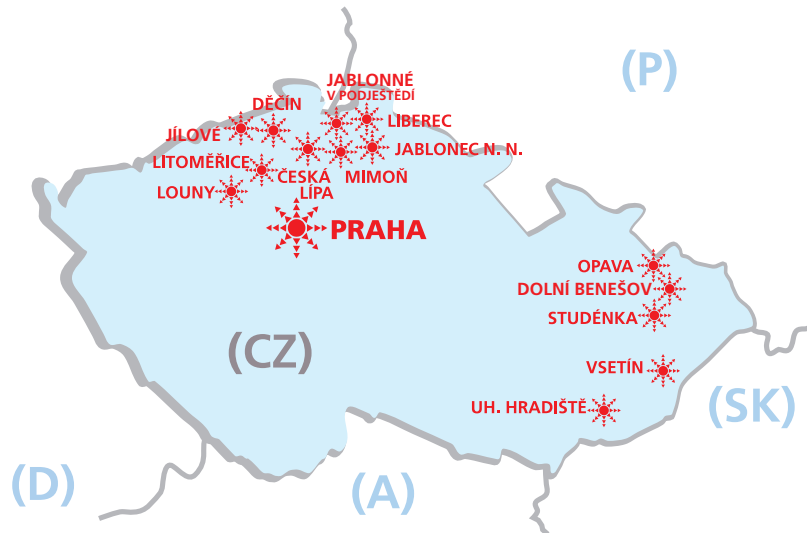


2007/2008 Annual Report

2007/2008



MVV Energie CZ s. r. o. is a dynamically developing heat-generation company, active primarily in Moravia and Northern Bohemia.

MVV Energie CZ s. r. o. was established in October 1993, and since 1999 it has been a subsidiary of the German energy group MVV Energie AG, based in Mannheim, Germany.

The MVV Energie CZ Group comprises eleven subsidiaries and operates in fifteen towns and cities throughout the Czech Republic. Overall, it has 562 employees. The company focuses primarily on the generation and distribution of heat, with side business lines in the generation of electricity, supply of drinking water, drainage of waste and rain water, and provision of telecommunication service.

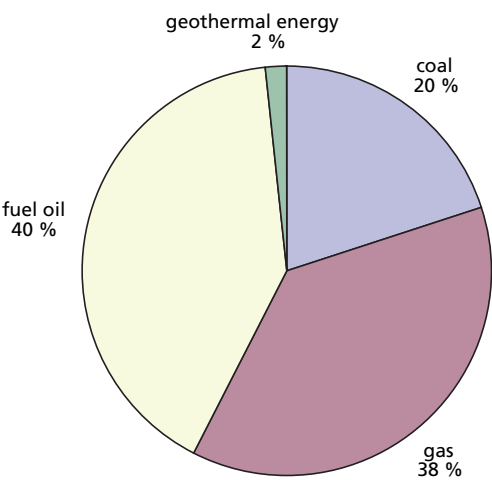
MVV Energie s. r. o. has an established tradition in the provision of Energy Performance Contracting, including energy services and energy audits. The customers of MVV Energie CZ s. r. o. include not only households and the tertiary sphere, but also industrial companies.

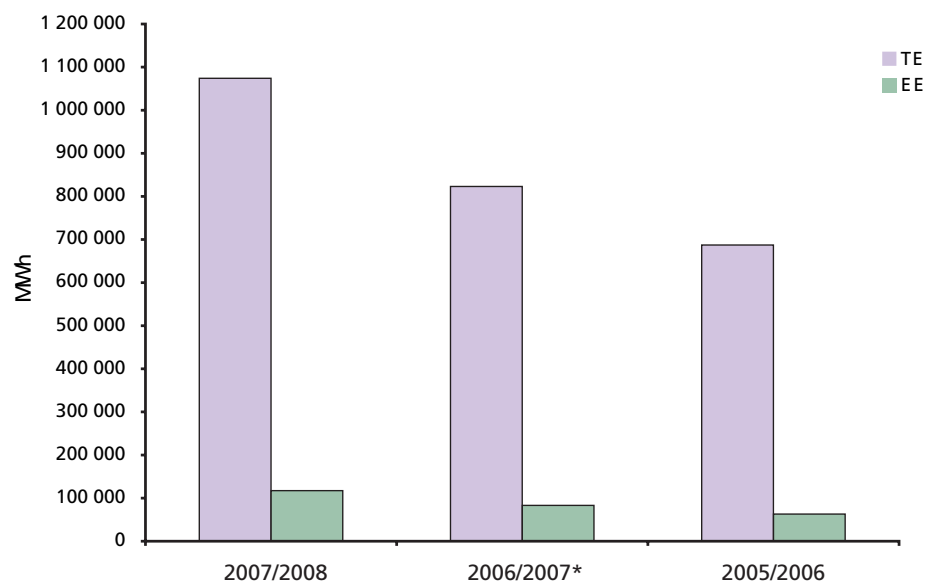
Focused on ecological harmlessness, environmental friendliness, and the prevention of waste through the use of cutting edge technologies, the company fulfils its motto: "Responsible Energy". The company has provided sustained support to the towns and regions in which it operates.

Supply of thermal energy	
Households	76 483
Industrial customers/industrial facilities	61/6
Tertiary sphere customers	613
Supply of electricity	
Industrial customers	115
Supply of water and waste-water discharge	
Households	1 242
Industrial buildings	34
Tertiary sphere customers	141
Supply of telecommunications services	
Customers	63

Overall Supplies by the MVV Energie CZ Group

The Fuel Base of the MVV Energie CZ Group





Sale of thermal energy (TE) and electric energy (EE) in MWh

Consolidated indicators (in CZK ths.)

Selected Indicators	2007/2008	2006/2007*	2005/2006
Total assets	4 185 265	4 181 461	2 546 194
Equity capital	2 025 474	1 931 347	1 458 379
Corporate debt	982 289	1 284 838	490 632
Revenue	2 575 260	1 827 523	1 440 706
Investments	119 221	68 023	42 587
Earnings before interest and taxes (EBIT)	355 930	141 535	167 485

Note: In line with International Financial Reporting Standards

* In January 2007, the MVV Energie CZ group expanded with a new acquisition

General Section

Company Profile	4
Interview with the Executive Manager	8
Organisational Structure of the Group	11
Events of 2007/2008	12
Subsidiaries	23

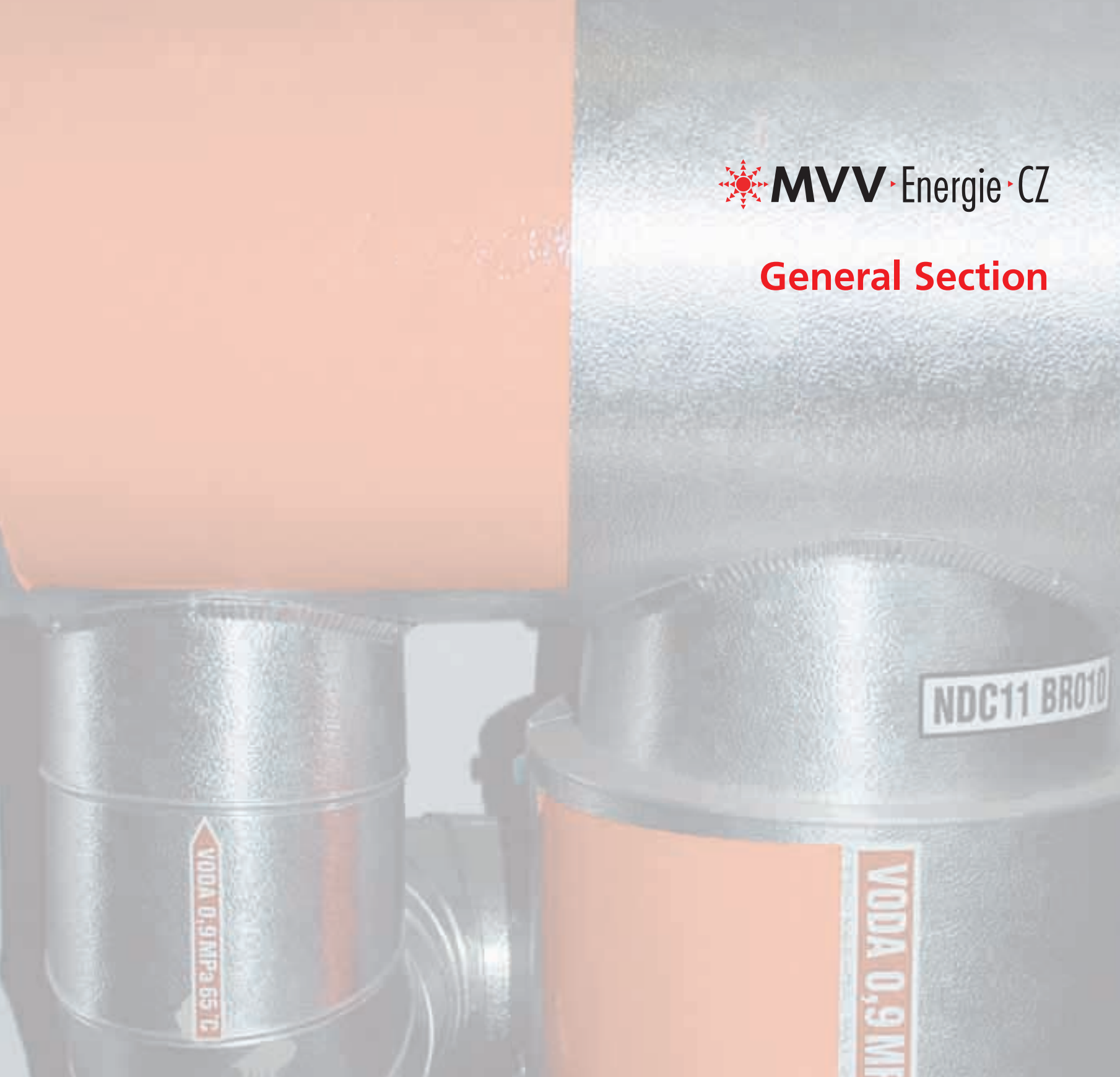
Financial Section

Financial Report	50
Report of Supervisory Board	52
Auditor's Report	54
Financial Statements	56
Report on Relations among Related Persons	92
Consolidated Group Results	96





General Section



Company Profile

MVV Energie CZ s.r.o. was established on 6 October 1993 as EPS ČR s.r.o. Its main line of business was the provision of energy-related services and the original majority owner of the company was the US-based Energy Performance Services Inc.

In 1999, the majority share was bought by the German MVV Energie AG, one of the largest heat-generating Companies in Europe. Over the next few years, it managed to develop an extensive heat-generating group in the Czech Republic, operating in 15 cities throughout the country. MVV Energie CZ s.r.o. is wholly owned by the German MVV Energie AG.

Companies in the MVV Energie CZ Group are engaged primarily in the generation and distribution of heat, and some of the companies also generate electricity, take care of the water-management in a city, or provide telecommunication and other services. MVV Energie CZ s.r.o. has the longest experience with the implementation of energy-saving projects in the Czech Republic, and in addition to services employing the EPC method (Energy Performance Contracting), it also offers customers all over the country Monitoring and Targeting, Energy Contracting, Outsourcing, Energy Audits, the implementation of projects through PPP (Public Private Partnerships), and the operation of energy sources.

The Group's motto is "Responsible Energy". The main energy generation sources in the MVV Energie CZ Group are ecological, and 38 % of its production comes from the combustion of natural gas. A project unique in the Czech Republic is a geothermal source of energy, which has been operated by TERMO Děčín a.s. since 2002.

The MVV Energie CZ Group, with the MVV Energie CZ s.r.o. shares in the individual companies:

CTZ s. r. o.	50.96 %
Českolipské teplo a. s.	100.00 %
ENERGIE Holding a. s.	100.00 %
GABO – CS, spol. s r. o.	80,00 %
(up to 1 July 2008, when the company was wound down)	
Jablonecká teplárenská a realitní, a. s.	65.78 %
Městské inženýrské sítě Studénka a. s.	99.92 %
MVV enservis a. s.	100.00 %
OPATHERM a. s.	100.00 %
POWGEN a. s.	100.00 %
TERMO Děčín a. s.	96.91 %
Zásobování teplem Vsetín a. s.	98.59 %

Note: For more details about companies in the MVV Energie CZ Group, see the chapter Subsidiaries

Our customers in 15 cities and towns across the Czech Republic are households as well as small and large companies. In 2007/2008, the Group generated 3.9 mil. GJ of heat. The Group's revenue in the 2007/2008 financial year is 2.6 bil. CZK.



From left to right: Ing. Václav Hrach, Ph.D.; Ing. Ivan Slavík; Ing. Libor Žížala; Ing. Petr Pokorný

Since 1 February 2005, the company has been headed by Ing. Václav Hrach, Ph.D., as the Executive Manager. Between 1 April and 25 July 2008, the position of the second Executive Manager was held by Dr. Thomas Severin.

MVV Energie CZ s.r.o. has 27 employees, and organisationally is divided into three departments headed by managers. The company also has one separate department and some employees answer directly to the company's Executive Manager.

Ing. Petr Pokorný	Manager of the Information Systems and Technologies Department
Ing. Ivan Slavík	Manager of the Sales and Technical Department
Ing. Libor Žížala	Manager of the Financial Department
Ing. Jitka Kašková, MBA	Head of the Department of Capital Participation

The work of the company's Executive Managers is overseen by a five-member Supervisory Board, comprising representatives of the parent company, MVV Energie AG.

Dr. Matthias Brückmann, Chairman of the Supervisory Board
Hans Georg Hägele, Vice-chairman of the Supervisory Board
Dr. Reiner Andreas Lübke, Member of the Supervisory Board
Dr. iur. Martin Auer, Member of the Supervisory Board
Stefan Grützmacher, Member of the Supervisory Board



Interview with the Executive Manager

What event at MVV Energie CZ from last year would you emphasise?

It is definitely necessary to stress the three most important moments in the life of the MVV Energie CZ Group: starting to supply heat in another four towns; a new project leading to increased electricity generation; and the expansion of the Group with a new heat-generation company.

At the beginning of 2007, MVV Energie CZ, commenced heat-generation activities in the towns of Liberec, Litoměřice, Louny, and Mimoň, whereby its revenue increased by approximately 50%. The year 2007 / 2008 was marked by the integration of these operations, referred to as the "NORTHLAND" project, into the Group's standard processes. This task has been completed, and we now need to focus on affirming our positions in these shares, on the local heat supply markets. Our new management team is now focusing on dealing with the local tasks and communication with customers.

Next to growth, our other strategic goal is to diversify our product portfolio. That is why we devoted all of 2007/2008 to analysing the possibilities of expanding electricity generation in the locales in which we operate. In this project, which we called "RE-POWERING", we explored several dozen variants and arrived at the first real outcome: the project we have called "COGEN". It involves the installation of co-generating gas engines, which very efficiently generate both electricity and heat that is supplied to our existing heat networks. We are planning an investment of up to 350 million CZK and a total installed output of up to 30 MW. Our goal is to increase the installed electrical capacity by approximately 50% as early as 2010.

In September 2008, in the last month of the 2007/2008 financial year, the Česká Lípa municipal assembly approved the contractual documentation of the sale of its majority share in the heat-generation company ČESKOLIPSKÁ TEPLÁRENSKÁ a.s., and all of the heat-generation facilities, to our Group. We very much value the trust that the City of Česká Lípa thereby expressed in us, and which allows our Group's revenue to grow by a further 10%. At the request of the Town of Česká Lípa, we are providing guarantees leading to an assurance as to how we would proceed in the future in Česká Lípa. Partnerships with the towns and cities in which we operate, and the transparency of our business, are our priorities.

Last year, you mentioned a possible increase in energy prices. To what extent have those estimates come true, and what does it mean for customers and for MVV Energie CZ?

All of our estimates as to the increase in energy prices, especially those which follow the development of oil prices on the global market, have been exceeded. We were therefore forced to adapt the prices of the energy supplied to our customers. This increase naturally leads our customers to ask what the cause is. Most of the fuels we purchase are no longer available at a fixed price. Prices are calculated from formulas, most of which point to the development of oil-based products or coal prices on exchanges abroad. We think that it is important to explain these connections to our customers and to show how the cost of energy generation is derived.

