

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF MARCH 31, 2023

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2023

In CZK Millions

	Note	March 31, 2023	December 31, 2022
ASSETS:			
Plant in service		904,495	903,545
Less accumulated depreciation and impairment		(511,795)	(505,564)
Net plant in service		392,700	397,981
Nuclear fuel, at amortized cost		11,037	11,993
Construction work in progress, net		28,759	25,145
Total property, plant and equipment		432,496	435,119
Investments in associates and joint-ventures		3,648	3,743
Restricted financial assets, net		21,918	21,561
Other non-current financial assets, net	5	23,708	16,715
Intangible assets, net		24,036	24,423
Deferred tax assets		1,190	50,432
Total other non-current assets		74,500	116,874
Total non-current assets		506,996	551,993
Cash and cash equivalents, net		89,481	36,609
Trade receivables, net		110,152	167,346
Income tax receivable		1,361	896
Materials and supplies, net		18,600	23,790
Fossil fuel stocks		2,399	1,551
Emission rights	6	26,925	29,668
Other current financial assets, net	5	161,848	278,509
Other current assets, net		25,331	17,018
Total current assets		436,097	555,387
Total assets		943,093	1,107,380

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2023**

continued

	Note	March 31, 2023	December 31, 2022
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,334)	(1,334)
Retained earnings and other reserves		233,440	206,421
Total equity attributable to equity holders of the parent		285,905	258,886
Non-controlling interests		1,384	1,375
Total equity		287,289	260,261
Long-term debt, net of current portion	7	143,667	140,234
Provisions		147,556	146,094
Other long-term financial liabilities	8	19,659	39,618
Deferred tax liability		19,820	13,768
Other long-term liabilities		29	31
Total non-current liabilities		330,731	339,745
Short-term loans	9	31,217	53,056
Current portion of long-term debt	7	6,260	8,856
Trade payables		59,491	84,713
Income tax payable		15,913	16,525
Provisions		34,348	30,923
Other short-term financial liabilities	8	150,213	294,631
Other short-term liabilities		27,631	18,670
Total current liabilities		325,073	507,374
Total equity and liabilities		943,093	1,107,380

CEZ GROUP

CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2023

In CZK Millions

	Note	1-3/2023	1-3/2022 (adjusted*)
Sales of electricity, heat, gas and coal		73,172	52,632
Sales of services and other revenues		19,605	18,298
Other operating income		603	5,067
Total revenues and other operating income	10	93,380	75,997
Gains and losses from commodity derivative trading	11	737	13,091
Purchase of electricity, gas and other energies		(20,652)	(17,633)
Fuel and emission rights		(11,630)	(11,526)
Services		(7,437)	(6,613)
Salaries and wages		(7,947)	(7,108)
Material and supplies		(3,943)	(2,863)
Capitalization of expenses to the cost of assets and change in own inventories		1,416	1,516
Depreciation and amortization		(8,357)	(7,569)
Impairment of property, plant and equipment and intangible assets		14	-
Impairment of trade and other receivables		141	223
Other operating expenses	12	(11,424)	(1,347)
Income before other income (expenses) and income taxes		24,298	36,168
Interest on debt		(1,991)	(849)
Interest on provisions		(1,824)	(644)
Interest income		1,651	306
Share of profit (loss) from associates and joint-ventures		385	528
Impairment of financial assets		(235)	(522)
Other financial expenses		(555)	(2 487)
Other financial income		2,664	893
Total other income (expenses)		95	(2,775)
Income before income taxes		24,393	33,393
Income taxes		(13,572)	(6,686)
Net income		10,821	26,707
Net income attributable to:			
Equity holders of the parent		10,772	26,709
Non-controlling interests		49	(2)
Net income per share attributable to equity holders of the parent (CZK per share):			
Basic		20.1	49.8
Diluted		20.1	49.8

* Some figures were adjusted due to the final valuation of Belectric Group companies and company ELIMER, a.s., at fair value on the date of acquisition and do not correspond to the amounts stated in the interim consolidated financial statements as of March 31, 2022.

