CEZ Group
Annual Report 2010

44.6 TWh

sales of electricity to end customers

CZK 61.7 billion

capital expenditure

22.4%

return on equity

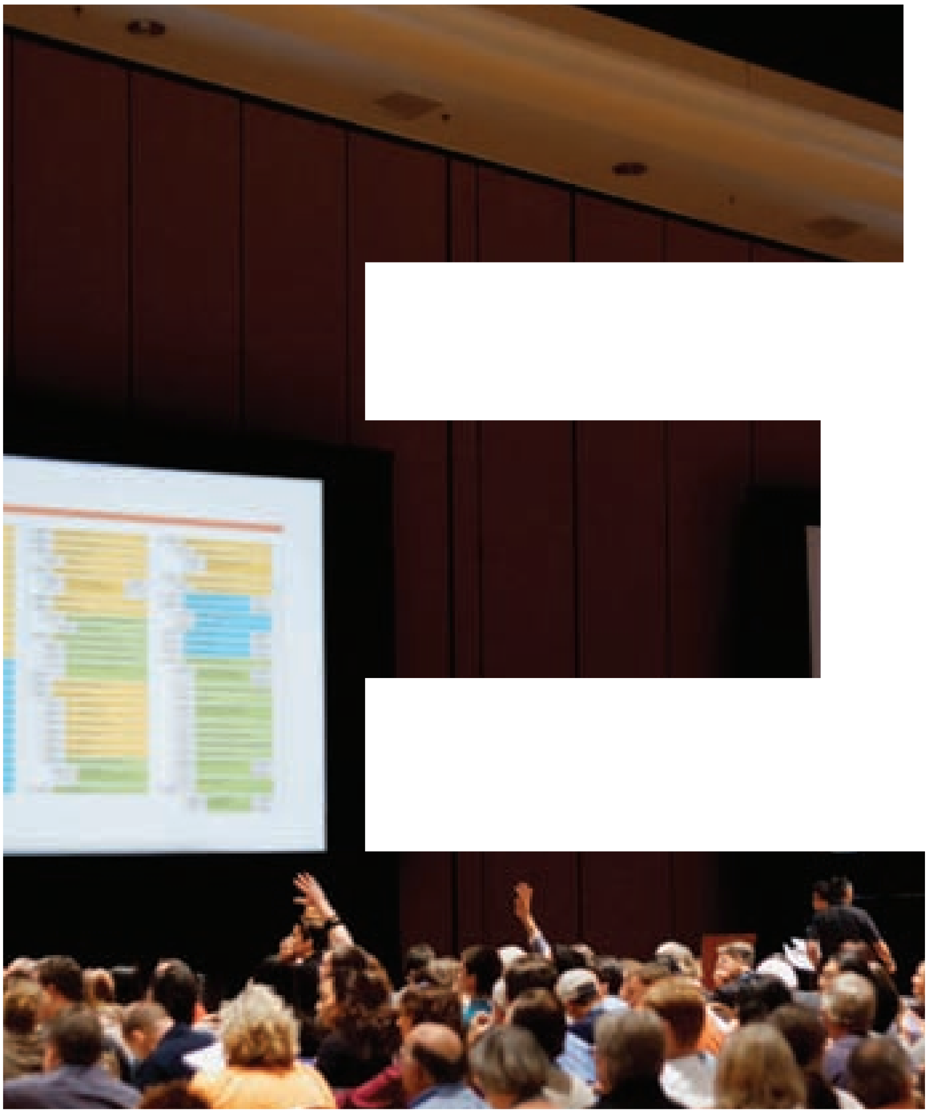
CZK 47.2 billion

net income

CZK 28.5 billion

dividends declared

CEZ Group is perceived as a prestigious and sought-after employer that treats its people well. We offer the backing of a strong company full of attractive opportunities. To all who are active and responsible, we give room to grow. And to those who, by working together, meet high standards of performance and build the value and reputation of CEZ Group, we give recognition and career growth.



The companies of CEZ Group employ nearly 33,000 people in over one thousand unique job positions in the generation, distribution, and sale of electricity and heat, mining of coal, and many related operations. Other job opportunities at CEZ Group are in the areas of telecommunications, information technologies, nuclear research, engineering design, construction and maintenance of plant and equipment, mining of raw materials, and processing of power generation by-products.

CEZ Group

CEZ Group is an established, integrated electricity conglomerate with operations in a number of countries in Central and Southeastern Europe and Turkey, headquartered in the Czech Republic. Its principal businesses encompass generation, trading, and distribution of power and heat, as well as coal mining. The shares of the Group's parent company, ČEZ, a. s., are traded on the Prague and Warsaw Stock Exchanges, where they form a significant part of the respective indexes.

As of December 31, 2010, the Czech Republic remained the company's largest shareholder with a nearly 70% stake in the stated capital.

A crucial part of CEZ Group's mission is to maximize the return on investments in the Group, and ensure long-term growth in shareholder value. To this end, CEZ Group is directing its efforts toward fulfilling its vision of becoming the leader in the electricity market of Central and Southeastern Europe. At the same time, however, CEZ Group upholds the principles of sustainable development, supports energy conservation, brings new technologies to bear, systematically reduces the environmental burden posed by its business, and furthers the development of education, childcare, and health.

In its internal operations, CEZ Group emphasizes continual improvement in efficiency, and repeatedly expresses that emphasis by successfully implementing specific programs focused in this direction. Following the completion of the previous program, a new project – entitled "NEW VISION" – was launched in September 2010, reflecting the current power industry reality following the economic crisis. That reality led CEZ Group to reassess its program of capital expenditures and adapt it to the current state and near-term forecast of the company's resources. The aim of the newly launched program is to increase performance and improve the cost effectiveness of key processes in the upcoming period of stabilization and consolidation. Extraordinary emphasis is being placed on preserving and further utilizing key knowledge assets.

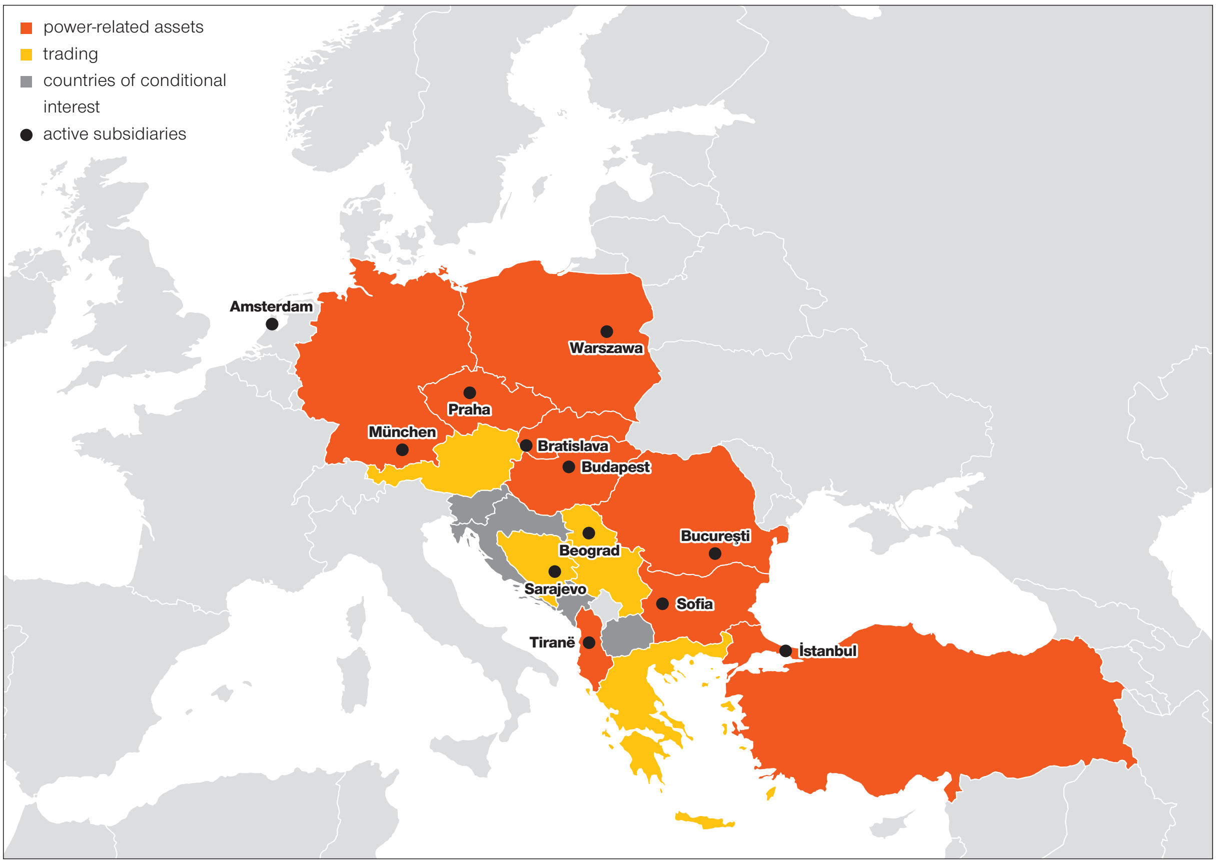
In the Czech Republic, CEZ Group companies generate and distribute electricity and heat, engage in electricity trading, mine coal, and supply natural gas. CEZ Group is also developing operations outside the Czech Republic, focusing in particular on the markets of Central and Southeastern Europe, where we can apply our unique expertise in managing an electricity conglomerate during a period of transition to a liberalized power market and leverage our know-how. CEZ Group focuses primarily on markets where it already has some form of operations, as well as on the renewables sector.

Outside the Czech Republic, CEZ Group currently has actively operating companies in Albania, Bulgaria, Romania, Poland, the Netherlands, Bosnia and Herzegovina, Germany, Hungary, Turkey, Serbia, and Slovakia. In Albania, CEZ Group operates the country's sole distribution company. In Bulgaria, CEZ Group distributes and sells electricity in the western part of the country and generates power in its own coal-fired power plant near Varna, the Black Sea port city. In Romania, CEZ Group engages in distribution and sale, operates the Fântânele wind farm and, nearby, is building the Cogealac wind farm. In Poland, two black coal-fired power plants near the country's border with the Czech Republic are part of CEZ Group. In Germany, the Group co-owns – with a partner – a brown coal-mining company that includes coal and wind power plants. In Turkey, CEZ Group and its local partner operate a distribution company, generate electricity, and are preparing to build new power plants. In Slovakia, CEZ Group sells electricity and natural gas to end customers and is teaming with a local partner to build a new nuclear power plant at the Jaslovské Bohunice site. Companies in the remaining countries carry on electricity wholesale operations, function as holding companies, or engage in financing activities. Throughout Central and Southeastern Europe, CEZ Group engages in wholesale trading in electricity and natural gas.

To ensure the CEZ Group's business continues to be successful in the future, it is necessary to renew the generation portfolio. CEZ Group is investing, and will continue to invest, significant sums in upgrading aging Czech brown coal power plants and building new, high-efficiency plants in the Czech Republic. In 2010, CEZ Group expanded its generation mix by adding solar power plants. The first containers were successfully installed in the newly-built spent fuel storage facility in Temelín. Power plant upgrades and new power plants are also planned in Hungary, Germany, Turkey, and Slovakia.

CEZ Group is bravely embracing the technologies of the future. Together with a major European automaker, we have struck a deal to implement a pilot project focused on developing electromobility (electric cars) in the Czech Republic. Some of the new electric cars will be tested in the Vrchlabí area, where CEZ Group's "Smart Region" project is currently underway, focused on building an area covered by a "smart distribution grid". Several new-build CHP (combined heat and power) projects are currently in various phases of implementation. Other CAPEX projects are dedicated to research and development, environmental protection, and energy conservation.
The CEZ Group has a performance-oriented corporate culture. We operate our plants to the highest possible safety standards. At the same time, however, our business operations adhere to strict ethical standards, which include behaving responsibly toward local communities, society, and the environment. CEZ Group is a major supporter of a number of non-profit organizations and public-benefit projects.

CEZ Group Territory



Contents

Information on Persons Responsible for the CEZ Group Annual Report	6
Independent Auditor's Report	7
Interview with Martin Roman, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.	9
Interview with Daniel Beneš, Vice Chairman of the Board of Directors and Chief Operating Officer of ČEZ, a. s.	15
Selected Indicators of CEZ Group	18
Important Events of 2010 and 2011 Up to Annual Report Closing Date	20
Governing Bodies of ČEZ, a. s.	24
Fulfillment of Corporate Governance Codices	41
Approach to Risks in Relation to Financial Reporting	43
Audit Committee of ČEZ, a. s.	45
ČEZ, a. s. Senior Management	48
Supplementary Information on Persons with Executive Authority at ČEZ, a. s.	56
Summary Report Pursuant to Section 118(8) of the Act on Doing Business in the Capital Market, on Certain Aspects of the Shareholders' Equity of ČEZ, a. s.	60
Changes in CEZ Group Ownership Participations	64
Report on Operations	66
Financial Performance of CEZ Group	66
Financial Performance of ČEZ, a. s.	77
Supplementary Information on CEZ Group Members	80
Risk Management at CEZ Group	88
Safety and Quality Management at CEZ Group	92
CEZ Group Capital Expenditures	93
Electricity Procured and Sold by CEZ Group	94
Strategic Objectives of CEZ Group and Developments in World Markets	98
Business Environment in the Czech Republic Power Industry	104
Mining in the Czech Republic	106
Electricity Generation in the Czech Republic	110
Distribution and Sale of Electricity and Sale of Natural Gas in the Czech Republic	120
Trading in Electricity and Other Commodities	123
CEZ Group Operations Abroad	125
Finance	148
Human Resources	158
Development of the Power Industry Legislative Framework in the Czech Republic	162
Protection of the Environment	167
CO_2 Emission Rights	169
Research and Development	171
Litigation Concerning CEZ Group Companies	176
CEZ Group Donorship and Advertising Partnership Program	182

Basic Organization Chart of ČEZ, a. s. as at April 1, 2011	186
Directory of Companies in the CEZ Consolidated Group	188
CEZ Group Information Centers and Facilities Available for Public Tours	194
Information for Shareholders and Investors	197
List of Tables and Graphs in the Annual Report	202

ČEZ, a. s. – Related Parties Report for the Year 2010	204
Legend	204
Group structure chart	separate insert under back cover flap
Controlling entity and compiler of Related Parties Report	205
Alphabetical list of companies – Group members	separate insert under back cover flap
Contractual relations	206
Other relations	206
Other information	207
Conclusion	207

Awards Received by CEZ Group in 2010 and 2011 Up to Annual Report Closing Date	208

Independent Auditor's Report	210
Consolidated Financial Statements of CEZ Group in Accordance with IFRS as at December 31, 2010	212
Consolidated Balance Sheet	212
Consolidated Statement of Income	213
Consolidated Statement of Comprehensive Income	214
Consolidated Statement of Changes in Equity	214
Consolidated Statement of Cash Flows	215
Notes to Consolidated Financial Statements	216

Independent Auditor's Report	264
Financial Statements of ČEZ, a. s. in Accordance with IFRS as at December 31, 2010	266
Balance Sheet	266
Statement of Income	267
Statement of Comprehensive Income	268
Statement of Changes in Equity	268
Statement of Cash Flows	269
Notes to the Financial Statements	270

Identification of ČEZ, a. s.	306

Information on Persons Responsible for the CEZ Group Annual Report

Statutory Declaration

With the use of all reasonable care, to the best of our knowledge the consolidated Annual Report provides a true and honest description of the financial situation, business activities, and results of operations of the issuer and its consolidated group for the year 2010 and on the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group and that no facts have been omitted that could change the meaning of this report.

Prague, April 11, 2011

Martin Roman
Chairman of the Board of Directors of ČEZ, a. s.

Martin Novák
Member of the Board of Directors of ČEZ, a. s.

Independent Auditor's Report

To the Shareholders of ČEZ, a. s.:

I. We have audited the consolidated financial statements of CEZ Group as at December 31, 2010 presented in the annual report of ČEZ, a. s. („the Company") on pages 212–263 on which we have issued an auditors' report dated February 24, 2011, presented in the annual report on pages 210–211. We have also audited the separate financial statements of the Company as at December 31, 2010 presented in the annual report of the Company on pages 266–305 on which we have issued an auditors' report dated February 24, 2011, presented in the annual report on pages 264–265 (both referred further as „financial statements").

II. We have also audited the consistency of the annual report with the financial statements described above. The management of ČEZ, a. s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–203 and, further, on pages 208 and 306 is consistent with that contained in the audited financial statements as at December 31, 2010. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of ČEZ, a. s. for the year ended December 31, 2010 presented in the annual report of the Company on pages 204–207. The management of ČEZ, a. s. is responsible for the preparation of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of ČEZ, a. s. for the year ended December 31, 2010 is materially misstated.

Ernst & Young

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

Josef Pivoňka
Auditor, License No. 1963

April 11, 2011
Prague, Czech Republic


Martin Roman
Chairman of the Board of Directors and
Chief Executive Officer of ČEZ, a. s.

Interview with Martin Roman, Chairman of the Board of Directors and Chief Executive Officer of ČEZ, a. s.

The year 2010 tested the commercial and, most importantly, financial health of the entire CEZ Group. Although the economic crisis that hit the power industry (among others) began to weaken, the recovery has not been – nor will it be – either uniform or quick. The open Czech economy is subject to a number of international influences, some of which are favorable and others entirely negative in nature. When world politics gets turbulent – even in countries far away from ours – it can have such an impact on the European economy – and hence ours as well – that its outlook needn't improve as much as we expect.

But let us talk about 2010. How would you describe it from the perspective of CEZ Group?
As a difficult, yet successful year. At CZK 47.2 billion, the net income of the CEZ Power Group exceeded our expectations by half a billion. CEZ Group beat the plan figure for operating profit before depreciation and amortization (EBITDA) as well. Although the 2010 results are lower than in 2009 – as we predicted – in the end the income generated by ČEZ for its shareholders was higher than planned, and despite the overall had macroeconomic situation we managed to maintain our ratings in the elite A category – i.e., A– from Standard & Poor's and A2 from Moody's.
For me, it's important that we succeeded once again in growing generation in nuclear power plants. Each megawatt-hour that we can generate in a nuclear power plant makes a big contribution to the company's bottom line, since our nuclear plants have by far the lowest variable costs.

How did you deal with the impacts of the economic crisis?
Of course, our business and results were affected by the economic crisis. Here we need to remind the reader that it wasn't until 2010 that CEZ Group felt its full effects. This is because we managed to foresee the approaching economic crisis before most analysts did, and in early 2008 we changed our system of electricity sales. Until then, we had always sold at the last minute before year end. In 2008, for the first time, we began to sell electricity for 2009 and 2010. Unfortunately, the market is not liquid when terms get longer, so we were unable to sell electricity for 2011 and subsequent years. Still, thanks to this change 2009 was a record year and that is one of the reasons why CEZ Group emerged from the crisis in better shape than all the other big power utilities. Our performance between 2007, i.e. right before the crisis broke out, and 2010 was substantially better than that of ENEL, EDP, Iberdrola and other big power utilities. We made CZK 23 billion on the "advance sales" program and another CZK 6 billion through foreign currency hedges against sales at the market prices prevailing at the given time. In addition to our accurate forecasting, we were helped in 2009 by profits from international acquisitions, cost savings at home, and increasing generation in the nuclear power plants. CEZ Group proved its ability to respond to a crisis and avoid falling into a debt trap, like most of its European competitors did. Thanks to all that, today CEZ Group is in very good financial shape.

So ČEZ beat the competition?

Yes. ČEZ is the company that achieved the biggest improvement in its net income between 2008 and 2009. While Europe's other big power utilities saw their incomes fall by several percent, we grew ours by 10% year-on-year. I can state with pride that, in 2010, CEZ Group was successful once again and, as a European power company with a very low level of indebtedness, our potential to succeed even in the post-crisis period is better than any of our competitors'. Our indebtedness level, in terms of the net debt to operating profit before depreciation and amortization, was just 1.4 at the end of September 2010. By comparison, the industry average is 2.7. Long-term, we want to be continually below average and we do not plan to exceed 2.4–2.5.

No doubt, the NEW VISION program will help with that...

Certainly. We announced the NEW VISION program, which is focused primarily on stabilizing CEZ Group, in September 2010 and it got fully underway as of New Year's 2011. It's a comprehensive program designed to stabilize CEZ Group financially and prepare it for a period of turbulent change in the power market. We are cutting back our CAPEX program in line with CEZ Group's current and future capacity and, most importantly, we are aggressively optimizing the internal operations and cost structure of CEZ Group.
One parameter important for CEZ Group is thorough optimization of cash flows, with respect to accessible sources of financing. In operations, we are focusing on further streamlining internal processes and minimizing costs throughout the production chain, with an emphasis on maximizing generation of cash in-house through operating activities. In brief: the program is designed to retain and reinforce the positions already attained, consolidate the company in the domestic market, and increase income from our current international operations. The work teams are currently drawing up a consolidated action plan for the period 2011–2015.

During the crisis, all of the big power utilities began to divest extensively as a result of lower income and to reduce debts. Has CEZ Group considered taking a similar step?

Divestitures at most of those companies reached levels upward of EUR 10 billion. Since ČEZ's acquisitions were always made with great care, we didn't need to take such a step. We always bought at lower prices, on average, than the competition did. The fact that we were not forced to divest boosted our share price.

How did electricity demand develop in 2010?

In 2009, the global economic crisis caused declines in both electricity consumption and price, and that brought about a temporary decline in our financial performance results. In a situation where proceeds from sales were falling, we had to invest in renewing the plant portfolio and finance other investments as well. Following the decline in electricity sales brought about by the economic crisis, consumption began to rise. The 2010 figures showed that electricity consumption had, once again, returned to year-on-year growth. In 2010, demand for electricity in the Czech Republic grew 3.8% compared to 2009. The large end-customer category saw consumption grow 5.1%, while retail commercial consumption was up 0.9% and residential consumption rose 2.3%.

How is CEZ Group doing in the emission rights market?

Relatively well, because individual power plants are put into production fully in line with the goal of the EU ETS, which is to reduce CO_2 emissions. However, the time is coming when we will be required to purchase CO_2 emission rights. That's one of the reasons why we are working so hard to upgrade and renew our coal-fired power plants, increase output and generate more electricity in our nuclear power plants, and integrate environmentally-friendly renewable sources of energy into our plant portfolio.

On the other hand, we need to recognize that the reason why our shares performed temporarily worse than the competition's – for the first time in seven years – was the introduction of an extraordinary tax on CO_2 emission rights. Until that time, our shares outperformed those of the competition by a substantial margin.

We need to remember a factor that will have an impact on the power industry in the future: a surplus of CO_2 emission rights. When this trading period was in the planning stages, nobody expected that a global economic crisis would come. And because electricity generation is directly proportional to GDP growth – i.e., when GDP grows, so does electricity consumption and vice versa – as a result of the economic crisis, falling electricity prices are accompanied by a decline in the market value of CO_2 emission rights. Brussels didn't expect that to happen. The anticipated price of an emission right was roughly EUR 30–40; as of early 2011 one right costs EUR 13.

In what ways can CEZ Group improve its internal functions and reduce costs?

There are several ways: increasing productivity, cutting costs and streamlining non-core processes, further improving the performance of individual units, and communicating better. In our operations, we are continuing to streamline internal processes and reduce costs throughout the production chain, with an emphasis on generating cash flow in-house.

You launched a program, focused on the future, entitled Futur/e/Motion. What did you expect of it then, and what are your current expectations?

Among other things this program, which provides a focus for our activities in the new energy of the future, should yield financial benefits. But before that happens it will be necessary to invest in new technologies. Futur/e/Motion stands on four pillars: research & development, utilization of "smart" power industry technologies, increasing the proportion of decentralized sources of electricity generation, and support for electromobility.

In the latter area – electromobility – in particular, we have already begun to make good progress. We are working together with Peugeot, the automaker, which is providing us up to 60 electric cars to try out in real-world traffic, and for our part we are preparing to install charging stations. We selected one region of the Czech Republic and commenced a pilot project there to test smart grids, smart electric meters, and we have begun installing them there. We are giving the Futur/e/Motion program the focus it deserves and it has the support of the entire CEZ Group.

CEZ Group's success is substantially driven by successes in international M&A. How did you perform in this area in 2010?
Every year, international M&A becomes more and more important as a pillar of our earnings. Like years past, 2010 was a successful one in terms of international M&A. The overall cumulative EBITDA of the Group's international holdings reached nearly CZK 40 billion.

Over the past six years, ČEZ has invested CZK 70 billion abroad. For comparison, that is substantially less than it invested at home. Overall, we invested CZK 290 billion during that period. Four fifths of our CAPEX in the past six years, then, was spent in the Czech Republic – on plant renewal and distribution. Although the economic crisis also hit the countries where we operate abroad, from a long-term perspective we are exceeding the earnings plan we made at the moment when we acquired the assets in question.

Thanks to that, international M&A is playing an ever greater role in the CEZ Group financial results. All four acquisitions from the year 2009 – Akenerji and Sedaş in Turkey, MIBRAG and the Albanian distribution company – are doing even better than we expected. In Romania, where until now we have been doing business in distribution and supply of electricity, we are now entering the market for generation as well. Once the entire Fântânele-Cogealac wind farm – with 600 MW of installed capacity – is commissioned, we will have a 10% share in electricity generation from renewable sources in Romania.

We manage our acquisitions through just some dozens of Czech employees, and we are continuing to reduce their number. On an ongoing basis, we are striving to get local people involved as much as possible, and to get them excited about working in CEZ Group. In addition, by rotating managers between the international companies and headquarters, we are achieving optimum know-how transfer from one country to another.

CEZ Group has successfully expanded its operations portfolio to include trading in and sale of gas. What led it to take this step?
Wherever there's a chance to provide our clients high-quality services, we try to be there. Also, it has proven advantageous to utilize our extensive network of customer centers – which was originally designed to care for electricity customers – for another commodity as well. So, at the very close of 2009, we began offering gas to corporate customers and, as of June 2010, to Czech residential customers as well. Our gas offering has been successful: during the first eight months we acquired over 80,000 new residential customers. We are preparing to further reinforce our position in the gas market.

Last year, the Czech Republic experienced a solar boom, making it one of the biggest solar superpowers in the world. What is CEZ Group's position in terms of photovoltaic generation?
It's important to reiterate that ČEZ did not itself build any photovoltaic power plants, because it did not want to contribute to an uncontrolled increase in electricity prices paid by Czech customers. In 2010, CEZ Group only purchased already completed projects – with a total output of 125 megawatts. That corresponds to a market share of around 6%. By the way, that is twelve times less than CEZ Group's share in power generation from hydro, coal-fired, and nuclear power plants in the Czech Republic, which is over 70%.

What are the principal factors that will affect the power industry in the near and longer term?
One is certainly a surplus of gas, leading to a decline in the price of gas. For the first time in recent history, gas prices disconnected from oil prices. This is due to the discovery of a new method for producing so-called shale gas and new possibilities for transporting gas in liquid form from countries where such transport had previous been unfeasible or impossible. Another factor is enormous growth in the utilization of renewable sources of energy. In the Czech Republic and Germany alone, 9,000 MW of new photovoltaic power plants were commissioned in 2010. Developments in regulation are closely related to this. Nothing will influence the European power industry more than regulation from Brussels and its drive to reach targets in terms of the number of renewable sources and reductions in CO_2 emissions. It is a paradox that achievement of the European Union's goal of reducing CO_2 emissions by 20% within 10 years will cost the individual European countries as much as EUR 700 billion – that's CZK 18,000 billion, or more than 10 times the annual budget of the Czech Republic – while during the same 10 years, China and other countries will increase their emissions sixfold compared to Europe's reduction.

How will the power industry change in the next few years?
In many ways and in many respects. Today, the dominant factor in the market is the conventional "big" power utility. The future, however, belongs to much more decentralized generation. Today, decentralized generation accounts for roughly 5% of the total, while in 2020 – according to our estimates – that figure could reach as high as 30%. Many new factors will begin to make their mark on the power industry – such as, among others, attempts to solve the problem of how to store electricity. If coal is not to be the energy resource of the past in Europe, we will also have to solve the problem of how to store CO_2. Electricity will be more expensive – the subsidies for development of renewable sources are so enormous that they must be reflected in the electricity prices paid by end customers. In Germany, the subsidies paid by customers this year to support these sources is higher than the price of electricity itself – electricity costs EUR 50 per MWh, while the subsidy paid is EUR 55 per MWh. We will have to hope that, in the future, renewable sources will be much more cost-effective than they are today. The disconnect between what it costs to generate electricity from renewables and the market price of electricity is going to have to get smaller.

What factors will affect CEZ Group financial performance in 2011?
Essentially, there will be three such factors, and all of them lie outside of our control. The first is a decline in the price of electricity, which will cause an income drop of approximately CZK 4 billion. Coincidentally, the other two factors will affect income in the same amount. The second is foreign currency hedging and a strong Czech Koruna versus the Euro, and the third is taxation: the extraordinary tax on emission rights and income tax withholding on electricity generated in photovoltaic power plants. The overall negative impact of these three factors amounts to CZK 12 billion. We intend to limit this impact internally, through cost-saving measures and by making other management-driven improvements.

How would you describe the outlook for CEZ Group in 2011?
We've got some hard work ahead of us. But we're used to that. Also, the dedication all our employees have shown to-date gives us real hope that all our goals will be met.

Daniel Beneš
Vice Chairman of the Board of Directors and
Chief Operating Officer of ČEZ, a. s.

Interview with Daniel Beneš, Vice Chairman of the Board of Directors and Chief Operating Officer of ČEZ, a. s.

The NEW VISION program got underway, plant renewal continued, the plans of both Czech nuclear power plants to increase power output and increase generation safety are bearing fruit, and the Efektivita Program played an important role. Those, in a nutshell, were the events of 2010 at ČEZ, a. s. that were most important in terms of fulfillment of CEZ Group's plans.

Another way we would describe 2010 is that it was a year that saw CEZ Group commence and continue implementing large CAPEX projects in its domestic power plants. What projects are those?
First of all, they are investments in our nuclear power plants, which will enable us to generate more from this source of clean energy. Other projects are the ongoing comprehensive retrofit of Tušimice II Power Station, the construction of a new supercritical unit in Ledvice, preparations to build a CCGT power plant in Počerady, and preparations for the comprehensive retrofit of Prunéřov II Power Station. The CEZ Group plant portfolio renewal projects are already having a positive impact on the Czech economy, but that is set to grow in the near to medium term. Additionally, over the long term they will significantly improve the quality of the environment in the Czech Republic. This year we will also commence construction on the first big CCGT plant in the Czech Republic – at Počerady Power Station.
In 2010, we made a very important acquisition in the Czech district heat industry: Trmice Power Heating Plant in North Bohemia. Also, projects to bring heat from Dukovany Nuclear Power Station to Brno and from Temelín Nuclear Power Station to České Budějovice are on the drawing board. Combined heat and power generation helps the environment considerably, because it substantially increases power plant efficiency.
We also succeeded in commissioning the largest inland wind farm in Europe – Fântânele-Cogealac in Romania.

Did the economic crisis have any effect on the capital expenditure plans and their implementation?
Yes, it did – of a necessity. In 2010–2015, the CAPEX program was cut back 25% compared to plan figures from December 2009. Strategic objectives that were unprofitable were eliminated from the program and we are continuing with only those projects that bring us a sufficient revenue premium over the level of our investment. That means we have also abandoned certain countries – Serbia, Russia, and Kosovo, for example – where the outlook was less positive. Should the power market recover and these projects begin to look more profitable, we may reconsider them. In terms of countries that we see as positive for us in the future, the Czech Republic is in first place, and that will support Czech suppliers and cooperating enterprises.
For the next five years, CEZ Group has drawn up a CAPEX budget of over CZK 300 billion. Despite the reassessment of plans, this figure represents an increase over the previous five-year period.

What, in your assessment, is the most fundamental factor for the further development of CEZ Group?
Our strategy will allow us to create appropriate opportunities for participating in "future" markets. We are planning for our future in three different time frames.

Can you describe them?

The first is the short-term plan which says that, in the next three years we will do everything in our power to protect our current core business and leverage it for maximum gain. Primarily, we will be consolidating our assets and streamlining our operations so that our assets yield the greatest possible benefit. In this time frame, we will be looking most of all at our costs.

In the second time frame – the medium term – we will once again begin developing new opportunities, primarily by increasing stakes in our regulated assets such as distribution and district heat. In this time frame, we will also be increasing our stakes in the utilization of renewable sources of energy and we will focus on the development of nuclear energy. So, three to five years out, we will be dealing with upcoming investments.

The tool we will use to manage the first two time frames is the NEW VISION platform – an initiative that will provide a framework for all our development programs.

The third, long-term time frame will relate to investments in new technologies, research and development, and putting new technologies into commercial use.

Let's stop and take a look at the NEW VISION program. What is that about?

The main theme of NEW VISION is the stabilization and consolidation of CEZ Group within the next five years, i.e. by the year 2015. Behind us we have a period of historic growth and now it's time to prepare for further development. NEW VISION is about defining ambitious goals in each segment of our business, and reflecting those thoroughly in the financial management of the entire CEZ Group. Figuratively speaking, it will be about implementing best practices in each and every segment of our business chain.

The NEW VISION initiative is structured around the approved action plan. What does this plan relate to?

It is based on the composition of CEZ Group's business segments, which are generation, mining, distribution, trading, international activities, and support functions. Each segment has its own priorities; nevertheless, there is one priority that is common to them all – the cost-effectiveness and performance of all our processes. Of course, when it comes to increasing efficiency, we are not starting from square one; we will be building on the results of the Efektivita Program, announced in 2007, in which we saved on expenses and generated additional revenue, yielding a total benefit of CZK 27 billion.

In terms of generation and mining, the priority for the next five years will be to increase the output and availability of our nuclear power plants and, at the same time, extend their useful lives, while at the same time ensuring safety. No less important will be ensuring that the construction and comprehensive retrofitting of conventional power plants proceeds according to plan, whether it's the completion of Tušimice Power Station, Ledvice Power Station, construction of the CCGT plant in Počerady, or the retrofit of Prunéřov Power Station. The third priority will be to optimize operation of the coal portfolio and further develop regulated assets in the heat industry.

In the distribution segment, during the next five years we will place emphasis on effective management of investments in the distribution grid, optimization of maintenance and operational expenses while maintaining quality of supplies, and on increasing grid availability.

In the trading area, in terms of wholesale we will endeavor to achieve the best possible selling price in the marketplace. As far as retail is concerned, the situation there has been changing substantially in the past few years – new players are arriving on the scene. Therefore, we will work to stabilize the customer portfolio and maintain a strategic market share. In residential sales, our primary focus will be on maintaining existing customers and acquiring new ones. Very promising is the sale of a new commodity – natural gas – which we have already begun selling. We will accelerate these sales in the Czech Republic and develop them in the Slovak Republic as well.

The last segment consists of our international activities. The most important task of consolidation will be to generate returns on our investments. To this end, we will optimize costs in the individual subsidiaries that operate in foreign countries and complete the integration processes in each country.

What, on the other hand, does CEZ Group want to avoid?

We want to avoid disadvantageous indebtedness, and we don't want to risk losing the trust of analysts and shareholders in our ability to generate continually improving results in terms of increasing productivity and further reducing operating costs.

Which CEZ Group power plant would you say was the most successful in 2010?

Each plant is unique in its own way and each of them is doing good work, in line with its character.

With respect to CO_2 regulation, I would like to say a few more words about low-emission nuclear sources. These plants account for the lion's share of CEZ Group's good financial performance results. In 2010, they generated 2.9% more than in 2009. Thanks to the ongoing projects Safely 16 TERA EDU and Safely 15 TERA ETE, both our nuclear power plants achieved really great results. Dukovany generated the second highest volume of electricity in its history and set some new records, including shortest outage duration. Temelín generated more kilowatt-hours than ever before during its ten years in operation. At the same time, Temelín Nuclear Power Station continued in its positive trend toward lower equipment failure rates.

What do you see as significant in terms of communications between CEZ Group's management and its employees?

During the year, CEZ Group issued several significant documents. Most importantly, these were the new Safety and Environmental Protection Policy, which was followed by the You Decide! campaign, and the Quality of Management Policy. The overall level of safety is determined by decisions made by each employee during his or her day-to-day activities. If we want to achieve quality results, we will have to adhere to fundamental principles of safe, zero-risk work. Quality of management is closely related to that. These are principles that must become part of our blood.

How, specifically, are the medium- and long-term goals reflected in the targets for 2011?

The most important targets are to finish the RFP documentation for the completion of Temelín Nuclear Power Station, increase the achievable capacity of Unit 1 of Dukovany Nuclear Power Station to 500 MW, and further develop our business in the area of small-scale CHP sources and heat generation. Other priorities will include developing the natural gas business, accelerating the completion of the Fântânele-Cogealac wind farm, and achieving better overall terms in supplier contracts. Throughout 2011, we will focus on preparing to implement of NEW VISION in the years to come, until 2015.

In one sentence, try to describe the future of CEZ Group.

I would like to assure the shareholders of ČEZ, a. s. that 2010 was not a bad year, and that we will continue to fight for the future, even though most of the negative factors are beyond our reach.

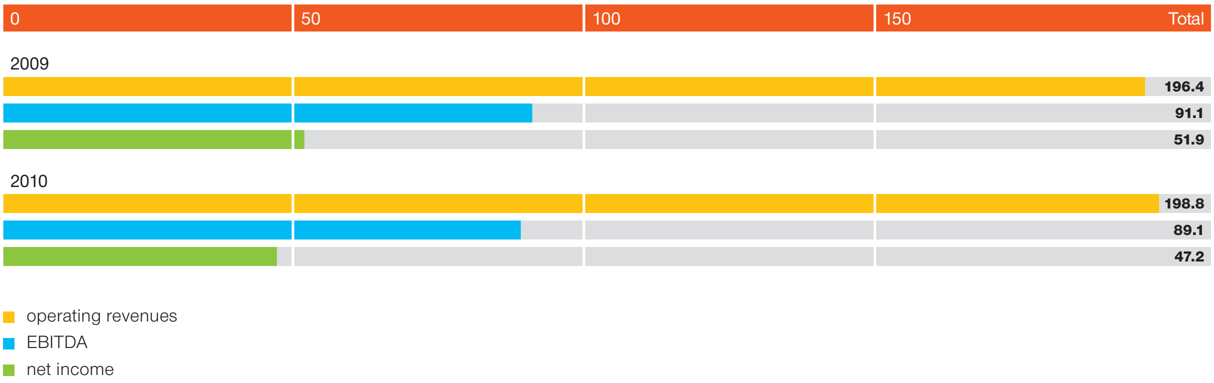
Selected Indicators of CEZ Group

Selected Indicators of CEZ Group in Accordance with IFRS

	Units	2006	2007	2008	2009	2010	Index 2010/2009 (%)
Electricity generated (gross)	GWh	65,532	73,793	67,595	65,344	68,433	104.7
Installed capacity	MW	14,392	14,292	14,288	14,395	15,018	104.3
Electricity sold [1]	GWh	41,190	38,624	38,820	43,817	44,594	101.8
Heat sold	TJ	11,274	15,540	14,016	13,040	16,918	129.7
Operating revenues	CZK millions	150,839	176,356	183,958	196,352	198,848	101.3
of which: sales of electricity	CZK millions	138,157	160,046	165,317	173,494	175,277	101.0
Operating expenses (excluding depreciation and amortization)	CZK millions	(86,134)	(101,023)	(95,257)	(105,277)	(109,759)	104.3
EBITDA	CZK millions	64,705	75,333	88,701	91,075	89,089	97.8
EBIT	CZK millions	40,425	53,210	66,654	68,199	65,057	95.4
Net income	CZK millions	28,756	42,764	47,351	51,855	47,158	90.9
of which: net income attributable to equity holders of parent	CZK millions	27,697	41,555	46,510	51,547	47,232	91.6
Dividend per share (gross) [2]	CZK/share	15.0	20.0	40.0	50.0	53.0	106.0
Return on Invested Capital (ROIC)	%	10.6	13.7	17.2	16.7	14.5	86.8
Return on Equity (ROE), net	%	14.9	22.7	27.0	27.6	22.4	81.2
Equity (including non-controlling shares)	CZK millions	207,653	184,226	185,410	206,675	227,051	109.9
Net debt/EBITDA	1	0.27	0.73	0.77	1.37	1.51	110.4
Total debt/Total capital	%	19.9	29.9	38.0	43.9	42.6	97.0
Capital expenditure [3]	CZK millions	(22,545)	(30,666)	(46,271)	(56,622)	(61,715)	109.0
Investments [4] [5] [6] [7]	CZK millions	(21,925)	(2,462)	(15,118)	(38,075)	(11,128)	29.2
Net cash provided by operating activities	CZK millions	62,908	59,219	70,583	87,354	77,165	88.3
Work force head count at December 31	persons	31,161	30,094	27,232	32,985	32,627	98.9

[1] Sold to end customers outside of CEZ Group.
[2] Approved and paid in the given year, from the previous year's income.
[3] Additions to property, plant and equipment and intangibles.
[4] Acquisition of subsidiaries, associates, and joint-ventures, net of cash acquired.
[5] Including loan to MOL in 2008.
[6] Including investment in Pražská teplárenská in 2009.
[7] Including investment in Dalkia ČR in 2010.

CEZ Group Results of Operations (CZK billions)



Important Events of 2010 and 2011 Up to Annual Report Closing Date

Important Events of 2010

January
- CEZ Group natural gas supplies commence in the Czech Republic, mostly to large end-customers of natural gas

February
- notification that all suppliers who submitted timely applications to participate in the RFP proceedings for the public tender “Completion of Temelín Nuclear Power Station” had qualified for participation

March
- withdrawal from consortium that was interested in building a new plant, repairing an existing plant, and expanding coal mining operations in Kosovo

April
- Smart Region project commences with signing of agreement between ČEZ, a. s. and the city of Vrchlabí in northeastern Bohemia

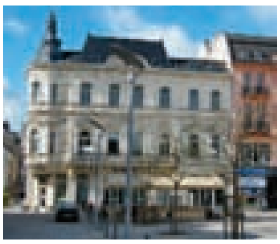
May
- new safety and environmental protection policy announced in CEZ Group with the aim of improving safety management and reinforcing a systemic approach to this area

- second Green Energy Forest established, in which for each customer on the Green Energy tariff, CEZ Group donates one tree. The forest is located in Přimda, in western Bohemia

- a member of CEZ Group – ČEZ Teplárenská – takes over operation of plants and supply networks belonging to the company LENOXA, which entered insolvency proceedings. The facilities are located in Brno, Kuřim (southern Moravia), Doksy (northern Bohemia) and Krajková (northwestern Bohemia), among other places

June
- sales of natural gas commence to residential customers in the Czech Republic
- first turbine commissioned in the newly built CEZ Group wind farm at the Fântânele site in Romania

- Accounting Services Center opens in Ostrava to handle the CEZ Group accounting function



- Annual General Meeting of ČEZ, a. s.

July
- report on compliance with the Codex of the Warsaw Stock Exchange in 2009 published
- Ministry of the Environment of the Czech Republic issues a consenting opinion for maintaining and continuing coal mining operations at Severočeské doly’s Bílina Mine for a period of five years

August
- Martin Říman and Eduard Janota co-opted as members of the ČEZ, a. s. Supervisory Board
- 100% ownership stake acquired in ELCHO Power Station in Poland when the original 75.2% stake was increased by purchase of a 24.8% equity stake from minority owner Elektrownia Chorzów S.A.

September
- Chvaletice Power Station organizational unit split off from ČEZ, a. s. into Elektrárna Chvaletice a.s.

- NEW VISION program announced with objective of improving CEZ Group internal performance

October
- ČEZ Distribuce, a. s. and ČEZ Distribuční zařízení, a.s. merge, creating a new successor company ČEZ Distribuce, a. s., in which ČEZ, a. s. continues to be the sole shareholder
- permit obtained to operate Unit 1 of Temelín Nuclear Power Station for another ten years

November
- permit for trial operation of comprehensively retrofitted units of Tušimice II Power Station enters into legal force

- extraordinary General Meeting of ČEZ, a. s.
- Standard & Poor's reaffirms A– rating

December
- members of CEZ Group enter into USD 325 million (approximately CZK 6.1 billion) loan agreement with banks to complete the privatization of the Turkish distribution company Sakarya Elektrik Dagitim A.S. and implement its CAPEX program
- Moody's reaffirms A2 rating
- act passes, under which a 26% tax is imposed in the Czech Republic on revenues from electricity generated in solar power plants in the period 2011–2013 and a 32% tax on greenhouse gas emission rights granted free-of-charge in the period 2011–2012
- trilateral agreement entered into among ČEZ, a. s., Dalkia Česká republika, a.s., and Energetický a průmyslový holding, a.s., continuing the restructuring of CEZ Group's portfolio
- sale completed of stake in Energonuclear S.A., a company engaged in building Units 3 and 4 of the Cernavodă Nuclear Power Station in Romania
- four large solar power plants commissioned in the Czech Republic

Important Events of 2011 Up to Annual Report Closing Date

January
- CEZ Group commences supplying natural gas to large end-customers in the Slovak Republic and begins selling electricity and natural gas to residential and commercial customers there as well
- 50.11% stake acquired in ČEZ Energo, s.r.o., a company that operates 45 small-scale CHP sources with total installed capacity of approximately 12 MW_e

February
- Board of Directors of ČEZ, a. s. and AKKÖK, the two main shareholders of Akenerji Elektrik Üretim A.S., authorize the company Akenerji Elektrik Üretim A.S. to accept non-binding offers regarding assets related to said company
- Lubomír Lízal resigns from the Supervisory Board of ČEZ, a. s. due to a conflict of interest that arose after he was appointed a member of the Board of Governors of the Czech National Bank

March
- construction begins on a new power source, fired by natural gas, on the Počerady Power Station grounds. The project is planned to be completed in 2013 at a budgeted cost of approximately CZK 20 billion. The new CCGT power source is to add 840 MW to Počerady Power Station's installed capacity

Chad Tschudi

Head of Commodity Trading Department

"Whatever I do, I want to see where it leads. I find working for CEZ Group fulfilling. Because I know that time, effort, and dedication are well-rewarded here, not just financially but also in terms of social recognition and possibilities for career growth."

Chad Tschudi is a leading personality in CEZ Group's trading operations. He helped develop his department and expand in highly liquid international markets for electricity and other commodities. He has contributed significantly to the Group's successes in electricity trading.

Governing Bodies of ČEZ, a. s.

(A Separate Part of the Annual Report in Accordance with Section 118(4)(j) of Act No. 256/2004 Sb.)

ČEZ, a. s. is a joint-stock company incorporated in the Commercial Register on May 6, 1992. The Company's core businesses are generation and distribution of electricity, electricity trading, generation and distribution of heat, gas trading, and related activities. The Company's headquarters address is Duhová 2/1444, Prague 4, Czech Republic. The Company's website address is www.cez.cz.
For purposes of the 2010 Annual Report, persons with executive authority are the members of the Supervisory Board, Board of Directors, Audit Committee, and senior management.

The Company has the following governing bodies:
- the General Meeting
- the Supervisory Board
- the Board of Directors
- the Audit Committee.

General Meeting

The Company's highest governing body is the General Meeting. The Annual General Meeting is held at least once per year, no later than six months after the last day of the accounting period.
The exclusive powers of the General Meeting include, in particular, the following:
- deciding on amendments to the Articles of Association
- deciding on increases and decreases of the stated capital
- deciding on issues of convertible and/or priority bonds
- electing and removing members of the Supervisory Board, except for members elected and removed by the employees, approving the Supervisory Board membership contracts and rules for providing consideration to members of the Supervisory Board beyond that required by law
- electing and removing members of the Audit Committee, approving the Audit Committee membership contracts and rules for providing consideration to Audit Committee members beyond that required by law
- approving the annual or extraordinary financial statements, consolidated financial statements and (in cases stipulated by law) interim financial statements, decisions on distribution of net income or settlement of loss, determination of Board member bonuses and dividends, and allocations of income to Company reserves
- deciding on remuneration of members of the Board of Directors, Supervisory Board, and Audit Committee, deciding on payments and rules for distribution of Board member bonuses among individual members of the Supervisory Board and the Board of Directors
- deciding on the Company's sponsorship budget for the period in question
- deciding on changes in the class or form of shares and changes in rights associated with a particular class of shares
- deciding on the Company's business policy and revisions thereof
- deciding on appointment of an auditor to audit the Company's financial statements and consolidated financial statements.

General Meeting Rules of Order

The General Meeting represents a quorum if shareholders are present holding shares whose cumulative face value exceeds 30% of the company's stated capital. The Chairman of the General Meeting is required, at the General Meeting, to enable the presentation of all motions, countermotions, and requests for explanation put forward by shareholders, provided they relate to an item on the General Meeting agenda and provided the shareholder in question insists upon presenting them to the General Meeting. Further, he or she is required to ensure that a response is given at the General Meeting to shareholder requests and that company-related matters that are on the General Meeting agenda are explained.

Amendment of Articles of Association Relating to the General Meeting

An amendment to the Articles of Association approved by the General Meeting on June 29, 2010 stipulates, among other things, that General Meeting announcements need no longer be published in the daily newspaper *Hospodářské noviny*, but instead they will be published by placement on the company's website (www.cez.cz), in the company's seat, and through any other means stipulated by law.
In addition, the amendment made it possible to provide explanations to shareholders in the form of a summary response to multiple questions of similar content.
In accordance with an amendment of the Act on Doing Business in the Capital Market, a provision was added to the Articles of Association relating to shareholder representation at the General meeting, including a requirement to publish on the company's website a Power of Attorney form and giving the shareholder the right to give notification electronically when power of attorney is granted or revoked.

How the General Meeting Makes Decisions

The General Meeting makes decisions by a simple majority of the votes of shareholders present, unless a different majority is required by law or the Articles of Association. Each CZK 100 face value Company share carries one vote.
A majority of at least two thirds of the votes of shareholders present is required for the General Meeting to make decisions concerning, inter alia:

- amendments to the Articles of Association, unless the amendment in question arises out of an increase in the stated capital by the Board of Directors or the amendment took place on the basis of other legal circumstances
- increases and/or decreases in the stated capital
- approval of agreements on transfer of undertaking or part thereof.

A majority of at least three quarters of the votes of shareholders present is required for the General Meeting to make decisions concerning:

- exclusion or restriction of preferential rights of acquisition of convertible and priority bonds
- exclusion or restriction of preferential rights concerning subscription of new shares pursuant to Section 204a of the Commercial Code
- approval of or amendments to a control agreement
- approval of or amendments to an agreement on transfer of profits
- increase of the stated capital through non-monetary contributions.

General Meeting decisions regarding changes in the type and/or form of shares, changes to rights adhering to a certain type of shares, or withdrawal of shares from trading on an official stock market require a three-quarters majority of the votes of shareholders present who hold the shares in question.
General Meeting decisions on mergers of shares require the consent of all shareholders whose shares are to be merged.
General Meeting minutes along with the General Meeting announcement and the attendance list shall be stored in the company archive for as long as the company shall exist.

Supervisory Board

The Supervisory Board is the Company's oversight body, which oversees the Board of Directors' exercise of authority and the conduct of the Company's business. Members of the Supervisory Board inform the General Meeting of the results of the oversight activity.
The Supervisory Board's powers include, inter alia, the power to:

- inspect all documents and records relating to the Company's business and verify whether the accounting records are kept properly in accordance with fact and whether the Company's business is conducted in accordance with applicable laws and regulations, the Articles of Association, and General Meeting resolutions
- verify how the Board of Directors exercises the Company's rights of ownership in legal entities in which the Company has an equity stake
- review annual, extraordinary, consolidated, and/or interim financial statements, income distribution proposals including stipulation of the amount and manner of payment of dividends and Board member bonuses or loss settlement proposals, and the report of the Board of Directors pursuant to Section 66a(9) of the Commercial Code; and to present its opinion to the General Meeting
- discuss the quarterly financial performance results, half-year and yearly reports pursuant to the Act on Doing Business in the Capital Market, and the Annual Report pursuant to the Accounting Act
- elect and remove members of the Board of Directors
- approve Board of Directors membership contracts and rules for providing consideration to members of the Board of Directors beyond that required by law, in accordance with Section 194(1) of the Commercial Code.

The Supervisory Board grants the Board of Directors prior consent for the implementation of certain decisions concerning items, long-term loans, and capital projects of high asset value.

Amendment of the Articles of Association Relating to the Supervisory Board
The General Meeting held on June 29, 2010 approved an amendment of the Articles of Association of ČEZ, a. s. which expanded the Supervisory Board's powers relating to the process of approving RFP documentation for public tenders with a planned value higher than one third of the equity reported in the last consolidated financial statements and, further, in conjunction with the process of approving manager contracts and remuneration of executive employees who are also members of the Board of Directors, as well as that of the division heads, making the implementation of said decisions of the Board of Directors conditional upon the prior consent or opinion of the Supervisory Board.

Composition and Functioning of the Supervisory Board
The Supervisory Board consists of 12 members. Two thirds of the Supervisory Board members are elected and removed by the General Meeting, and one third is elected and removed by the Company's employees. Members serve for terms of four years, and re-election is possible. Persons elected to the Supervisory Board by the Company's employees must be employees of the Company or representatives of the employees or members thereof. The Supervisory Board elects and removes its Chairman and two Vice Chairmen. The Supervisory Board meets at least once per month. In 2010, 12 meetings were held: eleven regularly scheduled meetings and one extraordinary meeting. The work address of members of the Supervisory Board is the Company's headquarters: Duhová 2/1444, 140 53 Prague 4, Czech Republic.

How the Supervisory Board Makes Decisions
The Supervisory Board makes decisions by a simple majority of all its members, unless the Articles of Association stipulate otherwise. The Supervisory Board represents a quorum when a simple majority of its members is present at a meeting. Each Supervisory Board member has one vote. When necessary in matters of urgency, a decision may be made without holding a meeting – such decisions are referred to as *per rollam* and must be included in the minutes of the next Supervisory Board meeting. At its discretion, the Supervisory Board may invite to its meetings members of the company's other governing bodies, its employees, or other persons.

Members of the ČEZ, a. s. Supervisory Board

Martin Říman (* 1961)
Chairman since September 16, 2010, member since August 13, 2010
A graduate of Brno University of Technology, Faculty of Electrical Engineering, major in electronic computers, and Masaryk University in Brno, Faculty of Law, major in administrative law.
He gained managerial and professional experience in positions such as Director of the Frýdek-Místek District Office, member of the Chamber of Deputies of the Parliament of the Czech Republic, Minister of Transport and Communications of the Czech Republic, and Minister of Industry and Trade of the Czech Republic.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Eduard Janota (* 1952)
Vice Chairman since September 16, 2010, member since August 13, 2010
A graduate of the University of Economics, Prague, Faculty of Production Economics.
He gained managerial and professional experience in positions such as Director of the State Budget Department, Ministry of Finance of the Czech Republic, Deputy Minister, First Deputy Minister, and Minister of Finance of the Czech Republic.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Lubomír Klosík (* 1951)
Vice Chairman since January 27, 2011, member elected by the employees since January 22, 2009
A graduate of the Secondary Industrial School of Chemical Technology in Ostrava, he also completed a three-year continuing education course of study in Social and Economic Management at the Mendel University in Brno, Faculty of Business and Economics.
He gained managerial and professional experience in the position of shift foreman at Dětmarovice Power Plant. Since February 24, 2011 he has been a participant in the Moravia-Silesian Employment Pact platform.
Number of ČEZ, a. s. shares at December 31, 2010: 2
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Ivo Foltýn (* 1970)
Member since November 22, 2010
A graduate of the Brno University of Technology, Faculty of Mechanical Engineering, the University of Economics, Prague, Faculty of Business Administration, and the Chicago University (United States of America) – MBA.
He gained managerial and professional experience in positions such as Chairman of the Board of Directors and Chief Executive Officer of Penzijní fond České pojišťovny, a.s., Executive Committee Member for Life Insurance, Česká pojišťovna a.s., Head of CIS Countries, Holding. Pensions & Health Insurance, Generali PPF Holding, B. V.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Petr Gross (* 1953)
Member elected by the employees since January 22, 2009
A graduate of the Secondary Industrial School of Electrical Engineering in Kutná Hora, specializing in measurement, regulation, and computer-assisted techniques.
He gained managerial and professional experience in positions such as member of the Board of Directors of the Power Industry Workers' Labor Union and member of the Assembly of the Czech-Moravian Confederation of Labor Unions.
Number of ČEZ, a. s. shares at December 31, 2010: 10
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Lukáš Hampl (* 1973)
Member since November 22, 2010
A graduate of the University of Economics, Prague, Faculty of Business Administration.
He gained managerial and professional experience in positions such as Assistant Director of the Office for Supervision of Savings and Loan Cooperatives and Managing Director of the Economy and European Union Funds Section of the Ministry of Transport of the Czech Republic.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Vladimír Hronek (* 1964)
Member elected by the employees since September 30, 2010
A graduate of the Secondary Industrial School of Electrical Engineering, Prague.
He gained managerial and professional experience in positions such as member of the CEZ Group European Works Council.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Zdeněk Hrubý (* 1956)

Member since February 22, 2007

A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, where he majored in cybernetics. Candidate of Sciences degree in economics.

He gained managerial and professional experience in positions such as Vice Chairman of the Board of Directors of Český Telecom, a.s., Vice Chairman of the Presidium of the National Property Fund, and Deputy Minister of Finance.

Number of ČEZ, a. s. shares at December 31, 2010: 120,000

Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Jiří Kadrnka (* 1970)

Member since November 22, 2010

A graduate of the Brno University of Technology, Faculty of Mechanical Engineering, with a major in industrial robots, manipulators, lathes, and milling machines.

He has managerial and professional experience from a tenure in the financial group PM holding and from positions such as member of the Board of Directors of Vodovody a kanalizace Břeclav, a.s. and Managing Director of MOSS logistics s.r.o.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Jan Kohout (* 1961)

Member since November 22, 2010

A graduate of the Charles University, Prague, Faculty of Arts.

He gained managerial and professional experience in positions such as Vice Chairman of the Government of the Czech Republic, Minister of Foreign Affairs of the Czech Republic, and the Czech Republic's permanent representative at the European Union.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Lubomír Lízal (* 1969)

Member from November 22, 2010 to February 24, 2011

A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering, holds a Ph.D. from the Center for Economic Research and the Graduate Education-Economics Institute of the Charles University, Prague, named an associate professor of economics at the Charles University, Prague.

He gained managerial and professional experience in positions such as Director and member of the Council of the Economics Institute, Academy of Sciences of the Czech Republic, and Director of the Center for Economic Research and the Graduate Education-Economics Institute of the Charles University, Prague.

On February 13, 2011, Lubomír Lízal was appointed a member of the Board of Governors of the Czech National Bank. Due to this conflict of interest, he terminated his membership of the Supervisory Board of ČEZ, a. s. as of February 24, 2011.

Number of ČEZ, a. s. shares at December 31, 2010: 50

Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Drahoslav Šimek (* 1953)

Member elected by the employees since June 29, 2006, re-elected by the employees since September 30, 2010

A graduate of the Secondary Vocational School in Domažlice (electrician) and the Secondary Vocational School in Chomutov (workshop fitter).

He gained professional experience in positions such as Reactor Technician at Dukovany Nuclear Power Station.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: under a decision of the General Meeting, not eligible for options

Members of the ČEZ, a. s. Supervisory Board whose position terminated in 2010 or before the Annual Report closing date:

Martin Kocourek (* 1966)
Chairman from December 14, 2006 to August 12, 2010, member from September 22, 2006 to August 12, 2010

Ivan Fuksa (* 1963)
Vice Chairman from May 21, 2009 to August 12, 2010, member from April 23, 2007 to August 12, 2010

Jan Demjanovič (* 1953)
Member from February 24, 2003 to November 22, 2010

Vlastimil Jiřík (* 1968)
Member from May 13, 2009 to April 22, 2010

Petr Kalaš (* 1940)
Member from April 23, 2007 to November 22, 2010

Miloš Kebrdle (* 1950)
Member from May 13, 2009 to November 22, 2010

Lubomír Lízal (* 1969)
Member from November 22, 2010 to February 24, 2011

Zdeněk Trojan (* 1936)
Member from January 26, 2006 to November 22, 2010

Zdeněk Židlický (* 1947)
Vice Chairman from August 29, 2006 to September 29, 2010, member elected by the employees since June 13, 2002, re-elected by the employees from June 29, 2006 to September 29, 2010

Martin Kocourek and Ivan Fuksa resigned from the Supervisory Board of ČEZ, a. s. in conjunction with their being appointed Ministers of the Government of the Czech Republic. The Supervisory Board discussed the resignations at its meeting on August 12, 2010. Martin Kocourek was appointed Minister of Industry and Trade and Ivan Fuksa Minister of Agriculture.
Vlastimil Jiřík resigned from the Supervisory Board for health reasons on April 22, 2010.
Zdeněk Židlický terminated his activities as member and Vice Chairman of the Supervisory Board on September 29, 2010.
The extraordinary General Meeting held on November 22, 2010 removed Jan Demjanovič, Petr Kalaš, Miloš Kebrdle, and Zdeněk Trojan from the ČEZ, a. s. Supervisory Board, confirmed Martin Říman and Eduard Janota as members of the Supervisory Board, and elected the following new Supervisory Board members: Jan Kohout, Lubomír Lízal, Lukáš Hampl, Jiří Kadrnka, and Ivo Foltýn.
Lubomír Lízal resigned from the Supervisory Board on February 24, 2011.

Companies in which members of the Supervisory Board have been members of administrative, executive, or supervisory bodies or partners at any time during the past five years, excluding the parent company ČEZ, a. s. and subsidiaries thereof:

Eduard Janota
- Českomoravská záruční a rozvojová banka, a.s. – member of the Supervisory Board in 1992–1997 and 1998–2009
- České aerolinie a.s. – member and chairman of the Supervisory Board in 2003–2006.

Lubomír Klosík
- ECHO Labor Union – member of the Board of Trustees since 2004 (five-year term, expires in 2013)
- Regional Federation of Labor Unions of the Czech-Moravian Confederation of Labor Unions, Moravia-Silesia Region – Chairman since 2007 (four-year term, expires in 2015)
- Association for Development of the Moravia-Silesia Region – member of the Council since 2007 (four-year term)
- Eurest-T Beskydy – member of the steering committee of the international cooperation project since 2008 (unlimited term)
- CEZ Group European Works Council – Vice Chairman since June 26, 2007 (four-year term, expires in 2015).

- Current memberships in statutory bodies other than those of ČEZ, a. s.
- Past memberships in statutory bodies other than those of ČEZ, a. s.

Ivo Foltýn

- Fox hole a.s. – sole member of the Board of Directors since July 29, 2009 (five-year term), sole shareholder since March 20, 2008
- nexum Trilog a.s. – member and Chairman of the Supervisory Board since December 15, 2010 (five-year term).

Czech Republic:
- Penzijní fond České pojišťovny, a.s. – member and Chairman of the Board of Directors in 1997–2007 and 2008–2009
- Oborová zdravotní pojišťovna zaměstnanců bank, pojišťoven a stavebnictví – Chairman of the Board of Administration in 2007–2010
- Association of Pension Funds of the Czech Republic – member of the Presidium in 1997–2006.

Slovakia:
- VÚB Generali dôchodková správcovská spoločnosť, a.s. – member of the Supervisory Board in 2008–2009.

Russia:
- Inphorce, Russia – member of the Supervisory Board in 2008–2009
- Penzijní fond “Generali PPF” – Chairman of the Board of Directors in 2007–2010
- Generalli PPF Life insurance – member of the Board of Directors in 2005–2009.

Ukraine:
- CJSC “IC Generali Life Insurance” – Chairman of the Supervisory Board in 2008–2009
- Generali Garant Life Insurance – member of the Supervisory Board in 2008–2010
- OJSC “UIC Generali Garant” – member of the Supervisory Board in 2008–2009
- CJSC “CZI Ukraine” Pension Fund – member of the Supervisory Board in 2007–2009.

Kazakhstan:
- Česká pojišťovna Kazakhstan – member of the Supervisory Board in 2007–2009.

Belarus:
- Česká pojišťovna Belarus – member of the Supervisory Board in 2007–2009.

Petr Gross

- Czech Power Industry Labor Union – member of the Coordination Committee since 2005 (four-year term, expires in 2013)
- Czech and Moravian Confederation of Labor Unions – member of the Regional Council in 2001–2005.

Lukáš Hampl

- České dráhy, a.s. – Chairman of the Supervisory Board since September 16, 2010 (five-year term)
- Centrum dopravního výzkumu, v. v. i. – member of the Supervisory Board since October 1, 2010 (five-year term)
- Správa železniční dopravní cesty, státní organizace (Railway Infrastructure Administration, State Organization) – member of the Board of Management since November 11, 2010 (unlimited term)
- Řízení letového provozu České republika, státní podnik (Air Navigation Services of the Czech Republic, State Enterprise) – Chairman of the Supervisory Board since November 30, 2010 (five-year term).

Vladimír Hronek

- Association of Apartment Owners at Komenského 693 – Vice Chairman of the Committee since June 11, 2003.

Zdeněk Hrubý

- SEVEn, Středisko pro efektivní využívání energie, o.p.s. – member of the Supervisory Board since June 5, 2009 (four-year term)
- European Investment Bank – member of the Board of Directors since May 1, 2004 (unlimited term)
- European Investment Fund – member of the Board of Directors since May 1, 2009 (term expires June 30, 2012)
- Museum Kampa – Jan and Meda Mládek Foundation – member of the Supervisory Board since December 15, 2008 (term expires when next Board of Directors meeting is held, approximately April 30, 2011)
- MEDEANA s.r.o. – Partner since January 25, 2010
- HAUSALPIN s.r.o. – Partner since February 16, 2010
- YLL Invest s.r.o. – Managing Director and Partner since January 3, 2011
- SEVEn, Středisko pro efektivní využívání energie, o.p.s. – member of the Board of Trustees in 2003–2009
- GARNET MINING a.s. – member of the Board of Directors in 2005–2007.

Jiří Kadrnka

- MOSS logistics s.r.o. – Managing Director since September 24, 1997 (term not specified), Partner since February 5, 1998, Head of Field Office of MOSS logistics s.r.o., organizational unit in the Slovak Republic since December 4, 2009
- MOSS plus s.r.o. – Managing Director in 1997–2009, Head of Field Office of MOSS plus s.r.o., organizational unit in the Slovak Republic in 2007–2009
- Vodovody a kanalizace Břeclav, a.s. – member of the Board of Directors in 2003–2007
- Energo Hustopeče s.r.o. – member of the Supervisory Board in 2000–2010.

Jan Kohout

- PERMIT, spol. s.r.o. – Partner since November 23, 2010.

Lubomír Lízal

(member November 22, 2010 – February 24, 2011)
- National Economy Institute of the Academy of Sciences of the Czech Republic, v.v.i. – member of the Institute Council since February 2, 2007 (five-year term)
- CERGE - EI c/o – member of the Board of Directors since 2005 (term not specified)
- National Economy Institute of the Academy of Sciences of the Czech Republic, v.v.i. – Director in 2003–2008
- Charles University, Prague – Director, CERGE Institute in 2003–2008
- Česká společnost pro energetiku, občanské sdružení – member of the Executive Secretariat (right to act) in 2010
- Center of Economic Studies of Vysoká škola ekonomie a managementu, o.p.s. – member of the Board of Directors in 2006–2007.

■ Current memberships in statutory bodies other than those of ČEZ, a. s.
■ Past memberships in statutory bodies other than those of ČEZ, a. s.

Drahoslav Šimek

- Basic Organization of the Czech Labor Union of Power Industry Workers, Labor Organization of Shift Workers at Dukovany Power Plant – Vice Chairman since 1995 (current four-year term expires in 2012).

- Current memberships in statutory bodies other than those of ČEZ, a. s.
- Past memberships in statutory bodies other than those of ČEZ, a. s.

Committees of the Supervisory Board

Within the scope of its powers, the Supervisory Board sets up committees. Only Supervisory Board members are eligible for committee membership, and committee members are elected and removed by the Supervisory Board. The term of office of committee members is identical to their term of office in the Supervisory Board. Committees of the Supervisory Board meet as needed, but no less than once per quarter.

- Strategy Committee of the ČEZ, a. s. Supervisory Board, whose mission is to improve the Supervisory Board's decision-making in matters concerning the company's strategic development. For this purpose, the committee's activities include evaluating proposals for major business activities such as capital expenditure, acquisition, and divestiture projects (in particular, purchases and sales of material assets and/or ownership participations in the Czech Republic and abroad), proposals for establishing or winding up subsidiaries of ČEZ, a. s., construction of new generating plants and the phasing out, sale, or renewal of production plant and equipment.

In 2010 the committee conducted eight regular meetings.

Ivo Foltýn	Vice Chairman since December 16, 2010 member since December 2, 2010
Lukáš Hampl	member since December 2, 2010
Jan Kohout	member since December 2, 2010
Martin Říman	member since December 2, 2010

Members of the Strategy Committee of the ČEZ, a. s. Supervisory Board (original name: Strategic Planning Committee) whose membership terminated in 2010 or before the Annual Report closing date:

Petr Kalaš	Chairman June 24, 2009 – November 22, 2010 member May 17, 2007 – November 22, 2010
Zdeněk Židlický	Vice Chairman June 24, 2009 – September 29, 2010 member February 5, 2009 – September 29, 2010
Jan Demjanovič	member February 12, 2006 – November 22, 2010
Miloš Kebrdle	member May 21, 2009 – November 22, 2010
Lubomír Lízal	Chairman December 16, 2010 – February 24, 2011 member December 2, 2010 – February 24, 2011

- Personnel Committee of the ČEZ, a. s. Supervisory Board, which is charged, in particular, with making proposals for the Supervisory Board regarding its personnel policies *vis-à-vis* the Board of Directors, presenting its opinion on proposals to elect and remove members of the Board of Directors, presenting nominations of candidates for membership of the Board of Directors to the Supervisory Board for approval, making recommendations to the Supervisory Board regarding issuance of opinions in matters relating to the appointment and manner of remuneration of the Chief Executive Officer and members of the Board of Directors who are employees of the Company, and giving to the Supervisory Board its recommendations concerning candidates proposed by the Board of Directors for nomination to the supervisory boards of companies in which ČEZ, a. s. holds stakes in the stated capital exceeding CZK 500 million.

Seven regular meetings were held in 2010.

Petr Gross	Chairman since December 16, 2010 Vice Chairman from March 26, 2009 to December 15, 2010 member since May 21, 2009
Jiří Kadrnka	Vice Chairman since December 16, 2010 member since December 2, 2010
Vladimír Hronek	member since December 2, 2010

Members of the Personnel Committee of the ČEZ, a. s. Supervisory Board whose membership terminated in 2010 or before the Annual Report closing date:

Zdeněk Trojan	Chairman March 26, 2009 – November 22, 2010 member August 29, 2006 – November 22, 2010
Vlastimil Jiřík	member May 21, 2009 – April 22, 2010
Lubomír Lízal	member December 2, 2010 – February 24, 2011
Zdeněk Židlický	member August 29, 2006 – September 29, 2010

How Committees of the Supervisory Board Make Decisions

For any committee of the Supervisory Board to make a decision, a simple majority of the votes of all members of the committee in question is necessary. Details on how meetings of committees of the Supervisory Board are conducted are stipulated in their respective rules of order. Minutes are kept of all meetings of committees of the Supervisory Board, and the minutes are archived for as long as the company remains in existence.

Board of Directors

As the statutory body, the Board of Directors manages the Company's operations and acts in its name. The Board of Directors decides in all matters not specified by law or the Articles of Association as part of the powers of the General Meeting or the Supervisory Board. It is governed by principles and instructions approved by the General Meeting.
In particular, the Board of Directors:

- sees to commercial management, including keeping of proper accounts
- convenes and organizes the General Meeting
- submits to the General Meeting:
  - the Company's draft business policy and draft amendments thereto
  - draft amendments to the Articles of Association
  - proposals to increase/decrease the stated capital and for issue of convertible and/or priority bonds
  - annual, extraordinary, consolidated, and/or interim financial statements
  - income distribution proposals including stipulation of dividend amount, manner of pay-out, and due date, amount of Board member bonuses, and amounts to be allocated to reserves or manner of settling Company losses
  - yearly report on the Company's business operations and the state of its assets
  - summary explanatory report pursuant to Section 118(8) of the Act on Doing Business in the Capital Market
- carries out General Meeting resolutions
- removes the Company's executives pursuant to Section 73 of the Labor Code
- decides on entering into agreements on formation of business companies or interest associations of legal entities and/or acquisition by the Company of ownership stakes in other legal entities, as well as winding up of business companies or interest associations of legal entities and/or sale of ownership stakes belonging to the Company in other legal entities.

Before it can implement certain decisions, the Board of Directors is obligated to obtain the prior consent of the Supervisory Board and, for certain Company matters, its opinion.
The Board of Directors has seven members, all of whom are elected and removed by the Supervisory Board. Members of the Board of Directors serve for four-year terms, and re-election is possible. The Board of Directors elects and removes its Chairman and Vice Chairman.
The work address of all members of the Board of Directors is the Company headquarters, i.e.: Duhová 2/1444, 140 53 Prague 4, Czech Republic.
The Board of Directors meets at least once per month. In 2010 a total of 45 meetings were held: 38 regularly scheduled meetings and seven extraordinary meetings.

Amendment to the Articles of Association Relating to the Board of Directors
The General Meeting of ČEZ, a. s. held on June 29, 2010 approved an amendment of the ČEZ, a. s. Articles of Association increasing the number of members of the Board of Directors from six to seven. At the same time, the amendment did away with the position of Second Vice Chairman, leaving just one position of Vice Chairman. Subsequently, the ČEZ, a. s. Board of Directors elected Daniel Beneš, the erstwhile First Vice Chairman of the Board of Directors, to the new position of Vice Chairman.
As of June 29, 2010, there was a change in how the Board of Directors makes decisions: a simple majority of all members is now necessary. Before this change, a simple majority of members present was enough to pass a resolution, subject to a mandatory minimum of three votes.
In conjunction with an expansion in the powers of the Supervisory Board, the powers of the Board of Directors were reduced by a corresponding amount (by expanding the category of Board of Directors decisions whose implementation is conditional upon the prior consent or opinion of the Supervisory Board).
The amendment of the Articles of Association also clarified how the Company is represented. The Board of Directors acts and signs on the Company's behalf through two of its members, acting jointly.

How the Board of Directors Makes Decisions

In order for the Board of Directors to make a decision, a simple majority of the votes of all its members is necessary. It represents a quorum when a simple majority of its members is present at a meeting. Each member has one vote. When necessary in matters of urgency, a decision may be made without holding a meeting – such decisions are referred to as *per rollam* and must be included in the minutes of the next Board of Directors meeting. At its discretion, the Board of Directors may invite to its meetings members of the company's other governing bodies, its employees, or other persons.

Description of the Activities, Responsibilities, and Decision-making Powers of Members of the ČEZ, a. s. Board of Directors

The office of member of the ČEZ, a. s. Board of Directors includes the exercise of all rights and obligations that are associated with the office of member of the Board of Directors under applicable laws and regulations; the Articles of Association; the Rules of Order of the Board of Directors; resolutions of the General Meeting, the Supervisory Board, and the Board of Directors; Board of Directors membership contracts; and the company's internal regulations.

In particular, members of the Board of Directors are obligated to carry out their activities for the company in person and to their best knowledge and ability, to cooperate with the other members of the Board of Directors, and to protect the company's interests to the greatest extent possible. The Board of Directors can assign specific tasks to individual members in the manner set forth in the Rules of Order of the Board of Directors.

In accordance with applicable laws and regulations and Section 14(7)(a) of the Articles of Association, members of the Board of Directors are entitled to take part in the company's commercial management, including the keeping of proper accounts. In seeing to the Company's commercial management, members of the Board of Directors take part in the Board of Director's decision-making in matters such as, inter alia:

a) use of the company's non-distributable reserve fund, unless stipulated otherwise by law
b) increase of the company's stated capital in accordance with Section 210 of the Commercial Code, and the issuance of Company shares booked to owner in conjunction therewith
c) price proposals submitted to the regulatory body
d) draft purchase agreements relating to electricity
e) capital expenditure projects and their implementation
f) acceptance of long-term loans (credits) with maturities of longer than one year and other similar long-term financial transactions of the company, except for hedging transactions
g) the content of the Annual Report pursuant to the Act on Accounting and of the half-year and yearly reports pursuant to the Act on Doing Business in the Capital Market
h) agreements on formation of business companies or interest associations of legal entities and/or acquisition by the company of ownership stakes in another legal entity, as well as on winding up a business company or interest association of legal entities and/or on the sale of the company's ownership stake in another legal entity
i) divestiture of real property whose market or appraised value exceeds CZK 100 million in any individual case
j) acquisition, divestiture, encumbrance, or lease of real property and/or movables (except for inventories and securities used for liquidity management purposes), provided they are, or are intended to be, part of the company's business assets and their book value exceeds CZK 500 million
k) capital expenditure projects of the company whose value exceeds CZK 500 million
l) disposition of ownership stakes in other legal entities headquartered in the Czech Republic or abroad, subject to the terms and conditions set forth in the Articles of Association
m) issuance of bonds other than those whose issue requires the consent of the General Meeting pursuant to Section 160 of the Commercial Code
n) entering into an agreement under Section 193(2) of the Commercial Code
o) proposals of the business plans of controlled entities whose stated capital exceeds CZK 500 million.

In accordance with the Articles of Association, some of the above decisions of the Board of Directors require the prior consent of the Supervisory Board before they can be implemented, and the Board of Directors is required to submit some of these decisions to the Supervisory Board for discussion and request its opinion.

Members of the Board of Directors of ČEZ, a. s.

Martin Roman (* 1969)

Chairman since February 23, 2004, re-elected effective February 20, 2008, member since February 19, 2004, re-elected effective February 20, 2008

A graduate of the Charles University, Prague, Faculty of Law, Mr. Roman was awarded a one-year scholarship to study at the University of St. Gallen, Switzerland, Faculty of Economics, and completed a one-year study stay at Karl-Ruprechtsuniversität, Heidelberg, Germany.

