

# **CEZ GROUP**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS OF MARCH 31, 2022

# CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2022

In CZK Millions

	Note	March 31, 2022	December 31, 2021
<b>ASSETS:</b>			
Plant in service		856,963	856,189
Less accumulated depreciation and impairment		(493,456)	(487,211)
<b>Net plant in service</b>		<b>363,507</b>	<b>368,978</b>
Nuclear fuel, at amortized cost		12,153	13,096
Construction work in progress, net		23,611	21,009
<b>Total property, plant and equipment</b>		<b>399,271</b>	<b>403,083</b>
Investments in associates and joint-ventures		3,869	3,916
Restricted financial assets, net		20,125	20,804
Other non-current financial assets, net	5	12,964	11,805
Intangible assets, net		23,294	23,677
Deferred tax assets		10,232	10,719
<b>Total other non-current assets</b>		<b>70,484</b>	<b>70,921</b>
<b>Total non-current assets</b>		<b>469,755</b>	<b>474,004</b>
Cash and cash equivalents, net		51,972	26,640
Trade receivables, net		141,465	137,432
Income tax receivable		905	397
Materials and supplies, net		14,557	13,372
Fossil fuel stocks		437	574
Emission rights	6	16,269	19,534
Other current financial assets, net	5	655,234	497,295
Other current assets, net		17,179	13,674
<b>Total current assets</b>		<b>898,018</b>	<b>708,918</b>
<b>Total assets</b>		<b>1,367,773</b>	<b>1,182,922</b>

**CEZ GROUP  
CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 2022**

continued

	Note	March 31, 2022	December 31, 2021
<b>EQUITY AND LIABILITIES:</b>			
Stated capital		53,799	53,799
Treasury shares		(1,406)	(1,423)
Retained earnings and other reserves		112,593	108,722
<b>Total equity attributable to equity holders of the parent</b>		<b>164,986</b>	<b>161,098</b>
Non-controlling interests		1,731	1,742
<b>Total equity</b>		<b>166,717</b>	<b>162,840</b>
Long-term debt, net of current portion	7	100,435	95,924
Provisions		117,045	117,072
Other long-term financial liabilities	8	50,695	35,219
Deferred tax liability		13,627	12,839
Other long-term liabilities		30	32
<b>Total non-current liabilities</b>		<b>281,832</b>	<b>261,086</b>
Short-term loans	9	13,737	25,310
Current portion of long-term debt	7	19,574	16,647
Trade payables		77,729	85,928
Income tax payable		1,921	2,249
Provisions		22,558	18,253
Other short-term financial liabilities	8	770,216	601,027
Other short-term liabilities		13,489	9,582
<b>Total current liabilities</b>		<b>919,224</b>	<b>758,996</b>
<b>Total equity and liabilities</b>		<b>1,367,773</b>	<b>1,182,922</b>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

In CZK Millions

	Note	1-3/2022	1-3/2021
Sales of electricity, heat, gas and coal		52,632	39,878
Sales of services and other revenues		18,298	18,336
Other operating income		5,067	861
<b>Total revenues and other operating income</b>	10	75,997	59,075
Gains and losses from commodity derivative trading	11	13,091	(1,110)
Purchase of electricity, gas and other energies		(17,633)	(15,683)
Fuel and emission rights		(11,526)	(6,590)
Services		(6,613)	(5,847)
Salaries and wages		(7,108)	(7,072)
Material and supplies		(2,863)	(2,428)
Capitalization of expenses to the cost of assets and change in own inventories		1,516	937
Depreciation and amortization		(7,548)	(6,681)
Impairment of property, plant and equipment and intangible assets		-	(2,051)
Impairment of trade and other receivables		223	84
Other operating expenses		(1,347)	(1,399)
<b>Income before other income (expenses) and income taxes</b>		36,189	11,235
Interest on debt		(849)	(1,142)
Interest on provisions		(644)	(502)
Interest income		306	115
Share of profit (loss) from associates and joint-ventures		528	12
Impairment of financial assets		(522)	(24)
Other financial expenses		(2,487)	(53)
Other financial income		893	778
<b>Total other income (expenses)</b>		(2,775)	(816)
<b>Income before income taxes</b>		33,414	10,419
Income taxes		(6,691)	(2,033)
<b>Net income</b>		26,723	8,386
Net income (loss) attributable to:			
Equity holders of the parent		26,725	8,404
Non-controlling interests		(2)	(18)
Net income per share attributable to equity holders of the parent (CZK per share):			
Basic		49.8	15.7
Diluted		49.8	15.7