CEZ GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2023

In CZK Millions

	Note	1-3/2023	1-3/2022 (adjusted*)
Net income		10,821	26,707
Change in fair value of cash flow hedges		47,524	(41,710)
Cash flow hedges reclassified to statement of income		10,689	14,669
Change in fair value of debt instruments		500	(784)
Disposal of debt instruments		23	(1)
Translation differences – subsidiaries		(377)	(239)
Translation differences – associates and joint-ventures		(125)	(54)
Disposal of translation differences		-	(19)
Share on other equity movements of associates and joint-ventures		(61)	(4)
Deferred tax related to other comprehensive income	13	(41,962)	5,288
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		16,211	(22,854)
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		16,211	(22,853)
Total comprehensive income, net of tax		27,032	3,854
Total comprehensive income attributable to:			
Equity holders of the parent		27,011	3,877
Non-controlling interests		21	(23)

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**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

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, 2022		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Net income		-	-	-	-	-	-	26,709	26,709	(2)	26,707
Other comprehensive income		-	-	(291)	(21,903)	(635)	1	(4)	(22,832)	(21)	(22,853)
Total comprehensive income		-	-	(291)	(21,903)	(635)	1	26,705	3,877	(23)	3,854
Sale of treasury shares		-	17	-	-	-	-	(10)	7	-	7
Exercised and forfeited share options		-	-	-	-	-	(1)	1	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	(1)	(1)	-	(1)
Put options held by non-controlling interests		-	-	(4)	-	-	-	(7)	(11)	11	-
Balance as at March 31, 2022 (adjusted*)		<u>53,799</u>	<u>(1,406)</u>	<u>(4,932)</u>	<u>(89,115)</u>	<u>(1,282)</u>	<u>(1,721)</u>	<u>209,627</u>	<u>164,970</u>	<u>1,730</u>	<u>166,700</u>

* Some figures were adjusted due to the final valuation of Belectric Group companies and company ELIMER, a.s., at fair value on the date of acquisition and do not correspond to the amounts stated in the interim consolidated financial statements as of March 31, 2022.

**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

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, 2023		53,799	(1,334)	(5,177)	(22,258)	(1,675)	(2,020)	237,551	258,886	1,375	260,261
Net income		-	-	-	-	-	-	10,772	10,772	49	10,821
Other comprehensive income		-	-	(473)	16,347	426	-	(61)	16,239	(28)	16,211
Total comprehensive income		-	-	(473)	16,347	426	-	10,711	27,011	21	27,032
Dividends		-	-	-	-	-	-	-	-	(4)	(4)
Sale of non-controlling interests		-	-	-	-	-	-	(7)	(7)	7	-
Put options held by non-controlling interests		-	-	(5)	-	-	-	20	15	(15)	-
Balance as at March 31, 2023		<u>53,799</u>	<u>(1,334)</u>	<u>(5,655)</u>	<u>(5,911)</u>	<u>(1,249)</u>	<u>(2,020)</u>	<u>248,275</u>	<u>285,905</u>	<u>1,384</u>	<u>287,289</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

In CZK Millions

	Note	1-3/2023	1-3/2022 (adjusted*)
OPERATING ACTIVITIES:			
Income before income taxes		24,393	33,393
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		8,357	7,569
Amortization of nuclear fuel		1,037	1,036
(Gains) and losses on non-current asset retirements		(29)	(63)
Foreign exchange rate loss (gain)		362	2,437
Interest expense, interest income and dividend income		337	539
Provisions		5,156	4,752
Impairment of property, plant and equipment and intangible assets		(14)	-
Other non-cash expenses and income		6,827	15,445
Share of (profit) loss from associates and joint-ventures		(385)	(528)
Changes in assets and liabilities:			
Receivables and contract assets		46,081	(13,584)
Materials, supplies and fossil fuel stocks		4,203	(1,083)
Receivables and payables from derivatives		(6,980)	(18,025)
Other assets		5,098	3,761
Trade payables		(23,019)	(5,131)
Other liabilities		9,071	3,955
Cash from operations		80,495	34,473
Income taxes paid		(1,302)	(950)
Interest paid, net of capitalized interest		(1,733)	(315)
Interest received		1,637	248
Dividends received		-	1
Net cash flow from operating activities		79,097	33,457
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(166)	(132)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		7	-
Additions to non-current assets, including capitalized interest		(9,501)	(6,586)
Proceeds from sale of non-current assets		146	531
Loans made		(51)	(1)
Repayment of loans		10	15
Change in restricted financial assets		55	(106)
Total cash used in investing activities		(9,500)	(6,279)