He gained managerial and professional experience in positions such as Chairman of the Board of Directors of Škoda Holding.

Daniel Beneš (* 1970)

Vice Chairman since June 29, 2010, First Vice Chairman since May 21, 2008, re-elected effective December 16, 2009, served until June 29, 2010, Vice Chairman from May 10, 2006 to May 20, 2008, member since December 15, 2005, re-elected effective December 16, 2009

A graduate of the Technical University of Ostrava, Faculty of Mechanical Engineering, and the Brno International Business School-Nottingham Trent University (MBA).

He gained managerial and professional experience in positions such as Director, Procurement Section and Chief Administration Officer of ČEZ, a. s.

Peter Bodnár (* 1960)
Member since August 21, 2009
A graduate of the Slovak Technical University, Bratislava, Slovak Republic, Faculty of Mechanical Engineering, where he majored in thermal and nuclear power engineering.
He gained managerial and professional experience in positions such as Managing Director, ALSTOM Power, s.r.o., ALSTOM Group; Managing Director and Chief Executive Officer, ALSTOM Power Slovakia, s.r.o., Bratislava, Slovak Republic; and Director, Quality and Process Improvement Division, Slovenské elektrárny a.s., Bratislava, Slovak Republic (ENEL Produzione S.P.A.).

Vladimír Hlavinka (* 1966)
Member since January 1, 2008
A graduate of the Brno University of Technology, major in thermal and nuclear power engineering, and the Masaryk University, Brno, Faculty of Law.
He gained managerial and professional experience in positions such as member of the Board of Directors, ALTA, a.s., and Director, Temelín Nuclear Power Station.

Martin Novák (* 1971)

Member since May 22, 2008

A graduate of the University of Economics, Prague, Faculty of International Relations, major in international trade and business law. In 2007 Mr. Novák completed an Executive MBA program at the University of Pittsburgh, specializing in the power industry. He has been a member of the Chamber of Tax Advisers since 1996.

He gained managerial and professional experience in managerial positions at the world headquarters of ConocoPhillips in Houston, Texas, USA and at its regional headquarters in London; as Director of Finance of ConocoPhillips Czech Republic, s.r.o. with responsibility for the region of Central & Eastern Europe (in this position he also served as statutory representative for several regional branches of ConocoPhillips); and as Director, Accounting Section, ČEZ, a. s.

Tomáš Pleskač (* 1966)

Member from January 26, 2006, re-elected effective January 27, 2010, Vice Chairman from February 11, 2008 to May 20, 2008, Second Vice Chairman since May 21, 2008, re-elected from January 27, 2010 to June 29, 2010

A graduate of the Brno Institute of Agriculture, Faculty of Business and Economics, Mr. Pleskač holds an MBA from Prague International Business School.

He gained managerial and professional experience in positions such as Financial Director, Severomoravská energetika, a. s. and Deputy Director for Finance, Dukovany Nuclear Power Station.

Members of the Board of Directors whose positions terminated in 2010 or before the Annual Report closing date:

Daniel Beneš (* 1970)
First Vice Chairman from May 21, 2008 to June 29, 2010

Tomáš Pleskač (* 1966)
Second Vice Chairman from May 21, 2008 to June 29, 2010

Among other things, the General Meeting held on June 29, 2010 did away with the positions of First and Second Vice Chairman of the Board of Directors and replaced it with a single Vice Chairman position.

Companies in which members of the Board of Directors have been members of administrative, executive, or supervisory bodies or partners at any time during the past five years, excluding the parent company ČEZ, a. s. and subsidiaries thereof:

Martin Roman
- VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG – member of the Supervisory Board since June 29, 2010 (four-year term)
- Confederation of Industry and Transport of the Czech Republic – Vice President since April 29, 2004, re-elected on April 25, 2007 (four-year term)
- Prague Stock Exchange – member of the Supervisory Board since June 9, 2005, re-elected on June 10, 2010 (five-year term)
- PORG – gymnázium a základní škola, o.p.s. – Chairman of the Board of Trustees since October 8, 2007, re-elected on September 20, 2010 (three-year term)
- Martin and Lenka Roman Foundation for PORG – Founder, established on July 24, 2008
- Martin Roman Foundation – Founder, established on December 27, 2010
- Academy of Fine Arts – member of the Board of Trustees since October 1, 2008 (four-year term)
- MOL Hungarian Oil and Gas Plc – member of the Board of Directors since April 29, 2010 (five-year term)
- Akenerji Elektrik Üretim A.S. – member of the Board of Directors since May 13, 2009 (term expires December 17, 2012), Vice Chairman of the Board of Directors since May 15, 2009
- České dráhy, a.s. – member of the Supervisory Board in 2007–2009.

■ Current memberships in statutory bodies other than those of ČEZ, a. s.
■ Past memberships in statutory bodies other than those of ČEZ, a. s.

Daniel Beneš

- ČEZ Foundation – member of the Board of Trustees since March 26, 2007, Chairman of the Board of Trustees since May 31, 2007 (four-year term, expires July 16, 2011)
- Jadrová energetická spoločnosť Slovenska, a. s. – Vice Chairman of the Supervisory Board since December 31, 2009 (five-year term)
- Technical University of Ostrava – member of the Board of Trustees since August 14, 2009 (five-year term)
- Coal Energy, a.s. in liquidation – member and Chairman of the Supervisory Board in 2006–2009.

Peter Bodnár

- Akenerji Elektrik Üretim A.S. – member of the Board of Directors since May 12, 2009 (term expires December 17, 2012)
- Jadrová energetická spoločnosť Slovenska, a. s. – member of the Supervisory Board since December 31, 2009 (five-year term)
- Chladiace veže Bohunice, spol. s r.o. – Chairman of the Supervisory Board in 2006–2007
- DECOM Slovakia, spol. s r.o. – member of the Supervisory Board in 2006–2007.

Vladimír Hlavinka

- TOS KUŘIM - OS,a.s. – member and Vice Chairman of the Supervisory Board in 2005–2006
- KULIČKOVÉ ŠROUBY KUŘIM,a.s. – member and Vice Chairman of the Supervisory Board in 2005–2006
- SLÉVÁRNA KUŘIM, A.S. – member and Vice Chairman of the Supervisory Board in 2005–2006
- ALTA, akciová společnost – member of the Board of Directors in 2005–2006
- RIPSL a.s. “in liquidation” – member of the Supervisory Board in 2005–2007
- TOS REALITY s.r.o. – Managing Director in 2005–2006.

Martin Novák

- Vyhlídka Apartment Cooperative, in liquidation – member of the Board of Directors since December 21, 2006
- Association of Apartment Owners at Suchý vršek 2101–2106 – committee member since September 21, 2010
- ConocoPhillips Czech Republic, s.r.o. – Managing Director in 2003–2006
- ConocoPhillips Hungary Kft. – member of the Supervisory Board in 2003–2006
- ConocoPhillips Poland sp. z o.o. – Managing Director in 2003–2006.

Tomáš Pleskač

- CM European Power International B.V. – member of the Board of Directors since July 17, 2008 (three-year term), Vice Chairman of the Board of Directors since September 5, 2008
- Akenerji Elektrik Üretim A.S. – member of the Board of Directors since May 13, 2009 (term expires December 17, 2012)
- Mitteldeutsche Braunkohlengesellschaft mbH – member of the Supervisory Board since June 10, 2009 (term expires when the General Meeting approves the financial statements for 2011 – expected to take place in April 2012)
- “U Petrské věže” Owners Association for Building No. 1157 – committee member since November 22, 2007, re-elected November 2, 2010
- Elektrovod Holding, a.s. – member of the Supervisory Board in 2003–2006.

- Current memberships in statutory bodies other than those of ČEZ, a. s.
- Past memberships in statutory bodies other than those of ČEZ, a. s.

Remuneration Principles – Members of the Board of Directors, Supervisory Board, and Audit Committee
Remuneration of members of the Board of Directors, Supervisory Board, and Audit Committee, including all benefits, are approved by the General Meeting. In accordance with resolutions passed by the General Meeting, the Company enters into a membership contract with each member of these bodies.

Members of the Company's governing bodies receive the following remuneration and benefits:

- fixed remuneration (members of the Board of Directors and Supervisory Board) – paid regularly, following the end of each calendar month. Should a member of the Board of Directors fall ill, he or she is entitled to full monthly remuneration for the first 30 days; should the board member be incapacitated for longer than 30 days, the amount of the monthly remuneration for the period following the 31st day of incapacitation to the end thereof shall be decided by the Board of Directors under the condition that said monthly remuneration may not be less than 50% of the full monthly remuneration amount. In the event a member of the Supervisory Board is temporarily unable to discharge his or her office due to illness or long-term absence, the member in question shall be entitled to remuneration provided he or she delivers to the Chairman of the Supervisory Board a written statement on the agenda items of missed meetings before said meetings take place, unless the Supervisory Board decides otherwise. Granting of remuneration in the event of a Supervisory Board member's temporary inability to discharge office shall be decided by the Supervisory Board.
- remuneration (members of the Audit Committee) – paid regularly, following the end of each calendar month. In the event a member is temporarily unable to discharge his or her office due to illness or long-term absence, the member shall be entitled to remuneration if he or she delivers to the Committee Chairman a written statement on the agenda items of missed meetings before the meetings take place, unless the Audit Committee decides otherwise. Granting of remuneration in the event of temporary inability to discharge office shall be decided by the Audit Committee.
- target remuneration – based on fulfillment of specific tasks assigned by the General Meeting, a member of the Board of Directors may receive target remuneration up to six times the amount of his or her monthly remuneration. Details, including amount and due date of the target remuneration, are set by the Board of Directors after discussing the matter with the Supervisory Board, subject to compliance with the principles laid down by the General Meeting.
- board membership bonuses – paid to members of the Board of Directors and Supervisory Board by General Meeting decision. The amount of the bonus for individual members of the Board of Directors is set pursuant to rules approved by the General Meeting.
- stock options – members of the Board of Directors are entitled to Company stock options under the conditions set forth in the relevant option contract. Members of the Supervisory Board and Audit Committee do not receive stock options.

- insurance – the following insurance is taken out at Company expense:
  - insurance against liability for damage caused to the Company or to third parties while discharging duties of office
  - endowment life insurance which, upon the termination of board membership or the Company's withdrawal from the endowment life insurance policy, is transferred free-of-charge to the board member. Endowment life insurance premiums paid by the Company are treated as part of the board member's wages and, as such, are subject to withholding of income tax and health insurance premiums.
- company car – members of the Board of Directors are entitled to a company car for business and personal use. Members of the Supervisory Board may be assigned a company car for use in the course of discharging their office. Terms and conditions for lending and use of company cars are set forth in separate agreements. Company cars provided for business and personal use are subject to taxation, and fuel consumed for personal use is paid for by the board member through income withholding. In the event a member of one of the Company's governing boards uses his or her own car on Company business, the costs associated with such use are paid by the Company in accordance with applicable laws and regulations.
- severance pay – contracts with members of the Board of Directors are entered into for a specified period of time. Should the contract be terminated before it is due to expire, the Company is obligated to provide severance pay to the board member. The severance pay amount is the aggregate total remuneration that would otherwise have been paid for the months remaining until the end of the board member's term. Members of the Board of Directors are not eligible for severance pay if they:
  - resign from the Board of Directors
  - are convicted, with legal force, of a purposeful criminal act committed by breaching obligations in the course of, or in conjunction with, acting as a member of the Board of Directors
  - cause damage to the Company that lowers the Company's equity, either through an action or a serious failure to act in direct relation to his or her office.

  Terms and conditions for payment of severance pay are set forth in the board membership contract.
- reimbursement of travel expenses – when traveling on business, members of the Board of Directors and Supervisory Board are entitled to receive meal allowances and *per diem* at rates above those set forth in applicable laws and regulations; other expenses and insurance premiums are reimbursed at face value. In the case of work-related travel by Audit Committee members, meal allowances and *per diem* are provided at the maximum rates pursuant to the Labor Code.

Members of the Supervisory Board and Audit Committee that, due to statutory restrictions (Labor Code, Act on Conflicts of Interest), are not allowed to earn remuneration, do not receive monthly fixed remuneration or any other consideration not permitted under the law.

Fulfillment of Corporate Governance Codices

Our corporate governance is based on the recommendations of the 2004 Corporate Governance Codex, in the drafting of which in the Czech Republic ČEZ, a. s. took part and whose provisions we comply with in all material respects. The Codex was compiled under the patronage of the erstwhile Securities Commission and it can be found on the website of the Ministry of Finance of the Czech Republic under the link www.mfcr.cz/cps/rde/xbcr/mfcr/Kodex_spravy_a_rizeni_spolecnosti_2004.pdf.

Important information on the Company's governing bodies, a description of how they are established, their current composition, a description of how their members are remunerated, and a summary of Supervisory Board committees can be found on pages 24–40 and 45 of this Annual Report. ČEZ, a. s. complies with all Commercial Code provisions regarding shareholder rights, convening its General Meetings and ensuring equal treatment of all shareholders.

As an issuer of securities accepted for trading on the Warsaw Stock Exchange (GPW), ČEZ, a. s. is obligated to comply with the Codex released by said exchange.

As part of the preparations for launching its shares on this exchange, ČEZ, a. s. issued a declaration of compliance with the GPW Codex. On April 6, 2011, ČEZ, a. s. released a Codex compliance summary for the previous year, i.e. 2010, which is available in Czech, English, and Polish on the CEZ Group website, in the "Regulatory announcements" section.

The text of the GPW Codex can be found on the Warsaw Stock Exchange's special-purpose site, in English at www.corp-gov.gpw.pl/assets/photo/wydarzenia/konferencje/2010/dpsn 2010 enx.pdf, and in Polish at: www.corp-gov.gpw.pl/assets/library/polish/publikacje/dpsn2010.pdf.

In its activities, ČEZ, a. s. takes into account all material rules of the GPW Codex. Nevertheless, for the reasons set out below certain aspects of ČEZ's practices in 2010 departed from the provisions of the GPW Codex in the following cases:

1) The GPW Codex requires General Meeting announcements to include biographical and other information on persons nominated for membership of the Supervisory Board. Because these persons are nominated by the shareholders, ČEZ, a. s. has no means of obtaining the information on nominees from the shareholders.
2) In terms of the manner of replacing the audit firm charged with auditing the financial statements, ČEZ, a. s. is governed by the valid Act No. 93/2009 Sb. on Auditors, which comprehensively treats this issue, and therefore ČEZ, a. s. deems it superfluous to set rules on the matter in question by an internal directive which, according to the GPW Codex, is to be published on the Company website.
3) ČEZ, a. s. requires members of the Supervisory Board to disclose, each year in a sworn statement to the Company, any possible conflicts of interest which, in the opinion of ČEZ, a. s., also includes their relationships (financial, family) with shareholders controlling at least 5% of the voting rights at the General Meeting, the identification of which is required by the GPW Codex.
4) Under the GPW Codex, members of the Supervisory Board are not to resign from their positions in cases when doing so could threaten the Supervisory Board's viability or cause it to not make quorum. At ČEZ, however, there is an effective mechanism that prevents such a situation from arising: the Supervisory Board is authorized to appoint substitute Supervisory Board members to serve until the next General Meeting. This procedure can only be used under the condition that the proportion of members elected by the General Meeting has not fallen below one half, i.e. usually four persons.

5) The GPW Codex requires that at least two members of the Supervisory Board be independent of ČEZ, a. s. and affiliated entities. As at December 31, 2010 this criterion was fulfilled; however, as a general rule the Company has no means to secure its fulfillment, since the members of the Supervisory Board are elected by the shareholders and employees and hence ČEZ, a. s. has no influence over the Supervisory Board's composition.
6) In general, ČEZ, a. s. does not prohibit the presence of representatives of the mass media at the ČEZ, a. s. General Meeting. If these representatives are not company shareholders, their presence at the General Meeting is subject to approval by the Board of Directors.
7) Under the GPW Codex, the beginning of dividend pay-out is to come as soon as possible after the dividend strike date, and the time delay should be at most 15 business days. As this matter is not addressed by ČEZ, a. s. internal guidelines, the company always deals with it on a one-time basis, in the General Meeting decision on dividend pay-out.
8) The GPW Codex requires that shareholders be allowed to attend the General Meeting electronically, through one or more of the following:
   - direct broadcast of the proceedings of the General Meeting
   - bidirectional communication in real time, enabling the shareholder to enter the debate, even if he or she is not present where the General Meeting is being held
   - voting at the General Meeting, either in person or through an authorized representative.

   Shareholders have the option of being represented by an authorized agent who attends the General Meeting directly, in person. To enable shareholders to participate in the General Meeting remotely, the Commercial Code requires that this method of participation be treated in the Articles of Association. For technical and organizational reasons related to organizing the General Meeting, ČEZ has decided not to include in the Articles of Association the possibility for shareholders to participate in the General Meeting by the above mentioned remote access methods.
9) In terms of providing and publishing answers to shareholder questions, ČEZ is governed by applicable law, which requires that it provide answers to shareholder questions at the General Meeting. Explanations on individual agenda items may also be provided to shareholders by publishing them on the Company website no later than the day prior to the General Meeting and, subsequently, they are available at the General Meeting itself, as well. Questions and answers are included in the minutes of the General Meeting proceedings, which are available to shareholders upon request. Despite the GPW Codex's requirement, ČEZ, a. s. does not publish them on its website. ČEZ, a. s. deems this manner of providing answers to shareholder questions to be sufficient.

Approach to Risks in Relation to Financial Reporting

ČEZ, a. s. maintains accounts in accordance with International Financial Reporting Standards (IFRS) and, for the purpose of the Income Tax Act, in accordance with Czech Accounting Standards (CAS). This is done by maintaining two general ledgers: one for IFRS and the other for CAS.

ČEZ also provides accounting services to selected subsidiaries (referred to as "integrated" subsidiaries) headquartered in the Czech Republic, which together with ČEZ, a. s. and other companies make up the CEZ Consolidated Group. The books of these integrated subsidiaries are kept in accordance with Czech accounting regulations and, at the same time, documentation is prepared for use in consolidation according to IFRS.

Accounting processes at ČEZ and in the integrated subsidiaries are governed by joint directives issued by ČEZ, a. s., which are valid also in said subsidiaries, or by directives issued by the parent company and subsidiaries individually, but based on unified rules. The principles contained in these directives are then worked out in more detail in work procedures and methodological materials, which describe specific parts of the accounting function.

Unified accounting policies at ČEZ and the integrated subsidiaries are set in full compliance with generally binding laws and regulations in the CEZ Group Accounting Standards. These standards are further supplemented by a set of lower-level methodological materials focusing in more detail on specific areas of the accounting process.

Consolidation rules and other general principles used to prepare the CEZ Group statutory consolidated financial statements are stipulated in the Rules of Consolidation.

Accounting documents are processed in accordance with a directive issued by each company individually, subject to the general principle that all accounting documents are recorded only when approved by two authorized employees. Approval takes place either in writing for documents forwarded to the accounting department in paper form, or electronically through the SAP system's approval process for documents forwarded in electronic form. The scope of each approving officer's signature authority is set forth in the management directives of the company in question.

In terms of the organization, the accounting function is separated from the process of managing business partners, including management of bank account information and settlement of accounts payable. This rules out any possibility of a single employee entering a business partner in the database, recording a payable with respect to that partner, and issuing a payment order. Accounts are paid only when approved by the employee authorized to purchase the goods or services in question and by an employee authorized to confirm that the goods and/or services have been received.

Only users with the necessary authorization have access to the accounting system. The process of granting access to the system takes place through a software application and is subject to approval by a superior and by the owner of the accounting process. Access is authorized according to the employee's job position. Access for active operations (recording transactions) in the accounting system is limited to employees of the accounting department only. All logins to the accounting system are recorded in a database and can be searched retroactively. For each accounting document in the system there are records on who created it, as well as who changed it or reversed it, if applicable.

Inventory-taking of assets and liabilities is an integral part of the system of accounting controls. The inventory-taking process verifies whether all predictable risks and potential losses associated with assets have been reflected in the accounts, whether the assets are properly protected and maintained, and whether records of assets and liabilities are accurate.

The correctness of the accounts and the financial statements is checked internally by the Accounting Section as well as audited by an external auditor, who carries out the audit of the individual and consolidated financial statements as at December 31.

Selected accounting areas are also subjected to an internal audit to determine whether the procedures used are in compliance with applicable legislation and the Company's internal directives. Where discrepancies are found, corrective measures are immediately proposed and implemented in the shortest possible time.

The effectiveness of ČEZ's system of internal controls and the process of compiling the financial statements of ČEZ, a. s. and the consolidated financial statements of CEZ Group, as well as of the external audit process on the mentioned financial statements, is also verified by the Audit Committee which, as a Company governing body, conducts these activities without affecting the responsibilities of members of the Board of Directors and Supervisory Board.

Audit Committee of ČEZ, a. s.

The Audit Committee is a governing body of the Company that conducts the following activities, inter alia, without prejudicing the responsibilities of members of the Board of Directors and the Supervisory Board:

- monitoring the process of compiling the financial statements and consolidated financial statements, as well as the process of their mandatory audit
- evaluating the effectiveness of the Company's internal controls, internal audit, and risk management systems, if applicable
- assessing the independence of the statutory audit firm and, in particular, the provision of supplementary services by that firm
- recommending an auditor to audit the Company's financial statements and the consolidated financial statements.

Members of the Audit Committee attend the Company's General Meeting, where they are required to present the results of their activities.
The Audit Committee has five members, all of which are elected and removed by the General Meeting from among the members of the Supervisory Board or third parties. Members of the Board of Directors and Company Proxies are not eligible for Audit Committee membership. Eduard Janota is an independent expert on the Audit Committee. Members of the Audit Committee serve for four-year terms. The Audit Committee meets once every two months, as a rule. Seven meetings took place in 2010: six regular meetings and one extraordinary meeting.

Amendment to the Articles of Association Relating to the Audit Committee
In accordance with the provisions of Section 66(2) and Section 567(1) of the Commercial Code, language was added to the Articles of Association requiring Audit Committee members to proceed with due care in carrying out their duties of office. Further, resignations of Audit Committee members were clarified – resignations are discussed by the Audit Committee.

How the Audit Committee Makes Decisions
The Audit Committee makes decisions by a simple majority of the votes of all its members. Each Audit Committee member has one vote.

Members of the Audit Committee

Zdeněk Hrubý (* 1956)
Chairman of the Audit Committee since June 25, 2009, member of the Audit Committee since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Eduard Janota (* 1952)
Vice Chairman of the Audit Committee since December 2, 2010, member (expert) of the Audit Committee since September 16, 2010
For personal data, see entry under Supervisory Board, above.

Lubomír Klosík (* 1951)
member of the Audit Committee since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Martin Říman (* 1961)
member of the Audit Committee since September 16, 2010
For personal data, see entry under Supervisory Board, above.

Drahoslav Šimek (* 1953)
member of the Audit Committee since May 13, 2009
For personal data, see entry under Supervisory Board, above.

Members of the Audit Committee whose positions terminated in 2010 or before the Annual Report closing date:

Martin Kocourek (* 1966)
Vice Chairman of the Audit Committee from June 25, 2009 to August 12, 2010, member of the Audit Committee from May 13, 2009 to August 12, 2010

Ivan Fuksa (* 1963)
Audit Committee Expert from June 25, 2009 to August 12, 2010, member of the Audit Committee from May 13, 2009 to August 12, 2010

Julie Krsková

Reactor Physics Process Specialist

“I am proud of my ability to combine my demanding profession with leisure-time activities. I draw strength and energy from meetings with friends, the good times, and adventures we share. I have an interesting job with a stable employer. The backing of a strong company like ČEZ gives me a feeling of security.”

Julie Krsková joined Dukovany Nuclear Power Station in August 2009. After passing the State Examination before a committee from the State Office for Nuclear Safety, she is certified to supervise handling of nuclear fuel. In September 2010, she commenced a course of study at the Czech Technical University, Faculty of Electrical Engineering, focused on the utilization of VVER-440 reactors to regulate transmission grid parameters and possible environmental impact.

ČEZ, a. s. Senior Management

At the executive employees level, the Company's senior management consists of the Chief Executive Officer, the Chief Operating Officers, and the other chief officers. The work address of members of senior management is the Company's headquarters, i.e.: ČEZ, a. s., Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Chief Executive Officer

The Chief Executive Officer carries out decisions of the Board of Directors and decides in Company matters that are not reserved for the General Meeting, the Supervisory Board, or the Board of Directors.

Martin Roman (* 1969)

Chief Executive Officer since April 1, 2004

The Chief Executive Officer manages the activities of the Chief Operating Officer and the Chief Finance Officer, as well as conducting senior management of the unit that reports directly to him. In the course of carrying out his duties of office, he is accountable to the Company's statutory body. He co-sets the Company's strategy and manages the following activities, inter alia: projects relating to the acquisition and divestiture of equity stakes (M&A activities); assessing the correctness of plans, strategies and approaches, and the operation of all elements of management at the section level; supervising the conversion of audit results into information and materials for decision-making regarding corrective measures for heads of the audited units and the Board of Directors; materials for decision-making regarding legal services for the Company and their provision within CEZ Group; legal support for corporate governance; and matters related to the Company's corporate identity, image, sponsoring, and external communication.

Number of ČEZ, a. s. shares at December 31, 2010: 386,000

Number of ČEZ, a. s. share options at December 31, 2010: 750,000

Committees of the Chief Executive Officer

- the Senior Management Council, which has been operating since 2007, is a senior management advisory body to the Chief Executive Officer, especially for matters exceeding the scope of individual divisions. The Senior Management Council meets once per week, as a rule.
- the Development Committee, which has been operating since 2007, is an advisory body to the Chief Executive Officer of ČEZ, a. s. for management of CEZ Group growth opportunities and projects.
- the Risk Committee, which has been operating since 2003, is an advisory body to the Chief Executive Officer of ČEZ, a. s. that develops and administers the integrated risk management system in accordance with the CEZ Group strategy, manages venture capital, continually monitors the overall impact of various risks, and oversees risk management per se in CEZ Group.
- the Strategy Committee, which has been operating since February 2010, is an advisory body to the Chief Executive Officer for the area of CEZ Group strategy.

Chief Operating Officer

The Chief Operating Officer carries out decisions of the Board of Directors and decides in matters, the management of which was delegated to him by the Chief Executive Officer.

Daniel Beneš (* 1970)

Chief Operating Officer since June 1, 2007

The Chief Operating Officer is charged with managing the activities of the other chief officers, except for the Chief Finance Officer. In addition, he manages the Chief Operating Officer's division. In doing so, he is accountable to the Chief Executive Officer.

He co-sets the Company's strategy and manages the following activities, inter alia: information and communication technology security; implementation of measures to protect confidential information; protection of personal data; physical security (other than the physical security of nuclear installations and materials); drafting and revisions of business plans of key projects, strategic initiatives and projects for increasing the efficiency of CEZ Group; prioritizing projects and initiatives; carrying out independent supervision of and providing feedback on compliance with nuclear safety, radiation protection, physical protection of nuclear installations and materials, accident preparedness, safety, protection of occupational health, and environmental protection; monitoring of events and activities that affect asset values; monitoring of risk management in the areas of safety and the system of process management; conduct of quality audits and reorganizations; coordination of the drafting of internal documents; and purchase and sale (other than financial services) for CEZ Group in the Czech Republic, including procurement related to the construction and renewal of power plants and coordination of procurement, sale, and logistical operations abroad.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: 200,000

Committees of the Chief Operating Officer

- Human Resources Committee
- ICT Committee
- International Holdings Committee
- Committee for ČEZ, a. s. Plant Safety
- Environmental Investment Committee
- Plant Construction and Renewal Committee.

Division Heads

Peter Bodnár (* 1960)
Chief Investment Officer since January 1, 2008
The Chief Investment Officer sees to the senior management of the Chief Investment Officer's division and is accountable to the Chief Operating Officer.
He co-sets Company strategy and manages the following activities, inter alia: construction of new CEZ Group power plant generating facilities and comprehensive retrofits of existing ones; drafting of documents related to capital construction in the Czech Republic and abroad; preparation and implementation of projects for new nuclear installations; cooperation in selecting contractors and entering into contracts; coordination of activities related to budgets, invoicing, and financial reporting of capital projects; support for acquisition processes; safety, quality, and compliance with legislative requirements during construction and commissioning of power plants; risks, timelines, and drawing down of costs in the course of capital projects.
Number of ČEZ, a. s. shares at December 31, 2010: 0
Number of ČEZ, a. s. share options at December 31, 2010: 120,000

Vladimír Hlavinka (* 1966)

Chief Production Officer since January 1, 2008

The Chief Production Officer sees to the senior management of the Chief Production Officer's division and is accountable to the Chief Operating Officer.

He co-sets Company strategy and manages the following activities, inter alia: ensuring safe, reliable, and economic generation of electricity and heat in the Company's plants; carrying out the position of segment guarantor for the area of safety; ensuring of nuclear safety, radiation protection, accident preparedness, physical protection of nuclear installations and materials, fire safety, technical safety, occupational safety and health, and environmental protection; supervision of activities important in terms of nuclear safety, technical safety, and radiation protection under the Nuclear Act; fulfilling the ČEZ, a. s. international cooperation policy; representation in international organizations and associations; maintaining power plant condition and plant personnel fitness at the required level; final economic assessments of projects; outsourced system of power plant maintenance and monitoring thereof; dealing with deviations; supervision of the supplier quality system; conduct of customer quality audits; the process of obtaining licenses for managed activities for the operation of nuclear power plants; safe handling of nuclear power plant waste and decontamination; production division expense and revenue forecasting; and maximizing the value of the CEZ Group portfolio of power generation and district heat assets.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: 300,000

Hana Krbcová (* 1954)

Chief Personnel Officer since October 1, 2009

A graduate of the University of Economics, Prague, major in industrial economics, the Charles University, Prague, specialization in labor law (two-year specialization program), and International Studies in Strategic Management (two-year course of study).

The Chief Personnel Director is in charge of the division that reports to her and she, in turn, reports to the Chief Operating Officer.

She co-sets Company strategy and manages the following activities, inter alia: services in the area of human resources; consulting in the areas of personnel processes, personnel management, and labor law; comprehensive support to managers in the area of personnel processes; communication with management and with labor organizations (including collective bargaining); personnel planning, recruitment, selection, laying off, preparation, and education of employees; the employee evaluations process; services in the area of labor law; securing labor-law compliance documentation; entering into membership contracts with members of the Company's governing bodies; and fulfillment of employer obligations in relation to the CEZ Group European Works Council.

She gained managerial and other professional experience in positions such as Director of the Human Resources Section, Severomoravská energetika, a. s. and Director of the CEZ Group Human Resources Section, ČEZ, a. s.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: 60,000

Jiří Kudrnáč (* 1965)

Chief Distribution Officer since January 1, 2008

A graduate of the Czech Technical University, Prague, Faculty of Electrical Engineering.

The Chief Distribution Director is in charge of the division that reports to him and he, in turn, reports to the Chief Operating Officer.

He co-sets Company strategy and manages the following areas, inter alia: the distribution function with exercise of ownership rights while respecting CEZ Group unbundling rules; support for the regulatory agenda; monitoring legislation and rules of the market environment; expert support for development of the distribution grid, including new technologies; development of computer and information systems and transfer of best practices to international acquisitions; coordinating technical policies; setting and verifying parameters of services in the area of distribution; and representing distribution in international platforms.

He gained managerial and other professional experience in positions such as Director of the Strategy Section, Severočeská energetika, a.s., and General Manager of ČEZ Distribuce, a.s.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: 90,000

Ivan Lapin (* 1965)

Chief Administration Officer since July 1, 2007

A graduate of the Technical University of Ostrava, major in deep drilling technology and techniques.

The Chief Administration Director is in charge of the division that reports to him and he, in turn, reports to the Chief Operating Officer.

He co-sets Company strategy and manages the following activities, inter alia: procurement of nuclear fuel, nuclear materials, and supplemental services, including the front and back portions of nuclear power plant fuel cycles; licensing of nuclear fuel and decommissioning of nuclear installations; procurement of fossil fuels, biomass, sorbents (lime and limestone), and surface water for generation of electricity and heat and transport of same; administration of domestic and international equity stakes, including drafting of plans for key performance indicators and incentive targets; setting strategy concerning information and telecommunication technology services and processes in CEZ Group, including Enterprise Architecture; and verifying the quality and scope of same.

He gained managerial and other professional experience in positions such as Director of o.z. Báňská obchodní společnost, OKD, a.s., General Manager of ČEZ Správa majetku, s.r.o., and Chief Information Officer of CEZ Group.

Number of ČEZ, a. s. shares at December 31, 2010: 220

Number of ČEZ, a. s. share options at December 31, 2010: 75,000

Martin Novák (* 1971)

Chief Finance Officer since January 1, 2008

The Chief Finance Director is in charge of the division that reports to him and he, in turn, reports to the Chief Operating Officer.

He co-sets Company strategy and manages the following activities, inter alia: Company planning, controlling, accounting, taxes, and risk management; Company/CEZ Group external financing, including acquisitions and equity stakes; payments; financial deals; communicating with investors; compliance with requirements of stock exchanges where securities issued by the Company are listed for trading; setting parameters of the CEZ Group information system in the areas of accounting and controlling, including access rights; management reporting and external reporting (including the Annual Report and the Half-Year Report); drafting of economic analyses, controlling in capital expenditure and transformation projects; all tax matters of the Company and selected CEZ Group companies; compilation of the financial statements of the Company and selected CEZ Group companies, as well as the CEZ Group consolidated financial statements; records of assets and accounting for their commissioning, depreciation, and amortization; cash management services; invoicing; sending of reminders and collection of late-payment penalties in selected operational areas; implementation of risk management systems at CEZ Group; use of venture capital; and risk reporting.

Number of ČEZ, a. s. shares at December 31, 2010: 123

Number of ČEZ, a. s. share options at December 31, 2010: 180,000

Tomáš Pleskač (* 1966)

Chief International Affairs Officer since January 1, 2008

The Chief International Affairs Director is in charge of the division that reports to him and he, in turn, reports to the Chief Operating Officer.

He co-sets Company strategy and manages the following activities, inter alia: strategic projects abroad; international negotiations related to the preparation and implementation of same; implementation of systems for managing international equity stakes; determining organizational structures in international equity stakes; implementation of corporate practices and know-how; exercise of employer functions in Country Management Units and Business Units; coordinating the business activities of CEZ Group in the country in question; searching for new business opportunities in the country; supporting the international M&A process (due diligence, transaction documentation); fulfillment of the terms and conditions of transaction documents; direct management of Country Management Units and Business Units abroad; centralizing administrative and auxiliary operations for individual Business Units and provision of services to other CEZ Group entities in the given country; financial auditing; and supervision of all processes in the individual Business Units.

Number of ČEZ, a. s. shares at December 31, 2010: 0

Number of ČEZ, a. s. share options at December 31, 2010: 70,000

Alan Svoboda (* 1972)

Chief Sales Officer since January 4, 2005

A graduate of the University of West Bohemia, Pilsen, major in information and financial management, Mr. Svoboda also holds an MBA in Finance and an MA in Economics from the University of Missouri, Kansas City, Missouri (USA).

The Chief Sales Director is in charge of the division that reports to him and he, in turn, reports to the Chief Operating Officer.

He co-sets Company strategy and manages the following activities, inter alia: CEZ Group commercial operations in wholesale markets for electricity, gas, coal, emission rights and credits, cross-border transmission capacity, ancillary services, and other commodities and derivatives of same; sale of electricity, gas, and related services to end customers in the Czech Republic; analyses of market developments and directions for CEZ Group business development and evaluation of development opportunities; coordination of the environmental portfolio; developing new technologies; applied science and research; coordination of the CEZ Group Europe portfolio including communication with the European Commission and other European Union institutions; coordination of the operations of CEZ Group international commercial representation offices; optimizing the operation of power plants with regard to business opportunities in wholesale markets; and optimal deployment of generation sources.

He gained managerial and other professional experience in positions such as Partner at McKinsey & Company with a focus on the power industry.

Number of ČEZ, a. s. shares at December 31, 2010: 94,223

Number of ČEZ, a. s. share options at December 31, 2010: 150,000

Companies in which heads of divisions and selected sections have been members of statutory or supervisory bodies or partners at any time during the past five years, excluding the parent company ČEZ, a. s. and subsidiaries thereof:

Hana Krbcová

- Czech Society for Human Resources Development – member of the Board of Directors since February 19, 2007, re-elected on February 15, 2011 (four-year term)
- Czech Association of Power Industry Employers – member of the Board of Directors since October 2009 (five-year term).

Jiří Kudrnáč

- České Švýcarsko o.p.s. – member of the Board of Administration in 2010.

Alan Svoboda

- Eurelectric, the international association based in Brussels – deputy member of the Board of Directors since December 1, 2005
- EFET, the international association of electricity traders based in Amsterdam – member of the Board of Directors since November 20, 2007, re-elected on November 1, 2009 (two-year term)
- Foratom, the international association based in Brussels – member of the General Assembly and Executive Committee in 2005–2009.

- Current memberships in statutory bodies other than those of ČEZ, a. s.
- Past memberships in statutory bodies other than those of ČEZ, a. s.

Remuneration Principles – Division Heads

The manager contracts and the manner of remuneration of executives who are also members of the Board of Directors and/or division heads of the Company ("Executives"), as well as the stipulation and evaluation of tasks assigned to these Executives, are subject to the prior consent of the Supervisory Board.

The remuneration principles for these Executives are set forth in manager contracts entered into between the Company and the Executive in question for the period during which they are to remain in office.

Executives received the following consideration:

- base monthly wage – paid regularly for each calendar month. The base monthly wage is paid for the amount of time worked.
- annual bonus – to which the Executive is entitled in addition to the base monthly wage. The bonus amount depends on fulfillment of criteria stipulated in advance. Expressed as a percentage of annual income (base wage and annual bonus), the annual bonus may be as much as:
  - 77.8% for the Chief Executive Officer
  - 71.4% for the Chief Operating Officer
  - 60.0% (as a rule) for the other Chief Officers (division heads).

  The criteria for granting an individual annual bonus to a Company executive are based on the Company's strategic priorities and principal objectives, which are announced each year by the Chief Executive Officer in an executive order following discussion in the meeting of Division Heads. For 2010, the criteria were stipulated as follows:
  - 10% for the CEZ Group economic indicator (ROIC)
  - 20% for the economic indicator (e.g. IPFE – influencable portion of fixed expenses) linked to expenses and income of the unit managed
  - 70% for specifically stated and deadlined tasks
  - annual bonus dependent upon fulfillment of EBITDA indicator.

  The criteria for individual executives and the dependence of annual bonus amount on their fulfillment are assessed by the executive's direct superior (or by the Board of Directors in the case of the CEO) or the superior set forth in the manager contract. In determining the final amount of the executive's annual bonus, the assessor takes into account his or her overall work performance and approach to completing tasks. The economic indicators in question are taken from the Board of Directors-approved and Supervisory Board-reviewed budget, and fulfillment is assessed by the Controlling unit based on the financial statements of the Company/CEZ Group or fulfillment of other measurable criteria.

- strategic bonuses – for a selected group of Executives, in view of the different character of the sections managed by them, a system of strategic bonuses is used, tied to fulfillment of specific, long-term tasks in the areas of plant construction and renewal, and acquisition activities. Pay-out of the bonuses is linked to fulfillment of criteria defined in advance, such as compliance with timeline, budget, and technical parameters of the individual projects in question.
- stock options – based on a decision of the Board of Directors and the consent of the Supervisory Board, a selected group of Executives is entitled to Company stock options under the terms of a stock option agreement.
- company car – depending on the importance of the Executive's position, he or she may be entitled to a company car for business and personal use, subject to the terms and conditions of a special agreement. Company cars provided for business and personal use are subject to taxation and withholding of social security and health insurance premiums. Fuel consumed for personal use is paid for by the Executive through income withholding. In the event an Executive uses his or her own car for Company business, the costs associated with such use are paid by the Company in accordance with applicable laws and regulations.
- insurance – based on a decision of the Company's Board of Directors, endowment life insurance policies are taken out at Company expense for the benefit of a selected group of Executives. When the executive leaves his or her executive position or when the Company withdraws from the endowment life insurance policy, the insurance is transferred free-of-charge to the executive. Endowment life insurance premiums paid by the Company are treated as part of the executive's wages and, as such, are subject to income tax withholding.
- reimbursement of travel expenses – when traveling on business, executives are entitled to receive meal allowances and per diem at higher than mandated rates.
- severance pay – is provided in accordance with the Labor Code and the terms set forth in the valid Collective Agreement.
- cash settlement upon termination of contract – with regard for the importance of his or her position, the employer agrees to provide the Executive a cash settlement upon termination of his or her employment, for a period of six months (as a rule), subject to the conditions set forth in the "No Competition Agreement". The cash settlement is payable monthly in arrears.
- mobility program – the employer reimburses executives participating in the Mobility Program for a portion of costs of temporary accommodation and provides them a contribution to help defray the costs of travelling to visit their families.
- employee benefits – a selected group of Executives receive premium healthcare. All executives receive benefits in accordance with the valid Collective Agreement.

In the event an executive also serves as a member of the Company's Board of Directors, he or she is entitled to stock options, company car, insurance, and reimbursement of travel expenses only once.

Supplementary Information on Persons with Executive Authority at ČEZ, a. s.

Information on Cash and In-kind Income (Gross Amounts) and on Securities

	Units	Supervisory Board	Board of Directors	Persons with executive authority
Information on cash and in-kind income				
Base wage [1]	CZK '000	2,189	–	48,016
Bonus linked to Company performance and wage compensation [1]	CZK '000	105	–	91,993
Remuneration to members of governing bodies	CZK '000	8,077	4,977	–
2009 bonus paid to members of governing bodies	CZK '000	16,306	9,194	–
Severance pay and cash settlement	CZK '000	–	–	6,433
Other cash income	CZK '000	6,248	2,519	6,794
of which: Supplemental Pension Insurance contributions [1]	CZK '000	62	–	109
endowment life insurance	CZK '000	6,137	2,384	6,454
use of employee personal account [1]	CZK '000	29	–	115
life jubilee bonus [1]	CZK '000	–	–	–
domestic business travel reimbursement above limit	CZK '000	–	3	12
international business travel reimbursement above limit	CZK '000	20	132	104
other cash income	CZK '000	–	–	–
Other in-kind income [1]	CZK '000	835	1,816	976
of which: company car for business and personal use	CZK '000	819	1,787	881
mobile telephone for business and personal use	CZK '000	16	29	18
mobility program	CZK '000	–	–	77
other in-kind income	CZK '000	–	–	–
Income from entities controlled by the issuer	CZK '000	14,654	–	9,549
of which: remuneration to members of governing bodies of controlled entities	CZK '000	13,852	–	9,546
endowment life insurance	CZK '000	512	–	–
company car for business and personal use [1]	CZK '000	254	–	–
other cash and in-kind income	CZK '000	36	–	3
Information on loans and securities				
Loans provided by the issuer	CZK '000	–	–	–
Loans provided by entities controlled by the issuer	CZK '000	–	–	–
Number of options held at December 31, 2009 and options granted in 2010	number	–	2,045,000	375,000
average option price	CZK	–	1,023.45	979.59
Number of shares on which option was exercised	number	–	425,000	–
average option price	CZK	–	724.84	–
resulting in-kind income, taxed	CZK millions	–	77	–
Number of options terminated	number	–	–	–
average option price	CZK	–	–	–
Number of options held at December 31, 2010	number	–	1,620,000	375,000
average option price	CZK	–	1,101.80	979.59
Number of company shares at December 31, 2010				
held by members of governing bodies and Executives [2]	number	120,062	386,123	94,443
held by close persons [2]	number	102	–	–

[1] Cash and in-kind income of Supervisory Board members in these items includes income from their present and/or past employment with the Company.
[2] Figure is for persons that were members of the Company's governing bodies or Company Executives as at December 31, 2010.

Convictions for fraud-related crimes during the past five years:
No members of the Supervisory Board or Board of Directors, or persons with executive authority, have been convicted for fraud-related crimes.

Bankruptcy proceedings, administration, and/or liquidation during the past five years:
Daniel Beneš was a member and Chairman of the Supervisory Board of Coal Energy, a.s. in liquidation in 2006–2009.
Vladimír Hlavinka was a member of the Supervisory Board of RIPSL a.s. "in liquidation" in 2005–2007.
Martin Novák is a member of the Board of Directors of the Vyhlídka Housing Cooperative, in liquidation, which is being transformed into the Association of Apartment Owners at Suchý vršek 2101–2106, where he is a member of the Committee. The liquidation of the cooperative is ongoing and its completion is planned for 2011.

Official public charges or sanctions brought/imposed by statutory or regulatory bodies (including designated professional bodies) and court-ordered declarations of incompetence to act as a member of statutory or supervisory bodies:
Pursuant to a Decision of the Czech National Bank dated May 15, 2008, a fine of CZK 50,000 was imposed on Martin Roman for breach of obligations under Section 125(5) of the Act on Doing Business in the Capital Market, by which he committed a misdemeanor under Section 184(1) of the Act on Doing Business in the Capital Market.
Alan Svoboda was charged with abuse of information in business relations pursuant to Section 128(1) and (3) of the Penal Code. By a decision of the Municipal Court in Prague dated March 18, 2009, the criminal charges were dropped and the matter was forwarded to the Czech National Bank for completion of an investigation into a possible misdemeanor. In administrative proceedings before the Czech National Bank, it was decided that a misdemeanor occurred in 2005 in the course of trading shares of ČEZ, a. s. An administrative complaint has been filed, seeking reversal of the decision.

Information on employment or other contracts with the issuer and/or its subsidiaries along with a description of benefits received upon termination of employment:
The employment relationship with members of the Supervisory Board who are also employees of ČEZ, a. s. arose upon the execution of the employment contract. When their employment ends, in certain defined cases they are entitled to severance pay in accordance with applicable laws, regulations, and the Collective Agreement.
The employment relationships with the Chief Executive Officer, the Chief Operating Officer, and the division heads arose either by appointment or by execution of the respective employment contract. When the employment ends, in certain defined cases said persons are entitled to severance pay in accordance with applicable laws, regulations, and the Collective Agreement. They are also entitled to a cash settlement in return for refraining from engaging in gainful employment identical to a core business of ČEZ, a. s. or any activity that would be competitive in nature, toward the employer.

Possible conflicts of interest:
No person with executive authority has any conflict of interest in conjunction with his or her role at ČEZ, a. s.

Agreements with key shareholders and/or other entities concerning selection for current job position:
No person with executive authority has been selected on the basis of an agreement entered into with the principal shareholder or any other entity.

Agreement with the issuer on restricted disposition of its securities:
Share option program beneficiaries must, upon acquiring shares by exercising an option, hold such a number of shares of ČEZ, a. s. as corresponds to 20% of the gain reached on the day when they applied to exercise the options in question. The beneficiaries are required to hold these shares up until the end of their share option program. An exception is in place for those beneficiaries whose share option contract was entered into prior to the General Meeting of May 2008, which approved the stricter share option program rules; they are required to hold 10% of the shares acquired under each exercise of options.

COMMUNICATION

Soňa Holingerová
Regional Communications Manager
and Spokesperson of CEZ Group

“For me, it’s important and, at the same time, pleasant to be surrounded by people – to communicate and be close by to help if needed. Although it’s hectic sometimes, I am rewarded by people’s responses. In my experience, people appreciate those who are kind to them even when the going gets tough, as the saying goes. And for my part, I appreciate everyone who helps me in my work, whether it’s my colleagues in the office or people in the field.”

Soňa Holingerová works in the Regional Communications Department, as Press Spokesperson for North Bohemia. Her constant good mood and active, can-do approach to dealing with crisis situations have made a major contribution to overcoming extraordinary challenges such as the flood in the Liberec region.

Summary Report Pursuant to Section 118(8) of the Act on Doing Business in the Capital Market, on Certain Aspects of the Shareholders' Equity of ČEZ, a. s.

The Summary Report pursuant to Section 118(8) of the Act on Doing Business on the Capital Market, on certain aspects of shareholders' equity, is based on the requirements set forth in Sections 118(5)(a)-(k) of said Act.
As at December 31, 2010, the Company's stated capital as recorded in the Commercial Register totaled CZK 53,798,975,900. It was composed of 537,989,759 shares, each with a face value of CZK 100. The issue price of all shares had been fully paid in. All the shares were booked to owner, and were listed.
The Company's stated capital is allocated exclusively to common shares, with no special rights attached. All of the Company's shares are accepted for trading on the Prague Stock Exchange and the Warsaw Stock Exchange in the Republic of Poland and are negotiable without limitations. No other securities issued by ČEZ, a. s. are limited in their negotiability, nor are any special rights attached thereto.
Treasury shares were carried in the amount of CZK 4,619,334,000, which is the price for which they were acquired. Retained earnings and other reserves totaled CZK 140,308,670,000.

Structure of Shareholders (%)

	Stake in stated capital	Stake in voting rights	Stake in stated capital	Stake in voting rights
	at December 31, 2009		at December 31, 2010	
Legal entities, total	94.59	94.54	94.87	94.83
Czech Republic	69.78	70.38	69.78	70.31
Other legal entities	4.02	3.19	2.34	1.59
of which: domestic	2.73	1.89	1.22	0.46
of which: ČEZ, a. s.	0.85		0.76	
third parties	1.88	1.89	0.46	0.46
foreign	1.29	1.30	1.12	1.13
Asset managers	20.79	20.97	22.75	22.93
Private individuals, total	5.41	5.46	5.13	5.17
of which: domestic	5.26	5.31	4.43	4.47
foreign	0.15	0.15	0.70	0.70

ČEZ, a. s. has no way to distinguish whether the asset managers manage shares on behalf of real shareholders, or for other asset managers, and therefore in compiling the structure of shareholders all entities whose shares are managed by asset managers are included under "Asset managers" and are not included in the other parts of the table.

As of December 31, 2010, the following entities were recorded as having stakes of at least 3% of the stated capital of ČEZ, a. s.:

- The Czech Republic, represented by the Ministry of Finance of the Czech Republic and the Ministry of Labor and Social Affairs of the Czech Republic, with a combined total stake of 69.78% of the stated capital.
  The Czech Republic's equity stake allows it to exercise direct control over ČEZ using conventional means, i.e. in particular by voting at General Meetings. Other shareholders are informed of any negative influence the controlling entity may have on the Company through the Related Parties Report, which is a public document under Czech law and is attached to the Annual Report. As an issuer of shares accepted for trading on the Prague and Warsaw Stock Exchanges, ČEZ, a. s. is required to notify said exchanges of all important events. The reports are made in the Czech, English and Polish languages and are also made available to the public through the Company's website.
- The asset manager UNICREDIT BANK CZECH REPUBLIC, managing 147 accounts with shares representing an aggregate total of 9.376% of the stated capital. At the same time, on behalf of another entity this asset manager manages shares representing at least 3% of the Company's stated capital – that entity is Chase Nominees and its stake is 4.9% of the stated capital.
- The asset manager Citibank Europe plc, which managed 87 accounts with shares in an aggregate total of 5.353% of the stated capital of ČEZ, a. s.
- The asset manager Československá obchodní banka, a. s., which managed 146 accounts with shares in an aggregate total of 3.511% of the stated capital of ČEZ, a. s.
- The asset management company Capital Research and Management Company with its seat in California, United States of America, together with other companies, held a stake of 3.03%.

These entities hold the rights set forth in Sections 181 and 182 of the Commercial Code.
In terms of restrictions on voting rights associated with certain shares, the following applies: in accordance with Section 161d of the Commercial Code, the voting rights associated with treasury shares acquired by ČEZ on the basis of a General Meeting resolution are not exercised by the Company. As at December 31, 2010, ČEZ, a. s. held 4,085,021 such treasury shares.
ČEZ is not aware of any contracts among its shareholders that could result in any limitations on the negotiability of shares or voting rights.

In accordance with the Articles of Association, the Supervisory Board elects members to and removes them from the Board of Directors by a simple majority vote. Amendments to the Articles of Association are decided by the General Meeting by a qualified, two-thirds majority of votes present.

As the statutory body, the Board of Directors runs the Company and acts in its name. It decides in all Company matters not reserved for the General Meeting or the Supervisory Board by the Commercial Code or the Articles of Association. Except as described above, the Board of Directors has no other special powers.

ČEZ, a. s. has entered into material contracts that take effect, change, or are voided in the event control over ČEZ changes as a result of a takeover offer. They are: the 5th, 6th, 7th, 8th, 11th, 12th, 13th, 14th, 15th, 19th, and 20th Eurobond issues, the 1st Namensschuldverschreibung issue, the bill of exchange program, a USD 300 million guarantee contract in Turkey, EUR 200 million and EUR 100 million loan agreements entered into with the EIB in 2009, a EUR 100 million loan agreement entered into with the EIB in 2010, and a EUR 200 million guarantee agreement from the EIB for a Romanian subsidiary, also entered into in 2010. In all of these contracts, should there be a change in the controlling entity of ČEZ, the counterparty would be entitled, but not required, to demand early repayment. In the case of the guarantee contract in Turkey, the counterparty has that right only if it did not grant prior consent with the change in controlling entity.

At the same time, however, this right can be exercised only if either Standard & Poor's or Moody's publicly declares or communicates to ČEZ in writing that it has reduced ČEZ's credit rating due in full or in part to the change in controlling entity. A reduction in the existing credit rating is defined as a change from investment to non-investment grade, any rating lower than an originally non-investment-grade rating, or non-determination of investment grade if no rating was assigned at all. The above reduction would have to take place in the period from the time when the step that could result in the change in controlling entity was made public until 180 days after the notification of the change in controlling entity. The counterparty could not exercise its right to early repayment if, following a factual change in the controlling entity, the rating agency in question re-evaluated its position and, within the period defined above, either returned ČEZ to investment grade or restored the previous non-investment-grade rating. The contractual provisions on a change in control over ČEZ should be seen in the context of ČEZ's credit rating, which in 2010 reached A– from Standard & Poor's and A2 from Moody's, with stable outlook, i.e. 4 and 5 levels, respectively, above the agencies' highest non-investment-grade ratings. In the case of the already mentioned contracts with the EIB for EUR 200 million, both contracts for EUR 100 million and the guarantee agreement for EUR 200 million, only the condition regarding a change in control over ČEZ, a. s. applies, not the change-of-rating condition described above.

No contracts have been entered into between ČEZ and members of its Board of Directors and/or employees that would bind ČEZ, a. s. to provide consideration in event they should leave their office and employment in conjunction with a takeover offer.

At ČEZ, remuneration of senior executives includes an incentive program that enables these executives to acquire Company shares. Members of the Board of Directors and selected employees were/are entitled to options on the Company's common shares under the conditions set forth in a stock option contract.

Under the rules for granting stock options approved by the General Meeting in May 2008, members of the Board of Directors and selected employees receive options for a certain number of the Company's shares on an annual basis for as long as they remain in office. The purchase price of one share is set as the weighted average of the prices at which trades in the Company's shares took place in a regulated market in the Czech Republic during the month before the annual option granting date. Members of the Board of Directors are entitled to call upon the Company to transfer a number of shares no larger than the given option grant, no earlier than two years and no later than the mid-point of the fourth year after each option grant. The option right is restricted in that the appreciation of the Company's shares may be at most 100% compared to the purchase price and the member of the Board of Directors is obligated to hold on his or her asset account such a number of shares obtained on the basis of a call to transfer that corresponds to the value of 20% of the gain achieved at the date of the call, for as long as the stock option program shall last. Members of the Board of Directors to whom the new option program rules apply and who also participated in the option program under principles that applied prior to May 2008, will be allowed to participate in the revised stock option program provided they fulfill the eligibility criteria and the conditions approved by the General Meeting in May 2008.

In 2010, among employees and members of the Board of Directors there were 14 persons who had obtained shares through the stock options program and also owned shares during that year. One of these persons left CEZ Group in 2009, but exercised some of his stock option rights ensuing from the above position in 2010. Two persons out of this group utilized their right to attend the General Meeting of ČEZ, a. s. as a Company shareholder and cast votes there. A total of nine persons exercised their right to dividends. According to information submitted to the Company for the purpose of drafting this report, no beneficiary of the stock options program transferred any separately negotiable right attaching to their shares to any third party.

Changes in CEZ Group Ownership Participations

Czech Republic

- The entire 98% stake in Skládka Tušimice a.s. owned by Severočeské doly a.s. was sold on January 22, 2010.
- The subsidiary Elektrárna Chvaletice a.s. was established on February 1, 2010, for the purpose of splitting off the Chvaletice Power Station organizational unit from ČEZ, a. s.
- A 100% stake in FVE Buštěhrad a.s. was acquired on April 6, 2010.
- A 100% stake in Bioplyn technologie s.r.o. was acquired on May 5, 2010.
- ČEZ, a. s. purchased an 85% stake in Dalkia Ústí nad Labem, a.s. on May 7, 2010. The company's name was subsequently changed to Teplárna Trmice, a.s.
- By purchasing Dalkia Ústí nad Labem, a.s., on May 7, 2010 ČEZ, a. s. acquired a 19.6% stake in the company Tepelné hospodářství města Ústí nad Labem s.r.o.
- A 65% stake in ULITEP, spol. s r.o., a supplier of heat and hot water meters, was acquired on May 10, 2010.
- ČEZ, a. s. became the 100% owner of eEnergy Ralsko a.s. on June 10, 2010.
- The company 3 L invest a.s., which had been 100% owned by eEnergy Ralsko a.s., became a part of CEZ Group on June 10, 2010.
- Shares of FVE Vranovská Ves a.s., which had been the 100% owner of DOMICA FPI s.r.o., were purchased on July 8, 2010.
- Based on a merger, the merged company SD - Vrtné a trhací práce, a.s. became a part of SD - Autodoprava, a.s. on July 31, 2010.
- A 100% stake in eEnergy Hodonín a.s. was acquired on August 6, 2010.
- ČEZ, a. s. became the 100% owner of eEnergy Ralsko - Kuřívody a.s., including a 100% stake in AREA-GROUP CL a.s., on August 24, 2010.
- A new company, ČEZ Distribuce, a. s. (ID number 247 29 035), was formed on October 1, 2010 as the successor company in a merger of ČEZ Distribuční zařízení, a.s. and ČEZ Distribuce, a. s. (ID number 272 32 425).
- ČEZ Teplárenská, a.s. was merged with TEPLEX s.r.o. (which was the owner of a 16.67% stake in Tepelné hospodářství města Ústí nad Labem s.r.o.) on November 1, 2010.
- A portion of the assets of MARTIA a.s., which had been split up, passed to ČEZ Teplárenská, a.s. on November 1, 2010. This included a 19.58% stake in Tepelné hospodářství města Ústí nad Labem s.r.o. and a 50% stake in ENERGIE KRUPKA, s.r.o.
- ČEZ Obnovitelné zdroje, s.r.o. merged with its subsidiaries Š-BET s.r.o., MALLA, a.s., Elektra Žabčice a.s., EDICOLLA a.s., and CZ INVEST - PLUS, a.s. on November 1, 2010.
- ČEZ Obnovitelné zdroje, s.r.o. purchased a 100% stake in KEFARIUM,a.s. on December 8, 2010.
- CZECH HEAT a.s. was dissolved by merger with Energetické centrum s.r.o. on December 14, 2010.

Cyprus

- The Romanian company Tomis Team S.R.L. acquired a 100% stake in Taidana Limited on December 7, 2010.

Germany

- MIBRAG Neue Energie GmbH was incorporated in the Commercial Register on February 19, 2010.

Netherlands

- Mibrag B.V. was dissolved by merger with its corporate parent, the German company JTSD - Braunkohlebergbau GmbH, on January 26, 2010.
- CEZ Bulgarian Investments B.V. was established on January 3, 2011 and incorporated in the Commercial Register one day later.

Poland

- CEZ Group acquired a 24.8% stake in CEZ Elektrociepłownia Chorzów ELCHO sp. z o.o. from the minority shareholder Elektrownia Chorzów S.A. on August 30, 2010. Since then, the Netherlands-based company CEZ Chorzow B.V. has owned a 100% stake in the company's stated capital.

Romania

- June 30, 2010 – stakes representing 0.00000139% in the companies CEZ Distributie S.A. and CEZ Vanzare S.A. were transferred to CEZ Poland Distribution B.V. In both cases, the stake corresponds to one share.
- July 28, 2010 – a 37% stake in CEZ Servicii S.A. was acquired from the minority shareholder Electrica S.A., making ČEZ, a. s. the 100% owner of CEZ Servicii S.A.
- October 27, 2010 – CEZ Romania S.R.L. (a limited-liability company) was transformed into CEZ Romania S.A. (a joint-stock company) and, at the same time, the equity stake of ČEZ, a. s. was reduced from 100% to 99.9998% for the benefit of CEZ Poland Distribution B.V.
- December 30, 2010 – sale of a 9.15% stake in Energonuclear S.A.

Slovakia

- The company JESS Invest, s. r. o. was formed on August 1, 2010.

Turkey

- May 20, 2010 – the company Ickale Enerji Elektrik Üretim ve Ticaret A.S. was registered.
- August 20, 2010 – acquisition of a stake in the company Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S. A 99.99% stake is owned by Akenerji Elektrik Üretim A.S., with the remaining shares divided equally between CEZ Poland Distribution B.V., CEZ Silesia B.V., and two representatives of the Turkish partner.

Report on Operations
Financial Performance of CEZ Group

CEZ Consolidated Group as at December 31, 2010

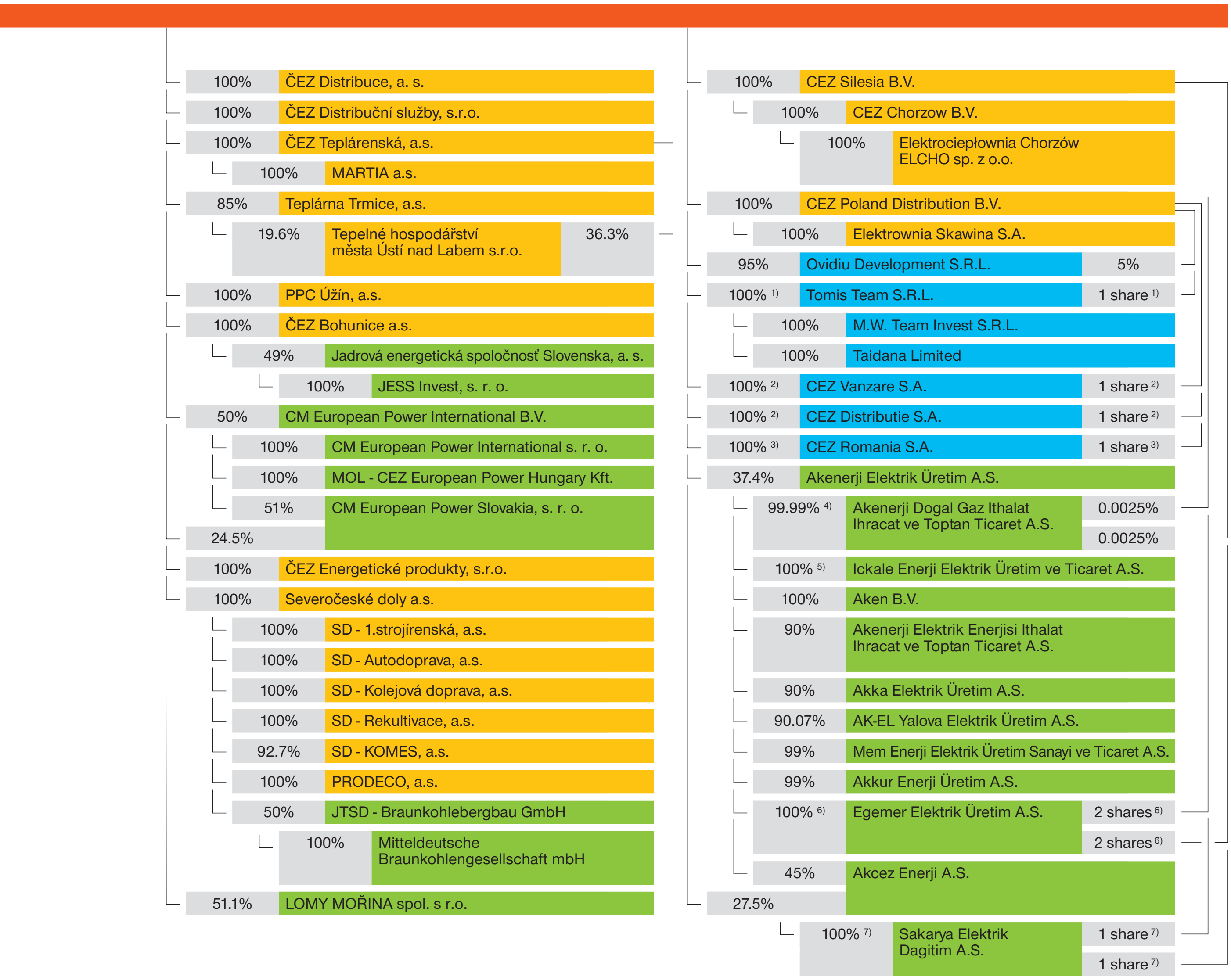
ČEZ, a. s.

- 100% CEZ Deutschland GmbH
- 100% CEZ Finance B.V.
- 100% CEZ Finance Ireland Ltd.
- 100% CEZ Hungary Ltd.
- 100% CEZ International Finance B.V.
- 100% CEZ MH B.V.
- 100% CEZ Polska sp. z o.o.
- 100% CEZ Produkty Energetyczne Polska sp. z o.o.
- 100% CEZ Nowa Skawina S.A.
- 100% CEZ Trade Albania Sh.P.K.
- 100% CEZ Slovensko, s.r.o.
- 100% CEZ Trade Bulgaria EAD
- 100% CEZ Trade Polska sp. z o.o.
- 100% ČEZ Prodej, s.r.o.
- 100% CEZ Srbija d.o.o.
- 100% Energetické centrum s.r.o.
- 100% ČEZ Měření, s.r.o.
- 52.5% Ústav jaderného výzkumu Řež a.s.
  - 100% Centrum výzkumu Řež s.r.o.
- 100% ČEZ Energetické služby, s.r.o.
- 100% ČEZ ICT Services, a. s.
- 100% ČEZ Logistika, s.r.o.
- 100% ČEZ Správa majetku, s.r.o.
- 99.99% CEZ Trade Romania S.R.L. 0.01%
- 99.9% ČEZ Obnovitelné zdroje, s.r.o. 0.1%
  - 100% Bioplyn technologie s.r.o.
  - 100% FVE Buštěhrad a.s.
  - 100% KEFARIUM,a.s.
- 100% FVE Vranovská Ves a.s.
  - 100% DOMICA FPI s.r.o.
- 100% eEnergy Ralsko - Kuřívody a.s.
  - 100% AREA-GROUP CL a.s.
- 100% eEnergy Hodonín a.s.
- 100% ČEZ Zákaznické služby, s.r.o.
- 100% STE - obchodní služby, spol. s r.o. in liquidation
- 100% ŠKODA PRAHA a.s.
- 100% ŠKODA PRAHA Invest s.r.o.
- 100% ČEZ ENERGOSERVIS spol. s r.o.
- 100% Elektrárna Chvaletice a.s.
- 100% CEZ Ciepło Polska sp. z o.o.
- 100% GENTLEY a.s.
  - 100% Bohemian Development, a.s.
- 100% eEnergy Ralsko a.s.
  - 100% 3 L invest a.s.
- 76% CEZ Shpërndarje Sh.A.
- 100% TEC Varna EAD
- 100% CEZ Albania Sh.A.
- 100% CEZ Bulgaria EAD
- 100% CEZ Bosna i Hercegovina d.o.o.
- 67% CEZ Elektro Bulgaria AD
- 100% CEZ Elektroproizvodstvo Bulgaria AD
- 100% CEZ Laboratories Bulgaria EOOD
- 67% CEZ Razpredelenie Bulgaria AD
- 100% CEZ RUS OOO
- 100% CEZ Servicii S.A.
- 100% CEZ Ukraine CJSC
- 51% NERS d.o.o.
- 100% New Kosovo Energy L.L.C.

% indicates controlling entity's stake in the company's stated capital

- parent company
- subsidiary in Central Europe
- subsidiary in Southeastern Europe
- associate or joint-venture

As at December 31, 2010, CEZ Group encompassed a total of 137 companies (including the parent company ČEZ, a. s.), 96 of which were headquartered in countries of Central and Western Europe, 61 of them in the Czech Republic. The remaining 41 companies were headquartered in countries of Southeastern Europe and Eastern Europe and in Turkey. As at December 31, 2010, the CEZ Consolidated Group consisted of a total of 108 companies, 87 of which were fully consolidated and 21 associates and joint-ventures were consolidated by the equity method.

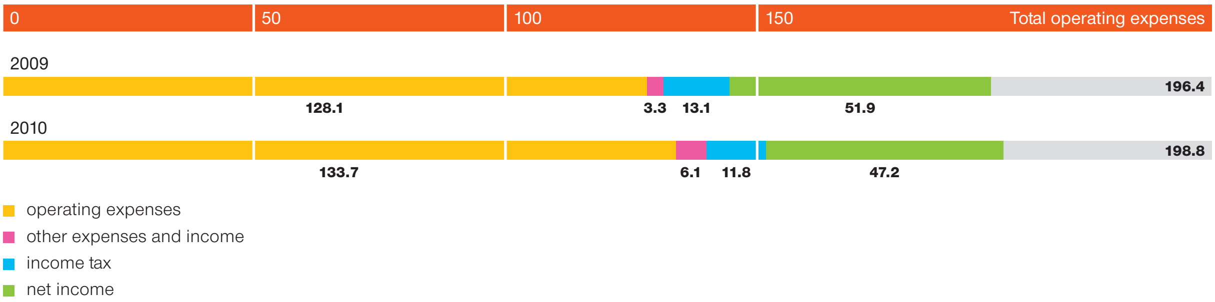


[1] In the case of Tomis Team S.R.L., ČEZ, a. s. owns 46,777,102 shares and CEZ Poland Distribution B.V. one share, out of a total of 46,777,103 shares. The respective stakes are: ČEZ, a. s., 99.999998%; and CEZ Poland Distribution B.V., 0.000002%.
[2] In the case of CEZ Vanzare S.A. and CEZ Distributie S.A., ČEZ, a. s. owns 71,523,468 shares and CEZ Poland Distribution B.V. one share, out of a total of 71,523,469 shares. The respective stakes are: ČEZ, a. s., 99.9999986%; and CEZ Poland Distribution B.V., 0.0000014%.
[3] In the case of CEZ Romania S.A., ČEZ, a. s. owns 49,999 shares and CEZ Poland Distribution B.V. one share, out of a total of 50,000 shares. The respective stakes are: ČEZ, a. s., 99.9998%; and CEZ Poland Distribution B.V., 0.0002%.
[4] In the case of Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S., Akenerji Elektrik Üretim A.S. owns 3,312,714 shares, CEZ Poland Distribution B.V. 83 shares, and CEZ Silesia B.V. 83 shares, out of a total of 3,313,046 shares. The respective stakes are: Akenerji Elektrik Üretim A.S., 99.99%; CEZ Poland Distribution B.V., 0.0025%; and CEZ Silesia B.V., 0.0025%.
[5] In the case of Ickale Enerji Elektrik Üretim ve Ticaret A.S., Akenerji Elektrik Üretim A.S. owns 46,601 shares out of a total of 46,605 shares. The stake of Akenerji Elektrik Üretim A.S. is 99.9914172%.
[6] In the case of Egemer Elektrik Üretim A.S., Akenerji Elektrik Üretim A.S. owns 134,999,992 shares, CEZ Poland Distribution B.V. two shares, and CEZ Silesia B.V. two shares, out of a total of 135,000,000 shares. The respective stakes are: Akenerji Elektrik Üretim A.S., 99.9999944%; CEZ Poland Distribution B.V., 0.0000014%; and CEZ Silesia B.V., 0.0000014%.
[7] In the case of Sakarya Elektrik Dagitim, Akcez Enerji A.S. owns 232,994,896 shares, CEZ Poland Distribution B.V. one share, and CEZ Silesia B.V. one share. The respective stakes are: Akcez Enerji A.S., 99.99999828%; CEZ Poland Distribution B.V., 0.00000043%; and CEZ Silesia B.V., 0.00000043%.

CEZ Group Financial Performance Results

Net income fell CZK 4.7 billion year-on-year, to CZK 47.2 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased by CZK 2.0 billion year-on-year, to CZK 89.1 billion.

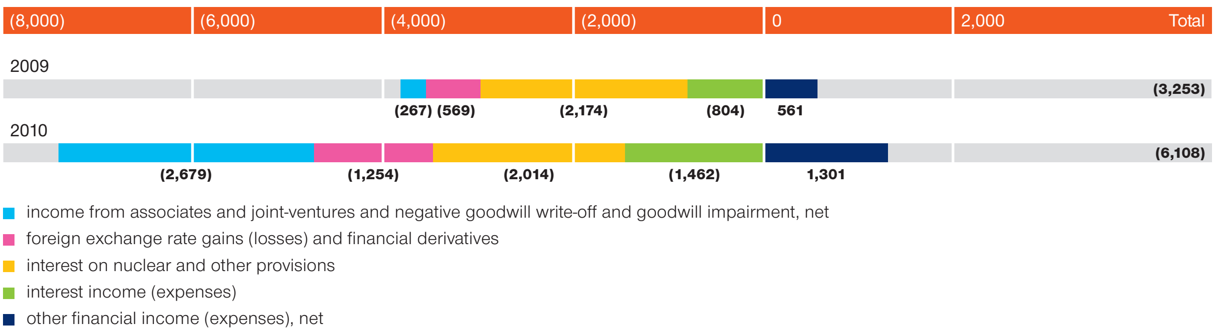
Net Income Breakdown (CZK billions)



The main factors contributing to the lower income were lower electricity selling prices and the ensuing lower electricity sales revenues. Although wholesale prices had already fallen steeply in 2009, thanks to successful securing of electricity sales one to three years in advance, the decline in selling prices had a lesser impact and was not felt until 2010. Positive factors influencing the year-on-year income performance were, in particular, the inclusion of the Albanian company OSSh (later CEZ Shpërndarje) and higher distribution tariffs. Expansion in the heat sector also had a positive influence.

Other Expenses and Income

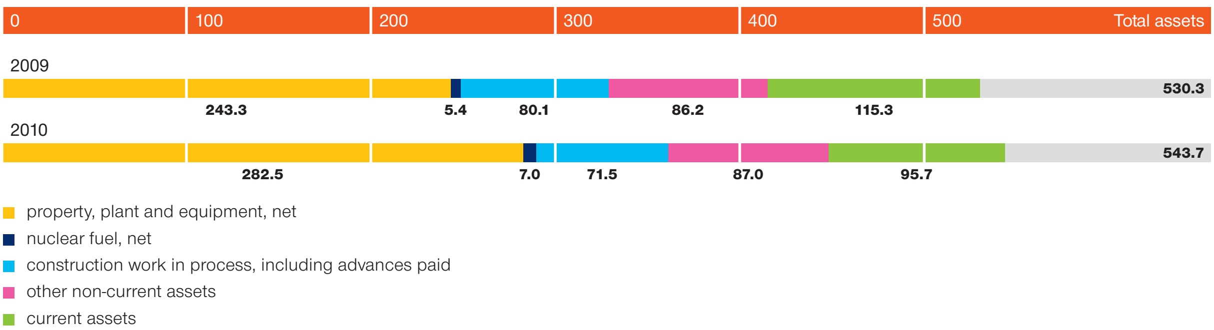
Other Expenses and Income (CZK millions)



Other expenses and income was up CZK 2.9 billion year-on-year. Despite a higher need for financing, interest expenses were kept under control, rising by just CZK 0.2 billion, while interest revenues fell by CZK 0.5 billion.
Foreign exchange rate gains (losses) and financial derivative gains and losses fell CZK 0.7 billion year-on-year; here, the principal factor was a lower gain on revaluation of an option related to the investment in the Hungarian company MOL.
Based on testing of goodwill in the Bulgarian companies, its value was reduced by CZK 2.8 billion. A decrease of CZK 1.0 billion related to the Bulgarian distribution company CEZ Razpredelenie Bulgaria, where the main reason was unfavorable regulation of Bulgarian distribution, and in particular non-recognition of a large portion of the expenses and capital expenditures incurred in securing reliable electricity supplies. The above mentioned decision of the regulator to lower distribution tariffs had a negative impact in the form of a decrease in the gross margin for all foreign investors in distribution and sales companies, in the interests of keeping the end price, which is currently the lowest in the EU, at a socially acceptable level. A further CZK 1.8 billion of the goodwill decrease related to the Bulgarian black-coal power plant TEC Varna and was caused by unfavorable, heavy regulation of electricity purchase prices on the part of the regulator, as well as the policy of generation quotas, where regulated revenues from generation to meet the quota set by the regulator do not cover even variable expenses. Also of negative impact is the lack of transparency in the market and the regulatory framework, which led to a reassessment of capital expenditures on environmental measures, which would extend the power plant's useful lifetime. The further development of the Bulgarian power market is uncertain: the policy of generation quotas is still in place and market liberalization – which would ensure a level playing ground for all market participants – is not being effected.
Other financial income (expenses) was up CZK 0.7 billion year-on-year, primarily on extraordinary income related to dividends received from Pražská teplárenská. Under the agreement on the sale of shares in Pražská teplárenská, which has not yet been completed, this dividend belongs to ČEZ, a. s.
Income tax decreased by CZK 1.3 billion year-on-year, due in particular to the lower income and, further, to a decline in the income tax rate in the Czech Republic from 20% to 19%.

