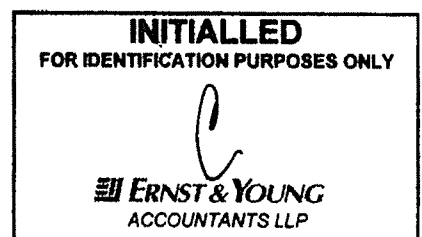


CEZ Finance B.V.

Audited Financial Statements

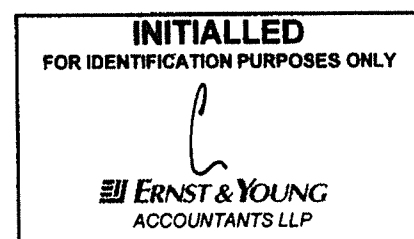
For the year ended 31 December 2010



CEZ Finance B.V.

Audited financial statements for the year ended 31 December 2010

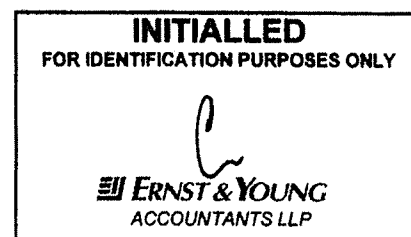
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CEZ Finance B.V.

Directors and other information

Directors	Mr. Jan Brozik (<i>resigned 15 February 2010</i>) Mr. Jiri Postolka (<i>appointed 15 February 2010</i>) Intertrust (Netherlands) B.V (<i>resigned 1 July 2010</i>) Intercity Corporate Management B.V (<i>appointed 1 July 2010</i>)
Registered Office	Hogehilweg 7H 1101 CA Amsterdam The Netherlands
Company number	33264065
Bank	Citibank International plc P.O. Box 75567 1118 ZP Luchthaven Schiphol The Netherlands
Bank	Fortis Bank Nederland (<i>closed 12 October 2010</i>) Postbus 941 1000 AX Amsterdam The Netherlands
Legal advisors	Houthoff Buruma (<i>resigned November 2010</i>) Weena 355 3013 AL Rotterdam The Netherlands Blenheim (<i>appointed November 2010</i>) Westerdoksdiijk 40 1013 AL Amsterdam The Netherlands



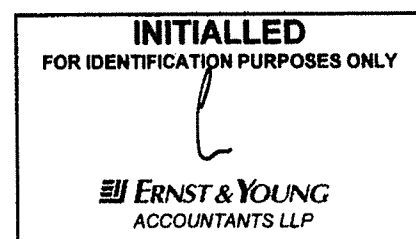
CEZ Finance B.V.

Directors and other information (*continued*)

Tax advisor Ernst & Young Belastingadviseurs LLP
Prof.Dr. Dorgelolaan 14,
5613 AM Eindhoven,
P.O. Box 455, 5600 AL Eindhoven,
The Netherlands

Auditors Ernst & Young Accountants LLP
Boompjes 258
P.O. Box 2295
3000 CG Rotterdam
The Netherlands

Financial accountants Schindlers Netherlands
P.O. Box 12295
1100 AG Amsterdam
The Netherlands



CEZ Finance B.V.

Directors' report

The directors present their report to the shareholder together with the annual financial statements of CEZ Finance B.V. (the "Company") for the year ended 31 December 2010.

Principal activities

The Company is a limited liability company incorporated under the laws of The Netherlands and acts as a finance company for CEZ a.s., (the "shareholder" or "parent company"), located in the Czech Republic.

The Company has issued EUR Bonds on the Luxembourg Stock Exchange of which the proceeds have been used to grant a loan to its shareholder, CEZ a.s.

The Company does not perform any research and development activities.

On 15 February 2010 Mr. Jan Brozik resigned as Managing Director of the Company. On the same date Mr. Jiri Postolka was appointed as his successor. On 1 July 2010, Intertrust (Netherlands) B.V. resigned as Director of the Company and Intercity Corporate Management B.V. was appointed on the same day.

Results and distributions

The total equity of the Company as at 31 December 2010 amounts to €2,118,282 (2009: €3,003,962). The result for the year amounts to a profit of €118,282 (2009: € 166,836).

A dividend amounting to €837,126 was declared out of retained earnings in accordance with the resolutions of the Extraordinary General Meeting of shareholders held on 30 March 2010 and was subsequently paid on 6 April 2010. A further dividend amounting to €166,836, from the 2009 net income was paid on 8 November 2010.

Principle risks

The risk to which the Company is exposed includes interest rate risks and solvability risks. The relating risk management policies are set out in note 15 of the notes to the annual accounts.

Selected indicators:

- Debt to asset ratio: 0.99 (2009:0.99)
- Debt to equity ratio: 74.47 (2009:136.55)
- Current Ratio: 1.01 (2009:1.29)

Formulas:

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

Liquidity and capital resources

Liquidity has decreased slightly, as a result of the payment of dividends. The current ratio has decreased slightly.

Reporting compliance

The Company has adopted IFRS for the first time in these financial statements. The prior financial statements were prepared under Dutch GAAP (see note 17).

Audit Committee

As an "Organisatie van Openbaar Belang" ("Public Interest Entity"), CEZ Finance B.V. is required to establish an Audit Committee. The Board of Directors of the Parent Company fulfils the required Audit Committee tasks for a temporary period, during which they are responsible for keeping supervision over the Board of Directors of CEZ Finance B.V. The Company is of the intention to install a separate Audit Committee at Corporate level during 2011.