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

continued

	Note	1-3/2023	1-3/2022 (adjusted*)
FINANCING ACTIVITIES:			
Proceeds from borrowings		45,337	70,672
Payments of borrowings		(61,014)	(72,123)
Payments of lease liabilities		(201)	(183)
Proceeds from other long-term liabilities		8	28
Payments of other long-term liabilities		(17)	(5)
Dividends paid to Company's shareholders		(105)	(26)
Dividends paid to non-controlling interests		(4)	-
Sale of treasury shares		-	8
(Acquisition) and sale of non-controlling interests, net		-	(1)
Net cash used in financing activities		<u>(15,996)</u>	<u>(1,630)</u>
Net effect of currency translation and allowances in cash		<u>(729)</u>	<u>(216)</u>
Net increase in cash and cash equivalents		52,872	25,332
Cash and cash equivalents at beginning of period		<u>36,609</u>	<u>26,640</u>
Cash and cash equivalents at end of period		<u><u>89,481</u></u>	<u><u>51,972</u></u>

Supplementary cash flow information:

Total cash paid for interest	1,837	352
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* Some figures were adjusted due to the final valuation of Belectric Group companies and company ELIMER, a.s., at fair value on the date of acquisition and do not correspond to the amounts stated in the interim consolidated financial statements as of March 31, 2022.

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2023

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 March 31, 2023 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals and they are traded on stock exchange markets in Prague and Warsaw. 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”). CEZ Group is a vertically integrated energy group that is among the largest economic entities in the Czech Republic and Central Europe. The main business of the Group is the generation, distribution, trade and sale in the field of electricity and heat, coal mining, trading in commodities and providing of complex energy services, distribution, trade and sale in the field of natural gas and providing of electronic communications.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the three months ended March 31, 2023 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, 2022](#).

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2023

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, 2022](#).

As of January 1, 2023, the Group did not adopt any new International Financial Reporting Standard that would have a significant impact on Group's interim consolidated financial statements.

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 three months of 2023 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	63
Cash outflow on acquisitions of the subsidiaries, which were not part of consolidation	105
Payments of payables from acquisitions of previous periods	7
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	<u>(9)</u>
Total cash outflows on acquisition	<u><u>166</u></u>

4.1. Acquisitions of Subsidiaries in the First three Months of 2023

On January 31, 2023, the Group acquired a 100% interest in the company Web4Soft Internet s.r.o. which focuses on providing high speed internet connection.

The fair values of acquired identifiable assets and liabilities and the purchase consideration 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):

	<u>Web4Soft Internet</u>
Share of the Group being acquired	100 %
Property, plant and equipment, net	17
Cash and cash equivalents	9
Materials and supplies, net	3
Another current assets	1
Trade payables	(1)
Another current liabilities	<u>(1)</u>
Total net assets	28
Share of net assets acquired	28
Goodwill	<u>36</u>
Total purchase consideration	64
Liabilities from acquisition of the subsidiary	<u>(1)</u>
Cash outflow on acquisition in 2023	63
Less: Cash and cash equivalents in the subsidiary acquired	<u>(9)</u>
Cash outflow on acquisition in 2023, net	<u><u>54</u></u>

If the acquisition had taken place at the beginning of the year 2023, net income for CEZ Group as of March 31, 2023 would have been CZK 10,821 million and the revenues and other operating income from continuing operations would have been CZK 93,382 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):

	<u>Web4Soft Internet</u>
Revenues and other operating income	5
Income before other income (expense) and income taxes	1
Net income	1
Net income attributable:	
Equity holders of the parent	1
Non-controlling interests	-

5. Other Financial Assets, Net

The overview of other financial assets, net at March 31, 2023 and December 31, 2022 is as follows (in CZK millions):

