

ČEZ, a. s.

FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2009

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying financial statements of ČEZ, a. s. which comprise the balance sheet as at December 31, 2009, and statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on ČEZ, a. s. see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as at December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

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

Josef Pivoňka
Auditor, License No. 1963

February 25, 2010
Prague, Czech Republic

ČEZ, a. s.
BALANCE SHEET
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 (Note 3)	127,792	133,874	144,652
Nuclear fuel, at amortized cost	5,420	6,266	6,955
Construction work in progress (Note 3)	<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 (Note 4)	169,515	119,830	108,634
Intangible assets, net (Note 5)	<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 (Note 6)	14,567	7,011	1,988
Receivables, net (Note 7)	41,990	33,409	15,368
Income tax receivable	1	2	-
Materials and supplies, net	3,144	2,832	2,731
Fossil fuel stocks	1,532	1,069	592
Emission rights (Note 8)	724	1,274	2
Other financial assets, net (Note 9)	27,083	52,833	7,659
Other current assets (Note 10)	<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>

*) Certain numbers shown do not correspond to the 2008 financial statements and reflect reclassifications made.

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

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

continued

	<u>2009</u>	<u>2008 *)</u>	<u>2007 *)</u>
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	<u>128,812</u>	<u>162,616</u>	<u>146,633</u>
Total equity (Note 11)	177,460	154,927	149,882
Long-term liabilities:			
Long-term debt, net of current portion (Note 12)	112,506	66,559	51,839
Accumulated provision for nuclear decommissioning and fuel storage (Note 15)	36,932	35,422	38,997
Other long-term liabilities (Note 16)	<u>4,587</u>	<u>3,131</u>	<u>959</u>
Total long-term liabilities	154,025	105,112	91,795
Deferred tax liability (Note 24)	8,721	8,613	11,618
Current liabilities:			
Short-term loans	12,618	13,020	11,822
Current portion of long-term debt (Note 12)	6,232	4,710	3,235
Trade and other payables (Note 17)	76,907	95,770	39,060
Income tax payable	926	3,381	3,696
Accrued liabilities (Note 18)	<u>7,809</u>	<u>7,060</u>	<u>2,786</u>
Total current liabilities	<u>104,492</u>	<u>123,941</u>	<u>60,599</u>
Total equity and liabilities	<u><u>444,698</u></u>	<u><u>392,593</u></u>	<u><u>313,894</u></u>

*) Certain numbers shown do not correspond to the 2008 financial statements and reflect reclassifications made.

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ČEZ, a. s.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

in CZK Millions

	<u>2009</u>	<u>2008 *)</u>
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	<u>4,383</u>	<u>4,337</u>
Total revenues (Note 19)	119,205	110,297
Operating expenses:		
Fuel	(17,475)	(16,790)
Purchased power and related services	(16,373)	(15,473)
Repairs and maintenance	(3,901)	(3,583)
Depreciation and amortization	(12,927)	(13,035)
Salaries and wages (Note 20)	(6,235)	(5,904)
Materials and supplies	(1,814)	(1,765)
Emission rights, net (Note 8)	(552)	1,785
Other operating expenses (Note 21)	<u>(6,953)</u>	<u>(6,677)</u>
Total expenses	<u>(66,230)</u>	<u>(61,442)</u>
Income before other income (expenses) and income taxes	52,975	48,855
Other income (expenses):		
Interest on debt, net of capitalized interest	(3,055)	(2,934)
Interest on nuclear and other provisions (Note 15)	(1,859)	(1,755)
Interest income (Note 22)	1,098	983
Foreign exchange rate gains (losses), net	(1,056)	(909)
Gain (loss) on sale of subsidiaries, associates and joint-ventures	(76)	679
Other income (expenses), net (Note 23)	<u>6,778</u>	<u>12,048</u>
Total other income (expenses)	<u>1,830</u>	<u>8,112</u>
Income before income taxes	54,805	56,967
Income taxes (Note 24)	<u>(9,378)</u>	<u>(9,849)</u>
Net income	<u><u>45,427</u></u>	<u><u>47,118</u></u>
Net income per share (CZK per share) (Note 27)		
Basic	85.2	88.1
Diluted	85.2	88.0
Average number of shares outstanding (000s)		
Basic	533,225	534,594
Diluted	533,438	535,341

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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	<u>-</u>	<u>24</u>
Other comprehensive income, net of tax	<u>3,488</u>	<u>(8,341)</u>
Total comprehensive income	<u><u>48,915</u></u>	<u><u>38,777</u></u>

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

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	<u>59,221</u>	<u>(66,910)</u>	<u>(5,633)</u>	<u>479</u>	<u>167,770</u>	<u>154,927</u>
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	<u>53,799</u>	<u>(5,151)</u>	<u>(2,155)</u>	<u>520</u>	<u>130,447</u>	<u>177,460</u>

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

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

In CZK Millions

	<u>2009</u>	<u>2008</u>
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	<u>71,723</u>	<u>53,426</u>
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	<u>(90,919)</u>	<u>(24,566)</u>

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

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

continued

	<u>2009</u>	<u>2008</u>
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	<u>27,460</u>	<u>(24,495)</u>
Net effect of currency translation in cash	<u>(708)</u>	<u>658</u>
Net increase in cash and cash equivalents	7,556	5,023
Cash and cash equivalents at beginning of period	<u>7,011</u>	<u>1,988</u>
Cash and cash equivalents at end of period	<u><u>14,567</u></u>	<u><u>7,011</u></u>
 Supplementary cash flow information		
Total cash paid for interest	3,754	3,346

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

ČEZ, a. s.
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009

1. Description of the Company

ČEZ, a. s. (the Company), business registration number 45274649, is a joint stock company incorporated on May 6, 1992 under the laws of the Czech Republic in the Commercial Register maintained by the Municipal Court in Prague (Section B, Insert 1581). The Company's registered office is located at Duhová 2/1444, Prague 4, Czech Republic.

The Company is involved primarily in the production, trading and sale of electricity and the related support services and in the production, distribution and sale of heat.

The average recounted number of employees was 6,177 and 6,218 in 2009 and 2008, respectively.

The Czech Republic, represented by the Ministry of Finance and, to a small degree by the Ministry of Labor and Social Affairs, is a majority shareholder holding 69.8% of the Company's share capital at December 31, 2009. The majority shareholder's share of the voting rights represented 70.4% at the same date.

Members of the statutory and supervisory bodies at December 31, 2009 were as follows:

Board of Directors		Supervisory Board	
Chair	Martin Roman	Chair	Martin Kocourek
1 st Vice-chair	Daniel Beneš	Vice-chair	Ivan Fuksa
2 nd Vice-chair	Tomáš Pleskač	Vice-chair	Zdeněk Židlický
Member	Peter Bodnár	Member	Jan Demjanovič
Member	Vladimír Hlavinka	Member	Petr Gross
Member	Martin Novák	Member	Zdeněk Hrubý
		Member	Vlastimil Jiřík
		Member	Petr Kalaš
		Member	Miloš Kebrdle
		Member	Lubomír Klosík
		Member	Drahošlav Šimek
		Member	Zdeněk Trojan

2. Summary of Significant Accounting Policies

2.1. Basis of Presentation of the Financial Statements

Pursuant to the Accounting Law, the accompanying separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Company do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) except for IFRIC 12 which has been adopted by the EU with effective date for annual periods commencing after April 1, 2009 and IFRIC 18 adopted by the EU with effective date for annual periods commencing after October 31, 2009.

The financial statements are prepared under the historical cost convention, except when IFRS requires other measurement basis as disclosed in the accounting policies below.

Data pertaining to 2008 or as at December 31, 2008 and December 31, 2007 are presented in the format required for 2009. Starting January 1, 2009 receivables and payables from derivative transactions are divided into short-term and long-term. Prior period comparatives have been adjusted accordingly (see Note 2.25).

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period. The consolidated financial statements were authorized for issue on February 25, 2010.

2.2. Presentation Currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the functional and presentation currency has been determined to be Czech crowns (CZK).

2.3. Revenue Recognition

The Company recognizes revenue from supplies of electricity and related services based on contract terms. Differences between contracted amounts and actual supplies are settled through the market operator.

Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Sales are recognized net of value added tax and discounts, if any.

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from services is recognized when the services are rendered.

Dividends earned on investments are recognized when the right of payment has been established.

2.4. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Explanation of key assumptions is included in relevant sections of notes where significant estimates are being described.

2.5. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 2,771 million and CZK 2,647 million for the years ended December 31, 2009 and 2008, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 15). Such charges amounted to CZK 272 million and CZK 248 million in 2009 and 2008, respectively.

2.6. Interest

The Company capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 1,903 million and CZK 1,255 million, which was equivalent to an interest capitalization rate of 4.8% and 5.0% in both years 2009 and 2008.

2.7. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and valuation allowances. Cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Government grants received for construction of certain items of property, plant and equipment decrease the acquisition cost of the respective items.

Internally developed property, plant and equipment are recorded at their accumulated cost. The costs of completed technical improvements are capitalized. Upon sale, retirement or replacement of part of an item of property, plant and equipment the cost and related accumulated depreciation of the disposed item or its replaced part are derecognized from balance sheet. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. Identified impairment of property, plant and equipment is recognized directly in profit or loss in the line item of Other operating expenses.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

Depreciation is calculated according to a depreciation plan, based on the acquisition cost and the estimated useful life of related asset. The estimated useful lives used for property, plant and equipment are as follows:

	Years (from - to)
Buildings and structures	20 – 50
Machinery and equipment	4 – 25
Vehicles	4 – 20
Furniture and fixtures	8 – 15

Average depreciable lives based on the functional use of property, plant and equipment are as follows:

	Average Life
Hydro plants	
Buildings and structures	48
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	33
Machinery and equipment	15
Nuclear power plant	
Buildings and structures	36
Machinery and equipment	17

Depreciation of plant in service was CZK 12,714 million and CZK 12,848 million for the years ended December 31, 2009 and 2008, which was equivalent to a composite depreciation rate of 4.3% and 4.4%, respectively. The tangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of heat generated (in GJ) and on a consumption coefficient (CZK per GJ) reflecting the cost of fuel elements located in the reactor, their scheduled life in the reactor and scheduled heat generation.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.21). As at December 31, 2009, 2008 and 2007 capitalized costs at net book value amounted to CZK 300 million, CZK 329 million and CZK 455 million, respectively.

2.9. Intangible Assets

Intangible assets are valued at their acquisition costs and related expenses. Intangible assets are amortized over their useful lives using the straight-line method. The estimated useful life of intangible assets ranges from 3 to 10 years. The intangible assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. The costs of completed technical improvements are capitalized.

Intangible assets are tested for impairment whenever facts or changes in circumstances indicate that the carrying amount could be impaired. The recoverable amount of an intangible asset not yet available for use is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Identified impairment of intangible assets is recognized directly in profit or loss in the line item of Other operating expenses. At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the line item of Other operating expenses.