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

In CZK Millions

	Note	1-3/2022	1-3/2021
<b>Net income</b>		26,723	8,386
Change in fair value of cash flow hedges		(41,710)	(5,707)
Cash flow hedges reclassified to statement of income		14,669	(518)
Change in fair value of debt instruments		(784)	(944)
Disposal of debt instruments		(1)	(2)
Translation differences – subsidiaries		(239)	(399)
Translation differences – associates and joint-ventures		(54)	(1)
Disposal of translation differences		(19)	6,607
Share on other equity movements of associates and joint-ventures		(4)	-
Deferred tax related to other comprehensive income	12	5,288	1,363
<b>Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods</b>		(22,854)	399
Change in fair value of equity instruments		1	-
<b>Net other comprehensive income not to be reclassified from equity in subsequent periods</b>		1	-
<b>Total other comprehensive income, net of tax</b>		(22,853)	399
<b>Total comprehensive income, net of tax</b>		3,870	8,785
Total comprehensive income attributable to:			
Equity holders of the parent		3,893	8,818
Non-controlling interests		(23)	(33)

**CEZ GROUP  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

In CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
<b>Balance as at January 1, 2021</b>		53,799	(2,845)	(11,777)	(7,110)	874	(1,022)	201,952	233,871	4,692	238,563
Net income		-	-	-	-	-	-	8,404	8,404	(18)	8,386
Other comprehensive income		-	-	6,222	(5,042)	(766)	-	-	414	(15)	399
<b>Total comprehensive income</b>		-	-	6,222	(5,042)	(766)	-	8,404	8,818	(33)	8,785
Sale of treasury shares		-	107	-	-	-	-	(63)	44	-	44
Exercised and forfeited share options		-	-	-	-	-	(5)	5	-	-	-
Sale of non-controlling interests		-	-	-	-	-	-	(5)	(5)	799	794
Put options held by non-controlling interests		-	-	(1)	-	-	-	(5)	(6)	6	-
<b>Balance as at March 31, 2021</b>		<u>53,799</u>	<u>(2,738)</u>	<u>(5,556)</u>	<u>(12,152)</u>	<u>108</u>	<u>(1,027)</u>	<u>210,288</u>	<u>242,722</u>	<u>5,464</u>	<u>248,186</u>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

continued

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
<b>Balance as at January 1, 2022</b>		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Net income		-	-	-	-	-	-	26,725	26,725	(2)	26,723
Other comprehensive income		-	-	(291)	(21,903)	(635)	1	(4)	(22,832)	(21)	(22,853)
<b>Total comprehensive income</b>		-	-	(291)	(21,903)	(635)	1	26,721	3,893	(23)	3,870
Sale of treasury shares		-	17	-	-	-	-	(10)	7	-	7
Exercised and forfeited share options		-	-	-	-	-	(1)	1	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	(1)	(1)	1	-
Put options held by non-controlling interests		-	-	(4)	-	-	-	(7)	(11)	11	-
<b>Balance as at March 31, 2022</b>		<u>53,799</u>	<u>(1,406)</u>	<u>(4,932)</u>	<u>(89,115)</u>	<u>(1,282)</u>	<u>(1,721)</u>	<u>209,643</u>	<u>164,986</u>	<u>1,731</u>	<u>166,717</u>

