IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("*REGULATION S*") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*") LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications to them from time to time each time you receive any information from the Issuers, the Guarantor, the Arranger or the Dealers, (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY THE NOTES TO CZECH TAX RESIDENT INDIVIDUALS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities that may be offered, prospective investors must be non U.S. persons (as defined in Regulation S) located outside the United States. The Base Prospectus is being sent to you at your request, and by accessing the Base Prospectus you shall be deemed to have represented to the Issuers, the Guarantor, the Arranger and the Dealers that (1) (a) you are not a U.S. Person and (b) you will purchase any securities that may be offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Base Prospectus by electronic transmission. You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

The attached Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*") and (iii) to high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as "*relevant persons*"). The Base Prospectus is only available to and is only directed at relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The Notes described in the attached Base Prospectus are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any natural person who is a tax resident in the Czech Republic (as determined in accordance with applicable tax law). Any natural person who is tax resident in the Czech Republic (as determined in accordance with applicable tax law) should not act or rely on this document or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuers, the Guarantor, the Arranger or the Dealers nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Issuers, the Guarantor, the Arranger and the Dealers, to inform themselves about, and to observe, any such restrictions.

BASE PROSPECTUS

ČEZ, a. s.

(*incorporated with limited liability in the Czech Republic*)

and

CEZ Finance B.V.

(*incorporated as a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) in the Netherlands with its statutory seat in Amsterdam*)

and in the case of Notes issued by CEZ Finance B.V., unconditionally and irrevocably guaranteed by

ČEZ, a. s.

€8,000,000,000

Euro Medium Term Note Programme

Under this €8,000,000,000 Euro Medium Term Note Programme (the "*Programme*"), CEZ Finance B.V. ("*CEZ Finance*") and ČEZ, a. s. ("*ČEZ*") may from time to time issue notes (the "*Notes*") (each in such capacity, an "*Issuer*" and together the "*Issuers*") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Where CEZ Finance acts as the Issuer of Notes under the Programme, the payment of all amounts owing by CEZ Finance in respect of such Notes will be unconditionally and irrevocably guaranteed by ČEZ, a. s. (in such capacity, the "*Guarantor*") pursuant to a guarantee (the "*Guarantee*") contained in the Deed of Guarantee (as defined in the Conditions).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme is specified under "*Overview of the Programme – Programme Size*" and will not exceed €8,000,000,000 (or its equivalent in other currencies calculated as described in the Amended and Restated Programme Agreement described herein), subject to any increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by an Issuer and the Guarantor (if applicable) (each a "*Dealer*" and together the "*Dealers*"), which appointment may be for a specific issue or on an ongoing basis. References in this base prospectus (the "*Base Prospectus*") to the "*relevant Dealer*" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the "*CSSF*"), as competent authority under Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation. The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of ČEZ, CEZ Finance or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. By approving this Base Prospectus, neither the CSSF nor the Luxembourg Stock Exchange assume responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of ČEZ or CEZ Finance in accordance with Article 6(4) of the Luxembourg Act dated 16 July 2019 relating to prospectuses for securities.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange (the "*Official List*"). Application has also been made to the Luxembourg Stock Exchange for the Exempt Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market and to be listed on the Official List.

References in this Base Prospectus to Notes being "*listed*" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended ("*MiFID II*").

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the Guarantor (if applicable) and the relevant Dealer. The Issuers may also issue unlisted Notes and/or Notes not admitted to trading on any market.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid until 24 March 2023 in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the "*EEA*") and/or offered to the public in the EEA, other than in circumstances where an exemption is available, respectively, under the Prospectus Regulation. References in this Base Prospectus to "*Exempt Notes*" are to Notes which are neither (i) to be admitted to trading on a regulated market for the purposes of MiFID II, in the EEA, nor (ii) offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation. **The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.** Application has been made to the Luxembourg Stock Exchange in its capacity as competent authority to approve this Base Prospectus as a base prospectus in respect of Exempt Notes only.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the "*Final Terms*") which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of such Exempt Notes, the issue price of such Exempt Notes and certain other information which is applicable to each Tranche of such Exempt Notes will be set out in a pricing supplement document (the "*Pricing Supplement*").

ČEZ has been rated A- (stable outlook) by S&P Global Ratings Europe Limited ("*Standard & Poor's*") and Baa1 (stable outlook) by Moody's France SAS ("*Moody's*"). The Programme has been rated A- by Standard & Poor's and Baa1 by Moody's. Each of Moody's and Standard & Poor's is established in the European Union and each of Moody's and Standard and Poor's is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "*CRA Regulation*"). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("*ESMA*") on its website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Base Prospectus will be valid as a base prospectus under the Prospectus Regulation for 12 months from 24 March 2022. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

Amounts payable on Floating Rate Notes will be calculated by reference to one of EURIBOR, PRIBOR, SOFR or TONA, as specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) and the Czech Financial Benchmark Facility s.r.o. (as administrator of PRIBOR) are included in the register of administrators and benchmarks (the "*EU Benchmarks Register*") established and maintained by ESMA under Article 36 of Regulation (EU) 2016/1011 (the "*Benchmark Regulation*"). As at the date of this Base Prospectus, the administrators of SOFR and TONA, the New York Federal Reserve and the Bank of Japan, respectively, are not included in the EU Benchmarks Register.The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, ČEZ and CEZ Finance do not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

Arranger and Dealer

CITIGROUP

The date of this Base Prospectus is 24 March 2022.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes, other than Exempt Notes, issued under the Programme for the purposes of Article 8 of the Prospectus Regulation. Application has been made to the *Commission de Surveillance du Secteur Financier* for this document to be approved as such a base prospectus. Application has been made to the Luxembourg Stock Exchange in its capacity as competent authority to approve this document as a base prospectus in respect of Exempt Notes only.

Each of ČEZ and CEZ Finance, having made all reasonable enquiries confirms that this Base Prospectus contains all information regarding CEZ Finance, ČEZ and its subsidiaries taken as a whole (the "*CEZ Group*"), the electricity industry in the Czech Republic and the Notes which is (in the context of the issue of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, estimates, or intentions expressed in this Base Prospectus on the part of ČEZ and CEZ Finance are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, estimates or intentions (in such context) not misleading in any material respect; and that all proper enquiries have been made to ascertain and to verify the foregoing.

Without prejudice to the foregoing, each of ČEZ and CEZ Finance accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained therein is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import. Certain information contained and identified as such in this Base Prospectus, in particular in sections "*Risk Factors*", "*Historical and Current Market and Industry Data*" and "*Description of ČEZ*" was derived from third parties. ČEZ and CEZ Finance do not accept any responsibility for the accuracy of such third-party information, nor have ČEZ or CEZ Finance independently verified any such third-party information. Each of ČEZ and CEZ Finance confirms that such third-party information has been accurately reproduced.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference and form part of this Base Prospectus.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by ČEZ and CEZ Finance in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by ČEZ and CEZ Finance in connection with the Programme.

Nothing contained in this Base Prospectus is or should be relied upon as a promise or representation of future results or events. No person is or has been authorized by ČEZ and CEZ Finance to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by ČEZ and CEZ Finance or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by ČEZ or CEZ Finance or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of ČEZ or CEZ Finance. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of ČEZ and CEZ Finance or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning ČEZ and CEZ Finance is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is

correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of ČEZ and CEZ Finance during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors" the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to UK Retail Investors" the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the United Kingdom (the "*UK*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2(1) of Regulation (EU) No 2017/565, as it forms part of the current domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the "*EUWA*"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "*FSMA*") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014, as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of the current domestic lawof the UK by virtue of the EUWA (the "*UK Prospectus Regulation*"). Consequently no key information document required by Regulation (EU) No 1286/2014, as it forms part of domestic law by virtue of the EUWA (the "*UK PRIIPs Regulation*"), for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "*MiFID Product Governance Rules*"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "UK MiFIR product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "*UK MiFIR Product Governance Rules*") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise

neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "*U.S. Securities Act*") or any state securities laws in the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

PROHIBITION OF SALES TO CZECH TAX RESIDENT NATURAL PERSONS AND PERSONS THAT DO NOT QUALIFY AS NON-CZECH HOLDERS – The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any natural person who is a tax resident in the Czech Republic (as determined in accordance with applicable tax law) or persons that do not qualify as Non-Czech Holders (as defined below).

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. ČEZ, CEZ Finance and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by ČEZ, CEZ Finance or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Czech Republic), the United Kingdom and Japan, see "*Subscription and Sale*".

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) **has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**

(ii) **has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;**

(iii) **has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;**

(iv) **understands thoroughly the terms of the Notes and is familiar with the behavior of any relevant indices and financial markets; and**

(v) **is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing

conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency), only in circumstances where there is an exemption from the obligation under the (i) Prospectus Regulation to publish a prospectus in connection with such an offer in the EEA, or (ii) UK Prospectus Regulation to publish a prospectus in connection with such an offer in the UK. As a result, any offer of Notes in the EEA and/or the United Kingdom must be made pursuant to an applicable exemption under the Prospectus Regulation and/or the UK Prospectus Regulation, as the case may be, from the requirement to publish a prospectus for such an offer of Notes. Accordingly, any person making or intending to make an offer of Notes in the EEA and/or the United Kingdom may only do so in circumstances in which no obligation arises for ČEZ or CEZ Finance to publish a prospectus, or supplement a prospectus, pursuant to the applicable provisions of the Prospectus Regulation and/or the UK Prospectus Regulation, as the case may be, in each case, in relation to such an offer. Neither ČEZ, CEZ Finance nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for ČEZ or CEZ Finance to publish or supplement a prospectus for such offer.

This Programme is not a bond programme under the Czech Act No. 190/2004 Coll., on Bonds, as amended (the "*Bonds Act*") (Section 11). The issue of Notes will be notified to the Czech National Bank under Section 8a of the Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

In connection with the issue of Notes as Sustainability-Linked Notes (as defined in the Terms and Conditions) under the Programme, an opinion, report or certification of a third party (whether or not solicited by any Issuer), including any second-party opinions or Assurance Reports (as defined herein), which may be provided in respect of any Sustainability-Linked Notes, may or may not be made available, as the case may be. Any information in such second-party opinions or Assurance Reports or any past or future second-party opinions or Assurance Reports are not part of this Base Prospectus and should not be relied upon in connection with making any investment decision with respect to any Notes to be issued under the Programme. In addition, no assurance or representation is given by any Issuer, any other member of the Group, the Guarantor (if applicable), the Dealers or any other member of their group, any second-party opinion providers, the independent auditors or the Assurance Provider (as defined in the Terms and Conditions) as to the suitability or reliability for any purpose whatsoever of any second-party opinion or Assurance Report in connection with the offering of any Sustainability-Linked Notes under the Programme. Any second-party opinion, any Assurance Report, and any other document related thereto is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus.

All references in this document to "*U.S. dollars*" and "*U.S.$*" refer to United States dollars and to "*Czech crowns*", "*CZK*" and "*Kč*" refer to the lawful currency for the time being of the Czech Republic. In addition, all references to "*euro*", "*EUR*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, all references to "*BGN*" and "*Bulgarian Lev*" are to the lawful currency of Bulgaria, all references to "*PLN*" and "*Polish zloty*" are to the lawful currency of Poland, all references to "*RON*" and "*Romanian lei*" refer to the lawful currency of Romania and all references to "*TRY*" and "*Turkish Lira*" refer to the lawful currency of Turkey.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetical aggregate of the figures preceding such totals.

ČEZ, a. s., was incorporated as a joint stock company under the laws of the Czech Republic on May 6, 1992 with unlimited duration and was registered in the Commercial Register administered by the Municipal Court in Prague, File B, Section 1581, with identification number 45274649. Its registered office is at Duhová 2/1444, 140 53 Prague 4, Czech Republic and its telephone number at that address is +420 211 041 111.

CEZ Finance B.V. was incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on March 17, 2021 with its statutory seat in Amsterdam and was registered with the Dutch Chamber of Commerce (*Kamer van Koophandel*) with number 82230714. Its registered office is at Herikerbergweg 157, 1101CN Amsterdam, the Netherlands. CEZ Finance B.V. is a subsidiary of ČEZ, a. s., with ČEZ, a. s., as its sole shareholder.

In this Base Prospectus, references to "*ČEZ*" are to ČEZ, a. s. and references to the "*CEZ Group*", the "*Group*", "*we*", "*us*" and "*our*" are to ČEZ, a. s. and its consolidated subsidiaries.

The obligations of ČEZ and/or CEZ Finance are not in any way guaranteed by, or otherwise backed by the credit of, the Czech Republic or any agency, ministry or political subdivision thereof.

CONTENTS

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The relevant Issuer, the Guarantor (if applicable) and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes, other than Exempt Notes, and if appropriate, a supplement to the Base Prospectus or a new Base Prospectus will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 25.1 of Commission Delegated Regulation (EU) No. 2019/980.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuers:	ČEZ, a. s. CEZ Finance B.V.
Issuer Legal Entity Identifier:	ČEZ, a.s.: 529900S5R9YHJHYKKG94 CEZ Finance B.V.: 315700K4UNKLPGVH1Y89
Guarantor:	In respect of Notes issued by CEZ Finance B.V., ČEZ, a. s.
Risk Factors:	There are certain factors that may affect either Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger and Dealer:	Citigroup Global Markets Europe AG
Dealers:	Citigroup Global Markets Europe AG; and any other Dealers appointed in accordance with the Amended and Restated Programme Agreement and excluding any entity whose appointment has been terminated.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Agent:	Deutsche Bank AG, London Branch

Programme Size:	Up to €8,000,000,000 (or its equivalent in other currencies calculated as described in the Amended and Restated Programme Agreement) outstanding at any time provided that the sum of (i) the aggregate nominal amount of the outstanding Notes issued under the Programme from time to time and (ii) the aggregate nominal amount of outstanding *Namensschuldverschreibung* securities (the "*NSV*") issued by ČEZ, a.s. under German law from time to time, shall not exceed the limit of €8,000,000,000. As of the date of this Base Prospectus, ČEZ has issued NSV in the aggregate nominal amount of €211,000,000. Pursuant to the resolution of the Board of Directors dated February 14, 2011 and the Supervisory Board dated February 24, 2011, as at the date of this Base Prospectus ČEZ's internal limit of the aggregate nominal amount of outstanding NSV, which may be issued from time to time, is €1,000,000,000. The relevant Issuer and the Guarantor (if applicable) may increase the amount of the Programme in accordance with the terms of the Amended and Restated Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in euro, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes.*"
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2021 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

Benchmark Discontinuation

In respect of Floating Rate Notes, if a Benchmark Event occurs, the relevant Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate, failing which, an Alternative Rate and, in either case, the applicable Adjustment Spread and any Benchmark Amendments (each term as defined in the Terms and Conditions of the Notes), as further described in Condition 4.4(a) of the Terms and Conditions of the Notes.

Sustainability-Linked Notes:

Fixed Rate Notes, Floating Rate Notes and Fixed/Floating Rate Notes issued by an Issuer may be subject to a Step-Up if the applicable Final Terms indicates that the Step-Up is applicable. If the Step-Up is applicable and a Trigger Event occurs, the Rate of Interest (in case of Fixed Rate Notes) or the Margin (in case of Floating Rate Notes) shall be increased by the Step-Up Margin as specified in the applicable Final Terms in relation to the relevant SPT. For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of any Series of Sustainability-Linked Notes, and will not subsequently decrease thereafter.

Fixed Rate Notes, Floating Rate Notes and Fixed/Floating Rate Notes issued by an Issuer may be subject to a Redemption Premium if the applicable Final Terms indicate that a Redemption Premium is applicable. If a Trigger Event occurs, the relevant Issuer shall pay in respect of each Notes of a Series an amount equal to the Redemption Premium together with either the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make-Whole Redemption Amount, as applicable.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Exempt Notes:

The Issuer, the Guarantor (if applicable) may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

Partly Paid Notes: The relevant Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

Notes redeemable in instalments: The relevant Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree.

The relevant Issuer and the Guarantor (if applicable) may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption:

Subject as described in "*Certain Restrictions—Notes having a maturity of less than one year*" above, Notes may either be redeemed at 100 per cent. of their nominal amount or at such other amount, expressed as a percentage of their nominal amount, as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer. Such amounts will be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or, in the case of Exempt Notes, in specified instalments, if applicable), or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer.

In the case of Sustainability-Linked Notes, upon the occurrence of a Trigger Event, a Redemption Premium may apply to the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Redemption Amount.

If specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the relevant Issuer, the Guarantor (if applicable) will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date, at the Make-Whole Redemption Amount.

If specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the relevant Issuer will have the option to redeem the Notes, in whole but not in part, on the Residual Maturity Call Option Redemption Date in accordance with Condition 6.5, at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption or purchase.

In addition, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) may provide that Notes may be redeemable at the option of the Noteholders upon the occurrence of a Change of Control and a consequential rating downgrade or withdrawal (or refusal to provide a rating) in the circumstances described in Condition 6.6(b).

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

Denomination of Notes: The Notes will be issued in such denominations as may be agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note, other than an Exempt Note, will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, unless required by law. In the event that any such deduction or withholding is made, the relevant Issuer or the Guarantor (if applicable) will, save in the circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted or withheld.

Negative Pledge: The terms of the Notes will contain a negative pledge provision as further described in Condition 3.

Cross Acceleration: The terms of the Notes will contain a cross acceleration provision as further described in Condition 9.

Status of the Notes: The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2.1) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

Status of the Guarantee: The obligations of the Guarantor under the Guarantee in respect of Notes issued by CEZ Finance will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 2.2) unsecured obligations of the Guarantor and will rank pari passu and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

Substitution of Issuer As further described in Condition 14, the Issuer, or any previous substituted company, may at any time, without the consent of the holders of the Notes of any Series, Receipts or Coupons, substitute for itself as principal debtor under the Notes, Receipts or, Coupons any company that is the Guarantor, or a Subsidiary of the Guarantor, provided that no payment in respect of the Notes, Receipts or the Coupons is at the relevant time overdue.

Ratings: ČEZ has been rated A- (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's. The Programme has been rated A- by Standard & Poor's and Baa1 by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will

	be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing, Approval and admission to trading:	The CSSF has approved this document as a base prospectus. Luxembourg Stock Exchange has approved this document as a base prospectus in respect of Exempt Notes. Application has been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Czech Republic), the United Kingdom, Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".
Use of Proceeds	The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes of the CEZ Group, unless otherwise specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

RISK FACTORS

Each of ČEZ and CEZ Finance believe that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and ČEZ and CEZ Finance are not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

Each of ČEZ and CEZ Finance believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of a relevant Issuer or Guarantor (if applicable) to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by ČEZ and CEZ Finance based on information that is currently available to them or which ČEZ and CEZ Finance may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

In this Base Prospectus, the most material risk factors have been presented at the beginning in each category. The order of presentation of the remaining risk factors in each category in this Base Prospectus is not intended to be an indication of the probability of their occurrence or of their potential effect on ČEZ and CEZ Finance's ability to fulfil their obligations under the Notes or an indication of their materiality compared to the risk factors in other categories.

This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of the CEZ Group may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Base Prospectus. Please see "Forward-Looking Statements".

Risks Related to Our Business and Operations

Risks associated with any decreases in the prices obtained for our electricity.

In the ordinary course of our business, we are exposed to the risk of decreases in the prices obtained for our electricity. We sell the majority of our electricity at prices derived from European market prices, which are mainly driven by the prices of EU emission allowances and the cost of raw materials, as well as by the European aggregate supply and demand balance; available cross-border capacities; global oil, coal and gas prices and EU and national regulation of the wholesale energy market. Furthermore, there is a strong correlation between the price of electricity in the Czech Republic and the price of electricity in Germany, which is one of our export markets and the primary price-setting market in the region. Changes in global commodity prices, available cross-border capacities (caused, for example, by renewable energy sources or flow-based allocation) or a decline in electricity demand in Europe (for example, as a result of an economic slowdown or downturn or increased energy efficiency), could decrease the price of electricity and could have a material adverse effect on our business, results of operations and financial condition.

The operation of our power plants, in particular our nuclear power plants, is characterized by high fixed costs. Some of our costs are not faced by our non-nuclear competitors because they are unique to the nuclear power generation industry. Our ability to generate sufficient turnover at a margin sufficient to cover our fixed costs is dependent, in part, on favourable electricity prices and our overall sales and trading strategy. Because our costs are relatively fixed in nature, they cannot be reduced in periods of low electricity prices. Therefore, in these circumstances, it is possible that we may not produce sufficient cash flows from our electricity sales or trading activities, which could have a material adverse effect on our business, results of operations and financial condition.

To mitigate such exposure, we have developed a hedging strategy of stabilizing margins by contracting for deliveries of electricity to the wholesale market and to end-consumers up to six years ahead through the use of derivative instruments and by concluding long-term contracts. We have also implemented a formal procedure that measures our commodity risk, specifying a ceiling for the maximum acceptable risk. However, the hedging strategies we pursue may create new risks and exposures and we cannot give any assurance that they will function as intended. We cannot completely eliminate our exposure to potential decreases in electricity prices. Any significant decreases in electricity prices, or indeed any economic downturn, could reduce our revenues and have a material adverse effect on our business, results of operations and financial condition.

Risks resulting from any reduction in demand for our electricity, heat, coal and gas as a result of poor economic performance in Europe or otherwise.

In the ordinary course of our business, we are exposed to the risk of a reduction in demand for our electricity, heat, coal and gas, which may occur as a result of any global financial and economic uncertainty. The deterioration of macroeconomic conditions in Europe and globally may decrease consumption and industrial production. Electricity consumption is strongly affected by the level of economic activity in Europe, which, in turn, depends on the macroeconomic situation in Europe and worldwide. Additionally, concern over geopolitical issues may also contribute to prolonged market volatility and instability. For instance, the Russia-Ukraine conflict could adversely impact, among other things, global and local macroeconomic conditions (see also "*–Risks connected with the Russia-Ukraine conflict*" below).

Moreover, the economies of the countries in which we operate have been negatively affected by an outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the novel coronavirus ("*COVID-19*") that was characterized as a global pandemic by the World Health Organization in March 2020. We can provide no assurance on the further and continued spread of COVID-19 or other contagious diseases in areas in which we operate or what the impact on our business will be, due to, among other things, positive diagnoses of our employees or suppliers, quarantines or other restrictive measures. In fact, due to the COVID-19 outbreak, the Czech Republic and many other countries in Europe and worldwide introduced quarantines and other restrictive measures intended to prevent the spread of COVID-19. These restrictive measures have led to serious interruptions in business, economic and day-to-day activities in the countries in which we operate and many other countries around the world, affecting, among other things, manufacturing, electricity consumption, trade, consumer confidence, levels of unemployment, the housing market, the commercial real estate sector, debt and equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in wholesale and retail markets, the liquidity of the global financial markets and market interest rates. These factors have resulted in a widespread deterioration in the economies of these countries and may, as a result, have a material adverse effect on our business, results of operations and financial condition (see also "*–Risks connected with COVID-19 pandemic*" below).

Any reduction in demand for our electricity, heat, coal or gas as well as the materialization of any of the above risks could have a material adverse effect on our business, results of operations and financial condition.

The risks and costs associated with increasing our nuclear generation capacity.

Pursuant to the updated State Energy Policy of the Czech Republic ("*USEP*") and the National Action Plan for Development of Nuclear Energy in the Czech Republic ("*NAPNE*"), which were prepared by the government of the Czech Republic (the "*Czech Government*"), two new nuclear power plant units with a total installed capacity of 2,500 MW are planned to be constructed and commissioned at the Dukovany and/or Temelín site by 2035 and, depending on predictions of the Czech Republic's electricity generation and consumption, there are plans for one additional nuclear power plant unit to be constructed and commissioned at the Dukovany or Temelín site in connection with the expected end of the operation of the existing nuclear power plant units at Dukovany. Neither the Czech Government nor ČEZ has made the final decision as to whether or not those new nuclear power plant units will be constructed. In March 2018, a technical and economic study of the long-term operation of the Temelín nuclear power plant was completed, confirming the feasibility of the long-term operation of the source by 2060 for Unit 1 and 2062 for Unit 2. No significant safety engineering limitations were identified in the study for the potential operation of the Temelín nuclear power plant.

As of October 1, 2016, our projects for the construction of new nuclear power plant units were spun off into ČEZ's two project subsidiaries (Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s.) incorporated by ČEZ under the laws of the Czech Republic. In December 2017, the Standing Committee for Nuclear Energy established by the Czech Government (with ČEZ's controlling shareholder being the Czech Republic) investigated available options for developing new nuclear projects in the Czech Republic. The following three main options were considered by the committee: (i) ČEZ itself will develop new nuclear units; (ii) the Czech Government will acquire from ČEZ the two project subsidiaries (Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s.) and will continue with the development of the new nuclear units on its own; or (iii) the Czech Government will acquire from ČEZ part of its existing business activities, including ČEZ's existing nuclear power plants, and will develop new nuclear units within a new entity. In the first half of 2019, the Standing Committee for Nuclear Energy concluded that the most adequate construction investment model would be to continue to use special purpose vehicles established as ČEZ's subsidiaries. This was subsequently approved by the Czech Government in 2019. In addition, a team was established to coordinate dealings with the EU Commission, in particular the provision of state aid by the Czech Government in compliance with the EU state aid rules. The Czech Government considers the construction of a new unit at the Dukovany site as a preferable option, with the construction in Temelín being a back-up or additional plan, which would be ready for acceleration in the short-term. In July 2019, the Czech Government concluded that it was considered necessary to enter into a series of agreements, addressing regulatory and market risks, during various phases of the new project development. In July 2020, the Czech Republic, ČEZ and Elektrárna Dukovany II entered into the first two agreements in relation to the project, in particular to set the framework of the state support for the project and the mutual obligations of the parties during the first phase of the project. In 2021, the Czech Republic, ČEZ and Elektrárna Dukovany II negotiated the term sheet of a power purchase agreement, an investment agreement and a financing agreement. In August 2020, the Czech Government prepared a new law defining the conditions for the transition to a low carbon energy economy which was approved and entered into force in October 2021 (Law No. 367/2021 Coll.). This law is essential for the provision of state aid required for the construction of new nuclear power sources in the Czech Republic. Further, in March 2020, Elektrárna Dukovany II submitted to the Czech State Office for Nuclear Safety (the "*SONS*") an application for siting permit in accordance with Act No. 263/2016 Coll., the nuclear act (the "*Czech Nuclear Act 2016*"). The siting permit was subsequently issued by the SONS on March 8, 2021. Elektrárna Dukovany II has also finalized an application for site approval in accordance with the Act No. 183/2006 Coll., the Building Act, as amended (the "*Building Act*"). As of the date of this Base Prospectus, the approval procedure is pending.

Elektrárna Dukovany II has also finalized the inquiry documentation for EPC tender procedure and is ready to start the EPC contractor selection process subject to prior consent of the Czech Government. By the resolution no. 339 adopted as of March 29, 2021, the Czech Government approved the phase of so-called "security assessment" of potential EPC contractors before the actual commencement of the selection process. Elektrárna Dukovany II has requested the potential EPC contractor to provide the relevant information to enable the Czech Government to execute the "security assessment". Subsequently, the Czech Government further decided – by adoption of the resolution no. 394 made on April 19, 2021 – not to invite Rosatom Overseas JSC (Russia) and China General Nuclear (China) to the security assessment. All addressed potential EPC contractors provided their information in November 2021. On March 17, 2022, ČEZ, through its wholly-owned subsidiary Elektrárna Dukovany II, launched a tender for the construction of a new nuclear power plant in Dukovany. The Ministry of Industry and Trade gave its approval for this step after the safety units assessed the documents from the previous phase, such as incorporation of safety requirements into the tender documentation and completion of the safety assessment of all three bidders. The three bidders are Westinghouse from the USA, EdF from France, and KHNP from Korea. According to the tender schedule, the bidders are to submit their initial bids by the end of November 2022. After that, the bids will be evaluated by CEZ and the evaluation report will then be submitted for state approval. The contracts are expected to be finalized in 2024.

In 2021, the EU Commission has, based on the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, prepared delegated acts on reporting and climate mitigation and adaptation. The role of nuclear energy and natural gas has been defined in a complementary delegated act in February 2022 and is waiting to be approved in the European Parliament and Council. That means that to date, the legal framework relating to the European taxonomy for sustainable finance does not provide final legal certainty as to the inclusion of the nuclear power. If the draft complementary delegated act is changed in the approval process in a way resulting in the exclusion of nuclear power, this would be seriously detrimental to ČEZ' ability to finance future major nuclear projects.

In addition, the Czech Republic has also started the notification process of the state aid with the EU Commission.

The significant participation of the Czech state in the financing and guarantee mechanism is essential for a positive decision to build new nuclear units in the Czech Republic. Without the involvement of the Czech state the decision to build the new nuclear generation capacity in the Dukovany nuclear power plant or in the Temelín nuclear power plant may result in a significant capital expenditure investment on the part of ČEZ, and may expose ČEZ to significant risks associated with building a nuclear power plant.

Risks connected with the Russia-Ukraine conflict.

As a result of the recent military incursion by Russia into Ukraine, the EU, the United States and governments in several other countries have imposed severe economic sanctions against Russia and Russian interests, as well as enhanced export controls on certain products and industries. While it is difficult to anticipate the impact that the sanctions and controls announced to date may have on the CEZ Group, these and any further measures or actions taken by any governments, as well as any measures taken by the governments of Russia or other countries in response (such as restrictions in the supply of crude oil and gas to countries in the region and the EU), could adversely impact macroeconomic conditions, give rise to regional instability, increase our and our customers' costs, and disrupt our supplies, particularly supplies of nuclear fuel and gas (see "*Risks associated with the disruptions in the supply of coal, nuclear fuel, gas or other raw materials, or an unexpected increase in their cost*"), which could have a material adverse effect on our business, results of operation and financial condition.

Risks connected with COVID-19 pandemic.

The COVID-19 pandemic has had a significant and material adverse impact on economic activity in the Czech Republic and in the countries in which ČEZ operates. This has had a corresponding negative impact on electricity demand and prices, as well as on our employees and suppliers. We estimate the negative effect of COVID-19 on fulfilling our initial business target at 2020 EBITDA level at over CZK 3 billion. Any eventual negative impact of COVID-19 in the following years cannot be reliably quantified.

We cannot give any assurance that the COVID-19 pandemic will not continue or deteriorate and worsen, or that mutations of COVID-19 would not occur or that the vaccination programmes would not succeed, including due to low supplies of vaccines or emergence of mutations resistant to the existing vaccines (thereby prolonging the pandemic) and will not, therefore, have a material adverse effect on our business, results of operations and financial condition.

We may not be able to operate our coal power plants over a period at least equal to the current expected life.

In 2019, the Czech Government set up the Coal Commission, which advises on the termination of coal usage in the Czech Republic. The Coal Commission proposed to terminate the usage of coal by 2038, but 2033 is also being considered as a potential target date. The new Czech government appointed in December 2021 stated in its policy statement that it will create the conditions for the energy transformation and development of coal regions to allow for a shift away from coal by 2033. While we are planning to gradually reduce the operations of our coal power plants, we are currently planning to operate our last coal power plants and our mining business by 2038. We cannot give any assurance that the proposal to terminate the use of coal will align with our plans, and the termination of coal usage in the Czech Republic earlier than 2038 may have a material adverse effect on our business, results of operations and financial condition. In addition, the coal power plants will need to comply with more strict emission limits which may limit their operations. We cannot give assurances that, if the relevant coal power plants are not modernized on time to comply with the applicable emission limits, the relevant administrative authorities would grant the operator the necessary temporary exemption from exceeding the applicable emission limits.

Future privatization or split of ČEZ may result in a credit downgrade or may affect our ability to repay debt.

The Czech Republic, through the Ministry of Finance, holds approximately 69.8 % of all shares in ČEZ as of the date of this Base Prospectus. Although we do not currently expect the Czech Government to privatize ČEZ, we cannot give any assurance that the Czech Government or any future Government of the Czech Republic will not ultimately seek to undertake a partial or full privatization of ČEZ resulting in the sale of the Czech Republic's entire shareholding in ČEZ or a part thereof. We cannot give any assurance that the Czech Government or any future Government of the Czech Republic (as ČEZ's controlling shareholder) will not ultimately seek to undertake any split of ČEZ, by way of a de-merger, spin-off, or otherwise. It is not possible to rule out that following such a split of ČEZ, ČEZ will cease to be controlled by the Czech Government.

The credit rating currently assigned to ČEZ by the rating agencies is based in part on the opinion of the rating agencies that the Czech Republic may potentially provide support to ČEZ in the event of financial distress. This rating could come under pressure, potentially leading to a downgrade, if the Czech Republic is no longer a controlling shareholder or if the Czech Republic seeks a split of ČEZ. In addition, in the event that the Czech Republic ceases to be the controlling shareholder, it cannot be predicted who would become the new controlling shareholder, or if there would be one at all, and this, too, may negatively affect our credit rating. The materialization of any of the above risks could affect our ability to make repayments on our debt or otherwise have a material adverse effect on our business, results of operations and financial condition.

Risk of impairment losses in connection with our existing or acquired operations and our investments.

We may incur impairment losses in connection with our assets or investments mainly due to adverse regulatory actions and adverse market conditions. In 2021 and 2020, we performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired. Recognized impairments mainly resulted from the increase in the price of the emission allowances on the market, increase in the applied discount rates, or lower than expected profitability of the selected assets. In 2021, we recognized total impairment losses of CZK 13,957 million, which consisted of CZK 11,700 million in relation to our mining company, Severočeské doly, a.s., CZK 1,119 million incurred in relation to our Polish coal power plant in Chorzów, CZK 155 million incurred in relation to our Polish coal power plant in Skawina, CZK 608 million in relation to our Czech coal power plant in Dětmarovice, CZK 175 million in relation to our wind farms in Germany, and CZK 200 million relating to ČEZ and other CEZ Group companies. For information on the impairment of property, plant and equipment and intangible assets including goodwill in 2021 and 2020, please refer to Note 7 of the financial statements as of and for the year ended December 31, 2021. Any future adverse changes in the economic and regulatory environment or market conditions of our reporting segments could result in further impairment charges, which could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to operate our nuclear power plants over a period at least equal to the current expected life.

In the Czech Republic, certain authorizations are required to operate nuclear power plants. The operation of nuclear power plants is subject to numerous EU and national regulatory requirements and political policies, which are in turn sensitive to public opinion and EU development risks. We cannot give any assurance that we will successfully obtain the necessary authorizations at the appropriate time, or at all, that the duration of such authorizations will not change, or that we will not be subject to conditions that require us to make significant capital expenditures. Moreover, we cannot give any assurance, particularly in the event of an incident affecting the safety or operation of our facilities, that our nuclear power plants will actually be operated for such period of time, or at all.

If we are unable to operate any of our nuclear plants, or if any of our nuclear power plants are decommissioned before the end of their currently expected operating lives, we may be required to make additional investments to replace the loss of generation capacity or purchase electricity on the wholesale market and the payment of decommissioning costs would be accelerated. The inability to operate our nuclear power plants as expected would have a significant material adverse effect on our profit margin and cash flow from operations. Furthermore, should we be unable to operate our nuclear power plants over a period at least equal to the currently expected period (please see "*Description of ČEZ – Our Business – Electricity Generation – Nuclear power generation - Czech Republic – Dukovany nuclear power plant and Temelín nuclear power plant*"), we might not accumulate appropriate cash surpluses for decommissioning of such power plants. As a result, the materialization of any of the above risks could have a material adverse effect on our business, results of operations and financial condition.

Risk of default of or delay by any of our counterparties (which include our partners, contractors, customers, subcontractors and suppliers as well as by financial and insurance institutions).

We face the risk of potential default of or delay by our counterparties (which include our partners, contractors, subcontractors, customers and suppliers), especially in cases of financial hardship or bankruptcy. Any default by our counterparties may affect the cost and completion of our projects, the quality of our work, the supply of certain critical products or services, the recovery of our capital expenditures or expose us to reputational risk, business continuity risk and the loss of important contracts, as well as to substantial additional costs, particularly in cases where we would have to pay contractual penalties, find alternative counterparties or complete work ourselves, which could have a material adverse effect on our business, results of operations and financial condition.

Our revenues are primarily generated by sales to end-consumers or wholesale partners and state-owned customers across European markets. There is a risk that some of our key counterparties, end-consumers or suppliers could default on or dispute their contractual obligations towards us, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, majority of our forward sales are executed on the OTC market. The credit quality of our counterparties may deteriorate during adverse economic conditions, which may threaten the results of our hedging strategy and proprietary trading, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We conduct treasury operations with major European banks and with local regional banks in all countries in which we operate. Given the potential economic recession in Europe and its potential impact on Europe's financial services industry, there is a risk that some of our financial counterparties might default, which, too, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to supply electricity is dependent upon the transmission system and our reliance on third parties.

The transmission of electricity from our power plants and to our distribution networks is dependent on the infrastructure of the transmission systems in the countries in which we operate. We have no control over the operation of these transmission systems and we must rely on independent third party transmission system operators in the countries in which we operate, including ČEPS, a.s., the state-owned transmission system operator in the Czech Republic. Any failure of the transmission systems in the countries in which we operate, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent us from distributing electricity from our power plants to end-consumers, which in turn could have a material adverse effect on our reputation, business, results of operations and financial condition.

Risks associated with the disruptions in the supply of coal, nuclear fuel, gas or other raw materials, or an unexpected increase in their cost.

In the ordinary course of our business, we are exposed to the risk of disruptions in the supply of coal, nuclear fuel, gas or other raw materials, and to increases in their cost. Our generation operations depend on obtaining deliveries of adequate supplies of raw materials on a timely basis and are therefore vulnerable to changes in the supply of the raw materials, including lignite, coal, nuclear fuel and gas. Any significant shortages or interruption in the supply of raw materials or increases in their costs could disrupt our generation operations and increase our cost of raw materials, which could have a material adverse effect on our business, results of operations and financial condition.

Nuclear fuel for our nuclear power plants in the Czech Republic is supplied by the Russian company TVEL (for more information, please see "*Description of ČEZ – Nuclear Fuel*"). The current political situation in Ukraine and Russia (see "*– Risks connected with the Russia-Ukraine conflict" above*) may lead to shortages or an interruption in the supply of nuclear fuel to our nuclear power plants. Econonomic sanctions and other regulations imposed by the EU and other countries as a result of the conflict involving Russia and Ukraine may disrupt supplies or affect the prices of nuclear fuel for our power plants. Should the conflict in Ukraine or other international locations further escalate, it is difficult to anticipate the extent to which current or future sanctions could increase our costs, disrupt our supplies or otherwise affect our operations. Even though we have constructed a strategic inventory of fabricated fuel at our Temelín and Dukovany nuclear power plants, we cannot give any assurance that any shortages or interruptions in the supply of nuclear fuel will not have a material adverse effect on our business, results of operations and financial condition.

ČEZ procures gas for its customers and its gas power plants in the wholesale European market, which is highly dependent on supplies from Russia. ČEZ procures a limited supply of gas directly from Gazprom (for more information, please see "*Description of ČEZ – Gas*"). The ČEZ Group has credit exposure from concluded commodity contracts for the purchase of electricity and gas from Gazprom Marketing & Trading (based in the United Kingdom), where, as at December 31, 2021, the fair value of commodity derivatives for the purchase of electricity was CZK 3,307 million and for the gas purchase was CZK 2,582 million. The ČEZ Group also has a significant credit exposure from commodity gas contracts from Gazprom Export (based in the Russian Federation), where, as at December 31, 2021, the fair value of all commodity derivatives for gas purchase was CZK 2,149 million. Although the direct procurement of gas by ČEZ from Gazprom is limited, the current political situation in Ukraine and Russia (see "*Risks connected with the Russia-Ukraine conflict*" above) may lead to shortages or an interruption in the supply of gas in the whole European market. Economic sanctions and other regulations imposed by the EU and other countries as a result of the conflict involving Russia and Ukraine may disrupt supplies or affect the prices of gas for our power plants and customers and may further lead to different sorts of governmental intervention in the related markets. Should the conflict in Ukraine or other international locations further escalate, it is difficult to anticipate the extent to which current or future sanctions could increase our costs, disrupt our supplies or otherwise affect our operations.

Risk of failures, breakdowns, planned or unplanned outages as well as natural disasters or sabotage at our power plants (including our nuclear reactors and hydropower facilities) or in our distribution infrastructure.

Our power plants (including our coal-fired heat and power plants, nuclear reactors and hydropower facilities), distribution infrastructure, mining facilities and information systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods or earthquakes), sabotage, terrorism, war and armed conflicts, computer viruses, fuel interruptions, shortage of workforce due to pandemics and other causes. With respect to our nuclear reactors, any nuclear accident or failure at our nuclear power plants could result in us incurring significant losses due to, among other things, a potential shut-down of the nuclear facility and the resulting loss of generation capacity, remedial and replacement expenses and negative publicity from such an accident. The main risk associated with our hydropower facilities is the risk of damage during floods. We cannot give any assurance that accidents will not occur or that the preventative measures taken by us will be fully effective in all cases, particularly in relation to external events that are not within our control, such as floods and other natural disasters.

Further, our operations may be negatively affected by an outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the COVID-19 pandemic. We can provide no assurance on the continued or future spread of COVID-19 or other contagious diseases in the countries in which we operate or what the impact on our business and operations will be, due to, among other things, quarantines and/or other restrictive measures introduced by such countries with the aim of preventing the spread of COVID-19 or other contagious diseases. These restrictive measures have led to serious interruptions in business, economic and day-to-day activities in the countries in which we operate and many other countries around the world and, as a result, have adversely affected our and our suppliers' operations. The continuation of these measures or the introduction of any additional restrictive measures could further negatively affect our employees and facilities as well as facilities operated by third parties and, as a result, further disrupt our core operations, activities and initiatives.

Any physical damage to our facilities may be costly to repair and we may not have insurance coverage for all potential losses or our insurance claims may be subject to challenge or delay. In particular, due to our contractual obligations to deliver electricity at pre-established prices and quantities, if we suffer a reduction in electricity generation, we may be required to purchase electricity in the open market that may be at unfavourable prices. As a result, any failure, breakdown or unplanned outages at our power plants or any failure or interruption of our distribution infrastructure could have a material adverse effect on our reputation, business, results of operations and financial condition.

In addition, we may need to temporarily shut down some of our power plants and incur expenses in connection with inspections, maintenance or repair activities in addition to those that we currently conduct, including such additional activities that the governmental authorities in the countries in which we operate may require us to conduct.

Due to the complexity of operating nuclear and other power stations, we are not able to eliminate the risk of unplanned outages and we cannot predict the timing or impact of these outages with certainty. Our emergency response, disaster recovery and crisis management measures may not effectively protect us from these events. Any service disruption may cause loss in electricity generation, customer dissatisfaction and may lead to liability for damages, the imposition of penalties and other unforeseen costs and expenses, which could have a material adverse effect on our reputation, business, results of operations and financial condition.

Risk of malfunction, security breach or disruption of the CEZ Group's IT systems, cyber security issues.

Information and communication technology plays an important role in the CEZ Group's business operations. The CEZ Group operates highly complex and sophisticated information systems (such as servers, networks, applications and databases) which are essential for the everyday operations of its business. The CEZ Group is routinely exposed to IT risks in connection with the development, implementation and application of its IT systems. In addition, there is a risk that there might be unauthorized access to the CEZ Group's sensitive data by third parties and improper use of such data, which may lead to the loss of company sensitive and confidential information and may result in a breach of applicable data protection regulations. As a result, any malfunction, breach or unauthorized use of the CEZ Group's IT systems could have a material adverse effect on our Group's reputation, business, results of operations and financial condition.

We could incur significant losses in the event of a nuclear accident.

In accordance with the Vienna Convention, the Czech Nuclear Act 1997 provides that the operator of a nuclear facility is liable for any damage caused by a nuclear accident up to CZK 8 billion per accident and is obliged to maintain insurance coverage for potential liabilities for nuclear damage in an amount not less than CZK 2 billion. We have insurance policies in place for both the Dukovany and Temelín nuclear power plants, which provide coverage at these amounts. However, notwithstanding any limitation of liability under the Czech Nuclear Act 1997 and any additional coverage under our insurance policies, any nuclear accident or failure at our nuclear power plants could result in us incurring significant losses in excess of such amounts due to, among other things, a potential shut-down of the nuclear facility and the resulting loss of generation capacity, remedial and replacement expenses and negative publicity from such an accident. As a result, any nuclear accident suffered by our nuclear power plants could have a material adverse effect on our reputation, business, results of operations and financial condition.

We may not successfully implement our key strategies.

The energy markets continue their transition from the conventional energy sources to renewables and decentralized energy. Our key strategies include the efficient operation, optimal utilization and development of our conventional generation portfolio, modern distribution and a care for customers' energy needs, the development of new energy in the Czech Republic and the development of energy services in Europe. Moreover, as part of our 2019 strategy, an accelerated VISION 2030 "Clean Energy for Tomorrow" was introduced in May 2021. As part of the VISION 2030 strategy, CEZ Group defined strategic objectives for 2030 reflecting the EU's decarbonization vision and set specific ambitions in the areas of social responsibility and sustainable development (see "*Description of ČEZ—Our Strategy*").

We face many risks that could adversely affect our ability to implement our key strategies, such as changes in legal and regulatory frameworks, increases in generation and distribution costs, future developments affecting the electricity infrastructure in Europe, technological changes, customer needs, competition in the markets in which we operate, political and economic developments affecting Europe, legal and regulatory requirements and the reliability and creditworthiness of our partners and customers. Any failure to implement our key strategies successfully could have a material adverse effect on our business, results of operations and financial condition.

We may not successfully manage the risks associated with expanding our operations and integrating newly acquired subsidiaries and we may face significant risks and liabilities or rating downgrades as a result of such acquisitions.

Since our foundation, we have expanded our operations through mergers and acquisitions (please see "*Description of ČEZ—History and Development of the CEZ Group*"). We continue to evaluate potential investment opportunities and we may decide to expand our operations both domestically and in other countries or in new markets (please see "*Description of ČEZ—Our Strategy*"). We face many risks inherent in expanding our operations and doing business on an international level, such as unexpected changes in regulatory requirements; default by our joint venture partners; trade barriers, including import and export controls, tariffs, customs and duties; difficulties in staffing and managing foreign operations; longer payment cycles and problems in collecting accounts receivable; political instability, expropriation, nationalization, war and other political risks; fluctuations in currency exchange rates; foreign exchange controls which restrict or prohibit repatriation of funds; technology export and import restrictions or prohibitions; and potentially adverse tax consequences. Any failure to manage the risks associated with expanding our operations could have a material adverse effect on our business, results of operations and financial condition.

In addition, although due diligence reviews are undertaken in relation to our acquisitions, such reviews may not reveal all existing or potential risks and liabilities and we cannot give any assurance that our acquisitions are not or will not become subject to liabilities of which we are unaware. While warranties and indemnities are generally obtained where practical and appropriate, we cannot give any assurance that we would be able to enforce our contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of businesses or assets with risks or liabilities of which we are or may be unaware, or do not correctly assess or assume, or against which we do not obtain full legal protection, could have a material adverse effect on our business, results of operations and financial condition.

We cannot give any assurance that we will successfully integrate our previous acquisitions in an efficient and effective manner or that we will be able to identify, consummate and integrate future acquisitions. Our failure to integrate our acquisitions and to manage any of the risks and costs associated with such integration, could have a material adverse effect on our business, results of operations and financial condition.

In addition, any future acquisition of highly leveraged companies might result in worsening of our financial condition and therefore, lead to rating downgrades in the future.

Competition risk in the markets in which we operate.

The energy markets in the majority of countries in which we operate are fully liberalized or in the final stages of liberalization. As a result of this liberalization, new competitors may enter many of the markets in which we operate. In relation to electricity, we compete in both the retail electricity market and the wholesale electricity market. In a liberalised market, all suppliers have the right to offer their electricity and all customers have the right to choose their electricity supplier at their own discretion and we cannot give any assurance that the customers will select us or that our customers will not change their suppliers. The situation in the gas retail market is comparable.

Since January 1, 2006, the Czech electricity market has been fully liberalized and all end-consumers are considered to be eligible customers who may freely choose their supplier of electricity based on the current market conditions. If our existing customers or potential new customers purchase electricity from other suppliers, our revenues and our market share will decrease. Our ability to develop our business and improve our financial results may be constrained by new competition and we may be unable to offset the financial effects of decreases in production and sales of electricity through efficiency improvements, or expansion into new business areas or markets. As a result, any increase in competition in the markets in which we operate could have a material adverse effect on our business, results of operations and financial condition.

Due to our position in the Czech market, we are subject to the risk of having our future expansion limited more than our competitors.

According to the Czech Energy Regulatory Office ("*ERO*"), in the year ended December 31, 2021, we accounted for approximately 63% of electricity generated and 53% of installed electricity generation capacity in the Czech Republic, we distributed approximately 65% of the total electricity consumed in the regional distribution areas in the Czech Republic and sold 30% of the total net electricity consumed in the Czech Republic. In addition, we are the largest producer of brown coal in the Czech Republic, accounting for approximately 52 % of the total volume of brown coal produced in the Czech Republic for the year ended December 31, 2020.

Due to our market position, we may be particularly exposed to the risk of lawsuits or proceedings on the grounds of alleged non-compliance with competition, anti-trust and non-discrimination rules, and such lawsuits and proceedings could be decided against our interest, which could have a material adverse effect on our business, results of operations and financial condition. In order to enhance competition, the competent authorities or certain governments could also take decisions contrary to our interests. Such decisions could limit our expansion and growth and, thus, have a material adverse effect on our business, results of operations and financial condition.

Risks resulting from our failure to expand and diversify our non-nuclear generation capacity.

Our current generation capacity predominantly consists of coal and nuclear generation. We aim to expand our existing non-nuclear power generation as well as diversify our generation capacity in order to reduce CO_2 emissions, increase the flexibility of our generation facilities and increase our generation potential to meet future demand. We hope to achieve this by investing in the upgrade and replacement of coal-fired power plants, building new wind and PV power plants and increasing our renewable power generation capacity in general. All of these investments require capital expenditure and substantial managerial attention. Furthermore, we may incur additional costs and face a loss of revenues if we fail to complete such expansion and diversification projects within budget and on schedule. Our failure to properly control these capital expenditures may result in a higher utilization of our debt capacity and our inability to contract the relevant supplies on terms substantially comparable to those of our competitors, which could lower the competitiveness of our generation fleet. Any failure to expand and diversify our non-nuclear generation capacity could have a material adverse effect on our business, results of operations and financial condition.

Our revenues and results of operations are subject to climatic conditions and seasonal variations that are not within our control.

Electricity and heat consumption is seasonal and is mainly affected by climatic conditions. In Central and South East Europe electricity consumption is generally higher during the cold winter months. However, when winters are warmer than expected, as was the case in 2014, 2018, 2019, 2020 and 2021, demand for gas, heat and power is typically lower than forecasted. Electricity generation may also depend on climatic conditions, such as droughts or heat waves, which may limit generation due to the requirements to observe certain temperature limits for rivers, requirements in connection with the cooling of power plants, or speed and direction of winds or sunshine for the generation of renewable energy. Consequently, our income reflects the seasonal character of the demand for electricity and may be adversely affected by significant variations in climatic conditions. We may need to compensate for a reduction in the availability of electricity generated by economical means by using other means with a higher generation cost or by being required to access the wholesale markets at higher prices, which could have a material adverse effect on our business, results of operations and financial condition.

Some of our generation operations depend on the use of brown coal as a primary fuel source, which produces significantly more emissions than other fuel sources, and exposes us to the risk that our operations will become politically unpopular or the subject of restrictive regulations or private legal action.

We operate power plants that depend on the use of brown coal as a primary fuel source. Brown coal produces significantly more emissions, most notably CO_2, than other primary fuel sources, such as natural gas or nuclear fuel. If brown coal-fired heat and power generating activities become subject to increasing public and political opposition, as they have on occasions in the past, our business could be negatively affected. In 2019, the Czech Government initiated the establishment of the Coal Commission, which has been tasked with preparing an assessment of different scenarios that should lead to the decrease in the use of coal as a fuel source. For instance, we could face increased costs of burning brown coal as a primary fuel source, in selling the power produced from brown coal, or as a result of potentially adverse environmental regulations, increased taxes, fees or fines, hindered access to financing, or private lawsuits against the CEZ Group. We may be adversely affected not only by measures that directly impede the use of brown coal in heat or power production, but also by measures that promote other fuel sources or alternative technologies for heat and power production (such as renewable energy).

We are exposed to financial risks and market volatility.

During the normal course of our business, we are exposed to the risk of energy price volatility, as well as interest rate, commodity price, currency and counterparty risks. While we partially hedge these risks, we may incur losses if any of the variety of instruments and strategies we use to hedge exposures is not effective.

We face risks from our energy trading operations. In general, we seek to hedge risks associated with volatile energy-related prices (including the price of CO_2 emission certificates) by entering into fixed price bilateral contracts and futures contracts on commodity exchanges and swaps and options traded in over the counter financial markets. To the extent we are unable to hedge these risks, enter into hedging contracts that fail to address our exposure or incorrectly anticipate market movements, we may suffer significant losses which could have a material adverse effect on our business, results of operations and financial condition.

We are also exposed to other financial risks. Financial markets experienced volatility in the course of the last financial crisis and more recently as a result of the outbreak of COVID-19 and markets may decline again or become even more volatile in the future. The value of certain of our assets and financial investments, including joint ventures, is sensitive to the performance of the European and global economies. The latest global crisis and sovereign debt crisis in Europe have had a significant impact on the world's banking system and financial markets. If the global economic situation worsens again, we may face liquidity problems and may experience increased costs of funding. For example, we hold substantial amounts in certain government bonds, particularly Czech Government bonds. Any future fluctuations in the capital markets could negatively influence the value of those assets which could have a material adverse effect on our business, results of operations and financial condition. We are dependent on debt capital markets to fund the majority of our working capital and capital expenditures. Any volatility in the debt capital markets could negatively affect this source of funding, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, any future adverse changes in the economic and regulatory environment of our reporting segments could adversely affect our estimated future cash flows and discount rates and could result in impairment charges to goodwill, which could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to changes in the way emission allowances are allocated, including the conditions related to free allocations, as well as volatility in the market prices of emission allowances that we need to acquire.

In 2005, the European Union introduced the European Union Emission Trading Scheme (the "*EU ETS*"). Within the EU ETS, each greenhouse gas emitter was allocated a certain cap by the national government, which was in turn allocated a national cap by the EU Commission, within which it was allowed to emit greenhouse gases (such as CO_2, methane and nitrogen monoxide). Any emissions in excess of this cap had to be counterbalanced by emission allowances acquired in the open market at a market price, otherwise the emitter was penalized. Allocations were fixed for a specific trading period.

Between 2013 and 2022, we had to buy a certain portion of the emission allowances on the market, because our emission allowances allocation that gradually decreased to zero by 2020, had not covered 100% of our annual emissions. Since 2020, we have to buy all of the emission allowances on the market. Therefore, our costs may increase significantly, which could have a material adverse effect on our business, results of operations and financial conditions. Different principles apply to the EU ETS regarding heat. In compliance with Article 10a of the revised EU ETS Directive, district heating combined heat and power plants will receive free allowances for heat supply from 2013 to 2030. However, in 2020 changes were made in the regulation, the result of which is free allocation in the heating sector (excluding district heating) covering at maximum 30% of emissions produced by the respective entity for the period 2021 - 2026 and then a gradual decrease to 0% over the period 2026 - 2030.

As such, we are vulnerable to risks relating to volatility in the price of CO_2 emission allowances. To mitigate this volatility risk, we have in place a hedging strategy of acquiring a certain volume of emission allowances along with electricity sale. Nevertheless, in the event of potential decreases in the price of emission allowances, this hedging strategy itself could have a material adverse effect on our business, results of operations and financial condition.

Within Phase IV of the EU ETS (2021 - 2030), the overall number of emission allowances is set to decline at an annual rate of 2.20% from 2021 onwards. However, energy intensive sectors with a high risk of relocation outside of the EU (e.g. the mining of hard coal, extraction of crude petroleum, manufacturing of cement) are to be allocated free allowances until 2030 at 100%. A continual decrease in the allocation of emission allowances across the European Union and a greater decrease in the allocation of emission allowances within the Phase III and Phase IV of the EU ETS (please see "*Regulation – Czech Republic – Carbon Compliance (Emission Allowances)*") as well as any increase in the price of CO_2 emission allowances, may result in a substantial increase in our variable generation costs making the price of electricity offered by us uncompetitive, which could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to risks on the wholesale energy, CO_2 emission allowances and green and other certificates markets.

We operate in the deregulated energy markets in Europe through our trading activities. As a result, we are exposed to price fluctuations in the wholesale energy markets (electricity, gas, coal, crude oil) as well as in the CO_2 emission allowances market and green certificates markets. These fluctuations are particularly significant in the current context of major tensions and volatility on the energy markets. Any shortage of products or lack of liquidity could limit our ability to close our exposure to risk in the energy market quickly. In addition, these markets are still largely not integrated, mostly as a result of the lack of cross-border interconnections, and may experience significant increases or decreases in price movements and liquidity crises that are difficult to predict. Any such fluctuations in the wholesale energy markets could have a material adverse effect on our business, results of operations and financial condition.

The growth of an integrated European electricity market may be slowed by a lack of cross-border transmission system interconnections.

The growth of an integrated European electricity market is inhibited by a lack of cross-border interconnections. This situation limits exchange capacity between operators in different countries, notably the capacity to rapidly adapt supply to demand (so called "blackout risk"), and allows for persistent price differences between the different countries, which would be significantly reduced in a more efficient and integrated European market. It also impedes the emergence of efficient operators with a European dimension as it limits the options for synergies between companies within the same group, but located on different sides of a border. Although there are currently several projects to develop interconnections, their construction has nonetheless been slowed down, mainly by environmental, regulatory and local acceptability considerations. The absence of adequate interconnections between countries where we are based or the failure of such interconnections to develop at a sufficient pace, may limit industrial synergies which we intend to achieve or cause network interruptions in countries in which we operate, which could have a material adverse effect on our business, results of operations and financial condition.

Our equipment and components of our power plants are subject to gradual deterioration over time.

The continual operations of our power plants, as well as natural processes, such as erosion and corrosion, have an impact on the condition of some of our equipment and components of our power plants. The impact of such operation and processes tends to increase as our plants, equipment and components grow older. As part of our strategy, we have recently finalized a significant portfolio renewal program aimed at modernizing our coal power plant portfolio. Although we seek to implement new inspections and maintenance practices, including proactively repairing or replacing equipment and components before they fail, as well as our portfolio renewal program, we cannot give any assurance that we will be successful in our efforts, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to a variety of litigation and regulatory proceedings and we cannot give any assurances as to their outcome or the sufficiency of our provisions.

In the ordinary course of our business, we are subject to numerous civil, administrative and arbitration proceedings. We create provisions for contingent liabilities relating to particular proceedings, calculated based on the advice of our internal and external legal counsel. Our non-consolidated audited financial statements show accrued provisions for legal and commercial disputes in the amount of CZK 511 million as of December 31, 2020 and CZK 530 million as of December 31, 2021. As of December 31, 2021, we also recorded provisions relating to various other risks and charges, primarily in connection with regulatory disputes and disputes with local authorities. However, we have not recorded provisions in respect of all legal, regulatory and administrative proceedings to which we are a party or in which we may become a party. In particular, we have not recorded provisions in cases in which the outcome is unquantifiable or which we currently expect to be ruled in our favour. As a result, we cannot give any assurance that our provisions will be adequate to cover all amounts payable by us in connection with such proceedings. Our failure to quantify sufficient provisions or to assess the likely outcome of any proceedings against us could have a material adverse effect on our business, results of operations and financial condition.

Risks resulting from interlocutory security measures in connection with subsidies for the solar power plant Vranovská ves.

In 2016, the police initiated an investigation of an alleged criminal activity related to obtaining a license by ČEZ Obnovitelné zdroje, s.r.o., to operate the Vranovská Ves photovoltaic power plant. As part of the investigation, the police authorities have, pursuant to the Czech Code of Criminal Procedure, issued a resolution on the seizure of a replacement value of the likely proceeds of the alleged criminal activity. Specifically, the following assets have been seized: (i) receivables of ČEZ Obnovitelné zdroje, s.r.o., against OTE, a.s., in the form of the paid support for the green bonus, in the total amount of nearly CZK 1,063 million as of December 31, 2021. The seized funds are deposited with the Czech National Bank for the duration of the seizure, and ČEZ Obnovitelné zdroje, s.r.o., may not dispose of the funds; and (ii) funds in ČEZ's bank account in the amount of approximately CZK 223 million as of December 31, 2021; ČEZ may not dispose of the funds for the duration of the seizure. In both cases, the measures taken by the law enforcement authorities are interlocutory and the defendants are not employees of the CEZ Group companies. Although ČEZ Obnovitelné zdroje, s.r.o. and/or ČEZ are the affected parties in this case, there is no guarantee that the seized assets will be returned to us in full or at all, or that the decision of the court or any follow-up decision of any regulatory authority will not have a material adverse effect on our business, results of operations and financial condition. See also "*Description of ČEZ—Legal Proceedings — Other Proceedings — Czech Republic*" for further details.

We may become liable for increased decommissioning costs or be required to keep additional amounts as restricted funds for the decommissioning of our nuclear power plants and for the decommissioning and reclamation of our mines and the remediation of mining damage.

As an owner and operator of electricity and heat facilities, we may in the future incur significant costs and expenses in connection with the decommissioning of such facilities. Under Czech law, we are required to reserve restricted funds to meet the expected future costs of decommissioning our nuclear power plants. We pay these funds into nuclear escrow accounts that can be used only to meet decommissioning costs with the permission of the Czech Repository Authority. In 2021 and 2020, the payments to the nuclear escrow account for our nuclear power plants amounted to CZK 826.2 million and CZK 804.6 million, respectively. We cannot give any assurance that amounts held by us as restricted funds will not increase as a result of increased projected costs of decommissioning or as a result of other factors determining the amount of our annual contributions. In addition, if such amounts are not sufficient to meet future decommissioning costs, we may be required to pay additional amounts, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, we are involved in open pit mining in the Czech Republic and are required to keep funds to decommission mines at the end of their operating lives. In addition, Czech law relating to open pit mining also requires us to remediate land affected by our mining operations. The cost of remediation depends on the type of remediation and is subject to periodical review. In addition to the creation of remediation reserves, the Czech authorities may also require other payments relating to mining licenses. The methodology for determining the remediation costs and such other payments may change as might the requirements relating to the collateralization of obligations. The materialization of any of the above risks could have a material adverse effect on our business, results of operations and financial condition.

Risk of an increase in the cost of disposing of radioactive waste.

Under Czech law, we are required to contribute funds to a nuclear account administered by the Ministry of Finance (the "*Czech Nuclear Account*") based on the amount of electricity produced by our nuclear power plants. The Czech Nuclear Account is used by the Czech Radioactive Waste Repository Authority (the "*Czech Repository Authority*") to centrally organize, supervise and take responsibility for the disposal of the nuclear waste, as well as all final disposal facilities. We cannot give any assurance that the Czech Government will not increase the contributions that we are required to pay into the Czech Nuclear Account or that cash amounts accrued in the Czech Nuclear Account will be sufficient to fund the disposal of the radioactive waste. Any requirement to pay additional amounts into the Czech Nuclear Account could have a material adverse effect on our business, results of operations and financial condition.

Our insurance coverage may not be adequate.

We have limited property and machinery insurance for our significant assets, including the Dukovany and Temelín nuclear power plants. We cannot give any assurance that our business will not be adversely affected by the costs of accidents or other unexpected occurrences at our facilities for which insurance coverage is not available, has not been obtained by us or is not sufficient, which could have a material adverse effect on our business, results of operations and financial condition.

Risk of a strike or other labour disruption at our facilities.

A substantial number of our employees are represented by labour unions and all ČEZ employees were covered by our collective bargaining agreement as of December 31, 2019 valid until December 31, 2022 (please see "*Description of ČEZ—Employees*"). This agreement includes provisions that limit our ability to realize cost savings from restructuring initiatives such as plant closures and reductions in workforce. Since our foundation we have not experienced any strikes or work stoppages, however, any strikes, threats of strikes, or other resistance or work stoppages in the future, particularly those affecting our facilities in the Czech Republic, could impair our ability to implement further measures to reduce costs and improve production efficiencies in furtherance of our strategy, which could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to hire, train or retain a sufficient number of qualified staff.

Experienced and capable personnel in the energy industry are in high demand and we face significant competition in our principal markets to recruit such personnel. Consequently, when our experienced employees leave our business or retire, we may have difficulty, and incur additional costs, replacing them. In addition, the loss of any member of our senior management team may result in a loss of organizational focus, poor execution of our operations and corporate strategy and our inability to identify and execute potential strategic initiatives in the future, including strategies relating to the growth of our business. Further, with effect from January 1, 2017, the Czech Nuclear Act 2016 significantly extended the number of our employees that must be subject to security clearance from the Czech National Security Authority. The extended security clearance requirement could significantly restrict our hiring policy and further limit an already limited number of candidates qualified for the respective positions. Our failure to hire, train or retain a sufficient number of experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or to recruit skilled professional and technical staff in pace with our growth, could have a material adverse effect on our business, results of operations and financial condition.

We have no control over the security and operational processes of the national registries for emission allowances and green and other certificates within Europe.

We own a significant amount of emission allowances and emission credits, as well as green and other certificates which are registered as intangible assets by national registries in individual EU countries. National registries are operated by independent governmental bodies and are governed by EU law. We have no control or influence over the security and operational processes of these national registries. The financial value of our assets registered in such registries is significant and any unauthorized transactions could have a material adverse effect on our business, results of operations and financial condition.

Electromagnetic fields may have an adverse impact on public health.

Power lines, including those we operate, generate electromagnetic fields ("*EMFs*"). Questions with respect to the risks to human health as a result of exposure to EMFs have been raised both within the European Union and internationally. Over the past 20 years, several international health organizations (such as the World Health Organization ("*WHO*"), the International Agency for Research on Cancer ("*IARC*"), the American Academy of Sciences, the American National Institute of Environmental Health Sciences, and the English National Radiological Protection Board) have completed numerous studies on the existence of health risks as a result of exposure to EMFs. Since 2002, the IARC has classified the low-frequency electromagnetic fields at level 2B (possible carcinogen) on its scale of scientific evidence. However, in a report published in June 2007, the WHO considered the associated health risks, if any, low. Medical knowledge about health risks related to exposure to EMFs may evolve or public sensitivity about such risks could increase, or the principle of precaution could be applied very broadly. At the EU and national level, new regulations aimed at understanding the risks associated with EMFs are being developed. This could expose us to litigation and significant costs, including costs incurred in connection with the adoption of more stringent security measures for the operation or construction of our generation facilities and distribution networks, which could have a material adverse effect on our business, results of operations and financial condition.

Our facilities produce polychlorobiphenyls which could have an adverse impact on the environment or public health.

We operate or have operated certain facilities which, as currently operated, could be or have been the source of industrial accidents or environmental and public health impacts (such as inadequately controlled emissions, leakages in electricity supply lines insulated with oil under pressure, a failure of decontamination facilities, pathogenic microorganisms, asbestos, and polychlorobiphenyls ("*PCBs*")). In particular, large quantities of hazardous materials (mainly explosive or flammable, such as gas and fuel oil) are stored in some of our facilities. These facilities may be located in industrial areas where other activities facing similar risks are carried out, such that our own facilities may be impacted by accidents occurring at neighbouring facilities that are not within our control. This could expose us to litigation and significant costs, including costs incurred in connection with adopting more stringent security measures for the operation or construction of our generation facilities and transmission or distribution networks, which could have a material adverse effect on our business, results of operations and financial condition.

Risks relating to political, social and economic conditions

Risks associated with changes in the European Union's energy policy and an accelerated market shift towards renewable energy sources.

The electricity generation industry in Europe is strongly influenced by the European Union's policy, to increase the share of electricity generated by renewable energy sources, which was implemented in 2008 by the EU Climate and Energy Package and amended in 2019 by a package of provisions called Clean Energy for all Europeans, also known as the Winter Package (the "*Winter Package*"). The Winter Package is a set of several directives, regulations and decisions whose application may significantly influence the energy sector and also the CEZ Group. The Winter Package aimed to achieve three goals: to make energy efficiency a priority, to achieve a world leading position of EU countries in the sphere of energy from renewable sources, and to provide fair conditions for consumers. We are strongly influenced, due to economic incentives, to reflect the Winter Package within our own strategy. The Winter Package increased the required share of renewable sources from 20 % in 2020 to 32 % in 2030 and sets the energy efficiency target to at least 32.5 %. in 2030. The energy efficiency target, renewable share target and the Winter Package in general aim to achieve low-carbon economy and to decrease emissions in accordance with EU emissions targets by 20 % in 2020 and by 80 % in 2050. In late 2019, the EU Commission presented a strategy called the European Green Deal, which, among other things, aims to increase the EU's greenhouse gas emission reductions target for 2030 to at least 50 % and to 55 % compared to 1990 levels. In July 2021, the EU Commission published a package of legislative measures known as "Fit for 55", the aim of which is to set the legislative conditions for achieving the 2030 enhanced mitigation ambition set by the European Green Deal. The implementation of the Winter Package and targets of the European Council for the period from 2020 to 2030, or any amendments to such targets, such as the Fit for 55 package, could have a material adverse effect on our business, results of operations and financial condition. Support for renewable sources may decrease energy prices, limit the production time, the stability of transmission and distribution grid, the profitability of distribution services provided by us and production quantity of conventional power plants that we operate and may decrease our market share. In addition, the CEZ Group may be required to incur additional expenditure in order to meet the other related targets envisaged in the Winter Package or Fit for 55 package. Continued or increased support for renewable energy sources in the European Union, particularly in the Czech Republic (please see "*Regulation – Czech Republic – Renewable Energy Sources – Current Legislation - The Czech Promoted Energy Sources Act*") and Germany, may adversely affect our profit from nuclear, coal-fired and gas power plants, which could have a material adverse effect on our business, results of operations and financial condition.

Risks resulting from political developments in the European Union and in other countries where we have or plan to have a business presence.

Any political developments in the European Union, including any future integration or withdrawal of European countries in the European Union or changes in the economic policy, executive authority or composition of the European Union and its institutions, may have an adverse effect on the overall economic stability of the European Union and the European countries in which our assets and operations are located. Any changes in the political or economic stability of any of the countries in which we operate, as well as any political, economic, regulatory or administrative developments in these countries, over which we have no control, could have a material adverse effect on our business, results of operations and financial condition. In particular, due to cross-border integration and fully liberalized power prices, the primary price-setting market in our region is Germany and its exchange in Leipzig and historically there has been a strong correlation between power prices in the Czech and German markets. Any political developments affecting the integration, integrity or stability of EU or other energy markets, could have a material adverse effect on our business, results of operations and financial condition.

Risks associated with poor economic performance in the Czech Republic.

Our revenues are sensitive to the performance of the Czech economy. As of December 31, 2021, nearly 97.7% of our property, plant and equipment was located in the Czech Republic and approximately 80% of our operational revenues and other operating income for the year ended December 31, 2021 was derived from the Czech Republic. Changes in economic, regulatory, administrative or other policies of the Czech Government, as well as political or economic developments in the Czech Republic (including potential changes in the Czech Republic's credit ratings) over which we have no control, could have a significant effect on the Czech economy, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Risks associated with political developments in the Czech Republic.

The composition of the Czech Government and any political developments or changes in the economic policy of the Czech Republic may have an adverse effect on the overall economic stability of the Czech Republic. We cannot give any assurance that any change in the Czech Government would not affect the energy, economic, fiscal, and regulatory policies of the Czech Republic, nor can we give any assurance that any potential change in the Czech Government would not affect the structure of the presidium of the Ministry of Finance and, as a result, the structure of our Supervisory Board and our Board of Directors. Such unfavourable political developments could have a material adverse effect on our business, results of operations and financial condition.

Our majority shareholder may pursue decisions that reflect the Czech Government's policy (including the Czech Government's desire for us to build a new nuclear power plant in the Czech Republic).

As of the date of this Base Prospectus, the Czech Republic, through the Ministry of Finance, owns approximately 69.8% of the share capital of ČEZ, the parent company of the CEZ Group. As our controlling shareholder, the Czech Republic, through the Ministry of Finance, has the power to elect and remove two thirds of the members of our Supervisory Board. Our Supervisory Board elects members to our Board of Directors. Consequently, the Czech Republic, through its shareholdings or its positions on our Supervisory Board or our Board of Directors, has and will continue to have, directly or indirectly, the power to affect our operations. As a result, certain of our decisions may reflect the Czech Government's policies, for example the dividend policy for state-owned companies and the Czech energy policy, which includes the Czech Government's desire for us to build a new nuclear power plant in the Czech Republic. Complying with such decisions could lead to significant capital expenditures as well as the risks inherent in building a nuclear power plant, including debt capacity risks, which could in turn have a material adverse effect on our ratings, business, results of operations and financial condition. See also "*–The risks and costs associated with increasing our nuclear generation capacity*" and "- *Future privatization or split of ČEZ may result in a credit downgrade or may affect our ability to repay debt*".

Risk associated with state support for certain power generation sources.

The Czech Renewable Energy Act required and the Czech Promoted Energy Sources Act requires distribution companies to purchase certain amounts of electricity from environmentally friendly "co-generation," "small hydro", "decentralized" or "renewable" facilities. This results in significantly higher state support for small generation sources and for those that are connected directly to the distribution grid. This support may be in the form of regulated subsidized prices or preferential access of these generation sources to the distribution grid (please see "*Regulation – Czech Republic - Renewable Energy Sources*").

However, in the Czech Republic we operate mainly large plants and transmit a major portion of our electricity to the transmission grid. Consequently, we cannot take full advantage of state support for otherwise comparable power generation sources in the Czech Republic under the Czech Energy Act. Similar state support schemes for selected alternative power generation sources also exist in other countries in which we operate. While we believe that these purchases of electricity from renewable sources and the preferential treatment of renewable sources will not substantially adversely affect the generation volumes of our conventional generation facilities, we cannot provide any assurance that this will in fact be the case or that our electricity sales to supply companies will not decrease, which could in turn have a material adverse effect on our business, results of operations and financial condition.

Risks relating to our investments outside of the Czech Republic

We may not be able to recover the value of our investment in Turkey.

The joint ventures, Akcez Enerji A.S. and Akenerji Elektrik Üretim A.S., were formed in 2009 by the partnership of the CEZ Group and Akkök Group with the aim to invest mainly in power generation and electricity distribution projects in Turkey. Within these joint ventures, we own and operate gas-fired, wind and hydroelectric power plants as well as electricity distribution and sales companies operating in the Sakarya region. After a period of fast-paced growth in the Turkish economy between 2009 and 2011, the year 2013 brought a strong depreciation of the Turkish Lira against the U.S. Dollar due to political destabilization, sustained inflation, growing labour costs, high balance of payments (current account) deficit and resulting lower interest of foreign investors in the Turkish market. This had a negative impact on most local companies, including our joint ventures, which are financed mostly in U.S. Dollars. The weakening of the Turkish Lira continued through 2018, being caused by, among other things, an unsuccessful coup d'état attempt in July 2016 followed by a declaration of the state of emergency in the country and a referendum changing the state system to a presidential system. Following the instability and uncertainty about the future political and economic development, Standard & Poor's lowered Turkey's credit rating to B+ with a negative outlook in December 2021 and Moody's lowed Turkey's credit rating to to B2 with a negative outlook in September 2020. During 2019, 2020 and 2021 the value of the Turkish Lira against the U.S. Dollar continued to depreciate, negatively influencing financial results of our joint ventures, due to U.S. Dollar denominated loans. In 2013 unbundling, i.e. the separation in the ownership of electricity distribution and the sale of electricity, became mandatory and was completed in Turkey by 2015. The electricity market for end customers has been partially liberalized over the years, putting downward pressure on the market share of the sales companies with state owned companies still influencing the electricity and gas market. The conditions for the upcoming regulatory period (starting 2021) have been announced at the end of 2020 in line with the previous period with an emphasis on quality of distribution network. In 2017, our share of the losses of Akenerji Elektrik Üretim A.S. exceeded the carrying amounts of our investments in the joint venture. Since we assumed no obligations on behalf of Akenerji Elektrik Üretim A.S., we discontinued using the equity method of accounting with respect to the company as of December 31, 2017. As of December 31, 2021, our unrecognised share of losses on Akenerji Elektrik Üretim A.S. and its subsidiaries amounted to CZK 4,770 million.

The CEZ Group is a guarantor for the liabilities of the companies within the joint venture Akcez Enerji A.S. in the amount of USD 82.7 million and TRY (Turkish Lira) 55.4 million as of December 31, 2021. Due to the increased risk of the potential exposure to claims under these guarantees and probability that future cash flows may not be sufficient to settle all liabilities of Akcez Enerji A.S. and its subsidiaries, a provision of CZK 1,907 million has has been recognized in our financial statements, as of December 31, 2021.

Even though we are trying to take all measures available to limit the negative impact on our investment arising from the developments in Turkey described above, we cannot give any assurance that we will be able to recover our investment in our joint venture business in Turkey. Consequently, the developments in Turkey could have an adverse effect on our business, results of operations and financial condition.

Risks related to governmental regulations and laws

Our activities require various administrative authorizations and licenses that may be difficult to obtain, maintain or renew or whose grant may be subject to conditions that may become significantly more stringent.

Our core activities of generation, distribution and supply of electricity require various administrative authorizations, at local and national levels, in the Czech Republic (see "*Regulation—Czech Republic—Electric Energy Sector—Licensing Regime*") and in the other countries in which we operate. The procedures for obtaining and renewing these authorizations can be protracted and complex. Obtaining these authorizations is not routine and the conditions attached to obtaining them are subject to change and may not be predictable. As a result, we may incur significant expenses in order to comply with the requirements associated with obtaining or renewing these authorizations (for example, the cost of preparing applications for authorizations or investments associated with installing equipment that are required before the authorization can be issued). Delays, extremely high costs or the suspension of our industrial activities due to our inability to obtain, maintain, or renew authorizations, may also have a negative impact on our business activities and profitability.

In addition, we often invest resources prior to obtaining the necessary permits and authorizations, particularly in connection with feasibility studies and environmental studies, but may have to cancel or withdraw from a project even after incurring such costs if we are unable to obtain the necessary permits or authorizations. Certain other material licenses for the operation of our power plants are due to expire within the next five years, such as the license of the Temelín nuclear power plant's Unit 2, which is valid until May 31, 2022, or the licenses for the generation of electricity and heat of the Chorzów power plant and the Skawina power plant, which expire on December 31, 2023, and December 31, 2025, respectively. Any failure to obtain, maintain, renew or extend all the necessary administrative authorizations and licenses necessary for the operation of our business and execution of our strategy, could have a material adverse effect on our business, results of operations and financial condition.

We are subject to different regulatory regimes in all of the countries in which we operate, and these regimes are complex and subject to change.

We are subject to the laws of various countries and jurisdictions, including the Czech Republic, Poland, Turkey, France, Germany, Italy and the European Union, as well as the regulations of the regulatory agencies of the countries in which we operate, including the Energy Regulatory Office and the State Office for Nuclear Safety in the Czech Republic (please see "*Regulation*"), Federal Network Agency for Electricity, Gas, Telecommunications, Posts and Railway (Bundesnetzagentur) in Germany, Regulatory Commission of Energy (Commission de Régulation de l'Energie) in France and The Energy Regulatory Office of Poland. These laws and regulations and their interpretation by the regulatory agencies affect many aspects of our business and, in many respects, determine the manner in which we conduct our business and the fees we charge or obtain for our products and services, including in respect of electricity generation (both traditional and from renewable sources). In particular, as an owner and operator of nuclear, coal-fired and gas power plants (including combined heat and electricity power plants), renewable energy facilities and electricity distribution, heat distribution and mining businesses, we are subject to extensive governmental and other regulations in the markets in which we operate, including in relation to nuclear safety. Any new regulation or any changes in the existing regulations or requirements of or the interpretation by the governments or regulatory authorities of the countries in which we operate, may require significant changes in our business in ways that we cannot predict, in particular the way in which we operate our nuclear assets. Any new regulations or requirements that cause us to restructure or otherwise change our business in any way, or that affect electricity generation, transmission, distribution or supply prices or related financial conditions, could have a material adverse effect on our business, results of operations and financial condition. In addition, we may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to environmental, health and safety laws and regulations and must maintain environmental, health and safety regulatory approvals and we may be exposed to significant liabilities if we fail to comply with such laws or maintain such approvals.

We are subject to various environmental, health and safety laws and regulations governing, among other things: the generation, storage, handling, release, use, disposal and transportation of waste or hazardous and radioactive materials; the emission and discharge of hazardous materials into the ground, air or water; the decommissioning and decontamination of our facilities; and the health and safety of the public and our employees. EU regulators and regulators in the countries in which we operate administer these laws and regulations. We are also required to obtain environmental and safety permits from various governmental authorities for our operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and reporting of compliance with their conditions and we cannot give any assurance that we will be able to renew such permits or that material changes to our permits requiring significant expenditures, will not be imposed. Violations of these laws, regulations or permits could result in plant shut-downs, fines or legal proceedings being commenced against us or other sanctions, in addition to negative publicity and significant damage to our reputation. Other liabilities under environmental laws, including the clean-up of radioactive or hazardous substances, can also be extremely costly to discharge. Environmental and health and safety laws are complex, change frequently and have tended to become more stringent over time. As a result, we may not at all times be in full compliance with all such laws and regulations. While we have budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws may change or become more stringent in the future or that new laws may be adopted (for example EU legislation may be adopted that imposes additional capital expenditure on our brown coal-fired power plants). Therefore, our costs of complying with current and future environmental and health and safety laws and our liabilities arising from past or future releases of, or exposure to, radioactive or hazardous substances, could have a material adverse effect on our business, results of operations and financial condition.

Following the nuclear disaster at Fukushima in 2011, we have been required by the European Council to carry out "stress tests" in order to assess the safety of our nuclear power plants and how resistant these power plants are to natural disasters such as floods and earthquakes. We have successfully passed all such tests and our nuclear power plants are compliant with recommendations of the European Council. However, we were, and further are, required to take certain corrective actions to further improve the safety and resistance of our nuclear power plants. If we fail to implement the proposed corrective actions within the specified deadlines or if we are required to comply with any additional requirements of the European Council in the future, we could incur significant costs, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Risk of changes in regulated tariffs.

In the Czech Republic, a significant part of our revenue depends on regulated tariffs (including electricity distribution prices and heat prices). Such tariffs are set by the ERO. As of the date of this Base Prospectus, we are in the 5th regulatory period (2021 – 2025) (please see "*Regulation - Transmission and Distribution of Electric Energy - Price of Electricity*"). The regulated tariffs may change in the next regulatory period and, as a result, any changes in regulated tariffs could have a material adverse effect on our business, results of operations and financial condition.

Tariffs are also set by the regulatory authorities of other countries in which we operate, including the Energy and Water Regulatory Commission in Bulgaria. Regulatory policies of such countries in South East Europe, particularly Bulgaria, are less developed and are more susceptible to political intervention and adverse regulatory action. Public authorities and regulatory authorities in the countries in which we operate may decide to limit or block tariff increases, or even order tariff decreases, with no change to the quality of service, or may change the conditions of access to such regulated tariffs, including changes to the price setting mechanisms as a result of political interference. However, we cannot give any assurance that new tariff mechanisms would be put in place or that regulated tariffs would be set at a level which would allow us to preserve our short-, medium- or long-term investment capacity or our property interests, while ensuring a fair return on the capital invested in our electricity generation, distribution and supply assets. As a result, any changes in regulated tariffs, particularly those that may affect our revenues from electricity distribution, could have a material adverse effect on our business, results of operations and financial condition. For more information on our disputes in Bulgaria relating to the regulated tariffs, please see "*Description of ČEZ —Legal Proceedings —Bulgaria*".

Risk of uncertain, unexpected or unlawful decisions of key regulatory or national administration executive authorities.

Our business as well as our capital investment program and financial investment strategy are subject to decisions of numerous national and international institutions, as well as regulatory and administrative authorities. We face the risk that decision makers in these institutions may not act within the scope of existing laws and regulations, which could have uncertain and unexpected consequences on our business and operations in the Czech Republic, Germany, France, Poland, Italy, South East Europe and Turkey, which in turn could have a material adverse effect on our business, results of operations and financial condition. Although we are not aware of any misconduct, we cannot exclude a politically motivated revocation of the license(s) which would have a material adverse effect on our business, results of operations and financial condition.

Risks associated with EU regulation of energy market mechanisms, including the credit and cash settlement requirements for trading of commodities and financial instruments.

We trade on the financial and wholesale energy markets. Over the past years, EU regulations, particularly Regulation on Energy Market Integrity and Transparency ("*REMIT*"), MIFID II, Market Abuse Directive and Regulation ("*MAD/MAR*") and European Market Infrastructure Regulation ("*EMIR*"), have put in place regulatory framework to increase transparency, avoid manipulation and abusive trading practices as well as to address potential cash margining requirements for over-the-counter (OTC) transactions. Due to the amount of our hedged production volume and the volatility of power prices, such requirements could result in liquidity needs that may be difficult to cover. In addition, our foreign exchange and interest rate hedging transactions could also be affected.

We face the risk of non-compliance risk with the above regulation, which imposes strict penalties and sanctions. Although we strive to manage our commodity trading portfolio within the limits to remain a non-financial counterparty below the clearing threshold (NFC-), so that no additional requirements for margining or mandatory clearing of OTC deals must be fulfilled, there is no guarantee that we will be able to do so in the future, or that our trading activities will continue to qualify as exempted from MiFID II license regime with no need on capital or funds to cover regulatory requirements. As a result, EU financial market mechanisms, including any changes to credit and cash settlement requirements for trading of financial instruments, could have a material adverse effect on our business, results of operations and financial condition.

Risks associated with changes in EU or national requirements affecting liability for nuclear damage, insurance requirements or decommissioning of nuclear power plants.

Each Member State sets its own limits and rules relating to the liability for nuclear damage, insurance requirements and the decommissioning of nuclear power plants, which are affected by the political policies of each Member State. Any changes or developments in such legal or regulatory requirements or policies could affect the legal and regulatory requirements and political policies of the Czech Republic. Any changes to the limits and rules set by the Czech Republic affecting the operation of our nuclear power plants, including the liability for nuclear disasters, insurance coverage and premiums or decommissioning costs, could have a material adverse effect on our business, results of operations and financial condition.

The transparency regime in the Czech Republic may decrease our competitiveness.

Under the Czech Registry of Contracts Act, certain business contracts with a consideration above CZK 50,000 entered into by a legal entity in which the Czech Republic, directly or indirectly, holds a majority ownership interest must be disclosed in a publicly accessible electronic registry, unless one of the exemptions provided for in the Czech Registry of Contracts Act applies. Otherwise, the respective business contract would be, after a certain period of time, automatically terminated by operation of Czech law.

There is a risk that know-how and other sensitive business-related information of ČEZ and its counterparties may be required to be disclosed in the Czech Registry of Contracts. Further, there could be disputes as to whether or not certain contracts and/or information is exempted from disclosure under the Czech Registry of Contracts Act and, as a result of such disputes, ČEZ could be forced to disclose in the Czech Registry of Contracts information which ČEZ considers to be a trade secret.

There is a significant risk that ČEZ, unlike its competitors, will be subject to a stringent transparency regime and, thus, put into a competitive disadvantage which could have a material adverse effect on our business, results of operations and financial condition.

Recent case law of the Court of Justice of the European Union may have a significant adverse impact on our ability to recover the value of our investments in other EU Member States.

In March 2018, the Court of Justice of the European Union ("CJEU") held that a provision in a bilateral investment treaty ("*BIT*") concluded between an EU Member State that allows an investor from one EU Member State to arbitrate investment disputes against another EU Member State is incompatible with EU law (the "*Achmea Judgment*"). The outcome was, among others, a considerable uncertainty whether investor-State arbitration clauses contained in intra-EU BITs are still applicable or it needs to be concluded that any arbitration tribunal established on such basis lacks jurisdiction due to the absence of a valid arbitration agreement, which was a standpoint preferred and pursued by the EU Commission.

Additionally, similar concerns have arisen whether the findings of the Achmea Judgment could also be deemed to be relevant in respect of the investor-State arbitration clauses concluded under the Energy Charter Treaty ("*ECT*"), which would therefore make any such clause inapplicable, and any award rendered thereunder unenforceable. In a judgment dated 2 September 2021 (Komstroy vs. Moldova), the CJEU has held that intra-EU investment arbitration proceedings under the multilateral ECT are incompatible with EU law, applying the Achmea Judgment reasoning to the ECT.

Some arbitral tribunals have rejected these intra-EU jurisdictional objections on several occasions so far, insisting on their authority to hear the case regardless of the Achmea Judgment. However, the same objections are also raised before the EU national courts where recognition and enforcement of arbitral awards is sought. Since the EU national courts are under the obligation to respect conclusions of the Achmea Judgment, a considerable risk exists that any favourable arbitral award might be annulled or refused to be enforced.

On July 19, 2018, the EU Commission issued a communication "*Protection of intra-EU investment*" stressing that investors can no longer rely on intra-EU BITs as such treaties overlap with the EU single market rules and discriminate against EU investors.

On January 15, 2019, representatives of 22 EU Member States signed a declaration on the legal consequences of the Achmea Judgment, in which they, *inter alia*, undertake to inform investment arbitration tribunals about the legal consequences of the Achmea Judgment in ongoing proceedings under intra-EU BITs and to terminate all intra-EU BITs by December 6, 2019.

Finally, on 5 May 2020, 23 EU Member States (including the Czech Republic) signed the Agreement for the Termination of Bilateral Investment Treaties between the Member States of the EU (the "*BIT Termination Agreement*") under which the EU Member States committed to terminate their Intra-EU BITs and which implements the Achmea Judgment. Those EU Member States which did not accede to the BIT Termination Agreement will terminate the respective BIT by way of bilateral negotiations.

The Czech Republic ratified the BIT Termination Agreement and it entered into force with respect to the Czech Republic on 10 December 2021. As other participating EU Member States gradually ratify the BIT Termination Agreement as well, more and more Intra-EU BITs are being ceased to exist. In these situations, no new arbitration proceedings can be initiated to protect our interests and any potential claim concerning our investment will therefore have to be adjudicated by general courts of the respective EU Member state.

We carry out business activities in various other EU Member States where we may be subject to adverse regulatory actions. We also commenced international investment arbitration proceedings against the Republic of Bulgaria at ICSID (please see "*Description of ČEZ —Legal Proceedings —Bulgaria*"). We cannot give any assurance that the above described and rapid development in the field of international investment arbitration will not have a material adverse effect on our ability to fully recover the value of our investments in other Member States and, thus, also on our business, results of operations and financial condition.

Risks relating to our financial profile

Our ability to access credit and bond markets and our ability to raise additional financing is in part dependent on our credit ratings.

As of the date of this Base Prospectus, ČEZ has a credit rating of A- with a stable outlook by Standard & Poor's and Baa1 with a stable outlook by Moody's. On June 7, 2021, Standard & Poor's updated its credit report in relation to ČEZ and confirmed its long-term credit rating "A-" with a stable outlook. On February 18, 2022, Moody's updated its credit opinion of ČEZ with an unchanged long-term credit rating of "Baa1" with a stable outlook. These ratings reflect each agency's opinion of our financial strength, operating performance and ability to meet our debt obligations as they become due. These ratings are near the low-end of the respective rating agency's scale of investment-grade ratings. Credit rating agencies monitor companies more closely and have made liquidity, and the key ratios associated with it, such as gross leverage ratio, a particular priority when determining a company's rating. Our ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on our credit ratings. We currently expect to operate with sufficient liquidity to maintain our current ratings. However, this is dependent on a number of factors, some of which may be beyond our control. If we fail to maintain adequate levels of liquidity, our ratings may be downgraded. In the event our credit or debt ratings are further lowered by the rating agencies, we may not be able to raise additional indebtedness on terms similar to our existing indebtedness or at all, and our ability to access credit and bond markets and other forms of financing (or refinancing) could be limited, which could have a material adverse effect on our business, results of operations and financial condition. Further lowering of our credit rating may also trigger our obligation to redeem certain debt securities prior to their scheduled redemption date which could also have a material adverse effect on our business, results of operations and financial condition.

We have substantial debt and our financial obligations could impair our ability to service our debt, carry out new financings and fund our capital expenditures.

We have substantial debt and other financial obligations, amounting to CZK 137,881 million as of December 31, 2021, compared to CZK 156,547 million as of December 31, 2020. We cannot give any assurances that our cash flow from operations will be sufficient to service our debt and to meet other payment obligations or to fund our planned capital expenditures without the need for additional external financing. Our substantial debt and other financial obligations could limit our flexibility in planning for, or reacting to, changes in our business or our industry, which could have a material adverse effect on our business, results of operations and financial condition.

The agreements that govern our long-term debt contain restrictive covenants.

The agreements that govern our long-term debt contain certain restrictive covenants, including among others "negative-pledge" clauses, "no disposal of assets" clauses and "material change" clauses, which may restrict our ability to acquire or dispose of assets or incur new debt. Our failure to comply with any of these covenants could constitute an event of default, which could result in the immediate or accelerated repayment of our debt, lead to cross-default under our other credit agreements or limit or reduce our ability to implement and execute our key strategies, which could in turn have a material adverse effect on our business, results of operations and financial condition.

We conduct our business in several different currencies and are exposed to foreign currency risks.

We sell the electricity we generate in the Czech Republic on markets such as the PXE and the EEX, which trade electricity contracts denominated in Euro. As a result, the revenues we receive from these sales are either denominated in Euro or denominated in Czech crowns but derived from Euro-denominated electricity prices and the EUR/CZK exchange rate at the time the contract is concluded. However, a significant portion of our operating expenses and capital expenditure needs related to power generation in the Czech Republic are denominated in Czech crowns, which exposes us to substantial foreign exchange risk. We also generate revenues and incur costs in currencies other than Euro and Czech crown, such as Polish zloty and Turkish lira. We believe that our Euro denominated indebtedness acts as a natural foreign exchange hedge for our exposure to Euro denominated revenues and we also engage in transaction currency hedging. In general, we hedge our CZK/EUR position for the expected electricity supply from generation. As of December 31, 2021, we had our CZK/EUR position for 2022 hedged at an average rate of 25.90 CZK/EUR while for the period of 2023-2025 at a rate of 25.63 – 26.03 CZK/EUR. Any increase in our exposure to foreign exchange risks or our failure to manage or make use of financial or natural hedging in order to manage our exposure to foreign exchange risk could have a material adverse effect on our business, results of operations and financial condition.

The Czech crown volatility is affected by, among others, public finance deficits, the overall development of the global economy and the relative perception of risks associated with new Member States and other central and eastern European countries. The volatility of the Czech crown is also affected by the anticipated date that the Czech Republic joins the Eurozone, which has been delayed due to political developments. As of the date of this Base Prospectus, there is no official target date for the Czech Republic to join the Eurozone.

We cannot give any assurance that any government or monetary authorities will not impose (as some have done in the past) exchange controls or interventions that could adversely affect an applicable exchange rate. For instance, in the period from November 2013 to April 2017, the Czech National Bank was intervening in the foreign exchange markets to weaken the Czech crown against the Euro. The Czech National Bank ended its exchange rate intervention against the Czech crown on April 6, 2017 due to the rise in inflation. Any significant change or fluctuation in the Czech crown's exchange rate or inflation in the Czech Republic could have a material adverse effect on our business, results of operations and financial condition.

External financing may increase our interest expense.

Due to potential investments, acquisitions and our need to service existing debt and other financial obligations, we may need additional external financing to cover our payment obligations. Any increase in interest rates could therefore lead to a material increase in our interest expense, which could have a material adverse effect on our business, results of operations and financial condition. We use interest rate swaps and other types of derivatives to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs. However, we may incur losses if any of the variety of instruments and strategies used to hedge exposures are not effective or cannot be implemented. Our actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. Also, the risk management procedures we have in place may not always be followed or may not work as planned. In addition, we perform stress testing using a standardised interest rate shock, whereby an immediate increase or decrease in interest rates by one per cent. along the whole yield curve is applied to the interest rate positions of the portfolio. The occurrence of any of the aforesaid risks could have a material adverse effect on our business, results of operations and financial condition.

We could incur unforeseen taxes, tax penalties and sanctions.

A number of Member States face significant budget deficits and, as a result, new taxes have been, and may in the future be, imposed on the utilities sector, such as the nuclear tax in Germany and the power sales tax in Hungary. The imposition of any new taxes (including a carbon tax or sector tax) in the countries in which we operate, or changing interpretations or application of tax regulations by the tax authorities, harmonization of Czech and EU tax law and regulation, extensive time periods relating to overdue liabilities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by us, which could have a material adverse effect on our business, results of operations and financial condition.

For example, with effect from January 1, 2014, operators of certain solar electricity producing facilities in the Czech Republic which were put into operation between January 1, 2010 and December 31, 2010 are subject to a withholding tax in the amount of (i) 10 % of the income corresponding to the feed-in tariff, or (ii) 11 % of the income corresponding to a "green bonus". As of December 31, 2021, we owned and operated 13 solar power plants in the Czech Republic, with installed capacity of 126.0 MW. The majority of these solar power plants were put into operation between January 1, 2010 and December 31, 2010 and are subject to the withholding tax. Extension or amendment to such tax legislation or introduction of any similar tax in the future could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to CEZ Finance

CEZ Finance is a newly set up entity.

CEZ Finance is a newly incorporated entity with no operational history and the objective of which is to finance businesses within the CEZ Group. CEZ Finance may issue Notes under the Programme and lend the proceeds of such issuance to the Guarantor or other CEZ Group companies and may enter into certain ancillary arrangements. CEZ Finance's principal source of funds, if any, will be derived from the Guarantor and other CEZ Group companies. See "– *CEZ Finance is dependent on the Guarantor or other CEZ Group companies as the only source of its income will be the repayment by the Guarantor or other CEZ Group companies of the loans provided to them*". CEZ Finance is subject to all the risks relating to income and expenses to which the CEZ Group is subject, to the extent that such risks could limit CEZ Finance's ability to satisfy its obligations under any Notes in full and on a timely basis.

CEZ Finance is dependent on the Guarantor or other CEZ Group companies as the only source of its income will be the repayment by ČEZ or other CEZ Group companies of the loans provided to them.

CEZ Finance is highly dependent on the Guarantor's or other CEZ Group companies' financial strength. CEZ Finance's only source of income will be the repayment of all principal amounts and interest under inter-company loan agreements to be entered into between CEZ Finance as the lender and the Guarantor or other CEZ Group companies as the borrower. If any of the risks mentioned in the section "– *Risks Related to Our Business and Operations*" have a material adverse effect on the CEZ Group's ability to conduct its business and generate revenues, or any other events materially adversely affect the CEZ Group's business, results of operations and/or financial condition and the Guarantor or other CEZ Group company becomes unable to make the scheduled repayments pursuant to inter-company loan agreements between the Guarantor or other CEZ Group company and CEZ Finance, this will have a material adverse effect on CEZ Finance's ability to satisfy in full and on a timely basis its obligations in respect of any Notes.

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes.

Risks applicable to all Notes

If an Issuer has a right to redeem any Notes at its option, this may limit the market value of the Notes concerned, and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Moreover, the applicable Final Terms or Pricing Supplement (as relevant) of a particular issue of Notes may provide for an early redemption at the option of the relevant Issuer (including a Make-Whole Redemption by the relevant Issuer as described in Condition 6.4 or a Residual Maturity Call Option by the relevant Issuer as described in Condition 6.5). As a consequence, the proceeds received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. As a result, part of the capital invested by the Noteholder may be lost, so that the Noteholder in such case would not receive the total amount of the capital invested.

Furthermore, the relevant Issuer may, in accordance with Condition 6.2, redeem the Notes in whole but not in part in the event that the relevant Issuer or, failing which, the Guarantor is obliged to increase the amounts payable in respect of any Notes as a result of any change in, or amendment to, the laws or regulations of the Czech Republic or the Netherlands, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations.

A partial redemption at the option of the relevant Issuer or redemption at the option of the Noteholders may affect the liquidity of the Notes of the same Series in respect of which such option is not exercised.

An early redemption at the option of the relevant Issuer (including a Make-Whole Redemption by the relevant Issuer as described in Condition 6.4) or an early redemption at the option of the Noteholders in respect of certain Notes may affect the liquidity of the Notes of the same Series in respect of which such option is not exercised.

Depending on the number of Notes of the same Series in respect of which a partial redemption of the Notes at the option of the relevant Issuer or at the option of the Noteholders is made, any trading market in respect of those Notes in respect of which such option is not exercised may become illiquid.

If the Notes include a feature to convert the interest basis from a fixed to a floating rate or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

There are particular risks associated with an investment in certain types of Floating Rate Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes.

The relevant Issuer may issue Floating Rate Notes with interest determined by reference to a reference rate (such as EURIBOR, PRIBOR, SOFR or TONA).

Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) a reference rate (such as EURIBOR, PRIBOR, SOFR or TONA) may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and

(iv) the timing of changes in a reference rate may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the reference rate, the greater the effect on yield.

The historical experience of a reference rate should not be viewed as an indication of the future performance of such reference rate during the term of any the relevant Floating Rate Notes. Accordingly, each potential investor should consult its own financial and legal advisors about the risk entailed by an investment in any Floating Rate Note linked to a reference rate and the suitability of such Notes in light of its particular circumstances.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks applicable to certain types of Exempt Notes.

There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "*Relevant Factor*"). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or a Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of the relevant Notes. Accordingly, each potential investor should consult its own financial and legal advisors about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of the Notes could result in such investor losing all of his investment.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Notes which are issued with an inverse floating interest rate will have more volatile market values than conventional floating rate notes.

Notes with an inverse floating rate have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR, PRIBOR, SOFR or TONA. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Notes with an inverse floating rate are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

The regulation and reform of "benchmarks" may adversely affect the value of any Notes linked to such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks", and which may be used to determine the amounts payable under financial instruments or the value of such financial instruments including EURIBOR and PRIBOR, are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark".

The EU Benchmark Regulation applies, subject to certain transitional provisions. The EU Benchmark Regulation could have a material impact on any Notes linked to or refinancing EURIBOR or PRIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the EU Benchmark Regulation. Such changes could (amongst other things) have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

There are on-going workstreams to determine a euro risk free-rate as an alternative to EURIBOR. On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("*€STR*") as the new risk free rate. €STR has been published by the ECB since October 2019. Meanwhile, EURIBOR underwent a methodological reform in 2019 to make it compliant with the regulatory requirements outlined in the EU Benchmark Regulation. It is now determined using a hybrid methodology rather than a purely quote-based method. Following a testing phase and public consultations, the hybrid methodology became applicable at the end of 2019, and the European Money Markets

Institute has received authorisation from the competent authority, meaning that the benchmark can continue to be used for new and legacy contracts after 3 January 2022. Nevertheless, the long-term sustainability of EURIBOR depends on factors such as the continued willingness of the panel of contributing banks to support it, the support of the regulator and the administrator and/or whether or not there is sufficient activity in its underlying market.

Such factors may have the following effects on certain benchmarks (including EURIBOR and PRIBOR): (i) discourage market participants from continuing to administer or contribute to certain "benchmarks", (ii) trigger changes in the rules or methodologies used in certain "benchmarks" or (iii) lead to the disappearance of certain "benchmarks". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

It is not possible to predict with certainty whether, and to what extent, EURIBOR and/or PRIBOR will continue to be supported going forwards. This may cause EURIBOR and/or PRIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted. The elimination of EURIBOR, PRIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as EURIBOR, PRIBOR or other relevant reference rates such as SOFR or TONA (including, without limitation, mid-swap rates and any page on which such benchmark may be published) becomes unavailable. Where the Rate of Interest (as defined in "*Terms and Conditions of the Notes*") is to be determined by reference to the Relevant Screen Page (as defined in "*Terms and Conditions of the Notes*") and the Relevant Screen Page is not available or the relevant rate does not appear on the Relevant Screen Page, the Terms and Conditions of the Notes provide for the Rate of Interest to be determined by the Agent by reference to quotations from Reference Banks communicated to the Agent at the request of the relevant Issuer.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate (as defined in "*Terms and Conditions of the Notes*")), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period (as defined in "*Terms and Conditions of the Notes*") may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from Reference Banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Notes.

If a Benchmark Event (as defined in "*Terms and Conditions of the Notes*") (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the relevant Issuer shall use its reasonable endeavours to appoint an Independent Adviser (as defined in "*Terms and Conditions of the Notes*"). After consulting with the Independent Adviser, the relevant Issuer shall endeavour to determine a Successor Rate or Alternative Rate (each as defined in "*Terms and Conditions of the Notes*") to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the relevant Issuer, the Terms and Conditions of the Notes provide that the relevant Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the relevant Issuer, the Terms and Conditions of the Notes also provide that an Adjustment Spread (as defined in "*Terms and Conditions of the Notes*") may be determined by the relevant Issuer and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders (each as defined in "*Terms and Conditions of the Notes*") as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Noteholders and Couponholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing EURIBOR or PRIBOR.

The market continues to develop in relation to SOFR and TONA as reference rates for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR and TONA as reference rates. In addition, market participants and relevant working groups are exploring alternative reference rates based on SOFR and TONA, including term SOFR and TONA reference rates (which seek to measure the market's forward expectation of an average SOFR or TONA rate over a designated term). The development of SOFR and TONA as interest reference rates for the Eurobond markets, as well as continued development of SOFR and TONA based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The use of SOFR and TONA as reference rates for Eurobonds continues to develop, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing SOFR and TONA. In particular, investors should be aware that several different SOFR and TONA methodologies have been used to date and no assurance can be given that any particular methodology, including the Compounded Daily SOFR Index and Compounded Daily TONA Index approach in the Terms and Conditions, will gain widespread market acceptance.

With respect to SOFR and TONA, the market or a significant part thereof may adopt an application of SOFR and TONA that differs significantly from that set out in the Terms and Conditions as applicable to the Notes. Furthermore, any Issuer may, in the future, issue Notes referencing SOFR and TONA that differs materially in terms of interest determination when compared with the Notes. In addition, the manner of adoption or application of SOFR and TONA in the Eurobond markets may differ materially compared with the application and adoption of SOFR and TONA in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SOFR and TONA across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR and TONA.

SOFR and TONA differ from EURIBOR and PRIBOR (and other frequently referenced term rates based on interbank lending) in a number of material respects and have a limited history.

SOFR and TONA differ from EURIBOR and PRIBOR (and other frequently referenced term rates based on interbank lending) in a number of material respects, including that SOFR and TONA are backwards-looking, risk-free overnight rates, whereas EURIBOR and PRIBOR and similar rates are expressed on the basis of a forward- looking term and include a risk-element based on inter-bank lending. As such, investors should be aware that SOFR and TONA may behave materially differently as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to EURIBOR and/or PRIBOR which are unsecured rates. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

SOFR and TONA have a limited history. The future performance of SOFR and TONA may therefore be difficult to predict based on the limited historical performance. The level SOFR and TONA during the term of the Notes may bear little or no relation to the historical level of SOFR and TONA. Prior observed patterns, if any, in the behaviour of market variables and their relation to SOFR and TONA such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of future performance of SOFR and TONA nor should they rely on any hypothetical data.

Furthermore, as regards a regular Interest Period, the Rate of Interest for such period is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for Noteholders to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, in contrast to EURIBOR or PRIBOR or other similar term rate-based Notes, if the Notes become due and payable under Condition 6 or 9, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of the Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable.

With respect to SOFR and TONA, the administrator of SOFR and the administrator of TONA may make changes that could change the value of SOFR or TONA or discontinue SOFR or TONA.

The New York Federal Reserve or the Bank of Japan (or a successor), as administrators of SOFR and TONA respectively, may make methodological or other changes that could change the value of SOFR and TONA respectively, including changes related to the method by which SOFR or TONA is calculated, eligibility criteria applicable to the transactions used to calculate SOFR or TONA, or timing related to the publication of SOFR or TONA. In addition, the relevant administrator may alter, discontinue or suspend calculation or dissemination of SOFR or TONA (in which case a fallback method of determining the interest rate on the Notes will apply). The relevant administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SOFR or TONA.

Notes issued as Sustainability-Linked Notes may not be a suitable investment for all investor seeking exposure to assets with sustainability characteristics.

Any Issuer may issue Sustainability-Linked Notes under the Programme with either (i) the interest rate relating to such Notes being subject to an upward adjustment, or (ii) a Redemption Premium being payable, if the relevant Issuer does not achieve the relevant SPT (as defined in Condition 4.5). Any Sustainability-Linked Notes issued under the Programme may not satisfy an investor's requirements or any future legal, quasi-legal or other standards for investment in assets with sustainability characteristics. In particular, any Sustainability-Linked Notes issued under the Programme may not be marketed as "social bonds" or "sustainability bonds" as the net proceeds of the issue of such Notes may be used for the relevant Issuer's general corporate purposes, including acquisitions, unless specified otherwise in the applicable Final Terms. In addition, any Sustainability-Linked Notes issued under the Programme may not be marketed as "green bonds". The Issuers do not commit to (i) allocate the net proceeds of any Sustainability-Linked Notes issued under the Programme specifically to projects or business activities meeting sustainability criteria or (ii) be subject to any other limitations or requirements that may be associated with green bonds, social bonds or sustainability bonds in any particular market in connection with the issuance of any Sustainability-Linked Notes under the Programme.

In addition, any interest rate adjustment or Redemption Premium in respect of any Sustainability-Linked Notes as contemplated by the terms and conditions of any Sustainability-Linked Notes will depend on the relevant Issuer achieving, or not achieving, the relevant SPT, which may be inconsistent with or insufficient to satisfy investor requirements or expectations. Prospective investors in any Sustainability-Linked Notes issued under the Programme should have regard to the information set out herein and must determine for themselves the relevance of such information for the purpose of any investment in such Notes, together with any other investigation such investor deems necessary.

The relevant Issuer's SPT relating to any Sustainability-Linked Notes issued under the Programme will be aimed at reducing the Group's direct greenhouse gas emissions intensity measured in tCO2e/MWh. The SPT would therefore be uniquely tailored to the Group's business, operations and capabilities, and it does not easily lend itself to benchmarking against similar sustainability performance targets, and the related performance, of other issuers. No assurance is or can be given to investors by the Issuers, the Guarantor (if applicable) the Arranger, the Dealers, any second-party opinion providers or any Assurance Providers (as defined in Condition 4.5) that any Sustainability-Linked Notes issued under the Programme will meet any or all investor expectations regarding such Notes or any SPT of the Group qualifying as "sustainable" or "sustainability-linked" or that any adverse environmental, social and/or other impacts will not occur in connection with the relevant Issuer striving to achieve any SPT or the use of the net proceeds from the offering of any Sustainability-Linked Notes issued under the Programme.

The ČEZ Group has signed a commitment letter to the business ambition for 1.5 degrees centigrade C3 and has defined interim and long-term targets to reach net-zero by no later than 2050. Currently, ČEZ has set net-zero science-based interim emission reduction targets in line with well below 2 degrees centigrade. These targets have been submitted for approval to the Science Based Targets initiative ("*SBTi*"), however there can be no assurance that SBTi approval in respect of such targets may be obtained.

Investors should refer to ČEZ's website and the Sustainability-Linked Financing Framework (as defined and further described in the section of the Base Prospectus entitled "Sustainability-Linked Financing Framework" below) for further information.

No assurance or representation is given by the Issuers, the Guarantor (if applicable), the Arranger and Dealers, any second-party opinion providers or any Assurance Provider as to the suitability or reliability for any purpose whatsoever of any opinion, report, certification or validation of any third party in connection with the offering of any Sustainability-Linked Notes or any SPT to fulfil any sustainable, sustainability-linked and/or other criteria. Any such opinion, report or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus.

An Issuer will, in connection with an issuance of Sustainability-Linked Notes under the Programme, obtain a second-party opinion or other similar opinion, certification and validation, and undergo external third-party verification. Second-party opinion providers and providers of similar opinions, certifications and validations are not currently subject to any specific regulatory or other regime or oversight. Any such opinion or certification would not be, nor should it be deemed to be, a recommendation by the Issuers, the Guarantor (if applicable), the Arranger and Dealers, any second-party opinion providers, any Assurance Provider or any other person to buy, sell or hold any Sustainability-Linked Notes. Noteholders would have no recourse against the Issuers, the Guarantor (if applicable), the Arranger and Dealers or any provider of any such opinion or certification for the contents of any such opinion or certification, which is only current as at the date it is initially issued. Prospective investors must determine for themselves the relevance of any such opinion, certification or validation and/or the information contained therein and/or the provider of such opinion, certification or validation for the purpose of any investment in any Sustainability-Linked Notes issued under the Programme. Any withdrawal of any such opinion or certification, or any such opinion or certification attesting that the relevant Issuer is not complying in whole or in part with any matters on which such opinion, certification or validation is opining or certifying, may have a material adverse effect on the value of any Sustainability-Linked Notes issued under the Programme and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Although in connection with the issuance of any Sustainability-Linked Notes under the Programme the relevant Issuer may intend to reduce the Group's direct greenhouse gas emissions intensity, there can be no assurance of the extent to which it will be successful in doing so, that it will not decide to discontinue the relevant SPT or that any future investments it makes in pursuit of such SPT will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Notwithstanding the fact that any failure to meet the relevant SPT will give rise to either an upward adjustment of the rate of interest, or the payment of a Redemption Premium, as specified in the applicable Final Terms relating to the relevant Sustainability-Linked Notes, as described in Condition 4.5, such failure will not be an Event of Default under such Notes nor will the relevant Issuer be required to repurchase or redeem any such Notes in such circumstances. Furthermore, any breach or default by the relevant Issuer in the performance of any of its ancillary obligations in connection with the issue of any Sustainability-Linked Notes, howsoever arising, shall not constitute an Event of Default under such Notes nor will the relevant Issuer be required to repurchase or redeem any such Notes in such circumstances. The relevant Issuer's efforts in achieving any SPT may further become controversial or be criticised by activist groups or other stakeholders, which may have a material adverse effect on the value of any Sustainability-Linked Notes issued under the Programme and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Achieving any SPT or any similar sustainability performance targets will require ČEZ to expend significant resources, while not meeting any such targets would result either in increased interest payments or additional Redemption Premium payable on any Sustainability-Linked Notes, and could expose ČEZ to reputational risks.

Achieving the relevant SPT in relation to any Sustainability-Linked Notes issued under the Programme would require the Group to reduce its direct greenhouse gas emissions intensity to at or below a specified amount (in tCO_2e/MWh) by a specified date. As a result, achieving the relevant SPT or any similar sustainability performance targets the relevant Issuer may choose to include in future financings or other arrangements will require the Group to expend significant resources.

In addition, the relevant Issuer not achieving its relevant SPT or any such similar sustainability performance targets that such Issuer may choose to include in any future financings would not only result in increased interest payments or payment of a Redemption Premium under the relevant Sustainability-Linked Notes or other relevant financing arrangements, but could also harm that Issuer's reputation, the consequences of which could, in each case, have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group's ability and autonomy to calculate its CII means that a SPT in relation to any Sustainability-Linked Notes may change during the life of any Sustainability-Linked Notes.

The Sustainability-Linked Notes include certain triggers linked to the Group's CII, which is calculated and not a measured number. The CII calculations are carried out internally (i.e., by the Group itself, based on broadly accepted standards) and may be adjusted in accordance with the Group's Recalculation Option (as defined in the Terms and Conditions) and, in respect of any Sustainability-Linked Notes, will be verified externally by an Assurance Provider. However, the standards and guidelines may change over time and investors should be aware that the way in which the Group calculates its CII may also change over time.

For example, under the Terms and Conditions, the SPT may be adjusted in good faith by the relevant Issuer in line with the Recalculation Option. According to the Recalculation Option, the Group may adjust the CII calculation as a result of acquisition, merger, divestment, changes in calculation method of the CII or as a result of updating the SPT to align the ambition of the SPT with a science-based climate change target of limiting global temperature increase versus pre-industrial levels to below 1.5 degrees centigrade. Any recalculation of such SPT may increase the amount of carbon dioxide emissions and, therefore, increase the total volume of carbon dioxide emissions that may be produced by the relevant Issuer. Any recalculation of the SPT may impact, positively or negatively, the ability of the relevant Issuer to satisfy the SPT, which could in turn adversely affect the market price of any Sustainability-Linked Notes.

Risks related to the Notes generally

Set out below is a description of material risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Possible difficulties or delays in enforcing English court judgments as a result of the UK's withdrawal from the EU.

Upon the end of the transitional period following the withdrawal of the United Kingdom from the EU, the so-called Recast Brussels Regulation (Regulation (EU) No 1215/2012) (the "**Recast Regulation**"), which is the formal reciprocal regime on jurisdiction and judgments which is currently applied in the EU context no longer applies in the United Kingdom. As a result, persons enforcing a judgment obtained before English courts will no longer automatically be able to benefit from the recognition of such judgment in EU courts under the Recast Regulation.

On 8 April 2020, the UK government formally applied for the UK to re-join the Lugano Convention as an independent contracting state, which would mean English judgments would continue to be recognised and enforced in other contracting states. However, on 1 July 2021, the Federal Department of Foreign Affairs of Switzerland announced to the other contracting parties the European Commission's refusal to provide its consent for the UK's accession to the Lugano Convention. Further, on 28 September 2020, the UK deposited its instrument of accession to the Hague

Convention on Choice of Court Agreements 2005 (the "**Hague Convention**"). The Hague Convention requires that contracting states recognise and respect exclusive jurisdiction clauses, and to enforce related judgments, in favour of other contracting states. The Netherlands and the Czech Republic are each a party to the Hague Convention as a consequence of being EU Member States. Therefore, judgments of the English courts should be both recognised and enforced in the Netherlands and the Czech Republic pursuant to the Hague Convention. However, the scope of the Hague Convention is limited and it applies only to contracts with an exclusive jurisdiction clause.

