CEZ GROUP

CONSOLIDATED 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 CEZ Group which comprise the consolidated balance sheet as at December 31, 2009, and consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 consolidated financial statements present fairly, in all material respects, the financial position of CEZ Group 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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009

in CZK Millions

	2009	2008 (restated *)	2007 (restated *)
Assets			
Property, plant and equipment:			
Plant in service	509,618	488,956	479,091
Less accumulated provision for depreciation	(266,377)	(252,330)	(234,297)
Net plant in service (Note 3)	243,241	236,626	244,794
Nuclear fuel, at amortized cost	5,439	6,287	6,983
Construction work in progress (Note 3)	80,125	47,913	25,388
Total property, plant and equipment	328,805	290,826	277,165
Other non-current assets:			
Investment in associates and joint-ventures	17,250	1,907	248
Investments and other financial assets, net (Note 4)	49,423	34,614	16,465
Intangible assets, net (Note 5)	18,653	18,074	19,060
Deferred tax assets (Note 27)	824	816	482
Total other non-current assets	86,150	55,411	36,255
Total non-current assets	414,955	346,237	313,420
Current assets:			
Cash and cash equivalents (Note 8)	26,727	17,303	12,429
Receivables, net (Note 9)	46,350	41,729	23,880
Income tax receivable	997	140	79
Materials and supplies, net	4,959	4,914	4,484
Fossil fuel stocks	2,944	2,959	857
Emission rights (Note 10)	1,212	1,523	355
Other financial assets, net (Note 11)	29,706	56,237	10,246
Other current assets (Note 12)	2,409	2,133	5,192
Total current assets	115,304	126,938	57,522
Total assets	530,259	473,175	370,942

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

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009

continued

	2009	2008 (restated *)	2007 (restated *)
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Stated capital	53,799	59,221	59,221
Treasury shares	(5,151)	(66,910)	(55,972)
Retained earnings and other reserves	151,713	180,941	168,103
Total equity attributable to equity holders of the parent (Note 13)	200,361	173,252	171,352
Non-controlling interests	6,314	12,158	12,874
Total equity	206,675	185,410	184,226
Long-term liabilities:			
Long-term debt, net of current portion (Note 14)	118,921	66,526	51,984
Accumulated provision for nuclear decommissioning and fuel storage (Note 17)	37,152	35,631	39,191
Other long-term liabilities (Note 18)	21,108	20,036	16,823
Total long-term liabilities	177,181	122,193	107,998
Deferred tax liability (Note 27)	15,335	14,421	17,153
Current liabilities:			
Short-term loans (Note 19)	31,257	35,001	18,048
Current portion of long-term debt (Note 14)	6,632	4,874	3,226
Trade and other payables (Note 20)	76,853	93,646	25,737
Income tax payable	1,359	3,910	5,969
Accrued liabilities (Note 21)	14,967	13,720	8,585
Total current liabilities	131,068	151,151	61,565
Total equity and liabilities	530,259	473,175	370,942

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

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

in CZK Millions

	2009	2008 (restated *)
Revenues:		
Sales of electricity	173,494	165,317
Gains and losses from electricity, coal and gas derivative trading, net	6,894	4,095
Heat sales and other revenues	15,964	14,546
Total revenues (Note 22)	196,352	183,958
Operating expenses:		
Fuel	(15,805)	(16,176)
Purchased power and related services	(48,170)	(41,670)
Repairs and maintenance	(6,043)	(5,597)
Depreciation and amortization	(22,876)	(22,047)
Salaries and wages (Note 23)	(18,116)	(16,956)
Materials and supplies	(5,272)	(4,589)
Emission rights, net (Note 10)	305	1,998
Other operating expenses (Note 24)	(12,176)	(12,267)
Total expenses	(128,153)	(117,304)
Income before other income (expenses) and income taxes	68,199	66,654
Other income (expenses):		
Interest on debt, net of capitalized interest (Note 2.8)	(3,303)	(3,103)
Interest on nuclear and other provisions (Note 2.24, 17 and 18)	(2,174)	(2,056)
Interest income (Note 25)	2,499	1,842
Foreign exchange rate gains (losses), net	(1,189)	(1,311)
Gain (loss) on sale of subsidiaries and associates	(2)	333
Negative goodwill write-off and goodwill impairment, net	(3,263)	14
Other income (expenses), net (Note 26)	1,183	(1,669)
Income from associates and joint-ventures (Note 2.2)	2,996	12
Total other income (expenses)	(3,253)	(5,938)
Income before income taxes	64,946	60,716
Income taxes (Note 27)	(13,091)	(13,365)
Net income	51,855	47,351
Net income attributable to:		
Equity holders of the parent	51,547	46,510
Non-controlling interests	308	841
Net income per share attributable to equity holders of the parent (CZK per share) (Note 30)		
Basic	96.7	87.0
Diluted	96.6	86.9
Average number of shares outstanding (000s) (Notes 13 and 30)		
Basic	533,225	534,594
Diluted	533,438	535,341

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

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

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

in CZK Millions

	2009	2008
Net income	51,855	47,351
Other comprehensive income:		
Change in fair value of cash flow hedges recognized in equity	2,719	(7,564)
Cash flow hedges removed from equity	1,643	(3,196)
Change in fair value of available-for-sale financial assets recognized in equity	84	372
Available-for-sale financial assets removed from equity	17	2
Translation differences	(2,716)	(3,457)
Share on equity movements of associates and joint-ventures	(11)	112
Deferred tax relating to other comprehensive income	(885)	2,114
Other movements	-	21
Other comprehensive income, net of tax	851	(11,596)
Total comprehensive income, net of tax	52,706	35,755
Total comprehensive income attributable to:		
Equity holders of the parent	53,491	35,632
Non-controlling interests	(785)	123

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

in CZK Millions

	Attributable to equity holders of the parent								
	Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
December 31, 2007	59,221	(55,972)	(2,296)	2,939	286	167,174	171,352	12,874	184,226
Net income	-	-	-	-	-	46,510	46,510	841	47,351
Other comprehensive income	-	-	(2,729)	(8,570)	298	123	(10,878)	(718)	(11,596)
Total comprehensive income	-	-	(2,729)	(8,570)	298	46,633	35,632	123	35,755
Dividends	-	-	-	-	-	(21,321)	(21,321)	(2)	(21,323)
Acquisition of treasury shares	-	(13,098)	-	-	-	-	(13,098)	-	(13,098)
Sale of treasury shares	-	2,160	-	-	-	(1,596)	564	-	564
Share options	-	-	-	-	123	-	123	-	123
Transfer of exercised and forfeited share options within equity	-	-	-	-	(204)	204	-	-	-
Change in non-controlling interests due to acquisitions	-	-	-	-	-	-	-	(837)	(837)
December 31, 2008	59,221	(66,910)	(5,025)	(5,631)	503	191,094	173,252	12,158	185,410
Net income	-	-	-	-	-	51,547	51,547	308	51,855
Other comprehensive income	-	-	(1,624)	3,463	75	30	1,944	(1,093)	851
Total comprehensive income	-	-	(1,624)	3,463	75	51,577	53,491	(785)	52,706
Dividends	-	-	-	-	-	(26,638)	(26,638)	(15)	(26,653)
Reduction of the stated capital	(5,422)	61,313	-	-	-	(55,891)	-	-	-
Sale of treasury shares	-	446	-	-	-	(300)	146	-	146
Share options	-	-	-	-	110	-	110	-	110
Transfer of exercised and forfeited share options within equity	-	-	-	-	(79)	79	-	-	-
Change in non-controlling interests due to acquisitions	-	-	-	-	-	-	-	(5,044)	(5,044)
December 31, 2009	53,799	(5,151)	(6,649)	(2,168)	609	159,921	200,361	6,314	206,675

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

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

in CZK Millions

	2009	2008
Operating activities:		
Income before income taxes	64,946	60,716
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	26,171	22,090
Amortization of nuclear fuel	2,778	2,654
Gain on fixed asset retirements, net	(112)	(563)
Foreign exchange rate losses (gains), net	1,189	1,311
Interest expense, interest income and dividend income, net	763	1,210
Provision for nuclear decommissioning and fuel storage	282	309
Valuation allowances, other provisions and other adjustments	5,111	(214)
Income from associates and joint-ventures	(2,996)	(12)
Changes in assets and liabilities:		
Receivables	(3,940)	(18,470)
Materials and supplies	(141)	(43)
Fossil fuel stocks	(14)	(2,031)
Other current assets	29,870	(42,233)
Trade and other payables	(19,825)	58,148
Accrued liabilities	73	4,372
Cash generated from operations	104,155	87,244
Income taxes paid	(16,522)	(16,285)
Interest paid, net of capitalized interest	(1,947)	(1,586)
Interest received	1,627	1,142
Dividends received	41	68
Net cash provided by operating activities	87,354	70,583
Investing activities:		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired (Note 6)	(25,152)	(490)
Proceeds from disposal of subsidiaries and associates, net of cash disposed of	1,270	1,501
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(70,791)	(46,186)
Proceeds from sale of fixed assets	2,555	833
Loans made	(9,557)	(15,491)
Repayment of loans	3,484	863
Change in decommissioning and other restricted funds	(831)	(1,200)
Total cash used in investing activities	(99,022)	(60,170)

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

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

continued

	2009	2008
Financing activities:		
Proceeds from borrowings	298,990	349,972
Payments of borrowings	(250,072)	(322,365)
Proceeds from other long-term liabilities	72	526
Payments of other long-term liabilities	(345)	(293)
Dividends paid to Company's shareholders	(26,545)	(21,218)
Dividends paid to non-controlling interests / Contributions received from non-controlling interests, net	(16)	(4)
(Acquisition) sale of treasury shares, net	146	(12,535)
Total cash provided by (used in) financing activities	22,230	(5,917)
Net effect of currency translation in cash	(1,138)	378
Net increase in cash and cash equivalents	9,424	4,874
Cash and cash equivalents at beginning of period	17,303	12,429
Cash and cash equivalents at end of period	26,727	17,303

Supplementary cash flow information

	2009	2008
Total cash paid for interest	4,028	2,851

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

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company, owned 69.8% (70.4% of voting rights) at December 31, 2009 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group ("the Group"), which is primarily engaged in the business of production, distribution and sale of electricity (see Notes 2.2 and 7). ČEZ is an electricity generation company, which in 2009 produced approximately 72% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates sixteen fossil fuel plants, sixteen hydroelectric plants and two nuclear plants. The Company also operates through its subsidiaries several power plants (hydro, wind, solar, biomass, black oil, gas) in the Czech Republic, two fossil fuel plants and one hydroelectric plant in Poland and one fossil fuel plant in Bulgaria. Further the Group also controls certain electricity distribution companies in the Czech Republic, Bulgaria, Romania and Albania. The average number of employees of the Company and its consolidated subsidiaries was 30,768 and 28,330 in 2009 and 2008, respectively.

