

CEZ GROUP HALF-YEAR FINANCIAL REPORT 2022



CLEAN
ENERGY OF
TOMORROW

CEZ Group Profile

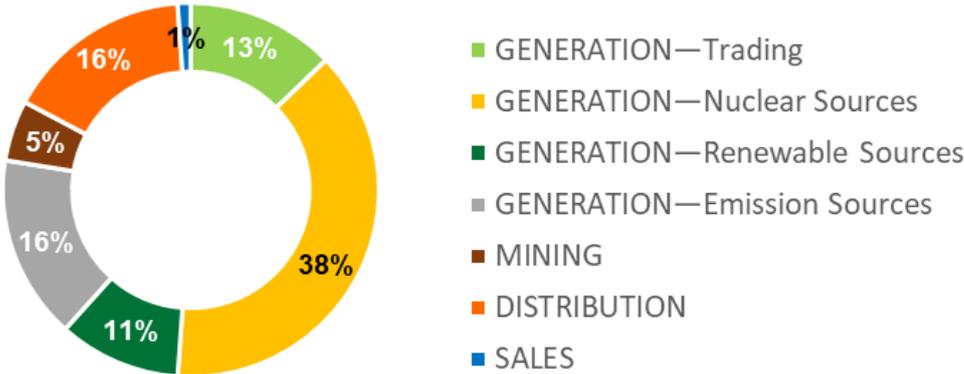
CEZ Group is a stable energy group, one of the largest economic entities in Czechia and Central Europe, employing more than 27,000 people. In its activities, CEZ Group emphasizes the implementation of global climate goals, decarbonization, and the impact of business activities on the environment in general. The core value is generated from emission-free electricity generation, distribution, and sales. The largest shareholder of the parent company ČEZ is the Czech Republic with a nearly 70% stake in the company's stated capital. ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. ČEZ's market capitalization was CZK 571 bn as of June 30, 2022.

CEZ Group is a Vertically Integrated Energy Corporation

Our main business activity is the generation, distribution, trade, and sale of electricity and heat. Other important activities include commodity trading, trading and sale of natural gas, raw material mining, and especially the provision of complex energy services, which belong among the dynamically growing business areas together with electromobility.

CEZ Group's total operating revenues amounted to CZK 130.5 bn in H1 2022. The importance of individual activities for the total value for shareholders is expressed as their share in EBITDA:

The Share of CEZ Group's Main Activities in EBITDA H1 2022 (in %)



In Czechia, CEZ Group companies generate and distribute electricity and heat, sell electricity, gas, and energy services, trade in commodities, provide telecommunications services, and are engaged in mining. They focus on innovation and investing in clean-tech companies.

They are active abroad in energy services, in the generation, trading, and sale of electricity and heat, and in gas sales and commodities trading. Outside Czechia, CEZ Group operates mainly in Germany, Poland and Slovakia, as well as in France, Italy, and Austria.

CEZ Group's Vision and Corporate Responsibility

CEZ Group's long-term vision is to bring innovations for addressing energy needs and help improve the quality of life. In the area of generation, CEZ Group's strategy emphasizes the transformation of its generation portfolio to a low-emission one and the achievement of climate neutrality. As part of the accelerated VISION 2030—Clean Energy for Tomorrow strategy, CEZ Group has committed to ending coal-fired heat generation and to substantially reducing coal-fired power generation by 2030. Subsequently, it aims to be completely climate neutral by 2040. In line with its ambitious carbon-free targets, it envisages building 6,000 MW of new renewable energy sources by 2030 and a tender is underway for the construction of at least one new nuclear unit in cooperation with the Czech state.

In distribution and sales, the ongoing objective is to provide the most advantageous energy solutions and the best customer experience on the market. CEZ Group is therefore investing significantly in the modernization and digitalization of distribution networks and building its position as a reliable leading

supplier of energy and comprehensive energy services, helping to achieve energy savings in Czechia and Central Europe.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. As part of its business activities, it adheres to the principles of sustainable development with an emphasis on the area of ESG (Environmental, Social, Governance), which is an integral part of its management. CEZ Group supports energy efficiency, promotes new technologies, creates equal opportunities and an environment for the professional growth of employees, and focuses on investments in modern technologies, science, and research. Donorship is an integral part of social responsibility, and the ČEZ Foundation has been one of the largest corporate foundations in Czechia since 2002.

The corporate culture emphasizes safety, continuous improvement of internal efficiency, and encouragement of innovation to increase CEZ Group's value.

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Statutory Declaration of Persons Responsible for the CEZ Group Half-Year Financial Report 2022

To the best of our knowledge, the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position, and financial results of ČEZ, a. s., and its consolidated group, and the description pursuant to Section 119(2)(b) of Act No. 256/2004 Coll., as amended, contains a faithful summary of the information required by this provision.

Prague, August 22, 2022



Daniel Beneš
Chairman of the Board of Directors, ČEZ, a. s.



Pavel Cyrani
Vice-Chairman of the Board of Directors, ČEZ, a. s.

1. Company Introduction and Highlights

Overview of Selected Indicators

Selected Indicators

Selected CEZ Group Indicators

	Unit	H1 2021	H1 2022	2022/2021 Index (%)
Installed capacity	GW	12.3	11.8	95.9
Electricity generated (gross)	TWh	27.7	26.8	96.6
of which: emission-free share ¹⁾	%	59.8	61.2	x
Electricity sold ²⁾	TWh	16.9	11.7	69.0
Heat sold ²⁾	'000 TJ	15.7	13.5	86.2
Gas sold ²⁾	TWh	4.3	4.8	111.1
Work force head count as at June 30	'000 persons	30.3	27.3	90.1
of which: women	'000 persons	6.4	5.7	89.1
Operating Revenues	CZK billions	108.2	130.5	120.6
of which: Sales of electricity, heat, gas, and coal	CZK billions	72.5	88.6	122.2
Sales of services and other revenues	CZK billions	34.3	36.2	105.6
EBITDA	CZK billions	31.6	59.3	187.6
of which: emission-free share ¹⁾	%	87	79	x
Net income	CZK billions	1.6	33.6	2,131.7
Adjusted net income ³⁾	CZK billions	11.3	33.6	298.3
Dividend per share ⁴⁾	CZK/share	52.0	48.0	92.3
Net Cash Provided by Operating Activities	CZK billions	23.6	41.7	176.8
Capital expenditures (CAPEX) ⁵⁾	CZK billions	(11.7)	(12.1)	103.5
Assets	CZK billions	1,183.1 ⁶⁾	1,467.9	124.1
Net debt	CZK billions	110.8 ⁶⁾	84.8	76.5
Net debt / EBITDA	1	1.75 ⁶⁾	0.93	x

¹⁾ CO₂ emitting sources excluded.

²⁾ Sold to end-use customers (outside CEZ Group).

³⁾ Adjusted net income = Net income (Income after Income Tax) adjusted for extraordinary effects not generally attributable to the ordinary activities of the business period.

⁴⁾ Awarded dividend per share before tax in the given year. The value expresses a shareholder's right to the payment of a share in a joint-stock company's profits corresponding to the holding of one share.

⁵⁾ Additions to property, plant, and equipment and intangibles.

⁶⁾ Status as at December 31, 2021.

Selected Indicators of the Most Significant Regions of CEZ Group Presence

Indicator	Unit	Czechia		Germany		Poland		Slovakia		Assets sold in Bulgaria and Romania		Other Countries and Region Eliminations ¹⁾	
		H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022
		Operating Revenues	CZK billions	81.5	115.4	7.3	8.0	4.0	4.2	0.8	0.8	15.5	0.0
EBITDA	CZK billions	28.1	58.7	0.6	0.6	0.3	(0.1)	0.1	0.0	2.5	0.0	0.0	0.1
Net Income	CZK billions	3.0	33.9	(0.2)	(0.1)	(0.9)	(0.2)	0.1	(0.0)	0.4	(0.0)	(0.8)	0.0
Employees ²⁾	'000 persons	22.5	22.7	3.2	3.2	0.9	0.9	0.2	0.2	3.3	–	0.2	0.3

¹⁾ Other countries: France, Italy, Israel, Hungary, the Netherlands, Austria, Romania, Serbia, Great Britain

²⁾ Workforce headcount as of June 30

Credit Rating

ČEZ's long-term credit ratings remained unchanged in the first half of 2022.

Rating agency Standard & Poor's did not change ČEZ's long-term rating, which remained at A-, stable outlook, in 2022.

On February 18, 2022, the rating agency Moody's updated the long-term rating of ČEZ a. s., to the Baa1 level with a stable outlook.

Both credit rating agencies are included in the list of credit rating agencies pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council and Regulation (EU) No. 462/2013 of the European Parliament and of the Council. When selecting credit rating agencies, ČEZ complies with Article 8d of the above-mentioned Regulation.

ČEZ's ESG Rating Update from Major Rating Agencies

MSCI has improved the rating by two categories from BBB to AA, placing ČEZ among the top 33% of the top-rated energy companies (April 2022).

S&P Global has raised its ESG score from 50 to 56, a 12% year-on-year improvement (November 2021).

Sustainalytics improved its ESG rating (reducing its risk score from 37.6 to 37.0)—(March 2022).

ISS has raised its rating by one category from a C to a C+ (February 2022).

Shares

In H1 2022, shares of three CEZ Group companies were traded on public markets—ČEZ, a. s., ČEZ OZ uzavřený investiční fond a.s., and Akenerji Elektrik Üretim A.S.

1. ČEZ, a. s.

As at June 30, 2022, the stated capital of ČEZ, a. s. totaled CZK 53,798,975,900. The Company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100. The ISIN is CZ0005112300.

Structure of Shareholders by Entity Type (in %)

	Share in Stated Capital	Share in Voting Rights ¹⁾	Share in Stated Capital	Share in Voting Rights ¹⁾
	as at June 21, 2021 ²⁾		as at June 21, 2022 ³⁾	
Legal entities, total	86.85	86.82	86.66	86.63
of which: Czechia	69.78	69.95	69.78	69.94
ČEZ, a. s.	0.24	—	0.22	—
Other legal entities	16.83	16.87	16.66	16.69
Private individuals, total	13.15	13.18	13.34	13.37

¹⁾ The calculation of the share of voting rights takes into account the prohibition of exercising voting rights associated with own shares held by ČEZ, a. s., not any restrictions on the exercise of voting rights resulting from other facts.

²⁾ Record date for participation in the 30th Annual Shareholders' Meeting.

³⁾ Record date for participation in the 31st Annual Shareholders' Meeting.

Source: Centrální depozitář cenných papírů, a.s. (Central Securities Depository)

Entities Holding at Least 1% of the Shares of ČEZ, a. s.

Entities holding a share amounting to at least 1% of the stated capital of ČEZ, a. s., as registered in the Central Securities Depository as at June 21, 2022, were:

- The Czech Republic, represented by the Ministry of Finance of the Czech Republic, having a total share of 69.78% in the stated capital, i.e., 69.94% of voting rights
- Clearstream Banking, S.A., holding a share amounting to 1.82% of the stated capital, that is, 1.83% of voting rights
- Chase Nominees Limited, holding a stake amounting to 1.71% of the stated capital, i.e., 1.71% of voting rights
- Belviport Trading Limited, holding a share amounting to 1.47% of the stated capital, that is, 1.47% of voting rights

On March 21, 2022, BlackRock, Inc., delivered a notice of its share in voting rights pursuant to Section 122(1) of the Capital Market Undertakings Act. According to the notice, its share in voting rights is 1.07%.

As of the aforementioned date, the aforementioned entities had the rights arising from the provisions of Section 365 et seq. of the Business Corporations Act. The possibility that some of the aforementioned entities manage shares owned by third parties cannot be excluded.

Treasury Shares

To cover the entitlements arising from the Company's stock option program (terminated on December 31, 2019; however, the rights to exercise calls on option allocations granted until the end of 2019 remained unchanged), 1,258,349 treasury shares, corresponding to 0.23% of the stated capital, were held in the property account of ČEZ, a. s., in the Central Securities Depository as of January 1, 2022.

ČEZ used 61,495 shares to satisfy the claims of beneficiaries under the stock option plan in the first half of 2022. The average call price at which the shares were sold to beneficiaries amounted to CZK 531.28 per share. The total amount received for the transfer of the shares to the beneficiaries was CZK 32.7 million (including interest).

As of June 30, 2022, the above-mentioned asset account contained 1,196,854 treasury shares, that is, 0.22% of the stated capital.

ČEZ, a. s., Share Prices in H1 2022



Dividend Policy

Until 2017, ČEZ applied a dividend policy that anticipates paying out 60–80% of consolidated net income adjusted for extraordinary effects generally unrelated to ordinary financial performance in a given year. Subsequently, the upper limit of the payout ratio range was temporarily extended up to 100% until the development strategy was refined and the Company has applied a payout ratio of 80–100% since 2019. In H1 2022, the dividend policy was updated, the payout ratio was adjusted to a level of 60–80% of consolidated net profit adjusted for extraordinary effects generally unrelated to the current year's operations with effect from January 1, 2023. The average payout ratio of comparable energy companies in Europe is around 60%.

Payment of Dividends to Shareholders

At its meeting on June 28, 2022, the annual Shareholders' Meeting resolved to pay a dividend of CZK 48 per share before tax to the Company's shareholders, which corresponds to a total amount of funds to be distributed to shareholders of CZK 25.8 billion. The record date for entitlement to the dividend is July 4, 2022. The dividend is payable no earlier than November 1, 2022 and can be claimed until October 31, 2026.

Individuals with permanent residence in Czechia or Slovakia may also claim the dividend in cash until December 31, 2022.

2. ČEZ OZ uzavřený investiční fond a.s.

During H1 2022, there was no change in the number of shares held and ČEZ, a. s., held almost 99.6% of the shares in ČEZ OZ uzavřený investiční fond a.s. as at June 30, 2022. Shareholders outside CEZ Group held a stake of 0.04%.

3. Akenerji Elektrik Üretim A.S.

The Company's shares are traded freely on the stock exchange. A portion of shares representing a 25.3% stake in the company's capital has been freely traded on the Istanbul stock exchange since July 3, 2000. The ISIN is TRAAKENR91L9. The shares are not traded on any other public markets. ČEZ, a. s., held an almost 37.4% stake in the company's stated capital as of June 30, 2022.

Selected Events

Selected Events in H1 2022

January

- CEZ Group joined the UN Global Compact initiative.

February

- The Russian Federation launched a military operation in Ukraine; several rounds of sanctions and counter-sanctions by the European Union, the United States, and the Russian Federation followed, restricting trade and payments between them; these events led to further unprecedented increases in commodity prices and uncertainty in Europe.

March

- On March 15, 2022, a decision was issued on the provision of financial resources from the State Environmental Fund of the Czech Republic intended for photovoltaic power plants above 1 MWp; investment support of CZK 1.0 billion for 17 projects with a total capacity of 173 MWp was approved for ČEZ under the RES+ Call No. 2/2021.
- A tender procedure for the contractor to construct a new nuclear power plant at the Dukovany site has been launched; three bidders are participating, namely the US-Canadian company Westinghouse, the French company EdF, and the Korean company KHNP; the deadline for the submission of initial bids is the end of November 2022, and Q4 2023 for final bids.
- The Russian Federation has made it compulsory for customers from countries on the list of “not friendly countries” to pay for natural gas in Russian roubles from April 1, 2022; Czechia has been on the list since May 2021.

April

- On April 6, a EUR 600 million Sustainability-Linked Bond was issued, maturing in 2027 with a coupon of 2.375%; it is the first ever EUR-denominated sustainability-linked bond issued by an energy company in Central and Eastern Europe.
- MSCI upgraded ČEZ's ESG rating on April 8 to AA (up 2 levels from BBB).
- ČEZ and GEOMET signed a memorandum with the Ústí nad Labem Region to support lithium production and the construction of a battery cell factory for electric vehicles.

May

- On May 26, the State Office for Nuclear Safety issued a permit for the continued operation of Unit 2 of the Temelín Nuclear Power Plant for an indefinite period of time; ČEZ must continuously demonstrate to the authority that it meets all conditions related to safe operation.
- In line with the strategy in the heating sector, a decision was taken to merge Elektrárna Dětmárovice into ČEZ on January 1, 2023.
- The international SBTi (Science Based Targets initiative), which provides companies from all over the world with expert assessments of their climate targets, has verified that CEZ Group's short-term targets meet the conditions of the Paris Climate Agreement.

June

- On June 28–29, the Shareholders' Meeting of ČEZ, a. s., was held, at which, among other things, the dividend of CZK 48 per share, a change in the composition of the Supervisory Board, and an updated business concept were approved.
- Following a tender procedure, ČEZ concluded contracts with the US-Canadian company Westinghouse and the French company Framatome for the supply of fuel assemblies for the Temelín Nuclear Power Plant; deliveries for more than 10 years will begin in 2024.
- ČEZ announced that it will become a 100% owner of ŠKODA JS, a major nuclear industry supplier.
- With the completion of a modern 110/22 kV transformer station on the outskirts of Uničov in the Olomouc Region, CEZ Group has secured sufficient power supply for the electrification of the modernized Olomouc—Uničov—Šumperk railway line with a line speed of up to 160 km/h.

Selected Events until the Closing Date for the Half-Year Report

July

- The Ministry of Industry and Trade of the Czech Republic together with ČEZ have negotiated a capacity of three billion cubic meters of natural gas per year for Czechia at a new LNG terminal, including transport routes to Czechia; the terminal will be located in Eemshaven, the Netherlands; the contract has been concluded for 5 years; the capacity will be commercially managed by ČEZ; options for capacity assignment and cost sharing with the Czech state are included.
- The European Parliament approved the temporary and conditional inclusion of nuclear power and natural gas as green investments under the European Sustainable Investment Taxonomy.
- ČEZ signed a credit agreement with the Ministry of Finance of the Czech Republic for up to EUR 3 billion (approx. CZK 73 billion) to cover liquidity risks associated with a potential surge in the requirements for temporary extraordinary increases in margin deposits (security deposits) on energy exchanges and to trading counterparties; on July 13, ČEZ drew down EUR 2 billion (approx. CZK 49 billion) in accordance with the agreement, and another EUR 1 billion (approx. CZK 24 billion) is available within 5 days upon request.
- ČEZ has signed an agreement to sell its 50% stake in the Turkish joint venture AKCEZ Enerji to the Turkish Torunlar Group; the transaction is conditional, among other things, on refinancing the existing debt of AKCEZ Enerji by the new co-owners; the transaction is also subject to approval by the Turkish Antitrust Authority and the local energy regulator.

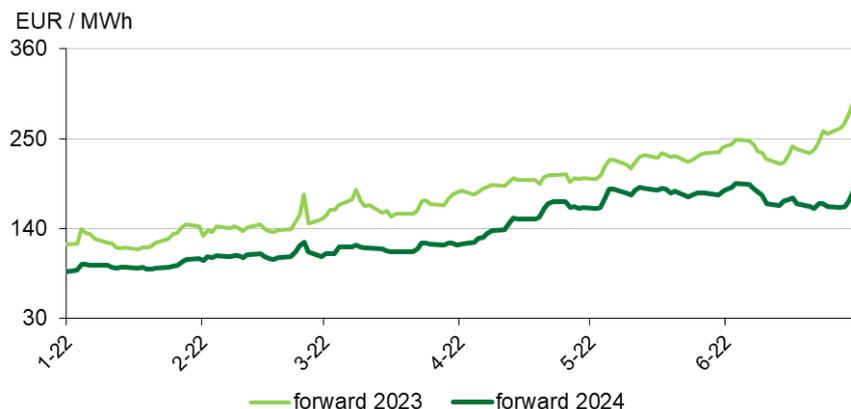
August

- Following the reduction of natural gas supplies from the Russian Federation and rising inflation in Europe, wholesale electricity prices for delivery in 2023 reached new all-time highs, exceeding EUR 500/MWh.

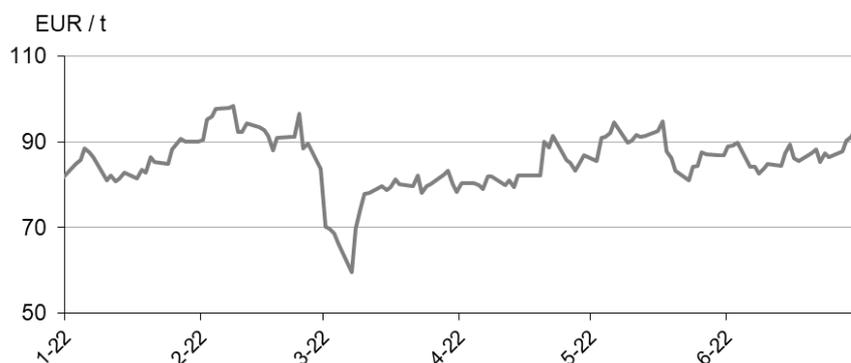
Developments in Relevant Energy Markets

During H1 2022, electricity prices increased dramatically to all-time highs. The price of electricity in the base band with delivery in Germany for next year more than doubled from EUR 125/MWh to EUR 293/MWh. This increase was mainly due to the increase in natural gas prices as a result of the conflict in Ukraine, the reduction in Russian gas supplies, and rising uncertainty and inflation in Europe. The gas price increased by 158% to EUR 107/MWh and the coal price by 190% to USD 252/t. The price of emission allowances was relatively stable and traded mainly in the range of EUR 80–90/t.

Wholesale Price of Electricity in 2022 (Annual Band for 2023 and 2024 for Germany)



Emission Allowance Prices in 2022 (EUA Price with Supply in December 2023)



Determinants of the Electricity Sector's Future Development

The energy sector is fundamentally affected by the consequences of the events in Ukraine. In its REPowerEU Communication, the European Commission has set out how it intends to limit and then completely stop the supply of Russian energy commodities to the EU. Commodity prices have increased to significant historic highs.

The price of hard coal has increased sharply and exceeded USD 280/t in mid-July (ARA, Cal23). Throughout the winter (2021/2022), prices remained around USD 100/t. With the start of the Russian invasion of Ukraine, prices increased sharply to over USD 260/t. The EU decided to sanction Russia and, as part of the fifth sanctions package, completely banned the import of Russian coal into the EU with effect from August 10, 2022.

Natural gas prices on wholesale markets have increased rapidly and were above EUR 140/MWh in mid-July (THE, Cal23). Prices had already increased earlier, from EUR 25/MWh in early winter 2021/22 to EUR 60/MWh in February. The launch of the Russian military attack on Ukraine subsequently pushed prices up to over EUR 80/MWh. Germany stopped the certification of the newly built Nord Stream 2 pipeline, which was technically ready to start up and whose main investor is Russia's Gazprom, to check compliance with EU rules. In response to the imposition of anti-Russian sanctions, Gazprom started to demand gas payments in Russian roubles, in line with the Russian Federation's decision. Gazprom stopped supplying gas to countries and companies that did not comply with this demand. This affected in particular Poland, Bulgaria, Finland, and some companies in Denmark and Germany. In mid-June, Russia reduced exports through the existing Nord Stream 1 pipeline to 40%. The official reason was missing turbines of compressor stations, which were stuck for

service repairs in Canada due to anti-Russian sanctions. As a result, Gazprom's exports to Europe decreased by 31% year-on-year in H1.

In May, Gazprom announced that it would not be able to export gas to European Union countries via the Polish branch of the Yamal pipeline, from Russia via Belarus and Poland to Germany due to Russian sanctions on EuRoPol GAZ, which owns the Polish section of the pipeline. The pipeline was already minimally used before. From July 11 to 21, the Nord Stream 1 pipeline was shut down for routine maintenance and gas started flowing through it after the maintenance was completed, but only at volumes close to pre-maintenance levels due to the still missing turbines.

The price of emission allowances has been more stable than energy commodity prices since the beginning of 2022. It has mostly hovered around EUR 85/t (EUA, Dec23). The exception was the period immediately after the start of the Russian invasion, when the price briefly decreased to EUR 60/t due to the shrinking positions of financial players.

The electricity price increased to EUR 350/MWh (Cal 23) in mid-July, up from EUR 130/MWh at the beginning of the year. This increase was mainly due to the Russian natural gas supply curtailment and the general uncertainty this creates.

The EU is now focusing on replacing Russian gas. The ambitious targets for the main parts of the Fit for 55 package are likely to increase further as they also improve security of supply in addition to decarbonization. In its REPowerEU Communication, the European Commission proposes the following targets for 2030:

- Reduce greenhouse gas emissions by at least 55% compared to 1990 (the same as in Fit for 55);
- Increase the share of RES in final energy consumption to 45% (Fit for 55 envisaged a minimum of 40%);
- Increase energy savings to a minimum of 13% (Fit for 55 targeted a minimum of 9%) compared to the consumption outlook.

