

# **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

# CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2022

In CZK Millions

	Note	September 30, 2022	December 31, 2021 (adjusted*)
<b>ASSETS:</b>			
Plant in service		872,146	856,198
Less accumulated depreciation and impairment		(502,279)	(487,211)
<b>Net plant in service</b>		<b>369,867</b>	<b>368,987</b>
Nuclear fuel, at amortized cost		11,496	13,096
Construction work in progress, net		27,535	21,009
<b>Total property, plant and equipment</b>		<b>408,898</b>	<b>403,092</b>
Investments in associates and joint-ventures		3,840	3,916
Restricted financial assets, net		20,502	20,804
Other non-current financial assets, net	5	22,547	11,805
Intangible assets, net		23,521	23,854
Deferred tax assets		24,509	10,719
<b>Total other non-current assets</b>		<b>94,919</b>	<b>71,098</b>
<b>Total non-current assets</b>		<b>503,817</b>	<b>474,190</b>
Cash and cash equivalents, net		80,622	26,640
Trade receivables, net		217,191	137,405
Income tax receivable		3,911	397
Materials and supplies, net		36,708	13,372
Fossil fuel stocks		947	574
Emission rights	6	7,649	19,534
Other current financial assets, net	5	786,569	497,295
Other current assets, net		16,550	13,674
<b>Total current assets</b>		<b>1,150,147</b>	<b>708,891</b>
<b>Total assets</b>		<b>1,653,964</b>	<b>1,183,081</b>

\* 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 SEPTEMBER 30, 2022**

continued

	Note	September 30, 2022	December 31, 2021 (adjusted*)
<b>EQUITY AND LIABILITIES:</b>			
Stated capital		53,799	53,799
Treasury shares		(1,334)	(1,423)
Retained earnings and other reserves		35,365	108,722
<b>Total equity attributable to equity holders of the parent</b>		<b>87,830</b>	<b>161,098</b>
Non-controlling interests		1,697	1,742
<b>Total equity</b>		<b>89,527</b>	<b>162,840</b>
Long-term debt, net of current portion	8	139,161	95,925
Provisions		127,638	117,072
Other long-term financial liabilities	9	82,966	35,219
Deferred tax liability		15,108	12,962
Other long-term liabilities		32	32
<b>Total non-current liabilities</b>		<b>364,905</b>	<b>261,210</b>
Short-term loans	10	52,158	25,310
Current portion of long-term debt	8	14,601	16,655
Trade payables		67,972	85,928
Income tax payable		167	2,248
Provisions		24,374	18,281
Other short-term financial liabilities	9	1,015,829	601,027
Other short-term liabilities		24,431	9,582
<b>Total current liabilities</b>		<b>1,199,532</b>	<b>759,031</b>
<b>Total equity and liabilities</b>		<b>1,653,964</b>	<b>1,183,081</b>

\* 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 NINE MONTHS ENDED SEPTEMBER 30, 2022**

In CZK Millions

	Note	1-9/2022	1-9/2021	7-9/2022	7-9/2021
Sales of electricity, heat, gas and coal		150,372	104,383	61,794	31,890
Sales of services and other revenues		54,307	49,172	18,144	14,921
Other operating income		6,376	2,400	597	894
<b>Total revenues and other operating income</b>	10	211,055	155,955	80,535	47,705
Gains and losses from commodity derivative trading	12	17,962	(405)	2,175	2,183
Purchase of electricity, gas and other energies		(51,939)	(42,149)	(20,754)	(12,041)
Fuel and emission rights		(33,120)	(16,399)	(12,267)	(5,127)
Services		(21,520)	(19,445)	(7,737)	(6,921)
Salaries and wages		(22,825)	(21,333)	(7,868)	(6,973)
Material and supplies		(10,285)	(8,049)	(3,713)	(2,792)
Capitalization of expenses to the cost of assets and change in own inventories		3,779	3,112	1,172	1,153
Depreciation and amortization		(24,275)	(21,810)	(9,112)	(7,911)
Impairment of property, plant and equipment and intangible assets	4	(12,165)		32	(539)
Impairment of trade and other receivables		(346)	63	(581)	(5)
Other operating expenses		(3,300)	(3,571)	(921)	(1,072)
<b>Income (loss) before other income (expenses) and income taxes</b>		65,190	13,804	20,961	7,660
Interest on debt		(3,206)	(3,245)	(1,454)	(1,029)
Interest on provisions		(1,933)	(1,491)	(644)	(494)
Interest income		2,197	321	1,203	106
Share of profit (loss) from associates and joint-ventures		506	80	(90)	47
Impairment of financial assets		(565)	(185)	(18)	(63)
Other financial expenses		(3,173)	(412)	(1,420)	(56)
Other financial income		4,260	1,971	3,047	400
<b>Total other income (expenses)</b>		(1,914)	(2,961)	624	(1,089)
<b>Income before income taxes</b>		63,276	10,843	21,585	6,571
Income taxes		(10,982)	(4,135)	(2,893)	(1,439)
<b>Net income</b>		<u>52,294</u>	<u>6,708</u>	<u>18,692</u>	<u>5,132</u>
Net income attributable to:					
Equity holders of the parent		52,339	6,560	18,705	5,127
Non-controlling interests		(45)	148	(13)	5
Net income per share attributable to equity holders of the parent (CZK per share):					
Basic		97.5	12.2	34.8	9.6
Diluted		97.5	12.2	34.8	9.5