Responsibility for public administration in the energy sector is exercised by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency, to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations. The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

Third-party access started to be introduced gradually from 2002. Since 2006 all customers can select their suppliers of electricity.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The accompanying consolidated financial statements of the Group are 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 Group 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 (see Note 2.3).

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.

2.2. Group Accounting

a. Group Structure

The financial statements of CEZ Group include the accounts of ČEZ, a. s., its subsidiaries, associates and joint-ventures, which are shown in the Note 7.

b. Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has a power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries from unrelated parties. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the Group's interest in the fair value of acquiree's net assets exceeds the cost of business combination ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in profit or loss. In case of subsequent acquisition of a non-controlling interest in a subsidiary, which has been already controlled by the Group, the goodwill is measured as the difference between the cost of the additionally acquired shares and the book value of the non-controlling interest acquired.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

c. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognized in the income statement and its share of other post-acquisition movements in equity of associates is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

d. Joint-ventures

Joint-venture is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2c).

The financial statements of the joint-venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

e. Transactions involving entities under common control

Acquisitions of subsidiaries from entities under common control are recorded using a method similar to pooling of interests.

The assets and liabilities of the acquired subsidiaries are included in the consolidated financial statements at their book values. The cost of acquisition of subsidiaries from entities under common control is recorded directly in equity.

Net gain on sale of a subsidiary, an associated company or a joint-venture to an entity controlled by the Group’s majority shareholder is recognized directly in equity.

2.3. Change in Accounting Policies

a. New IFRS standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group 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 Group, 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, a 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 15. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 16.2.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. IFRS 8 requires disclosure of information about the Group's operating segments and replaced the requirement to determine business and geographical reporting segments of the Group. The Group previously presented 4 business and 2 geographical segments. In accordance with IFRS 8 the Group determined 7 operating segments which are a result of the combination of geographical location and nature of products and services and are presented in Note 29, including the related revised comparative information.

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.

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 Group as the Group has the policy of including the borrowing costs as part of the cost of the asset.

IFRIC 18 Transfers of Assets from Customers

The Group 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 Group 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.

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 Group.

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 Group 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 Group.

b. New IFRS Standards and Interpretations either not yet effective or not yet adopted by the EU

The Group 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 Group's activities are detailed below:

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

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 Group 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 Group is currently assessing the potential impact of this new interpretation on its 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 Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group 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 Group does not expect that the amendment will have an impact on the financial position or performance of the Group.

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 Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group 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 Group has not yet adopted the amendments but it is anticipated that the changes will have no material effect on the Group's financial statements.

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. Revenues

The Group 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.

Connection fees received from customers are recognized in income in the period when the fees are received.

2.6. Unbilled Electricity

Electricity supplied to customers, which is not yet billed, is recognized in revenues at estimated amounts. The estimate of monthly change in unbilled electricity is derived from the measured delivery of electricity after deduction of invoiced consumption and estimated grid losses. The estimate of total unbilled electricity balance is also supported by extrapolation of consumption in the last measured period for individual locations. The ending balance of unbilled electricity is disclosed net in the balance sheet after deduction of advances received from customers and is included either in the line item of Receivables, net or Trade and other payables.

2.7. 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 2,778 million and CZK 2,654 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 to the extent they relate to the nuclear fuel consumed during the current accounting period (see Note 17). Such charges amounted to CZK 272 million and CZK 248 million in 2009 and 2008, respectively.

2.8. Interest

The Group 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 2,081 million and CZK 1,265 million, which was equivalent to an interest capitalization rate of 4.8% and 5.0% in 2009 and 2008, respectively.

2.9. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairment in value. 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 it 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.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and 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 eliminated from the accounts. Any resulting gains or losses are included in profit or loss.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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.

An assessment is made at each reporting date 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 Group 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

The Group depreciates the original cost of property, plant and equipment less its residual value by using the straight-line method over the estimated economic lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciable lives used for property, plant and equipment are as follows:

	Lives
Buildings and structures	20 – 50
Machinery and equipment	4 – 25
Vehicles	4 – 20
Furniture and fixtures	8 – 15

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation of plant in service was CZK 21,677 million and CZK 20,839 million for the years ended December 31, 2009 and 2008, which was equivalent to a composite depreciation rate of 4.3% and 4.3%, respectively.

2.10. 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 power generated.

Nuclear fuel includes capitalized costs of related provisions (see Note 2.24). 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.

2.11. Intangible Assets, Net

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 15 years. The assets' residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end.

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.

For assets excluding goodwill an assessment is made at each reporting date 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 Group 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.

2.12. Emission Rights

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 Plans in 2009 and 2008 certain companies of the Group have been granted emission rights free of charge. These companies are 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, these companies are required to remit a number of allowances representing the number of tones of CO_2 actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2.

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. Emission rights acquired in a business combination are initially recognized at their fair value at the date of acquisition and subsequently treated similarly to purchased emission rights. If the granted allowances are not sufficient to cover actual emissions, the Group 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 Group 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 Group assesses whether there is any indication that emission rights may be impaired. Where an indicator of impairment exists, the Group 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 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.

2.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition (see Note 2.2). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint-ventures is included in investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.14. 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 Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the Group 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 Group, are classified as available-for-sale.

Held-to-maturity investments, 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 without any deduction for transaction costs 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 and trading 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 Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group 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 Group 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.

2.15. 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 at December 31, 2009, 2008 and 2007 exchange rates, respectively.

2.16. 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), relate to mining reclamation and damages, deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and cash guarantees given to swap transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Group.

2.17. Receivables, Payables and Accruals

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.18. Materials and Supplies

Materials and supplies are principally composed of maintenance materials and spare parts for repairs and maintenance of tangible assets. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Group records a provision for obsolete inventory as such items are identified. At December 31, 2009, 2008 and 2007 the provision for obsolescence amounted to CZK 447 million, CZK 216 million and CZK 343 million, respectively.

2.19. Fossil Fuel Stocks

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

2.20. Derivative Financial Instruments

The Group 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. 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 Group 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 Group 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.

a. 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.

b. 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. The gain or loss relating to the ineffective portion is recognized in the income statement.

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.

c. 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.

2.21. 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 Group 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.

In particular, 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 Group's 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 Group's operating requirements;
- the contract cannot be considered as a written option as defined by the standard IAS 39. 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 Group 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. The Group presents revenues and expenses related to commodity trading net in the line Gains and losses from electricity, coal and gas derivative trading, net.

2.22. Income Taxes

The provision for corporate tax is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are 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 determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognized regardless of when the temporary difference is likely to reverse. 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. A deferred tax liability is recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

Deferred tax assets and liabilities of Group companies are not offset in the balance sheet.

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.

2.23. 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 or loss using the effective interest rate method.

2.24. Nuclear Provisions

The Group 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 (see Note 17).

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. At December 31, 2009, 2008 and 2007 the estimate for the effect of inflation is 2.0%, 2.5% and 2.0%, respectively.

The decommissioning process is expected to continue for approximately a fifty-year period for Temelín plant and sixty-year period for Dukovany 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 Group 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 Group'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.

2.25. Provisions for Decommissioning and Reclamation of Mines and Mining Damages

The Group has recognized provisions for obligations to decommission and reclaim mines at the end of their operating lives (see Note 18). 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, 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 mines. 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. At December 31, 2009, 2008 and 2007 the estimate for the effect of inflation is 2.0%, 2.5% and 2.0%, respectively.

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.

2.26. Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense when incurred.

2.27. Leases

The determination of whether an arrangements is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset. A reassessment is made after inception of the lease only if one of the following conditions applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in determination of whether fulfillment is dependant on a specified asset; or
- There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.28. 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 to 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.

2.29. Share Options

Members of Board of Directors and selected managers (and Supervisory Board members in prior years) 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.

2.30. Translation of Foreign Currencies

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements items of foreign subsidiaries are translated at average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate.

3. Property, Plant and Equipment

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

	Buildings	Plant and Equip-ment	Land and Other	Total 2009	Total 2008
Cost at January 1	185,043	299,522	4,391	488,956	479,091
Plant additions	8,943	12,823	526	22,292	20,320
Disposals	(1,730)	(6,410)	(58)	(8,198)	(3,340)
Acquisition of subsidiaries	656	4,863	380	5,899	295
Disposal of subsidiaries	-	-	-	-	(403)
Change in capitalized part of provisions	1,382	841	7	2,230	(4,329)
Reclassification and other	(34)	110	(70)	6	60
Currency translation differences	(917)	(623)	(27)	(1,567)	(2,738)
Cost at December 31	193,343	311,126	5,149	509,618	488,956
Accumulated deprec. and impairment at January 1	(78,527)	(172,987)	(816)	(252,330)	(234,297)
Depreciation	(5,470)	(16,193)	(14)	(21,677)	(20,839)
Net book value of assets disposed	(660)	(142)	(46)	(848)	(799)
Disposals	1,730	6,410	58	8,198	3,285
Disposal of subsidiaries	-	-	-	-	362
Reclassification and other	12	(27)	6	(9)	(10)
Impairment losses recognized	(140)	(17)	(6)	(163)	(403)
Impairment losses reversed	135	64	9	208	231
Currency translation differences	134	109	1	244	140
Accumulated deprec. and impairment at December 31	(82,786)	(182,783)	(808)	(266,377)	(252,330)
Net plant in service at December 31	110,557	128,343	4,341	243,241	236,626

At December 31, 2009, 2008 and 2007, plant 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)
Total net book value	13,003	12,509	17,165

Group's plant in service pledged as security for liabilities at December 31, 2009, 2008 and 2007 is CZK 329 million, CZK 51 million and CZK 76 million, respectively.

In August 2008 the Group paid for the acquisition of a project in Romania to develop and operate two wind power farms. The total consideration paid amounted to EUR 300,584 thousand (CZK 7,372 million). As at December 31, 2009 and 2008 construction work in progress includes CZK 18,979 million and CZK 10,005 million, respectively, related to this project.

In addition, most of the remaining balance of construction work in progress relates to refurbishments performed on Tušimice, Ledvice, Počerady, Temelín and Dukovany power plants and electricity distribution network of subsidiary ČEZ Distribuce, a. s.

4. Investments and Other Financial Assets, Net

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

	2009	2008	2007
Restricted debt securities available-for-sale	9,205	7,756	3,233
Restricted debt securities held to maturity	-	25	996
Restricted cash	1,200	1,791	4,160
Total restricted financial assets	10,405	9,572	8,389
Financial assets in progress, net	223	230	241
Debt securities held-to-maturity	110	453	765
Debt securities available-for-sale	4,408	6,020	4,810
Equity securities available-for-sale	644	522	525
Investment in MOL	17,695	16,543	-
Investment in Pražská teplárenská	12,923	-	-
Derivatives	344	1,031	340
Other long-term receivables, net	2,671	243	1,395
Total	49,423	34,614	16,465

The financial assets in progress represent amounts paid in respect of planned acquisitions.

