Превод от английски език

ERNST&YOUNG

(Превод на доклад, първоначално издаден на чешки език – виж Бележка 1 към финансовия отчет)

ДОКЛАД НА НЕЗАВИСИМИЯ ОДИТОР

До Съвета на Директорите на ALPIQ ENERGY SE:

Ние извършихме одит на приложения финансов отчет на ALPIQ ENERGY SE, включващ счетоводния баланс към 31.12.2010 г., отчета за приходите и разходите и отчета за паричните потоци за годината, завършваща на тази дата, както и резюме на основните счетоводните политики и други пояснителни бележки. За повече информация относно ALPIQ ENERGY SE виж Бележка 1 към финансовия отчет.

Отговорност на ръководството за финансовия отчет

Ръководството носи отговорността за изготвянето и за достоверното представяне на този финансов отчет в съответствие с всеобщо приетите в Република Чехия счетоводни стандарти и за онези процедури на вътрешен контрол, които управата реши, че са необходими за да стане възможна подготовката на финансовия отчет така че той да е без съществени неточности,отклонения и несъответствия, независимо дали те се дължат на измама или грешка.

Отговорност на одитора

Нашата отговорност се свежда до изразяване на одиторско мнение по този финансов отчет, основаващо се на извършения от нас одит. Нашият одит бе проведен в съответствие с изискванията на Закона за независимия финансов одит и Международните Одиторски Стандарти, изменени с Правилника за тяхното приложение на Камарата на Одиторите на Република Чехия. Тези стандарти изискват от нас спазване на етичните изисквания, както и одитът да бъде планиран и проведен така, че да постигнем разумна увереност относно това, че финансовият отчет не съдържа неточности, отклонения и несъответствия.

Одитът включва изпълнението на процедури с цел получаване на одиторски доказателства относно сумите и оповестяванията, представени във финансовия отчет. Избраните процедури зависят от преценката на одитора, включително оценката на рисковете от съществени неточности, отклонения и несъответствия във финансовия отчет, независимо дали те се дължат на измама или на грешка. При извършването на тази оценка на риска одиторът взема под внимание системата за вътрешен контрол, свързана с изготвянето и достоверното представяне на финансовия отчет от страна на предприятието, за да разработи одиторски процедури, които са подходящи при тези обстоятелства, но не с цел изразяване на мнение относно ефективността на системата за вътрешен контрол на предприятието. Одитът също така включва оценка на уместността на прилаганите счетоводни политики и разумността на приблизителните счетоводни оценки, направени от ръководството, както и оценка на цялостното представяне във финансовия отчет.

Считаме, че извършеният от нас одит предоставя достатъчна и подходяща база за изразеното от нас одиторско мнение.

Мнение

По наше мнение финансовият отчет дава вярна и честна представа за финансовото състояние на ALPIQ ENERGY SE към 31.12.2010 г., както и за неговите финансови резултати от дейността и за паричните потоци за годината, завършваща тогава в съответствие с общоприетите счетоводни принципи на Република Чехия.

Ernst & Young Audit s.r.o.
Лиценз № 401
Представлявано от
/подпис не се чете/
Йозеф Пивонка
Одитор, Лиценз № 1963

29.04.2011 г.
Прага, Република Чехия

Аз, долуподписаният Димитър Иванов Димитров, удостоверявам верността на направения от мен превод от английски на български език на приложения документ. Преводът се състои от 2 страници.

Преводач: Димитър Иванов Димитров

ПРЕВОДАЧЕСКА КЪЩА СКРИВАНЕК • ООД • 1 • СОФИЯ •

ERNST & YOUNG

(Translation of a report originally issued in Czech - see Note 1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ALPIQ ENERGY SE:

We have audited the accompanying financial statements of ALPIQ ENERGY SE, which comprise the balance sheet as at 31 December 2010, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of ALPIQ ENERGY SE, see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, 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 ALPIQ ENERGY SE as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Ernst & Young

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

Josef Pivoňka
Auditor, License No. 1963

April 29, 2011
Prague, Czech Republic

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2010 together with Auditor's Report

(Translation of Financial Statements Originally Issued in Czech – See Note 2 to the Financial Statements)

ERNST & YOUNG

(Translation of a report originally issued in Czech - see Note 1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ALPIQ ENERGY SE:

We have audited the accompanying financial statements of ALPIQ ENERGY SE, which comprise the balance sheet as at 31 December 2010, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of ALPIQ ENERGY SE, see Note 1 to the financial statements.

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Ernst & Young

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

Josef Pivoňka
Auditor, License No. 1963

April 29, 2011
Prague, Czech Republic

ALPIQ ENERGY SE - 31.12.2010

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

			Current year			Prior year 2009
			Gross	Allowances	Net	Net
		TOTAL ASSETS	7,164,435	-887,058	6,277,377	5,477,899
A.		STOCK SUBSCRIPTION RECEIVABLE				
B.		FIXED ASSETS	205,232	-62,077	143,155	264
B. I.		Intangible assets	154,501	-32,486	122,015	57
B. I.	1	Foundation and organization expenses				
	2	Research and development				
	3	Software	1,948	-1,948	0	57
	4	Patents, royalties and similar rights	57	-39	18	
	5	Goodwill	152,496	-30,499	121,997	
	6	Other intangible assets				
	7	Intangible assets in progress				
	8	Advances granted for intangible assets				
B. II.		Tangible assets	50,714	-29,591	21,123	190
B. II.	1	Land				
	2	Constructions	13,940	-5,985	7,955	
	3	Separate movable items and groups of movable items	32,613	-23,375	9,238	190
	4	Perennial crops				
	5	Livestock				
	6	Other tangible assets				
	7	Tangible assets in progress				
	8	Advances granted for tangible assets				
	9	Gain or loss on revaluation of acquired property	4,161	-231	3,930	
B. III.		Financial investments	17	0	17	17
B. III.	1	Subsidiaries				
	2	Associates				
	3	Other long-term securities and interests	17		17	17
	4	Loans to subsidiaries and associates				
	5	Other long-term investments				
	6	Long-term investments in progress				
	7	Advances granted for long-term investments				
C.		CURRENT ASSETS	6,924,720	-824,981	6,099,739	4,877,752
C. I.		Inventory	0	0	0	0
C. I.	1	Materials				
	2	Work in progress and semi-finished production				
	3	Finished products				
	4	Livestock				
	5	Goods				
	6	Advances granted for inventory				
C. II.		Long-term receivables	30,539	0	30,539	5,000
C. II.	1	Trade receivables				
	2	Receivables from group companies with majority control				
	3	Receivables from group companies with control of 20% - 50%				
	4	Receivables from partners, co-operative members and participants in association				
	5	Long-term advances granted	8,060		8,060	5,000
	6	Unbilled revenue				
	7	Other receivables				
	8	Deferred tax asset	22,479		22,479	