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

In CZK Millions

	Note	1-3/2022	1-3/2021
<b>OPERATING ACTIVITIES:</b>			
<b>Income before income taxes</b>		33,414	10,419
<b>Adjustments of income before income taxes to cash generated from operations:</b>			
Depreciation and amortization		7,548	6,681
Amortization of nuclear fuel		1,036	1,034
(Gains) and losses on non-current asset retirements		(63)	(162)
Foreign exchange rate loss (gain)		2,437	(520)
Interest expense, interest income and dividend income		539	1,024
Provisions		4,797	1,887
Impairment of property, plant and equipment and intangible assets		-	2,051
Valuation allowances and other non-cash expenses and income		15,454	(7,535)
Share of (profit) loss from associates and joint-ventures		(528)	(12)
<b>Changes in assets and liabilities:</b>			
Receivables and contract assets		(13,888)	(5,782)
Materials, supplies and fossil fuel stocks		(1,013)	1,031
Receivables and payables from derivatives		(18,025)	5,282
Other assets		3,786	(10,678)
Trade payables		(5,255)	3,219
Other liabilities		4,246	(919)
<b>Cash generated from operations</b>		34,485	7,020
Income taxes paid		(963)	(980)
Interest paid, net of capitalized interest		(315)	(586)
Interest received		248	99
Dividends received		1	1
<b>Net cash provided by operating activities</b>		33,456	5,554
<b>INVESTING ACTIVITIES:</b>			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4.1	(132)	11
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		-	21,171
Additions to non-current assets, including capitalized interest		(6,585)	(7,155)
Proceeds from sale of non-current assets		531	57
Loans made		(1)	(288)
Repayment of loans		15	272
Change in restricted financial assets		(106)	114
<b>Net cash provided by (used in) investing activities</b>		(6,278)	14,182

**CEZ GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

continued

	Note	1-3/2022	1-3/2021
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		70,672	29,102
Payments of borrowings		(72,123)	(30,845)
Payments of lease liabilities		(183)	(191)
Proceeds from other long-term liabilities		28	17
Payments of other long-term liabilities		(5)	(62)
Dividends paid to Company's shareholders		(26)	(29)
Sale of treasury shares		8	44
(Acquisition) sale of non-controlling interests, net		(1)	794
<b>Net cash used in financing activities</b>		<u>(1,630)</u>	<u>(1,170)</u>
Net effect of currency translation and allowances in cash		(216)	(12)
<b>Net increase in cash and cash equivalents</b>		25,332	18,554
<b>Cash and cash equivalents at beginning of period</b>		<u>26,640</u>	<u>10,169</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>51,972</u></u>	<u><u>28,723</u></u>
Supplementary cash flow information:			
Total cash paid for interest		352	620

# **CEZ GROUP**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **AS OF MARCH 31, 2022**

#### **1. The Company**

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (69.9% of voting rights) at March 31, 2022 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are publicly held. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”). Main business of the Group is the generation, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of complex energy services and coal mining.

#### **2. Summary of Significant Accounting Policies**

##### **2.1. Financial Statements**

The interim consolidated financial statements for the three months ended March 31, 2022 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with [the Group's annual financial statement as of December 31, 2021](#).

##### **2.2. Changes in Accounting Policies**

###### **2.2.1. Adoption of New IFRS Standards in 2022**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of [the Group's annual financial statement as of December 31, 2021](#).

As of January 1, 2022, the Group did not adopt any new International Financial Reporting Standard that would have a significant impact on Group's interim consolidated financial statements.

#### **3. Seasonality of Operations**

The seasonality within the segments Generation, Distribution and Sales usually takes effect in such a way that the revenues and operating profits of these segments for the 1st and 4th quarters of a calendar year are slightly higher than the revenues and operating profits achieved in the remaining period.

#### 4. Changes in the Group Structure

The following table summarizes the cash flows related to acquisitions in first three months of 2022 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	138
Cash outflow on investments in joint-ventures	1
Payments of payables from acquisitions of previous periods	17
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	<u>(24)</u>
Total cash outflows on acquisition	<u><u>132</u></u>

##### 4.1. Acquisitions of Subsidiaries in the First Three Months of 2022

On January 20, 2022, the Group acquired a 100% interest in the company Hermos Signaltechnik GmbH, which focuses on measurement and control services.

