

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF SEPTEMBER 30, 2023

CEZ GROUP CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2023

In CZK Millions

	Note	September 30, 2023	December 31, 2022
ASSETS:			
Plant in service		917,673	903,545
Less accumulated depreciation and impairment		(527,428)	(505,564)
Net plant in service		390,245	397,981
Nuclear fuel, at amortized cost		13,493	11,993
Construction work in progress, net		29,698	25,145
Total property, plant and equipment		433,436	435,119
Investments in associates and joint-ventures		3,578	3,743
Restricted financial assets, net		23,222	21,561
Other non-current financial assets, net	5	25,099	16,715
Intangible assets, net		26,463	24,423
Deferred tax assets		698	50,432
Total other non-current assets		79,060	116,874
Total non-current assets		512,496	551,993
Cash and cash equivalents, net		10,069	36,609
Trade receivables, net		74,180	167,346
Income tax receivable		27,095	896
Materials and supplies, net		22,882	23,790
Fossil fuel stocks, net		2,758	1,551
Emission rights	6	6,847	29,668
Other current financial assets, net	5	112,398	278,509
Other current assets, net		20,734	17,018
Total current assets		276,963	555,387
Total assets		789,459	1,107,380

**CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2023**

continued

	Note	September 30, 2023	December 31, 2022
EQUITY AND LIABILITIES:			
Stated capital		53,799	53,799
Treasury shares		(1,334)	(1,334)
Retained earnings and other reserves		181,153	206,421
Total equity attributable to equity holders of the parent		233,618	258,886
Non-controlling interests		1,534	1,375
Total equity		235,152	260,261
Long-term debt, net of current portion	8	123,294	140,234
Provisions		149,353	146,094
Other long-term financial liabilities	9	9,351	39,618
Deferred tax liability		55,625	13,768
Other long-term liabilities		30	31
Total non-current liabilities		337,653	339,745
Short-term loans	10	2,342	53,056
Current portion of long-term debt	8	29,152	8,856
Trade payables		43,951	84,713
Income tax payable		254	16,525
Provisions		24,320	30,923
Other short-term financial liabilities	9	90,366	294,631
Other short-term liabilities		26,269	18,670
Total current liabilities		216,654	507,374
Total equity and liabilities		789,459	1,107,380

CEZ GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

In CZK Millions

	Note	1-9/2023	1-9/2022	7-9/2023	7-9/2022
Sales of electricity, heat, gas and coal		182,813	150,372	54,955	61,794
Sales of services and other revenues		60,414	54,307	21,229	18,144
Other operating income		3,239	6,376	585	597
Total revenues and other operating income	11	246,466	211,055	76,769	80,535
Gains and losses from commodity derivative trading	12	11,303	17,962	5,372	2,175
Purchase of electricity, gas and other energies		(60,486)	(51,939)	(19,319)	(20,754)
Fuel and emission rights		(28,614)	(33,120)	(9,006)	(12,267)
Services		(26,966)	(21,520)	(10,427)	(7,737)
Salaries and wages		(26,380)	(22,825)	(9,396)	(7,868)
Material and supplies		(13,092)	(10,285)	(4,770)	(3,713)
Capitalization of expenses to the cost of assets and change in own inventories		4,722	3,779	1,689	1,172
Depreciation and amortization		(26,153)	(24,275)	(9,139)	(9,112)
Impairment of property, plant and equipment and intangible assets	13	(1,991)	4	(1,770)	32
Impairment of trade and other receivables		(78)	(346)	(31)	(581)
Other operating expenses	14	(11,598)	(3,300)	1,843	(921)
Income before other income (expenses) and income taxes		67,133	65,190	21,815	20,961
Interest on debt		(5,048)	(3,206)	(1,290)	(1,454)
Interest on provisions		(5,470)	(1,933)	(1,823)	(644)
Interest income		5,402	2,197	1,381	1,203
Share of profit (loss) from associates and joint-ventures		556	506	63	(90)
Impairment of financial assets		(174)	(565)	(208)	(18)
Other financial expenses		(1,645)	(3,173)	(969)	(1,420)
Other financial income		2,653	4,260	367	3,047
Total other income (expenses)		(3,726)	(1,914)	(2,479)	624
Income before income taxes		63,407	63,276	19,336	21,585
Income taxes		(33,584)	(10,982)	(11,794)	(2,893)
Net income		29,823	52,294	7,542	18,692
Net income attributable to:					
Equity holders of the parent		29,762	52,339	7,532	18,705
Non-controlling interests		61	(45)	10	(13)
Net income per share attributable to equity holders of the parent (CZK per share):					
Basic		55.4	97.5	14.0	34.8
Diluted		55.4	97.5	14.0	34.8