Although unlikely, it cannot be excluded that Dutch or Czech courts considering the recognition and enforcement of English court judgments will apply the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. Therefore, Noteholders seeking to enforce an English court judgment against the relevant Issuer, or the Guarantor, if applicable, may need to rely on Dutch and/or Czech civil procedure rules for the recognition and enforcement of any such judgment in the Netherlands or the Czech Republic, as the case may be. As a result, a judgment entered against the relevant Issuer, or the Guarantor, if applicable, in an English court may not be recognised or enforceable without a re-trial on its merits.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Withholding tax on interest in the Czech Republic in respect of payments made to individuals that are Czech tax residents.

Interest income on the Notes (with the exception of Discount as described below) paid to an individual who is for tax purposes treated as a resident of the Czech Republic is generally subject to a withholding tax at 15%. As described in sections "*Subscription and Sale*" and "*Transfer Restrictions*", the Notes are not to be offered to such individuals. ČEZ is relying on the restrictions set out in sections "*Subscription and Sale*" and "*Transfer Restrictions*".

Risks related to the market generally

Set out below is a description of the material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "*Investor's Currency*") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the relevant Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

ČEZ's credit ratings are A- (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's. Standard & Poor's (domiciled in Ireland) and Moody's (domiciled in Ireland) are both are included in the list of credit rating agencies registered in accordance with the CRA Regulation, which is available on the ESMA website (*https://www.esma.europa.eu/supervision/credit-rating-agencies/risk*). The list of registered and certified rating agencies published by ESMA on its website is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. In addition, Standard & Poor's, Moody's and/or other independent credit rating agencies may assign credit ratings to the Notes. Any rating is not a recommendation to purchase, sell or hold any particular security, including the Notes. These ratings are limited in scope and do not comment as to market price or suitability for a particular investor. In addition, ratings at any time may be lowered or withdrawn in their entirety. Actual or anticipated changes or downgrades in the Issuer's credit ratings, including any announcement that the Issuer's ratings are under further review for a downgrade, could affect the market value of the Notes and increase the Issuer's borrowing costs.

European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

Investors regulated in the UK are subject to similar restrictions under the CRA Regulation as it forms part of the current domestic law of the UK by virtue of the EUWA (the "*UK CRA Regulation*"). UK regulated investors are restricted under the UK CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-UK credit rating agencies, unless the relevant credit ratings are endorsed by a UK-registered credit rating agency or the relevant non-UK rating agency is certified in accordance with the UK CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

STABILIZATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in the applicable Final Terms or (in the case of Exempt Notes) the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilization Manager(s) (or persons acting on behalf of any Stabilization Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL INFORMATION

With the exception of certain alternative performance measures (please see "—*Alternative Performance Measures*"), the financial information as of and for the years ended December 31, 2020 and 2021 included in this Base Prospectus has been derived from the audited consolidated financial statements of the CEZ Group as of and for the year ended December 31, 2020 (the "*2020 Financial Statements*") and the audited consolidated financial statements of the CEZ Group as of and for the year ended December 31, 2021 (the "*2021 Financial Statements*" and together with the 2020 Financial Statements, the "*Financial Statements*").

The 2021 Financial Statements (together with an English translation of the audit report thereon) are reproduced in full in this Base Prospectus (see page F-1 et seq.). The audited non-consolidated financial statements of ČEZ for the year ended December 31, 2021 (together with an English translation of the audit report thereon) are also reproduced in full in this Base Prospectus (see page F-1 et seq.). The 2020 Financial Statements are incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*").

Certain amounts and percentages which appear in this Base Prospectus have been subject to rounding adjustments, and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Alternative Performance Measures

In this Base Prospectus, we present the following metrics calculated on the basis of the Financial Statements which are not calculated in accordance with International Financial Reporting Standards ("*IFRS*") as adopted in the EU and which are therefore non-IFRS measures. The Issuers consider each metric set out below to constitute an alternative performance measures (an "*APM*") described in, and to comply with, the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the "*ESMA Guidelines*") published on October 5, 2015 by the European Securities and Markets Authority and which came into force on July 3, 2016. The Issuers consider that these metrics provide useful information for investors and other interested parties in order to better understand the underlying business, the financial position, cash flows and results of operations of the Issuers and the Guarantor, as applicable. An APM should not be considered in isolation from, or as substitute for any analysis of, financial measures defined according to IFRS. Investors are advised to review these APMs in conjunction with the Financial Statements contained in this Base Prospectus. Please see "*Selected Financial Information – Other Financial Information*" for reconciliation of the APMs to our Financial Statements.

APM	**Definition of APM**	**Purpose of APM**
EBIT	Income before other income (expenses) and income taxes.	Measure of operating performance.
EBITDA	Income before income taxes and other income (expenses) plus depreciation and amortization plus impairment of property, plant and equipment and intangible assets and less gain (or loss) on sale of property, plant and equipment.	Measure of operating performance.
EBITDA Margin	Percentage corresponding to the ratio of EBITDA to total revenues and other operating income.	Measure of operating profitability.
Net Debt	Total Debt less cash and cash equivalents and highly liquid financial assets. Highly liquid financial assets consist for capital management purposes of short-term and long-term debt financial assets and short-term and long-term bank deposits.	Measure of indebtedness.
Net Debt/EBITDA Ratio	Ratio of Net Debt to EBITDA.	Measure of indebtedness and borrowing capacity.
Total Capital	Total equity attributable to equity holders of the parent plus Total Debt.	Measure of invested capital.
Total Debt	Long-term and short-term interest-bearing loans and borrowings (including those associated with assets classified as held for sale).	Measure of indebtedness.

Total Debt/Total Capital Ratio	Ratio of Total Debt to Total Capital.	Indicator of financial structure and solvency.

The APMs are supplemental measures of our performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, the APMs should not be considered as an alternative to income after taxes, income before taxes or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities, as a measure of our liquidity or as a measure of cash available to us to invest in the growth of our business.

The APMs are included in this Base Prospectus to extend the financial disclosure to metrics which are used, along with IFRS measures, by our management in monitoring and valuating the CEZ Group's economic and financial performance, and provide investors with further basis, along with IFRS measures, for measuring the CEZ Group's performance.

The APMs presented in this Base Prospectus may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. The APMs are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles, or as alternatives to cash flow from operating, investing or financing activities.

The APMs have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under IFRS as set out in our audited consolidated financial statements and you should not place any undue reliance on our APMs. Some of these limitations related to the APMs are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect gains or losses in hedging or foreign exchange contracts;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, the APMs should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these APMs only as supplemental means for evaluating our performance. Please see "*Selected Financial Information*" and our audited consolidated financial statements and the notes thereto, which are incorporated into this Base Prospectus.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "anticipate", "expect", "forecast", "foresee", "aim", "intend", "may", "plan", "project", "seek", "should", "will", "would" or, in each case, similar expressions or the negative thereof, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized. They appear in a number of places throughout this Base Prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. ČEZ and CEZ Finance caution you that forward-looking statements are not guarantees of future performance and that the actual results of the Group's operations, including its financial condition and liquidity, and the development of the Group's industry may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the Group's industry are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause these differences include, but are not limited to:

- a decrease in demand for electricity, including as a result of a potential return of global economic crisis or an outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the recent outbreak of COVID-19, that escalated into a global pandemic;
- our strategy, outlook and growth prospects;
- our ability to expand our business and our generation capacity;
- fluctuations in electricity generated by our power plants;
- changes in government regulation and expectations as to future governmental policies and actions;
- unanticipated increases in fuel and other costs;
- fluctuations in interest rates and other market conditions, including foreign currency exchange rates;
- our ability to generate cash flow and to finance our capital expenditure needs;
- any decision by the Czech Government to undertake a partial or full privatization of ČEZ;
- diverse political, economic, legal, tax and other conditions affecting the markets in which we operate, including armed conflicts, such as the current conflict between Russia and Ukraine;
- competition in the markets in which we operate and our ability to compete in such markets;
- costs, liabilities and penalties we may incur in connection with litigation;
- other risks and factors discussed in this Base Prospectus including under the heading "*Risk Factors*"; and
- other factors that are unforeseen or beyond our control.

Although each of ČEZ and CEZ Finance believe the expectations reflected in any forward-looking statement are reasonable, they cannot give any assurance that they will materialize or prove to be correct.

Each of ČEZ and CEZ Finance urge you to read "*Risk Factors*", "*Regulation*", "*Description of CEZ Finance*" and "*Description of ČEZ*" for a more complete discussion of the factors that could affect ČEZ and CEZ Finance's future performance, its industry and related regulation thereof. In light of these risks, uncertainties and assumptions, the events described or suggested by the forward-looking statements in this Base Prospectus may not occur.

These forward-looking statements speak only as of the date on which the statements were made. Except as required by law or applicable stock exchange rules or regulations, ČEZ and CEZ Finance undertake no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to ČEZ or CEZ Finance or to persons acting on each of their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Certain information contained in this Base Prospectus was derived from various public sources, including information published by Bloomberg, the Czech National Bank, the Czech Statistical Office, the Czech Energy Regulatory Office, Federal Network Agency for Electricity, Gas, Telecommunications, Posts and Railway (*Bundesnetzagentur*) in Germany, Regulatory Commission of Energy (*Commission de Régulation de l'Energie*) in France, the Energy and Water Regulatory Commission in Bulgaria and the Romanian Energy Regulatory Authority. Where information has been sourced from a third party the source has been identified, the information has been accurately reproduced and (as far as the Issuer is aware and is able to ascertain from information published by that third party) no facts have been omitted which could render the reproduced information inaccurate or misleading.

Each of ČEZ and CEZ Finance believes that the market and industry information contained in this Base Prospectus provides fair and adequate estimates of the size of the Group's market and fairly reflects the Group's competitive position within that market. However, the Group's internal company surveys and management estimates have not been verified by any independent expert, and neither ČEZ nor CEZ Finance can give any assurance that a third party using different methods to assemble, analyse or calculate market data would obtain or generate the same results.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Issuer believes that these industry publications, surveys and forecasts are reliable but the Issuer has not independently verified them and cannot guarantee their accuracy or completeness. Further, the information presented in this Base Prospectus has been derived from several sources, as there is no single industry report or other source that covers all of the areas in which the Group conducts its operations.

In addition, ČEZ and CEZ Finance have provided the data contained in this Base Prospectus as to installed capacity, generation and other market share information with respect to the electricity and heating industries in the Czech Republic (unless explicitly stated otherwise). The Group compiles and publishes certain of this data on a regular basis, and also supplies certain of this data to the Czech Statistical Office and the Czech Energy Regulatory Office for use in compiling national data on the energy sector.

SELECTED FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of the CEZ Group as of and for the periods indicated.

With the exception of certain APMs discussed in "*Presentation of Financial Information*" the financial information as of and for the years ended December 31, 2020 and 2021 included in this Base Prospectus has been derived from our Financial Statements prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, including interpretations of the International Financial Reporting Interpretations Committee ("*IFRIC*"), previously referred to as the "Standing Interpretations Committee" ("*SIC*"), and, also including, International Accounting Standards, where the context requires, as endorsed by the EU Commission for use in the European Union ("*IFRS*"), which are included in this Base Prospectus or incorporated by reference into this Base Prospectus, as applicable.

The summary financial data in the tables below should be read together with our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2021, including the notes thereto, which are included in this Base Prospectus or incorporated by reference into this Base Prospectus, as applicable. Please also see "*Presentation of Financial Information*" *and* "*Risk Factors*" herein.

Income Statement Data

The following table sets forth summary consolidated income statement data of the CEZ Group for the years ended December 31, 2020 and 2021.

	For the year ended December 31,	
	2020	**2021**
	(CZK millions)	
Sales of electricity, heat, gas and coal	138,015	157,493
Sales of services and other revenues	71,507	67,329
Other operating income	4,215	2,971
Total Revenues and other operating income	**213,737**	**227,793**
Operating expenses:		
Gains and losses from commodity derivative trading	6,122	(4,468)
Purchase of electricity, gas and other energies	(56,335)	(62,669)
Fuel and emission rights	(23,262)	(24,555)
Services	(30,147)	(29,044)
Salaries and wages	(30,855)	(30,591)
Materials and supplies	(10,576)	(11,017)
Capitalization of expenses to the cost of assets and change in own inventories	3,450	4,285
Depreciation and amortization	(28,284)	(31,628)
Impairment of property, plant and equipment and intangible assets	(24,062)	(15,799)
Impairment of trade and other receivables	(544)	602
Other operating expenses	(6,659)	(6,811)
Income before other income (expenses) and income taxes	**12,585**	**16,098**
Total other income (expenses)	(4,679)	(2,672)
Income before income taxes	**7,906**	**13,426**
Income taxes	(2,438)	(3,517)
Net income	**5,468**	**9,909**

Balance Sheet Data

The following table sets forth summary consolidated balance sheet data of the CEZ Group as of December 31, 2020 and 2021.

	As of December 31,	
	2020	2021
	(CZK millions)	
Assets:		
Total property, plant and equipment	410,372	403,083
Total other non-current assets	61,573	70,921
Total non-current assets	*471,945*	*474,004*
Total current assets	230,513	708,918
Total assets	**702,458**	**1,182,922**
Equity and Liabilities:		
Total equity attributable to equity holders of the parent	233,871	161,098
Total equity	*238,563*	*162,840*
Total non-current liabilities	256,259	261,086
Total current liabilities	207,636	758,996
Total equity and liabilities	**702,458**	**1,182,922**

Statement of Cash flow Data

The following table sets forth summary consolidated statement of cash flow data of the CEZ Group for the years ended December 31, 2020 and 2021.

	For the year ended December 31,	
	2020	2021
	(CZK millions)	
Net cash provided by operating activities	72,157	59,156
Total cash used in investing activities	(33,723)	(7,118)
Total cash used in financing activities	(40,513)	(34,800)
Net effect of currency translation and allowances in cash	342	(767)
Net decrease in cash and cash equivalents	**(1,737)**	**16,471**
Cash and cash equivalents at the beginning of the period	11,906	10,169
Cash and cash equivalents at the end of the period	10,169	26,640

Other Financial Information

The following table sets forth certain APMs (non-IFRS financial information) used by our management to monitor and evaluate our economic and financial performance. These indicators, "EBIT", "EBITDA", "EBITDA Margin", and "Net Debt" are not recognized as accounting standards within the IFRS adopted by the European Union, and therefore must not be considered as alternatives to any measures of performance under IFRS.

	For the year ended December 31,	
	2020	2021
	(CZK millions, except percentages)	
EBIT	12,585	16,098
EBITDA	64,783	63,240
EBITDA Margin	30.3%	27.8%

Net Debt	143,512	110,742

The APMs presented above may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. These APMs are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles, or as alternatives to cash flow from operating, investing or financing activities.

Our APMs have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under IFRS as set out in our audited consolidated financial statements and you should not place any undue reliance on our APMs.

The following table is a reconciliation of the CEZ Group's Net Debt as of December 31, 2020 and 2021 to our Financial Statements. Net Debt is an APM. Please see "*Presentation of Financial Information — Alternative Performance Measures.*"

	For the year ended December 31,	
	2020	**2021**
	(CZK millions)	
Long-term debt, net of current portion (line item of our audited consolidated balance sheet)	122,102	95,924
Current portion of long-term debt (line item of our audited consolidated balance sheet)	28,741	16,647
Long-term debt associated with assets classified as held for sale (Note 15 to our Financial Statements)	4,683	-
Short-term loans associated with assets classified as held for sale (Note 15 to our Financial Statements)	37	-
Short-term loans (line item our audited consolidated balance sheet)	984	25,310
Cash and cash equivalents (line item of our audited consolidated balance sheet)	(6,064)	(26,640)
Cash and cash equivalents classified as held for sale (Note 15 to our Financial Statements)	(4,105)	-
Highly liquid financial assets, of which:	(2,866)	(499)
Current debt financial assets (Note 5 to our Financial Statements)	(111)	(499)
Non-current debt financial assets (Note 5 to our Financial Statements)	-	-
Current term deposits (Note 5 to our Financial Statements)	(2,755)	-
NET DEBT	**143,512**	**110,742**

The following table is a reconciliation of EBIT, EBITDA and Net Debt/EBITDA Ratio for the years ended December 31, 2020 and 2021 to our Financial Statements. EBIT, EBITDA and Net Debt/EBITDA Ratio are APMs. Please see "*Presentation of Financial Information—Alternative Performance Measures.*"

	For the year ended December 31,	
	2020	**2021**
	(CZK millions, except percentages)	
Income before other income (expenses) and income taxes .... (line item of our audited consolidated statement of income)	12,585	16,098
EBIT	**12,585**	**16,098**
Depreciation and amortization .... (line item of our audited consolidated statement of income)	28,284	31,628
Impairment of property, plant and equipment and intangible assets including goodwill .... (line item of our audited consolidated statement of income)	24,062	15,799
Gain/loss from sale of property, plant and equipment and intangibles . (Note 25 and 31 to our Financial Statements)	(148)	(285)
EBITDA	**64,783**	**63,240**
Total revenues and other operating income	213,737	227,793
EBITDA Margin	**30.3%**	**27.8%**
Net Debt/EBITDA Ratio	**2.22**	**1.75**

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF and the Luxembourg Stock Exchange shall be incorporated by reference in, and form part of, this Base Prospectus:

The following documents comprising audited consolidated annual financial statements of the CEZ Group for the financial year ended December 31, 2020:

Annual Report of the CEZ Group for the Year Ended December 31, 2020	**Page**
(available at https://www.cez.cz/webpublic/file/edee/ospol/fileexport/investori/vz-2020/cez-group-2020-annual-report.pdf)	
Independent Auditor's Report for the Consolidated Financial Statements	294-301
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Report on Relations Between the Controlling and the Controlled Entity and Between the Controlled Entity and Entities Controlled by the Same Controlling Entity for the Accounting Period of January 1, 2020 to December 31, 2020	176-219

The information incorporated by reference that is not included in the above cross-reference list is considered as additional information to be disclosed to investors rather than information required by the relevant schedules of Commission Delegated Regulation (EC) 2019/980 supplementing the Prospectus Regulation.

The section "*Terms and Conditions of the Notes*" from the following base prospectuses relating to the Programme shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

(a) Base Prospectus dated September 24, 2007 (pages 40-64 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-24-09-2007.pdf);

(b) Base Prospectus dated March 19, 2009 (pages 40-64 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-19-03-2009.pdf);

(c) Base Prospectus dated March 31, 2010 (pages 41-66 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-31-03-2010.pdf);

(d) Base Prospectus dated March 31, 2011 (pages 46-71 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-31-03-2011.pdf);

(e) Base Prospectus dated April 23, 2012 (pages 62-87 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-23-04-2012.pdf);

(f) Base Prospectus dated April 19, 2013 (pages 71-95 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-19-04-2013.pdf);

(g) Base Prospectus dated April 20, 2018 (pages 82-107 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-20-04-2018.pdf); and

(h) Base Prospectus dated April 23, 2019 (pages 91-120 inclusive) (available at https://www.cez.cz/webpublic/file/edee/2020/04/base-prospectus-23-04-2019.pdf),

(together, the "*Previous Terms and Conditions*").

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus, ČEZ and CEZ Finance will, in the event of any significant new factor, material mistake or material inaccuracy relating to the information included in this Base Prospectus which may affect the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of ČEZ, a. s. and from the specified offices of the Agent for the time being in London and Luxembourg. The documents incorporated by reference will also be available free of charge on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

GLOSSARY OF TERMS AND DEFINITIONS

Terms and definitions used in this Base Prospectus have the meanings set forth below.

"*Achmea Judgment*"	the decision of the European Court of Justice in case C-284/16 Slowakische Republik *v* Achmea BV
"*Articles of Association*"	the articles of association of ČEZ
"*Audit Committee*"	the audit committee of ČEZ
"*BAT*"	the best available techniques
"*BGN*" or "*Bulgarian Lev*"	the lawful currency of Bulgaria
"*BIT*"	a bilateral investment treaty
"*BIT Termination Agreement*"	the Agreement for the Termination of Bilateral Investment Treaties between the Member States of the EU
"*Board of Directors*"	the board of directors of ČEZ
"*Bonds Act*"	Czech Act No. 190/2004 Coll., on Bonds, as amended
"*Capital Market Act*"	Czech Act No. 256/2004 Coll., on Conducting Business in the Capital Market, as amended
"*CCGT*"	a combined cycle gas turbine
"*CER*"	Certified Emission Reduction credits
"*CEZ Finance*"	CEZ Finance B.V.
"*CEZ Group*," the "*Group*", "*we*", "*us*" or "*our*"	ČEZ, a. s. and its consolidated subsidiaries
"*CEZ SH*"	Operatori i Shpërndarjes së Energjisë Elektrike Sh.A. (formerly known as CEZ Shpërndarje Sh.A.)
"*ČEZ*"	ČEZ, a. s.
"*CHP*"	Combinate Heat and Power
"*CO_2*"	carbon dioxide
"*Corporate Governance Codex (2018)*"	the Czech 2018 Corporate Governance Codex compiled by the Czech Institute of Directors in cooperation with Deloitte.
"*CRA Regulation*"	Regulation (EC) No. 1060/2009, as amended by Regulation (EU) No 513/2011
"*CSD*"	the Czech Central Securities Depository, a wholly-owned subsidiary of the Prague Stock Exchange that records book-entry securities issued in the Czech Republic
"*CSSF*"	the *Commission de Surveillance du Secteur Financier*, the competent authority under the Prospectus Act 2019
"*Czech Air Protection Act*"	Czech Act No. 201/2012 Coll., on protection of the air, as amended
"Czech Banks Act"	Czech Act No. 21/1992 Coll., on Banks, as amended

"Czech Code of Criminal Procedure"	Czech Act No. 141/1961 Coll., on Criminal Procedure (Code of Criminal Procedure), as amended
"*Czech Companies Act*"	Czech Act No. 90/2012 Coll., on Companies and Cooperatives, as amended
"*Czech crowns*" and "*CZK*"	the lawful currency of the Czech Republic
"*Czech Cybersecurity Act*"	Czech Act No. 181/2014 Coll., on Cybersecurity, as amended
"*Czech Ecological Losses Prevention Act*"	Czech Act No. 167/2008 Coll., prevention of ecological losses, as amended
"*Czech Emission Allowances Act*"	Czech Act No. 383/2012 Coll., on conditions for trading with emission allowances, as amended
"*Czech Energy Act*"	Czech Act No. 458/2000 Coll., on conducting business and governmental oversight in the energy sectors, as amended
"Czech Energy Inspection"	the State Energy Inspection established by the Czech Energy Management Act
"*Czech Energy Management Act*"	Act No. 406/2000 Coll., on energy management, as amended
"*Czech Environment Act*"	Czech Act No. 17/1992 Coll., the environment act, as amended
"*Czech Free Access to Information Act*"	Czech Act No. 106/1999 Coll. on freedom of information, as amended
"Czech Integrated National Energy and Climate Plan"	the integrated national energy and climate plan prepared by the Czech Ministry of Industry based on the EU Governance Regulation
"*Czech IPPC Act*"	Czech Act No. 76/2002 Coll., on integrated pollution and control, as amended
"*Czech Legal Entity Criminal Act*"	Czech Act No. 418/2011 Coll., on criminal liability of legal entities and proceedings against them, as amended
"*Czech Mining Act*"	Czech Act No. 44/1988 Coll., on Protection and Exploitation of Minerals, as amended
"*Czech Ministry of Environment*"	the Ministry of Environment of the Czech Republic
"*Czech Ministry of Industry*"	the Ministry of Industry and Trade of the Czech Republic
"*Czech Nuclear Account*"	the nuclear account administered by the Czech Ministry of Finance
"*Czech Nuclear Act 1997*"	Czech Act No. 18/1997 Coll., on peaceful exploitation of nuclear energy and ionising radiation, as amended
"*Czech Nuclear Act 2016*"	Czech Act No. 263/2016 Coll., the nuclear act
"*Czech Promoted Energy Sources Act*"	Czech Act No. 165/2012 Coll., on promoted energy sources, as amended
"*Czech Registry of Contracts Act*"	Czech Act No. 340/2015 Coll., on specific conditions for certain contracts to become effective, on disclosure of such contracts and on the registry of contracts (Registry of Contracts Act)

"*Czech Renewable Energy Act*"	Czech Act No. 180/2005 Coll., on the promotion of production of electricity from renewable energy sources, as amended (no longer in force)
"*Czech Repository Authority*"	the regulatory authority Czech Radioactive Waste Repository Authority
"*Czech Waste Act*"	Czech Act No. 185/2001 Coll., on waste, as amended
"*Czech Water Act*"	Czech Act No. 254/2001 Coll., as amended
"*Division Heads*"	the chief officers of ČEZ
"*E.ON*"	E.ON AG
"*EBIT*"	income before income taxes and other income (expenses)
"EBITDA"	income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill less gain (or loss) on sale of property, plant and equipment
"*EBITDA Margin*"	EBITDA divided by total revenues, expressed as a percentage
"*EDF*"	Electricite de France S.A.
"*EDP*"	Energias de Portugal
"*EEA*"	European Economic Area
"*EEX*"	the European Energy Exchange
"*EIA*"	an environmental impact assessment
"*ELINI*"	the European Liability Insurance for the Nuclear Industry
"*EMANI*"	the European Mutual Association for Nuclear Insurance
"*EMFs*"	electromagnetic fields
"*EMU*"	the European Monetary Union
"*EnBW*"	EnBW Energie Baden-Württemberg AG
"*ENEL*"	ENEL S.p.A.
"*Energy Charter Treaty*"	the Energy Charter Treaty of December 17, 1994, as amended
"*Energy Efficiency Directive*"	Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC
"*ENTSO for Electricity*"	the European Network of Transmission System Operators
"*ENTSO for Gas*"	the European Network of Transmission System Operators for Gas
"*EPC*"	Engineering, Procurement and Construction
"*EPEX SPOT*"	the European Power Exchange (Spot Markets) in Paris
"*ERO*"	the Czech Energy Regulatory Office

"*ERU*"	Emission Reduction Units
"*ESA*"	the European Supply Agency
"*ESCO*"	energy services and solutions
"*ESG*"	environmental, social and governance-related
"*ESO*"	the electricity system operator
"*EU ACER Regulation*"	Regulation (EC) No. 713/2009 Establishing an Agency for the Cooperation of Energy Regulators
"*EU CEF Regulation*"	Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility
"*EU Climate and Energy Package*"	the climate and energy package adopted by the European Union in 2009
"*EU Directive on Administrative Cooperation*"	Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU)
"*EU DSO Entity*"	the Entity for Distribution System Operators established under the recast Regulation on the Internal Market for Electricity
"*EU Electricity Security of Supply Directive*"	Directive 2005/89/EC Concerning Measures to Safeguard Security of Electricity Supply and Infrastructure Investment
"*EU Energy Performance of Buildings Directive*"	Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings
"*EU ETS*"	the EU Emission Trading Scheme for CO2 emission allowances
"*EU ETS Directive*"	Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community
"*EU First Electricity Directive*"	Directive 96/92/EC Concerning Common Rules for the Internal Market in Electricity
"*EU First Gas Directive*"	Directive 98/30/EC Concerning Common Rules for the Internal Market in Natural Gas
"*EU First Gas Supply Regulation*"	Regulation (EU) 994/2010 Concerning Measures to Safeguard Security of Gas Supply
"*EU Governance Regulation*"	Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action
"*EU Labelling Directive*"	Directive 2010/30/EU of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products
"*EU Regulation on Cross-Border Exchanges*"	Regulation (EC) No. 714/2009 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity
"*EU Third Electricity Directive*"	Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity

"*EU Third Gas Directive*"	Directive 2009/73/EC Concerning Common Rules for the Internal Market in Natural Gas
"*EU Trans-European Energy Infrastructure Regulation*"	Regulation (EU) No 347/2013 on Guidelines for Trans-European Energy Infrastructure
"*EUA*"	EU Emission Allowances
"*Euratom Treaty*"	the Treaty Establishing the European Atomic Energy Community
"*EURIBOR*"	the Euro Interbank Offered Rate
"*Euro*" "*EUR*" and "*€*"	the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended
"*Financial Stability Board*"	an international body that monitors and makes recommendations about the global financial system established in April 2009
"*Fortum*"	Fortum Corporation
"*French Energy Transition for Green Growth Act*"	the French Law no. 2015-992 of 17 August 2015 on the Energy Transition for Green Growth
"*FSMA*"	the Financial Services and Markets Act 2000
"*General Meeting*"	the general meeting of ČEZ
"*GW*"	gigawatt, which is equal to 1,000 MW
"*GWh*"	gigawatt-hour, representing one hour of electricity consumption at a constant rate of 1 GW
"*HTSO*"	the Hellenic Transmission System Operator in Greece
"*HUPX*"	the Hungarian Power Exchange
"*IAEA*"	the International Atomic Energy Agency
"*IARC*"	the International Agency for Research on Cancer
"*Iberdrola*"	Iberdrola S.A.
"*ICE*"	the London Intercontinental Exchange
"*ICSID*"	the International Centre for Settlement of Investment Disputes established by the 1965 Convention on the settlement of investment disputes between States and nationals of other States
"*IDD*"	Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution
"*IFRS*"	the International Financial Reporting Standards issued by the International Accounting Standards Board, including interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the "Standing Interpretations Committee" (SIC), and, also including, International Accounting

	Standards, where the context requires, as endorsed by the EU Commission for use in the European Union
"*Industrial Emissions Directive*"	Directive 2010/75/EC on industrial emissions (on integrated pollution prevention and control)
"*installed capacity*"	the highest constant level of generation of electricity which a power plant is designed to be capable of maintaining
"*ISFSF*"	an interim spent nuclear fuel storage facility
"*ISIN*"	International Security Identification Number
"*ISO*"	Independent System Operator
"*Issuer*"	ČEZ, a. s., or CEZ Finance B.V., as applicable
"*ITO*"	Independent Transmission Operator
"*KEVR*"	the Bulgarian Energy and Water Regulatory Commission
"*kW*"	kilowatt, representing the rate at which energy is produced
"*KYOTO Protocol*"	the Kyoto protocol for reducing greenhouse gas emissions
"*LTA*"	lead test assemblies
"*LTO*"	long-term-operation
"*Madrid Agreement*"	the Madrid Agreement Concerning the International Registration of Marks and its Protocol
"*MAR*"	Regulation (EC) No. 596/2014 on Market Abuse
"*MCIFA*"	The Czech Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended, which implements the Directive 2011/61/EU
"*Member State*"	a member state of the European Union
"*MIBRAG*"	Mitteldeutsche Braunkohlengesellschaft GmbH
"*MiFID II*"	Directive (EU) No 65/2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
"*MiFIR*"	Regulation (EU) No 600/2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
"*MSR*"	the Market Stability Reserve established under EU ETS
"*MW*"	megawatt, which is equal to 1,000 kW
"*MWh*"	megawatt-hour, representing one hour of electricity consumption at a constant rate of 1 MW
"*NAPNE*"	the National Action Plan for Development of Nuclear Energy in the Czech Republic as approved by the Government of the Czech Republic on June 3, 2015
"*National Plan of Investment*"	the National Plan of Investments in retrofitting and upgrading the infrastructure and clean technologies in the energy sector approved by the EU Commission on July 6, 2012

"*Natural Gas Transmission Regulation"*	Regulation 715/2009 on conditions for Access to Natural Gas Transmission Networks
"*Net Debt*"	long-term debt, net of current portion plus short-term loans plus current portion of long-term debt minus cash and cash equivalents plus highly liquid financial assets
"*NO_x*"	mono-nitrogen oxides
"*NSV*"	Namensschuldverschreibung securities
"*NYMEX*"	the New York Mercantile Exchange, a commodity futures exchange located in New York City
"*OKTE*"	OKTE, a.s., a short-term electricity market operator in the Slovak Republic
"*OPCOM*"	the Romanian Electricity Market Operator Opcom SA
"*OSART*"	the Operational Safety Review Team of the IAEA
"*OTC*"	over-the-counter
"*OTE*"	the Czech Electricity and Gas Market in Prague
"*PCBs*"	Polychlorobiphenyls
"*PGE*"	Polska Grupa Energetyczna S.A.
"*Polish Act on Investments in Wind Turbines*"	the Polish Act of 20 May 2016 on investments in wind power plants
"*POLPX*"	the Polish Power Exchange
"*PRIBOR*"	the Prague Interbank Offer Rate
"*Prospectus Act 2019*"	the Luxembourg Act dated 16 July 2019 on prospectuses for securities
"*Prospectus Regulation*"	Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71
"PV"	Photovoltaics
"*PXE*"	the Power Exchange Central Europe
"*R&D*"	research and development
"*REAS*"	the original, state-owned, regional distribution companies in the Czech Republic
"*Regulation S*"	Regulation S under the U.S. Securities Act
"*REMIT*"	Regulation (EC) No. 1227/2011 on Wholesale Energy Market Integrity and Transparency
"*Renewable Energy Directive*"	Directive 2009/28/EC on the promotion of the use of energy from renewable sources
"*ROC*"	the Regional Coordination Centre established under the recast Regulation on the Internal Market for Electricity
"*RWE*"	Rheinisch-Westfalishes Elektrizitätswerk

"*Second Electricity Directive*"	Directive 2003/54/EC Concerning Common Rules for the Internal Market in Electricity
"*Second Gas Directive*"	Directive 2003/55/EC Concerning Common Rules for the Internal Market in Natural Gas
"*Second Security of Gas Supply Regulation*"	Regulation (EU) 2017/1938 Concerning Measures to Safeguard the Security of Gas Supply and Repealing Regulation (EU) No 994/2010
"*SEI*"	the Czech State Energy Inspectorate
"*SOFR*"	the Secured Overnight Financing Rate
"*SONS*"	the Czech State Office for Nuclear Safety
"SO_x"	sulphur oxides
"*Standard & Poor´s*"	S&P Global Ratings Europe Limited
"*Supervisory Board*"	the supervisory board of ČEZ
"*SZSO*"	the Czech state organization Railway Administration (Správa železnic, státní organizace)
"*TGE*"	the Towarowa Gielda Energii in Poland
"*Ton*"	metric ton
"*TONA*"	the Tokyo Overnight Average
"*Turkish Lira*" or "*TRY*"	the lawful currency of the Republic of Turkey
"*TVEL*"	the Russian company JSC TVEL
"*TW*"	terawatt, which is equal to 1,000 GW
"*TWh*"	terawatt-hour, representing one hour of electricity consumption at a constant rate of 1 TW
"*U.S. dollars,*" "*USD*" and "*U.S.$*"	the lawful currency of the United States
"*U.S. Securities Act*"	the U.S. Securities Act of 1933, as amended
"*USEP*"	the updated Energy Policy of the Czech Republic as approved by the Government of the Czech Republic on May 18, 2015
"*Verbund*"	Verbund AG
"*Vienna Convention*"	the Vienna Convention on Civil Liability for Nuclear Damage
"*VOC*"	volatile organic compounds
"*WANO*"	the World Association of Nuclear Operators
"*WHO*"	the World Health Organization
"*Yen*"	Japanese Yen, the lawful currency of Japan

FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a "*Temporary Global Note*") or, if so specified in the applicable Final Terms, a permanent global note (a "*Permanent Global Note*") which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note ("*NGN*") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "*Common Safekeeper*") for Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*Clearstream, Luxembourg*"); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "*Common Depositary*") for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the "*Exchange Date*") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, *Exchange Event* means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, or (ii) the relevant Issuer and/or Guarantor (if applicable) have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer or (if applicable) the Guarantor have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or

Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms or Pricing Supplement, as the case may be:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Amended and Restated Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the U.S. Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "*Deed of Covenant*") dated 24 March 2022 and executed by ČEZ and CEZ Finance.

The relevant Issuer and (if applicable) the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE, OTHER THAN EXEMPT NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

[**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "*MiFID II*"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][1]

[**UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("*COBS*"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA ("*UK MiFIR*"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "*UK MiFIR Product Governance Rules*") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II][Directive 2014/65/EU (as amended, "*MiFID II*")]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][3]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("*UK*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the [European Union (Withdrawal) Act 2018 ("*EUWA*")] [EUWA]; (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000 (the "*FSMA*")] [FSMA] and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA. Consequently, no key information

[1] Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.
[2] Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.
[3] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

document required by Regulation (EU) No 1286/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA (the "*UK PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][4]

[*Date*]

[**ČEZ, a. s.** (Legal Entity Identifier (LEI): 529900S5R9YHJHYKKG94)] / [**CEZ Finance B.V.** (Legal Entity Identifies (LEI): 315700K4UNKLPGVH1Y89)]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €8,000,000,000
Euro Medium Term Note Programme
[Unconditionally and irrevocably guaranteed by ČEZ, a. s.]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 24 March 2022 [as supplemented by the supplement dated [*date*]] (the "*Base Prospectus*") which constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "*Prospectus Regulation*"). This document constitutes the Final Terms of the Notes described herein for the purposes of Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "*Conditions*") set forth in the Base Prospectus dated September 24, 2007 / March 19, 2009 / March 31, 2010 / March 31, 2011 / April 23, 2012 / April 19, 2013 / April 20, 2018 / April 23, 2019, which Conditions are incorporated by reference in the Base Prospectus dated 24 March 2022. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 24 March 2022 [as supplemented by the supplement dated [*date*]] (the "*Base Prospectus*") which constitute[s] a base prospectus for the purposes of the Prospectus Regulation, including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (*www.bourse.lu)*.

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation*.

1.	Issuer:		[ČEZ, a.s.] / [CEZ Finance B.V.]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]

[4] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 28 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ]
			(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))
			(Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:
			"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")
	(b)	Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions):	[ ]
			(*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
			(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:		[*Specify date or for Floating rate notes* - Interest Payment Date falling in or nearest to [*specify month and year*]
			(NB*: The Maturity Date may need to be not less than one year after the Issue Date)*
9.	Sustainability-Linked Notes:		[Applicable][Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Step-Up:	[Applicable][Not Applicable] (See paragraph 17 below)

	(b)	Redemption Premium:	[Applicable][Not Applicable] (See paragraphs 20, 21, 22, 23, 24, 25, 26 and 27 below)
	(c)	SPT:	[0.26 tCO2e/MWh][0.16 tCO2e/MWh][●] (*In the event the Recalculation Option applies prior to the Issue Date, the SPT may be updated accordingly*)
	(d)	SPT Reference Year:	[2025][2030][●]
10.	Interest Basis:		[[ ] per cent. Fixed Rate] [[[ ] month EURIBOR/PRIBOR] [SOFR] [TONA] +/- [ ] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
11.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]/[ ] per cent. of their nominal amount.
12.	Change of Interest Basis:		[*Specify any Interest Basis change and the date when such Interest Basis change will occur or cross refer to paragraphs 15, and/or 16 and/or18 below and identify there*] [Not Applicable]
13.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [Make-Whole Redemption] [Residual Maturity Call Option] [(further particulars specified below)] [Not Applicable]
14.	[Date [Board] approval for issuance of Notes obtained		[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*N.B. Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount

	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	[Determination Date(s):	[[ ] in each year] [Not Applicable] *Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate:	[ ] month [EURIBOR][PRIBOR][SOFR][TONA]
		• Interest Determination Date(s):	[ ] (*Second Prague business day prior to the start of each Interest Period if PRIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR*), *second U.S. Government Securities Business Days prior to the start of each Interest Period if SOFR and second Tokyo Banking Days prior to the start of each Interest Period if TONA*)
		• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
		• Reference Banks:	[ ] [To be selected by the Issuer]
		• p:	[[ ] [U.S. Government Securities Business Days][Tokyo Banking Business Days][As per the Terms and Conditions]][Not applicable] (*Include where the Reference Rate is SOFR or TONA*]

	• Interest Period End Date:	[[ ][The Interest Payment Date for such Interest Period]][Not applicable]] (*Include where the Reference Rate is TONA*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a EURIBOR or PRIBOR based option, the first day of the Interest Period*)
(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):	[+/-] [ ] per cent. per annum
(j)	Minimum Rate of Interest:	[ ] per cent. per annum
(k)	Maximum Rate of Interest:	[ ] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]

17.	Step-Up:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Step-Up Margin:	[●] % per annum [Not Applicable]
18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Accrual Yield:	[ ] per cent. per annum
	(b) Reference Price:	[ ]
	(c) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360][Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

19.	Notice periods for Condition 6.2	Minimum Period:	[ ] days

		Maximum Period: [ ] days
20.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount(s) and method, if any, of calculation of such amount:	[[ ] per Calculation Amount/*specify other/see Appendix*] [plus, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will be payable]
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
	(d) Notice periods:	Minimum Period: [ ] days Maximum Period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
21.	Make-Whole Redemption:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Make-Whole Redemption Date:	[ ]
	(b) Benchmark Security(ies):	[ ]
	(c) Reference Time:	[ ]
	(d) Make-Whole Margin:	[ ] per cent. [plus, if applicable in accordance with Condition 6.4(iii), the Redemption Premium (see Condition 4)]
	(e) Par Redemption Date:	[[ ] [Not Applicable]]
	(f) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
	(g) Calculation Agent	[ ]
	(h) Notice periods:	Minimum Period: [ ] days Maximum Period: [ ] days

			(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Residual Maturity Call Option:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) [For the avoidance of doubt, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will also be payable on the Residual Maturity Call Option Redemption Date]
	(a)	Notice Period:	[ ]
	(b)	Residual Maturity Call Option Redemption Date:	No earlier than [ ]
23.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount [plus, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will be payable]
	(c)	Notice periods:	Minimum Period: [ ] days Maximum Period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
24.	Change of Control Put:		[Applicable/Not Applicable] [For the avoidance of doubt, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will also be payable on the Change of Control Put Option Date]
25.	Redemption Premium:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) [●] per Calculation Amount][Not Applicable]

26. Final Redemption Amount: [ ] per Calculation Amount (*in the case where the Sustainability-Linked Notes Option is applicable*) [plus, if a Trigger Event has occurred, the relevant Redemption Premium (s) (see Condition 4)]

27. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount (*in the case where the Sustainability-Linked Notes Option is applicable*) [plus, if a Trigger Event has occured, the relevant Redemption Premium (see Condition 4)]

(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

(*N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect:* "[*€100,000*] *and integral multiples of* [*€1,000*] *in excess thereof up to and including* [*€199,000*]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)

N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[*Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilization in accordance with article 4 of the Belgian Law of December 14, 2005*.]

	(b) New Global Note:	[Yes][No]
29.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16(c)*)
30.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [ČEZ, a. s.] / [CEZ Finance B.V.]:

By: ....

Duly authorized

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing and Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, and admission to the Official List of the Luxembourg Stock Exchange with effect from [ ].
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. **RATINGS**

Ratings:	[Not applicable][The Notes to be issued [[have been]/[are expected to be]] rated:] [S&P Global Ratings Europe Limited ("*Standard & Poor's*"): [ ]] [Moody's France SAS ("*Moody's*"): [ ]] [*insert details*]] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*] Each of [Standard & Poor's] [,/and] [Moody's] [and] [*defined term*] is established in the [European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "*CRA Regulation*")] [UK and is registered under Regulation (EC) No. 1060/2009 (as amended) as it forms part of the current domestic law of the UK by virtue of EUWA (the "*UK CRA Regulation*".] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. – *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)]

4. **[USE OF PROCEEDS**

Use of Proceeds:	[ ] / [Not Applicable]

(*See "Use of Proceeds" wording in the Base Prospectus – if reasons for the offer are different from general corporate purposes, include those reasons here.*)]

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)	Reasons for the offer:	[ ][Not Applicable]
[(ii)]	Estimated net proceeds:	[ ][Not Applicable]
[(iii)]	Estimated total expenses:	[ ][Not Applicable]]

6. **YIELD** (*Fixed Rate Notes only*)

Indication of yield:	[ ][Not Applicable]

7. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(iv)	FISN:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(v)	Name and address of any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(viii)	Deemed delivery of Clearing System notices for the purpose of Condition 13:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second][business] day after the day on which it was given to Euroclear, and Clearstream, Luxembourg.
(ix)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

	[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names and addresses*]
(iii)	Date of Subscription Agreement:	[ ]
(iv)	Stabilization Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2] [TEFRA D] [TEFRA C] [TEFRA not applicable]
(vii)	Prohibition of Sales to EEA Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared*, *"Applicable" should be specified.*)
(viii)	Prohibition of Sales to UK Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

EXEMPT NOTES OF ANY DENOMINATION

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

[**MIFID II PRODUCT GOVERNANCE / TARGET MARKET – [***appropriate target market legend to be included*]]

[**UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET -– [***appropriate target market legend to be included*]]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II][Directive 2014/65/EU (as amended "*MiFID II*")]; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "*Insurance Distribution Directive*)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2019/1129 (the "*Prospectus Regulation*"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][5]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("*UK*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the [European Union (Withdrawal) Act 2018 ("*EUWA*")] [EUWA]; (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000 (the "*FSMA*")] [FSMA] and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA (the "*UK PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][6]

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH THE PROSPECTUS REGULATION / REGULATION (EU) 2017/1129 FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[5] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[6] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[*Date*]

[**ČEZ, a. s.** (Legal Entity Identifier (LEI): 529900S5R9YHJHYKKG94)] / [**CEZ Finance B.V.** (Legal Entity Identifies (LEI): 315700K4UNKLPGVH1Y89)]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €8,000,000,000
Euro Medium Term Note Programme
[Unconditionally and irrevocably guaranteed by ČEZ, a. s.]

PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated [●] 2022 [as supplemented by the supplement[s] dated [*date[s]*]] (the "*Base Prospectus*"). Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained during normal business hours at the registered office of ČEZ, a.s. and at the offices of the Paying Agents for the time being in London and Luxembourg.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "*Conditions*") set forth in the Base Prospectus [dated [*original date*] which are incorporated by reference in the Base Prospectus][7]. Any reference in the Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement", where relevant.

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		[ČEZ, a.s.] / [CEZ Finance B.V.]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 30 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ]

[7] Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.

	(b)	Calculation Amount (in relation to calculation of interest for Notes in global form see Conditions):	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:		[*Specify date or for Floating rate* - Interest Payment Date falling in or nearest to [*specify month and year*]]
9.	Sustainability-Linked Notes:		[Applicable][Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(a)	Step-Up:	[Applicable][Not Applicable] (See paragraph 17 below)
	(b)	Redemption Premium:	[Applicable][Not Applicable] (See paragraphs 20, 21, 22, 23, 24, 25, 26 and 27 below)
	(c)	SPT:	[0.26 tCO2e/MWh][0.16 tCO2e/MWh][●] (*In the event the Recalculation Option applies prior to the Issue Date, the SPT may be updated accordingly*)
	(d)	SPT Reference Year:	[2025][2030][●]
10.	Interest Basis:		[[ ] per cent. Fixed Rate] [[*specify Reference Rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
11.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
12.	Change of Interest Basis or Redemption/Payment Basis:		[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*] [Not Applicable]
13.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [Make-Whole Redemption] [Residual Maturity Call Option] [(further particulars specified below)] [Not Applicable]
14.	(a)	Status of the Notes:	[Senior/[Dated/Perpetual] Subordinated]

	(b)	[Date [Board] approval for issuance of Notes obtained:	[ ]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrears on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/*specify other*]
	(f)	[Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]][Not Applicable]

(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	Reference Rate: [ ] month [/EURIBOR/PRIBOR/SOFR/TONA/*specify other Reference Rate*].
	• Interest Determination Date(s):	[ ] *(Second Prague business day prior to the start of each Interest Period if PRIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR), second U.S. Government Securities Business Days prior to the start of each Interest Period if SOFR and second Tokyo Banking Days prior to the start of each Interest Period if TONA)*
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	• Reference Banks:	[ ] [To be selected by the Issuer]
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a EURIBOR based option, the first day of the Interest Period*)
(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):	[+/-] [ ] per cent. per annum
(j)	Minimum Rate of Interest:	[ ] per cent. per annum
(k)	Maximum Rate of Interest:	[ ] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)]

			[Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] [*Other*]
	(m)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions:	[ ]
17.	Step-Up:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Step-Up Margin:		[[●] % per annum][Not Applicable]
18.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
19.	Index Linked Interest Note		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent	[*give name*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]

	(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
20.	Dual Currency Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

21.	Notice periods for Condition 6.2:		Minimum period: [ ] days Maximum period: [ ] days
22.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount(s) and method, if any, of calculation of such amount:	[[ ] per Calculation Amount/*specify other/see Appendix*] [plus, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will be payable]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]

	(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
23.	Make-Whole Redemption:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Make-Whole Redemption Date:	[ ]
	(b)	Benchmark Security(ies):	[ ]
	(c)	Reference Time:	[ ]
	(d)	Make-Whole Margin:	[ ] per cent. [plus, if applicable in accordance with Condition 6.4(iii), the Redemption Premium]
	(e)	Par Redemption Date:	[[ ] [Not Applicable]]
	(f)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(g)	Calculation Agent	[ ]
	(h)	Notice periods:	Minimum Period: [ ] days Maximum Period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
24.	Residual Maturity Call Option:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) [For the avoidance of doubt, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will also be payable on the Residual Maturity Call Option Redemption Date]
	(a)	Notice Period:	[ ]

	(b)	Residual Maturity Call Option Redemption Date:	No earlier than [ ]
25.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix] [plus, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will be payable]
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 business days' notice for a put*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
26.	Change of Control Put:		[Applicable/Not Applicable] [For the avoidance of doubt, if a Trigger Event has occurred, the relevant Redemption Premium (see Condition 4) will also be payable on the Change of Control Put Option Date]
27.	Redemption Premium:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) [[●] per Calculation Amount][Not Applicable]
28.	Final Redemption Amount:		[[ ] per Calculation Amount/*specify other*/see Appendix] (*in the case where the Sustainability-Linked Notes Option is applicable*) [plus, if a Trigger event has occurred, the relevant Redemption Premium (see Condition 4)]
29.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):		[[ ] per Calculation Amount/*specify other*/see Appendix] (*in the case where the Sustainability-Linked Notes Option is applicable*) [plus, if a Trigger event has occurred, the relevant Redemption Premium (see Condition 4)] *(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

30.	Form of Notes:		
	(a)	Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.[8]] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves*.)
	(b)	New Global Note:	[Yes][No]]
31.	Additional Financial Centre(s):		[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16(c) and 19(g) relate*)
32.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
33.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.		[Not Applicable/*give details*. *N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
34.	Details relating to Instalment Notes:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Instalment Amount(s):	[*give details*]
	(b)	Instalment Date(s):	[*give details*]
35.	Other final terms:		[Not Applicable/*give details*] *[Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers]*

[8] Include for Notes that are to be offered in Belgium.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of [ČEZ, a. s.] / [CEZ Finance B.V.]:

By: ....

Duly authorised

PART B **– OTHER INFORMATION**

1. **LISTING AND ADMISSION TO TRADING**

Listing and Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Exempt Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange with effect from [ ].

2. **RATINGS**

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*]. *(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus*)

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

4. **[USE OF PROCEEDS**

Use of Proceeds:	[ ] / [Not Applicable] (*See "Use of Proceeds" wording in the Base Prospectus – if reasons for the offer are different from general corporate purposes*)

5. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(iv)	FISN:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(v)	Name and address of any clearing system(s) other than Euroclear Bank SA/NV and Clearstream	[Not Applicable/*give name(s) and number(s)*]

	Banking S.A. and the relevant identification number(s):	
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(viii)	Deemed delivery of clearing system notices for the purposes of Condition 13:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
(ix)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilization Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Additional selling restrictions:	[Not Applicable/*give details*] (*Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes*)
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may*

constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)

(viii)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

TERMS AND CONDITIONS OF THE NOTES

Any reference in the Terms and Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, and if the Issuer is CEZ Finance B.V. , the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by the issuer (the **Issuer**) named in the applicable Final Terms pursuant to the Amended and Restated Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Amended and Restated Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Amended and Restated Agency Agreement**") dated 24 March 2022 and made between CEZ Finance B.V. ("**CEZ Finance**") as an issuer, ČEZ, a.s. ("**ČEZ**") as an issuer and as guarantor of Notes issued by CEZ Finance B.V. (ČEZ in such capacity, the "**Guarantor**"), Deutsche Bank AG, London Branch as fiscal agent (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt Notes (as defined below)) attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**"). In the case of an "**Exempt Note**", being a Note that is neither: (i) to be admitted to trading on a regulated market in the European Economic Area, for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU, as amended) ("**MiFID II**"); nor (ii) offered in circumstances where a prospectus is required to be published in the European Economic Area, under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), the final terms may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 24 March 2022 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

If the Issuer is CEZ Finance B.V., the payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a deed of guarantee (such deed of guarantee as modified and/or supplement and/or restated from time to time, the "**Guarantee**") dated 24 March 2022 and executed by the Guarantor. The original Guarantee is held by the Agent on behalf of the Noteholders, the Receiptholders and the Couponholders.

Copies of the Amended and Restated Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Amended and Restated Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Amended and Restated Agency Agreement.

Words and expressions defined in the Amended and Restated Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Amended and Restated Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, "**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

1.1 The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

1.2 Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

1.3 If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

1.4 If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

1.5 Definitive Notes are issued with Coupons and, if appropriate, Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

1.6 Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

1.7 For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (in the case of Notes issued by CEZ Finance) and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

1.8 Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. STATUS OF THE NOTES AND THE GUARANTEE

2.1 The Notes and any relative Receipts and Coupons constitute direct, general, unsecured and unconditional obligations of the Issuer which (i) rank pari passu among themselves and (ii) will rank at least pari passu with all other present and future unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law and subject always to Condition 3.

2.2 The obligations of the Guarantor under the Guarantee in respect of the Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1 (*Negative Pledge*)) unsecured obligations of the Guarantor (and save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding. This Condition 2.2 only applies to Notes issued by CEZ Finance.

3. NEGATIVE PLEDGE AND OTHER COVENANTS

3.1 Negative pledge

So long as any Note or Coupon remains outstanding (as defined in the Amended and Restated Agency Agreement) ČEZ will not, nor will it permit any Material Subsidiary to, issue, assume or guarantee any Indebtedness, if such Indebtedness is secured by a Lien upon any Principal Property now owned or hereafter acquired, unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Coupons shall (x) be secured equally and rateably with (or prior to) such Indebtedness or (y) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Amended and Restated Agency Agreement) of Noteholders; provided, however, that the foregoing restriction shall not apply to:

(a) any Lien on any asset acquired, constructed or improved by ČEZ or any Subsidiary after the date of issue of the Notes, which Lien is created, incurred or assumed contemporaneously with, or within 180 days after, such acquisition (or, in the case of any such asset constructed or improved, after the completion or commencement of commercial operation of such asset, whichever is later) to secure or provide for the payment of any part of the purchase price of such asset or the costs of such construction or improvement (including costs such as escalation, interest during construction and finance costs); provided that, in the case of any such construction or improvement, the Lien shall not apply to any such asset previously owned by ČEZ or any Subsidiary, other than previously unimproved real property on which the asset so constructed, or the improvement, is located;

(b) any Lien existing over any asset at the time of the acquisition of such asset and which is not created as a result of or in connection with or in anticipation of such acquisition;

(c) any Lien on any asset acquired from a corporation which is merged with or into ČEZ or any Lien existing on any asset of a corporation which existed at the time such corporation becomes a Subsidiary and, in either such case, which is not created as a result of or in connection with or in anticipation of any such transaction;

(d) any Lien which secures only Indebtedness owing by a Subsidiary to ČEZ, to one or more Subsidiaries or to ČEZ and one or more Subsidiaries;

(e) any extension, renewal or replacement (or successive extensions, renewals or replacements; in whole or in part, of any Lien referred to in the foregoing clauses; provided, however, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement shall be limited to all or part of the asset which secured the Lien so extended, renewed or replaced (plus improvements on such asset); or

(f) any Lien securing obligations of ČEZ or any Subsidiary to the Czech Republic in connection with a guarantee or similar assurance provided by the Czech Republic to third parties for the benefit of the Issuer.

ČEZ or any Material Subsidiary, however, may issue, assume or guarantee Indebtedness secured by a Lien which would otherwise be prohibited under this Condition 3.1 or enter into a Sale and Lease-Back Transaction that would otherwise be prohibited by the provisions of Condition 3.2; provided that the aggregate amount of such Indebtedness of ČEZ and its Material Subsidiaries together with the aggregate Attributable Value of all such Sale and Lease-Back Transactions of ČEZ and its Subsidiaries at any time outstanding shall not exceed the sum of (x) 10% of the Consolidated Net Tangible Assets at the time any such Indebtedness denominated in a currency other than that of the Czech Republic is issued, assumed or guaranteed by ČEZ or any Subsidiary or at the time any such Sale and Lease-Back Transaction is entered into, plus (y) the aggregate amount of any such Indebtedness that is denominated in the currency of the Czech Republic, up to an additional 20% of Consolidated Net Tangible Assets at such time.

3.2 Limitations on sale and lease-back transactions

For so long as any Note or Coupon is outstanding, neither ČEZ nor any Material Subsidiary may enter into any Sale and Lease-Back Transaction with respect to any Principal Property, unless either (x) ČEZ or such Material Subsidiary would be entitled pursuant to the provisions of Condition 3.1 to issue, assume or guarantee Indebtedness secured by a Lien on such Principal Property without equally and rateably securing ČEZ's obligations under the Notes and the Coupons or (y) ČEZ or such Material Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Principal Property so leased to the retirement, within one year after the effective date of such Sale and Lease-Back Transaction, of Indebtedness of ČEZ ranking on a parity with the obligations of ČEZ under the Notes and owing to a Person other than ČEZ or any Affiliate of ČEZ or to the construction or improvement of real property or personal property used by ČEZ or any Material Subsidiary in the ordinary course of business. The restrictions set forth in the preceding sentence will not apply to transactions providing for a lease for a term, including any renewal thereof, of not more than three years.

3.3 No consolidation or merger

For so long as any Note or Coupon is outstanding, ČEZ may not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless (i) the successor corporation shall be a corporation organized and existing under the laws of the Czech Republic, and shall expressly assume by a deed the due and punctual payment of all amounts payable in respect of all the then outstanding Notes and the performance of every obligation contained in the Notes on the part of the Issuer to be performed or observed; (ii) immediately after giving effect to such transaction, no Event of Default or Potential Event of Default (as defined in the Amended and Restated Agency Agreement) shall have happened and be continuing; and (iii) ČEZ shall have delivered to the Agent a certificate signed by two directors of ČEZ and an opinion of independent legal advisers of recognized standing each stating that such consolidation, merger, conveyance or transfer and any such deed comply with the foregoing provisions relating to such a transaction. In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for ČEZ as obligor under the Notes and Coupons, with the same effect as if it had been named in the Notes as such obligor.

3.4 **Certain definitions**

In these Conditions:

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For the purposes of this definition, **control**, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise;

"Attributable Value" means, as to any particular Sale and Lease-Back Transaction under which ČEZ or any Subsidiary is at any time liable as lessee and any date as of which the amount thereof is to be determined, the total net obligations of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has been extended) discounted from the respective due dates thereof to such date at a rate per annum equivalent to the interest rate inherent in such Sale and Lease-Back Transaction (as determined in good faith by the Issuer in accordance with generally accepted financial practice);

"Audited Statements" means ČEZ's audited annual financial statements (consolidated, if available) prepared in accordance with International Accounting Standards current as at the date of preparation;

"Consolidated Net Tangible Assets" means the total of all assets (including revaluations thereof as a result of commercial appraisals, price-level re-statements or otherwise) appearing on a consolidated balance sheet of ČEZ and its Subsidiaries, net of all applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of the current liabilities of ČEZ and its Subsidiaries appearing on such balance sheet;

"Consolidated Total Assets" means the total assets (consolidated, if the relevant Audited Statements are consolidated) of ČEZ and its Subsidiaries determined by reference to the most recent Audited Statements;

"EBITDA" means income before income taxes and other income (expenses) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets including goodwill less gain (or loss) on sale of property, plant and equipment;

"Indebtedness" means, with respect to any Person (without duplication), (a) any liability of such Person (1) for borrowed money or under any reimbursement obligation relating to a letter of credit, financial bond or similar instrument or agreement, (2) evidenced by a bond, note, debenture or similar instrument or agreement (including a purchase money obligation) given in connection with the acquisition of any business, properties or assets of any kind (other than a trade payable or a current liability arising in the ordinary course of business or a performance bond or similar obligation), (3) for the payment of money relating to any obligations under any capital lease of real or personal property or (4) for the purposes of Condition 3.1(a) and (b) only, under any agreement or instrument in respect of an interest rate or currency swap, exchange or hedging transaction or other financial derivatives transaction; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in (a) and (b) above. For the purpose of determining any particular amount of Indebtedness under this definition, guarantees of (or obligations with respect to letters of credit or financial bonds supporting) Indebtedness otherwise included in the determination of such amount shall also not be included;

"Lien" means any mortgage, pledge, lien, security interest, charge or other encumbrance (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business);

"Material Subsidiary" means, at any time, any Subsidiary of ČEZ:

(a) whose total assets or EBITDA (or, where the Subsidiary in question prepares consolidated financial statements, whose consolidated total assets or consolidated EBITDA), attributable to ČEZ represent not less than 10% of the Consolidated Total Assets or (as the case may be) the consolidated EBITDA of ČEZ and its Subsidiaries taken as a whole, all as determined, respectively, by reference to the most recent audited annual financial statements (or, as the case may be, audited consolidated annual financial statements) of such Subsidiary and the most recent Audited Statements; or

(b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary of ČEZ which was a Material Subsidiary immediately prior to such transfer (which Subsidiary shall cease to be a Material Subsidiary upon such transfer becoming unconditional) and so that a Subsidiary of ČEZ which becomes a Material Subsidiary pursuant to this paragraph (b) shall remain a Material Subsidiary only until the publication of the next Audited Statements, unless on such publication it remains a Material Subsidiary pursuant to paragraph (a) above,

provided that a certificate by the Auditors (as defined in the Amended and Restated Agency Agreement) of ČEZ that, in their opinion, any Subsidiary of ČEZ is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof;

"Principal Property" means any generation, transformation, transmission or distribution facility located in the Czech Republic, whether at the date of issue of the Notes owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, determined by ČEZ's Board of Directors and certified by two directors of ČEZ not to be of material importance to the total business conducted by ČEZ and its Subsidiaries as or whole;

"Reference Banks" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague inter-bank market, the principal New York office of four major banks in the New York inter-bank market and the principal Tokyo office of four major banks in the Tokyo inter-bank market, in each case selected by ČEZ or as specified in the applicable Final Terms;

"Sale and Lease-Back Transaction" means any transaction or series of related transactions pursuant to which ČEZ or any Material Subsidiary sells or transfers any property to any Person with the intention of taking back a lease of such property pursuant to which the rental payments are calculated to amortize the purchase price of such property substantially over the useful life thereof and such property is in fact so leased; and

"Subsidiary" means any corporation or other business entity of which ČEZ owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interests, in each case having ordinary voting power to elect or appoint directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interests or any other class or classes shall or might have voting power upon the occurrence of any contingency).

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period"** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"sub unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 **Interest on Floating Rate Notes and Index Linked Interest Notes**

(a) **Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, "**Interest Period"** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day, save in respect of Notes for which the Original Regerence Rate is SOFR, for which the final Interest Payment Date will not be postponed and interest on that payment will not accrue during the period from and after the scheduled final Interest Payment Date; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "**Business Day"** means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System"**) is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate"** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2021 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions"**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate"**, "**Calculation Agent"**, "**Floating Rate Option"**, "**Designated Maturity"** and "**Reset Date"** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes – EURIBOR and PRIBOR

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either EURIBOR or PRIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Brussels time, in the case of EURIBOR, or Prague time, in the case of PRIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Agent cannot determine the Reference Rate as aforementioned, because the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Issuer shall request each of the Reference Banks (as defined in Condition 3.4 above and in the Amended and Restated Agency Agreement) to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to the Agent by the Reference Banks at the request of the Issuer or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Prague inter-bank market (if the Reference Rate is PRIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Prague inter-bank market (if the Reference Rate is PRIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(iii) Screen Rate Determination for Floating Rate Notes – SOFR

(A) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Final Terms specify that the Original Reference Rate is SOFR, the Rate of Interest for each Interest Period will be, subject as provided in paragraph (B) below, the Compounded Daily SOFR on the relevant Interest Determination Date plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent with the resulting percentage being rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Compounded Daily SOFR**" means with respect to an Interest Period, an amount equal to the rate of return for each calendar day during the Interest Period, compounded daily, calculated by the Calculation Agent on the Interest Determination Date in accordance with the following formula:

$$\left(\frac{SOFR\ Index_{Final}}{SOFR\ Index_{Initial}} - 1\right) \times \frac{360}{d_c}$$

Where:

"$\mathbf{d_c}$" means, in respect of each Interest Period, the number of calendar days in the relevant Interest Period;

"**Interest Period End Dates**" shall have the meaning specified in the applicable Final Terms;

"**Observation Shift Days**" means five U.S. Government Securities Business Days or such larger number of days as specified in the applicable Final Terms;

"**SOFR Index**" means with respect to any U.S. Government Securities Business Day, (i) the SOFR Index value as published by the NY Federal Reserve as such index appears on the NY Federal Reserve's Website at the SOFR Determination Time; or (ii) if the SOFR Index specified in (i) above does not so appear, unless both a SOFR Transition Event and its related SOFR Replacement Date have occurred, the SOFR Index as published in respect of the first preceding U.S. Government Securities Business Day for which the SOFR Index was published on the NY Federal Reserve's Website;

"**SOFR Index$_{\mathbf{Final}}$**" means, in respect of an Interest Period, the value of the SOFR Index on the date falling the number of U.S. Government Securities Business Days equal to the Observation Shift Days prior to the next occurring Interest Period End Date for such Interest Period;

"**SOFR Index$_{\mathbf{Iniital}}$**" means, in respect of an Interest Period, the value of the SOFR Index on the date falling the number of U.S. Government Securities Business Days equal to the Observation Shift Days prior to the first day of such Interest Period (or, in the case of the first Interest Period, the Interest Commencement Date);

"**NY Federal Reserve**" means the Federal Reserve Bank of New York;

"**NY Federal Reserve's Website**" means the website of the NY Federal Reserve, currently at www.newyorkfed.org, or any successor website of the NY Federal Reserve or the website of any successor administrator of SOFR;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means the rate determined by the Calculation Agent in respect of a U.S. Government Securities Business Day, in accordance with the following provisions:

(x) the Secured Overnight Financing Rate in respect of such U.S. Government Securities Business Day that appears at approximately 3:00 p.m. (New York City time) (the "**SOFR Determination Time**") on the NY Federal Reserve's Website on such U.S. Government Securities Business Day, as such rate is reported on the Bloomberg Screen SOFRRATE Page for such U.S. Government Securities Business Day or, if no such rate is reported on the Bloomberg Screen SOFRRATE Page, then the Secured Overnight Financing Rate that is reported on the Reuters Page USDSOFR= or, if no such rate is reported on the Reuters Page USDSOFR=, then the Secured Overnight Financing Rate that appears at approximately 3:00 p.m. (New York City time) on the NY Federal Reserve's Website on such U.S. Government Securities Business Day (the "**SOFR Screen Page**"); or

(y) if the rate specified in (x) above does not so appear and the Issuer determines that a SOFR Transition Event has not occurred, the Secured Overnight Financing Rate published on the NY Federal Reserve's Website for the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the NY Federal Reserve's Website; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Notwithstanding the above, if the Issuer determines on or prior to the SOFR Determination Time, that a SOFR Transition Event and its related SOFR Replacement Date have occurred with respect to the relevant SOFR Benchmark (as defined below), then the provisions set forth below in paragraph (B) will apply to all determinations of the Rate of Interest for each Interest Period thereafter.

(B) *SOFR Replacement provisions*

If the Issuer determines at any time prior to the SOFR Determination Time on any U.S. Government Securities Business Day that a SOFR Transition Event and the related SOFR Replacement Date have occurred, the Issuer will appoint an agent (the "**Replacement Rate Determination Agent**") which will determine the SOFR Replacement. The Replacement Rate Determination Agent may be (x) a leading bank, broker-dealer or benchmark agent in the principal financial centre of the Specified Currency as appointed by the Issuer, (y) the Issuer, (z) an affiliate of the Issuer or (zz) such other entity that the Issuer determines to be competent to carry out such role.

In connection with the determination of the SOFR Replacement, the Replacement Rate Determination Agent will determine appropriate SOFR Replacement Conforming Changes.

Any determination, decision or election that may be made by the Issuer or Replacement Rate Determination Agent (as the case may be) pursuant to these provisions, will (in the absence of manifest error) be conclusive and binding on the Issuer, the Agent and the Holders.

Following the designation of a SOFR Replacement, the Issuer may subsequently determine that a SOFR Transition Event and a related SOFR Replacement Date have occurred in respect of such SOFR Replacement, provided that the SOFR Benchmark has already been substituted by the SOFR Replacement and any SOFR Replacement Conforming Changes in connection with such substitution have been applied. In such circumstances, the SOFR Replacement shall be deemed to be the SOFR Benchmark and all relevant definitions shall be construed accordingly.

In connection with the SOFR Replacement provisions above, the following definitions shall apply:

"**ISDA Definitions**" means the 2021 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to SOFR for the applicable tenor;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of a SOFR Transition Event with respect to SOFR for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Relevant Governmental Body**" means the Board of Governors of the Federal Reserve System and/or the NY Federal Reserve or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the NY Federal Reserve or any successor thereto;

"**SOFR Benchmark**" means SOFR Index (as defined above);

"**SOFR Replacement**" means any one (or more) of the SOFR Replacement Alternatives to be determined by the Replacement Rate Determination Agent as of the SOFR Replacement Date if the Issuer determines that a SOFR Transition Event and its related SOFR Replacement Date have occurred on or prior to the SOFR Determination Time in respect of any determination of the SOFR Benchmark on any U.S. Government Securities Business Day in accordance with:

(a) the order of priority specified SOFR Replacement Alternatives Priority in the applicable Final Terms; or

(b) if no such order of priority is specified, in accordance with the priority set forth below:

(i) Relevant Governmental Body Replacement;

(ii) ISDA Fallback Replacement; and

(iii) Industry Replacement,

provided that, in each case, if the Replacement Rate Determination Agent is unable to determine the SOFR Replacement in accordance with the first SOFR Replacement Alternative listed, it shall attempt to determine the SOFR Replacement in accordance with each subsequent SOFR Replacement Alternative until a SOFR Replacement is determined. The SOFR Replacement will replace the then-current SOFR Benchmark for the purpose of determining the relevant Rate of Interest in respect of the relevant Interest Period and each subsequent Interest Period, subject to the occurrence of a subsequent SOFR Transition Event and related SOFR Replacement Date;

"**SOFR Replacement Alternatives**" means:

(a) the sum of: (i) the alternative rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current SOFR Benchmark for the relevant Interest Period and (ii) the SOFR Replacement Adjustment (the "**Relevant Governmental Body Replacement**");

(b) the sum of: (i) the ISDA Fallback Rate and (ii) the SOFR Replacement Adjustment (the "**ISDA Fallback Replacement**"); or

(c) the sum of: (i) the alternative rate that has been selected by the Replacement Rate Determination Agent as the replacement for the then-current SOFR Benchmark for the relevant Interest Period giving due consideration to any industry-accepted rate as a replacement for the then-current SOFR Benchmark for U.S. dollar-denominated floating rate securities at such time and (ii) the SOFR Replacement Adjustment (the "**Industry Replacement**");

"**SOFR Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Replacement Rate Determination Agent as of the applicable SOFR Replacement Date:

(a) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted SOFR Replacement;

(b) if the applicable Unadjusted SOFR Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(c) the spread adjustment (which may be a positive or negative value or zero) determined by the Replacement Rate Determination Agent giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current SOFR Benchmark with the applicable Unadjusted SOFR Replacement for U.S. dollar-denominated floating rate securities at such time;

"**SOFR Replacement Conforming Changes**" means, with respect to any SOFR Replacement, any technical, administrative or operational changes (including, but not limited to, changes to timing and frequency of determining rates with respect to each interest period and making payments of interest, rounding of amounts or tenors, day count fractions, business day convention and other administrative matters) that the Replacement Rate Determination Agent decides may be appropriate to reflect the adoption of such SOFR Replacement in a manner substantially consistent with market practice (or, if the Replacement Rate Determination Agent determines that adoption of any portion of such market practice is not administratively feasible or if the Replacement Rate Determination Agent determines that no market practice for use of the SOFR Replacement exists, in such other manner as the Replacement Rate Determination Agent or the Issuer, as the case may be, determines is reasonably necessary, acting in good faith and in a commercially reasonable manner);

"**SOFR Replacement Date**" means the earliest to occur of the following events with respect to the then-current SOFR Benchmark (including the daily published component used in the calculation thereof):

(a) in the case of sub-paragraphs (a) or (b) of the definition of "SOFR Transition Event" the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the SOFR Benchmark permanently or indefinitely ceases to provide the SOFR Benchmark (or such component); or

(b) in the case of sub-paragraph (c) of the definition of "SOFR Transition Event" the date of the public statement or publication of information referenced therein; or

(c) in the case of sub-paragraph (d), the last such consecutive U.S. Government Securities Business Day on which the SOFR Benchmark has not been published,

provided that, in the event of any public statements or publications of information as referenced in sub-paragraphs (a) or (b) above, should such event or circumstance referred to in such a public statement or publication occur on a date falling later than three months after the relevant public statement or publication, the SOFR Transition Event shall be deemed to occur on the date falling three months prior to such specified date (and not the date of the relevant public statement or publication).

For the avoidance of doubt, if the event giving rise to the SOFR Replacement Date occurs on the same day as, but earlier than, the SOFR Determination Time in respect of any determination, the SOFR Replacement Date will be deemed to have occurred prior to the SOFR Determination Time for such determination.

"**SOFR Transition Event**" means the occurrence of any one or more of the following events with respect to the then-current SOFR Benchmark (including the daily published component used in the calculation thereof):

(a) a public statement or publication of information by or on behalf of the administrator of the SOFR Benchmark (or such component, if relevant) announcing that such administrator has ceased or will cease to provide the SOFR Benchmark (or such component, if relevant), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the SOFR Benchmark (or such component, if relevant);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component, if relevant), the central bank for the currency of the SOFR Benchmark (or such component, if relevant), an insolvency official with jurisdiction over the administrator for the SOFR Benchmark (or such component, if relevant), a resolution authority with jurisdiction over the administrator for SOFR Benchmark (or such component, if relevant) or a court or an entity with similar insolvency or resolution authority over the administrator for the SOFR Benchmark (or such component, if relevant), which states that the administrator of the SOFR Benchmark (or such component, if relevant) has ceased or will cease to provide the SOFR Benchmark (or such component, if relevant) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the SOFR Benchmark (or such component, if relevant);

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the SOFR Benchmark (or such component, if relevant) announcing that the SOFR Benchmark (or such component, if relevant) is no longer representative, the SOFR Benchmark (or such component, if relevant) has been or will be prohibited from being used or that its use has been or will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(d) the SOFR Benchmark is not published by its administrator (or a successor administrator) for six consecutive U.S. Government Securities Business Days; and

"**Unadjusted SOFR Replacement**" means the SOFR Replacement prior to the application of any SOFR Replacement Adjustment.

If the relevant Notes become due and payable in accordance with Condition 6, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Instruments shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

(iv) Screen Rate Determination for Floating Rate Notes – TONA

(A) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Final Terms specify that the Original Reference Rate is TONA, the Rate of Interest for each Interest Period will be, subject as provided in paragraph (B) below, the Compounded Daily TONA Index plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent on the Interest Determination Date and the resulting percentage being rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

"**Compounded Daily TONA Index**" means with respect to an Interest Period, the rate of return of a daily compound interest investment in Japanese Yen (with the daily Tokyo Overnight Average ("**TONA**") as a reference rate for the calculation of interest) by reference to the screen rate or index for compounded daily TONA rates administered by the administrator of the TONA reference rate that is published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date, as further specified in the applicable Final Terms (the "**TONA Compounded Index**") and will be calculated as follows:

$$\left(\frac{TONA\ Compounded\ Index_{End}}{TONA\ Compounded\ Index_{Start}} - 1\right) \times \frac{365}{d}$$

Where in each case:

"**d**" is the number of calendar days from (and including) the day in relation to which TONA Compounded Index$_{Start}$ is determined to (but excluding) the day in relation to which TONA Compounded Index$_{End}$ is determined;

"**Interest Period End Date**" shall have the meaning specified in the applicable Final Terms;

"**p**" means five Tokyo Banking Days or such larger number of days as specified in the applicable Final Terms;

"**Tokyo Banking Day**" or "**TBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in Tokyo;

"**TONA Compounded Index$_{Start}$**" means, with respect to an Interest Period, the TONA Compounded Index determined in relation to the day falling "p" Tokyo Banking Days prior to the first day of such Interest Period; and

"**TONA Compounded Index$_{End}$**" means with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling "p" Tokyo Banking Days prior to the Interest Period End Date for such Interest Period (or the date falling "p" Tokyo Banking Days prior to such earlier date, if any, on which the Notes become due and payable).

(B) *TONA Replacement provisions*

If the TONA reference rate is not published on the Relevant Screen Page at the Relevant Time on the relevant Tokyo Banking Day, the TONA reference rate for such Tokyo Banking Day shall be the rate equal to the Tokyo Overnight Average published by the administrator of the TONA reference rate on the Relevant Screen Page for the last preceding Tokyo Banking Day on which the Tokyo Overnight Average was published by the administrator of TONA on the Relevant Screen Page.

If the relevant Notes become due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Instruments shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls:

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day"** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Agent shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Interest on Exempt Notes**

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 4.2 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

4.4 Benchmark Discontinuation

(a) **Independent Adviser**

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(b) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.4(c)) and any Benchmark Amendments (in accordance with Condition 4.4(d)).

In making such determination, an Independent Adviser shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agents the Noteholders, Receiptholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4.4.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4(a) prior to the relevant Interest Determination Date, and notify the Calculation Agent of such determinations prior to the date which is ten Business Days prior the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.4(a).

(b) **Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4).

(c) **Adjustment Spread**

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be) if the Independent Advisor is unable to determine the quantum of, or a formula or methodology for determining, the Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

(d) **Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.4 and the Independent Adviser determines (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments"**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.4(e), without any requirement for the consent or approval of Noteholders, vary these Conditions and the Amended and Restated Agency

Agreement, as applicable, to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 4.4, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 4.4 which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 4.4(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) **Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.4 will be notified promptly by the Issuer to the Agent, the Calculation Agent, if any, the Paying Agents and, in accordance with Condition 13, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(f) **Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Conditions 4.4(a), (b), (d) and (e) the Original Reference Rate and the fallback provisions provided for in Conditions 4.2(b)(ii), as applicable, will continue to apply unless and until a Benchmark Event has occurred.

(g) **New Benchmark Event in respect of the Successor Rate or Alternative Rate**

If Benchmark Amendments have been implemented pursuant to this Condition 4.4 and a new Benchmark Event occurs in respect of the then applicable Successor Rate or Alternative Rate, the provisions of this Condition 4.4 shall apply as if the Successor Rate or Alternative Rate were the Original Reference Rate.

(h) **Definitions**

As used in this Condition 4.4:

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied); or

(C) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"Alternative Rate" means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser and acting in good faith and a commercially reasonable manner, determines in accordance with Condition 4.4(b) is customarily applied in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and with an interest period of a comparable duration to the relevant Interest Period;

"Benchmark Amendments" has the meaning given to it in Condition 4.4(d);

"Benchmark Event" means:

(i) the Original Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes;

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market;

(vi) it has become unlawful for any Paying Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate; or

(vii) provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of subparagraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

Notwithstanding any other provision of this Condition 4.4, if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4.4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation

Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense under Condition 4.4(a);

"Original Reference Rate" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

4.5 **Sustainability-Linked Notes**

If the Sustainability-Linked Notes Option is specified in the applicable Final Terms as being applicable to the Notes (the "**Sustainability-Linked Notes**"):

(i) If a Trigger Event occurs, and Step-Up is specified in the applicable Final Terms, the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) shall automatically be increased by the Step-Up Margin specified in the applicable Final Terms, for any Interest Period commencing on or after the first Interest Payment Date immediately following the occurrence of a Trigger Event. For the avoidance of doubt, an increase in the Rate of Interest or the Margin may occur no more than once in respect of any Series of Sustainability-Linked Notes as a result of a Trigger Event, and will not subsequently decrease thereafter.

(ii) If a Trigger Event occurs, and Redemption Premium is specified in the applicable Final Terms, the Issuer shall pay, in respect of each Note of a Series, an amount equal to the Redemption Premium on the earliest of either (i) the Maturity Date; or (ii) the date due for payment of an Early Redemption Amount, Make-Whole Redemption Amount, Optional Redemption Amount, or amount payable under Condition 6.5, 6.6 or 9.

(iii) If a Trigger Event occurs, the Issuer will send the Trigger Event Notice to the Agent, the Calculation Agent and in accordance with Condition 13, will cause the Trigger Event Notice to be sent to the Noteholders by no later than the relevant Trigger Event Notification Deadline. Such notice shall be irrevocable and shall include details of the Trigger Event, the Step-Up Margin or the Redemption Premium (as applicable), and the date from which the Step-Up Margin will be applied or the Redemption Premium is due.

(iv) For each financial year ending on 31 December from and including the financial year during which the Issue Date (of the first Tranche of the relevant Series) of any Sustainability-Linked Notes falls, up to and including the SPT Reference Year in respect of such Sustainability-Linked Notes, the Issuer will publish and maintain on ČEZ's website, the CII and CII Percentage in respect of each financial year, in a form determined by the Issuer on a discretionary basis, either as (i) information included in an obligatory reporting document published by the Issuer, for instance in the Group's annual report, or (ii) a standalone assurance report issued by the Assurance Provider (each, an "**Assurance Report**"). The Issuer will engage an external auditor to provide at least a limited assurance in respect of and verifying such CII and CII Percentage, and with respect to the SPT Reference Year only to be published on the ČEZ's website, no later than the date falling 180 days after the last day of the relevant financial year.

(v) In the event the Issuer determines in good faith that the then-prevailing SPT should be adjusted in accordance with the Recalculation Option, the Issuer shall give notice thereof to the Agent, the Calculation Agent (if any) and in accordance with Condition 13, the Noteholders as soon as reasonably practicable following the determination of such revised target. Such notice shall (i) provide details of the event(s) giving rise to the application of the Recalculation Option; (ii) describe the calculations employed for the adjustment to the SPT; and (iii) set out the new SPT (which, for the avoidance of doubt, may be increased or reduced as a result of the application of the Recalculation Option) and the date from which the adjustment shall take effect.

None of the Agent or the Calculation Agent (if any) shall be obliged to monitor or inquire as to whether a Trigger Event has occurred or have any liability in respect thereof.

For the avoidance of doubt, if Redemption Premium is specified as applicable in the applicable Final Terms, then Step-Up shall not be specified as applicable in the applicable Final Terms.

As used in these Conditions:

"**Assurance Provider**" means any independent audit or appraisal firm or other independent expert of internationally recognised standing appointed by the Issuer, in each case with the expertise necessary to perform the functions required to be performed by the Assurance Provider under the Conditions and the Sustainability-Linked Financing Framework, as determined by the Issuer;

"**Baseline**" means a CII of 0.38 tC02e/MWh (being the CII for the financial year 2019);

"**CII**" means the Group's carbon emission intensity indicator measuring direct carbon dioxide equivalent emissions for every unit of electricity and heat generated by the Group (excluding carbon emissions generated from biomass), measured in tonnes of carbon dioxide equivalent per megawatt hour (tCO2e/MWh) calculated by the Issuer in good faith in accordance with the Sustainability-Linked Financing Framework;

"**CII Condition**" means that the CII for the relevant SPT Reference Year, as set out in the Assurance Report in respect of such SPT Reference Year, does not exceed the SPT for such SPT Reference Year;

"**CII Percentage**" in respect of a financial year means the reduction between the Baseline and the CII for such financial year, expressed as a percentage, and calculated in good faith by the Issuer;

"**Group**" means ČEZ and its consolidated subsidiaries from time to time;

"**Recalculation Option**" means the recalculation option set out in the Sustainability-Linked Financing Framework, including the option to make amendments to the SPT in relation to acquisition, merger, divestment, changes in calculation method of the CII, or as a result of updating the SPT to align the ambition of the SPT with a science-based climate change target of limiting global temperature increase versus pre-industrial levels to not more than 1.5 degrees centigrade;

"**SPT Reference Year**" means the financial year(s) of the Group to which the SPT specified in the applicable Final Terms relates;

"**SPT**" means the CII targeted by the Group for the relevant SPT Reference Year and specified in the applicable Final Terms, including as adjusted in accordance with the Recalculation Option;

"**Sustainability-Linked Financing Framework**" means the version of the Group's sustainability-linked financing framework published on ČEZ's website as at the Issue Date of the first Tranche of the relevant Series of Sustainability-Linked Notes;

"**Step-Up Margin**" means the margin specified as such in the applicable Final Terms;

a "**Trigger Event**" occurs in respect of an SPT if:

(i) the Issuer fails to satisfy the CII Condition in respect of the relevant SPT Reference Year;

(ii) in respect of any SPT Reference Year, the Issuer fails to publish CII, the CII Percentage and the Assurance Report in respect of the CII and the CII Percentage for such SPT Reference Year, on or before the relevant Trigger Event Notification Deadline in accordance with Condition 4.5(iv);

(iii) the Issuer adjusts the SPT otherwise than in accordance with Condition 4.5(v); or

(iv) the Assurance Report contains any reservation or other qualification about whether or not the Group has achieved the SPT in respect of the SPT Reference Year,

provided that the Trigger Event shall be deemed to occur in the case of (i) and (iv), on the date the Assurance Report in respect of such SPT Reference Year is published on ČEZ's website in accordance with Condition 4.5(iv), in the case of (ii), on the first day immediately following the relevant Trigger Event Notification Deadline, and in the case of (iii) on the date falling 30 days after the purported adjustment to the SPT. For the avoidance of doubt, a Trigger Event does not occur if the SPT is adjusted in accordance with the Recalculation Option and Condition 4.5(v), and the CII does not exceed such adjusted SPT;

"**Trigger Event Consequences**" means the Step-Up or the Redemption Premium, as specified in the applicable Final Terms as being applicable to the Sustainability-Linked Notes;

"**Trigger Event Notice**" means a notice by the Issuer setting out that (a) a Trigger Event has occurred; and (b) an explanation of the Trigger Event Consequences; and

"**Trigger Event Notification Deadline**" means the date falling 180 days after the last day of the relevant SPT Reference Year.

4.6 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

5.2 **Presentation of definitive Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 5.5 should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 **Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

5.5 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, if applicable, the Guarantor, will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, if applicable, the Guarantor, to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer and, if applicable, the Guarantor, has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and, if applicable, the Guarantor, adverse tax consequences to the Issuer or, if applicable, the Guarantor.

5.6 **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) in the case of Notes in definitive form only, the relevant place of presentation;

  (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

  (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.7 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) the Make-Whole Redemption Amount (if any) of the Notes;

(f) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;

(g) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 6.7); and

(h) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 **Redemption for tax reasons**

Subject to Condition 6.7 the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer or, if applicable, the Guarantor, has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or, if applicable, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognized standing to the effect that the Issuer or, if applicable, the Guarantor, has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) to the Noteholders in accordance with Condition 13 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

6.4 **Make-Whole Redemption by the Issuer**

If Make-Whole Redemption by the Issuer is specified as being applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) to the Noteholders in accordance with Condition 13 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Make-Whole Redemption Date and at the Make-Whole Redemption Amount.

The Make-Whole Redemption Amount will be the higher of:

(a) the principal amount of the Notes; and

(b) the product of the principal amount of the Notes and the price, expressed as a percentage of the principal amount of the Notes (rounded to four decimal places with 0.00005 being rounded upwards), at which the then current yield on the Notes on the Reference Date (for the avoidance of doubt, including the Step-Up Margin, if applicable, as at the Reference Date pursuant to Condition 4.5(i)) would be equal to the sum of (x) the current yield to maturity (determined by reference to the middle market price) at the Reference Time on the Reference Date of the relevant Benchmark Security plus (y) the Make-Whole Margin, as determined by the Calculation Agent,

provided however that,

(i) if the Make-Whole Redemption Date occurs on or after the Par Redemption Date (if specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement)), the Make-Whole Redemption Amount will be the principal amount of the Notes;

(ii) if the Sustainability-Linked Notes Option is specified in the applicable Final Terms as being applicable and those Final Terms indicate that Step-Up may apply, however, the Step-Up Margin is not yet applicable as at the Reference Date pursuant to Condition 4.5(i) then if either (A) a Trigger Event has occurred on or prior to the Reference Date; or (B) the Make-Whole Redemption Date falls 180 days or less prior to the end of the SPT Reference Year, then for the purposes of calculating the current yield on the Notes, the Step-Up Margin will be deemed to apply to the Notes on the Reference Date for the purposes of calculating the Make-Whole Redemption Amount; or

(iii) if the Sustainability-Linked Notes Option is specified in the applicable Final Terms as being applicable and those Final Terms indicate that a Redemption Premium may apply, then if either (A) a Redemption Premium is applicable pursuant to Condition 4.5(ii); or (B) the Make-Whole Redemption Date falls 180 days or less prior to the end of the SPT Reference Year, then for the purposes of calculating the Make-Whole Margin, the Redemption Premium shall be added.

The **Benchmark Security**, the **Reference Time**, the **Make-Whole Margin** and the **Par Redemption Date** will be specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) *provided however that*, if "Linear Interpolation" is specified as applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the current yield of the Benchmark Security shall be determined by linear interpolation (calculated to the nearest one twelfth of a year) of the yield of the two Benchmark Securities specified in the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The **Reference Date** means the date which is the third London Business Day prior to the date fixed for redemption.

The second paragraph of Condition 6.3 shall also apply in relation to the Make-Whole Redemption by the Issuer pursuant to this Condition 6.4

6.5 **Residual Maturity Call Option**

If a Residual Maturity Call Option is specified as being applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Issuer may, on giving not less than 15 nor more than 30 days' notice (or such other period of notice as may be specified in the applicable Final Terms) (or, in the case of Exempt Notes, the applicable Pricing Supplement) in accordance with Condition 13 (Notices), to the Noteholders (which notice shall specify the date fixed for redemption (the **Residual Maturity Call Option Redemption Date**)), redeem the Notes comprising the relevant Series, in whole but not in part, at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of Notes having a maturity of not more than ten years or (ii) six months before the Maturity Date in respect of Notes having a maturity of more than ten years; or in either case, such shorter time period as may be specified in the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years (or such shorter maturity as may be specified in the Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement)) shall be determined as from the Issue Date of the first Tranche of the relevant Series of Notes. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.5.

6.6 **Redemption at the option of the Noteholders**

(a) ***Redemption at the option of the Noteholders (other than a Change of Control Put)***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.6(a) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note under this Condition 6.6(a) the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.6(a) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6(a) and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(b) ***Change of Control Put***

If Change of Control Put is specified as being applicable in the applicable Final Terms, upon the occurrence of a Put Event while this Note remains outstanding, the holder of this Note will have the option (the **Put Option**) (unless, prior to the giving of the Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 6.2) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of this Note on the Optional Redemption Date (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest (if applicable) to but excluding the Optional Redemption Date.

A **Put Event** shall be deemed to occur if:

(i) any Person or Persons acting in concert come(s) to own or acquire(s) more than 50 per cent. of the issued share capital of ČEZ, or more than 50 per cent. of the voting rights normally exercisable at a general meeting of ČEZ (each a **Change of Control**); and

(ii) during the Change of Control Period (as defined below), this Note carries from any of S&P Global Ratings Europe Limited, or Moody's France SAS, or any of their respective successors (each a **Rating Agency**) either:

(A) an investment grade credit rating (*BBB-/Baa3, or equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*BB+/Ba1, or equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by, or reinstated to, an investment grade credit rating from any other Rating Agency, or such Rating Agency, as the case may be; or

(B) a non-investment grade credit rating (*BB+/Ba1, or equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (*for illustration, Ba1 to Ba2 being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency, or (in the case of a withdrawal) replaced by, or reinstated to, a credit rating equal to or better than such earlier credit rating from any other Rating Agency, or such Rating Agency, as the case may be; or

(C) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes; and

(iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to ČEZ that such decisions(s) resulted, in whole or in part, from the occurrence of the Change of Control or the public notice of an arrangement that could result in a Change of Control.

Change of Control Period means the period from the date of the public notice of an arrangement that could result in a Change of Control until the end of a 180-day period following public notice of the occurrence of a Change of Control (or such longer period as the rating of the Note is under publicly announced consideration for rating review).

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 6.6(b).

To exercise the option to require redemption or, as the case may be, purchase of this Note under this Condition 6.6(b) the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Option Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.6(b), accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Option Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or, as the case may be, purchase of this Note under this Condition 6.6(b) the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Option Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.6(b) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6(b) and instead to declare such Note forthwith due and payable pursuant to Condition 9.

The Paying Agent to which this Note and Put Option Notice are delivered will issue to the holder concerned a non-transferable receipt (a **Put Option Receipt**) in respect of this Note so delivered or, in the case of a Global Note or Note in definitive form held through Euroclear or Clearstream, Luxembourg, notice so received. The Issuer shall redeem or at the option of the Issuer purchase (or procure the purchase of) this Note in respect of which Put Option Receipts have been issued on the date (the **Optional Redemption Date**) which is the seventh day after the last day of the Put Period, unless previously redeemed or purchased. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account to which payment is to be made in the Put Option Notice, on the Optional Redemption Date by transfer to that bank account and in every other case on or after the

Optional Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 6.6(b).

6.7 **Early Redemption Amounts**

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortized Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP\ x\ (1 + \text{AY})^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction, specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.8 **Specific redemption provisions applicable to certain types of Exempt Notes**

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 6.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

6.9 **Purchases**

The Issuer, the Guarantor (if applicable) or any Subsidiary of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or, if applicable, the Guarantor, surrendered to any Paying Agent for cancellation.

6.10 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.9 (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.11 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4 or 6.5 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition (c) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

6.12 **Redemption Premium**

This Condition 6.12 applies to Sustainability-Linked Notes in respect of which the applicable Final Terms indicate that the Redemption Premium applies (the "**Redemption Premium**"). In the event that a Trigger Event occurs in respect of the relevant SPT, then, upon redemption of such Sustainability-Linked Notes in accordance with these Conditions, each such Sustainability-Linked Note shall be redeemed at its Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make-Whole Redemption Amount, as applicable, plus, in each case, the Redemption Premium specified in the applicable Final Terms as applicable to such SPT and any references to the Final Redemption Amount or Early Redemption Amount or Optional Redemption Amount in these Conditions shall be construed accordingly. For the avoidance of doubt, the Redemption Premium will be applied without any double application.

For the avoidance of doubt, if Step-Up is specified as applicable in the applicable Final Terms, then Redemption Premium shall not be specified as applicable in the applicable Final Terms.

7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or, if applicable, the Guarantor, will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, if applicable, the Guarantor, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons or under the Guarantee, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in a Tax Jurisdiction; or

(b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.6); or

(d) in respect of any withholding or deduction where such withholding or deduction is required to be made pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*) or Czech Income Taxes Act (*zákon č. 586/1992 Sb., o daních z příjmů*).

As used herein:

(A) **Tax Jurisdiction** means the Czech Republic or the Netherlands, as applicable, or, in each case, any political subdivision or any authority thereof or therein having power to tax; and

(B) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT

The holder of any Note may give notice to the Issuer (with a copy to the Guarantor, if applicable) that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (Events of Default) shall have occurred and be continuing:

(a) ***Non-payment of Interest***: any amount of interest in respect of the Notes is not paid within 30 days of the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor (if applicable) defaults in the performance or observance of any of its other obligations under or in respect of the Notes and/or the Guarantee (if applicable) and (except where such default is not capable of remedy) such default remains unremedied for 60 days after written notice specifying such default or breach and requiring it to be remedied has been delivered to the Issuer; or

(c) ***Cross-acceleration***: any present or future indebtedness of the Issuer, the Guarantor (if applicable) or any Material Subsidiary of ČEZ (excluding any such indebtedness owed to trade creditors not evidenced by a note, bond, debenture or similar instrument) having an aggregate principal amount exceeding U.S.$30,000,000 (or its equivalent in any other currency or currencies) other than the Notes becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor (if applicable) or such Material Subsidiary, as the case may be; or

(d) ***Insolvency etc.***: (i) the Issuer, the Guarantor, if applicable, or any Material Subsidiary becomes insolvent, stops payment on its obligations generally or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor, if applicable, or any Material Subsidiary or of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor (if applicable) or any Material Subsidiary, as the case may be, is appointed, (iii) the Issuer, the Guarantor, if applicable, or any Material Subsidiary takes any action for a readjustment or deferment of its obligations generally or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness, (iv) the Issuer, the Guarantor, if applicable, or any Material Subsidiary is declared to be bankrupt by any court or (v) an application for a declaration of bankruptcy in relation to the Issuer, the Guarantor, if applicable, or any Material Subsidiary is refused by any court and the court specifies that the sole ground on which such declaration has been refused is that the Issuer, the Guarantor (if applicable) or such Material Subsidiary, as the case may be, has insufficient assets out of which to meet the costs and expenses of any bankruptcy proceedings; or

(e) ***Winding up, etc.***: a legally effective and non-appealable order is made or a legally effective and non-appealable resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor, if applicable, or any Material Subsidiary; or

(f) ***Cessation of Business***: ČEZ ceases to conduct or to be authorized to conduct the business of the generation or sale of electricity; or

(g) ***Invalidity of Guarantee***: if applicable, the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or

(h) ***Analogous Event***: any event occurs which under the laws of the Czech Republic, the Netherlands or the jurisdiction of the relevant Material Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) or (e) above.

10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer and the Guarantor, if applicable, is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer and the Guarantor, if applicable, shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Amended and Restated Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor (if applicable) and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Amended and Restated Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND SUBSTITUTION

The Amended and Restated Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Amended and Restated Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one quarter in nominal amount of the Notes for the time being outstanding. The Amended and Restated Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Amended and Restated Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of all the holders or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of all the holders, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receipt holders and Coupon holders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Amended and Restated Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons or the Amended and Restated Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

The Issuer, or any previous substituted company, may at any time, without the consent of the holders of the Notes of any Series, Receipts or Coupons, substitute for itself as principal debtor under the Notes, Receipts or, Coupons any company (the Substitute) that is the Guarantor, or a Subsidiary of the Guarantor, provided that no Event of Default under Condition 9(a) (Non-payment of Interest) has occurred and is continuing. The substitution shall be made by a deed poll (the Deed Poll), to be substantially in the form scheduled to the Amended and Restated Agency Agreement as Schedule 9, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each holder of a Note, Receipt or Coupon against any tax, duty, assessment or governmental charge that is imposed on any Note, Receipt or Coupon or the Deed of Covenant by, or by any authority in or of, the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation that would not have been so imposed had the substitution not been made. In order for a holder to receive reimbursement from the Issuer in relation to such indemnity, such holder shall provide the Issuer with such documentary evidence as the Issuer may reasonably require showing (a) that such holder was the holder of such Note, Receipt or Coupon or beneficiary under the Deed of Covenant at the time the substitution took place, (b) the amount of any such tax, duty, assessment or governmental charge so imposed and (c) confirming that such tax, duty, assessment or governmental charge did not arise by reason of his having some connection with such jurisdiction other than the mere holding of such Note, Receipt or Coupon, (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, and the Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll, (iii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll affecting the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Amended and Restated Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, and (v) the Issuer shall have given at least 14 days' prior notice of such substitution to the holders of Notes, stating that copies of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded, in the determination of the Issuer, as material to holders of Notes, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 9 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing law

The Amended and Restated Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Amended and Restated Agency Agreement, the Deed of Covenant, the Deed of Guarantee, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

17.2 Submission to jurisdiction

(a) Subject to Condition 17.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 17.2, each of the Issuer, the Guarantor (if applicable) and any Noteholders, Receiptholders or Couponholders taking proceedings in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) This Condition 17.2 is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

Each of ČEZ and CEZ Finance appoints Law Debenture Corporate Services Limited at its registered office for the time being in England as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will appoint another person, as the Agent may approve, as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17.4 Waiver of immunity

The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, including without limitation, the making, enforcement or execution against any property whatsoever in any jurisdiction, whether before or after final judgment (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes, including the refinancing of its existing indebtedness or a provision of loans to members of the CEZ Group, unless otherwise specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

SUSTAINABILITY-LINKED FINANCING FRAMEWORK

The ČEZ Group has established a Sustainability-Linked Financing Framework for the issuance of sustainability-linked forms of indebtedness, including Sustainability-Linked Notes. The Sustainability-Linked Financing Framework is aligned with the Sustainability-Linked Bond Principles, as administered by the International Capital Market Association ("*ICMA*"), as well as the Sustainability-Linked Loan Principles, as administered by the Loan Market Association ("*LMA*") and structured in accordance with the ICMA Climate Transition Finance Handbook 2020. Such principles represent voluntary guidelines setting best practices for financial instruments incorporating forward-looking, externally verified sustainability objectives and outcomes.

ČEZ will use the proceeds of the Sustainability-Linked Notes for general corporate purposes. Even if Sustainability-Linked Notes proceeds are used for general corporate purposes and do not have a specific use of proceeds clause, ČEZ will not direct such proceeds to coal extraction and coal power expansion or maintenance. This is in line with ČEZ's overarching medium-term target to decommission coal and reduce the carbon intensity of its operations.

Selection of Key Performance Indicators

The selection of sustainability objectives by ČEZ was conducted considering relevance, core and materiality to ČEZ's business operations. The selected key performance indicators ("*KPIs*") and sustainability performance targets ("*SPTs*") are implemented within the ČEZ Group's overall corporate strategy. ČEZ has decided to focus on a main KPI, as deemed the most material and relevant for ČEZ's business and sustainability strategy:

KPI: Direct Greenhouse Gas Emissions Intensity (Carbon emission intensity of electricity and heat generated, Scope 1)

ČEZ has decided to focus on carbon intensity as its main KPI because ČEZ's exposure to risk related to carbon emissions from its operation is high, due to the nature of its operations and the source of energy used to power such operations. Since carbon intensity is a key area for ČEZ, the KPI has been chosen based on materiality and relevance to ČEZ and the relative sub-industry.

At the end of 2020, Scope 1 emissions (excluding biomass) represented approximately 57% of the ČEZ Group's total emissions.

The carbon emission intensity of electricity and heat generated target will be met via decommissioning of coal power generation capacity and increasing new carbon emission free installed capacity.

Calibration of Sustainability Performance Targets (SPTs)

The following SPTs have been selected:

SPT 1: Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1) from 0.38 tCO2e/MWh (0.36 tCO2/MWh) in 2019 to 0.26 tCO2e/MWh by 31 December 2025 (represents a 30.8% reduction)

SPT 2: Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1) from 0.38 tCO2e/MWh (0.36 tCO2/MWh) in 2019 to 0.16 tCO2e/MWh by 31 December 2030 (represents a 57.4% reduction)

The ČEZ Group intends to reduce its emissions intensity by more than 50% by 2030. The measures to be established are intended to allow the ČEZ Group to achieve carbon neutrality by 2050.

Carbon intensity reduction will be achieved via the following actions:

- Coal decommissioning
- Safe increase in Nuclear Energy generation volumes
- Increase in Renewable Energy generation volumes

Characteristics of Sustainability-Linked Notes

In case that the KPI does not achieve the respective SPT(s), a so-called trigger event will occur, which will result in an impact on the financial performance of the Notes.

The implications on the financial performance of the Notes in case of a trigger event can occur in the following variations (subject to as set out in the applicable Final Terms or Pricing Supplement):

- a step-up margin will be applied to the rate of interest relating to such Note; or

- a redemption premium amount may be added to any redemption amount or amount payable on maturity applicable to such Note.

The relevant KPI, SPT(s), step-up margin amounts or the redemption premium amounts applicable are subject to the Terms and Conditions.

Recalculation Option

ČEZ reserves the right to conduct amendments to the SPT, in case of any merger and acquisition activities or changes to the calculation methodology for the KPI, which may lead to a change of at least 5% decrease of the respective KPI performance or change and the nature of the KPI. The adjustment mechanism allows for a revision of the SPT by the ratio of the change in relative KPI ČEZ records as a result of the acquisition, merger, divestment, significant changes in data due to better data accessibility and/or changes in the calculation methodology. The purpose of this mechanism is to ensure that a development of the ČEZ Group through merger and acquisition activity does not prevent ČEZ from achieving its set sustainability performance target.

ČEZ may decide to update an SPT to align it with a science-based climate change target of limiting global temperature increase versus pre-industrial levels to below 1.5 degrees centigrade within 12 months from the issuance date of the inaugural Sustainability-Linked Notes, the SPT(s) may be updated to reflect the Issuer’s increasingly ambitious approach to carbon emission reduction.

In case of changes to the Sustainability-Linked Bond Framework the KPI and SPT(s) set out in the Sustainability-Linked Financing Framework and in the Terms & Conditions will remain applicable throughout the tenor of any Sustainability-Linked Notes issued under the Sustainability-Linked Financing Framework in the form prevailing at the time of issuance of the respective Sustainability-Linked Notes, regardless of any subsequent changes to ČEZ’s sustainability strategy or changes and future updates of the Sustainability-Linked Financing Framework, independent of whether they are driven by changes in the relevant principles or ČEZ’s corporate decisions.

Reporting

ČEZ will provide adequate information to investors and other market participants regarding the implementation and progress on its sustainability objectives either in its annually published annual report, standalone assurance report and/or any specific sustainability-linked instrument report. The disclosure will be made available on ČEZ’s investor relations website (*www.cez.cz).*

Verification

ČEZ has appointed an external verifier to provide an independent Second Party Opinion ("*SPO*") to evaluate the Sustainability-Linked Financing Framework. The SPO was made publicly available on ČEZ’s corporate website and shall also be available on the website of the SPO provider.

DESCRIPTION OF CEZ FINANCE

CEZ Finance was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on March 17, 2021 with its statutory seat in Amsterdam. CEZ Finance is registered in the Trade Register of the Dutch Chamber of Commerce under number 82230714. The registered office of CEZ Finance is Herikerbergweg 157, 1101CN Amsterdam, the Netherlands. The telephone number of CEZ Finance is +31 (0) 207586692.

Business

As of the date of this Base Prospectus, CEZ Finance's issued capital is EUR 250,000 and the issued capital is fully paid. The share capital of CEZ Finance is divided into 25,000 shares, each with a nominal value of EUR 10. All shares issued by CEZ Finance are owned by ČEZ.

As set out in Article 2 of its articles of association dated March 17, 2021, CEZ Finance was incorporated for the purpose of, among other things, borrowing moneys, issuing bonds or other securities or financing businesses, companies and other entities. CEZ Finance has been established with the aim to operate as a financing company for the CEZ Group, raising funds through notes issuances and lending them to the companies belonging to the CEZ Group. CEZ Finance is therefore part of the process of centralizing financial flows within the CEZ Group.

CEZ Finance has not commenced business operations and has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Base Prospectus. Its activities are governed mainly by its articles of association and Book 2 of the Dutch Civil Code.

There are no and have been no governmental, legal or arbitration proceedings against CEZ Finance (including any such proceedings which are pending or threatened of which the Issuer is aware) during the last 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past a significant effect on CEZ Finance's financial position or profitability, nor is CEZ Finance aware of any pending or threatened proceedings of such kind.

Management

CEZ Finance has two directors. Mr. Jan Hájek, born on 16 April 1979, acting as Director A and Mr. Derk Berend Blik, born on 19 April 1979, acting as Director B. The business address of both directors is Herikerbergweg 157, 1101CN Amsterdam, the Netherlands. Mr. Jan Hájek is Head of Structured Finance Department at CEZ, and his principal activities relate to financing business and companies within CEZ Group. These activities may be significant with respect to CEZ Finance. There are no significant principal activities of Mr. Blik outside of CEZ Finance that would be significant with respect to CEZ Finance.

There is no potential conflict of interest between any duties of the directors towards CEZ Finance and their private interests and/or other duties.

DESCRIPTION OF ČEZ

Overview

According to the ERO and our internal data, we are the largest electricity generation and distribution company in the Czech Republic and one of the largest companies in the Czech Republic on the basis of our revenues and our total assets. In the years ended December 31, 2021 and 2020, we had revenues of CZK 227.8 billion and CZK 213.7 billion, respectively, and net income of CZK 9.9 billion and CZK 5.5 billion, respectively. Approximately 80 % of our revenues for the same period originated in the Czech Republic. As of December 31, 2021 and 2020, we had total assets of CZK 1,182.9 billion and CZK 702.5 billion, respectively. In the year ended December 31, 2021, we had an average of 28,697 employees.

According to data published by the ERO in the Czech Republic for the year ended December 31, 2021, we accounted for approximately 63 % of electricity generated, 53 % of installed electricity generation capacity, we distributed approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic and sold 30 % of the total net electricity consumed.

We operate through four principal businesses: the generation business, distribution business, sales business and trading business. We also undertake certain other ancillary activities, which are included in our other businesses.

Our generation business (the "*Generation Business*") owns and operates power plants primarily located in and connected to the transmission system in the Czech Republic, which generate electricity predominantly from nuclear energy and brown coal. We also own hard coal-fired power plants in Poland and wind and hydro power plants in Germany and Poland. In the year ended December 31, 2021, the total installed capacity of our generation facilities was 11,829 MW, of which 94,1 % was in the Czech Republic, 4.8 % in Poland and 1.1% in Germany. In the year ended December 31, 2021, we generated 55,989 GWh of electricity, of which 95.1 % was generated in the Czech Republic. In the same year, 32.1 % of our total electricity generated was generated by our coal-fired power plants, 54.9 % was generated by our nuclear power plants, 7.4 % was generated by our hydroelectric, solar, wind, biogas, biomass power plants or through biomass co-firing and the remaining 5.6 % by our gas-fired power plants and co-generation units.

Our distribution business (the "*Distribution Business*") delivers electricity from the transmission system to end-consumers in the Czech Republic. In the year ended December 31, 2021, we distributed electricity to more than 3.7 million connection points in the Czech Republic covering an area of approximately 5/8 of the country, making us the largest of the three regional distributors of electricity. In the year ended December 31, 2021, we distributed a total of 43,349 GWh of electricity to end-consumers, 84.3 % of which was distributed to end-consumers in the Czech Republic.

Our sales business ("*Sales Business*") sells electricity generated by us and procured by our trading business to end-consumers in the Czech Republic, as well as in Hungary and Poland. Until 31 March 2021, our Sales Business also sold electricity that we generated in Romania and until 27 July 2021, the Sales Business was active also in Bulgaria.

Our trading business (the "*Trading Business*") purchases and sells electricity and energy commodities on wholesale markets, including electricity sold by us to our end-consumers, and also executes trades for our own account.

Our other businesses (the "*Other Businesses*") include decentralized energy solutions and other energy services, such as, among others, services, consultancy and audits concerning energy savings and management, the construction and subsequent operation of local small gas-fired combined heat and power facilities, delivery of photovoltaic rooftop power plants, heating, ventilation and air-conditioning solutions, technical and mechanical equipment of buildings, facility management services, and the realization and the operation of public and commercial lighting and local distribution systems; the generation, distribution and sale of heat; the sale of natural gas to end-consumers; the provision of ancillary services to transmission system operators; the provision of telecommunication services to customers; and the mining, processing and sale of brown coal.

The table below sets forth certain information relating to our Generation Business, Distribution Business and Sales Business for the year ended December 31, 2021.

	As of and for the year ended December 31, 2021							
	Installed capacity		**Electricity generated**		**Electricity distributed to end-consumers**		**Electricity sold to end-consumers**	
	(MW)	***(%)***	**(GWh)**	***(%)***	**(GWh)**	***(%)***	**(GWh)**	***(%)***
Czech Republic..........	11,126	*94.1*	53,218	*95.1*	36,551	*84.3*	18,680	*69.6*
Germany	133	*1.1*	228	*0.4*	-	-	-	-
Poland.......................	570	*4.8*	2,146	*3.8*	-	-	155	*0.6*
Bulgaria(2)	-	-	3	*0.0*	5,025	*11.6*	5,417	*20.2*
Romania(1).................	-	-	394	*0.7*	1,773	*4.1*	1,045	*3.9*
Other	-	-	-	-	-	-	1,537	*5.7*
Total.........................	**11,829**		**55,989**		**43,349**		**26,834**	

(1) The CEZ Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale (as defined below).

(2) The CEZ Group sold the majority of its Bulgarian assets on 27 July 2021 as part of the Bulgarian Asset Sale (as defined below).

History and Development of the CEZ Group

ČEZ was incorporated as a joint stock company under the laws of the Czech Republic on May 6, 1992 with unlimited duration and was registered in the Commercial Register administered by the Municipal Court in Prague, File B, Section 1581, with identification number 45274649. As of December 31, 2021, ČEZ had a registered share capital of CZK 53,798,975,900 and was 69.8 % owned by the Czech Republic represented by the Ministry of Finance. The shares of ČEZ are listed on the Prague Stock Exchange and the Warsaw Stock Exchange. The registered office of ČEZ is Duhová 2/1444, 140 53 Prague 4, Czech Republic, with telephone number +420 211 041 111.

Principal events during our history and development include:

1992 ČEZ was established on May 6, 1992 through the aggregation of formerly State-owned power generation and distribution assets in the Czech Republic into one enterprise.

2002 The Czech Republic's electricity market began a process of market liberalization in accordance with the Czech Energy Act.

We acquired the Czech Government's shares in the eight regional distribution utilities (the "*REAS*"), which were previously held by the Czech National Property Fund and the Czech Consolidation Agency. We subsequently held a majority interest in five of the REAS and a minority interest in three of the REAS.

2004 An amendment to the Czech Energy Act required the distribution of electricity to be separate and independent from the sale of electricity to end-consumers (so-called "unbundling") from January 1, 2007.

2005 We established ČEZ Distribuce, a.s., for electricity distribution and ČEZ Prodej, a.s., for electricity sales.

We acquired three Bulgarian distribution companies, Elektrorazpredelenie Pleven AD, Elektrorazpredelenie Sofia Oblast AD and Elektrorazpredelenie Stolichno AD, which together had approximately 1.9 million customers in Bulgaria.

We acquired a 51% stake in the Romanian distributor Electrica Oltenia S.A., which had approximately 1.4 million customers in Romania.

2006 We acquired Severočeské doly a.s., a brown coal mining company located in North Bohemia, which supplies a significant portion of brown coal to our power plants in the Czech Republic.

We acquired a 75.2% share in the voting rights of Elektrocieplownia Chorzów "ELCHO" S.A. and a 74.82% stake in Elektrownia Skawina S. A. These Polish electricity generation companies had a combined installed capacity of 830 MW in 2006. We acquired the remaining stakes of each company to become the 100% owner of each company in 2010 and 2009, respectively.

2007 We acquired 100% control over the five previously majority-owned REAS: Severočeská energetika, a.s., Severomoravská energetika a.s., Východočeská energetika, a.s., Západočeská energetika, a.s., and Středočeská energetická, a.s. Following the acquisition of the REAS, our distribution network became the largest in the Czech Republic.

2008 We acquired the Fantanele and Cogealac wind farm project in Romania which became one of the largest onshore wind farms in Europe, with a total installed capacity of 600 MW, on completion at the end of 2012. On 31 March 2021, both wind farms were sold to Macquarie Infrastructure and Real Assets together with other Romanian assets.

2009 Pursuant to a joint venture arrangement with the Akkok Group, we acquired 100% of Sakarya Elektrik Dagitim A.S., the Turkish electricity distribution company which has the right to operate the distribution grid in the Sakarya region of Turkey for 30 years.

We became the 100% owner of CEZ Distributie S. A. and CEZ Vanzare S.A. when we purchased a 30% stake in CEZ Distributie S.A. and a 19% stake in CEZ Vanzare S.A.

We acquired 37.36 % of our Turkish joint venture partner, Akenerji Elektrik Üretim A.S., and became the joint holders of a majority interest amounting to approximately 75%, with the remaining shares being traded on the Istanbul Stock Exchange.

We acquired a 50% stake in JTSD Braunkohlebergbau, GmbH, the sole shareholder of the German mining company MIBRAG. The stake was sold to the second shareholder EP Energy, a.s., in 2012.

2011 We acquired a 100% holding in Energotrans, a.s., a company supplying heat from Mělník to Prague.

2013 On March 18, 2013, we concluded a coal supply contract with Vršanská uhelná a.s. (part of the Sev.en Energy Group, formerly known as the Czech Coal Group) under which the supply of coal to the Počerady power plant is secured for a term of up to nearly 50 years. As a part of the transaction, the parties concluded a settlement agreement in respect of their mutual claims. We also concluded two put option agreements with Vršanská uhelná a.s. Under these contracts, ČEZ had a right to transfer 100 % of the shares in its subsidiary Elektrárna Počerady, a.s. (owner of the Počerady coal power plant) to Vršanská uhelná a.s. On October 22, 2020, ČEZ and Vršanská Uhelná a.s. agreed to the sale of the Počerady power plant on December 31, 2020, i.e. three years before originally planned. The original agreed price of CZK 2 billion for the transfer contemplated in 2024 was increased to CZK 2.5 billion. Simultaneously with the transfer of the Počerady power plant, the purchase contract for coal from Vršanská Uhelná a.s. in the amount of 5 million tonnes/year was terminated.

