ČEZ, a. s.

SEPARATE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2020

(Translation of Separate Financial Statements Originally Issued in Czech)

ČEZ, a. s.
BALANCE SHEET
AS OF DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
ASSETS:			
Plant in service		474,973	475,880
Less accumulated depreciation and impairment		(257,008)	(258,822)
Net plant in service		217,965	217,058
Nuclear fuel, at amortized cost		13,592	14,191
Construction work in progress, net		10,052	8,302
Total property, plant and equipment	3	241,609	239,551
Restricted financial assets, net	4	15,221	14,303
Other non-current financial assets, net	5	159,180	181,201
Intangible assets, net	6	3,367	9,014
Total other non-current assets		177,768	204,518
Total non-current assets		419,377	444,069
Cash and cash equivalents, net	7	1,009	3,516
Trade receivables, net	8	58,501	58,042
Income tax receivable		305	-
Materials and supplies, net		7,682	6,599
Fossil fuel stocks		223	608
Emission rights	9	34,323	24,326
Other current financial assets, net	5	76,976	75,602
Other current assets, net	10	2,787	2,784
Assets classified as held for sale, net	11	31,209	6,540
Total current assets		213,015	178,017
Total assets		632,392	622,086

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
BALANCE SHEET
AS OF DECEMBER 31, 2020

continued

	Note	2020	2019
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(2,845)	(2,885)
Retained earnings and other reserves		150,491	152,565
Total equity	12	201,445	203,479
Long-term debt, net of current portion	13	113,929	133,848
Provisions	16	91,125	75,315
Other long-term financial liabilities	17	8,728	8,216
Deferred tax liability	32	8,235	8,044
Total non-current liabilities		222,017	225,423
Short-term loans	18	800	4,119
Current portion of long-term debt	13	27,514	24,760
Trade payables		63,093	53,748
Income tax payable		-	483
Provisions	16	9,096	9,282
Other short-term financial liabilities	17	107,583	99,954
Other short-term liabilities	19	844	838
Total current liabilities		208,930	193,184
Total equity and liabilities		632,392	622,086

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
Sales of electricity, heat and gas		84,374	81,943
Sales of services and other revenues		4,973	5,002
Other operating income		1,152	1,353
Total revenues and other operating income	21	90,499	88,298
Gains and losses from commodity derivative trading	22	6,313	7,159
Purchase of electricity, gas and other energies	23	(31,515)	(33,082)
Fuel and emission rights	24	(16,723)	(17,927)
Services	25	(9,462)	(9,549)
Salaries and wages	26	(7,642)	(7,165)
Materials and supplies		(1,646)	(1,851)
Capitalization of expenses to the cost of assets and change in own inventories		43	91
Depreciation and amortization	3, 6	(13,641)	(14,535)
Impairment of property, plant and equipment and intangible assets		(27)	(114)
Impairment of trade and other receivables		(9)	(23)
Other operating expenses	27	(1,697)	(2,525)
Income before other income (expenses) and income taxes		14,493	8,777
Interest on debt, net of capitalized interest		(5,250)	(5,918)
Interest on provisions	16	(1,702)	(1,637)
Interest income	28	1,297	1,292
Impairment of financial assets	29	(5,129)	2,511
Other financial expenses	30	(666)	(462)
Other financial income	31	19,538	13,234
Total other income (expenses)		8,088	9,020
Income before income taxes		22,581	17,797
Income taxes	32	(1,504)	(404)
Net income		21,077	17,393
Net income per share (CZK per share):	35		
Basic		39.4	32.5
Diluted		39.4	32.5

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
Net income		21,077	17,393
Change in fair value of cash flow hedges		(8,198)	10,891
Cash flow hedges reclassified to statement of income		2,916	8,253
Change in fair value of debt financial instruments		202	207
Deferred tax related to other comprehensive income	32	965	(3,678)
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		(4,115)	15,673
Change in fair value of equity instruments		(1,050)	(347)
Deferred tax related to other comprehensive income	32	199	67
Net other comprehensive income not to be reclassified from equity		(851)	(280)
Total other comprehensive income, net of tax		(4,966)	15,393
Total comprehensive income, net of tax		16,111	32,786

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	Stated capital	Treasury shares	Cash flow hedge reserve	Debt financial instruments	Equity financial instruments and other reserves	Retained earnings	**Total equity**
Balance as at January 1, 2019		53,799	(3,534)	(18,373)	110	117	151,093	183,212
Net income		-	-	-	-	-	17,393	17,393
Other comprehensive income		-	-	15,506	167	(280)	-	15,393
Total comprehensive income		-	-	15,506	167	(280)	17,393	32,786
Dividends		-	-	-	-	-	(12,806)	(12,806)
Sale of treasury shares		-	649	-	-	-	(400)	249
Share options	26	-	-	-	-	38	-	38
Exercised and forfeited share options		-	-	-	-	(31)	31	-
Balance as at December 31, 2019		53,799	(2,885)	(2,867)	277	(156)	155,311	203,479
Net income		-	-	-	-	-	21,077	21,077
Other comprehensive income		-	-	(4,279)	164	(851)	-	(4,966)
Total comprehensive income		-	-	(4,279)	164	(851)	21,077	16,111
Effect of business combination		-	-	-	-	3	-	3
Dividends		-	-	-	-	-	(18,163)	(18,163)
Sale of treasury shares		-	40	-	-	-	(25)	15
Exercised and forfeited share options		-	-	-	-	(14)	14	-
Balance as at December 31, 2020		53,799	(2,845)	(7,146)	441	(1,018)	158,214	201,445

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

In CZK Millions

	Note	2020	2019
OPERATING ACTIVITIES:			
Income before income taxes		22,581	17,797
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization	3, 6	13,641	14,535
Amortization of nuclear fuel	3	4,168	4,059
(Gains) and losses on non-current asset retirements		(5,795)	(38)
Foreign exchange rate loss (gain)		(1,221)	231
Interest expense, interest income and dividend income		(6,939)	(8,491)
Provisions		563	3,062
Impairment of property, plant and equipment and intangible assets		27	114
Other impairment and other non-cash expenses and income		(5,861)	5,244
Changes in assets and liabilities:			
Receivables and contract assets		(4,318)	5,541
Materials, supplies and fossil fuel stocks		(1,039)	(212)
Receivables and payables from derivatives		13,092	(15,163)
Other assets		5,934	(15,580)
Trade payables		5,172	4,791
Other liabilities		11	228
Cash generated from operations		40,016	16,118
Income taxes paid		(935)	(21)
Interest paid, net of capitalized interest		(5,733)	(5,886)
Interest received		1,250	1,295
Dividends received	5, 31	10,869	13,117
Net cash provided by operating activities		45,467	24,623
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures		(4,126)	(2,860)
Proceeds from disposal of subsidiaries, associates and joint-ventures and original investments repayments		719	3,524
Additions to non-current assets, including capitalized interest		(8,816)	(8,397)
Proceeds from sale of non-current assets		977	1,364
Loans made		(10,309)	(4,361)
Repayment of loans		2,206	2,234
Change in restricted financial assets		(723)	(735)
Total cash used in investing activities		(20,072)	(9,231)

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

continued

	Note	2020	2019
FINANCING ACTIVITIES:			
Proceeds from borrowings		157,340	210,254
Payments of borrowings		(176,909)	(202,352)
Payments of lease liabilities	20	(1,378)	(1,159)
Payments of other long-term liabilities		-	(750)
Change in payables/receivables from Group cashpooling		10,860	(5,721)
Dividends paid		(18,116)	(12,836)
Sale of treasury shares		15	249
Net cash used in financing activities		(28,188)	(12,315)
Net effect of currency translation and allowances in cash		286	(15)
Net increase (decrease) in cash and cash equivalents		(2,507)	3,062
Cash and cash equivalents at beginning of period		3,516	454
Cash and cash equivalents at end of period	7	1,009	3,516

Supplementary cash flow information:			
Total cash paid for interest		6,032	6,114

The accompanying notes are an integral part of these financial statements.

ČEZ, a. s.
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020

CONTENT:

ČEZ, a. s.
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020

1. Description of the Company

ČEZ, a. s. (ČEZ or the Company), company reg. No. 45274649, is a joint-stock company that came into existence by registration in the Commercial Register maintained by the Municipal Court in Prague (section B, file 1581) on May 6, 1992, and has its registered office at Duhová 2/1444, Praha 4, Czech Republic.

The main subject of the Company's business is the production of electricity, trade in electricity, production and distribution of thermal energy, trade in gas and other commodities. ČEZ is an energy company that generated approximately 61% of electricity produced in Czech Republic in 2020.

The average full-time equivalent number of employees was 5,489 and 5,348 in 2020 and 2019, respectively.

The majority stake in the Company is owned by the Czech Republic, represented by the Ministry of Finance of the Czech Republic. The Czech Republic held a 69.8% share in the Company’s stated capital at December 31, 2020. The majority shareholder’s share in voting rights was 70.1% at the same date.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are based on a historical cost approach, except where IFRS require a different measurement basis as disclosed in the description of accounting policies below.

Due to the economic substance of transactions and the environment in which the Company operates, the Czech koruna (CZK) is used as the functional currency and reporting currency.

The Company has also prepared CEZ Group’s consolidated financial statements in accordance with IFRS for the same period.

<u>Explanation Added for Translation into English</u>

These financial statements represent a translation of financial statements originally issued in Czech.

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2020

The accounting policies adopted are consistent with those of the previous financial year, except for as follows. The Company has adopted the following new or amended standards and interpretations endorsed by EU as of January 1, 2020:

Conceptual Framework in IFRS Standards
The IASB issued the revised Conceptual Framework for Financial Reporting on March 29, 2018, which newly comprehensively revises the concepts of financial reporting and the process of adopting

accounting standards, provides guidance to preparers of consolidated financial statements to help ensure consistency of accounting policies, and assistance to other users of standards, their analysis and interpretation. Separately, the IASB issued an accompanying document (Amendments to References to the Conceptual Framework in IFRS Standards), which is set of harmonization amendments to affected standards reflecting changes to the Conceptual Framework. The purpose of these harmonization amendments is to support transition to the revised Conceptual Framework for entities that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For entities that apply accounting principles based on the Conceptual Framework, the revised framework is effective for annual periods beginning on or after January 1, 2020. The application of the revision did not have significant impact to the Company's financial statements.

Amendment IFRS 3: Business Combinations
The IASB issued Amendment in Definition of a Business (Amendment to IFRS 3) aimed at resolving the difficulties in practice that arise when an entity determines whether it has acquired a business or a group of assets. The Amendment is effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after January 1, 2020, respectively to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The application of the amendment did not have significant impact to the Company's financial statements.

Amendments IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
The amendments are effective for annual periods beginning on or after January 1, 2020, must be applied retrospectively and may have been applied by entities before the above date. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. This concludes phase one of its work, which responds to the impact of the reform of reference Interbank Offered Rates (IBOR) on financial reporting. The IASB is currently working on phase two of this project and is addressing issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark for a new risk-free rate and the implications for hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments contain temporary reliefs applicable to all hedging relationships that are directly affected by the reform. Thanks to this exception, ti will be possible to use hedge accounting until the existing reference interest rates are replaced by a new risk-free rate (RFR). Related amendment to IFRS 7 Financial Instruments: Disclosures specifies the information that entities are required to disclose in their financial statements about the uncertainty arising from the reform of reference interest rates. The application of the amendments did not have a significant effect on the Company's financial statements.

IFRS 16 Leases: Covid-19 Related Rent Concessions (Amendment)
The amendment was approved by the European Union on October 9, 2020 and is effective retrospectively from the accounting period beginning on July 1, 2020, earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020.
IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021.
- There is no substantive change to other terms and conditions of the lease.

The Company applied this amendment retrospectively as at 1 January 2020. The amendment did not have a significant effect on the Company's financial statements.

Amendments IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'
The Amendments are effective for annual periods beginning on or after January 1, 2020 with earlier application permitted. The Amendments clarify the definition of the term "material" and its application. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved and the amendments ensure consistency of definition in all IFRS standards. The application of the amendments did not have significant impact to the Company's financial statements.

2.2.2. Adoption of New IFRS Standards in 2019

In 2019, The Company has adopted the new accounting standard IFRS 16 Leases. Other changes in accounting policies in 2019, which are described in more details in the separate financial statements as at December 31, 2019, did not have material impact on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 is not restated. The Company elected to use a transition practical expedient and applied the standard only to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

On transition to IFRS 16, the Company recognized right-of-use assets in the amount of CZK 2,524 million, lease liabilities in the amount of CZK 2,513 million and derecognized prepayments related to the leased assets in the amount of CZK 11 million. The application of IFRS 16 did not have impact to the Company's equity.

2.2.3. New IFRS Standards and IFRIC Interpretations either not yet Effective or not yet Adopted by the EU

The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2021 or later
In 2020, the Company decided to apply the amendment to IFRS 16 Leases: Covid-19 Related Rent Concessions before its binding date, as set out in Note 2.2.1. Standards and interpretations most relevant to the Company´s activities, which are not obligatory for the Company and have not yet been applied by the Company, are detailed below:

Amendments IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint-ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint-venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint-venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Company's financial statements.

IFRS 17 Insurance Contracts
The standard is effective for annual periods beginning on or after January 1, 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a

way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. This standard is not expected to have a material effect on the Company's financial statements.

Amendments IFRS 17: Insurance Contracts and IFRS 4: Insurance Contracts
The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The Amendments to IFRS 17 have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Company's financial statements.

Amendment IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. January 1, 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendment aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendment affects the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendment clarifies the classification requirements for debt which may be settled by the company issuing own equity instruments. The amendments have not yet been endorsed by the EU. This amendment is not expected to have a material effect on the Company's financial statements.

Amendments IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018–2020
The amendments are effective for annual periods beginning on or after January 1, 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018–2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

These amendments have not yet been endorsed by the EU. These amendments are not expected to have a material effect on the Company's financial statements.

Amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. These amendments are not expected to have a material effect on the Company's financial statements.

The Company does not expect early adoption of any of the above-mentioned standards, improvements or amendments.

2.3. Estimates

The preparation of financial statements in accordance with IFRS requires Company management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, the disclosure of information on contingent assets and contingent liabilities, and the amounts of revenues and expenses reported for a reporting period. Actual results may differ from such estimates. A description of key assumptions for significant estimates is included in the relevant sections of the Notes.

The Company makes significant estimates when determining the recoverable amounts of property, plant, and equipment and non-current financial assets (see Notes 3 and 5), for nuclear provisions (see Notes 2.20 and 16.1), for provisions for land restoration (see Note 16.2), and when determining the fair value of commodity contracts (see Notes 2.13 and 14) and financial derivatives (see Notes 2.12 and 14) and incremental interest rates and lease terms to measure lease liabilities (see Notes 2.21 and 20).

2.4. Revenues and Other Income

Revenue is recognized, when the Company has satisfied a performance obligation and the amount of revenue can be reliably measured. The Company recognizes revenue at the amount of estimated consideration (less estimated discounts) that it expects to receive for goods transferred or services provided to the customer.

To apply this basic principle, the Company uses a five-level model:

1. Identify the contract(s) with a customer,
2. Identify the performance obligations arising from the contract,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations arising from the contract,
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue from sales of electricity, heat, and gas based on contract terms. Any differences between contracted amounts and actual supplies are settled through the market operator.

Sales are recognized net of value added tax.

Revenue from the sale of assets is recognized as soon as the delivery takes place and risks and associated benefits, as applicable, are transferred to the buyer.

Dividend income is recognized when the Company is awarded the right to the payment of the dividend.

Government and similar grants related to income are recognized in the income statement in the period in which the Company recognizes related expenses to be offset by the grant and is presented in the line Other operating income.

2.5. Fuel Costs

Fuel is recognized as costs when it is consumed. Fuel costs include the depreciation of nuclear fuel (see Note 2.8).

2.6. Interest

The Company capitalizes, as the cost of non-current assets, all interest associated with its investing activities that it would not have incurred if it did not pursue such investing activities. Interest is only capitalized for assets constructed or acquired over a substantial period of time.

2.7. Property, Plant and Equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and impairments. The cost of property, plant, and equipment comprises the purchase price and the related cost of materials and labor and the cost of debt financing used in the construction. The cost also includes the estimated cost of dismantling and removing a tangible asset to the extent specified by IAS 37, Provisions, Contingent Liabilities, and Contingent Assets. Government grants and similar subsidies received for the acquisition of property, plant, and equipment decrease the cost.

Self-constructed property, plant, and equipment are measured at the cost of constructing them. Expenditures on the repair, maintenance, and replacement of minor asset items are recognized as repair and maintenance expenses in the period when such repair is carried out. Improvements are capitalized. When an item of property, plant, and equipment or a part thereof is sold or disposed of, its cost, relevant accumulated depreciation, and any impairments are derecognized in the balance sheet. Any gains or losses arising from the sale or disposal of property, plant, and equipment are included in profit or loss.