Structure of Assets and Capital

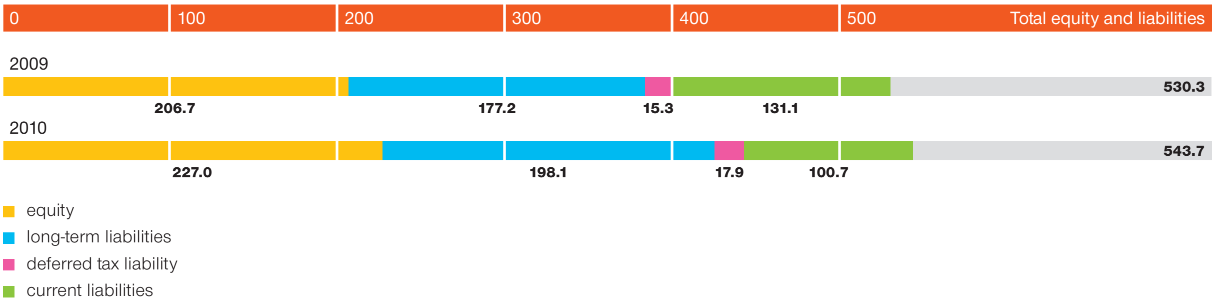
Structure of Assets at December 31 (CZK billions)



CEZ Group consolidated assets grew CZK 13.4 billion compared to 2009, to CZK 543.7 billion.
Fixed assets increased by CZK 33.1 billion to CZK 448.0 billion. Within this amount, the book value of property, plant and equipment, nuclear fuel, and construction work in progress rose CZK 32.2 billion. Other fixed assets increased by CZK 0.8 billion, due in particular to higher financial investments (CZK 3.1 billion). A CZK 2.8 billion decrease in the goodwill of Bulgarian companies had a negative impact.
Current assets fell CZK 19.6 billion in 2010, to CZK 95.7 billion. This decrease was caused primarily by a CZK 4.6 billion drop in cash and cash equivalents, a CZK 3.5 billion decline in short-term borrowings related to financing of the MIBRAG acquisition, and a CZK 15.8 billion decrease in derivative receivables, which was offset on the equity and liabilities side by a CZK 16.3 billion decrease in derivative liabilities. Short-term liquid securities, on the other hand, grew CZK 3.1 billion.

Structure of Equity and Liabilities

Structure of Equity and Liabilities at December 31 (CZK billions)



Equity, including non-controlling interests, grew CZK 20.3 billion in 2010, to CZK 227.0 billion. Net income generated in 2010 increased equity by CZK 47.2 billion; dividends reduced equity by CZK 28.3 billion. Other factors, including in particular the influence of non-controlling interests, caused equity to drop by CZK 1.5 billion.

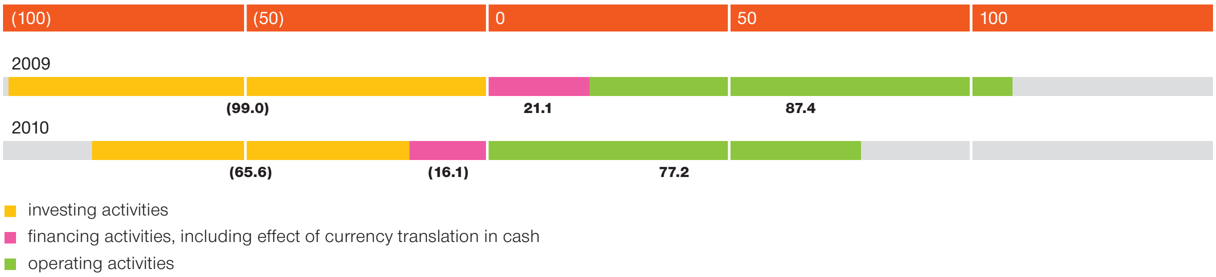
Long-term liabilities were up CZK 20.9 billion to CZK 198.1 billion, primarily on new bond issues and growth in long-term bank loans. The aggregate value of bonds outstanding reached CZK 125.1 billion as at December 31, 2010, up CZK 19.9 billion year-on-year. The sum of long-term bank loans at year-end 2010 was CZK 13.3 billion, i.e. up CZK 0.8 billion year-on-year.

Deferred tax liability rose CZK 2.6 billion year-on-year, to CZK 17.9 billion.

The CZK 30.4 billion decline in short-term liabilities, to CZK 100.7 billion, was caused principally by a CZK 16.3 billion drop in derivative payables which, however, was offset on the assets side by a CZK 15.8 billion decline in derivative receivables. The decline in short-term liabilities was further caused by a CZK 21.6 billion reduction in short-term borrowings and a CZK 0.8 billion drop in payables to suppliers and payables related to the acquisition of fixed assets. On the other hand, the current portion of long-term debt rose CZK 8.2 billion.

Cash Flows

Cash Flows (CZK billions)



In 2010, there was a CZK 10.2 billion decrease in net cash provided by operating activities. The biggest factor in the decrease was a CZK 8.3 billion change in working capital, due in particular to growth in other current assets and a change in income before income taxes after adjustments to reconcile income before income taxes to net cash provided by operating activities, which fell CZK 5.8 billion year-on-year.
Cash used in investing activities fell CZK 33.4 billion year-on-year, primarily on a 17.2 billion drop in investments in shares of subsidiaries, associates, and joint-ventures and a CZK 7.8 billion reduction in investments in non-current assets. Lendings were down CZK 8.7 billion year-on-year. Other cash used in investing activities rose CZK 0.3 billion, primarily due to higher installments on lendings.
Cash flows provided by financing activities including the net effect of currency translation in cash decreased CZK 37.2 billion year-on-year. The main reason was a CZK 35.6 billion year-on-year drop in the balance of borrowings and lendings, and a CZK 1.7 billion year-on-year increase in dividends paid in 2010 also played a role. The impact of currency translation in cash was to reduce cash flows by CZK 0.5 billion; compared to 2009, this represents an increase of CZK 0.6 billion.

Comprehensive Income

The comprehensive income, net of tax, fell CZK 3.9 billion year-on-year, to CZK 48.8 billion. Within this figure, net income declined CZK 4.7 billion year-on-year, to CZK 47.2 billion, and changes in equity caused the comprehensive income to increase by CZK 0.8 billion compared to the previous year. The biggest factor in this increase was the Czech Koruna's strength against the Euro: the overall change in the fair value of cash-flow hedge instruments, cash-flow hedges removed from equity to the income statement, and deferred taxes on these transactions, taken together, increased the comprehensive income by CZK 1.6 billion in year-on-year terms.

CEZ Group Companies, by Segment

The companies of the CEZ Consolidated Group are classified into seven business segments:

Power Production & Trading Central Europe
ČEZ, a. s.
3 L invest a.s.
AREA-GROUP CL a.s.
Bioplyn technologie s.r.o.
Bohemian Development, a.s.
CEZ Ciepło Polska sp. z o.o.
CEZ Deutschland GmbH
CEZ Finance B.V.
CEZ Chorzow B.V.
CEZ MH B.V.
CEZ Nowa Skawina S.A.
CEZ Poland Distribution B.V.
CEZ Produkty Energetyczne Polska sp. z o.o.
CEZ Silesia B.V.
CEZ Srbija d.o.o.
CEZ Trade Albania Sh.P.K.
CEZ Trade Bulgaria EAD
CEZ Trade Romania S.R.L.
ČEZ Bohunice a.s.
ČEZ Energetické produkty, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.
ČEZ Teplárenská, a.s.
DOMICA FPI s.r.o.
eEnergy Hodonín a.s.
eEnergy Ralsko a.s.
eEnergy Ralsko - Kuřívody a.s.
Elektrárna Chvaletice a.s.
Elektrociepłownia Chorzów ELCHO sp. z o.o.
Elektrownia Skawina S.A.
Energetické centrum s.r.o.
FVE Buštěhrad a.s.
FVE Vranovská Ves a.s.
GENTLEY a.s.
KEFARIUM,a.s.
MARTIA a.s.
PPC Úžín, a.s.
Tepelné hospodářství města Ústí nad Labem s.r.o.
Teplárna Trmice, a.s.
CM European Power International B.V. *)
CM European Power International s. r. o. *)
CM European Power Slovakia, s. r. o. *)
Jadrová energetická spoločnosť Slovenska, a. s. *)
JESS Invest, s. r. o. *)
MOL - CEZ European Power Hungary Kft. *)

Power Production & Trading Southeastern Europe
CEZ Elektroproizvodstvo Bulgaria AD
M.W. Team Invest S.R.L.
NERS d.o.o.
Ovidiu Development S.R.L.
TEC Varna EAD
Taidana Limited
Tomis Team S.R.L.
Aken B.V. *)
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S. *)
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S. *)
Akenerji Elektrik Üretim A.S. *)
Akka Elektrik Üretim A.S. *)
Akkur Enerji Üretim A.S. *)
AK-EL Yalova Elektrik Üretim A.S. *)
Egemer Elektrik Üretim A.S. *)
Ickale Enerji Elektrik Üretim ve Ticaret A.S. *)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S. *)

Distribution & Sale Central Europe
CEZ Magyarország Kft. (CEZ Hungary Ltd.)
CEZ Slovensko, s.r.o.
CEZ Trade Polska sp. z o.o.
ČEZ Distribuce, a. s.
ČEZ Prodej, s.r.o.

Mining Central Europe
CEZ Finance Ireland Ltd.
CEZ International Finance B.V.
Severočeské doly a.s.
JTSD - Braunkohlebergbau GmbH *)
LOMY MOŘINA spol. s r.o. *)
Mitteldeutsche Braunkohlengesellschaft mbH *)

Distribution & Sale Southeastern Europe
CEZ Albania Sh.A.
CEZ Distributie S.A.
CEZ Elektro Bulgaria AD
CEZ Razpredelenie Bulgaria AD
CEZ Shpërndarje Sh.A.
CEZ Vanzare S.A.
Akcez Enerji A.S. *)
Sakarya Elektrik Dagitim A.S. *)

*) Associate or joint-venture.

Other Central Europe
Centrum výzkumu Řež s.r.o.
CEZ Polska sp. z o.o.
ČEZ Distribuční služby, s.r.o.
ČEZ Energetické služby, s.r.o.
ČEZ ENERGOSERVIS spol. s r.o.
ČEZ ICT Services, a. s.
ČEZ Logistika, s.r.o.
ČEZ Měření, s.r.o.
ČEZ Správa majetku, s.r.o.
ČEZ Zákaznické služby, s.r.o.
PRODECO, a.s.
SD - 1.strojírenská, a.s.
SD - Autodoprava, a.s.
SD - Kolejová doprava, a.s.
SD - KOMES, a.s.
SD - Rekultivace, a.s.
STE - obchodní služby, spol. s r.o. in liquidation
ŠKODA PRAHA a.s.
ŠKODA PRAHA Invest s.r.o.
Ústav jaderného výzkumu Řež a.s.

Other Southeastern Europe
CEZ Bosna i Hercegovina d.o.o.
CEZ Bulgaria EAD
CEZ Laboratories Bulgaria EOOD
CEZ Romania S.A.
CEZ RUS OOO
CEZ Servicii S.A.
CEZ Ukraine CJSC
New Kosovo Energy L.L.C.

CEZ Group Financial Performance Results, by Segment

Segment Analysis

Segment	Sales other than intersegment sales CZK millions	Intersegment sales CZK millions	Total revenues CZK millions	EBITDA CZK millions	Depreciation and amortization CZK millions
Mining CE					
2009	4,523	6,641	11,164	5,287	(1,415)
2010	4,688	5,850	10,538	4,273	(1,631)
Power Production & Trading CE					
2009	73,033	53,066	126,099	68,464	(13,730)
2010	61,860	53,378	115,238	62,272	(14,381)
Distribution & Sale CE					
2009	81,932	4,126	86,058	9,316	(3,065)
2010	91,721	6,728	98,449	13,382	(3,221)
Other CE					
2009	3,931	33,735	37,666	4,576	(2,137)
2010	3,758	41,034	44,792	4,699	(2,044)
Power Production & Trading SEE					
2009	2,871	294	3,165	244	(366)
2010	3,524	280	3,804	611	(428)
Distribution & Sale SEE					
2009	30,042	123	30,165	3,086	(2,100)
2010	33,277	81	33,358	3,690	(2,255)
Other SEE					
2009	20	2,676	2,696	82	(63)
2010	20	2,181	2,201	103	(72)
Elimination					
2009	–	(100,661)	(100,661)	20	–
2010	–	(109,532)	(109,532)	59	–
Consolidated					
2009	196,352	–	196,352	91,075	(22,876)
2010	198,848	–	198,848	89,089	(24,032)

The EBITDA of the Mining Central Europe segment fell CZK 1.0 billion (–19.1%). Severočeské doly a.s. mined 0.2 million tons of coal less, year-on-year, due primarily to lower demand from ČEZ, a. s., which can be attributed to reduced generation in coal-fired power plants in 2010. For external customers, Severočeské doly a.s. extracted 0.6 million tons more (+10.8%), thanks primarily to excellent results in sales of sorted coal.

The German MIBRAG mines, consolidated by the equity method, are only reflected in the segment's net income. The valuation of the stake in the associate MIBRAG fell CZK 2.8 billion year-on-year, to CZK 0.2 billion, primarily in conjunction with a reversal of negative goodwill to revenue in 2009.

The Power Production & Trading Central Europe segment, which is still the most important in CEZ Group, posted an EBITDA of CZK 62.3 billion, which is CZK 6.2 billion less (–9.0%) in year-on-year terms. This was caused primarily by declining electricity prices in the wholesale market. On the other hand, this result was positively impacted by hedging against movements in electricity prices. As a matter of standard practice, CEZ Group sells electricity generated in-house one or more years in advance.

Generation in coal-fired power plants grew 1.4 TWh in the Czech Republic and fell 0.2 TWh in Poland. Due to low electricity prices and growth in black coal prices in Poland, generation in the Polish power plants was optimized to a year-on-year lower level. In the Czech Republic, fuel expenses were up year-on-year in line with the growth in generation. Nuclear power plants generated 0.8 TWh more than in the previous year. Temelín Nuclear Power Station generated 13.8 TWh of electricity, a record and 0.5 TWh more than in 2009, while Dukovany Nuclear Power Station generated 14.2 TWh, up 0.2 TWh from 2009. Gains on emission rights derivatives rose year-on-year due to revaluation of open positions in purchased emission rights originally designated for NAP III (change in fair value).

EBIT CZK millions	Income tax CZK millions	Net income CZK millions	Capital expenditure CZK millions	Work force head count at December 31 persons	Segment
					Mining CE
3,872	(799)	6,553	3,525	3,485	2009
2,642	(505)	3,033	3,990	3,464	2010
					Power Production & Trading CE
54,734	(9,729)	48,387	28,720	7,199	2009
47,891	(8,437)	43,682	39,779	7,596	2010
					Distribution & Sale CE
6,251	(1,209)	5,121	9,788	1,449	2009
10,161	(1,850)	8,035	9,645	1,490	2010
					Other CE
2,439	(481)	2,061	23,688	8,460	2009
2,655	(452)	2,331	27,456	8,754	2010
					Power Production & Trading SEE
(122)	(16)	19	9,657	582	2009
183	57	(2,012)	3,459	536	2010
					Distribution & Sale SEE
986	(853)	391	2,523	10,395	2009
1,435	(589)	(324)	2,994	9,463	2010
					Other SEE
19	(4)	2	921	1,415	2009
31	(15)	8	729	1,324	2010
					Elimination
20	–	(10,679)	(22,200)	–	2009
59	–	(7,595)	(26,337)	–	2010
					Consolidated
68,199	(13,091)	51,855	56,622	32,985	2009
65,057	(11,791)	47,158	61,715	32,627	2010

The EBITDA of the Distribution & Sale Central Europe segment was up CZK 4.1 billion (+43.4%) year-on-year, to CZK 13.4 billion. Growing demand for electricity driven by the economic recovery caused distributed electricity to grow by 1.2 TWh (+3.7%). Electricity sales were negatively impacted, in particular, by an 0.6 TWh (–2.6%) decline in the market share of ČEZ Prodej, s.r.o. The segment's results were further influenced by a methodology change relating to a shift in the core business of CEZ Trade Polska sp. z o.o., CEZ Magyarország Kft., and CEZ Slovensko, s.r.o. from trading to sales of electricity to end customers. A difference of 2.1 TWh (8.4%) is attributable to the fact that these companies were not included in this segment in 2009.

The EBITDA of the Power Production & Trading Southeastern Europe segment grew CZK 0.4 billion to reach a level of CZK 0.6 billion. Varna Power Station generated 2.9 TWh of electricity, up 0.7 TWh year-on-year. The year-on-year drop in its financial results was caused by a negative margin on generation to meet quota and higher variable costs due to growth in black coal prices. In Romania, June saw generation commence at the Fântânele wind farm site and the EBITDA is up CZK 0.5 billion year-on-year. In Turkey, Akenerji completed the construction of five new hydro power plants.

The EBITDA of the Distribution & Sale Southeastern Europe segment was up moderately (+19.6%) to CZK 3.7 billion. Companies in Bulgaria, Romania, and Albania distributed a total of 20.3 TWh of electricity to end customers and sold 16.6 TWh of electricity to end customers outside of CEZ Group; this is slightly above the 2009 values. The EBITDA of the Romanian companies grew CZK 0.3 billion year-on-year, thanks in particular to a higher volume of electricity sold at the high-voltage level as the crisis faded. The EBITDA of the Bulgarian companies was down CZK 0.3 billion year-on-year. Under a decree of the regulator dated July 1, 2010, distribution tariffs at the low-voltage level were cut by 12.5% (the percentage of recognized grid losses was reduced), which caused a drop in H2 2010. The EBITDA of the Albanian companies posted year-on-year growth of CZK 0.6 billion. CEZ Shpërndarje Sh.A. was included in the consolidated results from May 2009, so the data are not entirely comparable, but restructuring measures focused in particular on reducing grid losses and improving debt collection are having a positive impact.

Anticipated Commercial and Financial Situation in 2011

CEZ Group sells electricity continually, three years in advance, as a hedge against extraordinary market fluctuations. And, thanks to that, despite the current overall drop in market prices the electricity selling prices we are achieving are higher than spot prices. In conjunction with this, the Group also hedges against volatility in Czech Koruna exchange rates. This strategy will be applied in 2011 as well.

In 2011 we are expecting wholesale electricity prices to recover somewhat. However, this will not show up in the financial performance results until future years. The 2011 results will be influenced by the electricity prices and CZK/EUR exchange rates contained in contracts entered into in past years. The commercial and financial results will also be materially impacted by a change in tax legislation. For this reason, CEZ Group expects its income to decline slightly in 2011. The consolidated EBITDA is forecast at CZK 84.8 billion (i.e., 5% less than in 2010), EBIT is anticipated to be CZK 59.1 billion (–10%), and the net income prediction is CZK 40.1 billion (–15%).

The forecasted income result of the parent company, ČEZ, a. s., expressed in terms of EBITDA, is CZK 47.2 billion (down 19% from 2010).

The anticipated income result is based on the following assumptions and facts:

- falling wholesale electricity prices on sales realized in previous years
- strong Koruna against the Euro
- imposition of a gift tax on allocated emission rights and a withholding tax on revenues from photovoltaic power plants
- price growth in fossil fuels and emission rights
- a moderate recovery in demand for electricity
- utilization of full design capacity of nuclear power plants with the aim of increasing installed capacities and supplies from individual reactor units
- growth in generation from photovoltaic and wind power plants and higher revenues in distribution
- launch of the cost-saving NEW VISION program
- commissioning of new and renewed power sources.

CEZ Group continues to develop active trading in commodities and commodity derivatives (electricity, emission rights, CER and ERU credits, coal, natural gas), which is having a positive impact on the CEZ Group income result.

2011 will see the operation of a major wave of new photovoltaic power plants that were completed in late 2010. The total installed capacity of photovoltaics in the Czech Republic at year-end 2010 was 1,953 MW. That will place high demands on transmission grid regulation and, especially during sunny weather, it also has the potential to affect operating regimes at coal-fired and, possibly, nuclear power plants in the Czech Republic.

In order to optimize the internal functioning and cost structure, CEZ Group has launched the NEW VISION program, which builds on the Efektivita Program and is even more ambitious than its predecessor, particularly in terms of cost savings. Priorities will include completing the renewal of conventional power plants, developing nuclear energy, and optimizing plant operation. Savings will also be realized in overhead expenses, while staff expenses will be frozen. In investments, additional emphasis will be placed on the performance of acquisitions.

At the international level, successful negotiation of more favorable regulatory conditions in distribution and the possibility of operating the old units of the Varna Power Station in Bulgaria until the end of their lifetimes will be key factors. The ability to complete construction of the wind farms in Romania will also play a major role. In Albania, CEZ Group intends to continue in the transformation measures already launched, relating in particular to reducing grid losses and improving debt collection.

In 2011, construction will commence on a CCGT power source in Počerady, which is expected to have a positive impact on the income result in the years to come.

Financial Performance of ČEZ, a. s.

The core businesses encompass the generation, distribution, and trading of electricity, the generation and distribution of heat, and trading in natural gas. A detailed listing of the Company's businesses can be found in the Articles of Association and in the Commercial Register.

Key Figures of ČEZ, a. s. (IFRS)

	Units	2009	2010	Index 2010/2009 (%)
Electricity generated (gross)	GWh	60,610	62,728	103.5
Installed capacity	MW	12,300	11,559	94.0
Heat sold	TJ	9,411	10,301	109.5
Operating revenues	CZK millions	119,205	110,198	92.4
Operating expenses (excluding depreciation and amortization)	CZK millions	53,303	52,011	97.6
EBITDA	CZK millions	65,902	58,187	88.3
EBIT	CZK millions	52,975	45,009	85.0
Net income	CZK millions	45,427	34,762	76.5
Dividend per share (gross) [1]	CZK/share	50.0	53.0	106.0
Total assets	CZK millions	444,698	469,161	105.5
Equity	CZK millions	177,460	189,488	106.8
Financial debt	CZK millions	131,356	153,850	117.1
Return on Equity (ROE), net	%	27.3	18.9	69.2
Return on Assets (ROA), net	%	10.9	7.6	69.7
Net debt/EBITDA	1	1.77	2.31	130.5
Current ratio	%	85.8	98.0	114.2
Work force head count at December 31	persons	6,230	6,009	96.5

[1] Approved and paid in the given year, from the previous year's income.

ČEZ, a. s. Financial Performance Commentary

Revenues, Expenses, Income

In 2010 ČEZ, a. s. generated EBITDA of CZK 58.2 billion, down CZK 7.7 billion (−11.7%) year-on-year. Net income fell CZK 10.7 billion (−23.5%).

Operating revenues declined CZK 9.0 billion (−7.6%) on weak electricity prices in the wholesale market. Generation within ČEZ, a. s. (including Chvaletice Power Station) rose in 2010, by a total of 2.1 TWh (+3.5%). Mostly, generation rose in coal-fired power plants by 1.2 TWh (+3.8%). Nuclear power plants generated 0.8 TWh more (+2.9%), while the output of run-of-river and accumulation hydro power plants was up 0.1 TWh (+10.1%).

Lower repairs and maintenance expenses (down CZK 0.3 billion) are related to the year-on-year smaller scope of power plant outages and repairs. Wages and salaries grew (by CZK 0.2 billion) on wage growth mandated by the Collective Agreement. Transactions in emission rights ended with a net gain of CZK 1.6 billion, an increase of CZK 2.1 billion year-on-year.

Other Expenses and Income

Other expenses and income was down CZK 4.5 billion, year-on-year, to CZK –2.7 billion (i.e., a loss). Interest expenses increased CZK 1.2 billion while, on the other hand, efficient treasury management drove interest revenues up CZK 1.4 billion. Other financial income (expenses), net was down CZK 3.3 billion year-on-year, due in particular to the creation of an allowance to financial assets in conjunction with a CZK 2.8 billion reduction in the value of goodwill in the Bulgarian subsidiaries. Another factor in the decline was a CZK 0.2 billion drop in proceeds from short-term securities. Other financial revenues were down CZK 2.2 billion in 2010, primarily due to lower dividends received.

Income taxes were lower by CZK 1.8 billion compared to the previous year. This can be attributed primarily to the lower income result.

Structure of Assets and Capital

Total assets were up CZK 24.5 billion year-on-year, to CZK 469.2 billion.

Non-current assets increased CZK 22.8 billion, to CZK 377.9 billion. In net terms, the value of property, plant and equipment grew CZK 10.3 billion year-on-year. Growth in additions to property, plant and equipment in 2010 drove a CZK 3.2 billion increase in construction work in progress, including advances paid. Other non-current assets were up CZK 12.5 billion year-on-year, primarily on financial investments in 2010.

Current assets were up CZK 1.7 billion in 2010, to CZK 91.3 billion, primarily on a CZK 4.7 billion increase in cash and cash equivalents, including short-term securities, and a CZK 9.8 billion rise in short-term lendings to CEZ Group companies. On the other hand, derivative receivables were down CZK 15.2 billion, but this was offset on the equity and liabilities side by a CZK 14.6 billion decline in derivative payables.

In 2010, equity rose CZK 12.0 billion to a level of CZK 189.5 billion. The net income generated in 2010 contributed to a CZK 34.8 billion increase in equity. Subsequently, this increase was lowered by the approval of CZK 28.3 billion in dividends. Changes in equity in conjunction with hedge accounting increased equity by CZK 5.6 billion.

Long-term liabilities were up CZK 22.0 billion to CZK 176.0 billion, primarily on new bond issues and growth in long-term bank loans.

Deferred tax liability increased CZK 1.8 billion, to CZK 10.5 billion.

Current liabilities were down CZK 11.4 billion, to CZK 93.1 billion. Most significantly, there was a CZK 14.6 billion decrease in derivative payables, which was offset on the assets side by a CZK 15.2 billion drop in derivative receivables. On the other hand, there was a CZK 1.9 billion increase in liabilities toward suppliers.

Cash Flows

Net cash provided by operating activities declined by CZK 18.4 billion in 2010. Contributing to the decline was income before income taxes after adjustments to reconcile income before income taxes to net cash provided by operating activities, which was down CZK 10.7 billion year-on-year. Dividends received fell CZK 2.7 billion and the change in working capital reduced net cash provided by operating activities by CZK 7.7 billion. Income taxes paid fell CZK 3.3 billion in 2010, which had the opposite effect of increasing cash flows from operating activities.

Cash used in investing activities was down CZK 34.7 billion year-on-year, primarily on a CZK 33.6 billion drop in financial investments (new acquisitions) and a CZK 8.5 billion decrease in additions to non-current assets (2009 saw a major investment in Pražská teplárenská). Lendings within CEZ Group, net were up CZK 5.6 billion.

Cash flows from financing activities were down CZK 22.8 billion year-on-year. Here, the main factors were a CZK 19.9 billion year-on-year decrease in borrowings and other long-term liabilities, net, and a CZK 1.7 billion increase in dividends paid.

Comprehensive Income

The comprehensive income, net of tax, fell CZK 8.9 billion year-on-year, to CZK 40.1 billion. Within this figure, net income declined CZK 10.7 billion year-on-year, to CZK 34.8 billion, and changes in equity caused the comprehensive income to increase by CZK 1.8 billion in year-on-year terms. The biggest factor in this increase was the Czech Koruna's strength against the Euro: the overall change in the fair value of cash-flow hedge instruments, cash-flow hedges removed from equity to the income statement, and deferred taxes on these transactions, taken together, increased the comprehensive income by CZK 1.7 billion in year-on-year terms.

ČEZ, a. s. Financing

Borrowings and Their Maturity

a) Long-term Loans

Creditor	Currency	Maximum loan amount in given currency (millions)	Valuation of debt at December 31, 2010 (CZK millions)	Maturity	Collateral
European Investment Bank	CZK	3,058	706	Sep 16, 2013	none
European Investment Bank	EUR	200	5,012	Nov 12, 2019	none
European Investment Bank	EUR	100	2,506	Jan 12, 2020	none
European Investment Bank	EUR	100	2,005	Dec 21, 2020	none
Long-term loans, total			10,229		
of which: current portion			235		
Long-term loans, net of current portion			9,994		

b) Short-term Loans

	Indebtedness at December 31, 2010 (CZK millions)
Short-term bank loans	6,193
Negative balance facilities	262
Current portion of long-term loans	235
Other short-term financing	–
Short-term loans, total	6,690

Supplementary Information on CEZ Group Members

Individual Results of Fully Consolidated Companies of CEZ Group

Subsidiaries	Operating revenues		Operating expenses		EBITDA	
	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)
Czech Republic						
ČEZ, a. s.	110,198	92	(65,189)	98	58,187	88
3 L invest a.s.	2	–	(3)	–	(1)	–
AREA-GROUP CL a.s.	1	–	2	–	4	–
Bioplyn technologie s.r.o.	–	–	–	–	–	–
Bohemian Development, a.s.	9	> 500	(1)	19	8	–
Centrum výzkumu Řež s.r.o.	64	–	(81)	–	1	–
ČEZ Bohunice a.s.	13	–	(18)	> 500	(5)	432
ČEZ Distribuce, a. s.	43,439	120	(37,118)	117	12,220	133
ČEZ Distribuční služby, s.r.o.	4,547	104	(3,857)	97	1,178	139
ČEZ Energetické produkty, s.r.o.	880	92	(837)	91	48	118
ČEZ Energetické služby, s.r.o.	862	71	(838)	69	62	251
ČEZ ENERGOSERVIS spol. s r.o.	573	–	(514)	–	62	–
ČEZ ICT Services, a. s.	4,625	96	(3,795)	102	2,132	86
ČEZ Logistika, s.r.o.	5,013	96	(4,402)	96	616	97
ČEZ Měření, s.r.o.	1,720	97	(1,488)	105	244	66
ČEZ Obnovitelné zdroje, s.r.o.	785	164	(415)	118	555	200
ČEZ Prodej, s.r.o.	79,832	100	(77,953)	97	2,258	–
ČEZ Správa majetku, s.r.o.	2,263	112	(1,811)	101	751	132
ČEZ Teplárenská, a.s.	2,139	113	(1,978)	110	378	165
ČEZ Zákaznické služby, s.r.o.	1,254	96	(1,075)	102	179	71
DOMICA FPI s.r.o.	–	–	(2)	–	(1)	–
eEnergy Hodonín a.s.	–	–	–	–	–	–
eEnergy Ralsko a.s.	–	–	(1)	–	(1)	–
eEnergy Ralsko - Kuřívody a.s.	–	–	–	–	–	–
Elektrárna Chvaletice a.s.	1,938	–	(1,356)	–	725	–
Energetické centrum s.r.o.	151	118	(128)	192	48	63
FVE Buštěhrad a.s.	8	–	–	–	8	–
FVE Vranovská Ves a.s.	–	–	–	–	–	–
GENTLEY a.s.	–	–	(11)	> 500	(11)	> 500
KEFARIUM,a.s.	–	–	(1)	–	(1)	–
MARTIA a.s.	216	98	(214)	99	5	91
PPC Úžín, a.s.	–	> 500	(2)	108	(2)	95
PRODECO, a.s.	810	61	(799)	63	19	25
SD - 1.strojírenská, a.s.	1,259	111	(1,213)	109	60	151
SD - Autodoprava, a.s.	546	113	(521)	113	151	99
SD - Kolejová doprava, a.s.	458	113	(424)	110	79	126
SD - KOMES, a.s.	855	115	(845)	115	16	105
SD - Rekultivace, a.s.	1,285	250	(1,139)	277	156	140
Severočeské doly a.s.	10,538	94	(7,898)	108	4,279	81
STE - obchodní služby spol. s r.o. in liquidation	–	8	(1)	65	(1)	85
ŠKODA PRAHA a.s.	106	73	(80)	51	29	–
ŠKODA PRAHA Invest s.r.o.	19,820	147	(19,671)	148	158	77
Tepelné hospodářství města Ústí nad Labem s.r.o.	581	–	(555)	–	39	–
Teplárna Trmice, a.s.	1,543	–	(1,355)	–	541	–
Ústav jaderného výzkumu Řež a.s.	1,489	96	(1,331)	96	242	92

	Depreciation and amortization		Net income		Total assets		Equity		Work force head count at December 31	
	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (persons)	Index 2010/2009 (%)
	(13,178)	102	34,762	77	469,161	106	189,488	107	6,009	96
	–	–	12	–	3,920	–	15	–	–	–
	–	–	12	–	1,992	–	13	–	–	–
	–	–	(2)	–	52	–	(3)	–	–	–
	–	–	6	–	11	94	–	–	–	–
	(18)	–	(17)	–	526	–	277	–	47	–
	–	–	(12)	–	3,223	62	3,209	100	–	–
	(5,899)	130	4,842	130	128,804	143	88,203	152	1,232	102
	(488)	102	560	189	7,728	103	5,981	104	2,094	100
	(5)	155	35	115	297	210	75	168	20	87
	(38)	116	15	–	596	89	399	104	290	79
	(3)	–	47	–	274	–	165	–	368	–
	(1,302)	93	673	78	6,903	98	5,330	105	492	82
	(5)	101	504	102	1,044	92	724	101	166	89
	(12)	107	179	62	764	96	417	79	1,027	106
	(185)	121	161	163	4,670	163	2,241	101	107	106
	(379)	100	1,483	–	22,996	110	7,105	127	229	97
	(298)	84	462	236	5,196	112	4,682	109	247	92
	(217)	149	134	202	3,520	152	2,818	166	218	149
	–	111	143	70	400	93	165	73	855	101
	(1)	–	(2)	–	1,595	–	16	–	–	–
	–	–	1	–	211	–	2	–	–	–
	–	–	(5)	–	205	–	(3)	–	–	–
	–	–	(3)	–	131	–	(1)	–	–	–
	(143)	–	463	–	5,651	–	4,309	–	230	–
	(25)	168	17	33	356	103	64	95	54	92
	–	–	3	–	229	–	34	–	–	–
	–	–	–	–	176	–	175	–	–	–
	–	–	(20)	407	2,821	> 500	(23)	> 500	–	–
	–	–	(1)	–	6	–	6	–	–	–
	(4)	100	2	–	118	78	46	59	118	98
	–	–	(1)	180	158	99	158	99	2	100
	(8)	116	6	10	2,383	125	149	77	76	97
	(14)	86	36	198	444	108	176	112	602	96
	(126)	100	19	95	636	107	516	105	403	108
	(45)	108	27	153	607	118	410	103	369	104
	(6)	96	10	139	463	109	278	104	29	100
	(10)	111	119	144	800	234	203	122	58	100
	(1,639)	116	2,369	74	29,658	99	17,994	104	3,464	99
	–	–	(1)	85	2	79	2	78	–	–
	(3)	78	41	98	786	90	457	98	19	86
	(9)	141	125	68	11,105	93	158	73	545	107
	(13)	–	21	–	306	–	180	–	97	–
	(353)	–	138	–	4,646	–	3,768	–	368	–
	(84)	77	131	129	1,957	102	1,142	112	1,003	99

Subsidiaries	Operating revenues		Operating expenses		EBITDA	
	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)
Republic of Poland						
CEZ Ciepło Polska sp. z o.o.	–	–	–	72	–	72
CEZ Nowa Skawina S.A.	–	–	(11)	> 500	(11)	> 500
CEZ Polska sp. z o.o.	166	123	(164)	128	14	88
CEZ Produkty Energetyczne Polska sp. z o.o.	38	264	(35)	270	3	206
CEZ Trade Polska sp. z o.o.	1,466	139	(1,473)	144	(7)	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	1,848	68	(761)	80	1,297	66
Elektrownia Skawina S.A.	1,758	103	(1,404)	97	665	114
Republic of Bulgaria						
CEZ Bulgaria EAD	1,338	76	(1,325)	76	73	93
CEZ Elektro Bulgaria AD	15,062	97	(15,048)	97	14	73
CEZ Elektroproizvodstvo Bulgaria AD	–	–	(14)	29	(14)	29
CEZ Laboratories Bulgaria EOOD	14	86	(15)	97	–	–
CEZ Razpredelenie Bulgaria AD	4,654	88	(4,445)	92	1,002	76
CEZ Trade Bulgaria EAD	724	73	(714)	73	9	53
TEC Varna EAD	3,489	110	(3,519)	116	284	56
Romania						
CEZ Distributie S.A.	5,308	101	(3,617)	95	2,432	112
CEZ Romania S.A.	729	120	(694)	116	42	305
CEZ Servicii S.A.	176	38	(172)	38	8	31
CEZ Trade Romania S.R.L.	762	113	(751)	108	11	–
CEZ Vanzare S.A.	8,327	103	(8,405)	103	(78)	82
M.W. Team Invest S.R.L.	133	–	(82)	126	81	–
Ovidiu Development S.R.L.	–	–	(3)	353	(3)	353
Tomis Team S.R.L.	320	–	(153)	97	241	–
Republic of Albania						
CEZ Albania Sh.A.	130	258	(124)	233	8	–
CEZ Trade Albania Sh.P.K.	174	–	(173)	> 500	1	–
CEZ Shpërndarje Sh.A.	7,723	179	(8,075)	158	229	–
Federal Republic of Germany						
CEZ Deutschland GmbH	–	18	(1)	94	(1)	> 500
Kingdom of the Netherlands						
CEZ Finance B.V.	–	–	(3)	145	(3)	145
CEZ Chorzow B.V.	–	–	(3)	131	(3)	131
CEZ International Finance B.V.	–	–	(5)	244	(5)	244
CEZ MH B.V.	1	56	(1)	15	–	11
CEZ Poland Distribution B.V.	–	–	(2)	64	(2)	64
CEZ Silesia B.V.	–	–	(1)	107	(1)	107
Ireland						
CEZ Finance Ireland Ltd.	–	–	(2)	160	(2)	160
Slovak Republic						
CEZ Slovensko, s.r.o.	4,214	110	(4,650)	127	(436)	–
Republic of Hungary						
CEZ Magyarország Kft. (CEZ Hungary Ltd.)	1,884	88	(1,841)	75	43	–
Russian Federation						
CEZ RUS OOO	–	–	(2)	11	(2)	11
Serbia						
CEZ Srbija d.o.o.	656	109	(658)	109	(1)	–
Kosovo						
New Kosovo Energy L.L.C.	–	34	(1)	20	(1)	18
Bosnia and Herzegovina						
NERS d.o.o.	–	–	(1)	8	(1)	8
CEZ Bosna i Hercegovina d.o.o.	33	125	(32)	113	1	–
Ukraine						
CEZ Ukraine CJSC	–	–	(1)	18	(1)	19
Cyprus						
Taidana Limited	–	–	–	–	–	–

	Depreciation and amortization		Net income		Total assets		Equity		Work force head count at December 31	
	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (persons)	Index 2010/2009 (%)
	–	–	–	67	–	67	–	61	–	–
	–	–	(9)	> 500	198	> 500	(1)	–	–	–
	(13)	143	1	27	811	226	36	101	64	114
	–	–	2	186	14	160	8	129	25	> 500
	–	18	(4)	–	329	126	28	79	9	113
	(210)	104	768	61	7,892	96	5,204	115	124	97
	(310)	99	270	133	4,932	94	3,400	106	211	62
	(60)	117	3	108	698	65	14	115	773	99
	–	96	39	53	2,368	77	878	60	68	108
	–	313	(20)	48	57	54	(50)	156	–	–
	(1)	89	(1)	–	3	32	2	52	–	–
	(793)	92	220	46	8,722	82	6,891	85	2,911	108
	–	456	7	52	73	53	31	122	5	100
	(313)	83	4	3	4,276	61	3,766	59	530	92
	(741)	103	1,554	124	15,049	105	12,263	107	1,388	92
	(6)	187	24	209	2,148	> 500	44	210	549	268
	(4)	42	1	8	46	25	44	73	1	–
	–	–	10	–	68	96	10	> 500	3	100
	–	–	(146)	116	1,572	93	(77)	–	52	96
	(30)	–	3	–	3,386	90	378	95	–	–
	–	–	(15)	> 500	844	304	(15)	> 500	–	–
	(74)	–	(7)	5	18,302	140	2,407	95	6	–
	(2)	349	2	–	112	148	6	137	168	237
	–	–	–	–	54	> 500	6	96	3	150
	(582)	154	(927)	90	7,135	103	561	36	4,876	81
	–	–	(1)	–	36	89	36	92	–	–
	–	–	3	80	4,006	35	53	67	–	–
	–	–	(35)	147	1,324	121	244	91	–	–
	–	–	422	112	9,114	100	736	195	–	–
	–	–	1,294	70	16,570	84	(2,543)	63	–	–
	–	–	(3)	80	2,459	100	2,302	100	–	–
	–	–	105	–	1,203	105	1,203	105	–	–
	–	–	(2)	159	8,397	95	8,395	95	–	–
	–	105	(376)	–	1,479	74	(21)	–	13	93
	–	108	42	–	381	54	79	85	7	100
	–	8	(2)	11	35	95	35	95	1	20
	(1)	69	(5)	55	53	35	11	60	2	67
	–	68	(1)	20	1	35	1	36	–	–
	–	–	(13)	104	12	83	(76)	118	–	–
	–	95	2	–	20	92	20	103	–	–
	–	3	(1)	31	5	84	5	84	–	–
	–	–	–	–	2,694	–	2,694	–	–	–

Individual Results of Associates and Joint-ventures

Associates and joint-ventures	Operating revenues		Operating expenses		EBITDA	
	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)
Czech Republic						
LOMY MOŘINA spol. s r.o.	206	99	(209)	98	(3)	35
Republic of Hungary						
MOL - CEZ European Power Hungary Kft.	29	56	(15)	30	14	> 500
Kingdom of the Netherlands						
Aken B.V.	–	–	–	108	–	108
CM European Power International B.V.	–	–	(5)	98	(5)	98
Slovak Republic						
CM European Power International s. r. o.	–	–	(25)	88	(25)	159
CM European Power Slovakia, s. r. o.	3,366	153	(3,089)	157	279	125
Jadrová energetická spoločnosť Slovenska, a. s.	39	–	(144)	–	(83)	–
JESS Invest, s. r. o.	–	–	(3)	–	(3)	–
Federal Republic of Germany						
JTSD - Braunkohlebergbau GmbH [1)]	–	–	–	–	–	–
Mitteldeutsche Braunkohlengesellschaft mbH	10,531	196	(9,098)	194	3,612	183
Republic of Turkey						
Akcez Enerji A.S.	–	–	(33)	89	(33)	89
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	458	x	(452)	x	6	x
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	3,464	> 500	(3,335)	> 500	132	156
Akenerji Elektrik Üretim A.S.	4,268	74	(4,185)	76	411	62
Akka Elektrik Üretim A.S.	–	–	–	107	–	106
Akkur Enerji Üretim A.S.	20	> 500	(22)	> 500	12	–
AK-EL Yalova Elektrik Üretim A.S.	–	–	(4)	169	(3)	167
Egemer Elektrik Üretim A.S.	–	–	(1)	55	(1)	54
Ickale Enerji Elektrik Üretim A.S.	–	–	–	–	1	–
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	9	–	(28)	> 500	(1)	63
Sakarya Elektrik Dagitim A.S.	17,450	103	(16,536)	99	913	457

[1)] Starting in 2010, figures are reported under Mitteldeutsche Braunkohlengesellschaft mbH.

Fees Charged by External Auditors of Companies of the CEZ Consolidated Group in 2010 (CZK millions)

	Audit services	Tax consulting	Economic and organizational consulting	Other	Total
ČEZ, a. s.	20.6	4.2	10.0	–	34.8
Fully consolidated CEZ Group companies	56.1	3.4	1.4	8.1	69.0
CEZ Group, total	76.7	7.6	11.4	8.1	103.8

CEZ Group External Auditors

CEZ Group company	Name of audit firm
ČEZ, a. s.	Ernst & Young Audit, s.r.o.
3 L invest a.s.	Alfery Audit s.r.o.
AREA-GROUP CL a.s.	Alfery Audit s.r.o.
Bioplyn technologie s.r.o.	Alfery Audit s.r.o.
Bohemian Development, a.s.	Alfery Audit s.r.o.
Centrum výzkumu Řež s.r.o.	Nexia AP a.s.
	PRAGUE TAX SERVICES, a.s.
CEZ Albania Sh.A.	ERNST & YOUNG
CEZ Bosna i Hercegovina d.o.o.	REVIDENT d.o.o. Zenica
CEZ Bulgaria EAD	Ernst & Young Audit OOD
CEZ Deutschland GmbH	Eigenstetter und Helmreich Steuerberatungsgesellschaft mbH
CEZ Distributie S.A.	DELOITTE
	Ernst & Young S.R.L.
	PROFESIONAL AUDIT
	SRAC CERT S.R.L.
CEZ Elektro Bulgaria AD	Ernst & Young Audit OOD
CEZ Elektroproizvodstvo Bulgaria AD	ERNST & YOUNG Audit OOD
CEZ Finance B.V.	Ernst & Young Netherlands
CEZ Finance Ireland Ltd.	Ernst & Young Limited
CEZ Hungary Ltd.	Ernst & Young Kft.
	KPMG Tanácsadó Kft.
	Nova-Audit Kft.
CEZ Chorzow B.V.	Ernst & Young Accountants LLP
CEZ International Finance B.V.	Ernst & Young Accountants LLP
CEZ Laboratories Bulgaria EOOD	Ernst & Young Audit OOD
CEZ MH B.V.	Ernst & Young Accountants LLP
CEZ Nowa Skawina S.A.	Ernst & Young Audit Sp. z o.o.

CEZ Group company	Name of audit firm
CEZ Poland Distribution B.V.	Ernst & Young Accountants LLP
CEZ Polska sp. z o.o.	Ernst & Young Audit Sp. z o.o.
CEZ Produkty Energetyczne Polska sp. z o.o.	Ernst & Young Audit Sp. z o.o.
CEZ Razpredelenie Bulgaria AD	Ernst & Young Audit OOD
CEZ Romania S.R.L.	Ernst & Young S.R.L.
	KPMG ROMÂNIA SRL
	DELOITTE
	RADIX CONSULT
	NELKE LIMITED
CEZ RUS OOO	Radde s.r.o
	Ernst & Young Audit, s.r.o.
	Interpont
CEZ Servicii S.A.	Ernst & Young S.R.L.
	DELOITTE
CEZ Shpërndarje Sh.A.	ERNST & YOUNG
	GJINI Consulting
CEZ Silesia B.V.	Ernst & Young Accountants LLP
CEZ Slovensko, s.r.o.	Ernst & Young Slovakia, spol. s r.o.
CEZ Srbija d.o.o.	Ernst & Young Beograd d.o.o.
	KPMG d.o.o. Beograd
CEZ Trade Albania Sh.P.K.	Ernst & Young Certified Auditors sh.p.k. - Skopje Tirana Branch
CEZ Trade Bulgaria EAD	Ernst & Young Audit OOD
CEZ Trade Polska sp. z o.o.	Ernst & Young Audit Sp. z o.o.
	Accreo Taxand Sp. z o.o.
	Calan Tax Services Sp. z o.o.

	Depreciation and amortization		Net income		Total assets		Equity		Work force head count at December 31	
	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (CZK millions)	Index 2010/2009 (%)	2010 (persons)	Index 2010/2009 (%)
	–	–	(1)	36	412	99	363	100	121	95
	–	–	27	310	529	130	269	101	8	267
	–	–	–	31	28	94	28	95	–	–
	–	–	33	–	1,874	98	1,872	98	–	–
	–	137	(25)	165	187	74	147	81	11	92
	(2)	> 500	231	128	3,314	123	1,397	115	113	102
	(22)	–	(99)	–	5,891	94	5,866	93	–	–
	–	–	(3)	–	100	–	98	–	–	–
	–	–	–	–	–	–	–	–	–	–
	(2,179)	169	430	113	22,500	83	6,608	39	1,751	88
	–	–	(501)	–	11,853	98	5,649	91	–	–
	–	x	5	x	476	x	44	x	–	x
	(3)	> 500	111	159	926	474	180	239	–	–
	(328)	71	(119)	–	20,611	120	9,564	158	308	119
	–	–	–	63	17	99	–	225	–	–
	(14)	> 500	(111)	–	5,693	144	393	69	–	–
	–	–	(6)	–	151	90	151	95	–	–
	–	104	12	68	2,499	146	1,662	99	–	–
	(1)	–	15	–	637	–	627	–	–	–
	(18)	–	(73)	418	1,961	243	198	73	–	–
	1	–	818	> 500	4,866	103	1,783	177	740	107

CEZ Group company	Name of audit firm
CEZ Trade Romania S.R.L.	Ernst & Young S.R.L.
	SIMTEX
CEZ Vanzare S.A.	Ernst & Young S.R.L.
	DELOITTE
	PROFESIONAL AUDIT
	SRAC CERT SRL
ČEZ Distribuce, a. s.	Ernst & Young Audit, s.r.o.
ČEZ Distribuční služby, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Energetické služby, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ ENERGOSERVIS spol. s r.o.	Ing. Zdeněk Jaroš
ČEZ ICT Services, a. s.	Ernst & Young Audit, s.r.o.
ČEZ Logistika, s.r.o.	Ernst & Young Audit, s.r.o.
	CSA, spol. s r.o.
ČEZ Měření, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Obnovitelné zdroje, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Prodej, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Správa majetku, s.r.o.	Ernst & Young Audit, s.r.o.
ČEZ Teplárenská, a.s.	Ernst & Young Audit, s.r.o.
ČEZ Zákaznické služby, s.r.o.	Ernst & Young Audit, s.r.o.
DOMICA FPI s.r.o.	Alfery Audit s.r.o.
eEnergy Hodonín a.s.	Alfery Audit s.r.o.
eEnergy Ralsko a.s.	Alfery Audit s.r.o.
eEnergy Ralsko - Kuřívody a.s.	Alfery Audit s.r.o.
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Ernst & Young Audit Sp. z o.o.
Elektrownia Skawina S.A.	Ernst & Young Audit Sp. z o.o.
Energetické centrum s.r.o.	Consultas - Audit s.r.o.

CEZ Group company	Name of audit firm
FVE Buštěhrad	Alfery Audit s.r.o.
FVE Vranovská Ves a.s.	Alfery Audit s.r.o.
GENTLEY a.s.	Alfery Audit s.r.o.
KEFARIUM,a.s.	Alfery Audit s.r.o.
M.W. Team Invest S.R.L.	Ernst & Young S.R.L.
MARTIA a.s.	ADaKa s.r.o.
NERS d.o.o.	EF revizor d.o.o. Banja Luka
New Kosovo Energy L.L.C.	Ernst & Young Audit, s.r.o.
Ovidiu Development S.R.L.	Ernst & Young S.R.L.
PPC Úžín, a.s.	Konzultační, expertizní a poradenské služby, spol. s r.o.
PRODECO, a.s.	NEXIA AP a.s.
SD - 1.strojírenská, a.s.	NEXIA AP a.s.
SD - Autodoprava, a.s.	NEXIA AP a.s.
SD - Kolejová doprava, a.s.	NEXIA AP a.s.
SD - KOMES, a.s.	NEXIA AP a.s.
SD - Rekultivace, a.s.	NEXIA AP a.s.
Severočeské doly a.s.	Ernst & Young Audit, s.r.o.
ŠKODA PRAHA a.s.	Ernst & Young Audit, s.r.o.
ŠKODA PRAHA Invest s.r.o.	Ernst & Young Audit, s.r.o.
TEC Varna EAD	Ernst & Young Audit OOD
Tepelné hospodářství města Ústí nad Labem s.r.o.	ADaKa s.r.o.
Teplárna Trmice, a.s.	Ernst & Young Audit, s.r.o.
Tomis Team S.R.L.	Ernst & Young S.R.L.
Ústav jaderného výzkumu Řež a.s.	NEXIA AP a.s.
	PKM Audit & Tax s.r.o.

Miroslav Martykán

Chemical Oversight Technician

“I can say that, thanks to CEZ Group, I have found a stable job with a future. I take the energy I gain at work and invest it in my private life: family, friends, and hobbies.”

Miroslav Martykán is a specialist who helped implement the new fuel from the Russian company TVEL by fine-tuning the system for testing fuel rod seals. Currently, he monitors and assesses the condition of seals on nuclear fuel both during reactor operation and during outages. His work is a significant part of assuring the safe operation of Temelín Nuclear Power Station.

Risk Management at CEZ Group

The aim of integrated risk management in CEZ Group is to increase the value of CEZ Group while taking on an acceptable level of risk. Centralized risk management is based on the perception of risk as a measurable degree of uncertainty (potential deviation between actual and planned developments). The value of risk is expressed in Czech Korunas at the selected unified reliability level, enabling various types of risk to be compared and priorities to be set accordingly. Risks in the form of specific threats and/or events are managed in decentralized fashion, and only the largest of these are reported when the CEZ Group business plan is updated.

Centralized risk management relies on tools and models for managing and quantifying risk in one-year and medium-term time frames. Unified bad scenarios for the development of selected risk factors are quantified on a monthly basis. During 2010, these tools were further interlinked with the strategy, controlling, and planning processes.

These tools and the current CEZ Group processes (for the next five years) enable us to:

- measure the objective sensitivity of internal resources to changes in market risk
- manage the degree of fixation of future cash flows, thereby minimizing the risk that the fundamental value of CEZ Group will be threatened
- decide on acquisitions and investments in the context of CEZ Group's real debt capacity
- monitor compliance with requirements stipulated by creditors and credit rating agencies in terms of debt indicators over the medium term (minimize risk of being degraded)
- quantify risk of changes in cash flows from trading on commodity exchanges
- update the strategy to bring it into line with anticipated financial capacity of CEZ Group.

Along with the CEZ Group budget, its aggregate risk limit (Profit at Risk) is approved. This limit expresses CEZ Group's risk profile in the current year. Subsequently, the Risk Committee allocates this limit among various activities in accordance with Basel II principles used in the banking sector.

CEZ Group uses a unified risk categorization that focuses on the primary causes of unexpected developments. Under this system, risks are divided into four basic categories:

1. Market risk

In the trading area, commodity risks affecting trade in electricity, emission rights, natural gas, and black coal are centrally managed and uniformly quantified. These risks arise from ownership of power plants in CEZ Group (and are managed through sliding electricity sales over the next three years along with ad hoc management of the CO_2 position in the context of the NAP III allocation period) and from trading in commodity markets (managed by setting financial limits on deviations from plan and a limit in terms of the maximum open position).

In the finance area, currency and interest rate risks were hedged through managed balancing of operating, capital, and financial flows denominated in foreign currencies and by utilizing standard financial instruments in accordance with CEZ Group risk limits. Within the strategy of gradual hedging of foreign currency rate risks in the medium term, 2010 saw an acceleration in the pace of Euro currency risk hedging, and exposure monitoring was expanded to include selected CEZ Group companies.

With regard to the boom in the Czech Republic's solar segment in 2010, starting in 2011 CEZ Group is exposed to a new volume market risk in the annual budget (as the influence of sunlight on the volume of electricity purchased from photovoltaic power sources could cause EBITDA to deviate by up to CZK 1.2 billion in either direction). This risk has been quantified and will be recorded on a monthly basis.

2. Credit risk
Credit risk linked to CEZ Group's trading and financing counterparties is managed by setting individual limits.
In 2010, central management of bank credit limits was expanded to include counterparties in Poland, Romania, Bulgaria, and Albania. Due to the ongoing financial crisis, a number of ad hoc measures, including conservative rules for entering into trading transactions with regard to the potential for changes in market prices, remained in effect. There were no failures among our trading partners in 2010. In terms of end customer credit risk, which is managed by setting payment terms on the basis of the customer's internally determined credit, 2010 saw a slight deterioration in overall average customer credit. This resulted in a slight upswing in losses recognized on the basis of overdue receivables.

3. Operational risk
CEZ Group is subject to various operational risks: for example, the risk that the actual output of nuclear and Czech coal-fired power plants will deviate from plan. This risk is quantified as a proportion of the overall CEZ Group risk limit. The negative impact of these risks on the 2010 results was related to extensions of planned repairs, failures, and lower brown coal quality (moisture content, sulfur content). Other significant operational risks in 2010 included the integration of new international holdings into CEZ Group and the execution of plant renewal projects – in particular, the upgrade of coal-fired power plants in the Czech Republic.
2010 also saw the inclusion of the capital construction function in the risk management system, through participation in quantification of the budget reserve, monitoring of risk development, and risk reporting on individual capital projects. In accordance with best practice, a financial approach to risk was added, alongside the traditional, project-based approach. In particular, new tools are available to compare the risk involved in various projects and prioritize them (based on the risk profile of the current project valuation "NPV at Risk", which is calculated in a unified fashion). In this way, strategic decision-making on whether to execute a particular project (until now, NPV in the base scenario / CAPEX) now takes risk into account (NPV at Risk / CAPEX).

4. Business risk
The successful management of market and business risks before the financial crisis broke out in 2008 enabled CEZ Group, despite the crisis, to achieve a record result in 2009. In 2010, however, both operating and net income of CEZ Group declined, as did the income forecast for 2011–2020, due to the crisis's impact on the economy. Therefore, in 2010 CEZ Group implemented stricter financial management in the form of new tools and debt capacity reports on the basis of which the medium term capital expenditure plan is regularly modified in line with the Company's current/anticipated financial possibilities. The correctness of the ad hoc measures taken to address the crisis, including a cut-back in selected investment ambitions, was explicitly recognized by the credit rating agency Standard & Poor's in its reaffirmation of the existing high rating of ČEZ, a. s., despite uncertainty concerning future movements of electricity prices and growth in CEZ Group indebtedness in 2010.
Business risks persist in conjunction with international M&A expansion, the renewal of coal-fired power plants, and the construction of new gas-fired and renewables-based power sources. In terms of regulatory and legislative risks, 2010 saw realization of the risk of extraordinary taxation (a gift tax on emission rights allocated in 2011 and 2012), and the risk of changes to rules governing the allocation of emission rights for the NAP III period (2013–2020) has not been entirely eliminated.

ČEZ, a. s. Internal Control Mechanisms

Principles of Internal Control

The Company's system of internal controls consists of a number of rules and procedures put in place by Company management. The purpose is to help meet targets in terms of proper and effective Company operation, which means monitoring, in particular, the following:

- adherence to management policies
- proper caring for and protection of Company assets
- improvements in the efficiency of utilization of Company assets
- economical use of all Company resources
- safe and reliable operation of plant and equipment
- prevention and uncovering of fraud and errors
- correct and complete accounting, compilation of reliable financial statements
- timely identification and addressing of risks.

Internal control applies throughout the Company and provides crucial feedback in the management process. It includes all activities of executives at all levels of management, through which it determines, on an ongoing basis, whether achieved results are in line with plan. The Safety & Quality Management Section plays a key role in organizing and conducting control activities.

Company management endeavors to continuously improve the Company's internal control system in line with changing internal and external business conditions.

The state and effectiveness of the internal control system are monitored and assessed by the Internal Audit Section, based on the principles of internationally recognized standards, and are evaluated by the external auditor as well. Coordination of activities between the external and internal auditors, as well as vetting of the assessment of the internal control system for objectiveness, are the responsibility of the ČEZ, a. s. Audit Committee.

Internal Audit

The Internal Audit Section of ČEZ, a. s. is independent of the Company's executive management. It reports directly to the Board of Directors, and submits the results of its auditing activities to the ČEZ, a. s. Audit Committee and to the statutory bodies of the respective subsidiaries within CEZ Group. The Director of the Internal Audit Section of ČEZ, a. s. has direct access to meetings of the Board of Directors, which he attends, and he also participates, as a guest, in meetings of the Safety Committee, the Risk Committee, and the Development Committee. The section's independence has been vetted by an external assessment of internal audit quality, carried out in 2006 in accordance with the Standards of Professional Internal Audit Practice and confirmed in late 2008 by an in-house assessment using the same methodology.

The internal audit activity plan is compiled on the basis of an assessment of the risk inherent in individual processes utilizing suggestions provided by CEZ Group executives, and integrates follow-up audits. In 2010, a total of 64 audits were conducted, 28 at ČEZ, a. s. and another 36 in subsidiaries (including five audits in international holdings) where they are conducted by the Internal Audit Section of ČEZ, a. s. under contract. The audit activities of ČEZ, a. s. are coordinated with the separate audit departments that exist in certain CEZ Group companies (ČEZ Distribuce, a. s., Severočeské doly a.s., as well as separate audit units in Bulgaria, Romania, and Albania).

Based on the results of audits, Final Reports are drafted in which all objective findings are listed (and documented) and recommendations are made for addressing shortcomings, if any. The Final Reports and other results of the audits are discussed with the management of the entities audited, which subsequently proposes corrective measures.

Follow-up audits are conducted to verify the effectiveness of the corrective measures taken to deal with shortcomings found.

On a quarterly basis, the Board of Directors and Audit Committee of ČEZ, a. s. are informed in summary fashion on the results of the audit activities, including modifications to the audit plan, if any. In the event of serious findings or shortcomings whose solution exceeds the competence of the audited entity, the Board of Directors of ČEZ, a. s. orders the requisite corrective measures by passing a resolution.

Vetting of Large Financial Outlays for Acquisitions and Investments

Every investment plan goes through a number of phases in the decision-making process, during which the field is gradually narrowed down. This process is based on a unified project evaluation methodology (including a unified set of assumptions), which was expanded in 2010 to include assessment of the risk level of individual projects. Larger investments and acquisitions that are subject to approval by the ČEZ, a. s. Board of Directors are subjected to at least four levels of checks and assessments, in which all relevant Company sections are involved. In addition, plans submitted to the Board of Directors are also evaluated by the Development Committee or other body, as well as undergoing standard comment proceedings.
Under Section 14(9) of the Articles of Association, the prior consent of the Supervisory Board is required for the implementation of Board of Directors decisions on investments and/or acquisitions of over CZK 500 million. Before the plans for such investments are discussed by the Supervisory Board, they ordinarily go before the Supervisory Board's Strategy Committee, which issues a recommendation for the Supervisory Board.
Large capital projects, including construction and comprehensive retrofits of power plants, are managed using a process-driven model in which the obligations, responsibility, and authority of individual sections of ČEZ, a. s. are determined, including the participation of relevant CEZ Group subsidiaries during the entire execution phase of projects. The process-driven model takes different forms depending on whether the project is being financed by ČEZ, a. s., a 100% subsidiary, or a joint-venture, but does not depend on whether the project is in the Czech Republic or abroad.

International Holdings

For CEZ Group international holdings, a model strategic solution is applied, the aim of which is to achieve returns on invested capital, develop international operations long-term, and reinforce the positive perception of CEZ Group at the international level. In 2010, the area of international holdings (among others) was subjected to critical scrutiny in view of the impacts the recession has had on CEZ Group and the regions/countries in which CEZ Group operates. As a result, the Group abandoned certain acquisition ambitions and began considering divestitures. Decisions related to the business policies of international holdings, their business development, and other CEZ Group international activities are made at the level of the governing bodies of ČEZ, a. s.

Safety and Quality Management at CEZ Group

The safety and quality management system is an integral part of CEZ Group management, and it is implemented, maintained, and assessed by top management as an integrated management system. In nuclear power plant operations in particular, the safety and quality management system is given top priority. The management system complies with legislative requirements (Decree of the State Office for Nuclear Safety No. 132/2008 Sb.) and is harmonized with both the generally recognized criteria of ISO standards (ISO 14001, ISO 27001 and the Safe Enterprise program) and the specific recommendations of the International Atomic Energy Agency (GS-R-3). As far as it relates to nuclear activities, the management system is supervised by the State Office for Nuclear Safety.

The Board of Directors of ČEZ, a. s. is obligated to create and develop conditions for fulfilling the Company's responsibility to ensure the safety of its power plants, protect individuals both inside the Company and among the general public, protect the environment, and assure quality. Through the CEZ Group Unified Safety Policy project, 2010 saw the design and approval of a new system for managing safety within CEZ Group, based in particular on management of safety processes closer to risks in generation and distribution, the establishment of two segment centers that manage (either directly or by setting policies) security in the remaining companies and sections of CEZ Group, as well as the establishment of an independent Safety Inspectorate. At the same time, a new Safety and Environmental Protection Policy was announced. Another objective is to continually build a culture of safety. Based on the results of a culture of safety survey, an Action Plan to Improve the Culture of Safety was announced for the period 2009–2011. Tasks relating to improving the safety and quality management system concern, in particular, the integration of policies, objectives, and management of processes, and their implementation is progressing according to plan.

Another specific measure toward fulfillment of the Board of Directors' objectives in this area is the maintaining of all current certifications: Environmental Management System (ISO 14001), Information Security Management System (ISO 27001), and Safe Enterprise program certification, the content of which is similar to the OHSAS 18001 standard. Those companies of CEZ Group which have been determined to have increased risk in various safety-related areas are certified for compliance with the ISO 9001, ISO 14001 and OHSAS 18001 standards.

In October 2010, the State Labor Inspection Office issued ČEZ Distribuční služby, s.r.o. certification of the implementation of an occupational safety and health system complying with the requirements of ILO-OSH 2001 and OHSAS 18001:2007 with the right to utilize the title Safe Enterprise. This marked the official entry of yet another CEZ Group company into the category of enterprises with a high level of safety, occupational health, and focus on prevention of workplace risks.

In October 2010, ČEZ, a. s. acceded to the Czech Republic Quality Charter. By signing the Charter, it pledged, among other things, to spread experience and best practices in quality and innovations.

In October 2010, the Board of Directors of ČEZ, a. s. approved and issued a new Quality of Management Policy, in which it defined the main principles for perception of quality for all employees.

2010 saw the continuation, at ČEZ, a. s., of the project entitled "the Cost of Poor Quality" which aims to introduce a managerial tool linking the quality management system with the ČEZ, a. s. financial management system, enabling us to eliminate "costs of poor quality" through regular, automated, and reliable measurements and evaluations. In a pilot project currently ongoing at Temelín Nuclear Power Station, a methodology for primary cooling circuit administration was completed.

CEZ Group Capital Expenditures

In 2010, the companies of CEZ Group recorded capital expenditures totaling CZK 61,715 million, up CZK 5,093 million from 2009.

Capital Expenditure, by Area (CZK millions)

Area	Central Europe		Southeastern Europe		Total	
	2009	2010	2009	2010	2009	2010
Nuclear energy, including fuel procurement	8,418	7,814	–	–	8,418	7,814
Coal and CCGT power plants	17,244	20,462	30	11	17,274	20,473
of which: retrofits	5,433	8,552	–	–	5,433	8,552
new-build	10,681	11,235	30	11	10,711	11,246
other	1,130	675	–	–	1,130	675
Renewables	451	10,556	9,536	3,043	9,987	13,599
Distribution of electricity	10,932	9,685	2,180	2,816	13,112	12,501
Generation and distribution of heat	483	273	–	–	483	273
Mining of raw materials	3,709	3,869	–	–	3,709	3,869
Environmental	164	504	3	–	167	504
Information systems	1,576	963	131	86	1,707	1,049
Waste management	3	1	–	–	3	1
Other	1,365	1,574	397	58	1,762	1,632
Total	44,345	55,701	12,277	6,014	56,622	61,715

Additions to Property, Plant and Equipment and Other Non-current Assets, Including Capitalized Interest (CZK millions)

	2009	2010
Additions to property, plant and equipment	55,677	60,438
of which: nuclear fuel procurement	3,225	3,675
Additions to intangibles	945	1,277
Additions to long-term financial assets	14,521	3,536
Change in balance of liabilities attributable to capital expenditure	(352)	(2,233)
Total	70,791	63,018

Electricity Procured and Sold by CEZ Group

Electricity Procured and Sold (GWh)

	2009	2010	Index 2010/2009 (%)
Electricity procured	59,151	61,952	104.7
Generated in-house	65,344	68,433	104.7
In-house and other consumption, including pumping in pumped-storage plants	(6,193)	(6,481)	104.7
Sold to end customers	(43,817)	(44,594)	101.8
Wholesale balance	(7,708)	(9,984)	129.5
Sold in the wholesale market	(128,286)	(160,712)	125.3
Purchased in the wholesale market	120,578	150,728	125.0
Grid losses	(7,625)	(7,374)	96.7

Electricity Generation, by Source of Energy (GWh)

	Czech Republic		Poland		Bulgaria		Romania		CEZ Group	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Nuclear	27,208	27,998	–	–	–	–	–	–	27,208	27,998
Coal	31,186	32,575	2,109	1,900	2,241	2,850	–	–	35,536	37,325
Hydro	2,103	2,328	2	5	–	–	–	–	2,105	2,333
Biomass	344	337	150	158	–	–	–	–	494	495
Solar	–	16	–	–	–	–	–	–	–	16
Wind	1	9	–	–	–	–	–	256	1	265
Natural gas	–	1	–	–	–	–	–	–	–	1
Total	60,842	63,264	2,261	2,063	2,241	2,850	–	256	65,344	68,433

Electricity Sold (GWh)

	Czech Republic *		Poland		Bulgaria	
	2009	2010	2009	2010	2009	2010
Residential	9,162	9,311	–	–	4,086	4,181
Retail – commercial	4,386	4,255	–	–	2,775	2,717
Large end-customers	14,095	11,579	–	660	1,836	1,897
End customers, total	27,643	25,145	–	660	8,697	8,795

* Includes figures for ČEZ, ČEZ Prodej, Teplárna Trmice, Energetické centrum, and CEZ Trade Bulgaria EAD. The division of the company into individual countries in the table is based on the accounting segments. The Bulgarian company CEZ Trade Bulgaria EAD, which conducts electricity trading and sells electricity to end-customers in Bulgaria, is included in the same accounting segment as ČEZ, a. s. because, as a matter of fact, trading operations are run by ČEZ, a. s. For this reason, all results of CEZ Trade Bulgaria EAD are reported under the Czech Republic, even though the operations related to the Bulgarian market and the supplies of electricity were made to Bulgarian customers. In 2009 and 2010, CEZ Trade Bulgaria EAD sold 357 GWh and 581 GWh, respectively, of electricity to end-customers.
Similarly, the 2009 figure for the Czech Republic includes other companies outside the Czech Republic, on behalf and for the account of which electricity trading was conducted from the Czech Republic, and which also sold electricity to end customers in the given country: the Hungarian company CEZ Magyarország Kft. (702 GWh), the Polish company CEZ Trade Polska sp. z o.o. (612 GWh), and the Slovak company CEZ Slovensko, s.r.o. (750 GWh). In 2010 the figures for these companies are reported under the respective countries, because sales to end customers had become the companies' predominant business activity.

Romania		Albania		Other countries		CEZ Group	
2009	2010	2009	2010	2009	2010	2009	2010
1,484	1,500	2,345	2,588	–	–	17,077	17,580
946	932	853	941	–	–	8,960	8,845
783	787	1,066	1,077	–	2,169	17,780	18,169
3,213	3,219	4,264	4,606	–	2,169	43,817	44,594

Pavel Holoubek

Project Manager for Plant Projects

"Ever since I was in school, working with electricity has been my hobby and I always wanted to accomplish something in this field. Now I have the opportunity to work on interesting CEZ Group projects. Since the Group is open to innovative suggestions from its employees, my ideas are leading to the development of new processes and their application in practice."

Pavel Holoubek is responsible for developing automation and other tools to support the execution of HV projects, securing and subsequent verification of project documentation for substations and HV/MV transformer stations, switching stations, and substations for connecting photovoltaic power plants to the grid. His work helps significantly reduce technical problems and, subsequently, their financial impacts as well.

Strategic Objectives of CEZ Group and Developments in World Markets

In 2010, CEZ Group continued to work on becoming the leader in the electricity market of Central and Southeastern Europe. The strategy for achieving this goal was based on activities in four principal areas:
1. renewing the portfolio of power plants, particularly in the Czech Republic
2. optimizing management of the existing portfolio with the aim of maximizing operational efficiency and performance
3. building positions in target markets of Central and Southeastern Europe through acquisitions and construction of new power sources
4. developing activities in the field of new technologies.

In response to the recession and anticipated developments in the power sector, CEZ Group unveiled the NEW VISION program. This is a comprehensive program for increasing CEZ Group's performance and stabilizing its finances for the upcoming period characterized by a higher degree of uncertainty concerning the further development of energy markets. CEZ Group's ambition is to beat the market average for European utilities through high efficiency, and to be profitable thanks to our knowledge and abilities.

In terms of renewing the current portfolio, CEZ Group's goal is to increase the efficiency of our existing power plants and reduce the emissions factor by retrofitting aging coal-fired power plants in Tušimice and Prunéřov and building a new power source in Ledvice. In 2010, CEZ Group commissioned the first retrofitted pair of generation units at Tušimice Power Station, and the commissioning of the rest of the plant is planned for the second half of 2011.

CEZ Group's portfolio development activities, both within the Czech Republic and in all of Central and Southeastern Europe, have a common denominator: reduction of CEZ Group's exposure to European Union greenhouse gas regulation. For this reason, CEZ Group prefers projects that help reduce CEZ Group's overall emission factor, whether they are projects to develop nuclear energy, build CCGT power plants, or investments in renewables-based power sources.

In the nuclear area, CEZ Group continues to prepare for a major expansion of Temelín Nuclear Power Station, which is already in operation, by adding new Units 3 and 4. Looking forward, development of nuclear energy is also planned in the Slovak Republic, where we are working with a Slovak partner to prepare the construction of a nuclear power plant in Jaslovské Bohunice.

Currently in the advanced stages of preparation is a project to build a CCGT power plant in Počerady with an installed capacity of over 800 MW. Also in preparation are additional CCGT projects within the international portfolio in Central and Southeastern Europe – most of these are joint-ventures with strategic partners such as MOL Group in Hungary and AKKÖK Group in Turkey.

Another aspect of building a strong position in target markets is CEZ Group's launch of natural gas trading and supplies of natural gas to small and large end-customers in the Czech Republic and the neighboring Slovak Republic. This is a natural step in leveraging the existing base of electricity customers, which will bring benefits in the form of increased CEZ Group cash flow and diversification into other energy commodities.

In the renewables area, the project to build the Fântânele-Cogealac wind farm in Romania is in the final stages. During 2010, 80% of the planned 139 wind turbines in Phase One were connected to the grid. Preparations are continuing to build Phase Two of this wind farm (Cogealac), which will have an aggregate installed capacity of 252.5 MW. In addition, CEZ Group is participating in the development of hydropower in Turkey through the joint-venture Akenerji with AKKÖK Group. Hydro power plants with 284 MW in installed capacity were commissioned last year in Turkey.

Another activity in the international expansion area is the ongoing integration of distribution companies in Albania and Turkey.

NEW VISION Strategic Initiative

The financial crisis came at a time when CEZ Group had relatively little debt, but was in the middle of an extensive program of capital expenditures on renewing existing power plants and building new ones and with an EBITDA highly sensitive to movements in electricity prices. Compared to the period before the crisis, electricity consumption fell dramatically, which in combination with growth in generation from renewable sources and a surplus of natural gas and CO_2 emission rights slowed growth in electricity prices.
For this reason, CEZ Group's priorities have shifted toward stabilization and consolidation, with a subsequent return to growth. For this purpose, in September 2010 we launched the NEW VISION initiative. One of its principal aims is to focus more on generating positive cash flow (surplus cash) which, next to income, will be a basic parameter for the financial management of CEZ Group.

The principal directions of the NEW VISION initiative are:
- ongoing optimization of the internal functioning and cost structure of CEZ Group
- active hedging of proceeds from electricity sales in the forward market
- a revision of the acquisition strategy, with emphasis on countries where CEZ Group is already actively present and is a strong player in the local market
- development of district heat operations with the aim of increasing the weighting of regulated operations in CEZ Group's future cash flows
- ongoing updating of the capital expenditure program in line with the current and future possibilities of CEZ Group.

Other goals include increased operational efficiency, stricter CEZ Group financial management, a simplified intra-Group market, and increased performance of management and employees alike.

To reach the goals of the NEW VISION program, the following measures were instituted:
- in each segment, ambitious goals will be set and meeting them will be a priority
- financial management will be thoroughly reflected in all portions of the Company
- support functions must be inexpensive and effective
- all employees will be thorough and transparent in their approach to work
- managers that don't meet the new goals will have to leave.

Also, the existing programs “Efektivita” and “FutureMotion – the Energy of Tomorrow” will become part of the new program.

Efektivita Program

The goal of the Efektivita Program, launched in 2007, was to secure continually increasing performance, make key processes more cost effective throughout CEZ Group and, thanks to these strategic initiatives, to gradually transform CEZ Group into one of the most efficient players in the European energy market.

In 2010 we had already begun to see the full effects of optimization measures taken in the past, in particular in the following areas: improvements to ancillary and shared services, management of selected overheads, provision of optimized ICT services in the Group, integration of international equity holdings, and optimization of nuclear power plant safety and performance. By 2010, the total contribution of the Efektivita Program to EBITDA had reached CZK 14.2 billion.

Alongside the Efektivita Program's seven original key projects – Streamlined Corporation, Transformation of ICT, Best Practices in Distribution, Integration of International Holdings, Safely 15 TERA ETE, Safely 16 TERA EDU, and Securing the Long-term Operation of Dukovany Nuclear Power Station – in June 2010 an eighth Efektivita Program project was added, focusing on sales and customer service.

The Streamlined Corporation project was completed at the end of 2010, with the stipulated goals achieved: establishment of an effectively functioning, integrated CEZ Group delivering financial savings and accompanied by a reduction in the number of employees engaged in support processes. By the end of 2010, savings had reached 321 full-time employees (since project launch), and in 2010 this project saved CZK 946 million. Key activities in 2010 included:

- transformation and centralization of accounting services, culminating in the opening of the Accounting Services Center in Ostrava, which as of January 1, 2011 provides for practically all CEZ Group accounting functions
- in the area of procurement and logistics, a reduction in the number of distribution warehouses from six to four
- a revision of all personnel processes.

The ICT Transformation project focused in 2010 on further optimizing information and telecommunication technology services, data center outsourcing, and bringing about additional growth in the quality of project delivery and customer services. The project's total savings reached CZK 110 million. As part of the project, 2010 saw the announcement of a public tender for data center outsourcing. Based on the results of the competition dialog, this contract was cancelled and, subsequently, a decision was made to continue with internal consolidation projects in the field of ICT infrastructure optimization and consolidation. The program was terminated at year-end 2010.

In the Best Practices in Distribution project, 2010 saw the merger of ČEZ Distribuce, a. s. and ČEZ Distribuční zařízení, a.s. In addition, the project focused on assessing the medium-term (7 to 10 years) outlook for distribution in terms of capital expenditures and new technologies, including identification of the possible risks of future developments in this field. The program was terminated at year-end 2010.

After examining all aspects of a possible outsourcing of meter-reading operations within ČEZ Měření, s.r.o., we reached the conclusion that the overall economic impact of such a move would not be positive, and it was decided to continue providing for these operations internally, within CEZ Group. Cost-cutting activities in the area of preventive maintenance were completed at year-end 2010. A Web Map Service (WMS) system at ČEZ Distribuční služby is currently ramping up to full operation; its objective is to ensure optimum management of teams in the field as they work on the distribution grid.