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

In CZK Millions

	Note	1-9/2023	1-9/2022	7-9/2023	7-9/2022
Net income		29,823	52,294	7,542	18,692
Change in fair value of cash flow hedges		62,039	(185,675)	8,209	(75,775)
Cash flow hedges reclassified to statement of income		18,565	64,462	3,253	33,202
Change in fair value of debt instruments		535	(1,770)	(525)	(67)
Disposal of debt instruments		25	(1)	1	-
Translation differences – subsidiaries		302	(195)	424	(121)
Translation differences – associates and joint-ventures		(251)	(19)	76	(9)
Disposal of translation differences		(20)	(18)	(5)	(1)
Share on other equity movements of associates and joint-ventures		(65)	(28)	(5)	(18)
Deferred tax related to other comprehensive income	15	(58,339)	23,363	(8,791)	8,096
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		22,791	(99,881)	2,637	(34,693)
Change in fair value of equity instruments		-	1	-	-
Net other comprehensive income not to be reclassified from equity in subsequent periods		-	1	-	-
Total other comprehensive income, net of tax		22,791	(99,880)	2,637	(34,693)
Total comprehensive income, net of tax		52,614	(47,586)	10,179	(16,001)
Total comprehensive income attributable to:					
Equity holders of the parent		52,541	(47,524)	10,142	(15,979)
Non-controlling interests		73	(62)	37	(22)

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

In CZK Millions

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2022		53,799	(1,423)	(4,637)	(67,212)	(647)	(1,721)	182,939	161,098	1,742	162,840
Net income		-	-	-	-	-	-	52,339	52,339	(45)	52,294
Other comprehensive income		-	-	(214)	(98,190)	(1,431)	1	(29)	(99,863)	(17)	(99,880)
Total comprehensive income		-	-	(214)	(98,190)	(1,431)	1	52,310	(47,524)	(62)	(47,586)
Dividends		-	-	-	-	-	-	(25,727)	(25,727)	(21)	(25,748)
Sale of treasury shares		-	89	-	-	-	-	(48)	41	-	41
Exercised and forfeited share options		-	-	-	-	-	(4)	4	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	(115)	(115)	(4)	(119)
Put options held by non-controlling interests		-	-	(4)	-	-	-	61	57	42	99
Balance as at September 30, 2022		<u>53,799</u>	<u>(1,334)</u>	<u>(4,855)</u>	<u>(165,402)</u>	<u>(2,078)</u>	<u>(1,724)</u>	<u>209,424</u>	<u>87,830</u>	<u>1,697</u>	<u>89,527</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

continued

	Note	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
		Stated capital	Treasury shares	Translation difference	Cash flow hedge reserve	Debt instruments	Equity instruments and other reserves	Retained earnings			Total
Balance as at January 1, 2023		53,799	(1,334)	(5,177)	(22,258)	(1,675)	(2,020)	237,551	258,886	1,375	260,261
Net income		-	-	-	-	-	-	29,762	29,762	61	29,823
Other comprehensive income		-	-	20	22,411	414	-	(66)	22,779	12	22,791
Total comprehensive income		-	-	20	22,411	414	-	29,696	52,541	73	52,614
Dividends	7	-	-	-	-	-	-	(77,810)	(77,810)	(9)	(77,819)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	122	122
Acquisition of non-controlling interests		-	-	-	-	-	-	(2)	(2)	(26)	(28)
Sale of non-controlling interests		-	-	1	-	-	-	(11)	(10)	11	1
Put options held by non-controlling interests		-	-	3	-	-	-	10	13	(12)	1
Balance as at September 30, 2023		<u>53,799</u>	<u>(1,334)</u>	<u>(5,153)</u>	<u>153</u>	<u>(1,261)</u>	<u>(2,020)</u>	<u>189,434</u>	<u>233,618</u>	<u>1,534</u>	<u>235,152</u>