ALPIQ ENERGY SE - 31.12.2010

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

			Current year			Prior year 2009
			Gross	Allowances	Net	Net
C. III.		Short-term receivables	5,797,807	-824,981	4,972,826	4,593,904
C. III.	1	Trade receivables	4,720,669	-824,981	3,895,688	2,772,621
	2	Receivables from group companies with majority control				216,152
	3	Receivables from group companies with control of 20% - 50%				
	4	Receivables from partners, co-operative members and participants in association				
	5	Social security and health insurance				
	6	Due from government - tax receivables	402,022		402,022	33,755
	7	Short-term advances granted	167,494		167,494	189,100
	8	Unbilled revenue	130,129		130,129	581,645
	9	Other receivables	377,493		377,493	800,631
C. IV.		Short-term financial assets	1,096,374	0	1,096,374	278,848
C. IV.	1	Cash	4,893		4,893	24
	2	Bank accounts	697,385		697,385	278,824
	3	Short-term securities and interests	394,096		394,096	
	4	Short-term financial assets in progress				
D.		**OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS**	**34,483**	**0**	**34,483**	**599,883**
D. I.		Accrued assets and deferred liabilities	34,483	0	34,483	599,883
D. I.	1	Prepaid expenses	34,483		34,483	599,883
	2	Prepaid expenses (specific-purpose expenses)				
	3	Unbilled revenue				

ALPIQ ENERGY SE - 31.12.2010

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

				Current year	Prior year 2009
			TOTAL EQUITY & LIABILITIES	6,277,377	5,477,899
A.			EQUITY	733,101	18,053
A.	I.		Basic capital	172,655	2,960
A.	I.	1	Registered capital	172,655	2,960
		2	Own shares and own ownership interests (-)		
		3	Changes in basic capital		
A.	II.		Capital funds	0	1,321,920
A	II.	1	Share premium (agio)		
		2	Other capital funds		1,321,920
		3	Gain or loss on revaluation of assets and liabilities		
		4	Gain or loss on revaluation of company transformations		
A	III.		Reserve funds and other funds created from profit	0	0
A	III.	1	Legal reserve fund		
		2	Statutory and other funds		
A.	IV.		Profit (loss) for the previous years	757,380	-1,121,815
	IV.	1	Retained earnings for the previous years	-21,946	
		2	Accumulated loss of previous years	779,326	-1,121,815
A.	V.		Profit (loss) for the year (+ / -)	-196,934	-185,012
B.			LIABILITIES	5,543,362	5,005,271
B.	I.		Provisions	485,943	213,553
B.	I.	1	Provisions created under special legislation		
		2	Provision for pensions and similar obligations		
		3	Provision for corporate income tax		
		4	Other provisions	485,943	213,553
B.	II.		Long-term liabilities	0	0
B.	II.	1	Trade payables		
		2	Liabilities to group companies with majority control		
		3	Liabilities to group companies with control of 20% - 50%		
		4	Liabilities to partners, co-operative members and participants in association		
		5	Advances received		
		6	Bonds payable		
		7	Notes payable		
		8	Unbilled deliveries		
		9	Other liabilities		
		10	Deferred tax liability		
B.	III.		Current liabilities	5,057,419	4,791,718
B.	III.	1	Trade payables	2,710,963	2,275,020
		2	Liabilities to group companies with majority control	913,571	219,685
		3	Liabilities to group companies with control of 20% - 50%		
		4	Liabilities to partners, co-operative members and participants in association		
		5	Liabilities to employees	5,317	1,165
		6	Liabilities arising from social security and health insurance	3,438	167
		7	Due to government – taxes and subsidies	60,010	228
		8	Advances received	70,312	464,089
		9	Bonds payable		
		10	Unbilled deliveries	870,006	924,339
		11	Other liabilities	423,802	907,025
B.	IV.		Bank loans and borrowings	0	0
B.	IV.	1	Long-term bank loans		
		2	Short-term bank loans		
		3	Borrowings		
C.			OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES	914	454,575
C.	I.		Accrued liabilities and deferred assets	914	454,575
C.	I.	1	Accruals	887	
		2	Deferred income	27	454,575