On September 2, 2013, we completed the sale of the Chvaletice power plant to Severní energetická a.s. (formerly Litvínovská uhelná a.s.). The divestment was realized with the aim to bring to an end the EU Commission's investigation launched in 2009 by means of a settlement agreement, in which we agreed to sell one of our coal-fired power plants.

In September 2013, we incorporated a venture capital fund, Inven Capital, investiční fond, a.s., ("*Inven Capital*") as part of our new energy sector strategic programme. The purpose of the fund is to invest in innovative developing companies active in the new clean energy and smart technology industries in Europe. In 2017, Inven Capital started its cooperation with the European Investment Bank, under which the bank provided EUR 50 million for a co-investment initiative to support growth of clean energy and smart technology. Since its establishment, Inven Capital has invested into ten companies and in February 2019 realized also its first successful exit by selling its share (together with other shareholders) in sonnen Holding GmbH to Shell Overseas Investment B.V.

2014 In 2014, we established a new company ČEZ ESCO, a.s., as a wholly owned subsidiary of ČEZ, which consolidated our capacities within the area of energy savings, decentralized energy sources, lighting and other energy services.

2015 In June 2015, the CEZ Group announced its plan to reduce its greenhouse gas emissions to zero by 2050.

In October 2015, the Czech Government approved the extension of brown coal mining limits at the Bílina coal mine owned by the CEZ Group. The newly available brown coal reserves are estimated to be in the range of 100 – 150 million tons.

2016 On July 12, 2016, ČEZ commenced international investment arbitration proceedings before the International Centre for Settlement of Investment Disputes against the Republic of Bulgaria on the grounds of the Republic of Bulgaria's failure to adhere to investment protection provisions of the Energy Charter Treaty. Please see "*Description of ČEZ—Legal Proceedings—Bulgaria*".

In December 2016, we entered the German renewable energy market by acquiring an operational wind farm with a total installed capacity of 98 MW. As of the date of this Base Prospectus we own and operate wind farms in Germany with a total installed capacity of 134 MW and have additional approximately193.5 MW of target installed capacity in various stages of development within our joint ventures.

2017 On January 27, 2017, we initiated a selling process in relation to our investments in Bulgaria, where we operate a distribution company, CEZ Razpredelenie Bulgaria AD, a retail electricity supplier, CEZ Electro Bulgaria AD, a wholesale trader, CEZ Trade Bulgaria EAD, the Varna coal-fired power plant and two renewable sources plants. On October 31, 2017, we concluded an agreement concerning the sale of our Bulgarian hard coal-fired thermal power plant in Varna, which had been shut down in 2015, to a Bulgarian company SIGDA OOD. On February 23, 2018, we concluded a share purchase agreement for the sale of our remaining Bulgarian assets with Inercom Bulgaria EAD. However, since the transaction was not approved by the Bulgarian Commission for Protection of Competition, the share purchase agreement with Inercom was terminated in April 2019. Please see "*Description of ČEZ—Legal Proceedings—Bulgaria*".

On May 18, 2017, ČEZ established the new Nuclear Energy Division with effect from June 1, 2017. As from the same date, the existing Generation Division was transformed into the Conventional Energy Division. By establishing the Nuclear Energy Division, ČEZ responded to the needs to comply with the requirements of the amended Czech Nuclear Act 2016 and the relevant implementing regulations to further increase the level of safety of nuclear power plants. All departments performing activities related to the use of nuclear energy were placed in the Nuclear Energy Division.

On June 6, 2017, we entered the French renewable energy market by acquiring nine wind farms in a late development stage with a target installed capacity of over 100 MW. Since then, we have acquired further wind farms in a late development stage, bringing the total potential installed capacity of the projects in France to over 200 MW as of the date of this Base Prospectus.

On July 7, 2017, we entered the German market in energy services and solutions ("*ESCO*") by acquiring a 100% share in Elevion GmbH, a leading integrated provider of multi-technical building services, from DPE Deutsche Private Equity, an independent German investment company. Elevion GmbH operates in 30 locations across Germany.

2018 In March 2018, a technical and economic study of the long-term operation of the Temelín nuclear power plant was completed, confirming the feasibility of the long-term operation of the source by 2060 for Unit 1 and 2062 for Unit 2.

In May 2018, a favourable opinion was received from the Ministry of the Environment of the Czech Republic on the EIA report for the New Fluidized-Bed Boiler and Gas-Fired Boiler Plant projects at Mělník.

During 2018, the CEZ Group continued with its expansion into ESCO business by acquiring a 100% stake in German Kofler Energies Group, Romanian High Tech Clima SRL, Slovakian TMT Energy a.s. and Polish Metrolog sp. z o.o.

2019

In May 2019, due to the update of the CEZ Group's strategy, ČEZ updated its dividend policy and increased its dividend pay-out ratio to 80%–100% of consolidated net income adjusted for extraordinary effects.

In May 2019, ČEZ continued its investment in ESCO companies by acquiring, through Elevion GmbH, a 100% stake in HERMOS, a group of German ESCO companies specializing in automation and IT solutions for industry, energy, environment, buildings and healthcare and delivering a wide array of solutions in the ESCO sector, and by purchasing a 51% stake in e-Dome, a provider of energy services and energy management.

On June 20, 2019, ČEZ and CEZ Bulgarian Investments B.V. signed a share purchase agreement with EuroHold Bulgaria AD for the sale of the CEZ Group's assets in Bulgaria. The intended sale concerned seven companies, namely CEZ Bulgaria AD, CEZ Elektro Bulgaria AD (a retail electricity supplier), CEZ Razpredelenie Bulgaria AD (an electricity distribution company), CEZ Trade Bulgaria EAD (a wholesale trader), CEZ ICT Bulgaria EAD, Free Energy Project Oreshets EAD (a photovoltaic power plant), and Bara Group EOOD (a former operator of a biomass combined heat and power plant). After meeting some administrative and regulatory hurdles (the sale was firstly not approved by the Bulgarian Commission for Protection of Competition), the sale of assets was subsequently approved by KEVR on January 19, 2021 and the whole transaction was settled on 27 July 2021 (together, the "*Bulgarian Asset Sale*"). Please see "*Description of ČEZ—Legal Proceedings—Bulgaria*".

In June 2019, our General Meeting approved the updated business policy of the CEZ Group and ČEZ. Please see "*Description of ČEZ—Our Strategy*".

In August 2019, the CEZ Group acquired a 76% shareholding in EUROKLIMAT, with an option to purchase up to a 100% shareholding. EUROKLIMAT is a general supplier of heating, ventilation and air-conditioning systems ("*HVAC*"), sewage and other technological installations and a leader on the Polish HVAC market.

In 2019, we entered into negotiations with European Metals Holdings Limited ("*EMH*"), the owner of a 100% share in Geomet, s.r.o., a company which holds preferential rights to explore and exploit the mining of zinnwaldite containing lithium at Cínovec, Czechia, about our potential future cooperation. In April 2020, we acquired a 51% ownership interest in Geomet, s.r.o., through Severočeské doly a.s., our wholly-owned subsidiary. Further, we approved the entering into a second phase of the project, consisting of an off-site testing and technical verification of the process of lithium extraction and a preparation of a final economic and technological feasibility study of the project. As of the date of this Base Prospectus, the second phase of the project is expected to last until 2023.

In September 2019, CEZ officially launched the process of the divestment of its Romanian assets comprising seven Romanian companies, namely Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A., Tomis Team S.A., MW Team Invest S.R.L., Ovidiu Development S.R.L. and TMK Hydroenergy Power S.R.L. ČEZ and Macquarie Infrastructure and Real Assets (MIRA) reached an agreement on the sale of ČEZ's Romanian assets in October 2020. The CEZ Group remains active in Romania, and continues to focus on its trading (CEZ Trade Romania) and energy services business (High-Tech Clima).

2020 Due to the unprecedented spread of COVID-19 and the disruption caused by the pandemic, the Group set up a special work team in February 2020 with an aim to ensure that timely measures are taken to minimize the risks and impacts of the pandemic on key activities of the CEZ Group.

In February 2020, ČEZ and GE Hitachi Nuclear Energy entered into a memorandum of understanding. Both companies agreed to collaborate on the exploration of small modular reactors technology in the Czech Republic. Similarly, a memorandum of understanding to explore the potential for compact nuclear power stations, known as small modular reactors, was signed between ČEZ and Rolls-Royce in November 2020.

In June 2020, the 440 MW Prunéřov I coal power plant was shut down after fifty-three years of operation. ČEZ continues on its path towards a gradual transition to low- or zero-emission production of electricity, based on renewable sources and nuclear power, and complemented by steam-gas sources for the requirements of the heating industry.

On July 28, 2020, a framework and implementation agreement for the first stage of the construction of a new nuclear power plant in the Dukovany locality was signed by the Czech Government, ČEZ and Elektrárna Dukovany II, a. s.

In September 2020, ČEZ officially launched the process of the divestment of its Polish assets. ČEZ intends to sell CEZ Skawina, CEZ Chorzów (including the CEZ Chorzów II project), CEZ Produkty Energetyczne Polska and CEZ Polska, keeping only the Polish companies engaged in modern energy services (ESCO). As of the date of this Base Prospectus, the divestment process has been put on hold, since the received bids were not attractive enough to proceed.

On December 31, 2020, the Počerady power plant was sold to Vršanská Uhelná a.s. three years before originally planned. Simultaneously with the transfer of the Počerady power plant, the purchase contract for coal from Vršanská Uhelná a.s. in the amount of 5 million tonnes/year was terminated.

2021 In February 2021, a joint ESCO venture was formed with a strong local partner SPP in Slovakia to develop decentralized energy and comprehensive energy services.

In March 2021, the ICSID arbitration tribunal resolved the legitimacy of conducting arbitration within the current jurisdiction and thus moving to the next phase of ČEZ's international investment arbitration against the Republic of Bulgaria in which the merits of the case will be assessed. The place of arbitration is Washington, D.C., USA, in accordance with the rules of the ICSID. On July 3, 2021, ČEZ filed its first Memorial on Merits in the arbitration, containing a factual description of the facts of the case, a detailed legal argumentation, and a quantification of the claim. The Counter-Memorial of the Bulgarian party was submitted on 1 February 2022.

On March 9, 2021 the State Office for Nuclear Safety granted a permit to deploy a new nuclear power plant at Dukovany. It is one of the most important preparatory steps before commencing the construction project and selecting a contractor. In June 2021, three bidders for the construction of the new nuclear power plant (approved by the Czech state) were sent an invitation to participate in the safety assessment.

The sale of the Romanian assets (Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A., Tomis Team S.A., MW Team Invest S.R.L., Ovidiu Development S.R.L. and TMK Hydroenergy Power S.R.L.) was settled on 31 March 2021 (the "*Romanian Asset Sale*"). The shares of the companies were handed over to the buyer, Macquarie Infrastructure and Real Assets against payment of the full purchase price.

In May 2021, CEZ Group's accelerated strategy, **VISION 2030 - Clean Energy for Tomorrow** was announced, aimed at transforming its generation portfolio to a low-emission one, achieving carbon neutrality by 2050, and providing the most cost-effective energy solutions and best customer experience in the market.

In June 2021, in connection with the accelerated VISION 2030 - Clean Energy for Tomorrow strategy and a significant deterioration of the medium-term market conditions for coal-fired power in the second quarter of 2021, updates of the concepts for the future operation of the coal-fired portfolio and the use of all generation sites in the Czech Republic were initiated. Priority was given to the sites of Mělník and Dětmarovice, where the operation of facilities is linked to a large supply to the centralized heat supply systems.

On July 27, 2021 the Bulgarian Asset Sale, including distribution and sales companies, was completed. The shares of the companies were handed over to Eurohold Bulgaria. The sale of assets has no impact on the international investment arbitration against the Bulgarian state, which is ongoing.

In July 2021, the Czech Ministry of Industry and ČEZ concluded a memorandum regarding the preparation of a project for a battery cell factory for electric vehicles, the so-called "gigafactory", with the assumption of subsequent involvement of the automotive industry and battery manufacturers' representatives. The investment in the project with an annual generation capacity of 40 GWh is assumed at the level of EUR 2 billion, with the possibility of 2,300 jobs being created. Within the contemplated investor consortium, ČEZ would act as a developer, and would, among other things, provide the necessary land and take care of energy supply and energy services.

In July 2021, the EU Commission published a planned package of legislative measures known as "*Fit for 55*". The aim of the package is to set the legislative conditions for achieving the enhanced mitigation ambition by 2030 (a reduction of net greenhouse gas emissions, i.e. emissions net of removals, by at least 55% by 2030 compared to 1990).

In September 2021, CEZ Group accepted SBTi's commitment to reduce CO2 emissions in accordance with the goals of the Paris Agreement and joined the Business Ambition Initiative For 1.5 ° C.

In October 2021, because of a significant rise in electricity and gas market prices and due to the consequent default of the company Bohemia Energy, ČEZ Prodej was forced to take over the supply of electricity for almost 370,000 end customers in the Czech Republic as the "supplier of last resort".

In October 2021, the Dukovany and Temelín nuclear power plants are among the first nuclear power plants in the world to undergo an information and cyber security audit. In line with the regulation ISO / IEC 27001, they obtained an international certificate certifying its information security management system (ISMS).

In December 2021, Elevion Group acquired the European assets of Belectric Group underpinning its position in the photovoltaic sector. Overall, the Belectric Group has completed more than 400 photovoltaic projects with a capacity close to 4 GW and it provides maintenance services to power plants with a capacity of 2.2 GW. This acquisition is expected to promote Elevion's strategy that aims to cover an entire chain of activities related to ESCO solutions that significantly support the sustainable growth and sustainability of buildings and facilities.

2022 At the beginning of 2022, the EU Commission presented a draft document amending rules for sustainable financing (a so-called "green taxonomy") in the field of nuclear energy and the use of natural gas. In February 2022, the conditions were approved under which nuclear energy and gas are temporarily regarded as sustainable resources within the green taxonomy. However, new nuclear power plants must obtain building permits no later than 2045 and steam power plants must stop burning natural gas by 2035 and switch to biomethane or to emission-neutral hydrogen.

Organizational Structure of the CEZ Group

As of December 31, 2021, the CEZ Group consisted of ČEZ and its 182 fully consolidated entities. As of December 31, 2021, we also had interests in 26 joint ventures consolidated by the equity method of accounting. For a complete list of our subsidiaries and joint ventures as of December 31, 2021, please see Note 9 to the 2021 Financial Statements.

Pursuant to the Czech Energy Act, since January 1, 2007, the distribution of electricity must be separate and independent from the generation, transmission and sale of electricity ("*unbundling*"). In 2005, we established two new separate companies, ČEZ Distribuce, a. s. (for the distribution of electricity) and ČEZ Prodej, a.s. (for the sale of electricity to end-consumers), and during 2006 we transferred all corresponding assets and activities from the REAS to these companies. Following a resolution of our Board of Directors in June 2007, we consolidated all assets and activities of the REAS into the CEZ Group. We completed this consolidation process by October 2007.

To ensure the independence and separation of distribution activities from all other activities, the senior management responsible for our Distribution Business must be different from the senior management responsible for our Generation Business and our Sales Businesses and we are required to take appropriate steps to prevent professional conflicts of interest between persons responsible for our Distribution Business and our Generation Business and Sales Business. The Czech Energy Act also restricts how much control can be exercised by shareholders over the distribution business.

Principal Subsidiaries of the CEZ Group

ČEZ Distribuce, a.s., a wholly owned subsidiary of the CEZ Group, was established on October 1, 2010, following the merger of ČEZ Distribuce, a. s. (a company of the same name which was incorporated on March 31, 2005 to comply with the requirement of the Czech Energy Act to separate our Distribution Business from our Sales Business, which ceased to exist with effect from the date of the merger) and ČEZ Distribuční zařízení, a.s. (a company incorporated in July 2009 to consolidate unclassified equipment for electricity distribution within the CEZ Group, which ceased to exist with effect from the date of the merger). ČEZ Distribuce, a. s., is the largest of the four regional distribution companies in the Czech Republic. For more information on our Distribution Business, please see "*Our Business—Distribution Business*".

ČEZ Prodej, a.s., a wholly-owned subsidiary of the CEZ Group, was established on March 31, 2005 to comply with the requirement of the Czech Energy Act to separate our Sales Business from our Distribution Business. Parts of our original regional power companies, including their customers, contracts and liabilities were transferred to ČEZ Prodej, a.s., by the end of 2005. ČEZ Prodej, a.s., has been fully operational since January 1, 2006, when it started selling electricity to end-consumers in the Czech Republic. In recent years, ČEZ Prodej, a.s., has also started to supply gas and other services to end-consumers. As of September 1, 2018, a transfer of contracts with individually served customers from ČEZ Prodej, a.s., to ČEZ ESCO a.s. took place. The change aimed at improving the customer service by offering a broader range of custom-made products to this customer segment. For more information on our sales business, please see "*Our Business—Sale*".

Severočeské doly a.s., a wholly-owned subsidiary of the CEZ Group, was established in 1994. The core activities of Severočeské doly a.s. are the prospecting for, extracting, processing, and selling of brown coal and related raw materials. Severočeské doly a.s. is the largest brown coal mining company in the Czech Republic. We acquired a 93.1% stake in Severočeské doly a.s. from the Government of the Czech Republic during 2005. Upon our request, as the majority shareholder, the general meeting of Severočeské doly a.s. held on March 27, 2006, approved the squeeze-out of minority shareholders and the transfer of their shares to us. For more information on our mining operations, please see "*Our Business—Coal Mining*".

Our Strengths

We benefit from the following key strengths:

Majority State-Owned Company, Backed by a Stable and Open Economy

The Czech Republic, through the Ministry of Finance, owns approximately 69.8 % of the share capital of ČEZ, the parent company of the CEZ Group. The Czech Republic is a medium-sized, manufacturing-based and open economy driven by exports, predominantly to Germany. Until 2020, macroeconomic conditions in the Czech Republic had been relatively stable and generally favourable over the last years. From 2014 until 2020, the Czech Republic's gross domestic product grew at a faster rate than the EU average, driven by increases in household consumption, foreign trade and public investments. During the last several years, the Czech Republic had one of the lowest unemployment rates in the EU. These trends in growth and unemployment were interrupted in 2020 as a result of the economic impact of the COVID-

19 pandemic. However, Czech GDP growth recovered in 2021. According to a preliminary estimate of the Czech Statistical Office, in 2021 the GDP of the Czech Republic increased by 3.3% compared to 2020. In August 2011, Standard & Poor's upgraded its rating of the Czech Republic by two notches to AA- and in October 2019, Moody's upgraded its rating of the Czech Republic by one notch to Aa3 and changed the outlook from positive to stable. This was affirmed by Moody's in February 2021. We believe that the fact that we are majority-owned by the state with a stable and open economy provides additional credibility in the electricity and credit markets and allows us to benefit from more favourable credit terms than those available to our competitors without similar backing.

Robust Credit Profile

ČEZ's credit ratings of A- (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's are among the highest awarded to a European utility, reflecting our efforts to work proactively to maintain prudent leverage and liquidity positions. We had a relatively low Net Debt/EBITDA ratio of 1.75 as of December 31, 2021, a decrease compared to the Net Debt/EBITDA ratio of 2.22 as of December 31, 2020. In addition, we also monitor our Total Debt/Total Capital Ratio. Our long-term policy is to keep the Total Debt/Total Capital Ratio below 50 %. We have a well-established credit among European utilities, having issued nearly EUR 7.8 billion in 30 series of public and private transactions under this Programme since 2007 (including outstanding and issued and redeemed Notes). We aim to maintain an adequate liquidity position with access to sufficient back-stop credit facilities should cash flows become negative.

Highly Integrated, Large-Scale Domestic Operations

We benefit from highly integrated operations in the Czech Republic providing approximately 93 % of our total consolidated EBITDA in the year ended December 31, 2021. In the Czech Republic, we operate a low-cost generation fleet which produced a total of 53,218 GWh of electricity, or 63 % of the country's total electricity generated during the year ended December 31, 2021.

Approximately 54.9 % of our total electricity generation output in the Czech Republic was generated by our nuclear power plants where variable costs are relatively low and stable (as opposed to initial construction costs). Furthermore, unlike in neighbouring Austria and Germany, public opinion as well as political representation in the Czech Republic have been relatively favourable towards nuclear power generation. The composition of our generation fleet results in relatively stable and low variable costs which is a chief reason for our EBITDA margin of approximately 27.8 % for the year ended December 31, 2021. In addition, through the composition of our generation fleet we are well positioned in light of the growing prices of CO_2 allowances and hence also the growing power prices. According to our data, our emission intensity of 0.29/MWh is well below the 0.6 - 0.7 t/MWh intensity of a marginal coal plant.

In the year ended December 31, 2021, we distributed 36,551 GWh of electricity to end-consumers in the Czech Republic. According to our data, we had a market share of approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic in the year ended December 31, 2021.

We sold approximately 18,680 GWh of electricity to end-consumers in the Czech Republic, or 30 % of the total net electricity consumed in the Czech Republic, in the year ended December 31, 2021, according to the ERO. While our market share as an incumbent electricity provider has declined over the last several years (from approximately 44 % in the year ended December 31, 2009) we have managed to establish ourselves as a gas supplier and this has compensated for a significant part of the foregone decrease.

Stable Domestic Market without Regulatory Excesses Seen in Some Other Parts of Europe

The Czech Republic's power market is a fairly standardized market by EU standards. Power production and power supply are fully liberalized, while distribution is regulated in line with EU directives and regulations. In addition, the public opinion and practically all of the political parties in the Czech Republic (except for the Greens, who, as of the date of this Base Prospectus, are not represented in the Czech Parliament) lean towards supporting nuclear operations and a new nuclear build up. The Czech Republic participated in the so-called "derogation scheme" allowing certain countries to opt-out from the mandatory auctioning of CO_2 emission allowances in the period from 2013 to 2020. Since the approval by the EU Commission in December 2012, we were eligible to obtain up to approximately 69.6 million tons of CO_2 emission allowances between 2013 and 2019. In addition, the production of heat was also partially supported with CO_2 emission allowances granted for free during the period from 2013 to 2020, amounting to some 6.5 million tons.

Strong Market Position in the Czech Republic

We operate in the liberalized EU power markets which are well integrated with most of their neighbors. Such integration allowed approximately 33 % of the Czech Republic's power production to be exported in 2021 (net export reaching 14 % of the Czech Republic's power production). As a result of both of these factors, Czech power prices are driven by the same fundamentals as those of the neighboring countries, specifically Germany, the most liquid market. This allows us to benefit from the structure of our generation fleet, which is positioned towards the cheaper end of the merit order of the German market.

Strong Presence in Several International Markets

In addition to cultivating our leading position in the Czech market, we have also applied our expertise in managing a power business to developing solid market positions across power markets in Central and South East Europe, including in Germany, France and Poland. We also have operations in Turkey and trading and ESCO activities in other European countries. In Germany, we own and operate on-shore wind farms with a total installed capacity of 134 MW and have further approximately 193.5 MW under development in our joint ventures. Among other things, we own Elevion GmbH, which is one of the leading integrated provider of multi-technical building services in Germany. In France, we own projects for on-shore wind farms in a late development stage with a potential installed capacity of around 226 MW. In addition, we have been acquiring ESCO companies in Poland, Romania and Slovakia. For more information on our ESCO acquisitions, (please see "*Our Business—Sale—Decentralized Energy Solutions*"). We believe that our international portfolio provides us with opportunities to leverage the significant expertise and knowledge gained in our domestic market, and in turn allows us to further grow outside our domestic market, where our growth potential is limited.

Our Strategy

The energy market continues its transition and we observe certain key trends, which can be split between three main drivers: the stagnation of conventional energy sources, growth of renewable and decentralized energy and new identified needs of end customers.

Firstly, the conventional energy sources stagnate, however their importance within the economy remains. We observe stricter environmental legislation with respect to the operation of coal power plants and coal mines along with increasing demands for the safety of nuclear power plants.

Secondly, renewables and decentralized energy are driven by the decision-making of the EU, which further fosters growth opportunities. With increased technological advancements, investments into renewable sources have become profitable even while operating under market conditions.

Lastly, as a result of increased focus on corporate social responsibility, the end customers shift their focus towards more complex service offerings, which in turn drives the demand for energy efficiency. The updated strategic priorities outlined by the CEZ Group appropriately address the transition of the energy market.

In recent years, we have further observed the following market changes in the Czech Republic and in the energy market in general:

- The EU Commission approved new 2030 targets, strengthening its ambition to reduce emissions to 55% by 2030 (compared to the previous 40%). The EU Commission published a planned package of legislative measures known as "Fit for 55". The aim of the package is to set the legislative conditions for achieving the enhanced gas emissions mitigation by 2030;
- The Czech Government prepared a climate and energy plan with a significant increase in the share of generation from renewables (RES) from 13.6 % in 2020 to 22 % in 2030 and updated the State energy plan;
- The Coal Commission of the Czech Republic recommended that coal mining and combustion activities in the Czech Republic are terminated by 2038;
- The Czech Government restarted discussion about a new nuclear power plant;
- In parallel, the Czech Republic prepared the National action plan for Smart Grids and e-mobility, and plans for digitalization of the country have accelerated; and
- Technological development, implementation of auctions, increased competition and inflow of cheap capital in RES created pressure on margins and investment returns.

These market changes are reflected in our strategy from June 2019, which is based on four fundamental strategic priorities:

I. Efficient operation, optimal utilization and development of generation portfolio

- Maximizing value from mining and conventional generation;
- Ensuring long-term operation of nuclear power plants (Temelín and Dukovany); and
- Preparing conditions for the realization of a new nuclear power plant as part of the strengthening of energy security and decarbonization of the power generation portfolio in the Czech Republic.

The CEZ Group made a commitment to generate carbon neutral electricity before 2050. In 2021, more than 60,7% of electricity generated by the CEZ Group originated from zero-emission sources. As further steps to achieving the target, the less efficient coal-fired power plants that have not undergone comprehensive renovation will be gradually phased out. Consequently, both the emission intensity and the absolute amount of released CO2 are declining.

Our partial target on the way to carbon neutrality is a decrease in emission of CO2 by 50% before 2030 in comparison with 2018 and reduction in emission intensity from 0.38 tCO2e/MWh in 2019 to 0.16 in 2030. In 2021, the emission intensity of the CEZ Group reached 0.29t/MWh, which represents nearly a 13 % decline compared to 0.34t/MWh recorded in 2020.

II. Modern distribution and a care for customers' energy needs

- Modernizing and digitalizing distribution (ČEZ Distribuce, a.s.) and sales (ČEZ Prodej, a.s.) in the Czech Republic;
- Increasing operating results by means of improving efficiency while at the same time reducing operating expenses in ČEZ Distribuce, a.s.; and
- Preserving current profitability by maintaining the current customer base along with increasing customer satisfaction and expanding offerings into non-commodity products and services in ČEZ Prodej, a.s.

III. Development of new energy in the Czech Republic

- Developing energy services (ESCO) and RES in the Czech Republic in fulfilling the Czech climate and energy plan;
- Acquiring significant market position in ESCO in both the Czech Republic and Slovakia; and
- Playing a major role in the growth of RES in the Czech Republic.

IV. Development of energy services in Europe

- Developing new activities and achieving significant position in markets close to the Czech Republic, primarily Germany, northern Italy and Poland in international ESCO segment;
- Achieving such growth by means of organic expansion and new acquisitions; and
- Maximizing synergies from the consolidation of activities in the target markets.

The CEZ Group actively responds to changes on the energy market, which are reflected in our strategy. However, our mission (to provide safe, reliable and positive energy to its customers and society as a whole) and vision (to bring innovations for resolving energy needs and help improve quality of life) remain intact.

Moreover, as part of our 2019 strategy, an accelerated **VISION 2030 "*Clean Energy for Tomorrow*"** was introduced in May 2021. CEZ Group defined strategic objectives for 2030, reflecting the EU's decarbonization vision and set specific ambitions in the areas of social responsibility and sustainable development.

The main strategic priorities of the accelerated strategy—VISION 2030 are to:

1) Transform our generation portfolio to a low-emission one and achieve carbon neutrality by 2050

Comprehensive objective—to reduce emissions intensity by more than 50% by 2030 and achieve carbon neutrality by 2050:

Nuclear Facilities

- We will safely increase generation from existing nuclear sources to an average of over 32 TWh and achieve a 60-year lifetime for nuclear units.
- We are ready to build a new nuclear unit at Dukovany.
- We will prepare for the construction of small modular reactors (SMRs) with a total capacity of over 1,000 MW after 2040.

Renewables

- We will build 1.5 GW of RES by 2025 and 6 GW by 2030.
- We will increase the installed capacity for electricity storage by at least 300 MWe by 2030.

Conventional Facilities

- We will decarbonize the thermal power sector and convert our coal sites to new activities after the shift away from coal.
- We will build new gas-fired capacities that are ready to burn hydrogen.
- We will reduce the share of electricity generated from coal to 25% by 2025 and 12.5% by 2030.

2) Provide the most cost-effective energy solutions and the best customer experience in the market

(i) Distribution

- We will invest in Smart grids and decentralization to further develop a stable and digital distribution grid, including the development of fiber optic networks.

(ii) Sales—Retail

- We will digitize 100% of key customer processes by 2025.
- We will maintain the highest Net Promoter Score (NPS) of the major electricity suppliers and grow our customer base by increasing service quality.
- We will offer a product portfolio that enables residential customers to achieve energy savings and reduce emissions.

(iii) Sales—ESCO

- We will build infrastructure for electromobility—quadruple the charging capacity and operate at least 800 charging stations by 2025.
- We will further develop our role as a decarbonization leader—enabling effective emission reductions and delivering energy savings also for our clients in industry, municipalities, and government in line with the EU target of delivering energy savings of 39–40%.

(iv) New Segments

- We will expand our activities into other areas of battery production, electromobility, and hydrogen.

3) Develop CEZ Group in a responsible and sustainable manner in accordance with ESG principles

Comprehensive objective—to increase ČEZ's ESG rating to rank among the top 20 % of European energy companies by ESG rating by 2023.

(i) Selected objectives in the environmental area

- We will reduce CO_2 emissions in line with the Paris Agreement "well below 2 degrees" by 2030 (reduction from 0.36 tCO_2e/MWh in 2019 to 0.16 in 2030).
- We will reduce NO_x from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030.
- We will reduce the quantity of SO_2 from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030.

(ii) Selected objectives in the area of social relations

- We will ensure a fair transition for all employees affected by shifting away from coal through retraining, reskilling, or compensation.

(iii) Selected objectives in the area of corporate governance

- Achieve 30% female representation in management.

Our Principal Markets

Overview

Our core business is the generation, distribution and sale of electricity in the Czech Republic. In the year ended December 31, 2021, 94 % of our total installed electricity generation capacity, 95 % of our total electricity generation, 84 % of our total electricity distributed to end-consumers and 70 % of our total sales of electricity to end-consumers were in the Czech Republic. In the year ended December 31, 2021, approximately 80 % of our revenues originated in the Czech Republic.

According to the ERO for the year ended December 31, 2021, we accounted for approximately 63 % of electricity generated, 53 % of installed electricity generation capacity, we distributed approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic and sold 30 % of the total net electricity consumed in the Czech Republic.

To a lesser extent, we also generate electricity in Germany and Poland, and sell electricity to end-consumers in Hungary and Poland. In the ESCO segment we are active in the Czech Republic, Slovakia, Germany, Poland, Romania, Italy and Austria. In the year ended December 31, 2021, 5 % of our revenues originated in Bulgaria, 2 % in Romania, 7 % in Germany, 4 % in Poland and 2 % in other countries. Since June 2017, we have acquired wind farms in France in a late development stage with a total potential installed capacity of 226 MW.

Czech Republic

The Czech electricity market is an integral part of the wider European electricity market and the Czech Republic has had a positive trade balance with most of its neighbors. The PXE was established in 2007 as a new business platform for trading electricity in the Czech Republic and the Slovak Republic. Due to cross-border integration and fully liberalized power prices, markets in the region are integrated and the primary price-setting market is Germany and its exchange in Leipzig.

The Czech power market and sales to end-consumers are fully liberalized. The gas market is also fully liberalized and the basic rules governing its operation are similar to those governing the electricity market. For an overview of such rules, please see "*Regulation—Czech Republic.*" Access to the transmission and distribution grids is regulated. The wholesale market in the Czech Republic is a part of the larger Central European market, primarily due to extensive cross-border transmission capacities between the Czech Republic and the transmission grids of the neighboring countries. The Czech transmission system is operated by ČEPS, a.s., the sole holder of an electricity transmission license for the Czech Republic under the Czech Energy Act. Based on transmission services agreements, ČEPS, a.s., provides electricity transfer in the Czech Republic, controls power flows across the Czech transmission system, taking into account electricity exchange schedules agreed with the neighboring transmission system operators as well as cooperating with the distribution system operators.

According to the ERO, in the year ended December 31, 2021, the net electricity consumption by end-consumers in the Czech Republic was 61.8 TWh compared to 59 TWh in the year ended December 31, 2020. Electricity consumption grew in 2021 for all types of customers. Higher demand was also recorded in the household, small business and wholesale segments.

Poland

In Poland, we produce electricity and heat in two coal power plants – Chorzów and Skawina, with a total installed capacity of nearly 570 MW, and in two small hydro power plant. In addition, we sell energy related services and technologies, such as heating, ventilation and air-condition, photovoltaic and co-generation units, and electricity and gas to end customers.

The Polish energy market is almost fully liberalized. Wholesale market pricing is based on market factors. Electricity tariffs for residential customers and distribution charges are regulated. Prices in the heat market are based on a tariff system and require annual approval by the Energy Regulatory Office. The Polish Electricity Grid (PSE S.A.) is responsible for transmission in Poland and the Polish Power Exchange (the "*POLPX*") provides electricity trading.

On February 1, 2021, the Offshore Wind Farms Act became effective after it had been unanimously passed by the Polish Parliament. The adoption of a legislation dedicated to offshore wind farms is crucial for the future development of the energy sector in Poland. Under the Polish Energy Policy until 2040, the Ministry of Energy plans to begin the operation of wind turbines with a planned installed capacity of up to 8 GW in the Baltic Sea from 2025.

During 2019, an amended draft of the Polish Energy Policy for 2040 was introduced by the Ministry of Energy. The goal of this policy is to reduce the share of coal in the Polish energy mix from the currently expected 69 % for 2020 to 28 % in 2040. The total installed capacity is expected to increase, while the share of coal capacity is expected to decrease from 58% in 2020 to 19% in 2040. In addition, the introduction of nuclear power to the Polish energy mix is expected.

In January 2018, a new Polish law that introduced capacity auctions entered into force. Capacity market mechanisms are aimed at creating investment incentives, in particular for coal-fired and gas-fired power plants, which can then serve as a backup in case there is a lack of electricity in the grid. They involve paying operators for keeping their power plants on standby to be able to quickly start supplying electricity to the grid. The first capacity auctions took place in November and December 2018. Our Skawina power plant received a contract for the 2021-2026 period. In December 2019, further capacity auctions took place in Poland. Our Chorzów power plant successfully participated in the auctions for deliveries in 2024. Given the European Union regulation under which generating units with emissions exceeding 550 gCO_2/kWh and annual average emissions greater than 350 $kgCO_2/kW$ of installed capacity will not be allowed to participate in capacity mechanisms starting from July 1, 2025, all coal-fired power plants are excluded from future capacity auctions.

In January 2019, the Cogeneration Electricity Promotion Act introduced a new form of support in line with the EU requirements for payment of bonuses instead of a red certificate system that ended on December 31, 2018. Only the power plants with maximum emissions of 450 kg CO_2 / MWh of energy produced (electricity and heat) are eligible for this support. The method of support will be based on the installed capacity of the respective power plant. For the power plants with installed capacity above 50 MW, the support will be determined individually by the Polish Energy Regulatory Office while for the power plants with installed capacity above 300 MW an approval of the EU Commission will be required. The new support mechanism creates great development opportunities for new cogeneration units, as well as for CEZ ESCO and Metrolog.

According to the preliminary data of the Polish transmission system operator PSE, the total electricity consumption in Poland increased in the year ended December 31, 2021, by 5.4 % to 174.4 TWh from 165.5 TWh in the year ended December 31, 2020.

In the third financial quarter of 2020, the CEZ Group officially launched the divestment process of the majority of its Polish assets, in line with its strategy approved in June 2019. As part of this strategy, the CEZ Group intends to sell CEZ Skawina, CEZ Chorzów (including the CEZ Chorzów II project), CEZ Produkty Energetyczne Polska and CEZ Polska. It should be noted that OEM Energy, Metrolog and Euroklimat, which are part of the modern energy services (ESCO), were not included in the divestment process. As of the date of this Base Prospectus, the divestment process has been suspended.

Germany

In Germany, we own wind farms with a total installed capacity of 134 MW and co-own wind projects under development with a potential installed capacity of up to approximately 193.5 MW. In addition, in 2017, we entered the German ESCO market through the acquisition of Elevion GmbH. Since then, we have acquired a number of additional smaller companies active on the ESCO market. In December 2021, our portfolio of ESCO companies was strengthened by the acquisition of Belectric GmbH, a company active in the photovoltaic sector since 2001. Through Inven Capital, we also hold minority stakes in companies active in the new energy sector.

The German electricity generation market has undergone fundamental overhaul in recent years when the so-called 'Energiewende', the process of transitioning the German energy industry from the traditional sources to emission-free and renewable energy, was implemented. The key pillars of the transition are renewable energy sources and energy savings. The share of renewable energy sources in the generation of electricity in Germany has been steadily growing and according to Agora Energiewende reached approximately 42 % in 2021, as compared to 7 % in 2000. The ambitious aim is to reach a renewable energy share of 65 % by 2030 (as compared to a previous goal of 40 – 45 % by 2025, 55 – 60 % by 2035 and 80 % by 2050). In order to fulfil these goals, renewable power sources are being subsidized by the German Government. In the past, the subsidy system was based on feed-in tariffs (the mechanism whereby the government evens up the market price of generated electricity to a reference level). With effect from January 1, 2017, a new subsidy system has been used. The reference level of subsidy (market premium) granted is based on a competitive auction system under which the lowest price offered wins the auction.

In July 2020 Germany adopted the Act on the Phase-out of Coal-fired Power Plants that stipulates a complete phasing out of coal as an energy source by 2038 at the latest, with an option to bring the deadline forward to 2035. The first step is to reduce the installed capacity of hard coal and lignite power plants to 15 GW each by the end of 2022 and then to 8 GW and 9 GW, respectively, by the end of 2030.

At the same time, Germany has been expanding the use of renewables. In November 2019, Germany adopted the Climate Protection Act, which aims to secure Germany's climate goals by 2030. A goal of achieving carbon neutrality by 2050 has been established with binding targets for each year between 2020 and 2030 for energy, industry, construction, agriculture and waste sectors. At the beginning of 2021, an amendment to the Renewable Energy Sources Act came into force, through which the German government will continue to promote the expansion of RES. The amendment set the goal of achieving a 65% share of RES in electricity production by 2030. The amendment further set expansion targets for both solar and wind sources. By 2030, solar power generation is planned to increase to 100 GW, the output of onshore wind sources to 71 GW and offshore wind resources to 20 GW. For the first time, the amendment legally enshrined the goal of achieving carbon neutrality before the year 2050.

France

In June 2017, we entered the French renewable energy market by acquiring nine wind farms in a late development stage. The farms are located in six regions across France, with a target installed capacity of up to 106.6 MW. All of these wind farms have operational support in the form of a feed-in tariff guaranteed for 15 years. As of the date of this Base Prospectus, all the necessary permits for the construction and operation of the first wind farm, Aschères-le-Marché, with a target installed capacity of approximately 12 MW, have already been obtained and the wind farm is under construction. The other projects are expected to reach a similar milestone throughout their advanced stage of development. In January 2019, we acquired additional onshore wind power projects under development with a potential overall installed capacity of up to 119 MW.

In November 2019, the Energy and Climate Act, which determines the decarbonization path, was published. Among other things, the Energy and Climate Act covers energy efficiency of buildings, climate policy management and improved environmental reporting requirements for businesses. The Energy and Climate Act sets climate targets, including carbon neutrality, by 2050 and the goal of reducing the nuclear share in electricity generation from the current 75 % to 50 % by 2035. This is expected to translate into the shutdown of 14 nuclear reactors. The Energy and Climate Act also requires the shutdown of the four remaining coal power plants and the decrease of fossil fuel on the energy consumption by 40 % by 2030.

The main tool for the strategic management of energy transformation and detailed specification of development goals for individual energy sectors is the "Multiannual Energy Program" (PPE), which gives a strong incentive for solar and wind sector development. According to the updated version of the PPE published in April 2020, the installed capacity of photovoltaic power plants is to increase to 35.1–44.0 GW by 2028 (from 9.4 GW in 2019) and the installed capacity of onshore wind farms is to increase to 33.2–34.7 GW by 2028 (from 16.5 GW in 2019). The goal for the installed capacity of off-shore wind farms has decreased to 2.4 GW by 2023 and increased up to 5.2 – 6.2 GW by 2028.

Competition-based support for renewable electricity generation has been implemented for solar facilities since 2016 and for large onshore wind farms since 2017. Producers are thus directly exposed to market signals, having revenue from direct sales of electricity in the market while being protected by a compensatory premium paid up to a reference amount.

Our Business

Our core business activities include the Generation Business, which consists of the generation of electricity in the Czech Republic, Bulgaria, Germany and Poland; the Distribution Business and the Sales Business, which consist of the distribution and sale of electricity to end-consumers in the Czech Republic and Bulgaria; and the Trading Business, which consists of the trading of electricity and energy commodities in wholesale markets for sale to our end-consumers as well as for our own account. We also undertake certain other ancillary activities, which are included in our Other Businesses.

Generation Business

Overview

In the year ended December 31, 2021, we generated 55,989 GWh of electricity, of which 95.1 % was generated in the Czech Republic. In the year ended December 31, 2021, 54.9 % of our total electricity generated was generated by our nuclear power plants, 32.1 % was generated by our coal-fired power plants and the remaining 13.0 % was generated by our hydroelectric, solar, wind, gas, biogas and biomass power plants or through biomass co-firing. In the year ended December 31, 2021, the total installed capacity of our generation facilities was 11,829 MW, of which 94.1 % was located in the Czech Republic, 4.8 % in Poland and 1.1 % in Germany.

In the Czech Republic, as of December 31, 2021, we owned and operated six coal-fired power plants with a total installed capacity of 3,140 MW, two nuclear power plants with a total installed capacity of 4,290 MW, 35 hydroelectric power plants with a total installed capacity of 1,982.0 MW, 13 solar (photovoltaic) power plants with a total installed capacity of 126.0 MW, two wind power plants with a total installed capacity of 8.2 MW, one gas-fired power plant with a total installed capacity of 844.9 MW and one bio-gas station with a total installed capacity of 0.5 MW. In addition, we own and operate six heat plants in the Czech Republic with a total installed capacity of 613.9 MW as of December 31, 2021, and 148 gas-fired small co-generation units and boilers with a total installed capacity of 122.4 MW.

The following table sets forth a breakdown of the total installed capacity of our power plants for the years ended December 31, 2020, and 2021.

	Year ended December 31,			
	2021		2020	
	(MW)	(%)	(MW)	(%)
Coal-fired power and heat plants [1]**:**				
Czech Republic	3,754	31.7	4,254	32.9
Poland	568	4.8	568	4.4
Total	4,322	36.5	4,822	37.3
Gas-fired power and co-generation plants[2]**:**				
Czech Republic	967	6.6	963	7.4
Nuclear power plants:				
Czech Republic	4,290	36.3	4,290	33.2
Hydro, solar, wind and biogas power plants:				
Czech Republic	2,114	17.9	2,095	16.2
Germany	133	1.1	134	1.0
Poland	2	0.0	2	0.0
Bulgaria[4]	0	0.0	5	0.0
Romania[3]	0	0.0	622	4.8
Total	2,249	19.0	2,858	22.1
Total installed capacity [1]	**11,829**	**100.0**	**12,933**	**100.0**

(1) Some of our heat plants are partially fueled by co-burning coal and biomass. Some of our power plants are operated under joint venture agreements which are not fully consolidated. The installed capacity of these power plants was therefore not included in our total installed capacity. For the year ended December 31, 2021, these amounts included:

- 904.0 MW of installed capacity of our gas-fired power plant in Turkey;
- 28.2 MW of installed capacity of our wind power plant in Turkey; and
- 288.9 MW of installed capacity of our hydroelectric power plants in Turkey.

(2) In 2018, ČEZ Energo, s.r.o. was included in the consolidation of the CEZ Group.

(3) The CEZ Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale.

(4) The CEZ Group sold the majority of its Bulgarian assets on 27 July 2021 as part of the Bulgarian Asset Sale.

As of December 31, 2021, the total installed capacity of our generation facilities was 11,829 MW, representing a decrease of 1,104 MW, or 8.5 %, from 12,933 MW as of December 31, 2020. The year-on-year decrease in capacity by 1,104 MW was mainly due to the planned shutdown of the Energotrans 3 (one block) coal-fired power plant in Mělník as of August 17, 2021 (500 MW) and sale of Romanian assets (622 MW). During 2021, ČEZ Energo installed new cogeneration units with an installed capacity of 4.3 MW. As of December 31, 2021, 11,126 MW, or 94.1 % of our total installed capacity, was in the Czech Republic, of which 33.7 % was coal-fired, 8.7 % was gas-fired, 38.6 % was nuclear and 19.0 % was hydroelectric, solar, wind and biogas power combined.

The following table sets forth a breakdown of the total electricity generated by our power plants by type of energy for the years ended December 31, 2020 and 2021.

	For the year ended December 31			
	2021		**2020**	
	(GWh)	**(%)**	**(GWh)**	**(%)**
Coal:				
Czech Republic	16,131	28.8	19,672	32.3
Poland	1,824	3.3	1,987	3.3
Total..	17,955	32.1	21,659	35.5
Gas:				
Czech Republic	3,152	5.6	3,915	6.4
Nuclear:				
Czech Republic	30,730	54.9	30,042	49.3
Hydro, solar, wind, biogas and biomass:				
Czech Republic	3,206	5.7	3,146	5.2
Germany...	228	0.4	292	0.5
Poland	322	0.6	550	0.9
Romania(2)	394	0.7	1,334	2.2
Bulgaria(3)..	3	0.0	6	0.0
Total	4,153	7.4	5,328	8.8
Total electricity generated(1)	**55,989**	**100**	**60,946**	**100**

(1) Some of our power plants are operated under joint venture agreements which are not fully consolidated. The amount of electricity they generated is therefore not included in our total electricity generated. For the year ended December 31, 2021, these amounts included:

- 5,083 GWh of electricity generated by our gas-fired, wind and hydroelectric power plants in Turkey.

(2) The CEZ Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale.

(3) The CEZ Group sold the majority of its Bulgarian assets on 27 July 2021 as part of the Bulgarian Asset Sale.

In the year ended December 31, 2021, 53,219 GWh of electricity, or 95.1 % of our total electricity generated, was generated in the Czech Republic, of which 30.3 % was generated by our coal-fired power plants, 5.9 % was generated by our gas-fired power plants, 57.7 % was generated by our nuclear power plants and 6.0 % was generated by our hydro, solar, wind, biogas and biomass power plants.

In the year ended December 31, 2021, we generated 55,989 GWh of electricity, representing a decrease of 4,957 GWh, or 8.1 %, from 60,946 GWh in the year ended December 31, 2020.

Coal-fired power and heat generation

Czech Republic

As of December 31, 2021, we owned and operated six coal-fired power plants in the Czech Republic with a total installed capacity of 3,140 MW. This represents a decrease by 500 MW compared to the total installed capacity as of December 31, 2020. The reason for the year-on-year decrease of installed capacity was the cancellation of the license of one unit of the Energotrans (unit 3) coal-fired power plant located in Mělník as of August 17, 2021 (500 MW). Our coal-fired power plants are situated in various locations throughout the Czech Republic, the largest concentration being in the brown coal mining region in the north-west. In the year ended December 31, 2021, our coal-fired power plants in the Czech Republic generated 16,131 GWh (19.672 GWh in 2020) of electricity, representing 28.8 % of our total electricity generated. Our coal-fired power plants in the Czech Republic accounted for 26.5 % of our total installed capacity as of December 31, 2021. In the year ended December 31, 2021, our coal-fired power plants (excluding biomass) generated 16,131 GWh, which is a decrease by 3,542 GWh, or 18.0 %, compared to 19,672 GWh generated in the year ended December 31, 2020. The decline in production was caused by the termination of Energotrans 3 coal-fired generating unit as of August 17, 2021 (500 MW of installed capacity). By contrast, the Ledvice, Prunéřov II and Dětmarovice power plants brought a year-on-year increase in production thanks to better market conditions and shorter shutdowns in 2021.

The following table sets forth certain information regarding our coal-fired power plants in the Czech Republic as of December 31, 2021.

Plant	Type of Coal	Installed capacity (MW)	Start of operation	Desulphurization	Generation licenses valid until
Dětmarovice	Black/brown	3 x 200	1975 - 1976	1998	February 2, 2038
Ledvice III	Brown	1 x 110	1968	1998	September 6, 2026
Ledvice IV	Brown	1 x 660	2017	-[(1)]	September 6, 2026
Mělník II	Brown	2 x 110	1971	1998	September 6, 2026
Prunéřov II	Brown	3 x 250	1981 – 1982 comprehensive retrofit[(2)] 2012-2016	1996	September 6, 2026
Tušimice II	Brown	4 x 200	1974 – 1975, comprehensive retrofit 2007-2012	1997	September 6, 2026
Total installed capacity		**3,140**			

(1) Ledvice IV power plant fulfils the emission limits since its start of operation

(2) Complex retrofit of the B23-B25 units.

As of December 31, 2021, we also owned and operated six coal and biomass-fired heat plants in the Czech Republic with a total installed capacity of 613.9 MW. The installed capacity remained unchanged year-on-year. Heat supplied by our power plants in the Czech Republic is sold to municipalities, district heating companies and industrial consumers. Heat is supplied to customers through steam/hot water pipelines that are owned and operated by us and third parties. In the year ended December 31, 2021, our coal-fired power plants and heat plants in the Czech Republic supplied 19,713 TJ of heat, representing an increase by 1,135 TJ, or 6.1 %, from 18,578 TJ in the year ended December 31, 2020.

Our coal-fired power plants have a diversified age profile which is affected by various factors including the availability of coal. We have a schedule of regular repairs and overhauls for our coal-fired power plants. Since January 1, 1999, all of our coal-fired power plants in the Czech Republic have complied with the requirements of the Czech Air Protection Act. Since December 31, 2003, fluidized-bed boiler (a type of boiler that reduces the content of sulphur dioxide emissions in the flue gasses during the combustion process) or flue-gas desulphurization (flue stack technology which reduces sulphur dioxide content in power plant emissions) equipment has been installed on all of our coal-fired power plants and we have also installed or refurbished the precipitators (which reduce emissions of ash) on all of our coal-fired power plants in the Czech Republic.

We also renewed four 200 MW units at our Tušimice II coal-fired power plant between 2010 and 2012. The renewal program extended the service life of the Tušimice II coal-fired power plant until 2035. In addition, in 2016 we completed the renewal of three 250 MW units at the Prunéřov coal-fired power plant (with an expected service life of 25 years). As part of our investment program to replace older power plants in the Czech Republic with new, more efficient and cleaner power plants, we completed the construction of a new 660 MW unit at our Ledvice coal fired power plant (with an expected service life of 40 years). The power plant received a licence on November 29, 2017 when a two-year trial period started. We are gradually investing into our coal-fired power plants to adhere to the emission limits which came into force in August 2021.

In March 2013, we concluded two put option agreements with Vršanská uhelná a.s. Under these contracts ČEZ had a right to transfer 100% of the shares in its subsidiary Elektrárna Počerady, a.s. (owner of the Počerady coal power plant) to Vršanská uhelná a.s. The first option could have been exercised in 2016 for cash consideration of CZK 8.5 billion, less CZK 0.4 billion per each block of the Počerady power plant that was not modernized. However, our Board of Directors decided not to exercise this first option. The second option could have been exercised in 2024 for cash consideration of CZK 2 billion. In order for the second option not to be exercised, it would had to be cancelled by December 31, 2019. ČEZ did not exercise its right to withdraw from the sale of the Počerady power plant before December 31, 2019, as the economic conditions for the operation of coal resources continued to deteriorate. On October 22, 2020, ČEZ and Vršanská Uhelná a.s. agreed that the Počerady power plant would be sold on December 31, 2020, i.e. three years before originally planned. The original agreed price of CZK 2 billion for the transfer contemplated in 2024 was increased to CZK 2.5 billion and is due on November 30, 2023. Simultaneously with the transfer of the Počerady power plant, the purchase contract for coal from Vršanská Uhelná a.s. in the amount of 5 million tonnes/year was terminated. The agreement also grants to ČEZ access to the entire production of the Počerady power plant in the years 2021-2023. Under the terms of the agreement, the power plant will supply 5 TWh per year for a fixed price, and ČEZ will sell this electricity on the market. Before its sale, Počerady power plant was the oldest coal-fired power plant owned by the CEZ Group and the power plant had not undergone major modernization in recent years.

In the year ended December 31, 2021, our coal-fired power plants in the Czech Republic consumed 12.236 million tons of brown coal and 0.414 million tons of black coal. For information on our coal mining activities and purchases of coal from third parties, please see "*Our Business—Coal Mining*" and "*Fuel—Coal*". For additional information on CO_2 emission allowances and the allocation of CO_2 emission allowances, please see "*Regulation—Czech Republic—Carbon Compliance (Emission Allowances) — Allocation of emission allowances during phase III*" and "*—Czech Emission Allowances Act*".

Biomass in the form of wood chip, straw and pellets is combusted in our coal-fired heat plants in the Czech Republic. In the Czech Republic, we also own and operate one small heat plant that only burns biomass. Within our portfolio of renewable sources in the Czech Republic, biomass is the second most significant element after water from the perspective of electricity generated. In the year ended December 31, 2021, biomass deliveries in our power and heat power plants in the Czech Republic amounted to 747,000 tons (751,000 tons in 2020).

Poland

We own and operate two black coal-fired power and heat plants located in the southern region of Poland, the Chorzów (formerly called Elcho) power plant with installed capacity of 238.4 MW and the Skawina power plant with installed capacity of 330 MW as of December 31, 2021. The Chorzów power plant started operating in 2003. The Skawina power plant started operating in 1957 and was desulfurized in 2008. A license is necessary in order to generate electricity in Poland, which is issued by the Polish Energy Regulatory Office. The licenses for the generation of electricity and heat of the Chorzów power plant and the Skawina power plant expire on December 31, 2023 and December 31, 2025, respectively.

In the year ended December 31, 2021, our coal and biomass-fired power plants in Poland generated 2.135 GWh (2,528 GWh in 2020) of electricity, representing 3.8 % of our total electricity generated. In the same year, our power plants in Poland sold 6,122 TJ (5,539 TJ in 2020) of heat.

In the year ended December 31, 2021, our coal-fired power plants in Poland consumed 1.281 million tons of black coal and 342,000 tons of biomass.

Nuclear power generation

Czech Republic

We own and operate two nuclear power plants in the Czech Republic, the Dukovany nuclear power plant and the Temelín nuclear power plant. In the year ended December 31, 2021, nuclear power generation accounted for approximately 54.9 % of our total electricity generated, as compared to 49.3 % in the year ended December 31, 2020. In the year ended December 31, 2021, our nuclear power plants accounted for 36.3 % of our total installed capacity.

In May 2017, we decided to establish a new Nuclear Energy Division with effect from June 1, 2017. As from the same date, the existing Generation Division was transformed into the Conventional Energy Division. By establishing the Nuclear Energy Division, we responded to the needs to comply with the requirements of the amended Czech Nuclear Act 2016 to further increase the level of safety of nuclear power plants. All departments performing activities related to the use of nuclear energy were therefore placed in the Nuclear Energy Division.

The following table sets forth certain information regarding our nuclear-powered plants as of December 31, 2021:

Plant	Installed capacity (MW)	Start of operation
Dukovany	4 x 510	1985-1987, reconstruction in 2009, 2010, 2011, and 2012
Temelín	2 x 1,125	2002-2003
Total installed capacity	**4,290**	

Dukovany nuclear power plant. In the year ended December 31, 2021, the Dukovany nuclear power plant generated 14.87 TWh of electricity, representing an increase of 0.57 TWh, or 3.98 %, from 14.30 TWh generated in the year ended December 31, 2020. The increase in production was caused by low equipment failure and operational reliability.

The construction of the Dukovany nuclear power plant commenced in 1979 and its four units became operational between May 1985 and July 1987. The power plant uses four Soviet-designed VVER 440-V213 reactors with a total installed capacity of 2,040 MW. Outside Russia, such reactors are in operation in the Czech Republic, Finland, Hungary, Ukraine, Bulgaria and the Slovak Republic. The VVER 440-V213 reactors have proven to be robust and easy to operate with substantial safety margins, as demonstrated by the strong operational and safety performance of the reactors in such countries. The design of a VVER plant is generally considered to be identical to the design of PWR plants which are based on U.S. technology (in which water also acts as the moderator and the coolant) and which are the most common reactor type used commercially around the world.

The initial projected lifetime of the Dukovany nuclear power plant was 30 years, however, we have managed to prepare the Dukovany nuclear power plant to operate beyond its originally designed lifespan. We have received licenses from SONS for an indefinite period for all four units of the power plant. All licenses are subject to the fulfilment of certain operational conditions. Currently, it is expected that the Dukovany nuclear power plant will reach the end of its operation in 2047.

The following table sets forth the status of our licenses at the Dukovany nuclear power plant as of the date of this Base Prospectus.

Unit	License valid from	License valid until / Extended until
1	March 31, 2016	Indefinite
2	July 11, 2017	Indefinite
3	January 1, 2018	Indefinite
4	January 1, 2018	Indefinite

Over the past years, we have improved the safety features of the Dukovany nuclear power plant in accordance with the requirements of SONS. As part of our modernization program, we have also been progressively implementing recommendations resulting from domestic and foreign technical audits, including recommendations by the IAEA and the World Association of Nuclear Operators (WANO). In 2011, a re-certification audits of the Dukovany nuclear power plant were successfully completed by the State Office of Occupational Health and Safety and Environmental Safety Management Company (ISO 14001 certification).

The Dukovany and Temelín nuclear power plants were among the first nuclear power plants in the world to undergo an information and cyber security audit. In accordance with the ISO/IEC 27001 standard, they were awarded an international certificate confirming the high level of the Information Security Management System (ISMS). The certificate is valid until October 2024.

In 2014, the Dukovany nuclear power plant was visited by several international experts including WANO (World Association of Nuclear Operators) Technical Support mission in May 2014 and six experts from leading Japanese nuclear companies and organizations to share good practices in the storage of highly radioactive waste. In September 2016, the Dukovany nuclear power plant successfully completed SAFEGUARD Dukovany 2016 training which focused on the collaboration between the Czech Army, the Czech Police and ČEZ when ensuring the power plant's external safety.

Like all other industries, the Dukovany nuclear power plant has had to face the consequences of the COVID-19 pandemic. The power plant has taken extensive preventive measures aimed at protecting employees and ensuring safe and reliable operation. As a result, up to the date of this Base Prospectus, the number of employees who tested positive for COVID-19 was low and there has been no material impact on the power plant's production.

During 2021, there were four shutdowns of the units at the power plant due to a regular shutdown for fuel change. The total number of days of outages decreased from 232 to 184. Extensive inspections of components, maintenance and modernization operations were performed during outages. The length of outages was mainly affected by widespread extraordinary inspections of steam generator heat exchanger tubes at the first reactor unit and a failure in the high-pressure pump bearing of one safety system, the repair of which required a short-term shutdown of the third reactor unit.

Temelín nuclear power plant. In the year ended December 31, 2021, the Temelín nuclear power plant generated 15.86 TWh of electricity, representing a slight increase by 0.11 TWh, or 1.0 %, from 15.75 TWh generated in the year ended December 31, 2020. The power plant generated the second highest amount of energy recorded in the plant's history last year. Behind this result lies safe operation with over 99 % reliability and handling of each outage.

The outage of Temelín nuclear power plant Unit 2 was completed in a shortened timeframe, despite an unexpected start of the outage a week earlier and forced repair of the 400kV ČEPS power output line. As part of this outage, reactor pressure vessel as well as containment passed the safety test and met all impenetrability criteria.

The construction of the Temelín nuclear power plant commenced in 1987. Following the fall of the Communist regime in 1989, the completion of the Temelín nuclear power plant became a political issue and the government stopped the construction of Unit 3 and Unit 4. In March 1993, the government approved the completion of two units, out of four units originally planned, and at the same time ordered a fundamental change in the design of the power plant, primarily to enhance operational safety. This change consisted of adapting the Soviet plant technology to function with Western instrumentation and control systems. The adaptation of U.S. technology to the original Soviet plant construction was supplied by The Westinghouse Electricity Company LLC. It was the first such adaptation of its kind and as a result of extensive design and construction changes, the estimated completion date for the Temelín nuclear power plant was delayed several times. In July 2000, the Unit 1 reactor was loaded with nuclear fuel and started up on October 11, 2000, and it generated its first kilowatt-hour of electricity on December 21, 2000. On December 29, 2002, electricity was generated for the first time from Unit 2.

In 2012, our "Safely 15 Tera" project, which focused on improving available capacity and reducing equipment failure rates, was successfully completed and the Temelín nuclear power plant generated an annual total of 15 TWh of electricity for the first time in its history. Since then, the Temelín nuclear power plant has been working to improve its availability further and safely increase its output. Between 2015 and 2017, operation of the Temelín nuclear power plant was influenced by unscheduled extensions of maintenance outages. These extensions were partially caused by welds controls, which were necessary to undertake since the X-ray images of the welds taken as part of the regular controls were found to be of low-quality. By 2018, all welds were re-tested to restore order in testing documentation and correct deficiencies. At the beginning of 2018, the period of heightened controls had been terminated. In 2020, the modernization of two separators resulted in an increase in the achievable output of the second unit by 4 MWe, i.e. to 1086 MWe. The same investment was undertaken at Temelín NPP Unit 1 in 2021. Increasing the efficiency of the unit will save up to 20,000 tons of CO2 per year. The Temelín Power Plant now has an achievable output of 2x 1086 MWe.

On September 13, 2021, a contract with Westinghouse was concluded, pursuant to which it will upgrade the control and monitoring systems of Temelín nuclear power plant. In terms of technical complexity, this is one of the most complex contracts in the history of the Czech Republic, which will involve the partial replacement of the Westinghouse system that has ensured safe operation of the Temelín nuclear power plant for 20 years.

Temelín nuclear power plant has been operated in accordance with a valid license granted by SONS. In September 2020, the Unit 1 received a permit for further operation from SONS. The permit was issued by the authority for an indefinite period, stipulating that the operator must prove that he meets the conditions for safe operation every ten years. The license of Unit 2 is valid until May 31, 2022 and at the end of November 2021, a renewal of the license was requested.

The following table sets forth the status of licenses at the Temelín nuclear power plant as of the date of this Base Prospectus:

Unit	License valid from	License valid until
1	September 24, 2010	Indefinite
2	June 1, 2012	May 31, 2022

Decommissioning of the nuclear power plants. Pursuant to the Czech Nuclear Act 2016, we will be responsible for the decommissioning of each of our nuclear power plants. We are providing funds for the future costs of decommissioning of our nuclear power plants on a straight-line basis over the operating life of the relevant nuclear power plant. As of December 31, 2020, the total decommissioning costs were estimated to be CZK 26.5 billion for the Dukovany nuclear power plant and CZK 21.0 billion for the Temelín nuclear power plant, based on decommissioning cost studies done in 2020. These decommissioning cost estimations are submitted for verification to the Czech Repository Authority and it is assumed that the end of the nuclear power plants' electricity production will be in 2047 in case of the Dukovany nuclear plant and 2062 in case of the Temelín nuclear power plant. In order to accumulate an adequate amount of funds to cover the ultimate costs of decommissioning of the plants after their useful life, we periodically review the decommissioning cost estimates and update our decommissioning provisions. The last updates of the decommissioning costs for the Dukovany and Temelín nuclear power plants were in 2020.

To cover the costs of decommissioning, we are required by the Czech Nuclear Act 2016 to contribute to special nuclear escrow accounts. In 2021 and 2020, the payments to the nuclear escrow accounts amounted to CZK 826.2 million and CZK 804.6 million, respectively. As of December 31, 2021 restricted funds representing accumulated provision for the decommissioning of all nuclear facilities owned by ČEZ totaled CZK 14,826 million, representing a decrease by 179 million, or 1.2 %, from CZK 15,005 million as of December 31, 2020. These restricted funds are included on the balance sheet of our Financial Statements, incorporated by reference into this Base Prospectus, under "non-current financial assets". We have established provisions to recognize our estimated liabilities for nuclear decommissioning of all facilities owned by ČEZ in the form of an accounting reserve, which as of December 31, 2021, amounted to CZK 42,284 million, representing an increase by CZK 3,268 million, or 8.4 %, from CZK 39,016 million as of December 31, 2020.

New Nuclear Sources. According to the USEP and the NAPNE prepared by the Czech Government, two new nuclear power plant units with a total installed capacity of 2,500 MW are planned to be constructed and commissioned at the Dukovany and/or Temelín site by 2035 and, depending on predictions of the Czech Republic's electricity generation and consumption, one additional nuclear power plant unit could be possibly constructed and commissioned at the Dukovany or Temelín site in connection with expected end of the operation of the existing nuclear power plant units at Dukovany following the year 2035.

As of October 1, 2016, our projects for the construction of new nuclear power plant units were spun off into ČEZ's two project subsidiaries Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s., incorporated by ČEZ under the laws of the Czech Republic. In December 2017, the Standing Committee for Nuclear Energy established by the Czech Government (with the Czech Republic being ČEZ's controlling shareholder) investigated available options for developing new nuclear units in the Czech Republic. The following three main options were considered by that committee: (i) ČEZ itself will develop new nuclear units; (ii) the Czech Government will acquire from ČEZ the two project subsidiaries – Elektrárna Dukovany II, a.s., and Elektrárna Temelín II, a.s., – and will continue with the development of the new nuclear units on its own; or (iii) the Czech Government will acquire from ČEZ part of its existing business activities, including ČEZ's existing nuclear power plants, and will develop new nuclear units within a new entity.

During the first half of 2018, two documents - Procedure for the Preparation and Construction of New Nuclear Power Plant Units at Dukovany and Temelín and Analysis of Selected Investment Models for the Construction of New Nuclear Power Plant Units and the Manner of Their Financing – were prepared by working groups established under the Standing Committee for Nuclear Energy. These documents were debated at a meeting of the Standing Committee for Nuclear Energy in May 2018. Subsequently, in the governmental meeting in June 2018, there were defined additional tasks with the due date at the end of 2018. In the first half of 2019, the Standing Committee for Nuclear Energy concluded that the most adequate construction investment model would be using special purposes vehicles as ČEZ's subsidiaries. At the same time, the Standing Committee for Nuclear Energy agreed that a treaty between the Czech state and ČEZ covering regulatory and market risks should be concluded. At its July 8, 2019, meeting, the Czech Government decided to develop one new unit at the Dukovany site while the development of a new unit at the Temelín site would remain as a back-up option ready for acceleration in the future. The Czech Government also debated a document that would provide the conditions for further progress in preparations of the project and the necessary commercial arrangements. It considered that a meeting with the EU Commission would be arranged to confirm that the planned state aid would be compliant with EU state aid rules. At the same time, a series of agreements covering regulatory and market risks in various phases of the new project development were deemed necessary. The first two agreements (The Framework Agreement and Implementation Agreement for the first phase of the Project) were already concluded between the Czech Republic, ČEZ and Elektrárna Dukovany II, a.s., in July 2020. They establish the rules for cooperation between the parties, framework of the state support for the project and obligations of the parties in the first phase of the project.

The Czech Government has prepared a new law that defines the conditions for transition to low carbon energy, which was approved and entered into force in October 2021 (law No. 367/2021 Coll.). Such law is essential for the provision of the state aid for the development of new nuclear units in the Czech Republic. In 2021, the Czech Republic, ČEZ and Elektrárna Dukovany II negotiated the term sheet of a power purchase agreement, an investment agreement and a financing agreement. In addition, the Czech Republic has also started the notification process of the state aid to the EU Commission.

The construction of a new nuclear power plant unit at the Dukovany site is a priority, because the operational life of the existing nuclear units at the site will end sooner than the ones at the Temelín site. Public hearings concerning the environmental impact assessment (EIA) of the new Dukovany nuclear power plant units took place in Budapest, Hungary, and public discussions were held in Vienna, Austria, and Munich, Germany. In the Czech Republic, a public hearing concerning the new Dukovany nuclear power plant unit's EIA took place in Třebíč in June 2018. On August 30, 2019, the Ministry of the Environment of the Czech Republic issued a binding EIA opinion approving the plan to build a new nuclear power plant with an output of up to 2,400 MWe at the Dukovany site. In March 2020, we applied for siting permission under the Czech Nuclear Act 2016 to construct two new units, each with a targeted installed capacity of 1,200 MW, at the Dukovany power plant. On March 8, 2021, the siting permit was issued by the SONS (SÚJB) to deploy a new nuclear power plant at the Dukovany power plant. Elektrárna Dukovany II has also finalized an application for site approval in accordance with the Building Act. As of the date of this Base Prospectus, the approval procedure is pending. Elektrárna Dukovany II has also finalized an inquiry documentation for EPC tender procedure and is ready to start the selection process for the EPC contractor subject to the prior consent of the Czech state. By the resolution no. 339 adopted as of March 29, 2021, the Czech Government approved the phase of so-called "security assessment" of potential EPC contractors before the actual commencement of the selection process. Elektrárna Dukovany II has requested the potential EPC contractor to provide the relevant information to enable the Czech Government to execute the "security assessment". Subsequently, the Czech Government further decided – by adoption of the resolution no. 394 made on April 19, 2021 – not to invite Rosatom Overseas JSC (Russia) and China General Nuclear (China) to the security assessment. All addressed potential EPC contractors provided their information in November 2021. The EPC contractor selection process is expected to be started in March 2022. As of the date of this Base Prospectus, further preparatory works are being carried out in line with an approved schedule and budget.

For the new Temelín nuclear power plant units, conditions arising out of the EIA opinion and nuclear siting permit are being fulfilled. With respect to end of validity of the EIA statement, Elektrárna Temelín II, a.s., submitted to the Ministry of the Environment of the Czech Republic an application for prolongation of the EIA statement at the end of 2019 and received a positive decision regarding the EIA statement prolongation (until January 2025) on December 16, 2020. Furthermore, based on requirements of the Czech Nuclear Act 2016, the initial safety assessment report has been updated and submitted to SONS (SÚJB) with application for a new resolution. New siting permit was issued by the SONS (SÚJB) on November 4, 2020. As of the date of this Base Prospectus, further preparatory works are being carried out in line with the approved schedule and budget.

As at the date of this Base Prospectus, neither the Czech Government nor the Board of Directors of ČEZ have arrived at any conclusion concerning new nuclear sources.

Small modular reactors. In September 2019, we signed a memorandum of understanding with an American company NuScale Power LLC that designs and markets small modular reactors. In February 2020, we signed an agreement with GE Hitachi Nuclear Energy, Ltd on investigating the economic and technical feasibility of the potential construction of a small modular nuclear reactor BWRX-300 in the Czech Republic. Further, in November 2020, a memorandum of understanding was signed with Rolls Royce to explore the potential for small modular reactors ("*SMR*") in the Czech Republic. ČEZ has also prepared the pre-feasibility study for the development of new SMR in existing nuclear sites of the Czech Republic and an additional study analyzing applicability of the Czech legislation on permitting and licensing process of the SMR and identifying potential new sites for deployment of the SMR. As of the date of this Base Prospectus, ČEZ is working on the analysis of selected potential sites and the technical feasibility of the SMR construction on the Temelín site.

Gas-fired power and heat generation

Czech Republic

In October 2014, we completed the construction of the Počerady II gas-fired power plant with the installed capacity of 844.9 MW and an expected life of 30 years. The Počerady II gas-fired power plant received its license to produce electricity on December 1, 2014. In the year ended December 31, 2021, Počerady II gas-fired power plant generated 2,757 GWh of electricity, representing a decrease by 820 GWh, or 22.9 %, from 3,576 GWh generated in the year ended December 31, 2020 mainly due to adverse market price conditions for the operation of the power plant.

Since July 1, 2018, ČEZ ENERGO, s.r.o., a company in which we originally held a 50.1% ownership interest pursuant to our joint venture arrangement with TEDOM a.s., has been included among fully consolidated subsidiaries of the CEZ Group. In June 2020, ČEZ ESCO a.s. acquired an additional 49.9% ownership interest in ČEZ ENERGO, s.r.o., thereby becoming the sole owner of the company. ČEZ ENERGO, s.r.o., installs and operates small gas-fired co-generation units with the total installed capacity of 122.0 MW (117.8 MW in 2020). During 2021, the company connected new co-generation units in the amount of 4.3 MW. In the year ended December 31, 2021, co-generation units of ČEZ ENERGO, s.r.o., generated 395 GWh (337 GWh in 2020) of electricity and 1,379 TJ of heat.

Additionally, we own two small co-generation units with a total installed capacity of 0.4 MW at the site of our subsidiary ÚJV Řež, a. s. The electricity generated by these units serves the company's own consumption.

We own and operate one biogas station in the Czech Republic with an installed capacity of 0.5 MW. In the year ended December 31, 2021 our biogas station generated 3 GWh of electricity.

Turkey

In 2014, we successfully commissioned all (two gas and one steam) turbines of the new Turkish gas-fired power plant in Erzin with a total installed capacity of 904 MW and an expected service life of 30 years, in which we have an interest pursuant to a joint venture arrangement with the Akkok Group. Our interests in these joint venture arrangements are not fully consolidated and therefore are not included in the calculations of our total electricity generation and our total installed capacity.

Hydroelectric power generation

Czech Republic

We own and operate 35 hydroelectric power plants in the Czech Republic, comprising seven accumulation power plants, three pumped storage hydro power plants and 25 small-scale hydro power plants. In the year ended December 31, 2021, our hydroelectric power plants in the Czech Republic generated 2,488 GWh (2,381 GWh in 2020) of electricity, representing approximately 4.4 % of our total electricity generated, compared to 3.9 % for the year ended December 31, 2020. Our hydroelectric power plants in the Czech Republic accounted for 16.8 % of our total installed capacity as of December 31, 2021.

The following table sets forth certain information regarding our hydroelectric power plants in the Czech Republic as of December 31, 2021:

Plant	**Installed capacity (MW)**	**Type of plant**	**Start of operation**
Kamýk	4 x 10	Accumulation	1961
Lipno I	2 x 69.5[9]	Accumulation	1959
Orlík	4 x 91	Accumulation	1961 – 1962
Slapy	3 x 48	Accumulation	1954 – 1955
Střekov	3 x 6.5	Accumulation	1936
Štěchovice I	2 x 11.25	Accumulation	1943 – 1944
Vrané	2 x 6.94	Accumulation	1936
Brno — Kníničky	1 x 3.528	Small Hydro	1941
Brno — Komín	1 x 0.106; 1 x 0.140	Small Hydro	1923, reconstruction 2008
Čeňkova pila	1 x 0.096	Small Hydro	1912
Černé jezero	1 x1.5; 1x0.04; 1x0.37	Small Hydro	1930, 2004, 2005
Dlouhé Stráně II	1 x 0.163	Small Hydro	2000
Hněvkovice	2 x 4.8	Small Hydro	1992
Hradec Králové	3 x 0.25	Small Hydro	1926
Hracholusky	1 x 3.038	Small Hydro	1964
Kořensko I	2 x 1.9	Small Hydro	1992

[9] Increase in installed capacity from 60 to 69.5 MW in 2021

Kořensko II	1 x 0.94	Small Hydro	2000
Les Kralovství	2 x 1.105	Small Hydro	1923, reconstruction 2005
Lipno II	1 x 1.5	Small Hydro	1957
Mělník	1 x 0.59	Small Hydro	2010
Mohelno	1 x 1.2; 1 x 0.56	Small Hydro	1977, 1999
Obříství	2 x 1.679	Small Hydro	1995
Pardubice	1 x 1.998	Small Hydro	1978, reconstruction during 2012
Pastviny	1 x 3	Small Hydro	1938, reconstruction 2003
Plzeň — Bukovec	2 x 0.315	Small Hydro	2007
Práčov	1 x 9.75	Small Hydro	1953, reconstruction 2001
Předmeřice nad Labem	1 x 2.6	Small Hydro	1953, reconstruction 2009
Přelouč	2 x 0.68; 2 x 0.49	Small Hydro	1927, reconstruction 2005
Spálov	2 x 1.2	Small Hydro	1926, reconstruction 1999
Spytihněv	2 x 2	Small Hydro	1951, reconstruction 2009
Vydra	2 x 3.2	Small Hydro	1939
Želina	2 x 0.315; 2 x 0.015	Small Hydro	1994, reconstruction 2017
Dalešice	3 x 120; 1 x 115	Pump Storage	1978
Dlouhé Stráně I	2 x 325	Pump Storage	1996
Štěchovice II	1 x 45	Pump Storage	1947 – 1949, reconstruction 1996
Total installed capacity	**1,982.0**		

Nine of our hydroelectric plants are situated on the dams on the Vltava river in the Czech Republic, creating a cascade operation (the Vltava Cascade) controlled by a central control system. The dams and related waterworks used by our hydroelectric power plants are owned by the relevant river-basin administrators with whom we have an agreement, although we own the Želina, Čeňkova Pila, Plzeň-Bukovec and Vydra dams and related waterworks.

Hydroelectric power plants have a high degree of flexibility in the regulation of their output. The ability to control hydroelectric power plants centrally permits the hydroelectric plants to commence operation rapidly, thereby facilitating the regulation of electricity output. Neither conventional storage nor pump storage hydroelectric power plants release polluting emissions into the atmosphere. These plants also represent an inexpensive source of electricity, particularly in periods of peak demand. In addition, pump storage power plants allow the productive use of excess electricity generated by base load plants by operating storage pumps in periods of low demand. Further development of hydroelectric power generation in the Czech Republic is limited by the topography and, as a result, we do not currently expect to construct any new hydroelectric power plants in the Czech Republic.

Our hydroelectric power plants may sustain damage in floods. In 1997, one of our hydroelectric power plants suffered minor damage caused by flooding and in 2002, seven out of nine of our hydroelectric power plants located on the Vltava river were damaged by floods. This damage was covered by our insurance.

Poland

We own and operate two small hydroelectric power plants in Poland. In the year ended December 31, 2021, they had a total installed capacity of 1.8 MW (Skawina/Borek Szlachecki 0.885 MW and Skawinka 2 0.92 MW). The year-on-year installed capacity remained unchanged.

The construction of the Borek Szlachecki small hydroelectric power plant which is located in the territory of the Skawina coal-fired power plant was completed in 2013. The Skawinka 2 small hydroelectric power plant was put in operation in the second half of 2020. In the year ended December 31, 2021, the Borek Szlachecki hydro power plant generated 7 GWh (7 GWh in 2020) of electricity and Skawinka 2 generated 4.2 GWh (2 GWh in 2020) of electricity.

Turkey

We have a joint venture interest in seven hydroelectric power plants located in Turkey with total installed capacity of 288.9 MW as of December 31, 2021. Our interest is not fully consolidated and therefore is not included in the calculations of our total installed capacity and our total electricity generation.

Solar power generation

Czech Republic

As of December 31, 2021, we owned and operated 13 solar power plants in the Czech Republic, with a total installed capacity of 126.0 MW (125.02 MW in 2020). In the year ended December 31, 2021, our solar power plants in the Czech Republic generated 122 GWh of electricity.

All of our solar power plants in the Czech Republic are located in regions where the conditions are suitable for solar generation. The Vranovská Ves, Žabčice, Hrušovany nad Jevišovkou and Panov solar power plants are situated in the southernmost part of the region of South Moravia, which is generally the sunniest region in the Czech Republic, with the highest average number of days of sun. The majority of our solar power plants started operating in 2009 and 2010 (please see also "*Description of ČEZ—Legal Proceedings— Czech Republic — Other Proceedings*").

Bulgaria

The Bulgarian assets were sold as of July 27, 2021.

The photovoltaic power plant Oreshets, with an installed capacity of 5 MW, generated 3.1 GWh of electricity in the first half of 2021.

Wind power generation

Czech Republic

We own and operate two wind power plants in the Czech Republic with a total installed capacity of 8.2 MW. In the year ended December 31, 2021, these wind power plants generated 8 GWh of electricity.

Poland

Since 2011, we have been developing a number of wind farm projects in the various locations in Poland through our 100% shareholding interest in Eco-Wind Construction S.A., a Polish wind farm developer.

In July 2016, the new Polish wind farm investment law entered into force. Such law has adverse consequences for development of our wind farms in Poland. Pursuant to the new law, *inter alia*, (i) wind turbines must be situated away from residential and non-residential areas including natural reserves at a distance of equal to, or exceeding, ten times their total height, (ii) wind turbines are subject to higher real estate taxes to be paid by the wind farm operators, and (iii) technical and safety conditions of wind turbines are subject to review by Polish Governmental authorities every two years and operators will be required to pay a substantial fee for this regulatory review in the amount of 1 % of the wind turbines construction costs. This provision significantly restricted the implementation of wind power projects across Poland, including the CEZ Group's projects.

In addition, a new Polish law on renewable energy sources introduced a new auction mechanism for granting subsidies. The mechanism is set so that the highest subsidy would be granted to the stable and predictable sources, and thus wind (together with photovoltaic) power electricity generation will be the least subsidized renewable energy source, which may have an adverse effect on development of our wind farms in Poland.

In August 2019, Baltic Green Construction Sp. z. o. o. launched a sales process of six projects from its wind portfolio, namely two projects qualified for RES auction, one project with a building permit and three projects in various stages of development. In December 2019, the Polish state organized a second RES auction RES (on-shore wind and PV > 1 MW), in which the Krasin project (35.2 MW) was awarded with a guaranteed support in the form of CfD for 15 years. The Sakowko project (4.4 MW) was not awarded, but is still ready to participate in future RES auctions. The CEZ Group sold the Krasin and Sakówko projects in the second quarter of 2020.

On September 13, 2018, the bankruptcy of Eco-Wind Construction S.A. was declared by the court in Warsaw and subsequently the management of the company was taken over by a bankruptcy trustee. All our wind energy projects eligible for auction in Poland are held separately by us, under the company Baltic Green Construction Sp. z o.o. and therefore the bankruptcy of Eco-Wind construction S.A. will not have any negative impact on any of these projects. In November 2019, the Warsaw Supreme Court ruled in favor of Eco-Wind Construction S.A. in the matter of the seizure of its funds by the Polish tax office and in March 2020 the seized funds of the company were returned including the relevant interest. Due to this, bankruptcy proceedings will be closed after the creditors have been settled.

As of the date of this Base Prospectus, the divestment process of Polish wind power projects continues and the negotiations on the sale of the remaining four projects are currently ongoing.

Germany

We own and operate 10 wind power plants in Germany with a total of 53 wind turbines and a total installed capacity of 133.5 MW. All power plants in the portfolio benefit from a 20-year feed-in tariff. In the year ended December 31, 2021, our wind power plants in Germany generated 228 GWh (292 GWh in 2020) of electricity. In December 2018, we acquired a 50% stake in a joint venture co-owned by the German wind farm developer GP Joule, which aims to develop on-shore wind farm projects with a planned installed capacity of up to 130MW. In December 2018 and January 2019, we also acquired a 50% stake in a joint venture co-owned by the German developer BayWa r.e. Wind GmbH with the aim of developing four wind farms with a planned installed capacity of 63MW. All wind farms to be potentially developed are planned to compete for a feed-in tariff in an auction scheme. The most advanced project in the co-development portfolio is the Datteln project. In the middle of 2021, the project received a permit for the construction and subsequent operation of two turbines with a capacity of 9 MW. In relation to another advanced project, Nortorf, with a planned output of 11.4 MW, the company submitted an application for a building permit during 2021. Our interests in these joint venture arrangements are not fully consolidated.

The following table sets forth certain information regarding our wind power plants in operation in Germany as of December 31, 2021:

Plant	Installed capacity (MW)	Number of turbines	Start of operation
Fohren-Linden	12.8	4	2016
Mengeringhausen	12.0	5	2016
Naundorf	6.0	2	2015
Baben Erweiterung	9.2	4	2015
Gremersdorf	6.9	3	2016
Cheinitz- Zethlingen	13.8	5	2016
Frauenmark III	2.3	1	2016
Zagelsdorf	7.5	3	2016
Badow	27.6	12	2015
Lettweiler Höhe	17.7	7	2014
Lettweiler Höhe	17.7	7	2014
Total	**133.5**	**53**	

France

In July 2017, the CEZ Group entered the renewable energy market in France through the acquisition of nine onshore wind farms projects in an advanced stage of development with a potential installed capacity of up to 106.6 MW. The construction of the first wind power plant project from the portfolio, the Aschères-le-Marché wind farm with a target installed capacity of 13.6 MW, started in October 2018. Due to the insolvency of the original turbine supplier Senvion, the selection process of new turbine manufacturer has been launched. At the beginning of October 2020, a public procurement tender was launched to determine an alternative turbine technology under the French legislation. As of the date of this Base Prospectus, the negotiated procedure has continued according to the adopted preliminary schedule and the contract is expected to be awarded in the second quarter of 2021. Due to these circumstances, the commissioning of the Aschères-le-Marché wind farm project will be delayed relative to the previously expected time-schedule.

The CEZ Group's activities in France were further expanded in January 2019 by the acquisition of an additional eight onshore wind farm projects in an advanced stage of development with a potential installed capacity of 119 MW.

During 2021, the CEZ Group's French portfolio of a total of 17 projects of onshore wind power plants progressed in their development; as of December 31, 2021, nine projects had obtained permits for construction and operation with a potential installed capacity of 97,6 MW, however, almost all of these permits are subject to third party claims, which will delay the achievement of the ready-to-build status by several years and also significantly impact the planned date of commissioning of the projects. During 2020, the administrative processes were affected by restrictions announced in response to the COVID-19 pandemic, resulting in delays in the scheduled activities of between several months and up to a year.

In 2021, the tender for the supply of turbines for two projects with a planned installed capacity of 27 MW was completed. The technology supplier will be Nordex.

Turkey

Pursuant to a joint venture arrangement with the Akkok Group (through which we have 37.36 % stake in one of Turkey's largest privately-owned power producers, Akenerji Elektrik Üretim A.S.) we have interest in one wind power plant located in Turkey with total installed capacity of 28.2 MW as of December 31, 2021. Our interest under this joint venture arrangement is not fully consolidated and therefore is not included in the calculations of our total electricity generation and our total installed capacity.

Distribution Business

Overview

In the Czech Republic, we distributed electricity to more than 3.751 million connection points covering an area of approximately 52 thousand square kilometers as of December 31, 2021, making us the largest of the four regional distributors of electricity in the country. Before we sold our Romanian assets in March 2021 and our Bulgarian assets in July 2021, we had been one of the largest of the eight regional distribution companies in Romania and we had majority interests in the principal distribution company in Bulgaria. In the year ended December 31, 2021, we distributed a total of 43,349 GWh of electricity to end-consumers, of which 84.3 % was distributed to end consumers in the Czech Republic, 11.6 % was distributed to end-consumers in Bulgaria and 4.1 % was distributed to end-consumers in Romania.

The table below sets forth certain information regarding the volume of electricity distributed by us (including grid losses) in each of our principal markets in the year ended December 31, 2021.

	For the year ended December 31, 2021					
	Distributed to end-consumers		**Distributed to others [(1)]**		**Grid losses**	
	(GWh)	**(%)**	**(GWh)**	**(%)**	**(GWh)**	**(%)[(2)]**
Czech Republic	36,551	*84.3*	5,706	*90.5*	1,707	*3.88*
Bulgaria[(3)]	5,025	*11.6*	-	-	387	*7.14*
Romania[(3)]	1,773	*4.1*	597	*9.5*	267	*10.11*
Total..............................	**43,349**		**6,303**		**2,360**	***4.54***

(1) Electricity distributed to others mainly includes overflows into other regional distribution grids.

(2) Grid losses (as %) is the share of grid losses on the total sum of electricity distributed to end-customers and others and grid losses.

(3) The CEZ Group sold the majority of its Romanian assets on 31 March 2021 and the majority of its Bulgarian assets on 27 July 2021.

As of December 31, 2021, we owned and operated 167,628 kilometers of high-, medium- and low-voltage electricity distribution lines, 100 % of which were in the Czech Republic. Distribution grid losses in the Czech Republic were 1,707 GWh of electricity in the year ended December 31, 2021, representing a decrease of 263 GWh, or 13.4 %, from 1,970 GWh in the year ended December 31, 2020.

Czech Republic

We distribute electricity in nine of the 14 regions of the Czech Republic, namely Plzeň, Karlovy Vary, Ústí nad Labem, Central Bohemia, Liberec, Hradec Králové, Pardubice, Olomouc, and Moravia-Silesia; and distribute electricity in part of two other regions – Zlín and Vysočina. In the year ended December 31, 2021, we distributed 36,551 GWh of electricity to end-consumers, making us the largest of the four distribution companies in the Czech Republic, with a market share of approximately 65 % of the total electricity consumed in the regional distribution areas in the Czech Republic, according to the ERO. Our distribution grid losses were 1,707 GWh of electricity, or 3,88 %, in the year ended December 31, 2021, compared to 1,970 GWh of electricity, or 4.60 %, in the year ended December 31, 2020.

As of December 31, 2020, we owned and operated 167,628 kilometers of distribution lines in the Czech Republic, of which 6 % were high-voltage, 31 % were medium-voltage and 63 % were low-voltage.

Our Distribution Business in the Czech Republic is regulated by the ERO. A license is necessary in order to distribute electricity, which was issued to us by the ERO for an indefinite period of time from January 1, 2016. Prices for distribution services are also regulated by the ERO.

Turkey

In the year ended December 31, 2021, we distributed 10,388 GWh of electricity to end consumers in Turkey, representing an increase of 777 GWh, or 8%, from 9,611 GWh distributed in the year ended December 31, 2020. Our Turkish Distribution Business is operated through Sakarya Elektri Dagitim A.S., an entity owned under a joint venture arrangement. Sakarya Elektrik Dagitim A.S. is not fully consolidated and therefore is not included in the calculations of our total electricity distributed or our total electricity distributed to end consumers.

Sales Business

Sale of Electricity

Our Sales Business sells electricity (procured by our Trading Business from our Generation Business and the wholesale market) to end-consumers in the Czech Republic, and, to a lesser extent, to end-consumers in Poland, Hungary and Slovakia. Before we sold our Romanian assets on 31 March 2021 and our Bulgarian assets on 27 July 2021, we sold electricity to consumers in Romania and Bulgaria as well. We are one of the largest suppliers of electricity in the Czech Republic in terms of volume of electricity sold to end-consumers. In the year ended December 31, 2021, we sold 26,834 GWh of electricity to end-consumers, of which 18,680 GWh, or 56.2 %, was sold to end-consumers in the Czech Republic, compared to 33,265 GWh of electricity sold to end-consumers, of which 17,035 GWh, or 51.2 %, was sold to end-consumers in the Czech Republic in the year ended December 31, 2020.

The table below sets forth the volume of electricity sold broken-down by types of end-consumers in each of our principal markets in the year ended December 31, 2021:

	For the year ended December 31, 2021							
	Household		**Commercial**		**Industrial**		**Total**	
	(GWh)	***(%)***	**(GWh)**	***(%)***	**(GWh)**	***(%)***	**(GWh)**	***(%)***
Czech Republic..........	7,960	*59.0*	1,936	*44.3*	8,783	*57.0*	18,680	*56.2*
Poland.......................	0	-	6	*0.1*	150	*1.0*	155	*0.5*
Bulgaria[(1)]	2,502	*18.5*	634	*14.5*	2,281	*14.8*	5,417	*16.3*
Romania[(2)].................	509	*3.8*	235	*5.4*	301	*2.0*	1,045	*3.1*
Other..........................	0	-	28	*0.7*	1,508	*9.8*	1,536	*4.6*
Total..........................	10,972		2,840		13,023		26,834	

(1) The Group sold the majority of its Bulgarian assets on 27 July 2021 as part of the Bulgarian Asset Sale.

(2) The Group sold the majority of its Romanian assets on 31 March 2021 as part of the Romanian Asset Sale.

Czech Republic

In the year ended December 31, 2021, we sold 18,680 GWh of electricity to end-consumers in the Czech Republic, or 33.5 % of the total net electricity consumed in the Czech Republic, representing an increase by 9.7 % compared to approximately 17,035 GWh of electricity sold in the year ended December 31, 2020. Sale of electricity is achieved mainly through our subsidiaries ČEZ Prodej, a.s., and ČEZ ESCO, a.s.

Developments in the Czech market correspond to the developments in European markets in the period following the energy market liberalization. In the years preceding 2010, the liberalization of the electricity market did not have a significant effect on the commercial and household segment. However, starting in 2010, market participants followed in the footsteps of the companies participating in other European markets and began to intensely compete for these customers as well. A key role was played by smaller suppliers who increasingly used door-to-door sales. The number of changes of electricity suppliers during the last year rose mainly due to many suppliers going out of business. According to OTE, in the year ending December 31, 2021, more than 700 customers changed their electricity supplier, representing an increase of over 50 % compared to 2020. This increase has also been impacted by a significant number of customers falling under the regime of the "supplier of last resort", with CEZ Prodej being such supplier of last resort.

The sale of electricity in the Czech Republic is regulated by the Czech Energy Act and the ERO. A license is necessary in order to sell electricity, which is issued by the ERO for a maximum of five years. Our license for the sale (and trading) of electricity in the Czech Republic was issued on September 2, 2010 and extended in the year 2020 by the ERO by five years until September 1, 2025. The price of electricity comprises two amounts: (i) the regulated amount, to cover transmission, distribution, system services and the support of the renewable energy, and (ii) the unregulated amount, which is for the sale of the electricity itself.

Turkey

Sales company Sakarya Elektrik Perakende Satis A.S. (SEPAŞ), which sells electricity to end customers mainly in the SEDAŞ distribution area, sold electricity in the amount of 10,388 GWh in 2021. *Gas and Heat Supply to End-Consumers*

We started to supply gas to industrial and commercial customers in the Czech Republic in August 2009 and gas to our household customers in the Czech Republic in June 2010. We started to supply gas to end-consumers in Slovakia in 2011, followed by Poland and Romania. In the year ended December 31, 2021, we supplied 7,254 GWh of gas to the customers outside of the CEZ Group, which represents a decrease of 22.2 % compared to 9,318 GWh supplied in the year ended December 31, 2020. In 2021, 71.4 % of gas was supplied to customers in the Czech Republic, 4.8 % to customers in Romania and the remaining 1.7 % to customers in Slovakia.

In the year ended December 31, 2021, we supplied 25,709 TJ of heat to the customers outside of the CEZ Group, which represents an increase of 7.2 % compared to 23,982 TJ supplied in the year ended December 31, 2020. In 2021, 82.2 % of heat was delivered to our customers in the Czech Republic, the rest to customers in Poland.

Decentralized Energy Solutions

Czech Republic and Slovakia

In 2014, we established a new company ČEZ ESCO, a.s., as a wholly-owned subsidiary of ČEZ, which consolidated our capacities within the area of energy savings, decentralized energy sources, lighting and other energy services. ČEZ ESCO, a.s., focuses on providing products and services to large corporations, SMEs and the public sector and offers comprehensive energy solutions on a decentralized basis with emphasis on new technologies, energy efficiency and integrated solutions. Individual products and services are supplied through several companies that are continually being integrated into the ČEZ ESCO Group.

ČEZ Energo s.r.o. focuses on installations and subsequent operation of cogeneration units for joint production of electricity and heat with installed capacity ranging from hundreds of kWe to several MWe.

ČEZ Energetické služby, s.r.o. provides comprehensive services in the field of energy management, public lighting, supply of gases, drinking water, sewage services and operations of waste water treatment plants. It is a supplier of energy structures and energy saving projects for municipalities, industrial companies and of larger energy projects in all areas.

ENESA a.s. is a provider of EPC ("*Energy Performance Contracting*") projects.

During 2016, we acquired ČEZ Solární, s.r.o., Energocentrum Vítkovice, AZ Klima and formed a new joint venture, ČEZ LDS, in which we acquired majority in 2019. ČEZ Solární is active in the field of photovoltaic rooftop solutions as well as in the field of their optimal maintenance and operation. Energocentrum Vítkovice, is a supplier of energy to large companies in the industrial Vítkovice area, AZ Klima, provides heating, ventilation and air conditioning solutions. ČEZ LDS focuses on operation of local distribution systems ("*LDS*") and related services.

During 2017, we incorporated a new subsidiary, ČEZ Bytové domy, to provide custom-tailored energy savings solutions to housing cooperatives and homeowner associations, which in 2019 merged into ČEZ Solární, s.r.o. We also acquired a 100% interest in KART spol. s r. o., AirPlus, spol. s r.o. and HORMEN CE a.s. KART provides building facility management services and servicing of technical equipment of buildings and also supplies and installs air-conditioning, heating and cooling equipment, measurement and control systems and power distribution systems and performs design and inspection of electrical equipment, pressure containers and boiler rooms. AirPlus, spol. s r.o. specializes in the supply, installation and servicing of air-conditioning units. HORMEN CE a.s. deals with the design, realization and production of lighting and luminaires, it provides services to offices, hotels, business premises, public buildings and industrial buildings.

During 2018, we acquired stakes in Domat Control System s.r.o., SPRAVBYTKOMFORT, a.s., Bytkomfort, s.r.o. as well as SERVISKOMFORT s.r.o. (currently renamed to ESCO Servis, s.r.o.) and formed a joint venture KLF-Distribúcia, s.r.o. Domat Control System s.r.o. is a leading supplier and integrator of energy management systems, control systems and measurement and control technologies. SPRAVBYTKOMFORT, a.s. owns and operates the district heating system in Prešov, Slovakia, SERVISKOMFORT provides complex support services especially for SPRAVBYTKOMFORT, and provides related energy services. Bytkomfort, s.r.o. owns and operates the city heating system in Nové Zámky, Slovakia, and provides related energy services, including service and operational activities. KLF-Distribúcia, s.r.o. is a joint venture with the aim of building and operating 110 kV substations for the local distribution system in the industrial area with 60 active companies in Kysucke Nove Mesto, Slovakia.

During 2019, we acquired HA.EM OSTRAVA, s.r.o. providing engineering, realization and service of energy equipment for industrial customers, KART TZB, spol. s r.o. (formerly Caverion Česká republika s.r.o.) and e-Dome a.s., a Slovakian company providing energy solutions and EPC.

In 2020 we finalized the consolidation of the full 100 % stake in our subsidiary ČEZ Energo by acquiring the remaining 49.9% stake from TEDOM a.s., thereby becoming the sole shareholder of the CHP market leader in Czech Republic. At the end of 2020, ČEZ ESCO signed a joint venture agreement with Slovensky plynarensky priemysel, a.s. ("SPP"), which is a leading state-owned energy and utility company specializing predominantly in gas sector. After merger clearance from the Slovak anti-trust regulatory body – Protimonopolny urad Slovenskej republiky – the deal was closed in early 2021. In July 2021 we acquired a 100 % stake in EP Roznov, a.s., a company specializing in complex clean room delivery for health care as well as electronic and automotive sectors. Later in 2021, we acquired a full stake in CAPEXUS Group, consisting of two entities – CAPEXUS s.r.o. (acquired by CEZ ESCO) and CAPEXUS SK s.r.o. (acquired by ESCO Slovensko – JV with SPP). CAPEXUS specializes in workplace architecture, consultancy, implementation, and project management using Design Build method.

CEZ ESCO is still very active in the transaction market and we are currently working on number of deals, that we believe contribute to our company purpose and fulfill our long-term strategy.

Other countries

In other foreign ESCO markets, we are active through Elevion Group B.V., a Dutch based holding entity.

Germany

In Germany, we are active both in the field of technical building services (electrical and mechanical, including HVAC / cooling / instrumentation & control engineering) under German Elevion Group, as well as in energy efficiency solutions organized under CEZ ESCO II Group.

Elevion Group was acquired in 2017 and is a leading integrated provider of multi-technical building services to commercial and industrial buildings and facilities and one of the largest ESCO providers in Germany. In 2019, German Elevion Group acquired En.Plus and Hermos Group, increasing our capabilities in HVAC and cooling and in building automations and IT solutions for industry, energy, environment, buildings and health care.

Under CEZ ESCO II, in 2018, we acquired Kofler Energies which provides design and engineering solutions for industrial, commercial, residential and public administration customers aiming at increasing their energy efficiency through equipment optimization and/or energy management. We subsequently also acquired additional design and engineering companies focusing on energy efficiency solutions, such as GWE Wärme- und Energietechnik, Pertler, and Peil und Partner Ingenieure.

In December 2021, we acquired a leading German service provider focusing on delivery of large photovoltaic solutions to secure the environmental-friendly energy generation. In the past, it has delivered capacity of more than 4 GW and provides services on 2.2 GW of power plants. The company is active not only in Germany, but has also subsidiaries in France, UK, Italy and Israel and is also active in Dutch and Danish markets.

Poland

In 2018 and 2019, we acquired three major Polish ESCO entities.

OEM Energy sp. z o.o. offers modernization and installation of solar thermal and photovoltaic panels as well as boiler or heat pump installation. The majority of its customers are local governments and industry clients.

Metrolog sp. z o.o. is an engineering firm that focuses on complex services related to heat management and decentralized heat and electricity generation.

EUROKLIMAT sp z o.o., a company with 20 years of experience in building technical solutions (electrical / mechanical installations (including HVAC)) active across whole Poland.

Italy

We are active in the Italian ESCO market through Inewa, which focuses on engineering, delivery and operation of photovoltaic and cogeneration installations for various customers.

We also operate several biogas units, e.g. Axe, Casaleone, Budrio (with total installed capacity of 2.3 MW el), with the aim of upgrading them into biomethane plants (with total capacity of 8.2 MW t), so that we can deliver renewable natural gas to the Italian grid.

Austria

In 2020, we acquired Moser & Partner, a service provider focusing on design of energy efficiency solutions. We are also active in this market through Synecotec, which focuses on energy consultancy or installation of heat pumps / photovoltaics.

Netherlands

In August 2021, we acquired a leading Dutch service provider in roof photovoltaic installations in agricultural sector (Agri-PV).

Romania

High Tech Clima SRL is one of the HVAC leaders in the Romanian market with a number of international clients and orders from abroad, including the Czech Republic.

Other Services in the Czech Republic

We also provide energy-related and other services and products to our retail customers. Since 2013, we have been providing telecommunication services under the brand "Mobile from ČEZ" through our subsidiary ČEZ Prodej, a.s., as a mobile virtual network operator in the network of O2 Czech Republic, a.s. We are also becoming one of the leading gas boiler services providers in the Czech Republic.

In 2016, ČEZ Prodej, a.s., started to provide financing services in cooperation with the ESSOX financing company. These services provide our customers with financing of new energy solutions for their households. In addition, together with our partners we provide insurance and assistance services to our retail customers, such as repairs of electric and gas appliances and removal of household accidents related to electricity and gas supply.

During 2018, we acquired a company specializing in the supply and installation of heat pumps with autonomous remote access for monitoring with the aim for further development of relevant technologies and their integration with other technologies, such as photovoltaic panels or batteries. During 2019 we installed about 500 small photovoltaic power plants for our retail customers.

Trading Business

Overview

Our trading activities encompass selling electricity generated by us on wholesale markets and to our Sales Business; procuring on wholesale markets electricity sold by our Sales Business to end-consumers; and trading electricity, EU emission allowances ("*EUAs*"), CER credits, natural gas, oil and black coal in wholesale markets on our own account.

The following table sets forth a breakdown of the volume of electricity purchased and sold by us on wholesale markets (including our net electricity generated and total sales to end-consumers) for the years ended December 31, 2021 and 2020:

	For the year ended December 31		Change in 2021 compared to 2020
	2021	2020	
	(GWh)	*(GWh)*	*(%)*
Wholesale trading in electricity:			
Electricity purchased on wholesale markets	223,085	259,851	85.9
Electricity sold on wholesale markets	244,243	(277,953)	87.9
Balance of wholesale trading in electricity............	21,158	(18,102)	116.9
Electricity generated and sold to end-consumers:			
Total electricity generated by us (gross)................	55,989	60,946	91.9
Own consumption of electricity generated	5,636	(6,044)	93.2
Total electricity generated by us (net)	50,353	54,902	91.7
Distribution losses	2,360	(3,535)	66.8
Electricity sold by us to end-consumers	26,834	(33,265)	80.7
Balance between electricity generated by us and sold to our end-consumers.....................................	21,158	**18,102**	116.9

In the year ended December 31, 2021, we procured a total of 279,074 GWh of electricity (223,085 GWh of electricity purchased on wholesale markets and 55,989 GWh of our electricity generated (net of own consumption and distribution losses)) and we sold a total of 271,077 GWh of electricity (244,243 GWh of electricity on wholesale markets and 26,834 GWh of electricity sold to end-consumers). In the year ended December 31, 2020, we procured a total of 311,218 GWh of electricity (259,851 GWh of electricity purchased on wholesale markets and 51,367 GWh of our electricity generated (net of own consumption and distribution losses)) and we sold a total of 311,218 GWh of electricity (259,851 GWh of electricity on wholesale markets and 33,265 GWh of electricity sold to end-consumers).

We carry out proprietary trading that consists of taking on energy commodity (gas, coal, electricity and emissions and oil) exposures in European markets by means of financial derivative instruments and contracts for physical delivery exchanged on the regulated and over-the-counter markets, seeking to exploit arbitrage opportunities and speculating on price developments. By trading on our own account, we aim to generate additional profits. We carry out these activities within a formal governance framework with strict risk limits set by our Risk Management Committee, and compliance therewith is verified daily by our Risk Management Department which is independent from the groups carrying out our trading operations. We have specific controls in place in terms of quantitative risk limits (value at risk, credit exposure, future credit exposure and other risk limits with inclusion of stop-loss). Credit risk management for trading operations is based on strict evaluation, assignment and monitoring procedures that we believe are in accordance with international best practices.

The risk limit set by the Risk Management Committee for our proprietary trading activities in the year 2022 is CZK 2.89 billion. The potential open positions over a longer time period are limited by a daily value at risk limit of CZK 200 million. These relatively low limits and the strict rules set by our Risk Management Committee lead to a high number of transactions with a high aggregated volume on an annual basis but generally with a relatively low margin. The annual volume of electricity traded for own account can vary substantially depending on market conditions in the respective year, namely liquidity, price volatility and market trends.

We also trade natural gas in the form of futures products on the London Intercontinental Exchange ("*ICE*"). Our trading also takes place on the European Energy Exchange ("*EEX*") in Leipzig, Germany, on the New York Mercantile Exchange ("*NYMEX*") in New York, the Hungarian Power Exchange ("*HUPX*"), European Power Exchange (Spot Markets) ("*EPEX SPOT*") in Paris, the Towarowa Gielda Energii ("*TGE*") in Poland, the PXE in Prague, OPCOM in Romania, HENEX in Greece, OTE in Prague, OKTE in Bratislava, BSP in Slovenia, MEFF in Spain, MIBGas in Spain and NASDAQ in Norway.

Outside of the Czech Republic, we also trade directly in Austria, Bulgaria, Germany, France, the Netherlands, Belgium, Serbia, Switzerland, Poland, Hungary, Slovakia, Romania, Greece, Italy, Spain, Slovenia, Croatia, Montenegro and the UK where a license is not required to trade in electricity or where the eligibility for such a license is not limited to entities established under the laws of the same country.

Czech Republic

On the Czech wholesale market, we sell electricity for contractually agreed upon prices. Since 2002, the wholesale prices have been unregulated. Since the launch of the PXE on July 17, 2007, the majority of our electricity generated for wholesale distribution is sold on the PXE (now owned by EEX) and on the electronic OTC broker platforms. Due to cross-border integration and fully liberalized power prices, the primary price-setting market in our region is Germany and its exchanges EEX and EPEX SPOT and there has historically been a strong correlation between power prices in the Czech and German markets. Prices in the wholesale market are set on the basis of supply and demand, through trading on the PXE and bilateral contracts. Instruments that can be traded on the Czech Republic's exchange range from one-year contracts down to one-day contracts. Anonymous trading on a daily basis can also be realized through the organized spot markets of OTE. In addition to one-day trades, the organized markets of OTE also enable intra-day trading. Unlike the PXE, the OTE requires physical delivery.

We continued to sell the electricity that we generated almost exclusively in the Czech electricity market, either wholesale through the PXE, or through electronic broker market platforms, or to end-consumers. We continued to sell electricity on a forward basis, specifically, up to six years in advance, with the aim of leveraging market demand for these products to partially hedge sales against possible price volatility. This strategy helped us to maintain our results of operations even at a time of substantial declines in wholesale electricity prices.

As of December 31, 2021, we had our exposure to electricity prices hedged through a number of long-term contracts for physical power supply with various durations (the longest duration until 2023) at a price structure which reflects the generation costs of our brown coal-fired and nuclear power plants. As of December 31, 2021, we had 50 MW of base load power supply hedged by means of such long-term contracts. Due to the current electricity price levels, we have not entered into any new long-term contracts and unless the market conditions change, we do not intend to sell further production of our brown coal-fired and nuclear power plants under long-term contracts.

Poland

In addition to trading activity performed in Poland by ČEZ, the CEZ Group in Poland includes also two thermo power plants CEZ Skawina and CEZ Chorzow. Electricity generated in these power plants is sold on Poland's wholesale electricity market (currently under obligo-gielda legislative requirement only on the TGE power exchange). CEZ Chorzow power plant is also subject to a compensation scheme, defined by Polish law, for entities that voluntarily agreed prematurely to terminate long-term electricity sale contracts.

Other Businesses

Coal Mining

The mining business is significantly influenced by regulatory developments and climate targets of the EU and the Czech Republic. In December 2020, the Czech Republic's Coal Commission, an advisory body to the government, recommended to the government a deadline of 2038 for the end of coal mining and combustion in the Czech Republic. The new Czech government appointed in December 2021 stated in its policy statement that it will create the conditions for the energy transformation and development of coal regions to allow for a shift away from coal by 2033.

We mine, process and sell brown coal and its by-products in the Czech Republic. In the year ended December 31, 2021, we produced 15.9 million tons of brown coal, making us the largest producer of brown coal in the Czech Republic accounting for approximately 54.3 % of the total volume of brown coal produced in the Czech Republic in 2021.

The Bílina Mines, operating in the Teplice-Bílina area in the North Bohemian Basin, are characterized by coal with high heat content and a low proportion of hazardous substances. An important part of its production is low-sulphur sorted coal. In the year ended December 31, 2021, the Bílina Mines produced 8.0 million tons of brown coal which was supplied mainly to our power plants Ledvice, Mělník, Poříčí and to the Trmice heating plant. The mining activity permit for the Bílina Mine was issued on the basis of the Opening, Preparation, and Extraction Plan for the Years 2010-2030 by the District Mining Office in Most on November 8, 2010, and entered into force on January 26, 2011. Our mining operations in the Bílina Mines are permitted until 2030. In October 2015, the Czech Government approved the extension of brown coal mining limits at the Bílina coal mine owned by the CEZ Group. The new available brown coal reserves are estimated to be 100 – 150 million tons. In July 2019, the Ministry of the Environment of the Czech Republic issued a favourable environmental impact assessment (EIA) for coal mining extension at the Bílina Mine until 2035.

The Nástup Tušimice Mines operates in the westernmost portion of the Ústí Region of the Czech Republic in the Tušimice mining area in the North Bohemian Basin. In the year ended December 31, 2021, the Nástup Tušimice Mines produced 7.9 million tons of brown coal. In the year ended December 31, 2021, the majority of coal extracted from the Nástup Tušimice Mines went mainly to our power plants Tušimice II and Prunéřov. A new Mining License for Doly Nástup Tušimice came into force in May 2013 and is valid until 2029.

The table below sets forth the amount of coal produced by our mines and the amount of which was delivered to our coal-fired power plants in the years ended December 31, 2020 and 2021:

	For the year ended December 31			
	2020		2021	
	Produced	Delivered for own consumption	Produced	Delivered for own consumption
	(*in million tons*)			
Bílina Mines............................	7.3	3.4	8.0	4.6
Nástup Tušimice Mines	8.1	7.5	7.9	7.1
Total	**15.4**	**10.9**	**15.9**	**11.7**

In the year ended December 31, 2021, our plants consumed 11.7 million tons of our brown coal output, or 73.7 % of our total brown coal output, compared to 10.9 million tons of our brown coal output in the year ended December 31, 2020. In the year ended December 31, 2021, we sold a total of 4.2 million tons of brown coal to third parties, which generated total revenues of CZK 4.0 billion. In the year ended December 31, 2020, we sold a total of 4.5 million tons of brown coal to third parties, which generated total revenues of CZK 3.9 billion.

We carry out exploration works at the mines on an annual basis. Our exploration activities are primarily carried out in order to assess the characteristics of our reserves and the hydrogeological and geotechnical conditions as well as in order to optimize extraction. However, based on our historic exploration of current deposits, we do not expect any material adjustments to the exploitable reserves of these mines (within their current limits).

We operate open pit coal mines and are responsible for the decommissioning and reclamation of the mines (the process of restoring land that has been mined to a natural or economically useable purpose) as well as for damage caused by the operations of the mines. To cover such costs, we are required by Czech law to contribute to a special escrow account. These restricted funds are shown in our balance sheet under restricted financial assets and as of December 31, 2021, the restricted funds related to mining reclamation and damages totaled CZK 5,391 million (compared to CZK 5,872 million in the year ended December 31, 2020). We have also established provisions to recognize our estimated liabilities for decommissioning and reclamation of mines and damage caused by the operations of our mines. As of December 31, 2021, such provisions amounted to CZK 12,417 million compared to CZK 9,751 million as of December 31, 2020. In the year ended December 31, 2021, the reclamation expenses totaled CZK 271 million.

Provision of Ancillary Services

Ancillary services are generally defined as services provided by natural or legal persons for maintaining the operation of power systems and the quality and security of electricity supply. Ancillary services allow imbalances between electricity consumption and generation to be corrected by means of demand- or supply-side changes. Users of the power system who comply with the relevant technical and commercial terms and conditions set out by the transmission system operator generally have the right, but are not obliged, to offer ancillary services at market prices.

Ancillary services are purchased by transmission grid operators for stabilizing the grid in auctions for a wide range of products to be provided over various lengths of time.

Our revenues from the provision of ancillary services to transmission grid operators reached CZK 2,253 million in the year ended December 31, 2021, compared to CZK 2,836 million in the year ended December 31, 2020. In 2021, we provided ancillary services to transmission grid operators only in the Czech Republic.

Lithium mining

In March 2020, we decided to join a lithium mining project at Cínovec. The original developer of the project EMH, held a 100% shareholding in Geomet, s.r.o., the holder of an exclusive license for exploration for zinnwaldite containing lithium at Cínovec. Severočeské doly, our wholly owned subsidiary acquired a 51% stake in Geomet through an increase of its registered capital in the first half of 2020. Further, we entered into a second phase of the project, consisting of an off-site testing and technical verification of the process of lithium extraction and a preparation of a final economic and technological feasibility study of the project. As of the date of this Base Prospectus, the second phase of the project is expected to last until 2023. The decision whether to proceed with the mining of lithium will be based, among other things, on the success of the second phase of the project.

Fuel

Coal

Approximately 97 % of the coal consumed by our coal-fired power and heat plants for the year ended December 31, 2021, was brown coal. Brown coal is mainly supplied by three companies in the Czech Republic, the main supplier being Severočeské doly a.s., our wholly-owned subsidiary. Black coal is used in the Dětmarovice power plant and in part of the Poříčí power plant in the Czech Republic; in the Chorzów power plant and the Skawina power plant in Poland.

The table below sets forth information relating to the total amount of coal consumed by our coal-fired power plants and the amount of which was purchased from third parties for the years ended December 31, 2020 and 2021:

	For the year ended December 31			
	2020		2021	
	Total consumed	Purchased from others	Total consumed	Purchased from others
	(*in million tons*)			
Brown coal				
Czech Republic	16.8	5.9	12.2	0.5
Black coal				
Czech Republic	0.1	0.1	0.2	0.2
Poland	1.3	1.3	0.2	0.2
Total black coal..............................	1.4	1.4	0.4	0.4
Total	**18.2**	**7.3**	**12.6**	**0.9**

In the year ended December 31, 2021, we consumed 12.2 million tons of brown coal in our brown coal power plants in the Czech Republic, of which 11.7 million tons, or 95.9%, were produced by our own mines (see "*Our Business—Coal Mining*"), with the remainder purchased from Sokolovská uhelná, právní nástupce, a.s. (approximately 4.1%). We currently purchase brown coal from Sokolovská uhelná, právní nástupce, a.s., under a long-term agreement that expires in 2025. The black coal used in our black coal-fired power plant in the Czech Republic is secured by imports from abroad (48.3%) and by purchases from OKD, a.s. (51.7% in 2021). Black coal supplies are secured under one-year contracts. Due to the insolvency of OKD, a.s., declared by an insolvency court in 2016, we have decreased the share of supplies from OKD, a.s., from approximately 77 % in 2016 to the current level.

Most of our coal-fired power plants are located in the vicinity of the North Bohemian brown coal basin in the Czech Republic. Conveyor belts from nearby mines supply brown coal directly to two of our power plants, Ledvice II and III and Tušimice II. For other coal-fired power plants, rail is primarily used to transport coal supplies over relatively short distances. Taking into account geographical restrictions, current mining limits and current estimates of our coal-fired generation needs, as of the date of this Base Prospectus we estimate that there are sufficient brown coal reserves in the Czech Republic for the operation of our coal-fired power plants until the end of their currently expected operation lifetime.

