

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF JUNE 30, 2022

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2022

In CZK Millions

	Note	June 30, 2022	December 31, 2021 (adjusted*)
ASSETS:			
Plant in service		861,017	856,198
Less accumulated depreciation and impairment		(499,508)	(487,211)
Net plant in service		361,509	368,987
Nuclear fuel, at amortized cost		12,354	13,096
Construction work in progress, net		24,754	21,009
Total property, plant and equipment		398,617	403,092
Investments in associates and joint-ventures		3,870	3,916
Restricted financial assets, net		20,469	20,804
Other non-current financial assets, net	5	16,335	11,805
Intangible assets, net		23,649	23,854
Deferred tax assets		19,239	10,719
Total other non-current assets		83,562	71,098
Total non-current assets		482,179	474,190
Cash and cash equivalents, net		45,519	26,640
Trade receivables, net		128,360	137,405
Income tax receivable		1,446	397
Materials and supplies, net		23,060	13,372
Fossil fuel stocks		626	574
Emission rights	6	10,332	19,534
Other current financial assets, net	5	756,889	497,295
Other current assets, net		19,512	13,674
Total current assets		985,744	708,891
Total assets		1,467,923	1,183,081

* Some figures were adjusted due to the final valuation of Belectric Group companies at fair value on the date of acquisition and do not correspond to the amounts stated in the consolidated financial statements as of December 31, 2021 (see Note 2.2.2).

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2022**

continued

	Note	June 30, 2022	December 31, 2021 (adjusted*)
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,354)	(1,423)
Retained earnings and other reserves		51,320	108,722
Total equity attributable to equity holders of the parent		103,765	161,098
Non-controlling interests		1,721	1,742
Total equity		105,486	162,840
Long-term debt, net of current portion	8	115,399	95,925
Provisions		117,140	117,072
Other long-term financial liabilities	9	74,638	35,219
Deferred tax liability		14,168	12,962
Other long-term liabilities		31	32
Total non-current liabilities		321,376	261,210
Short-term loans	10	1,852	25,310
Current portion of long-term debt	8	13,668	16,655
Trade payables		62,412	85,928
Income tax payable		1,844	2,248
Provisions		19,365	18,281
Other short-term financial liabilities	9	928,057	601,027
Other short-term liabilities		13,863	9,582
Total current liabilities		1,041,061	759,031
Total equity and liabilities		1,467,923	1,183,081

* Some figures were adjusted due to the final valuation of Belectric Group companies at fair value on the date of acquisition and do not correspond to the amounts stated in the consolidated financial statements as of December 31, 2021 (see Note 2.2.2).

CEZ GROUP

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

In CZK Millions

	Note	1-6/2022	1-6/2021	4-6/2022	4-6/2021
Sales of electricity, heat, gas and coal		88,578	72,493	35,946	32,615
Sales of services and other revenues		36,163	34,251	17,865	15,915
Other operating income		5,779	1,506	712	645
Total revenues and other operating income	10	130,520	108,250	54,523	49,175
Gains and losses from commodity derivative trading	12	15,787	(2,588)	2,696	(1,478)
Purchase of electricity, gas and other energies		(31,185)	(30,108)	(13,552)	(14,425)
Fuel and emission rights		(20,853)	(11,272)	(9,327)	(4,682)
Services		(13,783)	(12,524)	(7,170)	(6,677)
Salaries and wages		(14,957)	(14,360)	(7,849)	(7,288)
Material and supplies		(6,572)	(5,257)	(3,709)	(2,829)
Capitalization of expenses to the cost of assets and change in own inventories		2,607	1,959	1,091	1,022
Depreciation and amortization		(15,163)	(13,899)	(7,594)	(7,218)
Impairment of property, plant and equipment and intangible assets		(28)	(11,626)	(28)	(9,575)
Impairment of trade and other receivables		235	68	12	(16)
Other operating expenses		(2,379)	(2,499)	(1,032)	(1,100)
Income (loss) before other income (expenses) and income taxes		44,229	6,144	8,061	(5,091)
Interest on debt		(1,752)	(2,216)	(903)	(1,074)
Interest on provisions		(1,289)	(997)	(645)	(495)
Interest income		994	215	688	100
Share of profit (loss) from associates and joint-ventures		596	33	68	21
Impairment of financial assets		(547)	(122)	(25)	(98)
Other financial expenses		(1,753)	(356)	734	(303)
Other financial income		1,213	1,571	320	793
Total other income (expenses)		(2,538)	(1,872)	237	(1,056)
Income (loss) before income taxes		41,691	4,272	8,298	(6,147)
Income taxes		(8,089)	(2,696)	(1,403)	(663)
Net income (loss)		33,602	1,576	6,895	(6,810)
Net income (loss) attributable to:					
Equity holders of the parent		33,634	1,433	6,925	(6,971)
Non-controlling interests		(32)	143	(30)	161
Net income (loss) per share attributable to equity holders of the parent (CZK per share):					
Basic		62.7	2.7	12.9	(13.0)
Diluted		62.7	2.7	12.9	(13.0)