Prepared on:	Signature of accounting entity's statutory body:
29.4.2011	

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

ALPIQ ENERGY SE - 31.12.2010

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

			Current year	Prior year 1.7.2009 - 31. 12. 2009
I.	1	Revenue from sale of goods	42,468,726	12,477,010
A.	2	Cost of goods sold	41,807,676	12,718,898
+		**Gross margin**	**661,050**	**-241,888**
II.		Production	48,510	13,038
II.	1	Revenue from sale of finished products and services	48,510	13,038
	2	Change in inventory produced internally		
	3	Own work capitalized		
B.		Production related consumption	492,692	76,750
B.	1	Consumption of material and energy	5,206	340
B.	2	Services	487,486	76,410
+		**Value added**	**216,868**	**-305,600**
C.		Personnel expenses	196,268	4,663
C.	1	Wages and salaries	161,375	4,039
C.	2	Bonuses to members of company or cooperation bodies		
C.	3	Social security and health insurance	27,921	515
C.	4	Other social costs	6,972	109
D.	1	Taxes and charges	17,967	2,515
E.	1	Amortization and depreciation of intangible and tangible fixed assets	36,804	209
III.		Revenue from sale of intangible and tangible fixed assets and materials	338	11
III.	1	Revenues from sale of intangible and tangible fixed assets	338	11
	2	Revenue from sale of materials		
F.		Net book value of intangible and tangible fixed assets and materials sold	316	0
F.	1	Net book value of intangible and tangible fixed assets sold	316	
F.	2	Materials sold		
G.	1	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	109,166	-152,216
IV.	1	Other operating revenues	3,797	35
H.	2	Other operating expenses	17,906	7,608
V.	1	Transfer of operating revenues		
I.	2	Transfer of operating expenses		
*		**Profit or loss on operating activities**	**-157,424**	**-168,333**
VI.	1	Revenue from sale of securities and interests		
J.	2	Securities and interests sold		
VII.		Income from financial investments	0	108
VII.	1	Income from subsidiaries and associates		
	2	Income from other long-term securities and interests		108
	3	Income from other financial investments		
VIII.	1	Income from short-term financial assets		
K.	2	Expenses related to financial assets		217
IX.	1	Gain on revaluation of securities and derivatives		
L.	2	Loss on revaluation of securities and derivatives		
M.	1	Change in provisions and allowances relating to financial activities		
X.	1	Interest income	9,240	179
N.	2	Interest expense	18,438	8,895
XI.	1	Other finance income	1,554,085	420,514
O.	2	Other finance cost	1,517,777	428,261
XII.	1	Transfer of finance income		
P.	2	Transfer of finance cost		
*		**Profit or loss on financial activities**	**27,110**	**-16,572**

ALPIQ ENERGY SE - 31.12.2010

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

			Current year	Prior year 2009
Q.		Tax on profit or loss on ordinary activities	66,620	107
Q.	1	- due	96,131	107
Q.	2	- deferred	-29,511	
**		**Profit or loss on ordinary activies after taxation**	-196,934	-185,012
XIII.	1	Extraordinary gains		
R.	2	Extraordinary losses		
S.	1	Tax on extraordinary profit or loss	0	0
S.	1	- due		
S.	2	- deferred		
*		**Extraordinary profit or loss**	0	0
T.	1	Transfer of share of profit or loss to partners (+/-)		
***		**Profit or loss for the year (+/-)**	-196,934	-185,012
****		**Profit or loss before taxation**	-130,314	-184,905

Prepared on:	Signature of accounting entity's statutory body:
29.4.2011	

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

ALPIQ ENERGY SE

Financial Statements for the Year Ended 31 December 2010

1. DESCRIPTION OF THE COMPANY

ALPIQ ENERGY SE ("the Company") is a European joint stock company incorporated by an entry in the Commercial Register on 20 October 2008 in the Czech Republic. The Company's registered office is located at Na Příkopě 1096/21, 110 00 Prague 1, Czech Republic, and the business registration number (IČ) is 284 77 090. The Company is involved in electricity trading.

The parent company is Alpiq Central Europe AG (formerly Atel Energy AG), with its registered office at Oltnerstrasse 63, Niedergösgen, the Swiss Confederation, holding a 100% interest in the Company's basic capital. The ultimate parent company is Alpiq Holding, the Swiss Confederation.

The Company is included in the consolidated group of the parent company.

Members of the statutory bodies as at 31 December 2010 were as follows:

Board of Directors	
Chair:	Edgar Lehrmann
Member:	Franz Josef Scheiber
Member:	Lehel Szarapka
Member:	Peter Dworak

Supervisory Board	
Member:	Reinhold Frank

Procurators	
Csongor Böjte	Karel Kadlec
Michal Dubeň	Klára Vaculíková
Kosta Kosorić	Claudia ErniEiholzer
Hans Günther Mayer	Joachim Bagemihl
Martin Pich	Tzvetelina Tzankova
Sergej Rybalchenko	Hana Lindovská
Ferenc Timli	Martin Šiška
Jozsef Edöcs	Zdeněk Čihák
Laura Feleki	Koryun Shahbazyan
Petr Seigertschmid	Andreas Hennig
Gergely Gonda	Pavle Čulibrk
Ivo Pavelek	Mihaela Popescu
Petr Radina	

At least two Procurators jointly, or the Board of Directors act and sign on the Company's behalf. The Chair together with a member of the Board of Directors or two Board members jointly act on behalf of the Company.

From 1 January 2010 to 31 December 2010, the following changes were made to the Commercial Register entry:

On 12 February 2010, new Procurators were entered in the Commercial Register: Jozsef Edöcs, Laura Feleki, Petr Seigertschmid, Gergely Gonda, Ivo Pavelek, Petr Radina, Karel Kadlec, Klára Vaculíková, Claudia ErniEiholzer, Joachim Bagemihl, Tzvetelina Tzankova. On 15 April 2010, new Procurators were entered in the Commercial Register: Hana Lindovská, Martin Šiška, Zdeněk Čihák, Koryun Shahbazyan, Andreas Hennig and Pavle Čulibrk and Mihaela Popescu on 31 August 2010.

On 30 November 2010, a cross-border merger by consolidation of the Company was entered in the Commercial Register. As a result of this merger, Atel Polska Sp. z.o.o. and Alpiq Energia Magyarország Kft merged into ALPIQ ENERGY SE as at the decisive date 1 January 2010.

On 26 February 2010 a contract for the sale of a part of business was signed by and between Alpiq Central Europe AG (as the seller) and ALPIQ ENERGY SE (as the buyer). The deal became effective as at 1 March 2010. Pursuant to the contract all rights and obligations of Alpiq Central Europe AG, organizační složka (the branch) were transferred to ALPIQ ENERGY SE, including the transfer of assets and liabilities, formal transfer of staff, customers and other parts of business activities. The transfer of the part of business was recorded in the Commercial Register on 8 April 2010.

The Company has foreign branches in Hungary, the Slovak Republic, Romania, Bulgaria, Slovenia, Switzerland and Poland.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2010 and 2009.