At each reporting date, the Company assesses whether there are any indicators that an asset may have been impaired. Where there are such indicators of impairment, the Company checks whether the recoverable amount of the item of property, plant, and equipment is less than its depreciated cost. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Any impairment of property, plant, and equipment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

At each reporting date, the Company assesses whether there are any indicators that previously recognized impairments of assets are no longer justified or should be decreased. If there are such indicators, the Company determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset’s recoverable amount since the last recognition of the impairment. If that is the case, the depreciated cost of the asset including the impairment is increased to the new recoverable amount. The new depreciated cost may not exceed the current carrying amount, less accumulated depreciation, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

The Company depreciates the cost of property, plant, and equipment less their residual value using the straight-line method over their estimated useful life. Each part of an item of property, plant, and equipment that is significant in relation to the total amount of the asset is recognized and depreciated separately. The estimated useful life of property, plant, and equipment is determined as follows:

	Useful lives (years)
Buildings and structures	20–60
Machinery and equipment	4–37
Vehicles	8–25
Furniture and fixtures	4–15

The average depreciation period depending on useful life is determined as follows:

	Average life (years)
Hydro plants	
Buildings and structures	48
Machinery and equipment	17
Fossil fuel plants	
Buildings and structures	39
Machinery and equipment	24
Nuclear power plant	
Buildings and structures	51
Machinery and equipment	37

Depreciation periods, residual values, and depreciation methods are annually reviewed and adjusted as appropriate. In 2020, the estimated useful life of the main assets of nuclear power plants was extended by 10 years.

2.8. Nuclear Fuel

The Company recognizes nuclear fuel as part of property, plant, and equipment because the period for which it is used for electricity generation exceeds 1 year. Nuclear fuel is measured at cost less accumulated depreciation and, if applicable, impairments. Nuclear fuel includes a capitalized portion of the provision for interim storage of nuclear fuel. The depreciation of nuclear fuel in a reactor is determined on the basis of the amount of energy generated and presented in the statement of profit or loss in the line item Fuel and emission rights. The depreciation of nuclear fuel includes additions to the provision for interim storage of spent nuclear fuel.

2.9. Intangible Assets

Intangible assets are measured at costs, including the purchase price and related expenses. Non-current intangible assets are amortized using the straight-line method over their estimated useful life, which ranges from 3 to 17 years. Amortization periods, residual values, and amortization methods are annually reviewed and adjusted as appropriate. Improvements are capitalized.

At each reporting date, the Company assesses whether there are any indicators that a non-current intangible asset may have been impaired. Non-current intangible assets under development are tested for possible impairment annually regardless of whether there are indicators of possible impairment. Any impairment of non-current intangible assets is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

At each reporting date, the Company assesses whether there are any indicators that previously recognized impairments of assets are no longer justified or should be decreased. If there are such indicators, the Company determines the recoverable amount of non-current assets. A previously recognized impairment is recognized as an expense only if there has been a change in the assumptions used to estimate the non-current asset's recoverable amount since the last recognition of the impairment. If that is the case, the amortized cost of the asset including the impairment is increased to the new recoverable amount. The new amortized cost may not exceed the current carrying amount, less accumulated amortization, that would be determined had no impairment been recognized in the past. A reversal of previously recognized impairment is recognized in profit or loss and presented in the line item Impairments of property, plant, and equipment and intangible assets.

2.10. Emission Rights

The greenhouse gas emission right (hereinafter the emission right) represents the right of the operator of an facility that generates greenhouse gas emissions by its operation to emit the equivalent of a ton of carbon dioxide into the atmosphere in a given calendar year. The Company is obliged to determine and report the amount of greenhouse gas emissions from the facilities for each calendar year and this amount must be to be audited by an accredited person. The Company was allocated a certain amount of emission rights on the basis of the National Allocation Plan.

The Company is required to remit the number of emission rights corresponding to its actual amount of greenhouse gas emissions in the previous calendar year by no later than April 30 of the next calendar year.

Allocated emission rights are measured at nominal, i.e., zero value in financial statements. Purchased emission rights are measured at cost (except for emission rights held for trading). The Company makes a provision for covering released emissions corresponding to the difference between the actually released amount of emissions and its inventory of allocated emission rights. The provision is measured primarily at the cost of emission rights and credits that were purchased with the intention of covering greenhouse gas emissions in the reporting period. The provision for released emissions exceeding such rights and credits is measured at the market price effective at the end of the reporting period. Emission rights purchased for use in the next year are recognized as current assets in the line item Emission rights. Emission rights with a later planned time of use are recognized as part of non-current intangible assets.

The Company also purchases emission rights and credits for the purpose of trading. The portfolio of emission rights and credits held for trading is measured at fair value at the end of the reporting period, with any changes in fair value recognized in profit or loss and presented in the line item Gains and losses from commodity derivative trading. Emission rights and credits purchased for the purpose of trading are recognized as current assets in the line item Emission rights.

At each reporting date, the Company assesses whether there are any indicators that emission allowances may have been impaired. Where there are such indicators, the Company checks whether the recoverable amount of cash-generating units that the emission rights were allocated to is less than their depreciated cost. Any impairment of emission rights is recognized in profit or loss and presented in the line item Other operating expenses.

Sale and repurchase agreements concerning emission rights are accounted for as collateralized loans.

2.11. Classification of Financial Instruments

Financial assets comprise primarily cash, equity instruments of another entity, or a contractual right to receive cash or another financial asset.

Financial liabilities are primarily contractual obligations to deliver cash or another financial asset.

Financial liabilities and assets are presented as current or non-current. Financial assets are classified as current if the Company intends to realize them within 12 months of the end of the reporting period or if there is not reasonable assurance that the Company will hold the financial assets for more than 12 months after the end of the reporting period.

Financial liabilities are presented as current if they are payable within 12 months of the end of the reporting period. Assets and liabilities held for trade are also presented as current assets and liabilities.

Financial assets and financial liabilities are offset and the resulting net amount is presented in the balance sheet if there is a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or to realize the financial assets and settle the financial liabilities simultaneously.

2.11.1. Financial Assets

Financial assets are classified into the categories of at amortized cost, at fair value depending on whether the financial assets are held for sale or whether they are held under a business model whose objective is to hold the assets to collect contractual cash flows, and at cost.

The Company classifies assets into the following categories:

a) Financial asset measurement at amortized cost
This category comprises financial assets for which the Company's strategy is to hold them to collect contractual cash flows, consisting of both principal and interest. Examples of such financial assets include loans, securities held to maturity, trade receivables.

Expected credit losses, exchange differences, and interest revenue are recognized in profit or loss.

b) Financial asset measurement at fair value through other comprehensive income
This category comprises financial assets where the Company's strategy is both to collect contractual cash flows and to sell the financial assets. This model differentiates between two types of accounting treatment:

- Without future transfer to profit or loss—used for equity financial assets
Impairments are neither calculated nor recognized. Changes in fair value are recognized in other comprehensive income. When a financial asset is sold, no gain or loss is recognized in profit or loss, so it never affects profit or loss. If an equity financial asset is sold, the accumulated revaluation amount is transferred to retained earnings. Exchange differences are recognized in other comprehensive income as part of the revaluation amount. Dividends on such financial assets are recognized in profit or loss provided that the payment of such dividends does not reduce the value of the investment.

- With future transfer to profit or loss—used for debt financial assets
Additions to impairment are recognized in profit or loss. Changes in fair value are recognized in other comprehensive income. On the disposal of a financial asset, the gain or loan is recognized in profit or loss (the gain/loss is transferred from other comprehensive income to profit or loss). Exchange differences in relation to revaluation surplus are recognized in other comprehensive income. Exchange differences in relation to impairment are recognized in profit or loss. Interest revenue is recognized in profit or loss.

c) Financial asset measurement at fair value through profit or loss
A category of financial assets for which the Company's strategy is to actively trade the asset. The collection of contractual cash flows is not the main objective of the strategy. Examples of such financial assets are securities held for trading and non-hedging derivatives. Impairments are neither calculated nor recognized. Changes in fair value and exchange differences are recognized in profit or loss.

Changes in the fair value of financial investments at fair value through profit or loss are recognized in Other financial expenses or Other financial income.

d) Financial asset measurement at cost
This category of financial assets comprises investments in subsidiaries, associates, and joint-ventures. Additions to impairment are recognized in profit or loss.

2.11.2. Financial Liabilities

Financial liabilities are classified into two core categories of at amortized cost and at fair value through profit or loss. Classification into those categories is determined analogously to financial assets.

For fair value option financial liabilities, i.e., those measured at fair value through profit or loss, a change in fair value that is attributable to changes in credit risk is presented in other comprehensive income; the remaining amount is presented in profit or loss. However, if the treatment of changes in fair value that are attributable to credit risk created or enlarged an accounting mismatch in profit or loss, the entity would present all gains or losses on such a liability in profit or loss.

2.11.3. Derivatives

Derivatives are a special category of financial assets and liabilities. The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. More information on the reporting of derivatives can be found in Note 2.12.

2.11.4. Impairment of Financial Assets

Following the application of the IFRS 9 approach, the impairment of financial assets is based on a model of expected credit losses (ECL), which applies to the following financial assets:

a) debt assets at amortized cost (trade receivables, loans, debt securities),
b) debt assets at fair value through other comprehensive income,
c) lease receivables,
d) financial guarantee contracts,
e) bank accounts and term deposits.

The Company accounts for either 12-month expected credit losses or lifetime expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition (or since the commitment was made or the guarantee was provided). The Company has used a simplified approach for some receivables, under which lifetime expected credit losses are always accounted for.

The portfolio of financial assets is broken down into 3 categories for the purposes of ECL calculation. At the date of initial recognition, financial assets are included in Category 1 with the lowest impairment, which is determined as a percentage of historically unpaid receivables. They are subsequently reclassified as Category 2 and 3 as the debtor’s credit risk increases. If a financial asset is bearing interest, interest revenue in Category 3 is calculated from the net amount of the asset.

2.12. Derivatives

The Company uses financial derivatives, such as interest rate swaps and foreign exchange contracts, to hedge risks associated with interest rate and exchange rate fluctuations. Derivatives are measured at fair value. They are recognized as part of non-current and current other financial assets and liabilities in the balance sheet.

The manner of recognizing gains or losses from the revaluation of derivatives to fair value depends on whether a derivative is classified as a hedging instrument and on the nature of the item being hedged. For hedge accounting purposes, hedging transactions are classified either as fair value hedges where the risk of change in the fair value of a balance sheet asset or liability is hedged or as cash flow hedges where the Company is hedged against the risk of changes in cash flows attributable to a balance sheet asset or liability or to a highly probable forecast transaction.

At the inception of a hedge, the Company prepares documents identifying the hedged item and the hedging instrument used and documenting the risk management objectives and strategy for various hedging transactions. At the inception and throughout the duration of a hedge, the Company documents whether the hedging instruments used are highly effective in relation to changes in the fair values or cash flows of hedged items.

2.12.1. Fair Value Hedging Derivatives

Changes in the fair values of fair value hedging derivatives are recognized in expenses or income, as appropriate, together with the relevant change in the fair value of the hedged asset or liability that is related to the hedged risk. Where an adjustment to the carrying amount of a hedged item is made for a debt financial instrument, the adjustment is amortized in profit or loss over time until the maturity of such a financial instrument.

2.12.2. Cash Flow Hedging Derivatives

Changes in the fair values of derivatives hedging expected cash flows are initially recognized in other comprehensive income. The gain or loss attributable to the ineffective portion is presented in the statement of profit or loss in the item Other financial expenses or Other financial income.

Amounts accumulated in equity are recognized in profit or loss in the period when the expenses or income associated with the hedged items are accounted for.

When a hedging instrument expires or a derivative is sold or it no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity remains in equity until the forecast transaction is closed and then recognized in the statement of profit or loss. If a forecast transaction is no longer likely to occur, the cumulative gain or loss, originally recognized in other comprehensive income, is transferred to profit or loss.

2.12.3. Other Derivatives

Some derivatives are not intended for hedge accounting. A change in the fair value of such derivatives is recognized directly in profit or loss.

2.13. Commodity Contracts

According to IFRS 9, certain commodity contracts are considered to be financial instruments and accounted for in accordance with the standard. Most commodity purchases and sales carried out by the Company assume physical delivery of the commodity in amounts intended for use or sale in the course of the Company's ordinary activities. Therefore, such contracts (so-called "own use" contracts) are not within the scope of IFRS 9.

Forward purchases and sales with physical delivery of energy are not within the scope of IFRS 9 as long as the contract is made in the course of the Company's ordinary activities. This is true if all of the following conditions are met:

- Physical delivery of the commodity takes place under the contract;
- The amount of the commodity purchased or sold under the contract corresponds to the Company's operating requirements;
- The contract does not represent a sold option as defined by IFRS 9. In the specific case of electricity sales contracts, the contracts are substantially equivalent to firm forward sales or can be considered sales of generation capacity.

The Company considers transactions entered into with the aim of balancing electricity amounts purchased and sold to be part of an integrated energy group's ordinary activities; therefore, such contracts are not within the scope of IFRS 9.

Commodity contracts that are within the scope of IFRS 9 are revalued to fair value, with changes in fair value recognized in profit or loss. The Company presents revenue and expenses related to trading in electricity and other commodities in the statement of profit or loss item Gains and losses from commodity derivative trading.

2.14. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks, and short-term financial deposits with maturity of no more than 6 months. Foreign currency cash and cash equivalents are translated to the Czech koruna at the exchange rate applicable at the end of the reporting period.

2.15. Restricted Financial Assets

Cash and other financial assets that are recognized as restricted funds (see Note 4) are intended for the funding of nuclear decommissioning, for the waste storage reclamation and rehabilitation of waste dumps, or are cash guarantees given to counterparties. Such funds are classified as non-current assets due to the time at which they are expected to be released for the Company's purposes.

2.16. Materials and Supplies

Purchased inventories are measured at actual cost, using the weighted average cost method. The costs of purchased inventories include all costs of purchase, including transport costs. Upon use, they are recognized in expenses or capitalized as non-current assets. Work in progress is measured at actual cost. The costs include, primarily, direct material and labor costs. Obsolete inventories are written down using impairments recognized in expenses. Impairments of inventories amounted to CZK 45 million and CZK 11 million at December 31, 2020 and 2019, respectively.

2.17. Fossil Fuel Stocks

Inventories of fossil fuels are measured at actual cost, determined on a weighted average cost basis.

2.18. Income Taxes

The amount of income taxes is determined in compliance with Czech tax laws and is based on the Company's profit or loss determined in accordance with Czech accounting regulations and adjusted for permanently or temporarily nondeductible expenses and untaxed income (e.g., a difference in the depreciation and amortization of non-current assets for tax and accounting purposes). The current income tax at December 31, 2020 and 2019, respectively, was calculated from income before tax in accordance with Czech accounting regulations, adjusted for some items that are nondeductible or nontaxable for tax purposes, using a rate of 19%. The applicable tax rate for 2021 and future years is 19%.

Deferred tax is calculated on the basis of the liability method based on a balance sheet approach. Deferred tax is calculated from temporary differences between accounting measurement and measurement for the purposes of determining the income tax base. Deferred tax is determined using rates and laws that have been enacted by the end of the reporting period and are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled.

A deferred tax asset or liability is recognized regardless of when the temporary difference is likely to be reversed. A deferred tax asset or liability is not discounted. A deferred tax asset is recognized when it is probable that the Company will generate sufficient taxable profit in the future against which the deferred tax asset can be utilized. A deferred tax liability is recognized for all taxable temporary differences.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and, if necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

If the current and deferred tax relate to items that are charged or credited directly to equity in the same or a different tax period, the tax is also recognized directly in equity.

Changes in the deferred tax due to a change in tax rates is recognized in profit or loss, except for items charged or credited directly to equity in the same or a different tax period, for which such a change is also recognized directly in equity.

2.19. Long-term Debt

Debt is initially measured at the amount of proceeds from the issue of the debt, less transaction costs. It is then carried at amortized cost, which is determined using the effective interest rate. The difference between the nominal amount and the initial measurement of debt is recognized in profit or loss as interest expense over the period of debt.

Transaction costs comprise commission paid to advisers, agents, and brokers and levies by regulatory agencies and securities exchanges.

For long-term debt that is hedged with derivatives hedging against changes in fair value, the measurement of hedged debt is adjusted for changes in fair value. Changes in the fair value of such debt are recognized in profit or loss and reported in the statement of profit or loss in Other financial expenses or Other financial income. The adjustment to the carrying amount of hedged long-term debt is subsequently recognized in profit or loss using the effective interest rate.

2.20. Nuclear Provisions

The Company makes a provision for nuclear decommissioning, a provision for interim storage of spent nuclear fuel and other radioactive waste, and a provision for the funding of subsequent permanent disposal of spent nuclear fuel and irradiated reactor components (see Note 16.1)

The provisions made correspond to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate, expressed at the price level at the date of estimate, is discounted using an estimated long-term real interest rate of 0.4% and 0.7% per annum as at December 31, 2020 and 2019, respectively, so as to take into account the timing of expenditure. Initial discounted costs are capitalized as part of property, plant, and equipment and then amortized for the duration of time for which nuclear power plants will generate electricity. The provision is increased by the estimated inflation and real interest rate annually. Such expenses are recognized in the statement of profit or loss in the line item Interest on provisions. The effect of the expected rate of inflation is estimated at 1.5% as at December 31, 2020 and 2019.

The process of nuclear power plant decommissioning is estimated to continue for approximately 50 years after the termination of electricity generation. It is assumed that a permanent repository for spent nuclear fuel will commence operation in 2065 and the process of disposing of stored spent nuclear fuel at the repository will continue until approximately 2090. Although the Company has made the best estimate of the amount of nuclear provisions, potential changes in technology, changes in safety and environmental requirements, and changes in the duration of such activities may result in actual costs varying considerably from the Company’s current estimates.

Changes in estimates concerning the provisions for nuclear decommissioning and permanent disposal of spent nuclear fuel resulting from new estimates of the amount or timing of cash flows required to settle these obligations or from a change in the discount rate are added to, or deducted from, the amount recognized as an asset in the balance sheet. Should the amount of the asset be negative, i.e., should the deducted amount exceed the amount of the asset, the difference is recognized directly in profit or loss.