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

In CZK Millions

	Note	1-9/2022	1-9/2021	7-9/2022	7-9/2021
<b>Net income</b>		52,294	6,708	18,692	5,132
Change in fair value of cash flow hedges		(185,675)	(52,844)	(75,775)	(36,649)
Cash flow hedges reclassified to statement of income		64,462	3,032	33,202	2,243
Change in fair value of debt instruments		(1,770)	(1,112)	(67)	(235)
Disposal of debt instruments		(1)	(12)	-	(10)
Translation differences – subsidiaries		(195)	(935)	(121)	(55)
Translation differences – associates and joint-ventures		(19)	(78)	(9)	(2)
Disposal of translation differences		(18)	8,235	(1)	1,628
Share on other equity movements of associates and joint-ventures		(28)	25	(18)	(3)
Deferred tax related to other comprehensive income	13	23,363	9,680	8,096	6,585
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		(99,881)	(34,009)	(34,693)	(26,498)
Change in fair value of equity instruments		1	-	-	-
<b>Net other comprehensive income not to be reclassified from equity in subsequent periods</b>		1	-	-	-
<b>Total other comprehensive income, net of tax</b>		(99,880)	(34,009)	(34,693)	(26,498)
<b>Total comprehensive income, net of tax</b>		(47,586)	(27,301)	(16,001)	(21,366)
Total comprehensive income attributable to:					
Equity holders of the parent		(47,524)	(27,316)	(15,979)	(21,371)
Non-controlling interests		(62)	15	(22)	5

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

In CZK Millions

	Note	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves				Retained earnings
<b>Balance as at January 1, 2021</b>		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	6,560	6,560	148	6,708
Other comprehensive income		-	-	7,354	(40,347)	(908)	-	25	(33,876)	(133)	(34,009)
<b>Total comprehensive income</b>		-	-	7,354	(40,347)	(908)	-	6,585	(27,316)	15	(27,301)
Dividends		-	-	-	-	-	-	(27,909)	(27,909)	(150)	(28,059)
Sale of treasury shares		-	1,398	-	-	-	-	(749)	649	-	649
Exercised and forfeited share options		-	-	-	-	-	(54)	54	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	13	13
Acquisition of non-controlling interests		-	-	-	-	-	-	(71)	(71)	5	(66)
Sale of subsidiaries		-	-	-	-	-	-	-	-	(3,499)	(3,499)
Sale of non-controlling interests		-	-	-	-	-	-	(4)	(4)	803	799
Put options held by non-controlling interests		-	-	(6)	-	-	-	(174)	(180)	12	(168)
<b>Balance as at September 30, 2021</b>		<u>53,799</u>	<u>(1,447)</u>	<u>(4,429)</u>	<u>(47,457)</u>	<u>(34)</u>	<u>(1,076)</u>	<u>179,684</u>	<u>179,040</u>	<u>1,891</u>	<u>180,931</u>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 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		
<b>Balance as at January 1, 2022</b>		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Net income		-	-	-	-	-	-	52,339	52,339	(45)	52,294
Other comprehensive income		-	-	(214)	(98,190)	(1,431)	1	(29)	(99,863)	(17)	(99,880)
<b>Total comprehensive income</b>		-	-	(214)	(98,190)	(1,431)	1	52,310	(47,524)	(62)	(47,586)
Dividends		-	-	-	-	-	-	(25,727)	(25,727)	(21)	(25,748)
Sale of treasury shares		-	89	-	-	-	-	(48)	41	-	41
Exercised and forfeited share options		-	-	-	-	-	(4)	4	-	-	-
Acquisition of non-controlling interests	4.2	-	-	-	-	-	-	(115)	(115)	(4)	(119)
Put options held by non-controlling interests		-	-	(4)	-	-	-	61	57	42	99
<b>Balance as at September 30, 2022</b>		<u>53,799</u>	<u>(1,334)</u>	<u>(4,855)</u>	<u>(165,402)</u>	<u>(2,078)</u>	<u>(1,724)</u>	<u>209,424</u>	<u>87,830</u>	<u>1,697</u>	<u>89,527</u>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