	March 31, 2023			December 31, 2022		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	1	449	450	-	100	100
Other financial receivables	2,694	87	2,781	2,728	31	2,759
Receivables from sale of subsidiaries, associates and joint-ventures	-	2,463	2,463	-	2,450	2,450
Investment in finance lease	192	45	237	200	46	246
Total financial assets at amortized cost	2,887	3,044	5,931	2,928	2,627	5,555
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	4,198	-	4,198	3,840	-	3,840
Commodity and other derivatives	509	142,281	142,790	446	262,159	262,605
Total financial assets at fair value through profit or loss	4,707	142,281	146,988	4,286	262,159	266,445
Veolia Energie ČR, a.s.	709	-	709	709	-	709
Other financial assets	300	-	300	178	-	178
Total equity financial assets	1,009	-	1,009	887	-	887
Fair value of cash flow hedge derivatives	15,101	7,165	22,266	8,612	3,971	12,583
Unfinished investments	4	-	4	2	-	2
Debt financial assets	-	9,358	9,358	-	9,752	9,752
Total financial assets at fair value through other comprehensive income	16,114	16,523	32,637	9,501	13,723	23,224
Total	23,708	161,848	185,556	16,715	278,509	295,224

The decrease of short-term commodity derivatives in the first three months of 2023 is caused by physical delivery of the commodity or by the financial settlement. The decrease is also influenced by volatility of the market prices of emission rights, electricity and gas. With this decrease is connected the decrease of payables from commodity and other derivatives, which is disclosed in Note 8.

6. Emission Rights

The composition of emission rights and green and similar certificates at March 31, 2023 and December 31, 2022 (in CZK millions):

	March 31, 2023	December 31, 2022
Emission rights for own use	20,804	23,093
Emission rights held for trading	5,975	6,408
Green and similar certificates	146	167
Total	26,925	29,668

7. Long-term Debt

Long-term debt at March 31, 2023 and December 31, 2022 is as follows (in CZK millions):

	March 31, 2023	December 31, 2022
3.005% Eurobonds, due 2038 (JPY 12,000 million)	1,944	2,071
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,297	1,382
4.875% Eurobonds, due 2025 (EUR 750 million)	18,423	18,694
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	-	1,988
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,302	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,191	1,209
4.500% Eurobonds, due 2047 (EUR 50 million)	1,189	1,207
4.383% Eurobonds, due 2047 (EUR 80 million)	1,926	1,957
3.000% Eurobonds, due 2028 (EUR 725 million)	17,672	18,024
0.875% Eurobonds, due 2026 (EUR 750 million)	17,558	17,978
2.375% Eurobonds, due 2027 (EUR 600 million)	14,337	14,628
5.625% U.S. bonds, due 2042 (USD 300 million)	6,609	6,824
4.500% Registered bonds, due 2030 (EUR 40 million)	944	958
4.750% Registered bonds, due 2023 (EUR 40 million)	-	1,006
4.700% Registered bonds, due 2032 (EUR 40 million)	981	995
4.270% Registered bonds, due 2047 (EUR 61 million)	1,433	1,456
3.550% Registered bonds, due 2038 (EUR 30 million)	703	741
Total bonds and debentures	87,509	92,406
Less: Current portion	(3,295)	(5,725)
Bonds and debentures, net of current portion	84,214	86,681
Long-term bank and other loans, lease liabilities:	62,418	56,684
Less: Current portion	(2,965)	(3,131)
Long-term bank and other loans, lease payables, net of current	59,453	53,553
Total long-term debt	149,927	149,090
Less: Current portion	(6,260)	(8,856)
Total long-term debt, net of current portion	143,667	140,234

8. Other Financial Liabilities

Other financial liabilities at March 31, 2023 and December 31, 2022 are as follows (in CZK millions):

	March 31, 2023		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	301	-	301
Other	1,846	482	2,328
Financial liabilities at amortized cost	2,147	482	2,629
Cash flow hedge derivatives	16,542	21,988	38,530
Commodity and other derivatives	123	127,496	127,619
Liabilities from put options held by non-controlling interests	495	-	495
Contingent consideration from the acquisition of subsidiaries	352	247	599
Financial liabilities at fair value	17,512	149,731	167,243
Total	19,659	150,213	169,872

