

CEZ Group › Half-year Financial › Report 2023 ›



CLEAN
ENERGY OF
TOMORROW

CEZ Group's profile

The CEZ Group is one of the largest economic entities in Czechia and in Central Europe and contributes significantly to the development of the energy sector of the entire region and to its smooth transformation in accordance with the sustainability goals of the European Union.

In its activities, the CEZ Group emphasizes the fulfillment of global climate goals, decarbonization and the reduction of the environmental footprint of its business in general. It focuses on the development of nuclear and renewable energy sources and on innovation and savings in energy to provide reliable and sustainable services to its customers. The core value is generated from emission-free generation, and the distribution and sale of electricity and heat. Other important activities are commodity trading, distribution and sale of natural gas, mining, and especially the provision of complex energy and modern technological services.

The CEZ Group employs over 29,000 employees and supplies energy and modern energy solutions to millions of customers in Czechia, Germany, Poland and Slovakia. It also operates in particular in France, Italy, the Netherlands and Austria.

The largest shareholder of the parent company ČEZ is the Czech state, with a nearly 70% stake in the Company's share capital.

Share of the CEZ Group's main activities in EBITDA in H1 2023 (%)

	%
GENERATION - Trading	10
GENERATION - Nuclear Facilities	35
GENERATION - Renewable Sources	9
GENERATION - Emission Sources	19
MINING	9
DISTRIBUTION	14
SALES	5
Total	100



Vision and corporate responsibility

The long-term vision of the CEZ Group is to bring innovations for addressing energy needs and contribute to higher quality of life. Its “VISION 2030 - Clean Energy of Tomorrow” strategy is focused on transforming its generation portfolio to low-emission dynamically and on achieving full climate neutrality by 2040. An integral part is the commitment to fundamentally limit the generation of heat and electricity from coal by 2030.

The CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. It adheres to the principles of sustainable development, and its entire strategy is based on ESG (Environmental, Social, Governance) pillars. The principles of sustainability are thus an integral part of the management and direction of the entire company.

The CEZ Group supports energy efficiency, promotes new technologies and innovations, and focuses on investments into modern technology, science, and research. Its corporate culture is oriented towards safety, internal efficiency aimed at increasing the value of ČEZ for its shareholders, and creating a safe and stimulating environment for the professional growth of employees. The company places great emphasis on equal opportunities for everyone. Its priorities also include close cooperation with communities and the friendliest possible approach to customers. Its comprehensive goal is to be among the top 20% in its ESG rankings by 2023.

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Statutory declaration of persons responsible for the CEZ Group's 2023 Half-Year Financial Report

To the best of our knowledge, the financial statements, prepared in accordance with the valid set of accounting standards, give a true and fair view of the assets, liabilities, financial situation and financial results of ČEZ, a. s. and its consolidated unit, and the description under Section 119(2)(b) of Act No. 256/2004 Coll., on Business Activities on the Capital Market, as amended, contains an accurate overview of the information required under that provision.

In Prague, on August 21, 2023



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



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

1. Introduction of the CEZ Group and highlights

Selected indicators

Selected economic and technical indicators of the CEZ Group

	Unit	H1 2022	H1 2023	Index 2023/2022 (%)
Installed capacity	GW	11.8	11.9	100.1
Electricity generated (gross)	TWh	26.8	25.0	93.1
Of which: Emission-free (share) ¹⁾	%	61.2	67.4	x
Electricity sold ²⁾	TWh	11.7	12.4	106.2
Heat sold ²⁾	TWh	3.9	3.7	95.1
Gas sold ²⁾	TWh	4.8	6.5	135.0
Workforce headcount as of June 30	'000 persons	27.3	29.4	107.4
Of which: Women	'000 persons	5.7	6.2	108.6
Operating revenues	CZK billions	130.5	169.7	130.0
Of which: Revenues from the sale of electricity, heat, gas and coal	CZK billions	88.6	127.9	144.3
Revenues from the sale of services and other revenues	CZK billions	36.2	39.2	108.4
EBITDA	CZK billions	59.3	62.4	105.2
Of which: Emission-free (share) ¹⁾	%	81	72	x
Net income	CZK billions	33.6	22.3	66.3
Adjusted net income ³⁾	CZK billions	33.6	22.5	x
Dividend per share ⁴⁾	CZK / share	48.0	145.0	302.1
Net cash flow from operations	CZK billions	41.7	134.6	322.8
Capital expenditures (CAPEX) ⁵⁾	CZK billions	(12.1)	(16.9)	140.1
Assets	CZK billions	1,107.4 ⁶⁾	894.7	80.8
Net debt	CZK billions	155.7 ⁶⁾	42.7	27.4
Net debt / EBITDA	1	1.18 ⁶⁾	0.32	x

¹⁾ CO₂ emitting sources excluded.

²⁾ Sales to end customers (outside CEZ Group).

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

⁴⁾ Dividend per share before tax declared in the year. The value reflects the shareholder's right to receive a share in the profit of a joint-stock company equivalent to the ownership of one share.

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

⁶⁾ Value applicable as of December 31, 2022.

Selected economic indicators of major regions of the CEZ Group's presence

Indicator	Unit	Czechia		Germany		Poland		Slovakia		Other Countries and Region Eliminations	
		H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
Operating revenues	CZK billions	115.4	149.4	8.0	9.0	4.2	6.2	0.8	1.3	2.1	3.8
EBITDA	CZK billions	58.7	60.8	0.6	0.7	(0.1)	0.6	–	0.1	0.1	0.2
Net income	CZK billions	33.9	21.0	(0.1)	–	(0.2)	0.3	–	–	–	1.0
Employees ¹⁾	'000 persons	22.7	24.3	3.2	3.3	0.9	0.9	0.2	0.3	0.3	0.6

¹⁾ Workforce headcount as of June 30

Rating

Credit rating

ČEZ's long-term credit ratings remained unchanged in the first half of 2023.

On June 23, 2023, the rating agency Standard & Poor's only updated the long-term rating of ČEZ at A- with a stable outlook.

On February 10, 2023, the rating agency Moody's only updated the long-term rating of ČEZ at Baa1 with a stable outlook.

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

ESG rating

The CEZ Group's efforts in the field of sustainable development are recognized by ESG rating companies:

1. Rating AA by MSCI
2. Risk Score by Morningstar Sustainalytics – medium risk rating of 29.4 (100-0 scale, with 100 being the highest risk)

According to the rating aggregator CSRHub, ČEZ currently ranks in the 88th percentile among more than 32,000 globally rated companies.

Shares

ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. ČEZ's market capitalization as of June 30, 2023 was CZK 483 billion, and during its existence, ČEZ paid over CZK 446 billion in dividends to its shareholders.

As of June 30, 2023, the shares of three CEZ Group companies were traded on the public markets:

- 1) ČEZ, a. s.
- 2) ČEZ OZ uzavřený investiční fond a.s.
- 3) Akenerji Elektrik Üretim A.S.

1) ČEZ, a. s.

As of June 30, 2023, the total stated capital of ČEZ, a. s. amounted to CZK 53,798,975,900. The company's stated capital consisted of 537,989,759 shares with a nominal value of CZK 100. Their ISIN is CZ0005112300.

Structure of shareholders by entity type (%)

	Share in	Share in	Share in	Share in
	stated capital	voting rights ¹⁾	stated capital	voting rights ¹⁾
	as of June 21, 2022 ²⁾		as of June 19, 2023 ³⁾	
Legal entities, total	86.66	86.63	86.94	86.91
of which: Czechia	69.78	69.94	69.78	69.93
ČEZ, a. s.	0.22	–	0.22	–
Other legal entities	16.66	16.69	16.94	16.98
Private individuals, total	13.34	13.37	13.06	13.09

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

²⁾ Record date for participation in the 31st Annual Shareholders' Meeting.

³⁾ Record date for participation in the 32nd Annual Shareholders' Meeting.

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

Entities holding at least 1% of the shares of ČEZ, a. s.

Entities holding a share interest amounting to at least 1% of the stated capital of ČEZ, a. s., as registered in the Central Securities Depository as of June 19, 2023, were as follows:

- Czechia, represented by the Ministry of Finance of the Czech Republic, having a total share amounting to 69.78% of the stated capital, i.e., 69.93% of voting rights,
- Belviport Trading Limited, holding a share amounting to 2.23% of the stated capital, i.e. 2.24% of voting rights,
- PPF banka, a.s., holding a share amounting to 1.95% of the stated capital, i.e. 1.95% of voting rights,
- Clearstream Banking, S.A., holding a share amounting to 1.52% of the stated capital, i.e. 1.53% of voting rights,
- Chase Nominees Limited, holding a share amounting to 1.40% of the stated capital, i.e. 1.41% of voting rights.

On June 19, BlackRock, Inc. delivered a notice of its share in voting rights pursuant to Section 122(1) of the Act on Business Activities on the Capital Market. According to the notice, its share in voting rights is 1.19%.

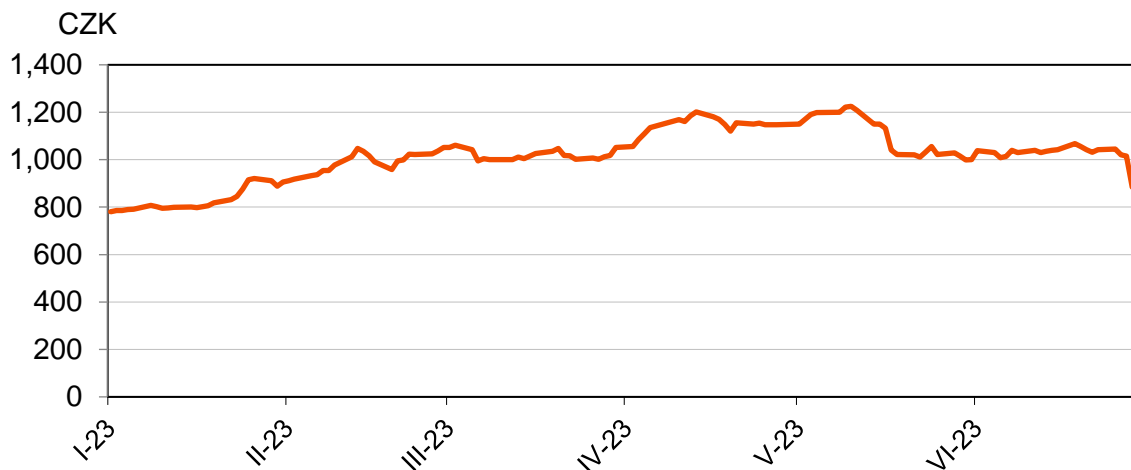
On March 2, ABARETIA HOLDINGS LIMITED delivered a notice of its share in voting rights pursuant to Section 122(1) of the Act on Business Activities on the Capital Market. According to the notice, its share in voting rights is 1.00%.

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

Treasury shares

As of January 1, 2023, there were 1,179,512 treasury shares registered, i.e. 0.22% of the stated capital, were registered on the asset account of ČEZ, a. s. in the Central Securities Depository. As of June 30, 2023, there was no change; 1,179,512 treasury shares were registered on the asset account.

