer of cash-flow hedges from equity to the income statement, and deferred taxes from these transactions, taken together, increased net income by CZK 12.2 billion in year-on-year terms.

Anticipated Commercial and Financial Situation in 2010

The power sector will face the impacts of the economic and financial crisis in 2010. For this reason, CEZ Group anticipates a slight drop in income in 2010. Consolidated income before other income (expenses), income taxes, depreciation, and amortization (EBITDA) is expected at CZK 88.7 billion (i.e. down 3% from 2009), income before other income (expenses) and income taxes (EBIT) at CZK 63.1 billion (−7%), and net income at CZK 46.7 billion (−10%).
The parent company, ČEZ, a. s., is expected to post EBITDA of CZK 57.1 billion (down 13% from 2009).

The anticipated income results will be affected by the following major factors:

- falling realization prices of electricity, despite the fact that a large part of sales volume was hedged using forward contracts. While these sales were realized at prices higher than the current prices, those prices are lower than forward sales for 2009;
- falling prices of fossil fuels and emission rights;
- flat demand for electricity;
- further growth in generation at nuclear power plants in accordance with the goals of the Efektivita Program through the projects Safely 15 TERA ETE and Safely 16 TERA EDU;
- continuation of the Efektivita Program leading to additional cost savings;
- new plants coming on-line.

CEZ Group sells electricity continually, three years in advance, as a hedge against extraordinary volatility. Thanks to this policy, it achieves realization prices for its electricity that are higher than current spot prices, despite the fact that, at present, the market is contracting. In conjunction with this, it also hedges against movements in Czech Koruna exchange rates. This strategy will be followed in 2010 as well. CEZ Group continues to develop active trading operations in electricity, emission rights, CER credits, coal, and natural gas, which make a positive contribution to CEZ Group financial performance. The Efektivita Program will continue and all its main projects will be preserved. The biggest improvements will continue to come in projects that focus on increasing generation in nuclear power plants. Other improvements are expected from cost-saving measures. Overall, CEZ Group expects the program to contribute over CZK 13 billion in 2010, compared to the base year 2006.
At the international level, successful negotiation of regulatory conditions in distribution will be important, as will be the possibility of operating old generation units in Varna, Bulgaria until the end of their useful lives and the commissioning of wind parks in Romania. The new acquisition in Turkey, where new plants are to begin generating power, will also have a major impact. The utilization of a new information system in Albania will enable us to continue effectively in the transformation steps already begun there.
In late 2009 the first two retrofitted generating units were commissioned at Tušimice Power Station, and they are expected to have a positive effect on income in 2010.

like you, we think about **the future**

In 2009, CZK 8.6 million from the Green Energy Fund was distributed amongst 18 projects. CEZ Group customers who so desire may voluntarily contribute to this fund as an expression of their environmental responsibility, and CEZ Group matches their contributions. Together, then, we support non-profit projects focused on funding science and education in the area of renewables utilization in the Czech Republic.

Financial Performance of ČEZ, a. s.

The joint-stock company ČEZ, a. s. was incorporated by registration in the Commercial Register maintained by the Municipal Court in Prague, Part B, insert 1581, on May 6, 1992, as a going concern. The principal shareholder is the Czech Republic, acting through the Ministry of Finance of the Czech Republic, which is charged with administering the equity stake.

Its core businesses encompass the generation, distribution, and trading of electricity, the generation and distribution of heat, and trading in natural gas. A detailed description of the Company's core businesses can be found in the Articles of Association and in the Commercial Register.

Key Figures of ČEZ, a. s. (IFRS)

	Units	2008	2009	Index 2009/2008 (%)
Electricity generated (gross)	GWh	60,922	60,610	99.5
Installed capacity	MW	12,231	12,300	100.6
Balance of electricity sold and procured [1]	GWh	55,400	54,917	99.1
Heat sold	TJ	8,901	9,411	105.7
Operating revenues	CZK millions	110,297	119,205	108.1
Operating expenses (excluding depreciation and amortization)	CZK millions	48,407	53,303	110.1
EBITDA	CZK millions	61,890	65,902	106.5
EBIT	CZK millions	48,855	52,975	108.4
Net income	CZK millions	47,118	45,427	96.4
Dividend per share (gross) [2]	CZK/share	40.0	50.0	125.0
Total assets	CZK millions	392,593	444,698	113.3
Equity	CZK millions	154,927	177,460	114.5
Financial debt	CZK millions	84,290	131,356	155.8
Return on Equity (ROE), net	%	30.9	27.3	88.3
Return on Assets (ROA), net	%	13.3	10.9	82.0
Net debt/EBITDA	1	1.03	1.77	171.8
Current ratio	%	79.8	85.8	107.5
Work force head count at December 31	persons	6,196	6,230	100.5

[1] Sold to end customers + sold to cover grid losses + wholesale balance.
[2] Approved in the given year.

ČEZ, a. s. Financial Performance Commentary

Revenues, Expenses, Income

In 2009 ČEZ, a. s. posted EBITDA of CZK 65.9 billion, up CZK 4.0 billion (+6.5%) from the year before. Net income was down CZK 1.7 billion (–3.6%) due to a worsening of the financial result.

Operating revenues climbed CZK 8.9 billion (+8.1%), thanks in particular to sales of electricity one year or more in advance. Almost all electricity generated in 2009 was already sold in 2008, at a time of high prices. At the same time, the Company's commodity trading surplus increased – by CZK 2.9 billion to CZK 6.4 billion. Another factor contributing to EBITDA growth was production optimization, which means that generation was cut back at times when it was less expensive to purchase electricity in the marketplace. As a result, production volume fell by 0.3 TWh (–0.5%), coal-fired power plants produced 1.5 TWh less, while nuclear and hydro power plants saw their output rise by 0.6 TWh and 0.6 TWh, respectively.

Despite lower generation in coal-fired power plants, fuel expenses rose slightly (by CZK 0.7 billion), due in particular to the fact that the price of coal is linked to electricity prices in the previous year. Higher repair and maintenance expenses were caused by a year-on-year increase in the scope of power plant shutdowns and repairs. Wages and salaries were up on wage increases pursuant to the Collective Agreement and, further, the creation of a provision for employee benefits, primarily retirement-related. Trading in emission rights ended the year with a loss of CZK 0.6 billion, for a year-on-year drop of CZK 2.3 billion. Compared to the previous year, an extraordinary gain realized in 2008 from the "JI/CDM" program, i.e. the replacement of European EUA emission rights with cheaper credits from projects implemented outside European Union Member States, had a fundamental impact. Following the clarification of rules for emission rights auctions after 2012, ČEZ, a. s. also reviewed its medium term hedging strategy of acquiring emission rights and moved a portion of the rights purchased for this period out of the hedging accounts.

Other Expenses and Income

Other expenses and income was down CZK 6.3 billion in year-on-year terms, reaching a level of CZK 1.8 billion. Despite a higher need for financing, interest expenses were kept under control, rising by CZK 0.1 billion, while on the other hand effective utilization of cash caused interest revenues to increase by CZK 0.1 billion. Gains and losses on sales of subsidiaries, associates and joint-ventures were down CZK 0.8 billion from the previous year – in 2008 this item was positively impacted by the sale of I & C Energo a. s. Other financial income (expenses), net was down CZK 5.3 billion, due primarily to a CZK 4.5 billion decrease in the derivatives trading result and the creation of a valuation allowance on financial assets relating to a CZK 3.0 billion decline in the value of goodwill in the Polish subsidiaries. Another factor in the decrease was a CZK 0.7 billion drop in revenues from short-term securities as surplus cash was moved into higher-performing instruments. On the other hand, 2009 saw dividends received grow by CZK 2.5 billion. In 2009 other income was up CZK 0.4 billion, primarily on higher revenues from bank guarantees provided within CEZ Group.

Income taxes were lower by CZK 0.5 billion compared to the previous year. This can be attributed primarily to the lower income result.

EBITDA (CZK billions)

65.9

Electricity generated, gross (GWh)

60,610

Structure of Assets and Capital

Total assets were up CZK 52.1 billion year-on-year to CZK 444.7 billion.
Non-current assets were up CZK 61.4 billion from one year ago, to reach a value of CZK 355.1 billion. In net terms, the value of property, plant and equipment fell CZK 6.1 billion year-on-year as the pace of depreciation was faster than the rate at which new assets were put into use. In 2009 there was growth in additions to property, plant and equipment as construction work in progress, including advances paid, increased by CZK 18.8 billion. Other non-current assets increased by CZK 49.6 billion over the previous year, primarily on higher financial investments in 2009.
Current assets were down in 2009, by CZK 9.3 billion to CZK 89.6 billion, primarily on a CZK 6.0 billion drop in cash and cash equivalents, including short-term securities, and a CZK 12.2 billion decrease in derivative receivables, which was offset on the equity and liabilities side by a CZK 13.7 billion decrease in derivative liabilities. On the other hand, short-term lendings to companies in the Group were up CZK 11.1 billion.
Equity rose CZK 22.5 billion in 2009, to reach CZK 177.5 billion. Net income generated in 2009 contributed CZK 45.4 billion to the equity increase. Afterwards, the increase was made lower by the approved CZK 26.7 billion dividend. Changes in equity related to the hedging accounts increased equity by CZK 3.5 billion.
Long-term liabilities grew CZK 48.9 billion to CZK 154.0 billion, primarily on new bond issues and an increase in long-term bank loans.
The deferred tax liability rose slightly (by CZK 0.1 billion) to CZK 8.7 billion.
Current liabilities were down CZK 19.4 billion to CZK 104.5 billion. The decline in current liabilities was caused by several opposing factors. These were, primarily, a CZK 13.7 billion drop in derivative payables, which on the assets side was offset by a CZK 12.2 billion decrease in derivative receivables, and a CZK 5.5 billion reduction in payables to suppliers.

Cash Flows

Net cash provided by operating activities was up CZK 18.3 billion in 2009. Contributing to the growth was income before income taxes after adjustments to reconcile income before income taxes to net cash provided by operating activities, which was up CZK 4.8 billion – the principal positive factors here were a CZK 2.5 billion increase in dividends received and a CZK 12.3 billion change in working capital due in particular to lower receivables from PXE trading resulting from a decline in market prices and continual cash settlement on the PXE. Income taxes paid in 2009 were up CZK 1.6 billion, lowering net cash provided by operating activities.
Cash used in investing activities was up CZK 66.4 billion, primarily on a CZK 33.0 billion increase in financial investments (new acquisitions), a CZK 21.6 billion increase in investments in non-current assets, and a CZK 12.5 billion net increase in lending within CEZ Group.
Cash flows provided by financing activities were up CZK 52.0 billion. Here the main factors were a CZK 44.6 billion increase in borrowings and other long-term obligations, net, and a CZK 12.4 billion decrease in share buy-back expenditures following the 2008 buy-back. A CZK 5.3 billion increase in dividends paid in 2009 had an opposing effect.

Comprehensive Income

Comprehensive income, net of tax, was up CZK 10.1 billion from the previous year, to CZK 48.9 billion. Within that figure, net income was down CZK 1.7 billion to CZK 45.4 billion while changes in equity increased comprehensive income by CZK 11.8 billion. The biggest factor in the latter increase was a stronger Czech Koruna against the Euro: the overall change in the fair value of cash-flow hedge instruments, transfer of cash-flow hedges from equity to the income statement, and deferred taxes from these transactions, taken together, increased net income by CZK 12.2 billion in year-on-year terms.

ČEZ, a. s. Financing

Borrowings and Their Maturity
a) Long-term Loans

Creditor	Currency	Maximum loan amount in given currency (millions)	Valuation of debt at December 31, 2009 (CZK millions)	Maturity	Collateral
European Investment Bank	CZK	3,058	941	Sep 16, 2013	none
European Investment Bank	EUR	200	5,293	Nov 12, 2019	none
European Investment Bank	EUR	100	1,323	Jan 12, 2020	none
Long-term loans, total			7,557		
of which: current portion			235		
Long-term loans, net of current portion			7,322		

b) Short-term Loans

	Indebtedness at December 31, 2009 (CZK millions)
Short-term bank loans	6,953
Negative balance facilities	1,054
Current portion of long-term loans	235
Other short-term financing	4,611
Short-term loans, total	12,853

Supplementary Information on CEZ Group Members

Individual Results of CEZ Group Companies (IFRS)

Parent company and subsidiaries	Operating revenues		Operating expenses		EBITDA	
	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)
Czech Republic						
ČEZ, a. s.	119,204	108.1	(66,229)	107.8	65,902	106.5
Bohemian Development, a.s.	–	–	(9)	–	(9)	–
CZECH HEAT a.s.	–	–	(1)	–	(1)	–
CZ INVEST - PLUS, a.s.	3	–	(4)	–	–	–
ČEZ Bohunice a.s.	–	–	(1)	–	(1)	–
ČEZ Distribuce, a. s.	36,312	104	(31,687)	105	9,164	104
ČEZ Distribuční služby, s.r.o.	4,355	104	(3,991)	106	845	95
ČEZ Distribuční zařízení, a.s.	8	–	(6)	–	4	–
ČEZ Energetické produkty, s.r.o.	953	> 500	(914)	> 500	41	345
ČEZ Energetické služby, s.r.o.	1,214	88	(1,222)	86	25	–
ČEZ ICT Services, a. s.	4,796	102	(3,721)	116	2,477	89
ČEZ Logistika, s.r.o.	5,232	114	(4,601)	115	636	106
ČEZ Měření, s.r.o.	1,769	104	(1,410)	100	369	124
ČEZ Obnovitelné zdroje, s.r.o.	478	105	(353)	105	277	101
ČEZ Prodej, s.r.o.	79,586	102	(80,581)	106	(616)	–
ČEZ Správa majetku, s.r.o.	2,012	106	(1,797)	108	568	95
ČEZ Teplárenská, a.s.	1,888	196	(1,805)	191	229	142
ČEZ Zákaznické služby, s.r.o.	1,311	99	(1,058)	110	253	68
EDICOLLA a.s.	–	–	–	–	–	–
Elektra Žabčice a.s.	–	–	(2)	–	(2)	–
Energetické centrum s.r.o.	128	–	(67)	–	76	–
GENTLEY a.s.	–	–	–	–	–	–
MALLA, a.s.	1	–	(3)	–	–	–
MARTIA a.s.	219	–	(218)	–	6	–
PPC Úžín, a.s.	–	–	(2)	198	(2)	198
PRODECO, a.s.	1,331	263	(1,258)	273	80	157
SD - 1.strojírenská, a.s.	1,132	132	(1,109)	132	40	101
SD - Autodoprava, a.s.	485	103	(460)	104	151	108
SD - Kolejová doprava, a.s.	406	119	(385)	119	63	112
SD - KOMES, a.s.	744	93	(735)	92	16	112
SD - Rekultivace, a.s.	513	190	(411)	178	111	233
Severočeské doly a.s.	11,164	108	(7,286)	109	5,293	110
STE - obchodní služby spol. s r.o. in liquidation	–	3	(1)	–	(1)	–
Š-BET s.r.o.	–	–	4	–	4	–
ŠKODA PRAHA a.s.	144	20	(156)	18	(8)	7
ŠKODA PRAHA Invest s.r.o.	13,497	122	(13,296)	121	207	163
TEPLEX s.r.o.	–	–	–	–	–	–
Ústav jaderného výzkumu Řež a.s.	1,544	103	(1,390)	98	262	142

Depreciation and amortization		Net income		Total assets		Total equity		Work force head count at December 31	
2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (persons)	Index 2009/2008 (%)
(12,927)	99.2	45,427	96.4	444,698	113.3	177,460	114.5	6,230	101
–	–	(10)	–	12	–	(6)	–	–	–
–	–	–	–	87	–	4	–	1	–
–	–	–	–	1,120	–	1	–	–	–
–	–	18	–	5,214	–	3,221	–	–	–
(4,540)	106	3,724	98	90,182	110	58,023	105	1,209	102
(481)	102	296	82	7,489	101	5,724	99	2,101	95
(2)	–	2	–	670	–	609	–	3	–
(3)	> 500	31	337	141	170	45	317	23	135
(33)	108	(10)	33	670	121	384	97	366	96
(1,402)	109	863	75	7,062	96	5,062	96	602	101
(5)	134	495	103	1,139	105	715	100	186	93
(11)	102	287	123	797	102	524	103	971	101
(152)	100	99	99	2,869	116	2,215	105	101	104
(379)	100	(726)	–	20,849	102	5,606	82	237	103
(354)	97	196	91	4,651	106	4,292	104	268	94
(145)	103	66	338	2,316	105	1,694	95	146	106
–	101	204	69	429	85	226	69	844	98
–	–	–	–	3	–	2	–	–	–
–	–	(2)	–	624	–	–	–	–	–
(15)	–	52	–	345	–	68	–	59	–
–	–	(5)	–	75	–	(3)	–	–	–
(2)	–	(5)	–	463	–	(3)	–	–	–
(4)	–	(1)	–	152	–	77	–	121	–
–	–	(1)	–	159	99	158	100	2	200
(7)	109	64	144	1,901	113	192	150	78	113
(16)	95	18	106	413	82	157	113	629	101
(127)	114	20	84	596	108	493	104	374	100
(41)	108	18	120	513	103	397	105	355	153
(6)	92	7	136	427	108	268	103	29	55
(9)	120	82	256	342	223	166	199	58	105
(1,415)	115	3,184	101	30,103	92	17,374	94	3,485	99
–	–	(1)	–	3	59	3	80	–	–
–	–	–	–	145	–	–	–	–	–
(3)	72	42	11	878	83	466	86	22	58
(6)	208	183	> 500	11,918	112	215	> 500	511	113
–	–	–	–	24	–	24	–	–	–
(108)	99	101	> 500	1,918	106	1,015	111	1,010	97

Subsidiary	Operating revenues		Operating expenses		EBITDA	
	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)
Republic of Poland						
CEZ Ciepło Polska sp. z o.o.	–	–	–	90	–	90
CEZ Nowa Skawina S.A.	–	–	(1)	–	(1)	–
CEZ Polska sp. z o.o.	136	234	(128)	174	16	–
CEZ Produkty Energetyczne Polska sp. z o.o.	14	–	(13)	–	1	–
CEZ Trade Polska sp. z o.o.	1,053	77	(1,025)	75	29	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	2,701	103	(950)	71	1,953	128
Elektrownia Skawina S.A.	1,710	78	(1,441)	69	583	148
Republic of Bulgaria						
CEZ Bulgaria EAD	1,763	133	(1,735)	133	79	123
CEZ Elektro Bulgaria AD	15,563	114	(15,543)	115	20	15
CEZ Elektroproizvodstvo Bulgaria AD	–	–	(46)	–	(46)	–
CEZ Laboratories Bulgaria EOOD	17	116	(15)	109	2	266
CEZ Razpredelenie Bulgaria AD	5,308	108	(4,841)	116	1,326	85
CEZ Trade Bulgaria EAD	997	67	(980)	67	17	291
TEC Varna EAD	3,168	78	(3,036)	69	509	> 500
Romania						
CEZ Distributie S.A.	5,272	104	(3,813)	89	2,181	146
CEZ Romania S.R.L.	610	97	(599)	96	14	138
CEZ Servicii S.A.	462	91	(448)	92	25	73
CEZ Trade Romania S.R.L.	678	130	(698)	145	(20)	–
CEZ Vanzare S.A.	8,063	92	(8,158)	94	(95)	–
M.W. Team Invest S.R.L.	–	–	(65)	> 500	(65)	> 500
Ovidiu Development S.R.L.	–	–	(1)	119	(1)	–
Tomis Team S.R.L.	–	–	(157)	440	(157)	440
Republic of Albania						
CEZ Albania Sh.A.	50	–	(53)	–	(2)	–
CEZ Trade Albania Sh.P.K.	–	–	(1)	–	(1)	–
Operatori i Sistemit te Shperndarjes Sh.A.	4,306	–	(5,110)	–	(426)	–
Federal Republic of Germany						
CEZ Deutschland GmbH	1	1	(1)	1	–	2
Kingdom of the Netherlands						
CEZ Finance B.V.	–	–	(2)	139	(2)	139
CEZ Chorzow B.V.	–	–	(3)	181	(3)	181
CEZ International Finance B.V.	–	–	(2)	–	(2)	–
CEZ MH B.V.	1	–	(11)	293	(10)	266
CEZ Poland Distribution B.V.	–	–	(4)	240	(4)	240
CEZ Silesia B.V.	–	–	(2)	136	(2)	136
Ireland						
CEZ Finance Ireland Ltd.	–	–	(1)	–	(1)	–
Slovak Republic						
CEZ Slovensko, s.r.o.	3,825	–	(3,659)	–	166	–
Republic of Hungary						
CEZ Hungary Ltd.	2,144	90	(2,445)	112	(301)	–
Russian Federation						
CEZ RUS OOO	–	–	(22)	146	(21)	164
Serbia						
CEZ Srbija d.o.o.	602	168	(600)	167	2	–
Kosovo						
New Kosovo Energy L.L.C.	–	–	(7)	74	(6)	71
Bosnia and Herzegovina						
NERS d.o.o.	–	–	(7)	28	(7)	29
CEZ Bosna i Hercegovina d.o.o.	26	–	(28)	> 500	(2)	183
Ukraine						
CEZ Ukraine CJSC	–	–	(4)	68	(3)	67

Depreciation and amortization		Net income		Total assets		Total equity		Work force head count at December 31	
2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (persons)	Index 2009/2008 (%)
–	–	–	94	–	190	–	239	–	–
–	–	(1)	–	33	–	8	–	–	–
(9)	210	4	–	359	> 500	36	200	56	122
–	–	1	–	9	–	6	–	4	–
–	61	22	–	262	97	36	260	8	100
(203)	85	1,258	193	8,256	102	4,542	141	128	97
(314)	112	203	442	5,258	99	3,194	107	342	85
(51)	119	2	92	1,078	173	12	150	778	98
–	104	75	41	3,084	99	1,473	104	63	93
–	–	(42)	–	106	> 500	(32)	–	–	–
(1)	158	1	> 500	11	89	2	144	36	100
(858)	106	475	66	10,573	112	8,144	104	2,693	100
–	104	13	284	137	56	26	205	5	125
(377)	105	176	–	7,019	96	6,414	101	579	94
(722)	100	1,258	145	14,395	86	11,419	87	1,501	81
(3)	58	11	> 500	167	69	21	219	205	94
(10)	77	16	79	180	126	60	127	388	89
–	–	(15)	–	69	61	1	7	3	100
–	–	(126)	–	1,692	88	70	35	54	98
–	–	(84)	122	3,754	> 500	398	77	–	–
–	–	(1)	–	278	> 500	–	–	–	–
–	–	(143)	46	13,080	412	2,494	88	–	–
(1)	–	(4)	–	76	–	5	–	71	–
–	–	(1)	–	8	–	7	–	2	–
(379)	–	(1,029)	–	6,899	–	1,570	–	6,013	–
–	–	–	–	40	91	39	90	–	–
–	–	4	58	11,419	98	79	103	–	–
–	–	(24)	70	1,058	96	230	89	–	–
–	–	377	–	9,114	–	378	–	–	–
–	–	1,839	–	19,773	111	(4,040)	68	–	–
–	–	(4)	> 500	2,462	98	2,314	98	–	–
–	–	(2)	–	1,123	98	1,123	98	–	–
–	–	(1)	–	8,869	–	8,868	–	–	–
–	–	135	–	2,009	–	371	–	14	156
–	80	(127)	–	701	56	93	42	7	140
–	81	(17)	157	37	63	37	63	5	71
(1)	118	(8)	111	154	122	18	123	3	75
–	120	(6)	74	2	35	2	35	2	100
–	–	(12)	40	15	22	(64)	122	3	100
–	–	(1)	186	21	106	18	92	–	–
–	100	(4)	60	6	59	6	59	1	100

Associates and joint-ventures	Operating revenues		Operating expenses		EBITDA	
	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)
Czech Republic						
LOMY MOŘINA spol. s r.o.	209	96	(212)	96	(2)	106
Republic of Hungary						
MOL - CEZ European Power Hungary Kft.	52	–	(50)	–	2	–
Kingdom of the Netherlands						
Aken B.V.	–	–	–	–	–	–
CM European Power International B.V.	–	–	(5)	258	(5)	258
Mibrag B.V.	–	–	(2)	–	(2)	–
Romania						
Energonuclear S.A.	–	–	(20)	–	(20)	–
Slovak Republic						
CM European Power International s. r. o.	13	–	(29)	–	(16)	–
CM European Power Slovakia, s. r. o.	2,196	–	(1,973)	–	224	–
Jadrová energetická spoločnosť Slovenska, a.s.	–	–	–	–	–	–
Federal Republic of Germany						
JTSD - Braunkohlebergbau GmbH	–	–	(31)	–	(31)	–
Mitteldeutsche Braunkohlengesellschaft mbH	5,378	–	(4,696)	–	1,972	–
Republic of Turkey						
Akcez Enerji A.S.	–	–	(37)	–	(37)	–
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	563	–	(479)	–	85	–
Akenerji Elektrik Üretim A.S.	5,745	–	(5,542)	–	663	–
Akka Elektrik Üretim A.S.	–	–	–	–	–	–
Akkur Enerji Üretim Ticaret ve Sanayi A.S.	–	–	–	–	–	–
AK-EL Yalova Elektrik Üretim A.S.	–	–	(2)	–	(2)	–
Egemer Elektrik Üretim A.S.	–	–	(2)	–	(2)	–
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	–	–	(2)	–	(2)	–
Sakarya Elektrik Dagitim A.S.	16,876	–	(16,693)	–	200	–

Fees Paid to External Auditors by Companies of the CEZ Consolidated Group in 2009 (CZK millions)

	Audit services	Tax consulting	Economic and organizational consulting	Other	Total
ČEZ, a. s.	20.9	3.4	9.9	–	34.2
Fully consolidated CEZ Group companies	53.3	3.1	10.2	0.9	67.5
CEZ Group, total	74.2	6.5	20.1	0.9	101.7

External Audit Firms of CEZ Group Companies

CEZ Group company	Audit firm
ČEZ, a. s.	Ernst & Young Audit, s.r.o.
CEZ Bulgaria EAD	Ernst & Young Audit OOD
CEZ Deutschland GmbH	LHS Wirtschaftsprűfers GmbH
CEZ Distributie S.A.	Ernst & Young S.R.L.
	KPMG România SRL
CEZ Elektro Bulgaria AD	Ernst & Young Audit OOD
CEZ Elektroproizvodstvo Bulgaria AD	Ernst & Young Audit OOD
CEZ FINANCE B.V.	ERNST & YOUNG Nederland
CEZ Finance Ireland Ltd.	Ernst & Young Limited
CEZ Hungary Ltd.	Ernst & Young
	KPMG
	Nova-Audit Kft.
CEZ Chorzow B.V.	Ernst & Young Accountants LLP
CEZ International Finance B.V.	Ernst & Young Accountants LLP
CEZ Laboratories Bulgaria EOOD	Ernst & Young Audit OOD
CEZ MH B.V.	Ernst & Young Accountants LLP
CEZ Nowa Skawina S.A.	Ernst & Young Audit Sp. z o.o.
CEZ Poland Distribution B.V.	Ernst & Young Accountants LLP
CEZ Polska sp. z o.o.	Ernst & Young Audit Sp. z o.o.

CEZ Group company	Audit firm
CEZ Razpredelenie Bulgaria AD	Ernst & Young Audit OOD
CEZ Romania S.R.L.	Ernst & Young S.R.L.
	KPMG România SRL
CEZ RUS OOO	Ernst & Young Audit, s.r.o.
	OOO "Radde"
CEZ Servicii S.A.	Ernst & Young S.R.L.
CEZ Silesia B.V.	Ernst & Young Accountants LLP
CEZ Slovensko, s.r.o.	Ernst & Young Audit, s.r.o.
CEZ Srbija d.o.o.	Ernst&Young Beograd d.o.o.
	Deloitte Advisory s.r.o.
CEZ Trade Bulgaria EAD	Ernst & Young Audit OOD
CEZ Trade Romania S.R.L.	Ernst & Young S.R.L.
	KPMG România SRL
CEZ Vanzare S.A.	Ernst & Young S.R.L.
	SRAC CERT SRL
	KPMG România SRL
CZECH HEAT a.s.	Consultas - Audit s.r.o.
ČEZ Distribuce, a. s.	Ernst & Young Audit, s.r.o.
ČEZ Distribuční služby, s.r.o.	Deloitte Advisory, s.r.o.
	Ernst & Young Audit, s.r.o.

Depreciation and amortization		Net income		Total assets		Total equity		Work force head count at December 31	
2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (CZK millions)	Index 2009/2008 (%)	2009 (persons)	Index 2009/2008 (%)
–	–	(2)	105	414	101	365	100	128	95
–	–	9	–	407	–	267	–	3	–
–	–	1	–	29	–	29	–	–	–
–	–	(4)	–	1,919	> 500	1,918	> 500	–	–
–	–	(2)	–	9,718	–	9,717	–	–	–
–	–	(15)	–	109	–	108	–	32	–
–	–	(15)	–	254	–	182	–	12	–
–	–	181	–	2,700	–	1,219	–	111	–
–	–	–	–	6,298	–	6,298	–	–	–
–	–	(688)	–	11,102	–	(589)	–	–	–
(1,291)	–	380	–	26,981	–	16,942	–	1,996	–
–	–	80	–	12,060	384	6,214	198	–	–
–	–	70	–	196	–	75	–	–	–
(461)	–	215	–	17,112	–	6,046	–	259	–
–	–	(1)	–	17	–	–	–	–	–
–	–	4	–	3,967	–	567	–	–	–
–	–	8	–	168	–	159	–	–	–
–	–	18	–	1,710	–	1,675	–	–	–
–	–	(17)	–	806	–	271	–	–	–
(17)	–	158	–	4,732	–	1,008	–	694	–

CEZ Group company	Audit firm
ČEZ Distribuční zařízení, a.s.	Ernst & Young Audit, s.r.o.
ČEZ Energetické produkty, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Energetické služby, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ ICT Services, a. s.	Ernst & Young Audit, s.r.o.
ČEZ Logistika, s.r.o.	Ernst & Young Audit, s.r.o.
	CSA, spol. s r. o.
ČEZ Měření, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Prodej, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Správa majetku, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Teplárenská, a.s.	Ernst & Young Audit, s.r.o.
ČEZ Zákaznické služby, s.r.o.	Ernst & Young Audit, s.r.o.
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Ernst & Young Audit Sp. z o.o.
Elektrownia Skawina S.A.	Ernst & Young Audit Sp. z o.o.
Energetické centrum s.r.o.	Consultas - Audit s.r.o.
MARTIA a.s.	ADaKA s.r.o.
M.W. Team Invest S.R.L.	Ernst & Young S.R.L.
New Kosovo Energy L.L.C.	Ernst & Young Audit, s.r.o.

CEZ Group company	Audit firm
NERS d.o.o.	EF Revizor d.o.o. Banja Luka
Ovidiu Development S.R.L.	Ernst & Young S.R.L.
Operatori i Sistemit te Shperndarjes Sh.A.	Ernst & Young (Audit)
	GJINI Consulting Registered Auditors
PPC Úžín, a.s.	KEPS s.r.o.
PRODECO, a.s.	NEXIA AP a.s.
SD - 1.strojírenská, a.s.	NEXIA AP a.s.
SD - Autodoprava, a.s.	NEXIA AP a.s.
SD - KOMES, a.s.	Audico s.r.o.
SD - Kolejová doprava, a.s.	NEXIA AP a.s.
SD - Rekultivace, a.s.	NEXIA AP a.s.
Severočeské doly a.s.	Ernst & Young Audit, s.r.o.
ŠKODA PRAHA a.s.	Ernst & Young Audit, s.r.o.
ŠKODA PRAHA Invest s.r.o.	Ernst & Young Audit, s.r.o.
TEC Varna EAD	Ernst & Young Audit OOD
Tomis Team S.R.L.	Ernst & Young S.R.L.
Ústav jaderného výzkumu Řež a.s.	NEXIA AP a.s.
	PKM Audit & Tax s.r.o.

joy that lights up eyes and faces

For a long time now, ČEZ Foundation has been engaged in supporting sports and leisure-time activities for children and youth. Since its establishment, it has supported the construction of over 144 Orange Playgrounds (for children) and Orange Fields (for sports).

Risk Management at CEZ Group

CEZ Group continues to develop its integrated risk management system with the objective of increasing the value of CEZ Group while taking on an acceptable level of risk. The system is based on tools for managing and quantifying risks over the medium term with the aim of effectively managing optimum utilization of CEZ Group's debt capacity. In the existing EBITDA-at-Risk model based on Monte Carlo simulation, 2009 saw the term expanded from three to five years and a new output "Operating cash flow at Risk" was added.

These tools enable us to:

- measure the financial impact of principal market risks on internal resources over the next five years
- decide on acquisitions and investments in the context of CEZ Group's realistic debt capacity, including an objective safety margin for a potential shortfall in anticipated internal resources
- realistically assess the benefit of long-term hedging transactions
- quantify the risk of changes in operating cash flow arising from trading on commodity exchanges
- actively manage the extent to which future cash flows are fixed, thereby minimizing the risk that CEZ Group's fundamental value will be threatened as well as the risk that we will be unable to meet our external obligations.

At the same time as the CEZ Group budget, we approve the CEZ Group budget's aggregate risk limit (Profit at Risk), which together with the total budget figure expresses CEZ Group's approach to risk in the given year. The Risk Committee regularly allocates this limit among CEZ Group's various operations, taking into account the correlation of risk factors in accordance with Basel II principles used in the banking sector.

CEZ Group uses a unified risk categorization focusing on the primary causes of unexpected developments. Under this system, risks are divided into four basic categories:

1. Market risks

In the trading area, commodity risks affecting trade in electricity, emission allowances, natural gas, and black coal are centrally managed and uniformly quantified. A strategy of sliding electricity sales over the next three-year period is stipulated, along with management of CEZ Group's overall CO_2 position in the context of the NAP III allocation period, with the aim of managing EUA price risk.

In the finance area, currency and interest rate risk was hedged internally using managed balancing of operating, capital, and financial flows denominated in foreign currencies, as well as through standard financial instruments in accordance with CEZ Group risk limits. In 2009, management of Treasury counterparty financial and credit risk was standardized within the framework of a newly implemented Treasury Management System. 2009 also saw the continued application of a strategy of gradual hedging of currency risks over the medium term, including expansion of monitored exposures to include selected CEZ Group companies.

Thanks to comprehensive management of commodity, financial, and equity risks during the year, the risk factors affecting the financial performance of CEZ Group in 2009 were neutral overall.

2. Credit risk

Credit risk linked to trading and financing counterparties in the Czech Republic is managed by setting individual limits. In 2009 we commenced central management of bank credit limits in selected international equity stakes. Our international operations are also subject to deposit limits on cash. In response to the ongoing financial crisis, a number of *ad hoc* measures were taken – such as conservative development of rules for entering into new trades – with regard for potential changes in market prices. Several of our trading partners failed in 2009. Although thanks to preventive measures these failures did not cause any accounting loss (all electric power supplied to ČEZ, a. s. trading partners was paid in full), they did have a negative impact on fulfillment of 2009 budget targets.

In the area of end customer credit risk, which is managed via payment terms set on the basis of the customer's internally determined credit, 2009 brought a slight worsening in overall average customer credit. This, however, did not cause any growth in losses due to overdue receivables – on the contrary, these actually declined in the Czech Republic, compared to the previous year.

3. Operational risk

CEZ Group is subject to various operational risks. For example, the risk that the actual output of nuclear and Czech coal-fired power plants will deviate from the current plant use plan is quantified monthly in a unified manner. Also quantified is the weighting of these risks within the overall CEZ Group risk limit. Other material operational risks in 2009 included the integration of new international equity holdings into CEZ Group and implementation of the power plant portfolio renewal program, i.e. mainly upgrades of coal-fired power plants in the Czech Republic. From January 1, 2009, management of risk arising from projects implemented by ŠKODA PRAHA Invest s.r.o. was centralized. This involved the introduction of Group-wide risk management standards at the company, unification of its risk categorization system, and alignment of its approach to ongoing project risk management in the Czech Republic with that of the rest of the Group.

4. Business risk

As before, the most important business risks are those associated with international expansion and the building of gas-fired and renewables-based power plants. In conjunction with the impacts the financial crisis is having on the economy, the structure of electricity supply and demand changed substantially in 2009, exacerbating cross-border transmission risk. In the area of regulatory and legislative risks, 2009 saw further clarification of rules for regulating CO_2 emissions in the NAP III allocation period within the European Union.

ČEZ, a. s. Internal Control Mechanisms

Internal Control Principles

The system of internal controls at the Company consists of a set of rules and procedures stipulated by Company management in order to help achieve management's goals in terms of ensuring proper and effective management of the Company. These rules and procedures include, in particular, the following:

- compliance with management policies
- ensuring that the Company's assets are properly cared for and protected
- increasing the effectiveness with which Company assets are utilized
- prudent use of all Company resources
- secure, reliable operation of technological equipment
- preventing and uncovering fraud and errors
- maintaining complete, correct accounts, compiling reliable financial statements and reports
- timely ascertaining and addressing risks.

The system of controls is monitored, and its effectiveness determined, by the Internal Audit Section which is conceived and organized in accordance with internationally recognized standards and assessed by the external auditor. Coordination of activities between the external and internal auditors and the objectiveness of the assessment of the internal control system are verified by the ČEZ, a. s. Audit Committee.

Internal Audit

The Internal Audit Section of ČEZ, a. s. is independent of the Company's executive management. It reports directly to the Company's Board of Directors in addition to sending the results of its audits to the ČEZ, a. s. Audit Committee as well as to the statutory bodies of relevant subsidiaries within CEZ Group. The internal audit activity plan is compiled on the basis of an assessment of the risk inherent in individual processes. This assessment utilizes suggestions provided by CEZ Group executives and integrates follow-up audits. In total, 50 audits were conducted in 2009, 21 at ČEZ, a. s. and 29 in subsidiaries (including foreign subsidiaries); the latter are conducted by the Internal Audit Section of ČEZ, a. s. under contract.

Vetting of Large Financial Outlays for Acquisitions and Investments

Every investment plan goes through a number of phases in the decision-making progress, during which the field is gradually narrowed down. This process is based on a unified project evaluation methodology. Larger investments and acquisitions that are subject to approval by the ČEZ, a. s. Board of Directors are subjected to at least four levels of checks and assessments, in which relevant Company sections are involved. In addition, plans submitted to the Board of Directors are also evaluated by the Development Committee or other body, as well as undergoing standard comment proceedings.
Under Section 14(9) of the Articles of Association, the Board of Directors may decide on investments of over CZK 500 million only with the prior consent of the Supervisory Board. Before the plans for such investments are discussed by the Supervisory Board, they ordinarily go before the Supervisory Board's Strategic Planning Committee, which issues a recommendation for the Supervisory Board.

International Equity Holdings

A model strategic solution has been drawn up for our international subsidiaries, in order to achieve good returns on our investments, develop international operations for the long term, and strengthen CEZ Group's international profile. Decisions relating to matter such as the business plans of international equity holdings, their business development, and the further international expansion of CEZ Group are made at the level of the senior governing bodies of ČEZ, a. s.

Safety and Quality Management at CEZ Group

The safety and quality management system is an integral part of CEZ Group management, and it is implemented, maintained, and assessed by top management as an integrated management system. In nuclear power plant operations in particular, the safety and quality management system is given top priority. The management system complies with legislative requirements (Decree of the State Office for Nuclear Safety No. 132/2008 Sb.) and is harmonized with both the generally recognized criteria of ISO standards (ISO 14001, ISO 27001 and the Safe Enterprise program) and the specific recommendations of the International Atomic Energy Agency (GS-R-3). As far as it relates to nuclear activities, the management system is supervised by the State Office for Nuclear Safety.

The Board of Directors of ČEZ, a. s. is obligated to create and develop conditions for fulfilling the Company's responsibility to ensure the safety of its power plants, protect individuals both inside the Company and in the general public, protect the environment, and assure quality. To meet its objectives in the area of quality and safety, it promulgates policies that are further elaborated into goals. In 2009, as part of the CEZ Group Unified Safety Policy project, an amendment of the Safety and Environmental Policy was prepared.

One of these goals is to continually build a culture of safety. Based on the results of a culture of safety survey, an Action Plan to Improve the Culture of Safety was announced for the period 2009–2011. Tasks relating to improving the safety and quality management system concern, in particular, the integration of policies, objectives, and management of processes, and their implementation is progressing according to plan.

Another specific measure in fulfillment of the Board of Directors' objectives in this area is the maintaining of all current certifications: Environmental Management System (ISO 14001), Information Security Management System (ISO 27001), and Safe Enterprise program certification, the content of which is similar to the OHSAS 18001 standard. Those companies of CEZ Group with identified increased risk in various safety-related areas are holders of certifications attesting to their compliance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. In 2009, the management system of ČEZ Energetické produkty, s.r.o. was newly vetted and certified as complying with the requirements of ISO 9001:2008 and ISO 14001:2004 for services relating to the management of energy-related products. Further, the State Labor Inspection Office issued ČEZ Distribuce, a. s. certification of the implementation of an occupational safety and health system complying with the requirements of ILO-OSH 2001 and OHSAS 18001:2007 with the right to utilize the title Safe Enterprise. Our international holdings are being gradually integrated into the CEZ Group's safety management system as well.

Also, ČEZ, a. s. launched a project entitled "the Cost of Poor Quality" with the aim of introducing a managerial tool linking the quality management system with the ČEZ, a. s. financial management system, enabling us to eliminate "costs of poor quality" through regular, automated, and reliable measurements and evaluations. A pilot project is currently being implemented at Temelín Nuclear Power Station.

CEZ Group Capital Expenditures

In 2009, the companies of CEZ Group recorded capital expenditures totaling CZK 56,622 million, up CZK 10,351 million from 2008.

Capital Expenditure, by Area (CZK millions)

Area	Central Europe		Southeastern Europe		Total	
	2008	2009	2008	2009	2008	2009
Nuclear energy	4,023	8,418	–	–	4,023	8,418
Coal and CCGT power plants	14,074	17,244	21	30	14,095	17,274
of which: retrofits	8,278	5,433	–	–	8,278	5,433
new-build	4,809	10,681	–	30	4,809	10,711
other	987	1,130	21	–	1,008	1,130
Renewables	293	451	10,568	9,536	10,861	9,987
Distribution of electricity	8,483	10,932	1,292	2,180	9,775	13,112
Generation and distribution of heat	50	483	–	–	50	483
Mining of raw materials	3,250	3,709	–	–	3,250	3,709
Environmental	414	164	–	3	414	167
Information systems	1,398	1,576	97	131	1,495	1,707
Waste management	84	3	–	–	84	3
Other	1,658	1,365	566	397	2,224	1,762
Total	33,727	44,345	12,544	12,277	46,271	56,622

Additions to Property, Plant and Equipment and Other Non-current Assets, Including Capitalized Interest (CZK millions)

	2008	2009
Additions to property, plant and equipment	45,136	55,677
of which: nuclear fuel	2,519	3,225
Additions to intangibles	1,135	945
Additions to long-term financial assets	2,610	14,521
Change in balance of liabilities attributable to capital expenditure	(2,695)	(352)
Total	46,186	70,791

Electricity Procured and Sold by CEZ Group

Electricity Procured and Sold by CEZ Group (GWh)

	2008	2009	Index 2009/2008 (%)
Electricity procured			
Generated in-house (gross)	67,595.0	65,344.1	96.7
In-house and other consumption, including pumping in pumped-storage plants	(6,181.8)	(6,193.0)	100.2
Supplied to customers	61,413.2	59,151.1	96.3
Grid losses	(5,739.4)	(7,625.3)	132.9
Purchased for distribution and sale	18,776.8	23,821.1	126.9
Electricity procured, total	74,450.6	75,346.9	101.2
Electricty sold			
Sold to end customers	41,230.4	43,492.3	105.5
of which: sold to end customers in CEZ Group, including sales to cover grid losses	2,410.0	2,095.9	87.0
Sold in the wholesale market (net)	33,220.2	31,854.6	95.9
of which: sold outside of CEZ Group	92,007.9	130,707.6	142.1
purchased outside of CEZ Group	(58,787.7)	(98,853.0)	168.2
Electricity sold, total (net)	74,450.6	75,346.9	101.2

Strategic Objectives of CEZ Group

CEZ Group continues to fulfill its vision of becoming the leader in the power market of Central and Southeastern Europe with the aim of:

1. renewing the portfolio of power plants
2. building a strong position in the markets of Central and Southeastern Europe through M&A expansion and construction of new generating facilities
3. maintaining a strong position in target markets and achieving operational excellence
4. building a strong position in the field of new technologies.

In all its strategic initiatives, CEZ Group endeavors to strictly meet the objective of reducing CO_2 emissions so as to contribute to the fulfillment of goals within environmental packages adopted in the European Union. In this context, we have set a goal of reducing our CO_2 emission factor by over 40% by:

- building CCGT power plants
- developing nuclear energy through active participation in tenders to build nuclear power plants both at home and abroad
- investing in coal-fired power plants only where there is a major cost advantage and using the latest technologies
- investing in combined heat and power generation
- reducing CO_2 emissions and investing in JI/CDM
- investing in renewable energy sources.

In the plant portfolio renewal project, CEZ Group currently has – either under construction or contracted for – 2,210 MW in the coal-fired power plants Tušimice, Prunéřov, and Ledvice. Furthermore, preparations are continuing for construction of an 800 MW CCGT power plant in Počerady, and we are actively building solar power plants in the Czech Republic. Other projects, for CCGT plants in particular, are in preparation.
CEZ Group is also focusing on other directions of development, such as investing in regulated assets (distribution).

On the M&A expansion front, CEZ Group is active in all countries of Central and Southeastern Europe. In Romania, we are building a park of wind power plants with an aggregate installed capacity of 347.5 MW and in 2010 groundbreaking is expected on another such park with an aggregate installed capacity of 252.5 MW. CEZ Group continues to prepare CCGT plant projects in cooperation with MOL in Slovakia and Hungary (2 x 800 MW total), as well as in Poland (at the Skawina site, 430 MW) and Bulgaria (880 MW).
In the nuclear power segment, ČEZ, a. s. is working with a Slovak partner to prepare a project to build a nuclear power plant in Jaslovské Bohunice, Slovakia, as well as a project to build new reactor units at Temelín.
In distribution, ČEZ, a. s. is actively moving forward in the integration of distribution companies in Albania and Turkey. In Turkey, in cooperation with our partner there, the Akkök Group, we are developing projects to build CCGT and coal-fired power plants within the joint-venture Akenerji.
In the operational excellence area, CEZ Group continues to implement the Efektivita Program, consisting of internal projects spanning across all business segments with annual benefits go in the billions of CZK.
Technical innovation was earmarked as a strategic priority in 2009.

Innovation Strategic Initiative

In 2009 CEZ Group added another element to its strategy – Innovation. This is in response to growing trends in the sector: strict environmental regulation in the emissions area, demands for increasing efficiency and roll-out of new technologies, with a clear focus on clean technologies. To stay abreast of these trends, advance preparation is needed, and we will endeavor to take a leading role in new technologies wherever we operate, and to leverage new business opportunities to strengthen our market position. This new strategy element also reinforces CEZ Group's corporate social responsibility.

In order to fulfill and manage the Innovation initiative, the FutureMotion (Energy of Tomorrow) initiative was launched, consisting of four subprograms:

- Research and development
- Environmental investment
- Small-scale cogeneration and energy conservation
- Smart grids.

The FutureMotion initiative has become a platform for managing, coordinating, and executing innovation activities throughout CEZ Group. As such, it concentrates on long-term goals.

Through systematic support for science and research and support for bringing promising new technologies into everyday life, CEZ Group aims to achieve:

- better utilization of resources in generation, distribution, and consumption alike
- application of new technologies mitigating environmental impacts
- expansion of consumers' options for deciding on how they will use energy
- utilization of electricity as the cleanest form of energy, for example in road transport.

FutureMotion Programs

Research & Development

Research and development (R&D) is crucial to innovation. CEZ Group's R&D priorities include sustainable nuclear power, energy storage, increasing efficiency, and decarbonization, to name a few.

Goals:

- to take a leading role in energy research and development in the Czech Republic and to become a major player in the field of energy innovation within the European Union as well
- to financially support science and research
- to systematically cooperate with technical universities and research institutes.

Environmental Investment

It is in CEZ Group's best interests to diversify its plant portfolio and reduce its carbon exposure even more. Support for electromobility is an integral part of these initiatives.

Goals:

- to become the leader in renewables in the countries of Central and Southeastern Europe
- to become the biggest provider of electromobility in Central Europe
- to increase the volume of solid biofuels by at least 500 kt beyond the current capacity of the Czech Republic.

In October 2009, ČEZ, a. s. acceded to a declaration on standardization of electric car charging infrastructure. That declaration envisions that all connectors for charging electronic vehicles will be the same. The declaration has already been signed by representatives of 50 European distribution companies and other power utilities.
In December, CEZ Group announced that it is preparing to build a network of automobile charging stations. The first charging stations are planned in Prague at shopping malls, buildings belonging to the Lord Mayor's Office, town halls of individual city districts, and in Vrchlabí. Charging stations for electric cars represent a breakthrough project in the Czech Republic, the implementation of which will necessitate solving a number of aspects such as ensuring sufficient distribution capacity, metering, sales, equipment homologation, the electronic interface used, connection to the billing system, connection standards, alternative technical implementations, and the number of outlets per station.

Small-scale Cogeneration and Energy Conservation

It is the intent of CEZ Group to add local generation to the traditional energy mix and to introduce energy conservation projects. Small-scale cogeneration technologies have significant potential for savings in primary fuels (over 20%) and CO_2 emissions. They do not require beefing up of transmission and distribution grids, and during grid emergencies they provide possibilities for “island operation” (i.e. grid operation limited to a certain local area). Potential sites for application of these technologies include large buildings such as, for example, hospitals, shopping centers, large office buildings, hotel complexes, and the like.

Goals:

- to gain a significant share of the small-scale cogeneration market, which has potential to grow in the Czech Republic;
- by 2012, to build in the Czech Republic an initial small-scale cogeneration portfolio with at least 50 MW installed capacity in industrial enterprises;
- to conceive and roll out energy conservation projects.

Smart Grids

CEZ Group intends to integrate new technologies in the distribution grid, pioneer new methods for its operation and management, and give consumers more power to decide how they will use energy.

Smart grids enable alternative energy sources to be used to a larger degree by effectively combining them with conventional power plants. A smart distribution grid can determine when it is being overloaded and prevent a power outage by rerouting the flow of energy. It monitors events in the grid and its technical condition, deals with faults and outages and provides suggestions for grid renewal. It communicates with customers in real time and optimizes their consumption with regard for price and the environment.

Goals:

- within the framework of the Smart Region pilot project, by 2015 introduce the most advanced distribution technologies and interlink them with decentralized generation;
- in the years 2010–2013, launch a smart metering pilot project with 40,000 smart meters in three selected localities.

CEZ Group has formulated a smart grids strategy and is preparing pilot projects. We have explored the technical parameters of smart meters by installing 2,000 of them in Dobruška, East Bohemia. In December, we announced the selection of the area around the city of Vrchlabí in North-East Bohemia as a Smart Region for use of smart meters with customer participation. In the Vrchlabí region, CEZ Group intends to find out how various new technologies can cooperate in a small area, including a substantial number of local generation facilities (some of them renewables-based), electromobile charging stations, and cogeneration facilities.

Efektivita Program

The Efektivita Program is tasked with increasing performance, improving cost effectiveness of key processes, and making CEZ Group one of the most efficient electric utilities in Europe. In 2009 we began to see the full effects of optimization measures taken in the past, in particular in the following areas: improvements to ancillary and shared services, management of selected overheads, provision of optimized ICT services in the Group, integration of international equity holdings, and optimization of nuclear power plant safety and performance. When the economic crisis began, we conducted a review of all the project plans, as a result of which the outsourcing projects at ČEZ Distribuční služby and ČEZ Měření were postponed. The remaining projects and optimization measures planned for 2009 were executed as originally planned. The Efektivita Program’s contribution to EBITDA reached CZK 7.5 billion in 2009, exceeding the originally planned value by 8.7%.

Alongside the seven original key projects – Transformation of ICT, Streamlined Corporation, The Customer (already completed), Best Practices in Distribution, Integration of International Holdings, Safely 15 TERA ETE, Safely 16 TERA EDU – as of January 2009 an eighth project has been added: Extending the Operational Life of Dukovany Nuclear Power Station.

In 2009, the Transformation of ICT project was characterized by stabilization and improvement of the internal functioning of the ICT services provider and by implementation of the approved sourcing strategy. Within the framework of sourcing activities, as of December 31, 2009, services relating to terminal equipment are no longer provided and the entire function was outsourced. At the same time, feasibility studies were conducted on outsourcing data centers, telecommunication networks, and the technical protection system. Internal optimizing activities focused on “breaking in” the new organization of the company arising from the merger, optimizing the company’s management model, processes, and their performance. One successfully completed task in 2009 was the implementation of a competency center (in-house comprehensive support for SAP system users), for which certification was obtained towards the end of the year.

The Streamlined Corporation project brought structural change, accompanied by optimization of the number of employees, particularly in purchasing and logistics, human resources, finance, property management, and road transport. The roll-out of a unified information system in CEZ Group will be made possible by the completed unification of ancillary and administrative processes. In 2010, the project will focus on transforming and centralizing bookkeeping services and the ongoing review of all human resources processes with the aim of optimizing them. In addition, a plan for a new concept of CEZ Group unified safety practices, a project to optimize the number of distribution warehouses, and a number of other measures designed to improve internal performance are poised for launch. The execution of a substantial majority of the streamlining measures planned for the following year is conditional upon the successful and timely completion of the SAP program. Since being launched in 2007, the Streamlined Corporation project has so far brought CZK 1.1 billion in cost savings to the Group.

The Customer project was completed and wound up in December 2009. One of its goals was to make CEZ Group one of the best companies in terms of customer services in the Czech Republic, within three years. This goal was accomplished. A wide array of measures was implemented to streamline processes, the introduction of communication standards made it easier to serve customers at a higher quality level, and numerous development programs for employees empowered them be more professional when in contact with customers. The Customer project’s one-off aggregate total benefit in the period 2007–2009 is valued at CZK 1.1 billion, although the project’s result in 2009 was CZK –0.1 billion due to the decline in electricity prices. When the project was wound up, activities commenced during its implementation passed to line management.

The Best Practices in Distribution project met the milestones set for its individual component activities in 2009 and in terms of the overall Efektivita Program benefits it was the biggest contributor (CZK 2.5 billion). The project’s goals and timeline were revised in accordance with the “ČEZ Against the Crisis” initiative and three new activities were added.

As part of the project, ČEZ Distribuční služby, s.r.o. underwent a fundamental reorganization.

The principal objectives of the Integration of International Holdings project are full integration of international equity stakes into standard CEZ Group structures, and process optimization. Currently being integrated are holdings in Bulgaria, Romania, and Poland. During the year CEZ Group acquired new assets in Albania and Turkey, and their inclusion in the integration project is at the planning stage. During 2009 the integration in Poland was completed for practical purposes: the most significant activities still underway are the completion of a feasibility study on the construction of a small-scale hydro power plant in Skawina, and optimization of biomass combustion. In Romania we completed a project to optimize distribution grid administration and at the same time we are meeting cost savings targets relating to outsourcing of shared services. In Bulgaria the process of eliminating non-technical losses (and achieving cost savings thereby) was changed and the overall number of employees is being steadily optimized.

The “Safely 15 TERA ETE” project at Temelín Nuclear Power Station is going through a period of technical and organizational stabilizing with the aim of improving selected safety indicators up to levels seen among the top quarter of the world’s nuclear power plants and to generate 15 TWh of power in 2012 while laying the groundwork for this value to be met or even exceeded in subsequent years. In 2009, Temelín Nuclear Power Station generated a record amount of electricity – over 13 TWh. Important progress made in 2009 included finalizing the methodology for dealing with containment buildings and resolving technical issues with low-pressure components of the turbo-aggregate. Furthermore, the fuel loading machines were upgraded and a new device for tightening nuts on the main joint face was used for the first time. Preparations are underway for the switch to a new supplier of nuclear fuel, which will take place in 2010 on Unit 1 and in 2011 on Unit 2 of the plant. A program to improve human performance quality continued, as did the rolling out of a knowledge management program, as part of which Temelín Nuclear Power Station hosted an international seminar on process-driven knowledge management, organized in cooperation with the International Atomic Energy Agency in Vienna. In terms of expertise development, experience records were made and interviews with experts were utilized to create knowledge maps. The ETE Management Academy project was launched.