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

In CZK Millions

	Note	1-9/2023	1-9/2022
OPERATING ACTIVITIES:			
Income before income taxes		63,407	63,276
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		26,153	24,275
Amortization of nuclear fuel		2,726	2,901
(Gains) and losses on non-current asset retirements		(19)	(83)
Foreign exchange rate loss (gain)		(658)	2,815
Interest expense, interest income and dividend income		(366)	994
Provisions		(3,677)	6,171
Impairment of property, plant and equipment and intangible assets	13	1,991	(4)
Other non-cash expenses and income		19,982	68,189
Share of (profit) loss from associates and joint-ventures		(556)	(506)
Changes in assets and liabilities:			
Receivables and contract assets		86,479	(85,396)
Materials, supplies and fossil fuel stocks		713	(23,707)
Receivables and payables from derivatives		(11,888)	(46,437)
Other assets		26,324	7,686
Trade payables		(40,498)	(16,128)
Other liabilities		6,650	14,893
Cash from operations		176,763	18,939
Income taxes paid		(43,117)	(4,893)
Interest paid, net of capitalized interest		(5,294)	(3,192)
Interest received		5,362	2,169
Dividends received		33	27
Net cash flow from operating activities		133,747	13,050
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(1,575)	(1,774)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		11	(11)
Additions to non-current assets, including capitalized interest		(29,570)	(25,756)
Proceeds from sale of non-current assets		354	1,269
Loans made		(153)	(18)
Repayment of loans		30	296
Change in restricted financial assets		(1,402)	(1,554)
Total cash used in investing activities		(32,305)	(27,548)

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

continued

	Note	1-9/2023	1-9/2022
FINANCING ACTIVITIES:			
Proceeds from borrowings		79,969	272,421
Payments of borrowings		(127,578)	(202,529)
Payments of lease liabilities		(545)	(484)
Proceeds from other long-term liabilities		96	89
Payments of other long-term liabilities		(2,417)	(9)
Dividends paid to Company's shareholders		(77,082)	(86)
Dividends paid to non-controlling interests		(12)	(14)
Sale of treasury shares		-	42
(Acquisition) sale of non-controlling interests, net		(28)	(430)
Net cash flow from financing activities		<u>(127,597)</u>	<u>69,000</u>
Net effect of currency translation and allowances in cash		(385)	(520)
Net increase (decrease) in cash and cash equivalents		(26,540)	53,982
Cash and cash equivalents at beginning of period		<u>36,609</u>	<u>26,640</u>
Cash and cash equivalents at end of period		<u><u>10,069</u></u>	<u><u>80,622</u></u>
Supplementary cash flow information:			
Total cash paid for interest		5,673	3,408

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2023

1. The Company

ČEZ, a. s. (“ČEZ” or “the Company”) is a Czech joint-stock company, owned 69.8% (69.9% of voting rights) at September 30, 2023 by the Czech Republic represented by the Ministry of Finance. The remaining shares of the Company are held by legal persons and individuals and they are traded on stock exchange markets in Prague and Warsaw. The address of the Company's registered office is Duhová 2/1444, Praha 4, 140 53, Czech Republic.

The Company is a parent company of the CEZ Group (“the Group”). CEZ Group is a vertically integrated energy group that is among the largest economic entities in the Czech Republic and Central Europe. The main business of the Group is the generation, distribution, trade and sale in the field of electricity and heat, coal mining, trading in commodities and providing of complex energy services, distribution, trade and sale in the field of natural gas and providing of electronic communications.

2. Summary of Significant Accounting Policies

2.1. Financial Statements

The interim consolidated financial statements for the nine months ended September 30, 2023 have been prepared in accordance with IAS 34 and have not been audited by an independent auditor. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with [the Group's annual financial statement as of December 31, 2022](#).

2.2. Changes in Accounting Policies

2.2.1. Adoption of New IFRS Standards in 2023

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of [the Group's annual financial statement as of December 31, 2022](#).

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

3. Seasonality of Operations

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

4. Changes in the Group Structure

The following table summarizes the cash flows related to acquisitions in the first nine months of 2023 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	1,641
Cash contributions to joint-ventures	171
Payments of payables from acquisitions of previous periods	182
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	<u>(419)</u>
Total acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	<u><u>1,575</u></u>

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

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

On February 28, 2023, the Group acquired a 100% interest in the company SALLEKO, spol. s r.o. (hereafter in summary Other) which focuses on building constructions, their changes and removals.

On March 28, 2023, the Group acquired a 100% interest in the German company GESPA GmbH (hereafter in summary Other) which focuses on services in the field of installation of rooftop photovoltaic power plants, electromobility and recharging station infrastructure.

On April 20, 2023, the Group acquired a 100% interest in the German companies Elektro Hofmockel GmbH & Co. Elektroanlagen KG and Elektro Hofmockel Verwaltungsgesellschaft mbH, managing company, (hereafter in summary Hofmockel entities) which focus on services in the field automatization of treatment of wastewater. Industrial companies and municipalities are the main customers.