ČEZ, a. s. share prices in H1 2023



Dividend policy

Between 2019 and 2022, the company applied a temporarily increased payout ratio of 80-100%. In 2022, the dividend policy was updated, the payout ratio was adjusted to the current level of 60–80% of consolidated net income, adjusted for extraordinary effects generally unrelated to the current year's regular operations, with effect from January 1, 2023. The average payout ratio of comparable energy companies in Europe is around 60%.

Payment of dividends to shareholders

The company's Annual Shareholders' Meeting decided on June 26, 2023 to pay the company's shareholders a dividend of CZK 145 per share before tax. The record date for exercising the right to the dividends was June 30, 2023. The dividends were payable by August 1, 2023.

The company's Board of Directors proposed to the Shareholders' Meeting to distribute 80% of the adjusted consolidated net income for 2022, which would correspond to a dividend of CZK 117 per share. The shareholder – Czech state, represented by the Ministry of Finance, submitted a counter-proposal for the payment of a dividend in the amount of CZK 145 per share, which was approved. The total amount paid corresponds to the value of 99.3% of the consolidated net income of the CEZ Group in 2022, adjusted for extraordinary effects.

The current liquidity situation and the cash flow outlook of the CEZ Group for the next 12 months show that ČEZ is able to financially cover the dividend payment without taking extraordinary measures. At the same time, it is clear that paying dividends of this amount will negatively affect available liquidity and reduce provisions to cover potential future cash flow risks.

2) ČEZ OZ uzavřený investiční fond a.s.

As of June 30, 2023, ČEZ, a. s. held almost 99.6% stake in the company; another shareholder was ČEZ Obnovitelné zdroje, s.r.o. Shareholders outside the CEZ Group held a 0.04% stake in the stated capital.

3) Akenerji Elektrik Üretim A.S.

The company's shares are traded freely on the stock exchange. A portion of the shares constituting a 25.3% stake in the company's capital has been traded on the Istanbul stock exchange since July 3, 2000. Their ISIN is TRAAKENR91L9. These shares are not traded on any other public markets. ČEZ, a. s., held an almost 37.4% stake in the company's shared capital as of June 30, 2023.

Highlights

Highlights of H1 2023

January

- the independent company Elektrárna Dětmarovice, a.s., ceased to exist due to merger with ČEZ, a. s., in accordance with the strategic plan to transform the heating industry in the CEZ Group,
- the construction of a new source in Dětmarovice was approved.

February

- The European Investment Bank decided to provide an additional EUR 50 million to the Inven Capital fund for investments into climate-friendly start-ups; the CEZ Group, as the owner of the fund, provided more than EUR 210 million for the fund's investment period of 2022-2027; the total size of the venture capital fund for innovative start-ups already exceeds EUR 500 million,
- ČEZ initiated arbitration against the Russian company Gazprom Export LLC in order to recover damages in the amount of approximately CZK 1 billion by virtue of non-fulfillment of the obligation to supply natural gas in 2022,
- the judgment of the High Court in Prague announced in the case of a litigation with the state organization Správa železnic (Railway Administration, SŽ) for compensation for damages for failure to purchase the agreed amount of electricity in 2011, confirming the original first-instance judgment whereby SŽ is forced to pay damages of CZK 727 million and further accessories; in total, this involves an amount exceeding CZK 1 billion; SŽ paid the principal of the debt and filed an appeal against the judgment; along with the appeal, it also filed a motion to postpone the payment of interest until the court decides on this appeal.

March

- an agreement was concluded on the basis of which the US-based company Westinghouse Electric Company, with a production plant in Sweden, will also supply nuclear fuel for the Dukovany Nuclear Power Plant from 2024; the previous supplier was the Russian company TVEL.

April

- as part of the RES+ Modernization Fund call No. 2/2022, it was decided in Czechia to provide an investment subsidy for 24 applications to support the CEZ Group's PV projects with a total installed capacity of 728 MWp (out of 44 submitted applications); the total allocated subsidy of CZK 3.1 billion constitutes 56% of the amount distributed under the call,
- the CEZ Group's first wind farm in France was put into commercial operation – Aschères-le-Marché; its 4 turbines have an installed capacity of 12 MW.

May

- CEZ Group Sustainability Report 2022 was published.

June

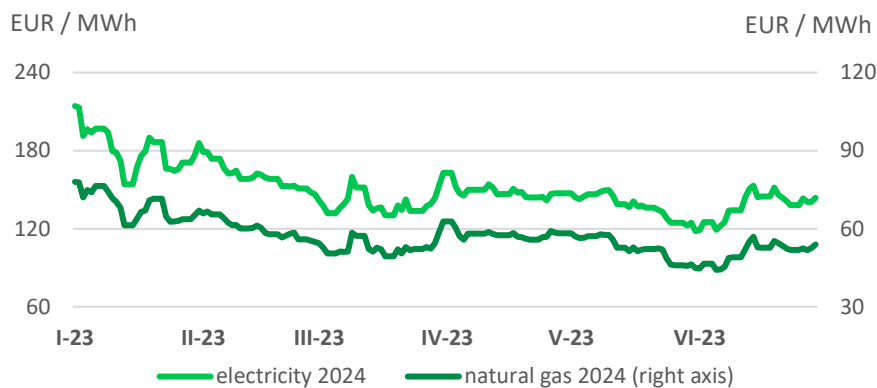
- the Annual Shareholders' Meeting of ČEZ was held, which, among other things, approved a dividend of CZK 145 per share; this is the highest value in the company's history,
- the company's management confirmed the intention to operate both existing nuclear power plants for at least 60 years,
- ČEZ received the first loan linked to the ESG rating; the volume of the credit line reaches CZK 7.5 billion; providing a more favorable interest rate is contingent upon a better rating of the sustainability of the company's business.

Developments on energy markets

Development of commodity prices

Energy markets stabilized during the first half of 2023. Electricity prices have fallen from the all-time highs seen in 2022. The baseload price of electricity with delivery in Germany for 2024 fell from EUR 214 per MWh to EUR 144 per MWh at the end of the half-year. This decrease was mainly caused by the calming of the situation on the natural gas market. Higher liquefied natural gas (LNG) imports and lower consumption successfully offset Russian supply constraints and allowed the gas prices to fall which was EUR 54 per MWh in mid-year, i.e. 31% lower than at the beginning of the year. The price of coal also fell to 123 USD per ton at the end of June, i.e. by 30% compared to the beginning of January. The price of emission allowances was relatively stable, trading at around EUR 90 per ton.

Wholesale price of electricity and natural gas THE in 2023 (for 2024 for Germany)



Emission allowance prices EUA in 2023 (with delivery in December 2024)



Key factors for the future development of the electricity sector

Energy markets, specifically their participants, are successfully dealing with the consequences of the conflict in Ukraine. After a sharp rise in energy commodity prices in 2022, the situation calmed down and prices began to slowly decline. The drop in prices was primarily driven by lower consumption and adequate replacement of supplies of Russian commodities.

Natural gas prices in the wholesale markets gradually fell from almost EUR 80 per MWh (THE, Cal24) at the beginning of 2023 to less than EUR 45 per MWh at the beginning of June. Gas imports through Russian gas pipelines stabilized after a sharp decline in 2022. In 2021 and until May 2022, the usual import volumes ranged between 6 and 8 billion cubic meters a month, which was followed by a reduction, and from September 2022 imports reached about 2 billion cubic meters a month. In the first half of 2023, Russia supplied 2 to 2.5 billion cubic meters of natural gas to the European Union per month through two similarly busy branches – via Ukraine and via Turkey. The decline in Russian supplies was offset by increased LNG imports and lower consumption. Flexible exports, mainly of American LNG, were redirected from Asia to Europe, at a higher price. Natural gas consumption in the

EU remained below historical average values from previous years. At the beginning of 2023, natural gas storage facilities were filled almost to the historical maximum and remained filled at an above-average level throughout the winter. Europe coped with the winter period very well, among other things, thanks to the fact that the 2022/2023 winter was the second warmest in the monitored history, and prices gradually fell in the spring.

On the contrary, in the course of June, natural gas prices suddenly rose to values of over EUR 50 per MWh. The growth testified to the still tense situation on the natural gas market. Most of all, the prices were affected by the announced extension of the shutdown of processing facilities for extracted gas in Norway. A few days later, the Dutch government confirmed that production in one of Europe's largest gas fields, Groningen, will cease on October 1, 2023. The storage facilities were filling at a slower pace. Even so, at the end of June they were at their historical average values from the second half of August, and at the current rate they will be completely filled again before the start of the heating season.

As regards the black coal market, the situation calmed down after a sharp rise in 2022, with prices gradually falling from USD 175 per ton (ARA, Cal24) to the USD 90 per ton mark at the end of May. Imports from non-Russian sources rose, replacing Russian coal, whose import has been banned by the EU since August 2022. In the course of June, coal prices rose to values of over USD 120 per ton, mainly in response to the increased prices of natural gas.

The prices of emission allowances were more stable than the prices of energy commodities in the first half of 2023. They were in the range of EUR 80–105 per ton (delivery in December 2024). A revision of the EU's ETS Directive was formally approved. Part of the allowances originally intended for later years will already be sold in the 2023–2026 period, with the aim of raising EUR 20 billion to finance REPowerEU. In the second half of 2023, additional allowances will thus begin to pour onto the market.

The price of electricity gradually fell below the level of 120 EUR per MWh (Germany, Cal24). However, the increase in the prices of energy commodities led to its increase, and at the end of June the price of electricity once again exceeded the 140 EUR per MWh mark.

The EU will gradually replace in full the import of Russian gas with a higher import of LNG. In the EU, thanks to the acceleration of approval processes, new FSRUs (floating LNG terminals) are being rapidly built, the construction of fixed LNG terminals is accelerating and existing ones are being expanded. Already this year, Germany could completely replace Russian gas supplies thanks to the massive construction of FSRUs.

In March, the European Commission published a proposal to reform the organization of the electricity market, aimed primarily at accelerating the growth of renewable energy sources and protecting consumers from future price fluctuations. The proposal maintains pricing based on the marginal power plant principle. At the same time, it strengthens the role of long-term contracts for new resources. Some member states are now pushing for the proposal to partially simplify the rules for the introduction of capacity mechanisms as well.

A side effect of decarbonization is the improvement of energy supply security. The EU is targeting more than 500 GW of installed capacity in solar and wind sources. Licensing processes for the construction of renewable energy sources are being accelerated. Natural gas is to be gradually replaced by green hydrogen obtained by electrolysis, while using electricity from renewable energy sources. In the long term, coal consumption is expected to decline and natural gas consumption to decline more slowly.

In the short- and medium-term horizon, the EU is dealing with the consequences of a cut in gas supplies from Russia. In 2022, the generation of electricity from coal increased in Germany and other European countries. At the same time, Germany is still counting on backup energy capacities in the form of gas-fired power plants in the future. The development will thus be influenced by the possibility of safely ensuring the supply of electricity and the potential growth of demand for electricity due to the expanding electrification of transport, heating and industry.

Strategy

Europe's energy sector is undergoing a major transformation towards sustainable solutions. At the same time, the energy market is still significantly affected by the military conflict in Ukraine, which was reflected in the development of the commodity markets as the growth of market prices and overall uncertainty, and in regulatory and legislative interventions by European countries.