In CZK Millions

	Note	1-9/2022	1-9/2021
<b>OPERATING ACTIVITIES:</b>			
<b>Income before income taxes</b>		63,276	10,843
<b>Adjustments of income before income taxes to cash generated from operations:</b>			
Depreciation and amortization		24,275	21,810
Amortization of nuclear fuel		2,901	2,979
(Gains) and losses on non-current asset retirements		(83)	(456)
Foreign exchange rate loss (gain)		2,815	(876)
Interest expense, interest income and dividend income		994	2,914
Provisions		6,171	(495)
Impairment of property, plant and equipment and intangible assets		(4)	12,165
Other non-cash expenses and income including valuation allowances		68,189	(21,651)
Share of (profit) loss from associates and joint-ventures		(506)	(80)
<b>Changes in assets and liabilities:</b>			
Receivables and contract assets		(85,396)	(22,556)
Materials, supplies and fossil fuel stocks		(23,707)	(4,116)
Receivables and payables from derivatives		(46,437)	16,101
Other assets		7,686	203
Trade payables		(16,128)	11,830
Other liabilities		14,893	3,106
<b>Cash generated from operations</b>		18,939	31,721
Income taxes paid		(4,893)	(2,728)
Interest paid, net of capitalized interest		(3,192)	(3,180)
Interest received		2,169	273
Dividends received		27	7
<b>Net cash provided by operating activities</b>		13,050	26,093
<b>INVESTING ACTIVITIES:</b>			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(1,774)	(790)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		(11)	28,970
Additions to non-current assets, including capitalized interest		(25,756)	(21,157)
Proceeds from sale of non-current assets		1,269	308
Loans made		(18)	(317)
Repayment of loans		296	307
Change in restricted financial assets		(1,554)	(1,135)
<b>Net cash provided by (used in) investing activities</b>		(27,548)	6,186



**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

continued

	<u>Note</u>	<u>1-9/2022</u>	<u>1-9/2021</u>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		272,421	193,994
Payments of borrowings		(202,529)	(201,163)
Payments of lease liabilities		(484)	(502)
Proceeds from other long-term liabilities		89	220
Payments of other long-term liabilities		(9)	(188)
Dividends paid to Company's shareholders		(86)	(27,645)
(Dividends paid to) contributions received from non-controlling interests, net		(14)	(142)
Sale of treasury shares		42	649
(Acquisition) sale of non-controlling interests, net		(430)	746
<b>Net cash used in financing activities</b>		<u>69,000</u>	<u>(34,031)</u>
Net effect of currency translation and allowances in cash		(520)	(394)
<b>Net increase in cash and cash equivalents</b>		53,982	(2,146)
<b>Cash and cash equivalents at beginning of period</b>		<u>26,640</u>	<u>10,169</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>80,622</u></u>	<u><u>8,023</u></u>
Supplementary cash flow information:			
Total cash paid for interest		3,408	3,390

# CEZ GROUP

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### AS OF SEPTEMBER 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 September 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 nine months ended September 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):

<b>CONSOLIDATED BALANCE SHEET:</b>	December 31, 2021 original	Adjustment of Belectric acquisition	December 31, 2021 adjusted
Plant in service	856,189	9	856,198
Net plant in service	368,978	9	368,987
Total property, plant and equipment	403,083	9	403,092
Intangible assets, net	23,677	177	23,854
Total other non-current assets	70,921	177	71,098
Total non-current assets	474,004	186	474,190
Trade receivables, net	137,432	(27)	137,405
Total current assets	708,918	(27)	708,891
<b>Total assets</b>	<b>1,182,922</b>	<b>159</b>	<b>1,183,081</b>
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
<b>Total equity and liabilities</b>	<b>1,182,922</b>	<b>159</b>	<b>1,183,081</b>