2.21. Leases

Determining whether a contract is, or contains, a lease is based on the economic substance of the transaction and requires an assessment of whether the fulfillment of the contractual obligation is dependent on the use of a specific asset or assets and whether the contract conveys a right to use the asset.

The Company does not apply IFRS 16 to leases of intangible assets.

2.21.1. Company as a Lessee

The Company uses a consistent approach to the reporting and measurement of all leases, except for short-term leases and leases of low-value assets. The Company accounts for lease liabilities for the purpose of making lease payments and for right-of-use assets, which represent a right to use the underlying assets. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

a) Lease Liability

At the commencement date of a lease, the Company recognizes lease liabilities measured at the present value of the lease payments that are to be made over the lease term. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers those payments occurs.

When calculating the present value of lease payments, the Company uses an incremental interest rate at the commencement date of the lease because the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased by accrued interest and decreased by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, i.e., a change in the lease term, a change in lease payments (e.g., changes in future payments resulting from a change in an index or a rate used to determine the amount of the lease payment), or a change in the assessment of the option to purchase the underlying asset.

The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental interest rate using observable inputs, such as market interest rates.

The Company uses judgment to determine the expected lease term for contracts made for an indefinite time.

b) Right-of-Use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying assets are available for use). Right-of-use assets are measured at cost less accumulated amortization and impairment losses and adjusted for any reassessment of lease liabilities. The cost of right-of-use assets comprises the amount of recognized lease liabilities, initial direct costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized using the straight-line method over the lease term or the estimated life of the assets as follows:

	Depreciation period (years)
Lands	4–25
Buildings	4–10
Vehicles, machinery and equipment	1–12
Inventory and other tangible assets	8–10

2.21.2. Company as a Lessor

The Company leases tangible assets under operating leases. An operating lease is a lease whereby the Company does not transfer substantially all the risks and rewards incidental to the ownership of assets.

Lease income from operating leases is recognized on a straight-line basis over the lease term and included as income in profit or loss due to their operating nature.

2.22. Treasury Shares

Treasury shares are reported in the balance sheet as an item reducing equity. The acquisition of treasury shares is recognized in the statement of changes in equity as a deduction from equity. No gain or loss is recognized in the statement of profit or loss on the sale, issue, or cancellation of treasury shares. Consideration received is recognized in financial statements as a direct increase in equity.

2.23. Share Options

Members of the Board of Directors and selected managers have been granted options to purchase common shares of the Company. Expenses related to the share option plan were measured at the signing date of the option contract and are based on the fair value of the options granted. The expense determined at the signing date of the option contract accrues over the period for which the relevant beneficiaries must work for the Company, or the Group, to be entitled to exercise the options granted. The expense recognized in this manner reflects the expected number of options for which the relevant conditions will be met, and the beneficiaries will become entitled to exercise the options.

2.24. Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into the Czech currency at the exchange rate applicable at the date of the accounting transaction as published by the Czech National Bank for that date. In annual financial statements, such monetary assets and liabilities are translated at the exchange rate applicable at December 31. Exchange differences arising on the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies are recognized in profit or loss, except when exchange differences arise in connection with a liability that is classified as an effective hedge of cash flows. Such exchange differences are recognized directly in equity.

Exchange differences on financial assets are described in paragraph 2.11.1.

The Company used the following exchange rates to translate assets and liabilities in foreign currencies at December 31, 2020 and 2019:

	2020	2019
CZK per 1 EUR	26.245	25.410
CZK per 1 USD	21.387	22.621
CZK per 1 PLN	5.755	5.970
CZK per 1 BGN	13.417	12.992
CZK per 1 RON	5.391	5.313
CZK per 100 JPY	20.747	20.844
CZK per 1 TRY	2.880	3.805
CZK per 1 GBP	29.190	29.866
CZK per 100 HUF	7.211	7.688

2.25. Assets Classified as Held for Sale

Assets and disposal groups of assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and groups of assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is considered met only if the sale is highly probable and the asset or group of assets is available for immediate sale in its present condition. Company management must take steps toward the sale of the asset or group of assets so as to complete the sale within one year from the date of the classification of the assets or group of assets as held for sale.

Property, plant, and equipment and non-current intangible assets classified as held for sale are not depreciated or amortized.

3. Property, Plant and Equipment

The overview of property, plant and equipment, net at December 31, 2020 and 2019, was as follows (in CZK millions):

	Buildings	Plant and equipment	Land and other	Total plant in service	Nuclear fuel	Construction work in progress	Total
Cost at January 1, 2020	117,209	357,419	1,252	475,880	23,547	9,524	508,951
Additions	76	71	17	164	-	8,233	8,397
Disposals	(5,454)	(759)	(7)	(6,220)	(4,180)	(1,188)	(11,588)
Bring into use	456	2,805	4	3,265	3,173	(6,438)	-
Change in capitalized part of the provision	18	15,400	-	15,418	-	-	15,418
Non-monetary contribution and other	(4,362)	(9,144)	(28)	(13,534)	-	(40)	(13,574)
Cost at December 31, 2020	107,943	365,792	1,238	474,973	22,540	10,091	507,604
Accumulated depreciation and impairment at January 1, 2020	(54,349)	(204,384)	(89)	(258,822)	(9,356)	(1,222)	(269,400)
Depreciation and amortization of nuclear fuel [1)]	(3,611)	(9,895)	(11)	(13,517)	(3,772)	-	(17,289)
Net book value of assets disposed	(3,351)	(43)	-	(3,394)	-	-	(3,394)
Disposals	5,454	759	4	6,217	4,180	1,183	11,580
Non-monetary contribution	3,631	8,877	1	12,509	-	-	12,509
Impairment losses recognized	(1)	-	-	(1)	-	-	(1)
Accumulated depreciation and impairment at December 31, 2020	(52,227)	(204,686)	(95)	(257,008)	(8,948)	(39)	(265,995)
Total property, plant and equipment at December 31, 2020	55,716	161,106	1,143	217,965	13,592	10,052	241,609

1) The amortization of nuclear fuel as at December 31, 2020 also includes the creation of a provision for temporary storage of spent nuclear fuel in the amount of CZK 396 million.

	Buildings	Plant and equipment	Land and other	Plant in service total	Nuclear fuel	Construction work in progress	Total
Cost at December 31, 2018	109,572	343,606	1,176	454,354	23,025	8,373	485,752
Recognition of right-of-use asset on application of IFRS 16	1,978	470	76	2,524	-	-	2,524
Cost at January 1, 2019	111,550	344,076	1,252	456,878	23,025	8,373	488,276
Additions	4,362	59	8	4,429	-	8,496	12,925
Disposals	(141)	(346)	(15)	(502)	(3,104)	(7)	(3,613)
Bring into use	1,326	2,379	7	3,712	3,626	(7,338)	-
Change in capitalized part of the provision	132	11,251	-	11,383	-	-	11,383
Non-monetary contribution	(20)	-	-	(20)	-	-	(20)
Cost at December 31, 2019	117,209	357,419	1,252	475,880	23,547	9,524	508,951
Accumulated depreciation and impairment at January 1, 2019	(50,660)	(194,087)	(83)	(244,830)	(8,694)	(1,131)	(254,655)
Depreciation and amortization of nuclear fuel [1)]	(3,774)	(10,607)	(6)	(14,387)	(3,766)	-	(18,153)
Net book value of assets disposed	(53)	(36)	-	(89)	-	-	(89)
Disposals	141	346	-	487	3,104	-	3,591
Non-monetary contribution	10	-	-	10	-	-	10
Impairment losses recognized	(13)	-	-	(13)	-	(91)	(104)
Accumulated depreciation and impairment at December 31, 2019	(54,349)	(204,384)	(89)	(258,822)	(9,356)	(1,222)	(269,400)
Total property, plant and equipment at December 31, 2019	62,860	153,035	1,163	217,058	14,191	8,302	239,551

[1)] The amortization of nuclear fuel as at December 31, 2019 also includes the creation of a provision for temporary storage of spent nuclear fuel in the amount of CZK 293 million.

In 2020 and 2019 a composite depreciation rate of Plant in service was 2.8% and 3.1%, respectively.

In 2020 and 2019 capitalized interest costs amounted to CZK 273 million and CZK 229 million, respectively, and the interest capitalization rate was 3.4% and 3.9%, respectively.

Construction work in progress contains mainly investments related to the acquisition of nuclear fuel and refurbishments performed on Temelín, Dukovany and Počerady II (CCGT power plant) and Trmice heating plant.

The Company drew in 2020 and 2019 grants related to the property, plant and equipment in amount CZK 411 million and CZK 11 million, respectively.

Company as a Lessee

The following table shows selected information as of December 31, 2020 and for the year ended 2020, respectively, relating to rights-of-use assets according to the classes of leased tangible fixed assets (in CZK millions):

	2020			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	76	71	17	164
Depreciation charge for right-of-use assets	(3,389)	(44)	(3)	(3,436)
Carrying amounts as at December 31	813	381	79	1,273

The following table shows selected information as of December 31, 2019 and for the year ended 2019, respectively, relating to rights-of-use assets according to the classes of leased tangible fixed assets (in CZK millions):

	2019			
	Buildings	Plant and equipment	Land and other	Total plant in service
Additions of right-of-use assets	4,362	59	8	4,429
Depreciation charge for right-of-use assets	(1,134)	(92)	(7)	(1,233)
Carrying amounts as at December 31	5,205	427	77	5,709

Company as a Lessor

The carrying amounts of property, plant and equipment that are subject to an operating lease (in CZK millions):

	Buildings	Land and other	Total plant in service
Carrying amount as at December 31, 2020	583	278	861
Carrying amount as at December 31, 2019	830	271	1,101

Testing Assets for Impairment

The Company’s generation assets are tested for potential impairment as a single cash-generating unit except for specific assets such as the CCGT plant at Počerady. The cash-generating unit of the Company’s generation assets is characterized by portfolio management in the deployment of generating facilities, in their maintenance, and in the cash flows arising from this activity.

Testing of the recoverable amount of non-current assets of the ČEZ, a. s., cash-generating unit (ČEZ value) included an analysis of the sensitivity of test results to change in selected significant parameters of the model used – change in wholesale electricity prices (hereinafter the EE prices), the discount rate used in calculating the present value of future cash flows, and the CZK/EUR exchange rate.

A key assumption of the ČEZ value model is developments in commodity prices and, most importantly, developments in the wholesale price of electricity in Germany, which has a profound impact on developments in wholesale electricity prices in Czech Republic. Developments in wholesale prices are determined primarily by the EU's political decisions, developments in global commodity demand and supply, and technological progress.

Developments in EE prices are affected by a number of external factors, in particular changes in the structure and availability of generating facilities in Czech Republic and its neighboring countries, macroeconomic developments in the region of Central Europe, and energy sector regulation in the EU and Germany (fundamental impacts of the premature decommissioning of nuclear plants in Germany 2022, the EU's approved climate and energy targets for 2030). The model is built for a period matching the operating life of generating facilities, which means that its time frame greatly exceeds the period for which commodities, including wholesale electricity price contracts, are traded in public liquid markets. In addition, there have been structural changes in the electricity market ("Market Design") and substantial sector regulation, so it is really possible that market mechanisms for electricity pricing will be abandoned completely and alternative, centrally regulated payments for the availability and deliveries of generating facilities will be introduced within the lifetime of generating facilities.

Due to the long-term nature of the model, the sensitivity of the ČEZ value to developments in electricity prices is also affected by internal factors and assumptions. These are, in particular, generation portfolio deployment varying with different changes in the prices of electricity, emission allowances, and variable generation costs and, in the longer term, also with respect to changes in fixed costs reflecting changes in the gross margin of generating facilities.

In the determining the ČEZ value, the impact of the covid-19 pandemic was taken into account, as it was considered an indicator of a possible impairment of the Company's assets in 2020. The reliability of the estimate of the long-term effects of the covid-19 pandemic on the Company is considerably limited due to the uncertainty of the extent of the effects of the pandemic itself and of countries' countermeasures on economic growth, unemployment and debt growth in relevant European countries.

The negative impact on the Company's operations is assessed to a relatively limited extent in the order of percentage units on EBITDA in 2020. The covid-19 has a negative effect on the Company, especially as a factor causing a decline in consumption, and thus in market electricity prices. On the other hand, there has been a significant increase in market prices of emission rights due to increased ambitions to reduce CO_2 emissions within the EU, which has led to an increase in market electricity prices. Therefore, the covid-19 combined with effect of the increase in prices of emission rights have a negative effect on the lower use of coal-based generation sources. From the point of view of the medium-term economic outlook of the Company, the negative impact of the covid-19 is limited due to the high level of cash flow hedging. As of December 31, 2020, approximately 89% of expected generation for 2021 has already been contracted, for 2022 approximately 56% has been contracted and for 2023 approximately 26%. Along with these presales of electricity, the emission rights for emission sources have been contracted.

The impact of the covid-19 in the coming years will depend mainly on the measures taken in individual countries and their impact on the overall development of the economy in Europe.

The result of the sensitivity test shown below reflects an expert estimation of the status and changes of the abovementioned factors within the modeled period time frame and the status of price and currency hedges for future generation as at December 31, 2020.

The test is based on the business plan of ČEZ for 2021–2025 and on the assumptions of long-term development of relevant electricity prices. The business plan was prepared in the fourth quarter of 2020 based on market parameters from August and September 2020 (electricity prices on the EEX energy exchange in Germany, prices on the PXE energy exchange in Czech Republic, prices of emission rights, foreign exchange rates, interest rates, etc.). Electricity contracts traded on EEX are liquid for the whole period covering the business plan time frame and the interconnectedness of the German and Czech transmission grids makes them a fundamental market indicator for EE prices in Czech Republic. For the purposes of the sensitivity analysis, the input EE prices, emission rights prices and foreign exchange rates were applied to the relevant opened positions of the Company.

A change in the assumed EE prices according to models by 1%, while other parameters remain unchanged, has an impact of approximately CZK 9 billion on the ČEZ value test result. Future cash flows were discounted at a rate of 4.0%. A change of 0.1 percentage points in the discount factor, while other parameters remain unchanged, would change the ČEZ value by approximately CZK 7 billion. A 1% change in the CZK/EUR exchange rate, while other parameters remain unchanged, would result in a change of approximately CZK 8 billion in the ČEZ value. Such changes in ČEZ value would not lead to an impairment.

4. Restricted Financial Assets, Net

The overview of restricted financial assets, net at December 31, 2020, and 2019 was as follows (in CZK millions):

	2020	2019
Czech government bonds	13,737	11,318
Cash in banks, net	1,484	2,985
Total restricted financial assets, net	15,221	14,303

The Czech government bonds are measured at fair value through other comprehensive income. At December 31, 2020 and 2019, the most significant restricted financial assets are the financial assets to cover the costs of nuclear decommissioning totaled CZK 15,005 million and CZK 14,058 million, respectively, and financial assets to cover the costs for waste storage reclamation totaled CZK 158 million and CZK 189 million, respectively.

5. Other Financial Assets, Net

The overview of other financial assets, net at December 31, 2020 and 2019, is as follows (in CZK millions):

	2020			2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans granted	26,444	12,332	38,776	19,779	10,559	30,338
Receivables from Group cashpooling	-	2,085	2,085	-	3,546	3,546
Term deposits	-	2,755	2,755	-	-	-
Receivables from the sale of subsidiaries	2,360	2,415	4,775	-	-	-
Other financial receivables	582	66	648	135	92	227
Total financial assets at amortized costs	29,386	19,653	49,039	19,914	14,197	34,111
Equity financial assets (Inven Capital, SICAV, a.s., Podfond ČEZ)	2,511	-	2,511	3,327	-	3,327
Commodity and other derivatives	208	57,039	57,247	901	60,341	61,242
Total financial assets at fair value through profit or loss	2,719	57,039	59,758	4,228	60,341	64,569
Equity financial assets (Veolia Energie ČR, a.s.)	1,394	-	1,394	2,444	-	2,444
Fair value of cash flow hedge derivatives	2,864	284	3,148	4,732	1,064	5,796
Total financial assets at fair value through other comprehensive income	4,258	284	4,542	7,176	1,064	8,240
Financial assets at cost – share on subsidiaries, associates and joint-ventures	122,817	-	122,817	149,883	-	149,883
Total	159,180	76,976	236,156	181,201	75,602	256,803

Derivatives balance comprises mainly positive fair value of commodity trading contracts.

The Company concluded two put option agreements with Vršanská uhelná a.s. in March 2013. Under these contracts the Company has the right to transfer 100% of the shares of its subsidiary Elektrárna Počerady, a.s. to Vršanská uhelná a.s. First option for the year 2016 was not exercised, second option could be exercised in 2024 for cash consideration of CZK 2 billion. The option agreement could have been inactivated until December 31, 2019, which the Company did not apply. The contracts represent derivatives that would be settled by the delivery of unquoted equity instrument. Elektrárna Počerady, a.s. is not quoted on any market. There is significant variability in the range of reasonable fair values for this equity instrument (there is no similar power plant in the Czech Republic for sale and also no similar transaction has taken place) and thus it is difficult to reasonably assess the probabilities of various estimates. As a result, the fair value cannot be reliably measured. Consequently, the put option is measured at cost. No option premium was paid when the contracts were concluded and therefore the cost of these instruments is zero. The second put option expired on the exercise of the sale on December 31, 2020.

Movements in impairment provisions of financial assets at amortized costs were as follows (in CZK millions):

	2020	2019
Balance at January 1	(34,312)	(37,515)
Additions (see Note 29)	(5,138)	(3,574)
Reversals (see Note 29)	3	6,922
Derecognition of financial assets	2,417	256
Reclassification	(125)	(406)
Transfer to assets classified as held for sale	16,818	-
Currency translation difference	-	5
Balance at December 31	(20,337)	(34,312)

In 2020, the provision for obligation in case of claim from guarantee for Akcez group loans was reclassified to impairment provision following the cash contribution to the company Akcez Enerji A.S. in the amount of CZK 125 million.