On May 29, 2023, the Group acquired a 51% interest in the company Grid Design, s.r.o. (hereafter in summary Other), which focuses on the design of power structures of low voltage and high voltage and, in the future, extra high voltage as well.

On July 1, 2023, the Group gained control over Tepelné hospodářství města Ústí nad Labem s.r.o. The gain of the control resulted from a new amendment of the shareholder's agreement. In this context, there was no change in the ownership interest or in the voting rights interests (these interests remain on 55.83% share) and the amendment was concluded without any transfer of consideration. The company Tepelné hospodářství města Ústí nad Labem s.r.o. focuses on heat distribution.

On July 7, 2023, the Group acquired a 100% interest in the German companies Alexander Ochs Wärmetechnik GmbH a Bechem & Post Wärmetechnik Kundendienst GmbH (hereafter in summary Alexander Ochs Group). The companies focus on the ventilation and air-conditioning segment, from initial consultation and planning to installation and subsequent service and maintenance.

On August 31, 2023, the Group acquired a 100% interest in the German Group SERCOO, comprising the parent company SERCOO Group GmbH and its subsidiaries Brandt GmbH, Bücken & Essing GmbH, Deutsche Technik Service GmbH, MT Energy Service GmbH, MWB Power GmbH a SERCOO ENERGY GmbH (hereafter in summary SERCOO Group). The SERCOO Group specializes in the maintenance and repair of biogas plants, cogeneration units, gas and diesel engines and rotating equipment.

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

	SERCOO Group	Alexander Ochs Group	Hofmockel entities	Tepelné hospodářství města Ústí nad Labem	Other	Total
Share of the Group being acquired	100%	100%	100%	55.83%		
Property, plant and equipment, net	200	42	23	213	60	538
Intangible assets, net	690	105	110	2	28	935
Other non-current assets	58	-	2	-	-	60
Cash and cash equivalents	25	107	13	231	44	420
Other short-term financial assets	601	-	-	-	-	601
Materials and supplies, net	228	3	11	4	28	274
Trade receivables, net	134	44	5	38	44	265
Contract assets	37	32	-	7	1	77
Other current assets	18	1	3	4	3	29
Long-term debt, net of current portion	(606)	(29)	(7)	(30)	(4)	(676)
Other long-term payables	(210)	(32)	(34)	(33)	(10)	(319)
Trade payables	(70)	(103)	(14)	(38)	(39)	(264)
Short-term provisions	(167)	(17)	(10)	-	(1)	(195)
Other short-term financial payables	(624)	-	(8)	(5)	(39)	(676)
Other current liabilities	(104)	(30)	(14)	(119)	(35)	(302)
Total net assets	210	123	80	274	80	767
Share of net assets acquired	210	123	80	153	79	645
Goodwill	696	254	196	-	179	1,325
Total purchase consideration	906	377	276	153	258	1,970
Liabilities from acquisition of the subsidiary	-	(54)	(34)	-	(88)	(176)
Carrying amount of the previous investment in the joint-venture	-	-	-	(153)	-	(153)
Cash outflow on acquisition in 2023	906	323	242	-	170	1,641
Less: Cash and cash equivalents in the subsidiary acquired	(25)	(107)	(13)	(231)	(43)	(419)
Cash outflow in 2023, net	881	216	229	(231)	127	1,222

If the acquisitions had taken place at the beginning of the year 2023, net income for CEZ Group as of September 30, 2023 would have been CZK 29,835 million and the revenues and other operating income from continuing operations would have been CZK 247,306 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):

	SERCOO Group	Alexander Ochs Group	Hofmockel entities	Tepelné hospodářství města Ústí nad Labem	Other	Total
Revenues and other operating income	180	152	125	50	106	613
Income (loss) before other income (expense) and income taxes	(46)	(9)	20	(14)	(9)	(58)
Net income (loss)	(5)	(15)	19	3	(18)	(16)
Net income (loss) attributable:						
Equity holders of the parent	(5)	(15)	19	8	(8)	(1)
Non-controlling interests	-	-	-	(5)	(10)	(15)

5. Other Financial Assets, Net

The overview of other financial assets, net at September 30, 2023 and December 31, 2022 is as follows (in CZK millions):