2.10. Emission Rights

Right to emit greenhouse gasses (hereinafter "emission right") represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2009 and 2008 the Company was granted emission rights free of charge.

The Company is responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person. On April, 30 of the following year, at latest, the Company is required to remit a number of allowances representing the number of tones of CO₂ actually emitted. Should the Company not fulfill this requirement and remit necessary number of emission rights, it would have to pay a penalty of EUR 100 per 1 ton of CO₂.

In the financial statements, the emission rights which were granted free of charge are stated at their nominal value, i.e. at zero. Purchased emission rights are carried at cost. If the granted allowances are not sufficient to cover actual emissions, the Company recognizes a provision which is measured at the cost of purchased allowances up to the level of purchased allowances held and then at the market price of allowances ruling at the balance sheet date.

The Company also holds emission rights for trading purposes. The portfolio of emission rights held for trading is measured at fair value. The changes in fair value of the emission rights held for trading are recognized directly in profit or loss.

At each reporting date, the Company assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Company reviews the recoverable amounts of the cash generating units, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. Any identified impairment of emission rights is recognized directly in profit or loss in the line item of Emission rights, net.

Sale and repurchase agreements with emission rights are accounted for as collateralized borrowing.

The swaps of European emission rights (EUA) and certified emission reductions (CER) or emission credits are treated as derivatives in the period from the trade date to the maturity date. The swap is measured at fair value with any fair value changes being recognized in profit and loss. Any cash received before the EUA/CER swap matures would result in an offsetting change in the fair value of the swap. Upon the delivery of EUAs and CERs the difference between the total of cash received and the fair value of the CER received on one hand and the total of the carrying value of the EUA given up and the fair value of the EUA/CER-swap given up is recognized as a gain or loss.

2.11. Investments

Investments are classified into the following categories: held-to-maturity, loans and receivables, held for trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments and loans and receivables are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market are measured at cost.

The carrying amounts of such available-for-sale investments are reviewed at each balance sheet date whether there is objective evidence for impairment. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

The Company evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the entity has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

Changes in the fair values of trading investments are included in Other income (expenses), net.

Held-to-maturity investments and loans and receivables are carried at amortized cost using the effective interest rate method.

Investments in subsidiaries, associates and joint-ventures are carried at cost which includes directly attributable transaction costs. Impaired investments are provided for or written off.

Mergers with entities under common control are recorded using a method similar to pooling of interests. Assets and liabilities of the merged entities are included in separate financial statements of the Company at their book values. The difference between the cost of investment in subsidiaries and net assets merged from entities under common control is recorded directly in equity.

2.12. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less. Foreign currency deposits are translated using the exchange rates published as at the balance sheet date.

2.13. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4.2), relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and financial guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Company. As at December 31, 2009, 2008 and 2007, restricted financial assets totaled CZK 7,578 million, CZK 6,864 million and CZK 6,409 million, respectively.

2.14. Receivables, Payables and Accruals

Receivables are carried at their nominal value. Ceded receivables are valued at cost. Doubtful receivables are adjusted for uncollectible amounts through a provision account. Additions to the provision account are charged to income. As at December 31, 2009, 2008 and 2007 the allowance for short-term uncollectible receivables amounted to CZK 1,774 million, CZK 397 million and CZK 404 million, respectively.

Trade and other payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.15. Material and Supplies

Purchased inventories are valued at actual cost, using the weighted average method. Costs of purchased inventories comprise expenditure which has been incurred in respect of the acquisition of material and supplies, transportation costs included. When put in use, inventories are charged to income or capitalized as part of property, plant and equipment. Work-in-progress is valued at actual cost. Costs of inventories produced internally include direct material and labor costs. Obsolete inventories are reduced to their realizable value by a provision account to the income statement.

2.16. Fossil Fuel Stock

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.17. Derivative Financial Instruments

The Company uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. In the attached balance sheet such derivatives are presented as part of Investments and other financial assets, net, Other financial assets, net, Other long-term liabilities and Trade and other payables.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge:

Gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to profit or loss over the remaining term to maturity.

Cash flow hedge:

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognized in other comprehensive income and are presented as part of Cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognized in the income statement in the line item Other income (expenses), net.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recorded to the income statement when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Other derivatives:

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2.18. Commodity Derivative Instruments

According to IAS 39, certain commodity contracts fall into the scope of the standard. Most commodity purchase and sales contracts entered into by the Company provide for physical delivery of quantities intended to be consumed or sold as part of its ordinary business; such contracts are thus excluded from the scope of IAS 39.

Forward purchases and sales for physical delivery of energy are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts,
- the volumes purchased or sold under the contracts correspond to the Company's operating requirements,
- the contract cannot be considered as written option as defined by the standard. In the specific case of electricity sales contracts, the contract is substantially equivalent to a firm forward sale or can be considered as a capacity sale.

The Company thus considers that transactions negotiated with a view to balancing the volumes between electricity purchases and sale commitments are part of its ordinary business as an integrated electric utility company and do not therefore come under the scope of IAS 39.

Commodity contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognized in the income statement.

2.19. Income Taxes

The provision for corporate tax is calculated in accordance with the Czech tax regulations and is based on the income or loss reported under the Czech accounting regulations, increased or decreased by the appropriate permanent and temporary differences (e.g. differences between book and tax depreciation). Income tax due is provided at a rate of 20% and 21% for the years ended December 31, 2009 and 2008, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2010 and on will be 19%.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is calculated as the product of the tax rate that is expected to apply to the year when the asset is realized or the liability is settled and temporary differences between book and tax accounting.

Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Change in the carrying amount of deferred tax assets and liabilities due to change in tax rate is recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

2.20. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value is being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

The carrying amount of long-term debt, which is hedged against the changes in its fair value, is adjusted by the changes in the fair value attributable to the hedged risk. The changes in the fair value of the hedged long-term debt are recognized in profit or loss and are included in the income statement line Other income (expenses), net. The adjustment to the carrying amount of the hedged long-term debt in a fair value hedge is subsequently amortized to profit and loss using the effective interest rate method.

2.21. Nuclear Provisions

The Company has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis and provision for its obligation to provide financing for subsequent permanent storage of spent fuel and irradiated parts of reactors.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation for the years ended 2009, 2008 and 2007 is 2.0%, 2.5% and 2.0%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín power plant and sixty-year period for Dukovany power plant subsequent to the final operation of the plants. It is currently anticipated that the permanent storage facility will become available in 2065 and the process of final disposal of the spent nuclear fuel will then continue until approximately 2075 when the process should be finished. While the Company has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could vary significantly from the Company's current estimates.

Changes in a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognized in the income for the current period.

2.22. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction of equity. No gain or loss is recognized in the income statement on the sale, issuance or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.23. Share Options

Board of Directors and selected managers (and in the past also the Supervisory Board members) have been granted options to purchase common shares of the Company. Expense related to the share option plan is measured on the date of the grant by reference to the fair value of the share options granted.

In case of options which vest immediately, the expense is recognized directly in profit or loss with a corresponding increase in equity. In all other cases the expense is accrued over the vesting period of the equity instruments granted.

The expense recognized reflects the best estimate of the number of share options which will ultimately vest. In 2009 and 2008 the expense recognized in respect of the share option plan amounted to CZK 110 million and CZK 123 million, respectively.

2.24. Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns using the exchange rate prevailing at the date of the transaction, as published by the Czech National Bank. In the accompanying financial statements, assets and liabilities are translated at the rate of exchange ruling at December 31. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity for qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equity securities are included in equity.

Exchange rates used as at December 31, 2009, 2008 and 2007 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2009	2008	2007
CZK per 1 EUR	26.465	26.930	26.620
CZK per 1 USD	18.368	19.346	18.078
CZK per 1 PLN	6.448	6.485	7.412
CZK per 100 SKK	-	89.335	79.179
CZK per 1 BGN	13.532	13.770	13.610
CZK per 1 RON	6.247	6.695	7.443
CZK per 100 JPY	19.875	21.348	-

2.25. Adoption of New IFRS Standards in 2009

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Company has adopted the following new or amended and endorsed by the EU IFRS and IFRIC interpretations as of January 1, 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective January 1, 2009
- IFRS 7 Financial Instruments: Disclosures effective January 1, 2009
- IFRS 8 Operating Segments effective January 1, 2009
- IAS 1 Presentation of Financial Statements effective January 1, 2009
- IAS 23 Borrowing Costs (Revised) effective January 1, 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective January 1, 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after June 30, 2009
- IFRIC 13 Customer Loyalty Programmes effective July 1, 2008
- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective October 1, 2008
- IFRIC 18 Transfers of Assets from Customers effective July 1, 2009 (early adopted)
- Improvements to IFRSs (May 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 13. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 14.2.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense in two linked statements.

IAS 23 Borrowing Costs

The amendment requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs shall be recognized as an expense. This amendment has no impact on the Company as the Company has the policy of including the borrowing costs as part of the cost of the asset.

IFRIC 18 Transfers of Assets from Customers

The Company early adopted this interpretation for transfers of assets received from customers on or after January 1, 2009 as allowed by the interpretation whereas the mandatory effective date was July 1, 2009 and the interpretation was endorsed by the EU in November 2009 with mandatory effective date for EU companies for annual periods commencing after October 31, 2009. IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an asset (item of property, plant, and equipment or cash) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. When the item of property, plant and equipment transferred from a customer meets the definition of an asset the Company must recognize the asset in its financial statements. As the network company has an obligation to provide ongoing access to the network to all customers at the same price (regardless of whether they transferred the asset) indicates that the obligation to provide ongoing access to the network is not a separable identifiable service of the transaction and that connecting the customer is the only service to be delivered in exchange for the asset. As a result since January 1, 2009 the connection fees received from customers are recognized in the income when the fee is received and are not deferred over the period of 20 years as was the case in prior periods. The interpretation did not have any impact on separate financial statements of the Company.

Improvements to IFRSs

In May 2008 the IASB issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the performance of the Company.

IAS 1 Presentation of Financial Statements

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Company analyzed whether the expected period of realization of financial assets and liabilities differed from the classification of the instrument. This resulted in the reclassification of financial instruments of CZK 1,032 million and CZK 339 million at December 2008 and 2007 from current to non-current assets and CZK 2,086 million and CZK 1 million at December 2008 and 2007 from current to long-term liabilities.

Other amendments resulting from Improvements to IFRSs did not have any impact on financial position or performance of the Company.

2.26. New IFRS Standards and Interpretations IFRIC not yet effective

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2010 or later. Standards and interpretations most relevant to the Company's activities are detailed below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Company will adopt the revised standards from January 1, 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The Company does not expect any impact on the separate financial statements.

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013. According to IFRS 9 all financial assets are initially recognized at fair value plus transaction costs. The standard also eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity.