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2022

In CZK Millions

	Note	1-6/2022	1-6/2021	4-6/2022	4-6/2021
Net income		33,602	1,576	6,895	(6,810)
Change in fair value of cash flow hedges		(109,900)	(16,195)	(68,190)	(10,488)
Cash flow hedges reclassified to statement of income		31,260	789	16,591	1,307
Change in fair value of debt instruments		(1,703)	(877)	(919)	67
Disposal of debt instruments		(1)	(2)	-	-
Translation differences – subsidiaries		(74)	(880)	165	(481)
Translation differences – associates and joint-ventures		(10)	(76)	44	(75)
Disposal of translation differences		(17)	6,607	2	-
Share on other equity movements of associates and joint-ventures		(10)	28	(6)	28
Deferred tax related to other comprehensive income	13	15,267	3,095	9,979	1,732
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(65,188)	(7,511)	(42,334)	(7,910)
Change in fair value of equity instruments		1	-	-	-
Net other comprehensive income not to be reclassified from equity in subsequent periods		1	-	-	-
Total other comprehensive income, net of tax		(65,187)	(7,511)	(42,334)	(7,910)
Total comprehensive income, net of tax		(31,585)	(5,935)	(35,439)	(14,720)
Total comprehensive income attributable to:					
Equity holders of the parent		(31,545)	(5,945)	(35,422)	(14,763)
Non-controlling interests		(40)	10	(17)	43

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022

In CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
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		-	-	-	-	-	-	1,433	1,433	143	1,576
Other comprehensive income		-	-	5,784	(12,479)	(711)	-	28	(7,378)	(133)	(7,511)
Total comprehensive income		-	-	5,784	(12,479)	(711)	-	1,461	(5,945)	10	(5,935)
Dividends		-	-	-	-	-	-	(27,909)	(27,909)	(142)	(28,051)
Sale of treasury shares		-	1,398	-	-	-	-	(749)	649	-	649
Exercised and forfeited share options		-	-	-	-	-	(53)	53	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	(68)	(68)	5	(63)
Sale of non-controlling interests		-	-	-	-	-	-	(5)	(5)	799	794
Put options held by non-controlling interests		-	-	(6)	-	-	-	(11)	(17)	17	-
Balance as at June 30, 2021		<u>53,799</u>	<u>(1,447)</u>	<u>(5,999)</u>	<u>(19,589)</u>	<u>163</u>	<u>(1,075)</u>	<u>174,724</u>	<u>200,576</u>	<u>5,381</u>	<u>205,957</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022

continued

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2022		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Net income		-	-	-	-	-	-	33,634	33,634	(32)	33,602
Other comprehensive income		-	-	(93)	(63,698)	(1,379)	1	(10)	(65,179)	(8)	(65,187)
Total comprehensive income		-	-	(93)	(63,698)	(1,379)	1	33,624	(31,545)	(40)	(31,585)
Dividends		-	-	-	-	-	-	(25,767)	(25,767)	(14)	(25,781)
Sale of treasury shares		-	69	-	-	-	-	(37)	32	-	32
Exercised and forfeited share options		-	-	-	-	-	(3)	3	-	-	-
Acquisition of non-controlling interests	4.2	-	-	-	-	-	-	(115)	(115)	(4)	(119)
Put options held by non-controlling interests		-	-	(2)	-	-	-	64	62	37	99
Balance as at June 30, 2022		<u>53,799</u>	<u>(1,354)</u>	<u>(4,732)</u>	<u>(130,910)</u>	<u>(2,026)</u>	<u>(1,723)</u>	<u>190,711</u>	<u>103,765</u>	<u>1,721</u>	<u>105,486</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2022

