

## **Financial statements of ČEZ, a. s. and consolidated financial statements of ČEZ Group for the year 2010**

### **Financial statements of ČEZ, a. s. as of 31 December 2010**

In the meaning of Section 19a of the Accounting Act, the financial statements of ČEZ, a. s. as of 31 December 2010 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 24 February 2011, 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 2010 and its financial results and cash flow for the period from 1 January 2010 to 31 December 2010 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 2010.

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, 2010**

**in CZK Millions**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	305,523	298,600
Less accumulated provision for depreciation	<u>(172,285)</u>	<u>(170,808)</u>
Net plant in service	133,238	127,792
Nuclear fuel, at amortized cost	7,005	5,420
Construction work in progress	<u>54,929</u>	<u>51,697</u>
Total property, plant and equipment	195,172	184,909
Other non-current assets:		
Investments and other financial assets, net	181,973	169,515
Intangible assets, net	<u>706</u>	<u>662</u>
Total other non-current assets	<u>182,679</u>	<u>170,177</u>
Total non-current assets	377,851	355,086
Current assets:		
Cash and cash equivalents	16,142	14,567
Receivables, net	48,205	41,990
Income tax receivable	1,457	1
Materials and supplies, net	3,217	3,144
Fossil fuel stocks	883	1,532
Emission rights	2,152	724
Other financial assets, net	15,472	27,083
Other current assets	1,043	571
Assets classified as held for sale	<u>2,739</u>	<u>-</u>
Total current assets	<u>91,310</u>	<u>89,612</u>
<b>Total assets</b>	<u>469,161</u>	<u>444,698</u>

**ČEZ, a. s.**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2010**

**continued**

	<u>2010</u>	<u>2009</u>
<b>Equity and liabilities</b>		
Equity:		
Stated capital	53,799	53,799
Treasury shares	(4,619)	(5,151)
Retained earnings and other reserves	<u>140,308</u>	<u>128,812</u>
Total equity	189,488	177,460
Long-term liabilities:		
Long-term debt, net of current portion	135,097	112,506
Accumulated provision for nuclear decommissioning and fuel storage	36,619	36,932
Other long-term liabilities	<u>4,292</u>	<u>4,587</u>
Total long-term liabilities	176,008	154,025
Deferred tax liability	10,533	8,721
Current liabilities:		
Short-term loans	6,455	12,618
Current portion of long-term debt	12,298	6,232
Trade and other payables	65,722	76,907
Income tax payable	-	926
Accrued liabilities	<u>8,657</u>	<u>7,809</u>
Total current liabilities	<u>93,132</u>	<u>104,492</u>
<b>Total equity and liabilities</b>	<u><u>469,161</u></u>	<u><u>444,698</u></u>

**ČEZ, a. s.**

**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**in CZK Millions**

	2010	2009
<b>Revenues:</b>		
Sales of electricity	98,894	108,421
Gains and losses from electricity, coal and gas derivative trading, net	5,376	6,401
Heat sales and other revenues	5,928	4,383
Total revenues	110,198	119,205
<b>Operating expenses:</b>		
Fuel	(17,320)	(17,475)
Purchased power and related services	(18,528)	(16,373)
Repairs and maintenance	(3,583)	(3,901)
Depreciation and amortization	(13,178)	(12,927)
Salaries and wages	(6,470)	(6,235)
Materials and supplies	(1,740)	(1,814)
Emission rights, net	1,585	(552)
Other operating expenses	(5,955)	(6,953)
Total expenses	(65,189)	(66,230)
<b>Income before other income (expenses) and income taxes</b>	45,009	52,975
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(4,245)	(3,055)
Interest on nuclear and other provisions	(1,740)	(1,859)
Interest income	2,507	1,098
Foreign exchange rate gains (losses), net	(2,550)	(1,056)
Loss on sale of subsidiaries, associates and joint-ventures	(128)	(76)
Other income (expenses), net	3,468	6,778
Total other income (expenses)	(2,688)	1,830
<b>Income before income taxes</b>	42,321	54,805
Income taxes	(7,559)	(9,378)
<b>Net income</b>	34,762	45,427