In 2020, an impairment loss of CZK 1,567 million was derecognized in connection with the sale of the share in ŠKODA PRAHA a.s. In addition, an impairment loss of CZK 850 million was derecognized in connection with the decrease in the share capital of the company Elektrárna Dětmarovice, a.s.

In 2019, the provision for obligation in case of claim from guarantee for Akcez group loans was reclassified to impairment provision following the cash contribution to the company Akcez Enerji A.S. in the amount of CZK 406 million.

In 2019, an impairment loss of CZK 256 million was derecognized in connection with the sale of the share in CEZ Trade Polska sp. z o.o.

The contractual maturity of loans granted and other financial assets, net at December 31, 2020 is shown in the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Term deposits	Receivables from the sale of subsidiaries	Other financial receivables
Due in 2021	12,332	2,085	2,755	2,415	66
Due in 2022	1,418	-	-	11	574
Due in 2023	1,424	-	-	2,349	2
Due in 2024	1,424	-	-	-	2
Due in 2025	1,285	-	-	-	4
Thereafter	20,893	-	-	-	-
Total	38,776	2,085	2,755	4,775	648

The contractual maturity of loans granted and other financial assets, net at December 31, 2019 is shown in the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Other financial receivables
Due in 2020	10,559	3,546	92
Due in 2021	584	-	131
Due in 2022	560	-	1
Due in 2023	560	-	2
Due in 2024	560	-	1
Thereafter	17,515	-	-
Total	30,338	3,546	227

The structure of provided loans and other financial assets, net, according to effective interest rates as at December 31, 2020 is shown the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Term deposits	Receivables from the sale of subsidiaries	Other financial receivables
Less than 2.00%	10,194	2,085	2,755	2,426	648
From 2.00% to 2.99%	11,322	-	-	2,349	-
From 3.00% to 3.99%	17,260	-	-	-	-
Total	38,776	2,085	2,755	4,775	648

The structure of provided loans and other financial assets, net, according to effective interest rates as at December 31, 2019 is shown the following table (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Other financial receivables
Less than 2.00%	9,593	3,546	227
From 2.00% to 2.99%	3,566	-	-
From 3.00% to 3.99%	17,142	-	-
From 4.00% to 4.99%	37	-	-
Total	30,338	3,546	227

The structure of provided loans and other financial assets, net, by currency as at December 31, 2020 is shown in the following overview (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Term deposits	Receivables from the sale of subsidiaries	Other financial receivables
CZK	27,983	1,537	-	4,770	645
EUR	10,793	355	2,755	5	3
PLN	-	193	-	-	-
Total	38,776	2,085	2,755	4,775	648

The structure of provided loans and other financial assets, net, by currency as at December 31, 2019 is shown in the following overview (in CZK millions):

	Loans granted	Receivables from Group cashpooling	Other financial receivables
CZK	20,424	1,618	156
EUR	9,914	1,541	5
PLN	-	53	66
HUF	-	334	-
Total	30,338	3,546	227

The investments in subsidiaries, associates and joint-ventures and other ownership interests at December 31, 2020 and 2019 are shown in the following overview:

			2020		2019	
Company	Country	% Interest[1]	Interest, net in CZK millions	Dividends in CZK millions	Interest, net in CZK millions	Dividends in CZK millions
ČEZ Distribuce, a. s.	CZ	100.00	32,742	4,345	32,742	5,777
CEZ Holdings B.V.	NL	100.00	19,955	-	17,969	-
Energotrans, a.s.	CZ	100.00	17,731	810	17,986	721
Severočeské doly a.s.	CZ	100.00	14,343	1,707	14,343	1,707
ČEZ OZ uzavřený investiční fond a.s.	CZ	99.56	11,816	898	12,327	864
ČEZ ESCO, a.s.	CZ	100.00	6,041	-	4,493	-
ČEZ Korporátní služby, s.r.o.	CZ	100.00	3,931	-	3,931	184
ČEZ ICT Services, a. s.	CZ	100.00	3,849	201	3,849	300
ČEZ Bohunice a.s.	CZ	100.00	2,809	-	2,809	-
ČEZ Teplárenská, a.s.	CZ	100.00	2,527	-	2,527	150
Elektrárna Temelín II, a. s.	CZ	100.00	1,989	-	1,993	-
ČEZ Prodej, a.s.	CZ	100.00	1,396	1,100	1,396	2,579
Elektrárna Dukovany II, a. s.	CZ	100.00	1,344	-	1,028	-
CEZ Bulgarian Investments B.V.	NL	100.00	589	-	589	-
Elektrárna Dětmarovice, a.s.	CZ	100.00	400	-	771	-
Energetické centrum s.r.o.	CZ	100.00	250	25	279	-
Ústav aplikované mechaniky Brno, s.r.o.	CZ	100,00	248	-	-	-
ÚJV Řež, a. s.	CZ	52.46	185	-	185	-
CEZ Deutschland GmbH	DE	100,00	167	-	167	-
CEZ MH B.V.	NL	100,00	145	-	1	-
LOMY MOŘINA spol. s r.o.	CZ	51.05	133	4	169	5
ČEZ Obnovitelné zdroje, s.r.o.	CZ	100.00	78	-	78	-
Distributie Energie Oltenia S.A. [2]	RO	100,00	-	-	11,333	-
Tomis Team S.A. [2]	RO	100,00	-	790	9,653	-
Ovidiu Development S.R.L. [2]	RO	99.98	-	576	5,912	-
Elektrárna Počerady, a.s.	CZ	-	-	405	1,280	634
ŠKODA PRAHA a.s.	CZ	-	-	-	927	-
CEZ Vanzare S.A. [2]	RO	100,00	-	-	817	-
CEZ Romania S.A. [2]	RO	100,00	-	-	92	-
CEZ Towarowy Dom Maklerski sp. z o.o. [3]	PL	100.00	-	-	41	28
Other			149	31	196	50
Total financial assets at cost			122,817	10,892	149,883	12,999
Inven Capital, SICAV, a.s., Podfond ČEZ	CZ	99.81	2,511	-	3,327	-
Veolia Energie ČR, a.s.	CZ	15.00	1,394	-	2,444	118
Total financial assets at fair value			3,905	-	5,771	118
Total			126,722	10,892	155,654	13,117

[1] Equity interest is equal to voting rights as at December 31, 2020.

[2] As at October 22, 2020, shares in Romanian companies were reclassified to assets held for sale (see Note 11).

[3] As at June 30, 2020, the share was reclassified to assets held for sale (see Note 11).

Used country shortcuts: CZ – Czech Republic, DE – Germany, NL – Netherlands, PL – Poland, RO – Romania.

Movements in investments in share on subsidiaries, associates and joint-ventures at amortized costs in 2020 and 2019, were as follows (in CZK millions):

Net investments at January 1, 2020	149,883
Additions – newly acquired companies:	
Ústav aplikované mechaniky Brno, s.r.o.	248
Additions – cash and non-monetary contributions to equity:	
CEZ Holdings B.V.	1,986
ČEZ ESCO, a.s.	1,548
Energotrans, a.s.	1,106
Elektrárna Dukovany II, a. s.	316
Other	275
Total additions	5,479
Decreases – decrease of equity with payment:	
ČEZ OZ uzavřený investiční fond a.s.	(511)
LOMY MOŘINA spol. s r.o.	(36)
Decreases – sale:	
Elektrárna Počerady, a.s.	(1,280)
ŠKODA PRAHA a.s.	(808)
Decreases – non-monetary contribution of the investment in subsidiary:	
ČEZ Asset Holding, a. s.	(9)
Decreases – reclassification to assets held for sale:	
Shares in Romanian companies	(26,514)
CEZ Towarowy Dom Maklerski sp. z o.o.	(41)
Total decreases	(29,199)
Impairment provisions – additions (see Note 29):	
Energotrans, a.s.	(1,361)
Tomis Team S.A.	(756)
Distributie Energie Oltenia S.A.	(537)
Elektrárna Dětmarovice, a.s.	(371)
Other	(196)
Impairment provisions – reclassification:	
Akcez Enerji A.S.	(125)
Total impairment provisions	(3,346)
Net investments at December 31, 2020	122,817

Net investments at January 1, 2019	147,478
Additions – cash and non-monetary contributions to equity:	
CEZ Holdings B.V.	2,101
Akcez Enerji A.S.	594
ČEZ ESCO, a.s.	323
Other	55
Total additions	3,073
Decreases – decrease of equity with payment:	
Ovidiu Development S.R.L.	(1,762)
Tomis Team S.A.	(698)
ČEZ OZ uzavřený investiční fond a.s.	(546)
Distributie Energie Oltenia S.A.	(351)
CEZ Towarowy Dom Maklerski sp. z o.o.	(66)
Total decreases	(3,423)
Impairment provisions – additions (see Note 29):	
Distributie Energie Oltenia S.A.	(1,337)
ČEZ Bohunice a.s.	(783)
Elektrárna Dětmarovice, a.s.	(572)
ČEZ Teplárenská, a.s.	(526)
Other	(353)
Impairment provisions – reversals (see Note 29):	
Tomis Team S.A.	2,963
CEZ Holdings B.V.	2,951
ČEZ Korporátní služby, s.r.o.	630
Ovidiu Development S.R.L.	376
Impairment provisions – reclassification:	
Akcez Enerji A.S.	(594)
Total impairment provisions	2,755
Net investments at December 31, 2019	149,883

Sale of 100% Share in Subsidiary Elektrárna Počerady in 2020

On October 22, 2020, a share purchase agreement was signed for the sale of 100% share in subsidiary Elektrárna Počerady, a.s. (hereinafter EPC) to the company Vršanská uhelná a.s. The closing date of the transaction was on December 31, 2020 after the prior approval of Office for the Protection of the Competition. At the same time this canceled the previous arrangement for the sale of a 100% share in EPC, which has already been concluded between the parties with the date of realization of January 2, 2024 for a purchase price CZK 2.0 billion. According to the new agreement the initial purchase price amounts to CZK 2.5 billion and is due on November 30, 2023.

The transaction includes an agreement between the parties to terminate the existing contract for the purchase of coal from the company Vršanská uhelná a.s., under which the company ČEZ, a. s. was obliged to purchase 5 million tons of coal per year by the end of 2023, and conclusion of a new contract for the purchase of 5 TWh of electricity per year by ČEZ, a. s. from subsidiary of the Vršanská uhelná Group for the period from January 1, 2021 to December 31, 2023 for a fixed price of CZK 700/MWh plus the cost for the emission right required for the supply of 1 MWh of electricity.

The present value of the total contractual transaction price including adjustments to take into account the amount of working capital as at the closing date is CZK 8,861 million. The part of the transaction price attributable to the sale of shares is CZK 7,056 million, the remaining value of CZK 1,805 million corresponds to the fair value of the terminated contract for the purchase of coal and the new contract for the purchase of electricity. Part of the total transaction price in the amount of CZK 4,500 million was settled as of the closing date of the transaction by offsetting part of receivables from the sale and liabilities arising from Group´s cash pooling.

In connection with the realization of this transaction, the contracts for the sale of electricity and purchase of emission rights, concluded in the past as cash-flow hedge for EPC operations for years 2021 to 2023 (so-called “own-use” contracts and hedging contracts abroad), were reclassified to derivatives, respectively hedge accounting was terminated, because future sales of electricity from the Company’s own generation is no longer probable. The corresponding amounts of the hedge accounting were transferred from the other comprehensive income to the income statement. The current contracts for the supply of coal from the company Vršanská uhelná a.s. (originally an “own-use” contract where the physical delivery for the needs of the Company was assumed, therefore such a contract was not within the scope of IFRS 9) was prematurely terminated by this transaction with financial settlement included in the total transaction price and for this reason the fair value of this contract was recognized in the income statement.

The total impact of the transaction on the income statement is given in the following table (in CZK million):

Statement of income line	Description	Impact in 2020
Gains and losses from commodity derivative trading	Termination of hedging including reclassification of own-use into derivatives	1,274
Gains and losses from commodity derivative trading	Reclassification of a contract for the purchase of coal into derivatives	(1,760)
Income before other income (expenses) and income taxes		(486)
Other financial income	Revenue from sale of shares	7,056
Other financial income	Cost of derecognition from consolidation	(1,280)
Income before income taxes		5,290
Income taxes		435
Net income		5,725

6. Intangible Assets, Net

Intangible assets, net, at December 31, 2020 and 2019, is as follows (in CZK millions):

	Software	Rights and other	Intangibles in progress	Emission rights	Total
Cost at January 1, 2020	2,239	1,260	365	8,332	12,196
Additions	-	459	157	451	1,067
Disposals	(32)	(2)	(25)	-	(59)
Bring to use	53	27	(80)	-	-
Non-monetary contribution and other	(12)	(41)	-	(6,524)	(6,577)
Cost at December 31, 2020	2,248	1,703	417	2,259	6,627
Accumulated amortization at January 1, 2020	(2,005)	(1,177)	-	-	(3,182)
Amortization	(106)	(18)	-	-	(124)
Disposals	32	2	-	-	34
Non-monetary contribution	12	-	-	-	12
Accumulated amortization at December 31, 2020	(2,067)	(1,193)	-	-	(3,260)
Net intangible assets at December 31, 2020	181	510	417	2,259	3,367

	Software	Rights and other	Intangibles in progress	Emission rights	Total
Cost at January 1, 2019	2,231	1,244	219	3,625	7,319
Additions	-	-	219	6,729	6,948
Disposals	(15)	(35)	-	-	(50)
Bring to use	22	51	(73)	-	-
Reclassification and other	1	-	-	(2,022)	(2,021)
Cost at December 31, 2019	2,239	1,260	365	8,332	12,196
Accumulated amortization at January 1, 2019	(1,896)	(1,188)	-	-	(3,084)
Amortization	(124)	(24)	-	-	(148)
Disposals	15	35	-	-	50
Accumulated amortization at December 31, 2019	(2,005)	(1,177)	-	-	(3,182)
Net intangible assets at December 31, 2019	234	83	365	8,332	9,014

Research and development costs, net of grants and subsidies received, that are not eligible for capitalization have been expensed in the period incurred and amounted to CZK 320 million and CZK 290 million, respectively, in 2020 and 2019, respectively.

7. Cash and Cash Equivalents, Net

The composition of cash and cash equivalents, net at December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Cash on hand and current accounts with banks	1,009	516
Term deposits	-	3,000
Total	1,009	3,516

At December 31, 2020 and 2019, cash and cash equivalents included balances in foreign currencies in the amount of CZK 780 million and CZK 228 million, respectively.

As at December 31, 2020, the weighted average interest rate on term deposits was 1.9%. For the years 2020 and 2019, the weighted average interest rate was 0.5% and 1.4%, respectively.

8. Trade Receivables, Net

The composition of trade receivables, net at December 31, 2020 and 2019, was as follows (in CZK millions):

	2020	2019
Trade receivables	58,657	58,208
Allowance	(156)	(166)
Total	58,501	58,042

The information about receivables from related parties is included in Note 33.

At December 31, 2020 and 2019, the ageing analysis of trade receivables, net was as follows (in CZK millions):

	2020	2019
Not past due	58,407	58,020
Past due:		
less than 3 months	79	14
3–6 months	7	6
6–12 months	8	2
Total	58,501	58,042

Receivables include impairment allowance based on the collective assessment of impairment of receivables that are not individually significant.

The overview of movements in allowance for doubtful receivables was as follows (in CZK millions):

	2020	2019
Balance at January 1	(166)	(145)
Additions	(43)	(58)
Reversals	39	36
Derecognition of impaired receivables	13	-
Non-monetary contribution	3	-
Currency translation difference	(2)	1
Balance at December 31	(156)	(166)

9. Emission Rights

The following table summarizes the movements in the quantity (in thousand tons) and book value of emission rights and credits held by the Company during 2020 and 2019 (in CZK millions):

	2020		2019	
	in thousands tons	in CZK millions	in thousands tons	in CZK millions
Emission rights and credits for own use:				
Emission rights and credits for own use at January 1	47,503	18,650	33,687	7,392
Emission rights granted	1,749	-	255	-
Settlement with register	(19,568)	(5,155)	(15,752)	(2,486)
Emission rights purchased	8,718	3,211	33,768	14,678
Emission rights sold	(8,493)	(2,911)	(4,578)	(935)
Emission rights reclassification [1)]	(2,977)	(1,657)	-	-
Non-monetary contribution in Energotrans, a.s.	(1,065)	(402)	-	-
Emission credits purchased	-	-	123	1
Emission rights and credits for own use at December 31	25,867	11,736	47,503	18,650
Thereof:				
Long-term	4,553	2,259	14,426	8,332
Short-term	21,314	9,477	33,077	10,318
Emission rights and credits held for trading:				
Emission rights and credits held for trading at January 1	22,496	14,008	14,797	9,390
Emission rights purchased	152,835	98,810	79,862	49,899
Emission rights reclassification [1)]	2,977	1,657	-	-
Emission rights sold	(149,408)	(102,742)	(72,163)	(45,333)
Emission credits purchased	231	13	-	-
Emission credits sold	(62)	(12)	-	-
Fair value adjustment	-	13,112	-	52
Emission rights and credits held for trading at December 31	29,069	24,846	22,496	14,008

1) The reclassification is related to the sale of the investment in the company Elektrárna Počerady, a.s.