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 **ERNST & YOUNG**
ACCOUNTANTS LLP

CEZ Finance B.V.

Directors' report *(continued)*

Corporate governance statement

CEZ Finance B.V. is managed by a Board of Management consisting of one or more members, who shall be appointed by the General Meeting of Shareholders and may be suspended or removed from office by that Meeting at any time.

The General Meeting of Shareholders may amend the Articles of Association of the Company. A resolution must be adopted by a majority of at least two-thirds of the votes validly cast in a meeting in which at least half of the issued share capital is represented.

The Board of Management shall be responsible for the management and administration of the Company. The General Meeting of Shareholders may give instructions the Board of Management regarding the general directions of the financial, social, economic and personnel policies to be pursued. The Board of Management shall act in accordance with such instructions.

Shares not yet issued shall be issued at such price, upon such conditions and at such times as the General Meeting of Shareholders, or another body to which the General Meeting of Shareholders has transferred its power in relation thereto, shall determine, provided that the shares shall not be issued at a price below par value.

Any acquisition by CEZ Finance B.V. of shares in its own capital which are not fully paid-up shall be null and void.

The Company may acquire fully paid-up shares in its own capital, but either for no consideration or if:

- a) its shareholders' equity, reduced by the acquisition price, is not less than the paid-up share capital together with the amount of reserves as it is required by Statute or by the Articles of Association to maintain; and
- b) the aggregate nominal value of the shares to be acquired and the shares in its capital already held by the Company and its subsidiaries does not exceed one half of the issued capital of the Company; and
- c) the General Meeting of Shareholders, or such other body of the Company as is designated for that purpose by the General meeting of Shareholders, has authorized the acquisition.

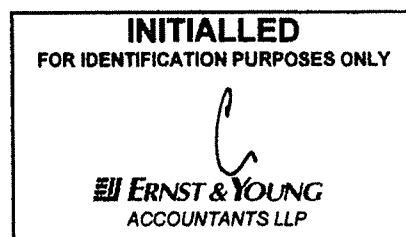
Future outlook

The Bonds will mature on 8 June 2011. The Directors are of the opinion that the Company will continue to be used as a finance company for CEZ a.s. and these activities will be maintained during the next financial year.

On behalf of the Board of Directors on 2 May 2011.

Mr. Jiri Postolka
Director

Intercity Corporate Management B.V.
Director



CEZ Finance B.V.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for the Company for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU.

The financial statements are required by Dutch law and IFRSs as adopted by the European Union to present fairly the financial position and performance of the Company.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Under applicable law, the Directors are also responsible for preparing a Directors' Report.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with IFRS as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that, to the best of their knowledge and belief, that

- the financial statements, prepared in accordance with IFRS, give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended; and
- the Directors' report includes a fair review of the performance of the business and the financial position of the Company, together with the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

Mr. Jiri Postolka

Director

Intercity Corporate Management B.V

Director

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CEZ Finance B.V.

Statement of comprehensive income for the year ended to 31 December 2010

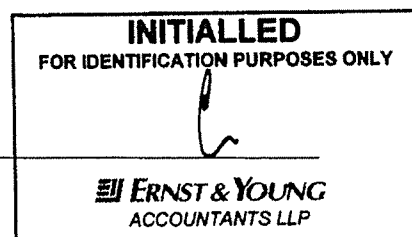
	31 December 2010	31 December 2009
	€	€
Income		
Interest income	3 <u>18,541,275</u>	<u>19,179,975</u>
Net investment income	<u>18,541,275</u>	<u>19,179,975</u>
Net income from operating activities before finance costs and taxation	18,541,275	19,179,975
Finance costs		
Interest expense	4 <u>(18,265,634)</u>	<u>(18,889,391)</u>
Total finance costs	<u>(18,265,634)</u>	<u>(18,889,391)</u>
Expenses		
General & administration expenses	5 <u>(127,731)</u>	<u>(79,841)</u>
Total operating expenses	<u>(127,731)</u>	<u>(79,841)</u>
Net income before taxation	147,910	210,743
Income tax expense	7 <u>(29,628)</u>	<u>(43,907)</u>
Other comprehensive income	-	-
Total comprehensive income for the year attributable to shareholder of the Company	<u><u>118,282</u></u>	<u><u>166,836</u></u>

On Behalf of the Board of Directors on 2 May 2011:

Director

Director

See accompanying notes to the financial statements.



CEZ Finance B.V.