### 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 nine months of 2022 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	454
Cash outflow on investments in companies ŠKODA JS a.s. <sup>1)</sup> and Middle Estates, s.r.o.	1,293
Cash outflow on acquisitions of the subsidiaries, where provisional accounting was not completed yet	20
Cash outflow on investments in joint-ventures	1
Payments of payables from acquisitions of previous periods	63
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	(36)
Cash and cash equivalents acquired on including the previously unconsolidated subsidiary in consolidation	(21)
Total cash outflows on acquisition	<u>1,774</u>

<sup>1)</sup> Without cash used for the acquisition of a 17.39% non-controlling interest in the subsidiary ÚJV Řež, a.s., which is owned by ŠKODA JS a.s. The related cash expenditure of CZK 310 million was reported on the consolidated statement of cash flows on the line Acquisition and sale of non-controlling interests, net.

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 all the relevant antimonopoly authorities. The decision of the pending antimonopoly authority of Ukraine is expected in the last quarter 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 Nine 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.

On August 4, 2022, the Group acquired 100% interest in the company Società Agricola BTC SRL, which owns and operates biogas plant.

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.	Società Agricola BTC SRL	KABELOVÁ TELEVIZE CZ s.r.o.	Teplo Klášteřec s.r.o. <sup>1)</sup>	Other	Total
Share of the Group being acquired	100 %	100 %	100 %	100 %	100 %	
Property, plant and equipment, net	9	63	35	55	15	177
Intangible assets, net	85	31	60	-	4	180
Another non-current assets	35	1	1	-	-	37
Cash and cash equivalents	24	2	7	21	3	57
Trade receivables, net	95	11	3	1	4	114
Materials and supplies, net	17	-	12	-	9	38
Another current assets	22	26	1	-	-	49
Long-term debt, net of current portion	(3)	(44)	(2)	-	(10)	(59)
Another non-current liabilities	(25)	(5)	(14)	(9)	(4)	(57)
Trade payables	(90)	(20)	(9)	(7)	(1)	(127)
Another current liabilities	(4)	(17)	(3)	-	(6)	(30)
Total net assets	165	48	91	61	14	379
Share of net assets acquired	165	48	91	61	14	379
Goodwill	69	1	85	69	15	239
Total purchase consideration	234	49	176	130	29	618
Liabilities from acquisition of the subsidiary	(29)	-	-	-	(5)	(34)
Cash paid in previous years	-	-	-	(130)	-	(130)
Cash outflow on acquisition in 2022	205	49	176	-	24	454
Less: Cash and cash equivalents in the subsidiary acquired	(24)	(2)	(7)	-	(3)	(36)
Less: Cash and cash equivalents of the previously unconsolidated subsidiary	-	-	-	(21)	-	(21)
Cash outflow on acquisition in 2022, net	181	47	169	(21)	21	397

<sup>1)</sup> In the first half of 2022, the Group started the consolidation of the previously unconsolidated subsidiary Teplo Klášteřec s.r.o.

If the acquisitions had taken place at the beginning of the year 2022, net income for CEZ Group as of September 30, 2022 would have been CZK 52,274 million and the revenues and other operating income from continuing operations would have been CZK 211,197 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	363	41	404
Income before other income (expense) and income taxes	5	2	7
Net income	5	1	6
Net income attributable:			
Equity holders of the parent	3	1	4
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%	
Liability 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 September 30, 2022 and December 31, 2021 is as follows (in CZK millions):