Compared to other companies that are active in the heat generation industry in the Czech Republic, we use nearly all of the kinds of fuel available for generating heat. Our fuels include natural gas, heavy fuel oil, and brown coal, but also geothermic energy. Our experience to date, and other forecasts of the development of the energy market, lead us to the conclusion that, in the short term, producing energy from a particular kind of fuel may be cheaper, for example from brown coal, but over the long term, the prices can be expected to balance out. Whereas energy production from natural gas is presently one of the more expensive methods, we cannot simply re-orient ourselves to production from coal, for example, which is now cheaper. This is due to two reasons. The first is that the stock of coal is limited and the demand is rising, which will drive the price up, and importing coal will always naturally be even more expensive. The second reason is that energy generation

from new sources is subject to the purchase of so-called CO₂ emission allowances; their consumption for energy sources incinerating coal is far greater than for sources burning natural gas. Furthermore, energy-professionals say that the price of these allowances will be determined by auctions and their price will be purely market-based.

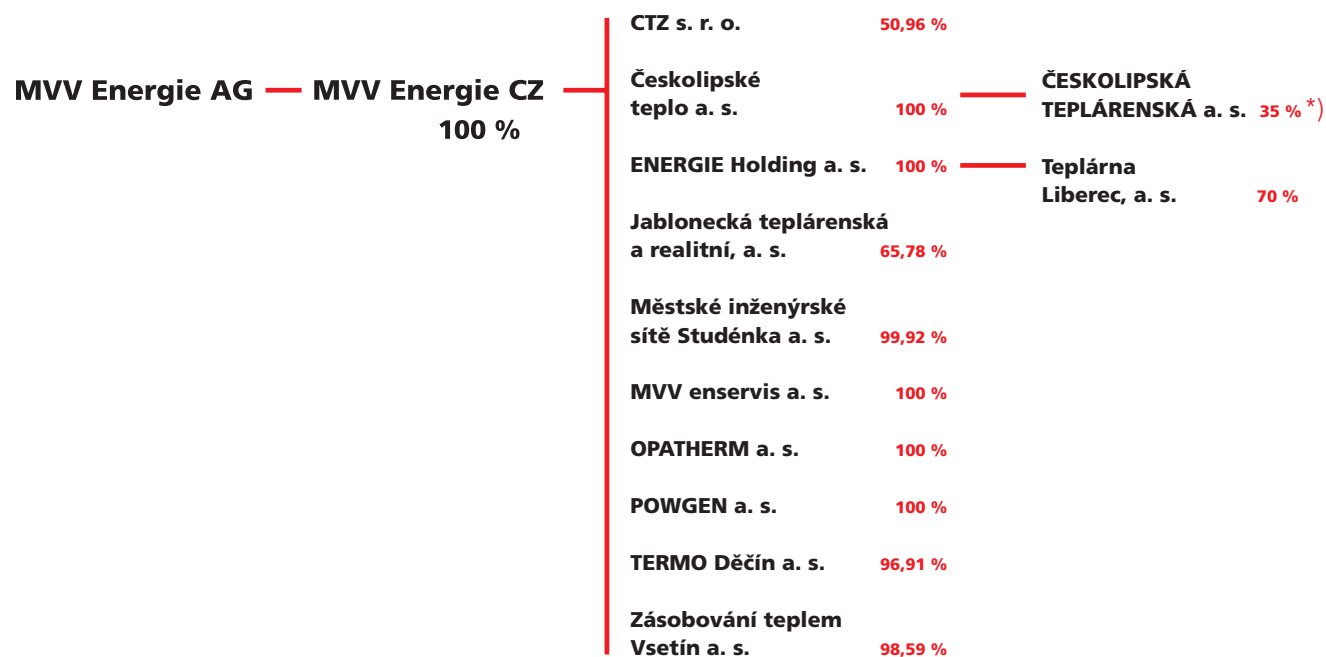
The development of fuel prices is still relatively unpredictable. Currently, the most advantageous measure leading to the stabilisation of the cost of energy is to reduce its consumption. That is why we recommend to our customers that they should especially explore measures leading to energy savings and consider any long-term investments into alternative sources from all of the angles mentioned above.

What other challenges and projects lie before MVV Energie CZ going forward?

Our strategy is based on the diversification of our product portfolio and further growth, which will increase our Group's stability and its resistance to external risks. We will carry on in projects that lead to increasing electricity generation. Another possible source of our growth and diversification could be the use of waste in electricity generation in an environmentally friendly manner. This is a traditional line of business of our parent group, and we trust that the experience from the German market, where the German Group MVV Energie AG is one of the three largest generators of energy from municipal waste, will enable us to implement similar projects in the Czech Republic. We also continue to be interested in acquisitions in water supply and the operation of sewerage.

In connection with the fulfilment of our goals, we need to thank our customers and the municipalities in which we operate, because we consider cooperation with them to be of key importance for both parties. There are also challenges for our employees, who work for the MVV Energie CZ Group and whose services we value. With the growth of the Group, our team keeps growing, and we consider it of utmost importance to make full use of the skills and abilities of its members.

Organisational Structure of the Group



*) The share in ČESKOLIPSKÁ TEPLÁRENSKÁ a.s. will be increased to 94.99% (see the chapter Events of 2007/2008)

Events of 2007/2008

MVV Energie CZ s.r.o. focuses primarily on managing its shares, and since 1993 it has provided services in the energy sector.

In terms of the strategic growth of the MVV Energie CZ Group, the main event of the financial year 2007/2008 was the successful increase of the company's share in ČESKOLIPSKÁ TEPLÁRENSKÁ a.s. to a 94.99% majority. A new Department of Capital Participation was created in this financial year in MVV Energie CZ s.r.o.

Work was commenced on the major project of the year, RE-POWERING, which focuses on strengthening electricity generation in the MVV Energie CZ Group in seven locales and has several implementation phases. The MVV Energie CZ Group continues to provide financial support to numerous sport, social, and cultural activities in the towns and regions in which it operates.

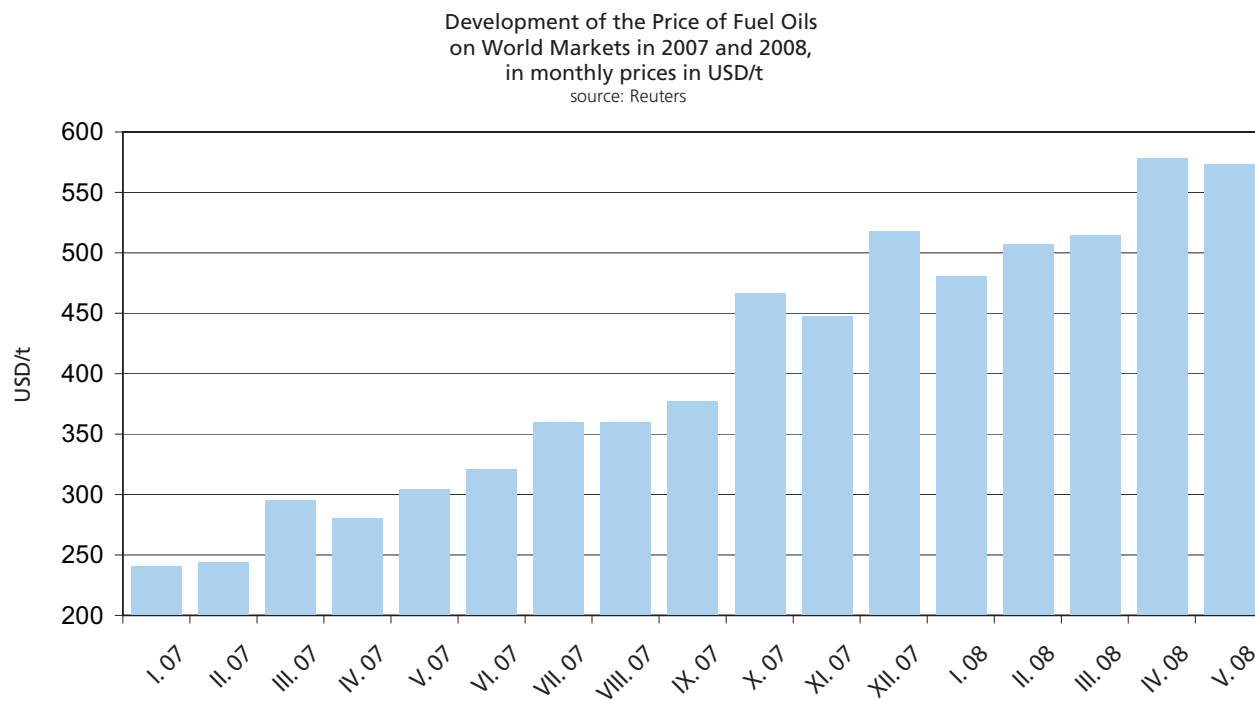
Event of the Year: ČESKOLIPSKÁ TEPLÁRENSKÁ a.s. will be fully incorporated into the MVV Energie CZ Group

On 28 May 2008, the Česká Lípa municipal assembly decided to sell the Town's heat-generation facilities and a 59.99% share in ČESKOLIPSKÁ TEPLÁRENSKÁ a.s. Subsequently, the assembly then confirmed its decision by approving the contracts for the sale of this heat-generation company at its next meeting, on 17 September 2008.

MVV Energie CZ s.r.o. will get another share in the heat-generation plant through its fully-owned subsidiary Českolipské teplo a.s., which holds a 35 % share. The negotiations over the sale have taken two years and the transaction requires the consent of the Antimonopoly Authority to be completed. With the completion of the transaction, MVV Energie CZ s.r.o., will increase its share to a majority holding of 94.99 %, from the present 35%. The Town of Česká Lípa will hold the remaining 5.01% of the shares. With the conclusion of this transaction, the expected annual revenue of the MVV Energie CZ Group will grow by just under 10 %. MVV Energie CZ s.r.o. expects the transaction to be completed and the take-over to take place by the end of March 2009.



Energy Management



The Energy Management of the MVV Energie CZ Group is responsible for purchasing individual kinds of fuel for the entire Group, making maximum use of synergistic effects, and it also provides consulting and methodological management in other areas, such as emission allowance trading or environmental tax legislation.

As in previous years, the purchase of energy commodities continued in the 2007/2008 financial year in a well-tested, centralised manner. In this period, the Energy Management focused primarily on minimising the impact of the strong growth of the prices of individual commodities (see, for example, the graph of the development of the price of fuel oils) and the introduction of environmental taxes on the price of heat for end users. The development of oil prices on world markets has a direct impact on the growth of prices of individual commodities, and hence the fuel costs of the MVV Energie CZ Group.

As in previous years, the purchase of energy commodities continued in the 2007/2008 financial year in a well-tested, centralised manner. In 2007/2008, a total of 3,866,612 GJ of heat was supplied to end customers.

For the 2007/2008 financial year, agreements on the supply of low-sulphur fuel oil were signed on the basis of a tender, and for the rent of black oil management for Jablonecká teplárenská a realitní, a.s. and Teplárna Liberec, a.s. Heavy fuel oil supplies for the operation of ENERGIE Holding a.s. were provided on the basis of momentary spot offers on the market.

During the summer of 2008, a new tender was announced for the supply of low-sulphur fuel oil and for the lease of black oil management for the following year. Given that the bids presented were not more advantageous than the present contractual relationship, the management boards of the subsidiaries concerned decided not to terminate the present agreements and to carry on in the contractual relationship with the present supplier. The supplies for ENERGIE Holding a.s. will continue to be provided on the basis of momentary spot offers on the market.

In 2007/2008, the MVV Energie CZ Group used a total of 52,115 tonnes of low-sulphur fuel oil. As in the previous period, fuel oil was purchased with quality parameters in line with the ČSN 65 7991 standard, with a final concentration of sulphur of up to 1% of the weight, for Jablonecká teplárenská a realitní, a.s., Teplárna Liberec, a.s. and ENERGIE Holding a.s. (namely for the Louny Plant).

CTZ s.r.o., Zásobování teplem Vsetín a.s., OPATHERM a.s. and ENERGIE Holding a.s. consumed a total of 64,217 tonnes of coal over that period. In the 2007/2008 financial year, supplies were made on the basis of annual agreements, always by the supplier who offered the most advantageous terms. With respect to supplies in the upcoming period, negotiations are underway concerning the conclusion of a four-year agreement.

In terms of fuel purchases, natural gas remains a strategic commodity for the MVV Energie CZ Group, accounting for 38% of the Group's fuel basis. The overall natural gas consumption was 552,244 MWh. The 2008 supplier was selected through a tender, and purchase agreements were signed with only one supplier for the entire MVV Energie CZ Group, making maximum use of the synergistic effect.

The subsidiaries, for which an electricity supplier was tendered, chose a single supplier for the upcoming period, taking advantage of the preferential offer for the MVV Energie CZ Group. The electricity generated by the MVV Energie CZ Group comes from combined generation. Its sale is divided between end customers and electricity vendors. The overall volume of electricity generated by the Group was 117,342,000 MWh, of which approximately 55% was supplied to electricity vendors.

In 2007/2008, an authorised auditor carried out a successful verification of the CO₂ emissions released, and a tender for the verifier for the entire MVV Energie CZ group was carried out for the second allocation period, for 2008-2012.

The National Allocation Plan for 2008 to 2012 enables facility operators, for the purpose of complying with their obligations in the allowance trading scheme, to eliminate certified emission reduction units (CER) from project activities, instead of allowances. MVV Energie CZ s.r.o. took advantage of this opportunity and concluded a mutually conditioned sale of allowances and purchase of CERs, making use of the profit from the different forward prices of allowances and CER.

Furthermore, forward transactions for emission allowance excesses were concluded, which, in lien with the strategy set out, took place through the parent company, MVV Energie AG. The choice of a suitable strategy in the implementation of these projects had a positive impact on the financial management of the entire MVV Energie CZ Group.

Information Technologies (IT)

In the 2007-08 financial year, the Information Technology Section planned to implement the project "Integration of the Liberec Heat-generation Plant into the IT Infrastructure of MVV Energie CZ". The information systems normally used throughout the MVV Energie CZ Group were implemented in the Liberec Heat-generation Plant and its information technologies were therefore changed. This project, in which information systems were deployed for the support of the property registry, accounting, heat and hot water invoicing, attendance, wages, and personnel management, ran in line with a time-schedule that was set and approved in advance. The project started in December 2007, when the first analyses were carried out, and in September 2008, the information systems were handed over to the user for routine operation, with all of the information systems used being fully functional.

Alongside the project of "Integration of the Liberec Heat-generation Plant into the IT Infrastructure of MVV Energie CZ", the MVV Energie CZ s.r.o. IS/IT Section carried out a replacement of the server infrastructure, from March to May. This involved the replacement of the outdated and no longer sufficiently powerful technology, for which the warranty period had expired. Both of the servers for running applications were replaced, as well as the disk field for data storage and a back-up robot, which backs up all of the data on a tape for storage and long-term archiving. The newly deployed equipment has servicing guaranteed for the duration of the hardware's useful life.

With the installation of new equipment in the IT infrastructure, the operation of applications was successfully sped up. With the use of newer, faster, and more modern technologies, the duration of critical data back-up was successfully shortened, such that it would restrict the users as little as possible. During this project, we also carried out certain installations and upgraded our anti-virus program with the latest version.

In early July, a comprehensive overhaul was made of the back-up electricity source that supplies power to the data centre at the headquarters of MVV Energie CZ s.r.o. The reasons for the repair were the no longer adequate and end-of-life electronic equipment of the back-up battery source (called UPS), the old batteries, and the impossibility of communicating with the data centre. The repaired back-up source will allow for the undisrupted and problem-free operation of the data centre, in the event of a short-term electricity output on the Prague 3 site.

Establishment of a New Department Of Capital Participation

In 2007/2008, a new department commenced operations, set up primarily to ensure the efficient and organised management and further development of the shares in the MVV Energie CZ Group. In line with the shareholder's goals, the department is responsible for coordinating activities and projects across companies, seeking out synergies in the MVV Energie CZ Group, and providing administrative support to the members of the bodies of the shares held, nominated by the shareholder, MVV Energie CZ s.r.o.

The Department of Capital Participation ensures, above all, that MVV Energie CZ subsidiaries operate in line with the "corporate governance standards" of the parent company, MVV Energie AG, and the applicable laws.

These standards meet the requirements of our parent company, MVV Energie AG, as well as the expectations of the public, and are also in accordance with the legal framework. To MVV Energie CZ s.r.o., corporate governance means publishing a transparent financial report, efficient management of the companies from the Group, and full implementation of existing guidelines and rules. In developing its business activities, MVV Energie CZ s.r.o. focuses on long-term sustainability, honours ethical standards, and behaves honourably and in an engaged manner.

In 2007/2008, the main projects of this department included the integration of the newly acquired share in Teplárna Liberec, a.s. and Energie Holding a.s., setting up the main rules for share management, cooperation in the COGEN project (development of the co-generation of electricity in the Group), and, for example, the project of amending the articles of association throughout the Group, in line with the new Memorandum of Association of MVV Energie CZ s.r.o.