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

CEZ Group's mission and vision

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and the society in general. The vision of the CEZ Group is to bring innovations for addressing energy needs and contribute to higher quality of life. The accelerated "VISION 2030 – Clean Energy of Tomorrow" strategy defines the CEZ Group's strategic objectives until 2030, taking into account the EU's decarbonization vision, and sets out the CEZ Group's specific ambitions in the area of corporate social responsibility and sustainable development in order to maximize value for shareholders.

Strategic vision 2030 – "Clean Energy of Tomorrow"

Main strategic priorities of the accelerated strategy—VISION 2030:

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

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

Main strategic objectives and commitments defined under the individual strategic priorities:

I. Transform the generation portfolio to low-emission and achieve climate neutrality by 2040

Comprehensive environmental goal – to transform the generation portfolio to low-emission in line with the Paris Agreement by 2030, reduce emission intensity by more than 50% by 2030 and achieve climate neutrality by 2040.

Nuclear facilities:

- We will safely increase generation from existing nuclear facilities to over 32 TWh and achieve a 60-year lifetime for nuclear units.
- We are ready to build a new nuclear unit at Dukovany.
- We will prepare the construction of small modular reactors (SMR) with a total capacity of over 1,000 MW, with the aim of commissioning the pilot project by the end of 2032.

Renewable energy sources:

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

Conventional facilities:

- We will decarbonize the heating industry and convert our coal sites into sites ready for new activities after the move away from coal.
- We will build new gas-fired capacities that will be also ready to burn hydrogen.
- We will reduce the share of electricity generated from coal to 25% by 2025 and 12.5% by 2030.

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

Distribution:

- We will invest in smart grids and decentralization to further develop a stable and digital distribution grid, including the development of fiber optic networks.

Sales – retail:

- We will digitize 100% of key customer processes by 2025.
- We will maintain the highest Net Promoter Score (NPS) of the major electricity suppliers by increasing service quality and grow our customer base.
- We will offer residential customers a product portfolio that will enable them to achieve energy savings and reduce emissions.

Sales – ESCO:

- We will develop our role as a decarbonization leader – enabling effective emission reduction and delivering energy savings also for our clients in the industry, municipalities, and the government in line with the EU's target of delivering energy savings of 39–40%.
- We will build infrastructure for electromobility – we will quadruple the charging capacity and by 2025 we will operate at least 800 charging stations.

New segments:

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

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

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

Selected goals in the Environmental area:

- We will reduce greenhouse gas emissions in line with the Paris Agreement “well below 2 degrees Celsius” from 0.38 t of CO_{2e} per MWh in 2019 to 0.26 t of CO_{2e} per MWh in 2025 and 0.16 t of CO_{2e} per MWh in 2030,
- We will reduce SO₂ emissions from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030.
- We will reduce NO_x emissions from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030.

Selected goals in the Social area:

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

Selected goals in the Governance area:

- We will achieve 30% female representation in management.
- We will increase the frequency of employee training concerning the Code of Conduct and train at least 95% of employees each year from 2022 on.

The CEZ Group's investment plan is fully in line with the goal of reducing emission intensity to 0.16 t of CO_{2e} per MWh by 2030 and with the goal of achieving full climate neutrality by 2040. For this reason, investments in coal-fired power plants and mines are largely limited to projects aiming to ensure their continued operation and investments related to decommissioning.

Approach to climate protection

Reducing the environmental impact of the energy sector and contributing to the fulfillment of global climate goals is a long-term strategic objective of the CEZ Group. For reasons of environmental protection and biodiversity, the CEZ Group has committed itself to take measures aimed at mitigating the effects of climate change and adapting to this change. Climate risk management is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); in February 2023 the CEZ Group issued the first standalone detailed TCFD report. The CEZ Group uses the published state-of-the-art scientific knowledge and evaluates climate scenarios to build strategic resilience in the short, medium, and long term.

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

Emissions from the CEZ Group's electricity and heat generation

SO₂ and NO_x emissions released into the air during electricity and heat generation

Emissions	Unit	H1 2022	H1 2023	2023/2022
				Index (%)
Sulfur dioxide (SO ₂)	tons	3,320	2,555	77.0
Nitrogen oxides (NO _x)	tons	6,570	5,327	81.1

The effect of the operation of coal-fired power plants and heating plants on the air is systematically monitored in the long term. Gaseous pollutants (SO₂, NO_x) and mainly dust particles of different fractions (PM₁₀ a PM_{2.5}) are measured in our own pollution measurement stations located near coal-fired facilities. The public is constantly informed of the results of pollution monitoring via our website. Pollutant emissions for 2022 were externally verified with limited certainty based on GRI (Global Reporting Initiative) international standards.

Reducing greenhouse gas emissions from electricity and heat generation

The 2015 Paris Agreement constitutes a commitment to limit global warming to well below 2°C compared to the pre-industrial period and to strive to limit the increase to 1.5°C. The CEZ Group fully supports the conclusions of the Paris Agreement and therefore decided to accelerate decarbonization in 2022, committing itself to achieve climate neutrality by the end of 2040. The CEZ Group was the first in Czechia to receive verification of its climate goals until 2030 from the Science Based Targets (SBTi) initiative and is preparing for the validation of its long-term climate neutrality goals until 2040 in accordance with the 1.5°C scenario.

The CO₂e indicator corresponds to emissions as defined in Scope 1 of the GHG protocol (Greenhouse Gas Protocol, a standard for measuring and reporting greenhouse gas emissions). Under the conditions of the CEZ Group, these are emissions related not only to the combustion of fossil fuels in electricity and heat generation, but also to CO₂ emissions from transport. In addition to CO₂ emissions, the CO₂ equivalent is also calculated from CH₄ and N₂O emissions from biomass combustion, CH₄ emissions from coal mining and HFC, PFC and SF₆ emissions from air conditioning and other equipment. In 2022, greenhouse gas emissions were externally verified with reasonable certainty.

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

CO₂e emission intensity in electricity and heat generation

	Unit	H1 2022	H1 2023	2023/2022
				Index (%)
CO ₂ e emission intensity	t CO ₂ e/MWh	0.28	0.25	88.0

2. Corporate governance statement

Shareholders' Meeting of ČEZ

The Annual Shareholders' Meeting of ČEZ, a. s. was held on June 26, 2023, and it:

- heard the reports of the company's bodies,
- approved the financial statements of ČEZ, a. s., the consolidated financial statements of the CEZ Group and the final financial statements of Elektrárna Dětmarovice, a.s., for 2022,
- approved the distribution of the 2022 profit of ČEZ, a. s., amounting to CZK 63,821,965,977.45 and a portion of retained earnings amounting to CZK 14,186,549,077.55, as follows:
 - profit share to be distributed among shareholders (dividend)CZK 78,008,515,055,
 - the dividend amounts to CZK 145 per share before tax and is payable from August 1, 2023; the right to the dividend will not expire before July 31, 2027,
 - the amount of the dividends is calculated from the total number of issued shares of the company; the dividends attributable to treasury shares held by the company on the record date for exercising the right to the dividend will not be paid and will be transferred to the account of retained earnings from previous years,
- approved the volume of funds for the provision of donations in 2024 in the amount of CZK 250 million and an increase in the volume of funds for the provision of donations in 2023 by CZK 50 million, i.e., to a total amount of CZK 200 million,
- approved the Report on the Total Income of the Members of the Bodies of ČEZ, a. s., for the 2022 accounting period,
- confirmed (by voting) Vratislav Košťál and Václav Kučera as members of the Supervisory Board of ČEZ, a. s.; they were appointed as substitute members of the Supervisory Board on November 24, 2022.

Changes in the bodies of ČEZ

Supervisory Board

Substitute members of the Supervisory Board who were confirmed in office by voting at the Shareholders' Meeting:

Vratislav Košťál substitute member of the Supervisory Board appointed by the Supervisory Board since November 24, 2022, confirmed as a member of the Supervisory Board by voting at the Shareholders' Meeting on June 26, 2023 (term of office until November 24, 2026)

Václav Kučera substitute member of the Supervisory Board appointed by the Supervisory Board since November 24, 2022, confirmed as a member of the Supervisory Board by voting at the Shareholders' Meeting on June 26, 2023 (term of office until November 24, 2026)

Members of the Supervisory Board with change of function within the Supervisory Board:

Milan Wagner Vice-chairman of the Supervisory Board from June 29, 2022 to May 15, 2023
ordinary member of the Supervisory Board since May 16, 2023
member of the Supervisory Board elected by the company's employees with effect from January 24, 2022 (term of office until January 24, 2026)

Radek Mucha Vice-chairman of the Supervisory Board since May 16, 2023 (ordinary member of the Supervisory Board to May 15, 2023)
member of the Supervisory Board elected by the company's employees with effect from January 24, 2022 (term of office until January 24, 2026)

3. CEZ Group's business – segments and financial performance

CEZ Group's operations

The CEZ Group operates mainly in Czechia and on the markets of Central Europe. The parent company ČEZ, a. s., is based in Czechia and applies segment management within four main business segments, which are GENERATION, MINING, DISTRIBUTION and SALES.

Overview of main activities in selected countries

Czechia

In Czechia, the CEZ Group is engaged in the generation, sales and distribution of electricity, the extraction of mineral resources and the provision of energy services. The most important generating company is the parent company ČEZ, a. s., which operates nuclear, emission and renewable generation energy sources and trades on European wholesale markets.

Other important companies of the CEZ Group in Czechia include ČEZ Distribuce, ČEZ Prodej, ČEZ ESCO, Energotrans and Severočeské doly. Inven Capital, which manages one of the largest corporate clean-tech funds in Europe, is also seated in Czechia.

Germany

In Germany, the CEZ Group operates mainly in the field of comprehensive energy services covered by the Elevion Group. It also operates in the area of renewable energy sources, focusing on the operation and development of wind power plants and the operation of combined heat and power units.

Poland

In Poland, CEZ Group companies are engaged in the generation of heat and electricity and the provision of comprehensive energy services.

Slovakia

In Slovakia, the CEZ Group operates in the field of complex energy services, distribution and sale of commodities and generation in combined heat and power units. As part of the joint venture Jadrová energetická spoločnosť Slovenska, a. s., (JESS) it is preparing the construction of a nuclear power plant.

France

In France, the CEZ Group focuses on the development of onshore wind farms. At the beginning of 2023, it expanded its scope to include operations due to the completion of the construction of its first project.

Turkey

The CEZ Group operates in Turkey in the field of electricity generation, distribution and sales. All assets are jointly owned with its Turkish partner, so they are consolidated using the equity method.

Other countries

In Europe, specifically in Austria, the CEZ Group operates mainly in the field of energy services, in Italy it also generates electricity and heat in combined heat and power units, and in Hungary it sells electricity and provides energy services. In the Netherlands, the CEZ Group owns companies that carry out holding, financial and management activities, as well as companies that provide energy services. The CEZ Group also owns several companies in Asia, especially in China and Malaysia, focusing on the support and development of the Elevion Group's energy services.