By 2030, the EU's RES capacity is set to increase substantially. Photovoltaics will reach almost 600 GW and wind resources 510 GW. The European Commission has also proposed to speed up the permitting process. Member states are to designate RES as an "overriding public interest" and earmark areas where the permitting process is to be completed in one year. The role of hydrogen in the EU energy mix is to be significantly strengthened. The 2030 targets foresee 10 Mt (approx. 330 TWh) of hydrogen from domestic production and a further 10 Mt of imported hydrogen. At the same time, the share of green hydrogen in total energy and non-energy consumption of industry (excluding refineries) should increase to 75% by 2030 (from the current 50% in Fit for 55) and in the transport sector to 5% (from the current 2.6%).

A number of countries are restarting coal-fired power plants or extending the time they will be in production. They are also increasing the import capacity of their LNG terminals and intend to commission floating storage and regasification units within a few months. Countries with their own gas extraction are increasing or postponing production. Important points include:

- Germany is postponing the closure and allowing the return from reserve to market of a total of 8.8 GW of lignite and coal-fired power plants along with 1.6 GW of fuel oil plants,
- Germany intends to secure 3–4 floating terminals in the short term, i.e. approximately 20–28 m³ bn: Wilhelmshaven 7.5 m³ bn (winter 2022–23), Hamburg 8 m³ bn (end 2022), Brunsbüttel 5 m³ bn (2023);
- Germany will run 37–41 m³ bn of standard LNG capacity in the next 3–4 years: Brunsbüttel 8 m³ bn (2025), Wilhelmshaven 16–20 m³ bn (2025), Stade 13.3 m³ bn (2026);
- Poland will accelerate the construction of the floating terminal from 2027/28 to 2025/26, while doubling capacity up to 12 m³ bn due to increased demand for LNG from Czechia, Slovakia, and Ukraine;
- The Netherlands will not close the Groningen gas field in 2022, but will allow it to produce at a minimum level of 2.8 m³ bn.

Thanks to the increase in energy and climate targets, the European Commission expects gas consumption to decrease dramatically. At the same time, gas imports from non-Russian destinations will increase. This should end dependence on Russian gas by 2027.

2. Corporate Governance

Shareholders' Meeting of ČEZ, a. s.

The annual Shareholders' Meeting of ČEZ, a. s., started on June 28, 2022 and ended on June 29, 2022. At its session, the Shareholders' Meeting:

- Heard the reports of the company's bodies,
- Approved the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2021,
- Approved the distribution of the 2021 profit of ČEZ, a. s., amounting to CZK 4,406,893,805.66 and a portion of retained earnings amounting to CZK 21,416,614,626.34 as follows:
Share in profit to be distributed to shareholders (dividend) CZK 25,823,508,432.
The dividend is CZK 48 per share before tax.
The dividend is payable no earlier than November 1, 2022 and can be claimed until October 31, 2026,
- Approved a change in the method of payment of profit shares (dividends) approved for distribution to the shareholders of ČEZ, a. s., by the Shareholders' Meetings in 2019 to 2021, with the condition that the dividends (if the shareholders are still entitled to their payment) will continue to be paid in the manner presented to this Shareholders' Meeting (see www.cez.cz, link "For Investors", section "Shareholders' Meetings", section relating to the 2022 Shareholders' Meeting),
- Approved the amount of funds for the provision of donations for 2023 in the amount of CZK 150 m and an increase in the amount of funds for donations in 2022 by CZK 40 m, i.e. to CZK 150 m,
- Approved an update to the business policy of CEZ Group and ČEZ, a. s.,
- Decided to amend the Company's bylaws,
- Approved model contracts for the performance of duties as a member of the Supervisory Board and a member of the Audit Committee,
- Approved the Report on Remuneration of ČEZ, a. s., for the accounting period of 2021,
- Removed Ing. Jan Vaněček from the Supervisory Board,
- Removed Ing. Vladimír Černý, Ing. Vladimír Kohout, and Ing. František Vágner from the Supervisory Board with effect from August 31, 2022,
- Confirmed Mgr. Roman Binder as a member of the Supervisory Board,
- Elected Ing. Radim Jirout, MBA, LL.M., Ing. Jiří Kadrnka, Mgr. Vít Doležálek, and Ing. Eva Hanáková to the Supervisory Board,
- Removed Ing. Jan Vaněček from the Audit Committee,
- Elected Ing. Andrea Lukášiková and Ing. Petr Šobotník to the Audit Committee.

Changes in ČEZ, a. s., Governance Bodies

Supervisory Board

Members of the Supervisory Board Appointed as Substitute Members in H1 2022:

Otakar Hora	Chairman of the Supervisory Board since August 16, 2018, re-elected from June 24, 2022 (term ending June 29, 2022, see text below), Member of the Supervisory Board since June 23, 2018, substitute member of the Supervisory Board from June 24, 2022 to June 29, 2022 (the term of the substitute member ended with the discussion of the relevant item at the Shareholders' Meeting held on June 28 and 29, 2022)
Roman Binder	Vice-Chairman of the Supervisory Board since February 24, 2022 substitute member of the Supervisory Board from February 24, 2022 to June 29, 2022 (the Shareholders' Meeting confirmed him as a member of the Supervisory Board)

Members of the Supervisory Board whose Membership or New Positions Were Created in H1 2022:

Radim Jirout	Chairman of the Supervisory Board since June 29, 2022 Member of the Supervisory Board elected by the Shareholders' Meeting with effect from June 29, 2022 (term ending June 29, 2026)
Roman Binder	Vice-Chairman of the Supervisory Board since February 24, 2022 confirmed as Vice-Chairman of the Supervisory Board on June 29, 2022 Substitute Member of the Supervisory Board since February 24, 2022 confirmed by the Shareholders' Meeting as a member of the Supervisory Board on June 29, 2022
Milan Wagner	Vice-Chairman of the Supervisory Board since June 29, 2022 Member of the Supervisory Board elected by the company's employees with effect from January 24, 2022 (term ending January 24, 2026)
Marta Ctiborová	Member of the Supervisory Board elected by the company's employees with effect from January 24, 2022 (term ending January 24, 2026)
Vít Doležálek	Member of the Supervisory Board elected by the Shareholders' Meeting with effect from June 29, 2022 (term ending June 29, 2026)
Eva Hanáková	Member of the Supervisory Board elected by the Shareholders' Meeting with effect from June 29, 2022 (term ending June 29, 2026)
Jiří Kadrnka	Member of the Supervisory Board elected by the Shareholders' Meeting with effect from June 29, 2022 (term ending June 29, 2026) Member of the Supervisory Board from November 22, 2010 to June 27, 2014
Radek Mucha	Member of the Supervisory Board elected by the company's employees with effect from January 24, 2022 (term ending January 24, 2026)
František Novotný	Member of the Supervisory Board elected by the company's employees with effect from January 24, 2022 (term ending January 24, 2026)

Members of the Supervisory Board whose Membership has Terminated or has been Decided to Terminate in H1 2022:

Otakar Hora	Chairman of the Supervisory Board from August 16, 2018 to June 29, 2022 Member of the Supervisory Board from June 23, 2018 to June 29, 2022
Ondřej Landa	Vice-Chairman of the Supervisory Board from June 23, 2016, to January 16, 2022 Member of the Supervisory Board from June 3, 2016 to January 16, 2022
Zdeněk Černý	Vice-Chairman of the Supervisory Board from August 16, 2018 to June 28, 2022 Member of the Supervisory Board from June 27, 2014 to June 28, 2022
Jitka Čermáková	Member of the Supervisory Board from April 12, 2017 to January 23, 2022

Vladimír Černý	Member of the Supervisory Board from July 2, 2020 to August 31, 2022
Vladimír Hronek	Member of the Supervisory Board from September 30, 2010 to January 23, 2022
Lubomír Klosík	Member of the Supervisory Board from April 12, 2017, to January 23, 2022
Vladimír Kohout	Member of the Supervisory Board from June 3, 2016, to August 31, 2022
Josef Suchánek	Member of the Supervisory Board from April 12, 2017 to January 23, 2022
Karel Tyll	Member of the Supervisory Board from June 23, 2018 to June 23, 2022
František Vágner	Member of the Supervisory Board from June 3, 2016 to August 31, 2022
Jan Vaněček	Member of the Supervisory Board from June 27, 2019 to June 29, 2022

Audit Committee

Members of the Audit Committee whose Membership or New Positions Were Created in H1 2022:

Otakar Hora	Chairman of the Audit Committee since June 29, 2022 Vice-Chairman of the Audit Committee from September 27, 2016 to June 28, 2022 Member of the Audit Committee since June 3, 2016 (term ending July 2, 2024)
Jiří Pelák	Vice-chairman of the Audit Committee since June 29, 2022 Member of the Audit Committee from June 21, 2017 to June 21, 2021, reelected since June 28, 2021 (term ending June 28, 2025)
Petr Šobotník	Member of the Audit Committee since June 29, 2022 (term ending June 29, 2026)

Member of the Audit Committee Reelected for Another Term in H1 2022:

Andrea Lukasíková	Member of the Audit Committee since June 27, 2014 reelected since June 29, 2022 (term ending June 29, 2026)
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Members of the Audit Committee whose Membership Ended in H1 2022:

Jan Vaněček	Chairman of the Audit Committee from September 25, 2015 to June 12, 2019, reelected from June 27, 2019 to June 29, 2022 Member of the Audit Committee from June 12, 2015, to June 12, 2019, reelected from June 27, 2019 to June 29, 2022
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Board of Directors

Member of the Board of Directors Reelected for Another Term in H1 2022:

Tomáš Pleskač	Member of the Board of Directors since January 26, 2016, reelected with effect since January 30, 2022 (term ending January 30, 2026) Vice-Chairman of the Board of Directors from June 26, 2017 to December 31, 2019
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Strategy

Europe's energy sector is undergoing a major transformation towards sustainable solutions.

CEZ Group has long been committed to decarbonization and sustainable development principles and intends to play a leading role in the overall transformation of the energy sector in the region. In 2021, CEZ Group decided to make its long-standing strategy of transitioning to climate neutrality even more tangible and to significantly accelerate the overall reduction of emissions. In the accelerated "VISION 2030—Clean Energy of Tomorrow" strategy, CEZ Group commits to fulfilling its goals and public commitments in three ESG sustainability areas by 2025 and 2030: Environmental, Social, and Governance.

In line with this strategy and in light of developments in the energy markets and the risks arising from the conflict in Ukraine, an update of the business policy was approved at the 2022 annual Shareholders' Meeting. The policy builds on the previous one from 2019 in important parameters. In practice, it is a clearer link to the updated "VISION 2030—Clean Energy of Tomorrow" strategy in terms of structure and priorities, including a stronger emphasis on ESG goals, CEZ Group's commitments to its stakeholders, and an adaptation of CEZ Group's structure to maximize value for all shareholders. The policy envisages adjusting the internal structure of CEZ Group to enable optimal achievement of strategic objectives in generation and customer areas. Activities and assets will therefore be realigned to match the content of both defined areas.

CEZ Group's Mission and Vision

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society at large. CEZ Group's vision is to bring innovation to resolve energy needs and help improve the quality of life.

The accelerated "VISION 2030—Clean Energy of Tomorrow" strategy defines CEZ Group's strategic goals until 2030, taking into account the EU's decarbonization vision, and sets out CEZ Group's specific ambitions in the area of social responsibility and sustainable development in order to maximize shareholder value.

Strategic Vision 2030 "Clean Energy for Tomorrow"

The main strategic priorities of the accelerated strategy—VISION 2030:

1. Transform our generation portfolio to a low-emission one and achieve climate neutrality by 2040
2. Provide the most cost-effective energy solutions and the best customer experience in the market
3. Develop CEZ Group in a responsible and sustainable manner in accordance with ESG principles

The basic premise is to continuously adjust the structure of CEZ Group to meet the demands of investors, creditors and employees, and to enable maximum increase in shareholder value.

The main strategic objectives and commitments defined under the individual strategic priorities including the ESG targets:

I. Transform our generation portfolio to a low-emission one and achieve climate neutrality

Comprehensive objective—to reduce emissions intensity by more than 50% by 2030 and achieve climate neutrality by 2040.

Nuclear facilities:

- We will safely increase generation from existing nuclear sources to 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) after 2040 with a total capacity of over 1,000 MW.

Renewables:

- We will build a total of 6 GW of renewables by 2030, including 1.5 GW by 2025.
- We will increase installed capacity for electricity storage by at least 300 MW_e by 2030.

Conventional facilities:

- We will decarbonize the thermal power sector and convert our coal sites into sites ready for new activities after the shift away from coal.

- We will build new gas-fired capacities that will be ready to also burn hydrogen.
- We will reduce the share of electricity generated from coal to 25% by 2025 and 12.5% by 2030.

II. Provide the most cost-effective energy solutions and the best customer experience in the market

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.

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.

Sales—ESCO:

- We will 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%.
- We will build the infrastructure for electromobility—we will quadruple the charging capacity and by 2025 we will operate at least 800 charging stations.

New segments:

- We will expand our activities into other areas of battery production, electromobility, and hydrogen generation.

III. Develop CEZ Group in a responsible and sustainable manner in accordance with ESG principles

CEZ Group's comprehensive goal in responsible and sustainable development is to be among the top 20% of European utilities in ESG rating by 2023.

Selected objectives in the environmental area:

- We will reduce greenhouse gas emissions in line with the Paris Agreement “Well below 2 Degrees” by 2030 (from 0.38 t CO₂e/MWh in 2019 to 0.26 in 2025 and 0.16 in 2030).
- We will reduce the SO₂ emissions from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030.
- We will reduce the NO_x emissions from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030.

Selected objectives in the area of social relations:

- We will continue to be decent corporate citizen, cultivating good relationships with communities.
- We will maintain our position of the most attractive employer for future talents and current employees.
- We will ensure a fair transition for all employees affected by shifting away from coal through retraining, reskilling, or compensation.
- We will maintain the highest Net Promoter Score (NPS) among the leading electricity suppliers.
- We will digitize all key customer processes by 2025.

Selected objectives in the area of corporate governance:

- Achieve 30% female representation in management.
- Increase the frequency of employee training concerning the Code of Ethics and train at least 95% of employees each year from 2022 on.

ESG and Sustainable Development Social Objectives

CEZ Group's strategy fully reflects the principles of ESG and sustainability, i.e. emphasis on assessing and managing the environmental impact of business, on internal and external stakeholders and society-wide interests, and on responsible and ethical corporate governance. In accordance with the GRI standards (Global Reporting Initiative—an independent international organization that creates

standards for reporting non-financial information), and now also with the SASB standards (Sustainability Accounting Standards Board, a non-profit organization that issues standards for reporting sustainability indicators by industry) and the World Economic Forum metrics, CEZ Group prepares the CEZ Group Sustainability Report every year. Data for 2021, released in 2022, now includes reporting in accordance with the EU taxonomy. For the first time, selected indicators are also audited by an independent external auditor. This approach reinforces CEZ Group's commitment to the highest standards of transparency, accuracy, and accountability.

CEZ Group is aware of the impact of decarbonization on various stakeholder groups. That is why its strategy includes clear and tangible plans to minimize negative social impacts and a commitment to a just transition.

A stronger focus on ESG issues and meeting global climate goals can also be expected with the launch of REPowerEU (the EU's plan to ensure the EU's energy independence while significantly reducing its dependence on fossil fuels from Russia and transforming its energy sector to a more "green" one) and the European Commission's proposal to set stricter targets under the Fit for 55 package. Meeting the EU's ambitious climate targets will not be easy. However, for a commercial company like ČEZ, it represents a significant business opportunity as well.

CEZ Group is aware of its commitment to the communities and regions adversely affected by coal-fired power plant retirements or mining and is acting in accordance with the principles of just transition. It already supports these regions through the ČEZ Foundation.

Approach to Climate Protection

The contribution of the energy sector to meeting global climate goals is one of CEZ Group's long-term strategic objectives. CEZ Group recognizes that climate change poses risks to business, society, the environment, and biodiversity, and is therefore committed to both mitigating the impacts of climate change and adapting to it. CEZ Group's climate risk management is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), whose supporter it has been since November 2021 as the first ever Czech entity. CEZ Group uses the latest scientific knowledge and evaluates climate scenarios to build strategic resilience in the short, medium, and long term.

The main environmental priority is decarbonization, i.e. reducing CO₂ emissions and other greenhouse gases. Other environmental priorities include reducing SO₂ and NO_x emissions from electricity generation. CEZ Group has spent tens of billions of CZK on reduction of emissions and other environmental measures, and constantly takes steps ahead to meet all emission and environmental requirements set by legislation and regulatory bodies.

Emissions from CEZ Group's Electricity and Heat Generation

		H1 2021	H1 2022
Equivalent of carbon dioxide (CO ₂ e)	tons (million)	9.5	8.8
Sulfur dioxide (SO ₂)	tons ('000)	3.9	3.3
Nitrogen oxides (NO _x)	tons ('000)	7.1	6.6

Reducing CO₂ emissions from electricity and heat generation

The 2015 Paris Agreement represents a commitment to limit global warming to well below 2 °C compared to the pre-industrial period and to strive to limit the increase to 1.5 °C. CEZ Group fully supports the conclusions of the Paris Agreement. In 2021, it strengthened its commitment to being a climate-neutral company by incorporating its sustainability strategy into CEZ Group's corporate strategy and created a unified accelerated strategy, VISION 2030—Clean Energy for Tomorrow. Within the framework of the VISION 2030, CEZ Group has set targets to reduce atmospheric pollutant emissions, specifically reducing SO₂ emissions from 21 kt in 2019 to 6.5 kt in 2025 and 3 kt in 2030 and NO_x emissions from 23 kt in 2019 to 13 kt in 2025 and 7 kt in 2030.

In May 2022, CEZ Group speeded up its goal of achieving climate neutrality by ten years, i.e. by 2040, which puts it, as an electricity generator, in line with the International Energy Agency's global climate neutrality roadmap.

CEZ Group was the first in the country to obtain verification of its 2030 climate targets from the Science Based Targets Initiative (SBTi) in May 2022. The CO₂e indicator corresponds to emissions defined as Scope 1 and 2 of the GHG Protocol (Greenhouse Gas Protocol). In CEZ Group's terms, these are emissions related not only to the combustion of fossil fuels in electricity and heat generation, but also to CO₂ emissions from transport. In addition to CO₂ emissions, the CO₂ equivalent is also calculated from CH₄ and N₂O emissions from biomass combustion, CH₄ emissions from coal mining and HFC, PFC and SF₆ emissions from air conditioning and other equipment. For 2021, Scope 1 and 2 GHG emissions are externally audited for the first time.

In the future, CEZ Group intends to actively continue decarbonizing its portfolio and gradually shut down coal-fired power plants without jeopardizing its obligations to supply stable electricity and heat.

CO₂e Emission Intensity of CEZ Group's Electricity and Heat Generation



Safety and Security

1. Safety

Safety of Operated Nuclear Power Plants

ČEZ's nuclear power plants were operated in compliance with applicable nuclear energy legislation in H1 2022, fulfilling the conditions of their valid licenses. The operation of both nuclear power plants was assured with compliance with all government COVID-19 measures. Following the Nuclear Safety Policy, the Nuclear Power Plant Safety Enhancement Plans were evaluated and updated in April.

In May, both sites were inspected for seismic resistance. Inspectors from the International Atomic Energy Agency (IAEA) examined both the existing generating units and the plans for the construction of additional nuclear facilities, including small modular reactors, and confirmed the suitability and resilience of both sites to strong earthquakes, which, moreover, are expected to occur with very low probability.

Specialists from both plants participated in a WANO support mission (from the WANO Atlantic, Moscow, and London centers) focused on operational experience, i.e. on improving the process of event investigation and in particular the formulation of effective corrective measures.

In both nuclear power plants, the system of ČEZ, a. s., welding area set up according to international ISO standards was checked by TÜV NORD auditors. ČEZ first obtained this certification of the quality assurance system for the special welding process area four years ago. It is currently one of the important conditions for ensuring work in the demanding environment of nuclear power plants.

At both plants, emergency drills were carried out as planned, including a pilot exercise of a multi-unit event in real time. At the Temelín nuclear power plant, the aim of the exercise was, among other things, to verify the long-term functioning of all specialists, including shift changes, transport arrangements, and impacts on the plant operation. For example, the second rotating shift spent 12 hours in the shelter under the administration building, mostly at night.

Dukovany Nuclear Power Plant

In early 2022, the Unit 2 refuelling outage continued, followed by Unit 1 and Unit 4 outages as scheduled. A new and important activity of these outages is the cleaning of the steam generator heat transfer surfaces, which provides a 2–3% increase in the margin for potential blanking of the steam generator tubes compared to the existing situation, which has a significant impact on the life of the plant and potential future operation at increased power level.

Modifications have been made to the cooling towers to reduce the temperature of the circulating cooling water and therefore increase the output of the turbogenerator and increase electricity generation.

Temelín Nuclear Power Plant

From January 10 to February 14, only necessary maintenance interventions, key operational checks, and necessary investments were carried out due to the situation regarding COVID-19 for protection against the Omicron variant. Everything else was postponed. The Unit 1 refuelling outage took place as planned from April to June.

The two-year tender for the nuclear fuel assemblies supplier ended in April. For the sake of diversification, two suppliers were selected so that CEZ Group could reliably ensure a continuous supply of fuel assemblies for the Temelín nuclear power plant reactors in the future and thus minimize the risks of a possible supply failure.

At the beginning of June, the State Office for Nuclear Safety granted a permit for further operation of Unit 2 for an indefinite period.

2. Security

CEZ Group's security focuses on eliminating or reducing risks associated with threats that can be carried by humans in particular (thief, embezzler, saboteur, extremist, terrorist, hacker, etc.).

The top document of the CEZ Group's security management system is the "CEZ Group Security Policy", which, among other things, defines the vision, objectives, and scope of the CEZ Group's security management system in accordance with the requirements of regulations, laws, and international standards and recommendations, in particular Regulation (EU) 2016/679, the General

Data Protection Regulation (GDPR), the Atomic Energy Act, laws on cybersecurity, protection of classified information, and security clearance, ISO 27000, ISO 22301, IAEA recommendations, etc.

Physical Protection

It provides a specified level of protection of facilities, nuclear materials and nuclear installations, persons, and property adequate to the risks arising from the current security situation and the defined design basis threat to nuclear materials and nuclear installations in Czechia.

In H1 2022, no safety-significant deviations from the normal state of physical security were registered within ČEZ, a. s., including both nuclear power plants. The implementation of Phase II of technical measures continued at both nuclear power plants, for which the security of defined vital areas will be carried out according to the requirement of the State Office for Nuclear Safety.

In cooperation with the Czech Army, preparations are underway for the SAFEGUARD Dukovany 2022 exercise, which will comprehensively test the readiness of the Czech Army, the Czech Police, and ČEZ, a. s., in providing external protection of the Dukovany power plant in November 2022.

Information and Cyber Security

CEZ Group companies are administrators of critical information infrastructure and basic service information systems (mainly power and heat generation plants) within the meaning of Act No. 181/2014 Coll., on cyber security.

In 2022, the CEZ Group companies responded immediately to three new cyber threat warnings issued by the National Cyber and Information Security Agency (NÚKIB) and continuously managed security events and incidents over the assets they manage.

CEZ Group is implementing preparatory steps in response to the expected revision of Directive (EU) 2016/1148 of the European Parliament and of the Council on measures to ensure a high common level of network and information systems security in the Union (NIS)—known as NIS2. The aim of the activities in H1 2022 was to prepare the scope, schedule, and budget of the NIS2 implementation project, within which the necessary steps will be implemented to ensure compliance of CEZ Group companies with the new legislative requirements resulting from the implementation of NIS2 into the Czech legal system.

Protection of Information, Projects, and Interests

In addition to the general protection of information, trade secrets, and personal data, ČEZ, a. s., also ensures the protection of classified information and the performance of sensitive activities pursuant to Act No. 412/2005 Coll., on the protection of classified information and security clearance. CEZ Group pays special attention to the protection of the “New Nuclear Power Plant Dukovany II” project and related information.

iSOC—Integrated Security Operations Center

In H1 2022, the activities of the iSOC (Integrated Security Operations Center) were focused on the development of competencies following the iSOC project, which was completed in September 2021. The number of systems connected to the iSOC surveillance tools is gradually being increased.

A significant part of the iSOC capacity has been allocated to the implementation of functional security surveillance to ensure the protection of the New Nuclear Power Plant Dukovany II project.

Intensive communication and sharing of up-to-date information on specific threats within the Czech security community is taking place in the framework of elimination or reduction of risks related to the war conflict in Ukraine.