Another important part of the work of this department is the management of special projects that are in line with the strategy of the MVV Energie CZ Group, primarily in concerning acquisitions and the further development of the Group. In this regard, for example, the department worked in 2007/2008 on the possibilities of obtaining European subsidies for the development of environmental projects in the Group, on acquisition projects, and on the development of the Group's strategy in waste management.

Technical Support

In the 2007/2008 financial year, the implementation of the COGEN 1 project was commenced, and work got underway on the APPLE project, which constitute parts of the overarching project RE-POWERING (more information about the RE-POWERING and COGEN 1 projects is provided in the separate section "Projects in the Group").

Another important area of support was cooperation on the implementation of a new boosting source in Uherské Hradiště, in the subsidiary CTZ s.r.o., where the construction of a new brown-coal boiler and a back-pressure turbine is taking place (for more information on this project, see the separate section "Projects in the Group").

In the previous financial year, the Sales and Technical Section commenced a thermo-dynamic analysis of the heat networks of the companies of the MVV Energie CZ Group. The analysis is designed to optimise heat network operations by determining the heat and pressure losses, recalculation of dimensions, connection of new customers, and saving in warm and hot-water line pumping work. The comprehensive analysis using specialised software will form a foundation for planned renovations.

Energy Services

In the sphere of energy services, aside from traditional projects employing the EPC method (Energy Performance Contracting – see the chapter "Projects in the MVV Energie CZ Group"), MVV Energie CZ s.r.o. focused on expanding the existing projects through a Monitoring and Targeting energy management system. The company thus prepared for the implementation of further savings measures arising from the outcomes of a detailed analysis of technological and energy flows.

A developing activity of the energy service centre is the broadening of the offer of the implementation of energy-saving measures, in their application upon the present capacity, under the management and brand of MVV Energie CZ s.r.o., and by using the MVV enservis a.s. subsidiary, i. e., as a servicing organisation of the MVV Energie CZ Group.

This year, MVV Energie CZ s.r.o. also prepared for OSH management certification, in line with the OHSAS 18001:2007 standard, and for the certification of its information security system, in line with the ISO/IEC 27001:2005 standard.



Projects of the MVV Energie CZ Group

RE-POWERING

RE-POWERING is the name of an overarching project whose goal is to make existing sources more efficient, in the individual heat generating plants of the MVV Energie CZ Group. The English word RE-POWERING, for strengthening, expansion, or intensification, was chosen for the project, as it is to expand the cogeneration of electricity throughout the MVV Energie CZ Group. With it, the Group heads toward the diversification of its product portfolio and improvement of its market position. Thus far, the MVV Energie CZ Group generates electricity in 3 cities. With the implementation of the RE-POWERING project, electricity generation will be expanded into another five towns. The conclusions of an analysis of RE-POWERING clearly identified its 3 separate parts: COGEN 1, APPLE, and COGEN 2. The most frequently recommended solution in the RE-POWERING project is the generation of electricity using co-generation units based on gas engines. The project COGEN was set up, which made it through the technical and economic analysis stage and was approved by the supreme bodies of both MVV Energie CZ and MVV Energie AG.

In the 2007/2007 financial year, **COGEN 1** commenced its implementation stage, which will take 1.5 years, and project completion is envisaged for late 2009 / early 2010. The project represents the installation of co-generation units in four subsidiaries – TERMO Děčín a.s., ENERGIE Holding a.s., OPATHERM a.s. and Městské inženýrské sítě Studénka a.s. Overall, the COGEN project will focus on seven locales – the boroughs of Boletice (Děčín), Jílové, Louny (in 3 locales), Opava, and Studénka – and is thus the largest project in the MVV Energie CZ Group for the upcoming year. The overall investment costs of the projects are approximately 350 mil. CZK and the overall installed output is 28.5 MW.

APPLE is another part of the RE-POWERING project and presents a customised solution for electricity co-generation at Jablonecká teplotrenská a realitní, a.s. In the 2007/2008 financial year, the stage involving the detailing of the technical and economic model and legislative preparation was initiated in the APPLE project.

COGEN 2 is the third and final stage of the RE-POWERING project and presents the same technical solution for electricity co-generation as COGEN 1. COGEN 2 will be adapted to specific regional conditions at the place of its implementation and the project will thus be delayed until the adaptation of the energy concepts of the places in which it is to be implemented.

Enhancement of the Source Part of CTZ s.r.o.

CTZ s.r.o. commenced the implementation of a project in Uherské Hradiště, which can be divided into three parts: the construction of a new K4 brown-coal steam boiler, with an output of 8 MW_e; of a TG 1 turbo-generator, with an output of 1 MW_e; and of other auxiliary parts. The K4 boiler will be put into test operation in December 2008, and the project will be completed in the middle of the 2008/2009 heating season.

Projects Employing the EPC Method (Energy Performance Contracting)

MVV Energie CZ s.r.o. is a traditional provider of energy projects employing the EPC method. In the 2007/2008 financial year, new projects were started: the Děčín Winter Stadium (the project will be completed in late 2008/early 2009), the Business Academy on Krupkovo náměstí in Prague 6 (the project has been completed), and the Y.M.C.A. building (the expected project completion date is early 2009).



Charitable and Sponsoring Activities

MVV Energie CZ s.r.o. continues to support social, sport, and cultural activities in the towns and regions in which it operates. Together with other companies from the MVV Energie CZ Group, it has sponsored, donated to, or provided charitable support to other projects.

In December 2007, MVV Energie CZ s.r.o. supported the Children's Musical Theatre by a financial contribution. With the money received, the theatre handed out a CD with songs to children from primary and special schools at its Christmas concerts in Czech towns (the concerts took place, among others, also in Děčín, Česká Lípa, and Jablonec nad Nisou). To the Children's Department of the Česká Lípa Hospital and Policlinic, the Company gave a contribution before Christmas for the purchase of children's sets (i.e., bed linen and pyjamas for the child patients).



In January 2008 MVV Energie CZ s.r.o. donated vacation vouchers to the clients of the civic association Slunečnice, who learned to develop their talents in the artistic studio in Děčín.

In April 2008, another so-called "social car" was handed over in Jablonec nad Nisou, in the presence of MVV Energie CZ s.r.o. This year, the Company contributed to the purchase of a car for the civic association Fokus Liberec, which will thus be able to supply the Half-Way Café, its workshops, and the other projects in which its primarily mentally ill clients find application.

In the summer, MVV Energie CZ s.r.o. got involved in a project of the European Police Association, "Children in Road Traffic", which responds to the increasing number of injured children. Colouring books are handed out to children at doctors' surgeries, public offices, schools, kindergartens, and at other children's events, which teach and inform them about the rules of safe conduct on streets and thoroughfares. The project is organised throughout the country, and MVV Energie CZ s.r.o. is involved in the part that takes place in the Moravian-Silesian Region.

In September 2008, the 7th annual charitable Mayor's Solidarity Day took place in Liberec. MVV Energie CZ s.r.o. and Teplárna Liberec, a.s. contributed to the event. Just like last year, the outcome of the event was a collection of money for the purchase of more positioning beds for the Liberec Hospital Healthcare Facility of the Long-term Ill. This year helped contribute another 12 new beds to the hospital.

In the 2007/2008 financial year, MVV Energie CZ s.r.o. again supported the BK Děčín sport club, which came 5th for the season in the National Basketball League, as well as the Silesian Football Club Opava a.s., which fought to advance to a higher competition.

In the 2007/2008 financial year, companies from the MVV Energie CZ group supported a number of non-profit organisations, charitable events, and other projects in the regions and locales where they operate, which will be further mentioned in the chapters below.

Care for our Employees

MVV Energie CZ s.r.o. pays attention to development activities and care for its employee, as a part of its corporate strategy. The company provides for its employees cultural and sport activities and pays attention to their continued professional and language education.

In this financial year, MVV Energie CZ s.r.o. also held a competition for the MVV Energie CZ Group for the first time. All of the employees in the Group had the opportunity to take part in a photo contest, the outcome of which was a calendar of the Group for 2009.

Every year, the MVV Energie CZ Group also gets involved in the football tournament organised by its parent company MVV Energie AG. In this year's, 5th annual MVV Cup, our footballers brought home two cups, for the 2nd and 12th places.

CTZ s.r.o.

Subsidiaries



Company name:	CTZ s.r.o.
Registered seat:	Sokolovská 572, 686 01 Uherské Hradiště
Identification No.:	63472163
TAX ID:	CZ63472163
Date company established:	1 March 1996

BODIES OF THE COMPANY

Executive Manager

Ing. Pavel Konečný
Petr Heincl

Executive Manager
Executive Manager

Supervisory Board

Mgr. Roman Mendrygal
Evžen Uher
Ing. Václav Hrach, Ph.D.
Ing. Libor Žížala
Ing. Vladimír Moštěk
Ing. Drahomír Hlaváč
Ing. Zdeněk Procházka

Chairman of the Supervisory Board
Vice-chairman of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o.	50.96 %
City of Uherské Hradiště	49.04 %

Income from operations for the accounting period	8,706 tsd. CZK
Total revenue	97,552 tsd. CZK
Number of employees as at 30 Sept. 2008	40
Installed heat/electricity output	42.8 MW / 0 MW

CUSTOMERS

Supply of thermal energy

Households	4,413
Industrial facilities	3
Tertiary sphere customers	39

The company was established by the City of Uherské Hradiště as its sole founder, on 1 March 1996. As at 12 December 2000, CTZ s.r.o. became a subsidiary of MVV Energie CZ s.r.o., which purchased a 50.96% of share from the City of Uherské Hradiště.

CTZ s.r.o. provides heat generation and distribution in the city of Uherské Hradiště. The company supplies technological steam to businesses, and hot water and hot utility water (HUW) to businesses and households. In 2007/ 2008, the company sold a total of 215,209 GJ (i.e., 59,780 MWh) of heat.

In the 2007/2008 financial year, the company sold 32,888 GJ (i.e., 9,136 MWh) more heat than in the previous year, with a very mild winter. Aside from the impact of the weather, this increase is also due to the connection of new clients, both among households and industrial entities. The newly connected buildings include a residential building in the Eastern Estates (connected in November 2007), residential buildings in the Štěpnice Estate (connected in December 2007), and the SCHLOTE industrial building (connected in November 2007). For the next financial year, the company plans to connect the Barracks Residence and to equip it with two building and transmission stations.

In addition to new connections, minor repair was carried out during the year on certain parts of the company's equipment. The most important event of the 2007/2008 financial year is the project of "Enhancing the Source Part of CTZ s.r.o." In February, construction commenced on a new steam boiler, with an output of 8 MW_e, and a new steam turbine with an electricity generator having an output of approximately 1 MW_e. The final completion of the project is expected in the middle of the 2008 / 2009 heating season.

Every year, CTZ s.r.o. provides financial support to the Regional Caritas in Uherské Hradiště. This year, it also gave financial support to the Uherské Hradiště Primary School for the Arts.

Českolipské teplo, a.s.

Company name:	Českolipské teplo, a.s.
Registered seat:	Chrudimská 2526/2a, 130 00 Praha 3
Identification No.:	631 49 907
TAX ID:	CZ 631 49 907
Date company established:	11 September 1995

BODIES OF THE COMPANY

Board of Directors

Ing. Jitka Kafková, MBA Sole member of the Board of Directors

Supervisory Board

Ing. Václav Hrach, Ph. D.	Chairman of the Supervisory Board
Ing. Libor Žížala	Vice-chairman of the Supervisory Board
Mgr. Zuzana Picková	Member of the Supervisory Board until 10 June 2008
Ing. Ivan Slavík	Member of the Supervisory Board from 10 June 2008

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o. 100 %

Through Českolipské teplo a.s., MVV Energie CZ s.r.o. administers its 35% share in ČESKOLIPSKÁ TEPLÁRENSKÁ a.s. Following the pending transaction, the Company's share in ČESKOLIPSKÁ TEPLÁRENSKÁ a.s. will be increased to 94.99% (for more on the transaction, see the section, Events of 2007/2008).

ENERGIE Holding a.s.



Company name:	ENERGIE Holding a.s.
Registered seat:	Chrudimská 2526/2a, 130 00 Praha 3
Identification No.:	275 94 301
TAX ID:	CZ 275 94 301
Date company established:	27 September 2006

BODIES OF THE COMPANY

Board of Directors

Ing. Bohumír Fíla	Member of the Board of Directors
Ing. Zdeněk Bednařík	Member of the Board of Directors until 19 November 2007
Ing. Miroslav Tůma	Member of the Board of Directors from 19 November 2007

Supervisory Board

Ing. Václav Hrach, Ph.D.	Chairman of the Supervisory Board
Ing. Libor Žižala	Vice-chairman of the Supervisory Board
Jaroslav Procházka	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s.r.o.	100 %
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Income from operations for the accounting period	45,466 tsd. CZK
Total revenue	301,345 tsd. CZK
Number of employees, as at 30 Sept. 2008	66
Installed heat/electricity output	113 MW/0 MW

CUSTOMERS

Supply of thermal energy

Households	11,968
Industrial customers	6
Tertiary sphere customers	96

ENERGIE Holding a.s. was established on 27 September 2006 directly by MVV Energie CZ s.r.o. On 4 January 2007, the assets of the Mimoň, Louny, and Litoměřice operating units were taken over, and a 70% share in Teplárna Liberec, a.s. was purchased.

ENERGIE Holding a.s. focuses on heat generation and distribution. It supplies heat in the CZT Litoměřice, CZT Louny, and CZT Mimoň locales.

The year 2007/2008 was the company's first complete financial year, and it was a strategic year. ENERGIE Holding, a.s. prepared new connections in all three towns, and next year these projects should therefore be completed with the connection of new clients. In the summer of 2008, the building of connections of new residential buildings was thus commenced in Litoměřice; and in Mimoň, several buildings were connected and the heat facility at the Pod Ralskem Estate was renovated. The projects in both these towns will be completed in the next financial year. In Louny, the heat facility at the 28. října Estate was renovated, which was put into test operation in September 2008.

In the 2007/2008 financial year, ENERGIE Holding a.s. provided financial support to the TJ Jiskra Mimoň football club.

Jablonecká teplárenská a realitní, a.s.



Company name:	Jablonecká teplárenská a realitní, a.s.
Registered seat:	Liberecká 104, 466 01 Jablonec nad Nisou
Identification No.:	61539881
TAX ID:	CZ61539881
Date company established:	7 December 1994

BODIES OF THE COMPANY

Board of Directors

Ing. Václav Hrach, Ph.D.	Chairman of the Board of Directors
JUDr. Ing. Lukáš Pleticha	Vice-chairman of the Board of Directors
Ing. Libor Žížala	Member of the Board of Directors
Ing. Eduard Hrdina	Member of the Board of Directors
Ing. Pavel Herites	Member of the Board of Directors

Supervisory Board

Václav Vostřák	Chairman of the Supervisory Board
Mgr. Roman Mendrygal	Member of the Supervisory Board
Jaroslav Koušek	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o.	65.78 %
City of Jablonec nad Nisou	34.22 %

Income from operations for the accounting period	30,945 tsd. CZK
Total revenue	351,861 tsd. CZK
Number of employees, as at 30 Sept. 2008	55
Installed heat/electricity output	145 MW/0 MW

CUSTOMERS

Supply of thermal energy

Households	10,513
Industrial customers	10
Tertiary sphere customers	89

Jablonecká teplotársená a realitní, a.s. (JTR) was established in 1994, and it gradually took over the generation and distribution of heat centrally produced in three main boiler stations: Brandl, Rýnovice, and Paseky, through the primary and secondary lines in Jablonec nad Nisou. Due to declining consumption, the Paseky boiler station was taken out of operation. Aside from these main sources, heat is also generated in a local gas boiler room on Vlaštovčí Street. JTR became a part of the MVV Energie CZ Group in 2001, when MVV Energie CZ purchased a majority stake from the original shareholder, United Energy a.s. The other shareholder in the company is the City of Jablonec nad Nisou.

The main line of business is the supply of heat for households as well as the industrial and tertiary sphere in Jablonec nad Nisou. In 2005, the company took over heat generation and supply in the city of Jablonec nad Nisou.

The 2007/2008 was the first complete financial year in which a to-component price of heat was fully applied, which was introduced on 1 May 2007. The basic component is divided among consumers on the basis of their agreed off-take diagrams. In terms of the primary supply of heat, three separate categories have been set for the basic component, depending on the volume of heat taken. Off-take diagrams that had a direct impact on the size of the basic component were first agreed upon in late 2007 / early 2008.