At December 31, 2020 and 2019 emission rights for own use and held for trading amounted to CZK 34,323 million and CZK 24,326 million, respectively and are presented in current assets in the line Emission rights. Non-current emission rights for own use are presented as part of the intangible assets (see Note 6).

In 2020 and 2019, total emissions of greenhouse gases made by the Company amounted to an equivalent of 13,081 thousand tons and 17,118 thousand tons of CO_2, respectively. At December 31, 2020 and 2019, the Company recognized a provision for CO_2 emissions in total amount of CZK 4,592 million and CZK 4,362 million, respectively (see Notes 2.10 and 16). As at October 1, 2020, part of the business unit “Elektrárna Mělník” was invested in equity of Enegotrans, a.s. The business unit part “Elektrárna Mělník” emitted 1,065 thousand tons for the period 1–9/2020, the subject of the non-monetary contribution were the emission rights corresponding to the emitted emissions.

10. Other Current Assets, Net

Other current assets, net at December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Prepayments	457	440
Taxes and fees, except income tax	748	841
Advances paid	995	929
Others	587	574
Total	2,787	2,784

11. Assets Classified as Held for Sale, Net

On February 23, 2018, a sales contract for the sale of interests in Bulgarian companies CEZ Razpredelenie Bulgaria AD (including its interest in CEZ ICT Bulgaria EAD), CEZ Trade Bulgaria EAD, CEZ Bulgaria EAD, CEZ Elektro Bulgaria AD, Free Energy Project Oreshets EAD and Bara Group EOOD was signed. The sellers for CEZ Group are ČEZ, a. s. and CEZ Bulgarian Investments B.V. The requirements of standard IFRS 5 to classify the assets as held for sale were met by granting prior consent to the transaction by the supervisory board of ČEZ, a. s. which took place on February 22, 2018. Following the refusal of the transaction by the Bulgarian anti-trust authority, the transaction could not be carried out.

On June 20, 2019, a sales contract for the sale of the above-mentioned interests in Bulgarian companies was signed with the company Eurohold AD. The transaction is a subject to approval by the Bulgarian anti-trust authority and the Bulgarian Energy Regulatory Office.

On October 24, 2019, Bulgarian anti-trust authority refused the transaction for the sale of Bulgarian assests to the company Eurohold. The Company filed a lawsuit against this decision, and the negative decision of the Bulgarian anti-trust authority was overturned by the Administrative Court, Sofia City and the case was remanded. On October 29, 2020, the Bulgarian anti-trust authority approved the transaction for the sale of Bulgarian assets held for sale to Eurohold. The Bulgarian energy regulatory authority approved the transaction on January 19, 2021. The closing date of the transaction is expected in June 2021.

On October 22, 2020, a share purchase agreement was concluded for the sale of the interests in Romanian companies Distributie Energie Oltenia S.A., CEZ Vanzare S.A., CEZ Romania S.A. (including its interest in TMK Hydroenergy Power S.R.L.), Tomis Team S.A. (including its interest in M.W. Team Invest S.R.L.) and Ovidiu Development S.A. The sellers for CEZ Group are ČEZ, a. s. and CEZ Holdings B.V. The buyer is the international infrastructure investor Macquarie Infrastructure and Real Assets (hereinafter MIRA). Total selling price for the respective interests in the companies is stated in EUR as of December 31, 2019 (so called “locked-box date”), it bears interest 2% p. a. and is due on the closing date. The requirements of standard IFRS 5 to classify the assets as held for sale were met by granting prior consent to the transaction by the supervisory board of ČEZ, a. s. which took place on October 22, 2020.

On December 23, 2020, MIRA received the antitrust approval of the transaction granted by the European anti-trust authorities (Directorate-General for Competition) and on January 5, 2021, the transaction was also approved by the Romanian Supreme Council of National Defence (Consiliul Suprem de Apărare a Ţării). This fulfilled the conditions precedent for the execution of the transaction. Settlement of the transaction is expected at the end of March 2021.

The assets classified as held for sale, net at December 31, 2020 and 2019, are as follows (in CZK millions):

	2020	2019
CEZ Razpredelenie Bulgaria AD	6,529	6,529
Other Bulgarian companies	11	11
Shares in Bulgarian companies	6,540	6,540
Distributie Energie Oltenia S.A.	10,027	-
Tomis Team S.A.	8,265	-
Ovidiu Development S.A.	5,492	-
CEZ Vanzare S.A.	759	-
CEZ Romania S.A.	85	-
Shares in Romanian companies	24,628	-
Other	41	-
Assets classified as held for sale	31,209	6,540

12. Equity

The Company's stated capital registered in the Commercial Register is CZK 53,798,975,900 as at December 31, 2020 and 2019. It consists of 537,989,759 shares with a par value of CZK 100. All shares are fully paid; they are dematerialized, bearer, quoted shares. They are common shares to which no special rights are attached.

Movements of treasury shares in 2020 and 2019 (in pieces):

	2020	2019
Number of treasury shares at beginning of period	2,551,240	3,125,021
Sales of treasury shares	(35,000)	(573,781)
Number of treasury shares at end of period	2,516,240	2,551,240

Treasury shares are recognized at cost in the balance sheet as an item reducing equity.

The payment of dividends of CZK 34 and CZK 24 per share, before tax, was approved in 2020 and 2019, respectively. Dividends for 2020 will be approved at the Company's shareholders' meeting that will be held in the first half of 2021.

Capital Structure Management

The primary objective of the Company's capital structure management is to maintain its credit rating at an investment grade and a level that is standard in the sector and to maintain a healthy ratio of equity to borrowed capital to support the Group's business and maximize value for shareholders. The Company monitors its capital structure and makes adjustments to it with a view to changes in the business environment.

The Company primarily monitors its capital structure using the net debt-to-EBITDA ratio. Considering the current structure and stability of its cash flows and its development strategy, the Group aims to keep the ratio at 2.5–3.0. The Company also monitors its capital structure using the total debt-to-total capital ratio. The Company aims to keep the ratio below 50% in the long term.

EBITDA comprises earnings before taxes and other expenses and revenues plus depreciation and amortization and impairment of property, plant, and equipment and intangible assets less gain (or plus loss) from sales of property, plant, and equipment. Total debt comprises long-term debt including the current portion and short-term borrowings. Net debt represents total debt less cash and cash equivalents and highly liquid financial assets. For the purposes of capital structure management, highly liquid financial assets comprise short-term and long-term debt financial assets and short-term and long-term deposits. Total capital is equity attributable to parent company shareholders plus total debt. These calculations always include items relating to assets held for sale, which are reported separately in the balance sheet.

The calculation and evaluation of the ratios is done using consolidated figures (in CZK millions):

	2020	2019
Total long-term debt	150,843	167,633
Total short-term loans	984	4,260
Total long-term debt associated with assets held for sale	4,683	1,608
Total short-term loans associated with assets held for sale	37	170
Total debt [1)]	156,547	173,671
Less:		
Cash and cash equivalents	(6,064)	(9,755)
Cash and cash equivalents classified as held for sale	(4,105)	(2,151)
Highly liquid financial assets:		
Current debt financial assets	(111)	(403)
Non-current debt financial assets	-	(111)
Current term deposits	(2,755)	(3)
Total net debt	143,512	161,248
Income before income taxes and other income (expenses)	12,585	26,429
Depreciation and amortization	28,284	29,016
Impairment of property, plant and equipment and intangible assets	24,062	4,860
Gains and losses on sale of property, plant and equipment	(148)	(130)
EBITDA	64,783	60,175
Total equity attributable to equity holders of the parent	233,871	250,761
Total debt	156,547	173,671
Total capital	390,418	424,432
Net debt to EBITDA ratio	2.22	2.68
Total debt to total capital ratio	40.1%	40.9%

1) Part of total debt are accrued interest expenses, which amounted to CZK 1,743 million and CZK 2,151 million as at December 31, 2020 and 2019, respectively.

13. Long-term Debt

The overview of long-term debt at December 31, 2020 and 2019, was as follows (in CZK millions):

	2020	2019
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,505	2,516
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,671	1,679
5.000% Eurobonds, due 2021 (EUR 750 million)	19,872	19,228
4.875% Eurobonds, due 2025 (EUR 750 million)	20,328	19,671
4.500% Eurobonds, due 2020 (EUR 750 million)	-	19,478
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,405	2,416
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,288	1,287
2.150%*IR CPI Eurobonds, due 2021 (EUR 100 million) [1)]	2,688	2,602
4.102% Eurobonds, due 2021 (EUR 50 million)	1,315	1,273
4.375% Eurobonds, due 2042 (EUR 50 million)	1,314	1,271
4.500% Eurobonds, due 2047 (EUR 50 million)	1,312	1,269
4.383% Eurobonds, due 2047 (EUR 80 million)	2,130	2,062
3.000% Eurobonds, due 2028 (EUR 725 million)	19,713	19,133
0.875% Eurobonds, due 2022 (EUR 500 million)	13,106	12,675
0.875% Eurobonds, due 2026 (EUR 750 million)	19,499	18,847
4.250% U.S. bonds, due 2022 (USD 289 million)	6,226	6,578
5.625% U.S. bonds, due 2042 (USD 300 million)	6,448	6,817
4.500% Registered bonds, due 2030 (EUR 40 million)	1,040	1,006
4.750% Registered bonds, due 2023 (EUR 40 million)	1,092	1,056
4.700% Registered bonds, due 2032 (EUR 40 million)	1,083	1,048
4.270% Registered bonds, due 2047 (EUR 61 million)	1,583	1,531
3.550% Registered bonds, due 2038 (EUR 30 million)	806	780
Total bonds and debentures	127,424	144,223
Less: Current portion	(25,339)	(21,163)
Bonds and debentures, net of current portion	102,085	123,060
Long-term bank loans and lease liabilities:		
Less than 2% p.a.	13,383	8,624
2.00 to 2.99% p.a.	409	5,207
3.00 to 3.99% p.a.	174	507
4.00 to 4.99% p.a.	42	33
5.00 to 5.99% p.a.	11	14
Total long-term bank loans and lease liabilities	14,019	14,385
Less: Current portion	(2,175)	(3,597)
Long-term bank loans and lease liabilities, net of current portion	11,844	10,788
Total long-term debt	141,443	158,608
Less: Current portion	(27,514)	(24,760)
Total long-term debt, net of current portion	113,929	133,848

1) The interest rate is based on inflation realized in Eurozone Countries (Harmonized Index of Consumer Prices – HICP) and is fixed through the closed swap to the rate 4.553% p.a.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company.

All long-term debt is recognized in original currencies while the related hedging derivatives are recognized using the method described in Note 2.12.

Future maturities of long-term debt are as follows (in CZK millions):

	2020	2019
Current portion	27,514	24,760
Between 1 year and 2 years	20,763	25,860
Between 2 and 3 years	6,109	21,696
Between 3 and 4 years	2,000	6,876
Between 4 and 5 years	21,176	1,095
Thereafter	63,881	78,321
Total long-term debt	141,443	158,608

The following table analyses long-term debt by currency (in millions):

	2020		2019	
	Foreign currency	CZK	Foreign currency	CZK
EUR	4,582	120,267	5,206	132,283
USD	593	12,674	592	13,395
JPY	31,719	6,581	31,716	6,611
CZK	-	1,921	-	6,319
Total long-term debt		141,443		158,608

Long-term debt exposes the Company to interest rate risk. The following table summarizes long-term debt by contractual reprising dates of interest rates at December 31, 2020 and 2019, without considering interest rate hedging (in CZK millions):

	2020	2019
Floating rate long-term debt with interest rate fixed from 3 months to 1 year	6,693	8,622
Fixed rate long-term debt	134,750	149,986
Total long-term debt	141,443	158,608

Fixed rate long-term debt exposes the Company to the risk of changes in fair values of these financial instruments. For related fair value information and risk management policies of all financial instruments see Notes 14 and 15.

The following table analyses changes in liabilities and receivables arising from financing activities in 2020 and 2019 (in CZK millions):

	Debt	Other long-term financial liabilities	Other short-term financial liabilities	Other current financial assets, net	Total liabilities / assets from financing activities
Amount at December 31, 2018	150,325	13,776	152,544	(106,133)	
Less: Liabilities / assets from other than financing activities	-	(13,619)	(114,203)	103,745	
Adoption of IFRS 16	2,513	-	-	-	
Liabilities / assets arising from financing activities at January 1, 2019	152,838	157	38,341	(2,388)	188,948
Cash flows	6,742	-	(18,118)	(1,188)	(12,564)
Additions of leases [1)]	4,429	-	-	-	4,429
Foreign exchange movement	166	-	(83)	-	83
Changes in fair values	(1,446)	-	-	-	(1,446)
Declared dividends	-	-	12,806	-	12,806
Reclassification	-	(51)	51	-	-
Other	(2)	-	(56)	4	(54)
Liabilities / assets from financing at December 31, 2019	162,727	106	32,941	(3,572)	192,202
Liabilities / assets arising from other than financing activities	-	8,110	67,013	(72,030)	
Total amount on balance sheet at December 31, 2019	162,727	8,216	99,954	(75,602)	
Less: Liabilities / assets from other than financing activities	-	8,110	67,013	(72,030)	
Liabilities / assets arising from financing activities at January 1, 2020	162,727	106	32,941	(3,572)	192,202
Cash flows	(20,946)	-	(8,711)	1,454	(28,203)
Additions of leases	164	-	-	-	164
Foreign exchange movement	(1,182)	-	73	-	(1,109)
Changes in fair values	5,106	-	-	-	5,106
Early termination of lease liabilities [2)]	(3,277)	-	-	-	(3,277)
Declared dividends	-	-	18,163	-	18,163
Reclassification	-	(55)	55	-	-
Other	(349)	-	(91)	3	(437)
Liabilities / assets from financing at December 31, 2020	142,243	51	42,430	(2,115)	182,609
Liabilities / assets arising from other than financing activities	-	8,677	65,153	(74,861)	
Total amount on balance sheet at December 31, 2020	142,243	8,728	107,583	(76,976)	

1) In 2019, the energy rework contract with the company Elektrárna Počerady, a.s was extended until 2023, which caused an increase in leasing liabilities in the amount of CZK 4,296 million.

2) In 2020, the energy rework contract with the company Elektrárna Počerady, a.s was terminated (following the signing of an agreement on the sale of investment in the company Elektrárna Počerady, a.s), which corresponds to a reduction in leasing liabilities in the amount of CZK (3,225) million.

The column Debt consists of balance sheet items Long-term debt, net of current portion, Current portion of long-term debt and Short-term loans. In terms of financing activities, item Other long-term financial liabilities consists of long-term payable, which has the financing character, item Other short-term financial liabilities consists of dividend payable, payables from Group cashpooling and other short-term financial payables including current portion of long-term financial liability, item Other current financial assets, net consists of receivables from Group cashpooling and advanced payments to dividend administrator.

14. Fair Value of Financial Instruments

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, which excludes a forced or liquidation sale. Fair value is determined as a quoted market price or a value obtained on the basis of discounted cash flow models or option pricing models.

The Company uses the following methods and assumptions to determine the fair value of each class of financial instruments:

Cash, Cash Equivalents and Short-Term Investments

The fair value of cash and other current financial assets is deemed to be the carrying amount due to their relatively short maturity.

Securities Held for Trading

The fair value of current equity and debt securities held for trading is based on their market price.

Non-current Debt and Equity Financial Assets

The fair value of non-current debt and equity financial assets that are publicly traded in an active market is based on their quoted market price. The fair value of non-current and equity financial assets that are not publicly traded in an active market is determined using appropriate valuation techniques.

Short-Term Receivables and Payables

The fair value of receivables and payables is deemed to be the carrying amount due to their relatively short maturity.

Short-Term Borrowings

The fair value of these financial instruments corresponds to the carrying amount due to their short maturity.

Long-term Debt

The fair value of long-term debt is deemed to be the market value of identical or similar instruments, or the measurement is based on current interest rates on debt with the same maturity. The fair value of long-term debt with a variable interest rate is deemed to be the carrying amount.

Derivatives

The fair value of derivatives corresponds to their market value

The overview of carrying amounts and the estimated fair values of financial assets (except for derivatives) at December 31, 2020 and 2019, is as follows (in CZK millions):

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets at amortized cost:				
Loans granted	26,444	26,941	19,779	19,779
Receivables from the sale of subsidiaries	2,360	2,360	-	-
Other financial receivables	582	582	135	135
Non-current assets at fair value through other comprehensive income:				
Restricted debt securities	13,737	13,737	11,318	11,318
Equity financial assets	1,394	1,394	2,444	2,444
Non-current assets at fair value through profit or loss:				
Equity financial assets	2,511	2,511	3,327	3,327
Current assets at amortized cost:				
Loans granted	12,332	12,332	10,559	10,559
Term deposits	2,755	2,755	-	-
Receivables from the sale of subsidiaries	2,415	2,415	-	-
Other financial receivables	2,151	2,151	3,638	3,638

The overview of carrying amounts and the estimated fair values of financial liabilities (except for derivatives) at December 31, 2020 and 2019, is as follows (in CZK millions):

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	(141,443)	(154,579)	(158,608)	(170,139)
Other long-term financial liabilities	(63)	(63)	(1,863)	(1,863)
Short-term loans	(800)	(800)	(4,119)	(4,119)
Other short-term financial liabilities	(34,936)	(34,936)	(36,341)	(36,341)

The overview of carrying amounts and the estimated fair values of derivatives at December 31, 2020 and 2019, is as follows (in CZK millions):

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Cash flow hedges:</u>				
Short-term receivables	284	284	1,064	1,064
Long-term receivables	2,864	2,864	4,732	4,732
Short-term liabilities	(292)	(292)	(939)	(939)
Long-term liabilities	(7,776)	(7,776)	(5,464)	(5,464)
<u>Commodity derivatives:</u>				
Short-term receivables	56,203	56,203	59,996	59,996
Short-term liabilities	(71,766)	(71,766)	(62,511)	(62,511)
<u>Other derivatives:</u>				
Short-term receivables	836	836	345	345
Long-term receivables	208	208	901	901
Short-term liabilities	(589)	(589)	(163)	(163)
Long-term liabilities	(889)	(889)	(889)	(889)

14.1. Fair Value Hierarchy

The Company uses and discloses financial instruments with the following structure according to the manner in which the fair value is determined:

Level 1: Measured at fair value using the market prices of identical assets and liabilities quoted in active markets.
Level 2: Measured at fair value using methods under which significant inputs are directly or indirectly derived from data observable in active markets.
Level 3: Measured at fair value using methods under which significant inputs are not derived from data observable in active markets.