	September 30, 2022			December 31, 2021		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	-	7	7	-	-	-
Other financial receivables	2,793	15	2,808	2,156	288	2,444
Receivables from sale of subsidiaries, associates and joint-ventures	2,437	2	2,439	2,399	-	2,399
Investment in finance lease	200	45	245	211	44	255
<b>Total financial assets at amortized cost</b>	<b>5,430</b>	<b>69</b>	<b>5,499</b>	<b>4,766</b>	<b>332</b>	<b>5,098</b>
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	3,686	-	3,686	2,538	441	2,979
Commodity and other derivatives	638	785,310	785,948	212	495,139	495,351
<b>Total financial assets at fair value through profit or loss</b>	<b>4,324</b>	<b>785,310</b>	<b>789,634</b>	<b>2,750</b>	<b>495,580</b>	<b>498,330</b>
Veolia Energie ČR, a.s.	599	-	599	599	-	599
Other financial assets	385	-	385	343	-	343
Total equity financial assets	984	-	984	942	-	942
Fair value of cash flow hedge derivatives	7,644	180	7,824	3,347	884	4,231
Unfinished investments in companies ŠKODA JS a.s. and Middle Estates, s.r.o. (see Note 4)	1,603	-	1,603	-	-	-
Debt financial assets	2,562	1,010	3,572	-	499	499
<b>Total financial assets at fair value through other comprehensive income</b>	<b>12,793</b>	<b>1,190</b>	<b>13,983</b>	<b>4,289</b>	<b>1,383</b>	<b>5,672</b>
<b>Total</b>	<b>22,547</b>	<b>786,569</b>	<b>809,116</b>	<b>11,805</b>	<b>497,295</b>	<b>509,100</b>

The increase of short-term commodity derivatives in the first nine 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 September 30, 2022 and December 31, 2021 (in CZK millions):

	September 30, 2022			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	-	2,177	2,177	160	13,424	13,584
Emission rights held for trading	-	5,353	5,353	-	6,042	6,042
Green and similar certificates	-	119	119	-	68	68
Total	-	7,649	7,649	160	19,534	19,694

## 7. Equity

### 7.1. Approved Dividends

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.

### 7.2. Cash Flow Hedge Reserve

The Group hedges cash flows arising from highly probable future sales of electricity in the Czech Republic in 2022–2027. The relevant hedging instruments are the futures and forward contracts electricity sales in Germany. The fair value of these derivative hedging instruments amounted to CZK (212,378) million and CZK (77,985) million at September 30, 2022 and December 31, 2021, respectively. The Group also hedges cash flows arising from highly probable future revenue in EUR for the purposes of currency and interest risk hedging. The following table provides an overview of effects of cash flow hedging on equity (in millions of CZK):

	September 30, 2022	December 31, 2021
Hedging of sales of electricity in 2022	(22,787)	(43,558)
Hedging of sales of electricity in 2023	(111,232)	(18,480)
Hedging of sales of electricity in 2024	(27,410)	(3,852)
Hedging of sales of electricity in 2025	(5,758)	(876)
Hedging of sales of electricity in 2026	(762)	(105)
Hedging of sales of electricity in 2027	(20)	(1)
Currency risk hedging and other cash flow hedge reserves	2,567	(340)
Total	(165,402)	(67,212)

Reported amounts included in equity in relation to cash flow hedging are presented net of tax and with regard to the effectivity of hedging. When the electricity is supplied, the amounts accumulated in equity are recognized in profit or loss together with the associated hedged items. The amounts in profit or loss are recognized before tax on the line Sales of electricity, heat, gas and coal (Note 11) and related income tax is recognized on the line Income taxes. The gain or loss attributable to the ineffective portion is presented in the statement of income in the item Gains and losses from commodity derivative trading.

Therefore effectively, the sale of electricity is recognized in the statement of income when supplied in the hedged amount which corresponds to the hedged amount of sales of generated electricity. Losses or gain from revaluation of derivative instruments hedging cash flow have temporary effect until the electricity is delivered and it mitigates risk of changes in electricity prices during this period.