In January 2008 the Group acquired a 7% share in MOL. At that time the Group granted to MOL a call option, which enabled MOL to reacquire the shares in the following 3 years for the price HUF 20,000 per share. The amount paid to MOL after deduction of option premium received was EUR 560 million. The transaction was recorded as a receivable together with a written put option. In 2009 the terms of the call option were amended whereas now MOL can reacquire the shares in the period until January 2014 which also resulted in the change in effective interest rate applied on recorded receivable. The purchase was originally financed through a new loan in the total amount of EUR 600 million. Within the scope of cooperation the Group together with MOL also established 50-50% joint-ventures in order to pursue jointly business opportunities and develop projects in the business of gas-fired power and heat plants in Central and South-Eastern Europe. The written put option is shown as a liability from derivatives in Trade and other payables (see Note 20).

CEZ Group agreed with J&T Group and paid for the equity interest of 49% in Pražská teplárenská (Prague's major heat supplier). The transaction is subject to approval of the antimonopoly office. Currently the Group 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	
	Available-for-sale financial assets	Long-term receivables	Available-for-sale financial assets	Long-term receivables
Opening balance	78	27	130	-
Additions	5	28	-	27
Reversals	(30)	(55)	(52)	-
Closing balance	53	-	78	27

Debt instruments at December 31, 2009 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1 – 2 years	509	-	592	1,101
Due in 2 – 3 years	9	-	1,062	1,071
Due in 3 – 4 years	3	-	418	421
Due in 4 – 5 years	17,699	-	50	17,749
Due in more than 5 years	2,146	110	2,286	4,542
Total	20,366	110	4,408	24,884

Debt instruments at December 31, 2008 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1 – 2 years	75	342	1,382	1,799
Due in 2 – 3 years	16,672	-	594	17,266
Due in 3 – 4 years	7	-	1,044	1,051
Due in 4 – 5 years	3	-	411	414
Due in more than 5 years	29	111	2,589	2,729
Total	16,786	453	6,020	23,259

Debt instruments at December 31, 2007 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Due in 1 – 2 years	1,333	318	1,457	3,108
Due in 2 – 3 years	23	334	1,372	1,729
Due in 3 – 4 years	7	-	181	188
Due in 4 – 5 years	5	-	860	865
Due in more than 5 years	27	113	940	1,080
Total	1,395	765	4,810	6,970

Debt instruments at December 31, 2009 have following effective interest rate structure (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	522	-	95	617
From 2.0% to 3.0%	15	-	796	811
From 3.0% to 4.0%	12	-	182	194
From 4.0% to 5.0%	17,695	110	3,132	20,937
Over 5.0%	2,122	-	203	2,325
Total	20,366	110	4,408	24,884

Debt instruments at December 31, 2008 have following effective interest rate structure (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	243	-	-	243
From 2.0% to 3.0%	-	178	789	967
From 3.0% to 4.0%	-	-	833	833
From 4.0% to 5.0%	16,543	111	3,805	20,459
Over 5.0%	-	164	593	757
Total	16,786	453	6,020	23,259

Debt instruments at December 31, 2007 have following effective interest rate structure (in CZK millions):

	Long-term receivables	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	1,370	-	1	1,371
From 2.0% to 3.0%	10	340	1,249	1,599
From 3.0% to 4.0%	-	105	2,091	2,196
From 4.0% to 5.0%	15	113	1,425	1,553
Over 5.0%	-	207	44	251
Total	1,395	765	4,810	6,970

The following table analyses the debt instruments at December 31, 2009 by currency (in CZK millions):

	CZK	EUR	Total
Long-term receivables	525	19,841	20,366
Debt securities held-to-maturity	110	-	110
Debt securities available-for-sale	4,408	-	4,408
Total	5,043	19,841	24,884

The following table analyses the debt instruments at December 31, 2008 by currency (in CZK millions):

	CZK	EUR	Total
Long-term receivables	174	16,612	16,786
Debt securities held-to-maturity	453	-	453
Debt securities available-for-sale	6,020	-	6,020
Total	6,647	16,612	23,259

The following table analyses the debt instruments at December 31, 2007 by currency (in CZK millions):

	CZK	EUR	Total
Long-term receivables	1,382	13	1,395
Debt securities held-to-maturity	765	-	765
Debt securities available-for-sale	4,810	-	4,810
Total	6,957	13	6,970

5. Intangible Assets, Net

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

	Software	Rights and Other	Goodwill	Total 2009	Total 2008
Cost at January 1	7,647	5,171	10,883	23,701	23,404
Additions	911	72	-	983	1,583
Disposals	(158)	(5)	-	(163)	(370)
Acquisition of subsidiaries and non-controlling interests	1	106	4,229	4,336	185
Disposal of subsidiaries	-	-	(3)	(3)	(35)
Impairment of goodwill	-	-	(3,263)	(3,263)	-
Reclassification and other	-	-	-	-	2
Currency translation differences	(4)	(49)	(209)	(262)	(1,068)
Cost at December 31	8,397	5,295	11,637	25,329	23,701
Accumulated amortization and impairment at January 1	(5,224)	(1,774)	-	(6,998)	(6,152)
Amortization charge for the year	(916)	(283)	-	(1,199)	(1,208)
Net book value of assets disposed	(2)	-	-	(2)	(93)
Disposals	158	5	-	163	208
Disposal of subsidiaries	-	-	-	-	116
Reclassification and other	-	2	-	2	(1)
Currency translation differences	3	10	-	13	132
Accumulated amortization and impairment at December 31	(5,981)	(2,040)	-	(8,021)	(6,998)
Net intangible assets at December 31	2,416	3,255	11,637	17,308	16,703

At December 31, 2009, 2008 and 2007, intangible assets presented in the balance sheet include intangible assets in progress in the amount of CZK 1,345 million, CZK 1,371 million and CZK 1,808 million, respectively.

At December 31, 2009, goodwill was allocated to the respective operating segments based on the classification of the related subsidiaries (see Note 29).

Impairment testing of goodwill

At December 31, 2009, 2008 and 2007 goodwill was allocated to the following cash-generating units for the purpose of impairment testing (in CZK millions):

	2009	2008	2007
Bulgarian distribution	1,057	1,076	1,063
Romanian distribution and sale	3,542	-	-
TEC Varna	1,936	1,970	1,947
Polish power plants (ELCHO, Skawina)	1,265	4,829	5,689
Czech distribution and sale	2,182	2,182	2,182
Czech Heat	504	-	-
ČEZ Teplárenská	679	643	643
Albanian distribution	303	-	-
Other	169	183	138
Total carrying amount of goodwill	11,637	10,883	11,662

The Group performed impairment tests and as result of these tests the Group recognized the impairment loss of CZK 3,263 million for the Polish power plants. This impairment of goodwill was caused mainly by the termination of long-term contract for the sale of electricity with Polskie Sieci Elektroenergetyczne (for more information about the terminated long-term contract and related compensations see Note 22). In 2008 no impairment losses of goodwill were recognized. In 2008 the goodwill at Skawina was decreased by CZK 166 million due to the acquisition of non-controlling interest (see Note 7). The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. Value in use is determined on the basis of an enterprise valuation model and is assessed from a company internal perspective. Values in use are determined based on cash flow budgets, which are based on the medium-term budget for a period of 5 years, which has been approved by the management and which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on future market trends.

The medium-term budget is based on general economic data derived from macroeconomic and financial studies and makes assumptions primarily on the development of gross domestic product, consumer prices, interest rates and nominal wages.

The recoverable amount of Bulgarian distribution and TEC Varna has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 7.8% for distribution and ten-year period budget and discount rate of 10.8% for first 4 years and 7.8% for following years for Varna power plant. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0% for the distribution companies, while the calculation did not include any cash flow for Varna power plant beyond 2019. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The recoverable amount of Polish power plants has also been determined based on a value in use calculation. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rates of 9.6% in first 4 years and 7.6% for following years. Cash flows beyond the five-year period are extrapolated using 2.0% growth rate. This growth rate represents the predicted long-term average growth rate of cash flows under currently known capacities and circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Czech distribution and sale and ČEZ Teplárenská. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rate of 6.1% for first 4 years and 5.8% for following years. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0%. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The value in use calculation was also used to calculate the recoverable amount of Romanian distribution and sale. Those cash flow projections are also based on financial budgets approved by management covering a five-year period, and discount rate of 8.1% for first 4 years and 5.9% for following years. Cash flows beyond the five-year period are extrapolated using an average growth rate of 2.0%. This growth rate represents the predicted long-term average growth rate of cash flows under currently known circumstances. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The calculations of value in use for all cash-generating units are most sensitive to the following assumptions:

Gross margins – Gross margins are based on average volumes achieved in three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is available, otherwise past actual raw material price movements have been used as an indicator of future price movements.

Discount rate – Discount rates reflect management's estimate of the risk specific to each unit. The basis used to determine the value assigned is weighted average of cost of capital (WACC) of the related subsidiaries.

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the forecast of market and regulatory environment, where subsidiaries conduct the business.

6. Changes in the Group Structure

Acquisitions of subsidiaries from third parties in 2009

In May 2009 the Group acquired 76% share in the electricity distribution and sale company Operatori i Sistemit te Shperndarjes Sh.A. ("OSSh") in Albania.

In April 2009 the Group acquired 100% share in the heating company CZECH HEAT a.s. ("Czech Heat") in the Czech Republic.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired in 2009 at the date of acquisition are as follows (in CZK millions):

	OSSh	Czech Heat
Shares acquired in 2009	76%	100%
Property, plant and equipment	5,561	149
Other non-current assets	324	377
Cash and cash equivalents	116	8
Receivables, net	1,151	22
Materials and supplies, net	300	2
Other current assets	-	1
Long-term liabilities	(1,785)	(77)
Deferred tax liability	-	(44)
Short-term loans	(264)	(145)
Trade and other payables	(1,662)	(93)
Accrued liabilities	(163)	-
Total net assets	3,578	200
Share of net assets acquired	2,719	200
Goodwill	308	504
Total purchase consideration	3,027	704
Less:		
Cash and cash equivalents in subsidiaries acquired	(116)	(8)
Cash outflow on acquisition of subsidiaries	2,911	696

The carrying values of the acquired assets and liabilities of the subsidiaries acquired in 2009 at the date of acquisition were as follows (in CZK millions):

	OSSh	Czech Heat
Property, plant and equipment	5,561	54
Other non-current assets	245	334
Cash and cash equivalents	116	8
Receivables, net	1,151	22
Materials and supplies, net	300	2
Other current assets	-	1
Long-term liabilities	(2,581)	(77)
Short-term loans	(264)	(145)
Trade and other payables	(1,662)	(93)
Accrued liabilities	(163)	-
Total book value of net assets	2,703	106

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2009 (in CZK millions):

	OSSh	Czech Heat
Revenues	4,288	103
Income before other expense (income) and income taxes	(832)	48
Net income	(1,064)	42

If the combinations had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 51,422 million and revenues from continuing operation would have been CZK 198,165 million. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisitions of joint-ventures from third parties in 2009

In June 2009 the joint-venture of CEZ Group and J&T Group acquired 100% share in the German coal mining company Mitteldeutsche Braunkohlengesellschaft mbH. The Shareholders' agreement gives CEZ Group 50% of the voting rights.