The Elcho power plant and Skawina power plant in Poland are located in Upper Silesia and Lesser Poland, respectively, and are supplied with black coal from mines in the region. The principal supplier of coal to the Elcho power plant in 2021 was Polska Grupa Górnicza S.A. pursuant to a multi-year contract. The Skawina power plant sourced coal based on a multi-year contract from PG Silesia Sp. z o.o. and Polska Grupa Górnicza S.A. during 2021.

Nuclear Fuel

We procure nuclear fuel materials (uranium) and services (conversion and enrichment) pursuant to spot, medium-term and long-term contractual arrangements. Our procurement activities are supervised by the EURATOM Supply Agency (ESA), which endorses and co-signs, if required by the Treaty Establishing the European Atomic Energy Community (the "*Euratom Treaty*"), all new supply contracts and amendments thereto, which must be in full compliance with the ESA supply policy. Our nuclear material needs are covered mainly by market purchases made predominantly on the basis of long-term contracts. To the extent authorized under the ESA supply policy, we also purchase nuclear fuel as a package (or "bundle") including uranium, conversion and enrichment services under existing long-term fuel fabrication contracts with TVEL.

Our long-term nuclear fuel supplier, TVEL JSC, produces nuclear fuel for both Dukovany and Temelín nuclear power plants ("*NPP*") at its facilities in Elektrostal, Russia. Nuclear fuel fabrication and shipments of nuclear fuel from TVEL are performed upon our request according to conditions in the fuel supply contracts. Regarding the Dukovany NPP, the fuel is supplied under a long-term contract which expires in 2024 (including an option in 2024 to extend the contract until 2028). We have sufficient supply of nuclear fuel to operate both NPPs on average for 2 years. The long-term fuel supply contract for the Temelín NPP expires in 2022. With respect to future fuel supplies, the competitive tender for supplies of nuclear fuel and related services is ongoing. The final bid award is planned in 2022 and the deliveries under the tendered contract are to start in 2024. We are currently in discussions with potential alternative suppliers about future delivery of fuel for NPP Dukovany. While NPP Dukovany has always been supplied by a Russian producer of nuclear fuel, alternative non-Russian suppliers have experience with production of nuclear fuel for identical nuclear reactors in Europe.

In respect of the needs of the Dukovany NPP, the majority of our uranium needs had been met historically by domestic sources. However, uranium production in the Czech Republic has ceased so for the period until 2025 natural uranium has been supplied from a different source. Conversion and enrichment services needed for the fabrication of fuel for Dukovany NPP are fully supplied by TVEL under a long-term fuel contract. Nuclear fuel design has also been modified in order to accommodate the operation of reactors at an increased power level of 105 % and in the "five-year fuel cycle", such that one fifth of the fuel in the core is replaced by fresh non-irradiated fuel each year. An improved design of fuel has been used since 2014, from 2019 with higher enrichment based on a new licence. In addition, the development program for a new design PK3+ was started in 2019 and has continued since then.

For the Temelín NPP, natural uranium, conversion and enrichment services are supplied under a portfolio of contracts with primary suppliers. Our needs are covered for the period of validity of the existing fabrication contract for the Temelín NPP with TVEL. We also maintain strategic and working inventories of nuclear material in different stages of processing (uranium concentrate, natural and enriched uranium hexafluoride). The most advanced fuel type was licensed and loaded into Unit 2 in 2018, which is scheduled to be followed at Unit 1 in 2022. In 2016, we also concluded an agreement with Westinghouse Electric Sweden AB for the supply of services related to the development and licensing of the fuel design and the manufacturing and delivery of six lead test assemblies ("*LTA*"). These assemblies were licensed, delivered and loaded into Unit 1 in 2019. In 2020 and 2021, during outages, inspections of the LTA were carried out to evaluate LTA performance.

We decided to gradually build-up a strategic inventory of fabricated fuel at our NPPs in order to reduce the risk of operation disruption in case of delayed delivery of fuel. To create this strategic inventory, eight reload supply batches for 12-month cycles were delivered to the Dukovany NPP in the period between 2017 and 2021, in each case in addition to the standard fuel deliveries to cover operation of the units. Nevertheless, as of the date of this Base Prospectus, a project of transition to 15-month refueling cycles is ongoing at the Dukovany NPP. For the Temelín NPP, two reload supply batches for 12-month cycles were delivered in 2015 and 2016 to create a strategic inventory. As of the date of this Base Prospectus, the future transition to 18-month cycles is being planned.

Spent Nuclear Fuel Storage

Interim spent nuclear fuel storage facility

Dukovany nuclear power plant. The first stage of an interim spent nuclear fuel storage facility ("*ISFSF*") at the Dukovany NPP, which utilizes transport and storage casks (standard dry storage technology), became operational in December 1995. The capacity of this facility (60 Castor casks) was fully used up in the first half of 2006. In 1997, preparation started on the second stage of the Dukovany ISFSF with a storage capacity of 133 Castor casks. The second storage facility was commissioned in October 2006 and became operational in December 2006. Its capacity is expected to cover the Dukovany NPP's operation for a period of at least 40 years. Alternatives how to secure storage capacity for Dukovany NPP's 50- or 60-year operation are being investigated. As of December 31, 2021, spent fuel is stored in 49 Castor 440/84M and 1 ŠKODA 440/84 casks, which representing approximately 38 % of the entire storage capacity of the second storage hall.

Temelín nuclear power plant. The ISFSF at the Temelín NPP was put into operation for a one-year trial period in September 2010. In December 2011, we received a license issued by SONS for the common operation, valid until 2021. The storage capacity of the Temelín ISFSF represents spent fuel for the 30-year operation of the Temelín NPP. In 2019, a Temelín ISFSF extension project was initiated to provide sufficient spent fuel storage capacity for Temelín NPP's expected 60 years of operation. As of December 31, 2021, there were 48 CASTOR 1000/19 casks and 7 ŠKODA 1000/19(M) casks with 1,045 fuel assemblies in total at the Temelín ISFSF, of which approximately 36 % of the entire current storage capacity is exploited.

Central interim spent nuclear fuel storage facility

As an alternative, ČEZ is also considering the storage of spent fuel from both of its NPPs at an underground central ISFSF at the Skalka site in Southern Moravia. ČEZ obtained a construction permit for the first stage of ISFSF construction in May 2011. The first stage was finished in October 2012. The location is being kept as a potential stand-by alternative to the on-site Dukovany ISFSF and Temelín ISFSF.

Biomass

Biomass in the form of wood chip, straw and pellets is mainly combusted in our coal-fired power plants and heat plants in the Czech Republic and Poland. Within our portfolio of renewable sources, biomass is the third most significant element after water and wind power stations. In the Czech Republic, we use biomass mainly in the Hodonín and Poříčí power plants.

In the Czech Republic, 747,000 tons of biomass were delivered to our power and heat power plants in the Czech Republic in the year ended December 31, 2021, compared to 751,000 tons in the year ended December 31, 2020, generating 586 GWh and 625 GWh of electricity, respectively.

In Poland, we burned approximately 342,000 tons of biomass in the year ended December 31, 2021, compared to more than 444,000 tons in the year ended December 31, 2020, mostly in the form of co-burning with hard coal, generating 311 GWh and 541 GWh of electricity, respectively.

Gas

Natural gas deliveries to ČEZ were made under an annual contract with ČEZ ESCO, a.s. and amounted to 0.3 TWh in the year ending December 31, 2021 compared to 0.4 TWh in the year ending December 31, 2020. This natural gas is used as fuel for the operation of gas-fired boiler plants and also for the start-up and stabilization of ČEZ Group's generating facilities. In terms of natural gas deliveries to its end-consumers ČEZ has limited direct exposure to Gazprom. ČEZ has one material contract with Gazprom for natural gas delivery that expires at the end of March 2022, which represents approximately 45% of the volume of gas expected to be delivered to end-customers in March 2022. ČEZ also has a smaller contract for delivery of natural gas between April and December 2022 which represents approximately 3% of the volume of gas expected to be delivered to end-customers in that period. This contract will expire in December 2022. In addition, the ČEZ Group has credit exposure from concluded commodity contracts for the purchase of electricity and gas from Gazprom Marketing & Trading (based in the United Kingdom), where, as at December 31, 2021, the fair value of commodity derivatives for the purchase of electricity was CZK 3,307 million and for the gas purchase was CZK 2,582 million. The ČEZ Group also has a significant credit exposure from commodity gas contracts from Gazprom Export (based in the Russian Federation), where, as at December 31, 2021, the fair value of all commodity derivatives for gas purchase was CZK 2,149 million.

Natural gas for the Počerady II CCGT plant is purchased on the wholesale market and its consumption in the year ending December 31, 2021 amounted to 4.9 TWh compared to 6.3 TWh in the year ending December 31, 2020.

Property, Plant and Equipment

We own all of our significant generation facilities and other properties and we hold the title to, or have the right to use by virtue of leases, all of the land underlying our facilities, including our coal mines. Our plant, property and equipment mainly comprise power plants and distribution networks as well as coal mining facilities, administrative buildings and other assets. As of December 31, 2021, we owned buildings with a total net book value of CZK 160.1 billion, plant and equipment with a net book value of CZK 200.3 billion and land with a net book value of CZK 8.5 billion. As of December 31, 2021, we owned net plant in service pledged as security for liabilities in the amount of

CZK 12,495 million, representing approximately 3.4 % of the total net book value of plants in service as of December 31, 2021.

Capital Expenditures

Capital expenditures are necessary to maintain and improve the operations of our facilities and to meet regulatory and prudential operating standards. Construction and maintenance costs have increased throughout the power industry over the past several years, and we expect future costs to be highly dependent on the cost of components and availability of contractors that can perform the work necessary to maintain and improve respective facilities. For the years ended December 31, 2021 and 2020 we invested CZK 13,612 million and CZK 11,886 million, respectively, into our generation portfolio, mainly towards the renewal, maximizing of operational safety, improvement of efficiency, higher investment into IT and higher investment into our nuclear power plants; CZK 14,419 million and CZK 14,869 million, respectively, mainly into our distribution network in the Czech Republic; CZK 2,008 million and CZK 1,369 million, respectively, into our sales business; and CZK 2,724 million and CZK 3,307 million, respectively, into our mining business.

Inven Capital

In 2013, we announced the New Energy Sector strategic program responding to the changing energy market. One of the initiatives under this program was the establishment of a fund, Inven Capital, for the purposes of investing in innovative companies active in the new, clean energy and smart technology industry in Europe and Israel. Inven Capital focuses primarily on investment opportunities in later-stage growth companies with a business model proven by sales and with growth potential, among others, in areas of energy efficiency, distributed generation, flexibility and power storage, data services in energy, green mobility and smart city technologies. Its objective is to generate long-term value through active collaboration with portfolio companies and their founders.

Since 2013, Inven Capital has invested into twelve European companies (sonnen Holding GmbH, SunFire GmbH, tadoº GmbH, Cloud&Heat Technologies GmbH, Vu Log S.A.S., Cosmo Tech S.A.S., NeuronSW SE, Zolar GmbH, Eliq AB, Forto GmbH, Woltair, s.r.o., and Hometree Marketplace Ltd), two Israeli companies (Driivz Ltd. and CyberX Israel Ltd.) and the British fund, Environmental Technologies Fund 2 L.P.

In July 2015, Inven Capital acquired shares in the German company sonnen Holding GmbH, a company which produces battery energy storage systems. The investment was made in the form of an increase in the company's registered capital. Inven Capital acquired a minority stake accompanied with the right to participate in the company's strategic decision-making. The company develops, manufactures, and sells smart battery systems for storing energy generated by solar panels and other renewable energy sources for households and commercial customers, including energy management and integration into virtual power plants. The company operates in Europe, the U.S. and Australia.

In November 2015, Inven Capital acquired a minority stake in SunFire GmbH. Its key product is reversible fuel cell technology, which is able to convert a fuel (such as natural gas) into electricity and heat as well as electricity back into hydrogen and other gases (Power-to-Gas) or synthetic fuels (Power-to-Liquids). This technology represents a major step toward greater energy self-supply, improved efficiency in the utilization of energy sources and decarbonization.

In April 2016, Inven Capital acquired a minority stake in tado° GmbH, a company providing solutions for intelligent home climate control. tado° GmbH key products are a Smart Thermostat and a Smart AC Control which connect any heating and air conditioning system to the internet and allow for their control through a geo-aware tado° smartphone app which adapts home temperature to the local weather conditions and adjusts the home's temperature according to the location of its owners. The technology allows for the reduction of energy bills while improving home comfort and helping to protect the environment.

In May 2016, Inven Capital acquired a minority stake in the Environmental Technologies Fund 2 L.P, a London-based fund focused on investments into global, fast-growing companies active in the area of clean energy. We expect this investment to grant us access to unique investment opportunities and know-how.

In May 2017, Inven Capital acquired a minority stake in the Dresden-based company Cloud&Heat Technologies GmbH, which designs, builds and operates green, water-cooled public and private cloud data centers, whilst reusing server heat for hot water and heating. Through this technology, the data centers reach excellent energy efficiency; 60 % lower energy costs and 15 % lower total costs compared to traditional air-conditioned solutions.

In August 2017, Inven Capital became a shareholder in the French company Vu Log S.A.S., a provider of shared mobility technology for green cars in cities. Vu Log S.A.S. provides a car-sharing technology, including a comprehensive Software-as-a-Service platform and enabling car-sharing operators to provide services to their end customers in the five continents where they operate.

During 2017, Inven Capital became member of Invest Europe (Europe's private equity, venture capital and infrastructure sectors association) and CVCA (Czech Private Equity and Venture Capital Association) and started cooperation with the European Investment Bank, under which the European Investment Banks provides EUR 50 million to develop a co-investment initiative with Inven Capital to support the growth of clean energy and smart technology in small and medium sized enterprises. In February 2018, Inven Capital changed its legal form to a SICAV (Société d'Investissement À Capital Variable), as required by the co-investment program with the European Investment Bank.

In July 2018, Inven Capital invested into the French company Cosmo Tech S.A.S. The Cosmo Tech platform is the world's most advanced complex systems modelling and simulation platform, capable of modelling any system in any industry and drawing on the expertise of dozens of specialists. It assists managers to take the right decisions regarding critical infrastructure (e.g. electricity, gas or water).

In December 2018, Inven Capital acquired a minority stake in the Israeli company Driivz Ltd, which provides an end-to-end software platform for electric vehicle (EV) charging infrastructure management solutions, which is used by 300,000 drivers worldwide. Driivz Ltd. has developed a modular system for managing charging station networks, providing a wide range of services for both charging infrastructure operators and EV users.

In February 2019, Inven Capital, together with all other shareholders, sold its stake in sonnen Holding GmbH to Shell Overseas Investment B.V., which became a 100% owner of the company.

In March 2019, Inven Capital acquired a minority stake in Israeli company CyberX Israel Ltd., which is a supplier of complex solutions in industrial cyber security. Inven Capital, together with Qualcomm Ventures, became a shareholder in CyberX as part of the USD 18 million (CZK 410 million) fund raising round and joined other international capital funds such as Norwest Venture Partners, Glilot Capital Partners, Flint Capital, ff Venture Capital or OurCrowd.

In June 2019, Inven Capital invested into the Czech company NeuronSW SE, which develops advanced, integrated hardware and software platforms for predictive maintenance based on acoustic analysis, enabling timely detection of failures and optimization of operations using unique acoustic data sets processed in real time by proprietary deep neural network

In July 2019, Inven Capital invested into the German company Zolar GmbH, digital platform which ensures simple online customer journey to purchase clean energy products (e.g. PV, batteries) via the zolar configurator, linked with a unique digital fulfilment process optimizing the installation and supply chain and a partnership model for high-quality craftsmen.

In June 2020, Inven Capital sold its stake in CyberX Israel Ltd. to Microsoft, which became the sole owner of the company.

In August 2020, Inven Capital acquired a minority stake in the Swedish company Eliq AB, which has been developing a platform providing utilities with insights of end-user consumption behavior and energy needs through a white labelled digital app and data analytics backed by artificial intelligence.

In September 2020, Inven Capital invested in the German company Forto GmbH, which has been developing a complex digital platform for end-to-end freight forwarding services that substantially automates logistics processes.

In December 2020, Inven Capital invested in the Czech company Woltair, s.r.o., which has been building a digital platform that simplifies installation of heat pumps, gas and electric boilers as well as air conditioning in households. The platform digitalizes the whole process and connects technicians and customers online.

In September 2021, Inven Capital acquired a minority stake in the British company Hometree Marketplace Ltd, a technology driven provider of boiler and home emergency insurance offering subscription services for homeowners that simplify boiler and other house appliance repairs.

Investments by Inven Capital in tado° GmbH, Cloud&Heat Technologies GmbH, Cosmo Tech S.A.S., NeuronSW SE, Zolar GmbH, Eliq AB, Forto GmbH and Woltair, s.r.o. were made under a joint project with the European Investment Bank.

Employees

As of December 31, 2021, we employed 28,043 employees, out of which approximately 81 % were employed in the Czech Republic, compared to 32,555, or 69.3 %, as at December 31, 2020. The drop in the amount of overall employee numbers was caused by the divestment activities in Romania and Bulgaria in 2021.

As of December 31, 2021, all employees of ČEZ were covered by a collective bargaining agreement in accordance with Czech law. Our collective bargaining agreement is valid until the end of 2027. Our collective bargaining agreement was amended in 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2018, 2020 and 2021. In 2007, we also established our European Work Council in accordance with applicable national and European laws, which in 2021 included 21 representatives of the employees from the Czech Republic, Poland, Slovakia and Germany. We have not experienced any strikes or work stoppages in the Czech Republic.

Research and Development

Research and development ("*R&D*") activities of the CEZ Group significantly contribute to the improvement of the safe, economical and reliable operation of our assets and to strengthening of our knowledge of innovative technologies in the energy sector. Our R&D projects are mainly performed by external, specialized engineering, research, consultancy organizations, or by the academic sector. R&D activities cover numerous topics in nuclear energy and conventional power generation, life management of key power plants components, reduction of pollutants from fossil fuel burning, innovative renewables, development of waste-to-energy concepts, energy efficiency, digitization, energy storage, including development of concept of hydrogen economy. Generally, our R&D activities are becoming more focused on the decentralized, renewable and unconventional energetics. The centralized coordination of R&D activities in the CEZ Group fosters the inter-sectoral cooperation and brings synergic effects.

Long-term human resources and development as well as relevant R&D knowledge base support in the Czech Republic constitute important co-benefits of our R&D projects. Cooperation with technical universities has been an important part of these activities. We are a founding member of the Czech Sustainable Energy Technology Platform, which represents a forum of utilities, vendors, research, engineering, and academic entities acting for the improvement of energy R&D in the Czech Republic and for the promotion of international cooperation.

We are also a member of VGB PowerTech and hold full membership in the nuclear sector of the Electric Power Research Institute ("*EPRI*") and in other EPRI's programs, focused on the fossil power plants life management. In addition, we are involved in international energy R&D projects, particularly in the EU's Research, Development and Innovation Framework Programs. We are also a member of European technology platforms and similar entities, for instance the Sustainable Nuclear Energy Technology Platform (SNETP) or European Technology and Innovation Platform Smart Networks for Energy Transition (ETIP SNET).

The SUSEN (SUStainable ENergy) project, constituting a part of Centrum výzkumu Řež (Research Centre Řež), successfully started and concerns facilities for experimental mainly nuclear, but also non-nuclear, research and development. The financing of SUSEN was supported by EU Structural Funds and Czech Republic's national budget.

The CEZ Group R&D costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period when incurred and amounted to CZK 542.7 million in the year ended December 31, 2021, compared to CZK 507 million in the year ended December 31, 2020.

Licenses

As of the date of this Base Prospectus, we hold all material licenses necessary for the operation of our business. For information on licenses and permissions required under the Czech Energy Act and under other applicable regulations, please see "*Regulation—Czech Republic—Electric Energy Sector—Licensing Regime*".

Emission Rights

CO_2 emissions became an integral part of our management and decision-making, not only at our coal-fired power plants which are directly affected by the trading, but also at non-fossil fuel-fired power plants, which play a major role in optimizing generation in terms of CO_2 emissions. Our decision-making process regarding the trade of CO_2 is based on a comparison of the wholesale electricity price with generation costs, which include the price of CO_2 emission allowances.

The following table summarizes the movements in the quantity and book value of emission rights and credits held by us during 2020 and 2021:

	For the year ended December 31,			
	2020		2021	
	in thousands tons	*in CZK millions*	*in thousands tons*	*in CZK millions*
Emission rights and credits for own use:				
Emission rights and credits for own use at January 1	53,728	21,011	33,524	15,454
Emission rights granted	2,846	-	343	-
Settlement with register	(28,364)	(7,401)	(17,120)	(7 103)
Emission rights purchased	12,861	5,520	6,465	5,328
Emission rights sold	(5)	-	-	-
Emission credits purchased	3	-	-	-
Disposal of subsidiary Elektrárna Počerady, a.s.	(4,568)	(1,960)	-	-
Reclassification of emission rights[(1)]	(2,977)	(1,657)	-	-
Currency translation differences	-	(59)	-	(95)
Emission rights and credits for own use at December 31	**33,524**	**15,454**	**23,212**	**13,584**
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	22,485	14,002	29,059	24,840
Emission rights purchased	148,341	95,238	137,423	169,549
Emission rights sold	(144,913)	(99,112)	(163,593)	(237,403)
Emission credits purchased	228	13	162	2
Emission credits sold	(59)	(12)	(16)	-
Reclassification of emission rights[(1)]	2,977	1,657	-	-
Fair value adjustment	-	13,054	-	49,054
Emission rights and credits held for trading at December 31	**29,059**	**24,840**	**3,035**	**6,042**

[(1)] The reclassification is related to the sale of the subsidiary Elektrárna Počerady, a.s.

Our total emissions of greenhouse gases amounted to an equivalent of 33,524 and 23,212 tons of CO_2 for the years ended December 31, 2020 and 2021, respectively. As of December 31, 2020, we recognized a total provision for CO_2 emissions in the amount of CZK 7,176 million and as of December 31, 2021, we recognized a total provision for CO_2 emissions in the amount of CZK 9,622 million.

Since January 1, 2021, the fourth trading period lasting until has been launched lasting until December 31, 2030. For this period, no emission allowances are to be allocated without charge in respect of any electricity production and there is only a partial allocation in respect of heat production

The following table shows the allocation of emission allowances without charge to our coal-fired power plants and heat plants in the Czech Republic for the last year of the third period (2020) as well as the assumed allocation for the first half of the fourth period lasting until December 31, 2025. Note that recently a revision of the EU ETS framework has started and the allocation rules might change accordingly in the future.

	3rd period	4th period

	2020	2021	2022	2023	2024	2025
For heat production (*starting 2022 expected values only*)	354, 330	265,203	258,464	251,725	244,987	238,249

Intellectual Property

We own the rights to numerous trademarks in relation to the name "ČEZ" and its "E" symbol as well as to the name "SKUPINA ČEZ" ("*CEZ GROUP*") and its "E" symbol. The trademark of the word "ČEZ" is protected in 41 states under the Madrid Agreement Concerning the International Registration of Marks and its Protocol (the "*Madrid Agreement*"). The trademark of the word "ČEZ" combined with the symbol "E" is protected in 41 states under the Madrid Agreement, and the trademark of the word "CEZ GROUP" combined with the symbol "E" is protected in 23 states under the Madrid Agreement and the colour symbol "E" is protected in 23 states under the Madrid Agreement. The registration of all essential trademarks is regularly extended.

Insurance

We maintain several types of insurance to protect us against potential liabilities. These include property insurance for our conventional power plants and nuclear power plants and nuclear liability insurance, in addition to other liability and property insurance. Our general liability insurance also covers particular environmental liabilities that we may incur.

Our insurance coverage complies with the Czech Nuclear Act 1997 and the Vienna Convention requirements in respect of responsibility for damage caused by a nuclear incident. However, our insurance does not fully cover all risks and we cannot guarantee that costs connected with nuclear disasters or other unforeseen events in our nuclear power plants would not have any negative effects on our business, results of operations and financial condition (please see "*Risk Factors—Risks Related to Our Business and Operations—We could incur significant losses in the event of a nuclear accident*"). The Czech Nuclear Act 1997 sets limits on the liability of operators of nuclear facilities for nuclear damage. The Czech Nuclear Act 1997 provides that operators of nuclear facilities are liable for up to CZK 8 billion per incident and limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Czech Nuclear Act 1997 also requires an operator/licensee to insure its liability for the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). We have obtained all necessary insurance policies with the minimum limits required by law for the operation of our nuclear power plants. We have concluded such insurance policies with Generali Česká pojišťovna a.s., which represents the Czech Nuclear Insurance Pool (a group of insurance companies) and with the European Liability Insurance for the Nuclear Industry, which is a mutual insurance company insuring nuclear liability risks.

We maintain insurance policies covering the assets of our coal, gas fired nuclear and hydro power plants, as well as insurance policies covering non-technological equipment, general third-party liability insurance in connection with our main operations and car insurance. We also have insurance policies covering directors' and officers' liability.

Management system

The management system in the CEZ Group is based on the requirements of national legislation and the recommendations of international organizations. The control and management system serves to define and implement the vision, strategy, policies and objectives of the company and to create an environment and processes to achieve them. ČEZ's process model, organizational structure (including organizational roles, responsibilities and authorities) and management system documentation are considered as core elements of the management system by ČEZ. In the context of the group management, the Board of Directors approved the CEZ Group's management policy, which sets out long-term business interests and delegates the power to issue binding guidelines for the CEZ Group members to the relevant management and process's owners according to ČEZ's management model. ČEZ has implemented, documented, applied, maintained and evaluated its management system, which is being improved on a continual basis to achieve increased safety and the environmental performance. The management system of ČEZ is based on process approach which is divided to multiple level process model. The risks and opportunities are considered in planning actions to achieve improvement of the management system. The management system in ČEZ is integrated in all management areas affecting safety and the environment. The management system of ČEZ consists of a combination of three main management approaches, namely the organization structure based, applied process and project management. The management system ČEZ and other companies within the CEZ Group are awarded by several management system certifications by independent authorities (safety, environmental protection, information and cyber security, energy management).

Safety and quality approaches are integrated parts of our management system. The management system is implemented, maintained, evaluated and improved in a top-down manner from the senior management level to the employee level. Our senior management is responsible to the stakeholders for assuring and providing the resources necessary for quality, health and safety and environmental management. Top management as well as the management on all levels engages all employees to contribute to operation and improvement of the management system by its leadership. Our Safety and Environmental Protection Policy contains safety commitment and goals which are split into divisional and organizational management systems. Each CEZ Group entity is responsible for implementing management system tools and the principles in all day-to-day activities. Our safety management system is based on the management of safety processes focused to risks in generation and distribution. In line with its health and safety objectives, many CEZ Group entities have implemented a safety management system in accordance with the Safe Enterprise program and gained Safe Enterprise Certificate and many CEZ Group companies have implemented a management system in accordance with the Safe Company program, or in accordance with the nomenclature ČSN ISO 45001. To mitigate emerging risks affecting our ability to deliver our products within the CEZ Group, a business continuity management system was implemented. To mitigate identified disruptions the business continuity plans were developed.

Nuclear Safety

Under Czech law, SONS is responsible for supervising safe operation of nuclear power plants. SONS supervises regulatory compliance and the operation of nuclear facilities, the quality of selected activities, maintenance and personnel training. SONS representatives (local inspectors) are permanently on site at both Dukovany and Temelín nuclear power plants to monitor their performance and compliance with safety standards and operating procedures, and to make sure that any modifications are being performed in an appropriate manner. The safe operation of Dukovany and Temelín nuclear power plants is governed by documented requirements, approved by SONS. It is the responsibility of each plant to comply with regulations and requirements set out in the approved documentation.

Since their commissioning, Dukovany and Temelín nuclear power plants have been continuously monitoring the levels of radiation in the immediate vicinity of the plants under the supervision of SONS. To date, the results of the monitoring in the ventilation outlets and in the drains of the plants have indicated that radiation levels remain considerably below regulatory limits.

Nuclear power plants are operated in accordance with atomic law, and the requirements of the Atomic Act and its implementing decrees are met. One of these requirements is to continuously increase the level of nuclear safety, radiation protection, technical safety, radiation extraordinary event management, radiation situation monitoring and security of nuclear installation and nuclear material. Therefore, measures to increase safety are implemented within the long-term Safety Improvement Plans – for example, recently, severe accident management guidelines were updated according to the established accident management concept, vital areas were introduced into practice according to current nuclear legislation for security of nuclear installation, the third spent fuel storage pool cooling pumps were installed at all reactor units of the Dukovany power plant, and the safety valves of the pressurizer of the Temelín power plant were hardened and qualified.

WANO

ČEZ is a member of the World Association of Nuclear Operators ("*WANO*") and, like other members of this organization, regularly participates in peer reviews of its nuclear power plants. These peer reviews are carried out regularly by international teams of experts from various professional organizations.

In January 2009, a follow-up mission on the 2007 WANO peer review took place at the Dukovany nuclear power plant. The mission confirmed that the power plant was well operated and declared that all of the recommendations of the WANO peer review were implemented or were in the advanced stages of implementation. The next WANO peer review at the Dukovany nuclear power plant took place in September 2012. International requirements and standards (performance targets and WANO criteria) and the world's best practices in several areas were compared to the actual everyday operations of the power plant. High safety standards were valued in all areas. The mission identified several areas for improvement (e.g. operations and technical support) and highlighted several areas where the power plant can serve as a good practice for others. The plant's senior management has prepared a set of corrective measures covering all areas for improvement, which is being implemented now. In October 2014, a follow-up mission on the 2012 WANO peer review took place at the Dukovany nuclear power plant with five areas evaluated as "satisfactorily solved" and 14 areas with "satisfactory progress" achieved.

In April 2017, another WANO peer review took place at the Dukovany nuclear power plant and, for the first time, evaluated the Dukovany nuclear power plant against a new version of WANO's standard, the Performance Objectives and Criteria. In the course of the WANO mission, the team of international experts identified nine areas for improvement. The Dukovany nuclear power plant had already been working to improve most of the identified areas, including supervision over contractors, human performance quality, human performance tool, inspection activities or exclusion of foreign materials. The WANO mission also pointed out two good practices transferable from the Dukovany nuclear power plant to other nuclear power plants. In February 2019, a follow up mission on the 2017 WANO peer review took place at the Dukovany nuclear power plant. Two out of the nine areas were classified as *Satisfactory/Completed* (level A: Acceptable performance is now demonstrated.). The remaining seven areas were assessed as *On Track* (level B: Evidence shows that substantial, demonstrated performance improvement has been achieved. Additional run time may be needed to demonstrate that the solid performance is sustainable. Indicators and oversight are in place to monitor and promote continued improvement.). No areas were classified as *At Risk* (level C) or *Unsatisfactory* (level D).

In 2006, a follow-up mission of the 2004 WANO peer review took place at the Temelín nuclear power plant. The mission confirmed that the power plant was well operated and declared that all of the recommendations of the WANO peer review were implemented or were in the advanced stages of implementation. Some additional proposals were suggested. The next WANO peer review was held at the end of November 2011. The review team identified several areas for improvement as well as several good practices for sharing among nuclear power plants engaged in WANO. A set of corrective measures, focused mainly on improving the control process, was been prepared and subsequently implemented. A Follow-Up WANO peer review was conducted at the Temelín Nuclear Power Plant in February 2013, examining the implementation of recommendations in the areas for improvement identified during the 2011 WANO peer review. The review stated positive development in the implementation of the defined areas and the need to keep implementing related measures. In November 2015, the first WANO peer review under new Performance and Objective Criteria took place at the Temelín nuclear power plant. The mission concluded that the power plant is properly operated and is in a good condition. The mission identified 15 areas to be improved and mentioned three areas in which the power plant can serve as a good practice example for others. Between July 17 and August 2, 2019, another WANO peer review took place at the Temelín Nuclear Power Plan, which concluded that the power plant is properly operated and is in a good condition.

IAEA

The Czech Republic is a member of the IAEA and, as a result, the IAEA has carried out a number of on-site IAEA assessment missions.

The first OSART review took place at the Dukovany nuclear power plant in 1989 with a follow-up Re-OSART mission in 1991. In November 2001, the Dukovany nuclear power plant underwent its next OSART review. Based on the recommendations from this review, an action plan was prepared and fulfilled. In October 2003, a follow-up OSART mission was carried out to review our implementation of its earlier recommendations and subsequently declared its full satisfaction with our fulfilment of its recommendations. The next OSART review at the Dukovany nuclear power plant was held in June 2011. The review team identified a wide range of good practices as well as several areas for improvement to achieve even better results of operational safety. The plant's senior management has prepared and implemented a set of corrective measures to address these recommendations before the follow-up OSART mission in June 2013. The follow-up mission concluded that 64 % of the original findings were implemented completely and the progress in the implementation of the remaining 36 % was satisfactory.

The first Pre-OSART review at the Temelín nuclear power plant was held in 1990 with a follow-up mission in 1992. A regular OSART mission at the Temelín nuclear power plant took place in 2001 and the follow-up OSART mission held in 2003 was aimed at assessing the power plant's response to the recommendations of the OSART mission in 2001. Most of the recommendations and proposals were included in the category *completed*, and the team generally noted the progress in operational safety enhancement, recommendation implementation and power plant appearance. The next OSART mission at the Temelín nuclear power plant focusing mainly on organization, management, operation, maintenance, technical support, radiation protection and emergency management systems, took place in November 2012. The final report highlights consistency in operations of the power plant with the criteria of the IAEA and confirms that there are no major safety shortcomings. A set of recommendations for improvement in the operations, operating experience, technical support and severe accident management areas were also provided.

In May 2014, an IAEA OSART follow-up mission reviewed the effectiveness of measures taken in the Temelín nuclear power plant (in organization and management, operations, maintenance, technical support, feedback, chemistry, radiation protection, and emergency management) based on 2012 recommendations and confirmed successful implementation of recommended measures at the Temelín nuclear power plant. Furthermore, foreign experts praised the fact that measures following the recommendations were adopted on the basis of an in-depth analysis, and that measures in many cases went beyond the recommendations of the OSART team. Eleven recommendations were assessed as *fully resolved*; four recommendations were assessed in stage of *satisfactory progress*.

In April 2013, there was an IAEA mission focusing on a seismic review of the site of the Temelín Nuclear Power Plant with the aim of evaluating the situation in five previously unfinished areas from the previous 2003 IAEA expert mission and reviewing compliance with the requirements of IAEA safety standards. Two areas were evaluated as completely solved and three as partially solved. An action plan of measures was prepared for the implementation of the remaining areas.

In September and October 2013, the first OSART Corporate assessment took place in ČEZ, focusing not only on technology, but also on management, human resources, communication, purchasing, corporate independent supervision and maintenance. The review team concluded that ČEZ fully complies with all legislative requirements for nuclear plant operation and identified 10 good practices which will serve as an example for other nuclear plants operators in the world, 6 suggestions for improvement and 3 recommendations.

In May 2015, an IAEA OSART Corporate follow-up mission was conducted to review whether three IAEA expert recommendations and six suggestions of October 2013 relating to improvement of nuclear power plant safety management were implemented. This follow-up mission found six of the nine findings *resolved* and three evincing *satisfactory progress*.

In 1989, IAEA and the Nuclear Energy Agency of the OECD introduced the International Nuclear Events Scale ("*INES*"), an internationally recognized tool used to inform the public in consistent terms of the safety significance of reported nuclear and radiological incidents and accidents, excluding naturally occurring phenomena such as radon. Events are classified at seven levels: Levels 4 to 7 are termed *accidents* with a significant radiation exposure off-site, while Levels 1 to 3 are termed *incidents* with effects on the nuclear facilities only. Events without safety significance are called *deviations* and are classified Below Scale/Level 0. No incident higher than Level 1 was observed at the Dukovany and Temelín NPP as of December 31, 2016.

Post Fukushima Stress Tests

Stress tests of nuclear power plants required by the European Council are defined as a focused assessment of safety margins and resistance of nuclear plants, in light of the events that occurred at the Fukushima-Daiichi nuclear power plant in Japan following a tsunami on March 11, 2011.

The assessment of both of our nuclear power plants was performed by experts in nuclear safety, design of nuclear facilities, accident management, emergency preparedness and phenomenology research of severe accidents, fully qualified for the assessment. The evaluators complied with a deterministic approach to evaluate the expected successive failure of all preventive actions during extreme scenarios.

During the assessment, no conditions were identified that required immediate remedial action. Both of our nuclear power plants were assessed to be able to safely manage even highly improbable extreme emergency conditions without posing any threat to their vicinity. Despite identifying the robustness of barriers, the evaluators concluded that opportunities still existed for further safety enhancement with respect to highly improbable situations. The proposed measures which are subject to further review are broken down into short- and medium-term measures, categorized according to their importance. Short-term measures include:

- proposing and implementing alternative means of communication and support during interventions at the nuclear power plant and for communicating with public authorities in the event of significant damage to infrastructure and the isolation of the site area;

- finalizing the remaining procedures and guidelines for severe accidents; and

- reviewing the existing qualifications and capacity of personnel to fulfil the vital functions of the nuclear power plant if all units on the site are affected, or in case of loss of the control centers.

Medium-term measures include:

- proposing and implementing alternative independent technical means (for example power sources and pumps) as another barrier to fulfilling the vital functions of the nuclear power plant including guideline implementation; and

- implementing the actions in process to reinforce the design against the effects of severe accidents.

The short- and medium-term measures proposed were implemented with the exception of measures for maintaining long-term containment integrity according to selected severe accident management strategies at the Temelín nuclear power plant. The deadline for this strategy to be implemented is 2022. The safety enhancement program is understood to be open and new activities are supposed to be added based on the use of state-of-the-art methods and new technical solutions.

EMANI, Czech Nuclear Insurance Pool

The inspections of the European Mutual Association for Nuclear Insurance ("*EMANI*"), European Liability Insurance for the Nuclear Industry ("*ELINI*") and the Czech Nuclear Insurance Pool are carried out at our nuclear power plants based on insurers' requests (usually once a year). These inspections were focused on fire protection, operation, maintenance, nuclear safety and overall condition of the plants. Both plants were evaluated as well controlled, operated and maintained in all assessed areas.

Cybersecurity

ČEZ has been the administrator of a critical information infrastructure pursuant to Act No. 181/2014 Coll., as amended, (the "*Czech Cybersecurity Act*") since 2016. In the field of the critical information infrastructure and the information systems for the essential services, ČEZ's scope of duties has been extended. In 2020, ČEZ successfully went through a period of implementation and ensuring compliance with the requirements of the Czech Cybersecurity Act. In 2021, ČEZ obtained certification of the information security management system according to EN ISO/IEC 27001:2017. The level of cybersecurity is regularly verified by both internal and external audits.

Risk Management

We continue to develop our integrated risk management system in order to increase our fundamental value while taking into account the level of risk acceptable for our shareholders. Our supreme risk authority is our Chief Financial and Operations Officer, who decides, based on the recommendation of the Risk Management Committee, on the development of an integrated system of risk management, on an overall allocation of annual risk limit to the individual risks and organizational units, and he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of the Chief Financial and Operations Officer) comprises of:

- seven permanent members: Chief Financial Officer, Chief Risk Officer, Chief Nuclear Officer, Chief Renewables and Conventionals Officer, Chief Sales and Strategy Officer, Trading Director and Executive Finance Director;

- three non-permanent members (being the other members of the Board of Directors): Chief Executive Officer, Chief New Energy Officer and Chief Administrative Officer; and

- one permanent guest: Internal Audit Director.

The Risk Management Committee continuously monitors an overall impact of risk on the CEZ Group, including the utilization of risk limits of the CEZ Group, status of risks linked to our business plan targets, status of our hedging strategies, assessment of impact of investments and other activities on potential CEZ Group debt capacity and cash flow in order to maintain corporate rating.

Since 2005, we have applied a risk capital concept that allows the setting of particular risk limits as well as an aggregate annual risk limit. The value of our aggregate annual risk limit is approved by our Board of Directors each year (together with the annual budget) based on the proposal of our Risk Management Committee. The proposed limit value, in CZK, is set on the basis of a 95% confidence level and expresses the maximum profit decrease at the given confidence level that we are willing to take in order to achieve our planned profit for the year.

Since 2009, the main Business Plan market risks (electricity price, emission allowances price and currency exchange rate between the Euro and Czech crowns) have been quantified on a monthly basis by the EBITDA @ Risk model based on the Monte Carlo simulation in Y+1 to Y+5 horizon. Through the integration of the EBITDA @ Risk outputs with mandatory and planned investments and financials (within the five-year horizon), the total debt capacity (which is defined as Net Debt/EBITDA) ratio is calculated each month and evaluated in light of our rating targets. We base all decisions about available capital for future investments on these calculations, as well as on key CEZ Group risks, and we continuously adjust our hedging and investment strategy accordingly.

Since 2021, a new uniform enterprise risk management scheme has been adopted by the CEZ Group and is to be applied to all CEZ Group-level significant risks. For this level of risk, the scheme integrates, across the process areas of the whole CEZ Group, all decentral risk management activities into one uniform and centrally coordinated process of CEZ Group-level significant risks management, with the use of a SW tool SAP GRC. Using this, our ten most important cash flow or EBITDA risks are centrally monitored, coordinated and reported to the Risk Management Committee on a quarterly basis.

We divide risks into four categories:

- market risks, comprising financial risks, commodity risks, volumetric risks and market liquidity;
- credit risks, comprising counterparty default, supplier default and settlement;
- operational risks, comprising operating risk, internal change, liquidity management and security; and
- business risks, comprising strategic, political, regulatory and reputational risks.

All essential quantifiable risks are quantified on a unified basis at least once each month. Our methodology and data provide for a unified quantification of the following risks:

- market risks, comprising financial risks (such as currency, interest and stock price), commodity price risks (relating to prices of electricity, emission allowances, coal, gas, crude oil), volumetric risks (such as volume of electricity production in wind farms);
- credit risks, comprising financial and business counterparty risk and electricity, gas and heat end-customer risk; and
- operational risks, comprising risks related to the operation of nuclear and coal power plants in the Czech Republic.

We aim to manage business risks by using clear responsibility assessment, key risk identification, systematic sensitivity and scenario analysis. Property, casualty and other operational risks are managed through using insurance, emergency and crisis planning and preventive actions.

In addition, our annual budget risks, business plan risks and debt capacity risks are reported on a monthly basis to the Risk Management Committee. For more information relating to material risks that we face, please see "*Risk Factors*" and Note 19 to the 2020 Financial Statements.

Environmental Matters

As of the date of this Base Prospectus, we are in compliance with all material requirements of the Czech Waste Act, the Czech Air Protection Act, the Czech IPPC Act, the Czech Water Act, the Czech Nuclear Act 1997 and the Czech Nuclear Act 2016.

Czech Waste Act

Pursuant to the Czech Waste Act, and pursuant to related regulations, we use coal ash as a certification material for reclamation and improving the sanitary conditions of landscape and disused shafts of our existing mines. We also sell residue to certain producers of construction materials. In addition, since 1994, we have also sold a portion of the FGD gypsum (a coal combustion product of coal-fueled power plants) remaining after the desulphurization process to certain producers of construction materials. This approach has the environmental advantage of saving natural materials, particularly in the building industry.

We are required by law to set aside funds to cover the costs of reclamation and redevelopment of waste dumps. We are required by law to keep such amounts as restricted funds. Restricted funds representing our accumulated provision for waste storage and reclamation of our operations in the Czech Republic amounted to CZK 105.5 million as of December 31, 2021.

Czech Air Protection Act

We fully comply with all applicable regulations and requirements under the Czech Air Protection Act. Since we own numerous coal-fired power plants, we have the advantage that under applicable legislation we may exchange and allocate the assigned aggregate emission limits between our coal-fired power plants in such a way as to ensure compliance with the Czech Air Protection Act and we are therefore able to optimize generation.

The new Czech Air Protection Act sets more stringent emission limit values on combustion plants with a total thermal input of more than 50 MW from 2015. This change in law requires a certain amount of capital expenditure into emission reduction measures necessary to comply with these limits.

For the year ended December 31, 2021, our total emission charges in the Czech Republic amounted to CZK 89 million, representing a decrease by 26 % from CZK 121 million for the year ended December 31, 2020. Furthermore, as from 2016, there has been a room to further reduce the emission charges by an additional amount up to CZK 31 million. The ultimate amount of such additional reduction is subject to consultation with the relevant authorities while the outcome is expected by mid-2022.

Czech Nuclear Act 1997 and Czech Nuclear Act 2016

On June 24, 1994, the Czech Republic became a party to the Vienna Convention. In accordance with the Vienna Convention, the Czech Nuclear Act 1997 provides that only the operator of a nuclear facility is liable for any damage caused by a nuclear incident please see "*Regulation – Nuclear Energy Power Plants – Nuclear incident*". As of the date of this Base Prospectus, the Dukovany and Temelín nuclear power plants are fully insured in accordance with the Czech Nuclear Act 1997 and the Vienna Convention. For more information about our insurance coverage, please see "–*Insurance*".

The Czech Nuclear Act 2016, which with effect from January 1, 2017, regulates the utilization of nuclear energy in the Czech Republic in addition to the Czech Nuclear Act 1997, contains a provision to the effect that the Czech Republic shall guarantee the safe final disposal of nuclear waste. The Czech Nuclear Act 2016 further provides that a generator of nuclear waste will remain responsible for the storage of nuclear waste and the related costs until the handover of the waste to the Czech Repository Authority – please see "*Regulation – Nuclear Energy Power Plants – Nuclear fuel and nuclear waste*". In 1999, we sold our repository for disposal of nuclear waste from the operation of both the Dukovany and Temelín nuclear power plants to the Czech Repository Authority. The Czech Repository Authority has engaged us to continue operating the repository located at the Dukovany nuclear power plant. The activities of the Czech Repository Authority are financed through the Czech Nuclear Account funded by the generators of nuclear waste. The Czech Nuclear Account is managed by the Czech Ministry of Finance. We are required to contribute to the Czech Nuclear Account in the amount of CZK 55 per MWh of electricity generated by our nuclear power plants. Since October 1, 1997, we have made regular payments to the Czech Nuclear Account. In the years ended December 31, 2021, and December 31, 2020, our payments to the Czech Nuclear Account amounted to CZK 1,690 million and CZK 1,652 million, respectively.

The operator of a nuclear power plant, being an originator of radioactive waste, is required by the Czech Nuclear Act 2016 to cover directly all costs associated with the storage of spent fuel and the disposal of radioactive waste. The operator is also obligated under the Czech Nuclear Act 2016 to finance the decommissioning of its nuclear power plants. For this particular purpose, each operator of a nuclear plant must accumulate funds in a special blocked banking account which may be drawn from only to finance the decommissioning of such nuclear power plant and subject to receiving the Czech Repository Authority's approval. We have recognized provisions for our obligations to decommission our nuclear power plants and other nuclear facilities at the end of their operating lives, to store the related spent nuclear fuel and other radioactive waste initially on an interim basis as well as provisions for our obligation to provide financing for subsequent disposal of spent fuel. Actual costs incurred are charged against such accumulated provisions. As of December 31, 2021, the provision for spent fuel storage amounted to CZK 9,972 million, the provision for the disposal of spent fuel amounted to CZK 41,446 million and the provision for the decommissioning amounted to CZK 42,284 million.

Legal Proceedings

We are currently involved in a number of legal proceedings; however, we believe that liabilities relating to such proceedings would not, individually or in the aggregate, have a material adverse effect on the results of our operations or financial condition. Certain significant legal proceedings in which we have been involved in the 12 months preceding the date of this Base Prospectus are described below.

Czech Republic

ČEZ

Minority shareholders brought a lawsuit against ČEZ and Severočeské doly a.s. based on an action filed in 2006, seeking a declaratory judgment on the adequacy of consideration in the compulsory sale of corporate securities. Should the plaintiffs win, the total additional payment could be in the order of hundreds of millions of CZK. The case is being heard at first instance. The outcome of the proceedings is impossible to predict.

ČEZ brought a lawsuit against the Appellate Financial Directorate, based on an administrative action brought against the decision of the Specialized Tax Office, which imposed a fine of CZK 150 million for violating the Prices Act in the payment of the price of brown thermal coal supplied by Sokolovská uhelná, právní nástupce, a.s., in 2010, 2012, and 2013. The administrative court admitted the action. The case is being heard by the Supreme Administrative Court based on a cassation appeal filed by the Appellate Financial Directorate (however, the Appellate Financial Directorate rescinded the fine imposing decision based on the legal opinion of the court of first instance). The outcome of the proceedings is impossible to predict.

ČEZ brought a lawsuit against ŠKODA JS a.s., based on an action filed in 2016. The issue in dispute is damages for lost profits due to wrongly performed radiographic inspections of welded joints at the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant. The amount originally claimed in 2016 was CZK 611 million, plus interest and costs, but after negotiations over an out-of-court settlement of the dispute failed, a motion was filed in February 2020 to extend the action to a total amount of CZK 2,759 million. The amount currently claimed includes full damages for lost profits. The proceedings are in the court of first instance. The outcome of the proceedings is impossible to predict.

In the insolvency proceedings against TENZA, a.s., ČEZ filed claims in the total amount of over CZK 1,327 million in March 2021 and subsequently claims in the total amount of almost CZK 203 million were filed in April 2021. The vast majority of the claims were made for contractual penalties and damages, as well as for related costs associated with the breach of work contracts for the construction of the Temelín Nuclear Power Plant (TPP) thermal feeder and the reconstruction of the TPP unit heat exchanger station. TENZA, a.s., breached its contractual obligation to complete the work and hand it over in a proper and timely manner. Most of the claims in both applications were denied by the insolvency administrator and the debtor as to their authenticity and, to a limited extent, as to their amount. For this reason, ČEZ filed a total of six injunctive claims in June 2021. In connection with the filed claims, injunctive proceedings are currently underway, and, as of the date of this Base Propsectus, negotiations are currently ongoing between ČEZ, the insolvency administrator of TENZA, a.s., and its subcontractors to conclude an agreement on settlement and settlement of all mutual claims. The outcomes of the proceedings are impossible to predict.

ČEZ Distribuce, a. s.

SPR a.s. brought a lawsuit against ČEZ Distribuce, a. s., based on an action filed in May 2013, seeking payment of CZK 213 million plus interest and costs. The matter in dispute is the existence of loss alleged by the plaintiff, which was allegedly incurred due to a breach of obligations by ČEZ Distribuce, a. s., in relation to the connection of the Dubí PV power plant to the distribution grid. The case is being heard at first instance, currently resumed after a stay based on the court's May 2020 decision. The proceedings are currently in the evidentiary phase. The outcome of the proceedings is impossible to predict.

Four electricity generators/local distribution system operators brought significant lawsuits against ČEZ Distribuce, a. s., based on actions filed in 2015, 2016, and 2017. The matter in dispute is a claim for recovery of unjust enrichment consisting in the electricity distribution price component to cover costs associated with electricity support from renewable sources that was allegedly incorrectly billed but duly paid by the plaintiffs in relation to their internal electricity consumption from January 1, 2013, to October 1, 2013. The total payment claimed from ČEZ Distribuce, a.s. exceeds CZK 1 billion plus interest and costs. Following a special panel's decision on conflict of jurisdiction, court proceedings in all of the lawsuits were discontinued in 2019 and the matter was referred to the ERO. The ERO has finally decided to reject the proposal for unjust enrichment for the time being in three of the four cases, where the appellants brought action under Part V of the Civil Procedure Code. In one case, the matter is still pending before a decision of the ERO. The outcomes of the proceedings are impossible to predict.

ČEZ Distribuce, a. s., brought three lawsuits against OTE, a.s., based on actions brought in 2016 and 2017, seeking recovery of unjust enrichment from OTE amounting to approximately CZK 7.6 billion plus interest and costs, consisting of the electricity distribution price component to cover costs associated with electricity support from renewable sources being incorrectly billed but duly paid by ČEZ Distribuce, a. s., from January 1, 2013, to December 31, 2013. Following a special panel's decision on conflict of jurisdiction, court proceedings in two of the lawsuits were discontinued in 2019 and the matter was referred to the ERO. The third dispute was referred to the ERO for the same reasons in 2020. The ERO dismissed the claim of ČEZ Distribuce, a. s., in the first dispute concerning the amount of CZK 1.86 billion. An appeal was filed against the decision, followed by an action under Part V of the Civil Procedure Code. The other two cases were consolidated into one proceeding and the application was dismissed. A remonstrance against the decision has been filed. The other disputes are still pending. The outcomes of the proceedings are impossible to predict.

ČEZ Distribuce, a. s., brought a lawsuit against ŠKO-ENERGO, s.r.o., based on an action filed in 2016, seeking payment from ŠKO-ENERGO in excess of CZK 113 million plus interest and costs. The matter in dispute is additional payment of the electricity distribution price component to cover costs associated with electricity support for the period from April 1, 2013, to October 1, 2013. In the first instance, the ERO rejected ČEZ Distribuce's application. The first-instance decision was revoked by the ERO Council in January 2020 on the basis of a remonstrance filed by ČEZ Distribuce, as, and the matter was returned before the first instance. The ERO decided again to dismiss the claim of ČEZ Distribuce, a. s., in May 2020. An appeal against the decision was filed, followed by an action under Part V of the Civil Procedure Code which was rejected by the court. ČEZ Distribuce is preparing an appeal. The outcome of the proceedings is impossible to predict.

ČEZ Distribuce, a. s., brought a lawsuit against Liberty Ostrava a.s. (formerly ArcelorMittal Ostrava a.s.), based on an action filed in 2019, seeking payment of approximately CZK 225 million plus interest and costs. The matter in dispute is unreceived payments for system services for the period from February 2016 to November 2018 that ČEZ Distribuce, a. s., invoiced ArcelorMittal Ostrava a.s. (i.e. the SYS II lawsuit). The case is being heard at first instance and has been stayed. The outcome of the lawsuit depends on the decision in another proceeding, which commenced in January 2016. (i.e. the SYS I lawsuit), which has already been finally terminated in favour of ČEZ Distribuční. However, Liberty Ostrava a.s. has filed an appeal against the decision. In November 2021, in factually the same matter, a lawsuit was filed against Liberty Ostrava a.s. seeking payment of approximately CZK 132 million plus interest and costs. The subject of the newly initiated dispute is payments for system services for the period from December 2018 to June 2021 (i.e. the SYS III lawsuit). The outcomes of the proceeding are impossible to predict.

In insolvency proceedings against Česká energie, a.s., ČEZ Distribuce, a. s., submitted an unsecured claim for approximately CZK 138 million plus interest and costs arising from failure to pay for distribution system services under a contract. The insolvency proceedings commenced in December 2016 and are still pending. The outcome of the proceedings is impossible to predict.

ČEZ Distribuce, a. s., filed an insolvency petition combined with a bankruptcy petition against SCP first payment of receivables s.r.o. (formerly ENWOX ENERGY s.r.o.) in December 2017, submitting its matured unsecured claim for approximately CZK 115 million plus interest and proceeding costs. The claim arose from failure to pay for distribution system services under a contract. The insolvency proceedings are pending. The outcome of the proceedings is impossible to predict.

In an insolvency proceeding against One Energy & One Mobile a.s., ČEZ Distribuce, a. s., submitted an unsecured claim for approximately CZK 154 million plus interest and costs arising from failure to pay for distribution system services under a contract. The insolvency proceeding commenced in 2018 and is still pending. In October 2020, a resolution was issued approving a partial schedule for the distribution of recovered performance in the amount of approximately CZK 97 million, while the creditor of ČEZ Distribuce, a. s. was satisfied with a proportional amount of over CZK 49 million. This recovered performance was paid to ČEZ Distribuce, a. s. at the end of November 2020. In addition, a resolution approving the final report was published in July 2021, after which the final amount of the recovered performance of almost CZK 12 million was paid to ČEZ Distribuce, a. s. The registered receivable was thus satisfied to the extent of approximately 52%. The insolvency proceedings were terminated in November 2021 by a resolution cancelling the bankruptcy after the fullfilment of the schedule resolution.

ČEZ Prodej, a.s.

ČEZ Prodej, a.s., brought a lawsuit against the Czech state organization Railway Administration (Správa železnic, státní organizace) ("*SZSO*"), based on an action filed in 2010, seeking damages in the amount of CZK 805 million plus interest and costs. The matter in dispute is an alleged breach of an electricity supply contract by SZSO, consisting of the failure to take deliveries of an agreed amount of electricity in 2010, and the resulting loss. Following an application for leave to appeal filed by SZSO, the Czech Supreme Court overturned the rulings of the courts of first and second instance and returned the case to the court of first instance. The court of first instance dismissed the action. The court of appeal upheld the ruling of the court of first instance in May 2019. ČEZ Prodej, a.s., withdrew the action before the judgment of the court of second instance was served. In August 2019, a judgment of the court of appeal was delivered confirming the judgment of the court of first instance and ruling that the withdrawal was ineffective. The judgments of the courts of both instances are final. ČEZ Prodej, a.s., however, filed an appeal and a constitutional complaint, on which the Constitutional Court decided in August 2020 and cancelled the decision of the court of appeal on the ineffectiveness of the withdrawal. In October 2020, the Municipal Court again ruled on the ineffectiveness of the application to withdraw the action. In May 2021, the Czech Supreme Court granted the appeal, dismissed the judgments of both courts of both levels and returned the case to the court of first instance for further proceedings. The hearing in the case is scheduled for March 2022. SZSO, which had paid the amount claimed, also brought an action against ČEZ Prodej, a.s., seeking recovery of unjust enrichment amounting to the paid sum of CZK 1,116 million plus interest and costs, which the court of first instance admitted. The court of appeal upheld the judgment of the court of first instance. After the decision became final, ČEZ Prodej, a.s. paid the amount claimed and has filed an appeal, which was decided by the Czech Supreme Court by annulling the judgment of the appellate court and returned the case to it for further proceeding. In August 2021, ČEZ Prodej, a.s. filed a lawsuit to reopen the proceedings. The proceedings in this action are currently stayed. The proceedings in this action are stayed. The outcomes of the proceedings are impossible to predict.

ČEZ Prodej, a.s., brought a lawsuit against SZSO based on an action filed in 2013, seeking damages in the amount of CZK 857 million plus interest and costs. The matter in dispute is an alleged breach of an electricity supply contract by SZSO, consisting in failure to take delivery of an agreed amount of electricity in 2011, and the resulting loss. At the hearing of the court of first instance in January 2022, after the decision of the court of first instance was overturned by the appellate court, the action was upheld in full. The decision has not yet been delivered to ČEZ Prodej, a.s., and it is expected that SZSO will file an appeal. The outcome of the proceedings is impossible to predict.

ČEZ Prodej, a.s., brought a lawsuit against OTE, a.s., seeking substitution of a decision by the ERO and a decision by the Chairwoman of the ERO concerning the payment of an amount in excess of CZK 124 million as the outstanding difference in purchase prices paid to solar electricity producers, which were paid by OTE, a.s., to ČEZ Prodej, a.s., as the mandatory purchaser on the basis of an action brought in 2016. The difference was caused by inconsistency with the data on commissioning of the production plant, which were handed over by the distribution system operator to ČEZ Prodej, a.s., and the data transmitted to OTE, a.s. The court of first instance dismissed the action. The court of appeal upheld the ruling of the court of first instance. ČEZ Prodej, a.s. filed an appeal against the decision of the court of appeal, which was rejected by the Supreme Court of the Czech Republic in August 2021. ČEZ Prodej, a.s. filed a constitutional complaint against the decision of the Supreme Court, which has not yet been decided.

ČEZ Prodej, a.s., brought a lawsuit against ACTHERM, spol. s r.o. (a distribution system operator), seeking damages in excess of CZK 185 million plus interest and costs based on an action filed in 2016 (CZK 124 million) and its extension in 2017 concerning loss incurred in the subsequent period (CZK 61 million). The matter in dispute is loss caused by the actions of ACTHERM, spol. s r.o., during the registration of three solar electricity producers in the market operator's system and the delivery of information on the registration to ČEZ Prodej, a.s. In May 2021, ČEZ Prodej, a.s. received a resolution to discontinue the proceedings and refer the case to the ERO. ČEZ Prodej appealed against the decision, which was upheld by the court of appeal. Subsequently, the court of first instance upheld the lawsuit brought by ČEZ Prodej, a.s. in its judgment of November 2021. The outcome of the proceedings is impossible to predict.

ČEZ Prodej, a.s., brought three lawsuits with solar electricity producers based on actions filed in March 2017, seeking recovery of unjust enrichment of nearly CZK 160 million. The unjust enrichment consists of the collection of higher purchase prices than those reimbursed to ČEZ Prodej, a.s., by OTE, a.s. The court of first instance discontinued the proceedings in all three cases and referred these to the ERO for further proceedings. Additionally, the appellate court also overturned a judgment of the court of first instance dismissing the action in the case of one of the producers. In all cases, the ERO issued a decision according to which the producers are obliged to pay the due amount plus interest and costs. The Board of the ERO rejected the appeals and upheld the first instance decision. In two cases, the producers filed an action under Part V of the Civil Procedure Code. The outcomes of the proceedings are impossible to predict.

OTE, a.s., brought a lawsuit against ČEZ Prodej, a.s., based on an action brought in 2018, seeking payment of approximately CZK 104.4 million plus interest and costs. The legal ground for the amount sought is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s., to ČEZ Prodej, a.s., as a mandatory purchaser from a solar electricity producer in the period from January 1, 2013, to April 30, 2018. The court of first instance issued a ruling discontinuing the action and referring the case to the ERO. The decision of the ERO rejected the proposal of OTE, a.s. An appeal was filed by OTE, a.s., against the negative decision. The outcome of the proceedings is impossible to predict.

OTE, a.s., brought two administrative proceedings before the ERO against ČEZ Prodej, a.s., based on petitions filed in July 2019, seeking recovery of unjust enrichment totaling approximately CZK 327 million. The legal ground for the amount claimed is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s., to ČEZ Prodej, a.s., as a mandatory purchaser in the period from January 1, 2013, to May 31, 2018. By the decisions of the ERO, the proposals of OTE, a.s. were rejected. OTE, a.s. filed appeals against the negative decisions. The outcomes of the proceedings are impossible to predict.

In December 2020, three photovoltaic producers initiated three administrative proceedings against ČEZ Prodej, a.s., in which they demand the payment of a total amount of approximately CZK 475 million plus interest and costs. According to the producers, the applied amount represents outstanding support in the form of purchase prices valid for production put into operation in 2010 (respectively the difference between 2010 and 2011) for electricity produced in the period from May 1, 2018, or June 1, 2018, respectively, to November 30, 2020. For the period from May 1, 2018, to February 28, 2019, producers demand only the difference between the purchase prices valid for production put into operation in 2010 and 2011. For the period from March 1, 2019, to November 30, 2020, the purchase prices valid for production put into operation in 2010 are demanded in full. These proceedings are also related to three separate administrative proceedings, in which the same producers are seeking support in the aggregate amount of approximately CZK 69.5 million plus interest and costs. According to the producers, the amount applied within these proceedings represents the aid owed in the form of purchase prices valid for production put into operation in 2011, for electricity produced in the period from May 1, 2018, and June 1, 2018, respectively, to February 28, 2019. In all proceedings, the producer's claim was rejected, and appeals were filed against the rejection decisions. The outcomes of the proceedings are impossible to predict.

Poland

In 2009, Agrowind Kończewo sp. z o.o. ("*AWK*") filed a lawsuit against seven companies jointly and severally, one of which is Eco-Wind Construction S.A. (a member of the CEZ Group), seeking PLN 22.7 million (approximately CZK 122 million) plus interest. AWK claimed that the companies frustrated the installation of wind turbines and transformer substations on land that was allegedly held by AWK. In December 2012, the claim was increased to a total of PLN 112.7 million (approximately CZK 673 million) plus interest. The case was subsequently suspended on the ground of notified bankruptcy of one of the companies. Another hearing was initiated in January 2019, but only with six parties continuing in the proceedings. In June 2019, the Court of First Instance issued a negative decision, against which AWK appealed. The appeal filed was dismissed by the Court of Appeal in June 2021, thereby upholding the decision of the Court of First Instance. AWK filed a cassation appeal with the Supreme Court against the negative decision. At the same time, the bankruptcy proceedings against Eco-Wind Construction, S.A. were terminated, and the court will now have to decide how to further continue proceedings against the company. The further procedure in the proceedings is likely to depend on the outcome of the cassation appeal proceedings. The outcome of the proceedings is impossible to predict.

In November 2019, CEZ Skawina S.A. (a member of the CEZ Group) filed a lawsuit against the State Treasury – the Minister of Climate and Environment (Skarb Państwa – Minister Klimatu i Środowiska), the subject of which is a request for repayment of an amount of approximately PLN 46.8 million (approximately CZK 252 million), or other compensation, consisting of the compensation for the non-issuance of greenhouse gas emission allowances in total amount of 176,197, which CEZ Skawina S.A. should have received as a result of fulfilling the investment task included in the National Investment Plan. The company's entitlement to the issue of emission allowances free of charge stems from the Polish national law. Due to alleged non-compliance of Polish national law with Directive 2003/87/EC of the European Parliament and the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowances trading within the Community and amendment of the Council Directive 96/61/EC (EU ETS), the Minister for the

Environment refused to issue emission allowances with a reference to the relevant opinion of the European Commission. Due to the non-issuance of emission allowances, CEZ Skawina S.A. filed a lawsuit for compensation for the liability of a Member State for breaking the EU law. The proceedings are currently held before a court of first instance. The outcome of the proceedings is impossible to predict.

Germany

CEZ Erneuerbare Energien Beteiligungs II GmbH together with CEZ MH B.V. and with other interested CEZ Group companies assert claims against a group of accused persons (and related companies) against whom criminal proceedings are being held on reasonable suspicion that they committed fraud, forgery of documents and bribery in connection with the sale of wind farms to the institutional and other investors across Europe (the so-called "*Holt Holding case*"). The total amount applied is EUR 5.68 million (approximately CZK 149 million) excluding interest and costs. In 2020, we managed to recover more than EUR 1 million (over CZK 26 million). In criminal proceedings, all offenders have been apprehended, accused and the two main offenders remain in custody. The main trial against the offenders is currently underway. At the same time, bankruptcy proceedings were declared against the offenders' assets in several bankruptcy proceedings, and the CEZ Group companies concerned filed their claims in these proceedings. The outcome of the proceedings is impossible to predict.

In December 2020, GMH Gebäudemanagement Hamburg GmbH (a subsidiary of the Free and Hanseatic City of Hamburg) filed an action against Kofler Energies Ingenieurgesellschaft mbH (a member of CEZ Group). The lawsuit seeks an interim judgment ruling only on the merits, i.e. determining the validity of the defendant's liability for damage caused by the delivery of design work on the construction of the University of Hamburg buildings in 2013-2017 (i.e. before the acquisition of the defendant by the CEZ Group). Although no specific amount has been sued so far, it is clear that the dispute is significant. In the event of the plaintiff's success, and to the extent the subsequently awarded amount is not covered by the defendant's liability insurance, the amount will be claimed by the CEZ Group against the seller, as anticipated by the transaction documentation on the basis of which the defendant became part of the CEZ Group. Kofler Energies Ingenieurgesellschaft mbH made a statement on the lawsuit and it is expected that the reply to that statement will be made by the applicant in September 2022. In the meantime, the applicant extended the action to other entities involved in the design work on the construction of the University of Hamburg. The outcome of the proceedings is impossible to predict.

CEZ ESCO II GmbH (a member of CEZ Group), as buyer, claims damages against Kofler Energies AG (now KO Energies GmbH) and its two guarantors as sellers in a lawsuit filed in July 2020. The claims are asserted on the basis of the share purchase agreement (SPA) (acquisition of shares in Kofler Energies Ingenieurgesellschaft) in the total amount of approximately EUR 4.48 million (approximately CZK 113.8 million). Following the termination of the SPA in July 2018, certain projects of Kofler Energies Ingenieurgesellschaft turned out to incur losses. However, the buyer was not properly informed of their losses when negotiating the SPA. Along with the application, expert reports were submitted to the court to assess the loss-incurring projects. According to CEZ ESCO II GmbH, the defendants have the necessary means to pay the compensation. The conciliation hearing, including the (first) oral hearing, took place in December 2021. At this hearing, the court, after hearing the factual and legal situation, called on the parties to consider a settlement, given that due to the complexity of the evidence, the trial is expected to last for several years. The legal representative of CEZ ESCO II GmbH stated that the proposed settlement must first be discussed with the decision-making bodies in the CEZ Group. The next date for the oral hearing was set for October 2022. CEZ Group is currently discussing the possibilities of concluding an agreement internally. The outcome of the proceedings is impossible to predict.

Turkey

Between 2011 and 2015, Sakarya Elektrik Dagitim A.S. (SEDAS) filed appeals against administrative decisions of the Turkish energy market regulatory authority (EPDK) that were the basis for reducing the portion of the companies' operating costs that were automatically recognized in tariffs. In all cases except one case, the claims were rejected. Since SEDAS's operating costs are no longer generated according the EPDK calculation, these disputes are no longer materially significant.

Distribution and sales companies in Turkey are facing lawsuits concerning a refund of the costs of technical and nontechnical losses paid for by the companies' customers. In the case of SEDAS, the total amount of pending lawsuits is immaterial, and courts have been deciding in favour of the company with regard to the legislation passed in 2016 as well as the Constitutional Court's jurisprudence. Since the compliance of the new legislation with the Constitution was approved by the Constitutional Court, the existing disputes were decided in favour of SEDAS.

In March and May 2016, SEDAŞ brought three administrative actions against EPDK's decisions regulating the limits of SEDAS's revenue from electricity distribution in the regulatory period of 2016- 2020, including the method of calculation and application. In all cases except one case, the SEDAS's claims were rejected. Since SEDAS's operating costs are no longer generated according the EPDK calculation, these disputes are no longer materially significant.

Italy

In an action brought in May 2020 against Belectric Italia S.r.l. (CEZ Group member), Energyka Elettrosystem S.r.l. claims for remuneration from the investment opportunity mediation agreement concluded between Energyka Elettrosystem S.r.l. and Belectric Italia S.r.l. from 2016, amounting to approximately EUR 11.1 million (approximately CZK 270 million). The subject of this contract was the commitment to mediate investment opportunities by Energyka Elettrosystem S.r.l. in the field of photovoltaic projects in Italy. Belectric Italia S.r.l. was acquired by CEZ ESCO II GmbH (a member of the CEZ Group) in December 2021. The seller is liable to CEZ ESCO II GmbH for full compensation for the above dispute. The outcome of the proceedings is impossible to predict.

Other Proceedings

Czech Republic

As part of an investigation into possible criminal activity related to obtaining a license to operate the Vranovská Ves PV power plant, the police authorities have issued a resolution to secure a replacement value of the likely proceeds of this criminal activity pursuant to the Code of Criminal Procedure, specifically:

(a) Securing of receivables of ČEZ Obnovitelné zdroje, s.r.o., against OTE, a.s., in the form of support paid for the green bonus, totaling over CZK 1.063 million as at December 31, 2021; the amount in question will be deposited in a bank account with the Czech National Bank for the duration of the security, and ČEZ Obnovitelné zdroje, s.r.o., cannot dispose of these funds.

(b) Securing of funds in a ČEZ bank account, amounting to approximately CZK 223 million as of December 31, 2021; ČEZ cannot dispose of these funds for the duration of the security.

In both cases, these are interlocutory security measures taken by law enforcement authorities in a case where the accused are not employees of CEZ Group companies. An acquittal in the criminal proceedings was issued in September 2020. On the appeal filed by the public prosecutor, the Court of Appeal ruled in May 2021 that the acquittal was set aside, and the case was returned to the Court of First Instance for a new hearing and decision. In November 2021, the acquittal in the criminal proceedings was issued by the Court of First Instance again, and the public prosecutor kept a deadline for filing an appeal after receiving the written copy of the judgment. Although ČEZ Obnovitelné zdroje, s.r.o., has requested the release of the seized funds, the securing of funds continues. The outcome of the proceedings is impossible to predict.

Bulgaria

In July 2016, ČEZ formally filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on the grounds of non-protection of investment. The claim amounts to hundreds of millions of EUR. The first matter addressed is an objection to jurisdiction, that is, the competence of the arbitral tribunal to decide the dispute. Following an exchange of written pleadings, a hearing on jurisdiction was held on June 8–9, 2020. The arbitration tribunal subsequently issued an award on jurisdiction on March 2, 2021, in which it rejected the jurisdictional objection of the Republic of Bulgaria. The arbitration proceedings thus moved to the next phase, in which the merits of the dispute will also be examined on the basis of the arguments and documents submitted by both parties. The place of arbitration is Washington, D.C., USA, in accordance with the rules of the ICSID. On July 3, 2021, ČEZ filed its first Memorial on Merits in the arbitration, containing a factual description of the facts of the case, a detailed legal argumentation, and a quantification of the claim. According to the current arbitration schedule, the Republic of Bulgaria should submit the counterparty's statement to the CEZ (Counter-Memorial) till February 27, 2022. The outcome of the proceedings is impossible to predict.

DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of certain provisions of our material other indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Please also see Notes 17, 18, 19 and 22 to the 2021 Financial Statements, which are incorporated herein.

Our Indebtedness

Our indebtedness mainly consists of borrowings from financial institutions (including the European Investment Bank) as well as of bonds and debentures. We maintain a flexible funding strategy and monitor domestic and foreign financial market conditions as part of our financing activities.

	As of December 31, 2021	
	(CZK millions)	***(% of total)***
Total bonds and debentures	92,757	67.3
Borrowings from financial institutions (including those associated with assets classified as held for sale)[(1)]	45,124	32.7
Total	**137,881**	**100.0**

(1) Sum of Long-term bank loans and lease liabilities; Short-term loans; Long-term debt associated with assets classified as held for sale and Short-term loans associated with assets classified as held for sale.

Borrowings from Financial Institutions

We have signed a variety of loan facilities, including various back-up facilities provided by commercial banks and facilities with the European Investment Bank. These facilities have been used for general corporate purposes, but have also been used as funding for particular projects, such as investments in reinforcing and developing the distribution grid in the Czech Republic, and financing of our Polish combined heat and power plant Chorzów. As of December 31, 2020 and 2021, borrowings from financial institutions amounted to CZK 29,123 million and CZK 45,124 million, respectively. Use of these credit facilities is primarily related to higher margin deposits on commodity exchanges following a recent increase in electricity market prices.

Bonds and Debentures

We regularly issue bonds domestically and internationally as part of our strategy to diversify our funding sources and maintain longer liability maturities. As of December 31, 2020, and 2021, the balance of bonds issued by ČEZ was CZK 127,424 million and CZK 92,757 million, respectively. We issue bonds in a variety of currencies including Euro, Czech crowns, Japanese Yen and U.S. dollars. However, we generally enter into cross-currency swaps with respect to the principal and interest payable in order to keep our exposure in Euro. The majority of our bonds are issued on a fixed interest rate basis. As of December 31, 2021, the aggregate nominal amount of outstanding Notes issued under this Programme was equal to EUR 3.2 billion.

We proactively manage our bond maturities via cash tender offers or combined cash tender and exchange offers when such exercises are favorable. We have conducted either cash tender offers or exchange offers in 2012, 2014, 2015 and after the receipt of funds from the Romanian Asset Sale and Bulgarian Asset Sale in 2021. Should we require funding, we plan to continue to issue bonds in a balanced manner to institutional and individual investors both inside and outside of the Czech Republic in line with our strategy of maintaining longer maturities and diversified funding sources.

Short-Term Indebtedness

We have issued short-term debt as set forth in the table below.

	As of December 31, 2021
	(CZK millions)
Short-term bank loans	25,282
Bank overdrafts	28
Total short-term loans	25,310
Current portion of long-term debt	16,647

Short-term debt, total	41,957

Total short-term loans (without current portion of long-term debt) as of December 31, 2021, was CZK 25,310 million, representing 18.4 % of our Total Debt as of December 31, 2021.

Long-Term Indebtedness

We have issued long-term debt as set forth in the table below.

	As of December 31, 2021
	(CZK millions)
Long-term bank loans	19,814
of which current portion	2,736
Bonds	92,757
of which current portion	13,911
Long-term debt, total	112,571
Long-term debt without current portion, total	95,924

Total long-term debt without current portion as of December 31, 2021, was CZK 95,924 million, representing 69.6 % of the total amount of our Total Debt as of December 31, 2021. Long-term borrowings from financial institutions and lease liabilities (without current portion) comprised 17.8 % of the long-term debt (without current portion) as of December 31, 2021.

Our long-term debt has both floating and fixed rates of interest which can expose us to interest rate risk and risks of changes in fair value of these financial instruments. As of December 31, 2021, our long-term debt was comprised from 94.1 % of fixed rate debt, with the remainder being floating rate debt based mainly on EURIBOR, LIBOR or PRIBOR. For information regarding the repayment schedule of our long-term debt and interest rates for short and long-term debt, please see Notes 17, 18, 19 and 22 to the 2021 Financial Statements.

We have entered into interest rate swaps and other derivative contracts to manage risk associated with fluctuations in interest rates. For information with respect to derivative financial instruments, hedging and risk management policies of all financial instruments, please see Notes 18 and 19 to the 2021 Financial Statements.

REGULATION

Below is a brief summary of the rules and regulations applicable to the CEZ Group in the Czech Republic as our principal market. With the accession of the Czech Republic to the European Union on May 1, 2004, the Czech Republic adopted the customs, rules and regulations of the European Union, and therefore we have also included a description of the European Union Legislation as applicable to the CEZ Group. The following summary does not purport to be complete and is subject to the regulations of jurisdictions referred to below.

European Union Legislation

History of Energy Regulation

By virtue of its membership in the European Union, the Czech Republic is required to adhere to EU energy legislation which has continuously developed in order to establish a competitive, secure and environmentally sustainable electricity market.

The European Commission began regulating the EU energy market by enacting the "*First Energy Package*" in 1996 and 1998 which comprised of Directive 96/92/EC Concerning Common Rules for the Internal Market in Electricity (the "*First Electricity Directive*") and Directive 98/30/EC Concerning Common Rules for the Internal Market in Natural Gas (the "*First Gas Directive*"). The First Electricity Directive and the First Gas Directive were designed to open access to the internal electricity and gas markets of Member States and to allow for better competition in these markets. In June 2003, the European Council repealed the First Electricity Directive and the First Gas Directive by adopting the "*Second Energy Package*" comprising of Directive 2003/54/EC Concerning Common Rules for the Internal Market in Electricity (the "*Second Electricity Directive*") and Directive 2003/55/EC Concerning Common Rules for the Internal Market in Natural Gas (the "*Second Gas Directive*").

The Second Electricity Directive required each Member State to allow for full competition within its internal commercial and residential electricity markets by July 1, 2004 and July 1, 2007, respectively. The Second Electricity Directive also set forth general rules for the organization of the EU electricity market, such as the option of Member States to impose certain public service obligations, customer protection measures and provisions for monitoring the security of electricity supply in the European Union; the establishment of a regulatory body, independent from any interests of the electricity and gas industries, which would be in charge of ensuring non-discriminatory network access, monitoring effective competition and ensuring the efficient functioning of the electricity generation, distribution, and trade market; and the implementation of so-called "legal unbundling" meaning that each transmission and distribution system operator had to be separated, at least in terms of legal form, organization and decision-making, from other activities in the energy sector not relating to transmission or distribution.

The Second Electricity Directive further focused on enhancing customer rights by granting household customers the right to be supplied with electricity of a specified quality at reasonable, easily and clearly comparable and transparent prices. Moreover, it required electricity suppliers to provide their end-users with information on the energy sources and kinds of fuel used in the production of supplied electricity and on the environmental impact of the supplier's activities, including the amount of carbon dioxides and radioactive waste produced.

Similar to the Second Electricity Directive, the Second Gas Directive, adopted on June 26, 2003, required each Member State to allow for full competition within its internal commercial and residential gas market by July 1, 2004 and July 1, 2007, respectively. With regard to the independent regulatory authority and legal unbundling, the Second Gas Directive sets forth similar rules as the Second Electricity Directive.

The Czech Republic implemented these directives in 2003 and 2004.

Energy and Climate Change Legislation

In 2007, the EU Commission published a proposal for the establishment of a new energy policy and strategy for a more integrated and competitive energy market within the European Union. Designed to ensure a stable energy supply and combat climate change, such "EU Energy and Climate Change Legislation" set certain targets (known as "20-20-20" goal), including:

- further liberalization of electricity markets;

- a reduction of at least 20% in greenhouse gas emissions by 2020;
- 20% share of renewable energies in EU energy consumption by 2020; and
- 20% energy savings by 2020 compared to 2020 projections (1853 Mtoe) made in 2007.

Subsequently, in 2009 the European Union adopted the EU Energy and Climate Change Legislation "*Third Energy Package*" which includes (besides climate change related legislation described below), but is not limited to, the Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity (the "*Third Electricity Directive*"), Directive 2009/73/EC Concerning Common Rules for the Internal Market in Natural Gas (the "*Third Gas Directive*") and Regulation (EC) No. 713/2009 Establishing an Agency for the Cooperation of Energy Regulators, (the "*ACER Regulation*"), Regulation (EC) No. 714/2009 on Conditions for Access to the Network for Cross-border Exchanges in Electricity (the "*Regulation on Cross-Border Exchanges*") and Regulation (EC) No. 715/2009 on Conditions for Access to the Natural Gas Transmission Networks (the "*Natural Gas Transmission Regulation*"). These directives and regulations were designed to complete the liberalization of the electricity and gas markets within the European Union. This energy legislation in particular stipulates further separation of supply and production activities from transmission and distribution network operations. To achieve this goal in transmission system operation, Member States were able to choose, subject to the respective conditions set forth in the Third Electricity Directive and the Third Gas Directive, between the following three options:

- Full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations. This option applies to new undertakings.
- Independent System Operator ("ISO"). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations. This option may apply to existing undertakings.
- Independent Transmission Operator ("ITO"). This option is a modification of the ISO option whereby vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission. This option may apply to existing undertakings.

As further described below, the Czech Republic has opted for the full ownership unbundling regarding electricity, and for ITO-unbundling option with regard to gas, although the Czech gas sector is currently, in fact, fully unbundled.

The EU energy legislation, as aforesaid, also enhanced consumers' rights by establishing the right to (i) change electricity or gas supplier (the process of switching must be completed within three weeks), and receive the final closure statement at the latest six weeks after the switch; (ii) obtain compensation if quality targets are not met; (iii) receive information on supply terms through bills and company websites; and (iv) see complaints dealt with in an efficient and independent manner.

Finally, the EU Energy and Climate Change Legislation provided for the creation of an agency within the European Union for the coordination of national energy regulators, which may issue non-binding framework guidelines for national agencies. The Czech Republic implemented the respective EU energy legislation.

In November 2017, the EU Commission introduced a proposal for an amendment to the Third Gas Directive aiming to clarify that the core principles of the EU Energy and Climate Change Legislation will apply to all gas pipelines from, and to, third countries up to the borders of the EU. The proposal purports to ensure that all major gas pipelines entering EU territory comply with the EU rules, are operated with the same level of transparency, are accessible to other operators and are operated in an efficient way. Political agreement reached on February 13, 2019 materialized in adoption of Directive (EU) 2019/692 of 17 April 2019 amending Directive 2009/73/EC concerning common rules for the internal market in natural gas, which came into force on May 23, 2019. Member States should have transposed the directive by 24 February 2020.

Current EU Energy Regulation

2030 Framework for Climate and Energy Policy

In October 2014, the European Council set new targets and the architecture for the EU framework for climate and energy in the period from 2020 to 2030. These new targets required a reduction of at least 40% in greenhouse gas emissions by 2030 compared to the 1990 levels. Further, renewable energies shall account for at least a 27% share of EU energy consumption by 2030. In addition, EU wide energy efficiency targets shall be increased to 27%, 10% electricity interconnection shall be reached by 2020 and 15 % by 2030. As a follow up on the European Council's conclusions, the EU Commission presented a Communication on a Framework Strategy for a Resilient Energy Union in February 2015 with a Forward-Looking Climate Change Policy.

In July 2015, the EU Commission proposed to revise the EU Emission Trading Scheme ("*EU ETS*") for the period following 2020. An Innovation Fund and Modernization Fund were established to help the power sector to meet the innovation and investment challenges of the transition to a low-carbon economy. Free allowances continued to be available to modernize the power sector in lower-income Member States, however the Czech Republic decided to abolish that option and take use of those allowances within the Modernization fund. On the other hand, partial free allocation for heat production will continue until the end of 2030. In addition, the legislative proposal on a market stability reserve was approved in October 2015. The placing of allowances in the reserve has taken place since 1 January 2019 onward. For more information, please see "*Regulation – Czech Republic – Carbon Compliance (Emission Allowances)*".

A revision to Directive 2003/87/EC incorporated into the Directive (EU) 2018/410, a key legislative tool for the EU's efforts to reduce greenhouse gas emissions, was published in March 2018. The revised EU ETS should enable reaching the 40% reduction target for 2030 (from 1990 levels) in a cost-effective manner as well as meeting obligations arising out of the Paris Agreement signed in 2016. The key parameters of the revision included streamlining systems, maintaining measures to prevent carbon leakage (reducing CO2 emissions only in developed countries), and providing support for low-carbon mechanisms. A balance should be achieved in the carbon market by the accelerated withdrawal of surplus allowances in the first five years of operation of the Market Stability Reserve ("*MSR*") and cancellation of surplus allowances within the system starting from 2023. Member States were required to transpose provisions of the revised Directive 2003/87/EC into their national laws by October 9, 2019. A new revision of the Directive 2003/87/EC was presented on July 14, 2021 as part of the Fit for 55 package that should help the EU to meet its emission reduction target of at least 55 % by 2030 in comparison to 1990. The proposal significantly increases ambitions under the EU ETS as it proposes for example to increase the linear reduction factor to 4.2 % per year or to apply one-off rebasing. It is also introducing a creation of a separate ETS for building and transport or significantly changing the Modernisation Fund which should be increased but at the same time it would not be allowed to finance gas projects from the Modernisation Fund.

Also related to efforts to reduce greenhouse gas emissions is Regulation (EU) 2018/841 of the European Parliament and of the Council of May 30, 2018, on the inclusion of greenhouse gas emissions and removals from land use, land use change, and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No. 525/2013 and Decision No. 529/2013/EU (the "*Greenhouse Gas Emissions Regulation*"), which became effective on June 19, 2018. Sectors affected by the regulation include agriculture and forestry, transportation (including the building sector), and waste processing. Altogether, these sectors produce about 60% of all EU emissions. Additionally, Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions came into force on December 20, 2018. This regulation laid down new rules for complete, consistent, transparent and accurate monitoring and reporting of greenhouse gas emissions and activity data in the trading period commencing on January 1, 2021.

In April 2016, the Paris Agreement was signed on behalf of the EU, and purported to limit the future increase in average global temperature to, at most, 2°C. The agreement requires its signatories to introduce measures limiting their greenhouse gas emissions and preventing deforestation. The EU has made a commitment to contribute to the goal by reducing its greenhouse gas emissions by 40% by 2030 compared to 1990 levels. The Paris Agreement was approved by the EU in October 2016 by Council Decision (EU) 2016/1841 and entered into force on November 4, 2016.

In November 2016, as a follow-up to the targets set by the European Council in October 2014, the EU Commission presented a "Clean Energy for All Europeans" package, containing 8 proposals for directives and regulations.

As a part of this package, the revised Renewable Energy Directive came into force on December 24, 2018 as Directive (EU) 2018/2001 and purports to reach a significant increase in share of renewables in the EU energy production by setting an EU wide minimum target of 32% energy from renewable sources for 2030. The EU renewables target shall be reached through the contributions of Member States in sectors of power generation, heating and cooling and transport set out in their integrated national energy and climates plans. Besides this holistic renewable energy minimum target the directive encourages Member States to increase the renewables share in their heating and cooling sectors by 1.3% each year (or 1.1% if waste heat is not taken into account) as well as in the transport sector where this share should be at least 14% by 2030. The EU Commission is to reassess the minimum target by 2023 and submit a legislative proposal for its upward revision provided it is necessary to meet international commitments related to climate change or in case of further substantial cost reductions in renewable energy production or in case of a significant decrease in energy consumption. The use of renewables is to be promoted by simplified and streamlined approval procedures with a maximum of two years for regular projects and one year in case of repowering, and by the establishment of a clear and stable framework for household self-consumption. The use of biofuels is to be limited and investment in renewables is to be encouraged by rules securing the stability of financial support to renewable projects and improving predictability of their economic performance, to allow investors greater certainty as to their renewables investments. Member States were required to transpose provisions of the revised Renewable Energy Directive into their national laws by June 30, 2021. The Czech Republic has partially implemented the revised directive. Furthermore, an amendment to the Renewable Energy Directive to help to implement the new 2030 climate target and increase the target for renewables from the current 32% up to 40% was published by the EU Commission on July 14, 2021 as part of the Fit for 55 package.

Additionally, a revised Directive (EU) 2012/27 on Energy Efficiency, which aims to improve the efficiency of energy supply and boost energy savings, came into force on December 24, 2018 as Directive (EU) 2018/2002. This directive sets an EU-wide energy efficiency target of at least 32.5% for 2030 together with an obligation for energy suppliers and distributors to increase their energy savings annually by at least 0.8% from 2021 until 2030 while at the same time preserving the possibility for Member States to introduce alternative policy measures. The 2030 target is subject to the same upward revision as provided for in the revised Renewable Energy Directive. It also aims to promote use of smart metering devices by consumers and to allow for obligations to be imposed on electricity distributors and retail services providers to ensure energy savings. Member States were required to transpose provisions thereof into their national laws partly by June 25, 2020, and partly by October 25, 2020. An amendment to the Directive on Energy Efficiency to help to implement the new 2030 climate target of a minimum 55 % reduction in greenhouse gas emissions by 2030 was published by the EU Commission on July 14, 2021 as part of the Fit for 55 package.

The proposed revision of the Directive on Energy Efficiency presents a double increase in savings which is disproportionately high given that a substantial number of Member States are unlikely to be able to meet the planned savings. Especially challenging are ambitions for efficiency targets at EU level, where Member States should collectively achieve a binding 9% reduction in energy consumption in 2030 compared to the projections of the 2020 reference scenario. In addition doubling the ambition for new annual final energy consumption savings, where the EU Commission proposes 1.5 % from 2024, is considered to be overly ambitious.

Along with the amendments to the Directive on Energy Efficiency and Renewable Energy Directive, Regulation (EU) 2018/1999 of the European Parliament and of the Council of December 11, 2018 on the Governance of the Energy Union and Climate Action (the "*Governance Regulation*") was adopted. The regulation defines how Member States will cooperate both with each other and with the EU Commission to reach the objectives of the Energy Union, including the renewable energy targets and the energy efficiency targets, as well as the EU's long-term greenhouse gas emissions goals. It also sets out control mechanisms that will help ensure that the targets are met, and that the range of actions proposed constitute a coherent and coordinated approach. The regulation also obliges Member States to draw up integrated national energy and climate plans for 2021 to 2030 outlining how they contemplate to achieve the targets. Member States were required to notify to the EU Commission their first integrated national energy and climate plans by December 31, 2019.

In addition to the above, revisions to Energy Performance of Buildings Directive (the Directive (EU) 2018/844) came into force on July 9, 2018. Pursuant to the revised Energy Performance of Buildings Directive, Member States have an obligation to develop long-term renovation strategies in order to achieve highly efficient, decarbonized buildings by 2050. Also, since access to charging at home is a key factor in the decision to purchase an electric vehicle, electric vehicle charging readiness requirements will apply for new or significantly renovated buildings. Member States were required to transpose provisions thereof into their national laws by March 10, 2020. The new revision of the Energy Performance of Buildings Directive was announced on December 15, 2021. It amends and strengthens the original directive and complements the Fit for 55 legislative package. Compared to the original directive, the proposed revision increases these ambitions in many respects, especially in connection with the transition to completely emission-free construction of buildings or the expectation of a massive start of electromobility and preparation of the charging infrastructure in buildings.

In accordance with the Governance Regulation, the draft of the Integrated National Energy and Climate Plan of the Czech Republic was drawn-up and submitted to the EU Commission in January 2019. Pursuant to the Czech Integrated National Energy and Climate Plan as approved by the Czech Government on January 13, 2020, the Czech Republic´s main objective is to reduce the total greenhouse gas emissions by 30% by 2030 and to achieve 22% share of renewable energy sources of its gross final energy consumption. For more information, please see "*Regulation – Czech Republic – Czech Integrated National Energy and Climate Plan"*.

Multiple legislative acts to implement the new market design were also presented as part of the "Clean Energy for All Europeans" package. In particular, on July 2, 2019, a new Directive on Common Rules for the Internal Market in Electricity (2019/944) came into force. The new directive inter alia suggests reinforcing and expanding the rights of consumers, compelling suppliers to provide services better tailored to the needs of consumers and supporting installation of new kinds of infrastructure (such as energy storage facilities). The directive also strives to promote new energy services, such as demand side response, aggregators or citizen energy communities, and sets out the rules for smart metering deployment and data management. Majority of provisions of the new directive should have been transposed by the end of 2020. The Czech Republic did not fulfil its obligation to fully transpose the directive in time and the corresponding implementation in the Czech Energy law is pending.

Further, a recast Regulation on the Internal Market for Electricity (2019/943) came into force on July 2, 2019. The regulation aims to further liberalize the electricity market, for example, by removing price caps and floors in wholesale trade with prices to be determined by immediate consumption rate, limiting priority dispatch, or introducing rules on balancing markets. It sets out the rules for capacity mechanisms deployment, introducing a more European approach by linking it to the result of the EU resources adequacy assessment. The regulation also seeks to enhance regional cooperation of (i) transmission system operators by setting up Regional Coordination Centres ("ROCs"), and (ii) distribution system operators by setting up EU Entity for Distribution System Operators ("*EU DSO Entity*"). The recast Regulation on the Internal Market for Electricity became fully applicable from January 1, 2020.

On July 2, 2019 a revised ACER Regulation (2019/942) came into force, which adapts the Agency for the Cooperation of Energy Regulators ("*ACER*") to the changes in the energy markets and addresses the need for enhanced regional cooperation. The revised regulation gives ACER a stronger role in the development of network codes and coordination of regional decision-making. Also, a number of new tasks related to the regional coordination centers (that are to be established), the supervision of nominated electricity market operators and the assessment of generation adequacy and risk preparedness are assigned thereto.

Accordingly, all legislative acts in the Clean Energy for All Europeans package are now in force at the EU level.

In May 2018, the EU Commission adopted a package of measures implementing several key actions announced in its action plan on sustainable finance. The following three legislations were adopted in this context:

1) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, which establishes the conditions and the framework to gradually create a unified classification system ('taxonomy') on what can be considered an environmentally sustainable economic activity. The main aim is to channel investments into sustainable activities. The regulation was amended by delegated acts on reporting and climate mitigation and adaptation criteria in 2021.

2) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. This regulation introduces disclosure obligations on how institutional investors and asset managers integrate environmental, social and governance ("*ESG*") factors in their risk processes.

3) Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks. The regulation creates new categories of benchmarks, which will provide investors with better information on the carbon footprint of their investments.

In addition, from May 24 to June 21, 2018, the EU Commission had been seeking feedback on amendments to delegated acts under MiFID II and the Insurance Distribution Directive ("*IDD*") to include ESG considerations into the advice that investment firms and insurance distributors offer to individual clients.

In June 2018, a package comprising four directives concerning waste management, landfilling, electrical and electronic equipment packaging and waste, waste batteries and accumulators, and disposal of retired vehicles, jointly referred to as the Waste Package, was published in the official journal of the EU and became effective. According to the newly passed legislation, at least 55% of municipal waste (i.e. waste from households and small businesses) should be recycled by 2025, at least 60% by 2030 and at least 65% by 2035. The new legislation also introduces a limit for the maximum amount of municipal waste that can be landfilled which amount must be reduced to 10% or less of the total amount of municipal waste generated by 2035. Member States were required to transpose the Waste Package directives by July 5, 2020. The Czech Republic transposed both waste package directives and the new waste law is applied from January 2021.

The 2021 United Nations Climate Change Conference ("*COP26*") took place in Glasgow from October 31 to November 13, 2021. The outcome of COP26 was a new agreement known as the Glasgow Climate Pact, which was signed by 197 participating countries. The main goals of the Glasgow Climate Pack are to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels, to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, to phase-down coal power and to accelerate efforts towards the phase-out of inefficient fossil fuel subsidies.

Cross-Border Trading of Electricity

Besides focusing on liberalizing internal energy markets in every Member State, European energy regulation is also designed to improve cross-border trade in electricity. As a part of this focus, Regulation (EC) No. 1228/2003 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity was adopted. It was succeeded by Regulation No. 714/2009 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity which repealed Regulation (EC) No 1228/2003, and which further specified rules designed to alleviate cross-border exchange difficulties, with a view to improving competition and harmonization in the internal electricity market, rules on cooperation of transmission system operators and rights of the EU Commission to issue technical network codes on specific aspects of electricity system operation.

This Regulation accordingly created the European Network of Transmission System Operators (the "*ENTSO for Electricity*"), composed of designated transmission network operators from all Member States which have a duty to put in place information exchange mechanisms in order to ensure the security of networks in the context of congestion management.

The costs related to the activities of the ENTSO for Electricity are borne by the transmission system operators which receive compensation for costs incurred as a result of hosting cross-border flows of electricity on their networks. Compensation is paid by the operators of national transmission systems from which cross-border flows originate. Charges for access to networks are also applied by operators.

To further specify technical aspects related to electricity system operation, the EU adopted a number of network codes and guidelines related to *inter alia* emergency and restoration, capacity allocation process, system operation and demand response. Specifically, in 2015, the EU adopted Commission Regulation (EU) 2015/1222 of 24 July 2015 Establishing a Guideline on Capacity Allocation and Congestion Management, In 2016, Commission Regulation (EU) 2016/1719 of 26 September 2016 Establishing a Guideline on Forward Capacity Allocation, Commission Regulation (EU) 2016/1388 of 17 August 2016 Establishing a Network Code on Demand Connection, Commission Regulation (EU) 2016/1447 on Establishing a Network Code on Requirements for Grid Connection of High Voltage Direct Current Systems and Direct Current-Connected Power Park Modules and Commission Regulation (EU) 2016/631 on Establishing a Network Code on Requirements for Grid Connection of Generators. In 2017, a final set of network codes included Commission Regulation (EU) 2017/1485 of 2 August 2017 Establishing a Guideline on Electricity Transmission System Operation, Commission Regulation (EU) 2017/2195 of 23 November 2017 Establishing a Guideline on Electricity Balancing and Commission Regulation (EU) 2017/2196 of 24 November 2017 Establishing a Network Code on Electricity Emergency and Restoration. Methodologies further detailing requirements of these network codes as currently being adopted at regional and European level.

Due to numerous substantial amendments to the Regulation on Cross-Border Exchanges, *inter alia* via the above-mentioned network codes and guidelines, the EU Commission proposed its recast as part of the new Regulation on the Internal Market for Electricity in November 2016 (please see "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy*").

Energy Infrastructure

Gas Infrastructure Legislation

In November 2005, the EU Commission adopted Regulation (EC) No. 1775/2005 on Conditions for Access to Natural Gas Transmission Networks, which covered access to all transmission networks in the European Union and addressed a number of issues such as access charges (which had to reflect the actual costs incurred), third party access services, capacity allocation mechanisms, congestion management, balancing and imbalance charges, secondary markets and information and confidentiality provisions. Regulation (EC) No. 1775/2005 established a committee of national energy experts, which has the authority to revise the rules annexed to the Regulation. In July 2009, it was repealed by Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on Conditions for Access to the Natural Gas Transmission Networks.

The Natural Gas Transmission Regulation complements the Third Gas Directive and stipulates rules for natural gas transmission networks, gas storage and liquefied natural gas facilities. It concerns access to infrastructure, particularly by determining the establishment of tariffs (solely for access to networks), services to be offered, allocation of capacity, transparency and balancing of the network. It provides for access to maximum network capacity as well as storage and liquefied natural gas facilities for all market participants. Infrastructure operators have a duty to implement and publish non-discriminatory and transparent congestion-management procedures.

Like the Regulation on Electricity Cross-Border Exchanges, it creates the European Network of Transmission System Operators for Gas ("*ENTSO for Gas*"), composed of gas transmission network operators from all Member States.

To further encourage and facilitate efficient gas trading and transmission across gas transmission systems within the European Union, and thereby to move towards greater internal market integration, the EU adopted a number of network codes on gas system operation. Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks was adopted in 2014. In 2015, Commission Regulation (EU) 2015/703 Establishing a Network Code on Interoperability and Data Exchange Rules and Commission Decision (EU) 2015/715 of 30 April 2015 amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks were adopted. Latest network codes include Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and repealing Regulation (EU) No 984/2013, and Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a Network Code on Harmonised Transmission Tariff Structures for Gas.

The revision of the Third Energy Package for gas (Directive 2009/73/EU and Regulation 715/2009/EU) to regulate competitive decarbonised gas markets was published in December 2021 as the Hydrogen and Gas Markets Decarbonisation Package. The presented proposals include specific legislation on the decarbonisation of gas markets and hydrogen and establishing a market for hydrogen, building on the EU Hydrogen Strategy from July 2020. In addition, the revision proposals foresee that the national network development plans should be based on a joint scenario for electricity, gas and hydrogen. It should be aligned with National Energy and Climate Plans, as well as EU-wide Ten Year Network Development Plan. Gas network operators have to include information on infrastructure that can be decommissioned or repurposed, and there will be separate hydrogen network development reporting to ensure that the construction of the hydrogen system is based on a realistic demand projection. The revision of the Third Energy Package for gas also includes an amendment to the Regulation (EU) 2017/1938 of the European Parliament and of the Council Concerning Measures to Safeguard the Security of Gas Supply and Repealing Regulation (EU) No 994/2010 (the "*Second Security of Gas Supply Regulation*") and aims to extend the scope of the regulation to renewable and low-carbon gases in the natural gas grid, while also adapting it to new risks, such as cyber threats. Moreover, the amendments will adopt a regional approach to make more efficient use of storage, for example by agreeing on risks and measures in regional risk groups.

Security of Electricity Supply

In 2006, the European Union adopted Directive 2005/89/EC Concerning Measures to Safeguard Security of Electricity Supply and Infrastructure Investment (the "*Electricity Security of Supply Directive*"), which requires Member States to ensure a high level of security of electricity supply by taking necessary measures to facilitate a stable investment climate. The Electricity Security of Supply Directive stipulates that transmission system operators set minimum operational rules and obligations for network security, which may then require approval by the relevant authority. Member States must also prepare, in close cooperation with the transmission system operators, a system adequacy report according to EU reporting requirements. Member States were required to transpose the Electricity Security of Supply Directive into national law by February 24, 2008. The Czech Republic transposed the Electricity Security of Supply Directive into national law in 2009.

In November 2016, a proposal for a Regulation on Risk-Preparedness in the Electricity Sector was introduced as part of the "Clean Energy for All Europeans" package, aiming to unify the Member States' approach towards assessing risks and managing energy crises. Among the key objectives is securing electricity supply to customers, especially those providing essential services (e.g. hospitals) and operation of the market mechanisms as long as possible in a time of a crisis. Member State´s authorities will be required to establish a risk-preparedness plan and national and regional electricity crisis scenarios. The regulation also purports to introduce new rules for regional cooperation in crisis situations. The Regulation on Risk-Preparedness in the Electricity Sector came into force and became applicable on July 2, 2019.

Security of Gas Supply

Following the Russian-Ukrainian gas crisis of January 2009, Regulation (EU) No. 994/2010 Concerning Measures to Safeguard Security of Gas Supply (the "*First Gas Supply Regulation*") was adopted in order to strengthen the prevention and crisis response mechanisms.

The First Gas Supply Regulation imposed a number of new rules designed to prevent and mitigate potential disruptions to gas supplies, such as risk assessment mechanisms, preventive action plans and emergency plans, duty to ensure gas supplies to households for at least 30 days under severe conditions or enhancing flexibility of the gas infrastructure, including enabling bi-directional physical capacity on cross-border interconnections.

In October 2017, the Second Security of Gas Supply Regulation was adopted. For the first time, a solidarity principle was introduced under the Second Security of Gas Supply Regulation requiring neighboring Member States to help out each other to ensure that gas is supplied to households and essential social service in the event of a severe gas crisis. Further, Member States will be required to work together in regional groups to assess the potential for gas supply disruptions and agree on joint actions to prevent or mitigate the consequences. The Second Security of Gas Supply Regulation also aims to strengthen the transparency by requiring natural gas companies to notify national authorities as to the major long-term contracts that may be relevant for the security of gas supply. In addition, ENTSO for Gas will be required to perform an EU wide gas supply and infrastructure disruption simulation in order to provide a high-level overview of major supply risks for the EU. The Hydrogen and Gas Markets Decarbonisation Package presented in December 2021 contains proposal for the amendments of Second Security of Gas Supply Regulation. The revision proposal emphasizes the importance of energy security, especially in times when global markets are volatile. The EU Commission proposes to improve the resilience of the gas system and strengthen the existing security of supply provisions, while enhancing automatic solidarity across borders through new pre-defined arrangements and clarifications on controls and compensations within the internal energy market. The proposal extends current rules to renewables and low carbon gases and introduces new provisions to cover emerging cybersecurity risks. Finally, it aims to foster a more strategic approach to gas storage, integrating storage considerations into risk assessment at regional level.

Proposed Changes for Energy Infrastructure

In 2013, Regulation (EU) No 347/2013 of the European Parliament and of the Council on Guidelines for Trans-European Energy Infrastructure (the "*Trans-European Energy Infrastructure Regulation*") was adopted to ensure that strategic energy networks and storage facilities are completed by 2020. Ultimately, it aims to ensure that sufficient and timely development of energy infrastructures across the European Union and neighboring countries in order to facilitate continuous and unrestricted cross-border energy flow.

To this end, the EU Commission has identified 12 priority corridors and areas covering electricity, gas, oil and CO_2 transport networks. The territory of the Czech Republic is included in the project of Central/South Eastern Electricity Connections and in the project of North-South Gas Interconnections and Oil Supply which indicates the possibility of significant future investments with the EU support into the Czech energy infrastructure in the next decade. In October 2013, on the basis of the Trans-European Energy Infrastructure Regulation, the EU Commission approved the list of approximately 250 key projects in the field of energy infrastructure – the "projects of common interest". These key projects will benefit from a more expedient permit-granting process, better regulatory conditions and access to financial assistance from the Connecting Europe Facility ("*CEF*"), with the aim of speeding-up the realization of such projects and increasing their attractiveness to investors. The list was updated in 2015 and in 2017, and the fourth list was published in the Official Journal of the EU on March 3, 2020.

Also, in respect of the CEF, in June 2018, the EU Commission introduced a proposal for a regulation aiming at establishing the legal basis for the CEF for the period beyond 2020 and repealing the CEF Regulation. The overarching objective of the proposal is to support the achievement of the EU policy objectives in the transport, energy and digital sector in respect of the trans-European networks, by enabling or accelerating investments into projects of common interest, and to support cross-border cooperation on renewable energy generation. The facility will aim at maximizing synergies among the sectors covered and with the other EU programmes and focuses on projects of highest European added value.

Reflecting on new priorities in the European climate policy, the EU Commission presented a revision of the EU Trans-European Energy Infrastructure Regulation in December 2020. Regulation broadens existing scope of PCI projects to offshore infrastructure, hydrogen networks and put more emphasis on RES integration projects. As of the date of this Base Prospectus, it is negotiated both in the European Council and the European Parliament.

Additionally, on November 20, 2018, a new EU framework for screening of foreign direct investments in strategic technologies and infrastructure was agreed on by the European Parliament, the Council and the EU Commission. The proposed framework establishes a cooperation mechanism where Member States and the EU Commission will be able to exchange information and raise specific concerns regarding foreign acquisitions of strategic technologies (e.g. energy networks). Accordingly, within the new framework, the EU Commission would be empowered to screen foreign direct investments on grounds of security or public order and to issue opinions in cases where several Member States would be concerned, or when an investment could affect a project or programme of interest to the whole EU. However, the proposal keeps the last word of Member States whether a specific operation should be allowed or not in their territory. The framework was implemented into EU law via Regulation (EU) 2019/452 of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, which came into force in April 2019 and should be applied from October 11, 2020.

Renewable Energy Sources

The European Union made commitments to reduce greenhouse gas emissions under the Kyoto protocol for reducing greenhouse gas emissions (the "*Kyoto Protocol*"). Under the Kyoto Protocol, promotion of electricity from renewable energy sources, meaning electricity produced from non-fossil renewable energy sources such as wind, solar, geothermal, wave, tidal, hydroelectric, biomass and biogas energies, became a priority of the European Union. To this end, EU institutions adopted Directive 2009/28/EC on the promotion of the use of energy from renewable sources (and amending and subsequently repealing earlier Directives 2001/77/EC and 2003/30/EC) (the "*Renewable Energy Directive*") in 2009 as a part of the EU Energy and Climate Change Legislation.

The Renewable Energy Directive established a target for each Member State reflecting their different starting points and potential for increasing renewables production based on the contribution of renewable energy to gross final consumption for 2020. This target was in line with the overall "20-20-20" goal for the EU. The Czech Republic was to increase the share of renewable sources (composed of renewable energy for heat, renewable energy for electricity and the use of biofuels in transport) in the total gross energy consumption from 6.1% (the share in 2005) to 13% by 2020.

In October 2014, the European Council set new targets and the architecture for the EU framework for climate and energy in the period from 2020 to 2030 (please see "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy").*

In April 2016, the Paris Agreement was signed on behalf of the EU and purported to limit the future increase in average global temperature to, at most, 2°C (see please "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy").*

As part of the "Clean Energy for All Europeans" package, the revised EU Renewable Energy Directive came into force on December 24, 2018 as Directive (EU) 2018/2001 (please see "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy").*

EU Emissions Trading Scheme (EU ETS)

The EU ETS is the key tool for cutting industrial greenhouse gas emissions most cost-effectively. For more information, please see "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy*" and "*Regulation—Czech Republic—Carbon compliance (Emission Allowances)*".

Energy efficiency Directive

On October 25, 2012, the EU adopted the Directive (EU) 2012/27 on Energy Efficiency (the "*Energy Efficiency Directive*") building on the previous Energy Efficiency Plan 2011. This Directive establishes a common framework of measures for the promotion of energy efficiency within the EU in order to ensure the achievement of the EU 2020 20% target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy and provides for the establishment of indicative national energy efficiency targets for 2020.

As part of the "Clean Energy for All Europeans" package, the Directive amending the EU Energy Efficiency Directive and the revised Directive on the Energy Performance of Buildings were adopted (please see "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy")*. Also the Fit for 55 legislative package of July 14, 2021 brought new revisions of both directives, see above.

Transparency of wholesale electricity, gas and emission allowances trading

Wholesale gas and electricity prices are highly sensitive to available production and transmission capabilities. Prices may be influenced by (i) disseminating false information on the availability of these capabilities or (ii) reducing production. To prevent and detect these electricity and gas wholesale market manipulations, the European Union enacted Regulation (EC) No. 1227/2011 on Wholesale Energy Market Integrity and Transparency (the "*REMIT*"), which, *inter alia*:

- Prohibit the use of inside information when buying or selling on wholesale energy markets.
- Prohibit manipulative transactions and dissemination of incorrect information that give false or misleading signals about supply, demand, or prices.
- Oblige energy traders to report their transaction data to the ACER. These data include the price, volumes, date and time of the transaction, the name of the seller, the name of the buyer, and any other beneficiaries.
- Make ACER responsible for the independent monitoring of all wholesale energy trades. If market abuse is suspected, ACER will request national regulators investigate. It will also coordinate cross-border investigations.

The European Union enacted Regulation (EC) No. 596/2014 on Market Abuse (the "*MAR*") to prevent and detect the market manipulations and insider dealings also on markets with emission allowances (including, public markets and auctions of emission allowances; for more information please see "*Czech Republic—Electricity Energy Sector—Carbon Compliance (Emission Allowances)*"). The MAR introduced the following tools to prevent the aforesaid practices with respect to the emission allowances:

- Obligation of market participants to publish inside information relating to emission allowances.
- Obligation of market participants to prepare insiders lists.
- Obligation of market participants to disclose managers' transactions.
- Obligation of market operators and investment firms (banks, brokers) to report suspicious transactions with emission allowances.
- Prohibition of the use of inside information when buying or selling emission allowances in auction or on public markets.
- Prohibition of manipulative transactions and dissemination of incorrect information that give false or misleading signals about supply, demand, or prices.

The obligation to publish inside information, prepare insiders lists and disclose managers' transactions applies solely to emission allowances market participants who exceed the thresholds of (i) aggregate year CO_2 emissions or (ii) rated thermal input. These thresholds are set by the EU Commission.

Further regulation on market transparency and oversight, impacting mostly financial markets, was adopted in 2014 via MIFID II and MIFIR.

Other applicable EU legislation

In November 2016, Regulation (EU) 2016/1952 of the European Parliament and of the Council on European Statistics on Natural Gas and Electricity Prices and Repealing Directive 2008/92/EC of the EU and of the Council Concerning a Community Procedure to Improve the Transparency of Gas and Electricity Prices Charged to Industrial End-Users was adopted, with the aim of harmonizing the statistical methods for gas and electricity price reporting. To that end, the EU adopted Commission Regulation (EU) 2017/2010 of 9 November 2017 amending Regulation (EC) No 1099/2008 of the European Parliament and of the Council on Energy Statistics, with regard to updates for the annual and monthly energy statistics; and Commission Implementing Regulation (EU) 2017/2169 of 21 November 2017 concerning the format and arrangements for the transmission of European Statistics on natural gas and electricity prices pursuant to Regulation (EU) 2016/1952 of the European Parliament and of the Council.

To ensure that Member States have relevant information on energy price levels at their disposal, on November 30, 2016, the EU Commission presented, as a part of the "Clean Energy for All Europeans" package, the second report on energy prices and costs. The report elaborates on different components of energy prices in respective Member States and on the influence of prices on the competitiveness of European industry and investment in Europe.

With the aim of increasing the transparency of intergovernmental agreements between Member States and third countries, the EU adopted the Decision (EU) 2017/684 of the European Parliament and of the Council of 5 April 2017, establishing an information exchange mechanism with regard to intergovernmental agreements and non-binding instruments between Member States and third countries in the field of energy, and repealed Decision No 994/2012/EU.

The European Green Deal, Climate Law and Fit for 55

The EU has committed to achieving climate neutrality by 2050 and reducing greenhouse gas emissions by 55 % by 2030 (compared to 1990 levels). Its new strategy, the European Green Deal (the "*Green Deal*"), contains a set of policy initiatives and legislative proposals that chart the path towards reaching this goal. The roadmap under the Green Deal provides for measures such as the European Climate Law (the "*Climate Law*"), achieving energy efficiency in buildings, establishing the circular economy, protecting biodiversity and decarbonising the transport and energy sectors.

The Climate Law was adopted in December 2020 and entered into force on July 29, 2021. It sets a legal framework for achieving the EU's carbon neutrality in 2050 and empowers the EU Commission to adopt delegated acts to set out an emission reduction trajectory for 2030 to 2050. Every five years, the EU Commission shall review whether national and the EU measures are consistent with the climate-neutrality objective and the trajectory for 2030 to 2050, with the first review to be carried out by September 2023.

On July 14, 2021, the EU Commission presented its Fit for 55 package of legislative proposals, which refers to an emission reduction target of at least 55 % by 2030, an intermediary goal on the way to climate neutrality by 2050. The legislative proposals included in the package are:

- Proposal for a Directive revising the EU Emissions Trading System (ETS) which aims to expand the scope of the EU ETS to include emissions from maritime transport. It also includes proposals for a stand-alone ETS to cover emissions from road transport and fuels for heating buildings.

- Proposal for a Directive amending the Renewable Energy Directive (2018/2001/EU) which increases the EU target for energy from renewable sources to 40% by 2030, with following specific targets for renewable energy use in transport, heating and cooling, buildings and industry: (i) transport (greenhouse gas intensity reduction of at least 13%; share of advanced biofuels and biogas increasing to 2.2%; and share of renewable fuels of non-biological origin of at least 2.6%), (ii) heating and cooling (average minimum annual increase of 1.1 percentage points), (iii) buildings (49%) and industry (indicative average minimum annual increase of 1.1 percentage points).

- Proposal for a Directive repealing and replacing the Energy Efficiency Directive (2012/27/EU) which sets a higher binding annual target for reducing energy use at EU level.

- Proposal for a Regulation introducing a new carbon border adjustment mechanism (CBAM) to reduce the risk of carbon leakage and ensure a level playing field.

- Proposal for a Decision amending Decision (EU) 2015/1814, which sets the amount of allowances to be placed in the market stability reserve for the EU ETS.

- Proposal for a Directive revising the EU ETS for aviation, which includes reductions to the free allocation of allowances to aircraft operators.

- Proposal for a Decision to implement member states' notification to EU-based airlines of the offsetting for 2021 under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

- Proposal for a Regulation revising the Effort Sharing Regulation ((EU) 2018/842) which aims to increase the Member States' greenhouse gas emissions reductions for the relevant sectors from 29% to 40% below 2005 levels.

- Proposal for a Regulation revising the Land use, Land use change and Forestry (LULUCF) Regulation ((EU) 2018/841). The proposal includes an overall EU target for carbon removals by natural sinks by 2030 and national targets requiring Member States to care for and expand their carbon sinks to meet this target.

- Proposal for a Council Directive repealing and replacing the Energy Taxation Directive (2003/96/EC) which aims to align the taxation of energy products with EU energy and climate policies.