On February 24, 2022, the Group acquired a 100% interest in the company ELIMER, a.s., which provides comprehensive services in the field of electrical installations (i.e. design, implementation, service and maintenance of high-current and low-current electrical installations).

The fair values of acquired identifiable assets and liabilities and the purchase considerations have been stated provisionally and could be adjusted in the subsequent period. The following table presents the current best estimate of fair values of acquired identifiable assets and liabilities as of the date of acquisition (in CZK millions):

	<u>ELIMER, a.s.</u>	<u>Other</u>	<u>Total</u>
Share of the Group being acquired	100%	100%	
Property, plant and equipment, net	9	2	11
Other non-current financial assets, net	35	-	35
Another non-current assets	1	4	5
Cash and cash equivalents	24	-	24
Trade receivables, net	95	2	97
Materials and supplies, net	17	6	23
Another current assets	22	-	22
Long-term debt, net of current portion	(3)	(1)	(4)
Another non-current liabilities	(7)	(1)	(8)
Trade payables	(90)	-	(90)
Other short-term financial liabilities	(11)	-	(11)
Another current liabilities	(4)	(3)	(7)
	<u>88</u>	<u>9</u>	<u>97</u>
Total net assets	88	9	97
Share of net assets acquired	88	9	97
Goodwill	<u>136</u>	<u>4</u>	<u>140</u>
Total purchase consideration	224	13	237
Liabilities from acquisition of the subsidiary	(96)	(3)	(99)
Cash outflow on acquisition in 2022	128	10	138
Less: Cash and cash equivalents in the subsidiary acquired	<u>(24)</u>	<u>-</u>	<u>(24)</u>
Cash outflow on acquisition in 2022, net	<u><u>104</u></u>	<u><u>10</u></u>	<u><u>114</u></u>

If the acquisitions had taken place at the beginning of the year 2022, net income for CEZ Group as of March 31, 2022 would have been CZK 26,719 million and the revenues and other operating income from continuing operations would have been CZK 76,060 million. The amounts of goodwill recognized as a result of the business combinations comprise the value of expected synergies arising from the acquisitions.

From the acquisition date, the newly acquired subsidiaries have contributed the following balances to the Group's statement of income (in CZK millions):

	ELIMER, a.s.	Other	Total
Revenues and other operating income	50	2	52
Income before other income (expense) and income taxes	1	-	1
Net income	1	-	1
Net income attributable:			
Equity holders of the parent	1	-	1
Non-controlling interests	-	-	-

## 5. Other Financial Assets, Net

The overview of other financial assets, net at March 31, 2022 and December 31, 2021 is as follows (in CZK millions):

	March 31, 2022			December 31, 2021		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	1	6	7	-	-	-
Other financial receivables	3,237	313	3,550	2,156	288	2,444
Receivables from sale of subsidiaries, associates and joint-ventures	2,412	-	2,412	2,399	-	2,399
Investment in finance lease	204	43	247	211	44	255
<b>Total financial assets at amortized cost</b>	<b>5,854</b>	<b>362</b>	<b>6,216</b>	<b>4,766</b>	<b>332</b>	<b>5,098</b>
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-fund	2,621	-	2,621	2,538	441	2,979
Commodity and other derivatives	325	653,949	654,274	212	495,139	495,351
<b>Total financial assets at fair value through profit or loss</b>	<b>2,946</b>	<b>653,949</b>	<b>656,895</b>	<b>2,750</b>	<b>495,580</b>	<b>498,330</b>
Veolia Energie ČR, a.s.	599	-	599	599	-	599
Other financial assets	342	-	342	343	-	343
Total equity financial assets	941	-	941	942	-	942
Fair value of cash flow hedge derivatives	3,223	923	4,146	3,347	884	4,231
Debt financial assets	-	-	-	-	499	499
<b>Total financial assets at fair value through other comprehensive income</b>	<b>4,164</b>	<b>923</b>	<b>5,087</b>	<b>4,289</b>	<b>1,383</b>	<b>5,672</b>
<b>Total</b>	<b>12,964</b>	<b>655,234</b>	<b>668,198</b>	<b>11,805</b>	<b>497,295</b>	<b>509,100</b>

The increase of short-term receivables from commodity derivatives in the first three months of 2022 is mainly due to the high volatility of the market prices of emission rights, electricity and gas.