	December 31, 2022		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	366	-	366
Other	1,484	3,009	4,493
Financial liabilities at amortized cost	1,850	3,009	4,859
Cash flow hedge derivatives	36,757	45,714	82,471
Commodity and other derivatives	161	245,658	245,819
Liabilities from put options held by non-controlling interests	509	-	509
Contingent consideration from the acquisition of subsidiaries	341	250	591
Financial liabilities at fair value	37,768	291,622	329,390
Total	39,618	294,631	334,249

The decrease of short-term commodity derivatives in the first three months of 2023 is caused by physical delivery of the commodity or by the financial settlement. The decrease is also influenced by volatility of the market prices of emission rights, electricity and gas. With this decrease is connected the decrease of receivables from commodity and other derivatives, which is disclosed in Note 5.

9. Short-term Loans

Short-term loans at March 31, 2023 and December 31, 2022 are as follows (in CZK millions):

	March 31, 2023	December 31, 2022
Bank loans	7,584	4,805
Other loans	23,553	48,230
Bank overdrafts	80	21
Total	31,217	53,056

10. Revenues and Other Operating Income

The composition of revenues and other operating income for the first three months ended March 31, 2023 and 2022 is as follows (in CZK millions):

	1-3/2023	1-3/2022
<u>Sales of electricity:</u>		
Sales of electricity to end customers	35,458	19,620
Sales of electricity through energy exchange and other organized markets	16,792	25,211
Sales of electricity to traders	11,342	10,144
Sales to distribution and transmission companies	43	136
Other sales of electricity	1,902	2,226
Effect of hedging – presales of electricity	(10,036)	(14,130)
Effect of hedging – currency risk hedging	(260)	(390)
	<hr/>	<hr/>
Total sales of electricity	55,241	42,817
<u>Sales of gas, coal and heat:</u>		
Sales of gas	11,038	4,888
Sales of coal	2,076	1,146
Sales of heat	4,817	3,781
	<hr/>	<hr/>
Total sales of gas, coal and heat	17,931	9,815
	<hr/>	<hr/>
Total sales of electricity, heat, gas and coal	73,172	52,632
<u>Sales of services and other revenues:</u>		
Distribution services	9,469	9,416
Other services	9,057	8,068
Rental income	46	38
Revenues from goods sold	281	330
Other revenues	752	446
	<hr/>	<hr/>
Total sales of services and other revenues	19,605	18,298
<u>Other operating income:</u>		
Gain on sale of emission rights for own use	-	4,283
Granted green and similar certificates	46	49
Contractual fines and interest fees for delays	65	252
Gain on sale of property, plant and equipment	108	61
Gain on sale of material	53	39
Other	331	383
	<hr/>	<hr/>
Total other operating income	603	5,067
	<hr/>	<hr/>
Total revenues and other operating income	<u>93,380</u>	<u>75,997</u>

Revenues from contracts with customers for the three months ended March 31, 2023 and 2022 were CZK 103,027 million and CZK 85,412 million, respectively, and can be linked to the above figures as follows:

	1-3/2023	1-3/2022
Sales of electricity, heat, gas and coal	73,172	52,632
Sales of services and other revenues	19,605	18,298
Total revenues	92,777	70,930
Adjustments:		
Effect of hedging – presales of electricity	10,036	14,130
Effect of hedging – currency risk hedging	260	390
Rental income	(46)	(38)
Revenues from contracts with customers	103,027	85,412

11. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the three months ended March 31, 2023 and 2022 is as follows (in CZK millions):

	1-3/2023	1-3/2022
Gain from electricity derivative trading	1,025	875
Gain (loss) from gas derivative trading	(1,775)	11,686
Gain (loss) from oil derivative trading	(4)	4
Gain (loss) from coal derivative trading	15	(1)
Gain from emission rights derivative trading	1,476	527
Total gains from commodity derivative trading	737	13,091

Reported gains and losses from derivative trading consist of trades with commodities for the purpose of speculative trading, but also trades concluded for the purpose of hedging the gross margin from electricity generation, where changes in their fair value do not enter the hedge accounting scheme mainly due to the uncertainty of the hedged deliveries of electricity from generation sources (where the expected deliveries of electricity may not be produced eventually, but trading positions on electricity and related positions for emission allowances and fuels will be closed, e.g. for deliveries from the Počerady CCGT power plant). Given the high volatility of commodity market prices, these trades have a significant impact on reported gains and losses from derivative trading.