Business environment

Information on the business environment in individual countries is included in the section Regulatory and legislative developments in the sector.

GENERATION Segment

In the GENERATION segment, the CEZ Group monitors activities related to electricity generation. Nuclear facilities, renewable energy sources, emission sources and trading are monitored separately within this segment.

Nuclear facilities

Existing nuclear facilities

The CEZ Group operates nuclear power plants only in Czechia, at the Dukovany and Temelín sites. Year-on-year, nuclear power plants generated slightly more electricity, with the Dukovany Nuclear Power Plant increasing its generation and the Temelín Nuclear Power Plant producing less, in both cases due to different outage schedules.

The installed capacity of the power plants remained unchanged.

Capital construction

Investment projects at both nuclear sites focused on the continuous improvement of nuclear safety, the technical renewal of equipment and the fulfillment of legislative requirements set by the Atomic Act. Just like every year, work continues on projects prepared and implemented in previous years, and several new investment projects were launched at the same time. In total, there are several hundred active projects ranging from small purchases to financially significant investments.

Significant projects were implemented at the Dukovany power plant to maintain a high level of safety, such as the upgrade of secondary switchboards, the continued renewal of reinforced concrete casings of the cooling towers, and the reconstruction of the roof casings of selected buildings.

Among the most financially significant investment projects at the Temelín site, continuing from previous years, are primarily the project of a hot water piping from the Temelín power plant to České Budějovice, as well as the reconstruction of waste lines from the power plant to Kořensko, and safety-related projects for additional measures to deal with severe accidents, namely reactor core flooding in the reactor pressure vessel and long-term heat removal from the containment. Funds were also used for a financially very significant project to replace the control systems on the WDPF platform.

In the second half of 2023, the availability of nuclear power plants will be affected by the timing of scheduled outages associated with refueling and the implementation of scheduled maintenance, checks and inspections of key equipment, as well as activities aimed at ongoing upgrade and increase in the efficiency and reliability of the operation of both facilities. In the Dukovany power plant, a project of gradual cleaning of steam generators will significantly take place, with the aim of mitigating the aging trend of heat exchange surfaces and increasing their reliability.

Nuclear facilities under preparation

Dukovany New Nuclear Power Plant (NNPP Dukovany)

The construction of a new nuclear power plant at Dukovany is expected to significantly contribute to increasing the share of emission-free electricity within the CEZ Group's generation portfolio. Based on the resolution of the government of Czechia, the investor is Elektrárna Dukovany II, a. s.

In the first half of 2023, the preparation of the project continued in accordance with the business plan and the first implementation contract on cooperation in the construction of the new nuclear power plant at the Dukovany site concluded between Elektrárna Dukovany II, a. s., ČEZ, a. s., and the Czech state.

The zoning procedure is still ongoing for the siting of the new nuclear power plant at the Dukovany site; it started in 2021 on the basis of an application for the issuance of a zoning permission that included the zoning procedure documentation with incorporated requirements of the relevant public authorities and infrastructure owners.

Based on an evaluation of the safety assessment of all three tenderers for the construction – the US-Canadian company Westinghouse, the French company EdF, and the Korean company KHNP – the Ministry of Industry and Trade granted approval to start the tender procedure. Elektrárna Dukovany II, a. s. started the selection process for the supplier of the new nuclear power plant at the Dukovany site

and approached all three stated tenderers regarding the submission of bids on March 17, 2022. All three tenderers submitted initial offers on November 30, 2022.

From December 2022 to February 2023, the submitted initial offers were reviewed and analyzed, and clarification meetings with individual bidders followed from February 28, 2023 to May 4, 2023. Subsequently, the tenderers were invited to submit updated bids. The deadline for their delivery was set at October 2, 2023.

In the first half of 2023, intensive preparation of documents defining the financing of further project stages continued, based on the previously adopted financing model; this preparation involved representatives of the state, ČEZ, a. s., Elektrárna Dukovany II, a. s., and consultants and advisers of individual participants. Negotiations between the state and the European Commission on the compatibility of state aid with EU rules were also underway.

Temelín New Nuclear Power Plant (NNPP Temelín)

The investor is Elektrárna Temelín II, a. s. Following the resolution of the government of Czechia on the preferential preparation of the new nuclear power plant project at the Dukovany site, it was decided, in the form of approval of a revision of the business plan, that the preparation of the new nuclear power plant project at the Temelín site would be limited to maintaining the value of the project and ensuring the validity of existing permits, in such a way as to preserve the possibility of quick activation of this project as needed.

In the first half of 2023, the preparation of the project continued in accordance with the company's business plan, which mainly consists in fulfilling the conditions based on the issued opinion on the environmental impact assessment (EIA), the issued decision on the siting of the NNPP Temelín and provisions for an extension of the validity of already issued permits. At the same time, work was underway to contract the preparation of documentation for an application for extension of validity of the EIA opinion.

Small modular reactors (SMR)

In the first half of 2023, the program for the construction of small modular reactors in Czechia was defined, including the specification of goals for 2023 and 2024.

The activities specified in the business plan of the small modular reactors (SMR) project at the Temelín NPP continued, in particular the completion of a preliminary geological survey on the construction site, the provision of data for contracting the preparation of documentation for the notification of the plan (EIA process) and documentation for an application for a siting permit in accordance with the Atomic Act.

At selected non-nuclear sites, analyses necessary to verify the suitability of the sites for construction, for the preparation of a preliminary feasibility study and for the preparation of a business plan continued. At the same time, the provision of documents for contracting the preparation of documentation for the notification of the plan (EIA process) was underway.

Jaslovské Bohunice New Nuclear Power Plant (NNPP)

The construction of a new nuclear power plant at Jaslovské Bohunice site is being prepared by Jadrová energetická spoločnosť Slovenska, a. s., (JESS), in which a CEZ Group company – ČEZ Invest Slovensko, a.s., (formerly ČEZ Bohunice) – owns a 49% stake.

In accordance with the project schedule, on February 15, 2023, the documentation for the siting of the NNPP pursuant to the Atomic Act was submitted to the Nuclear Regulatory Authority of the Slovak Republic (NRA SR), which officially started administrative proceedings on March 6, 2023. Under the law, the NRA SR has one year to comment and issue a decision.

The priority activity for the year 2023 is to prepare and implement documentation for obtaining a siting decision for the NNPP under the Building Act. This documentation should be implemented by 2025 and prepared for assessment by the relevant public administration authorities and subsequently for the initiation of administrative proceedings. At the same time, project activities necessary to maintain the value of the project, provision and detailed specification of information on site aspects (e.g. water management, seismicity, geology) are ongoing. Negotiations with affected municipalities are held on an ongoing basis concerning the inclusion of the new nuclear power plant in land use planning documentation.

Renewable energy sources (RES)

Generation in hydroelectric, photovoltaic and wind power plants is monitored in this area. Biomass, which is classified as a renewable energy source under the European taxonomy, is monitored in the area of emission sources due to the emissions of CO₂ and also due to the primary combustion together with coal in coal-fired power plants.

Generation from renewable energy sources was higher year-on-year mainly due to the increase in generation in hydroelectric power plants, which was related to better hydrological conditions.

In the course of August 2023, the implementation of the first projects with a subsidy received from the Modernization Fund as part of the RES+ programs for over 1 MWp of installed capacity began.

Projects are being continuously developed in order to fulfill the announced goal of the CEZ Group to build a total of 6 GW of renewable energy sources by 2030. On April 12, 2023, the State Environmental Fund published the results of projects approved under the Modernization Fund for 2023. Out of a total of 44 investment subsidy applications for a portfolio of 1,012 MWp, submitted by the CEZ Group for the RES+ 2/2022 call (over 1 MWp), 24 projects received a subsidy, constituting a portfolio of 728 MWp and a total subsidy of CZK 3.1 billion. At the beginning of August 2023, it was decided to allocate an investment subsidy for 2 ČEZ projects with a total capacity of 1.98 MWp, submitted under the non-competitive call RES+ 1/2022 (up to 1 MWp). The total amount of the allocated subsidy amounts to CZK 13.7 million.

In Poland, amendments to the Act on Investments in Wind Power Plants have been in force since April 23, 2023; they have liberalized the so-called “10H rule” by increasing the minimum distance of wind farms receiving investments from residential buildings to 700 m. The Act imposes new obligations on investors, including the obligation to offer at least 10% of the installed capacity of the wind farm to the residents of the municipality in which the investment is being made.

On June 30, 2023, the Act on the Preparation and Implementation of Investments in Pumped Storage Plants and Accompanying Investments also entered into force.

Hydroelectric

The actual level of production in 2023 in hydroelectric power plants will depend mainly on the hydrological situation of the Vltava Cascade and the deployment of pumped-storage hydroelectric power plants.

Capital construction

In the first half of 2023, projects for the preparation and implementation of upgrades of selected hydroelectric power plants continued in various stages in Czechia. Increasing the efficiency of individual systems and also reducing the environmental burden of the sites, including by reducing the amount of oil charges, are the main goals of the upgrade projects. Repairs and upgrades of the Dlouhé Stráně and Dalešice pumped storage plants are being prepared as a priority and will take place in the years 2023–2025. A comprehensive upgrade of the Orlik hydroelectric power plant is being prepared, with its implementation scheduled for 2024–2030, and the Střekov hydroelectric power plant will also be upgraded.

In Poland, the Borek Szlachecki small hydroelectric power plant underwent an upgrade of the DC power supply system and the lubrication part of the cleaning system, and the Skawina small hydroelectric power plant upgraded the rotary joint installed on the hydrogenerator.

In Turkey, investments mainly went into existing hydroelectric power plants.

Installed capacity

In Czechia, the installed capacity of hydroelectric power plants decreased slightly year-on-year, while it remained unchanged in Poland and Turkey.

Solar

Capital construction

In Czechia, the construction of the Křižany photovoltaic power plant (PVPP) project (4.3 MWp) was completed in June 2023. It is expected to be put into commercial operation at the end of the third quarter of 2023. This is a pilot project on which the CEZ Group verifies procedures for design, supply of components, installation and subsequent commissioning.

After a year of testing, the capacity of the first installed floating photovoltaic power plant in Bohemia, in Štěchovice near Prague (Štěchovice PVPP), was increased from the original 21.84 kWp to 87.36 kWp, and the power plant was connected to the network for commercial generation in May 2023. As part of the new Sustainability Star award, which is given to the best sustainable projects, the Scientific Council of the first Czech & Slovak Sustainability Summit selected the floating power plant project as the second best of the 36 projects registered.

Installed capacity

The installed capacity was increased year-on-year by the newly built photovoltaic panels by SYNECO tec GmbH in Austria; the installed capacity in Czechia also grew due to the commissioning of new photovoltaic panels, including the floating Štěchovice PVPP.

Wind

Electricity generation

In France, the CEZ Group started electricity generation at the Aschères-le-Marché power plant in April 2023.

Capital construction

In Germany, the CEZ Group focuses on the operation of its own wind farms and on the co-development of the existing wind portfolio consisting of 12 projects, with a planned capacity of up to 193.5 MW. The most advanced German project in the co-development portfolio is the Datteln project (11.4 MW, 2 turbines), which is in the construction phase, with its expected commissioning in the first quarter of 2024. Another advanced project in the German portfolio is the Nortorf project (11.4 MW, 2 turbines), which received a building permit in March 2023, was awarded operational support in June 2023, and is expected to start operation in early 2025.