The benefits of the project Integration of International Holdings were increased income and long-term reductions in operating costs. In Bulgaria, dispatcher workplaces were optimized, a customer service and invoicing management system was launched, and we successfully commenced remote readings of customer meters at the low-voltage level. In Poland, we are optimizing combustion of biomass and, at the same time, preparing to build a small-scale hydro power plant in the town of Skawina. In Romania, we completed a central dispatch for the Fântânele wind farm and implemented a Supervisory Control And Data Acquisition (SCADA) system to automate supervision and data acquisition in the distribution grid. Also, we successfully launched the integration process in Albania, where the project's targets for 2010 were exceeded by a large margin thanks to effective optimizing of the organization structure in distribution. The program was terminated at year-end 2010.

SAFELY 15 TERA ETE – the objective was to improve selected safety indicators to levels seen among the top quarter of the world's nuclear power plants and, in 2012, to generate 15 TWh of electricity with an outlook for maintaining or exceeding this level in future years. In 2009, Temelín Nuclear Power Station generated a record 13,253 GWh and in 2010 it broke the record once again, with 13,823 GWh of electricity generated.

Significant projects executed in 2010 include the migration from Westinghouse to TVEL as the supplier of nuclear fuel for Unit 1, and the commissioning of Temelín's storage facility for spent nuclear fuel. Despite the record generation output, the target duration of planned outages was not met, because we had to address technical problems such as defects in low-pressure components of the turbo-aggregate and electric motor rotors in the primary circulation pump. We are preparing a replacement of nuclear fuel in Unit 2, which is planned for 2011. Also, a program to improve the quality of work done by humans is ongoing and we are implementing a project to make knowledge management a matter of standard practice in the relevant sections.

The objective of the SAFELY 16 TERA EDU project was to increase the annual electricity output of Dukovany Nuclear Power Station to approximately 16 TWh/year starting in 2013, while maintaining the existing level of power plant safety and reliability. The project is reaching its goal by shortening planned outages for fuel replacement and by increasing the output of the plant's reactor units. Output is being increased by making modifications to the principal generating equipment to bring it up to its full design capacity. An upgrade of low-pressure turbine components at Dukovany Nuclear Power Station was the final step in increasing the output of all units to 456 MW_e. Starting in 2009, unit transformers and high-pressure turbine components were rebuilt, and as a result the full target output of 510 MW_e was achieved on Units 3 and 4. By 2013, the same modifications will be carried out on the plant's remaining units. The new outage schedules were successfully put into practice.

The "Securing LTO EDU" (Long Term Operation) project is the first phase of the Securing the Long-term Operation of Dukovany Nuclear Power Station program, the objective of which is to operate the reactors at Dukovany Nuclear Power Station beyond the end of their design life, i.e. beyond 2015. The project's goal is to prepare the plant's equipment, personnel, documentation, and processes for an extension of the plant's license beyond 2015 and implement all measures necessary to operate the plant until 2025, with a view toward extending its operation even further.

The objective of the Efficiency in Sales and Customer Service project was to become, by 2015, a high-quality and cost-effective provider of multi-commodity services focused on sales and service for CEZ Group end customers. To achieve the required segment results, it was necessary to begin making significant improvements in terms of maintaining the existing customer portfolio, finding new routes to market, and being even more ambitious in cutting costs in sales and customer service. The project focused on internal (e.g., reducing costs of deviations, accelerating cash flow) and external (acquiring new gas customers, improving information support, acquiring end customers in the Slovak Republic) areas of potential improvement.

FutureMotion Initiative

In June 2009, we launched an initiative entitled "FutureMotion – the Energy of Tomorrow" with the objective of securing a long-term stable and positive outlook for ČEZ, a. s. and the Czech power industry, help people lead comfortable and safe lives, minimize environmental burden and, at the same time, help the Czech Republic to build a knowledge economy. The initiative consists of several programs:

Environmental Investments

2010 saw the launch of a project to develop electromobility in cooperation with PEUGEOT ČESKÁ REPUBLIKA s.r.o. The goal of the partnership is to work together on promoting electric cars, gain practical experience in their day-to-day operation, and support the further development of electromobility. PEUGEOT ČESKÁ REPUBLIKA s.r.o. is providing 10 iOn vehicles under lease in 2011 and another 55 vehicles in 2012. CEZ Group agrees to build a network of over 150 charging stations.

A business plan was drafted for the Solid Biofuels project, which will focus on possibilities for utilizing biomass in CEZ Group power plants, both in terms of plant technology and biomass procurement.

Small-scale Cogeneration

The area of small-scale cogeneration has become a standard process at ČEZ, a. s. It involves searching for and assessing business opportunities as well as preparing for construction. Tenders are underway to select suppliers of cogeneration units.

Smart Grids

As part of the "Smart Region" project, an agreement was signed with the City of Vrchlabí in northeastern Bohemia where the project is located. We completed research and development studies necessary for project execution (automated smart grid elements and the dynamic model), and work is ongoing to study island operation in the area in question. The first smart elements were installed. In the next five years, the project calls for 4,900 households and businesses to be outfitted with "smart" electric meters, electric car infrastructure to be built, and local power sources to be efficiently integrated into the grid.

The AMM (metering) project continued with selection of a meter supplier and subsequent installation of the first "smart" electric meters. Modifications to distribution transformer stations to support AMM installation are ongoing.

Brief Power Industry Development Forecast from the Perspective of CEZ Group

Europe's economic recovery in 2010 was relatively weak, as the continent struggles with the aftermath of the economic crisis. Growth of the economy was slowed by factors such as the economic problems of Greece, Ireland, and Portugal along with uncertainty connected with similar problems anticipated in Spain and Italy. In most European Union countries, however, electricity consumption began to rise – albeit moderately – once again, despite these problems. Then, the early onset of an unexpectedly harsh winter caused a very substantial upswing in consumption toward year-end. In Germany, March 2011 saw the suspension of a plan to extend the operating lifetime of 17 nuclear power plants. The seven oldest nuclear power plants were temporarily taken off-line for three months in order to carry out safety audits. This took place following problems that arose at Fukushima Nuclear Power Plant in Japan, as a result of an earthquake and subsequent tsunami. In the Czech Republic and Germany, there was very steep growth in the installed capacity of photovoltaic power plants thanks to extraordinarily positive purchase prices for electricity from this source. The sharp upswing in generation from renewables in general, and from low-stability photovoltaic and wind power plants in particular, is giving rise to concern among transmission grid operators. Their European association (ENTSO-E) has drawn up a plan for necessary grid upgrades, but the actual progress being made in build-outs is much slower than necessary to meet the challenge. The European Union has adopted an Industrial Emission Directive (IED), which further tightens environmental requirements and, in the future, will lead to shutdowns of many aging power plants throughout the European Union – currently the directive is being implemented in legislation at the national level. A new and very interesting development for the entire European power market is a new energy markets concept proposed by the United Kingdom's Government in December 2010. Both the European Union as a whole and its individual Member States, as well as the entire power sector, will be closely watching as it is implemented.

In addition to the anticipated growth in black coal and natural gas prices, movements in wholesale electricity prices will be determined, in particular, by the growing capacity of renewables-based power sources and the European Union's position on the issue of reducing CO_2 emissions. Generation of electricity from renewable sources of energy in the European Union is to double by 2020, compared to today's figure, to 1,200 TWh and, together with transportation and district heat, make a major contribution toward reaching the goal of 20% of final energy consumption being from renewables. Ambitious as this goal is, it is not unrealistic. Advanced countries in particular, such as the United Kingdom and Germany, have made some very successful first steps toward fulfilling it and growth in generation from renewables will shrink the playing field for conventional generation technologies. Another impact – already beginning to be felt – is a relative decline in peak electricity prices due to the huge upswing in generation from photovoltaic power stations during peak hours. Although the system for trading CO_2 emission rights in the European Union is in a surplus for the current allocation period, a mechanism (dubbed "banking") enabling rights to be held over into the next period has kept prices of CO_2 emission rights at a relatively stable level of around 14 EUR/ton. In future, we can expect this to grow somewhat, particularly if the European Union decides to make its CO_2 reduction goals even more ambitious.

Developments in World Markets

Global markets related to the power industry (electricity, coal, emission rights, natural gas) entered 2010 either on the decline or flat. They remained so for the entire first quarter. During that time, the price of the EEX BL 2011 one-year forward electricity contract decreased by 6 EUR/MWh to 45.60 EUR/MWh on relatively low trading volume.

Despite the cooler weather, the EEX Spot electricity market was flat as well, due in particular to the low price of natural gas during the winter. Demand had still not yet recovered to its pre-crisis levels. Margins on forward contracts remained low throughout 2010 and the price difference between baseload contracts and peak contracts narrowed. This occurred in response to greater use of renewables to generate electricity.

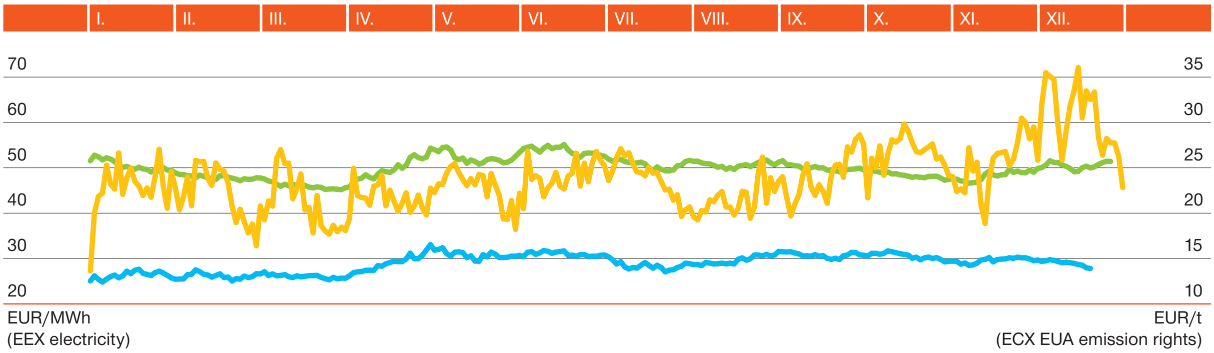
Then, development reversed itself and commodity prices rose continuously until early May. They found traction particularly in the market for natural gas. The price of the NCG Cal-11 one-year natural gas contract rose to 23 EUR/MWh, for a gain of over 50% during the second quarter.

The second half of 2010 was characterized by lackluster market performance and declining prices. Electricity prices lost ground faster than fuel prices did. The EEX BL 2011 lost nearly 7 EUR/MWh during this period, falling to under 47 EUR/MWh. The electricity spot market was an exception, but its performance was due to seasonal influences and plant outages played a role as well.

Commodities did not return to growth until the end of 2010, and then the principal factor was the cold weather, which drove both the spot and forward markets for coal and natural gas. Closing of open positions for the year 2011 also played a role. Traders who had held open positions in 2011 products were speculating that prices would fall, i.e. they planned to close the positions by purchasing commodities at lower prices in the future, but could only hold them open until the beginning of supply of these 2011 products. As a result, they were buyers in late 2010.

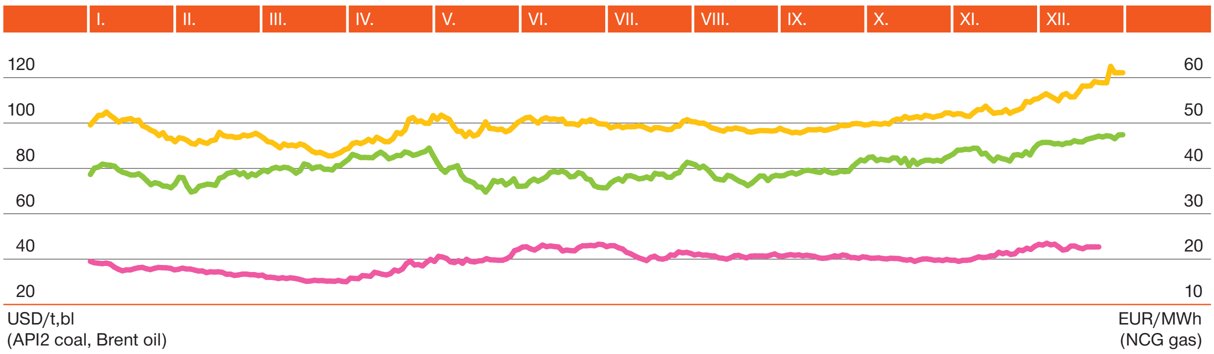
Throughout 2010, the price of oil moved independently of the prices of other commodities. It exhibited relatively high volatility and, unlike the other commodities, it grew throughout most of the period in question. The basic Brent front month contract ended the year at 95 USD/barrel, for year-on-year growth of nearly 20%.

Electricity and Emission Rights



- EEX Spot – spot contract for electricity on the EEX
- EEX BL 2011 – one-year futures contract for electricity on the EEX, baseload supply during 2011
- ECX EUA 2010 – futures contract for emission rights, with delivery in December 2010, on the ICE

Coal, Oil, and Gas



- API2 2011 – one-year futures contract for API2 coal on the ICE, delivery during 2011 (financial settlement only, without physical delivery)
- Brent front month – front month (in the current month) contracts for Brent oil on the ICE
- NCG 2011 – one-year futures contract on the NCG (NetConnect Germany – a natural gas trading platform in Germany) for natural gas, delivery during 2011

In December 2010, civil unrest broke out in Tunisia and later overflowed into other countries in northern Africa and the Persian Gulf. In February 2011, it expanded into places such as Bahrain and Libya, which are major oil exporting countries. Uncertainty in the markets brought about by the protests led to a rise in oil prices.

Business Environment in the Czech Republic Power Industry

The Czech power market is fully liberalized. Access to the transmission and distribution grids is regulated. The wholesale market in the Czech Republic is a part of the larger Central European market, thanks primarily to extensive cross-border transmission capacities between the Czech Republic and the transmission grids of neighboring countries. The region's primary price-setting market is Germany and its exchange in Leipzig. Prices in the wholesale market are set on the basis of supply and demand, through trading on the Power Exchange Central Europe (PXE), Prague, and bilateral contracts. The instruments that can be traded on the Czech Republic's exchange range from one-year contracts down to one-day contracts. Anonymous trading on a daily basis can also be realized through the organized markets of OTE, a.s. In addition to one-day trades, the organized markets of OTE, a.s. also enable intra-day trading. Over 30 traders and 6 brokers actively operate in the wholesale market. As of September 1, 2009, OTE, a.s. teamed with a Slovak partner to launch the "Czech-Slovak" joint, interconnected single-day electricity market. This brought increased liquidity to the single-day market organized by OTE, a.s. and a *de facto* "coupling" of Czech and Slovak wholesale electricity prices.

Over 10 traders actively operate in the retail market, supplying electricity to end customers. The number of customers that switch to a different supplier is rising every year. Although substantial numbers of customers – including residential customers – were already changing their supplier in 2008, this trend gathered steam in 2009 and got even stronger in 2010, when the number of supplier changes by retail customers (residential and small commercial connections at the low-voltage level) numbered in the hundreds of thousands (the total number of electricity supplier changes at all voltage levels for the entire Czech Republic, according to OTE data, was 249,181, compared to 96,744 in 2009). Thanks to the capacities of other producers outside CEZ Group and those of cross-border transmission lines, more than half of Czech Republic electricity demand can be met through sales by suppliers other than CEZ Group. As a result of the development and functioning of the retail market (the market for supplies of electricity to end customers), CEZ Group's share in this market is approximately 31.5% in the large customer segment (customers connected at the high- and medium-voltage levels), and approximately 57.8% in the small (low-voltage) customer segment. New suppliers other than the three traditional ones (ČEZ, E.ON, and PRE) have now occupied nearly one third of the market. While, in 2008, it was typical for non-tariff, individually managed customers to enter into multi-year contracts – most frequently for two years, but in some cases for three years – in 2009 this trend changed significantly as a result of lower electricity prices in the wholesale market, and many customers returned to single-year contracts. In the area of supplies for tariff (retail) customers, 2010 brought a further expansion in traders' offerings as new suppliers took advantage of the fact that electricity prices on the spot market were lower than those on the forward market to offer customers electricity that they hadn't purchased or even "reasonably" secured.

In the Czech Republic, the gas market, too, is fully liberalized and the basic rules governing its operation are similar to the electricity market's. Through ČEZ Prodej, s.r.o., CEZ Group has recently launched active operations in the retail market for natural gas (the market for supplies of natural gas to end customers). In 2009, we began offering gas to large and medium-sized end-customers. In the second half of 2010, the gas offering was expanded to include small customers as well. The result was the supply of an aggregate total volume of 2.1 TWh of gas, which yielded CEZ Group a gas market share of 4.4% for large end-customers and 2.4% for medium-sized end-customers. That the gas market is getting more and more active is clear from the year-on-year growth in the number of supplier changes: the number of such changes for the entire Czech Republic in 2010 was 84,392, up from just 33,327 changes in 2009.

Ancillary services are purchased by transmission grid operators in auctions for a wide range of products and various time bands. The Czech market is one of the most competitive in Europe, with independent producers outside of CEZ Group offering approximately half of the necessary capacity of ancillary services.

The capacity of individual cross-border transmission profiles is offered in a coordinated fashion by a joint auction office between transmission grid operators for all borders except for Czech-Austria. In 2009, the auction office was operated by ČEPS, a.s. Starting in 2010, the auctions will be held by CAO Central Auction Office GmbH, headquartered in Freising, Germany. Auctions for Czech-Austria cross-border transmission capacity are still being held by ČEPS, a.s. and its Austrian counterpart VERBUND - Austrian Power Grid AG. In all the above cases, the auctions are for rights to execute cross-border transmission for a calendar year, month, or day. As of September 1, 2009, cross-border capacity between the Czech Republic and Slovakia is not sold through conventional auctions. Instead, it is allocated daily by default through the coupling of both countries' markets.
In the distribution area, 2010 saw 10,473 new connection points connected to the grid (394 connection points at HV and MV and 10,079 connection points at LV). In view of the development of support (mandatory purchasing and bonuses) for generation of electricity from renewable sources of energy and the fact that the prices of certain technologies for generating this electricity (photovoltaic power plants in particular) have come down substantially, in 2010 there was a major increase in newly connected renewable sources of electricity. While at the end of 2009 there were 3,914 solar generation installations connected to the grid in the entire ČEZ Distribuce, a. s. service area with total installed capacity of 187.9 MW, as of December 31, 2010 these figures had risen to 7,720 installations with a combined installed capacity of 876.6 MW (including installations connected to local distribution grids and in island operation). In view of legislative amendments in the area of support for generation of electricity from renewable sources in 2010, which starting in 2011 will substantially change the conditions for supporting photovoltaic power plants, it is assumed that the trend towards rapid growth in the number of new photovoltaic installations, seen in 2009 and especially in 2010, will end.

During the year in question, ČEZ, a. s. reaffirmed its role as an active trader in the European context, primarily in Central and Southeastern Europe. It trades electricity in over ten countries, as well as trading in natural gas, black coal, and CO_2 emission rights, and is a provider of ancillary services to transmission grid operators. CEZ Group is an advocate of market liberalization and endeavors to contribute to increasing transparency in the relevant markets. In 2010, we reaffirmed this position in the formulation of new rules for allocation of cross-border transmission capacities in the region of Central Europe. We continue to advocate these positions through our memberships in the professional associations EURELECTRIC, EFET, and IETA.
For the time being, short-term trades (Czech abbreviation: OKO) organized by OTE, a.s. remained the main trading channel for the PXE forward market and the OTC market (broker platforms and bilateral contracts), as well as for the spot market. Off the PXE, electricity generated by ČEZ, a.s. was sold through the OTC market designated for our own customers (through ČEZ Prodej, s.r.o.), for fulfillment of multi-year contracts, and further for operating reserves and the provision of ancillary services. The OTC market was also utilized for the conversion of active contracts from the PXE to the OTC market.
In 2010, ČEZ, a. s. sold electricity for the years 2011, 2012, and 2013 on the PXE through standard exchange products (one-year, one-quarter, one-month) and through the OTC market. ČEZ, a. s. continues to sell the ancillary services provided by its power plants, mostly to the transmission grid operator, ČEPS, a.s. In 2010, smaller supplies of these services were also made to a similar company in the Slovak Republic. ČEZ, a. s. is exposed to considerable competition in ancillary services, which in the past resulted in a long-term decline in our Czech market share in this segment. In 2010, this situation stabilized: calculated in terms of technical units, the share of ČEZ, a. s. in supplies of ancillary services was 55.36%, up from 47.1% in 2009. The share of ČEZ, a. s. in the total volume of ancillary services contracted by ČEPS, a.s. for 2011 currently stands at 62.6%.

Mining in the Czech Republic

Severočeské doly a.s.

Severočeské doly a.s. is the largest brown coal mining company in the Czech Republic. Compared to 2009, its share in the market for brown coal rose by 0.8 percentage points to reach 49.4%. The biggest customer was ČEZ, a. s.

In 2010, mining operations took place at Bílina Mines and Nástup Tušimice Mines.

Bílina Mines, operating in the Teplice-Bílina area, mines coal that is characterized by a high heat content and a low proportion of hazardous substances. In 2010, the unit extracted 9.3 million tons of coal. The mining activity permit for the Bílina mine was issued on the basis of the Opening, Preparation, and Extraction Plan for the Years 2010–2030 by the Most District Mining Office on November 8, 2010 and entered into legal force on January 26, 2011.

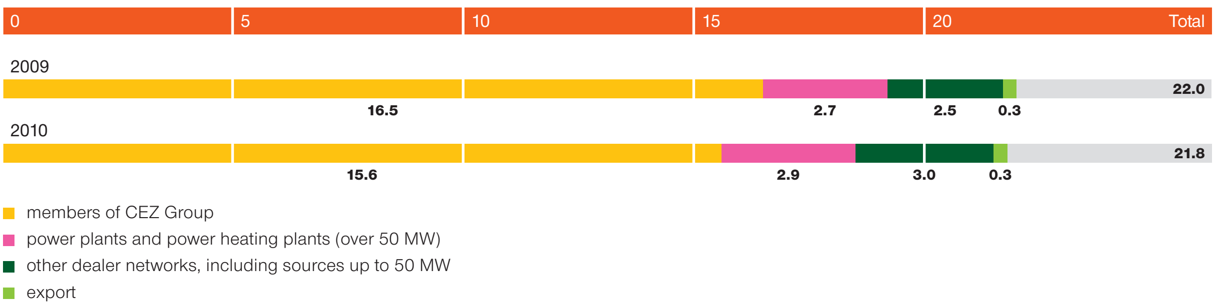
Nástup Tušimice Mines operates in the westernmost portion of the Ústí Region. Overburden removal and brown coal extraction take place in the Tušimice mining area, defined by a decision of the Most District Mining Office (ref. 2207/94 dated August 9, 1994).

In 2010, Nástup Tušimice Mines extracted 12.3 million tons of coal. All coal produced went to the local power plants, Tušimice and Prunéřov, or to the Chvaletice and Mělník II power plants or the Komořany power heating plant (United Energy právní nástupce a.s.). Mining operations in the Libouš II-North mine within the Tušimice mining area are permitted until 2015.

Coal Sales

Severočeské doly sold a total of 21.8 million tons of brown coal in 2010, a reduction of 0.2 million tons compared to 2009.

Coal Sales, by Customer (millions of tons)



Outlook

In 2011, extraction volume is expected to reach 24.0 million tons. The increase compared to 2010 will take place in Nástup Tušimice Mines and the extra amount will be sold to ČEZ, a. s. Sales to other customers are expected to remain at 2010 levels.

Capital Expenditure

In 2010, Severočeské doly recorded CZK 4.1 billion in capital expenditures. The biggest CAPEX projects included: assembly of a KK 1300.1 extractor, purchasing of a total of 171.1 hectares of land in preparation for future mining operations, shifting of the South Slopes long-distance belt conveyor – commencement of Phase One of construction of a new 1,600 mm-gauge line, and clean-up of the Braňanský Spoil Bank.
In terms of environmental projects, in 2010 Bílina Mines continued to work on measures designed to protect local communities by mitigating the negative effects of coal mining, especially noise and dust.

LOMY MOŘINA spol. s r.o.

ČEZ, a. s. owns a 51.05% stake in LOMY MOŘINA spol. s r.o., a major supplier of limestone for use in the flue gas desulfurization (FGD) equipment used in ČEZ, a. s. coal-fired power plants. It supplies approximately 500,000–600,000 tons of limestone per year, which covers roughly one half of annual consumption. In 2011, the company is expected to supply approximately 600,000 tons of limestone. Its principal business is mining and processing of high-grade limestones for use in FGD equipment associated with the generation units of coal-fired power plants. Verified limestone deposits give the company a positive long-term outlook.

Miroslav Pira

Shift Engineer

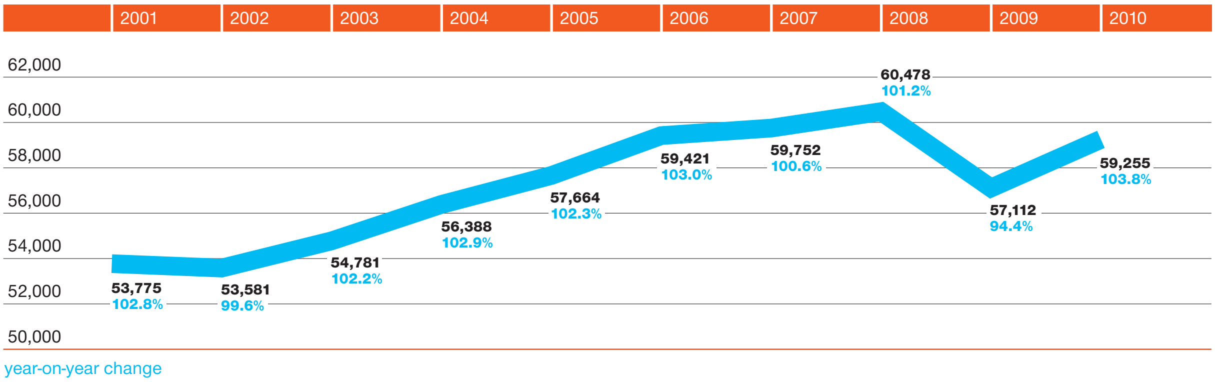
“Working with my colleagues to manage power plant operation was a challenge for me. There are many ways to look at it. As for me, I see my professional realization primarily in the project to retrofit Tušimice Power Station and roll out new technologies there.”

Miroslav Pira is a prominent figure in the Operations Management Department of Tušimice Power Station. Currently he is charged – as part of the execution of the Tušimice Power Station comprehensive retrofit project – with coordination and cooperation in identifying and correcting defects and shortcomings in completing the retrofit and putting new technologies into operation.

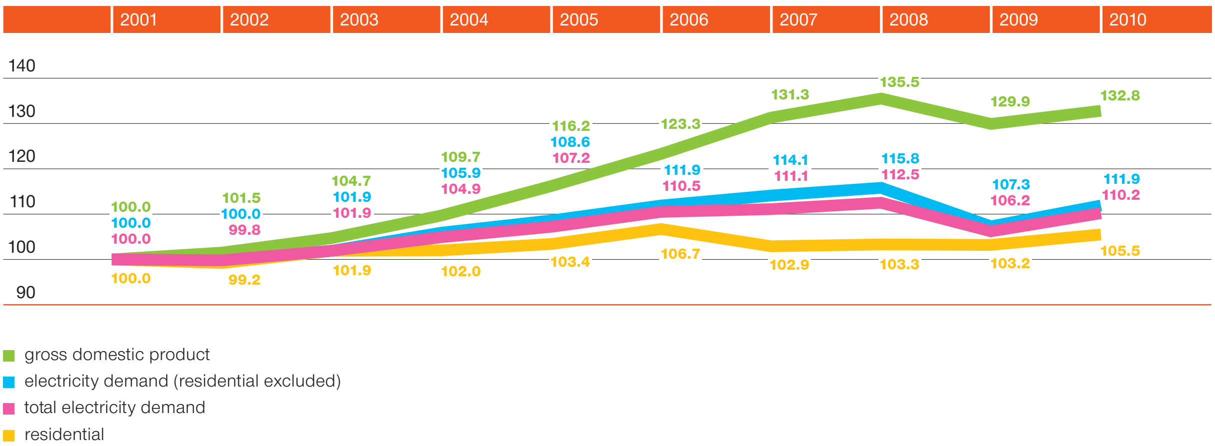
Electricity Generation in the Czech Republic

Selected Indicators – Czech Republic

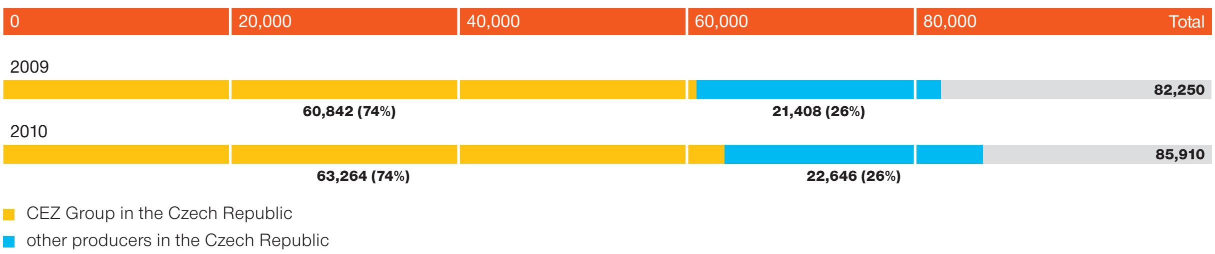
Electricity Demand in the Czech Republic (GWh)



Comparison of Gross Domestic Product to Electricity Demand in the Czech Republic (index 100% = year 2001)



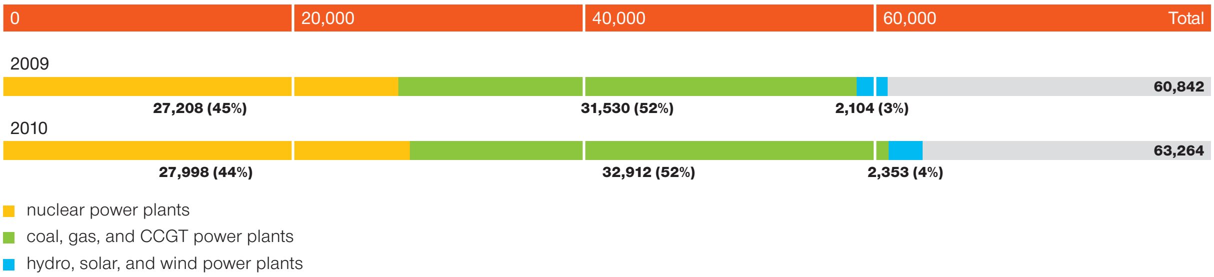
Electricity Generation in the Czech Republic, Gross (GWh)



CEZ Group Electricity Generation in the Czech Republic

In 2010, CEZ Group power plants in the Czech Republic generated a total of 63,264 GWh of electricity, up 2,422 GWh from 2009.

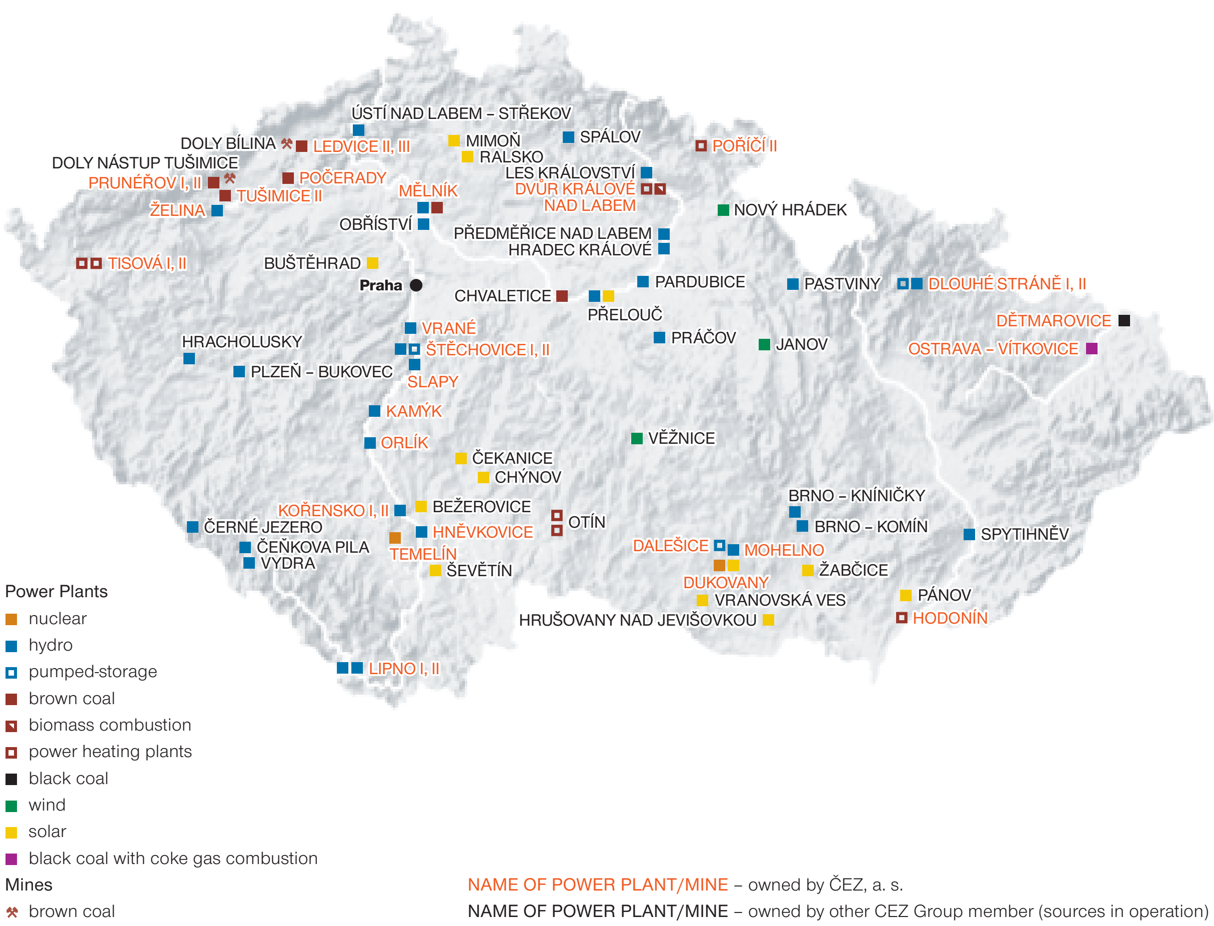
Electricity Generated by CEZ Group in the Czech Republic, Gross (GWh)



Installed Capacity

At December 31, 2010, CEZ Group companies in the Czech Republic owned generation installations with aggregate installed capacity of 12,728 MW (of which: nuclear power plants, 3,900 MW; coal-fired power plants, 5,940 MW; power heating plants, 817.9 MW; hydro power plants, 1,935.2 MW; solar power plants, 125.2 MW; and wind power plants, 9.7 MW). The year-on-year growth of 323 MW was caused by a 70 MW increase in the installed capacity of Unit 4 at Dukovany Nuclear Power Station (turbine overhaul), the acquisition of Teplárna Trmice, a.s. (158 MW), a 106.3 MW increase in the installed capacity of solar power plants, and the commissioning of the Mělník small-scale hydro power station with 0.6 MW of installed capacity. At the same time, the installed capacity of the Dvůr Králové Power Heating Plant was reduced by 12 MW.

Location of CEZ Group Power Sources in the Czech Republic



NAME OF POWER PLANT/MINE – owned by ČEZ, a. s.
NAME OF POWER PLANT/MINE – owned by other CEZ Group member (sources in operation)

List of CEZ Group Power Plants in the Czech Republic

Nuclear Power Plants

Plant	Owner	Installed Capacity (MW) at December 31, 2010	Year commissioned
Dukovany	ČEZ, a. s.	2 x 510; 2 x 440	1985–1987, overhaul 2009, overhaul 2010
Temelín	ČEZ, a. s.	2 x 1,000	2002–2003
Nuclear power plants, total		3,900.0	

Coal-fired power plants

Plant	Owner	Type of fuel	Installed Capacity (MW) at December 31, 2010	Year commissioned	Desulfurized since
Dětmarovice	ČEZ, a. s.	black coal, brown coal	4 x 200	1975–1976	1998
Chvaletice	Elektrárna Chvaletice a.s.	brown coal	4 x 200	1977–1978	1997, 1998
Ledvice II	ČEZ, a. s.	brown coal	2 x 110	1966	1996
Ledvice III	ČEZ, a. s.	brown coal	1 x 110	1968	1998
Mělník II	ČEZ, a. s.	brown coal	2 x 110	1971	1998
Mělník III	ČEZ, a. s.	brown coal	1 x 500	1981	1998
Počerady	ČEZ, a. s.	brown coal	5 x 200	1970–1971, 1977	1994, 1996
Prunéřov I	ČEZ, a. s.	brown coal	4 x 110	1967–1968	1995
Prunéřov II	ČEZ, a. s.	brown coal	5 x 210	1981–1982	1996
Tušimice II	ČEZ, a. s.	brown coal	4 x 200	1974–1975	1997
Coal-fired power plants, total			5,940.0		

Power Heating Plants

Plant	Owner	Type of fuel	Installed Capacity (MW) at December 31, 2010	Year commissioned	Desulfurized since
Dvůr Králové nad Labem	ČEZ, a. s.	brown coal	1 x 6.3	1955	1997
Hodonín	ČEZ, a. s.	lignite	1 x 50; 1 x 55	1954–1958	1996–1997
Ostrava – Vítkovice	ČEZ, a. s.	black coal	2 x 16; 1 x 25; 1 x 22	1983–1995	
Poříčí II	ČEZ, a. s.	black coal, brown coal	3 x 55	1957–1958	1996, 1998
Tisová I	ČEZ, a. s.	brown coal	3 x 57; 1 x 12.8	1959–1960	1996–1997
Tisová II	ČEZ, a. s.	brown coal	1 x 112	1961	1997
Otín u Jindřichova Hradce	Energetické centrum, s.r.o.	biomass heavy heating oil, gas	1 x 6.272 1 x 2.5	2008 1970	
Trmice	Teplárna Trmice, a.s.	brown coal	2 x 20; 3 x 16	1970–1997	1997
Trmice	Teplárna Trmice, a.s.	gas	1 x 70	1998	
Power heating plants, total			817.9		

Hydro Power Plants

1. Accumulation and run-of-river hydro power plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Kamýk	ČEZ, a. s.	4 x 10	1961
Lipno I	ČEZ, a. s.	2 x 60	1959
Orlík	ČEZ, a. s.	4 x 91	1961–1962
Slapy	ČEZ, a. s.	3 x 48	1954–1955
Štěchovice I	ČEZ, a. s.	2 x 11.25	1943–1944
Vrané	ČEZ, a. s.	2 x 6.94	1936
Střekov	ČEZ Obnovitelné zdroje, s.r.o.	3 x 6.5	1936
Accumulation and run-of-river hydro power plants, total		723.9	

2. Small-scale hydro power plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Dlouhé Stráně II	ČEZ, a. s.	1 x 0.16	2000
Hněvkovice	ČEZ, a. s.	2 x 4.8	1992
Kořensko I	ČEZ, a. s.	2 x 1.9	1992
Kořensko II	ČEZ, a. s.	1 x 0.94	2000
Lipno II	ČEZ, a. s.	1 x 1.5	1957
Mohelno	ČEZ, a. s.	1 x 1.2; 1 x 0.56	1977, 1999
Želina	ČEZ, a. s.	2 x 0.315	1994
Brno – Kníničky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3.1	1941
Brno – Komín	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.106; 1 x 0.140	1923, overhaul 2008
Čeňkova Pila	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.096	1912
Černé jezero	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.5; 1 x 0.04; 1 x 0.37	1930, 2004, 2005
Hradec Králové	ČEZ Obnovitelné zdroje, s.r.o.	3 x 0.25	1926
Hracholusky	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.55	1964
Les Království	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.105	1923, overhaul 2005
Obříství	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.679	1995
Pardubice	ČEZ Obnovitelné zdroje, s.r.o.	1 x 1.96	1978
Pastviny	ČEZ Obnovitelné zdroje, s.r.o.	1 x 3	1938, overhaul 2003
Pilsen – Bukovec	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.315	2007
Práčov	ČEZ Obnovitelné zdroje, s.r.o.	1 x 9.75	1953, overhaul 2001
Předměřice nad Labem	ČEZ Obnovitelné zdroje, s.r.o.	1 x 2.6	1953, overhaul 2009
Přelouč	ČEZ Obnovitelné zdroje, s.r.o.	2 x 0.68; 2 x 0.49	1927, overhaul 2005
Spálov	ČEZ Obnovitelné zdroje, s.r.o.	2 x 1.2	1926, overhaul 1999
Spytihněv	ČEZ Obnovitelné zdroje, s.r.o.	2 x 2	1951, overhaul 2009
Vydra	ČEZ Obnovitelné zdroje, s.r.o.	2 x 3.2	1939
Mělník	ČEZ Obnovitelné zdroje, s.r.o.	1 x 0.590	2010
Small-scale hydro power plants, total		66.3	

3. Pumped-storage hydro power plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Dalešice	ČEZ, a. s.	4 x 112.5	1978
Dlouhé Stráně I	ČEZ, a. s.	2 x 325	1996
Štěchovice II	ČEZ, a. s.	1 x 45	1947–1949, overhaul 1996
Pumped-storage hydro power plants, total		1,145.0	

Hydro power plants, total		1,935.2	

Solar Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Dukovany	ČEZ, a. s.	0.01	1998, 2003
Bežerovice	ČEZ Obnovitelné zdroje, s.r.o.	3.013	2009
Čekanice u Tábora	ČEZ Obnovitelné zdroje, s.r.o.	4.48	2009
Chýnov u Tábora	ČEZ Obnovitelné zdroje, s.r.o.	2.009	2009
Přelouč	ČEZ Obnovitelné zdroje, s.r.o.	0.021	2009
Hrušovany nad Jevišovkou	ČEZ Obnovitelné zdroje, s.r.o.	3.802	2009
Žabčice	ČEZ Obnovitelné zdroje, s.r.o.	5.6	2009
Buštěhrad	ČEZ Obnovitelné zdroje, s.r.o.	2.396	2010
Ševětín 1)	Bohemian Development, a.s.	29.902	2010
Vranovská Ves 2)	FVE Vranovská Ves a.s.	16.033	2010
Pánov	eEnergy Hodonín a.s.	2.134	2010
Ralsko Ra1 3)	eEnergy Ralsko a.s.	38.269	2010
Mimoň Ra3 4)	eEnergy Ralsko - Kuřivody a.s.	17.494	2010
Solar power plants, total		125.2	

1) Generation license holder is GENTLEY a.s.
2) Generation license holder is DOMICA FPI s.r.o.
3) Generation license holder is 3 L invest a.s.
4) Generation license holder is AREA-GROUP CL a.s.

Wind Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Nový Hrádek 5)	ČEZ Obnovitelné zdroje, s.r.o.	4 x 0.4	2002
Věžnice	ČEZ Obnovitelné zdroje, s.r.o.	2 x 2.05	2009
Janov	ČEZ Obnovitelné zdroje, s.r.o.	2 x 2	2009
Wind power plants, total		9.7	

5) Not in operation pending overhaul.

Fuel

Nuclear Fuel

Fuel for Dukovany Nuclear Power Station is sourced under a long-term contract with Russia-based OAO TVEL, which not only fabricates the fuel, but also provides conversion and enrichment services as well as some of the base raw material (uranium). In 2010, only the latest improved version of the VVER 440 second-generation fuel with enrichment of working assemblies to 4.38% U^{235} and regulation cassettes with an optimized profile of 4.25% U^{235} were supplied. This type of fuel, which was first loaded in 2009 after the reactor unit's output was increased to 510 MW_e, is being loaded into all of Dukovany Nuclear Power Station's reactor units and will enable them to be operated effectively at an increased output in the years to come. (In 2010, output was increased on Unit 4 of Dukovany Nuclear Power Station as well.)

In 2010 Temelín Nuclear Power Station continued to operate with modified fuel from Westinghouse Electric Company LLC (USA) in both reactor units (fuel with a reinforced structural skeleton and utilizing the modern ZIRLO™ alloy). The last supplies of fuel from Westinghouse Electric Company LLC for Unit 2 took place in 2010, marking the completion of the related fuel replacement projects.

Concurrently, we successfully implemented a project to develop and license the new TVSA-T fuel from the Russian supplier OAO TVEL. All necessary permits from the State Office for Nuclear Safety were obtained and the fuel in Unit 1 was completely replaced. This took place during an outage that lasted from July 16 to October 13, during which all 163 fuel assemblies were replaced. Delivery of a portion of the fuel for Unit 2 was secured in 2010, ahead of schedule. Loading of this fuel into the reactor is planned in 2011.

In future years, the new TVSA-T fuel will enable the output of Temelín Nuclear Power Station to be increased further. An amendment to the fuel contract for this work was signed in 2010 and the related engineering work has begun.

Raw uranium necessary to fabricate nuclear fuel, and processing thereof (conversion and enrichment services), were sourced under long-term contracts. Roughly one third of our uranium needs is covered long-term by supplies from the domestic uranium producer DIAMO, s.p., with the remainder purchased from international suppliers or through direct deliveries of complete fuel assemblies (mostly for Dukovany Nuclear Power Station).

Based on the change in the supplier of fuel for Temelín Nuclear Power Station, in 2010 ČEZ, a. s. began implementing physical deliveries to Russia of enriched uranium processed by suppliers of enrichment services in the European Union. Thus, the desirable diversification of suppliers is secured. Concurrently, ČEZ, a. s. also maintains a strategic inventory of uranium in various stages of processing, at supplier sites, in order to mitigate the risk of supply interruption.

Solid Fossil Fuels and Sorbents

Supplies of solid fuels for ČEZ, a. s. coal-fired power plants in 2010 were dominated by brown coal, at 25.9 million tons, accounting for 95.0% of total coal consumption.

The biggest suppliers of brown power generation coal to ČEZ, a. s. are Severočeské doly a.s., Czech Coal a.s., and Sokolovská uhelná, právní nástupce, a.s.

Long-term coal supply contracts are in effect with Severočeské doly a.s. (agreement on future purchase agreements; valid until 2052) and Sokolovská uhelná, právní nástupce, a.s. (purchase agreement; valid until 2027).

Medium-term purchase agreements are in effect with Severočeské doly a.s. (2011–2015) and Czech Coal a.s. (2006–2012).

Black coal volume supplied to ČEZ, a. s. power plants totaled 1.4 million tons (5.0%). The bulk, 0.9 million tons (67.1%), was black power generation coal supplied to ČEZ, a. s. power plants by OKD, a.s. The remaining 0.5 million tons (32.9%) was sourced by import from Polish and Russian suppliers. Black coal supplies take place under one-year purchase contracts.

The total volume of sorbents for flue gas desulfurization at coal-fired power plants in 2010 was 1.2 million tons.

Biomass Combustion and Co-Combustion

Biomass consumption within ČEZ, a. s. in 2010 totaled 372,500 tons, up 2.6% year-on-year. Most frequently, biomass is combusted in the form of wood chip, straw, and other types in the form of pellets. For the time being, the proportion of purpose-grown energy crops is low.

Within ČEZ, a. s., biomass is combusted in the existing coal-fired power plants Hodonín, Poříčí, Tisová, and Dvůr Králové nad Labem.

Capital Expenditure

In 2010, CEZ Group recorded the following total capital expenditures, by area: nuclear power, CZK 7.8 billion; conventional power, CZK 0.6 billion; and plant renewal, CZK 19.8 billion. Of the latter figure, CZK 8.6 billion went on overhauls.

Nuclear Power
In 2010, both nuclear power plants – Dukovany and Temelín – were operated in accordance with all safety standards, both Czech and international. Furthermore, safety and environmental characteristics were improved, either together with minor capital projects or in the form of technical analyses. Both power plants prepared in 2010 for international inspections that will take place in 2011. Their objective will be to verify overall plant safety in terms of the plant's design, the state of its equipment, and the organization and management of its operation. In the case of Temelín Nuclear Power Station, the inspection will be a WANO PEER REVIEW organized by an association of nuclear power plant operators, and in the case of Dukovany Nuclear Power Station, it will be an OSART inspection organized by the International Atomic Energy Agency. These inspections take place regularly, as part of periodic reviews of nuclear power plants throughout the world.

Dukovany Nuclear Power Station
At Dukovany Nuclear Power Station, 2010 saw an outage of Unit 2, during which several minor capital expenditure projects were executed and technical solutions for upgrading the unit's equipment were put into place. An outage of Unit 4 took place in the last quarter of 2010. During the outage, a number of capital expenditure projects took place, particularly from the project entitled "Utilization of Full Unit Design Capacity", which made it possible to increase the unit's installed capacity to 510 MW_e.
In March 2010, the Board of Directors of ČEZ, a. s. approved the business plan of the project Expansion of Dukovany Nuclear Power Station. The business plan assessed, on a preliminary basis, the feasibility of new construction. The plan concluded with a recommendation to work out in more detail the possible construction of one new generating unit with an output of 1,000–1,700 MW. Further necessary investigations and studies were carried out in 2010, and they will be assessed in 2011.

Temelín Nuclear Power Station
Two of the most important planned projects at Temelín Nuclear Power Station were the spent nuclear fuel storage facility and the loading and commissioning of TVEL fuel (replacement of all 163 fuel assemblies) on Unit 1. The spent nuclear fuel storage facility was completed on July 31, 2010 to a stage allowing the first container assembly with spent nuclear fuel to be moved into it. A successful active test completed the placement of the container assembly in one of the facility's storage positions and a one-year trial operation period began on September 9, 2010. Individual buildings and operational assemblies were taken over from suppliers late in the year, completing the final hand-over of the facility.

Completion of Temelín Nuclear Power Station
Preparations continued in a tender to find a supplier of two new units at Temelín Nuclear Power Station with a possible option for another three units, which commenced on August 3, 2009. The tender is taking the form of negotiation proceedings with publication. February 2010 saw completion of the bidder qualification stage, in which all three bidders who asked to participate qualified: Westinghouse Electric Corporation (together with Westinghouse Electric Company Czech Republic), AREVA NP, and the consortium consisting of Škoda JS together with Atomstroyexport and JSC OKB Gidropress. In May and June, the first round of consultations took place with all qualified bidders, the aim of which was to gather information necessary for completing the Request For Proposal (RFP) documentation. On May 31, 2010, Environmental Impact Assessment documentation for the project entitled "A new nuclear power source at Temelín Nuclear Power Station, including output connection to the Kočín substation" was submitted to the Ministry of the Environment of the Czech Republic. The documentation was made public and sent to countries that expressed interest in participating in the process of assessing the environmental impact of the completion of Temelín Nuclear Power Station: the Federal Republic of Germany, Austria, the Slovak Republic, and the Republic of Poland. On June 29, 2010, the State Office for Nuclear Safety approved the Quality Assurance Program for the Activity of Placing Nuclear Installations of Units 3 and 4 at the Temelín Nuclear Power Station Site. The year 2010 also saw preparations for projects related to and made necessary by the main project.

Conventional Power
Capital projects implemented during 2010 focused predominantly on meeting the goals necessary for further securing generating equipment availability, improving the level of generation processes, and complying with environmental requirements stipulated by valid legislation.
Environmental measures included technical measures to further decrease NO_x emissions at Prunéřov II Power Station, upgrade and overhaul of the district heat system supplied by the Dvůr Králové power heating plant, and dewatering of slag using a hydrocyclone process at Mělník Power Station.

Comprehensive Renewal of Tušimice II Power Station
On October 18, 2010, Kadaň City Hall issued a decision permitting the interim use for trial operation of Phase One of the comprehensive retrofit (generating units 23, 24) of Tušimice II Power Station. This decision entered into legal force on November 3, 2010. Final hand-over of the project will come upon completion of the two-year trial operation period.

Comprehensive Renewal of Prunéřov II Power Station
2010 saw the settlement of comments submitted during the zoning proceedings. The Environmental Impact Assessment called for tightening of the emission values in terms of concentrations of solid pollutants, SO_2, and CO. These conclusions were reflected in the contracts being entered into with equipment suppliers. In December, we completed implementation of technology for processing seepage water and demolition of certain buildings to make room for the construction site.
The processes of entering into contracts and drawing up the Coordinated Basic Design continued.

Construction of a CCGT Installation at Počerady Power Station
On December 27, 2010, the Regional Authority of the Ústí Region issued Change No. 3 to the integrated permit for Počerady Power Station.

Construction of a New 660 MW Installation at Ledvice Power Station
A new deadline for completion of the project was set. The postponement, by approximately one year, was caused by complications that arose during construction of the boiler house. Ownership of the coal loading facility and the chemical water treatment plant was transferred to ČEZ, a. s.

CCGT Installation at Mělník Power Station
A pilot study and a preliminary dispersion study were drawn up for the CCGT installation.

Solar Power Plants
2010 saw six new installations commissioned with an aggregate total of 106 MW of installed capacity.

Anticipated Situation in Electricity Generation

On Unit 1 of Temelín Nuclear Power Station, we expect to carry out a repair connected with replacement of a portion of the fuel. On Unit 2, we are prepared to carry out a complete replacement of all existing fuel with new fuel from the Russian supplier OAO TVEL, which will complete the replacement of nuclear fuel at Temelín Nuclear Power Station.
At Dukovany Nuclear Power Station, we plan to increase the achievable capacity of Units 1 and 4 during the year.
Total generation in nuclear power plants is expected to rise 1.1 TWh year-on-year.
In terms of ČEZ, a. s. coal-fired power plants, major repairs are planned to take place on the Počerady, Tisová II and Ostrava - Vítkovice Power Stations. Also planned is the completion of the comprehensive retrofit of Tušimice II Power Station and the recommissioning of Units 21 and 22. At the Dvůr Králové nad Labem power heating plant, we are planning to increase the installed capacity by 4.1 MW by commissioning a new turbogenerator, TG3. Overall, we expect generation in ČEZ, a. s. coal-fired power plants to fall by 1.2 TWh year-on-year, due to the split-off of Chvaletice Power Station into a separate company as of September 1, 2010.
Substantial repairs are also planned on the Slapy and Štěchovice II Hydro Power Stations. Generation in hydro power plants is expected to be approximately 0.5 TWh less than the actual figure for 2010, a year that saw high flow rates.
Generation in small-scale hydro power plants and wind power plants in the Czech Republic is expected to remain at the same level as in 2010, while in solar power plants 2011 is expected to bring year-on-year growth in generation of 98.5 GWh due to high growth in installed capacity of this type of power plant.

Heat

In 2010, supplies of heat from CEZ Group installations in the Czech Republic reached 11,153 TJ, up 2,501 TJ (+29%) year-on-year.
The bulk of this substantial increase in heat sales volumes is attributable to the acquisition of Teplárna Trmice, a.s., which in the second half of 2010 contributed 1,825 TJ of heat to the overall heat supply figure. Teplárna Trmice, a.s. operates in Ústí nad Labem, supplying approximately 30,000 households, public institutions, industrial customers, and the Regional Hospital there.

Václav Dobeš

Lineman

"When I hear the word 'electricity', I think of sparks and the force hidden within. It takes training and experience to know how to handle it. Even more important is to know how to share that experience – especially with those arriving on the job right out of school. At CEZ Group, sharing with new colleagues is the rule."

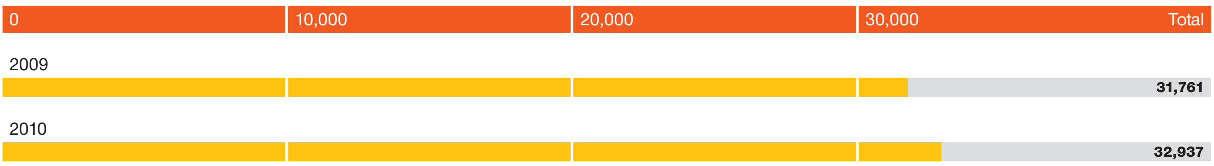
Václav Dobeš helped draw up a supplemental program for effective deployment of aggregates at the Dalešice Pumped-Storage Hydro Power Station, which enables maximum utilization of this plant's primary advantages: quick start-up and flexibility.

Distribution and Sale of Electricity and Sale of Natural Gas in the Czech Republic

Distribution of Electricity

In the Czech Republic, the CEZ Group company that distributes electricity is CEZ Distribuce, a. s., which distributed 32,937 GWh of electricity to customers in 2010. The year-on-year increase of 1,176 GWh was caused, in particular, by higher demand for electricity as the economic crisis gradually comes to an end. In terms of voltage levels, the increase was distributed as follows: medium voltage, 864 GWh; low voltage, 287 GWh (due to lower temperatures in the winter months); and high voltage, 25 GWh.

Electricity Distributed by CEZ Group to End Customers in the Czech Republic (GWh)



The number of connection points rose 11,000 year-on-year, to a total of 3,545,000.

Capital Expenditure

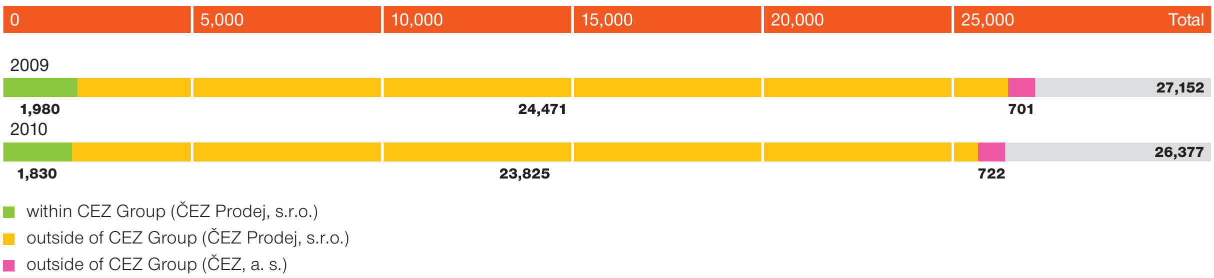
The principal objective of investing in renewal and development of the distribution grid is to increase and improve distribution grid quality, reliability, and safety, as well as to automate the management of grid operation.
New activities include a project to install a smart grid over a selected area. Smart grids enable electricity from traditional and alternative sources to be combined effectively and are capable of responding automatically should a situation arise in which the grid might become overloaded, and redirect the flow of electricity to prevent potential blackouts.
During the entire year 2010, ČEZ Distribuce (including ČEZ Distribuční zařízení) incurred capital expenditures of CZK 10,218 million for distribution grid renewal and development. Projects included those initiated by customers (37%) and in-house renewal and development projects (63%).

The most significant projects in 2010 included:
- Kletné, new 110/22 kV transformer station
- Řeporyje Transformer Station – 110 kV substation, I&C systems
- Ústí nad Labem Central – new 110 kV substation and 110 kV transformer station
- Ústí nad Orlicí – Rychnov, 110 kV power line – renovation
- Jablonec nad Nisou South – new 110/22 kV transformer station
- Přeštice – Rokycany HV 110 kV – renovation
- 110/22 kV transformer station in Slaný
- 110/22 kV transformer station in Černice
- Horní Životice – renovation of 110 kV substation
- Ropice – modifications to transformer station
- Rokytnice nad Jizerou – Špindlerův Mlýn – HV 2 x 35 kV underground power line
- Nový Jičín – Příbor, HV renovation
- 110/22 kV transformer station in Mnichovo Hradiště.

Sale of Electricity to End Customers

In the Czech Republic, electricity is sold, in particular, by ČEZ Prodej, s.r.o.
In terms of the end-customer market for electricity in the Czech Republic, the year 2010 was characterized by the aftermath of the economic crisis and the beginnings of a recovery in demand, in the form of moderate growth in end consumption. Competition in the end-customer market continued to be heavy. In the corporate customers segment, customers had at least six offers from various electricity dealers to choose from. Pressure from smaller, alternative suppliers continued, while established electricity suppliers provided customers with high-quality care and services, relative stability, and an ever-expanding offer of electricity products.
In the corporate customers segment, ČEZ Prodej's market share fell to 31.5%. However, ČEZ Prodej, s.r.o. still has the most extensive portfolio, consisting of the largest industrial customers. Also, this development correlates completely with the situation in European markets in the same period following market liberalization.
In previous years, the liberalization of the electricity market did not have much of an effect on the small commercial and residential segment. In 2010, however, market players – following in the footsteps of other European markets – began to compete intensely for these customers as well. Here, a key role was played by smaller (alternative) dealers who made maximum use of a very effective acquisition tool: door-to-door sales. Thus, during 2010 the numbers of customers who changed their electricity supplier climbed into the tens of thousands per month. These high numbers were also driven by the fact that RWE (the large German energy group Rheinisch-Westfälisches Elektrizitätswerk, which also has operations in the Czech Republic) expanded its services portfolio to include electricity.
In the small commercial and residential segment, ČEZ Prodej also focused on retention activities with the objective of minimizing the number of customers leaving us for the competition. Thanks to the above-average success rate, we managed in 2010 to limit the market share decline in the low-voltage customer segment to just one percentage point. Our overall share of the end-customer market fell slightly, to 42.5%.

Electricity Sold to End Customers in the Czech Republic (GWh)



ČEZ Prodej, s.r.o. sold a total of 25,655 GWh of electricity to its customers in 2010. In year-on-year terms, that is a 795 GWh (–3.0%) reduction in supplies for end consumption. The supply reduction took place mainly in the large end-customer segment, where the decline in supply totaled 665 GWh and was caused by departing customers. The volume of electricity supplied to cover ČEZ Distribuce's grid losses fell 149 GWh, because ČEZ Distribuce had to purchase a higher volume of electricity through mandatory purchasing of electricity generated from renewable sources of energy and this was used to cover losses in the distribution grid.

Sale of Electricity and Natural Gas for 2011

In 2011, ČEZ Prodej, s.r.o. expects another contraction in the volume of supplies of electric power to end customers, and compared to the previous year we expect to see more intense competition in the “retail – commercial” and “residential” segments. The cause of the ongoing decline in supplies to end customers is migration of customers to other electricity dealers. Similarly, the volume of electricity supplied to ČEZ Distribuce for covering grid losses is also expected to drop substantially, because the rapid growth in alternative sources – solar power plants especially – will lead to an increase in the volume of electricity mandatorily purchased by ČEZ Distribuce and the subsequent use of that electricity to cover losses in the distribution grid.

In the natural gas market, on the other hand, successful acquisitions in 2010 will bring substantial market shares in all segments:
- large end-customers – over 5%
- medium-sized end-customers – over 4.4%
- small end-customers – over 2.5%
- residential customers – 3.5%.

Sale of Natural Gas

ČEZ Prodej, s.r.o. substantially reinforced its position in the natural gas market and will supply over 2.6 TWh of natural gas to corporate customers in 2011, which will give it a market share of over 5% in the “large end-customers” segment.
Like its competitors, CEZ Group expanded its natural gas offering to smaller commercial and residential customers, which yielded over 60,000 new customers in a seven-month period of 2010. The sales effort focused primarily on existing electricity customers, and relied exclusively on CEZ Group customer centers and call centers. Customers were offered a guaranteed savings of 5% compared to the price of the dominant supplier, and high-quality services, including customer self-service through the website.
Thus, the convergence of the electricity and natural gas markets, which began in the corporate customers segment, has become the norm in all customer segments, and dealers who do not offer both commodities are becoming the exception instead of the rule.

Trading in Electricity and Other Commodities

Wholesale Electricity Trade

Trading in the Wholesale Market for Electricity and Other Energy Commodities
Trading in wholesale markets for electricity and other energy commodities in the various European countries where CEZ Group has operations is run centrally by the parent company, ČEZ, a. s. It encompasses the following functions:
- sale of in-house generated electricity in wholesale markets
- sale of ancillary services provided by CEZ Group power sources
- procurement of electricity in the wholesale market for resale to end customers
- trading in electricity, EUAs, CERs, natural gas, and black coal in wholesale markets for the Company's own account.

In their operations in individual country markets, CEZ Group companies must respect the local situation, which is based on local energy legislation, the state of market liberalization, the relative balance between supply and demand, cross-border electricity supplies, etc. ČEZ, a. s. trades directly in those countries where a license is not required to trade in electricity or where eligibility for such a license is not limited to entities formed under local law (Austria, Germany, France, Poland, Hungary, Romania, Kosovo, Greece, Montenegro). In other countries (Slovakia, Bulgaria, Serbia, Bosnia and Herzegovina, Albania), ČEZ, a. s. operated in 2010 through subsidiaries holding the necessary local permits. CEZ Group companies engaged in production or supply to end customers are always organized under local law. In markets for other commodities (EUAs, CERs, black coal, natural gas), ČEZ, a. s. operates directly.

Czech Republic
In the Czech Republic, the worldwide economic recession led to a decline in domestic electricity consumption in 2009 only. As of January 2010, the statistics once again show a 2.4% year-on-year growth in consumption (after adjustment for weather). Overall cross-border export capacity was maintained, and in 2010, the difference between wholesale market price levels in the Czech Republic and the Federal Republic of Germany narrowed once again: from 1.06 EUR/MWh in 2009 to 0.79 EUR/MWh (difference of the EEX and OKO spot markets). Electricity produced by ČEZ, a. s. power sources continues to be sold almost exclusively in the Czech electricity market, either wholesale through the Prague Energy Exchange, or through electronic broker market platforms, or through the subsidiary ČEZ Prodej, s.r.o. to end customers. In 2010, ČEZ, a. s. continued to sell electricity on a futures basis – specifically, three years in advance – with the aim of leveraging market demand for these products to partially hedge sales against possible price volatility. This strategy is helping to maintain financial performance results even at a time of substantial declines in wholesale electricity prices.

Poland
Electricity generated by Skawina and ELCHO Power Stations was sold in Poland's wholesale electricity market. In the case of ELCHO Power Station, we took advantage of a compensation scheme, defined by law, for entities that voluntarily agreed to prematurely terminate long-term electricity sale contracts.
Skawina Power Station, and to a lesser extent ELCHO Power Station as well, supplied ancillary services to the operator of Poland's transmission grid.

Bulgaria
Varna Power Station supplied electricity to the regulated market in particular. Due to regulatory conditions, it is impossible to supply the free market at economically advantageous terms. The plant continued to supply ancillary services to Bulgaria's transmission grid operator. Supplies to eligible customers in the free market were made by CEZ Trade Bulgaria EAD, which procured electricity in the local free market in cooperation with ČEZ, a. s. Supplies to end customers in the regulated market segment were made by CEZ Elektro Bulgaria AD, which procured electricity in the local regulated market.

Romania
Supplies to end customers in the free and regulated markets were made by CEZ Vanzare S.A., which procured electricity for protected customers in the local regulated market separately, and procured electricity for eligible customers in cooperation with ČEZ, a. s. "Green certificates" are being obtained for electricity generated by the Fântânele wind farm. These are sold through a local special market to companies that supply electricity to end customers.

Trading for the Group's Own Account
In addition to selling electricity from its own plants and procuring electricity for end customers, CEZ Group traded 249.4 TWh of electricity in 2010, up from 198.4 TWh in 2009. In particular, these trades served to generate additional profits by leveraging arbitrage opportunities and other forms of speculative trading in wholesale markets. To a certain extent, they also acted as hedges for future sales of in-house generated electricity or as hedges for future procurement of electricity for end customers, and partially to make up for electricity shortfalls in the event of outages in one or more of the Group's own plants. Traditionally, for its own account ČEZ, a. s. has traded such commodities as electricity and emission rights. Also significant, however, is ČEZ's trading in black coal futures on the ICE in London and commodity swap products in the OTC market. In 2010, we traded a total of 13.4 million tons of black coal. Another traded commodity is natural gas, in the form of futures products on the ICE in London and on the EEX; ČEZ, a. s. traded 50.3 TWh of natural gas in 2010. A side effect of trading in these commodities is preparation for operating new plants that will be fired by black coal and natural gas. In 2010, ČEZ, a. s. traded 102.8 million tons of EUA emission rights and CER credits.

Sale of Electricity to Customers in Countries Where CEZ Group Does Not Have a Distribution Company

CEZ Group continues to build its positions in the sale of electricity to end customers in markets where it does not own a distribution company. In Slovakia, sales volume for 2011 grew to 1,060 GWh over a portfolio of 361 customers. In Hungary, contracts were signed for delivery in 2011 with 23 customers in a total volume 938 GWh. In Poland there are 12 customers with total consumption of 92 GWh for 2011.

Trading in and Sale of Natural Gas

During 2009, CEZ Group decided to enter the natural gas market. Our target was to begin supplying gas to end customers in the Czech Republic from January 1, 2010. Natural gas is procured by ČEZ, a. s. in wholesale markets both in the Czech Republic and abroad, and is supplied to customers by the subsidiary ČEZ Prodej, s.r.o.
As of January 1, 2011 CEZ Group also supplies natural gas to end customers in Slovakia. Supplies are realized through the company CEZ Slovensko, s.r.o. and the volume sold for 2011 in the large end-customer segment is 425 GWh over a portfolio of 70 customers.

CEZ Group Operations Abroad

Republic of Poland

Business Environment in the Power Industry

As the Polish market is fully liberalized, all eligible customers have the option of switching to a different electricity supplier. According to data published by Poland's Energy Regulatory Office (Urząd Regulacji Energetyki), 2010 was a record year in terms of customer movements between suppliers. 5,800 large end-customers of electricity changed their supplier – a nearly fourfold increase compared to 2009. The situation among small customers is entirely the opposite – they prefer to stay with their original electricity suppliers. Only 1,276 households changed suppliers in 2010.

Electricity consumption in Poland grew 4.2% in 2010, and electricity generation in the country increased 157 GWh (+3.6%) compared to 2009. Differences in electricity prices between Poland and neighboring countries are getting smaller. In fact, in 2010 the average spot price of electricity in Poland was approximately 3.6 EUR/MWh (approximately 90 CZK) higher than in Germany.

In preparation for the third CO_2 emission rights allocation period, Poland obtained an exception and the option to allocate approximately 70% of its emission rights free-of-charge in 2013. Should it decide to exercise this option, the share of rights allocated in this manner will fall linearly, and zero free-of-charge allocation will be achieved in 2020. Should current European Union draft legislation be passed, the necessity of purchasing emission rights starting in 2013 may increase the price of electricity by approximately 60–150 PLN/MWh (approximately CZK 380–950), depending on the price of emission rights. In late 2010, the average wholesale electricity price in Poland was 190 PLN/MWh (approximately CZK 1,200).

In 2010, the Polish State sold off several of its stakes in power companies. The Polish State got PLN 9 billion (approximately CZK 57 billion) for a 51.66% equity stake in the power company TAURON Polska Energia S.A., a 10% stake in PGE Polska Grupa Energetyczna S.A., and a 16.05% stake in ENEA S.A.

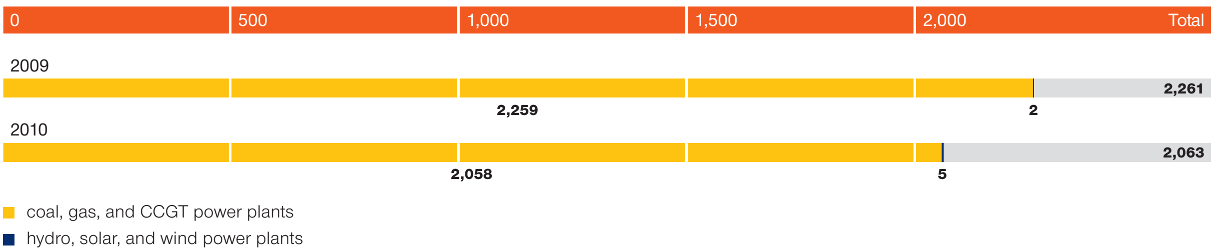
Combined heat and power generation in Poland is supported by a system of red and yellow certificates, depending on whether heat is generated from coal or from gas.

A project to build the first nuclear power plant in Poland is taking shape. The plan is to build two nuclear power plants, each with an output of approximately 3,000 MW. In late December 2010, the Polish Ministry of Economy commenced the process of drafting a strategic Environmental Impact Assessment of the project within the framework of the Polish Nuclear Energy Program. The process of selecting technology for the planned nuclear power plant is planned to begin in 2011.

Electricity Generation

In 2010, CEZ Group power plants in the Republic of Poland generated 2,063 GWh of electricity, down 198 GWh (-9%) year-on-year. The reason for the decline was optimizing of proceeds from the sale of CO_2 emission rights and securing maximum revenue from compensation for termination of long-term contracts with PSE S.A.

Electricity Generated in Poland, Gross (GWh)



Installed Capacity

At December 31, 2010, CEZ Group companies in the Republic of Poland owned power plants with 730 MW of installed capacity. Of this figure, coal-fired power plants accounted for 728 MW and a hydro power plant accounted for the remaining 2 MW.

Location of CEZ Group Power Sources in Poland

List of CEZ Group Power Plants in Poland

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2010	Year commissioned	Desulfurized since
ELCHO	Elektrociepłownia Chorzów ELCHO sp. z o.o.	black coal	2 x 119.2	2003	[1]
Skawina	Elektrownia Skawina S.A.	black coal	4 x 110; 1 x 50	1957	2008
Coal-fired power plants, total			728.4		

[1] ELCHO has complied with SO_X limits from the moment it was commissioned.

Small-scale Hydro Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Skawina/Skawinka	Elektrownia Skawina S.A.	1 x 1.6	1961
Small-scale hydro power plants, total		1.6	

Solid Fossil Fuels and Sorbents

In 2010, the Skawina and ELCHO Power Stations consumed a total of 1.1 million tons of black coal, sourced from mining companies in their vicinity. ELCHO Power Station purchases coal under a long-term contract with Kompania Węglowa S.A. Skawina Power Station is supplied by two main suppliers of power generation coal: Kompania Węglowa S.A. and Katowicki Holding Węglowy S.A.

The Polish power plants also use biomass as a power generation fuel, and place an ever-greater emphasis on it. Skawina Power Station combusted 69,900 tons of biomass, or 10.3% of all fuel consumed, and 86.3 GWh of the electricity it generated is attributable to biomass. In the same manner, ELCHO Power Station utilized 58,700 tons of biomass, which covered 10.6% of its overall fuel consumption, and 72.1 GWh of its electricity came from biomass. The 2.1% year-on-year increase in the proportion of biomass consumption at ELCHO Power Station is the result of improved efficiency of biomass combustion processes.

Electricity Generation Outlook

The planned electricity generation of the Polish power plants in 2011 is the result of optimization of electricity and heat generation in view of market price developments, with the aim of maximizing income. Skawina Power Station is expected to generate 7% less than in 2010, while the outlook for ELCHO Power Station is for a year-on-year increase in generation by approximately 6%. Anticipated aggregate total generation volume is 2.0 TWh of electricity.

Heat

In 2010, CEZ Group power plants in Poland sold 5,758 TJ of heat, of which Skawina Power Station accounted for 3,025 TJ and ELCHO Power Station the remaining 2,733 TJ.

In cooperation with its biggest heat customer, Miejskie Przedsiębiorstwo Energetyki Cieplnej S.A. w Krakowie, Skawina Power Station organized a marketing event with the objective of acquiring new heat customers. An important part of this event was a pilot conference for new and existing customers, which aimed to promote the use of district heat to heat buildings and make hot water. In addition to this event, many direct meetings were held with potential customers. The success of the promotion helped the station to increase orders, expressed in terms of plant output, by 11.8 MW_t in 2010.

ELCHO Power Station supplied heat to two distribution companies and one end customer. As in the past, the dominant customer was Przedsiębiorstwo Energetyki Cieplnej Katowice S.A., which supplies heat to the cities of Katowice, Chorzów, Świętochłowice, and Siemianowice Śląskie.

Capital Expenditure

Skawina Power Station invested in installation of equipment for direct injection of biomass into boilers – the equipment was commissioned in March 2011 – and in upgrading heat piping at the power plant site.

ELCHO Power Station invested in a new heat exchanger on Unit 1, due to wear-and-tear of the old one.

Equity Stakes in Poland

CEZ Polska sp. z o.o.

This is a service and management company, with its seat in Warsaw and 100% owned by ČEZ, a. s. In 2010, its stated capital was increased from PLN 6.9 million to PLN 9.4 million. Its primary objective is to provide administrative and management services to CEZ Group companies within the territory of Poland. At the same time, it comprehensively represents CEZ Group in this territory and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Polska sp. z o.o.

Following the transfer of electricity wholesale trading operations to ČEZ, a. s., this company is tasked mainly with selling electricity to end customers, providing scheduling for CEZ Group members in Poland, and wholesale support.

Elektrownia Skawina S.A. and Elektrociepłownia Chorzów ELCHO sp. z o.o.

As of May 2006, two power companies – Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A. – are part of CEZ Group in Poland. ELCHO Power Station is a cogeneration facility, producing both power and heat in two state-of-the-art generating units. Both power plants are owned by ČEZ, a. s. through companies registered in the Kingdom of the Netherlands. In the case of ELCHO Power Station, ownership is through the company CEZ Chorzow B.V., which is owned by CEZ Silesia B.V. A 24.8% minority stake was purchased in 2010, so now CEZ Chorzow B.V. owns a 100% stake in ELCHO Power Station.

Skawina Power Station is owned through the company CEZ Poland Distribution B.V., which is a 100% subsidiary of ČEZ, a. s.

CEZ Ciepło Polska sp. z o.o.
CEZ Ciepło Polska sp. z o.o. was established as a 100% subsidiary of ČEZ, a. s. It came into existence in 2007 and is held in readiness for utilization in CEZ Group projects in Poland.
CEZ Produkty Energetyczne Polska sp. z o.o.
This company was established in January 2009 in conjunction with optimization of power generation by-products management at ELCHO and Skawina Power Stations. The company's principal business is power generation by-products management.
CEZ Nowa Skawina S.A.
In 2009, the company CEZ Nowa Skawina S.A. was established with its headquarters in Skawina for the purpose of building a new generating facility at the Skawina site. However, this project was suspended in 2010, in accordance with CEZ Group's strategic objectives.