	September 30, 2023			December 31, 2022		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	3	449	452	-	100	100
Other financial receivables	5,908	117	6,025	2,728	31	2,759
Receivables from sale of subsidiaries, associates and joint-ventures	-	2,488	2,488	-	2,450	2,450
Investment in finance lease	204	44	248	200	46	246
Debt financial assets held to maturity	-	115	115	-	-	-
Total financial assets at amortized cost	6,115	3,213	9,328	2,928	2,627	5,555
Equity financial assets – investments in Inven Capital, SICAV, a.s., ČEZ sub-funds	3,266	-	3,266	3,840	-	3,840
Commodity and other derivatives	598	89,251	89,849	446	262,159	262,605
Total financial assets at fair value through profit or loss	3,864	89,251	93,115	4,286	262,159	266,445
Veolia Energie ČR, a.s.	709	-	709	709	-	709
Other financial assets	251	-	251	178	-	178
Total equity financial assets	960	-	960	887	-	887
Fair value of cash flow hedge derivatives	14,160	12,076	26,236	8,612	3,971	12,583
Investments in progress	-	-	-	2	-	2
Debt financial assets	-	7,858	7,858	-	9,752	9,752
Total financial assets at fair value through other comprehensive income	15,120	19,934	35,054	9,501	13,723	23,224
Total	25,099	112,398	137,497	16,715	278,509	295,224

The decrease of short-term commodity derivatives in the first nine months of 2023 is caused by physical delivery of the commodity or by the financial settlement. The decrease in the first nine months of 2023 is also influenced by volatility of the market prices of emission rights, electricity and gas. With this decrease is connected the decrease of payables from commodity and other derivatives, which is disclosed in Note 9.

6. Emission rights

The composition of emission rights and green and similar certificates at September 30, 2023 and December 31, 2022 (in CZK millions):

	September 30, 2023			December 31, 2022		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	5	3,026	3,031	-	23,093	23,093
Emission rights held for trading	-	3,646	3,646	-	6,408	6,408
Green and similar certificates	-	175	175	-	167	167
Total	5	6,847	6,852	-	29,668	29,668

Non-current emission rights for own use are part of intangible assets.

7. Dividends

On June 26, 2023, the Shareholders Meeting of ČEZ, a. s., approved the dividends per share before tax of CZK 145. The total amount of dividend approved for distribution to shareholders net of treasury shares amounts to CZK 77,837 million.

During the third quarter of 2023, the liability from the dividends distributed for the year 2018 in the amount of CZK 27 million expired.

8. Long-term Debt

Long-term debt at September 30, 2023 and December 31, 2022 is as follows (in CZK millions):

	September 30, 2023	December 31, 2022
3.005% Eurobonds, due 2038 (JPY 12,000 million)	1,845	2,071
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,231	1,382
4.875% Eurobonds, due 2025 (EUR 750 million)	18,649	18,694
2.160% Eurobonds, due in 2023 (JPY 11,500 million)	-	1,988
4.600% Eurobonds, due in 2023 (CZK 1,250 million)	-	1,288
4.375% Eurobonds, due 2042 (EUR 50 million)	1,208	1,209
4.500% Eurobonds, due 2047 (EUR 50 million)	1,205	1,207
4.383% Eurobonds, due 2047 (EUR 80 million)	1,954	1,957
3.000% Eurobonds, due 2028 (EUR 725 million)	18,025	18,024
0.875% Eurobonds, due 2026 (EUR 750 million)	18,288	17,978
2.375% Eurobonds, due 2027 (EUR 600 million)	14,693	14,628
5.625% U.S. bonds, due 2042 (USD 300 million)	7,029	6,824
4.500% Registered bonds, due 2030 (EUR 40 million)	1,001	958
4.750% Registered bonds, due 2023 (EUR 40 million)	-	1,006
4.700% Registered bonds, due 2032 (EUR 40 million)	993	995
4.270% Registered bonds, due 2047 (EUR 61 million)	1,517	1,456
3.550% Registered bonds, due 2038 (EUR 30 million)	741	741
Total bonds and debentures	88,379	92,406
Less: Current portion	(1,213)	(5,725)
Bonds and debentures, net of current portion	87,166	86,681
Long-term bank and other loans, lease liabilities:	64,067	56,684
Less: Current portion	(27,939)	(3,131)
Long-term bank and other loans, lease payables, net of current portion	36,128	53,553
Total long-term debt	152,446	149,090
Less: Current portion	(29,152)	(8,856)
Total long-term debt, net of current portion	123,294	140,234

9. Other Financial Liabilities

Other financial liabilities at September 30, 2023 and December 31, 2022 are as follows (in CZK millions):