Business Continuity Management and Crisis Management

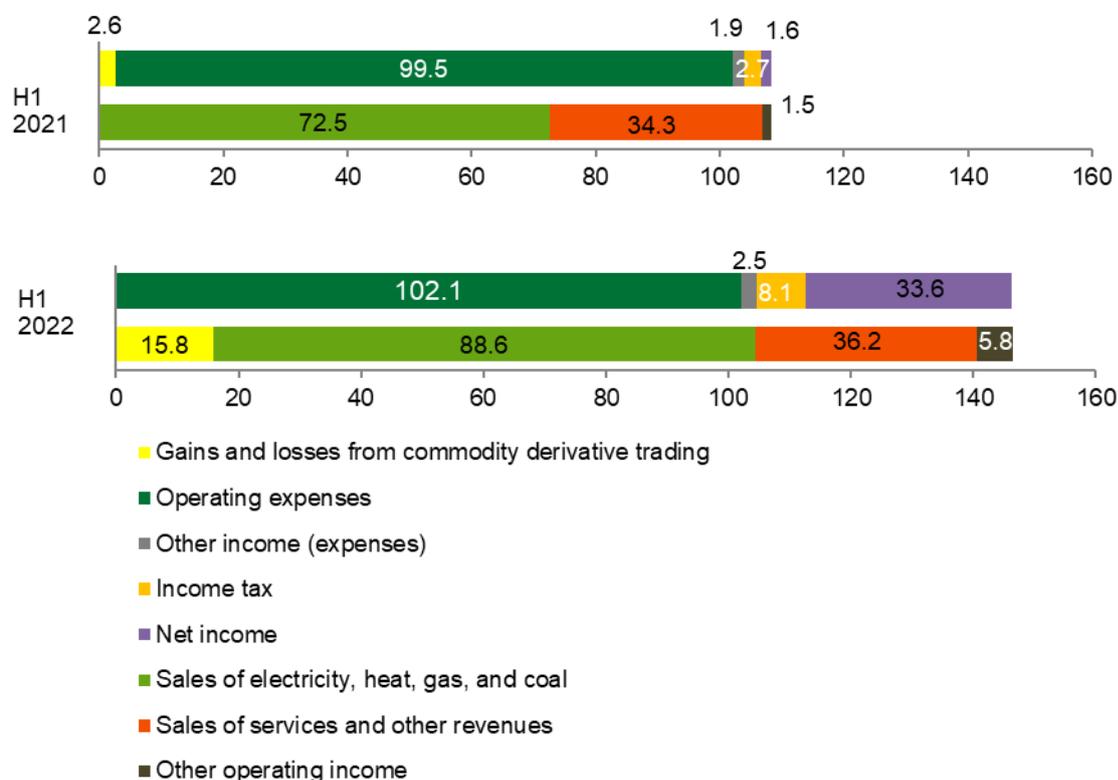
In H1 2022, an updated “CEZ Group Security Policy” was approved, expanded to include business continuity management and crisis management, with the aim of creating procedures and an environment that will enable the continuity and recovery of key processes and activities of CEZ Group companies at a predetermined minimum level in case they are disrupted.

3. CEZ Group Activities

CEZ Group's Financial Performance

Changes in Revenues, Expenses, and Income

CEZ Group Net Income Breakdown (in CZK Billions)



Net income (after-tax income) in H1 2022 amounted to CZK 33.6 billion, which is a year-on-year increase of CZK 32.0 billion. The increase was mainly due to higher realized prices from electricity generation and higher profits from commodity trading on foreign markets. In addition, the year-on-year comparison was significantly impacted by high provisioning for fixed assets in 2021.

Operating revenues increased by CZK 22.3 billion year-on-year to CZK 130.5 billion, mainly due to higher revenues from the sale of electricity, heat, gas, and coal (CZK +16.1 billion).

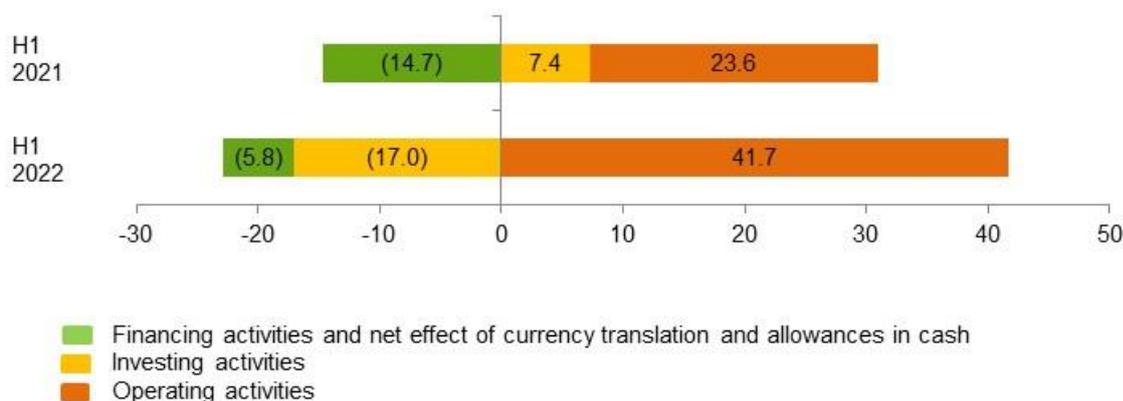
Operating expenses increased by CZK 2.6 billion year-on-year to CZK 102.1 billion. Costs of fuel and emission allowances (CZK -9.6 billion), costs of purchasing electricity, gas, and other energy (CZK -1.1 billion), costs of services (CZK -1.3 billion), materials (CZK -1.3 billion), and depreciation (CZK -1.3 billion) increased. In contrast, the creation of provisions for fixed assets in H1 2021 (amounting to CZK 11.6 billion) reduced costs year-on-year.

Gains and losses on commodity derivative trading increased profit year-on-year by CZK 18.4 billion. The increase was mainly due to high commodity price increases on the wholesale market (especially gas) and their impact on the revaluation of generation hedging contracts, as well as significantly higher profits from trading on foreign markets.

Other income and expenses decreased net income by CZK 0.7 billion year-on-year. Income tax increased by CZK 5.4 billion due to higher earnings before taxes.

Cash Flows

CEZ Group Cash Flows (in CZK Billions)



Cash flows obtained from operating activities increased (CZK +18.1 billion) year-on-year to CZK 41.7 billion. Profit before tax adjusted for non-cash operations increased year-on-year (CZK +82.4 billion). Interest received increased year-on-year (CZK +0.8 billion), interest paid decreased (CZK +0.2 billion), and income tax paid decreased (CZK +0.4 billion). On the other hand, changes in assets and liabilities were negative year-on-year (CZK -65.7 billion), with the most significant items being the change in receivables and payables from derivatives (CZK -46.6 billion), the change in margin deposits on energy exchanges (CZK -11.8 billion), and the change in inventories of materials and fossil fuel (CZK -9.8 billion). Other changes in assets and liabilities had a positive effect (CZK +2.5 billion).

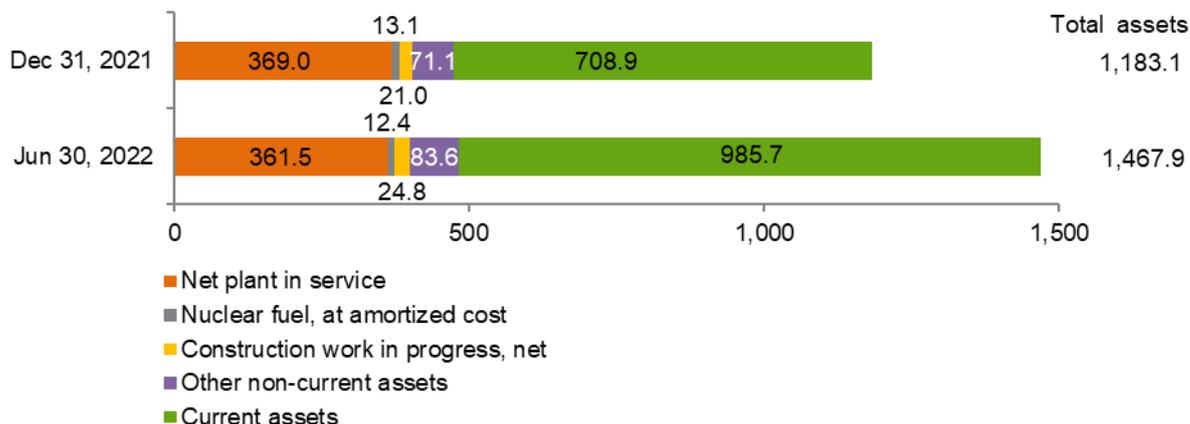
Net cash flow used in investing activities increased (CZK -24.4 billion) to CZK -17.0 billion. The main reason for this is lower income from the sale of subsidiaries (CZK -21.9 billion), mainly due to the impact of the sale of Romanian assets as of March 31, 2021, and the acquisition of new subsidiaries (CZK -2.0 billion). Acquisition of fixed assets increased (CZK -1.1 billion), due to the acquisition of securities by Inven Capital (CZK -0.7 billion) and an increase in expenditure on the acquisition of tangible and intangible assets (CAPEX) (CZK -0.4 billion). The income from the sale of fixed assets increased year-on-year (CZK +0.6 billion) due to the sale of securities purchased by Inven Capital and loans granted decreased (CZK +0.3 billion). The change in restricted financial assets was negative (CZK -0,3 billion).

Net cash flow used in financing activities decreased by CZK 8.5 billion year-on-year to CZK -5.7 billion. The main reason for this was the year-on-year difference in the drawdown and repayment of loans and borrowings (CZK +9.8 billion). The balance of purchases and sales of non-controlling interests was negative (CZK -0.9 billion) due to the sale of the non-controlling interest of ESCO Slovakia in 2021. Sales of own shares were lower (CZK -0.6 billion). Other funds used for financing activities decreased (CZK +0.2 billion). The net effect of currency translation and allowances in cash had a positive effect (CZK +0.4 billion).

Structure of Assets, Equity, and Liabilities

The value of CEZ Group's consolidated assets, and equity and liabilities increased by CZK 284.8 billion in the first half of 2022 to CZK 1,467.9 billion.

Structure of CEZ Group Assets (in CZK Billions)



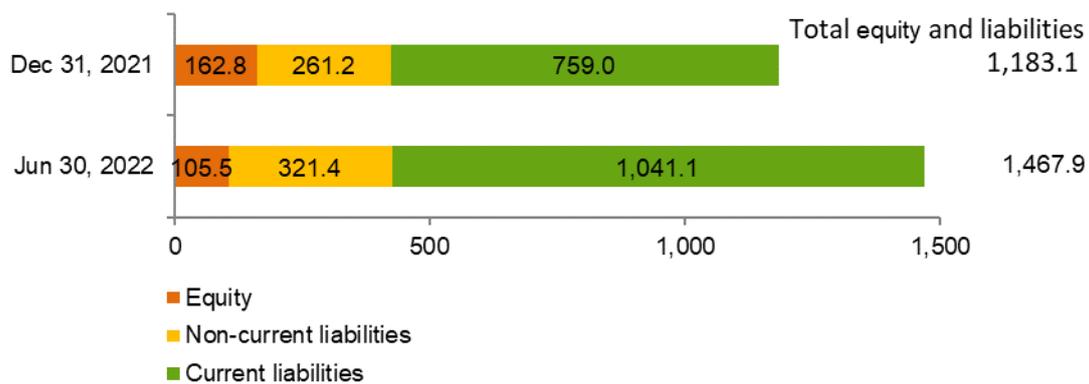
Non-current assets increased by CZK 8.0 billion to CZK 482.2 billion.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress decreased by CZK 4.5 billion to CZK 398.6 billion. Property, plant, and equipment, gross, and construction work in progress increased (CZK +8.6 billion), as did accumulated depreciation and impairments (CZK -12.3 billion). Nuclear fuel decreased (CZK -0.7 billion).

Other non-current assets increased by CZK 12.5 billion to CZK 83.6 billion. In H1, deferred tax assets increased (CZK +8.5 billion) and other non-current financial assets increased (CZK +4.5 billion), of which the acquisition of non-current financial assets increased due to the investment in ŠKODA JS a.s., and Middle Estates s.r.o. (CZK +1.6 billion). An increase in long-term financial receivables (CZK +1.0 billion), an increase in debt securities (CZK +0.6 billion), and equity securities acquired by Inven Capital (CZK +0.7 billion), and an increase in long-term receivables from derivative transactions (CZK +0.6 billion) were reported. Restricted financial assets (CZK -0.3 billion) and intangible assets (CZK -0.2 billion) decreased.

Current assets increased by CZK 276.9 billion to CZK 985.7 billion. The largest contributors to the increase in current assets were receivables from derivatives including options (CZK +260.7 billion), an increase in cash and cash equivalents (CZK +18.9 billion), and an increase in the value of inventories of materials (CZK +9.7 billion). Other current assets increased (CZK +5.8 billion), mainly contract assets. Income tax receivable increased (CZK +1.0 billion). On the other hand, assets from ownership of emission allowances decreased (CZK -9.2 billion) and trade receivables decreased (CZK -9.0 billion). Short-term debt securities decreased (CZK -0.5 billion) and short-term equity securities decreased (CZK -0.4 billion).

Structure of CEZ Group Equity and Liabilities (in CZK Billions)



Equity, including noncontrolling interests, decreased by CZK 57.4 billion to CZK 105.5 billion in H1 2022. The decline was caused by other comprehensive income (CZK -65.2 billion) and dividends declared for payment to shareholders (CZK -25.8 billion). In contrast, equity increased net profit (CZK +33.6 billion).

Long-term liabilities increased by CZK 60.2 billion to CZK 321.4 billion, mainly due to an increase in long-term liabilities from derivatives (CZK +39.3 billion). Bonds issued (CZK +10.2 billion), long-term bank loans (CZK +9.3 billion), and deferred tax liability (CZK +1.2 billion) increased. The effect of other items increased (CZK +0.2 billion).

Current liabilities increased by CZK 282.0 billion to CZK 1,041.1 billion. The increase was mainly due to an increase in short-term derivative liabilities (CZK +300.4 billion) and profit distribution liabilities (CZK +25.7 billion). Other current liabilities increased (CZK +4.3 billion) mainly due to an increase in contract liabilities. Short-term provisions increased (CZK +1.1 billion). Conversely, trade payables (CZK -23.5 billion), short-term bank loans (CZK -23.5 billion), and the current portion of long-term debt (CZK -3.0 billion) decreased. The effect of other items increased (CZK +0.5 billion).

Comprehensive Income

The comprehensive income after tax for H1 2022 (CZK -31.6 billion) was CZK 25.7 billion lower year-on-year.

Net profit (CZK +33.6 billion) increased by CZK 32.0 billion year-on-year and other comprehensive income (CZK -65.2 billion) decreased by CZK 57.7 billion. In a year-on-year comparison, other comprehensive income was negatively affected primarily by change in the fair value of financial instruments for cash flow hedges (CZK -93.7 billion) and the derecognition of foreign exchange translation differences due to the sale of subsidiaries in 2021 (CZK -6.6 billion). The positive effect was due to the derecognition of cash flow hedges in profit or loss (CZK +30.5 billion) and the change in deferred tax related to other comprehensive income (CZK +12.2 billion).

Net Debt

CEZ Group Net Debt (in CZK Billions)

	Dec 31, 2021	Jun 30, 2022
Long-term debt, net current portion	95.9	115.4
Current portion of long-term debt	16.7	13.7
Short-term borrowings	25.3	1.9
Long-term debt, net of current portion related to assets held for sale	–	–
Current portion of long-term debt related to assets held for sale	–	–
Short-term borrowings related to assets held for sale	–	–
Total debt	137.9	130.9
Cash and cash equivalents	(26.6)	(45.5)
Cash and cash equivalents classified as held for sale	–	–
Highly liquid financial assets	(0.5)	(0.6)
Net debt	110.8	84.8
EBITDA (as in preceding 12 months)	63.2	90.9
Net debt / EBITDA	1.75	0.93

Financial Results of CEZ Group Segments

The companies of the consolidated accounting unit of CEZ Group are divided into four operating segments: **GENERATION**, **MINING**, **DISTRIBUTION**, and **SALES**.

Segments and Their Contributions to CEZ Group's Financial Performance

	Operating revenues	EBITDA	Net income	Workforce headcount as of June 30
	(CZK billions)	(CZK billions)	(CZK billions)	('000 persons)
GENERATION				
H1 2021	56.9	14.3	9.1	10.6
H1 2022	95.7	46.0	33.3	10.6
MINING				
H1 2021	4.7	2.1	(8.2)	4.5
H1 2022	6.2	3.1	1.9	4.3
DISTRIBUTION				
H1 2021	21.5	11.1	4.9	7.7
H1 2022	18.0	9.5	4.9	4.6
SALES				
H1 2021	50.8	4.2	2.8	7.6
H1 2022	66.8	0.7	(0.1)	7.8
Elimination between segments				
H1 2021	(25.6)	(0.1)	(7.1)	
H1 2022	(56.2)	(0.1)	(6.5)	
CEZ Group				
H1 2021	108.2	31.6	1.6	30.3
H1 2022	130.5	59.3	33.6	27.3

Note: The year-on-year comparison is influenced by the sale of Romanian assets as of March 31, 2021 and Bulgarian assets as of July 27, 2021.

The GENERATION segment's net income increased by CZK 24.2 billion year-on-year. In Czechia, the segment's net profit increased year-on-year by CZK 23.1 billion, which was due to higher operating profit before depreciation, amortization, impairments, and sale of assets (EBITDA; CZK +32.7 billion). On the contrary, exchange rate effects and revaluation of financial derivatives (CZK -2.2 billion) and higher income tax (CZK -5.6 billion) had a negative effect. In Poland, the segment's net profit increased by CZK 0.7 billion due to lower provisions for fixed assets (CZK +1.1 billion), while EBITDA was going in negative way (CZK -0.4 billion). In Romania, the segment's net profit decreased by CZK 0.1 billion due to the sale of assets as of March 31, 2021.

Net profit of the MINING segment increased by CZK 10.1 billion, mainly due to the provisioning of fixed assets in 2021 (CZK +8.7 billion), and was positively impacted by higher EBITDA (CZK +1.0 billion) and lower depreciation (CZK +0.6 billion).

The net profit of the DISTRIBUTION segment was unchanged year-on-year, including Czechia (CZK -0.1 billion), Romania (CZK +0.1 billion), Bulgaria (CZK -0.2 billion), and Turkey (CZK +0.1 billion).

The net profit of the SALES segment decreased by CZK 2.8 billion, of which in Czechia (CZK -2.4 billion) due to a decrease in EBITDA (CZK -3.1 billion) as a result of an extreme increase in commodity purchase prices. Lower income taxes in particular had a positive effect (CZK +0.4 billion). In Romania and Bulgaria, net profit decreased (CZK -0.3 billion) due to the sale of assets in 2021. In Germany, the segment's net profit decreased by CZK 0.1 billion.

Concerning other indicators of individual segments stated in the table, comments are added below on the year-on-year change in EBITDA, which is the most often used indicator of operating performance of companies traded in global exchanges and is monitored by international analysts, creditors, investors and shareholders.

In the largest segment, GENERATION, the indicator increased by CZK 31.8 billion to CZK 46.0 billion. In Czechia, the indicator increased by CZK 32.7 billion. The increase was due to the impact of extreme increases in market prices of commodities on the wholesale market and higher sales and activation of

ancillary services (CZK +21.5 billion), and a higher contribution of profits from commodity trading on foreign markets (CZK +7.1 billion). The year-on-year positive development was increased in particular by specific temporary effects related to the revaluation of generation hedging contracts and emission allowance time swaps (CZK +3.7 billion). In Poland, the indicator decreased (CZK -0.4 billion) mainly due to higher costs of emission allowances. In Germany, the indicator increased (CZK +0.1 billion) due to higher wind power generation. In Romania, the indicator decreased (CZK -0.6 billion) mainly due to the sale of assets as of March 31, 2021.

In the MINING segment, the indicator reached CZK 3.1 billion, i.e. it increased by CZK 1.0 billion year-on-year, of which higher revenues from CEZ Group (CZK +0.7 billion) mainly due to higher supply prices and higher revenues from external customers (CZK +0.7 billion) mainly due to higher supply volumes. On the other hand, fixed operating expenses increased (CZK -0.4 billion) mainly due to higher energy costs.

In the DISTRIBUTION segment, the indicator decreased by CZK 1.6 billion to CZK 9.5 billion. In Czechia it decreased (CZK -0.1 billion) mainly due to higher fixed operating costs. In Romania, the indicator decreased (CZK -0.5 billion) due to the sale of assets on March 31, 2021. Similarly, in Bulgaria the indicator decreased (CZK -1.0 billion) due to the sale of assets on July 27, 2021.

The SALES segment showed EBITDA of CZK 0.7 billion, i.e. CZK 3.5 billion less year-on-year. In Czechia, the indicator decreased (CZK -3.1 billion) mainly due to a significant increase in commodity prices and market volatility, which increased the seasonality of the results of sales companies in Czechia (CZK -3.0 billion), including (CZK -2.2 billion) the retail segment (ČEZ Prodej) and (CZK -0.8 billion) the B2B segment (ESCOs in Czechia). In Germany, the indicator was unchanged year-on-year. In Romania, the indicator decreased (CZK -0.1 billion) due to the sale of assets as of March 31, 2021. Similarly, in Bulgaria the indicator decreased (CZK -0.2 billion) due to the sale of assets on July 27, 2021. In other countries the indicator decreased (CZK -0.1 billion) mainly due to the liquidation of VESER, s.r.o.

Related Parties

Overview of Receivables from and Payables to Related Parties (in CZK Millions)

	Receivables		Payables	
	as at December 31, 2021	as at June 30, 2022	as at December 31, 2021	as at June 30, 2022
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	–	739	6	599
Elevion Co-Investment GmbH & Co. KG	–	–	67	67
GP JOULE PP1 GmbH & Co. KG	19	33	–	–
In PROJEKT LOUNY ENGINEERING s.r.o.	8	8	7	8
LOMY MOŘINA spol. s r.o.	20	16	42	37
Tepelné hospodářství města Ústí nad Labem s.r.o.	56	18	1	–
Others	26	34	14	5
Total	129	848	137	716

Sales to Related Parties and Purchases from Related Parties (in CZK Millions)

	Sales to related parties		Purchases from related parties	
	H1 2021	H1 2022	H1 2021	H1 2022
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	–	–	27	190
In PROJEKT LOUNY ENGINEERING s.r.o.	16	24	12	12
LOMY MOŘINA spol. s r.o.	67	72	134	157
Tepelné hospodářství města Ústí nad Labem s.r.o.	–	195	–	1
Vltavotýnská teplárenská, a.s.	18	14	–	–
Výzkumný ústav pro hnědé uhlí a.s.	–	–	13	7
Others	27	13	11	7
Total	128	318	197	374

Economic and Financial Outlook for 2022

As of August 9, 2022, CEZ Group anticipated consolidated net profit adjusted for extraordinary effects for the full year 2022 in the amount of CZK 60 to 65 billion and consolidated EBITDA in the amount of CZK 110 to 115 billion.

The main positive year-on-year effects include especially higher realized electricity prices and a higher contribution of profits from commodity trading on foreign markets. Conversely, the main negative factors were the sale of Romanian and Bulgarian assets and higher costs of emission allowances for generation.

The major causes of the year-on-year change in operating financial performance are listed below to indicate CEZ Group's expected financial position in 2022.

The GENERATION segment is expected to increase by CZK 47 to 62 billion year-on-year. Nuclear generation is expected to increase by CZK 24 to 29 billion year-on-year due to higher realized electricity prices. In the area of generation from renewables, an annual increase in the range of CZK 4 billion to CZK 6 billion is expected due to higher realized electricity prices. In the area of generation from emission sources, a year-on-year increase of CZK 10 to 15 billion is expected, with a positive effect mainly due to the effect of realized prices of electricity, emission allowances, and natural gas on gross margin, and by contrast, with a negative effect due to higher costs of maintenance of equipment. In the area of trading, a year-on-year increase of CZK 5 to 8 billion is expected. The year-on-year positive development was further boosted by specific negative temporary effects in 2021 totaling CZK 3.8 billion related to the revaluation of hedging contracts of generation positions for 2022+ related to both emission allowances and electricity trading.

In the MINING segment, the year-on-year change is expected to be in the range of CZK -1 billion to CZK +1 billion. Higher sales and coal prices have a positive effect, while higher fixed operating costs have a negative effect.

In the DISTRIBUTION segment, the year-on-year change is expected to be in the range of CZK -1 billion to CZK +0.5 billion, with the negative effect of adjustment factors and the positive effect of higher regulatory asset base and depreciation.

In the SALES segment, the year-on-year increase is expected to be in the range of CZK 0 to CZK +1 billion, due to growth ambitions in the ESCO business, negatively impacted by lower margins on commodity sales due to higher purchase prices.

Selected risks and opportunities in the forecast include: realized prices of generated electricity, availability of generation facilities, gains from commodity trading, revaluation of derivatives, and potential introduction of an extraordinary sectoral or other tax in Czechia.

Investments in the fixed assets of CEZ Group in 2022 are expected to amount to CZK 37 billion, mostly planned to be invested in generation and distribution assets in Czechia.

The net income of the parent company ČEZ, a. s., is estimated to be CZK 50 to 54 billion in 2022, with the year-on-year increase mainly due to significantly higher electricity realization prices and higher expected profits from commodity trading on foreign markets.