## 8. Long-term Debt

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

	September 30, 2022	December 31, 2021
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,087	2,302
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,393	1,536
4.875% Eurobonds, due 2025 (EUR 750 million)	18,803	19,263
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,007	2,210
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,273	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,217	1,246
4.500% Eurobonds, due 2047 (EUR 50 million)	1,215	1,243
4.383% Eurobonds, due 2047 (EUR 80 million)	1,970	2,017
3.000% Eurobonds, due 2028 (EUR 725 million)	18,226	18,627
0.875% Eurobonds, due 2022 (EUR 269 million)	6,658	6,692
0.875% Eurobonds, due 2026 (EUR 750 million)	18,415	18,502
4.250% U.S. bonds, due 2022 (USD 266 million)	-	5,897
5.625% U.S. bonds, due 2042 (USD 300 million)	7,704	6,621
4.500% Registered bonds, due 2030 (EUR 40 million)	1,008	987
4.750% Registered bonds, due 2023 (EUR 40 million)	1,012	1,036
4.700% Registered bonds, due 2032 (EUR 40 million)	1,002	1,026
4.270% Registered bonds, due 2047 (EUR 61 million)	1,530	1,500
2.375% Registered bonds, due 2027 (EUR 600 million)	14,799	-
3.550% Registered bonds, due 2038 (EUR 30 million)	748	764
Total bonds and debentures	101,067	92,757
Less: Current portion	(12,195)	(13,911)
Bonds and debentures, net of current portion	88,872	78,846
Long-term bank and other loans, lease liabilities:	52,695	19,823
Less: Current portion	(2,406)	(2,744)
Long-term bank and other loans, lease payables, net of current	50,289	17,079
Total long-term debt	153,762	112,580
Less: Current portion	(14,601)	(16,655)
Total long-term debt, net of current portion	139,161	95,925

## 9. Other Financial Liabilities

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

	September 30, 2022		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	379	-	379
Payables to owners for profit distribution	-	26,021	26,021
Other	691	1,635	2,326
Financial liabilities at amortized cost	1,070	27,656	28,726
Cash flow hedge derivatives	81,001	130,765	211,766
Commodity and other derivatives	45	857,124	857,169
Liabilities from put options held by non-controlling interests	292	193	485
Contingent consideration from the acquisition of subsidiaries	558	91	649
Financial liabilities at fair value	81,896	988,173	1,070,069
<b>Total</b>	<b>82,966</b>	<b>1,015,829</b>	<b>1,098,795</b>

  

	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
<b>Total</b>	<b>35,219</b>	<b>601,027</b>	<b>636,246</b>

The increase of short-term liabilities from commodity derivatives in the first nine 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 September 30, 2022 and December 31, 2021 are as follows (in CZK millions):

	September 30, 2022	December 31, 2021
Short-term bank and other loans	51,706	25,282
Bank overdrafts	452	28
<b>Total</b>	<b>52,158</b>	<b>25,310</b>

## 11. Revenues and Other Operating Income

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

	1-9/2022	1-9/2021
<u>Sales of electricity:</u>		
Sales of electricity to end customers	55,783	34,826
Sales of electricity through energy exchange and other organized markets	91,530	22,863
Sales of electricity to traders	30,804	23,766
Sales to distribution and transmission companies	379	409
Other sales of electricity	8,405	11,827
Effect of hedging – presales of electricity	(65,193)	(4,305)
Effect of hedging – currency risk hedging	91	1,110
Total sales of electricity	121,799	90,496
<u>Sales of gas, coal and heat:</u>		
Sales of gas	17,859	5,121
Sales of coal	4,105	2,691
Sales of heat	6,609	6,075
Total sales of gas, coal and heat	28,573	13,887
Total sales of electricity, heat, gas and coal	150,372	104,383
<u>Sales of services and other revenues:</u>		
Distribution services	25,943	29,179
Other services	25,784	18,242
Rental income	123	136
Revenues from goods sold	1,033	626
Other revenues	1,424	989
Total sales of services and other revenues	54,307	49,172
<u>Other operating income:</u>		
Gain on sale of emission rights for own use	4,278	-
Granted green and similar certificates	120	540
Contractual fines and interest fees for delays	445	206
Gain on sale of property, plant and equipment	183	265
Gain on sale of material	146	114
Other	1,204	1,275
Total other operating income	6,376	2,400
Total revenues and other operating income	211,055	155,955

Revenues from contracts with customers for the nine months ended September 30, 2022 and 2021 were CZK 269,658 million and CZK 156,614 million, respectively, and can be linked to the above figures as follows:

	1-9/2022	1-6/2021
Sales of electricity, heat, gas and coal	150,372	104,383
Sales of services and other revenues	54,307	49,172
Total revenues	204,679	153,555
Adjustments:		
Effect of hedging – presales of electricity	65,193	4,305
Effect of hedging – currency risk hedging	(91)	(1,110)
Rental income	(123)	(136)
Revenues from contracts with customers	<u>269,658</u>	<u>156,614</u>