- Proposal for a Regulation repealing and replacing the Directive on deployment of alternative fuels infrastructure (2014/94/EU). It imposes an obligation on the Member States to expand charging capacity and to install charging and fueling points at regular intervals on major highways.

- Proposal for a Regulation revising the Regulation setting CO_2 emission performance standards for new passenger cars and new light commercial vehicles ((EU) 2019/631). The proposal requires the average emissions of new cars to decrease by 55% from 2030 and 100% from 2035 compared to 2021 levels. All new cars registered from 2035 will have to be zero-emission.

- Proposal for a Regulation on sustainable aviation fuel, which will require fuel suppliers to blend increasing levels of sustainable aviation fuels in jet fuel taken on-board at EU airports, including synthetic low carbon fuels.

- Proposal for a Regulation on sustainable maritime fuels and zero-emission technologies, which will impose a maximum limit on the greenhouse gas content of energy used by ships calling at European ports.

- Proposal for a Regulation to create a new Social Climate Fund to provide funding to Member States to help citizens finance investments in energy efficiency, new heating and cooling systems, and cleaner mobility. The Social Climate Fund would be financed by the EU budget and would use the equivalent of 25% of the expected revenues of the new ETS for fuel for building heat and road transport fuels.

In addition, the proposal of the revision of the Third Energy Package for gas was published on December 15, 2021 as part of a second package of "Fit for 55" proposals. This proposal consists of a revised Third Gas Directive and revised Natural Gas Transmission Regulation. The EU Commission is also following up on the EU Methane Strategy and its international commitments with proposals to reduce methane emissions in the energy sector in Europe and in our global supply chain. One of the main aims is to create a market for hydrogen and enable the development of specialised infrastructure, including for trade with third countries. The proposal also envisages blending hydrogen into current gas network. The challenge of the proposal is to define renewable and low-carbon gases, which should have a specific certification system, and in an effort to increase their use, discounts and the abolition of certain transit and entry tariffs are proposed. Another priority of the draft package is consumer empowerment and protection to the level that already exists in the electricity market.

In order to be adopted, the proposals need to be discussed in the European Council and European Parliament.

Taxonomy Regulation

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 establishes a uniform classification system aiming to harmonize criteria for the purposes of determining whether an economic activity may be considered sustainable under existing market practices. Based on the regulation, in 2021 the EU Commission has prepared delegated acts on reporting and climate mitigation and adaptation. The role of nuclear energy and natural gas has been defined in a complementary delegated act in February 2022 and is waiting to be approved in the European Parliament and Council.

Czech Republic

General Overview

The Czech energy sector is governed by a wide range of laws and regulations which also implement the EU legislation described above. The key law focusing solely on the energy sector is Act No. 458/2000 Coll., on conducting business and governmental oversight in the energy sectors, as amended (the "*Czech Energy Act*") which provides the legal basis for conducting business in the energy sector and obtaining the necessary licenses for the production, distribution, transmission, storage and sale of electricity, gas and heat.

The Czech Energy Act was enacted in 2000 and broadly amended in August 2011 (as a result of the implementation of the Third Electricity Directive and the Third Gas Directive) and in January 2016 (as a means of implementing the Energy Efficiency Directive, REMIT and Trans-European Energy Infrastructure Regulation), and contains provisions in compliance with applicable EU legislation.

The last substantial amendments of the Czech Energy Act were done by the Act No. 362/2021 Coll., which partly entered into force on January 1, 2022, and fully enters into force on July 1, 2022. The main subject of the amendment is to introduce rules governing business activities of intermediaries in the energy sector and to improve protection of end-customers. Therefore, the amendment inter alia introduces authorization procedure for intermediaries in the energy sector conducted by the Energy Regulatory Office ("*ERO*") and sets out the rules for carrying out activities of intermediaries, minimal requirements for applicants applying for authorization for intermediaries and conditions of termination and cancellation of authorization for intermediaries. It also establishes a registry of intermediaries maintained by the ERO.

Main principles of the Czech Energy Act are: (i) to conduct business in the energy sectors only with licenses or certificates issued by the ERO; (ii) the unbundling of transmission and distribution system operators; (iii) the liberalization of the market by allowing competition in the energy sector; (iv) the establishment of a strong and independent regulatory authority (*i.e*. the ERO); and (v) the protection of end-consumers.

Other laws related to the energy sector include, but are not limited to:

- Act No. 406/2000 Coll., on energy management, as amended (the "*Czech Energy Management Act*");
- Act No. 201/2012 Coll., on protection of the air, as amended (the "*Czech Air Protection Act*");
- Act No. 383/2012 Coll., on conditions for trading with emission allowances, as amended (the "*Czech Emission Allowances Act*");
- Act No. 18/1997 Coll., on peaceful utilization of nuclear energy and ionising radiation, as amended (the "*Czech Nuclear Act 1997*");
- Act No. 263/2016 Coll., the Nuclear Act, as amended (the "*Czech Nuclear Act 2016*")
- Act No. 165/2012 Coll., on promoted energy sources, as amended ("*Czech Promoted Energy Sources Act*");
- Act No. 44/1988 Coll., on protection and exploitation of minerals, as amended (the "*Czech Mining Act*"); and
- Act No. 76/2002 Coll., on integrated pollution prevention and control, as amended, (the "*Czech IPPC Act*").

State Administration and Regulatory Authorities

The main state authorities supervising the energy sector are:

- The ERO designated as the main supervisory independent authority in the energy sector is currently headed by a five-member board of directors appointed by the government) and has a power, among other things, to:
  - issue licenses;
  - provide the method of the energy sector regulation and procedures for price regulation;
  - fix selected regulated prices;
  - adopt rules implementing energy legislation;
  - issue or revoke the certificate of transmission system operator ("TSO");
  - approve the grid development plans;
  - decide disputes defined by the Czech Energy Act;
  - execute the supervision over the compliance with the Czech Energy Act, the Czech Promoted Energy Sources Act, Act No. 634/1992 Coll., on consumer protection, as amended, Act No. 526/1990 Coll., on prices, as amended, and the EU regulations including the Regulation on Cross-Border Exchanges, the Natural Gas Transmission Regulation, the REMIT, the Second Security of Gas Supply Regulation and directly applicable regulations issued by virtue of these regulations or its implementation and obligations arising out of the EU Commission or ACER decisions;
  - communication and cooperation with ACER;
  - impose fines if applicable regulations under the Czech Energy Act are breached (e.g. if unbundling rules are breached, the ERO is entitled to impose fines up to CZK 50 million or 1% of the relevant company's turnover, and in the case of transmission network operators, fines of up to CZK 100 million or 10% of the relevant company's turnover. In respect of vertically integrated companies, a fine of up to CZK 50 million or 1% of company's turnover may be imposed on the controlling company for giving instructions to its subsidiaries in breach of the applicable distribution unbundling legislation. In addition, the ERO may also require entities that breach applicable regulations to perform specific remedial measures).
- The Ministry of Industry and Trade of the Czech Republic (the "*Czech Ministry of Industry*"), responsible for, among other things, preparation of the state energy conception, preparation of the national action plan for renewable sources of energy and the national action plan for smart grids, granting authorization to construct power plants and communication with the EU Commission;
- The State Energy Inspection (the *"Czech Energy Inspection"*) - administrative agency subordinated to the Czech Ministry of Industry carrying out control activities to ensure compliance of individuals and legal persons with the Czech Energy Management Act (*e.g*. overseeing energy specialists and introduction of products related to energy consumption on the Czech market); and
- The Ministry of Environment of the Czech Republic (the "*Czech Ministry of Environment*"), which primarily administers matters in connection with emission allowances and air pollution.

Electric Energy Sector

Licensing Regime

Under conditions set out in the Czech Energy Act, business activities in the energy sectors in the Czech Republic may be pursued by natural or legal persons solely on the basis of a license granted by the ERO. Licenses for electricity or gas trading granted in other Member States are also recognized. An applicant is entitled to request a decision from the ERO on license recognition if such applicant already possesses a similar license issued by the competent authority in another Member State. In order to avoid the possibility of the ERO making discriminatory decisions, the ERO is obliged to issue the license if the applicant meets certain statutory requirements.

The ERO may renew or extend a license if the same requirements for the issuance of a new license are met. However, there is no assurance that a license will be renewed or extended. The licenses for electricity generation, gas production and heat generation are issued up to a maximum of 25 years. The licenses for electricity transmission, gas transportation, electricity or gas distribution, gas storage, heat distribution and for the market operator are issued for an indefinite period of time (subject to the right of the ERO to revoke a license in case of a material breach of a license by a license holder). The licenses for electricity or gas trading are issued for a set period of 5 years. License is not required for generation of electricity in power plants installed in customer connection points (for small generators with total capacity less than 10 kW which do not operate the power plants for business purposes). The list of license owners is published in a bulletin issued by the ERO and the information about the license holders is published on the ERO website.

Electricity Generation

Authorization to construct power plants

If a company wishes to construct a power plant with an installed electrical output of more than 1 MW, it must obtain an authorization from the Czech Ministry of Industry. The issuance of such authorization is discretionary; however, certain factors must be taken into account, including, but not limited to, compliance with the state energy conception (which is a resolution of the Czech Government defining its strategic goals in the energy sector, including, among other things, its 30-year outlook), the national action plan for renewable sources of energy, the state raw materials conception and the zoning documentation.

Coal-fired power plants

The operation of a coal-fired power plant requires possession of a power generation license, as well as various other licenses and authorizations, including construction-law and environmental-law permits. The statutes enumerated below regarding air pollution and carbon compliance have a material impact on the operation of coal-fired power plants.

Czech Air Protection Act

Emission Charges

Coal-fired power plants must comply with several regulations under the Czech Air Protection Act. For example, the company operating a coal-fired power plant is subject to the "polluter pays" principle under which it must pay emission charges to the State Environmental Fund for emissions of air pollutants such as solid particle pollutants (dust), sulphur dioxide ("*SO2*"), mono-nitrogen oxides ("*NOx*") and volatile organic compounds ("*VOC*"). From 2017, the emission charges proceeds are distributed as follows: 65% to the State Environmental Fund, 25% to the regional budget, 10% to the state budget.

- If a polluter produces emissions below the limits stipulated by law or permit, its emission charges are reduced. Where emissions reach the threshold:
  - below the 50% of the maximum limits set for the best available techniques ("BAT"), no emission charges are paid,
  - within 50 to 60% of the maximum BAT annual emission limit, the emission charge is reduced by 80%,
  - within 60 to 70% of the maximum BAT annual emission limit, the emission charge is reduced by 60%,

– within 70 to 80% of the maximum set up BAT annual emission limit, the emission charge is reduced by 40%,

– within 80 to 90% of the maximum set up BAT annual emission limit, the emission charge is reduced by 20%, and

– above 90%, the emission charge is not reduced.

- If a polluter undertakes to reconstruct or modernize its installations resulting in a lower annual emission of pollutants by at least 30%, sulphur oxides expressed as sulphur dioxide by at least 55%, nitrogen oxides expressed as mono-nitrogen oxides by at least 55% or VOC by at least 30% compared with 2010 levels within the entire emission charges period, no emission charges are paid.

Emission limits

The Czech Air Protection Act implements Directive 2010/75/EC on Industrial Emissions (on Integrated Pollution Prevention and Control), which entered into force on January 6, 2011 (the "*Industrial Emissions Directive*"), which requires Member States to impose more stringent NO_X, sulphur dioxide, mercury and dust emission limits on combustion plants. The specific value of such emission limits depends on various factors, including total rated thermal input, type of fuel used by the combustion plant or the date on which such plant was put into operation (or has been granted a permit). Combustion plants put into operation after January 7, 2014, are required to comply with more stringent emission limits.

The Industrial Emissions Directive also provides for ongoing tightening of the emission limits on the basis of the BAT development, as well as, for application of these stringent limits to both new and existing combustion plants. In order to determine what are the BAT, the EU Commission periodically (at least every 6 to 8 years) organizes a review process. The review process is to be concluded by adoption of EU Commission's implementing decision. The requirements stipulated in this decision must be incorporated into the integrated permits within four years after adoption thereof. The recent revision of the BAT was concluded by the adoption of the Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing BAT conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants. As a result, the relevant Czech authorities shall make sure that all combustion plants concerned comply with the BAT limits by August 2021, at the latest. However, the Commission Implementing Decision was annulled by the General Court's Case T-699/17 dated 27 January 2021, with effect from 27 January 2022. Consequently, on November 30, 2021 the EU Commission adopted and published a new decision confirming the values from the previous one. It is unclear for the moment when the EU Commission will adopt a new decision and what would be its content and what would be the position of the relevant Czech administrative authorities in the interim period.

Binding emission limits on the concentration of emitted air pollutants in the Czech Republic are stipulated in (i) Decree No. 415/2012 Coll., as amended, and (ii) the permit issued to a power plant (specific emission limits). The permit issued to a power plant may also set up specific restrictions for the power plant if overall air pollution limits in the respective area of the Czech Republic (where the power plant is located) are exceeded, even if the given power plant does not exceed the applicable limits.

The Czech Air Protection Act empowers the Czech Environmental Inspection Agency to order that any pollution source repeatedly exceeding emission limits is shut down.

The aggregate emission ceilings for the Czech Republic are set in the "National Emission Reduction Program" approved by the Czech Government, lastly amended in 2019. The revision concentrated on measures enabling the country to stay below emission ceiling for NOx in 2030 by replacement of some coal capacity with renewables. The Czech Ministry of Environment may set up emission limits for a territory of the Czech Republic ("zones" and "agglomerations") if certain limits are exceeded (the "Better Quality Air Programs").

The Czech Air Protection Act empowers the regional authorities (i) not to allow any new source of pollution in the region if the level of air pollution would be exceeded, or (ii) to allow a new pollution source and stipulate conditions for its operation to ensure that the relevant level of air pollution is not exceeded (the "*Compensatory Measures*").

In December 2013, the EU Commission introduced the "*Clean Air Policy Package*" to reduce emissions and air pollution within the EU. The package resulted, *inter alia*, in the adoption of two directives, Directive (EU) 2016/2284 on the Reduction of National Emissions of Certain Atmospheric Pollutants, stipulating stricter national emission ceilings in the period from 2020 to 2030 (for more information, please see "*Regulation—European Union Legislation—Current EU Energy Regulation—2030 EU Framework for Climate and Energy Policy*"), and Directive (EU) 2015/2193 on the Limitation of Emissions of Certain Pollutants into the Air from Medium Combustion Plants which introduced emission limit values for combustion plants with a rated thermal input equal to or greater than 1 MW and less than 50 MW, to be transposed by December 19, 2017. In the Czech Republic, these emission limit values are set by Decree No. 415/2012 Coll., on the permissible level of pollution and its determination, and via the implementation of certain provisions of the Czech Air Protection Act, as amended.

Exemptions from the emission limits

The Czech Air Protection Act allows for three exemptions from the stringent emissions limits described above:

- Operators of combustion plants with an installed capacity equal to or higher than 50 MW, which obtained the operation permit prior to November 27, 2002 and were put into operation prior to November 27, 2003, may have applied for participation in transitional national plan, valid for the period from January 1, 2016 to June 30, 2020, under which the relevant combustion plants will be permitted to emit pollutants (i) up to their emission limits (ceilings) according to their permit valid to December 31, 2015 (except for certain emission limits regarding NOx) and (ii) up to additional aggregate emissions ceilings provided for by the transitional national plan, which will be decreased on a linear basis until 2020 (operators of combustion plants are allowed to exchange their emission limits between each other). This option is no longer valid due to the expiration of the time for which it had been provided.

- Operators of combustion plants with an installed capacity equal to or higher than 50 MW may have applied for participation in transitional regime, valid for the period from January 1, 2016 to December 31, 2023, provided that such plants will end their operations no later than by December 31, 2023. The relevant combustion plants (i) were permitted to retain their original emission limits according to their permit valid until December 31, 2015 (except for certain emission limits regarding NOx) and (ii) shall operate, the maximum of 17,500 operating hours.

- Operators of combustion plants with an installed capacity of 50 MW to 200 MW which (i) received the operation permit prior to November 27, 2002 and were put into operation prior to November 27, 2003, and (ii) deliver at least 50% of the useful heat production of the plant (calculated as a rolling average over a period of 5 years) in the form of steam or hot water to a public network for district heating, may have applied for a transitional regime valid during the period from January 1, 2016 to December 31, 2022. Such combustion plants are permitted to retain their original emission limits according to their permit valid until December 31, 2015.

In addition, an operator of a combustion plant may apply under Czech IPPC Act to the relevant Czech administrative authority for a temporary exemption from the new BAT limits described above with which the operator must otherwise comply as of August 2021. Combustion plants of the CEZ Group, which are not modernized yet, are included in the transitional national plan. This provides for greater flexibility and efficiency in emission reduction in the operation of the CEZ Group's portfolio, thus enabling us to adapt more easily to the future situation on the energy market. The Czech national transitional plan was adopted by the EU Commission in April 2015.

Carbon Compliance (Emission Allowances)

Legislation adopted by the European Union as a result of the EU commitments made under Kyoto Protocol has been fully transposed into Czech law. The legislation aims to combat climate change and establish a carbon emission allowances market within the European Union. As mentioned above, the revision of the EU ETS scheme for Phase IV, running from 2021 up to 2030, was initiated in 2015 and finalized in March 2018. It is expected that, under the revised EU ETS scheme, CO2 emission allowances will convey a more reliable signals as to the price of CO2 and that more robust measures providing for the compensation of the cost of decarbonisation will be introduced. Early 2020, a so-called Green Deal for Europe was introduced requiring for Europe greenhouse gas-neutrality by 2050. Under that initiative, the EU Commission presented a higher emission reduction goal for 2030 in amount of at least 55% reduction in comparison to 1990 levels (for more information, please see "*Regulation–European Union Legislation–Other applicable EU legislation – The European Green Deal, Climate Law and Fit for 55*" above).

Emission Allowances Taxation

Due to certain economic and political events in 2010, in particular, the increase in the number of solar power plants which caused increase in electricity prices and in order to finance this increase from the state budget, the Czech Government imposed a tax on emission allowances allocated to electricity producers for free in 2011 and 2012. The tax amounted to 32% of the average market value of the emission allowances allocated for free in a given year (where the market value was determined by the Czech Ministry of Environment). Certain emission allowances obtained for the purpose of combined production of heat and electricity were exempt from the tax. In February 2015, the European Court of Justice ruled that imposition of the tax on allocation of emission allowances is incompatible with the EU law. In July 2015 the Czech Supreme Administrative Court followed the decision of the European Court of Justice and ruled that imposition of the tax on allocation of emission allowances is incompatible with EU law, if such tax is imposed on more than 10% of emission allowances distributed for free within five years since 2008. According to a decision of the Appellate Tax Directorate, the Czech Government was obliged to return a portion of the gift tax paid by the CEZ Group on emission allowances in 2011 and 2012 in the amount of CZK 3.8 billion. The amount has already been paid to ČEZ in 2015.

Since 2013 the emission allowances allocated for free are not subject to the taxation in the Czech Republic, as described above.

Current Carbon compliance - Phase IV

The revision works on Phase IV were initiated in 2015 and finalized in March 2018. The Phase IV itself is scheduled to run from 2021 up to 2030. It shall further foster the position of EU ETS, increase the yearly emission allowance reduction to 2.2 % from 2021 onward (compared to 1.74 per cent. currently). The Market Stability Reserve, which shall reduce the surplus or deficiency of emission allowances in the carbon market and improve the EU ETS resilience to unpredicted imbalance between demand and supply, is to be further fostered. Amongst others, an Innovation Fund and a Modernization Fund will be established in order to support the low-carbon transition. While the Modernisation Fund will support investments in modernizing the energy sector in general, the Innovation Fund shall support low-carbon innovative technologies and breakthrough innovation in industry.

Czech Emission Allowances Act

In November 2018, the Czech Ministry of Environment amended the Czech Emission Allowances Act in order to transpose provisions of the revised Directive 2003/87/EC, purporting to, among other things, address the structural imbalance between supply and demand in the emission allowances market, accelerate the annual reduction in the total volume of emission allowances in the EU and provide for rules determining the proportion of allowances that are subject to auctions and those allocated free of charge and get ready for the IV. trading period starting 2021 up to 2030. The amended the Czech Emission Allowances Act was adopted in late 2019 and among others, for existing electricity producers provides for possible support for their decarbonizing investments via a so-called Modernisation Fund. No allowances are granted to electricity production; however, a partial free allocation remains for heat production, based on updated benchmarks and historical activity levels.

Nuclear Energy Utilisation

The Czech nuclear law is made of two main legal acts and several decrees. The Czech Nuclear Act 1997 contains rules for civil liability and mandatory insurance of a nuclear plant operator. The Czech Nuclear Act 2016 deals with all other rules governing nuclear energy utilization, such as the rules on nuclear power plant licensing regime, disposal of nuclear waste, competence of the Czech State Office for Nuclear Safety ("*SONS*") and the Czech Repository Authority, decommissioning costs escrow account, fees payable by nuclear power plants operators, security and protection against radiation.

Nuclear Power Plants

Under Czech legislation, nuclear power plant operators are required to obtain numerous permits from the Ministry of Environment and the Ministry of Industry and Trade, and an authorization issued by SONS. The permits and authorizations are awarded if the requirements for its issuance or renewal are satisfied. However, there is no assurance that such authorization or permit will be issued, renewed or extended.

Civil liability for nuclear damage

On June 24, 1994, the Czech Republic became a party to the Vienna Convention on Civil Liability for Nuclear Damage (the "*Vienna Convention*"). On the basis of the principles of the Vienna Convention, the Czech Parliament enacted the Czech Nuclear Act 1997 in July 1997 which continues to provide for civil liability for nuclear damage after enactment of the Czech Nuclear Act 2016. Only the operator of a nuclear facility is liable for any damage caused by a nuclear incident and the operator's liability for such damage is limited to CZK 8 billion per incident. Operators of nuclear facilities are obliged to acquire insurance covering potential liabilities for damages resulting from the operation of nuclear facilities for a minimum of CZK 2 billion and for a minimum of CZK 300 million in connection with other activities (such as transportation of nuclear materials).

Nuclear fuel and nuclear waste

Nuclear fuel materials and services (i.e. uranium, conversion and enrichment) are procured pursuant to medium- and long-term contractual arrangements. These procurement activities are under the supervision of the European Supply Agency (the "*ESA*"), which endorses and co-signs all new supply contracts, in full compliance with the ESA supply policy and related limitations.

The Czech Republic guarantees the safe disposal of nuclear waste. Pursuant to requirements of the Czech Nuclear Act 2016, the Czech Repository Authority carries out particular activities associated with disposal of nuclear waste, including responsibility for all final disposal facilities and deposition of nuclear waste transferred to the Czech Repository Authority. In October 2019, the Decree No. 266/2019 Coll., on the Concept of Radioactive Waste and Spent Nuclear Fuel Management, was adopted with effect from November 13, 2019.

The Czech Repository Authority is funded by the Czech Nuclear Account which is held at the Czech National Bank and is administered by the Ministry of Finance. All nuclear waste generators have a duty to contribute on a monthly basis to this account, which contribution amounts to CZK 55 per MWh of electricity generated from nuclear energy.

Maintenance contributions to SONS

Since January 1, 2012, all operators of nuclear facilities and applicants for permits to operate nuclear facilities must pay contributions to fund the operation and maintenance of SONS. The contribution consists of: (i) a lump sum of between CZK 30 million and CZK 150 million, payable with an application for permission to commence operation of a nuclear facility; and (ii) a maintenance contribution which must not exceed CZK 4 million per month, payable by current holders of a permit to operate a nuclear facility. The amounts of maintenance contributions are determined by the Czech Nuclear Act 2016 and governmental decree and depend on the extent of operational risk of the relevant nuclear facility. The maintenance contribution is determined on a monthly basis and due annually. In October 2019, the Government Regulation No. 273/2019 Coll., on rates of charges on SONS' professional activity was adopted.

Decommissioning of nuclear power plants

The Czech Nuclear Act 2016 requires a contribution from every nuclear plant operator to special escrow accounts for future decommissioning of its facilities. In November 2016, a decree on the requirements for the safe management of radioactive waste and on the decommissioning of nuclear installations was adopted. In 2020, a decree on method of establishing a reserve for the decommissioning of a nuclear installation and category III and category IV workplace was adopted.

Other international regulation related to nuclear energy

The Czech Republic is a member of the International Atomic Energy Agency (the "*IAEA*") and, as a result, our nuclear power plants have been subject to a number of on-site IAEA assessments. For more information, please see "*Description of ČEZ—Safety and Quality Management—IAEA*".

Compliance with the EURATOM framework for nuclear safety

Pursuant to the Directive 2014/87/EURATOM, which revised the EURATOM framework governing nuclear safety, Member States are required to give the highest priority to nuclear safety at all stages of the life of a nuclear power plant. This includes carrying out safety assessments before the construction of new nuclear power plants and ensuring significant safety enhancements for old reactors. The Directive was partly transposed into Czech law with effect from January 1, 2017, by the Czech Nuclear Act 2016 and partly by SONS' Decrees, including Decree No. 378/2016 Coll., on the location of the nuclear installation; Decree No. 359/2016 Coll., on details on how to manage the radiation emergency; Decree No. 408/2016 Coll., on the requirements of the management system; Decree No. 21/2017 Coll., on the nuclear safety of the nuclear installation; Decree No. 162/2017 Coll., on requirements for safety assessment under the Czech Nuclear Act 2016; and Decree No. 329/2017 Coll., on requirements for a nuclear installation project.

Renewable Energy Sources

History of Renewable Energy Sources

In 2005, the Czech Parliament enacted Act No. 180/2005 Coll., on the promotion of production of electricity from renewable energy resources ("*Czech Renewable Energy Act*"), as a means of implementing the first renewable energy directive, 2001/77/EC. Under the provisions of this statute, total energy consumption had to comprise of at least 8% renewable energy by 2010. This statute also allowed support for power plant operators, consisting of

- priority access to the distribution grid; and
- financial support by means of either (x) fixed feed-in tariffs (meaning a guaranteed minimum purchase price for generated electricity), or (y) "green bonuses" representing a certain amount in excess of the market price of electricity.

A high number of new solar power plants have been built on agricultural land in the Czech Republic. The legal obligation to support the owners of these solar power plants caused an increase in total electricity prices for end-consumers. As a result, in 2010 the Czech Parliament approved significant changes to the rules on support of solar power plants, including:

- significant limits on eligibility of new solar power plants (e.g. support was only provided for small solar power plants on rooftops of buildings);
- in relation to facilities put into operation on or after January 1, 2011, the authority of the ERO to decrease fixed feed-in tariffs by more than 5%, provided that the investment repayment period is shorter than 11 years;
- withholding tax imposed on operators of solar facilities put into operation between January 1, 2009 and December 31, 2010, in the amount of (i) 26% of the income corresponding to the feed-in tariff or (ii) 28% of the income corresponding to the "green bonus," as applicable. This tax has been amended and prolonged with effect from January 1, 2014 (see below "—*Current Legislation—The Czech Promoted Energy Sources Act*");
- abolition of the exemption from income tax;
- increased fee for solar facilities being built on agricultural land; and
- state subsidies introduced as financial support for renewable energy (as other means of financial support).

Under the provisions of the Renewable Energy Directive, the Czech Republic had to increase the share of renewable sources (composed of renewable energy for heat, renewable energy for electricity and the use of biofuels in transport) in the total gross energy consumption from 6.1% (the share in 2005) to 13% by 2020.

The Czech Promoted Energy Sources Act, implementing the Renewable Energy Directive, repealed the Czech Renewable Energy Act. The Czech Promoted Energy Sources Act only applies to new power plant constructions and power plants, which commenced operation prior to January 1, 2013, are subject to the former regime described above.

The Czech Promoted Energy Sources Act regulated:

- support for electricity, heat and bio methane from renewable energy sources, secondary energy sources, high-efficiency co-generation of electricity and heat and decentralized generation (an amendment to the Czech Promoted Energy Sources Act adopted in October 2013 stopped the support for (a) bio methane and electricity from bio liquids with effect from January 1, 2014 and (b) electricity from renewable energy sources set into operation on or after January 1, 2014, with the exception of (i) plants up to 10 MW of installed capacity producing energy from water and (ii) plants using the energy of wind, water, biomass or geothermal energy set into operation until December 31, 2015, for which the operator obtained the relevant permits before said amendment);

- financing of the above-mentioned support;
- the "National Action Plan" (which mirrors the targets set by the EU Commission relating to the share of renewable resources in total energy consumption and the reduction of greenhouse gas emissions. The National Action Plan will require different types of renewable energy sources to contribute different shares of total consumption);
- guarantee of origin of electricity generated from renewable energy sources;
- certificates of origin of electricity generated from high-efficiency co-generation of electricity and heat or secondary energy sources; and
- withholding tax imposed on operators of solar facilities.

The Czech Promoted Energy Sources Act differs from previous legislation in that only some renewable energy sources are eligible for support and the support of new power plants depends on compliance with the National Action Plan. The Czech Promoted Energy Sources Act provides, among other things, that the subsidies paid to the power plant operators (including subsidies to the co-generation of electricity and heat) are predominantly in the form of green bonuses. The option to sell the electricity under feed-in tariffs is granted only to an extremely limited group of very small producers of renewably energy sources. The investment repayment period is 15 years.

For the sake of completeness, promotion of new solar power plants was terminated in 2014. As for other renewables, only some of them were promoted (e.g. small water, wind or geothermal power plants) and only under specific conditions.

With effect from January 1, 2016 Bio Methane and electricity decentralized generation is not further promoted under the Czech Promoted Energy Sources Act and the ERO is empowered to decrease fixed feed-in tariffs for the following year by more than 5%.

Producers of electricity from renewable sources are obliged to install new output meters as a result of which the ERO's controlling mechanism will be strengthened.

Pursuant to EU state aid rules, national renewables support schemes are subject to approval by the EU Commission. Accordingly, the Czech Republic notified existing support schemes to the EU Commission, and received approval in the course of 2014 to 2017:

- State aid SA.35177 (2014/NN) – Czech Republic – Promotion of electricity production from renewable energy sources;
- State Aid SA.43451 (2015/N) – Czech Republic – Operating support for small scale biogas installations with capacity of up to 500 kW;
- State Aid SA.40171 (2015/NN) – Czech Republic – Promotion of electricity production from renewable energy sources;
- State Aid SA.43182 (2015/N) – Czech Republic – Promotion of electricity production from small hydro power plants;
- State Aid SA.45768 (2016/N) – Czech Republic – Promotion of electricity from high-efficiency combined heat and power generation installations commissioned since 1 January 2016;
- State Aid SA.45182 (2016/N) – Czech Republic - State aid scheme for supporting the deployment of publicly accessible recharging and refueling stations for vehicles running on alternative fuels in the Czech Republic.

As part of the approval granted by the EU Commission, the Czech Republic was obliged to prevent overcompensation by pursuing a revision procedure of granted support and its proportionality within 10 years following the start of operations at renewable power plants which have been granted state aid.

Current Legislation - The Czech Promoted Energy Sources Act

The Czech Promoted Energy Sources Act was substantially amended by Act No. 382/2021 Coll., which entered into force on January 1, 2022. Amended Act aims to implement new renewable energy directive (Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources). The general purpose of this amendment is to (i) in accordance with the above-mentioned European regulations, set up measures and tools which shall be applied from the beginning of 2022 to secure new renewable energy sources targets, (ii) ensure the adequacy of the aid granted in accordance with the requirements set out in the above-listed six EU Commission decisions declaring support schemes to be compatible with the EU internal market (so-called notification decision). Act No. 382/2021 Coll. introduces, among other things, the following:

- obligation of the Government of the Czech Republic to pass government regulation on a yearly basis, that determines among other things categories of promoted energy sources, the amount of their installed power eligible to support, and forms of support for a period of up to at least next three calendar years;

- new support scheme, that is focused on sources of electricity, heat and biomethane put into operation after January 1, 2022, on sources of electricity that undergo modernization after January 1, 2022, on sources of electricity and heat receiving support for continuing their operation, and on sources of heat in central heat supplying systems receiving temporary transformation support;

- new forms of support to ensure the attainment of the sectoral targets for renewable energy sources, such as support for preservation of operation, temporary transformation support, auction bonus and green bonuses;

- new rules for support of biomethane. According to the new rules, production of biomethane is supported in a form of green bonuses, whereas the support is provided only on biomethane produced on the territory of the Czech Republic, if stated requirements are met; and

- changes to the previous system of subsidies provided under the Czech Promoted Energy Sources Act to make it compatible with the EU internal market and the notification decisions of the EU Commission in respect thereof (*i.e.* rules to avoid overcompensation). Changes consist of new taxes on sources of electricity put into operation from January 1, 2009, to December 31, 2010, and new verification procedures of overcompensation of sources of energy. The government of the Czech Republic shall issue government regulation stating maximal value of the internal rate of return (IRR) of investment for each type of source of energy, which shall be considered to be appropriate. The maximal value of the IRR has to be stated within the scope indicated in the amended Czech Promoted Energy Sources Act and may differ for each type of energy source.

Abovementioned new support schemes are subject to notification approval by the EU. To date, the Czech Republic has not notified the support schemes.

Transmission and Distribution of Electric Energy

History

Until 1990, one single state-owned conglomerate operated the whole electricity system. In 1990, regional distribution companies were separated from the state enterprise and, in 1994, they were transformed into joint stock companies (the "*REAS*") and offered to the public as part of the privatization process in 1995. The Czech Republic, through the National Property Fund, retained a controlling stake of approximately 48% of shares in each of the REAS. The CEZ Group was initially 100% state owned but as part of the privatization process, a 33.2% stake in the CEZ Group was offered to the public (with the Czech Republic retaining a 66.8% majority stake). In addition to the privatization of the REAS, local electricity producers have been partially privatized. ČEPS, a.s., a company controlled by the Czech Ministry of Industry, was established in October 1998. By 2003, the CEZ Group had transferred the entire transmission grid to ČEPS, a.s.

Current Structure

Currently, following the implementation of applicable EU legislation, the Czech electricity transmission and distribution system is structured as follows:

- The transmission system is owned by ČEPS, a.s.;
- The distribution system is predominantly owned by three companies being successors of the REAS: ČEZ Distribuce, a.s., EG.D, a.s. and PREdistribuce, a.s.;
- Ownership unbundling has been implemented in relation to the transmission system;
- Management, accounting and legal unbundling has been implemented in relation to the distribution systems;
- As a result of unbundling legislation, any applicant must be provided with full access to the transmission and distribution networks and to transmit or distribute electricity through these networks, to the extent technically practicable; and
- Since January 1, 2006 the electricity market has been fully liberalized and all end-consumers are considered eligible customers who may freely choose their supplier of electricity based on current market conditions (instead of being considered as protected customers with the price of electricity being determined by the ERO).

The market operator ("*OTE*") is a joint stock company owned by the Czech Republic, which administers and reports upon the regular electricity and gas market and (in cooperation with ČEPS, a.s. and NET4GAS, s. r. o.) administers accounting in respect of the energy balancing market.

Participants

Based on the above, the following categories of electricity market participants exist in the Czech Republic: (i) generators (producers); (ii) the transmission grid operator (ČEPS, a.s.); (iii) distribution grids operators; (iv) OTE; (v) electricity traders; and (vi) end-consumers.

Price of Electricity

The final price of electricity on the Czech market for end-consumers consists of two components:

- Non-regulated – the market price of electricity as a commodity that is freely negotiable between contracting parties; and
- Regulated – calculated pursuant to applicable legislation and the ERO pricing regulations and consists of the following items, the prices of which are set by the ERO:
  - transmission and distribution of electricity,
  - system services,
  - additional costs of energy generation from renewable sources and co-generation of heat and electricity, and
  - the costs of operation of OTE and partly the ERO.

The ERO bases regulated prices of electricity transmission and distribution on allowed revenues fixed tariff related to the reserve capacity/fusion and allowed losses (variable distribution tariff related to the distributed volume). The allowed revenues are calculated as the sum of the following main components:

- Allowed operating expenses based on historical data, which are yearly escalated (taking into account the inflation and the price index of market services and sector efficiency factor);
- Depreciation;
- Allowed profit which is a product of weighted average costs of capital (WACC) and regulatory assets base; and

- Market factor, which represents expenses unforeseen or unavoidable that would otherwise not be recognized as allowed expenses.

The expenses for development of more efficient distribution and transmission grids are taken into account for purposes of the calculation of the allowed revenues to be included in the electricity transmission and distribution price.

Trading

As well as trading on the electricity spot market which is organized by OTE and which is interconnected with the pan-European electricity market both for day-ahead an intraday trading, trading on the electricity futures market is offered by the Power Exchange Central Europe ("*PXE*"). The spot market is also accessible through the PXE. Currently, the PXE offers power trading with standardized products for Czech, Slovak, Polish, Romanian and Hungarian power on an anonymous basis and with secure settlement. The PXE is a subsidiary of the Prague Stock Exchange and the European Energy Exchange

Electricity as Alternative Fuel

In order to transpose Directive 2014/94/EU of the European Parliament and of the Council on the Deployment of Alternative Fuels Infrastructure, Act No. 311/2006 Coll., on fuels and filling stations, as amended, was further amended in May 2017 so that certain legal duties of operators of charging stations for electric vehicles are set out in Czech law.

Heating Energy Sector

Heat Generation and Prices

Under the Czech Energy Act, heat generators and distributors must have a license from the ERO. The price of heating supply is calculated pursuant to applicable legislation and the ERO pricing regulations for the relevant calendar year. The ERO sets general rules for price regulation based on economically justifiable expenses, a profit margin and value added tax.

With effect from January 1, 2016, the concept of a "limited price of heat" has been established, preventing the price regulation undertaken by the ERO from driving the heat price under the limited price. The limited price of heat is set by the ERO.

Co-Generation of Heat and Electricity

Co-generation of heat and electricity is regulated by the Czech Promoted Energy Sources Act (please see "*Renewable Energy Sources—The Czech Promoted Energy Sources Act*").

Gas Sector

The Third Gas Directive applies on the gas markets within the EU. The development of legislation in the Czech gas sector on the background of EU legislation is described above in "*Regulation—European Union Legislation—History of Energy Regulation.*"

Licensing Regime

Participants in the gas sector must obtain licenses from the ERO for generation, transportation, distribution, trading and storage, as the case may be (please see "*Electric Energy Sector – Licensing Regime*").

Transmission and Distribution of Gas History

The gas infrastructure in the Czech Republic was privatized between 2001 and 2003 by the sale of the company Transgas, a.s. and the regional gas distribution companies to the German based RWE Gas AG. In the gas sector, the CEZ Group focuses predominantly on trading in gas. Trading is performed by ČEZ and its two subsidiaries ČEZ Prodej, a.s. and ČEZ ESCO, a.s.

Current structure

Currently, following implementation of applicable EU legislation, including the Third Gas Directive, the Czech gas transmission and distribution system is structured as follows:

- The transmission system is owned by NET4GAS, s.r.o.;
- Independent transmission operator unbundling model and full ownership unbundling model regarding the gas transportation network were implemented in the Czech Republic;
- Any user must be provided with a full access to the transportation and distribution networks and must be able to transport or distribute gas through the respective networks to the extent technically possible;
- The distribution system is predominantly owned by: (i) GasNet, s.r.o.; (ii) the E.ON Group through its subsidiary EG.D, a.s.; and (iii) Pražská plynárenská Distribuce, a.s.;
- Management, accounting and legal unbundling has been implemented in relation to the distribution systems;
- Since January 1, 2007 the gas market has been fully liberalized and all end-consumers are considered as eligible customers who may freely choose their supplier of gas based on current market conditions (instead of being considered as protected customers with the price of gas being determined by the ERO); and
- Legal ownership unbundling has been implemented in relation to gas storage facilities.

Price of gas

In the Czech liberalized market, the final price of gas for end-consumers consists of two components and its structure is the same as the structure on the electricity market (please see "*Transmission and Distribution of Electric Energy—Price of Electricity*"):

- Non-regulated – the market price of (x) gas as a commodity and (y) storage of gas that is freely negotiable between contracting parties; and
- Regulated – calculated pursuant to applicable legislation and the ERO pricing regulations and consists of the following items, the prices of which are set by the ERO:
  - transportation of gas through the transportation network;
  - transportation of gas through the distribution systems; and
  - the costs of operation of OTE and partly the costs of operation of ERO.

The prices of the services outlined above are regulated by the ERO through revenue limits and, as with electricity, the revenues are calculated as the sum of operating expenses, depreciation, losses, allowed profit and market factor.

With effect from January 1, 2016, the expenses for development of more efficient distribution and transportation networks are taken into account for purposes of the calculation of the allowed revenues to be included in the gas transportation and distribution price.

Coal Mining

Regulation of Mining

Mining is regulated by various statutes, but predominantly by (i) the Czech Mining Act, (ii) Act No. 61/1988 Coll., on Mining Activities, Explosives, as amended; and (iii) Act No. 157/2009 Coll., on Disposing of Mining Waste. The authority overseeing mining activities in the Czech Republic and issuing decisions and permits necessary for commencing mining activities is the Czech Mining Office and local mining authorities.

Generally, opening a mine and conducting mining activities requires a number of approvals, decisions and permits, including, but not limited to a decision from the Czech Ministry of Environment on designation of the potential mining area and a permit for exploration and assessment, an environmental impact assessment (the "EIA") and a mining permit and mining authorization from the competent mining authority.

With regard to the future use of coal (lignite) in the Czech Republic, including all related aspects, the Coal Commission ("*Uhelná komise*") was established as an advisory body to the Government of the Czech Republic, established by Government Resolution of July 30, 2019. Its role is to provide the government a complex recommendation on the phase-out of the use of coal, comprised of: (i) an assessment of the future needs of lignite; (ii) an analysis of the possibilities of future diversion from coal use in combustion sources; (iii) the diversion schedule; (iv) an outline of ways to achieve this diversion; (v) the expected cost and impacts of diversion from lignite; (vi) and an identification of diversion risks and tools to minimize these risks.

In December 2020, the Coal commission submitted to the government an analysis which advocated the year 2038 as the last year of a gradual process of the coal phase-out. Alternatively, there were also two additional options to the year 2038, which were proposed to the government as potentially viable dates of the coal phase-out – represented by years 2033 and 2043. The analysis also included recommendations on related aspects of the phase-out, for example the substitution of the current coal-fired energy sources by renewables and new nuclear sources in order to secure stability of the transmission and distribution networks and security of supply, cost impacts on the economy and social aspects in the affected regions.

The recommendation of the Coal commission is currently under the revision of the Czech Government, before any further decision is taken. The two most discussed alternatives of the final year of the phase-out from the use of coal are years 2033 and 2038. After the Czech Government decides on the target year for the coal phase-out, the Coal commission will continue with preparation of the legal implementation of the decision.

Coal Prices

Coal prices are liberalized and are determined on a contractual basis depending on market conditions. Coal "catalogue" price lists are regularly published by all coal-mining companies, but the final purchase prices are subject to negotiation between suppliers and purchasers with regard to the individual business relationship, quantities and duration of the contract.

Coal Mining Royalties

Coal mine operators are required to pay to the Czech Republic an (i) annual royalty calculated as a multiple of the size of the coal mine's area and rate in the amount of CZK 300, or CZK 1,000 in respect of an exclusive mineral deposit, and (ii) annual royalty calculated as a multiple of the amount of heat contained in the brown coal extracted (or of an amount of the black coal extracted) and a rate prescribed by a governmental decree.

Coal Mining Limits

Even though there are substantial coal reserves in the Czech Republic, coal mining has been restricted in order to protect health and property interests of people living in the brown coal regions, primarily in Northern Bohemia. In 1991, the Czech Government set down mining limits that represent an obstacle to the extension of mining in certain areas. Political discussions are currently being held with respect to the extension of the mining limits. In October 2015, the Czech Government approved the lifting of coal mining limits at the Bílina coal mine owned by the CEZ Group. The new available reserves are estimated to be 100 – 150 million tons of coal.

Reclamation of Mines and Redevelopment of Waste Dumps

Coal mine operators are responsible for decommissioning and reclamation of the mine as well as for damages caused by the operations of the mine. To cover the costs of reclamation of mines and mining damages, coal mine operators are required by law to contribute to a special escrow account. Coal mine operators are also required by law to set aside funds to cover the costs of reclamation and redevelopment of waste dumps by keeping certain amounts as restricted funds.

Final Disposal of Coal Waste

Act No. 185/2001 Coll., on waste, as amended, effective from January 1, 2002 (the "*Czech Waste Act*") emphasizes waste prevention, defines the hierarchy of waste handling, and promotes the fundamental principles of environmental and health protection in waste handling. Coal mine operators have a duty to dispose of coal ash which is considered waste under the Czech Waste Act, unless used for other purposes (e.g. construction or recultivation).

Material Environmental and Other Related Regulation

Integrated Pollution Prevention and Control (including the Integrated Pollutant Register)

The Czech IPPC Act has fully implemented IPPC Directive 2008/1/ES into the Czech legal system. The Czech IPPC Act is designed to limit industrial and other pollution according to the best available techniques. The users of certain installations must obtain an integrated permit prior to operation and comply with the conditions set out in applicable specific legislation. Unless specific reasons require otherwise, the conditions set in the integrated permit must reflect the best available techniques. In addition, the users of substances registered under the Czech IPPC Act must notify the appropriate administrative authority if the emissions of certain substances exceed regulatory limits, which are then registered in the publicly accessible Integrated Pollutant Register.

In November 2010, the European Union adopted Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control) (the "*Industrial Emissions Directive*"). The Industrial Emissions Directive, among other things, provides that Member States shall set up a system of environmental inspections of the installations concerned and emphasizes the role of the BAT. An amendment to the Czech IPPC Act which, among other things, implemented certain parts of the Industrial Emissions Directive took effect as of March 19, 2013.

Water Act 2001

Under Act No. 254/2001 Coll., as amended, (the "*Czech Water Act*"), disposal of surface and underground water is subject to a permit with the exception of certain listed activities in the public interest. The Czech Water Act is based on the "user pays" and "polluter pays" principles. Off-take of more than 6,000 cubic meters of underground water per year or 500 cubic meters of underground water per month is subject to a fee determined pursuant to the relevant provisions of the Czech Water Act. Off-take of surface water is charged by the state-owned enterprises Vltava River Board, Elbe River Board, Morava River Board, Odra River Board, Ohře River Board (depending on pump location). The price is set yearly and individually for every river basin and depends on the way of water use. The release of effluent into water is governed by the BAT principle and depending on its amount is charged as well. A major amendment to the Czech Water Act has been effective as from January 2021. The main objective of the amendment is to set conditions for combating water scarcity and drought. This amendment is aimed at establishing acting groups on regional, which can adopt precautionary measures to low water in case of drought (e.g. limitation on pumping the water out of water bodies). There is a ranking assigned to activities to be limited in case of drought stated in the proposal determining, which activity should be limited at what time depending on the level of water supply. Critical infrastructure (including energy and heat generation) is in the group of activities that should be limited as the very last.

Waste Act 2020

The Czech Waste Act regulates all aspects of waste management. Installations for the storage, collection, treatment, recovery or disposal of waste may be operated only with a valid operating permit issued by the regional authority.

Environmental Impact Assessment Act

Act No. 100/2001 Coll., on the Environmental Impact Assessment (the "*Czech Environmental Impact Assessment Act*") requires certain parties to conduct an EIA prior to the approval of a new investment project by the relevant authorities. The Czech Environmental Impact Assessment Act distinguishes projects which always fall within the scope of the EIA, projects which are always excluded and, finally, projects in which the state authorities decide, on an ad hoc basis, whether the EIA is to be performed or not. Members of the public are allowed to participate in the EIA process subject to conditions stipulated in the Czech Environmental Impact Assessment Act. The outcome of the EIA process provides a binding basis for the proceedings listed in the Czech Environmental Impact Assessment Act (for example, proceedings for zoning and building permits, mining permits, or integrated permits). With effect from November 2017, the EIA process has been streamlined so that, for example, public hearings within the EIA process are limited, participation of the general public is limited to certain stages of the EIA process and the Czech Government may, under exceptional circumstances of public interest, grant an exception from the requirement to undergo an EIA process.

Czech Energy Management Act

The Czech Energy Management implements three directives of the European Parliament and the Council, namely Directive 2010/30/EU of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products (the "*EU Labelling Directive*"), Energy Performance of Buildings Directive and Energy Efficiency Directive. These directives set out the EU's legislative framework to improve energy savings and efficiency by laying down rules relating to, among other things, issuances of energy certificates, performance of energy audits and improvement of environmental performance of products, such as household appliances, information and communication technologies.

On January 25, 2020, an amendment to the Czech Energy Management Act became effective. The amendment, among other things, provides for:

- refinements of energy efficiency certificates;
- the requirement to carry out energy audits for entities having at least 250 employees or annual turnover of more than CZK 1.3 billion and annual balance sheet of more than CZK 1.1 billion;
- changes in authorization process for energy specialists entitled to carry out energy efficiency inspections and issue energy efficiency certificates.

Czech Integrated National Energy and Climate Plan

In December 2018, the Czech Ministry of Industry drew up a draft of the Czech Integrated National Energy and Climate Plan contemplated by the Governance Regulation and, after having been approved by the Czech Government, submitted it to the EU Commission at the end of January 2019. The draft contains main objectives and policies in all five dimensions of the EU for the period 2021-2030 with the outlook for the period up to the year 2050. In accordance with the draft, the main objectives of Czech Republic were, among other things*:*

- reduction of the total greenhouse gas emissions by 30% by 2030;
- attainment of a 20.8% share of renewable energy sources in gross final energy consumption (*i.e.* an increase of 7.8% compared to the national target of 13.0% set for the year 2020);
- setting an indicative target for the absolute value of primary energy sources, final consumption and energy intensity, and a binding target for energy savings in the buildings of public sector and annual savings on the level of final energy consumption;
- diversification of the energy mix, maintaining self-sufficiency in electricity consumption, ensuring sufficient development of energy infrastructure and preventing from significant increase in import dependency; and
- reaching 15% for electricity interconnectivity for the year 2030.

A consultation process between the Czech Republic and the EU Commission took place in the first half of 2019 and the Czech Republic received recommendations from the EU Commission to the draft of the Czech Integrated National Energy and Climate Plan on July 18, 2019. In the recommendation, the EU Commission *inter alia* recommended the Czech Republic to (i) increase the level of ambition for 2030 to a renewable energy share of at least 22% as Czechia's contribution to the Union's 2030 target for renewable energy, (ii) increase its ambition towards reducing primary energy consumption, (iii) include projections for the future energy mix, including renewable sources of gas, and planned measures in the area of resilience of the energy system, demand side measures, cybersecurity and critical infrastructure, and (iv) further clarify national objectives and funding targets in research, innovation and competitiveness, specifically related to the EU, to be achieved between now and 2030. The Czech Republic was required to submit the final version of the Czech Integrated National Energy and Climate Plan to the EU Commission after due settlement of any comments by the end of 2019 and subsequently every ten years thereafter. The Czech government approved the final plan on January 13, 2020 with the increased target of 22% share of renewable energy on the gross energy consumption. We understand that, under the Fit for 55 initiative, the plan is to be changed accordingly.

General Liability

Potential liability can arise under criminal, administrative, civil law and environmental law. The Czech Republic has the ability to enforce environmental rules and regulations pursuant to administrative and criminal law whereas individuals may enforce environmental rules and regulations under civil law.

The "Polluter Pays" Principle

The "polluter pays" principle applies under administrative, criminal and civil law in the Czech Republic. The person responsible for environmental damage (the "*Polluter*") may face administrative fines, criminal sanctions and/or be ordered to compensate any affected third party, irrespective of whether the Polluter operates its own property or whether a third party operates the property. Polluters are liable for their own damages. A current lessee cannot be held liable for damages caused by former lessees or the owner.

Criminal Liability

Act No. 418/2011 Coll., on criminal liability of legal entities and proceedings against them (the "*Czech Legal Entity Criminal Act*"), has introduced a concept of corporate criminal liability. Claims for damages under the Civil Code may be made separately.

The Czech Legal Entity Criminal Act does not apply to natural persons. Under Czech criminal law, criminal acts of natural persons can be committed both intentionally and negligently and can result in fines or imprisonment.

Administrative Liability

Administrative liability for environmental and other administrative offences is primarily governed by the Czech Water Act, the Czech Waste Act, Act No. 289/1995 Coll., on Forests, the Czech IPPC Act, the Czech Nuclear Act 2016, the Czech Air Protection Act and the Czech Emission Allowances Act.

These acts contain environmental and other offences, which carry strict liability. The Czech Nuclear Act 2016 provides that the relevant administrative body is entitled to penalize the individual or entity with a fine of up to CZK 100 million in the event of utilization of nuclear energy for purposes that are not peaceful. Breach of the various statutes can result in fines ranging from CZK 5 thousand up to CZK 100 million. Generally, the relevant administrative body has the power to impose these penalties within one year from the occurrence of the offence or within three years in case of offences with upper penalty equal to at least CZK 100,000 but no later than three and five years from the occurrence thereof respectively. These penalties do not affect the liability to pay damages under the Civil Code, which may be claimed separately.

Remedial Measures Imposed by Administrative Authorities

Act No. 17/1992 Coll., the Environment Act, as amended (the "*Czech Environment Act*") has introduced into the Czech legal system a concept of "Environmental Damage (Loss)" in order to ensure that damage caused to the environment is repaired regardless of whether a private claim for damages has been brought against the Polluter. The competent administrative body is authorized to order the polluter to restore the natural functions of the impaired ecosystem.

Special statutes, e.g. the Czech Water Act and the Czech Waste Act, include provisions for remedial measures to be taken by administrative authorities in order to ensure the repair of environmental damage. In certain cases, the respective administrative authority is also entitled to shut down the business operations which are the source of environmental damage and to require the execution of specific remedial measures.

In addition, Act No. 167/2008 Coll., on Prevention of Ecological Losses, as amended (the "*Czech Ecological Losses Prevention Act*") authorizes the competent authorities to impose on Polluters preventive measures for impending ecological loss as well as all remedial measures necessary to restore an ecosystem. The proceedings for imposing preventive or remedial measures on Polluters may be initiated by a respective competent authority or based upon a petition of an individual or a legal entity. A polluter can be fined up to CZK 5 million for failure to perform preventive or remedial measures. The Czech Ecological Losses Prevention Act further broadens the scope of environmental laws as it focuses on the occurrence of an ecological loss, irrespective of which segment of the environment was damaged. In October 2017, a proposal for an amendment to the Czech Ecological Losses Prevention Act was introduced to provide non-governmental, non-profit organizations with a right to initiate proceedings on imposing preventive or remedial measures on Polluters. The legislative procedure is still pending.

Holders of licenses relating to the electricity, gas or heating energy markets pursuant to the Czech Energy Act are also liable for administrative offences committed thereunder.

Civil Liability towards a Third Party

As well as general liability for damages, the New Czech Civil Code imposes, in certain circumstances, a "quasi strict liability" for most environmental damage cases. Such quasi strict liability is applied if the individual or legal entity causes damage to a third party in the course of the operation of its business. The individual or legal entity is only exempt from such liability if it can prove that it has exercised all reasonable care to avoid the damage. Compensation under civil law includes compensation for current and future damage, including lost profit.

The court is empowered to reduce damages due to a special cause, provided that the damage was not caused deliberately, e.g. by acting without due professional diligence. The statute of limitations generally applicable under Czech law applies to quasi-strict liability.

MANAGEMENT OF ČEZ

General Overview

We have a two-tier board system consisting of a Board of Directors and a Supervisory Board. The Board of Directors represents us in all matters and is responsible for our management, while the Supervisory Board is an independent body that oversees the Board of Directors and our business activities. The Board of Directors and Division Heads manage our day-to-day operations. Under the Czech Companies Act and our Articles of Association, the Supervisory Board may not make management decisions and such decisions are reserved for the Board of Directors. However, the Supervisory Board's approval is needed for certain key management decisions, such as those relating to our entry into specific transactions with a value greater than CZK 500 million, for the disposal of real estate with a value greater than CZK 100 million, or for our entry into long-term loans.

Board of Directors

The Board of Directors is a statutory body, which manages our operations and acts on our behalf. The powers and responsibilities of the Board of Directors are set forth in detail in our Articles of Association. For information on the availability of our Articles of Association, please see "*General Information—Documents Available*".

The Supervisory Board elects members of the Board of Directors. Members of our Board of Directors serve four-year terms and may be re-elected. The business address of each member of the Board of Directors is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

Responsibilities of the Board of Directors primarily include:

- managing our day-to-day operations, including keeping of proper accounts;
- convening and organizing the General Meeting and submitting to the General Meeting certain information, including: draft company business policy and draft amendments thereto, at least once every four years, draft amendments to our Articles of Association; proposals to increase/decrease our share capital; annual, extraordinary, consolidated, and interim financial statements; income distribution proposals including stipulation of dividend amount, manner of pay-out, and due date, participation in our profit sharing by members of our Board of Directors, and amounts to be allocated to reserves or the manner of settling any losses; report on our business operations; remuneration policy and the report on remuneration
- carrying out General Meeting resolutions; and
- deciding on entering into agreements relating to the formation of business companies or acquisition of our ownership stakes in other legal entities, as well as winding up of business companies or disposing of our ownership stakes in other legal entities.

The Board of Directors makes decisions by a simple majority of the votes of all its members. A quorum is present when a simple majority of members of the Board of Directors is present at a meeting. Each member of the Board of Directors has one vote. When necessary in matters of urgency, a decision may be made by the Board of Directors without holding a meeting. The Board of Directors has discretion to invite to its meetings members of our other governing bodies, our employees, or other persons. In accordance with our Articles of Association, certain decisions of the Board of Directors require prior consent or opinion of the Supervisory Board before they can be implemented, and the Board of Directors is required to submit such decisions to the Supervisory Board for discussion and request its opinion.

Our Articles of Association provide that the Board of Directors shall comprise seven members. The Board of Directors is obliged to meet at least once a month. In practice, however, meetings are held almost weekly and a total of 39 meetings took place in 2021 (comprising 37 regular and two extraordinary meetings).

There are no conflicts of interest between the duties of the members of the Board of Directors to us and to their private interests or other duties.

Set out below are members of the Board of Directors as of the date of this Base Prospectus.

Name	Born	Position
Daniel Beneš	1970	Chairman of the Board of Directors
Pavel Cyrani	1976	Vice-Chairman of the Board of Directors
Martin Novák	1971	Member of the Board of Directors
Michaela Chaloupková	1975	Member of the Board of Directors
Tomáš Pleskač	1966	Member of the Board of Directors
Bohdan Zronek	1971	Member of the Board of Directors
Jan Kalina	1969	Member of the Board of Directors

Daniel Beneš — *Chairman of the Board of Directors since September 15, 2011*
Member of the Board of Directors continuously since December 15, 2005
Last re-elected with effect from December 19, 2021

A graduate of the Technical University of Ostrava, Faculty of Mechanical Engineering, and the Brno International Business School Nottingham Trent University (MBA). He gained managerial and professional experience in positions such as Procurement Director, Chief Administrative Officer, and Chief Operating Officer of ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Confederation of Industry of the Czech Republic—member of the Board of Directors and First Vice-President;
- Nadace ČEZ—Chairman and member of the Board of Trustees; and
- RELT Investments, a.s. —Member of the Supervisory Board and the sole shareholder.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Technical University of Ostrava—member of the Board of Trustees.

Pavel Cyrani — *Vice-Chairman of the Board of Directors since January 1, 2020*
Member of the Board of Directors since October 20, 2011
Re-elected with effect from October 22, 2019

A graduate of the University of Economics, Prague, majoring in international trade, and the Kellogg School of Management in Evanston, Illinois (USA), where he was awarded an MBA in Finance. He gained managerial and professional experience primarily at ČEZ, where he has served since 2006, first as Head of Planning & Controlling and Head of Asset Management and since 2011 as a member of the Board of Directors, Chief Strategy Officer, and then Chief Sales and Strategy Officer. Prior to joining ČEZ, he worked at McKinsey & Company.

Besides the current membership stated above, Pavel Cyrani is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Martin Novák

Member of the Board of Directors since May 21, 2008
Last re-elected with effect from May 24, 2020

A graduate of the Faculty of International Relations, University of Economics, Prague, majoring in international trade and commercial law. In 2007, he completed an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specializing in the energy sector. He has been a member of the Czech Chamber of Tax Advisers since 1996. He gained managerial and professional experience particularly during his almost ten-year career in the oil refining industry and fuel production and distribution. In recent years he served as manager in ConocoPhillips' global headquarters in Houston, Texas as well as its London regional office. He also worked at ConocoPhillips Czech Republic s.r.o. where he served as Chief Financial Officer with responsibility for Central & Eastern Europe (in this position he also served as statutory representative for several regional branches of ConocoPhillips), and at ČEZ as Head of Accounting.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Burza cenných papírů Praha, a.s.—member of the Supervisory Board.

Besides the current membership stated above, Martin Novák is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Tomáš Pleskač — *Member of the Board of Directors since January 26, 2006*
Last re-elected with effect from January 30, 2022

A graduate of the Faculty of Business and Economics, University of Agriculture, Brno; MBA from Prague International Business School. He gained managerial and professional experience in positions such as Chief Financial Officer for Severomoravská energetika, a. s. and Deputy Director for Finance for the Dukovany Nuclear Power Plant.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Akenerji Elektrik Üretim A.S. (Turkey)—Vice-Chairman and member of the Board of Directors; and
- Akcez Enerji A.S. (Turkey)—Vice-Chairman and member of the Board of Directors.

Besides the current membership stated above, Tomáš Pleskač is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Michaela Chaloupková — *Member of the Board of Directors from October 20, 2011 to October 20, 2019*
Re-elected with effect from January 1, 2020

A graduate of the Faculty of Law, University of West Bohemia, Pilsen, and an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specialising in the energy sector. She gained managerial and professional experience, in particular at Stratego Invest a.s. (later i-Tech Capital, a.s.), where she served as Head of Controlling and Vice-Chairwoman of the Board of Directors, as well as in managerial positions in Procurement and Human Resources at ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Nadace ČEZ—member of the Supervisory Board;
- Nadační fond SENIOŘI SKUPINY ČEZ—chairwoman of the Board of Trustees;
- Nadační fond Revenium—member of the Board of Trustees; and
- Západočeská univerzita v Plzni—member of the Board of Trustees.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Odyssey, z.s.—member of the Board of Trustees.

Bohdan Zronek — *Member of the Board of Directors since May 18, 2017*
Last re-elected with effect from May 19, 2021

A graduate of electrical engineering at the Czech Technical University in Prague and the development programme InterLeader 2002®. He gained managerial and professional experience in various positions at the Temelín Nuclear Power Plant where he started his professional career. Previously he was appointed as Chief Security Officer for all ČEZ power plants and the Director of the Temelín nuclear power plant. He is also a member of the Board of Management in the World Nuclear Association and a president of the Nuclear Safety Advisory Committee of the company MVM (owner of Paks power plant).

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Správa úložišť radioaktivních odpadů—Vice-chairman of the Board.

Besides the current membership stated above, Bohdan Zronek is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

On April 22, 2021, ČEZ Supervisory Board elected Jan Kalina, the current CEO of the company ČEZ Obnovitelné zdroje, s.r.o., a member of the Board of Directors of ČEZ with the effect from June 29, 2021. Jan Kalina replaced Ladislav Štěpánek whose mandate in the Board of Directors of ČEZ expired on June 28, 2021.

Jan Kalina *Member of the Board of Directors since June 29, 2021*

A graduate of electroenergetics of the Faculty of electrical engineering at the University of West Bohemia in Pilsen. He gained managerial and professional experience in various positions at Procurement department and the property management in ČEZ, a. s., CEO of the ČEZ Správa majetku company, member of the board, CFO and CSO of Severočeské doly, managing director of CEZ RES International B.V. and the chairman of the board and CEO ČEZ Obnovitelné zdroje. S- r-o-

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- ČEPS, a.s. – chairman of the Board of Directors
- ČEPS Invest, a.s. – chairman of the Supervisory Board.
- Czech Association of Energy Sector Employers – chairman of the Board of Directors

Besides the current membership stated above, Jan Kalina is not, and has not in the past five years been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Chief Executive Officer and Division Heads

At the executive employees' level, we are managed by the Chief Executive Officer and the Division Heads. The business address of our Chief Executive Officer and Division Heads is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

There are no conflicts of interest between the duties of our Chief Executive Officer and our Division Heads to us and to their private interests or other duties.

Set out below are our Division Heads as of the date of this Base Prospectus.

Name	**Born**	**Position**	**Date of the most recent appointment**
Daniel Beneš	1970	Chief Executive Officer	December 19, 2021
Martin Novák	1971	Chief Financial Officer	May 24, 2020
Tomáš Pleskač	1966	Chief Renewable Energy Officer	January 30, 2022
Michaela Chaloupková	1975	Chief Administrative Officer	January 1, 2020
Pavel Cyrani	1976	Chief Sales and Strategy Officer	October 22, 2019
Bohdan Zronek	1971	Chief Nuclear Officer	May 19, 2021
Jan Kalina	1969	Chief Renewable and Conventionals Officer	June 29, 2021

Daniel Beneš. Mr. Beneš has been our Chief Executive Officer since September 16, 2011. For more information on Mr. Beneš, please see "—*Board of Directors*" above.

Michaela Chaloupková. Ms. Chaloupková has been our Chief Administrative Officer (formerly Chief Purchasing Officer) since January 1, 2012. For more information on Ms. Chaloupková, please see "—*Board of Directors*" above.

Pavel Cyrani, Mr. Cyrani has been our Chief Sales and Strategy Officer since January 1, 2016, and appointed Deputy CEO for Strategic Development since 2020. For more information on Mr. Cyrani, please see "—*Board of Directors*" above.

Martin Novák. Mr. Novák has been our Chief Financial Officer since January 1, 2008, and appointed Deputy CEO for Operations since 2020. For more information on Mr. Novák, please see "—*Board of Directors*" above.

Tomáš Pleskač. Mr. Pleskač has been our Chief Foreign Assets Officer since May 1, 2014, and appointed Deputy CEO for Renewables since 2020. For more information on Mr. Pleskač, please see "—*Board of Directors*" above.

Bohdan Zronek. Mr. Zronek has been our Chief Nuclear Officer since June 1, 2017. For more information on Mr. Zronek, please see "—*Board of Directors*" above.

Jan Kalina. Mr. Kalina has been our Chief Renewable and Conventionals Officer since June 29, 2021. For more information on Mr. Kalina, please see "—*Board of Directors*" above.

Committees of the Board of Directors

The *Corporate Compliance Committee* of ČEZ was established as an advisory body of the Board of Directors in order to contribute to professional and effective decisions in the field of expertise of the Corporate Compliance Committee. The tasks of the Corporate Compliance Committee include, in particular, the assessment of potential compliance risks, their impact and valuation of the level of the compliance risk management.

The *Strategic Steering ESG Committee* was established by the Board of Directors in order to ensure the highest level of managing the ESG agenda within the CEZ Group. The Strategic Steering ESG Committee decides the overall focus and priorities of the ESG strategy, evaluates the efficiency and performance of ESG activities within ČEZ and the CEZ Group, and oversees the fulfillment of tasks and progress of the ESG agenda as a whole. The Strategic Steering ESG Committee also provides recommendations, advice and information to the Board of Directors and other boards of companies in the CEZ Group.

Committees of Members of the Board of Directors

Each member of the Board of Directors may set up working commissions, teams, and committees in their appointed area. Other members of the Board of Directors involved in the matters in question and relevant CEZ Group employees may participate in their work.

The following were the key committees in the CEZ Group as at the date of this Base Prospectus:

ČEZ Task Force, which coordinates preparation to manage crisis situation, managing crisis situations and applying measures in accordance with the Act No. 240/2000 Coll., the Crisis Act. It is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer). In 2020, an Expert Working Group – Coronavirus was established within the ČEZ Task Force to deal with the pandemic situation and prepare measures to minimize the spread of Covid-19 in the companies of the CEZ Group. The Expert Working Group – Coronavirus also actively dealt with the pandemic situation during 2021 and continues to do so in 2022.

The Committee for ČEZ Plant Safety, which, among other things, deals with matters related to nuclear plant safety at ČEZ, mainly in the field of fulfilment of the integrated nuclear safety requirements, radiation protection and technical safety, monitoring of the radiation status, dealing with radiation emergency situations, assessment of legal and regulatory changes and their impact on nuclear safety management, monitoring of safety of nuclear power plants and safe allocation of resources for ensuring appropriate level of nuclear safety. The committee is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer).

The CEZ Group Security Committee, which, among other things, deals with the CEZ Group´s security policies, strategies, and objectives; threats; risks; analyses of security incidents; and proposed security requirements, corrective measures, and the priorities/conditions for their implementation. The committee is an advisory body to the Chairman of the Board of Directors (Chief Executive Officer).

The Risk Committee, which deals with matters concerning the CEZ Group's risk management; in particular, it proposes the risk management system development strategy and adopts recommendations and opinions on venture capital management, the oversight of internal risk management, and the monitoring of the overall impact of risks on the CEZ Group's value. The Risk Committee is an advisory body to the Member of the Board of Directors in charge of the Finance Division (Chief Financial Officer).

The Committee for Nuclear Safety, which provides support to the safety management of the operation of the nuclear power plants of ČEZ. The committee is an advisory body to the Member of the Board of Directors being responsible for operation of the CEZ Group´s nuclear assets (Chief Nuclear Officer).

The Strategic IT Committee, which was established due to increasing importance of IT technologies for the future development of the CEZ Group and following requirements for coordination of development of IT within the CEZ Group. The Strategic IT Committee deals with strategy and the overall architecture of the key IT platforms. The Strategic

IT Committee is an advisory body to the Member of the Board of Directors in charge of the Finance Division (Chief Financial Officer).

Supervisory Board

As of the date of this Base Prospectus and in accordance with our Articles of Association, the Supervisory Board comprises 12 members. Pursuant to the Czech Companies Act and our Articles of Association, two thirds of the members of the Supervisory Board are elected by the General Meeting of the shareholders and the remaining one third of the members are elected by our employees. If the number of the members of the Supervisory Board has not dropped by more than a half, the Supervisory Board may appoint substitute members until the next General Meeting session.

The Supervisory Board's powers include, among other powers, the power to:

- elect and remove members of our Board of Directors;
- approve the management contracts and remuneration of the members of our Board of Directors, and, in case they are not members of our Board of Directors, also those of the Chief Executive Officer and the Division Heads;
- check compliance with generally binding legal regulations, our Articles of Association and shareholders' meeting resolutions;
- inspect all documents and records relating to our business and to inquire into our financial matters and informs the general meeting of the results of its inspection activities;
- supervise the execution of our Board of Directors' ownership rights in legal entities that ČEZ has an ownership interest in;
- review our annual, extraordinary, consolidated, interim financial statements and income distribution proposals, including power to stipulate the amount and manner of payment of bonuses to members of our Board of Directors, dividends and loss settlement proposals;
- discuss our quarterly financial results, half-year and yearly reports; and
- establish an internal procedure enabling the regular assessment of whether the conditions under Section 121v(1) of the Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended, are met.

Generally, the Supervisory Board makes decisions by a simple majority of all its members. Under our Articles of Association, the Supervisory Board makes decisions by a majority of two thirds of its members in certain circumstances, such as decisions to adopt procedural rules of the Supervisory of Directors. The quorum for a meeting of the Supervisory Board is a simple majority of its members. Each Supervisory Board member has one vote. When necessary in matters of urgency, a decision may be made by the Supervisory Board without holding a meeting (such decisions are referred to as *per rollam*). At its discretion, the Supervisory Board may invite members of our other governing bodies, our employees, or other persons to its meetings.

In accordance with our Articles of Association, the Supervisory Board meets usually once a month. In 2021, there were 11 regular and 2 extraordinary meetings. The Chairman of the Board of Directors regularly attends the meetings. The business address of each member of the Supervisory Board is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

There are no conflicts of interest between the duties of the members of the Supervisory Board to us and to their private interests or other duties.

Set out below are the members of the Supervisory Board as of the date of this Base Prospectus.

Name	Born	Position
Otakar Hora	1960	Chairman of the Supervisory Board
Zdeněk Černý	1953	Vice Chairman of the Supervisory Board
Roman Binder	1982	Vice Chairman of the Supervisory Board
Jan Vaněček	1967	Member of the Supervisory Board

František Vágner	1954	Member of the Supervisory Board
Vladimír Kohout	1954	Member of the Supervisory Board
Vladimír Černý	1961	Member of the Supervisory Board
Karel Tyll	1975	Member of the Supervisory Board
Marta Ctiborová	1971	Member of the Supervisory Board
František Novotný	1958	Member of the Supervisory Board
Radek Mucha	1961	Member of the Supervisory Board
Milan Wagner	1974	Member of the Supervisory Board

Otakar Hora *Chairman of the Supervisory Board since August 16, 2018*
Member of the Supervisory Board since June 23, 2018

A graduate of an Economic Reporting and Audit program, University of Economics, Prague. He completed his research assistantship at the Department of Accounting of the University of Economics. He gained managerial and professional experience in such positions as lecturer and later deputy head of the Department of Accounting and the Department of Management Accounting and member of the Scientific Board of the Faculty of Finance and Accounting, University of Economics, Prague; Vice-President of the Czech Chamber of Auditors; partner at KPMG Česká republika Audit, s.r.o.; and partner in charge of the management of operations of KPMG group companies in the Czech Republic.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Stálý výbor pro výstavbu nových jaderných zdrojů v ČR—member of the committee;
- ABArent s. r. o.—Managing Director and company member;
- České dráhy, a.s.—vice-chairman of the audit committee;
- Severomoravské vodovody a kanalizace Ostrava a.s.—vice-chairman of the audit committee; and
- ABAconcept s.r.o.—Managing Director and partner

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- KPMG Česká republika, s.r.o.—proxy with an individual power of procuration;
- KPMG Česká republika Audit, s. r.o.—Managing Director;
- DZD, v.o.s. v likvidaci—company member and statutory representative;
- VODÁRNA PLZEŇ a.s.—chairman of the audit committee;
- DZD, v.o.s. – liquidator (liquidation completed); and
- SAZKA Group, a.s. – chairman of the audit committee.

Zdeněk Černý *Vice-Chairman of the Supervisory Board since August 16, 2018*
Member of the Supervisory Board since June 27, 2014
Re-elected with effect from June 28, 2018

A graduate of the Faculty of Law, Charles University, Prague, and a Commercial Law MBA program, Ústav práva a právní vědy, o.p.s., Prague. He gained managerial and professional experience in positions such as member of the Supervisory Board of UNIPETROL, a.s.; member and Chairman of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s.; Chairman of the ECHO Labor Union; and member of the Supervisory Board of ČEZ Energetické služby, s.r.o.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- ECHO labour union—chairman.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- ČESKÁ RAFINÉRSKÁ, a.s.—Chairman and member of the Supervisory Board;
- UNIPETROL, a.s. (ORLEN Unipetrol a.s.)—Vice-chairman of the Supervisory Board;
- Majetková, správní a delimitační unie odborových svazů - Vice-chairman.

Roman Binder *Vice-Chairman of the Supervisory Board since February 24, 2022*
Appointed as a substitute-member of the Supervisory Board until the next shareholders' meeting

A graduate of the Faculty of Social sciences of the Masaryk University v Brno, in the field of international relations. He gained managerial and professional experience in positions as a Senior Account Director of AMI Communications (its industry team); Manager of Media and the Analytic Department of the ODS political party; and as a Deputy Minister of Finance.

Roman Binder is not and has not been a member, of any other governing bodies outside the CEZ Group or in CEZ Group's affiliates and/or joint ventures in the past five years.

Vladimír Kohout *Member of the Supervisory Board since June 3, 2016 till July 1, 2020;*
Re-elected with effect from July 2, 2020

A graduate of the Brno University of Technology, Faculty of Electrical Engineering. He gained managerial and professional experience in positions such as Technology and Investment Director and a Chairman of the Board at Teplárny Brno, a.s.; Economic Director and Vice-Chairman of the Board of Directors of Energetické strojírny Brno, a.s.; and Chairman of the Board of Trustees and Statutory Director of Moravská energetická a.s. In the CEZ Group, he has worked as a heating plant technology operations manager; electrical operations manager; and director of the Brno branch of ČEZ – Jihomoravské elektrárny Brno, k.p., Brno.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- ESB Elektro, a.s.—Chairman of the Board of Directors;
- ESB Rozvaděče, a.s.—member of the Board of Directors; and
- Moravská energetická a.s.—Chairman of the Board of Trustees and sole shareholder.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Moravská energetická a.s.—Statutory Director.

Vladimír Černý *Member of the Supervisory Board since July 2, 2020*

A graduate of the Brno Agriculture University and the Faculty of Law of Bratislava college (Slovakia). He gained managerial and professional experience as the mayor of Rouchovany municipality and a member of the Board of Trustees of Nadace ČEZ (ČEZ foundation).

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- ENERGETICKÉ TŘEBÍČSKO (zájmové sdružení právnických osob)—member of the board of the association;
- Nadace ČEZ—member of the Board of Trustees; and
- Myslivecký spolek Rouchovany—chairman of the hunters's society.

Other than that, Vladimír Černý has not been a member, of any other governing bodies outside the CEZ Group or in CEZ Group's affiliates and/or joint ventures in the past five years.

Karel Tyll *Member of the Supervisory Board since June 23, 2018*

A graduate in finance and information technology at the University of Economics in Prague.

He gained managerial and professional experience as a head of the Department of the State Budget and as a Deputy Minister of Finance responsible for Public Budgets and also as a member of the Supervisory Board of Podpůrný a garanční rolnický a lesnický fond, a.s.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Podpůrný a garanční rolnický a lesnický fond, a.s.—member of the Supervisory Board

Karel Tyll is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

František Vágner *Member of the Supervisory Board since June 3, 2016 till July 1, 2020;*
Re-elected with effect from July 2, 2020

A graduate of the nuclear chemistry program at the Faculty of Nuclear Sciences and Physical Engineering, Czech Technical University, Prague. He gained managerial and professional experience in positions such as Director, Managing Director, Chief Executive Officer, and Vice-Chairman and Chairman of the Board of Directors of ENVINET a.s. and Senior Adviser at NUVIA a.s. In the CEZ Group he has worked as Head of Technical Support at ČEZ.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- IFRE a.s.—Chairman of the Board of Trustees and sole shareholder;
- IFRE INDUSTRY a.s.—member of the Board of Trustees;
- P77 s.r.o.—co-owner and Managing Director; and
- MIFRE ENERGY s.r.o. (former Perálec 77, s.r.o.)—co-owner and Managing Director

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- BD ŘÍČANY s.r.o.—Managing Director;
- Denní centrum Barevný svět, o.p.s.—member of the Board of Trustees;
- IFRE a.s.— Statutory Director; and
- TREBITSCH HOLDING SE—member of the Board

Jan Vaněček *Member of the Supervisory Board since June 27, 2019*

A graduate of the Faculty of Electrical Engineering, Czech Technical University in Prague; and an ACCA/FCCA—Chartered Certified Accountant obtained on the international professional training program. He gained managerial and professional experience in positions such as Audit Senior at Arthur Andersen and Chief Financial Officer for the Czech Republic at Cinergy, a U.S. energy company.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Pinn partners s.r.o.—co-owner and Managing Director.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- CP Praha s.r.o., in liquidation—Vice-Chairman of the Supervisory Board.

Marta Ctiborová — *Member of the Supervisory Board since January 24, 2022*
Elected directly by the employees as an employee representative on the Supervisory Board

A graduate of the Economical Faculty of Czech Agriculture University, in the field of Economic managemen and admnistration. She gained professional experience in positions such as a journalist of regional media and a specialist of internal communication of Mostecká uhelná společnost, a.s. and of ČEZ, a. s. – Elektrárna Tušimice; chairwoman of labour union of the Tušimice a Prunéřov power plants.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Český odborový svaz energetiků – Chairwoman;
- Asociace samostatných odborů – member of the Board; and
- Hospodářská a sociální rada Ústeckého kraje, z.s. – member of the Board.

Other than that, Marta Ctiborová is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

František Novotný — *Member of the Supervisory Board since January 24, 2022*
Elected directly by the employees as an employee representative on the Supervisory Board

A graduate of a grammar school in Třebíč and a specialized high school of fire protection. He gained professional experience in positions such as a miner and a microclimate measurement specialist in OKD mine company, as a fireman, fireman leader and an operation officer of the Fire Rescue Corps of Dukovany Nuclear power plant and a chairman of the labour union of the Dukovany power plant.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- CEZ Group European Labour Committee – member.

Other than that, František Novotný is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Radek Mucha — *Member of the Supervisory Board since January 24, 2022*
Elected directly by the employees as an employee representative on the Supervisory Board

A graduate of Business law at Jan Amos Komenský University of Prague. He gained managerial and professional experience in positions such as a work health and safety coordinator in CEZ Group, member of the Superivsory Board of ČEZ, a. s., a member of a Personal Committee of the Superivsory Board of ČEZ, a. s. and as a member of člen CEZ Group European Labour Committee.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- CEZ Group European Labour Committee – member.

Other than that, Radek Mucha is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Milan Wagner *Member of the Supervisory Board since January 24, 2022*
Elected directly by the employees as an employee representative on the Supervisory Board

A graduate of the Mechanical Engineering Faculty of the Jan Evangelista Purkyně University in Ústí nad Labem, in the field of Energy and Heating industryHe gained managerial and professional experience in positions such as and engineer of energy facilities of Teplárna Trmice, a.s., as a representative of a municipality Zubrnice, member of the Supervisory Board of Teplárna Trmice, a.s., chairman of labour union of the Teplárna Trmice; člen CEZ Group European Labour Committee.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- CEZ Group European Labour Committee – member.

Other than that, Milan Wagner is not a member, and has not in the past five years been a member, of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

In accordance with the section 20 par. 1 and 4 of the Act No. 191/2020 Coll., on certain measures to mitigate the consequences of the coronavirus SARS CoV-2 pandemic, the term of service of Mr. Ondřej Landa, Mr. Vladimír Kohut and Mr. František Vágner was prolonged.

Committees of the Supervisory Board

The Supervisory Board has the power to establish committees and to elect and remove their members. There were no committees active in 2021 as the Supervisory Board has decided that its working groups shall carry out tasks according to current needs of the Supervisory Board.

Audit Committee

The Audit Committee is a stand-alone corporate body of ČEZ. Its powers and responsibilities and decision-making process of the Audit Committee are stipulated by our Articles of Association and Czech Act No. 93/2009 Coll., on auditors, as amended and include:

- Monitoring the process of compiling financial statements and consolidated financial statements and presenting recommendations to the Board of Directors and/or the Supervisory Board in order to ensure integrity of accounting and financial reporting systems (if necessary);
- Monitoring the efficiency of internal controls and risk management systems;
- Monitoring the efficiency of internal audit and its functional independence;
- Recommending an auditor to conduct a statutory audit to the Supervisory Board, duly justifying such a proposal;
- Monitoring the statutory audit process;
- Reviewing the independence of the statutory auditor and audit firm and the provision of non-audit services to a public-interest entity by the statutory auditor and audit firm;
- Discussing with the auditor risks to the auditor's independence and safeguards applied by the auditor in order to mitigate such risks;
- Giving its opinion on release from an obligation under a statutory audit contract or termination of a statutory audit contract pursuant to the Auditors Act;
- Informing the Supervisory Board of the result of a statutory audit and its findings obtained monitoring the statutory audit process;

- Informing the Supervisory Board how a statutory audit contributed to ensuring the integrity of accounting and financial reporting systems;

- Approving the provision of other non-audit services; and

- Exercising other powers pursuant to the Auditors Act or directly applicable EU legislation setting down specific requirements for the statutory audit of public-interest entities.

Pursuant to our Articles of Association, the Audit Committee has five members, which are elected and removed by the General Meeting from among members of the Supervisory Board or third parties. Members of the Board of Directors and our procura holders are not eligible to be members of the Audit Committee. The majority of the Audit Committee members (including the Chairman) must be independent and professionally qualified, and at least one of the professionally qualified members must be an independent individual qualified in the area of audit and/or accounting. Members of the Audit Committee serve a four-year term. Members of the Audit Committee attend the General Meeting and are required to report to the General Meeting on the results of their activities. The Audit Committee held six regular meetings in 2021. The Audit Committee makes decisions by a simple majority of the votes of all its members.

The business address of each member of the Audit Committee is Duhová 2/1444, 140 53 Prague 4, Czech Republic.

There are no conflicts of interest between the duties of the members of the Audit Committee to us and to their private interests or other duties.

Set out below are the members of the Audit Committee as of the date of this Base Prospectus.

Name	**Born**	**Position**
Jan Vaněček	1967	Chairman of the Audit Committee
Otakar Hora	1960	Vice Chairman of the Audit Committee
Andrea Lukasíková	1980	Member of the Audit Committee
Jiří Pelák	1977	Member of the Audit Committee
Tomáš Vyhnánek	1977	Member of the Audit Committee

Jan Vaněček — *Chairman of the Audit Committee since September 25, 2015 till June 12, 2019*
Re-elected as Chairman since June 27, 2019
Member of the Audit Committee since June 12, 2015 till June 12, 2019
Re-elected with effect from June 27, 2019

A graduate of the Faculty of Electrical Engineering, Czech Technical University, Prague; and an ACCA/FCCA—Chartered Certified Accountant obtained on the international professional training program. He gained managerial and professional experience in positions such as Audit Senior at Arthur Andersen and Chief Financial Officer for the Czech Republic at Cinergy, a U.S. energy company.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Pinn partners s.r.o.—co-owner and Managing Director.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- CP Praha s.r.o., in liquidation—Vice-Chairman and member of the Supervisory Board.

Otakar Hora — *Vice-Chairman of the Audit Committee since September 27, 2016 till July 1, 2020; Re-elected as Vice-Chairman since July 2, 2020*
Member of the Audit Committee since June 3, 2016 till July 1, 2020; Re-elected with effect from July 2, 2020

A graduate of an Economic Reporting and Audit program, University of Economics, Prague. He completed his research assistantship at the Department of Accounting of the University of Economics. He gained managerial and professional experience in such positions as lecturer and later deputy head of the Department of Accounting and the

Department of Management Accounting and member of the Scientific Board of the Faculty of Finance and Accounting, University of Economics, Prague; Vice-President of the Czech Chamber of Auditors; partner in KPMG Česká republika Audit, s.r.o.; and partner in charge of the management of operations of KPMG group companies in the Czech Republic.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Stálý výbor pro výstavbu nových jaderných zdrojů v ČR—member of the committee;
-
- ABArent s. r. o.—Managing Director and company member;
- České dráhy, a.s.—vice-chairman of the audit committee;
- Severomoravské vodovody a kanalizace Ostrava a.s.—vice-chairman of the audit committee; and
- ABAconcept s.r.o.—Managing Director and partner.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- KPMG Česká republika, s.r.o.—proxy with an individual power of procuration; and
- KPMG Česká republika Audit, s. r.o.—Managing Director;
- DZD, v.o.s.—company member and statutory representative;
- VODÁRNA PLZEŇ a.s.—chairman of the audit committee;
- DZD, v.o.s.—liquidator (liquidation completed); and
- SAZKA Group, a.s. – chairman of the audit committee.

Andrea Lukasíková *Member of the Audit Committee since June 27, 2014*
Re-elected with effect from June 28, 2018

A graduate of the Faculty of International Relations, University of Economics, Prague. She gained managerial and professional experience in such positions as Head of Risk Management at Deloitte Audit s.r.o. and in the independent European Affairs department of the Chancellery of the Senate of the Parliament of the Czech Republic; financial management and accounting at Olife Corporation, a.s.; now a head of internal audit at Česká televize.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- Letiště Praha a.s.—Vice-chairman of the Audit Committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Český Aeroholding, a.s.—member of the Audit Committee; and
- Česká exportní banka, a.s.—member of the Audit Committee.

Jiří Pelák *Member of the Audit Committee since June 21, 2017*
Re-elected with effect from June 28, 2021

A graduate of the Faculty of Finance and Accounting, University of Economics in Prague, where he studied the programme of Accounting and Financial Management of Business. He also studied at Copenhagen Business School in Denmark for half a year and St. Marks International College in Australia also for half a year.

He gained managerial and professional experience as an auditor and the first Vice-President of the Chamber of Auditors of the Czech Republic and also has an engagement with the Department of Financial Accounting and Auditing at the Faculty of Finance and Accounting, the University of Economics in Prague. He worked for three years as a methodology specialist in Global Payments Europe, where he was responsible for managing the financial reporting of the subsidiaries, consolidation and reporting to the parent company. Being an expert in his field, he composed a range of interpretations of the Czech National Accounting Council, application clauses of the Chamber of Auditors of the Czech Republic and was a contributor to translations of the International Financial Reporting Standards. As a member of an advisory committee cooperated on preparation of the Czech Code of Corporate Governance.

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- AFC CENTER, spol. s r.o.—Managing Director and partner;
- Chamber of Auditors of the Czech Republic—member of the executive committee;
- Nadační fond Hippokrates—Controller;
- ŠAKAL Kbely – školní atletický klub Albrechtická, z.s. (association) —vice-chairman of the executive committee;
- Pražská plynárenská, a.s.—member of the Supervisory Board;
- Pražská vodohospodářská společnost, a.s.—member of the Supervisory Board; and
- PRISKO a.s.—Chairman of the Audit Committee.

Membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures ended in the past five years:

- Pražské vodovody a.s. kanalizace, a.s.—member of the Supervisory Board; and
- ZOOT, a.s.—member of the audit committee.

Tomáš Vyhnánek *Member of the Audit Committee since June 21, 2017*
Re-elected with effect from June 28, 2021

A graduate of the Faculty of Social Studies, Charles University in Prague. He gained managerial and professional experience in various in consultancy companies Deloitte and ČSOB Advisory and in various positions at the Ministry of Finance of the Czech Republic. Before that, he worked at the Ministry of Finance of the Czech Republic (a head of the department of the Central Harmonisation Unit, a deputy of the Minister for the division of the Financial Management and Audit).

Current membership in governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures:

- České dráhy, a.s.—Chairman of the audit committee; and
- MERO ČR, a.s. – member of the audit committee.

Beside his current membership stated above, Tomáš Vyhnánek is not, and has not in the past five year been, a member of any governing bodies outside the CEZ Group or in the CEZ Group's affiliates and/or joint ventures.

Compensation

Remuneration of members of the Supervisory Board and Audit Committee, including all benefits, is approved by the General Meeting of the shareholders. In accordance with resolutions passed by the General Meeting, we enter into a management contract with each member of these bodies. Remuneration of members of the Board of Directors, including all benefits, is approved by the Supervisory Board. In accordance with resolutions passed by the Supervisory Board, we enter into a membership contract with members of the Board of Directors.

All components of remuneration of the Supervisory Board and Board of Directors members are described in Remuneration Policy ČEZ, a. s., that is prepared on the basis of Section 121l of the Capital Market Act. The Remuneration Policy was approved by the general meeting of ČEZ held on June 29, 2020.

Specific values of all remuneration components of members of the Company's Board of Directors and the Supervisory Board are published in Remuneration Report of ČEZ, a. s. for accounting period of 2020. This Report was approved by the general meeting of ČEZ on June 28, 2021, in accordance with the Capital Markets Act.

Remuneration and benefits received by members of ČEZ's Audit Committee include fixed remuneration and travel expenses.

Share Options of Senior Management

The Share Option Plan has been discontinued as of December 31, 2019. For members of the Board of Directors, it was replaced by the long-term performance bonus described in Remuneration Policy. After the termination of the Share Option Plan, members of the Board of Directors are not allocated new share options. After January 1, 2020, members of the Board of Directors can only exercise their company's share options, which belong to them from the period before December 31, 2019. The period during which shares acquired through such options cannot be disposed of has not been set out.

As of December 31, 2021, members of the Board of Directors, the Division Heads and certain departmental managers held a total of 118,520 options to acquire shares of ČEZ. For information on the number of share options exercised and forfeited by the senior management in the year ended December 31, 2021, please see Note 30 to the 2021 Financial Statements.

Corporate Governance

Our corporate governance is based on the rules and provisions of the Czech Companies Act, in particular with respect to its provisions regarding shareholder rights, convening our General Meetings and ensuring equal treatment of our shareholders.

As an issuer of securities admitted to trading on the Warsaw Stock Exchange, we also comply with the requirements of the Warsaw Stock Exchange Code and report regularly any slight deviations in our annual report.

Further, we also comply with all the substantive recommendations of the Czech 2018 Corporate Governance Codex (issued by the Czech Institute of Directors) which is based on the 2015 edition of the G20/OECD Principles of Corporate Governance, while taking into account the Czech legal environment and banking regulations.

For information on our governing bodies, a description of how they are established, their current composition, a description of how their members are remunerated, please see "—*Supervisory Board*", "—*Board of Directors*", "—*Chief Executive Officer and Division Heads*", "—*Audit Committee*" and "—*Compensation*" above.

PRINCIPAL SHAREHOLDERS

As of December 31, 2021, the registered capital of ČEZ as recorded in the Commercial Register was CZK 53,798,975,900, comprising 537,989,759 shares, each with a nominal value of CZK 100. The issue price of all shares had been fully paid up and all the shares were booked to owner and listed.

The registered capital of ČEZ is comprised exclusively of common shares, with no special rights attached. All of the shares of ČEZ are admitted to trading on the Prague Stock Exchange and the Warsaw Stock Exchange and are freely transferable without any restrictions. No other securities issued by ČEZ are limited in their transferability, nor are there any special rights attached thereto.

In accordance with Section 309 of the Czech Companies Act, the voting rights attached to treasury shares acquired by ČEZ on the basis of a General Meeting resolution are not exercised by ČEZ. As of December 31, 2021, ČEZ held 1,258,349 treasury shares.

The following table sets forth the shareholdings of the Czech Republic as of December 31, 2021.

	As of December 31, 2021	
Shareholder	**% of share capital**	**% of voting rights**
Ministry of Finance of the Czech Republic	69.78	69.94

The Czech Republic, through the Ministry of Finance, owns approximately 69.78 % of the share capital of ČEZ a. s., the parent company of the CEZ Group. As our controlling shareholder, the Ministry of Finance of the Czech Republic exercises shareholder rights provided for in our Articles of Association and applicable laws (including the Czech Companies Act and the Capital Market Act), which include the power to elect two thirds of members of our Supervisory Board, who in turn appoint all members of our Board of Directors. There are no mechanisms in place to prevent abuse of control over the CEZ Group by the Ministry of Finance of the Czech Republic except for provisions contained in our Articles of Association and applicable laws (including the Czech Companies Act and the Capital Market Act). For information on certain Czech statutory mechanisms which are currently in effect and preventing abuse of control by the Ministry of Finance of the Czech Republic, please see "*Related Party Transactions*").

As of December 31, 2021, besides the Ministry of Finance of the Czech Republic, there were three shareholders holding more than 1 % of the share capital or of the voting rights of the shares of ČEZ. The following table sets forth their shareholdings.

	As of December 31, 2021	
Shareholder	**% of share capital**	**% of voting rights**
Clearstream Banking S.A.	2.10	2.10
Chase Nominees Limited	1.72	1.73

Data in the table above is based on the information provided by the Czech Central Securities Depository (the "*CSD*"). The shareholders holding more than 1 % of the share capital or of the voting rights of the shares of ČEZ mentioned in the table above might hold the shares of ČEZ on behalf of other entities or individuals.

On March 14, 2018 a group of ČEZ shareholders consisting of Mr. Michal Šnobr and J&T Securities Management Plc, Tinsel Enterprises Limited and Hamafin Resources Limited announced that they act in concert in respect of ČEZ and, therefore, have a status of a qualified shareholder. According to the records of the CSD as of December 31, 2021, this group of shareholders held a share of 1.08 % on the share capital and 1.0825 % on the voting rights of ČEZ.

On December 2, 2021, BlackRock, Inc. filed notification of voting rights pursuant to § 122 paragraph 1 of the Act on Capital Market Business. Share on the voting rights under this notification is 1.11 %.

On February 1, 2022, Belviport Trading Limited filed a notification of of voting rights pursuant to § 122 paragraph 1 of the Act on Capital Market Business. Share on the voting rights under this notification is 1.00 %. To the best of our knowledge, as of the date of this Base Prospectus, no other agreements exist that could change the control structure of the Issuer at any date.

RELATED PARTY TRANSACTIONS

The relationships between us and our related parties, identified according to the principles of International Accounting Standard 24 ("*IAS 24*"), primarily consist of business transactions relating to the sale and purchase of products, goods and services. They fall within the activities carried out by us in the ordinary course of our business. Please see Note 36 to the 2021 Financial Statements, included in this Base Prospectus, for information on our related party transactions.

Our transactions with the related parties are regulated by the Czech Companies Act, which provides for comprehensive regulation of rules concerning related party transactions and conflicts of interest between a company and members of its board of directors or supervisory board (and persons close to such members). The Czech Companies Act provides the following rules for joint stock companies (such as ČEZ):

- if the value of the assets to be acquired by a joint stock company, within two years of its incorporation, from its shareholder or founder exceeds one tenth of the company's registered capital, the price for the transferred assets shall not exceed the value determined by an independent expert and the transfer shall be approved by a general meeting, unless such transaction is entered into in the ordinary course of company's business or on a regulated market or supervised by a state authority;
- members of a board of directors and a supervisory board and a procurist are obliged to notify the supervisory board or the general meeting that such members (or persons close to them) have or could have a conflict of interest; the notification obligation also exists if the joint stock company is to secure or affirm debts, or to become a co-debtor in relation to a member of the board of directors or the supervisory board or a procurist (or a person close to such member);
- the supervisory board (or the general meeting) is entitled, depending on the circumstances, to either suspend the execution of the post of the relevant member of the board of directors or the supervisory board or procurist or prohibit the legal steps (such as the conclusion of an agreement or the provision of security) in connection with which the conflict of interest occurred or threatens to occur; and
- a failure to notify a potential conflict of interest, or conduct that is in conflict with a supervisory board or general meeting decision on a suspension of the execution of a post or a prohibition of carrying out legal steps, constitutes a breach of due managerial care and the relevant member of the board of directors or the supervisory board or procurist would be liable to the joint stock company for such breach.

Our Related Party Transactions

We conduct transactions with the following related parties:

- our joint ventures;
- our affiliates;
- the Ministry of Finance and companies controlled by it; and
- certain members of our senior management or with certain companies over which we or our senior management may have a significant influence.

We believe that we conduct our business with these companies and individuals in the normal course and on terms equivalent to those that would exist if they did not have equity holdings in us, if we did not have equity holdings in them, if they were not members of our senior management, or if we or our senior management did not have significant influence over them, as the case may be. With the exception of transactions with our joint ventures and other affiliates, none of these transactions is or was material to us or, to our knowledge, to the other party.

In our opinion, all agreements with related parties are conducted on an arm's length basis and we believe that all of the transactions between us and the related parties take place at market prices.

Transactions with Joint Ventures and Other Affiliates

We enter into transactions with joint ventures and affiliates. The profits from such transactions are eliminated in proportion to the share that we have in such joint ventures and affiliated companies. We believe that all of these transactions take place on an arm's length basis. For a list of our joint ventures, please see Note 9 to the 2021 Financial Statements.

The following table summarizes the sales to and purchases from the related parties for the years ended December 31, 2021 and 2020.

	Sales to Related Parties for the year ended December 31		Purchases from Related Parties for the year ended December 31	
	2020	**2021**	**2020**	**2021**
Joint ventures and other affiliates:	*(CZK millions)*			
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	4	-	25	67
Bytkomfort, s.r.o.	74	16	3	-
in PROJEKT LOUNY ENGINEERING s.r.o.	41	45	33	38
LOMY MOŘINA spol. s r.o.	43	145	219	284
Tepelné hospodářství města Ústí nad Labem s.r.o.[1])	-	119	-	4
Teplo Klášterec s.r.o.	58	62	-	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	27	30	3	-
Výzkumný a zkušební ústav Plzeň s.r.o.	4	6	20	46
Výzkumný ústav pro hnědé uhlí a.s.	1	1	16	26
Others	44	21	10	15
Total	**296**	**445**	**329**	**480**

[1] Company became a related party on October 1, 2021

The following table summarizes the receivables from, and payables to, the related parties as of December 31, 2021 and 2020.

	Receivables as of December 31		Payables as of December 31	
	2020	**2021**	**2020**	**2021**
Joint ventures and other affiliates:	*(CZK millions)*			
Elevion Co-Investment GmbH & Co. KG	1	-	71	67
GP JOULE PP1 GmbH & Co. KG	14	19	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	15	8	15	7
LOMY MOŘINA spol. s r.o.	45	20	32	42
Tepelné hospodářství města Ústí nad Labem s.r.o.[1]	-	56	-	1
Výzkumný a zkušební ústav Plzeň s.r.o.	10	5	11	6
Others	23	25	44	14
Total	**108**	**133**	**173**	**137**

[1] Company became a related party on October 1, 2021

The following table summarizes the dividend income, interest and other financial income from the related parties as of December 31, 2021 and 2020.

	Interest and other financial income as of December 31		Dividend income as of December 31	
	2020	**2021**	**2020**	**2021**
Joint ventures and other affiliates:	*(CZK millions)*			
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	13	11	-	-
Bytkomfort, s.r.o.	-	-	8	6
Sakarya Elektrik Dagitim A.S.	5	4	-	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	4	3
Others	2	1	8	3
Total	**20**	**16**	**20**	**12**

As of December 31, 2021, and 2020, guarantees provided to joint ventures and not recognized on the balance sheet amounted to CZK 0 million and CZK 959 million, respectively (see Note 19.2 to the 2021 Financial Statements).

Transactions with the Ministry of Finance of the Czech Republic and the companies controlled by it

The Czech Republic, through the Ministry of Finance, owns approximately 69.8 % of the share capital of ČEZ. For detailed information on the interest held by the Czech Republic in our share capital, please see "*Principal Shareholders*".

In the ordinary course of business, we enter into transactions with the Ministry of Finance of the Czech Republic, its subsidiaries and state-owned companies or enterprises. Due to the large number of such entities and of transactions carried out by them, the limitations of the reporting system adopted by the CEZ Group and the immateriality of such transactions to our results, we believe that the presentation of such transactions is not necessary for an accurate view of the financial situation of the CEZ Group. However, we believe that all of the transactions between us and the Ministry of Finance of the Czech Republic, its subsidiaries state-owned companies or enterprises take place on an arm's length basis. For a more comprehensive description of the transactions with the Ministry of Finance of the Czech Republic and the companies controlled by it, please see our *Report on Relations Between the Controlling Entity and the Controlled Entity and Between the Controlled Entity and Entities Controlled by the Same Controlling Entity for the Accounting Period of January 1, 2020, to December 31, 2020* included in the Annual Report of the CEZ Group for the year ended December 31, 2020, incorporated into this Base Prospectus by reference.

TAXATION

Potential investors and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary taxes or fiscal duties or charges in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In addition, payments of interest on the Notes, or income derived from the Notes, may be subject to taxation, including withholding taxes, in the jurisdiction of the Issuer, in the jurisdiction of the holder of Notes, or in other jurisdictions in which the holder of Notes is required to pay taxes. Any such tax consequences may have an impact on the net income received from the Notes.

The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of any Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities and commodities) may be subject to special rules.

Prospective investors should carefully consider the tax consequences of investing in the Notes and consult their own tax adviser about their own tax situation. Potential investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time, with or without retroactive effect. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Finally, Prospective investors are advised to consult their own tax advisors as to the tax consequences, under the tax laws of each country of which they are residents, the Czech Republic and the Netherlands, of a purchase of Notes including, without limitation, the consequences of receipt of interest and sale or redemption of the Notes or any interest therein.

Taxation in the Czech Republic

The Notes described in the Base Prospectus are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any natural person who is a tax resident in the Czech Republic (as determined in accordance with applicable tax law). Any natural person who is tax resident in the Czech Republic (as determined in accordance with applicable tax law) should not act or rely on this document or any of its contents.

The information set out below is a summarized description of certain material Czech tax consequences of the purchase, holding and disposition of Notes and it does not purport to be a complete analysis of all Czech tax considerations relating to the Notes that may be relevant to a decision to purchase the Notes. This summary does not take into account or discuss the tax laws of any country other than the Czech Republic nor does it take into account specific double taxation treaties nor the individual circumstances, financial situation or investment objectives of any investor in the Notes.

This summary is based on the tax laws of the Czech Republic as in effect on the date of this Base Prospectus and their prevailing interpretations available on or before such date. All of the foregoing is subject to change, which could apply retroactively and could affect the continued validity of this summary.

As this is a general summary, holders of the Notes should consult their own tax advisors as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of the Czech Republic concerning the purchase, holding and disposition of the Notes and receiving payments of interest, principal and/or other payments under the Notes, including, in particular, the application to their own situation of the tax considerations discussed below as well as the application of state, local, foreign or other tax laws.

This description of material Czech tax consequences consists of three sections:

- Part A describes tax considerations for Notes issued by ČEZ.
- Part B describes tax considerations for Notes issued by CEZ Finance with ČEZ providing the Guarantee to the holders of the Notes.
- Part C describes tax considerations common to both Part A and Part B.

<u>Part A: Tax Regime for Notes issued by ČEZ</u>

Treatment of the Notes as bonds

While the matter is not entirely free from doubt, we believe that the Notes should be considered as bonds for the purposes of application of Czech tax laws because they meet the qualification criteria of a bond under Section 2(1) of

Act No. 191/2004 Coll., on Bonds, as amended, save for the fact that they are not issued under Czech law. However, there is no guarantee that Czech tax authorities will agree with this position.

The remainder of this discussion assumes that the Notes will be treated as bonds for the purposes of Czech tax laws.

Non-Czech Holders, Holding and Sale

General

A Non-Czech Holder will not become or be deemed to become a tax resident in the Czech Republic solely by reason of holding of the Notes or the execution, performance, delivery and/or enforcement of the Notes.

Interest

Interest income on the Notes held by an individual or a taxpayer other than an individual who is not for tax purposes treated as a resident of the Czech Republic, a "Non-Czech Holder", will be exempt from taxation in the Czech Republic, under the conditions that:

(i) the Non-Czech Holder does not have a direct or indirect control over 25% or more or the Issuer's capital and/or voting rights; and

(ii) the Issuer does not have a direct or indirect control over 25% or more of the Non-Czech Holder's capital and/or voting rights; and

(iii) the Non-Czech Holder and the Issuer did not enter into the legal relation predominantly for the purpose of reducing a tax base or increasing a tax loss.

Sale

Income realised by a Non-Czech Holder not holding the Notes through a permanent establishment in the Czech Republic, from the sale of the Notes to another Non-Czech Holder, not purchasing the Notes through a permanent establishment in the Czech Republic, will not be subject to taxation in the Czech Republic.

Income realised by a Non-Czech Holder, whether holding the Notes through a permanent establishment in the Czech Republic or not, from the sale of the Notes to (i) a Czech Holder or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be subject to taxation in the Czech Republic, unless such income is exempt from tax (as described further below) or the selling Non-Czech Holder is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country and the Non-Czech Holder is entitled to enjoy the benefits of that double taxation treaty.

Income realised by Non-Czech Holders holding the Notes in connection with the business activities through a permanent establishment in the Czech Republic from the sale of the Notes will be subject to taxation in the Czech Republic regardless of the status of the buyer.

If income realised by a Non-Czech Holder from the sale of the Notes is subject to taxation in the Czech Republic (as discussed in the foregoing paragraphs), a Czech Holder or a permanent establishment in the Czech Republic of a Non-Czech Holder paying that income will be obliged to withhold an amount of 1 % on a gross basis representing the securing tax, unless the Non-Czech Holder selling the Notes is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. The recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the income (and claim expenses, in particular the purchase price of the Notes). The tax securing will be credited against the final tax liability of the Non-Czech Holder selling the Notes with any overpayment being refunded subject to standard rules.

Income realised by a Non-Czech Holder from the sale of the Notes to (i) a Czech Holder or to (ii) a Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic, will be exempt from taxation in the Czech Republic, if the selling Non-Czech Holder is an individual who has held the Notes for more than three years prior to their sale or his/her (gross) worldwide income from the sale of securities (including the Notes) in a given calendar year does not exceed the amount of CZK 100,000, provided, in each case, that the Notes have not been held in connection with the business activities of the Non-Czech Holder, or if so, the Notes are sold more than three years following the termination of such business activities.

Taxable gain realised by a Non-Czech Holder from the sale of the Notes is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,867,728 in 2022, and is tested against the sum of this and most other types of income.

The above rules apply equivalently if the Notes are sold to the Issuer.

Permanent establishments of Non-Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions may be required to re-measure the Notes to fair value for accounting purposes, whereby the unrealised gains and losses would be accounted for as revenue or expense, respectively. Such revenue is generally taxable and the corresponding expense is generally tax deductible for Czech tax purposes.

Czech Holders, Holding and Sale

Interest

Interest income on the Notes (with the exception of Discount as described below) paid to an individual Czech Holder is generally subject to a withholding tax at 15%.

Interest income on the Notes paid to a Czech Holder other than an individual, is not subject to withholding tax. Such holder of the Notes would include the interest income (on an accrual basis) in its general tax base (subject to corporate income tax at a rate of 19 %).

Selected categories of taxpayers (for example, charitable foundations or the Guarantee Fund of Securities Traders) are exempt from tax on interest income, subject to certain conditions.

Sale

Any gains upon the sale of the Notes will generally be taxable, unless exempt from tax, at the standard tax rates (as stated below) and, in the case of Czech Holders who keep accounting books and hold the Notes as part of their business property (in principle, all legal entities and certain individuals), any losses will generally be tax deductible. By contrast, a loss realised by a Czech Holder who is an individual other than that mentioned in the preceding sentence is generally non-deductible, except where such loss is compensated by taxable gains on sales of other securities realised in the same calendar year and the income from the sale of the Notes is not exempt from tax.

In the case of Czech Holders who are individuals, any gain derived from the sale of the Notes is exempt from Czech personal income tax if the individual has held the Notes for more than three years prior to their sale or if his/her (gross) worldwide income from the sale of securities (including the Notes) in a given calendar year does not exceed the amount of CZK 100,000, provided, in each case, that the Notes have not been held in connection with the business activities of the Czech Holder or if so, the Notes are sold more than three years following the termination of such business activities.

Taxable gain realised by a Czech Holder from the sale of the Notes is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,867,728 in 2022, and is tested against the sum of this and most other types of income. In the specific case of a Czech Holder who is an individual and holds the Notes as part of his/her business property, the respective income is also subject to social security and health insurance levies. Czech Holders are generally obliged to declare such income in their annual tax returns on a self-assessment basis.

The above rules apply equivalently if the Notes are sold to the Issuer.

Czech Holders who are subject to Czech accounting standards for entrepreneurs or to Czech accounting standards for financial institutions and hold the Notes for the purposes of trading may be, under certain conditions, required to re-measure the Notes to fair value for accounting purposes, whereby the unrealised gains or losses would be accounted for as revenues or expenses, respectively. Such revenues are generally taxable and the corresponding expenses are generally tax deductible for Czech tax purposes.

Discount

In this section, "discount" refers to the excess of the amount payable by the Issuer to the holders of the Notes upon the maturity of the Notes (or upon their early redemption) over the acquisition value of the Notes in the hands of the holder. This would include, but not be limited to, an issue of the Notes at less than their nominal value.

Czech and Non-Czech Holders who keep accounting books may be required to recognize the discount on accrual basis.

Non-Czech Holders

If the Notes were acquired with a discount, income realised by a Non-Czech Holder upon the Note's maturity will be subject to taxation in the Czech Republic, unless the Non-Czech Holder is resident for tax purposes in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country and the Non-Czech Holder is entitled to enjoy the benefits of that double taxation treaty.

If such income realised by a Non-Czech Holder upon the Note's maturity (or upon its early redemption) is subject to taxation in the Czech Republic (as discussed in the foregoing paragraph), the Issuer will be obliged to withhold an amount of 1 % on a gross basis of the whole amount paid by the Issuer (not only the discount, but also including the principal) representing the securing tax, unless the Non-Czech Holder is a tax resident in an EU/EEA-member state or the obligation to withhold is waived based on a tax authority's decision. Such income recipient is, irrespective whether or not being a tax resident in an EU/EEA-member state and whether the obligation to withhold is waived based on a tax authority's decision, obliged to file a tax return and therein declare the income (and claim expenses, in particular the purchase price of the Notes). The tax securing will be credited against the final tax liability of the Non-Czech Holder with any overpayment being refunded subject to standard rules.

Taxable discount realised by a Non-Czech Holder upon the Note's maturity (or upon its early redemption) is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,867,728 in 2022, and is tested against the sum of this and most other types of income.

Czech Holders

The discount realised by a Czech Holder upon the Note's maturity (or upon its early redemption) is generally subject to Czech corporate income tax of 19 % or progressive personal income tax of 15/23 %, while the threshold for the higher bracket amounts to 48 times the average wage, i.e. CZK 1,867,728 in 2022, and is tested against the sum of this and most other types of income.

Part B: Czech Tax Considerations for Notes issued by CEZ Finance with ČEZ providing the Guarantee

This section describes Czech taxation considerations in case CEZ would be required to fulfil its obligations towards the holders of the Notes under the Guarantee ("*Guarantee Payments*").

There are relevant arguments that could be presented to defend the position that Guarantee Payments do not constitute payments of income in principle, and as such are not subject to any Czech taxation.

However, Guarantee Payments are not explicitly assigned a tax regime under Czech tax laws. As a result, the regime would have to be established by interpretation of the law, in line with the law's more general principles. Such interpretation would be connected to a risk that it would not be accepted by the tax authority.

Notably, there is a risk that the nature of the Guarantee Payments would cause them to be considered as payments of the same income, as if the Notes were issued by ČEZ and therefore generally subject to Czech taxation, including withholding taxation as described above. As a result, Guarantee Payments in respect of the underlying (defaulted) payments of interest and repayments of the Notes on their maturity (discount) could be subject to the same Czech tax regime as described in Part B (Interest and Discount sections) of this section.

Part C: Other Tax-related Issues common to Part A and Part B

Reporting Obligation

A holder of the Notes (Czech and Non-Czech) who is an individual is obliged to report to the Czech tax authority any income earned in connection with the Notes (including interest income or income from sale) if such income is exempt from taxation in the Czech Republic and exceeds, in each individual case, CZK 5 million (the "*Reporting Obligation*"). Non-compliance with the Reporting Obligation may be penalized by a sanction of up to 15% of the gross amount of the tax exempt income.

The Issuer may be obliged to report to the Czech tax authority an income paid to Non-Czech Holders in connection with Notes (including interest income) even if such income is exempted from taxation in the Czech Republic or is not taxable in the Czech Republic by virtue of a double taxation treaty.

Value Added Tax

There is no Czech value added tax payable in respect of payments in consideration for the issue of the Notes, or in respect of the payment of interest or principal under the Notes, or in respect of the transfer of the Notes.

Other Taxes or Duties

No registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty is payable in the Czech Republic by a Non-Czech Holder or a Czech Holder in respect of or in connection with the purchase, holding or disposition of the Notes, save for disposition in certain cases upon donation or inheritance.

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

Non-Resident Holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Resident Holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005 as amended (the "*Relibi Law*") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

Taxation in the Netherlands

General

The following is a general summary of certain material Dutch tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, this general summary should be treated with corresponding caution.

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Where the summary refers to "the Netherlands" or "Dutch" it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not Dutch tax advice or a complete description of all Dutch tax consequences relating to the acquisition, holding and disposal of the Notes. Holders or prospective holders of Notes should consult their own tax advisors regarding the Dutch tax consequences relating to the acquisition, holding and disposal of the Notes in light of their particular circumstances.

Withholding tax

Holders of Notes that are entities not related to CEZ Finance

All payments made by CEZ Finance under the Notes to holders of Notes other than holders that are entities *related* to CEZ Finance (within the meaning of the Dutch Withholding Tax Act 2021; *Wet bronbelasting 2021*) (see below) in respect of the Issuer may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Holders of Notes that are entities related to CEZ Finance

Payments made by CEZ Finance under the Notes to holders of Notes that are entities *related* (*gelieerd*) to CEZ Finance (within the meaning of the Dutch Withholding Tax Act 2021) (see below) may become subject to Dutch withholding tax at a rate of 25.8% (rate for 2022), if such related entity:

(i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*) (a "*Listed Jurisdiction*"); or

(ii) has a permanent establishment located in a Listed Jurisdiction to which the interest payment is attributable; or

(iii) is entitled to the interest payment for the main purpose or one of the main purposes to avoid taxation for another person; or

(iv) is a hybrid entity (a hybrid mismatch), or

(v) is not resident in any jurisdiction,

all within the meaning of the Dutch Withholding Tax Act 2021.

Listed Jurisdiction

For the fiscal year 2022, the following jurisdictions are Listed Jurisdictions: American Samoa, Bahamas, Bahrain, Bermuda, the British Virgin Islands, the Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Palau, Panama, Samoa, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu, the United Arab Emirates and the U.S. Virgin Islands.

Entity related to CEZ Finance

For purposes of the Dutch Withholding Tax Act 2021, an entity is considered an entity related to CEZ Finance if:

(i) such entity has a Qualifying Interest (as defined below) in CEZ Finance;

(ii) CEZ Finance has a Qualifying Interest in such entity; or

(iii) a third party has a Qualifying Interest in both CEZ Finance and such entity.

The term "*Qualifying Interest*" means a directly or indirectly held interest – either individually or jointly as part of a collaborating group (*samenwerkende groep*) – that confers a definite influence over the entity's decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the right of freedom of establishment (*vrijheid van vestiging*)).