Several smaller buildings were disconnected from the central supply of heat this financial year, primarily under the pressure of our competitors. These customers chose natural gas and heat pumps as their new sources. At the beginning of 2008, the City of Jablonec nad Nisou established a Committee of the Town's Energy Sector, which is the assembly's advisory body, whose goal is to address issues concerning the central supply of heat and energy-related issues as such concerning the town.

In the 2007/2008 financial year, the upgrade of the secondary heat distribution system continued, when the four-pipe system was replaced with a modern two-pipe. The second stage of the 'Žitná – Okružní Heat Feeder' project took place, where new lines and transmission stations were installed in individual buildings. This year, new offices were also built for the company, which is gradually moving to the New Brandl Building, having sold the Starý Brandl Building.

This year, JTR again supported a number of cultural and sport events in the City of Jablonec nad Nisou. It donated money to the Municipal Theatre on the occasion of its 100th anniversary and supported the children's choir Kruh přátel DPS Vrabčáci. It also gave a financial contribution to the Czech Association of the Physically Handicapped, and as usual supported Jan Český from the Jablonec nad Nisou JUDO Club (this time on his trip to the European Championship), and also the TJ Bižuterie sport club.

Městské inženýrské sítě Studénka a.s.



Company name:	Městské inženýrské sítě Studénka a.s.
Registered seat:	Tovární 866, 742 13 Studénka
Identification No.:	651 38 155
TAX ID:	CZ 651 38 155
Date company established:	1 March 1996

BODIES OF THE COMPANY

Board of Directors

Mgr. Roman Mendrygal	Chairman of the Board of Directors
Bc. Radim Žaloudek	Vice-chairman of the Board of Directors
Ing. Tomáš Sluka, Ph.D.	Member of the Board of Directors

Supervisory Board

Ing. Václav Hrach, Ph.D.,	Chairman of the Supervisory Board
Ing. Libor Žížala	Vice-chairman of the Supervisory Board
Ing. Pavel Herites	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o.	99.92 %
City of Studénka	0.08 %

Income from operations for the accounting period	11,920 tsd. CZK
Total revenue	77,966 tsd. CZK
Number of employees, as at 30 Sept. 2008	25
Installed heat/electricity output	58 MW / 0 MW

CUSTOMERS

Supply of thermal energy

Households	1,639
Industrial facilities	1
Tertiary sphere customers	15

Supply of water and waste-water discharge

Households	1,239
Industrial buildings	1
Tertiary sphere customers	141

The sole founder of Městské inženýrské sítě Studénka a.s. (MISS) was the City of Studénka. In November 2000, MVV EPS s.r.o. (the predecessor of MVV Energie CZ s.r.o.) became the majority owner, having bought a majority share from the City of Studénka. In March 2003, the majority owner, MVV Energie CZ s.r.o., increased its share to the present 99.92% by a further purchase of shares from the City of Studénka.

In the city of Studénka, the company provides heat generation and supply from a central heating station. Heat is generated in gas boilers, and the composition of the central heating station's source output capacity covers the requirements of the central heat supply system. MISS also supplies drinking water and provides sewage and waste-water treatment services. In the City of Studénka, it operates a total of 36 km of water lines, 28 km of sewerage, and a mechanical – biological waste water treatment station.

In the 2007/2008 financial year, heat sales dropped, mainly due to an extremely warm winter, the implementation of an extensive revitalisation of residential buildings, which are a major consumer of central heat, and the disconnection of several consumers from the CTZ system. New biological filter filling was installed at the waste water treatment station, which led to an improved cleaning effect. In preparing the "EC 500 Decentralisation" construction, MISS had design documentation elaborated for the building procedure.

In October 2007, the company moved to its new head office, from Poštovní Street to Tovární Street, directly in the central heating station building.

In this financial year, the company supported the participation of the table tennis representative Daniel Horut at the Beijing Paralympics. It also provided financial support to the junior preparatory football team of TJ MSV Studénka and supported the HC Studénka club. It also supported sport in Studénka by giving financial contributions to civic association for holding a doubles' football-tennis tournament, small football, and other tournaments. In the cultural sphere, the company provided financial assistance to the organisers of the Kotvice 2008 music festival and to the Slatina Wind Ensemble in their performance in Germany.

MVV enservis a.s.


MVV enservis a.s.

Company name:	MVV enservis a.s.
Registered seat:	Pivovarská 2073, 470 01 Česká Lípa
Identification No.:	27299872
TAX ID:	CZ27299872
Date company established:	1 August 2006

BODIES OF THE COMPANY

Board of Directors

Ing. Luděk Jaroměřský	Chairman of the Board of Directors
Ing. Petr Koudelka	Vice-chairman of the Board of Directors
Ing. Zdeněk Tížek	Member of the Board of Directors

Supervisory Board

Ing. Václav Hrach, Ph.D.	Chairman of the Supervisory Board
Ing. Libor Žížala	Vice-chairman of the Supervisory Board
Mgr. Roman Mendrygal	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o. 100 %

Income from operations for the accounting period	-7,746 tsd. CZK
Total revenue	114,484 tsd. CZK
Number of employees, as at 30 Sept. 2008	61

The establishment of MVV enservis a.s. is historically connected with the company INTOP s.r.o. In March 2000, MVV Energie CZ s.r.o. became its sole owner, with a 100% share in the company, and the company were renamed as MVV enservis s.r.o. In 2006, as a result of the corporate division project, and following a transformation, MVV enservis a.s. was created.

MVV enservis a.s. is the successor company of the original MVV enservis s.r.o., that had operated in past years.

MVV enservis a.s. provides its customers all services, from the basic maintenance of facilities for the generation and distribution of heat and hot utility water, to the implementation of investment units. MVV enservis a.s. operates throughout the Czech Republic. It is divided into two divisions – Bohemia and Moravia, and has a total of four centres, in Česká Lípa, Děčín, Jablonec nad Nisou, and Vsetín.

In the 2007/2008 financial year, the company continued to work on assignments outside of its usual locales. Among the largest ones were the renovation of exchanger stations and building-transmission stations (hereinafter referred to as OPS) for Pražská teplárenská a.s. For Austin Detonator s.r.o. in Vsetín, the company renovated heating systems, and for Energetika Vítkovice a.s. in Ostrava, it built hot-water connectors. Among the largest orders in the MVV Energie CZ Group is the implementation of the replacement of the four-pipe system with a two-pipe solution, for Jablonecká teplárenská a.s. in the Okružní – Žitná part, and the renovation of 17 OPSes. For Zásobování teplem Vsetín a.s., the company renovated the primary heating circuits at the Ohrada Estate, including OPS; for TERMO Děčín, it completely renovated the system at the Boletice Estate; and for ENERGIE Holding a.s., it renovated gas boiler facilities at the 28. října Estate in Louny.

OPATHERM a.s.



Company name:	OPATHERM a.s.
Registered seat:	Horní náměstí 283, 746 01 Opava
Identification No.:	25385771
TAX ID:	CZ25385771
Date company established:	21 November 1997

BODIES OF THE COMPANY

Board of Directors

Ing. Miroslav Uvíra	Chairman of the Board of Directors
Ing. Libor Stuchlík	Vice-chairman of the Board of Directors

Supervisory Board

Ing. Václav Hrach, Ph.D.	Chairman of the Supervisory Board
Mgr. Roman Mendrygal	Vice-chairman of the Supervisory Board
Kamila Štěpanovská	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o.	100 %
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Income from operations for the accounting period	17,639 tsd. CZK
Total revenue	231,655 tsd. CZK
Number of employees, as at 30 Sept. 2008	63
Installed heat/electricity output	108 MW / 0 MW

CUSTOMERS

Supply of thermal energy

Households	9,305
Tertiary sphere customers	55

Opatherm a.s. was established as a private joint-stock company on the basis of the Memorandum of Association of three founders, in 1997. In January 1998, the company took over the generation, distribution, and supply of heat in the city of Opava from the wound-down Městský podnik bytového hospodářství s. p. In June 2001, the company bought approximately 86% of the production facilities in the city from the City of Opava. Since June 2001, the company has been a member of MVV Energie CZ group.

OPATHERM a.s. generates and supplies heat and hot utility water for the towns of Opava and Dolní Benešov.

It also provides real estate lease services and a dispatching emergency service for real estate companies and condominiums in Opava. The company operates two heating stations and 31 block- and 28 building-boiler rooms, whose overall installed output is 115.5 MW; the overall length of its distribution networks is approximately 17 km.

The 2007/2008 financial year was slightly above-average in terms of temperatures. Economising measures implemented by customers, primarily building revitalisation, were reflected in the sale of heat. This year, no new customers were connected.

In terms of investment projects, OPATHERM a.s. implemented the second phase of the installation of hot water utility meters at the base of buildings this year, in the value of 3.82 mil. CZK

OPATHERM a.s. again supported the Opava Silesian Football Club this year, which came 3rd in the league in the 2007/2008 season.



Teplárna Liberec, a.s.



Company name:	Teplárna Liberec, a.s.
Registered seat:	tř. Dr. M. Horákové 641/34a, 460 01 Liberec 4
Identification No.:	62241672
TAX ID:	CZ62241672
Date company established:	13 February 1995

BODIES OF THE COMPANY

Board of Directors

Ing. Zdeněk Stehlík	Chairman of the Board of Directors until 18 Sept. 2008
Ing. Libor Žížala	Vice-chairman of the Board of Directors until 18 Sept. 2008
	Chairman of the Board of Directors from 18 Sept. 2008
Mgr. Roman Mendrygal	Member of the Board of Directors until 18 Sept. 2008
Ing. Tomáš Balcar	Member of the Board of Directors until 18 Sept. 2008
	Vice-chairman of the Board of Directors from 18 Sept. 2008
Ing. Bohumír Fíla	Member of the Board of Directors from 18 Sept. 2008
MUDr. Jaroslav Krutský	Member of the Board of Directors
Stanislav Cvrček	Member of the Board of Directors

Supervisory Board

Ing. Václav Hrach	Chairman of the Supervisory Board
Ing. Jiří Kittner	Member of the Supervisory Board
Jaroslav Urban	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

ENERGIE Holding a.s.	70 %
Statutory City of Liberec	30 %

Income from operations for the accounting period	528 tsd. CZK
Total revenue	763,290 tsd. CZK
Number of employees, as at 30 Sept. 2008	117
Installed heat/electricity output	231 MW / 12 MW

CUSTOMERS**Supply of thermal energy**

Households	19,044
Industrial customers	19
Tertiary sphere customers	157

Supply of electricity

Industrial customers	2
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The completion of the construction of the Liberec heat-generating plant dates back to 1976. The founders of Teplárna Liberec, a.s. (hereinafter referred to as "TLIB"), in 1995, were Severočeské teplárny, a.s., and the City of Liberec. On 4 January 2007, the last change in the shareholder structure took place, as 70% of the shares were purchased from United Energy právní nástupce, a.s. by ENERGIE Holding a.s., and TLIB thus became a part of the MVV Energie CZ Group. The remaining 30% of the shares remain in the ownership of the Statutory City of Liberec.

The primary line of business of TLIB is the generation, distribution, purchase, and sale of heat and electricity, the sale of natural gas, and activities related thereto. The company supplies heat to the City of Liberec and its borough (formerly an independent township) of Vratislavice nad Nisou, and also supplies electricity and gas to a facility for the thermic utilisation of waste. The TLIB technologies allow it to use two kinds of fuel – fuel oil and natural gas (used here as a supplementary kind of fuel). The heat-generation plant is also technologically connected to the municipal waste incineration station, from which it purchases heat, which it partially uses for further production.

Due to the sharp increase in oil prices on global markets, the increase of the VAT rate, and introduction of an environmental tax, a new price of heat was announced for the first time in two years, following analysis and discussion with the representatives of the Statutory City of Liberec, which has applied since 1 January 2008. As at that date, the multi-component price of heat was also extended to customers on secondary lines.

In the 2007/2008 financial year, TLIB implemented investment projects worth an aggregate of 27 mil. CZK. Most of the projects focused on the renovation of production facilities, renovation of distribution networks, and the connection of new customers in residential buildings and industrial buildings.

Again in this financial year, TLIB provided financial support to the charitable event Mayor's Day of Solidarity, thanks to which new positioning beds were purchased for the Liberec Hospital Health Care Facility of the Long-term III.



TERMO Děčín a.s.



Name of entity:	TERMO Děčín a.s.
Registered seat:	Oblouková 25, 405 02 Děčín III
Identification No.:	640 50 882
TAX ID:	CZ 640 50 882
Date company established:	29 November 1995

BODIES OF THE COMPANY

Board of Directors

Ing. Pavel Herites	Chairman of the Board of Directors
Ing. Radomír Ondra	Vice-chairman of the Board of Directors
Ing. Petr Šimoník	Member of the Board of Directors

Supervisory Board

Ing. Václav Hrach, Ph.D.	Chairman of the Supervisory Board
Ing. Libor Žížala	Vice-chairman of the Supervisory Board
Mgr. Miroslav Samler	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o.	96.91 %
Statutory City of Děčín	3.09 %

Income from operations for the accounting period	58,915 tsd. CZK
Total revenue	373,344 tsd. CZK
Number of employees, as at 30 Sept. 2008	40
Installed heat/electricity output	104 MW / 12 MW

CUSTOMERS**Supply of thermal energy**

Households	11,001
Industrial facilities	2
Tertiary sphere customers	97

Supply of electricity

Industrial customers	1
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TERMO Děčín a.s. (hereinafter referred to as TERMO) was established by a sole shareholder, the City of Děčín, in 1995. In May 2000, MVV Energie CZ s.r.o. became the strategic partner, having purchased 66.66% of the company's shares. In August 2005, the share of MVV Energie CZ s.r.o. in TERMO grew to 96.91%, with the minority shareholder, the Statutory City of Děčín, holding 3.09% of the shares.

The main production base of TERMO comprises 5 central sources of heat in the cities of Děčín and Jílové. Natural gas and geothermic water are the sole fuels employed. Its system using a geothermal source as the fuel for the central supply of heat (hereinafter referred to as CZT) is unique in the Czech Republic. TERMO Děčín a.s. also supplies heat from 33 gas boiler rooms in individual buildings.

In the last financial year, the total supply of heat amounted to 407,800 GJ (i.e., 113,275 MWh) and 29,000 MWh of electricity were generated, a part of which was consumed by TERMO for its own purposes. Further discussions were also conducted in period, concerning the expansion of the circle of customers purchasing heat, to which is also related the targeted process of maintaining the price of heat on a competitive level.

In line with the company's strategy, the main investment projects in the 2007/2008 financial year were directed into the sphere of improving the quality of the heat supply. Due to the modernisation of the heat lines and the installation 36 compact transmission stations (hereinafter referred to as KPS) in Boletice, individual supplies of heat can be provided all year round. At the same time, The visualisation of the operating condition of the KPS in a central dispatching centre was implemented, which allows for an immediate response to any breakdowns, along with the replacement of some of the original secondary lines, with new, pre-insulated lines. The same comfort was afforded to customers by the renovation of 4 transmission stations in Podmokly. A similar contribution was made by the installation of 17 measurement sets for measuring heat consumed in the preparation of hot utility water in four-pipe lines at the VS OK5 CZT Benešovská locale, and the renovation of the CZT Bynov management system increased the reliability and security of the heat supply to the customers in that locale.

TERMO regularly participates in the social, cultural, and sport life of the city of Děčín and city of Jílové. In addition to other activities, the company also continues in its long-term cooperation with the Association of the Wheel-Chair Bound and Mentally Handicapped – AVAZ, the Slunečnice civil association, which helps people with mental handicaps, and others. TERMO also supports the Děčín Basketball Club, which came 5th in last year's National Basketball League.

Zásobování teplem Vsetín a.s.



Company name:	Zásobování teplem Vsetín a. s.
Registered seat:	Jiráskova 1326, 755 01 Vsetín
Identification No.:	45192588
TAX ID:	CZ45192588
Date company established:	6 May 1992

BODIES OF THE COMPANY

Board of Directors

Mgr. Roman Mendrygal	Chairman of the Board of Directors
Petr Heintl	Vice-chairman of the Board of Directors
Ing. Michal Chmela	Member of the Board of Directors

Supervisory Board

Ing. Václav Hrach, Ph.D.,	Chairman of the Supervisory Board
Ing. Libor Žížala	Chairman of the Supervisory Board
Josef Matoška	Member of the Supervisory Board

COMPANY SHAREHOLDING STRUCTURE

MVV Energie CZ s. r. o.	98.59 %
Other shareholders	1.41 %

Income from operations for the accounting period	43,385 tsd. CZK
Total revenue	462,276 tsd. CZK
Number of employees, as at 30 Sept. 2008	68
Installed heat/electricity output	193 MW / 9 MW

CUSTOMERS**Supply of thermal energy**

Households	8,600
Industrial customers	26
Tertiary sphere customers	65

Supply of electricity

Customers	112
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Supply of water and waste-water discharge

Households	3
Industrial buildings	33

Supply of telecommunication services

Customers	63
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Zásobování teplem Vsetín a.s. (hereinafter referred to as “ZTV”), was established in May 1992 by the Czech National Property Fund. In March 2000, MVV EPS s.r.o. (the predecessor of MVV Energie CZ s.r.o.) became a majority shareholder. Gradually, the majority shareholder MVV Energie CZ s.r.o. increased its share in the company to the present 98.59%, with the remaining shares still being owned by minor shareholders.