12. Other Operating Expenses

Other operating expenses for the three months ended March 31, 2023 and 2022 are as follows (in CZK millions):

	1-3/2023	1-3/2022
Change in provisions	591	445
Levy on revenues above price caps	(10,144)	-
Other taxes and fees	(678)	(671)
Other	(1,193)	(1,121)
Total other operating expenses	(11,424)	(1,347)

13. Income Taxes

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

	1-3/2023			1-3/2022		
	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	47,524	(34,840)	12,684	(41,710)	7,925	(33,785)
Cash flow hedges reclassified to statement of income	10,689	(7,025)	3,664	14,669	(2,787)	11,882
Disposal of debt instruments	23	(3)	20	(1)	-	(1)
Change in fair value of debt instruments	500	(94)	406	(784)	150	(634)
Translation differences – subsidiaries	(377)	-	(377)	(239)	-	(239)
Translation differences – associates and joint-ventures	(125)	-	(125)	(54)	-	(54)
Disposal of translation differences	-	-	-	(19)	-	(19)
Share on other equity movements of associates and joint-ventures	(61)	-	(61)	(4)	-	(4)
Change in fair value of equity instruments	-	-	-	1	-	1
Total	58,173	(41,962)	16,211	(28,141)	5,288	(22,853)

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.

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):

	1-3/2023	1-3/2022
Income before other income (expenses) and income taxes (EBIT)	24,298	36,168
Depreciation and amortization	8,357	7,569
Impairment of property, plant and equipment and intangible assets	(14)	-
Gains and losses on sale of property, plant and equipment, net ¹⁾	(107)	(61)
EBITDA	32,534	43,676

- ¹⁾ 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 Group follows and analyses results of individual segments also based on the ratio of Gross margin, which is defined as follows (in CZK millions):

	1-3/2023	1-3/2022
Operating income	93,380	75,997
Gains and losses from commodity derivative trading	737	13,091
Purchase of electricity, gas and other energies	(20,652)	(17,633)
Fuel and emission rights	(11,630)	(11,526)
Services	(7,437)	(6,613)
Capitalization of expenses to the cost of assets and change in own inventories	1,416	1,516
Levy on revenues above price caps ¹⁾	(10,144)	-
Other ²⁾	(1,275)	(239)
Gross margin	44,395	54,593

- ¹⁾ Levy on revenues above price caps is part of the statement of income line-item Other operating expenses (Note 12).

- ²⁾ Other includes relevant part of the material costs (part of the statement of income line-item Material and supplies) and excludes part of the statement of income line-item Services, which refers to repair and maintenance services and other services that have rather overhead nature.

The following tables summarize segment information by operating segments for the three months ended March 31, 2023 and 2022 and at December 31, 2022 (in CZK millions):

March 31, 2023:	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	26,294	9,481	55,351	2,254	93,380	-	93,380
Revenues and other operating income – intersegment	50,226	101	7,712	3,713	61,752	(61,752)	-
Total revenues and other operating income	76,520	9,582	63,063	5,967	155,132	(61,752)	93,380
Thereof:							
Sales of electricity, heat, gas and coal	72,828	-	54,815	5,561	133,204	(60,032)	73,172
Sales of services and other revenues	3,395	9,490	8,056	399	21,340	(1,735)	19,605
Other operating income	297	92	192	7	588	15	603
Revenues and other operating income, including result from commodity derivative trading	77,561	9,582	62,960	5,967	156,070	(61,953)	94,117
Total sales of electricity, including the result of electricity trading ¹⁾	58,625	-	40,220	-	98,845	(42,579)	56,266
Gross margin	31,320	7,480	2,167	5,781	46,748	(2,353)	44,395
EBITDA	25,768	5,056	(1,605)	3,886	33,105	(571)	32,534
Depreciation and amortization	(5,659)	(1,772)	(514)	(412)	(8,357)	-	(8,357)
Impairment of property, plant and equipment and intangible assets	-	-	-	14	14	-	14
EBIT	20,192	3,305	(2,116)	3,488	24,869	(571)	24,298
Interest on debt and provisions	(3,546)	(286)	(88)	(165)	(4,085)	270	(3,815)
Interest income	1,252	154	371	144	1,921	(270)	1,651
Share of profit (loss) from associates and joint-ventures	(10)	375	38	(18)	385	-	385
Income taxes	(12,001)	(598)	(201)	(669)	(13,469)	(103)	(13,572)
Net income	6,946	2,733	(2,071)	2,813	10,421	400	10,821
Identifiable assets	277,464	127,278	11,542	16,419	432,703	(207)	432,496
Investment in associates and joint-ventures	2,553	-	451	644	3,648	-	3,648
Unallocated assets							506,949
Total assets							<u>943,093</u>
Capital expenditure	3,048	3,107	316	358	6,829	(60)	6,769