The objective of the "Safely16 TERA EDU" project is to increase Dukovany Nuclear Power Station's electricity output to 16 TWh/year starting in 2013 while maintaining the current level of plant safety and reliability. This effect is being achieved by reducing outages for refueling and increasing the output of the plant's reactor units. Increasing output is being achieved through modifications to the main generating equipment to take advantage of the plant's design potential. An upgrade of low-pressure turbine components at Dukovany Nuclear Power Station was the final step in increasing the output of all four reactor units to 456 MW_e. By retrofitting components such as reactor unit transformers and high-pressure turbine components in 2009, Unit 3 achieved its target output of 500 MW_e (installed capacity is higher). By 2013, the same modifications will have been made on the plant's other units. The new standards for planned outages were successfully put into use.

The "Extending the Operational Life of Dukovany Nuclear Power Station" project aims to prepare plant equipment, personnel, documentation, and processes for a renewal of the operating license after 2015, as well as to carry out the measures necessary to extend plant operation until 2025 with an outlook for further extension of operation up until 2045. The project includes integration of long-term operation of Dukovany Nuclear Power Station's existing reactors with the construction of new capacity at the same site. In 2009, the project team began operating and began addressing the principal tasks: i.e., the plant's ongoing modernization and renewal of its equipment, including safety improvements, meeting the nuclear safety requirements set by the State Office for Nuclear Safety for operation after 2015, introducing operational life management, and renewal of personnel, including the knowledge management area.

Brief Power Industry Development Forecast from the Perspective of CEZ Group

Like other sectors, European energy was affected by the impacts of the financial crisis in 2009. Electricity consumption fell substantially, accompanied by a massive surplus of natural gas and CO_2 emission rights and a decline in black coal prices in the global marketplace. All of these factors led to wholesale electricity prices tens of percent lower compared to price levels reached in mid-2008. While it is uncertain how quickly the European economy will return to a growth trajectory, it can be expected to be a rather slow process since banks and industrial enterprises alike continue to exhibit aversion to commercial risks and are taking a careful approach to financing and executing new projects. The major shortfall in industrial production – the main factor determining electricity consumption – will be made up only gradually, in correlation with the recovery of industry.

Over the shorter term, electricity prices will be influenced by the depth and duration of the financial and economic crisis. Once that ends, commodity prices and electricity consumption are expected to grow significantly and, in the medium term, electricity prices are expected to grow once again. Long-term, however, there remains material uncertainty as to prices of CO_2 emission rights and natural gas.

The fact that growth in renewables is an important feature of today's energy sector is eloquently expressed by over 100 GW of new installed electrical output after 2000 in the 27 European Union Member States. In general, this trend can be expected to continue.

Lower consumption of electricity in Central and Southeastern Europe staved off the threat of a shortage in generation capacity available for satisfying electricity demand. Decommissionings in the region's aging production portfolio in combination with the gradual recovery of consumption will, over the longer term, lead to price convergence between Western, Central, and Southeastern Europe.

Business Environment in the Czech Republic Electric Power Sector

The Czech power market is fully liberalized. Access to the transmission and distribution grids is regulated. The deadline set by legislation for unbundling electricity distribution, a regulated activity, from other businesses was January 1, 2007, and all affected players completed the unbundling process in advance.

The wholesale market in the Czech Republic is a part of the larger Central European market, thanks primarily to extensive cross-border transmission capacities between the Czech Republic and the transmission grids of neighboring countries. The region's primary price-setting market is Germany and its exchange in Leipzig. Prices in the wholesale market are set on the basis of supply and demand, through trading on the Power Exchange Central Europe (PXE), established in 2007 in Prague, and through bilateral contracts. The instruments that can be traded on the Czech Republic's exchange range from one-year contracts down to one-day contracts. Anonymous trading on a daily basis can also be realized through the organized markets of OTE, a.s. In addition to one-day trades, the organized markets of OTE, a.s. also enable intra-day trading. Over 30 traders and 6 brokers actively operate in the wholesale market. As of September 1, 2009, OTE, a.s. teamed with a Slovak partner to launch the "Czech-Slovak" joint, interconnected single-day electricity market. This brought increased liquidity to the single-day market organized by OTE, a.s. and *de facto* "coupling" of Czech and Slovak wholesale electricity prices.

Over 10 traders actively operate in the retail market, supplying electricity to end customers. The number of customers that switch to a different supplier is rising every year. Although substantial numbers of residential customers were already changing their supplier in 2008, this trend gathered steam in 2009. Thanks to the capacities of other producers outside CEZ Group and those of cross-border transmission lines, more than half of Czech Republic electricity demand can be met through sales by suppliers other than CEZ Group. CEZ Group's share in the developing retail market is approximately 44%, as new suppliers other than the three traditional ones (ČEZ, E.ON, and PRE) have now occupied nearly one quarter of the market. While, in 2008, it was typical for non-tariff, individually managed customers to enter into multi-year contracts – most frequently for two years, but in some cases for three years – in 2009 this trend changed significantly as a result of lower electricity prices in the wholesale market, as many customers returned to single-year contracts. In the area of supplies for tariff (retail) customers, 2009 brought a further expansion in traders' offerings compared to previous years.

In view of the fact that the gas market in the Czech Republic is now fully liberalized and the basic rules governing the operation of this market are similar to those governing the electricity market, in 2009 CEZ Group, through ČEZ Prodej, s.r.o., commenced active operations in the retail gas market. The first deliveries of gas to end customers were realized in the last quarter of 2009. At the same time, Q4 2009 also saw the first gas sales campaign targeted at end customers, yielding CEZ Group 1,726 GWh of gas supply volume contracted for 2010 for a 2.1% share in the retail gas market.

Ancillary services are purchased by transmission grid operators in reverse auctions for a wide range of products and various time bands. This segment is one of the most competitive in Europe, with independent producers outside of CEZ Group offering approximately half of the necessary capacity of ancillary services. The market share of ČEZ, a. s. in this segment of the Czech market in 2009 was 47.1%.

The capacity of individual cross-border transmission profiles is offered in a coordinated fashion by a joint auction office between transmission grid operators for all borders except for Czech-Austria. In 2009, the auction office was operated by ČEPS, a.s. Starting in 2010, the auctions will be held by CAO Central Auction Office GmbH, headquartered in Freising, Germany. Auctions for Czech-Austria cross-border transmission capacity are still being held by ČEPS, a.s. and its Austrian counterpart VERBUND – Austrian Power Grid AG. In all the above cases, the auctions are for rights to execute cross-border transmission for a calendar year, month, or day. From September 1, 2009, cross-border capacity between the Czech Republic and Slovakia is not sold through conventional auctions. Instead, it is allocated daily by default through the coupling of both countries' markets.

In distribution, 2009 saw 16,828 new connection points added to the grid (166 connection points at high- and medium-voltage and 16,662 low-voltage connection points). In view of the development of support (mandatory purchasing and bonuses) for generation of electricity from renewable sources of energy and the fact that the prices of certain technologies for generating this electricity (solar technologies in particular) have come down substantially, in 2009 there was a major increase in newly connected renewable sources of electricity, especially photovoltaic installations, compared to previous years. While at the end of 2008 there were 962 solar generation installations connected to the grid in the ČEZ Distribuce, a. s. service area with total installed capacity of 21.9 MW, as of February 1, 2010 these figures had risen to 3,784 installations with a combined installed capacity of 172.2 MW. This trend is growing over time and no change in it can be expected unless the system for supporting generation of electricity from renewable sources is revised and there is a return to reasonable rates of return on investments in photovoltaic power installations. In conjunction with requests for the connection of both new consumption locations and, most importantly, combined generation, consumption, and hand-over points, in comparison with past years there was a very substantial increase in capital expenditures made necessary by these requests, as a percentage of the overall CAPEX amount, which was roughly CZK 10.5 billion in the case of the CEZ Group's distribution service area in the Czech Republic.

During the year in question, ČEZ, a. s. reaffirmed its role as an active trader in the European context, primarily in Central and Southeastern Europe. It trades electricity actively in over ten countries, as well as trading in natural gas, black coal, and CO_2 emission rights, and is a provider of ancillary services to transmission grid operators. CEZ Group is an advocate of market liberalization and endeavors through its activities to contribute to increasing transparency in the relevant markets. In 2009, we reaffirmed this position through our active support for the creation of a joint Czech-Slovak single-day electricity market and the formulation of new rules for allocation of cross-border transmission capacities in the region of Central Europe. We continue to advocate these positions through our memberships in the professional associations EURELECTRIC, EFET, and IETA.

For the time being, short-term trades (Czech abbreviation: OKO) organized by OTE, a.s. remained the main trading channel for the PXE forward market and the OTC market (broker platforms and bilateral contracts), as well as for the spot market. Off the PXE, electricity generated by ČEZ, a.s. was sold through the OTC market designated for our own customers (through ČEZ Prodej, s.r.o.), for fulfillment of multi-year contracts, and further for operating reserves and the provision of ancillary services. The OTC market was also utilized for the conversion of active contracts from the PXE to the OTC market. In 2009, ČEZ, a. s. contracted electricity for the years 2010, 2011, and 2012 on the PXE through standard exchange products (one-year, one-quarter, one-month) and through the OTC market. ČEZ, a. s. continues to sell the ancillary services provided by its power plants, mostly through operators of the ČEPS, a.s. transmission grid, although in 2009 these services were also provided in smaller volumes to a similar company in the Slovak Republic. ČEZ, a. s. is exposed to considerable competition in ancillary services, resulting in a long-term decline in our Czech market share in this segment, calculated in terms of technical units, to 47.1% in 2009 from 56.5% in 2008. For the time being, the share of ČEZ, a. s. is 54.8% of the total volume of ancillary services contracted by ČEPS, a.s. for 2010.

Mining in the Czech Republic

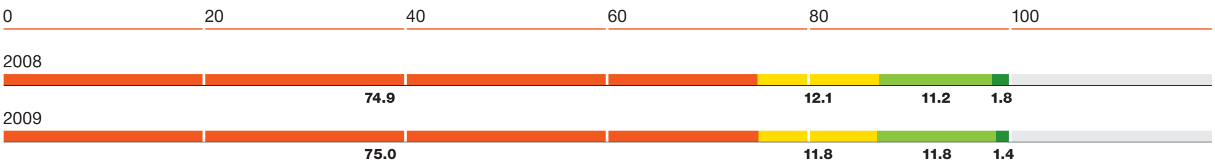
Severočeské doly a.s.

CEZ Group's coal mining operations are carried on by Severočeské doly a.s., the Czech brown coal mining company, which in 2009 continued to hold the largest share of the brown coal market, including lignite (48.6%, up 1.7 percentage points from the previous year). In 2009 coal was extracted in two locations: Bílina Mines and Nástup Tušimice Mines.
Bílina Mines, operating in the area between Teplice and Bílina, mines coal that is characterized by a high heat content and low proportion of hazardous substances. The Bílina surface mine is the deepest surface mine in the Czech Republic. Coal extraction volume in 2009 was 9.7 million tons. The mining permit is valid until 2010 or until the mining operation reaches the borders of the permitted mining area. Currently, documentation is being prepared for an application for a mining permit for the years 2010–2030 and an approval process is ongoing pursuant to Act No. 100/2001 Sb. on Environmental Impact Assessment.
Nástup Tušimice Mines extracts brown coal in the westernmost part of the Ústí nad Labem Region. Its largest customer is ČEZ, a. s. – specifically, the power plants in Tušimice and Prunéřov, which are local to the mine. Coal is also shipped by rail to the Mělník II and Chvaletice Power Stations. Coal extraction volume in 2009 was 12.9 million tons. The mining permit expires in 2015.

Coal Sales

In 2009 Severočeské doly a.s. sold a total of 22.0 million tons of coal, down 0.3 million tons from the previous year. Of this amount, 16.5 million tons of coal was supplied to ČEZ, a. s. power plants.

Coal Sales, by Customer Category (%)



- CEZ Group
- power heating plants (over 50 MW)
- regional dealer networks, including boiler facilities up to 50 MW
- export

Capital Expenditure

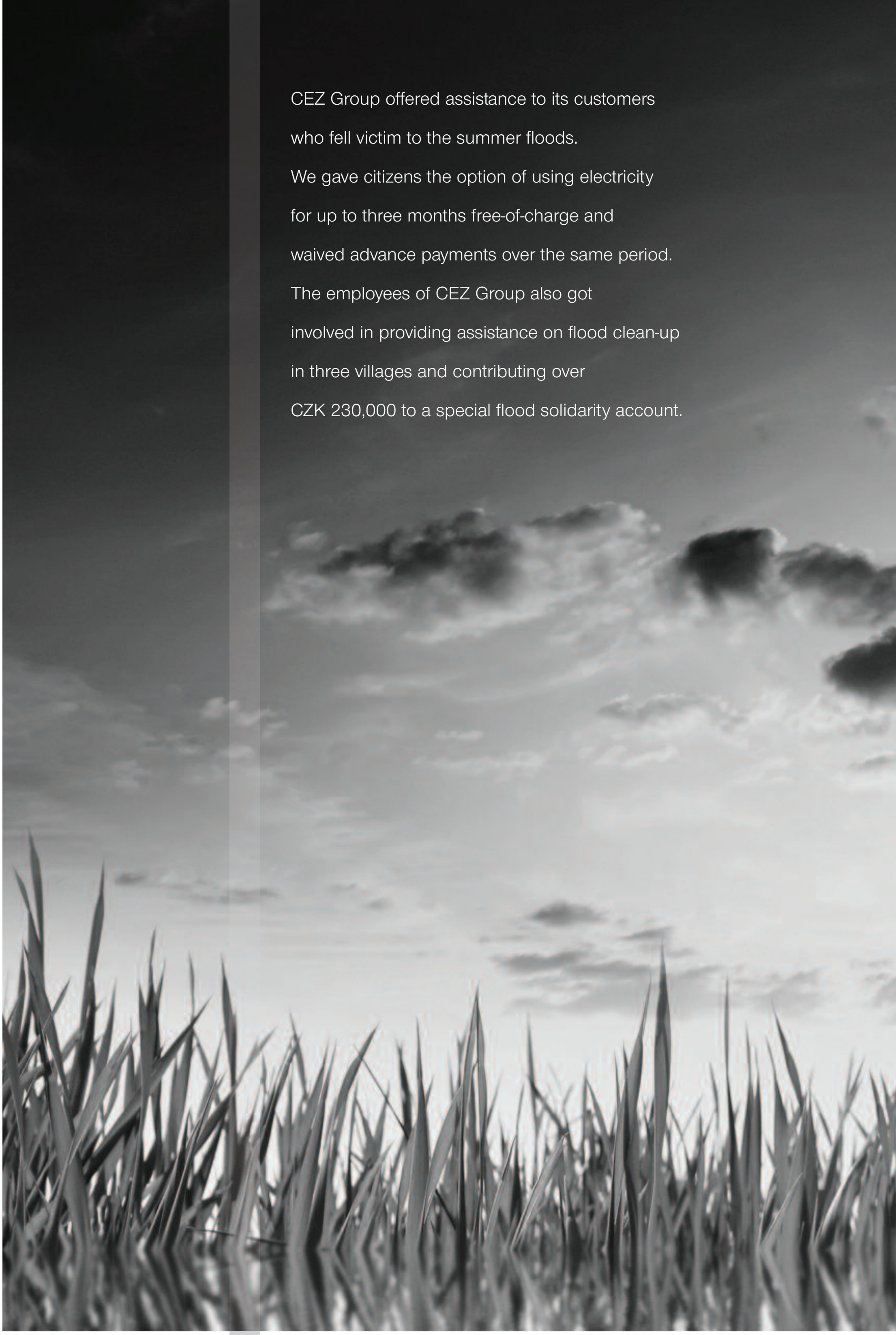
Severočeské doly a.s. recorded capital expenditures of CZK 3.7 billion. The biggest CAPEX projects implemented in 2009 included:

→ completion of the retrofit and complete overhaul of the KU 300.15 excavator, which was moved from Nástup Tušimice Mines to a new location at Bílina Mines,
→ renovation of heavy mining machines at Doly Bílina,
→ TC2 excavator and spreader.

In the environmental area, the most significant projects executed and/or prepared for launch in 2009 were at Bílina Mines, including primarily measures designed to protect local communities by mitigating the negative effects of coal mining activity in the form of noise and dust, for the benefit of cities and other communities near the mines.

Outlook

In 2010, Severočeské doly anticipates brown coal extraction and sales volumes at approximately the same levels as seen in 2009. At Nástup Tušimice Mines, the extraction operation is to move to the eastern portion of the mine and the relevant overburden cuts are now moving in that direction.



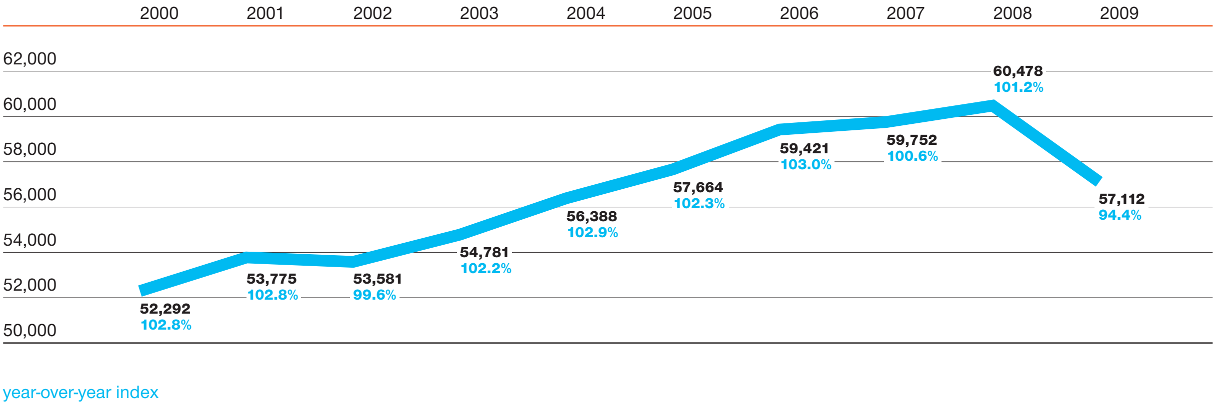
CEZ Group offered assistance to its customers who fell victim to the summer floods. We gave citizens the option of using electricity for up to three months free-of-charge and waived advance payments over the same period. The employees of CEZ Group also got involved in providing assistance on flood clean-up in three villages and contributing over CZK 230,000 to a special flood solidarity account.

we perceive needs and provide help accordingly

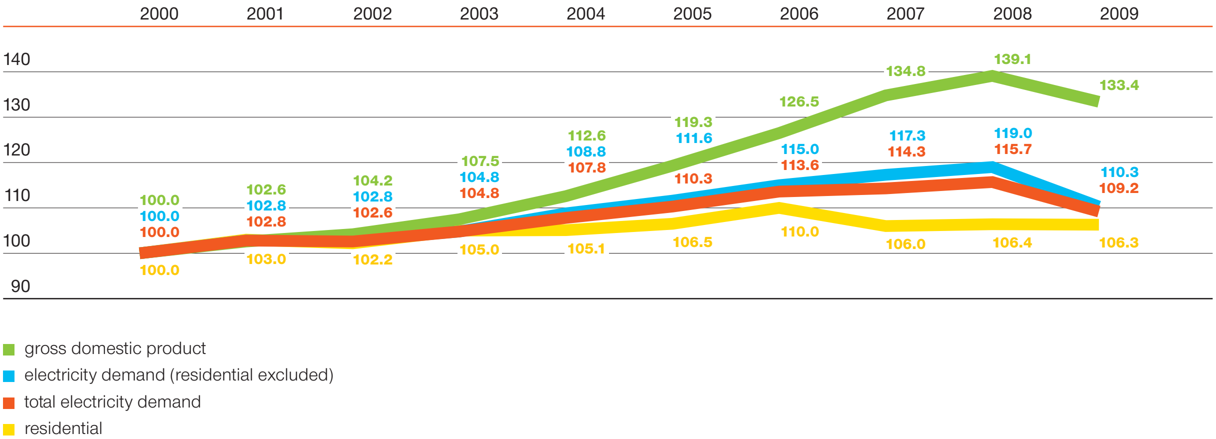
Power Production in the Czech Republic

Selected Indicators – Czech Republic

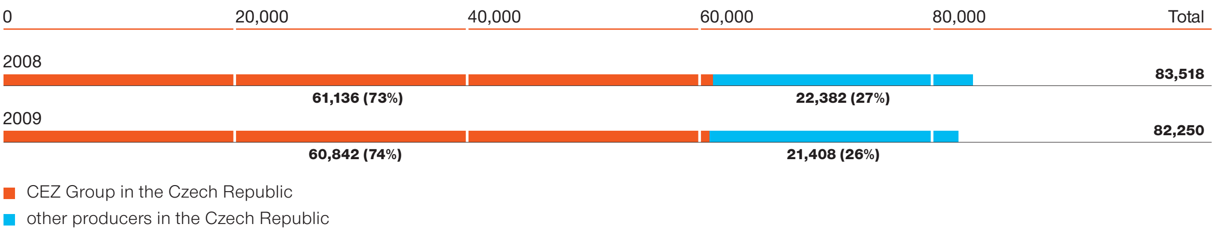
Electricity Demand in the Czech Republic (GWh)



Comparison of Gross Domestic Product to Electricity Demand in the Czech Republic (index 100% = year 2000)



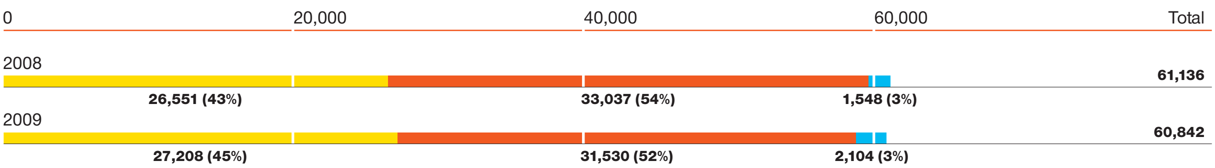
Power Production in the Czech Republic, Gross (GWh)



Generation of Electricity by CEZ Group in the Czech Republic

In 2009, CEZ Group power plants in the Czech Republic generated a total of 60,842 GWh of electricity, down 294 GWh (–0.5%) from 2008. The slight decline is attributable, primarily, to low electricity selling prices in 2009.

CEZ Group Power Production in the Czech Republic, Gross (GWh)



- nuclear
- coal, gas, and CCGT
- hydro, solar, and wind

Installed Capacity

As at December 31, 2009, CEZ Group companies in the Czech Republic owned power plants with an aggregate installed capacity of 12,405 MW. The 107.6 MW year-on-year increase was caused, primarily, by a 70 MW increase in the installed capacity of Unit 3 at Dukovany Nuclear Power Station following a turbine rebuild. Starting in April CEZ Group installed capacity also includes the Energetické centrum s.r.o. power heating plant, with 8.8 MW of installed capacity.
In the renewables area, we commissioned solar power plants with an aggregate total installed capacity of 18.9 MW and completed the Janov and Věžnice wind farms (8.1 MW of installed capacity). Rebuilds of the Předměřice nad Labem and Spytihněv small-scale power plants increased installed capacity by 1.9 MW, while the sale of the Veselí nad Moravou small-scale power plants reduced installed capacity by 0.27 MW.

Location of CEZ Group Power Plants in the Czech Republic

- 2 nuclear
- 32 hydro
- 3 pumped storage
- 9 brown coal
- 8 power heating plants
- 1 black coal
- 3 wind
- 7 solar

Name in orange letters = owned by ČEZ, a. s.
Name in black letters = owned by other CEZ Group members
* Sold in December 2009.

List of CEZ Group Power Plants in the Czech Republic

Nuclear Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Dukovany	ČEZ, a. s.	1 x 510; 3 x 440	1985–1987, overhaul 2009
Temelín	ČEZ, a. s.	2 x 1,000	2002–2003
Nuclear power plants, total		3,830.0	

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2009	Year commissioned	Desulfurized since
Dětmarovice	ČEZ, a. s.	black coal brown coal	4 x 200	1975–1976	1998
Chvaletice	ČEZ, a. s.	brown coal	4 x 200	1977–1978	1997, 1998
Ledvice II	ČEZ, a. s.	brown coal	2 x 110	1966	1996
Ledvice III	ČEZ, a. s.	brown coal	1 x 110	1968	1998
Mělník II	ČEZ, a. s.	brown coal	2 x 110	1971	1998
Mělník III	ČEZ, a. s.	brown coal	1 x 500	1981	1998
Počerady	ČEZ, a. s.	brown coal	5 x 200	1970–1971, 1977	1994, 1996
Prunéřov I	ČEZ, a. s.	brown coal	4 x 110	1967–1968	1995
Prunéřov II	ČEZ, a. s.	brown coal	5 x 210	1981–1982	1996
Tušimice II	ČEZ, a. s.	brown coal	4 x 200	1974–1975	1997
Coal-fired power plants, total			5,940.0		

Power Heating Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2009	Year commissioned	Desulfurized since
Dvůr Králové nad Labem	ČEZ, a. s.	brown coal	1 x 6.3; 1 x 12	1955, 1963	1997
Hodonín	ČEZ, a. s.	lignite	1 x 50; 1 x 55	1954–1958	1996–1997
Ostrava – Vítkovice	ČEZ, a. s.	black coal	2 x 16; 1 x 25; 1 x 22	1983–1995	
Poříčí II	ČEZ, a. s.	black coal brown coal	3 x 55	1957–1958	1996, 1998
Tisová I	ČEZ, a. s.	brown coal	3 x 57; 1 x 12.8	1959–1960	1996–1997
Tisová II	ČEZ, a. s.	brown coal	1 x 112	1961	1997
Otín u Jindřichova Hradce	Energetické centrum s.r.o.	biomass	1 x 6.272	2008	
		heavy heating oil, gas	1 x 2.5	1970	
Power heating plants, total			671.9		

Hydro Power Plants
1. Accumulation and run-of-river power plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Kamýk	ČEZ, a. s.	4 x 10	1961
Lipno I	ČEZ, a. s.	2 x 60	1959
Orlík	ČEZ, a. s.	4 x 91	1961–1962
Slapy	ČEZ, a. s.	3 x 48	1954–1955
Štěchovice I	ČEZ, a. s.	2 x 11.25	1943–1944
Vrané	ČEZ, a. s.	2 x 6.94	1936
Střekov	ČEZ Obnovitelné zdroje, s.r.o.	3 x 6.5	1936
Accumulation and run-of-river power plants, total		723.9	

2. Small-scale hydro power plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Dlouhé Stráně II	ČEZ, a. s.	1 x 0.16	2000
Hněvkovice	ČEZ, a. s.	2 x 4.8	1992
Kořensko I	ČEZ, a. s.	2 x 1.9	1992
Kořensko II	ČEZ, a. s.	1 x 0.94	2000
Lipno II	ČEZ, a. s.	1 x 1.5	1957
Mohelno	ČEZ, a. s.	1 x 1.2; 1 x 0.56	1977, 1999
Želina	ČEZ, a. s.	2 x 0.315	1994
Brno – Kníničky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3.1	1941
Brno – Komín	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.106; 1 x 0.140	1923, rebuilt 2008
Čeňkova Pila	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.096	1912
Černé jezero	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.5; 1 x 0.04; 1 x 0.37	1930, 2004, 2005
Hradec Králové	ČEZ Obnovitelné zdroje, s.r.o.	3 x 0.25	1926
Hracholusky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.55	1964
Les Království	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.105	1923, rebuilt 2005
Obříství	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.679	1995
Pardubice	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.96	1978
Pastviny	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3	1938, rebuilt 2003
Plzeň – Bukovec	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.315	2007
Práčov	ČEZ Obnovitelné zdroje, s.r.o.	1 x 9.75	1953, rebuilt 2001
Předměřice nad Labem	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.6	1953, rebuilt 2009
Přelouč	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.68; 2 x 0.49	1927, rebuilt 2005
Spálov	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.2	1926, rebuilt 1999
Spytihněv	ČEZ Obnovitelné zdroje, s.r.o.	2 x 2	1951, rebuilt 2009
Veselí nad Moravou [1]			1914, 1927
Vydra	ČEZ Obnovitelné zdroje, s.r.o.	2 x 3.2	1939
Small-scale hydro power plants, total		65.7	

[1] Veselí nad Moravou small-scale hydro power plant was sold in December 2009.

3. Pumped-storage hydro power plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Dalešice	ČEZ, a. s.	4 x 112.5	1978
Dlouhé Stráně I	ČEZ, a. s.	2 x 325	1996
Štěchovice II	ČEZ, a. s.	1 x 45	1947–1949, overhaul 1996
Pumped-storage hydro power plants, total		1,145.0	
Hydro power plants, total		1,934.6	

Solar Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Dukovany	ČEZ, a. s.	0.01	1998, 2003
Bežerovice [2]	CZ INVEST - PLUS, a.s.	3.013	2009
Čekanice u Tábora [2]	CZ INVEST - PLUS, a.s.	4.48	2009
Chýnov u Tábora [2]	CZ INVEST - PLUS, a.s.	2.009	2009
Přelouč	ČEZ Obnovitelné zdroje, s.r.o.	0.021	2009
Hrušovany nad Jevišovkou [2]	MALLA, a.s.	3.802	2009
Žabčice	Elektra Žabčice a.s.	5.6	2009
Solar power plants, total		18.9	

[2] Plant's license holder and operator is ČEZ Obnovitelné zdroje, s.r.o.

Wind Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Nový Hrádek [3]	ČEZ Obnovitelné zdroje, s.r.o.	4 x 0.4	2002
Věžnice	ČEZ Obnovitelné zdroje, s.r.o.	2 x 2.05	2009
Janov	Š-BET s.r.o.	2 x 2	2009
Wind power plants, total		9.7	

[3] Not in operation pending overhaul.

Fuel

Nuclear Fuel

Fuel for Dukovany Nuclear Power Station is sourced under a long-term contract with Russia-based OAO TVEL, which not only fabricates the fuel, but also provides conversion and enrichment services as well as some of the base raw material. In 2009, an amendment to the contract was signed, treating terms of supplies from 2010 on. In 2009, an improved version of the second-generation fuel with an optimized enrichment profile was supplied, with increased enrichment of working cassettes to 4.38% U235, which will be loaded into the reactor units, one by one. This advanced, second-generation fuel will enable the reactor units of Dukovany Nuclear Power Station to be operated at an increased output of 105% Nnom while preserving the optimal fuel cycle. The first loading of this fuel took place on Unit 3, where the planned output of over 500 MW was achieved. The fuel will be loaded into the remaining units as well.

At Temelín Nuclear Power Station, supplies of modified fuel assemblies from Westinghouse Electric Company LLC (USA) continued. In 2009, more good operational experience was obtained from the use of fuel assemblies based on the modern ZIRLO™ alloy, which provides higher dimensional stability. The last supplies of fuel from Westinghouse Electric Company LLC for Unit 1 took place in 2009 and for Unit 2 they are planned for 2010. In subsequent years, fuel will be supplied by Russia-based OAO TVEL. Under contract, OAO TVEL implemented a development program in 2009, which will continue in 2010, and the obtaining of a permit from the State Office for Nuclear Safety for loading of OAO TVEL fuel is planned for sometime around the middle of 2010. In advance preparation for this, in December 2009 the first load of TVEL fuel was delivered to Temelín Nuclear Power Station, representing over one third of what will be necessary to completely fill Unit 1 of Temelín Nuclear Power Station in 2010.

Uranium and its processing (conversion and enrichment services) were sourced under long-term contracts, most of which were entered into before 2004, i.e. before market prices went up. In 2008, a purchase contract with the domestic uranium producer Diamo s.p. was signed for 2008–2010 period with an option to extend the contract until 2012. The volume of uranium purchased under this contract accounts for roughly one third of ČEZ's total annual need. Additional uranium is sourced from international suppliers and, in the case of Dukovany Nuclear Power Station, ready-made in the form of fuel components from OAO TVEL. In 2009, ČEZ , a. s. signed a long-term contract with AREVA NC for enrichment work. The contract will cover a major portion of the future needs of Temelín Nuclear Power Station, at least until 2020. Thus, the desirable diversification of nuclear fuel sources is maintained. ČEZ, a. s. also maintains a strategic inventory of uranium in various stages of processing, as well as fresh nuclear fuel in the case of Dukovany Nuclear Power Station, to mitigate the risk of supply interruption.

Solid Fossil Fuel and Sorbents

Fuel supplies for ČEZ, a. s. coal-fired power plants in 2009 were dominated by brown coal, at 26.5 million tons, accounting for 96.0% of total coal supplies.

The biggest suppliers of brown power generation coal to ČEZ, a. s. are Severočeské doly a.s., Czech Coal a.s., and Sokolovská uhelná, právní nástupce, a.s.

Long-term coal supply contracts are in effect with Severočeské doly a.s. (agreement on future purchase agreements; valid until 2052) and Sokolovská uhelná, právní nástupce, a.s. (purchase agreement; valid until 2027).

Medium-term purchase agreements are in effect with Severočeské doly a.s. (2006–2010), Czech Coal a.s. (2006–2012), and Lignit Hodonín, s.r.o. (2005–2010).

Black coal volume supplied to ČEZ, a. s. power plants totaled 1.1 million tons (4.0%). The bulk, 790 kt (71.7%) was black power generation coal supplied by OKD, a.s. The remaining need for black coal, 312 kt (28.3%), was sourced by import form Polish and Russian producers through CARBOUNION BOHEMIA,spol. s r.o. Black coal supplies take place under one-year purchase contracts.

The total volume of sorbents for flue gas desulfurization at coal-fired power plants was 1,160 kt.

Biomass Combustion

ČEZ, a. s. consumed a total of 363 kt of biomass in 2009, representing a 4.7% increase in combustion volume over the previous year. Most frequently, biomass is combusted in the form of wood chip, straw, and other types in the form of pellets. For the time being, the proportion of purpose-grown energy crops is low.

In the Czech Republic, biomass is combusted in the existing coal-fired power plants Hodonín, Poříčí, Tisová, and Dvůr Králové nad Labem.

Natural Gas

In June 2009, CEZ Group signed a long-term contract for supply of natural gas for the CCGT plant which is under preparation at Počerady Power Station. The contract was entered into with RWE Group, which will supply natural gas to the plant from 2013.

Capital Expenditure

In 2009, CEZ Group recorded the following total capital expenditures, by area: nuclear power, CZK 8.4 billion; conventional power, CZK 1.7 billion; and plant renewal, CZK 15.4 billion.

Nuclear Power

Dukovany Nuclear Power Station

At Dukovany Nuclear Power Station, 2009 saw continued work on capital projects intended to upgrade the plant and increase its power generation efficiency. Most importantly, the Instrumentation & Control (I & C) system renewal project continued, encompassing safety and computer information systems, implementation of a new post-accident monitoring system, upgrades of automatic systems, and regulation of the primary and secondary cooling circuits, including replacement of the turbine oil regulation system.
The project “Utilization of Full Reactor Unit Design Potential” also continued, with the aim of increasing achievable capacity at the turbogenerator output. So far, the increased output has already been realized on Unit 3.

Temelín Nuclear Power Station

At Temelín Nuclear Power Station, a number of capital projects were executed to increase the level of nuclear safety and equipment reliability. These included, for example, upgrades of flow-through portions of low-pressure components of the 1,000 MW turbines and of the fuel loading machines. Work continued on a spent fuel storage facility which is planned to enter trial operation in 2010.
In February 2009, fact-finding proceedings were completed in the Environmental Impact Assessment (EIA) process for the completion of Temelín Nuclear Power Station, resulting in the issuance of an opinion by the Ministry of the Environment of the Czech Republic, setting forth conditions for preparation of the EIA.
In June 2009, the Board of Directors of ČEZ, a. s. discussed and approved a business plan to complete the construction of Temelín Nuclear Power Station. Afterwards, the Supervisory Board took note of the plan.
On August 3, 2009, ČEZ, a. s. commenced public Request For Proposal (RFP) proceedings for the supply of two reactor units at Temelín Nuclear Power Station, with a possible option for up to three additional reactor units in Europe. In February 2010, ČEZ, a. s. announced that all suppliers who submitted timely applications to participate in the RFP proceedings had fulfilled the conditions for qualification. On March 10, 2010, an information meeting was held at ČEZ headquarters among representatives of the Company and of bidders who qualified in the RFP proceedings. Those bidders were: Westinghouse Electric Company LLC and Westinghouse Electric Company Czech Republic s. r. o. (consortium); ŠKODA JS a.s., JSC Atomstrojexport and JSC OKB Gidropress (consortium); and AREVA NP S.A.S. The goal of the meeting was to commence a pre-bidding negotiation process for the purpose of finding one or more solutions for meeting the needs and requirements of ČEZ, a. s. The solutions found through this process will be integrated by ČEZ, a. s. into the information memorandum that the bidders will use as a basis for preparing their bids. ČEZ anticipates that the pre-bidding negotiation process will be completed in 2010.
In conjunction with these developments, an Agreement on Cooperation was entered into with the Region of South Bohemia.

Investment in plant renewal (CZK billions)

15.4

Biomass consumption (kt)

363

Conventional Power

Our attention in this area was focused primarily on renewal of the production base (coal-fired power plants) and preparation for construction of a CCGT plant, as well as increasing the reliability and technical level of process equipment in the power plants we currently operate. Significant capital outlays also went on improving environmental parameters – lowering NO_x emissions and further ramping up of biomass combustion at Hodonín Power Station.

Comprehensive Retrofit of Tušimice II Power Station

2009 saw the commissioning and tune-up of units 23 and 24. They were connected to the grid and comprehensive tests were conducted to verify their reliability. On November 7, 2009, after conclusive test results were obtained, management of the units' operation was handed over to ČEZ, a. s. with the priority goal of securing heat supplies in the 2009/2010 season. In the verification process, comprehensive tests of units 23 and 24 commenced on February 8, 2010. Phase Two of the comprehensive retrofit began with dismantling of legacy process equipment.

Comprehensive Retrofit of Prunéřov Power Station

The preparatory phase of the project was underway. Suppliers of the main production unit components drew up basic design documentation for approval, and a contract was entered into for engineering and detail design documentation. The process of completing RFP documentation was completed, clearing the way for announcement of a tender to find a contractor to build the project and common construction site equipment. The legal permit process continued with the drawing up of an EIA, and a public hearing was held on December 3, 2009. A building permit for Phase One of temporary structures was obtained. Building of the project proper cannot commence until a positive EIA is obtained.

Construction of CCGT at Počerady Power Station

2009 saw completion of the project's preparatory phase and contracts were signed with the general contractor and suppliers of the main project components. Also signed were a service contract for the gas turbines and a gas connection and supply contract with RWE Transgas Net (renamed NET4GAS in 2010) and RWE Transgas.
On September 17, 2009 the Ministry of the Environment of the Czech Republic issued an approving opinion on the project's EIA.

New 660 MW Generating Unit at Ledvice Power Station

In 2009, a chemical water treatment plant was put into operation, as was a new coal loading system, including an underground storage hopper for the existing generating units. Foundations were laid for the machine room and boiler house and preparation of common construction site equipment was completed. Foundations were poured for the cooling tower and the lower portion of the cooling water pumping station was built. As of November 2009, a new information center is open to the public.

Renewables

The aggregate total installed capacity of wind and photovoltaic power plants grew by 27 MW in 2009.

Solar Power Plants

CEZ Group's solar portfolio expanded significantly in the past year, with the addition of five large and one smaller solar power plant. Two of the new plants are in South Moravia, near the communities of Hrušovany nad Jevišovkou (3.8 MW) and Žabčice (5.6 MW), and three are in South Bohemia, all in the City of Tábor area near the communities of Chýnov (2 MW), Bežerovice (3 MW), and Čekanice (4.5 MW). One small photovoltaic power plant with 21 kW of installed capacity was installed on the roof of the Přelouč Hydro Power Station.

Wind Power Plants

In 2009, ČEZ Obnovitelné zdroje, s.r.o. built four wind power plants at sites in Věžnice (installed capacity 2 x 2.05 MW) and Janov u Litomyšle (2 x 2 MW).

Electricity Generation Outlook

In 2010, ČEZ anticipates that the economic crisis will have a negative impact on power plant operation, with higher variable expenses depending on the price of power on the single-day market, especially during the summer.

From May to September 2010, refueling outages are planned for both reactor units of Temelín Nuclear Power Station. On Unit 2, the standard procedure of replacing ¼ of the fuel will be followed. However, on Unit 1 all of the fuel in the reactor will be replaced with new fuel from the supplier OAO TVEL.

From late February to May and from September to the end of the year, Dukovany Nuclear Power Station will undergo repairs, including partial refueling, on all four reactors. On Unit 4, a retrofit is planned, leading to an increase in achievable capacity from 456 MW to 498 MW. In total, 2010 is expected to bring a 1.6 TWh increase in nuclear power generation compared to 2009.

Major projects planned by ČEZ, a. s. at the coal-fired power plants include the comprehensive retrofit of units 21 and 22 of Tušimice II Power Station, which will be completed in 2011, and an extensive repair of unit 22 at Prunéřov II Power Station. Other repairs are being prepared for 2010 on unit 11 of Mělník III Power Station, unit 2 of Chvaletice Power Station, boiler 11 of Tisová I Power Station, and boiler 10 of Vítkovice Power Heating Plant. All told, production in coal-fired power plants is expected to grow by 2.5 TWh. Substantial repairs are also planned on the Slapy and Štěchovice hydro power plants. Generation at hydro power plants is expected to be lower by 0.3 TWh.

Heat

Supplies of heat from CEZ Group plants in the Czech Republic totaled 8,652 TJ in 2009, for a year-on-year decline of 349 TJ (–4%). The lower supplies are attributable to the building insulation trend as well as the impact of the economic crisis on major heat users. The weather in 2009 also played a role. ČEZ Energetické služby, s.r.o. is newly included in heat supply figures, as is the new acquisition Energetické centrum s.r.o., which generates heat from biomass and supplies it primarily to Jindřichův Hradec. The inclusion of ČEZ Energetické služby, s.r.o. and Energetické centrum s.r.o. in the list of CEZ Group heat suppliers resulted in a 186 TJ increase in Group heat supplies.

Electricity and Heat Generation Equity Holdings in the Czech Republic

ČEZ, a. s. – the largest Czech power company; as at December 31, 2009 its total installed capacity was 12,300.9 MW. It operated both Czech nuclear power plants and a wide portfolio of coal and hydro power plants.

ČEZ Obnovitelné zdroje, s.r.o. – owns and operates small-scale hydro power plants, a large hydro power plant in the Elbe River valley under Střekov Castle, several wind power plants, and one solar power plant. As at December 31, 2009 the company's total installed capacity stood at 72.5 MW. The company also holds a license to operate CEZ Group solar power plants that are owned by other Group members. The sole exception is the Dukovany Solar Power Plant, which is owned and operated by ČEZ, a. s.

CZ INVEST - PLUS, a.s. – owns three solar power plants near the City of Tábor in South Bohemia, with a total installed capacity of 9.5 MW.

MALLA, a.s. – owns a solar power plant in Hrušovany nad Jevišovkou, South Moravia, with an installed capacity of 3.8 MW.

Elektra Žabčice a.s. – owner of CEZ Group's largest solar power plant, located in South Moravia. Its installed capacity was 5.6 MW.

Š-BET s.r.o. – this company owns the Janov wind power plant in the Pardubice Region, with 4.0 MW of installed capacity.

Energetické centrum s.r.o. – this company owns a power plant in Jindřichův Hradec – Otín, South Bohemia, that burns pure biomass and heavy heating oil. The company also supplies heat to Jindřichův Hradec. The company's total installed capacity at December 31, 2009 was 8.8 MW.

ČEZ Teplárenská, a.s. – from January 1, 2010 this company operates most of CEZ Group's district heating networks, as well as arranging for most heat sales on behalf of CEZ Group. It also generates a small amount of heat in its own production facilities.

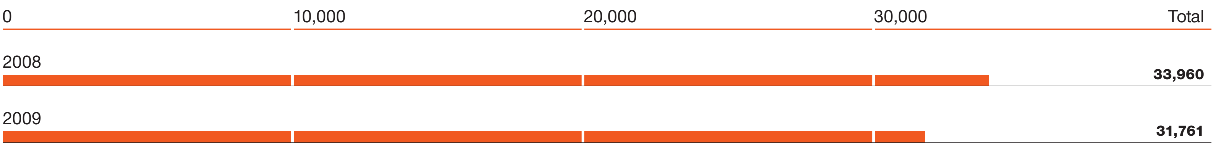
ČEZ Energetické služby, s.r.o. – supplies heat to Mohelnice from a gas-fired plant.

Distribution and Sale of Electricity in the Czech Republic

Distribution

In the Czech Republic, electricity is distributed by ČEZ Distribuce, a. s., which distributed 31,761 GWh of electricity to end customers in 2009. The year-on-year decline of 2,199 GWh was caused, in particular, by lower demand for electricity resulting from the economic crisis. In terms of voltage levels, the decline was distributed as follows: medium voltage, 1,533 GWh; high voltage, 631 GWh; low voltage, 35 GWh.

Electricity Distributed to CEZ Group End Customers in the Czech Republic (GWh)



The number of connection points grew by 17,000 to a total of 3,534,000.

Capital Expenditure

In 2009 ČEZ Distribuce invested CZK 10.5 billion in distribution grid renewal and development. Projects included those initiated by customers (37%), investments in underground and overhead power lines (33%), and investments in substations, transformer stations, and transformers (21%).

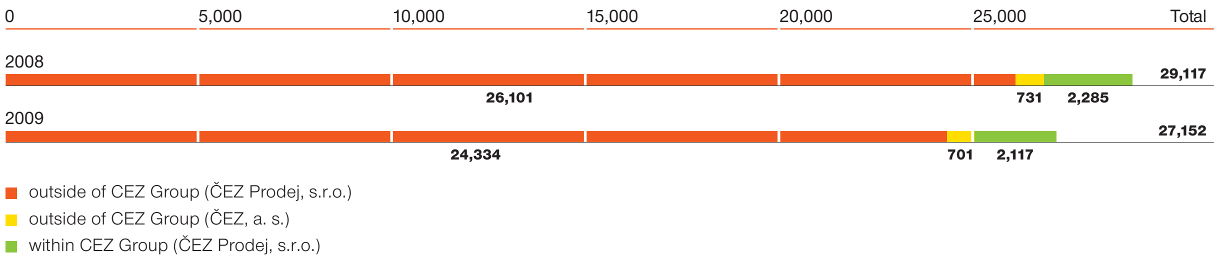
The most significant projects in 2009 included:

- power line rerouting at 110 kV substation in Doubrava
- renovation of 110 kV substation in Řeporyje transformer station
- renovation of Třebovice – Lískovec high-voltage power line
- construction of Mírovka – Hlinsko 110 kV power line
- construction of Příbor – Mošnov 2 x 110 kV power line
- renovation of Česká Třebová – Ústí nad Orlicí 110 kV power line
- doubling of Valašské Meziříčí – Vsetín high-voltage power line
- renovation of Prosenice – Dluhonice high-voltage power line.

Sale of Electricity to End Customers

In the Czech Republic electricity is sold by ČEZ Prodej, s.r.o., which in 2009 sold its customers a total volume of 26,451 GWh. In year-on-year terms, this represents a 1,935 GWh (–6.8%) decrease in supplies for end consumption. Wholesale supplies fell by 1,549 GWh due to the economic crisis, while retail sales were down 205 GWh. Also down was the volume of electricity supplied to ČEZ Distribuce to cover grid losses. This was due primarily to the increased volume of so-called “compulsory purchasing” of electricity by ČEZ Distribuce.

Electricity Sold to End Customers in the Czech Republic (GWh)



Sales of Electricity for 2010

ČEZ Prodej, s.r.o. expects to sell 25.0 TWh of electric power to end customers in 2010. A 1,450 GWh (–5.5%) decrease is forecast primarily in the wholesale segment (at the high- and medium-voltage levels), due to the negative impacts of the economic crisis, which are still being felt, and the fact the electricity supply contract with České dráhy, a.s. (Czech Rail) is only for a half-year (January to June, 2010). Supplies of electricity to ČEZ Distribuce to cover grid losses are also expected to fall. In the latter case, the ongoing trend toward increased compulsory purchasing of electricity by ČEZ Distribuce is a contributing factor, as this electricity is used to cover a portion of the grid losses.

Number of connection points (’000)

3,534

Sales of electricity (GWh)

27,152

Trading in Electricity and Other Commodities

Wholesale Electricity Trade

Trading in the Wholesale Market for Electricity and Other Energy Commodities

Trading in wholesale markets for electricity and other commodities in the various European countries where CEZ Group has operations is run centrally by the parent company, ČEZ, a. s. It encompasses the following functions:

- sale of in-house generated electricity in wholesale markets
- sale of ancillary services provided by CEZ Group power plants
- procurement of electricity in the wholesale market for resale to end customers
- trading in electricity, EUAs, CERs, natural gas, and black coal in wholesale markets for the Group's own account.

In their operations in individual country markets, CEZ Group companies must respect the local situation, which is based on local energy legislation, the state of market liberalization, the relative balance between supply and demand, cross-border transmission capacity, etc. In 2009, with regard to developments in legislation, trading operations in Hungary and Romania were handed over to the entity ČEZ, a. s. In countries where a license is not required to trade in electricity or where eligibility for such a license is not limited to entities formed under local law (Austria, Germany, France, Poland, Hungary, Romania, Kosovo, Greece, Montenegro) ČEZ, a. s. trades directly. In other countries (Slovakia, Bulgaria, Serbia, Bosnia and Herzegovina, Albania), ČEZ, a. s. operated in 2009 through subsidiaries holding the necessary local permits. CEZ Group companies engaged in production or supply to end customers are always organized under local law. In markets for other commodities (EUAs, CERs, black coal, natural gas), ČEZ, a. s. operates directly.

Czech Republic

In 2009, the worldwide economic recession led in the Czech Republic to a decrease in domestic electricity consumption by approximately 5.6% compared to 2008. That was reflected in a 19.0% year-on-year increase in the Czech Republic's international trade surplus, from 11.5 TWh to 13.6 TWh. While total cross-border export capacity was unchanged in 2009, the year saw a slight narrowing of the difference in wholesale price levels between the markets of the Czech Republic and the Federal Republic of Germany, from 1.27 EUR/MWh in 2008 to 1.06 EUR/MWh (difference between the EEX and OKO spot markets). Production from the Czech power plants of ČEZ, a. s. continues to be sold almost exclusively in the Czech power market, either wholesale through the energy exchange in Prague or electronic market platforms operated by brokers, or retail to end customers through the subsidiary ČEZ Prodej, s.r.o.

In 2009, ČEZ, a. s. continued to sell electricity three years in advance, with the aim of leveraging the market's demand for these products to partially hedge sales against possible price volatility. This strategy helped maintain profitability at a time of weak wholesale electricity prices.

Power plants located in the Czech Republic provided ancillary services to transmission grid operators in the Czech Republic and in the Slovak Republic, and to a lesser extent also to distribution grid operators in the Czech Republic.

Poland

The output of the Skawina and ELCHO Power Stations was sold in Poland's wholesale electricity market, in the case of ELCHO utilizing the compensation scheme defined by law for power plants that voluntarily gave up long-term electricity sale contracts.

Skawina Power Station and, to a lesser extent, ELCHO Power Station provided ancillary services to the Polish transmission grid operator.

Bulgaria

Varna Power Station supplied electricity primarily to the regulated market. As market opportunities are limited, only small volumes were placed through the free market. The plant continued to provide ancillary services to the Bulgarian transmission grid operator. Supplies to eligible customers in the free market went through CEZ Trade Bulgaria EAD, which sourced electricity in the local free market in cooperation with ČEZ, a. s. End customers in the regulated segment were supplied by CEZ Elektro Bulgaria AD, which procured electricity in the local regulated market.

Hungary

On December 31, 2008, Vértesi Erőmű ZRt., which had entered into several wholesale contracts for electricity supplies in 2009 from CEZ Magyarország Kft., announced that it would not take delivery of the contracted-for electricity. This gave rise to approximately HUF 1.8 billion (approximately CZK 170 million) in damages to the Hungarian member of CEZ Group, and this amount was confirmed in full in the subsequent arbitration proceedings before the Court of Arbitration of the Hungarian Economic Chamber. This confirmed the enforceability of one of the most important principles of trades undertaken on the basis of standard EFET framework contracts – mark-to-market settlement.

Romania

Supplies to end customers in both the free and regulated markets went through CEZ Vanzare S.A., which procured electricity for regulated customers separately in the local regulated market, and electricity for eligible customers in cooperation with ČEZ, a. s.

Slovakia

CEZ Group traded a total of 8 TWh in the Slovak wholesale electricity market in 2009. As of September 2009, as a result of the coupling of the short-term market with that of the Czech Republic, prices in the two short-term markets are unified. Supplies to end customers through CEZ Slovensko, s.r.o. also continued, reaching 750 GWh for the year.

■ Trading for the Group's Own Account

In addition to sales of electricity generated in-house and procurement of electricity for end customers, CEZ Group traded 198.4 TWh of electricity for delivery in 2009. For comparison, 118.9 TWh of electricity was so traded for delivery in 2008. In particular, these trades were undertaken to generate additional profit by taking advantage of arbitrage opportunities or other forms of speculative trading in wholesale markets. They also served as a partial hedge for future sales of in-house generated electricity or for future procurement of electricity for end customers, as well as to purchase additional electricity in the event of unplanned outages in our power plants. Traditionally, for its own account ČEZ, a. s. has traded such commodities as electricity and emission rights. Also significant, however, is ČEZ's trading in black coal futures on the ICE in London and commodity swap products in the OTC market. In 2009, the Company traded a total of 10.5 million tons of black coal in this fashion. Another commodity we trade in is natural gas – in 2009, 66.9 million therms were traded as futures products on the ICE London and EEX exchanges. A side effect of trading in these commodities is preparation for operating new plants that will be fired by black coal and natural gas. In 2009, ČEZ, a. s. traded 84.1 million tons of EUAs and CERs. Trading for the Company's own account is governed by standard risk management rules.

■ Sale of Electricity to End Customers in Countries Where CEZ Group Does Not Have a Distribution Company

CEZ Group strengthened its position in sales of electricity to end customers in markets where it does not own any distribution companies. In Slovakia, sales volume for 2010 grew to 968 GWh in a portfolio of 231 customers. In Hungary, contracts were signed with 16 customers for a total volume of 922 GWh, and in Poland with 17 customers for 660 GWh in volume.

■ Natural Gas

During 2009 ČEZ decided to enter the natural gas market. Our target was to begin supplying gas to end customers in the Czech Republic from January 1, 2010. Natural gas is sourced by ČEZ in wholesale markets in the Czech Republic and abroad and supplied through the subsidiary ČEZ Prodej, s.r.o. End customers are offered products with a fixed or indexed price.

the art of listening and taking action

As part of the continual improvement process in our customer services, CEZ Group created a new position of Company Ombudsman. The CEZ Group Ombudsman's Office opened its doors in October 2009 and its mission is to deal effectively with complaints and reach out-of-court settlements in disputes between CEZ Group's customers and companies.

CEZ Group International Operations

Republic of Poland

Business Environment

As the Polish market is liberalized, all eligible customers have the option of switching to a different electricity supplier. However, certain restrictions remain, preventing the full reflection of electricity prices in rates for private individuals. The wholesale price of electricity in Poland is slightly below the levels seen in Germany and the Czech Republic, although convergence with German market levels continued in 2009 and full convergence is expected to be achieved in the next few years.

In 2009, electricity consumption fell in response to the economic crisis. In this respect, Poland was no different from the rest of Europe.

Poland is obligated to implement European Union directives relating to market liberalization and reduction of CO_2 emissions. In preparation for the third allocation period, Poland obtained an exemption allowing it to allocate approximately 70% of its allowances in 2013 free of charge. Should Poland decide to utilize this exemption, the percentage of allowances allocated in this fashion will fall linearly, and zero allocation will be achieved in 2020.

The year 2009 brought the Initial Public Offering (IPO) of shares in the biggest government-controlled power utility, PGE Polska Grupa Energetyczna S.A., which owns over 40 power and power heating plants and two brown coal mines – Bełchatów and Turów – which together account for approximately ¾ of brown coal extraction volume in Poland. PGE Group also distributes electricity on 38% of Poland's territory. Also put up for sale was the government's 67% stake in ENEA S.A. However, potential investors evidently did not find the tender attractive and the sale of the stake was not realized. As the sale of the government's stake in ENEA S.A. was planned as a significant source of income for Poland's State budget in 2009, the Polish government is planning to repeat the sale in 2010.