The company supplies heat to the city of Vsetín and the Jasenice industrial facility in Vsetín. The main source in the central municipal heat supply (hereinafter referred to as CZT) system is the Jiráskova heat generation plant, where, in addition to gas boilers, co-generation units are installed, and electrical energy is generated, using waste heat. From there, electricity is supplied to two local distribution systems (Jiráskova and Jasenice), and a portion of it is used for off-sales. During the heating season, the heat generation output is supplemented from the Ohrada heat generation plant, and three local boiler rooms are also used. ZTV also supplies drinking water to the Jasenice industrial facility, removes sewage and drain water, and provides it with telecommunication services.

In the 2007/2008 financial year, ZTV noted an increase of the sale of heat in the Jasenice industrial facility, as 4 new customers were connected. On the other hand, the supply of heat throughout the town is declining, and is influenced by the climatic conditions as well as energy-saving measures implemented by clients. In electricity sales, ZTV reported an increase, due to the higher consumption of the existing consumers and the connection of new ones.

In telecommunication services, the company offered data services (Internet) to a larger number of customers, but due to the moving of companies, the number of voice-service customers declined. Due to the trend of economising, the company's drinking water sales dropped by about 20 %. This year, ZTV connected 3 new customers.

Investments in 2007/2008 were directed primarily into heat and electricity distribution. In the sphere of heat, ZTV invested into the upgrading of lines, including the installation of new transmission stations in buildings, e.g., the renovation of the Ohrada Estate, a part of the Sychrov site, and Rybníky. Several exchanger stations were built in the Jasenice industrial facility. In the field of electricity, ZTV built a transmission station in the Jablůnka industrial facility, renovated the transmission station for the M1 Building in the Jasenice industrial facility, and completed the construction of a back-up high-voltage line.

ZTV provided financial support to TJ SOKOL on the occasion of the 11th annual Marathon of Hope. It also donated funds to the floor-ball and tennis teams of TJ MEZ Vsetín and the senior students' team of FC Semetín. It also provided financial support to the Day Care Facility in Vsetín and donated money for the finishing works at the Pastoral Centre in Vsetín.

General Section

Company Profile	4
Interview with the Executive Manager	8
Organisational Structure of the Group	11
Events of 2007/2008	12
Subsidiaries	23

Financial Section

Financial Report	50
Report of Supervisory Board	52
Auditor's Report	54
Financial Statements	56
Report on Relations among Related Persons	92
Consolidated Group Results	96





Financial Section

Financial Report

In the 2007/2008 financial year, MVV Energie CZ s.r.o. achieved a pre-tax profit in excess of 92 mil. CZK. In a year-on-year comparison, that is a drop by nearly 25%; however, it was caused primarily by the lower dividends paid by subsidiaries on their results from the 2006/2007 financial year, as a consequence of an unusually warm winter. Those dividends amounted to approximately 87 mil. CZK, registering a year-on-year drop of more than 27%. The company managed to increase its operating profit slightly, to just under 2 mil. CZK, and due to a significantly positive financial balance, to also to raise its other financial results to over 3 mil. CZK.

The company's revenue dropped, year on year, by 7%. The main reason was the decline in the supply of centrally purchased fuel to subsidiaries, due to a partial drop in the stock they hold. This primarily concerned companies burning fuel oil, which applied direct supplies of fuel oil for consumption, without needing to hold their own inventories (the so-called Just in Time method). The overall costs of the fuel purchased declined at a somewhat slower pace (5 %) year-on-year. The lower rate of the decline of costs, compared to revenue, from fuel is due, above all, to the high increase of global fuel prices (derived from the sharp growth in oil prices), and the attempt to mitigate the impact on the end consumer by a partial central costs absorption.

The slight year-on-year decline of total assets was due, above all, to a lower loan engagement with banks and the payment of dividends to the parent company, MVV Energie AG. The parent company is listed on the Frankfurt Stock Exchange and is more than 50 % owned by the German City of Mannheim.

In this financial year, MVV Energie CZ s.r.o., again duly carried out to all of the rightful obligations that it had towards its financial and other creditors.

Indicator	Financial Year 2007/2008	Financial Year 2006/2007	Financial Year 2005/2006
Sales	385,157	413,417	277,440
Earnings before taxes (EBT)	92,419	121,888	68,850
Total assets	1 705,900	1 842,296	1 255,109
Liabilities	146,349	290,773	128,437
Debt ratio (Debt / Total liabilities)	8.6 %	15.8 %	10.2 %
Return on Assets (EBT/Assets)	5.4 %	6.6 %	5.5 %

* In January 2007, the MVV Energie CZ group acquired new assets.

Supervisory Board Report

for the Financial Year 2007/2008 (October 2007 - September 2008)

The MVV Energie CZ s.r.o. Supervisory Board recorded no personnel changes this year.

The Supervisory Board met a total of three times during the fiscal year and on 14th November, 2007 the Supervisory Board made a circular resolution.

Based on the Supervisory Board's recommendations throughout the fiscal year, the company's sole shareholder approved changes to the Catalogue of Transactions, changes of the Articles of Association of subsidiary companies and the "Cogen" project for the construction of new Combined Heat and Power facilities, as well as trade of emission allowances in MVV Energie CZ Group.

The sole shareholder's decision defining the powers of both MVV Energie CZ s.r.o. Executive Managers together with the change of sole shareholder contract were of crucial importance and in a decision by the sole shareholder on 18th July, 2008, procuration was awarded to Ing. Libor Žížala, the current Financial Manager of MVV Energie CZ s.r.o. The MVV Energie CZ Group's financial plan for 2008/2009 and payout of MVV Energie AG dividends was approved in a decision of the sole shareholder of MVV Energie CZ s.r.o. on 22nd August, 2008.

At its meetings, the Supervisory Board approved the MVV Energie CZ s.r.o. Supervisory Board Report for the Financial Year 2006/2007; its members reviewed the company's financial statements and financial results for the fiscal year 2006/2007 and were presented with the Report on Relations between Related Persons for the Fiscal Year 2006/2007. The Supervisory Board approved a foundation of a new subsidiary POWGEN a.s.

At its meetings throughout the year, the Supervisory Board was kept informed of the company's financial situation, together with that of other companies in the MVV Energie CZ Group by the Executive Manager. The Supervisory Board was also regularly informed on a progress of new and existing MVV Energie CZ's s.r.o. projects. The Supervisory Board was kept progressively informed on the finalisation of the project for the acquisition of units for the supply of heat in Litoměřice, Louny, Mimoň and a 70% share in the Liberec Heating Plant ("Northland" project), as well as arbitration proceedings currently underway in relation to this acquisition. Throughout the year, the Supervisory Board was also kept informed on the progress of the acquisition project – the purchase of shares in ČESKOLIPSKÁ TEPLÁRENSKÁ, a.s. and district heating infrastructure.

In Mannheim, on December 3, 2008



Mr. Matthias Brückmann
Chairman of the Supervisory Board

Independent Auditor's Report on Verification of the Annual Report

Accounting period from 1. 10. 2007 to 30. 9. 2008

Company:	MVV Energie CZ s.r.o.
Identification No.:	49 68 54 90
Registered Office:	Chrudimská 2526/2a, 130 00 Praha 3

Subject and Scope of the Audit

Based on the audit we had conducted, the following report to the financial statements that form a part of this annual report was issued on 3. 10. 2008:

"We have audited the accompanying Financial Statements, which comprise the balance sheet and the income statement, statement of changes in equity and cash flow statement and a summary of significant accounting policies and other explanatory notes as at 30. 9. 2008 of the company MVV Energie CZ s.r.o.

For the preparation and fair presentation of these Financial Statements in accordance with accounting regulations applicable in the Czech Republic is responsible management of the company MW Energie CZ s.r.o. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these Financial Statements. We conducted our audit in accordance with the Act on Auditors No. 254/2000 Coll. and the International Standards on Auditing and related Application Clauses of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

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

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

The auditor's report is determined for partners of the company.

In our opinion the Financial Statements give in all material respects a true and fair view of the financial position of the company MVV Energie CZ s.r.o. as at 30. 9. 2008 and of the results of its operations for the period from 1. 10. 2007 to 30. 9. 2008 in accordance with accounting regulations applicable in the Czech Republic."

We have also verified the objective accuracy of data stated in the report on relations between related persons of the company MVV Energie CZ s.r.o. as at 30. 9. 2008. Preparation of this report on relations is the responsibility of the statutory body of the company MVV Energie CZ s.r.o. Our responsibility is to express an opinion on this report based on our review. We have conducted the review in accordance with the International Auditing Standards related to the review and related application clauses of the Auditors' Chamber of the Czech Republic. These standards require that the review is planned and performed in such a way that we obtain moderate assurance that the report on relations is free from material misstatements. The review is limited primarily to inquiries of the company personnel, analytical procedures and verification of objective accuracy of data carried out on test basis. This is why the review provides lower level of assurance than the audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, we did not find any material misstatements concerning the data shown in the report on relations between related persons of the company MVV Energie CZ s.r.o. as at 30. 9. 2008.

We also verified the conformity of the annual report with the above stated financial statements. Correctness of the annual report is the responsibility of the company management. Our responsibility is to give an opinion, based on our review, on the conformity of the annual report with the financial statements.

We carried out the review in accordance with the International Auditing Standards and related application clauses of the Auditors' Chamber of the Czech Republic. These standards require that the review is planned and performed in such a way that the auditor obtains a reasonable assurance that the information included in the annual report that describes facts being also the subject of the financial statements is, in all material aspects, in accordance with the relevant financial statements. We believe that the performed review provides a reasonable basis for the auditor's opinion.

Auditor's opinion on verification of the annual report of the company MVV Energie CZ s.r.o.

In our opinion the information stated in the annual report of the company MVV Energie CZ s.r.o. as at 30. 9. 2008 is, in all material respects, in accordance with the above stated financial statements.

In Prague, on 27. 11. 2008



Auditor:
Ing. Rostislav Kuneš
Certificate No. 1307 KAČR



TPA Horwath Notia Audit s.r.o.
Mánesova 917/28, Praha 2 - Vinohrady
Certificate No. 080 KAČR

BALANCE SHEET

as at 30. 9. 2008 in Tsd. CZK

Row		Gross	Current period Adjustements	Net	Previous period Net
TOTAL ASSETS		1,750,188	-44,288	1,705,900	1,842,894
B. Non-current assets		1,505,059	-37,401	1,467,658	1,370,977
I. Intangible assets		20,803	-19,489	1,314	2,885
2	Research and development	75	-75	0	0
3	Software	20,728	-19,414	1,314	2,689
6	Other intangible assets	0		0	10
7	Intangible assets in progress	0		0	186
II. Tangible assets		10,962	-5,912	5,050	4,330
3	Property, plant and equipment	10,557	-5,912	4,645	1,515
7	Tangible assets in progress	405		405	339
8	Advance payments for tangible assets	0		0	2,476
III. Investments		1,473,294	-12,000	1,461,294	1,363,762
1	Investments in subsidiaries	1,467,861	-12,000	1,455,861	1,352,963
4	Loans and borrowings – subsidiaries and associates	5,433		5,433	10,799

Row		Gross	Current period Adjustements	Net	Previous period Net
C.	Current assets	242,814	-6,887	235,927	470,262
I.	Inventories	19,474	0	19,474	35,175
2	Work in progress and semi-finished products	19,474		19,474	19,131
5	Goods	0		0	16,044
II.	Non-current receivable	17,918	0	17,918	23,771
1	Trade receivables	17,918		17,918	23,771
III.	Current receivables	79,630	-6,887	72,743	100,442
1	Trade receivables	60,881	-6,887	53,994	60,930
2	Receivables - subsidiaries	10,016		10,016	24,621
6	Tax receivables	307		307	4,665
7	Advance payments	2,146		2,146	1,766
8	Estimated receivables	6,270		6,270	4,065
9	Other receivables	10		10	4,395
IV.	Financial assets	125,792	0	125,792	310,874
1	Cash in hand	158		158	171
2	Cash at bank	105,634		105,634	41,053
3	Marketable securities and ownership interests	20,000		20,000	269,650
D.	Accruals and deferrals	2,315	0	2,315	1,655
I.	1 Deferred expenses	2,315		2,315	1,655

Row		Current period	Previous period
TOTAL EQUITY and LIABILITIES		1,705,900	1,842,894
A. Equity		1,558,496	1,551,795
I. Registered capital		720,000	720,000
1	Registered capital	720,000	720,000
II. Reserves		586,449	502,543
2	Other reserves	440,001	440,001
3	Difference from revaluation of assets and liabilities	146,448	62,542
III. Retained earnings		9,565	3,462
1	Legal reserves	9,565	3,462
IV. Retained earnings		153,688	203,742
1	Accumulated profits from previous years	153,688	203,742
V. Profit / Loss for the current accounting period		88,794	122,048
B. Liabilities		146,349	291,099
I. Provisions		30,343	30,942
3	Provision for income tax	0	5,118
4	Other provisions	30,343	25,824
II. Non-current liabilities		27,857	13,420
10	Deferred tax liability	27,857	13,420
III. Current liabilities		63,074	211,498
1	Trade payables	19,136	54,180
2	Payables - subsidiaries	0	264
4	Payables to partners, shareholders and alliance participants	0	131,400
5	Payables to employees	1,285	967

	Row	Current period	Previous period
	6 Payables to social security	712	711
	7 Tax payables and subsidies	2,682	331
	8 Advance payments	11,376	9,229
	10 Estimated payables	27,183	3,716
	11 Other liabilities	700	10,700
	IV. Bank loans and borrowings	25,075	35,239
	1 Long-term bank loans	16,119	25,075
	2 Short-term bank loans	8,956	10,164
	C. Accruals and deferrals	1,055	0
	2 Deferred revenues	1,055	0

Date:
3th October 2008

Prepared by:



Ing. Věra Křížová

Statutory body:



Ing. Václav Hrach, Ph.D.

PROFIT AND LOSS ACCOUNT

from 1. 10. 2007 to 30. 9. 2008 in Tsd. CZK

	Row	Current period	Previous period
I.	Sales of goods	306,873	0
A.	Costs of goods sold	-293,142	0
+	Gross profit margin	13,731	0
II.	Production	78,627	0
	1 Sales of own products and services	78,284	0
	2 Change in inventories of own production	343	0
B.	Production consumed	-57,629	0
	1 Materials and energy	-3,527	0
	2 Services	-54,102	0
+	Value added	34,729	0
C.	Personnel costs	-22,896	0
	1 Wages and salaries	-17,349	0
	3 Social security	-5,048	0
	4 Social expenses	-499	0
D.	Taxes	-22	0
E.	Amortisation and depreciation	-3,677	0
III.	Sales of non-current assets and materials	6	0
	1 Sales of non-current assets	6	0
G.	Change in provisions, adjustments and accruals	-5,718	0
IV.	Other operating revenues	170	0

	Row	Current period	Previous period
H.	Other operating expenses	-680	0
*	Operating profit/loss	1,912	0
VII.	Revenues from investments	87,204	0
1	Revenues from securities and interests in subsidiaries and associates	87,204	0
VIII.	Revenues from financial assets	6,452	0
X.	Interest revenues	3,677	0
N.	Interest expenses	-1,825	0
XI.	Other financial revenues	1,563	0
O.	Other financial expenses	-6,564	0
*	Financial profit/loss	90,507	0
Q.	Income tax on ordinary activities	-3,625	0
1	Due tax	-3,791	0
2	Deferred tax	166	0
**	Profit/loss from ordinary activities	88,794	0
***	Profit/loss for the accounting period	88,794	0
	Profit/loss before tax	92,419	0

Date:
3th October 2008

Prepared by:



Ing. Věra Křížová

Statutory body:



Ing. Václav Hrach, Ph.D.