In May 2009 the Group acquired 37.36% share in Turkish utility company Akenerji Elektrik Üretim A.S.

In February 2009 the consortium of CEZ Group and Turkish entities Akkök Group and Akenerji Elektrik Üretim A.S. acquired through the joint-venture Akcez Enerji A.S. 100% share in the Turkish electricity distribution company Sakarya Elektrik Dagitim A.S. which has the right to operate the distribution grid in Sakarya region for the period of 30 years.

CEZ Group concluded shareholders' agreements with Akkök Group and therefore the investments in Sakarya Elektrik Dagitim A.S. and Akenerji Elektrik Üretim A.S. are classified as joint-ventures.

Summary of acquisitions of joint-ventures acquired in 2009 is as follows (in CZK millions):

	Mitteldeutsche Braunkohlengesellschaft mbH	Akenerji Elektrik Üretim A.S.	Sakarya Elektrik Dagitim A.S.
Shares acquired in 2009	50.00%	37.36%	44.31%
Total net assets	17,278	8,055	7,777
Share of net assets acquired	8,639	3,009	3,446
Goodwill / (negative goodwill)	(3,304)	1,979	2,590
Total purchase consideration	5,335	4,988	6,036
Cash outflows on acquisition of joint-ventures	* -	4,988	* -

* The cash outflows for the acquisition were incurred by the joint-venture.

Acquisitions of non-controlling interest in 2009

In September 2009 the Group increased its capital share in CEZ Distributie S.A. and CEZ Vanzare S.A. from 51% to 81% and in October 2009 the capital share was further increased to 100%. In 2009 the capital share in CEZ Servicii S.A. was increased from 51% to 63%.

The following table summarizes the critical terms of the subsequent acquisitions of non-controlling interest during 2009 (in CZK millions):

	Romanian companies
Share of net assets acquired	6,153
Goodwill	3,417
Total purchase price	9,570

The following table summarizes the cash outflows on acquisitions during 2009 (in CZK millions):

Cash outflows on acquisition of subsidiaries	3,731
Cash outflows on acquisition of joint-ventures	4,988
Cash outflows on purchase of non-controlling interests	9,570
Cash contribution to joint-ventures and associate	7,536
Change in payables from acquisitions	(549)
Less cash acquired	(124)
Total cash outflows on acquisitions in 2009	25,152

Acquisitions of subsidiaries from third parties in 2008

In January 2008 the Group acquired 100% share in ALLEWIA leasing s.r.o. (“ALLEWIA”), in August 2008 46.32% share in SD – KOMES, a.s. (“KOMES”) and in September 2008 49.50% share in PRODECO, a.s. (“PRODECO”). Until the acquisition of majority of voting rights the Group owned 46.33% shares (46.33% voting rights) in KOMES and 50.50% shares (50.00% voting rights) in PRODECO.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired in 2008 at the date of acquisition are as follows (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Shares acquired in 2008	46.32%	49.50%	100%
Property, plant and equipment	231	29	35
Other non-current assets	3	68	-
Cash and cash equivalents	-	591	6
Receivables, net	110	89	31
Income tax receivable	-	10	-
Materials and supplies, net	55	278	-
Other current assets	1	302	2
Long-term liabilities	(1)	-	-
Deferred tax liability	(8)	-	(4)
Short-term loans	(22)	-	-
Trade and other payables	(101)	(1,218)	(33)
Accrued liabilities	-	(45)	(3)
Total net assets	268	104	34
Non-controlling interests	(144)	(52)	-
Share of net assets acquired	124	52	34
Goodwill / (negative goodwill)	(4)	(10)	46
Total purchase consideration	120	42	80
Less:			
Non-cash consideration paid	(120)	-	-
Cash and cash equivalents in subsidiaries acquired	-	(591)	(6)
Cash outflow / (inflow) on acquisition of subsidiaries	-	(549)	74

The total purchase consideration paid for acquisition of subsidiaries in 2008 consists of the following amounts (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Acquisition price of the shares	120	42	80
Costs directly attributable to the acquisition of shares	-	-	-
Total purchase consideration	120	42	80

The carrying values of the acquired assets and liabilities of the subsidiaries acquired in 2008 at the date of acquisition were as follows (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Property, plant and equipment	231	29	16
Other non-current assets	3	68	-
Cash and cash equivalents	-	591	6
Receivables, net	110	89	31
Income tax receivable	-	10	-
Materials and supplies, net	55	278	-
Other current assets	1	302	2
Long-term liabilities	(1)	-	-
Deferred tax liability	(8)	-	-
Short-term loans	(22)	-	-
Trade and other payables	(101)	(1,218)	(33)
Accrued liabilities	-	(45)	(3)
Total book value of net assets	268	104	19

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2008 (in CZK millions):

	KOMES	PRODECO	ALLEWIA
Revenues	22	83	34
Income before other expense (income) and income taxes	(7)	33	5
Net income	2	44	3

If the combinations had taken place at the beginning of the year, the profit for the CEZ Group would have been CZK 47,355 million and revenues from continuing operation would have been CZK 182,444 million. The goodwill recognized as a result of the business combinations comprises the fair value of expected synergies arising from the acquisitions.

Acquisitions of non-controlling interest in 2008

In September 2008 the Group purchased further non-controlling interest in Elektrownia Skawina S.A. ("Skawina"). The following table summarizes the critical terms of the subsequent acquisition of non-controlling interest during 2008 (in CZK millions):

	Skawina
Shares acquired in 2008 from third parties	25.09%
Share of net assets acquired	874
Negative goodwill	(166)
Total purchase price	708

The following table summarizes the cash outflows on acquisitions during 2008 (in CZK millions):

Cash inflows on acquisition of subsidiaries	(475)
Cash contribution to joint-venture	97
Cash outflows on purchase of non-controlling interest	708
Change in payables from acquisitions	160
Total cash outflows on acquisitions in 2008	490

7. Investments in Subsidiaries, Associates and Joint-ventures

The consolidated financial statements include the financial figures of ČEZ, a. s., and the subsidiaries, associates and joint-ventures listed in the following table:

Subsidiaries	Country of incorporation	% equity [1] interest 2009	% equity [1] interest 2008	% equity [1] interest 2007
ALLEWIA leasing s.r.o.	Czech Republic	-	100.00%	-
Bohemian Development, a.s.	Czech Republic	100.00%	-	-
CEZ Albania Sh.A.	Albania	100.00%	-	-
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	-
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%
CEZ Ciepło Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	51.01%	51.01%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%
CEZ Elektroproizvodstvo Bulgaria AD	Bulgaria	100.00%	100.00%	-
CEZ FINANCE B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	-	-
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	-	-
CEZ Laboratories Bulgaria EOOD	Bulgaria	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Nowa Skawina S.A.	Poland	100.00%	-	-
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	-	-
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%
CEZ Romania S.R.L.	Romania	100.00%	100.00%	100.00%
CEZ RUS OOO	Russia	100.00%	100.00%	-
CEZ Servicii S.A.	Romania	63.00%	51.00%	51.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%
CEZ Trade Albania Sh.P.K.	Albania	100.00%	-	-
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%
CEZ Ukraine CJSC	Ukraine	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	51.01%	51.01%
CZECH HEAT a.s.	Czech Republic	100.00%	-	-
CZ INVEST – PLUS, a.s.	Czech Republic	100.00%	-	-
ČEZ Bohunice a.s.	Czech Republic	100.00%	-	-
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Distribuční zařízení, a.s.	Czech Republic	100.00%	-	-
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	-
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ ICT Services, a. s. [2]	Czech Republic	100.00%	100.00%	100.00%
ČEZ Logistika, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Měření, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%

Subsidiaries	Country of incorporation	% equity interest 2009 [1)]	% equity interest 2008 [1)]	% equity interest 2007 [1)]
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Správa majetku, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%
ČEZData, s.r.o. [2)]	Czech Republic	-	-	100.00%
EDICOLLA a.s.	Czech Republic	100.00%	-	-
Elektra Žabčice a.s.	Czech Republic	100.00%	-	-
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	88.82%	88.82%	88.82%
Elektrownia Skawina S.A.	Poland	100.00%	99.91%	74.82%
Energetické centrum s.r.o.	Czech Republic	100.00%	-	-
Energetické opravny, a.s.	Czech Republic	-	-	100.00%
GENTLEY a.s.	Czech Republic	100.00%	-	-
I & C Energo a.s.	Czech Republic	-	-	100.00%
MALLA, a.s.	Czech Republic	100.00%	-	-
MARTIA a.s.	Czech Republic	100.00%	-	-
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	-
NERS d.o.o.	Bosnia and Herzegovina	51.00%	51.00%	51.00%
New Kosovo Energy L.L.C.	Kosovo	100.00%	100.00%	100.00%
Operatori i Sistemit te Shperndarjes Sh.A.	Albania	76.00%	-	-
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	-
PPC Úžín, a.s.	Czech Republic	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	-
SD - 1.strojírenská, a.s.	Czech Republic	100.00%	100.00%	100.00%
SD - Autodoprava, a.s.	Czech Republic	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%
SD - KOMES, a.s.	Czech Republic	92.65%	92.65%	-
SD - Rekultivace, a.s.	Czech Republic	100.00%	100.00%	-
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%
Š-BET s.r.o.	Czech Republic	100.00%	-	-
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%
TEPLEX s.r.o.	Czech Republic	100.00%	-	-
Tomis Team S.R.L.	Romania	100.00%	100.00%	-
Transenergo International N.V.	Netherlands	-	67.00%	100.00%
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46%	52.46%	52.46%
ZAO TransEnergo	Russia	-	67.00%	100.00%

Associates and joint-ventures	Country of incorporation	% equity [1] interest 2009	% equity [1] interest 2008	% equity [1] interest 2007
Akcez Enerji A.S.	Turkey	44.31%	50.00%	-
Aken B.V.	Netherlands	37.36%	-	-
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	33.63%	-	-
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	-	-
Akka Elektrik Üretim A.S.	Turkey	33.63%	-	-
Akkur Enerji Üretim A.S.	Turkey	36.99%	-	-
AK-EL Yalova Elektrik Üretim A.S.	Turkey	33.65%	-	-
CM European Power International B.V.	Netherlands	50.00%	50.00%	-
CM European Power International s.r.o.	Slovakia	50.00%	50.00%	-
CM European Power Slovakia s.r.o.	Slovakia	50.00%	-	-
Coal Energy, a.s.	Czech Republic	-	40.00%	40.00%
Egemer Elektrik Üretim A.S.	Turkey	36.99%	-	--
Energonuclear S.A. [4]	Romania	9.15%	-	-
Jadrová energetická spoločnosť Slovenska, a. s. [3]	Slovakia	49.00%	-	-
JTSD - Braunkohlebergbau GmbH	Germany	50.00%	-	-
LOMY MOŘINA spol. s r.o. [3]	Czech Republic	51.05%	51.05%	51.05%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	36.99%	-	-
Mibrag B.V.	Netherlands	50.00%	-	-
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	50.00%	-	-
MOL - CEZ European Power Hungary Ltd.	Hungary	50.00%	-	-
Sakarya Elektrik Dagitim A.S. [3]	Turkey	44.31%	-	-

[1] The equity interest represents effective ownership interest of the Group. The % of equity interest for each company is equal to the % of the voting interest except companies [3].