IAS 24 Related Party Disclosure

The amendments to IAS 24 Related Party Disclosures become effective for financial years beginning on or after January 1, 2010 and must be applied retrospectively. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. As a result, such a reporting entity is exempt from the general disclosure requirements in relation to transactions and balances with the government and government-related entities. In addition, the revised standard amends the definition of a related party where the associate of an investor is now considered to be a related party to both the investor and its subsidiary whereas two associates of an entity are not regarded as related parties to each other. The Company does not expect significant impact on the related party disclosures.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006. This interpretation was adopted by the EU in March 2009 and must be applied from January 1, 2010. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company does not expect any impact on the separate financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after July 1, 2010 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Company does not expect IFRIC 17 to have an impact on the separate financial statements as the Company has not made non-cash distributions to shareholders in the past.

IAS 32 Financial Instruments: Presentation (Classification of Rights Issues)

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company does not expect that the amendment will have an impact on the financial position or performance of the Company.

IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

In April 2009 the Board also issued a collection of amendments to its standards, primarily to remove inconsistencies and clarify wording. The Company has not yet adopted the amendments but it anticipates that the changes will have no material effect on the Company's financial statements.

3. Property, Plant and Equipment

Net plant in service at December 31, 2009 and 2008 was as follows (in CZK millions):

	Buildings	Plant and Equipment	Land and Other	Total 2009	Total 2008
Cost at January 1	81,837	213,353	904	296,094	295,255
Additions	966	3,871	25	4,862	6,921
Disposals	(861)	(3,373)	(6)	(4,240)	(1,073)
Change in capitalized part of the provision	1,382	841	-	2,223	(4,139)
Non-monetary contribution and other movements	(35)	(304)	-	(339)	(870)
Cost at December 31	83,289	214,388	923	298,600	296,094
Accumulated depreciation and impairment at January 1	(38,899)	(123,321)	-	(162,220)	(150,603)
Depreciation	(2,474)	(10,240)	-	(12,714)	(12,848)
Net book value of assets disposed	(351)	(6)	-	(357)	(321)
Non-monetary contribution and other movements	9	240	-	249	430
Disposals	861	3,373	-	4,234	1,036
Impairment losses reversed	-	-	-	-	86
Accumulated depreciation and impairment at December 31	(40,854)	(129,954)	-	(170,808)	(162,220)
Net plant in service at December 31	<u>42,435</u>	<u>84,434</u>	<u>923</u>	<u>127,792</u>	<u>133,874</u>

At December 31, 2009, 2008 and 2007, machinery and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2009	2008	2007
Cost	18,669	17,828	21,967
Accumulated depreciation	(5,666)	(5,319)	(4,802)
Net book value	<u>13,003</u>	<u>12,509</u>	<u>17,165</u>

Construction work in progress contains mainly refurbishments performed on Ledvice, Tušimice, Dukovany, Temelín and Počeradý power plants.

4. Investments and Other Financial Assets, Net

Investments and other financial assets at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions):

	2009	2008	2007
Restricted debt securities available-for-sale	7,181	6,547	3,233
Restricted debt securities held to maturity	-	25	996
Restricted cash	397	292	2,180
Total restricted financial assets	7,578	6,864	6,409
Equity securities and interests, net	138,703	104,143	93,230
Investment in Pražská teplotárenská	12,923	-	-
Loans granted	7,240	4,347	6,561
Derivatives	344	1,031	340
Other long-term receivables, including prepayments	59	74	1,319
Financial assets in progress	2,668	3,371	775
Total	169,515	119,830	108,634

The balance of long-term financial assets in progress includes expenses incurred so far in certain future acquisitions and increases of subsidiaries' capital that was not yet registered on December 31.

The Company agreed with J&T Group and paid for the equity interest of 49% in Pražská teplotárenská (Prague's major heat supplier). The transaction is subject to approval of the antimonopoly office. The Company does not exercise any effective control rights and therefore the investment is classified as available-for-sale.

Movements in impairment provisions (in CZK millions):

	2009	2008
Opening balance	2,241	2,244
Additions	3,051	-
Reversals	-	(3)
Closing balance	5,292	2,241

In 2006, the Company created provision against the share in ČEZ Správa majetku, s.r.o. at the amount of the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2009 and 2008, the provision totaled CZK 1,473 million.

In 2006, the Company created provision against the share in ČEZData, s.r.o. (nowadays ČEZ ICT Services, a. s.). This provision relates to the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2009 and 2008, the provision totaled CZK 155 million.

In previous years, the Company maintained a provision against the shares of ŠKODA PRAHA a.s., covering the difference between the market price of the shares at the Prague Stock Exchange and their carrying value. As at December 31, 2009 and 2008, the provision totaled CZK 566 million.

In 2009, the Company created an impairment provision of CZK 100 million against the investment in NERS d.o.o. related to pending arbitration and an impairment provision of CZK 2,951 million against the investment in CEZ Poland Distribution B.V. and CEZ Silesia B.V. in connection with the goodwill impairment recorded in the consolidated financial statements.

Loans granted and other long-term receivables at December 31, 2009, 2008 and 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	2009		2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1 – 2 years	923	52	640	66	439	1,303
Due in 2 – 3 years	888	7	555	3	508	12
Due in 3 – 4 years	907	-	370	5	1,385	-
Due in 4 – 5 years	948	-	389	-	401	-
Due in more than 5 years	3,574	-	2,393	-	3,828	4
Total	<u>7,240</u>	<u>59</u>	<u>4,347</u>	<u>74</u>	<u>6,561</u>	<u>1,319</u>

Loans granted and other long-term receivables at December 31, 2009, 2008 and 2007 have following effective interest rate structure (in CZK millions):

	2009		2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.0%	82	59	-	74	-	1,310
From 2.0% to 3.0%	-	-	-	-	-	9
From 3.0% to 4.0%	5	-	144	-	850	-
From 4.0% to 5.0%	30	-	47	-	165	-
Over 5.0%	7,123	-	4,156	-	5,546	-
Total	<u>7,240</u>	<u>59</u>	<u>4,347</u>	<u>74</u>	<u>6,561</u>	<u>1,319</u>

Loans granted and other long-term receivables at December 31, 2009, 2008 and 2007 according to currencies (in CZK millions):

	2009		2008		2007	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
CZK	4,781	34	197	8	1,015	1,310
EUR	-	25	144	66	107	9
PLN	2,459	-	3,990	-	5,439	-
RUB	-	-	16	-	-	-
Total	<u>7,240</u>	<u>59</u>	<u>4,347</u>	<u>74</u>	<u>6,561</u>	<u>1,319</u>

4.1. Investments in Subsidiaries, Associates and Joint-ventures

Several subsidiaries and joint-ventures were founded or acquired during 2009:

ČEZ Bohunice, a.s. (100%), CZECH HEAT a.s. (100%), ČEZ Distribuční zařízení, a.s. (100%) and GENTLEY a.s. (100%) with its registered seat in Prague, CEZ Albania Sh.A. (100%), CEZ Trade Albania Sh.P.K. (100%) and Operatori i Sistemit te Shperndarjes Sh.A. (76%) with its registered seat in Tirana, CEZ Produkty Energetyczne Polska sp. z o.o. (100%) and CEZ Nowa Skawina S.A. (100%) with its registered seat in Chorzow and Skawina, CEZ International Finance B.V. (100%) with its registered seat in Rotterdam, CEZ Finance Ireland Ltd. (100%) with its registered seat in Dublin, CM European Power Slovakia s.r.o. (50%) with its registered seat in Bratislava and Akenerji Elektrik Üretim A.S. (37.36%) with its registered seat in Istanbul.

In 2009 non-controlling interest were purchased in CEZ Distributie S.A., CEZ Vanzare S.A. and CEZ Servicii S.A. As at December 31, 2009, shareholding in CEZ Servicii S.A. is 63% and 100% in case of the two other companies.

In 2009, the stated capital was increased in the form of cash contribution in the following companies: Akcez Enerji A.S., CEZ Ukraine CJSC, CM European Power International B.V., CEZ Srbija d.o.o., Tomis Team S.R.L., New Kosovo Energy L.L.C., ČEZ Bohunice a.s. and CEZ Ciepło Polska sp. z o.o.

In November 2009, the stated capital of ČEZ Distribuční zařízení, a.s. was increased in the form of contribution of a set of assets.

In 2009, the Company disposed of Transenergo International B.V. and a part of its shareholding in Akcez Enerji A.S. (22.5%).

In February and December 2009 the companies ESS s.r.o. v likvidaci (in liquidation) and Coal Energy, a.s. v likvidaci, respectively, were deleted from the Commercial Register.

The following table summarizes investments in subsidiaries, associates and joint-ventures and other ownership interests at December 31, 2009, 2008 and 2007.

As at December 31, 2009

Company	Country	Interest in CZK millions	% interest	Dividend s in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,987	100.00	1,020
Severočeské doly a.s.	Czech Republic	14,112	100.00	4,450
CEZ Distributie S.A.	Romania	13,780	100.00	2,012
CEZ Finance Ireland Ltd.	Ireland	9,025	100.00	-
TEC Varna EAD	Bulgaria	8,804	100.00	-
CEZ Razpredelenie Bulgaria AD	Bulgaria	8,688	67.00	-
Tomis Team S.R.L.	Romania	7,661	100.00	-
Akenerji Elektrik Üretim A.S.	Turkey	6,347	37.36	-
CEZ Poland Distribution B.V.	Netherlands	6,240	100.00	-
CEZ Silesia B.V.	Netherlands	5,788	100.00	-
ČEZ Správa majetku, s.r.o.	Czech Republic	4,960	100.00	30
ČEZ ICT Services, a. s.	Czech Republic	4,391	100.00	1,100
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	-
Operatori i Sistemit te Shperndarjes Sh.A.	Albania	3,028	76.00	-
Ovidiu Development S.R.L.	Romania	2,547	95.00	-
ČEZ Teplárenská, a.s.	Czech Republic	2,459	100.00	90
Akcez Enerji A.S.	Turkey	1,744	27.50	-
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	500
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	120
CM European Power International B.V.	Netherlands	949	50.00	-
CEZ Vanzare S.A.	Romania	817	100.00	-
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	791	99.90	-
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	371
CZECH HEAT a.s.	Czech Republic	676	100.00	-
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	-
ČEZ Distribuční zařízení, a.s.	Czech Republic	399	100.00	-
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	-
GENTLEY a.s.	Czech Republic	374	100.00	-
CM European Power Slovakia s.r.o.	Slovakia	293	24.50	-
PPC Úžín, a.s.	Czech Republic	220	100.00	-
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	272
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	497
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	-
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	-
NERS d.o.o.	Bosnia and Herzegovina	106	51.00	-
Energonuclear S.A.	Romania	76	9.15	-
CEZ RUS OOO	Russia	73	100.00	-
CEZ Servicii S.A.	Romania	67	63.00	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	42.22	-
CEZ FINANCE B.V.	Netherlands	53	100.00	-
CEZ Polska sp. z o.o.	Poland	50	100.00	-
CEZ Deutschland GmbH	Germany	47	100.00	-
STE – obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	-
CEZ Srbija d.o.o.	Serbia	46	100.00	-
CITELUM, a.s.	Czech Republic	43	48.00	15
CEZ Hungary Ltd.	Hungary	35	100.00	-
New Kosovo Energy L.L.C.	Kosovo	30	100.00	-
Other		198	-	330
Total		143,995		
Provision		(5,292)		
Total, net		138,703		