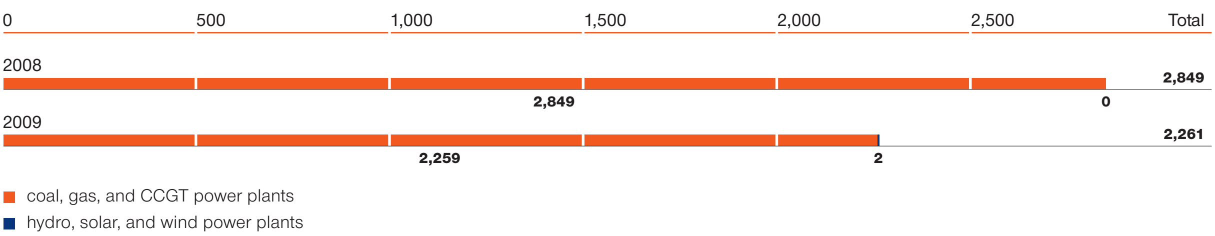
Production of electricity from renewable sources of energy and production of heat are supported by a system of certificates for power producers (Green Certificates for renewables, Red and Yellow Certificates for black coal- and gas-based cogeneration). On the other hand, electricity sellers are required to ensure that a portion of the energy they supply is from renewable sources. The preparation and execution of wind farm projects in Poland continued at a fast pace. On September 4, 2009, the cornerstone was laid for the largest wind farm in Poland, with 120 MW of planned installed capacity, in Margonin in the Greater Poland Voivodeship. Toward the end of 2009, PSE and the distribution companies had accepted applications for connection of 12,300 MW of installed wind power generation capacity.

With regard for the European Union's environmental policies, CEZ Group in Poland is focusing on CCGT power plants and renewables. In the compound of Skawina Power Station, a coal-fired plant already owned by the Group, we are preparing to build a 430 MW CCGT facility. We are also monitoring several projects in wind power.

Power Production

In 2009, CEZ Group power plants in the Republic of Poland generated 2,261 GWh of electricity, down 588 GWh (–20.7%) on optimizing of revenue from sales of CO_2 and securing maximum proceeds from compensation paid in return for the termination of long-term contracts with PSE S.A.

Power Production in Poland, Gross (GWh)



Installed Capacity

CEZ Group companies own power plants in the Republic of Poland with an aggregate total installed capacity of 730 MW, of which coal-fired plants account for 728 MW and hydro power plants 2 MW.

List of CEZ Group Power Plants in Poland

■ 2 black coal
■ 1 hydro

List of CEZ Group Power Plants in Poland

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2009	Year commissioned	Desulfurized since
ELCHO	Elektrociepłownia Chorzów ELCHO sp. z o.o.	black coal	2 x 119.2	2003	[1]
Skawina	Elektrownia Skawina S.A.	black coal	4 x 110; 1 x 50	1957	2008
Coal-fired power plants, total			728.4		

[1] ELCHO has complied with SO_x limits from the moment it was commissioned.

Small-scale Hydro Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Skawina/Skawinka	Elektrownia Skawina S.A.	1 x 1.6	1961
Small-scale hydro power plants, total		1.6	

Solid Fossil Fuels and Sorbents

Skawina and ELCHO Power Stations consumed a total of 1,163 kt of coal in 2009, all of it sourced from coal mining companies in the vicinity of the plants. ELCHO Power Station purchases coal under a long-term contract with Kompania Węglowa S.A. Skawina Power Station is supplied by three principal suppliers of power generation coal: Kompania Węglowa S.A., Katowicki Holding Węglowy S.A., and Jastrzębska Spółka Węglowa S.A.

The Polish power plants continued to utilize biomass in 2009. Skawina Power Station combusted 71,503 tons of biomass, or 10.7% of total fuel consumption, to produce 84,553 MWh of electricity. ELCHO Power Station utilized 52,416 tons of biomass in the same manner, thereby covering 8.5% of its total fuel consumption and producing 65,360 MWh of electricity.

Electricity Generation Outlook

The planned power generation output of the Polish power plants in 2010 is the result of optimization of electricity and heat production according to movements in market prices with the aim of maximizing the gross margin. Skawina Power Station is expected to generate 13% less than in 2009, while in the case of ELCHO Power Station the decrease is to be approximately 14% compared to 2009.

Heat

In 2009 the Polish power plants sold 4,381 TJ of heat, 2,072 TJ of which was sold by Skawina Power Station and 2,309 TJ by ELCHO Power Station.

In cooperation with its largest heat customer, the company Miejskie Przedsiębiorstwo Energetyki Cieplnej Spółka Akcyjna w Krakowie (English: Municipal Heat Management Enterprise, joint-stock company in Cracow), Skawina Power Station organized a promotional campaign in the Greater Cracow area with the objective of gaining additional heat customers. The campaign was a success, increasing orders by 14.7 MW_t, expressed in terms of output. The year-on-year decrease in heat production was caused by a partial upgrade of the main Skawina – Cracow supply line which took place from May to November, 2009.

ELCHO Power Station supplied heat to three distribution companies and two end customers. At year end 2009 the end customers switched over to the distribution companies, thereby bringing sales to end customers to an end. The biggest customer was Przedsiębiorstwo Energetyki Cieplnej Katowice S.A. (English: Katowice Heat Management Enterprise, joint-stock company), which purchased heat under a long-term contract and supplied it to customers in Katowice, Chorzów, Świętochłowice, and Siemianowice Śląskie.

Capital Expenditure

Capital projects at Skawina Power Station included a repair and upgrade of turbine no. 5. Also, wood sawdust combustion equipment was installed and a dry slag removal project was implemented. ELCHO Power Station purchased land from private owners to become the owner of all the land it needs for its operations. Both Polish power plants allocated a portion of their capital expenditure budget to fuel management projects.

Equity Stakes in Poland

CEZ Polska sp. z o.o.

This is a service and management company, with its seat in Warsaw and 100% owned by ČEZ, a. s. Its primary objective is to provide administrative and management services to CEZ Group companies within the territory of Poland. At the same time, it comprehensively represents CEZ Group in this territory and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Polska sp. z o.o.

Following the transfer of electricity wholesale trading operations to ČEZ, a. s., this company is tasked mainly with selling electricity to end customers, scheduling for CEZ Group members in Poland, and providing wholesale support.

Elektrownia Skawina S.A. and Elektrociepłownia Chorzów ELCHO sp. z o.o.

As of May 2006, two power companies – Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A. – are part of CEZ Group in Poland. ELCHO Power Station is a cogeneration facility, producing both power and heat in two state-of-the-art generating units. Both power plants are owned by ČEZ, a. s. through a company registered in the Kingdom of the Netherlands. In the case of ELCHO Power Station, ownership is through the companies CEZ Silesia B.V. and CEZ Chorzow B.V. (75.2% stake).

In the case of Skawina Power Station, the stake is owned through CEZ Poland Distribution B.V. In 2008, the Polish government's stake in Skawina Power Station was purchased, increasing CEZ Group's stake to 99.91%. In March 2009 the remaining shares were purchased from minority shareholders, making CEZ Poland Distribution B.V. the plant's 100% owner.

CEZ Ciepło Polska sp. z o.o.

CEZ Ciepło Polska sp. z o.o. was formed in 2007, headquartered in Warsaw, and is prepared for utilization in CEZ Group heat projects in Poland. In 2009 the company's stated capital was raised to 130,000 PLN.

CEZ Produkty Energetyczne Polska sp. z o.o.

This company was established in January 2009 in conjunction with optimization of power generation by-products management at ELCHO and Skawina Power Stations. Its stated capital is 800,000 PLN. The company's principal business is power generation by-products management.

CEZ Nowa Skawina S.A.

In 2009, the company CEZ Nowa Skawina S.A. was established in Poland with stated capital of 1,500,000 PLN. It is headquartered in Skawina and 100% owned by ČEZ, a. s. This is a Special Purpose Vehicle (SPV) formed for the purpose of building a new generating facility at the Skawina site.

Republic of Bulgaria

Business Environment

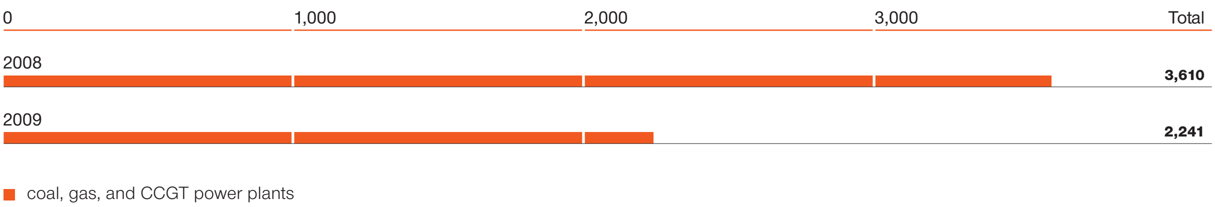
Although the Energy Act liberalized the Bulgarian electricity market on July 1, 2007, the country still uses a system of quotas to determine supplies of electricity at prices regulated by the State. Over 80% of electricity supply volume is at regulated prices. The position of State enterprises was strengthened with the creation of the Bulgarian Energy Holding, which holds major State energy-related assets (gas suppliers, mines, State-owned power plants, the power transmission grid, and the gas transmission network). The government has substantially intervened in the market by raising the export fee to approximately 9 EUR/MWh, and this combined with lower electricity prices in the area, makes exporting power a less attractive option. As of the Annual Report closing date, a legal process has been moving forward at the instigation of the European Union, toward clear and transparent allocation of quotas for regulated electricity supply. This should improve CEZ Group's position.

In 2009, Bulgaria maintained its position as an electricity exporter, despite the ongoing retrofit of the brown coal-fired Marica Iztok II Power Station. Of the new plants in the planning stages, the prospective Belene Nuclear Power Station (2 x 1,000 MW) has particular importance for Bulgaria. This project ran into difficulties in 2009 with the withdrawal of RWE, which owns a 49% stake in the project. Renewables are a fast-growing area; their installed capacity is to grow substantially in 2010, to nearly 1,000 MW. Also planned is the construction of three hydro power plants with 775 MW of total installed capacity. Solar power plants are also a promising segment, primarily in view of the attractive purchase price, guaranteed offtake of 100% of generation volume, and high sunlight intensity throughout practically the entire country.

Power Production

The sole CEZ Group power plant in Bulgaria, Varna Power Station, generated a total of 2,241 GWh of power in 2009, down 1,369 GWh (–37.9%) from 2008. The reason for the decrease was optimization of production with regard to reduced quota and increased revenue from provision of ancillary services.

Power Production in Bulgaria, Gross (GWh)



Installed Capacity
Total CEZ Group installed capacity in Bulgaria is 1,260 MW.

Location of CEZ Group Power Plant in the Republic of Bulgaria

1 black coal

List of CEZ Group Power Plants in Bulgaria

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2009	Year commissioned
Varna	TEC Varna EAD	black coal	6 x 210	1968–1969 1977–1979
Coal-fired power plants, total			1,260.0	

Solid Fossil Fuels and Sorbents
Varna Power Station consumed a total of 999 kt of coal in 2009. Its coal was sourced by imports from Russia and Ukraine.

Electricity Generation Outlook
In order to optimize generation in view of anticipated movements in electricity prices in the Bulgarian market and the forecasted decline in generation for the regulated market, Varna Power Station – CEZ Group's largest coal-fired power plant – plans in 2010 to leave electricity generation volume at the same level as in 2009.

Heat
Varna Power Station produced and supplied only a small amount of heat, to places in its vicinity. Revenue from this commodity, at CZK 1.4 million, was only marginal.

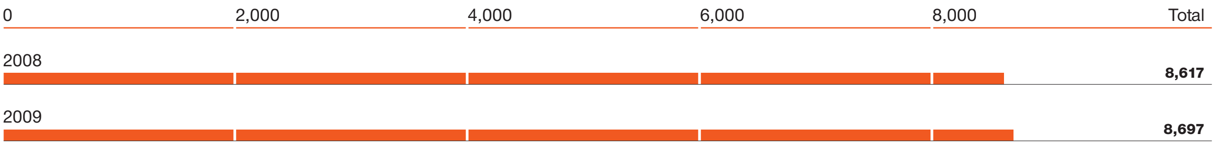
Distribution of Electricity
Electricity distribution volume in Bulgaria, in the CEZ Group's service area, totaled 8,786 GWh in 2009, which is up 39 GWh (+0.4%) from the previous year. The main reason for the increase was connection of new customers to the distribution grid.

Electricity Distributed to End Customers in Bulgaria (GWh)

Sales of Electricity

Sales of electricity to end customers reached 8,697 GWh in 2009, and another 3 GWh was supplied by the sales company, CEZ Elektro Bulgaria AD, to neighboring distribution companies. While sales to households and small businesses were up (+3.1% and +1.2%, respectively), sales to wholesale customers were down 4.0% due to the economic crisis.

Electricity Sold to End Customers in Bulgaria (GWh)



Sales of Electricity for 2010

In 2010, electricity sales and distribution volume is expected to grow to 9.0 TWh, which is 3% more than the level reached in 2009.

Equity Stakes in Bulgaria

CEZ Bulgaria EAD

The company's primary aim is to provide administrative and managerial services to CEZ Group in Bulgaria. At the same time, the company comprehensively represents CEZ Group in the country and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Bulgaria EAD

The company's principal business is the wholesale electricity trade. The company has held an electricity trading license and actively engaged in this activity since 2005.

CEZ Razpredelenie Bulgaria AD

This company is involved primarily in distributing electricity in Western Bulgaria, including the country's capital, Sofia. The company's mission includes developing the distribution grid in line with the development of the country's capital and the other regions in its service area, while improving the quality of electricity supplies and services to bring them up to European standards. The capital expenditure program is focused on improving the quality of electricity supply, reducing technical and commercial losses, and reducing the time required to effect repairs. The company is headquartered in Sofia and ČEZ, a. s. owns a 67% stake. The remaining 33% belongs to the Bulgarian government.

CEZ Elektro Bulgaria AD

This company is engaged in selling electricity to end customers. It was established in 2006 as a consequence of the requirement stipulated in Bulgarian legislation that power utilities separate, or "unbundle", distribution operations from their other operations. ČEZ, a. s. owns a 67% stake in the company.

TEC Varna EAD

As of October 2006, ČEZ, a. s. is the sole owner of Varna Power Station.

CEZ Laboratories Bulgaria EOOD

This company, with its seat in Sofia, was formed to comply with the requirement that electric meter verification operations be separated from distribution and electric meter purchasing operations. This separation was part of the unbundling process in Bulgaria. In 2008, the company obtained a license from the State Agency for Metrological and Technical Supervision to perform initial and periodic checks of electric meters. Granting of this license was preceded by the process of obtaining ISO certification.

CEZ Elektroproizvodstvo Bulgaria AD

This company was formed to prepare a project for the construction of a CCGT facility in Varna, with planned installed capacity of 880 MW.

Romania

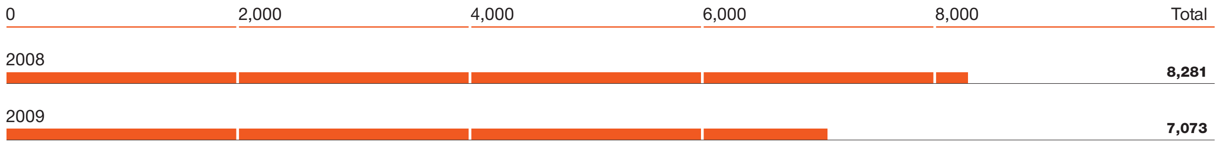
Business Environment in Romania

The Romanian energy sector is in a period of transformation and is quickly converging on the model commonly seen in other European Union countries. Individual functions have been legally separated (unbundled) and partially privatized. Most production assets are concentrated in the hands of three State-owned companies, depending on the type of power plant. Certain city and local power heating plants are under municipal ownership. The production sector is now being opened to foreign investment, typically through joint ventures with a local partner. The transmission grid is managed by Compania Naţională de Transport al Energiei Electrice "TRANSELECTRICA" S.A. The distribution segment is by far the most open – three regions are served by the State-owned Electrica, while another five have been privatized into the hands of foreign investors. Regulatory activity is carried out by Autoritatea Naţională de Reglementare în domeniul Energiei.
The electricity market is in transition, moving quickly toward liberalization. Approximately 40% of customers have eligible customer status and the remaining 60% are subject to regulation. A substantial portion of production is traded on new trading platforms in the form of one-year contracts and one-day supplies. The electricity market is organized by the company Societatea Comercială Operatorul Pieţei de Energie Electrică – OPCOM S.A. Romania supports the generation of electricity from renewable sources of energy through a “feed-in tariff” and Green Certificates. A new law passed in 2008 to support generation from renewable sources of energy improved conditions for building power plants based on renewables. By joining the European Union, Romania became a member of EU ETS and has approved a plan to implement LCPD (regulation of SO_X, NO_X and ash emissions).
On August 26, 2008, CEZ Group acquired a project to build the Fântânele and Cogealac wind farms in Constanța County, Romania. The two farms, with an aggregate total installed capacity of 600 MW, are planned to be completed gradually in the years 2010–2011. Construction of the project’s first phase has already begun, and in 2010 the individual power plants will be tested and commissioned in groups. The second phase is in building permit proceedings. As of the Annual Report closing date, ČEZ, a. s. is in talks with State-owned S.C. Termoelectrica S.A. on the establishment of a joint-venture to build a new CCGT plant that would supply heat to the City of Galaţi.

Distribution of Electricity

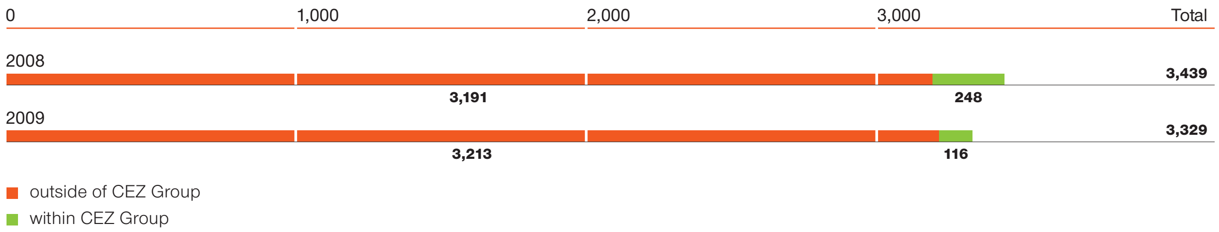
The Romanian distribution company CEZ Distributie S.A. distributed a total of 7,073 GWh of electricity in 2009, down 1,208 GWh (–14.6%) from the previous year.

Electricity Distributed to End Customers in Romania (GWh)



Sales of Electricity

Electricity Sold to End Customers in Romania (GWh)



Power Production in 2010

Starting in May 2010, individual power plants from the Fântânele wind farm will be connected to the grid, one by one, and officially commissioned. All 139 turbines are expected to be completed and started up by year end 2010. Total generation volume in 2010 is forecasted at 0.4 TWh. Also in 2010, construction of the second wind park, located near Cogealac, is to begin, and the first turbines are to be connected and started up by the end of the year. The entire park is to be completed in 2011.

Sales and Distribution of Electricity for 2010

According to plan, electricity sales to end customers are to be 4% higher, at 3.45 TWh. The volume of electricity distributed to end customers in 2010 is planned at 7.0 TWh.

Capital Expenditure

In Romania, capital expenditure went on equipment in operation, in order to improve distribution grid parameters. Over 380 km of power lines, with varying voltage levels, and 173 transformers were upgraded. 56 new transformers and over 270 km of low-voltage power lines were connected.

Equity Stakes in Romania

CEZ Romania S.R.L.

This company's primary objective is to provide administrative and managerial services to CEZ Group in Romania. At the same time, it comprehensively represents CEZ Group in this territory and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Romania S.R.L.

This company was formed for the purpose of electricity trading. In 2009, electricity wholesaling operations were transferred to ČEZ, a. s. As a result, the company is now principally tasked with supporting wholesale trading operations and, newly, with trading in gas. The company's gas license was issued in February 2010.

CEZ Distributie S.A.

CEZ Distributie S.A. is involved in electricity distribution. In 2009 ČEZ, a. s. purchased a 30% stake from Fondul Proprietatea S.A. and, subsequently, the remaining stake from Electrica S.A. as well. As a result, in October 2009 it became the 100% owner of the company.

CEZ Vanzare S.A.

The company is headquartered in Craiova and is involved in selling electricity to end customers. In 2009, ČEZ, a. s. purchased a 30% stake from Fondul Proprietatea S.A. and, subsequently, the remaining stake from Electrica S.A. as well. As a result, in October 2009 it became the 100% owner of the company. CEZ Vanzare S.A. also obtained a gas sales license in 2009.

CEZ Servicii S.A.

CEZ Servicii S.A. was established in 2007 for the purpose of providing shared services to CEZ Group companies in Romania. In September 2009 ČEZ, a. s. purchased a 12% stake from Fondul Proprietatea S.A., bringing its stake in the company to 63%. The remaining 37% stake is owned by Electrica S.A. So far, no agreement has been reached on sale of the stake.

Tomis Team S.R.L.

ČEZ, a. s. acquired a stake in Tomis Team S.R.L. in 2008, in conjunction with the acquisition of the Fântânele wind power station near Constanța on the Black Sea coast. In 2009, we increased the company's stated capital to RON 467,771,030 and at the same time increased our own stake in the company from 95% to 99.999998%. The remaining 0.000002% is owned by CEZ Poland Distribution B.V., with its seat in the Kingdom of the Netherlands, which is a 100% subsidiary of ČEZ, a. s. During 2009 construction of the new facility continued at the Fântânele site and preparations began for the second phase of construction, which will take place at the Cogealac site.

MW Team Invest S.R.L.

The company MW Team Invest S.R.L. is a 100% subsidiary of Tomis Team S.R.L. and, at the same time, part of the Fântânele project. In 2009 its stated capital was increased to RON 87,494,530.

Ovidiu Development S.R.L.

ČEZ, a. s. acquired a stake in Ovidiu Development S.R.L. in 2008, in conjunction with the acquisition of the Cogealac wind power plant project near Constanța on the Black Sea coast. ČEZ, a. s. owns a 95% stake in the company. The remaining 5% is owned by CEZ Poland Distribution, B.V., a 100% subsidiary of ČEZ, a. s. in the Kingdom of the Netherlands.

Energonuclear S.A.

Energonuclear S.A. was established for the purpose of building and operating the Cernavodă Nuclear Power Station in Romania. ČEZ, a. s. owns a 9.15% stake in the company. The company's majority owner is Societatea Nationala Nuclearelectrica S.A., with a 51% stake. Also participating in the project are the companies ArcelorMittal Galati S.A., GDF Suez S.A., Enel Investment Holding B.V., Iberdrola Generación SAU, and RWE Power AG. The company is headquartered in Bucharest.

Republic of Albania

Business Environment in Albania

For the most part, the transformation of the energy sector in Albania has yet to take place. The electricity market is regulated; at present, the only eligible customers are large industrial enterprises.

The bulk of power generation assets is held by the State-owned company, Korporata Energjitike Shqiptare Sh. a. which operates large hydro power plants. The country is also home to a number of local independent producers with smaller shares in overall generation. The distribution and end-customer sales sector consists of the single company Operatori i Sistemit te Shperndarjes Sh.A., in which ČEZ, a. s. acquired a majority stake through privatization in 2009. During the period in question, electricity consumption in Albania remained substantially under levels commonly seen in Europe, with potential for long-term growth.

Distribution of Electricity

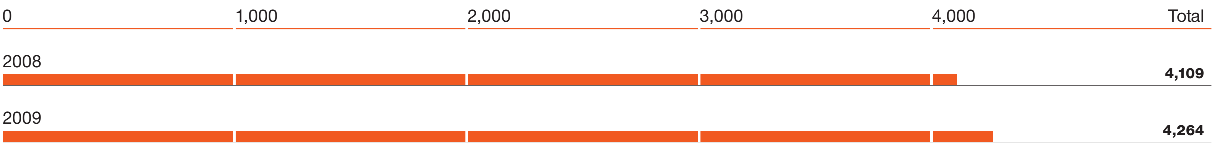
The sole distribution company in Albania distributed a total of 4,112 GWh of electricity to its customers during the entire year 2009, up 154 GWh (+3.9%) from 2008. This development was probably related to the fact that the Albanian economy's is rapidly converging on levels common in the surrounding countries, and this phenomenon is driving demand for electricity.

Electricity Distributed to End Customers in Albania (GWh)

Sales of Electricity

Operatori i Sistemit te Shperndarjes Sh.A. sold 4,264 GWh of electricity to end customers during the entire year 2009, up 155 GWh (+3.8%) from the previous year.

Electricity Sold to End Customers in Albania (GWh)



Sales of Electricity for 2010

In 2010, CEZ Group anticipates 2.8% growth in the volume of electricity distributed to end customers.

Capital Expenditure

The largest investment in Albania's distribution grid in 2009 was the construction of two 20 kV output feeders at the Kashar 110/20 kV substation and the realization of low-voltage grids using ABC conductor technology at a cost of approximately ALL 365 million (approximately CZK 73 million).

Equity Stakes in Albania

CEZ Albania Sh.A.

CEZ Albania Sh.A., with its seat in Tirana, was established in April 2009 with stated capital of ALL 42,000,000. Its primary objective is to provide administrative and management services to CEZ Group in Albania. At the same time, it comprehensively represents CEZ Group in this territory and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Albania Sh.P.K.

This 100% subsidiary of ČEZ, a. s. was established in September 2009 and its stated capital is ALL 40,000,000. It is headquartered in Tirana and its principal business is trading in electricity. It received a license in January 2010.

Operatori i Sistemit te Shperndarjes Sh.A. (OSSh)

ČEZ, a. s. acquired a 76% stake in the Albanian distribution company in May 2009. The Albanian government owns the remaining 24% stake. The company is headquartered in Tirana and is the sole distributor and seller of electricity in Albania.

Republic of Turkey

Business Environment in Turkey

The Turkish market is growing at a relatively quick pace. Despite a decline in consumption in 2009 due to the worldwide economic crisis, its impacts in the Turkish market were less pronounced than in European Union Member States.
CEZ Group forecasts that as early as 2010, electricity consumption will exceed 2008 levels. In terms of its dynamism and growth potential, the Turkish market continues to be a favorable environment for capital projects.
The Turkish market is partially liberalized as of the end of 2009, but only one fifth of power plants there belong to private investors; the rest are State-owned. The Turkish government plans to increase the market's effectiveness by privatizing the State-owned power plants by 2012.
In 2009 CEZ Group focused, in cooperation with its Turkish partner, the Akkök holding company, and within the framework of the company Akenerji, on preparing to build a CCGT power plant. Since CO_2 emissions are not regulated in Turkey, it is considering building a coal-fired plant and, with regard to the country's under-utilized potential, a hydro power plant as well.
In 2009 ČEZ, a. s. and Akkök participated in another wave of distribution company privatizations, but the selling prices in the auctions exceeded the levels that would have ensured the required return for the ČEZ – Akkök consortium. Thus, the distribution company Sakarya Elektrik Dagitim A.S. acquired in 2008 remains the only such company co-owned by CEZ Group (with a 44.38% stake) in Turkey.

List of CEZ Group Power Plants in Turkey

Gas-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2009	Year commissioned
Çerkezköy	Akenerji Elektrik Üretim A.S.	natural gas	1 x 21.5 1 x 43.5 1 x 33	1993 1995 1996
Bozüyük	Akenerji Elektrik Üretim A.S.	natural gas	1 x 45 2 x 43.5	1997 1997
İzmir-Kemalpaşa	Akenerji Elektrik Üretim A.S.	natural gas	2 x 43.6 1 x 40	2005 2005
Gas-fired power plants, total			357.2	

Wind Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2009	Year commissioned
Ayyıldız RES	Akenerji Elektrik Üretim A.S.	3 x 5	2009
Wind power plants, total		15.0	

Production of Electricity

Electricity is generated by Akenerji Elektrik Üretim A.Ş. and its subsidiaries. In total, Akenerji produced 2,109 GWh of power in 2009. Generation in the existing gas-fired power plants Çerkozköy, Bozüyük, and İzmir-Kemalpaşa was negatively impacted by lower demand. Generation volume was increased by the new Ayyıldız wind farm, commissioned in September 2009.

Distribution and Sale of Electricity

Sakarya Elektrik Dagitim A.S. distributed a total of 8,807 GWh of electricity and sold 8,761 GWh of the electricity in 2009.

Remark: Data expressed in technical units and number of employees figures for power plants and distribution companies in Turkey are not included in CEZ Group totals, as the assets in question are held by associates.

Capital Expenditure

Construction went forward on six hydro power plants, all of which except one are currently planned for completion in 2010. The bulk of construction work on these power plants was completed and equipment installation took place, including readying the plants for connection to the grid. The execution of certain power plant projects has fallen behind schedule due to external factors (e.g. floods), among others.
August saw the completion and commissioning of the Ayyıldız wind park at the Bandirma site, with three turbines and 15 MW in aggregate installed capacity.
The biggest capital project under preparation is the construction of a 800–900 MW CCGT plant at the Hatay site on Turkey's southeastern coast. An EIA was drawn up and submitted for the approval process. During February 2010 the feasibility study was approved, confirming the planned installed capacity of 800 MW.

Equity Stakes in Turkey

Akenerji Elektrik Üretim A.Ş. (Akenerji Elektrik Üretim A.S.)

In May 2009, ČEZ, a. s. acquired a stake in the Turkish company Akenerji Elektrik Üretim A.S. ČEZ's stake in the company is 37.3614% and representatives of our Turkish partner own a stake of the same size (at year end the shares held by some of the Turkish partner's representatives were consolidated in the company Akarsu Enerji Yatirimlari Sanayi ve Ticaret A.Ş.). The remaining stake consists of publicly listed shares held by other shareholders. The company is headquartered in Istanbul and in addition to its core electricity business it is the majority owner of several subsidiaries that are also in the electricity business – Egemer Elektrik Üretim A.Ş., AK-EL Yalova Elektrik Üretim A.Ş., Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan ve Ticaret A.Ş., Akkur Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş., Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş., and AKKA Elektrik Üretim A.Ş., all headquartered in Turkey, and Aken B.V., headquartered in the Kingdom of the Netherlands.

Akcez Enerji A.Ş. (Akcez Enerji A.S.)

A company headquartered in Istanbul, established in 2008. ČEZ, a. s. and representatives of the Turkish partner each own a 27.5% stake; Akenerji Elektrik Üretim A.S. owns 45%. Akcez itself owns a stake of over 99% in Sakarya Elektrik Dagitim A.Ş. (see below).

Sakarya Elektrik Dağıtım A.Ş. (Sakarya Elektrik Dagitim A.S.)

Since February 2009, Akcez Enerji A.S. has owned a stake in Sakarya Elektrik Dagitim A.S. ČEZ's stake is 99.99999828%; the remaining minority stake is held by CEZ Poland Distribution B.V., CEZ Silesia B.V., and representatives of the Turkish partner. This company distributes electricity in the Sakarya area.

Federal Republic of Germany

Equity Stakes in Germany

CEZ Deutschland GmbH

CEZ Group has had operations in Germany since 2001. CEZ Deutschland GmbH was set up with the principal objective of trading electricity in Germany. Following market liberalization and streamlining of licensing conditions in Germany the company was phased out and electricity trading through CEZ Deutschland GmbH was terminated, having been taken over – along with the remaining business activities – by ČEZ, a. s. CEZ Deutschland GmbH operations were minimized and the company is expected to be used to support possible future CEZ Group activities or acquisitions in Germany.

JTSD Braunkohlebergbau GmbH

In June 2009 CEZ Group, acting through Severočeské doly a.s., acquired a 50% stake in JTSD-Braunkohlebergbau GmbH, thereby establishing a joint-venture with the second owner, LIGNITE INVESTMENTS 1 LIMITED. This company will become a part of the company Energetický a průmyslový holding, a.s. JTSD Braunkohlebergbau GmbH is headquartered in Zeitz, Germany and it purchased 100% of the shares of the Netherlands-based company Mibrag B.V. Subsequently, a process was put in motion to merge Mibrag B.V. into JTSD Braunkohlebergbau GmbH. In January 2010 the merger into JTSD Braunkohlebergbau GmbH took place and the company ceased to exist. The legal successor is JTSD Braunkohlebergbau GmbH. This made JTSD Braunkohlebergbau GmbH the direct 100% owner of the German company Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG).

Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG)

MIBRAG owns and operates two brown coal surface mines in eastern Germany, with coal reserves sufficient for another 25 years of mine operation with a favorable overburden ratio. Annual production was 18.8 million tons of brown coal in 2007, 19 million tons in 2008, and 19.7 million tons in 2009. Also, the company owns and operates three power plants with 208 MW of total installed capacity. In 2009, these power plants generated 1,320 GWh of electricity and supplied 1,047 TJ of heat. At year end 2009, MIBRAG had 1,996 employees. The principal coal customers are the Lippendorf and Schkopau power plants. MIBRAG's seat is located in the City of Zeitz, which now includes the formerly separate community Theissen. Furthermore, MIBRAG owns or co-owns stakes in another six companies involved, for example, in coal mining consulting, waste management, and logistics (Montan Bildungs- und Entwicklungsgesellschaft mbH, GALA-MIBRAG-Service GmbH, MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH, Gröbener Logistik GmbH, Spedition, Handel und Transport, Fernwärme GmbH Hohenmölsen-Webau, Ingenieurbüro für Grundwasser GmbH). The company also operates its own rail spur. The company's 100% owner was the Dutch company Mibrag B.V. Following the merger with JTSD Braunkohlebergbau GmbH, the latter became the owner.

MIBRAG Power Plants

Name	Installed capacity (MW_e)
Kraftwerk Mumsdorf	2 x 30; 1 x 25
Kraftwerk Wählitz	1 x 37
Kraftwerk Deuben	1 x 16; 1 x 50; 1 x 20
Total	208

MIBRAG Mines

Name
Tagebau Profen
Vereinigtes Schleenhain

Remark: Data expressed in technical units and number of employees figures for MIBRAG power plants and mines are not included in CEZ Group totals, as the assets in question are held by associates.

Ireland

CEZ Finance Ireland Ltd.
This company was established in 2009 with its seat in Baile Átha Cliath (English: Dublin). Its principal businesses relate to financing of CEZ Group projects – the MIBRAG project in particular.

Republic of Hungary

Equity Stakes in Hungary

CEZ Magyarország Kft. (CEZ Hungary Ltd.)
This company was established as an electricity trading company. In 2009, electricity wholesale trading was transferred to ČEZ, a. s., as a result of which the company is now tasked primarily with selling electricity to end customers and providing wholesale support.
MOL-CEZ European Power Hungary Kft.
Headquartered in Százhalombatta, this company is 100% owned by CM European Power International B.V. The principal businesses are generation and sale of heat. Until April 2009 the company's name was Dunai Gőzfejlesztő Kft.

Capital Expenditure

In cooperation with MOL, we are preparing to build a CCGT power plant at the Százhalombatta site, with 849 MW of installed capacity. The project plan has been completed and was approved in February 2010. An EIA has already been submitted and a decision is expected in June 2010. Commissioning is to take place December 2013.

Kingdom of the Netherlands

CEZ Group has had a presence in the Kingdom of the Netherlands since 1994, when CEZ Finance B.V. was formed. ČEZ, a. s. issued its foreign bonds through that company before the Czech Republic joined the European Union. Other companies – CEZ Silesia B.V., CEZ Chorzow B.V. and CEZ Poland Distribution B.V. – were acquired by ČEZ, a. s. in conjunction with the acquisition of stakes in the Polish power companies Elektrocieplownia ELCHO sp. z o.o. and Elektrownia Skawina S.A. This ownership model of the Polish power plants was taken over by ČEZ, a. s. from the seller.
In 2007, two more companies were established in the Kingdom of the Netherlands: Transenergo International N.V. and CEZ MH B.V., both based in Rotterdam. ČEZ's 67% stake in Transenergo International N.V. was sold in 2009, following a decision to wind down development activities in the territory of the Russian Federation.
Through CEZ MH B.V. a 7% stake in MOL Nyrt. (MOL Magyar Olaj – és Gázipari Nyilvánosan Működő Részvénytársaság) is owned. This stake was acquired in conjunction with the formation of a joint-venture with MOL.
2008 saw the establishment of CM European Power International B.V., a joint-venture between ČEZ and MOL in which both partners own identical 50% stakes. In 2009, the stated capital of this company with its seat in Rotterdam was increased to EUR 21,590,000 and subsequently to EUR 56,535,200, by a combination of monetary contributions by ČEZ, a. s. and contributions of stakes in the companies MOL-CEZ European Power Hungary Kft. (100%) and CM European Power Slovakia, s. r. o. (51%) by MOL.
In conjunction with financing of CEZ Group projects, the MIBRAG project in particular, a new company was established in 2009 in the Kingdom of the Netherlands: CEZ International Finance B.V. Its stated capital is EUR 50,000. CEZ Group also owns a stake in another Netherlands-based company, Mibrag B.V., in conjunction with the MIBRAG project. This company was 100% owned by JTSD Braunkohlebergbau GmbH and was the 100% owner of the German company Mitteldeutsche Braunkohlengesellschaft mbH. In January 2010 it was merged into JTSD Braunkohlebergbau GmbH, after which it ceased to exist. JTSD Braunkohlebergbau GmbH became the legal successor.
In conjunction with the expansion into Turkey, CEZ Group also owns a stake in Aken B.V. through Akenerji Elektrik Üretim A.S.
ČEZ, a. s. has no direct energy business activities in the Kingdom of the Netherlands. The companies listed above are holding and financing companies.

Bosnia and Herzegovina

NERS d.o.o.

This company was established as a limited-liability company, with ČEZ, a. s. as a 51% shareholder. The 49% stake is owned by Mješoviti Holding "Elektroprivreda" Republike Srpske Trebinje – Matično preduzeće akcionarsko društvo Trebinje (MH ERS). The company's total stated capital is BAM 800,000. The company is headquartered in Gacko, Bosnia and Herzegovina and its date of inception is December 22, 2006.

In 2007, following the signing of the Implementation Agreement, implementation began on the Gacko project in the Republic of Serbia in Bosnia and Herzegovina, which under the Implementation Agreement was to have involved the operation of the existing Gacko I Power Station, the construction of a new power plant, and the opening of a new mine at the Gacko site. However, the Bosnian Serb partners did not meet their obligations under the above mentioned agreement and failed to invest the assets of the existing power plant and mine in the joint-venture. Therefore, on January 27, 2009, ČEZ, a. s. exercised its put option. Under the Implementation Agreement, the put option is a mechanism for ČEZ, a. s. to withdraw from the joint-venture and it consists of an offer to sell ČEZ's 51% stake in the joint-venture company NERS to the local partner, who is required to accept the offer. The deadline for MH ERS to accept of the put option passed on February 18, 2009, giving rise to another breach of the Implementation Agreement on the part of MH ERS.

Due to the breach of the Implementation Agreement and non-acceptance of the put option by MH ERS, ČEZ, a. s. was forced to initiate arbitration proceedings against the Government of the Republic of Serbia in Bosnia and Herzegovina, MH ERS, and RiTE Gacko. The proceedings are pending before the International Court of Arbitration of the International Chamber of Commerce, and were commenced on May 19, 2009. In the meantime, an amendment to the Implementation Agreement was signed to determine the composition of the arbitration tribunal, and the procedure of appointing the arbitration tribunal's chairman took place in late 2009. The parties continue to be bound by confidentiality obligations concerning the dispute.

CEZ Bosna i Hercegovina d.o.o.

This company, with its seat in Sarajevo, was established to support acquisition activities in Bosnia and Herzegovina and as an administrative support company for all CEZ Group activities in this territory. At present, the company is also engaged in wholesale selling of electricity. The company's stated capital is BAM 1,500,000.

Republic of Serbia

CEZ Srbija d.o.o.

The purpose for which the company was set up is to develop M&A activities, create conditions and lay groundwork for trading in electricity, and prepare structures for supporting new acquisitions and projects. At present, the company is also engaged in the wholesale electricity trade. In 2009 the company's stated capital was increased to EUR 1,700,000.

Republic of Kosovo

New Kosovo Energy L.L.C.

This company, headquartered in Prishtina, was established for the purpose of supporting ČEZ, a. s. development activities in this territory. In 2009, the company's stated capital was increased to EUR 1,100,000. Electricity wholesale trading in Kosovo is carried out directly by ČEZ, a. s., which obtained the requisite trading license on October 30, 2006.

Since 2006, CEZ Group in consortium with the U.S. company AES has been participating in a tender to build new generation facilities and renew an existing power plant, including development of the adjoining Sibovc coal mine. Due to the considerable delay of the tender and changes in the project parameters, in March 2010 the consortium decided to withdraw from the tender and discontinue its participation.

Russian Federation

ZAO TransEnergo

In the Russian Federation, ČEZ, a. s. has owned a 100% stake in Moscow-based ZAO TransEnergo since 2006. In 2008, the stake in ZAO TransEnergo was transferred to the subsidiary Transenergo International B.V., in which ČEZ, a. s. held a 67% stake. In conjunction with the phasing out of CEZ Group operations in the Russian Federation this stake was sold in 2009, upon which CEZ Group ceased to have a stake in ZAO TransEnergo.

CEZ RUS OOO

This company, with its seat in Moscow, was established to support acquisition activities in the Russian Federation and to act as an administrative services company to support all CEZ Group activities in this territory. In 2009, the company's operations were minimized in conjunction with the phasing out of CEZ Group operations in the Russian Federation.

Ukraine

CEZ Ukraine CJSC

This 100% subsidiary was established as a closed joint-stock company in 2006 with its seat in Kyiv. The company was set up to secure the further development of acquisition activities in Ukraine and to provide groundwork for planned projects in this territory. In 2009 the company's activities were minimized in conjunction with the phasing out of CEZ Group operations in Ukraine.

Slovak Republic

CEZ Slovensko, s.r.o.

This company's core business is wholesale electricity trading and sale of electricity to end customers.

CM European Power International s. r. o.

The sole owner of this company is CM European Power International B.V., which was a joint-venture between ČEZ, a. s. and MOL. In 2009 the company supported and developed gas power plant projects of its parent company.

CM European Power Slovakia, s. r. o.

In 2009 this company became part of a project with Hungary-based MOL. As at November 30, 2009 it is 51% owned by CM European Power International B.V. and the remainder is equally divided between ČEZ, a. s. (24.5%) and Slovnaft, a.s. (24.5%). In 2009 MOL Nyrt. was briefly a direct co-owner. The company's core business is the generation and sale of electricity and heat, primarily to meet the needs of Slovnaft's refineries.

Jadrová energetická spoločnosť Slovenska, a.s.

This company was incorporated in the local commercial register on December 31, 2009. Its seat is in Bratislava and its stated capital is EUR 216,357,000 (approximately CZK 5.7 billion), of which EUR 142,146,549 (approximately CZK 3.8 billion) has been paid in. The company was established in conjunction with the Jaslovské Bohunice Nuclear Power Station project. It is co-owned by Jadrová a vyraďovacia spoločnosť, a.s. (51%) and ČEZ Bohunice a.s. (49%).

Capital Expenditure

In cooperation with MOL a project is being prepared to build a CCGT power plant at a Slovnaft refinery with 849 MW of installed capacity. Commissioning is planned for 2014.

Finance

ČEZ, a. s.

Shares and Shareholders

Shareholder Structure

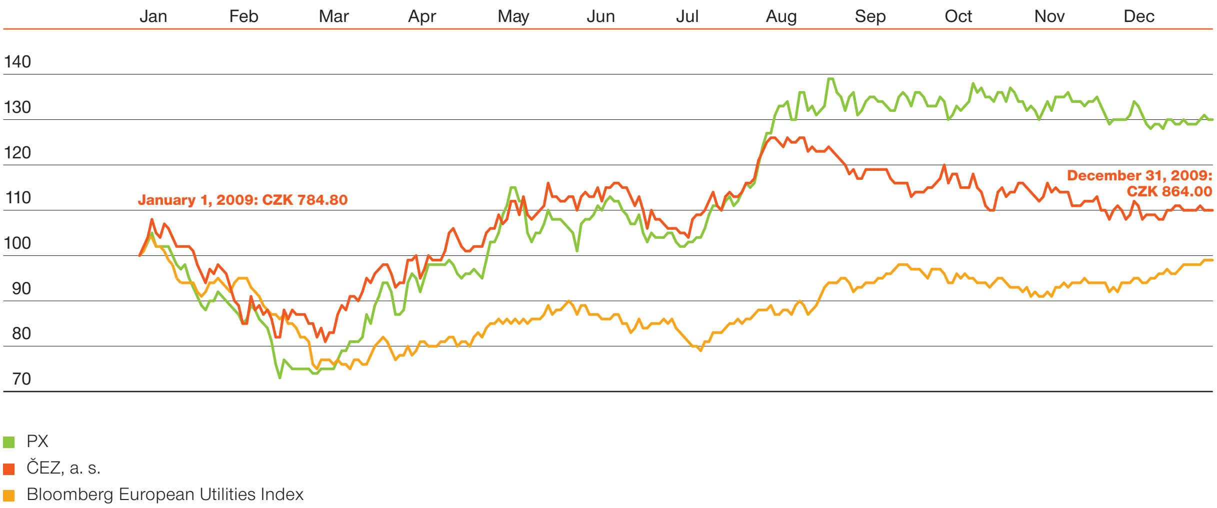
The total stated capital of ČEZ, a. s., recorded in the Commercial Register at January 1, 2009 was CZK 59,221,084,300. A court resolution on registration of a decrease in the Company's stated capital entered into legal force on February 12, 2009. The Company's stated capital was decreased by CZK 5,422,108,400 to CZK 53,798,975,900. Since that date, the Company's stated capital has been divided into 537,989,759 shares, each with a nominal value of CZK 100. On February 27, 2009, 9.16% of the shares booked in the share register – i.e. the Prague Securities Center – were stricken. Between then and December 31, 2009 there were no changes in the total stated capital of ČEZ, a. s. recorded in the Commercial Register.

Shares

Security	ISIN	Issue date	Volume	Appearance	Form	Face value	Market	Traded since
Registered share *)	CZ0005112300	February 15, 1999	CZK 53.8 billion	booked	to owner	CZK 100	PSE PSE Main Market RM-System GPW	June 22, 1993 January 25, 1994 February 23, 1999 October 25, 2006
until February 12, 2009			CZK 59.2 billion					

*) Number of shares outstanding until February 12, 2009: 592,210,843.
Number of shares outstanding since February 12, 2009: 537,989,759.
Amount of stated capital remaining to be paid in: 0.

ČEZ, a. s. Share Price in 2009 (%)



Per-share Indicators

	Units	2003	2004	2005	2006	2007	2008	2009	Index 2009/2008 (%)
Net income per share – basic	CZK/share	16.2	22.3	36.3	47.0	72.9	87.0	96.7	111.1
Net income per share – diluted	CZK/share	16.2	22.3	36.2	46.8	72.7	86.9	96.6	111.2
Dividend per share (gross) *)	CZK	4.5	8.0	9.0	15.0	20.0	40.0	50.0	125.0
Dividend amount	CZK billions	2.7	4.7	2.3	8.9	1.8	21.3	26.7	125.2
Dividend as percentage of previous year's consolidated net income	%	16.0	31.0	49.0	40.0	41.0	50.0	56.3	112.6
High for year	CZK	146.0	341.0	748.0	1,010.0	1,423.0	1,395.0	990.5	71.0
Low for year	CZK	88.0	146.0	347.0	566.0	828.0	581.0	639.5	110.1
At year end	CZK	146.0	341.0	736.0	960.0	1,363.0	784.8	864.0	110.1
Number of registered shares (at December 31)	thousands	592,211	592,211.	592,211	592,211	592,211	592,211	537,990	90.8
Number of treasury shares (at December 31)	thousands	745	10	2,440	3,455	50,370	59,171	4,555	7.7
Number of shares in circulation (at December 31)	thousands	591,466	592,201	589,771	588,756	541,841	533,040	533,435	100.1
Market capitalization (at December 31)	CZK billions	86.0	202.0	434.0	565.0	738.0	464.8	464.8	100.0
Book value per share	CZK	274.0	291.0	300.0	331.0	316.0	325.0	375.6	115.6
Price-to-book value ratio (P/BV)	%	53.0	117.0	246.0	290.0	431.0	241.0	230.0	95.4
Price-to-earnings ratio (P/E)	1	9.0	15.0	20.0	20.0	18.0	9.0	8.9	98.9
Total shareholder return (TSR)	%	62.4	139.3	118.8	32.4	44.1	(39.5)	13.7	(34.6)
ČEZ share trading volume on PSE	CZK billions	44.0	108.0	299.0	348.0	403.0	386.4	202.4	52.4
ČEZ volume as share of overall PSE trading volume	%	17.2	22.5	28.7	41.9	39.8	45.4	43.62	96.2

*) Approved in the given year.

Dividends

Since 2001, shareholder dividends have been paid regularly, once per year. In all cases, dividend payment is decided by the General Meeting. The Annual General Meeting, which took place on May 13, 2009, decided on the payment of a 2008 dividend of CZK 50 per share (before tax) to company shareholders. The dividend strike date was May 13, 2009. Dividend payment is made from August 3, 2009 to August 3, 2013.

Credit Ratings

The credit ratings of ČEZ, a. s. were unchanged in 2009. On December 24, 2009 the credit rating agency Moody's reaffirmed the A2 rating with stable outlook and on January 13, 2010 the credit rating agency Standard & Poor's reaffirmed the A– rating, also with stable outlook.

Treasury Shares

Treasury Shares

Treasury Shares	Total	Of which	
		Main account	Brokers
Balance at January 1, 2009	59,171,105	1,018,750	58,152,355
Purchased on or before February 27, 2009	–	–	–
Sold on or before February 27, 2009	–	–	–
Erasure of shares from Prague Securities Center	54,221,084	–	54,221,084
Purchased on or before February 28, 2009	–	–	–
Sold on or before February 28, 2009	395,000	395,000	–
of which: to beneficiaries	395,000	395,000	–
Balance at December 31, 2009	4,555,021	623,750	3,931,271

At the beginning of 2009, ČEZ, a. s. had 59,171,105 treasury shares on its asset account with the Prague Securities Center.

During the year, seven beneficiaries of the Company's motivational stock options program exercised their options to a total 395,000 ČEZ, a. s. shares. The average price for these shares was CZK 370.46 (lowest price CZK 213.36, highest price CZK 752.95). The total proceeds from the sale of shares to beneficiaries was CZK 146,407,335, including interest. On February 27, 2009, 54,221,084 shares were stricken from the shares register in conjunction with the stated capital reduction process.
As at December 31, 2009 ČEZ, a. s. had 4,555,021 treasury shares on its asset account with the Prague Securities Center.

General Meeting

Held on May 13, 2009, the 17th Annual General Meeting of ČEZ, a. s., *inter alia*:

- took note of the report on the Company's business operations and the state of its assets in 2008 and the summary report pursuant to Section 118(8) of the Act on Doing Business in the Capital Market;
- took note of the report of the Supervisory Board;
- approved the financial statements of ČEZ, a. s. for the year ended December 31, 2008 and the consolidated financial statements of CEZ Group for the year ended December 31, 2008;
- decided on the distribution of 2008 net income:
  - payment of dividends to Company shareholders CZK 26,659,487,000
  - transfer to retained earnings CZK 20,458,180,000

  The dividends attributable to treasury shares held by the Company as of the strike date were not paid out, and therefore are not included in the amount earmarked for dividend pay-out. Instead, they are included in retained earnings.
  The ČEZ, a. s. General Meeting approved the payment of 2008 board member bonuses in a total amount of CZK 24 million, and the distribution of these bonuses equally among members of the Board of Directors and Supervisory Board. The share of each statutory and supervisory board member was determined according to the length of his or her tenure as a member of the relevant body during 2008. Members of the Supervisory Board appointed by a government agency of which they were employees were not eligible for bonuses for the entire period during which they met these ineligibility criteria.
- approved an agreement on investment of the "heat supply lines" portion of the ČEZ, a. s. enterprise in the company ČEZ Teplárenská, a.s.;
- decided on an amendment to the Articles of Association;
- approved the 2010 donorship budget of CZK 262 million;
- removed Josef Janeček and Tomáš Hüner from the Supervisory Board of ČEZ, a. s. and elected Vlastimil Jiřík and Miloš Kebrdle in their places;
- approved the Board Membership Contracts between ČEZ, a. s. and Petr Gross and between ČEZ, a. s. and Lubomír Klosík, an amendment to the Board Membership Contract between ČEZ, a. s. and Jan Demjanovič, the Model Board Membership Contract for members of the Supervisory Board who are government employees, Members of Parliament, or Senators, and the Model Board Membership Contract for members of the Supervisory Board who are not government employees, Members of Parliament, or Senators;
- elected the following members of the Audit Committee – Ivan Fuksa, Zdeněk Hrubý, Lubomír Klosík, Martin Kocourek, and Drahoslav Šimek;
- approved the Model Audit Committee Membership Contract, including rules for remunerating members of the Audit Committee and providing other consideration to members of the Audit Committee.

ČEZ, a. s. Shareholder and Investor Relations

ČEZ, a. s. complies with Commercial Code provisions regarding protection of shareholder rights and upholds the principle of equal access for all shareholders. On dates planned and announced in advance, the Company's shareholders receive timely quarterly reports on the financial and commercial performance of CEZ Group. Shareholders also receive timely information on an ad hoc basis concerning significant facts that might have an impact on the share price.
Above and beyond statutory requirements, the Company aims to engage all capital market players in an active and open dialog so that each of them has sufficient information to independently assess CEZ Group's performance and strategy. ČEZ, a. s. organizes regular press conferences and telephone conferences coinciding with the announcement of quarterly results. The Company's top executives also met with potential and current investors for thirteen roadshows, eight investor conferences in the world's major financial centers, and a large number of individual meetings at ČEZ, a. s. headquarters. During these meetings, presentations were given on various themes, explaining key matters influencing electricity markets and describing CEZ Group's strategy, with a discussion afterwards. The discussions centered around topics relating to electricity price trends in the Czech Republic and the region as a whole, and the possible impacts of the economic recession on CEZ Group's financial performance and capital expenditure plans. Topics relating to CEZ Group's capital structure and the availability of external financing received more attention than in the past.

Akenerji Elektrik Üretim A.S.

A portion of this company's shares, equating to a 25.3% stake in the stated capital, has been traded on the Istanbul Stock Exchange since July 3, 2000. The ISIN of the shares is TRAAKENR91L9. These shares are not traded on any other public markets.

CEZ Group

CEZ Group Bonds Outstanding at December 31, 2009

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form
7th bond issue	ČEZ, a. s.	CZ0003501058	January 26, 1999	CZK 2.5 billion	9.22% [1]	2014	booked to owner
10th bond issue	ČEZ, a. s.	CZ0003501520	August 27, 2007	CZK 7 billion [2]	4.3%	2010	booked to owner
3rd Eurobond issue	CEZ Finance B.V.	XS0193834156	June 8, 2004	EUR 400 million	4.625%	2011	booked to owner
4th Eurobond issue	ČEZ, a. s.	XS0271020850	October 17, 2006	EUR 500 million	4.125%	2013	booked to owner
5th Eurobond issue	ČEZ, a. s.	XS0324693968	October 12, 2007	EUR 500 million	5.125%	2012	booked to owner
6th Eurobond issue	ČEZ, a. s.	XS0376701206	July 18, 2008	EUR 600 million	6.00%	2014	booked to owner
7th Yen bond issue	ČEZ, a. s.	XS0384970652	September 17, 2008	JPY 12,000 million [3]	3.005%	2038	booked to owner
8th Eurobond issue	ČEZ, a. s.	XS0387052706	September 22, 2008	EUR 6 million	zero coupon [4]	2038	booked to owner
9th Eurobond issue	ČEZ, a. s.	XS0425475224	May 6, 2009	CZK 1.4 billion	zero coupon [5]	2011	booked to owner
10th Eurobond issue	ČEZ, a. s.	XS0427893481	May 19, 2009	CZK 1.59975 billion	zero coupon [6]	2011	booked to owner
11th Eurobond issue	ČEZ, a. s.	XS0430082932	May 26, 2009	EUR 600 million	5.75%	2015	booked to owner
12th Yen bond issue	ČEZ, a. s.	XS0447067843	September 8, 2009	JPY 8 billion	2.845% [3]	2039	booked to owner
13th Eurobond issue	ČEZ, a. s.	XS0458257796	October 19, 2009	EUR 600 million	5.00%	2021	booked to owner
14th Eurobond issue	ČEZ, a. s.	XS0462797605	November 4, 2009	EUR 50 million	6M Euribor + 1.25	2019	booked to owner
15th Eurobond issue	ČEZ, a. s.	XS0467790373	December 8, 2009	EUR 110 million	3M Euribor + 0.45	2011	booked to owner
16th Eurobond issue	ČEZ, a. s.	XS0470983197	December 9, 2009	USD 100 million	3M USD Libor + 0.7	2012	booked to owner
17th Eurobond issue	ČEZ, a. s.	XS0472795003	December 16, 2009	EUR 100 million	3M Euribor + 0.5	2011	booked to owner
18th Eurobond issue	ČEZ, a. s.	XS0473872306	December 21, 2009	CZK 3 billion	6M Pribor + 0.62	2012	booked to owner

[1] Starting in 2006, the bonds bear interest at a variable rate of CPI + 4.2%.
[2] In April 2009, 100,000 bonds were bought back and voided, reducing the issue volume to CZK 6 billion.
[3] Proceeds of issue in Japanese Yen were swapped for Euros through a Credit Linked Swap.
[4] Yield is determined by difference between issue price (EUR 1,071,696) and face value (EUR 6,000,000) of the bond.
[5] Yield is determined by difference between issue price (CZK 1,287,720,000) and face value (CZK 1,400,000,000) of the bond.
[6] Yield is determined by difference between issue price (CZK 1,464,953,465.25) and face value (CZK 1,599,750,000) of the bond.