CASH FLOW STATEMENT

from 1. 10. 2007 to 30. 9. 2008 in Tsd. CZK

Row		Current period
P.	Cash and cash equivalence at the beginning of the period	41,224
Z.	Accounting profit or loss from ordinary activities before taxation	92,419
A.1.	Non-cash transactions	-86,125
A.1.1.	Depreciation of fixed assets	3,677
A.1.2.	Change in adjustments to fixed assets and in provisions	5,712
A.1.2.1.	<i>Change in adjustments to fixed assets</i>	1,193
A.1.2.2.	<i>Change in provisions</i>	4,519
A.1.3.	Profit/loss on sale of fixed assets	-6
A.1.4.	Revenues from dividends	-93,656
A.1.5.	Interest payable and receivable	-1,852
A.1.5.1.	<i>Interest payable</i>	1,825
A.1.5.2.	<i>Interest receivable</i>	-3,677
A.*	Net cash flow from operating activities before taxation, changes of operating capital and extraordinary items	6,294
A.2.	Change of working capital need	274,008
A.2.1.	(Increase) / decrease in current receivables and deferred assets	27,862
A.2.2.	Increase / (decrease) in current payables and deferred liabilities	-19,205
A.2.3.	(Increase) / decrease in inventories	15,701
A.2.4.	(Increase) / decrease in short-term financial assets	249,650
A.**	Net cash flow from operating activities before taxes and extraordinary items	280,302
A.3.	Interests paid excluding capitalised interests	-1,602
A.4.	Interest received	3,677
A.5.	Income tax paid from ordinary activity and supplementary tax payments for previous periods	-9,216
A.7.	Received dividends and profit shares	93,656

Row		Current period
A.***	Net cash flow from operating activity	366,817
B.1.	Purchases of fixed assets	-2,665
B.2.	Proceeds from sales of fixed assets	6
B.3.	Borrowings to related parties	5,366
B.***	Net cash flow from investment activity	2,707
C.1.	Increase / (decrease) in long-term, or current payables	-8,956
C.2.	Impacts of changes in equity on cash	-296,000
C.2.6.	<i>Dividends or profit shares paid including tax</i>	-296,000
C.***	Net cash flow from financial activity	-304,956
F.	Net increase or decrease of cash and cash equivalents	64,568
D.	Difference $D = P + F - R$	0
R.	Cash and cash equivalents at the end of the period	105,792

Date:
3th October 2008

Prepared by:



Ing. Věra Křížová

Statutory body:



Ing. Václav Hrach, Ph.D.

STATEMENT OF MOVEMENTS IN EQUITY

from 1. 10. 2007 to 30. 9. 2008 in Tsd. CZK

	Issued / Regis- tered capital and treasury shares	Share premium	Other comprehensive income (revaluation reserve)	Other reserves	Legal reserves	Retained earnings	Accumulated profits/losses	Total
Balance as at 1. 10. 2007	720,000	0	62,542	440,001	3,462	0	325,790	1,551,795
Transactions with shareholders	0	0	0	0	6,103	0	-83,308	-77,205
Dividends							-166,000	-166,000
Other					1			1
Reclassifications and transfers					6,102		-6,102	0
Profit / Loss - current period							88,794	88,794
Net unrealised gains (losses) total, not recognised in the income statements	0	0	83,906	0	0	0	0	83,906
Revaluation of financial investments			87,243					87,243
Revaluation of derivatives			-3,337					-3,337
Balance as at 30. 9. 2008	720,000	0	146,448	440,001	9,565	0	242,482	1,558,496

Date:
3th October 2008

Prepared by:



Ing. Věra Křížová

Statutory body:



Ing. Václav Hrach, Ph.D.

Notes to financial statement

of MVV Energie CZ s.r.o. company
for fiscal year from 1. 10. 2007 to 30. 9. 2008

1 Description of the Accounting Unit

Company:	MVV Energie CZ s.r.o.
Identification Number:	49 68 54 90
Date of Establishment / Incorporation:	The memorandum of association was signed on September 7, 1993; the company was entered into the commercial register on October 6, 1993
Registered Office:	Praha 3, Chrudimská 2526/2a
Legal Form:	Limited liability company
Trade Register File Number:	Section C, insert no. 23493 of the commercial register kept by the Prague Municipal Court
Business Year:	1 October to 30 September
Subject of Business:	Holding type company Implementation of energy saving projects
Registered Capital:	Registered capital is CZK 720 million and it is fully paid

1.1 Persons with more than 20% share on the registered capital of the accounting unit

Name / Company	Share in %	
	Current period	Previous period
MVV Energie AG (Germany)	100.0	100.0

1.2 Changes and amendments entered in the trade register in the past accounting period

Takeover of equity of the company CABO-CS, spol. s r.o. was registered on July 1, 2008 in accordance with the contract on transfer of equity. Other changes and amendments registered in the Commercial Register in the past accounting period are stated below.

1.3 Description of the company organization structure

The company organization structure as of September 30, 2008 is created by 3 sections, one department and six independent positions. The company department is divided into 2 working positions and it is managed by the head of the department. Organization structure is approved by the company's statutory representative taking into account the usefulness and efficiency of management. There are the following company departments: Finance, Business and Technical Department, and the IS/IT Department.

1.4 Statutory bodies in the course of the accounting period

Name	Function	From (date)	To (date)
Ing., Václav Hrach, Ph.D.	executive	1. 10. 2007	30. 9. 2008
Dr. Thomas Severin	executive	1. 4. 2008	25. 7. 2008

1.5 Ways of acting on the company's behalf

Statutory representatives act on behalf of the company independently in all matters the value of which does not exceed the equivalent of the amount of EUR 150 thousand in individual case; in other cases the statutory representatives act jointly.

1.6 Procuration

On August 20, 2008 the procuration granted to Ing. Libor Zizal was registered in the Commercial Register. The procuration includes authorization to appropriate and encumber real estates.

1.7 Supervisory bodies in the course of the accounting period

Name	Function	From (date)	To (date)
Matthias Brückmann	Chairman	1. 10. 2007	30. 9. 2008
Hans Georg Hägele	Vice-chairman	1. 10. 2007	30. 9. 2008
Dr. Reiner Andreas Lübke	Member	1. 10. 2007	30. 9. 2008
Stefan Grützmacher	Member	1. 10. 2007	30. 9. 2008
Dr. iur. Martin Auer	Member	1. 10. 2007	30. 9. 2008

1.8 Loans, Guarantees, and Other Provided Supplies

Such supplies to partners, members of statutory, supervisory, or managing bodies were not provided.

2 Information on applied accounting principles, general accounting principles, and valuation methods**2.1 Applied accounting methods of significant influence on examination of the company situation and their changes**

The company prepared the financial statements in accordance with general accounting principles and with principles set by the Act no. 563/1991 Coll. on Accounting and related prescriptions regulating the method of bookkeeping for businessmen.

Unless specified otherwise, the amounts are stated in Tsd. CZK.

In its profit and loss account the company depicts revenues as positive amounts and expenses as negative amounts..

2.2 Valuation**2.2.1 Method for assessment of the real value of securities, ownership interests, and derivatives**

Securities and ownership interests are valued at acquisition cost during their acquisition. The acquisition cost of a security and ownership interest includes direct costs related to the acquisition, e.g. fees and commissions to brokers, consultants and stock exchange.

As of the financial statements date the ownership interests are valued using the equity value method except for the ownership interest

in Dubská energetická společnost a.s., which is valued at the acquisition value adjusted by the adjustment to this financial investment due to the impossibility of its valuation by the equity valuation method.

Loans to subsidiaries are valued at the nominal value of loans.

2.2.2 Method of adjustments setting

Type of assets	Adjustments		Method of assessment / Information source
	Current period	Previous period	
Non-current assets	328	85	according to individual examination
Investments	12,000	12,000	100% acquisition cost of investment
Receivables	6,887	5,937	according to the age structure past due
Total	19,215	18,022	

2.2.3 Method of depreciation plans setting and methods applied for accounting depreciation

Long-term assets are depreciated using the straight-line method with depreciation period stated below. Depreciation period is set individually to each long-term asset according to its estimated useful life.

Long-term assets category	Average depreciation period	
	Current period	Previous period
Software	2 - 4 years	2 - 4 years
Machines and equipment	4 - 6 years	4 - 6 years

2.2.4 Method applied on foreign currency data translation

Accounting operations in foreign currencies made during the year are accounted at the current exchange rate of the Czech National Bank set as to the day of the realization of the accounting event.

Receivables and payables in foreign currencies as of the financial statements date are translated at the valid exchange rate of the Czech National Bank for this date and found foreign exchange differences are accounted on profit and loss accounts.

2.2.5 Method of valuation of work in progress

Work in progress related to unfinished projects is valued on the level of their direct costs and the share on overhead expenses. The company creates accounting adjustments to receivables based on individual examination of situation of individual projects. In case of doubts of feasibility of implementation of work in progress an adjustment in 100% amount is created for the given project. In the current accounting period the company did not create adjustments

2.3 Adjustments in past period report

Based on the contract on transfer of equity the equity of the company GABO-CS, spol. s r.o. was taken over with the determining date 1. of October 2007. For this reason, in accordance with interpretation I-11 of the National Accounting Council, the company approached presentation of the past period as follows:

- in the balance sheet, in the column for the past period, there are values as of October 1, 2007, i.e. values from the opening balance sheet as of the determining date of takeover of the equity
- in the profit and loss account, in the cash flow statement, and in the statement in changes of equity the data of the past period is not stated
- in the notes to the financial statements also values of the past periods are stated at commentaries to balance sheet items; these values are not stated at commentaries to profit and loss account items

3 Significant events between the financial statements date and the date to which the reports are approved for presentation out of the accounting unit

No significant events occurred in the period, that could have an impact on the financial position of the company.

Assets

B. Non-current assets

Movements of non-current assets are stated in the table Analysis of assets at the end of this part of the Notes

B.1 Intangible assets

Balance	Balance as at 30. 9. 2008	1,314
	Balance as at 1. 10. 2007	2,885

Balance sheet item	Net value as at 30. 9. 2008
Software	1,314
Total	1,314

Analysis of additions

Total additions at aquisition cost	419
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Of which:

SW Exact Event Manager	233
Other	186

Analysis of disposals

Total disposals (net)	254
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Of which:

Sale	95
Liquidation	159

Transfers, others

Transfers	1,709
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Of which:	
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Depreciation charge	1,794
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Change in adjustments	-85
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B.II Tangible assets

Balance	Balance as at 30. 9. 2008	5,050
	Balance as at 1. 10. 2007	4,330

Balance sheet item	Net value as at 30. 9. 2008
Property, plant and equipment,	4,645
Tangible assets in progress	405
Total	5,050

Analysis of additions

Total additions at acquisition cost	5,746
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Of which:	
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Information technology	4,055
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Vehicles	1,230
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Other	461
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Analysis of disposals

Total disposals (net)	1,096
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Of which:	
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Liquidation	1,096
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Transfers, others

Transfers	2,211
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Of which:	
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Depreciation charge	1,883
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Change in adjustments	328
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B.III Investments**1. - 3. Investments in subsidiaries and associates**

Balance	Balance as at 30. 9. 2008	1,455,861
	Balance as at 1. 10. 2007	1,352,963

Balance sheet item	Net value as at 30. 9. 2008
Investments in subsidiaries	1,455,861
Total	1,455,861

Investments in subsidiaries*Balance as at 30. 9. 2008*

Company	Share in %	Acquisition costs	Revaluation	Equity	Profit / Loss
Zásobování teplem Vsetín a. s.	98.59 %	178,152	18,962	199,933	4,339
CTZ s. r. o.	50.96 %	31,800	15,454	92,724	8,706
TERMO Děčín a. s.	96.91 %	165,255	119,905	294,263	58,915
Městské inženýrské sítě Studénka a. s.	99.92 %	17,835	63,077	80,974	11,920
Českolipské teplo a. s.	100.00 %	49,000	10,072	59,072	-56
MVV enservis a. s.	100.00 %	2,000	-2,000	-6,480	-7,746
Jablonecká teplárenská a,realitní, a. s.	65.78 %	255,000	-28,142	344,870	30,945
OPATHERM a. s.	100.00 %	134,000	-50,095	83,905	17,639
Dubská energetická společnost a. s.	100.00 %	12,000	-12,000	—	—
Energie Holding a. s.	100.00 %	440,019	24,427	464,446	45,466
POWGEN a. s.	100.00 %	2,000	9,140	11,140	9,185
Total	—	1,287,061	168,800	1,624,847	179,313

Balance as at 1. 10. 2007

Company	Share in %	Acquisition costs	Revaluation	Equity	Profit / Loss
Zásobování teplem Vsetín a.s.	98.59 %	178,152	4,363	185,125	38,667
CTZ s.r.o.	50.96 %	31,800	11,131	84,242	3,852
TERMO Děčín a.s.	96.91 %	165,255	96,078	269,675	36,256
Městské inženýrské sítě Studénka a.s.	99.92 %	17,834	60,928	78,823	-1,780
MVV enservis a.s./ČLT	100.00 %	51,000	2,644	53,644	-1,543
Jablonecká teplárenská a realitní, a.s.	65.78 %	255,000	-33,554	336,643	24,027
OPATHERM a.s.	100.00 %	134,000	-67,735	66,265	7,178
Dubská energetická společnost a.s.	100.00 %	12,000	-12,000	–	–
Energie Holding a.s.	100.00 %	440,019	4,048	444,067	3,937
POWGEN a.s.	100.00 %	2,000	0	2,000	–
Celkem	–	1,287,060	65,903	1,520,484	110,594

The company revalues its ownership interest using the equity valuation method. The only exception is Dubská energetická společnost a.s., with which a litigation is currently running concerning ownership of shares. An adjustment was created to this ownership interest.

4. - 7. Other investments

Balance	Balance as at 30. 9. 2008	5,433
	Balance as at 1. 10. 2007	10,799

Balance sheet item	Net value as at 30. 9. 2008
Loans and borrowings - subsidiaries and associates	5,433
Total	5,433

Summary of non-current borrowings due from related parties

Debtor, interest rate Currency, due date	Movement	Amount (CZK)
OPATHERM a. s., PRIBOR 3M+marže 1.9 % CZK, 30. 12. 2012	Opening balance	5,500
	of which short-term part	1,000
	Amortizations	-1,250
	Closing balance	4,250
	Instalments due within 1 year	1,250
OPATHERM a. s., 5.75 % p. a. CZK, 25. 2. 2010	Opening balance	12,006
	of which short-term part	4,366
	Amortizations	-5,457
	Closing balance	6,549
	Instalments due within 1 year	5,457
CTZ s.r.o., 6M PRIBOR + 2.5 % p. a. CZK, 30. 9. 2007	Opening balance	5,500
	of which short-term part	5,500
	Amortizations	-5,500
	Closing balance	0
Total brutto		10,799
Instalments due within 1 year		6,707
Total netto		4,092

C. Current assets**C.I. Inventories**

Balance	Balance as at 30. 9. 2008	19,474
	Balance as at 1. 10. 2007	35,175
Balance sheet item	Net value as at 30. 9. 2008	
Work in progress and semi-finished products		19,474
Total		19,474

Detail summary**Work in progress and semi-finished products** **19,474**

Of which:

DKVO Ostrava provoz Bohumín	19,131
Other	343

The company implements energy saving projects for third parties. One project remains among the work in progress as of the balance sheet day. Negotiations still take place with České dráhy, a.s. concerning conclusion of a pledge contract for the set of technology. After the contract above is concluded a final invoice will be issued and the above stated set of technology will represent securing of this receivable. By then, České dráhy, a.s. will pay to the company advances according to the calendar of payments.

C.II. Non-current receivables

Balance	Balance as at 30. 9. 2008	17,918
	Balance as at 1. 10. 2007	23,771
Balance sheet item	Net value as at 30. 9. 2008	
Trade receivables		17,918
Celkem		17,918

In the scope of long-term receivables the company reports long-term parts of calendars of payments - receivables from companies where projects of power savings have been implemented.