[2] Company ČEZData, s.r.o. merged as at January 1, 2008 with company ČEZnet, a.s. which was renamed to ČEZ ICT Services, a. s.

[3] The companies with different % of voting interest:

- % voting interest of Elektrociepłownia Chorzów ELCHO sp. z o.o. is 75.20% in 2009, 2008 and 2007.
- % voting interest of LOMY MOŘINA spol. s r.o. is 50.00% in 2009, 2008 and 2007.
- % voting interest of Sakarya Elektrik Dagitim A.S. is 50.00% in 2009.
- % voting interest of Jadrová energetická spoločnosť Slovenska, a. s. is 50.00% in 2009.

[4] The Group exercises significant influence in the entity and therefore the entity is classified as an associate.

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2009 (in CZK millions):

	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Reve-nues	Expen-ses	Net income
Akcez Enerji A.S.	234	11,826	5,846	-	117	(37)	80
Aken B.V.	29	-	-	-	1	-	1
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	194	2	121	-	549	(479)	70
Akenerji Elektrik Üretim A.S.	5,579	11,533	4,966	6,100	5,757	(5,542)	215
Akka Elektrik Üretim A.S.	3	14	17	-	-	(1)	(1)
Akkur Enerji Üretim A.S.	1,171	2,796	1,881	1,519	4	-	4
AK-EL Yalova Elektrik Üretim A.S.	166	2	9	-	10	(2)	8
CM European Power International B.V.	869	1,050	1	-	1	(5)	(4)
CM European Power International s.r.o.	159	95	72	-	14	(29)	(15)
CM European Power Slovakia s.r.o.	1,117	1,583	1,229	252	2,154	(1,973)	181
Egemer Elektrik Üretim A.S.	1,678	32	35	-	20	(2)	18
Jadrová energetická spoločnosť Slovenska, a. s.	6,298	-	-	-	-	-	-
JTSD - Braunkohlebergbau GmbH	112	10,990	7,457	4,234	-	(688)	(688)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	757	49	238	297	5	(22)	(17)
MIBRAG B.V.	1,100	8,618	1	-	-	(2)	(2)
Mitteldeutsche Braunkohlengesell-schaft mbH	5,219	21,762	3,402	6,637	5,076	(4,696)	380
MOL - CEZ European Power Hungary Ltd.	104	303	140	-	59	(50)	9
Sakarya Elektrik Dagitim A.S.	3,461	1,271	2,122	1,602	16,851	(16,693)	158
Total	28,250	71,926	27,537	20,641	30,618	(30,221)	397

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2008 (in CZK millions):

	Total current assets	Total non-current assets	Total current liabilities	Total non-current liabilities	Revenues	Expenses	Net income
Akcez Enerji A.S.	3,143	-	-	-	-	-	-
CM European Power International B.V.	24	202	2	-	3	(2)	1
CM European Power International s.r.o.	317	-	117	-	-	(2)	(2)
Total	3,484	202	119	-	3	(4)	(1)

The associates are not listed on any public exchange. The following table illustrates summarized financial information of associates for the year ended December 31, 2009 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Energonuclear S.A.	109	1	108	5	(15)
LOMY MOŘINA spol. s r.o.	414	49	365	210	(2)
Total	523	50	473	215	(17)

The following table illustrates summarized financial information of associates for the year ended December 31, 2008 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	641	547	94	5,670	(8)
LOMY MOŘINA spol. s r.o.	411	48	363	219	(2)
Total	1,052	595	457	5,889	(10)

The following table illustrates summarized financial information of associates for the year ended December 31, 2007 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
Coal Energy, a.s.	1,004	855	149	10,988	39
LOMY MOŘINA spol. s r.o.	418	56	362	222	9
Total	1,422	911	511	11,210	48

8. Cash and Cash Equivalents

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

	2009	2008	2007
Cash on hand and current accounts with banks	6,420	5,125	4,655
Short-term bank notes	1,371	591	1,586
Term deposits	18,936	11,587	6,188
Total	26,727	17,303	12,429

At December 31, 2009, 2008 and 2007, cash and cash equivalents included foreign currency deposits of CZK 20,375 million, CZK 14,471 million and CZK 8,081 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2009, 2008 and 2007 was 1.8%, 7.9% and 5.0%, respectively. For the years 2009 and 2008 the weighted average interest rate was 3.4% and 6.1%, respectively.

9. Receivables, Net

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

	2009	2008	2007
Unbilled electricity supplied to retail customers	1,520	14,208	-
Received advances from retail customers	(781)	(12,746)	-
Unbilled supplies to retail customers, net	739	1,462	-
Trade receivables	42,695	41,129	22,453
Taxes and fees, excluding income taxes	2,860	1,022	802
Other receivables	10,229	1,840	3,239
Allowance for doubtful receivables	(10,173)	(3,724)	(2,614)
Total	46,350	41,729	23,880

The information about receivables from related parties is included in Note 28.

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	43,343	39,164	20,871
Past due but not impaired [1]:			
Less than 3 months	1,764	2,156	2,589
3 – 6 months	823	244	203
6 – 12 months	357	161	196
more than 12 months	63	4	21
Total	46,350	41,729	23,880

[1] Past due but not impaired receivables include net receivables, for which the Group 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	3,724	2,614
Additions	5,179	1,906
Reversals	(1,739)	(726)
Acquisition of subsidiaries	3,280	27
Disposal of subsidiaries	-	(2)
Currency translation differences	(271)	(95)
Closing balance	10,173	3,724

10. Emission Rights

In 2005 an emission trading scheme was introduced in the European Union. The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2009 and 2008 (in CZK millions):

	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	41,751	1,274	43,224	231
Emission rights granted	42,494	-	42,022	-
Emission rights acquired in business combinations	22	27	-	-
Settlement of prior year actual emissions	(40,408)	-	(43,103)	(221)
Disposal of remaining emission rights from the first allocation period	-	-	(134)	-
Emission rights purchased	794	392	447	251
Emission rights sold	(4,066)	(7)	(3,215)	-
Emission credits purchased	929	332	2,510	1,023
Emission credits sold	(2,857)	(1,155)	-	-
Fair value adjustment	-	-	-	(1)
Currency translation differences	-	6	-	(9)
Granted and purchased emission rights and credits at December 31	38,659	869	41,751	1,274
Emission rights and credits held for trading:				
Emission rights for trading at January 1	-	-	12	-
Emission rights purchased	45,025	18,284	24,623	14,117
Emission rights sold	(45,025)	(18,292)	(24,347)	(14,084)
Emission credits purchased	3,967	1,484	-	-
Emission credits sold	(3,967)	(1,484)	-	-
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	-	-	-	-

During 2009 and 2008 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 37,168 thousand tons and 40,408 thousand tons of CO_2, respectively. At December 31, 2009, 2008 and 2007 the Group recognized a provision for CO_2 emissions in total amount of CZK 1,077 million, CZK 1,033 million and CZK 231 million, respectively (see Note 2.12).

At December 31, 2009, 2008 and 2007 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 343 million, CZK 249 million and CZK 124 million, respectively.

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

	2009	2008
Gain on sales of granted emission rights	1,787	1,809
Net gain (loss) from emission rights trading	272	(538)
Net loss from emission credits trading	(642)	-
Gain on green and similar certificates	218	292
Net gain (loss) from derivatives	(1,306)	1,491
Creation of provisions for emissions rights	(1,061)	(1,023)
Settlement of provisions for emissions rights	1,029	222
Remitted emission rights	-	(221)
Fair value adjustment	8	(34)
Net gain related to emission rights, emission credits and green and similar certificates	305	1,998

11. Other Financial Assets, net

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

	2009	2008	2007
Debt securities held for trading	-	-	14
Debt securities held-to-maturity	350	327	1,057
Debt securities available-for-sale	1,263	1,459	1,345
Equity securities held for trading	-	-	9
Equity securities available-for-sale	-	13,580	63
Derivatives	28,093	40,871	7,758
Total	29,706	56,237	10,246

Derivatives balance is mainly comprised of positive fair value of electricity trading contracts and emission rights derivatives.

At December 31, 2008 the equity securities available-for-sale represent mainly investments in mutual fund.

Short-term debt securities at December 31, 2009 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	175	1,084	-	1,259
From 3.0% to 4.0%	-	179	-	179
From 4.0% to 5.0%	-	-	-	-
Over 5.0%	175	-	-	175
Total	350	1,263	-	1,613

Short-term debt securities at December 31, 2008 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	172	481	-	653
From 3.0% to 4.0%	103	618	-	721
From 4.0% to 5.0%	-	317	-	317
Over 5.0%	52	43	-	95
Total	327	1,459	-	1,786

Short-term debt securities at December 31, 2007 have the following effective interest rate structure (in CZK millions):

	Debt securities held-to-maturity	Debt securities available-for-sale	Debt securities held for trading	Total
From 2.0% to 3.0%	366	101	-	467
From 3.0% to 4.0%	691	1,212	-	1,903
From 4.0% to 5.0%	-	32	-	32
Over 5.0%	-	-	14	14
Total	1,057	1,345	14	2,416

All short-term debt securities are denominated in CZK.

12. Other Current Assets

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

	2009	2008	2007
Prepaid variation margin on “own use” electricity futures	-	-	2,992
Advances paid	1,213	1,209	1,485
Prepayments	1,196	924	715
Total	2,409	2,133	5,192

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 21).

13. 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.