**ČEZ, a. s.**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**in CZK Millions**

	<u>2010</u>	<u>2009</u>
<b>Net income</b>	34,762	45,427
<b>Other comprehensive income:</b>		
Change in fair value of cash flow hedges recognized in equity	9,009	2,738
Cash flow hedges removed from equity	(2,634)	1,643
Change in fair value of available-for-sale financial assets recognized in equity	163	10
Deferred tax relating to other comprehensive income	<u>(1,242)</u>	<u>(903)</u>
Other comprehensive income, net of tax	<u>5,296</u>	<u>3,488</u>
<b>Total comprehensive income</b>	<u><u>40,058</u></u>	<u><u>48,915</u></u>

**ČEZ, a. s.****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010****In CZK Millions**

	Stated capital	Treasury shares	Cash flow hedge reserve	Available- for-sale and other reserves	Retained earnings	Total equity
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
Net income	-	-	-	-	34,762	34,762
Other comprehensive income	-	-	5,163	133	-	5,296
Total comprehensive income	-	-	5,163	133	34,762	40,058
Transaction costs related to business combinations	-	-	-	-	(211)	(211)
Dividends	-	-	-	-	(28,256)	(28,256)
Sale of treasury shares	-	532	-	-	(195)	337
Share options	-	-	-	100	-	100
Transfer of exercised and forfeited share options within equity	-	-	-	(97)	97	-
December 31, 2010	53,799	(4,619)	3,008	656	136,644	189,488

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**In CZK Millions**

	2010	2009
<b>Operating activities:</b>		
Income before income taxes	42,321	54,805
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,201	12,935
Amortization of nuclear fuel	3,697	2,771
Loss on fixed asset retirements, net	45	111
Foreign exchange rate losses (gains), net	2,550	1,056
Interest expense, interest income and dividend income, net	(6,340)	(8,850)
Provision for nuclear decommissioning and fuel storage	(1,300)	272
Valuation allowances, other provisions and other adjustments	4,756	6,562
Changes in assets and liabilities:		
Receivables	4,105	(755)
Materials and supplies	(202)	(273)
Fossil fuel stocks	649	(463)
Other current assets	10,459	28,474
Trade and other payables	(16,949)	(22,182)
Accrued liabilities	(1,026)	(59)
Cash generated from operations	55,966	74,404
Income taxes paid	(9,372)	(12,628)
Interest paid, net of capitalized interest	(3,475)	(1,850)
Interest received	2,111	990
Dividends received	8,078	10,807
Net cash provided by operating activities	53,308	71,723
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures	(6,126)	(39,726)
Proceeds (refunds) from disposal of subsidiaries, associates and joint-ventures	(16)	2,624
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(30,883)	(39,354)
Proceeds from sale of fixed assets	1,310	317
Loans made	(33,542)	(26,412)
Repayment of loans	13,881	12,347
Change in decommissioning and other restricted funds	(888)	(715)
Total cash used in investing activities	(56,264)	(90,919)

**ČEZ, a. s.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**continued**

	<u>2010</u>	<u>2009</u>
<b>Financing activities:</b>		
Proceeds from borrowings	161,191	237,691
Payments of borrowings	(133,640)	(190,229)
Change in payables/receivables from group cashpooling	4,970	6,397
Dividends paid	(28,234)	(26,545)
Sale of treasury shares	337	146
Net cash provided by financing activities	<u>4,624</u>	<u>27,460</u>
Net effect of currency translation in cash	<u>(93)</u>	<u>(708)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,575</b>	<b>7,556</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,567</b>	<b>7,011</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>16,142</u></b>	<b><u>14,567</u></b>
 <b>Supplementary cash flow information</b>		
Total cash paid for interest	5,671	3,754

## **Consolidated financial statements of the CEZ Group as of 31 December 2010**

In the meaning of Section 23a of the Accounting Act, the consolidated financial statements of the CEZ Group as of 31 December 2010 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 24 February 2011, 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 2010 and its financial results and cash flow for the period from 1 January 2010 to 31 December 2010 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 2010.

