

**CEZ Finance B.V.**  
**Amsterdam**

Interim financial statements  
as at 30 June 2010

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## Director's Report

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

## General

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

## Overview of activities

The Company has issued Euro bonds on the Luxembourg Stock Exchange of which the proceeds have been used to grant a loan to its shareholder.

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

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

The Company does not perform any research and development activities.

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

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

## Results

The net asset value of the Company as at June 30, 2010 amounts to EUR 2,234,898 (2009: EUR 3,003,962). The result as at June 30, 2010 amounts to a profit of EUR 68,062 (2009: 166,836).

The risks to which the Company is exposed include interest rate risks and solvability risks. The relating risk management policies are set out in note 18 of the notes to the interim financial statements.

## Responsibility statement

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

1. The interim financial statements, which have been prepared in accordance with Part 9 of Book 2 of the Netherlands, Civil Code provide a true and fair view of the assets, liabilities, financial position and result as at 30 June 2010.
2. The report of the management provides a true and fair view of the financial position as at 30 June 2010, the development during the financial year, together with a description of the principal risks.

## Audit Committee

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

## Future outlook

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

Amsterdam, February 7, 2011

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

Jiri Postolka  
(appointed 15 February 2010)

## Balance sheet as at June 30, 2010

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

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

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

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

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

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

## Notes to the interim financial statements

### General

The Company is incorporated in The Netherlands with limited liability on November 28, 1994. The Company is a wholly owned subsidiary of CEZ a.s., located in the Czech Republic. The Company is engaged in financing activities for group companies.

The financial statements of the Company are included in the consolidated financial statements of CEZ a.s., which have been filed at the Chamber of Commerce in Prague, the Czech Republic.

### **Basis of presentation**

The accompanying accounts have been prepared in accordance with Part 9 Book 2 of the Netherlands Civil Code. The most important policies are:

#### **a. Loans to shareholder and bonds**

The bonds and loan receivable are carried at amortised cost using the effective interest rate method.

#### **b. Other assets and liabilities**

##### Other assets

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

##### Other liabilities

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

#### **c. Recognition of income**

Income and expenses, including taxation, are recognised and reported on accrual basis.

#### **d. Corporate income tax**

Provisions for taxation have been made in accordance with the standard ruling practice for finance companies in The Netherlands. Final corporate income tax assessments have been received for the financial years through 2009.

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

|                                      | June 30, 2010      | Dec 31, 2009       |
|--------------------------------------|--------------------|--------------------|
| <b>Balance sheet</b>                 |                    |                    |
| <b>1 Loans to shareholder</b>        |                    |                    |
| Loan EUR 400,000,000                 | 400.000.000        | 400.000.000        |
| Deferred financing fee EUR 2,592,000 | (343.909)          | (530.574)          |
|                                      | <u>399.656.091</u> | <u>399.469.426</u> |

According to the loan agreement between the Company and its shareholder, the shareholder should pay a financing fee equal to the aggregate of the administration expenses in relation with the issue of the Bonds by the Company. As a result, the issue expenses in relation with the issue of the Bonds have been deducted from the principal loan amount granted to the shareholder. This deferred financing fee will be released to income over the term of the loan.

|  | Maturity                     | Interest rates<br>applicable |
|--|------------------------------|------------------------------|
| EUR                                    | 400.000.000<br>June 08, 2011 | 4,6936                       |
| Balance as per January 01, 2010        |                              | 399.469.426                  |
| Amortisation deferred finance fee 2010 |                              | <u>186.665</u>               |
| Balance as per June 30, 2010           |                              | <u>399.656.091</u>           |

**2 Deferred issue expenses**

The issue expenses on the LTL Bond EUR 400,000,000 are amortised in seven years according to a straight line method. The principal amount was EUR 1,000,000.

|  |                |                |
|--|----------------|----------------|
| Deferred issue expenses LTL Bond EUR 400,000,000 | 1.000.000      | 1.000.000      |
| Accumulated amortisation                         | (867.319)      | (795.303)      |
| Total deferred issue expenses                    | <u>132.681</u> | <u>204.697</u> |