Statement of financial position as at 31 December 2010

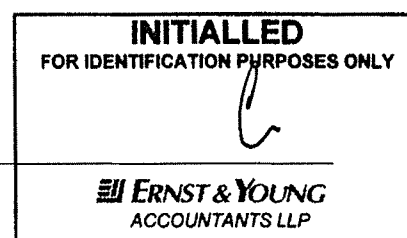
		31 December 2010	31 December 2009 <i>(restated)</i>	1 January 2009 <i>(restated)</i>
Assets				
Non current assets				
		€	€	€
Loans receivable from parent company	9	-	399,469,426	399,099,141
Total non current assets		<u>-</u>	<u>399,469,426</u>	<u>399,099,141</u>
Current assets				
Loans receivable from parent company	9	153,546,757	-	19,214,000
Interest receivable		4,318,985	10,647,400	10,647,400
Cash and cash equivalents	8	-	2,764,535	2,607,637
Receivable from group cash pooling	10	1,944,023	-	-
Current tax recoverable	7	51,011	114,246	90,103
Other receivables		1,505	-	-
Total current assets		<u>159,862,281</u>	<u>13,526,181</u>	<u>32,559,140</u>
Total assets		<u>159,862,281</u>	<u>412,995,607</u>	<u>431,658,281</u>
Equity and liabilities				
Equity				
Share capital	12	18,151	18,151	18,151
Share premium		1,806,594	1,806,594	1,806,594
Retained earnings		293,537	1,179,217	1,012,381
Total equity		<u>2,118,282</u>	<u>3,003,962</u>	<u>2,837,126</u>
Non current liabilities				
Debt instruments	11	-	399,469,426	399,099,141
Total non current liabilities		<u>-</u>	<u>399,469,426</u>	<u>399,099,141</u>
Current liabilities				
Debt instruments	11	153,546,757	-	-
Loans payable to parent company		-	-	19,200,850
Interest payable on debt instruments		4,172,480	10,491,781	10,491,781
Accruals and other expenses		24,762	30,438	29,383
Total current liabilities		<u>157,743,999</u>	<u>10,522,219</u>	<u>29,722,014</u>
Total equity and liabilities		<u>159,862,281</u>	<u>412,995,607</u>	<u>431,658,281</u>

On Behalf of the Board of Directors on 2 May 2011:

Director

Director

See accompanying notes to the financial statements

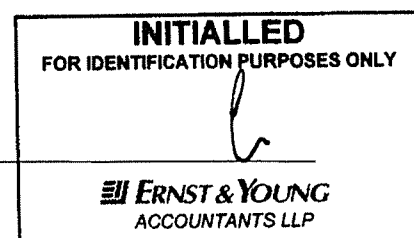


CEZ Finance B.V.

Statement of changes in equity for the year ended 31 December 2010

	Share capital €	Share premium €	Retained earnings €	Total equity €
Balance at 1 January 2009	18,151	1,806,594	1,012,381	2,837,126
Profit for the year	-	-	166,836	166,836
Balance at 31 December 2009	<u>18,151</u>	<u>1,806,594</u>	<u>1,179,217</u>	<u>3,003,962</u>
Profit for the year	-	-	118,282	118,282
Dividends paid	-	-	(1,003,962)	(1,003,962)
Balance at 31 December 2010	<u><u>18,151</u></u>	<u><u>1,806,594</u></u>	<u><u>293,537</u></u>	<u><u>2,118,282</u></u>

See accompanying notes to the financial statements.



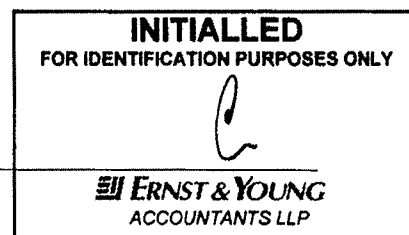
CEZ Finance B.V.

Statement of cash flows for the year ended 31 December 2010

	31 December 2010 €	31 December 2009 €
Cash flow from operating activities		
Profit before tax	147,910	210,743
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Decrease in loan receivable from parent company	245,922,669 *	18,843,715 *
Decrease in interest receivable	6,328,415	-
Increase in receivable from group cash pooling	(1,944,023)	-
Increase in other receivables	(1,505)	-
(Decrease)/increase in debt instruments	(245,922,669) *	370,285 *
Decrease in interest payable in debt instruments	(6,319,301)	-
Decrease in loans payable to parent company	-	(19,200,850)
(Decrease)/increase in accruals and other expenses	(5,676)	1,055
Current tax repaid/(paid)	33,607	(68,050)
Net cash flows provided by operating activities	<u>(1,760,573)</u>	<u>156,898</u>
Financing activity		
Dividend paid	(1,003,962)	-
Net cash flow from financing activity	<u>(1,003,962)</u>	<u>-</u>
Cash and cash equivalents - opening	<u>2,764,535</u>	<u>2,607,637</u>
Cash and cash equivalents - closing	<u>-</u>	<u>2,764,535</u>

* These are not actual cash flows running through the Company but are settled by CEZ a.s., the parent company, directly with the bond holders. Only the margin is transferred from CEZ a.s.'s bank account to the bank account of the Company. Note that as of 1 March 2010 the Company is part of a cash pool facility with the parent company, which explains the closing balance of Nil.

See accompanying notes to the financial statements.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010

1. Corporate information

CEZ Finance B.V. (the "Company"), a private company with limited liability, was incorporated under the law of the Netherlands on 28 November 1994. The Company's registration number is 33264065. It is a wholly owned subsidiary of CEZ a.s., located in the Czech republic.

The Company's registered office is at Hogehilweg 7H, 1101 CA, Amsterdam, the Netherlands.

The objective of the Company is to finance companies and other enterprises and entities with which it forms a Group, primarily its parent. It may participate in financial transactions including the issue of bonds, promissory notes, debentures or other securities. The Company may grant guarantees to bind the Company and to grant security over its assets for the obligation of companies and other enterprises with which it forms a Group. The Company may enter into agreements, including interest and/or currency exchange agreements, in connection with these objectives.

The Company had no employees for the year ended 31 December 2010 and 31 December 2009.

The financial statements of the Company for the year ended December 31, 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 2 May 2011.