## 12. Gains and Losses from Commodity Derivative Trading

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

	1-9/2022	1-9/2021
Gain (loss) from electricity derivative trading	1,957	(18,292)
Gain from gas derivative trading	14,631	8,646
Loss from oil derivative trading	(12)	(26)
Gain (loss) from coal derivative trading	(1)	351
Gain from emission rights derivative trading	1,387	8,916
Total gains and losses from commodity derivative trading	<u>17,962</u>	<u>(405)</u>

Reported gains and losses from derivative trading consist of trades with commodities for the purpose of speculative trading, but also trades concluded for the purpose of hedging the gross margin from electricity generation, where changes in their fair value do not enter the hedge accounting scheme (see Note 7.2), mainly due to the uncertainty of the hedged deliveries of electricity from generation sources (where the expected deliveries of electricity may not be produced eventually, but trading positions on electricity and related positions for emission allowances and fuels will be closed, e.g. for deliveries from the Počerady CCGT power plant). Given the high volatility of commodity market prices, these trades have a significant impact on reported gains and losses from derivative trading.

### 13. Income Taxes

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

	1-9/2022			1-9/2021		
	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	(185,675)	35,279	(150,396)	(52,844)	10,040	(42,804)
Cash flow hedges reclassified to statement of income	64,462	(12,255)	52,207	3,032	(576)	2,456
Change in fair value of debt instruments	(1,770)	338	(1,432)	(1,112)	213	(899)
Disposal of debt instruments	(1)	1	-	(12)	3	(9)
Translation differences – subsidiaries	(195)	-	(195)	(935)	-	(935)
Translation differences – associates and joint-ventures	(19)	-	(19)	(78)	-	(78)
Disposal of translation differences	(18)	-	(18)	8,235	-	8,235
Share on other equity movements of associates and joint-ventures	(28)	-	(28)	25	-	25
Change in fair value of equity instruments	1	-	1	-	-	-
<b>Total</b>	<b>(123,243)</b>	<b>23,363</b>	<b>(99,880)</b>	<b>(43,689)</b>	<b>9,680</b>	<b>(34,009)</b>

## 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>1-9/2022</u>	<u>1-9/2021</u>
Income before other income (expenses) and income taxes (EBIT)	65,190	13,804
Depreciation and amortization	24,275	21,810
Impairment of property, plant and equipment and intangible assets	(4)	12,165
Gains and losses on sale of property, plant and equipment, net *	<u>(178)</u>	<u>(259)</u>
EBITDA	<u><u>89,283</u></u>	<u><u>47,520</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 nine months ended September 30, 2022 and 2021 and at December 31, 2021 (in CZK millions):

September 30, 2022:	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	92,521	25,979	88,015	4,540	211,055	-	211,055
Revenues and other operating income – intersegment	63,494	234	12,553	5,127	81,408	(81,408)	-
<b>Total revenues and other operating income</b>	156,015	26,213	100,568	9,667	292,463	(81,408)	211,055
Thereof:							
Sales of electricity, heat, gas and coal	139,451	-	78,074	8,696	226,221	(75,849)	150,372
Sales of services and other revenues	10,570	25,923	21,652	895	59,040	(4,733)	54,307
Other operating income	5,994	290	842	76	7,202	(826)	6,376
Sale of electricity, heat, gas and coal including derivatives <sup>1)</sup>	157,344	-	78,121	8,696	244,161	(75,827)	168,334
Thereof:							
Sale of electricity including derivatives <sup>2)</sup>	116,384	-	63,353	-	179,737	(55,981)	123,756
<b>EBITDA</b>	66,999	13,746	3,795	4,989	89,529	(246)	89,283
Depreciation and amortization	(16,655)	(4,957)	(1,505)	(1,158)	(24,275)	-	(24,275)
Impairment of property, plant and equipment and intangible assets	22	(11)	(17)	10	4	-	4
<b>EBIT</b>	50,467	8,833	2,277	3,859	65,436	(246)	65,190
Interest on debt and provisions	(4,694)	(620)	(256)	(216)	(5,786)	647	(5,139)
Interest income	1,732	330	563	219	2,844	(647)	2,197
Share of profit (loss) from associates and joint-ventures	(16)	424	141	(43)	506	-	506
Income taxes	(7,840)	(1,609)	(668)	(753)	(10,870)	(112)	(10,982)
<b>Net income</b>	45,629	6,783	2,699	3,186	58,297	(6,003)	52,294
Identifiable assets	262,532	122,997	10,894	12,481	408,904	(6)	408,898
Investment in associates and joint-ventures	2,804	-	297	739	3,840	-	3,840
Unallocated assets							1,241,226
Total assets							<u>1,653,964</u>
Capital expenditure	8,332	10,300	1,600	1,231	21,463	(103)	21,360

<sup>1)</sup> This includes the item Sales of electricity, heat, gas and coal and the item Gains and losses from commodity derivative trading from the statement of income.