In France, the CEZ Group developed 15 onshore wind power plant projects with a planned capacity of up to 207 MW. In April 2023, the first of these projects, Aschères-le-Marché (12 MW, 4 turbines), went into commercial operation. The construction of the second most advanced project of the French portfolio, Neuville-aux-Bois (15 MW, 5 turbines), is proceeding according to the established schedule and is assumed to go into commercial operation in the third quarter of 2023. Other projects at an advanced stage of construction include Nueil-sous-Faye (11.12 MW, 4 turbines), with its expected commissioning in the third quarter of 2024, and La Piballe (7.2 MW, 4 turbines), expected to be commissioned by the end of 2024.

Installed capacity

The CEZ Group's installed capacity in wind sources increased by 4 turbines of the Aschères-le-Marché power plant in France.

Other renewable energy sources

The CEZ Group also focuses on generation from renewable energy sources and on hydrogen production in the company Jadrová energetická spoločnosť Slovenska (JESS). On September 8, 2021, the Slovak government decided to expand the business scope of this company in accordance with the interests of the Slovak Republic to generate electricity from emission-free sources in the future.

Preparatory work of the Hydrogen for Transport project took place in 2022. Tenders were organized at the turn of 2022 and 2023, and in the first half of 2023, the tender for the supplier of a 10 MW photovoltaic power plant on a brownfield site at the Jaslovské Bohunice site and a 1 MW electrolyzer for the production of green hydrogen at the Trnava site was completed. These two projects will be implemented in the second half of 2023.

At the same time, the project of another greenfield photovoltaic power plant with a capacity of 10 MW is being prepared at the Jaslovské Bohunice site, which is in the stage of selecting a potential supplier now.

Emission sources

Generation in emission sources – i.e., when burning coal, gas and biomass, was lower year-on-year mainly due to the drop in generation in brown coal-fired power plants, for the operation of which the market conditions were extremely favorable in 2022.

Coal

Poland

At the beginning of 2020, CEZ Skawina and CEZ Chorzów passed the mandatory certification for joining the capacity market system. On the capacity market, CEZ Skawina currently has a signed supply contract for 2021–2026, while CEZ Chorzów has a supply contract for 2024. The armed conflict in Ukraine had a significant negative impact on coal prices. Both power plants were forced to conduct price negotiations with their suppliers despite previously concluded long-term coal supply contracts. The increasing generation costs prompted the Ministry of Climate and the Environment to introduce changes to the heat tariff regulation in December 2022, allowing producers from combined heat and power units to increase the rate to the benchmark level and apply a surcharge of PLN 22 per GJ until the end of April 2023. Based on the benchmark price set by the Chairman of the Energy Regulatory Office in the first quarter of 2023, CEZ Group companies received a further increase in the currently applied heat tariffs.

In Poland, the balancing market is undergoing a reform, adapting it to the obligations arising from the agreements concluded with the European Commission.

As part of solutions aimed at facilitating investments on the Polish energy market, amendments to the Act on the Preparation and Implementation of Investments in Nuclear Energy Facilities and Accompanying Investments entered into force on April 13, aiming primarily to speed up the construction of the first large nuclear power plant in Poland.

Capital construction

In Czechia, work continued in the first half of 2023 on updating the concepts for the future operation of generating sites, taking into account the growing pressure for decarbonization within the EU and Czechia and at the same time responding to the current geopolitical risks. The strategic objectives consist mainly in the abandonment of heat production from coal by 2030 and in the appropriate timing of the phasing-out of coal resources based on the situation on the electricity market and the development of risks. These are updates of the concepts for the Ledvice, Poříčí and Hodonín sites.

In reference to the fulfillment of the company's ESG goals, the demolition of the Prunéřov 1 power plant continues. The demolition is expected to be fully completed and the space for its future commercial use freed up by the end of 2023.

The greening of the Dvůr Králové and Labem heating plant in the gas + biomass fuel base configuration continues. Complete greening and revitalization of the heating plant is expected to be completed by mid-2024.

Finishing work is underway on the construction of the circulation cooling circuit of the Hodonín power plant (cooling tower), which will reduce the consumption of cooling water and enable the operation of the power plant even in summer, when there is a shortage of water in the Morava River.

In Poland, investments in the Skawina power plant were mainly allocated into boiler repairs, while in the Chorzów power plant there were only minor investment projects.

Installed capacity

In Czechia and Poland, the installed capacity of coal-fired power plants remained unchanged year-on-year.

In 2023, the priority task for coal-fired power plants in Czechia remains to be the continued preparatory activities for the transition of sites to low-emission sources, especially to ensure heat supply and the implementation of other environmental measures that will enable the operation of conventional sources while the new valid emission limits are observed. Another key task is to arrange for the new natural gas-based production technology at the Mělník site, which will allow the long-term heat supply agreement for the capital city of Prague, Mělník, and Neratovice to be honored.

Gas

Capital construction

In Czechia, preparatory work continued for the planned construction of new CCGT sources at sites in Mělník and Počeradý.

In Turkey, the costs of capital construction flowed mainly into the repairs of the power plant in Erzin.

Installed capacity

In Czechia, installed capacity increased year-on-year mainly thanks to the installation of combined heat and power units by ČEZ Energo.

In Turkey, the installed capacity of the Erzin CCGT power plant did not change year-on-year.

Analyses and preparatory work for the possible future installation of gas sources in the existing generating sites will continue until the end of 2023.

Biomass

Capital construction

In Turkey, capital construction costs were mainly directed into the biomass power plant project with an installed capacity of 10 MW, which Akenerji is preparing for operation.

Installed capacity

In Czechia, the installed capacity remained unchanged year-on-year.

In the first half of 2023, the installed capacity in Italy was higher year-on-year due to the acquisition of a biogas station SOCIETA' AGRICOLA B.T.C. S.R.L.

The Turkish company Akenerji virtually controls the company, which owns a 1 MW biomass power plant. This power plant did not produce any electricity in the first half of 2023.

Pyrolysis

Electricity generation

Electricity production using pyrolysis takes place in the CEZ Group only at the AKEL SUNGURLU power plant in Turkey.

Installed capacity

The installed capacity of the Turkish power plant with pyrolytic technology for the energy use of old tires remained unchanged year-on-year.

Trading

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

The activities are managed by ČEZ centrally from Czechia. The actual trading, including the settlement of trades, takes place in most European countries with wholesale partners and through energy exchanges.

All trading activities are subject to risk frameworks (defining market and credit limits, permitted trades, and trading rules), compliance with which is continuously monitored by the CEZ Group's Risk Committee. Activities are also subject to the regulatory rules of the European Federation of Energy Traders (EFET).

Trading commodities at the company's own account for speculative profit

In the first half of 2023, more than 146,000 transactions were concluded as part of trading activities and 142 TWh of electricity, 571 TWh of natural gas, and 144 million tons of emission allowances were traded, among other things.

MINING Segment

In this segment, the CEZ Group operates in Czechia, where it mines brown coal and limestone. At the same time, it is exploring the possibility of mining lithium ore.

The mining business is significantly influenced by regulatory developments and climate targets at the EU and Czech levels. The Coal Commission of the Czech Republic operates in Czechia as an advisory body of the government; it has recommended the government to cease coal mining and burning in Czechia by 2038 at the latest.

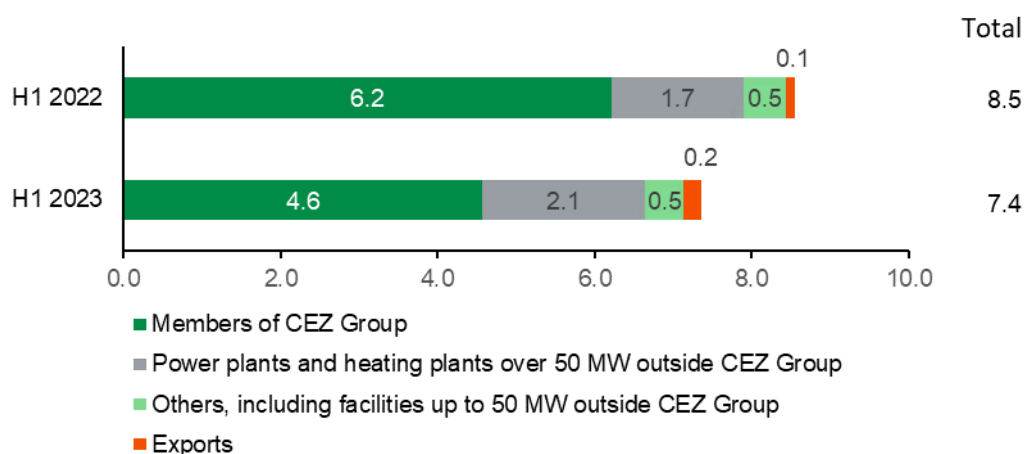
Brown coal

Mining, treatment and sales of brown coal constitute the main business activities of Severočeské doly, which is the largest Czech brown coal mining company in terms of coal production volume. Given that the majority of production is purchased by the CEZ Group, Severočeské doly is one of the smaller players on the free coal market.

Mining and sales

In the first half of 2023, Severočeské doly sold 7.4 million tons of coal, of which 4.6 million tons were sold to members of the CEZ Group. In a year-on-year comparison, deliveries decreased by 1.1 million tons, mainly due to the lower utilization of the CEZ Group's coal-fired power plants.

Coal sales by customer (millions of tons)



Severočeské doly expects to sell 15 million tons of coal in 2023, i.e. approximately 2 to 3 million tons less than in 2022. The reduction in fuel deliveries is mainly due to the gradual reduction of production in coal-fired power plants, which is being replaced by production in other types of facilities.

Capital construction

The investment program mostly focuses on projects to ensure mining at the Bílina Mine, especially on the supply, reconstruction and upgrade of mining technology, processing and crushing operations, construction of stability measures and water management works. The investment projects were continuously revised to match the estimated lifetime of both sites (Bílina Mine and Nástup Tušimice Mines).

Limestone

LOMY MOŘINA spol. s r.o., is involved in limestone mining (high-percentage limestone used in desulfurization plants) in the CEZ Group. In the first half of 2023, it delivered 223,000 tons of limestone to customers in the CEZ Group for the desulfurization of coal-fired power plants, which constituted a year-on-year decrease of about 25%. In 2023, the sales of limestone to members of the CEZ Group are expected to amount to 480,000 tons.

Exploring the possibility of mining lithium ore

Since the CEZ Group's entry into the lithium-containing zinnwaldite mining project, the feasibility study for the mining part has been updated, considering a mine life of 25 years and an annual production of 29,000 tons of lithium hydroxide monohydrate (LiOH.H₂O). In addition, the verification of the lithium processing procedure under semi-operational conditions is ongoing. The final feasibility study should be completed by the end of 2023. As regards permissions, preparatory work on the technical documentation continued and selected licensing processes have already started.