As of 31 December 2009, Severočeské doly a.s. owned a CZK 150 million portion of the 10th bond issue (face value CZK 330 million). As a result, the long-term debt reported for CEZ Group is lower by this amount.
ČEZ, a. s. has not issued any convertible bonds. Under the issue terms, the bonds are not guaranteed either by the State or by any bank.
With the exception of ČEZ, a. s., no CEZ Group company had any bonds outstanding at 31 December 2009.
In September 2008, the 7th Yen bond issue and the 8th Eurobond issue were issued through the Eurobond program.
In May 2009, the 9th, 10th, and 11th Eurobond issues were issued through the Eurobond program.
In September 2009, the 12th Yen bond issue was issued through the Eurobond program.
In October 2009, the 13th Eurobond issue was issued through the Eurobond program.
In November 2009, the 14th Eurobond issue was issued through the Eurobond program.
In December 2009, the 15th and 17th Eurobond issues, the 16th USD bond issue, and the 18th CZK bond issue were issued, all through the Eurobond program.

Face value	Manager	Administrator	Market	Traded since
CZK 1,000,000	ING Barings Capital Markets	Citibank, a.s.	PSE Official Free Market RM-System	January 26, 1999 December 5, 2001
CZK 10,000	Česká spořitelna, a.s., Komerční banka, a.s.	Komerční banka, a.s.	PSE Main Market	August 27, 2007
EUR 1,000 EUR 10,000 EUR 100,000	BNP Paribas, Merill Lynch	The Bank of New York	Bourse de Luxembourg	June 8, 2004
EUR 50,000	Société Générale Corporate & Investment Banking	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	October 17, 2006
EUR 50,000	BNP Paribas, Citi	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	October 12, 2007
EUR 50,000	BNP Paribas, Deutsche Bank AG, ING Bank N.V., Erste Bank	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	July 18, 2008
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	September 17, 2008
EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	September 22, 2008
CZK 1,500,000 CZK 2,000,000 CZK 2,500,000	Société Générale	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	May 6, 2009
CZK 1,350,000	Československá obchodní banka, a. s.	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	May 19, 2009
EUR 50,000	Banca IMI S.p.A., Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Erste Group Bank AG	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	May 26, 2009
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	September 8, 2009
EUR 50,000	BNP Paribas, Société Générale, The Royal Bank of Scotland plc, Erste Group Bank AG	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	October 19, 2009
EUR 50,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	November 4, 2009
EUR 50,000	Société Générale	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 8, 2009
USD 75,000	HSBC Bank plc	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 9, 2009
EUR 50,000	Barclays Bank plc	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 16, 2009
CZK 1,500,000	Česká spořitelna, a.s., Československá obchodní banka, a. s.	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 21, 2009

Solvency in 2009

CEZ Group's solvency in 2009 was good and the companies of CEZ Group met all of their obligations on time and in full. The following factors had a substantial impact on CEZ Group's liquidity position: acquisition of the brown coal company MIBRAG, purchase of the Romanian government's minority stakes in distribution and sales companies in Romania, purchase of a stake in Turkey-based Akenerji, ongoing construction of the Fântânele wind park in Romania, the domestic capital expenditure program including investments in distribution, and the General Meeting's decision on pay-out of a share dividend.

All financial markets transactions during 2009 took place against a background of the ongoing global economic crisis. The early part of the year in particular was marked by extremely negative sentiment towards emerging markets, including the Czech Republic.

In terms of short-term liquidity, ČEZ, a. s. benefited substantially from a ramping-up of exchange program, in which we succeeded not only in renewing our backup facility, but slightly increase it as well, up to a total of CZK 30 billion. During the year, however, ČEZ, a. s. left it practically unutilized. Like in 2008, we issued bills of exchange – mostly directly to end investors – at much better terms. At year end, bills of exchange outstanding totaled CZK 7 billion, most of which were purchased by end investors.

In May 2009, ČEZ, a. s. issued EUR 600 million (approximately CZK 16.0 billion) in six-year bonds through EMTN program. Later, in September, ČEZ, a. s. took advantage of a substantially improved situation in the capital markets to issue a second tranche of bonds, this time with maturity 30 years and volume of JPY 8 billion (approximately CZK 1.5 billion) and, in October, a public issue with maturity 12 years and volume EUR 600 million (approximately CZK 15.5 billion). Then, late in the year, ČEZ, a. s. decided to refinance approximately EUR 450 million of a EUR 550 million loan taken out by CEZ Group member CEZ MH B.V.; in conjunction with this, we privately placed five bond issues in USD, EUR and CZK with an average maturity of approximately three years. Thus, we effectively obtained an extension on most of what was originally a one-year loan of CEZ MH B.V. to approximately three years, while despite the longer maturity we managed a major reduction in the margin compared to available bank financing.

In order to finance the construction of the Fântânele wind farm, in June the companies Tomis Team S.R.L. and MW Team Invest S.R.L. took out 15-year financing guaranteed by Hermes, the German export credit agency, and secured by a ČEZ, a. s. guarantee as well, in a volume of EUR 262 million.

For the purpose of financing capital expenditure in ČEZ Distribuce, a. s., ČEZ, a. s. took out an EUR 300 million, 10-year loan from European Investment Bank. EUR 50 million of the loan was not drawn down until January 2010.

In view of developments in the capital markets – and in spite of the negative outlook in early 2009 – we succeeded in further extending the maturity of CEZ Group's liabilities, at reasonable cost terms, so that they better correspond to the lifetimes of our assets.

At year end 2009, ČEZ, a. s. had drawn down less than 1% of its backup facility.

Insurance at CEZ Group

At CEZ Group, a number of risk categories are dealt with through an insurance program that covers ČEZ, a. s. to a substantial extent. The most important classes of insurance are:

- insurance against liability for nuclear damage under the Nuclear Act, an amendment of which led to the setting of new mandatory contractual limits. New insurance contracts were concluded for both Dukovany Nuclear Power Station and Temelín Nuclear Power Station. Each contract is for the legal limit of CZK 2 billion. We are also insured against liability for nuclear damage arising out of the conveyance of fresh nuclear fuel to both nuclear power plants, up to a limit of CZK 300 million. The insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and European Liability Insurance for the Nuclear Industry;
- property insurance for the nuclear power plants, covering natural hazard and machinery risks, including damages arising out of a nuclear accident. The insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and European Mutual Association for Nuclear Insurance;
- property insurance for coal-fired and hydro power plants, providing insurance protection against natural hazards and machinery risks;
- the principles of comprehensive construction-installation insurance contracts, including coverage of lost profits in the event of construction delays, applies to projects for renewing the ČEZ, a. s. portfolio of coal-fired power plants;
- property insurance for selected ČEZ, a. s. subsidiaries;
- property insurance covering the assets of ČEZ Distribuce, a. s., including insurance of distribution power lines;
- general third-party liability insurance that covers companies of CEZ Group against financial losses that may arise from damages sustained by third parties relating to each company's operations and/or resulting from a defective product;
- statutory and supervisory board liability insurance covering the statutory and supervisory board members of the Company as well as those of selected subsidiaries.

Subsidiaries in the Republic of Bulgaria carry property insurance, general third-party liability insurance, and insurance against occupational injuries and illnesses, in compliance with the provisions of licenses for the generation and distribution of electricity.

In Romania, construction-installation insurance is carried in conjunction with the Fântânele Wind Farm project. The insurance covers the possibility of the investor losing profits as a result of construction delays.

In Poland, insurance of the ELCHO and Skawina Power Stations was renegotiated through a public tender. It now includes coverage of property and machinery risks, including interruption of operation.

For other companies, territories, and risks, we are gradually applying CEZ Group standards in line with the development of the CEZ Group insurance program and in compliance with applicable legislation.

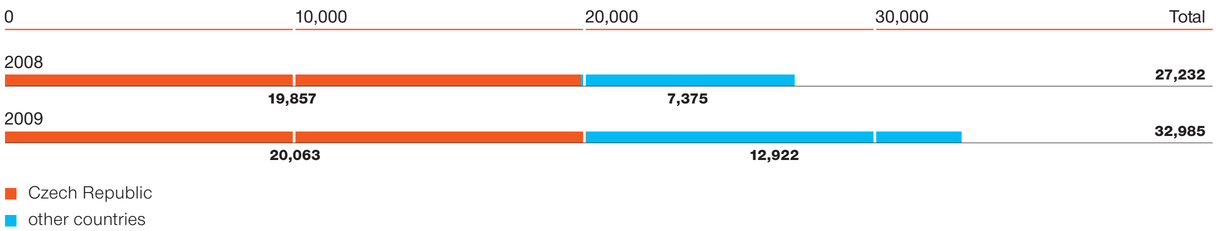
CEZ Group strives to be a good neighbor in all the regions where it operates. This includes supporting local development and making life better for the people who live there. That's why, ever since its establishment ČEZ Foundation has dedicated a major portion of its donations to local development programs. Most importantly, this area includes investments in infrastructure, the arts, and the environment.

Human Resources

Number of Employees

The work force head count at December 31, 2009, including employees of all the fully consolidated companies of CEZ Group, was 32,985 persons, an increase of 5,753 persons (+21.1%) from year end 2008. The increase was caused by the inclusion of new companies acquired in 2009, without which there would have been a decrease of 459 persons.

Work Force Head Count (Persons) at December 31



Training Program

CEZ Group is systematically building and reinforcing the managerial and expert potential of its employees. This includes creating conditions for continual growth and preparing employees to achieve higher work effectiveness in their current capacities and future tasks alike. In 2009, as in the previous year, employee development activities were interlinked with the seven corporate principles. A wider range of special development programs were utilized to develop management potential.

One objective of CEZ Group's development strategy is more effective management of training processes, i.e. ensuring optimal training for employees while optimizing training expenses. Using knowledge management tools, ČEZ, a. s. is working with the operating experience of employees of Temelín and Dukovany Nuclear Power Stations, thereby helping to increase occupational safety.

To support education in power engineering-related fields, in 2009 we signed framework cooperation agreements with 32 secondary schools and 11 faculties at six universities. In June 2009, the first forum of partner schools was held under the patronage of CEZ Group, entitled "Energy for Education", with the participation of 50 secondary school and university representatives. In cooperation with schools, CEZ Group supported education in a number of fields and provided scholarships to selected students. Programs held for students included "Nuclear School-leaving Exams", "Summer University in Temelín", and "Summer University in Dukovany".

Training of employees and development of their qualifications receives commensurate attention in the foreign companies as well. In addition to training required by law, such as occupational safety training, employees are trained in areas closely related to their job descriptions and the development of "soft skills" is supported. Employees who actively utilize a foreign language have the option of taking language courses to build their skills. Computer training courses also play a major role, focusing on the operating system, office applications, and the corporate information system. Relevant employees also receive management skills and people skills training.

Social Policy

CEZ Group social policy in the Czech Republic is focused on preserving labor peace. Monetary and non-monetary employee benefits are treated in collective bargaining agreements entered into between employers and labor organizations – in ČEZ, a. s. for the years 2007–2014 and in the integrated subsidiaries for the years 2008–2014.

In addition to wages, the CEZ Group social policy in the Czech Republic also includes a shortened work week of 37.5 hours, an additional week of paid vacation beyond that required by law, paid personal time beyond that required by law, personal accounts for rest, relaxation and health of employees and their family members, electricity bill contributions, Supplemental Pension Insurance contributions, life insurance contributions, meal contributions, health care contributions and, in extraordinary cases, one-off social aid as well.

The basic principles of the CEZ Group social policy also apply to employees working for our international acquisitions; here, however, social policy is pursued in a different legislative environment and in some cases long-term agreements signed between local labor unions and the previous employers must be taken into account.

Benefits for employees of international companies vary from country to country and company to company. Typically they include meal vouchers, contributions for employee holidays, expanded health care, and support upon birth of a child.

Labor Relations

There are a total of 31 separate labor organizations at ČEZ, a. s., and approximately 2,300 employees, or 38% of the Company's total work force, were unionized in 2009.

At the fully integrated subsidiaries of CEZ Group, a total of 47 basic labor organizations operate, and approximately 3,400 employees, or 53% of these companies' total work force, were unionized. 34 basic labor organizations are members of five regional Associations of Basic Organizations, while another 13 basic organizations operate separately.

These labor organizations are organized into two labor unions: the ECHO Labor Union and the Czech Union of Power Industry Employees.

During 2009, regular meetings were held between the employer and labor representatives, providing a forum for discussion on agreed topics and at which the labor unions received information.

The collective bargaining process at ČEZ, a. s. began in June 2009, and in the integrated subsidiaries in the Czech Republic it began in September 2009. Collective negotiations on amendments to the valid Collective Agreements were completed in November with the signing of Amendment No. 6 to the ČEZ, a. s. Collective Agreement and Amendment No. 4 to the collective agreements of the integrated subsidiaries. These amendments extended the validity of the collective agreements of ČEZ, a. s. and the integrated subsidiaries to 2014.

Labor organizations were also active in CEZ Group companies abroad. A total of six operated at our companies in Poland. In spring 2009, the unions at Skawina Power Station agreed to a work force cut and financial compensation for departing employees beyond that required by law. At Varna Power Station in Bulgaria, there are three labor organizations. On December 4, 2009 a new collective agreement was signed there, valid for two years. At CEZ Razpredelenie AD and CEZ Elektro Bulgaria AD there are four and two labor organizations, respectively. As of January 1, 2010, a new collective agreement has been signed in both of these companies, also valid for two years. At Romania-based CEZ Distributie S.A. a new collective agreement is in force as of July 1, 2009 and from September 14 to December 31, 2009 the fund for providing financial compensation to laid-off employees was increased. Two labor organizations operated at the sole distribution company in Albania, Operatori i Sistemit te Shperndarjes Sh.A. On November 26, 2009 a four-year collective agreement was signed there.

The CEZ Group European Works Council is a platform for discussing the key strategic issues for CEZ Group that affect employee interests in at least two European Union Member States.

Of the 23 members of the CEZ Group European Works Council, 14 are from the Czech Republic, four are from Bulgaria, three are from Romania, and two are from Poland.

Two meetings of the CEZ Group European Works Council were held in 2009: the first, in May, in Bulgaria and the second, in December, in the Czech Republic. Multinational reports and discussions related primarily to CEZ Group policy and strategy, including strategic mergers and acquisitions, CEZ Group organization and assets, the economic and financial situation of CEZ Group, and how CEZ Group companies are affected by the financial crisis. Amendment No. 1 to the Agreement on the CEZ Group European Works Council was signed at the December meeting. Among other things, it included in the agreement, among information that is multinational in character, information relating to occupational safety and health at CEZ Group companies.

Development of the Power Industry Legislative Framework in the Czech Republic

The basic set of standards regulating the economic and commercial aspects of CEZ Group's business activities is contained in Act No. 513/1991 Sb., the Commercial Code. The most important amendment to the Commercial Code in 2009 is Act No. 420/2009 Sb., which transposed the European directive on the exercise of certain shareholder rights in companies with listed shares. Act No. 215/2009 Sb. also amended the Commercial Code. Other amendments of the Commercial Code took place in conjunction with the promulgation of other laws and amendments thereto. These include, in particular, Act No. 217/2009 Sb. amending Act No. 182/2006 Sb. on Bankruptcy and Methods for Resolving It; Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers, Act No. 230/2009 Sb. amending Act No. 256/2004 Sb. on Doing Business in the Capital Market; and Act No. 285/2009 Sb. amending certain acts in conjunction with the passage of the Payments Act.

With the passage of Act No. 104/2008 Sb. on Takeover Offers and amending certain other acts (Act on Takeover Offers), the takeover offers area, previously treated by the Commercial Code, received a new, detailed treatment in a dedicated act. Another area previously treated by the Commercial Code that has recently received separate treatment was the area of corporate transformations (in which business companies and cooperatives are transformed from one legal form into another), now governed by Act No. 125/2008 Sb. on Transformations, amended by Act No. 215/2009 Sb. amending Act No. 513/1991 Sb., the Commercial Code, Act No. 627/2004 Sb. on European Companies, Act No. 21/1992 Sb. on Banks, Act No. 357/1992 Sb. on the Inheritance Tax, the Gift Tax, and the Real Property Transfer Tax, Act No. 125/2008 Sb. on Transformations of Business Companies and Cooperatives, and Act No. 40/1964 Sb., the Commercial Code, and by Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers.

Also important for CEZ Group's business are the areas of capital markets, investor protection, and public offerings of securities, which are treated by Act No. 256/2004 Sb. on Doing Business in the Capital Market, which was amended by Act No. 7/2009 Sb. amending Act No. 99/1963 Sb., the Code of Civil Procedure and other related acts, by Act No. 230/2009 Sb. amending the Act on Doing Business in the Capital Market, by Act No. 420/2009 Sb. amending Act No. 513/1991 Sb., the Commercial Code and other related acts, by Act No. 223/2009 Sb. amending certain acts in conjunction with the passage of the Act on Free Movement of Services, by Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers, and by Act No. 281/2009 Sb. amending certain acts in conjunction with the passage of the Tax Code (effective from January 1, 2011).

Competition is treated by Act No. 143/2001 Sb. on the Protection of Economic Competition and amending certain acts (the Economic Competition Protection Act), which was amended by Act No. 155/2009 Sb. amending Act No. 143/2001 Sb. on the protection of economic competition and amending certain acts.

Public procurement is regulated by Act No. 137/2006 Sb. on Public Procurement, amended by Act No. 41/2009 Sb. amending certain acts in conjunction with the passage of the Penal Code, by Act No. 110/2009 amending Act No. 130/2002 Sb. on Support for Publicly Funded Research and Development and amending certain related acts (the Research and Development Support Act) and other related acts, by Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers, by Act No. 417/2009 Sb. amending the Public Procurement Act, and by Act No. 281/2009 Sb. amending certain acts in conjunction with the passage of the Tax Code (effective from January 1, 2011). The most significant implementing regulations in the area of public procurement are the following:

- Government Regulation No. 77/2008 Sb. on the stipulation of financial limits for purposes of the Public Procurement Act, on definition of goods acquired by the Czech Republic – Ministry of Defense subject to special financial limits, and on translation into the Czech currency of amounts stipulated by the Public Procurement Act in Euros, as amended by Regulation No. 474/2009 Sb., effective from January 1, 2010;
- Decree No. 328/2006 Sb. stipulating a flat rate for costs of proceedings for reviewing an applicant's legal acts for the purposes of the Public Procurement Act;
- Decree No. 329/2006 Sb. stipulating more detailed requirements concerning electronic means of communication, electronic devices, and electronic legal acts in the course of public procurement;
- Decree No. 330/2006 Sb. on publishing of announcements for the purposes of the Public Procurement Act.

The core legislative framework in the power sector consists of the following:

- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act);
- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Nuclear Act);
- Act No. 406/2000 Sb. on Energy Management;
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act).

In addition to the four core acts listed above for the power sector, more and more environmental regulations are affecting the energy business, especially in the generation of electricity and heat.

During 2009, Act No. 458/2000 Sb. was directly amended by Act No. 158/2009 Sb. amending Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act), as amended, and amending certain acts (took effect on July 4, 2009). The goal of the amendment was to take account of considerations brought to light by experience and the developing electricity market. At the same time, energy efficiency directives and security of supplies directives were implemented and, last but not least, energy business administration was streamlined. In view of the large number of changes brought by this amendment, the Prime Minister was authorized to publish in the Collection of Laws a consolidated version of the Energy Act, as amended by the acts amending it. This consolidated version bears the number 314/2009 Sb. and is dated September 11, 2009.

Certain acts were also amended indirectly:

→ Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act):
  – indirectly amended by Act No. 223/2009 Sb. amending certain acts in conjunction with the passage of the Act on the Free Movement of Services – electricity and gas trading licenses are now granted automatically in the event the deadline passes without action and in the manner set forth in Sections 28-30 of the Act on the Free Movement of Services (takes effect on December 28, 2009);
  – indirectly amended by Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers – the Ministry of the Interior and the Police of the Czech Republic provide information set forth in the act to the Ministry of Industry and Trade of the Czech Republic and to the Energy Regulatory Office (takes effect on July 1, 2010);
  – indirectly amended by Act No. 281/2009 Sb. amending certain acts in conjunction with the passage of the Tax Code – replacement of the word “penalties” by the term “default interest” (takes effect on January 1, 2011);

→ Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Nuclear Act):
  – indirectly amended by Act No. 158/2009 Sb. amending Act No. 458/2000 Sb., on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act), as amended, and amending certain acts – increase of nuclear liability insurance amounts (takes effect on July 4, 2009);
  – indirectly amended by Act No. 223/2009 Sb. amending certain acts in conjunction with the passage of the Act on Free Movement of Services – specification of activities in relation to the Act on Free Movement of Services, extension of the administrative deadline for selected permits from 60 to 90 days (takes effect on December 28, 2009);
  – indirectly amended by Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers – the Ministry of the Interior and the Police of the Czech Republic provide information set forth in the act to the State Office for Nuclear Safety (takes effect on July 1, 2010);

→ Act No. 406/2000 Sb. on Energy Management:
  – indirectly amended by Act No. 223/2009 Sb. amending certain acts in conjunction with the passage of the Act on Free Movement of Services – change relating to activities of Energy Auditors (takes effect on December 28, 2009);

→ Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act):
  – indirectly amended by Act No. 281/2009 Sb. amending certain acts in conjunction with the passage of the Tax Code – rescinds the passage “The Administrative Code shall apply to proceedings on imposition of penalties pursuant to this section. The procedure for collecting and enforcing penalties shall be set forth in a separate act.” (takes effect on January 1, 2011);

→ Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act):
  – indirectly amended by Act No. 292/2009 Sb. amending Act No. 353/2003 Sb. on Excise Taxes, as amended, and other related acts – reduction of fee charged for failure to provide administrative information (takes effect on October 1, 2009);
  – indirectly amended by Act No. 223/2009 Sb. amending certain acts in conjunction with the passage of the Act on Free Movement of Services – relating to authorization (takes effect on December 28, 2009);
  – indirectly amended by Act No. 227/2009 Sb. amending certain acts in conjunction with the passage of the Act on Basic Registers – the Ministry of the Interior and the Police of the Czech Republic provide information set forth in the act to air protection authorities engaged in administrative activities in the area of protection of the air, the ozone layer, and the Earth’s climate system (takes effect on July 1, 2010);
  – indirectly amended by Act No. 281/2009 Sb. amending certain acts in conjunction with the passage of the Tax Code – replacement of the term “customs office” by the term “tax administrators” (takes effect on January 1, 2011).

In late 2009, the Ministry of Industry and Trade of the Czech Republic and the Energy Regulatory Office began work on implementing new European Union legislative acts in Czech legislation. These are Directive 2009/72/EC concerning common rules for the internal market in electricity, Directive 2009/73/EC concerning common rules for the internal market in natural gas, Directive 2009/28/EC on the promotion of the use of energy from renewable sources, Directive 2009/31/EC on the geological storage of carbon dioxide, Commission Decision of 30 June 2009 establishing a template for National Renewable Energy Action Plans under Directive 2009/28/EC, Regulation 713/2009 establishing an Agency for the Cooperation of Energy Regulators, Regulation of the European Parliament and of the Council 714/2009 on conditions for access to the network for cross-border exchanges in electricity, and Regulation of the European Parliament and of the Council 715/2009 on conditions for access to the natural gas transmission networks. In the course of implementation of European Union regulations in Czech legislation, as a minimum we expect amendments to the following acts: Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act), Act No. 406/2000 Sb. on Energy Management, and Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act).

June 25, 2009 saw the promulgation of Council Directive 2009/71/EURATOM establishing a Community framework for the nuclear safety of nuclear installations. The State Office for Nuclear Safety is currently preparing to implement the requirements of this directive into Czech Republic legislation by amending Act No. 18/1997 Sb. (the Nuclear Act). The directive's requirements affect both operators of nuclear installations and the system of state supervision.

Important environmental legislation affecting the power industry includes the so-called climate and energy package, adopted in 2009 by the European Union. This is a package of amendments and new directives, including Directive 2009/29/EC, which amends the conditions and rules for trading in emission allowances. Very early on, still in 2009, the derogation provisions of the above mentioned directive were implemented in Czech legislation (Act No. 695/2004 Sb. on conditions for trading in greenhouse gas emission allowances and amending certain acts). These provisions take advantage of the option for European Union Member States meeting the stipulated conditions to not sell a full 100% of their power industry allowances in auctions right from 2013, but instead to roll the auctions out gradually, starting from 30% in 2013 and achieving 100% in 2020. That brings the Czech power industry and environment a major positive benefit, since the enterprises in question can utilize tens of billions of Czech Koruna to take measures improving the environment directly in their business, instead of having to spend them in auctions to purchase emission allowances.

The following lower-level regulations were promulgated in 2009 that implement the above acts or amend other implementing regulations:

→ in relation to Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act):
  - a new Decree of the Energy Regulatory Office No. 140/2009 Sb. on price regulation in the energy sectors and on price regulation procedures – repealed the existing Decree No. 150/2007 Sb. on price regulation in the energy sectors and on price regulation procedures (takes effect on May 25, 2009);
  - a new Decree of the Ministry of Industry and Trade of the Czech Republic No. 334/2009 Sb. on states of emergency in the gas industry – repealed the existing Decree No. 375/2005 Sb. on states of emergency in the gas industry (takes effect on October 1, 2009);
  - a new Decree No. 408/2009 Sb. on required contents and format of regulatory reports, including sample reports, and rules for compiling regulatory reports – repealed the existing Decree No. 404/2005 Sb. on required contents and format of regulatory reports, including sample reports, and rules for compiling regulatory reports (takes effect on December 1, 2009);
  - Decree No. 358/2009 Sb. amending Decree No. 426/2005 Sb. concerning details of granting licenses to do business in the energy sectors, as amended by Decree No. 363/2007 Sb. – amending provisions concerning financial requirements and how they are to be demonstrated (takes effect on October 31, 2009);
  - a new Decree No. 344/2009 Sb. concerning details on determining electricity from high-efficiency combined heat and power generation based on demand for useful heat and determination of electricity from secondary sources of energy – repealed the existing Decree No. 439/2005 Sb. which stipulates details concerning the method for determining the amount of electricity from combined generation of power and heat and determining the amount of electricity from secondary sources of energy (takes effect on October 9, 2009);
  - a new Decree No. 365/2009 Sb. on the Gas Market Rules – repealed the existing Decree No. 524/2006 Sb. stipulating rules for organizing the gas market and creating, allocating, and using gas supply type diagrams (takes effect on January 1, 2010; certain changes take effect on October 26, 2009, December 31, 2009, April 1, 2010, January 1, 2011);
  - Decree No. 468/2009 Sb. amending Decree No. 541/2005 Sb. on the Electricity Market Rules, principles for setting prices for activities conducted by the electricity market operator and implementing certain other provisions of the Energy Act, as amended – introduction of the term "counter-deviation", modified definition of first category producer, deleted definition of independent producer, changes in process of switching to a different electricity supplier, clarification of conditions for supply of DPI electricity (takes effect on January 1, 2010; certain changes take effect on July 1, 2010 and January 1, 2011);

→ in relation to Act No. 18/1997 Sb. the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Nuclear Act):
  - Government Regulation No. 341/2009 Sb. amending Government Regulation No. 416/2002 Sb. which stipulates the amount of levy and method of its payment to the nuclear account by radioactive waste originators and the annual amount of the contribution to municipalities and rules for its provision, as amended by Government Regulation No. 46/2005 Sb. – increased the amount of the contribution to municipalities (takes effect on November 1, 2009);
  - a new Decree No. 166/2009 Sb. stipulating the list of dual-use items in the nuclear area (takes effect on July 1, 2009);
  - a new Decree No. 165/2009 Sb. stipulating a list of selected items in the nuclear area (takes effect on July 1, 2009);
  - a new Government Regulation No. 73/2009 Sb. on disclosing information concerning transport of radioactive waste and spent nuclear fuel (takes effect on March 30, 2009);
  - Decree No. 77/2009 Sb. amending Decree of the State Office for Nuclear Safety No. 317/2002 Sb. on type approval of packaging aggregates for the transport, storage, and disposal of nuclear materials and radioactive substances, on type approval of sources of ionizing radiation, and on the transport of nuclear materials and designated radioactive substances (on type approval and transport) – change in Schedule 6 STANDARD DOCUMENT FOR SUPERVISION OF TRANSPORT OF RADIOACTIVE WASTE AND SPENT FUEL AND INSPECTION THEREOF (takes effect on March 30, 2009);

→ in relation to Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act):
  – Decree No. 409/2009 Sb. amending Decree No. 475/2005 Sb. which implements certain provisions of the Renewable Energy Promotion Act, as amended by Decree No. 364/2007 – amended Schedule No. 3 of the Decree "Indicative values of technical and economic parameters" (takes effect January 1, 2010);

→ in relation to Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act):
  – Decree No. 373/2009 Sb. amending Decree No. 553/2002 Sb. which stipulates values of special limits on ground-level concentrations of pollutants, the central regulatory rules and the manner of their use, including a list of stationary installations subject to regulation, principles for drawing up and using regional and local regulation rules, and the extent to which information on air pollution levels shall be made public, as amended by Decree No. 42/2005 Sb. – change in Schedules 1 – 5 relating to the list of special limits on ground-level concentrations and values of same, the Central Regulatory Rules, principles for drawing up and using regional and local regulatory rules, a binding text for announcing and cancelling a warning signal, informing the public in the event a warning signal is announced (takes effect November 19, 2009);
  – a new Decree No. 279/2009 Sb. on preventing emissions of regulated substances and fluorinated greenhouse gases (takes effect on September 15, 2009);
  – a new Decree No. 205/2009 Sb. on determining emissions from stationary installations and implementing certain other provisions of the Clean Air Act – repeals Decree No. 356/2002 Sb. which stipulates a list of pollutants, general limits on emissions, the manner for submitting reports and disclosing information, determining the amount of pollutants released, smoke opacity, permissible limits on nuisance odors and their intensity, conditions for authorization of persons, requirements for keeping records on the operation of air-polluting installations, and conditions for their enforcement (takes effect on July 18, 2009);
  – a new Decree No. 13/2009 Sb. stipulating clean air-related fuel quality requirements for stationary installations – repeals Decree No. 357/2002 Sb. which stipulates clean air-related fuel quality requirements for stationary installations (takes effect on January 28, 2009);
  – Government Regulation No. 476/2009 Sb. amending Government Regulation No. 146/2007 Sb. on emission limits and other conditions for operating stationary air-polluting combustion installations – changes in Schedules 2 and 4 (takes effect on January 15, 2010);
  – Government Regulation No. 475/2009 Sb. amending Government Regulation No. 615/2006 Sb. stipulating emission limits and other conditions for operating other air-polluting stationary installations – change in Schedule 1, Part III (takes effect on January 1, 2010; changes in Schedule 1, Part III, section 4.2.3. take effect on January 1, 2012).

Nuclear Safety

Increasing the safety level at, and safe operation of, the Temelín and Dukovany Nuclear Power Stations are among ČEZ's highest priorities. Following the ČEZ, a. s. Culture of Safety Survey, 2009 was the first year of fulfilling the Culture of Safety Improvement Action Plan. It culminated in a periodic safety evaluation of Temelín Nuclear Power Station (an evaluation of the plant's safety through benchmarking against international recommendations and best practices) after ten years of operation. A similar evaluation was conducted at Dukovany Nuclear Power Station after 20 years of operation. A Quality of Human Performance (QLV) Improvement Program has been introduced at both plants.
Assessment of the safety level of ČEZ, a. s. nuclear operations and the safety of the nuclear power plants represents a major contribution to the protection of individuals, society, and the environment.

Events

An important aspect of nuclear plant safety is the ability to learn from internal and external operational experience in order to minimize the number of events with the same causes. Both plants are achieving positive results in this area, particularly in the number of events significant for plant operational safety and reliability.
Events are classified according to radiation seriousness using the INES scale (International Nuclear Event Scale). The lowest score is an INES 0 event, reserved for so-called deviations – events with no significance for safety. An INES 1 event is defined as an anomaly departing from the approved operational regime, in which no radiation is released. INES 2–7 events all refer to increasing levels of radiation seriousness and consequences for the health of individuals and/or the environment. There were no INES 2 or higher events in 2009 either at Dukovany or at Temelín Nuclear Power Station. The statistics of events classified as INES 0 and INES 1 is presented in the following table:

Number of INES 0 and 1 Events

Year/INES	2003	2004	2005	2006	2007	2008	2009
INES 0 – EDU	13	12	19	14	19	13	9
INES 0 – ETE	34	42	41	31	24	19	23
INES 1 – EDU	1	0	0	0	1	1	0
INES 1 – ETE	2	1	3	1	2	1	3

EDU = Dukovany Nuclear Power Station
ETE = Temelín Nuclear Power Station

Radiation Protection

Radiation protection refers to a system of technical and organizational measures designed to protect human health and the environment from the negative effects of ionizing radiation.
Both nuclear power plants have a very high degree of protection against ionizing radiation, as demonstrated by the Collective Effective Dose. This indicator expresses the sum of external and internal irradiation of nuclear power plant personnel, employees of supplier companies, and visitors.

The values reached in 2009 reaffirm the high level of radiation protection, placing ČEZ, a. s. nuclear power plants among the best of their kind in the world.

- Temelín Nuclear Power Station – 179.71 mSv, representing 2.29% of the optimizing limit for the plant's installed capacity (determined in accordance with Section 17(5) of Decree No. 307/2002 Sb.);
- Dukovany Nuclear Power Station – 572.5 mSv, representing 8.13% of the optimizing limit for the plant's installed capacity (determined in accordance with Section 17(5) of Decree No. 307/2002 Sb.).

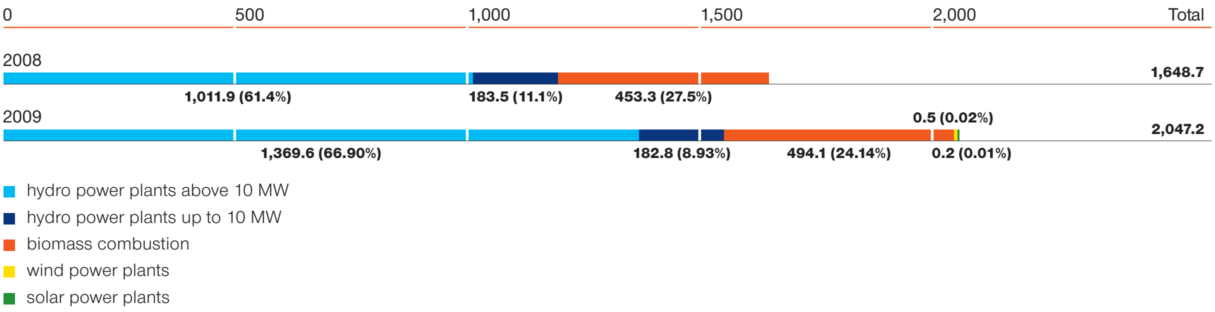
In terms of the release of radioactivity into the environment, both nuclear power plants are installations whose impact on their surroundings is minimal. For example, the values of gaseous discharges typically run in the tenths of one percent of the permitted limit. This trend was preserved in 2009 as well. Low values for this parameter in both plant locations demonstrate that the operation of nuclear power plants has only a minimal impact on the environment and the surrounding population.

Accident Preparedness

During 2009, ČEZ, a. s. organized a total of eight accident preparedness exercises, designed to practice the response to various situations and train all components of the accident protection organization, including training of accident response groups specialized on nuclear material transports. All training exercises were conducted in the required scope and met all of the objectives for which they were held.
In early 2009 the regular five-year replacement of iodine prophylaxis in the accident planning zones of Temelín and Dukovany Nuclear Power Stations was completed, including the retail sale of tablets throughout the entire Czech Republic. In continuation of the established tradition, booklets on how to protect oneself were distributed in the accident planning zones. Also in 2009, the warning recordings for Czech Television and Czech Radio in the event of a third-degree extraordinary event were updated.

Protection of the Environment

Power Production from Renewable Energy Sources (GWh)



Power Production from Renewable Energy Sources (MWh)

	2008	2009	Index 2009/2008 (%)
CEZ Group, total	1,648,715	2,047,221	124.2
Czech Republic	1,522,150	1,895,308	124.5
ČEZ, a. s.	1,308,250	1,663,344	127.1
Other CEZ Group members in the Czech Republic	213,900	231,964	108.4
Republic of Poland	126,565	151,913	120.0
Hydro power plants, total (excluding pumped-storage)	1,195,397	1,552,372	129.9
Czech Republic	1,195,232	1,550,372	129.7
ČEZ, a. s.	981,332	1,335,671	136.1
Other CEZ Group members in the Czech Republic	213,900	214,701	100.4
Republic of Poland	165	2,000	> 700
of which: power plants with installed capacity of 10 MW or less	183,495	182,783	99.6
Czech Republic	183,330	180,783	98.6
ČEZ, a. s.	50,030	56,083	112.1
Other CEZ Group members in the Czech Republic	133,300	124,700	93.5
Republic of Poland	165	2,000	> 700
Solar power plants, total	8	207	> 700
Czech Republic	8	207	> 700
ČEZ, a. s.	8	7	87.5
Other CEZ Group members in the Czech Republic	–	200	–
Wind power plants, total	–	500	–
Czech Republic	–	500	–
ČEZ, a. s.	–	–	–
Other CEZ Group members in the Czech Republic	–	500	–
Combustion of biomass, total	453,310	494,142	109.0
Czech Republic	326,910	344,229	105.3
ČEZ, a. s.	326,910	327,666	100.2
Other CEZ Group members in the Czech Republic	–	16,563	–
Republic of Poland	126,400	149,913	118.6

Utilization of Generation By-Products

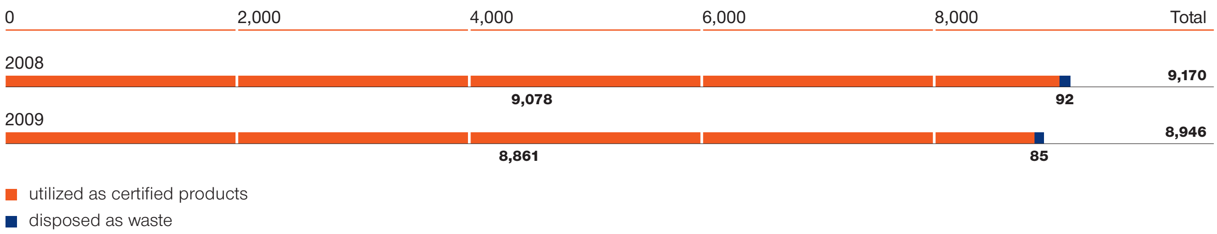
Power generation by-products include primarily ash, semidry FGD product, and synthetic gypsum produced from the wet limestone scrubbing FGD method. They are used, e.g., in the reclamation of land used for coal mining and in reclaiming settling ponds. Certain components of ash are used to produce cement, concrete mixes, asphalt-based insulation materials, etc. Specially modified ash serves as a structural and sealing material.

In 2009, ČEZ's electricity and heat generation operations produced a total of 8,652,000 tons of generation by-products. Of the total amount produced, over 99% was utilized in the form of certified products. Of the amount utilized, approximately 71% was used in reclamation and landscaping, while approximately 28% was sold to outside companies. The remaining amount was disposed of as waste in accordance with the Waste Act.

The Polish power plants of CEZ Group produced 290,000 tons of generation by-products. Skawina Power Station supplied fly ash for further processing, including the production of construction materials. Following the completion of the new slag removal facility in December 2009, as of 2010 it is possible to obtain slag directly from the power plant. The plant used a mixture of fly ash and slag to increase the embankments around its fly ash dump. All semidry FGD waste is supplied to a coal mining company, which uses it for fire prevention. ELCHO Power Station had outside customers for its fly ash, but currently a process is underway for processing it. As of April 1, 2009, the company CEZ Produkty Energetyczne Polska sp. z o.o. has served as an intermediate link in the handling of this ash material.

Fly ash and slag from Varna Power Station were disposed of in the power plant's fly ash disposal facility.

Handling of Generation By-products at CEZ Group (kt)



Consumption, Waste, and Emissions ČEZ, a. s.

	Units	2008	2009
Consumption of electricity, total	GWh	5,523	5,694
Consumption of water, total	m³ '000	385,951	418,595
of which: surface water	m³ '000	385,716	418,423
underground water	m³ '000	235	172
Consumption of water for cooling *)	m³ '000	140,150	136,820
Amount of hazardous waste	kt	1.2	2.9
of which: radioactive waste	kt	0.6	0.2
Amount of conventional waste	kt	409.1	465.2
Share of conventional waste recycled	%	7.7	2.4
Wastewater	m³ '000	69,286	67,514
Wastewater from flow-through cooling	m³ '000	207,964	235,996
Emissions and unit emissions of pollutants			
Ash	tons	2,059	2,015
Ash	kg/GJ *)	0.0068	0.0070
Sulfur dioxide	tons	54,525	53,315
Sulfur dioxide	kg/GJ *)	0.1794	0.1842
Nitrogen oxides	tons	56,975	55,046
Nitrogen oxides	kg/GJ *)	0.1876	0.1901
Carbon monoxide	tons	3,701	4,216
Carbon monoxide	kg/GJ *)	0.0121	0.0146
Carbon dioxide	tons	33,768,688	32,594,961
Carbon dioxide	kg/GJ *)	111.3	114.1

*) Amount determined on basis of average.

Air Protection

Czech Republic

From the beginning of 2008, continual measurement of CO_2 concentrations was commenced at all ČEZ, a. s. coal-fired power plants except the Dvůr Králové nad Labem power heating plant. In October 2009, trial operation of continual measurement equipment began at the Vítkovice Power Heating Plant as well, and as of January 1, 2010 it went into full operation.
Currently we monitor two values for CO_2 emissions: the measured value and the value calculated using a balance formula based on stipulation of emission and oxidation factors from combusted fuel samples taken for this purpose.
Under applicable legislation, ČEZ will report the amount of CO_2 emissions determined from continual measurement as well as the amount determined by the balance calculations. For each reporting period, the measured values should be in line with the control values arrived at using the confirmation calculation.

Other Countries

Continual measurement of pollutant concentrations is also installed at Varna Power Station, and the measurement results confirmed that the power plant did not exceed the monthly or 48-hour limits for any pollutant. Measurements taken in the nearby community of Ezerovo demonstrated concentrations of SO_2, NO_X, and fine dust particles were all within the permitted limits.

Water Protection

Czech Republic

At Nástup Tušimice Mines, Severočeské doly a.s. upgraded the inlet on the Tušimice wastewater treatment facility, including the installation of machine-wiped screens, the construction of a rainwater basin, an upgrade of the I & C system, and construction modifications designed to protect the treatment facility against a flood wave on the Lužický Stream. The building of the rainwater basin brought a significant improvement in flow rates and treatment facility load parameters. Machine-wiped screens were installed at the Libouš wastewater treatment facility as well.

Protection and Support of Fauna

Czech Republic

Protecting birds from being injured by electric shock is a fundamental topic in the area of nature protection for ČEZ Distribuce, which pledged in 2007 to make bird-protection investments above and beyond its statutory obligations. In 2009, this pledge continued to be fulfilled in accordance with the plan arrived at in cooperation with ornithologists. Bird protectors were installed on over 400 km of power lines identified in the bird protection program.

Land Clean-up and Reclamation

In 2009, reclamation of sites in the vicinity of ČEZ, a. s. coal-fired power plants (ash and other waste dumps, settling ponds, etc.) continued in accordance with approved project documentation. In 2009, over 6 million tons of generation by-products certified for the relevant applications were utilized in these reclamation operations.
Severočeské doly a.s. continued in its reclamation activities designed to remedy the consequences of past mining activity. By December 31, 2009 reclamation work had been completed on a total of 10,282 acres (4,161 hectares) of land, and had commenced on another 6,949 acres (2,812 hectares). For the most part the projects involve returning the reclaimed land to the country’s forest and agriculture fund.

CO_2 Emission Rights

Greenhouse Gas Emission Rights and Development of Environmental Markets

In 2009 CEZ Group continued to optimize power plant operation in a manner that takes into account the price of greenhouse gas emission rights in accordance with the selected strategy for management of emission rights and emission credits from the JI and CDM mechanisms.

The emissions trading scheme in the Czech Republic operates in standard fashion; emission rights are allocated in accordance with the relevant Government Regulation. Like certain other states, the Czech Republic appealed the decision of the European Commission that set the emission rights allocation for the years 2008–2012, but pending the European Court of Justice's decision the total amount of emission rights it is allocating respects the Commission's decision.

For the years 2008–2012, CEZ Group installations in the Czech Republic were allocated 34,731,209 tons of emission rights per year. Poland's situation is more complicated in that Poland appealed the decision of the European Commission concerning allocation, the European Court of Justice decided in favor of Poland's complaint and struck down the original decision of the European Commission. However, this step does not mean approval of the Polish proposal. Based on the court decision, the Commission issued a new decision which, however, like the previous one, rejects the allocation amount proposed by Poland. As a result, the final verdict on the allocation amount for Polish installations cannot be expected until late 2010, after additional steps are taken by the European Commission and the Government of Poland. According to statements from Commission representatives, however, the new decision is not expected to bring any significant increase over the allocation amount originally approved by the Commission.

The preparation of the Bulgarian allocation plan is now very far behind schedule. In late December 2009, the Government of Bulgaria submitted a new draft allocation, which must be assessed by the European Commission.

CEZ Group emissions in 2009 totaled 32,608,841 tons of CO_2 in the Czech Republic, 2,249,155 tons of CO_2 in Poland, and 2,337,447 tons of CO_2 in Bulgaria. In accordance with applicable legislation, the emission reports on all CEZ Group installations were independently verified by DET NORSKE VERITAS CZ s.r.o. Emission rights to cover these emissions will be struck from the national registers of the individual countries in accordance with applicable legislation.

From the long-term point of view, then, for CEZ Group it is important in what way the long-term greenhouse gas regulatory framework will be defined, i.e. what form of treaty is agreed within the U.N. to replace the Kyoto Protocol, whose regulatory period ends in 2012. These issues were discussed at a conference of parties to the UN Framework Convention on Climate Change held in Copenhagen, Denmark in December 2009, but no binding agreement was reached. The negotiations are expected to continue in 2010.

European Union Emission Trading Scheme (EU ETS)

In June 2009, the set of regulations known as the climate energy packages came into force by publication in the Official Journal of the EU. Subsequently, their implementation began. Among other regulations, this "package" contains an amendment to the directive on greenhouse gas emissions trading scheme, which will affect the trading scheme after 2013. In view of the complex nature of the issues involved, implementation is going forward gradually, in tandem with legislative processes at the national level and in conjunction with other implementing regulations currently being drafted by the European Commission.

Within this "package", the European Parliament and Council approved, *inter alia*, the so-called derogation, which means that selected European Union Member States, including the Czech Republic, can take advantage of a provision exempting them from 100% exposure of energy utilities to purchasing of emission rights in national auctions and, instead, allowing their auction exposure to ramp up gradually in the years 2013–2020. However, this exemption is conditional upon investments in new and upgraded equipment and in clean technologies in a value of at least the estimated market value of the emission rights transferred to them free of charge during that time period. In July 2009, the Parliament of the Czech Republic passed an act envisioning the utilization of this exemption and setting forth, *inter alia*, obligations of power producers for the purposes of finalizing the Czech Republic's formal application in accordance with Directive 2009/29/EC.

Emission Reduction Programs in Developing Countries (JI/CDM)

For all practical purposes, ČEZ, a. s. ceased entering into contracts for the purchase of unguaranteed emission credits from JI/CDM projects in 2009. The main reasons for taking this step were the continuation of our successful strategy of purchasing imported CER/ERU credits up to ČEZ's full permitted limit (10% of the NAP II allocation) and the fact that the desirable volume of contracts to purchase unguaranteed emission credits was already reached in 2008. Other reasons include low prices of guaranteed emission credits, the purchase of which is associated with lower risk, and uncertainty over future movements in carbon markets after the Kyoto Protocol expires in 2012.

Research and Development

CEZ Group expenditures on research and development projects in 2009 totaled CZK 453.3 million.
At ČEZ, a. s., a specimen surveillance program was underway, on which CZK 91.6 million was spent. In essence, the specimen surveillance program consists of regular checks to determine the condition of the reactor pressure vessel based on tests of archived material. The objective is to gain information on the current condition of the pressure vessel and assemble a basis upon which to predict its useful life.

CEZ Group Research and Development Expenditures (CZK millions)

Company	
ČEZ, a. s. (including specimen surveillance program)	101.4
ČEZ Distribuce, a. s.	1.9
ČEZ Energetické produkty, s.r.o.	1.5
Severočeské doly a.s.	42.9
Ústav jaderného výzkumu Řež a.s.	397.2
Total	544.9

ČEZ, a. s.

The objective of the newly constituted, coordinated R&D system is to support research and development. The purpose is to support R&D activities in priority areas from the perspective of the society as a whole and, at the same time, to activate capacities in applied power engineering research and development in the Czech Republic, including universities. Research and development projects strengthen existing key areas of the core business and develop promising new fields in the power industry. The strategic goal is to become a leading energy technology innovator in the Czech Republic.
In 2009, ČEZ, a. s. collaborated on selected stages of the following projects of the Ministry of Industry and Trade of the Czech Republic: “Methodology for determining the useful life of medium-voltage insulation systems in machines with rotating elements” and “Increasing the output potential and extending the useful lifetime of existing nuclear power installations”. We also continued to support participation by Ústav jaderného výzkumu Řež a.s. in international projects under the patronage of OECD – NEA (Nuclear Energy Agency) and focused on safety aspects of nuclear reactors, e.g. MMCI 2, SETH II, THAI, ROSA 2, and PKL. In conventional energy, work went forward to identify an appropriate project to demonstrate carbon capture and storage (CCS) technology and activities were initiated to investigate ways to intensify desulfurization processes (in cooperation with the Prague Institute of Chemical Technology). Research into new renewable sources of energy focused on testing a new type of photovoltaic cells based on nanotechnologies (in cooperation with Elmarco) and analyzing possibilities for utilizing “hot dry rock” (HDR) geothermal energy.

ČEZ, a. s. participated in R&D activities through an array of international organizations and initiatives (e.g. VGB, IAEA, OECD-IEA implementing agreement). We also participate in several projects within the EU’s Sixth and Seventh Framework Programs for Research and Technological Development (e.g. NULIFE, GeoCapacity, CO2EuroPipe). ČEZ, a. s. is very actively monitoring the preparation of new mechanisms for support and cooperation in research, development, and demonstrations of new energy technologies within the EU and is a member of three European technology platforms:
- → SNE-TP (Sustainable Nuclear Energy)
- → Smart Grids
- → ZEP (clean coal and CCS technologies).

ČEZ, a. s. is one of 13 founding organizations of the Czech interest association Sustainable Energy Technology Platform (Czech abbreviation: TPUE), and we have occupied significant positions in the platform’s governing bodies (Board of Administration and Executive Committee).

ČEZ Distribuce, a. s.

R&D investment by ČEZ Distribuce, a. s. in 2009 went mostly on reliability of components, with the aim of increasing the reliability of electricity supplies and renewing power grid equipment where necessary or useful to do so. Other R&D areas chosen for investment included designing a fault detector for insulated suspended conductors, which will make a substantial contribution toward more accurate detection and localization of faults in this type of power line.

ČEZ Energetické produkty, s.r.o.

In accordance with plans for increased utilization of ash matter, research work was conducted in 2009 in a study of the potential for fly ash utilization in the production of cement. In a project on increasing disposal effectiveness, the company collaborated on the development of spray mixes designed for use in dust mitigation measures at ash matter disposal sites.

Severočeské doly a.s.

This company's R&D function works on tasks that are both tangible and intangible in character, dealing with issues such as technical innovation, research and assessment of coal seam overburden conditions, and mitigation of environmental burdens. The tasks, then, focus not only on increasing operational reliability in production operations, but also on environmental impacts (e.g. research on dust and wind erosion) and occupational safety and health.

In 2008, Severočeské doly a.s. became a research partner in the project "Research of Multilevel Vibration Dampening System for Drivers of Bucket-Wheel Excavators and Other Mining Machines", which is part of the Ministry of Industry and Trade of the Czech Republic's TANDEM program. In the future, solutions found in this research project will be able to be used on machinery operated by CEZ Group.

Ústav jaderného výzkumu Řež a.s.

International cooperation by Ústav jaderného výzkumu Řež a.s. (ÚJV Řež) is based on international treaties on scientific and technical collaboration in the area of nuclear energy, to which the Czech Republic is a party.

The basis of the company's international activities is the Czech Republic's membership of the European Union and EURATOM, the International Atomic Energy Association (IAEA), and the Organization for Economic Cooperation and Development (OECD), as well as cooperation with countries with which the Czech Republic has entered into treaties on scientific and technical collaboration in nuclear energy. In recent years this collaboration has been getting deeper and more intensive, in line with the development of nuclear energy in Europe and elsewhere in the world.

ÚJV Řež's long tradition of cooperation with the IAEA continued in 2009, primarily through regional technical collaboration projects and coordinated research projects. 2009 saw continued participation by ÚJV Řež in the INPRO innovative reactors project. An important aspect here is that, in addition to being a recipient of IAEA technical assistance, ÚJV Řež became a provider of such assistance as well. In 2009, technical assistance was provided to Armenia and Ukraine in particular, and to a lesser extent to other countries as well. As in previous years, ÚJV Řež hosted a number of specialists from developing countries through internships, scientific trips, and training courses. ÚJV Řež experts also continued to participate in a number of advisory bodies, technical committees and working groups, international conferences, and symposia organized by the IAEA.

In 2009 ÚJV Řež continued to participate in the Global Threat Reduction Initiative (GTRI) and a program co-initiated by the United States of America and the Russian Federation, entitled Russian Research Reactors Fuel Return (RRRFR), focused on removal of spent fuel from Russian-built research reactors. The removal of spent fuel from ÚJV Řež in late 2007 was a unique, technically and legally complicated task for all countries and international organizations involved, and it made the Czech Republic a pilot country of the GTRI initiative. During 2008, experience gained in the preparation and removal of fuel from ÚJV Řež and the technology developed to enable it (VPVR/M transport and storage containers) were provided to Hungary and Bulgaria as a form of technical assistance. In 2009, this specific assistance in removal of spent fuel was provided to Poland as well and, at the same time, ÚJV Řež was actively involved in preparations for removal of fuel from Ukraine and Serbia.

Within the framework of European Union structural funds, construction was completed on an experimental pavilion and reactor loops for cooperation in the development of a GIV reactor (EUR 5 million grant). Reactor loops were manufactured for reactors cooled by supercritical water and helium. In late 2009, the subsidiary Centrum výzkumu Řež s.r.o. submitted to the Ministry of Education, Youth and Sports of the Czech Republic a comprehensive project entitled "Sustainable Energy" for financing through the program "Research and Development for Innovation" (total budget CZK 2.58 billion) focused on building nuclear research infrastructure. The project's main objective is to build two regional centers (Southwest and Central Bohemia) for research and development in nuclear energy and related fields.