Capital Expenditure

Total Capital Expenditure (in CZK Billions)

	H1 2021	H1 2022
Additions to property, plant, and equipment, including capitalized interest	13.5	14.6
Additions to property, plant, and equipment	11.1	11.5
Of which: Nuclear fuel procurement	1.2	0.8
Additions to intangibles	0.6	0.6
Additions to non-current financial assets	0.4	1.4
Change in balance of liabilities attributable to capital expenditure	1.4	1.1
Financial investments ¹⁾	–	2.0
Total capital expenditures	13.5	16.7

¹⁾ Acquisition of subsidiaries, associates, and joint ventures, net of cash acquired.

Additions to Property, Plant, and Equipment and Intangibles (CAPEX), by Segments (in CZK Millions)

	Czechia		Germany		Poland		France		Slovakia		Romania		Bulgaria		Other		Total		
	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	
GENERATION	3,471	3,622	4	5	114	54	—	197	—	—	—	48	—	—	—	—	2	3,636	3,881
Of which: Nuclear fuel acquisition	1,236	777	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,236	777
MINING	781	739	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	781	739
DISTRIBUTION	5,670	6,613	—	—	—	—	—	—	—	—	412	—	611	—	—	—	—	6,693	6,613
SALES	395	331	107	98	22	15	—	0	36	28	0	2	—	—	41	453	601	927	
Elimination	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(33)	(78)
Total	10,316	11,305	111	104	135	69	—	198	36	28	460	2	611	—	41	454	11,678	12,082	

Note: Assets in Bulgaria sold on March 31, 2021 and May 5, 2022; assets in Romania sold on July 27, 2021.

Balance and Generation

The chapter contains CEZ Group's figures on electricity, natural gas, and heat.

Electricity

Electricity Procured and Sold (in GWh)

	H1 2021	H1 2022	2022/2021 Index (%)
Electricity procured	25,020	24,170	96.6
Generation	27,732	26,793	96.6
In-house and other consumption, including pumping in pumped-storage plants	(2,712)	(2,623)	96.7
Sold to end-use customers	(16,921)	(11,670)	69.0
Wholesale balance	(6,567)	(11,675)	177.8
Sold in the wholesale market	(121,231)	(79,450)	65.5
Purchased in the wholesale market	114,664	67,774	59.1
Grid losses	(1,533)	(825)	53.8

Electricity Generation by Energy Source in Individual Countries (in GWh)

Type of source	Czechia		Germany		Poland		Slovakia		Assets sold in Bulgaria and Romania		Italy and Austria		Total	
	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021 ^{*)}	H1 2022	H1 2021	H1 2022	H1 2021 ^{*)}	H1 2022	H1 2021	H1 2022
Emission-free:	16,060	16,264	117	141	6	6	—	—	397	—	—	0,005	16,580	16,411
Nuclear	14,759	15,218	—	—	—	—	—	—	—	—	—	—	14,759	15,218
Hydro	1,233	964	—	—	6	6	—	—	30	—	—	—	1,268	969
Photovoltaic	64	76	—	—	—	—	—	—	3	—	—	0,005	67	76
Wind	4	5	117	141	—	—	—	—	364	—	—	—	485	146
Emission-generating:	10,042	9,302	—	—	1,103	1,068	3	3	—	—	5	10	11,153	10,382
Coal	7,691	7,859	—	—	926	925	—	—	—	—	—	—	8,616	8,785
Natural gas	2,032	1,179	—	—	—	—	3	3	—	—	—	0,385	2,035	1,182
Biomass	317	263	—	—	177	143	—	—	—	—	5	10	500	416
Biogas	2	—	—	—	—	—	—	—	—	—	—	—	2	—
Total	26,102	25,566	117	141	1,108	1,074	3	3	397	—	5	10	27,732	26,793

^{*)} In 2021, Slovakia and Italy have backdated the values of electricity generating companies.

Expected Electricity Generation in 2022 by Energy Source in Individual Countries (in GWh)

Type of source	Czechia	Germany	Poland	Slovakia	Other	Total
Emission-free:	33,110	284	11	—	3	33,407
Nuclear	30,834	—	—	—	—	30,834
Hydro	2,131	—	11	—	—	2,142
Photovoltaic	135	—	—	—	0	135
Wind	9	284	—	—	3	296
Emission-generating:	18,426	—	2,161	5	27	20,619
Coal	16,622	—	1,877	—	—	18,500
Natural Gas ^{*)}	1,300	—	—	5	8	1,313
Biomass	503	—	284	—	19	807
Biogas	—	—	—	—	—	—
Total	51,536	284	2,172	5	30	54,027

^{*)} The above expected generation output from natural gas in 2022 does not include the expected generation from the CCGT facility for the period from August 1st to December 31st with respect to the uncertainty of the gas supply from Russia and the measures taken by the EU.

Installed Capacity by Energy Source in Individual Countries (in MW)

Type of source	Czechia		Germany		Poland		Slovakia		Bulgaria		Italy and Austria		Total	
	as at June 30, 2021	as at June 30, 2022	as at June 30, 2021	as at June 30, 2022	as at June 30, 2021	as at June 30, 2022	as at June 30, 2021	as at June 30, 2022	as at June 30, 2021	as at June 30, 2022	as at June 30, 2021	as at June 30, 2022	as at June 30, 2021	as at June 30, 2022
Emission-free sources:	6,404	6,404	133	133	2	2	2	2	5	5	0.132	0.132	6,544	6,540
Nuclear	4,290	4,290	-	-	-	-	-	-	-	-	-	-	4,290	4,290
Hydro	1,980	1,980	-	-	2	2	-	-	-	-	-	-	1,982	1,982
Photovoltaic	125	126	-	-	-	-	-	-	5	5	0.132	0.132	130	126
Wind	8	8	133	133	-	-	-	-	-	-	-	-	142	142
Emission-generating:	5,221	4,723	-	-	568	568	1	1	-	-	1	3	5,792	5,295
Coal	4,248	3,748	-	-	568	568	-	-	-	-	-	-	4,817	4,317
Natural gas	967	969	-	-	-	-	1	1	-	-	-	-	968	971
Biomass	6	6	-	-	-	-	-	-	-	-	-	-	7	8
Biogas	1	-	-	-	-	-	-	-	-	-	-	-	1	-
Total	11,625	11,127	133	133	570	570	1	1	5	5	1	3	12,336	11,835

Electricity Sales to End-Use Customers, by Consumption Category in Individual Countries (in GWh)

	Czechia		Slovakia		Poland		Assets sold in Bulgaria and Romania		Hungary		Italy		Total	
	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022
Large customers	4,422	5,229	43	2	79	-	2,582	-	709	850	5	10	7,840	6,090
Commercial retail	1,017	1,282	28	-	3	-	869	-	-	-	-	-	1,918	1,282
Residential customers	4,151	4,297	-	-	-	-	3,012	-	-	-	-	-	7,163	4,297
Total	9,590	10,808	72	2	82	-	6,463	-	709	850	5	10	16,921	11,670

Electricity Distributed (in GWh)

	Czechia		Assets sold in Bulgaria and Romania		Total	
	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022
	Electricity distributed to end-use customers	19,160	18,298	6,798	–	25,958

Heat

Heat Supplied and Sold (in TJ)

	Heat Supplied for Heating Purposes		External Heat Sales (outside CEZ Group)	
	H1 2021 ^{*)}	H1 2022	H1 2021 ^{**)}	H1 2022
	Czechia	13,812	12,323	11,754
Slovakia	405	360	395	352
Poland	3,597	3,451	3,526	3,373
CEZ Group, total	17,814	16,133	15,675	13,518

^{*)} In the heat supply for heating purposes, the 2021 value has been adjusted due to a change in the consolidation method.

^{**)} In external heat sales, companies have been added back to 2021: ENESA, SPRAVBYTKOMFORT Prešov, ESCO Servis.

Natural Gas

Natural Gas Procured and Sold (in GWh)

	H1 2021	H1 2022	2022/2021 Index (%)
Procured	264,551	142,897	54.0
Removed from storage	3,925	5,538	141.1
Sold	(262,602)	(139,092)	53.0
Of which: Trading	(258,003)	(133,989)	51.9
External large customers	(736)	(920)	124.9
Medium-sized end-use customers	(660)	(398)	60.4
Small end-use customers	(733)	(1,054)	143.7
Residential customers	(2,176)	(2,409)	110.7
OTE (market operator)	(294)	(322)	109.6
Placed in storage	(1,449)	(6,572)	453.5
Consumed in-house	(4,424)	(2,770)	62.6

Natural Gas Distributed in Czechia (in GWh)

	Czechia	
	H1 2021	H1 2022
Natural gas distributed to end-use customers	390	349

Natural Gas Sold to End-Use Customers (in GWh)

	Czechia		Slovakia		Assets sold in Romania		Total	
	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022
External large customers	679	920	58	–	–	–	736	920
Medium-sized end-use customers	188	398	25	–	446	–	660	398
Small end-use customers	664	1,054	69	–	–	–	733	1,054
Residential customers	2,174	2,409	2	–	–	–	2,176	2,409
Total	3,705	4,781	154	–	446	–	4,306	4,781

CEZ Group Operations

Business Environment

Czechia

Information concerning Czechia is provided in a separate chapter Developments in Sectoral Regulation and Legislation.

Germany

In H1 of this year, the German government approved the Easter Package (Osterpaket), which foresees legislative changes to a number of energy laws and decrees in order to accelerate and consistently promote the expansion of RES. The amendments concern, among others, the Renewable Energy Sources Act (EEG), the Offshore Wind Energy Act, the Energy Act, and the Transmission Expansion Act. Extensive measures are being taken to make new land available for the construction of photovoltaic and wind energy sources, to encourage municipal participation in RES generation, and to develop wind energy plants in locations with poorer operating conditions due to lower wind intensity. In 2030, at least 80% of the electricity consumed should come from RES and by 2035 the energy supply should be almost entirely covered by renewables. To this end, the targets in each segment are being further increased: 10 GW of new onshore wind is to be installed annually from 2025. The package also increases the targets for solar construction, with 22 GW of new solar to be built per year by 2030.

The German Federal Network Agency (BNetzA) records 230 onshore wind power plants with an installed capacity of 932.5 MW connected to the grid in H1 2022. Two auction rounds were also launched in this period to determine the support for onshore wind power generation. BNetzA offered a total of 2,666 MW of capacity for auctions. The next rounds of auctions are scheduled for September and December this year.

There were also two auctions for the construction of solar power plants in H1. BNetzA offered a total of 2,400 MW of capacity for auctions. The next and last auction to support the construction of solar panels this year is planned for November.

In Germany, 252 TWh of electricity was generated in H1 2022, of which 130 TWh was from renewable energy sources, which accounted for 51.6% of generation. The result was mainly driven by wind and solar power generation due to favorable weather conditions at the beginning of the year.

Poland

CEZ Skawina and CEZ Chorzów underwent mandatory certification for joining the capacity market system in early 2020. At the moment, CEZ Skawina has supply contracts for 2021–2026 and CEZ Chorzów has a one-year contract for 2024. Relevant agreements have been signed in connection with the planned participation in the secondary market.

The military conflict in Ukraine has had a significant negative impact on the prices of coal, the main fuel for both Polish power plants. The high price of gas (as a substitute for coal) and the logistical and quality difficulties of Russian coal affect high coal prices on international and domestic markets. Both power plants were therefore forced to start price negotiations with their suppliers in H1 2022, despite existing long-term coal supply contracts. The level of contracted electricity generation in 2022 is approx. 90% for CEZ Chorzów and approx. 97% for CEZ Skawina, so the companies are unable to pass on the increased generation costs in electricity prices. The high share of hedging contracts for 2023 of around 53% will also negatively affect the 2023 results for the same reason.

The increase in generation costs is already visible in electricity prices. In Q1 2022, the average selling price of electricity on the competitive market was PLN 468.35/MWh, an increase of 92% compared to the same quarter of the previous year.

In addition, negotiations between heat generators, the Energy Regulatory Authority and the Ministry of Climate and Environment on changes to heat tariff regulation began in July 2022.

In Q2 2022, negotiations were initiated on possible cooperation between the City of Kraków (MPEC Kraków) and CEZ Group (CEZ Skawina) and possible forms of development of the centralized heat supply system, including the construction of a new heat facility in Skawina.

France

In April 2022, Emmanuel Macron was re-elected as president. The French president's election manifesto pledges to develop renewable energy, build 50 offshore wind power plants, and increase photovoltaic capacity in the climate and energy sectors.

Under the national investment plan "France 2030", the French government aims to invest EUR 1 billion in innovative RES projects. The ultimate goal is to increase the installed capacity of RES up to tenfold by 2050, up to 100 GW. Offshore wind will account for 40 GW of this installed capacity.

Turkey

The trend of high inflation continued during H1 2022 (the consumer price index exceeded 78.6% in June 2022, reaching its highest level since 1998). The Turkish lira held at TRY 13.5/USD until the outbreak of the war in Ukraine, weakened against the US dollar since March, also due to high inflation, weakened to TRY 17.35/USD in June after announcements of possible rate cuts, and ended June at TRY 16.70/USD (a 25% depreciation since the beginning of the year). Turkey's economic policy prioritizes GDP growth over price stability. The Bank of Turkey's benchmark interest rate remained at 14.0% throughout H1 2022. Annual GDP growth was 7.3% in Q1.

Credit rating agencies unanimously give Turkey speculative-grade ratings (Moody's: B2 with a negative outlook, Standard & Poor's: B+ with a negative outlook).

On July 29, ČEZ concluded an agreement on the sale of its 50% stake in AKCEZ Enerji A.S., which it owns in a joint venture with its Turkish partner AKKÖK Holding A.S. The buyers are Turkish companies from the Torunlar group. AKCEZ Enerji includes three subsidiaries engaged in electricity distribution, energy sales, and energy services. The transaction settlement is conditional, inter alia, on the new co-owners agreeing to refinance AKCEZ Enerji's existing debt and is subject to the approval of the Turkish Antitrust Authority and the local energy regulator.

GENERATION Segment

In the GENERATION segment, CEZ Group operates mainly in Czechia, Germany, Poland, and Turkey¹. The segment is covered in four areas: Nuclear Facilities, Emission Sources, Renewable Sources, and Trading. It operates nuclear, renewable, and emission sources in Czechia, renewable and emission sources in Poland, Italy, and Turkey, and only renewable sources in Germany and Austria. It is preparing the construction of new emission-free sources in Slovakia, Germany, and France.

CEZ Group's sources generated 26.8 TWh of electricity in H1 2022. Of these, nuclear facilities generated 15.2 TWh, renewable sources 1.2 TWh and emission sources a total of 10.4 TWh, of which 1.2 TWh from natural gas, 8.8 TWh from coal and 0.4 TWh from biomass. In H1 2021, 27.7 TWh were generated, a year-on-year decrease of 3.4%.

Installed capacity decreased by 0.5 GW (-4%) year-on-year and reached 11.8 GW as of June 30, 2022. The main reason for the decrease was the cancellation of the license of the Energotrans 3 power plant as of August 17, 2021 (-0.5 GW).

1. Nuclear Facilities

Existing Nuclear Power Plants

Electricity Generation

CEZ Group operates nuclear power plants only in Czechia at the Dukovany and Temelín sites. In H1 2022, they generated 15,218 GWh of electricity, an increase of 460 GWh year-on-year. The Dukovany nuclear power plant generated 7,177 GWh, i.e. 175 GWh more than in the same period of 2021 (due to fewer outage days in H1 2022). The Temelín nuclear power plant generated 8,042 GWh, i.e. 285 GWh more year-on-year (due to higher available capacity and fewer outage days in H1 2022).

Capital Construction

At both nuclear sites, projects continued to focus on continuous improvement of nuclear safety as well as technical renewal of the facilities. The investments are related to modernization, stabilization, safety, production efficiency, and also to meeting the legislative requirements of the Atomic Energy Act.

The Dukovany plant has carried out significant actions in terms of maintaining a high level of safety, namely the replacement of the stable halogen fire extinguishing equipment and the repair of the reinforced concrete shells of the cooling towers.

At the Temelín site, work was resumed on the thermal feeder from the Temelín plant to České Budějovice and the control system for the non-block operating sets was renewed. Preparatory work also continued on the financially and technically significant action of generational renewal of control systems.

Installed Capacity

The installed capacity of nuclear power plants remained unchanged at 4,290 MW.

Outlook for 2022

Nuclear generation is expected to reach 30.8 TWh in 2022. The availability of nuclear power plants is affected by the timing of scheduled outages related not only to refueling and the performance of scheduled maintenance, inspections, and revisions of key equipment, but also activities aimed at continual upgrades and enhancement of the operational efficiency of the two plants.

Nuclear Power Plants in Preparation

Dukovany New Nuclear Power Plant (NNPP Dukovany)

The new Dukovany unit will be built next to the existing power plant and will in the future replace a portion of the installed capacity of the existing plant. On the basis of a resolution of the Czech Government, the investor of the NNPP is Elektrárna Dukovany II, a. s.

¹ Turkish companies are consolidated using the equity method and therefore their data are not included in the aggregate data for CEZ Group.

In H1 2022, project preparation continued in accordance with the Company's business plan and the first implementation agreement concluded between Elektrárna Dukovany II, ČEZ, and the state on cooperation in the construction of a new nuclear power plant at the Dukovany site.

In 2021, an application for a planning permission was submitted to the building authority of the Municipal Office in Třebíč. In 2022, the Regional Authority of the Vysočina Region extended the deadline for its issuance until December 1, 2022.

Based on the evaluation of the safety assessment of all three bidders for the construction—the American-Canadian company Westinghouse, the French company EdF, and the Korean company KHNP—the Ministry of Industry and Trade granted approval to start the tender procedure.

On March 17, 2022, Elektrárna Dukovany II launched the tender for the supplier of the new nuclear power plant and approached all 3 bidders. During June 2022, site visits were carried out during which representatives of the bidders became acquainted with the construction site and obtained other necessary information for the preparation of the tender. All three confirmed their intention to submit initial bids by November 30, 2022.

During H1 2022, intensive preparation of the documents defining the financing of the project's next phases continued. Negotiations between the State and the European Commission on the compatibility of State aid with EU rules were also ongoing.

Temelín New Nuclear Power Plant (NNPP Temelín)

The investor is the company Elektrárna Temelín II, a. s. Based on a resolution of the Czech government, it was determined that activities at the Temelín site must be managed in such a way as to maintain the value of the project, including ensuring the validity of existing permits and maintaining the possibility of its rapid activation if necessary.

In H1 2022, the necessary preparatory activities for the project continued, including analyses of the possible use of small modular reactors (SMRs) as one of the alternatives. The basic parameters of a possible project for their potential construction are currently being worked out.

Prepared New Nuclear Power Plant at Jaslovské Bohunice

In Slovakia, the construction of a new nuclear power plant (NPP) in Jaslovské Bohunice is being prepared by Jadrová energetická spoločnosť Slovenska, a. s. (JESS), in which the CEZ Group company—ČEZ Bohunice—owns a 49% stake.

In February 2022, JESS was granted a Certificate of the Ministry of Economy for the construction of the NPP. In April, a new construction law was adopted, which allows the zoning procedure to be handled by an envelope approach, i.e. without selecting a specific technology.

The priority activity for 2022 remains the development of documentation for the location of the NPP under the Atomic Act so that the zoning procedure can be initiated in February 2023. At the same time, the design activities necessary to maintain the value of the project and the valid EIA (Environmental Impact Assessment) Final Opinion are ongoing. Negotiations with affected municipalities are held on an ongoing basis concerning the inclusion of the new nuclear power plant in land use planning documentation.

2. Renewable Sources (RES)

Within this area, the generation from renewable sources, i.e. hydroelectric, photovoltaic, and wind power plants, is monitored, as well as biomass, which is, however, due to its primary combustion, recorded together with coal in the emission sources area.

Development of RES

In Czechia, in pursuit of CEZ Group's strategic objective in the area of RES development, the preparation of projects for the construction of renewable energy sources (mainly photovoltaic) in Czechia with investment support from the Modernization Fund continued in H1 2022. During June 2022, investment support contracts were signed electronically between ČEZ, a. s., and the State Environmental Fund of the Czech Republic for all ČEZ projects that succeeded in the RES+ Call No. 2/2021 (17 PV projects with a total capacity of 173 MWp). Implementation of the most advanced projects is expected to start at the end of 2022.

At the same time, JESS has expanded its energy portfolio in Slovakia to include electricity generation from renewable sources (photovoltaic or wind). In June, the company responded to a call from the Slovak Innovation and Energy Agency regarding the possibility of producing green hydrogen. A pilot project of a photovoltaic power plant with a nominal capacity of 10 MW on JESS brownfield land and the deployment of a 1MW electrolyzer in the Trnava region for hydrogen generation and its use in transport are under preparation.

Hydroelectric

Electricity Generation

In Czechia, hydroelectric power plants generated 964 GWh of electricity in H1 2022, i.e. 269 GWh less year-on-year. The year-on-year lower generation was mainly due to worse weather conditions.

In Poland, small hydroelectric power plants generated 5.7 GWh of electricity, including Borek Szlachecki 3.4 GWh and Skawinka II 2.3 GWh, the same as in H1 2021.

In Turkey, hydroelectric power plants generated a total of 481 GWh of electricity in H1 2022, which was 3 GWh more than in the same period of 2021.

Capital Construction

In Czechia, the preparation and implementation of upgrades of selected hydroelectric power plants was underway during H1 2022. Their main objective is to increase the efficiency of individual units and reduce the environmental burden on sites by, among other things, reducing the amount of oil fill. The project to convert the Orlik power plant from a conventional run-of-river to a pumped-storage power plant has progressed in commercial terms and the technical assessment of the preliminary bids is ongoing. The contract is expected to be concluded in early 2023.

Installed Capacity

The installed capacity of hydroelectric power plants is unchanged year-on-year, i.e. at 1,982 MW.

Outlook for 2022

In Czechia in 2022, the CEZ Group's hydroelectric power plants are expected to generate 2.1 TWh. The actual generation level will depend mainly on the hydrological situation in Czechia, mainly on the level of use of the Vltava Cascade and on the actual deployment of pumped-storage hydroelectric power plants. In addition, the Slapy power plant will undergo a major reconstruction.

The Polish hydroelectric power plants are planned to generate 0.01 TWh of electricity.

In Turkey, electricity generation of 0.7 TWh is forecast for 2022.

Solar

Electricity Generation

In Czechia, electricity generation from photovoltaic sources reached 76 GWh in H1 2022, i.e. 12 GWh more than in the same period of 2021.

Capital Construction

In Czechia, the State Environmental Fund published the terms and conditions of the next round of the call for the RES+ program from the Modernization Fund on June 30, 2022. The deadline for submission of applications RES+ Call No. 2/2022 for PV plants > 1 MWp has been set from August 3, 2022 to October 31, 2022. CZK 5.5 billion is allocated under the RES+ program No. 2/2022. Intensive preparation of projects for submission in the next round of the call is underway.

Installed Capacity

Installed capacity decreased by 4 MW year-on-year. This is due to the divestment of Bulgarian assets with an installed capacity of 5 MW, while in Czechia there was an increase of 1 MW.

Outlook for 2022

For 2022, CEZ Group expects generation from photovoltaic sources to amount to 0.1 TWh.

Wind

Electricity Generation

In Czechia, wind power generation increased by 1 GWh year-on-year to 5 GWh in H1 2022.

In Germany, CEZ Group wind power plants generated 141 GWh of electricity in H1, 24 GWh more than in the same period in 2021. The favorable results were driven by more beneficial weather conditions (in line with long-term forecasts) and high technical availability of the turbines.

In Turkey, 36 GWh of electricity was generated by wind power plants, a decrease of 1 GWh year-on-year.

Capital Construction

In Germany, CEZ Group focuses on the operation of owned wind power plants and on co-development of a portfolio of 12 wind power projects with a planned capacity of up to 193.5 MW. The most advanced German project in the co-development portfolio is the Datteln project (11.4 MW, 2 turbines), which received a modified construction permit in March 2022 to increase the turbine capacity from the originally permitted 4.5 MW to 5.7 MW. In May 2022, the project successfully participated in an auction to determine support for onshore wind generation. The next step is to secure a connection to the distribution grid with the expectation of commissioning by the end of 2023.

In France, CEZ Group advanced the development of a portfolio of 17 onshore wind power projects with a planned capacity of up to 225.4 MW in H1 2022. Construction of the Aschères-le-Marché project (12 MW, 4 turbines) started in H1 2022, while the development of the second advanced project, Neuville-aux-Bois (15 MW, 5 turbines), is progressing according to the set schedule.

Installed Capacity

CEZ Group's installed capacity in wind power plants remained unchanged year-on-year at 142 MW.

Outlook for 2022

In Czechia, generation is expected to be 0.009 TWh in 2022.

In Germany, electricity generation of 0.3 TWh is forecast for the full year 2022.