For assets and liabilities that occur regularly or repeatedly in financial statements, the Company reviews categorization in levels of the fair value hierarchy (according to the lowest input level that is significant to the measurement of fair value as a whole) at the end of each reporting period to determine whether there have been any transfers between levels of the fair value hierarchy.

There were no transfers between levels of financial instruments measured at fair value in 2020 and 2019.

As at December 31, 2020, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	56,203	3,813	52,390	-
Cash flow hedges	3,148	38	3,110	-
Other derivatives	1,044	-	1,044	-
Restricted debt securities	13,737	13,737	-	-
Equity financial assets at fair value through other comprehensive income	1,394	-	-	1,394
Equity financial assets at fair value through profit or loss	2,511	-	-	2,511

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(71,766)	(4,116)	(67,650)	-
Cash flow hedges	(8,068)	(1,272)	(6,796)	-
Other derivatives	(1,478)	-	(1,478)	-

Assets and liabilities for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
Loans granted	39,273	-	39,273	-
Term deposits	2,755	-	2,755	-
Receivables from the sale of subsidiaries	4,775	-	4,775	-
Other financial receivables	2,733	-	2,733	-
Long-term debt	(154,579)	(114,370)	(40,209)	-
Short-term loans	(800)	-	(800)	-
Other financial liabilities	(34,999)	-	(34,999)	-

As at December 31, 2019, the fair value hierarchy was the following (in CZK millions):

Assets measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	59,996	1,796	58,200	-
Cash flow hedges	5,796	696	5,100	-
Other derivatives	1,246	-	1,246	-
Restricted debt securities	11,318	11,318	-	-
Equity financial assets at fair value through other comprehensive income	2,444	-	-	2,444
Equity financial assets at fair value through profit or loss	3,327	-	-	3,327

Liabilities measured at fair value:

	Total	Level 1	Level 2	Level 3
Commodity derivatives	(62,511)	(5,193)	(57,318)	-
Cash flow hedges	(6,403)	(1,122)	(5,281)	-
Other derivatives	(1,052)	-	(1,052)	-

Assets and liabilities for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
Loans granted	30,338	-	30,338	-
Other financial receivables	3,773	-	3,773	-
Long-term debt	(170,139)	(131,473)	(38,666)	-
Short-term loans	(4,119)	-	(4,119)	-
Other financial liabilities	(38,204)	-	(38,204)	-

The Company negotiates derivative financial instruments with various counterparties, especially large groups operating in the energy sector and large financial institutions with high credit ratings. Derivatives that are measured by means of techniques using market inputs include, in particular, commodity forward and futures contracts, foreign exchange forward contracts, interest rate swaps, and options. The most frequently applied valuation methods use commodity price curves, swap models, present value calculations, and option pricing models (e.g., Black-Scholes, Black-76). The models use various inputs including the forward curves of underlying commodities, foreign exchange spot and forward rates, and interest rate curves.

The following table shows roll forward of the financial assets measured at fair value – Level 3, for the years ended December 31, 2020 and 2019 (in CZK millions):

	Equity financial assets at fair value through profit or loss	Equity financial assets at fair value through other comprehensive income
Balance at January 1, 2019	3,286	2,791
Revaluation	41	(347)
Balance at December 31, 2019	3,327	2,444
Disposals	(961)	-
Revaluation	145	(1,050)
Balance at December 31, 2020	2,511	1,394

The most significant investment in the portfolio of Equity financial assets at fair value through other comprehensive income is a 15% interest in company Veolia Energie ČR, a.s. (see Note 5). The company's shares are not traded in any market. The fair value at December 31, 2020 and 2019, was determined using available public information on EBITDA and usual range of 8 to 10 EBITDA multiples which corresponds to the purchase price of a 100% stake in a company in transactions observed in the market in the industry in question before adjustment for the amount of debt. The fair value at December 31, 2020 and 2019, was determined using 8 EBITDA multiple, 9 EBITDA multiple, respectively, as the best estimate of the fair value.

Equity financial assets at fair value through profit or loss include an investment in ČEZ's investment fund at Inven Capital, SICAV, a.s. (see Note 5). The fair value of the investment at December 31, 2020 and 2019,was determined by a valuation expert. The determination of fair value takes into consideration, in particular, capital contributions and other forms of funding recently provided by co-investors. In addition, the measurement takes into account future development and any subsequent significant events, such as received offers to buy a share.

14.2. Offsetting of Financial Instruments

The following table shows the recognized financial instruments that are offset, or subject to enforceable master netting agreement or other similar agreements but not offset, as of December 31, 2020 and 2019 (in CZK millions):

	2020		2019	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Derivatives	60,395	(81,312)	67,038	(69,966)
Other financial instruments [1]	47,377	(43,332)	46,938	(43,218)
Collaterals paid (received) [2]	1,919	(2,452)	1,182	(683)
Gross financial assets / liabilities	109,691	(127,096)	115,158	(113,867)
Assets / liabilities set off under IAS 32	-	-	-	-
Amounts presented in the balance sheet	109,691	(127,096)	115,158	(113,867)
Effect of master netting agreements	(100,191)	100,191	(96,017)	96,017
Net amount after master netting agreements	9,500	(26,905)	19,141	(17,850)

[1] Other financial instruments consist of invoices due from derivative trading and are included in Trade receivables, net or Trade payables.

[2] Collaterals paid are included in Trade receivables, net and collaterals received are included in Trade payables.

The Company trades in derivatives under EFET and ISDA master agreements. The agreements allow mutual setoff of receivables and payables on early termination of contracts. The reason for early termination is the counterparty's insolvency or failure to fulfill agreed contract terms. All agreed contracts are settled financially on early termination. Their mutual setoff is either embedded in a contractual provision of the master agreements or results from the collateral provided. In addition, a CSA (Credit Support Annex) has been signed with several partners, defining the permitted limit of exposure between the partners. When the limit is exceeded, cash is transferred to reduce exposure below an agreed level. The deposited cash is also included in the final offset.

Short-term derivative assets are included in the balance sheet in Other current financial assets, net; long-term derivative assets are included in Other non-current financial assets, net; short-term derivative liabilities are included in Other current financial liabilities; and long-term derivative liabilities are included in Other non-current financial liabilities.

15. Financial Risk Management

<u>Risk Management Approach</u>

A risk management system is being successfully developed in order to protect the Group's value while taking the level of risk acceptable for the shareholders. In the Group, the risk is defined as a potential difference between the actual and the expected (planned) developments and is measured by means of the extent of such difference in CZK and the likelihood with which such a difference may occur.

A risk capital concept is applied within the Group. The concept allows the setting of basic cap for partial risk limits and, in particular, the unified quantification of all kinds of risks. The value of aggregate annual risk limit (Profit@Risk) is approved by the Board of Directors based on the Risk Management Committee proposal for every financial year. The proposed limit value is derived from historical volatility of profit, revenues and costs of the Group (the top-down method). The approved value in CZK is set on the basis of a 95% confidence level and expresses a maximum profit decrease, which is the Group willing to take in order to reach the planned annual profit.

The bottom-up method is used for setting and updating the Risk frames. The Risk frames include the definition of risk and departments/units of the Group for which the frame is obligatory; definition of rules and responsibilities for risk management; permitted instruments and methods of risk management and actual risk limits, including a limit which expresses the share in the annual Profit@Risk limit.

The main Business Plan market risks are quantified in the Group (EBITDA@Risk based on MonteCarlo simulation in Y+1 to Y+5 horizon). The market risks are actively managed through gradual electricity sales and emission allowances' purchases in the following 6-year horizon, closed long-term contracts for electricity sale and emission allowances' purchase and the FX and IR risk hedging in medium-term horizon. In Business Plan horizon, the risk management is also based on Debt Capacity concept which enables to assess the impact of main Investment and other Activities (incl. the risk characteristics), on expected cash flow and total debt in order to maintain corporate rating.

Risk Management Organization

The supreme authority responsible for risk management in ČEZ, a. s. is the CFO, except for approval of the aggregate annual budget risk limit (Profit@Risk) within the competence of the ČEZ, a. s. Board of Directors. CFO decides, based on the recommendation of the Risk Management Committee, on the development of a system of risk management, on an overall allocation of risk capital to the individual risks and organizational units, he approves obligatory rules, responsibilities and limit structure for the management of partial risks.

The Risk Management Committee (advisory committee of CFO) continuously monitors an overall risk impact on the Group, including Group risk limits utilization, status of risks linked to Business Plan horizon, hedging strategies status, assessment of impact of Investment and other Activities on potential Group debt capacity and cash flow in order to maintain corporate rating.

Overview and Methods of Risk Management

The Group applies a unified categorization of the Group's risks which reflects the specifics of a corporate, i.e. non-banking company, and focuses on primary causes of unexpected development. The risks are divided into four basic categories listed below.

1. Market risks	**2. Credit risks**	**3. Operation risks**	**4. Business risks**
1.1 Financial (FX, IR)	2.1 Counterparty default	3.1 Operating	4.1 Strategic
1.2 Commodity	2.2 Supplier default	3.2 Internal change	4.2 Political
1.3 Volumetric	2.3 Settlement	3.3 Liquidity management	4.3 Regulatory
1.4 Market liquidity		3.4 Security	4.4 Reputation

From the view of risk management, the Group activities can be divided into two basic groups:

- activities with the unified quantification of the share of respective activity in the aggregate risk limit of the Group (i.e. using specific likelihood, it is possible to objectively determine what risk is associated with an activity/planned profit). These risks are managed by the rules and limits set by the CFO of ČEZ, a. s. based on the recommendation of the Risk Management Committee and, concurrently, in accordance with governing documents of the respective units / processes of the Group;
- activities whose share in the aggregate risk limit of the Group has not been quantified so far or for objective reasons. These risks are managed by the responsible owners of the relevant processes in accordance with internal governing documents of the respective units / processes of the Group.

For all risks quantified on a unified basis, a partial risk limit is set whose continuous utilization is evaluated on a monthly basis and is usually defined as a sum of the actually expected deviation of expected annual profit from the plan and the potential risk of loss on a 95% confidence. The Group's methodologies and data provide for a unified quantification of the following risks:

- market risks: financial (currency, interest and stock price) risks, commodity prices (electricity, emission allowances, coal, gas, crude oil), volume (volume of electricity produced by wind power plants);
- credit risks: financial and business counterparty risk and electricity, gas and heat end customer risk;
- operational risks: risks of nuclear and fossil power plants operation, investment risks.

The development of quantified risks is reported to the Risk Management Committee every month through 3 regular reports:

- Annual budget risks (annual Profit@Risk limit utilization);
- Business plan risks (EBITDA@Risk based on MonteCarlo simulation);
- Debt capacity (actual deviation from the optimal debt within Y+5 horizon, derived from rating agency requirements on debt indicators in order to preserve the ČEZ rating).

15.1. Qualitative Description of ČEZ, a. s. Risks Associated with Financial Instruments

Commodity Risks

The development of electricity, emission allowances, coal and gas prices is a key risk factor of the ČEZ value. The current system of commodity risk management is focused on (i) the margin from the own electricity production sales, i.e. from trades resulting in optimizing the sales of ČEZ's production and in optimizing the emission allowances position for production (the potential risk is managed on the EaR, VaR and the EBITDA@Risk bases), and (ii) the margin from the proprietary trading of commodities (the potential risk is managed on the VaR basis).

Market Financial Risks (currency and interest risks)

The development of foreign exchange rates and interest rates is a significant risk factor of the ČEZ value. The current system of financial risk management is focused mainly on (i) the future cash flows and (ii) financial trades which are realized for the purposes of an overall risk position management in accordance with the risk limits (the potential risk is managed on the basis of VaR, EBITDA@Risk and complementary position limits). Own financial instruments (i.e. active and passive financial trades and derivative trades) are realized entirely in the context of an overall expected cash flows (including operational and investment foreign currency flows).

Credit Risks

Credit exposures of individual financial partners and wholesale partners are managed in accordance with individual credit limits. The individual limits are set and continuously updated according to the counterparty's credibility (in accordance with international rating and internal financial evaluation of counterparties with no international rating).

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Company's maximum exposure to credit risk to receivables and other financial instruments as at December 31, 2020 and 2019, is the carrying value of each class of financial assets except for financial guarantees.

In accordance with the credit risk methodology applied to the banking sector per Basel II, every month the expected and potential losses are quantified on a 95% confidence level. It means that the share of credit risks in the aggregate annual Profit@Risk limit is quantified and evaluated.

Liquidity Risks

Liquidity risk is primarily perceived as an operational risk (risk of liquidity management) and a risk factor is the internal ability to effectively manage the future cash flows planning process and to secure the adequate liquidity and effective short-term financing (the risk is managed on a qualitative basis). The fundamental liquidity risk management (i.e. liquidity risk within the meaning for banking purposes) is covered by the risk management system as a whole. In any given period, the future deviations of the expected cash flows are managed in accordance with the aggregate risk limit and in the context of the actual and the targeted debt/equity ratio of ČEZ.

15.2. Quantitative Description of ČEZ, a. s. Risks Associated with Financial Instruments

Commodity Risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of risk factors as at December 31) was prepared based on the assumptions given below:

- the indicator of risk associated with financial instruments is defined as the monthly parametric VaR (95% confidence) which expresses a maximum potential decrease in fair value of contracts classified as derivatives under IFRS 9 (the underlying commodities in the Company's derivative transactions are: electricity, EUA and CER/ERU emission allowances, gas, coal ARA, Richards Bay, Newcastle and crude oil and crude oil products) on the given confidence level;
- highly probable forecasted future electricity generation sales with the delivery in the CZ power grid are included in the VAR calculation to reflect the hedging character of significant portion of the existing derivative sales of electricity with delivery in Germany;
- for the calculation of volatility and correlations (between commodity prices), the SMA (Simple Moving Average) method is applied to 60 daily time series;
- the source of market data is mainly EEX, PXE and ICE;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned financial instruments to Income Statement.

Potential impact of the above risk factors as at December 31 (in CZK millions):

	2020	2019
Monthly VaR (95%) – impact of changes in commodity prices	5,635	2,760

Currency Risks

The required quantitative information on risks (i.e. a potential change of market value resulting from the effects of currency risk as at December 31) was prepared based on the assumptions given below:

- the indicator of currency risk is defined as the monthly VaR (95% confidence);
- for the calculation of VaR, based on volatility and internal correlations of each considered currency, the method of historical simulation VaR is applied to 90 daily historical time series;
- the relevant currency position is defined mainly as a discounted value of foreign currency cash flows from all contracted financial instruments, from expected foreign currency operational revenues and costs in 2021 and from highly probable forecasted foreign currency revenues, costs or capital expenditures that are being hedged by financial instruments etc.;
- the relevant currency positions reflect all significant foreign-currency flows in the monitored basket of foreign currencies;
- the source of market FX and interest rate data is mainly IS Reuters and IS Bloomberg;
- the indicator VaR illustrates mainly the impact of revaluation of above-mentioned currency position to Income Statement.

Potential impact of the currency risk as at December 31 (in CZK millions):

	2020	2019
Monthly currency VaR (95% confidence)	231	68

Interest Risks

For the quantification of the potential impact of the interest risk was chosen the sensitivity of the interest revenue and cost to the parallel shift of yield curves. The approximate quantification as at December 31 was based on these assumptions:

- parallel shift of the yield curves (+10bp) was selected as the indicator of interest risk;
- the Income Statement sensitivity is measured as an annual change of the interest revenue and cost resulting from the interest-sensitive positions as at December 31;
- the considered interest positions reflect all significant interest-sensitive positions;
- the source of market interest rates is mainly IS Reuters and IS Bloomberg.

Potential impact of the interest rate risk as at December 31 (in CZK millions):

	2020	2019
IR sensitivity* to parallel yield curve shift (+10bp)	1	(2)

* Negative result denotes higher increase in interest costs than interest income

Credit Exposure

The Company is exposed to credit risk on all financial assets presented in the balance sheet as well as credit risk from provided guarantees. Credit exposure from provided guarantees that are not included in the balance sheet, as at December 31 (millions of CZK):

	2020	2019
Guarantees provided to subsidiaries not recorded on balance sheet	3,767	4,486
Guarantees provided to joint-ventures not recorded on balance sheet	959	1,317
Total	4,726	5,803

Provided guarantees are, in particular, warranties for performed contracts and guarantees for bank loans and other liabilities of relevant companies. A beneficiary may only make a warranty claim under the conditions set out in the warranty document, usually following the nonpayment of an amount arising from the contract or on default. At present, companies whose obligations are covered by warranty meet their obligations. Warranties have various expiration dates; as at December 31, 2020and 2019, the latest deadline for making a warranty claim is December 2030.