Republic of Bulgaria

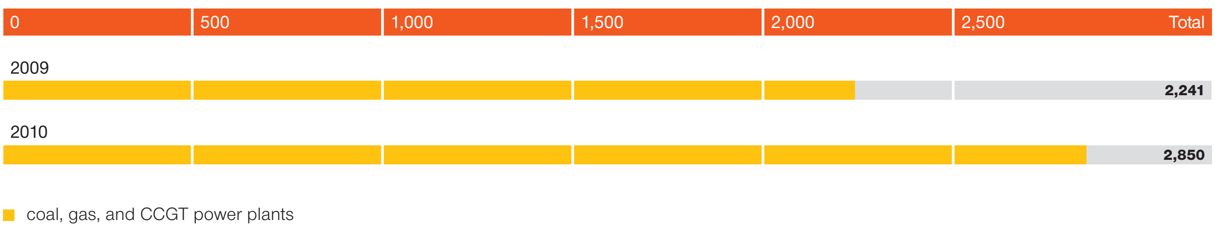
Business Environment in the Power Industry

Although the Energy Act liberalized the Bulgarian electricity market on July 1, 2007, the country still uses a system of quotas to determine supplies of electricity at prices regulated by the State. Over 70% of electricity supply volume for internal consumption (25 TWh) is at regulated prices. 159 participants (89 customers, 60 dealers, and 10 producers) are registered in the open market. The government has substantially intervened in the market by raising the export fee to approximately 12 EUR/MWh (approximately CZK 300), and this combined with a fall in electricity prices in the area makes exporting power a less attractive option.
In 2010, certain partial changes to the market rules were approved, and are expected to enter into force in 2011. Also anticipated during 2011 are an amendment to the Energy Act and continued preparation of a conceptual plan for an energy exchange in Bulgaria.
In 2010, electricity generation grew 7%. Internal consumption remained roughly unchanged and exports increased to a level exceeding 7 TWh. Of the new power sources currently in the planning stages, preparations for building the Belene Nuclear Power Station (2 x 1,000 MW) are of fundamental importance for Bulgaria. In 2010, however, the situation became significantly more complicated and it is still not clear how the project will be financed. The country is also planning to build three hydro power plants with an aggregate total installed capacity of 775 MW. Utilization of renewable sources of energy is growing fast, with solar power plants especially attractive due to mandated prices with guaranteed purchasing and plenty of sunlight throughout practically the entire country. In 2010, installed capacities reached approximately 40 MW for solar power plants (up 33 MW), approximately 400 MW for wind power plants (up 200 MW), approximately 2,100 MW for small-scale hydro power plants (up 600 MW), and 3 MW for biomass power plants (up 1 MW).

Electricity Generation

CEZ Group's sole power plant in Bulgaria, Varna Power Station, generated a total of 2,850 GWh of electricity in 2010, up 609 GWh (+27.2%) from 2009. The main driver of this growth was higher generation for the regulated market, and in particular the activation of a cold reserve after outages of other power sources in Bulgaria in the second half of 2010.

Electricity Generated in Bulgaria, Gross (GWh)



Installed Capacity
CEZ Group's largest coal-fired power plant, Varna Power Station with 1,260 MW of installed capacity, is located in Bulgaria.

Location of CEZ Group Power Source in Bulgaria

List of CEZ Group Power Plants in Bulgaria

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2010	Year commissioned
Varna	TEC Varna EAD	black coal	6 x 210	1968–1969 1977–1979
Coal-fired power plants, total			1,260.0	

Solid Fossil Fuels and Sorbents

In 2010, Varna Power Station consumed a total of 1,333,000 tons of black coal. Its needs were covered by imports from Russia and Ukraine. Coal prices rose significantly in 2010.

Electricity Generation Outlook

In view of anticipated development in terms of electricity prices in the Bulgarian market and the expected decline in generation for the regulated market, Varna Power Station is planning to reduce electricity generation volume in 2011, compared to 2010.

Heat

Varna Power Station generated and supplied only a small amount of heat (7 TJ) to sites in its vicinity. Revenue from this commodity, at CZK 1.3 million, was only of marginal importance.

Distribution of Electricity

Electricity Distributed to End Customers in Bulgaria (GWh)

The volume of electricity distributed by CEZ Group in Bulgaria increased 1.2% year-on-year. This increase was driven primarily by residential and large end-customers; a decline was registered in the small commercial end-customers segment. The main reasons for the increase were connection of new customers to the distribution grid and, at the same time, reductions in distribution grid losses thanks to targeted grid capital expenditures and optimizing of the process of managing non-technical losses.

Sale of Electricity

Electricity Sold to End Customers in Bulgaria (GWh)

Sales of electricity by CEZ Group to end customers reached 8,795 GWh in 2010, up 98 GWh (+1.1%) year-on-year. Growth was seen in the residential (+2.3%) and large corporate (+3.3%) customer segments, while the small commercial segment declined (by 2.1%) due to the economic crisis.

Sale of Electricity for 2011

In 2011, sales and distribution of electricity are expected to rise by approximately 1%.

Capital Expenditure

Investment in the distribution grid reached approximately CZK 860 million in 2010. Capital expenditures went, in particular, on the following: increasing the quality of the distribution grid, new connections to the distribution grid, and purchasing of power-related buildings pursuant to the Energy Act. The same approach will be followed in 2011 as well.

Equity Stakes in Bulgaria

CEZ Bulgaria EAD

The company's primary aim is to provide administrative and managerial services to CEZ Group in Bulgaria. At the same time, the company comprehensively represents CEZ Group in the country and provides support to the acquisition team in the event of further acquisitions.

CEZ Trade Bulgaria EAD

This company is tasked primarily with wholesale trading in electricity and supplying electricity to eligible end customers. The company holds an electricity trading license and is actively engaged in this activity.

CEZ Razpredelenie Bulgaria AD

This company is involved primarily in distribution of electricity in western Bulgaria. It is owned by ČEZ, a. s. (67% stake) and the Republic of Bulgaria (33% stake).

CEZ Elektro Bulgaria AD

The company was established as a result of the unbundling process (i.e., the separation of distribution operations from other power company operations) and its principal business is the sale of electricity to end customers. ČEZ, a. s. owns a 67% stake and the remaining 33% is held by the Republic of Bulgaria.

TEC Varna EAD

As of October 2006, ČEZ, a. s. is the sole owner of the coal-fired Varna Power Station.

CEZ Laboratories Bulgaria EOOD

In 2008, the company obtained a license from the State Agency for Metrological and Technical Supervision to perform initial and periodic checks of electric meters. Granting of this license was preceded by the process of obtaining ISO certification. The company is planned to be liquidated in 2011, since in view of Bulgarian legislation and a subsequent decision of the Anti-trust Office, it can no longer do business in the field of electric meter verification. Activities not subject to licensing, such as container logistics and the delivery, installation, deinstallation, and liquidation of electric meters, were shifted to CEZ Razpredelenie Bulgaria AD.

CEZ Elektroproizvodstvo Bulgaria AD

This company was formed in conjunction with preparation of a project to build a CCGT power source in Varna, with a planned installed capacity of 880 MW. This project was suspended in 2010 and, in conjunction with the strategic objectives of CEZ Group, the company is planned to be merged with TEC Varna EAD in 2011.

Romania

Business Environment in the Power Industry

The energy sector is continuing to harmonize and converge with the model commonly seen in other European Union Member States. Individual functions have been legally separated (unbundled) and partially privatized. Most production assets are concentrated in the hands of three State-owned companies, depending on the type of power plant (Thermoelectrica, Hydroelectrica, Nuclearelectrica), with certain city and local power heating plants under municipal ownership. The generation segment is now being opened to foreign investment, typically through joint ventures with a local partner. The transmission grid is managed by Compania Națională de Transport al Energiei Electrice “TRANSELECTRICA” S.A. The distribution segment is by far the most open: three regions are served by the State-owned Electrica, while another five have been privatized into the hands of foreign investors. Regulatory activity is carried out by Autoritatea Națională de Reglementare în domeniul Energiei.

A significant portion of generation volume is traded through one-year contracts and single-day supplies. The organizer of the electricity market is Societatea Comercială Operatorul Pieței de Energie Electrică – OPCOM S.A. Romania supports the generation of electricity from renewable sources of energy through green certificates. When it became a member of the European Union, Romania became a member of the EU ETS and approved a LCPD compliance plan (regulation of SO_X, NO_X and solid particulate emissions).

Electricity Generation

2010 saw the ongoing construction, in the east of Romania in Constanța County, of the Fântânele-Cogealac wind farm, consisting of two parts – Fântânele Vest (F. West) and Fântânele Est (F. East) – which are being built at the same time. The substation in Tariverde (110–400 kV), one of the largest installations of its kind in Romania and through which the electricity generated in the wind power plants will flow into the grid, was connected to the grid on May 27, 2010. Subsequently, on June 1, 2010, the first of 139 planned turbines was commissioned. Each turbine will have 2.5 MW of installed capacity. 120 turbines had been installed by the end of 2010, and they generated a total of 256 GWh of electricity in 2010.

Installed Capacity

Location of CEZ Group Power Sources in Romania

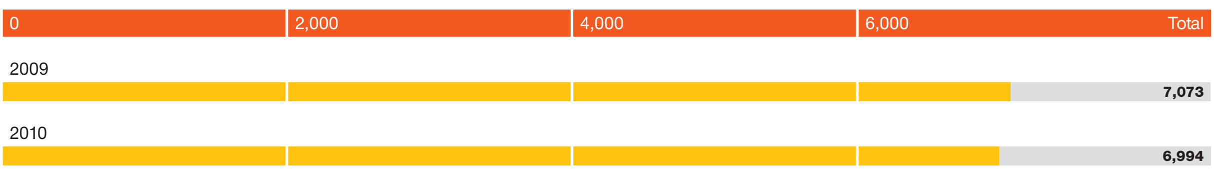
At December 31, 2010, CEZ Group project companies in Romania had a total of 300 MW of installed capacity in wind power plants. These plants were in trial operation.

Electricity Generation Outlook

By the end of 2011, we plan to complete the construction and commissioning of the last 19 turbines at the Fântânele power plant. Total generation volume in 2011 is expected to be 0.8 TWh.
The first electricity generated by the Cogealac wind farm should flow into the grid in the second half of 2011. Construction commenced in 2010, but it had to be suspended due to efforts by local officials to obstruct the project. Construction was renewed in February 2011 and connection and commissioning of the first turbines is expected to take place in the second half of the year. The entire farm is to be completed in 2012.
Furthermore, the acquisition of a complex of hydro power plants at the Reşiţa site, currently with 18 MW of installed capacity, is to be completed by the end of 2011 and the installation is to be upgraded in 2012. After the respective anti-trust authorities grant their consent, CEZ Romania S.A. will acquire a 100% stake in the company TMK Hydroenergy Power S.R.L., which owns the complex of hydro power plants.

Distribution of Electricity

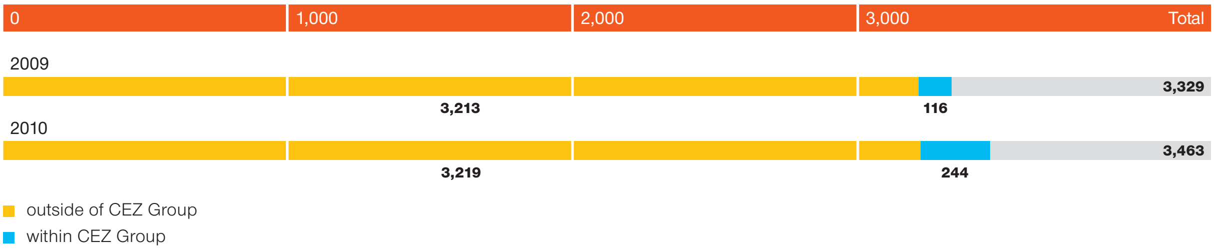
Electricity Distributed to End Customers in Romania (GWh)



The CEZ Group company that distributes electricity in Romania is CEZ Distributie S.A., which in 2010 intermediated the supply of 6,994 GWh to end-customers, down 79 GWh year-on-year.

Sale of Electricity

Electricity Sold to End Customers in Romania (GWh)



The Romanian sales company CEZ Vanzare S.A. sold 3,463 GWh of electricity to end customers in 2010, up 134 GWh year-on-year. Within CEZ Group, it sold to CEZ Distributie S.A. to cover losses.

Distribution and Sale of Electricity in 2011

The planned level of sales of electricity to end customers is 3.4 TWh. The volume of electricity distributed to end customers in 2011 is planned at 7.0 TWh.

Capital Expenditure

In addition to construction of the wind farm, other capital expenditures in Romania were incurred in 2010 to improve distribution grid parameters. Over 583 km of grid at various voltage levels and 170 transformers were upgraded. 70 new transformers were connected and over 156 new low- and medium-voltage power lines were built. The SCADA microdispatching system was implemented in 14 substations.

Equity Stakes in Romania

CEZ Romania S.A.

The company's primary objective is to provide administrative and management services to CEZ Group within Romanian territory and, at the same time, to represent CEZ Group in Romania. ČEZ, a. s. owns a 99.9998% stake in the company, with the remaining portion belonging – for reasons of compliance with Romanian legislation – to CEZ Poland Distribution B.V., a member of CEZ Group headquartered in the Netherlands. In 2010, the company was transformed from a limited-liability company (CEZ Romania S.R.L.) into a joint-stock company (CEZ Romania S.A.).

CEZ Trade Romania S.R.L.

The company was established for the purpose of electricity trading. In 2009, wholesale electricity trading operations were transferred to ČEZ, a. s. and the company's principal task was changed to providing wholesale support and trading in natural gas. The company obtained a natural gas license in February 2010.

CEZ Distributie S.A.

CEZ Distributie S.A. is involved in distribution of electricity. The company was 100% owned by ČEZ, a. s. but, due to Romanian legislation, in 2010 a 0.00000139% stake was sold to CEZ Poland Distribution B.V. ČEZ, a. s. now owns a 99.99999861% stake in CEZ Distributie.

CEZ Vanzare S.A.

This company sells electricity to end customers. It has been 100% owned by ČEZ, a. s. since October 2009. Due to Romanian legislation, 2010 saw the sale of a 0.00000139% stake to CEZ Poland Distribution B.V. and, since that time, ČEZ, a. s. has owned a 99.99999861% stake in the company. In 2009, CEZ Vanzare S.A. also obtained a license to sell natural gas and in 2010 it engaged in the sale of natural gas to end customers.

CEZ Servicii S.A.

CEZ Servicii S.A. was established in 2007 for the purpose of providing shared services to CEZ Group companies in Romania. In 2009, ČEZ, a. s. purchased a 12% stake from Fondul Proprietatea S.A., thereby increasing its overall stake in the company to 63%. The remaining 37% was purchased by ČEZ, a. s. in July 2010 from the company Electrica S.A. The company ceased to exist as at December 31, 2010 due to a merger with the company CEZ Romania S.A.

Tomis Team S.R.L.

ČEZ, a. s. acquired a stake in Tomis Team S.R.L. in 2008, in conjunction with the acquisition of the Fântânele wind farm project. ČEZ's stake in the company is 99.999998%, and the remaining 0.000002% is owned by CEZ Poland Distribution B.V., headquartered in the Kingdom of the Netherlands.

MW Team Invest S.R.L.

MW Team Invest S.R.L. is a 100% subsidiary of Tomis Team S.R.L. and it, too, is a part of the Fântânele project.

Ovidiu Development S.R.L.

ČEZ, a. s. acquired a stake in Ovidiu Development S.R.L. in conjunction with the acquisition of the Cogealac wind farm in 2008. ČEZ, a. s. owns a 95% stake in the company. The remaining 5% is owned by CEZ Poland Distribution B.V.

Energonuclear S.A.

Energonuclear S.A. was established for the purpose of building and operating Units 3 and 4 of the Cernavodă Nuclear Power Station in Romania. ČEZ, a. s. owned a 9.15% stake in the company until December 2010, when it was sold.

Republic of Albania

Business Environment in the Power Industry

So far, the ownership transformation of the power sector in Albania relates only to the distribution area. There are no plans as yet to privatize generation, which is dominated by large hydro power plants that belong to the State-owned company Korporata Energjitike Shqiptare Sh. a. Construction of new power sources, large and small, has been liberalized and, in the case of hydro power plants, is governed by an uncomplicated process involving the granting of concessions. International financial corporations are endeavoring, by making loans at advantageous terms, to support construction of individual new hydro and wind power sources; however limiting factors, such as low purchase prices and the necessity of additional capital expenditures to connect the new installations to the grid, are having a major impact on project costs.
The electricity market is regulated and subject to strong political oversight. Partial liberalization of electricity supplies is offered to large domestic and foreign investors that mine raw materials, produce steel and other metals, and cement producers in particular. Only a few eligible customers have taken advantage of it, and some of those are currently reverting to tariff customer status.
Per capita electricity consumption in Albania is still substantially below levels seen in advanced European countries. However, consumption is growing steadily, in the private sector and the residential segment in particular, at a pace of up to 6% per year. However, whether a fast pace of consumption growth will be maintained depends heavily on the continued in-flow of new capital into generation and distribution.
In 2010, intensive negotiations took place with the power market regulator (Enti Rregullator i Energjise) concerning the setting of basic parameters for calculating end prices. Major agreements were reached, in particular, in the areas of technical and non-technical losses and the methodology for depreciating assets. These agreements served as the basis for setting end prices for 2011, including compensation of justified costs incurred in 2009–2010 that were not included in prices in past years.

Distribution of Electricity

In 2010, the Albanian distribution and sales company distributed a total of 4,380 GWh of electricity to its customers, up 268 GWh (+6.6%) from 2009. This development reflected the Albanian economy's quick convergence on the levels of surrounding countries, accompanied by improvements in the technical level of the low-voltage grid. Replacement of obsolete power lines with insulated cables led to a reduction in the volume of unauthorized electricity use. The installation of new electric meters at all connection points enabled more precise measurement of consumption and helped further reduce losses and increase the volume of invoiced electricity.

Electricity Distributed to End Customers in Albania (GWh)

Sale of Electricity

CEZ Shpërndarje Sh.A., the distribution and sales company, sold a total of 4,606 GWh for the entire year 2010, for year-on-year growth of 342 GWh (8%).

Electricity Sold to End Customers in Albania (GWh)

The difference between the amounts of electricity distributed and sold is due to the fact that electricity is sold to certain customers that are connected outside the distribution grid of CEZ Shpërndarje Sh.A.

Distribution and Sale of Electricity for 2011

In the years to come, we expect to see steady growth – at a moderate rate – in electricity volumes distributed and sold to end customers. In this respect, the principal factors are the exclusive position of CEZ Shpërndarje in the power market and the positive outlook for continued growth in the Albanian economy. Concurrently, the process of making technical modifications to the invoicing system will continue. As a result of both factors, the reported volumes of electricity distributed and sold may offset one another in year-on-year terms, despite the growth trend in electricity consumption.

Capital Expenditure

In Albania we successfully commenced implementation of the long-term distribution grid development plan, with the objective of continuously reducing non-technical losses.

The biggest capital expenditure projects were substations and 110/20 kV transformer stations at the Fier and Gjirokastër sites, which will replace and supplement the existing obsolete substations, thereby providing the needed quality of electricity distribution in these areas.

In 2010, CEZ Shpërndarje Sh.A. also focused on improving the low-voltage grid in general, and in particular on completing the process of installing electric meters at all connection points and replacing obsolete power lines with insulated cables with the aim of putting a stop to unauthorized electricity use. Thanks to these measures, we were able to reduce overall losses of distributed electricity from 34.0% in 2009 to 30.4% in 2010. The installation of new electric meters enabling more precise readings and the reduction in losses had a positive impact on both revenues and income.

Equity Stakes in Albania

CEZ Albania Sh.A.

CEZ Albania Sh.A. was established for the purpose of providing administrative and management services to CEZ Group in the territory of Albania. At the same time, it comprehensively represents CEZ Group in the country and serves to support the acquisition team in further acquisitions.

CEZ Trade Albania Sh.A.

The principal business of this 100% subsidiary of ČEZ, a. s. is electricity trading. In January 2010, it obtained a license for this activity.

CEZ Shpërndarje Sh.A. (name until September 27, 2010: Operatori i Sistemit te Shperndarjes Sh.A.)

ČEZ, a. s. acquired a 76% stake in the Albanian distribution company in May 2009. The Republic of Albania owns a 24% stake. The company is headquartered in Tirana and is the only company in the country that distributes and sells electricity. During 2010 the company was renamed to CEZ Shpërndarje Sh.A. as part of its transformation into a customer-driven company and the introduction of the CEZ Group corporate culture.

Republic of Turkey

Business Environment in the Power Industry

The Turkish market is growing at a fast pace and it has already recovered from the impacts of the global economic crisis of the years 2008–2009, with consumption in 2010 reaching its highest level ever. Due to its dynamism and growth potential, the Turkish market continues to be a suitable environment for investing in the construction of power plants, and a number of attractive opportunities are in the offering here, connected with privatization. Another wave of distribution company privatizations took place in 2010.

The Turkish market has been partially liberalized since the end of 2009, but only about one fifth of production is sold in the free market. The Turkish Government wants to make the market more effective by privatizing power sources with up to 16 GW in installed capacity, currently owned by the State.

Electricity Generation

Generation of electricity in CEZ Group is secured by the company Akenerji Elektrik Üretim A.S. and its subsidiaries Akkur Enerji Elektrik Üretim A.S. and Mem Enerji Elektrik Üretim A.S.

In total, these companies generated 1,671 GWh of electricity in 2010. Generation in the existing gas-fired power plants Çerkezköy, Bozüyük, and İzmir-Kemalpaşa was negatively impacted by fluctuations in electricity prices related to the launch of the single-day market. Generation was increased by the construction of five new hydro power plants that were commissioned in the second half of 2010.

List of Power Plants Co-owned by CEZ Group in Turkey

Gas-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2010	Year commissioned
Çerkezköy	Akenerji Elektrik Üretim A.S.	natural gas	1 x 21.5 1 x 43.5 1 x 33	1993 1995 1996
Bozüyük	Akenerji Elektrik Üretim A.S.	natural gas	1 x 45 2 x 43.5	1997 1997
İzmir-Kemalpaşa	Akenerji Elektrik Üretim A.S.	natural gas	2 x 43.6 1 x 40	2005 2005
Gas-fired power plants, total			357.2	

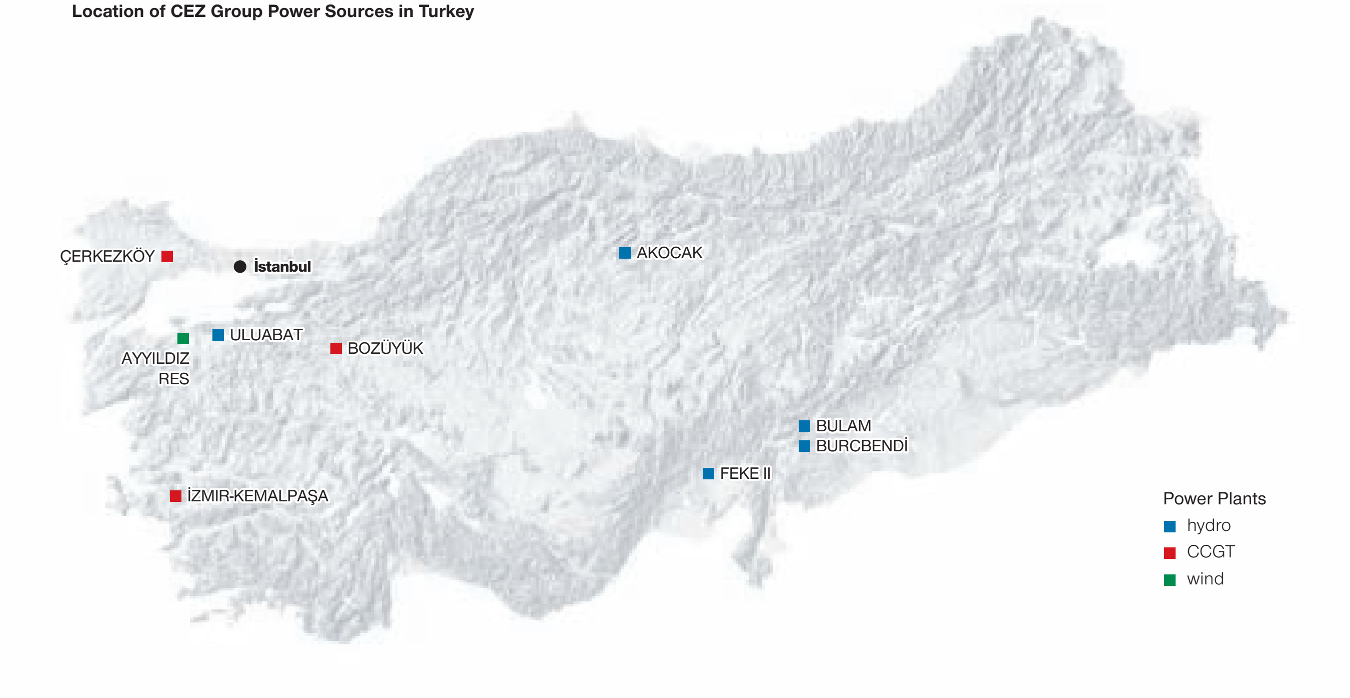
Wind Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Ayyıldız RES	Akenerji Elektrik Üretim A.S.	5 x 3	2009
Wind power plants, total		15.0	

Hydro Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Uluabat	Akenerji Elektrik Üretim A.S.	97.02	2010
Akocak	Akenerji Elektrik Üretim A.S.	81	2010
Feke II	Akkur Enerji Üretim A.S.	69.35	2010
Burcbendi	Akkur Enerji Üretim A.S.	27.33	2010
Bulam	Mem Enerji Elektrik Üretim A.S.	7.03	2010
Hydro power plants, total		281.7	

Location of CEZ Group Power Sources in Turkey



Distribution and Sale of Electricity

Sakarya Elektrik Dagitim A.S. distributed a total of 7,283 GWh in 2010 and sold 7,474 GWh of electricity. Akenerji Elektrik Üretim A.S. and Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S. sold 1,910 GWh of electricity to end customers in the same period.

Remark: The power plants and distribution companies in Turkey are not included in the technical units and numbers of employees in the CEZ Group total figures, because they are owned by associates.

Distribution and Sale of Electricity for 2011

In the electricity sales area, the distribution companies in Turkey are facing an expansion in wholesale companies that provide substantial discounts to large customers (industrial enterprises in particular). In view of the declining number of these customers in the portfolio of Sakarya Elektrik Dagitim A.S., a reduction in the amount of electricity sold for 2011 (to 6,782 GWh) is planned.

Capital Expenditure

In 2010, CEZ Group completed the construction of five hydro power plants with aggregate installed capacity of 281.7 MW. At the same time, construction continued on another three hydro power plants that will be completed in 2011 and 2012. Preparations are underway to build a hydro power station with 150–200 MW of installed capacity. A feasibility study is ongoing and the most suitable technical alternatives for implementing the project are being selected.

Equity Stakes in Turkey

Akenerji Elektrik Üretim A.S.

In May 2009, ČEZ, a. s. acquired a stake in the Turkish company Akenerji Elektrik Üretim A.S. This company is listed on the Istanbul Stock Exchange. ČEZ's stake in the company is 37.3614% and representatives of our Turkish partner own a stake of the same size (at year end the shares held by some of the Turkish partner's representatives were consolidated in the company Akarsu Enerji Yatirimlari Sanayi ve Ticaret A.S.). The remaining stake consists of publicly listed shares held by other shareholders. The company is headquartered in Istanbul and in addition to its core electricity business it is the majority owner of several subsidiaries that are also in the electricity business: Egemer Elektrik Üretim A.S., AK-EL Yalova Elektrik Üretim A.S., Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan ve Ticaret A.S., Akkur Enerji Elektrik Üretim Sanayi ve Ticaret A.S., Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S., AKKA Elektrik Üretim A.S., Ickale Enerji Elektrik Üretim ve Ticaret A.S., and Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S., all headquartered in Turkey, and Aken B.V. headquartered in the Kingdom of the Netherlands.

Akcez Enerji A.S.

A company headquartered in Istanbul, established in 2008. ČEZ, a. s. and representatives of the Turkish partner each own a 27.5% stake; Akenerji Elektrik Üretim A.S. owns 45%. Akcez itself owns a stake of over 99% in Sakarya Elektrik Dagitim A.S.

Sakarya Elektrik Dagitim A.S.

Since February 2009, Akcez Enerji A.S. has owned a stake in Sakarya Elektrik Dagitim A.S. The stake of Akcez Enerji A.S. is 99.99999828%; the remaining minority stake is held by CEZ Poland Distribution B.V., CEZ Silesia B.V., and representatives of the Turkish partner. This company distributes electricity in the Sakarya area.

Federal Republic of Germany

Business Environment in the Power Industry

Within the European context, Germany is the market that determines the price of electric power. In 2010, electricity consumption in this country rose 4% year-on-year, thanks in particular to a recovery in German industry. Thus, following a 5% drop in 2009, the country is returning to its pre-crisis level of electricity consumption. Further, 2010 was characterized by the ongoing trends of transmission grid unbundling, an increasing tax burden on power utilities through a nuclear tax, and further growth in installed capacity in renewables.

Development of renewable sources of energy and achievement of the related goal for Germany by 2020 is one of the priorities of the German Government. The biggest year-on-year growth – by 8 GW to a total of nearly 18 GW – was registered in photovoltaic power plants. Wind power plants reached 27.2 GW of installed capacity in 2010 and further growth is expected, particularly in off-shore wind power plants. However, dynamic growth in renewables requires extensive investment in upgrading transmission capacities. Germany is still lagging in this area, but the Federal Ministry of the Economy has declared an extensive program of investment in grid upgrades. By 2020, 3,600 km of HV power lines are to be built at an anticipated cost of EUR 10–29 billion (approximately CZK 250–730 billion), depending on how difficult the job turns out to be.

CEZ Group has had operations in Germany since 2001. In the beginning it engaged in electricity trading, and later got involved in other activities as well.

Coal Mining

At CEZ Group in Germany, brown coal mining took place in the Tagebau Profen and Vereinigtes Schleenhain mines. 19.6 million tons was extracted in 2010, i.e. nearly the same amount as in 2009.

Electricity Generation

MIBRAG Power Plants

Coal-fired Power Plants

Plant	Owner	Type of fuel	Installed capacity (MW) at December 31, 2010	Year commissioned
Kraftwerk Mumsdorf	Mitteldeutsche Braunkohlengesellschaft mbH	brown coal	2 x 30; 1 x 25	1968
Kraftwerk Wählitz	Mitteldeutsche Braunkohlengesellschaft mbH	brown coal	1 x 37	1994
Kraftwerk Deuben	Mitteldeutsche Braunkohlengesellschaft mbH	brown coal	1 x 16; 1 x 50; 1 x 20	1936
Total			208.0	

Wind Power Plants

Plant	Owner	Installed capacity (MW) at December 31, 2010	Year commissioned
Am Geyersberg	MIBRAG Neue Energie GmbH	3 x 2.3	2010
Total		6.9	

Since December 2010, MIBRAG – through a subsidiary – has been operating the Am Geyersberg wind park (near the town of Groitzsch) consisting of three modern SIEMENS turbines with an installed capacity of 2.3 MW per turbine, designed especially for inland operation. The turbines were put into trial operation in early December 2010.
In 2010, coal-fired power plants generated 1,136 GWh of electricity and supplied 1,150 TJ of heat. The wind power plant generated a total of 300 MWh of electricity in 2010.

Location of CEZ Group Power Sources in the Federal Republic of Germany

Power Plants
- power heating plants
- wind

Mines
- brown coal

Remark: The MIBRAG power plants and mines are not included in the technical units and numbers of employees in the CEZ Group total figures, because they are owned by associates.

Equity Stakes in Germany

CEZ Deutschland GmbH
During 2010 the company's operations were minimized and the company is planned to be liquidated in 2011.
Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG)
MIBRAG owns and operates two brown coal surface mines in eastern Germany, with coal reserves sufficient for another 25 years of mine operation with a favorable overburden ratio. The principal coal customers are the Lippendorf and Schkopau Power Stations. At year end 2010, the company had 1,751 employees. MIBRAG also owns stakes in another six companies, and co-owns a stake in a seventh. These companies are engaged in, for example, consulting in the field of coal mining, processing of waste materials, and logistics (MIBRAG Neue Energie GmbH, Montan Bildungs- und Entwicklungsgesellschaft mbH, GALA-MIBRAG-Service GmbH, MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH, Spedition, Handel und Transport, Fernwärme GmbH Hohenmölsen - Webau, and Ingenieurbüro für Grundwasser GmbH). The company also operates its own rail spur.
The subsidiary Gröbener Logistik GmbH was wound up without liquidation and on January 1, 2011 it merged with the company GALA-MIBRAG-Service GmbH.
JTSD - Braunkohlebergbau GmbH
CEZ Group, through Severočeské doly a.s., owns a 50% stake in JTSD - Braunkohlebergbau GmbH. The second owner of the joint-venture is LIGNITE INVESTMENTS 1 LIMITED. In 2011, this company will become a part of the company Energetický a průmyslový holding, a.s. The European Commission has already approved a transaction in which the company HC Fin3 N.V. (the Netherlands), entirely controlled by Energetický a průmyslový holding, a.s. and ČEZ, a. s., will gain joint control over JTSD - Braunkohlebergbau GmbH.
JTSD - Braunkohlebergbau GmbH is headquartered in Zeitz, Germany and is the direct 100% owner of the German company Mitteldeutsche Braunkohlengesellschaft mbH.

Republic of Hungary

Business Environment in the Power Industry

A substantial portion of the Hungarian electricity market has been liberalized since early 2008.
Electricity consumption has obviously recovered from the economic crisis as it reached 39 TWh, up 2.5% year-on-year but still 3.2% less than where it stood in 2008.
One quarter of generation capacity is controlled by State-owned Magyar Villamos Művek Zrt. (Hungarian Power Plants, limited-liability company), with the rest in the hands of independent companies. Most power plants are fired by gas and heavy heating oil, although there is one nuclear power plant in operation as well. Distribution companies have been privatized and are owned by the foreign companies RWE, E.ON, and EdF.
Hungarian power plants generated a total of 34 TWh of electricity in 2010, up 3.9% year-on-year but still 7.2% less than in 2008. In 2009, cheaper imports replaced expensive domestically-produced electricity. The same trend was evident in 2010, but took place in lower volumes. Net electricity imports totaled 5 TWh. The decrease of 5.8% indicates higher utilization of domestic generation capacity in 2010, yet net import was still 33% above its 2008 level.
The volume of electricity sold in the "KÁT" system in 2010 totaled 7.6 TWh, unchanged from the previous year.
The capacity of potential new-build wind power plants is limited by the government to 740 MW. Although Hungary has relatively favorable sunlight conditions for photovoltaic sources, these sources are not attractive for investors since regulated electricity prices are relatively low.
The Hungarian member of CEZ Group, CEZ Magyarország Kft., is a leading seller in the Hungarian electricity market. The company supplied 1.2 TWh of electricity to approximately 130 hand-over points for over 20 end customers. Its income result, however, was negatively affected by a newly imposed turnover tax on companies in the energy, telecommunications, and retail sectors (iparági különadó). Power utilities are subject to a unified tax rate of 1.05% of turnover (regardless of turnover amount). 2010 was the first year of the tax – i.e., it was paid on revenues generated in the year 2010.

Heat Generation

Process steam for the Danube refinery was generated by MOL - CEZ European Power Hungary Kft. Gas for the power heating plant operated by this company was purchased from MOL Energiakereskedő Zrt. (50% owned by MOL Nyrt.).

Capital Expenditure

The biggest capital project currently in preparation is the construction of a 850 MW CCGT power plant at the Százhalombatta site, which is also home to the most important refinery of MOL Nyrt., CEZ Group's partner in Hungary. The project's plan was approved in February 2010.

After a positive opinion on the EIA was obtained, a tender was announced for a contractor to build the plant. Bids have been evaluated and negotiations are underway with selected bidders. The decisive factor for completion of the project is connection to a gas pipeline. Following the signing of an agreement on cross-border supply of gas between the Republic of Hungary and the Slovak Republic (January 2011), it has been agreed that the power plant will be connected to the gas transit pipeline being build under said agreement.

Equity Stakes in Hungary

CEZ Magyarország Kft. (CEZ Hungary Ltd.)

Owned by ČEZ, a. s. and headquartered in Pest, this company was established for the purpose of trading in electricity. In 2009, electricity wholesale trading operations were transferred to ČEZ, a. s. and the company's principal tasks were changed to selling electricity to end customers and providing wholesale support.

MOL - CEZ European Power Hungary Kft.

Headquartered in Százhalombatta, this company is 100% owned by CM European Power International B.V. Its principal businesses are the generation and sale of heat.

Kingdom of the Netherlands

CEZ Group has had operations in the Kingdom of the Netherlands since 1994, when the company CEZ Finance B.V. was established. Prior to the Czech Republic's accession to the European Union, ČEZ, a. s. issued its bonds denominated in foreign currencies through it. Additional companies – CEZ Silesia B.V., CEZ Chorzow B.V., and CEZ Poland Distribution B.V. – were acquired by ČEZ, a. s. in conjunction with the acquisition of stakes in the Polish power companies Elektrociepłownia Chorzów ELCHO sp. z o.o. and Elektrownia Skawina S.A. This ownership model of the Polish power plants was taken over by ČEZ, a. s. from the seller.
Through the company CEZ MH B.V., established in 2007, CEZ Group owns a 7% stake in MOL Nyrt. (MOL Magyar Olaj – és Gázipari Nyilvánosan Működő Részvénytársaság), which was acquired in conjunction with the formation of a joint-venture with MOL.
In 2008, a joint-venture – CM European Power International B.V. – was formed, in which both partners hold identical, 50% stakes. In 2010, the stated capital of this company was increased from EUR 56,535,200 to EUR 56,535,400.
In conjunction with the financing of CEZ Group projects, and the MIBRAG project in particular, the company CEZ International Finance B.V. was established in 2009 in the Kingdom of the Netherlands. CEZ Group owned a stake in Mibrag B.V. originating from the purchase of the German enterprise MIBRAG. This company was 100% owned by JTSD - Braunkohlebergbau GmbH and, at the same time, was itself the 100% owner of the German company Mitteldeutsche Braunkohlengesellschaft mbH. In January 2010 the company was merged with JTSD - Braunkohlebergbau GmbH, after which it ceased to exist. The legal successor is JTSD - Braunkohlebergbau GmbH.
In conjunction with the expansion into Turkey, CEZ Group also owns a stake in Aken B.V., through the company Akenerji Elektrik Üretim A.S.
On January 3, 2011, the company CEZ Bulgarian Investments B.V. was established in the Kingdom of the Netherlands with stated capital of EUR 30,000 (approximately CZK 753,000), which was later increased to EUR 50,000 (approximately CZK 1.2 million). This is a 100% subsidiary of ČEZ, a. s. established with the aim of supporting the development of CEZ Group renewable sources in Bulgaria.
ČEZ, a. s. has no direct energy business activities in the Kingdom of the Netherlands. The companies listed above are holding and financing companies.

Bosnia and Herzegovina

NERS d.o.o.
This company was established as a limited-liability company, with ČEZ, a. s. as a 51% shareholder and the remaining 49% stake owned by Mješoviti Holding “Elektroprivreda” Republike Srpske Trebinje – Matično preduzeće akcionarsko društvo Trebinje (MH ERS). The company is headquartered in Gacko, Bosnia and Herzegovina and its date of inception is December 22, 2006.
In 2007, following the signing of the Implementation Agreement, implementation began on the Gacko project in the Republic of Serbia in Bosnia and Herzegovina, which was to have involved the operation of the existing Gacko I Power Station, the construction of a new power plant, and the opening of a new mine at the Gacko site. However, the Bosnian Serb partners did not meet their obligations under the above mentioned agreement and failed to invest the assets of the existing power plant and mine in the joint-venture. Therefore, on January 27, 2009, ČEZ, a. s. exercised its put option – thereby activating the mechanism for ČEZ, a. s. to withdraw from the joint-venture – which consisted of an offer to sell ČEZ's 51% stake in the joint-venture company NERS to the local partner, who was required to accept the offer. The deadline for MH ERS to accept the put option passed on February 18, 2009.
Due to the breach of the Implementation Agreement and MH ERS's failure to accept the put option, ČEZ, a. s. initiated arbitration proceedings against the Government of the Republic of Serbia in Bosnia and Herzegovina, MH ERS, and RiTE Gacko. The arbitration proceedings commenced on May 19, 2009 and are ongoing before the International Court of Arbitration of the International Chamber of Commerce, and the site of the proceedings is Vienna. In the meantime, an amendment to the Implementation Agreement was signed, treating the composition of the arbitration tribunal, and the procedure of appointing the arbitration tribunal's chairman took place in late 2009. The parties continue to be bound by confidentiality obligations concerning the dispute. The decision of the arbitration tribunal in the matter itself is expected in the second half of 2012.
CEZ Bosna i Hercegovina d.o.o.
This company, with its seat in Sarajevo, was established in March 2008 to support acquisition activities in Bosnia and Herzegovina and as an administrative support company for all CEZ Group activities in this territory.

Slovak Republic

Generation and Sale of Electricity and Heat

Process steam and electricity are generated by CM European Power Slovakia, s. r. o. The customer is the Slovnaft refinery (part of MOL Group). In 2010, CM European Power Slovakia, s. r. o. generated 565 GWh of electricity.
CM European Power Slovakia, s. r. o. purchases heating oil and refinery gas from the Slovnaft refinery.

Capital Expenditure

In cooperation with MOL Group, CEZ Group is preparing to build a 850 MW CCGT power plant at the Slovnaft site.
A positive opinion on the EIA was issued, a tender for a contractor to build the plant was announced, bids were evaluated, and negotiations with selected suppliers are underway.

Equity Stakes in the Slovak Republic

CEZ Slovensko, s.r.o.
This company's core business is wholesale electricity trading and sale of electricity and natural gas to end customers.
CM European Power International s. r. o.
The sole owner of this company is CM European Power International B.V., in which ČEZ, a. s. holds a 50% stake. The company supports and develops projects of its parent company relating to the construction of CCGT power plants.
CM European Power Slovakia, s. r. o.
This company has the following ownership structure: CM European Power International B.V., 51%; ČEZ, a. s. direct stake, 24.5%; and SLOVNAFT, a.s. (a member of MOL Group), 24.5%. Its core businesses are the generation and sale of electricity and heat, primarily for the Slovnaft refinery.
Jadrová energetická spoločnosť Slovenska, a. s.
This company was established in conjunction with the Jaslovské Bohunice power plant project in the Slovak Republic. The company is 51% owned by Jadrová a vyraďovacia spoločnosť, a.s. and the remaining 49% is held by ČEZ Bohunice a.s. (a 100% subsidiary of ČEZ, a. s.). As at January 4, 2011 the outstanding stated capital amount of approximately EUR 74.2 million (approximately CZK 1.8 billion) was paid and, as at that date, the stated capital is fully paid in.
JESS Invest, s. r. o.
This company was incorporated in the Commercial Register on August 1, 2010. Its stated capital of EUR 4 million (approximately CZK 99 million) has been paid in full. The company is tasked with preparing land for construction of the Jaslovské Bohunice power plant. Its sole owner is the company Jadrová energetická spoločnosť Slovenska, a. s.

Republic of Serbia

CEZ Srbija d.o.o.
This company was established for the purpose of developing acquisition activities, laying groundwork for trading in electricity, and preparing structures for supporting new acquisitions and projects. In 2010, acquisition activities were phased out. The company continues to operate as a wholesale electricity trader.

Republic of Kosovo

Wholesale electricity trading is conducted directly by ČEZ, a. s. As at October 30, 2010, its license was extended by another two years.

New Kosovo Energy L.L.C.
In conjunction with the phasing out of CEZ Group operations in Kosovo, this company's operations were minimized in 2010 and it is planned to be liquidated in 2011.

Russian Federation

CEZ RUS OOO
In conjunction with the phasing out of CEZ Group operations in this country, the company's operations were minimized in 2010 and it is planned to be liquidated in 2011.

Ukraine

CEZ Ukraine CJSC
In conjunction with the phasing out of CEZ Group operations in Ukraine, this company's operations were minimized in 2010 and it is planned to be liquidated in 2011.

Ireland

CEZ Finance Ireland Ltd.
This company is headquartered in Baile Átha Cliath (English name: Dublin) and its principal businesses are related to the financing of CEZ Group projects, and MIBRAG in particular.
ČEZ, a. s. has no direct energy business activities in Ireland.

Republic of Cyprus

Taidana Limited
A Romanian member of CEZ Group, Tomis Team S.R.L., acquired a 100% stake in this company on December 7, 2010 in conjunction with the settlement of a transaction from 2008 relating to the construction of the Fântânele-Cogealac wind farm. The company is headquartered in Limassol and its stated capital is EUR 100,000 (approximately CZK 2.5 million).
ČEZ, a. s. has no direct energy business activities in Cyprus.

Petr Sedlák

Manager, Management of International Equity Stakes Department

"I am happy when I can constantly be learning something new. That, for me, is the best motivation. In my profession, I have also had the opportunity to get to know the management of companies within CEZ Group, especially at the international level. Someday I'd like to meet the famous manager Jack Welch, because his motto 'Work has to be fun' is very appealing to me."

Petr Sedlák is an important figure in the International Division. During his career with CEZ Group to-date, he has worked on a number of major projects such as the integration of the distribution companies in the VIZE 2008 project, and the international aspects of the Efektivita Program. Currently, he is involved in knowledge sharing and transfer, activities designed to increase the efficiency of processes at foreign companies, and the NEW VISION program abroad.

Finance

ČEZ, a. s.

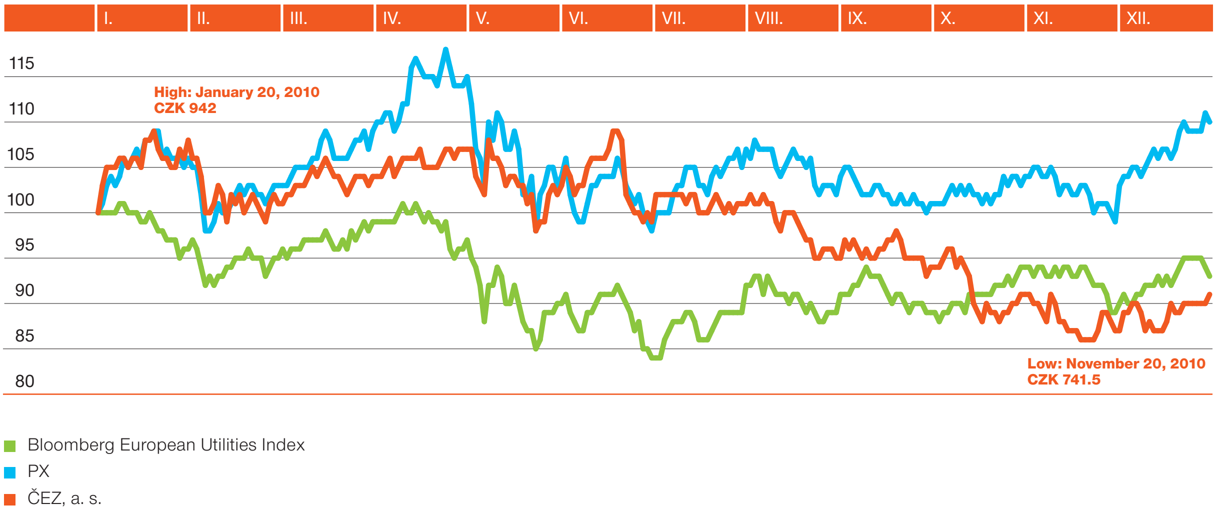
Shares

As at December 31, 2010, the total stated capital of ČEZ, a. s. was CZK 53,798,975,900. The Company's stated capital consists of 537,989,759 shares, each with a nominal value of CZK 100.

Shares

Security	ISIN	Issue date	Volume	Appearance	Form	Face value	Market	Traded since
Registered share	CZ0005112300	February 15, 1999	CZK 53.8 billion	booked	to owner	CZK 100	PSE PSE Main Market RM-System GPW	June 22, 1993 January 25, 1994 February 23, 1999 October 25, 2006

ČEZ, a. s. Share Price in 2010 (%)



Per-share Indicators

	Units	2004	2005	2006	2007	2008	2009	2010	Index 2010/2009 (%)
Net income per share – basic	CZK/share	22.3	36.3	47.0	72.9	87.0	96.7	88.5	91.5
Net income per share – diluted	CZK/share	22.3	36.2	46.8	72.7	86.9	96.6	88.5	91.6
Dividend per share (gross) *)	CZK/share	8.0	9.0	15.0	20.0	40.0	50.0	53.0	106.0
Dividend amount **)	CZK billions	4.8	7.0	8.9	11.8	21.3	26.7	28.8	107.9
Dividend as percentage of previous year's consolidated net income **)	%	47.4	49.4	39.7	41.0	49.9	56.3	55.5	98.6
High for year	CZK	341.0	751.6	1,010.0	1,423.0	1,395.0	990.5	942.0	95.1
Low for year	CZK	145.7	346.6	565.5	827.5	580.5	639.5	741.5	115.9
At year end	CZK	340.7	736.3	960.0	1,362.0	784.8	864.0	783.0	90.6
Number of registered shares (at December 31)	thousands	592,211	592,211	592,211	592,211	592,211	537,990	537,990	100.0
Number of treasury shares (at December 31)	thousands	10	2,440	3,455	50,370	59,171	4,555	4,085	89.7
Number of shares in circulation (at December 31)	thousands	592,201	589,771	588,756	541,841	533,040	533,435	533,905	100.1
Market capitalization (at December 31)	CZK billions	201.8	434.2	565.2	738.0	418.3	460.9	418.0	90.7
Book value per share	CZK	290.7	299.2	330.8	300.6	324.1	375.8	415.1	110.5
Price-to-book value ratio (P/BV)	%	117.2	246.1	290.2	453.1	242.2	229.9	188.6	82.0
Price-to-earnings ratio (P/E)	1	15.3	20.3	20.4	18.7	9.0	8.9	8.8	99.0
Total shareholder return (TSR)	%	138.8	118.8	32.4	44.0	(39.4)	16.5	(3.2)	–
ČEZ share trading volume on PSE	CZK billions	108.0	299.0	348.0	403.0	386.4	202.4	130.0	64.2
ČEZ volume as proportion of overall PSE trading volume	%	22.5	28.7	41.9	39.8	45.4	43.6	33.3	76.4

*) Approved and paid in the given year out of income of the previous year.
**) Dividend amounts include non-controlling interests.

Dividends

ČEZ's dividend policy is based on the consolidated net income, adjusted for any extraordinary factors, and each year 50–60% of this income is designated for dividends (pay-out ratio).

In all cases, dividend pay-out is decided by the General Meeting. On June 29, 2010, that body decided to pay Company shareholders a 2009 dividend of CZK 53/share, before taxes. Pay-out will take place in the period August 2, 2010–August 2, 2014, through authorized banks.

The strike date for pay-out of the dividend was June 29, 2010. The ex-dividend date for purchase of shares on the Prague Stock Exchange's Main Market was June 23, 2010. Given the standard three-day period for settlement of trades on this exchange, the ex-dividend date would have been June 25; however, during the period June 28–July 2, 2010 the Prague Securities Center, which kept records of the shareholders who hold ČEZ, a. s. booked shares, suspended settlement of securities trades due to transfer of its record-keeping function to a new entity: Central Securities Depository Prague.

Credit Rating

The rating of ČEZ, a. s. remained unchanged during 2010. On November 29, 2010, the rating agency Standard & Poor's reaffirmed the Company's A– rating with stable outlook and on December 6, 2010 the rating agency Moody's reaffirmed the Company's A2 rating, also with stable outlook.

Treasury Shares

At the beginning of 2010, there were 4,555,021 treasury shares on ČEZ's asset account with the Prague Securities Center. During the year, four beneficiaries of the motivational stock options program exercised claims to a total of 470,000 shares of ČEZ a. s. The average price of these shares was CZK 716.47 (lowest price, CZK 594.29 per share; highest price, CZK 828.50 per share). The total proceeds of the sale of shares to beneficiaries was CZK 336,941,048, including interest. At the end of 2010, there were 4,085,021 treasury shares on ČEZ's asset account with Central Securities Depository Prague (change in record-keeping of booked securities).

General Meetings in 2010

Annual General Meeting

The 18th Annual General Meeting of ČEZ, a. s. was held on June 29, 2010. Among other things, it:

- heard the Report of the Board of Directors on the Company's Business Operations and the State of Its Assets in 2009 and the Summary Report Pursuant to Section 118(8) of the Act on Doing Business in the Capital Market
- heard the Report of the Supervisory Board on the results of its oversight activity
- heard the Report of the Audit Committee on the results of its activity
- approved the ČEZ, a. s. 2009 financial statements and the CEZ Group 2009 consolidated financial statements
- approved the distribution of 2009 income as follows:
  – a CZK 53/share dividend, before taxes, calculated from the total number of shares outstanding: CZK 28,513,457,000
  – bonuses to members of the Board of Directors and Supervisory Board CZK 25,500,000
  – retained earnings CZK 16,887,679,000.

  The dividends attributable to treasury shares held by the Company as of the strike date were not paid out. Instead, they were transferred to the retained earnings account.

  The ČEZ, a. s. General Meeting approved the distribution of bonuses equally among members of the Board of Directors and Supervisory Board. Each statutory and supervisory board member's share was determined according to the length of his or her tenure as a member of the relevant body during 2009. Members of the Supervisory Board appointed by a government agency of which they were employees were not eligible for bonuses for the entire period during which they met these ineligibility criteria.
- approved an amendment of the ČEZ, a. s. Articles of Association proposed by the Board of Directors. The text of the Articles of Association valid from June 29, 2010 in the Czech, English, and Polish languages can be found on the web at www.cez.cz/cs/pro-investory/informacni-povinnost/1334.html.
- granted consent in accordance with Section 67a of Act No. 513/1991 Sb., the Commercial Code, as amended, for the execution of an agreement on contribution of part of enterprise, which is to be entered into between ČEZ, a. s., as contributor, and Elektrárna Chvaletice a.s., as the recipient of the contribution, and the subject matter of which is to be the contribution of a part of the ČEZ, a. s. enterprise (consisting of the Chvaletice Power Station organizational unit) to the stated capital of Elektrárna Chvaletice a.s.
- approved the 2011 donorship budget at a maximum amount of CZK 262 million. Of this amount, CZK 50 million was donated by ČEZ Foundation and CZK 212 million was distributed in conjunction with plant renewal to selected entities in the affected regions.
- confirmed Zdeněk Trojan, who had been co-opted to the Supervisory Board on January 28, 2010, as a member of the Supervisory Board of ČEZ, a. s.
- approved the Supervisory Board membership contracts entered into between ČEZ, a. s. and
  – Vlastimil Jiřík, entered into on July 27, 2009
  – Miloš Kebrdle, entered into on August 19, 2009
  – Zdeněk Trojan, entered into on April 22, 2010.
- approved the Audit Committee membership contracts entered into between ČEZ, a. s. and
  – Ivan Fuksa, entered into on October 23, 2009
  – Zdeněk Hrubý, entered into on September 14, 2009
  – Lubomír Klosík, entered into on September 14, 2009
  – Martin Kocourek, entered into on September 14, 2009
  – Drahoslav Šimek, entered into on September 14, 2009.

Extraordinary General Meeting

On November 22, 2010, an extraordinary General Meeting of ČEZ, a. s. was held, which

- removed the following members of the ČEZ, a. s. Supervisory Board:
  - Jan Demjanovič
  - Petr Kalaš
  - Miloš Kebrdle
  - Zdeněk Trojan.
- confirmed the following as members of the ČEZ, a. s. Supervisory Board:
  - Martin Říman
  - Eduard Janota.
- elected the following members of the ČEZ, a. s. Supervisory Board:
  - Jan Kohout
  - Lubomír Lízal
  - Lukáš Hampl
  - Jiří Kadrnka
  - Ivo Foltýn.
- confirmed the following as members of the ČEZ, a. s. Audit Committee:
  - Martin Říman
  - Eduard Janota.
- approved Supervisory Board membership contracts entered into on October 15, 2010 between ČEZ, a. s. and
  - Martin Říman
  - Eduard Janota
  - Vladimír Hronek
  - Drahoslav Šimek.
- approved the Audit Committee membership contracts entered into on October 15, 2010 between ČEZ, a. s. and
  - Martin Říman
  - Eduard Janota.

ČEZ, a. s. Shareholder and Investor Relations

ČEZ, a. s. complies with Commercial Code provisions regarding protection of shareholder rights and upholds the principle of equal access for all shareholders. On dates planned and announced in advance, the Company's shareholders receive timely quarterly reports on the financial and commercial performance of CEZ Group. Shareholders also receive timely information on an ad hoc basis concerning significant facts that might have an impact on the share price.

Above and beyond the statutory requirements, the Company aims to be as transparent as possible and to engage all capital market players in an active and open dialog so that each of them has sufficient information to independently assess CEZ Group's performance and strategy.

ČEZ, a. s. organizes press conferences and telephone conferences coinciding with the announcement of quarterly results. The Company's top executives also meet regularly with potential and current investors at dozens of roadshows and investor conferences in the world's major financial centers, and at countless individual meetings at ČEZ, a. s. facilities. During these meetings, Company representatives gave presentations on key events influencing financial performance and CEZ Group's strategy, as well as answering questions.

Akenerji Elektrik Üretim A.S.

A portion of this company's shares, representing a 25.3% stake in the stated capital, has been traded on the Istanbul Stock Exchange since July 3, 2000. The ISIN is TRAAKENR91L9. These shares are not traded in any other public markets.

CEZ Group

CEZ Group Bonds Outstanding at December 31, 2010

Security	Issuer	ISIN	Issue date	Volume	Interest	Maturity	Form
7th bond issue	ČEZ, a. s.	CZ0003501058	January 26, 1999	CZK 2.5 billion	9.220% [1]	2014	booked to owner
3rd Eurobond issue	CEZ Finance B.V.	XS0193834156	June 8, 2004	EUR 400 million [2]	4.625%	2011	booked to owner
4th Eurobond issue	ČEZ, a. s.	XS0271020850	October 17, 2006	EUR 500 million	4.125%	2013	booked to owner
5th Eurobond issue	ČEZ, a. s.	XS0324693968	October 12, 2007	EUR 500 million	5.125%	2012	booked to owner
6th Eurobond issue	ČEZ, a. s.	XS0376701206	July 18, 2008	EUR 600 million	6.000%	2014	booked to owner
7th Eurobond issue	ČEZ, a. s.	XS0384970652	September 17, 2008	JPY 12,000 million [3]	3.005%	2038	booked to owner
8th Eurobond issue	ČEZ, a. s.	XS0387052706	September 22, 2008	EUR 6 million	zero coupon [4]	2038	booked to owner
9th Eurobond issue	ČEZ, a. s.	XS0425475224	May 6, 2009	CZK 1.4 billion	zero coupon [5]	2011	booked to owner
10th Eurobond issue	ČEZ, a. s.	XS0427893481	May 19, 2009	CZK 1.59975 billion	zero coupon [6]	2011	booked to owner
11th Eurobond issue	ČEZ, a. s.	XS0430082932	May 26, 2009	EUR 600 million	5.750%	2015	booked to owner
12th Eurobond issue	ČEZ, a. s.	XS0447067843	September 8, 2009	JPY 8 billion	2.845% [3]	2039	booked to owner
13th Eurobond issue	ČEZ, a. s.	XS0458257796	October 19, 2009	EUR 600 million [7]	5.000%	2021	booked to owner
14th Eurobond issue	ČEZ, a. s.	XS0462797605	November 4, 2009	EUR 50 million	6M Euribor + 1.250	2019	booked to owner
15th Eurobond issue	ČEZ, a. s.	XS0467790373	December 8, 2009	EUR 110 million	3M Euribor + 0.450	2011	booked to owner
16th Eurobond issue	ČEZ, a. s.	XS0470983197	December 9, 2009	USD 100 million	3M USD Libor + 0.700	2012	booked to owner
17th Eurobond issue	ČEZ, a. s.	XS0472795003	December 16, 2009	EUR 100 million	3M Euribor + 0.500	2011	booked to owner
18th Eurobond issue	ČEZ, a. s.	XS0473872306	December 21, 2009	CZK 3 billion	6M Pribor + 0.620	2012	booked to owner
19th Eurobond issue	ČEZ, a. s.	XS0502286908	April 16, 2010	EUR 750 million	4.875%	2025	booked to owner
20th Eurobond issue	ČEZ, a. s.	XS0521158500	June 28, 2010	EUR 500 million [8]	4.500%	2020	booked to owner
1st NSV (Namensschuld-verschreibungen) issue	ČEZ, a. s.	XF0000NS9FM8	November 29, 2010	EUR 40 million	4.500%	2030	Global Depositary Receipt (GDR)

[1] Starting in 2006, the bonds bear interest at a variable rate of CPI + 4.2%.
[2] In December 2010, 246,296 bonds were bought back and voided, reducing the issue volume to EUR 153,704,000.
[3] Proceeds of issue in Japanese Yen were swapped for Euros through a Credit Linked Swap.
[4] Yield is determined by difference between issue price (EUR 1,071,696) and face value (EUR 6,000,000) of the bond.
[5] Yield is determined by difference between issue price (CZK 1,287,720,000) and face value (CZK 1,400,000,000) of the bond.
[6] Yield is determined by difference between issue price (CZK 1,464,953,465.25) and face value (CZK 1,599,750,000) of the bond.
[7] In February 2010, EUR 60 million and, subsequently, EUR 90 million in bonds was issued and added to the EUR 600 million issue of October 19, 2009, increasing the issue volume to EUR 750 million.
[8] In December 2010, EUR 250 million in bonds was issued and added to the EUR 500 million bond issue of June 28, 2010, increasing the issue volume to EUR 750 million.

ČEZ, a. s. has not issued any convertible bonds. Under the issue terms, the bonds are not guaranteed by the State or by any bank.

With the exception of ČEZ, a. s., no CEZ Group company has any bonds outstanding at December 31, 2010.

In September 2008, the 7th Eurobond issue (in JPY) and the 8th Eurobond issue were issued through the Eurobond program.

In May 2009, the 9th, 10th, and 11th Eurobond issues were issued through the Eurobond program.

In September 2009, the 12th Eurobond issue (in JPY) was issued through the Eurobond program.

In October 2009, the 13th Eurobond issue was issued through the Eurobond program.

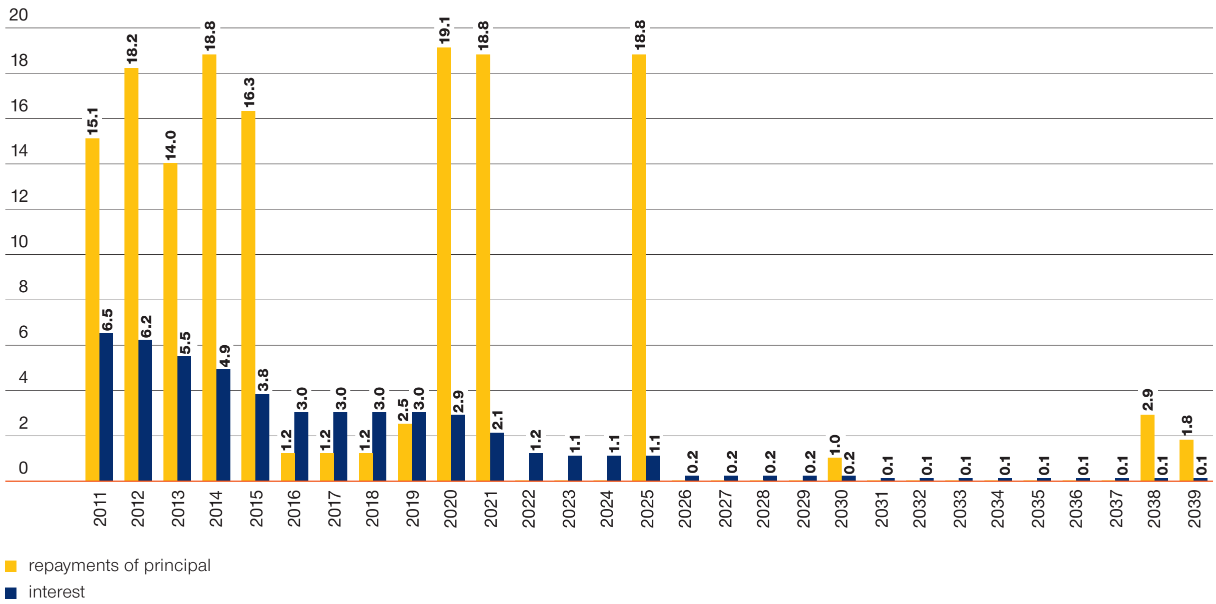
In November 2009, the 14th Eurobond issue was issued through the Eurobond program.

In December 2009, the 15th and 17th Eurobond issues, the 16th Eurobond issue (in USD), and the 18th Eurobond issue (in CZK) were issued through the Eurobond program.

Face value	Manager	Administrator	Market	Traded since
CZK 1,000,000	ING Barings Capital Markets	Citibank, a.s.	PSE Official Free Market RM-System	January 26, 1999 December 5, 2001
EUR 1,000 EUR 10,000 EUR 100,000	BNP Paribas, Merill Lynch	The Bank of New York	Bourse de Luxembourg	June 8, 2004
EUR 50,000	Société Générale Corporate & Investment Banking	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	October 17, 2006
EUR 50,000	BNP Paribas, Citi	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	October 12, 2007
EUR 50,000	BNP Paribas, Deutsche Bank AG, ING Bank N.V., Erste Bank	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	July 18, 2008
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	September 17, 2008
EUR 100,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	September 22, 2008
CZK 1,500,000 CZK 2,000,000 CZK 2,500,000	Société Générale	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	May 6, 2009
CZK 1,350,000	Československá obchodní banka, a. s.	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	May 19, 2009
EUR 50,000	Banca IMI S.p.A., Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., Erste Group Bank AG	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	May 26, 2009
JPY 1,000,000,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	September 8, 2009
EUR 50,000	BNP Paribas, Société Générale, The Royal Bank of Scotland plc, Erste Group Bank AG	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	October 19, 2009
EUR 50,000	Citigroup Global Markets Limited	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	November 4, 2009
EUR 50,000	Société Générale	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 8, 2009
USD 75,000	HSBC Bank plc	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 9, 2009
EUR 50,000	Barclays Bank plc	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 16, 2009
CZK 1,500,000	Česká spořitelna, a.s., Československá obchodní banka, a.s.	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	December 21, 2009
EUR 50,000	Bayerische Landesbank, Erste Group Bank AG, HSBC Bank plc, Société Générale, UniCredit Bank AG	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	April 16, 2010
EUR 50,000	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Erste Group Bank AG, The Royal Bank of Scotland plc	Deutsche Bank Luxembourg S.A.	Bourse de Luxembourg	June 28, 2010
EUR 500,000	–	–	–	–

In April 2010, the 19th Eurobond issue was issued through the Eurobond program.
In February 2010, Tranches 2 and 3 of the 13th Eurobond issue were issued through the Eurobond program.
In June 2010, the 20th Eurobond issue was issued through the Eurobond program.
In November 2010, the 1st issue of NSV (Namensschuldverschreibungen) securities was issued.
In December 2010, Tranche 2 of the 20th Eurobond issue was issued through the Eurobond program. At the same time, the overall volume of the 3rd issue of Eurobonds guaranteed by ČEZ, a. s. was reduced.

Maturity Structure of ČEZ, a. s. Financial Debt (debentures and loans) (CZK billions)



Remark:
Loans include short-term debts recorded as at December 31, 2010 and maturing at or before year-end 2011.
In the case of loans, only known interest is included, i.e. fixed rates for the nearest period (3M or 6M).
Foreign exchange rates as at December 31, 2010 used for currency translation.

Solvency in 2010

CEZ Group's solvency in 2010 was good and the companies of CEZ Group met all of their obligations on time and in full. Significant in terms of development of the CEZ Group liquidity position were factors arising out of the extensive program of capital expenditures in the Czech Republic, and in particular the ongoing plant renewal project and investments relating to the construction of photovoltaic power plants. In Romania, we continued to finance the construction of the Fântânele wind farm. In the M&A area, the transactions with the biggest impact on CEZ Group's liquidity were the acquisition of a minority stake in Dalkia ČR, acquisition of a 85% stake in Dalkia Ústí nad Labem, and the financing of a deferred installment of the purchase price for the Turkish distribution company Sakarya Elektrik Dagitim A.S. The pay-out of dividends in August caused another substantial outflow of cash.

In general, the financial markets provided a much more constructive environment for financial transactions in 2010 than they did in 2009. However, all activities continued to be accompanied by relatively high volatility, particularly in conjunction with public budget problems in certain countries of the Eurozone.

In terms of short-term liquidity, CEZ Group once again in 2010 succeeded in renewing and even slightly increasing its backup facility – mostly through the bills of exchange program. As at December 31, 2010, the backup facility's total volume was CZK 31 billion. That said, during 2010 ČEZ, a. s. hardly utilized this facility and, like in 2009, it mostly issued bills of exchange directly into the portfolios of end investors. By doing so, it achieved much more advantageous terms. Bills of exchange outstanding stood at CZK 6.2 billion as at December 31, 2010.

ČEZ, a. s. took advantage of a calming of the capital markets in late first quarter 2010 to implement its longest-ever Eurobond issue with a maturity of 15 years and a volume of EUR 750 million (approximately CZK 18.9 billion). This was followed in June by a 10-year, EUR 500 million (approximately CZK 12.9 billion) issue, which was subsequently – in December – increased by EUR 250 million (approximately CZK 6.3 billion) in conjunction with buying out of bonds. Through the bond buy-out, ČEZ attempted to lower the risk associated with refinancing of bonds maturing in 2011, in particular. In late 2010 we succeeded in closing ČEZ's first-ever transaction in the German market for Namensschuldverschreibung bonds – a 20-year, EUR 40 million (approximately CZK 1 billion) issue. During 2010, we also succeeded in two private bond issues with an aggregate total volume of EUR 150 million (EUR 60 million + EUR 90 million) by increasing the existing 13th Eurobond issue.

CEZ Group further developed its cooperation with the European Investment Bank, entering into financing agreements in a total volume of EUR 300 million to finance renewable sources of energy in the Czech Republic and Romania. On December 17, 2010, a EUR 200 million (approximately CZK 5.0 billion) loan agreement was signed, maturing in 17 years, to finance the construction of the Fântânele power plant, and on November 18, 2010, a EUR 100 million (approximately CZK 2.5 billion) loan agreement, maturing in 10 years, was signed to finance the completion of solar power plant projects in the Czech Republic.
For the purpose of financing the deferred payment for acquisition of a stake in the Turkish distribution company Sakarya Elektrik Dagitim A.S., ČEZ's joint-venture in Turkey obtained a 15-year, USD 325 million (approximately CZK 6.1 billion) loan from the European Bank for Reconstruction and Development, the International Finance Corporation, and UniCredit Bank.
Thanks to all of the above transactions, we managed to extend the average maturity of CEZ Group's financial debts to 7.6 years.
At year-end 2010, ČEZ, a. s. had drawn down less than 1% of its backup facility.

Insurance in CEZ Group
At CEZ Group, a number of risk categories are dealt with through an insurance program that covers ČEZ, a. s. to a substantial extent. The most important classes of insurance are:

- liability insurance on operation of nuclear power plants pursuant to the Nuclear Act. There are separate insurance contracts for Dukovany Nuclear Power Station and for Temelín Nuclear Power Station. Each contract is for the statutory limit of CZK 2 billion. The insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and European Liability Insurance for the Nuclear Industry.
- insurance of liability risks arising in the transport of nuclear fuel pursuant to the Nuclear Act. The insurance covers transports of nuclear fuel for both nuclear power plants, subject to the statutory limit of CZK 300 million. The insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and European Liability Insurance for the Nuclear Industry.
- property insurance for the nuclear power plants, covering natural hazard and machinery risks, including damages arising out of a nuclear accident. The insurers are Česká pojišťovna a.s., representing the Czech Nuclear Insurance Pool, and European Mutual Association for Nuclear Insurance.
- property insurance for coal-fired and hydro power plants, providing insurance protection against natural hazards and machinery risks
- to cover ČEZ, a. s. coal-fired power plant retrofit projects, comprehensive construction-installation insurance has been taken out, including insurance of lost profits due to construction delays. ČEZ, a. s. has not received any benefits from this insurance, nor does it expect to do so in 2011.
- property insurance for selected ČEZ, a. s. subsidiaries
- property insurance covering the assets of ČEZ Distribuce, a. s., including insurance of distribution power lines
- general third-party liability insurance that covers companies of CEZ Group against financial losses that may arise from damages sustained by third parties relating to each company's operations and/or resulting from a defective product.
- statutory and supervisory board liability insurance covering the statutory and supervisory board members of the Company as well as those of subsidiaries.

Subsidiaries in the Republic of Bulgaria carry property insurance, general third-party liability insurance, and insurance against occupational injuries and illnesses, in compliance with the provisions of licenses for the generation and distribution of electricity.
In Romania, construction-installation insurance is carried in conjunction with the Fântânele-Cogealac wind farm project, including insurance of investor lost profits due to construction delays. After the wind farm is completed, the construction-installation insurance cover will be converted into standard property insurance. General liability insurance is carried for the local subsidiaries.
In Poland, the ELCHO and Skawina Power Stations carry insurance covering property and machinery risks, including interruption of operation. General liability insurance is also taken out.
For other companies, territories, and risks, we are gradually applying CEZ Group standards in line with the development of the CEZ Group insurance program and in compliance with applicable legislation.

Soňa Měkýšová

Director, CEZ Group Personnel Services Unit

“I am convinced that professional and private life can never be kept 100% separate. At the very least, your personality is present in both. That opens up broad possibilities for empathy, which in my job doesn’t mean just understanding others, but also being able to see opportunities for improvement.”

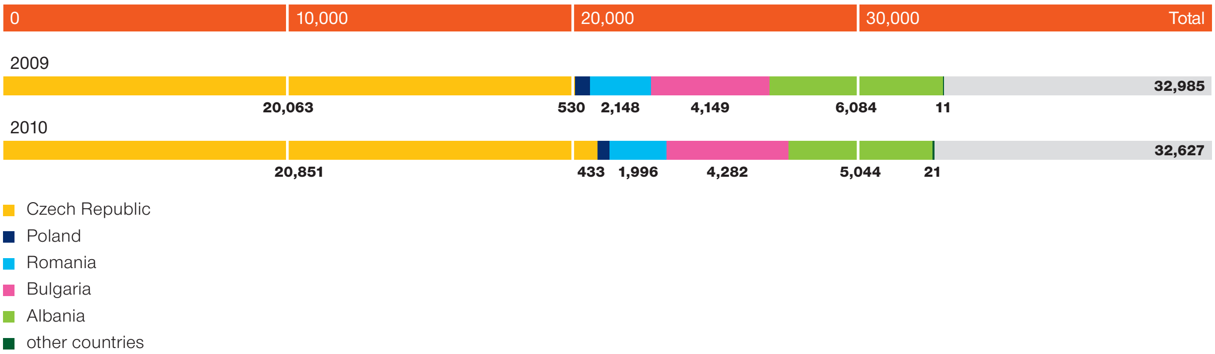
Soňa Měkýšová is a dedicated employee and an excellent manager who, thanks to her know-how and expertise in personnel processes and her innovative approach, is helping to increase the efficiency and quality of the Human Resources Division’s services.

Human Resources

Number of Employees

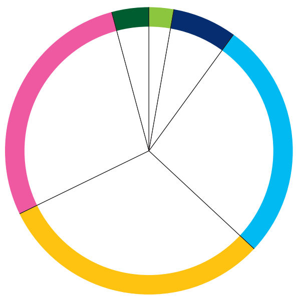
The work force head count of all the fully consolidated companies of CEZ Group, i.e. not including the companies in Germany and Turkey, in particular, was 32,627 persons at December 31, 2010, a year-on-year decrease of 358 persons (–1.1%).

Work Force Head Count (persons) at December 31, by Location



Work Force by Age, at December 31, 2009

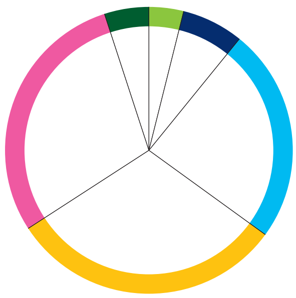
	%
25 years and under	3
26–30 years	7
31–40 years	27
41–50 years	31
51–60 years	28
61 and more years	4
Total	100



Remark: Figures for 2009 do not include certain companies, such as OSSh and Energetické centrum.

Work Force by Age, at December 31, 2010

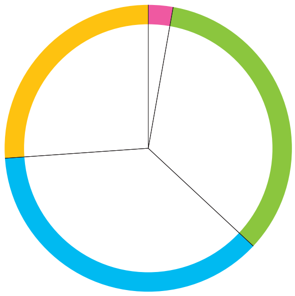
	%
25 years and under	4
26–30 years	7
31–40 years	24
41–50 years	31
51–60 years	29
61 and more years	5
Total	100



Work Force by Highest Level of Education Achieved, at December 31, 2009

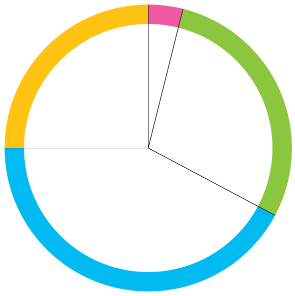
	%
primary	3
apprenticeship	34
secondary	37
university	26
Total	100

Remark: Figures for 2009 do not include certain companies, such as OSSh and Energetické centrum.



Work Force by Highest Level of Education Achieved, at December 31, 2010

	%
primary	4
apprenticeship	29
secondary	42
university	25
Total	100



The proportion of employees with secondary and university education increased, while the proportion of employees with apprenticeships and primary education decreased. The steadily increasing average age of Group employees is necessitating a generational shift in the work force. That, together with the necessity of securing personnel for newly built and retrofitted power plants, requires specific employee recruitment and selection tools.