On 30 June 2010, the statutory bodies of ALPIQ ENERGY SE (hereinafter the "Successor Company" or the "Company"), Atel Polska Sp. z.o.o. and Alpiq Energia Magyarország Kft. (hereinafter the "Dissolving Companies") prepared the Common Draft Terms of the Cross-Border Merger by Consolidation ("the Project"). Pursuant to the Project, the above-mentioned companies merged into ALPIQ ENERGY SE, with the decisive date of the merger 1 January 2010. The Dissolving Companies were deleted from the Commercial Register and the Successor Company became their universal legal successor. The merger was entered in the Commercial Register on 30 November 2010. As a result of the merger, the information in the income statement and the cash flow statement cannot be directly compared with the information in the current year.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2010 and 2009 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are valued at their acquisition cost and related expenses.

Goodwill arose in relation to the cross-border merger by consolidation with Atel Polska Sp.z o.o. and Alpiq Energia Magyarország Kft. as the difference between the valuation of business assets of these companies and the aggregate of individually revalued asset components, net of assumed liabilities.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their estimated useful lives.

Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years (specify range)
Software	1 - 4
Patents, royalties and similar rights	6
Goodwill	5

b) Tangible Fixed Assets

Tangible fixed assets with a cost exceeding CZK 10 thousand in the case of the acquisition of furniture and fixtures and computer and telecommunication technologies and CZK 40 thousand in other cases are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs. Vehicles are deemed tangible fixed assets regardless of their acquisition cost.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Any gain or loss on the revaluation of acquired property represents the difference between the valuation of a part of Alpiq Central Europe AG, (the Branch) acquired by purchase and the aggregate of individually revalued asset components in accounting of the seller, net of assumed liabilities.

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years (specify range)
Leasehold improvement (buildings)	5
Machinery and equipment	4 – 7
Vehicles	4
Furniture and fixtures	6
Gain or loss on revaluation of acquired property	15

c) Financial Assets

Long-term financial assets consist of ownership interest in Alpiq Generation (CZ) s.r.o.

Interests are valued at their acquisition cost, which includes the purchase price and direct costs related to the acquisition.

Short-term financial assets consist of liquid valuables, cash in hand and at bank.

Starting 2010 Short-term securities and interests include purchased rights to certificates confirming energy volumes produced from renewable sources. These rights are purchased in Poland for the purpose of resale or settlement of the Company´s obligation related to the sale of electricity to end customers. These rights are valued at their acquisition cost, which includes the purchase price and direct costs related to the acquisition. As at the financial statements date the rights are remeasured to fair value using the prices published by the Polish Energy Exchange.

d) Receivables

Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other receivables.

e) Derivatives

Derivatives are initially measured at cost. Derivatives are reflected in other short-term receivables or payables, as appropriate, in the accompanying balance sheet.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges or cash flow hedges. In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in income. Due to the Company's scope of business, changes in the fair value of commodity derivatives for purchase or sale of electricity are reported in operating expenses or operating revenues. Changes in the fair value of derivatives designated as fair value hedges are also recognized in earnings, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is reported in earnings.

f) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting, which was not entered in the Commercial Register as of the financial statements date, is recorded through changes in basic capital.

In accordance with the Commercial Code, the Company creates a legal reserve fund from profit or from amounts contributed by partners above their contributions.

In the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until it reaches 20 % of basic capital. These funds can only be used to offset losses.

g) Provisions and Liabilities

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

h) Financial Leases

The Company records leased assets by expensing the lease payments and capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate existing at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates published by the Czech National Bank at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

j) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenue from the sale of electricity is recognized when electricity is supplied and it comprises billed amounts and the change in balance of supplied yet unbilled electricity.

The change in the balance of unbilled electricity is determined as at the financial statements' date based on an estimate, which is made on assumptions and information about projected consumption received from Operátor trhu s elektrickou energií (Energy Market Operator) or consumption calculated using internal estimates and measuring. An actual amount of billed electricity in the future may differ from the estimate.

Purchased and sold electricity is reported as revenue from sale of goods and cost of goods sold, as appropriate, in the financial statements. Other costs related to electricity trading (distribution services, purchased capacities, etc.) are reported as consumed services.

Within its trading activity, the Company enters into standard annual contracts with other traders for the purchase and the sale of electricity, both effected in the same quantity and at the same point in time. The primary purpose of these contracts is not a physical supply of the commodity. These contracts are classified as derivatives held for trading and are revalued with a corresponding entry in net profit or loss as at the balance sheet day (see Note 3e). These transactions are part of the Company's trading activity and, accordingly, are reported in a net amount as revenue from sale of goods in the financial statements.

k) Electricity Exchange Trading

The Company has entered into electricity futures, i.e. commodity contracts for future electricity supplies, at the Energy Exchanges in Prague (PXE), Leipzig (EPEX), Budapest (HUPX), Vienna (EXAA) and Warsaw (TGA and GPW). The futures are acquired primarily to secure the supplies of electricity to Company´s customers. Movements in futures prices, which are credited or debited, as appropriate, to the Company on a daily basis, are presented within other receivables (losses) and other liabilities (gains). Gains and losses arising from futures are recognized upon the supply of electricity. When the position is closed, any related gains or losses are recognized directly in profit and loss, within other finance income or other finance cost, as appropriate.

If a future contract is concluded for purpose other than to secure electricity supplies to the Company's customers, the Company classifies such a contract as derivative (see Note 3e).

l) "Color" Certificates

In order to meet its obligation to deliver certain volume of electricity from renewable sources to end customers in Poland the Company purchases the so-called "color" certificates. These certificates are traded at stock exchanges and remeasured to fair value as at the balance sheet date. These certificates are classified as short-term securities.