In CZK Millions

	Note	1-6/2022	1-6/2021
OPERATING ACTIVITIES:			
Income before income taxes		41,691	4,272
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		15,163	13,899
Amortization of nuclear fuel		1,949	1,966
(Gains) and losses on non-current asset retirements		(122)	(219)
Foreign exchange rate loss (gain)		1,652	(641)
Interest expense, interest income and dividend income		748	1,991
Provisions		1,621	(2,444)
Impairment of property, plant and equipment and intangible assets		28	11,626
Other non-cash expenses and income including valuation allowances		32,093	(18,568)
Share of (profit) loss from associates and joint-ventures		(596)	(33)
Changes in assets and liabilities:			
Receivables and contract assets		114	7,949
Materials, supplies and fossil fuel stocks		(9,761)	48
Receivables and payables from derivatives		(32,469)	14,081
Other assets		9,974	(2,564)
Trade payables		(21,853)	(3,323)
Other liabilities		4,332	(116)
Cash generated from operations		44,564	27,924
Income taxes paid		(1,607)	(2,038)
Interest paid, net of capitalized interest		(2,242)	(2,488)
Interest received		980	183
Dividends received		7	1
Net cash provided by operating activities		41,702	23,582
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(2,029)	(31)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		(8)	21,889
Additions to non-current assets, including capitalized interest		(14,634)	(13,496)
Proceeds from sale of non-current assets		772	130
Loans made		(13)	(315)
Repayment of loans		280	285
Change in restricted financial assets		(1,381)	(1,107)
Net cash provided by (used in) investing activities		(17,013)	7,355

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2022

continued

	Note	1-6/2022	1-6/2021
FINANCING ACTIVITIES:			
Proceeds from borrowings		102,438	92,800
Payments of borrowings		(107,716)	(107,856)
Payments of lease liabilities		(335)	(362)
Proceeds from other long-term liabilities		58	96
Payments of other long-term liabilities		(7)	(169)
Dividends paid to Company's shareholders		(71)	(43)
(Dividends paid to) contributions received from non-controlling interests, net		(13)	(138)
Sale of treasury shares		32	649
(Acquisition) sale of non-controlling interests, net	4.2	(119)	757
Net cash used in financing activities		<u>(5,733)</u>	<u>(14,266)</u>
Net effect of currency translation and allowances in cash		(77)	(429)
Net increase in cash and cash equivalents		18,879	16,242
Cash and cash equivalents at beginning of period		<u>26,640</u>	<u>10,169</u>
Cash and cash equivalents at end of period		<u><u>45,519</u></u>	<u><u>26,411</u></u>
Supplementary cash flow information:			
Total cash paid for interest		2,415	2,647

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (69.9% of voting rights) at June 30, 2022 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”). Main business of the Group is the generation, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with [the Group's annual financial statement as of December 31, 2021](#).

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2022

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of [the Group's annual financial statement as of December 31, 2021](#).

As of January 1, 2022, the Group did not adopt any new International Financial Reporting Standard that would have a significant impact on Group's interim consolidated financial statements.

2.2.2. Change of reported data for 2021 year-end

The Group adjusted a final recognition of the acquisition of the companies of Belectric Group, specifying the fair values of the identifiable assets and liabilities of the acquisition as at the acquisition date of December 16, 2021.

Quantification of the above-mentioned relevant effect on reported amounts as of December 31, 2021 is provided by the following table (in CZK millions):

CONSOLIDATED BALANCE SHEET:	December 31, 2021 original	Adjustment of Belectric acquisition	December 31, 2021 adjusted
Plant in service	856,189	9	856,198
Net plant in service	368,978	9	368,987
Total property, plant and equipment	403,083	9	403,092
Intangible assets, net	23,677	177	23,854
Total other non-current assets	70,921	177	71,098
Total non-current assets	474,004	186	474,190
Trade receivables, net	137,432	(27)	137,405
Total current assets	708,918	(27)	708,891
Total assets	1,182,922	159	1,183,081
Long-term debt, net of current portion	95,924	1	95,925
Deferred tax liability	12,839	123	12,962
Total non-current liabilities	261,086	124	261,210
Current portion of long-term debt	16,647	8	16,655
Income tax payable	2,249	(1)	2,248
Current provisions	18,253	28	18,281
Total current liabilities	758,996	35	759,031
Total equity and liabilities	1,182,922	159	1,183,081

3. Seasonality of Operations

The seasonality within the segments Generation, Distribution and Sales usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