## 6. Emission Rights

The composition of emission rights and green and similar certificates at March 31, 2022 and December 31, 2021 (in CZK millions):

	March 31, 2022			December 31, 2021		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	-	10,218	10,218	160	13,424	13,584
Emission rights held for trading	-	5,940	5,940	-	6,042	6,042
Green and similar certificates	-	111	111	-	68	68
<b>Total</b>	<b>-</b>	<b>16,269</b>	<b>16,269</b>	<b>160</b>	<b>19,534</b>	<b>19,694</b>

## 7. Long-term Debt

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

	March 31, 2022	December 31, 2021
3.005% Eurobonds, due 2038 (JPY 12,000 million)	2,161	2,302
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,442	1,536
4.875% Eurobonds, due 2025 (EUR 750 million)	19,117	19,263
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	2,079	2,210
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	1,302	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,235	1,246
4.500% Eurobonds, due 2047 (EUR 50 million)	1,234	1,243
4.383% Eurobonds, due 2047 (EUR 80 million)	2,000	2,017
3.000% Eurobonds, due 2028 (EUR 725 million)	18,391	18,627
0.875% Eurobonds, due 2022 (EUR 269 million)	6,580	6,692
0.875% Eurobonds, due 2026 (EUR 750 million)	18,196	18,502
4.250% U.S. bonds, due 2022 (USD 266 million)	5,964	5,897
5.625% U.S. bonds, due 2042 (USD 300 million)	6,718	6,621
4.500% Registered bonds, due 2030 (EUR 40 million)	979	987
4.750% Registered bonds, due 2023 (EUR 40 million)	982	1,036
4.700% Registered bonds, due 2032 (EUR 40 million)	1,018	1,026
4.270% Registered bonds, due 2047 (EUR 61 million)	1,487	1,500
3.550% Registered bonds, due 2038 (EUR 30 million)	729	764
<b>Total bonds and debentures</b>	<b>91,614</b>	<b>92,757</b>
Less: Current portion	(17,381)	(13,911)
<b>Bonds and debentures, net of current portion</b>	<b>74,233</b>	<b>78,846</b>
Long-term bank loans and lease liabilities:	28,395	19,814
Less: Current portion	(2,193)	(2,736)
<b>Long-term bank loans and lease payables, net of current portion</b>	<b>26,202</b>	<b>17,078</b>
<b>Total long-term debt</b>	<b>120,009</b>	<b>112,571</b>
Less: Current portion	(19,574)	(16,647)
<b>Total long-term debt, net of current portion</b>	<b>100,435</b>	<b>95,924</b>

## 8. Other Financial Liabilities

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

	March 31, 2022		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	141	-	141
Other	963	508	1,471
Financial liabilities at amortized cost	1,104	508	1,612
Cash flow hedge derivatives	48,422	64,128	112,550
Commodity and other derivatives	405	705,168	705,573
Liabilities from put options held by non-controlling interests	290	291	581
Contingent consideration from the acquisition of subsidiaries	474	121	595
Financial liabilities at fair value	49,591	769,708	819,299
Total	50,695	770,216	820,911

  

	December 31, 2021		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	32	-	32
Other	598	417	1,015
Financial liabilities at amortized cost	630	417	1,047
Cash flow hedge derivatives	33,257	49,287	82,544
Commodity and other derivatives	573	550,910	551,483
Liabilities from put options held by non-controlling interests	295	294	589
Contingent consideration from the acquisition of subsidiaries	464	119	583
Financial liabilities at fair value	34,589	600,610	635,199
Total	35,219	601,027	636,246

The increase of short-term liabilities from commodity derivatives in the first three months of 2022 is mainly due to the high volatility of the market prices of emission rights, electricity and gas.