The financial statements of the Company for the year ended 31 December 2010 will be adopted by the Annual General Meeting of shareholders.

2. Accounting policies

(a) Basis of measurement

The financial statements have been prepared under the historical cost basis, unless otherwise indicated.

The financial statements are presented in Euro (€) which is the company's functional currency and all values are rounded to the nearest €, except when otherwise indicated.

In accordance with IAS 21 paragraph 9, given the specific financing situation of the Company, the Euro is considered to be the most appropriate functional currency.

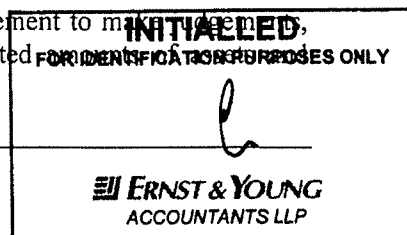
(b) Statement of compliance

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). These are the Company's first IFRS financial statements and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied in the preparation thereof. The Company's most recent previous financial statements, for the year ended 31 December 2009, were prepared in accordance with Part 9 of Book 2 of the Netherland Civil Code.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 17.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and the reported assets, liabilities, income and expense. Actual results may differ from these estimates.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

2. Accounting policies *(continued)*

(c) Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In particular, key sources of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes.

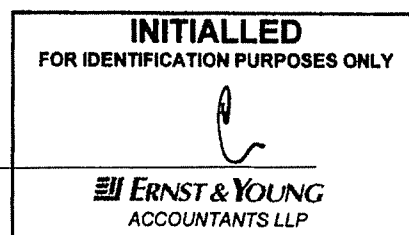
(d) New standards and interpretations not yet adopted

The following standards and amendments to existing standards have been issued to date and are not yet effective for the financial statements of the Company for the year ended 31 December 2010 and have not been applied or early adopted in preparing these financial statements.

Standard	Narrative	Effective Date
IAS 24 (revised)	Related party disclosure	1 January 2011*
IAS 32 (amendment)	Financial instruments : presentation – Amendments relating to accounting for rights issues	1 February 2010*
IFRS 1 (amendment)	Limited exemption from comparative IFRS 7 disclosures for first time adopters	1 July 2010*
IFRS 2 (amendment)	Share-based payment – Group cash-settled share-based payment transactions	1 January 2010*
IFRS 7 (amendment)	Financial instruments: disclosure – amendments relating to enhancing disclosures about transfer of financial assets	1 July 2011*
IFRS 9	Financial instruments; and	1 January 2013*
	Other IAS's effected by the Improvements Projects	1 January 2011*
IFRIC 14 (amendment)	Amendments to pension accounting	1 January 2011*
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010*

*Effective for annual periods beginning on or after.

Management of the Company anticipate that the adoption of International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the Company in the period of initial application.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

2. Accounting policies *(continued)*

(d) New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments was issued in November 2009 and represents the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments introduced new requirements for the classification and measurement of financial assets. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information.

IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost or fair value, replacing the four category classification in IAS 39. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The next steps in the International Accounting Standard Board's (IASB's) project will address the impairment of financial assets measured at amortised cost and hedge accounting. The IASB has indicated that it aims to finalise the replacement of IAS 39 by the second quarter of 2011.

In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between the generally accepted accounting principles in the US and IFRS in accounting for financial instruments. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of IFRS 9 as at the date of publication of these financial statements.

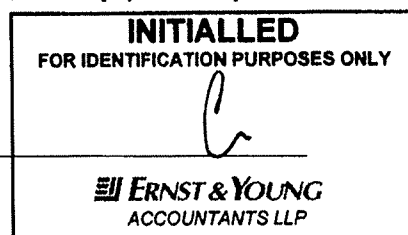
(e) Investment transactions and valuations

(i) Classification

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss; loans and receivables; available-for-sale financial assets; or as held-to-maturity investments, as appropriate. The classification depends on the purpose for which the asset was acquired. The Company determines the classification of its financial assets at initial recognition and re-evaluated this designation at each financial period end. The Company did not have any financial assets that are classified as fair value through profit or loss; available-for-sale financial assets; or as held-to-maturity investments during the year. Purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to borrowers.

Loans receivable from parent company, receivable from group cash pooling and other receivables are classified as loans and receivables. These are carried at amortised cost using the effective interest rate method, less impairment losses if any.

Financial liabilities that are not held for trading comprise of debt instruments, loans payable to parent company and accruals and other payables.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

2. Accounting policies *(continued)*

(e) Investment transactions and valuations (continued)

(ii) Recognition

The Company recognizes financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognized using trade date accounting. From this date any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the statement of comprehensive income. Financial liabilities are not recognized unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

(iii) Measurement and fair value measurement principles

All financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised. After initial recognition, investments are based on their quoted bid market price at the reporting date without any deduction for estimated future selling costs. The Company have no investments at 31 December 2010 and 31 December 2009.

(f) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

(g) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated at either fair value through profit or loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method ("EIR") less any impairment losses. The carrying value of the loan is adjusted to reflect actual and revised estimated cash flows.

(h) Impairment

Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment.

If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the previously recognised impairment loss is reversed through the statement of comprehensive income.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

2. Accounting policies *(continued)*

(i) Foreign currency

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US\$ at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US\$ at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in movement in fair value through profit or loss. The Company is currently not exposed to foreign current exposure as all assets and liabilities are in denominated Euro.