4. Changes in the Group Structure

The following table summarizes the cash flows related to acquisitions in the first six months of 2022 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	392
Cash outflow on investments in companies ŠKODA JS a.s. and Middle Estates, s.r.o.	1,603
Cash outflow on acquisitions of the subsidiaries, where provisional accounting was not completed yet	32
Cash outflow on investments in joint-ventures	1
Payments of payables from acquisitions of previous periods	53
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	(31)
Cash and cash equivalents acquired on including the previously unconsolidated subsidiary in consolidation	(21)
Total cash outflows on acquisition	<u>2,029</u>

On June 16, 2022, the Group paid cash and cash equivalents in the amount of CZK 1,603 million for the acquisition of 100% interests in the companies ŠKODA JS a.s. and Middle Estates, s.r.o. The acquisition of interests from the Russian engineering group OMZ is carried out by the intermediary financial and investment company WOOD & Company Financial Services, a.s., on behalf of ČEZ, a. s., in order to ensure that the sale by the current Russian owner is realized as quickly as possible and that the purchased companies cease to be threatened by sanctions as soon as possible. The transfer of control to the Group has not yet taken place due to the fact that ČEZ, a. s., has not yet received approval for the transaction from the relevant antimonopoly authorities. The decision of the antimonopoly authorities is expected in the second half of 2022. The purchase price for the interests is fixed. The transaction also includes the indirect acquisition of a 17.39% non-controlling interest in the subsidiary ÚJV Řež, a. s. The company ŠKODA JS a.s. is one of the leading European engineering and manufacturing companies with experience in the construction and servicing of nuclear power plants and is among the important suppliers of ČEZ, a. s.

4.1. Acquisitions of Subsidiaries in the First Six Months of 2022

On January 20, 2022, the Group acquired a 100% interest in the company Hermos Signaltechnik GmbH, which focuses on measurement and control services.

On February 24, 2022, the Group acquired a 100% interest in the company ELIMER, a.s., which provides comprehensive services in the field of electrical installations (i.e. design, implementation, service and maintenance of high-current and low-current electrical installations).

On May 31, 2022, the Group acquired a 100% interest in the company KABELOVÁ TELEVIZE CZ s.r.o., which focuses on providing high speed internet connection and mobile services.

On June 1, 2022, the Group acquired a 100% interest in the company PV Design and Build s.r.o., which focuses on the realization of photovoltaic power plants.

On June 20, 2022, the Group acquired a 100% interest in the company Wagner Consult GmbH, which focuses on providing planning services in the field of water management infrastructure and wastewater treatment plant technologies.

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, which are part of the business combination transaction, as of the date of acquisition (in CZK millions):

	ELIMER, a.s.	Hermos Signaltechnik GmbH	KABELOVÁ TELEVIZE CZ s.r.o.	Teplo Kláštorec s.r.o. ¹⁾	Total
Share of the Group being acquired	100 %	100 %	100 %	100 %	
Property, plant and equipment, net	9	2	35	55	101
Intangible assets, net	85	4	-	-	89
Another non-current assets	35	-	3	-	38
Cash and cash equivalents	24	-	7	21	52
Trade receivables, net	95	2	3	1	101
Materials and supplies, net	17	7	12	-	36
Another current assets	22	-	1	-	23
Long-term debt, net of current portion	(3)	(1)	(2)	-	(6)
Another non-current liabilities	(25)	(1)	(3)	(9)	(38)
Trade payables	(90)	-	(9)	(7)	(106)
Another current liabilities	(4)	(3)	(3)	-	(10)
Total net assets	165	10	44	61	280
Share of net assets acquired	165	10	44	61	280
Goodwill	69	4	132	69	274
Total purchase consideration	234	14	176	130	554
Liabilities from acquisition of the subsidiary	(29)	(3)	-	-	(32)
Cash paid in previous years	-	-	-	(130)	(130)
Cash outflow on acquisition in 2022	205	11	176	-	392
Less: Cash and cash equivalents in the subsidiary acquired	(24)	-	(7)	-	(31)
Less: Cash and cash equivalents of the previously unconsolidated subsidiary	-	-	-	(21)	(21)
Cash outflow on acquisition in 2022, net	181	11	169	(21)	340

¹⁾ In the first half of 2022, the Group started the consolidation of the previously unconsolidated subsidiary Teplo Kláštorec s.r.o.

If the acquisitions had taken place at the beginning of the year 2022, net income for CEZ Group as of June 30, 2022 would have been CZK 33,606 million and the revenues and other operating income from continuing operations would have been CZK 130,624 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):

	ELIMER, a.s.	Other	Total
Revenues and other operating income	208	9	217
Income before other income (expense) and income taxes	(2)	1	(1)
Net income	(4)	1	(3)
Net income attributable:			
Equity holders of the parent	(2)	1	(1)
Non-controlling interests	(2)	-	(2)

4.2. Changes in Non-controlling Interests

In the first half of 2022, within several sub-transactions, the Group acquired the non-controlling interest representing a 6.75% interest in the company OSC, a.s., which increased the Group's interest to 100%.