In France, construction work on the Aschères-le-Marché project (12 MW, 4 turbines) is projected to be completed and the plants commissioned at the end of 2022. Construction of the Neuville-aux-Bois project (15 MW, 5 turbines) is scheduled to start in Q3 2022, with commissioning expected in Q3 2023.

In Turkey, generation of 0.08 TWh is expected for 2022.

3. Emission Sources

Coal

Electricity Generation

In Czechia, coal-fired power plants generated 7,859 GWh of electricity in H1 2022 (excluding electricity generated from biomass), i.e. 168 GWh more than in the same period of 2021. The Prunéřov 2 and Tušimice power plants achieved year-on-year higher generation due to shorter planned outages in 2022.

In Poland, 925 GWh of electricity (excluding electricity generated from biomass) was generated at CEZ Group's coal-fired power plants in H1 2022, a decrease of 0.1 GWh year-on-year.

Capital Construction

In Czechia, the overhaul of units 23 and 24 of the Tušimice power plant started in H1 2022, in accordance with the outage plan, to implement greening projects that will enable the continued operation of the power plant even if the new BAT emission limits are in force. Preparatory and design work also continued to ensure actions related to the renewal and further greening of Unit 6 at the Ledvice power plant (expected implementation in 2024). Preparatory activities were resumed for the

providing of mid-term repairs of the Pruněřov 2 units in 2023–24 to ensure sufficient availability for their operation until 2029.

In the Polish Skawina power plant, investment funds were spent mainly on the modernization of the boilers, and in the Chorzów power plant on the reconstruction of Unit II (turbine and boiler).

Installed Capacity

In Czechia, the installed capacity of coal-fired power plants as of June 30, 2022 amounted to 3,748 MW, i.e. it was 500 MW lower year-on-year. This was due to the cancellation of the license of the Energotrans III power plant as of August 17, 2021.

In Poland, the installed capacity of coal-fired power plants remained unchanged year-on-year at 568 MW.

Outlook for 2022

The Czech coal-fired power plants of the CEZ Group are expected to generate 16.6 TWh of electricity in 2022. The priority task is to implement greening measures at the Tušimice power plant.

Electricity generation at the Polish Chorzów and Skawina power plants is expected to amount to 1.9 TWh.

Gas

Electricity Generation

In Czechia, the Počerady II CCGT plant generated 961 GWh of electricity, a year-on-year decrease of 866 GWh due to adverse developments in market prices for gas and emission allowances. ČEZ Energo² generated 218 GWh of electricity from natural gas in cogeneration units and boilers, a year-on-year increase of 13 GWh.

In Slovakia, SPRAVBYTKOMFORT Prešov³ generated approximately 3 GWh of electricity from natural gas in cogeneration units both in H1 2022 and H1 2021.

In Turkey, Akenerji operates a modern CCGT power plant in Erzin, which generated 851 GWh of electricity in H1 2022, a decrease of 51% compared to the same period in 2021. This decrease was caused by a planned outage in March–May 2022.

Installed Capacity

In Czechia, installed capacity increased by 2 MW year-on-year.

In Italy, an increase of 1 MW was recorded year-on-year due to the commissioning of the SYNECO PROJECT⁴ plant in May 2022.

Outlook for 2022

In Czechia, generation from natural gas in 2022 may be significantly affected by developments in Ukraine and the consequences of sanctions against the Russian Federation. At the same time, analyses and preparatory work will continue for possible future installations of gas-fired facilities at existing generating sites. Another key task is to arrange for the new natural gas-based production technology at the Mělník site, which will ensure the fulfillment of the long-term heat supply agreement for the capital city of Prague, Mělník, and Neratovice.

In Turkey, generation at the Erzin CCGT plant is expected to be 3.4 TWh.

Biomass

In Czechia, biomass generation reached 263 GWh, down by 54 GWh year-on-year.

In Poland, biomass generation at the Chorzów and Skawina power plants amounted to 143 GWh, 34 GWh (19%) less than in the same period in 2021.

² The company is accounted for in the SALES segment.

³ The company is accounted for in the SALES segment.

⁴ The company is accounted for in the SALES segment.

In Italy, biomass electricity generation⁵ amounted to 10 GWh, 4 GWh more than in the same period in 2021.

Heat Generation and Sales

In Czechia, 9,793 TJ of heat was delivered from CEZ Group facilities to customers in H1 2022, a decrease of 1,961 TJ compared to the same period in 2021. The decrease was mainly due to the year-on-year lower average temperatures in H1 2021.

Energotrans' delivery volume decreased by 896 TJ year-on-year to 5,104 TJ. Its main customer is Pražská teplárenská supplying the capital city of Prague, and the town of Neratovice.

In H1 2022, ČEZ Teplárenská⁶ delivered heat outside CEZ Group in the volume of 3,146 TJ, i.e. 1,007 TJ less. It supplies heat to customers in cities in the Ústí, Karlovy Vary, Central Bohemia, Pardubice, Hradec Králové, Moravia-Silesia and Southern Moravia Regions.

ČEZ Energo⁷ increased its heat supply by 3 TJ year-on-year to 867 TJ. The year-on-year decrease was mainly prevented by the construction of new generation capacity in 2022.

In Poland, the Chorzów and Skawina power plants generated 3,451 TJ of heat, 146 TJ less than in the same period in 2021. The main reason was lower average temperature in H1 2021. Heat supply amounted to 3,373 TJ, i.e. 153 TJ less year-on-year.

Capital Construction

In Czechia, further necessary analyses of a possible accelerated transition to low-emission sources continued.

Outlook for 2022

In Czechia, heat supply to customers is estimated at 17,684 TJ for 2022. The actual amount will primarily depend on climatic conditions.

In Poland, the volume of heat generated is projected at less than 6 thousands TJ.

4. Trading

Trading activities include trading commodities on one's own account for speculative profit, trading to secure the needs of generation resources including hedging activities in the medium term, and trading to secure the needs of end-use customers, in particular the supply of electricity and gas commodities.

The activity is managed centrally from Czechia by ČEZ. The actual trading, including the settlement of trades, takes place in several European countries with wholesale partners and through energy exchanges. At the same time, CEZ Group operates trading companies in several countries that provide local support for CEZ trading and concurrent sales of commodities to end-use customers.

All trading activities are subject to Risk Frameworks (defining market and credit limits, permitted trades, and trading rules), compliance with which is continuously monitored by the CEZ Group Risk Committee. Activities are also subject to EFET regulatory rules.

Trading Commodities on Own Account for Speculative Profit

During H1 2022, commodity prices continued to increase to new record levels and high volatility persisted in commodity markets. ČEZ's trading team was able to make the most of the increased volatility and achieve record profits, particularly in foreign markets. Trading margins for H1 2022 reached a record high of CZK +11.7 billion, with 45% generated from electricity trading on Western European markets, 37% from gas trading, 12% from electricity trading on Central and Eastern European markets, and 7% from other commodity, emission allowances, and options trading. A part of the trading margin (corresponding to the difference between internal demand for a transaction and contracted external trade) will be reflected in CEZ Group's economic result only in the year of delivery,

⁵ The company is accounted for in the SALES segment.

⁶ The company is accounted for in the SALES segment.

⁷ The company is accounted for in the SALES segment.

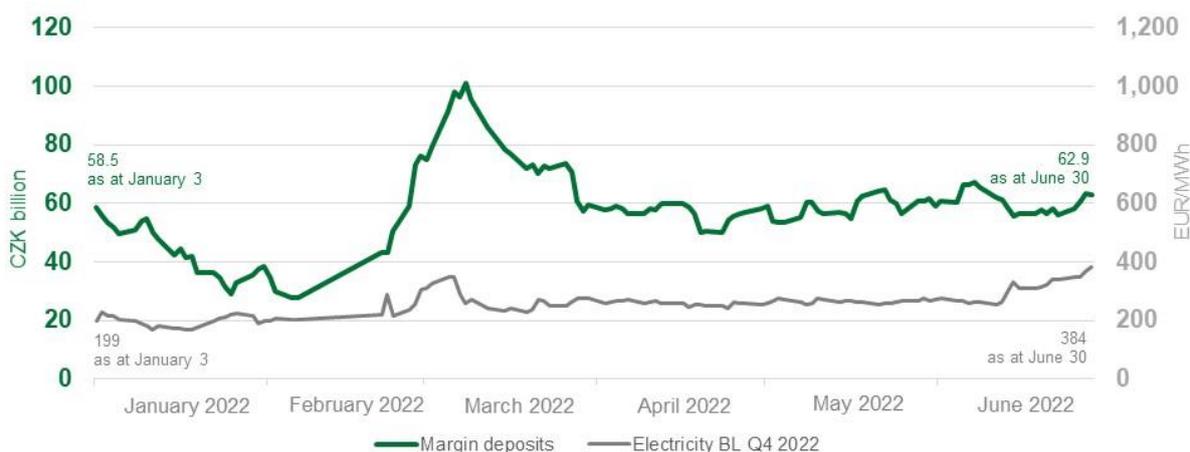
i.e. in future years. In particular, this concerns ongoing hedging of future electricity generation, emission allowance purchases for generation, or electricity and gas purchases for end-use customers. More than 113 thousand transactions were concluded and 231 TWh of electricity, 1,069 TWh of natural gas, and 420 million tons of emission allowances were traded in H1 2022.

The economic effect of proprietary trading is generated primarily in ČEZ, a. s.

Margin Deposits (Security Deposits) Related to Generation Presales

In the context of record price increases in H1, trading creates pressure on liquidity, as generators have to put high deposits (margin deposits). This refers to cash temporarily deposited on exchanges and with trading counterparties in connection with generation presales. The value of the deposits on exchanges reflects the overall lower past contracted prices of electricity, emission allowances, and gas compared to the current high market prices (variation margin and initial margin), while for trading counterparties the value of the corresponding variation margin is usually above the limit set according to the creditworthiness of the respective counterparty. As the contracted quantities are delivered over time, these cash resources are returned to the generators. This is the effect of the standard operation of credit risk hedging for all counterparties, but given the unprecedented increase in commodity prices over the last year and the extreme increase in volatility, this significant liquidity risk is caused to all energy generators who normally hedge their generation through presales of their output.

Margin Deposits (Security Deposits)



Note: Electricity BL Q4 2022 = price of baseband electricity delivered during Q4 2022.

CEZ Group's Commercial Gas Reserves

As of June 30, CEZ Group had a total of 3.6 TWh of natural gas stored in contracted gas storage facilities, of which 2.1 TWh was in Czechia. These are reserves for end-use customers in Czechia, for expected generation at the Počerady CCGT plant, and for commercial purposes.

For the existing end-use customers of ČEZ Prodej and ČEZ ESCO, ČEZ has contracted deliveries of 3.8 TWh for H2 2022, which corresponds to 100% of the contracted deliveries of these companies.

MINING Segment

CEZ Group's operations in the segment concern only Czechia, where CEZ Group mines brown coal and limestone. At the same time, it is exploring the possibility of mining lithium ore.

Czechia

The mining business is significantly influenced by regulatory developments and climate targets at the EU and Czech levels. Due to the tense situation on the natural gas market, the use of coal-fired power plants is being intensified in the short term with the aim of responsible security of energy supply.

Brown Coal

The CEZ Group company engaged in brown coal mining is Severočeské doly. In H1 2022, it sold 8.5 million tons of coal, 6.2 million tons of which to CEZ Group members. In a year-on-year comparison, this meant an increase in total sales by 0.8 million tons, of which the increase in deliveries to CEZ Group customers was 0.3 million tons.

Capital Construction

The capital program focuses primarily on projects making provisions for extraction in the Bílina Mine. The structure of capital investment consists primarily of deliveries, reconstructions, and upgrades of mining equipment and treatment and crushing plants and construction of stabilization measures and water management structures. The investment actions are continuously revised to match the estimated lifetime of both sites (Bílina Mine and Nástup Tušimice Mines).

Outlook for 2022

Severočeské doly plans to generate 17.6 million tons of coal in 2022, i.e. 1.6 million tons more than in 2021. Fuel supplies are determined primarily by the needs of coal-fired power plants, which are in turn based on demand for electricity and also related to winter temperatures and are currently also related to the issue of securing natural gas supplies. Higher year-on-year demand is thus expected from CEZ Group and, in the case of thermal coal, also from customers outside CEZ Group.

Limestone

LOMY MORĚNA spol. s r.o., is involved in limestone mining (high percentage limestone used in desulfurization plants) in CEZ Group. In H1 2022, it sold 295 thousand tons of limestone to CEZ Group customers for the desulfurization of coal-fired power plants, which represents a year-on-year increase of 7%. This was more than 90% of the total sales of limestone that the company also supplies outside CEZ Group. Total limestone sales to CEZ Group members are forecast at approximately 575 thousand tons for 2022.

Zinnwaldite Mining Exploration

The second phase of the mining project, which is now beginning, consists of technical verification of the lithium, tin and tungsten extraction process from zinnwaldite under semi-operational conditions and pilot test lines, spatial layout of the processing and mining plant, preparation of a definitive mining feasibility study, and acquisition of data and documentation for future permitting processes. The second phase does not yet include mining. The pilot tests are planned to be carried out until 2023.

DISTRIBUTION Segment

Electricity Distribution

Czechia

CEZ Group's electricity distribution in Czechia is provided by ČEZ Distribuce. Priority areas in distribution include especially safe, reliable and efficient operation of the distribution system and implementation of key investment measures related to the integration of decentral facilities and implementation of new technologies and smart grid elements, including elements supporting the reliability increase of the distribution system. The company continued to develop its fiber-optic infrastructure development in order to ensure long-term development of advanced technologies in distribution grid management, in synergy with preparations for a higher degree of grid automation.

The price of electricity distribution and other services in Czechia is regulated by the Energy Regulatory Office (ERO). The key for ČEZ Distribuce is the ERO's price decision No.1/2022 for the electricity sector, through which prices for related service in the electricity sector and other regulated prices are set, effective from April 1, 2022.

In H1 2022, 6 calamities hit the distribution territory of ČEZ Distribuce. In total, almost 600,000 service points were limited in supply during these calamities, more than 62,000 calls were recorded at the call center, and there were more than 95,000 accesses to the bezstav.cz web portal, where it is possible to check the status of electricity distribution at a specific address. The consequences of the calamities were handled in record time.

In H1 2022, ČEZ Distribuce brokered the supply of electricity to customers in the volume of 18.2 TWh, which meant 0.8 TWh less than in the same period of 2021. In terms of individual voltage levels, there was a total decrease of 0.2 TWh at the high-voltage and medium-voltage levels and 0.6 TWh at the low-voltage level. Electricity consumption in 2022 was negatively impacted by the above-average temperature trend in 2022 compared to 2021 and a change in customer behavior, particularly in the residential category, which had significantly higher consumption in 2021 due to the covid closures of the economy. Further, savings due to high electricity prices and installation of PV plants have impacted consumption in 2022 at the low voltage level. Distribution of an additional 0.1 TWh of electricity was provided by other companies that are accounted for in the GENERATION and SALES segments. The volume of electricity distributed by these companies changed only slightly year-on-year.

Capital Construction

ČEZ Distribuce's capital expenditures went mostly into the renovation of distribution grids at all voltage levels, transformer substation reconstructions, and transformer and electricity meter renovations. The principal objective of capital expenditures is improving the quality, reliability, and safety of electricity supplies. Approximately the same amount of the funding is related to dealing with customer requests for connection to the distribution system. Investments also continued in smart technologies, digitization, and the development of medium-voltage optical infrastructure.

Outlook for 2022

ČEZ Distribuce estimates its 2022 electricity supplies to customers at almost 36 TWh.

Turkey

Electricity is distributed in Turkey by regulated regional distribution companies. One of them is Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), indirectly controlled by ČEZ and its Turkish partner AKKÖK (through the joint venture Akcez Enerji A.Ş.).

The amount of electricity distributed to end-use customers in the first half of 2022 was 4,993 GWh, which was a year-on-year increase of 5.9%.

Capital Construction

In accordance with the business plan, investments in the distribution sector were mainly directed towards strengthening capacity and meeting new connection requirements, as well as modernizing and increasing network density to ensure continuity and quality of electricity supply.

Outlook for 2022

The volume of electricity distributed to end-use customers is estimated to be 9.7 TWh.

Natural Gas Distribution

Czechia

Gas distribution in Czechia is provided by ČEZ Energetické služby⁸, which distributed 349 GWh of gas to end-use customers in H1 2022, which is 41 GWh less than in the same period of 2021.

⁸ The company is classified in the SALES segment in view of the predominant activity and focus of the parent company ČEZ ESCO.

SALES Segment

The SALES segment includes companies selling commodities, heat, energy services, and telecommunications services. For comments on heat generation and the installed capacity of the individual energy sources, see the GENERATION segment.

Commodity Sales

Electricity Sales

Czechia

The energy market in Czechia is fully liberalized and all customers, including residential customers, can choose their electricity and gas supplier. In Czechia, there is a functioning energy exchange PXE (which is part of the German EEX exchange) and a market operator ensuring the functioning of the electricity markets.

Commodities are sold to residential and small business end-use customers in Czechia primarily by ČEZ Prodej and to corporate, municipal, and public authority customers by ČEZ ESCO.

Like other suppliers, ČEZ Prodej had to respond to the continuing increase in wholesale market prices of commodities, which began at the end of summer 2021. The upward trend continued throughout the rest of 2021 and into H1 2022, with the latter witnessing spikes in price at the turn of the year and the end of February 2022, in the latter case caused mainly by developments in the geopolitical situation. ČEZ Prodej responded by adjusting its product portfolio and in February 2022 introduced a new product for an indefinite term for new customers. At the same time, it adjusted prices of fixed products three times in H1 2022.

In H1 2022, ČEZ Prodej's total sales to end-use customers outside CEZ Group reached 4,943 GWh of electricity.

In H1 2022, ČEZ ESCO continuously responded to the specific situation on the commodity markets in the products and services offered and introduced a new version of the step-up purchase in response to extreme volatility of energy prices, added the option of pricing according to the German market (European Energy Exchange AG platform) to the EEM web application, and continuously adjusted prices of fixed products in response to rising wholesale prices. In H1 2022, ČEZ ESCO's total sales to end-use customers outside CEZ Group reached 5,548 GWh of electricity.

Outlook for 2022

For 2022, ČEZ Prodej expects to deliver 9.6 TWh of electricity to end-use customers. The estimated year-on-year increase in supply volume is mainly due to changes in the customer portfolio, which has significantly increased its consumption compared to 2021 due to the arrival of a large number of customers from the "Supplier of Last Resort" (SLR) regime. A reduction in consumption is evident among residential customers, most likely in response to the significant increase in commodity prices.

ČEZ ESCO expects to supply 10.1 TWh of electricity to end-use customers. The projected year-on-year increase in the volume of deliveries is mainly due to the arrival of new customers, who thus reacted to the unsettled situation on the energy markets in H2 2021 and early 2022 caused by a sharp increase in wholesale prices and the subsequent termination of customer contracts by some electricity and gas traders, and above all by the termination of the activities of the entire group of energy suppliers, i.e. the activation of the SLR regime at more than 900,000 service points. The development of energy supply, including the price level, will be influenced in H2 mainly by the situation on the natural gas market, i.e. whether and how much gas will be supplied to Europe by the Russian gas company Gazprom.

Poland

The supply of electricity to end-use customers was terminated on December 31, 2021.

Outlook for 2022

No electricity will be supplied to end-use customers.

Slovakia

SPRAVBYTKOMFORT Prešov is engaged in the sale of electricity to end-use customers and sold approximately 2 GWh of electricity in H1 2022, approximately the same as in the same period of 2021.

In H1 2021, electricity was also sold to customers by VESER, which sold 70 GWh of electricity in that period. As of April 1, 2021, its customer portfolio of commodity sales had been sold, which was the reason for the significant year-on-year decrease in electricity sales in Slovakia.

Outlook for 2022

SPRAVBYTKOMFORT Prešov expects electricity sales of approximately 4 GWh for the whole year 2022.

Hungary

In Hungary, CEZ Magyarország Kft. (CEZ Hungary Ltd.) sold 850 GWh of electricity to end-use customers in H1 2022, a year-on-year increase of approximately 141 GWh.

Outlook for 2022

The total volume of electricity supplied in 2022 is projected at 1,782 GWh. The goal for 2022 is to increase sales share in electricity market.

Turkey

Sakarya Elektrik Perakende Satis A.S. (SEPAŞ), a company controlled through the joint venture Akcez Enerji A.S., sells electricity to end-use customers mostly in the SEDAŞ distribution area. The volume of electricity sold in H1 2022 amounted to 5,937 GWh, representing a year-on-year increase of 7.7%.

Outlook for 2022

The forecast for 2022 is 11.2 TWh of electricity sold.

Sales of heat

Czechia

Heat sales in Czechia are presented in the chapter GENERATION Segment.

Slovakia

In H1 2022, 352 TJ of heat was supplied to customers from CEZ Group's facilities in Slovakia, which represented a decrease of 43 TJ compared to the same period in 2021. The decrease was mainly due to the year-on-year lower average temperatures in H1 2021.

Outlook for 2022

Heat supplies to customers in Slovakia are estimated at 617 TJ in 2022.

Sales of Natural Gas

Czechia

The energy market in Czechia is fully liberalized and all customers, including residential customers, can choose their electricity and gas supplier. In Czechia, there is a functioning energy exchange PXE (which is part of the German EEX exchange) and a market operator ensuring the functioning of the gas markets. Commodities are sold to residential and small business end-use customers in Czechia primarily by ČEZ Prodej and to corporate, municipal, and public authority customers by ČEZ ESCO.

As of July 1, the price of natural gas products was increased for an indefinite period.

In H1 2022, ČEZ Prodej's total sales to end-use customers reached 3,064 GWh of natural gas. This was an increase of 574 GWh compared to H1 2021.

In response to rising wholesale prices, ČEZ ESCO continuously adjusted the prices of fixed gas products. In H1 2022, total sales to ČEZ ESCO's end-use customers amounted to 1,713 GWh of natural gas.

Other CEZ Group companies also sell natural gas in small quantities.

Outlook for 2022

For 2022, ČEZ Prodej forecasts natural gas deliveries to end-use customers of 5.4 TWh, while ČEZ ESCO expects deliveries to end-use customers of 3.6 TWh. The development of energy supply, including the price level, will be influenced in H2 mainly by the situation on the natural gas market, i.e. whether and how much gas will be supplied to Europe by the Russian gas company Gazprom.

Slovakia

As of April 1, 2021, ESCO Slovensko's the customer portfolio of commodity sales was sold which caused a significant year-on-year decrease in natural gas sales.

Outlook for 2022

Natural gas will not be supplied to end-use customers.

Sales of Energy Services

Czechia

ČEZ Prodej continues to increase capacity for the installation of modern technologies such as photovoltaic power plants and heat pumps. It installed a record number of technologies in H1 2022. The company delivered 1,604 photovoltaic power plants to its customers and installed 311 heat pumps. This is a total of 988 more than in the same period of the previous year. The total installed capacity of these plants has thus already reached 10.5 MW in H1. ČEZ Prodej offers modern energy technologies to customers as a standard in its network of customer centers, where they can consult their questions with a technology specialist. Customers will find the largest technology showroom in the customer center in Plzeň.

After two years, subsidies have been announced in the B2B segment for photovoltaic power plants, which, combined with the high price of electricity, has resulted in increased and accumulated demand for this product. ČEZ ESCO is intensively increasing its capacity in design, project management, and implementation. However, the limiting factor for growth is the availability of the required material in Europe, given the current situation not only in production but also in logistics.

In H1 2022, dozens of CHP units were successfully certified to provide ancillary services. ČEZ ESCO continued to work on the conversion of CEZ Group's heating sites, especially in Dětmarovice and Dvůr Králové nad Labem. Further development of the innovative product Public Lighting for CZK 1 continued, with more customers being larger cities. In H1 2022, this product was expanded to include the nacti.cz service, which is used to easily report faults and tips using QR codes placed on objects or municipal furniture.

Outlook for 2022

The number of PV and heat pump installations is expected to grow rapidly. The intention to expand installation, service and sales capacities, and to approach the coverage of the whole country remains valid.

Slovakia

ESCO Slovakia aims to become the market leader in energy services in Slovakia, similar to CEZ ESCO in Czechia, and to provide long-term energy and climate services to corporate, industrial, and public sector customers. One of the key activities is the search for further suitable acquisition opportunities.

In H1 2022, ELIMER, which deals with heavy-current and low-current installations, was integrated into the portfolio.

In view of the increased demand for photovoltaic power plants, the Photovoltaics as a Service product is being developed. Together with major companies in the EPC (Energy Performance Contracting) project market, the company is actively working to kick-start the building refurbishment market.

Outlook for 2022

CEZ Group has registered customer interest in Slovakia in the installation of photovoltaic power plants and other solutions for energy efficiency or reduction of gas consumption. In the case of public administration, it is seeing an increase in the awareness of EPC-type energy services but is facing procedural obstacles.