(j) Interest bearing loans and borrowings

Loans and borrowings (including debt instruments) are initially recorded at cost being the fair value at the consideration received and not including attributable transaction costs. Subsequent to initial recognition loans and borrowings are measured at amortized cost employing the effective yield methodology.

Fixed rate term loans, which have been adjusted to floating rates are measured at amortised cost adjusted for changes in value attributable to the risk arising from changes in underlying interest rates. The computation of amortised cost included any issue costs and any discount or premium materializing on settlement.

(k) Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income as it accrues using the original effective interest rate of the instrument, calculated at the acquisition or origination date. Interest income includes the amortisation of any discount on premium transaction costs or other differences between the carrying value of an interest bearing instrument and its amount at maturity calculated on an effective interest basis. Interest income and expenses includes interest on bank balances.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position can comprise cash on hand or held in a deposit account with the Company's bank, with original maturities of three months or less.

(m) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(n) Taxation

Provision for tax has been made in accordance with the standard ruling practice for finance companies in the Netherlands. Final corporate income tax assessment has been received for the financial year ending 31 December 2008.

CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

2. Accounting policies *(continued)*

(o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(p) Dividends

Final dividends are recognised as a liability in the financial statements only after they have been approved at the annual general meeting of the Company.

Interim dividends on ordinary shares are recognised when they are paid.

3. Interest income

Interest income relates to interest income earned on cash and cash pool balances held with the bank and the loan receivable from the parent company.

	December 2010	December 2009
	€	€
Interest from group loans	18,157,590	18,793,993
Deferred finance fee	373,331	370,286
Current account interest	5,463	-
Deposit account interest	1,062	-
Other interest	3,829	15,696
	<u>18,541,275</u>	<u>19,179,975</u>

4. Finance cost

	December 2010	December 2009
	€	€
Interest on debt instruments	17,892,303	18,500,000
Interest on intercompany loans	-	19,104
Amortisation of discount on bonds	229,297	227,429
Amortisation of deferred issue expenses	144,034	142,858
	<u>18,265,634</u>	<u>18,889,391</u>

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CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

5. General and administrative expenses

	December 2010	December 2009
	€	€
Bank and similar charges	1,466	218
Administration and accounting fee	47,196	27,241
Auditors fee	31,645 *	17,850 *
Fiscal advisory services	7,495 *	20,313 *
Professional fees	7,023	9,783
Management fee	4,320	4,320
Tax advisory service	28,427	-
Other costs	159	116
	<u>127,731</u>	<u>79,841</u>

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

2010	E&Y Accountants		
	LLP	Other E&Y	Total E&Y
Audit of annual report	31,645	-	31,645
Other review activities	-	-	-
Fiscal advisory services	-	7,495	7,495
Other non audit activities	-	-	-
Total	<u>31,645</u>	<u>7,495</u>	<u>39,140</u>

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

6. Dividend

A dividend of €837,126 was declared from retained earnings in accordance with the resolution of the Extraordinary General Meeting of shareholders on 30 March 2010 and subsequently paid on 6 April 2010 and a dividend of €166,836 was also paid during the year from the 2009 net income.

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CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 (*continued*)

7. Taxation

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

	December 2010	December 2009
	€	€
Result before tax	147,910	210,743
Tax at Dutch statutory rate of 20% (for the first €200,000)	29,582	40,000
Tax at Dutch statutory rate of 25.5% (over €200,000)	-	2,739
Other	46	1,168
Income tax expense	29,628	43,907

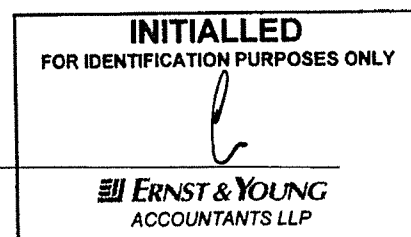
	December 2010	December 2009
	€	€
Corporate tax 2008	-	91,063
Corporate tax 2009	23,183	23,183
Corporate tax 2010	49,380	-
Preliminary tax 2010	2,117	-
Refund corporate tax	(23,669)	-
	51,011	114,246

8. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position can comprise of cash in hand and on deposit with the Company's bank Citibank International plc, with original maturities of three months or less.

There were no amounts held in the bank account at 31 December 2010 (2009:€2,764,535) as the Company operates a cash pool facility from 1 March 2010 (see note 10).

The Fortis Bank Nederland accounts closed on 12 October 2010 and any outstanding balance was moved to Citibank international plc.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 (*continued*)

9. Loan receivable from parent company

The Company entered into a loan agreement with its parent on 8 June 2004. As part of this agreement it was agreed that the parent should pay a financing fee equal to the aggregate of the administration expenses in relation to the issue of the bonds by the Company. As a result the issue expenses in relation with the issue of the Bonds have been deducted from the principal loan amount granted to the shareholder. This deferred financing fee will be released to income over the term of the loan.

The Company holds no collateral in relation to this loan. The directors have reviewed the loan balance at year end and have concluded that there are no impairment factors for the Company to consider. The Company's financial position at 31 December 2010 was considered financially stable and the Company do not foresee any adverse audit risk that may lead to going concern matter over the loan agreement period.