4. FIXED ASSETS

a) Intangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Merger effect	Acquisition of a part of business	Additions	At end of year
Software	1,419	308	221	-	1,948
Patents, royalties and similar rights	-	57	-	-	57
Goodwill	-	152,496	-	-	152,496
2010 Total	1,419	152,861	221	-	154,501
2009 Total	-	1,410	-	9	1,419

ACCUMULATED AMORTIZATION

	At beginning of year	Merger effect	Acquisition of a part of business	Amortization during year	At end of year	Net book value
Software	(1,362)		(98)	(488)	(1,948)	-
Patents, royalties and similar rights	-	(28)	-	(11)	(39)	18
Goodwill	-	-	-	(30,499)	(30,499)	121,997
2010 Total	(1,362)	(28)	(98)	(30,998)	(32,486)	122,015
2009 Total	-	(1,208)	-	(154)	(1,362)	57

Patents, royalties and similar rights are amortized over their useful lives as specified in the relevant contracts.

In addition, the Company shows goodwill of CZK 152,496 thousand on revaluation upon transformations that arose upon the cross-border merger by consolidation with Atel Polska SP.z o.o. and Alpiq Energie Magyarország Kft as at 1 January 2010. Amortization of the goodwill at an amount of CZK 30,499 thousand was charged into expenses in 2010.

b) Tangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Merger effect	Acquisition of a part of business	Additions	Disposals	At end of year
Constructions	763	1,896	5,969	5,517	(204)	13,940
Machinery and equipment	6,695	7,384	8,989	2,595	(658)	25,006
Vehicles	2	2,853	-	539	(480)	2,914
Furniture and fixtures	340	150	3,268	935	-	4,693
Adjustment to gained property	-	-	4,161	-	-	4,161
2010 Total	7,800	12,283	22,387	9,586	(1,342)	50,714
2009 Total	-	8,100	-	2	(302)	7,800

ACCUMULATED DEPRECIATION

	At beginning of year	Merger effect	Acquisition of a part of business	Depreciati on during year	Net book value	Disposals	At end of year	Net book value
Constructions	(763)	(1,038)	(2,703)	(1,499)	(186)	204	(5,985)	7,955
Machinery and equipment	(6,677)	(5,836)	(3,471)	(3,530)	(130)	658	(18,986)	6,020
Vehicles	-	(2,114)	-	(419)	-	480	(2,053)	861
Furniture and fixtures	(170)	(141)	(1,898)	(127)	-	-	(2,336)	2,357
Adjustment to gained property	-	-	-	(231)	-	-	(231)	3,930
2010 Total	(7,610)	(9,129)	(8,072)	(5,806)	(316)	1,342	(29,591)	21,123
2009 Total	-	(7,856)	-	(56)	-	302	(7,610)	190

Adjustment to gained property of CZK 4,161thousand arose in connection with the acquisition of a part of the business Alpiq Central Europe AG, organizační složka in 2010. Depreciation in respect of this adjustment to acquired property of CZK 231 thousand was charged into expenses in 2010.

c) Long-Term Financial Investments (in CZK thousands)

Other long-term securities and interests represent an investment in Alpiq Generation (CZ) s.r.o. totaling 10% of the interest in the basic capital. The majority owner of this company is Alpiq AG.

5. RECEIVABLES

Allowances against outstanding receivables that are considered doubtful were charged to expenses in 2010 and 2009, respectively (see Note 6).

As at 31 December 2010, the Company had CZK 8,060 thousand of long-term advance payments representing deposits paid to OTE, a.s., BORZEN, d.o.o. and CN Transelectrica SA, that serve to cover liabilities arising from the Company's trading on the electricity market.

In addition, the long-term advance payments include a deposit for rent of the Company headquarters as at 31 December 2010. As at 31 December 2009, the Company had CZK 5,000 thousand of long-term advance payments representing a deposit paid to OTE, a.s.

As at 31 December 2010 and 2009, short-term trade receivables included a deposit margin of CZK 45,038 thousand and CZK 47,637 thousand, respectively, which is used as a security for trade obligations committed at the Prague Energy Exchange.

As at 31 December 2010 and 2009 the Company reports in short-term tax receivables from the government the following: value added tax of CZK 297,379 thousand, income tax of CZK 82,251 thousand and other taxes of CZK 22,392 thousand and value added tax of CZK 6,375 thousand and income tax of CZK 27,380 thousand, respectively.

Unbilled revenue represents, in particular, unbilled supplies of electricity, services related to electricity supply and distribution fees to eligible customers.

As at 31 December 2010 and 2009, other receivables comprise, in particular, positive fair values of outstanding derivatives (see Note 13) and unrealized gains of CZK 43,694 thousand and CZK 49,016 thousand, respectively related to the traded futures contracts at the Prague Energy Exchange where the delivery related to the futures will be rendered in future periods.

Receivables from related parties (see Note 19).

6. ALLOWANCES

Allowances reflect a temporary diminution in value of assets (see Note 5).

Changes in the allowance accounts (in CZK thousands):

Allowances against	Balance as at 30/6/2009	Merger effect	Balance as at 31/12/2009	Merger effect	Increase	Balance as at 31/12/2010
Receivables – legal	-	819,930	819,930	4,396	655	824,981

Legal allowances are created in compliance with the Provision Act and are tax deductible.

7. SHORT-TERM FINANCIAL ASSETS

The Company has been participating in the cash-pooling system with the parent company Atel Central Europe AG; the system is administrated by Deutsche Bank AG. Cash provided by the Company within the cash-pooling bears interest of Eonia - 0.2 % up to 0.5 %, cash used by the Company within the cash-pooling bears interest of Eonia + 1.5% and 1.75 %. As at 31 December 2010 and 2009, the balance of the cash provided within the cash-pooling was CZK (710,495) thousand and CZK 216,152 thousand and is reflected as short-term payables in the balance sheet caption Payables to group companies with majority control" and receivables in the balance sheet caption "Receivables from group companies with majority control", respectively.

Short-term securities include "color certificates", i.e. purchased rights to certificates confirming energy volumes produced from renewable sources. The fair value of these certificates was CZK 394,096 thousand as at 31 December 2010.