Germany

Elevion Group companies realized sales of CZK 7.4 billion in H1 2022, almost CZK 0.6 billion more than in the same period of 2021. The increase was mainly driven by the acquisition of the Belectric Group in December 2021.

In the ESCO business, the companies are facing shortages in the supply chains of materials and components needed for project implementation. The disruptions are due to the lingering crisis related to COVID-19 and the war in Ukraine, which are affecting all companies across customer segments.

Outlook for 2022

Given the importance and potential of the German ESCO services market, CEZ Group expects organic and acquisition growth in this key European market with the aim of further strengthening its market share and expanding its activities along the entire value chain.

Hungary

Through ETS Engineering, CEZ Group provides project support in the planning and implementation of energy saving projects.

Outlook for 2022

CEZ Group does not plan any significant expansion of ESCO activities in Hungary.

Poland

CEZ Group provides ESCO services through Euroklimat, Metrolog, and OEM Energy.

Polish companies realized sales of CZK 1.2 billion in H1 2022, i.e. CZK 0.2 billion more year-on-year. In 2022, there is a resumption of organic growth following the restrictions adopted against the spread of COVID-19, however, the companies' business is still impacted by their lingering effects and disruptions in the supply chains of materials and components required for project implementation.

Outlook for 2022

The negative impact of COVID-19 measures on business activities is expected to be reduced, hence there will be an organic increase and search for acquisition opportunities in ESCO services.

Austria

In Austria, Moser & Partner Ingenieurbüro GmbH and Syneco tec are active in the planning and installation of complex electrical systems. On June 20, 2022, the acquisition of the Austrian company Wagner Consult, an engineering firm focused on engineering within energy saving, water management and biogas plants, was concluded.

Outlook for 2022

In 2022, Syneco tec plans to focus mainly on the installation of rooftop photovoltaics.

Italy

The inewa Group is based in South Tyrol and focuses on a wide range of energy services—from planning and consulting to downstream operations and maintenance. It also operates its own biogas plants.

Outlook for 2022

The negative impact of COVID-19 measures on business activities is expected to be reduced, hence there will be an organic increase and search for acquisition opportunities in ESCO services.

Romania

In Romania, CEZ Group provides ESCO services through High-Tech Clima S.A., a leading company in the Romanian market in HVAC (Heating, Ventilation and Air Conditioning), systems, and electrical

installation work for commercial facility owners. It is also an industrial supplier for manufacturing plants, logistic parks, business offices, buildings, and shopping malls.

Outlook for 2022

CEZ Group does not plan to significantly expand its ESCO activities in Romania.

Netherlands

In 2022, Zonnepanelen, a CEZ Group company, began providing battery storage services and pilot battery storage facility projects were installed.

Outlook for 2022

CEZ Group is monitoring the situation for potential acquisition growth. In addition to the current agricultural sector, Zonnepanelen is gradually focusing on other sectors as well, in particular commercial building customers.

Israel

Through Belectric Israel Ltd. of the Belectric Group, CEZ Group provides EPC and operation and maintenance services in the field of photovoltaic power plants in Israel.

Outlook for 2022

CEZ Group does not plan to significantly expand its ESCO activities in Israel.

United Kingdom

Through Belectric Solar Ltd. of the Belectric Group, CEZ Group provides EPC and operation and maintenance services in the field of photovoltaic power plants in the United Kingdom.

Outlook for 2022

CEZ Group does not plan to significantly expand its ESCO activities in the United Kingdom.

France

Through Belectric France S.A.R.L., a Belectric Group company, CEZ Group provides EPC and operation and maintenance services in the PV power plant business in France.

Outlook for 2022

CEZ Group plans to divest the Belectric subsidiary due to its insignificance to the overall business of the Belectric Group.

Bulgaria

CEZ ESCO Bulgaria was active in Bulgaria, operating in the implementation of energy projects for end-use customers in the Bulgarian market. The company was divested in H1 2022.

Sales of Other Products and Services

Czechia

Telco Pro Services (TPS) provided telecommunication services for the needs of CEZ Group and the external market. The "Last Mile" project aimed at providing high quality internet connectivity to end-use customers also continued. This project not only involves the construction of new infrastructure but also exploits acquisition opportunities in the area of ISPs and fiber network owners. In May 2022, the company KABELOVÁ TELEVIZE CZ s.r.o., was acquired, which operates mainly in Česká Třebová and is a provider of cable television and Internet access.

Environment

Reducing the environmental impact of the energy sector is one of CEZ Group's long-term strategic goals.

Selected Events and Measures in H1 2022

Extensive greening of the Trmice heating plant was completed, which has been complying with emission limits at the level of best available techniques since January 2022. Two of the four units of the Tušimice power plant have been completely greened and greening of the remaining units is currently underway. In view of the previous necessary identification of suitable techniques to reduce mercury emissions from the large granulation boilers and respecting the VISION 2030, a temporary exemption from the BAT limits for the Pruněřov power plant was requested, linked to its expected shutdown in 2030.

Demolition of the Pruněřov I coal-fired power plant was initiated, preceded by a pre-demolition screening to identify hazardous and recoverable waste.

Certification of CEZ Group's biomass-fired facilities has begun to demonstrate the sustainability of biomass in accordance with Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources.

No flood or drought conditions were recorded in H1 2022 that would threaten the operation of sources and facilities. The conditions of the approval for the abstraction of surface water and groundwater as well as related to the discharge of wastewater and mine water were complied with.

A technical fault caused a leak of approximately 1,200 liters of biodegradable hydraulic oil at the Kamýk hydroelectric power plant. The impact on water quality and biota in the Vltava River was minimized by the timely intervention of operating personnel, ČEZ firefighters in cooperation with the Fire and Rescue Service, and remediation specialists. Most of the oil was trapped in the waterways of the power plant and no fish or other aquatic animal mortality was recorded on site or downstream.

Research, Development, and Innovation

Research and Development

In H1 2022, mainly projects in the field of nuclear energy were implemented. They concern safety aspects or improving the reliability and lifetime of equipment. In the non-nuclear area, research focused, among other things, on the behavior of concrete structures and their degradation mechanisms, the use of 3D printing technology in the energy sector, or the development of diagnostic methods for hydroelectric power plants. Another significant field of activity was energy storage in battery systems.

ČEZ participates in many R&D projects supported by the Technology Agency of the Czech Republic. These include projects in the field of nuclear energy, research into the behavior of new types of steel or energy storage. The most important project in this category is participation in the National Competence Center for Energy coordinated by Vysoká škola báňská—Technická univerzita Ostrava.

Support for the development of new technologies continued at the Tenauro development center. The primary orientation of the development center is focused on the development of new solutions over technologies aimed primarily at increasing energy savings, increasing the use of energy from photovoltaic power plants, and exploiting technology synergies. The center is also involved in the development of technologies to support electromobility.

An intensively developed area is hydrogen technology, which is estimated to play an important role in the decarbonization of industry, energy, and transport. ČEZ is preparing a number of pilot projects for the generation of low-emission hydrogen and its use, for example, in public transport. It has become a signatory to a memorandum that envisages the pilot operation of 10 hydrogen-powered buses in the Central Bohemian Region in 2024.

Investments in New Technologies

Inven Capital

Inven Capital, SICAV, a.s., is a joint-stock company with variable capital that manages three subfunds: Inven Capital—Subfund A, Inven Capital—Subfund B, and Inven Capital—Subfund C, which was established on January 1, 2022. The holder of founder's shares in Inven Capital, SICAV, a.s., is ČEZ, a. s. Investment shares of Subfunds A and C are held by CEZ Group, and investment shares of Subfund B are held by the European Investment Bank.

Inven Capital focuses on investments in start-ups (early stage companies) in the field of clean technologies and innovative technologies contributing to decarbonization. The companies are at a more advanced stage of development, their business models are proven by sales, and they have significant growth potential. Since its establishment, Inven Capital has invested in fourteen companies (six German, two French, three Israeli, two Czech, and one Swedish) and in Environmental Technologies Fund 2 in the United Kingdom.

In H1 2022, after three years of holding, a stake in Driivz, an Israeli company that develops software for electric vehicle charging infrastructure, was sold. Driivz's product is also used by CEZ Group to manage its charging station network. In addition, an investment was made in Taranis, an Israeli company that uses artificial intelligence to help farmers detect pests and incipient diseases on crops on their large plots of land. This investment was made from the new Subfund C, as Subfunds A and B have an investment period ending on December 31, 2021 and can only invest in existing portfolio companies.

Promoting Innovation

Support for innovation naturally corresponds to the accelerated strategy VISION 2030—Clean Energy for Tomorrow. Important areas of innovation are the topics of decarbonization, primary energy savings, and empowering active customers' role. An example of a successful implementation of a decarbonization project in the CEZ Group's product portfolio is the Emission-Free Electricity from a nuclear source, which was developed in a joint project between ČEZ and ČEZ ESCO.

In the area of strengthening the role of active customers, examples are the pilot projects implemented for community electricity sharing, where customers have the opportunity to use surplus electricity generated in small photovoltaic power plants within a community, e.g. a municipality, or aggregation of flexibility resulting from the combination of providing support services to the transmission system operator from many electricity providers that also use other types of generation technologies.

On the basis of the I2US cooperation platform, ČEZ shares information with innovative and non-competing utilities across Europe under the open innovation principle. Its main collaboration tool is sharing innovation opportunities and experience from the implementation of new services, products, business models, and methods for cooperation with partners.

Electric Mobility

Charging Stations

In H1 2022, ČEZ continued to develop public charging infrastructure for electric vehicles, especially by increasing its focus on the construction of charging hubs, high-performance HPC stations (fast charging stations) with a capacity of more than 150 kW. The number of DC stations (50 kW) was also increased.

As of June 30, 2022, ČEZ had 445 stations in operation in Czechia. The charging stations delivered almost 2.1 GWh of electricity in H1, 40% more than in the same period in 2021.

The construction of the ČEZ network is also significantly supported by public funds. Under the European Connecting Europe Facility program, a project involving 83 DC stations already in operation near the main corridors of the trans-European transport network will be completed this year. Construction is also being carried out with the support of the Transport operational program. Beyond subsidy projects, CEZ Group also carries out construction exclusively from its own resources without state aid.

CEZ Group continues to support the operation of electric buses on the line between BB Centrum and the Budějovická subway station in Prague and also two electric buses for municipal transport in Vrchlabí.

Charging Service

ČEZ offers the charging service under the FUTUR/E/GO brand with a modern system for operating the charging stations using the Driivz IT system. No customer account is required to use ČEZ charging stations. Customers of other providers can also use ČEZ's public network of stations and, in H2, a two-way interconnection of the charging infrastructure with charging service providers within Czechia is being prepared for launching, and thus within FUTUR/E/GO ČEZ will provide its customers with access to the charging infrastructure of other operators (e.g. E.ON, PRE).

Development Activities (Innovations)

Innovations involve linking charging stations with battery storage and possibly also photovoltaic power plants.

Impact of the Conflict in Ukraine and COVID-19 on CEZ Group's Activities

In line with the requirements of the legislation, which demands a description of selected risks and uncertainties for the 2022 financial year (the supervisory authorities have specifically requested commentary on the impact of the conflict in Ukraine and the impact of COVID-19), these two areas are commented on in more detail in this chapter below. In general, it should be emphasized that it is not possible to objectively define, let alone quantify, the effects of these factors on performance in isolation from other economic, technological, and geopolitical factors that simultaneously affect CEZ Group's financial results.

Conflict in Ukraine

The impact of the ongoing war conflict in Ukraine and the ensuing sanctions and measures in Europe and worldwide on CEZ Group's operations is relatively significant, given that it has a considerable impact on the wholesale electricity and natural gas markets and on supply and payment relationships, as well as on macroeconomic developments. Risks to the 2022 forecast and, in general, sources of risk to CEZ Group's activities in the future include:

- 1) Substantial and unpredictable price movements on the wholesale electricity market, the direct consequence of which is an increased liquidity risk for ČEZ as a seller of generated electricity, which is forced to provide very high security (margin) deposits on exchanges and to trading counterparties on account of continuous presales of expected production and jumps in commodity prices
- 2) Restriction or stoppage of natural gas supplies transported by pipelines from Russia, which may occur for political, technical, economic reasons, or a combination thereof, may jeopardize the fulfillment of CEZ Group's obligations to its end-use customers and other customers and limit generation at the Počerady CCGT plant
- 3) Restrictions on economic developments in Europe and the impact on political changes consisting in higher regulation or specific taxation of selected business areas, more difficult possibilities and availability of ensuring maintenance of generating facilities and nuclear fuel supplies in view of the impact of sanctions and measures restricting the supply of services and materials from selected countries and regions
- 4) Risk of further sanctions and measures imposed by EU countries or Russia which may further affect trade, commodity supplies, shipping routes, and cross-border payments
- 5) Possibility of unpredictable actions of foreign states in relation to contracted capacities, stored reserves, and transport routes of natural gas from abroad to Czechia
- 6) Risk of declining customer payment morale due to rising commodity prices and generally high inflation, which is negatively impacted by the ongoing war conflict in Ukraine
- 7) Risk of escalation of the war conflict from Ukraine to other countries in Europe and the associated increase in uncertainty and market constraints

Estimating the financial impact to date of these risks of the entire conflict in Ukraine is difficult to quantify given other key factors acting simultaneously on the market (in particular the impact of inflation, the impact of the European Green Deal policy initiative, political and economic developments in Europe and Czechia) and the uncertainty that now prevails regarding energy prices and the anticipated responses of the EU and nation states. However, given the significant increase in market commodity prices, the stable availability of CEZ Group's generating facilities and the measures taken by CEZ Group, it can be concluded that the conflict factor in Ukraine has not yet had a negative impact on CEZ Group's 2022 performance. The medium-term consequences for the business cannot be objectively assessed at present in view of the significant risks mentioned above.

In order to minimize these risks and to ensure ČEZ's energy independence and self-sufficiency in accordance with the CEZ Group's strategy specified in VISION 2030, CEZ Group implemented the following steps and measures in 2021 and 2022, among other things:

- 1) Emission-free nuclear energy: preparing new facilities and ensuring safe efficient operation of existing ones**
 - We have launched a tender for a new nuclear power facility Dukovany II.
 - We are accelerating the program to prepare small modular reactors (“SMRs”) with the ambition to launch a pilot project in Czechia by 2035.
 - We have secured fuel supplies for Temelín and Dukovany for a number of years in advance.
 - Nuclear fuel for Temelín will be supplied by Westinghouse and Framatome from 2024.
 - We increase the output of the units and the target of safe nuclear power plant generation; we want to generate above 30 TWh per year on a stable basis.
- 2) Renewables: We enable rapid development at our customers and develop our own generation renewable sources, especially photovoltaic**
 - Both ČEZ Prodej and ČEZ ESCO have been increasing the number of photovoltaic installations for end-use customers by 100% per year for the last 2 years.
 - More than 170 MW of installed capacity of PV projects have been accepted in the first call of the Modernization Fund.
 - We are targeting a total of 1,500 MW by 2025.
- 3) Emission Sources: we keep our decarbonization commitments for VISION 2030 and temporarily extend the operation of selected coal-fired power plants**
 - In order to contribute to energy self-sufficiency and security of supply in Czechia, we are extending the expected operation of the Dětmarovice power plant until 2025.
 - We expect a temporary increase in the generation output of other coal-fired power plants within 1–2 years.
- 4) Strategic raw materials: we expand gas reserves and resources and prepare lithium ore production, including processing**
 - As at August 5, CEZ Group had a total of 3.8 TWh of gas stored in contracted storage facilities in Czechia, of which 0.7 TWh was purchased for end-use customers.
 - We purchased 2.4 TWh of gas for the Czech State Reserve Bureau for strategic storage.
 - We secured a share of capacity for Czechia in the LNG terminal in Eemshaven, the Netherlands, in the amount of approximately $\frac{1}{3}$ of the annual gas consumption of Czechia, including transport routes to Czechia.
 - By continuing the lithium ore mining project at Cínovec, we can contribute to the EU's raw material independence.
- 5) Managing liquidity and credit risks in the wake of unprecedented commodity price increases and the dependence of selected supplies on Russia**
 - A EUR 3 billion loan agreement was concluded with the Ministry of Finance of the Czech Republic to cover extraordinary requirements for temporary increases in margin deposits on energy exchanges and with trading counterparties; under this agreement, ČEZ drew down EUR 2 billion in July and the remaining up to EUR 1 billion can be drawn down on demand.
 - A multilateral netting of margin deposits on European commodity exchanges and with trading counterparties has been negotiated; a conservative approach to setting credit limits on counterparties has been applied, which has resulted in a share of only 2% of Russian Gazprom Export's gas purchase contracts for H2 for delivery in Czechia.

COVID-19

COVID-19 and the follow-up measures taken in Czechia and Europe in relation to COVID-19 do not have any significant financial impact on the Group's performance in 2022, or its impact on the overall energy supply and demand is marginal compared to other determinants.

Nevertheless, the sources of potential forecasting risks associated with COVID-19 include in particular:

- 1) Indirect impact on the wholesale electricity market due to constraints on energy demand in the event that there are once again significant restrictions on business and the movement of people and goods under lockdowns in Czechia and the EU; at present, the likelihood of such a development seems relatively low
- 2) Impact on the wholesale market for materials, goods, and services; in the context of the ongoing zero-tolerance policy of COVID-19 in China, the impact on global markets and logistics chains and the resulting shortage of some materials and products produced in China cannot be ruled out (impact mainly on the SALES segment in ESCO activities and the GENERATION segment in RES development)
- 3) Indirect impact on acquisition growth and inducing a time lag in investments in case of reintroduction of travel restrictions and limitations on natural human interaction or limiting the availability of certain services, especially in logistics, transport and trade in general
- 4) Adverse impact on the labor market and access to health care.

Litigation and Other Proceedings

Legal Proceedings

Czechia

ČEZ, a. s.

1. Minority shareholders carry on a lawsuit against ČEZ and Severočeské doly a.s. based on an action filed in 2006, seeking declaratory judgment on the adequacy of consideration in 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 heard at first instance. The outcome of the proceeding is impossible to predict.
2. ČEZ carries on a lawsuit against the Appellate Financial Directorate based on an administrative action brought against the decision of the Specialized Tax Office imposing 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 decision of the Regional Court was appealed by the Financial Directorate of Appeal, which was rejected by the Supreme Administrative Court. The dispute is closed. The Appellate Financial Directorate annulled the decision imposing the fine on the basis of the legal opinion of the Court of First Instance.
3. ČEZ carries on 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 was CZK 611 million plus interest and costs back in 2016 but, after negotiations over an out-of-court settlement of the dispute failed, a motion was filed to extend the action to a total of CZK 2,759 million in February 2020. The amount currently claimed includes full damages for lost profits. The case is heard at first instance. The outcome of the proceeding is impossible to predict.
4. 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 other 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 6 injunctive claims in June 2021. The actions were followed by in-court proceedings. ČEZ withdrew part of its partial claim filed in the insolvency proceedings in the amount of CZK 29.8 million and CZK 144.26 million. The claim was paid up to these amounts from bank guarantees negotiated by TENZA, a.s. At the same time, negotiations were conducted between ČEZ, the insolvency administrator of TENZA, a.s., and its subcontractors, on the basis of which a settlement agreement was concluded between these entities (after court approval at the end of March 2022). Following this agreement, the disputes between the insolvency administrator and ČEZ, as well as between other creditors—former subcontractors of TENZA, a.s.—were terminated. On the basis of the settlement agreement, the insolvency administrator recognized all the claims filed by ČEZ as being filed in accordance with the law, while most of these claims of ČEZ became so-called subordinated claims. The insolvency proceedings are still pending.

ČEZ Distribuce, a. s. (hereinafter referred to as ČEZ Distribuce)

5. SPR a.s. carries on a lawsuit against ČEZ Distribuce 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 in relation to the connection of the Dubí photovoltaic power plant to the distribution grid—the alleged unequal access to applicants for connection in 2010. The applicant seeks the imposition of an editorial obligation, which the Court of First Instance refused. However, the Court of Appeal annulled the decision and remitted the case for reconsideration. The proceedings on the merits are pending before the Court of First Instance. The proceedings are currently still in the evidence phase. The outcome of the proceeding is impossible to predict.

6. Four electricity producers/local distribution system operators carry on significant lawsuits against ČEZ Distribuce 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 renewable electricity support 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 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 Energy Regulatory Office. The Energy Regulatory Office has already made a final decision on the rejection of the claim for unjust enrichment in three of the four cases. In two cases, a subsequent action under Part V of the Code of Civil Procedure was also dismissed. The outcome of the proceedings cannot be predicted.
7. ČEZ Distribuce carries on 2 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 in the electricity distribution price component to cover costs associated with renewable electricity support being incorrectly billed but duly paid by ČEZ Distribuce from January 1, 2013, to December 31, 2013. Both the claims for the period from January 1, 2013 to October 1, 2013, and the claims for the period from October 2, 2013 to December 31, 2013, were denied by the ERO and the ERO Board, and in both cases actions have already been filed under Part V of the Code of Civil Procedure. As regards the claim for the period from January 1, 2013 to October 1, 2013, the court dismissed the action in its entirety. The outcomes of the proceedings are impossible to predict.
8. ČEZ Distribuce carries on a lawsuit against ŠKO-ENERGO, s.r.o., based on an action brought in 2016, seeking payment in excess of CZK 113 million plus interest and costs from ŠKO-ENERGO. 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. The Energy Regulatory Office dismissed the claim of ČEZ Distribuce in the first instance. Based on a remonstrance filed by ČEZ Distribuce, the first-instance decision was reversed by the ERO Board in January 2020 and the matter was remanded to the first instance. The Energy Regulatory Office decided to dismiss the claim of ČEZ Distribuce in May 2020. A remonstrance was filed against the decision, followed by an action under Part V of the Code of Civil Procedure which the court rejected. ČEZ Distribuce filed an appeal, on the basis of which the Court of Appeal annulled the previous decision and replaced it with a new decision, which upheld ČEZ Distribuce's claim in its entirety and ordered ŠKO-ENERGO to pay the defendant the amount of the claim, including the accessories. ŠKO-ENERGO announced that it would appeal. The outcome of the proceeding is impossible to predict.
9. ČEZ Distribuce carries on a lawsuit against Liberty Ostrava a.s. (formerly ArcelorMittal Ostrava a.s.), based on an action brought 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 invoiced ArcelorMittal Ostrava a.s. (i.e. the SYS II action). The case is heard at first instance and has been stayed. The dispute outcome depends on the decision in another proceeding for January 2016 (i.e., the SYS I action), which has already been finally terminated in favor of ČEZ Distribuce. However, Liberty Ostrava a.s. has filed an appeal against the decision, the outcome of which is pending. In November 2021, a lawsuit was filed against Liberty Ostrava a.s. for approximately CZK 132 million in the same case due to the fear of the impending statute of limitations. The subject matter of the newly initiated litigation is payments for system services for December 2018 to June 2021 (i.e. the SYS III action). The outcomes of the proceedings are impossible to predict.
10. ČEZ Distribuce, a.s., is conducting a dispute with ORLEN UNIPETROL RPA, s.r.o., for the amount of approx. CZK 159 million with accessories on the basis of a claim filed with the arbitration court in 2022. The matter in dispute is the outstanding payments for system services for the period from January 2019 to June 2022 invoiced by ČEZ Distribuce, a. s. to ORLEN UNIPETROL RPA, s.r.o. The proceedings are suspended. The outcome of the proceeding is impossible to predict. Payments for the previous period of January 2016 to December 2018 are covered by a memorandum which, among other things, extends the limitation period for individual claims beyond the statutory limitation period so that they do not have to be sued in the meantime.
11. In an insolvency proceeding against Česká energie, a.s., ČEZ Distribuce 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 proceeding commenced in December 2016 and is still pending. The outcome of the proceeding is impossible to predict.

12. ČEZ Distribuce 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 costs in the proceeding. The claim arose from failure to pay for distribution system services under a contract. The insolvency proceeding is pending. The outcome of the proceeding is impossible to predict.