On June 1, 2022, the Group acquired the non-controlling interest representing a 49% interest in the company HORMEN CE a.s., which increased the Group's interest to 100%. 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 valid, the non-controlling interest is derecognized at the balance sheet date and a liability is recognized, which is measured at the present value of the amount payable when the option is exercised. This option expired, and as a result, the liability was derecognized and the non-controlling interest was booked, which was also immediately derecognized due to the realization of the buyout of the non-controlling interest.

The following table provides an overview of basic financial information about these transactions (in millions of CZK):

	OSC, a.s.	HORMEN CE a.s.	Total
Share acquired in 2022	6.75%	49.00%	
Liabilities from option derecognized from balance sheet		99	
Direct impact on equity from recognition of non-controlling interest after termination of put option		(89)	
Acquired share of net assets derecognized from non-controlling interests	(6)	10	4
Amount directly recognized in equity caused by acquisition of non-controlling interest	16	99	115
Total purchase consideration	10	109	119

5. Other Financial Assets, Net

The overview of other financial assets, net at June 30, 2022 and December 31, 2021 is as follows (in CZK millions):

	June 30, 2022			December 31, 2021		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	8	8	-	-	-
Other financial receivables	3,163	92	3,255	2,156	288	2,444
Receivables from sale of subsidiaries, associates and joint-ventures	2,424	-	2,424	2,399	-	2,399
Investment in finance lease	201	44	245	211	44	255
Total financial assets at amortized cost	5,788	144	5,932	4,766	332	5,098
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	3,130	-	3,130	2,538	441	2,979
Commodity and other derivatives	482	756,732	757,214	212	495,139	495,351
Total financial assets at fair value through profit or loss	3,612	756,732	760,344	2,750	495,580	498,330
Veolia Energie ČR, a.s.	599	-	599	599	-	599
Other financial assets	397	-	397	343	-	343
Total equity financial assets	996	-	996	942	-	942
Fair value of cash flow hedge derivatives	3,706	13	3,719	3,347	884	4,231
Unfinished investments in companies ŠKODA JS a.s. and Middle Estates, s.r.o. (see Note 4)	1,603	-	1,603	-	-	-
Debt financial assets	630	-	630	-	499	499
Total financial assets at fair value through other comprehensive income	6,935	13	6,948	4,289	1,383	5,672
Total	16,335	756,889	773,224	11,805	497,295	509,100

The increase of short-term commodity derivatives in the first six months of 2022 is mainly due to the high volatility of the market prices of emission rights, electricity and gas.

6. Emission Rights

The composition of emission rights and green and similar certificates at June 30, 2022 and December 31, 2021 (in CZK millions):

	June 30, 2022			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	-	2,065	2,065	160	13,424	13,584
Emission rights held for trading	-	8,185	8,185	-	6,042	6,042
Green and similar certificates	-	82	82	-	68	68
Total	-	10,332	10,332	160	19,534	19,694

7. Equity

On June 28, 2022, the Annual Shareholders Meeting of ČEZ, a. s., approved the dividends per share before tax of CZK 48.0. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 25,767 million.

8. Long-term Debt

Long-term debt at June 30, 2022 and December 31, 2021 is as follows (in CZK millions):

	June 30, 2022	December 31, 2021
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,111	2,302
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,408	1,536
4.875% Eurobonds, due 2025 (EUR 750 million)	18,718	19,263
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,027	2,210
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,259	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,267	1,246
4.500% Eurobonds, due 2047 (EUR 50 million)	1,266	1,243
4.383% Eurobonds, due 2047 (EUR 80 million)	2,051	2,017
3.000% Eurobonds, due 2028 (EUR 725 million)	18,243	18,627
0.875% Eurobonds, due 2022 (EUR 269 million)	6,693	6,692
0.875% Eurobonds, due 2026 (EUR 750 million)	18,509	18,502
4.250% U.S. bonds, due 2022 (USD 266 million)	-	5,897
5.625% U.S. bonds, due 2042 (USD 300 million)	7,186	6,621
4.500% Registered bonds, due 2030 (EUR 40 million)	1,004	987
4.750% Registered bonds, due 2023 (EUR 40 million)	1,008	1,036
4.700% Registered bonds, due 2032 (EUR 40 million)	998	1,026
4.270% Registered bonds, due 2047 (EUR 61 million)	1,525	1,500
2.375% Registered bonds, due 2027 (EUR 600 million)	14,826	-
3.550% Registered bonds, due 2038 (EUR 30 million)	747	764
Total bonds and debentures	100,846	92,757
Less: Current portion	(11,760)	(13,911)
Bonds and debentures, net of current portion	89,086	78,846
Long-term bank loans and lease liabilities:	28,221	19,815
Less: Current portion	(1,908)	(2,736)
Long-term bank loans and lease payables, net of current portion	26,313	17,079
Total long-term debt	129,067	112,572
Less: Current portion	(13,668)	(16,647)
Total long-term debt, net of current portion	115,399	95,925