R&D tasks assigned to ÚJV Řež by Czech Republic institutions included, in particular, the following:

Ministry of Industry and Trade of the Czech Republic

- a new nuclear power generating facility
- R&D on new materials and technologies for treatment of radioactive and hazardous waste
- research on barriers for radioactive waste disposal facilities
- SPHINX nuclear transmutation system with liquid nuclear fuel based on melted fluorides
- development of a conceptual technological solution for a new nuclear reactor unit satisfying Generation III requirements based on a VVER 1000 reactor
- security and legislative aspects of building and commissioning a new generation of nuclear power plants for the Czech Republic's power industry
- safety aspects of advanced nuclear reactors
- the Czech Republic's International Development Project with Ukraine – Comparison of nuclear power plant modernization and safety improvement programs in Ukraine and the Czech Republic.

State Office for Nuclear Safety

- R&D on possibilities for reducing the risk and mitigating the aftermath of serious nuclear power plant accidents in the Czech Republic based on advanced methods of experimentation and analysis.

Grant Agency

- extraction methods for isolating fission products from nuclear waste using new environmentally-friendly solvents
- vertical and horizontal migration of transuranium elements and long-lived fission products in soils and sediments in areas surrounding radioactive waste storage facilities.

Ministry of Education, Youth and Sports of the Czech Republic

- participation in R&D work on the JHR materials research reactor in France (hot chamber)
- participation in OECD Nuclear Energy Agency projects (e.g. the Halden Reactor Project, FIRE, ROSA, SCIP, OECD SETH II, THAI, MCCI, LTD, TENORM, etc.)
- participation in other international and bilateral projects (LTD, TENORM)
- participation in and utilization of results of EDFA program (nuclear fusion)
- targeted therapeutics center.

ÚJV Řež is involved in the following tasks assigned by the European Union through the Seventh Framework Program:

- ACSEPT (Actinide Recycling by Separation and Transmutation)
- ASAMPSA 2 (Advanced Safety Assessment Methodologies)
- ESFR – CP (European Sodium Fast Reactor)
- GETMAT (Materials for Generation IV Reactors and Transmutation Systems)
- LONGLIFE (Treatment of long term irradiation embrittlement effects in reactor pressure vessel safety assessment)
- NURISP (Nuclear reactor integrated simulation project)
- SARNET-2 (Severe accident research network of excellence)
- SIMPLIFE (Strategies for improving nuclear power plant useful life predictions based on reactor dosimetry best practices)
- STYLE (Structural integrity assessment in plant life management – non-RPV components).

Fees Relating to Registration of ČEZ, a. s. Trademarks (CZK '000)

Fees to patent representatives	151.3
To International Bureau in Geneva for registration of trademarks	169.4
To Industrial Property Office in Prague for registration and renewal of trademarks	98.0
Total	418.7

with dedication and hope **for others**

CEZ Group supports a wide range of healthcare facilities – from hospitals and therapy centers to day centers and hospices. Our support takes various forms, such as funding for purchases of state-of-the-art medical devices, building renovations and improvements to spaces designated for patients and their loved ones, and continuing education for physicians.

Litigation Concerning CEZ Group Companies

1. In ongoing litigation before Austrian courts based on suits filed by Austrian persons (demanding cease-and-desist from generating alleged ionizing radiation from Temelín Nuclear Power Station), deliberations in the period in question centered on whether Austrian courts have jurisdiction over the dispute. In this matter, the Supreme Court in Vienna asked the European Court of Justice in Luxembourg for an interpretation of the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. In its "preliminary issue proceedings", the European Court of Justice in Luxembourg decided that the relevant provisions of the Brussels Convention do not support the Austrian courts' jurisdiction over the matter. Despite this decision of the European Court of Justice in Luxembourg, the Supreme Court in Vienna issued a decision that jurisdiction is given by internal Austrian law. Based on this decision, the matter was returned to the Linz Regional Court, as the court of first instance. On December 20, 2007, this court issued a resolution announcing that, on the basis of an expert opinion prepared at the behest of ČEZ, a. s. by Professors Schroeder and Weber from the University of Innsbruck, it is opening proceedings on the preliminary issue before the European Court of Justice in Luxembourg, as it has doubts concerning the applicability of Section 364a of the Austrian Civil Code. In the ongoing proceedings before the European Court of Justice, statements of opinion were presented by the Republic of Austria, the Czech Republic, the Republic of Poland, and the European Commission. Following a public hearing in March 2009, an Advocate-General of the European Court of Justice issued an Advocate-General's Opinion (concluding motions) on May 18, 2009. The final decision of the European Court of Justice in Luxembourg on the preliminary issue was issued on October 27, 2009. Among other things, the European Court of Justice in Luxembourg decided that the principle of no discrimination based on citizenship in the framework of the use of the EAEC Treaty prevents the application of any legal provision of a Member State, according to which it is possible to sue an enterprise that has the required official permits to operate a nuclear power plant located on the territory of a different Member State, seeking a court order to cease and desist from generating concentrations of ionizing radiation from such plant on neighboring lands. However, such a suit cannot be brought against enterprises that utilize industrial installations located domestically and which have been issued a domestic official permit; these enterprises are subject only to a suit for compensation of damages caused on neighboring land. During 2010 we can expect the Linz Regional Court to issue a final decision which, on the basis of the decision of the European Court of Justice in Luxembourg cited above, should reject the suit filed by the State of Upper Austria.

2. The Company is a party to suits relating to the realization of takeover offers and squeeze-outs of minority shareholders in the former regional electricity distribution companies, Severočeské doly a.s., and ČEZ Teplárenská, a.s.:
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severomoravská energetika, a. s.. According to a court resolution that has not yet entered into legal force, and which is based on an expert opinion requested by the court, for the time being at this phase of the proceedings there is a possibility of an additional payment of approximately CZK 100 million. The outcome of proceedings at the appelate court, however, is impossible to predict.
   - A suit for payment of the difference from a takeover offer for shares of Severomoravská energetika, a. s. made in 2005. The proceedings are pending before the court of first instance. The total additional amount could be as much as CZK 930 million. The results of the proceedings are impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Západočeská energetika, a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 720 million. The result of the proceedings is impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Východočeská energetika, a.s. Based on a court-ordered appraisal, for the time being at this stage of the proceedings, which are pending before the court of first instance, an additional payment of up to approximately CZK 170 million appears possible. However, the result of the proceedings is impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severočeská energetika, a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 730 million. The result of the proceedings is impossible to predict.
   - Suits seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Středočeská energetická a.s. Based on a court-ordered appraisal, for the time being at this stage of the proceedings, which are pending before the court of first instance, an additional payment of up to approximately CZK 490 million appears possible. However, the result of the proceedings is impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 1,500 million. The result of the proceedings is impossible to predict.
   - A suit against ČEZ Teplárenská, a.s. seeking review of past consideration paid in the squeeze-out of minority shareholders from United Energy, a.s., i.e. the legal predecessor of ČEZ Teplárenská, a. s. The proceedings are pending before the court of first instance. The possible impact of this suit on ČEZ Teplárenská, a.s. is impossible to determine at this phase of the proceedings.

3. In all cases of the General Meetings that decided on squeeze-outs in the former regional electricity distribution companies, Severočeské doly a.s., and ČEZ Teplárenská, a.s., minority shareholders have filed suits seeking that the resolutions of these General Meetings be declared null and void. In three of these cases, the suits challenging the General Meetings of regional electricity distribution companies have been set aside.

4. In addition, the following suits have been filed by minority shareholders in conjunction with the restructuring of CEZ Group, seeking either nullification of contributions of part of undertakings of the former regional electricity distribution companies to certain ČEZ, a. s. subsidiaries or of the General Meeting resolutions by which these contributions were approved:
   - Suit seeking nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on October 17, 2005 as well as of contracts on contribution of part of an undertaking. The proceedings before the court of first instance in the actual matter have not yet been completed in legally binding fashion and their result is impossible to predict.
   - Suit seeking nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on June 21, 2006 and of contracts on contribution of pat of an undertaking. The court proceedings have not yet been completed in legally binding fashion and the result of the court proceedings is impossible to predict.

5. On December 31, 2009 litigation was terminated in the matter of a suit filed by Milan Grondzík seeking CZK 1 billion in compensation for alleged damage to health caused by non-supply of electricity (originally against Východočeská energetika, a.s.), when the Regional Court in Hradec Králové upheld the decision of the District Court in Hradec Králové rejecting the suit.

6. Lesy České republiky, s.p. has filed 12 suits against the Company, all identical in substance. The complainant is seeking compensation for damages to forests allegedly caused by ČEZ, a. s. operations in the years 1997–2006. The oldest suit is from 1999 and the latest was filed in 2009. The total amount sought in all the suits is CZK 206.9 million, plus interest.

7. In insolvency proceedings against the PORCELA PLUS and BCT groups (total of eight companies), ČEZ Prodej, s.r.o. has registered receivables totaling over CZK 285 million. Within this amount, a receivable from the debtor SKLÁRNY KAVALIER, a.s. amounts to approximately CZK 120 million, a receivable from CRYSTALEX a.s. amounts to CZK 65.6 million, a receivable from Sklo Bohemia, a.s. amounts to CZK 64.5 million, a receivable from the debtor Karlovarský porcelán a.s. amounts to CZK 21.7 million, and a receivable from Sklárny Bohemia a.s. amounts to CZK 13.8 million. The remaining receivables registered do not exceed CZK 0.5 million. Review proceedings have been completed on all the receivables registered, and all of ČEZ Prodej's receivables were determined to exist. Although the bulk of the assets of all the debtors was converted into cash during 2009, satisfaction of the debts will be only minimal in view of the amounts owed to employees and secured debtors. On the other hand, in negotiations with all the new owners of the production assets in question, we succeeded either in entering into electricity supply contracts or in continuing to supply electricity under the original contracts.

8. In insolvency proceedings against MORAVIA ENERGO, a.s., ČEZ, a. s. registered a receivable totaling CZK 1,505.9 million. A special review hearing took place on September 3, 2009, in which the entire receivable was determined to exist. At present the debtor's assets are being converted into cash.

9. On November 24, 2009 a decision of the European Commission of November 16, 2009 was delivered to the Company. This decision ordered the Company and its subsidiaries and other controlled enterprises to submit to inspections under Article 20, paragraph 4 of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty. A similar inspection was also conducted at Severočeské doly, a.s. The actual investigation on ČEZ and Severočeské doly premises lasted four days, and as of the Annual Report closing date the Commission is assessing the documentation gathered. To date no decision to commence proceedings according to Chapter III of the Regulation has been issued.

10. The Albanian distribution company Operatori i Sistemit te Shperndarjes Sh.A. is party to two court disputes under Albanian law before the District Court in Tiranë. The subject matter of the dispute is a suit against the regulator Enti Rregullator i Energjise in the matter of the non-existence of a Loss Study or agreement on the real level of total losses. The second dispute concerns the unacceptable amount of a new tariff setting regulated prices for distribution and end customer prices for 2010, and seeks for the court to determine a realistic amount for the compensation mechanism and to set a standard level of amortization. The aggregate total economic impact of both suits is estimated at CZK 0.8 –1.2 billion.

11. The complainant Selahattin Tunç Cecan has filed a suit with the court of first instance, which is the Second Commercial Court for Beyoğlu, against the respondent, Akenerji Elektrik Üretim A.S., seeking nullification of decisions taken at the General Meeting of said company on June 12, 2009. The consequences of a court verdict nullifying these decisions could possibly lead to cancellation of an exemption from the obligation to purchase shares from minority shareholders of said company, which was granted by the Turkish capital markets regulator. However, the dispute is still in its initial phases and the result is impossible to predict.

12. The Turkish Chamber of Electrical Engineers (Elektrik Mühendisleri Odası) is involved in legislation before the Council of State in Ankara (Türkiye Cumhuriyeti Danıştay Başkanlığı) against the regulator T. C. Elektrik Piyasası Düzenleme Kurumu, where it is seeking cancellation of the new electricity generation license granted to Akenerji Elektrik Üretim A.S. The company Akenerji is also involved in this litigation as an "intervenor". The Chamber's suit has already been rejected once, and currently its appeal is pending. Should the court grant the Chamber's appeal, Akenerji's license to operate the Uluabat Power Station could be cancelled, the consequences of which would threaten the investment in the project.

13. The associates Mibrag B.V. and MIBRAG mbH continued in their dispute with the Federal Agency for Unification-derived Special Tasks (Bundesanstalt für vereinigungsbedingte Sonderaufgaben). The litigation concerns EUR 55 million (approximately CZK 1.4 billion) in guarantees issued by the Treuhand (the predecessor to the Federal Agency for Unification-derived Special Tasks) concerning the parameters of coal reserves designated for supply to Schkopau Power Station. MIBRAG has already settled with Schkopau Power Station and is now seeking payment from the Federal Agency. On July 9, 2009 the Higher Regional Court in Berlin (Kammergericht Berlin) decided that MIBRAG mbH is not entitled to receive damages and that the legal claim of Mibrag B.V. does not exist. MIBRAG mbH appealed this decision to the Federal Civil Court (Bundesgerichtshof) in Karlsruhe, submitting the necessary documents on February 11, 2010. Currently we are waiting for a response from the Federal Agency for Unification-derived Special Tasks.

14. MIBRAG mbH filed suit with the Administrative Court in Berlin (Verwaltungsgericht Berlin) after its request for granting of an additional one million tons of emission allowances was rejected by the German Emission Trading Agency (Deutsche Emissionshandelsstelle), which is part of the German Federal Environment Agency (Umweltbundesamt). After MIBRAG's attorneys review the documents, additional statements are to be made in the case.

15. In conjunction with the Fântânele and Cogealac wind farms project in Romania, the relevant CEZ Group project implementation companies are parties to litigation initiated by the Town of Cogealac and certain other Romanian entities, who are objecting to certain outstanding building permits, other administrative permits, and ownership title to certain land parcels relating to the project and, in this respect, are also seeking to have certain construction works halted. This dispute is having a negative impact on the project timeline.

CEZ Group Donorship and Advertising Partnership Program

Donorship

In 2009, CEZ Group continued to support good causes, and we consider this support to be an integral part of our corporate social responsibility. In 2009, CEZ Group placed first in the TOP Corporate Philanthropist ranking, in the "volume of funding" category, defending its position as the largest corporate donor in the Czech Republic.

Financial Donorship

In 2009, CEZ Group companies donated a total of CZK 448.1 million. Of this amount, direct donations accounted for CZK 289.1 million and contributions to ČEZ Foundation totaled CZK 159.0 million.

Direct Donations by CEZ Group Companies (CZK millions)

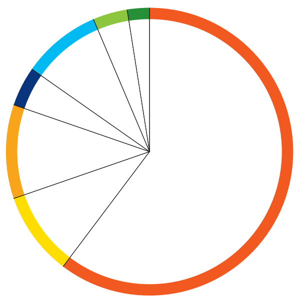
Company	Total value
Czech Republic	
ČEZ, a. s.	151.4
ČEZ Distribuce, a. s.	18.9
ČEZ Distribuční služby, s.r.o.	3.9
ČEZ ICT Services, a. s.	1.1
ČEZ Logistika, s.r.o.	0.3
ČEZ Měření, s.r.o.	0.8
ČEZ Obnovitelné zdroje, s.r.o.	0.4
ČEZ Prodej, s.r.o.	9.0
ČEZ Správa majetku, s.r.o.	0.7
ČEZ Teplárenská, a.s.	0.2
ČEZ Zákaznické služby, s.r.o.	0.7
SD - Rekultivace, a.s.	0.2
Severočeské doly a.s.	98.2
Ústav jaderného výzkumu Řež a.s.	0.2
Bulgaria	
CEZ Elektroproizvodstvo Bulgaria AD	0.3
TEC Varna EAD	0.4
Poland	
CEZ Polska sp. z o.o.	0.1
Elektrociepłownia Chorzów ELCHO sp. z o.o.	0.4
Elektrownia Skawina S.A.	0.8
Hungary	
CEZ Hungary Ltd.	less than 0.1
Serbia	
CEZ Srbija d.o.o.	less than 0.1
Kosovo	
New Kosovo Energy L.L.C.	1.1
Total	289.1

In 2009, direct financial donations once again went to projects of local significance. Through its donations, CEZ Group supports charity fundraisers in the Czech Republic in which our employees take part. In October and November 2009, for example, in a fundraiser entitled "Make wishes come true by thinking of others" to purchase health aids and services for the handicapped, 1,138 employees of CEZ Group companies contributed a total of CZK 543,000, to which ČEZ Foundation added another CZK 300,000.

CEZ Group financial donations can be divided into several areas:

CEZ Group Direct Donations, by Area

	CZK millions	%
municipal infrastructure and regional development	172.9	60.5
culture, the arts, and the environment	26.7	9.3
education, science, and youth	30.6	10.7
healthcare	12.5	4.3
sport	25.7	9.0
needy and handicapped	13.5	3.7
CEZ Group Seniors Foundation Fund	7.2	2.5
Total	289.1	100.0



Contributions by CEZ Group Companies to ČEZ Foundation (CZK millions)

Company	Contribution
ČEZ, a. s.	50.0
ČEZ Distribuce, a. s.	65.4
ČEZ Distribuční služby, s.r.o.	4.3
ČEZ Logistika, s.r.o.	11.3
ČEZ Měření, s.r.o.	3.2
ČEZ Prodej, s.r.o.	21.6
ČEZ Zákaznické služby, s.r.o.	3.2
Total	159.0

ČEZ Foundation

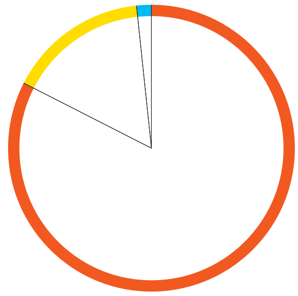
ČEZ Foundation has been contributing to public-benefit activities in the Czech Republic since 2002. In 2009, it supported 359 projects with a total amount of CZK 154.9 million, making it one of the most generous foundations in the Czech Republic. In 2009 ČEZ Foundation continued to implement the following grant projects:

- The "Support Regions" project is focused on developing healthcare, culture, sports, education, the environment, social life, and infrastructure in places where CEZ Group has a presence;
- The "Orange Playgrounds" project continues to support cities and towns by building safe "Orange Playgrounds" for children as well as "Orange Fields" for sports, all to European standards;
- The aim of the "Orange Wheel" project is to help non-profit organizations with a predominantly social focus and at the same time get the public involved through competitions. Participants exercise on a stationary bicycle for the benefit of those in need. Through the Orange Wheel project, the Foundation supported 24 organizations in 2009, distributing among them a total of CZK 2.1 million.

In 2010, the first annual “Orange Classroom” and “Orange Staircase” grants were announced. The former project focuses on improving equipment in classrooms dedicated to teaching technical subjects, while the latter aims to give handicapped and motion- and/or orientation-challenged students access to education. In both cases, primary schools, secondary schools, and higher vocational schools and school facilities are eligible for the grants.

ČEZ Foundation – Donations by Cause

	CZK millions	%
Support Regions	127.8	82.5
Orange Playgrounds, Orange Fields	25.0	16.1
Orange Wheel	2.1	1.4
Total	154.9	100.0



CEZ Group Advertising Partnership Program

Through advertising, CEZ Group supported a number of projects in various fields. As a major corporation, we also supported social events.

In the environmental and tourism development fields, e.g.: cycling trails in South Bohemia, maintenance of the Jizerská lyžařská magistrála cross-country skiing trails, Orange Trails through the heart of Bohemian Forest, Blansko Forest, and Czech Canada, support for the zoological and botanical gardens in Dvůr Králové nad Labem, Plzeň, Hluboká nad Vltavou, Ústí nad Labem, Děčín, and Liberec, contributions to support the diving/underwater ecology project “For a clean Pastviny”, the Clean Up the Jizera Mountains project, advertisements on occasional trains running on the track from Kadaň to Podbořany – which is not in regular service – with a junction from Vilémov u Kadaně to Kadaňský Rohozec, support for the “Earth Hour” event in the City of Slatina, Romania.

In the arts and education field, e.g.: the Karlovy Vary International Film Festival, VELEHRAD 2009 People of Good Will Days, the Colours of Ostrava music festival, the MEZI PLOTY festival, the Smetanova Litomyšl opera festival, the FINÁLE PLZEŇ film festival, the Třeboň Nocturne festival, the Hluboká nad Vltavou music festival, the Opera Jindřichův Hradec festival, the “Festival nad řekou 2009” festival in Písek, the Bohemia JazzFest 2009 festival, the Ema Destinnová Music Celebration 2009 in České Budějovice and Písek, the Dvořákova Olomouc International Music Festival, the Sweetsen fest 2009 festival, the Janáčkův máj International Music Festival, the Folk Holidays Festival in Náměšť nad Oslavou, the Setkávání Václava Hudečka Music Festival in Moravské Budějovice, the Petr Dvorský International Music Festival in Jaroměřice nad Rokytnou, the 13 Cities Concentus Moraviae festival, the AniFest 2009 international animated film festival in Teplice, MORAVIAN WALLACHIA THEATRICAL SUMMER 2009, Theatrical Summer Under the Plzeň Sky and the Losiny Summer of Culture, partnership with the Czech Philharmonic, the 43rd International Radio Competition of Young Musicians “Concertino Praga 2009”, the Nine Gates 2009 international festival of Czech-German-Jewish culture, the Science and Technology Days in Plzeň, the Brno Festival of Science, Science Weeks in the Czech Republic, the AMAVET high school science fair, NICKY’S FAMILY – an educational project for primary and secondary schools, the meeting of mining towns in Most, the EKOFILM 2009 film festival, the Czech Republic Chess Championships, a book on the Děčín Chateau, and an international meeting of students in Târgu Jiu, Romania.

In the field of sports, e.g.: the Czech Olympic Team, the Czech Paralympic Team, the Czech Track and Field Union, the Czech National Ice Hockey Team, the Men's and Women's Czech National Basketball Teams, the Hvězda SKP Pardubice track and field team; the Zlatá tretra track and field meet in Ostrava-Vítkovice, TALENT 2009 Kutnohorská laťka, the Abilympics – Czech Republic Championships for the Handicapped in Work Disciplines, the World Track and Field Record Holders Meet in the O2 Arena, the TNT Fortuna Meeting decathlon event in Kladno, the ČEZ MINIHOKEJ All-Republic Tournament of Second Graders, the European Cup in the Olympic Triathlon in Karlovy Vary, the international youth tennis tournaments in Ostrava and Plzeň, the international student downhill skiing competition Skiinterkritérium 2009 in Říčky (Orlické Mountains), the Czech Republic Bench Pressing Championships, the SK Sigma Olomouc soccer team, the FK Teplice soccer team, the youth ice hockey team in České Budějovice, the Horácká Slavia Třebíč ice hockey team, the KLH Chomutov ice hockey team, the HC Energie Karlovy Vary ice hockey team, the Sportovní klub Kadaň ice hockey team, the Telnice skiing team, and the Future Fântânele soccer team.
In health care, e.g.: the Nuclear Medicine Days conference in Olomouc, the 31st Radiopharmacy Work Days in Hradec Králové, the Water Rescue Service of the Czech Red Cross, Health Day in Hradec Králové, "Clinical PET and PET/CT" *) specialized medical book, Social Mobiles for Arkádie Teplice and the Mělník Seniors Center, the AVAZ Děčín Association of the Wheelchair-Bound and Otherwise Physically and/or Mentally Handicapped – National Sports Games in Doksy, and support for the Center for the Handicapped in South Bohemia.

In Poland, ČEZ, a. s. was a partner of the Economic Forum 2009 held in Krynica on September 9–12, 2009. We presented ourselves there as a current and, at the same time, potential future investor in the Polish market.

*) The hybrid imaging method of positron emission tomography (PET) and computed tomography (CT). PET exams utilize radiopharmaceuticals. PET enables detection of metabolic changes in tissues affected by cancer, thereby detecting oncological illnesses sooner than conventional imaging techniques.

CEZ Group Corporate Social Responsibility and Customer Focus

ČEZ Against the Crisis

On February 17, 2009, CEZ Group announced its "ČEZ Against the Crisis" initiative, outlining its contribution to protecting customers and the entire national economy of the Czech Republic in the time of economic crisis. The initiative was comprised of three parts:

1. More job opportunities from employers

In the years 2009–2010, CEZ Group will increase planned capital expenditures for generation and distribution of electricity by over CZK 5 billion. During this period, ČEZ, a. s. will spend CZK 4 billion more than originally planned to upgrade its power plants and make them more environmentally friendly. CZK 1.1 billion more will be spent on renewing and bolstering distribution grids in the same period. In this manner, ČEZ, a. s. will make it possible to newly create or preserve 5,600 jobs at existing and new suppliers.

2. Freeing up cash for small businesses

ČEZ Prodej, s.r.o. has offered all small businesses the possibility to move back the due date of advance electricity payments by 30 days. Instead of 12 monthly payments in 2009, they paid only 11 and settled the difference when paying the final invoice in 2010. By December 31, 2009 a total of 3,393 businesses had taken advantage of this offer.

3. Insurance of electric bill payment in the event of job loss

ČEZ Prodej, s.r.o. took out insurance against non-payment of electric bills in the event of job loss for the benefit of all households in the Czech Republic that are its customers. Everyone who lost their job and registered with the Labor Office after March 1, 2009, was relieved of having to pay three monthly advance payments for electricity, since the insurance company paid the bills in their stead. The basic condition was at least six months of prior employment and timely payment of electric bills in the past year. By January 31, 2010, this offer had been utilized by 25,227 households with 28,014 connection points, and the insurance company paid out a total of CZK 120.4 million in benefits.

Appliance Scrappage Payments

From April 15 to June 15, 2009, CEZ Group offered its customers a CZK 1,000 contribution toward the purchase of a new appliance in the energy efficiency classes A+ or A++. To be eligible for the contribution, the purchase had to be made at an approved retailer and the older appliance of the same type had to be returned to the seller or documentation submitted proving that it had been disposed of in an environmentally-friendly manner. The contribution offer, which applied to energy-saving washing machines, refrigerators, freezers, and combined refrigerator-freezers, was utilized by 10,423 customers.

Electricity for Customers Hit by Flooding

CEZ Group provided customers hit by flooding with three months of electricity free of charge. For eligible customers, this meant that they did not have to pay advance electricity payments for three months, allowing them to pay for the electricity later, at the end of the one-year billing period. All customers on the low-voltage grid, including both households and small businesses, were eligible.

The total number of applications filed by the deadline (July 31, 2009) was 2,644.

ČEZ for the Regions

On May 25, 2009, CEZ Group launched an information campaign with the aim of increasing awareness among residents of regions, areas, and individual towns and cities of volunteer activities and partner projects in their area. The information includes the location of the closest Orange Playgrounds, Orange Fields, bikeways, and hiking trails, as well as information on specific support for local healthcare facilities and CEZ Group Green Energy contributions for projects in the local area. The information is made available to the public through the website www.cezregionum.cz.

ČEZ Ombudsman

On October 1, 2009, CEZ Group constituted the CEZ Group Ombudsman's Office. Its purpose is to enable customers to gain satisfaction of their rights in certain non-standard situations or in cases not resolved to their satisfaction. At the same time, this opens a space for gaining suggestions from customers concerning our communications and services.
All ČEZ Group customers may turn to the CEZ Group Ombudsman, regardless of whether they are private individuals or legal entities, or whether they buy electricity, heat, or natural gas from us. Also eligible are property owners on whose lands or buildings CEZ Group distribution equipment is located, as well as holders of an electricity distribution agreement with ČEZ Distribuce, a. s.
The CEZ Group Ombudsman investigates the complaints in accordance with approved principles: the Ombudsman is objective, unbiased, thorough, independent and takes an individual approach to each complainant. The Ombudsman may also conduct independent investigations at his or her own initiative, without any filing from outside, should the Ombudsman have any suspicion that the right procedures are not being followed at CEZ Group with regard to customers.

CEZ Group Electronic Presentations

CEZ Group electronic presentations and communications make it easier for shareholders and others to find the information they are interested in.
At the Internet address www.cez.cz, CEZ Group presents a comprehensive information service, including reports with photographs. Information is available there in the Czech and English languages, as well as some information in the German language. Selected reports are also published in the Polish language.
Our blog (a website with articles and editorials) on the site blog.ihned.cz serves to support communications on various energy-related topics. By the end of 2009, approximately 58,000 blog visitors had read 38 blog entries from various CEZ Group authors. CEZ Group also provides a moderated discussion space under each entry.

CEZ Group is also active in so-called social networks. Here, we utilize Facebook in particular, where we operate two pages:
1) www.facebook.com/fandime.elektromobilum, which keeps visitors informed of projects relating to the development of electromobility in the Czech Republic;
2) www.facebook.com/CEZ.pomahame, where we publish reports on corporate social responsibility projects, donorship, corporate volunteer work, and flood aid.

CEZ Group is also present on the Twitter platform, at the address twitter.com/SkupinaCEZ. This tool is used by CEZ Group mostly to distribute press releases, particularly to people who access the Internet through their cell phones.

Contents of the Financial Section

Independent Auditor's Report

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of CEZ Group which comprise the consolidated balance sheet as at December 31, 2009, and consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require 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.

Ernst & Young

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group as at December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

February 25, 2010
Prague, Czech Republic

CEZ Group
Consolidated Balance Sheet in Accordance with IFRS as of December 31, 2009

(in CZK millions)

ASSETS	2009	2008 (restated *)	2007 (restated *)
Property, plant and equipment			
Plant in service	509,618	488,956	479,091
Less accumulated provision for depreciation	(266,377)	(252,330)	(234,297)
Net plant in service (Note 3)	243,241	236,626	244,794
Nuclear fuel, at amortized cost	5,439	6,287	6,983
Construction work in progress (Note 3)	80,125	47,913	25,388
Total property, plant and equipment	328,805	290,826	277,165
Other non-current assets			
Investment in associates and joint-ventures	17,250	1,907	248
Investments and other financial assets, net (Note 4)	49,423	34,614	16,465
Intangible assets, net (Note 5)	18,653	18,074	19,060
Deferred tax assets (Note 27)	824	816	482
Total other non-current assets	86,150	55,411	36,255
Total non-current assets	414,955	346,237	313,420
Current assets			
Cash and cash equivalents (Note 8)	26,727	17,303	12,429
Receivables, net (Note 9)	46,350	41,729	23,880
Income tax receivable	997	140	79
Materials and supplies, net	4,959	4,914	4,484
Fossil fuel stocks	2,944	2,959	857
Emission rights (Note 10)	1,212	1,523	355
Other financial assets, net (Note 11)	29,706	56,237	10,246
Other current assets (Note 12)	2,409	2,133	5,192
Total current assets	115,304	126,938	57,522
TOTAL ASSETS	530,259	473,175	370,942

EQUITY AND LIABILITIES	2009	2008 (restated *)	2007 (restated *)
Equity attributable to equity holders of the parent			
Stated capital	53,799	59,221	59,221
Treasury shares	(5,151)	(66,910)	(55,972)
Retained earnings and other reserves	151,713	180,941	168,103
Total equity attributable to equity holders of the parent (Note 13)	200,361	173,252	171,352
Non-controlling interests	6,314	12,158	12,874
Total equity	206,675	185,410	184,226
Long-term liabilities			
Long-term debt, net of current portion (Note 14)	118,921	66,526	51,984
Accumulated provision for nuclear decommissioning and fuel storage (Note 17)	37,152	35,631	39,191
Other long-term liabilities (Note 18)	21,108	20,036	16,823
Total long-term liabilities	177,181	122,193	107,998
Deferred tax liability (Note 27)	15,335	14,421	17,153
Current liabilities			
Short-term loans (Note 19)	31,257	35,001	18,048
Current portion of long-term debt (Note 14)	6,632	4,874	3,226
Trade and other payables (Note 20)	76,853	93,646	25,737
Income tax payable	1,359	3,910	5,969
Accrued liabilities (Note 21)	14,967	13,720	8,585
Total current liabilities	131,068	151,151	61,565
TOTAL EQUITY AND LIABILITIES	530,259	473,175	370,942

* Certain numbers shown do not correspond to the 2008 consolidated financial statements and reflect reclassifications made.

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Income in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	2009	2008 (restated *)
Revenues		
Sales of electricity	173,494	165,317
Gains and losses from electricity, coal and gas derivative trading, net	6,894	4,095
Heat sales and other revenues	15,964	14,546
Total revenues (Note 22)	196,352	183,958
Operating expenses		
Fuel	(15,805)	(16,176)
Purchased power and related services	(48,170)	(41,670)
Repairs and maintenance	(6,043)	(5,597)
Depreciation and amortization	(22,876)	(22,047)
Salaries and wages (Note 23)	(18,116)	(16,956)
Materials and supplies	(5,272)	(4,589)
Emission rights, net (Note 10)	305	1,998
Other operating expenses (Note 24)	(12,176)	(12,267)
Total expenses	(128,153)	(117,304)
Income before other income (expenses) and income taxes	68,199	66,654
Other income (expenses)		
Interest on debt, net of capitalized interest (Note 2.8)	(3,303)	(3,103)
Interest on nuclear and other provisions (Note 2.24, 17 and 18)	(2,174)	(2,056)
Interest income (Note 25)	2,499	1,842
Foreign exchange rate gains (losses), net	(1,189)	(1,311)
Gain (loss) on sale of subsidiaries and associates	(2)	333
Negative goodwill write-off and goodwill impairment, net	(3,263)	14
Other income (expenses), net (Note 26)	1,183	(1,669)
Income from associates and joint-ventures (Note 2.2)	2,996	12
Total other income (expenses)	(3,253)	(5,938)
Income before income taxes	64,946	60,716
Income taxes (Note 27)	(13,091)	(13,365)
Net income	51,855	47,351
Net income attributable to		
Equity holders of the parent	51,547	46,510
Non-controlling interests	308	841
Net income per share attributable to equity holders of the parent (CZK per share) (Note 30)		
Basic	96.7	87.0
Diluted	96.6	86.9
Average number of shares outstanding (000s) (Notes 13 and 30)		
Basic	533,225	534,594
Diluted	533,438	535,341

* Certain numbers shown do not correspond to the 2008 consolidated financial statements and reflect reclassifications made.

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Comprehensive Income in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	2009	2008
Net income	51,855	47,351
Other comprehensive income		
Change in fair value of cash flow hedges recognized in equity	2,719	(7,564)
Cash flow hedges removed from equity	1,643	(3,196)
Change in fair value of available-for-sale financial assets recognized in equity	84	372
Available-for-sale financial assets removed from equity	17	2
Translation differences	(2,716)	(3,457)
Share on equity movements of associates and joint-ventures	(11)	112
Deferred tax relating to other comprehensive income	(885)	2,114
Other movements	–	21
Other comprehensive income, net of tax	851	(11,596)
Total comprehensive income, net of tax	52,706	35,755
Total comprehensive income attributable to		
Equity holders of the parent	53,491	35,632
Non-controlling interests	(785)	123

CEZ Group
Consolidated Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	Attributable to equity holders of the parent								
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2007	59,221	(55,972)	(2,296)	2,939	286	167,174	171,352	12,874	184,226
Net income	–	–	–	–	–	46,510	46,510	841	47,351
Other comprehensive income	–	–	(2,729)	(8,570)	298	123	(10,878)	(718)	(11,596)
Total comprehensive income	–	–	(2,729)	(8,570)	298	46,633	35,632	123	35,755
Dividends	–	–	–	–	–	(21,321)	(21,321)	(2)	(21,323)
Acquisition of treasury shares	–	(13,098)	–	–	–	–	(13,098)	–	(13,098)
Sale of treasury shares	–	2,160	–	–	–	(1,596)	564	–	564
Share options	–	–	–	–	123	–	123	–	123
Transfer of exercised and forfeited share options within equity	–	–	–	–	(204)	204	–	–	–
Change in non-controlling interests due to acquisitions	–	–	–	–	–	–	–	(837)	(837)
December 31, 2008	59,221	(66,910)	(5,025)	(5,631)	503	191,094	173,252	12,158	185,410
Net income	–	–	–	–	–	51,547	51,547	308	51,855
Other comprehensive income	–	–	(1,624)	3,463	75	30	1,944	(1,093)	851
Total comprehensive income	–	–	(1,624)	3,463	75	51,577	53,491	(785)	52,706
Dividends	–	–	–	–	–	(26,638)	(26,638)	(15)	(26,653)
Reduction of the stated capital	(5,422)	61,313	–	–	–	(55,891)	–	–	–
Sale of treasury shares	–	446	–	–	–	(300)	146	–	146
Share options	–	–	–	–	110	–	110	–	110
Transfer of exercised and forfeited share options within equity	–	–	–	–	(79)	79	–	–	–
Change in non-controlling interests due to acquisitions	–	–	–	–	–	–	–	(5,044)	(5,044)
December 31, 2009	53,799	(5,151)	(6,649)	(2,168)	609	159,921	200,361	6,314	206,675

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Consolidated Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	2009	2008
OPERATING ACTIVITIES		
Income before income taxes	64,946	60,716
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation, amortization and asset write-offs	26,171	22,090
Amortization of nuclear fuel	2,778	2,654
Gain on fixed asset retirements, net	(112)	(563)
Foreign exchange rate losses (gains), net	1,189	1,311
Interest expense, interest income and dividend income, net	763	1,210
Provision for nuclear decommissioning and fuel storage	282	309
Valuation allowances, other provisions and other adjustments	5,111	(214)
Income from associates and joint-ventures	(2,996)	(12)
Changes in assets and liabilities		
Receivables	(3,940)	(18,470)
Materials and supplies	(141)	(43)
Fossil fuel stocks	(14)	(2,031)
Other current assets	29,870	(42,233)
Trade and other payables	(19,825)	58,148
Accrued liabilities	73	4,372
Cash generated from operations	104,155	87,244
Income taxes paid	(16,522)	(16,285)
Interest paid, net of capitalized interest	(1,947)	(1,586)
Interest received	1,627	1,142
Dividends received	41	68
Net cash provided by operating activities	87,354	70,583
INVESTING ACTIVITIES		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired (Note 6)	(25,152)	(490)
Proceeds from disposal of subsidiaries and associates, net of cash disposed of	1,270	1,501
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(70,791)	(46,186)
Proceeds from sale of fixed assets	2,555	833
Loans made	(9,557)	(15,491)
Repayment of loans	3,484	863
Change in decommissioning and other restricted funds	(831)	(1,200)
Total cash used in investing activities	(99,022)	(60,170)
FINANCING ACTIVITIES		
Proceeds from borrowings	298,990	349,972
Payments of borrowings	(250,072)	(322,365)
Proceeds from other long-term liabilities	72	526
Payments of other long-term liabilities	(345)	(293)
Dividends paid to Company's shareholders	(26,545)	(21,218)
Dividends paid to non-controlling interests / Contributions received from non-controlling interests, net	(16)	(4)
(Acquisition) sale of treasury shares, net	146	(12,535)
Total cash provided by (used in) financing activities	22,230	(5,917)
Net effect of currency translation in cash	(1,138)	378
Net increase in cash and cash equivalents	9,424	4,874
Cash and cash equivalents at beginning of period	17,303	12,429
Cash and cash equivalents at end of period	26,727	17,303
Supplementary cash flow information		
Total cash paid for interest	4,028	2,851

The accompanying notes are an integral part of these consolidated financial statements.

CEZ Group
Notes to Consolidated Financial Statements as of December 31, 2009

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech Republic joint-stock company, owned 69.8% (70.4% of voting rights) at December 31, 2009 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company’s registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”), which is primarily engaged in the business of production, distribution and sale of electricity (see Notes 2.2 and 7). ČEZ is an electricity generation company, which in 2009 produced approximately 72% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates sixteen fossil fuel plants, sixteen hydroelectric plants and two nuclear plants. The Company also operates through its subsidiaries several power plants (hydro, wind, solar, biomass, black oil, gas) in the Czech Republic, two fossil fuel plants and one hydroelectric plant in Poland and one fossil fuel plant in Bulgaria. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria, Romania and Albania. The average number of employees of the Company and its consolidated subsidiaries was 30,768 and 28,330 in 2009 and 2008, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the “Ministry”), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers’ interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

Third-party access started to be introduced gradually from 2002. Since 2006 all customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The accompanying consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Group do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) except for IFRIC 12 which has been adopted by the EU with effective date for annual periods commencing after April 1, 2009 and IFRIC 18 adopted by the EU with effective date for annual periods commencing after October 31, 2009 (see Note 2.3).

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2008 or as at December 31, 2008 and December 31, 2007 are presented in the format required for 2009.

2.2. Group Accounting

a. Group Structure

The financial statements of CEZ Group include the accounts of ČEZ, a. s., its subsidiaries, associates and joint-ventures, which are shown in the Note 7.

b. Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has a power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries from unrelated parties. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the Group's interest in the fair value of acquiree's net assets exceeds the cost of business combination ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss. In case of subsequent acquisition of a non-controlling interest in a subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the non-controlling interest acquired.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Joint-ventures

Joint-venture is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2c).

The financial statements of the joint-venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

e. Transactions involving entities under common control

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. The cost of acquisition of subsidiaries from entities under common control is recorded directly in equity.

Net gain on sale of a subsidiary, an associated company or a joint-venture to an entity controlled by the Group's majority shareholder is recognized directly in equity.

2.3. Change in Accounting Policies

a. New IFRS standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group has adopted the following new or amended and endorsed by the EU IFRS and IFRIC interpretations as of January 1, 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective January 1, 2009
- IFRS 7 Financial Instruments: Disclosures effective January 1, 2009
- IFRS 8 Operating Segments effective January 1, 2009
- IAS 1 Presentation of Financial Statements effective January 1, 2009
- IAS 23 Borrowing Costs (Revised) effective January 1, 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective January 1, 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after June 30, 2009
- IFRIC 13 Customer Loyalty Programmes effective July 1, 2008
- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective October 1, 2008
- IFRIC 18 Transfers of Assets from Customers effective July 1, 2009, (early adopted)
- Improvements to IFRSs (May 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 15. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 16.2.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. IFRS 8 requires disclosure of information about the Group's operating segments and replaced the requirement to determine business and geographical reporting segments of the Group. The Group previously presented 4 business and 2 geographical segments. In accordance with IFRS 8 the Group determined 7 operating segments which are a result of the combination of geographical location and nature of products and services and are presented in Note 29, including the related revised comparative information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense.

IAS 23 Borrowing Costs

The amendment requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs shall be recognized as an expense. This amendment has no impact on the Group as the Group has the policy of including the borrowing costs as part of the cost of the asset.

IFRIC 18 Transfers of Assets from Customers

The Group early adopted this interpretation for transfers of assets received from customers on or after January 1, 2009 as allowed by the interpretation whereas the mandatory effective date was July 1, 2009 and the interpretation was endorsed by the EU in November 2009 with mandatory effective date for EU companies for annual periods commencing after October 31, 2009. IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an asset (item of property, plant, and equipment or cash) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. When the item of property, plant and equipment transferred from a customer meets the definition of an asset the Group must recognize the asset in its financial statements. As the network company has an obligation to provide ongoing access to the network to all customers at the same price (regardless of whether they transferred the asset) indicates that the obligation to provide ongoing access to the network is not a separable identifiable service of the transaction and that connecting the customer is the only service to be delivered in exchange for the asset. As a result since January 1, 2009 the connection fees received from customers are recognized in the income when the fee is received and are not deferred over the period of 20 years as was the case in prior periods.

Improvements to IFRSs

In May 2008 the IASB issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the performance of the Group.

IAS 1 Presentation of Financial Statements

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group analyzed whether the expected period of realization of financial assets and liabilities differed from the classification of the instrument. This resulted in the reclassification of financial instruments of CZK 1,032 million and CZK 339 million at December 2008 and 2007 from current to non-current assets and CZK 2,086 million and CZK 1 million at December 2008 and 2007 from current to long-term liabilities.

Other amendments resulting from Improvements to IFRSs did not have any impact on financial position or performance of the Group.

b. New IFRS Standards and Interpretations either not yet effective or not yet adopted by the EU

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2010 or later. Standards and interpretations most relevant to the Group's activities are detailed below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group will adopt the revised standards from January 1, 2010. IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (revised) and IAS 27 (amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013. According to IFRS 9 all financial assets are initially recognized at fair value plus transaction costs. The standard also eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity.

IAS 24 Related Party Disclosure

The amendments to IAS 24 Related Party Disclosures become effective for financial years beginning on or after January 1, 2010 and must be applied retrospectively. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. As a result, such a reporting entity is exempt from the general disclosure requirements in relation to transactions and balances with the government and government-related entities. In addition, the revised standard amends the definition of a related party where the associate of an investor is now considered to be a related party to both the investor and its subsidiary whereas two associates of an entity are not regarded as related parties to each other. The Group does not expect significant impact on the related party disclosures.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006. This interpretation was adopted by the EU in March 2009 and must be applied from January 1, 2010. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Group is currently assessing the potential impact of this new interpretation on its financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after July 1, 2010 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

IAS 32 Financial Instruments: Presentation (Classification of Rights Issues)

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Group does not expect that the amendment will have an impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

In April 2009 the Board also issued a collection of amendments to its standards, primarily to remove inconsistencies and clarify wording. The Group has not yet adopted the amendments but it is anticipated that the changes will have no material effect on the Group's financial statements.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Revenues

The Group recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized, when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Connection fees received from customers are recognized in income in the period when the fees are received.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included either in the line item of Receivables, net or Trade and other payables.

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,778 million and CZK 2,654 million for the years ended December 31, 2009 and 2008, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 17). Such charges amounted to CZK 272 million and CZK 248 million in 2009 and 2008, respectively.

2.8. Interest

The Group capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 2,081 million and CZK 1,265 million, which was equivalent to an interest capitalization rate of 4.8% and 5.0% in 2009 and 2008, respectively.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment, the cost and related accumulated depreciation of the disposed item or its replaced part are eliminated from the accounts. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item of Other operating expenses.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 21,677 million and CZK 20,839 million for the years ended December 31, 2009 and 2008, which was equivalent to a composite depreciation rate of 4.3% and 4.3%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.24). At December 31, 2009, 2008 and 2007 capitalized costs at net book value amounted to CZK 300 million, CZK 329 million and CZK 455 million, respectively.

2.11. Intangible Assets, Net

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 15 years. The assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses.

For assets excluding goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.12. Emission Rights

Emission right represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plans in 2009 and 2008 certain companies of the Group have been granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

On April, 30 of the following year, at latest, these companies are required to remit a number of allowances representing the number of tones of CO_2 actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2.

In the financial statements the emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. If the granted allowances are not sufficient to cover actual emissions, the Group recognizes a provision which is measured at the cost of purchased allowances up to the level of purchased allowances held and then at the market price of allowances ruling at the balance sheet date.

The Group also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) or credits are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

2.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint-ventures is included in investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.14. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Group, are classified as available-for-sale.

Held-to-maturity investments, loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market are measured at cost.

The carrying amounts of such available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the entity has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

2.15. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less. Foreign currency deposits are translated at December 31, 2009, 2008 and 2007 exchange rates, respectively.

2.16. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified. At December 31, 2009, 2008 and 2007 the provision for obsolescence amounted to CZK 447 million, CZK 216 million and CZK 343 million, respectively.

2.19. Fossil Fuel Stocks

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.20. Derivative Financial Instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a. Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

b. Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Other derivatives
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.21. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

In particular, forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- the contract cannot be considered as a written option as defined by the standard IAS 39. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Group thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement. The Group presents revenues and expenses related to commodity trading net in the line Gains and losses from electricity, coal and gas derivative trading, net.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are provided at a rate of 20% and 21% for the years ended December 31, 2009 and 2008, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2010 and on will be 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.23. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors (see Note 17).

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2009, 2008 and 2007 the estimate for the effect of inflation is 2.0%, 2.5% and 2.0%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín plant and sixty-year period for Dukovany plant subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Group has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Group's current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating lives (see Note 18). The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. At December 31, 2009, 2008 and 2007 the estimate for the effect of inflation is 2.0%, 2.5% and 2.0%, respectively.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangements is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in determination of whether fulfillment is dependant on a specified asset; or
- There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.29. Share Options

Members of Board of Directors and selected managers (and Supervisory Board members in prior years) have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted. In case of options, which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted. The expense recognized reflects the best estimate of the number of share options, which will ultimately vest.
In 2009 and 2008 the expense recognized in respect of the share option plan amounted to CZK 110 million and CZK 123 million, respectively.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

3. Property, Plant and Equipment

Net plant in service at December 31, 2009 and 2008 is as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2009	Total 2008
Cost at January 1	185,043	299,522	4,391	488,956	479,091
Plant additions	8,943	12,823	526	22,292	20,320
Disposals	(1,730)	(6,410)	(58)	(8,198)	(3,340)
Acquisition of subsidiaries	656	4,863	380	5,899	295
Disposal of subsidiaries	–	–	–	–	(403)
Change in capitalized part of provisions	1,382	841	7	2,230	(4,329)
Reclassification and other	(34)	110	(70)	6	60
Currency translation differences	(917)	(623)	(27)	(1,567)	(2,738)
Cost at December 31	193,343	311,126	5,149	509,618	488,956
Accumulated deprec. and impairment at January 1	(78,527)	(172,987)	(816)	(252,330)	(234,297)
Depreciation	(5,470)	(16,193)	(14)	(21,677)	(20,839)
Net book value of assets disposed	(660)	(142)	(46)	(848)	(799)
Disposals	1,730	6,410	58	8,198	3,285
Disposal of subsidiaries	–	–	–	–	362
Reclassification and other	12	(27)	6	(9)	(10)
Impairment losses recognized	(140)	(17)	(6)	(163)	(403)
Impairment losses reversed	135	64	9	208	231
Currency translation differences	134	109	1	244	140
Accumulated deprec. and impairment at December 31	(82,786)	(182,783)	(808)	(266,377)	(252,330)
Net plant in service at December 31	110,557	128,343	4,341	243,241	236,626

At December 31, 2009, 2008 and 2007, plant and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2009	2008	2007
Cost	18,669	17,828	21,967
Accumulated depreciation	(5,666)	(5,319)	(4,802)
Total net book value	13,003	12,509	17,165

Group's plant in service pledged as security for liabilities at December 31, 2009, 2008 and 2007 is CZK 329 million, CZK 51 million and CZK 76 million, respectively.

In August 2008 the Group paid for the acquisition of a project in Romania to develop and operate two wind power farms. The total consideration paid amounted to EUR 300,584 thousand (CZK 7,372 million). As at December 31, 2009 and 2008 construction work in progress includes CZK 18,979 million and CZK 10,005 million, respectively, related to this project.

In addition, most of the remaining balance of construction work in progress relates to refurbishments performed on Tušimice, Ledvice, Počerady, Temelín and Dukovany power plants and electricity distribution network of subsidiary ČEZ Distribuce, a. s.

4. Investments and Other Financial Assets, Net

Investments and other financial assets, net at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions)

	2009	2008	2007
Restricted debt securities available-for-sale	9,205	7,756	3,233
Restricted debt securities held to maturity	–	25	996
Restricted cash	1,200	1,791	4,160
Total restricted financial assets	10,405	9,572	8,389
Financial assets in progress, net	223	230	241
Debt securities held-to-maturity	110	453	765
Debt securities available-for-sale	4,408	6,020	4,810
Equity securities available-for-sale	644	522	525
Investment in MOL	17,695	16,543	–
Investment in Pražská teplárenská	12,923	–	–
Derivatives	344	1,031	340
Other long-term receivables, net	2,671	243	1,395
Total	49,423	34,614	16,465

The financial assets in progress represent amounts paid in respect of planned acquisitions.

In January 2008 the Group acquired a 7% share in MOL. At that time the Group granted to MOL a call option, which enabled MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share. The amount paid to MOL after deduction of option premium received was EUR 560 million. The transaction was recorded as a receivable together with a written put option. In 2009 the terms of the call option were amended whereas now MOL can reacquire the shares in the period until January 2014 which also resulted in the change in effective interest rate applied on recorded receivable. The purchase was originally financed through a new loan in the total amount of EUR 600 million. Within the scope of cooperation the Group together with MOL also established 50-50% joint-ventures in order to pursue jointly business opportunities and develop projects in the business of gas-fired power and heat plants in Central and South-Eastern Europe. The written put option is shown as a liability from derivatives in Trade and other payables (see Note 20).

CEZ Group agreed with J&T Group and paid for the equity interest of 49% in Pražská teplárenská (Prague's major heat supplier). The transaction is subject to approval of the antimonopoly office. Currently the Group does not exercise any effective control rights and therefore the investment is classified as available-for-sale.

Movements in impairment provisions (in CZK millions)

	2009		2008	
	Available-for-sale financial assets	Long-term receivables	Available-for-sale financial assets	Long-term receivables
Opening balance	78	27	130	–
Additions	5	28	–	27
Reversals	(30)	(55)	(52)	–
Closing balance	53	–	78	27

Debt instruments at December 31, 2009 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	509	–	592	1,101
Due in 2–3 years	9	–	1,062	1,071
Due in 3–4 years	3	–	418	421
Due in 4–5 years	17,699	–	50	17,749
Due in more than 5 years	2,146	110	2,286	4,542
Total	20,366	110	4,408	24,884

Debt instruments at December 31, 2008 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	75	342	1,382	1,799
Due in 2–3 years	16,672	–	594	17,266
Due in 3–4 years	7	–	1,044	1,051
Due in 4–5 years	3	–	411	414
Due in more than 5 years	29	111	2,589	2,729
Total	16,786	453	6,020	23,259

Debt instruments at December 31, 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1–2 years	1,333	318	1,457	3,108
Due in 2–3 years	23	334	1,372	1,729
Due in 3–4 years	7	–	181	188
Due in 4–5 years	5	–	860	865
Due in more than 5 years	27	113	940	1,080
Total	1,395	765	4,810	6,970

Debt instruments at December 31, 2009 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	522	–	95	617
From 2.0% to 3.0%	15	–	796	811
From 3.0% to 4.0%	12	–	182	194
From 4.0% to 5.0%	17,695	110	3,132	20,937
Over 5.0%	2,122	–	203	2,325
Total	20,366	110	4,408	24,884

Debt instruments at December 31, 2008 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	243	–	–	243
From 2.0% to 3.0%	–	178	789	967
From 3.0% to 4.0%	–	–	833	833
From 4.0% to 5.0%	16,543	111	3,805	20,459
Over 5.0%	–	164	593	757
Total	16,786	453	6,020	23,259

Debt instruments at December 31, 2007 have following effective interest rate structure (in CZK millions)

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	1,370	–	1	1,371
From 2.0% to 3.0%	10	340	1,249	1,599
From 3.0% to 4.0%	–	105	2,091	2,196
From 4.0% to 5.0%	15	113	1,425	1,553
Over 5.0%	–	207	44	251
Total	1,395	765	4,810	6,970

The following table analyses the debt instruments at December 31, 2009 by currency (in CZK millions)

	CZK	EUR	Total
Long-term receivables	525	19,841	20,366
Debt securities held-to-maturity	110	–	110
Debt securities available-for-sale	4,408	–	4,408
Total	5,043	19,841	24,884

The following table analyses the debt instruments at December 31, 2008 by currency (in CZK millions)

	CZK	EUR	Total
Long-term receivables	174	16,612	16,786
Debt securities held-to-maturity	453	–	453
Debt securities available-for-sale	6,020	–	6,020
Total	6,647	16,612	23,259

The following table analyses the debt instruments at December 31, 2007 by currency (in CZK millions)

	CZK	EUR	Total
Long-term receivables	1,382	13	1,395
Debt securities held-to-maturity	765	–	765
Debt securities available-for-sale	4,810	–	4,810
Total	6,957	13	6,970

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2009 and 2008 are as follows (in CZK millions)

	Software	Rights and Other	Goodwill	Total 2009	Total 2008
Cost at January 1	7,647	5,171	10,883	23,701	23,404
Additions	911	72	–	983	1,583
Disposals	(158)	(5)	–	(163)	(370)
Acquisition of subsidiaries and non-controlling interests	1	106	4,229	4,336	185
Disposal of subsidiaries	–	–	(3)	(3)	(35)
Impairment of goodwill	–	–	(3,263)	(3,263)	–
Reclassification and other	–	–	–	–	2
Currency translation differences	(4)	(49)	(209)	(262)	(1,068)
Cost at December 31	8,397	5,295	11,637	25,329	23,701
Accumulated amortization and impairment at January 1	(5,224)	(1,774)	–	(6,998)	(6,152)
Amortization charge for the year	(916)	(283)	–	(1,199)	(1,208)
Net book value of assets disposed	(2)	–	–	(2)	(93)
Disposals	158	5	–	163	208
Disposal of subsidiaries	–	–	–	–	116
Reclassification and other	–	2	–	2	(1)
Currency translation differences	3	10	–	13	132
Accumulated amortization and impairment at December 31	(5,981)	(2,040)	–	(8,021)	(6,998)
Net intangible assets at December 31	2,416	3,255	11,637	17,308	16,703

At December 31, 2009, 2008 and 2007, intangible assets presented in the balance sheet include intangible assets in progress in the amount of CZK 1,345 million, CZK 1,371 million and CZK 1,808 million, respectively.