DISTRIBUTION Segment

Electricity distribution

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

The price of electricity distribution and other services in Czechia is regulated by the Energy Regulatory Office (ERO). The key for ČEZ Distribuce is the ERO's price decision No.13/2022 for the electricity sector, through which prices for related service in the electricity sector and other regulated prices are set, with effect from January 1, 2023.

In the first half of 2023, ČEZ Distribuce provided for the supply of electricity to customers in the volume of 17.4 TWh, which was 0.8 TWh less than in the same period of 2022. In terms of individual voltage levels, there was a total decrease of 0.4 TWh at the high-voltage and medium-voltage levels and 0.4 TWh at the low-voltage level. Electricity consumption in 2023 was affected by the impacts of the energy crisis and the related increase in the price of electricity, as well as by the boom in the installation of photovoltaic power plants and heat pumps by customers.

In 2023, ČEZ Distribuce expects to supply customers with electricity in the volume of almost 34 TWh in Czechia. The volume of supply is based on the estimated development of electricity consumption, taking into account changes in the energy market, in particular the increase in the price of electricity, the spreading of heat pumps or the installation of decentralized sources and micro sources.

In Slovakia, ESCO Distribučné sústavy deals with the distribution of electricity, operating several local distribution systems. This activity is also carried out by KLF-Distribúcia, which operates one local distribution system in Kysucké Nové Město. Due to consolidation using the equity method, the volume of electricity distributed by this company is not included in the summary data for the CEZ Group.

ESCO Distribučné sústavy also deals with the sale of electricity to end-use customers, primarily in its networks.

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

Turkey (especially the city of Gaziantep) and part of Syria were hit by a very strong earthquake on February 6, 2023, killing more than 50,000 people and causing significant material damage to local industry as well. During this earthquake, no generation or distribution facilities co-owned by the CEZ Group were seriously damaged.

In 2023, the volume of electricity distributed to end-use customers in Turkey is expected to be 10 TWh.

Capital construction

In Czechia, investments were directed mainly into the renewal and development of distribution networks at all voltage levels, the reconstruction of transformer stations, distribution substations and electricity meters. Approximately the same amount of funds went into the handling of customer requests for connection to the distribution system. Investments also continued into smart technologies, digitization, and the development of medium-voltage optical infrastructure. The principal objective of capital expenditures is improving the quality, reliability, and safety of electricity supplies.

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

Natural gas distribution

Distributed natural gas

ČEZ Energetické služby provides for gas distribution in Czechia.

ESCO Distribučné sústavy deals with the distribution of gas in Slovakia, operating several local distribution systems. The company deals with the sales of natural gas to end-use customers primarily in its networks and supplies gas to its sister company SPRAVBYTKOMFORT, a.s., Prešov.

SALES Segment

The SALES segment includes companies selling electricity, heat, energy and telecommunications services.

Companies from the SALES Segment engaged in the provision of B2B energy services are divided into two basic groups. The Czech company ČEZ ESCO covers the relevant activities in Czechia and Slovakia. Other foreign markets are covered by the Elevion Group, which operates mainly in Germany, but also in Italy, Romania, Austria, Israel, the Netherlands, Hungary, China, Malaysia and the United Kingdom.

Energy services are provided to retail customers by ČEZ Prodej and TENAUR, which operate in Czechia.

Commodity sales

Electricity

Electricity sales

The most important market in which the CEZ Group sold electricity to end-use customers in the first half of 2023 was mainly Czechia, but also Hungary, followed far behind by Italy, Germany and Slovakia. The delivered volume in Czechia increased year-on-year mainly thanks to the newly acquired customers of ČEZ ESCO; in the case of residential customers there was only a small increase in the volume of electricity sold due to the customers' consumption savings. The increase in sales in Hungary was due to market consolidation.

Czechia

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

CEZ Group offers electricity to end-use customers in Czechia through the companies ČEZ Prodej, ČEZ ESCO, ENESA, ČEZ Energo, Energetické centrum and also through companies from the GENERATION Segment: ČEZ, Elektrárna Dětmarovice (until 2022), Energotrans and ÚJV Řež.

The state was forced to respond to the rise in commodity prices after Russia's invasion of Ukraine in 2022 and set maximum prices for end-use customers, i.e. introduced electricity and gas price caps for 2023. After price capping, the government regulation on compensations provided for the supply of electricity and gas at fixed prices was approved on January 4, 2023. The compensation scheme determines how traders' costs of purchasing a commodity for customers with a capped electricity price of CZK 5 per kWh (excl. VAT) will be compensated.

At the end of 2022, market prices already started to fall as a result of high level of filling of storage capacity and relatively warm weather. As early as at the end of the first quarter of 2023, the first offers from traders began to appear with prices below the government cap. ČEZ Prodej presented a new range of tiered products on April 1, 2023 and reduced prices again in mid-May. In July, ČEZ Prodej offered all customers the opportunity to switch to a product that will enable prices below the current government cap from January 1, 2024. Customers who have fixed multi-year contracts above the price cap will be able to switch to a regular multi-year contract below the price cap without penalty.

In the first half of 2023, in accordance with government regulations, ČEZ ESCO provided for the billing of affected customers at capped prices, including regular monthly compensation settlement with OTE. In the product portfolio, the preference for products with the potential to minimize risks on the supplier's side (price volatility, volume risks) continues.

Turkey

In July 2022, ČEZ signed an agreement to sell its stake in Akcez Enerji. At the end of 2022, applications for approval from the antitrust authority and the regulator were submitted. The antitrust authority approved the transaction in January 2023, followed by the regulator's approval in February 2023. The new shareholders signed a shareholder agreement that will become effective upon

settlement of the sale. For the successful completion of the sale, the loans of Akcez Enerji Group companies must first be refinanced.

Heat

Heat generation and sales

CEZ Group deals with the production and sale of heat in particular in Czechia, Poland and Slovakia. The year-on-year decrease in heat sales in all the mentioned countries was due to price increases, which resulted in heat savings by end-use customers, as well as due to warmer weather year-on-year.

Czechia

The heating industry is undergoing a transformation and is responding to decarbonization trends and goals set within the accelerated strategy of the CEZ Group. The price of supplied heat for 2023, which is produced from brown coal and biomass, increased by an average of 20% year-on-year. The increase in the prices of inputs, especially the prices of fuels, materials and CO₂ emission allowances, was a decisive influence.

The main goal of the transformation remains to ensure a long-term, reliable supply of heat at favorable prices, with a high level of comfort and safety as well as environmental standards.

ČEZ Teplárenská's customer portfolio is stable and there are no excessive disconnections. On the contrary, people showed interest in switching from heat supply from other energy commodities to heat supply from central heat sources.

During the first half of 2023, ČEZ Teplárenská worked on completing its three-site strategic concept (Hodonín, Poříčí, Ledvice). At the sites of Dětmarovice, Prunéřov, Tušimice and Trmice, work continues to build low-emission, high-efficiency sources (design preparation, selection processes for contractors).

In the first half of 2023, ČEZ Teplárenská supplied heat produced both from its own sources, which are usually its own or rented residential and block gas boilers, and heat purchased from ČEZ or other suppliers.

Natural gas

Sales of natural gas

Year-on-year gas sales increased significantly, especially to large and medium-sized customers, as a result of the increase in the number of customers. On the contrary, an insignificant decrease was recorded in the case of households as a result of savings in customer consumption, but given the increase in the number of customers, this did not significantly reflect in a change of the total quantity sold.

Czechia

The CEZ Group offers natural gas to end-use customers in Czechia through the companies ČEZ Prodej, ČEZ ESCO, ČEZ and ČEZ Energo. Natural gas is also sold in Slovakia.

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

Similar to electricity, ČEZ Prodej was forced to react to the extreme rise in prices in 2022, but also proceeded to reduce them as soon as the market situation permitted. For 2023, a price cap for end-use customers (CZK 2.50 per kWh, excl. VAT) has been legislatively set down and a compensation scheme for traders has been approved. Gas prices have fallen significantly since the end of 2022. On April 1, a set of tiered products was introduced with a price well below the government cap; the company made this offer even more attractive in May.

In the same way, ČEZ ESCO, in accordance with government regulations, provided for the billing of affected customers at capped prices, including regular monthly compensation settlement with OTE.

Sales of energy services

Energy services

Czechia

ČEZ Prodej continues to increase the capacity for the installation of modern technology, such as photovoltaic power plants, in particular. In the first half of the year, home photovoltaic power plants were installed at 2,507 clients, with a total capacity of 18 MWp, which marks a year-on-year increase by over 55% of the installed capacity. The most popular variant is a combination of photovoltaics and battery storage. ČEZ Prodej together with the manufacturer OIG Power presented the new ČEZ Battery Box Queen hybrid battery system. Customers can now purchase a photovoltaic power plant earlier, with a new battery and with only a minimal financial advance.

As a standard, ČEZ Prodej offers modern energy technology to its customers in its network of customer centers, where they can consult their questions with technology specialists. Customers will find the largest technology showroom in the customer center in Plzeň.

ČEZ ESCO meets the planned implementation of photovoltaic power plants for B2B clients (trading companies) in 2023 with a total capacity exceeding 20 MWp.

The aim is to significantly develop the offer of energy-saving technologies for customers who heat locally with natural gas or electricity. ČEZ Prodej will also deal with the implementation process through the subsidiary TENAUR so that it continues to meet the demands for an increase in the number of installations in the required quality.

Other services provided include the servicing of gas boilers – more than 24,500 customers use the ČEZ Servis Vytápění service.

In the first half of 2023, power balancing services were successfully offered on behalf of ČEZ ESCO with the combined heat and power units of the subsidiary ČEZ Energo, which were certified at the end of 2022. IVITAS was acquired on June 1, 2023; the company operates in the field of design and consultancy services for the supply of technological units and industrial buildings.

Slovakia

ESCO Slovensko aims to be the leader in the energy services market in Slovakia, similarly to ČEZ ESCO in Czechia. As part of the provided energy services, the company started to offer new products in the form of services: photovoltaics, decarbonization and energy efficiency of industry and environmental friendly heating. Following the introduction of new products, the strategy was updated with the aim of providing the entire value chain of services in Slovakia.

Germany

The Elevion Group operates in 3 areas covering a wide range of ESCO services: energy solutions for buildings, green energy, and energy for industry. The Elevion Group operates on the German market through subsidiaries, in particular: Rudolf Fritz GmbH (low voltage and control systems), ETS Efficient Technical Solutions GmbH (technical security of buildings), EAB Elektroanlagenbau GmbH Rhein/Main (technical equipment for building automation) and D-I-E Elektro AG (electrical engineering, automation and technical security of buildings). Important companies in this segment also include En.plus GmbH (consultancy and planning, implementation, servicing and operation of equipment and systems for efficient energy in buildings), Elektro-Decker GmbH (electrical engineering) and Kofler Energies (engineering services in the field of technical building equipment, as well as comprehensive coverage of the area of energy-saving planning).