¹⁾ The item contains the line Total sales of electricity (Note 10) and the line Gain from electricity derivative trading (Note 11).

March 31, 2022 (adjusted ¹⁾):	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	33,118	9,418	32,167	1,294	75,997	-	75,997
Revenues and other operating income – intersegment	26,369	67	3,774	2,129	32,339	(32,339)	-
Total revenues and other operating income	59,487	9,485	35,941	3,423	108,336	(32,339)	75,997
Thereof:							
Sales of electricity, heat, gas and coal	51,527	-	28,976	3,061	83,564	(30,932)	52,632
Sales of services and other revenues	3,317	9,394	6,601	335	19,647	(1,349)	18,298
Other operating income	4,643	91	364	27	5,125	(58)	5,067
Revenues and other operating income, including result from commodity derivative trading	72,555	9,485	35,965	3,423	121,428	(32,340)	89,088
Total sales of electricity, including the result of electricity trading ²⁾	43,719	-	22,229	-	65,948	(22,256)	43,692
Gross margin	41,845	7,378	3,377	3,396	55,996	(1,403)	54,593
EBITDA	36,700	5,164	(104)	1,922	43,682	(6)	43,676
Depreciation and amortization	(5,089)	(1,603)	(501)	(376)	(7,569)	-	(7,569)
Impairment of property, plant and equipment and intangible assets	-	(3)	(1)	4	-	-	-
EBIT	31,643	3,577	(606)	1,560	36,174	(6)	36,168
Interest on debt and provisions	(1,363)	(192)	(68)	(71)	(1,694)	201	(1,493)
Interest income	247	66	152	42	507	(201)	306
Share of profit (loss) from associates and joint-ventures	(6)	515	32	(13)	528	-	528
Income taxes	(5,658)	(653)	(79)	(296)	(6,686)	-	(6,686)
Net income	22,854	2,799	(191)	1,252	26,714	(7)	26,707
Capital expenditure	1,334	2,737	300	313	4,684	(30)	4,654
December 31, 2022:	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Identifiable assets	281,176	125,898	11,751	16,458	435,283	(164)	435,119
Investment in associates and joint-ventures	2,630	-	451	662	3,743	-	3,743
Unallocated assets							668,518
Total assets							<u>1,107,380</u>

¹⁾ Some figures were adjusted due to the final valuation of Belectric Group companies and company ELIMER, a.s., at fair value on the date of acquisition.

²⁾ The item contains the line Total sales of electricity (Note 10) and the line Gain from electricity derivative trading (Note 11).

15. Events after the Balance Sheet date

On April 20, 2023, a court judgment became final in the dispute between ČEZ Prodej, a.s., and Správa železnic, a state organization, for damages in the amount of CZK 858 million resulting from the failure to collect the agreed amount of electricity in 2011. The final judgment satisfied ČEZ Prodej's claim in the amount of CZK 727 million and in the amount of CZK 131 million is rejecting it. On April 25, 2023, Správa železnic paid the amount owed without accessories in the amount of CZK 727 million and the costs of the proceedings in the amount of CZK 12 million. Accessories that have not yet been paid amount to approximately CZK 675 million.

ČEZ Prodej continues to lead a similar lawsuit for damages in the amount of CZK 805 million relating to electricity supplies to Správa železnic in 2010.

On May 10, 2023, the Board of Directors of ČEZ, a. s., approved a dividend proposal in the amount of CZK 117 per share to be submitted to the general meeting, which will be held on June 26, 2023.