Liquidity Risk

Maturity profile of financial liabilities based on contractual undiscounted payments as at December 31, 2020 (in CZK millions):

	Bonds and debentures	Loans and lease payables	Derivatives [1]	Other financial liabilities	Trade payables	Guarantees issued [2]
Due in 2021	27,892	2,212	543,714	(34,937)	63,093	5,993
Due in 2022	22,249	1,542	103,314	(58)	-	-
Due in 2023	7,402	1,458	33,551	(7)	-	-
Due in 2024	2,587	2,026	104,843	-	-	-
Due in 2025	22,234	1,549	850	-	-	-
Thereafter	74,721	5,444	27,856	-	-	-
Total	157,085	14,231	814,128	(35,002)	63,093	5,993

Maturity profile of financial liabilities based on contractual undiscounted payments as at December 31, 2019 (in CZK millions):

	Bonds and debentures	Loans	Derivatives [1]	Other financial liabilities	Trade payables	Guarantees issued [2]
Due in 2020	24,110	5,833	434,196	36,342	53,748	7,165
Due in 2021	27,057	3,122	76,143	1,813	-	-
Due in 2022	22,122	2,598	26,066	56	-	-
Due in 2023	7,331	2,256	4,074	-	-	-
Due in 2024	2,541	1,114	946	-	-	-
Thereafter	95,220	1,997	28,120	-	-	-
Total	178,381	16,920	569,545	38,211	53,748	7,165

1) Contractual maturities for derivatives represent contractual cash out-flows of these instruments, but at the same time the Company will receive corresponding consideration. For fair values of derivatives see Note 14.

2) Maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The committed credit facilities available to the Company as at December 31, 2020 and 2019, amounted to CZK 35.3 billion and CZK 26.9 billion, respectively. In addition, in December 2019, the Company signed a committed loan facility agreement with the European Investment Bank to support financing of the distribution grid renewal and further development program in the Czech Republic up to EUR 330 million. As at December 31, 2020, EUR 100 million had not been drawn from this loan facility agreement; as at December 31, 2019, the loan facility agreement had not been drawn at all.

15.3. Hedge Accounting

The Company hedges cash flows arising from highly probable future revenue in EUR for the purposes of currency and interest risk hedging. The hedged cash flows are expected to occur in 2021 to 2026. The relevant hedging instruments as at December 31, 2020 and 2019, are the EUR denominated liabilities from the issued Eurobonds and bank loans in the total amount of EUR 3.3 billion and EUR 5.1 billion, respectively, and currency forward contracts and swaps. The fair value of these hedging derivatives was CZK (896) million and CZK 695 million at December 31, 2020 and 2019, respectively

In addition, the Company hedges cash flows arising from highly probable future sales of electricity in Czech Republic, which will occur in 2021 to 2025. The relevant hedging instrument is futures and forward contracts for electricity sales in Germany. The fair value of these hedging derivatives was CZK (4,023) million and CZK (1,302) million at December 31, 2020 and 2019, respectively.

In 2020 and 2019, cash flow hedging amounts transferred from equity were reported in the statement of profit or loss in Sales of electricity, heat, and gas; Gains and losses from derivative commodity trading; Other financial expenses; and Other financial income and in the balance sheet in non-current Intangible assets, net, and Emission rights. CZK 371 million and CZK 503 million was recognized in profit or loss in 2020 and 2019 respectively, due to ineffectiveness of cash flow hedging. In 2020 and 2019, the ineffectiveness was primarily caused by the fact that the hedged future cash flows were no longer highly probable.

16. Provisions

The following is a summary of the provisions at December 31, 2020 and 2019 (in CZK millions):

	2020			2019		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Nuclear provisions	88,928	2,368	91,296	73,194	2,199	75,393
Provision for waste storage reclamation	480	22	502	595	71	666
Provision for CO_2 emissions (see Note 9)	-	4,592	4,592	-	4,362	4,362
Provision for employee benefits	1,717	103	1,820	1,526	96	1,622
Provision for environmental claims	-	-	-	-	470	470
Provision for legal and commercial disputes	-	511	511	-	490	490
Provision for obligation in case of claim from guarantee for Akcez group loans	-	1,267	1,267	-	1,362	1,362
Other provisions	-	233	233	-	232	232
Total	91,125	9,096	100,221	75,315	9,282	84,597

16.1. Nuclear Provisions

The Company operates two nuclear power plants. The Dukovany Nuclear Power Plant comprises four units commissioned in 1985 to 1987. The Temelín Nuclear Power Plant consists of two units that were commissioned in 2002 and 2003. The Nuclear Energy Act sets down obligations for nuclear facility decommissioning and disposal of radioactive waste and spent nuclear fuel. In accordance with the Nuclear Energy Act, all the nuclear parts and equipment of a nuclear power plant must be disposed of after the end of operation. For the purpose of determining the amount of nuclear provisions, it is estimated that the Dukovany Nuclear Power Plant will stop generating electricity in 2047; the Temelín plant in 2062. Studies for the Dukovany Nuclear Power Plant and for the Temelín Nuclear Power Plant from 2020 assume that the costs of decommissioning of these power plants will reach in the amount CZK 26.5 billion and CZK 21.0 billion, respectively. The Company makes contributions to a restricted bank accounts in the amount of the nuclear provisions recorded under the Nuclear Energy Act.. These funds can be invested in government bonds in accordance with legislation. These restricted financial assets are reported in the balance sheet as part of the line item Restricted financial assets, net (see Note 4).

The Ministry of Industry and Trade established the Radioactive Waste Repository Authority (SÚRAO) as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The SÚRAO operates, supervises and is responsible for disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the SÚRAO are financed through a nuclear account funded by the originators of radioactive waste. Contribution to the nuclear account is stated by Nuclear Energy Act at 55 CZK per MWh produced at nuclear power plants. In 2020 and 2019, the payments to the nuclear account amounted to CZK 1,652 million and CZK 1,663 million, respectively. The originator of radioactive waste and spent fuel directly covers all costs associated with interim storage of radioactive waste and spent fuel.

The Company has established provisions for estimated future expenses on nuclear decommissioning and interim storage and permanent disposal of spent nuclear fuel in accordance with the principles described in Note 2.20.

The following is a summary of the nuclear provisions for the years ended December 31, 2020 and 2019 (in CZK millions):

	Accumulated provisions			
	Nuclear decommis-sioning	Spent fuel storage		
		Interim	Long-term	Total
Balance at January 1, 2019	23,510	7,638	32,229	63,377
Discount accretion and effect of inflation	604	191	806	1,601
Provision charged in profit or loss	-	487	-	487
Effect of change in estimate recognized in profit or loss	-	979	-	979
Effect of change in estimate added to fixed assets	10,385	-	865	11,250
Current cash expenditures	-	(638)	(1,663)	(2,301)
Balance at December 31, 2019	34,499	8,657	32,237	75,393
Discount accretion and effect of inflation	758	191	709	1,658
Provision charged in profit or loss	-	618	-	618
Effect of change in estimate recognized in profit or loss	-	253	-	253
Effect of change in estimate added to fixed assets	3,344	-	12,056	15,400
Current cash expenditures	-	(374)	(1,652)	(2,026)
Balance at December 31, 2020	38,601	9,345	43,350	91,296

The use of the provision for permanent disposal of spent nuclear fuel in a current year comprises payments made to the government-controlled nuclear account and the use of the provision for interim storage represents, in particular, purchases of casks and other related equipment for these purposes

In 2020 the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning studies for Dukovany Nuclear Power Plant and for Temelín Nuclear Power Plant and change in discount rate and the change in long-term spent fuel storage in connection with the extension of the expected production time of the nuclear power plants by 10 years and change in discount rate.

In 2019 the Company recorded the change in estimate for interim storage of spent nuclear fuel in connection with the change in expectations of future storage cost and change in discount rate, the change in estimate in provision for nuclear decommissioning due to the update of the expert decommissioning study for Temelín Nuclear Power Plant and change in discount rate and the change in long-term spent fuel storage in connection with the modification of the expected output of the nuclear power plants and change in discount rate.

The actual costs of nuclear decommissioning, interim storage, and permanent disposal of spent nuclear fuel may vary substantially from the above estimates due to changes in legislation or technology or increase in labor costs and the costs of materials and equipment, as well as due to a different timing of all activities relating to nuclear decommissioning and storage and disposal of spent nuclear fuel.

16.2. Provision for Waste Storage Reclamation

The following table shows the movements of the provision for waste storage reclamation for the years ended December 31, 2020 and 2019 (in CZK millions):

	2020	2019
Balance at January 1	666	566
Discount accretion and effect of inflation	14	14
Effect of change in estimate added to fixed assets	18	131
Current cash expenditures	(31)	(45)
Non-monetary contribution	(165)	-
Balance at December 31	502	666

17. Other Financial Liabilities

Other financial liabilities at December 31, 2020 were as follows (in CZK millions)

	2020		
	Long-term liabilities	Short-term liabilities	Total
Payables from Group cashpooling	-	34,549	34,549
Other	63	387	450
Financial liabilities at amortized costs	63	34,936	34,999
Cash flow hedge derivatives	7,776	292	8,068
Commodity and other derivatives	889	72,355	73,244
Financial liabilities at fair value	8,665	72,647	81,312
Total	8,728	107,583	116,311

Other financial liabilities at December 31, 2019 were as follows (in CZK millions):

	2019		
	Long-term liabilities	Short-term liabilities	Total
Payables from Group cashpooling	-	32,606	32,606
Intra-group loans	-	3,400	3,400
Payables from purchase of emission rights held for trading	1,757	-	1,757
Other	106	335	441
Financial liabilities at amortized costs	1,863	36,341	38,204
Cash flow hedge derivatives	5,464	939	6,403
Commodity and other derivatives	889	62,674	63,563
Financial liabilities at fair value	6,353	63,613	69,966
Total	8,216	99,954	108,170

Short-term payables from purchase of emission rights held for trading are included in the line Trade payables.

18. Short-term Loans

Short-term loans as at December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Short-term bank loans	787	4,117
Bank overdrafts	13	2
Total	800	4,119

Short-term loans bear interest at variable interest rates. The weighted average interest rate was 0.01% and 0.6% at December 31, 2020 and 2019, respectively. For the years 2020 and 2019 the weighted average interest rate was 0.2% and 1.0%, respectively.

19. Other Short-term Liabilities

Other short-term liabilities as at December 31, 2020 and 2019**,** were as follows (in CZK millions):

	2020	2019
Taxes and fees, except income tax	692	675
Deferred income	16	31
Advances received	136	132
Total	844	838

20. Leases

20.1. Company as a Lessee

The Company has lease contracts for various items of offices, cars, buildings and land used to place its own electricity and heat production facilities, and in some cases leases the entire production factory. Leases of cars generally have lease terms between 2 to 8 years, while buildings and lands between 4 to 21 years.

The Company has entered into lease contracts with fixed and variable payments. The variable payments are regularly adjusted according to the inflation index or are based on use of the underlying assets.

The Company leases buildings, machinery or equipment with lease terms of 12 months or less or with low value. In this case the Company applies recognition exemption for these leases.

The net book values of the right-of-use assets presented under Property, plant and equipment are described in the Note 3.

The amounts of lease liability are presented under Long-term Debt (see Note 13).

The following table sets out total cash outflows for lease payments (in CZK millions):

	2020	2019
Payments of principal	1,378	1,159
Payments of interests	130	134
Lease payments not included in valuation of lease liability	3,743	4,003
Total cash outflow for leases	5,251	5,296

The following are the amounts that are recognized in profit or loss (in CZK millions):

	2020	2019
Expense relating to short-term leases	181	188
Expense relating to low-value assets	3	2
Variable lease payments	3,743	4,003
Depreciation charge for right-of-use assets	1,214	1,233
Interest expenses	130	134

The most significant part of variable lease payments are costs related with energy rework contract with the company Elektrárna Počerady, a.s.

Next year, the Company expects to pay lease payments that are not included in valuation of lease liability of CZK 15 million.

20.2. Company as a Lessor

Rental income recognized by the Company during 2020 and 2019 was CZK 109 million and CZK 118 million, respectively. In the following years, the Company expects rental income to be similar to the year 2020.

The net book values of the property, plant and equipment leased out under operating lease are disclosed in the Note 3.

21. Revenues and Other Operating Income

The composition of revenues and other operating income for the years ended December 31, 2020 and 2019, is as follows (in CZK millions):

	2020	2019
Sale of electricity, heat and gas:		
Electricity sales – domestic:		
ČEZ Prodej, a.s.	24,281	20,492
OTE, a.s.	11,414	13,554
Slovenské elektrárne, a.s.	4,098	1,392
E.ON Energie, a.s.	2,792	2,917
investmentsdia s.r.o.	2,225	-
POWER EXCHANGE CENTRAL EUROPE, a.s.	2,220	742
Pražská energetika, a.s.	1,346	1,566
ZSE Energia a.s.	1,271	490
innogy Energie, s.r.o.	1,121	713
RWE Supply & Trading GmbH	1,085	2,893
ALPIQ ENERGY SE	894	1,254
EDF Trading Limited	771	509
Energie ČS, a.s.	698	707
Lumius, spol. s r.o.	671	391
Veolia Energie ČR, a.s.	615	301
MND a.s.	503	522
Uniper Global Commodities SE	485	1,243
BOHEMIA ENERGY entity s.r.o.	119	2,836
Other customers	9,441	10,793
Total sales of electricity – domestic	66,050	63,315
Sales of electricity – foreign	12,755	17,705
Effect of hedging – presales of electricity (Note 15.3)	(2,396)	(9,662)
Effect of hedging – currency risk hedging (Note 15.3)	277	1,302
Total sales of electricity	76,686	72,660
Sales of gas	5,610	7,132
Sales of heat	2,078	2,151
Total sales of electricity, heat and gas	84,374	81,943
Sale of services and other income:		
Distribution services	26	30
Sales of ancillary and other services	4,702	4,819
Rental income	109	118
Other revenues	136	35
Total sales of services and other revenues	4,973	5,002
Other operating income	1,152	1,353
Total revenues and other operating income	90,499	88,298

Revenues from contracts with customers for the years ended December 31, 2020 and 2019, were CZK 91,357 million and CZK 95,187 million, respectively, and can be linked to the figures in the previous table as follows:

	2020	2019
Sales of electricity, gas and heat	84,374	81,943
Sales of services and other revenues	4,973	5,002
Total revenues	89,347	86,945
Adjustments:		
Effect of hedging – presales of electricity	2,396	9,662
Effect of hedging – currency risk hedging	(277)	(1,302)
Rental income	(109)	(118)
Revenues from contracts with customers	91,357	95,187

22. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the years ended December 31, 2020 and 2019, is as follows (in CZK millions):

	2020	2019
Electricity trading:		
Sales – domestic	14,429	19,376
Sales – foreign	252,266	292,305
Purchases – domestic	(10,370)	(18,836)
Purchases – foreign	(246,106)	(293,186)
Changes in fair value of derivatives	(6,558)	7,906
Total gains from electricity derivative trading, net	3,661	7,565
Other commodity trading:		
Gain (loss) from gas derivative trading	1,092	(513)
Gain from oil derivative trading	7	6
Loss from coal derivative trading	(1,894)	(299)
Gain from emission rights derivative trading	3,447	400
Total gains and losses from commodity derivative trading	6,313	7,159

23. Purchase of Electricity, Gas and Other Energies

The composition of cost for the purchase of electricity, gas and other energies at December 31, 2020 and 2019, is as follows (in CZK millions):

	2020	2019
Purchase of electricity for resale	(19,962)	(20,373)
Purchase of gas for resale	(5,595)	(6,915)
Purchase of other energies	(2,231)	(1,805)
Energy rework contract	(3,727)	(3,989)
Total Purchase of electricity, gas and other energies	(31,515)	(33,082)

24. Fuel and Emission Rights

The overview of fuel cost and emission rights for production as at December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Fossil fuel and biomass Consumption	(5,400)	(6,880)
Amortization of nuclear fuel	(4,168)	(4,059)
Gas Consumption	(1,904)	(2,656)
Emission rights for production	(5,251)	(4,332)
Total fuel and emission rights	(16,723)	(17,927)

25. Services

The composition of services as at December 31, 2020 and 2019, was as follows (in CZK millions):

	2020	2019
Repairs and maintenance	(3,737)	(3,855)
Technology and operation support services	(1,019)	(981)
Rental, property management and security	(686)	(654)
IT related services	(799)	(792)
Equipment operation services	(731)	(719)
Other services	(2,490)	(2,548)
Total services	(9,462)	(9,549)

Information about fees charged by independent auditor is provided in the annual report of CEZ Group.

26. Salaries and Wages

The overview of salaries and wages for the years ended December 31, 2020 and 2019, is as follows (in CZK millions):

	2020		2019	
	Total	Key management personnel [1)]	Total	Key management personnel [1)]
Salaries and wages including remuneration of board members	(5,328)	(260)	(5,009)	(251)
Share options	-	-	(38)	(38)
Social and health security	(1,674)	(45)	(1,564)	(47)
Other personal expenses	(640)	(18)	(554)	(14)
Total	(7,642)	(323)	(7,165)	(350)

[1)] Members of Supervisory Board, Audit Committee and Board of Directors and selected managers of departments with group field of activity. The remuneration of former members of company bodies is included in personal expenses.

The individual components of the remuneration of the members of the Board of Directors are described in the Remuneration Policy of ČEZ, a. s. approved by the general meeting of the Company on June 29, 2020.

At December 31, 2020 and 2019, the aggregate number of share options granted to members of Board of Directors and selected managers was 1,421 thousand and 1,651 thousand, respectively.