The most important representative of the field of green energy in Germany is BELECTRIC (expert in the development and construction of solar power plants). Solutions in the field of energy for industry are provided by companies of the Hermos Group (an international group offering services in the field of automation and IT solutions for the industry, energy sector, environmental and building technologies). The Elevion Group also supplemented the value chain with three new companies, Elektro Hofmockel GmbH & Co. Elektroanlagen KG and GESPA GmbH. Elektro Hofmockel GmbH & Co. Elektroanlagen KG is a reliable partner for solutions in the field of technical building equipment, offering electrotechnical solutions in the field of engineering, automation and control technology in conformity with the latest standards. GESPA GmbH is a supplier of photovoltaic systems, electromobility and charging stations with the relevant infrastructure.

Poland

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

Euroklimat is a general supplier of sanitary and electrical installation work, telecommunication networks and IT installations. Euroklimat offers implementation, maintenance and design services. It also supplies HVAC and wiring systems.

Metrolog is one of the leading suppliers of complex implementation of projects in the field of thermal energy and construction of water treatment systems on the Polish market. Metrolog continues to successfully reorganize its energy contracts division, where it used its capabilities to compensate projects in the energy segment that are still affected by the ongoing armed conflict in Ukraine with drinking water treatment and wastewater treatment projects that the Polish Ministry of the Environment strongly supports with subsidy programs as part of its strategy.

Other countries

The CEZ Group also provides ESCO services in Italy, Romania, Austria, Israel, the Netherlands, France, Hungary, China, Malaysia and the United Kingdom.

Moser & Partner Ingenieurbüro GmbH and Syneco tec GmbH operate in Austria, focusing on the planning and installation of complex electrotechnical equipment. Wagner Consult has been one of the leading engineering companies in wastewater treatment and energy efficiency solutions in Tyrol for almost 50 years.

The Inewa Group is based in South Tyrol, Italy, specializing in a wide range of energy services – from planning and consultancy to downstream operations and maintenance. The Group also specializes in the operation of its own biogas stations.

In Romania, the CEZ Group provides ESCO services through High-Tech Clima S.A. In 2023, the company continues in its organic development.

The ZOHD Group operates in the Netherlands, providing services in the field of rooftop photovoltaic systems and services in the field of battery storage. In 2023, ZOHD continues to grow in both PV and storage solutions.

Sales of other products and services

Other products and services

ČEZ Prodej also offers its customers other non-commodity products; it runs the virtual operator “Mobil od ČEZ”, which provides its services to more than 145,000 clients.

Telco Pro Services, including its subsidiaries, expands the telecommunications infrastructure for the purposes of the CEZ Group and the external market. It also continues to develop the provision of high-quality and fast Internet connection to end-use customers, either by building additional fiber-optic networks or by using possible acquisition opportunities (Web4Soft Internet was acquired in January 2023).

Outlook for 2023

Electricity

In Czechia, the CEZ Group expects a decrease in the supply of electricity to ČEZ Prodej’s end-use customers compared to 2022 due to lower household consumption in response to high commodity prices and concerns about sufficient supplies of natural gas. The current structure and size of the portfolio is expected to be maintained in 2023. On the contrary, the supply of electricity to the end-use customers of ČEZ ESCO is expected to be at a higher level than in 2022. The main reason is the year-on-year increase in the number of end-use customers.

In other countries, a similar volume of electricity sales to end-use customers is expected as in the previous year.

Heat

The CEZ Group will continue to transform the heating industry provided by coal-fired sites in Czechia into a low-emission sector in order to achieve climate neutrality. In Slovakia, the newly acquired Slovak company BIOPEL will also deal with the supply of heat.

Natural gas

The CEZ Group expects a year-on-year decrease in the supply of natural gas to the end-use customers of ČEZ Prodej due to savings in household consumption caused by high commodity prices and concerns about the availability of natural gas. At the same time, the current structure and size of the portfolio are expected to be maintained.

Supplies to the end-use customers of ČEZ ESCO, on the other hand, are expected to be at a higher level than in 2022 due to the acquisition of a large number of new customers.

Energy services

ČEZ ESCO intends to further elaborate on its existing products and develop new products, as electricity, gas, heat and water savings, as well as energy self-sufficiency and decarbonization, have become an even greater priority than ever before.

ČEZ ESCO expects a further increase in cooperation with heat production and supply businesses for the purpose of greening the heating industry in Czechia. This area offers a long-term potential to the company for the application of energy-saving solutions, especially for products related to energy savings, smart optimization of operations, ideally with the use of an automated tool or software, and also products related to decarbonization.

ESCO Slovensko observes its customers' interest in energy services – installation of photovoltaic power plants, solutions for reducing energy demand or a complete move away from gas consumption. In the public sector, it expects increased activity and demand for energy services, also with respect to the efforts of cities and regions to deal with budget shortfalls and the increasing prices of commodities and heat.

Considering the importance and potential of the German market for ESCO services, the CEZ Group anticipates both organic and acquisition-induced growth in this key European market. It expects continuous organic growth that would reflect the growth in all three product segments of the Elevion Group, taking into account Germany's current strategy and strong support for decarbonization in the transition to alternative sources, which aims to reduce primary energy consumption by 40% for commercial and industrial entities by 2030. It also expects acquisition-induced growth because of its continued focus on Germany as part of its M&A strategy. The Elevion Group is following the acquisition market in Germany and is bracing itself for the future development of rooftop photovoltaics and the strengthening of its position in industrial and building automation.

On the Polish market, the CEZ Group anticipates an increase in energy for the industry and green energy. Approximately 43% of the total allocation of the Polish Recovery and Resilience Program is earmarked for energy from renewable energy sources. The generation of energy from renewable energy sources is supposed to be the key to decarbonizing the Polish economy and achieving climate neutrality. Although renewable energy sources have a small share in the energy mix, support for PV installations at the national and EU level has resulted in Poland becoming one of the fastest growing PV markets in the EU. The Elevion Group is following the acquisition market with a view to expanding its value chain in the field of electrical engineering and installations in Poland.

Organic growth is expected in all other countries where energy services are provided.

Other products and services

The goals also include the further development of the customer base of the virtual operator "Mobil od ČEZ". Telco Pro Services, including its subsidiaries, intends to take advantage of potential new acquisition opportunities and continue to provide high-quality Internet connectivity to end-use customers. As part of the post-acquisition steps, further simplification of the organizational structure is also being prepared in the form of mergers of acquired companies. The construction of fiber-optic networks will also continue, with the possibility of connecting end-use customers.

Generation, distribution and sales balance

Electricity

Electricity procured and sold (in GWh)

	H1 2022	H1 2023	2023/2022 Index (%)
Electricity procured	24,170	22,515	93.2
Generation	26,793	24,951	93.1
In-house and other consumption, including pumped-storage plants	(2,623)	(2,436)	92.9
Sold to end-use customers	(11,682)	(12,412)	106.2
Wholesale balance	(11,663)	(9,322)	79.9
Sold in the wholesale market	(79,450)	(43,709)	55.0
Purchased in the wholesale market	67,786	34,387	50.7
Grid losses	(825)	(781)	94.7

Electricity generation by energy source in individual countries (in GWh)

Type of source	Czechia		Germany		Poland		Italy		Slovakia		Austria		France		Total	
	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
Emission-free	16,264	16,636	141	160	6	5	1	1	1	0	0	0	9	16,411	16,811	
Nuclear	15,218	15,303	-	-	-	-	-	-	-	-	-	-	-	15,218	15,303	
Hydro	964	1,263	-	-	6	5	-	-	-	-	-	-	-	969	1,268	
Photovoltaic	76	66	-	-	-	-	1	-	-	-	0	0	-	76	67	
Wind	5	5	141	160	-	-	-	-	-	-	-	-	9	146	173	
Emission-generating	9,302	7,294	-	-	1,068	833	10	11	3	3	-	-	-	10,383	8,140	
Coal	7,859	6,116	-	-	925	692	-	-	-	-	-	-	-	8,785	6,808	
Natural gas	1,179	985	-	-	-	-	0	2	3	3	-	-	-	1,182	989	
Biomass	263	193	-	-	143	141	10	9	-	-	-	-	-	416	343	
Total	25,566	23,930	141	160	1,074	838	10	11	3	3	0	0	9	26,793	24,951	
of which: Renewables	1,309	1,526	141	160	149	146	10	10	-	-	0	0	9	1,608	1,851	

Expected electricity generation in 2023 by energy source in individual countries (in GWh)

Type of source	Czechia		Germany		Poland		Italy		Slovakia		Austria		France		Total	
	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
Emission-free	32,640	1	333	10	10	1	1	1	-	1	1	35	33,020			
Nuclear	29,971	-	-	-	-	-	-	-	-	-	-	-	29,971			
Hydro	2,532	-	-	10	-	-	-	-	-	-	-	-	2,542			
Photovoltaic	127	-	30	-	-	1	1	-	-	1	-	-	160			
Wind	9	-	303	-	-	-	-	-	-	-	-	35	346			
Emission-generating	18,274	32	-	1,760	5	32	32	5	20,071							
Coal	14,932	-	-	1,507	-	-	-	-	-	-	-	-	16,439			
Natural gas	2,929	-	-	-	-	7	5	-	-	-	-	-	2,941			
Biomass	412	-	-	253	-	25	-	-	-	-	-	-	691			
Total	50,913	333	1,770	33	5	33	1	53,091								
of which: Renewables	3,081	333	263	26	-	35	1	3,739								

Installed capacity by type of generating facility in individual countries as of June 30 (in MW)

Type of source	Czechia		Germany		Poland		Italy		Slovakia		Austria		France		Total	
	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023	as of June 30, 2022	as of June 30, 2023
Emission-free:	6,404	6,403	134	134	2	2	1	1	1	0	0	0	12	12	6,541	6,552
Nuclear power plants	4,290	4,290	-	-	-	-	-	-	-	-	-	-	-	-	4,290	4,290
Hydroelectric power plants	1,980	1,979	-	-	2	2	-	-	-	-	-	-	-	-	1,982	1,981
Photovoltaic power plants	126	126	0	0	-	-	1	1	-	0	0	-	-	-	127	128
Wind farms	8	8	133	133	-	-	-	-	-	-	-	-	-	-	142	154
Emission-generating:	4,723	4,725	1	1	568	568	3	4	1	1	1	0	0	0	5,296	5,299
Coal-fired power and heating plants (incl. biomass combustion)	3,748	3,748	-	-	568	568	-	-	-	-	-	-	-	-	4,317	4,317
CCGT power plants; gas-fired CUs and boiler plants	969	971	1	1	-	-	1	1	1	1	-	-	-	-	971	973
Biomass power plants and biogas plants burning biomass	6	6	-	-	-	-	2	3	-	-	-	-	-	-	8	9
Total	11,127	11,128	134	134	570	570	4	5	1	1	0	0	12	12	11,837	11,851
Of which: Renewables	2,120	2,119	134	134	2	2	3	4	-	-	0	0	-	-	2,259	2,271

Electricity sales to end-use customers by consumption category in individual countries (in GWh)

Consumption category	Czechia		Austria		Italy		Hungary		Slovakia		Total	
	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
Large customers	5,229	5,743	-	-	10	9	850	1,150	14	13	6,102	6,915
Commercial retail	1,282	1,445	0	0	-	2	-	-	-	-	1,282	1,447
Residential customers	4,297	4,049	0	0	-	-	-	-	0	0	4,298	4,050
Total	10,808	11,237	0	0	10	11	850	1,150	14	14	11,682	12,412