Type of securitisation

Receivable	Amount	Type of securitisation
Trade receivables	17,918	pledge of savings technology

Analysis of non-current receivables (aging)

Group	Balance as at 30. 9. 2008		Balance as at 1. 10. 2007	
	Acquisition costs total	Adjustments	Acquisition costs total	Adjustments
Due after 1 up to 5 years	13,881	0	17,773	0
Due after 5 years	4,037	0	5,998	0
Total	17,918	0	23,771	0

C.III. Current receivables

Balance	Balance as at 30. 9. 2008	72,743
	Balance as at 1. 10. 2007	100,442

Balance sheet item	Net value as at 30. 9. 2008
Trade receivables	53,994
Receivables - subsidiaries	10,016
Tax receivables	307
Advance payments	2,146
Estimated receivables	6,270
Other receivables	10
Total	72,743

Summary of current borrowings

Debtor, interest rate Currency, due date	Movement	Amount (CZK)
Českolipské Teplo a.s., 4,8 % p. a.	Opening balance	150
CZK, 30. 9. 2008	Closing balance	150
CTZ s.r.o., 4,8 % p. a.	Opening balance	8,000
CZK, 28.2.2008	Amortizations	-8,000
	Closing balance	0
MVV enservis a.s., 4,28 % p. a.	Opening balance	4,000
CZK, 31. 1. 2008	Amortizations	-4,000
	Closing balance	0
MVV enservis a.s., 5 % p. a.	Opening balance	0
CZK, 31. 10. 2008	Amortizations	4,500
	Closing balance	4,500
Total brutto		4,650
Instalments due within 1 year	(B.III, C.II.)	6,707
Total netto		11,357

Current receivables to related parties

Debtor, due date, description	Currency	Balance in currency	Balance in CZK
Short-term loans and short-term parts of long-term loans in group	CZK	11,357	11,357
CTZ s. r. o.	CZK	7,110	7,110
Českolipské Teplo a. s.	CZK	1,600	1,600
Energie Holding a. s.	CZK	3,508	3,508
Jablonecká teplárenská a,realitní, a. s.	CZK	17,260	17,260
MVV enservis a. s.	CZK	6,562	6,562
OPATHERM a. s.	CZK	1,825	1,825
Teplárna Liberec, a. s.	CZK	10,591	10,591
TERMO Děčín a. s.	CZK	997	997
Zásobování teplem Vsetín a. s.	CZK	2,552	2,552
MVV holding CZ s. r. o.	CZK	197	197
POWGEN a. s.	CZK	34	34
Total	–	–	63,593

Except for the first line these include the trade receivables from services rendered within MVV Energie CZ holding

Analysis of current receivables (aging)

Group	Balance as at 30. 9. 2008		Balance as at 1. 10. 2007	
	Acquisition costs total	Adjustments	Acquisition costs total	Adjustments
Receivables before due date	61,118	-345	84,631	0
After due date up to 3 months	12,179	-258	12,825	0
After due date from 3 up to 6 months	269	-260	1,993	-399
After due date from 6 up to 12 months	835	-799	2,279	-1,140
After due date from 12 up to 18 months	570	-566	1,262	-1,009
After due date above 18 months	4,659	-4,659	3,389	-3,389
Receivables - debtors in bankruptcy	0	0	0	0
Total	79,630	-6,887	106,379	-5,937

C.IV. Financial assets

Balance	Balance as at 30. 9. 2008	125,792
	Balance as at 1. 10. 2007	310,874

Balance sheet item	Net value as at 30. 9. 2008
Cash in hand	158
Cash at bank	105,634
Marketable securities and ownership interests	20,000
Total	125,792

Short-term securities include bank deposit bills of exchange

D. Deferred assets**D.I. Accruals and deferrals**

Balance	Balance as at 30. 9. 2008	2,315
	Balance as at 1. 10. 2007	1,655

Balance sheet item	Net value as at 30. 9. 2008
Deferred expenses	2,315
Total	2,315

Equity and liabilities**A. Equity**

Balance	Balance as at 30. 9. 2008	1,558,496
	Balance as at 1. 10. 2007	1,551,795

Balance sheet item	Balance as at 30. 9. 2008
Registered capital	720,000
Other reserves	440,001
Difference from revaluation of assets and liabilities	146,448
Legal reserves	9,565
Accumulated profits from previous years	153,688
Profit / Loss for the current accounting period	88,794
Total	1,558,496

A.I. Registered capital

Shareholder	Share in %	Nominal value	Unpaid (subscriptions)	Due date
MVV Energie AG	100.00	720,000	0	–
Total	100.00	720,000	0	–

Movements in equity

Movements of equity are stated in the Report on changes in equity

Difference from revaluation of assets and liabilities

Balance sheet item	Current period	Previous period
Revaluation of securities and ownership interest	180,799	77,902
Deferred tax from revaluation	-34,351	-18,696
Revaluation of derivatives	0	3,336
Total	146,448	62,542

Distribution of profit

Type of movement	Current period	Previous period
Transfer of profit to accumulated profits	115,946	65,786
Additions to legal reserve	6,102	3,462
Distributed profit/loss total*	122,048	69,248

*These are profits and losses of last and pre-last periods

B. Liabilities**B.I. Provisions****Provision for income tax**

Balance	Balance as at 30. 9. 2008	0
	Balance as at 1. 10. 2007	5,118
Provision for income tax was compensated by paid advances.		

Other provisions

Balance	Balance as at 30. 9. 2008	30,343
	Balance as at 1. 10. 2007	25,824

Description of the provision	Balance as at 1. 10. 2007	Additions	Disposals	Balance as at 30. 9. 2008
Managers' rewards and statutory representatives' rewards	3,583	5,474	3,583	5,474
Provision for lawsuits	20,870	2,628	0	23,498
Provision for penalty from HHO supplier	1,371	0	0	1,371
Total	25,824	8,102	3,583	30,343

B.II. Non-current liabilities

Balance	Balance as at 30. 9. 2008	27,857
	Balance as at 1. 10. 2007	13,420

Balance sheet item	Balance as at 30. 9. 2008
Deferred tax liability	27,857
Total	27,857

The analysis of the deferred tax payable is stated at the end of this part of the Notes to the financial statements.

Analysis of non-current liabilities (aging)

Group	Balance as at 30. 9. 2008	Balance as at 1. 10. 2007
Due after 5 years	27,857	13,420
Total	27,857	13,420

B.III. Current liabilities

Balance	Balance as at 30. 9. 2008	63,074
	Balance as at 1. 10. 2007	211,498

Balance sheet item	Balance as at 30. 9. 2008
Trade payables	19,136
Payables to employees	1,285
Payables to social security	712
Tax payables and subsidies	2,682
Advance payments	11,376
Estimated payables	27,183
Other liabilities	700
Total	63,074

Current payables to related parties

Company name, type of liability	Currency	Balance in currency	Balance in,CZK
ENERGIE holding a. s.	CZK	995	995
MVV enservis a. s.	CZK	432	432
MVV energie AG	CZK	373	373
Total	–	–	1,800

They are trade payables.

Analysis of current liabilities (aging)

Group	Balance as at 30. 9. 2008	Balance as at 1. 10. 2007
Liabilities before due date	60,897	211,425
After due date up to 6 months	2,157	39
After due date from 6 up to 12 months	20	34
Total	63,074	211,498

B.IV. Bank loans and borrowings**Long-term bank loans**

Balance	Balance as at 30. 9. 2008	16,119
	Balance as at 1. 10. 2007	25,075
Creditor, interest rate Currency, due date	Movement	Amount (CZK)
ČSOB, 1M PRIBOR + 2.5 % p. a.	Opening balance	3,312
CZK, 30 th April 2009	of which short-term part	2,136
	Amortizations	-2,136
	Closing balance	1,176
	Instalments due within 1 year	1,176
ČSOB, 1M PRIBOR + 2.5 % p. a.	Opening balance	760
CZK, 30 th June 2009	of which short-term part	435
	Amortizations	-435
	Closing balance	325
	Instalments due within 1 year	325
ČSOB, 1M PRIBOR + 2.5 % p. a.	Opening balance	660
CZK, 30 th June 2009	of which short-term part	377
	Amortizations	-377
	Closing balance	283
	Instalments due within 1 year	283
ČSOB, 1M PRIBOR + 2.5 % p. a.	Opening balance	454
CZK, 31 th July 2009	of which short-term part	249
	Amortizations	-249
	Closing balance	205
	Instalments due within 1 year	205
ČSOB, 1M PRIBOR + 2.5 % p. a.	Opening balance	1,059
CZK, 31 th August 2010	of which short-term part	412
	Amortizations	-412

Creditor, interest rate Currency, due date	Movement	Amount (CZK)
	Closing balance	647
	Instalments due within 1 year	412
ČSOB, 1M PRIBOR + 2.5 % p. a.	Počáteční stav	2,158
CZK, 31 th July 2009	of which short-term part	563
	Amortizations	-563
	Closing balance	1,595
	Instalments due within 1 year	563
ČSOB, 1M PRIBOR + 2.5 % p. a.	Počáteční stav	1,200
CZK, 31 th August 2010	of which short-term part	411
	Amortizations	-411
	Closing balance	789
	Instalments due within 1 year	411
ČSOB, 3M PRIBOR + 2.3 % p. a.	Počáteční stav	11,636
CZK, 30 th November 2010	of which short-term part	3,581
	Amortizations	-3,581
	Closing balance	8,055
	Instalments due within 1 year	3,581
ČSOB, 3M PRIBOR + 1.1 % p. a.	Počáteční stav	14,000
CZK, 30 th September 2014	of which short-term part	2,000
	Amortizations	-2,000
	Closing balance	12,000
	Instalments due within 1 year	2,000
Total		25,075
Instalments due within 1 year		8,956
Total		16,119

Liability	Amount	Type of securisation
ČSOB Loans	25,074	Pledge of receivables
		Blank bill of exchange

Group	Balance as at 30. 9. 2008	Balance as at 1. 10. 2007
Due after 1 up to 5 years	14,119	21,075
Due after 5 years	2,000	4,000
Total	16,119	25,075

Short-term bank loans

Balance	Balance as at 30. 9. 2008	8,956
	Balance as at 1. 10. 2007	10,164

It is a short-term part of bank credits.

C. Deferred liabilities

C.I. Accruals and deferrals

Balance	Balance as at 30. 9. 2008	1,055
	Balance as at 1. 10. 2007	0

Balance sheet item	Balance as at 30. 9. 2008
Deferred revenues	1,055
Total	1,055

Contingent assets and liabilities

D. Contingent liabilities

Description of liability	Value
HypoVereinsbank CZ a.s. - Guarantor’s statement for the loan of the subsidiary company CTZ s.r.o.	6,860
HypoVereinsbank CZ a.s. - Pledge of the ownership interest in the company CTZ s.r.o.	6,860
ČSOB + HVB - Contract of guarantee related to the credit of the subsidiary company OPATHERM a.s.	81,484
HVB - Guarantor’s statement for the loan of the subsidiary company TERMO Dečín	177,924
HVB - Pledge of documentary securities of the subsidiary company TERMO Děčín a.s. for its credit	177,924
ČS - Pledge of documentary securities of the subsidiary company Energie Holding a.s. for its credit	688,676
ČSOB - Pledge of trade receivables for credits for EPC projects	25,075
Balance as at 30. 9. 2008	1,164,803

Further, bank guarantees were also issued in favor of the company to the lessor RLRE Columba Property, s.r.o. as a security for liabilities from delay to this business partner. None of these payables is in delay.

Profit and loss account**I./A. Revenues and expenses for merchandise**

Revenues	Balance as at 30. 9. 2008	306,873
Costs	Balance as at 30. 9. 2008	293,142

Current period

Group	Revenues	Costs	Difference
Heavy heating oil	239,410	232,705	6,705
Coal	67,320	60,305	7,015
Other	143	132	11
Total	306,873	293,142	13,731

Coal and heavy heating oil are sold to companies within MVV group.

II.1. Sales of own products and services

Balance	Balance as at 30. 9. 2008	78,284
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Group	Balance as at 30. 9. 2008
Implementation of energy saving projects	32,963
Services provided within the MVV - rent of IS and hardware	27,320
Services provided within MVV group - consulting services	9,360
Services provided within MVV group - re-invoicing of other services	8,641
Total	78,284

II.2. Change in inventories of own production

Balance	Balance as at 30. 9. 2008	343
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Group	Balance as at 30. 9. 2008
Change in work in progress	343
Total	343

B.1. Materials and energy

Balance	Balance as at 30. 9. 2008	3,527
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Nature of expense	Balance as at 30. 9. 2008
Operation of the office	2,885
Operation of vehicles	642
Total	3,527

B.2. Services

Balance	Balance as at 30. 9. 2008	54,102
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Nature of expense	Balance as at 30. 9. 2008
Expenses on projects	6,693
Consulting	37,499
Rent and operation of the office	9,910
Total	54,102

C. Personnel costs

Balance	Balance as at 30. 9. 2008	22,896
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Nature of expense	Amount in current period	Balance as at 30. 9. 2008
Employees - salaries and wages	25	17,349
of which managers - wages expenses	5	8,984
Statutory bodies - remuneration	1	0
Supervisory board - remuneration	5	0
Social security		5,048
Social expenses		499
Total	31	22,896

D. Taxes

Balance	Balance as at 30. 9. 2008	22
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E. Amortisation and depreciation

Balance	Balance as at 30. 9. 2008	3,677
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III./F. Revenues and costs of fixed assets and materials

Revenues	Balance as at 30. 9. 2008	6
Costs	Balance as at 30. 9. 2008	0

Asset	Revenues	Costs	Difference
Low-value office equipment	6	0	6
Celkem	6	0	6

IV.-V. Other operating revenues

Balance	Balance as at 1. 10. 2007	0
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Nature of revenue	Balance as at 30. 9. 2008
Other operating revenues	170
Total	170

G.-I. Other operating expenses

Balance	Balance as at 30. 9. 2008	6,398
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Nature of expense	Balance as at 30. 9. 2008
Change in provisions, adjustments and accruals	5,718
Other operating expenses	680
Total	6,398

VII. Revenues from investments

Balance	Balance as at 30. 9. 2008	87,204
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Nature of revenue**Balance as at 30. 9. 2008**

Received dividends	87,204
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Total	87,204
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VIII. Revenues from financial assets

Balance	Balance as at 30. 9. 2008	6,452
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Nature of revenue**Balance as at 30. 9. 2008**

Bill of exchange interest	6,452
---------------------------	-------

Total	6,452
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IX.-XII. Other financial revenues

Balance	Balance as at 30. 9. 2008	5,240
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Nature of revenue**Balance as at 30. 9. 2008**

Interest revenues	3,677
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Other financial revenues	1,563
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Total	5,240
--------------	--------------

L.-P. Other financial expenses

Balance	Stav k,30. 9. 2008	8,389
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Nature of expense**Balance as at 30. 9. 2008**

Interest expenses	1,825
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Other financial expenses	6,564
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Total	8,389
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Q. Income tax on ordinary activities

Balance	Balance as at 30. 9. 2008	3,625
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Relationship between tax expense (income) and accounting profit

	Taxable profit	Tax effect
Profit/loss before tax	92,419	–
Tax rate applicable to taxable profits	21 %	19,408
Tax effects on account of tax-free income and other deductions from income	-96,307	-20,224
Tax effects on account of non-deductible expenses	16,997	3,569
Prior year income taxes	–	1,026
Tax effects on account of other impacts	57	12
Total	13,166	3,791

Non-taxable incomes mainly include received dividends in the value of CZK 87,204 thousand.

Analysis of deferred tax

Temporary differences	Difference	Amount not used in deferred tax computation	Accepted volume
Difference of tax and accounting net book value of long term assets	586	0	586
Accounting provisions	30,344	0	30,344
Revaluation of financial investments	-180,799	0	-180,799
Differences total	-149,869	0	-149,869
Applicable tax rate			19 - 21 %
Deferred tax asset (+) / liability (-) relating to temporary differences			-34,352
Opening balance of a deferred tax asset (+) / liability (-)			-13,420
The amount of deferred tax expense relating to temporary differences			-166
Deferred tax charged (+) or credited (-) directly to equity			14,603
Ending balance of a deferred tax asset (+) / liability (-)			-27,857

Date:
3th October 2008

Prepared by:



Ing. Věra Křížová

Statutory body:



Ing. Václav Hrach, Ph.D.