	December 2010	December 2009
	€	€
At the beginning of the year	399,469,426	399,099,141
Amortisation deferred finance fee	373,331	370,285
Repayment of debt instruments	(246,296,000)	
	<u>153,546,757</u>	<u>399,469,426</u>
	December 2010	December 2009
	€	€
Loan at nominal value	400,000,000	400,000,000
Deferred financing fee	(157,243)	(530,574)
Repayment of loan	(246,296,000)	-
At the end of the year	<u>153,546,757</u>	<u>399,469,426</u>

At 31 December 2010, the nominal value of the loan is €153,704,000.

CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

10. Receivable from group cash pooling

The Company operates a cash pooling facility with other companies within the CEZ Group with effect from 1 March 2010. This acts as a flexible and efficient tool for mutual short term financing within the Group.

To avail of this facility the Company along with the other companies within the Group entered into a multi target balancing agreement with Citibank International plc. The company also entered a mutual credit facility agreement with the parent, the pool leader, as did all other companies within the Group. The cash pooling comprises pool leader accounts with currencies EUR, USD, HUF and RON and participating accounts (for each company - namely the "participant") in EUR, USD and local currency where applicable. There is a limit of €50 million for each participant across all its accounts and currencies.

Interest is reallocated between each participant's account on a monthly basis as a debt/credit balance reflecting each day's net balance. Each day the final balance in each participant's bank account is zero therefore the net balance represents the participant's balance with CEZ a.s. the pool leader. At 31 December 2010 the amount receivable from CEZ a.s. in relation to this facility amounted to €1,944,023.

11. Debt instruments

The Company issued EUR Bonds on the Luxembourg Stock Exchange. The bonds are guaranteed by the parent. The proceeds of the bonds have been lent to CEZ a.s. (see note 10). The Bonds mature on the 8 June 2011. The interest rate, on the Bonds is 4.6250%.

During November 2010 some of the bond notes were redeemed before their maturity date. In return CEZ a.s. paid €246,296,000 in relation to this transaction, which was an early repayment of its loan balance.

	December 2010	December 2009
	€	€
Bond at nominal value	400,000,000	400,000,000
Amortisation discount	(96,580)	(325,877)
Bonds redeemed during the year	(246,296,000)	-
Amortisation of issue expenses	(60,663) *	(204,697)
At the end of the year	153,546,757	399,469,426

At 31 December 2010, the nominal value of the bond is €153,704,000.

CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 (continued)

11. Debt instruments (continued)

	December 2010	December 2009
	€	€
At the beginning of the year	399,469,426	399,099,141
Amortisation discount	229,297	227,429
Bonds redeemed during the year	(246,296,000)	-
Amortisation of issue expenses	144,034 *	142,856
At the end of the year	153,546,757	399,469,426

* These relate to the remaining issue expenses to be amortised, on the issue of the EUR Bonds on the Luxembourg stock exchanges. The principal amount was €1,000,000 and is carried at amortised cost using the effective interest rate method.

12. Share capital

	2010	2009
	€	€
Authorised		
200 Ordinary shares of €453.78 each	90,756	90,756
Issued and fully paid		
At the beginning of the year	18,151	18,151
At the end of the year	18,151	18,151

The issued shares are held by CEZ, a.s., the ultimate parent company, being issued to them upon incorporation of the Company. The investment by CEZ a.s. totalled €18,151 and consisted of share capital investment of 40 shares at €453.78 each per share.

13. Financial instrument disclosure and associated risks

The nature and extent of the financial assets outstanding at reporting date and the risk management policies employed by the Directors to manage these risks are discussed below.

(a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

13. Financial instrument disclosure and associated risks *(continued)*

(a) Credit risk *(continued)*

The carrying amount of financial assets best represents the maximum credit risk exposure at the reporting date. At December 31, 2010 and 2009, the Company's financial assets exposed to credit risk amounted to the following:

	December 2010	December 2009
	€	€
Non current		
Loans receivable from parent company	153,546,757	399,469,426
Interest receivable	4,318,985	10,647,400
Cash and cash equivalents	-	2,764,535
Receivable from group cash pooling	1,944,023	-
Current tax receivable	51,011	114,246
Other receivables	1,505	-
	<u>159,862,281</u>	<u>412,995,607</u>

Concentration risk

99.9% (2009: 99.3%) of the financial assets above are with CEZ a.s. The credit rating of the parent is "A-".

Loans receivable from parent company

Loans and receivables including interest amount to €157,865,742 at 31 December 2010 (2009:€410,116,826). This represents one loan to the parent company granted on 8 June 2004. The Company acts as a Finance company to CEZ a.s.

On 8 December, 2010, CEZ a.s. repaid €246,296,000 of the loan balance. The Directors have concluded that the loan is not impaired. This loan is unsecured and payable on demand.

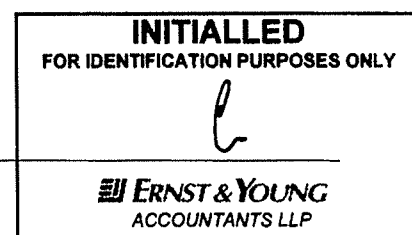
Receivable from cash pooling

The Company operates a cash pooling facility with effect from 1 March 2010. As at 31 December 2010 the amount owed from the parent, the pool leader, amounted to €1,994,023 (see note 10).

Cash and cash equivalents

During 2009 and 2010, cash and cash equivalents were held with Citibank International plc. Bankruptcy or insolvency at a bank used by the Company may cause its rights with respect to cash and cash equivalents to be delayed or limited. The Company regularly monitors its risk by monitoring the credit quality of the bank. As the Company now operates a cash pool facility with CEZ a.s., no cash is held in the bank account at year end.