At December 31, 2009, goodwill was allocated to the respective operating segments based on the classification of the related subsidiaries (see Note 29).

Impairment testing of goodwill

At December 31, 2009, 2008 and 2007 goodwill was allocated to the following cash-generating units for the purpose of impairment testing (in CZK millions):

	2009	2008	2007
Bulgarian distribution	1,057	1,076	1,063
Romanian distribution and sale	3,542	–	–
TEC Varna	1,936	1,970	1,947
Polish power plants (ELCHO, Skawina)	1,265	4,829	5,689
Czech distribution and sale	2,182	2,182	2,182
Czech Heat	504	–	–
ČEZ Teplárenská	679	643	643
Albanian distribution	303	–	–
Other	169	183	138
Total carrying amount of goodwill	11,637	10,883	11,662

The Group performed impairment tests and as result of these tests the Group recognized the impairment loss of CZK 3,263 million for the Polish power plants. This impairment of goodwill was caused mainly by the termination of long-term contract for the sale of electricity with Polskie Sieci Elektroenergetyczne (for more information about the terminated long-term contract and related compensations see Note 22). In 2008 no impairment losses of goodwill were recognized. In 2008 the goodwill at Skawina was decreased by CZK 166 million due to the acquisition of non-controlling interest (see Note 7). The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Bulgarian distribution and TEC Varna has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 7.8% for distribution and ten-year period budget and discount rate of 10.8% for first 4 years and 7.8% for following years for Varna power plant. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0% for the distribution companies, while the calculation did not include any cash flow for Varna power plant beyond 2019. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The recoverable amount of Polish power plants has also been determined based on a value in use calculation. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rates of 9.6% in first 4 years and 7.6% for following years. Cash flows beyond the five-year period are extrapolated using 2.0% growth rate. This growth rate represents the predicted long-term average growth rate of cash flows under currently known capacities and circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale and ČEZ Teplárenská. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rate of 6.1% for first 4 years and 5.8% for following years. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0%. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Romanian distribution and sale. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rate of 8.1% for first 4 years and 5.9% for following years. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0%. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average of cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the forecast of market and regulatory environment, where subsidiaries conduct the business.

6. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in 2009

In May 2009 the Group acquired 76% share in the electricity distribution and sale company Operatori i Sistemit te Shperndarjes Sh.A. ("OSSh") in Albania.

In April 2009 the Group acquired 100% share in the heating company CZECH HEAT a.s. ("Czech Heat") in the Czech Republic.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired in 2009 at the date of acquisition are as follows (in CZK millions):

	OSSh	Czech Heat
Shares acquired in 2009	76%	100%
Property, plant and equipment	5,561	149
Other non-current assets	324	377
Cash and cash equivalents	116	8
Receivables, net	1,151	22
Materials and supplies, net	300	2
Other current assets	–	1
Long-term liabilities	(1,785)	(77)
Deferred tax liability	–	(44)
Short-term loans	(264)	(145)
Trade and other payables	(1,662)	(93)
Accrued liabilities	(163)	–
Total net assets	3,578	200
Share of net assets acquired	2,719	200
Goodwill	308	504
Total purchase consideration	3,027	704
Less		
Cash and cash equivalents in subsidiaries acquired	(116)	(8)
Cash outflow on acquisition of subsidiaries	2,911	696

The carrying values of the acquired assets and liabilities of the subsidiaries acquired in 2009 at the date of acquisition were as follows (in CZK millions):

	OSSh	Czech Heat
Property, plant and equipment	5,561	54
Other non-current assets	245	334
Cash and cash equivalents	116	8
Receivables, net	1,151	22
Materials and supplies, net	300	2
Other current assets	–	1
Long-term liabilities	(2,581)	(77)
Short-term loans	(264)	(145)
Trade and other payables	(1,662)	(93)
Accrued liabilities	(163)	–
Total book value of net assets	2,703	106

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2009 (in CZK millions):

	OSSh	Czech Heat
Revenues	4,288	103
Income before other expense (income) and income taxes	(832)	48
Net income	(1,064)	42

If the combinations had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 51,422 million and revenues from continuing operation would have been CZK 198,165 million. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisitions of joint-ventures from third parties in 2009

In June 2009 the joint-venture of CEZ Group and J&T Group acquired 100% share in the German coal mining company Mitteldeutsche Braunkohlengesellschaft mbH. The Shareholders' agreement gives CEZ Group 50% of the voting rights.

In May 2009 the Group acquired 37.36% share in Turkish utility company Akenerji Elektrik Üretim A.S.

In February 2009 the consortium of CEZ Group and Turkish entities Akkök Group and Akenerji Elektrik Üretim A.S. acquired through the joint-venture Akcez Enerji A.S. 100% share in the Turkish electricity distribution company Sakarya Elektrik Dagitim A.S. which has the right to operate the distribution grid in Sakarya region for the period of 30 years.

CEZ Group concluded shareholders' agreements with Akkök Group and therefore the investments in Sakarya Elektrik Dagitim A.S. and Akenerji Elektrik Üretim A.S. are classified as joint-ventures.

Summary of acquisitions of joint-ventures acquired in 2009 is as follows (in CZK millions)

	Mitteldeutsche Braunkohlengesellschaft mbH	Akenerji Elektrik Üretim A.S.	Sakarya Elektrik Dagitim A.S.
Shares acquired in 2009	50.00%	37.36%	44.31%
Total net assets	17,278	8,055	7,777
Share of net assets acquired	8,639	3,009	3,446
Goodwill/(negative goodwill)	(3,304)	1,979	2,590
Total purchase consideration	5,335	4,988	6,036
Cash outflows on acquisition of joint-ventures	* –	4,988	* –

*The cash outflows for the acquisition were incurred by the joint-venture.

Acquisitions of non-controlling interest in 2009

In September 2009 the Group increased its capital share in CEZ Distributie S.A. and CEZ Vanzare S.A. from 51% to 81% and in October 2009 the capital share was further increased to 100%. In 2009 the capital share in CEZ Servicii S.A. was increased from 51% to 63%.

The following table summarizes the critical terms of the subsequent acquisitions of non-controlling interest during 2009 (in CZK millions):

	Romanian companies
Share of net assets acquired	6,153
Goodwill	3,417
Total purchase price	9,570

The following table summarizes the cash outflows on acquisitions during 2009 (in CZK millions):

Cash outflows on acquisition of subsidiaries	3,731
Cash outflows on acquisition of joint-ventures	4,988
Cash outflows on purchase of non-controlling interests	9,570
Cash contribution to joint-ventures and associate	7,536
Change in payables from acquisitions	(549)
Less cash acquired	(124)
Total cash outflows on acquisitions in 2009	25,152

Acquisitions of subsidiaries from third parties in 2008

In January 2008 the Group acquired 100% share in ALLEWIA leasing s.r.o. ("ALLEWIA"), in August 2008 46.32% share in SD - KOMES, a.s. ("KOMES") and in September 2008 49.50% share in PRODECO, a.s. ("PRODECO"). Until the acquisition of majority of voting rights the Group owned 46.33% shares (46.33% voting rights) in KOMES and 50.50% shares (50.00% voting rights) in PRODECO.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired in 2008 at the date of acquisition are as follows (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Shares acquired in 2008	46.32%	49.50%	100%
Property, plant and equipment	231	29	35
Other non-current assets	3	68	–
Cash and cash equivalents	–	591	6
Receivables, net	110	89	31
Income tax receivable	–	10	–
Materials and supplies, net	55	278	–
Other current assets	1	302	2
Long-term liabilities	(1)	–	–
Deferred tax liability	(8)	–	(4)
Short-term loans	(22)	–	–
Trade and other payables	(101)	(1,218)	(33)
Accrued liabilities	–	(45)	(3)
Total net assets	268	104	34
Non-controlling interests	(144)	(52)	–
Share of net assets acquired	124	52	34
Goodwill / (negative goodwill)	(4)	(10)	46
Total purchase consideration	120	42	80
Less			
Non-cash consideration paid	(120)	–	–
Cash and cash equivalents in subsidiaries acquired	–	(591)	(6)
Cash outflow / (inflow) on acquisition of subsidiaries	–	(549)	74

The total purchase consideration paid for acquisition of subsidiaries in 2008 consists of the following amounts (in CZK millions)

	KOMES	PRODECO	ALLEWIA
Acquisition price of the shares	120	42	80
Costs directly attributable to the acquisition of shares	–	–	–
Total purchase consideration	120	42	80

The carrying values of the acquired assets and liabilities of the subsidiaries acquired in 2008 at the date of acquisition were as follows (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Property, plant and equipment	231	29	16
Other non-current assets	3	68	–
Cash and cash equivalents	–	591	6
Receivables, net	110	89	31
Income tax receivable	–	10	–
Materials and supplies, net	55	278	–
Other current assets	1	302	2
Long-term liabilities	(1)	–	–
Deferred tax liability	(8)	–	–
Short-term loans	(22)	–	–
Trade and other payables	(101)	(1,218)	(33)
Accrued liabilities	–	(45)	(3)
Total book value of net assets	268	104	19

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2008 (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Revenues	22	83	34
Income before other expense (income) and income taxes	(7)	33	5
Net income	2	44	3

If the combinations had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 47,355 million and revenues from continuing operation would have been CZK 182,444 million. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisitions of non-controlling interest in 2008

In September 2008 the Group purchased further non-controlling interest in Elektrownia Skawina S.A. ("Skawina"). The following table summarizes the critical terms of the subsequent acquisition of non-controlling interest during 2008 (in CZK millions):

	Skawina
Shares acquired in 2008 from third parties	25.09%
Share of net assets acquired	874
Negative goodwill	(166)
Total purchase price	708

The following table summarizes the cash outflows on acquisitions during 2008 (in CZK millions):

Cash inflows on acquisition of subsidiaries	(475)
Cash contribution to joint-venture	97
Cash outflows on purchase of non-controlling interest	708
Change in payables from acquisitions	160
Total cash outflows on acquisitions in 2008	490

7. Investments in Subsidiaries, Associates and Joint-ventures

The consolidated financial statements include the financial figures of ČEZ, a. s., and the subsidiaries, associates and joint-ventures listed in the following table:

Subsidiaries	Country of incorporation	% equity interest [1] 2009	% equity interest [1] 2008	% equity interest [1] 2007
ALLEWIA leasing s.r.o.	Czech Republic	–	100.00%	–
Bohemian Development, a.s.	Czech Republic	100.00%	–	–
CEZ Albania Sh.A.	Albania	100.00%	–	–
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	–
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%
CEZ Ciepło Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	51.01%	51.01%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%
CEZ Elektroproizvodstvo Bulgaria AD	Bulgaria	100.00%	100.00%	–
CEZ FINANCE B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	–	–
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	–	–
CEZ Laboratories Bulgaria EOOD	Bulgaria	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Nowa Skawina S.A.	Poland	100.00%	–	–
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	–	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%
CEZ Romania S.R.L.	Romania	100.00%	100.00%	100.00%
CEZ RUS OOO	Russia	100.00%	100.00%	–
CEZ Servicii S.A.	Romania	63.00%	51.00%	51.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%
CEZ Trade Albania Sh.P.K.	Albania	100.00%	–	–
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%
CEZ Ukraine CJSC	Ukraine	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	51.01%	51.01%
CZECH HEAT a.s.	Czech Republic	100.00%	–	–
CZ INVEST - PLUS, a.s.	Czech Republic	100.00%	–	–
ČEZ Bohunice a.s.	Czech Republic	100.00%	–	–
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Distribuční zařízení, a.s.	Czech Republic	100.00%	–	–
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	–
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s. [2]	Czech Republic	100.00%	100.00%	100.00%
ČEZ Logistika, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Měření, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Správa majetku, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZData, s.r.o. [2]	Czech Republic	–	–	100.00%

Subsidiaries	Country of incorporation	% equity interest [1] 2009	% equity interest [1] 2008	% equity interest [1] 2007
EDICOLLA a.s.	Czech Republic	100.00%	–	–
Elektra Žabčice a.s.	Czech Republic	100.00%	–	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	88.82%	88.82%	88.82%
Elektrownia Skawina S.A.	Poland	100.00%	99.91%	74.82%
Energetické centrum s.r.o.	Czech Republic	100.00%	–	–
Energetické opravny, a.s.	Czech Republic	–	–	100.00%
GENTLEY a.s.	Czech Republic	100.00%	–	–
I & C Energo a.s.	Czech Republic	–	–	100.00%
MALLA, a.s.	Czech Republic	100.00%	–	–
MARTIA a.s.	Czech Republic	100.00%	–	–
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	–
NERS d.o.o.	Bosnia and Herzegovina	51.00%	51.00%	51.00%
New Kosovo Energy L.L.C.	Kosovo	100.00%	100.00%	100.00%
Operatori i Sistemit te Shperndarjes Sh.A.	Albania	76.00%	–	–
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	–
PPC Úžín, a.s.	Czech Republic	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	–
SD - 1.strojírenská, a.s.	Czech Republic	100.00%	100.00%	100.00%
SD - Autodoprava, a.s.	Czech Republic	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%
SD - KOMES, a.s.	Czech Republic	92.65%	92.65%	–
SD - Rekultivace, a.s.	Czech Republic	100.00%	100.00%	–
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%
Š-BET s.r.o.	Czech Republic	100.00%	–	–
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%
TEPLEX s.r.o.	Czech Republic	100.00%	–	–
Tomis Team S.R.L.	Romania	100.00%	100.00%	–
Transenergo International N.V.	Netherlands	–	67.00%	100.00%
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46%	52.46%	52.46%
ZAO TransEnergo	Russia	–	67.00%	100.00%

Associates and joint-ventures	Country of incorporation	% equity interest [1] 2009	% equity interest [1] 2008	% equity interest [1] 2007
Akcez Enerji A.S.	Turkey	44.31%	50.00%	–
Aken B.V.	Netherlands	37.36%	–	–
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	33.63%	–	–
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	–	–
Akka Elektrik Üretim A.S.	Turkey	33.63%	–	–
Akkur Enerji Üretim A.S.	Turkey	36.99%	–	–
AK-EL Yalova Elektrik Üretim A.S.	Turkey	33.65%	–	–
CM European Power International B.V.	Netherlands	50.00%	50.00%	–
CM European Power International s.r.o.	Slovakia	50.00%	50.00%	–
CM European Power Slovakia s.r.o.	Slovakia	50.00%	–	–
Coal Energy, a.s.	Czech Republic	-	40.00%	40.00%
Egemer Elektrik Üretim A.S.	Turkey	36.99%	–	–
Energonuclear S.A. [4]	Romania	9.15%	–	–
Jadrová energetická spoločnosť Slovenska, a. s. [3]	Slovakia	49.00%	–	–
JTSD – Braunkohlebergbau GmbH	Germany	50.00%	–	–
LOMY MOŘINA spol. s r.o. [3]	Czech Republic	51.05%	51.05%	51.05%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	36.99%	–	–
Mibrag B.V.	Netherlands	50.00%	–	–
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	50.00%	–	–
MOL – CEZ European Power Hungary Ltd.	Hungary	50.00%	–	–
Sakarya Elektrik Dagitim A.S. [3]	Turkey	44.31%	–	–

[1] The equity interest represents effective ownership interest of the Group. The % of equity interest for each company is equal to the % of the voting interest except companies [3].
[2] Company ČEZData, s.r.o. merged as at January 1, 2008 with company ČEZnet, a.s. which was renamed to ČEZ ICT Services, a. s.
[3] The companies with different % of voting interest:
- % voting interest of Elektrociepłownia Chorzów ELCHO sp. z o.o. is 75.20% in 2009, 2008 and 2007.
- % voting interest of LOMY MOŘINA spol. s r.o. is 50.00% in 2009, 2008 and 2007.
- % voting interest of Sakarya Elektrik Dagitim A.S. is 50.00% in 2009.
- % voting interest of Jadrová energetická spoločnosť Slovenska, a. s. is 50.00% in 2009.

[4] The Group exercises significant influence in the entity and therefore the entity is classified as an associate.

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2009 (in CZK millions):

	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Revenues	Expenses	Net income
Akcez Enerji A.S.	234	11,826	5,846	–	117	(37)	80
Aken B.V.	29	–	–	–	1	–	1
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	194	2	121	–	549	(479)	70
Akenerji Elektrik Üretim A.S.	5,579	11,533	4,966	6,100	5,757	(5,542)	215
Akka Elektrik Üretim A.S.	3	14	17	–	–	(1)	(1)
Akkur Enerji Üretim A.S.	1,171	2,796	1,881	1,519	4	–	4
AK-EL Yalova Elektrik Üretim A.S.	166	2	9	–	10	(2)	8
CM European Power International B.V.	869	1,050	1	–	1	(5)	(4)
CM European Power International s.r.o.	159	95	72	–	14	(29)	(15)
CM European Power Slovakia s.r.o.	1,117	1,583	1,229	252	2,154	(1,973)	181
Egemer Elektrik Üretim A.S.	1,678	32	35	–	20	(2)	18
Jadrová energetická spoločnosť Slovenska, a. s.	6,298	–	–	–	–	–	–
JTSD - Braunkohlebergbau GmbH	112	10,990	7,457	4,234	–	(688)	(688)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	757	49	238	297	5	(22)	(17)
MIBRAG B.V.	1,100	8,618	1	–	–	(2)	(2)
Mitteldeutsche Braunkohlengesellschaft mbH	5,219	21,762	3,402	6,637	5,076	(4,696)	380
MOL - CEZ European Power Hungary Ltd.	104	303	140	–	59	(50)	9
Sakarya Elektrik Dagitim A.S.	3,461	1,271	2,122	1,602	16,851	(16,693)	158
Total	28,250	71,926	27,537	20,641	30,618	(30,221)	397

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2008 (in CZK millions):

	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Revenues	Expenses	Net income
Akcez Enerji A.S.	3,143	–	–	–	–	–	–
CM European Power International B.V.	24	202	2	–	3	(2)	1
CM European Power International s.r.o.	317	–	117	–	–	(2)	(2)
Total	3,484	202	119	–	3	(4)	(1)

The associates are not listed on any public exchange. The following table illustrates summarized financial information of associates for the year ended December 31, 2009 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Energonuclear S.A.	109	1	108	5	(15)
LOMY MOŘINA spol. s r.o.	414	49	365	210	(2)
Total	523	50	473	215	(17)

The following table illustrates summarized financial information of associates for the year ended December 31, 2008 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	641	547	94	5,670	(8)
LOMY MOŘINA spol. s r.o.	411	48	363	219	(2)
Total	1,052	595	457	5,889	(10)

The following table illustrates summarized financial information of associates for the year ended December 31, 2007 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	1,004	855	149	10,988	39
LOMY MOŘINA spol. s r.o.	418	56	362	222	9
Total	1,422	911	511	11,210	48

8. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2009, 2008 and 2007 is as follows (in CZK millions)

	2009	2008	2007
Cash on hand and current accounts with banks	6,420	5,125	4,655
Short-term bank notes	1,371	591	1,586
Term deposits	18,936	11,587	6,188
Total	26,727	17,303	12,429

At December 31, 2009, 2008 and 2007, cash and cash equivalents included foreign currency deposits of CZK 20,375 million, CZK 14,471 million and CZK 8,081 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2009, 2008 and 2007 was 1.8%, 7.9% and 5.0%, respectively. For the years 2009 and 2008 the weighted average interest rate was 3.4% and 6.1%, respectively.

9. Receivables, Net

The composition of receivables, net, at December 31, 2009, 2008 and 2007 is as follows (in CZK millions)

	2009	2008	2007
Unbilled electricity supplied to retail customers	1,520	14,208	–
Received advances from retail customers	(781)	(12,746)	–
Unbilled supplies to retail customers, net	739	1,462	–
Trade receivables	42,695	41,129	22,453
Taxes and fees, excluding income taxes	2,860	1,022	802
Other receivables	10,229	1,840	3,239
Allowance for doubtful receivables	(10,173)	(3,724)	(2,614)
Total	46,350	41,729	23,880

The information about receivables from related parties is included in Note 28.

At December 31, 2009, 2008 and 2007, the ageing analysis of receivables, net is as follows (in CZK millions)

	2009	2008	2007
Not past due	43,343	39,164	20,871
Past due but not impaired [1]:			
Less than 3 months	1,764	2,156	2,589
3–6 months	823	244	203
6–12 months	357	161	196
more than 12 months	63	4	21
Total	46,350	41,729	23,880

[1] Past due but not impaired receivables include net receivables, for which the Group recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions)

	2009	2008
Opening balance	3,724	2,614
Additions	5,179	1,906
Reversals	(1,739)	(726)
Acquisition of subsidiaries	3,280	27
Disposal of subsidiaries	–	(2)
Currency translation differences	(271)	(95)
Closing balance	10,173	3,724

■ 10. Emission Rights

In 2005 an emission trading scheme was introduced in the European Union. The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2009 and 2008 (in CZK millions):

	2009		2008	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits (CERs, ERUs) granted and purchased for own use				
Granted and purchased emission rights and credits at January 1	41,751	1,274	43,224	231
Emission rights granted	42,494	–	42,022	–
Emission rights acquired in business combinations	22	27	–	–
Settlement of prior year actual emissions	(40,408)	–	(43,103)	(221)
Disposal of remaining emission rights from the first allocation period	–	–	(134)	–
Emission rights purchased	794	392	447	251
Emission rights sold	(4,066)	(7)	(3,215)	–
Emission credits purchased	929	332	2,510	1,023
Emission credits sold	(2,857)	(1,155)	–	–
Fair value adjustment	–	–	–	(1)
Currency translation differences	–	6	–	(9)
Granted and purchased emission rights and credits at December 31	**38,659**	**869**	**41,751**	**1,274**
Emission rights and credits held for trading				
Emission rights for trading at January 1	–	–	12	–
Emission rights purchased	45,025	18,284	24,623	14,117
Emission rights sold	(45,025)	(18,292)	(24,347)	(14,084)
Emission credits purchased	3,967	1,484	–	–
Emission credits sold	(3,967)	(1,484)	–	–
Disposal of remaining emission rights from the first allocation period	–	–	(288)	–
Fair value adjustment	–	8	–	(33)
Emission rights and credits held for trading at December 31	**–**	**–**	**–**	**–**

During 2009 and 2008 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 37,168 thousand tons and 40,408 thousand tons of CO_2, respectively. At December 31, 2009, 2008 and 2007 the Group recognized a provision for CO_2 emissions in total amount of CZK 1,077 million, CZK 1,033 million and CZK 231 million, respectively (see Note 2.12).

At December 31, 2009, 2008 and 2007 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 343 million, CZK 249 million and CZK 124 million, respectively.

The following table shows the impact of transactions with emission rights and credits, green and similar certificates on income for the years ended December 31, 2009 and 2008 (in CZK millions):

	2009	2008
Gain on sales of granted emission rights	1,787	1,809
Net gain (loss) from emission rights trading	272	(538)
Net loss from emission credits trading	(642)	–
Gain on green and similar certificates	218	292
Net gain (loss) from derivatives	(1,306)	1,491
Creation of provisions for emissions rights	(1,061)	(1,023)
Settlement of provisions for emissions rights	1,029	222
Remitted emission rights	–	(221)
Fair value adjustment	8	(34)
Net gain related to emission rights, emission credits and green and similar certificates	**305**	**1,998**

11. Other Financial Assets, net

Other financial assets, net, at December 31, 2009, 2008 and 2007 were as follows (in CZK millions)

	2009	2008	2007
Debt securities held for trading	–	–	14
Debt securities held-to-maturity	350	327	1,057
Debt securities available-for-sale	1,263	1,459	1,345
Equity securities held for trading	–	–	9
Equity securities available-for-sale	–	13,580	63
Derivatives	28,093	40,871	7,758
Total	29,706	56,237	10,246

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission rights derivatives.

At December 31, 2008 the equity securities available-for-sale represent mainly investments in mutual fund.

Short-term debt securities at December 31, 2009 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	175	1,084	–	1,259
From 3.0% to 4.0%	–	179	–	179
From 4.0% to 5.0%	–	–	–	–
Over 5.0%	175	–	–	175
Total	350	1,263	–	1,613

Short-term debt securities at December 31, 2008 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	172	481	–	653
From 3.0% to 4.0%	103	618	–	721
From 4.0% to 5.0%	–	317	–	317
Over 5.0%	52	43	–	95
Total	327	1,459	–	1,786

Short-term debt securities at December 31, 2007 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	366	101	–	467
From 3.0% to 4.0%	691	1,212	–	1,903
From 4.0% to 5.0%	–	32	–	32
Over 5.0%	–	–	14	14
Total	1,057	1,345	14	2,416

All short-term debt securities are denominated in CZK.

12. Other Current Assets

The composition of other current assets at December 31, 2009, 2008 and 2007 is as follows (in CZK millions)

	2009	2008	2007
Prepaid variation margin on “own use” electricity futures	–	–	2,992
Advances paid	1,213	1,209	1,485
Prepayments	1,196	924	715
Total	2,409	2,133	5,192

Prepaid variation margin represents the net variation margin paid to or by Prague Energy Exchange in respect of the electricity future contracts treated as own use, which will be delivered after balance sheet date. This prepaid variation margin resulted in net liability in 2009 and 2008 and therefore is presented as part of Accrued liabilities (see Note 21).

13. Equity

As at December 31, 2009, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on May 21, 2008, passed a resolution to reduce the share capital of the Company from CZK 59,221,084,300 to CZK 53,798,975,900, i.e. by CZK 5,422,108,400. The reduction of share capital was entered in the Commercial register on February 12, 2009 and was made in the form of cancellation of 54,221,084 treasury shares with a nominal value of CZK 100 per share, i.e. by the delisting of shares.

Movements of treasury shares in 2009 and 2008 (in pieces)

	2009	2008
Number of treasury shares at beginning of period	59,171,105	50,370,144
Reduction of stated capital	(54,221,084)	–
Acquisitions of treasury shares	–	10,732,221
Sales of treasury shares	(395,000)	(1,931,260)
Number of treasury shares at end of period	4,555,021	59,171,105

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

Dividends paid per share were CZK 50.0 and CZK 40.0 in 2009 and 2008, respectively. Dividends from 2009 profit will be declared on the general meeting, which will be held in the first half of 2010.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. The Group's goal is to keep this ratio at maximum in the range of 2.0–2.5. In addition, the Group also monitors capital using a total debt to total capital ratio. The Group's policy is to keep the total debt to total capital ratio below 50%.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization. The Group includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2009	2008	2007
Total long-term debt	125,553	71,400	55,210
Total short-term loans	31,257	35,001	18,048
Total debt	156,810	106,401	73,258
Less: Cash and cash equivalents	(26,727)	(17,303)	(12,429)
Less: Highly liquid financial assets	(5,671)	(21,058)	(6,154)
Total net debt	124,412	68,040	54,675
Income before income taxes and other income (expenses)	68,199	66,654	53,210
Plus: Depreciation and amortization	22,876	22,047	22,123
EBITDA	91,075	88,701	75,333
Total equity attributable to equity holders of the parent	200,361	173,252	171,352
Total debt	156,810	106,401	73,258
Total capital	357,171	279,653	244,610
Net debt to EBITDA ratio	1.37	0.77	0.73
Total debt to total capital ratio	43.9%	38.0%	29.9%

■ 14. Long-term Debt

Long-term debt at December 31, 2009, 2008 and 2007 is as follows (in CZK millions)

	2009	2008	2007
4.625% Eurobonds, due 2011 (EUR 400 million)	10,569	10,742	10,606
4.125% Eurobonds, due 2013 (EUR 500 million)	13,153	13,362	13,179
5.125% Eurobonds, due 2012 (EUR 500 million)	13,199	13,419	13,250
6.000% Eurobonds, due 2014 (EUR 600 million)	15,768	16,020	–
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,383	2,559	–
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	30	29	–
4.270% Zero Coupon Eurobonds, due 2011 (CZK 1,400 million)	1,322	–	–
4.450% Zero Coupon Eurobonds, due 2011 (CZK 1,600 million)	1,504	–	–
5.750% Eurobonds, due 2015 (EUR 600 million)	15,807	–	–
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,590	–	–
5.000% Eurobonds, due 2021 (EUR 600 million)	15,666	–	–
6M Euribor+1.25% Eurobonds, due 2019 (EUR 50 million)	1,316	–	–
3M Euribor+0.45% Eurobonds, due 2011 (EUR 110 million)	2,909	–	–
3M Libor+0.70% Eurobonds, due 2012 (USD 100 million)	1,831	–	–
3M Euribor+0.50% Eurobonds, due 2011 (EUR 100 million)	2,644	–	–
6M Pribor+0.62% Eurobonds, due 2012 (CZK 3,000 million)	2,996		
7.88% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	–	4,475	4,147
9.22% Debentures, due 2014 (CZK 2,500 million) [1]	2,497	2,497	2,496
3.35% Debentures, due 2008 (CZK 3,000 million)	–	–	2,820
4.30% Debentures, due 2010 (CZK 7,000 million) [2]	5,847	6,841	6,834
Total bonds and debentures	111,031	69,944	53,332
Less: Current portion	(5,847)	(4,475)	(2,820)
Bonds and debentures, net of current portion	105,184	65,469	50,512
Long-term bank and other loans			
Less than 2.00% p.a.	9,895	–	–
2.00% to 2.99% p. a.	3,736	–	–
3.00% to 3.99% p. a.	338	1,176	19
4.00% to 4.99% p. a.	552	96	1,856
6.00% to 6.99% p. a.	–	184	3
More than 7.99% p. a.	1	–	–
Total long-term bank and other loans	14,522	1,456	1,878
Less: Current portion	(785)	(399)	(406)
Long-term bank and other loans, net of current portion	13,737	1,057	1,472
Total long-term debt	125,553	71,400	55,210
Less: Current portion	(6,632)	(4,874)	(3,226)
Total long-term debt, net of current portion	118,921	66,526	51,984

[1] Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2009, 2008 and 2007 was 7.8%, 9.6% and 5.9%, respectively.

[2] In 2009, the value of the issue was reduced by bought back own bonds at a nominal value of CZK 1,000 million.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group. For the fair values of interest rate hedging instruments see Note 15.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.20.

The future maturities of long-term debt are as follows (in CZK millions)

	2009	2008	2007
Current portion	6,632	4,874	3,226
Between 1 and 2 years	21,888	7,098	4,551
Between 2 and 3 years	19,398	11,022	7,118
Between 3 and 4 years	14,899	13,685	10,886
Between 4 and 5 years	19,774	13,617	13,519
Thereafter	42,962	21,104	15,910
Total long-term debt	125,553	71,400	55,210

The following table analyses the long-term debt at December 31, 2009, 2008 and 2007 by currency (in millions)

	2009		2008		2007	
	Foreign currency	CZK	Foreign currency	CZK	Foreign currency	CZK
EUR	3,791	100,321	1,989	53,572	1,400	37,035
USD	110	2,020	–	–	–	–
JPY	22,057	4,386	11,987	2,559	–	–
PLN	9	61	28	184	37	276
RON	516	3,223	–	–	–	–
KRW	4,469	71	–	–	–	–
XDR	7	197	–	–	–	–
CZK	–	15,274	–	15,085	–	17,899
Total long-term debt		125,553		71,400		55,210

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2009, 2008 and 2007 without considering interest rate hedging (in CZK millions):

	2009	2008	2007
Floating rate long-term debt			
with interest rate fixed for 1 month	–	22	272
with interest rate fixed from 1 to 3 months	10,419	1,176	1,415
with interest rate fixed from 3 months to 1 year	16,709	2,679	2,587
Total floating rate long-term debt	27,128	3,877	4,274
Fixed rate long-term debt	98,425	67,523	50,936
Total long-term debt	125,553	71,400	55,210

Fixed rate long-term debt exposes the Group to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 15 and Note 16.

The Group has entered into loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2009, 2008 and 2007 the Group complied with all required covenants.

■ 15. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, current investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For unquoted equity instruments the Group considered the use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Receivables and Payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2009, 2008 and 2007 are as follows (in CZK millions)

		2009		2008		2007	
	Category	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS							
Investments							
Restricted debt securities available-for-sale	AFS	9,205	9,205	7,756	7,756	3,233	3,233
Restricted debt securities held-to-maturity	HTM	–	–	25	25	996	996
Restricted cash	LaR	1,200	1,200	1,791	1,791	4,160	4,160
Financial assets in progress	LaR	223	223	230	230	241	241
Debt securities held-to-maturity	HTM	110	110	453	462	765	754
Debt securities available-for-sale	AFS	4,408	4,408	6,020	6,020	4,810	4,810
Equity securities available-for-sale	AFS	13,567	13,567	522	522	525	525
Long-term receivables	LaR	20,366	23,245	16,786	17,159	1,395	1,320
Current assets							
Receivables	LaR	46,350	46,350	41,729	41,729	23,880	23,880
Cash and cash equivalents	LaR	26,727	26,727	17,303	17,303	12,429	12,429
Debt securities held for trading	HFT	–	–	–	–	14	14
Debt securities held-to-maturity	HTM	350	350	327	327	1,057	1,057
Debt securities available-for-sale	AFS	1,263	1,263	1,459	1,459	1,345	1,345
Equity securities held for trading	HFT	–	–	–	–	9	9
Equity securities available-for-sale	AFS	–	–	13,580	13,580	63	63
Other current assets	LaR	2,409	2,409	2,133	2,133	5,192	5,192
LIABILITIES							
Long-term debt	AC	(125,553)	(132,964)	(71,400)	(70,817)	(55,210)	(54,766)
Short-term loans	AC	(31,257)	(31,257)	(35,001)	(35,001)	(18,048)	(18,048)
Accounts payable	AC	(42,347)	(42,347)	(44,154)	(44,154)	(18,864)	(18,864)
DERIVATIVES							
Cash flow hedges							
Short-term receivables	HFT	456	456	107	107	700	700
Long-term receivables	HFT	52	52	2	2	309	309
Short-term liabilities	HFT	(416)	(416)	(2,668)	(2,668)	–	–
Long-term liabilities	HFT	(1,256)	(1,256)	(2,085)	(2,085)	–	–
Total cash flow hedges		(1,164)	(1,164)	(4,644)	(4,644)	1,009	1,009
Electricity, coal and gas trading contracts							
Short-term receivables	HFT	25,243	25,243	38,079	38,079	5,385	5,385
Short-term liabilities	HFT	(25,418)	(25,418)	(37,519)	(37,519)	(5,250)	(5,250)
Total electricity, coal and gas trading contracts		(175)	(175)	560	560	135	135
Other derivatives							
Short-term receivables	HFT	2,394	2,394	2,686	2,686	1,672	1,672
Long-term receivables	HFT	292	292	1,029	1,029	31	31
Short-term liabilities	HFT	(8,672)	(8,672)	(9,305)	(9,305)	(1,623)	(1,623)
Long-term liabilities	HFT	(660)	(660)	(1)	(1)	(1)	(1)
Total other derivatives		(6,646)	(6,646)	(5,591)	(5,591)	79	79

LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between the levels in 2009.

As at December 31, 2009, the Group held the following financial instruments measured at fair value (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	25,243	33	25,210	–
Cash flow hedges	508	25	483	–
Other derivatives	2,686	176	2,508	2
Available-for-sale restricted debt securities	9,205	9,205	–	–
Available-for-sale debt securities	5,671	5,671	–	–
Available-for-sale equity securities *	38	–	–	38

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(25,418)	(36)	(25,382)	–
Cash flow hedges	(1,672)	(196)	(1,476)	–
Other derivatives	(9,332)	(153)	(9,179)	–

* Some available-for-sale equity securities are carried at cost as the fair value cannot be reliably measured.

16. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Since 2009 the main Business Plan market risks are quantified (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The risk is actively managed through gradual electricity sale in the following 3-year horizon, total CEZ Group CO_2 position management in NAP III allocation period context and the FX risk hedging in medium-term horizon.

Risk management organization

The supreme authority for risk management in the Group is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas), volume (heat supply).
- Credit risks: financial and business counterparty risk and electricity end customer risk.
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 2 reports:

- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk and CF@Risk based on MonteCarlo simulation).

16.1. Qualitative description of risks associated with financial instruments

Commodity risks
The development of electricity, emission allowances, coal and gas prices is a key risk factor of the Group's value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of the Group's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities within the whole Group (the potential risk is managed on the VaR basis).

Market financial risks (currency, interest and stock price risks)
The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows of the Group (including operational and investment foreign currency flows).

Credit risks
With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating). With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses. In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks
The Group's liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process in the Group and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the Group's expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of the Group.

16.2. Quantitative description of risks associated with financial instruments

Commodity risks
The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the source of market prices is mainly EEX, PXE, ECX a ICE
- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Group: electricity, emission allowances EUA and CER/ERU, gas, coal API2 and API4)
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series

Potential impact of the above risk factors as at December 31 (in CZK millions)

	2009	2008
Monthly VaR (95%) – impact of changes in commodity prices	893	646

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the source of market foreign exchange rates and interest rate curves is mainly IS REUTERS, IS Bloomberg and ČNB (Czech National Bank) data
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS)
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2010 and highly probable forecasted foreign-currency revenues from electricity sales in the future
- the relevant currency positions reflect all significant foreign-currency flows of the Group units in the monitored basket of foreign currencies

Potential impact of the currency risk as at December 31 (in CZK millions)

	2009	2008
Monthly currency VaR (95% confidence)	289	557

Interest risks

The required quantitative information on risks (i.e. P/L sensitivity to the effects of interest risk as at December 31) was prepared based on the assumptions given below:

- the source of market interest rates and interest rate curves is mainly IS REUTERS, IS Bloomberg and ČNB data
- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk
- the P/L sensitivity is measured as a change of the interest income and cost resulting from the current interest-sensitive positions
- the relevant interest positions reflect all significant interest-sensitive flows of the Group units

Potential impact of the interest risk as at December 31 (in CZK millions)

	2009	2008
P/L IR sensitivity to parallel yield curve shift (+10bp)	(26)	(13)

Stock price risks

The required quantitative information on risks (i.e. a potential change of financial instruments market value resulting from the effects of stock price risk as at December 31) was prepared based on the assumptions given below:

- the source of market data is IS Bloomberg and ČNB data
- the indicator of stock risk is determined as the monthly parametric VaR (95% confidence)
- the relevant volatility and standard deviation is determined from risk module IS Bloomberg
- the relevant stock position is defined as market value of stocks/stock options as at December 31, 2009
- the relevant stock positions reflect all significant stock-sensitive deals of the ČEZ Group units

Potential impact of the stock price risk as at December 31 (in CZK millions)

	2009	2008
Monthly stock VaR (95% confidence)	1,783	3,246

Credit exposure from provided guarantees at December 31, 2009 (in CZK millions)

Guarantees provided to joint-ventures	5,489
Guarantees provided to external parties	529
Total *	**6,018**

* Some of the guarantees could be called until August 2011 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2009 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Less than 1 year	32,376	10,868	42,816	186,208	6,018
Between 1 and 2 years	3,290	23,578	538	34,639	–
Between 2 and 3 years	1,597	22,159	181	14,442	–
Between 3 and 4 years	1,967	16,607	144	402	–
Between 4 and 5 years	1,697	21,173	133	383	–
Thereafter	7,180	46,113	87	9,275	–
Total	48,107	140,498	43,899	245,349	6,018

Contractual maturity profile of financial liabilities at December 31, 2008 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *
Less than 1 year	35,732	7,811	44,446	200,269
Between 1 and 2 years	297	10,178	466	56,015
Between 2 and 3 years	306	13,540	137	17,410
Between 3 and 4 years	282	15,954	37	3,835
Between 4 and 5 years	260	15,208	24	–
Thereafter	–	24,241	149	–
Total	36,877	86,932	45,259	277,529

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 15.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

16.3. Hedge accounting

The Group enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2010 to 2013. The hedging instruments as at December 31, 2009 are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 3.2 billion and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (219) million, CZK (3,379) million and CZK 1,009 million at December 31, 2009, 2008 and 2007, respectively.

The Group also enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in 2012. The hedging instruments as at December 31, 2009 are the futures contracts for the purchase of allowances equivalent to 7.1 million tons of CO_2 emissions. The fair value of these derivative hedging instruments amounted to CZK (945) million, CZK (1,265) million and CZK 0 million at December 31, 2009, 2008 and 2007, respectively.

In 2009 and 2008 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, Emission rights, net and Other income (expenses), net. In 2009 and 2008 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (1,702) million and CZK (3) million, respectively. The ineffectiveness in 2009 mainly relates to transactions for which the hedged items are no more highly probable to occur.

17. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants, Dukovany and Temelín. Nuclear power plant Dukovany consists of four 440MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000MW units which have started commercial operation in 2002 and 2003. The Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. A 2008 Dukovany and an updated 2009 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 17.3 billion and CZK 14.6 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 4).

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government decision at 50 CZK per MWh produced at nuclear power plants. In 2009 and 2008, respectively, the payments to the nuclear account amounted to CZK 1,360 million and CZK 1,328 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Group has established provisions as described in Note 2.24, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2009 and 2008 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2007	10,614	5,818	22,759	39,191
Movements during 2008				
Discount accretion and effect of inflation	484	262	1,024	1,770
Provision charged to income statement	–	346	–	346
Effect of change in estimate charged to income statement (Note 2.24)	–	203	–	203
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(2,866)	23	(1,273)	(4,116)
Current cash expenditures	–	(435)	(1,328)	(1,763)
Balance at December 31, 2008	8,232	6,217	21,182	35,631
Movements during 2009				
Discount accretion and effect of inflation	412	310	1,059	1,781
Provision charged to income statement	–	422	–	422
Effect of change in estimate charged to income statement (Note 2.24)	–	168	–	168
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(229)	126	1,069	966
Current cash expenditures	–	(456)	(1,360)	(1,816)
Balance at December 31, 2009	8,415	6,787	21,950	37,152

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2008 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

In 2009 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Temelín and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

18. Other Long-term Liabilities

Other long-term liabilities at December 31, 2009, 2008 and 2007 are as follows (in CZK millions):

	2009	2008	2007
Provision for decommissioning and reclamation of mines and mining damages	6,448	6,363	6,608
Provision for waste storage reclamation	1,740	406	453
Other long-term provisions	3	1	–
Deferred connection fees	8,142	8,927	7,983
Derivatives	1,916	2,086	1
Other	2,859	2,253	1,778
Total	21,108	20,036	16,823

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. The current cost estimates for the decommissioning and reclamation provision have been discounted using an estimated real rate of interest of 2.5%.

The following is the summary of the provisions for the years ended December 31, 2009 and 2008 (in CZK millions):

	Mine reclamation	Mining damages	Total
Balance at December 31, 2007	6,418	190	6,608
Movements during 2008			
Discount accretion and effect of inflation	280	–	280
Provision charged to income statement	46	–	46
Effect of change in estimate credited to income statement	(50)	–	(50)
Effect of change in estimate credited to fixed assets	(190)	–	(190)
Current cash expenditures	(176)	(155)	(331)
Balance at December 31, 2008	6,328	35	6,363
Movements during 2009			
Discount accretion and effect of inflation	305	–	305
Provision charged to income statement	38	–	38
Effect of change in estimate added to fixed assets	7	–	7
Current cash expenditures	(233)	(32)	(265)
Balance at December 31, 2009	6,445	3	6,448

Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

19. Short-term Loans

Short-term loans at December 31, 2009, 2008 and 2007 are as follows (in CZK millions)

	2009	2008	2007
Short-term bank loans	25,310	31,394	10,571
Bank overdrafts	1,336	500	7,477
Other short-term borrowings	4,611	3,107	–
Total	31,257	35,001	18,048

Interest on short-term loans is variable. The weighted average interest rate was 2.0% at December 31, 2009, 3.3% at December 31, 2008 and 4.1% at December 31, 2007. For the years 2009 and 2008 the weighted average interest rate was 2.3% and 4.0%, respectively.

At December 31, 2009 and 2008 short-term bank loans include the loan of CZK 14,556 million and CZK 16,158 million which was used to finance the acquisition of investment in MOL (see Note 4).

20. Trade and Other Payables

Trade and other payables at December 31, 2009, 2008 and 2007 are as follows (in CZK millions)

	2009	2008	2007
Advances received from retail customers	21,861	7,359	18,240
Unbilled electricity supplied to retail customers	(20,327)	(6,490)	(17,886)
Received advances from retail customers, net	1,534	869	354
Trade payables	37,998	41,065	15,993
Fair value of option (see Note 4)	6,948	7,534	–
Derivatives	27,558	41,958	6,873
Other	2,815	2,220	2,517
Total	76,853	93,646	25,737

The information about payables to related parties is included in Note 28.

21. Accrued Liabilities

Accrued liabilities at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions)

	2009	2008	2007
Provision for CO_2 emissions	1,077	1,033	231
Other provisions	1,763	1,426	1,432
Accrued interest	2,132	1,387	891
Taxes and fees, except income tax	910	1,134	1,005
Unbilled goods and services	5,274	4,324	3,764
Contingent liabilities from acquisitions	429	524	604
Deferred variation margin on “own use” electricity futures (see Note 12)	2,081	2,561	–
Deferred income	1,218	1,252	575
Other	83	79	83
Total	14,967	13,720	8,585

22. Revenues

The composition of revenues for the years ended December 31, 2009 and 2008 is as follows (in CZK millions)

	2009	2008
Sale of electricity		
Sales of electricity to end customers	69,151	59,679
Sales of electricity through energy exchange	25,042	22,810
Sales to distribution and transmission companies	1,564	1,258
Exports of electricity	5,105	6,452
Other sales of electricity	23,552	24,496
Effect of hedging (see Note 16.3)	119	3,245
Sales of ancillary, system, distribution and other services	48,961	47,377
Total sales of electricity	173,494	165,317
Electricity, coal and gas derivative trading		
Sales	162,640	85,246
Purchases	(153,091)	(82,605)
Changes in fair value of commodity derivatives	(2,655)	1,454
Total gains and losses from electricity, coal and gas derivative trading, net	6,894	4,095
Sales of heat	3,280	3,295
Sales of coal	4,031	3,701
Other	8,653	7,550
Total revenues	196,352	183,958

In October 2007 the Shareholder’s meeting of Elektrociepłownia Chorzów ELCHO sp. z o.o. (“ELCHO”) decided to terminate its long-term contract for the sale of electricity with Polskie Sieci Elektroenergetyczne S.A. (PSE) based on which the electricity should have originally been delivered until 2023. According to the Act on termination of long-term agreements ELCHO will receive compensation in cash from an entity established by Polish state, to compensate the revenues lost (the equivalent of the difference between original contractual price and market price with the total limit of PLN 889 million). From April 2008 ELCHO started to sell the electricity on the free market. In 2009 and 2008 ELCHO recognized CZK 1,203 million and CZK 719 million of revenues as a result of the above mentioned compensations.

■ 23. Salaries and Wages

Salaries and wages for the years ended December 31, 2009 and 2008 were as follows (in CZK millions)

	2009		2008	
	Total	Key management personnel 1)	Total	Key management personnel 1)
Salaries and wages	(12,098)	(259)	(11,467)	(239)
Remuneration of the board members, including royalties	(144)	(37)	(106)	(35)
Share options	(110)	(110)	(123)	(123)
Social and health security	(3,768)	(18)	(3,735)	(15)
Other personal expenses	(1,996)	(19)	(1,525)	(22)
Total	(18,116)	(443)	(16,956)	(434)

1) Key management personnel represent members of Supervisory Board, Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments of the parent company with group field of activity. The remuneration of former members of company bodies is included in personal expenses.

At December 31, 2009, 2008 and 2007, the aggregate number of share options granted to members of Board of Directors, Supervisory Board and selected managers was 2,325 thousand, 2,355 thousand and 3,175 thousand, respectively.

The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on General Meeting held in June 2005.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Pursuant to the resolution of the May 2008 General Meeting, members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficent has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2009 and 2008 the Company recognized a compensation expense of CZK 110 million and CZK 123 million, respectively, related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2009 and 2008 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board '000s	Board of Directors '000s	Selected managers '000s	Total '000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2007 2)	450	1,640	1,085	3,175	446.70
Options granted	–	975	140	1,115	1,232.65
Movements	–	150	(150)	–	–
Options exercised 1)	(300)	(1,140)	(495)	(1,935)	292.40
Share options at December 31, 2008 2)	150	1,625	580	2,355	945.60
Options granted	–	145	245	390	842.14
Movements		75	(75)	–	–
Options exercised 1)	(150)	(75)	(170)	(395)	370.46
Options forfeited	–	–	(25)	(25)	752.95
Share options at December 31, 2009 2)	–	1,770	555	2,325	1,028.03

1) In 2009 and 2008 the weighted average share price at the date of the exercise for the options exercised was CZK 849.34 and CZK 1,290.78, respectively.
2) At December 31, 2009, 2008 and 2007 the number of exercisable options was 965 thousand, 865 thousand and 2,490 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 922.11 per share, CZK 551.23 per share and CZK 304.91 per share at December 31, 2009, 2008 and 2007, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2009	2008
Weighted average assumptions		
Dividend yield	6.3%	2.9%
Expected volatility	41.3%	31.2%
Mid-term risk-free interest rate	2.3%	3.9%
Expected life (years)	2.1	2.0
Share price (CZK per share)	880.8	1,169.0
Weighted average grant-date fair value of options (CZK per 1 option)	175.9	173.0

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at December 31, 2009, 2008 and 2007 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2009	2008	2007
CZK 100–500 per share	–	265	1,750
CZK 500–900 per share	935	700	1,125
CZK 900–1,400 per share	1,390	1,390	300
Total	2,325	2,355	3,175

The options granted which were outstanding as at December 31, 2009 and 2008 had an average remaining contractual life of 2.3 years and 1.8 years, respectively.

24. Other Operating Expenses

Other operating expenses for the years ended December 31, 2009 and 2008 consist of the following (in CZK millions)

	2009	2008
Services	(11,744)	(9,891)
Travel expenses	(275)	(285)
Gain on sale of property, plant and equipment	106	68
Gain on sale of material	63	121
Capitalization of expenses to the cost of assets and change in own inventory	4,682	1,721
Fines, penalties and penalty interest, net	619	731
Change in provisions and valuation allowances	(265)	618
Taxes and fees	(2,198)	(2,477)
Write-off of bad debts and cancelled investment	(260)	(234)
Gifts	(456)	(336)
Other, net	(2,448)	(2,303)
Total	(12,176)	(12,267)

Taxes and fees include the contributions to the nuclear account (see Note 17). The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

25. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2009 and 2008 is as follows (in CZK millions)

	2009	2008
Loans and receivables	986	694
Held-to-maturity investments	52	68
Available-for-sale investments	285	263
Financial assets held for trading	–	10
Bank accounts	1,176	807
Total	2,499	1,842

26. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2009 and 2008 consist of the following (in CZK millions)

	2009	2008
Derivative gains (losses), net	620	(2,685)
Gains on sales of available-for-sale financial assets	101	968
Gain on sales of financial assets held for trading	–	1
Change in impairment of financial investments	13	37
Other, net	449	10
Total	1,183	(1,669)

27. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 20% and 21% in 2009 and 2008. The Czech corporate income tax rate for 2010 and on will be 19%. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have a potentially effect on reported income.

The components of the income tax provision are as follows (in CZK millions)

	2009	2008
Current income tax charge	(13,256)	(14,271)
Adjustments in respect of current income tax of previous periods	125	78
Deferred income taxes	40	828
Total	(13,091)	(13,365)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings are as follows (in CZK millions):

	2009	2008
Income before income taxes	64,946	60,716
Statutory income tax rate in Czech Republic	20%	21%
"Expected" income tax expense	(12,989)	(12,750)
Tax effect of		
Change in tax rates and laws	(204)	150
Non-deductible provisions, net	51	68
Non-deductible gain (loss) from derivatives	379	(1,146)
Non-deductible expenses related to shareholdings	(71)	(194)
Other non taxable (non-deductible) items, net	(450)	(72)
Income already taxed or exempt	133	286
Tax credits	4	4
Adjustments in respect of current income tax of previous periods	125	78
Effect of different tax rate in other countries	70	135
Change in unrecorded deferred tax receivables	(139)	76
Income taxes	(13,091)	(13,365)
Effective tax rate	20%	22%

Deferred income taxes, net, at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions)

	2009	2008	2007
Accumulated provision for nuclear decommissioning and spent fuel storage	5,850	5,625	6,363
Financial statement depreciation in excess of tax depreciation	24	142	3
Revaluation of financial instruments	468	1,367	56
Allowances	517	383	495
Other provisions	1,503	903	1,086
Penalty payables	–	3	11
Tax loss carry forwards	205	199	357
Other temporary differences	123	164	77
Unrecorded deferred tax asset	(190)	(51)	(127)
Total deferred tax assets	8,500	8,735	8,321
Tax depreciation in excess of financial statement depreciation	21,931	21,109	23,089
Revaluation of financial instruments	135	141	825
Other provisions	452	539	973
Penalty receivables	21	20	19
Other temporary differences	472	531	86
Total deferred tax liability	23,011	22,340	24,992
Total deferred tax liability, net	14,511	13,605	16,671

Movements in net deferred tax liability in 2009 and 2008 were as follows (in CZK millions)

	2009	2008
Opening balance	13,605	16,671
Deferred tax recognized in profit or loss	(40)	(828)
Deferred tax charged directly to equity	885	(2,114)
Acquisition of subsidiaries	46	(1)
Disposal of subsidiaries	1	(21)
Currency translation differences	14	(102)
Closing balance	14,511	13,605

At December 31, 2009, 2008 and 2007 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 15,454 million, CZK 16,885 million and CZK 20,737 million, respectively.

Tax effects relating to each component of other comprehensive income (in CZK million)

	2009			2008		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	2,719	(587)	2,132	(7,564)	1,550	(6,014)
Cash flow hedges removed from equity	1,643	(312)	1,331	(3,196)	639	(2,557)
Change in fair value of available-for-sale financial assets recognized in equity	84	(30)	54	372	(75)	297
Available-for-sale financial assets removed from equity	17	4	21	2	–	2
Translation differences	(2,716)	39	(2,677)	(3,457)	–	(3,457)
Share on equity movements of associates and joint-ventures	(11)	1	(10)	112	–	112
Other movements	–	–	–	21	–	21
Total	1,736	(885)	851	(13,710)	2,114	(11,596)

■ 28. Related Parties

The Group purchases products, goods and services from related parties in the ordinary course of business.

At December 31, 2009, 2008 and 2007, the receivables from related parties and payables to related parties are as follows (in CZK millions)

	Receivables			Payables		
	2009	2008	2007	2009	2008	2007
Associates, joint-ventures and other affiliates						
Akcez Enerji A.S.	118	–	–	85	1,571	–
Akenerji Elektrik Üretim A.S.	652	–	–	–	–	–
CM European Power International s.r.o.	49	63	–	–	–	–
Coal Energy, a.s.	–	262	175	–	35	29
ČEZ ENERGOSERVIS spol. s r.o.	2	9	1	52	48	36
JTSD - Braunkohlebergbau GmbH	6,502	–	–	–	–	–
LOMY MOŘINA spol. s r.o.	–	–	–	10	14	4
OSC, a.s.	–	–	–	42	20	17
SINIT,a.s.	1	–	–	11	18	19
Ústav aplikované mechaniky Brno, s.r.o.	–	–	–	5	14	10
Others	21	10	15	35	28	25
Total associates, joint-ventures and other affiliates	7,345	344	191	240	1,748	140
Entities under the control of Company's majority owner						
ČEPS, a.s.	234	614	201	60	116	191
Česká pošta s.p.	1	1	3	69	61	56
České dráhy, a.s.	1	–	480	3	–	66
ČD Cargo, a.s.	–	–	–	210	247	–
Správa železniční dopravní cesty, státní organizace	691	511	–	60	–	–
Ministry of Finance of the Czech Republic	2	1,270	2,012	–	–	–
Others	10	–	–	32	2	2
Total entities under the control of Company's majority owner	939	2,396	2,696	434	426	315
Total	8,284	2,740	2,887	674	2,174	455

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (in CZK millions)

	Sales to related parties		Purchases from related parties	
	2009	2008	2009	2008
Associates, joint-ventures and other affiliates				
Akcez Enerji A.S.	118	–	–	–
Centrum výzkumu Řež s.r.o.	67	41	14	12
CM European Power International s.r.o.	41	63	–	–
Coal Energy, a.s.	–	2,541	57	383
ČEZ ENERGOSERVIS spol. s r.o.	11	6	298	135
JTSD - Braunkohlebergbau GmbH	42	–	–	–
LOMY MOŘINA spol. s r.o.	–	14	139	120
OSC, a.s.	–	–	95	90
SINIT,a.s.	4	3	117	68
Others	75	35	185	138
Total associates, joint-ventures and other affiliates	358	2,703	905	946
Entities under the control of Company's majority owner				
ČEPS, a.s.	6,489	6,450	10,053	8,318
Česká pošta s.p.	137	106	161	123
České dráhy, a.s.	6	64	1	5
ČD Cargo, a.s.	1	–	1,578	1,643
Správa železniční dopravní cesty, státní organizace	713	2,284	39	–
Others	37	2	103	–
Total entities under the control of Company's majority owner	7,383	8,906	11,935	10,089
Total	7,741	11,609	12,840	11,035

Information about compensation of key management personnel is included in Note 23.