Taxes on income and capital gains

Please note that the summary in this section does not describe the Dutch tax consequences for:

(i) holders of Notes if such holders, and in the case of individuals, such holder's partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in CEZ Finance under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with such holder's partner (as defined in the Dutch Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;

(ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are, in whole or in part, not subject to or exempt from Dutch corporate income tax; and

(iii) holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in the Dutch Income Tax Act 2001).

Dutch Resident Entities

Generally speaking, if the holder of Notes is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes (a "*Dutch Resident Entity*"), any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is subject to Dutch corporate income tax at a rate of 15% with respect to taxable profits up to €395,000 and 25.8% with respect to taxable profits in excess of that amount (rates and brackets for 2022).

Dutch Resident Individuals

If the holder of Notes is an individual resident or deemed to be resident of the Netherlands for Dutch income tax purposes (a "*Dutch Resident Individual*"), any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is taxable at the progressive Dutch income tax rates (with a maximum of 49.5% in 2022), if:

(i) the Notes are attributable to an enterprise from which the holder of Notes derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth (*medegerechtigd tot het vermogen*) of such enterprise without being a shareholder (as defined in the Dutch Income Tax Act 2001); or

(ii) the holder of Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of Notes, such holder will be taxed annually on a deemed return (with a maximum of 5.53% in 2022) on the individual's net investment assets (*rendementsgrondslag*) for the year, insofar the individual's net investment assets for the year exceed a statutory threshold (*heffingvrij vermogen*). The deemed return on the individual's net investment assets for the year is taxed at a rate of 31%. Actual income, gains or losses in respect of the Notes are as such not subject to Dutch income tax.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. For the net investment assets on 1 January 2022, the deemed return ranges from 1.82% up to 5.53% (depending on the aggregate amount of the net investment assets of the individual on 1 January 2022). The deemed return will be adjusted annually on the basis of historic market yields.

Non-residents of the Netherlands

A holder of Notes that is neither a Dutch Resident Entity nor a Dutch Resident Individual will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the Notes, provided that:

(i) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Dutch Income Tax Act 2001 and the Dutch Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and

(ii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are taxable as benefits from other activities in the Netherlands.

Gift and inheritance taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is resident or deemed resident of the Netherlands at the time of the gift or such holder's death.

Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident of the Netherlands, unless:

(i) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident of the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident of the Netherlands; or

(ii) in the case of a gift of a Note is made under a condition precedent, the holder of the Notes is resident or is deemed to be resident of the Netherlands at the time the condition is fulfilled; or

(iii) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the ten years preceding the date of the gift or such person's death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident of the Netherlands if such person has been a resident of the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Value added tax (VAT)

No Dutch VAT will be payable by a holder of Notes on (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by CEZ Finance under the Notes.

Other taxes and duties

No Dutch registration tax, stamp duty or any other similar documentary tax or duty will be payable by a holder of Notes in respect of (i) the issue of the Notes or (ii) the payment of interest or principal by CEZ Finance under the Notes.

FATCA Disclosure

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "*foreign financial institution*" (as defined by FATCA) may be required to withhold on certain payments it makes ("*foreign passthru payments*") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Czech Republic and the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("*IGAs*"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in an Amended and Restated Programme Agreement dated 24 March 2022 (as modified and/or supplemented and/or restated from time to time, the "*Amended and Restated Programme Agreement*"), agreed with ČEZ and CEZ Finance on the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Amended and Restated Programme Agreement, ČEZ and CEZ Finance have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

a) the Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws;

b) the Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or applicable Pricing Supplement in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable;

c) each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of the Notes, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons;

d) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act; and

e) each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Terms used in the preceding paragraphs have the meanings given to them by Regulation S under the U.S. Securities Act.

The Czech Republic

The Base Prospectus has not been and will not be approved by the Czech National Bank. No action has been taken in the Czech Republic (including the obtaining of the Base Prospectus approval from the Czech National Bank and the admission to trading on a regulated market (as defined in Section 55(1) of the Capital Market Act)) for the purposes of any Notes to qualify as securities admitted to trading on the European regulated market within the meaning of the Capital Market Act.

Each Dealer will be required not to offer or sell any Notes in the Czech Republic through a public offering (in Czech *veřejná nabídka*), except if in compliance with the Prospectus Regulation.

Each Dealer will be required to represent and agree with the Issuer and each other Dealer that it has complied and will comply with all the requirements of the Prospectus Regulation and other applicable legislation and has not taken, and will not take, any action which would result in the Notes being deemed to have been issued pursuant to Czech law or in the Czech Republic, the issue of the Notes being classed as "accepting of deposits from the public" by the relevant Issuer in the Czech Republic under Section 2(2) of the Czech Banks Act or requiring an approval or permit by, registration or filing with or notification to the Czech National Bank (including approval or passport of this Base Prospectus or other notifications beyond that described under "*General Information—Notification to the Czech National Bank*") or other authorities in the Czech Republic in respect of the Notes in accordance with the Prospectus Regulation, the Capital Market Act, the Czech Banks Act, the practice of the Czech National Bank or any other applicable legislation.

Each Dealer will be required to represent and agree with the Issuer and each other Dealer that it has complied and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Notes.

Each Dealer will be required to represent and agree with the Issuer and each other Dealer that no action has been taken by it or will be taken by it which would result in the issue of any Notes being considered an intention to manage assets by acquiring funds from the public in the Czech Republic for the purposes of collective investment pursuant to a defined investment policy in favour of the investors under the MCIFA. Each Dealer will be required to represent and agree with the Issuer and each other Dealer that any issue, offer or sale of any Notes by it has been or will be carried out in strict compliance with the MCIFA.

Notwithstanding the foregoing, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the applicable Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any individual who is for tax purposes treated as a resident of the Czech Republic or to a person that does not qualify as a Non-Czech Holder.

Prohibition of Sales to European Economic Area Retail Investors

Unless the applicable Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the applicable Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor within the meaning of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public Offer Selling Restriction under the Prospectus Regulation

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to United Kingdom Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to United Kingdom Retail Investors" as "Not Applicable", in relation to the United Kingdom, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of current domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the United Kingdom by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the United Kingdom by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction under the UK Prospectus Regulation

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to United Kingdom Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes to the public which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation as it forms part of the current domestic law of the United Kingdom by virtue of the EUWA;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(iii) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuers;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuers; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Zero coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*; the "**SCA**")) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer(s) or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949 as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not directly or indirectly offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. **References in this section to Notes should be deemed to refer to the Notes themselves and/or beneficial interests therein.**

By its purchase of Notes, each purchaser of Notes will be deemed to have acknowledged, represented and agreed with the relevant Issuer that it agrees (on its own behalf and on behalf of any investor account for which it is purchasing Notes), and each subsequent holder of the Notes by its acceptance thereof will agree, not to offer, sell, transfer or otherwise make available any Notes to any person unless such person has first represented and agreed that the Notes are not being acquired by or on behalf of any Czech tax resident individual or a person that does not qualify as a Non-Czech Holder.

GENERAL INFORMATION

Authorization

The establishment of the Programme and the issue of Notes have been duly authorized by resolutions of the Board of Directors of ČEZ dated May 28, 2007, February 14, 2011, April 10, 2012, September 16, 2019 and March 8, 2021 and resolutions of the Supervisory Board of ČEZ dated June 28, 2007, February 24, 2011, September 26, 2019 and March 25, 2021 (see also "*Overview of the Programme – Programme Size*"). The giving of the Guarantee has been duly authorized by resolutions of the Board of Directors of ČEZ dated March 8, 2021 and the Supervisory Board of ČEZ on March 25, 2021.

The addition of CEZ Finance as an issuer under the Programme was authorized on March 26, 2021 by resolution of the management board of CEZ Finance and the continuation of the participation of CEZ Finance as an issuer under the Programme was authorized on March 16, 2022. CEZ Finance has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes and in relation to the periodic update of the Programme.

Listing, Approval and Admission to Trading of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange in its capacity as competent authority to approve this Base Prospectus as a base prospectus in respect of Exempt Notes only and for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on its Official List. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended. Application has also been made to the Luxembourg Stock Exchange for the Exempt Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and to listing on its Official List.

Notification to the Czech National Bank

Pursuant to Section 8a of Czech Act No. 15/1998 Coll., on Capital Markets Supervision, as amended, the issuance of each Series and/or Tranche of the Notes must be notified to the Czech National Bank no later than on the date of issue of the relevant Notes setting out the place of issue and amount of relevant Series or Tranche and the form, yield and maturity of the relevant Notes.

Documents Available

As long as the Notes (Exempt and Non-Exempt) are listed on the Luxembourg Stock Exchange, copies of the following documents will, when published, be available for inspection free of charge at the registered office of ČEZ and on the website of ČEZ at https://www.cez.cz/en/cez-group/cez.html:

(a) the Articles of Association (with an English translation thereof) of ČEZ and the articles of association of CEZ Finance;

(b) the non-consolidated audited financial statements of ČEZ in respect of the financial years ended December 31, 2020 and December 31, 2021;

(c) the consolidated audited financial statements of the CEZ Group in respect of the financial years ended December 31, 2020 and December 31, 2021. ČEZ currently prepares audited consolidated and non-consolidated accounts on an annual basis;

(d) the most recently published audited annual consolidated financial statements of the CEZ Group and audited annual non-consolidated financial statements of ČEZ and the most recently published unaudited consolidated interim financial statements (if any) of the CEZ Group and unaudited non-consolidated interim financial statements (if any) of the Issuer (with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. ČEZ currently prepares unaudited consolidated and non-consolidated interim accounts on a quarterly basis;

(e) the Amended and Restated Agency Agreement, the Deed of Guarantee, the Deed of Covenant, including the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(f) a copy of this Base Prospectus;

(g) the Previous Terms and Conditions; and

(h) any future offering circular, prospectuses, information memoranda, supplements to this Base Prospectus, Final Terms and Pricing Supplements (in the case of Exempt Notes) and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code, ISIN, CFI and FISN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer, the Guarantor (if applicable) and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant Change or Material Adverse Change

There has been no significant change in the financial performance and in the financial position of ČEZ's and its subsidiaries (including CEZ Finance) since December 31, 2021 and there has been no material adverse change in the prospects of ČEZ and its subsidiaries (including CEZ Finance) since December 31, 2021.

There has been no significant change in the financial performance and financial position and there has been no material adverse change in the prospects of CEZ Finance since its incorporation on March 17, 2021.

As of the date of this Base Prospectus, there are no recent events particular ČEZ and CEZ Finance which are to a material extent relevant to the evaluation of their solvency.

Litigation

Except as described in "*Legal Proceedings*" neither ČEZ nor CEZ Finance nor any of their respective subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either of ČEZ and CEZ Finance is aware (as applicable)) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of ČEZ or CEZ Finance or any of their respective subsidiaries.

Issuer's Website

ČEZ's website is https://www.cez.cz/en/cez-group/cez.html. Unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

Issuer's / Guarantor's LEI

ČEZ's LEI is 529900S5R9YHJHYKKG94. CEZ Finance's LEI is 315700K4UNKLPGVH1Y89.

Independent Auditors

The separate and consolidated financial statements of ČEZ as at December 31, 2021 and for the year then ended, included in this Base Prospectus, have been audited by Ernst & Young Audit, s.r.o., independent auditors, as stated in their reports appearing herein.

The consolidated financial statements of ČEZ as at December 31, 2020 and for the year then ended, incorporated by reference in this Base Prospectus, have been audited by Ernst & Young Audit, s.r.o., independent auditors, as stated in their reports incorporated by reference therein.

Ernst & Young Audit, s.r.o., with address at Na Florenci 2116/15, 110 00 Prague 1, Czech Republic, is a member of the Chamber of Auditors of the Czech Republic with Identification No. 26704153. The auditors of ČEZ have no material interest in ČEZ.

Post-Issuance Information

ČEZ and CEZ Finance do not intend to provide any post-issuance information, except if required by any applicable laws or regulations.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Dealers Transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The information below is a translation of the Independent Auditor’s Report dated 14 March 2022. The Independent Auditor’s Report was issued in connection with the audit of the Consolidated Financial Statements of the ČEZ Group as of and for the year ended 31 December 2021, included herein. This report refers to these financial statements mentioned but also, among others, relates to the content of ČEZ Group’s Annual Report which is currently not available and is planned to be made public on or around 29 April 2022. For a full understanding of the Independent Auditor’s Report, it should be read in conjunction with the Annual Report.

(Translation of a report originally issued in Czech - see Note 2 to the consolidated financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ČEZ, a. s.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CEZ Group (hereinafter also the "Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Group, see Notes 1, 8 and 9 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of CEZ Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the IFRS EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of goodwill and other assets

The Group conducts annual impairment tests of goodwill and other assets' balances. The impairment test involves determining the recoverable amount of the cash-generating unit as a whole or individual assets, which corresponds to the value in use or selling price less cost to sell. Value in use is determined on the basis of an enterprise valuation model and is assessed from the Group's internal perspective.

These calculations of potential impairment amounts are a key audit matter as there is a significant uncertainty in relation to regulatory matters such as distribution fees and government support for renewable energy, which are, together with other significant assumptions included in the estimated future cash flows, main inputs to the calculations. Main assumptions that are subject to significant estimation uncertainty are projected future wholesale electricity prices, prices of green certificates or emission allowances, market access, development of the regulatory environment and discount rates as well as the strategy of the Group. Future cash flows relate to events and actions that have not yet occurred and may not occur. Another reason for impairment to be a key audit matter is the fact that the determination of cash-generating unit is to some extent subject to management judgement.

Our procedures included assessing the assumptions and methodologies used by the Group in their value in use models and assessment of the selling price less cost to sell. We involved our internal valuation specialists in assessing the adequacy of the Group's model used for the calculation of weighted average cost of capital and we also evaluated mathematical accuracy, underlying data and assumptions used in the calculation. We evaluated main assumptions that are subject to significant estimates such as future wholesale electricity prices, prices of green certificates or emission allowances ("emission certificates"), development of the regulatory environment and compared them to those observable on the market. We compared electricity prices as well as the prices of emission certificates to the contracts, which are actively traded on the market, and we assessed reasonableness of the Group's projections of these future prices for periods, for which the market data are not available. We also discussed the assumptions with our internal valuation specialists in the respective countries.

We analyzed the budgets and future cash flows of the cash-generating units. We compared the expected developments in budgeted cash flows to the expectations presented by the management while assessing the main assumptions of the models and discussing alternatives. We also assessed the adequacy of the model used for the impairment test calculation together with the definition of the cash-generating units and mathematical accuracy of the calculations.

We also focused on whether the Group's disclosures in the consolidated financial statements in relation to the impairment of goodwill and other assets, as presented and disclosed in Note 7. Impairment of Property, Plant and Equipment and Intangible Assets, are compliant with the IFRS EU.

Fair value measurement of financial instruments

Due to the significance of financial instruments measured at fair value, and a high degree of judgement related to their valuation, we consider this as a key audit matter.

We involved the internal valuation specialists to assist us in performing our audit procedures. We assessed the design and tested the operating effectiveness of internal controls over the valuation, data integrity, independent price verification and model approval.

For areas of higher risk and estimation, our audit procedures focused on the comparison of judgments made to market practice and reperformance of valuations over a selection of instruments, assessing the key inputs, assumptions and models used in the valuation process. We compared our results with the Group's valuation.

We also focused on whether the Group's disclosures in the consolidated financial statements in relation to the valuation of financial instruments, as presented and disclosed in Note 18. Fair Value of Financial Instruments, are compliant with the IFRS EU.

Classification of commodity contracts

The Group is entering into commodity contracts on different markets and platforms mainly in Central Europe and Germany. Commodity trading activities include trading with electricity, gas, emission allowances, oil and coal.

This is a key audit matter as the distinction between the contracts in scope of IFRS 9 Financial Instruments: Recognition and Measurement, which are treated as derivatives at fair value, and "own use" contracts, which are not remeasured to fair value, might be subject to a judgement and classification patterns set by the Group. This classification depends among other factors on the terms of the contract, whether the contract is considered to have been entered into as part of ordinary business activity, whether contract requires physical delivery of the commodity, and depends on various assumptions such as expected amount of commodity to be delivered, generation capacity of the portfolio mix and prices of commodities.

We tested the design and operating effectiveness of internal controls over the initial recognition of the contract, consistency of the commodity contract designation and the Group's ability to deliver the physical commodity over the contractual period.

We performed audit procedures focusing on the analysis and comparison of volume of commodities physically delivered during 2021 and the volumes of the "own use" contracts portfolio. We reviewed the ability of the Group to physically deliver the contracted future "own use" sales retrospectively and prospectively and the stability of portfolio to ensure that the contracts are not reclassified during their existence.

We also focused on whether the Group's disclosures in the consolidated financial statements in relation to the commodity contracts classification, as presented and disclosed in Notes 2.16. Commodity Contracts and 26. Gains and Losses from Commodity Derivative Trading, are compliant with the IFRS EU.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors of ČEZ, a. s. (hereinafter only "Board of Directors") is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors and the Audit Committee for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of ČEZ, a. s. (hereinafter only "Audit Committee") is responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Information required by Regulation (EU) no. 537/2014 of the European Parliament and the Council

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 28 June 2021 and our uninterrupted engagement has lasted for 20 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee, which we issued on 14 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Group and its controlled undertakings and which have not been disclosed in the annual report.

Statutory auditor responsible for the engagement

Jiří Křepelka is the statutory auditor responsible for the audit of the consolidated financial statements of the Group as at 31 December 2021, based on which this independent auditor's report has been prepared.

Report on compliance with the ESEF Regulation

We performed a reasonable assurance engagement to verify the compliance of the financial statements contained in the annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 on a European single electronic format relating to financial statements ("ESEF Regulation").

Responsibility of the Board of Directors

The Board of Directors of the Company is responsible for the preparation of financial statements in accordance with the ESEF Regulation. The Board of Directors of the Company is responsible for, among other things:

- design, implementation and maintenance of an internal control system relevant to the application of the requirements of the ESEF Regulation,
- the preparation of all financial statements contained in the annual report in the applicable XHTML format and
- selection and use of XBRL labels as required by the ESEF Regulation.

Auditor 's responsibility

Our responsibility is to express a conclusion, on the basis of the audit evidence obtained, whether the financial statements included in the annual report comply with the requirements of the ESEF Regulation in all material respects. We performed this reasonable assurance engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (revised) Assurance Engagements, which are not an audit or review of historical financial information ("ISAE 3000").

The nature, timing and extent of procedures selected depend on the auditor's judgment. A reasonable level of assurance is a high level of assurance, however, it does not guarantee that a verification performed in accordance with the above standard will in all cases reveal any significant (material) non-compliance with the requirements of the ESEF Regulation.

As part of the selected procedures, we performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we get the understanding of the internal controls of ČEZ, a.s. relevant to the application of the requirements of the ESEF Regulation,
- we have identified and evaluated the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, designed and implemented procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The goal of our procedures was to assess whether

- the financial statements, which are included in the annual report, have been prepared in the valid XHTML format,
- the data contained in the financial statements required by the ESEF Regulation have been tagged and all tagging meets the following requirements:
- the XBRL markup language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting significance have been used, unless an extension taxonomy element has been created in accordance with Annex IV of the ESEF Regulation,
- the mark-ups are in line with the common rules for tagging under the ESEF Regulation.

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

Conclusion

In our opinion, the consolidated financial statements of the ČEZ Group and financial statements of ČEZ, a. s. for the year ended 31 December 2021 included in the annual report are in all material respects in accordance with the requirements of the ESEF Regulation.

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

Jiří Křepelka, Auditor
License No. 2163

14 March 2022
Prague, Czech Republic

CEZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2021

(Translation of Consolidated Financial Statements Originally Issued in Czech)

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
ASSETS:			
Plant in service		856,189	827,652
Less accumulated depreciation and impairment		(487,211)	(451,033)
Net plant in service		368,978	376,619
Nuclear fuel, at amortized cost		13,096	13,697
Construction work in progress, net		21,009	20,056
Total property, plant and equipment	3	403,083	410,372
Investments in associates and joint-ventures	9	3,916	4,075
Restricted financial assets, net	4	20,804	21,424
Other non-current financial assets, net	5	11,805	11,002
Intangible assets, net	6	23,677	24,244
Deferred tax assets	35	10,719	828
Total other non-current assets		70,921	61,573
Total non-current assets		474,004	471,945
Cash and cash equivalents, net	10	26,640	6,064
Trade receivables, net	11	137,432	63,648
Income tax receivable		397	664
Materials and supplies, net	12	13,372	9,898
Fossil fuel stocks, net		574	1,220
Emission rights	13	19,534	37,833
Other current financial assets, net	5	497,295	61,894
Other current assets, net	14	13,674	8,919
Assets classified as held for sale	15	-	40,373
Total current assets		708,918	230,513
Total assets		1,182,922	702,458

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2021

continued

	Note	2021	2020
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,423)	(2,845)
Retained earnings and other reserves		108,722	182,917
Total equity attributable to equity holders of the parent	16	161,098	233,871
Non-controlling interests	9	1,742	4,692
Total equity		162,840	238,563
Long-term debt, net of current portion	17	95,924	122,102
Provisions	20	117,072	105,326
Other long-term financial liabilities	21	35,219	9,414
Deferred tax liability	35	12,839	19,383
Other long-term liabilities		32	34
Total non-current liabilities		261,086	256,259
Short-term loans	22	25,310	984
Current portion of long-term debt	17	16,647	28,741
Trade payables		85,928	73,189
Income tax payable		2,249	555
Provisions	20	18,253	13,665
Other short-term financial liabilities	21	601,027	72,114
Other short-term liabilities	23	9,582	6,759
Liabilities associated with assets classified as held for sale	15	-	11,629
Total current liabilities		758,996	207,636
Total equity and liabilities		1,182,922	702,458

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

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
Sales of electricity, heat, gas and coal		157,493	138,015
Sales of services and other revenues		67,329	71,507
Other operating income		2,971	4,215
Total revenues and other operating income	25	227,793	213,737
Gains and losses from commodity derivative trading	26	(4,468)	6,122
Purchase of electricity, gas and other energies	27	(62,669)	(56,335)
Fuel and emission rights	28	(24,555)	(23,262)
Services	29	(29,044)	(30,147)
Salaries and wages	30	(30,591)	(30,855)
Material and supplies		(11,017)	(10,576)
Capitalization of expenses to the cost of assets and change in own inventories		4,285	3,450
Depreciation and amortization	3, 6	(31,628)	(28,284)
Impairment of property, plant and equipment and intangible assets	7	(15,799)	(24,062)
Impairment of trade and other receivables		602	(544)
Other operating expenses	31	(6,811)	(6,659)
Income before other income (expenses) and income taxes		16,098	12,585
Interest on debt		(4,206)	(5,269)
Interest on provisions		(2,014)	(1,955)
Interest income	32	431	377
Share of profit (loss) from associates and joint-ventures	9	(534)	188
Impairment of financial assets		(449)	(433)
Other financial expenses	33	(659)	(962)
Other financial income	34	4,759	3,375
Total other income (expenses)		(2,672)	(4,679)
Income before income taxes		13,426	7,906
Income taxes	35	(3,517)	(2,438)
Net income		9,909	5,468
Net income attributable to:			
Equity holders of the parent		9,791	5,438
Non-controlling interests		118	30
Net income per share attributable to equity holders of the parent (CZK per share):	38		
Basic		18.3	10.2
Diluted		18.3	10.2

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

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
Net income		9,909	5,468
Change in fair value of cash flow hedges		(85,679)	(8,198)
Cash flow hedges reclassified to statement of income		11,479	2,916
Change in fair value of debt instruments		(1,869)	277
Disposal of debt instruments		(12)	(1)
Translation differences – subsidiaries		(1,284)	980
Translation differences – associates and joint-ventures		37	191
Disposal of translation differences		8,238	3
Share on other equity movements of associates and joint-ventures		59	(5)
Deferred tax related to other comprehensive income	35	14,458	954
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(54,573)	(2,883)
Change in fair value of equity instruments		(795)	(1,046)
Re-measurement gains (losses) on defined benefit plans		6	(46)
Deferred tax related to other comprehensive income	35	151	199
Net other comprehensive income not to be reclassified from equity in subsequent periods		(638)	(893)
Total other comprehensive income, net of tax		(55,211)	(3,776)
Total comprehensive income, net of tax		(45,302)	1,692
Total comprehensive income attributable to:			
Equity holders of the parent		(45,259)	1,542
Non-controlling interests		(43)	150

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Transla-tion difference	Cash flow hedge reserve	Debt instru-ments	Equity instruments and other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance as at January 1, 2020		53,799	(2,885)	(12,837)	(2,831)	648	(160)	215,027	250,761	4,603	255,364
Net income		-	-	-	-	-	-	5,438	5,438	30	5,468
Other comprehensive income		-	-	1,056	(4,279)	226	(847)	(52)	(3,896)	120	(3,776)
Total comprehensive income		-	-	1,056	(4,279)	226	(847)	5,386	1,542	150	1,692
Dividends		-	-	-	-	-	-	(18,163)	(18,163)	(36)	(18,199)
Sale of treasury shares		-	40	-	-	-	-	(25)	15	-	15
Exercised and forfeited share options		-	-	-	-	-	(15)	15	-	-	-
Contribution from owners of non-controlling interests		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests	8	-	-	-	-	-	-	(309)	(309)	(766)	(1,075)
Put options held by non-controlling interests		-	-	4	-	-	-	21	25	728	753
Balance as at December 31, 2020		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

continued

	Note	Attributable to equity holders of the parent									
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance as at January 1, 2021		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	9,791	9,791	118	9,909
Other comprehensive income		-	-	7,152	(60,102)	(1,521)	(644)	65	(55,050)	(161)	(55,211)
Total comprehensive income		-	-	7,152	(60,102)	(1,521)	(644)	9,856	(45,259)	(43)	(45,302)
Dividends		-	-	-	-	-	-	(27,873)	(27,873)	(150)	(28,023)
Sale of treasury shares		-	1,422	-	-	-	-	(762)	660	-	660
Exercised and forfeited share options		-	-	-	-	-	(55)	55	-	-	-
Acquisition of subsidiaries	8	-	-	-	-	-	-	-	-	32	32
Acquisition of non-controlling interests	8	-	-	-	-	-	-	(69)	(69)	5	(64)
Disposal of non-controlling interests	8	-	-	1	-	-	-	31	32	811	843
Disposal of subsidiaries	8	-	-	-	-	-	-	-	-	(3,606)	(3,606)
Put options held by non-controlling interests		-	-	(13)	-	-	-	(251)	(264)	1	(263)
Balance as at December 31, 2021		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
OPERATING ACTIVITIES:			
Income before income taxes		13,426	7,906
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6	31,628	28,284
Amortization of nuclear fuel	3	4,110	4,197
(Gains) and losses on non-current asset retirements		(507)	(252)
Foreign exchange rate loss (gain)		(686)	(1,244)
Interest expense, interest income and dividend income		3,765	4,879
Provisions		4,844	2,834
Impairment of property, plant and equipment and intangible assets	7	15,799	24,062
Valuation allowances and other non-cash expenses and income		(38,481)	(10,495)
Share of (profit) loss from associates and joint-ventures	9	534	(188)
Changes in assets and liabilities:			
Receivables and contract assets		(78,918)	(2,032)
Materials, supplies and fossil fuel stocks		(2,466)	(1,095)
Receivables and payables from derivatives		23,034	13,306
Other assets		70,381	4,458
Trade payables		17,619	7,072
Other liabilities		2,662	(503)
Cash generated from operations		66,744	81,189
Income taxes paid		(3,550)	(3,748)
Interest paid, net of capitalized interest		(4,415)	(5,649)
Interest received		364	342
Dividends received		13	23
Net cash provided by operating activities		59,156	72,157
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	8	(3,051)	(1,347)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of	8	28,770	59
Additions to non-current assets, including capitalized interest		(32,226)	(31,558)
Proceeds from sale of non-current assets		468	467
Loans made		(305)	(1,160)
Repayment of loans		320	221
Change in restricted financial assets		(1,094)	(405)
Total cash used in investing activities		(7,118)	(33,723)

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

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

continued

	Note	2021	2020
FINANCING ACTIVITIES:			
Proceeds from borrowings		313,886	158,320
Payments of borrowings		(321,466)	(178,869)
Payments of lease liabilities	24	(692)	(852)
Proceeds from other long-term liabilities		229	211
Payments of other long-term liabilities		(198)	(102)
Dividends paid to Company's shareholders		(27,813)	(18,116)
Dividends paid to non-controlling interests		(150)	(23)
Sale of treasury shares		660	15
(Acquisition) and sale of non-controlling interests, net		744	(1,097)
Total cash used in financing activities		(34,800)	(40,513)
Net effect of currency translation and allowances in cash		(767)	342
Net increase (decrease) in cash and cash equivalents		16,471	(1,737)
Cash and cash equivalents at beginning of period		10,169	11,906
Cash and cash equivalents at end of period	10	26,640	10,169

Supplementary cash flow information:

Total cash paid for interest		4,714	5,952

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

CEZ GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

CONTENT:

1. The Company

ČEZ, a. s. (ČEZ or the Company), company reg. No. 45274649, is a Czech Republic joint-stock company, owned 69.8% (69.9% of voting rights) at December 31, 2021 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (the Group, see Note 9). Main business of the Group is the production, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining. ČEZ is an electricity generation company, which in 2021 generated approximately 58% of the electricity in the Czech Republic. In the Czech Republic the Company operates two nuclear plants, sixteen hydroelectric plants, one combined cycle gas turbine plant and eight fossil fuel plants. The Company also operates through its subsidiaries several power plants (fossil fuel, hydro, wind, solar, gas, biogas, biomass) in the Czech Republic, eleven wind power plants in Germany, two fossil fuel plants and two hydroelectric plants in Poland. Further the Group also owns an electricity distribution company and a lignite mining company in the Czech Republic. In the Czech Republic and other countries, the Group controls companies engaged in the provision of energy services. The average number of employees of the Company and its consolidated subsidiaries was 28,697 and 31,704 in 2021 and 2020, respectively.

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

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

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office issues licenses, imposes the obligation to supply beyond the scope of the license, the obligation to let another license holder use energy facilities in cases of emergency for payment, to exercise the supply obligation beyond the scope of the license and regulates prices based on special legal regulations. The State Energy Inspection Board supervises the functioning of the energy sector. All customers have the opportunity to buy electricity from any supplier.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These consolidated financial statements of the CEZ Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are based on a historical cost approach, except where IFRS require a different measurement basis as disclosed in the description accounting policies below.

Explanation Added for Translation into English

These financial statements represent a translation of financial statements originally issued in Czech.

2.2. Consolidation Method

2.2.1. Group Structure

The consolidated financial statements of the CEZ Group include data of ČEZ, a. s., and its subsidiaries, associates and joint-ventures included in the consolidation unit (see Note 9).

2.2.2. Subsidiaries

Subsidiaries included in the consolidation unit are those entities which the CEZ Group controls. The Group controls an investee if, and only if, the Group:

- Has power over the investee (i.e. the Group has existing rights that give it the current ability to direct the activities of the entity that significantly affect its revenues)
- Is exposed to risk associated with or entitled to variable returns from its involvement with the investee
- Is able to use its power over the investee to affect the amount of the Group's returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's existing voting rights and potential voting rights

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

Business combinations are accounted for using the acquisition method. The cost of a business combination is the sum of the consideration transferred, measured at fair value at acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized directly in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Among other things, the Group considers the separation of embedded derivatives from host contracts.

If the business combination is achieved in stages, the Group, as the acquirer, remeasures, through profit or loss, previously held equity interests in the acquiree to fair value at the acquisition date.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration classified as equity is not remeasured.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognized immediately in the income statement and is presented in the line Impairment of property, plant and equipment and intangible assets.

A change in the ownership interest of a subsidiary, without loss of control, is accounted as an equity transaction.

Losses within a subsidiary incurred are attributed to the non-controlling interest even if that results in a deficit balance.

Put options held by non-controlling interests are recorded as a derecognition of non-controlling interest and recognition of a liability at the end of the reporting period. The liability is recognized at the present value of the amount payable on exercise of the option. Any difference between the amount of non-controlling interest derecognized and this liability is accounted for within equity. Subsequent changes to the present value of liability are recorded directly in equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are eliminated unless transaction indicates impairment of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the CEZ Group.

2.2.3. Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are included in the consolidated financial statements using the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognized in the income statement. The Group's share of other post-acquisition movements in equity of associates is recognized in other comprehensive income against the cost of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated impairment losses) on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. In such a case, the Group recognizes its full share on profit or loss and its share on other comprehensive income only to the extent to recognize nil interest in an associate. This amount is included in the item Translation differences – associates and joint-ventures in the statement of comprehensive income, then the Group discontinues of using equity method of accounting. However, additional losses are provided for, and a liability is recognized on the balance sheet in the item Other long-term liabilities or in the item Provisions, after the Group's interest is reduced to zero, only to the extent that the Group has incurred legal or constructive obligations (e.g. provided guarantees) or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

2.2.4. Joint-ventures

(a) A joint-venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to its net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary considerations to determine control over subsidiaries. The Group recognizes its interest in the joint-venture using the equity method of accounting (see Note 2.2.3).

The financial statements of the joint-venture and parent company are prepared as of the same date. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. Unrealized gains and losses on transactions between the Group and joint-ventures are eliminated to the extent of the Group's interest in those joint-ventures. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment of the asset.

2.2.5. Transactions Involving Entities under Common Control of Majority Owner

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

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

2.3. Changes in Accounting Policies

2.3.1. Adoption of New IFRS Standards in 2021

The accounting policies adopted are consistent with those of the previous financial year, except for as follows. The Group has adopted the following new or amended standards and interpretations endorsed by EU as of January 1, 2021:

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The application of the reform did not have significant impact to the Group's financial statements.

IFRS 4: Insurance Contracts (Amendment)
The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The application of the amendment did not have significant impact to the Group's financial statements.

2.3.2. New IFRS Standards and IFRIC Interpretations either not yet Effective or not yet Adopted by EU

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2022 or later.

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after January 1, 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance, and cash flows of an entity. This standard is not expected to have a material effect on the Group's financial statements.

IFRS 17: Insurance Contracts (Amendment)
The amendment to IFRS 17 is effective, retrospectively, for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendment aims at helping companies implement the

standard. In particular, the amendment is designed to reduce costs by simplifying some requirements in the standard, make financial performance easier to explain and ease transition by deferring the effective date of the standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. This amendment is not expected to have a material effect on the Group's financial statements.

IFRS 17: Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment)
The amendment is effective for annual reporting periods beginning on or after January 1, 2023 with early application. For entities that first apply IFRS 17 and IFRS 9 at the same time, the amendment adds a transition option for a "classification overlay", relating to comparative information of financial assets. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Also, in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. This amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint-ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint-venture (Amendments)
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint-venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Group's financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendment)
The amendment was initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. January 1, 2023, to provide companies with more time to implement any classification changes resulting from the amendment. The amendment aims to promote consistency in applying the requirements by helping companies determine whether, in the balance sheet debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendment affects the presentation of liabilities in the balance sheet and does not change existing requirements around measurement or timing of recognition of any asset, liability, income, or expenses, nor the information that entities disclose about those items. Also, the amendment clarifies the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date after the reporting period. In particular, the Board proposes narrow scope amendment to IAS 1 which effectively reverses the 2020 amendment requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after January 1, 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendment accordingly, such that entities will not be required to change current practice before the proposed amendment comes into effect. This amendment, including ED proposals, has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018–2020 (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IAS 16 Property, Plant and Equipment (Amendment) prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment) specifies which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

- Annual Improvements 2018–2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

These amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Group’s financial statements.

IFRS 16 Leases: Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment)
The amendment applies to annual reporting periods beginning on or after April 1, 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. This amendment is not expected to have a material effect on the Group’s financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Group's financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendment)
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group’s financial statements.

IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment)
The amendment is effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible

temporary differences that are not equal. The amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Group's financial statements.

The Group does not expect early adoption of any of the above-mentioned standards, improvements or amendments.

2.4. Estimates

The preparation of financial statements in accordance with IFRS requires Group management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, the disclosure of information on contingent assets and contingent liabilities, and the amounts of revenues and expenses reported for a reporting period. Actual results may differ from such estimates. A description of key assumptions for significant estimates is included in the relevant sections of the Notes. The Group makes significant estimates when determining the recoverable amounts of property, plant and equipment and intangible assets (see Note 7), accounting for the nuclear provisions (see Note 20.1), provisions for reclamation of mines, mining damages and waste storage reclamation (see Note 20.2), provision for demolition and dismantling of coal-fired plants (see Note 20.2), unbilled electricity and gas (see Note 2.6), fair value of commodity contracts (see Notes 2.16 and 18), financial derivatives (see Notes 2.15 and 18) and incremental borrowing rate and lease terms to measure lease liability (see Notes 2.28 and 24).

In 2021, there were significant changes in some estimates in connection with the adoption of the accelerated strategy VIZE 2030, which takes into account the EU's decarbonization vision and sets out specific ambitions in the area of social responsibility and sustainable development. The most significant changes in estimates in 2021 concerned the shortening of the expected remaining useful life of coal-fired plants (see Note 2.9), the determination of the provisions for demolition and dismantling of coal-fired plants, the shortening of the expected life of coal mining and the related shortening of the expected remaining useful life of mining assets.

2.5. Revenues

Revenue is recognized, when the Group has satisfied a performance obligation and the amount of revenue can be reliably measured. The Group recognizes revenue at the amount of estimated consideration (less estimated discounts) that it expects to receive for goods transferred or services provided to the customer. To apply this basic principle, the Group uses a five-level model:

1. Identify the contract(s) with a customer,
2. Identify the performance obligations arising from the contract,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations arising from the contract,
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group recognizes revenue from sales of electricity, heat, gas and coal based on contract terms. Any differences between contracted amounts and actual supplies for electricity and gas are settled through the market operator.

Sales are recognized net of value added tax.

Revenue from the sale of assets is recognized as soon as the delivery takes place and risks and associated benefits, as applicable, are transferred to the buyer.

In the case of construction contracts, where an asset is being created or appreciated for a certain period and the customer controls this asset at the time of its creation or appreciation, revenues are recognized over time. Contract revenues and incurred costs associated with the construction contracts are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity. The percentage of completion is determined as the share of incurred cots to total expected full contract costs. However, if a loss is expected from the contract, it is recognized in full immediately regardless of the percentage of completion of such a construction contract.

Connection fees received from customers and related payments for power consumption and end-user transfers are recognized in income in the period when this performance obligation is satisfied.

Government and similar grants related to income are recognized in the income statement in the period in which the Group recognizes related expenses to be offset by the grant and is presented in the line Other operating income.

2.6. Unbilled Electricity and Gas

The change of unbilled electricity and gas is determined monthly on the basis of an estimate. The estimate of monthly change in unbilled electricity and gas is based on deliveries in a given month after deduction of invoiced amounts and estimated grid losses. The estimate of total unbilled balance is verified by extrapolation of consumption in the last measured period for individual locations. The ending balance of contract assets and liabilities is disclosed net in the balance sheet after deduction of advances received from customers and is included in the line item of Other current assets, net or Other short-term liabilities.

2.7. Fuel Costs

Fuel is recognized as costs when it is consumed. Fuel costs include the depreciation of nuclear fuel (see Note 2.10).

2.8. Interest

The Group capitalizes, as the cost of non-current assets, all interest associated with its investing activities that it would not have incurred if it did not pursue such investing activities. Interest is only capitalized for assets constructed or acquired over a substantial period of time.

2.9. Property, Plant and Equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and impairments. The cost of property, plant, and equipment comprises the purchase price and the related cost of materials and labor and the cost of debt financing used in the construction. The cost also includes the estimated cost of dismantling and removing a tangible asset to the extent specified by IAS 37, Provisions, Contingent Liabilities, and Contingent Assets. Government grants and similar subsidies received for the acquisition of property, plant, and equipment decrease the cost.

Self-constructed property, plant, and equipment are measured at the cost of constructing them. Expenditures on the repair, maintenance, and replacement of minor asset items are recognized as repair and maintenance expenses in the period when such repair is carried out. Improvements are capitalized. When an item of property, plant, and equipment or a part thereof is sold or disposed of, its cost, relevant accumulated depreciation, and any impairments are derecognized in the balance sheet. Any gains or losses arising from the sale or disposal of property, plant, and equipment are included in profit or loss.

At each reporting date, the Group assesses whether there are any indicators that an asset may have been impaired. Where there are such indicators of impairment, the Group checks whether the recoverable amount of the item of property, plant, and equipment is less than its depreciated cost. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Any impairment of property, plant, and equipment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

At each reporting date, the Group assesses whether there are any indicators that previously recognized impairments of assets are no longer justified or should be decreased. If there are such indicators, the Group determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset's recoverable amount since the last recognition of the impairment. If that is the case, the depreciated cost of the asset including the impairment is increased to the new recoverable amount. The new depreciated cost may not exceed the current carrying amount, less accumulated depreciation, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

The Group depreciates the cost of property, plant, and equipment less their residual value using the straight-line method over their estimated useful life. Each part of an item of property, plant, and equipment that is significant in relation to the total amount of the asset is recognized and depreciated separately. The estimated useful life of property, plant, and equipment is determined as follows:

	Useful lives (years)
Buildings and structures	10–60
Machinery and equipment	4–36
Vehicles	4–34
Furniture and fixtures	4–15

Depreciation periods, residual values, and depreciation methods are annually reviewed and adjusted as appropriate. In 2021, the expected remaining useful life of the assets of coal-fired plants was reduced by 7–10 years. In 2020, the expected remaining useful life of the main assets of nuclear power plants was extended by 10 years.

2.10. Nuclear Fuel

The Group recognizes nuclear fuel as part of property, plant, and equipment because the period for which it is used for electricity generation exceeds 1 year. Nuclear fuel is measured at cost less accumulated depreciation and, if applicable, impairments. Nuclear fuel includes a capitalized portion of the provision for interim storage of spent nuclear fuel. The depreciation of nuclear fuel in a reactor is determined on the basis of the amount of energy generated and presented in the statement of income in the line item Fuel and emission rights. The depreciation of nuclear fuel includes additions to the provision for interim storage of spent nuclear fuel.

2.11. Intangible Assets

Intangible assets are measured at costs, including the purchase price and related expenses. Non-current intangible assets are amortized using the straight-line method over their estimated useful life, which ranges 3–25 years. Amortization periods, residual values, and amortization methods are annually reviewed and adjusted as appropriate. Improvements are capitalized.

At each reporting date, the Group assesses whether there are any indicators that a non-current intangible asset may have been impaired (for goodwill see Note 2.12). Non-current intangible assets under development are tested for possible impairment annually regardless of whether there are indicators of possible impairment. Any impairment of non-current intangible assets is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

At each reporting date, the Group assesses whether there are any indicators that previously recognized impairments of assets excluding goodwill are no longer justified or should be decreased. If there are such indicators, the Group determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset's recoverable amount since the last recognition of the impairment. If that is the case, the amortized cost of the asset including the impairment is increased to the new recoverable amount. The new amortized cost may not exceed the current carrying amount, less accumulated amortization, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairment of property, plant, and equipment and intangible assets.

2.12. Goodwill

Goodwill is initially measured at the amount of the difference between the consideration transferred plus the value of any non-controlling interest and the net amount of the identifiable assets acquired and liabilities assumed (see Note 2.2). Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill relating to associates and joint-ventures is recognized in the balance sheet as part of investments in associates and joint-ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. The recognized goodwill is tested for possible impairment. The test is performed at least once a year or more frequently if there are indicators of possible impairment of goodwill

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the synergies arising from the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Recognized impairment losses of goodwill cannot be reversed in subsequent periods. In the event of a partial sale of a cash-generating unit to which goodwill has been allocated, the carrying amount of goodwill relating to the sold part is included in the gain or loss on sale. The amount of goodwill disposed is measured on the basis of the ratio of the value of the sold part of the cash-generating unit to the value of the part that remains in the ownership of the Group.

2.13. Emission Rights

The greenhouse gas emission right (hereinafter the emission right) represents the right of the operator of a facility that emits greenhouse gases in the course of its operation to release the equivalent of a ton of carbon dioxide to the air in a given calendar year. Operators of such facilities are required to determine and report the amount of greenhouse gases produced by its facilities in every calendar year and this amount must be to be audited by an accredited person. Some Group companies as operators of such facilities were allocated a certain amount of emission rights based on the National Allocation Plan.

The Group is required to remit the number of emission rights corresponding to its actual amount of greenhouse gas emissions in the previous calendar year by no later than April 30 of the next calendar year.

Allocated emission rights are measured at nominal, i.e., zero value in financial statements. Purchased emission rights are measured at cost (except for emission allowances held for trading). The Group makes a provision for covering released emissions corresponding to the difference between the actually released amount of emissions and its inventory of allocated emission rights. The provision is measured primarily at the cost of emission rights that were purchased with the intention of covering greenhouse gas emissions in the reporting period. The provision for released emissions exceeding such rights is measured at the market price effective at the end of the reporting period. Emission rights purchased for use in the next year are recognized as current assets in the line item Emission rights. Emission rights with a later planned time of use are recognized as part of non-current intangible assets.

The Group also purchases emission rights for the purpose of trading. The portfolio of emission rights held for trading is measured at fair value at the end of the reporting period, with any changes in fair value recognized in profit or loss and presented in the line item Gains and losses from commodity derivative trading. Emission rights purchased for the purpose of trading are recognized as current assets in the line item Emission rights.

At each reporting date, the Group assesses whether there are any indicators that emission allowances may have been impaired. Where there are such indicators, the Group checks whether the recoverable amount of cash-generating units that the emission rights were allocated to is less than their depreciated cost. Any impairment of emission rights is recognized in profit or loss and presented in the line item Other operating expenses.

Sale and repurchase agreements concerning emission rights are accounted for as collateralized loans.

Allocated green and similar certificates are initially recognized at fair value and subsequently treated similarly to purchased emission rights.

2.14. Classification of Financial Instruments

Financial assets comprise primarily cash, equity instruments of another entity, or a contractual right to receive cash or another financial asset.

Financial liabilities are primarily contractual obligations to deliver cash or another financial asset.

Financial liabilities and assets are presented as current or non-current. Financial assets are classified as current if the Group intends to realize them within 12 months of the end of the reporting period or if there is not reasonable assurance that the Group will hold the financial assets for more than 12 months after the end of the reporting period.

Financial liabilities are presented as current if they are payable within 12 months of the end of the reporting period.

Assets and liabilities held for trade are also presented as current assets and liabilities.

Financial assets and financial liabilities are offset and the resulting net amount is presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts and the Group intends to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

2.14.1. Financial Assets

Financial assets are classified into the categories of at amortized cost, at fair value depending on whether the financial assets are held for sale or whether they are held under a business model whose objective is to hold the assets to collect contractual cash flows, and at cost.

The Group classifies assets into the following categories:

a) Financial asset measurement at amortized cost
This category comprises financial assets for which the Group's strategy is to hold them to collect contractual cash flows, consisting of both principal and interest. Examples of such financial assets include loans, securities held to maturity, trade receivables.

Expected credit losses, exchange differences, and interest revenue are recognized in profit or loss.

b) Financial asset measurement at fair value through other comprehensive income
This category comprises financial assets where the Group's strategy is both to collect contractual cash flows and to sell the financial assets. This model differentiates between two types of accounting treatment:

- Without future transfer to profit or loss – used for equity financial assets
Impairments are neither calculated nor recognized. Changes in fair value are recognized in other comprehensive income. When a financial asset is sold, no gain or loss is recognized in profit or loss, so it never affects profit or loss. If an equity financial asset is sold, the accumulated revaluation amount is transferred to retained earnings. Exchange differences are recognized in other comprehensive income as part of the revaluation amount. Dividends on such financial assets are recognized in profit or loss provided that the payment of such dividends does not reduce the value of the investment.

- With future transfer to profit or loss – used for debt financial assets
Additions to impairment are recognized in profit or loss. Changes in fair value are recognized in other comprehensive income. On the disposal of a financial asset, the gain or loan is recognized in profit or loss (the gain/loss is transferred from other comprehensive income to profit or loss). Exchange differences in relation to revaluation surplus are recognized in other comprehensive income. Exchange differences in relation to impairment are recognized in profit or loss. Interest revenue is recognized in profit or loss.

c) Financial asset measurement at fair value through profit or loss
A category of financial assets for which the Group's strategy is to actively trade the asset. The collection of contractual cash flows is not the main objective of the strategy. Examples of such financial assets are securities held for trading and non-hedging derivatives. Impairments are neither calculated nor recognized. Changes in fair value and exchange differences are recognized in profit or loss.

Changes in the fair value of financial investments at fair value through profit or loss are recognized in Other financial expenses or Other financial income.

2.14.2. Financial Liabilities

Financial liabilities are classified into two core categories of at amortized cost and at fair value through profit or loss. Classification into those categories is determined analogously to financial assets.

For fair value option financial liabilities, i.e., those measured at fair value through profit or loss, a change in fair value that is attributable to changes in credit risk is presented in other comprehensive income; the remaining amount is presented in profit or loss. However, if the treatment of changes in fair value that are attributable to credit risk created or enlarged an accounting mismatch in profit or loss, the entity would present all gains or losses on such a liability in profit or loss.

2.14.3. Derivatives

Derivatives are a special category of financial assets and liabilities. The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. More information on the reporting of derivatives can be found in Note 2.15.

2.14.4. Impairment of Financial Assets

Following the application of the IFRS 9 approach, the impairment of financial assets is based on a model of expected credit losses (ECL), which applies to the following financial assets:

a) debt assets at amortized cost (trade receivables, loans, debt securities),
b) debt assets at fair value through other comprehensive income,
c) lease receivables,
d) contract assets and financial guarantee contracts,
e) bank accounts and term deposits.
(b)
(c) An impairment analysis of receivables is performed by the Group at each reporting date on an individual basis for significant specific receivables. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively where the individual approach is not applicable.

The Group accounts for either 12-month expected credit losses or lifetime expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition (or since the commitment was made or the guarantee was provided). The Group has used a simplified approach for some receivables, under which lifetime expected credit losses are always accounted for.

The portfolio of financial assets is broken down into 3 categories for the purposes of ECL calculation. At the date of initial recognition, financial assets are included in Category 1 with the lowest impairment, which is determined as a percentage of historically unpaid receivables. They are subsequently reclassified as Category 2 and 3 as the debtor's credit risk increases. If a financial asset is bearing interest, interest revenue in Category 3 is calculated from the net amount of the asset.

2.15. Derivatives

The Group uses financial derivatives, such as interest rate swaps and foreign exchange contracts, to hedge risks associated with interest rate and exchange rate fluctuations. Derivatives are measured at fair value. They are recognized as part of non-current and current other financial assets and liabilities in the balance sheet.

The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged.

For hedge accounting purposes, hedging transactions are classified either as fair value hedges where the risk of change in the fair value of a balance sheet asset or liability is hedged or as cash flow hedges where the Group is hedged against the risk of changes in cash flows attributable to a balance sheet asset or liability or to a highly probable forecast transaction.

At the inception of a hedge, the Group prepares documents identifying the hedged item and the hedging instrument used and documenting the risk management objectives and strategy for various hedging transactions. At the inception and throughout the duration of a hedge, the Group documents whether the hedging instruments used are highly effective in relation to changes in the fair values or cash flows of hedged items.

2.15.1. Fair Value Hedging Derivatives

Changes in the fair values of fair value hedging derivatives are recognized in expenses or income, as appropriate, together with the relevant change in the fair value of the hedged asset or liability that is related to the hedged risk. Where an adjustment to the carrying amount of a hedged item is made for a debt financial instrument, the adjustment is amortized in profit or loss over time until the maturity of such a financial instrument.

2.15.2. Cash Flow Hedging Derivatives

Changes in the fair values of derivatives hedging expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Other financial expenses or Other financial income.

Amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a derivative is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the forecast transaction is closed and then recognized in the statement of income. If a forecast transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.15.3. Other Derivatives

Some derivatives are not intended for hedge accounting. A change in the fair value of such derivatives is recognized directly in profit or loss.

2.16. Commodity Contracts

According to IFRS 9, certain commodity contracts are considered to be financial instruments and accounted for in accordance with the standard. Most commodity purchases and sales carried out by the Group assume physical delivery of the commodity in amounts intended for use or sale in the course of the Group's ordinary activities. Therefore, such contracts (so-called "own-use" contracts) are not within the scope of IFRS 9.

Forward purchases and sales with physical delivery of energy are not within the scope of IFRS 9 as long as the contract is made in the course of the Group's ordinary activities. This is true if all of the following conditions are met:

- Physical delivery of the commodity takes place under the contract;
- The amount of the commodity purchased or sold under the contract corresponds to the Group's operating requirements;
- The contract does not represent a sold option as defined by IFRS 9. In the specific case of electricity sales contracts, the contracts are substantially equivalent to firm forward sales or can be considered sales of generation capacity.

The Group considers transactions entered into with the aim of balancing electricity amounts purchased and sold to be part of an integrated energy group's ordinary activities; therefore, such contracts are not within the scope of IFRS 9.

Commodity contracts that are within the scope of IFRS 9 and that do not hedge cash flows are revalued to fair value, with changes in fair value recognized in profit or loss. The Group presents revenue and expenses related to trading in electricity and other commodities in the statement of income item Gains and losses from commodity derivative trading.

Changes in the fair values of commodity contracts that are within the scope of IFRS 9 and that hedge expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Gains and losses from commodity derivative trading.

Subsequently, in accordance with the description in Note 2.15.2, amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a commodity contract is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the expected transaction is closed and then recognized in the statement of income. If the expected transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.17. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks, and short-term financial deposits with maturity of no more than 6 months.

2.18. Restricted Financial Assets

Cash and other financial assets that are recognized as restricted funds (see Note 4) are intended for the funding of nuclear decommissioning, for mining reclamation and damages, for the restoration and rehabilitation of waste dumps, or are cash guarantees given to counterparties. Such funds are classified as non-current assets due to the time at which they are expected to be released for the Group's purposes.

2.19. Contract Assets and Liabilities

Contract asset is the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

Contract liability is the Group's obligation to transfer goods or provide services to a customer for which the Group has received consideration from the customer.

For work in progress, costs incurred and recognized gains are presented on the balance sheet net of any issued invoices and advances received as an asset or a liability.

Contract assets and liabilities are presented in the line Other current assets, net and Other short-term liabilities.

2.20. Materials and Supplies

Purchased inventories are measured at actual cost, using the weighted average cost method. The costs of purchased inventories include all costs of purchase, including transport costs. Upon use, they are recognized in expenses or capitalized as non-current assets. Work in progress is measured at actual cost. The costs include, primarily, direct material and labor costs. Obsolete inventories are written down using impairments recognized in expenses.

2.21. Fossil Fuel Stocks

Inventories of fossil fuels are measured at actual cost, determined on a weighted average cost basis.

2.22. Income Taxes

The amount of income taxes is determined in compliance with the tax regulations of the states of residence of the Group companies and is based on the profit or loss determined in accordance with local accounting regulations and adjusted for permanently or temporarily nondeductible expenses and untaxed income. Income taxes are calculated on an individual company basis as the Czech tax laws do not permit consolidated tax returns. For companies located in the Czech Republic income taxes are provided at a rate of 19% for the years ended December 31, 2021 and 2020, respectively, from income before income taxes after adjustments for certain items which are not deductible, or taxable, for taxation purposes. The Czech corporate income tax rate enacted for 2022 and on is 19%.

Deferred tax is calculated on the basis of the liability method based on a balance sheet approach. Deferred tax is calculated from temporary differences between accounting measurement and measurement for the purposes of determining the income tax base. Deferred tax is determined using rates and laws that have been enacted by the end of the reporting period and are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled.

A deferred tax asset or liability is recognized regardless of when the temporary difference is likely to be reversed. A deferred tax asset or liability is not discounted. A deferred tax liability is recognized for all taxable temporary differences, except:

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

Deferred tax asset is recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax asset is recognized to the extent that it is probable that sufficient taxable profit will be available in the future against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be claimed, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the reported profit after tax nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint-ventures, when it is probable, that the temporary differences will not be reversed and there will not be sufficient taxable profit against which the deductible temporary differences can be applied.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and, if necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

If the current and deferred tax relate to items that are charged or credited directly to equity in the same or a different tax period, the tax is also recognized directly in equity.

Changes in the deferred tax due to a change in tax rates is recognized in profit or loss, except for items charged or credited directly to equity in the same or a different tax period, for which such a change is also recognized directly in equity.

2.23. Long-term Debt

Debt is initially measured at the amount of proceeds from the issue of the debt, less transaction costs. It is then carried at amortized cost, which is determined using the effective interest rate. The difference between the nominal amount and the initial measurement of debt is recognized in profit or loss as interest expense over the period of debt.

Transaction costs comprise commission paid to advisers, agents, and brokers and levies by regulatory agencies and securities exchanges.

For long-term debt that is hedged with derivatives hedging against changes in fair value, the measurement of hedged debt is adjusted for changes in fair value. Changes in the fair value of such debt are recognized in profit or loss and reported in the statement of income in Other financial expenses or Other financial income. The adjustment to the carrying amount of hedged long-term debt is subsequently recognized in profit or loss using the effective interest rate.

2.24. Nuclear Provisions

The Group makes a provision for nuclear decommissioning, a provision for interim storage of spent nuclear fuel and other radioactive waste, and a provision for the funding of subsequent permanent disposal of spent nuclear fuel and irradiated reactor components (see Note 20.1).

The provisions made correspond to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate, expressed at the price level at the date of estimate, is discounted using an estimated long-term real interest rate of 0.3% and 0.4% per annum as at December 31, 2021 and 2020, respectively, so as to take into account the timing of expenditure. Initial discounted costs are capitalized as part of property, plant, and equipment and then amortized for the duration of time for which nuclear power plants will generate electricity. The provision is increased by the estimated inflation and real interest rate annually. Such expenses are recognized in the statement of income in the line item Interest expense on provisions. The effect of the expected rate of inflation is estimated at 2.0% and 1.5% as at December 31, 2021 and 2020, respectively.

The process of nuclear power plant decommissioning is estimated to continue for approximately 50 years after the termination of electricity generation. It is assumed that a permanent repository for spent nuclear fuel will commence operation in 2065 and the disposing of stored spent nuclear fuel at the repository will continue until approximately 2090. Although the Group has made the best estimate of the amount of nuclear provisions, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Group's current estimates.

Changes in estimates concerning the provisions for nuclear decommissioning and permanent disposal of spent nuclear fuel resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

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

The Group has recognized a provision for obligations to decommission and reclaim (see Note 20.2). The provision recognized represents the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such estimate, expressed at the price level at the date of estimate, are discounted at December 31, 2021 and 2020, using an estimated long-term real interest rate to take into account the timing of payments in amount of 0.3% and 0.4% per annum, respectively. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the mines. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation. These expenses are presented in the income statement on the line Interest on provisions. The effect of the expected rate of inflation is estimated at 2.0% and 1.5% as at December 31, 2021 and 2020, respectively.

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

2.26. Provision for Demolition and Dismantling of Coal-fired Plants

The Group has recognized a provision for demolition and dismantling of coal-fired plants (see Note 20.2). The provisions were created in 2021 in connection with the deepening of decarbonization targets at the EU level and in connection with updating the Group's strategy and signing up to accelerate the decarbonization of the generation portfolio, including setting a commitment to decommission all coal-fired plants by 2038 at the latest and achieve carbon neutrality by 2050. The provision created corresponds to the best estimate of the expenditures required to settle the present obligation at the balance sheet date. The estimate, expressed in the price level at the date of estimate, is discounted using an estimated real interest rate of (0.4)% per annum as at December 31, 2021, in order to take into account the timing of expenditures. Initial discounted costs are capitalized as part of property, plant, and equipment and then depreciated over the period during which coal power plants will generate electricity. The provision is updated annually with regard to the estimated inflation rate and the real interest rate. These expenses are recognized in the statement of income in the line item Interest on provisions. The effect of the expected rate of inflation is estimated at 2.0% as at December 31, 2021.

Although the Group has made the best estimate of the amount of provision for demolition and dismantling of coal-fired plants, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Group's current estimates.

Changes in estimates concerning the provision resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

2.27. Exploration for and Evaluation of Mineral Resources

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

2.28. Leases

Determining whether a contract is, or contains, a lease is based on the economic substance of the transaction and requires an assessment of whether the fulfillment of the contractual obligation is dependent on the use of a specific asset or assets and whether the contract conveys a right to use the asset.

The Group does not apply the standard IFRS 16 to leases of intangible assets, but the Group has identified contracts for which an intangible asset from a right-of-use have been recognized. These are the cases where the Group acquires the right to place advertising on a building or on other tangible asset.

2.28.1. Group as a Lessee

The Group uses a consistent approach to the reporting and measurement of all leases, except for short-term leases and leases of low-value assets. The Group accounts for future lease payments as lease liabilities and recognizes right-of-use assets that represent a right to use the underlying assets. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

a) Lease Liability

At the commencement date of a lease, the Group recognizes lease liabilities measured at the present value of the lease payments that are to be made over the lease term. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers those payments occurs.

When calculating the present value of lease payments, the Group uses an incremental interest rate at the commencement date of the lease because the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased by accrued interest and decreased by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, i.e., a change in the lease term, a change in lease payments (e.g., changes in future payments resulting from a change in an index or a rate used to determine the amount of the lease payment), or a change in the assessment of the option to purchase the underlying asset.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the incremental interest rate using observable inputs, such as market interest rates.

The Group uses judgment to determine the expected lease term for contracts made for an indefinite time.

b) Right-of-use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying assets are available for use). Right-of-use assets are measured at cost less accumulated amortization and impairment losses and adjusted for any reassessment of lease liabilities. The cost of right-of-use assets comprises the amount of recognized lease liabilities, initial direct costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized using the straight-line method over the lease term or the estimated life of the assets as follows:

	Depreciation period (years)
Lands	2–22
Buildings	2–40
Vehicles, machinery and equipment	3–42
Inventory and other tangible assets	10–17

2.28.2. Group as a Lessor

The Group leases out its tangible assets including own tangibles and right-of-use assets. The Group has classified the leases as financial or operating leases. Operating leases are the leases, in which the Group does not transfer substantially all the risk and rewards incidental to ownership of an assets.

Lease income from operating leases is recognized on a straight-line basis over the lease term and included as income in profit or loss due to their operating nature.

For the leases classified as financial leases the Group recognizes net investment in the lease measured at the present value of lease payments to be made over the lease term, increased by any unguaranteed residual value of the leased asset at the end of the lease, which is not conditioned by future cash flow. In calculating the present value of net investment in the lease, the Group uses the interest rate implicit in the lease. In the case of a sublease, if the interest rate implicit in the sublease is not readily determined, the Group uses the discount rate used for the head lease.

2.29. Treasury Shares

Treasury shares are reported in the balance sheet as an item reducing equity. The acquisition of treasury shares is recognized in the statement of changes in equity as a deduction from equity. No gain or loss is recognized in the statement of income on the sale, issue, or cancellation of treasury shares. Consideration received is recognized in financial statements as a direct increase in equity.

2.30. Translation of Foreign Currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they arise in connection with a liability classified as effective cash flow hedges. Such exchange differences are recognized directly in equity.

Exchange differences on financial assets are described in Note 2.14.1.

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

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

The Group used the following exchange rates to translate assets and liabilities in foreign currencies at December 31, 2021 and 2020:

	2021	2020
CZK per 1 EUR	24.860	26.245
CZK per 1 USD	21.951	21.387
CZK per 1 PLN	5.408	5.755
CZK per 1 BGN	12.711	13.417
CZK per 1 RON	5.023	5.391
CZK per 100 JPY	19.069	20.747
CZK per 1 TRY	1.631	2.880
CZK per 1 GBP	29.585	29.190
CZK per 100 HUF	6.734	7.211

2.31. Assets Held for Sale

Assets and disposal groups of assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and groups of assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is considered met only if the sale is highly probable and the asset or group of assets is available for immediate sale in its present condition. Group management must take steps toward the sale of the asset or group of assets so as to complete the sale within one year from the date of the classification of the assets or group of assets as held for sale.

Property, plant, and equipment and non-current intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

The overview of property, plant and equipment, net at December 31, 2021 is as follows (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2021	290,602	526,143	10,907	827,652	22,646	21,510	871,808
Additions	361	720	90	1,171	-	29,056	30,227
Disposals	(808)	(5,437)	(112)	(6,357)	(3,590)	(411)	(10,358)
Bring into use	12,238	11,663	84	23,985	3,137	(27,122)	-
Acquisition of subsidiaries	295	292	1	588	-	13	601
Derecognition due to loss of control [1)]	(187)	(196)	(10)	(393)	-	(4)	(397)
Change in capitalized part of provisions	6,159	2,091	2,637	10,887	-	-	10,887
Reclassification and other	74	(63)	-	11	-	(29)	(18)
Currency translation differences	(363)	(948)	(44)	(1,355)	-	(76)	(1,431)
Cost at December 31, 2021	308,371	534,265	13,553	856,189	22,193	22,937	901,319
Accumulated depreciation and impairment at January 1, 2021	(134,894)	(314,060)	(2,079)	(451,033)	(8,949)	(1,454)	(461,436)
Depreciation and amortization of nuclear fuel [2)]	(10,110)	(19,751)	(176)	(30,037)	(3,738)	-	(33,775)
Net book value of assets disposed	(33)	(288)	(47)	(368)	-	-	(368)
Disposals	808	5,437	61	6,306	3,590	212	10,108
Derecognition due to loss of control [1)]	56	78	-	134	-	-	134
Reclassification and other	(90)	(482)	6	(566)	-	563	(3)
Impairment losses recognized	(4,316)	(5,528)	(2,818)	(12,662)	-	(1,277)	(13,939)
Impairment losses reversed	58	77	3	138	-	12	150
Currency translation differences	268	597	12	877	-	16	893
Accumulated depreciation and impairment at December 31, 2021	(148,253)	(333,920)	(5,038)	(487,211)	(9,097)	(1,928)	(498,236)
Total property, plant and equipment at December 31, 2021	160,118	200,345	8,515	368,978	13,096	21,009	403,083

[1)] In 2021, the Group reclassified its investment in the company Tepelné hospodářství města Ústí nad Labem s.r.o. to the investment in the joint-venture, as a result of losing control, the assets of the company Tepelné hospodářství města Ústí nad Labem s.r.o. were derecognized.

2) The amortization of nuclear fuel also includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 371 million.

The overview of property, plant and equipment, net at December 31, 2020 is as follows (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at December 31, 2020	306,290	548,137	10,679	865,106	23,606	20,469	909,181
Additions	500	527	72	1,099	75	27,917	29,091
Disposals	(626)	(4,403)	(21)	(5,050)	(4,208)	(1,350)	(10,608)
Bring into use	9,788	11,177	187	21,152	3,173	(24,325)	-
Transfer to assets held for sale	(22,171)	(32,003)	(452)	(54,626)	-	(793)	(55,419)
Acquisition of subsidiaries	28	106	96	230	-	4	234
Disposal of subsidiaries	(3,517)	(13,221)	(82)	(16,820)	-	(444)	(17,264)
Change in capitalized part of provisions	163	15,438	366	15,967	-	(2)	15,965
Reclassification and other	(40)	(8)	49	1	-	(2)	(1)
Currency translation differences	187	393	13	593	-	36	629
Cost at December 31, 2020	290,602	526,143	10,907	827,652	22,646	21,510	871,808
Accumulated depreciation and impairment at January 1, 2020	(137,261)	(330,882)	(1,333)	(469,476)	(9,356)	(2,261)	(481,093)
Depreciation and amortization of nuclear fuel 1)	(8,005)	(18,108)	(278)	(26,391)	(3,801)	-	(30,192)
Net book value of assets disposed	(59)	(266)	(8)	(333)	-	-	(333)
Disposals	626	4,403	11	5,040	4,208	1,270	10,518
Transfer to assets held for sale	9,800	21,907	44	31,751	-	-	31,751
Disposal of subsidiaries	3,020	13,168	5	16,193	-	48	16,241
Reclassification and other	(8)	17	4	13	-	-	13
Impairment losses recognized	(3,172)	(4,319)	(529)	(8,020)	-	(542)	(8,562)
Impairment losses reversed	79	10	2	91	-	19	110
Currency translation differences	86	10	3	99	-	12	111
Accumulated depreciation and impairment at December 31, 2020	(134,894)	(314,060)	(2,079)	(451,033)	(8,949)	(1,454)	(461,436)
Total property, plant and equipment at December 31, 2020	155,708	212,083	8,828	376,619	13,697	20,056	410,372

1) The amortization of nuclear fuel also includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel in the amount of CZK 396 million.

In 2021 and 2020, a composite depreciation rate of Plant in service was 3.6% and 3.1%, respectively.

As at December 31, 2021 and 2020, capitalized interest costs amounted to CZK 289 million and CZK 277 million, respectively, and the interest capitalization rate was 3.3% and 3.5%, respectively.

Group's plant in service pledged as security for liabilities at December 31, 2021 and 2020 is CZK 12,495 million and CZK 13,510 million, respectively.

Construction work in progress contains mainly refurbishments performed on nuclear plants, including the acquisition of nuclear fuel, and investment in the electricity distribution network of subsidiary ČEZ Distribuce, a. s. As of December 31, 2021, the construction work in progress includes the preparation of new nuclear power sources of CZK 3,275 million.

The Group drew in 2021 and 2020 grants related to the property, plant and equipment in the amount of CZK 92 million and CZK 862 million, respectively. In 2021, the Group recognized a reversal of a previous draw of grant in the amount of CZK 375 million.

Group as a Lessee

Set out below are the carrying amounts and other information at December 31, 2021 and for the year ended 2021, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2021			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	247	214	66	527
Depreciation charge for right-of-use assets	(420)	(162)	(75)	(657)
Carrying amount as at December 31	2,422	482	894	3,798

Set out below are the carrying amounts and other information at December 31, 2020 and for the year ended 2020, respectively, about right-of-use assets recognized in total property, plant and equipment (in CZK millions):

	2020			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	367	243	51	661
Depreciation charge for right-of-use assets	(473)	(228)	(83)	(784)
Transfer to assets held for sale	(735)	(40)	(257)	(1,032)
Carrying amount as at December 31	2,649	488	988	4,125

Group as a Lessor

The carrying amounts of property, plant and equipment that are subject to an operating lease (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service
Carrying amount as at December 31, 2021	275	44	804	1,123
Carrying amount as at December 31, 2020	651	80	751	1,482

4. Restricted Financial Assets, Net

The overview of restricted financial assets, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Czech government bonds	18,159	19,206
Cash in banks, net	2,645	2,218
Total restricted financial assets, net	20,804	21,424

The Czech government bonds are measured at fair value through other comprehensive income. The restricted financial assets contain in particular restricted financial assets to cover the costs of nuclear decommissioning, to cover the costs for mine reclamation and mining damages and for waste storage reclamation.

5. Other Financial Assets, Net

The overview of other financial assets, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021			2020		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	-	-	-	2,755	2,755
Other financial receivables	2,156	288	2,444	1,786	987	2,773
Receivables from sale of subsidiaries, associates and joint-ventures	2,399	-	2,399	2,349	2,012	4,361
Investment in finance lease	211	44	255	261	51	312
Debt financial assets	-	-	-	-	10	10
Total financial assets at amortized cost	4,766	332	5,098	4,396	5,815	10,211
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-fund	2,538	441	2,979	1,750	-	1,750
Commodity and other derivatives	212	495,139	495,351	224	55,694	55,918
Total financial assets at fair value through profit or loss	2,750	495,580	498,330	1,974	55,694	57,668
Veolia Energie ČR, a.s.	599	-	599	1,394	-	1,394
Other financial assets	343	-	343	374	-	374
Total equity financial assets	942	-	942	1,768	-	1,768
Fair value of cash flow hedge derivatives	3,347	884	4,231	2,864	284	3,148
Debt financial assets	-	499	499	-	101	101
Total financial assets at fair value through other comprehensive income	4,289	1,383	5,672	4,632	385	5,017
Total	11,805	497,295	509,100	11,002	61,894	72,896

Derivatives balance comprises mainly the positive fair values of commodity trading contracts. The increase of short-term receivables from commodity derivatives in 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas. Related increase of short-term liabilities from commodity derivatives is disclosed in Note 21.

ČEZ, a. s., concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts, the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s., to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option could be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement could have been inactivated until December 31, 2019, which the Group did not apply. These contracts represented derivatives that would be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s., is not quoted on any market. There was a significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction has taken place) and thus it was difficult to reasonably assess the probabilities of various estimates. As a result, the fair value could not be reliably measured. Consequently, the put option was measured at cost. No option premium was paid when the contracts were concluded and therefore the cost of these instruments was zero. The second put option expired on the exercise of the sale on December 31, 2020 (see 8.2.4).

Movements in impairment provisions of other financial receivables (in CZK millions):

	2021	2020
Balance as at January 1	(114)	(2)
Additions	(7)	(140)
Reversals	4	28
Balance as at December 31	(117)	(114)

In 2020, the impairment provisions were created mainly for loans granted in connection with the Socrates project, which was to be a joint-venture with the company Holt Holding GmbH group for the construction of wind farms in Germany.

Debt financial assets at December 31, 2021 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2022	499	-	44	288
Due in 2023	-	2,399	44	795
Due in 2024	-	-	39	870
Due in 2025	-	-	32	69
Thereafter	-	-	96	422
Total	499	2,399	255	2,444

Debt financial assets at December 31, 2020 are contracted to mature in the following periods after the balance sheet date (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Due in 2021	101	10	2,012	51	987
Due in 2022	-	-	-	50	800
Due in 2023	-	-	2,349	44	46
Due in 2024	-	-	-	40	712
Thereafter	-	-	-	127	228
Total	101	10	4,361	312	2,773

Debt financial assets at December 31, 2021 have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	-	-	-	1,720
2.00% to 2.99% p. a.	499	2,399	6	228
3.00% to 3.99% p. a.	-	-	187	403
4.00% to 4.99% p. a.	-	-	3	9
5% p. a. and more	-	-	59	84
Total	499	2,399	255	2,444

Debt financial assets at December 31, 2020 have following effective interest rate structure (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
Less than 2.00% p. a.	101	10	2,012	1	1,948
2.00% to 2.99% p. a.	-	-	2,349	7	408
3.00% to 3.99% p. a.	-	-	-	234	264
4.00% to 4.99% p. a.	-	-	-	7	40
5% p. a. and more	-	-	-	63	113
Total	101	10	4,361	312	2,773

The following table analyses the debt financial assets at December 31, 2021 by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	499	2,399	83	1,005
EUR	-	-	172	620
PLN	-	-	-	816
Other	-	-	-	3
Total	499	2,399	255	2,444

The following table analyses the debt financial assets at December 31, 2020 by currency (in CZK millions):

	Debt financial assets at fair value through other comprehensive income	Debt financial assets at amortized cost	Receivables from sale of subsidiaries, associates and joint-ventures	Investment in finance lease	Other financial receivables
CZK	101	10	4,356	84	871
EUR	-	-	5	228	1,902
Total	101	10	4,361	312	2,773

6. Intangible Assets, Net

The overview of intangible assets, net at December 31, 2021 is as follows (in CZK millions):

	Software	Rights and other	Emission rights, green and similar certificates	Goodwill	Intangibles in progress	Total
Cost at January 1, 2021	14,728	13,025	2,701	12,118	942	43,514
Additions	39	55	-	-	1,793	1,887
Disposals	(461)	(77)	-	-	(13)	(551)
Bring to use	1,465	37	-	-	(1,502)	-
Acquisition of subsidiaries	9	833	-	1,784	22	2,648
Derecognition due to loss of control	(7)	-	-	-	-	(7)
Reclassification and other	2	(417)	(2,531)	-	7	(2,939)
Currency translation differences	(22)	(299)	(10)	(413)	(2)	(746)
Cost at December 31, 2021	15,753	13,157	160	13,489	1,247	43,806
Accumulated amortization and impairment at January 1, 2021	(12,442)	(6,825)	-	-	(3)	(19,270)
Amortization	(1,074)	(517)	-	-	-	(1,591)
Net book value of assets disposed	(12)	-	-	-	-	(12)
Disposals	461	77	-	-	-	538
Derecognition due to loss of control	5	-	-	-	-	5
Reclassification and other	(2)	7	-	-	-	5
Impairment losses recognized	(18)	-	-	-	-	(18)
Impairment losses reversed	-	-	-	-	2	2
Currency translation differences	7	205	-	-	-	212
Accumulated amortization and impairment at December 31, 2021	(13,075)	(7,053)	-	-	(1)	(20,129)
Net intangible assets at December 31, 2021	2,678	6,104	160	13,489	1,246	23,677

The overview of intangible assets, net at December 31, 2020 is as follows (in CZK millions):

	Software	Rights and other	Emission rights, green and similar certificates	Goodwill	Intangibles in progress	Total
Cost at January 1, 2020	15,219	12,670	12,079	14,566	905	55,439
Additions	53	532	451	-	1,106	2,142
Disposals	(606)	(6)	(7,338)	-	(42)	(7,992)
Bring to use	903	51	-	-	(954)	-
Acquisition of subsidiaries	3	56	-	192	-	251
Disposal of subsidiaries	(19)	(1)	-	-	-	(20)
Impairment of goodwill	-	-	-	(2,041)	-	(2,041)
Transfer to assets held for sale	(849)	(199)	(2,527)	(807)	(75)	(4,457)
Reclassification and other	4	(49)	(1)	-	1	(45)
Currency translation differences	20	(29)	37	208	1	237
Cost at December 31, 2020	14,728	13,025	2,701	12,118	942	43,514
Accumulated amortization and impairment at January 1, 2020	(12,601)	(5,409)	-	-	-	(18,010)
Amortization	(1,158)	(735)	-	-	-	(1,893)
Net book value of assets disposed	(2)	-	-	-	-	(2)
Disposals	606	6	-	-	-	612
Disposal of subsidiaries	17	1	-	-	-	18
Transfer to assets held for sale	721	157	-	-	-	878
Reclassification and other	(8)	4	-	-	-	(4)
Impairment losses recognized	(8)	(929)	-	-	(3)	(940)
Currency translation differences	(9)	80	-	-	-	71
Accumulated amortization and impairment at December 31, 2020	(12,442)	(6,825)	-	-	(3)	(19,270)
Net intangible assets at December 31, 2020	2,286	6,200	2,701	12,118	939	24,244

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 543 million and CZK 507 million in 2021 and 2020, respectively.

Group's intangible assets, net pledged as security for liabilities at December 31, 2021 and 2020, is CZK 224 million and CZK 250 million, respectively.

The net book value of intangible assets under the right-of-use assets at December 31, 2021 and 2020, is CZK 27 million and CZK 25 million, respectively.

At December 31, 2021 and 2020, goodwill allocated to cash-generating units is as follows (in CZK millions):

	2021	2020
Companies of Elevion Deutschland Holding Group excluding Hermos	3,793	3,930
Czech distribution	2,200	2,200
Energotrans	1,675	1,675
Companies of ČEZ ESCO Group excluding CAPEXUS	1,132	1,160
Hermos	1,060	1,119
Euroklimat	754	802
Companies of Kofler Energies Group	600	634
CAPEXUS	419	-
Belectric	415	-
Companies of Telco Pro Services Group	395	95
Zonnepanelen op het Dak	266	-
IBP Ingenieure	196	-
Metrolog	107	114
Companies of Elevion Österreich Holding Group	94	99
Other	383	290
Total	13,489	12,118

7. Impairment of Property, Plant and Equipment and Intangible Assets

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2021 (in CZK millions):

	Impairment losses			Impairment losses on assets held for sale			Impairment reversals		
	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Intangible assets other than goodwill	Property, plant and equipment, nuclear fuel and investments	Total	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total
Severočeské doly	(18)	(11,682)	(11,700)	-	-	-	2	-	(11,698)
CEZ Chorzów	-	(1,119)	(1,119)	-	-	-	-	-	(1,119)
Bulgarian distribution	-	-	-	-	(849)	(849)	-	-	(849)
Romanian distribution	-	-	-	-	(637)	(637)	-	-	(637)
Elektrárna Dětmarovice	-	(608)	(608)	-	-	-	-	-	(608)
Romanian wind power plants	-	-	-	(134)	(334)	(468)	-	-	(468)
German wind power plants	-	(175)	(175)	-	-	-	-	-	(175)
CEZ Skawina	-	(155)	(155)	-	-	-	-	2	(153)
ČEZ	-	(91)	(91)	-	-	-	-	39	(52)
CEZ Romania	-	-	-	-	(23)	(23)	-	-	(23)
TMK Hydroenergy Power	-	-	-	-	(17)	(17)	-	-	(17)
Other		(109)	(109)	-	-	-	-	109	-
Total	(18)	(13,939)	(13,957)	(134)	(1,860)	(1,994)	2	150	(15,799)

The following table summarizes the impairments of property, plant and equipment and intangible assets by cash-generating units in 2020 (in CZK millions):

	Impairment losses				Impairment losses on assets held for sale				Impairment reversals	
	Goodwill	Intangible assets other than goodwill	Property plant and equipment, nuclear fuel and investments	Total	Goodwill	Intangible assets other than goodwill	Property, plant and equipment, nuclear fuel and investments	Total	Property plant and equipment, nuclear fuel and investments	Total
Romanian wind power plants	-	(4)	(997)	(1,001)	-	(934)	(3,872)	(4,806)	-	(5,807)
Romanian distribution	(802)	-	(40)	(842)	-	-	(4,769)	(4,769)	20	(5,591)
CEZ Chorzów	(947)	(876)	(2,882)	(4,705)	-	-	-	-	-	(4,705)
Severočeské doly	(292)	(5)	(3,007)	(3,304)	-	-	-	-	34	(3,270)
Bulgarian distribution	-	-	-	-	-	-	(1,810)	(1,810)	-	(1,810)
CEZ Skawina	-	(55)	(964)	(1,019)	-	-	-	-	-	(1,019)
Romanian sale	-	-	-	-	(509)	-	-	(509)	-	(509)
TMK Hydroenergy Power	-	-	-	-	(268)	-	(203)	(471)	1	(470)
Elektrárna Dětmarovice	-	-	(341)	(341)	-	-	-	-	1	(340)
CEZ Romania	-	-	-	-	(30)	-	(252)	(282)	-	(282)
Elektrárna Počerady	-	-	(216)	(216)	-	-	-	-	-	(216)
Other	-	-	(115)	(115)	-	-	-	-	72	(43)
Total	(2,041)	(940)	(8,562)	(11,543)	(807)	(934)	(10,906)	(12,647)	128	(24,062)

In 2021 and 2020, the Group performed impairment tests of goodwill and tests of other non-current assets where there was an indication that the carrying amounts could be impaired.

The recognized impairment of property, plant and equipment and intangible assets of cash-generating unit Severočeské doly in 2021 was caused by the unfavorable development of market and regulatory expectations. In particular, there was a significant decrease in the expected demand for lignite in medium term due to a significant increase in market prices of emission rights and a decrease in the expected so-called clean spread (electricity price minus price of CO_2 emission rights). Furthermore, the development of regulation and decarbonization goals of the EU and the Czech Republic assumes an earlier termination of mining in the Czech Republic.

The recognized impairment of property, plant and equipment of the cash-generating unit CEZ Chorzów in 2021 was caused mainly by the unfavorable development of market assumptions concerning, in particular, a significant increase in the market prices of emission rights and a decrease in the expected so-called clean spread.

The impairment loss of property, plant and equipment of cash-generating unit Bulgarian distribution in 2021 and 2020 was recognized with regard to the fact that the assets were classified as held for sale (see Notes 8.1.2 and 15) and the contractual sale price was fixed and denominated in EUR (so called “locked box“) and the carrying amount of assets being sold and associated liabilities as of the date of sale at July 27, 2021 and at December 31, 2020, respectively, exceeded the contractual sale price.

In the first quarter of 2021, the Group reported assets of cash-generating units Romanian wind power plants, Romanian distribution, Romanian sale, TMK Hydroenergy Power and CEZ Romania as assets held for sale (see Notes 8.1.2 and 15), while this constitutes a single sale transaction realized on March 31, 2021. The Group determined the total impairment loss of intangible assets and property, plant and equipment of all these cash-generating units as of March 31, 2021 in the amount of CZK 1,145 million with regard to the contractual sale price stated in EUR (arranged as so-called “locked box”). The impairment loss was allocated based on relative carrying amounts of intangible assets and property, plant and equipment of the cash-generating units being sold.

The impairment loss of property, plant and equipment of the cash-generating unit Elektrárna Dětmarovice in 2021 was recognized as a result of a test for possible impairment with regard to the expected low profitability of the production source for the remaining life and with regard to the increased value of property, plant and equipment in connection with creation of provision for demolition and dismantling of the plant after its decommissioning.

The Group recognized impairment loss of property, plant and equipment and intangible assets of cash-generating unit Romanian power plants in the amount of CZK 1,001 million in 2020 especially due to the expected decrease in electricity prices on the market in future and the expected decrease in gross margin from electricity generation compared to the previous long-term assumptions.

The recognized impairment of goodwill and property, plant and equipment of cash-generating unit Romanian distribution in the amount of CZK 842 million in 2020 was caused mainly by an increase in the risk of the impact of regulation on the next regulatory period.

The recognized impairment of goodwill and property, plant and equipment of cash-generating unit CEZ Chorzów in 2020 was caused mainly by a decrease in the expected gross margin from electricity and heat generation due to the change in expected market prices of emission rights and electricity and due to reduced expected useful life of the power plant with respect to the government‘s coal mine closure schedule.

The recognized impairment of goodwill and property, plant and equipment of cash-generating unit Severočeské doly in 2020 was caused mainly by a shortening of the expected period of coal mining up to the year 2038.

The recognized impairment of property, plant and equipment of cash-generating unit CEZ Skawina in 2020 was caused mainly by a decrease in the expected gross margin from electricity and heat generation due to the change in expected market prices of emission rights.

The impairment loss of property, plant and equipment of the cash-generating unit Elektrárna Dětmarovice related to investments made due to the renewal of equipment after the fire in 2017 financed by income from property insurance, and also with regard to a decrease in the outlook for expected profitability of the generation source over its useful life in the region especially due to increase in market prices of emission rights.

The recognized impairment of property, plant and equipment of cash-generating unit Elektrárna Počerady in 2020 occurred with regard to fact that sale price indicated the impairment of property, plant and equipment (see Note 8.2.4).

The Group classified assets of cash-generating units Romanian wind power plants, Romanian distribution, Romanian sale, TMK Hydroenergy Power and CEZ Romania as assets held for sale since November 1, 2020 (Note 15), while this constituted a single sale transaction. The Group determined the total impairment loss of intangible assets and property, plant and equipment of all these cash-generating units as of December 31, 2020 in the amount of CZK 10,837 million with regard to the contractual sale price stated in EUR (arranged as so-called "locked box"). The impairment loss was allocated to the remaining goodwill at first and then based on relative carrying amount of intangible assets and property, plant and equipment of the cash-generating units being sold.

Description of selected parameters related to testing and determination of recoverable amounts

The impairment test involves determining the recoverable amount of the cash-generating unit, which corresponds to the value in use except for Bulgarian distribution and Bulgarian sale as at December 31, 2020, and also except for Romanian wind power plants, Romanian distribution, Romanian sale, TMK Hydroenergy Power, CEZ Romania as at December 31, 2020 and except for the cash-generating unit Elektrárna Počerady's test before its sale on December 31, 2020, when fair value less costs of disposal was used. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit and is internally assessed by the company's management.

Values in use are determined based on a complex projection of cash flows or on the medium-term budget for a period of 5 years and on the anticipated development of the expected cash flows in the long-term, which is valid when the impairment test is performed. These budgets are based on the past experience, as well as on the anticipated future market trends and on the macroeconomic development of the respective region.

a. The value in use based on complex projection of cash flows of respective companies for the period covering remaining useful life of tested assets was used for determination of the recoverable amounts of the following cash-generating units:

ČEZ, a. s., generation assets are tested for any possible impairment as a single cash-generating unit with the exception of specific assets, e.g. the CCGT plant in Počerady. Company's cash-generating unit of generation assets is characterized by portfolio management in the deployment and maintenance of various power plants and the cash flows generated from these activities.

As part of testing the recoverable value of fixed assets of the cash-generating unit of ČEZ, a. s., (hereinafter the ČEZ value) we performed a sensitivity analysis of the test results to changes in certain key parameters of the used model – changes in wholesale power prices (hereinafter the EE prices), changes in the discount rate used in the calculation of the present value of future cash flows and changes in CZK/EUR exchange rate.

The development of commodity prices and, in particular, the development of wholesale power prices in Germany (as German power prices have a major impact on the development of wholesale power prices in the Czech Republic) are the key assumptions used for the ČEZ value model. The developments of wholesale prices are primarily determined by the EU political decisions, the development of global demand and supply of commodities and the technological progress.

The development of EE price is influenced by a number of external factors, including, in particular, changes in the structure and availability of generation capacity in the Czech Republic and neighboring countries, the macroeconomic development of the Central European region and the regulation of the energy sector in the

EU and Germany (fundamental impacts of premature decommissioning of German nuclear power plants by 2022 and impacts of the EU approved climate and energy targets for 2030).The model was constructed for a period adequate to the useful life of the power plants, i.e. for a period that significantly exceeds the period for which commodities, including wholesale power price contracts, are traded on public liquid markets. In addition, the power market is subject to structural changes (the Market Design) and major industry regulation; consequently, complete abandonment of market-based power pricing mechanisms and implementation of alternative, centrally regulated payments for the availability and supply of power plants within the period of useful life of the power plants is actually possible.

With respect to the fact that we are using a long-term model, there are certain internal factors and assumptions that affect the ČEZ value sensitivity to the development of power prices, such as varying deployment of the generation portfolio depending on the development of power prices, emission rights and variable generation costs and, in a longer perspective, also the development of fixed costs reflecting the development of the power plants gross margin.

The sensitivity test results reflect expert estimates of the status and development of the above factors in the period of the model and the status of commercial securing of the generation portfolio as at December 31, 2021.

The test is based on the business plan of CEZ Group for 2022–2026 and on the assumptions of long-term development of relevant electricity prices. The plan was prepared in the fourth quarter 2021 whereas the plan was based on the active market parameters observed in October 2021 (power prices on EEX energy exchange in Germany, prices on PXE energy exchange in the Czech Republic, price of CO_2 emission rights, FX rate CZK/EUR, interest rates etc.). There is a liquidity for power contracts traded on EEX for the period covering the horizon of the business plan and with regard to links between German and Czech power transmission network, the EEX prices are basic market price indicator for EE prices in the Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of the Company.

The company did not recognize any impairment of generation assets in 2021 and 2020. A change of the assumed EE prices as per the models by 1%, with other parameters remaining unchanged, has an impact of approximately CZK 10.2 billion on the ČEZ value test result. Future cash flows of the model were discounted using a 4.7% rate. A change of 0.1 percentage point in the discount rate, with other parameters remaining unchanged, would change the ČEZ value by approximately CZK 7.8 billion. A 1% change in the CZK/EUR exchange rate, with other parameters remaining unchanged, would result in a change of approximately CZK 9 billion in the ČEZ value. Such changes in ČEZ value would not lead to an impairment.

The generation sources in Poland – power plants Chorzów and Skawina – also belong among tested non-current assets where cash flow projections covering remaining useful life were used and the future cash flows were discounted using rate of 5.8%.

The discount rate of 4.2% was used for cash-generating unit Energotrans. For testing of Energotrans, the assumptions from “EGT site strategy” were used. The model assumes change in the long-term contract for heat supply to Prague and its prolongation until 2050. The supply of heat by 2028 is assumed from one to three new combined cycle power plants of specific design.

The cash flow projections covering expected remaining useful life, which is estimated at 2030 as at December 31, 2021, were used for determination of the recoverable amount of the cash-generating unit Severočeské doly. Future cash flows were discounted using increased rate of 5.2%.

The discount rate of 4.7% was used for cash-generating unit Elektrárna Dětmarovice.

b. The value in use derived from the projection of cash flows based on financial budget for a period of 5 years and on the expected future development of cash flows generated from the respective assets was applied when determining the recoverable amount of the following cash-generating units:

The discount rate of 4.0% was used for cash-generating unit Czech distribution. Cash flows beyond the five-year period for Czech distribution were based on the terminal value of regulatory asset base.

The discount rate of 4.1% was used for cash-generating unit ČEZ Teplárenská. There is no growth rate considered for cash flows beyond five-year period.

The discount rate of 4.1% was used for cash-generating unit Energetické centrum. Cash flows beyond the five-year period are extrapolated using 2.0% growth rate.

The discount rate of 4.6% was used for companies of Elevion Deutschland Holding Group (including Hermos) and Kofler Energies Group. There is no growth rate considered for cash flows beyond five-year period.

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

Gross margins – Gross margins are based on experience from historical trends in the preceding periods, current outlook of market and non-market parameters, eventually with regard to operational efficiency improvements. Gross margins are affected especially by wholesale electricity prices, prices of emission rights and prices of green and similar certificates.

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

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

Estimated growth rate – The basis used to determine the value assigned to estimated growth rate is the anticipated future development of the market, gross domestic product, nominal wages and interest rates and the forecast of regulatory environment, where subsidiaries conduct the business.

The above assumptions and expected cash flows of all tested assets took into account estimates of the impact of the covid-19. According to the current evaluation of the impacts of the covid-19, the existence of no Group company is endangered and, in general, covid-19 has a relatively limited impact on the Group. All future cash flows reflect all factors, including covid-19. However, the reliability of the estimate of the long-term effects of the covid-19 on the Group is considerably limited due to the uncertainty of the extent of the effects of the pandemic itself and of countries’ countermeasures on economic growth, unemployment and debt growth in relevant European countries.

The impact of covid-19 alone cannot be reliably quantified, as overall aggregate demand and supply and economies in general are affected by many more important macroeconomic factors, such as world commodity prices, GDP development in individual countries and regulation at EU level.

From the point of view of the medium-term economic outlook of the Generation segment, the negative impact of covid-19 is limited also with regard to the high level of cash flow hedging. As of December 31, 2021, approximately 88% of expected generation for 2022 has been contracted, for 2023 approximately 60% has been contracted and for 2024 approximately 28%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

The impact of the covid-19 in the coming years will depend mainly on the measures taken in individual countries and their impact on the overall development of the economy in Europe.

8. Changes in the Group Structure

8.1. Changes in the Group Structure in 2021

The following table summarizes the cash flows related to acquisitions in 2021 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries	3,794
Payments of payables from acquisitions in previous periods	138
Less: Cash and cash equivalents acquired	(881)
Total cash outflows on acquisitions	3,051

8.1.1. Acquisitions of Companies in 2021, in which CEZ Group Gained Control

Through new acquisitions, the Group follows a strategic plan for developing of emission-free energy and telecommunication services in the Czech Republic and Slovakia and in foreign markets, primarily in Germany, Italy and the Netherlands.

On March 3, 2021, the Group acquired a 100% interest in the company MWS GmbH (hereinafter ESCO other), which provides custom welding work in the construction of industrial plants, pipeline construction and the implementation of similar technological projects.

On May 19, 2021, the Group acquired a 100% interest in the company Peil und Partner Ingenieure GmbH (hereinafter ESCO other), which focuses on building engineering services and energy saving projects.

On July 15, 2021, the Group acquired a 100% interest in the company EP Rožnov, a.s., which owns a 100% interest in the company EPIGON spol. s r.o. and a 90% interest in the company PIPE SYSTEMS s.r.o. (hereinafter ESCO other). The companies are engaged in providing complex services for the construction of clean rooms.

On July 19, 2021, the Group acquired a 100% interest in companies IBP Ingenieure GmbH & Co. KG and IBP Verwaltungs GmbH (hereinafter ESCO other), which focuses on building engineering services and energy saving projects.

On July 26, 2021, the Group acquired a 100% interest in the company SOCIETA’ AGRICOLA DEF S.R.L. (hereinafter ESCO other), which owns and operates a biogas plant.

On August 25, 2021, the Group acquired 100% of assets and liabilities that constitute the business Heinz Hildebrand (hereinafter ESCO other). The business Heinz Hildebrand was acquired by the company EAB Elektroanlagenbau GmbH Rhein/Main and it provides electrical installation work mainly in the Hesse and Rhineland areas.

On August 27, 2021, the Group acquired a 66% interest in the company ZOHD Groep B.V., which owns a 100% interest in Energy Shift B.V., Zonnepanelen op het Dak Installaties B.V and Zonnepanelen op het Dak B.V. (hereinafter ZOHD). The companies are engaged in the production and installation of rooftop solar panels.

On November 1, 2021, the Group acquired a 100% interest in the company TelNet Holding, s.r.o., which owns 100% interest in CERBEROS s.r.o. and HELIOS MB s.r.o. and 85% interest in the company Magnalink, a.s. (hereinafter Telco 2021), which focus on providing high speed internet connection.

On December 13, 2021, the Group acquired a 100% interest in the company CAPEXUS s.r.o. and 50% interest in the company CAPEXUS SK s. r. o. (hereinafter CAPEXUS), which focus on designing, planning and realization of modern and energy-efficient office spaces.

On December 16, 2021, the Group acquired a 100% interest in the companies BELECTRIC GmbH, Belectric Israel Ltd., Belectric France S.A.R.L., Belectric Italia S.r.l. and Belectric Solar Ltd. (hereinafter Belectric), which focus on the realization of photovoltaic power plants.

On December 31, 2021, the Group acquired a 100% interest in the company ADAPTIVITY s.r.o. and 100% interest in the company INTERNEXT 2000, s.r.o., which owns 100% interest in the company Optické sítě s.r.o. (hereinafter Telco 2021). The companies focus on providing high speed internet connection.

The fair values of acquired identifiable assets and liabilities and the purchase considerations have been stated provisionally and could be adjusted in the subsequent period. The following table presents the current best estimate of fair values of acquired identifiable assets and liabilities as of the date of acquisitions (in CZK millions):

	Belectric	CAPEXUS	Telco 2021	ZOHD	ESCO other	Total
Share of the Group being acquired	100%	100%	100%	66%	100%	
Property, plant and equipment, net	141	19	204	16	221	601
Intangible assets, net	333	205	145	30	151	864
Deferred tax asset	17	2	6	1	17	43
Another non-current assets	15	-	26	-	4	45
Cash and cash equivalents	585	44	52	8	192	881
Trade receivables, net	497	218	3	22	227	967
Materials, net	293	2	4	63	182	544
Other current financial assets, net	441	22	-	-	-	463
Contractual assets	796	27	3	6	10	842
Another current assets	30	4	4	2	34	74
Long-term debt, net of current portion	(77)	(9)	(14)	(6)	(102)	(208)
Deferred tax liability	(95)	(40)	(28)	(7)	(22)	(192)
Another non-current liabilities	-	-	(27)	-	(1)	(28)
Current portion of long-term debt	(29)	(5)	-	(3)	(18)	(55)
Trade payables	(526)	(83)	(8)	(44)	(154)	(815)
Payables from income tax	(66)	(2)	-	-	(21)	(89)
Current provisions	(486)	(1)	-	(2)	(33)	(522)
Contractual liabilities	(406)	(13)	(1)	(27)	(209)	(656)
Another current liabilities	(126)	(34)	(7)	(27)	(28)	(222)
Total net assets	1,337	356	362	32	450	2,537
Share of net assets acquired	1,337	356	343	22	447	2,505
Goodwill	415	419	301	272	377	1,784
Negative goodwill gain	-	-	-	-	(9)	(9)
Total purchase consideration	1,752	775	644	294	815	4,280
Less: Consideration paid in previous periods	-	-	(32)	-	(11)	(43)
Liabilities from acquisition of the subsidiary	(115)	(176)	(21)	-	(131)	(443)
Cash outflow on acquisition in 2021	1,637	599	591	294	673	3,794
Less: Cash and cash equivalents acquired	(585)	(44)	(52)	(8)	(192)	(881)
Cash outflow on acquisition in 2021, net	1,052	555	539	286	481	2,913

If the acquisitions had taken place at the beginning of the year 2021, net income for CEZ Group as of December 31, 2021 would have been CZK 10,387 million and the revenues and other operating income from continuing operations would have been CZK 235,442 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

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

	Telco 2021	ZOHD	ESCO other	Total
Revenues and other operating income	4	169	491	664
Income before other income (expense) and income taxes	(6)	8	97	99
Net income	(8)	4	68	64
Net income attributable:				
Equity holders of the parent	(8)	3	68	63
Non-controlling interests	-	1	-	1

As the acquisitions of Belectric and CAPEXUS took place during December 2021, the results of these companies will be consolidated starting January 1, 2022.

8.1.2. Sale of Shares in Romanian and Bulgarian Companies in 2021

On October 22, 2020, a share purchase agreement was concluded for the sale of the interests in Romanian companies Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A. (including its interest in TMK Hydroenergy Power S.R.L.), Tomis Team S.A. (including its interest in M.W. Team Invest S.R.L.) and Ovidiu Development S.A. From that date, the assets and related liabilities were classified as held for sale and tested for possible impairment with respect to the sale price. In the first quarter of 2021, the Group recognized an impairment of property, plant and equipment and intangible assets in the amount of CZK 1,145 million, which was reported in the statement of income on the line Impairment of property, plant and equipment and intangible assets (Note 7).

The transaction was settled on March 31, 2021. The total sale price for the shares in the Romanian companies was paid in full and the Group transferred control over the sold subsidiaries.

The following table provides an overview of the impacts related to the derecognition of Romanian companies from consolidation, with the derecognized net assets broken down by operating segments (in CZK millions):

	Generation	Distribution	Sales	Total
Sold interest				100%
Property, plant and equipment, net	6,645	7,489	6	14,140
Non-current green and similar certificates, net	1,288	-	-	1,288
Deferred tax asset	1,109	360	59	1,528
Another non-current assets	43	270	21	334
Cash and cash equivalents	1,453	1,783	218	3,454
Trade receivables, net	422	542	1,114	2,078
Materials and supplies, net	63	140	3	206
Green and similar certificates	909	-	-	909
Another current assets	159	602	961	1,722
Long-term debt, net of current portion	(233)	(2,767)	(2)	(3,002)
Non-current provisions	(783)	(211)	(7)	(1,001)
Other long-term financial liabilities	(1)	(157)	(9)	(167)
Current portion of long-term debt	(19)	(107)	(3)	(129)
Trade payables	(207)	(722)	(1,348)	(2,277)
Current provisions	(143)	(133)	(367)	(643)
Another short-term liabilities	(6)	(205)	(135)	(346)
Total net assets	10,699	6,884	511	18,094
Disposal of translation differences				6,605
Effect of intercompany balances:				
Trade receivables, net				(120)
Trade payables				64
Total cost of sale of the Group				24,643
Revenue from sale				24,643
Gain on sale				-

The following table shows the cash flows related to the sale and derecognition of the Romanian subsidiaries from consolidation (in CZK millions):

Cash received from sale in 2021	24,643
Cash disposed of on sale	(3,454)
Total cash flow from sale of Romanian companies in 2021	21,189

On June 20, 2019, an agreement with the company Eurohold Bulgaria AD was signed on the sale of ownership interests in the Bulgarian companies CEZ Razpredelenie Bulgaria AD (including its share in CEZ ICT Bulgaria EAD), CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The assets and related liabilities of the sold companies were classified as held for sale and were tested for possible impairment with respect to the sale price. In the first nine months of 2021, the Group recognized an impairment of property, plant and equipment and intangible assets of CEZ Razpredelenie Bulgaria AD representing the cash-generating unit Bulgarian distribution for the purpose of testing assets for possible impairment in the amount of CZK 849 million, which was reported in the statement of income on the line Impairment of property, plant and equipment and intangible assets (Note 7).

On July 27, 2021, the transaction for the sale of Bulgarian assets was settled between the Group and Eurohold Bulgaria AD. The sale price for all the Group's shares in Bulgarian companies in the amount of EUR 335 million was repaid and the Group transferred control of the sold subsidiaries. As part of the transaction, the Group's outstanding loans provided to Bulgarian companies were transferred to the buyer.

The following table provides an overview of the impacts related to the derecognition of Bulgarian companies from consolidation, with the derecognized net assets broken down by operating segments (in CZK millions):

	Generation	Distribution	Sales	Total
Sold interest	100%	67%	67%	
Property, plant and equipment, net	158	9,484	80	9,722
Intangible assets, net	-	494	1	495
Cash and cash equivalents	16	820	1,967	2,803
Other assets	8	669	2,895	3,572
Long term liabilities	-	(1,543)	(110)	(1,653)
Short term liabilities	(36)	(1,085)	(2,011)	(3,132)
Deferred tax liabilities	(4)	(120)	(4)	(128)
Total net assets	142	8,719	2,818	11,679
Disposal of translation differences				1,628
Disposal of non-controlling interests				(3,499)
Effect of intercompany balances:				
Trade receivables				(17)
Other financial assets				(386)
Trade payables				41
Short-term financial payables				408
Total cost of sale of the Group				9,854
Revenue from sale of shares and loans provided				9,854
Gain on sale				-

The following table shows the cash flows related to the sale and derecognition of the Bulgarian subsidiaries from consolidation (in CZK millions):

Cash received from sale in 2021	9,871
Cash disposed of on sale	(2,803)
Total cash flow from sale of Bulgarian companies in 2021	7,068

The following table summarizes the total cash flows related to the sales of subsidiaries and payment from joint-ventures in 2021 (in CZK millions):

Total cash received from sale of Romanian companies	21,189
Total cash received from sale of Bulgarian companies	7,068
Sale of 100% share in CEZ Towarowy Dom Maklerski sp. z o.o.	5
Payments of receivables from sales in previous periods	672
Cash disposed due to the reclassification of Tepelné hospodářství města Ústí nad Labem s.r.o. to joint-venture (originally classified as a subsidiary)	(200)
Cash payments received from joint-ventures	36
Total cash flow in 2021	28,770

8.1.3. Changes in Non-controlling Interests in 2021

In February 2021, Slovenský plynárenský priemysel, a.s., made a cash contribution to ESCO Slovensko, a. s., thus acquiring a 50% non-controlling interest and the Group’s share fell to 50%, while maintaining control. The main strategic intention of ESCO Slovensko, a. s., which owned on the date of transaction a shares in 6 Slovak companies invested from ČEZ ESCO, a.s., is the development of decentralized energy and complex energy services in Slovakia.

On June 24, 2021, an agreement was signed that replaced the original contractual relationship between the Group and selected owners of non-controlling interests in Euroklimat sp. z o.o. The original contractual arrangement represented a contingent consideration, so-called earn-out liability, from acquisition of a subsidiary. This agreement related to a 4% interest in Euroklimat sp. z o.o. was replaced by an option to sell the interest to the Group, and therefore it was effectively recognized as a sale of a 4% interest and the put option held by non-controlling interests.

On July 29, 2021, the Group sold a non-controlling 49% interest in the company ČEZ Asset Holding, a. s. In August 2021, the company then changed its name to ENVEZ, a. s.

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	ESCO Slovensko	ENVEZ	Euroklimat	Total
Share acquired in 2021	50.00%	49.00%	4.00%	
Liabilities from put options held by non-controlling interests	-	-	48	48
Direct impact on equity related to put option	-	-	(40)	(40)
Sold share of net assets increasing non-controlling interests	799	4	8	811
Direct impact on equity from the sale of a non-controlling interest	(5)	1	36	32
Total	794	5	44	843
Derecognition of earn-out liability	-	-	(41)	(41)
Impact on profit or loss	-	-	(3)	(3)
Total sale price	794	5	-	799

During May and June 2021, within several sub-transactions, the Group acquired a part of the non-controlling interest representing a 26.58% interest in the company OSC, a.s., which increased Group's interest to 93.25%.

In June 2021, there was an additional adjustment to the acquisition price for a 25% non-controlling interest in ENESA a.s., which was acquired in 2018.

An overview of basic financial information on these transactions is given in the following table (in CZK millions):

	OSC, a.s.	ENESA a.s.	Total
Share acquired in 2021	26.58%	-	
Acquired share of net assets derecognized from non-controlling interests	(5)	-	(5)
Amount directly recognized in equity caused by acquisition of non-controlling interest	46	23	69
Total purchase consideration	41	23	64

8.2. Changes in the Group Structure in 2020

The following table summarizes the cash flows related to acquisitions in 2020 (in CZK millions):

Cash outflow on acquisitions of the subsidiaries	285
Cash outflow on investments in joint-ventures	792
Payments of payables from acquisitions in previous periods	318
Less: Cash and cash equivalents acquired	(48)
Total cash outflows on acquisitions	1,347

8.2.1. Acquisitions of Subsidiaries in 2020

The fair values of acquired identifiable assets and liabilities were as follows (in CZK millions):

	Moser	AXE	Telco	Total
Share of the Group being acquired	100%	100%	100%	
Property, plant and equipment, net	46	156	32	234
Intangible assets, net	57	-	2	59
Other non-current assets	1	1	1	3
Cash and cash equivalents	-	16	32	48
Trade receivables, net	10	29	9	48
Another current assets	12	31	7	50
Long-term debt, net of current portion	(37)	(20)	-	(57)
Deferred tax liability	(12)	-	-	(12)
Short-term loans	(1)	(23)	-	(24)
Current portion of long-term debt	(3)	(111)	-	(114)
Trade payables	-	(35)	(11)	(46)
Payables from income tax	(6)	-	-	(6)
Short-term provisions	(8)	(8)	-	(16)
Another current liabilities	(2)	-	(4)	(6)
Total net assets	57	36	68	161
Share of net assets acquired	57	36	68	161
Goodwill / negative goodwill gain	97	(18)	95	174
Total purchase consideration	154	18	163	335
Liabilities from acquisition of the subsidiary	(38)	-	(12)	(50)
Cash outflow on acquisition in 2021	116	18	151	285
Less: Cash and cash equivalents in the subsidiary acquired	-	(16)	(32)	(48)
Cash outflow on acquisition in 2021, net	116	2	119	237

If the acquisitions had taken place at the beginning of the year 2020, net income for CEZ Group as of December 31, 2020 would have been CZK 5,460 million and the revenues and other operating income from continuing operations would have been CZK 213,884 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

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

	Moser	AXE	Total
Revenues and other operating income	68	15	83
Income before other income (expense) and income taxes	12	21	33
Net income	10	21	31
Net income attributable:			
Equity holders of the parent	10	21	31
Non-controlling interests	-	-	-

8.2.2. Acquisitions of Joint-ventures in 2020

On April 27, 2020, the Group acquired a 51% interest in the company GEOMET s.r.o. The intention of the joint-venture, in which the second partner is the company European Metals Holdings Limited, is to develop a project for potential lithium mining in Cínovec. Based on the analysis of the relevant agreements, competencies of the partners in the decision making processes and the relevant activities, the Group assessed the current relationship as a joint control.

The following table provides an overview of the basic financial information associated with these transactions (in CZK millions):

	GEOMET
Share acquired in 2020	51%
Total net assets	796
Share of acquired net assets	406
Goodwill	385
Total acquisition price of the share	791

The fair values of identifiable assets and liabilities of the joint-venture have been stated provisionally and could be adjusted in the subsequent period.

8.2.3. Acquisitions of Non-controlling Interests in 2020

On June 4, 2020, the Group acquired a part of the non-controlling interest representing a 26.68% interest in the company OEM Energy sp. z o.o., which increased Group's interest to 77.68%. The original owners held an option to sell the non-controlling interest to the Group. In such a case, as long as the option is in force, the non-controlling interest is derecognized at the end of the reporting period and the liability is recognized at the present value of the amount payable on exercise. This option partially expired and therefore the relevant part of the liability was derecognized and the non-controlling interest was accounted for (recognized), however, at the same time it was immediately derecognized due to the purchase of the non-controlling interest.

On June 30, 2020, the Group acquired the remaining non-controlling 49.90% interest in ČEZ Energo, s.r.o. Also in this case there was a put option held by the original partner, which ceased to exist.

The following table provides an overview of the basic financial information associated with these transactions (in CZK millions):

	OEM Energy	ČEZ Energo	Total
Share acquired in 2020	26.68%	49.90%	
Option liability derecognized from the balance sheet	20	733	753
Direct impact on equity from recognition of non-controlling interest after the expiration of the put options	35	(22)	13
Acquired share of net assets derecognized from non-controlling interests	55	711	766
Amount directly recognized in equity caused by acquisition of non-controlling interest	13	289	302
Total purchase consideration	68	1,000	1,068

8.2.4. Sale of 100% Share in Subsidiary Elektrárna Počerady in 2020

On October 22, 2020, a share purchase agreement was signed on the sale of a 100% share in subsidiary Elektrárna Počerady, a.s., (hereinafter EPC) to the company Vršanská uhelná a.s. The closing date of the transaction was on December 31, 2020 after the prior approval of Office for the Protection of the Competition. At the same time this canceled the previous arrangement for the sale of a 100% share in EPC, which has already been concluded between the parties with the date of realization of January 2, 2024 for a purchase price CZK 2.0 billion. According to the new agreement the initial purchase price amounts to CZK 2.5 billion and is due on November 30, 2023.

The transaction includes an agreement between the parties to terminate the existing contract for the purchase of coal from the company Vršanská uhelná a.s., under which the company ČEZ, a. s., was obliged to purchase 5 million tons of coal per year by the end of 2023, and conclusion of a new contract for the purchase of 5 TWh of electricity per year by ČEZ, a. s., from subsidiary of the Vršanská uhelná group for the period from January 1, 2021 to December 31, 2023 for a fixed price of CZK 700/MWh plus the cost for the emission right required for the supply of 1 MWh of electricity.

The present value of the total contractual transaction price including adjustments to take into account the amount of working capital as at the closing date is CZK 8,861 million. The part of the transaction price attributable to the sale of shares is CZK 7,056 million, the remaining value of CZK 1,805 million corresponds to the fair value of the terminated contract for the purchase of coal and the new contract for the purchase of electricity. Part of the total transaction price in the amount of CZK 4,500 million was settled as of the closing date of the transaction by offsetting part of receivables from the sale and liabilities arising from Group’s cash pooling.

In connection with the realization of this transaction, the contracts for the sale of electricity and purchase of emission rights, concluded in the past as cash-flow hedge for EPC operations for years 2021 to 2023 (so-called “own-use” contracts and hedging contracts abroad) were reclassified to derivatives, respectively hedge accounting was terminated, because future sales of electricity from Group’s own generation is no longer probable. The corresponding amounts of the hedge accounting were transferred from the other comprehensive income to the statement of income. The current contracts for the supply of coal from the company Vršanská uhelná a.s., (originally an “own-use” contract where the physical delivery for the needs of the Group was assumed, therefore such a contract was not within the scope of IFRS 9) was prematurely terminated by this transaction with financial settlement included in the total transaction price and for this reason the fair value of this contract was recognized in the statement of income.

The total impact of the transaction on the statement of income is given in the following table (in CZK million):

Statement of income line	Description	Impact (in CZK millions)
Gains and losses from commodity derivative trading	Termination of hedging including reclassification of own-use into derivatives	1,274
Gains and losses from commodity derivative trading	Reclassification of a contract for the purchase of coal into derivatives	(1,760)
Impairment of property, plant and equipment and intangible assets	Impairment loss (see Note 7)	(216)
Income before other income (expenses) and income taxes		(702)
Other financial income	Revenue from sale of shares	7,056
Other financial income	Cost of derecognition from consolidation	(7,056)
Income before income taxes		(702)
Income taxes		435
Net income		(267)

The following table provides an overview of the effect of accounting on derecognition of the subsidiary Elektrárna Počerady, a.s., from consolidation (in CZK millions):

	Elektrárna Počerady, a.s.
Sold interest	100%
Total property, plant and equipment, net	798
Other non-current assets	69
Cash and cash equivalents	193
Trade receivables, net	116
Income tax receivable	133
Materials and supplies, net	172
Fossil fuel stocks, net	49
Emission rights	1,960
Other current financial assets	252
Long-term debt, net of current portion	(28)
Provisions	(2,315)
Other long-term financial liabilities	(172)
Net assets derecognized from balance sheet	1,227
Effect of intercompany balances:	
Other short-term financial liabilities	7,645
Trade receivables, net	(2,267)
Trade payables	451
Total cost of sale of the Group	7,056
Revenue from sale	7,056
Gain on sale	-

The following table summarizes the cash flows related to sale and loss of control of subsidiaries (in CZK millions):

Cash received from sale of the company in 2020	-
Cash disposed on sale	(193)
Total cash flow from disposal of subsidiaries in 2020	(193)

9. Investments in Subsidiaries, Associates and Joint-ventures

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

Subsidiaries	Country	Operating segment	% equity interest [10] Change in 2021	% equity interest [10] 2021	% voting interest 2021
New acquisitions					
ADAPTIVITY s.r.o.	CZ	S	100.00	100.00	100.00
Belectric France S.A.R.L.	FR	S	100.00	100.00	100.00
BELECTRIC GmbH	DE	S	100.00	100.00	100.00
Belectric Israel Ltd.	IL	S	100.00	100.00	100.00
Belectric Italia S.r.l.	IT	S	100.00	100.00	100.00
Belectric Solar Ltd	GB	S	100.00	100.00	100.00
CAPEXUS s.r.o.	CZ	S	100.00	100.00	100.00
CAPEXUS SK s. r. o.	SK	S	50.00	50.00	100.00
CERBEROS s.r.o.	CZ	S	100.00	100.00	100.00
CEZ Finance B.V.	NL	G	100.00	100.00	100.00
Energy Shift B.V.	NL	S	66.00	66.00	100.00
EP Rožnov, a.s.	CZ	S	100.00	100.00	100.00
EPIGON spol. s r.o.	CZ	S	100.00	100.00	100.00
HELIOS MB s.r.o.	CZ	S	100.00	100.00	100.00
IBP Ingenieure GmbH & Co. KG.	DE	S	100.00	100.00	100.00
IBP Verwaltungs GmbH	DE	S	100.00	100.00	100.00
INTERNEXT 2000, s.r.o.	CZ	S	100.00	100.00	100.00
M&P Real GmbH	AT	S	100.00	100.00	100.00
Magnalink, a.s.	CZ	S	85.00	85.00	85.00
MWS GmbH	DE	S	100.00	100.00	100.00
Optické sítě s.r.o.	CZ	S	100.00	100.00	100.00
Peil und Partner Ingenieure GmbH	DE	S	100.00	100.00	100.00
PIPE SYSTEMS s.r.o.	CZ	S	90.00	90.00	90.00
SOCIETA' AGRICOLA DEF S.R.L. [11]	IT	S	100.00	100.00	100.00
TelNet Holding, s.r.o.	CZ	S	100.00	100.00	100.00
ZOHD Groep B.V.	NL	S	66.00	66.00	66.00
Zonnepanelen op het Dak B.V.	NL	S	66.00	66.00	100.00
Zonnepanelen op het Dak Installaties B.V.	NL	S	66.00	66.00	100.00
Newly established subsidiaries					
CEZ CI Limited	MT	G	100.00	100.00	100.00
Green energy capital, a.s.	CZ	S	100.00	100.00	100.00
Changes of non-controlling interests					
ENVEZ, a. s. [12]	CZ	G	(49.00)	51.00	51.00
ESCO Slovensko, a. s. [13]	SK	S	(50.00)	50.00	50.00
Euroklimat sp. z o.o.	PL	S	(4.00)	96.00	96.00
OSC, a.s.	CZ	G	26.58	93.25	93.25
AZ KLIMA SK, s.r.o.	SK	S	(50.00)	50.00	100.00
e-Dome a. s.	SK	S	(25.50)	25.50	51.00
ESCO Distribučné sústavy a.s. [14]	SK	S	(50.00)	50.00	100.00
ESCO Servis, s. r. o. [15]	SK	S	(50.00)	50.00	100.00

[10] The equity interest represents effective ownership interest of the Group.
[11] The company name SOCIETA' AGRICOLA DEF S.r.l. was changed to SOCIETA' AGRICOLA DEF S.R.L. in 2021.
[12] The company name ČEZ Asset Holding, a. s., was changed to ENVEZ, a. s., in 2021.
[13] The company name CEZ ESCO Slovensko, a.s., was changed to ESCO Slovensko, a. s., in 2021.
[14] The company name CEZ Distribučné sústavy a.s. was changed to ESCO Distribučné sústavy a.s. in 2021.
[15] The company name CEZ SERVIS, s. r. o., was changed to ESCO Servis, s. r. o., in 2021.