ČEZ Prodej, a.s. (hereinafter referred to as ČEZ Prodej)

13. ČEZ Prodej carries on a lawsuit against state organization Správa železnic ("SŽ", formerly SŽDC) based on an action brought 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 SŽ, consisting in 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 SŽ, the Czech Supreme Court overturned the rulings of the courts of first and second instance and remanded the case to the court of first instance. The court of first instance dismissed the action. The appellate court upheld the ruling of the court of first instance in May 2019. ČEZ Prodej withdrew the action before it was served the judgment of the court of second instance. The judgment of the court of appeal was received in August 2019, whereby the judgment of the court of first instance was upheld and the withdrawal was declared void. The judgments of the courts of both instances became final. ČEZ Prodej filed an appeal and a constitutional complaint, on which the Constitutional Court ruled in August 2020 and annulled the decision of the Court of Appeal on the ineffectiveness of the withdrawal. In October 2020, the Municipal Court in Prague decided on ineffectiveness of withdrawal of the action again. In May 2021, the Supreme Court of the Czech Republic upheld the appeal, overturned the judgments of both courts of first instance and returned the case to the court of first instance for further proceedings. In addition, SŽ, which had paid the amount claimed, brought an action against ČEZ Prodej, 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 appellate court upheld the judgment of the court of first instance. After the decision became final, ČEZ Prodej paid the defendant the amount including the accessories and filed an appeal in the case. The Supreme Court of the Czech Republic decided to annul the judgment of the Court of Appeal and remanded the case back for further proceedings. SŽ was ordered to repay the amount paid in full, which it refused to do. The outcomes of the proceedings are impossible to predict.
14. ČEZ Prodej carries on a lawsuit against SŽ based on an action brought 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 SŽ, consisting in failure to take deliveries of an agreed amount of electricity in 2011, and the resulting loss. At a hearing in January 2022, the Court of First Instance, after the Court of Appeal reversed the decision of the Court of First Instance, granted the application in its entirety. The SŽ authority filed an appeal against the decision. The outcome of the proceeding is impossible to predict.
15. ČEZ Prodej carries on a lawsuit against OTE, a.s., based on an action brought in 2016, seeking substitution of a decision by the Energy Regulatory Office and a decision by the Chairwoman of the Energy Regulatory Office 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 as a mandatory purchaser. The court of first instance dismissed the action. The appellate court upheld the ruling of the court of first instance. ČEZ Prodej 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 filed a constitutional complaint against the decision of the Supreme Court of the Czech Republic, which was rejected. The case is closed with final effect.
16. ČEZ Prodej carries on 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 brought 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. In May 2021, ČEZ Prodej received a resolution to discontinue the proceedings and refer the case to the Energy Regulatory Office. ČEZ Prodej filed an appeal against the order, which the court of appeal upheld. The court of first instance subsequently satisfied the action brought by ČEZ Prodej by judgment of November 2021.

An appeal has been lodged against the favorable judgment, which has not yet been decided. The outcome of the proceeding is impossible to predict.

17. ČEZ Prodej carries on 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 in the collection of higher purchase prices than those reimbursed to ČEZ Prodej by OTE, a.s. The court of first instance discontinued the proceedings in all three cases and referred the cases to the Energy Regulatory Office for further proceedings. In all cases, the Energy Regulatory Office issued a decision ordering the producers to pay the amount owed, including any applicable interest. The Board of the Energy Regulatory Office rejected the remonstrances of the producers and confirmed the first-instance decision. All producers brought an action under Part V of the Code of Civil Procedure. The outcomes of the proceedings are impossible to predict.
18. OTE, a.s., carries on a lawsuit against ČEZ Prodej, based on an action brought in 2018, seeking payment of approximately CZK 104.4 million plus interest and costs. The legal title of the defendant's sum is the payment of the difference between the purchase price and the hourly price paid by OTE, a.s., a company of ČEZ Prodej, which compulsorily purchases electricity from solar electricity producers. The difference arose 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 Energy Regulatory Office. The Energy Regulatory Office decided to reject the motion of OTE, a.s. OTE, a.s., filed an appeal against the negative decision, which was rejected by the decision of the Council of the Energy Regulatory Office and the decision was confirmed. OTE, a.s., brought an action under Part V of the Code of Civil Procedure. The outcome of the proceeding is impossible to predict.
19. OTE, a.s., carries on two administrative proceedings before the Energy Regulatory Office against ČEZ Prodej, 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 as a mandatory purchaser in the period from January 1, 2013, to May 31, 2018. The Energy Regulatory Office decided to reject the motions of OTE, a.s. OTE, a.s., filed appeals against the rejection decisions, which were rejected by the rulings of the Energy Regulatory Office Council and the original decisions were confirmed.
20. OTE, a.s., is conducting proceedings against ČEZ Prodej for the payment of approx. CZK 114 million, including accessories. The legal title of the defendant's sum is the payment of the difference between the purchase price and the hourly price paid by OTE, a.s., a company of ČEZ Prodej, which compulsorily purchases electricity from solar electricity producers. The difference arose in the period from January 1, 2013 to July 31, 2021. In view of the change in the position of OTE, a.s., in relation to this particular producer, it can be assumed that OTE, a.s., will withdraw the proposal to initiate proceedings.
21. Three producers of solar electricity commenced three administration proceedings in December 2020 against ČEZ Prodej seeking a payment of the sum of approx. CZK 475 million plus accessories. According to the producers, the claimed amount represents an outstanding financial aid having the form of purchase prices applicable to generation facilities commissioned in 2010 (or of the difference between 2010 and 2011) for electricity produced in the period from May 1, 2018 or June 1, 2018 to November 30, 2020. For the period from May 1, 2018 to February 28, 2019, the producers claim only the difference between purchase prices applicable to generating facilities commissioned in 2010 and 2011; for the period from March 1, 2019 to November 30, 2020, the producers claim purchase prices applicable to generating facilities commissioned in 2010 in full. Three separate administration proceedings are related to these proceedings, where the same producers claim the financial aid totaling to CZK 69.5 million plus accessories. According to the producers, the amount claimed in these proceedings represents an outstanding financial aid having the form of purchase prices applicable to generation facilities commissioned in 2011 for electricity produced in the period from May 1, 2018 or June 1, 2018 to February 28, 2019. In all proceedings, the producers' application was rejected and remonstrances were lodged against the rejection decisions. The proceedings are at various stages, in some of which the Energy Regulatory Office Board has already rejected the appeals and upheld the original decision. In such cases, the producers bring actions under Part V of the Code of Civil Procedure. The outcomes of the proceedings are impossible to predict.

Germany

22. CEZ Erneuerbare Energien Beteiligungs II GmbH, together with CEZ MH B.V. and other interested parties within CEZ Group, pursue claims against a group of accused persons (and related companies), who are subject to a criminal proceedings on the basis of a suspicion that these accused persons, acting as an organized group, committed fraud, forged documents and committed bribery in relation to sale of wind farm projects to institutional and other investors across Europe (the so-called Holt Holding case). The total claimed sum amounted to EUR 5.68 million (approx. CZK 149 million) without accessories. More than EUR 1 million (more than CZK 26 million) was recovered in 2020. As part of the criminal proceedings, all the perpetrators were apprehended. The trial of the defendants began in August 2021 and sentences were delivered in May 2022. The defendants were sentenced to prison terms ranging from 3 to 7.5 years. For some of the defendants, the sentences are not yet final as an appeal is pending. The CEZ Group companies have filed claims in bankruptcy proceedings against the assets of the perpetrators. The outcome of these proceedings cannot be predicted.
23. In December 2020, GMH Gebäudemanagement Hamburg GmbH (subsidiary of the Free and Hanseatic City of Hamburg) filed an action against Kofler Energies Ingenieurgesellschaft mbH (a member of CEZ Group). The action requires an issuance of a preliminary judgment that will decide on the basis of the case only, specifically determining the justification of liability of the defendant for damage caused in the supply of design work in construction of buildings of Hamburg University in 2013–2017 (i.e. before the acquisition of the defendant by CEZ Group). Although there is no specific amount specified in the action yet, it is clear that the dispute is significant. If the claimant succeeds to the extent that the awarded amount shall not be covered by defendant's liability insurance, the amount shall be claimed by CEZ Group against the sellers, as it is stipulated in the transaction documentation on the basis of which the defendant became a member of CEZ Group. Kofler Energies Ingenieurgesellschaft mbH has filed a statement of defense and it can be expected that a reply to this statement will be submitted by the applicant in September 2022. In the meantime, the applicant has extended the action to other parties involved in the planning of the buildings of the University of Hamburg. The outcome of the proceeding is impossible to predict.
24. In July 2020, CEZ ESCO II GmbH (a member of CEZ Group), as the buyer, filed a claim for damages against Kofler Energies AG (now KO Energies GmbH) and its two guarantors as sellers on the basis of the SPA (acquisition of shares in Kofler Energies Ingenieurgesellschaft). Following the conclusion of the SPA in July 2018, it became apparent that the work in progress and the resulting subsequent loss-making nature of certain projects of Kofler Energies Ingenieurgesellschaft were not correctly reflected in the company's accounting and supporting documents. The court-confirmed settlement was concluded on March 28, 2022.

Poland

25. In 2009, Agrowind Kończewo sp. z o.o. (AWK) filed an action against seven companies jointly and severally, one of which is Eco-Wind Construction S.A. (CEZ Group member), seeking compensation of PLN 22.7 million (approx. CZK 122 million) plus interest in compensation because the companies frustrated the installation of wind turbines and transformer stations on land that the claim alleges was held by AWK. In December 2012, the claim was increased to a total of PLN 112.7 million (approx. CZK 600 million) plus interest. Subsequently, the proceedings against Eco-Wind Construction S.A. were suspended due to the bankruptcy of the company's assets. With respect to the other defendants (other than CEZ Group), the proceedings continued and ended with a final decision, which was complied with by the obliged parties. As the bankruptcy proceedings against Eco-Wind Construction S.A., were terminated at the end of 2021, the court will have to decide how to proceed with the proceedings against this company, which has since entered liquidation. The outcome of the proceeding is impossible to predict.
26. In November 2021, CEZ Skawina S.A. (a CEZ Group member) filed a lawsuit against the Polish state—the Minister of Climate and Environment (Skarb Państwa—Minister Klimatu i Środowiska), the subject of which is a demand for payment of approx. PLN 46.8 million (approx. CZK 252 million), or other compensation, on the grounds of compensating for the non-issuance of a total of 176,197 t of greenhouse gas emission allowances which CEZ Skawina S.A. should have received as a result of the investment task included in the National Investment Plan. CEZ Skawina S.A.'s entitlement to free emission allowances is based on Polish national law. However, as a result of the alleged inconsistency of Polish national law with Directive 2003/87/EC of the European Parliament and of the Council of October 13, 2003, establishing a scheme for greenhouse gas

emission allowance trading within the Community and amending Council Directive 96/61/EC (EU ETS Directive), the Minister for Climate and Environment refused to issue the emission allowances, referring to the relevant opinion of the European Commission. CEZ Skawina S.A. brought an action for compensation due to the non-issuance of emission allowances for the liability of a member state for a breach of EU law. The case is currently pending before the Court of First Instance. In the defense, it was argued that CEZ Skawina's claim was unfounded, in particular with regard to the question of the law's compatibility with EU legislation, where compensation for damages would constitute unlawful state aid. In view of the need to comment on the defendant's arguments, counsel for CEZ Skawina applied for admission to submit a statement of defense. That application has not yet been examined and no date has been set for the main hearing. The outcome of the proceeding is impossible to predict.

Turkey

27. Yılmaz Elektrik A.Ş. was one of the largest suppliers to SEDAŞ (a member of CEZ Group), which carried out investment works in the distribution area. However, due to non-performance of contractual obligations, SEDAŞ terminated the existing contracts with Yılmaz Elektrik in March 2022. Although the contracts were terminated, Yılmaz Elektrik did not return various types of materials (e.g. concrete poles, transformers, cables) that were provided for the investment works and were the property of SEDAŞ. Therefore, SEDAŞ obtained an interim measure from the Sakarya Commercial Court and the materials were partially removed from Yılmaz Elektrik's construction sites and warehouses. Subsequently, in accordance with the law, within two weeks after the interim measure was issued, a lawsuit was filed against Yılmaz Elektrik for the return of the materials and, if return is not possible, for their full payment. The current market value of the materials in question is TRY 120 million (over CZK 160 million).

Italy

28. Energyka Elettrosystem S.r.l. claims in a lawsuit dated May 2020 against Belectric Italia S.r.l. (a CEZ Group member) for the remuneration from the contract for mediating the investment opportunity concluded between Energyka Elettrosystem S.r.l. and Belectric Italia S.r.l. in 2016, in the amount of approximately EUR 11.1 million (approx. CZK 270 million). The subject of this agreement was in particular the commitment to broker 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 in December 2021. CEZ ESCO II GmbH has a full indemnity undertaking from the seller in respect of the above dispute. The next hearing is scheduled for September 2022. The outcome of the proceeding is impossible to predict.

Other Proceedings

Czechia

In connection with the criminal proceedings against four individuals outside CEZ Group in the case of the Vranovská Ves PV plant, the securing of financial resources of ČEZ Obnovitelné zdroje, s.r.o. (hereinafter referred to as the "Company") in the total amount of CZK 1,062,967,000 in 2021 lasted until 2021. The seizure was made following a decision of the Czech Police in 2016. The seized funds consisted of:

- A proportional part of the funds from each future claim incurred by the Company against OTE, a.s., in the case of sale of electricity generated at the Vranovská Ves PV plant (installed capacity 16.033 MW), in the amount of the difference between the support paid for the electricity generating facility put into operation in 2010 and the support for the electricity generating facility put into operation in 2011; the total amount of the funds withheld for 2021 amounts to CZK 121,706,000; for 2020, the amount is CZK 120,493,000; for 2019, the amount is CZK 119,668,000; for 2018 it amounts to CZK 117,316,000; for 2017 it amounts to CZK 113,632,000; and for the period of 3–12/2016, the amount of funds withheld is CZK 87,194,000;
- The replacement value corresponding to the difference between the support tariff for 2010 and the support tariff for 2011 attributable to electricity production in the period from January 1, 2011 to February 29, 2016, the amount of the current claim is CZK 383 million.

In the said criminal proceedings, an acquittal was delivered for the second time at the end of 2021, becoming final on March 23, 2022, following which, on March 31, 2022, the competent court issued orders annulling the aforementioned seizure of funds, which became final on April 15, 2022. The funds were returned to the account of ČEZ Obnovitelné zdroje on June 7, 2022.

Bulgaria

In July 2016, ČEZ formally filed a Request for Arbitration with the International Center 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 nonprotection of investment. The claim amounts to hundreds of millions of EUR. The first matter addressed was an objection to jurisdiction, that is, the competence of the arbitration 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 are 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 International Center for Settlement of Investment Disputes (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 opposing party's response to ČEZ's submission (Counter-Memorial) was filed on February 1, 2022. ČEZ is in possession of this submission and is preparing a written reply to respond thereto. The outcome of the proceeding is impossible to predict.

4. Other Information

CEZ Group Consolidated Unit as at June 30, 2022

As at June 30, 2022, the consolidated CEZ Group comprised a total of 208 companies, with 182 companies fully consolidated and 26 joint ventures and associates consolidated using the equity method.

The companies of the consolidated accounting unit of CEZ Group were divided into four operating segments: GENERATION, MINING, DISTRIBUTION, and SALES.

GENERATION

ČEZ, a. s.	Elektrárna Temelín II, a. s.
A.E. Wind S.A.	Energetické centrum s.r.o.
Areál Třeboradice, a.s.	Energotrans, a.s.
Baltic Green Construction sp. z o.o.	Ferme éolienne d'Allas-Nieul SAS
Baltic Green II sp. z o.o.	Ferme Eolienne d'Andelaroche SAS
Baltic Green III sp. z o.o.	Ferme éolienne de Feuillade et Souffrignac SAS
Baltic Green VI sp. z o.o.	Ferme éolienne de Genouillé SAS
Baltic Green IX sp. z o.o.	Ferme éolienne de la Petite Valade SAS
BANDRA Mobiliengesellschaft mbH & Co. KG	Ferme Eolienne de la Piballe SAS
CASANO Mobiliengesellschaft mbH & Co. KG	Ferme Eolienne de Neuville-aux-Bois SAS
CE Insurance Limited	Ferme éolienne de Nueil-sous-Faye SAS
Centrum výzkumu Řež s.r.o.	Ferme Eolienne de Saint-Laurent-de-Céris SAS
CEZ Bulgarian Investments B.V.	Ferme éolienne de Saugon SAS
CEZ Deutschland GmbH	Ferme Eolienne de Seigny SAS
CEZ Erneuerbare Energien Beteiligungs GmbH	Ferme Eolienne de Thorigny SAS
CEZ Erneuerbare Energien Beteiligungs II GmbH	Ferme éolienne des Besses SAS
CEZ Erneuerbare Energien Verwaltungs GmbH	Ferme Eolienne des Breuils SAS
CEZ Finance B.V.	Ferme Eolienne des Grands Clos SAS
CEZ France SAS	Ferme éolienne du Blessonnier SAS
CEZ Holdings B.V.	Ferme Eolienne du Germancé SAS
CEZ Chorzów S.A.	MARTIA a.s.
CEZ Chorzów II sp. z o.o.	OSC, a.s.
CEZ Magyarország Kft. (CEZ Hungary Ltd.)	ŠKODA PRAHA a.s.
CEZ MH B.V.	ÚJV Řež, a. s.
CEZ Polska sp. z o.o.	Ústav aplikované mechaniky Brno, s.r.o.
CEZ Produkty Energetyczne Polska sp. z o.o.	Windpark Baben Erweiterung GmbH & Co. KG
CEZ RES International B.V.	Windpark Badow GmbH & Co. KG
CEZ Skawina S.A.	Windpark Cheinitz-Zethlingen GmbH & Co. KG
CEZ Srbija d.o.o. – u likvidaciji	Windpark FOHREN-LINDEN GmbH & Co. KG
CEZ Trade Romania S.R.L.	Windpark Frauenmark III GmbH & Co. KG
CEZ Ukraine LLC	Windpark Gremersdorf GmbH & Co. KG
CEZ Windparks Lee GmbH	Windpark Mengerlinghausen GmbH & Co. KG
CEZ Windparks Luv GmbH	Windpark Naundorf GmbH & Co. KG
CEZ Windparks Nordwind GmbH	Windpark Zagelsdorf GmbH & Co. KG
ČEZ Bohunice a.s.	
ČEZ Energetické produkty, s.r.o.	AK-EL Kemah Elektrik Üretim A.S. *)
ČEZ ENERGOSERVIS spol. s r.o.	AKEL SUNGURLU ELEKTRİK ÜRETİM ANONİM ŞİRKETİ *)
ČEZ ICT Services, a. s.	Akenerji Dogalgaz Ithalat Ihracat ve Toptan Ticaret A.S. *)
ČEZ Obnovitelné zdroje, s.r.o.	Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S. *)
ČEZ OZ uzavřený investiční fond a.s.	Akenerji Elektrik Üretim A.S. *)
ČEZ Recyklace, s.r.o.	GP JOULE PPX Verwaltungs-GmbH *)
Elektrárna Dětmarovice, a.s.	
Elektrárna Dukovany II, a. s.	

GENERATION

GP JOULE PP1 GmbH & Co. KG *)
Green Wind Deutschland GmbH *)
Jadrová energetická spoločnosť
Slovenska, a. s. *)
juwi Wind Germany 100 GmbH & Co. KG *)
Tepelné hospodářství města Ústí nad
Labem s.r.o. *)
Windpark Bad Berleburg GmbH & Co. KG *)
Windpark Berka GmbH & Co. KG *)
Windpark Datteln GmbH & Co. KG *)
Windpark Moringen Nord GmbH & Co. KG *)
Windpark Nortorf GmbH & Co. KG *)
Windpark Prezelle GmbH & Co. KG *)

*) *Joint venture or associate*

MINING

PRODECO, a.s.
Revitrans, a.s.
SD – Kolejová doprava, a.s.
Severočeské doly a.s.

GEOMET s.r.o. *)
LOMY MORĚNA spol. s r.o. *)

*) *Joint venture or associate*

DISTRIBUTION

ČEZ Distribuce, a. s.

Akcez Enerji Yatirimlari Sanayi ve Ticaret A.S. *)
Sakarya Elektrik Dagitim A.S. *)

*) *Joint venture or associate*

SALES

ADAPTIVITY s.r.o.
AirPlus, spol. s r.o.
AxE AGRICOLTURA PER L'ENERGIA
SOCIETA' AGRICOLA A R.L.
AZ KLIMA a.s.
AZ KLIMA SK, s.r.o.
Belectric France S.A.R.L.

Hermos Systems GmbH
High-Tech Clima S.A.
HORMEN CE a.s.
Hybridkraftwerk Culemeyerstraße Projekt GmbH
IBP Ingenieure GmbH & Co. KG
IBP Verwaltungs GmbH
inewa Srl

SALES

BELECTRIC GmbH
Belectric Israel Ltd.
Belectric Italia S.r.l.
Belectric Solar Ltd.
Budrio GFE 312 Società Agricola S.r.l.
CAPEXUS s.r.o.
CAPEXUS SK s. r. o.
CERBEROS s.r.o.
CEZ ESCO II GmbH
CEZ ESCO Romania S.R.L.
ČEZ Energetické služby, s.r.o.
ČEZ Energo, s.r.o.
ČEZ ESCO, a.s.
ČEZ LDS s.r.o.
ČEZNET s.r.o.
ČEZ Prodej, a.s.
ČEZ Teplárenská, a.s.
D-I-E ELEKTRO AG
Domat Control System s.r.o.
EAB Elektroanlagenbau GmbH Rhein/Main
E-City Polska sp. z o.o.
e-Dome a. s.
Elektro-Decker GmbH
Elevion Deutschland Holding GmbH
Elevion GmbH
Elevion Group B.V.
Elevion Holding Italia Srl
Elevion Österreich Holding GmbH
ELIMER, a.s.
Energy Shift B.V.
ENESA a.s.
En.plus GmbH
ENVEZ, a. s.
EP Rožnov, a.s.
EPIGON spol. s r.o.
ESCO Distribučné sústavy a.s.
ESCO Servis, s. r. o.
ESCO Slovensko, a. s.
ETS Efficient Technical Solutions GmbH
ETS Efficient Technical Solutions
Shanghai Co. Ltd.
ETS Engineering Kft.
Euroklimat sp. z o.o.
FDLnet.CZ, s.r.o.
Green energy capital, a.s.
GWE Verwaltungs GmbH
GWE Wärme- und Energietechnik GmbH
HA.EM OSTRAVA, s.r.o.
HELIOS MB s.r.o.
Hermos AG
HERMOS International GmbH
HERMOS SDN. BHD
Hermos Schaltanlagen GmbH
Hermos Signaltechnik GmbH
Hermos sp. z o.o.
inewa consulting Srl
INTERNEXT 2000, s.r.o.
Inven Capital, SICAV, a.s.
KABELOVÁ TELEVIZE CZ s.r.o.
KART, spol. s r.o.
Kofler Energies Energieeffizienz GmbH
Kofler Energies Ingenieurgesellschaft mbH
Kofler Energies Systems GmbH
Magnalink, a.s.
Metrolog sp. z o.o.
Moser & Partner Ingenieurbüro GmbH
MWS GmbH
M&P Real GmbH
NEK Facility Management GmbH
OEM Energy sp. z o.o.
Optické sítě s.r.o.
Peil und Partner Ingenieure GmbH
PIPE SYSTEMS s.r.o.
Rudolf Fritz GmbH
SOCIETA' AGRICOLA DEF S.R.L.
Solární servis, s.r.o.
SPRAVBYTKOMFORT, a.s. Prešov
SYNECO PROJECT S.r.l.
SYNECOTEC Deutschland GmbH
Syneco tec GmbH
Telco Infrastructure, s.r.o.
Telco Pro Services, a. s.
TelNet Holding, s.r.o.
TENAUR, s.r.o.
Teplo Klášterec s.r.o.
ZOHD Groep B.V.
Zonnepanelen op het Dak B.V.
Zonnepanelen op het Dak Installaties B.V.

Bytkomfort, s.r.o. *)
Elevion Co-Investment GmbH & Co. KG *)
KLF-Distribúcia, s.r.o. *)
Sakarya Elektrik Perakende Satis A.S. *)
Sepaş Akıllı Çözümler A.S. *)

*) *Joint venture or associate*

Developments in Sectoral Regulation and Legislation

The business environment in which CEZ Group operates is significantly impacted by regulation and legislation at the level of the European Union as well as that of individual countries of its presence. The present chapter is not a list of all relevant changes in this field. It only highlights the major events, documents and acts at the European and Czech national levels.

European Union

REPowerEU and the Progress of the Fit for 55 Package

On May 18, 2022, the European Commission published the “REPowerEU” plan, which outlines the path to EU energy independence from Russian fossil fuels by 2027. The publication followed the first “REPowerEU” document of March 8, 2022, in which the Commission began outlining steps to prevent Europe's energy dependence on Russia from becoming a weapon against the EU. The main objective of “REPowerEU” is twofold:

- 1) Ending Europe's dependence on Russian fossil fuels as soon as possible, in principle by 2027, and reducing Russian gas consumption by $\frac{2}{3}$ by the end of 2022.
- 2) Ensuring the long-term sustainability, cost-effectiveness, and energy supply to the EU energy system through a managed transition away from this long-term relationship with Russia.