ČEZ, a. s. actively seeks out future employees while they are still in school – in schools where electricity-related subjects are taught. The network of partner schools was expanded in 2010, and currently consists of 13 faculties at seven universities, and 46 secondary schools. As part of its cooperation with schools, CEZ Group supported a number of career preparation activities and provided scholarships to selected students. For example, in addition to standard plant tours, the "Nuclear School-Leaving Exams" and "Summer University" programs, which have become an established tradition, took place at both nuclear power plants, Temelín and Dukovany. For the first time, we organized the Power Industry School-Leaving Exam with a focus on the conventional power plants Prunéřov and Ledvice.

Training Program

The core business of CEZ Group members places high demands on specialized expertise and other employee qualifications. Therefore, CEZ Group invests in the professional development of its existing employees, and seeks out new, potential employees while they are still in school.
In order to develop middle managers and their management skills, including leadership skills, ČEZ, a. s. launched a program entitled ČEZ Manager. At the Temelín and Dukovany Nuclear Power Stations, the ČEZ Leader for Nuclear Energy program was introduced, which aims to systematically prepare and develop managerial potential of individual program participants to prepare them for possible careers in positions in the management of nuclear power plants.
Through knowledge management tools, ČEZ, a. s. leverages the experience of the employees of Temelín and Dukovany Nuclear Power Plants, thereby helping improve occupational safety. Also, 2010 saw the commencement of implementation of a knowledge management system at the Investment Division of ČEZ, a. s., and there was an increase in the number of employees who are prepared to meet the needs of a planned new nuclear power source.

Social Policy

In the Czech Republic, CEZ Group's social policy is focused on maintaining labor peace. Monetary and non-monetary employee benefits are set forth in Collective Agreements entered into between employers and labor organizations.
In addition to wages, the CEZ Group social policy in the Czech Republic also includes a shortened work week of 37.5 hours, an additional week of paid vacation beyond that required by law, paid personal time beyond that required by law, personal accounts for rest, relaxation and health of employees and their family members, electricity bill contributions, Supplemental Pension Insurance contributions, life insurance contributions, employee meal plans, health care contributions and, in extraordinary cases, one-off social aid as well.
The basic principles of the CEZ Group social policy also apply to employees working for our international acquisitions; here, however, social policy is pursued in a different legislative environment and in some cases long-term agreements signed between local labor unions and the previous employers must be taken into account.
Benefits for employees of international companies vary from country to country and company to company. Typically they include meal vouchers, contributions for employee holidays, expanded health care, and support upon birth of a child.

Labor Relations

There are a total of 31 separate labor organizations at ČEZ, a. s., and approximately 2,200 employees, or 36% of the Company's total work force, were unionized in 2010.
At the fully integrated subsidiaries of CEZ Group, a total of 43 basic labor organizations operate, and approximately 3,300 employees, or 51% of these companies' total work force, were unionized. 36 basic labor organizations are members of four regional Associations of Basic Organizations, while another seven basic organizations operated in subsidiaries.
The labor organizations are organized into two labor unions: the ECHO Labor Union and the Czech Union of Power Industry Employees.
During 2010, regular meetings were held between the employer and labor representatives, providing a forum for discussion on agreed topics and at which the labor unions received information.
At ČEZ, a. s. and the integrated subsidiaries, the current Collective Agreement expires in 2014. In September 2010, collective bargaining began on amendments to collective agreements at ČEZ, a. s. and the integrated subsidiaries. Collective bargaining culminated in December with the signing of Amendment No. 8 to the ČEZ, a. s. Collective Agreement and Amendment No. 5 to the collective agreements of the integrated subsidiaries.
New, three-year collective agreements entered into force in the companies of Severočeské doly Group in 2010. Despite the difficult economic situation, employees continue to receive consideration that goes beyond the employer's statutory requirements.
Labor organizations also operate in CEZ Group companies abroad.
At CEZ Distributie S.A. in Romania, a new motivational system was introduced from January 1, 2010 and a new collective agreement has been in effect since November 16, 2010. At CEZ Romania the collective agreement was signed on July 26, 2010 and will expire at the end of 2012. At CEZ Vanzare the collective agreement was signed on March 17, 2010 for a period of one year.
A total of four labor organizations were active in companies of CEZ Group in Poland in 2010. Of these, two have inter-enterprise organization status, which means that they protect the labor interests of employees of several companies within the Group. In 2010, negotiations with Polish labor unions focused primarily on implementing the motivation system, and also on implementing outsourcing processes. Repair work and coal-loading activities at Skawina Power Station were outsourced as of June 1, 2010.
Three labor organizations are active at Varna Power Station in Bulgaria. A new, two-year collective agreement was signed on December 4, 2009. At CEZ Razpredelenie Bulgaria AD there were four labor organizations, while four and two labor organizations, respectively, operated in CEZ Bulgaria EAD and CEZ Elektro Bulgaria AD. A newly signed two-year collective agreement has been in effect at these companies since January 1, 2010.
Two labor organizations operated in the sole Albanian distribution company, CEZ Shpërndarje Sh.A. On November 26, 2009, a four-year collective agreement was signed.
The CEZ Group European Works Council is a platform for discussing the key strategic issues for CEZ Group that affect employee interests in at least two European Union Member States. Of the 23 members of the CEZ Group European Works Council, 14 are from the Czech Republic, four are from Bulgaria, three are from Romania, and two are from Poland.
Two meetings of the CEZ Group European Works Council were held in 2010: the first, in May, in Poland and the second, in December, in the Czech Republic. Multinational reports and discussions related primarily to CEZ Group policy and strategy, including strategic mergers and acquisitions, CEZ Group organization and assets, the economic and financial situation, and how CEZ Group companies are affected by the financial crisis. The meetings also touched on the topics of social responsibility and occupational safety and health.

Development of the Power Industry Legislative Framework in the Czech Republic

The basic set of standards regulating the economic and commercial aspects of CEZ Group's business activities is contained in Act No. 513/1991 Sb., the Commercial Code. In 2010 several amendments were passed: Act No. 152/2010 Sb. amending Act No. 513/1991 Sb., the Commercial Code, as amended, and several other acts in conjunction with the passage of other laws and amendments thereto. They are: Act No. 427/2010 Sb. amending Act No. 326/1999 Sb. on Foreigners' Stays in the Czech Republic, Act No. 325/1999 Sb. on Asylum, and Act No. 409/2010 Sb. amending acts in conjunction with the passage of the Act on Financial Security. With the passage of Act No. 408/2010 Sb. on Financial Security and Act No. 409/2010 Sb. amending acts in conjunction with the passage of the Act on Financial Security, the area of financial security – which had previously been part of the Commercial Code – was newly treated in detail by a separate act. Also important for CEZ Group's business are the areas of capital markets, investor protection, and public offers of securities, treated by Act No. 256/2004 Sb. on Doing Business in the Capital Market, which was amended by Act No. 156/2010 Sb. amending Act No. 21/1992 Sb. on Banks, as amended, and other related acts, Act No. 160/2010 Sb. amending certain acts in conjunction with the passage of the Regulation of the European Parliament and Commission on Credit Rating Agencies, and Act No. 409/2010 Sb. amending acts in conjunction with the passage of the Act on Financial Security.

Another area is public procurement, which is regulated by Act No. 137/2006 Sb. on Public Procurement, amended by Act No. 179/2010 Sb. amending Act No. 137/2006 Sb. on Public Procurement, as amended, and certain other acts, and Act No. 423/2010 Sb. amending Act No. 137/2006 Sb. on Public Procurement, as amended. The most significant implementing regulations in the area of public procurement are as follows:

- Decree No. 328/2006 Sb. stipulating a flat rate for costs of proceedings for reviewing an investor's legal acts for the purposes of the Public Procurement Act
- Decree No. 329/2006 Sb. stipulating more detailed requirements concerning electronic means of communication, electronic devices, and electronic legal acts in the course of public procurement
- Government Regulation No. 77/2008 Sb. on the stipulation of financial limits for purposes of the Public Procurement Act, on definition of goods acquired by the Czech Republic – Ministry of Defense subject to special financial limits, and on translation into the Czech currency of amounts stipulated by the Public Procurement Act in Euros, as amended by Regulation No. 474/2009 Sb., effective from January 1, 2010
- Decree No. 339/2010 Sb. on publishing announcements for purposes of the Public Procurement Act, effective from December 15, 2010 (this decree repealed Decree No. 330/2006 Sb. on publishing announcements for purposes of the Public Procurement Act, as amended by Decree No. 16/2010 Sb.)
- Decree No. 392/2010 Sb. stipulating required contents of applications to the Ministry of Finance of the Czech Republic for its prior opinion in the area of public procurement.

In addition to the general legislative framework described above, legislation specifically treating the power industry is of key importance for CEZ Group. This sector-specific legislative framework is based on the following:

- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act)
- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Nuclear Act)
- Act No. 406/2000 Sb. on Energy Management
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act).

In addition to the four core acts listed above for the power sector, the energy business in general – and the generation of electricity and heat in particular – is being affected more and more by environmental legislation and legislation implementing the European Union's efforts to bring about a global improvement in the environment.

Of this legislation, the following acts are of key importance:
- Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act)
- Act No. 695/2004 Sb. on Conditions for Trading in Greenhouse Gas Emission Rights and Amending Certain Acts.

Direct and indirect amendments of some of the above mentioned laws were passed in 2010:
- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act)
  - indirectly amended by Act No. 155/2010 Sb. amending certain acts in order to improve their application and reduce the administrative burden on businesses – license holders are no longer required to be an accounting unit under a special regulation and are no longer required to compile and submit to the Energy Regulatory Office regulatory reports pursuant to the Energy Act (effective from January 1, 2011).
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act)
  - directly amended by Act No. 137/2010 Sb. – enabling the Energy Regulatory Office to reduce purchase prices of electricity from renewable sources of energy by over 5% (effective from May 20, 2010)
  - directly amended by Act No. 330/2010 Sb. – island operations are no longer supported (effective from January 1, 2011), support for photovoltaic power plants applies only to plants with an installed capacity of 30 kWp or lower, and only if they are located on roofs or perimeter walls of buildings recorded in the Cadastre of Real Property (effective from March 1, 2011)
  - directly amended by Act No. 402/2010 Sb. – financing of support (effective from December 28, 2010), offtake of electricity from solar installations (effective from January 1, 2011).
- Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act)
  - directly amended by Act No. 164/2010 Sb. – added protection against emissions of fluorinated greenhouse gases (effective from May 31, 2010)
  - directly amended by Act No. 172/2010 Sb. – changes in the biofuels area (effective from June 1, 2010).
- Act No. 695/2004 Sb. on Conditions for Trading in Greenhouse Gas Emission Rights and Amending Certain Acts
  - directly amended by Act No. 164/2010 Sb. – change to provisions concerning interim distribution of emission rights free of charge, in conjunction with modernization of electricity generation techniques (effective from May 31, 2010).

2010 saw a continuation of the work on implementing new European Union legislative acts in Czech legislation that had been commenced in late 2009 by the Ministry of Industry and Trade of the Czech Republic and the Energy Regulatory Office. Specifically, these are Directive 2009/72/EC concerning common rules for the internal market in electricity, Directive 2009/73/EC concerning common rules for the internal market in natural gas, Directive 2009/28/EC on the promotion of the use of energy from renewable sources, Directive 2009/31/EC on the geological storage of carbon dioxide, Commission Decision of June 30, 2009 establishing a template for National Renewable Energy Action Plans under Directive 2009/28/EC, Regulation 713/2009 establishing an Agency for the Cooperation of Energy Regulators, Regulation of the European Parliament and of the Council 714/2009 on conditions for access to the network for cross-border exchanges in electricity, and Regulation of the European Parliament and of the Council 715/2009 on conditions for access to the natural gas transmission networks. In the course of implementing said European Union legal acts, we expect the following acts to be amended: Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act), Act No. 406/2000 Sb. on Energy Management, and Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act). In late 2010, the proposed amendments of the above acts were being discussed by the Government's Legislative Council.

The following lower-level regulations were promulgated in 2010 that implement the above acts or amend other implementing regulations concerning:

- Act No. 458/2000 Sb. on the Conditions for Doing Business and Exercising State Administration in the Energy Sectors and amending certain acts (the Energy Act):
  - Decree No. 264/2010 Sb. amending Decree No. 140/2009 Sb. on price regulation in the energy sectors and on price regulation procedures – treating regulation of, and procedures for setting, prices for assessing, clearing, and settling deviations by the market operator in the power and gas industries (effective from October 15, 2010)
  - Decree No. 370/2010 Sb. amending Act No. 365/2009 Sb. on the Gas Market Rules – a new type of transport capacity – day-ahead capacity, treatment of supplier changes (effective from January 1, 2011, certain changes effective from July 1, 2011 or January 1, 2012)
  - Decree No. 400/2010 Sb. amending Decree No. 541/2005 Sb. on the Electricity Market Rules, principles for setting prices for activities conducted by the electricity market operator and implementing certain other provisions of the Energy Act, as amended – in 2011, the process of changing electricity suppliers will be the same as in 2010, changes in financial security of clearing payments (effective from January 1, 2011, certain changes effective from December 31, 2010 or May 1, 2011)
  - Decree No. 81/2010 Sb. amending Decree No. 51/2006 Sb. on conditions for connection to the Power System – definition of reserved capacity, removed opinion and introduced agreement on future connection agreements, stipulated advance payment for connection fees and a fixed amount for re-connection fees (effective from April 1, 2010)
  - a new Decree No. 79/2010 Sb. on dispatcher management of the Power System and on handing over of data for dispatcher management – repeals Decree No. 220/2001 Sb. on dispatcher management of the Czech Republic Power System (effective from April 1, 2010)
  - a new Decree No. 80/2010 Sb. on states of emergency in the power sector and on required contents of the accident plan – repeals Decree No. 219/2001 Sb. on procedures in the event of an impending or actual state of emergency in the power sector, Decree No. 221/2001 Sb. on details of granting State authorization to build direct power lines, Decree No. 222/2001 Sb. on details of granting State authorization to build power generation installations, and Decree No. 226/2001 Sb. on details of granting State authorization to build sources of thermal energy (effective from April 1, 2010)
  - Decree No. 41/2010 Sb. amending Decree No. 540/2005 Sb. on the quality of supplies of electricity and related services in the power industry – increases current payments for non-fulfillment of standards, extends period for claiming compensation for non-fulfillment of standards, defines structure of yearly summary reports on achieved level of quality of electricity distribution and transmission and of yearly summary reports on achievement of supply standards (effective from February 27, 2010)
  - a new Decree No. 401/2010 Sb. stipulating required contents of the Transmission Grid Operating Rules, the Distribution Grid Operating Rules, the Rules for Transmission Grid Operators, the Rules for Distribution Grid Operators, the Rules for Underground Gas Storage Facility Operators, and the general terms and conditions of the market operator (effective from January 1, 2011)
  - a new Decree No. 349/2010 Sb. stipulating the minimum efficiency of energy use in the generation of electricity and heat – repeals Decree No. 150/2001 Sb. stipulating the minimum efficiency of energy use in the generation of electricity and heat and Decree No. 478/2005 Sb. amending Decree No. 150/2001 Sb. stipulating the minimum efficiency of energy use in the generation of electricity and heat (effective from December 8, 2010)
  - a new Decree No. 19/2010 Sb. on methods for compiling procurement and use tables and the scope of gas industry data provided to the Market Operator (effective from February 1, 2010)
  - Decree No. 52/2010 Sb. amending Decree No. 245/2001 Sb. on details of granting State authorization to build selected gas installations and changes, extensions, and/or cancellations thereof – formal modifications (effective from March 1, 2010).

- Act No. 18/1997 Sb. on the Peaceful Use of Nuclear Energy and Ionizing Radiation and amending certain acts (the Nuclear Act)
  - a new Decree No. 213/2010 Sb. on record-keeping and auditing of nuclear materials and disclosure of information required by European Community regulations – repeals Decree No. 145/1997 Sb. on record-keeping and auditing of nuclear materials and the more detailed definition thereof, and Decree No. 316/2002 Sb. amending Decree No. 145/1997 Sb. on record-keeping and auditing of nuclear materials and the more detailed definition thereof (effective from August 1, 2010).
- Act No. 180/2005 Sb. on Promotion of Electricity Produced from Renewable Sources and amending certain acts (the Renewable Energy Promotion Act)
  - Memorandum of the Energy Regulatory Office No. 438/2010 Sb. on costs of paying additional costs related to the promotion of electricity from renewable sources paid to a transmission grid operator or regional distribution grid operator in the form of a subsidiary out of State budget funds – stipulation of amount of annual subsidiary and subsidy paid quarterly (effective from December 31, 2010)
  - Government Regulation No. 418/2010 Sb. stipulating a limit on State budget funds for providing subsidies for payment of additional costs related to the promotion of electricity from renewable sources (effective from December 29, 2010)
  - Decree No. 300/2010 Sb. amending Decree No. 475/2005 Sb. implementing certain provisions of the Act on Promoting the Use of Renewable Sources of Energy, as amended – change in the photovoltaics section (effective from November 1, 2010).
- Act No. 86/2002 Sb. on Air Protection and amending certain other acts (the Clean Air Act)
  - a new Decree No. 337/2010 Sb. on emission limits and other conditions for operation of other stationary sources of air pollution that emit and utilize volatile organic compounds and on handling of products containing volatile organic compounds – repeals Decree No. 355/2002 Sb. stipulating emission limits and other conditions for operation of other stationary sources of air pollution that emit and utilize volatile organic compounds from processes that apply organic solvents, and from the storage and distribution of petrol, and Decree No. 509/2005 Sb. amending Decree No. 355/2002 Sb. stipulating emission limits and other conditions for operation of other stationary sources of air pollution that emit and utilize volatile organic compounds from processes that apply organic solvents, and from the storage and distribution of petrol (effective from January 3, 2011)
  - Decree No. 17/2010 Sb. amending Decree No. 205/2009 Sb. on determining emissions from stationary sources and on implementing certain other provisions of the Clean Air Act – changes relating to combustion sources (effective from January 21, 2010).
- Act No. 695/2004 Sb. on Conditions for Trading in Greenhouse Gas Emission Rights and Amending Certain Acts
  - a new Decree No. 287/2010 Sb. on the implementation of certain provisions of the Act on Conditions for Trading in Greenhouse Gas Emission Rights in the field of aviation (effective from November 1, 2010).

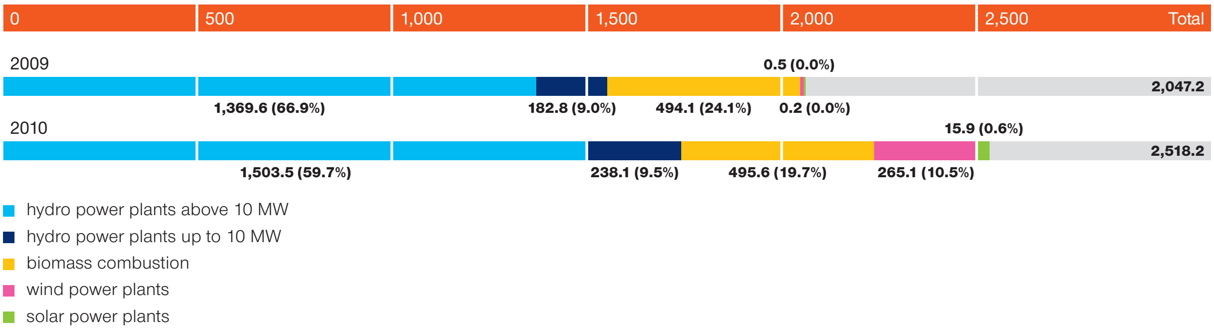
Because the Czech Republic is a part of the European Union, it is important to monitor the legal framework and changes thereto at the level of this community, because Member States are required to implement European legislation in their national legislation.

At the Union level, 2010 brought the following legislative amendments that are significant in terms of CEZ Group's business:

- Commission Regulation No. 1031/2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive No. 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (valid from November 19, 2010)
- Council Regulation No. 617/2010 concerning the notification to the Commission of investment projects in energy infrastructure within the European Union and repealing Regulation (EC) No. 736/96 (valid from August 4, 2010)
  - Commission Regulation No. 833/2010 implementing Council Regulation No. 617/2010 concerning the notification to the Commission of investment projects in energy infrastructure within the European Union (valid from October 12, 2010)
- Regulation No. 994/2010 of the European Parliament and Council concerning measures to safeguard security of gas supply and repealing Council Directive No. 2004/67/EC (valid from December 2, 2010)
- Concerning Regulation No. 1228/2003 of the European Parliament and Council (EC) of June 26, 2003 on conditions for access to the network for cross-border exchanges in electricity (repealed by Regulation No. 714/2009 of the European Parliament and Council on conditions for access to the network for cross-border exchanges in electricity)
  - Commission Regulation No. 774/2010 on laying down guidelines relating to inter-transmission system operator compensation and a common regulatory approach to transmission charging (validity ended March 2, 2011)
- Concerning Regulation No. 714/2009 of the European Parliament and Council of July 13, 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003
  - Commission Regulation No. 838/2010 of September 23, 2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging (in use from March 3, 2011)
- Concerning Regulation No. 715/2009 of the European Parliament and Council on conditions for access to the natural gas transmission networks
  - Commission Decision No. 2010/685 amending Chapter 3 of Annex I to Regulation (EC) No. 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks (in use since March 3, 2011)
- Directive No. 2010/75/EU of the European Parliament and Council of November 24, 2010 on industrial emissions (integrated pollution prevention and control).

Protection of the Environment

Electricity Generated from Renewable Sources of Energy (GWh)



CEZ Group Consumption, Waste, and Emissions

	Units	2009	2010
Total electricity	GWh	5,443	5,664
Total water consumption	m³ '000	996,060	1,084,769
of which: surface water	m³ '000	702,949	760,741
underground water	m³ '000	2,560	2,910
Emissions and unit emissions of air pollutants			
Solids	tons	3,951	4,696
Sulfur dioxide	tons	82,621	91,687
Nitrogen oxides	tons	71,777	71,766
Carbon monoxide	tons	4,924	5,965
Carbon dioxide	tons	37,180,880	38,845,671

Air Protection

Czech Republic

All ČEZ, a. s. conventional power plants, with the exception of Dvůr Králové power heating plant, have implemented continuous measurement of CO_2 concentrations meeting the requirements of Decree No. 205/2009 Sb. of the Ministry of the Environment of the Czech Republic.

Based on the requirements of Decree No. 12/2009 Sb. of the Ministry of the Environment of the Czech Republic, we monitor and report CO_2 emission data from continuous measurement and, concurrently, for verification purposes we also monitor CO_2 emissions calculated using a balance formula based on stipulation of emission and oxidation factors from combusted fuel samples taken for this purpose. The measured values were in line with the calculated values in every reporting period.

At Severočeské doly, as part of the completed EIA process for Bílina Mines, the Bílina Mine Anti-Dust Project was submitted to the Ministry of the Environment of the Czech Republic in December 2010. Also, four "STOP DUST" conferences were organized on the topic of air protection. At Nástup Tušimice Mines, the EIA process did not begin until October 14, 2010, due to additional operations.

Poland

Emission reduction measures have been put in place at ELCHO Power Station with the aim of complying with emissions limits after 2015. At Skawina Power Station, in the interests of air protection Boiler No. 7 was not operated, in view of the obligation to limit its duration of operation to at most 20,000 hours in the period from January 1, 2008 to December 31, 2015.

Bulgaria

The measurement station in the village of Ezerovo near Varna Power Station showed only isolated cases when limits on dust particles were exceeded. The limits on SO_2 and NO_x were not exceeded at all.

Water Protection

Czech Republic

In 2010, four water management decisions concerning the Lipno Hydro Power Station of ČEZ, a. s. were amended.
At Bílina Mines (Severočeské doly), a project was drawn up of a new process for treating mine water up until the planned decommissioning of the mines. Also drawn up was an alternative plan for purifying a portion of the mine water using root systems. After this purification method is verified, it will be possible to decide whether or not to use it in the future.

Bulgaria

On April 19, 2010, Varna Power Station obtained a new permit to use water from the Varenské Lake for cooling and industrial activity (transport of slag and ash).

REACH Regulation of the European Parliament and Council (EC)

During the months of October and November 2010 we completed the registration of all energy products (so-called "power generation by-products") produced by CEZ Group in accordance with the requirements of Regulation No. 1907/2006 of the European Parliament and Council (EC) (the REACH Regulation). Based on long-term testing and subsequent assessment, there is no obligation to classify, mark, or restrict these registered substances for any of the uses identified in the submitted documentation. The testing and assessment, which took place pursuant to the methodologies defined in the REACH Regulation, showed no negative impacts of the above mentioned substances, on either human health or the environment.

Protection and Support of Fauna

Czech Republic

In 2010, ČEZ Distribuce, a. s. continued to meet its obligation to invest more than required by law in protecting birds from electric shock injury. CZK 15.6 million was invested in 2010, helping to make 214 km of medium voltage power lines safe for birds.
Other measures to protect fauna were also taken within power station compounds – for example, the endangered Peregrine Falcon (*Falco peregrinus*) in the Tušimice II and Prunéřov II Power Station compounds.

Land Clean-up and Reclamation

Czech Republic

In 2010 ČEZ, a. s. continued to reclaim sites in the vicinity of coal-fired power plants (ash and other waste dumps, settling ponds, etc.) in accordance with approved land reclamation project documentation. In 2010, over 6 million tons of power generation by-products certified for the relevant applications were utilized for these purposes. Reclamation work also took place on lands affected by Severočeské doly's mining operations.

CO_2 Emission Rights

Greenhouse Gas Emission Rights and the Development of Environmental Markets

In 2010 CEZ Group continued to optimize power plant operation in a manner that takes into account the price of greenhouse gas emission rights in accordance with the selected strategy for management of emission rights and emission credits from the JI and CDM mechanisms.

The emissions trading scheme in the Czech Republic operates in standard fashion; emission rights are allocated in accordance with the relevant Government Regulation. Like certain other states, the Czech Republic appealed the decision of the European Commission that set the emission rights allocation for the years 2008–2012, but pending the European Court of Justice's decision the total amount of emission rights it is allocating respects the Commission's decision.

For the years 2008–2012, CEZ Group installations in the Czech Republic were allocated 34,731,209 tons of emission rights per year. In 2010, 34,712,000 tons were allocated to CEZ Group in the case of ČEZ, a. s. installations in the Czech Republic and the allocations for individual installations abroad were as follows: Skawina, 2,332,000 tons; ELCHO, 1,296,000 tons; and Varna, 3,358,000 tons. In accordance with legislative requirements, emission reports for all CEZ Group installations were independently verified by DET NORSKE VERITAS CZ s.r.o. Emission rights to cover these emissions will be stricken from the national registers of the individual countries in accordance with applicable legislation.

From a long-term perspective, it will be important for CEZ Group how the long-term regulatory framework in the area of greenhouse gases will be defined, i.e., the form of a UN agreement that would succeed the Kyoto Protocol, the commitment period of which ends in 2012. These matters were discussed at a conference of parties to the UN Framework Convention on Climate Change held in Cancún, Mexico in December 2010, where the parties agreed on further actions to be taken in the fight against climate change. For the time being, however, no agreement was reached on binding emission reduction targets for the post-Kyoto period. International negotiations will continue in 2011.

European Union Emissions Trading Scheme (EU ETS)

In June 2009, the set of regulations known as the climate energy package came into force by publication in the Official Journal of the EU. Subsequently, its implementation began. Among other regulations, this “package” contains an amendment to the directive on the greenhouse gas emissions trading scheme, which will affect the trading scheme after 2012. In view of the complex nature of the issues involved, implementation is going forward gradually, linked to legislative processes at the national level and other implementing regulations currently being drafted by the European Commission. Within this “package”, the European Parliament and Council approved, inter alia, the so-called derogation, which means that selected European Union Member States, including the Czech Republic, can take advantage of a provision exempting them from 100% exposure of energy utilities to purchasing of emission rights in national auctions and, instead, allowing their auction exposure to ramp up gradually in 2013–2020. However, this exemption is conditional upon investments in new and upgraded equipment and in clean technologies in a value of at least the estimated market value of the emission rights transferred to them free of charge during that time period. In July 2009, the Parliament of the Czech Republic passed an act envisioning the utilization of this exemption and setting forth, inter alia, obligations of power producers for the purposes of finalizing the Czech Republic’s formal application in accordance with Directive No. 2009/29/EC.
On January 18, 2011, 700,000 tons of emission rights with a value exceeding CZK 250 million were stolen from ČEZ’s accounts in the OTE, a. s. emission rights register. Criminal charges were filed immediately against the unknown perpetrator. Later, the emission rights were returned, in full, to the accounts. Trading in emission rights in the Czech Republic was suspended from January 19–March 23, 2011.

Emission Reduction Programs in Developing Countries (JI/CDM)

In 2010, ČEZ, a. s. continued to steadily acquire CER/ERU emission credits from the existing portfolio of JI/CDM projects. ČEZ, a. s. also continued to implement a strategy of utilizing the full amount of CER/ERU credits it is allowed to import (10% of its NAP II allocation) and of achieving the desirable volume of contracts for purchase of guaranteed emission credits. No new contracts were entered into on the primary CER market, due to lower prices on the secondary market and in view of the approaching end of the Kyoto Protocol commitment period and the subsequent regulatory uncertainties and restrictions in the global carbon market.

Research and Development

In 2010, CEZ Group companies participated in research and development programs in a total amount of CZK 709.0 million. One of the programs financed by the ČEZ, a. s. R&D budget is a specimen surveillance program, which aims to obtain information on the current state of the reactor's pressure vessel and provide a scientific basis for predicting its useful lifetime.

CEZ Group Research and Development Expenditures (CZK millions)

Company	
ČEZ, a. s.	99.8
Centrum výzkumu Řež s.r.o.	150.0
ČEZ Distribuce, a. s.	10.6
ČEZ Energetické produkty, s.r.o.	4.9
PRODECO, a.s.	0.9
Severočeské doly a.s.	29.4
Ústav jaderného výzkumu Řež a.s.	410.0
Elektrownia Skawina S.A.	0.4
Tomis Team S.R.L.	2.9
CEZ Magyarország Kft.	0.1
Total	709.0

ČEZ, a. s.

ČEZ's goal in implementing R&D projects is to reinforce key existing activities and develop promising new fields in the energy sector. In so doing, it works closely with domestic applied R&D institutions, including universities.
ČEZ, a. s. participated in R&D activities through an array of international organizations and initiatives (e.g. VGB, IAEA, and the OECD–International Energy Agency implementing agreement). It also participated in several projects within the EU's Framework Programs for Research and Technological Development. ČEZ, a. s. is very actively monitoring the preparation of new mechanisms for support and cooperation in research, development, and demonstrations of new energy technologies within the EU and is a member of three European technology platforms (TP):

- SNE-TP (sustainable nuclear energy)
- Smart Grids
- ETP-ZEP (clean coal and CO_2 removal technologies).

ČEZ, a. s. is also a founding member of the "Sustainable Energy Czech Republic" Technology Platform, and has representatives in the platform's governing bodies.

Conventional Power

In the area of conventional power, our focus was on research into possibilities for reducing the moisture content of coal fuel and, partially, biomass as well. A promising direction of research is drying in a non-pressurized layer of fluid. We began working with the Prague Institute of Chemical Technology on verifying methods for increasing the efficiency of Flue Gas Desulfurization – for this purpose, a specialized laboratory is being built at Počerady Power Station. Another research project aims to examine possibilities for reducing emissions and increasing efficiency by optimizing coal combustion conditions in fluidized-bed and dry-bottom boilers. Another area of interest is detailed monitoring of Carbon Capture and Storage (CCS) technologies. For these reasons, ČEZ, a. s. is participating in the CO_2Europipe project (part of the 7th EU Framework Program), where it is leading a smaller project focused on preparing infrastructure for the transport and storage of CO_2 in Central Europe.

Nuclear Power

ČEZ, a. s. became a full-fledged member of the EPRI [1)] nuclear program, thanks to which it gained access to extensive databases and documentation. ČEZ's goal is to apply the greatest possible know-how in the nuclear power plants currently operated in the Czech Republic and, possibly, in the construction and operation of future reactor units. The EPRI R&D program covers a broad range of areas, from fuel reliability, corrosion of materials, and safety aspects to new nuclear technologies.

[1)] EPRI (Electric Power Research Institute, Inc) is a well-known non-profit institution for applied research and development in the power industry.

Innovative Renewable Sources of Energy

A project was completed comparing the functionality of commercially utilized silicon photovoltaic panels with prototype Die-Sensitized Solar Cell (DSSC) panels, which have the potential to be used as part of building structures and in interiors. Based on preceding work, we continued to analyze the geothermal energy potential of the Czech Republic and design suitable technologies for utilizing it at the municipal level. The project's results indicate that there is considerable uncertainty when attempting to describe the geological environment at depths greater than one kilometer.
Another area of ČEZ's interest is the utilization of biomass and development of a new type of water turbine that can be used at low-head sites.

Energy Storage

The need to store energy arises, primarily, from rapid growth in generation of electricity from renewable sources of energy where generation is difficult to predict in advance, and from the development of distributed power generation. Therefore, ČEZ, a. s. is evaluating promising directions in energy storage, primarily based on batteries.

ČEZ Energetické produkty, s.r.o.

Within the "New technologies for making high-value porous rock from various types of fly ash" project (TIP program, Ministry of Industry and Trade of the Czech Republic), research work took place with the aim of developing commercial applications for ash matter.

ČEZ Distribuce, a. s.

ČEZ Distribuce, a. s. invested in designing new medium- and low-voltage grid technologies. These were applied tasks for determining an environment for implementing pilot projects of the Smart Grids concept – e.g., creating a dynamic model of the Vrchlabí area and a feasibility study on deployment of modern grid elements for control and diagnostics. Another R&D area was the design of a fault detector for suspended insulated cables, which will contribute significantly to more accurate detection and localization of faults on this type of power line.

Severočeské doly a.s. and PRODECO, a.s.

At Severočeské doly a.s., research and development focuses on assessing mining conditions and on mitigating environmental burdens. The results serve to increase operational reliability in the production process and, further, to decreasing negative influences of open-pit mining operations – noise and dust in particular – on work and municipal environments. 2010 saw completion of the “Research of Multilevel Vibration Dampening System for Drivers of Bucket-Wheel Excavators and Other Mining Machines” project, which was part of the TANDEM program (Ministry of Industry and Trade of the Czech Republic). The result of the project will be applied in upgrades of large-scale excavators and in supplies of new mining machinery.
In 2010, the subsidiary PRODECO, a.s. cooperated with the Brno Institute of Applied Mechanics on Ministry of Industry and Trade of the Czech Republic R&D Project No. FT-TA4/018 – “Modern Trends in Increasing the Reliability of Equipment for Surface Mining of Utility Minerals”. The company expended CZK 851,000 in conjunction with this project.

Ústav jaderného výzkumu Řež a.s. (ÚJV) and Centrum výzkumu Řež s.r.o. (CV Řež)

Ústav jaderného výzkumu Řež a.s. is a leading institution in the European research space, contributing to the development of sustainable power. Its core activities are concentrated primarily on research, development, and design services for operators and suppliers of power installations. ÚJV’s involvement in R&D at the international level is significant, particularly in the 7th Framework Program in the area of nuclear fission (EURATOM) and in other international projects focused primarily on increasing the safety of nuclear power plants with VVER-type reactors.
For the purpose of greater concentration and more efficient management of R&D, Ústav jaderného výzkumu Řež a.s. has the following specialized subsidiaries: ŠKODA VÝZKUM s.r.o. for research and testing of equipment in power generation and transport systems; Centrum výzkumu Řež s.r.o. for scientific research activities relating to the utilization of LR-0 and LVR-15 reactors; and Ústav aplikované mechaniky Brno, s.r.o., which has a long tradition in research and provision of services in mechanical engineering and structural design.
2010 saw a major expansion of ÚJV’s research base with the commissioning of a new experimental pavilion equipped with reactor loops for materials research on 4th generation reactors: those cooled with supercritical water and high-temperature, helium-cooled reactors.

Currently, members of ÚJV Group are members of a number of European technology platforms, consortia, and specialized professional networks within the European Union, such as:
- SNE-TP (sustainable nuclear energy)
- FCH JTI (hydrogen and fuel cells platform)
- HTR–TN (high-temperature reactors technology network)
- JHR consortium (Jules Horowitz Reactor)
- EERA (European Energy Research Alliance), where Centrum výzkumu Řež s.r.o. holds a position in the Executive Committee.

Major R&D tasks assigned to Ústav jaderného výzkumu Řež a.s. by Czech Republic institutions included, in particular, the following:

Ministry of Industry and Trade of the Czech Republic
- a new nuclear power source – technical, safety, and legislative aspects
- risk studies, safety analyses, and proposals for utilizing the full design capacity of VVER reactor units
- R&D on new materials and technologies for treatment of radioactive and hazardous waste and barriers research for radioactive waste repositories
- SPHINX nuclear transmutation system with liquid nuclear fuel based on melted fluorides
- safety aspects of advanced nuclear reactors.

State Office for Nuclear Safety
- R&D on possibilities for reducing the risk and mitigating the aftermath of serious nuclear power plant accidents in the Czech Republic based on advanced methods of experimentation and analysis.

Grant Agency of the Czech Republic
- extraction methods for isolating fission products from nuclear waste using new environmentally-friendly solvents.

Ministry of Education, Youth, and Sports of the Czech Republic
- participation in OECD Nuclear Energy Agency projects
- participation in and utilization of results of EDFA program (nuclear fusion).

ÚJV also participates in 7th Framework Program (EURATOM) projects such as:
- ESFR-CP (European Sodium Fast Reactor)
- ADRIANA (ADvanced Reactor Initiative And Network Arrangement)
- NULIFE (Nuclear plant life prediction)
- CROCK (Crystalline Rock retention processes).

Centrum výzkumu Řež s.r.o. is a non-profit organization that implements projects in the areas of nuclear energy and ionizing radiation, chemistry, information technology, and pharmaceuticals. Its efforts were focused on three main areas:

Research Plan (2004–2010)
The project consisted of basic and targeted research in industry and healthcare on neutron sources with a total subsidy from the Ministry of Education, Youth, and Sports of the Czech Republic of CZK 288 million since 2004.

Participation in the Jules Horowitz reactor project in France
Research, production, and supply of prototype hot chambers for this reactor, which is under construction in the CEA Cadarache research center.

Sustainable Energy Project (SUSEN)
The SUSEN comprehensive capital project with a total budget of CZK 2.58 billion is in the final approval phase and has been submitted to the Operational Program of Research and Development for Innovation (VaVpI). The project is focused on building modern R&D infrastructure to European standards in four areas: technological and experimental circuits, structural and systemic diagnosis, the nuclear fuel cycle, and materials research. Preparatory work took place on the SUSEN project in 2010.

CEZ Magyarország Kft.

The company supported a Corvinus University of Budapest (Budapesti Corvinus Egyetem) project entitled “Safety of natural gas and electricity supplies in Central Europe”.

Tomis Team S.R.L.

The company participated in developing a mathematical model pursuant to specifications and enabling the simulation of the national grid’s response to connection of a wind farm.

Elektrownia Skawina S.A.

Research work and studies took place on a project to build a small-scale hydro power plant at the Borek Szlachecki site, which is part of the town of Skawina, in the Lesser Poland Voivodeship.

Fees Relating to Registration of ČEZ, a. s. Trademarks (CZK ’000)

Fees to patent representatives	170.0
To International Bureau in Geneva for registration and renewal of trademarks	292.6
To Industrial Property Office in Prague for registration and renewal of trademarks	93.5
Total	556.1

Litigation Concerning CEZ Group Companies

Litigation Before Courts

1. In ongoing litigation before Austrian courts based on suits filed by Austrian persons (demanding cease-and-desist from generating alleged ionizing radiation from Temelín Nuclear Power Station), the Linz Regional Court – acting at the behest of the other party in the dispute – called upon ČEZ, a. s. to submit the Temelín Nuclear Power Station use permit decisions. Notarized copies of the relevant use permit decisions, including court-certified translations thereof into German, were filed with the above mentioned court in May 2010. On September 24, 2010, a hearing was held before the Linz Regional Court, resulting in the judge's decision to ask for legal aid through the Ministry of Justice of the Czech Republic. In particular, the Linz Regional Court would like to determine to what extent the proceedings leading up to the issuance of the Temelín Nuclear Power Station use permit took into account the interests of real property owners under Article 6 of the European Convention on Human Rights and, further, to what extent the project's permit and operation of the nuclear installation were made conditional upon prevention and/or limitation of health damage and nuisances.

2. ČEZ, a. s. is a party to suits relating to the realization of takeover offers and squeeze-outs of minority shareholders in the former regional electricity distribution companies, Severočeské doly a.s., and ČEZ Teplárenská, a.s.:
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severomoravská energetika, a. s. According to a court resolution that has not yet entered into legal force, and which is based on an expert opinion requested by the court, for the time being at this phase of the proceedings there is a possibility of an additional payment of approximately CZK 110 million. The outcome of proceedings at the appellate court, however, is impossible to predict.
   - A suit for payment of the difference from a takeover offer for shares of Severomoravská energetika, a. s. made in 2005. The proceedings are pending before the court of first instance. The total additional amount could be as much as CZK 946 million. The results of the proceedings are impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Západočeská energetika, a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 730 million. The result of the proceedings is impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Východočeská energetika, a.s. Based on a court-ordered appraisal, for the time being at this stage of the proceedings, which are pending before the court of first instance, an additional payment of up to approximately CZK 179 million appears possible. However, the result of the proceedings is impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severočeská energetika, a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 773 million. The result of the proceedings is impossible to predict.
   - Suits seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Středočeská energetická a.s. Based on a court-ordered appraisal, for the time being at this stage of the proceedings, which are pending before the court of first instance, an additional payment of up to approximately CZK 507 million appears possible. However, the result of the proceedings is impossible to predict.
   - A suit seeking review of consideration paid and stipulation of a different consideration amount in the squeeze-out of minority shareholders from Severočeské doly a.s. The proceedings are pending before the court of first instance. Should the complainants win the suit, the total additional payment could be up to CZK 1,600 million. The result of the proceedings is impossible to predict.

- A suit against ČEZ Teplárenská, a.s. seeking review of past consideration paid in the squeeze-out of minority shareholders from United Energy, a.s., i.e. the legal predecessor of ČEZ Teplárenská, a.s. The proceedings are pending before the court of first instance. The possible impact of this suit on ČEZ Teplárenská, a.s. is impossible to determine at this phase of the proceedings.

3. In all cases of the General Meetings that decided on squeeze-outs in the former regional electricity distribution companies, Severočeské doly a.s., and ČEZ Teplárenská, a.s., minority shareholders have filed suits seeking that the resolutions of these General Meetings be declared null and void. In three of these cases, the suits challenging the General Meetings of regional electricity distribution companies have been set aside.

4. In addition, in conjunction with the restructuring of CEZ Group, minority shareholders have filed suits seeking nullification of contributions of part of undertaking of the former regional electricity distribution company Středočeská energetická a.s. to certain ČEZ, a. s. subsidiaries and, further, asking that the court declare null and void the General Meeting resolutions by which these contributions of part of undertaking were approved:
   - Suit seeking nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on October 17, 2005 as well as of contracts on contribution of part of an undertaking. The proceedings before the court of first instance in the actual matter have not yet been completed in legally binding fashion and their result is impossible to predict.
   - Suit seeking nullification of the resolution of the General Meeting of Středočeská energetická a.s. held on June 21, 2006 and of contracts on contribution of pat of an undertaking. The court proceedings have not yet been completed in legally binding fashion and the result of the court proceedings is impossible to predict.

5. In an insolvency proceeding ongoing against Lignit Hodonín, s.r.o., ČEZ, a. s. registered a receivable exceeding CZK 115 million, CZK 23 million of which is a loss resulting from failure to pay for electricity supplied. The remainder of the receivable consists of penalty interest under valid contracts. A special fact-finding hearing that took place on May 31, 2010 recognized the receivable in its full amount. On September 2, 2010 the debtor's undertaking was sold and settlement of creditors is currently ongoing. With regard to the proceeds of the sale of the debtor's undertaking and the overall amount of receivables registered in the proceedings, including secured receivables, it is assumed that the amount of ČEZ's satisfaction will be nearly zero. At the same time, the insolvency administrator filed suit against ČEZ, a. s. for CZK 196.2 million in damages on the grounds of alleged abuse by ČEZ, a. s. of its dominant position in setting the purchase price for supplies of brown coal under the purchase contract entered into with Lignit Hodonín, s.r.o., as supplier. ČEZ, a. s. denies said claim in full.

6. Lesy České republiky, s.p. has filed 13 suits against the Company, all identical in substance. The complainant is seeking compensation for damages to forests allegedly caused by ČEZ, a. s. operations in 1997–2007. The oldest suit is from 1999 and the latest was filed in 2009. The total amount sought in all the suits is CZK 206.9 million, plus interest.

7. In insolvency proceedings against companies from the PORCELA PLUS and BCT groups (total of eight companies), ČEZ Prodej, s.r.o. has registered receivables totaling over CZK 285 million. Within this amount, a receivable from the debtor SKLÁRNY KAVALIER, a.s. amounts to approximately CZK 120 million, a receivable from CRYSTALEX a.s. amounts to CZK 65.6 million, a receivable from Sklo Bohemia, a.s. amounts to CZK 64.5 million, a receivable from the debtor Karlovarský porcelán a.s. amounts to CZK 21.7 million, and a receivable from Sklárny BOHEMIA a.s. amounts to CZK 13.8 million. The remaining receivables registered do not exceed CZK 0.5 million. All of ČEZ Prodej's receivables were recognized in the respective review proceedings. Although the bulk of the assets of all debtors was liquidated during 2009 and 2010, satisfaction of the receivables will be minimal due to the amounts owed to employees and secured creditors.

8. Since April 2, 2010, ČEZ Prodej, s.r.o. has been involved in a dispute with Správa železniční dopravní cesty, s.o. (SŽDC), in which it is seeking CZK 805 million in damages. The dispute is currently before the Municipal Court in Prague, with ČEZ Prodej, s.r.o. as the complainant. So far in the matter, a payment order has been issued, which was appealed by SŽDC. No hearing has been scheduled yet. The subject matter of the dispute is breach of an electricity supply contract by SŽDC – failure to take delivery of the agreed amount of electricity in 2010 and damages resulting therefrom.

9. In insolvency proceedings against MORAVIA ENERGO, a.s., ČEZ, a. s. registered a receivable totaling CZK 1,505.9 million. A special review hearing took place on September 3, 2009, in which the entire receivable was determined to exist. At present, the liquidation of the debtor's assets is still ongoing.

10. In insolvency proceedings against PLP a.s., the company Teplárna Trmice, a.s. registered a receivable of CZK 191 million, consisting of losses arising out of failure to pay for electricity, heat, and raw water supplied, and a CZK 59 million receivable for a contractual penalty. At a review held on January 31, 2011, the CZK 191 million receivable was recognized. The CZK 59 million receivable is still awaiting review. At the same time, the insolvency administrator is continuing in a dispute before the Arbitration Court in Prague, in which PLP a.s. is seeking CZK 139.9 million in damages from Teplárna Trmice, a.s. due to supply irregularities.

11. On October 15, 2010, ČEZ, a. s. filed suit against Czech Coal a.s., Czech Coal Services a.s., and Vršanská uhelná a.s. seeking protection against unfair competition and seeking reasonable satisfaction in the amount of CZK 11 billion and, at the same time, filed a claim for a contractual penalty of CZK 188.8 million and CZK 13.3 million in damages (for futile expenses). Currently, ČEZ, a. s. is filing an appeal against a resolution of the Municipal Court in Prague in which said court found that it does not have jurisdiction over the matter.

12. CEZ Razpredelenie Bulgaria AD, CEZ Elektro Bulgaria AD, and TEC Varna EAD appealed a decision of the Bulgarian State Commission for Energy and Water Regulation (DKEVR) which stipulated prices for the period July 1, 2010–June 30, 2011. The Commission did not approve the prices and necessary income proposed by these three companies and, in CEZ Group's opinion, it breached due process and statute a number of times in its decision-making.

13. The Bulgarian Consumer Protection Commission (KOS) filed two class-action suits against CEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD with the Sofia District Court, asking the court to declare null and void certain clauses of the General Terms and Conditions of both companies. The court complied and declared the clauses null and void. An appeal was filed against the decision with the Sofia Appellate Court. The proceedings will be reviewed by the court of second instance.

14. In a decision taken in 2010, DKEVR set an upper limit on prices of supplementary services provided by companies and which are subject to regulation under the Energy Act. ČEZ Razpredelenie Bulgaria AD and CEZ Elektro Bulgaria AD rejected this decision in court, because the prices set for the services are not sufficient to cover the costs of providing the services.

15. In an ongoing court dispute between Mibrag B.V. and MIBRAG mbH, on one hand, and the Federal Agency for Unification-derived Special Tasks (Bundesanstalt für vereinigungsbedingte Sonderaufgaben), a hearing before the Federal Civil Court (Bundesgerichtshof) in Karlsruhe is still pending. Due to merger, the claim of Mibrag B.V. passed to JTSD - Braunkohlebergbau GmbH. The dispute concerns EUR 55 million (approximately CZK 1.4 billion) in guarantees issued by the predecessor to the Federal Agency for Unification-derived Special Tasks – the privatization agency – concerning the parameters of coal reserves designated for supply to Schkopau Power Station.

16. On June 1, 2010 MIBRAG mbH, which turned to the Administrative Court in Berlin (Verwaltungsgericht Berlin) after its request for allocation of additional emission rights was rejected, sent its position statement to the German Emission Trading Agency (Deutsche Emissionshandelsstelle). The court was to have scheduled a hearing for 2010, but as yet no hearing has been scheduled. On December 10, 2010, MIBRAG mbH provided the court with its latest statement in response to a similar statement from the German Emission Trading Agency.

17. Lawsuits have been filed to the European Human Rights Court by the Romanian citizens Cernea et al. (Mirela Cernea, Mihai Cernea, Marius Oprescu, Ioana Oprescu, and Violeta Sporiş) and Diaconescu et al. (Corneliu Diaconescu and Elena Diaconescu) against the Romanian State in the matter of unauthorized placement by Electrica Oltenia S.A. (a former regional distribution company owned by ČEZ) of electrical equipment on lands owned by them. In both cases, these suits were filed after an unsuccessful appeal to the court of second instance in Piteşti. Now, the complainants are seeking recognition that the Romanian State failed to protect their ownership right and are demanding compensation of damages. The landowners' dispute could become material for CEZ Group in Romania, should the Romanian State lose and similar disputes be opened against CEZ Distributie S.A. For the time being, the financial impact is impossible to determine accurately.

18. In conjunction with the project to build the Fântânele-Cogealac wind farm in Romania, the respective CEZ Group project companies are party to litigation commenced by the Town of Cogealac and certain other Romanian individuals and legal entities, who are challenging certain building permits, other administrative permits, and ownership rights relating to the project and, in this respect, are demanding that certain construction work be stopped. Some of the disputes are before the Curtea Constituțională a României (constitutional court). The project companies have also filed several criminal charges to the investigative office in Constanța. This litigation is having a negative impact on the project timeline.

19. Lawsuits are pending before the Supreme Administrative Court of the Republic of Turkey (Türkiye Cumhuriyeti Danıştay Başkanlığı) that were filed by Elektrik Üreticileri Derneği (Association of Power Producers) and Akenerji Elektrik Üretim A.S. against the Government and the Ministry of Finance, relating to their decisions concerning a disproportionate, 300% increase in the unit price of natural gas in gaseous form, while the price of other items was increased by just 50%. The constitutional court may decide that it has jurisdiction to decide in one of the disputes.

20. A lawsuit is currently pending before the District Court in Banská Bystrica, Slovak Republic, filed by ČEZ Slovensko, s.r.o. against PPA Power s.r.o. seeking EUR 12.187 million (approximately CZK 305 million) in damages arising out of breach of an electricity supply contract in 2010. A payment order was issued in the matter, which PPA Power s.r.o. appealed, and the parties are currently waiting for the court to schedule a hearing. The subject matter of the dispute is breach of contract by PPA Power s.r.o. when it failed to take delivery of the agreed amount of electricity in 2010, and resulting damages.

Other Proceedings

On November 24, 2009 a decision of the European Commission of November 16, 2009 was delivered to the Company. This decision ordered the Company and its subsidiaries and other controlled enterprises to submit to inspections under Article 20, paragraph 4 of Council Regulation (EC) No. 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty (now Articles 101 and 102 of the Treaty on the Functioning of the European Union). A similar inspection was also conducted at Severočeské doly a.s. At present, the Commission's inspection is in the phase of evaluation of materials gathered. ČEZ received a written Request For Information (RFI) from the Commission in August 2010 and, subsequently, on September 30 and October 1, 2010 the Commission conducted a pre-announced site investigation at the ČEZ, a. s. headquarters, where it was provided by ČEZ, a. s. with all information requested. So far, no decision to commence proceedings under Title III of Council Regulation (EC) No. 1/2003 has been issued and, as of the Annual Report closing date, ČEZ, a. s. has no information indicating that such proceedings will be commenced or whether the inspection will be terminated in this initial phase. ČEZ continues to provide all necessary cooperation with the Commission's investigation.

Marcela Vyskočilová

Operator at Call Center I

“You talk to dozens of people every day. You try to help them and make the message as easy as possible for them to understand. You also help your colleagues, look for the right solutions, and even come up with new solutions. That’s why I feel like a team player, not just at home and with my friends, but also at work, at CEZ Group.”

Marcela Vyskočilová has proven her ability to work professionally with customers in responding to their requirements, while also selling new commodities. Customers appreciate her in-depth knowledge of energy supplies as well as her helpful attitude.

CEZ Group Donorship and Advertising Partnership Program

Corporate donorship is a major priority for CEZ Group. Philanthropic activities at CEZ Group are governed by one of the articles of the corporate philosophy: “We help where we operate”.

Donorship

In 2010, CEZ Group once again engaged itself in the area of volunteering, which it considers an integral part of its corporate social responsibility. For the seventh time in 2010, CEZ Group defended its number-one position in the TOP Corporate Philanthropist ranking, in the “volume of funding” category. Thus, we continue to hold our long-term position as the largest corporate donor in the Czech Republic. CEZ Group actively supported Republic-wide charity projects both through ČEZ Foundation and in cooperation with its employees.

Financial Donorship

In 2010, CEZ Group companies donated a total of CZK 490.9 million. Of this amount, direct donations accounted for CZK 285.5 million and contributions to ČEZ Foundation totaled CZK 205.4 million.

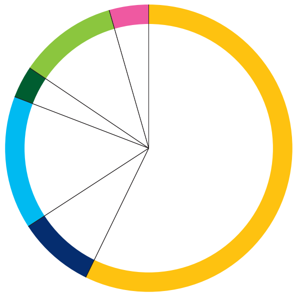
CEZ Group Direct Donations (CZK millions)

Company	Total value
Czech Republic	
ČEZ, a. s.	165.9
ČEZ Distribuce, a. s.	7.3
ČEZ Distribuční služby, s.r.o.	0.1
ČEZ Logistika, s.r.o.	0.1
ČEZ Obnovitelné zdroje, s.r.o.	0.4
ČEZ Prodej, s.r.o.	5.6
ČEZ Správa majetku, s.r.o.	1.0
ČEZ Teplárenská, a.s.	0.3
SD - Rekultivace, a.s.	0.2
Severočeské doly a.s.	100.0
Tepelné hospodářství města Ústí nad Labem s.r.o.	0.2
Teplárna Trmice, a.s.	0.1
Ústav jaderného výzkumu Řež a.s.	0.3
Poland	
Elektrociepłownia Chorzów ELCHO sp. z o.o.	1.2
Elektrownia Skawina S.A.	0.8
Bulgaria	
CEZ Bulgaria EAD	1.2
CEZ Elektro Bulgaria AD	less than 0.1
CEZ Elektroproizvodstvo Bulgaria AD	0.1
CEZ Razpredelenie Bulgaria AD	less than 0.1
TEC Varna EAD	0.6
Romania	
CEZ Servicii S.A.	less than 0.1
CEZ Trade Romania S.R.L.	less than 0.1
Tomis Team S.R.L.	less than 0.1
Hungary	
CEZ Magyarország Kft. (CEZ Hungary Ltd.)	less than 0.1
Slovakia	
CEZ Slovensko, s.r.o.	less than 0.1
Total	285.5

In 2010, direct donations went once again to projects of local significance in areas where CEZ Group has operations. These donations can be divided into the following areas:

CEZ Group Direct Donations, by Area

	CZK millions	%
municipal infrastructure and regional development	163.6	57.3
culture, the arts, and the environment	24.8	8.7
education, science, and youth	42.9	15.0
healthcare	10.1	3.5
sport	31.9	11.2
needy and handicapped	12.2	4.3
Total	285.5	100.0



ČEZ Foundation

Contributions by CEZ Group Companies to ČEZ Foundation (CZK millions)

Company	Contribution
ČEZ, a. s.	96.0
ČEZ Distribuce, a. s.	66.0
ČEZ Distribuční služby, s.r.o.	4.2
ČEZ Logistika, s.r.o.	11.2
ČEZ Měření, s.r.o.	3.2
ČEZ Prodej, s.r.o.	21.6
ČEZ Zákaznické služby, s.r.o.	3.2
Total	205.4

ČEZ Foundation has been contributing to public-benefit activities in the Czech Republic since 2002. In 2010, it supported over 378 projects with a total amount of CZK 162.57 million, making it one of the most generous foundations in the Czech Republic.

Advertising Partnerships

Through advertising, CEZ Group supported a number of projects. As a major corporation, we also supported social events. In 2010, we had advertising partnerships in the areas of the environment, healthcare, and regional culture, as well as engaging in a broad spectrum of educational activities. In sports, we have long dedicated our support to amateur youth sports. CEZ Group's advertising projects also support activities with a social and/or charitable focus. Thus, in 2010 we cooperated in the Czech Republic with organizations such as KOMPAKT, which operates social cars, AVAZ (the Association of the Wheelchair-bound and the Physically and Mentally Handicapped in the Czech Republic), and the Brick Collection Charity; supported the operation of a rehabilitation-oriented day center for physically and mentally handicapped children and youth; and supported handicapped sports events, the Republic-wide Abilympics, and the Festival of Social Services. At the international level, beneficiaries of our support included, for example, the Bulgarian Biathlon Federation, the power industry news website www.energiainfo.hu, the Romanian Martial Arts Federation, the Fundația Copiii Noştri (Our Children Foundation) in Romania, local projects in Fântânele (nursery school playground, a green fence around the village, and a water treatment plant study), and the Cultural Society of Transylvania's Opera Ball.

Basic Organization Chart of ČEZ, a. s. as at April 1, 2011

General Meeting

Board of Directors

901000000
Chief Executive Officer's Division
Martin Roman

908000000
Chief Operating Officer's Division
Daniel Beneš

902000000
Finance Division
Martin Novák

903000000
Distribution Division
Jiří Kudrnáč

904000000
Sales Division
Alan Svoboda

901001000
Mergers & Acquisitions

901002000
Internal Audit

901003000
Legal

901004000
CEZ Group Communications

901007000
ČEZ Ombudsman's Office

901000010
Chief Executive Officer's Office

902001000
Accounting

902002000
Planning & Controlling

902003000
Financing

902004000
Taxes

902005000
Risk Management

908001000
CEZ Group Security

908002000
Engineering Design

908003000
Quality and Management System

908005000
Purchasing

908006000
CEZ Group Safety Inspectorate

908000010
Chief Operating Officer's Office

903001000
Distribution Development

903002000
Distribution Grid Services

903005000
Legislation and Markets

903000010
Analytical Support

904003000
Trading

904004000
Strategy and Development

904000100
European Affairs

904000200
Foreign Commercial Representation

904000400
Sales Management Support

904000500
Portfolio Optimization

Supervisory Board

Audit Commitee

905000000
Production Division
Vladimír Hlavinka

- **905002000** Safety
- **905004000** Production Management
- **905005000** Asset Management
- **905006000** Central Engineering
- **905007000** Supplier System Management
- **905008000** Cogeneration
- **905000100** Production Division Analytical Support

- **9053DU000** Dukovany Nuclear Power Station
- **9053TE000** Temelín Nuclear Power Station
- **9053DE000** Dětmarovice Conventional Power Station
- **9053ME000** Mělník Conventional Power Station
- **9053PL000** Počerady and Ledvice Conventional Power Stations
- **9053TP000** Tušimice and Prunéřov Conventional Power Stations
- **9053VD000** Hydro Power Stations
- **9053VT000** Hodonín, Poříčí, Tisová, and Vítkovice Power Heating Plants

906000000
Administration Division
Ivan Lapin

- **906001000** Information & Communication Technologies Strategy
- **906002000** Fuel Cycle
- **906003000** Equity Stakes

907000000
Human Resources Division
Hana Krbcová

- **907001000** CEZ Group Human Resources Management
- **907002000** Human Resources Development
- **907003000** CEZ Group Human Resources Personnel Service
- **907004000** Human Resources Compensation
- **907005000** Internal Communications
- **907006000** Strategic Recruiting
- **907007000** Human Resources Services to Customers
- **907008000** Social Relations
- **907000001** Human Resources Division Support

909000000
Investment Division
Peter Bodnár

- **909001000** Commercial Management of Projects
- **909004000** Conventional Power Plant Construction
- **909005000** Nuclear Power Plant Construction

90A000000
International Affairs Division
Tomáš Pleskač

- **90A001000** Management of International Equity Stakes
- **90A002000** Foreign Acquisitions – Bulgaria
- **90A003000** Foreign Acquisitions – Romania
- **90A004000** Foreign Acquisitions – Poland
- **90A005000** Foreign Acquisitions – Turkey
- **90A006000** Foreign Acquisitions – Albania
- **90A000500** Foreign Acquisitions – MOL
- **90A000600** Foreign Acquisitions – MIBRAG

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CEZ Group Information Centers and Facilities Available for Public Tours

Information Centers and Facilities Available for Public Tours

	Štěchovice Hydro Power Station	Dalešice Hydro Power Station	Lipno Hydro Power Station
Type of exhibit	run-of-river and pumped-storage hydro power plant and information center	pumped-storage power plant and information center	information center
Operator	ČEZ, a. s.	ČEZ, a. s.	ČEZ, a. s.
Street and street number	Prof. Vl. Lista 329		
Postcode and city	252 07 Štěchovice	675 77 Kramolín	382 78 Lipno nad Vltavou
Telephone	602 107 453 603 769 197 608 308 759 211 026 111	561 105 519	731 562 835 725 614 409 607 666 928 607 673 651 380 746 621
Fax	211 026 577	561 106 370 561 104 960	
E-mail	cez@cez.cz	infocentrum.edu@cez.cz	infocentrum.eli@cez.cz
Opening hours	Open year-round, 8:00 a.m.–3:00 p.m.	July–August: Sunday to Saturday 9:00 a.m.–4:00 p.m. September–June: Monday to Friday by advance reservation only	June 15–September 15: seven days a week, tours begin on the hour (first tour 10:00 a.m., last tour 3:00 p.m.) Tours in German language each Wednesday and Friday at 4:00 p.m.
Advance reservation necessary	yes	September–June	September 16–June 14
Name of nearest public transport station/stop	Štěchovice (bus)	Kramolín (bus)	Lipno nad Vltavou žel. st. (bus); Lipno nad Vltavou (train)

	Vydra a Čeňkova Pila Hydro Power Stations	Dlouhé Stráně Pumped-storage Hydro Power Station	Renewable Energy Sources Information Center
Type of exhibit	permanent exhibition "Energy of the Bohemian Forest" on utilization of Bohemian Forest water resources in past and present; small-scale hydro power plant	hydro power plant	information center, small-scale hydro power plant
Operator	ČEZ Obnovitelné zdroje, s.r.o.	K3 Sport, s.r.o.	ČEZ Obnovitelné zdroje, s.r.o.
Street and street number	Čeňkova Pila	Přečerpávací vodní elektrárna Dlouhé Stráně	Křižíkova 233
Postcode and city	341 92 Kašperské Hory	788 11 Kouty nad Desnou	500 03 Hradec Králové
Telephone	840 840 840 376 599 237	602 322 244 585 283 282	492 110 160 725 781 564 725 781 565
Fax			
E-mail	cez@cez.cz	dlouhestrane@k3-sport.cz infocentrum.eds@cez.cz www.dlouhe-strane.cz/cs/objednavka-exkurze	infocentrum.oze@cez.cz
Opening hours	June–September: Sunday and Tuesday–Saturday, tours begin at 9:00 a.m., 11:00 a.m., 1:00 p.m. and 3:00 p.m. May: Wednesday and Saturday only	year round, seven days a week including State holidays: 8:00 a.m. to 3:00 p.m.	seven days a week, 9:00 a.m. to 4:00 p.m.; tours of the Hradec Králové Small-scale Power Station take place on Saturdays, Sundays, and State holidays at 2:00 p.m.
Advance reservation necessary	October–April	yes	power plant tours: Monday–Friday (no advance reservation required for information center)
Name of nearest public transport station/stop	Srní, Čeňkova Pila (bus)	Loučná nad Desnou, Kouty nad Desnou, pošta (bus); Kouty nad Desnou (train)	Zimní stadion (bus, trolleybus)

	Dukovany Nuclear Power Station	Temelín Nuclear Power Station	Ledvice Coal-fired Power Station
Type of exhibition	information center	information center	information center
Operator	ČEZ, a. s.	ČEZ, a. s.	ČEZ Správa majetku, s.r.o.
Street and street number	Jaderná elektrárna Dukovany	Jaderná elektrárna Temelín (Vysoký Hrádek Chateau, next to power station)	Bílina 141
Postcode and city	675 50 Dukovany	373 05 Temelín – elektrárna	418 48 Bílina
Telephone	561 105 519	381 102 639	411 102 313
Fax		381 104 900	
E-mail	infocentrum.edu@cez.cz	infocentrum.ete@cez.cz	infocentrum.ele@cez.cz
Opening hours	year round, seven days a week, including State holidays: 9:00 a.m. to 4:00 p.m.; in July and August extended hours until 5:00 p.m.; closed January 1, Easter Monday, December 24–26, and on the first Monday of each month	year round, seven days a week, including State holidays: 9:00 a.m. to 4:00 p.m.; in July and August extended hours until 5:30 p.m.; closed January 1, December 24–26, December 31	Tuesday–Saturday from 9:00 a.m. to 5:00 p.m.
Advance reservation necessary	no	yes, for groups of more than four persons	yes, for groups of more than 10 persons
Name of nearest public transport station/stop	Dukovany, EDU (bus)	Temelín, Březí u Týna, JE (bus)	Chotějovice (train)

	Sofia Information Center	Nástup Tušimice Mines	Bílina Mines
Type of exhibition	information center, sales office	surface mine	surface mine
Operator	CEZ Elektro Bulgaria AD	Severočeské doly a.s.	Severočeské doly a.s.
Street and street number	ul. Kozloduj 14		Důlní 375/89
Postcode and city	1202 Sofia	432 01 Kadaň	418 29 Bílina
Telephone	0700 10 010 (in Bulgaria)	474 602 956	417 805 012
Fax	+359 2 833 41 64	474 602 957	417 804 002
E-mail	zaklienta@cez.bg	buskova@sdas.cz	bila@sdas.cz
Opening hours	Monday–Friday: 8:00 a.m. to 6:00 p.m.	Monday–Friday: 6:00 a.m. to 2:00 p.m.	Monday–Friday: 6:00 a.m. to 2:00 p.m.
Advance reservation necessary	no	yes	yes
Name of nearest public transport station/stop	Centralna avtogara Sofia (bus)	Tušimice, důl Merkur (bus)	Bílina, aut. nádr. (bus); Bílina (train)

Information for Shareholders and Investors

Financial Calendar	Date
Selected CEZ Group financial figures and figures on ČEZ, a. s. electricity generation (made public in exception to the previously announced financial calendar)	February 24, 2011
CEZ Group audited consolidated financial statements for the year 2010	February 28, 2011
ČEZ, a. s. audited financial statements for the year 2010	February 28, 2011
CEZ Group consolidated financial figures for the year 2010	February 28, 2011
Yearly financial information	
Press conference	
Conference call (in English)	
Year-end financial statements of subsidiaries included in the CEZ Consolidated Group	March 15, 2011
Selected figures of associates and joint-ventures included in the CEZ Consolidated Group	March 15, 2011
Related Parties Report	March 31, 2011
CEZ Group 2010 Annual Report – electronic version in Czech, English, and Polish; Czech version in print	May 2, 2011
CEZ Group 2010 Annual Report – Polish version in print	May 9, 2011
CEZ Group non-audited consolidated financial figures for Q1 2011	May 10, 2011
Interim consolidated financial statements	
Quarterly financial information	
Press conference	
Conference call (in English)	
ČEZ, a. s. non-audited financial figures for Q1 2011	May 10, 2011
Accounting statements	
CEZ Group 2010 Annual Report – English version in print	May 17 2011
Annual General Meeting	June 1, 2011
CEZ Group non-audited consolidated financial figures for H1 2011	August 16, 2011
Interim consolidated financial statements	
Quarterly financial information	
Press conference	
Conference call (in English)	
ČEZ, a. s. non-audited financial figures for H1 2011	August 16, 2011
Accounting statements	
CEZ Group 2011 Half-Year Report	August 31, 2011
CEZ Group non-audited consolidated financial figures for Q1–Q3 2011	November 9, 2011
Interim consolidated financial statements	
Quarterly financial information	
Press conference	
Conference call (in English)	
ČEZ, a. s. non-audited financial figures for Q1–Q3 2011	November 9, 2011
Accounting statements	
CEZ Group audited consolidated financial statements for the year 2011	February 29, 2012
ČEZ, a. s. audited financial statements for the year 2011	February 29, 2012
CEZ Group consolidated financial figures for the year 2011	February 29, 2012
Yearly financial information	
Press conference	
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Glossary of Terms and Abbreviations

Term	Commentary
BL	baseload Supply of electricity 24 hours a day, each day of the year.
CDM	Clean Development Mechanism An agreement within the Kyoto Protocol allowing advanced countries that are obligated to reduce greenhouse gas emissions to invest in reducing emissions in developing countries that do not have such an obligation.
CER	Certified Emission Reductions Emission reductions achieved by implementing CDM projects (Article 12 of the Kyoto Protocol).
EEX Spot	Spot markets within the EEX energy exchange Markets for energy commodities in which the time that elapses between conclusion and settlement of the trade is only a few days. The commodities that can be traded in this way on the EEX exchange are: electricity, natural gas, and emission rights.
EIA	Environmental impact assessment An assessment of how a project will influence the environment.

Term	Commentary
EIB	European Investment Bank A bank owned by European Union Member States, operating with politically stipulated objectives. It provides long-term loans to finance capital projects.
ERU	Emission Reduction Units Emission reductions achieved by implementing JI projects (Article 6 of the Kyoto Protocol).
EU ETS	The EU Emissions Trading System Contains tradable rights to emit greenhouse gases, mandatory in European Union Member States.
EUA	EU emission Allowance An emission right within the EU ETS, granted through the NAP. It represents the right of its owner (a plant operator) to release one ton of CO_2 into the air.
EURELECTRIC	full name: The Union of the Electricity Industry – EURELECTRIC A power industry association. Its members are either power industry associations of individual countries or the largest power companies in the countries. All 27 European Union Member States have full members in the association, as do several other countries.
GPW	Giełda papierów wartościowych w Warszawie SA The Warsaw Stock Exchange.
HV	high voltage
IETA	International Emissions Trading Association A non-profit organization with over 150 members, whose objective is to create a functional international framework for trading in greenhouse gas emission rights.
JI	Joint Implementation A Kyoto mechanism that allows governments and companies in industrialized countries to purchase emission reduction units from projects implemented in other industrialized countries that reduce or otherwise prevent greenhouse gas emissions.
KÁT	kötelező átvételi rendszer A mandatory purchasing system. A mechanism introduced on January 1, 2008 in Hungary, in conjunction with the liberalization of the electricity market, and organized by the company MAVIR. It supports the generation of electricity in combination with heat, in waste incinerators, and from renewables by guaranteeing the price of electricity so generated.
MAVIR Zrt.	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság Hungarian Operator of the Electricity Transmission Grid Limited-Liability Company.
MV	medium voltage
NAP	National Allocation Plan A document stipulating how many CO_2 emission rights will be granted for a given trading period and country, broken down by individual CO_2 producing installations. The first trading period was 2005–2007, the second is 2008–2012, and the third will be 2013–2020.
NPV-at-Risk method	Net-present-value-at-risk. A modern risk management method utilizing the hypothetical net present value of cash flows arising out of a project under consideration, should its future development be different than planned. The NPV deviation is determined with the selected degree of reliability.
OKO	organized short-term trading A blanket term for the intra-day and day-ahead electricity markets organized by OTE, a.s.
photovoltaic power plant	A facility for generating electricity from the sun's rays that reach the Earth.
Web Map Services	A standard used for a service that makes it possible to obtain maps – in the form of images – over the Internet by entering coordinates.
ZIRLO	A trademark owned by Westinghouse Electric Company, Pittsburgh, United States of America

Method Used to Calculate Key CEZ Group Indicators

Indicator	Calculation
Current ratio	Current assets / Current liabilities
Total debt	Long-term debt, net of current portion + Current portion of long-term debt + Short-term loans
Total capital	Equity attributable to equity holders of the parent + Total debt
Net debt	Long-term debt, net of current portion + Short-term loans + Current portion of long-term debt – (Cash and cash equivalents + highly liquid financial assets)
Net debt / EBITDA	Net debt / (Income before income taxes and other expenses/income + Depreciation and amortization)
Dividend per share (gross)	Dividend granted in current year, before tax, on shares outstanding (paid in the year in question, out of previous year's income)
EBIT	Income before income taxes and other expenses/income
EBITDA	Income before income taxes and other expenses/income + Depreciation and amortization
Return on Assets (ROA), net	Net income / Average total assets
Return on Invested Capital (ROIC)	(EBIT + Creation/release of other provisions) * (1 – Corporate income tax rate) / (Average invested capital)
Return on Equity (ROE), net	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent *) Net income / Average equity

*) Definition applies to ČEZ, a. s. if value is different from definition for CEZ Group.
Average value = (Value at end of previous year + Value at end of current year) / 2.

Foreign Currencies

Country	Currency Code	Name	Remark
Republic of Albania	ALL	Leku	
Republic of Bulgaria	BGN	български лев (Lev)	
Kosovo	EUR	Euro	not a member of the Eurozone
Ireland	EUR	Euro	
Japan	JPY	Yen	
Kingdom of the Netherlands	EUR	Euro	
Republic of Poland	PLN	Złoty	
Republic of Bosnia and Herzegovina	BAM	Convertible Mark	1 BAM = 0.51129 EUR Exchange rate is fixed, based on the German mark (DEM)-to-Euro conversion rate.
Romania	RON	Leu	
Russian Federation	RUB	рубль (Ruble)	
Slovak Republic	EUR	Euro	
United States of America	USD	U. S. Dollar	
Federal Republic of Germany	EUR	Euro	
Serbia	RSD	динар (Dinar)	Foreign companies are permitted to state their capital in EUR.
Republic of Turkey	TRY	Türk lirası (Turkish Lira)	
Ukraine	UAH	гривня (Hrivnia)	

Explanation of Units and Abbreviations Used in This Document

Unit	Commentary
Wh	watt-hour; a unit of work
V	volt; a unit of electrical potential (voltage)
W	watt; a unit of power (load)
t	metric ton; a unit of mass
TJ	terajoule; a unit of work (energy)
$J.kg^{-1}$	joules per kilogram; a unit of heat content

CEZ Group Electronic Presentation

CEZ Group presentation and communications through electronic means makes it easier for shareholders and other interested parties to access information about the Group.
Through its website, www.cez.cz, CEZ Group provides a comprehensive information service, including news videos. Information is available there in Czech and English, with some information in German as well. Selected reports are also published in the Polish language. At the international level, CEZ Group presents itself in national languages on websites describing the Group's activities in the country in question and providing a listing of local events and information for customers. These website are: www.cez.al (Albania), www.cez.bg (Bulgaria), www.cez.hu (Hungary), www.cez.ro (Romania), www.cez.sk (Slovakia), and www.cezpolska.pl (Poland). All but the last two provide some information in English as well.

In addition to the above, the following microsites (websites that supplement the primary website) have been launched on various topics:

1) www.cezregionum.cz presents projects in which CEZ Group is engaged in various regions of the Czech Republic. Also includes a list of so-called Orange Playgrounds.
2) www.kdejinde.cz invites visitors to build a career with CEZ Group. It provides information on job vacancies and highlights the advantages of working for CEZ Group.
3) www.futuremotion.cz has grown, with the addition of sub-pages on various topics. As a whole, the site is dedicated to investments in new technologies that, in the future, will enable us to generate, distribute, and consume electricity more efficiently and in a more environmentally friendly manner.

CEZ Group videos can be seen at the address: www.youtube.com/user/SkupinaCEZ.
Our blog (a website with articles and editorials) at the site blog.ihned.cz serves to support communications on various energy-related topics. By the end of 2010, nearly 100,000 blog visitors had read 47 blogs of various CEZ Group authors. CEZ Group also provides a moderated discussion under each entry.

CEZ Group is also active in so-called social networks. Here, we use Facebook in particular, where we operate five pages:

1) www.facebook.com/fandime.elektromobilum, which keeps visitors informed of progress being made in projects relating to the development of electromobility in the Czech Republic
2) www.facebook.com/CEZ.pomahame, where we publish reports on corporate social responsibility projects, donorship, corporate volunteer work, and flood aid
3) www.facebook.com/Pomahame.Regionum, where we publish reports on projects in which CEZ Group is engaged in various regions of the Czech Republic
4) www.facebook.com/PracevCEZu, where we present visitors with opportunities for building a career with CEZ Group, both in the Czech Republic and abroad
5) www.facebook.com/CEZinformacni.centra, which keeps visitors informed on the latest news from the information centers at CEZ Group's power stations.

CEZ Group is also present on the Twitter platform, at the address twitter.com/SkupinaCEZ. This tool is used by CEZ Group mostly to distribute press releases, particularly to people who access the Internet through their cell phones.
2010 saw the publishing of the Corporate Social Responsibility Report for the year 2008 and 2009. It is located on the CEZ Group website at the address www.cez.cz/edee/content/file/odpovedna-firma/csrr-cz.pdf.