Members of the Board of Directors and selected managers were entitled until December 31, 2019 to receive share options based on the conditions stipulated in the share option agreement. Members of the Board of Directors and selected managers were granted certain quantity of share options each year of their tenure according to rules of the share option plan until the share option plan was terminated as of December 31, 2019. The exercise price for the granted options was based on the average quoted market price of the shares on the regulated exchange in the Czech Republic during one-month period preceding the grant date each year.

Beginning on January 1, 2020, the new program of long-term performance bonus has been started, replacing the options program. New options were no longer in 2020 be granted and the existing granted options as at December 31, 2019 in the number of 1,651 thousand were preserved, i.e. after a proportional reduction of the original annual allocations in 2019. The program of long-term performance bonus is based on performance units that will be allocated to each beneficiary every year. The number of performance units allocated is based on the defined yearly value of a given long-term bonus and the price of stocks before the allocation. The Supervisory Board sets out the performance indicators for each year's allocation of the performance units. The defined performance indicators will be evaluated by the Supervisory Board and number of performance units allocated to a beneficiary will be adjusted accordingly. Then a two-year holding period will follow. The long-term performance bonus will be paid three years after the initial allocation, and the amount will be based on the adjusted number of performance units as well as on the stock price at the end of the holding period and the amount of dividends distributed during the holding period.

The following table shows changes during 2020 and 2019, in the number of granted share options and the weighted average exercise price of these options:

	Number of share options			
	Board of Directors 000s	Selected managers 000s	Total 000s	Weighted average exercise price (CZK per share)
Share options at January 1, 2019	1,494	410	1,904	485.52
Options granted [1]	239	117	356	536.25
Options exercised [2]	(454)	(120)	(574)	434.74
Options forfeited	-	(35)	(35)	536.96
Share options at December 31, 2019 [3]	1,279	372	1,651	513.02
Options exercised [2]	-	(35)	(35)	421.50
Options forfeited	(180)	(15)	(195)	442.83
Share options at December 31, 2020 [3]	1,099	322	1,421	524.90

1) The original annual allocations in 2019 were proportionally reduced on the termination of the share options plan at December 31, 2019 to correspond to the number of options determined based on the number of days remaining from the date of the relevant 2019 allocation until the end of the share option plan. The presented number corresponds to the total number of options granted in 2019 after this reduction.

2) In 2020 and 2019 the weighted average share price at the date of the exercise for the options exercised was CZK 508 and CZK 542.81, respectively.

3) At December 31, 2020 and 2019 the number of exercisable options was 1,421 thousand and 540 thousand, respectively. The weighted average exercise price of the exercisable options was CZK 524.90 per share and CZK 455.32 per share at December 31, 2020 and 2019, respectively.

The fair value of the options is estimated on the date of grant using the binomial option-pricing model. Because these stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock options.

At the grant dates, the underlying assumptions and the resulting fair values per option were as follows:

	2020	2019
Weighted average assumptions:		
Dividend yield	-	3.6%
Expected volatility	-	15.7%
Mid-term risk-free interest rate	-	1.6%
Expected life (years)	-	1.4
Share price (CZK per share)	-	533.7
Weighted average grant-date fair value of options (CZK per 1 option)	-	36.3

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At December 31, 2020 and 2019, the exercise prices of outstanding options (in thousands pieces) were in the following ranges:

	2020	2019
CZK 400–500 per share	310	540
CZK 500–600 per share	1,111	1,111
Total	1,421	1,651

The options granted which were outstanding as at December 31, 2020 and 2019, had an average remaining contractual life of 1.1 years and 1.9 years, respectively.

27. Other Operating Expenses

Other operating expenses as at December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Change in provisions	1,965	1,017
Taxes and fees	(2,042)	(2,000)
Costs related to trading of commodities	(460)	(447)
Insurance	(349)	(317)
Gifts	(139)	(110)
Other	(672)	(668)
Total	(1,697)	(2,525)

The taxes and fees includes payment the contributions to the nuclear account (see Note 16.1). The settlement of the provision for long-term spent fuel storage is accounted for in the amount of contributions to nuclear account. Settlement of provision for long-term spent fuel storage is included in Change in provisions.

28. Interest Income

Interest income for each category of financial instruments for the years ended December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
CEZ Group cashpooling	227	295
Loans and receivables	819	728
Debt financial assets at fair value through other comprehensive income	215	228
Bank accounts	36	41
Total	1,297	1,292

29. Impairment of Financial Assets

Additions and reversals of impairment of financial assets for each category for the years ended December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Shares in subsidiaries, associates and joint-ventures (see Note 5)		
Additions	(3,221)	(3,571)
Reversals	-	6,920
Additions – shares in subsidiaries classified as assets held for sale	(1,886)	-
Loans granted	(21)	(1)
Financial guarantee for Akcez group loans	-	(837)
Other	(1)	-
Total	(5,129)	2,511

The Company is a guarantor for the liabilities of companies within the joint-venture Akcez Enerji A.S. in the amount of USD 95.5 million and TRY 63.8 million as of December 31, 2020. Based on calculation of recoverable amount from future cash flows, a provision in the amount of CZK 1,267 million and CZK 1,362 million was recognized as of December 31, 2020 and 2019, respectively.

30. Other Financial Expenses

Other financial expenses for the years ended December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Loss on exchange rate differences	(589)	(155)
Loss on derivatives	-	(231)
Creation and settlement of provisions	(21)	(26)
Other	(56)	(50)
Total	(666)	(462)

31. Other Financial Income

Other financial income as at December 31, 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Dividends received (see Note 5)	10,892	13,117
Gain on disposal of subsidiaries	5,766	4
Interest related to the refunded overpayment of gift tax on emission rights	1,463	-
Gain from exchange rate differences	1,221	-
Gain from revaluation of financial assets	145	41
Gain on sale of debt restricted financial assets	15	27
Other	36	45
Total	19,538	13,234

32. Income Taxes

The Company calculated corporate income tax in accordance with the Czech tax regulations at the rate of 19% in 2020 and 2019.

The Company's management believes that the tax expense was recognized in the financial statements in an appropriate amount. However, it cannot be ruled out that the relevant tax authorities may take a different view on issues allowing for different interpretations of the law, which could have an impact on the reported income.

The components of the income tax provision were as follows (in CZK millions):

	2020	2019
Current income tax charge	(149)	(510)
Deferred income taxes	(1,355)	106
Total	(1,504)	(404)

The following table summarizes the differences between the income tax expense and accounting profit before taxes multiplied by the applicable tax rate (in CZK millions):

	2020	2019
Income before income taxes	22,581	17,797
Statutory income tax rate	19%	19%
"Expected" income tax expense	(4,290)	(3,381)
Adjustments:		
Non-deductible provisions, net	(975)	477
Non-tax gains/losses associated with changes in shareholding interest	1,473	1
Non-taxable income from dividends	2,070	2,492
Non-deductible share-based payment expense	(16)	(7)
Tax incentives, tax discounts	1	1
Interest related to the refunded overpayment of gift tax on emission rights	278	-
Other non-deductible items, net	(45)	13
Income tax	(1,504)	(404)
Effective tax rate	7%	2%

Deferred income tax liability, net at December 31, 2020 and 2019, was calculated as follows (in CZK millions):

	2020	2019
Nuclear provisions	15,253	12,384
Other provisions	1,361	1,393
Allowances	213	285
Revaluation of financial instruments	1,931	727
Lease liabilities	246	1,095
Other temporary differences	354	315
Total deferred tax assets	19,358	16,199
Tax depreciation in excess of financial statement depreciation	(25,408)	(22,141)
Revaluation of financial instruments	(131)	(73)
Right-of-use assets	(239)	(1,085)
Other temporary differences	(1,815)	(944)
Total deferred tax liability	(27,593)	(24,243)
Total deferred tax liability, net	(8,235)	(8,044)

Movements in net deferred tax liability in 2020 and 2019, were as follows (in CZK millions):

	2020	2019
Balance at January 1	8,044	4,539
Effect of contribution	(7)	-
Deferred tax recognized in profit or loss	1,362	(106)
Deferred tax recognized in other comprehensive income	(1,164)	3,611
Balance at December 31	8,235	8,044

Tax impact related to individual items of other comprehensive income was as follows (in CZK millions):

	2020			2019		
	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	(8,198)	1,558	(6,640)	10,891	(2,070)	8,821
Cash flow hedges reclassified to statement of income	2,916	(554)	2,362	8,253	(1,568)	6,685
Change in fair value of debt instruments	202	(39)	163	207	(40)	167
Change in fair value of equity instruments	(1,050)	199	(851)	(347)	67	(280)
Total	(6,130)	1,164	(4,966)	19,004	(3,611)	15,393

33. Related Parties

The Company purchases/sells products, goods and services from/to related parties in the ordinary course of business.

The following table shows receivables from related parties and payables to related parties as at December 31, 2020 and 2019 (in CZK million):

	Receivables		Payables	
	2020	2019	2020	2019
AZ KLIMA a.s.	1	-	26	101
CEZ Bulgarian Investments B.V.	-	-	239	281
CEZ Deutschland GmbH	-	-	150	73
CEZ Erneubare Energien Beteiligung	194	102	-	-
CEZ ESCO II GmbH	60	90	-	-
CEZ Holdings B.V.	7,048	6,985	323	392
CEZ Hungary Ltd.	319	763	45	237
CEZ Chorzów S.A.	424	880	78	-
CEZ MH B.V.	25	741	-	-
CEZ Polska sp. z o.o.	108	310	315	1,190
CEZ Razpredelenie Bulgaria AD	817	784	-	-
CEZ RES International B.V.	-	-	656	-
CEZ Romania S.A.	7	8	1,916	709
CEZ Skawina S.A.	292	730	75	29
CEZ Slovensko, s.r.o.	181	994	20	110
CEZ Trade Bulgaria EAD	121	141	131	26
CEZ Vanzare S.A.	71	146	-	-
ČEZ Bohunice a.s.	-	-	171	170
ČEZ Distribuce, a. s.	28,037	20,350	10,177	4,191
ČEZ Energetické produkty, s.r.o.	305	184	320	299
ČEZ Energetické služby, s.r.o. [1)]	222	533	1	72
ČEZ Energo, s.r.o.	-	-	94	-
ČEZ ENERGOSERVIS spol. s r.o.	65	150	406	440
ČEZ ESCO, a.s.	96	140	1,220	330
ČEZ ICT Services, a. s.	3	60	361	628
ČEZ Korporátní služby, s.r.o.	-	113	1,789	1,835
ČEZ Obnovitelné zdroje, s.r.o.	13	14	423	374
ČEZ OZ uzavřený investiční fond a.s.	-	-	907	780
ČEZ Prodej, a.s.	3,969	3,397	11,912	9,409
ČEZ Teplárenská, a.s.	173	221	310	379
Elektrárna Dětmarovice, a.s.	1,017	431	340	401
Elektrárna Počerady, a.s.	-	430	-	12,763
Elektrárna Temelín II, a. s.	2	9	48	81
Elevion GmbH	1,930	1,727	-	-
Elevion Group B.V.	100	-	-	344
Energotrans, a.s.	1,426	1,036	2,313	1,832
ENESA a.s.	320	146	22	9
Inven Capital, SICAV, a.s.	-	-	706	1,842
Kofler Energies Ingenieurgesellschaft GmbH	-	123	-	-
MARTIA a.s.	127	169	102	142
PRODECO, a.s.	36	1	-	268
SD - Kolejová doprava, a.s.	1	2	64	176
Severočeské doly a.s.	97	99	3,370	4,756
Solární servis, s.r.o.	61	141	-	-
Telco Pro Services, a. s.	2	2	52	203
Tomis Team S.A.	-	-	52	78
ÚJV Řež, a. s.	415	1	321	298
Other	226	399	548	379
Total	48,311	42,552	40,003	45,627

The following table provides the total amount of transactions (sales and purchases), which were entered into with related parties in 2020 and 2019 (in CZK millions):

	Sales to related parties		Purchases from related parties	
	2020	2019	2020	2019
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	4	-	25	102
CEZ Holdings B.V.	72	67	-	-
CEZ Hungary Ltd.	2,051	2,389	155	266
CEZ Chorzów S.A.	427	868	-	-
CEZ Polska sp. z o.o.	1,075	3,676	400	669
CEZ Skawina S.A.	292	717	52	337
CEZ Slovensko, s.r.o.	1,844	3,986	403	1,018
CEZ Trade Bulgaria EAD	892	285	784	726
CEZ Vanzare S.A.	731	2,170	5	-
ČEZ Distribuce, a. s.	1,085	927	59	80
ČEZ Energetické produkty, s.r.o.	34	33	1,139	1,040
ČEZ Energetické služby, s.r.o. [1)]	29	60	5	79
ČEZ ENERGOSERVIS spol. s r.o.	28	28	1,355	1,293
ČEZ ESCO, a.s. [3)]	12,012	9,556	4,418	1,313
ČEZ ICT Services, a. s.	63	69	1,041	1,035
ČEZ Korporátní služby, s.r.o.	56	65	191	301
ČEZ Obnovitelné zdroje, s.r.o.	16	12	427	380
ČEZ Prodej, a.s. [3)]	17,829	15,386	765	1,097
ČEZ Teplárenská, a.s.	1,732	1,708	166	216
Distributie Energie Oltenia S.A.	283	419	-	-
Elektrárna Dětmarovice, a.s.	1,077	715	1,184	1,230
Elektrárna Dukovany II, a. s.	106	55	-	-
Elektrárna Počerady, a.s.	5,706	3,457	4,240	4,045
Elektrárna Temelín II, a. s.	17	49	-	-
Energotrans, a.s.	2,336	1,594	1,975	1,238
LOMY MOŘINA spol. s r.o.	-	-	219	194
MARTIA a.s.	8	9	604	512
OSC, a.s.	-	-	92	126
Ovidiu Development S.R.L.	1	1	252	478
SD - Kolejová doprava, a.s.	11	15	435	629
Severočeské doly a.s.	764	731	3,760	4,763
ŠKODA PRAHA a.s. [3)]	14	292	144	206
TMK Hydroenergy Power S.R.L.	-	-	72	69
Tomis Team S.A.	1	1	383	639
ÚJV Řež, a. s.	1	1	674	602
Ústav aplikované mechaniky Brno, s.r.o.	-	-	104	169
Other	173	174	62	35
Total	50,770	49,515	25,590	24,887

1) The company Energocentrum Vítkovice, a. s., merged with the successor company ČEZ Energetické služby, s.r.o. with the effective date of the merger on January 1, 2020.

2) The name of ČEZ Solární, s.r.o. to Solární servis, s.r.o. was changed in 2020.

3) Due to re-invoicing in the company ČEZ Prodej, s.r.o. in 2020 and 2019, the relevant part of sales was transferred to the company ČEZ ESCO, a.s. in the amount of CZK 10,875 million and CZK 9,358 million, respectively.

The Company and some of its subsidiaries are included in the cash-pool system. Receivables from subsidiaries related to cashpooling are included in other financial assets, net (see Note 5), payables to subsidiaries related to cashpooling and similar borrowings are included in other financial liabilities (see Note 17).

Information about compensation of key management personnel is included in Note 26. Information about guarantees is included in Note 15.2.

34. Segment Information

The Company is mainly engaged in the generation of electricity and trade in electricity and other commodities, which is a separate operating segment. The vast majority of the Company's activities takes place in the markets of the European Union. The Company did not identify other separate operating segments.

35. Net Income per Share

	2020	2019
Numerator (in CZK millions)		
Basic and diluted:		
Net income	21,077	17,393
Denominator (in thousands shares)		
Basic:		
Weighted average shares outstanding	535,470	535,288
Dilutive effect of share options	13	119
Diluted:		
Adjusted weighted average shares	535,483	535,407
Net income per share (CZK per share)		
Basic	39.4	32.5
Diluted	39.4	32.5

36. Commitments and Contingencies

Investment Plans

Capital expenditures for the next five years as at December 31, 2020 are estimated as follows (in CZK billion):

2021	13.2
2022	14.6
2023	12.5
2024	14.4
2025	14.9
Total	69.6

The above values do not include planned acquisitions of subsidiaries, associates and joint-ventures and specific development investments, where their eventual implementation will depend on particular future market and regulatory conditions. They do not include especially development ambitions in the area of renewable sources in the Czech Republic, where the Company assumes to build and put into operation photovoltaic power plants with an output of more than 1 GW by 2025.within the valid strategy. The capital expenditures invested will depend especially on the development of the regulatory environment and on the rate of return of individual project.

The Company reviews regularly investment plan and actual construction may vary from the above estimates. At December 31, 2020 significant purchase commitments were outstanding in connection with the investment plan.

Insurance Matters

The Nuclear Energy Act sets limits for liabilities for nuclear damages so that the operator of nuclear installations is liable for up to CZK 8 billion per incident. The Nuclear Energy Act limits the liability for damage caused by other activities (such as transportation) to CZK 2 billion. The Nuclear Energy Act also requires an operator to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 2 billion and up to a minimum of CZK 300 million for other activities (such as transportation). The Company concluded the above-mentioned insurance policies with company Generali Česká pojišťovna a.s. (representing the Czech Nuclear Insurance Pool) and European Liability Insurance for the Nuclear Industry. The Company has obtained all insurance policies with minimal limits as required by the law.

The Company also maintains the insurance policies covering the assets of its coal-fired, hydroelectric, CCGT and nuclear power plants and general third-party liability insurance in connection with main operations of the Company.

37. Events after the Balance Sheet Date

ČEZ Korporátní služby, s.r.o. merged with the succession company ČEZ, a. s. with the legal effective date of January 1, 2021.

These separate financial statements have been authorized for issue on March 15, 2021.

Daniel Beneš Chairman of Board of Directors	Martin Novák Member of Board of Directors