9. Other Financial Liabilities

Other financial liabilities at June 30, 2022 and December 31, 2021 are as follows (in CZK millions):

	June 30, 2022		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	140	-	140
Payables to owners for profit distribution	-	26,088	26,088
Other	485	1,086	1,571
Financial liabilities at amortized cost	625	27,174	27,799
Cash flow hedge derivatives	72,910	89,720	162,630
Commodity and other derivatives	235	810,861	811,096
Liabilities from put options held by non-controlling interests	294	194	488
Contingent consideration from the acquisition of subsidiaries	574	108	682
Financial liabilities at fair value	74,013	900,883	974,896
Total	74,638	928,057	1,002,695

	December 31, 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

The increase of short-term liabilities from commodity derivatives in the first six months of 2022 is mainly due to the high volatility of the market prices of emission rights, electricity and gas.

10. Short-term Loans

Short-term loans at June 30, 2022 and December 31, 2021 are as follows (in CZK millions):

	June 30, 2022	December 31, 2021
Short-term bank and other loans	1,805	25,282
Bank overdrafts	47	28
Total	1,852	25,310

11. Revenues and Other Operating Income

The composition of revenues and other operating income for the first six months ended June 30, 2022 and 2021 is as follows (in CZK millions):

	1-6/2022	1-6/2021
<u>Sales of electricity:</u>		
Sales of electricity to end customers	36,213	26,482
Sales of electricity through energy exchange and other organized markets	43,488	11,948
Sales of electricity to traders	18,171	16,131
Sales to distribution and transmission companies	253	268
Other sales of electricity	5,555	7,476
Effect of hedging – presales of electricity	(31,205)	(1,281)
Effect of hedging – currency risk hedging	(410)	667
	<hr/>	<hr/>
Total sales of electricity	72,065	61,691
<u>Sales of gas, coal and heat:</u>		
Sales of gas	8,704	3,927
Sales of coal	2,323	1,708
Sales of heat	5,486	5,167
	<hr/>	<hr/>
Total sales of gas, coal and heat	16,513	10,802
	<hr/>	<hr/>
Total sales of electricity, heat, gas and coal	88,578	72,493
<u>Sales of services and other revenues:</u>		
Distribution services	17,786	21,139
Other services	16,685	12,058
Rental income	86	95
Revenues from goods sold	656	366
Other revenues	950	593
	<hr/>	<hr/>
Total sales of services and other revenues	36,163	34,251
<u>Other operating income:</u>		
Gain on sale of emission rights for own use	4,278	-
Granted green and similar certificates	81	470
Contractual fines and interest fees for delays	284	132
Gain on sale of property, plant and equipment	142	80
Gain on sale of material	92	73
Other	902	751
	<hr/>	<hr/>
Total other operating income	5,779	1,506
	<hr/>	<hr/>
Total revenues and other operating income	<u>130,520</u>	<u>108,250</u>

Revenues from contracts with customers for the six months ended June 30, 2022 and 2021 were CZK 156,270 million and CZK 107,263 million, respectively, and can be linked to the above figures as follows:

	<u>1-6/2022</u>	<u>1-6/2021</u>
Sales of electricity, heat, gas and coal	88,578	72,493
Sales of services and other revenues	<u>36,163</u>	<u>34,251</u>
Total revenues	124,741	106,744
Adjustments:		
Effect of hedging – presales of electricity	31,205	1,281
Effect of hedging – currency risk hedging	410	(667)
Rental income	<u>(86)</u>	<u>(95)</u>
Revenues from contracts with customers	<u><u>156,270</u></u>	<u><u>107,263</u></u>

12. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the six months ended June 30, 2022 and 2021 is as follows (in CZK millions):