## 9. Short-term Loans

Short-term loans at March 31, 2022 and December 31, 2021 are as follows (in CZK millions):

	March 31, 2022	December 31, 2021
Short-term bank and other loans	13,667	25,282
Bank overdrafts	70	28
Total	13,737	25,310

## 10. Revenues and Other Operating Income

The composition of revenues and other operating income for the first three months ended March 31, 2022 and 2021 is as follows (in CZK millions):

	<u>1-3/2022</u>	<u>1-3/2021</u>
<u>Sales of electricity:</u>		
Sales of electricity to end customers	19,621	15,168
Sales of electricity through energy exchange and other organized markets	25,210	603
Sales of electricity to traders	10,145	8,764
Sales to distribution and transmission companies	136	134
Other sales of electricity	2,226	8,220
Effect of hedging – presales of electricity	(14,130)	(202)
Effect of hedging – currency risk hedging	(390)	272
Total sales of electricity	<u>42,818</u>	<u>32,959</u>
<u>Sales of gas, coal and heat:</u>		
Sales of gas	4,888	2,584
Sales of coal	1,146	870
Sales of heat	3,780	3,465
Total sales of gas, coal and heat	<u>9,814</u>	<u>6,919</u>
Total sales of electricity, heat, gas and coal	<u>52,632</u>	<u>39,878</u>
<u>Sales of services and other revenues:</u>		
Distribution services	9,416	12,046
Other services	8,068	5,792
Rental income	38	42
Revenues from goods sold	330	164
Other revenues	446	292
Total sales of services and other revenues	<u>18,298</u>	<u>18,336</u>
<u>Other operating income:</u>		
Gain on sale of emission rights for own use	4,278	397
Granted green and similar certificates	50	397
Contractual fines and interest fees for delays	252	85
Gain on sale of property, plant and equipment	61	47
Gain on sale of material	39	42
Other	387	290
Total other operating income	<u>5,067</u>	<u>861</u>
Total revenues and other operating income	<u><u>75,997</u></u>	<u><u>59,075</u></u>

Revenues from contracts with customers for the three months ended March 31, 2022 and 2021 were CZK 85,412 million and CZK 58,102 million, respectively, and can be linked to the above figures as follows:

	<u>1-3/2022</u>	<u>1-3/2021</u>
Sales of electricity, heat, gas and coal	52,632	39,878
Sales of services and other revenues	<u>18,298</u>	<u>18,336</u>
Total revenues	70,930	58,214
Adjustments:		
Effect of hedging – presales of electricity	14,130	202
Effect of hedging – currency risk hedging	390	(272)
Rental income	<u>(38)</u>	<u>(42)</u>
Revenues from contracts with customers	<u><u>85,412</u></u>	<u><u>58,102</u></u>

## 11. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the three months ended March 31, 2022 and 2021 is as follows (in CZK millions):

	<u>1-3/2022</u>	<u>1-3/2021</u>
<u>Electricity derivative trading:</u>		
Sales	81,550	59,801
Purchases	(101,144)	(61,378)
Purchases and sales of cross-border capacities <sup>1)</sup>	91	-
Changes in fair value of derivatives	<u>20,378</u>	<u>(3,055)</u>
Total gains (losses) from electricity derivative trading	875	(4,632)
<u>Other commodity derivative trading:</u>		
Gain from gas derivative trading	11,686	118
Gain (loss) from oil derivative trading	4	(33)
Gain (loss) from coal derivative trading	(1)	19
Gain from emission rights derivative trading	<u>527</u>	<u>3,418</u>
Total gains and losses from commodity derivative trading	<u><u>13,091</u></u>	<u><u>(1,110)</u></u>

<sup>1)</sup> Purchases of cross-border capacities were not considered as commodity derivatives until June 30, 2021, and were recognized on the line Purchase of electricity, gas and other energies. Sales of cross-border capacities were recognized on the line Sales of services and other revenues. From July 1, 2021, these contracts are considered as commodity derivatives in accordance with the business strategy.