Subsidiaries	Country	Operating segment	% equity interest 10) Change in 2021	% equity interest 10) 2021	% voting interest 2021
SPRAVBYTKOMFORT, a.s. Prešov	SK	S	(27.50)	27.50	55.00
<u>Sales</u>					
Bara Group EOOD	BG	G	(100.00)	-	-
CEZ Bulgaria EAD	BG	D	(100.00)	-	-
CEZ Elektro Bulgaria AD	BG	S	(67.00)	-	-
CEZ ICT Bulgaria EAD	BG	D	(67.00)	-	-
CEZ Razpredelenie Bulgaria AD	BG	D	(67.00)	-	-
CEZ Romania S.A.	RO	D	(100.00)	-	-
CEZ Towarowy Dom Maklerski sp. z o.o.	PL	G	(100.00)	-	-
CEZ Trade Bulgaria EAD	BG	S	(100.00)	-	-
CEZ Vanzare S.A.	RO	S	(100.00)	-	-
Distributie Energie Oltenia S.A.	RO	D	(100.00)	-	-
Free Energy Project Oreshets EAD	BG	G	(100.00)	-	-
M.W. Team Invest S.R.L.	RO	G	(100.00)	-	-
Ovidiu Development S.A.	RO	G	(100.00)	-	-
TMK Hydroenergy Power S.R.L.	RO	G	(100.00)	-	-
Tomis Team S.A.	RO	G	(100.00)	-	-
<u>Liquidations and mergers</u>					
Baltic Green VIII sp. z o.o. w likwidacji	PL	G	(100.00)	-	-
ČEZ Korporátní služby, s.r.o.	CZ	G	(100.00)	-	-
EAB Automation Solutions GmbH	DE	S	(95.00)	-	-
Elektro-Technik-Pfisterer-GmbH	DE	S	(95.00)	-	-
ESCO City I sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City II sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City III sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City IV sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City V sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
ESCO City VI sp. z o.o. w likwidacji	PL	S	(100.00)	-	-
High-Tech Clima d.o.o.	RS	S	(100.00)	-	-
ISP West s.r.o.	CZ	S	(77.82)	-	-
<u>Other – no change in 2021</u>					
A.E. Wind S.A.	PL	G	-	100.00	100.00
AirPlus, spol. s r.o.	CZ	S	-	100.00	100.00
Areál Třeboradice, a.s.	CZ	G	-	100.00	100.00
AxE AGRICOLTURA PER L'ENERGIA SOCIETA' AGRICOLA A R.L.	IT	S	-	100.00	100.00
AZ KLIMA a.s.	CZ	S	-	100.00	100.00
Baltic Green Construction sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green II sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green III sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green IX sp. z o.o.	PL	G	-	100.00	100.00
Baltic Green VI sp. z o.o.	PL	G	-	100.00	100.00
BANDRA Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
BUDRIO GFE 312 SOCIETA´ AGRICOLA S.R.L.	IT	S	-	70.00	70.00
CASANO Mobiliengesellschaft mbH & Co. KG	DE	G	-	100.00	100.00
Centrum výzkumu Řež s.r.o.	CZ	G	-	52.46	100.00
CEZ Bulgarian Investments B.V.	NL	G	-	100.00	100.00
CEZ Deutschland GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Beteiligungs GmbH	DE	G	-	100.00	100.00

Subsidiaries	Country	Operating segment	% equity interest [10] Change in 2021	% equity interest [10] 2021	% voting interest 2021
CEZ Erneuerbare Energien Beteiligungs II GmbH	DE	G	-	100.00	100.00
CEZ Erneuerbare Energien Verwaltungs GmbH	DE	G	-	100.00	100.00
CEZ ESCO Bulgaria EOOD	BG	S	-	100.00	100.00
CEZ ESCO II GmbH	DE	S	-	100.00	100.00
CEZ ESCO Romania S.A.	RO	S	-	100.00	100.00
CEZ France SAS	FR	G	-	100.00	100.00
CEZ Holdings B.V.	NL	G	-	100.00	100.00
CEZ Hungary Ltd.	HU	G	-	100.00	100.00
CEZ Chorzów II sp. z o.o.	PL	G	-	100.00	100.00
CEZ Chorzów S.A.	PL	G	-	100.00	100.00
CEZ MH B.V.	NL	G	-	100.00	100.00
CEZ Polska sp. z o.o.	PL	G	-	100.00	100.00
CEZ Produkty Energetyczne Polska sp. z o.o.	PL	G	-	100.00	100.00
CEZ RES International B.V.	NL	G	-	100.00	100.00
CEZ Skawina S.A.	PL	G	-	100.00	100.00
CEZ Srbija d.o.o.	RS	G	-	100.00	100.00
CEZ Trade Romania S.R.L.	RO	G	-	100.00	100.00
CEZ Ukraine LLC	UA	G	-	100.00	100.00
CEZ Windparks Lee GmbH	DE	G	-	100.00	100.00
CEZ Windparks Luv GmbH	DE	G	-	100.00	100.00
CEZ Windparks Nordwind GmbH	DE	G	-	100.00	100.00
ČEZ Bohunice a.s.	CZ	G	-	100.00	100.00
ČEZ Distribuce, a. s.	CZ	D	-	100.00	100.00
ČEZ Energetické produkty, s.r.o.	CZ	G	-	100.00	100.00
ČEZ Energetické služby, s.r.o.	CZ	S	-	100.00	100.00
ČEZ Energo, s.r.o.	CZ	S	-	100.00	100.00
ČEZ ENERGOSERVIS spol. s r.o.	CZ	G	-	100.00	100.00
ČEZ ESCO, a.s.	CZ	S	-	100.00	100.00
ČEZ ICT Services, a. s.	CZ	G	-	100.00	100.00
ČEZ LDS s.r.o.	CZ	S	-	100.00	100.00
ČEZ Obnovitelné zdroje, s.r.o.	CZ	G	-	100.00	100.00
ČEZ OZ uzavřený investiční fond a.s.	CZ	G	-	99.96	99.96
ČEZ Prodej, a.s.	CZ	S	-	100.00	100.00
ČEZ Recyklace, s.r.o.	CZ	G	-	99.00	99.00
ČEZ Teplárenská, a.s.	CZ	G	-	100.00	100.00
ČEZNET s.r.o. [16]	CZ	S	-	100.00	100.00
D-I-E ELEKTRO AG	DE	S	-	95.00	100.00
Domat Control System s.r.o.	CZ	S	-	100.00	100.00
EAB Elektroanlagenbau GmbH Rhein/Main	DE	S	-	95.00	100.00
E-City sp. z o.o. [17]	PL	S	-	100.00	100.00
Elektrárna Dětmarovice, a.s.	CZ	G	-	100.00	100.00
Elektrárna Dukovany II, a. s.	CZ	G	-	100.00	100.00
Elektrárna Mělník III, a. s. v likvidaci [18]	CZ	G	-	100.00	100.00
Elektrárna Temelín II, a. s.	CZ	G	-	100.00	100.00
Elektro-Decker GmbH	DE	S	-	95.00	100.00
Elevion Deutschland Holding GmbH	DE	S	-	95.00	92.00
Elevion GmbH	DE	S	-	95.00	100.00
Elevion Group B.V.	NL	S	-	100.00	100.00
Elevion Holding Italia S.r.l.	IT	S	-	100.00	100.00

[16] The company name TaNET West s.r.o. was changed to ČEZNET s.r.o. in 2021.
[17] The company name CEZ ESCO Polska sp.z.o.o. was changed to E-City sp. z o.o. in 2021.
[18] The company name Elektrárna Mělník III, a. s., was changed to Elektrárna Mělník III, a. s. v likvidaci in 2021.

Subsidiaries	Country	Operating segment	% equity interest [10] Change in 2021	% equity interest [10] 2021	% voting interest 2021
Elevion Österreich Holding GmbH	AT	S	-	100.00	100.00
En.plus GmbH	DE	S	-	95.00	100.00
Energetické centrum s.r.o.	CZ	G	-	100.00	100.00
Energotrans, a.s.	CZ	G	-	100.00	100.00
ENESA a.s.	CZ	S	-	100.00	100.00
ETS Efficient Technical Solutions GmbH	DE	S	-	95.00	100.00
ETS Efficient Technical Solutions Shanghai Co. Ltd.	CN	S	-	95.00	100.00
ETS Engineering Kft.	HU	S	-	100.00	100.00
FDLnet.CZ, s.r.o.	CZ	S	-	100.00	100.00
Ferme Eolienne d'Andelaroche SAS	FR	G	-	100.00	100.00
Ferme éolienne d'Allas-Nieul SAS	FR	G	-	100.00	100.00
Ferme éolienne de Feuillade et Souffrignac SAS	FR	G	-	100.00	100.00
Ferme éolienne de Genouillé SAS	FR	G	-	100.00	100.00
Ferme éolienne de la Petite Valade SAS	FR	G	-	100.00	100.00
Ferme Eolienne de la Piballe SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Neuville-aux-Bois SAS	FR	G	-	100.00	100.00
Ferme éolienne de Nueil-sous-Faye SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Saint-Laurent-de-Céris SAS	FR	G	-	100.00	100.00
Ferme éolienne de Saugon SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Seigny SAS	FR	G	-	100.00	100.00
Ferme Eolienne de Thorigny SAS	FR	G	-	100.00	100.00
Ferme éolienne des Besses SAS	FR	G	-	100.00	100.00
Ferme Eolienne des Breuils SAS	FR	G	-	100.00	100.00
Ferme Eolienne des Grands Clos SAS	FR	G	-	100.00	100.00
Ferme éolienne du Blessonnier SAS	FR	G	-	100.00	100.00
Ferme Eolienne du Germancé SAS	FR	G	-	100.00	100.00
GWE Verwaltungs GmbH	DE	S	-	100.00	100.00
GWE Wärme- und Energietechnik GmbH & Co. KG [19]	DE	S	-	100.00	100.00
HA.EM OSTRAVA, s.r.o.	CZ	S	-	100.00	100.00
Hermos AG	DE	S	-	95.00	100.00
Hermos Gesellschaft für Steuer-, Meß- und Regeltechnik mbH	DE	S	-	95.00	100.00
HERMOS International GmbH	DE	S	-	95.00	100.00
HERMOS SDN. BHD	MY	S	-	95.00	100.00
Hermos Schaltanlagen GmbH	DE	S	-	95.00	100.00
Hermos sp. z.o.o.	PL	S	-	95.00	100.00
Hermos Systems GmbH	DE	S	-	95.00	100.00
High-Tech Clima S.A.	RO	S	-	100.00	100.00
HORMEN CE a.s.	CZ	S	-	51.00	51.00
Hybridkraftwerk Culemeyerstraße Projekt GmbH	DE	S	-	100.00	100.00
Inewa Consulting S.r.l.	IT	S	-	100.00	100.00
Inewa S.r.l.	IT	S	-	100.00	100.00
Inven Capital, SICAV, a.s., ČEZ sub-fund	CZ	S	-	100.00	100.00
KART, spol. s r.o.	CZ	S	-	100.00	100.00
Kofler Energies Energieeffizienz GmbH	DE	S	-	100.00	100.00

[19] The company name GWE Wärme- und Energietechnik GmbH & Co. KG was changed to GWE Wärme- und Energietechnik GmbH in 2021.

Subsidiaries	Country	Operating segment	% equity interest [10)] Change in 2021	% equity interest 2021	% voting interest 2021
Kofler Energies Ingenieurgesellschaft mbH	DE	S	-	100.00	100.00
Kofler Energies Systems GmbH	DE	S	-	100.00	100.00
MARTIA a.s.	CZ	G	-	100.00	100.00
Metrolog sp. z o.o.	PL	S	-	100.00	100.00
Moser & Partner Ingenieurbüro GmbH	AT	S	-	100.00	100.00
NEK Facility Management GmbH	DE	S	-	100.00	100.00
OEM Energy sp. z o.o.	PL	S	-	77.68	77.68
PRODECO, a.s.	CZ	M	-	100.00	100.00
Revitrans, a.s.	CZ	M	-	100.00	100.00
Rudolf Fritz GmbH	DE	S	-	95.00	100.00
SD - Kolejová doprava, a.s.	CZ	M	-	100.00	100.00
Severočeské doly a.s.	CZ	M	-	100.00	100.00
Solární servis, s.r.o.	CZ	S	-	100.00	100.00
SYNECO PROJECT S.R.L.	IT	S	-	100.00	100.00
SYNECO tec GmbH	AT	S	-	100.00	100.00
SYNECOTEC Deutschland GmbH [20)]	DE	S	-	100.00	100.00
ŠKODA PRAHA a.s.	CZ	G	-	52.46	100.00
Telco Infrastructure, s.r.o.	CZ	S	-	100.00	100.00
Telco Pro Services, a. s.	CZ	S	-	100.00	100.00
TENAUR, s.r.o.	CZ	S	-	100.00	100.00
ÚJV Řež, a. s.	CZ	G	-	52.46	52.46
Ústav aplikované mechaniky Brno, s.r.o.	CZ	G	-	100.00	100.00
VESER, s. r. o. "v likvidácii" [21)]	SK	S	-	100.00	100.00
Windpark Baben Erweiterung GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Badow GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark FOHREN-LINDEN GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Frauenmark III GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Gremersdorf GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Cheinitz-Zethlingen GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Mengeringhausen GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Naundorf GmbH & Co. KG	DE	G	-	100.00	100.00
Windpark Zagelsdorf GmbH & Co. KG	DE	G	-	100.00	100.00

[20)] The company name Kofler Energies International GmbH was changed to SYNECOTEC Deutschland GmbH in 2021.
[21)] The company name CEZ Slovensko, s.r.o., was changed to VESER, s. r. o. "v likvidácii" in 2021.

Associates and joint-ventures	Country	Operating segment	% equity interest 1) Change in 2021	% equity interest 1) 2021	% voting interest 2021
New investments					
AKEL SUNGURLU ELEKTRİK ÜRETİM A.Ş.	TR	G	-	-	50.00
Sepaş Akıllı Çözümler A.Ş.	TR	S	50.00	50.00	50.00
Windpark Datteln GmbH & Co. KG	DE	G	50.00	50.00	50.00
Other companies with no change in ownership interest or voting rights in 2021					
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. [22)]	TR	D	-	50.00	50.00
AK-EL Kemah Elektrik Üretim A.Ş.	TR	G	-	37.36	50.00
Akenerji Doğalgaz Ithalat Ihracat ve Toptan Ticaret A.Ş.	TR	G	-	37.36	50.00
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	TR	G	-	37.36	50.00
Akenerji Elektrik Üretim A.S.	TR	G	-	37.36	37.36
Bytkomfort, s.r.o.	SK	S	-	49.00	49.00
Elevion Co-Investment GmbH & Co. KG	DE	S	-	37.50	37.50
GEOMET s.r.o.	CZ	M	-	51.00	51.00
GP JOULE PPX Verwaltungs-GmbH	DE	G	-	50.00	50.00
GP JOULE PP1 GmbH & Co. KG	DE	G	-	50.00	50.00
Green Wind Deutschland GmbH	DE	G	-	50.00	50.00
Jadrová energetická spoločnosť Slovenska, a. s.	SK	G	-	49.00	49.00
juwi Wind Germany 100 GmbH & Co. KG	DE	G	-	51.00	51.00
KLF-Distribúcia, s.r.o.	SK	S	-	25.00	50.00
LOMY MOŘINA spol. s r.o.	CZ	M	-	51.05	51.05
Sakarya Elektrik Dagitim A.Ş.	TR	D	-	50.00	50.00
Sakarya Elektrik Perakende Satis A.S.	TR	S	-	50.00	50.00
Tepelné hospodářství města Ústí nad Labem s.r.o.	CZ	G	-	55.83	55.83
Windpark Bad Berleburg GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Berka GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Moringen Nord GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Nortorf GmbH & Co. KG	DE	G	-	50.00	50.00
Windpark Prezelle GmbH & Co. KG	DE	G	-	50.00	50.00

Used shortcuts:

Country ISO code	Country	ISO code	Country	Segment	Operating segment
AT	Austria	MT	Malta	G	Generation
BG	Bulgaria	MY	Malaysia	D	Distribution
CN	China	NL	Netherlands	S	Sales
CZ	Czech Republic	PL	Poland	M	Mining
DE	Germany	RO	Romania		
FR	France	RS	Serbia		
GB	United Kingdom	SK	Slovakia		
HU	Hungary	TR	Turkey		
IL	Israel	UA	Ukraine		
IT	Italy				

[22)] The company name Akcez Enerji A.S. was changed to Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in 2021.

Subsidiaries with Non-controlling Interests

The following table shows the composition of Group's non-controlling interests and dividends paid to non-controlling interests by respective subsidiaries (in CZK millions):

	2021		2020	
	Non-controlling interests	Dividends paid	Non-controlling interests	Dividends paid
ÚJV Řež, a. s.	923	-	896	-
ESCO Slovensko, a. s.	720	-	-	-
SPRAVBYTKOMFORT, a.s. Prešov	113	8	112	13
CEZ Razpredelenie Bulgaria AD	-	-	2,758	-
CEZ Elektro Bulgaria AD	-	128	753	-
Other	(14)	14	173	10
Total	1,742	150	4,692	23

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2021 (in CZK millions):

	ÚJV Řež, a. s.	ESCO Slovensko, a. s.	SPRAVBYT-KOMFORT, a.s. Prešov
Ownership share of non-controlling interests	47.54%	50.00%	72.50%
Current assets	956	693	120
Non-current assets	2,614	912	395
Current liabilities	(663)	(29)	(165)
Non-current liabilities	(602)	(3)	(104)
Equity	2,305	1,573	246
Attributable to:			
Equity holders of the parent	1,382	853	133
Non-controlling interests	923	720	113
Revenues and other operating income	1,569	2	415
Income (loss) before other income (expenses) and income taxes	96	(51)	38
Income (loss) before income taxes	79	(43)	34
Income taxes	(20)	-	(7)
Net income (loss)	59	(43)	27
Attributable to:			
Equity holders of the parent	31	(22)	12
Non-controlling interests	28	(21)	15
Total comprehensive income	57	(91)	(3)
Attributable to:			
Equity holders of the parent	30	(46)	(2)
Non-controlling interests	27	(45)	(1)
Operating cash flow	210	(55)	82
Investing cash flow	(337)	(39)	(51)
Financing cash flow	(15)	760	1
Net effect of currency translation and allowances in cash	(5)	(21)	(4)
Net increase (decrease) in cash and cash equivalents	(147)	645	28

The following table shows summarized financial information of subsidiaries that have material non-controlling interests for the year ended December 31, 2020 (in CZK millions):

	CEZ Razpredelenie Bulgaria AD	ÚJV Řež, a. s.	CEZ Elektro Bulgaria AD
Ownership share of non-controlling interests	33.00%	47.54%	33.00%
Current assets	1,727	1,088	4,468
Non-current assets	10,037	2,703	117
Current liabilities	(2,309)	(1,041)	(2,148)
Non-current liabilities	(1,496)	(513)	(154)
Equity	7,959	2,237	2,283
Attributable to:			
Equity holders of the parent	5,201	1,341	1,530
Non-controlling interests	2,758	896	753
Revenues and other operating income	5,034	1,445	9,051
Income before other income (expenses) and income taxes	(88)	105	266
Income before income taxes	(123)	85	256
Income taxes	9	(22)	(31)
Net income	(114)	63	225
Attributable to:			
Equity holders of the parent	(76)	33	151
Non-controlling interests	(38)	30	74
Total comprehensive income	131	66	286
Attributable to:			
Equity holders of the parent	81	35	191
Non-controlling interests	50	31	95
Operating cash flow	1,448	205	329
Investing cash flow	(1,042)	(314)	-
Financing cash flow	(222)	(18)	(17)
Net effect of currency translation and allowances in cash	4	(1)	68
Net increase (decrease) in cash and cash equivalents	188	(128)	380

Interests in Associates and Joint-ventures

The following table shows the composition of Group's investment in associates and joint-ventures and share of main financial results from associates and joint-ventures for the year ended December 31, 2021 (in CZK millions):

			Group's share of associate's and joint-venture's:		
	Investment in associates and joint-ventures	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	(416)	264	(152)
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,491	-	(23)	(139)	(162)
GEOMET s.r.o.	637	-	(112)	-	(112)
Bytkomfort, s.r.o.	236	6	8	(13)	(5)
LOMY MOŘINA spol. s r.o.	145	-	2	-	2
Tepelné hospodářství města Ústí nad Labem s.r.o.	140	-	7	-	7
Other	267	-	-	(16)	(16)
Total	3,916	6	(534)	96	(438)

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in the amount of USD 82.7 million and TRY 55.4 million as of December 31, 2021 (see Note 19.2). Based on calculation of recoverable amount from future cash flows a provision in the amount of CZK 1,907 million was recognized as of December 31, 2021. Because the Group's total cumulative share on losses of Akcez group did not exceeded the amount of the guarantee provided as at December 31, 2021, the Group recognized its share on losses of Akcez group in full (in the statement of income included in the line Share of profit (loss) from associates and joint-ventures). As of December 31, 2021, the provision in the amount of CZK 1,444 million was recorded on the balance sheet this way including the use and additions to the provision in the previous years and including the unwinding of discount and this amount was increased by CZK 463 million (in the statement of income on the line Impairment of financial assets) in order to arrive to the assumed amount of the provision CZK 1,907 million as at December 31, 2021.

In 2017, the share on losses of joint-venture Akenerji Elektrik Üretim A.S. exceeded the carrying amount of Group's investment in this joint-venture. The Group has made no obligations on behalf of Akenerji Elektrik Üretim A.S., so therefore the Group discontinued of using equity method of accounting as of December 31, 2017 (Note 2.2.3). The amount of unrecognized share of the Group on losses of Akenerji Group amounted to CZK 4,770 million and CZK 4,900 million as of December 31, 2021 and 2020, respectively.

The following table shows the composition of Group's investment in joint-ventures and share of main financial results from joint-ventures for the year ended December 31, 2020 (in CZK millions):

			Group's share of associate's and joint-venture's:		
	Investment in associates and joint-ventures	Dividends received	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Group	-	-	237	86	323
Akenerji Group	-	-	-	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	2,653	-	(22)	86	64
GEOMET s.r.o.	750	-	(41)	-	(41)
Bytkomfort, s.r.o.	247	8	7	9	16
LOMY MOŘINA spol. s r.o.	142	4	3	-	3
Other	283	-	4	5	9
Total	4,075	12	188	186	374

The Group is a guarantor for the liabilities of companies within the joint-venture with Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in the amount of USD 95.5 million and TRY 63.8 million as of December 31, 2020 (see Note 19.2). Based on calculation of recoverable amount from future cash flows a provision in the amount of CZK 1,267 million was recognized as of December 31, 2020. Because the Group's total cumulative share on losses of Akcez group did not exceeded the amount of the guarantee provided as at December 31, 2020, the Group recognized its share on losses of Akcez group in full (in the statement of income included in the line Share of profit (loss) from associates and joint-ventures). As of December 31, 2020, the provision in the amount of CZK 944 million was recorded on the balance sheet this way including the use and additions to the provision in the previous years and including the unwinding of discount and this amount was increased by CZK 323 million (in the statement of income on the line Impairment of financial assets) in order to arrive to the assumed amount of the provision CZK 1,267 million as at December 31, 2020.

The joint-ventures Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. and Akenerji Elektrik Üretim A.S. are formed by partnership of CEZ Group and Akkök Group in Turkey to invest mainly into power generation and electricity distribution projects. The joint-venture Jadrová energetická spoločnosť Slovenska, a. s., is a joint-venture formed by CEZ Group and the Slovak Government to prepare the project of building a new nuclear power source in Slovakia. GEOMET s.r.o. is a joint-venture of CEZ Group and European Metals Holdings Limited with the intention to develop a potential lithium ore mining project in Cínovec.

The following tables present summarized financial information of material associates and joint-ventures for the year ended December 31, 2021 (in CZK millions):

	Current assets	Thereof: Cash and cash equivalents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recognized liability / unrecognized share on loss	Goodwill	Total investment in associates and joint-ventures
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	130	17	1,573	896	2,240	(1,433)				
Sakarya Elektrik Dagitim A.Ş.	2,056	215	1,702	836	1,156	1,766				
Sakarya Elektrik Perakende Satis A.S.	3,178	201	196	2,735	66	573				
Akcez Group						(668)	(334)	334	-	-
Akenerji Elektrik Üretim A.S.	1,956	984	4,072	1,942	14,770	(10,684)				
Akenerji Group						(12,768)	(4,770)	4,770	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,333	1,324	3,763	11	1	5,084	2,491	-	-	2,491
GEOMET s.r.o.	513	509	16	35	-	494	252	-	385	637
Bytkomfort, s.r.o.	110	29	240	90	49	211	103	-	133	236
LOMY MOŘINA spol. s r.o.	98	20	253	49	19	283	145	-	-	145
Tepelné hospodářství města Ústí nad Labem s.r.o.	281	239	259	184	104	252	140	-	-	140

	Revenues and other operating income	Depre-ciation and amortization	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	-	-	365	(169)	-	(1,673)	849	(824)
Sakarya Elektrik Dagitim A.Ş.	4,477	(58)	112	(133)	(353)	832	(1,259)	(427)
Sakarya Elektrik Perakende Satis A.S.	17,619	(51)	77	(37)	(73)	304	(327)	(23)
Akenerji Elektrik Üretim A.S.	9,466	(263)	46	(2,335)	119	(6,780)	7,152	372
Jadrová energetická spoločnosť Slovenska, a. s.	15	(12)	1	-	-	(46)	(284)	(330)
GEOMET s.r.o.	-	-	-	-	-	(220)	-	(220)
Bytkomfort, s.r.o.	276	(26)	-	(1)	(4)	16	(11)	5
LOMY MOŘINA spol. s r.o.	356	(19)	-	-	(2)	5	-	5

	Current assets	Thereof: Cash and cash equiva-lents	Non-current assets	Current liabilities	Non-current liabilities	Equity	Share of the Group	Recognized liability / unrecog-nized share on loss	Goodwill	Total investment in associates and joint-ventures
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	45	17	2,777	759	2,673	(610)				
Sakarya Elektrik Dagitim A.Ş.	2,194	350	3,078	1,385	1,633	2,254				
Sakarya Elektrik Perakende Satis A.S.	3,091	359	472	2,670	123	770				
Akcez Group						(364)	(182)	182	-	-
Akenerji Elektrik Üretim A.S.	1,008	421	7,098	1,669	17,518	(11,081)				
Akenerji Group						(13,116)	(4,900)	4,900	-	-
Jadrová energetická spoločnosť Slovenska, a. s.	1,488	1,483	3,935	8	1	5,414	2,653	-	-	2,653
GEOMET s.r.o.	724	722	10	19	-	715	365	-	385	750
Bytkomfort, s.r.o.	68	15	267	50	66	219	107	-	140	247
LOMY MOŘINA spol. s r.o.	145	78	262	111	17	279	142	-	-	142
Tepelné hospodářství města Ústí nad Labem s.r.o.		596	(21)	-		(3)	(4)	19	(1)	18

The following tables present summarized financial information of material joint-ventures for the year ended December 31, 2020 (in CZK millions):

	Revenues and other operating income	Depre-ciation and amorti-zation	Interest income	Interest expense	Income taxes	Net income (loss)	Other compre-hensive income	Total compre-hensive income
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	-	-	24	(165)	-	(826)	110	(716)
Sakarya Elektrik Dagitim A.Ş.	5,042	(42)	24	(135)	(441)	1,304	(616)	688
Sakarya Elektrik Perakende Satis A.S.	18,206	(70)	51	(10)	(74)	231	(260)	(29)
Akenerji Elektrik Üretim A.S.	7,025	(372)	19	(2,016)	(26)	(3,353)	1,633	(1,720)
Jadrová energetická spoločnosť Slovenska, a. s.	15	(12)	3	-	(1)	(44)	174	130
GEOMET s.r.o.	1	-	-	-	-	(80)	-	(80)
Bytkomfort, s.r.o.	263	(25)	-	(1)	(4)	13	9	22

LOMY MOŘINA spol. s r.o.	280	(23)	-	-	-	6	-	6

10. Cash and Cash Equivalents, Net

The overview of cash and cash equivalents, net at December 31, 2021 and 2020, is as follows (in CZK millions):

	2021	2020
Cash on hand and current accounts with banks	26,559	5,492
Short-term securities	-	2
Term deposits	85	570
Allowance to cash and cash equivalents	(4)	-
Total	26,640	6,064

At December 31, 2021 and 2020, cash and cash equivalents included foreign currency deposits of CZK 22,815 million and CZK 3,681 million, respectively.

The weighted average interest rate on short-term securities and term deposits at December 31, 2021 and 2020, was 1.8% and 0.01%, respectively. For the years 2021 and 2020, the weighted average interest rate was 0.3% and 0.6%, respectively.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2021 and 2020 (in CZK millions):

	2021	2020
Cash and cash equivalents as a separate line in the balance sheet	26,640	6,064
Cash and cash equivalents attributable to assets classified as held for sale (Note 15)	-	4,105
Total	26,640	10,169

11. Trade Receivables, Net

The overview of trade receivables, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Trade receivables	140,499	67,275
Allowances	(3,067)	(3,627)
Total	137,432	63,648

The information about receivables from related parties is included in Note 36.

Carrying amount of receivables pledged as security for liabilities at December 31, 2021 and 2020 are CZK 84 million and CZK 67 million, respectively.

At December 31, 2021 and 2020, the ageing structure of receivables, net is as follows (in CZK millions):

	2021	2020
Not past due	133,893	60,544
Past due:		
Less than 3 months	1,302	909
3–6 months	239	354
6–12 months	284	330
More than 12 months	1,714	1,511
Total	137,432	63,648

Receivables include impairment allowance created by the Group in the same way for all similar receivables that are not individually significant.

The most significant item of receivables overdue for more than 12 months are receivables of the company ČEZ Distribuce, a. s. The company ČEZ Distribuce, a. s., undertakes several litigations concerning the collection of the price component related to the costs of support for the generation of electricity from renewable energy sources and combined generation of electricity and heat in 2013. The management of the company ČEZ Distribuce, a. s., is convinced that in the event of a negative judgment against ČEZ Distribuce in these and similar litigations, the company ČEZ Distribuce will be able to demand the reimbursement of fees and accessories from company OTE, a.s., and in this regard the management is committed to make all necessary actions to ensure that eventual loss in such disputes will not have negative impact on the company ČEZ Distribuce, a. s.

Movements in allowance (in CZK millions):

	2021	2020
Balance as at January 1	(3,627)	(4,046)
Allowances related to receivables classified as held for sale as at January 1	(2,037)	(1,166)
Additions	(1,556)	(1,930)
Reversals	2,079	1,464
Derecognition of impaired assets	69	22
Transfer to assets held for sale	-	2,037
Sale of subsidiaries	1,960	12
Currency translation differences	45	(20)
Balance as at December 31	(3,067)	(3,627)

12. Materials and Supplies, Net

The overview of materials and supplies, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Gross costs incurred on wind projects in Poland in development	109	300
Allowance to wind projects in Poland	(96)	(283)
Wind projects in Poland in development, net	13	17
Materials	12,754	9,429
Other work in progress	787	644
Other supplies	229	173
Allowance for obsolescence	(411)	(365)
Total	13,372	9,898

13. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Group during 2021 and 2020 (in CZK millions):

	2021		2020	
	in thousands tons	in millions CZK	in thousands tons	in millions CZK
Emission rights for own use:				
Emission rights for own use at January 1	33,524	15,454	53,728	21,011
Emission rights granted	343	-	2,846	-
Settlement of emissions with register	(17,120)	(7,103)	(28,364)	(7,401)
Emission rights purchased	6,465	5,328	12,861	5,520
Emission rights sold	-	-	(5)	-
Emission credits purchased	-	-	3	-
Disposal of subsidiary Elektrárna Počerady, a.s.	-	-	(4,568)	(1,960)
Reclassification of emission rights [1]	-	-	(2,977)	(1,657)
Currency translation differences	-	(95)	-	(59)
Emission rights for own use at December 31	23,212	13,584	33,524	15,454
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	29,059	24,840	22,485	14,002
Emission rights purchased	137,423	169,549	148,341	95,238
Emission rights sold	(163,593)	(237,403)	(144,913)	(99,112)
Emission credits purchased	162	2	228	13
Emission credits sold and disposed	(16)	-	(59)	(12)
Reclassification of emission rights [1]	-	-	2,977	1,657
Fair value adjustment	-	49,054	-	13,054
Emission rights and credits held for trading at December 31	3,035	6,042	29,059	24,840

[1] The reclassification is related to the sale of the subsidiary Elektrárna Počerady, a.s.

The composition of emission rights and green and similar certificates at December 31, 2021 and 2020 (in CZK millions):

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights	160	19,466	19,626	2,701	37,593	40,294
Green and similar certificates	-	68	68	-	240	240
Total	160	19,534	19,694	2,701	37,833	40,534

Non-current emission rights for own use and non-current green and similar certificates are part of intangible assets (Note 6).

During 2021 and 2020, total emissions of greenhouse gases made by the Group amounted to an equivalent of 18,583 thousand tons and 22,274 thousand tons of CO_2, respectively. At December 31, 2021 and 2020, the Group recognized a provision for CO_2 emissions in total amount of CZK 9,622 million and CZK 7,176 million, respectively (see Notes 2.13 and 20).

14. Other Current Assets, Net

The overview of other current assets, net at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Unbilled electricity and gas supplied to the retail customers	19,583	3,019
Received advances from retail customers	(18,741)	(2,662)
Unbilled supplies to retail customers, net	842	357
Gross contract assets based on percentage of completion, net	13,647	12,164
Received billings and advances	(11,443)	(10,568)
Net contract assets	2,204	1,596
Advances paid, net	2,537	2,431
Prepayments	1,309	1,170
Accruals	4,017	1,992
Taxes and fees, excluding income tax	2,765	1,373
Total	13,674	8,919

15. Assets and Associated Liabilities Classified as Held for Sale

Information on the sale of interests in Romanian and Bulgarian companies is described in the Note 8.1.2.

At December 31, 2021, there are no assets classified as held for sale. The overview of assets classified as held for sale and associated liabilities for the comparable period as at December 31, 2020 is as follows (in CZK millions):

	2020		
	Bulgarian companies	Romanian companies	Total
Property, plant and equipment, net	10,148	14,966	25,114
Intangible assets, net	498	1,784	2,282
Other non-current assets	63	1,507	1,570
Cash and cash equivalents	2,740	1,365	4,105
Trade receivables, net	2,871	1,238	4,109
Another current assets	1,066	2,127	3,193
Assets classified as held for sale	17,386	22,987	40,373
Long-term debt, net of current portion	1,173	2,955	4,128
Non-current provisions	210	1,011	1,221
Other long-term financial liabilities	197	9	206
Deferred tax liability	103	-	103
Short-term loans	37	-	37
Current portion of long-term debt	234	321	555
Trade payables	2,366	1,014	3,380
Current provisions	528	319	847
Another current liabilities	267	885	1,152
Liabilities associated with assets classified as held for sale	5,115	6,514	11,629
Related non-controlling interests	3,616	-	3,616
Related currency translation differences (cumulative loss)	(1,408)	(6,345)	(7,753)

The assets and results associated with the assets classified as held for sale were reported in the operating segments Generation, Distribution and Sales.

16. Equity

As at December 31, 2021 and 2020, the share capital of the Company registered in the Commercial Register totaled CZK 53,798,975,900 and consisted of 537,989,759 shares with a nominal value of CZK 100 per share. All shares are bearer common shares that are fully paid and listed and do not convey any special rights.

Movements of treasury shares in 2021 and 2020 (in pieces):

	2021	2020
Number of treasury shares at beginning of period	2,516,240	2,551,240
Sales of treasury shares	(1,257,891)	(35,000)
Number of treasury shares at end of period	1,258,349	2,516,240

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

Declared dividends per share before tax were CZK 52 in 2021 and CZK 34 in 2020. Dividends for the year 2021 will be declared at the general meeting, which will be held in the first half of 2022.

Capital Structure Management

The primary objective of the Group's capital structure management is to maintain its credit rating at an investment grade and a level that is standard in the sector and to maintain a healthy ratio of equity to borrowed capital to support the Group's business and maximize value for shareholders. The Group monitors its capital structure and makes adjustments to it with a view to changes in the business environment.

The Group primarily monitors its capital structure using the net debt-to-EBITDA ratio. Considering the current structure and stability of its cash flows and its development strategy, the Group aims to keep the ratio at 2.5–3.0. The Group also monitors its capital structure using the total debt-to-total capital ratio. The Group aims to keep the ratio below 50% in the long term.

EBITDA comprises earnings before taxes and other expenses and revenues plus depreciation and amortization and impairment of property, plant, and equipment and intangible assets less gain (or plus loss) from sales of property, plant, and equipment. Total debt comprises long-term debt including the current portion and short-term borrowings. Net debt represents total debt less cash and cash equivalents and highly liquid financial assets. For the purposes of capital structure management, highly liquid financial assets comprise short-term and long-term debt financial assets and short-term and long-term deposits. Total capital is equity attributable to parent company shareholders plus total debt. These calculations always include items relating to assets held for sale, which are reported separately in the balance sheet.

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

	2021	2020
Long-term debt	112,571	150,843
Short-term loans	25,310	984
Long-term debt associated with assets classified as held for sale (Note 15)	-	4,683
Short-term loans associated with assets classified as held for sale (Note 15)	-	37
Total debt	137,881	156,547
Less:		
Cash and cash equivalents	(26,640)	(6,064)
Cash and cash equivalents classified as held for sale (Note 15)	-	(4,105)
Highly liquid financial assets:		
Current debt financial assets (Note 5)	(499)	(111)
Non-current debt financial assets (Note 5)	-	-
Current term deposits (Note 5)	-	(2,755)
Total net debt	110,742	143,512
Income before income taxes and other income (expenses)	16,098	12,585
Depreciation and amortization	31,628	28,284
Impairment of property, plant and equipment and intangible assets	15,799	24,062
Gains and losses on sale of property, plant and equipment (Note 25 and 31)	(285)	(148)
EBITDA	63,240	64,783
Equity attributable to equity holders of the parent	161,098	233,871
Total debt	137,881	156,547
Total capital	298,979	390,418
Net debt to EBITDA ratio	1.75	2.22
Total debt to total capital ratio	46.1%	40.1%

17. Long-term Debt

The overview of long-term debt at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,302	2,505
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,536	1,671
5.000% Eurobonds, due 2021 (EUR 541 million) [1)]	-	19,872
4.875% Eurobonds, due 2025 (EUR 750 million)	19,263	20,328
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,210	2,405
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,288	1,288
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) [2)]	-	2,688
4.102% Eurobonds, due 2021 (EUR 50 million)	-	1,315
4.375% Eurobonds, due 2042 (EUR 50 million)	1,246	1,314
4.500% Eurobonds, due 2047 (EUR 50 million)	1,243	1,312
4.383% Eurobonds, due 2047 (EUR 80 million)	2,017	2,130
3.000% Eurobonds, due 2028 (EUR 725 million)	18,627	19,713
0.875% Eurobonds, due 2022 (EUR 269 million) [3)]	6,692	13,106
0.875% Eurobonds, due 2026 (EUR 750 million)	18,502	19,499
4.250% U.S. bonds, due 2022 (USD 266 million) [4)]	5,897	6,226
5.625% U.S. bonds, due 2042 (USD 300 million)	6,621	6,448
4.500% Registered bonds, due 2030 (EUR 40 million)	987	1,040
4.750% Registered bonds, due 2023 (EUR 40 million)	1,036	1,092
4.700% Registered bonds, due 2032 (EUR 40 million)	1,026	1,083
4.270% Registered bonds, due 2047 (EUR 61 million)	1,500	1,583
3.550% Registered bonds, due 2038 (EUR 30 million)	764	806
Total bonds and debentures	92,757	127,424
Less: Current portion	(13,911)	(25,339)
Bonds and debentures, net of current portion	78,846	102,085
Long-term bank loans and lease liabilities:		
Less than 2.00% p. a.	15,371	18,385
2.00% to 2.99% p. a.	2,163	2,036
3.00% to 3.99% p. a.	1,651	2,078
4.00% p. a. and more	629	920
Total long-term bank loans and lease liabilities	19,814	23,419
Less: Current portion	(2,736)	(3,402)
Long-term bank loans and lease liabilities, net of current portion	17,078	20,017
Total long-term debt	112,571	150,843
Less: Current portion	(16,647)	(28,741)
Total long-term debt, net of current portion	95,924	122,102

1) In April 2021, the original nominal value of the issue (EUR 750 million) was reduced by bond buyback in a nominal value of EUR 209 million. The remaining value of the issue (EUR 541 million) was repaid on the expiration date in October 2021.

2) The interest rate was based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and was fixed through the closed swap to the rate 4.553% p. a.

3) In April 2021, the original nominal value of the issue (EUR 500 million) was reduced by bond buyback in a nominal value of EUR 231 million.

4) In April and May 2021, the original nominal value of the issue (USD 289 million) was reduced by bond buyback in a nominal value of USD 23 million.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Group.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.15.

The overview of long-term debt maturities, is as follows (in CZK millions):

	2021	2020
Within 1 year	16,647	28,741
Between 1 year and 2 years	6,269	22,975
Between 2 and 3 years	2,262	6,749
Between 3 and 4 years	21,113	2,594
Between 4 and 5 years	20,746	22,157
Thereafter	45,534	67,627
Total long-term debt	112,571	150,843

The summary of long-term debt by currency (in millions):

	2021		2020	
	Foreign currency	CZK	Foreign currency	CZK
EUR	3,581	89,022	4,799	125,944
USD	570	12,518	593	12,675
JPY	31,722	6,048	31,720	6,581
CZK		4,116		3,860
PLN	153	827	310	1,783
Other		40		-
Total long-term debt		112,571		150,843

Long-term debt with floating interest rates exposes the Group to interest rate risk. The following table summarizes long-term debt by contractual reprising dates of interest rates at December 31, 2021 and 2020, without considering interest rate hedging (in CZK millions):

	2021	2020
Floating rate long-term debt		
with interest rate fixed to 1 month	19	30
with interest rate fixed from 1 to 3 months	1,900	2,689
with interest rate fixed from 3 months to 1 year	4,719	6,693
with interest rate fixed for more than 1 year	19	17
Total floating rate long-term debt	6,657	9,429
Fixed rate long-term debt	105,914	141,414
Total long-term debt	112,571	150,843

Fixed rate long-term debt exposes the Group to the risk of change in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Note 18 and Note 19.

The following table analyses the changes in liabilities and receivables arising from financing activities in 2021 and 2020 (in CZK millions):

	Debt	Other financial liabilities	Other long-term liabilities	Other current financial assets, net	Total liabilities / assets from financing activities
Liabilities / assets from financing at January 1, 2020	171,893	366	31	(26)	172,264
Cash flows	(21,404)	(18,022)	-	(4)	(39,430)
Additions and modifications of leases	289	-	-	-	289
Foreign exchange movement	(932)	14	1	-	(917)
Changes in fair values	5,106	-	-	-	5,106
Acquisition of subsidiaries	195	-	-	-	195
Disposal of subsidiaries	(105)	-	-	-	(105)
Liabilities associated to assets classified as held for sale	(2,942)	(23)	-	-	(2,965)
Declared dividends	-	18,199	-	-	18,199
Other	(273)	14	-	-	(259)
Liabilities / assets arising from financing activities at December 31, 2020	151,827	548	32	(30)	152,377
Liabilities / assets arising from other than financing activities	-	80,980	2	(61,864)	
Total amount on balance sheet at December 31, 2020	151,827	81,528	34	(61,894)	
Less: Liabilities / assets from other than financing activities	-	(80,980)	(2)	61,864	
Liabilities / assets from financing at January 1, 2021	151,827	548	32	(30)	152,377
Cash flows	(8,263)	(27,933)	-	(8)	(36,204)
Additions and modifications of leases	489	-	-	-	489
Foreign exchange movement	(1,663)	(13)	(2)	-	(1,678)
Changes in fair values	(4,615)	-	-	-	(4,615)
Acquisition of subsidiaries	303	4	-	-	307
Disposal of subsidiaries	(4,931)	(82)	-	-	(5,013)
Liabilities associated to assets classified as held for sale	4,719	125	-	-	4,844
Declared dividends	-	28,023	-	-	28,023
Other [1)]	15	338	-	-	353
Liabilities / assets arising from financing activities at December 31, 2021	137,881	1,010	30	(38)	138,883
Liabilities / assets arising from other than financing activities	-	635,236	2	(496,763)	
Total amount on balance sheet at December 31, 2021	137,881	636,246	32	(496,801)	

1) The item Other includes accrued interest, transfer of interest paid on leasing to operating activities and non-cash additions and decreases of liabilities.

The column Debt consists of balance sheet items Long-term debt, net of current portion, Current portion of long-term debt and Short-term loans. In terms of financing activities, item Other financial liabilities consists of dividend payables and other financial liabilities (short-term and long-term including short-term portion), item Other long-term liabilities consists especially of long-term deposits and received advanced payments, item Other current financial assets, net consists of advanced payments to dividend administrator.

18. Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, which excludes a forced or liquidation sale. Fair value is determined as a quoted market price or a value obtained on the basis of discounted cash flow models or option pricing models.

The Group uses the following methods and assumptions to determine the fair value of each class of financial instruments:

Cash, Cash Equivalents and Short-term Investments

The fair value of cash and other current financial assets is deemed to be the carrying amount due to their relatively short maturity.

Securities Held for Trading

The fair value of current equity and debt securities held for trading is based on their market price.

Non-current Debt and Equity Financial Assets

The fair value of non-current debt and equity financial assets that are publicly traded in an active market is based on their quoted market price. The fair value of non-current and equity financial assets that are not publicly traded in an active market is determined using appropriate valuation techniques.

Short-term Receivables and Payables

The fair value of receivables and payables is deemed to be the carrying amount due to their relatively short maturity.

Short-term Borrowings

The fair value of these financial instruments corresponds to the carrying amount due to their short maturity.

Long-term Debt

The fair value of long-term debt is deemed to be the market value of identical or similar instruments, or the measurement is based on current interest rates on debt with the same maturity. The fair value of long-term debt with a variable interest rate is deemed to be the carrying amount.

Derivatives

The fair value of derivatives corresponds to their market value.

Carrying amounts and the estimated fair values of financial assets (except for derivatives) at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Other financial receivables	2,156	2,156	1,786	1,786
Receivables from sale of subsidiaries, associates and joint-ventures	2,399	2,399	2,349	2,349
Investment in finance lease	211	211	261	261
Non-current assets at fair value through other comprehensive income:				
Restricted debt financial assets	18,159	18,159	19,206	19,206
Equity financial assets	942	942	1,768	1,768
Non-current assets at fair value through profit or loss:				
Equity financial assets	2,538	2,538	1,750	1,750
Current assets at amortized cost:				
Term deposits	-	-	2,755	2,755
Other financial receivables	288	288	987	987
Receivables from sale of subsidiaries, associates and joint-ventures	-	-	2,012	2,012
Investment in finance lease	44	44	51	51
Debt financial assets	-	-	10	10
Current assets at fair value through other comprehensive income:				
Debt financial assets	499	499	101	101
Current assets at fair value through profit or loss:				
Equity financial assets	441	441	-	-

Carrying amounts and the estimated fair values of financial liabilities (except for derivatives) at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	(112,571)	(122,817)	(150,843)	(164,135)
Other long-term financial liabilities	(630)	(630)	(233)	(233)
Short-term loans	(25,310)	(25,310)	(984)	(984)
Other short-term financial liabilities	(417)	(417)	(353)	(353)

Carrying amounts and the estimated fair values of derivatives and liabilities recognized at fair value at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities from put options held by non-controlling interests	(589)	(589)	(340)	(340)
Contingent consideration from the acquisition of subsidiaries	(583)	(583)	(399)	(399)
Cash flow hedges:				
Short-term receivables	884	884	284	284
Long-term receivables	3,347	3,347	2,864	2,864
Short-term liabilities	(49,287)	(49,287)	(301)	(301)
Long-term liabilities	(33,257)	(33,257)	(7,776)	(7,776)
Commodity derivatives:				
Short-term receivables	494,419	494,419	54,858	54,858
Short-term liabilities	(550,657)	(550,657)	(70,168)	(70,168)
Other derivatives:				
Short-term receivables	720	720	836	836
Long-term receivables	212	212	224	224
Short-term liabilities	(253)	(253)	(1,104)	(1,104)
Long-term liabilities	(573)	(573)	(854)	(854)

18.1. Fair Value Hierarchy

The Group uses and discloses financial instruments with the following structure according to the manner in which the fair value is determined:

Level 1: Measured at fair value using the market prices of identical assets and liabilities quoted in active markets.

Level 2: Measured at fair value using methods under which significant inputs are directly or indirectly derived from data observable in active markets.

Level 3: Measured at fair value using methods under which significant inputs are not derived from data observable in active markets.

For assets and liabilities that occur regularly or repeatedly in financial statements, the Group reviews categorization in levels of the fair value hierarchy (according to the lowest input level that is significant to the measurement of fair value as a whole) at the end of each reporting period to determine whether there have been any transfers between levels of the fair value hierarchy.

There were no transfers between the levels of financial instruments at fair value in 2021. At December 31, 2020, the Group transferred liabilities from put options held by non-controlling interests and contingent consideration from the acquisition of subsidiaries from the level 2 to level 3.

As at December 31, 2021, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	494,419	47,322	443,970	3,127
Cash flow hedges	4,231	101	4,130	-
Other derivatives	932	66	866	-
Restricted debt securities	18,159	18,159	-	-
Debt financial assets at fair value through other comprehensive income	499	499	-	-
Equity financial assets at fair value through profit or loss	2,979	-	-	2,979
Equity financial assets at fair value through other comprehensive income	942	-	-	942

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(550,657)	(24,715)	(525,942)	-
Cash flow hedges	(82,544)	(22,744)	(59,800)	-
Other derivatives	(826)	(15)	(811)	-
Liabilities from put options held by non-controlling interests	(589)	-	-	(589)
Contingent consideration from the acquisition of subsidiaries	(583)	-	-	(583)

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Other financial receivables	2,444	-	2,444	-
Receivables from sale of subsidiaries, associates and joint-ventures	2,399	-	2,399	-
Investment in finance lease	255	-	255	-
Long-term debt	(122,817)	(98,151)	(24,666)	-
Short-term loans	(25,310)	-	(25,310)	-
Other financial liabilities	(1,047)	-	(1,047)	-

As at December 31, 2020, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	54,858	3,422	51,436	-
Cash flow hedges	3,148	38	3,110	-
Other derivatives	1,060	10	1,050	-
Restricted debt securities	19,206	19,206	-	-
Debt financial assets at fair value through other comprehensive income	101	101	-	-
Equity financial assets at fair value through profit or loss	1,750	-	-	1,750
Equity financial assets at fair value through other comprehensive income	1,768	-	-	1,768

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(70,168)	(4,116)	(66,052)	-
Cash flow hedges	(8,077)	(1,281)	(6,796)	-
Other derivatives	(1,958)	(519)	(1,439)	-
Liabilities from put options held by non-controlling interests	(340)	-	-	(340)
Contingent consideration from the acquisition of subsidiaries	(399)	-	-	(399)

Assets and liabilities for which fair values are disclosed:

	Total	Level 1	Level 2	Level 3
Term deposits	2,755	-	2,755	-
Other financial receivables	2,773	-	2,773	-
Receivables from sale of subsidiaries, associates and joint-ventures	4,361	-	4,361	-
Debt financial assets	10	-	10	-
Investment in finance lease	312	-	312	-
Long-term debt	(164,135)	(114,370)	(49,765)	-
Short-term loans	(984)	-	(984)	-
Other financial liabilities	(586)	-	(586)	-

The Group negotiates derivative financial instruments with various counterparties, especially large groups operating in the energy sector and large financial institutions with high credit ratings. Derivatives that are measured by means of techniques using market inputs include, in particular, commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps, and options. The most frequently applied valuation methods use commodity price curves, swap models, present value calculations, and option pricing models (e.g., Black-Scholes, Black-76). The models use various inputs including the forward curves of underlying commodities, foreign exchange spot and forward rates, and interest rate curves.

The following table shows roll-forward of the financial assets measured at fair value – Level 3, for the years ended December 31, 2021 and 2020 (in CZK millions):

	Equity financial assets at fair value through profit or loss	Equity financial assets at fair value through other comprehensive income	Commodity derivatives
Balance at January 1, 2020	1,468	2,711	-
Additions	315	103	-
Disposals	(256)	-	-
Revaluation	223	(1,046)	-
Balance at December 31, 2020	1,750	1,768	-
Additions	497	-	-
Disposals	(8)	(31)	(1,604)
Revaluation	740	(795)	4,731
Balance at December 31, 2021	2,979	942	3,127

The main investment in the portfolio Equity financial assets at fair value through other comprehensive income is 15% interest in the company Veolia Energie ČR, a.s. (Note 5). The company's shares are not traded on any market. Fair value at December 31, 2021 and 2020 was determined using available public EBITDA data and the usual range of EBITDA multiples which corresponds to the purchase price of a 100% stake in a company in transactions observed in the market in the industry in question before adjustment for the amount of debt. The fair value at December 31, 2021 and 2020 was determined using 7 EBITDA multiple and 8 EBITDA multiple, respectively, as the best estimate of the fair value.

Equity financial assets at fair value through profit or loss include investments of the CEZ Group's investment fund in the company Inven Capital, SICAV, a.s. (Note 5). The fair value of the investments included in this portfolio at 31 December 2021 and 2020 was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and to other forms of financing made by the co-investors recently. In addition, the valuation takes into account further development and eventual subsequent significant events, such as received bids for redemption.

The fair value of the contingent consideration was determined based on present value of future cash flows, which the Group expects to pay in connection with the acquisition of the subsidiary and is assessed internally by management. The amount of the payment depends on future financial results of the acquired company.

The liability from put option held by the non-controlling interests is measured as the present value of the amount payable on exercise of the option.

Commodity derivatives measured at fair value in level 3 include cross-border electricity transmission rights (hereinafter referred to as "cross-border capacities"). Cross-border capacities are sold in auctions organized by auction offices covering transmission system operators or in auctions organized directly by transmission system operators. Cross-border capacities are not traded on an organized market. The fair value of cross-border capacities, which represents an estimate of the expected value of compensation for unused cross-border capacities, takes into account especially the acquisition price of purchased capacities and the forward prices of electricity in the respective countries.

18.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2021 and 2020 (in CZK millions):

	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	499,582	(634,027)	59,066	(80,198)
Other financial instruments [1]	60,512	(60,384)	45,500	(41,633)
Collaterals paid (received) [2]	28,840	(9,351)	1,919	(2,452)
Gross financial assets / liabilities	588,934	(703,762)	106,485	(124,283)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	588,934	(703,762)	106,485	(124,283)
Effect of master netting agreements	(496,713)	496,713	(98,385)	98,385
Net amount after master netting agreements	92,221	(207,049)	8,100	(25,898)

[1] Other financial instruments consist of invoices due from derivative trading and are included in Trade receivables, net or Trade payables.

[2] Collaterals paid are included in Trade receivables, net and collaterals received are included in Trade payables.

ČEZ, a. s., trades in derivatives under EFET and ISDA master agreements. The agreements allow mutual setoff of receivables and payables on early termination of contracts. The reason for early termination is the counterparty’s insolvency or failure to fulfill agreed contract terms. All agreed contracts are settled financially on early termination. Their mutual setoff is either embedded in a contractual provision of the master agreements or results from the collateral provided. In addition, a CSA (Credit Support Annex) has been signed with several partners, defining the permitted limit of exposure between the partners. When the limit is exceeded, cash is transferred to reduce exposure below an agreed level. The deposited cash is also included in the final offset.

The information about offset of unbilled electricity supplied to retail customers with advances received is included in Note 14 and 23. The information about offset of construction contracts and related billings and advances received is included in Note 14.

Short-term derivative assets are included in the balance sheet in Other current financial assets, net; long-term derivative assets are included in Other non-current financial assets, net; short-term derivative liabilities are included in Other current financial liabilities; and long-term derivative liabilities are included in Other non-current financial liabilities.

19. Financial Risk Management

Risk Management Approach

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

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

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

The main Business Plan market risks are quantified in the Group (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances’ purchases in the following 6-year horizon, closed long-term contracts for electricity sale and emission allowances purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating.

Since 2021, a new uniform Enterprise risk management scheme is adopted by the Group to be applied to all group-level significant risks. For this level of risks, the scheme integrates, across the process areas of the whole Group, all decentral risk management activities into one, uniform and centrally coordinated process of the group-level significant risks management, with the use of a software tool.

Risk Management Organization

The supreme authority responsible for risk management in ČEZ, a. s., is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s., Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of a system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating. Since 2021, it also monitors overviews regarding new uniform Enterprise risk management scheme.

Overview and Methods of Risk Management

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

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

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

- Activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity / planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s., based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units/processes of the Group.
- Activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units / processes of the Group which are newly also subject to policies defined by new uniform Enterprise risk management scheme since 2021.

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

- Market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants)
- Credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk
- Operational risks: risks of nuclear and fossil power plants operation in the Czech Republic, investment risks.

The development of the Group's quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization)
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation)
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

19.1. Qualitative Description of Risks Associated with Financial Instruments

Commodity Risks

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

Market Financial Risks (currency, interest and stock price risks)

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

Credit Risks

With respect to the Group's activities managed on a centralized level, credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

With respect to the electricity sales to end customers in the Czech Republic, the actual credibility is monitored for each business partner based on payment history (in addition, the financial standing is considered for selected partners). This credibility determines the payment conditions of partners (i.e. it indirectly determines an amount of an approved credit exposure) and also serves to quantify both the expected and the potential losses.

The Group's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2021 and 2020 is the carrying value of each class of financial assets except for financial guarantees. Credit risk from balances with banks and financial institutions is managed by the Group's risk management department in cooperation with Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

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

Liquidity Risks

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

19.2. Quantitative Description of Risks Associated with Financial Instruments

Commodity Risks

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

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IFRS 9 (the underlying commodities in the Group's derivative transactions are: electricity, EUA emission rights, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products) on the given confidence level;
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany;
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series;
- the source of market data is mainly EEX, PXE and ICE;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned financial instruments to statement of income.

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

	2021	2020
Monthly VaR (95%) – impact of changes in commodity prices	9,298	4,512

Currency Risks

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

- the indicator of currency risk is defined as the monthly VaR (95% confidence);
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series;
- the relevant currency position is defined mainly as a value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2022 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments etc.;
- the relevant currency positions reflect all significant foreign-currency flows of the Group companies in the monitored basket of foreign currencies;
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned currency position to statement of income.

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

	2021	2020
Monthly currency VaR (95% confidence)	437	302

Interest Risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification (as at December 31) was based on the following assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk
- the statement of income sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31
- the considered interest positions reflect all significant interest-sensitive positions of the Group companies
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

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

	2021	2020
IR sensitivity* to parallel yield curve shift (+10bp)	-	(4)

* Negative result denotes higher increase in interest costs than in interest revenues.

Credit Exposure

The Group is exposed to credit risk on all financial assets presented in the balance sheet as well as credit risk from provided guarantees. Credit exposure from provided guarantees that are not included in the balance sheet, as at December 31 (millions of CZK):

	2021	2020
Guarantees off balance sheet provided to joint-ventures *	-	959

* Some of the guarantees could be called until June 2026 at the latest.

The guarantees provided relate to bank loans. The beneficiary may claim the guarantee only upon failure to comply with certain conditions of loans. The companies whose liabilities are the subject to the guarantees currently comply with their obligations.

Liquidity Risk

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2021 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives 1)	Guarantees issued 2)
Due in 2022	28,250	16,722	86,780	1,431,988	1,907
Due in 2023	2,011	7,039	763	230,712	-
Due in 2024	2,430	2,476	297	57,558	-
Due in 2025	2,645	21,094	305	4,894	-
Due in 2026	2,371	20,055	109	839	-
Thereafter	8,913	51,528	76	26,212	-
Total	46,620	118,914	88,330	1,752,203	1,907

Contractual maturities of undiscounted payments of financial liabilities as at December 31, 2020 (in CZK millions):

	Loans	Bonds and debentures	Trade payables and other financial liabilities	Derivatives [1]	Guarantees issued [2]
Due in 2021	4,598	29,619	73,741	538,968	2,226
Due in 2022	3,894	22,249	481	101,495	-
Due in 2023	2,236	7,402	58	33,211	-
Due in 2024	2,753	2,587	14	104,842	-
Due in 2025	2,655	22,234	160	850	-
Thereafter	9,911	74,721	203	27,856	-
Total	26,047	158,812	74,657	807,222	2,226

[1] Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Group will receive corresponding consideration. For fair values of derivatives see Note 18.

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

The committed credit facilities available to the Group as at December 31, 2021 and 2020 amounted to CZK 15.2 billion and CZK 35.3 billion, respectively. In addition, in November and December 2021, the Company signed committed loan facility agreements with the European Investment Bank to support financing of the distribution grid renewal and further development program in the Czech Republic up to a total of EUR 400 million, which were not drawn as at December 31, 2021.

19.3. Hedge Accounting

The Group hedges cash flows arising from highly probable future revenue in EUR for the purposes of currency and interest risk hedging. The hedged cash flows are expected to occur in 2022–2026. The relevant hedging instruments as at December 31, 2021 and 2020 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.3 billion and currency forward contracts and swaps. The fair value of these derivative hedging instruments amounted to CZK (325) million and CZK 896 million at December 31, 2021 and 2020, respectively.

The Group also hedges cash flows arising from highly probable future sales of electricity in the Czech Republic in 2022–2027. The relevant hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (77,985) million and CZK (4,023) million at December 31, 2021 and 2020, respectively. The result of this hedging strategy as at December 31, 2021 is that for 2022 approximately 88% of expected generation in the Czech Republic was hedged at an average price of EUR 68.3 per MWh, for 2023 approximately 60% of expected generation at an average price of EUR 61.5 per MWh, for 2024 approximately 28% of expected generation at an average price of EUR 61.8 per MWh and for 2025 approximately 6% at an average price of EUR 64.6 per MWh.

In 2021 and 2020, the amounts removed from equity in respect of cash flow hedges were recognized in profit or loss and included in the lines Sales of electricity, heat, gas and coal, Gains and losses from commodity derivative trading, Other financial expenses and Other financial income and on the balance sheet in the lines Intangible assets, net and Emission rights. In 2021 and 2020, the Group recognized in profit or loss the ineffectiveness that arises from cash flow hedges in the amount of CZK 284 million and CZK 371 million, respectively. The ineffectiveness in 2021 and 2020 was primarily caused by the fact that the hedged cash flows are no more highly probable to occur.

20. Provisions

The following table provides an overview of provisions as at December 31, 2021 and 2020 (in CZK millions):

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Nuclear provisions	91,629	2,073	93,702	89,343	2,368	91,711
Provision for demolition and dismantling of coal-fired plants	6,198	563	6,761	-	-	-
Provision for reclamation of mines and mining damages	12,118	299	12,417	9,516	235	9,751
Provision for waste storage reclamation	617	39	656	607	52	659
Provision for CO_2 emissions (Note 13)	-	9,622	9,622	-	7,176	7,176
Provision for obligation in case of claim from guarantee for Akcez group loans	-	1,907	1,907	-	1,267	1,267
Other provisions	6,510	3,750	10,260	5,860	2,567	8,427
Total	117,072	18,253	135,325	105,326	13,665	118,991

20.1. Nuclear Provisions

The Company operates two nuclear power plants. The Dukovany Nuclear Power Plant comprises four units commissioned for continuous operation in 1985 to 1987. The Temelín Nuclear Power Plant consists of two units that were commissioned for continuous operation in 2002 and 2003. The Nuclear Energy Act sets down obligations for nuclear facility decommissioning and disposal of radioactive waste and spent nuclear fuel. In accordance with the Nuclear Energy Act, all the nuclear parts and equipment of a nuclear power plant must be disposed of after the end of operation. For the purpose of determining the amount of nuclear provisions, it is estimated that the Dukovany Nuclear Power Plant will stop generating electricity in 2047, the Temelín plant in 2062. Studies for the Dukovany Nuclear Power Plant and for the Temelín Nuclear Power Plant from 2020 assume that the costs of decommissioning of these power plants will reach in the amount CZK 26.5 billion and CZK 21.0 billion, respectively. The Company makes contributions to a restricted bank accounts in the amount of the nuclear provisions recorded under the Nuclear Energy Act. These funds can be invested in government bonds in accordance with legislation. These restricted financial assets are reported in the balance sheet as part of the line item Restricted financial assets, net (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority (SÚRAO) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The SÚRAO operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the SÚRAO are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by Nuclear Energy Act at 55 CZK per MWh produced at nuclear power plants. In 2021 and 2020, the payments to the nuclear account amounted to CZK 1,690 million and CZK 1,652 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Group has established provisions for estimated future expenses on nuclear decommissioning and interim storage and permanent disposal of spent nuclear fuel in accordance with the principles described in Note 2.24. The following is a summary of the provisions for the years ended December 31, 2021 and 2020 (in CZK millions):

	Accumulated provisions			
	Nuclear decommis-sioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at January 1, 2020	34,868	8,657	32,237	75,762
Discount accretion and effect of inflation	766	191	709	1,666
Provision charged in profit or loss	-	618	-	618
Effect of change in estimate recognized in profit or loss	-	253	-	253
Effect of change in estimate added to (deducted from) fixed assets	3,382	-	12,056	15,438
Current cash expenditures	-	(374)	(1,652)	(2,026)
Balance at December 31, 2020	39,016	9,345	43,350	91,711
Discount accretion and effect of inflation	742	178	823	1,743
Provision charged in profit or loss	-	546	-	546
Effect of change in estimate recognized in profit or loss	-	787	-	787
Effect of change in estimate added to (deducted from) fixed assets	2,526	-	(1,037)	1,489
Current cash expenditures	-	(884)	(1,690)	(2,574)
Balance at December 31, 2021	42,284	9,972	41,446	93,702

The use of the provision for permanent disposal of spent nuclear fuel in a current year comprises payments made to the government-controlled nuclear account and the use of the provision for interim storage represents, in particular, purchases of containers for spent nuclear fuel and other related equipment for these purposes.

In 2021, the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning in connection with the change in discount rate and the change in long-term spent fuel storage in connection with the modification of the expected output of the nuclear power plants, change of expected contribution to the nuclear account per MWh in future years and change in discount rate.

In 2020, the Group recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning studies for Dukovany Nuclear Power Plant and for Temelín Nuclear Power Plant and change in discount rate and the change in long-term spent fuel storage in connection with the extension of the expected production time of the nuclear power plants by 10 years and change in discount rate.

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

20.2. Provision for Mine Reclamation and Mining Damages, Waste Storage Reclamation and Demolition and Dismantling of Coal-fired Plants

The following table shows the movements of provisions for the years ended December 31, 2021 and 2020 (in CZK millions):

	Mine reclamation and damages	Waste storage	Demolition and dismantling of coal-fired plants
Balance at January 1, 2020	9,372	807	-
Discount accretion and effect of inflation	198	18	-
Provision charged in profit or loss	101	-	-
Change in estimate added to fixed assets	366	163	-
Current cash expenditures	(286)	(34)	-
Reversal of provision	-	(3)	-
Disposal of subsidiary Elektrárna Počerady, a.s.	-	(292)	-
Balance at December 31, 2020	9,751	659	-
Discount accretion and effect of inflation	180	13	27
Provision charged in profit or loss	122	-	-
Change in estimate and creation added to fixed assets	2,635	29	6,734
Current cash expenditures	(271)	(38)	-
Reversal of provision	-	(7)	-
Balance at December 31, 2021	12,417	656	6,761

The provision for decommissioning and reclamation of mines and mining damages was recorded by Severočeské doly a.s., a mining subsidiary of ČEZ. Severočeské doly a.s. operates open pit coal mines and is responsible for decommissioning and reclamation of the mines as well as for damages caused by the operations of the mines. Current cash expenditures represent cash payments for current reclamation of mining area and settlement of mining damages. Change in estimate represents change in provision as result of updated cost estimates in the current period, mainly due to changes in expected prices of reclamation activities, however, in 2021, the estimate was also changed due to the expected earlier termination of mining and the related earlier expenditure of expected expenses.

21. Other Financial Liabilities

Other financial liabilities at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	32	-	32
Other	598	417	1,015
Financial liabilities at amortized cost	630	417	1,047
Cash flow hedge derivatives	33,257	49,287	82,544
Commodity and other derivatives	573	550,910	551,483
Liabilities from put options held by non-controlling interests	295	294	589
Contingent consideration from the acquisition of subsidiaries	464	119	583
Financial liabilities at fair value	34,589	600,610	635,199
Total	35,219	601,027	636,246

	2020		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	32	-	32
Other	201	353	554
Financial liabilities at amortized cost	233	353	586
Cash flow hedge derivatives	7,776	301	8,077
Commodity and other derivatives	854	71,272	72,126
Liabilities from put options held by non-controlling interests	340	-	340
Contingent consideration from the acquisition of subsidiaries	211	188	399
Financial liabilities at fair value	9,181	71,761	80,942
Total	9,414	72,114	81,528

The increase of short-term liabilities from commodity derivatives in 2021 is mainly due to an increase in market price of emission rights, electricity and gas. Related increase of short-term receivables from commodity derivatives is disclosed in Note 5.

22. Short-term Loans

The overview of short-term loans at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Short-term bank and other loans	25,282	961
Bank overdrafts	28	23
Total	25,310	984

Short-term loans bear interest at variable interest rates. The weighted average interest rate was 0.2% and 0.7% at December 31, 2021 and 2020, respectively. For the years 2021 and 2020, the weighted average interest rate was 0.6% and 1.7%, respectively.

23. Other Short-term Liabilities

Other short-term liabilities at December 31, 2021 and 2020 are as follows (in CZK millions):

	2021	2020
Advances received from retail customers	2,778	20,777
Unbilled electricity and gas supplied to retail customers	(2,597)	(19,133)
Received advances from retail customers, net	181	1,644
Taxes and fees, except income tax	3,159	2,695
Other advances received	5,191	1,785
Deferred income	486	355
Other contract liabilities	565	280
Total	9,582	6,759

24. Leases

24.1. Group as a Lessee

The Group has lease contracts for various items of offices, vehicles, buildings and land used to place its own electricity and heat production facilities. Leases of vehicles generally have lease terms between 1–8 years, while buildings and lands between 4–21 years.

The Group has entered into lease contracts with fixed and variable payments. The variable payments are regularly adjusted according to the inflation index or are based on use of the underlying assets.

The Group also leases buildings, machinery or equipment with lease terms of 12 months or less or with low value. In this case the Group applies recognition exemption for these leases.

The net book values of the right-of-use assets presented under Property, plant and equipment are described in the Note 3.

The amounts of lease liability are presented under Long-term debt (see Note 17).

The following table sets out total cash outflows for lease payments (in CZK millions):

	2021	2020
Payments of principal	692	852
Payments of interests	118	145
Lease payments not included in valuation of lease liability	131	134
Total cash outflow for leases	941	1,131

The following are the amounts that are recognized in profit or loss (in CZK millions):

	2021	2020
Expense relating to short-term leases	68	97
Expense relating to low-value assets	6	9
Variable lease payments not included in valuation of lease liability	57	28
Depreciation charge for right-of-use assets	657	784
Interest expenses	123	168

Next year, the Group expects to pay lease payments that are not included in valuation of lease liability to be similar to the year 2021.

24.2. Group as a Lessor

Finance Lease

The most significant lease under finance lease is the lease of assets for electricity and heat production directly at the customer.

The following table sets out a maturity analysis of investment in finance lease, showing the undiscounted lease payments to be received after the reporting date (in CZK millions):

	2021	2020
Up to 1 year	48	55
Between 1 year and 2 years	49	55
Between 2 and 3 years	44	50
Between 3 and 4 years	37	47
Between 4 and 5 years	35	39
Thereafter	80	115
Total undiscounted investment in finance lease	293	361
Unearned finance income	(38)	(49)
Net investment in the lease	255	312

The Group recognized interest income on lease receivables of CZK 8 million and CZK 13 million at December 31, 2021 and 2020, respectively.

Operating Lease

The net book values of the property, plant and equipment leased out under operating lease are disclosed in the Note 3.

Rental income recognized by the Group during 2021 and 2020 was CZK 187 million and CZK 206 million, respectively. In the following years, the Group expects rental income to be similar to the year 2021.

25. Revenues and Other Operating Income

The overview of revenues and other operating income for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Sales of electricity:		
Sales of electricity to end customers	47,308	51,298
Sales of electricity through energy exchange and other organized markets	51,479	14,375
Sales of electricity to traders	34,158	38,966
Sales to distribution and transmission companies	566	598
Other sales of electricity	14,237	15,624
Effect of hedging – presales of electricity (Note 19.3)	(12,926)	(2,396)
Effect of hedging – currency risk hedging (Note 19.3)	1,422	277
Total sales of electricity	136,244	118,742
Sales of gas, coal and heat:		
Sales of gas	8,272	7,088
Sales of coal	3,999	3,949
Sales of heat	8,978	8,236
Total sales of gas, coal and heat	21,249	19,273
Total sales of electricity, heat, gas and coal	157,493	138,015
Sales of services and other revenues:		
Distribution services	38,454	44,925
Other services	25,891	24,514
Rental income	187	206
Revenues from goods sold	951	862
Other revenues	1,846	1,000
Total sales of services and other revenues	67,329	71,507
Other operating income:		
Granted green and similar certificates	548	1,313
Contractual fines and interest fees for delays	202	446
Gain on sale of property, plant and equipment	328	152
Gain on sale of material	192	123
Other	1,701	2,181
Total other operating income	2,971	4,215
Total revenues and other operating income	227,793	213,737

The Group drew in 2021 and 2020 grants related to income in the amount of CZK 407 million and CZK 529 million, respectively. Grants related to income are included in Other operating income in item Other.

Revenues from contracts with customers for the years ended December 31, 2021 and 2020 were CZK 236,139 million and CZK 211,435 million, respectively, and can be linked to the above figures as follows (in CZK million):

	2021	2020
Sales of electricity, heat, gas and coal	157,493	138,015
Sales of services and other revenues	67,329	71,507
Total revenues	224,822	209,522
Adjustments:		
Effect of hedging – presales of electricity	12,926	2,396
Effect of hedging – currency risk hedging	(1,422)	(277)
Rental income	(187)	(206)
Revenues from contracts with customers	236,139	211,435

The Group assumes, that in the following periods it will recognize in the profit and loss statement revenues related to unsatisfied obligations from construction contracts in these amounts (in CZK million):

	2021	2020
Within 1 year	12,065	11,237
More than 1 year	3,251	2,959
Total	15,316	14,196

26. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Electricity derivative trading:		
Sales – domestic	13,757	14,042
Sales – foreign	254,259	251,503
Purchases – domestic	(15,037)	(9,983)
Purchases – foreign	(296,258)	(245,347)
Purchases and sales of cross-border capacities [1)]	1,604	-
Changes in fair value of derivatives	15,373	(6,613)
Total gains (losses) from electricity derivative trading	(26,302)	3,602
Other commodity derivative trading:		
Gain from gas derivative trading	8,391	1,086
Gain (loss) from oil derivative trading	(21)	7
Gain (loss) from coal derivative trading	430	(1,894)
Gain from emission rights derivative trading	13,034	3,321
Total gains and losses from commodity derivative trading	(4,468)	6,122

1) Purchases of cross-border capacities were not considered as commodity derivatives until June 30, 2021, and were recognized on the line Purchase of electricity, gas and other energies. Sales of cross-border capacities were recognized on the line Sales of services and other revenues. From July 1, 2021, these contracts are considered as commodity derivatives in accordance with the business strategy.

27. Purchase of Electricity, Gas and Other Energies

The composition of purchase of electricity, gas and other energies for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Purchase of electricity for resale	(51,753)	(47,719)
Purchase of gas for resale	(8,919)	(5,709)
Purchase of other energies	(1,997)	(2,907)
Total purchase of electricity, gas and other energies	(62,669)	(56,335)

28. Fuel and Emission Rights

The composition of fuel and emission rights for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Consumption of fossil energy fuel and biomass	(4,267)	(6,807)
Amortization of nuclear fuel	(4,110)	(4,197)
Consumption of gas	(5,952)	(2,939)
Emission rights for generation	(10,226)	(9,319)
Total fuel and emission rights	(24,555)	(23,262)

29. Services

The composition of services for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Transmission grid services for distribution of electricity	(5,426)	(5,684)
Other distribution services	(714)	(1,809)
Repairs and maintenance	(5,050)	(5,467)
Other services	(17,854)	(17,187)
Total services	(29,044)	(30,147)

Information about fees charged by independent auditors is provided in the annual report of CEZ Group.

30. Salaries and Wages

Salaries and wages for the years ended December 31, 2021 and 2020 were as follows (in CZK millions):

	2021		2020	
	Total	Key management [1)]	Total	Key management [1)]
Salaries and wages including remuneration of the board members	(21,790)	(136)	(22,318)	(134)
Social and health security	(6,500)	(30)	(6,421)	(21)
Other personal expenses	(2,301)	(13)	(2,116)	(15)
Total	(30,591)	(179)	(30,855)	(170)

[1] Members of Supervisory Board and Board of Directors of the parent company. The remuneration of former members of key management is also included in personal expenses.

At December 31, 2021 and 2020, the aggregate number of share options granted to members of Board of Directors and selected managers was 118 thousand and 1,421 thousand, respectively.

Members of the Board of Directors and selected managers were entitled until December 31, 2019 to receive share options based on the conditions stipulated in the share option agreement. Members of the Board of Directors and selected managers were granted certain quantity of share options each year of their tenure according to rules of the share option plan until the share option plan was terminated as of December 31, 2019. The exercise price for the granted options was based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year.

Beginning on January 1, 2020, the new program of long-term performance bonus has been started, replacing the options program. New options will no longer be granted and the existing granted options as at December 31, 2019 in the number of 1,651 thousand are preserved, i.e. after a proportional reduction of the original annual allocations in 2019. The program of long-term performance bonus is based on performance units that will be allocated to each beneficiary every year. The number of performance units allocated is based on the defined yearly value of a given long-term bonus and the price of stocks before the allocation. The Supervisory Board sets out the performance indicators for each year's allocation of the performance units. The defined performance indicators will be evaluated by the Supervisory Board and number of performance units allocated to a beneficiary will be adjusted accordingly. Then a two-year holding period will follow. The long-term performance bonus will be paid three years after the initial allocation, and the amount will be based on the adjusted number of performance units as well as on the stock price at the end of the holding period and the amount of dividends distributed during the holding period.

The following table shows changes during 2021 and 2020 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors '000s	Selected managers '000s	Total '000s	Weighted average exercise price (CZK per share)
Share options at January 1, 2020	1,279	372	1,651	513.02
Options exercised [1]	-	(35)	(35)	421.50
Options forfeited	(180)	(15)	(195)	442.83
Share options at December 31, 2020 [2]	1,099	322	1,421	524.90
Options exercised [1]	(1,051)	(207)	(1,258)	524.95
Options forfeited	-	(45)	(45)	495.46
Share options at December 31, 2021 [2]	48	70	118	535.53

1) In 2021 and 2020, the weighted average market share price at the date of the exercise for the options exercised was CZK 621.63 and CZK 508.00, respectively.

2) At December 31, 2021 and 2020, the number of exercisable options was 118 thousand and 1,421 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 535.53 per share and CZK 524.90 per share at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the exercise prices of outstanding options were in the following ranges (in thousand pieces):

	2021	2020
CZK 400–500 per share	-	310
CZK 500–600 per share	118	1,111
Total	118	1,421

The options granted which were outstanding as at December 31, 2021 and 2020 had an average remaining contractual life of 0.9 years and 1.1 years, respectively.

31. Other Operating Expenses

Other operating expenses for the years ended December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Change in provisions	701	1,952
Taxes and fees	(2,942)	(3,219)
Cost of goods sold	(755)	(569)
Consumption of guarantees of origin and green and similar certificates	(15)	(1,231)
Insurance	(902)	(814)
Costs related to trading of commodities	(452)	(435)
Gifts	(319)	(397)
Bad debt expense	(996)	(499)
Loss on sale of property, plant and equipment	(43)	(4)
Other	(1,088)	(1,443)
Total	(6,811)	(6,659)

Taxes and fees include the contributions to the nuclear account (see Note 20.1). The settlement of the provision for long-term spent fuel storage is accounted for at the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions.

32. Interest Income

Interest income for each category of financial assets for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Debt financial assets designated at fair value through other comprehensive income	194	226
Bank accounts	70	94
Loans, receivables and other debt financial assets at amortized cost	147	32
Finance lease	8	13
Financial assets and liabilities at fair value through profit or loss	12	12
Total	431	377

33. Other Financial Expenses

Other financial expenses for the years ended December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Derivative losses	(35)	(609)
Foreign exchange rate loss	(1)	(1)
Creation and settlement of provision	(19)	(21)
Loss on sale of debt financial assets	(3)	-
Loss from revaluation of equity financial assets	(114)	(97)
Bond buyback costs	(254)	-
Other	(233)	(234)
Total	(659)	(962)

34. Other Financial Income

Other financial income for the years ended December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Interest related to the refunded overpayment of gift tax on emission rights	1,499	1,463
Foreign exchange rate gain	690	1,243
Gain on revaluation of financial assets	854	320
Derivative gains	1,258	22
Dividend income	7	10
Gain on disposal of subsidiaries, associates and joint-ventures	19	87
Gain on sales of debt financial assets	201	19
Other	231	211
Total	4,759	3,375

35. Income Taxes

Companies resident in the Czech Republic calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2021 and 2020. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements. However, it cannot be ruled out that the relevant tax authorities may take a different view on issues allowing for different interpretations of the law, which could have an impact on the reported income.

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

	2021	2020
Current income tax charge	(5,418)	(3,496)
Adjustments in respect of current income tax of previous periods	(19)	(47)
Deferred income taxes	1,920	1,105
Total	(3,517)	(2,438)

The following table summarizes the differences between the income tax expense and accounting profit before taxes multiplied by the applicable tax rate (in CZK millions):

	2021	2020
Income before income taxes	13,426	7,906
Statutory income tax rate in Czech Republic	19%	19%
"Expected" income tax expense	(2,551)	(1,502)
Tax effect of:		
Non-deductible expenses related to shareholdings	63	23
Goodwill and other non-current assets impairment	(228)	(498)
Share of profit (loss) from associates and joint-ventures	(101)	36
Adjustments in respect of current income tax of previous periods	(19)	(47)
Effect of different tax rate in other countries	83	(147)
Change in unrecorded deferred tax asset	(749)	(769)
Provisions	18	-
Social expenses	(56)	(93)
Dividend income	1	2
Interest on arrears from the gift tax of emission rights	285	278
Other already taxed, tax exempt or non-deductible items, net	(263)	279
Income taxes	(3,517)	(2,438)
Effective tax rate	26%	31%

Deferred income taxes, net at December 31, 2021 and 2020 consist of the following (in CZK millions):

	2021	2020
Nuclear provisions	15,518	15,296
Financial statement depreciation in excess of tax depreciation	2,024	1,943
Revaluation of financial instruments	16,451	2,011
Allowances	4,121	2,047
Other provisions	5,308	3,192
Lease liabilities	640	919
Tax loss carry forwards	1,265	1,170
Other temporary differences	693	647
Unrecorded deferred tax asset	(1,745)	(1,042)
Total deferred tax assets	44,275	26,183
Tax depreciation in excess of financial statement depreciation	(42,023)	(39,570)
Revaluation of financial instruments	(58)	(154)
Other provisions	(146)	(351)
Right-of-use assets	(571)	(863)
Investment in finance lease	(100)	(85)
Other temporary differences	(3,497)	(3,715)
Total deferred tax liability	(46,395)	(44,738)
Total deferred tax liability, net	(2,120)	(18,555)
Reflected in the balance sheet as follows:		
Deferred tax assets	10,719	828
Deferred tax liability	(12,839)	(19,383)
Total deferred tax liability, net	(2,120)	(18,555)

Movements in net deferred tax liability in 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Balance at January 1	18,555	19,145
Deferred tax classified as held for sale as of January 1	(1,457)	103
Deferred tax recognized in profit or loss	(1,920)	(1,105)
Deferred tax recognized in other comprehensive income	(14,609)	(1,153)
Acquisition of subsidiaries	149	12
Disposal of subsidiaries	1,401	63
Currency translation differences	1	33
Deferred tax classified as held for sale as of December 31	-	1,457
Balance at December 31	2,120	18,555

At December 31, 2021 and 2020, the aggregate amount of temporary differences associated with investments in subsidiaries, for which no deferred tax liability was recognized, amounted to CZK 24,413 million and CZK 7,734 million, respectively.

Tax effects relating to individual items of other comprehensive income (in CZK millions):

	2021			2020		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(85,679)	16,279	(69,400)	(8,198)	1,558	(6,640)
Cash flow hedges reclassified to statement of income	11,479	(2,181)	9,298	2,916	(554)	2,362
Change in fair value of debt instruments	(1,869)	358	(1,511)	277	(50)	227
Disposal of debt instruments	(12)	2	(10)	(1)	-	(1)
Translation differences – subsidiaries	(1,284)	-	(1,284)	980	-	980
Translation differences – associates and joint-ventures	37	-	37	191	-	191
Disposal of translation differences	8,238	-	8,238	3	-	3
Share on other equity movements of associates and joint-ventures	59	-	59	(5)	-	(5)
Change in fair value of equity instruments	(795)	151	(644)	(1,046)	200	(846)
Re-measurement gains (losses) on defined benefit plans	6	-	6	(46)	(1)	(47)
Total	(69,820)	14,609	(55,211)	(4,929)	1,153	(3,776)

36. Related Parties

The Group purchases from and sells to related parties products, goods and services in the ordinary course of business.

At December 31, 2021 and 2020, the receivables from related parties and payables to related parties are as follows (in CZK millions):

	Receivables		Payables	
	2021	2020	2021	2020
Elevion Co-Investment GmbH & Co. KG	-	1	67	71
GP JOULE PP1 GmbH & Co. KG	19	14	-	-
in PROJEKT LOUNY ENGINEERING s.r.o.	8	15	7	15
LOMY MOŘINA spol. s r.o.	20	45	42	32
Tepelné hospodářství města Ústí nad Labem s.r.o. 1)	56	-	1	-
Výzkumný a zkušební ústav Plzeň s.r.o.	5	10	6	11
Other	25	23	14	44
Total	133	108	137	173

1) Company has been related party from October 1, 2021.

The following table provides the total amount of transactions, which have been entered into with related parties for 2021 and 2020 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2021	2020	2021	2020
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	-	4	67	25
Bytkomfort, s.r.o.	16	74	-	3
in PROJEKT LOUNY ENGINEERING s.r.o.	45	41	38	33
LOMY MOŘINA spol. s r.o.	145	43	284	219
Tepelné hospodářství města Ústí nad Labem s.r.o. 1)	119	-	4	-
Teplo Klášterec s.r.o.	62	58	-	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	30	27	-	3
Výzkumný a zkušební ústav Plzeň s.r.o.	6	4	46	20
Výzkumný ústav pro hnědé uhlí a.s.	1	1	26	16
Other	21	44	15	10
Total	445	296	480	329

1) Company has been related party from October 1, 2021.

Dividend income, interest and other financial income from related parties for the relevant financial year (in CZK millions):

	Interest and other financial income		Dividend income	
	2021	2020	2021	2020
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	11	13	-	-
Bytkomfort, s.r.o.	-	-	6	8
Sakarya Elektrik Dagitim A.Ş.	4	5	-	-
Výzkumný ústav pro hnědé uhlí a.s.	-	-	3	4
Other	1	2	3	8
Total	16	20	12	20

Information about compensation of key management is included in Note 30. Information about guarantees provided to joint-ventures is included in Note 19.2.

37. Segment Information

The Group reports its result using four primary reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries that CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that forms a separate process part of the value chain of the Group. The structure of the segments has changed since 2021. The substance of the change was the merging of the segments Generation – Traditional Energy and Generation – New Energy into a new segment Generation. The main reason is the fact that the development of renewable sources in CEZ Group will take place primarily within existing companies now operating mainly traditional energy, and not in existing companies in the original Generation – New Energy segment or in newly acquired companies. Furthermore, the Support Services segment was abolished, especially with regard to the dissolution of the company ČEZ Korporátní služby. Data by segments for the previous period of 2020 were adjusted to be comparable.

The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices.

In segment reporting, IFRS 16 is applied to external leases from the Group’s perspective, but it is not applied to leases between individual operating segments, although in some cases the asset is leased to another segment internally.

The Group evaluates the performance of its segments based on EBITDA (see Note 16).

The following tables summarize segment information by operating segments for the years ended December 31, 2021 and 2020 (in CZK millions):

Year 2021:	Generation	Distribution	Sales	Mining	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	99,033	38,530	85,751	4,479	227,793	-	227,793
Revenues and other operating income – intersegment	39,385	423	7,937	5,594	53,339	(53,339)	-
Total revenues and other operating income	138,418	38,953	93,688	10,073	281,132	(53,339)	227,793
Thereof:							
Sales of electricity, heat, gas and coal	126,922	10	68,699	8,998	204,629	(47,136)	157,493
Sales of services and other revenues	8,723	38,598	24,175	1,009	72,505	(5,176)	67,329
Other operating income	2,773	345	814	66	3,998	(1,027)	2,971
EBITDA	33,536	19,872	5,381	4,488	63,277	(37)	63,240
Depreciation and amortization	(21,796)	(6,200)	(1,588)	(2,044)	(31,628)	-	(31,628)
Impairment of property, plant and equipment and intangible assets	(2,573)	(1,532)	4	(11,698)	(15,799)	-	(15,799)
EBIT	9,317	12,195	3,857	(9,234)	16,135	(37)	16,098
Interest on debt and provisions	(5,800)	(869)	(270)	(185)	(7,124)	904	(6,220)
Interest income	1,150	53	105	27	1,335	(904)	431
Share of profit (loss) from associates and joint-ventures	(17)	(569)	162	(110)	(534)	-	(534)
Income taxes	(1,637)	(2,198)	(735)	1,053	(3,517)	-	(3,517)
Net income	12,991	8,135	4,118	(8,327)	16,917	(7,008)	9,909
Identifiable assets	264,460	117,650	8,585	12,400	403,095	(12)	403,083
Investment in associates and joint-ventures	2,861	-	273	782	3,916	-	3,916
Unallocated assets							775,923
Total assets							1,182,922
Capital expenditure	13,612	14,419	2,008	2,724	32,763	(217)	32,546
Average number of employees	10,851	6,550	6,822	4,474	28,697	-	28,697

Year 2020:	Generation	Distribution	Sales	Mining	Combined	Elimination	Consolidated
Revenues and other operating income – other than intersegment	73,847	44,622	90,987	4,281	213,737	-	213,737
Revenues and other operating income – intersegment	36,628	586	7,400	4,697	49,311	(49,311)	-
Total revenues and other operating income	110,475	45,208	98,387	8,978	263,048	(49,311)	213,737
Thereof:							
Sales of electricity, heat, gas and coal	98,329	33	74,884	7,980	181,226	(43,211)	138,015
Sales of services and other revenues	8,272	44,694	22,845	936	76,747	(5,240)	71,507
Other operating income	3,874	481	658	62	5,075	(860)	4,215
EBITDA	35,079	21,502	4,770	3,429	64,780	3	64,783
Depreciation and amortization	(17,023)	(6,907)	(1,659)	(2,695)	(28,284)	-	(28,284)
Impairment of property, plant and equipment and intangible assets	(12,618)	(7,682)	(492)	(3,270)	(24,062)	-	(24,062)
EBIT	5,515	6,951	2,624	(2,508)	12,582	3	12,585
Interest on debt and provisions	(6,661)	(934)	(387)	(204)	(8,186)	962	(7,224)
Interest income	1,144	66	87	42	1,339	(962)	377
Share of profit (loss) from associates and joint-ventures	(20)	121	125	(38)	188	-	188
Income taxes	(873)	(1,452)	(516)	403	(2,438)	-	(2,438)
Net income	8,274	4,412	2,161	(2,186)	12,661	(7,193)	5,468
Identifiable assets	271,744	110,289	7,874	20,465	410,372	-	410,372
Investment in associates and joint-ventures	2,898	-	285	892	4,075	-	4,075
Unallocated assets							288,011
Total assets							702,458
Capital expenditure	11,886	14,869	1,369	3,307	31,431	(272)	31,159
Average number of employees	11,170	9,070	6,870	4,594	31,704	-	31,704

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

The following table shows the split of revenues and other operating income by the location of the entity where the revenues are originated (in CZK millions):

	2021	2020
Czech Republic	182,327	148,801
Germany	15,079	13,804
Bulgaria	12,254	19,854
Poland	8,009	8,771
Romania	4,881	16,658
Other	5,243	5,849
Total revenues and other operating income	227,793	213,737

The following table shows the split of property, plant and equipment by the location of entity which they belong to at December 31, 2021 and 2020 (in CZK millions):

	2021	2020
Czech Republic	393,813	399,469
Germany	6,791	7,712
Poland	317	1,361
Romania	17	12
Other	2,145	1,818
Total property, plant and equipment	403,083	410,372

38. Net Income per Share

	2021	2020
Numerator (CZK millions)		
Basic and diluted:		
Net income attributable to equity holders of the parent	9,791	5,438
Denominator (thousands shares)		
Basic:		
Weighted average shares outstanding	536,218	535,468
Dilutive effect of share options	118	13
Diluted:		
Adjusted weighted average shares	536,336	535,481
Net income per share (CZK per share)		
Basic	18.3	10.2
Diluted	18.3	10.2

39. Commitment and Contingencies

Investment Plans

Capital expenditures for the next five years as at December 31, 2021 are estimated as follows (in CZK billions):

2022	39.9
2023	45.2
2024	55.3
2025	51.0
2026	59.5
Total	250.9

The above values do not include planned acquisitions of subsidiaries, associates and joint-ventures. From 2025 onwards, they do not include the investments of Elektrárna Dukovany II, where, in accordance with Act No. 367/2021 Coll., on measures for the transition of the Czech Republic to low-carbon energy, it is assumed, that investments will be financed through repayable financial assistance provided to the company Elektrárna Dukovany II, a. s.

The Group reviews regularly investment plan and actual capital expenditures may vary from the above estimates. At December 31, 2021, significant purchase commitments were outstanding in connection with the investment plan.

Insurance Matters

The Nuclear Energy Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations for energy generation purposes is liable for up to CZK 8 billion per incident. The Nuclear Energy Act limits the liability for damage caused by other nuclear installations and activities (such as transportation) to CZK 2 billion. The Nuclear Energy Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company concluded the above-mentioned insurance policies with company Generali Česká pojišťovna a.s. (representing Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry. The Company has obtained all insurance policies with minimal limits as required by the law.

The Group also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third-party liability insurance in connection with main operations of the Group.

40. Events after the Balance Sheet Date

In February 2022, Inven Capital, SICAV, a.s., sold its entire interest in the company Driivz. The first investment in this global company, which develops software for electro mobile charging infrastructure, was made by Inven Capital, SICAV, a.s., in 2018.

Since February 24, 2022, there has been a military conflict in Ukraine. The Group intensively evaluates the potential impacts, including the effects of the consequent sanctions, that have been imposed on the Russian Federation. The Group does not expect the immediate effects to be significant. In the short term, due to increased volatility in commodity markets, there is an increased liquidity need for so-called margin calls arising from counterparty requirements related to derivative contracts. The impacts on the CEZ Group in the medium term will depend on the further development of the conflict in Ukraine, on the specific form and duration of sanctions against the Russian Federation and their consequences for European and Czech energy sector. As the main risks for the Group are considered the potential impacts on securing supplies of nuclear fuel, ensuring the maintenance of generation facilities, securing gas purchases for end customers, and the risk that Russian companies will not be able to fulfill other concluded contracts or make financial settlements according to previously concluded contracts and agreed financial instruments. The Group has the highest credit exposure from the concluded commodity contracts for the purchase of electricity and gas from the company Gazprom Marketing & Trading with the seat in the United Kingdom, when, as at December 31, 2021, the fair value of commodity derivatives for the purchase of electricity was CZK 3,307 million and for the gas purchase was CZK 2,582 million. The Group also has a significant credit exposure from commodity gas contracts from Gazprom Export with the seat in the Russian Federation, when, as at December 31, 2021, the fair value of commodity derivatives for gas purchase was CZK 2,149 million. Up to the approval of these consolidated financial statements for issue, the obligations of these companies have been fulfilled, as have been the obligations arising from business contracts for the supply of goods and services by the suppliers from Russian Federation.

On March 14, 2022, the Company's Board of Directors approved a dividend proposal for 2021 in the amount of CZK 44 per share before tax.

These consolidated financial statements have been authorized for issue on March 14, 2022.

Daniel Beneš Chairman of Board of Directors	Martin Novák Member of Board of Directors

INDEPENDENT AUDITOR'S REPORT FOR THE NON-CONSOLIDATED FINANCIAL STATEMENTS

The information below is a translation of the Independent Auditor's Report dated 14 March 2022. The Independent Auditor's Report was issued in connection with the audit of the Financial Statements of ČEZ, a.s. as of and for the year ended 31 December 2021, included herein. This report refers to these financial statements mentioned but also, among others, relates to the content of ČEZ Group's Annual Report which is currently not available and is planned to be made public on or around 29 April 2022. For a full understanding of the Independent Auditor's Report, it should be read in conjunction with the Annual Report.

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ČEZ, a. s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ČEZ, a. s. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"), which comprise the balance sheet as at 31 December 2021, and the statement of income, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ČEZ, a. s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the IFRS EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor‘s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Impairment of assets</u>

The Company conducts annual impairment tests of assets' balances. The impairment test involves determining the recoverable amount of the cash-generating unit as a whole or individual assets, which corresponds to the value in use or selling price less cost to sell. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit.

These calculations of potential impairment amounts are a key audit matter as there is a significant uncertainty in relation to regulatory matters or government support for renewable energy, which are, together with other significant assumptions included in the estimated future cash flows, main inputs to the calculations. Main assumptions that are subject to significant estimation uncertainty are projected future wholesale electricity prices, prices of emission allowances, market access, development of the regulatory environment and discount rates as well as the strategy of the Company. Future cash flows relate to events and actions that have not yet occurred and may not occur. Another reason for impairment to be a key audit matter is the fact that the determination of cash-generating unit is to some extent subject to management judgement.

Our procedures included assessing the assumptions and methodologies used by the Company in their value in use models and assessment of the selling price less cost to sell. We involved our internal valuation specialists in assessing the adequacy of the Company's model used for the calculation of weighted average cost of capital and we also evaluated mathematical accuracy, underlying data and assumptions used in the calculation. We evaluated main assumptions that are subject to significant estimates such as future wholesale electricity prices, prices of emission allowances, development of the regulatory environment and compared them to those observable on the market. We compared electricity prices as well as the prices of emission allowances to the contracts, which are actively traded on the market, and we assessed reasonableness of the Company's projections of these future prices for periods, for which the market data are not available. We also discussed the assumptions with our internal valuation specialists in the respective countries.

We analyzed the budgets and future cash flows of the cash-generating units. We compared the expected developments in budgeted cash flows to the expectations presented by the management while assessing the main assumptions of the models and discussing alternatives. We also assessed the adequacy of the model used for the impairment test calculation together with the definition of the cash-generating units and mathematical accuracy of the calculations.

We also focused on whether the Company's disclosures in the financial statements in relation to the impairment of assets, as presented and disclosed in Notes 3. Property, Plant and Equipment, 5. Other Financial Assets, Net and 30. Impairment of Financial Assets, are compliant with the IFRS EU.

Fair value measurement of financial instruments

Due to the significance of financial instruments measured at fair value, and a high degree of judgement related to their valuation, we consider this as a key audit matter.

We involved the internal valuation specialists to assist us in performing our audit procedures. We assessed the design and tested the operating effectiveness of internal controls over the valuation, data integrity, independent price verification and model approval.

For areas of higher risk and estimation, our audit procedures focused on the comparison of judgments made to market practice and reperformance of valuations over a selection of instruments, assessing the key inputs, assumptions and models used in the valuation process. We compared our results with the Company's valuation.

We also focused on whether the Company's disclosures in the financial statements in relation to the valuation of financial instruments, as presented and disclosed in Note 15. Fair Value of Financial Instruments, are compliant with the IFRS EU.

Classification of commodity contracts

The Company is entering into commodity contracts on different markets and platforms mainly in Central Europe and Germany. Commodity trading activities include trading with electricity, gas, emission allowances, oil and coal.

This is a key audit matter as the distinction between the contracts in scope of IFRS 9 Financial Instruments: Recognition and Measurement, which are treated as derivatives at fair value, and "own use" contracts, which are not remeasured to fair value, might be subject to a judgement and classification patterns set by the Company. This classification depends among other factors on the terms of the contract, whether the contract is considered to have been entered into as part of ordinary business activity, whether contract requires physical delivery of the commodity, and depends on various assumptions such as expected amount of commodity to be delivered, generation capacity of the portfolio mix and prices of commodities.

We tested the design and operating effectiveness of internal controls over the initial recognition of the contract, consistency of the commodity contract designation and the Company's ability to deliver the physical commodity over the contractual period.

We performed audit procedures focusing on the analysis and comparison of volume of commodities physically delivered during 2021 and the volumes of the "own use" contracts portfolio. We reviewed the ability of the Company to physically deliver the contracted future "own use" sales retrospectively and prospectively and the stability of portfolio to ensure that the contracts are not reclassified during their existence.

We also focused on whether the Company's disclosures in the financial statements in relation to the commodity contracts classification, as presented and disclosed in Notes 2.14. Commodity Contracts and 23. Gains and Losses from Commodity Derivative Trading, are compliant with the IFRS EU.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors and the Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 28 June 2021 and our uninterrupted engagement has lasted for 20 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 14 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the annual report.

Statutory auditor responsible for the engagement

Jiří Křepelka is the statutory auditor responsible for the audit of the financial statements of the Company as at 31 December 2021, based on which this independent auditor's report has been prepared.

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

Jiří Křepelka, Auditor
License No. 2163

14 March 2022
Prague, Czech Republic

ČEZ, a. s.

SEPARATE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2021

(Translation of Separate Financial Statements Originally Issued in Czech)

ČEZ, a. s.
BALANCE SHEET
AS OF DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
ASSETS:			
Plant in service		489,211	474,973
Less accumulated depreciation and impairment		(275,015)	(257,008)
Net plant in service		214,196	217,965
Nuclear fuel, at amortized cost		13,021	13,592
Construction work in progress, net		11,478	10,052
Total property, plant and equipment	3	238,695	241,609
Restricted financial assets, net	4	15,040	15,221
Other non-current financial assets, net	5	147,580	159,180
Intangible assets, net	6	1,047	3,367
Investment properties, net	7	406	-
Deferred tax assets	33	6,843	-
Total other non-current assets		170,916	177,768
Total non-current assets		409,611	419,377
Cash and cash equivalents, net	8	20,804	1,009
Trade receivables, net	9	136,039	58,501
Income tax receivable		-	305
Materials and supplies, net		10,415	7,682
Fossil fuel stocks		200	223
Emission rights	10	14,192	34,323
Other current financial assets, net	5	515,488	76,976
Other current assets, net	11	4,141	2,787
Assets classified as held for sale, net	12	-	31,209
Total current assets		701,279	213,015
Total assets		1,110,890	632,392

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

ČEZ, a. s.
BALANCE SHEET
AS OF DECEMBER 31, 2021

continued

	Note	2021	2020
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,423)	(2,845)
Retained earnings and other reserves		64,052	150,491
Total equity	13	116,428	201,445
Long-term debt, net of current portion	14	89,189	113,929
Provisions	17	97,707	91,125
Other long-term financial liabilities	18	34,173	8,728
Deferred tax liability	33	-	8,235
Total non-current liabilities		221,069	222,017
Short-term loans	19	25,115	800
Current portion of long-term debt	14	14,999	27,514
Trade payables		76,950	63,093
Income tax payable		1,696	-
Provisions	17	11,095	9,096
Other short-term financial liabilities	18	641,849	107,583
Other short-term liabilities	20	1,689	844
Total current liabilities		773,393	208,930
Total equity and liabilities		1,110,890	632,392

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

ČEZ, a. s.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
Sales of electricity, heat and gas		114,896	84,374
Sales of services and other revenues		5,801	4,973
Other operating income		1,318	1,152
Total revenues and other operating income	22	122,015	90,499
Gains and losses from commodity derivative trading	23	(4,449)	6,313
Purchase of electricity, gas and other energies	24	(46,973)	(31,515)
Fuel and emission rights	25	(20,319)	(16,723)
Services	26	(10,106)	(9,462)
Salaries and wages	27	(8,418)	(7,642)
Materials and supplies		(1,867)	(1,646)
Capitalization of expenses to the cost of assets and change in own inventories		120	43
Depreciation and amortization	3, 6, 7	(17,869)	(13,641)
Impairment of property, plant and equipment and intangible assets		(52)	(27)
Impairment of trade and other receivables		(16)	(9)
Other operating expenses	28	(2,422)	(1,697)
Income before other income (expenses) and income taxes		9,644	14,493
Interest on debt, net of capitalized interest		(4,258)	(5,250)
Interest on provisions	17	(1,786)	(1,702)
Interest income	29	1,477	1,297
Impairment of financial assets	30	(12,816)	(5,129)
Other financial expenses	31	(387)	(666)
Other financial income	32	13,854	19,538
Total other income (expenses)		(3,916)	8,088
Income before income taxes		5,728	22,581
Income taxes	33	(1,321)	(1,504)
Net income		4,407	21,077
Net income per share (CZK per share):	36		
Basic		8.2	39.4
Diluted		8.2	39.4

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

ČEZ, a. s.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
Net income		4,407	21,077
Change in fair value of cash flow hedges		(85,679)	(8,198)
Cash flow hedges reclassified to statement of income		11,479	2,916
Change in fair value of debt financial instruments		(1,349)	202
Deferred tax related to other comprehensive income	33	14,354	965
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(61,195)	(4,115)
Change in fair value of equity instruments		(795)	(1,050)
Deferred tax related to other comprehensive income	33	151	199
Net other comprehensive income not to be reclassified from equity		(644)	(851)
Total other comprehensive income, net of tax		(61,839)	(4,966)
Total comprehensive income, net of tax		(57,432)	16,111

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

ČEZ, a. s.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Stated capital	Treasury shares	Cash flow hedge reserve	Debt financial instruments	Equity financial instruments and other reserves	Retained earnings	**Total equity**
Balance as at January 1, 2020	53,799	(2,885)	(2,867)	277	(156)	155,311	203,479
Net income	-	-	-	-	-	21,077	21,077
Other comprehensive income	-	-	(4,279)	164	(851)	-	(4,966)
Total comprehensive income	-	-	(4,279)	164	(851)	21,077	16,111
Effect of business combination	-	-	-	-	3	-	3
Dividends	-	-	-	-	-	(18,163)	(18,163)
Sale of treasury shares	-	40	-	-	-	(25)	15
Exercised and forfeited share options	-	-	-	-	(14)	14	-
Balance as at December 31, 2020	53,799	(2,845)	(7,146)	441	(1,018)	158,214	201,445
Net income	-	-	-	-	-	4,407	4,407
Other comprehensive income	-	-	(60,102)	(1,093)	(644)	-	(61,839)
Total comprehensive income	-	-	(60,102)	(1,093)	(644)	4,407	(57,432)
Effect of merger	-	-	-	-	30	(402)	(372)
Dividends	-	-	-	-	-	(27,873)	(27,873)
Sale of treasury shares	-	1,422	-	-	-	(762)	660
Exercised and forfeited share options	-	-	-	-	(55)	55	-
Balance as at December 31, 2021	53,799	(1,423)	(67,248)	(652)	(1,687)	133,639	116,428

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

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

In CZK Millions

	Note	2021	2020
OPERATING ACTIVITIES:			
Income before income taxes		5,728	22,581
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6, 7	17,869	13,641
Amortization of nuclear fuel	3	4,079	4,168
(Gains) and losses on non-current asset retirements		(2,386)	(5,795)
Foreign exchange rate loss (gain)		(923)	(1,221)
Interest expense, interest income and dividend income		(4,829)	(6,939)
Provisions		2,223	563
Impairment of property, plant and equipment and intangible assets		52	27
Other impairment and other non-cash expenses and income		(25,682)	(5,861)
Changes in assets and liabilities:			
Receivables and contract assets		(81,417)	(4,318)
Materials, supplies and fossil fuel stocks		(2,775)	(1,039)
Receivables and payables from derivatives		23,406	13,092
Other assets		73,712	5,934
Trade payables		18,960	5,172
Other liabilities		830	11
Cash generated from operations		28,847	40,016
Income taxes paid		(23)	(935)
Interest paid, net of capitalized interest		(4,417)	(5,733)
Interest received		1,430	1,250
Dividends received	5, 32	7,605	10,869
Net cash provided by operating activities		33,442	45,467
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures		(5,054)	(4,126)
Proceeds from disposal of subsidiaries, associates and joint-ventures and original investments repayments	12	36,207	719
Additions to non-current assets, including capitalized interest		(11,813)	(8,816)
Proceeds from sale of non-current assets		183	977
Loans made		(491)	(10,309)
Repayment of loans		3,850	2,206
Change in restricted financial assets		(1,013)	(723)
Net cash flow from investing activities		21,869	(20,072)

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

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

continued

	Note	2021	2020
FINANCING ACTIVITIES:			
Proceeds from borrowings		310,770	157,340
Payments of borrowings		(317,330)	(176,909)
Payments of lease liabilities	21	(178)	(1,378)
Change in payables/receivables from Group cashpooling		(1,183)	10,860
Dividends paid		(27,813)	(18,116)
Sale of treasury shares		660	15
Net cash flow from financing activities		(35,074)	(28,188)
Net effect of currency translation and allowances in cash		(442)	286
Net increase (decrease) in cash and cash equivalents		19,795	(2,507)
Cash and cash equivalents at beginning of period		1,009	3,516
Cash and cash equivalents at end of period	8	20,804	1,009

Supplementary cash flow information:			
Total cash paid for interest		4,707	6,032

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

ČEZ, a. s.
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

CONTENT:

ČEZ, a. s.
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

1. Description of the Company

ČEZ, a. s. (ČEZ or the Company), company reg. No. 45274649, is a joint-stock company that came into existence by registration in the Commercial Register maintained by the Municipal Court in Prague (section B, file 1581) on May 6, 1992, and has its registered office at Duhová 2/1444, Praha 4, Czech Republic.

The main subject of the Company's business is the production of electricity, trade in electricity, production and distribution of thermal energy, trade in gas and other commodities. ČEZ is an energy company that generated approximately 58% of electricity produced in Czech Republic in 2021.

The average full-time equivalent number of employees was 5,704 and 5,489 in 2021 and 2020, respectively.

The majority stake in the Company is owned by the Czech Republic, represented by the Ministry of Finance of the Czech Republic. The Czech Republic held a 69.8% share in the Company's stated capital at December 31, 2021. The majority shareholder's share in voting rights was 69.9% at the same date.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are based on a historical cost approach, except where IFRS require a different measurement basis as disclosed in the description of accounting policies below.

Due to the economic substance of transactions and the environment in which the Company operates, the Czech crowns (CZK) is used as the functional currency and reporting currency.

The Company has also prepared CEZ Group's consolidated financial statements in accordance with IFRS for the same period.

<u>Explanation Added for Translation into English</u>

These financial statements represent a translation of financial statements originally issued in Czech.

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2021

The accounting policies adopted are consistent with those of the previous financial year, except for as follows. The Company has adopted the following new or amended standards and interpretations endorsed by EU as of January 1, 2021:

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The application of the reform did not have significant impact to the Company's financial statements.

IFRS 4: Insurance Contracts (Amendment)
The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The application of the amendment did not have significant impact to the Company's financial statements.

2.2.2. New IFRS Standards and IFRIC Interpretations either not yet Effective or not yet Adopted by the EU

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2022 or later.

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after January 1, 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance, and cash flows of an entity. This standard is not expected to have a material effect on the Company's financial statements.

IFRS 17: Insurance Contracts (Amendment)
The amendment to IFRS 17 is effective, retrospectively, for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendment aims at helping companies implement the standard. In particular, the amendment is designed to reduce costs by simplifying some requirements in the standard, make financial performance easier to explain and ease transition by deferring the effective date of the standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. This amendment is not expected to have a material effect on the Company's financial statements.

IFRS 17: Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment)

The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with early application. For entities that first apply IFRS 17 and IFRS 9 at the same time, the amendment adds a transition option for a “classification overlay”, relating to comparative information of financial assets. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Also, in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. This amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Company's financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint-ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint-venture (Amendments)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint-venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Company’s financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendment)

The amendment was initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. January 1, 2023, to provide companies with more time to implement any classification changes resulting from the amendment. The amendment aims to promote consistency in applying the requirements by helping companies determine whether, in the balance sheet debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendment affects the presentation of liabilities in the balance sheet and does not change existing requirements around measurement or timing of recognition of any asset, liability, income, or expenses, nor the information that entities disclose about those items. Also, the amendment clarifies the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date after the reporting period. In particular, the Board proposes narrow scope amendment to IAS 1 which effectively reverses the 2020 amendment requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after January 1, 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendment accordingly, such that entities will not be required to change current practice before the proposed amendment comes into effect. This amendment, including ED proposals, has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Company’s financial statements.

IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018–2020 (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IAS 16 Property, Plant and Equipment (Amendment) prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment) specifies which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

- Annual Improvements 2018–2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

These amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Company's financial statements.

IFRS 16 Leases: Covid-19 Related Rent Concessions beyond June 30, 2021 (Amendment)
The amendment applies to annual reporting periods beginning on or after April 1, 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. This amendment is not expected to have a material effect on the Company's financial statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (Amendments)
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Company's financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendment)
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Company's financial statements.

IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment)
The amendment is effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a

lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendment has not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Company's financial statements.

The Company does not expect early adoption of any of the above-mentioned standards, improvements or amendments.

2.3. Estimates

The preparation of financial statements in accordance with IFRS requires Company management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, the disclosure of information on contingent assets and contingent liabilities, and the amounts of revenues and expenses reported for a reporting period. Actual results may differ from such estimates. A description of key assumptions for significant estimates is included in the relevant sections of the Notes.

The Company makes significant estimates when determining the recoverable amounts of property, plant, and equipment and non-current financial assets (see Notes 3 and 5), for nuclear provisions (see Notes 2.21 and 0), provision for demolition and dismantling of coal-fired plants (see Notes 2.22 and 17.2) for provision for waste storage restoration (see Note 17.2), and when determining the fair value of commodity contracts (see Notes 2.14 and 15) and financial derivatives (see Notes 2.13 and 15) and incremental interest rates and lease terms to measure lease liabilities (see Notes 2.23 and 21).

In 2021, there were significant changes in some estimates in connection with the adoption of the accelerated strategy VIZE 2030, which takes into account the EU's decarbonization vision and sets out specific ambitions in the area of social responsibility and sustainable development. The most significant changes in estimates in 2021 concerned a shortening of the expected remaining useful life of coal-fired plants (see Note 2.7), the determination of the provision for demolition and dismantling of coal-fired plants and determining the recoverable amount of non-current financial assets.