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	4,555,021	59,171,105

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

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 Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group primarily monitors capital using the ratio of net debt to EBITDA. The Group's goal is to keep this ratio at maximum in the range of 2.0 – 2.5. In addition, the Group also monitors capital using a total debt to total capital ratio. The Group'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 Group 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 the ratios is done using consolidated figures (in CZK millions):

	2009	2008	2007
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 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	1.37	0.77	0.73
Total debt to total capital ratio	43.9%	38.0%	29.9%

14. Long-term Debt

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

	2009	2008	2007
4.625% Eurobonds, due 2011 (EUR 400 million)	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
6.000% 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	-
4.270% Zero Coupon Eurobonds, due 2011 (CZK 1,400 million)	1,322	-	-
4.450% Zero Coupon Eurobonds, due 2011 (CZK 1,600 million)	1,504	-	-
5.750% Eurobonds, due 2015 (EUR 600 million)	15,807	-	-
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,590	-	-
5.000% 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) [1)]	2,497	2,497	2,496
3.35% Debentures, due 2008 (CZK 3,000 million)	-	-	2,820
4.30% Debentures, due 2010 (CZK 7,000 million) [2)]	5,847	6,841	6,834
Total bonds and debentures	111,031	69,944	53,332
Less: Current portion	(5,847)	(4,475)	(2,820)
Bonds and debentures, net of current portion	105,184	65,469	50,512
Long-term bank and other loans:			
Less than 2.00% p.a.	9,895	-	-
2.00% to 2.99% p. a.	3,736	-	-
3.00% to 3.99% p. a.	338	1,176	19
4.00% to 4.99% p. a.	552	96	1,856
6.00% to 6.99% p. a.	-	184	3
More than 7.99% p. a.	1	-	-
Total long-term bank and other loans	14,522	1,456	1,878
Less: Current portion	(785)	(399)	(406)
Long-term bank and other loans, net of current portion	13,737	1,057	1,472
Total long-term debt	125,553	71,400	55,210
Less: Current portion	(6,632)	(4,874)	(3,226)
Total long-term debt, net of current portion	118,921	66,526	51,984

1) Since 2006 the interest rate has changed to consumer price index in the Czech Republic plus 4.20%. The interest rate as at December 31, 2009, 2008 and 2007 was 7.8%, 9.6% and 5.9%, respectively.

2) 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 Group. For the fair values of interest rate hedging instruments see Note 15.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.20.

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

	2009	2008	2007
Current portion	6,632	4,874	3,226
Between 1 and 2 years	21,888	7,098	4,551
Between 2 and 3 years	19,398	11,022	7,118
Between 3 and 4 years	14,899	13,685	10,886
Between 4 and 5 years	19,774	13,617	13,519
Thereafter	42,962	21,104	15,910
Total long-term debt	125,553	71,400	55,210

The following table analyses the long-term debt at December 31, 2009, 2008 and 2007 by currency (in millions):

	2009		2008		2007	
	Foreign currency	CZK	Foreign currency	CZK	Foreign currency	CZK
EUR	3,791	100,321	1,989	53,572	1,400	37,035
USD	110	2,020	-	-	-	-
JPY	22,057	4,386	11,987	2,559	-	-
PLN	9	61	28	184	37	276
RON	516	3,223	-	-	-	-
KRW	4,469	71	-	-	-	-
XDR	7	197	-	-	-	-
CZK	-	15,274	-	15,085	-	17,899
Total long-term debt		125,553		71,400		55,210

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising 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 for 1 month	-	22	272
with interest rate fixed from 1 to 3 months	10,419	1,176	1,415
with interest rate fixed from 3 months to 1 year	16,709	2,679	2,587
Total floating rate long-term debt	27,128	3,877	4,274
Fixed rate long-term debt	98,425	67,523	50,936
Total long-term debt	125,553	71,400	55,210

Fixed rate long-term debt exposes the Group 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 15 and Note 16.

The Group 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 Group complied with all required covenants.

15. 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, current investments

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

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. For unquoted equity instruments the Group considered the 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 amount of receivables and payables approximates 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):

		2009		2008		2007	
	Cate-gory	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets:							
Investments:							
Restricted debt securities available-for-sale	AFS	9,205	9,205	7,756	7,756	3,233	3,233
Restricted debt securities held-to-maturity	HTM	-	-	25	25	996	996
Restricted cash	LaR	1,200	1,200	1,791	1,791	4,160	4,160
Financial assets in progress	LaR	223	223	230	230	241	241
Debt securities held-to-maturity	HTM	110	110	453	462	765	754
Debt securities available-for-sale	AFS	4,408	4,408	6,020	6,020	4,810	4,810
Equity securities available-for-sale	AFS	13,567	13,567	522	522	525	525
Long-term receivables	LaR	20,366	23,245	16,786	17,159	1,395	1,320
Current assets:							
Receivables	LaR	46,350	46,350	41,729	41,729	23,880	23,880
Cash and cash equivalents	LaR	26,727	26,727	17,303	17,303	12,429	12,429
Debt securities held for trading	HFT	-	-	-	-	14	14
Debt securities held-to-maturity	HTM	350	350	327	327	1,057	1,057
Debt securities available-for-sale	AFS	1,263	1,263	1,459	1,459	1,345	1,345
Equity securities held for trading	HFT	-	-	-	-	9	9
Equity securities available-for-sale	AFS	-	-	13,580	13,580	63	63
Other current assets	LaR	2,409	2,409	2,133	2,133	5,192	5,192
Liabilities:							
Long-term debt	AC	(125,553)	(132,964)	(71,400)	(70,817)	(55,210)	(54,766)
Short-term loans	AC	(31,257)	(31,257)	(35,001)	(35,001)	(18,048)	(18,048)
Accounts payable	AC	(42,347)	(42,347)	(44,154)	(44,154)	(18,864)	(18,864)
Derivatives:							
Cash flow hedges:							
Short-term receivables	HFT	456	456	107	107	700	700
Long-term receivables	HFT	52	52	2	2	309	309
Short-term liabilities	HFT	(416)	(416)	(2,668)	(2,668)	-	-
Long-term liabilities	HFT	(1,256)	(1,256)	(2,085)	(2,085)	-	-
Total cash flow hedges		(1,164)	(1,164)	(4,644)	(4,644)	1,009	1,009

	Category	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Electricity, coal and gas trading contracts:							
Short-term receivables	HFT	25,243	25,243	38,079	38,079	5,385	5,385
Short-term liabilities	HFT	(25,418)	(25,418)	(37,519)	(37,519)	(5,250)	(5,250)
Total electricity, coal and gas trading contracts		(175)	(175)	560	560	135	135
Other derivatives:							
Short-term receivables	HFT	2,394	2,394	2,686	2,686	1,672	1,672
Long-term receivables	HFT	292	292	1,029	1,029	31	31
Short-term liabilities	HFT	(8,672)	(8,672)	(9,305)	(9,305)	(1,623)	(1,623)
Long-term liabilities	HFT	(660)	(660)	(1)	(1)	(1)	(1)
Total other derivatives		(6,646)	(6,646)	(5,591)	(5,591)	79	79

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 Group 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.

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

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	25,243	33	25,210	-
Cash flow hedges	508	25	483	-
Other derivatives	2,686	176	2,508	2
Available-for-sale restricted debt securities	9,205	9,205	-	-
Available-for-sale debt securities	5,671	5,671	-	-
Available-for-sale equity securities *	38	-	-	38

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(25,418)	(36)	(25,382)	-
Cash flow hedges	(1,672)	(196)	(1,476)	-
Other derivatives	(9,332)	(153)	(9,179)	-

* Some available-for-sale equity securities are carried at cost as the fair value cannot be reliably measured.

16. 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 CO_2 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 in the Group 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 price) 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 in the Czech Republic.

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

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

16.1. Qualitative description of risks associated with financial instruments

Commodity risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the Group's 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 the Group'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 within the whole Group (the potential risk is managed on the VaR basis).

Market financial risks (currency, interest and stock price risks)

The development of foreign exchange rates, interest rates and stock prices is a significant risk factor of the Group's 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 of the Group (including operational and investment foreign currency flows).

Credit risks

With respect to the Group's activities managed on a centralized level, 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). With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses. 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 all credit risks mentioned above in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity risks

The Group's 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 in the Group 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 Group's 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 the Group.

16.2. Quantitative description of 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 Group: 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	893	646

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 (Czech National Bank) 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 of the Group units 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)	289	557

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 of the Group units

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

	2009	2008
P/L IR sensitivity to parallel yield curve shift (+10bp)	(26)	(13)

Stock price risks

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

- the source of market data is IS Bloomberg and ČNB data
- the indicator of stock risk is determined as the monthly parametric VaR (95% confidence)
- the relevant volatility and standard deviation is determined from risk module IS Bloomberg
- the relevant stock position is defined as market value of stocks/stock options as at December 31, 2009
- the relevant stock positions reflect all significant stock-sensitive deals of the ČEZ Group units

Potential impact of the stock price risk as at December 31 (in CZK millions)

	2009	2008
Monthly stock VaR (95% confidence)	1,783	3,246

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

Guarantees provided to joint-ventures	5,489
Guarantees provided to external parties	529
Total *	6,018

* 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):

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Less than 1 year	32,376	10,868	42,816	186,208	6,018
Between 1 and 2 years	3,290	23,578	538	34,639	-
Between 2 and 3 years	1,597	22,159	181	14,442	-
Between 3 and 4 years	1,967	16,607	144	402	-
Between 4 and 5 years	1,697	21,173	133	383	-
Thereafter	7,180	46,113	87	9,275	-
Total	48,107	140,498	43,899	245,349	6,018

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

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *
Less than 1 year	35,732	7,811	44,446	200,269
Between 1 and 2 years	297	10,178	466	56,015
Between 2 and 3 years	306	13,540	137	17,410
Between 3 and 4 years	282	15,954	37	3,835
Between 4 and 5 years	260	15,208	24	-
Thereafter	-	24,241	149	-
Total	36,877	86,932	45,259	277,529

* Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 15.

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

16.3. Hedge accounting

The Group 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 (219) million, CZK (3,379) million and CZK 1,009 million at December 31, 2009, 2008 and 2007, respectively.

The Group 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 futures contracts for the purchase of allowances equivalent to 7.1 million tons of CO_2 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 Group 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.

17. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

The Company operates two nuclear power plants, Dukovany and Temelín. 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. The 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).

