

Financial statements of ČEZ, a. s. as of 31 December 2009

In the meaning of Section 19(9) of the Accounting Act, the financial statements of ČEZ, a. s. as of 31 December 2009 were compiled in accordance with the International Financial Reporting Standards. The balance sheet, statement of income, comprehensive income statement, statement of changes in equity and cash flow statement and notes to the financial statements were elaborated.

In accordance with the respective provisions of the Commercial Code and Accounting Act, the financial statements were verified by an auditor. The audit was performed by Ernst & Young Audit, s.r.o.

According to the auditor's report of 25 February 2010, the financial statements in all important aspects truthfully and authentically depict the assets, liabilities and financial situation of ČEZ, a. s. as of 31 December 2009 and its financial results and cash flow for the period from 1 January 2009 to 31 December 2009 in compliance with the International Financial Reporting Standards, as adopted by the European Union.

Based on the auditor's report, it is proposed that the general meeting approve the financial statements of ČEZ, a. s. for 2009.

The full version of the financial statements is a part of the annual report, which is available at this general meeting of shareholders, at the company's registered office and on the company's website. The financial statements, i.e. the balance sheet, statement of income, comprehensive income statement, statement of changes in equity and cash flow statement are also included in this material.

ČEZ, a. s.

BALANCE SHEET

AS OF DECEMBER 31, 2009

in CZK Millions

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Property, plant and equipment:			
Plant in service	298,600	296,094	295,255
Less accumulated provision for depreciation	<u>(170,808)</u>	<u>(162,220)</u>	<u>(150,603)</u>
Net plant in service	127,792	133,874	144,652
Nuclear fuel, at amortized cost	5,420	6,266	6,955
Construction work in progress	<u>51,697</u>	<u>32,892</u>	<u>20,645</u>
Total property, plant and equipment	184,909	173,032	172,252
Other non-current assets:			
Investments and other financial assets, net	169,515	119,830	108,634
Intangible assets, net	<u>662</u>	<u>782</u>	<u>1,009</u>
Total other non-current assets	<u>170,177</u>	<u>120,612</u>	<u>109,643</u>
Total non-current assets	355,086	293,644	281,895
Current assets:			
Cash and cash equivalents	14,567	7,011	1,988
Receivables, net	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	724	1,274	2
Other financial assets, net	27,083	52,833	7,659
Other current assets	<u>571</u>	<u>519</u>	<u>3,659</u>
Total current assets	<u>89,612</u>	<u>98,949</u>	<u>31,999</u>
Total assets	<u><u>444,698</u></u>	<u><u>392,593</u></u>	<u><u>313,894</u></u>

ČEZ, a. s.
BALANCE SHEET
AS OF DECEMBER 31, 2009

continued

	2009	2008	2007
Equity and liabilities			
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	177,460	154,927	149,882
Long-term liabilities:			
Long-term debt, net of current portion	112,506	66,559	51,839
Accumulated provision for nuclear decommissioning and fuel storage	36,932	35,422	38,997
Other long-term liabilities	4,587	3,131	959
Total long-term liabilities	154,025	105,112	91,795
Deferred tax liability	8,721	8,613	11,618
Current liabilities:			
Short-term loans	12,618	13,020	11,822
Current portion of long-term debt	6,232	4,710	3,235
Trade and other payables	76,907	95,770	39,060
Income tax payable	926	3,381	3,696
Accrued liabilities	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

ČEZ, a. s.

**STATEMENT OF INCOME
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	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	(6,235)	(5,904)
Materials and supplies	(1,814)	(1,765)
Emission rights, net	(552)	1,785
Other operating expenses	(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	(1,859)	(1,755)
Interest income	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	6,778	12,048
Total other income (expenses)	1,830	8,112
Income before income taxes	54,805	56,967
Income taxes	(9,378)	(9,849)
Net income	45,427	47,118

ČEZ, a. s.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009**

in CZK Millions

	<u>2009</u>	<u>2008</u>
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
	<u>3,488</u>	<u>(8,341)</u>
Other comprehensive income, net of tax		
Total comprehensive income	<u><u>48,915</u></u>	<u><u>38,777</u></u>

ČEZ, a. s.**STATEMENT OF CHANGES IN EQUITY
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

**STATEMENT OF CASH FLOWS
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)

ČEZ, a. s.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

continued

	2009	2008
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
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Consolidated financial statements of the CEZ Group as of 31 December 2009

In the meaning of Section 23a(1) of the Accounting Act, the consolidated financial statements of the CEZ Group as of 31 December 2009 were compiled in accordance with the International Financial Reporting Standards. The compiled consolidated financial statements are the balance sheet, statement of income, comprehensive income statement, statement of changes in equity and cash flow statement and the notes to the consolidated financial statements.