As at December 31, 2008

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,987	100.00	1,927
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,816
TEC Varna EAD	Bulgaria	8,804	100.00	-
CEZ Razpredelenie Bulgaria AD	Bulgaria	8,689	67.00	-
CEZ Poland Distribution B.V.	Netherlands	6,240	100.00	-
CEZ Silesia B.V.	Netherlands	5,774	100.00	-
ČEZ Správa majetku, s.r.o.	Czech Republic	4,960	100.00	-
CEZ Distributie S.A.	Romania	4,784	51.01	-
Tomis Team S.R.L.	Romania	4,533	95.00	-
ČEZ ICT Services, a. s.	Czech Republic	4,391	100.00	400
Ovidiu Development S.R.L.	Romania	2,548	95.00	-
ČEZ Teplárenská, a.s.	Czech Republic	2,459	100.00	-
Akcez Enerji A.S.	Turkey	1,550	50.00	-
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	2,197
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	-
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	792	100.00	-
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	862
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	-
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	-
CEZ Vanzare S.A.	Romania	284	51.01	-
PPC Úžín, a.s.	Czech Republic	220	100.00	-
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	242
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	384
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	-
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	-
NERS d.o.o.	Bosnia and Herzegovina	110	51.00	-
CM European Power International B.V.	Netherlands	97	50.00	-
CEZ RUS OOO	Russia	73	100.00	-
VLTA VOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	42.22	-
CEZ FINANCE B.V.	Netherlands	53	100.00	-
CEZ Polska sp. z o.o.	Poland	50	100.00	-
CEZ Deutschland GmbH	Germany	47	100.00	-
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	-
CITELUM, a.s.	Czech Republic	43	48.00	8
CEZ Hungary Ltd.	Hungary	35	100.00	-
CEZ Srbija d.o.o.	Serbia	32	100.00	-
New Kosovo Energy L.L.C.	Kosovo	27	100.00	-
CEZ Servicii S.A.	Romania	27	51.00	-
Other		164	-	407
Total		106,384		
Provision		(2,241)		
Total, net		<u>104,143</u>		

As at December 31, 2007

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s.	Czech Republic	30,872	100.00	-
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,544
TEC Varna EAD	Bulgaria	8,804	100.00	-
Elektrorazpredelenie Stolichno AD ¹⁾	Bulgaria	8,689	67.00	-
CEZ Silesia B.V.	Netherlands	5,774	100.00	-
CEZ Poland Distribution B.V.	Netherlands	5,156	100.00	-
ČEZ Správa majetku, s.r.o.	Czech Republic	4,934	100.00	-
CEZ Distributie S.A.	Romania	4,784	51.01	-
Teplárenská, a.s.	Czech Republic	2,416	100.00	-
ČEZnet, a.s. ²⁾	Czech Republic	2,288	100.00	320
ČEZData, s.r.o. ²⁾	Czech Republic	2,103	100.00	-
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	677
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	-
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	792	100.00	-
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	-
CEZ Vanzare S.A.	Romania	284	51.01	-
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	161
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	294
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	-
PPC Úžín, a.s.	Czech Republic	170	100.00	-
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	6
NERS d.o.o.	Bosnia and Herzegovina	102	51.00	-
Energetické opravy, a.s.	Czech Republic	75	100.00	-
I & C Energo a.s.	Czech Republic	56	100.00	15
CEZ FINANCE B.V.	Netherlands	53	100.00	-
CEZ Deutschland GmbH	Germany	47	100.00	-
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	-
CITELUM, a.s.	Czech Republic	43	48.00	7
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	42	32.00	-
CEZ Hungary Ltd.	Hungary	35	100.00	-
CEZ Servicii S.A.	Romania	27	51.00	-
CEZ Srbija d.o.o.	Serbia	20	100.00	-
Other		163	-	150
Total		95,474		
Provision		(2,244)		
Total, net		93,230		

¹⁾ The company Elektrorazpredelenie Stolichno AD was renamed CEZ Razpredelenie Bulgaria AD in January 2008.

²⁾ ČEZnet, a.s. merged with ČEZData, s.r.o. and the effective date of the merger was January 1, 2008.

4.2. Restricted Financial Assets

At December 31, 2009, 2008 and 2007, restricted balances of financial assets totaled CZK 7,578 million, CZK 6,864 million and CZK 6,409 million, respectively, and represented accumulated provision for the decommissioning, reclamation and maintenance of waste storages after they are put out of services, escrow accounts securing the Company's liquidity (pursuant to contracts entered into with the respective banks) from significant financial market volatility affecting market prices of designated hedging transactions, and accumulated provision for nuclear decommissioning in compliance with the Nuclear Act. Since 2007 restricted financial assets comprise not only restricted cash balances, but also term deposits and government bonds.

At December 31, 2009, 2008 and 2007, restricted funds representing accumulated provision for waste storage and reclamation totaled CZK 459 million, CZK 445 million and CZK 465 million, respectively, while restricted funds representing accumulated provision for nuclear decommissioning totaled CZK 6,954 million, CZK 6,255 million and CZK 5,522 million, respectively.

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2009 and 2008 were as follows (in CZK millions):

	Software	Rights and Other	Total 2009	Total 2008
Cost at January 1	991	947	1,938	1,824
Additions	51	35	86	131
Disposals	(17)	-	(17)	(8)
Non-monetary contribution	-	-	-	(9)
Cost at December 31	<u>1,025</u>	<u>982</u>	<u>2,007</u>	<u>1,938</u>
Accumulated amortization at January 1	(875)	(365)	(1,240)	(1,067)
Amortization	(93)	(120)	(213)	(187)
Disposals	17	-	17	8
Non-monetary contribution	-	-	-	6
Accumulated amortization at December 31	<u>(951)</u>	<u>(485)</u>	<u>(1,436)</u>	<u>(1,240)</u>
Intangible assets, net	<u><u>74</u></u>	<u><u>497</u></u>	<u><u>571</u></u>	<u><u>698</u></u>

At December 31, 2009, 2008 and 2007, intangible assets presented in the balance sheet included intangible assets in progress in the amount of CZK 91 million, CZK 84 million and CZK 252 million, respectively.

6. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2009, 2008 and 2007 were as follows (in CZK millions):

	2009	2008	2007
Cash on hand and current accounts with banks	2,055	3,994	814
Short-term securities	500	-	-
Term deposits	12,012	3,017	1,174
Total	14,567	7,011	1,988

At December 31, 2009, 2008 and 2007, cash and cash equivalents included foreign currency deposits of CZK 12,331 million, CZK 6,971 million and CZK 1,341 million, respectively.

Average interest rates on term deposits at December 31, 2009, 2008 and 2007 were 0.87%, 2.94% and 4.53%, respectively. The weighted average interest rate for 2009, 2008 and 2007 was 1.46%, 3.29% and 3.40%, respectively.

7. Receivables, Net

The composition of receivables, net, at December 31, 2009, 2008 and 2007 is as follows (in CZK millions):

	2009	2008	2007
Trade receivables	28,673	31,751	12,211
Short-term loans granted	11,893	759	633
Taxes and fees excl. income tax	58	33	-
Other receivables	3,140	1,263	2,928
Allowance for doubtful receivables	(1,774)	(397)	(404)
Total	41,990	33,409	15,368

The information about receivables from related parties is included in Note 25.

At December 31, 2009, 2008 and 2007 the ageing analysis of receivables, net is as follows (in CZK millions):

	2009	2008	2007
Not past due	40,845	32,634	14,818
Past due but not impaired ¹⁾ :			
less than 3 months	966	744	489
3 – 6 months	39	23	24
6 – 12 months	140	8	24
more than 12 months	-	-	13
Total	41,990	33,409	15,368

¹⁾ Past due, but not impaired receivables include net receivables, for which the Company recorded an impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

Movements in allowance for doubtful receivables (in CZK millions):

	2009	2008
Opening balance	397	404
Additions	2,708	506
Reversals	(1,221)	(513)
Currency translation difference	(110)	-
Closing balance	1,774	397

8. Emission Rights

The following table summarizes the movements and balances of emission rights and credits in measurement units (thousands of tons) in 2009 and 2008 and as at December 31, 2009 and 2008, respectively, and their valuation presented in the accompanying financial statements:

	2009		2008	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights and credits (CERs, ERUs) granted and purchased for own use:				
Granted and purchased emission rights and credits at January 1	34,453	1,274	38,905	2
Emission rights granted	34,711	-	34,711	-
Settlement of prior year actual emissions with register	(33,769)	-	(38,812)	(1)
Disposal of remaining emission rights from the first allocation period	-	-	(93)	-
Emission rights purchased	750	392	447	251
Emission rights sold	(1,972)	-	(3,215)	-
Emission credits purchased	566	213	2,510	1,023
Emission credits sold	(2,857)	(1,155)	-	-
Fair value adjustment	-	-	-	(1)
Granted and purchased emission rights and credits at December 31	<u>31,882</u>	<u>724</u>	<u>34,453</u>	<u>1,274</u>
Emission rights and credits held for trading:				
Emission rights held for trading at January 1	-	-	12	-
Emission rights purchased	47,109	18,965	24,723	14,175
Emission rights sold	(47,109)	(18,973)	(24,447)	(14,142)
Emission credits purchased	4,330	1,618	-	-
Emission credits sold	(4,330)	(1,618)	-	-
Disposal of remaining emission rights from the first allocation period	-	-	(288)	-
Fair value adjustment	-	8	-	(33)
Emission rights and credits held for trading at December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In 2009 and 2008, total emissions of greenhouse gases made by the Company amounted to an equivalent of 32,555 thousand tons and 33,769 thousand tons of CO₂, respectively. The amount of emissions of CO₂ in 2009 and 2008 was higher than the amount of granted emission rights as at December 31, 2009 and 2008, respectively. Because of that in 2009 and 2008 the provision of CZK 942 million and CZK 925 million, respectively, was created.