8. OTHER ASSETS

Prepaid expenses include in particular portfolios of contracts for the purchase and the sale of electricity with the date of supply after 31 December 2010 and 2009, which had a positive market value as at 31 December 2009 and were taken over by the Company as at 31 December 2009 based on settlement agreements concluded with Alpiq Central Europe AG, Alpiq Energia Magyarország Kft., Atel Polska Sp.z o.o. and Atel Energy Romania SRL. These expenses will be included in net profit or loss for the year in which they were incurred. Majority of these expenses were expensed in 2010. The remaining portion will be expensed in 2011.

9. EQUITY

The movements in the capital accounts during 2010 were as follows (in CZK thousands):

	Balance as at 30/6/2009	Merger effect	Increase	Balance as at 31/12/2009	Merger effect	Balance as at 1/1/2010	Increase	Payment of dividends	Balance as at 31/12/2010
Basic capital	2,960	-	-	2,960	168,708	171,668	987	-	172,665
Other capital funds	-	-	1,321,920	1,321,920	(1,321,920)	-	-	-	-
Retained earnings	-	-	-	-	1,138,014	1,138,014	-	(380,634)	757,380
Accumulated loss	-	(1,121,420)	(395)	1,121,815	1,121,815	-	-	-	-
Current year profit/loss	-	-	-	(185,012)	185,012	-	(196,934)	-	(196,934)

The statutory bodies of ALPIQ ENERGY SE, Atel Polska Sp.z o.o. and Alpiq Energia Magyarország Kft prepared the Common Draft Terms of the Cross-Border Merger by Acquisition ("the Project") as at 30 June 2010. Pursuant to the Project, the above-mentioned companies merged with ALPIQ ENERGY SE, with the decisive date of the merger 1 January 2010.

The preparation of opening balance sheet and the transfer of equity components of the dissolving companies were done in accordance with the Project, at a value determined by an independent valuer in the following structure and amounts (in CZK thousands):

	Balance as at 31/12/2009		As at 1/ 1/ 2010 transferred	
	Atel PL	Alpiq HU	to the successor company	at amount
Basic capital	51,584	58,722	Basic capital	110,306
Legal reserve fund	252	-	Retained earnings	252
Other capital funds	54,715	-	Retained earnings	54,715
Differences arising from revaluation upon transformations	82,913	87,942	Retained earnings	170,855
Profit/loss for the year ended 31 December 2009 to be approved			Retained earnings	936,285
	225,168	769,519	Basic capital	58,402
Total equity	414,632	916,183	Total	1,330,815

Within the merger process the Company issued 684 new ordinary bearer shares in a certificate form with a nominal value of EUR 10,000, i.e. CZK 246,650 each and increased thus its basic capital at a total amount of CZK 168,708 thousand. The basic capital increase was entered in the Commercial Register on 30 November 2010.

On 31 March 2010, the Company issued four new ordinary bearer shares in a certificate form with a nominal value of EUR 10,000, i.e. CZK 246,650 each and increased thus its basic capital at a total amount of CZK 987 thousand.

As at 1 January 2010, in connection with the merger the Successor Company recorded a deferred tax liability of CZK 39,186 thousand upon revaluation of assets and liabilities of the Dissolving Companies.

The Company reported a loss of CZK (185,012) thousand for the period 1 July 2009 to 31 December 2009 which was settled within the process cross-border merger by consolidation in accordance with the opening balance sheet approval by the sole shareholder dated 30 June 2010.

The Company's loss for the period 20 October 2008 through 30 June 2009 was CZK (395) thousand and was added to accumulated loss within the process of opening balance sheet approval by the sole shareholder dated 9 November 2009.

On 25 May 2010 the parent company Alpiq Central Europe AG decided to pay out dividend totaling CZK 380,634 thousand (HUF 4,162,669,276). The dividend was paid in full on 7 June 2010.

10. PROVISIONS

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/12/2009	Merger effect	Additions	Deductions - reserves	Balance as at 31/12/ 2010
Loss making contracts	213,546	-	229,095	(213,546)	229,095
Fee to support renewable sources	-	163,879	261,061	(168,092)	256,848
Other	7	-	-	(7)	-
Total	213,553	163,879	490,156	(381,645)	485,943

As at 31 December 2010, the Company recorded a provision of CZK 227,585 thousand for potential losses on electricity supplies with realisation in 2011. For the purposes of the provision amount determination, an open position of portfolio of electricity contracts was valued using the CZK/EUR foreign exchange rates as published by the Czech National Bank and the of electricity futures rates applicable as at 31 December 2010. The final CZK/EUR exchange rate and the price of electricity, at which the open positions of electricity portfolio will be closed, may significantly differ from the rates and prices used for the provision determination. Due to a possible fluctuation of foreign exchange rates and electricity prices copying the developments in global markets, the net profit or loss from contracts for electricity supplies covered by the provision may significantly differ from the net profit or loss anticipated as at 31 December 2010.

In addition, The Company recorded a provision for the fee to support renewable sources in Poland that the Company is obliged to pay from electricity volumes delivered to end-customers in Poland. The obligation is met either by the payment of the fee determined by the government for the respective period or the purchase and following redemption of the rights to certificates confirming energy produced from renewable sources (see Note 7). In 2010 the Company redeemed rights at a total amount of CZK 168,092 thousand. The provision balance was CZK 256,848 thousand as at 31 December 2010.

11. CURRENT LIABILITIES

As at 31 December 2010 and 2009 the Company had liabilities of CZK 3,438 thousand and CZK 167 thousand, respectively owing to social security and health insurance premiums.

Unbilled deliveries represent, in particular, unbilled supplies of electricity and related services.

Other current liabilities comprise negative fair values of outstanding derivatives (see Note 13).

Payables to related parties (see Note 19).

12. OTHER LIABILITIES

Deferred income includes portfolios of contracts for the purchase and the sale of electricity with the date of supply after 31 December 2009, which had a negative market value as at 31 December 2009 and were taken over by the Company as at 31 December 2009 based on settlement agreements concluded with Alpiq Central Europe AG, Alpiq Energia Magyarország Kft., Atel Polska Sp.z o.o. and Atel Energy Romania SRL. These revenues were recognized in income in 2010.