Pursuant to the Act, 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 decision 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 Group has established provisions as described in Note 2.24, 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			
	Nuclear Decommis-sioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at December 31, 2007	10,614	5,818	22,759	39,191
Movements during 2008:				
Discount accretion and effect of inflation	484	262	1,024	1,770
Provision charged to income statement	-	346	-	346
Effect of change in estimate charged to income statement (Note 2.24)	-	203	-	203
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(2,866)	23	(1,273)	(4,116)
Current cash expenditures	-	(435)	(1,328)	(1,763)
Balance at December 31, 2008	8,232	6,217	21,182	35,631
Movements during 2009:				
Discount accretion and effect of inflation	412	310	1,059	1,781
Provision charged to income statement	-	422	-	422
Effect of change in estimate charged to income statement (Note 2.24)	-	168	-	168
Effect of change in estimate added to (deducted from) fixed assets (Note 2.24)	(229)	126	1,069	966
Current cash expenditures	-	(456)	(1,360)	(1,816)
Balance at December 31, 2009	8,415	6,787	21,950	37,152

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.

18. Other Long-term Liabilities

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

	2009	2008	2007
Provision for decommissioning and reclamation of mines and mining damages	6,448	6,363	6,608
Provision for waste storage reclamation	1,740	406	453
Other long-term provisions	3	1	-
Deferred connection fees	8,142	8,927	7,983
Derivatives	1,916	2,086	1
Other	2,859	2,253	1,778
Total	21,108	20,036	16,823

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates an open pit coal mine and is responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. These provisions have been calculated using the best estimates of the expenditures required to settle the present obligation at the balance sheet date. The current cost estimates for the decommissioning and reclamation provision have been discounted using an estimated real rate of interest of 2.5%.

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

	Mine reclamation	Mining damages	Total
Balance at December 31, 2007	6,418	190	6,608
Movements during 2008:			
Discount accretion and effect of inflation	280	-	280
Provision charged to income statement	46	-	46
Effect of change in estimate credited to income statement	(50)	-	(50)
Effect of change in estimate credited to fixed assets	(190)	-	(190)
Current cash expenditures	(176)	(155)	(331)
Balance at December 31, 2008	6,328	35	6,363
Movements during 2009:			
Discount accretion and effect of inflation	305	-	305
Provision charged to income statement	38	-	38
Effect of change in estimate added to fixed assets	7	-	7
Current cash expenditures	(233)	(32)	(265)
Balance at December 31, 2009	6,445	3	6,448

Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities.

19. Short-term Loans

Short-term loans at December 31, 2009, 2008 and 2007 are as follows (in CZK millions):

	2009	2008	2007
Short-term bank loans	25,310	31,394	10,571
Bank overdrafts	1,336	500	7,477
Other short-term borrowings	4,611	3,107	-
Total	31,257	35,001	18,048

Interest on short-term loans is variable. The weighted average interest rate was 2.0% at December 31, 2009, 3.3% at December 31, 2008 and 4.1% at December 31, 2007. For the years 2009 and 2008 the weighted average interest rate was 2.3% and 4.0%, respectively.

At December 31, 2009 and 2008 short-term bank loans include the loan of CZK 14,556 million and CZK 16,158 million which was used to finance the acquisition of investment in MOL (see Note 4).

20. Trade and Other Payables

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

	2009	2008	2007
Advances received from retail customers	21,861	7,359	18,240
Unbilled electricity supplied to retail customers	(20,327)	(6,490)	(17,886)
Received advances from retail customers, net	1,534	869	354
Trade payables	37,998	41,065	15,993
Fair value of option (see Note 4)	6,948	7,534	-
Derivatives	27,558	41,958	6,873
Other	2,815	2,220	2,517
Total	76,853	93,646	25,737

The information about payables to related parties is included in Note 28.

21. Accrued Liabilities

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

	2009	2008	2007
Provision for CO_2 emissions	1,077	1,033	231
Other provisions	1,763	1,426	1,432
Accrued interest	2,132	1,387	891
Taxes and fees, except income tax	910	1,134	1,005
Unbilled goods and services	5,274	4,324	3,764
Contingent liabilities from acquisitions	429	524	604
Deferred variation margin on “own use” electricity futures (see Note 12)	2,081	2,561	-
Deferred income	1,218	1,252	575
Other	83	79	83
Total	14,967	13,720	8,585

22. Revenues

The composition of revenues for the years ended December 31, 2009 and 2008 is as follows (in CZK millions):

	2009	2008
Sale of electricity:		
Sales of electricity to end customers	69,151	59,679
Sales of electricity through energy exchange	25,042	22,810
Sales to distribution and transmission companies	1,564	1,258
Exports of electricity	5,105	6,452
Other sales of electricity	23,552	24,496
Effect of hedging (see Note 16.3)	119	3,245
Sales of ancillary, system, distribution and other services	48,961	47,377
Total sales of electricity	173,494	165,317
Electricity, coal and gas derivative trading:		
Sales	162,640	85,246
Purchases	(153,091)	(82,605)
Changes in fair value of commodity derivatives	(2,655)	1,454
Total gains and losses from electricity, coal and gas derivative trading, net	6,894	4,095
Sales of heat	3,280	3,295
Sales of coal	4,031	3,701
Other	8,653	7,550
Total revenues	196,352	183,958

In October 2007 the Shareholder's meeting of Elektrociepłownia Chorzów ELCHO sp. z o.o. ("ELCHO") decided to terminate its long-term contract for the sale of electricity with Polskie Sieci Elektroenergetyczne S.A. (PSE) based on which the electricity should have originally been delivered until 2023. According to the Act on termination of long-term agreements ELCHO will receive compensation in cash from an entity established by Polish state, to compensate the revenues lost (the equivalent of the difference between original contractual price and market price with the total limit of PLN 889 million). From April 2008 ELCHO started to sell the electricity on the free market. In 2009 and 2008 ELCHO recognized CZK 1,203 million and CZK 719 million of revenues as a result of the above mentioned compensations.

23. Salaries and Wages

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

	2009		2008	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages	(12,098)	(259)	(11,467)	(239)
Remuneration of the board members, including royalties	(144)	(37)	(106)	(35)
Share options	(110)	(110)	(123)	(123)
Social and health security	(3,768)	(18)	(3,735)	(15)
Other personal expenses	(1,996)	(19)	(1,525)	(22)
Total	(18,116)	(443)	(16,956)	(434)

[1)] Key management personnel represent members of Supervisory Board, Board of Directors, Chief Executive Officer, divisional directors and selected managers of departments of the parent company with group field of activity. The remuneration of former members of company bodies is included in personal expenses.

At December 31, 2009, 2008 and 2007, the aggregate number of share options granted to members of Board of Directors, Supervisory Board 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 beneficent 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 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 per share 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:

	2009	2008
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.

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

	2009	2008	2007
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	2,325	2,355	3,175

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.

24. Other Operating Expenses

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

	2009	2008
Services	(11,744)	(9,891)
Travel expenses	(275)	(285)
Gain on sale of property, plant and equipment	106	68
Gain on sale of material	63	121
Capitalization of expenses to the cost of assets and change in own inventory	4,682	1,721
Fines, penalties and penalty interest, net	619	731
Change in provisions and valuation allowances	(265)	618
Taxes and fees	(2,198)	(2,477)
Write-off of bad debts and cancelled investment	(260)	(234)
Gifts	(456)	(336)
Other, net	(2,448)	(2,303)
Total	(12,176)	(12,267)

Taxes and fees include the contributions to the nuclear account (see Note 17). The settlement of the provision for long-term spent fuel storage is accounted for in 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.

25. Interest Income

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

	2009	2008
Loans and receivables	986	694
Held-to-maturity investments	52	68
Available-for-sale investments	285	263
Financial assets held for trading	-	10
Bank accounts	1,176	807
Total	2,499	1,842

26. Other Income (Expenses), Net

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

	2009	2008
Derivative gains (losses), net	620	(2,685)
Gains on sales of available-for-sale financial assets	101	968
Gain on sales of financial assets held for trading	-	1
Change in impairment of financial investments	13	37
Other, net	449	10
Total	1,183	(1,669)

27. Income Taxes

Companies resident in the Czech Republic 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 on will 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 a potentially effect on reported income.

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

	2009	2008
Current income tax charge	(13,256)	(14,271)
Adjustments in respect of current income tax of previous periods	125	78
Deferred income taxes	40	828
Total	(13,091)	(13,365)

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

	2009	2008
Income before income taxes	64,946	60,716
Statutory income tax rate in Czech Republic	20%	21%
"Expected" income tax expense	(12,989)	(12,750)
Tax effect of:		
Change in tax rates and laws	(204)	150
Non-deductible provisions, net	51	68
Non-deductible gain (loss) from derivatives	379	(1,146)
Non-deductible expenses related to shareholdings	(71)	(194)
Other non taxable (non-deductible) items, net	(450)	(72)
Income already taxed or exempt	133	286
Tax credits	4	4
Adjustments in respect of current income tax of previous periods	125	78
Effect of different tax rate in other countries	70	135
Change in unrecorded deferred tax receivables	(139)	76
Income taxes	(13,091)	(13,365)
Effective tax rate	20%	22%

Deferred income taxes, net, at December 31, 2009, 2008 and 2007 consist of the following (in CZK millions):

	2009	2008	2007
Accumulated provision for nuclear decommissioning and spent fuel storage	5,850	5,625	6,363
Financial statement depreciation in excess of tax depreciation	24	142	3
Revaluation of financial instruments	468	1,367	56
Allowances	517	383	495
Other provisions	1,503	903	1,086
Penalty payables	-	3	11
Tax loss carry forwards	205	199	357
Other temporary differences	123	164	77
Unrecorded deferred tax asset	(190)	(51)	(127)
Total deferred tax assets	8,500	8,735	8,321
Tax depreciation in excess of financial statement depreciation	21,931	21,109	23,089
Revaluation of financial instruments	135	141	825
Other provisions	452	539	973
Penalty receivables	21	20	19
Other temporary differences	472	531	86
Total deferred tax liability	23,011	22,340	24,992
Total deferred tax liability, net	14,511	13,605	16,671

Movements in net deferred tax liability in 2009 and 2008 were as follows (in CZK millions):

	2009	2008
Opening balance	13,605	16,671
Deferred tax recognized in profit or loss	(40)	(828)
Deferred tax charged directly to equity	885	(2,114)
Acquisition of subsidiaries	46	(1)
Disposal of subsidiaries	1	(21)
Currency translation differences	14	(102)
Closing balance	14,511	13,605

At December 31, 2009, 2008 and 2007 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 15,454 million, CZK 16,885 million and CZK 20,737 million, respectively.