<sup>2)</sup> This includes the item Total sales of electricity (Note 11) and the item Gain (loss) from electricity derivative trading (Note 12).

September 30, 2021:	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	58,896	29,255	64,787	3,017	155,955	-	155,955
Revenues and other operating income – intersegment	26,153	343	5,362	3,945	35,803	(35,803)	-
<b>Total revenues and other operating income</b>	85,049	29,598	70,149	6,962	191,758	(35,803)	155,955
Thereof:							
Sales of electricity, heat, gas and coal	76,611	10	52,815	6,207	135,643	(31,260)	104,383
Sales of services and other revenues	6,179	29,357	16,694	714	52,944	(3,772)	49,172
Other operating income	2,259	231	640	41	3,171	(771)	2,400
Sale of electricity, heat, gas and coal including derivatives <sup>1)</sup>	76,190	10	52,827	6,207	135,234	(31,256)	103,978
Thereof:							
Sale of electricity including derivatives 2)	49,453	10	46,076	-	95,539	(23,335)	72,204
<b>EBITDA</b>	24,075	15,250	5,138	3,143	47,606	(86)	47,520
Depreciation and amortization	(14,227)	(4,579)	(1,277)	(1,727)	(21,810)	-	(21,810)
Impairment of property, plant and equipment and intangible assets	(1,482)	(1,491)	9	(9,201)	(12,165)	-	(12,165)
<b>EBIT</b>	8,524	9,216	3,928	(7,778)	13,890	(86)	13,804
Interest on debt and provisions	(4,426)	(665)	(199)	(138)	(5,428)	692	(4,736)
Interest income	953	13	43	4	1,013	(692)	321
Share of profit (loss) from associates and joint-ventures	(15)	47	119	(71)	80	-	80
Income taxes	(1,607)	(1,644)	(721)	(163)	(4,135)	-	(4,135)
<b>Net income</b>	11,975	6,754	3,116	(8,049)	13,796	(7,088)	6,708
Capital expenditure	7,111	9,781	1,034	1,461	19,387	(51)	19,336
December 31, 2021:	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
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							<u>776,073</u>
<b>Total assets</b>							<u><u>1,183,081</u></u>

<sup>1)</sup> This includes the item Sales of electricity, heat, gas and coal and the item Gains and losses from commodity derivative trading from the statement of income.

<sup>2)</sup> This includes the item Total sales of electricity (Note 11) and the item Gain (loss) from electricity derivative trading (Note 12).



## 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 taken a number of important measures, due to which the potential impact of the mentioned risks has significantly decreased compared to the situation as of June 30, 2022. In particular, it secured the capacity of the LNG terminal in the Netherlands including commercial securing of transport routes to the Czech Republic, which enables supplies of natural gas covering more than 1/3 of the total consumption of natural gas in the Czech Republic. On September 8, 2022, the terminal was already put into operation. Furthermore, the Group secured alternative supplies of nuclear fuel for the Temelín Nuclear Power Plant.

The Group has the highest direct credit exposure from the concluded commodity contracts for the purchase of gas from the company Gazprom Export with the seat in the Russian Federation. The total recognized loss from these contracts as of September 30, 2022, amounted to CZK 1,926 million. Out of this, the usual mark-to-market value of the commodity contracts was CZK 1,040 million. Taking into account that there is no quantity delivered under these concluded contracts, the Group assessed the fair value of these contracts in the amount of nil. Part of the loss related to the decrease in the fair value of commodity derivatives in the amount of CZK 920 million was reported on the line Gains and losses from commodity derivative trading. The remaining part of the loss in the amount of CZK 120 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. In addition to these losses, which relate to concluded contracts for remaining future deliveries until December 31, 2022, the Group also realized losses when the undelivered amount of gas had to be replaced by purchases at higher market prices. Already realized losses as of September 30, 2022, amount to CZK 886 million, out of which CZK 762 million is reported on the line Gains and losses from commodity derivative trading and CZK 124 million on the line Purchase of electricity, gas and other energies.