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, 2010**

in CZK Millions

	2010	2009
<b>Assets</b>		
Property, plant and equipment:		
Plant in service	557,878	509,618
Less accumulated provision for depreciation	(275,302)	(266,377)
Net plant in service	282,576	243,241
Nuclear fuel, at amortized cost	7,005	5,439
Construction work in progress	71,485	80,125
Total property, plant and equipment	361,066	328,805
Other non-current assets:		
Investment in associates and joint-ventures	16,928	17,250
Investments and other financial assets, net	52,509	49,423
Intangible assets, net	16,876	18,653
Deferred tax assets	655	824
Total other non-current assets	86,968	86,150
Total non-current assets	448,034	414,955
Current assets:		
Cash and cash equivalents	22,163	26,727
Receivables, net	39,623	46,350
Income tax receivable	1,711	997
Materials and supplies, net	5,358	4,959
Fossil fuel stocks	1,800	2,944
Emission rights	2,648	1,212
Other financial assets, net	16,402	29,706
Other current assets	3,394	2,409
Assets classified as held for sale	2,558	-
Total current assets	95,657	115,304
<b>Total assets</b>	<b>543,691</b>	<b>530,259</b>

**CEZ GROUP****CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 2010**

continued

	2010	2009
<b>Equity and liabilities</b>		
Equity attributable to equity holders of the parent:		
Stated capital	53,799	53,799
Treasury shares	(4,619)	(5,151)
Retained earnings and other reserves	172,431	151,713
Total equity attributable to equity holders of the parent	221,611	200,361
Non-controlling interests	5,440	6,314
Total equity	227,051	206,675
Long-term liabilities:		
Long-term debt, net of current portion	140,040	118,921
Accumulated provision for nuclear decommissioning and fuel storage	36,848	37,152
Other long-term liabilities	21,173	21,108
Total long-term liabilities	198,061	177,181
Deferred tax liability	17,902	15,335
Current liabilities:		
Short-term loans	9,618	31,257
Current portion of long-term debt	14,786	6,632
Trade and other payables	58,804	76,853
Income tax payable	689	1,359
Accrued liabilities	16,020	14,967
Liabilities directly associated with assets classified as held for sale	760	-
Total current liabilities	100,677	131,068
<b>Total equity and liabilities</b>	<b>543,691</b>	<b>530,259</b>

**CEZ GROUP****CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010**

in CZK Millions

	2010	2009
<b>Revenues:</b>		
Sales of electricity	175,277	173,494
Gains and losses from electricity, coal and gas derivative trading, net	5,392	6,894
Heat sales and other revenues	18,179	15,964
Total revenues	198,848	196,352
<b>Operating expenses:</b>		
Fuel	(16,946)	(15,805)
Purchased power and related services	(54,353)	(48,170)
Repairs and maintenance	(5,465)	(6,043)
Depreciation and amortization	(24,032)	(22,876)
Salaries and wages	(18,717)	(18,116)
Materials and supplies	(4,844)	(5,272)
Emission rights, net	2,388	305
Other operating expenses	(11,822)	(12,176)
Total expenses	(133,791)	(128,153)
<b>Income before other income (expenses) and income taxes</b>	65,057	68,199
<b>Other income (expenses):</b>		
Interest on debt, net of capitalized interest	(3,484)	(3,303)
Interest on nuclear and other provisions	(2,014)	(2,174)
Interest income	2,022	2,499
Foreign exchange rate gains (losses), net	(2,943)	(1,189)
Loss on sale of subsidiaries, associates and joint-ventures	(121)	(2)
Goodwill impairment	(2,826)	(3,263)
Other income (expenses), net	3,111	1,183
Share of profit (loss) from associates and joint-ventures	147	2,996
Total other income (expenses)	(6,108)	(3,253)
<b>Income before income taxes</b>	58,949	64,946
Income taxes	(11,791)	(13,091)
<b>Net income</b>	47,158	51,855
<b>Net income attributable to:</b>		
Equity holders of the parent	47,232	51,547
Non-controlling interests	(74)	308

**CEZ GROUP****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010**

in CZK Millions

	2010	2009
<b>Net income</b>	47,158	51,855
<b>Other comprehensive income:</b>		
Change in fair value of cash flow hedges recognized in equity	9,156	2,719
Cash flow hedges removed from equity	(2,762)	1,643
Change in fair value of available-for-sale financial assets recognized in equity	393	84
Available-for-sale financial assets removed from equity	(29)	17
Translation differences	(3,860)	(2,716)
Share on equity movements of associates and joint-ventures	5	(11)
Deferred tax relating to other comprehensive income	(1,286)	(885)
<b>Other comprehensive income, net of tax</b>	1,617	851
<b>Total comprehensive income, net of tax</b>	48,775	52,706
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	49,165	53,491
Non-controlling interests	(390)	(785)