	September 30, 2023		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	319	-	319
Payables to owners for profit distribution	-	1,294	1,294
Other	1,131	2,076	3,207
Financial liabilities at amortized cost	1,450	3,370	4,820
Cash flow hedge derivatives	6,730	11,509	18,239
Commodity and other derivatives	269	75,263	75,532
Liabilities from put options held by non-controlling interests	477	36	513
Contingent consideration from the acquisition of subsidiaries	425	188	613
Financial liabilities at fair value	7,901	86,996	94,897
Total	9,351	90,366	99,717

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

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

10. Short-term Loans

Short-term loans at September 30, 2023 and December 31, 2022 are as follows (in CZK millions):

	September 30, 2023	December 31, 2022
Bank loans	1,768	4,805
Other loans ¹⁾	189	48,230
Bank overdrafts	385	21
Total	2,342	53,056

¹⁾ Other loans represent short-term loans provided by the Ministry of Finance of the Czech Republic. The significant decrease in 2023 was due to the repayment at maturity.

11. Revenues and Other Operating Income

The composition of revenues and other operating income for the first nine months ended September 30, 2023 and 2022 is as follows (in CZK millions):

	1-9/2023	1-9/2022
<u>Sales of electricity:</u>		
Sales of electricity to end customers	86,106	55,783
Sales of electricity through energy exchange and other organized markets	40,031	91,530
Sales of electricity to traders	28,592	30,804
Sales to distribution and transmission companies	131	379
Other sales of electricity	11,022	8,405
Effect of hedging – presales of electricity	(21,262)	(65,193)
Effect of hedging – currency risk hedging	2,600	91
Total sales of electricity	147,220	121,799
<u>Sales of gas, coal and heat:</u>		
Sales of gas	21,459	17,859
Sales of coal	5,670	4,105
Sales of heat	8,464	6,609
Total sales of gas, coal and heat	35,593	28,573
Total sales of electricity, heat, gas and coal	182,813	150,372
<u>Sales of services and other revenues:</u>		
Distribution services	26,434	25,943
Other services	30,031	25,784
Rental income	142	123
Revenues from goods sold	816	1,033
Other revenues	2,991	1,424
Total sales of services and other revenues	60,414	54,307
<u>Other operating income:</u>		
Gain on sale of emission rights	1	4,294
Granted green and similar certificates	65	120
Contractual fines and interest fees for delays	784	445
Gain on sale of property, plant and equipment	265	183
Gain on sale of material	267	146
Other	1,857	1,188
Total other operating income	3,239	6,376
Total revenues and other operating income	246,466	211,055

Revenues from contracts with customers for the nine months ended September 30, 2023 and 2022 were CZK 261,747 million and CZK 269,658 million, respectively, and can be linked to the above figures as follows:

	1-9/2023	1-9/2022
Sales of electricity, heat, gas and coal	182,813	150,372
Sales of services and other revenues	60,414	54,307
Total revenues	243,227	204,679
Adjustments:		
Effect of hedging – presales of electricity	21,262	65,193
Effect of hedging – currency risk hedging	(2,600)	(91)
Rental income	(142)	(123)
Revenues from contracts with customers	261,747	269,658

12. Gains and Losses from Commodity Derivative Trading

The composition of gains and losses from commodity derivative trading for the nine months ended September 30, 2023 and 2022 is as follows (in CZK millions):

	1-9/2023	1-9/2022
Gain from electricity derivative trading	10,232	1,957
Gain from gas derivative trading	738	14,631
Gain (loss) from oil derivative trading	10	(12)
Gain (loss) from coal derivative trading	24	(1)
Gain from emission rights derivative trading	299	1,387
Total gains and losses from commodity derivative trading	11,303	17,962

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

13. Impairment of Property, Plant and Equipment and Intangible Assets

At each balance sheet date, the Group assesses whether there are any indicators that an asset may have been impaired, or whether previously recognized impairments of assets except goodwill are no longer justified or should be decreased. The result of the analysis updated as of September 30, 2023, was the conclusion that selected assets of the Group could be impaired, especially with regard to the decrease in clean spread forwards (price of electricity – price of CO₂ emission right) which reduced the expected generation of electricity in coal-fired power plants and thus caused lower expected consumption of coal in these sources. The second significant factor was the decrease in the price of natural gas, which replaces lignite in heat production and causes a decrease in coal consumption in heating sources as well. The Group then checks whether the recoverable amount of these items of property, plant and equipment and intangible assets is not lower than their carrying amount, and if so, the Group recognizes an impairment loss in the profit or loss in the line of Impairment of property, plant and equipment and intangible assets.