2.4. Revenues and Other Income

Revenue is recognized, when the Company has satisfied a performance obligation and the amount of revenue can be reliably measured. The Company recognizes revenue at the amount of estimated consideration (less estimated discounts) that it expects to receive for goods transferred or services provided to the customer.

To apply this basic principle, the Company uses a five-level model:

1. Identify the contract(s) with a customer,
2. Identify the performance obligations arising from the contract,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations arising from the contract,
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue from sales of electricity, heat, and gas based on contract terms. Any differences between contracted amounts and actual supplies are settled through the market operator.

Sales are recognized net of value added tax.

Revenue from the sale of assets is recognized as soon as the delivery takes place and risks and associated benefits, as applicable, are transferred to the buyer.

Dividend income is recognized when the Company is awarded the right to the payment of the dividend.

Government and similar grants related to income are recognized in the income statement in the period in which the Company recognizes related expenses to be offset by the grant and is presented in the line Other operating income.

2.5. Fuel Costs

Fuel is recognized as costs when it is consumed. Fuel costs include the depreciation of nuclear fuel (see Note 2.8).

2.6. Interest

The Company capitalizes, as the cost of non-current assets, all interest associated with its investing activities that it would not have incurred if it did not pursue such investing activities. Interest is only capitalized for assets constructed or acquired over a substantial period of time.

2.7. Property, Plant and Equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and impairments. The cost of property, plant, and equipment comprises the purchase price and the related cost of materials and labor and the cost of debt financing used in the construction. The cost also includes the estimated cost of dismantling and removing a tangible asset to the extent specified by IAS 37, Provisions, Contingent Liabilities, and Contingent Assets. Government grants and similar subsidies received for the acquisition of property, plant, and equipment decrease the cost.

Self-constructed property, plant, and equipment are measured at the cost of constructing them. Expenditures on the repair, maintenance, and replacement of minor asset items are recognized as repair and maintenance expenses in the period when such repair is carried out. Improvements are capitalized. When an item of property, plant, and equipment or a part thereof is sold or disposed of, its cost, relevant accumulated depreciation, and any impairments are derecognized in the balance sheet. Any gains or losses arising from the sale or disposal of property, plant, and equipment are included in profit or loss.

At each reporting date, the Company assesses whether there are any indicators that an asset may have been impaired. Where there are such indicators of impairment, the Company checks whether the recoverable amount of the item of property, plant, and equipment is less than its depreciated cost. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Any impairment of property, plant, and equipment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

At each reporting date, the Company assesses whether there are any indicators that previously recognized impairments of assets are no longer justified or should be decreased. If there are such indicators, the Company determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset's recoverable amount since the last recognition of the impairment. If that is the case, the depreciated cost of the asset including the impairment is increased to the new recoverable amount. The new depreciated cost may not exceed the current carrying amount, less accumulated depreciation, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

The Company depreciates the cost of property, plant, and equipment less their residual value using the straight-line method over their estimated useful life. Each part of an item of property, plant, and equipment that is significant in relation to the total amount of the asset is recognized and depreciated separately. The estimated useful life of property, plant, and equipment is determined as follows:

	Useful lives (years)
Buildings and structures	13–60
Machinery and equipment	4–36
Vehicles	4–34
Furniture and fixtures	4–15

The average depreciation period depending on useful life is determined as follows:

	Average life (years)
Hydro plants	
Buildings and structures	48
Machinery and equipment	17
Fossil fuel plants	
Buildings and structures	29
Machinery and equipment	17
Nuclear power plant	
Buildings and structures	51
Machinery and equipment	38

Depreciation periods, residual values, and depreciation methods are annually reviewed and adjusted as appropriate. In 2021, the expected remaining useful life of the assets of coal-fired plants was reduced by 7–10 years. In 2020, the expected remaining useful life of the main assets of nuclear power plants was extended by 10 years.

2.8. Nuclear Fuel

The Company recognizes nuclear fuel as part of property, plant, and equipment because the period for which it is used for electricity generation exceeds 1 year. Nuclear fuel is measured at cost less accumulated depreciation and, if applicable, impairments. Nuclear fuel includes a capitalized portion of the provision for interim storage of spent nuclear fuel. The depreciation of nuclear fuel in a reactor is determined on the basis of the amount of energy generated and presented in the statement of income in the line item Fuel and emission rights. The depreciation of nuclear fuel includes additions to the provision for interim storage of spent nuclear fuel.

2.9. Intangible Assets

Intangible assets are measured at costs, including the purchase price and related expenses. Non-current intangible assets are amortized using the straight-line method over their estimated useful life, which ranges from 3–19 years. Amortization periods, residual values, and amortization methods are annually reviewed and adjusted as appropriate. Improvements are capitalized.

At each reporting date, the Company assesses whether there are any indicators that a non-current intangible asset may have been impaired. Non-current intangible assets under development are tested for possible impairment annually regardless of whether there are indicators of possible impairment. Any impairment of non-current intangible assets is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

At each reporting date, the Company assesses whether there are any indicators that previously recognized impairments of assets are no longer justified or should be decreased. If there are such indicators, the Company determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset's recoverable amount since the last recognition of the impairment. If that is the case, the amortized cost of the asset including the impairment is increased to the new recoverable amount. The new amortized cost may not exceed the current carrying amount, less accumulated amortization, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

2.10. Investment Property

Investment property is a property held to earn rentals or for capital appreciation, or both, rather than use for ordinary course of business. If the property is also used for ordinary business, it is an investment in property only if the owner-occupied portion is non-material.

Investment property is initially measured at cost, which consists of the purchase cost and any directly attributable transaction costs. Investment property should be recognized as an asset, when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. After initial recognition, investment property is recognized in accordance with the cost model. The Company depreciates the cost of investment property less their residual value using the straight-line method over its estimated useful life. The average depreciation period based on useful life is 49 years.

2.11. Emission Rights

The greenhouse gas emission right (hereinafter the emission right) represents the right of the operator of a facility that generates greenhouse gas emissions by its operation to emit the equivalent of a ton of carbon dioxide into the atmosphere in a given calendar year. The Company is obliged to determine and report the amount of greenhouse gas emissions from the facilities for each calendar year and this amount must be to be audited by an accredited person. The Company was allocated a certain amount of emission rights on the basis of the National Allocation Plan.

The Company is required to remit the number of emission rights corresponding to its actual amount of greenhouse gas emissions in the previous calendar year by no later than April 30 of the next calendar year.

Allocated emission rights are measured at nominal, i.e., zero value in financial statements. Purchased emission rights are measured at cost (except for emission rights held for trading). The Company makes a provision for covering released emissions corresponding to the difference between the actually released amount of emissions and its inventory of allocated emission rights. The provision is measured primarily at the cost of emission rights that were purchased with the intention of covering greenhouse gas emissions in the reporting period. The provision for released emissions exceeding such rights is measured at the market price effective at the end of the reporting period. Emission rights purchased for use in the next year are recognized as current assets in the line item Emission rights. Emission rights with a later planned time of use are recognized as part of non-current intangible assets.

The Company also purchases emission rights for the purpose of trading. The portfolio of emission rights held for trading is measured at fair value at the end of the reporting period, with any changes in fair value recognized in profit or loss and presented in the line item Gains and losses from commodity derivative trading. Emission rights purchased for the purpose of trading are recognized as current assets in the line item Emission rights.

At each reporting date, the Company assesses whether there are any indicators that emission allowances may have been impaired. Where there are such indicators, the Company checks whether the recoverable amount of cash-generating units that the emission rights were allocated to is less than their depreciated cost. Any impairment of emission rights is recognized in profit or loss and presented in the line item Other operating expenses.

Sale and repurchase agreements concerning emission rights are accounted for as collateralized loans.

2.12. Classification of Financial Instruments

Financial assets comprise primarily cash, equity instruments of another entity, or a contractual right to receive cash or another financial asset.

Financial liabilities are primarily contractual obligations to deliver cash or another financial asset.

Financial liabilities and assets are presented as current or non-current. Financial assets are classified as current if the Company intends to realize them within 12 months of the end of the reporting period or if there is not reasonable assurance that the Company will hold the financial assets for more than 12 months after the end of the reporting period.

Financial liabilities are presented as current if they are payable within 12 months of the end of the reporting period. Assets and liabilities held for trade are also presented as current assets and liabilities.

Financial assets and financial liabilities are offset and the resulting net amount is presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

2.12.1. Financial Assets

Financial assets are classified into the categories of at amortized cost, at fair value depending on whether the financial assets are held for sale or whether they are held under a business model whose objective is to hold the assets to collect contractual cash flows, and at cost.

The Company classifies assets into the following categories:

a) Financial asset measurement at amortized cost
This category comprises financial assets for which the Company’s strategy is to hold them to collect contractual cash flows, consisting of both principal and interest. Examples of such financial assets include loans, securities held to maturity, trade receivables.

   Expected credit losses, exchange differences, and interest revenue are recognized in profit or loss.

b) Financial asset measurement at fair value through other comprehensive income
This category comprises financial assets where the Company’s strategy is both to collect contractual cash flows and to sell the financial assets. This model differentiates between two types of accounting treatment:

   - Without future transfer to profit or loss—used for equity financial assets
     Impairments are neither calculated nor recognized. Changes in fair value are recognized in other comprehensive income. When a financial asset is sold, no gain or loss is recognized in profit or loss, so it never affects profit or loss. If an equity financial asset is sold, the accumulated revaluation amount is transferred to retained earnings. Exchange differences are recognized in other comprehensive income as part of the revaluation amount. Dividends on such financial assets are recognized in profit or loss provided that the payment of such dividends does not reduce the value of the investment.

   - With future transfer to profit or loss—used for debt financial assets
     Additions to impairment are recognized in profit or loss. Changes in fair value are recognized in other comprehensive income. On the disposal of a financial asset, the gain or loan is recognized in profit or loss (the gain/loss is transferred from other comprehensive income to profit or loss). Exchange differences in relation to revaluation surplus are recognized in other comprehensive income. Exchange differences in relation to impairment are recognized in profit or loss. Interest revenue is recognized in profit or loss.

c) Financial asset measurement at fair value through profit or loss
A category of financial assets for which the Company's strategy is to actively trade the asset. The collection of contractual cash flows is not the main objective of the strategy. Examples of such financial assets are securities held for trading and non-hedging derivatives. Impairments are neither calculated nor recognized. Changes in fair value and exchange differences are recognized in profit or loss.

Changes in the fair value of financial investments at fair value through profit or loss are recognized in Other financial expenses or Other financial income.

d) Financial asset measurement at cost
This category of financial assets comprises investments in subsidiaries, associates, and joint-ventures. Additions to impairment are recognized in profit or loss.

2.12.2. Financial Liabilities

Financial liabilities are classified into two core categories of at amortized cost and at fair value through profit or loss. Classification into those categories is determined analogously to financial assets.

For fair value option financial liabilities, i.e., those measured at fair value through profit or loss, a change in fair value that is attributable to changes in credit risk is presented in other comprehensive income; the remaining amount is presented in profit or loss. However, if the treatment of changes in fair value that are attributable to credit risk created or enlarged an accounting mismatch in profit or loss, the entity would present all gains or losses on such a liability in profit or loss.

2.12.3. Derivatives

Derivatives are a special category of financial assets and liabilities. The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. More information on the reporting of derivatives can be found in Note 2.13.

2.12.4. Impairment of Financial Assets

Following the application of the IFRS 9 approach, the impairment of financial assets is based on a model of expected credit losses (ECL), which applies to the following financial assets:

a) debt assets at amortized cost (trade receivables, loans, debt securities),
b) debt assets at fair value through other comprehensive income,
c) lease receivables,
d) financial guarantee contracts,
e) bank accounts and term deposits.

The Company accounts for either 12-month expected credit losses or lifetime expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition (or since the commitment was made or the guarantee was provided). The Company has used a simplified approach for some receivables, under which lifetime expected credit losses are always accounted for.

The portfolio of financial assets is broken down into 3 categories for the purposes of ECL calculation. At the date of initial recognition, financial assets are included in Category 1 with the lowest impairment, which is determined as a percentage of historically unpaid receivables. They are subsequently reclassified as Category 2 and 3 as the debtor's credit risk increases. If a financial asset is bearing interest, interest revenue in Category 3 is calculated from the net amount of the asset.

2.13. Derivatives

The Company uses financial derivatives, such as interest rate swaps and foreign exchange contracts, to hedge risks associated with interest rate and exchange rate fluctuations. Derivatives are measured at fair value. They are recognized as part of non-current and current other financial assets and liabilities in the balance sheet.

The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. For hedge accounting purposes, hedging transactions are classified either as fair value hedges where the risk of change in the fair value of a balance sheet asset or liability is hedged or as cash flow hedges where the Company is hedged against the risk of changes in cash flows attributable to a balance sheet asset or liability or to a highly probable forecast transaction.

At the inception of a hedge, the Company prepares documents identifying the hedged item and the hedging instrument used and documenting the risk management objectives and strategy for various hedging transactions. At the inception and throughout the duration of a hedge, the Company documents whether the hedging instruments used are highly effective in relation to changes in the fair values or cash flows of hedged items.

2.13.1. Fair Value Hedging Derivatives

Changes in the fair values of fair value hedging derivatives are recognized in expenses or income, as appropriate, together with the relevant change in the fair value of the hedged asset or liability that is related to the hedged risk. Where an adjustment to the carrying amount of a hedged item is made for a debt financial instrument, the adjustment is amortized in profit or loss over time until the maturity of such a financial instrument.

2.13.2. Cash Flow Hedging Derivatives

Changes in the fair values of derivatives hedging expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Other financial expenses or Other financial income.

Amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a derivative is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the forecast transaction is closed and then recognized in the statement of income. If a forecast transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.13.3. Other Derivatives

Some derivatives are not intended for hedge accounting. A change in the fair value of such derivatives is recognized directly in profit or loss.

2.14. Commodity Contracts

According to IFRS 9, certain commodity contracts are considered to be financial instruments and accounted for in accordance with the standard. Most commodity purchases and sales carried out by the Company assume physical delivery of the commodity in amounts intended for use or sale in the course of the Company's ordinary activities. Therefore, such contracts (so-called "own use" contracts) are not within the scope of IFRS 9.

Forward purchases and sales with physical delivery of energy are not within the scope of IFRS 9 as long as the contract is made in the course of the Company's ordinary activities. This is true if all of the following conditions are met:

- Physical delivery of the commodity takes place under the contract;
- The amount of the commodity purchased or sold under the contract corresponds to the Company's operating requirements;
- The contract does not represent a sold option as defined by IFRS 9. In the specific case of electricity sales contracts, the contracts are substantially equivalent to firm forward sales or can be considered sales of generation capacity.

The Company considers transactions entered into with the aim of balancing electricity amounts purchased and sold to be part of an integrated energy group's ordinary activities; therefore, such contracts are not within the scope of IFRS 9.

Commodity contracts that are within the scope of IFRS 9 and that do not hedge cash flow are revalued to fair value, with changes in fair value recognized in profit or loss. The Company presents revenue and expenses related to trading in electricity and other commodities in the statement of income item Gains and losses from commodity derivative trading.

Changes in the fair values of commodity contracts that are within the scope of IFRS 9 and that hedge expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Gains and losses from commodity derivative trading.

Subsequently, in accordance with the description in Note 2.13.2, amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a commodity contract is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the expected transaction is closed and then recognized in the statement of income. If the expected transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.15. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks, and short-term financial deposits with maturity of no more than 6 months. Foreign currency cash and cash equivalents are translated to the Czech koruna at the exchange rate applicable at the end of the reporting period.

2.16. Restricted Financial Assets

Cash and other financial assets that are recognized as restricted funds (see Note 4) are intended for the funding of nuclear decommissioning, for the waste storage reclamation and rehabilitation of waste dumps, or are cash guarantees given to counterparties. Such funds are classified as non-current assets due to the time at which they are expected to be released for the Company's purposes.

2.17. Materials and Supplies

Purchased inventories are measured at actual cost, using the weighted average cost method. The costs of purchased inventories include all costs of purchase, including transport costs. Upon use, they are recognized in expenses or capitalized as non-current assets. Work in progress is measured at actual cost. The costs include, primarily, direct material and labor costs. Obsolete inventories are written down using impairments recognized in expenses. Impairments of inventories amounted to CZK 40 million and CZK 45 million at December 31, 2021 and 2020, respectively.

2.18. Fossil Fuel Stocks

Inventories of fossil fuels are measured at actual cost, determined on a weighted average cost basis.

2.19. Income Taxes

The amount of income taxes is determined in compliance with Czech tax laws and is based on the Company’s profit or loss determined in accordance with Czech accounting regulations and adjusted for permanently or temporarily nondeductible expenses and untaxed income (e.g., a difference in the depreciation and amortization of non-current assets for tax and accounting purposes). The current income tax at December 31, 2021 and 2020, respectively, was calculated from income before tax in accordance with Czech accounting regulations, adjusted for some items that are nondeductible or nontaxable for tax purposes, using a rate of 19%. The applicable tax rate for 2022 and future years is 19%.

Deferred tax is calculated on the basis of the liability method based on a balance sheet approach. Deferred tax is calculated from temporary differences between accounting measurement and measurement for the purposes of determining the income tax base. Deferred tax is determined using rates and laws that have been enacted by the end of the reporting period and are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled.

A deferred tax asset or liability is recognized regardless of when the temporary difference is likely to be reversed. A deferred tax asset or liability is not discounted. A deferred tax asset is recognized when it is probable that the Company will generate sufficient taxable profit in the future against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. A deferred tax liability is recognized for all taxable temporary differences.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and, if necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

If the current and deferred tax relate to items that are charged or credited directly to equity in the same or a different tax period, the tax is also recognized directly in equity.

Changes in the deferred tax due to a change in tax rates is recognized in profit or loss, except for items charged or credited directly to equity in the same or a different tax period, for which such a change is also recognized directly in equity.

2.20. Long-term Debt

Debt is initially measured at the amount of proceeds from the issue of the debt, less transaction costs. It is then carried at amortized cost, which is determined using the effective interest rate. The difference between the nominal amount and the initial measurement of debt is recognized in profit or loss as interest expense over the period of debt.

Transaction costs comprise commission paid to advisers, agents, and brokers and levies by regulatory agencies and securities exchanges.

For long-term debt that is hedged with derivatives hedging against changes in fair value, the measurement of hedged debt is adjusted for changes in fair value. Changes in the fair value of such debt are recognized in profit or loss and reported in the statement of income in Other financial expenses or Other financial income. The adjustment to the carrying amount of hedged long-term debt is subsequently recognized in profit or loss using the effective interest rate.

2.21. Nuclear Provisions

The Company makes a provision for nuclear decommissioning, a provision for interim storage of spent nuclear fuel and other radioactive waste, and a provision for the funding of subsequent permanent disposal of spent nuclear fuel and irradiated reactor components (see Note 17.1).

The provisions made correspond to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate, expressed at the price level at the date of estimate, is discounted using an estimated long-term real interest rate of 0.3% and 0.4% per annum as at December 31, 2021 and 2020, respectively, so as to take into account the timing of expenditure. Initial discounted costs are capitalized as part of property, plant, and equipment and then amortized for the duration of time for which nuclear power plants will generate electricity. The provision is increased by the estimated inflation and real interest rate annually. Such expenses are recognized in the statement of income in the line item Interest on provisions. The effect of the expected rate of inflation is estimated at 2.0% and 1.5% as at December 31, 2021 and 2020, respectively.

The process of nuclear power plant decommissioning is estimated to continue for approximately 50 years after the termination of electricity generation. It is assumed that a permanent repository for spent nuclear fuel will commence operation in 2065 and the disposing of stored spent nuclear fuel at the repository will continue until approximately 2090. Although the Company has made the best estimate of the amount of nuclear provisions, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Company’s current estimates.

Changes in estimates concerning the provisions for nuclear decommissioning and permanent disposal of spent nuclear fuel resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

2.22. Provision for Demolition and Dismantling of Coal-fired Plants

The Company has recognized provision for demolition and dismantling of coal-fired plants (see Note 17.2). The provision was created in 2021 in connection with the deepening of decarbonization targets at the EU level and in connection with the updating of the Company’s strategy and signing up to accelerate the decarbonization of the generation portfolio, including setting a commitment to decommission all coal-fired plants by 2038 at the latest and achieve carbon neutrality by 2050. The provision created correspond to the best estimate of the expenditures required to settle the present obligation at the balance sheet date. The estimate, expressed at the price level at the date of estimate, is discounted using an estimated real interest rate of (0.4)% per annum as at December 31, 2021, in order to take into account the timing of expenditure. Initial discounted costs are capitalized as part of property, plant, and equipment and then depreciated over the period during which coal power plants will generate electricity. The provision is updated annually with regard to the estimated inflation and real interest rate. These expenses are recognized in the statement of income in the line item Interest on provisions. The effect of the expected rate of inflation is estimated at 2.0% as at December 31, 2021.

Although the Company has made the best estimate of the amount of provision for demolition and dismantling of coal-fired plants, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Company’s current estimates.

Changes in estimates concerning the provision resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

2.23. Leases

Determining whether a contract is, or contains, a lease is based on the economic substance of the transaction and requires an assessment of whether the fulfillment of the contractual obligation is dependent on the use of a specific asset or assets and whether the contract conveys a right to use the asset.

The Company does not apply IFRS 16 to leases of intangible assets.

2.23.1. Company as a Lessee

The Company uses a consistent approach to the reporting and measurement of all leases, except for short-term leases and leases of low-value assets. The Company accounts for future lease payments as lease liabilities and recognizes right-of-use assets, which represent a right to use the underlying assets. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

a) Lease Liability

At the commencement date of a lease, the Company recognizes lease liabilities measured at the present value of the lease payments that are to be made over the lease term. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers those payments occurs.

When calculating the present value of lease payments, the Company uses an incremental interest rate at the commencement date of the lease because the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased by accrued interest and decreased by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, i.e., a change in the lease term, a change in lease payments (e.g., changes in future payments resulting from a change in an index or a rate used to determine the amount of the lease payment), or a change in the assessment of the option to purchase the underlying asset.

The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental interest rate using observable inputs, such as market interest rates.

The Company uses judgment to determine the expected lease term for contracts made for an indefinite time.

b) Right-of-Use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying assets are available for use). Right-of-use assets are measured at cost less accumulated amortization and impairment losses and adjusted for any reassessment of lease liabilities. The cost of right-of-use assets comprises the amount of recognized lease liabilities, initial direct costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized using the straight-line method over the lease term or the estimated life of the assets as follows:

	Depreciation period (years)
Lands	4–21
Buildings	8–12
Vehicles, machinery and equipment	3–42
Inventory and other tangible assets	10–17

2.23.2. Company as a Lessor

The Company leases out its tangible assets including own tangibles and right-of-use assets. The Company has classified the leases as financial or operating leases. Operating lease is a lease whereby the Company does not transfer substantially all the risks and rewards incidental to the ownership of assets.

Lease income from operating leases is recognized on a straight-line basis over the lease term and included as income in profit or loss due to their operating nature.

For the leases classified as finance leases, the Company recognizes a net investment in the lease measured at the present value of lease payments to be made over the lease term, increased by any unguaranteed residual value of the leased asset at the end of the lease, which is not conditioned by future cash flow. In calculating the present value of net investment in the lease, the Company uses the interest rate implicit in the lease. In the case of a sublease, if the interest rate implicit in the sublease is not readily determined, the Company uses the discount rate used for the head lease.

2.24. Treasury Shares

Treasury shares are reported in the balance sheet as an item reducing equity. The acquisition of treasury shares is recognized in the statement of changes in equity as a deduction from equity. No gain or loss is recognized in the statement of income on the sale, issue, or cancellation of treasury shares. Consideration received is recognized in financial statements as a direct increase in equity.

2.25. Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into the Czech currency at the exchange rate applicable at the date of the accounting transaction as published by the Czech National Bank for that date. In annual financial statements, such monetary assets and liabilities are translated at the exchange rate applicable at December 31. Exchange differences arising on the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies are recognized in profit or loss, except when exchange differences arise in connection with a liability that is classified as an effective hedge of cash flows. Such exchange differences are recognized directly in equity.

Exchange differences on financial assets are described in Note 2.12.1.

The Company used the following exchange rates to translate assets and liabilities in foreign currencies at December 31, 2021 and 2020:

	2021	2020
CZK per 1 EUR	24.860	26.245
CZK per 1 USD	21.951	21.387
CZK per 1 PLN	5.408	5.755
CZK per 1 BGN	12.711	13.417
CZK per 1 RON	5.023	5.391
CZK per 100 JPY	19.069	20.747
CZK per 1 TRY	1.631	2.880
CZK per 1 GBP	29.585	29.190
CZK per 100 HUF	6.734	7.211

2.26. Assets Classified as Held for Sale

Assets and disposal groups of assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and groups of assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is considered met only if the sale is highly probable and the asset or group of assets is available for immediate sale in its present condition. Company management must take steps toward the sale of the asset or group of assets so as to complete the sale within one year from the date of the classification of the assets or group of assets as held for sale.

Property, plant, and equipment and non-current intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

The overview of property, plant and equipment, net at December 31, 2021 and 2020 was as follows (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2021	107,943	365,792	1,238	474,973	22,540	10,091	507,604
Additions	47	37	37	121	-	10,763	10,884
Disposals	(294)	(2,310)	(66)	(2,670)	(3,559)	(11)	(6,240)
Bring into use	1,552	4,611	17	6,180	3,138	(9,318)	-
Change in capitalized part of the provision	4,056	1,868	-	5,924	-	-	5,924
Effect of merger and other	3,330	1,035	318	4,683	-	17	4,700
Cost at December 31, 2021	116,634	371,033	1,544	489,211	22,119	11,542	522,872
Accumulated depreciation and impairment at January 1, 2021	(52,227)	(204,686)	(95)	(257,008)	(8,948)	(39)	(265,995)
Depreciation and amortization of nuclear fuel [1)]	(4,653)	(13,128)	(14)	(17,795)	(3,709)	-	(21,504)
Net book value of assets disposed	(122)	(277)	(46)	(445)	-	-	(445)
Disposals	294	2,310	54	2,658	3,559	-	6,217
Effect of merger and other	(1,527)	(812)	(45)	(2,384)	-	-	(2,384)
Impairment losses recognized	(53)	-	(2)	(55)	-	(25)	(80)
Impairment losses reversed	12	-	2	14	-	-	14
Accumulated depreciation and impairment at December 31, 2021	(58,276)	(216,593)	(146)	(275,015)	(9,098)	(64)	(284,177)
Total property, plant and equipment at December 31, 2021	58,358	154,440	1,398	214,196	13,021	11,478	238,695

1) The amortization of nuclear fuel as at December 31, 2021 also includes the creation of a provision for temporary storage of spent nuclear fuel in the amount of CZK 371 million.

	Buildings	Plant and equipment	Land and other	Plant in service total	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2020	117,209	357,419	1,252	475,880	23,547	9,524	508,951
Additions	76	71	17	164	-	8,233	8,397
Disposals	(5,454)	(759)	(7)	(6,220)	(4,180)	(1,188)	(11,588)
Bring into use	456	2,805	4	3,265	3,173	(6,438)	-
Change in capitalized part of the provision	18	15,400	-	15,418	-	-	15,418
Non-monetary contribution and other	(4,362)	(9,144)	(28)	(13,534)	-	(40)	(13,574)
Cost at December 31, 2020	107,943	365,792	1,238	474,973	22,540	10,091	507,604
Accumulated depreciation and impairment at January 1, 2020	(54,349)	(204,384)	(89)	(258,822)	(9,356)	(1,222)	(269,400)
Depreciation and amortization of nuclear fuel [1)]	(3,611)	(9,895)	(11)	(13,517)	(3,772)	-	(17,289)
Net book value of assets disposed	(3,351)	(43)	-	(3,394)	-	-	(3,394)
Disposals	5,454	759	4	6,217	4,180	1,183	11,580
Non-monetary contribution	3,631	8,877	1	12,509	-	-	12,509
Impairment losses recognized	(1)	-	-	(1)	-	-	(1)
Accumulated depreciation and impairment at December 31, 2020	(52,227)	(204,686)	(95)	(257,008)	(8,948)	(39)	(265,995)
Total property, plant and equipment at December 31, 2020	55,716	161,106	1,143	217,965	13,592	10,052	241,609

1) The amortization of nuclear fuel as at December 31, 2020 also includes the creation of a provision for temporary storage of spent nuclear fuel in the amount of CZK 396 million.

In 2021 and 2020, a composite depreciation rate of Plant in service was 3.7% and 2.8%, respectively.

In 2021 and 2020, capitalized interest costs amounted to CZK 280 million and CZK 273 million, respectively, and the interest capitalization rate was 3.3% and 3.4%, respectively.

Construction work in progress contains mainly investments related to the acquisition of nuclear fuel and refurbishments performed on Dukovany, Temelín, Prunéřov and Ledvice power plants.

The Company drew in 2021 and 2020 grants related to the property, plant and equipment in amount CZK 41 million and CZK 411 million, respectively. In 2021, the Company recognized a reversal of a previous draw of grant in the amount of CZK 375 million.

Company as a Lessee

The following table shows selected information as of December 31, 2021 and for the year ended 2021, respectively, relating to rights-of-use assets according to the classes of leased tangible fixed assets (in CZK millions):

	2021			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	46	38	37	121
Depreciation charge for right-of-use assets	(122)	(9)	(12)	(143)
Carrying amounts as at December 31	679	67	106	852

The following table shows selected information as of December 31, 2020 and for the year ended 2020, respectively, relating to rights-of-use assets according to the classes of leased tangible fixed assets (in CZK millions):

	2020			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	76	71	17	164
Depreciation charge for right-of-use assets	(3,389)	(44)	(3)	(3,436)
Carrying amounts as at December 31	813	381	79	1,273

Company as a Lessor

The carrying amounts of property, plant and equipment that are subject to an operating lease (in CZK millions):

	Buildings	Vehicles	Land and other	Total plant in service
Carrying amount as at December 31, 2021	2,148	233	428	2,809
Carrying amount as at December 31, 2020	583	-	278	861

Testing Assets for Impairment

The Company’s generation assets are tested for potential impairment as a single cash-generating unit except for specific assets such as the CCGT plant at Počerady. The cash-generating unit of the Company’s generation assets is characterized by portfolio management in the deployment of generating facilities, in their maintenance, and in the cash flows arising from this activity.

Testing of the recoverable amount of non-current assets of the ČEZ, a. s., cash-generating unit (hereinafter the ČEZ value) included an analysis of the sensitivity of test results to change in selected significant parameters of the model used – change in wholesale electricity prices (hereinafter the EE prices), the discount rate used in calculating the present value of future cash flows, and the CZK/EUR exchange rate.

A key assumption of the ČEZ value model is developments in commodity prices and, most importantly, developments in the wholesale price of electricity in Germany, which has a profound impact on developments in wholesale electricity prices in Czech Republic. Developments in wholesale prices are determined primarily by the EU’s political decisions, developments in global commodity demand and supply, and technological progress.

Developments in EE prices are affected by a number of external factors, in particular changes in the structure and availability of generating facilities in Czech Republic and its neighboring countries, macroeconomic developments in the region of Central Europe, and energy sector regulation in the EU and Germany (fundamental impacts of the premature decommissioning of nuclear plants in Germany 2022, the EU’s approved climate and energy targets for 2030). The model is built for a period matching the operating life of generating facilities, which means that its time frame greatly exceeds the period for which commodities, including wholesale electricity price contracts, are traded in public liquid markets. In addition, there have been structural changes in the electricity market (“Market Design”) and substantial sector regulation, so it is really possible that market mechanisms for electricity pricing will be abandoned completely and alternative, centrally regulated payments for the availability and deliveries of generating facilities will be introduced within the lifetime of generating facilities.

Due to the long-term nature of the model, the sensitivity of the ČEZ value to developments in electricity prices is also affected by internal factors and assumptions. These are, in particular, generation portfolio deployment varying with different changes in the prices of electricity, emission rights, and variable generation costs and, in the longer term, also with respect to changes in fixed costs reflecting changes in the gross margin of generating facilities.

In determining the ČEZ value, estimates of the impacts of covid-19 were taken into account, which in 2021 was considered an indicator of a possible impairment of the Company’s assets. All future cash flows reflect all factors, including covid-19. However, the reliability of the estimate of the long-term effects of the covid-19 on the Company is considerably limited due to the uncertainty of the extent of the effects of the pandemic itself and of countries’ countermeasures on economic growth, unemployment and debt growth in relevant European countries.

The impact of covid-19 alone cannot be reliably quantified, as overall aggregate demand and supply and economies in general are affected by many more important macroeconomic factors, such as world commodity prices, national GDP developments and regulation at EU level.

From the point of view of the medium-term perspective, the negative impact of covid-19 is limited also with regard to the high level of cash flow hedging. As of December 31, 2021, approximately 88% of expected generation for 2022 has been contracted, for 2023 approximately 60% has been contracted and for 2024 approximately 28%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

The impact of the covid-19 in the coming years will depend mainly on the measures taken in individual countries and their impact on the overall development of the economy in Europe.

The result of the sensitivity test shown below reflects an expert estimation of the status and changes of the abovementioned factors within the modeled period time frame and the status of price and currency hedges for future generation as at December 31, 2021.

The test is based on the business plan of ČEZ for 2022–2026 and on the assumptions of long-term development of relevant electricity prices. The business plan was prepared in the fourth quarter of 2021 based on market parameters from October 2021 (electricity prices on the EEX energy exchange in Germany, prices on the PXE energy exchange in Czech Republic, prices of emission rights, foreign exchange rates, interest rates, etc.). Electricity contracts traded on EEX are liquid for the whole period covering the business plan time frame and the interconnectedness of the German and Czech transmission grids makes them a fundamental market indicator for EE prices in Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of ČEZ.

The Company did not recognize any impairment losses on generation assets in 2021 and 2020. A change in the assumed EE prices according to models by 1%, while other parameters remain unchanged, has an impact of approximately CZK 10.2 billion on the ČEZ value test result. Future cash flows were discounted at a rate of 4.7%. A change of 0.1 percentage point in the discount factor, while other parameters remain unchanged, would change the ČEZ value by approximately CZK 7.8 billion. A 1% change in the CZK/EUR exchange rate, while other parameters remain unchanged, would result in a change of approximately CZK 9 billion in the ČEZ value. Such changes in ČEZ value would not lead to an impairment.

4. Restricted Financial Assets, Net

The overview of restricted financial assets, net at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
Czech government bonds	12,922	13,737
Cash in banks, net	2,118	1,484
Total restricted financial assets, net	15,040	15,221

The Czech government bonds are measured at fair value through other comprehensive income. At December 31, 2021 and 2020, the most significant restricted financial assets are the financial assets to cover the costs of nuclear decommissioning totaled CZK 14,826 million and CZK 15,005 million, respectively, and financial assets to cover the costs for waste storage reclamation totaled CZK 160 million and CZK 158 million, respectively.

5. Other Financial Assets, Net

The overview of other financial assets, net at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021			2020		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans granted	25,026	8,418	33,444	26,444	12,332	38,776
Receivables from Group cashpooling	-	5,044	5,044	-	2,085	2,085
Term deposits	-	-	-	-	2,755	2,755
Receivables from the sale of subsidiaries	2,410	-	2,410	2,360	2,415	4,775
Sublease receivables	132	38	170	-	-	-
Other financial receivables	783	38	821	582	66	648
Total financial assets at amortized costs	28,351	13,538	41,889	29,386	19,653	49,039
Equity financial assets (Inven Capital, SICAV, a.s., ČEZ sub-fund)	4,187	-	4,187	2,511	-	2,511
Commodity and other derivatives	240	500,568	500,808	208	57,039	57,247
Total financial assets at fair value through profit or loss	4,427	500,568	504,995	2,719	57,039	59,758
Equity financial assets (Veolia Energie ČR, a.s.)	599	-	599	1,394	-	1,394
Fair value of cash flow hedge derivatives	3,347	883	4,230	2,864	284	3,148
Debt financial assets	-	499	499	-	-	-
Total financial assets at fair value through other comprehensive income	3,946	1,382	5,328	4,258	284	4,542
Financial assets at cost – share on subsidiaries, associates and joint-ventures	110,856	-	110,856	122,817	-	122,817
Total	147,580	515,488	663,068	159,180	76,976	236,156

Derivatives balance comprises mainly positive fair value of commodity trading contracts. The increase of short-term receivables from commodity derivatives in 2021 is mainly due to an increase in the market prices of emission rights, electricity and gas. Related increase of short-term liabilities from commodity derivatives is disclosed in Note 18.

The Company concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts, the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s., to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option could be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement could have been inactivated until December 31, 2019, which the Company did not apply. These contracts represented derivatives that would be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s., is not quoted on any market. There was significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction has taken place) and thus it was difficult to reasonably assess the probabilities of various estimates. As a result, the fair value could not be reliably measured. Consequently, the put option is measured at cost. No option premium was paid when the contracts were concluded and therefore the cost of these instruments is zero. The second put option expired on the exercise of the sale on December 31, 2020.

Movements in impairment provisions of financial assets at amortized costs were as follows (in CZK millions):

	2021	2020
Balance at January 1	(20,337)	(34,312)
Additions (see Note 30)	(12,703)	(5,138)
Reversals (see Note 30)	491	3
Derecognition of financial assets	843	2,417
Reclassification	-	(125)
Transfer to assets classified as held for sale	-	16,818
Balance at December 31	(31,706)	(20,337)

In 2021, an impairment loss of CZK 843 million was derecognized due to the merger of ČEZ Korporátní služby, s.r.o., with the company ČEZ, a. s.

In 2020, the provision for obligation in case of claim from guarantee for Akcez group loans was reclassified to impairment provision following the cash contribution to the company Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in the amount of CZK 125 million.

In 2020, an impairment loss of CZK 1,567 million was derecognized in connection with the sale of the share in ŠKODA PRAHA a.s. In addition, an impairment loss of CZK 850 million was derecognized in connection with the decrease in the share capital of the company Elektrárna Dětmarovice, a.s.

The contractual maturity of loans granted and other financial assets, net at December 31, 2021 is shown in the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Sublease receivables	Other financial receivables
Due in 2022	8,418	5,044	-	38	38
Due in 2023	1,424	-	2,399	38	589
Due in 2024	1,424	-	-	36	88
Due in 2025	1,285	-	11	34	26
Due in 2026	866	-	-	4	27
Thereafter	20,027	-	-	20	53
Total	33,444	5,044	2,410	170	821

The contractual maturity of loans granted and other financial assets, net at December 31, 2020 is shown in the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Term deposits	Receivables from the sale of subsidiaries	Other financial receivables
Due in 2021	12,332	2,085	2,755	2,415	66
Due in 2022	1,418	-	-	11	574
Due in 2023	1,424	-	-	2,349	2
Due in 2024	1,424	-	-	-	2
Due in 2025	1,285	-	-	-	4
Thereafter	20,893	-	-	-	-
Total	38,776	2,085	2,755	4,775	648

The structure of provided loans and other financial assets, net, according to effective interest rates as at December 31, 2021 is shown the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Subleas receivables	Other financial receivables
Less than 2.00%	6,666	5,044	11	131	672
From 2.00% to 2.99%	9,493	-	2,399	37	-
From 3.00% to 3.99%	17,285	-	-	2	149
Total	33,444	5,044	2,410	170	821

The structure of provided loans and other financial assets, net, according to effective interest rates as at December 31, 2020 is shown the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Term deposits	Receivables from the sale of subsidiaries	Other financial receivables
Less than 2.00%	10,194	2,085	2,755	2,426	648
From 2.00% to 2.99%	11,322	-	-	2,349	-
From 3.00% to 3.99%	17,260	-	-	-	-
Total	38,776	2,085	2,755	4,775	648

The structure of provided loans and other financial assets, net, by currency as at December 31, 2021 is shown in the following overview (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Receivables from the sale of subsidiaries	Subleas receivables	Other financial receivables
CZK	26,489	1,246	2,410	53	800
EUR	6,955	2,088	-	117	21
PLN	-	1,710	-	-	-
Total	33,444	5,044	2,410	170	821

The structure of provided loans and other financial assets, net, by currency as at December 31, 2020 is shown in the following overview (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Term deposits	Receivables from the sale of subsidiaries	Other financial receivables
CZK	27,983	1,537	-	4,770	645
EUR	10,793	355	2,755	5	3
PLN	-	193	-	-	-
Total	38,776	2,085	2,755	4,775	648

The investments in subsidiaries, associates and joint-ventures and other ownership interests at December 31, 2021 and 2020 are shown in the following overview:

Company	Country	% Interest[1)]	2021 Interest, net in CZK millions	2021 Dividends in CZK millions	2020 Interest, net in CZK millions	2020 Dividends in CZK millions
ČEZ Distribuce, a. s.	CZ	100.00	32,742	4,083	32,742	4,345
CEZ Holdings B.V.	NL	100.00	17,844	-	19,955	-
Energotrans, a.s.	CZ	100.00	13,370	-	17,731	810
Severočeské doly a.s.	CZ	100.00	11,770	-	14,343	1,707
ČEZ OZ uzavřený investiční fond a.s.	CZ	99.57	10,942	534	11,816	898
ČEZ ESCO, a.s.	CZ	100.00	7,066	-	6,041	-
ČEZ ICT Services, a. s.	CZ	100.00	4,454	60	3,849	201
ČEZ Bohunice a.s.	CZ	100.00	2,726	-	2,809	-
ČEZ Teplárenská, a.s.	CZ	100.00	2,527	20	2,527	-
Elektrárna Temelín II, a. s.	CZ	100.00	1,986	-	1,989	-
Elektrárna Dukovany II, a. s.	CZ	100.00	1,683	-	1,344	-
ČEZ Prodej, a.s.	CZ	100.00	1,396	2,371	1,396	1,100
CEZ Bulgarian Investments B.V.	NL	100.00	827	-	589	-
CEZ MH B.V.	NL	100.00	251	-	145	-
Energetické centrum s.r.o.	CZ	100.00	250	20	250	25
Ústav aplikované mechaniky Brno, s.r.o.	CZ	100.00	248	-	248	-
ÚJV Řež, a. s.	CZ	52.46	185	-	185	-
LOMY MOŘINA spol. s r.o.	CZ	51.05	133	-	133	4
CEZ Deutschland GmbH	DE	100.00	119	-	167	-
ČEZ Obnovitelné zdroje, s.r.o.	CZ	100.00	78	-	78	-
CEZ Hungary Ltd.	HU	100.00	61	-	-	-
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	CZ	41.87	55	-	55	-
OSC, a.s.	CZ	93.25	54	-	13	-
ČEZ Korporátní služby, s.r.o. [2)]	CZ	-	-	-	3,931	-
Elektrárna Dětmarovice, a.s.	CZ	100.00	-	-	400	-
Other			89	522	81	1,802
Total financial assets at cost			110,856	7,610	122,817	10,892
Inven Capital, SICAV, a.s., ČEZ sub-fund	CZ	99.81	4,187	-	2,511	-
Veolia Energie ČR, a.s.	CZ	15.00	599	-	1,394	-
Total financial assets at fair value			4,786	-	3,905	-
Total			115,642	7,610	126,722	10,892

1) Equity interest is equal to voting rights as at December 31, 2021.

2) The company ČEZ Korporátní služby, s.r.o., merged with the succession company ČEZ, a. s., with the legal effective date of January 1, 2021.

Used country shortcuts: CZ – Czech Republic, DE – Germany, HU – Hungary, NL – Netherlands.

Movements in investments in share on subsidiaries, associates and joint-ventures at amortized costs in 2021 and 2020 were as follows (in CZK millions):

Net investments at January 1, 2021	122,817
Additions – newly acquired companies:	
CEZ Finance B.V.	7
Additions – cash and non-monetary contributions to equity:	
CEZ Holdings B.V.	2,078
ČEZ ESCO, a.s.	1,025
Elektrárna Dětmarovice, a.s.	700
ČEZ ICT Services, a. s.	450
Elektrárna Dukovany II, a. s	368
Energotrans, a.s.	287
Other	147
Additions – merger:	
ČEZ OZ uzavřený investiční fond a.s.	2
Total additions	5,064
Decreases – decrease of equity with payment:	
ČEZ OZ uzavřený investiční fond a.s.	(876)
Decreases – merger:	
ČEZ Korporátní služby, s.r.o.	(3,931)
Total decreases	(4,807)
Impairment provisions – additions (see Note 30):	
Energotrans, a.s.	(4,648)
CEZ Holdings B.V.	(4,188)
Severočeské doly a.s.	(2,574)
Elektrárna Dětmarovice, a.s.	(1,100)
Other	(187)
Impairment provisions – reversals (see Note 30):	
CEZ Bulgarian Investments B.V.	238
ČEZ ICT Services, a. s.	155
Other	86
Total impairment provisions	(12,218)
Net investments at December 31, 2021	110,856

Net investments at January 1, 2020	149,883
Additions – newly acquired companies:	
Ústav aplikované mechaniky Brno, s.r.o.	248
Additions – cash and non-monetary contributions to equity:	
CEZ Holdings B.V.	1,986
ČEZ ESCO, a.s.	1,548
Energotrans, a.s.	1,106
Elektrárna Dukovany II, a. s.	316
Other	275
Total additions	5,479
Decreases – decrease of equity with payment:	
ČEZ OZ uzavřený investiční fond a.s.	(511)
LOMY MOŘINA spol. s r.o.	(36)
Decreases – sale:	
Elektrárna Počerady, a.s.	(1,280)
ŠKODA PRAHA a.s.	(808)
Decreases – non-monetary contribution of the investment in subsidiary:	
ČEZ Asset Holding, a. s.	(9)
Decreases – reclassification to assets held for sale:	
Shares in Romanian companies	(26,514)
CEZ Towarowy Dom Maklerski sp. z o.o.	(41)
Total decreases	(29,199)
Impairment provisions – additions (see Note 30):	
Energotrans, a.s.	(1,361)
Tomis Team S.A.	(756)
Distributie Energie Oltenia S.A.	(537)
Elektrárna Dětmarovice, a.s.	(371)
Other	(196)
Impairment provisions – reclassification:	
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	(125)
Total impairment provisions	(3,346)
Net investments at December 31, 2020	122,817

Sale of 100% Share in Subsidiary Elektrárna Počerady in 2020

On October 22, 2020, a share purchase agreement was signed for the sale of 100% share in subsidiary Elektrárna Počerady, a.s., (hereinafter EPC) to the company Vršanská uhelná a.s. The closing date of the transaction was on December 31, 2020 after the prior approval of Office for the Protection of the Competition. At the same time this canceled the previous arrangement for the sale of a 100% share in EPC, which has already been concluded between the parties with the date of realization of January 2, 2024 for a purchase price CZK 2.0 billion. According to the new agreement the initial purchase price amounts to CZK 2.5 billion and is due on November 30, 2023.

The transaction includes an agreement between the parties to terminate the existing contract for the purchase of coal from the company Vršanská uhelná a.s., under which the company ČEZ, a. s., was obliged to purchase 5 million tons of coal per year by the end of 2023, and conclusion of a new contract for the purchase of 5 TWh of electricity per year by ČEZ, a. s., from subsidiary of the Vršanská uhelná group for the period from January 1, 2021 to December 31, 2023 for a fixed price of CZK 700/MWh plus the cost for the emission right required for the supply of 1 MWh of electricity.

The present value of the total contractual transaction price including adjustments to take into account the amount of working capital as at the closing date is CZK 8,861 million. The part of the transaction price attributable to the sale of shares is CZK 7,056 million, the remaining value of CZK 1,805 million corresponds to the fair value of the terminated contract for the purchase of coal and the new contract for the purchase of electricity. Part of the total transaction price in the amount of CZK 4,500 million was settled as of the closing date of the transaction by offsetting part of receivables from the sale and liabilities arising from Group's cashpooling.

In connection with the realization of this transaction, the contracts for the sale of electricity and purchase of emission rights, concluded in the past as cash-flow hedge for EPC operations for years 2021 to 2023 (so-called "own-use" contracts and hedging contracts abroad), were reclassified to derivatives, respectively hedge accounting was terminated, because future sales of electricity from the Company's own generation is no longer probable. The corresponding amounts of the hedge accounting were transferred from the other comprehensive income to the income statement. The current contracts for the supply of coal from the company Vršanská uhelná a.s., (originally an "own-use" contract where the physical delivery for the needs of the Company was assumed, therefore such a contract was not within the scope of IFRS 9) was prematurely terminated by this transaction with financial settlement included in the total transaction price and for this reason the fair value of this contract was recognized in the income statement.

The total impact of the transaction on the income statement is given in the following table (in CZK million):

Statement of income line	Description	Impact in 2020
Gains and losses from commodity derivative trading	Termination of hedging including reclassification of own-use into derivatives	1,274
Gains and losses from commodity derivative trading	Reclassification of a contract for the purchase of coal into derivatives	(1,760)
Income before other income (expenses) and income taxes		(486)
Other financial income	Revenue from sale of shares	7,056
Other financial income	Cost of derecognition from consolidation	(1,280)
Income before income taxes		5,290
Income taxes		435
Net income		5,725

6. Intangible Assets, Net

Intangible assets, net, at December 31, 2021 and 2020 is as follows (in CZK millions):

	Software	Rights and other	Intangibles in progress	Emission rights	Total
Cost at January 1, 2021	2,248	1,703	417	2,259	6,627
Additions	-	-	256	-	256
Disposals	(61)	(35)	-	-	(96)
Bring to use	130	17	(147)	-	-
Effect of merger and other	4	(417)	-	(2,099)	(2,512)
Cost at December 31, 2021	2,321	1,268	526	160	4,275
Accumulated amortization at January 1, 2021	(2,067)	(1,193)	-	-	(3,260)
Amortization	(51)	(9)	-	-	(60)
Disposals	61	35	-	-	96
Effect of merger	(4)	-	-	-	(4)
Accumulated amortization at December 31, 2021	(2,061)	(1,167)	-	-	(3,228)
Net intangible assets at December 31, 2021	260	101	526	160	1,047

	Software	Rights and other	Intangibles in progress	Emission rights	Total
Cost at January 1, 2020	2,239	1,260	365	8,332	12,196
Additions	-	459	157	451	1,067
Disposals	(32)	(2)	(25)	-	(59)
Bring to use	53	27	(80)	-	-
Reclassification and other	(12)	(41)	-	(6,524)	(6,577)
Cost at December 31, 2020	2,248	1,703	417	2,259	6,627
Accumulated amortization at January 1, 2020	(2,005)	(1,177)	-	-	(3,182)
Amortization	(106)	(18)	-	-	(124)
Disposals	32	2	-	-	34
Non-monetary contribution	12	-	-	-	12
Accumulated amortization at December 31, 2020	(2,067)	(1,193)	-	-	(3,260)
Net intangible assets at December 31, 2020	181	510	417	2,259	3,367

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 314 million and CZK 320 million in 2021 and 2020, respectively.

7. Investment Properties, Net

Investment properties, net at December 31 2021 is as follows (in CZK millions):

	Buildings	Land	Construction work in progress	Total
Cost at January 1, 2021	-	-	-	-
Additions	-	-	13	13
Disposals	(3)	-	-	(3)
Bring into use	11	-	(11)	-
Effect of merger	741	44	1	786
Cost at December 31, 2021	749	44	3	796
Accumulated depreciation at January 1, 2021	-	-	-	-
Depreciation	(14)	-	-	(14)
Net book value of asset disposed	(1)	-	-	(1)
Disposals	3	-	-	3
Effect of merger	(399)	(3)	-	(402)
Impairment losses recognized	(1)	-	-	(1)
Impairment losses reversed	24	1	-	25
Accumulated depreciation at December 31, 2021	(388)	(2)	-	(390)
Investment properties, net at December 31, 2021	361	42	3	406

In December 2021, the most significant investments properties were subject to an expert assessment in order to determine their fair value. Considering the current situation on the real estate market, it was determined using the income method that the fair value of the assessed investments as at December 31, 2021 is CZK 88 million higher compared to their book value. Therefore, the best estimate of the fair value of investment property is CZK 494 million as at December 31, 2021.

Investment properties mainly represent investments in buildings and land, where an insignificant part is used by the Company in the ordinary course of business, whereas these assets are leased to the Group's companies.

The following are the amounts that are recognized in profit or loss (in CZK millions):

	2021
Rental income from investment properties	53
Direct operating expenses (including repairs and maintenance) related to investment properties generating rental	(34)
Total profit arising from investment properties	19

8. Cash and Cash Equivalents, Net

The overview of cash and cash equivalents, net at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
Cash on hand and current accounts with banks	20,807	1,009
Allowance	(3)	-
Total	20,804	1,009

At December 31, 2021 and 2020, cash and cash equivalents included balances in foreign currencies in the amount of CZK 20,009 million and CZK 780 million, respectively.

For the years 2021 and 2020, the weighted average interest rate was 0.4% and 0.5%, respectively.

9. Trade Receivables, Net

The overview of trade receivables, net at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
Trade receivables	136,212	58,657
Allowance	(173)	(156)
Total	136,039	58,501

The information about receivables from related parties is included in Note 34.

At December 31, 2021 and 2020, the ageing analysis of trade receivables, net was as follows (in CZK millions):

	2021	2020
Not past due	135,987	58,407
Past due:		
less than 3 months	48	79
3–6 months	1	7
6–12 months	3	8
Total	136,039	58,501

Receivables include impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

The overview of movements in allowance for doubtful receivables was as follows (in CZK millions):

	2021	2020
Balance at January 1	(156)	(166)
Additions	(75)	(43)
Reversals	63	39
Derecognition of impaired receivables	-	13
Non-monetary contribution and merger	(7)	3
Currency translation difference	2	(2)
Balance at December 31	(173)	(156)

10. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Company during 2021 and 2020 (in CZK millions):

	2021		2020	
	in thousands tons	in CZK millions	in thousands tons	in CZK millions
Emission rights for own use:				
Emission rights for own use at January 1	25,867	11,736	47,503	18,650
Emission rights granted	130	-	1,749	-
Settlement with register	(11,482)	(4,586)	(19,568)	(5,155)
Return of part of the grant for 2020	(18)	(7)	-	-
Emission rights purchased	1,812	1,160	8,718	3,211
Emission rights sold	-	-	(8,493)	(2,911)
Emission rights reclassification [1)]	-	-	(2,977)	(1,657)
Non-monetary contribution in Energotrans, a.s.	-	-	(1,065)	(402)
Emission rights for own use at December 31	16,309	8,303	25,867	11,736
Thereof:				
Long-term	501	160	4,553	2,259
Short-term	15,808	8,143	21,314	9,477
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	29,069	24,846	22,496	14,008
Emission rights purchased	141,665	178,309	152,835	98,810
Aviation emission rights purchased	479	668	-	-
Emission rights reclassification [1)]	-	-	2,977	1,657
Emission rights sold	(168,314)	(246,927)	(149,408)	(102,742)
Emission credits purchased	162	2	231	13
Emission credits sold and disposed	(16)	-	(62)	(12)
Fair value adjustment	-	49,151	-	13,112
Emission rights and credits held for trading at December 31	3,045	6,049	29,069	24,846

1) The reclassification is related to the sale of the investment in the company Elektrárna Počerady, a.s.

At December 31, 2021 and 2020 emission rights for own use and held for trading amounted to CZK 14,192 million and CZK 34,323 million, respectively and are presented in current assets in the line Emission rights. Non-current emission rights for own use are presented as part of the intangible assets (see Note 6).

In 2021 and 2020, total emissions of greenhouse gases made by the Company amounted to an equivalent of 12,521 thousand tons and 13,081 thousand tons of CO_2, respectively. At December 31, 2021 and 2020, the Company recognized a provision for CO_2 emissions in total amount of CZK 5,448 million and CZK 4,592 million, respectively (see Notes 2.11 and 17). As at October 1, 2020, part of the business unit “Elektrárna Mělník” was invested in equity of Enegotrans, a.s. The business unit part “Elektrárna Mělník” emitted 1,065 thousand tons for the period 1–9/2020, the subject of the non-monetary contribution were the emission rights corresponding to the emitted emissions.

11. Other Current Assets, Net

Other current assets, net at December 31, 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Prepayments	618	457
Taxes and fees, except income tax	929	748
Advances paid	865	995
Accruals	1,729	587
Total	4,141	2,787

12. Assets Classified as Held for Sale, Net

On June 20, 2019, an agreement was signed with Eurohold Bulgaria AD on the sale of shares in the Bulgarian companies CEZ Razpredelenie Bulgaria AD (including its share in CEZ ICT Bulgaria EAD), CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD. The sellers for CEZ Group are ČEZ, a. s., and CEZ Bulgarian Investments B.V. On October 29, 2020, the Bulgarian anti-trust authority approved the transaction for the sale of Bulgarian assets held for sale to Eurohold Bulgaria AD. The Bulgarian Energy Regulatory Authority approved the transaction on January 19, 2021. On July 27, 2021, a transaction of sale of Bulgarian assets was settled between the Group and Eurohold Bulgaria AD. The sale price for all the Group's shares in Bulgarian companies in the amount of EUR 335 million was repaid and the Group transferred control of the sold subsidiaries. As part of the transaction, the Group's outstanding loans provided to the sold Bulgarian companies were transferred.

On October 22, 2020, a share purchase agreement was concluded for the sale of the interests in Romanian companies Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A. (including its interest in TMK Hydroenergy Power S.R.L.), Tomis Team S.A. (including its interest in M.W. Team Invest S.R.L.) and Ovidiu Development S.A. The sellers for CEZ Group are ČEZ, a. s., and CEZ Holdings B.V. On December 23, 2020, the buyer received the approval of the transaction granted by the European anti-trust authorities (Directorate-General for Competition) and on January 5, 2021, the transaction was also approved by the Romanian Supreme Council of National Defence (Consiliul Suprem de Apărare a Ţării). Total selling price for the respective interests in the companies is stated in EUR as of December 31, 2019 (so called "locked-box date") and it bore interest 2% p. a. The transaction was settled on March 31, 2021. The total sale price for the shares in the Romanian companies was paid in full and the Group transferred control of the sold subsidiaries.

The following table summarizes total cash flows related to the proceeds from the sale of subsidiaries, associates and joint ventures and the repayments of original investments at December 31, 2021 and 2020 (in CZK millions):

	2021	2020
Cash received from sale of shares in Romanian companies	24,641	-
Cash received from sale of shares in Bulgarian companies and from the transffer of loans provided	9,526	-
Cash received from sale of share in company Elektrárna Počerady, a.s. (see Note 5)	672	-
Cash received from other sales	454	142
Repayments of original investments	914	577
Total cash flow	36,207	719

The Company does not report any assets held for sale at December 31, 2021. The assets classified as held for sale, net for the comparable period at December 31, 2020 are as follows (in CZK millions):

	2020
CEZ Razpredelenie Bulgaria AD	6,529
Other Bulgarian companies	11
Shares in Bulgarian companies	6,540
Distributie Energie Oltenia S.A.	10,027
Tomis Team S.A.	8,265
Ovidiu Development S.A.	5,492
CEZ Vanzare S.A.	759
CEZ Romania S.A.	85
Shares in Romanian companies	24,628
Other	41
Assets classified as held for sale	31,209

13. Equity

The Company’s stated capital registered in the Commercial Register is CZK 53,798,975,900 as at December 31, 2021 and 2020. It consists of 537,989,759 shares with a par value of CZK 100. All shares are fully paid; they are dematerialized, bearer, quoted shares. They are common shares to which no special rights are attached.

Movements of treasury shares in 2021 and 2020 (in pieces):

	2021	2020
Number of treasury shares at beginning of period	2,516,240	2,551,240
Sales of treasury shares	(1,257,891)	(35,000)
Number of treasury shares at end of period	1,258,349	2,516,240

Treasury shares are recognized at cost in the balance sheet as an item reducing equity.

The payment of dividends of CZK 52 and CZK 34 per share, before tax, was approved in 2021 and 2020, respectively. Dividends for 2021 will be approved at the Company’s shareholders’ meeting that will be held in the first half of 2022.

Capital Structure Management

The primary objective of the Company's capital structure management is to maintain its credit rating at an investment grade and a level that is standard in the sector and to maintain a healthy ratio of equity to borrowed capital to support the Group's business and maximize value for shareholders. The Company monitors its capital structure and makes adjustments to it with a view to changes in the business environment.

The Company primarily monitors its capital structure using the net debt-to-EBITDA ratio. Considering the current structure and stability of its cash flows and its development strategy, the Group aims to keep the ratio at 2.5–3.0. The Company also monitors its capital structure using the total debt-to-total capital ratio. The Company aims to keep the ratio below 50% in the long term.

EBITDA comprises earnings before taxes and other expenses and revenues plus depreciation and amortization and impairment of property, plant, and equipment and intangible assets less gain (or plus loss) from sales of property, plant, and equipment. Total debt comprises long-term debt including the current portion and short-term borrowings. Net debt represents total debt less cash and cash equivalents and highly liquid financial assets. For the purposes of capital structure management, highly liquid financial assets comprise short-term and long-term debt financial assets and short-term and long-term deposits. Total capital is equity attributable to parent company shareholders plus total debt. These calculations always include items relating to assets held for sale, which are reported separately in the balance sheet.

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

	2021	2020
Total long-term debt	112,571	150,843
Total short-term loans	25,310	984
Total long-term debt associated with assets held for sale	-	4,683
Total short-term loans associated with assets held for sale	-	37
Total debt	137,881	156,547
Less:		
Cash and cash equivalents	(26,640)	(6,064)
Cash and cash equivalents classified as held for sale	-	(4,105)
Highly liquid financial assets:		
Current debt financial assets	(499)	(111)
Non-current debt financial assets	-	-
Current term deposits	-	(2,755)
Total net debt	110,742	143,512
Income before income taxes and other income (expenses)	16,098	12,585
Depreciation and amortization	31,628	28,284
Impairment of property, plant and equipment and intangible assets	15,799	24,062
Gains and losses on sale of property, plant and equipment	(285)	(148)
EBITDA	63,240	64,783
Total equity attributable to equity holders of the parent	161,098	233,871
Total debt	137,881	156,547
Total capital	298,979	390,418
Net debt to EBITDA ratio	1.75	2.22
Total debt to total capital ratio	46.1%	40.1%

14. Long-term Debt

The overview of long-term debt at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,302	2,505
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,536	1,671
5.000% Eurobonds, due 2021 (EUR 541 million) [1)]	-	19,872
4.875% Eurobonds, due 2025 (EUR 750 million)	19,263	20,328
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,210	2,405
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,288	1,288
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) [2)]	-	2,688
4.102% Eurobonds, due 2021 (EUR 50 million)	-	1,315
4.375% Eurobonds, due 2042 (EUR 50 million)	1,246	1,314
4.500% Eurobonds, due 2047 (EUR 50 million)	1,243	1,312
4.383% Eurobonds, due 2047 (EUR 80 million)	2,017	2,130
3.000% Eurobonds, due 2028 (EUR 725 million)	18,627	19,713
0.875% Eurobonds, due 2022 (EUR 269 million) [3)]	6,692	13,106
0.875% Eurobonds, due 2026 (EUR 750 million)	18,502	19,499
4.250% U.S. bonds, due 2022 (USD 266 million) [4)]	5,897	6,226
5.625% U.S. bonds, due 2042 (USD 300 million)	6,621	6,448
4.500% Registered bonds, due 2030 (EUR 40 million)	987	1,040
4.750% Registered bonds, due 2023 (EUR 40 million)	1,036	1,092
4.700% Registered bonds, due 2032 (EUR 40 million)	1,026	1,083
4.270% Registered bonds, due 2047 (EUR 61 million)	1,500	1,583
3.550% Registered bonds, due 2038 (EUR 30 million)	764	806
Total bonds and debentures	92,757	127,424
Less: Current portion	(13,911)	(25,339)
Bonds and debentures, net of current portion	78,846	102,085
Long-term bank loans and lease liabilities:		
Less than 2% p. a.	10,600	13,383
2.00 to 2.99% p. a.	748	409
3.00 to 3.99% p. a.	59	174
4.00 to 4.99% p. a.	24	42
5.00 to 5.99% p. a.	-	11
Total long-term bank loans and lease liabilities	11,431	14,019
Less: Current portion	(1,088)	(2,175)
Long-term bank loans and lease liabilities, net of current portion	10,343	11,844
Total long-term debt	104,188	141,443
Less: Current portion	(14,999)	(27,514)
Total long-term debt, net of current portion	89,189	113,929

[3)] In April 2021, the original nominal value of the issue (EUR 750 million) was reduced by bond buyback in a nominal value of EUR 209 million. The remaining value of the issue (EUR 541 million) was repaid on the expiration date in October 2021.

[4)] The interest rate was based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and was fixed through the closed swap to the rate 4.553% p. a.

[3)] In April 2021, the original nominal value of the issue (EUR 500 million) was reduced by bond buyback in a nominal value of EUR 231 million.

[4)] In April and May 2021, the original nominal value of the issue (USD 289 million) was reduced bond buyback in a nominal value of USD 23 million.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.13.

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

	2021	2020
Current portion	14,999	27,514
Between 1 year and 2 years	5,456	20,763
Between 2 and 3 years	1,569	6,109
Between 3 and 4 years	20,104	2,000
Between 4 and 5 years	19,800	21,176
Thereafter	42,260	63,881
Total long-term debt	104,188	141,443

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

	2021		2020	
	Foreign currency	CZK	Foreign currency	CZK
EUR	3,382	84,066	4,582	120,267
USD	570	12,518	593	12,674
JPY	31,722	6,048	31,719	6,581
CZK		1,556		1,921
Total long-term debt		104,188		141,443

Long-term debt exposes the Company to interest rate risk. The following table summarizes long-term debt by contractual reprising dates of interest rates at December 31, 2021 and 2020, without considering interest rate hedging (in CZK millions):

	2021	2020
Floating rate long-term debt with interest rate fixed from 3 months to 1 year	4,719	6,693
Fixed rate long-term debt	99,469	134,750
Total long-term debt	104,188	141,443

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Notes 15 and 16.

The following table analyses changes in liabilities and receivables arising from financing activities in 2021 and 2020 (in CZK millions):

	Debt	Other long-term financial liabilities	Other short-term financial liabilities	Other current financial assets, net	Total liabilities / assets from financing activities
Amount at December 31, 2019	162,727	8,216	99,954	(75,602)	
Less: Liabilities / assets from other than financing activities	-	8,110	67,013	(72,030)	
Liabilities / assets from financing activities at January 1, 2020	162,727	106	32,941	(3,572)	192,202
Cash flows	(20,946)	-	(8,711)	1,454	(28,203)
Additions of leases	164	-	-	-	164
Foreign exchange movement	(1,182)	-	73	-	(1,109)
Changes in fair values	5,106	-	-	-	5,106
Early termination of lease liabilities [1]	(3,277)	-	-	-	(3,277)
Declared dividends	-	-	18,163	-	18,163
Reclassification	-	(55)	55	-	-
Other [2]	(349)	-	(91)	3	(437)
Liabilities / assets from financing at December 31, 2020	142,243	51	42,430	(2,115)	182,609
Liabilities / assets arising from other than financing activities	-	8,677	65,153	(74,861)	
Total amount on balance sheet at December 31, 2020	142,243	8,728	107,583	(76,976)	
Less: Liabilities / assets from other than financing activities	-	8,677	65,153	(74,861)	
Liabilities / assets arising from financing activities at January 1, 2021	142,243	51	42,430	(2,115)	182,609
Cash flows	(6,738)	-	(26,034)	(2,962)	(35,734)
Additions of leases and early termination	139	-	-	-	139
Foreign exchange movement	(1,222)	(1)	(185)	-	(1,408)
Changes in fair values	(4,615)	-	-	-	(4,615)
Effect of merger	(211)	9	(594)	-	(796)
Declared dividends	-	-	27,873	-	27,873
Reclassification [3]	-	(46)	(7,443)	-	(7,489)
Other [2]	(293)	301	6	(5)	9
Liabilities / assets from financing at December 31, 2021	129,303	314	36,053	(5,082)	160,588
Liabilities / assets arising from other than financing activities	-	33,859	605,796	(510,353)	
Total amount on balance sheet at December 31, 2021	129,303	34,173	641,849	515,435	

1) In 2020, the energy rework contract with the company Elektrárna Počerady, a.s., was terminated (following the signing of an agreement on the sale of investment in the company Elektrárna Počerady, a.s.), which corresponds to a reduction in leasing liabilities in the amount of CZK (3,225) million.

2) The item Other includes accrued interest, transfer of interest paid on leasing to operating activities and non-cash additions and decreases of liabilities.

[3] The item Reclassification includes the disconnection of Elektrárna Počerady, a.s., from Group cashpooling in the amount of CZK 7,495 million and subsequent set-off with the receivable from the sale of ownership interest in Elektrárna Počerady, a.s.

The column Debt consists of balance sheet items Long-term debt, net of current portion, Current portion of long-term debt and Short-term loans. In terms of financing activities, item Other long-term financial liabilities consists of long-term payables, which have the financing character, item Other short-term financial liabilities consists of dividend payables, payables from Group cashpooling and other short-term financial payables including current portion of long-term financial liability, item Other current financial assets, net consists of receivables from Group cashpooling and advanced payments to dividend administrator.

15. Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, which excludes a forced or liquidation sale. Fair value is determined as a quoted market price or a value obtained on the basis of discounted cash flow models or option pricing models.

The Company uses the following methods and assumptions to determine the fair value of each class of financial instruments:

Cash, Cash Equivalents and Short-term Investments

The fair value of cash and other current financial assets is deemed to be the carrying amount due to their relatively short maturity.

Securities Held for Trading

The fair value of current equity and debt securities held for trading is based on their market price.

Non-current Debt and Equity Financial Assets

The fair value of non-current debt and equity financial assets that are publicly traded in an active market is based on their quoted market price. The fair value of non-current and equity financial assets that are not publicly traded in an active market is determined using appropriate valuation techniques.

Short-Term Receivables and Payables

The fair value of receivables and payables is deemed to be the carrying amount due to their relatively short maturity.

Short-Term Borrowings

The fair value of these financial instruments corresponds to the carrying amount due to their short maturity.

Long-term Debt

The fair value of long-term debt is deemed to be the market value of identical or similar instruments, or the measurement is based on current interest rates on debt with the same maturity. The fair value of long-term debt with a variable interest rate is deemed to be the carrying amount.

Derivatives

The fair value of derivatives corresponds to their market value

The overview of carrying amounts and the estimated fair values of financial assets (except for derivatives) at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Loans granted	25,026	24,037	26,444	26,941
Receivables from the sale of subsidiaries	2,410	2,410	2,360	2,360
Other financial receivables	915	915	582	582
Non-current assets at fair value through other comprehensive income:				
Restricted debt securities	12,922	12,922	13,737	13,737
Equity financial assets	599	599	1,394	1,394
Non-current assets at fair value through profit or loss:				
Equity financial assets	4,187	4,187	2,511	2,511
Current assets at fair value through other comprehensive income:				
Debt financial assets	499	499	-	-
Current assets at amortized cost:				
Loans granted	8,418	8,418	12,332	12,332
Term deposits	-	-	2,755	2,755
Receivables from the sale of subsidiaries	-	-	2,415	2,415
Other financial receivables	5,120	5,120	2,151	2,151

The overview of carrying amounts and the estimated fair values of financial liabilities (except for derivatives) at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	(104,188)	(115,036)	(141,443)	(154,579)
Other long-term financial liabilities	(314)	(314)	(63)	(63)
Short-term loans	(25,115)	(25,115)	(800)	(800)
Other short-term financial liabilities	(36,053)	(36,053)	(34,936)	(34,936)

The overview of carrying amounts and the estimated fair values of derivatives at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash flow hedges:				
Short-term receivables	883	883	284	284
Long-term receivables	3,347	3,347	2,864	2,864
Short-term liabilities	(49,287)	(49,287)	(292)	(292)
Long-term liabilities	(33,253)	(33,253)	(7,776)	(7,776)
Commodity derivatives:				
Short-term receivables	499,982	499,982	56,203	56,203
Short-term liabilities	(556,026)	(556,026)	(71,766)	(71,766)
Other derivatives:				
Short-term receivables	586	586	836	836
Long-term receivables	240	240	208	208
Short-term liabilities	(483)	(483)	(589)	(589)
Long-term liabilities	(606)	(606)	(889)	(889)

15.1. Fair Value Hierarchy

The Company uses and discloses financial instruments with the following structure according to the manner in which the fair value is determined:

Level 1: Measured at fair value using the market prices of identical assets and liabilities quoted in active markets.
Level 2: Measured at fair value using methods under which significant inputs are directly or indirectly derived from data observable in active markets.
Level 3: Measured at fair value using methods under which significant inputs are not derived from data observable in active markets.

For assets and liabilities that occur regularly or repeatedly in financial statements, the Company reviews categorization in levels of the fair value hierarchy (according to the lowest input level that is significant to the measurement of fair value as a whole) at the end of each reporting period to determine whether there have been any transfers between levels of the fair value hierarchy.

There were no transfers between levels of financial instruments measured at fair value in 2021 and 2020.

As at December 31, 2021, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	499,982	48,079	448,776	3,127
Cash flow hedges	4,230	100	4,130	-
Other derivatives	826	-	826	-
Restricted debt securities	12,922	12,922	-	-
Debt financial assets at fair value through other comprehensive income	499	499	-	-
Equity financial assets at fair value through other comprehensive income	599	-	-	599
Equity financial assets at fair value through profit or loss	4,187	-	-	4,187

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(556,026)	(24,715)	(531,311)	-
Cash flow hedges	(82,540)	(22,744)	(59,796)	-
Other derivatives	(1,089)	-	(1,089)	-

Assets and liabilities for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
Loans granted	32,455	-	32,455	-
Term deposits	-	-	-	-
Receivables from the sale of subsidiaries	2,410	-	2,410	-
Other financial receivables	6,035	-	6,035	-
Long-term debt	(115,036)	(98,088)	(16,948)	-
Short-term loans	(25,115)	-	(25,115)	-
Other financial liabilities	(36,367)	-	(36,367)	-

As at December 31, 2020, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	56,203	3,813	52,390	-
Cash flow hedges	3,148	38	3,110	-
Other derivatives	1,044	-	1,044	-
Restricted debt securities	13,737	13,737	-	-
Equity financial assets at fair value through other comprehensive income	1,394	-	-	1,394
Equity financial assets at fair value through profit or loss	2,511	-	-	2,511

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(71,766)	(4,116)	(67,650)	-
Cash flow hedges	(8,068)	(1,272)	(6,796)	-
Other derivatives	(1,478)	-	(1,478)	-

Assets and liabilities for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
Loans granted	39,273	-	39,273	-
Term deposits	2,755	-	2,755	-
Receivables from the sale of subsidiaries	4,775	-	4,775	-
Other financial receivables	2,733	-	2,733	-
Long-term debt	(154,579)	(114,370)	(40,209)	-
Short-term loans	(800)	-	(800)	-
Other financial liabilities	(34,999)	-	(34,999)	-

The Company negotiates derivative financial instruments with various counterparties, especially large groups operating in the energy sector and large financial institutions with high credit ratings. Derivatives that are measured by means of techniques using market inputs include, in particular, commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps, and options. The most frequently applied valuation methods use commodity price curves, swap models, present value calculations, and option pricing models (e.g., Black-Scholes, Black-76). The models use various inputs including the forward curves of underlying commodities, foreign exchange spot and forward rates, and interest rate curves.

The following table shows roll forward of the financial assets measured at fair value – Level 3, for the years ended December 31, 2021 and 2020 (in CZK millions):

	Equity financial assets at fair value through profit or loss	Equity financial assets at fair value through other comprehensive income	Commodity derivatives
Balance at January 1, 2020	3,327	2,444	-
Disposals	(961)	-	-
Revaluation	145	(1,050)	-
Balance at December 31, 2020	2,511	1,394	-
Additions	1,000	-	-
Disposals	-	-	(1,604)
Revaluation	676	(795)	4,731
Balance at December 31, 2021	4,187	599	3,127

The most significant investment in the portfolio of Equity financial assets at fair value through other comprehensive income is a 15% interest in company Veolia Energie ČR, a.s. (see Note 5). The company's shares are not traded in any market. The fair value at December 31, 2021 and 2020 was determined using available public information on EBITDA and usual EBITDA multiples which corresponds to the purchase price of a 100% stake in a company in transactions observed in the market in the industry in question before adjustment for the amount of debt. The fair value at December 31, 2021 and 2020 was determined using 7 EBITDA multiple, 8 EBITDA multiple, respectively, as the best estimate of the fair value.

Equity financial assets at fair value through profit or loss include an investment in ČEZ's investment fund at Inven Capital, SICAV, a.s. (see Note 5). The fair value of the investment at December 31, 2021 and 2020 was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and other forms of funding recently provided by co-investors. In addition, the measurement takes into account future development and any subsequent significant events, such as received offers to buy a share.

Commodity derivatives measured at fair value in level 3 include cross-border electricity transmission rights (hereinafter referred to as "cross-border capacities"). Cross-border capacities are sold in auctions organized by auction offices covering transmission system operators or in auctions organized directly by transmission system operators. Cross-border capacities are not traded on an organized market. The fair value of cross-border capacities, which represents an estimate of the expected value of compensation for unused cross-border capacities, takes into account especially the acquisition price of purchased capacities and the forward prices of electricity in the respective countries.

15.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2021 and 2020 (in CZK millions):

	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	505,038	(639,655)	60,395	(81,312)
Other financial instruments [1]	63,036	(65,965)	47,377	(43,332)
Collaterals paid (received) [2]	28,840	(9,352)	1,919	(2,452)
Gross financial assets / liabilities	596,914	(714,972)	109,691	(127,096)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	596,914	(714,972)	109,691	(127,096)
Effect of master netting agreements	(499,644)	499,644	(100,191)	100,191
Net amount after master netting agreements	97,270	(215,328)	9,500	(26,905)

[1] Other financial instruments consist of invoices from derivative trading and are included in Trade receivables, net or Trade payables.

[2] Collaterals paid are included in Trade receivables, net and collaterals received are included in Trade payables.

The Company trades in derivatives under EFET and ISDA master agreements. The agreements allow mutual setoff of receivables and payables on early termination of contracts. The reason for early termination is the counterparty's insolvency or failure to fulfill agreed contract terms. All agreed contracts are settled financially on early termination. Their mutual setoff is either embedded in a contractual provision of the master agreements or results from the collateral provided. In addition, a CSA (Credit Support Annex) has been signed with several partners, defining the permitted limit of exposure between the partners. When the limit is exceeded, cash is transferred to reduce exposure below an agreed level. The deposited cash is also included in the final offset.

Short-term derivative assets are included in the balance sheet in Other current financial assets, net; long-term derivative assets are included in Other non-current financial assets, net; short-term derivative liabilities are included in Other current financial liabilities; and long-term derivative liabilities are included in Other non-current financial liabilities.

16. Financial Risk Management

Risk Management Approach

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

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

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

The main Business Plan market risks are quantified in the Group (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closed long-term contracts for electricity sale and emission allowances' purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating. Since 2021, a new uniform Enterprise risk management scheme is adopted by the Group to be applied to all group-level significant risks. For this level of risks, the scheme integrates, across the process areas of the whole Group, all decentral risk management activities into one, uniform and centrally coordinated process of group-level significant risks management, with the use of the software tool.

Risk Management Organization

The supreme authority responsible for risk management in ČEZ, a. s., is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s., Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of a system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating. Since 2021, it also monitors overviews regarding new uniform Enterprise risk management scheme.

Overview and Methods of Risk Management

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

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

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

- activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s., based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units / processes of the Group;
- activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units / processes of the Group which are newly also subject to policies defined by new uniform Enterprise risk management scheme since 2021.

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

- market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants);
- credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk;
- operational risks: risks of nuclear and fossil power plants operation, investment risks.

The development of quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization);
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation);
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

16.1. Qualitative Description of ČEZ, a. s., Risks Associated with Financial Instruments

<u>Commodity Risks</u>

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

<u>Market Financial Risks (currency and interest risks)</u>

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

<u>Credit Risks</u>

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

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Company's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2021 and 2020 is the carrying value of each class of financial assets except for financial guarantees.

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

<u>Liquidity Risks</u>

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

16.2. Quantitative Description of ČEZ, a. s., Risks Associated with Financial Instruments

<u>Commodity Risks</u>

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

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IFRS 9 (the underlying commodities in the Company's derivative transactions are: electricity, EUA emission rights, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products) on the given confidence level;
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany;
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series;
- the source of market data is mainly EEX, PXE and ICE;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned financial instruments to Income Statement.

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

	2021	2020
Monthly VaR (95%) – impact of changes in commodity prices	11,320	5,635

Currency Risks

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

- the indicator of currency risk is defined as the monthly VaR (95% confidence);
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series;
- the relevant currency position is defined mainly as a value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2022 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments etc.;
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies;
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned currency position to Income Statement.

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

	2021	2020
Monthly currency VaR (95% confidence)	437	231

Interest Risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification as at December 31 was based on these assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk;
- the Income Statement sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31;
- the considered interest positions reflect all significant interest-sensitive positions;
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

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

	2021	2020
IR sensitivity* to parallel yield curve shift (+10bp)	1	1

Credit Exposure

The Company is exposed to credit risk on all financial assets presented in the balance sheet as well as credit risk from provided guarantees. Credit exposure from provided guarantees that are not included in the balance sheet, as at December 31 (millions of CZK):

	2021	2020
Guarantees provided to subsidiaries not recorded on balance sheet	8,059	3,767
Guarantees provided to joint-ventures not recorded on balance sheet	-	959
Total	8,059	4,726

Provided guarantees are, in particular, warranties for performed contracts and guarantees for bank loans and other liabilities of relevant companies. A beneficiary may only make a warranty claim under the conditions set out in the warranty document, usually following the nonpayment of an amount arising from the contract or on default. At present, companies whose obligations are covered by warranty meet their obligations. Warranties have various expiration dates, as at December 31, 2021 and 2020, the latest deadline for making a warranty claim is October 2053 and December 2030, respectively.

Liquidity Risk

Maturity profile of financial liabilities based on contractual undiscounted payments as at December 31, 2021 (in CZK millions):

	Bonds and debentures	Loans and lease payables	Derivatives [1]	Other financial liabilities	Trade payables	Guarantees issued [2]
Due in 2022	15,333	1,117	1,454,223	36,052	76,950	9,966
Due in 2023	7,039	1,048	236,744	212	-	-
Due in 2024	2,476	1,592	59,698	94	-	-
Due in 2025	21,094	1,504	4,967	8	-	-
Due in 2026	20,055	1,325	839	-	-	-
Thereafter	51,528	5,006	26,212	-	-	-
Total	117,525	11,592	1,782,683	36,366	76,950	9,966

Maturity profile of financial liabilities based on contractual undiscounted payments as at December 31, 2020 (in CZK millions):

	Bonds and debentures	Loans	Derivatives [1]	Other financial liabilities	Trade payables	Guarantees issued [2]
Due in 2021	27,892	2,212	543,714	34,937	63,093	5,993
Due in 2022	22,249	1,542	103,314	58	-	-
Due in 2023	7,402	1,458	33,551	7	-	-
Due in 2024	2,587	2,026	104,843	-	-	-
Due in 2025	22,234	1,549	850	-	-	-
Thereafter	74,721	5,444	27,856	-	-	-
Total	157,085	14,231	814,128	35,002	63,093	5,993

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

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

The committed credit facilities available to the Company as at December 31, 2021 and 2020 amounted to CZK 15.2 billion and CZK 35.3 billion, respectively. In addition, in November and December 2021, the Company signed committed loan facility agreements with the European Investment Bank to support financing of the distribution grid renewal and further development program in the Czech Republic up to a total of EUR 400 million, which were not drawn as at December 31, 2021.

16.3. Hedge Accounting

The Company hedges cash flows arising from highly probable future revenue in EUR for the purposes of currency and interest risk hedging. The hedged cash flows are expected to occur in 2022–2026. The relevant hedging instruments as at December 31, 2021 and 2020 are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.3 billion and currency forward contracts and swaps. The fair value of these hedging derivatives was CZK (325) million and CZK (896) million at December 31, 2021 and 2020, respectively.

In addition, the Company hedges cash flows arising from highly probable future sales of electricity in Czech Republic, which will occur in 2022–2027. The relevant hedging instrument is futures and forward contracts for electricity sales in Germany. The fair value of these hedging derivatives was CZK (77,985) million and CZK (4,023) million at December 31, 2021 and 2020, respectively. The result of this hedging strategy as at December 31, 2021 is that for 2022 approximately 88% of expected production in the Czech Republic was hedged at an average price EUR 68.3 per MWh, for 2023 approximately 60% production at an average price EUR 61.5 per MWh, for 2024 approximately 28% of expected production at an average price EUR 61.8 per MWh and for 2025 approximately 6% at an average price EUR 64.6 per MWh.

In 2021 and 2020, cash flow hedging amounts transferred from equity were reported in the statement of income in Sales of electricity, heat, and gas; Gains and losses from derivative commodity trading; Other financial expenses; and Other financial income and in the balance sheet in non-current Intangible assets, net, and Emission rights. CZK 284 million and CZK 371 million was recognized in profit or loss in 2021 and 2020, respectively, due to ineffectiveness of cash flow hedging. In 2021 and 2020, the ineffectiveness was primarily caused by the fact that the hedged future cash flows were no longer highly probable.

17. Provisions

The following is a summary of the provisions at December 31, 2021 and 2020 (in CZK millions):

	2021			2020		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Nuclear provisions	91,102	2,073	93,175	88,928	2,368	91,296
Provision for demolition and dismantling of coal-fired plants	4,014	516	4,530	-	-	-
Provision for waste storage reclamation	497	15	512	480	22	502
Provision for CO_2 emissions (see Note 10)	-	5,448	5,448	-	4,592	4,592
Provision for employee benefits	2,094	149	2,243	1,717	103	1,820
Provision for legal and commercial disputes	-	530	530	-	511	511
Provision for obligation in case of claim from guarantee for Akcez group loans	-	1,907	1,907	-	1,267	1,267
Other provisions	-	457	457	-	233	233
Total	97,707	11,095	108,802	91,125	9,096	100,221

17.1. Nuclear Provisions

The Company operates two nuclear power plants. The Dukovany Nuclear Power Plant comprises four units commissioned for continuous operation in 1985 to 1987. The Temelín Nuclear Power Plant consists of two units that were commissioned for continuous operation in 2002 and 2003. The Nuclear Energy Act sets down obligations for nuclear facility decommissioning and disposal of radioactive waste and spent nuclear fuel. In accordance with the Nuclear Energy Act, all the nuclear parts and equipment of a nuclear power plant must be disposed of after the end of operation. For the purpose of determining the amount of nuclear provisions, it is estimated that the Dukovany Nuclear Power Plant will stop generating electricity in 2047; the Temelín plant in 2062. Studies for the Dukovany Nuclear Power Plant and for the Temelín Nuclear Power Plant from 2020 assume that the costs of decommissioning of these power plants will reach in the amount CZK 26.5 billion and CZK 21.0 billion, respectively. The Company makes contributions to a restricted bank accounts in the amount of the nuclear provisions recorded under the Nuclear Energy Act. These funds can be invested in government bonds in accordance with legislation. These restricted financial assets are reported in the balance sheet as part of the line item Restricted financial assets, net (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority (SÚRAO) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The SÚRAO operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the SÚRAO are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by Nuclear Energy Act at 55 CZK per MWh produced at nuclear power plants. In 2021 and 2020, the payments to the nuclear account amounted to CZK 1,690 million and CZK 1,652 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Company has established provisions for estimated future expenses on nuclear decommissioning and interim storage and permanent disposal of spent nuclear fuel in accordance with the principles described in Note 2.21.

The following is a summary of the nuclear provisions for the years ended December 31, 2021 and 2020 (in CZK millions):

	Accumulated provision			
	Nuclear decommissioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at January 1, 2020	34,499	8,657	32,237	75,393
Discount accretion and effect of inflation	758	191	709	1,658
Provision charged in profit or loss	-	618	-	618
Effect of change in estimate recognized in profit or loss	-	253	-	253
Effect of change in estimate added to fixed assets	3,344	-	12,056	15,400
Current cash expenditures	-	(374)	(1,652)	(2,026)
Balance at December 31, 2020	38,601	9,345	43,350	91,296
Discount accretion and effect of inflation	734	178	823	1,735
Provision charged in profit or loss	-	546	-	546
Effect of change in estimate recognized in profit or loss	-	787	-	787
Effect of change in estimate added to (deducted from) fixed assets	2,422	-	(1,037)	1,385
Current cash expenditures	-	(884)	(1,690)	(2,574)
Balance at December 31, 2021	41,757	9,972	41,446	93,175

The use of the provision for permanent disposal of spent nuclear fuel in a current year comprises payments made to the government-controlled nuclear account and the use of the provision for interim storage represents, in particular, purchases of containers for spent nuclear fuel and other related equipment for these purposes.

In 2021, the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning in connection with the change in discount rate and the change in long-term spent fuel storage in connection with the modification of the expected output of the nuclear power plants, change of expected contribution to the nuclear account per MWh in future years and change in discount rate.

In 2020, the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning studies for Dukovany Nuclear Power Plant and for Temelín Nuclear Power Plant and change in discount rate and the change in long-term spent fuel storage in connection with the extension of the expected production time of the nuclear power plants by 10 years and change in discount rate.

The actual costs of nuclear decommissioning, interim storage, and permanent disposal of spent nuclear fuel may vary substantially from the above estimates due to changes in legislation or technology or increase in labor costs and the costs of materials and equipment, as well as due to a different timing of all activities relating to nuclear decommissioning and storage and disposal of spent nuclear fuel.

17.2. Provision for Demolition and Dismantling of Coal-fired Plants, Waste Storage Reclamation and Employee Benefits

The following table shows the movements of the provisions for the years ended December 31, 2021 and 2020 (in CZK millions):

	Accumulated provision		
	Demolition and dismantling of coal-fired plants	Waste storage reclamation	Employee benefits
Balance at January 1, 2020	-	666	1,622
Discount accretion and effect of inflation	-	14	-
Provision charged in profit or loss	-	-	294
Change in estimate added to fixed assets	-	18	-
Non-monetary contribution		(165)	
Current cash expenditures	-	(31)	(96)
Balance at December 31, 2020	-	502	1,820
Discount accretion and effect of inflation	18	9	-
Provision charged in profit or loss	-	-	466
Change in estimate and creation added to fixed assets	4,512	27	-
Effect of merger	-	-	44
Current cash expenditures	-	(26)	(87)
Balance at December 31, 2021	4,530	512	2,243

18. Other Financial Liabilities

Other financial liabilities at December 31, 2021 were as follows (in CZK millions)

	2021		
	Long-term liabilities	Short-term liabilities	Total
Payables from Group cashpooling	-	35,603	35,603
Other	314	450	764
Financial liabilities at amortized costs	314	36,053	36,367
Cash flow hedge derivatives	33,253	49,287	82,540
Commodity and other derivatives	606	556,509	557,115
Financial liabilities at fair value	33,859	605,796	639,655
Total	34,173	641,849	676,022

Other financial liabilities at December 31, 2020 were as follows (in CZK millions):

	2020		
	Long-term liabilities	Short-term liabilities	Total
Payables from Group cashpooling	-	34,549	34,549
Other	63	387	450
Financial liabilities at amortized costs	63	34,936	34,999
Cash flow hedge derivatives	7,776	292	8,068
Commodity and other derivatives	889	72,355	73,244
Financial liabilities at fair value	8,665	72,647	81,312
Total	8,728	107,583	116,311

The increase of short-term liabilities from commodity derivatives in 2021 is mainly due to an increase in market price of emission rights, electricity and gas. Related increase of short-term receivables from commodity derivatives is disclosed in Note 5.

19. Short-term Loans

Short-term loans as at December 31, 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Short-term bank loans	25,115	787
Bank overdrafts	-	13
Total	25,115	800

Short-term loans bear interest at variable interest rates. The weighted average interest rate was 0.02% and 0.01% at December 31, 2021 and 2020, respectively. For the years 2021 and 2020, the weighted average interest rate was 0.3% and 0.2%, respectively.

20. Other Short-term Liabilities

Other short-term liabilities as at December 31, 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Taxes and fees, except income tax	1,148	692
Deferred income	234	16
Advances received	307	136
Total	1,689	844

21. Leases

21.1. Company as a Lessee

The Company has lease contracts for various items of offices, vehicles, buildings and land used to place its own electricity and heat production facilities. The entire production factory was also leased until 2020. Leases of vehicles generally have lease terms between 3–4 years, while buildings and lands between 4–21 years.

The Company has entered into lease contracts with fixed and variable payments. The variable payments are regularly adjusted according to the inflation index or are based on use of the underlying assets.

The Company leases buildings, machinery or equipment with lease terms of 12 months or less or with low value. In this case the Company applies recognition exemption for these leases.

The net book values of the right-of-use assets presented under Property, plant and equipment are described in the Note 3.

The amounts of lease liability are presented under Long-term debt (see Note 14).

The following table sets out total cash outflows for lease payments (in CZK millions):

	2021	2020
Payments of principal	178	1,378
Payments of interests	22	130
Lease payments not included in valuation of lease liability	47	3,743
Total cash outflow for leases	247	5,251

The following are the amounts that are recognized in profit or loss (in CZK millions):

	2021	2020
Expense relating to short-term leases	72	181
Expense relating to low-value assets	1	3
Variable lease payments	47	3,743
Depreciation charge for right-of-use assets	143	1,214
Interest expenses	22	130

The most significant part of variable lease payments in 2020 are costs related with energy rework contract with the company Elektrárna Počerady, a.s.

Next year, the Company expects to pay lease payments that are not included in valuation of lease liability to be similar to the year 2021.

21.2. Company as a Lessor

Finance Lease

The most significant lease under finance lease is the lease of administrative premises to the Group's companies.

The following table sets out a maturity analysis of investment in finance lease, showing the undiscounted lease payments to be received after the reporting date (in CZK millions):

	2021
Up to 1 year	39
Between 1 year and 2 years	39
Between 2 and 3 years	37
Between 3 and 4 years	35
Between 4 and 5 years	5
Thereafter	21
Total undiscounted investment in finance lease	176
Unearned finance income	(6)
Net investment in the lease	170

The Company recognized interest income on lease receivables of CZK 2 million at December 31, 2021.

Operating Lease

Rental income recognized by the Company during 2021 and 2020 was CZK 619 million and CZK 109 million, respectively. Investment property rental income are disclosed in the Note 7. In the following years, the Company expects rental income to be similar to the year 2021.

The net book values of the property, plant and equipment leased out under operating lease are disclosed in the Note 3.

22. Revenues and Other Operating Income

The overview of revenues and other operating income for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Sale of electricity, heat and gas:		
Electricity sales – domestic:		
OTE, a.s.	49,836	11,414
ČEZ Prodej, a.s.	28,390	24,281
Slovenské elektrárne, a.s.	5,636	4,098
E.ON Energie, a.s.	4,307	2,792
Entauri trading s.r.o.	2,395	-
Pražská energetika, a.s.	2,284	1,346
innogy Energie, s.r.o.	1,821	1,121
POWER EXCHANGE CENTRAL EUROPE, a.s.	1,654	2,220
Lumius, spol. s r.o.	1,198	671
Pražská plynárenská, a.s.	1,053	409
Veolia Energie ČR, a.s.	944	615
MND a.s.	631	503
Uniper Global Commodities SE	595	485
RWE Supply & Trading GmbH	579	1,085
ALPIQ ENERGY SE	509	894
CARBOUNION BOHEMIA,spol. s r.o.	441	290
ZSE Energia, a.s.	403	1,271
MVM Partner Zrt.	386	15
BOHEMIA ENERGY entity s.r.o.	368	119
Axpo Solutions AG	337	368
EDF Trading Limited	334	771
CENTROPOL ENERGY, a.s.	317	137
SSE CZ, s.r.o.	307	124
Energie ČS, a.s.	269	698
Other customers	5,285	10,323
Total sales of electricity – domestic	110,279	66,050
Sales of electricity – foreign	6,753	12,755
Effect of hedging – presales of electricity (Note 16.3)	(12,926)	(2,396)
Effect of hedging – currency risk hedging (Note 16.3)	1,422	277
Total sales of electricity	105,528	76,686
Sales of gas	7,433	5,610
Sales of heat	1,935	2,078
Total sales of electricity, heat and gas	114,896	84,374
Sale of services and other income:		
Distribution services	50	26
Sales of ancillary and other services	4,923	4,702
Rental income	672	109
Other revenues	156	136
Total sales of services and other revenues	5,801	4,973
Other operating income	1,318	1,152
Total revenues and other operating income	122,015	90,499

Revenues from contracts with customers for the years ended December 31, 2021 and 2020 were CZK 131,529 million and CZK 91,357 million, respectively, and can be linked to the figures in the previous table as follows:

	2021	2020
Sales of electricity, gas and heat	114,896	84,374
Sales of services and other revenues	5,801	4,973
Total revenues	120,697	89,347
Adjustments:		
Effect of hedging – presales of electricity	12,926	2,396
Effect of hedging – currency risk hedging	(1,422)	(277)
Rental income	(672)	(109)
Revenues from contracts with customers	131,529	91,357

23. Gains and Losses from Commodity Derivative Trading

The overview of gains and losses from commodity derivative trading for the years ended December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Electricity trading:		
Sales – domestic	14,088	14,429
Sales – foreign	254,493	252,266
Purchases – domestic	(15,369)	(10,370)
Purchases – foreign	(296,451)	(246,106)
Purchases and sales of cross-border capacities [1]	1,604	-
Changes in fair value of derivatives	15,514	(6,558)
Gain (loss) from electricity derivative trading, net	(26,121)	3,661
Other commodity trading:		
Gain from gas derivative trading	8,392	1,092
Gain (loss) from oil derivative trading	(21)	7
Gain (loss) from coal derivative trading	430	(1,894)
Gain from emission rights derivative trading	12,871	3,447
Total gains and losses from commodity derivative trading	(4,449)	6,313

[1] Purchases of cross-border capacities were not considered commodity derivatives until June 30, 2021 and were part of the line Purchase of electricity, gas and other energies. Any sales of cross-border capacities were reported on the line Sales of services and other revenues. From July 1, 2021, these contracts are considered as commodity derivatives in accordance with business strategy.

24. Purchase of Electricity, Gas and Other Energies

The overview of cost for the purchase of electricity, gas and other energies at December 31, 2021 and 2020 is as follows (in CZK millions):

	2021	2020
Purchase of electricity for resale	(36,411)	(19,962)
Purchase of gas for resale	(9,175)	(5,595)
Purchase of other energies	(1,387)	(2,231)
Energy rework contract [1)]	-	(3,727)
Total purchase of electricity, gas and other energies	(46,973)	(31,515)

1) The year-on-year decrease is due to the sale of Elektrárna Počerady, a.s., in 2020.

25. Fuel and Emission Rights

The overview of fuel cost and emission rights for production as at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
Fossil fuel and biomass Consumption	(5,332)	(5,400)
Amortization of nuclear fuel	(4,080)	(4,168)
Gas Consumption	(4,914)	(1,904)
Emission rights for production	(5,993)	(5,251)
Total fuel and emission rights	(20,319)	(16,723)

26. Services

The overview of services as at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
Repairs and maintenance	(4,336)	(3,737)
Technology and operation support services	(1,166)	(1,019)
Rental, property management and security	(725)	(686)
IT related services	(969)	(799)
Equipment operation services	(501)	(731)
Other services	(2,409)	(2,490)
Total services	(10,106)	(9,462)

Information about fees charged by independent auditor is provided in the annual report of CEZ Group.

27. Salaries and Wages

The overview of salaries and wages for the years ended December 31, 2021 and 2020 was as follows (in CZK millions):

	2021		2020	
	Total	Key management [1]	Total	Key management [1]
Salaries and wages including remuneration of board members	(5,803)	(136)	(5,328)	(134)
Social and health security	(1,798)	(30)	(1,674)	(21)
Other personal expenses	(817)	(13)	(640)	(15)
Total	(8,418)	(179)	(7,642)	(170)

[1] Members of Supervisory Board and Board of Directors of the company. The remuneration of former members of key management is also included in personal expenses.

The individual components of the remuneration of the members of the Board of Directors are described in the Remuneration Policy of ČEZ, a. s., approved by the Company's shareholders' meeting on June 29, 2020.

At December 31, 2021 and 2020, the aggregate number of share options granted to members of Board of Directors and selected managers was 118 thousand and 1,421 thousand, respectively.

Members of the Board of Directors and selected managers were entitled until December 31, 2019 to receive share options based on the conditions stipulated in the share option agreement. Members of the Board of Directors and selected managers were granted certain quantity of share options each year of their tenure according to rules of the share option plan until the share option plan was terminated as of December 31, 2019. The exercise price for the granted options was based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year.

Beginning on January 1, 2020, the new program of long-term performance bonus has been started, replacing the options program. New options were no longer in 2020 be granted and the existing granted options as at December 31, 2019 in the number of 1,651 thousand were preserved, i.e. after a proportional reduction of the original annual allocations in 2019. The program of long-term performance bonus is based on performance units that will be allocated to each beneficiary every year. The number of performance units allocated is based on the defined yearly value of a given long-term bonus and the price of stocks before the allocation. The Supervisory Board sets out the performance indicators for each year's allocation of the performance units. The defined performance indicators will be evaluated by the Supervisory Board and number of performance units allocated to a beneficiary will be adjusted accordingly. Then a two-year holding period will follow. The long-term performance bonus will be paid three years after the initial allocation, and the amount will be based on the adjusted number of performance units as well as on the stock price at the end of the holding period and the amount of dividends distributed during the holding period.

The following table shows changes during 2021 and 2020 in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors 000s	Selected managers 000s	Total 000s	Weighted average exercise price (CZK per share)
Share options at January 1, 2020	1,279	372	1,651	513.02
Options exercised [1]	-	(35)	(35)	421.50
Options forfeited	(180)	(15)	(195)	442.83
Share options at December 31, 2020 [2]	1,099	322	1,421	524.90
Options exercised [1]	(1,051)	(207)	(1,258)	524.95
Options forfeited	-	(45)	(45)	495.46
Share options at December 31, 2021 [2]	48	70	118	535.53

1) In 2021 and 2020, the weighted average share price at the date of the exercise for the options exercised was CZK 621.63 and CZK 508.00, respectively.

2) At December 31, 2021 and 2020, the number of exercisable options was 118 thousand and 1,421 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 535.53 per share and CZK 524.90 per share at December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2021	2020
CZK 400–500 per share	-	310
CZK 500–600 per share	118	1,111
Total	118	1,421

The options granted which were outstanding as at December 31, 2021 and 2020 had an average remaining contractual life of 0.9 years and 1.1 years, respectively.

28. Other Operating Expenses

Other operating expenses as at December 31, 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Change in provisions	1,574	1,965
Taxes and fees	(2,078)	(2,042)
Costs related to trading of commodities	(482)	(460)
Insurance	(488)	(349)
Gifts	(107)	(139)
Other	(841)	(672)
Total	(2,422)	(1,697)

The taxes and fees include payment the contributions to the nuclear account (see Note 0). The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions.

29. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
CEZ Group cashpooling	228	227
Loans, receivables and other debt financial assets at amortized cost	1,005	819
Debt financial assets at fair value through other comprehensive income	193	215
Finance lease	2	-
Bank accounts	49	36
Total	1,477	1,297

30. Impairment of Financial Assets

Additions and reversals of impairment of financial assets for each category for the years ended December 31, 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Shares in subsidiaries, associates and joint-ventures (see Note 5)		
Additions	(12,697)	(3,221)
Reversals	479	-
Additions – shares in subsidiaries classified as assets held for sale	14	(1,886)
Loans granted	8	(21)
Financial guarantee for Akcez group loans	(616)	-
Other	(4)	(1)
Total	(12,816)	(5,129)

The Company is a guarantor for the liabilities of companies within the joint-venture Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş. in the amount of USD 82.7 million and TRY 55.4 million as of December 31, 2021. Based on calculation of recoverable amount from future cash flows, a provision in the amount of CZK 1,907 million and CZK 1,267 million was recognized as of December 31, 2021 and 2020, respectively.

31. Other Financial Expenses

Other financial expenses for the years ended December 31, 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Foreign exchange rate loss	-	(589)
Loss on sale of debt financial assets	(4)	-
Loss from revaluation of financial assets	(10)	-
Creation and settlement of provisions	(19)	(21)
Bond buyback costs	(254)	-
Other	(100)	(56)
Total	(387)	(666)

32. Other Financial Income

Other financial income as at December 31, 2021 and 2020 was as follows (in CZK millions):

	2021	2020
Dividends received (see Note 5)	7,610	10,892
Gain on disposal of subsidiaries:		
Shares in Bulgarian companies (see Note 12)	2,065	-
Shares in Romanian companies (see Note 12)	5	-
Elektrárna Počerady, a.s. (see Note 5)	-	5,776
Other	12	(10)
Interest related to the refunded overpayment of gift tax on emission rights	1,499	1,463
Foreign exchange rate gain	923	1,221
Gain on revaluation of financial assets	679	145
Gain on sale of debt restricted financial assets	160	15
Derivative gains	872	-
Other	29	36
Total	13,854	19,538

33. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2021 and 2020.

The Company's management believes that the tax expense was recognized in the financial statements in an appropriate amount. However, it cannot be ruled out that the relevant tax authorities may take a different view on issues allowing for different interpretations of the law, which could have an impact on the reported income.

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

	2021	2020
Current income tax charge	(2,044)	(149)
Deferred income taxes	723	(1,355)
Total	(1,321)	(1,504)

The following table summarizes the differences between the income tax expense and accounting profit before taxes multiplied by the applicable tax rate (in CZK millions):

	2021	2020
Income before income taxes	5,728	22,581
Statutory income tax rate	19%	19%
“Expected” income tax expense	(1,088)	(4,290)
Adjustments:		
Non-deductible provisions, net	(2,257)	(975)
Non-tax gains/losses associated with changes in shareholding interest	396	1,473
Non-taxable income from dividends	1,446	2,070
Non-deductible provision	(117)	-
Tax incentives, tax discounts	1	1
Interest related to the refunded overpayment of gift tax on emission rights	285	278
Other non-deductible items, net	13	(61)
Income tax	(1,321)	(1,504)
Effective tax rate	23%	7%

Deferred income tax asset (liability), net at December 31, 2021 and 2020 was calculated as follows (in CZK millions):

	2021	2020
Nuclear provisions	15,453	15,253
Other provisions	2,509	1,361
Allowances	120	213
Revaluation of financial instruments	16,333	1,931
Lease liabilities	190	246
Other temporary differences	360	354
Total deferred tax assets	34,965	19,358
Tax depreciation in excess of financial statement depreciation	(26,499)	(25,408)
Revaluation of financial instruments	(129)	(131)
Right-of-use assets	(158)	(239)
Other temporary differences	(1,336)	(1,815)
Total deferred tax liability	(28,122)	(27,593)
Total deferred tax asset (liability), net	6,843	(8,235)

Movements in net deferred tax asset (liability) in 2021 and 2020 were as follows (in CZK millions):

	2021	2020
Balance at January 1	(8,235)	(8,044)
Merger and contribution of a part of a business	(150)	7
Deferred tax recognized in profit or loss	723	(1,362)
Deferred tax recognized in other comprehensive income	14,505	1,164
Balance at December 31	6,843	(8,235)

Tax impact related to individual items of other comprehensive income was as follows (in CZK millions):

	2021			2020		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(85,679)	16,279	(69,400)	(8,198)	1,558	(6,640)
Cash flow hedges reclassified to statement of income	11,479	(2,181)	9,298	2,916	(554)	2,362
Change in fair value of debt instruments	(1,349)	256	(1,093)	202	(39)	163
Change in fair value of equity instruments	(795)	151	(644)	(1,050)	199	(851)
Total	(76,344)	14,505	(61,839)	(6,130)	1,164	(4,966)

34. Related Parties

The Company purchases/sells products, goods and services from/to related parties in the ordinary course of business.

The following table shows receivables from related parties and payables to related parties as at December 31, 2021 and 2020 (in CZK million):

	Receivables		Payables	
	2021	2020	2021	2020
CEZ Bulgarian Investments B.V.	-	-	511	239
CEZ Deutschland GmbH	-	-	104	150
CEZ Erneubare Energien Beteiligung GmbH	251	194	-	-
CEZ ESCO II GmbH	-	60	-	-
CEZ Holdings B.V.	6,666	7,048	296	324
CEZ Hungary Ltd.	968	319	291	45
CEZ Chorzów S.A.	426	424	775	78
CEZ MH B.V.	151	25	-	-
CEZ Polska sp. z o.o.	1,574	108	32	315
CEZ Razpredelenie Bulgaria AD 1)	-	817	-	-
CEZ RES International B.V.	-	-	608	656
CEZ Romania S.A. 1)	-	7	-	1,916
CEZ Skawina S.A.	662	292	1,586	75
CEZ Trade Bulgaria EAD 1)	-	121	-	131
CEZ Vanzare S.A. 1)	-	71	-	-
ČEZ Bohunice a.s.	-	-	158	171
ČEZ Distribuce, a. s.	26,750	28,037	7,143	10,177
ČEZ Energetické produkty, s.r.o.	498	305	379	320
ČEZ Energetické služby, s.r.o.	110	222	34	1
ČEZ Energo, s.r.o.	-	-	371	94
ČEZ ENERGOSERVIS spol. s r.o.	76	65	391	406
ČEZ ESCO, a.s.	96	96	1,485	1,220
ČEZ ICT Services, a. s.	61	3	419	361
ČEZ Korporátní služby, s.r.o. 2)	-	-	-	1,789
ČEZ LDS s.r.o.	-	-	48	53
ČEZ Obnovitelné zdroje, s.r.o.	19	13	312	423
ČEZ OZ uzavřený investiční fond a.s.	-	-	863	907
ČEZ Prodej, a.s.	7,027	3,969	13,104	11,912
ČEZ Teplárenská, a.s.	223	173	589	310
Elektrárna Dětmarovice, a.s.	1,782	1,017	2,127	340
Elektrárna Dukovany II, a. s.	11	14	115	38
Elevion GmbH	1	1,930	-	-
Elevion Group B.V.	1,723	100	-	-
Energotrans, a.s.	1,931	1,427	3,946	2,313
ENESA a.s.	105	320	20	22
Inven Capital, SICAV, a.s.	-	-	1,225	706
MARTIA a.s.	174	127	177	102
SD - Kolejová doprava, a.s.	1	1	158	64
Severočeské doly a.s.	73	97	4,491	3,370
Solární servis, s.r.o.	54	61	-	-
Telco Infrastructure, s.r.o.	149	31	-	-
Telco Pro Services, a. s.	142	2	29	52
TENAUR, s.r.o.	114	-	4	38
Tomis Team S.A. 1)	-	-	-	52
ÚJV Řež, a. s.	14	415	354	321
Ústav aplikované mechaniky Brno, s.r.o.	-	-	75	58
VESER, s. r. o. "v likvidácii" 3)	-	181	76	20
Other	125	219	267	434

Total	51,957	48,311	42,563	40,003

The following table provides the total amount of transactions (sales and purchases), which were entered into with related parties in 2021 and 2020 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2021	2020	2021	2020
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	-	4	67	25
CEZ Holdings B.V.	68	72	-	-
CEZ Hungary Ltd.	3,140	2,051	289	155
CEZ Chorzów S.A.	422	427	-	-
CEZ Polska sp. z o.o.	359	1,075	173	400
CEZ Skawina S.A.	661	292	30	52
CEZ Srbija d.o.o.	106	9	63	13
CEZ Trade Bulgaria EAD 1)	581	892	618	784
CEZ Vanzare S.A. 1)	236	731	-	5
ČEZ Distribuce, a. s.	1,704	1,085	119	59
ČEZ Energetické produkty, s.r.o.	51	34	1,081	1,139
ČEZ ENERGOSERVIS spol. s r.o.	43	28	1,339	1,355
ČEZ ESCO, a.s. 4)	14,904	12,012	4,804	4,418
ČEZ ICT Services, a. s.	105	63	1,177	1,041
ČEZ Korporátní služby, s.r.o. 2)	-	56	-	191
ČEZ Obnovitelné zdroje, s.r.o.	38	16	401	427
ČEZ Prodej, a.s. 4)	21,784	17,829	2,009	765
ČEZ Teplárenská, a.s.	1,802	1,732	180	166
Distributie Energie Oltenia S.A. 1)	184	283	-	-
Elektrárna Dětmarovice, a.s.	2,973	1,077	3,648	1,184
Elektrárna Dukovany II, a. s.	38	106	-	-
Elektrárna Počerady, a.s.	-	5,706	-	4,240
Energotrans, a.s.	2,642	2,336	2,594	1,975
LOMY MOŘINA spol. s r.o.	-	-	274	219
MARTIA a.s.	10	8	620	604
OSC, a.s.	-	-	122	92
Ovidiu Development S.R.L. 1)	-	1	60	252
SD - Kolejová doprava, a.s.	12	11	298	435
Severočeské doly a.s.	753	764	4,391	3,760
ŠKODA PRAHA a.s.	12	14	35	144
Telco Pro Services, a. s.	53	18	-	-
TMK Hydroenergy Power S.R.L.	-	-	15	72
Tomis Team S.A. 1)	-	1	118	383
ÚJV Řež, a. s.	11	1	823	674
Ústav aplikované mechaniky Brno, s.r.o.	-	-	132	104
VESER, s. r. o. "v likvidácii" 3)	170	1,844	12	403
Other	197	192	103	54
Total	53,059	50,770	25,595	25,590

1) Shares in Romanian and Bulgarian companies were sold in 2021.

2) The company ČEZ Korporátní služby, s.r.o., merged with the succession company ČEZ, a. s., with the legal effective date of January 1, 2021.

3) The name of ČEZ Slovensko, s.r.o., to VESER, s.r.o. "v likvidácii" was changed in 2021.

4) Due to re-invoicing in the company ČEZ Prodej, a.s., in 2021 and 2020, the relevant part of sales was transferred to the company ČEZ ESCO, a.s., in the amount of CZK 13,089 million and CZK 10,875 million, respectively.

The Company and some of its subsidiaries are included in the cash-pool system. Receivables from subsidiaries related to cashpooling are included in other financial assets, net (see Note 5), payables to subsidiaries related to cashpooling and similar borrowings are included in other financial liabilities (see Note 18).

Information on the remuneration of key management is included in Note 27. Information about guarantees provided is included in Note 16.2.

35. Segment Information

The Company is mainly engaged in the generation of electricity and trade in electricity and other commodities, which is a separate operating segment. The vast majority of the Company's activities takes place in the markets of the European Union. The Company did not identify other separate operating segments.

36. Net Income per Share

	2021	2020
Numerator (in CZK millions)		
Basic and diluted:		
Net income	4,407	21,077
Denominator (in thousands shares)		
Basic:		
Weighted average shares outstanding	536,280	535,470
Dilutive effect of share options	118	13
Diluted:		
Adjusted weighted average shares	536,398	535,483
Net income per share (CZK per share)		
Basic	8.2	39.4
Diluted	8.2	39.4

37. Commitments and Contingencies

Investment Plans

Capital expenditures for the next five years as at December 31, 2021 are estimated as follows (in CZK billion):

2022	14.5
2023	20.2
2024	28.1
2025	28.0
2026	30.8
Total	121.6

The above values do not include planned acquisitions of subsidiaries, associates and joint-ventures.

The Company reviews regularly investment plan and actual construction may vary from the above estimates. At December 31, 2021 significant purchase commitments were outstanding in connection with the investment plan.

Insurance Matters

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

The Company also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third-party liability insurance in connection with main operations of the Company.

38. Events after the Balance Sheet Date

In connection with the conclusion of an agreement, issue and repurchase of investment shares for the newly created sub-fund on January 3, 2022 with Inven Capital, SICAV, a.s., the issue price of the subscribed investment shares was paid in the amount of CZK 1 billion.

Since February 24, 2022, there has been a military conflict in Ukraine. The Company intensively evaluates the potential impacts, including the effects of the consequent sanctions, that have been imposed on the Russian Federation. The Company does not expect the immediate effects to be significant. In the short term, due to increased volatility in commodity markets, there is an increased liquidity need for so-called margin calls arising from counterparty requirements related to derivative contracts. The impacts on the Company in the medium term will depend on the further development of the conflict in Ukraine, on the specific form and duration of sanctions against the Russian Federation and their consequences for European and Czech energy sector. As the main risks for the Company are considered the potential impacts on securing supplies of nuclear fuel, ensuring the maintenance of generation facilities, securing gas purchases for end customers, and the risk that Russian companies will not be able to fulfill other concluded contracts or make financial settlements according to previously concluded contracts and agreed financial instruments. The Company has the highest credit exposure from the concluded commodity contracts for the purchase of electricity and gas from the company Gazprom Marketing & Trading with the seat in the United Kingdom, when, as at December 31, 2021, the fair value of commodity derivatives for the purchase of electricity was CZK 3,307 million and for the gas purchase was CZK 2,582 million. The Company also has a significant credit exposure from commodity gas contracts from Gazprom Export with the seat in the Russian Federation, when, as at December 31, 2021, the fair value of commodity derivatives for gas purchase was CZK 2,149 million. Up to the approval of these separate financial statements for issue, the obligations of these companies have been fulfilled, as have been the obligations arising from business contracts for the supply of goods and services by the suppliers from Russian Federation.

On March 14, 2022, the Company’s Board of Directors approved a dividend proposal for 2021 in the amount of CZK 44 per share before tax.

These separate financial statements have been authorized for issue on March 14, 2022.

Daniel Beneš	Martin Novák
Chairman of Board of Directors	Member of Board of Directors

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