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

|  |                                      | June 30, 2010    | Dec 31, 2009                 |  |  |          |                              |  |     |             |               |        |  |
|--|--------------------------------------|------------------|------------------------------|--|--|----------|------------------------------|--|-----|-------------|---------------|--------|--|
| <b>3 Loan interest receivable</b>  |                                      |                  |                              |  |  |          |                              |  |     |             |               |        |  |
| Loan EUR 400,000,000   |                                      |                  |                              |  |  |          |                              |  |     |             |               |        |  |
|  | Period June 09, 2009 - June 30, 2010 | 1.183.045        | 10.647.400                   |  |  |          |                              |  |     |             |               |        |  |
| Total loan interest receivable   |                                      | <u>1.183.045</u> | <u>10.647.400</u>            |  |  |          |                              |  |     |             |               |        |  |
| <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Maturity</th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Interest rates<br/>applicable</th> <th style="width: 45%;"></th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td style="text-align: right;">400.000.000</td> <td style="text-align: center;">June 08, 2011</td> <td style="text-align: center;">4,6936</td> <td></td> </tr> </tbody> </table> |                                      |                  |                              |  |  | Maturity | Interest rates<br>applicable |  | EUR | 400.000.000 | June 08, 2011 | 4,6936 |  |
|  |                                      | Maturity         | Interest rates<br>applicable |  |  |          |                              |  |     |             |               |        |  |
| EUR  | 400.000.000                          | June 08, 2011    | 4,6936                       |  |  |          |                              |  |     |             |               |        |  |
| <b>4 Taxation</b>  |                                      |                  |                              |  |  |          |                              |  |     |             |               |        |  |
| Corporate income tax 2010  |                                      | 49.380           | -                            |  |  |          |                              |  |     |             |               |        |  |
| Corporate income tax 2009  |                                      | 23.183           | 23.183                       |  |  |          |                              |  |     |             |               |        |  |
| Corporate income tax 2008  |                                      | -                | 91.063                       |  |  |          |                              |  |     |             |               |        |  |
|  |                                      | <u>72.563</u>    | <u>114.246</u>               |  |  |          |                              |  |     |             |               |        |  |
| <p>Income taxes are based on an Advance Pricing Agreement with the Dutch tax authorities. Under this Advance Pricing Agreement, the Company has to report an arm's length remuneration of 6.86 basis points over the average balance of outstanding loans. The provision for income taxes is calculated in accordance with this Advance Pricing Agreement.</p>   |                                      |                  |                              |  |  |          |                              |  |     |             |               |        |  |
| <b>5 Cash at banks</b>   |                                      |                  |                              |  |  |          |                              |  |     |             |               |        |  |
| Current account  |                                      | 415.733          | 4.535                        |  |  |          |                              |  |     |             |               |        |  |
| Deposit account  |                                      | -                | 2.760.000                    |  |  |          |                              |  |     |             |               |        |  |
|  |                                      | <u>415.733</u>   | <u>2.764.535</u>             |  |  |          |                              |  |     |             |               |        |  |

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

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

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

|                                 | Maturity                  | Interest           |
|---------------------------------|---------------------------|--------------------|
| EUR                             | 400.000.000 June 08, 2011 | 4,6250             |
| Balance as per January 01, 2010 |                           | 399.674.123        |
| Amortization discount           |                           | 114.649            |
| Balance as per June 30, 2010    |                           | <u>399.788.772</u> |

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

**9 Capital and reserves**

The authorised share capital of the Company amounts to EUR 90,756.04 divided into 200 shares of EUR 453.78 each. Issued and paid up are 40 shares.

|                              | <u>Share capital</u> | <u>Share premium</u> | <u>Other reserves</u> | <u>Unappr.results</u> |
|------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| Balance as per Jan 01, 2010  | 18.151               | 1.806.594            | 1.012.381             | 166.836               |
| Transfer                     | -                    | -                    | 166.836               | (166.836)             |
| Dividend                     | -                    | -                    | (837.126)             | -                     |
| Result for the period        | -                    | -                    | -                     | 68.062                |
| Balance as per June 30, 2010 | <u>18.151</u>        | <u>1.806.594</u>     | <u>342.091</u>        | <u>68.062</u>         |

Notes to the interim financial statements  
(Expressed in Euro)

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

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

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

**18 Risks and risk management**

The risks to which the Company is exposed include interest rate risks and solvability risks.

**a. Interest rate risks**

The interest rate risk on the outstanding bonds is fully hedged through identical loan agreements entered into with the parent company.

**b. Solvability risks**

The solvability risks is limited as the bonds are fully guaranteed by the parent company, CEZ a.s.

**19 Contingent liabilities**

There are no contingent liabilities.

**Related party transactions**

Apart from the transactions already disclosed in the notes to the accounts, the Company did not enter into other transactions with related parties.

**Staff numbers and employment costs**

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

**Directors**

The Company has two (previous year: two) managing directors.

Amsterdam, February 7, 2011

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

Jiri Postolka  
(appointed 15 February 2010)