13. DERIVATIVES

The Company has concluded several contracts for derivatives, which do not qualify as hedging instruments and are classified as held for trading. As at 31 December 2010, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively.

The following table summarizes face values and positive or negative values of outstanding derivatives held for trading as at 31 December 2010 and 2009:

	31/12/2010			31/12/2009		
	Contractual/	Fair value		Contractual/	Fair value	
(in CZK thousands)	Face value	Positive	Negative	Face value	Positive	Negative
Derivatives relating to electricity trading	7,363,142	325,965	417,730	5,848,350	742,818	890,926
Currency forwards	1,154,683	7,201	6,072	1,453,548	8,516	16,099

14. INCOME TAXES

	2010 (in CZK thousands)	2009 (in CZK thousands)
(Loss) before taxes	(130,314)	(184,905)
Difference between book and tax depreciation	995	190
(Reversal) of provisions and allowances	-	(152,216)
Non-deductible expenses		
Creation of provisions and allowances	109,166	-
Other (e.g. entertainment expenses, gifts, goodwill amortization)	38,657	9,374
Expenses related to prior year	9,450	-
Prior year non-deductible expenses deductible in the current year	(330)	-
Taxable income	27,624	(327,557)
Current income tax rate	19 %	20 %
Tax	5,249	-
Set-off of tax paid abroad	(5,249)	-
Tax paid abroad	96,131	107
Current tax expense	96,131	107

The Company can carry forward tax losses generated in prior years for up to five years. As at 31 December 2010 the Company recorded tax losses of CZK 1,380,359 thousand generated in the Czech Republic that may be used in the years 2012 through 2014. In addition, the Company has tax losses of CZK 66,695 thousand generated by the Swiss branch that may be used by 2017.

The Company quantified deferred taxes as follows (in CZK thousands):

	31/12/2010		31/12/2009	
Deferred tax items	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	31,044	-	-
Estimated items (untaken vacation and bonuses)	6,183	-	123	-
Provisions	92,586	-	40,575	-
Tax loss carryforward	274,940	-	259,714	-
Total	373,709	31,044	300,412	-
Net	342,665		300,412	

As at 31 December 2010 the Company recorded a deferred tax liability at an amount of CZK 53,415 thousand on temporary differences in the Polish branch and a deferred tax liability of CZK 31,111 thousand (CZK 22,304 thousand net) related to the revaluation of assets and liabilities within the merger by consolidation with Atel Polska Sp. z o.o. and Alpiq Energia Magyarország Kft.

The deferred tax liability related to the revaluation of assets and liabilities within the merger by consolidation was recorded to the opening balance sheet as at 1 January 2010 in the amount of CZK 39,186 thousand through prior year retained earnings/accumulated losses (see Note 9).

As at 31 December 2010 and 2009, the Company did not record a deferred tax asset of CZK 318,466 thousand and CZK 300,412 thousand, respectively on the basis that its recovery is uncertain.

15. LEASES

The Company leases fixed assets, which are not recorded on balance sheet (see Note 3h).

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as of 31 December 2010 consist of the following (in CZK thousands):

Description	Terms/ Conditions	Total lease	Payments made as at 31/ 12/ 2010	Remaining payments as at 31 December 2010	
				Due within one year	Due over one year
BMW	54	1,429	695	238	496
Ford Mondeo	24	709	575	134	-

16. COMMITMENTS AND CONTINGENCIES

The following bank guarantees and guarantees of the parent company were issued for the benefit of the Company's business partners (in CZK thousands):

	31/12/2010	31/12/2009
Guarantees issued within Alpiq Holding	1,267,768	3,055,185
Bank guarantees	910,846	794,966

17. REVENUES

The breakdown of revenues from ordinary activities is as follows (in CZK thousands):

	1/1/2010 - 31/12/2010		1/7/2009 - 31/12/2009	
	Domestic	Foreign	Domestic	Foreign
Provision of aggregate supplies	137,971	63,424	754,565	-
Sale of electricity	10,266,969	31,302,833	7,777,923	3,783,839
Change in fair value of derivatives relating to electricity trading	440,004	(13,868)	173,720	-
"Color" certificates trading	-	319,904	-	-
Total revenues	10,844,943	31,672,293	8,706,208	3,783,839

In 2010 and 2009 the revenues of the Company were concentrated primarily with companies within the Alpiq group and several main customers in the electricity trading sector.

18. PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses is as follows (in CZK thousands):

	1/1/2010 - 31/12/2010	1/7/2009 - 31/12/2009
Average number of employees	117	5
Wages and salaries	161,375	4,039
Social security and health insurance	27,921	515
Social cost	6,972	109
Total personnel expenses	196,268	4,663

In 2010, the members of statutory bodies did not receive any bonuses or other remuneration associated with the performance of their function.

19. RELATED PARTY INFORMATION

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in 2010 and they do not hold any shares of the Company.

The Company sells electricity and provides services to related parties in the ordinary course of business. Sales were CZK 5,702,915 thousand in period from 1 January 2010 to 31 December 2010.

Short-term receivables from related parties as at 31 December were as follows (in CZK thousands):

Related party	31/12/2010	31/12/2009
Alpiq AG	529,093	-
Atel Polska sp. z o.o.	-	233,267
Alpiq Central Europe AG	7,100	129,195
Alpiq Csepel Kft.	2,464	-
Alpiq (CZ) s.r.o	36	-
Alpiq Holding Ltd.	17,304	37,270
Alpiq Energia Magyarorszag Kft.	-	328,681
Atel Romania s.r.l	-	4,287
Alpiq RomIndustries	21,161	-
Alpiq RomEnergie	27,397	-
Atel Bulgaria Ltd.	36,109	-
Alpiq Energija (RS) d.o.o.	32,547	-
Atel Hrvatska d.o.o.	30,466	-
Alpiq Energy Albania SH.P.K.	437	-
Entrade Poland Sp.z.o.o.	24	-
Atel Hellas	3,456	-
Atel Generation s.r.o.	-	17
Atel Zlín s.r.o.	-	12,218
Total	707,577	744,935

In 2010 and 2009 short-term receivables from related parties included trade receivables from sales of electricity, unbilled revenue representing unbilled supplies of electricity and other receivables comprising positive values of currency forwards.