The current credit rating of Citibank International plc as determined by Standard & Poors is "A+". If the credit quality of the bank used by the Company deteriorates significantly, the Directors will deal with another provider.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

13. Financial instrument disclosure and associated risks *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due.

The following table shows the remaining contractual, undiscounted cash flows of the Company's liabilities at 31 December, 2010.

All amounts stated in Euro

	Less than 1 month	1 - 3 Months	3 months to 1 year	More than 1 year	No stated maturity
Financial liabilities					
Debt instruments	-	-	153,546,757	-	-
Interest payable on debt instruments	-	-	4,172,480	-	-
Accruals and other payables	-	-	24,762	-	-
Total financial liabilities	-	-	157,743,999	-	-

The following table shows the remaining contractual, undiscounted cash flows of the Company's liabilities at 31 December, 2009.

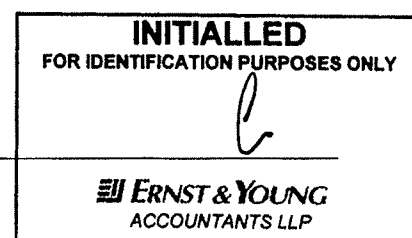
All amounts stated in Euro

Financial liabilities					
Debt instruments	-	-	-	399,469,426	-
Interest payable on debt instruments	-	-	10,491,781	-	-
Accruals and other payables	-	-	30,438	-	-
Total financial liabilities	-	-	10,522,219	399,469,426	-

The EUR bonds listed on the Luxembourg Stock Exchange represent the Company's significant exposure to liquidity risk. These Bonds are guaranteed by CEZ a.s. and mature in June 2011. The proceeds of the Bonds have been lent to CEZ a.s.

In November 2010 some of the bond notes were redeemed early and CEZ a.s. paid €246,296,000 in relation to this transaction, which was an early repayment of its loan balance. The overall Group's liquidity management policy ensures the Company has sufficient liquidity to meet its current requirements.

The Directors have reviewed their cash flows and operation of their Bond notes and they expect the Bond notes to be repaid as they fall due.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

13. Financial instrument disclosure and associated risks *(continued)*

(c) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk. All of the assets and liabilities of the Company are in Euro and the Company is therefore not exposed to currency risk. The Company is not exposed to any price risk, given none of its financial assets or liabilities are measured at fair value. The carrying value of the financial assets and liabilities approximates to their fair value therefore there is no further disclosure requirements.

Interest rate risk

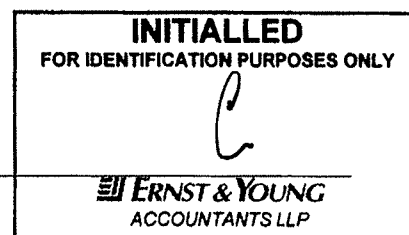
Cash and cash equivalents, and loans advanced yield a material amount of interest.

The tables overleaf detail the Company's exposure to cash flow interest rate risk at 31 December, 2010. It includes the Company's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities.

All amounts stated in Euro

	Less than 1 month 2010	1 - 12 months 2010	More than 1 year 2010	Non-interest bearing 2010	Total 2010
Assets					
Loans receivable from parent company	-	-	-	153,546,757 *	153,546,757
Receivable from group cash pooling	1,944,023	-	-	-	1,944,023
Interest receivable	-	-	-	4,318,985	4,318,985
Current tax recoverable	-	-	-	51,011	51,011
Other receivables	-	-	-	1,505	1,505
Total assets	1,944,023	-	-	157,918,258	159,862,281
Liabilities					
Debt instruments	-	-	-	153,546,757 *	153,546,757
Interest payable on debt instruments	-	-	-	4,172,480	4,172,480
Accruals and other payables	-	-	-	24,762	24,762
Total liabilities	-	-	-	157,743,999	157,743,999
Total interest rate sensitivity gap	1,944,023	-	-		

*Loans are interest bearing but advanced at a fixed rate, therefore the loan and debt instrument expose the Company to fair value interest rate risk but not cash flow interest rate risk.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

13. Financial instrument disclosure and associated risks *(continued)*

(c) Market risk *(continued)*

Interest rate risk (continued)

The following table details the Company's exposure to cash flow interest rate risk at the year ended 31 December, 2009.

All amounts stated in Euro

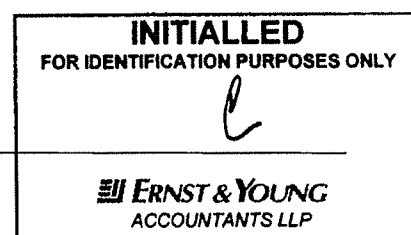
	Less than 1 month 2009	1 - 12 months 2009	More than 1 year 2009	Non-interest bearing 2009	Total 2009
Assets					
Loans and receivables from parent company	-	-	-	399,469,426 *	399,469,426
Cash and cash equivalents	2,764,535	-	-	-	2,764,535
Interest receivable	-	-	-	10,647,400	10,647,400
Current tax recoverable	-	-	-	114,246	114,246
Total assets	2,764,535	-	-	410,231,072	412,995,607
	Less than 1 month	1 - 12 months	More than 1 year	Non-interest bearing	Total
Liabilities					
Debt instruments	-	-	-	399,469,426 *	399,469,426
Interest payable on debt instruments	-	-	-	10,491,781	10,491,781
Accruals and other payables	-	-	-	30,438	30,438
Total liabilities	-	-	-	409,991,645	409,991,645
Total interest rate sensitivity gap	2,764,535	-	-		

Cash flow interest rate sensitivity

An increase of 50 basis points in interest rate at 31 December 2010 would have increased the net income for the year and net equity by €9,720 (2009:€13,823). A decrease of 50 basis points would have an equal and opposite effect. Loans are advanced at a fixed rate.

