

Internal Information

CEZ Group earned over CZK 80 billion in 2022, will pay more than CZK 100 billion to the Czech State this year

Operating profit before depreciation (EBITDA) reached CZK 131.6 billion in 2022 and a net profit of CZK 80.7 billion. The significant year-on-year increase reflects the enormous rise in prices as a result of the Russian invasion of Ukraine, the record profit from commodity trading on foreign markets and the high operational reliability of CEZ power plants. In addition, the CEZ Group contributed to resolving the energy crisis and proved that it is a reliable, socially responsible partner. In 2023, it will pay more than CZK 100 billion to the Czech State in dividends, income taxes and levies on generation revenues. The economic outlook for 2023, including newly introduced taxation, was already published by CEZ Group in February: EBITDA in the amount of CZK 105 to 125 billion and net profit adjusted for extraordinary effects of CZK 30 to 40 billion.

Operating revenues reached a value of CZK 288.5 billion, 27% more year-on-year. The significant growth in the profit of the PRODUCTION segment was mainly due to the extreme increase in the realization prices of electricity as a result of the war in Ukraine and the record production of nuclear power plants – over 31 TW. The curtailment of gas supplies from Russia to Europe (down 56% year-on-year) and general uncertainty have led to a sharp increase in the cost of generating electricity from emission sources, and thus wholesale electricity prices. Gas supply prices increased by 348% year-on-year and electricity supply prices by 327%. The average price of electricity for delivery in 2023 was traded at almost EUR 300/MWh last year, while the average realization price of CEZ production for delivery in 2022 was EUR 100/MWh. CEZ's trading team was able to take advantage of the high volatility on international markets, which earned CZK 18 billion, which amounts to almost 1/4 of the CEZ Group's consolidated net profit for the entire year 2022. The year of the energy crisis, on the other hand, had a negative effect on the SALES segment. The operating profit of ČEZ Prodej, which supplies electricity and gas to households in the Czech Republic, fell by 22% year-on-year. The reason was mainly the extreme increase in the purchase prices of electricity and gas and the high costs of covering fluctuations in customer consumption.

“The achieved profit for 2022 indicates a record dividend for shareholders. In the case of setting the dividend at the upper limit of the interval of the applicable dividend policy, CZK 63 billion would be distributed among the shareholders. For the majority shareholder, the Czech Republic, this would mean an income of CZK 44 billion. In addition, in 2023, CEZ Group will pay the newly introduced tax on windfall profits and levy on generation revenues to the Czech state in the total amount of CZK 30-40 billion and a further CZK 26-30 billion from the regular income tax title. This is a 2022 income tax surcharge over and

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above advances paid during the year and 2023 income tax advances of 19%. In total, this year the CEZ Group will pay more than CZK 100 billion to the Czech State in dividends, income taxes and levies from generation revenues,” stated Chairman of the Board and CEO of CEZ Daniel Beneš, adding: “CEZ Group withstood the energy crisis, contributed to its solution and proved that it is a reliable socially responsible partner. **The basic step to resolve the energy crisis was to ensure the Czech Republic's access to supplies of LNG, a liquefied form of natural gas delivered to Europe by sea.** Together with the Czech State, we managed to obtain a capacity corresponding to 1/3 of the annual gas consumption in the Czech Republic. We managed this through the LNG terminal in the Dutch port of Eemshaven, which was the first in Europe to be launched since the Russian invasion in just 6 months. **This was a fundamental step for managing last year's crisis,** for the Czech Republic's energy security, independence from Russia, and represents an important safeguard in the event of a reduction in natural gas supplies from other sources in the future. Furthermore, despite all restrictions and sanctions, we were able to secure sufficient nuclear fuel supplies for the nearest period, as well as all supplies of quality material and services for the operation of production resources. It is also worth mentioning the contract for the supply of new non-Russian fuel for Temelín from Westinghouse and Framatome for 15 years from 2024 and the acquisition of Škoda JS.”