The following table shows the impact of transactions with emission rights and credits on income for the year ended December 31, 2009 and 2008 (in CZK millions):

	2009	2008
Gain on sales of granted emission rights	1,147	1,809
Net gain (loss) from emission rights trading	272	(557)
Net loss from emission credits sold	(656)	-
Net gain (loss) from derivatives	(1,306)	1,491
Remitted emission rights	-	(1)
Fair value adjustment	8	(34)
Creation of provisions for emission rights	(942)	(925)
Settlement of provisions for emission rights	925	2
	<u>(552)</u>	<u>1,785</u>
Total gain (loss) from emission rights and credits	<u>(552)</u>	<u>1,785</u>

9. Other Financial Assets, Net

Other financial assets, net, at December 31, 2009, 2008 and 2007 were as follows (in CZK millions):

	2009	2008	2007
Derivatives	27,083	39,237	7,635
Securities available-for-sale	-	13,580	1
Debt securities held-to-maturity	-	16	-
Securities held for trading	-	-	23
	<u>27,083</u>	<u>52,833</u>	<u>7,659</u>
Total	<u>27,083</u>	<u>52,833</u>	<u>7,659</u>

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission right derivatives. At December 31, 2008 the securities available-for-sale represent mainly investments in mutual fund.

10. Other Current Assets

Other current assets at December 31, 2009, 2008 and 2007 were as follows (in CZK millions):

	2009	2008	2007
Prepaid variation margin on "own use" electricity futures	-	-	2,992
Prepayments	420	321	442
Advances granted	151	198	225
	<u>571</u>	<u>519</u>	<u>3,659</u>
Total	<u>571</u>	<u>519</u>	<u>3,659</u>

Prepaid variation margin represents the net variation margin paid to or by Prague Energy Exchange in respect of the electricity future contracts treated as own use, which will be delivered after balance sheet date. This prepaid variation margin resulted in net liability in 2009 and 2008 and therefore is presented as part of Accrued liabilities (see Note 18).

11. Equity

As at December 31, 2009, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

The General Meeting of the Company, held on May 21, 2008, passed a resolution to reduce the share capital of the Company from CZK 59,221,084,300 to CZK 53,798,975,900, i.e. by CZK 5,422,108,400. The reduction of share capital was entered in the Commercial register on February 12, 2009 and was made in the form of cancellation of 54,221,084 treasury shares with a nominal value of CZK 100 per share, i.e. by the delisting of shares on February 27, 2009.

Movements of treasury shares in 2009 and 2008 (in pieces):

	2009	2008
Number of treasury shares at beginning of period	59,171,105	50,370,144
Reduction of stated capital	(54,221,084)	-
Acquisitions of treasury shares	-	10,732,221
Sales of treasury shares	(395,000)	(1,931,260)
Number of treasury shares at end of period	<u>4,555,021</u>	<u>59,171,105</u>

Treasury shares remaining at end of period are presented at cost as a deduction from equity.

In accordance with Czech regulations, joint stock companies are required to establish a non-distributable reserve fund for contingencies against possible future losses. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of stated capital. The fund can only be used to offset losses. As at December 31, 2009 and 2008, the balance was CZK 16,996 million and CZK 78,756 million, respectively and presented as part of retained earnings. The reserve fund also includes amounts equal to the purchase price of treasury shares held by the Company. At December 31, 2009 and 2008 such balances amounted to CZK 5,151 million and CZK 66,910 million, respectively, and were recorded against distributable retained earnings.

Dividends paid per share were CZK 50.0 and CZK 40.0 in 2009 and 2008, respectively. Dividends from 2009 profit will be declared on the general meeting which will be held in the first half of 2010.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize value for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company primarily monitors capital using the ratio of net debt to EBITDA. The Company's goal is to keep this ratio at maximum in the range of 2.0 – 2.5. In addition, the Company also monitors capital using a total debt to total capital ratio. The Company's policy is to keep the total debt to total capital ratio below 50%.

EBITDA consists of income before income taxes and other income (expenses) plus depreciation and amortization. The Company includes within total debt the long-term and short-term interest bearing loans and borrowings. Net debt is defined as total debt less cash and cash equivalents and highly liquid financial assets. Total capital is total equity attributable to equity holders of the parent plus total debt.

The calculation and evaluation of ratios is done using consolidated figures (in CZK millions):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total long-term debt	125,553	71,400	55,210
Total short-term loans	31,257	35,001	18,048
Total debt	156,810	106,401	73,258
Less: Cash and cash equivalents	(26,727)	(17,303)	(12,429)
Less: Highly liquid financial assets	(5,671)	(21,058)	(6,154)
Total net debt	124,412	68,040	54,675
Income before income taxes and other income (expenses)	68,199	66,654	53,210
Plus: Depreciation and amortization	22,876	22,047	22,123
EBITDA	91,075	88,701	75,333
Total equity attributable to the equity holders of the parent	200,361	173,252	171,352
Total debt	156,810	106,401	73,258
Total capital	357,171	279,653	244,610
Net debt to EBITDA ratio	<u>1.37</u>	<u>0.77</u>	<u>0.73</u>
Total debt to total capital ratio	<u>43.9%</u>	<u>38.0%</u>	<u>29.9%</u>

12. Long-term Debt

Long-term debt at December 31, 2009, 2008 and 2007 was as follows (in CZK millions):

	2009	2008	2007
4.625% Eurobonds, due 2011 (EUR 400 million) ¹⁾	10,569	10,742	10,606
4.125% Eurobonds, due 2013 (EUR 500 million)	13,153	13,362	13,179
5.125% Eurobonds, due 2012 (EUR 500 million)	13,199	13,419	13,250
6.0% Eurobonds, due 2014 (EUR 600 million)	15,768	16,020	-
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,383	2,559	-
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	30	29	-
4.27% Zero Coupon Eurobonds due 2011 (CZK 1,400 million)	1,322	-	-
4.45% Zero Coupon Eurobonds due 2011 (CZK 1,600 million)	1,504	-	-
5.75% Eurobonds, due 2015 (EUR 600 million)	15,807	-	-
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,590	-	-
5.0% Eurobonds, due 2021 (EUR 600 million)	15,666	-	-
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,316	-	-
3M Euribor + 0.45% Eurobonds, due 2011 (EUR 110 million)	2,909	-	-
3M Libor + 0.70% Eurobonds, due 2012 (USD 100 million)	1,831	-	-
3M Euribor + 0.50% Eurobonds, due 2011 (EUR 100 million)	2,644	-	-
6M Pribor + 0.62% Eurobonds, due 2012 (CZK 3,000 million)	2,996	-	-
7.88% Zero Coupon Debentures, due 2009 (CZK 4,500 million)	-	4,475	4,147
9.22% Debentures, due 2014 (CZK 2,500 million) ²⁾	2,497	2,497	2,496
3.35% Debentures, due 2008 (CZK 3,000 million)	-	-	3,000
4.30% Debentures, due 2010 (CZK 7,000 million) ³⁾	5,997	6,990	6,984
Total long term bonds and debentures	111,181	70,093	53,662
Less: Current portion	(5,997)	(4,475)	(3,000)
Long-term bonds and debentures, net of current portion	105,184	65,618	50,662
Long-term bank loans with an interest rate p.a.:			
less than 2.00 %	7,557	-	-
3.00% to 3.99% p.a.	-	1,176	-
4.00% to 4.99% p.a.	-	-	1,412
Total long term loans	7,557	1,176	1,412
Less: Current portion	(235)	(235)	(235)
Long-term loans, net of current portion	7,322	941	1,177
Total long term debt	118,738	71,269	55,074
Less: Current portion	(6,232)	(4,710)	(3,235)
Total long-term debt, net of current portion	112,506	66,559	51,839

¹⁾ These Eurobonds have been issued through the subsidiary, CEZ FINANCE B.V. The Company was granted a loan by CEZ FINANCE B.V., corresponding to the nominal value of the bonds.

²⁾ Floating interest rate (Czech Republic CPI + 4.20%) from 2006. The rate was 7.8%, 9.6% and 5.9% at December 31, 2009, 2008 and 2007, respectively.

³⁾ In 2009, the value of the issue was reduced by bought back own bonds at a nominal value of CZK 1,000 million.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company. For the fair values of hedging instruments see Note 13.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.17.

The future maturities of long-term debt are as follows (in CZK millions):

	2009	2008	2007
Current portion	6,232	4,710	3,235
Between 1 and 2 years	19,183	7,225	4,382
Between 2 and 3 years	18,702	10,977	7,219
Between 3 and 4 years	14,270	13,654	10,841
Between 4 and 5 years	19,147	13,597	13,485
Thereafter	41,204	21,106	15,912
Total long-term debt	<u>118,738</u>	<u>71,269</u>	<u>55,074</u>

The following table analyses long-term debt by currency (in millions):

	2009		2008		2007	
	Foreign currency	CZK	Foreign currency	CZK	Foreign currency	CZK
EUR	3,691	97,677	1,989	53,572	1,400	37,035
USD	100	1,831	-	-	-	-
JPY	19,986	3,972	11,987	2,559	-	-
CZK	-	15,258	-	15,138	-	18,039
Total long-term debt		<u>118,738</u>		<u>71,269</u>		<u>55,074</u>

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2009, 2008 and 2007 without considering interest rate hedging (in CZK millions):

	2009	2008	2007
Floating rate long-term debt			
with interest rate fixed from 1 to 3 months	8,325	1,176	1,412
with interest rate fixed from 3 months to 1 year	13,425	2,497	2,496
Total floating rate long-term debt	21,750	3,673	3,908
Fixed rate long-term debt	96,988	67,596	51,166
Total long-term debt	<u>118,738</u>	<u>71,269</u>	<u>55,074</u>

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 13 and Note 14.

The Company has entered into loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2009, 2008 and 2007 the Company has complied with all required covenants.

13. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amounts of cash and other current financial assets approximate fair value due to the relatively short-term maturity of these financial instruments.

Securities held for trading

The fair values of equity and debt securities that are held for trading are estimated based on quoted market prices.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For equity instruments for which there are no quoted market prices the Company considered use of valuation models and concluded that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore unquoted equity instruments are carried at cost, the carrying amount approximates the fair value of such investments.