**CEZ GROUP****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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		
December 31, 2008	59,221	(66,910)	(5,025)	(5,631)	503	191,094	12,158	185,410
Net income	-	-	-	-	-	51,547	308	51,855
Other comprehensive income	-	-	(1,624)	3,463	75	30	(1,093)	851
Total comprehensive income	-	-	(1,624)	3,463	75	51,577	(785)	52,706
Dividends	-	-	-	-	-	(26,638)	(15)	(26,653)
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	-	-
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>6,314</u>	<u>206,675</u>

**CEZ GROUP**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010**

continued

	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, 2009	53,799	(5,151)	(6,649)	(2,168)	609	159,921	200,361	6,314	206,675
Net income	-	-	-	-	-	47,232	47,232	(74)	47,158
Other comprehensive income	-	-	(3,544)	5,177	295	5	1,933	(316)	1,617
Total comprehensive income	-	-	(3,544)	5,177	295	47,237	49,165	(390)	48,775
Transaction costs related to business combinations	-	-	-	-	-	(211)	(211)	-	(211)
Dividends	-	-	-	-	-	(28,256)	(28,256)	(549)	(28,805)
Sale of treasury shares	-	532	-	-	-	(195)	337	-	337
Share options	-	-	-	-	100	-	100	-	100
Transfer of exercised and forfeited share options within equity	-	-	-	-	(97)	97	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	649	649
Acquisition of non-controlling interests	-	-	-	-	-	115	115	(584)	(469)
December 31, 2010	<u>53,799</u>	<u>(4,619)</u>	<u>(10,193)</u>	<u>3,009</u>	<u>907</u>	<u>178,708</u>	<u>221,611</u>	<u>5,440</u>	<u>227,051</u>

**CEZ GROUP****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010****in CZK Millions**

	2010	2009
<b>Operating activities:</b>		
Income before income taxes	58,949	64,946
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	26,897	26,171
Amortization of nuclear fuel	3,705	2,778
Gain on fixed asset retirements, net	(89)	(112)
Foreign exchange rate losses (gains), net	2,943	1,189
Interest expense, interest income and dividend income, net	1,079	763
Provision for nuclear decommissioning and fuel storage	(1,291)	282
Valuation allowances, other provisions and other adjustments	281	5,111
Share of (profit) loss from associates and joint-ventures	(147)	(2,996)
Changes in assets and liabilities:		
Receivables	561	(3,940)
Materials and supplies	(451)	(141)
Fossil fuel stocks	1,100	(14)
Other current assets	11,995	29,870
Trade and other payables	(15,254)	(19,825)
Accrued liabilities	(201)	73
Cash generated from operations	90,077	104,155
Income taxes paid	(11,944)	(16,522)
Interest paid, net of capitalized interest	(2,618)	(1,947)
Interest received	1,268	1,627
Dividends received	382	41
Net cash provided by operating activities	77,165	87,354
<b>Investing activities:</b>		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	(7,962)	(25,152)
Proceeds (refunds) from disposal of subsidiaries and associates, net of cash disposed of	(16)	1,270
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(63,018)	(70,791)
Proceeds from sale of fixed assets	1,979	2,555
Loans made	(856)	(9,557)
Repayment of loans	5,808	3,484
Change in decommissioning and other restricted funds	(1,519)	(831)
Total cash used in investing activities	(65,584)	(99,022)

**CEZ GROUP****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

continued

	2010	2009
<b>Financing activities:</b>		
Proceeds from borrowings	192,551	298,990
Payments of borrowings	(179,218)	(250,072)
Proceeds from other long-term liabilities	97	72
Payments of other long-term liabilities	(576)	(345)
Dividends paid to Company's shareholders	(28,234)	(26,545)
Dividends paid to non-controlling interests	(549)	(16)
Sale of treasury shares	337	146
Total cash provided by (used in) financing activities	(15,592)	22,230
Net effect of currency translation in cash	(530)	(1,138)
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,541)	9,424
<b>Cash and cash equivalents at beginning of period</b>	26,727	17,303
<b>Cash and cash equivalents at end of period</b>	22,186	26,727
 <b>Supplementary cash flow information</b>		
Total cash paid for interest	5,321	4,028