14. Capital Management

The share capital of the Company is held by CEZ a.s., the parent company. CEZ a.s. management/ the management of the Company manage the capital (i.e. the loan receivable and bonds payable) of the Company and the other underlying entities within the Group on a regular basis to safeguard the Company's ability to continue as a going concern.



CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 *(continued)*

15. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial or operational decisions. The principal related party relationships requiring disclosure in the financial statements of the Company under *IAS 24 Related Party Disclosures* ("IAS 24") pertain to the existence of group companies and transactions with those entities entered into by the Company.

Loans and advances to group company

The issued share capital of the Company is wholly owned by CEZ, a.s.

The Company granted a loan to CEZ a.s. on 8 June 2004 with a nominal value of €400,000,000 at a rate of 4.6936% per annum. €246,296,000 was repaid during the year. The amount owed by CEZ a.s. at 31 December 2010 amounts to €153,546,757 (2009:€399,469,426) including deferred financing fee.

CEZ a.s. acts as a guarantor for the EUR Bonds listed on the Luxembourg stock Exchange which mature on 8 June 2011.

CEZ a.s. make payments on behalf of the Company.

CEZ a.s. also receives fees of €3,504 per quarter in relation to administration completed at Group level.

With effect from 1 March 2010 the Company operates a cash pool facility with other companies within the CEZ Group. At 31 December 2010 the amount receivable from CEZ a.s. in relation to this facility amounted to €1,944,023(2009: NIL).

Transactions with Company Directors

The Directors who served during the year are listed on page 1.

Mr Jiri Postolka, Intercity Corporate Management B.V and Intertrust Netherlands (resigned 1 July 2010) act as Directors of the Company and received fees during the year, amounting to €4,320.

16. Comparative information

The most recent financial statements are for the year ended 31 December 2010. The comparative figures are for the year ended 31 December 2009 adapted to IFRS (see note 17).

CEZ Finance B.V.

Notes

to and forming part of the financial statements for the year ended 31 December 2010 (continued)

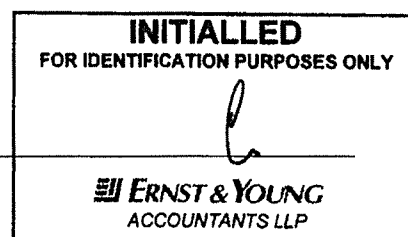
17. Explanation of transition to IFRSs

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRSs. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2010, the comparative information presented in these financial statements for the year ended 31 December 2009 and in the preparation of the opening IFRS statement of financial position as at 1 January 2009 (the Company's date of transition to IFRSs).

In preparing its opening IFRS statement of financial position the Company has adopted the same accounting policies that were adopted in preparing its financial statements in accordance with its old basis of accounting (Generally Accepted Accounting Practice in the Netherlands) since those accounting policies were in compliance with IFRSs. As a result, except for the reclassification of deferred issues expenses amounting to €347,554, which are now presented net of long term liabilities, the transition to IFRS had no effect on the Company's reported financial position, financial performance and cash flows.

18. Approval of the financial statements

The financial statements were approved by the Board of Directors on 2 May 2011.



CEZ Finance B.V.

Other information

Appropriation of profit

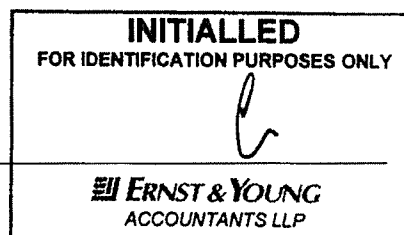
According to Article 22 Section 2 of the Company's articles of association, the annual general meeting of shareholders determines the appropriation of the Company's profit for the year.

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

The Board of Directors of CEZ Finance B.V. propose to declare a dividend of €118,282.

Events after the reporting date

There have been no events after the statement of financial position date which necessitates a change to the financial statements of the Company.



CEZ Finance B.V.

Other information (*continued*)

Independent auditor's report

To: the Shareholder and Audit Committee of CEZ Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of CEZ Finance B.V., Amsterdam, which comprise the statement of financial position as at December 31, 2010, the statement of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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 Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

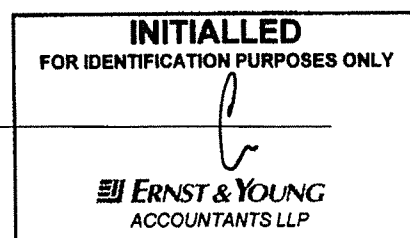
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of CEZ Finance B.V. as at December 31, 2010 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.



CEZ Finance B.V.

Other information (*continued*)

Independent auditor's report

To: the Shareholder and Audit Committee of CEZ Finance B.V. (*continued*)

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, May 2, 2011

Ernst & Young Accountants LLP

Signed by:

J.J.J. Sluijter