In accordance with the respective provisions of the Commercial Code and Accounting Act, the consolidated financial statements were verified by an auditor. The audit was also performed by Ernst & Young Audit, s.r.o.

According to the auditor's report of 25 February 2010, the consolidated financial statements in all important aspects truthfully and authentically depict the assets, liabilities and financial situation of the CEZ Group as of 31 December 2009 and its financial results and cash flow for the period from 1 January 2009 to 31 December 2009 in compliance with the International Financial Reporting Standards, as adopted by the European Union.

Based on the auditor's report, it is proposed that the general meeting approve the consolidated financial statements of the CEZ Group for 2009.

The full version of the consolidated financial statements is a part of the annual report, which is available at this general meeting of shareholders, at the company's registered office and on the company's website. The consolidated financial statements, i.e. the balance sheet, statement of income, comprehensive income statement, statement of changes in equity and cash flow statement are also included in this material.

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009

in CZK Millions

	2009	2008	2007
Assets			
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	243,241	236,626	244,794
Nuclear fuel, at amortized cost	5,439	6,287	6,983
Construction work in progress	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	49,423	34,614	16,465
Intangible assets, net	18,653	18,074	19,060
Deferred tax assets	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	26,727	17,303	12,429
Receivables, net	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	1,212	1,523	355
Other financial assets, net	29,706	56,237	10,246
Other current assets	2,409	2,133	5,192
Total current assets	115,304	126,938	57,522
Total assets	530,259	473,175	370,942

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009

continued

	2009	2008	2007
Equity and liabilities			
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	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	118,921	66,526	51,984
Accumulated provision for nuclear decommissioning and fuel storage	37,152	35,631	39,191
Other long-term liabilities	21,108	20,036	16,823
Total long-term liabilities	177,181	122,193	107,998
Deferred tax liability	15,335	14,421	17,153
Current liabilities:			
Short-term loans	31,257	35,001	18,048
Current portion of long-term debt	6,632	4,874	3,226
Trade and other payables	76,853	93,646	25,737
Income tax payable	1,359	3,910	5,969
Accrued liabilities	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

CEZ GROUP**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009**

in CZK Millions

	2009	2008
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	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	(18,116)	(16,956)
Materials and supplies	(5,272)	(4,589)
Emission rights, net	305	1,998
Other operating expenses	(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	(3,303)	(3,103)
Interest on nuclear and other provisions	(2,174)	(2,056)
Interest income	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	1,183	(1,669)
Income from associates and joint-ventures	2,996	12
Total other income (expenses)	(3,253)	(5,938)
Income before income taxes	64,946	60,716
Income taxes	(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

CEZ GROUP**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
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
FOR THE YEAR ENDED DECEMBER 31, 2009**
in CZK Millions

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total		
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	<u>59,221</u>	<u>(66,910)</u>	<u>(5,025)</u>	<u>(5,631)</u>	<u>503</u>	<u>191,094</u>	<u>173,252</u>	<u>12,158</u>	<u>185,410</u>
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	<u>53,799</u>	<u>(5,151)</u>	<u>(6,649)</u>	<u>(2,168)</u>	<u>609</u>	<u>159,921</u>	<u>200,361</u>	<u>6,314</u>	<u>206,675</u>

CEZ GROUP**CONSOLIDATED STATEMENT OF CASH FLOWS
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	(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	(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)

CEZ GROUP**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

continued

	2009	2008
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

Proposed resolution

The general meeting of shareholders of ČEZ, a. s.

1. approves the financial statements of ČEZ, a. s. for 2009,
2. approves the consolidated financial statements of the CEZ Group for 2009.