Receivables and payables

The carrying amounts of receivables and payables approximate fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2009, 2008 and 2007 are as follows (in CZK millions):

	Cate- gory	2009		2008	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets:					
Investments:					
Equity securities and interests, net	SaA	138,703	138,703	104,143	104,143
Restricted debt securities available-for-sale	AFS	7,181	7,181	6,547	6,547
Restricted debt securities held-to-maturity	HTM	-	-	25	25
Restricted cash	LaR	397	397	292	292
Other long-term financial assets, net	LaR	22,891	22,891	7,792	7,792
Current assets:					
Receivables	LaR	41,990	41,990	33,409	33,409
Cash and cash equivalents	LaR	14,567	14,567	7,011	7,011
Short-term equity securities held for trading	HFT	-	-	-	-
Short-term debt securities held for trading	HFT	-	-	-	-
Short-term debt securities held-to-maturity	HTM	-	-	16	16
Short-term debt securities available-for-sale	AFS	-	-	13,580	13,580
Other current assets	LaR	151	151	198	198
Liabilities:					
Long-term debt including the current portion	AC	(118,738)	(126,149)	(71,269)	(70,686)
Short-term loans	AC	(12,618)	(12,618)	(13,020)	(13,020)
Current liabilities	AC	(49,995)	(49,995)	(55,200)	(55,200)
Derivatives:					
Cash flow hedges:					
Short-term receivables	HFT	456	456	107	107
Long-term receivables	HFT	52	52	2	2
Short-term liabilities	HFT	(397)	(397)	(2,668)	(2,668)
Long-term liabilities	HFT	(1,256)	(1,256)	(2,085)	(2,085)
Total cash flow hedges		(1,145)	(1,145)	(4,644)	(4,644)
Electricity, coal and gas trading contracts:					
Short-term receivables	HFT	24,235	24,235	36,173	36,173
Short-term liabilities	HFT	(24,784)	(24,784)	(36,134)	(36,134)
Total electricity, coal and gas trading contracts		(549)	(549)	39	39
Other derivatives:					
Short-term receivables	HFT	2,392	2,392	2,957	2,957
Long-term receivables	HFT	292	292	1,029	1,029
Short-term liabilities	HFT	(1,731)	(1,731)	(1,768)	(1,768)
Long-term liabilities	HFT	(660)	(660)	(1)	(1)
Total other derivatives		293	293	2,217	2,217

	Category	2007	
		Carrying amount	Fair value
Assets:			
Investments:			
Equity securities and interests, net	SaA	93,230	93,230
Restricted debt securities available-for-sale	AFS	3,233	3,233
Restricted debt securities held-to-maturity	HTM	996	996
Restricted cash	LaR	2,180	2,180
Other long-term financial assets, net	LaR	8,655	8,579
Current assets:			
Receivables	LaR	15,368	15,368
Cash and cash equivalents	LaR	1,988	1,988
Short-term equity securities held for trading	HFT	9	9
Short-term debt securities held for trading	HFT	14	14
Short-term debt securities held-to-maturity	HTM	-	-
Short-term debt securities available-for-sale	AFS	1	1
Other current assets	LaR	3,217	3,217
Liabilities:			
Long-term debt including the current portion	AC	(55,074)	(54,630)
Short-term loans	AC	(11,822)	(11,822)
Current liabilities	AC	(32,475)	(32,475)
Derivatives:			
Cash flow hedges:			
Short-term receivables	HFT	700	700
Long-term receivables	HFT	309	309
Short-term liabilities	HFT	-	-
Long-term liabilities	HFT	-	-
Total cash flow hedges		1,009	1,009
Electricity, coal and gas trading contracts:			
Short-term receivables	HFT	5,385	5,385
Short-term liabilities	HFT	(5,250)	(5,250)
Total electricity, coal and gas trading contracts		135	135
Other derivatives:			
Short-term receivables	HFT	1,550	1,550
Long-term receivables	HFT	31	31
Short-term liabilities	HFT	(1,335)	(1,335)
Long-term liabilities	HFT	(1)	(1)
Total other derivatives		245	245
SaA Subsidiaries and associates at cost LaR Loans and receivables AFS Available-for-sale investments HTM Held-to-maturity instruments HFT Held for trading or hedging instruments AC Financial liabilities at amortized cost			

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There were no transfers between the levels in 2009.

At December 31, 2009, the Company held the following financial instruments measured at fair value (in CZK millions):

Assets measured at fair value

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Electricity, coal and gas contracts	24,235	33	24,202	-
Cash flow hedges	508	25	483	-
Other derivatives	2,684	176	2,508	-
Available-for-sale restricted debt securities	7,181	7,181	-	-

Liabilities measured at fair value

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Electricity, coal and gas contracts	(24,784)	(36)	(24,748)	-
Cash flow hedges	(1,653)	(196)	(1,457)	-
Other derivatives	(2,391)	(153)	(2,238)	-

14. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase the Group's fundamental value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

Since 2005 a risk capital concept has been applied within the Group. The concept allows the setting of basic caps for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit and revenues of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

Since 2009 the main Business Plan market risks are quantified (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The risk is actively managed through gradual electricity sale in the following 3-year horizon, total CEZ Group CO₂ position management in NAP III allocation period context and the FX risk hedging in medium-term horizon.

Risk management organization

The supreme authority for risk management is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate risk capital limits (within the competence of the ČEZ, a. s. Board of Directors), the Risk Management Committee makes decisions on the development of an integrated system of risk management, administers the risk capital, i.e. makes decisions on an overall allocation of risk capital to the individual risks and organizational units, approves obligatory rules, responsibilities and limit structure for the management of partial risks, and it continuously monitors an overall risk impact on the Group, including the risk capital utilization.

Overview and methods of risk management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	2. Credit risks	3. Operation risks	4. Business risks
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes on a qualitative basis in accordance with internal governing documents of the respective units/processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated at least once a month and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- Market risks: financial (currency, interest and stock) risks, commodity prices (electricity, emission allowances, coal, gas), volume (heat supply)
- Credit risks: financial and business counterparty risk and electricity end customer risk
- Operational risks: risks of nuclear and fossil power plants operation

The development of quantified risks is reported to the Risk Management Committee every month through 2 reports:

- Annual budget risks (annual Profit@Risk limit utilisation)
- Business plan risks (EBITDA@Risk and CF@Risk based on MonteCarlo simulation)

14.1. Qualitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the ČEZ value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of ČEZ's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities (the potential risk is managed on the VaR basis).

Market financial risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ value. The current system of financial risk management is focused on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall contracted as well as expected cash flows (including operational and investment foreign currency flows).

Credit risks

Credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

Liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of ČEZ.

14.2. Quantitative description of ČEZ, a. s. risks associated with financial instruments

Commodity risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the source of market prices is mainly EEX, PXE, ECX a ICE
- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a potential change in fair value of contracts classified as derivatives under IAS 39 (these are the following commodities in the Company: electricity, emission allowances EUA and CER/ERU, gas, coal API2 and API4)
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2009	2008
Monthly VaR (95%) – impact of changes in commodity prices	921	492

Currency risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the source of market foreign exchange rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS)
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2010 and highly probable forecasted foreign-currency revenues from electricity sales in the future
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies

Potential impact of the currency risk as at December 31 (in CZK millions):

	2009	2008
Monthly currency VaR (95% confidence)	297	495

Interest risks

The required quantitative information on risks (i.e. P/L sensitivity to the effects of interest risk as at December 31) was prepared based on the assumptions given below:

- the source of market interest rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk,
- the P/L sensitivity is measured as a change of the interest income and cost resulting from the current interest-sensitive positions,
- the relevant interest positions reflect all significant interest-sensitive flows

Potential impact of the interest rate risk as at December 31 (in CZK millions):

	<u>2009</u>	<u>2008</u>
P/L IR sensitivity to parallel yield curve shift (+10bp)	(22)	(11)

Credit exposure from provided guarantees at December 31, 2009 (in CZK millions):

Guarantees provided to subsidiaries, associates and joint-ventures	23,391
Guarantees provided to external parties	<u>529</u>
Total *	<u><u>23,920</u></u>

* Some of the guarantees could be called until August 2011 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2009 (in CZK millions):

	<u>Bonds and debentures</u>	<u>Loans</u>	<u>Derivatives *</u>	<u>Trade and other payables</u>	<u>Guarantees issued **</u>
Less than 1 year	11,023	13,049	184,461	49,995	23,920
Between 1 and 2 years	23,578	374	34,472	-	-
Between 2 and 3 years	22,159	811	14,442	-	-
Between 3 and 4 years	16,607	1,235	401	-	-
Between 4 and 5 years	21,173	980	383	-	-
Thereafter	46,113	4,647	9,275	-	-
Total	<u><u>140,653</u></u>	<u><u>21,096</u></u>	<u><u>243,434</u></u>	<u><u>49,995</u></u>	<u><u>23,920</u></u>

Contractual maturity profile of financial liabilities at December 31, 2008 (in CZK millions):

	<u>Bonds and debentures</u>	<u>Loans</u>	<u>Derivatives *</u>	<u>Trade and other payables</u>
Less than 1 year	7,818	13,424	200,269	55,200
Between 1 and 2 years	10,332	268	56,015	-
Between 2 and 3 years	13,540	259	17,410	-
Between 3 and 4 years	15,954	249	3,835	-
Between 4 and 5 years	15,208	240	-	-
Thereafter	24,241	-	-	-
Total	<u><u>87,093</u></u>	<u><u>14,440</u></u>	<u><u>277,529</u></u>	<u><u>55,200</u></u>

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 13.

** Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

14.3. Hedge accounting

The Company enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2010 to 2013. The hedging instruments as at December 31, 2009 are the EUR denominated liability from the issued Eurobonds in the total amount of EUR 3.2 billion and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK (200) million, CZK (3,379) million and CZK 1,009 million at December 31, 2009, 2008 and 2007, respectively.

The Company also enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur in 2012. The hedging instruments as at December 31, 2009 are the forward contracts and futures for the purchase of allowances equivalent to 7.1 million tons of CO₂ emissions. The fair value of these derivative hedging instruments amounted to CZK (945) million, CZK (1,265) million and CZK 0 million at December 31, 2009, 2008 and 2007, respectively.

In 2009 and 2008 the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, Emission rights, net and Other income (expenses), net. In 2009 and 2008 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK (1,702) million and CZK (3) million, respectively. The ineffectiveness in 2009 mainly relates to transactions for which the hedged items are no more highly probable to occur.

15. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants. Nuclear power plant Dukovany consists of four 440MW units which were put into service from 1985 to 1987. The second nuclear power plant, Temelín, has two 1,000MW units which have started commercial operation in 2002 and 2003. Czech parliament has enacted a Nuclear Act ("Act") which defines certain obligations for the decontamination and dismantling ("decommissioning") of nuclear facilities and the disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2027 for Dukovany and approximately 2042 for Temelín. A 2008 Dukovany and an updated 2009 Temelín decommissioning cost study estimate that nuclear decommissioning will cost CZK 17.3 billion and CZK 14.6 billion, respectively. The Company makes contributions to a restricted bank account in the amount of the nuclear provisions recorded under the Act. These restricted funds can be invested in government bonds and term deposits in accordance with the legislation and are shown in the balance sheet under other non-current financial assets (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution at 50 CZK per MWh produced at nuclear power plants. In 2009 and 2008, respectively, the payments to the nuclear account amounted to CZK 1,360 million and CZK 1,328 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

The Company has established provisions as described in Note 2.21, to recognize its estimated liabilities for decommissioning and spent fuel storage.

The following is a summary of the provisions for the years ended December 31, 2009 and 2008 (in CZK millions).