29. Segment Information

The Group reports its result based on operating segments which are defined with respect to geographical location of the assets with similar economic environment and characteristics, e.g. similar long term average gross margins, similar nature of the products and services and with regard to regulatory environment.

According to geographical location, the Group distinguishes the following two regions that in combination with products and services form the reportable segments: Central Europe (CE) and South East Europe (SEE). The Central Europe region includes the Czech Republic, the Netherlands, Poland, Germany, Hungary and Slovakia except for the Dutch company Aken B.V. which is included in the South East Europe region. The South East Europe region consists of the operations of the Group in Bulgaria, Romania, Turkey, Albania, Serbia, Kosovo, Bosnia and Herzegovina, Russia and the Ukraine except for trading operations that are provided at the Group headquarters and therefore presented in the Central Europe region.

According to nature of the products and services the Group distinguishes four categories as follows:

1) The power production and trading which includes production of electricity and heat and the commodity trading activities of the Group;
2) The distribution and sale which sells electricity to end customers through the power distribution grid and provides power distribution services;
3) The mining that produces coal and limestone used by the power production business operations and sold to third parties; and
4) The other business activities.

The Group has seven reportable segments as a result of the combination of geographical location and nature of products and services as follows:

- Power Production and Trading / Central Europe
- Power Production and Trading / South East Europe
- Distribution and Sale / Central Europe
- Distribution and Sale / South East Europe
- Mining / Central Europe
- Other / Central Europe
- Other / South East Europe

The accounting policies of the operating segments are the same as those described in Note 2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments and allocates resources to them based on EBITDA (income before income taxes and other income (expenses) plus depreciation and amortization).

The following tables summarize segment information by operating segments for the years ended December 31, 2009, 2008 and 2007 (in CZK millions):

Year 2009	Power Production and Trading CE	Power Production and Trading SEE	Distribution and Sale CE	Distribution and Sale SEE	Mining CE	Other CE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	73,033	2,871	81,932	30,042	4,523	3,931	20	196,352	–	196,352
Intersegment sales	53,066	294	4,126	123	6,641	33,735	2,676	100,661	(100,661)	–
Total revenues	**126,099**	**3,165**	**86,058**	**30,165**	**11,164**	**37,666**	**2,696**	**297,013**	**(100,661)**	**196,352**
EBITDA	68,464	244	9,316	3,086	5,287	4,576	82	91,055	20	91,075
Depreciation and amortization	(13,730)	(366)	(3,065)	(2,100)	(1,415)	(2,137)	(63)	(22,876)	–	(22,876)
EBIT	54,734	(122)	6,251	986	3,872	2,439	19	68,179	20	68,199
Interest on debt and provisions	(5,139)	(53)	(34)	(84)	(346)	(29)	(24)	(5,709)	232	(5,477)
Interest income	1,433	112	53	583	457	84	9	2,731	(232)	2,499
Negative goodwill write-off and goodwill impairment, net	(3,263)	–	–	–	–	–	–	(3,263)	–	(3,263)
Income from associates and joint-ventures	(12)	104	–	(91)	2,995	–	–	2,996	–	2,996
Income taxes	(9,729)	(16)	(1,209)	(853)	(799)	(481)	(4)	(13,091)	–	(13,091)
Net income	37,708	19	5,121	391	6,553	2,061	2	51,855	–	51,855
Identifiable assets	201,116	21,373	55,257	28,096	15,422	17,582	145	338,991	(10,186)	328,805
Investment in associates and joint-ventures	4,356	6,805	–	2,630	3,459	–	–	17,250	–	17,250
Unallocated assets										184,204
Total assets										**530,259**
Capital expenditure	28,675	9,657	9,778	2,523	3,498	4,055	103	58,289	(1,667)	56,622
Average number of employees	7,103	596	1,421	8,309	3,498	8,392	1,449	30,768	–	30,768

Year 2008	Power Production and Trading CE	Power Production and Trading SEE	Distribution and Sale CE	Distribution and Sale SEE	Mining CE	Other CE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	69,032	3,143	79,356	23,819	4,018	4,569	21	183,958	–	183,958
Intersegment sales	48,488	917	3,678	155	6,285	28,892	2,247	90,662	(90,662)	–
Total revenues	**117,520**	**4,060**	**83,034**	**23,974**	**10,303**	**33,461**	**2,268**	**274,620**	**(90,662)**	**183,958**
EBITDA	64,815	(33)	11,045	3,046	4,819	4,950	63	88,705	(4)	88,701
Depreciation and amortization	(13,988)	(349)	(2,843)	(1,654)	(1,226)	(1,932)	(55)	(22,047)	–	(22,047)
EBIT	50,827	(382)	8,202	1,392	3,593	3,018	8	66,658	(4)	66,654
Interest on debt and provisions	(4,958)	(65)	(18)	–	(474)	(83)	(17)	(5,615)	456	(5,159)
Interest income	959	132	185	495	339	181	7	2,298	(456)	1,842
Negative goodwill write-off and goodwill impairment, net	–	–	–	–	–	14	–	14	–	14
Income from associates and joint-ventures	(4)	–	–	–	(1)	17	–	12	–	12
Income taxes	(10,154)	15	(1,649)	(88)	(812)	(675)	(2)	(13,365)	–	(13,365)
Net income	34,207	(562)	6,406	1,838	3,136	2,337	(11)	47,351	–	47,351
Identifiable assets	185,918	12,765	48,558	23,095	13,331	15,604	166	299,437	(8,611)	290,826
Investment in associates and joint-ventures	149	–	–	1,571	187	–	–	1,907	–	1,907
Unallocated assets										180,442
Total assets										**473,175**
Capital expenditure	20,844	10,416	7,491	800	3,100	4,835	1,326	48,812	(2,541)	46,271
Average number of employees	7,091	667	1,391	5,066	3,511	8,902	1,702	28,330	–	28,330

December 31, 2007	Power Production and Trading CE	Power Production and Trading SEE	Distribution and Sale CE	Distribution and Sale SEE	Mining CE	Other CE	Other SEE	Combined	Elimination	Consolidated
Identifiable assets	187,015	3,053	43,813	24,206	11,615	13,526	168	283,396	(6,231)	277,165
Investment in associates and joint-ventures	60	–	–	–	188	–	–	248	–	248
Unallocated assets										93,529
Total assets										**370,942**

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues according to the location of the entity where the revenues are originated (in CZK million):

	2009	2008
Czech Republic	154,666	147,516
Bulgaria	19,321	18,384
Romania	9,711	9,897
Poland	4,235	3,556
Albania	4,287	–
Other	4,132	4,605
Total revenues	196,352	183,958

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2009, 2008 and 2007 (in CZK million):

	2009	2008	2007
Czech Republic	268,540	243,861	237,313
Bulgaria	14,625	14,912	15,131
Romania	29,599	21,097	12,228
Poland	10,649	10,935	12,483
Albania	5,384	–	–
Other	8	21	10
Total property, plant and equipment	328,805	290,826	277,165

30. Net Income per Share

	2009	2008
Numerator (CZK millions)		
Basic and diluted		
Net income attributable to equity holders of the parent	51,547	46,510
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	533,225	534,594
Dilutive effect of share options	213	747
Diluted		
Adjusted weighted average shares	533,438	535,341
Net income per share (CZK per share)		
Basic	96.7	87.0
Diluted	96.6	86.9

31. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2009 to total CZK 365.0 billion over the next five years, as follows: CZK 92.5 billion in 2010, CZK 78.5 billion in 2011, CZK 75.7 billion in 2012, CZK 72.5 billion in 2013 and CZK 45.8 billion in 2014. These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Group will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2009 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing Czech nuclear insurance pool) and European Liability Insurance for the Nuclear Industry.

The Group also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Group.

32. Events after the Balance Sheet Date

In February 2010 the Company issued additional EUR 150 million related to 5.000% Eurobonds, due 2021.

These financial statements have been authorized for issue on February 25, 2010.

ERNST & YOUNG

Independent Auditor's Report

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of ČEZ, a. s. which comprise the balance sheet as at December 31, 2009, and statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on ČEZ, a. s. see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require 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 present fairly, in all material respects, the financial position of ČEZ, a. s. as at December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Ernst & Young

Ernst & Young Audit, s.r.o.
License No. 401
Represented by partner

Josef Pivoňka
Auditor, License No. 1963

February 25, 2010
Prague, Czech Republic

ČEZ, a. s.
Balance Sheet in Accordance with IFRS as of December 31, 2009

(in CZK millions)

ASSETS	2009	2008 *)	2007 *)
Property, plant and equipment			
Plant in service	298,600	296,094	295,255
Less accumulated provision for depreciation	(170,808)	(162,220)	(150,603)
Net plant in service (Note 3)	127,792	133,874	144,652
Nuclear fuel, at amortized cost	5,420	6,266	6,955
Construction work in progress (Note 3)	51,697	32,892	20,645
Total property, plant and equipment	184,909	173,032	172,252
Other non-current assets			
Investments and other financial assets, net (Note 4)	169,515	119,830	108,634
Intangible assets, net (Note 5)	662	782	1,009
Total other non-current assets	170,177	120,612	109,643
Total non-current assets	355,086	293,644	281,895
Current assets			
Cash and cash equivalents (Note 6)	14,567	7,011	1,988
Receivables, net (Note 7)	41,990	33,409	15,368
Income tax receivable	1	2	–
Materials and supplies, net	3,144	2,832	2,731
Fossil fuel stocks	1,532	1,069	592
Emission rights (Note 8)	724	1,274	2
Other financial assets, net (Note 9)	27,083	52,833	7,659
Other current assets (Note 10)	571	519	3,659
Total current assets	89,612	98,949	31,999
TOTAL ASSETS	444,698	392,593	313,894

EQUITY AND LIABILITIES	2009	2008 *)	2007 *)
Equity			
Stated capital	53,799	59,221	59,221
Treasury shares	(5,151)	(66,910)	(55,972)
Retained earnings and other reserves	128,812	162,616	146,633
Total equity (Note 11)	177,460	154,927	149,882
Long-term liabilities			
Long-term debt, net of current portion (Note 12)	112,506	66,559	51,839
Accumulated provision for nuclear decommissioning and fuel storage (Note 15)	36,932	35,422	38,997
Other long-term liabilities (Note 16)	4,587	3,131	959
Total long-term liabilities	154,025	105,112	91,795
Deferred tax liability (Note 24)	8,721	8,613	11,618
Current liabilities			
Short-term loans	12,618	13,020	11,822
Current portion of long-term debt (Note 12)	6,232	4,710	3,235
Trade and other payables (Note 17)	76,907	95,770	39,060
Income tax payable	926	3,381	3,696
Accrued liabilities (Note 18)	7,809	7,060	2,786
Total current liabilities	104,492	123,941	60,599
TOTAL EQUITY AND LIABILITIES	444,698	392,593	313,894

*) Certain numbers shown do not correspond to the 2008 financial statements and reflect reclassifications made.

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

ČEZ, a. s.
Statement of Income in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	2009	2008 *)
Revenues		
Sales of electricity	108,421	102,505
Gains and losses from electricity, coal and gas derivative trading, net	6,401	3,455
Heat sales and other revenues	4,383	4,337
Total revenues (Note 19)	119,205	110,297
Operating expenses		
Fuel	(17,475)	(16,790)
Purchased power and related services	(16,373)	(15,473)
Repairs and maintenance	(3,901)	(3,583)
Depreciation and amortization	(12,927)	(13,035)
Salaries and wages (Note 20)	(6,235)	(5,904)
Materials and supplies	(1,814)	(1,765)
Emission rights, net (Note 8)	(552)	1,785
Other operating expenses (Note 21)	(6,953)	(6,677)
Total expenses	(66,230)	(61,442)
Income before other income (expenses) and income taxes	52,975	48,855
Other income (expenses)		
Interest on debt, net of capitalized interest	(3,055)	(2,934)
Interest on nuclear and other provisions (Note 15)	(1,859)	(1,755)
Interest income (Note 22)	1,098	983
Foreign exchange rate gains (losses), net	(1,056)	(909)
Gain (loss) on sale of subsidiaries, associates and joint-ventures	(76)	679
Other income (expenses), net (Note 23)	6,778	12,048
Total other income (expenses)	1,830	8,112
Income before income taxes	54,805	56,967
Income taxes (Note 24)	(9,378)	(9,849)
Net income	45,427	47,118
Net income per share (CZK per share) (Note 27)		
Basic	85.2	88.1
Diluted	85.2	88.0
Average number of shares outstanding (000s)		
Basic	533,225	534,594
Diluted	533,438	535,341

*) Certain numbers shown do not correspond to the 2008 financial statements and reflect reclassifications made.

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

ČEZ, a. s.
Statement of Comprehensive Income in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	2009	2008
Net income	45,427	47,118
Other comprehensive income		
Change in fair value of cash flow hedges recognized in equity	2,738	(7,564)
Cash flow hedges removed from equity	1,643	(3,198)
Change in fair value of available-for-sale financial assets recognized in equity	10	260
Deferred tax relating to other comprehensive income	(903)	2,137
Other movements	–	24
Other comprehensive income, net of tax	3,488	(8,341)
Total comprehensive income	48,915	38,777

ČEZ, a. s.
Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	Stated capital	Treasury shares	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total equity
December 31, 2007	59,221	(55,972)	2,939	353	143,341	149,882
Net income	–	–	–	–	47,118	47,118
Other comprehensive income	–	–	(8,572)	207	24	(8,341)
Total comprehensive income	–	–	(8,572)	207	47,142	38,777
Dividends	–	–	–	–	(21,321)	(21,321)
Acquisition of treasury shares	–	(13,098)	–	–	–	(13,098)
Sale of treasury shares	–	2,160	–	–	(1,596)	564
Share options	–	–	–	123	–	123
Transfer of exercised and forfeited share options within equity	–	–	–	(204)	204	–
December 31, 2008	59,221	(66,910)	(5,633)	479	167,770	154,927
Net income	–	–	–	–	45,427	45,427
Other comprehensive income	–	–	3,478	10	–	3,488
Total comprehensive income	–	–	3,478	10	45,427	48,915
Dividends	–	–	–	–	(26,638)	(26,638)
Reduction of the stated capital	(5,422)	61,313	–	–	(55,891)	–
Sale of treasury shares	–	446	–	–	(300)	146
Share options	–	–	–	110	–	110
Transfer of exercised and forfeited share options within equity	–	–	–	(79)	79	–
December 31, 2009	53,799	(5,151)	(2,155)	520	130,447	177,460

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

ČEZ, a. s.
Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2009

(in CZK millions)

	2009	2008
OPERATING ACTIVITIES		
Income before income taxes	54,805	56,967
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	12,935	13,052
Amortization of nuclear fuel	2,771	2,647
(Gain) loss on fixed asset retirements, net	111	(711)
Foreign exchange rate losses (gains), net	1,056	909
Interest expense, interest income and dividend income, net	(8,850)	(6,317)
Provision for nuclear decommissioning and fuel storage	272	293
Valuation allowances, other provisions and other adjustments	6,562	(2,027)
Changes in assets and liabilities		
Receivables	(755)	(16,527)
Materials and supplies	(273)	(103)
Fossil fuel stocks	(463)	(477)
Other current assets	28,474	(43,400)
Trade and other payables	(22,182)	50,091
Accrued liabilities	(59)	2,856
Cash generated from operations	74,404	57,253
Income taxes paid	(12,628)	(11,035)
Interest paid, net of capitalized interest	(1,850)	(2,091)
Interest received	990	1,031
Dividends received	10,807	8,268
Net cash provided by operating activities	71,723	53,426
INVESTING ACTIVITIES		
Acquisition of subsidiaries, associates and joint-ventures	(39,726)	(6,703)
Proceeds from disposal of subsidiaries, associates and joint- ventures	2,624	1,607
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(39,354)	(17,746)
Proceeds from sale of fixed assets	317	323
Loans made	(26,412)	(4,134)
Repayment of loans	12,347	2,551
Change in decommissioning and other restricted funds	(715)	(464)
Total cash used in investing activities	(90,919)	(24,566)
FINANCING ACTIVITIES		
Proceeds from borrowings	237,691	241,563
Payments of borrowings	(190,229)	(227,934)
Change in payables/receivables from group cashpooling	6,397	(4,371)
Dividends paid	(26,545)	(21,218)
(Acquisition) sale of treasury shares, net	146	(12,535)
Net cash provided by (used in) financing activities	27,460	(24,495)
Net effect of currency translation in cash	(708)	658
Net increase in cash and cash equivalents	7,556	5,023
Cash and cash equivalents at beginning of period	7,011	1,988
Cash and cash equivalents at end of period	14,567	7,011
Supplementary cash flow information		
Total cash paid for interest	3,754	3,346

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

ČEZ, a. s.
Notes to the Financial Statements as of December 31, 2009

1. Description of the Company

ČEZ, a. s. (the Company), business registration number 45274649, is a joint stock company incorporated on May 6, 1992 under the laws of the Czech Republic in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The Company's registered office is located at Duhová 2/1444, Prague 4, Czech Republic.

The Company is involved primarily in the production, trading and sale of electricity and the related support services and in the production, distribution and sale of heat.

The average recounted number of employees was 6,177 and 6,218 in 2009 and 2008, respectively.

The Czech Republic, represented by the Ministry of Finance and, to a small degree by the Ministry of Labor and Social Affairs, is a majority shareholder holding 69.8% of the Company's share capital at December 31, 2009. The majority shareholder's share of the voting rights represented 70.4% at the same date.

Members of the statutory and supervisory bodies at December 31, 2009 were as follows:

Board of Directors		Supervisory Board	
Chair	Martin Roman	Chair	Martin Kocourek
1st Vice-chair	Daniel Beneš	Vice-chair	Ivan Fuksa
2nd Vice-chair	Tomáš Pleskač	Vice-chair	Zdeněk Židlický
Member	Peter Bodnár	Member	Jan Demjanovič
Member	Vladimír Hlavinka	Member	Petr Gross
Member	Martin Novák	Member	Zdeněk Hrubý
		Member	Vlastimil Jiřík
		Member	Petr Kalaš
		Member	Miloš Kebrdle
		Member	Lubomír Klosík
		Member	Drahoslav Šimek
		Member	Zdeněk Trojan

2. Summary of Significant Accounting Policies

2.1. Basis of Presentation of the Financial Statements

Pursuant to the Accounting Law, the accompanying separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Company do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) except for IFRIC 12 which has been adopted by the EU with effective date for annual periods commencing after April 1, 2009 and IFRIC 18 adopted by the EU with effective date for annual periods commencing after October 31, 2009.

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2008 or as at December 31, 2008 and December 31, 2007 are presented in the format required for 2009. Starting January 1, 2009 receivables and payables from derivative transactions are divided into short-term and long-term. Prior period comparatives have been adjusted accordingly (see Note 2.25).

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period. The consolidated financial statements were authorized for issue on February 25, 2010.

2.2. Presentation Currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the functional and presentation currency has been determined to be Czech crowns (CZK).

2.3. Revenue Recognition

The Company recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Dividends earned on investments are recognized when the right of payment has been established.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,771 million and CZK 2,647 million for the years ended December 31, 2009 and 2008, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 15). Such charges amounted to CZK 272 million and CZK 248 million in 2009 and 2008, respectively.

2.6. Interest

The Company capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 1,903 million and CZK 1,255 million, which was equivalent to an interest capitalization rate of 4.8% and 5.0% in both years 2009 and 2008.

2.7. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and valuation allowances. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The costs of completed technical improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment the cost and related accumulated depreciation of the disposed item or its replaced part are derecognized from balance sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item of Other operating expenses.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation is calculated according to a depreciation plan, based on the acquisition cost and the estimated useful life of related asset. The estimated useful lives used for property, plant and equipment are as follows:

	Years (from–to)
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

Average depreciable lives based on the functional use of property, plant and equipment are as follows:

	Average Life
Hydro plants	
Buildings and structures	48
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	33
Machinery and equipment	15
Nuclear power plant	
Buildings and structures	36
Machinery and equipment	17

Depreciation of plant in service was CZK 12,714 million and CZK 12,848 million for the years ended December 31, 2009 and 2008, which was equivalent to a composite depreciation rate of 4.3% and 4.4%, respectively. The tangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of heat generated (in GJ) and on a consumption coefficient (CZK per GJ) reflecting the cost of fuel elements located in the reactor, their scheduled life in the reactor and scheduled heat generation.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.21). As at December 31, 2009, 2008 and 2007 capitalized costs at net book value amounted to CZK 300 million, CZK 329 million and CZK 455 million, respectively.

2.9. Intangible Assets

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 10 years. The intangible assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. The costs of completed technical improvements are capitalized.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses. At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.10. Emission Rights

Right to emit greenhouse gasses (hereinafter “emission right”) represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2009 and 2008 the Company was granted emission rights free of charge.

The Company is responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person. On April, 30 of the following year, at latest, the Company is required to remit a number of allowances representing the number of tones of CO_2 actually emitted. Should the Company not fulfill this requirement and remit necessary number of emission rights, it would have to pay a penalty of EUR 100 per 1 ton of CO_2.

In the financial statements, the emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. If the granted allowances are not sufficient to cover actual emissions, the Company recognizes a provision which is measured at the cost of purchased allowances up to the level of purchased allowances held and then at the market price of allowances ruling at the balance sheet date.

The Company also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Company assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets’ carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) or emission credits are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

2.11. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments and loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market are measured at cost.

The carrying amounts of such available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

The Company evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the entity has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Investments in subsidiaries, associates and joint-ventures are carried at cost which includes directly attributable transaction costs. Impaired investments are provided for or written off.

Mergers with entities under common control are recorded using a method similar to pooling of interests. Assets and liabilities of the merged entities are included in separate financial statements of the Company at their book values. The difference between the cost of investment in subsidiaries and net assets merged from entities under common control is recorded directly in equity.

2.12. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less. Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.13. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4.2), relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and financial guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Company. As at December 31, 2009, 2008 and 2007, restricted financial assets totaled CZK 7,578 million, CZK 6,864 million and CZK 6,409 million, respectively.

2.14. Receivables, Payables and Accruals

Receivables are carried at their nominal value. Ceded receivables are valued at cost. Doubtful receivables are adjusted for uncollectible amounts through a provision account. Additions to the provision account are charged to income. As at December 31, 2009, 2008 and 2007 the allowance for short-term uncollectible receivables amounted to CZK 1,774 million, CZK 397 million and CZK 404 million, respectively.

Trade and other payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.15. Material and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenditure which has been incurred in respect of the acquisition of material and supplies, transportation costs included. When put in use, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision account to the income statement.

2.16. Fossil Fuel Stock

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.17. Derivative Financial Instruments

The Company uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the attached balance sheet such derivatives are presented as part of Investments and other financial assets, net, Other financial assets, net, Other long-term liabilities and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income and are presented as part of Cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other income (expenses), net.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Other derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.18. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Company provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

Forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts,
- the volumes purchased or sold under the contracts correspond to the Company's operating requirements,
- the contract cannot be considered as written option as defined by the standard. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Company thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement.

2.19. Income Taxes

The provision for corporate tax is calculated in accordance with the Czech tax regulations and is based on the income or loss reported under the Czech accounting regulations, increased or decreased by the appropriate permanent and temporary differences (e.g. differences between book and tax depreciation). Income tax due is provided at a rate of 20% and 21% for the years ended December 31, 2009 and 2008, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2010 and on will be 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is calculated as the product of the tax rate that is expected to apply to the year when the asset is realized or the liability is settled and temporary differences between book and tax accounting.

Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.20. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit and loss using the effective interest rate method.

2.21. Nuclear Provisions

The Company has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation for the years ended 2009, 2008 and 2007 is 2.0%, 2.5% and 2.0%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín power plant and sixty-year period for Dukovany power plant subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Company has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Company's current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.22. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction of equity. No gain or loss is recognized in the income statement on the sale, issuance or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.23. Share Options

Board of Directors and selected managers (and in the past also the Supervisory Board members) have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted.

In case of options which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted.

The expense recognized reflects the best estimate of the number of share options which will ultimately vest. In 2009 and 2008 the expense recognized in respect of the share option plan amounted to CZK 110 million and CZK 123 million, respectively.

2.24. Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns using the exchange rate prevailing at the date of the transaction, as published by the Czech National Bank. In the accompanying financial statements, assets and liabilities are translated at the rate of exchange ruling at December 31. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

Exchange rates used as at December 31, 2009, 2008 and 2007 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2009	2008	2007
CZK per 1 EUR	26.465	26.930	26.620
CZK per 1 USD	18.368	19.346	18.078
CZK per 1 PLN	6.448	6.485	7.412
CZK per 100 SKK	–	89.335	79.179
CZK per 1 BGN	13.532	13.770	13.610
CZK per 1 RON	6.247	6.695	7.443
CZK per 100 JPY	19.875	21.348	–

2.25. Adoption of New IFRS Standards in 2009

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Company has adopted the following new or amended and endorsed by the EU IFRS and IFRIC interpretations as of January 1, 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective January 1, 2009
- IFRS 7 Financial Instruments: Disclosures effective January 1, 2009
- IFRS 8 Operating Segments effective January 1, 2009
- IAS 1 Presentation of Financial Statements effective January 1, 2009
- IAS 23 Borrowing Costs (Revised) effective January 1, 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective January 1, 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after June 30, 2009
- IFRIC 13 Customer Loyalty Programmes effective July 1, 2008
- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective October 1, 2008
- IFRIC 18 Transfers of Assets from Customers effective July 1, 2009 (early adopted)
- Improvements to IFRSs (May 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 13. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 14.2.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense in two linked statements.

IAS 23 Borrowing Costs

The amendment requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs shall be recognized as an expense. This amendment has no impact on the Company as the Company has the policy of including the borrowing costs as part of the cost of the asset.

IFRIC 18 Transfers of Assets from Customers

The Company early adopted this interpretation for transfers of assets received from customers on or after January 1, 2009 as allowed by the interpretation whereas the mandatory effective date was July 1, 2009 and the interpretation was endorsed by the EU in November 2009 with mandatory effective date for EU companies for annual periods commencing after October 31, 2009. IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an asset (item of property, plant, and equipment or cash) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. When the item of property, plant and equipment transferred from a customer meets the definition of an asset the Company must recognize the asset in its financial statements. As the network company has an obligation to provide ongoing access to the network to all customers at the same price (regardless of whether they transferred the asset) indicates that the obligation to provide ongoing access to the network is not a separable identifiable service of the transaction and that connecting the customer is the only service to be delivered in exchange for the asset. As a result since January 1, 2009 the connection fees received from customers are recognized in the income when the fee is received and are not deferred over the period of 20 years as was the case in prior periods. The interpretation did not have any impact on separate financial statements of the Company.

Improvements to IFRSs

In May 2008 the IASB issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the performance of the Company.

IAS 1 Presentation of Financial Statements

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Company analyzed whether the expected period of realization of financial assets and liabilities differed from the classification of the instrument. This resulted in the reclassification of financial instruments of CZK 1,032 million and CZK 339 million at December 2008 and 2007 from current to non-current assets and CZK 2,086 million and CZK 1 million at December 2008 and 2007 from current to long-term liabilities.

Other amendments resulting from Improvements to IFRSs did not have any impact on financial position or performance of the Company.

2.26. New IFRS Standards and Interpretations IFRIC not yet effective

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2010 or later. Standards and interpretations most relevant to the Company's activities are detailed below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The Company will adopt the revised standards from January 1, 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The Company does not expect any impact on the separate financial statements.

IFRS 9 Financial Instruments – Classification and measurement
The IFRS 9 was issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013. According to IFRS 9 all financial assets are initially recognized at fair value plus transaction costs. The standard also eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity.

IAS 24 Related Party Disclosure
The amendments to IAS 24 Related Party Disclosures become effective for financial years beginning on or after January 1, 2010 and must be applied retrospectively. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. As a result, such a reporting entity is exempt from the general disclosure requirements in relation to transactions and balances with the government and government-related entities. In addition, the revised standard amends the definition of a related party where the associate of an investor is now considered to be a related party to both the investor and its subsidiary whereas two associates of an entity are not regarded as related parties to each other. The Company does not expect significant impact on the related party disclosures.

IFRIC 12 Service Concession Arrangements
IFRIC Interpretation 12 was issued in November 2006. This interpretation was adopted by the EU in March 2009 and must be applied from January 1, 2010. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company does not expect any impact on the separate financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners
This interpretation is effective for annual periods beginning on or after July 1, 2010 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Company does not expect IFRIC 17 to have an impact on the separate financial statements as the Company has not made non-cash distributions to shareholders in the past.

IAS 32 Financial Instruments: Presentation (Classification of Rights Issues)
In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company does not expect that the amendment will have an impact on the financial position or performance of the Company.

IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

In April 2009 the Board also issued a collection of amendments to its standards, primarily to remove inconsistencies and clarify wording. The Company has not yet adopted the amendments but it anticipates that the changes will have no material effect on the Company's financial statements.

■ 3. Property, Plant and Equipment

Net plant in service at December 31, 2009 and 2008 was as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2009	Total 2008
Cost at January 1	81,837	213,353	904	296,094	295,255
Additions	966	3,871	25	4,862	6,921
Disposals	(861)	(3,373)	(6)	(4,240)	(1,073)
Change in capitalized part of the provision	1,382	841	–	2,223	(4,139)
Non-monetary contribution and other movements	(35)	(304)	–	(339)	(870)
Cost at December 31	83,289	214,388	923	298,600	296,094
Accumulated depreciation and impairment at January 1	(38,899)	(123,321)	–	(162,220)	(150,603)
Depreciation	(2,474)	(10,240)	–	(12,714)	(12,848)
Net book value of assets disposed	(351)	(6)	–	(357)	(321)
Non-monetary contribution and other movements	9	240	–	249	430
Disposals	861	3,373	–	4,234	1,036
Impairment losses reversed	–	–	–	–	86
Accumulated depreciation and impairment at December 31	(40,854)	(129,954)	–	(170,808)	(162,220)
Net plant in service at December 31	42,435	84,434	923	127,792	133,874

At December 31, 2009, 2008 and 2007, machinery and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2009	2008	2007
Cost	18,669	17,828	21,967
Accumulated depreciation	(5,666)	(5,319)	(4,802)
Net book value	13,003	12,509	17,165

Construction work in progress contains mainly refurbishments performed on Ledvice, Tušimice, Dukovany, Temelín and Počerady power plants.

■ 4. Investments and Other Financial Assets, Net

Investments and other financial assets at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions)

	2009	2008	2007
Restricted debt securities available-for-sale	7,181	6,547	3,233
Restricted debt securities held to maturity	–	25	996
Restricted cash	397	292	2,180
Total restricted financial assets	7,578	6,864	6,409
Equity securities and interests, net	138,703	104,143	93,230
Investment in Pražská teplárenská	12,923	–	–
Loans granted	7,240	4,347	6,561
Derivatives	344	1,031	340
Other long-term receivables, including prepayments	59	74	1,319
Financial assets in progress	2,668	3,371	775
Total	169,515	119,830	108,634

The balance of long-term financial assets in progress includes expenses incurred so far in certain future acquisitions and increases of subsidiaries' capital that was not yet registered on December 31.

The Company agreed with J&T Group and paid for the equity interest of 49% in Pražská teplárenská (Prague's major heat supplier). The transaction is subject to approval of the antimonopoly office. The Company does not exercise any effective control rights and therefore the investment is classified as available-for-sale.

Movements in impairment provisions (in CZK millions)

	2009	2008
Opening balance	2,241	2,244
Additions	3,051	–
Reversals	–	(3)
Closing balance	5,292	2,241

In 2006, the Company created provision against the share in ČEZ Správa majetku, s.r.o. at the amount of the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2009 and 2008, the provision totaled CZK 1,473 million.

In 2006, the Company created provision against the share in ČEZData, s.r.o. (nowadays ČEZ ICT Services, a. s.). This provision relates to the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2009 and 2008, the provision totaled CZK 155 million.

In previous years, the Company maintained a provision against the shares of ŠKODA PRAHA a.s., covering the difference between the market price of the shares at the Prague Stock Exchange and their carrying value. As at December 31, 2009 and 2008, the provision totaled CZK 566 million.

In 2009, the Company created an impairment provision of CZK 100 million against the investment in NERS d.o.o. related to pending arbitration and an impairment provision of CZK 2,951 million against the investment in CEZ Poland Distribution B.V. and CEZ Silesia B.V. in connection with the goodwill impairment recorded in the consolidated financial statements.

Loans granted and other long-term receivables at December 31, 2009, 2008 and 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	2009		2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1–2 years	923	52	640	66	439	1,303
Due in 2–3 years	888	7	555	3	508	12
Due in 3–4 years	907	–	370	5	1,385	–
Due in 4–5 years	948	–	389	–	401	–
Due in more than 5 years	3,574	–	2,393	–	3,828	4
Total	7,240	59	4,347	74	6,561	1,319

Loans granted and other long-term receivables at December 31, 2009, 2008 and 2007 have following effective interest rate structure (in CZK millions)

	2009		2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.0%	82	59	–	74	–	1,310
From 2.0% to 3.0%	–	–	–	–	–	9
From 3.0% to 4.0%	5	–	144	–	850	–
From 4.0% to 5.0%	30	–	47	–	165	–
Over 5.0%	7,123	–	4,156	–	5,546	–
Total	7,240	59	4,347	74	6,561	1,319

Loans granted and other long-term receivables at December 31, 2009, 2008 and 2007 according to currencies (in CZK millions)

	2009		2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
CZK	4,781	34	197	8	1,015	1,310
EUR	–	25	144	66	107	9
PLN	2,459	–	3,990	–	5,439	–
RUB	–	–	16	–	–	–
Total	7,240	59	4,347	74	6,561	1,319

4.1. Investments in Subsidiaries, Associates and Joint-ventures

Several subsidiaries and joint-ventures were founded or acquired during 2009:
ČEZ Bohunice, a.s. (100%), CZECH HEAT a.s. (100%), ČEZ Distribuční zařízení, a.s. (100%) and GENTLEY a.s. (100%) with its registered seat in Prague, CEZ Albania Sh.A. (100%), CEZ Trade Albania Sh.P.K. (100%) and Operatori i Sistemit te Shperndarjes Sh.A. (76%) with its registered seat in Tirana, CEZ Produkty Energetyczne Polska sp. z o.o. (100%) and CEZ Nowa Skawina S.A. (100%) with its registered seat in Chorzow and Skawina, CEZ International Finance B.V. (100%) with its registered seat in Rotterdam, CEZ Finance Ireland Ltd. (100%) with its registered seat in Dublin, CM European Power Slovakia s.r.o. (50%) with its registered seat in Bratislava and Akenerji Elektrik Üretim A.S. (37.36%) with its registered seat in Istanbul.

In 2009 non-controlling interest were purchased in CEZ Distributie S.A., CEZ Vanzare S.A. and CEZ Servicii S.A. As at December 31, 2009, shareholding in CEZ Servicii S.A. is 63% and 100% in case of the two other companies.

In 2009, the stated capital was increased in the form of cash contribution in the following companies: Akcez Enerji A.S., CEZ Ukraine CJSC, CM European Power International B.V., CEZ Srbija d.o.o., Tomis Team S.R.L., New Kosovo Energy L.L.C., ČEZ Bohunice a.s. and CEZ Ciepło Polska sp. z o.o.

In November 2009, the stated capital of ČEZ Distribuční zařízení, a.s. was increased in the form of contribution of a set of assets. In 2009, the Company disposed of Transenergo International B.V. and a part of its shareholding in Akcez Enerji A.S. (22.5%). In February and December 2009 the companies ESS s.r.o. v likvidaci (in liquidation) and Coal Energy, a.s. v likvidaci, respectively, were deleted from the Commercial Register.

The following table summarizes investments in subsidiaries, associates and joint-ventures and other ownership interests at December 31, 2009, 2008 and 2007.

As at December 31, 2009

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,987	100.00	1,020
Severočeské doly a.s.	Czech Republic	14,112	100.00	4,450
CEZ Distributie S.A.	Romania	13,780	100.00	2,012
CEZ Finance Ireland Ltd.	Ireland	9,025	100.00	–
TEC Varna EAD	Bulgaria	8,804	100.00	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	8,688	67.00	–
Tomis Team S.R.L.	Romania	7,661	100.00	–
Akenerji Elektrik Üretim A.S.	Turkey	6,347	37.36	–
CEZ Poland Distribution B.V.	Netherlands	6,240	100.00	–
CEZ Silesia B.V.	Netherlands	5,788	100.00	–
ČEZ Správa majetku, s.r.o.	Czech Republic	4,960	100.00	30
ČEZ ICT Services, a. s.	Czech Republic	4,391	100.00	1,100
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	–
Operatori i Sistemit te Shperndarjes Sh.A.	Albania	3,028	76.00	–
Ovidiu Development S.R.L.	Romania	2,547	95.00	–
ČEZ Teplárenská, a.s.	Czech Republic	2,459	100.00	90
Akcez Enerji A.S.	Turkey	1,744	27.50	–
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	500
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	120
CM European Power International B.V.	Netherlands	949	50.00	–
CEZ Vanzare S.A.	Romania	817	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	791	99.90	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	371
CZECH HEAT a.s.	Czech Republic	676	100.00	–
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	–
ČEZ Distribuční zařízení, a.s.	Czech Republic	399	100.00	–
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	–
GENTLEY a.s.	Czech Republic	374	100.00	–
CM European Power Slovakia s.r.o.	Slovakia	293	24.50	–
PPC Úžín, a.s.	Czech Republic	220	100.00	–
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	272
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	497
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	–
NERS d.o.o.	Bosnia and Herzegovina	106	51.00	–
Energonuclear S.A.	Romania	76	9.15	–
CEZ RUS OOO	Russia	73	100.00	–
CEZ Servicii S.A.	Romania	67	63.00	–
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	42.22	–
CEZ FINANCE B.V.	Netherlands	53	100.00	–
CEZ Polska sp. z o.o.	Poland	50	100.00	–
CEZ Deutschland GmbH	Germany	47	100.00	–
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	–
CEZ Srbija d.o.o.	Serbia	46	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	15
CEZ Hungary Ltd.	Hungary	35	100.00	–
New Kosovo Energy L.L.C.	Kosovo	30	100.00	–
Other		198	–	330
Total		143,995		
Provision		(5,292)		
Total, net		138,703		

As at December 31, 2008

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,987	100.00	1,927
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,816
TEC Varna EAD	Bulgaria	8,804	100.00	–
CEZ Razpredelenie Bulgaria AD	Bulgaria	8,689	67.00	–
CEZ Poland Distribution B.V.	Netherlands	6,240	100.00	–
CEZ Silesia B.V.	Netherlands	5,774	100.00	–
ČEZ Správa majetku, s.r.o.	Czech Republic	4,960	100.00	–
CEZ Distributie S.A.	Romania	4,784	51.01	–
Tomis Team S.R.L.	Romania	4,533	95.00	–
ČEZ ICT Services, a. s.	Czech Republic	4,391	100.00	400
Ovidiu Development S.R.L.	Romania	2,548	95.00	–
ČEZ Teplárenská, a.s.	Czech Republic	2,459	100.00	–
Akcez Enerji A.S.	Turkey	1,550	50.00	–
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	2,197
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	792	100.00	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	862
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	–
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	–
CEZ Vanzare S.A.	Romania	284	51.01	–
PPC Úžín, a.s.	Czech Republic	220	100.00	–
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	242
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	384
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	–
NERS d.o.o.	Bosnia and Herzegovina	110	51.00	–
CM European Power International B.V.	Netherlands	97	50.00	–
CEZ RUS OOO	Russia	73	100.00	–
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	42.22	–
CEZ FINANCE B.V.	Netherlands	53	100.00	–
CEZ Polska sp. z o.o.	Poland	50	100.00	–
CEZ Deutschland GmbH	Germany	47	100.00	–
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	8
CEZ Hungary Ltd.	Hungary	35	100.00	–
CEZ Srbija d.o.o.	Serbia	32	100.00	–
New Kosovo Energy L.L.C.	Kosovo	27	100.00	–
CEZ Servicii S.A.	Romania	27	51.00	–
Other		164	–	407
Total		106,384		
Provision		(2,241)		
Total, net		104,143		

As at December 31, 2007

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,872	100.00	–
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,544
TEC Varna EAD	Bulgaria	8,804	100.00	–
Elektrorazpredelenie Stolichno AD [1]	Bulgaria	8,689	67.00	–
CEZ Silesia B.V.	Netherlands	5,774	100.00	–
CEZ Poland Distribution B.V.	Netherlands	5,156	100.00	–
ČEZ Správa majetku, s.r.o.	Czech Republic	4,934	100.00	–
CEZ Distributie S.A.	Romania	4,784	51.01	–
Teplárenská, a.s.	Czech Republic	2,416	100.00	–
ČEZnet, a.s. [2]	Czech Republic	2,288	100.00	320
ČEZData, s.r.o. [2]	Czech Republic	2,103	100.00	–
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	677
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	792	100.00	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	–
CEZ Vanzare S.A.	Romania	284	51.01	–
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	161
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	294
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	–
PPC Úžín, a.s.	Czech Republic	170	100.00	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	6
NERS d.o.o.	Bosnia and Herzegovina	102	51.00	–
Energetické opravny, a.s.	Czech Republic	75	100.00	–
I & C Energo a.s.	Czech Republic	56	100.00	15
CEZ FINANCE B.V.	Netherlands	53	100.00	–
CEZ Deutschland GmbH	Germany	47	100.00	–
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	–
CITELUM, a.s.	Czech Republic	43	48.00	7
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	42	32.00	–
CEZ Hungary Ltd.	Hungary	35	100.00	–
CEZ Servicii S.A.	Romania	27	51.00	–
CEZ Srbija d.o.o.	Serbia	20	100.00	–
Other		163	–	150
Total		95,474		
Provision		(2,244)		
Total, net		93,230		

[1] The company Elektrorazpredelenie Stolichno AD was renamed CEZ Razpredelenie Bulgaria AD in January 2008.
[2] ČEZnet, a.s. merged with ČEZData, s.r.o. and the effective date of the merger was January 1, 2008.

4.2. Restricted Financial Assets

At December 31, 2009, 2008 and 2007, restricted balances of financial assets totaled CZK 7,578 million, CZK 6,864 million and CZK 6,409 million, respectively, and represented accumulated provision for the decommissioning, reclamation and maintenance of waste storages after they are put out of services, escrow accounts securing the Company's liquidity (pursuant to contracts entered into with the respective banks) from significant financial market volatility affecting market prices of designated hedging transactions, and accumulated provision for nuclear decommissioning in compliance with the Nuclear Act. Since 2007 restricted financial assets comprise not only restricted cash balances, but also term deposits and government bonds.

At December 31, 2009, 2008 and 2007, restricted funds representing accumulated provision for waste storage and reclamation totaled CZK 459 million, CZK 445 million and CZK 465 million, respectively, while restricted funds representing accumulated provision for nuclear decommissioning totaled CZK 6,954 million, CZK 6,255 million and CZK 5,522 million, respectively.

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2009 and 2008 were as follows (in CZK millions)

	Software	Rights and Other	Total 2009	Total 2008
Cost at January 1	991	947	1,938	1,824
Additions	51	35	86	131
Disposals	(17)	–	(17)	(8)
Non-monetary contribution	–	–	–	(9)
Cost at December 31	1,025	982	2,007	1,938
Accumulated amortization at January 1	(875)	(365)	(1,240)	(1,067)
Amortization	(93)	(120)	(213)	(187)
Disposals	17	–	17	8
Non-monetary contribution	–	–	–	6
Accumulated amortization at December 31	(951)	(485)	(1,436)	(1,240)
Intangible assets, net	74	497	571	698

At December 31, 2009, 2008 and 2007, intangible assets presented in the balance sheet included intangible assets in progress in the amount of CZK 91 million, CZK 84 million and CZK 252 million, respectively.

6. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2009, 2008 and 2007 were as follows (in CZK millions)

	2009	2008	2007
Cash on hand and current accounts with banks	2,055	3,994	814
Short-term securities	500	–	–
Term deposits	12,012	3,017	1,174
Total	14,567	7,011	1,988

At December 31, 2009, 2008 and 2007, cash and cash equivalents included foreign currency deposits of CZK 12,331 million, CZK 6,971 million and CZK 1,341 million, respectively.

Average interest rates on term deposits at December 31, 2009, 2008 and 2007 were 0.87%, 2.94% and 4.53%, respectively. The weighted average interest rate for 2009, 2008 and 2007 was 1.46%, 3.29% and 3.40%, respectively.

7. Receivables, Net

The composition of receivables, net, at December 31, 2009, 2008 and 2007 is as follows (in CZK millions)

	2009	2008	2007
Trade receivables	28,673	31,751	12,211
Short-term loans granted	11,893	759	633
Taxes and fees excl. income tax	58	33	–
Other receivables	3,140	1,263	2,928
Allowance for doubtful receivables	(1,774)	(397)	(404)
Total	41,990	33,409	15,368

The information about receivables from related parties is included in Note 25.

At December 31, 2009, 2008 and 2007 the ageing analysis of receivables, net is as follows (in CZK millions)

	2009	2008	2007
Not past due	40,845	32,634	14,818
Past due but not impaired [1]			
less than 3 months	966	744	489
3–6 months	39	23	24
6–12 months	140	8	24
more than 12 months	–	–	13
Total	41,990	33,409	15,368

[1] Past due, but not impaired receivables include net receivables, for which the Company recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions)

	2009	2008
Opening balance	397	404
Additions	2,708	506
Reversals	(1,221)	(513)
Currency translation difference	(110)	–
Closing balance	1,774	397

8. Emission Rights

The following table summarizes the movements and balances of emission rights and credits in measurement units (thousands of tons) in 2009 and 2008 and as at December 31, 2009 and 2008, respectively, and their valuation presented in the accompanying financial statements:

	2009		2008	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits (CERs, ERUs) granted and purchased for own use:				
Granted and purchased emission rights and credits at January 1	34,453	1,274	38,905	2
Emission rights granted	34,711	–	34,711	–
Settlement of prior year actual emissions with register	(33,769)	–	(38,812)	(1)
Disposal of remaining emission rights from the first allocation period	–	–	(93)	–
Emission rights purchased	750	392	447	251
Emission rights sold	(1,972)	–	(3,215)	–
Emission credits purchased	566	213	2,510	1,023
Emission credits sold	(2,857)	(1,155)	–	–
Fair value adjustment	–	–	–	(1)
Granted and purchased emission rights and credits at December 31	31,882	724	34,453	1,274
Emission rights and credits held for trading:				
Emission rights held for trading at January 1	–	–	12	–
Emission rights purchased	47,109	18,965	24,723	14,175
Emission rights sold	(47,109)	(18,973)	(24,447)	(14,142)
Emission credits purchased	4,330	1,618	–	–
Emission credits sold	(4,330)	(1,618)	–	–
Disposal of remaining emission rights from the first allocation period	–	–	(288)	–
Fair value adjustment	–	8	–	(33)
Emission rights and credits held for trading at December 31	–	–	–	–

In 2009 and 2008, total emissions of greenhouse gases made by the Company amounted to an equivalent of 32,555 thousand tons and 33,769 thousand tons of CO_2, respectively. The amount of emissions of CO_2 in 2009 and 2008 was higher than the amount of granted emission rights as at December 31, 2009 and 2008, respectively. Because of that in 2009 and 2008 the provision of CZK 942 million and CZK 925 million, respectively, was created.

The following table shows the impact of transactions with emission rights and credits on income for the year ended December 31, 2009 and 2008 (in CZK millions):

	2009	2008
Gain on sales of granted emission rights	1,147	1,809
Net gain (loss) from emission rights trading	272	(557)
Net loss from emission credits sold	(656)	–
Net gain (loss) from derivatives	(1,306)	1,491
Remitted emission rights	–	(1)
Fair value adjustment	8	(34)
Creation of provisions for emission rights	(942)	(925)
Settlement of provisions for emission rights	925	2
Total gain (loss) from emission rights and credits	(552)	1,785

9. Other Financial Assets, Net

Other financial assets, net, at December 31, 2009, 2008 and 2007 were as follows (in CZK millions)

	2009	2008	2007
Derivatives	27,083	39,237	7,635
Securities available-for-sale	–	13,580	1
Debt securities held-to-maturity	–	16	–
Securities held for trading	–	–	23
Total	27,083	52,833	7,659

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission right derivatives. At December 31, 2008 the securities available-for-sale represent mainly investments in mutual fund.

10. Other Current Assets

Other current assets at December 31, 2009, 2008 and 2007 were as follows (in CZK millions)

	2009	2008	2007
Prepaid variation margin on "own use" electricity futures	–	–	2,992
Prepayments	420	321	442
Advances granted	151	198	225
Total	571	519	3,659

Prepaid variation margin represents the net variation margin paid to or by Prague Energy Exchange in respect of the electricity future contracts treated as own use, which will be delivered after balance sheet date. This prepaid variation margin resulted in net liability in 2009 and 2008 and therefore is presented as part of Accrued liabilities (see Note 18).

11. Equity

As at December 31, 2009, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on May 21, 2008, passed a resolution to reduce the share capital of the Company from CZK 59,221,084,300 to CZK 53,798,975,900, i.e. by CZK 5,422,108,400. The reduction of share capital was entered in the Commercial register on February 12, 2009 and was made in the form of cancellation of 54,221,084 treasury shares with a nominal value of CZK 100 per share, i.e. by the delisting of shares on February 27, 2009.

Movements of treasury shares in 2009 and 2008 (in pieces)

	2009	2008
Number of treasury shares at beginning of period	59,171,105	50,370,144
Reduction of stated capital	(54,221,084)	–
Acquisitions of treasury shares	–	10,732,221
Sales of treasury shares	(395,000)	(1,931,260)
Number of treasury shares at end of period	4,555,021	59,171,105

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

In accordance with Czech regulations, joint stock companies are required to establish a non-distributable reserve fund for contingencies against possible future losses. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of stated capital. The fund can only be used to offset losses. As at December 31, 2009 and 2008, the balance was CZK 16,996 million and CZK 78,756 million, respectively and presented as part of retained earnings. The reserve fund also includes amounts equal to the purchase price of treasury shares held by the Company. At December 31, 2009 and 2008 such balances amounted to CZK 5,151 million and CZK 66,910 million, respectively, and were recorded against distributable retained earnings.

Dividends paid per share were CZK 50.0 and CZK 40.0 in 2009 and 2008, respectively. Dividends from 2009 profit will be declared on the general meeting which will be held in the first half of 2010.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company primarily monitors capital using the ratio of net debt to EBITDA. The Company's goal is to keep this ratio at maximum in the range of 2.0 – 2.5. In addition, the Company also monitors capital using a total debt to total capital ratio. The Company's policy is to keep the total debt to total capital ratio below 50%.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization. The Company includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of ratios is done using consolidated figures (in CZK millions)

	2009	2008	2007
Total long-term debt	125,553	71,400	55,210
Total short-term loans	31,257	35,001	18,048
Total debt	156,810	106,401	73,258
Less: Cash and cash equivalents	(26,727)	(17,303)	(12,429)
Less: Highly liquid financial assets	(5,671)	(21,058)	(6,154)
Total net debt	124,412	68,040	54,675
Income before income taxes and other income (expenses)	68,199	66,654	53,210
Plus: Depreciation and amortization	22,876	22,047	22,123
EBITDA	91,075	88,701	75,333
Total equity attributable to the equity holders of the parent	200,361	173,252	171,352
Total debt	156,810	106,401	73,258
Total capital	357,171	279,653	244,610
Net debt to EBITDA ratio	1.37	0.77	0.73
Total debt to total capital ratio	43.9%	38.0%	29.9%

12. Long-term Debt

Long-term debt at December 31, 2009, 2008 and 2007 was as follows (in CZK millions)

	2009	2008	2007
4.625% Eurobonds, due 2011 (EUR 400 million) [1]	10,569	10,742	10,606
4.125% Eurobonds, due 2013 (EUR 500 million)	13,153	13,362	13,179
5.125% Eurobonds, due 2012 (EUR 500 million)	13,199	13,419	13,250
6.0% Eurobonds, due 2014 (EUR 600 million)	15,768	16,020	–
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,383	2,559	–
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	30	29	–
4.27% Zero Coupon Eurobonds due 2011 (CZK 1,400 million)	1,322	–	–
4.45% Zero Coupon Eurobonds due 2011 (CZK 1,600 million)	1,504	–	–
5.75% Eurobonds, due 2015 (EUR 600 million)	15,807	–	–
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,590	–	–
5.0% Eurobonds, due 2021 (EUR 600 million)	15,666	–	–
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,316	–	–
3M Euribor + 0.45% Eurobonds, due 2011 (EUR 110 million)	2,909	–	–
3M Libor + 0.70% Eurobonds, due 2012 (USD 100 million)	1,831	–	–
3M Euribor + 0.50% Eurobonds, due 2011 (EUR 100 million)	2,644	–	–
6M Pribor + 0.62% Eurobonds, due 2012 (CZK 3,000 million)	2,996	–	–
7.88% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	–	4,475	4,147
9.22% Debentures, due 2014 (CZK 2,500 million) [2]	2,497	2,497	2,496
3.35% Debentures, due 2008 (CZK 3,000 million)	–	–	3,000
4.30% Debentures, due 2010 (CZK 7,000 million) [3]	5,997	6,990	6,984
Total long term bonds and debentures	111,181	70,093	53,662
Less: Current portion	(5,997)	(4,475)	(3,000)
Long-term bonds and debentures, net of current portion	105,184	65,618	50,662
Long-term bank loans with an interest rate p.a.			
less than 2.00%	7,557	–	–
3.00% to 3.99% p.a.	–	1,176	–
4.00% to 4.99% p.a.	–	–	1,412
Total long term loans	7,557	1,176	1,412
Less: Current portion	(235)	(235)	(235)
Long-term loans, net of current portion	7,322	941	1,177
Total long term debt	118,738	71,269	55,074
Less: Current portion	(6,232)	(4,710)	(3,235)
Total long-term debt, net of current portion	112,506	66,559	51,839

[1] These Eurobonds have been issued through the subsidiary, CEZ FINANCE B.V. The Company was granted a loan by CEZ FINANCE B.V., corresponding to the nominal value of the bonds.
[2] Floating interest rate (Czech Republic CPI + 4.20%) from 2006. The rate was 7.8%, 9.6% and 5.9% at December 31, 2009, 2008 and 2007, respectively.
[3] In 2009, the value of the issue was reduced by bought back own bonds at a nominal value of CZK 1,000 million.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company. For the fair values of hedging instruments see Note 13.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.17.

The future maturities of long-term debt are as follows (in CZK millions)

	2009	2008	2007
Current portion	6,232	4,710	3,235
Between 1 and 2 years	19,183	7,225	4,382
Between 2 and 3 years	18,702	10,977	7,219
Between 3 and 4 years	14,270	13,654	10,841
Between 4 and 5 years	19,147	13,597	13,485
Thereafter	41,204	21,106	15,912
Total long-term debt	118,738	71,269	55,074

The following table analyses long-term debt by currency (in millions)

	2009		2008		2007	
	Foreign currency	CZK	Foreign currency	CZK	Foreign currency	CZK
EUR	3,691	97,677	1,989	53,572	1,400	37,035
USD	100	1,831	–	–	–	–
JPY	19,986	3,972	11,987	2,559	–	–
CZK	–	15,258	–	15,138	–	18,039
Total long-term debt		118,738		71,269		55,074

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2009, 2008 and 2007 without considering interest rate hedging (in CZK millions):

	2009	2008	2007
Floating rate long-term debt			
with interest rate fixed from 1 to 3 months	8,325	1,176	1,412
with interest rate fixed from 3 months to 1 year	13,425	2,497	2,496
Total floating rate long-term debt	21,750	3,673	3,908
Fixed rate long-term debt	96,988	67,596	51,166
Total long-term debt	118,738	71,269	55,074

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 13 and Note 14.