Achieving these objectives will require a combination of short, medium, and long-term challenges and measures covering the following three pillars: i) reducing demand, ii) diversifying suppliers for conventional (fossil) fuel imports while ensuring adequate infrastructure for the future, iii) accelerating the transition to renewable energy sources. The timeframe and level of ambition are such that the speed and scale of action will have to go far beyond the proposals previously put forward, for example in the “Fit for 55” and “Hydrogen and Decarbonized Gas Market” packages. Under this package, the European Commission proposes, among other things, to increase the renewable energy target for 2030 from the original 40% to 45% or to increase the short-term binding target under the Energy Efficiency Directive (EED) from 9% to 13%. The European Commission also proposes a target of 10 million tons of hydrogen production from renewable sources in the EU and the same volume of imports by 2030. The “REPowerEU” will most likely be reflected in the final compromises of the Fit for 55 legislation, for which the positions of the European Parliament and the Council will be developed during H2 2022 in the EU Council. Trialogues will take place for legislation from the first phase of the package.

Gas Package

One of the main objectives for both the pieces of legislation (the revision of Directive 2009/73/EU and Regulation 715/2009/EU) is to create a market for hydrogen and enable the development of dedicated infrastructure, including for trade with third countries. The construction of the future hydrogen network can be supported for a limited period of time by revenues from the gas transmission and distribution grids, subject to regulatory approval. However, natural gas and hydrogen grid operators must be separated by 2030. Hydrogen generation and supply activities must be separated from transit activities. A new governance structure in the form of the European Network of Network Operators for Hydrogen (ENNOH) will be created to support dedicated hydrogen infrastructure, cross-border coordination and the construction of interconnection networks, and to develop specific technical rules.

Renewable and low-carbon gases, defined as gases with emissions 70% lower than comparable fossil fuels, will have a specific certification system and, in an effort to increase their use, will be exempted from cross-border transit tariffs and will be allowed a 75% deduction of the costs of these gases entering the system.

To ensure security of supply, countries will be required to include gas storage in their regional risk assessments and plans and may participate in voluntary joint purchases of emergency stocks. To create more space for cleaner gases in the European gas market, the European Commission proposes that long-term fossil gas contracts should not be extended beyond 2049.

The package also seeks to respond to the energy price increase of recent months by strengthening automatic cross-border solidarity through new, pre-determined measures and clarifying controls, and compensation within the internal energy market.

Another priority is consumer empowerment and protection. Reflecting the provisions already in place in the electricity market, consumers can more easily switch suppliers, use effective price comparison

tools, get accurate, fair and transparent billing information, and have better access to data and new smart technologies. Consumers should be able to choose renewable and low-carbon gases over fossil fuels.

The process of discussing the gas package in the European Parliament is scheduled to start at the beginning of H2 2022.

The REPowerEU package includes a regulation on natural gas storage, amending Regulations (EU) 2017/1938 and (EC) No 715/2009. This directly effective legislation was approved as Regulation (EU) 2022/1032 on June 29, 2022, and is a response to Russia's military aggression against Ukraine and the related use of energy resources as a coercive tool in advancing Russian interests against EU countries. The Regulation establishes, among other things, targets for the filling and trajectory of the total capacity of all gas storage facilities in member states by a certain date and their monitoring and enforcement. It also introduces an obligation to certify storage operators to ensure that natural gas storage is optimized and maximized.

Revision of the TEN-E Regulation

In December 2020, the European Commission published a proposal to revise the TEN-E Regulation, which sets out the rules under which individual technologies and projects can qualify for European co-financing for so-called Projects of Common Interest (PCIs). The draft revision includes, among other things, an obligation for all projects to meet mandatory sustainability criteria and to respect the “Do No Harm” principle of the European Green Deal. Among other things, the proposal also ends support for oil and gas infrastructure—however, on the other hand, support for carbon capture and storage (CCS) projects is proposed. There is a strong emphasis on support for offshore electricity grid projects (offshore electricity grids and interconnection of offshore sites) with provisions to facilitate more integrated planning and implementation of offshore renewable energy projects. It also proposes a new focus on hydrogen infrastructure, including transport and certain types of electrolyzers. The proposed support for the deployment of smart grids to facilitate rapid electrification and expand renewable electricity generation is of great importance. Support for projects between European Union and non-EU countries is also new. The final form of this legal act was published in the EU Official Journal on June 3, 2022 as Regulation (EU) 2022/869 of May 30, 2022.

Delegated Act on Sustainable Finance

On February 2, 2022, a draft Commission Delegated Regulation supplementing Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council as regards the establishment of technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives was published. This draft Commission Delegated Regulation was discussed by the European Parliament and the Council of the EU during H1 2022, with a decision on adoption or rejection to be taken in H2 2022.

Revision of the Industrial Emissions Directive

On April 5, 2022, the European Commission presented a proposal to revise the Industrial Emissions Directive (IED), which addresses pollution prevention and control for large industrial installations. It aims to stimulate investment in industry to transform to a climate neutral economy, with the first new obligations for industry expected in the second half of the decade. The new rules will apply to more relevant emission sources than under the existing similar IED. There will be changes in integrated authorization, where instead of settling for the least demanding Best Available Technology (BAT) limits, administrations will have to assess the feasibility of achieving best performance. The rules for granting exemptions and their regular review will also be reinforced. An alternative to permits based on established BAT will be the possibility for leading producers to test new technologies and make use of more flexible permits. In order to achieve the EU's 2050 zero pollution, circular economy and decarbonization ambitions, operators will have to develop transformation plans for their facilities by 2030 and 2034 respectively. Investments in the industrial sector in the circular economy will be encouraged. Energy efficiency will be an essential part of the integrated permit and technological and investment synergies between decarbonization and pollution will be systematically considered in the BAT determination.

Market Interconnection

On July 8, the Core Flow-Based Market Coupling project was launched, interconnecting all pan-European electricity markets, including Czechia, through a new, more accurate calculation of available cross-border transmission capacity. This completes the pan-European electricity market project, which will bring greater efficiency in trading across the EU. The Core Region consists of the supply zone boundaries between these countries: Austria, Belgium, Croatia, Czechia, France, Germany, Hungary, Luxembourg, the Netherlands, Poland, Romania, Slovenia, and Slovakia.

Czechia

In 2022, two important laws for the Czech energy sector came into force in Czechia, namely the Energy Act and the Act on Supported Energy Sources.

On January 1, 2022, Act No. 362/2021 Coll., amending Act No. 458/2000 Coll., on the conditions of business and the exercise of state administration in the energy sectors and on amendments to certain acts (Energy Act), as amended, and other related acts, came into force. The amendment to the Energy Act introduced a statutory provision for the regulation of intermediary activities, extended the protection of consumer rights in the energy sector (the obligation for energy suppliers to demonstrably deliver information to consumers or tradesmen that prices are changing), and expanded the powers of the ERO and the Ministry of Industry and Trade of the Czech Republic (including the regulation of the status of membership in the ERO Council). One of the purposes of the amendment was to prevent the European Commission from taking action against Czechia for non-compliance with an obligation (infringement), which is why measures to protect commercially sensitive information of electricity transmission and natural gas transmission system operators and the regulation of gas storage reserving for transmission system operators were added, as well as the legal regulation of receiving and providing international assistance in crisis situations in the gas sector.

Consequently, due to the situation on the energy market in Czechia in H1 (last resort supply regime for customers of BOHEMIA ENERGY Group companies; military invasion of the Russian Federation into Ukraine on February 24, 2022 and related changes in the security and energy situation in Europe and unprecedented global increase in energy prices), there was already at that time a need for further, accelerated amendment of the Energy Act. On June 27, 2022, Act No. 176/2022 Coll., amending Act No. 458/2000 Coll., on the conditions of business and the exercise of state administration in the energy sectors and on amendments to certain acts (Energy Act), as amended, and other related acts came into force. This amendment modified the institute of last resort supply, the status of membership in the ERO Council, the introduction of a legal obligation to use the storage capacity of gas storage facilities, and the establishment of a procedure in the event of non-compliance with this obligation.

Act No. 382/2021 Coll. amending Act No. 165/2012 Coll., on supported energy sources (SESA) and amending certain acts, as amended, and other related acts entered into force on January 1, 2022. The amendment to this Act introduces instruments to ensure compliance with European regulations and sets new measures to promote energy from renewable sources. At the same time, the amendment modifies the levy rates of the solar tax. Provisions have also been introduced to ensure the adequacy of the support provided in accordance with the requirements set out in the six European Commission Decisions declaring support under the SESA Act compatible with the EU internal market (Notification Decisions). The amendment to the SESA Act makes it possible to ensure the fulfillment of RES targets in the period from 2021 to 2030, including the Czechia's commitment to provide a reasonable level of public support under EU conditions.

Other Significant Non-Legislation Documents Having Impact on the Czech Energy Market

During H1 2022, the Energy Regulatory Office approved the following price decisions setting regulated prices in the electricity and gas sectors for 2022:

- Pricing Decision No. 1/2022 of March 28, 2022, on regulated prices related to service in the electricity sector and other regulated prices
- Pricing Decision No. 2/2022 of May 10, 2022, on regulated prices related to gas supply
- Pricing Decision No. 3/2022 of May 30, 2022, on regulated prices related to gas supply

With effect from April 1, 2022, the Transmission System Operation Rules have been amended in the parts concerning ancillary services. The change is crucial due to the Czechia's accession to the pan-European projects for sharing and exchange of control energy. For this purpose, the rules for offering ancillary services, their certification, evaluation, and provision of aggregated services were modified.

Changes in Ownership Interests

Czechia

- On February 2, the company Elektrárna Mělník III, a. s. v likvidaci was dissolved
- On May 16, ČEZ Teplárenská, a.s., acquired a 100% stake in Energetické centrum s.r.o., from ČEZ, a. s.
- On May 20, ČEZ, a. s., acquired a 100% stake in MARTIA a.s., from ČEZ Teplárenská, a.s.
- On May 31, Telco Pro Services, a.s., acquired a 100% stake in KABELOVÁ TELEVIZE CZ s.r.o.
- On June 1, ČEZ Obnovitelné zdroje, s.r.o., acquired a 100% stake in PV Design and Build s.r.o.
- On June 1, ČEZ ESCO, a. s., acquired a 100% stake in HORMEN CE a.s. (purchase of 49% of shares)
- On June 12, ČEZ, a. s., acquired 100% of the equity interest in OSC, a.s., as a result of the displacement of the remaining minority shareholders of OSC, a.s., representing approximately a 7% stake
- On July 1, TelNet Holding s.r.o. was dissolved by merger with its parent company Telco Pro Services, a.s.
- On July 1, HELIOS MB s.r.o. (a subsidiary of TelNet Holding s.r.o.), was dissolved by merger with Telco Infrastructure, s.r.o. (a subsidiary of Telco Pro Services, a. s.)

Bulgaria

- On May 5, as a result of the sale, the ownership interest in CEZ ESCO Bulgaria EOOD ceased to exist.

France

- On July 1, Ferme Eolienne d'Allas-Nieul SAS entered into liquidation, as a result of which the business name was changed to Ferme Eolienne d'Allas-Nieul SAS société en liquidation
- On July 15, Ferme Eolienne de Saugon SAS entered into liquidation, as a result of which the business name was changed to Ferme Eolienne de Saugon SAS société en liquidation

Israel

- On March 10, the ownership interest of Inven Capital, SICAV, a.s. in Driivz Ltd. ceased to exist as a result of its sale.

Malta

- On January 11, the name of CEZ CI Limited was changed to CE Insurance Limited.

Germany

- On January 20, Hermos AG (part of the Elevion Group) acquired a 100% stake in Hermos Signaltechnik GmbH
- On April 28, Hermos Gesellschaft für Steuer-, Meß- und Regeltechnik mbH was dissolved by merger with its parent company Hermos AG, with effective date of January 1, 2022
- On June 30, a 100% stake in MWS GmbH was transferred within CEZ Group from CEZ ESCO II to Elevion GmbH

Poland

- On May 11, Eco-Wind Construction sp. z o.o. entered into liquidation and at the same time a change of name to Eco-Wind Construction sp. z o.o. w likwidacji was made

- On July 1, the subsidiaries of Baltic Green Construction sp. z o.o. entered into liquidation, namely Baltic Green II sp. z o.o., Baltic Green III sp. z o.o., Baltic Green VI sp. z o.o., Baltic Green IX sp. z o.o., and A.E. Wind S.A., and at the same time the names were changed by adding the words "w likwidacji" after the name of each of the companies.

Austria

- On June 20, Elevion Österreich Holding GmbH acquired a 100% stake in Wagner Consult GmbH

Romania

- On January 31, CEZ Trade Romania S.R.L. entered into liquidation
- On July 7, 2022, CEZ Trade Romania S.R.L. was dissolved

Slovakia

- On January 19, VESER, s.r.o. "v likvidácii" was deleted from the Commercial Register
- On February 24, ESCO Slovensko, a. s., acquired a 100% stake of ELIMER, a.s.

Serbia

- On February 23, CEZ Srbija d.o.o. entered into liquidation and at the same time the name of the company was changed to CEZ Srbija d.o.o. – u likvidaciji

United Kingdom

- On January 28, Elevion Group B.V. acquired a 100% stake in Belectric Solar Ltd. (from the date of acquisition on December 16, 2021 until the effective date of acquisition on January 28, 2022, Elevion Group B.V. was the so-called beneficial owner).

Basic Organization Chart of ČEZ, a. s., as at August 1, 2022



Information for Shareholders and Investors

Contacts

	E-mail/Website	Phone
Websites	In Czech: www.cez.cz	
	www.facebook.com/SkupinaCEZ	
	www.twitter.com/SkupinaCEZ	
	www.linkedin.com/company/cez	
	www.instagram.com/cez_group	
	www.youtube.com/skupinacez	
	In German: www.cezdeutschland.de	
	In French: www.cezfrance.fr	
	In English: www.cez.cz/en/home	
	https://twitter.com/cez_group	
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Investor Relations		
Barbara Seidlová	barbara.seidlova@cez.cz	+420 211 042 529
Zdeněk Zábajník	zdenek.zabajnik@cez.cz	+420 211 042 524
ČEZ Foundation	www.nadacecez.cz	
	www.twitter.com/NadaceCEZ	
CEZ Group Sustainability Report (nonfinancial information)	www.cez.cz/cs/o-cez/energie-pro-budoucnost/zpravy-o-udrzitelnem-rozvoji	
CEZ Group Ombudsman		
Josef Sedlák Mailing address: Ombudsman ČEZ Jemnická 1138/1 140 00 Praha 4	www.cez.cz/ombudsman	Phone contact unavailable

Glossary of Selected Terms and Abbreviations

Term	Commentary
EPC	<p>Energy Performance Contracting. (Energy Performance Contracting)</p> <p>An efficient tool for implementing energy saving measures. Providing energy services with guaranteed results. These consist in the implementation of investment saving measures in an existing building or premises. The energy saving measures are repaid over several years from the savings achieved.</p>
ESCO	<p>A company providing comprehensive energy services to municipalities, businesses, and organizations. The energy service consists in increasing the efficiency of energy use or saving energy consumption through energy efficient technologies. (Energy Service Company)</p>
ESG	<p>ESG is a set of non-financial criteria that investors use to assess and evaluate the performance of the entity in which they invest. E (Environmental) stands for environmental criteria, i.e. the behavior of the entity towards the environment, S (Social) stands for social criteria, i.e. the behavior towards employees, suppliers, or communities in the place of business, and G (Governance) stands for corporate governance, i.e. the way the company is managed, its internal controls, or shareholder rights.</p>
NÚKIB	<p>National Cyber and Security Information Agency.</p>
RES	<p>Renewable Energy Sources.</p> <p>Energy resources that can be naturally replenished, either partially or in full. They include, in particular, solar, wind, and hydro energy, biomass, and biogas.</p>
TEN-E	<p>(Trans-European Networks for Energy; Réseaux transeuropéens d'énergie)</p>

Totals and subtotals in this Half-Year Financial Report can differ from the sum of individual values due to rounding.

Information in this Half-Year Financial Report was not verified by an independent auditor.

Definitions and Calculations of Indicators Unspecified in IFRS

In accordance with ESMA guidelines, ČEZ provides detailed information on indicators that are not reported as standard in IFRS reports or the components of which are not directly available from standardized reports and notes to the financial statements. Such indicators represent supplementary information in respect of financial data, providing report users with additional information for their assessment of the financial position and performance of CEZ Group or ČEZ. In general, these indicators are also commonly used in other commercial companies, not only in the energy sector.

Indicator	
Adjusted net income (Net Income, Adjusted)	<p><u>Purpose:</u> This is a supporting indicator, intended primarily for investors, creditors, and shareholders, which allows interpreting achieved financial results with the exclusion of extraordinary, usually nonrecurring effects that are generally unrelated to ordinary financial performance and value creation in a given period.</p> <p><u>Definition:</u> Net income (after-tax income) +/- additions to and reversals of impairments of property, plant, and equipment and intangible assets, including impairment of goodwill +/- additions to and reversals of impairments of developed projects +/- other extraordinary effects that are generally unrelated to ordinary financial performance and value creation in a given period +/- effects of the above on income tax.</p>
Net debt	<p><u>Purpose:</u> The indicator shows the real level of a company's financial debt, i.e., the accounting amount of debt net of cash, cash equivalents, and highly liquid financial assets. The indicator is primarily used to assess the overall appropriateness of the debt, e.g., in comparison with selected profit or balance sheet indicators.</p> <p><u>Definition:</u> Long-Term Debt, Net of Current Portion + Current Portion of Long-Term Debt + Short-Term Loans – (Cash and Cash Equivalents + Highly Liquid Financial Assets).</p> <p>The components of the indicator, except for Highly Liquid Financial Assets, are reported individually in the balance sheet, with items relating to assets held for sale reported separately in the balance sheet.</p>
Net debt / EBITDA	<p><u>Purpose:</u> This indicates a company's capability to pay back its debt as well as its ability to take on additional debt to grow its business. CEZ Group uses this indicator primarily to assess the adequacy of its capital structure to the structure and stability of its expected cash flows.</p> <p><u>Definition:</u> Net Debt / EBITDA, where Net Debt is the position at the end of the reporting period and EBITDA is the rolling value for the last 12 months. Thus, the value as of June 30 includes the Net Debt as of June 30 and the EBITDA achieved for the period from July 1 of the previous year to June 30 of the current year.</p>

Most of the components used in the calculation of individual indicators are directly shown in financial statements. Components of calculations that are not included in the financial statements are usually shown directly in a company's books and are calculated as follows:

Highly Liquid Financial Assets—Component of the Net Debt Indicator (CZK Billions):

	As at Dec 31, 2021	As at Jun 30, 2022
Current debt financial assets	0.5	–
Noncurrent debt financial assets	–	0.6
Short-term deposits	0.0	0.0
Long-term deposits	–	–
Short-term equity securities	0.0	0.0
Highly liquid financial assets, total	0.5	0.6

Adjusted Net Income Indicator—Calculation for the Periods under Review:

Adjusted Net Income (After-Tax Income, Adjusted) Unit		Q1–Q2 2021	Q1–Q2 2022
Net income	CZK billions	1.6	33.6
Impairments of property, plant, and equipment, and intangible assets (including impairment of goodwill) ¹⁾	CZK billions	11.6	0.0
Impairments of developed projects ²⁾	CZK billions	-	-
Effects of additions to or reversals of impairments on income tax ³⁾	CZK billions	(0.3)	(0.0)
Other extraordinary effects ⁴⁾	CZK billions	(1.7)	-
Adjusted net income	CZK billions	11.3	33.6

1) Corresponds to the total value reported in the row Impairment of property, Plant, and Equipment and Intangible Assets in the consolidated Statement of Profit or Loss.

2) Included in the row Other operating expenses in the Consolidated Statement of Profit or Loss.

3) Included in the row Income taxes in the Consolidated Statement of Profit or Loss.

4) The adjustment consists of a correction of adjustment of the net income by the part of impairments of property, plant, and equipment and intangible assets (including the related effect on income tax) that relates—based on its characteristics—to the current year. These are impairments on fixed assets of the companies sold in Romania and Bulgaria in H1 2021, reflecting the income earned over this period, which effectively accrued to the buyers given the “locked box date” (defined in the asset sale agreements).

Totals and subtotals can differ from the sum of individual values due to rounding.

5. Financial Statements

Interim Consolidated Financial Statements (Condensed Set of Financial Statements)

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		53,799	(1,447)	(5,999)	(19,589)	163	(1,075)	174,724	200,576	5,381	205,957

**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):

	December 31, 2021	Adjustment of Belectric acquisition	December 31, 2021
CONSOLIDATED BALANCE SHEET:	original		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 Klášterec 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	Non-current assets	Current assets
		Total		Total
Term deposits	-	8	-	-
Other financial receivables	3,163	92	2,156	288
Receivables from sale of subsidiaries, associates and joint-ventures	2,424	-	2,399	-
Investment in finance lease	201	44	211	44
Total financial assets at amortized cost	5,788	144	4,766	332
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	3,130	-	2,538	441
Commodity and other derivatives	482	756,732	212	495,139
Total financial assets at fair value through profit or loss	3,612	756,732	2,750	495,580
Veolia Energie ČR, a.s.	599	-	599	-
Other financial assets	397	-	343	-
Total equity financial assets	996	-	942	-
Fair value of cash flow hedge derivatives	3,706	13	3,347	884
Unfinished investments in companies ŠKODA JS a.s. and Middle Estates, s.r.o. (see Note 4)	1,603	-	-	-
Debt financial assets	630	-	-	499
Total financial assets at fair value through other comprehensive income	6,935	13	4,289	1,383
Total	16,335	756,889	11,805	497,295

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><u>59,280</u></u>	<u><u>31,596</u></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							1,065,436
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.

6. Identification of ČEZ, a. s.

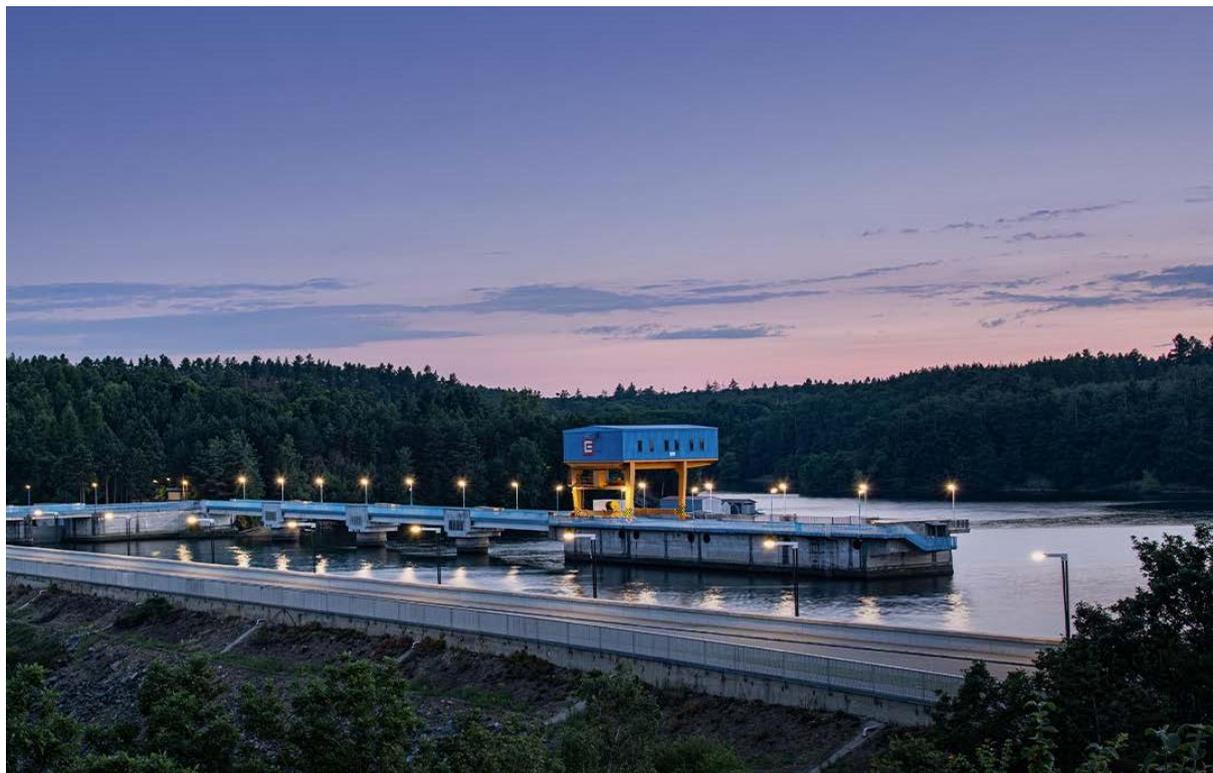


Fig. Dalešice Power Plant

ČEZ, a. s.
Duhová 2/1444
140 53 Praha 4
Czechia

Registered in the Commercial Register maintained by the
Municipal Court in Prague, Section B, File 1581

Established: 1992
Legal form: Joint-stock company
Company reg. No.: 452 74 649
LEI: 529900S5R9YHJHYKKG94
Banking details: KB Praha 1, acc. No. 71504011/0100

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Closing date of the 2022 Half-Year Financial Report: August 22, 2022