Based on an updated estimate of recoverable amounts, the Group recognized a total impairment loss of CZK 1,991 million for first nine months of 2023.

The impairment loss in the amount of CZK 1,972 million relates to property, plant and equipment and intangible assets of the cash-generating unit Severočeské doly a.s. The decrease in the value of these assets was mainly due to development of market assumptions regarding, in particular, a significant decrease in the expected clean spread (electricity price - CO₂ emission right price) and a decrease in the prices of natural gas as the main substitute for lignite, which resulted in a decrease in the expected demand for lignite.

14. Other Operating Expenses

Other operating expenses for the nine months ended September 30, 2023 and 2022 are as follows (in CZK millions):

	1-9/2023	1-9/2022
Change in provisions	2,736	1,804
Levy on revenues above price caps	(8,528)	-
Other taxes and fees	(2,117)	(2,132)
Insurance	(803)	(648)
Costs related to trading of commodities	(729)	(289)
Cost of goods sold	(543)	(717)
Other	(1,614)	(1,318)
Total other operating expenses	<u>(11,598)</u>	<u>(3,300)</u>

15. Income Taxes

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

	1-9/2023			1-9/2022		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
Change in fair value of cash flow hedges	62,039	(45,177)	16,862	(185,675)	35,279	(150,396)
Cash flow hedges reclassified to statement of income	18,565	(13,016)	5,549	64,462	(12,255)	52,207
Change in fair value of debt instruments	535	(134)	401	(1,770)	338	(1,432)
Disposal of debt instruments	25	(12)	13	(1)	1	-
Translation differences – subsidiaries	302	-	302	(195)	-	(195)
Translation differences – associates and joint-ventures	(251)	-	(251)	(19)	-	(19)
Disposal of translation differences	(20)	-	(20)	(18)	-	(18)
Share on other equity movements of associates and joint-ventures	(65)	-	(65)	(28)	-	(28)
Change in fair value of equity instruments	-	-	-	1	-	1
Total	<u>81,130</u>	<u>(58,339)</u>	<u>22,791</u>	<u>(123,243)</u>	<u>23,363</u>	<u>(99,880)</u>

16. Segment Information

The Group reports its result using four reportable operating segments:

- Generation
- Distribution
- Sales
- Mining

The segments are defined across the countries in which CEZ Group operates. Segment is a functionally autonomous part of CEZ Group that serves a single part of the value chain of the Group. The structure of the segments has changed as of December 31, 2022. Some companies, out of which the most significant is ČEZ Teplárenská, were changed from the segment Generation to the segment Sales. The change took place as consequence of the update of the corporate strategy and concept of the heating industry and with regard to the prevailing business activities of these companies. Data by segments for the period of 2022 has been adjusted to be comparable and therefore they don't correspond with data published in Interim Consolidated Financial Statements as of September 30, 2022.

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

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

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

	1-9/2023	1-9/2022
Income before other income (expenses) and income taxes (EBIT)	67,133	65,190
Depreciation and amortization	26,153	24,275
Impairment of property, plant and equipment and intangible assets	1,991	(4)
Gains and losses on sale of property, plant and equipment, net ¹⁾	(264)	(178)
EBITDA	95,013	89,283

- ¹⁾ Gains on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating income. Losses on sale of property, plant and equipment are presented in the statement of income as part of the line item Other operating expenses.

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

	1-9/2023	1-9/2022
Operating income	246,466	211,055
Gains and losses from commodity derivative trading	11,303	17,962
Purchase of electricity, gas and other energies	(60,486)	(51,939)
Fuel and emission rights	(28,614)	(33,120)
Services	(26,966)	(21,520)
Capitalization of expenses to the cost of assets and change in own inventories	4,722	3,779
Levy on revenues above price caps ¹⁾	(8,528)	-
Other ²⁾	(3,140)	(1,092)
Gross margin	134,757	125,125

- ¹⁾ Levy on revenues above price caps is part of the statement of income line-item Other operating expenses (Note 14).
- ²⁾ Other includes relevant part of the material costs (part of the statement of income line-item Material and supplies) and excludes part of the statement of income line-item Services, which refers to repair and maintenance services and other services that have rather overhead nature.