The Company has entered into loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2009, 2008 and 2007 the Company has complied with all required covenants.

13. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amounts of cash and other current financial assets approximate fair value due to the relatively short-term maturity of these financial instruments.

Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For equity instruments for which there are no quoted market prices the Company considered use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Receivables and payables

The carrying amounts of receivables and payables approximate fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2009, 2008 and 2007 are as follows (in CZK millions)

		2009		2008		2007	
	Category	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS							
Investments							
Equity securities and interests, net	SaA	138,703	138,703	104,143	104,143	93,230	93,230
Restricted debt securities available-for-sale	AFS	7,181	7,181	6,547	6,547	3,233	3,233
Restricted debt securities held-to-maturity	HTM	–	–	25	25	996	996
Restricted cash	LaR	397	397	292	292	2,180	2,180
Other long-term financial assets, net	LaR	22,891	22,891	7,792	7,792	8,655	8,579
Current assets							
Receivables	LaR	41,990	41,990	33,409	33,409	15,368	15,368
Cash and cash equivalents	LaR	14,567	14,567	7,011	7,011	1,988	1,988
Short-term equity securities held for trading	HFT	–	–	–	–	9	9
Short-term debt securities held for trading	HFT	–	–	–	–	14	14
Short-term debt securities held-to-maturity	HTM	–	–	16	16	–	–
Short-term debt securities available-for-sale	AFS	–	–	13,580	13,580	1	1
Other current assets	LaR	151	151	198	198	3,217	3,217
LIABILITIES							
Long-term debt including the current portion	AC	(118,738)	(126,149)	(71,269)	(70,686)	(55,074)	(54,630)
Short-term loans	AC	(12,618)	(12,618)	(13,020)	(13,020)	(11,822)	(11,822)
Current liabilities	AC	(49,995)	(49,995)	(55,200)	(55,200)	(32,475)	(32,475)
DERIVATIVES							
Cash flow hedges							
Short-term receivables	HFT	456	456	107	107	700	700
Long-term receivables	HFT	52	52	2	2	309	309
Short-term liabilities	HFT	(397)	(397)	(2,668)	(2,668)	–	–
Long-term liabilities	HFT	(1,256)	(1,256)	(2,085)	(2,085)	–	–
Total cash flow hedges		(1,145)	(1,145)	(4,644)	(4,644)	1,009	1,009
Electricity, coal and gas trading contracts							
Short-term receivables	HFT	24,235	24,235	36,173	36,173	5,385	5,385
Short-term liabilities	HFT	(24,784)	(24,784)	(36,134)	(36,134)	(5,250)	(5,250)
Total electricity, coal and gas trading contracts		(549)	(549)	39	39	135	135
Other derivatives							
Short-term receivables	HFT	2,392	2,392	2,957	2,957	1,550	1,550
Long-term receivables	HFT	292	292	1,029	1,029	31	31
Short-term liabilities	HFT	(1,731)	(1,731)	(1,768)	(1,768)	(1,335)	(1,335)
Long-term liabilities	HFT	(660)	(660)	(1)	(1)	(1)	(1)
Total other derivatives		293	293	2,217	2,217	245	245

SaA Subsidiaries and associates at cost
LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There were no transfers between the levels in 2009.

At December 31, 2009, the Company held the following financial instruments measured at fair value (in CZK millions):

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	24,235	33	24,202	–
Cash flow hedges	508	25	483	–
Other derivatives	2,684	176	2,508	–
Available-for-sale restricted debt securities	7,181	7,181	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(24,784)	(36)	(24,748)	–
Cash flow hedges	(1,653)	(196)	(1,457)	–
Other derivatives	(2,391)	(153)	(2,238)	–

■ 14. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Since 2009 the main Business Plan market risks are quantified (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The risk is actively managed through gradual electricity sale in the following 3-year horizon, total CEZ Group CO_2 position management in NAP III allocation period context and the FX risk hedging in medium-term horizon.

Risk management organization

The supreme authority for risk management is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock) risks, commodity prices (electricity, emission allowances, coal, gas), volume (heat supply)
- Credit risks: financial and business counterparty risk and electricity end customer risk
- Operational risks: risks of nuclear and fossil power plants operation

The development of quantified risks is reported to the Risk Management Committee every month through 2 reports:

- Annual budget risks (annual Profit@Risk limit utilisation)
- Business plan risks (EBITDA@Risk and CF@Risk based on MonteCarlo simulation)

14.1. Qualitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the ČEZ value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of ČEZ's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities (the potential risk is managed on the VaR basis).

Market financial risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows (including operational and investment foreign currency flows).

Credit risks

Credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

Liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of ČEZ.

14.2. Quantitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the source of market prices is mainly EEX, PXE, ECX a ICE
- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Company: electricity, emission allowances EUA and CER/ERU, gas, coal API2 and API4)
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series

Potential impact of the above risk factors as at December 31 (in CZK millions)

	2009	2008
Monthly VaR (95%) – impact of changes in commodity prices	921	492

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the source of market foreign exchange rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS)
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2010 and highly probable forecasted foreign-currency revenues from electricity sales in the future
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies

Potential impact of the currency risk as at December 31 (in CZK millions)

	2009	2008
Monthly currency VaR (95% confidence)	297	495

Interest risks

The required quantitative information on risks (i.e. P/L sensitivity to the effects of interest risk as at December 31) was prepared based on the assumptions given below:

- the source of market interest rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk,
- the P/L sensitivity is measured as a change of the interest income and cost resulting from the current interest-sensitive positions,
- the relevant interest positions reflect all significant interest-sensitive flows

Potential impact of the interest rate risk as at December 31 (in CZK millions)

	2009	2008
P/L IR sensitivity to parallel yield curve shift (+10bp)	(22)	(11)

Credit exposure from provided guarantees at December 31, 2009 (in CZK millions)

Guarantees provided to subsidiaries, associates and joint-ventures	23,391
Guarantees provided to external parties	529
Total *	23,920

* Some of the guarantees could be called until August 2011 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2009 (in CZK millions)

	Bonds and debentures	Loans	Derivatives *	Trade and other payables	Guarantees ** issued
Less than 1 year	11,023	13,049	184,461	49,995	23,920
Between 1 and 2 years	23,578	374	34,472	–	–
Between 2 and 3 years	22,159	811	14,442	–	–
Between 3 and 4 years	16,607	1,235	401	–	–
Between 4 and 5 years	21,173	980	383	–	–
Thereafter	46,113	4,647	9,275	–	–
Total	140,653	21,096	243,434	49,995	23,920

Contractual maturity profile of financial liabilities at December 31, 2008 (in CZK millions)

	Bonds and debentures	Loans	Derivatives *	Trade and other payables
Less than 1 year	7,818	13,424	200,269	55,200
Between 1 and 2 years	10,332	268	56,015	–
Between 2 and 3 years	13,540	259	17,410	–
Between 3 and 4 years	15,954	249	3,835	–
Between 4 and 5 years	15,208	240	–	–
Thereafter	24,241	–	–	–
Total	87,093	14,440	277,529	55,200

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 13.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

14.3. Hedge accounting

The Company enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2010 to 2013. The hedging instruments as at December 31, 2009 are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 3.2 billion and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (200) million, CZK (3,379) million and CZK 1,009 million at December 31, 2009, 2008 and 2007, respectively.

The Company also enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in 2012. The hedging instruments as at December 31, 2009 are the forward contracts and futures for the purchase of allowances equivalent to 7.1 million tons of CO_2 emissions. The fair value of these derivative hedging instruments amounted to CZK (945) million, CZK (1,265) million and CZK 0 million at December 31, 2009, 2008 and 2007, respectively.

In 2009 and 2008 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, Emission rights, net and Other income (expenses), net. In 2009 and 2008 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (1,702) million and CZK (3) million, respectively. The ineffectiveness in 2009 mainly relates to transactions for which the hedged items are no more highly probable to occur.

■ 15. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four 440MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000MW units which have started commercial operation in 2002 and 2003. Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. A 2008 Dukovany and an updated 2009 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 17.3 billion and CZK 14.6 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution at 50 CZK per MWh produced at nuclear power plants. In 2009 and 2008, respectively, the payments to the nuclear account amounted to CZK 1,360 million and CZK 1,328 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Company has established provisions as described in Note 2.21, to recognize its estimated liabilities for decommissioning and spent fuel storage.

The following is a summary of the provisions for the years ended December 31, 2009 and 2008 (in CZK millions).

	Accumulated provisions			
	Nuclear decommissioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2007	10,426	5,812	22,759	38,997
Movements during 2008				
Discount accretion and effect of inflation	469	262	1,024	1,755
Provision charged to income statement	–	346	–	346
Effect of change in estimate charged to income statement	–	203	–	203
Effect of change in estimate added to (deducted from) fixed assets	(2,866)	23	(1,273)	(4,116)
Current cash expenditures	–	(435)	(1,328)	(1,763)
Balance at December 31, 2008	8,029	6,211	21,182	35,422
Movements during 2009				
Discount accretion and effect of inflation	402	310	1,059	1,771
Provision charged to income statement	–	421	–	421
Effect of change in estimate charged to income statement	–	168	–	168
Effect of change in estimate added to (deducted from) fixed assets	(229)	126	1,069	966
Current cash expenditures	–	(456)	(1,360)	(1,816)
Balance at December 31, 2009	8,202	6,780	21,950	36,932

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2008 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

In 2009 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Temelín and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

16. Other Long-term Liabilities

Other long-term liabilities at December 31, 2009, 2008 and 2007 are as follows (in CZK millions):

	2009	2008	2007
Derivatives	1,916	2,086	1
Provision for waste storage reclamation	1,740	406	453
Employee benefits liabilities	931	639	483
Other	–	–	22
Total	4,587	3,131	959

17. Trade and Other Payables

Trade and other payables at December 31, 2009, 2008 and 2007 were as follows (in CZK millions)

	2009	2008	2007
Trade payables	27,322	35,588	9,027
Derivatives	26,912	40,570	6,585
Payables from Group cashpooling and similar intra-group loans	21,606	18,855	22,378
Other	1,067	757	1,070
Total	76,907	95,770	39,060

18. Accrued Liabilities

Accrued liabilities at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions)

	2009	2008	2007
Provisions	1,401	1,282	348
Prepaid variation margin on “own use” electricity futures (see Note 10)	2,081	2,561	–
Accrued interest	2,052	1,394	916
Unbilled goods and services	1,872	1,225	1,106
Taxes and fees, except income tax	403	593	413
Other	–	5	3
Total	7,809	7,060	2,786

The Company is by law liable for damages caused by pollution and establishes a provision for environmental claims, which is based on the current estimates of its future liabilities. At December 31, 2009, 2008 and 2007, the provision totaled CZK 298 million, CZK 296 million and CZK 280 million, respectively.

In 2009, 2008 and 2007, the Company recognized provision in total amount of CZK 942 million, CZK 925 million and CZK 2 million, respectively, for insufficient amount of granted allowances to cover actual emissions (see Note 8).

In 2009, the Company established a provision for restructuring of CZK 101 million.

19. Revenues

Revenues for the years ended December 31, 2009 and 2008 were as follows (in CZK millions)

	2009	2008
Sale of electricity		
Electricity sales – domestic		
ČEZ Prodej, s.r.o.	48,181	45,164
Prague Energy Exchange (PXE)	25,042	22,810
Other	19,054	15,921
Total electricity sales – domestic	92,277	83,895
Electricity sales – foreign	8,466	9,161
Effect of hedging (see Note 14.3)	119	3,245
Sales of ancillary and other services	7,559	6,204
Total sales of electricity	108,421	102,505
Electricity, coal and gas derivative trading		
Sales domestic	13,535	7,048
Sales foreign	145,153	76,307
Purchases domestic	(10,753)	(8,119)
Purchases foreign	(138,655)	(72,644)
Changes in fair value of commodity derivatives	(2,879)	863
Total gains and losses from electricity, coal and gas derivative trading, net	6,401	3,455
Sales of heat	1,789	1,967
Other	2,594	2,370
Total revenues	119,205	110,297

20. Salaries and Wages

Salaries and wages for the years ended December 31, 2009 and 2008 were as follows (in CZK millions)

	2009		2008	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages	(4,084)	(259)	(3,920)	(239)
Remuneration of board members, including royalties	(37)	(37)	(35)	(35)
Share options	(110)	(110)	(123)	(123)
Social and health security	(1,228)	(18)	(1,178)	(15)
Other personal expenses	(776)	(19)	(648)	(22)
Total	(6,235)	(443)	(5,904)	(434)

1) Members of Supervisory Board and Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments with group field of activity. The remuneration of former members of company bodies is included in personal expenses.

The members of Board of Directors and selected managers were entitled to use company cars for both business and private purposes in addition to the personal expenses in 2009 and 2008.

If the Company terminates a contract with a member of Board of Directors before his/her term of office expires, the Director is entitled to a severance pay that amounts to all monthly remuneration he/she would receive until the end of the originally agreed term of office. This provision does not apply if a Director resigns.

At December 31, 2009, 2008 and 2007 the aggregate number of share options granted to members of Board of Directors, Supervisory Board members and selected managers was 2,325 thousand, 2,355 thousand and 3,175 thousand, respectively.

The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on General Meeting held in June 2005.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Pursuant to the resolution of the May 2008 General Meeting, members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficent has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2009 and 2008 the Company has recognized a compensation expense of CZK 110 million and CZK 123 million, respectively, related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2009 and 2008 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board '000s	Board of Directors '000s	Selected managers '000s	Total '000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2007 [2)]	450	1,640	1,085	3,175	446.70
Options granted	–	975	140	1,115	1,232.65
Movements	–	150	(150)	–	–
Options exercised [1)]	(300)	(1,140)	(495)	(1,935)	292.40
Share options at December 31, 2008 [2)]	150	1,625	580	2,355	945.60
Options granted	–	145	245	390	842.14
Movements	–	75	(75)	–	–
Options exercised [1)]	(150)	(75)	(170)	(395)	370.46
Options forfeited	–	–	(25)	(25)	752.95
Share options at December 31, 2009 [2)]	–	1,770	555	2,325	1,028.03

1) In 2009 and 2008 the weighted average share price at the date of the exercise for the options exercised was CZK 849.34 and CZK 1,290.78, respectively.

2) At December 31, 2009, 2008 and 2007 the number of exercisable options was 965 thousand, 865 thousand and 2,490 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 922.11 per share, CZK 551.23 per share and CZK 304.91 at December 31, 2009, 2008 and 2007, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2009	2008
Weighted average assumptions		
Dividend yield	6.3%	2.9%
Expected volatility	41.3%	31.2%
Mid-term risk-free interest rate	2.3%	3.9%
Expected life (years)	2.1	2.0
Share price (CZK per share)	880.8	1,169.0
Weighted average grant-date fair value of options (CZK per 1 option)	175.9	173.0

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At December 31, 2009, 2008 and 2007 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2009	2008	2007
CZK 100–500 per share	–	265	1,750
CZK 500–900 per share	935	700	1,125
CZK 900–1,400 per share	1,390	1,390	300
Total	2,325	2,355	3,175

The options granted, which were outstanding as at December 31, 2009 and 2008 had an average remaining contractual life of 2.3 years and 1.8 years, respectively.

21. Other Operating Expenses

Other operating expenses for the years ended December 31, 2009 and 2008 consist of the following (in CZK millions)

	2009	2008
Services	(6,111)	(6,003)
Change in provisions and valuation allowances	1,628	1,510
Taxes and fees	(1,597)	(1,523)
Write-off of bad debts and cancelled investment	(78)	(21)
Travel expense	(115)	(109)
Gifts	(201)	(101)
Gain (loss) on sale of property, plant and equipment	(31)	27
Gain (loss) on sale of material	(3)	60
Fines, penalties and penalty interest, net	144	(8)
Other, net	(589)	(509)
Total	(6,953)	(6,677)

Taxes and fees include the contributions to the nuclear account (see Note 15). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

22. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2009 and 2008 was as follows (in CZK millions)

	2009	2008
Loans and receivables	326	513
Held-to-maturity investments	35	21
Available-for-sale investments	284	253
Bank accounts	453	196
Total	1,098	983

23. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2009 and 2008 consist of the following (in CZK millions)

	2009	2008
Dividends received	10,807	8,268
Derivative gains (losses), net	(1,429)	3,048
Gain on sale of available-for-sale financial assets	87	808
Gain on sale of financial assets for trading	–	1
Change in impairment of financial investments	(3,051)	3
Other, net	364	(80)
Total	6,778	12,048

24. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 20% and 21% in 2009 and 2008. The Czech corporate income tax rate for 2010 and onwards shall be 19%.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have potentially effect on reported income.

The components of the income tax provision were as follows (in CZK millions)

	2009	2008
Current income tax charge	(10,305)	(10,803)
Adjustments in respect of current income tax of previous periods	133	86
Deferred income taxes	794	868
Total	(9,378)	(9,849)

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings were as follows (in CZK millions):

	2009	2008
Income before income taxes	54,805	56,967
Statutory income tax rate	20%	21%
"Expected" income tax expense	(10,961)	(11,963)
Tax effect of		
Change in tax rates	16	94
Non-deductible provisions, net	(570)	111
Non-deductible expenses related to shareholdings	(71)	(194)
Other non-deductible (non taxable) items, net	(147)	42
Non-taxable revenue from dividends	2,221	1,974
Tax credits	1	1
Adjustments in respect of current income tax of previous periods	133	86
Income tax	(9,378)	(9,849)
Effective tax rate	17%	17%

Deferred income tax liability, net, at December 31, 2009, 2008 and 2007 was calculated as follows (in CZK millions):

	2009	2008	2007
Accumulated provision for nuclear decommissioning and spent fuel storage	5,829	5,604	6,344
Other provisions	541	61	–
Allowances	45	60	85
Deferred tax recognized in equity	464	1,367	–
Other temporary differences	29	28	30
Total deferred tax assets	6,908	7,120	6,459
Tax depreciation in excess of financial statement depreciation	15,314	15,404	16,844
Other provisions	–	–	394
Penalty receivables	15	15	16
Deferred tax recognized in equity	–	–	770
Other temporary differences	300	314	53
Total deferred tax liability	15,629	15,733	18,077
Total deferred tax liability, net	8,721	8,613	11,618

Tax effects relating to each component of other comprehensive income (in CZK million)

	2009			2008		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	2,738	(591)	2,147	(7,564)	1,550	(6,014)
Cash flow hedges removed from equity	1,643	(312)	1,331	(3,198)	640	(2,558)
Change in fair value of available-for-sale financial assets recognized in equity	10	–	10	260	(53)	207
Other movements	–	–	–	24	–	24
Total	4,391	(903)	3,488	(10,478)	2,137	(8,341)

25. Related Parties

The Company purchases products from related parties in the ordinary course of business.

At December 31, 2009, 2008 and 2007, the receivables from related parties and payables to related parties were as follows (in CZK millions)

Subsidiaries, associates and joint-ventures:	Receivables			Payables		
	2009	2008	2007	2009	2008	2007
Akcez Enerji A.S.	118	–	–	85	1,571	–
Akenerji Elektrik Üretim A.S.	652	–	–	–	–	–
CEZ Bulgaria EAD	105	78	200	–	–	–
CEZ Elektroproizvodstvo Bulgaria AD	108	–	–	–	–	–
CEZ FINANCE B.V.	–	–	–	11,340	11,265	10,606
CEZ Hungary Ltd.	485	1	–	60	30	–
CEZ MH B.V.	259	162	–	2,078	810	–
CEZ Romania S.R.L.	25	59	154	–	–	–
CEZ Slovensko, s.r.o.	250	843	1	149	189	–
CEZ Srbija d.o.o.	59	18	11	115	1	–
CEZ Trade Polska sp. z o.o.	79	96	–	15	134	–
CM European Power International s.r.o.	49	63	–	–	–	–
Coal Energy, a.s.	–	154	175	–	34	29
CZ INVEST - PLUS, a.s.	1,118	–	–	–	–	–
CZECH HEAT a.s.	83	–	–	–	–	–
ČEZ Bohunice a.s.	12	–	–	2,163	–	–
ČEZ Distribuce, a. s.	5,212	91	85	4,646	2,397	4,663
ČEZ Distribuční služby, s.r.o.	7	8	6	1,760	1,398	1,789
ČEZ Distribuční zařízení, a.s.	–	–	–	228	–	–
ČEZ Energetické produkty, s.r.o.	2	7	–	112	66	–
ČEZ ICT Services, a. s. [1)]	13	164	1,032	659	898	1,417
ČEZ Logistika, s.r.o.	2	3	2	516	556	536
ČEZ Měření, s.r.o.	2	4	4	496	515	511
ČEZ Obnovitelné zdroje, s.r.o.	272	1	1	113	258	114
ČEZ Prodej, s.r.o.	2,211	1,185	1,260	2,849	2,746	3,471
ČEZ Správa majetku, s.r.o.	5	6	366	612	283	199
ČEZ Teplárenská, a.s.	164	76	–	331	275	174
ČEZ Zákaznické služby, s.r.o.	2	3	3	257	374	488
Elektra Žabčice a.s.	622	–	–	–	–	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	2,659	3,959	5,457	1	–	–
Elektrownia Skawina S.A.	391	584	301	132	–	59
MALLA,a.s.	456	–	–	–	–	–
Operatori i Sistemit te Shperndarjes Sh.A.	1,345	–	–	–	–	–
Severočeské doly a.s.	167	13	–	2,979	6,971	7,449
ŠKODA PRAHA a.s.	–	–	–	409	321	412
ŠKODA PRAHA Invest s.r.o.	21	23	17	3,114	3,358	105
TEC Varna EAD	–	–	–	1,738	1,885	–
Tomis Team S.R.L.	6,350	144	–	–	–	–
Ústav jaderného výzkumu Řež a.s.	47	66	3	118	149	76
Other	507	186	296	282	235	186
Total	23,859	7,997	9,374	37,357	36,719	32,284

[1)] In 2007 data for ČEZnet, a.s. and ČEZData, s.r.o. that merged with effective date on January 1, 2008 are presented combined.

Other related parties:	Receivables			Payables		
	2009	2008	2007	2009	2008	2007
ČEPS, a.s.	208	136	164	10	22	18
ČD Cargo, a.s.	–	–	–	209	247	–
Ministry of Finance of the Czech Republic	–	1,270	2,012	–	–	–
Other	9	–	–	1	–	2
Total	217	1,406	2,176	220	269	20

The following table provides the total amount of transactions (sales and purchases), which have been entered into with related parties for the relevant financial year (in CZK millions)

Subsidiaries, associates and joint-ventures	Sales to related parties		Purchases from related parties	
	2009	2008	2009	2008
Akcez Enerji A.S.	118	–	–	–
CEZ Bulgaria EAD	181	176	–	–
CEZ Deutschland GmbH	–	166	–	–
CEZ Hungary Ltd.	830	17	144	292
CEZ MH B.V.	259	–	–	–
CEZ Romania S.R.L.	141	150	–	–
CEZ Slovensko, s.r.o.	1,383	2,939	1,267	1,958
CEZ Srbija d.o.o.	228	7	523	–
CEZ Trade Bulgaria EAD	53	10	570	36
CEZ Trade Polska sp. z o.o.	904	73	129	1,293
CEZ Trade Romania S.R.L.	226	7	31	4
CM European Power International s.r.o.	41	63	–	–
Coal Energy, a.s.	–	1,421	57	121
ČEZ Distribuce, a. s.	445	486	92	78
ČEZ Distribuční služby, s.r.o.	60	59	–	1
ČEZ Energetické produkty,s.r.o.	16	18	893	63
ČEZ Energetické služby, s.r.o.	20	21	211	202
ČEZ ENERGOSERVIS spol. s r.o.	7	3	280	122
ČEZ ICT Services, a. s.	65	75	2,006	2,029
ČEZ Obnovitelné zdroje, s.r.o.	7	8	351	291
ČEZ Prodej, s.r.o.	50,577	46,877	3,485	3,080
ČEZ Správa majetku, s.r.o.	43	42	657	570
ČEZ Teplárenská, a.s.	1,161	453	39	6
Elektrociepłownia Chorzów ELCHO sp. z o.o.	51	11	68	–
Elektrownia Skawina S.A.	97	44	1,704	62
I & C Energo a.s.	–	11	–	201
LOMY MOŘINA spol. s r.o.	–	–	139	120
Operatori i Sistemit te Shperndarjes Sh.A.	469	–	–	–
OSC, a.s.	–	–	80	81
SD - Kolejová doprava, a.s.	12	1	110	44
Severočeské doly a.s.	51	47	6,494	6,167
ŠKODA PRAHA a.s.	–	–	–	301
ŠKODA PRAHA Invest s.r.o.	69	82	12,893	10,739
Ústav jaderného výzkumu Řež a.s.	1	3	342	299
Other	266	108	62	61
Total	57,781	53,378	32,627	28,221

Other related parties	Sales to related parties		Purchases from related parties	
	2009	2008	2009	2008
ČEPS, a.s.	6,299	6,333	167	113
České dráhy, a.s.	–	–	1	3
ČD Cargo, a.s.	–	–	1,569	1,643
Other	7	–	2	–
Total	6,306	6,333	1,739	1,759

In 2009 and 2008 the Company made non-monetary contributions to several subsidiaries (see Notes 3 and 5 for amounts of contributed assets).

The Company and some of its subsidiaries are included in the cash-pool system. Payables to subsidiaries related to cash-pooling and similar borrowings are included in Trade and other payables (see Note 17).

26. Segment Information

The Company is involved in the generation and sale of electricity and trading in electricity and operates mainly the European Union markets. The Company has not identified any other separate operating segments.

27. Earnings per Share

	2009	2008
Numerator – basic and diluted (CZK millions)		
Net profit	45,427	47,118
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	533,225	534,594
Dilutive effect of share options	213	747
Diluted		
Adjusted weighted average shares	533,438	535,341
Net income per share (CZK per share)		
Basic	85.2	88.1
Diluted	85.2	88.0

28. Commitments and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2009 to total CZK 183.8 billion over the next five years, as follows: CZK 36.8 billion in 2010, CZK 42.2 billion in 2011, CZK 41.3 billion in 2012, CZK 36.9 billion in 2013 and CZK 26.6 billion in 2014. These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Company will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2009 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing Czech nuclear insurance pool) and European Liability Insurance for the Nuclear Industry.

The Company also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Company.

29. Events after the Balance Sheet Date

As of January 1, 2010 the Company contributed a part of the business (heat distribution) to ČEZ Teplárenská, a.s. The value of the contribution was set at CZK 1.3 billion by a court appointed expert.

In February 2010 the Company issued additional EUR 150 million related to 5.000% Eurobonds, due in 2021.

These financial statements have been authorized for issue on February 25, 2010.

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ČEZ, a. s. Basic Organization Chart as at March 31, 2010

General Meeting

Board of Directors

- **901000000 Chief Executive Officer's Division** Martin Roman
  - 901001000 Mergers & Acquisitions
  - 901002000 Internal Audit
  - 901003000 Legal
  - 901004000 CEZ Group Communications
  - 901007000 ČEZ Ombudsman's Office
  - 901000010 Chief Executive Officer's Office
  - **902000000 Finance Division** Martin Novák
    - 902001000 Accounting
    - 902002000 Planning and Controlling
    - 902003000 Financing
    - 902004000 Taxes
    - 902005000 Risk Management
  - **908000000 Chief Operating Officer's Division** Daniel Beneš
    - 908001000 CEZ Group Security
    - 908002000 Engineering Design
    - 908003000 Safety and Quality Management
    - 908005000 Purchasing
    - 908000010 Chief Operating Officer's Office
    - **903000000 Distribution Division** Jiří Kudrnáč
      - 903001000 Distribution Development
      - 903002000 Distribution Grid Services
      - 903005000 Legislation and Markets
      - 903000010 Analytical Support
    - **904000000 Sales Division** Alan Svoboda
      - 904003000 Trading
      - 904004000 Development
      - 904000100 European Affairs
      - 904000200 Foreign Commercial Representation
      - 904000400 Sales Management Support

Supervisory Board

905000000
Production Division
Vladimír Hlavinka

- **905002000** Safety
- **905004000** Asset Management – Production
- **905005000** Asset Management – Technology
- **905006000** Central Engineering
- **905007000** Asset Management – Supplier System
- **905000100** Production Division Analytical Support

- **9053DU000** Dukovany Nuclear Power Station
- **9053TE000** Temelín Nuclear Power Station
- **9053CM000** Chvaletice and Mělník Power Stations
- **9053DE000** Dětmarovice Power Station
- **9053PL000** Počerady and Ledvice Power Stations
- **9053TP000** Tušimice and Prunéřov Power Stations
- **9053VD000** Hydro Power Stations
- **9053VT000** Hodonín, Poříčí, Tisová and Vítkovice Power Heating Plants

906000000
Administration Division
Ivan Lapin

- **906002000** Fuel Cycle
- **906003000** Equity Stakes
- **906000100** ICT Strategy

907000000
Human Resources Division
Hana Krbcová

- **907001000** CEZ Group HR Management
- **907002000** HR Development
- **907003000** CEZ Group HR Personnel Service
- **907004000** HR Compensation
- **907005000** Internal Communications
- **907006000** Strategic Recruiting
- **907000100** Social Relations

909000000
Investment Division
Peter Bodnár

- **909003000** Project Development
- **909004000** Project Execution
- **909005000** Nuclear Power Plant Construction
- **909000100** Expert Support
- **909000300** Analytical Support

90A000000
International Affairs Division
Tomáš Pleskač

- **90A001000** Management of International Equity Stakes
- **90A002000** Foreign Acquisitions – Bulgaria
- **90A003000** Foreign Acquisitions – Romania
- **90A004000** Foreign Acquisitions – Poland
- **90A005000** Foreign Acquisitions – Turkey
- **90A006000** Foreign Acquisitions – Albania
- **90A000500** Foreign Acquisitions – MOL

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SD - KOMES, a.s.
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CEZ Group Information Centers and Facilities Available for Public Tours

CEZ Group Information Centers and Facilities Available for Public Tours

	Štěchovice Hydro Power Station	Dalešice Hydro Power Station	Lipno Hydro Power Station
Type of exhibit	run-of-river and pumped-storage hydro power plant and information center	pumped-storage power plant and information center	information center
Operator	ČEZ, a. s.	ČEZ, a. s.	ČEZ, a. s.
Street and street number	Prof. Vl. Lista 329		
Postcode and city	252 07 Štěchovice	675 77 Kramolín	382 78 Lipno nad Vltavou
Telephone	602 107 453 603 769 197 608 308 759	561 105 519	606 445 798 731 562 835 725 614 409 607 666 928 607 673 651
Fax		561 106 370 561 104 960	
E-mail	cez@cez.cz	infocentrum.edu@cez.cz	infocentrum.eli@cez.cz
Opening hours	Open year-round	July–August: Sunday to Saturday 9:00 a.m.–4:00 p.m. September–June: Monday to Friday by advance reservation only	June 15–September 15: seven days a week, tours begin on the hour (first tour 10:00 a.m., last tour 3:00 p.m.)
Advance reservation necessary	yes	September–June	September 16–June 14
Name of nearest public transport station/stop	Štěchovice (bus)	Kramolín (bus)	Lipno nad Vltavou, žel. st. (bus); Lipno nad Vltavou (train)

	Vydra and Čeňkova pila Hydro Power Stations	Dlouhé Stráně Pumped-storage Hydro Power Station	Renewable Energy Sources Information Center
Type of exhibit	permanent exhibition "Energy of Bohemian Forest" on utilization of Bohemian Forest water resources in past and present; small-scale hydro power plant	hydro power plant	information center, small-scale hydro power plant
Operator	ČEZ Obnovitelné zdroje, s.r.o.	K3 Sport, s. r. o.	ČEZ Obnovitelné zdroje, s.r.o.
Street and street number	Čeňkova Pila	Přečerpávací vodní elektrárna Dlouhé Stráně	Křižíkova 233
Postcode and city	341 92 Kašperské Hory	788 11 Loučná nad Desnou	500 03 Hradec Králové
Telephone	840 840 840 376 599 237	602 322 244 585 438 100 (weekdays, 8:00 a.m. to 4.00 p.m.; at other times reservation can be made via voice mail), on weekends use the following number: 583 283 282	492 110 160 725 781 564 725 781 565
Fax			
E-mail	cez@cez.cz	infocentrum.eds@cez.cz www.dlouhe-strane.cz/cs/objednavka-exkurze	infocentrum.oze@cez.cz
Opening hours	June–September: Sunday and Tuesday–Saturday, tours begin at 9 a.m., 11:00 a.m., 1:00 p.m. and 3:00 p.m.	year round, seven days a week including State holidays: 8:00 a.m. to 3:00 p.m.	seven days a week, 9:00 a.m. to 4:00 p.m.; tours of the Hradec Králové Small-scale Power Station take place every Saturday and Sunday at 2:00 p.m.
Advance reservation necessary	October–May	yes	power plant tours: Mon–Fri (no advance reservation required for information center)
Name of nearest public transport station/stop	Srní, Čeňkova pila (bus)	Loučná nad Desnou, Kouty nad Desnou, pošta (bus); Kouty nad Desnou (train)	Zimní stadion (bus, trolleybus)

	Dukovany Nuclear Power Station	Temelín Nuclear Power Station	Ledvice Coal-fired Power Station
Type of exhibition	information center	information center	information center
Operator	ČEZ, a. s.	ČEZ, a. s.	ČEZ Správa majetku, s.r.o.
Street and street number	Jaderná elektrárna Dukovany	Jaderná elektrárna Temelín (Vysoký Hrádek Chateau, next to power station)	Bílina 141
Postcode and city	675 50 Dukovany	373 05 Temelín – elektrárna	418 48 Bílina
Telephone	561 105 519	381 102 639 381 103 237	411 102 313
Fax		381 104 900	
E-mail	infocentrum.edu@cez.cz	infocentrum.ete@cez.cz	infocentrum.ele@cez.cz
Opening hours	year round, seven days a week including State holidays: 9:00 a.m. to 4:00 p.m.; in July and August extended hours until 5 p.m. Closed January 1, Easter Monday, December 24–26, and on the first Monday of each month.	year round, seven days a week including State holidays: 9:00 a.m. to 4:00 p.m.; in July and August extended hours until 5:30 p.m. Closed January 1, Easter Monday, December 24–26	Tuesday to Saturday from 9:00 a.m. to 5:00 p.m.
Advance reservation necessary	no	no	yes, for groups of more than 10 persons
Name of nearest public transport station/stop	Dukovany, EDU (bus)	Temelín, Březí u Týna, JE (bus)	Chotějovice (train)

	Sofia Information Center	Nástup Tušimice Mines	Bílina Mines
Type of exhibition	information center, sales office	surface mine	surface mine
Operator	CEZ Elektro Bulgaria AD	Severočeské doly a.s.	Severočeské doly a.s.
Street and street number	ul. Kozloduj 14		Důlní 375/89
Postcode and city	1202 Sofia	432 01 Kadaň	418 29 Bílina
Telephone	0700 10 010 (in Bulgaria)	474 602 956	417 805 012
Fax	+359 2 833 41 64	474 652 264	417 804 002
E-mail	zaklienta@cez.bg	buskova@sdas.cz	bila@sdas.cz
Opening hours	Monday to Friday: 8:00 a.m. to 6:00 p.m.	Monday to Friday: 6:00 a.m. to 2:00 p.m.	Monday to Friday: 6:00 a.m. to 2:00 p.m.
Advance reservation necessary	no	yes	yes
Name of nearest public transport station/stop	Centralna avtogara Sofia (bus)	Tušimice, důl Merkur (bus)	Bílina, aut. nádr. (bus), Bílina (train)

Information for Shareholders and Investors

Events Calendar	
CEZ Group audited consolidated financial statements for the year 2009	February 26, 2010
ČEZ, a. s. audited financial statements for the year 2009	February 26, 2010
CEZ Group consolidated financial figures for the year 2009	February 26, 2010
Financial statements	
Press conference	
Conference call	
Quarterly (brief) report	
Year-end financial statements of subsidiaries included in the CEZ Consolidated Group	March 17, 2010
Selected figures of associates and joint-ventures included in the CEZ Consolidated Group	March 17, 2010
Related Parties Report	March 31, 2010
CEZ Group 2009 Annual Report – Czech, English, and Polish language versions in electronic form; Czech language version in print	April 30, 2010
CEZ Group 2009 Annual Report – English version in print	May 11, 2010
CEZ Group non-audited financial figures for Q1 2010	May 11, 2010
Financial statements	
Press conference	
Conference call	
Quarterly (brief) report	
ČEZ, a. s. non-audited financial statements for Q1 2010	May 11, 2010
Financial statements	
Annual General Meeting	June 29, 2010
CEZ Group non-audited consolidated financial figures for H1 2010	August 10, 2010
Financial statements	
Press conference	
Conference call	
Quarterly (brief) report	
ČEZ, a. s. non-audited financial statements for H1 2010	August 10, 2010
Financial statements	
CEZ Group 2010 Half-year Report	August 31, 2010
CEZ Group non-audited financial figures for Q1–Q3 2010	November 9, 2010
Financial statements	
Press conference	
Conference call	
Quarterly (brief) report	
ČEZ, a. s. non-audited financial statements for Q1–Q3 2010	November 9, 2010
Financial statements	
CEZ Group audited financial figures for the year 2010	February 28, 2011
Financial statements	
Press conference	
Conference call	
Quarterly (brief) report	
CEZ Group audited consolidated financial statements for the year 2010	February 28, 2011
ČEZ, a. s. audited financial statements for the year 2010	February 28, 2011

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		www.cez.cz	
ČEZ Foundation	Ondřej Šuch	ondrej.such@cez.cz	+420 211 046 722
		www.nadacecez.cz	
Customer Line for the Czech Republic	ČEZ Zákaznické služby, s.r.o.		+420 840 840 840
Virtual Sales Office		www.cez.cz/cs/pro-zakazniky/virtualni-obchodni-kancelar.html	

Glossary of Terms and Abbreviations

Term	Commentary
basic design	Basic design documentation Engineering documentation used in building industrial facilities; contains descriptions of all process equipment, the processes themselves, and requirements for buildings and structures. Also sets forth the basic principles for managing the project and defines all structures and their locations.
Bloomberg European Utilities Index	The weighted average price of shares, traded in the Eurozone, in companies with the highest market capitalization that provide infrastructure services to the general public.
EIA	Environmental Impact Assessment An investigation into the environmental impacts of large construction projects. In the Czech Republic, the EIA process is governed by law.
EU ETS	EU Emissions Trading Scheme The European Union’s system for trading in carbon dioxide emission allowances. It is defined in Directive 2003/87/EC.
EUA	EU Allowance Unit The amount of carbon dioxide allowed to be released under one allowance issued within European Union Member States. This amount is defined as one ton of carbon dioxide. It is identical with the amount referred to as AAU by the Kyoto Protocol.

Term	Commentary
goodwill	The difference between the purchase price of an enterprise and the purchased share in the aggregate identifiable assets less the fair value of liabilities as at the date of acquisition. Goodwill can also be described as the value of assets whose book value is not a reliable indication of real value.
GPW	Giełda Papierów Wartościowych w Warszawie SA The Warsaw Stock Exchange, where the shares of ČEZ, a. s. have been traded since October 25, 2006.
ICT	Information and Communication Technology Technologies used to process and transmit information.
Nnom	Nominal output Reactor thermal output
NO_x	Nitrogen oxides
OTC market	Over-the-counter market A place where bilateral trades are entered into between sellers and buyers. As these trades are not standardized, their terms are subject to agreement between the parties.
per rollam	Correspondence voting
PSE	Prague Stock Exchange
scheduling	The reporting to the transmission grid operator of technical data concerning trades.
SO_x	Sulfur oxides
sourcing strategy	Procurement strategy Includes selection of supplier, revisions to existing contracts, financing, stipulation of amount, and management of purchase prices, including application of discounts (acquisition cost management).
swap	A type of financial derivative, in which the parties to the contract swap financial flows from assets owned by each of them.
unbundling	Separation of regulated operations The separation, for accounting and legal purposes, of the transmission and distribution grids from other options (e.g. power production, trading, etc.). Required of European Union Member States by Directive 2003/54/EC. In Czech law, this requirement is given by Sections 24a and 25a of Act No. 91/2005 Sb., from January 1, 2005 for the transmission grid operator and from January 1, 2007 for distribution grid operators.
ZIRLO	A trademark owned by Westinghouse Electric Company, Pittsburgh, USA

Explanation of Units Used in This Document

Unit	Commentary
Wh	watt-hour; a unit of work
mSv	miliSievert; a unit of ionizing radiation dose equivalent. It is named after Swedish physicist Rolf Maximilian Sievert, who examined the effects of ionizing radition on living organisms.
V	volt; a unit of electrical potential (voltage)
W	watt; a unit of power (load)
t	metric ton; a unit of mass
TJ	terajoule; a unit of work (energy)
$J.kg^{-1}$	joules per kilogram; a unit of heat content

Foreign Currencies

Country	Currency Code	Name	Remark
Republic of Albania	ALL	Leku	
Republic of Bulgaria	BGN	български лев (Lev)	
Kosovo	EUR	Euro	Not a Eurozone member; Euro was introduced by Administrative Decision No. 2001/24.
Hungary	HUF	Magyar Forint	
Kingdom of the Netherlands	EUR	Euro	
Republic of Poland	PLN	Złoty	
Republic of Bosnia and Herzegovina	BAM	Convertible Mark	1 BAM = 0,51129 EUR Exchange rate is fixed, based on the German Mark (DEM)-to-Euro conversion rate.
Romania	RON	Leu	
Russian Federation	RUB	рубль (Ruble)	
Federal Republic of Germany	EUR	Euro	
Serbia	RSD	динар (Dinar)	Foreign companies are permitted to state their capital in EUR.
Slovak Republic	EUR	Euro	
Republic of Turkey	TRY	Türk lirası (Turkish Lira)	
Ukraine	UAH	гривня (Hrivnia)	

Method Used to Calculate Key CEZ Group Indicators

Indicator	Calculation
Current ratio	Current assets / Current liabilities
Total debt	Long-term debt, net of current portion + Current portion of long-term debt + Short-term loans
Total capital	Equity attributable to equity holders of the parent + Total debt
Net debt	Long-term debt, net of current portion + Short-term loans + Current portion of long-term debt – (Cash and cash equivalents + highly liquid financial assets)
Net debt / EBITDA	Net debt / (Income before income taxes and other expenses/income – Depreciation and amortization)
Dividend per share (gross)	Dividend granted in current year, before tax, on shares outstanding (paid in the year in question, out of previous year's income)
EBIT	Income before income taxes and other expenses/income
EBITDA	Income before income taxes and other expenses/income – Depreciation and amortization
Return on Assets (ROA), net	Net income / Average total assets
Return on Invested Capital (ROIC)	(EBIT + Creation/release of other provisions) * (1 – Corporate income tax rate) / (Average invested capital)
Return on Equity (ROE), net	Net income attributable to equity holders of parent / Average equity attributable to equity holders of parent *) Net income / Average equity

*) Definition applies to ČEZ, a. s. if value is different from definition for CEZ Group.
Average value = (Value at end of previous year + Value at end of current year) / 2.

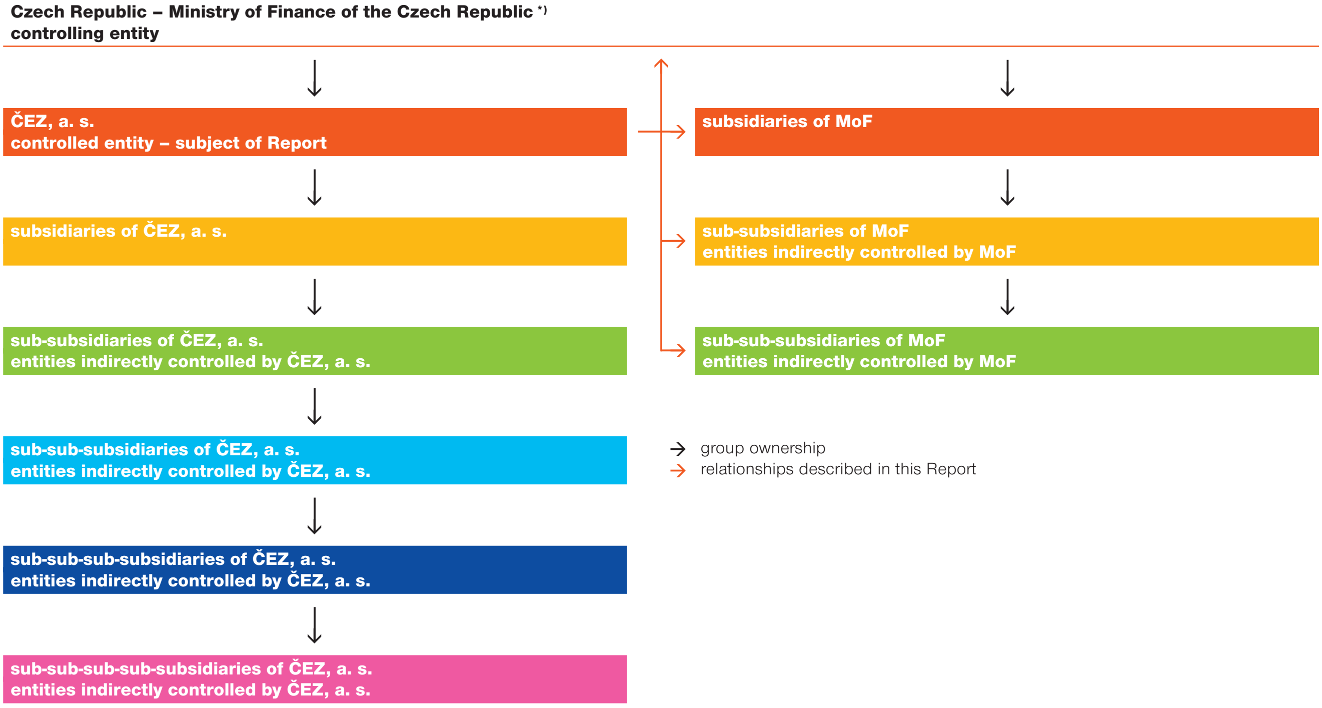
List of Tables and Graphs in the Annual Report

Tables Used

Graphs Used

ČEZ, a. s.
Related Parties Report for the Year 2009

1. Chart showing relationships within Group



*) The Czech Republic is the controlling entity. Management of the State's equity stake in ČEZ, a. s. is assigned to the Ministry of Finance of the Czech Republic.

2. Group structure chart

See insert under back cover flap.

3. Controlling entity and subject of Related Parties Report

Czech Republic – Ministry of Finance – controlling entity	
Name	Ministry of Finance of the Czech Republic
With its seat at	Letenská 525/15, 118 10 Prague 1
ID Number	00006947

ČEZ, a. s. – controlled entity – subject of Report	
Company	ČEZ, a. s.
With its seat at	Duhová 2/1444, 140 53 Prague 4
ID Number	45274649
Incorporated in the Commercial Register maintained by	Municipal Court in Prague, Part B, insert 1581
Size of equity interest	As at December 31, 2009, the controlling entity, MoF, owned a 69.78% equity interest in ČEZ, a. s.

In accordance with Section 66a(9) of the Commercial Code, the Related Parties Report covers the period January 1 – December 31, 2009.

4. Alphabetical list of companies – Group members

See insert under back cover flap.

5. Contractual relations

This list contains contracts entered into by ČEZ, a. s. with related parties, i.e. between the controlling entity and a controlled entity and between a controlled entity and other entities controlled by the same controlling entity.

1. ČEPS, a.s.

Amendment No. 4 dated January 14, 2009 to Contract No. 3210/06-09/009/560 on provision of the ancillary service of island operation capability in the period from January 1, 2009 to December 31, 2009.
Amendment No. 4 dated January 14, 2009 to Contract No. 3210/06-09/009/570 on provision of the ancillary service of secondary regulation of voltage and reactive current in the period from January 1, 2009 to December 31, 2009.
Agreement No. 3210/09/009/610 dated January 14, 2009 on securing and providing electricity from/to other countries for the purpose of providing system services in the Czech Republic Power System at the transmission grid level in the period from January 1, 2009 to December 31, 2009.
Agreement No. 3210/09/009/620 dated January 26, 2009 on producer and transmission grid operator procedures in managing flows of electricity utilizing re-dispatch.
Amendment No. 2 dated May 6, 2009 to the Contract on accession to the general terms and conditions for purchasing and providing ancillary services in the years 2008 to 2010.
Electricity supply contract No. 3210/10/999 dated June 16, 2009 for coverage of losses in the transmission grid in 2010 with acceptance of obligation to offtake electricity from the Czech Republic Power System.
Amendment No. 1 dated June 17, 2009 to the Electricity supply contract for coverage of losses in the transmission grid in 2010 with acceptance of obligation to offtake electricity from the Czech Republic Power System.
Baseload electricity supply contract dated September 24, 2009 for coverage of losses in the transmission grid in 2010.
Contract No. 3230/10/009/540 dated December 4, 2009 on provision of the ancillary service 10-minute quick-starting backup (QS10 and QS20) in the period from January 1, 2010 to December 31, 2010.
Contract No. 3230/10/009/530 dated December 4, 2009 on provision of the ancillary service primary regulation of generating unit frequency (PR), secondary regulation of generating unit output (SR), positive tertiary regulation of generating unit output (TR+), negative tertiary regulation of generating unit output (TR-), 15-minute quick-starting backup (QS15) in the period from January 1, 2010 to December 31, 2010.
Contract No. 3230/09-10/009/550 dated December 9, 2009 on provision of SV30 (output reduction) in the period from December 23 to May 8, 2010.
Agreement No. 3230/10/009/560 dated December 9, 2009 on securing and providing electricity from/to other countries for the purpose of providing system services in the Czech Republic Power System at the transmission grid level in the period from January 1, 2010 to December 31, 2010.
Agreement No. 3230/10/009/580 dated December 17, 2009 on possible reduced output of generation facilities in the period from January 1, 2010 to December 31, 2010.
Contract No. 3230/10-12/009/590 dated December 17, 2009 on provision of the ancillary service black start capability in the period from January 1, 2010 to December 31, 2012.
Contract No. 3230/10/009/600 dated December 17, 2009 on provision of the ancillary service VSR by the Vltava generating units in the period from January 1, 2010 to December 31, 2010.
Agreement dated December 23, 2009 on granting of ČEPS, a.s. consent and conditions for consent with ad hoc cross-border electricity supplies guaranteed by the ancillary services provider ČEZ, a. s. for the operator of the Slovak Republic's transmission grid.
Contract No. 4100062598 dated November 3, 2009 on entering into a future Amendment to the Contract on connection to the Czech Republic's transmission grid dated July 4, 2007 in conjunction with preparations for connection of Units 3 and 4 of Temelín Nuclear Power Station to the transmission grid.
Contract No. 4100032681 dated June 2, 2009 on re-routing and cooperation and assistance in completing and commissioning it. In conjunction with preparations for the connection of a new generating unit at Ledvice Power Station.
Amendment No. 1 dated December 14, 2009 to the Contract on connection of power plants owned by ČEZ, a. s. to the ČEPS, a.s. transmission grid.

2. Letiště Praha, a. s.

Purchase order 4100032408 dated January 31, 2009 – VIP check-in at the Prague Airport lounge.

All the above contracts and amendments were entered into at arm's length; the consideration and counter-consideration agreed and provided was in line with customary business terms. These business relations did not damage ČEZ, a. s. in any way.

6. Other relations

ČEZ, a. s. did not take any legal actions in the interests of related parties nor did it accept or perform any other measures in the interests of related parties or at their behest.

7. Other information

7.1 Confidentiality

Within the Group, information and facts are considered confidential if they constitute part of a business secret of related parties or if they have been declared confidential by any entity that is part of the Group. Also considered confidential is all commercial information that could be, by itself or in conjunction with other information, injurious to any of the entities constituting the Group. For this reason, Part 5 of this Report does not contain information on prices or quantities.

7.2 Auditor's review of the Related Parties Report for the Year 2009

This Related Parties Report has been reviewed by the auditor, Ernst & Young Audit, s.r.o., License No. 401.
The auditor's statement is given in the 2009 Annual Report of CEZ Group.

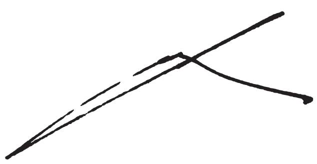
7.3 Companies that did not provide information

Despite the use by the subject of this Report of the best efforts that can be fairly expected of it to obtain the information necessary for inclusion in this Report, the following Group companies failed to provide the requested information:
Teplotechna Praha, a.s.
Ormilk, a.s. in bankruptcy
KONAX a.s. "in liquidation"
LETKA, a.s. "in liquidation"
Hotelinvest a.s. in bankruptcy
Severočeské mlékárny, a.s. Teplice in bankruptcy
HOLDING KLADNO, a.s. "in liquidation"
SEVAC a.s. in liquidation
Výzkumný a zkušební letecký ústav, a.s.
ČMFL, a.s.
Dřevařské závody Borohrádek-F, a.s.
Municipální finanční společnost a.s.
PAL a.s. "in liquidation"

8. Conclusion

The compilation of the Related Parties Report was secured by the statutory body of ČEZ, a. s. within the time stipulated by law.
The Related Parties Report was compiled according to the best knowledge and awareness of the subject and best efforts were used to obtain the documentation from which the information was drawn.
The definition of the Czech Republic's Group was prepared from information provided by the majority shareholder.
The auditor's opinion is given in the 2009 Annual Report of CEZ Group.
The Report was submitted to the Supervisory Board for review. The Supervisory Board will present its opinion at the Company's General Meeting.

Prague, March 25, 2010



Dr. Martin Roman
Chairman of the Board of Directors

Ing. Daniel Beneš
First Vice Chairman of the Board of Directors

Awards Received by CEZ Group in 2009 and 2010 Up to Annual Report Closing Date

Awards Received in 2009

April

- 336th place in the Global 2000 ranking of the world's largest corporations, compiled by Forbes magazine (2008: 461st place);
- 2nd place in the 100 Most Admired Companies in the Czech Republic for the year 2009.

May

- 219th place for ČEZ, a. s. in the ranking of the 500 biggest European companies with public share listings, compiled by Handelsblatt, the German daily (226th place in the previous round).

June

- Investor of the Year 2008 award for biggest contribution to developing investments in the Czech Republic in an annual competition organized by CzechInvest Investment and Business Development Agency together with Association for Foreign Investment (AFI);
- 2nd place in the CZECH TOP 100 for the year 2008 overall and 1st place in the category "Production and Distribution of Electricity, Water, Gas, and Steam"; 2nd place in the Mining category for Severočeské doly.

July

- UK and Continental Europe Award for best investor relations procedures in the Czech Republic, in an annual competition organized by Britain-based IR Magazine. Also, Barbara Seidlová, an employee of ČEZ, a. s., was named the best Investor Relations Manager in the Czech Republic.

September

- ČEZ Zákaznické služby, s.r.o. wins European Contact Centers Award in the category Multichannel Corporate Contact Centers.

October

- ČEZ website wins 1st place in the 8th annual WebTop 100 ranking. ČEZ also defended its victory from 2008 in the Energy sector ranking.

November

- TOP Corporate Philanthropist 2009 – 1st place in "total volume" category in competition organized by the Donors Forum civic association in cooperation with CZECH TOP 100;
- Best Annual Report of the Czech Republic for 2008 – 1st place overall, 1st place in the Information Value category, 2nd place in the Graphic Design category. This ranking is compiled by the CZECH TOP 100 Association;
- 1st place in the Corporate Magazines for Employees category in the 2008 ranking corporate magazines. This ranking is compiled by the CZECH TOP 100 Association.

Awards Received in 2010 Up to Annual Report Closing Date

March

- 2nd place, overall, in All Stars, 1st place in the category "Production and Distribution of Electricity, Water, Gas, and Steam", and 1st place in the City of Prague in the 100 Most Admired Companies of the Czech Republic 2009 ranking compiled by the CZECH TOP 100 Association.

Identification of ČEZ, a. s.

ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
Czech Republic

Registered in the Commercial Register maintained
by the Municipal Court in Prague (part B, insert 1581)

Established:	1992
Legal form:	joint-stock company
ID Number:	452 74 649
Tax ID:	CZ45274649
Bankers:	KB Praha 1, account no. 71504011/0100
Telephone:	+420 211 041 111
Fax:	+420 211 042 001
Internet:	http://www.cez.cz
E-mail:	cez@cez.cz

Closing date of the 2009 Annual Report: March 31, 2010

- **Group structure chart**
- **Alphabetical list of companies – Group members**

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