CEZ Group also publishes a number of magazines on various topics, the complete editions of which can be found on the Internet:

1) ČEZ Info, a quarterly magazine for corporate customers with news from CEZ Group and the power industry: www.cez.cz/cs/pro-zakazniky/ke-stazeni/magazin-cez-info.html
2) our employee magazine, ČEZ News (11 editions per year), looks in detail at what's going on at CEZ Group: www.cez.cz/cs/pro-media/casopis-cez-news/
3) Dukovany Nuclear Power Station's magazine, entitled *Zpravodaj* (Bulletin), is dedicated to the people living in the vicinity of this power plant: www.cez.cz/cs/vyroba-elektriny/jaderna-energetika/jaderne-elektrarny-cez/edu/informacni-centrum/zpravodaj.html
4) Temelín Nuclear Power Station's magazine, entitled *Temelínky*, informs its readers on the latest activities and news around the plant: www.cez.cz/cs/vyroba-elektriny/jaderna-energetika/jaderne-elektrarny-cez/ete/informacni-centrum/temelinky.html
5) the e-zine (a magazine in electronic form) *Třetí pól*, or Third Pole, popularizes science and technology with an emphasis on the power industry: www.tretipol.cz.
6) www.energiainfo.hu is an information site sponsored by CEZ Group in Hungary. It contains news on energy and the power industry.

For the professional public, we issue Presentations for Investors at the address www.cez.cz/cs/pro-investory/prezentace-pro-investory/ and recordings of the conference calls held on press conference days: www.cez.cz/cs/pro-investory/kalendar-ir-akci.html. In both cases, one must first select a year.

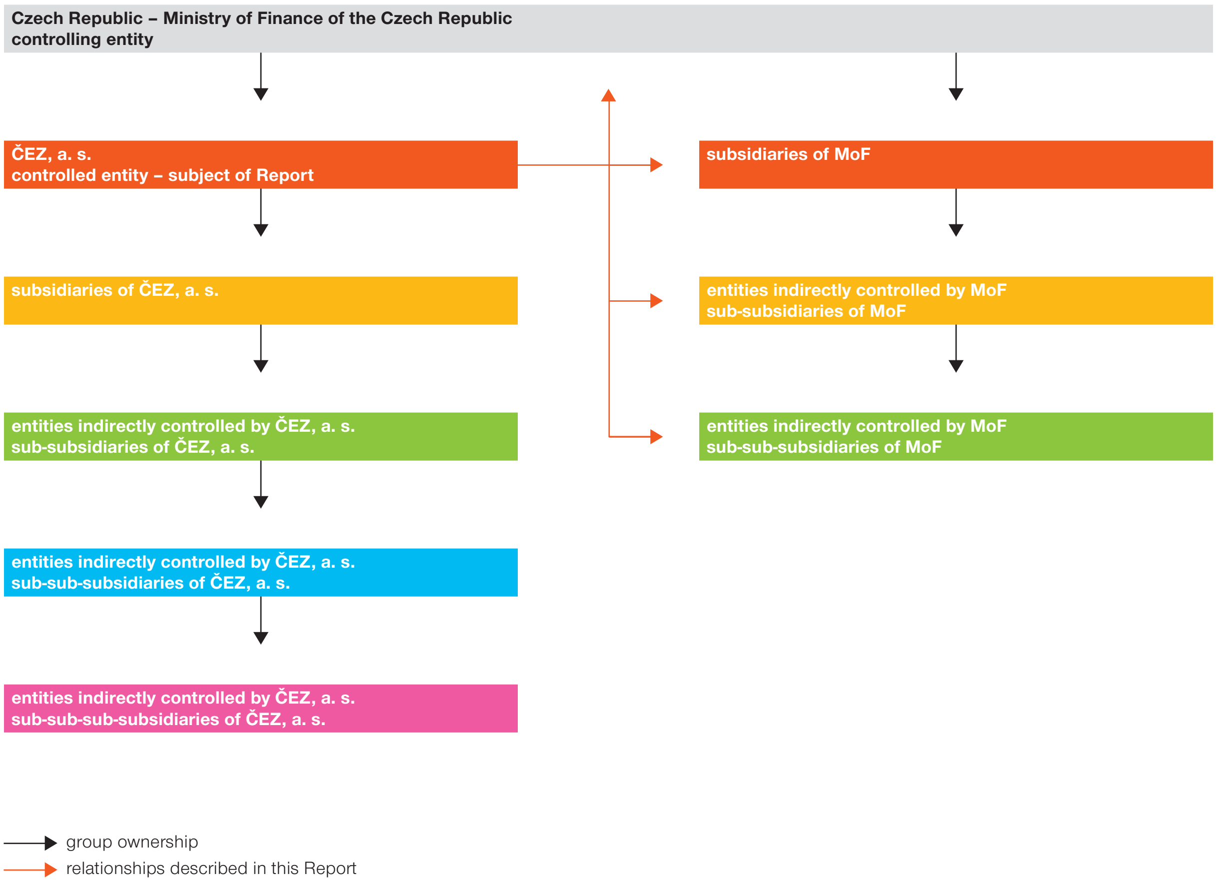
List of Tables and Graphs in the Annual Report

Tables Used	Page
Selected Indicators of CEZ Group in Accordance with IFRS	18
Information on Cash and In-kind Income (Gross Amounts) and on Securities	56
Structure of Shareholders (%)	60
Segment Analysis	74–75
Key Figures of ČEZ, a. s. (IFRS)	77
Borrowings and Their Maturity	79
Individual Results of Fully Consolidated Companies of CEZ Group	80–83
Individual Results of Associates and Joint-ventures	84–85
Fees Charged by External Auditors of Companies of the CEZ Consolidated Group in 2010 (CZK millions)	84
CEZ Group External Auditors	84–85
Capital Expenditure, by Area (CZK millions)	93
Additions to Property, Plant and Equipment and Other Non-current Assets, Including Capitalized Interest (CZK millions)	93
Electricity Procured and Sold (GWh)	94
Electricity Generation, by Source of Energy (GWh)	94
Electricity Sold (GWh)	94–95
List of CEZ Group Power Plants in the Czech Republic	112–114
List of CEZ Group Power Plants in Poland	126
List of CEZ Group Power Plants in Bulgaria	129
List of Power Plants Co-owned by CEZ Group in Turkey	136
MIBRAG Power Plants	139
Shares	148
Per-share Indicators	149
CEZ Group Bonds Outstanding at December 31, 2010	152–153
CEZ Group Consumption, Waste, and Emissions	167
CEZ Group Research and Development Expenditures (CZK millions)	171
Fees Relating to Registration of ČEZ, a. s. Trademarks (CZK ’000)	175
CEZ Group Direct Donations (CZK millions)	183
Contributions by CEZ Group Companies to ČEZ Foundation (CZK millions)	184

Graphs Used	Page
CEZ Group Results of Operations (CZK billions)	19
Net Income Breakdown (CZK billions)	68
Other Expenses and Income (CZK millions)	68
Structure of Assets at December 31 (CZK billions)	69
Structure of Equity and Liabilities at December 31 (CZK billions)	70
Cash Flows (CZK billions)	71
Electricity and Emission Rights	103
Coal, Oil, and Gas	103
Coal Sales, by Customer (millions of tons)	106
Electricity Demand in the Czech Republic (GWh)	110
Comparison of Gross Domestic Product to Electricity Demand in the Czech Republic (index 100% = year 2001)	110
Electricity Generation in the Czech Republic, Gross (GWh)	110
Electricity Generated by CEZ Group in the Czech Republic, Gross (GWh)	111
Electricity Distributed by CEZ Group to End Customers in the Czech Republic (GWh)	120
Electricity Sold to End Customers in the Czech Republic (GWh)	121
Electricity Generated in Poland, Gross (GWh)	125
Electricity Generated in Bulgaria, Gross (GWh)	128
Electricity Distributed to End Customers in Bulgaria (GWh)	130
Electricity Sold to End Customers in Bulgaria (GWh)	130
Electricity Distributed to End Customers in Romania (GWh)	132
Electricity Sold to End Customers in Romania (GWh)	133
Electricity Distributed to End Customers in Albania (GWh)	134
Electricity Sold to End Customers in Albania (GWh)	135
ČEZ, a. s. Share Price in 2010 (%)	148
Maturity Structure of ČEZ, a. s. Financial Debt (debentures and loans) (CZK billions)	154
Work Force Head Count (persons) at December 31, by Location	158
Work Force by Age, at December 31, 2009	158
Work Force by Age, at December 31, 2010	158
Work Force by Highest Level of Education Achieved, at December 31, 2009	159
Work Force by Highest Level of Education Achieved, at December 31, 2010	159
Electricity Generated from Renewable Sources of Energy (GWh)	167
CEZ Group Direct Donations, by Area	184

ČEZ, a. s.
Related Parties Report for the Year 2010

1. Legend



2. Group structure chart

See insert under back cover flap.

3. Controlling entity and compiler of Related Parties Report

Czech Republic – Ministry of Finance – controlling entity	
Name	Ministry of Finance of the Czech Republic
With its seat at	Letenská 525/15, 118 10 Prague 1
ID Number	00006947

ČEZ, a. s. – controlled entity – compiler of the Report	
Company	ČEZ, a. s.
With its seat at	Duhová 2/1444, 140 53 Prague 4
ID Number	45274649

Incorporated in the Commercial Register maintained by Municipal Court in Prague, Part B, insert 1581.

Size of equity interest	As at December 31, 2010, the controlling entity, MoF, owned a 69.37% equity interest in ČEZ, a. s.

In accordance with Section 66a(9) of the Commercial Code, the Related Parties Report covers the period January 1 – December 31, 2010.

4. Alphabetical list of companies – Group members

See insert under back cover flap.

5. Contractual relations

During the period from January 1, 2010 to December 31, 2010, the following agreement was entered into between ČEZ, a. s. and related parties, i.e. between the controlling entity and a controlled entity or between a controlled entity and other entities controlled by the same controlling entity:

ČEPRO, a.s.
Agreement on storage, purchase, and sale of fuel, dated November 6, 2010. The subject matter of this agreement is to secure the storage, stocking, filling, and release of diesel fuel owned by ČEPRO, a.s. in buildings of the Dukovany Nuclear Power Station and Temelín Nuclear Power Station.

The above agreement was entered into at arm's length: the consideration and counter-consideration provided was in line with customary business terms. This business relation did not damage ČEZ, a. s. in any way.

6. Other relations

ČEZ, a. s. did not take any legal actions in the interests of related parties nor did it accept or perform any other measures in the interests of related parties or at their behest.

7. Other information

7.1 Confidentiality

Within the Group, information and facts are considered confidential if they constitute part of a business secret of related parties or if they have been declared confidential by any entity that is part of the Group. Also considered confidential is all commercial information that could be, by itself or in conjunction with other information, injurious to any of the entities constituting the Group.
For this reason, Part 5 of this Report does not contain information on prices or quantities.

7.2 Auditor's review of the Related Parties Report for the Year 2010

This Related Parties Report has been reviewed by the auditor, Ernst & Young Audit, s.r.o., License No. 401. The auditor's statement is given in the 2010 Annual Report of CEZ Group.

7.3 Companies that did not provide information

Despite the use by the compiler of this Report of the best efforts that can be fairly expected of it to obtain the information necessary for inclusion in this Report, the following Group companies failed to provide the requested information:
Teplotechna Praha, a.s.
KONAX a.s. "in liquidation"
Hotelinvest a.s. in bankruptcy
HOLDING KLADNO, a.s. "in liquidation"

8. Conclusion

The compilation of the Related Parties Report was secured by the statutory body of ČEZ, a. s. within the time stipulated by law.
The Related Parties Report was compiled according to the best knowledge and awareness of the compiler and best efforts were used to obtain the documentation from which the information was drawn.
The definition of the Czech Republic's Group was prepared from information provided by the majority shareholder.
The auditor's opinion is given in the 2010 Annual Report of CEZ Group.
The Report was submitted to the Supervisory Board for review. The Supervisory Board will present its opinion at the Company's General Meeting.

Prague, March 24, 2011

Martin Roman
Chairman of the Board of Directors

Daniel Beneš
Vice Chairman of the Board of Directors

Awards Received by CEZ Group in 2010 and 2011 Up to Annual Report Closing Date

Awards Received in 2010

March
- 2nd place in All Stars overall ranking, 1st place in Production and Distribution of Electricity, Water, Gas, and Steam category, and 1st place in City of Prague in the 100 Most Admired Companies in the Czech Republic for the year 2009, announced by the CZECH TOP 100 Association.

May
- ČEZ, a. s. recognized by the Ministry of Finance of the Czech Republic as the biggest corporate income tax contributor to the Czech Republic's state budget in 2009
- award in the 5th annual Czech Public Relations Prize announced by the Association of Public Relations Agencies. CEZ Group took first prize in the category Corporate Social Responsibility and Philanthropy in recognition of its project TIME FOR A GOOD CAUSE – CEZ Group corporate volunteering.

June
- 1st place in the Most Sought-after Company category in the Sodexo Employer of the Year 2010 competition; ČEZ, a. s. won the award based on votes from university students
- 1st place in the overall CZECH TOP 100 ranking for the year 2009 and 1st place in the Top Manufacturing and Commercial Companies category.

October
- ČEZ Zákaznické služby, s.r.o. wins Golden Quality Star in the 2010 International Quality Award competition
- Romanian company CEZ Distributie wins the following awards from Camera de Comerț şi Industrie a Județului Dolj (Dolj County Chamber of Commerce and Industry):
  - 1st place in the ranking of the best companies in generation, transmission, and distribution of electricity for the year 2009
  - award for regularly placing among the best companies in the last five years
  - award among companies with the highest turnover in 2009.

November
- 1st place in the TOP Philanthropist 2010 competition in the biggest corporate donor category; this competition is organized by the Donors Forum civic association, in cooperation with CZECH TOP 100
- 1st place in the "over 250 employees" category in the National Prize of the Czech Republic corporate social responsibility competition
- 1st place overall, 1st place in the Information Value category, 2nd place in the Graphic Design category in the Best Annual Report of the Czech Republic 2009 competition organized by the CZECH TOP 100 Association
- 1st place in the Best Company Magazine for Employees in 2009 category in ranking announced by CZECH TOP 100 Association
- 2nd place in the *Českých 100 nejlepších* ("100 Best Czech") competition organized by Comenius, the pan-European Society for Culture, Education, Scientific & Technical Co-operation
- "exceptional success in Geographical Information System roll-out" award for the Bulgarian company CEZ Razpredelenie Bulgaria AD from the software firm ESRI Bulgaria Ltd.
- ČEZ Zákaznické služby, s.r.o. won 3rd place in the worldwide competition entitled 2010 Top Ranking Performers in the Contact Center Industry. The company reached the global finale from the EMEA (Europe, Middle East, and Africa) regional group, where it succeeded in the categories Best Contact Center, Best Leader, and Best Contact Center Trainer.

Awards Received in 2011

February
- 1st place in the Risk & Energy Commodity Rankings 2011 in the Electricity category, Eastern Europe region. In 2010, ČEZ, a. s. placed 4th.

April
- 2nd place, overall, in All Stars; 1st place in the category "Production and Distribution of Electricity, Water, Gas, and Steam"; and 1st place in the City of Prague in the 100 Most Admired Companies of the Czech Republic 2010 ranking compiled by the CZECH TOP 100 Association.

Contents of the Financial Section

Independent Auditor’s Report	210
Consolidated Financial Statements of CEZ Group in Accordance with IFRS as of 31 December 2010	212
Consolidated Balance Sheet	212
Consolidated Statement of Income	213
Consolidated Statement of Comprehensive Income	214
Consolidated Statement of Changes in Equity	214
Consolidated Statement of Cash Flows	215
Notes to Consolidated Financial Statements	216

Independent Auditor’s Report	264
Financial Statements of ČEZ, a. s. in Accordance with IFRS as of 31 December 2010	266
Balance Sheet	266
Statement of Income	267
Statement of Comprehensive Income	268
Statement of Changes in Equity	268
Statement of Cash Flows	269
Notes to the Financial Statements	270

ERNST & YOUNG

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, 2010, 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and 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 an 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 ČEZ Group as at December 31, 2010, 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

Josef Pivoňka
Auditor, License No. 1963

February 24, 2011
Prague, Czech Republic

CEZ Group
Consolidated Balance Sheet in Accordance with IFRS as of December 31, 2010

(in CZK millions)

ASSETS	2010	2009
Property, plant and equipment		
Plant in service	557,878	509,618
Less accumulated provision for depreciation	(275,302)	(266,377)
Net plant in service (Note 3)	282,576	243,241
Nuclear fuel, at amortized cost	7,005	5,439
Construction work in progress (Note 3)	71,485	80,125
Total property, plant and equipment	361,066	328,805
Other non-current assets		
Investment in associates and joint-ventures	16,928	17,250
Investments and other financial assets, net (Note 4)	52,509	49,423
Intangible assets, net (Note 5)	16,876	18,653
Deferred tax assets (Note 28)	655	824
Total other non-current assets	86,968	86,150
Total non-current assets	448,034	414,955
Current assets		
Cash and cash equivalents (Note 8)	22,163	26,727
Receivables, net (Note 9)	39,623	46,350
Income tax receivable	1,711	997
Materials and supplies, net	5,358	4,959
Fossil fuel stocks	1,800	2,944
Emission rights (Note 10)	2,648	1,212
Other financial assets, net (Note 11)	16,402	29,706
Other current assets (Note 12)	3,394	2,409
Assets classified as held for sale (Note 13)	2,558	–
Total current assets	95,657	115,304
TOTAL ASSETS	543,691	530,259

EQUITY AND LIABILITIES	2010	2009
Equity attributable to equity holders of the parent		
Stated capital	53,799	53,799
Treasury shares	(4,619)	(5,151)
Retained earnings and other reserves	172,431	151,713
Total equity attributable to equity holders of the parent (Note 14)	221,611	200,361
Non-controlling interests	5,440	6,314
Total equity	227,051	206,675
Long-term liabilities		
Long-term debt, net of current portion (Note 15)	140,040	118,921
Accumulated provision for nuclear decommissioning and fuel storage (Note 18)	36,848	37,152
Other long-term liabilities (Note 19)	21,173	21,108
Total long-term liabilities	198,061	177,181
Deferred tax liability (Note 28)	17,902	15,335
Current liabilities		
Short-term loans (Note 20)	9,618	31,257
Current portion of long-term debt (Note 15)	14,786	6,632
Trade and other payables (Note 21)	58,804	76,853
Income tax payable	689	1,359
Accrued liabilities (Note 22)	16,020	14,967
Liabilities directly associated with assets classified as held for sale (Note 13)	760	–
Total current liabilities	100,677	131,068
TOTAL EQUITY AND LIABILITIES	543,691	530,259

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

CEZ Group
Consolidated Statement of Income in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	2010	2009
Revenues		
Sales of electricity	175,277	173,494
Gains and losses from electricity, coal and gas derivative trading, net	5,392	6,894
Heat sales and other revenues	18,179	15,964
Total revenues (Note 23)	198,848	196,352
Operating expenses		
Fuel	(16,946)	(15,805)
Purchased power and related services	(54,353)	(48,170)
Repairs and maintenance	(5,465)	(6,043)
Depreciation and amortization	(24,032)	(22,876)
Salaries and wages (Note 24)	(18,717)	(18,116)
Materials and supplies	(4,844)	(5,272)
Emission rights, net (Note 10)	2,388	305
Other operating expenses (Note 25)	(11,822)	(12,176)
Total expenses	(133,791)	(128,153)
Income before other income (expenses) and income taxes	65,057	68,199
Other income (expenses)		
Interest on debt, net of capitalized interest (Note 2.8)	(3,484)	(3,303)
Interest on nuclear and other provisions (Note 2.24, 18 and 19)	(2,014)	(2,174)
Interest income (Note 26)	2,022	2,499
Foreign exchange rate gains (losses), net	(2,943)	(1,189)
Loss on sale of subsidiaries, associates and joint-ventures	(121)	(2)
Goodwill impairment (Note 5)	(2,826)	(3,263)
Other income (expenses), net (Note 27)	3,111	1,183
Share of profit (loss) from associates and joint-ventures (Note 2.2)	147	2,996
Total other income (expenses)	(6,108)	(3,253)
Income before income taxes	58,949	64,946
Income taxes (Note 28)	(11,791)	(13,091)
Net income	47,158	51,855
Net income attributable to		
Equity holders of the parent	47,232	51,547
Non-controlling interests	(74)	308
Net income per share attributable to equity holders of the parent (CZK per share) (Note 31)		
Basic	88.5	96.7
Diluted	88.5	96.6
Average number of shares outstanding (000s) (Notes 14 and 31)		
Basic	533,811	533,225
Diluted	533,849	533,438

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

CEZ Group Consolidated Statement of Comprehensive Income in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	2010	2009
Net income	47,158	51,855
Other comprehensive income		
Change in fair value of cash flow hedges recognized in equity	9,156	2,719
Cash flow hedges removed from equity	(2,762)	1,643
Change in fair value of available-for-sale financial assets recognized in equity	393	84
Available-for-sale financial assets removed from equity	(29)	17
Translation differences	(3,860)	(2,716)
Share on equity movements of associates and joint-ventures	5	(11)
Deferred tax relating to other comprehensive income (Note 28)	(1,286)	(885)
Other comprehensive income, net of tax	1,617	851
Total comprehensive income, net of tax	48,775	52,706
Total comprehensive income attributable to		
Equity holders of the parent	49,165	53,491
Non-controlling interests	(390)	(785)

CEZ Group Consolidated Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2010

(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, 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
Net income	–	–	–	–	–	47,232	47,232	(74)	47,158
Other comprehensive income	–	–	(3,544)	5,177	295	5	1,933	(316)	1,617
Total comprehensive income	–	–	(3,544)	5,177	295	47,237	49,165	(390)	48,775
Transaction costs related to business combinations (Note 2.3)	–	–	–	–	–	(211)	(211)	–	(211)
Dividends	–	–	–	–	–	(28,256)	(28,256)	(549)	(28,805)
Sale of treasury shares	–	532	–	–	–	(195)	337	–	337
Share options	–	–	–	–	100	–	100	–	100
Transfer of exercised and forfeited share options within equity	–	–	–	–	(97)	97	–	–	–
Acquisition of subsidiaries (Note 6)	–	–	–	–	–	–	–	649	649
Acquisition of non-controlling interests (Note 6)	–	–	–	–	–	115	115	(584)	(469)
December 31, 2010	53,799	(4,619)	(10,193)	3,009	907	178,708	221,611	5,440	227,051

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

CEZ Group
Consolidated Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	2010	2009
OPERATING ACTIVITIES		
Income before income taxes	58,949	64,946
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation, amortization and asset write-offs	26,897	26,171
Amortization of nuclear fuel	3,705	2,778
Gain on fixed asset retirements, net	(89)	(112)
Foreign exchange rate losses (gains), net	2,943	1,189
Interest expense, interest income and dividend income, net	1,079	763
Provision for nuclear decommissioning and fuel storage	(1,291)	282
Valuation allowances, other provisions and other adjustments	281	5,111
Share of (profit) loss from associates and joint-ventures	(147)	(2,996)
Changes in assets and liabilities		
Receivables	561	(3,940)
Materials and supplies	(451)	(141)
Fossil fuel stocks	1,100	(14)
Other current assets	11,995	29,870
Trade and other payables	(15,254)	(19,825)
Accrued liabilities	(201)	73
Cash generated from operations	90,077	104,155
Income taxes paid	(11,944)	(16,522)
Interest paid, net of capitalized interest	(2,618)	(1,947)
Interest received	1,268	1,627
Dividends received	382	41
Net cash provided by operating activities	77,165	87,354
INVESTING ACTIVITIES		
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired (Note 6)	(7,962)	(25,152)
Proceeds (refunds) from disposal of subsidiaries and associates, net of cash disposed of	(16)	1,270
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.9)	(63,018)	(70,791)
Proceeds from sale of fixed assets	1,979	2,555
Loans made	(856)	(9,557)
Repayment of loans	5,808	3,484
Change in decommissioning and other restricted funds	(1,519)	(831)
Total cash used in investing activities	(65,584)	(99,022)
FINANCING ACTIVITIES		
Proceeds from borrowings	192,551	298,990
Payments of borrowings	(179,218)	(250,072)
Proceeds from other long-term liabilities	97	72
Payments of other long-term liabilities	(576)	(345)
Dividends paid to Company's shareholders	(28,234)	(26,545)
Dividends paid to non-controlling interests	(549)	(16)
Sale of treasury shares	337	146
Total cash provided by (used in) financing activities	(15,592)	22,230
Net effect of currency translation in cash	(530)	(1,138)
Net increase (decrease) in cash and cash equivalents	(4,541)	9,424
Cash and cash equivalents at beginning of period	26,727	17,303
Cash and cash equivalents at end of period (Note 8)	22,186	26,727
Supplementary cash flow information		
Total cash paid for interest	5,321	4,028

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

CEZ Group
Notes to Consolidated Financial Statements as of December 31, 2010

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech Republic joint-stock company, owned 69.8% (70.3% of voting rights) at December 31, 2010 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 2010 produced approximately 72% of the electricity and a portion of the district heating in the Czech Republic. In the Czech Republic the Company operates fifteen fossil fuel plants, sixteen hydroelectric plants and two nuclear plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, biomass, black oil, gas) in the Czech Republic, two fossil fuel plants and one hydroelectric plant in Poland, one fossil fuel plant in Bulgaria and a wind farm in Romania. 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 32,937 and 30,768 in 2010 and 2009, 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).

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

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.

Business combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("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.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred since January 1, 2010 are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations prior to January 1, 2010

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 other comprehensive income. 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, 2010:

- IFRS 3 Business Combinations (Revised)
- IAS 27 Consolidated and Separate Financial Statements (Amended)
- IFRIC 12 Service Concession Arrangements
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
- IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)
- Improvements to IFRSs (April 2009)

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

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

The Group adopted 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 impact the amount of goodwill recognized, the reported results in the period when 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.

As a result of the adoption of these revised standards the Group charged the transaction costs accumulated until December 31, 2009 related to ongoing acquisitions directly to retained earnings as of January 1, 2010.

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 interpretation had no effect on the financial position nor performance of the Group.

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.

Improvements to IFRSs

In April 2009, the IASB issued omnibus of 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 relevant for the Group resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in April 2009

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures.
- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets, the Group has continued to disclose this information in Note 30.
- IAS 36 Impairment of Assets: clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

All other standards and interpretations whose application was mandatory for the period beginning on or after January 1, 2010 have no material impact on the Group's consolidated financial statements.

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, 2011 or later. Standards and interpretations most relevant to the Group's activities are detailed below:

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 and liabilities that must be applied starting January 1, 2013. According to IFRS 9 all financial assets and liabilities 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. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The requirements related to the fair value option for financial liabilities were changed to address own credit risk. As a result, the changes in liability's credit risk will not affect profit or loss unless the liability is held for trading. In subsequent phases, the IASB will address impairment, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosure

The amendments to IAS 24 Related Party Disclosures become effective for financial years beginning on or after January 1, 2011 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 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. The amendment is effective for annual periods beginning on or after February 1, 2010. 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.

IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets)
In October 2010, IASB issued an amendment to IFRS 7, which changes the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. The Group does not expect that the amendment will have an impact on the financial position or performance of the Group.

In May 2010 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 provided to third parties 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 3,705 million and CZK 2,778 million for the years ended December 31, 2010 and 2009, 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 18). Such charges amounted to CZK 468 million and CZK 272 million in 2010 and 2009, 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 3,034 million and CZK 2,081 million and the interest capitalization rate was 4.2% and 4.8% in 2010 and 2009, 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 useful lives used for property, plant and equipment are as follows:

	Useful lives (years)
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 22,817 million and CZK 21,677 million for the years ended December 31, 2010 and 2009, 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, 2010 and 2009 capitalized costs at net book value amounted to CZK 114 million and CZK 300 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 (for goodwill see Note 2.12) 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. Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed (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.

2.13. 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 2010 and 2009 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 (except for emission rights for trading). 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.

2.14. 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, and whose fair value cannot be reliably measured, 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 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, 2010 and 2009 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, 2010 and 2009 the provision for obsolescence amounted to CZK 538 million and CZK 447 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 19% and 20% for the years ended December 31, 2010 and 2009, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2011 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 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 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, 2010 and 2009 the estimate for the effect of inflation is 2.0%.

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 timing and/or amount of cash flows required to settle the obligation or from 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 19). 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, 2010 and 2009 the estimate for the effect of inflation is 2.0%.

Changes in a decommissioning liability that result from a change in the current best estimate of timing and/or amount of cash flows required to settle the obligation or from 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 dependent 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 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 2010 and 2009 the expense recognized in respect of the share option plan amounted to CZK 100 million and CZK 110 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 other comprehensive income. 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.

Exchange rates used as at December 31, 2010 and 2009 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2010	2009
CZK per 1 EUR	25.060	26.465
CZK per 1 USD	18.751	18.368
CZK per 1 PLN	6.308	6.448
CZK per 1 BGN	12.813	13.532
CZK per 1 RON	5.869	6.247
CZK per 100 JPY	23.058	19.875
CZK per 1 TRY	12.105	12.277
CZK per 100 ALL	18.108	19.292

2.31. Non-current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

Net plant in service at December 31, 2010 and 2009 is as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2010	Total 2009
Cost at January 1	193,343	311,126	5,149	509,618	488,956
Plant additions	20,226	41,360	611	62,197	22,292
Disposals	(1,748)	(2,997)	(11)	(4,756)	(8,198)
Reclassification to assets classified as held for sale	(3,849)	(7,167)	(38)	(11,054)	–
Acquisition of subsidiaries	1,423	2,636	75	4,134	5,899
Change in capitalized part of provisions	(270)	519	382	631	2,230
Reclassification and other	212	(224)	1	(11)	6
Currency translation differences	(1,468)	(1,371)	(42)	(2,881)	(1,567)
Cost at December 31	207,869	343,882	6,127	557,878	509,618
Accumulated depreciation and impairment at January 1	(82,786)	(182,783)	(808)	(266,377)	(252,330)
Depreciation	(5,574)	(17,231)	(12)	(22,817)	(21,677)
Net book value of assets disposed	(277)	(70)	(3)	(350)	(848)
Disposals	1,748	2,997	7	4,752	8,198
Reclassification to assets classified as held for sale	2,633	6,354	–	8,987	–
Reclassification and other	(151)	109	8	(34)	(9)
Impairment losses recognized	(197)	(11)	(7)	(215)	(163)
Impairment losses reversed	160	21	7	188	208
Currency translation differences	266	296	2	564	244
Accumulated depreciation and impairment at December 31	(84,178)	(190,318)	(806)	(275,302)	(266,377)
Net plant in service at December 31	123,691	153,564	5,321	282,576	243,241

At December 31, 2010 and 2009, plant and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2010	2009
Cost	19,188	18,669
Accumulated depreciation	(6,037)	(5,666)
Total net book value	13,151	13,003

Group's plant in service pledged as security for liabilities at December 31, 2010 and 2009 is CZK 349 million and CZK 329 million, respectively.

In August 2008 the Group acquired a project in Romania to develop and operate two wind power farms. The total consideration amounts to EUR 220,458 thousand. As at December 31, 2010 and 2009 construction work in progress includes CZK 3,149 million and CZK 18,979 million, respectively, related to this project.

In addition, most of the remaining balance of construction work in progress relates to refurbishments performed on Ledvice, Tušimice, Prunéřov, Počerady, Dukovany and Temelín 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, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Restricted debt securities available-for-sale	9,639	9,205
Restricted debt securities held to maturity	17	–
Restricted cash	2,309	1,200
Total restricted financial assets	11,965	10,405
Financial assets in progress, net	902	223
Debt securities held-to-maturity	109	110
Debt securities available-for-sale	3,999	4,408
Equity securities available-for-sale	327	644
Investment in Dalkia	3,166	–
Investment in Pražská teplárenská	11,963	12,923
Derivatives	1,653	344
Investment in MOL	16,250	17,695
Other long-term receivables, net	2,175	2,671
Total	52,509	49,423

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

In 2010 CEZ Group acquired 15% equity interest in Dalkia Česká republika, a.s. The investment is classified as available-for-sale.

In 2009 CEZ Group agreed with J&T Group and paid for the equity interest of 49% in Pražská teplárenská (Prague's major heat supplier). Currently the Group does not exercise any significant influence and therefore the investment is classified as available-for-sale.

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 21).

Movements in impairment provisions (in CZK millions)

	2010		2009	
	Available-for-sale financial assets	Long-term receivables	Available-for-sale financial assets	Long-term receivables
Opening balance	53	–	78	27
Additions	1	–	5	28
Reversals	(11)	–	(30)	(55)
Closing balance	43	–	53	–

Debt instruments at December 31, 2010 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	299	–	1,068	1,367
Due in 2–3 years	141	–	483	624
Due in 3–4 years	16,257	–	49	16,306
Due in 4–5 years	10	–	422	432
Due in more than 5 years	1,718	109	1,977	3,804
Total	18,425	109	3,999	22,533

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, 2010 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%	370	–	237	607
From 2.0% to 3.0%	114	–	458	572
From 3.0% to 4.0%	–	–	226	226
From 4.0% to 5.0%	–	109	2,971	3,080
From 5.0% to 6.0%	16,250	–	107	16,357
Over 6.0%	1,691	–	–	1,691
Total	18,425	109	3,999	22,533

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

The following table analyses the debt instruments at December 31, 2010 by currency (in CZK millions)

	CZK	EUR	PLN	USD	Total
Long-term receivables	328	18,095	1	1	18,425
Debt securities held-to-maturity	109	–	–	–	109
Debt securities available-for-sale	3,999	–	–	–	3,999
Total	4,436	18,095	1	1	22,533

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

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2010 and 2009 are as follows (in CZK millions)

	Software	Rights and Other	Goodwill	Total 2010	Total 2009
Cost at January 1	8,397	5,295	11,637	25,329	23,701
Additions	1,034	296	46	1,376	983
Disposals	(221)	–	–	(221)	(163)
Reclassification to assets classified as held for sale	(13)	(1)	–	(14)	–
Acquisition of subsidiaries and non-controlling interests	3	–	1,579	1,582	4,336
Disposal of subsidiaries	–	–	–	–	(3)
Impairment of goodwill	–	–	(2,826)	(2,826)	(3,263)
Reclassification and other	(12)	9	–	(3)	–
Currency translation differences	(5)	(125)	(557)	(687)	(262)
Cost at December 31	9,183	5,474	9,879	24,536	25,329
Accumulated amortization and impairment at January 1	(5,981)	(2,040)	–	(8,021)	(6,998)
Amortization charge for the year	(902)	(313)	–	(1,215)	(1,199)
Net book value of assets disposed	(3)	(3)	–	(6)	(2)
Disposals	221	–	–	221	163
Reclassification to assets classified as held for sale	13	1	–	14	–
Reclassification and other	10	(10)	–	–	2
Impairment losses reversed	2	–	–	2	–
Currency translation differences	4	43	–	47	13
Accumulated amortization and impairment at December 31	(6,636)	(2,322)	–	(8,958)	(8,021)
Net intangible assets at December 31	2,547	3,152	9,879	15,578	17,308

At December 31, 2010 and 2009, intangible assets presented in the balance sheet include intangible assets in progress in the amount of CZK 1,298 million and CZK 1,345 million, respectively.

At December 31, 2010, goodwill was allocated to the respective operating segments based on the classification of the related subsidiaries (see Note 30).

Impairment testing of goodwill

At December 31, 2010 and 2009 goodwill was allocated to the following cash-generating units for the purpose of impairment testing (in CZK millions):

	2010	2009
Bulgarian distribution	–	1,057
Romanian distribution and sale	3,360	3,542
TEC Varna	–	1,936
Polish power plants (ELCHO, Skawina)	1,151	1,265
Czech distribution and sale	2,182	2,182
Energetické centrum	507	504
ČEZ Teplárenská	679	679
Albanian distribution	284	303
Teplárna Trmice	1,579	–
Other	137	169
Total carrying amount of goodwill	9,879	11,637

The Group performed impairment tests of goodwill and as a result of these tests in 2010 the Group recognized the total impairment loss of CZK 2,826 million for the Bulgarian distribution and TEC Varna. This impairment of goodwill was mainly a result of worsened electricity market conditions and setting of the prices by electricity regulator in Bulgaria.

In 2009 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 23).

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 7.3% for distribution and 9.2% for Varna power plant. No growth rate is considered for cash flows of the Bulgarian distribution beyond the five-year period. The calculation did not include any cash flows for Varna power plant beyond 2015. 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 rate of 7.6%. 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. The calculation did not include any cash flows for Skawina power plant beyond 2015. 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, ČEZ Teplárenská, Teplárna Trmice and Energetické centrum. Those cash flow projections are also based on financial budgets approved by management covering a five-year period and discount rate of 7.6% for ČEZ Teplárenská, Teplárna Trmice and Energetické centrum and 5.8% for Czech distribution and sale. No growth rate is considered for cash flows beyond the five-year period except for cash-flows of Teplárna Trmice and Energetické centrum which 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 5.9%. No growth rate is considered for cash flows beyond the five-year period. 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 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 2010

In May 2010, the Group acquired an 85% interest in Teplárna Trmice, a.s., whose business is the production and sale of heat and electricity. As part of this business combination the Group also gained control over Tepelné hospodářství města Ústí nad Labem s.r.o. (together "Teplárna Trmice").

As the fair values of identifiable assets acquired and liabilities assumed have not yet been determined, the Group provisionally recognized assets acquired and liabilities assumed using book values as the best estimate of fair values. The book values of identifiable assets acquired and liabilities assumed as of the date of acquisition are as follows (in CZK millions):

	Teplárna Trmice
Share acquired in 2010	85%
Property, plant and equipment	4,160
Other non-current assets	47
Cash and cash equivalents	298
Receivables, net	209
Income tax receivable	1
Materials and supplies, net	42
Fossil fuel stocks	26
Other current assets	371
Non-controlling interests	(66)
Long-term debt, net of current portion	(27)
Other long-term liabilities	(2)
Deferred tax liability	(520)
Trade and other payables	(413)
Income tax payable	(35)
Accrued liabilities	(204)
Total net assets	3,887
Share of net assets acquired	3,304
Goodwill	1,579
Total purchase consideration	4,883
Less	
Cash and cash equivalents in the subsidiary acquired	(298)
Consideration paid in previous periods	(38)
Cash outflow on acquisition of the subsidiary	4,547

From the date of acquisition, the newly acquired subsidiaries have contributed the following balances to the Group's income statement for the year 2010 (in CZK millions):

	Teplárna Trmice
Revenues	725
Income before other income (expense) and income taxes	299
Net income	178

If the combination had taken place at the beginning of the year, the profit for CEZ Group would have been CZK 47,322 million and revenues from continuing operation would have been CZK 199,506 million. The provisional amount of goodwill recognized as a result of the business combination comprises the fair value of expected synergies arising from the acquisition.

Acquisitions of non-controlling interests from third parties in 2010

In July 2010 the Group increased its capital share in CEZ Servicii S.A. from 63% to 100%. In August 2010 the capital share of the Group in Elektrociepłownia Chorzów ELCHO sp. z o.o. was increased from 75.20% to 100%, whereas the share on profit was increased from 88.82% to 100%.

The following table summarizes the critical terms of these transactions (in CZK millions):

	CEZ Servicii	ELCHO
Share of net assets acquired	17	567
Amount directly recognized in equity	3	(118)
Total purchase consideration	20	449

The following table summarizes the cash outflows on acquisitions in 2010 (in CZK millions):

Cash outflows on acquisition of the subsidiary	4,845
Additional cash outflows for acquisitions made in previous periods	46
Cash outflows paid on acquisitions in progress	902
Cash outflows on acquisitions of non-controlling interests	469
Cash contribution to joint-venture and associate	1,904
Change in payables from acquisitions	94
Less cash acquired	(298)
Total cash outflows on acquisitions in 2010	7,962

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 Shpërndarjes 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 income (expense) 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

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	% equity interest		% voting interest	
	of incorporation	2010	2009	2010	2009
3 L invest a.s.	Czech Republic	100.00%	–	100.00%	–
AREA-GROUP CL a.s.	Czech Republic	100.00%	–	100.00%	–
Bioplyn technologie s.r.o.	Czech Republic	100.00%	–	100.00%	–
Bohemian Development, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Centrum výzkumu Řež s.r.o.	Czech Republic	52.46%	–	100.00%	–
CEZ Albania Sh.A.	Albania	100.00%	100.00%	100.00%	100.00%
CEZ Bosna i Hercegovina d.o.o.	Bosnia and Herzegovina	100.00%	100.00%	100.00%	100.00%
CEZ Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Ciepło Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Deutschland GmbH	Germany	100.00%	100.00%	100.00%	100.00%
CEZ Distributie S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Elektro Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Elektroproizvodstvo Bulgaria AD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ FINANCE B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Finance Ireland Ltd.	Ireland	100.00%	100.00%	100.00%	100.00%
CEZ Hungary Ltd.	Hungary	100.00%	100.00%	100.00%	100.00%
CEZ Chorzow B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ International Finance B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Laboratories Bulgaria EOOD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ MH B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Nowa Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Poland Distribution B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Produkty Energetyczne Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Razpredelenie Bulgaria AD	Bulgaria	67.00%	67.00%	67.00%	67.00%
CEZ Romania S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ RUS OOO	Russia	100.00%	100.00%	100.00%	100.00%
CEZ Servicii S.A.	Romania	100.00%	63.00%	100.00%	63.00%
CEZ Shpërndarje Sh.A. [1]	Albania	76.00%	76.00%	76.00%	76.00%
CEZ Silesia B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%
CEZ Slovensko, s.r.o.	Slovakia	100.00%	100.00%	100.00%	100.00%
CEZ Srbija d.o.o.	Serbia	100.00%	100.00%	100.00%	100.00%
CEZ Trade Albania Sh.P.K.	Albania	100.00%	100.00%	100.00%	100.00%
CEZ Trade Bulgaria EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
CEZ Trade Polska sp. z o.o.	Poland	100.00%	100.00%	100.00%	100.00%
CEZ Trade Romania S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
CEZ Ukraine CJSC	Ukraine	100.00%	100.00%	100.00%	100.00%
CEZ Vanzare S.A.	Romania	100.00%	100.00%	100.00%	100.00%
CZECH HEAT a.s. [2]	Czech Republic	–	100.00%	–	100.00%
CZ INVEST - PLUS, a.s. [3]	Czech Republic	–	100.00%	–	100.00%
ČEZ Bohunice a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuce, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Distribuční zařízení, a.s. [4]	Czech Republic	–	100.00%	–	100.00%
ČEZ Energetické produkty, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Energetické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ ENERGOSERVIS spol. s r.o.	Czech Republic	100.00%	–	100.00%	–
ČEZ ICT Services, a. s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Logistika, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Měření, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Prodej, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Správa majetku, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Teplárenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ČEZ Zákaznické služby, s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
DOMICA FPI s.r.o.	Czech Republic	100.00%	–	100.00%	–
EDICOLLA a.s. [3]	Czech Republic	–	100.00%	–	100.00%
eEnergy Hodonín a.s.	Czech Republic	100.00%	–	100.00%	–
eEnergy Ralsko a.s.	Czech Republic	100.00%	–	100.00%	–
eEnergy Ralsko - Kuřívody a.s.	Czech Republic	100.00%	–	100.00%	–
Elektra Žabčice a.s. [3]	Czech Republic	–	100.00%	–	100.00%
Elektrárna Chvaletice a.s.	Czech Republic	100.00%	–	100.00%	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	Poland	100.00%	88.82%	100.00%	75.20%
Elektrownia Skawina S.A.	Poland	100.00%	100.00%	100.00%	100.00%
Energetické centrum s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%

Subsidiaries	Country of incorporation	% equity interest 2010	% equity interest 2009	% voting interest 2010	% voting interest 2009
FVE Buštěhrad a.s.	Czech Republic	100.00%	–	100.00%	–
FVE Vranovská Ves a.s.	Czech Republic	100.00%	–	100.00%	–
GENTLEY a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
KEFARIUM,a.s.	Czech Republic	100.00%	–	100.00%	–
MALLA, a.s. [3]	Czech Republic	–	100.00%	–	100.00%
MARTIA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
M.W. Team Invest S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
NERS d.o.o.	Bosnia and Herzegovina	51.00%	51.00%	51.00%	51.00%
New Kosovo Energy L.L.C.	Kosovo	100.00%	100.00%	100.00%	100.00%
Ovidiu Development S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
PPC Úžín, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
PRODECO, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - 1.strojírenská, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Autodoprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - Kolejová doprava, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
SD - KOMES, a.s.	Czech Republic	92.65%	92.65%	92.65%	92.65%
SD - Rekultivace, a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Severočeské doly a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA a.s.	Czech Republic	100.00%	100.00%	100.00%	100.00%
ŠKODA PRAHA Invest s.r.o.	Czech Republic	100.00%	100.00%	100.00%	100.00%
Š-BET s.r.o. [3]	Czech Republic	–	100.00%	–	100.00%
Taidana Limited	Cyprus	100.00%	–	100.00%	–
TEC Varna EAD	Bulgaria	100.00%	100.00%	100.00%	100.00%
Tepelné hospodářství města Ústí nad Labem s.r.o.	Czech Republic	52.89%	–	55.83%	–
Teplárna Trmice, a.s.	Czech Republic	85.00%	–	85.00%	–
TEPLEX s.r.o. [5]	Czech Republic	–	100.00%	–	100.00%
Tomis Team S.R.L.	Romania	100.00%	100.00%	100.00%	100.00%
Ústav jaderného výzkumu Řež a.s.	Czech Republic	52.46%	52.46%	52.46%	52.46%

Associates and joint-ventures	Country of incorporation	% equity interest 2010	% equity interest 2009	% voting interest 2010	% voting interest 2009
Akcez Enerji A.S.	Turkey	44.31%	44.31%	50.00%	50.00%
Aken B.V.	Netherlands	37.36%	37.36%	50.00%	50.00%
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	37.36%	–	50.00%	–
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	Turkey	33.63%	33.63%	45.00%	45.00%
Akenerji Elektrik Üretim A.S.	Turkey	37.36%	37.36%	37.36%	37.36%
Akka Elektrik Üretim A.S.	Turkey	33.63%	33.63%	45.00%	45.00%
Akkur Enerji Üretim A.S.	Turkey	36.99%	36.99%	49.50%	49.50%
AK-EL Yalova Elektrik Üretim A.S.	Turkey	33.65%	33.65%	45.54%	45.54%
CM European Power International B.V.	Netherlands	50.00%	50.00%	50.00%	50.00%
CM European Power International s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
CM European Power Slovakia s.r.o.	Slovakia	50.00%	50.00%	50.00%	50.00%
Egemer Elektrik Üretim A.S.	Turkey	37.36%	36.99%	50.00%	49.50%
Energonuclear S.A. [6]	Romania	–	9.15%	–	9.15%
Ickale Enerji Elektrik Üretim ve Ticaret A.S.	Turkey	37.36%	–	50.00%	–
Jadrová energetická spoločnosť Slovenska, a. s.	Slovakia	49.00%	49.00%	50.00%	50.00%
JESS Invest, s. r. o.	Slovakia	49.00%	–	50.00%	–
JTSD - Braunkohlebergbau GmbH [7]	Germany	50.00%	50.00%	50.00%	50.00%
LOMY MOŘINA spol. s r.o.	Czech Republic	51.05%	51.05%	50.00%	50.00%
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	Turkey	36.99%	36.99%	49.50%	49.50%
Mibrag B.V. [8]	Netherlands	–	50.00%	–	50.00%
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	50.00%	50.00%	50.00%	50.00%
MOL - CEZ European Power Hungary Ltd.	Hungary	50.00%	50.00%	50.00%	50.00%
Sakarya Elektrik Dagitim A.S.	Turkey	44.31%	44.31%	50.00%	50.00%

The equity interest represents effective ownership interest of the Group.
[1] The former company name Operatori i Sistemit te Shpërndarjes Sh.A. was changed to CEZ Shpërndarje Sh.A. in September 2010.
[2] CZECH HEAT a.s. merged with the succession company Energetické centrum s.r.o. with the effective date of January 1, 2010.
[3] These companies merged with the succession company ČEZ Obnovitelné zdroje, s.r.o. with the effective date of January 1, 2010.
[4] ČEZ Distribuční zařízení, a.s. merged with ČEZ Distribuce, a. s. with the effective date of January 1, 2010.
[5] TEPLEX s.r.o. merged with the succession company ČEZ Teplárenská, a.s. with the effective date of January 1, 2010.
[6] The Group exercised significant influence in the entity and therefore the entity was classified as an associate. The share in the entity was sold in December 2010.
[7] Financial information for JTSD – Braunkohlebergbau GmbH is included below as part of the financial information for Mitteldeutsche Braunkohlengesellschaft mbH.
[8] On January 26, 2010, Mibrag B.V. merged with the succession company JTSD – Braunkohlebergbau GmbH.

The following table illustrates summarized financial information of joint-ventures for the year ended December 31, 2010 (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.	192	11,661	6,205	–	–	(501)	(501)
Aken B.V.	28	–	1	–	–	–	–
Akenerji Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S.	475	1	432	–	458	(453)	5
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	909	17	746	–	3,464	(3,353)	111
Akenerji Elektrik Üretim A.S.	6,329	14,282	4,814	6,232	4,269	(4,388)	(119)
Akka Elektrik Üretim A.S.	3	14	18	–	–	–	–
Akkur Enerji Üretim A.S.	851	4,842	3,402	1,898	20	(131)	(111)
AK-EL Yalova Elektrik Üretim A.S.	149	2	–	–	–	(6)	(6)
CM European Power International B.V.	861	1,013	2	–	33	–	33
CM European Power International s.r.o.	56	131	40	–	–	(25)	(25)
CM European Power Slovakia s.r.o.	1,866	1,448	1,106	811	3,365	(3,134)	231
Egemer Elektrik Üretim A.S.	1,444	1,055	836	–	12	–	12
Ickale Enerji Elektrik Üretim ve Ticaret A.S.	584	53	10	–	15	–	15
Jadrová energetická spoločnosť Slovenska, a. s.	2,771	3,120	25	–	40	(139)	(99)
JESS Invest, s. r. o.	100	–	2	–	–	(3)	(3)
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.S.	684	1,277	1,024	739	9	(82)	(73)
Mitteldeutsche Braunkohlengesellschaft mbH [1)]	2,757	19,743	2,136	13,757	10,531	(10,101)	430
MOL - CEZ European Power Hungary Ltd.	192	337	259	–	29	(2)	27
Sakarya Elektrik Dagitim A.S.	3,729	1,137	1,965	1,118	17,450	(16,632)	818
Total	23,980	60,133	23,023	24,555	39,695	(38,950)	745

[1)] Financial information for Mitteldeutsche Braunkohlengesellschaft mbH includes also the financial information for JTSD - Braunkohlebergbau GmbH.

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	Revenues	Expenses	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 Braunkohlengesellschaft 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 associates are not listed on any public exchange. The following table illustrates summarized financial information of an associate for the year ended December 31, 2010 (in CZK millions):

	Total assets	Total liabilities	Equity	Revenues	Net income
LOMY MOŘINA spol. s r.o.	412	47	365	206	(1)

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)

8. Cash and Cash Equivalents

The composition of cash and cash equivalents at December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
Cash on hand and current accounts with banks	5,513	6,420
Short-term bank notes	1,824	1,371
Term deposits	14,826	18,936
Total	22,163	26,727

At December 31, 2010 and 2009, cash and cash equivalents included foreign currency deposits of CZK 12,523 million and CZK 20,375 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2010 and 2009 was 2.1% and 1.8%, respectively. For the years 2010 and 2009 the weighted average interest rate was 1.1% and 3.4%, respectively.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2010 and 2009 (in CZK millions):

	2010	2009
Cash and cash equivalents as a separate line in the balance sheet	22,163	26,727
Cash and cash equivalents attributable to assets classified as held for sale (Note 13)	23	–
Total	22,186	26,727

9. Receivables, Net

The composition of receivables, net, at December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
Unbilled electricity supplied to retail customers	7,636	1,520
Received advances from retail customers	(6,414)	(781)
Unbilled supplies to retail customers, net	1,222	739
Trade receivables	42,467	42,695
Taxes and fees, excluding income taxes	3,224	2,860
Other receivables	4,848	10,229
Allowance for doubtful receivables	(12,138)	(10,173)
Total	39,623	46,350

The information about receivables from related parties is included in Note 29.

At December 31, 2010 and 2009, the ageing analysis of receivables, net is as follows (in CZK millions)

	2010	2009
Not past due	37,370	43,343
Past due but not impaired [1]		
Less than 3 months	1,421	1,764
3–6 months	491	823
6–12 months	236	357
more than 12 months	105	63
Total	39,623	46,350

[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)

	2010	2009
Opening balance	10,173	3,724
Additions	4,186	5,179
Reversals	(1,773)	(1,739)
Acquisition of subsidiaries	89	3,280
Currency translation differences	(537)	(271)
Closing balance	12,138	10,173

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 2010 and 2009 (in CZK millions):

	2010		2009	
	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	38,659	869	41,751	1,274
Emission rights granted	41,831	–	42,494	–
Emission rights acquired in business combinations	1,125	–	22	27
Settlement of prior year actual emissions	(37,319)	(46)	(40,408)	–
Emission rights purchased	2,585	1,267	794	392
Emission rights sold	(6,300)	–	(4,066)	(7)
Emission credits purchased	26	12	929	332
Emission credits sold	(6)	(2)	(2,857)	(1,155)
Reclassified to emission credits held for trading	(467)	(163)	–	–
Reclassified to assets classified as held for sale	(3,394)	(241)	–	–
Currency translation differences	–	(2)	–	6
Granted and purchased emission rights and credits at December 31	**36,740**	**1,694**	**38,659**	**869**
Emission rights and credits held for trading				
Emission rights and credits for trading at January 1	–	–	–	–
Emission rights purchased	8,231	3,019	45,025	18,284
Emission rights sold	(8,231)	(3,021)	(45,025)	(18,292)
Emission credits purchased	2,313	933	3,967	1,484
Emission credits sold	(1,210)	(466)	(3,967)	(1,484)
Reclassified from emission credits for own use	467	163	–	–
Fair value adjustment	–	(156)	–	8
Emission rights and credits held for trading at December 31	**1,570**	**472**	**–**	**–**

During 2010 and 2009 total emissions of greenhouse gases made by the Group companies amounted to an equivalent of 39,257 thousand tons and 37,319 thousand tons of CO_2, respectively. At December 31, 2010 and 2009 the Group recognized a provision for CO_2 emissions in total amount of CZK 2,198 million and CZK 1,077 million, respectively (see Note 2.13).

At December 31, 2010 and 2009 the balance of emission rights presented in the balance sheet includes also green and similar certificates in total amount CZK 482 million and CZK 343 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, 2010 and 2009 (in CZK millions):

	2010	2009
Gain on sales of granted emission rights	2,287	1,787
Net gain from emission rights trading	294	272
Net loss from emission credits trading	(158)	(642)
Gain on green and similar certificates	505	218
Net gain (loss) from derivatives	1,051	(1,306)
Creation of provisions for emissions rights	(2,506)	(1,061)
Settlement of provisions for emissions rights	1,117	1,029
Remitted emission rights	(46)	–
Fair value adjustment	(156)	8
Net gain related to emission rights, emission credits and green and similar certificates	**2,388**	**305**

11. Other Financial Assets, net

Other financial assets, net, at December 31, 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Debt securities held-to-maturity	401	350
Debt securities available-for-sale	593	1,263
Equity securities available-for-sale	3,151	–
Derivatives	12,257	28,093
Total	16,402	29,706

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

Equity securities available-for-sale comprise mainly the money market mutual funds denominated in EUR and USD.

Short-term debt securities at December 31, 2010 have the following effective interest rate structure (in CZK millions)

	Debt securities held-to-maturity	Debt securities available-for-sale	Total
Less than 2.0%	401	200	601
From 3.0% to 4.0%	–	82	82
From 4.0% to 5.0%	–	207	207
Over 5.0%	–	104	104
Total	401	593	994

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	Total
From 2.0% to 3.0%	175	1,084	1,259
From 3.0% to 4.0%	–	179	179
Over 5.0%	175	–	175
Total	350	1,263	1,613

All short-term debt securities are denominated in CZK.

12. Other Current Assets

The composition of other current assets at December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
Advances paid	1,822	1,213
Prepayments	1,572	1,196
Total	3,394	2,409

13. Assets Classified as Held for Sale

The Group has classified its subsidiary Elektrárna Chvaletice a.s. as a disposal group held for sale. Elektrárna Chvaletice a.s. operates a coal fired power plant in East Bohemia. The Group has concluded a triangular agreement with Dalkia and EPH to continue restructuring of its source portfolio in the Czech Republic. According to the previously reported plans ČEZ will sell the Chvaletice power plant to EPH and it will acquire the heat distribution system in North Bohemia (Most and Litvínov agglomerations) from EPH. The sale of Elektrárna Chvaletice a.s. is expected to be finalized in 2011.

The major classes of assets and liabilities classified as held for sale as at December 31, 2010 and 2009 are as follows (in CZK millions)

	2010	2009
Property, plant and equipment	2,071	–
Other non-current assets	1	–
Cash and cash equivalents	23	–
Receivables, net	88	–
Other current assets	375	–
Assets classified as held for sale	2,558	–
Long-term liabilities	(33)	–
Deferred tax liability	(257)	–
Trade and other payables	(29)	–
Other short-term liabilities	(441)	–
Liabilities directly associated with assets classified as held for sale	(760)	–
Net assets classified as held for sale	1,798	–

The assets and results of Elektrárna Chvaletice a.s. are reported in the operating segment Power Production and Trading / Central Europe.

14. Equity

As at December 31, 2010, 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 2010 and 2009 (in pieces)

	2010	2009
Number of treasury shares at beginning of period	4,555,021	59,171,105
Reduction of stated capital	–	(54,221,084)
Sales of treasury shares	(470,000)	(395,000)
Number of treasury shares at end of period	4,085,021	4,555,021

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

Dividends paid per share were CZK 53.0 and CZK 50.0 in 2010 and 2009, respectively. Dividends from 2010 profit will be declared on the general meeting, which will be held in the first half of 2011.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains current 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 below 2.3. 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):

	2010	2009
Total long-term debt	154,826	125,553
Total short-term loans	9,618	31,257
Total debt	164,444	156,810
Less: Cash and cash equivalents	(22,163)	(26,727)
Less: Highly liquid financial assets	(7,743)	(5,671)
Total net debt	134,538	124,412
Income before income taxes and other income (expenses)	65,057	68,199
Plus: Depreciation and amortization	24,032	22,876
EBITDA	89,089	91,075
Total equity attributable to equity holders of the parent	221,611	200,361
Total debt	164,444	156,810
Total capital	386,055	357,171
Net debt to EBITDA ratio	1.51	1.37
Total debt to total capital ratio	42.6%	43.9%

15. Long-term Debt

Long-term debt at December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
4.625% Eurobonds, due 2011 (EUR 154 million) [1]	3,850	10,569
4.125% Eurobonds, due 2013 (EUR 500 million)	12,474	13,153
5.125% Eurobonds, due 2012 (EUR 500 million)	12,510	13,199
6.000% Eurobonds, due 2014 (EUR 600 million)	14,954	15,768
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,764	2,383
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	30	30
4.270% Zero Coupon Eurobonds, due 2011 (CZK 1,400 million)	1,379	1,322
4.450% Zero Coupon Eurobonds, due 2011 (CZK 1,600 million)	1,573	1,504
5.750% Eurobonds, due 2015 (EUR 600 million)	14,980	15,807
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,844	1,590
5.000% Eurobonds, due 2021 (EUR 750 million) [2]	18,733	15,666
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,248	1,316
3M Euribor + 0.45% Eurobonds, due 2011 (EUR 110 million)	2,756	2,909
3M Libor + 0.70% Eurobonds, due 2012 (USD 100 million)	1,871	1,831
3M Euribor + 0.50% Eurobonds, due 2011 (EUR 100 million)	2,505	2,644
6M Pribor + 0.62% Eurobonds, due 2012 (CZK 3,000 million)	2,998	2,996
4.875% Eurobonds, due 2025 (EUR 750 million)	18,679	–
4.500% Eurobonds, due 2020 (EUR 750 million)	18,544	–
4.500% registered bonds, due 2030 (EUR 40 million)	976	–
9.220% Debentures, due 2014 (CZK 2,500 million) [3]	2,498	2,497
4.300% Debentures, due 2010 (CZK 6,000 million) [4]	–	5,847
Total bonds and debentures	137,166	111,031
Less: Current portion	(12,063)	(5,847)
Bonds and debentures, net of current portion	125,103	105,184
Long-term bank and other loans		
Less than 2.00% p. a.	6,200	9,895
2.00% to 2.99% p. a.	10,609	3,736
3.00% to 3.99% p. a.	44	338
4.00% to 4.99% p. a.	431	552
6.00% to 6.99% p. a.	192	–
More than 6.99% p. a.	184	1
Total long-term bank and other loans	17,660	14,522
Less: Current portion	(2,723)	(785)
Long-term bank and other loans, net of current portion	14,937	13,737
Total long-term debt	154,826	125,553
Less: Current portion	(14,786)	(6,632)
Total long-term debt, net of current portion	140,040	118,921

[1] In December 2010, the original nominal value of the issue (EUR 400 million) was reduced by bought back own bonds at a nominal value of EUR 246 million.
[2] In February 2010, the original nominal value of the issue (EUR 600 million) was increased by EUR 150 million.
[3] 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, 2010 and 2009 was 5.2% and 7.8%, respectively.
[4] In 2009, the original nominal value of the issue (CZK 7,000 million) was reduced by bought back own debentures 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 16.

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)

	2010	2009
Current portion	14,786	6,632
Between 1 and 2 years	18,668	21,888
Between 2 and 3 years	14,395	19,398
Between 3 and 4 years	19,137	14,899
Between 4 and 5 years	16,627	19,774
Thereafter	71,213	42,962
Total long-term debt	154,826	125,553

The following table analyses the long-term debt at December 31, 2010 and 2009 by currency (in millions)

	2010		2009	
	Foreign currency	CZK	Foreign currency	CZK
EUR	5,506	137,982	3,791	100,321
USD	115	2,149	110	2,020
JPY	22,032	5,086	22,057	4,386
PLN	6	38	9	61
RON	–	–	516	3,223
ALL	508	89	–	–
KRW	4,838	77	4,469	71
XDR	6	173	7	197
CZK	–	9,232	–	15,274
Total long-term debt		154,826		125,553

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, 2010 and 2009 without considering interest rate hedging (in CZK millions):

	2010	2009
Floating rate long-term debt		
with interest rate fixed for 1 month	24	–
with interest rate fixed from 1 to 3 months	9,717	10,419
with interest rate fixed from 3 months to 1 year	19,821	16,709
Total floating rate long-term debt	29,562	27,128
Fixed rate long-term debt	125,264	98,425
Total long-term debt	154,826	125,553

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 16 and Note 17.

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 2010 and 2009 the Group complied with all required covenants.

16. 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, 2010 and 2009 are as follows (in CZK millions)

		2010		2009	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Investments					
Restricted debt securities available-for-sale	AFS	9,639	9,639	9,205	9,205
Restricted debt securities held-to-maturity	HTM	17	17	–	–
Restricted cash	LaR	2,309	2,309	1,200	1,200
Financial assets in progress	LaR	902	902	223	223
Debt securities held-to-maturity	HTM	109	119	110	110
Debt securities available-for-sale	AFS	3,999	3,999	4,408	4,408
Equity securities available-for-sale	AFS	15,456	15,456	13,567	13,567
Long-term receivables	LaR	18,425	19,888	20,366	23,245
Current assets					
Receivables	LaR	39,623	39,623	46,350	46,350
Cash and cash equivalents	LaR	22,163	22,163	26,727	26,727
Debt securities held-to-maturity	HTM	401	401	350	350
Debt securities available-for-sale	AFS	593	593	1,263	1,263
Equity securities available-for-sale	AFS	3,151	3,151	–	–
Other current assets	LaR	1,822	1,822	1,213	1,213
LIABILITIES					
Long-term debt	AC	(154,826)	(160,268)	(125,553)	(132,964)
Short-term loans	AC	(9,618)	(9,618)	(31,257)	(31,257)
Accounts payable	AC	(40,555)	(40,555)	(42,347)	(42,347)
DERIVATIVES					
Cash flow hedges					
Short-term receivables	HFT	132	132	456	456
Long-term receivables	HFT	554	554	52	52
Short-term liabilities	HFT	(569)	(569)	(416)	(416)
Long-term liabilities	HFT	(965)	(965)	(1,256)	(1,256)
Total cash flow hedges		(848)	(848)	(1,164)	(1,164)
Electricity, coal and gas trading contracts					
Short-term receivables	HFT	10,992	10,992	25,243	25,243
Short-term liabilities	HFT	(11,489)	(11,489)	(25,418)	(25,418)
Total electricity, coal and gas trading contracts		(497)	(497)	(175)	(175)
Other derivatives					
Short-term receivables	HFT	1,133	1,133	2,394	2,394
Long-term receivables	HFT	1,099	1,099	292	292
Short-term liabilities	HFT	(6,191)	(6,191)	(8,672)	(8,672)
Long-term liabilities	HFT	(714)	(714)	(660)	(660)
Total other derivatives		(4,673)	(4,673)	(6,646)	(6,646)

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 2010 and 2009.

As at December 31, 2010, 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	10,992	144	10,848	–
Cash flow hedges	686	88	598	–
Other derivatives	2,232	214	2,017	1
Available-for-sale restricted debt securities	9,639	9,639	–	–
Available-for-sale debt securities	4,592	4,592	–	–
Available-for-sale equity securities *	3,151	3,151	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(11,489)	(35)	(11,454)	–
Cash flow hedges	(1,534)	(203)	(1,331)	–
Other derivatives	(6,905)	(87)	(6,818)	–

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)	–

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

17. 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 annual budget risk limit (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, 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 Group debt capacity utilization and rating requirement fulfillment.

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 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 volume, volume of electricity buy-out produced by solar power plants).
- 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, investment risks.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 3 regular reports:
- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk and CF@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within 5 years horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating.

17.1. 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 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.

17.2. 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 and 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)

	2010	2009
Monthly VaR (95%) – impact of changes in commodity prices	752	893

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 2011 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 companies in the monitored basket of foreign currencies

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

	2010	2009
Monthly currency VaR (95% confidence)	272	289

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 an annual 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 companies

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

	2010	2009
P/L IR sensitivity to parallel yield curve shift (+10bp)	(14)	(26)

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
- the relevant stock positions reflect all significant stock-sensitive deals of the CEZ Group companies

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

	2010	2009
Monthly stock VaR (95% confidence)	1,269	1,783

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

	2010	2009
Guarantees provided to joint-ventures	2,813	5,489
Guarantees provided to external parties	481	529
Total	* 3,294	6,018

* Some of the guarantees could be called until February 2012 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2010 (in CZK millions)

	Loans	Bonds and debentures	Trade payables and other liabilities	Derivatives *	Guarantees issued **
Less than 1 year	12,695	18,363	40,654	218,730	3,294
Between 1 and 2 years	1,628	23,436	277	44,395	–
Between 2 and 3 years	2,222	17,805	25	3,544	–
Between 3 and 4 years	1,946	22,264	83	359	–
Between 4 and 5 years	1,869	18,759	40	342	–
Thereafter	9,106	85,826	145	8,336	–
Total	29,466	186,453	41,224	275,706	3,294

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 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 16.

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

17.3. 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 2011 to 2015. The hedging instruments as at December 31, 2010 and 2009 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 4.7 billion and EUR 3.2 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK 379 million and CZK (219) million at December 31, 2010 and 2009, respectively.

The Group also enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur between 2011 and 2013. The hedging instruments as at December 31, 2010 and 2009 are the futures and forward contracts for the purchase of allowances equivalent to 14.7 million tons and 7.1 million tons of CO_2 emissions, respectively. The fair value of these derivative hedging instruments amounted to CZK (1,227) million and CZK (945) million at December 31, 2010 and 2009, respectively.

In 2010 and 2009 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, Gains and losses from electricity, coal and gas derivative trading, net, Emission rights, net and Other income (expenses), net. In 2010 and 2009 the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 61 million and CZK (1,702) million, respectively. The ineffectiveness in 2010 and 2009 mainly relates to transactions for which the hedged items are no more highly probable to occur.

18. 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 a 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 2010 and 2009, the payments to the nuclear account amounted to CZK 1,400 million and CZK 1,360 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of spent fuel and disposal of radioactive waste. 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, 2010 and 2009 (in CZK millions):

	Accumulated provisions			
	Nuclear Decommissioning	Spent fuel storage		Total
		Interim	Long-term	
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
Movements during 2010				
Discount accretion and effect of inflation	378	305	988	1,671
Provision charged to income statement	–	605	–	605
Effect of change in estimate credited to income statement (Note 2.24)	–	(797)	–	(797)
Effect of change in estimate added to fixed assets (Note 2.24)	–	–	519	519
Current cash expenditures	–	(902)	(1,400)	(2,302)
Balance at December 31, 2010	8,793	5,998	22,057	36,848

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 and other related equipment.

In 2010 the Company recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage cost and the change in estimate in provision for long-term spent fuel storage due to the modification of the expected output of the nuclear power plants.

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.

19. Other Long-term Liabilities

Other long-term liabilities at December 31, 2010 and 2009 are as follows (in CZK millions):

	2010	2009
Provision for decommissioning and reclamation of mines and mining damages	6,648	6,448
Provision for waste storage reclamation	1,567	1,740
Other long-term provisions	348	3
Deferred connection fees	7,997	8,142
Derivatives	1,679	1,916
Other	2,934	2,859
Total	21,173	21,108

The following table shows the movements of provisions for the years ended December 31, 2010 and 2009 (in CZK millions):

	Mine reclamation and damages	Waste storage
Balance at December 31, 2008	6,363	406
Movements during 2009		
Discount accretion and effect of inflation	305	88
Provision charged to income statement	38	–
Effect of change in estimate credited to income statement	–	(33)
Effect of change in estimate added to fixed assets	7	1,382
Current cash expenditures	(265)	(103)
Balance at December 31, 2009	6,448	1,740
Movements during 2010		
Discount accretion and effect of inflation	266	78
Provision charged to income statement	95	35
Acquisition of subsidiaries	–	70
Effect of change in estimate added to (deducted from) fixed assets	382	(244)
Reclassification to liabilities directly associated with assets classified as held for sale	–	(21)
Current cash expenditures	(543)	(91)
Balance at December 31, 2010	6,648	1,567

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%.

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.

20. Short-term Loans

Short-term loans at December 31, 2010 and 2009 are as follows (in CZK millions)

	2010	2009
Short-term bank loans	8,306	25,310
Bank overdrafts	1,312	1,336
Other short-term borrowings	–	4,611
Total	9,618	31,257

Interest on short-term loans is variable. The weighted average interest rate was 1.4% and 2.0% at December 31, 2010 and 2009, respectively. For the years 2010 and 2009 the weighted average interest rate was 1.5% and 2.3%, respectively.

At December 31, 2009 short-term bank loans include the loan of CZK 14,556 million which was used to finance the acquisition of investment in MOL (see Note 4). In 2010 this external loan was replaced by internal financing within CEZ Group.

21. Trade and Other Payables

Trade and other payables at December 31, 2010 and 2009 are as follows (in CZK millions)

	2010	2009
Advances received from retail customers	13,462	21,861
Unbilled electricity supplied to retail customers	(12,829)	(20,327)
Received advances from retail customers, net	633	1,534
Trade payables	37,183	37,998
Fair value of option (see Note 4)	5,606	6,948
Derivatives	12,643	27,558
Other	2,739	2,815
Total	58,804	76,853

The information about payables to related parties is included in Note 29.

22. Accrued Liabilities

Accrued liabilities at December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Provision for CO_2 emissions	2,198	1,077
Other provisions	1,818	1,763
Accrued interest	2,801	2,132
Taxes and fees, except income tax	842	910
Unbilled goods and services	7,171	5,274
Contingent liabilities from acquisitions	325	429
Deferred variation margin on “own use” electricity futures	602	2,081
Deferred income	172	1,218
Other	91	83
Total	16,020	14,967

Deferred 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 the balance sheet date.

23. Revenues

The composition of revenues for the years ended December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
Sale of electricity		
Sales of electricity to end customers	68,612	69,151
Sales of electricity through energy exchange	4,158	25,042
Sales of electricity to traders	36,362	22,683
Sales to distribution and transmission companies	1,219	1,564
Other sales of electricity	6,469	5,974
Effect of hedging (see Note 17.3)	2,464	119
Sales of ancillary, system, distribution and other services	55,993	48,961
Total sales of electricity	175,277	173,494
Electricity, coal and gas derivative trading		
Sales	163,175	162,640
Purchases	(157,741)	(153,091)
Effect of hedging (see Note 17.3)	238	–
Changes in fair value of commodity derivatives	(280)	(2,655)
Total gains and losses from electricity, coal and gas derivative trading, net	5,392	6,894
Heat sales and other revenues		
Sales of heat	4,333	3,280
Sales of coal	4,390	4,031
Other	9,456	8,653
Total heat sales and other revenues	18,179	15,964
Total revenues	198,848	196,352

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 2010 and 2009 ELCHO recognized CZK 387 million and CZK 1,203 million of revenues as a result of the above mentioned compensations.

24. Salaries and Wages

Salaries and wages for the years ended December 31, 2010 and 2009 were as follows (in CZK millions)

	2010		2009	
	Total	Key management personnel [1]	Total	Key management personnel [1]
Salaries and wages	(12,947)	(262)	(12,098)	(259)
Remuneration of the board members, including royalties	(125)	(39)	(144)	(37)
Share options	(100)	(100)	(110)	(110)
Social and health security	(4,072)	(29)	(3,768)	(18)
Other personal expenses	(1,473)	(28)	(1,996)	(19)
Total	(18,717)	(458)	(18,116)	(443)

[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, 2010 and 2009, the aggregate number of share options granted to members of Board of Directors and selected managers was 2,365 thousand and 2,325 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 2010 and 2009 the Company recognized a compensation expense of CZK 100 million and CZK 110 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 2010 and 2009 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board ’000s	Board of Directors ’000s	Selected managers ’000s	Total ’000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2008	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
Options granted	–	275	255	530	865.33
Options exercised [1]	–	(425)	(45)	(470)	716.47
Options forfeited	–	–	(20)	(20)	833.32
Share options at December 31, 2010 [2]	–	1,620	745	2,365	1,055.13

[1] In 2010 and 2009 the weighted average share price at the date of the exercise for the options exercised was CZK 905.73 and CZK 849.34, respectively.
[2] At December 31, 2010 and 2009 the number of exercisable options was 1,115 thousand and 965 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 1,156.54 per share and CZK 922.11 per share at December 31, 2010 and 2009, 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:

	2010	2009
Weighted average assumptions		
Dividend yield	5.9%	6.3%
Expected volatility	40.2%	41.3%
Mid-term risk-free interest rate	1.6%	2.3%
Expected life (years)	1.4	2.1
Share price (CZK per share)	848.1	880.8
Weighted average grant-date fair value of options (CZK per 1 option)	123.5	175.9

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, 2010 and 2009 the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2010	2009
CZK 500–900 per share	645	935
CZK 900–1,400 per share	1,720	1,390
Total	2,365	2,325

The options granted which were outstanding as at December 31, 2010 and 2009 had an average remaining contractual life of 1.9 years and 2.3 years, respectively.

25. Other Operating Expenses

Other operating expenses for the years ended December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Services	(12,777)	(11,744)
Travel expenses	(247)	(275)
Gain on sale of property, plant and equipment	78	106
Gain on sale of material	190	63
Capitalization of expenses to the cost of assets and change in own inventory	5,177	4,682
Fines, penalties and penalty interest, net	591	619
Change in provisions and valuation allowances	1,705	(265)
Taxes and fees	(2,338)	(2,198)
Write-off of bad debts and cancelled investment	(1,019)	(260)
Gifts	(511)	(456)
Other, net	(2,671)	(2,448)
Total	(11,822)	(12,176)

Taxes and fees include the contributions to the nuclear account (see Note 18). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions and valuation allowances.

26. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
Loans and receivables	1,156	986
Held-to-maturity investments	52	52
Available-for-sale investments	316	285
Bank accounts	498	1,176
Total	2,022	2,499

27. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Derivative gains, net	1,689	620
Gains (losses) on sales of available-for-sale financial assets	(90)	101
Change in impairment of financial investments	11	13
Other, net	1,501	449
Total	3,111	1,183

28. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% and 20% in 2010 and 2009. The Czech corporate income tax rate for 2011 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 potential effect on reported income.

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

	2010	2009
Current income tax charge	(10,751)	(13,256)
Adjustments in respect of current income tax of previous periods	236	125
Deferred income taxes	(1,276)	40
Total	(11,791)	(13,091)

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

	2010	2009
Income before income taxes	58,949	64,946
Statutory income tax rate in Czech Republic	19%	20%
“Expected” income tax expense	(11,200)	(12,989)
Tax effect of		
Change in tax rates and laws	–	(204)
Non-deductible gain from derivatives	245	379
Non-deductible expenses related to shareholdings	(35)	(71)
Goodwill impairment	(283)	(124)
Other non-deductible items, net	(525)	(253)
Non-deductible share based payment expense	(19)	(22)
Income already taxed or exempt	239	133
Tax credits	5	4
Adjustments in respect of current income tax of previous periods	236	125
Effect of different tax rate in other countries	(316)	70
Change in unrecorded deferred tax receivables	(138)	(139)
Income taxes	(11,791)	(13,091)
Effective tax rate	20%	20%

Deferred income taxes, net, at December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Accumulated provision for nuclear decommissioning and spent fuel storage	5,729	5,850
Financial statement depreciation in excess of tax depreciation	25	24
Revaluation of financial instruments	–	468
Allowances	799	517
Other provisions	2,006	1,503
Penalty payables	4	–
Tax loss carry forwards	59	205
Other temporary differences	115	123
Unrecorded deferred tax asset	(328)	(190)
Total deferred tax assets	8,409	8,500
Tax depreciation in excess of financial statement depreciation	(23,883)	(21,931)
Revaluation of financial instruments	(860)	(135)
Other provisions	(478)	(452)
Penalty receivables	(29)	(21)
Other temporary differences	(663)	(472)
Total deferred tax liability	(25,913)	(23,011)
Total deferred tax liability, net	(17,504)	(14,511)
Reflected in the balance sheet as follows		
Deferred tax assets	655	824
Deferred tax liability	(17,902)	(15,335)
Deferred tax liability presented as part of liabilities directly associated with assets classified as held for sale	(257)	–
Total deferred tax liability, net	(17,504)	(14,511)

Movements in net deferred tax liability, net, in 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Opening balance	14,511	13,605
Deferred tax recognized in profit or loss	1,276	(40)
Deferred tax charged directly to equity	1,286	885
Acquisition of subsidiaries	520	46
Disposal of subsidiaries	–	1
Currency translation differences	(89)	14
Closing balance	17,504	14,511

At December 31, 2010 and 2009 the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 21,610 million and CZK 15,454 million, respectively.