In 2022, the CEZ Group created record value for shareholders and at the same time contributed to the solution of the energy crisis and the implementation of measures aimed at the greatest possible energy self-sufficiency and security of the Czech Republic. CEZ's capacity in the LNG terminal in the Netherlands was contractually secured for 5 years, including the transport route through Germany to the Czech Republic. Already in 2016, CEZ regasified 3.6 TWh of gas in the terminal, which was used for filling Czech storage tanks and for trading on foreign markets. CEZ Group continues to fulfil its strategic VISION 2030. In the area of emission-free nuclear energy, the priority is to increase the safety and efficiency of nuclear resources with the aim of safely producing over 32 TWh per year in the long term. A tender procedure for the contractor for the construction of a new nuclear power plant in Dukovany has been launched, in which three bidders are competing. The program for the construction of small modular reactors was accelerated, and the first such reactor could be built at the Temelín NPP site as early as 2032. In the field of renewable resources, intensive preparation for the construction of new sources is underway with the goal of putting 6,000 MW into operation by 2030 and support for the construction of customers' photovoltaic power plants. In 2022, ČEZ Prodej and ČEZ ESCO completed more than 4,100 photovoltaic power plants for their customers.

Production from nuclear sources reached a record level of 31 TWh, up 1% year-on-year. Production from renewable sources of existing CEZ Group companies decreased by 13% year-on-year due to the weather and a decrease in production from biomass due to the shutdown at the Poříčí power plant. Production from coal sources in the Czech Republic reached 15.7 TWh and decreased by 3% year-on-year due to longer shutdowns of the Ledvice power plant and the end of operation of the Mělník 3 power plant in 2021. Production of the Počerady steam-gas power plant fell by 22% year-on-year due to an unprecedented increase in the price of gas after the Russian invasion of Ukraine.

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Investments within the existing companies of the CEZ Group reached almost CZK 35 billion, year-on-year by almost CZK 3.5 billion more. They were mainly aimed at strengthening the distribution network in the Czech Republic and at emission-free production assets. The increase in the area of distribution primarily reflects the connection of new, mainly rooftop solar power plants, and in the area of production, especially the construction of a heat feeder from the Temelín nuclear power plant to České Budějovice.

Electricity consumption in the distribution territory of ČEZ Distribuce decreased by 5% year-on-year, and by 4% when calculated in terms of climate and calendar. Large business consumption fell 3%, household consumption fell 10%, mainly due to warm weather in 2022 and household consumption savings from high commodity prices.

The CEZ Group's financial results in 2023 will be affected by the legislative measure in the area of levies from generation revenues, which most EU countries joined in order to finance the reduction of final energy prices for consumers. And also from the title of the newly introduced tax on windfall profits, which was approved in the Czech Republic for the years 2023 to 2025. On top of the normal income tax of 19%, an additional portion of the profit will be taxed at a rate of 60%. This is the part of the income tax base that exceeds the average income tax bases in 2018-2021 increased by 20%.

“In 2023, we expect EBITDA in the amount of CZK 105 to 125 billion and net profit adjusted for extraordinary effects at the level of CZK 30 to 40 billion. The wide interval reflects the high open position of generation at the level of 17 to 23% and the high volatility of electricity prices in the wholesale markets. We must continue to exercise caution in hedging future production with respect to the ongoing risk associated with credit hedging. Throughout 2022 CEZ, like other large European electricity producers, faced enormous liquidity requirements due to the obligation to supply cash to stock exchanges and trading counter-parties as a hedge of closed commodity trades, through which it gradually pre-sells its production. During the extreme fluctuation of commodity prices in August, CEZ was forced to pay almost CZK 50 billion within the margin requirements within hours and total margin deposits, i.e., cash deposited temporarily as a deposit until the settlement of the contract, exceeded the value of CZK 195 billion,” said Martin Novák, member of the board of directors and director of the finance division.