	Accumulated provisions			Total
	Nuclear decommissioning	Spent fuel storage		
		Interim	Long-term	
Balance at December 31, 2007	10,426	5,812	22,759	38,997
Movements during 2008:				
Discount accretion and effect of inflation	469	262	1,024	1,755
Provision charged to income statement	-	346	-	346
Effect of change in estimate charged to income statement	-	203	-	203
Effect of change in estimate added to (deducted from) fixed assets	(2,866)	23	(1,273)	(4,116)
Current cash expenditures	-	(435)	(1,328)	(1,763)
Balance at December 31, 2008	8,029	6,211	21,182	35,422
Movements during 2009:				
Discount accretion and effect of inflation	402	310	1,059	1,771
Provision charged to income statement	-	421	-	421
Effect of change in estimate charged to income statement	-	168	-	168
Effect of change in estimate added to (deducted from) fixed assets	(229)	126	1,069	966
Current cash expenditures	-	(456)	(1,360)	(1,816)
Balance at December 31, 2009	8,202	6,780	21,950	36,932

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

In 2008 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Dukovany and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

In 2009 the Company recorded the change in estimate for nuclear decommissioning due to the update of the expert decommissioning study for nuclear power plant in Temelín and the change in estimate in provision for long-term spent fuel storage due to the change in discount rate.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

16. Other Long-term Liabilities

Other long-term liabilities at December 31, 2009, 2008 and 2007 are as follows (in CZK millions):

	2009	2008	2007
Derivatives	1,916	2,086	1
Provision for waste storage reclamation	1,740	406	453
Employee benefits liabilities	931	639	483
Other	-	-	22
Total	4,587	3,131	959

17. Trade and Other Payables

Trade and other payables at December 31, 2009, 2008 and 2007 were as follows (in CZK millions):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Trade payables	27,322	35,588	9,027
Derivatives	26,912	40,570	6,585
Payables from Group cashpooling and similar intra-group loans	21,606	18,855	22,378
Other	<u>1,067</u>	<u>757</u>	<u>1,070</u>
Total	<u><u>76,907</u></u>	<u><u>95,770</u></u>	<u><u>39,060</u></u>

18. Accrued Liabilities

Accrued liabilities at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Provisions	1,401	1,282	348
Prepaid variation margin on "own use" electricity futures (see Note 10)	2,081	2,561	-
Accrued interest	2,052	1,394	916
Unbilled goods and services	1,872	1,225	1,106
Taxes and fees, except income tax	403	593	413
Other	<u>-</u>	<u>5</u>	<u>3</u>
Total	<u><u>7,809</u></u>	<u><u>7,060</u></u>	<u><u>2,786</u></u>

The Company is by law liable for damages caused by pollution and establishes a provision for environmental claims, which is based on the current estimates of its future liabilities. At December 31, 2009, 2008 and 2007, the provision totaled CZK 298 million, CZK 296 million and CZK 280 million, respectively.

In 2009, 2008 and 2007, the Company recognized provision in total amount of CZK 942 million, CZK 925 million and CZK 2 million, respectively, for insufficient amount of granted allowances to cover actual emissions (see Note 8).

In 2009, the Company established a provision for restructuring of CZK 101 million.

19. Revenues

Revenues for the years ended December 31, 2009 and 2008 were as follows (in CZK millions):

	<u>2009</u>	<u>2008</u>
Sale of electricity:		
Electricity sales – domestic:		
ČEZ Prodej, s.r.o.	48,181	45,164
Prague Energy Exchange (PXE)	25,042	22,810
Other	<u>19,054</u>	<u>15,921</u>
Total electricity sales – domestic	92,277	83,895
Electricity sales – foreign	8,466	9,161
Effect of hedging (see Note 14.3)	119	3,245
Sales of ancillary and other services	<u>7,559</u>	<u>6,204</u>
Total sales of electricity	108,421	102,505
Electricity, coal and gas derivative trading:		
Sales domestic	13,535	7,048
Sales foreign	145,153	76,307
Purchases domestic	(10,753)	(8,119)
Purchases foreign	(138,655)	(72,644)
Changes in fair value of commodity derivatives	<u>(2,879)</u>	<u>863</u>
Total gains and losses from electricity, coal and gas derivative trading, net	6,401	3,455
Sales of heat	1,789	1,967
Other	<u>2,594</u>	<u>2,370</u>
Total revenues	<u><u>119,205</u></u>	<u><u>110,297</u></u>

20. Salaries and Wages

Salaries and wages for the years ended December 31, 2009 and 2008 were as follows (in CZK millions):

	<u>2009</u>		<u>2008</u>	
	<u>Total</u>	<u>Key management personnel ¹⁾</u>	<u>Total</u>	<u>Key management personnel ¹⁾</u>
Salaries and wages	(4,084)	(259)	(3,920)	(239)
Remuneration of board members, including royalties	(37)	(37)	(35)	(35)
Share options	(110)	(110)	(123)	(123)
Social and health security	(1,228)	(18)	(1,178)	(15)
Other personal expenses	<u>(776)</u>	<u>(19)</u>	<u>(648)</u>	<u>(22)</u>
Total	<u><u>(6,235)</u></u>	<u><u>(443)</u></u>	<u><u>(5,904)</u></u>	<u><u>(434)</u></u>

¹⁾ Members of Supervisory Board and Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments with group field of activity. The remuneration of former members of company bodies is included in personal expenses.

The members of Board of Directors and selected managers were entitled to use company cars for both business and private purposes in addition to the personal expenses in 2009 and 2008.

If the Company terminates a contract with a member of Board of Directors before his/her term of office expires, the Director is entitled to a severance pay that amounts to all monthly remuneration he/she would receive until the end of the originally agreed term of office. This provision does not apply if a Director resigns.

At December 31, 2009, 2008 and 2007 the aggregate number of share options granted to members of Board of Directors, Supervisory Board members and selected managers was 2,325 thousand, 2,355 thousand and 3,175 thousand, respectively.

The share option plan for members of the Supervisory Board was canceled prospectively by the decision of the shareholders on General Meeting held in June 2005.

Members of the Board of Directors and selected managers are entitled to receive share options based on the conditions stipulated in the share option agreement. Pursuant to the resolution of the May 2008 General Meeting, members of the Board of Directors and selected managers are granted certain quantity of share options each year of their tenure. The exercise price for the granted options is based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year. Options granted could be exercised at the earliest 2 years and latest 3.5 years after each grant date. Option right is limited so that the profit per share option will not exceed 100% of exercise price and the beneficiary has to hold at his account such number of shares exercised through options granted which is equivalent to 20% of profit made on exercise date until the end of share option plan.

In 2009 and 2008 the Company has recognized a compensation expense of CZK 110 million and CZK 123 million, respectively, related to the granted options. The Company has settled all options exercised using treasury shares. The gains or losses on the sale of treasury shares were recognized directly in equity.

The following table shows changes during 2009 and 2008 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				Weighted average exercise price (CZK per share)
	Supervisory Board 000s	Board of Directors 000s	Selected managers 000s	Total 000s	
Share options at December 31, 2007 ²⁾	450	1,640	1,085	3,175	446.70
Options granted	-	975	140	1,115	1,232.65
Movements	-	150	(150)	-	-
Options exercised ¹⁾	(300)	(1,140)	(495)	(1,935)	292.40
Share options at December 31, 2008 ²⁾	150	1,625	580	2,355	945.60
Options granted	-	145	245	390	842.14
Movements	-	75	(75)	-	-
Options exercised ¹⁾	(150)	(75)	(170)	(395)	370.46
Options forfeited	-	-	(25)	(25)	752.95
Share options at December 31, 2009 ²⁾	-	1,770	555	2,325	1,028.03

¹⁾ In 2009 and 2008 the weighted average share price at the date of the exercise for the options exercised was CZK 849.34 and CZK 1,290.78, respectively.

²⁾ At December 31, 2009, 2008 and 2007 the number of exercisable options was 965 thousand, 865 thousand and 2,490 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 922.11 per share, CZK 551.23 per share and CZK 304.91 at December 31, 2009, 2008 and 2007, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	<u>2009</u>	<u>2008</u>
Weighted average assumptions:		
Dividend yield	6.3%	2.9%
Expected volatility	41.3%	31.2%
Mid-term risk-free interest rate	2.3%	3.9%
Expected life (years)	2.1	2.0
Share price (CZK per share)	880.8	1,169.0
Weighted average grant-date fair value of options (CZK per 1 option)	175.9	173.0

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At December 31, 2009, 2008 and 2007 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
CZK 100 – 500 per share	-	265	1,750
CZK 500 – 900 per share	935	700	1,125
CZK 900 – 1,400 per share	1,390	1,390	300
Total	<u>2,325</u>	<u>2,355</u>	<u>3,175</u>

The options granted, which were outstanding as at December 31, 2009 and 2008 had an average remaining contractual life of 2.3 years and 1.8 years, respectively.

21. Other Operating Expenses

Other operating expenses for the years ended December 31, 2009 and 2008 consist of the following (in CZK millions):

	<u>2009</u>	<u>2008</u>
Services	(6,111)	(6,003)
Change in provisions and valuation allowances	1,628	1,510
Taxes and fees	(1,597)	(1,523)
Write-off of bad debts and cancelled investment	(78)	(21)
Travel expense	(115)	(109)
Gifts	(201)	(101)
Gain (loss) on sale of property, plant and equipment	(31)	27
Gain (loss) on sale of material	(3)	60
Fines, penalties and penalty interest, net	144	(8)
Other, net	(589)	(509)
Total	<u>(6,953)</u>	<u>(6,677)</u>

Taxes and fees include the contributions to the nuclear account (see Note 15). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

22. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2009 and 2008 was as follows (in CZK millions):

	<u>2009</u>	<u>2008</u>
Loans and receivables	326	513
Held-to-maturity investments	35	21
Available-for-sale investments	284	253
Bank accounts	453	196
Total	<u>1,098</u>	<u>983</u>

23. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2009 and 2008 consist of the following (in CZK millions):

	<u>2009</u>	<u>2008</u>
Dividends received	10,807	8,268
Derivative gains (losses), net	(1,429)	3,048
Gain on sale of available-for-sale financial assets	87	808
Gain on sale of financial assets for trading	-	1
Change in impairment of financial investments	(3,051)	3
Other, net	364	(80)
Total	<u>6,778</u>	<u>12,048</u>

24. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 20% and 21% in 2009 and 2008. The Czech corporate income tax rate for 2010 and onwards shall be 19%.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant financial authorities could take differing positions with regard to interpretive issues, which could have potentially effect on reported income.