	<u>1-6/2022</u>	<u>1-6/2021</u>
<u>Electricity derivative trading:</u>		
Sales	148,956	115,225
Purchases	(187,522)	(120,108)
Purchases and sales of cross-border capacities ¹⁾	222	-
Changes in fair value of derivatives	<u>37,025</u>	<u>(6,340)</u>
Total losses from electricity derivative trading	(1,319)	(11,223)
<u>Other commodity derivative trading:</u>		
Gain from gas derivative trading	13,356	1,597
Gain (loss) from oil derivative trading	2	(30)
Gain (loss) from coal derivative trading	(1)	97
Gain from emission rights derivative trading	<u>3,749</u>	<u>6,971</u>
Total gains and losses from commodity derivative trading	<u><u>15,787</u></u>	<u><u>(2,588)</u></u>

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.

13. Income Taxes

Tax effects relating to each component of other comprehensive income are the following (in CZK millions):

	1-6/2022			1-6/2021		
	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	(109,900)	20,873	(89,027)	(16,195)	3,077	(13,118)
Cash flow hedges reclassified to statement of income	31,260	(5,931)	25,329	789	(150)	639
Change in fair value of debt instruments	(1,703)	325	(1,378)	(877)	168	(709)
Disposal of debt instruments	(1)	-	(1)	(2)	-	(2)
Translation differences – subsidiaries	(74)	-	(74)	(880)	-	(880)
Translation differences – associates and joint-ventures	(10)	-	(10)	(76)	-	(76)
Disposal of translation differences	(17)	-	(17)	6,607	-	6,607
Share on other equity movements of associates and joint-ventures	(10)	-	(10)	28	-	28
Change in fair value of equity instruments	1	-	1	-	-	-
Total	(80,454)	15,267	(65,187)	(10,606)	3,095	(7,511)

14. Segment Information

The Group reports its result using four reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries in which CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain of the Group. In 2022 company ČEZ Teplárenská, a.s. was moved from the Generation segment to the Sales segment. The transfer took place in connection with the update of the corporate strategy and concept of the heating industry and with the regard to the predominant business activity of this company. Data by segments for the previous period of 2021 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 earnings before interest, taxes, depreciation and amortization (EBITDA). The reconciliation of EBITDA to income before other income (expenses) and income taxes summarizes the following table (in CZK millions):

	<u>1-6/2022</u>	<u>1-6/2021</u>
Income before other income (expenses) and income taxes (EBIT)	44,229	6,144
Depreciation and amortization	15,163	13,899
Impairment of property, plant and equipment and intangible assets	28	11,626
Gains and losses on sale of property, plant and equipment, net *	<u>(140)</u>	<u>(73)</u>
EBITDA	<u>59,280</u>	<u>31,596</u>

- * Gains on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating income. Losses on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating expenses.

The following tables summarize segment information by operating segments for the six months ended June 30, 2022 and 2021 and at December 31, 2021 (in CZK millions):

June 30, 2022:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	50,568	17,783	59,547	2,622	130,520	-	130,520
Revenues and other operating income – intersegment	45,086	173	7,301	3,594	56,154	(56,154)	-
Total revenues and other operating income	95,654	17,956	66,848	6,216	186,674	(56,154)	130,520
Thereof:							
Sales of electricity, heat, gas and coal	83,438	-	52,412	5,534	141,384	(52,806)	88,578
Sales of services and other revenues	6,992	17,800	13,781	615	39,188	(3,025)	36,163
Other operating income	5,224	156	655	67	6,102	(323)	5,779
EBITDA	46,020	9,542	671	3,113	59,346	(66)	59,280
Depreciation and amortization	(10,112)	(3,282)	(1,003)	(766)	(15,163)	-	(15,163)
Impairment of property, plant and equipment and intangible assets	(10)	(10)	(16)	8	(28)	-	(28)
EBIT	35,973	6,296	(344)	2,370	44,295	(66)	44,229
Interest on debt and provisions	(2,770)	(383)	(146)	(143)	(3,442)	401	(3,041)
Interest income	806	169	308	112	1,395	(401)	994
Share of profit (loss) from associates and joint-ventures	(3)	549	85	(35)	596	-	596
Income taxes	(6,343)	(1,145)	(157)	(444)	(8,089)	-	(8,089)
Net income	33,278	4,923	(61)	1,934	40,074	(6,472)	33,602
Identifiable assets	254,606	120,962	10,678	12,372	398,618	(1)	398,617
Investment in associates and joint-ventures	2,838	-	285	747	3,870	-	3,870
Unallocated assets							<u>1,065,436</u>
Total assets							<u>1,467,923</u>
Capital expenditure	3,881	6,613	927	739	12,160	(78)	12,082