ANALYSIS OF ASSETS

from 1. 10. 2007 to 30. 9. 2008 in Tsd. CZK

Item	Development in acquisition costs					Development of accumulated depreciation and adjustments					Net	
	Balance as at 1. 10. 2007	Additions	Transfers	Disposals	Balance as at 30. 9. 2008	Balance as at 1. 10. 2007	Additions	Transfers	Disposals	Balance as at 30. 9. 2008	Balance as at 30. 9. 2008	Balance as at 1. 10. 2007
<i>B.I.2.</i>	75				75	75				75	0	0
<i>B.I.3.</i>	20,468	233	186	159	20,728	17,779	1,794		159	19,414	1,314	2,689
<i>B.I.6.</i>	95			95	0	85			85	0	0	10
<i>B.I.7.</i>	186		-186		0					0	0	186
<i>B.I.</i>	20,824	233	0	254	20,803	17,939	1,794	0	244	19,489	1,314	2,885
<i>B.II.3.</i>	6,312	2,526	2,815	1,096	10,557	4,797	2,211		1,096	5,912	4,645	1,515
<i>B.II.7.</i>	339	405	-339		405					0	405	339
<i>B.II.8.</i>	2,476		-2,476		0					0	0	2,476
<i>B.II.</i>	9,127	2,931	0	1,096	10,962	4,797	2,211	0	1,096	5,912	5,050	4,330
<i>B.III.1.</i>	1,364,963	102,898			1,467,861	12,000				12,000	1,455,861	1,352,963
<i>B.III.4.</i>	10,799			5,366	5,433					0	5,433	10,799
<i>B.III.</i>	1,375,762	102,898	0	5,366	1,473,294	12,000	0	0	0	12,000	1,461,294	1,363,762
Total	1,405,713	106,062	0	6,716	1,505,059	34,736	4,005	0	1,340	37,401	1,467,658	1,370,977

B.I. – Intangible assets
 B.I.2. – Research and development
 B.I.3. – Software
 B.I.6. – Other intangible assets
 B.I.7. – Intangible assets in progress
 B.II. – Tangible assets
 B.II.3. – Property, plant and equipment

B.II.7. – Tangible assets in progress
 B.II.8. – Advance payments for tangible assets
 B.III. – Investments
 B.III.1. – Investments in subsidiaries
 B.III.4. – Loans and borrowings – subsidiaries
 and associates

Report on relations among related persons

Company's business name:	MVV Energie CZ s.r.o.
Company's registered office:	Chrudimská 2526/2a, 130 00 Praha 3
Company's identification No.:	496 85 490

The company is registered in the Business Register managed by the Commercial Court in Prague, section C, insert 23493 (hereinafter only "the company")

The company's Executive Manager: Ing. Václav Hrach, Ph.D.

1) Has stated that

there is no controlling contract;

- there is no contract on the transfer of profit;
- there is no qualified concern;
- there is factual concern;
- and, therefore, according to the provisions of § 66a paragraph 9 of the Commercial Code, the executive manager is obliged to process a report on relations (hereinafter "the report"), whereas
- as the statutory body of the controlled subject, the executive manager acknowledges that in the sense of § 66a, paragraph 15 of the Commercial Code, a surety ship obligation would originate if the losses incurred by the company were not mentioned in the report, if such losses had not been remedied or if no contacts had been included regarding such remedy.

2) has approved this Report on relations among related persons for the October 2007 – September 2008 period.

Related persons in the company

The company is part of MVV Energie Group; the structure of its parts located within the territory of the Czech Republic is stated in Appendix 1 of this report.

Controlling persons of the company

Business company or name of the controlling party	Business identification No.	Registered office
MVV Energie AG	DE 811244542	Luisenring 48, D-68159 Mannheim, Spolková republika Německo

Other persons controlled by the controlling party:

Relations between the company MVV Energie CZ s.r.o. and its subjects are described in reports processed by these subjects; this report includes only relations with the parent company and subsidiaries.

Controlling person	Persons controlled directly	Persons controlled indirectly	Business identification No.	Registered office
MVV Energie AG			DE 811244542	Luisenring 48, D-68159 Mannheim, Germany
	MVV holding CZ s.r.o.		258 31 526	Chrudimská 2526/2a, 130 00 Praha 3
	MVV Energie CZ s.r.o.		496 85 490	Chrudimská 2526/2a, 130 00 Praha
		CTZ s.r.o.	634 72 163	Sokolovská 572, 686 01 Uherské Hradiště
		Českolipské teplo, a.s.	631 49 907	Pivovarská 2073, 470 01 Česká Lípa
		ENERGIE Holding a.s.	275 94 301	Chrudimská 2526/2a, 130 00 Praha 3
		GABO – CS, s.r.o.	413 24 943	Chrudimská 2526/2a, 130 00 Praha
		Jablonecká teplárenská a realitní, a.s.	615 39 881	Liberecká 104, 466 01 Jablonec nad Nisou
		Městské inženýrské sítě Studénka a.s.	651 38 155	Poštovní 772, 742 13 Studénka
		MVV enservis s.r.o.	272 99 872	Pivovarská 2073, 470 01 Česká Lípa
		OPATHERM a.s.	253 85 771	Horní nám. 58, 746 01 Opava
		POWGEN a.s.	279 28 411	Chrudimská 2526/2a, 130 00 Praha 3
		TERMO Děčín a.s.	640 50 882	Oblouková 25, 405 01 Děčín III.
		Zásobování teplem Vsetín a.s.	451 92 588	Jiráskova 1326, 755 01 Vsetín

Contracts between the company and related persons**(Contracts concluded in the period of fiscal year 2007-2008)**

No concluded contracts between the company and related persons were executed.

Other legal acts in the interests of related persons

No legal acts in the interests of related persons were executed.

Other performances and considerations in relation to related persons:**(Contracts concluded before the period of fiscal year 2007-2008 with influence on present)**

Reason for performance	Counterparty	Performance of company	Consideration	Loss
General agreement regarding sale of emission permits	MVV Energie AG	Sale of emission permits	Purchase price accord. to actual magnitude on the market	None

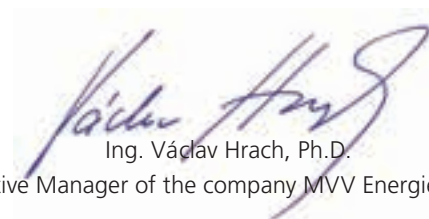
Other losses caused to the company:

No other losses were caused to the company.

Conclusion

The Executive Manager of the company MVV Energie CZ s.r.o. states that in the period from October 2007 – September 2008, no loss was caused to the controlled company by the controlling company.

Dated on Prague on 30th September, 2008



Ing. Václav Hrach, Ph.D.
Executive Manager of the company MVV Energie CZ s.r.o.

Appendix 5A

Structure of the MVV Energie CZ group up to 30th September, 2008.



Consolidated Financial Results of the MVV Energie CZ Group (according to IFRS)

The consolidated financial results include the results of all of the subsidiaries and the parent company, for the entire MVV Energie CZ Group. The consolidated results were compiled as a foundation for the consolidation of the international group MVV Energie AG, with its registered seat in Mannheim, Germany, in line with the applicable International Financial Reporting Standards (IAS/IFRS) and the accounting policies of the Group.

Consolidated income for the 2007/2008 financial year grew, year-on-year, by more than 500 mil. CZK, and amounted to over 2,300 mil. CZK. The main cause was the significantly cooler weather in winter of 2007/2008, compared to the extraordinarily warm winter of 2006/2007. Another significant reason was the inclusion of a full twelve months (10/2007 – 9/2008), compared to last year's nine months (1/2007 – 9/2007, furthermore without a significant winter part) results of the newly acquired 70% share in Teplárna Liberec, a. s. and the Litoměřice, Louny, and Mimoň operating units. Also, the higher year-on-year utilisation of the existing electricity generation capacity contributed over 40 mil. CZK to the revenue increase.

Consolidated operating expenses, including amortisation, increased by over 500 mil. CZK, year-on-year. The causes of this increase are similar to those that underlie the increase in income. The main influences were a colder winter, and hence higher fuel consumption, and also the inclusion of the costs for the above-mentioned full twelve months, compared to the nine months in the previous financial year, for ENERGIE Holding a.s. and Teplárna Liberec, a.s. A major contributor to the increase in costs was also the significantly growing prices of the fuel purchased, primarily fuel oil, which responded to the sharp increase of oil prices.

Of major positive financial benefit in the 2007/2008 financial year was the sale of excess emission allowances, due, among other reasons, to the significant share of environmentally friendly resources used, such as natural gas and geo-thermal energy. Other benefits included income from supporting environmental projects for greenhouse gas reduction outside of the European Union, by using 200,000 so-called CER credits (note: 1 credit represents 1 metric tonne of certified reduction of carbon dioxide in developing countries, in line with one of the agreements under the so-called Kyoto Protocol). The Group's overall net income related to emission allowances neared 70 mil. CZK.

The consolidated total assets in 2007/2008 amounted to nearly 4,200 mil. CZK, being roughly at the same level as a year ago. In spite of that, several major changes took place compared to last year. In working capital, we managed to free up major financial amounts bound in certain fuel stock and ensure their supply by just-in-time deliveries, i.e., with the necessary amounts being supplied directly for consumption. This led to the releasing of over 200 mil. CZK of tied-up capital, which can now be used for the further development of the Group's companies. Primarily due to a methodological adaptation and harmonisation of processes within the Group, there has also been an increase in consolidated accounts receivable from trading. On the liabilities side, provisions for further use were reported from already acquired CER emissions credits and an increase in short-term trading accounts payable, related to that methodological adaptation.

In the last financial year, there was also a significant decline in long-term third-party resources, by more than 300 mil. CZK, which confirms the very good financial condition and significant potential for further loan engagement in the new development projects of the MVV Energie CZ group.

The graph shows the development of earnings before interest and tax (EBIT*) and return on capital employed (ROCE**), modified by one-off effects over the last three years.

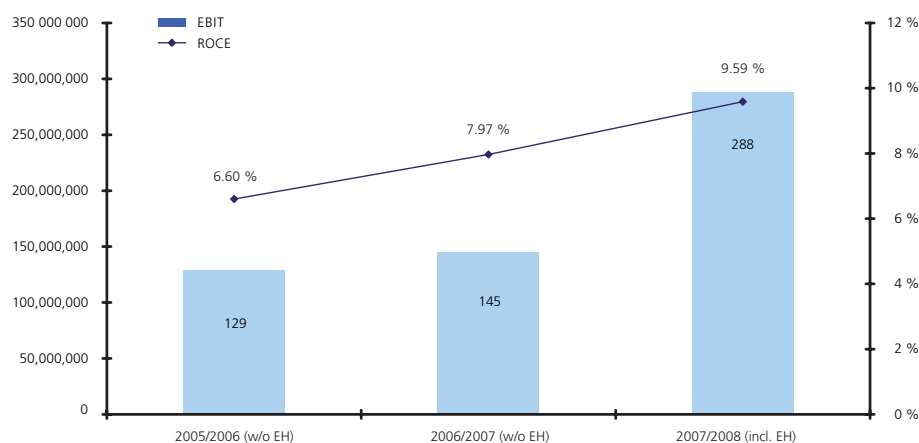
The year-on-year increase of the EBIT* value in the 2007/2008 financial year is due to several factors, a major one of which is the expansion and optimisation of the mode of electricity generation and sales in Zásobování teplem Vsetín a.s. and Powgen a.s. Other reasons include the partial optimisation measures implemented by companies from the Group.

A major factor is the inclusion of the results of ENERGIE Holding a.s. and Teplárna Liberec, a.s., whose combined EBIT*, net of the above-mentioned one-off effects, reached 92 mil. CZK in the 2007/08 financial year. Given that the originally planned value of the EBIT* indicator for the two companies was 91 mil. CZK, the original plan was nearly precisely met, which confirmed the success of both companies' integration into the MVV Energie CZ Group.

Comparing the results of the 2007/2008 financial year with the originally planned values for the year, the holding company MVV Energie CZ s.r.o. also contributed to the Group's improved results, as it saved a total of 10 mil. CZK in personnel costs.

The course of the ROCE** indicator indicates very positive developments, which are also due – aside from the financial results referred to above – to a sustained effort to use the capital employed with maximum efficiency.

The results of the MVV Energie CZ Group show that the Group has strengthened its leading position among the standard and financially sound entities on the Czech heat-generation market.



* EBIT (Earnings Before Interest and Taxes) represents profit before tax and interest, net of one-off effects of goodwill amortisation, acquisition expenses, and income from transactions with emission allowances.

** ROCE (Return On Capital Employed) expresses the performance of the capital employed, calculated as net EBIT / (equity capital + third-party resources).

Note: The 2005/2006 and 2006/2007 results do not include the impact of the results of ENERGIE Holding a.s. and Teplárna Liberec, a.s.; 2007 / 2008 includes the impact of both of those companies.

	10/2007 - 9/2008* tsd. CZK	10/2006 - 9/2007* tsd. CZK	10/2005 - 9/2006 tsd. CZK
Revenues	2,575,260	1,827,523	1,440,706
Sales (incl. Energy tax)	2,327,464	1,741,388	1,354,524
Other operating income	205,172	74,029	70,787
Change of inventory	634	-581	-1,344
Capitalized assets for internal services	41,990	12,687	16,739
Operating expenses	2,013,470	1,491,088	1,139,837
Cost of materials/ purchased services	1,647,537	1,176,247	919,191
Personnel costs	220,541	189,900	131,776
Other operating expenses	145,391	124,941	88,871
Net income from subsidiaries	0	-0	0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	561,790	336,435	300,869
Depreciation	205,860	194,900	133,384
Earnings before interest and taxes (EBIT) after intercompany cost allocation	355,930	141,535	167,485
Net interest expenses	43,262	38,455	18,198
Interest expenses	52,133	46,234	24,356
Interest income	8,871	7,779	6,158
Depreciation of financial assets	0	0	0
Earnings before taxes (EBT)	312,668	103,079	149,287
Income taxes	40,715	23,221	18,037
Deferred taxes (credit)	18,219	18,098	1,674
Deferred taxes (debit)	18,071	20,435	24,382
Net Earnings after taxes	272,101	77,521	108,542
Equity valuation	0	0	-998
Total Net Earnings	272,101	77,521	109,540
Minority interest	22,140	7,089	14,101
Total Net Earnings	249,961	70,432	95,440

* data includes results of ENERGIE Holding a. s. and Teplárna Liberec, a. s.

Assets	10/2007 - 9/2008* tsd. CZK	10/2006 - 9/2007* tsd. CZK	10/2005 - 9/2006 tsd. CZK
Expenses for start-up and expansion of business	0	0	0
Unpaid contributions to the subscribed capital	0	0	0
Fixed Assets	2,849,897	2,957,067	1,811,449
Intangible assets	140,606	141,620	133,144
Asset-like rights	3,384	3,873	3,051
Goodwill	137,201	137,201	130,048
Advance payments	22	546	46
Tangible assets	2,658,684	2,763,525	1,633,271
Land, land rights and buildings including buildings on land owned by others	1,751,672	1,819,024	1,066,038
Machinery and technical equipment	813,037	879,103	538,909
Miscellaneous equipment and facilities	12,892	10,823	3,472
Advance payments and construction in progress	81,083	54,574	24,852
Financial assets	50,607	51,922	45,034
Shares in consolidated subsidiaries	0	0	0
Shares in not consolidated subsidiaries	0	1,315	1,515
Shares in associated companies (Equity valuation)	50,607	50,607	42,925
Shares in minority interests	0	0	0
Loans	0	0	594
Current Assets	1,161,881	1,077,717	568,788
Inventories	36,598	320,080	60,744
Raw materials and other supplies	33,297	300,678	57,839
Work in progress	343	687	720
Finished goods	0	16,045	0
Advance payments	2,958	2,670	2,185
Trade receivables	508,725	253,508	138,146
Other assets	132,516	50,113	20,516
Cash and cash equivalents	484,041	454,016	349,383
Bonds	0	0	0
Bank and cash balance, etc.	484,041	454,016	349,383
Deffered Income (prepayments and accrued income)	165,846	141,380	164,487
Deffered taxes	7,640	5,298	1,469
Total Assets	4,185,265	4,181,461	2,546,194

* data includes results of ENERGIE Holding a. s. and Teplárna Liberec, a. s.

Equity & Liabilities	10/2007 - 9/2008* tsd. CZK	10/2006 - 9/2007* tsd. CZK	10/2005 - 9/2006 tsd. CZK
Equity	1,728,322	1,647,426	1,257,773
Nominal capital	720,000	720,000	720,000
Capital reserves	469,032	462,834	10,741
Retained earnings	0	3,510	3,510
Profit and loss carried forward	289,329	390,649	428,082
Total net earnings (Net earnings after taxes)	249,961	70,432	95,440
Minority interests	297,152	283,921	200,606
Provisions	166,754	61,840	22,410
Provisions for taxes	14,689	7,707	0
Other provisions	152,065	54,133	22,410
Liabilities	1,717,037	1,965,255	843,081
Corporate debt	982,289	1,284,838	490,632
Debt due to Lending institutions	980,018	1,282,116	487,406
Debt due to Finance-leasing	1,872	2,393	2,897
Other corporate debt	398	330	330
Debt due to MVV GmbH / MVV Verkehr AG	0	0	0
Trade payables	266,217	157,524	74,106
Advance payments for orders	419,179	295,583	217,296
Other liabilities	49,352	227,310	61,047
Deferred income	143,839	91,961	117,731
Deferred taxes	132,163	131,058	104,592
Total Liabilities	4,185,265	4,181,461	2,546,194

* data includes results of ENERGIE Holding a. s. and Teplárna Liberec, a. s.

contacts

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