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

	2009			2008		
	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	2,719	(587)	2,132	(7,564)	1,550	(6,014)
Cash flow hedges removed from equity	1,643	(312)	1,331	(3,196)	639	(2,557)
Change in fair value of available-for-sale financial assets recognized in equity	84	(30)	54	372	(75)	297
Available-for-sale financial assets removed from equity	17	4	21	2	-	2
Translation differences	(2,716)	39	(2,677)	(3,457)	-	(3,457)
Share on equity movements of associates and joint-ventures	(11)	1	(10)	112	-	112
Other movements	-	-	-	21	-	21
Total	1,736	(885)	851	(13,710)	2,114	(11,596)

28. Related Parties

The Group purchases products, goods and services 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 are as follows (in CZK millions):

	Receivables			Payables		
	2009	2008	2007	2009	2008	2007
Associates, joint-ventures and other affiliates:						
Akcez Enerji A.S.	118	-	-	85	1,571	-
Akenerji Elektrik Üretim A.S.	652	-	-	-	-	-
CM European Power International s.r.o.	49	63	-	-	-	-
Coal Energy, a.s.	-	262	175	-	35	29
ČEZ ENERGOSERVIS spol. s r.o.	2	9	1	52	48	36
JTSD - Braunkohlebergbau GmbH	6,502	-	-	-	-	-
LOMY MOŘINA spol. s r.o.	-	-	-	10	14	4
OSC, a.s.	-	-	-	42	20	17
SINIT,a.s.	1	-	-	11	18	19
Ústav aplikované mechaniky Brno, s.r.o.	-	-	-	5	14	10
Others	21	10	15	35	28	25
Total associates, joint-ventures and other affiliates	7,345	344	191	240	1,748	140
Entities under the control of Company's majority owner:						
ČEPS, a.s.	234	614	201	60	116	191
Česká pošta s.p.	1	1	3	69	61	56
České dráhy, a.s.	1	-	480	3	-	66
ČD Cargo, a.s.	-	-	-	210	247	-
Správa železniční dopravní cesty, státní organizace	691	511	-	60	-	-
Ministry of Finance of the Czech Republic	2	1,270	2,012	-	-	-
Others	10	-	-	32	2	2
Total entities under the control of Company's majority owner	939	2,396	2,696	434	426	315
Total	8,284	2,740	2,887	674	2,174	455

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

	Sales to related parties		Purchases from related parties	
	2009	2008	2009	2008
Associates, joint-ventures and other affiliates:				
Akcez Enerji A.S.	118	-	-	-
Centrum výzkumu Řež s.r.o.	67	41	14	12
CM European Power International s.r.o.	41	63	-	-
Coal Energy, a.s.	-	2,541	57	383
ČEZ ENERGOSERVIS spol. s r.o.	11	6	298	135
JTSD - Braunkohlebergbau GmbH	42	-	-	-
LOMY MOŘINA spol. s r.o.	-	14	139	120
OSC, a.s.	-	-	95	90
SINIT,a.s.	4	3	117	68
Others	75	35	185	138
Total associates, joint-ventures and other affiliates	358	2,703	905	946
Entities under the control of Company's majority owner:				
ČEPS, a.s.	6,489	6,450	10,053	8,318
Česká pošta s.p.	137	106	161	123
České dráhy, a.s.	6	64	1	5
ČD Cargo, a.s.	1	-	1,578	1,643
Správa železniční dopravní cesty, státní organizace	713	2,284	39	-
Others	37	2	103	-
Total entities under the control of Company's majority owner	7,383	8,906	11,935	10,089
Total	7,741	11,609	12,840	11,035

Information about compensation of key management personnel is included in Note 23.

29. Segment Information

The Group reports its result based on operating segments which are defined with respect to geographical location of the assets with similar economic environment and characteristics, e.g. similar long-term average gross margins, similar nature of the products and services and with regard to regulatory environment.

According to geographical location, the Group distinguishes the following two regions that in combination with products and services form the reportable segments: Central Europe (CE) and South East Europe (SEE). The Central Europe region includes the Czech Republic, the Netherlands, Poland, Germany, Hungary and Slovakia except for the Dutch company Aken B.V. which is included in the South East Europe region. The South East Europe region consists of the operations of the Group in Bulgaria, Romania, Turkey, Albania, Serbia, Kosovo, Bosnia and Herzegovina, Russia and the Ukraine except for trading operations that are provided at the Group headquarters and therefore presented in the Central Europe region.

According to nature of the products and services the Group distinguishes four categories as follows:

(1) The power production and trading which includes production of electricity and heat and the commodity trading activities of the Group;
(2) The distribution and sale which sells electricity to end customers through the power distribution grid and provides power distribution services;
(3) The mining that produces coal and limestone used by the power production business operations and sold to third parties; and
(4) The other business activities.

The Group has seven reportable segments as a result of the combination of geographical location and nature of products and services as follows:

- Power Production and Trading / Central Europe
- Power Production and Trading / South East Europe
- Distribution and Sale / Central Europe
- Distribution and Sale / South East Europe
- Mining / Central Europe
- Other / Central Europe
- Other / South East Europe

The accounting policies of the operating segments are the same as those described in Note 2. The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices. The Group evaluates the performance of its segments and allocates resources to them based on EBITDA (income before income taxes and other income (expenses) plus depreciation and amortization).

The following tables summarize segment information by operating segments for the years ended December 31, 2009, 2008 and 2007 (in CZK millions):

Year 2009:	Power Production and Trading CE	Power Production and Trading SEE	Distribution and Sale CE	Distribution and Sale SEE	Mining CE	Other CE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	73,033	2,871	81,932	30,042	4,523	3,931	20	196,352	-	196,352
Intersegment sales	53,066	294	4,126	123	6,641	33,735	2,676	100,661	(100,661)	-
Total revenues	126,099	3,165	86,058	30,165	11,164	37,666	2,696	297,013	(100,661)	196,352
EBITDA	68,464	244	9,316	3,086	5,287	4,576	82	91,055	20	91,075
Depreciation and amortization	(13,730)	(366)	(3,065)	(2,100)	(1,415)	(2,137)	(63)	(22,876)	-	(22,876)
EBIT	54,734	(122)	6,251	986	3,872	2,439	19	68,179	20	68,199
Interest on debt and provisions	(5,139)	(53)	(34)	(84)	(346)	(29)	(24)	(5,709)	232	(5,477)
Interest income	1,433	112	53	583	457	84	9	2,731	(232)	2,499
Negative goodwill write-off and goodwill impairment, net	(3,263)	-	-	-	-	-	-	(3,263)	-	(3,263)
Income from associates and joint-ventures	(12)	104	-	(91)	2,995	-	-	2,996	-	2,996
Income taxes	(9,729)	(16)	(1,209)	(853)	(799)	(481)	(4)	(13,091)	-	(13,091)
Net income	37,708	19	5,121	391	6,553	2,061	2	51,855	-	51,855
Identifiable assets	201,116	21,373	55,257	28,096	15,422	17,582	145	338,991	(10,186)	328,805
Investment in associates and joint-ventures	4,356	6,805	-	2,630	3,459	-	-	17,250	-	17,250
Unallocated assets										184,204
Total assets										530,259
Capital expenditure	28,675	9,657	9,778	2,523	3,498	4,055	103	58,289	(1,667)	56,622
Average number of employees	7,103	596	1,421	8,309	3,498	8,392	1,449	30,768	-	30,768

Year 2008:	Power Production and Trading CE	Power Production and Trading SEE	Distribution and Sale CE	Distribution and Sale SEE	Mining CE	Other CE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	69,032	3,143	79,356	23,819	4,018	4,569	21	183,958	-	183,958
Intersegment sales	48,488	917	3,678	155	6,285	28,892	2,247	90,662	(90,662)	-
Total revenues	117,520	4,060	83,034	23,974	10,303	33,461	2,268	274,620	(90,662)	183,958
EBITDA	64,815	(33)	11,045	3,046	4,819	4,950	63	88,705	(4)	88,701
Depreciation and amortization	(13,988)	(349)	(2,843)	(1,654)	(1,226)	(1,932)	(55)	(22,047)	-	(22,047)
EBIT	50,827	(382)	8,202	1,392	3,593	3,018	8	66,658	(4)	66,654
Interest on debt and provisions	(4,958)	(65)	(18)	-	(474)	(83)	(17)	(5,615)	456	(5,159)
Interest income	959	132	185	495	339	181	7	2,298	(456)	1,842
Negative goodwill write-off and goodwill impairment, net	-	-	-	-	-	14	-	14	-	14
Income from associates and joint-ventures	(4)	-	-	-	(1)	17	-	12	-	12
Income taxes	(10,154)	15	(1,649)	(88)	(812)	(675)	(2)	(13,365)	-	(13,365)
Net income	34,207	(562)	6,406	1,838	3,136	2,337	(11)	47,351	-	47,351
Identifiable assets	185,918	12,765	48,558	23,095	13,331	15,604	166	299,437	(8,611)	290,826
Investment in associates and joint-ventures	149	-	-	1,571	187	-	-	1,907	-	1,907
Unallocated assets										180,442
Total assets										473,175
Capital expenditure	20,844	10,416	7,491	800	3,100	4,835	1,326	48,812	(2,541)	46,271
Average number of employees	7,091	667	1,391	5,066	3,511	8,902	1,702	28,330	-	28,330

December 31, 2007:	Power Production and Trading CE	Power Production and Trading SEE	Distribution and Sale CE	Distribution and Sale SEE	Mining CE	Other CE	Other SEE	Combined	Elimination	Consolidated
Identifiable assets	187,015	3,053	43,813	24,206	11,615	13,526	168	283,396	(6,231)	277,165
Investment in associates and joint-ventures	60	-	-	-	188	-	-	248	-	248
Unallocated assets										93,529
Total assets										370,942

Prices in certain intersegment transactions are regulated by the Energy Regulatory Office (see Note 1).

The following table shows the split of revenues according to the location of the entity where the revenues are originated (in CZK million):

	2009	2008
Czech Republic	154,666	147,516
Bulgaria	19,321	18,384
Romania	9,711	9,897
Poland	4,235	3,556
Albania	4,287	-
Other	4,132	4,605
Total revenues	196,352	183,958

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2009, 2008 and 2007 (in CZK million):

	2009	2008	2007
Czech Republic	268,540	243,861	237,313
Bulgaria	14,625	14,912	15,131
Romania	29,599	21,097	12,228
Poland	10,649	10,935	12,483
Albania	5,384	-	-
Other	8	21	10
Total property, plant and equipment	328,805	290,826	277,165

30. Net Income per Share

	2009	2008
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	51,547	46,510
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	533,225	534,594
Dilutive effect of share options	213	747
Diluted:		
Adjusted weighted average shares	533,438	535,341
Net income per share (CZK per share)		
Basic	96.7	87.0
Diluted	96.6	86.9

31. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2009 to total CZK 365.0 billion over the next five years, as follows: CZK 92.5 billion in 2010, CZK 78.5 billion in 2011, CZK 75.7 billion in 2012, CZK 72.5 billion in 2013 and CZK 45.8 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 Group 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 Group 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 Group.

32. Events after the Balance Sheet Date

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

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

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Martin Roman
Chairman of Board of Directors
Chief Executive Officer

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Martin Novák
Member of Board of Directors
Chief Financial Officer