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

	2010			2009		
	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	9,156	(1,740)	7,416	2,719	(587)	2,132
Cash flow hedges removed from equity	(2,762)	525	(2,237)	1,643	(312)	1,331
Change in fair value of available-for-sale financial assets recognized in equity	393	(76)	317	84	(30)	54
Available-for-sale financial assets removed from equity	(29)	5	(24)	17	4	21
Translation differences	(3,860)	–	(3,860)	(2,716)	39	(2,677)
Share on equity movements of associates and joint-ventures	5	–	5	(11)	1	(10)
Total	2,903	(1,286)	1,617	1,736	(885)	851

29. Related Parties

The Group purchases/sells products, goods and services from/to related parties in the ordinary course of business.

At December 31, 2010 and 2009, the receivables from related parties and payables to related parties are as follows (in CZK millions)

	Receivables		Payables	
	2010	2009	2010	2009
Associates, joint-ventures and other affiliates				
Akcez Enerji A.S.	161	118	84	85
Akenerji Elektrik Üretim A.S.	761	652	–	–
CM European Power International s.r.o.	–	49	–	–
JTSD - Braunkohlebergbau GmbH	–	6,502	–	–
LACOMED, spol. s r.o.	11	12	–	–
LOMY MOŘINA spol. s r.o.	3	–	10	10
MOL - CEZ European Power Hungary Ltd.	20	–	–	–
OSC, a.s.	–	–	18	42
SINIT,a.s.	1	1	33	11
Ústav aplikované mechaniky Brno, s.r.o.	–	–	10	5
Others	4	9	21	35
Total associates, joint-ventures and other affiliates	961	7,343	176	188
Entities under the control of Company's majority owner				
ČEPRO, a.s.	–	10	47	32
ČEPS, a.s.	252	234	142	60
Česká pošta s.p.	49	1	10	69
ČD Cargo, a.s.	–	–	167	210
Správa železniční dopravní cesty, státní organizace	111	691	62	60
Others	1	3	4	3
Total entities under the control of Company's majority owner	413	939	432	434
Total	1,374	8,282	608	622

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	
	2010	2009	2010	2009
Associates, joint-ventures and other affiliates				
Akcez Enerji A.S.	49	118	–	–
CM European Power International s.r.o.	13	41	–	–
Coal Energy, a.s.	–	–	–	57
JTSD - Braunkohlebergbau GmbH	2	42	–	–
LOMY MOŘINA spol. s r.o.	24	–	151	139
OSC, a.s.	–	–	113	95
SINIT,a.s.	3	4	96	117
Others	87	75	85	185
Total associates, joint-ventures and other affiliates	178	280	445	593
Entities under the control of Company's majority owner				
ČEPRO, a.s.	70	24	294	103
ČEPS, a.s.	5,853	6,489	8,716	10,053
Česká pošta s.p.	168	137	178	161
České dráhy, a.s.	1,215	6	2	1
ČD Cargo, a.s.	–	1	1,563	1,578
DIAMO, státní podnik	–	–	669	880
Správa železniční dopravní cesty, státní organizace	570	713	5	39
Others	–	13	–	–
Total entities under the control of Company's majority owner	7,876	7,383	11,427	12,815
Total	8,054	7,663	11,872	13,408

Information about compensation of key management personnel is included in Note 24.

30. 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, Ireland 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, Cyprus, 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 or 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
- Distribution and Sale / Central Europe
- Mining / Central Europe
- Other / Central Europe
- Power Production and Trading / South East Europe
- Distribution and Sale / South East 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, 2010 and 2009 (in CZK millions):

Year 2010	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	61,860	91,721	4,688	3,758	3,524	33,277	20	198,848	–	198,848
Intersegment sales	53,378	6,728	5,850	41,034	280	81	2,181	109,532	(109,532)	–
Total revenues	**115,238**	**98,449**	**10,538**	**44,792**	**3,804**	**33,358**	**2,201**	**308,380**	**(109,532)**	**198,848**
EBITDA	62,272	13,382	4,273	4,699	611	3,690	103	89,030	59	89,089
Depreciation and amortization	(14,381)	(3,221)	(1,631)	(2,044)	(428)	(2,255)	(72)	(24,032)	–	(24,032)
EBIT	47,891	10,161	2,642	2,655	183	1,435	31	64,998	59	65,057
Interest on debt and provisions	(5,559)	(294)	(289)	(14)	(87)	(151)	(23)	(6,417)	919	(5,498)
Interest income	2,133	51	453	27	46	213	18	2,941	(919)	2,022
Goodwill impairment	–	–	–	–	(1,843)	(983)	–	(2,826)	–	(2,826)
Share of profit (loss) from associates and joint-ventures	83	–	215	–	(137)	(14)	–	147	–	147
Income taxes	(8,437)	(1,850)	(505)	(452)	57	(589)	(15)	(11,791)	–	(11,791)
Net income	43,682	8,035	3,033	2,331	(2,012)	(324)	8	54,753	(7,595)	47,158
Identifiable assets	225,058	61,662	18,065	16,819	21,407	27,130	90	370,231	(9,165)	361,066
Investment in associates and joint-ventures	4,216	–	3,829	–	6,291	2,592	–	16,928	–	16,928
Unallocated assets										165,697
Total assets										**543,691**
Capital expenditure	39,779	9,645	3,990	27,456	3,459	2,994	729	88,052	(26,337)	61,715
Average number of employees	7,398	1,484	3,466	8,708	552	9,940	1,389	32,937	–	32,937

Year 2009	Power Production and Trading CE	Distribution and Sale CE	Mining CE	Other CE	Power Production and Trading SEE	Distribution and Sale SEE	Other SEE	Combined	Elimination	Consolidated
Sales other than intersegment sales	73,033	81,932	4,523	3,931	2,871	30,042	20	196,352	–	196,352
Intersegment sales	53,066	4,126	6,641	33,735	294	123	2,676	100,661	(100,661)	–
Total revenues	**126,099**	**86,058**	**11,164**	**37,666**	**3,165**	**30,165**	**2,696**	**297,013**	**(100,661)**	**196,352**
EBITDA	68,464	9,316	5,287	4,576	244	3,086	82	91,055	20	91,075
Depreciation and amortization	(13,730)	(3,065)	(1,415)	(2,137)	(366)	(2,100)	(63)	(22,876)	–	(22,876)
EBIT	54,734	6,251	3,872	2,439	(122)	986	19	68,179	20	68,199
Interest on debt and provisions	(5,139)	(34)	(346)	(29)	(53)	(84)	(24)	(5,709)	232	(5,477)
Interest income	1,433	53	457	84	112	583	9	2,731	(232)	2,499
Goodwill impairment	(3,263)	–	–	–	–	–	–	(3,263)	–	(3,263)
Share of profit (loss) from associates and joint-ventures	(12)	–	2,995	–	104	(91)	–	2,996	–	2,996
Income taxes	(9,729)	(1,209)	(799)	(481)	(16)	(853)	(4)	(13,091)	–	(13,091)
Net income	48,387	5,121	6,553	2,061	19	391	2	62,534	(10,679)	51,855
Identifiable assets	201,116	55,257	15,422	17,582	21,373	28,096	145	338,991	(10,186)	328,805
Investment in associates and joint-ventures	4,356	–	3,459	–	6,805	2,630	–	17,250	–	17,250
Unallocated assets										184,204
Total assets										**530,259**
Capital expenditure	28,720	9,788	3,525	23,688	9,657	2,523	921	78,822	(22,200)	56,622
Average number of employees	7,103	1,421	3,498	8,392	596	8,309	1,449	30,768	–	30,768

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):

	2010	2009
Czech Republic	152,771	154,666
Bulgaria	19,542	19,321
Romania	10,105	9,711
Poland	3,658	4,235
Albania	7,722	4,287
Other	5,050	4,132
Total revenues	198,848	196,352

The following table shows the split of property, plant and equipment according to the location of entity which they belong to at December 31, 2010 and 2009 (in CZK million):

	2010	2009
Czech Republic	302,406	268,540
Bulgaria	13,408	14,625
Romania	29,976	29,599
Poland	10,031	10,649
Albania	5,238	5,384
Other	7	8
Total property, plant and equipment	361,066	328,805

31. Net Income per Share

	2010	2009
Numerator (CZK millions)		
Basic and diluted		
Net income attributable to equity holders of the parent	47,232	51,547
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	533,811	533,225
Dilutive effect of share options	38	213
Diluted		
Adjusted weighted average shares	533,849	533,438
Net income per share (CZK per share)		
Basic	88.5	96.7
Diluted	88.5	96.6

32. Commitment and Contingencies

Investment Program

The Group is engaged in a continuous construction program, currently estimated as of December 31, 2010 to total CZK 235.9 billion over the next five years, as follows: CZK 65.8 billion in 2011, CZK 56.0 billion in 2012, CZK 44.3 billion in 2013, CZK 39.5 billion in 2014 and CZK 30.3 billion in 2015. 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, 2010 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.

33. Events after the Balance Sheet Date

In January 2011 the Company, together with TEDOM a. s., increased the share capital of ČEZ Energo, s.r.o. The Company's interest in the new entity is 50.1%. The new entity will operate approximately 45 cogeneration units at total installed capacity of 12 MW.

In January 2011 ČEZ, a. s. received proceeds of twelve-year registered bond issued under German law (Namensschuldverschreibung) in amount EUR 40 million. The coupon was set at 4.75% p. a.

In February 2011 ČEZ, a. s. completed a twelve-year JPY 11.5 billion issue with a long-term investor, which wholly subscribed the new bond. The bond pays a coupon of 2.16% p. a. Proceeds in JPY have been swapped into EUR. Crédit Agricole CIB acted as sole dealer.

In January 2011 CEZ Group acquired 100% share in Romanian company TMK Hydroenergy Power S.R.L. The entity operates hydro plants at total installed capacity of approximately 18 MW. The following table presents the financial information of the acquired entity at the carrying values and the provisional goodwill calculation (in CZK millions):

	TMK Hydroenergy Power
Share acquired in January 2011	100%
Property, plant and equipment	209
Trade and other payables	(3)
Total net assets acquired	**206**
Share of net assets acquired	206
Goodwill	294
Total purchase consideration	**500**
Less	
Cash and cash equivalents in the subsidiary acquired	–
Cash outflow on acquisition of the subsidiary	**500**

These financial statements have been authorized for issue on February 24, 2011.

Independent Auditor’s Report

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

We have audited the accompanying financial statements of ČEZ, a. s. which comprise the balance sheet as at December 31, 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on ČEZ, a. s. see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Board of Directors of ČEZ, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ČEZ, a. s. as at December 31, 2010, 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

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

Josef Pivoňka
Auditor, License No. 1963

February 24, 2011
Prague, Czech Republic

ČEZ, a. s.
Balance Sheet in Accordance with IFRS as of December 31, 2010

(in CZK millions)

ASSETS	2010	2009
Property, plant and equipment		
Plant in service	305,523	298,600
Less accumulated provision for depreciation	(172,285)	(170,808)
Net plant in service (Note 3)	133,238	127,792
Nuclear fuel, at amortized cost	7,005	5,420
Construction work in progress (Note 3)	54,929	51,697
Total property, plant and equipment	195,172	184,909
Other non-current assets		
Investments and other financial assets, net (Note 4)	181,973	169,515
Intangible assets, net (Note 5)	706	662
Total other non-current assets	182,679	170,177
Total non-current assets	377,851	355,086
Current assets		
Cash and cash equivalents (Note 6)	16,142	14,567
Receivables, net (Note 7)	48,205	41,990
Income tax receivable	1,457	1
Materials and supplies, net	3,217	3,144
Fossil fuel stocks	883	1,532
Emission rights (Note 8)	2,152	724
Other financial assets, net (Note 9)	15,472	27,083
Other current assets (Note 10)	1,043	571
Assets classified as held for sale (Note 4.1)	2,739	–
Total current assets	91,310	89,612
TOTAL ASSETS	469,161	444,698

EQUITY AND LIABILITIES	2010	2009
Equity		
Stated capital	53,799	53,799
Treasury shares	(4,619)	(5,151)
Retained earnings and other reserves	140,308	128,812
Total equity (Note 11)	189,488	177,460
Long-term liabilities		
Long-term debt, net of current portion (Note 12)	135,097	112,506
Accumulated provision for nuclear decommissioning and fuel storage (Note 15)	36,619	36,932
Other long-term liabilities (Note 16)	4,292	4,587
Total long-term liabilities	176,008	154,025
Deferred tax liability (Note 24)	10,533	8,721
Current liabilities		
Short-term loans	6,455	12,618
Current portion of long-term debt (Note 12)	12,298	6,232
Trade and other payables (Note 17)	65,722	76,907
Income tax payable	–	926
Accrued liabilities (Note 18)	8,657	7,809
Total current liabilities	93,132	104,492
TOTAL EQUITY AND LIABILITIES	469,161	444,698

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

ČEZ, a. s.
Statement of Income in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	2010	2009
Revenues		
Sales of electricity	98,894	108,421
Gains and losses from electricity, coal and gas derivative trading, net	5,376	6,401
Heat sales and other revenues	5,928	4,383
Total revenues (Note 19)	110,198	119,205
Operating expenses		
Fuel	(17,320)	(17,475)
Purchased power and related services	(18,528)	(16,373)
Repairs and maintenance	(3,583)	(3,901)
Depreciation and amortization	(13,178)	(12,927)
Salaries and wages (Note 20)	(6,470)	(6,235)
Materials and supplies	(1,740)	(1,814)
Emission rights, net (Note 8)	1,585	(552)
Other operating expenses (Note 21)	(5,955)	(6,953)
Total expenses	(65,189)	(66,230)
Income before other income (expenses) and income taxes	45,009	52,975
Other income (expenses)		
Interest on debt, net of capitalized interest	(4,245)	(3,055)
Interest on nuclear and other provisions (Note 15)	(1,740)	(1,859)
Interest income (Note 22)	2,507	1,098
Foreign exchange rate gains (losses), net	(2,550)	(1,056)
Loss on sale of subsidiaries, associates and joint-ventures	(128)	(76)
Other income (expenses), net (Note 23)	3,468	6,778
Total other income (expenses)	(2,688)	1,830
Income before income taxes	42,321	54,805
Income taxes (Note 24)	(7,559)	(9,378)
Net income	34,762	45,427
Net income per share (CZK per share) (Note 27)		
Basic	65.1	85.2
Diluted	65.1	85.2
Average number of shares outstanding (000s)		
Basic	533,811	533,225
Diluted	533,849	533,438

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

ČEZ, a. s.
Statement of Comprehensive Income in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	2010	2009
Net income	34,762	45,427
Other comprehensive income		
Change in fair value of cash flow hedges recognized in equity	9,009	2,738
Cash flow hedges removed from equity	(2,634)	1,643
Change in fair value of available-for-sale financial assets recognized in equity	163	10
Deferred tax relating to other comprehensive income (Note 24)	(1,242)	(903)
Other comprehensive income, net of tax	5,296	3,488
Total comprehensive income	40,058	48,915

ČEZ, a. s.
Statement of Changes in Equity in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	Stated capital	Treasury shares	Cash flow hedge reserve	Available-for-sale and other reserves	Retained earnings	Total equity
December 31, 2008	59,221	(66,910)	(5,633)	479	167,770	154,927
Net income	–	–	–	–	45,427	45,427
Other comprehensive income	–	–	3,478	10	–	3,488
Total comprehensive income	–	–	3,478	10	45,427	48,915
Dividends	–	–	–	–	(26,638)	(26,638)
Reduction of the stated capital	(5,422)	61,313	–	–	(55,891)	–
Sale of treasury shares	–	446	–	–	(300)	146
Share options	–	–	–	110	–	110
Transfer of exercised and forfeited share options within equity	–	–	–	(79)	79	–
December 31, 2009	53,799	(5,151)	(2,155)	520	130,447	177,460
Net income	–	–	–	–	34,762	34,762
Other comprehensive income	–	–	5,163	133	–	5,296
Total comprehensive income	–	–	5,163	133	34,762	40,058
Transaction costs related to business combinations (Note 2.26)	–	–	–	–	(211)	(211)
Dividends	–	–	–	–	(28,256)	(28,256)
Sale of treasury shares	–	532	–	–	(195)	337
Share options	–	–	–	100	–	100
Transfer of exercised and forfeited share options within equity	–	–	–	(97)	97	–
December 31, 2010	53,799	(4,619)	3,008	656	136,644	189,488

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

ČEZ, a. s.
Statement of Cash Flows in Accordance with IFRS for the Year Ended December 31, 2010

(in CZK millions)

	2010	2009
OPERATING ACTIVITIES		
Income before income taxes	42,321	54,805
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation, amortization and asset write-offs	13,201	12,935
Amortization of nuclear fuel	3,697	2,771
Loss on fixed asset retirements, net	45	111
Foreign exchange rate losses (gains), net	2,550	1,056
Interest expense, interest income and dividend income, net	(6,340)	(8,850)
Provision for nuclear decommissioning and fuel storage	(1,300)	272
Valuation allowances, other provisions and other adjustments	4,756	6,562
Changes in assets and liabilities		
Receivables	4,105	(755)
Materials and supplies	(202)	(273)
Fossil fuel stocks	649	(463)
Other current assets	10,459	28,474
Trade and other payables	(16,949)	(22,182)
Accrued liabilities	(1,026)	(59)
Cash generated from operations	55,966	74,404
Income taxes paid	(9,372)	(12,628)
Interest paid, net of capitalized interest	(3,475)	(1,850)
Interest received	2,111	990
Dividends received	8,078	10,807
Net cash provided by operating activities	53,308	71,723
INVESTING ACTIVITIES		
Acquisition of subsidiaries, associates and joint-ventures	(6,126)	(39,726)
Proceeds (refunds) from disposal of subsidiaries, associates and joint-ventures	(16)	2,624
Additions to property, plant and equipment and other non-current assets, including capitalized interest	(30,883)	(39,354)
Proceeds from sale of fixed assets	1,310	317
Loans made	(33,542)	(26,412)
Repayment of loans	13,881	12,347
Change in decommissioning and other restricted funds	(888)	(715)
Total cash used in investing activities	(56,264)	(90,919)
FINANCING ACTIVITIES		
Proceeds from borrowings	161,191	237,691
Payments of borrowings	(133,640)	(190,229)
Change in payables/receivables from group cashpooling	4,970	6,397
Dividends paid	(28,234)	(26,545)
Sale of treasury shares	337	146
Net cash provided by financing activities	4,624	27,460
Net effect of currency translation in cash	(93)	(708)
Net increase in cash and cash equivalents	1,575	7,556
Cash and cash equivalents at beginning of period	14,567	7,011
Cash and cash equivalents at end of period	16,142	14,567
Supplementary cash flow information		
Total cash paid for interest	5,671	3,754

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

ČEZ, a. s.
Notes to the Financial Statements as of December 31, 2010

1. Description of the Company

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

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

The average number of employees was 6,134 and 6,177 in 2010 and 2009, respectively.

The Czech Republic, represented by the Ministry of Finance and, to a small degree by the Ministry of Labor and Social Affairs, is a majority shareholder holding 69.8% of the Company's share capital at December 31, 2010. The majority shareholder's share of the voting rights represented 70.3% at the same date.

Members of the statutory and supervisory bodies at December 31, 2010 were as follows

Board of Directors		Supervisory Board	
Chair	Martin Roman	Chair	Martin Říman
Vice-chair	Daniel Beneš	Vice-chair	Eduard Janota
Member	Peter Bodnár	Member	Ivo Foltýn
Member	Vladimír Hlavinka	Member	Petr Gross
Member	Martin Novák	Member	Lukáš Hampl
Member	Tomáš Pleskač	Member	Vladimír Hronek
		Member	Zdeněk Hrubý
		Member	Jiří Kadrnka
		Member	Lubomír Klosík
		Member	Jan Kohout
		Member	Lubomír Lízal
		Member	Drahoslav Šimek

2. Summary of Significant Accounting Policies

2.1. Basis of Presentation of the Financial Statements

Pursuant to the Accounting Law, the accompanying separate financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. IFRS as adopted by the EU which are relevant to and used by the Company do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).

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

The Company also compiled consolidated IFRS financial statements of the CEZ Group for the same period. The consolidated financial statements were authorized for issue on February 24, 2011.

2.2. Presentation Currency

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

2.3. 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.

2.4. Revenue Recognition

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

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

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

Revenue from services is recognized when the services are rendered.

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

2.5. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 3,697 million and CZK 2,771 million for the years ended December 31, 2010 and 2009, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 15). Such charges amounted to CZK 468 million and CZK 272 million in 2010 and 2009, respectively.

2.6. Interest

The Company capitalizes all interest incurred in connection with its construction program that theoretically could have been avoided if expenditures for the qualifying assets had not been made. The qualifying assets include assets, for which the construction represents a substantial period of time. Capitalized interest costs amounted to CZK 2,526 million and CZK 1,903 million and an interest capitalization rate was 4.5% and 4.8% in 2010 and 2009, respectively.

2.7. Property, Plant and Equipment

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

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

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense when incurred. Renewals and improvements are capitalized.

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

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

The Company 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 useful lives used for property, plant and equipment are as follows:

	Useful lives (years)
Buildings and structures	20–50
Machinery and equipment	4–25
Vehicles	4–20
Furniture and fixtures	8–15

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

	Average life (years)
Hydro plants	
Buildings and structures	48
Machinery and equipment	16
Fossil fuel plants	
Buildings and structures	33
Machinery and equipment	15
Nuclear power plant	
Buildings and structures	36
Machinery and equipment	17

Depreciation of plant in service was CZK 12,976 million and CZK 12,714 million for the years ended December 31, 2010 and 2009, which was equivalent to a composite depreciation rate of 4.3% and 4.3%, respectively. The tangible asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8. Nuclear Fuel

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

Nuclear fuel includes capitalized costs of related provisions (see Note 2.21). As at December 31, 2010, and 2009 capitalized costs at net book value amounted to CZK 114 million and CZK 300 million, respectively.

2.9. Intangible Assets

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

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

2.10. Emission Rights

Right to emit greenhouse gasses (hereinafter “emission right”) represents the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2010 and 2009 the Company was granted emission rights free of charge.

The Company is responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person. On April 30 of the following year, at latest, the Company is required to remit a number of allowances representing the number of tones of CO_2 actually emitted. Should the Company not fulfill this requirement and remit necessary number of emission rights, it would have to pay a penalty of EUR 100 per 1 ton of 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 (except for emission rights for trading). If the granted allowances are not sufficient to cover actual emissions, the Company recognizes a provision which is measured at the cost of purchased allowances up to the level of purchased allowances held and then at the market price of allowances ruling at the balance sheet date.

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

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

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

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

2.11. Investments

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

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

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

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

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

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

Gains or losses on remeasurement to fair value of available-for-sale investments are recognized directly in other comprehensive income, until the investment is sold or otherwise disposed of, or until it is determined to be impaired. Equity securities classified as available-for-sale investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, 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 evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

The Company evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the entity has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

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

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

Investments in subsidiaries, associates and joint-ventures are carried at cost. Impaired investments are provided for or written off.

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

2.12. Cash and Cash Equivalents

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

2.13. Financial Assets Restricted in Use

Restricted balances of cash and other financial assets, which are shown under non-current financial assets as restricted funds (see Note 4.2), relate to deposits for waste storage reclamation, funding of nuclear decommissioning liabilities and financial guarantees given to transaction partners. The non-current classification is based on the expected timing of the release of the funds to the Company.

2.14. Receivables, Payables and Accruals

Receivables are carried at their nominal value. Ceded receivables are valued at cost. Doubtful receivables are adjusted for uncollectible amounts through a provision account. Additions to the provision account are charged to income. As at December 31, 2010 and 2009 the allowance for short-term uncollectible receivables amounted to CZK 1,622 million and CZK 1,774 million, respectively.

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

2.15. Material and Supplies

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

2.16. Fossil Fuel Stock

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

2.17. Derivative Financial Instruments

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

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Other derivatives

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

2.18. Commodity Derivative Instruments

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

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

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

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

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

2.19. Income Taxes

The provision for corporate tax is calculated in accordance with the Czech tax regulations and is based on the income or loss reported under the Czech accounting regulations, increased or decreased by the appropriate permanent and temporary differences (e.g. differences between book and tax depreciation). Income tax due is provided at a rate of 19% and 20% for the years ended December 31, 2010 and 2009, respectively, after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate for 2011 and on will be 19%.

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

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

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

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

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

2.20. Long-term Debt

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

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

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

2.21. Nuclear Provisions

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

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation for the years ended 2010 and 2009 is 2.0% and 2.0%, respectively.

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

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

2.22. Treasury Shares

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

2.23. Share Options

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

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

The expense recognized reflects the best estimate of the number of share options which will ultimately vest. In 2010 and 2009 the expense recognized in respect of the share option plan amounted to CZK 100 million and CZK 110 million, respectively.

2.24. Foreign Currency Transactions

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

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

Exchange rates used as at December 31, 2010 and 2009 for the translation of assets and liabilities denominated in foreign currencies were as follows:

	2010	2009
CZK per 1 EUR	25.060	26.465
CZK per 1 USD	18.751	18.368
CZK per 1 PLN	6.308	6.448
CZK per 1 BGN	12.813	13.532
CZK per 1 RON	5.869	6.247
CZK per 100 JPY	23.058	19.875

2.25. Non-current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.26. Adoption of New IFRS Standards in 2010

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Company has adopted the following new or amended and endorsed by the EU IFRS and IFRIC interpretations as of January 1, 2010:

- IFRS 3 Business Combinations (Revised)
- IAS 27 Consolidated and Separate Financial Statements (Amended)
- IFRIC 12 Service Concession Arrangements
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
- IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items)
- Improvements to IFRSs (April 2009)

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

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
The Company adopted 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 impact the amount of goodwill recognized, the reported results in the period when 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. As a result of the adoption of these revised standards the Company charged the transaction costs accumulated until December 31, 2009 related to ongoing acquisitions directly to retained earnings as of January 1, 2010.

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 interpretation had no effect on the financial position nor performance of the Company.

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Company adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Company.

Improvements to IFRSs
In April 2009, the IASB issued omnibus of 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 relevant for the Company resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

Issued in April 2009
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Company amended its disclosures.
- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. There was no impact on the separate financial statements of the Company.
- IAS 36 Impairment of Assets: clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

All other standards and interpretations whose application was mandatory for the period beginning on or after January 1, 2010 have no material impact on the Company's separate financial statements.

2.27. New IFRS Standards and Interpretations IFRIC not yet Effective

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2011 or later. Standards and interpretations most relevant to the Company's activities are detailed below:

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 and liabilities that must be applied starting January 1, 2013. According to IFRS 9 all financial assets and liabilities 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. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The requirements related to the fair value option for financial liabilities were changed to address own credit risk. As a result, the changes in liability's credit risk will not affect profit or loss unless the liability is held for trading. In subsequent phases, the IASB will address impairment, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosure

The amendments to IAS 24 Related Party Disclosures become effective for financial years beginning on or after January 1, 2011 and must be applied retrospectively. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. As a result, such a reporting entity is exempt from the general disclosure requirements in relation to transactions and balances with the government and government-related entities. In addition, the revised standard amends the definition of a related party where the associate of an investor is now considered to be a related party to both the investor and its subsidiary whereas two associates of an entity are not regarded as related parties to each other. The Company does not expect significant impact on the related party disclosures.

IFRIC 17 Distributions of Non-cash Assets to Owners

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

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

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. The amendment is effective for annual periods beginning on or after February 1, 2010. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company does not expect that the amendment will have an impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets)

In October 2010, IASB issued an amendment to IFRS 7, which changes the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. The Company does not expect that the amendment will have an impact on the financial position or performance of the Company.

In May 2010 the Board also issued a collection of amendments to its standards, primarily to remove inconsistencies and clarify wording. The Company has not yet adopted the amendments, but it is anticipated that the changes will have no material effect on the Company's financial statements.

3. Property, Plant and Equipment

Net plant in service at December 31, 2010 and 2009 was as follows (in CZK millions)

	Buildings	Plant and Equipment	Land and Other	Total 2010	Total 2009
Cost at January 1	83,289	214,388	923	298,600	296,094
Additions	4,909	16,104	40	21,053	4,862
Disposals	(830)	(699)	(1)	(1,530)	(4,240)
Change in capitalized part of the provision	(269)	519	–	250	2,223
Non-monetary contribution and other movements	(5,366)	(7,440)	(44)	(12,850)	(339)
Cost at December 31	81,733	222,872	918	305,523	298,600
Accumulated depreciation and impairment at January 1	(40,854)	(129,954)	–	(170,808)	(162,220)
Depreciation	(2,215)	(10,761)	–	(12,976)	(12,714)
Net book value of assets disposed	(33)	(16)	–	(49)	(357)
Non-monetary contribution and other movements	3,586	6,456	–	10,042	249
Disposals	830	699	–	1,529	4,234
Impairment losses recognized	(23)	–	–	(23)	–
Accumulated depreciation and impairment at December 31	(38,709)	(133,576)	–	(172,285)	(170,808)
Net plant in service at December 31	43,024	89,296	918	133,238	127,792

At December 31, 2010 and 2009, machinery and equipment included the capitalized costs of nuclear provisions as follows (in CZK millions):

	2010	2009
Cost	19,188	18,669
Accumulated depreciation	(6,037)	(5,666)
Net book value	13,151	13,003

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

4. Investments and Other Financial Assets, Net

Investments and other financial assets at December 31, 2010, and 2009 consist of the following (in CZK millions)

	2010	2009
Restricted debt securities available-for-sale	7,091	7,181
Restricted debt securities held to maturity	17	–
Restricted cash	1,355	397
Total restricted financial assets	8,463	7,578
Equity securities and interests, net	139,063	138,703
Investment in Dalkia	3,166	–
Investment in Pražská teplárenská	11,963	12,923
Loans granted	16,150	7,240
Derivatives	1,653	344
Other long-term receivables, including prepayments	82	59
Financial assets in progress	1,433	2,668
Total	181,973	169,515

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

In 2010 the Company acquired 15% equity interest in Dalkia Česká republika, a.s. The investment is classified as available-for-sale.

In 2009 the Company agreed with J&T Group and paid for the equity interest of 49% in Pražská teplárenská (Prague's major heat supplier). The Company does not exercise any significant influence and therefore the investment is classified as available-for-sale.

Movements in impairment provisions (in CZK millions)

	2010	2009
Opening balance	5,292	2,241
Additions	6,071	3,051
Reversals	–	–
Closing balance	11,363	5,292

In 2010, the Company created an impairment provision of CZK 1,137 million against the investment in CEZ Razpredelenie Bulgaria AD and an impairment provision of CZK 4,934 million against the investment in TEC Varna EAD in connection with the goodwill impairment recorded in the consolidated financial statements.

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

In 2006, the Company created provision against the share in ČEZ Správa majetku, s.r.o. at the amount of the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2010 and 2009, the provision totaled CZK 1,473 million.

In 2006, the Company created provision against the share in ČEZData, s.r.o. (nowadays ČEZ ICT Services, a. s.). This provision relates to the difference between book value of the share and expert valuation of the assets contributed. As at December 31, 2010 and 2009, the provision totaled CZK 155 million.

In previous years, the Company maintained a provision against the shares of ŠKODA PRAHA a.s., covering the difference between the market price of the shares at the Prague Stock Exchange and their carrying value. As at December 31, 2010 and 2009, the provision totaled CZK 566 million.

Loans granted and other long-term receivables at December 31, 2010, and 2009 are contracted to mature in the following periods after the balance sheet date (in CZK millions)

	2010		2009	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Due in 1–2 years	1,143	80	923	52
Due in 2–3 years	1,275	–	888	7
Due in 3–4 years	1,201	–	907	–
Due in 4–5 years	1,158	2	948	–
Due in more than 5 years	11,373	–	3,574	–
Total	16,150	82	7,240	59

Loans granted and other long-term receivables at December 31, 2010 and 2009 have following effective interest rate structure (in CZK millions)

	2010		2009	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
Less than 2.0%	82	82	82	59
From 2.0% to 3.0%	118	–	–	–
From 3.0% to 4.0%	–	–	5	–
From 4.0% to 5.0%	19	–	30	–
Over 5.0%	15,931	–	7,123	–
Total	16,150	82	7,240	59

Loans granted and other long-term receivables at December 31, 2010 and 2009 according to currencies (in CZK millions)

	2010		2009	
	Loans granted	Other long-term receivables	Loans granted	Other long-term receivables
CZK	14,512	43	4,781	34
EUR	114	37	–	25
PLN	1,524	1	2,459	–
USD	–	1	–	–
Total	16,150	82	7,240	59

4.1. Investments in Subsidiaries, Associates and Joint-ventures

Several subsidiaries were founded or acquired during 2010:
eEnergy Ralsko a.s. (100%), FVE Vranovská Ves a.s. (100%) and eEnergy Ralsko - Kuřívody a.s. (100%) with its registered seat in Prague, eEnergy Hodonín a.s. (100%) with its registered seat in Hodonín and Teplárna Trmice, a.s. (85%) with its registered seat in Trmice.

In 2010 Elektrárna Chvaletice a.s. has been established by non-monetary contribution of part of business.

The Company has classified its investment in subsidiary Elektrárna Chvaletice a.s. (100%) as a disposal group held for sale. Elektrárna Chvaletice a. s. operates a coal fired power plant in East Bohemia. The Company has concluded a triangular agreement with Dalkia and EPH to continue restructuring of its source portfolio in the Czech Republic. According to the previously reported plans the Company will sell the Chvaletice power plant to EPH and it will acquire the heat distribution system in North Bohemia (Most and Litvínov agglomerations) from EPH. The sale of Elektrárna Chvaletice a.s. is expected to be finalized in 2011.

In 2010 the Company acquired non-controlling interest in CEZ Servicii S.A. and increased its share to 100%.

In January 2010 the share capital of ČEZ Teplárenská, a.s. was increased by non-monetary contribution of part of business. In 2010 the share capital of Energonuclear S.A., Akenerji Elektrik Üretim A.S. a CM European Power International B.V. was increased by cash contribution.

In 2010 the Company sold its share in Energonuclear S.A.

In 2010 the Company's share in VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s. decreased due to the increase in share capital executed by other shareholders.

The following table summarizes investments in subsidiaries, associates and joint-ventures and other ownership interests:

As at December 31, 2010

Company	Country	Interest in CZK millions	% interest	Dividends in CZK millions
ČEZ Distribuce, a. s. [1)]	Czech Republic	31,386	100.00	–
Severočeské doly a.s.	Czech Republic	14,112	100.00	1,907
CEZ Distributie S.A.	Romania	13,780	100.00	–
CEZ Finance Ireland Ltd.	Ireland	9,025	100.00	–
TEC Varna EAD	Bulgaria	8,847	100.00	2,375
CEZ Razpredelenie Bulgaria AD	Bulgaria	8,688	67.00	683
Akenerji Elektrik Üretim A.S.	Turkey	7,600	37.36	–
Tomis Team S.R.L.	Romania	6,657	100.00	–
CEZ Poland Distribution B.V.	Netherlands	6,240	100.00	–
CEZ Silesia B.V.	Netherlands	5,788	100.00	–
ČEZ Správa majetku, s.r.o.	Czech Republic	4,960	100.00	73
Teplárna Trmice, a.s.	Czech Republic	4,845	85.00	–
ČEZ ICT Services, a. s.	Czech Republic	4,391	100.00	405
ČEZ Teplárenská, a.s.	Czech Republic	3,764	100.00	240
ČEZ Bohunice a.s.	Czech Republic	3,592	100.00	–
CEZ Shpërndarje Sh.A. [2)]	Albania	3,028	76.00	–
Akcez Enerji A.S.	Turkey	1,744	27.50	–
Ovidiu Development S.R.L.	Romania	1,643	95.00	–
ČEZ Prodej, s.r.o.	Czech Republic	1,100	100.00	–
ŠKODA PRAHA a.s.	Czech Republic	987	100.00	50
CM European Power International B.V.	Netherlands	949	50.00	–
CEZ Vanzare S.A.	Romania	817	100.00	–
ČEZ Obnovitelné zdroje, s.r.o.	Czech Republic	791	99.90	–
ČEZ Distribuční služby, s.r.o.	Czech Republic	728	100.00	302
Energetické centrum s.r.o. [3)]	Czech Republic	679	100.00	–
eEnergy Ralsko a.s	Czech Republic	544	100.00	–
ČEZ Energetické služby, s.r.o.	Czech Republic	422	100.00	–
ŠKODA PRAHA Invest s.r.o.	Czech Republic	389	100.00	182
GENTLEY a.s.	Czech Republic	374	100.00	–
CM European Power Slovakia s.r.o.	Slovakia	295	24.50	–
FVE Vranovská Ves a.s.	Czech Republic	224	100.00	–
PPC Úžín, a.s.	Czech Republic	220	100.00	–
ČEZ Měření, s.r.o.	Czech Republic	217	100.00	287
ČEZ Logistika, s.r.o.	Czech Republic	200	100.00	496
Ústav jaderného výzkumu Řež a.s.	Czech Republic	185	52.46	–
LOMY MOŘINA spol. s r.o.	Czech Republic	169	51.05	–
eEnergy Ralsko - Kuřívody a.s.	Czech Republic	143	100.00	–
NERS d.o.o.	Bosnia and Herzegovina	107	51.00	–
CEZ Servicii S.A.	Romania	87	100.00	9
CEZ RUS OOO	Russia	73	100.00	–
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	Czech Republic	55	39.25	–
CEZ FINANCE B.V.	Netherlands	53	100.00	26
CEZ Polska sp. z o.o.	Poland	50	100.00	–
CEZ Deutschland GmbH	Germany	47	100.00	–
STE - obchodní služby spol. s r.o. v likvidaci	Czech Republic	47	100.00	–
CEZ Srbija d.o.o.	Serbia	46	100.00	–
Other		338	–	706
Total		150,426		
Provision		(11,363)		
Total, net		139,063		

As at December 31, 2009

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

[1] ČEZ Distribuční zařízení, a.s. merged with ČEZ Distribuce, a. s. with the effective date of January 1, 2010.
[2] The former company name Operatori i Sistemit te Shpërndarjes Sh.A. was changed to CEZ Shpërndarje Sh.A. in September 2010.
[3] CZECH HEAT a.s. merged with the succession company Energetické centrum s.r.o. with the effective date of January 1, 2010.

4.2. Restricted Financial Assets

At December 31, 2010 and 2009, restricted balances of financial assets totaled CZK 8,463 million and CZK 7,578 million, respectively, and represented accumulated provision for the decommissioning, reclamation and maintenance of waste storages after they are put out of services, escrow accounts securing the Company's liquidity (pursuant to contracts entered into with the respective banks) from significant financial market volatility affecting market prices of designated hedging transactions, and accumulated provision for nuclear decommissioning in compliance with the Nuclear Act. Since 2007 restricted financial assets comprise not only restricted cash balances, but also term deposits and government bonds.

At December 31, 2010 and 2009, restricted funds representing accumulated provision for waste storage and reclamation totaled CZK 446 million and CZK 459 million, respectively, while restricted funds representing accumulated provision for nuclear decommissioning totaled CZK 7,831 million and CZK 6,954 million, respectively.

5. Intangible Assets, Net

Intangible assets, net, at December 31, 2010 and 2009 were as follows (in CZK millions)

	Software	Rights and Other	Total 2010	Total 2009
Cost at January 1	1,025	982	2,007	1,938
Additions	120	61	181	86
Disposals	(12)	(2)	(14)	(17)
Non-monetary contribution	(14)	(1)	(15)	–
Cost at December 31	1,119	1,040	2,159	2,007
Accumulated amortization at January 1	(951)	(485)	(1,436)	(1,240)
Amortization	(73)	(129)	(202)	(213)
Disposals	12	2	14	17
Non-monetary contribution	13	1	14	–
Accumulated amortization at December 31	(999)	(611)	(1,610)	(1,436)
Intangible assets, net	120	429	549	571

At December 31, 2010 and 2009, intangible assets presented in the balance sheet included intangible assets in progress in the amount of CZK 157 million and CZK 91 million, respectively.

6. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Cash on hand and current accounts with banks	2,564	2,055
Short-term securities	1,560	500
Term deposits	12,018	12,012
Total	16,142	14,567

At December 31, 2010 and 2009, cash and cash equivalents included foreign currency deposits of CZK 8,953 million and CZK 12,331 million, respectively.

Average interest rates on term deposits at December 31, 2010 and 2009 were 1.97% and 0.87%, respectively. The weighted average interest rate for 2010 and 2009 was 1.04% and 1.46%, respectively.

7. Receivables, Net

The composition of receivables, net, at December 31, 2010 and 2009 is as follows (in CZK millions)

	2010	2009
Trade receivables	26,948	28,673
Short-term loans granted	21,724	11,893
Taxes and fees excl. income tax	184	58
Other receivables	971	3,140
Allowance for doubtful receivables	(1,622)	(1,774)
Total	48,205	41,990

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

At December 31, 2010 and 2009 the ageing analysis of receivables, net is as follows (in CZK millions)

	2010	2009
Not past due	47,329	40,845
Past due but not impaired [1]		
less than 3 months	683	966
3–6 months	83	39
6–12 months	36	140
more than 12 months	74	-
Total	48,205	41,990

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

Movements in allowance for doubtful receivables (in CZK millions)

	2010	2009
Opening balance	1,774	397
Additions	222	2,708
Reversals	(298)	(1,221)
Currency translation difference	(76)	(110)
Closing balance	1,622	1,774

8. Emission Rights

The following table summarizes the movements and balances of emission rights and credits in measurement units (thousands of tons) in 2010 and 2009 and as at December 31, 2010 and 2009, respectively, and their valuation presented in the accompanying financial statements:

	2010		2009	
	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	31,882	724	34,453	1,274
Emission rights granted	34,712	–	34,711	–
Non-monetary contribution to Elektrárna Chvaletice a.s.	(2,719)	–	–	–
Settlement of prior year actual emissions and credits with register	(32,595)	(38)	(33,769)	–
Emission rights purchased	1,910	1,026	750	392
Emission rights sold	(4,635)	–	(1,972)	–
Emission credits purchased	25	12	566	213
Emission credits sold	(6)	(2)	(2,857)	(1,155)
Reclassified to emission credits held for trading	(104)	(41)	–	–
Granted and purchased emission rights and credits at December 31	28,470	1,681	31,882	724
Emission rights and credits held for trading				
Emission rights held for trading at January 1	–	–	–	–
Emission rights purchased	10,949	4,049	47,109	18,965
Emission rights sold	(10,949)	(4,052)	(47,109)	(18,973)
Emission credits purchased	2,675	1,056	4,330	1,618
Emission credits sold	(1,210)	(467)	(4,330)	(1,618)
Reclassified from emission credits for own use	104	41	–	–
Fair value adjustment	–	(156)	–	8
Emission rights and credits held for trading at December 31	1,569	471	–	–

In 2010 and 2009, total emissions of greenhouse gases made by the Company amounted to an equivalent of 29,898 thousand tons and 32,595 thousand tons of CO_2, respectively. The amount of emissions of CO_2 in 2010 and 2009 was higher than the amount of granted emission rights as at December 31, 2010 and 2009, respectively. Because of that in 2010 and 2009 a provision of CZK 2,180 million and CZK 942 million, respectively, was created.

The following table shows the impact of transactions with emission rights and credits on income for the year ended December 31, 2010 and 2009 (in CZK millions):

	2010	2009
Gain on sales of granted emission rights	1,628	1,147
Net gain from emission rights trading	473	272
Net loss from emission credits sold	(158)	(656)
Net gain (loss) from derivatives	1,074	(1,306)
Remitted emission rights	(38)	–
Fair value adjustment	(156)	8
Creation of provisions for emission rights	(2,180)	(942)
Settlement of provisions for emission rights	942	925
Total gain (loss) from emission rights and credits	1,585	(552)

9. Other Financial Assets, Net

Other financial assets, net, at December 31, 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Derivatives	11,920	27,083
Equity securities available-for-sale	3,151	–
Debt securities held-to-maturity	401	–
Total	15,472	27,083

Derivatives balance is mainly composed of positive fair value of electricity trading contracts and emission right derivatives.

Equity securities available-for-sale comprise mainly the money market mutual funds denominated in EUR and USD.

Debt sectiurities held-to-maturity are denominated in CZK and bear an interest rate of 1–2%.

10. Other Current Assets

Other current assets at December 31, 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Prepayments	774	420
Advances granted	269	151
Total	1,043	571

11. Equity

As at December 31, 2010, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer shares that are fully paid and listed.

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

Movements of treasury shares in 2010 and 2009 (in pieces)

	2010	2009
Number of treasury shares at beginning of period	4,555,021	59,171,105
Reduction of stated capital	–	(54,221,084)
Sales of treasury shares	(470,000)	(395,000)
Number of treasury shares at end of period	4,085,021	4,555,021

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

In accordance with Czech regulations, joint stock companies are required to establish a non-distributable reserve fund for contingencies against possible future losses. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of stated capital. The fund can only be used to offset losses. As at December 31, 2010 and 2009, the balance was CZK 16,464 million and CZK 16,996 million, respectively and is presented as part of retained earnings. The reserve fund also includes amounts equal to the purchase price of treasury shares held by the Company. At December 31, 2010 and 2009 such balances amounted to CZK 4,619 million and CZK 5,151 million, respectively, and were recorded against distributable retained earnings.

Dividends paid per share were CZK 53.0 and CZK 50.0 in 2010 and 2009, respectively. Dividends from 2010 profit will be declared on the general meeting which will be held in the first half of 2011.

Capital management

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

The Company primarily monitors capital using the ratio of net debt to EBITDA. The Company's goal is to keep this ratio below 2.3. In addition, the Company also monitors capital using a total debt to total capital ratio. The Company's policy is to keep the total debt to total capital ratio below 50%.

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

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

	2010	2009
Total long-term debt	154,826	125,553
Total short-term loans	9,618	31,257
Total debt	164,444	156,810
Less: Cash and cash equivalents	(22,163)	(26,727)
Less: Highly liquid financial assets	(7,743)	(5,671)
Total net debt	134,538	124,412
Income before income taxes and other income (expenses)	65,057	68,199
Plus: Depreciation and amortization	24,032	22,876
EBITDA	89,089	91,075
Total equity attributable to the equity holders of the parent	221,611	200,361
Total debt	164,444	156,810
Total capital	386,055	357,171
Net debt to EBITDA ratio	1.51	1.37
Total debt to total capital ratio	42.6%	43.9%

12. Long-term Debt

Long-term debt at December 31, 2010 and 2009 was as follows (in CZK millions)

	2010	2009
4.625% Eurobonds, due 2011 (EUR 154 million) [1]	3,850	10,569
4.125% Eurobonds, due 2013 (EUR 500 million)	12,474	13,153
5.125% Eurobonds, due 2012 (EUR 500 million)	12,510	13,199
6.000% Eurobonds, due 2014 (EUR 600 million)	14,954	15,768
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,764	2,383
5.825% Zero Coupon Eurobonds, due 2038 (EUR 6 million)	30	30
4.270% Zero Coupon Eurobonds, due 2011 (CZK 1,400 million)	1,379	1,322
4.450% Zero Coupon Eurobonds, due 2011 (CZK 1,600 million)	1,573	1,504
5.750% Eurobonds, due 2015 (EUR 600 million)	14,980	15,807
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,844	1,590
5.000% Eurobonds, due 2021 (EUR 750 million) [2]	18,733	15,666
6M Euribor + 1.25% Eurobonds, due 2019 (EUR 50 million)	1,248	1,316
3M Euribor + 0.45% Eurobonds, due 2011 (EUR 110 million)	2,756	2,909
3M Libor + 0.70% Eurobonds, due 2012 (USD 100 million)	1,871	1,831
3M Euribor + 0.50% Eurobonds, due 2011 (EUR 100 million)	2,505	2,644
6M Pribor + 0.62% Eurobonds, due 2012 (CZK 3,000 million)	2,998	2,996
4.875% Eurobonds, due 2025 (EUR 750 million)	18,679	–
4.500% Eurobonds, due 2020 (EUR 750 million)	18,544	–
4.500% registered bonds, due 2030 (EUR 40 million)	976	–
9.220% Debentures, due 2014 (CZK 2,500 million) [3]	2,498	2,497
4.300% Debentures, due 2010 (CZK 6,000 million) [4]	–	5,997
Total long term bonds and debentures	137,166	111,181
Less: Current portion	(12,063)	(5,997)
Long-term bonds and debentures, net of current portion	125,103	105,184
Long-term bank loans with an interest rate p.a.		
less than 2.00%	3,964	7,557
2.00% to 2.99% p.a.	6,265	–
Total long term loans	10,229	7,557
Less: Current portion	(235)	(235)
Long-term loans, net of current portion	9,994	7,322
Total long term debt	147,395	118,738
Less: Current portion	(12,298)	(6,232)
Total long-term debt, net of current portion	135,097	112,506

[1] These Eurobonds have been issued through the subsidiary, CEZ FINANCE B.V. The Company was granted a loan by CEZ FINANCE B.V., corresponding to the nominal value of the bonds. In December 2010, the original nominal value of the issue (EUR 400 million) was reduced by bought back own bonds at a nominal value of EUR 246 million.
[2] In February 2010, the original nominal value of the issue (EUR 600 million) was increased by EUR 150 million.
[3] 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, 2010 and 2009 was 5.2% and 7.8%, respectively.
[4] In 2009, the original nominal value of the issue (CZK 7,000 million) was reduced by bought back own debentures at a nominal value of CZK 1,000 million.

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

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

Future maturities of long-term debt are as follows (in CZK millions)

	2010	2009
Current portion	12,298	6,232
Between 1 and 2 years	18,149	19,183
Between 2 and 3 years	13,948	18,702
Between 3 and 4 years	18,690	14,270
Between 4 and 5 years	16,219	19,147
Thereafter	68,091	41,204
Total long-term debt	147,395	118,738

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

	2010		2009	
	Foreign currency	CZK	Foreign currency	CZK
EUR	5,258	131,762	3,691	97,677
USD	100	1,871	100	1,831
JPY	19,986	4,609	19,986	3,972
CZK	–	9,153	–	15,258
Total long-term debt		147,395		118,738

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual repricing dates at December 31, 2010 and 2009 without considering interest rate hedging (in CZK millions):

	2010	2009
Floating rate long-term debt		
with interest rate fixed from 1 to 3 months	7,838	8,325
with interest rate fixed from 3 months to 1 year	16,266	13,425
Total floating rate long-term debt	24,104	21,750
Fixed rate long-term debt	123,291	96,988
Total long-term debt	147,395	118,738

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

The Company has entered into loan agreements, which contain restrictive financial covenants relating to debt service coverage, ratio of debt to total capital and current ratio. In 2010 and 2009 the Company has complied with all required covenants.

13. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

Carrying amounts and the estimated fair values of financial instruments at December 31, 2010 and 2009 are as follows (in CZK millions)

		2010		2009	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Investments					
Equity securities and interests, net	SaA	139,063	139,063	138,703	138,703
Restricted debt securities available-for-sale	AFS	7,091	7,091	7,181	7,181
Restricted debt securities held-to-maturity	HTM	17	17	–	–
Restricted cash	LaR	1,355	1,355	397	397
Other long-term financial assets, net	LaR	32,794	32,794	22,891	22,891
Current assets					
Receivables	LaR	48,205	48,205	41,990	41,990
Cash and cash equivalents	LaR	16,142	16,142	14,567	14,567
Short-term debt securities held-to-maturity	HTM	401	401	–	–
Short-term equity securities available-for-sale	AFS	3,151	3,151	–	–
Other current assets	LaR	269	269	151	151
LIABILITIES					
Long-term debt including the current portion	AC	(147,395)	(152,863)	(118,738)	(126,149)
Short-term loans	AC	(6,455)	(6,455)	(12,618)	(12,618)
Current liabilities	AC	(53,372)	(53,372)	(49,995)	(49,995)
DERIVATIVES					
Cash flow hedges					
Short-term receivables	HFT	131	131	456	456
Long-term receivables	HFT	554	554	52	52
Short-term liabilities	HFT	(569)	(569)	(397)	(397)
Long-term liabilities	HFT	(964)	(964)	(1,256)	(1,256)
Total cash flow hedges		(848)	(848)	(1,145)	(1,145)
Electricity, coal and gas trading contracts					
Short-term receivables	HFT	10,642	10,642	24,235	24,235
Short-term liabilities	HFT	(11,192)	(11,192)	(24,784)	(24,784)
Total electricity, coal and gas trading contracts		(550)	(550)	(549)	(549)
Other derivatives					
Short-term receivables	HFT	1,147	1,147	2,392	2,392
Long-term receivables	HFT	1,099	1,099	292	292
Short-term liabilities	HFT	(589)	(589)	(1,731)	(1,731)
Long-term liabilities	HFT	(714)	(714)	(660)	(660)
Total other derivatives		943	943	293	293

SaA Subsidiaries and associates at cost
LaR Loans and receivables
AFS Available-for-sale investments
HTM Held-to-maturity instruments
HFT Held for trading or hedging instruments
AC Financial liabilities at amortized cost

Fair Value Hierarchy

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

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

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

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

There were no transfers between the levels in 2010 and 2009.

At December 31, 2010, the Company 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	10,642	144	10,498	–
Cash flow hedges	685	88	597	–
Other derivatives	2,246	214	2,032	–
Available-for-sale restricted debt securities	7,091	7,091	–	–
Available-for-sale short-term equity securities	3,151	3,151	–	–

Liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
Electricity, coal and gas contracts	(11,192)	(35)	(11,157)	–
Cash flow hedges	(1,533)	(203)	(1,330)	–
Other derivatives	(1,303)	(87)	(1,216)	–

At December 31, 2009, the Company 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	24,235	33	24,202	–
Cash flow hedges	508	25	483	–
Other derivatives	2,684	176	2,508	–
Available-for-sale restricted debt securities	7,181	7,181	–	–

Liabilities measured at fair value

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

14. Financial Risk Management

Risk management approach

An integrated risk management system is being successfully developed in order to increase CEZ 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 is the Risk Management Committee (the ČEZ, a. s. CEO's committee). Except for approval of the aggregate annual budget risk limit (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, 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 Group debt capacity utilization and rating requirement fulfillment.

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 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 volume, volume of electricity buy-out produced by solar power plants)
- Credit risks: financial and business counterparty risk and electricity end customer risk
- Operational risks: risks of nuclear and fossil power plants operation, investment risks

The development of quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilisation)
- Business plan risks (EBITDA@Risk and CF@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within 5 years horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating.

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

Commodity risks

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

Market financial risks (currency and interest risks)

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

Credit risks

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

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

Liquidity risks

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

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

Commodity risks

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

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

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

	2010	2009
Monthly VaR (95%) – impact of changes in commodity prices	743	921

Currency risks

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

- the source of market foreign exchange rates and interest rate curves is mainly IS Reuters, IS Bloomberg and ČNB data
- the indicator of currency risk is defined as the monthly parametric VaR (95% confidence)
- for the calculation of volatility and internal correlations of each currency, the JP Morgan method (the parametric VaR method) is applied to 90 daily historical time series
- the relevant currency position is defined as a discounted value of foreign currency flows from all contracted and highly probable financial and non-financial instruments (including the hedge accounting transactions of expected future cash flows under IFRS)
- the highly probable non-financial instruments include all foreign-currency operational and investment revenues and expenditures expected in 2011 and highly probable forecasted foreign-currency revenues from electricity sales in the future
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies

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

	2010	2009
Monthly currency VaR (95% confidence)	276	297

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 an annual change of the interest income and cost resulting from the current interest-sensitive positions,
- the relevant interest positions reflect all significant interest-sensitive flows

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

	2010	2009
P/L IR sensitivity to parallel yield curve shift (+10bp)	(13)	(22)

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

	2010	2009
Guarantees provided to subsidiaries, associates and joint-ventures	12,270	23,391
Guarantees provided to external parties	481	529
Total *	12,751	23,920

* Some of the guarantees could be called until June 2025 at the latest.

Liquidity risk

Contractual maturity profile of financial liabilities at December 31, 2010 (in CZK millions)

	Bonds and debentures	Loans	Derivatives *	Trade and other payables	Guarantees issued **
Less than 1 year	18,363	6,895	222,821	53,372	12,751
Between 1 and 2 years	23,436	975	44,397	–	–
Between 2 and 3 years	17,805	1,656	3,544	–	–
Between 3 and 4 years	22,264	1,394	358	–	–
Between 4 and 5 years	18,759	1,368	342	–	–
Thereafter	85,826	5,534	8,336	–	–
Total	186,453	17,822	279,798	53,372	12,751

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

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

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

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

14.3. Hedge accounting

The Company enters into cash flow hedges of future highly probable cash inflows from the sales denominated in EUR against the currency risk. The hedged cash flows are expected to occur in the period from 2011 to 2015. The hedging instruments as at December 31, 2010 and 2009 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 4.7 billion and EUR 3.2 billion, respectively, and currency forward contracts and swaps. The fair value of these derivative hedging instruments (currency forward contracts and swaps) amounted to CZK 379 million and CZK (200) million at December 31, 2010 and 2009, respectively.

The Company also enters into cash flow hedges of future highly probable purchases of emission allowances which are expected to occur between 2011 and 2013. The hedging instruments as at December 31, 2010 and 2009 are the futures and forward contracts for the purchase of allowances equivalent to 14.7 million tons and 7.1 million tons of CO_2 emissions, respectively. The fair value of these derivative hedging instruments amounted to CZK (1,227) million and CZK (945) million at December 31, 2010 and 2009, respectively.

In 2010 and 2009 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, Gains and losses from electricity, coal and gas derivative trading, net, Emission rights, net and Other income (expenses), net. In 2010 and 2009 the Company recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 61 million and CZK (1,702) million, respectively. The ineffectiveness in 2010 and 2009 mainly relates to transactions for which the hedged items are no more highly probable to occur.

15. Accumulated Provision for Nuclear Decommissioning and Fuel Storage

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

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority (“RAWRA”) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a “nuclear account” funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution at 50 CZK per MWh produced at nuclear power plants. In 2010 and 2009, respectively, the payments to the nuclear account amounted to CZK 1,400 million and CZK 1,360 million, respectively. The originator of radioactive waste directly covers all costs associated with interim storage of spent fuel and disposal of radioactive waste. Actual costs incurred are charged against the accumulated provision for interim storage of spent nuclear fuel.

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

The following is a summary of the provisions for the years ended December 31, 2010 and 2009 (in CZK millions):

	Accumulated provisions			
	Nuclear decommissioning	Spent fuel storage		Total
		Interim	Long-term	
Balance at December 31, 2008	8,029	6,211	21,182	35,422
Movements during 2009				
Discount accretion and effect of inflation	402	310	1,059	1,771
Provision charged to income statement	–	421	–	421
Effect of change in estimate charged to income statement	–	168	–	168
Effect of change in estimate added to (deducted from) fixed assets	(229)	126	1,069	966
Current cash expenditures	–	(456)	(1,360)	(1,816)
Balance at December 31, 2009	8,202	6,780	21,950	36,932
Movements during 2010				
Discount accretion and effect of inflation	369	305	988	1,662
Provision charged to income statement	–	605	–	605
Effect of change in estimate charged to income statement	–	(797)	–	(797)
Effect of change in estimate added to fixed assets	–	–	519	519
Current cash expenditures	–	(902)	(1,400)	(2,302)
Balance at December 31, 2010	8,571	5,991	22,057	36,619

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 2010 the Company recorded the change in estimate for interim spent fuel storage due to the change in expectations of future storage cost and the change in estimate in provision for long-term spent fuel storage due to the modification of the expected output of the nuclear power plants.

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

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

16. Other Long-term Liabilities

Other long-term liabilities at December 31, 2010 and 2009 are as follows (in CZK millions)

	2010	2009
Derivatives	1,678	1,916
Provision for waste storage reclamation	1,457	1,740
Employee benefits liabilities	1,157	931
Total	4,292	4,587

The following table shows the movements of the provision for waste storage reclamation for the years ended December 31, 2010 and 2009 (in CZK millions):

	2010	2009
Balance at January 1	1,740	406
Discount accretion and effect of inflation	78	88
Effect of change in estimate credited to income statement	–	(33)
Effect of change in estimate added to (deducted from) fixed assets	(270)	1,382
Current cash expenditures	(91)	(103)
Balance at December 31	1,457	1,740

17. Trade and Other Payables

Trade and other payables at December 31, 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Trade payables	29,216	27,322
Derivatives	12,350	26,912
Payables from Group cashpooling and similar intra-group loans	23,053	21,606
Other	1,103	1,067
Total	65,722	76,907

18. Accrued Liabilities

Accrued liabilities at December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Provisions	2,606	1,401
Deferred variation margin on “own use” electricity futures	602	2,081
Accrued interest	2,780	2,052
Unbilled goods and services	2,448	1,872
Taxes and fees, except income tax	201	403
Other	20	–
Total	8,657	7,809

Deferred 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.

The Company is by law liable for damages caused by pollution and establishes a provision for environmental claims, which is based on the current estimates of its future liabilities. At December 31, 2010 and 2009, the provision totaled CZK 312 million and CZK 298 million, respectively.

In 2010 and 2009, the Company recognized provision in total amount of CZK 2,180 million and CZK 942 million, respectively, for insufficient amount of granted allowances to cover actual emissions (see Note 8).

In 2010 and 2009, the Company established a provision for restructuring of CZK 113 million and CZK 101 million, respectively.

19. Revenues

Revenues for the years ended December 31, 2010 and 2009 were as follows (in CZK millions)

	2010	2009
Sale of electricity		
Electricity sales – domestic		
ČEZ Prodej, s.r.o.	41,888	48,181
Prague Energy Exchange (PXE)	4,158	25,042
Other	34,737	19,054
Total electricity sales – domestic	80,783	92,277
Electricity sales – foreign	8,423	8,466
Effect of hedging (see Note 14.3)	2,336	119
Sales of ancillary and other services	7,352	7,559
Total sales of electricity	98,894	108,421
Electricity, coal and gas derivative trading		
Sales domestic	22,256	13,535
Sales foreign	136,986	145,153
Purchases domestic	(12,763)	(10,753)
Purchases foreign	(141,335)	(138,655)
Changes in fair value of commodity derivatives	232	(2,879)
Total gains and losses from electricity, coal and gas derivative trading, net	5,376	6,401
Heat sales and other revenues		
Sales of heat	1,965	1,789
Other	3,963	2,594
Total heat sales and other revenues	5,928	4,383
Total revenues	110,198	119,205

20. Salaries and Wages

Salaries and wages for the years ended December 31, 2010 and 2009 were as follows (in CZK millions)

	2010		2009	
	Total	Key management personnel [1]	Total	Key management personnel [1]
Salaries and wages	(4,274)	(262)	(4,084)	(259)
Remuneration of board members, including royalties	(39)	(39)	(37)	(37)
Share options	(100)	(100)	(110)	(110)
Social and health security	(1,336)	(29)	(1,228)	(18)
Other personal expenses	(721)	(28)	(776)	(19)
Total	(6,470)	(458)	(6,235)	(443)

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

The members of Board of Directors and selected managers were entitled to use company cars for both business and private purposes in addition to the personal expenses in 2010 and 2009.

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

At December 31, 2010 and 2009 the aggregate number of share options granted to members of Board of Directors, Supervisory Board members and selected managers was 2,365 thousand and 2,325 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 2010 and 2009 the Company has recognized a compensation expense of CZK 100 million and CZK 110 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 2010 and 2009 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options				
	Supervisory Board 000s	Board of Directors 000s	Selected managers 000s	Total 000s	Weighted average exercise price (CZK per share)
Share options at December 31, 2008	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
Options granted	–	275	255	530	865.33
Movements	–	–	–	–	–
Options exercised [1]	–	(425)	(45)	(470)	716.47
Options forfeited	–	–	(20)	(20)	833.32
Share options at December 31, 2010 [2]	–	1,620	745	2,365	1,055.13

[1] In 2010 and 2009 the weighted average share price at the date of the exercise for the options exercised was CZK 905.73 and CZK 849.34, respectively.
[2] At December 31, 2010 and 2009 the number of exercisable options was 1,115 thousand and 965 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 1,156.54 per share and CZK 922.11 at December 31, 2010 and 2009, 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:

	2010	2009
Weighted average assumptions		
Dividend yield	5.9%	6.3%
Expected volatility	40.2%	41.3%
Mid-term risk-free interest rate	1.6%	2.3%
Expected life (years)	1.4	2.1
Share price (CZK per share)	848.1	880.8
Weighted average grant-date fair value of options (CZK per 1 option)	123.5	175.9

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

At December 31, 2010 and 2009 the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2010	2009
CZK 500–900 per share	645	935
CZK 900–1,400 per share	1,720	1,390
Total	2,365	2,325

The options granted, which were outstanding as at December 31, 2010 and 2009 had an average remaining contractual life of 1.9 years and 2.3 years, respectively.

21. Other Operating Expenses

Other operating expenses for the years ended December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Services	(6,410)	(6,111)
Change in provisions and valuation allowances	3,089	1,628
Taxes and fees	(1,697)	(1,597)
Write-off of bad debts and cancelled investment	(28)	(78)
Travel expense	(92)	(115)
Gifts	(259)	(201)
Loss on sale of property, plant and equipment	(8)	(31)
Gain (loss) on sale of material	100	(3)
Fines, penalties and penalty interest, net	131	144
Other, net	(781)	(589)
Total	(5,955)	(6,953)

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

22. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2010 and 2009 was as follows (in CZK millions)

	2010	2009
Loans and receivables	1,704	326
Held-to-maturity investments	35	35
Available-for-sale investments	316	284
Bank accounts	452	453
Total	2,507	1,098

23. Other Income (Expenses), Net

Other income (expenses), net, for the years ended December 31, 2010 and 2009 consist of the following (in CZK millions)

	2010	2009
Dividends received	8,078	10,807
Derivative gains (losses), net	668	(1,429)
Gains (losses) on sale of available-for-sale financial assets	(131)	87
Impairment of financial investments (Note 4)	(6,071)	(3,051)
Other, net	924	364
Total	3,468	6,778

24. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% and 20% in 2010 and 2009. The Czech corporate income tax rate for 2011 and onwards shall be 19%.

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

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

	2010	2009
Current income tax charge	(7,340)	(10,305)
Adjustments in respect of current income tax of previous periods	351	133
Deferred income taxes	(570)	794
Total	(7,559)	(9,378)

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

	2010	2009
Income before income taxes	42,321	54,805
Statutory income tax rate	19%	20%
"Expected" income tax expense	(8,041)	(10,961)
Tax effect of		
Change in tax rates	–	16
Non-deductible provisions and allowances, net	(1,126)	(570)
Non-deductible expenses related to shareholdings	(35)	(71)
Other non-deductible items, net	(282)	(124)
Non-taxable revenue from dividends	1,593	2,221
Non-deductible share based payment expense	(19)	(22)
Adjustments in respect of current income tax of previous periods	351	133
Income tax	(7,559)	(9,378)
Effective tax rate	18%	17%

Deferred income tax liability, net, at December 31, 2010 and 2009 was calculated as follows (in CZK millions):

	2010	2009
Accumulated provision for nuclear decommissioning and spent fuel storage	5,708	5,829
Other provisions	887	541
Allowances	41	45
Deferred tax recognized in equity	–	464
Other temporary differences	34	29
Total deferred tax assets	6,670	6,908
Tax depreciation in excess of financial statement depreciation	(15,965)	(15,314)
Penalty receivables	(16)	(15)
Deferred tax recognized in equity	(778)	–
Other temporary differences	(444)	(300)
Total deferred tax liability	(17,203)	(15,629)
Total deferred tax liability, net	(10,533)	(8,721)

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

	2010			2009		
	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	9,009	(1,712)	7,297	2,738	(591)	2,147
Cash flow hedges removed from equity	(2,634)	501	(2,133)	1,643	(312)	1,331
Change in fair value of available-for-sale financial assets recognized in equity	163	(31)	132	10	–	10
Total	6,538	(1,242)	5,296	4,391	(903)	3,488

25. Related Parties

The Company purchases/sells products, goods and services from/to related parties in the ordinary course of business.

At December 31, 2010 and 2009, the receivables from related parties and payables to related parties were as follows (in CZK millions)

Subsidiaries, associates and joint-ventures	Receivables		Payables	
	2010	2009	2010	2009
3 L invest a.s.	3,192	–	–	–
Akcez Enerji A.S.	161	118	84	85
Akenerji Elektrik Üretim A.S.	761	652	–	–
AREA-GROUP CL, a.s.	1,653	–	–	–
CEZ Bulgaria EAD	147	105	–	–
CEZ Distributie S.A.	–	–	1,802	–
CEZ Elektroproizvodstvo Bulgaria AD	112	108	–	–
CEZ FINANCE B.V.	–	–	4,143	11,340
CEZ Hungary Ltd.	217	485	108	60
CEZ International Finance B.V.	–	–	543	–
CEZ MH B.V.	11,626	259	320	2,078
CEZ Romania S.A.	51	25	874	–
CEZ Shpërndarje Sh.A [1]	741	1,345	–	–
CEZ Slovensko, s.r.o.	714	250	309	149
ČEZ Bohunice a.s.	–	12	170	2,163
ČEZ Distribuce, a. s. [2]	7,092	5,212	6,499	4,874
ČEZ Distribuční služby, s.r.o.	11	7	2,515	1,760
ČEZ Energetické produkty, s.r.o.	24	2	234	112
ČEZ ICT Services, a. s.	10	13	656	659
ČEZ Logistika, s.r.o.	–	2	311	516
ČEZ Měření, s.r.o.	–	2	287	496
ČEZ Obnovitelné zdroje, s.r.o. [3]	1,985	2,469	101	113
ČEZ Prodej, s.r.o.	2,476	2,211	4,756	2,849
ČEZ Správa majetku, s.r.o.	7	5	743	612
ČEZ Teplárenská, a.s.	164	164	411	331
ČEZ Zákaznické služby, s.r.o.	4	2	225	257
DOMICA FPI, s.r.o.	1,287	–	–	–
eEnergy Ralsko, a.s.	208	–	–	–
Elektrárna Chvaletice, a.s.	269	–	1,487	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	1,893	2,659	1	1
Elektrownia Skawina S.A.	66	391	106	132
Energetické centrum, s.r.o. [4]	265	83	1	–
GENTLEY, a.s.	2,616	78	–	–
Ovidiu Development S.R.L.	459	39	–	–
Severočeské doly a.s.	52	167	1,588	2,979
ŠKODA PRAHA a.s.	–	–	448	409
ŠKODA PRAHA Invest s.r.o.	18	21	3,951	3,114
Taidane Limited	–	–	2,559	–
TEC Varna EAD	–	–	–	1,738
Teplárna Trmice, a.s.	12	–	474	–
Tomis Team S.R.L.	3,461	6,350	120	–
Ústav jaderného výzkumu Řež a.s.	35	47	177	118
Other	1,191	576	680	412
Total	42,980	23,859	36,683	37,357

[1] The former company name Operatori i Sistemit te Shperndarjes Sh.A. was changed to CEZ Shpërndarje Sh.A. in September 2010.
[2] The data for the years 2010 and 2009 contain the sum of receivables and payables to ČEZ Distribuce, a. s. and ČEZ Distribuční zařízení, a. s. which merged with the effective date of January 1, 2010.
[3] The data for the years 2010 and 2009 contain the sum of receivables and payables to Elektra Žabičce a.s., CZ INVEST - PLUS, a.s., MALLA, a.s., EDICOLLA, a.s. a Š-BET s.r.o., which merged with ČEZ Obnovitelné zdroje, s.r.o. with the effective date of January 1, 2010.
[4] The data for the years 2010 and 2009 contain the sum of receivables and payables to CZECH HEAT, a. s. and Energetické centrum, s.r.o. which merged with the effective date of January 1, 2010.

Other related parties	Receivables		Payables	
	2010	2009	2010	2009
ČEPS, a.s.	174	208	13	10
ČD Cargo, a.s.	–	–	166	209
Other	–	9	2	1
Total	174	217	181	220

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

Subsidiaries, associates and joint-ventures	Sales to related parties		Purchases from related parties	
	2010	2009	2010	2009
Akcez Enerji A.S.	49	118	–	–
CEZ Bulgaria EAD	193	181	–	–
CEZ Finance B.V.	–	–	118	–
CEZ Hungary Ltd.	1,337	830	14	144
CEZ MH B.V.	45	259	–	–
CEZ Romania S.R.L.	143	141	–	–
CEZ Shpërndarje Sh.A	538	469	–	–
CEZ Slovensko, s.r.o.	2,228	1,383	1,001	1,267
CEZ Srbija d.o.o.	212	228	625	523
CEZ Trade Bulgaria EAD	41	53	169	570
CEZ Trade Polska sp. z o.o.	1,230	904	343	129
CEZ Trade Romania S.R.L.	560	226	245	31
CEZ Vanzare S.A.	241	–	–	–
ČEZ Distribuce, a. s.	595	446	99	92
ČEZ Distribuční služby, s.r.o.	110	60	–	–
ČEZ Energetické produkty,s.r.o.	21	16	807	893
ČEZ Energetické služby, s.r.o.	22	20	145	211
ČEZ ENERGOSERVIS spol. s r.o.	10	7	418	280
ČEZ ICT Services, a. s.	77	65	1,898	2,006
ČEZ Obnovitelné zdroje, s.r.o.	11	7	268	351
ČEZ Prodej, s.r.o.	45,255	50,577	4,430	3,485
ČEZ Správa majetku, s.r.o.	57	43	694	657
ČEZ Teplárenská, a.s.	1,199	1,161	72	39
Elektrárna Chvaletice, a.s.	1,072	–	1,910	–
Elektrociepłownia Chorzów ELCHO sp. z o.o.	143	51	253	68
Elektrownia Skawina S.A.	127	97	1,603	1,704
LOMY MOŘINA spol. s r.o.	–	–	148	139
OSC, a.s.	–	–	104	80
SD - Kolejová doprava, a.s.	6	12	143	110
Severočeské doly a.s.	64	51	5,518	6,494
ŠKODA PRAHA Invest s.r.o.	87	69	19,426	12,893
Teplárna Trmice, a.s.	19	–	262	–
Ústav jaderného výzkumu Řež a.s.	1	1	362	342
Other	527	306	454	119
Total	56,220	57,781	41,529	32,627

Other related parties	Sales to related parties		Purchases from related parties	
	2010	2009	2010	2009
ČEPRO, a.s.	67	7	3	–
ČEPS, a.s.	5,690	6,299	96	167
ČD Cargo, a.s.	–	–	1,554	1,569
DIAMO, státní podnik	–	–	669	880
Other	–	–	2	3
Total	5,757	6,306	2,324	2,619

In 2010 and 2009 the Company made non-monetary contributions to several subsidiaries (see Notes 3 and 5 for amounts of contributed assets).

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

26. Segment Information

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

27. Earnings per Share

	2010	2009
Numerator – basic and diluted (CZK millions)		
Net profit	34,762	45,427
Denominator (thousands shares)		
Basic		
Weighted average shares outstanding	533,811	533,225
Dilutive effect of share options	38	213
Diluted		
Adjusted weighted average shares	533,849	533,438
Net income per share (CZK per share)		
Basic	65.1	85.2
Diluted	65.1	85.2

28. Commitments and Contingencies

Investment Program

The Company is engaged in a continuous construction program, currently estimated as at December 31, 2010 to total CZK 132.7 billion over the next five years, as follows: CZK 34.7 billion in 2011, CZK 33.1 billion in 2012, CZK 27.2 billion in 2013, CZK 23.7 billion in 2014 and CZK 14.0 billion in 2015. These figures do not include the expected acquisitions of subsidiaries, associates and joint-ventures, which will depend on the number of future investment opportunities, for which the Company will be a successful bidder and also considering the recoverability of these investments.

The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2010 significant purchase commitments were outstanding in connection with the construction program.

Insurance Matters

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

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

29. Events after the Balance Sheet Date

In January 2011 the Company, together with TEDOM a. s., increased the share capital of ČEZ Energo, s.r.o. The Company's interest in the new entity is 50.1%. The new entity will operate approximately 45 cogeneration units at total installed capacity of 12 MW.

In January 2011 ČEZ, a. s. received proceeds of twelve-year registered bond issued under German law (Namensschuldverschreibung) in amount EUR 40 million. The coupon was set at 4.75% p.a.

In February 2011 ČEZ, a. s., completed a twelve-year JPY 11.5 billion issue with a long-term investor, which wholly subscribed the new bond. The bond pays a coupon of 2.16% p. a. Proceeds in JPY have been swapped into EUR. Crédit Agricole CIB acted as sole dealer.

These financial statements have been authorized for issue on February 24, 2011.

Identification of ČEZ, a. s.

ČEZ, a. s.
Duhová 2/1444
140 53 Prague 4
Czech Republic

Registered in the Commercial Register maintained
by the Municipal Court in Prague (part B, insert 1581)

Established:	1992
Legal form:	joint-stock company
ID Number:	452 74 649
Tax ID:	CZ45274649
Bankers:	KB Praha 1, account no. 71504011/0100
Telephone:	+420 211 041 111
Fax:	+420 211 042 001
Internet:	www.cez.cz
E-mail:	cez@cez.cz

Closing date of the 2010 Annual Report: April 6, 2011

Group structure chart

Alphabetical list of companies – Group members

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