## 12. Income Taxes

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

	1-3/2022			1-3/2021		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	(41,710)	7,925	(33,785)	(5,707)	1,085	(4,622)
Cash flow hedges reclassified to statement of income	14,669	(2,787)	11,882	(518)	98	(420)
Change in fair value of debt instruments	(784)	150	(634)	(944)	180	(764)
Disposal of debt instruments	(1)	-	(1)	(2)	-	(2)
Translation differences – subsidiaries	(239)	-	(239)	(399)	-	(399)
Translation differences – associates and joint-ventures	(54)	-	(54)	(1)	-	(1)
Disposal of translation differences	(19)	-	(19)	6,607	-	6,607
Share on other equity movements of associates and joint-ventures	(4)	-	(4)	-	-	-
Change in fair value of equity instruments	1	-	1	-	-	-
<b>Total</b>	<b>(28,141)</b>	<b>5,288</b>	<b>(22,853)</b>	<b>(964)</b>	<b>1,363</b>	<b>399</b>

### 13. Segment Information

The Group reports its result using four reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries in which CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain of the Group. In 2022 company ČEZ Teplárenská, a.s. was moved from the Generation segment to the Sales segment. The transfer took place in connection with the update of the corporate strategy and concept of the heating industry and with the regard to the predominant business activity of this company. Data by segments for the previous period of 2021 were adjusted to be comparable.

The Group accounts for intersegment revenues and transfers as if the revenues or transfers were to third parties, that is, at current market prices or where the regulation applies at regulated prices.

In segment reporting, IFRS 16 is applied to external leases from the Group's perspective, but it is not applied to leases between individual operating segments, although in some cases the asset is leased to another segment internally.

The Group evaluates the performance of its segments based on earnings before interest, taxes, depreciation and amortization (EBITDA). The reconciliation of EBITDA to income before other income (expenses) and income taxes summarizes the following table (in CZK millions):

	<u>1-3/2022</u>	<u>1-3/2021</u>
Income before other income (expenses) and income taxes (EBIT)	36,189	11,235
Depreciation and amortization	7,548	6,681
Impairment of property, plant and equipment and intangible assets	-	2,051
Gains and losses on sale of property, plant and equipment, net *	<u>(61)</u>	<u>(47)</u>
EBITDA	<u><u>43,676</u></u>	<u><u>19,920</u></u>

- \* Gains on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating income. Losses on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating expenses.

The following tables summarize segment information by operating segments for the three months ended March 31, 2022 and 2021 and at December 31, 2021 (in CZK millions):

March 31, 2022:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	33,166	9,418	32,119	1,294	75,997	-	75,997
Revenues and other operating income – intersegment	26,407	67	3,774	2,129	32,377	(32,377)	-
Total revenues and other operating income	59,573	9,485	35,893	3,423	108,374	(32,377)	75,997
Thereof:							
Sales of electricity, heat, gas and coal	51,589	-	28,930	3,061	83,580	(30,948)	52,632
Sales of services and other revenues	3,317	9,394	6,601	335	19,647	(1,349)	18,298
Other operating income	4,667	91	362	27	5,147	(80)	5,067
EBITDA	36,746	5,164	(150)	1,922	43,682	(6)	43,676
Depreciation and amortization	(5,097)	(1,603)	(472)	(376)	(7,548)	-	(7,548)
Impairment of property, plant and equipment and intangible assets	-	(3)	(1)	4	-	-	-
EBIT	31,680	3,576	(621)	1,560	36,195	(6)	36,189
Interest on debt and provisions	(1,363)	(192)	(68)	(71)	(1,694)	201	(1,493)
Interest income	248	66	151	42	507	(201)	306
Share of profit (loss) from associates and joint-ventures	6	515	20	(13)	528	-	528
Income taxes	(5,665)	(653)	(77)	(296)	(6,691)	-	(6,691)
Net income	22,897	2,799	(218)	1,252	26,730	(7)	26,723
Identifiable assets	257,779	118,827	10,341	12,330	399,277	(6)	399,271
Investment in associates and joint-ventures	2,816	-	284	769	3,869	-	3,869
Unallocated assets							964,633
Total assets							<u>1,367,773</u>
Capital expenditure	1,334	2,737	299	313	4,683	(30)	4,653