June 30, 2021:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	37,977	21,182	47,168	1,923	108,250	-	108,250
Revenues and other operating income – intersegment	18,908	290	3,632	2,805	25,635	(25,635)	-
Total revenues and other operating income	56,885	21,472	50,800	4,728	133,885	(25,635)	108,250
Thereof:							
Sales of electricity, heat, gas and coal	51,348	10	39,433	4,206	94,997	(22,504)	72,493
Sales of services and other revenues	4,084	21,291	10,965	495	36,835	(2,584)	34,251
Other operating income	1,453	171	402	27	2,053	(547)	1,506
EBITDA	14,253	11,130	4,181	2,119	31,683	(87)	31,596
Depreciation and amortization	(8,632)	(3,024)	(853)	(1,390)	(13,899)	-	(13,899)
Impairment of property, plant and equipment and intangible assets	(1,510)	(1,437)	9	(8,688)	(11,626)	-	(11,626)
EBIT	4,132	6,689	3,367	(7,957)	6,231	(87)	6,144
Interest on debt and provisions	(3,001)	(458)	(136)	(92)	(3,687)	474	(3,213)
Interest income	656	9	22	2	689	(474)	215
Share of profit (loss) from associates and joint-ventures	(10)	(1)	93	(49)	33	-	33
Income taxes	(795)	(1,151)	(606)	(144)	(2,696)	-	(2,696)
Net income	9,115	4,946	2,784	(8,181)	8,664	(7,088)	1,576
Capital expenditure	3,636	6,693	601	781	11,711	(33)	11,678
December 31, 2021:							
Identifiable assets	262,531	117,650	10,523	12,400	403,104	(12)	403,092
Investment in associates and joint- ventures	2,861	-	273	782	3,916	-	3,916
Unallocated assets							776,073
Total assets							<u>1,183,081</u>

15. War in Ukraine

Since February 24, 2022, there has been a military conflict in Ukraine. The Group continuously evaluates the potential impacts, including the effects of the consequent sanctions, that have been imposed on the Russian Federation, and takes adequate measures. The impacts on the CEZ Group in the medium term will depend on the further development of the war 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 ensuring the maintenance of generation facilities, securing gas purchases for end customers, nuclear fuel supply, and further with restrictions on the execution of payments 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 gas from the company Gazprom Export with the seat in the Russian Federation. As at June 30, 2022, the usual mark-to-market value of the commodity contracts was CZK 1,680 million. Taking into account that the quantity delivered in June and July 2022 was significantly lower than agreed in the concluded contracts, the Group assessed the fair value of these contracts in the amount of CZK 449 million. Part of the loss related to the decrease in the fair value of commodity derivatives in the amount of CZK 1,039 million was reported on the line Gains and losses from commodity derivative trading. The remaining part of the loss in the amount of CZK 192 million related to the own use contract and was recognized as a creation of a provision for onerous contract on the line Other operating expenses in the statement of income.

Contracts concluded with the company SEFE Marketing & Trading with the seat in the United Kingdom, formerly Gazprom Marketing & Trading, owned by the German company SEFE Securing Energy for Europe GmbH, formerly Gazprom Germania GmbH, are no longer considered by the Group to be specifically risky with regard to the war in Ukraine, due to the fact that the company is under receivership of the Bundesnetzagentur (German regulatory authority responsible for maintaining and promoting competition in the markets for electricity, gas, telecommunications, postal and rail markets). In this context, SEFE Securing Energy for Europe GmbH was granted a loan in the amount of EUR 9.8 billion by the German state development bank KfW.

16. Events after the Balance Sheet Date

On July 8, 2022, the company ČEZ, a. s., signed a loan agreement with the Ministry of Finance of the Czech Republic. Out of the total credit line of EUR 3 billion, EUR 2 billion were drawn during July 2022.

On July 29, 2022, the company ČEZ, a. s., concluded an agreement for the sale of its 50% interest in AKCEZ Enerji A.Ş., which includes three companies engaged in electricity distribution, energy sales and energy services. The settlement of the transaction is, among other things, conditional on the refinancing of AKCEZ's existing debt by the new co-owners. The transaction is subsequently subject to approval by the Turkish Antimonopoly Authority and the country's energy regulator.