The components of the income tax provision were as follows (in CZK millions):

	<u>2009</u>	<u>2008</u>
Current income tax charge	(10,305)	(10,803)
Adjustments in respect of current income tax of previous periods	133	86
Deferred income taxes	794	868
Total	<u>(9,378)</u>	<u>(9,849)</u>

The differences between income tax expense computed at the statutory rate and income tax expense provided on earnings were as follows (in CZK millions):

	<u>2009</u>	<u>2008</u>
Income before income taxes	54,805	56,967
Statutory income tax rate	<u>20%</u>	<u>21%</u>
“Expected” income tax expense	(10,961)	(11,963)
Tax effect of:		
Change in tax rates	16	94
Non-deductible provisions, net	(570)	111
Non-deductible expenses related to shareholdings	(71)	(194)
Other non-deductible (non taxable) items, net	(147)	42
Non-taxable revenue from dividends	2,221	1,974
Tax credits	1	1
Adjustments in respect of current income tax of previous periods	<u>133</u>	<u>86</u>
Income tax	<u>(9,378)</u>	<u>(9,849)</u>
Effective tax rate	<u>17%</u>	<u>17%</u>

Deferred income tax liability, net, at December 31, 2009, 2008 and 2007 was calculated as follows (in CZK millions):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Accumulated provision for nuclear decommissioning and spent fuel storage	5,829	5,604	6,344
Other provisions	541	61	-
Allowances	45	60	85
Deferred tax recognized in equity	464	1,367	-
Other temporary differences	<u>29</u>	<u>28</u>	<u>30</u>
Total deferred tax assets	<u>6,908</u>	<u>7,120</u>	<u>6,459</u>
Tax depreciation in excess of financial statement depreciation	15,314	15,404	16,844
Other provisions	-	-	394
Penalty receivables	15	15	16
Deferred tax recognized in equity	-	-	770
Other temporary differences	<u>300</u>	<u>314</u>	<u>53</u>
Total deferred tax liability	<u>15,629</u>	<u>15,733</u>	<u>18,077</u>
Total deferred tax liability, net	<u>8,721</u>	<u>8,613</u>	<u>11,618</u>

Tax effects relating to each component of other comprehensive income (in CZK million):

	<u>2009</u>			<u>2008</u>		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges recognized in equity	2,738	(591)	2,147	(7,564)	1,550	(6,014)
Cash flow hedges removed from equity	1,643	(312)	1,331	(3,198)	640	(2,558)
Change in fair value of available-for-sale financial assets recognized in equity	10	-	10	260	(53)	207
Other movements	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>24</u>
Total	<u>4,391</u>	<u>(903)</u>	<u>3,488</u>	<u>(10,478)</u>	<u>2,137</u>	<u>(8,341)</u>

25. Related Parties

The Company purchases products from related parties in the ordinary course of business.

At December 31, 2009, 2008 and 2007, the receivables from related parties and payables to related parties were as follows (in CZK millions):

Subsidiaries, associates and joint-ventures:	Receivables			Payables		
	2009	2008	2007	2009	2008	2007
Akcez Enerji A.S.	118	-	-	85	1,571	-
Akenerji Elektrik Üretim A.S.	652	-	-	-	-	-
CEZ Bulgaria EAD	105	78	200	-	-	-
CEZ Elektroproduktstvo Bulgaria AD	108	-	-	-	-	-
CEZ FINANCE B.V.	-	-	-	11,340	11,265	10,606
CEZ Hungary Ltd.	485	1	-	60	30	-
CEZ MH B.V.	259	162	-	2,078	810	-
CEZ Romania S.R.L.	25	59	154	-	-	-
CEZ Slovensko, s.r.o.	250	843	1	149	189	-
CEZ Srbija d.o.o.	59	18	11	115	1	-
CEZ Trade Polska sp. z o.o.	79	96	-	15	134	-
CM European Power International s.r.o.	49	63	-	-	-	-
Coal Energy, a.s.	-	154	175	-	34	29
CZ INVEST – PLUS, a.s.	1,118	-	-	-	-	-
CZECH HEAT a.s.	83	-	-	-	-	-
ČEZ Bohunice a.s.	12	-	-	2,163	-	-
ČEZ Distribuce, a. s.	5,212	91	85	4,646	2,397	4,663
ČEZ Distribuční služby, s.r.o.	7	8	6	1,760	1,398	1,789
ČEZ Distribuční zařízení, a.s.	-	-	-	228	-	-
ČEZ Energetické produkty, s.r.o.	2	7	-	112	66	-
ČEZ ICT Services, a. s. ¹⁾	13	164	1,032	659	898	1,417
ČEZ Logistika, s.r.o.	2	3	2	516	556	536
ČEZ Měření, s.r.o.	2	4	4	496	515	511
ČEZ Obnovitelné zdroje, s.r.o.	272	1	1	113	258	114
ČEZ Prodej, s.r.o.	2,211	1,185	1,260	2,849	2,746	3,471
ČEZ Správa majetku, s.r.o.	5	6	366	612	283	199
ČEZ Teplárenská, a.s.	164	76	-	331	275	174
ČEZ Zákaznické služby, s.r.o.	2	3	3	257	374	488
Elektra Žabčice a.s.	622	-	-	-	-	-
Elektrociepłownia Chorzów ELCHO sp. z o.o.	2,659	3,959	5,457	1	-	-
Elektrownia Skawina S.A.	391	584	301	132	-	59
MALLA, a.s.	456	-	-	-	-	-
Operatori i Sistemit te Shperndarjes Sh.A.	1,345	-	-	-	-	-
Severočeské doly a.s.	167	13	-	2,979	6,971	7,449
ŠKODA PRAHA a.s.	-	-	-	409	321	412
ŠKODA PRAHA Invest s.r.o.	21	23	17	3,114	3,358	105
TEC Varna EAD	-	-	-	1,738	1,885	-
Tomis Team S.R.L.	6,350	144	-	-	-	-
Ústav jaderného výzkumu Řež a.s.	47	66	3	118	149	76
Other	507	186	296	282	235	186
Total	23,859	7,997	9,374	37,357	36,719	32,284

¹⁾ In 2007 data for ČEZnet, a.s. and ČEZData, s.r.o. that merged with effective date on January 1, 2008 are presented combined.

Other related parties:	Receivables			Payables		
	2009	2008	2007	2009	2008	2007
ČEPS, a.s.	208	136	164	10	22	18
ČD Cargo, a.s.	-	-	-	209	247	-
Ministry of Finance of the Czech Republic	-	1,270	2,012	-	-	-
Other	9	-	-	1	-	2
Total	217	1,406	2,176	220	269	20

The following table provides the total amount of transactions (sales and purchases), which have been entered into with related parties for the relevant financial year (in CZK millions):

Subsidiaries, associates and joint-ventures:	Sales to related parties		Purchases from related parties	
	2009	2008	2009	2008
Akcez Enerji A.S.	118	-	-	-
CEZ Bulgaria EAD	181	176	-	-
CEZ Deutschland GmbH	-	166	-	-
CEZ Hungary Ltd.	830	17	144	292
CEZ MH B.V.	259	-	-	-
CEZ Romania S.R.L.	141	150	-	-
CEZ Slovensko, s.r.o.	1,383	2,939	1,267	1,958
CEZ Srbija d.o.o.	228	7	523	-
CEZ Trade Bulgaria EAD	53	10	570	36
CEZ Trade Polska sp. z o.o.	904	73	129	1,293
CEZ Trade Romania S.R.L.	226	7	31	4
CM European Power International s.r.o.	41	63	-	-
Coal Energy, a.s.	-	1,421	57	121
ČEZ Distribuce, a. s.	445	486	92	78
ČEZ Distribuční služby, s.r.o.	60	59	-	1
ČEZ Energetické produkty, s.r.o.	16	18	893	63
ČEZ Energetické služby, s.r.o.	20	21	211	202
ČEZ ENERGOSERVIS spol. s r.o.	7	3	280	122
ČEZ ICT Services, a. s.	65	75	2,006	2,029
ČEZ Obnovitelné zdroje, s.r.o.	7	8	351	291
ČEZ Prodej, s.r.o.	50,577	46,877	3,485	3,080
ČEZ Správa majetku, s.r.o.	43	42	657	570
ČEZ Teplárenská, a.s.	1,161	453	39	6
Elektrociepłownia Chorzów ELCHO sp. z o.o.	51	11	68	-
Elektrownia Skawina S.A.	97	44	1,704	62
I & C Energo a.s.	-	11	-	201
LOMY MOŘINA spol. s r.o.	-	-	139	120
Operatori i Sistemite Shperndarjes Sh.A.	469	-	-	-
OSC, a.s.	-	-	80	81
SD-Kolejová doprava, a.s.	12	1	110	44
Severočeské doly a.s.	51	47	6,494	6,167
ŠKODA PRAHA a.s.	-	-	-	301
ŠKODA PRAHA Invest s.r.o.	69	82	12,893	10,739
Ústav jaderného výzkumu Řež a.s.	1	3	342	299
Other	266	108	62	61
Total	57,781	53,378	32,627	28,221

Other related parties:	Sales to related parties		Purchases from related parties	
	2009	2008	2009	2008
ČEPS, a.s.	6,299	6,333	167	113
České dráhy, a.s.	-	-	1	3
ČD Cargo, a.s.	-	-	1,569	1,643
Other	7	-	2	-
Total	<u>6,306</u>	<u>6,333</u>	<u>1,739</u>	<u>1,759</u>

In 2009 and 2008 the Company made non-monetary contributions to several subsidiaries (see Notes 3 and 5 for amounts of contributed assets).

The Company and some of its subsidiaries are included in the cash-pool system. Payables to subsidiaries related to cash-pooling and similar borrowings are included in Trade and other payables (see Note 17).

26. Segment Information

The Company is involved in the generation and sale of electricity and trading in electricity and operates mainly the European Union markets. The Company has not identified any other separate operating segments.

27. Earnings per Share

	2009	2008
Numerator– basic and diluted (CZK millions)		
Net profit	<u>45,427</u>	<u>47,118</u>
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	533,225	534,594
Dilutive effect of share options	<u>213</u>	<u>747</u>
Diluted:		
Adjusted weighted average shares	<u>533,438</u>	<u>535,341</u>
Net income per share (CZK per share)		
Basic	85.2	88.1
Diluted	85.2	88.0

28. Commitments and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2009 to total CZK 183.8 billion over the next five years, as follows: CZK 36.8 billion in 2010, CZK 42.2 billion in 2011, CZK 41.3 billion in 2012, CZK 36.9 billion in 2013 and CZK 26.6 billion in 2014. These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Company will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2009 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

The Nuclear Act sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 8 billion per incident. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company has obtained all insurance policies with minimal limits as required by the law. The Company concluded the above mentioned insurance policies with Česká pojišťovna a.s. (representing Czech nuclear insurance pool) and European Liability Insurance for the Nuclear Industry.

The Company also maintains the insurance policies covering the assets of its fossil, hydro and nuclear power plants general third party liability insurance in connection with main operations of the Company.

29. Events after the Balance Sheet Date

As of January 1, 2010 the Company contributed a part of the business (heat distribution) to ČEZ Teplárenská, a.s. The value of the contribution was set at CZK 1.3 billion by a court appointed expert.

In February 2010 the Company issued additional EUR 150 million related to 5.000% Eurobonds, due in 2021.

These financial statements have been authorized for issue on February 25, 2010:

Martin Roman
Chairman of Board of Directors
Chief Executive Officer

Martin Novák
Member of Board of Directors
Chief Financial Officer