The Company purchases electricity and receives services from related parties in the ordinary course of business. Purchases were CZK 5,981,560 thousand in the period from 1 January 2010 to 31 December 2010.

Short-term payables to related parties as at 31 December were as follows (in CZK thousands):

Related party	31/12/2010	31/12/2009
Alpiq AG	266,652	10,916
Alpiq Central Europe AG, organizační složka	-	2,909
Alpiq Central Europe AG	914,388	313,055
Alpiq Holding Ltd.	103,161	17,597
Alpiq Zlín s.r.o.	-	29,792
Atel Generation s.r.o	72,934	90,668
Atel Polska sp. z o.o.	-	268,732
Atel Bulgaria Ltd.	5,986	-
Alpiq Energia Magyarorszag Kft.	-	384,461
Alpiq Csepel Kft.	10,920	-
Alpiq Energija Hrvatska d.o.o.	57,912	13,792
Atel Energija BH d.o.o.	307	6,495
Alpiq Energija (RS) d.o.o.	41,869	-
Atel Romania s.r.l	-	46,981
Alpiq RomIndustries	48,238	-
Alpiq RomEnergie	57,146	-
Atel Hellas S.A.	4,123	7,012
Total	1,583,636	1,192,410

In 2010 short-term payables to related parties included trade payables from sales of electricity, unbilled deliveries representing unbilled supplies of electricity and other liabilities comprising negative values of currency forwards.

As at 31 December 2010 and 2009, receivables from partners of CZK 0 thousand and CZK 216,152 thousand, respectively represent a balance of cash drawn within the cash-pooling system (see Note 7).

As at 31 December 2010 and 2009, liabilities to group companies with majority control of CZK 913,571 thousand and CZK 219,685 thousand, respectively include a balance of cash drawn within the cash-pooling system and a loan provided by the parent company. As at 31 December 2010 and 2009, the liability related to the cash-pooling was CZK 710,495 thousand and CZK 0 thousand and liability related to the loan was CZK 203,075 thousand and CZK 219,685 thousand, respectively. In the current and prior period, the interest expense relating to the loans was CZK 8,169 thousand and CZK 9,048 thousand, respectively.

20. SIGNIFICANT ITEMS OF INCOME STATEMENT

Other financial income and expense include mainly exchange rate gains and losses and gains and losses on derivative transactions.

21. SUBSEQUENT EVENTS

New procurators Fabio Mancin and Alena Divišová were registered in the Commercial Register on 10 March 2011.

Membership of Chair Edgar Lermann in the Board of Directors ceased to exist on 1 April 2011. Membership of new Chair of the Board of Directors Andy Taylor commenced on the same date. This change was recorded in the Commercial Register as at 22 April 2011.

22. STATEMENT OF CASH FLOWS (SEE APPENDIX 1)

The cash flow statement was prepared under the indirect method.

Prepared on:	Signature of accounting unit's statutory body:
29 April 2011	

The accompanying balance sheet and income statement are an integral part of the financial statements.

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)
(Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

Appendix 1

CASH FLOW STATEMENT

For the years ended 31.12.2010

		Current year	Prior year 1.7.2009 - 31. 12. 2009
	Cash flows from operating activities		
Z.	**Profit or loss on ordinary activities before taxation (+/-)**	**-130,314**	**-184,905**
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	**153,836**	**-334,544**
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	36,804	209
A. 1. 2.	Change in allowances	-655	
A. 1. 3.	Change in provisions	108,511	-152,209
A. 1. 4.	Foreign exchange differences		-450
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	-22	97
A. 1. 6.	Interest expense and interest income	9,198	8,716
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)		-190,907
A*	**Net cash from operating activities before taxation, changes in working capital and extraordinary items**	**23,522**	**-519,449**
A. 2.	Change in non-cash components of working capital	**61,652**	**-102,772**
A. 2. 1.	Change in inventory		
A. 2. 2.	Change in trade receivables	1,523,773	-727,930
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	1,476,410	-1,013,253
A. 2. 4.	Change in trade payables	-1,220,231	159,006
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	-1,718,300	1,479,405
A**	**Net cash from operating activities before taxation, interest paid and extraordinary items**	**85,174**	**-622,221**
A. 3. 1.	Interest paid	-26,607	-8,895
A. 4. 1.	Tax paid	-260,517	-107
A. 5. 1.	Gains and losses on extraordinary items		
A***	**Net cash provided by (used in) operating activities**	-201,950	-631,223
	Cash flows from investing activities		
B. 1. 1.	Purchase of fixed assets	-15,829	
B. 2. 1.	Proceeds from sale of fixed assets	338	119
B. 3. 1.	Loans granted	216,152	-216,152
B. 4. 1.	Interest received	9,240	179
B. 5. 1.	Dividends received		
B. 6. 1.	Change in short-term securities	-207,409	
B***	**Net cash provided by (used in) investing activities**	2,492	-215,854
	Cash flows from financing activities		
C. 1. 1.	Change in long-term liabilities and long-term, resp. short-tem, loans	693,886	-491,692
C. 2. 1.	Effect of changes in basic capital on cash	987	
C. 2. 2.	Dividends or profit sharing paid	-380,634	
C. 2. 3.	Effect of other changes in basic capital on cash	308,649	1,601,776
C***	**Net cash provided by (used in) financing activities**	622,888	1,110,084
F.	**Net increase (decrease) in cash**	423,430	263,007
P.	**Cash and cash equivalents at beginning of year**	**278,848**	**15,841**
R.	**Cash and cash equivalents at end of year**	**702,278**	**278,848**

Prepared on:	Signature of accounting entity's statutory body:
29.4.2011	