The following tables summarize segment information by operating segments for the nine months ended September 30, 2023 and 2022 and at December 31, 2022 (in CZK millions):

September 30, 2023:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	73,292	26,327	140,719	6,128	246,466	-	246,466
Revenues and other operating income – intersegment	102,381	246	21,167	9,086	132,880	(132,880)	-
Total revenues and other operating income	175,673	26,573	161,886	15,214	379,346	(132,880)	246,466
Thereof:							
Sales of electricity, heat, gas and coal	163,263	-	131,948	14,256	309,467	(126,654)	182,813
Sales of services and other revenues	10,998	26,358	27,887	904	66,147	(5,733)	60,414
Other operating income	1,412	215	2,051	54	3,732	(493)	3,239
Revenues and other operating income, including result from commodity derivative trading	187,147	26,572	162,591	15,214	391,524	(133,755)	257,769
Total sales of electricity, including the result of electricity trading ¹⁾	146,267	-	103,777	-	250,044	(92,592)	157,452
Gross margin	85,514	20,739	20,525	14,969	141,747	(6,990)	134,757
EBITDA	66,687	13,049	7,722	8,851	96,309	(1,296)	95,013
Depreciation and amortization	(17,226)	(5,411)	(1,722)	(1,794)	(26,153)	-	(26,153)
Impairment of property, plant and equipment and intangible assets	(3)	(14)	(2)	(1,972)	(1,991)	-	(1,991)
EBIT	49,627	7,677	6,014	5,111	68,429	(1,296)	67,133
Interest on debt and provisions	(9,666)	(937)	(311)	(492)	(11,406)	888	(10,518)
Interest income	4,248	572	957	513	6,290	(888)	5,402
Share of profit (loss) from associates and joint-ventures	(32)	353	393	(158)	556	-	556
Income taxes	(30,067)	(1,384)	(1,215)	(1,015)	(33,681)	97	(33,584)
Net income	25,220	6,098	4,842	4,123	40,283	(10,460)	29,823
Identifiable assets	274,855	132,196	12,695	14,034	433,780	(344)	433,436
Investment in associates and joint-ventures	2,622	-	281	675	3,578	-	3,578
Unallocated assets							352,445
Total assets							<u>789,459</u>
Capital expenditure	13,308	11,633	1,938	1,340	28,219	(300)	27,919

¹⁾ The item contains the line Total sales of electricity (Note 11) and the line Gain from electricity derivative trading (Note 12).

September 30, 2022:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	92,407	25,979	88,129	4,540	211,055	-	211,055
Revenues and other operating income – intersegment	63,425	234	12,552	5,127	81,338	(81,338)	-
Total revenues and other operating income	155,832	26,213	100,681	9,667	292,393	(81,338)	211,055
Thereof:							
Sales of electricity, heat, gas and coal	139,293	-	78,186	8,695	226,174	(75,802)	150,372
Sales of services and other revenues	10,569	25,924	21,653	895	59,041	(4,734)	54,307
Other operating income	5,970	289	842	77	7,178	(802)	6,376
Revenues and other operating income, including result from commodity derivative trading	173,726	26,213	100,750	9,667	310,356	(81,339)	229,017
Total sales of electricity, including the result of electricity trading ¹⁾	116,249	-	63,442	-	179,691	(55,935)	123,756
Gross margin	84,317	20,461	15,411	9,637	129,826	(4,701)	125,125
EBITDA	66,926	13,746	3,868	4,989	89,529	(246)	89,283
Depreciation and amortization	(16,630)	(4,957)	(1,530)	(1,158)	(24,275)	-	(24,275)
Impairment of property, plant and equipment and intangible assets	22	(11)	(17)	10	4	-	4
EBIT	50,420	8,833	2,324	3,859	65,436	(246)	65,190
Interest on debt and provisions	(4,694)	(620)	(256)	(216)	(5,786)	647	(5,139)
Interest income	1,729	331	566	218	2,844	(647)	2,197
Share of profit (loss) from associates and joint-ventures	(17)	424	142	(43)	506	-	506
Income taxes	(7,831)	(1,609)	(677)	(753)	(10,870)	(112)	(10,982)
Net income	45,587	6,783	2,741	3,186	58,297	(6,003)	52,294
Capital expenditure	8,332	10,300	1,600	1,231	21,463	(103)	21,360
	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
December 31, 2022:							
Identifiable assets	281,176	125,898	11,751	16,458	435,283	(164)	435,119
Investment in associates and joint-ventures	2,630	-	451	662	3,743	-	3,743
Unallocated assets							668,518
Total assets							<u>1,107,380</u>

¹⁾ The item contains the line Total sales of electricity (Note 11) and the line Gain from electricity derivative trading (Note 12).