March 31, 2021:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	20,947	12,038	25,111	979	59,075	-	59,075
Revenues and other operating income – intersegment	11,076	131	1,903	1,777	14,887	(14,887)	-
Total revenues and other operating income	32,023	12,169	27,014	2,756	73,962	(14,887)	59,075
Thereof:							
Sales of electricity, heat, gas and coal	29,051	10	21,602	2,460	53,123	(13,245)	39,878
Sales of services and other revenues	2,088	12,054	5,211	287	19,640	(1,304)	18,336
Other operating income	884	105	201	9	1,199	(338)	861
EBITDA	9,413	6,370	2,597	1,540	19,920	-	19,920
Depreciation and amortization	(4,021)	(1,503)	(429)	(728)	(6,681)	-	(6,681)
Impairment of property, plant and equipment and intangible assets	(517)	(1,545)	9	2	(2,051)	-	(2,051)
EBIT	4,880	3,340	2,201	814	11,235	-	11,235
Interest on debt and provisions	(1,532)	(239)	(74)	(46)	(1,891)	247	(1,644)
Interest income	339	8	14	1	362	(247)	115
Share of profit (loss) from associates and joint-ventures	(5)	(39)	66	(10)	12	-	12
Income taxes	(877)	(628)	(372)	(156)	(2,033)	-	(2,033)
Net income	3,521	2,400	1,832	633	8,386	-	8,386
Capital expenditure	1,412	2,909	251	278	4,850	(8)	4,842
December 31, 2021:							
Identifiable assets	262,531	117,650	10,514	12,400	403,095	(12)	403,083
Investment in associates and joint- ventures	2,861	-	273	782	3,916	-	3,916
Unallocated assets							775,923
Total assets							1,182,922

## 14. War in Ukraine

Since February 24, 2022, there has been a military conflict in Ukraine. The Group continuously evaluates the potential impacts, including the effects of the consequent sanctions, that have been imposed on the Russian Federation, and takes adequate measures. The impacts on the CEZ Group in the medium term will depend on the further development of the war in Ukraine, on the specific form and duration of sanctions against the Russian Federation and their consequences for European and Czech energy sector. As the main risks for the Group are considered the potential impacts on ensuring the maintenance of generation facilities, securing gas purchases for end customers, nuclear fuel supply, and further with restrictions on the execution of payments and the risk that Russian companies will not be able to fulfill other concluded contracts or make financial settlements according to previously concluded contracts and agreed financial instruments. The Group has the highest credit exposure from the concluded commodity contracts for the purchase of electricity and gas from the company Gazprom Marketing & Trading with the seat in the United Kingdom, when, as at March 31, 2022, the fair value of commodity derivatives for the purchase of electricity was CZK 4,000 million and for the gas purchase was CZK 2,130 million. The Group also has a significant credit exposure from commodity gas contracts from Gazprom Export with the seat in the Russian Federation, when, as at March 31, 2022, the fair value of commodity derivatives for gas purchase was CZK 1,809 million.

The Bundesnetzagentur (German regulatory authority responsible for maintaining and promoting competition in the markets for electricity, gas, telecommunications, postal and rail markets) was appointed fiduciary of the German company Gazprom Germania GmbH, the parent company of Gazprom Marketing & Trading, by the Federal Ministry of Economic Affairs and Climate Action.

## 15. Events after the Balance Sheet Date

On April 6, 2022, under the established Euro Medium Term Note Programme, the Group issued its first EUR 600 million 2.375% sustainability-linked notes due 2027. In case CEZ Group does not meet its GHG Emission Intensity target from electricity and heat production of 0.26 t CO<sub>2</sub>e/MWh by December 31, 2025, this will result in a 0.75% step up in coupon due in 2027.

On April 15, 2022, a resolution came into force, cancelling the securing of receivables of ČEZ Obnovitelné zdroje, s.r.o., secured on the CNB's account in connection with the investigation of possible criminal activity in obtaining a license to operate the Vranovská Ves photovoltaic power plant. The police authority, which was entrusted with the implementation of this resolution, asked the competent court to issue new resolution on the issuance of the case and determine the entitled person, to whom the secured funds in the amount of CZK 1.1 billion will be released.