Expected electricity sales to end-use customers in 2023 by consumption category in individual countries (in GWh)

Consumption category	Czechia	Austria	Italy	Hungary	Slovakia	Total
Large customers	12,022	-	25	2,417	26	14,490
Commercial retail	2,123	1	8	-	-	2,133
Residential customers	7,706	0	-	-	-	7,706
Total	21,851	1	33	2,417	26	24,329

Electricity distributed (in GWh)

Electricity distributed to end-use customers	H1 2022	H1 2023
Czechia	18,298	17,473
Slovakia	13	13
Total	18,311	17,486

Expected electricity distribution in 2023 (in GWh)

Electricity Distributed in 2023	
Czechia	34,232
Slovakia	25
Total	34,257

Heat

Heat supplied and sold (in TWh)

Country	Heat supplied for heating purposes		External heat sales (outside CEZ Group)	
	H1 2022	H1 2023	H1 2022	H1 2023
Czechia	3.4	3.3	2.9	2.7
Poland	1.0	0.9	0.9	0.9
Slovakia	0.1	0.1	0.1	0.1
Total	4.5	4.3	3.9	3.7

Expected heat supply and sales in 2023 (in TWh)

Country	Heat supplied for heating purposes	External heat sales
Czechia	6.2	5.2
Poland	1.6	1.6
Slovakia	0.2	0.2
Total	8.0	6.9

Natural gas

Natural gas procured and sold (in GWh)

	H1 2022	H1 2023	2023/2022 Index (%)
Procured	142,914	127,031	88.9
Removed from storage	5,538	6,479	117.0
Sales	(139,110)	(126,226)	90.7
Of which: Trading	(133,989)	(119,359)	89.1
External large customers	(938)	(2,180)	232.5
Medium-sized customers	(398)	(700)	175.7
Small customers	(1,054)	(1,295)	123.0
Residential	(2,409)	(2,305)	95.7
OTE (market operator)	(322)	(386)	119.9
Placed in storage	(6,572)	(4,837)	73.6
Consumed in-house	(2,770)	(2,447)	88.4

Natural gas distributed (in GWh)

Natural gas distributed to end-use customers	H1 2022	H1 2023
Czechia	392	415
Slovakia	93	80
Total	485	494

Natural gas sold to end-use customers by consumption category in individual countries (in GWh)

Consumption category	Czechia		Slovakia		Total	
	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
External large customers	920	2,166	18	14	938	2,180
Medium-sized customers	398	700	–	–	398	700
Small customers	1,054	1,295	–	–	1,054	1,295
Residential	2,409	2,305	–	–	2,409	2,305
Total	4,781	6,467	18	14	4,799	6,481

Expected sales of natural gas to end-use customers in 2023 by consumption category in individual countries (in GWh)

Consumption category	Czechia	Slovakia	Total
Natural gas sold to end-use customers	11,427	27	11,454

Turkey

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

Electricity generation by energy source (in GWh)

Type of source	H1 2023	Expected 2023
Emission-free	493	832
Hydro	456	750
Wind	37	82
Emission-generating	1,555	3,744
Natural gas	1,552	3,709
Biomass	–	23
Pyrolysis	3	12
Total	2,048	4,576
of which: Renewables	493	855

Installed capacity by type of generating facility as of June 30 (in MW)

Type of source	as of June 30, 2022	as of June 30, 2023
Emission-free:	317	317
Hydroelectric power plant:	289	289
Wind farms	28	28
Emission-generating:	904	907
CCGT power plants; gas-fired CUs and boiler plants	904	904
Biomass power plants and biogas plants burning biomass	–	1
Pyrolytic power plants	–	2
Total	1,221	1,224
Of which: Renewables	317	318

Electricity sales to end-use customers (in GWh)

	H1 2022	H1 2023
Electricity sales	5,937	6,129

Expected electricity sales to end-use customers in 2023 (in GWh)

Electricity sales	12,530
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Electricity distributed (in GWh)

	H1 2022	H1 2023
Electricity distributed to end-use customers	4,993	5,021

Expected electricity distribution in 2023 (in GWh)

Electricity distributed to end-use customers	10,248
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CEZ Group's financial performance

Consolidated CEZ Group as of June 30, 2023

As of June 30, 2023, the consolidated CEZ Group comprised a total of 211 companies, with 183 companies fully consolidated and 28 joint ventures and associates consolidated using the equity method.

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

GENERATION

ČEZ, a. s.	Ferme éolienne de la Petite Valade SAS
A.E. Wind S.A. w likwidacji	Ferme Eolienne de la Piballe SAS
Areál Třeboradice, a.s.	Ferme Eolienne de Neuville-aux-Bois SAS
Baltic Green Construction sp. z o.o.	Ferme éolienne de Nueil-sous-Faye SAS
Baltic Green III sp. z o.o. w likwidacji	Ferme Eolienne de Saint-Laurent-de-Céris SAS
Baltic Green IX sp. z o.o. w likwidacji	Ferme Eolienne de Seigny SAS
BANDRA Mobiliengesellschaft mbH & Co. KG	Ferme Eolienne de Thorigny SAS
CASANO Mobiliengesellschaft mbH & Co. KG	Ferme éolienne des Besses SAS
CE Insurance Limited	Ferme Eolienne des Breuils SAS
Centrum výzkumu Řež s.r.o.	Ferme Eolienne des Grands Clos SAS
CEZ Bulgarian Investments B.V.	Ferme éolienne du Blessonnier SAS
CEZ Deutschland GmbH	Ferme Eolienne du Germancé SAS
CEZ Erneuerbare Energien Beteiligungs GmbH	MARTIA a.s.
CEZ Erneuerbare Energien Beteiligungs II GmbH	Nuclear Property Services, s.r.o.
CEZ Erneuerbare Energien Verwaltungs GmbH	OSC, a.s.
CEZ Finance B.V.	PV Design and Build s.r.o.
CEZ France SAS	ŠKODA JS a.s.
CEZ Holdings B.V.	ŠKODA PRAHA a.s.
CEZ Chorzów S.A.	ÚJV Řež, a. s.
CEZ Chorzów II sp. z o.o.	Ústav aplikované mechaniky Brno, s.r.o.
CEZ Magyarország Kft. (CEZ Hungary Ltd.)	Windpark Baben Erweiterung GmbH & Co. KG
CEZ MH B.V.	Windpark Badow GmbH & Co. KG
CEZ Polska sp. z o.o.	Windpark Cheinitz-Zethlingen GmbH & Co. KG
CEZ Produkty Energetyczne Polska sp. z o.o.	Windpark FOHREN-LINDEN GmbH & Co. KG
CEZ RES International B.V.	Windpark Frauenmark III GmbH & Co. KG
CEZ Skawina S.A.	Windpark Gremersdorf GmbH & Co. KG
CEZ Srbija d.o.o. – u likvidaciji	Windpark Mengeringhausen GmbH & Co. KG
CEZ Ukraine LLC	Windpark Naundorf GmbH & Co. KG
CEZ Windparks Lee GmbH	Windpark Zagelsdorf GmbH & Co. KG
CEZ Windparks Luv GmbH	5 ER ENERJI TARIM HAYVANCILIK ANONIM SİRKETİ *)
CEZ Windparks Nordwind GmbH	AK-EL Kemah Elektrik Üretim A.S. *)
ČEZ Energetické produkty, s.r.o.	AKEL SUNGURLU ELEKTRİK ÜRETİM ANONİM SİRKETİ *)
ČEZ ENERGOSERVIS spol. s r.o.	Akenerji Dogalgaz Ithalat Ihracat ve Toptan Ticaret A.S. *)
ČEZ ICT Services, a.s.	Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S. *)
ČEZ Invest Slovensko, a.s.	Akenerji Elektrik Üretim A.S. *)
ČEZ Obnovitelné zdroje, s.r.o.	ČEZ Recyklace, s.r.o. *)
ČEZ OZ uzavřený investiční fond a.s.	GP JOULE PP1 GmbH & Co. KG *)
Elektrárna Dukovany II, a. s.	GP JOULE PPX Verwaltungs-GmbH *)
Elektrárna Temelín II, a. s.	Green Wind Deutschland GmbH *)
Energotrans, a.s.	
Ferme Eolienne d'Andelaroché SAS	
Ferme éolienne de Feuillade et Souffrignac SAS	
Ferme éolienne de Genouillé SAS	

GENERATION

Jadrová energetická spoločnosť
Slovenska, a. s. ^{*)}
juwi Wind Germany 100 GmbH & Co. KG ^{*)}
Windpark Bad Berleburg GmbH & Co. KG ^{*)}
Windpark Berka GmbH & Co. KG ^{*)}

Windpark Datteln GmbH & Co. KG ^{*)}
Windpark Moringen Nord GmbH & Co. KG ^{*)}
Windpark Nortorf GmbH & Co. KG ^{*)}
Windpark Prezelle GmbH & Co. KG ^{*)}

^{*)} Joint venture or associate

MINING

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

GEOMET s.r.o. ^{*)}
LOMY MOŘINA spol. s r.o. ^{*)}

^{*)} Joint venture or associate

DISTRIBUTION

ČEZ Distribuce, a. s.

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

^{*)} Joint venture or associate

SALES

ADAPTIVITY s.r.o.
AirPlus, spol. s r.o.
AMPRO Medientechnik GmbH
Ampro Projektmanagement GmbH
AxE AGRICOLTURA PER L'ENERGIA
SOCIETA' AGRICOLA A R.L.
AZ KLIMA a.s.
AZ KLIMA SK, s.r.o.
Belectric France S.A.R.L.
BELECTRIC GmbH
Belectric Israel Ltd.
Belectric Italia S.r.l.
Belectric Solar Ltd.
BIOPEL, a. s.
BUDRIO GFE 312 SOCIETA' AGRICOLA S.R.L.
CAPEXUS s.r.o.
CAPEXUS SK s. r. o.
CERBEROS s.r.o.
ČEZ Energetické služby, s.r.o.
ČEZ Energo, s.r.o.
ČEZ ESCO, a.s.
ČEZ Prodej, a.s.
ČEZ Teplárenská, a.s.
ČEZNET s.r.o.
D-I-E Elektro AG

Domat Control System s.r.o.
E-City Polska sp. z o.o.
e-Dome a. s.
EAB Elektroanlagenbau GmbH Rhein/Main
Elektro-Decker GmbH
Elektro Hofmockel GmbH & Co.
Elektroanlagen KG
Elevion Deutschland Holding GmbH
Elevion Energy & Engineering Solutions GmbH
Elevion GmbH
Elevion Group B.V.
Elevion Holding Italia Srl
Elevion Österreich Holding GmbH
Elevion Vorrats GmbH
ELIMER, a.s.
Energetické centrum s.r.o.
Energy Shift B.V.
ENESA a.s.
En.plus GmbH
ENVEZ, a. s.
EP Rožnov, a.s.
EPIGON spol. s r.o.
ESCO Distribučné sústavy a.s.
ESCO Servis, s. r. o.
ESCO Slovensko, a. s.

SALES

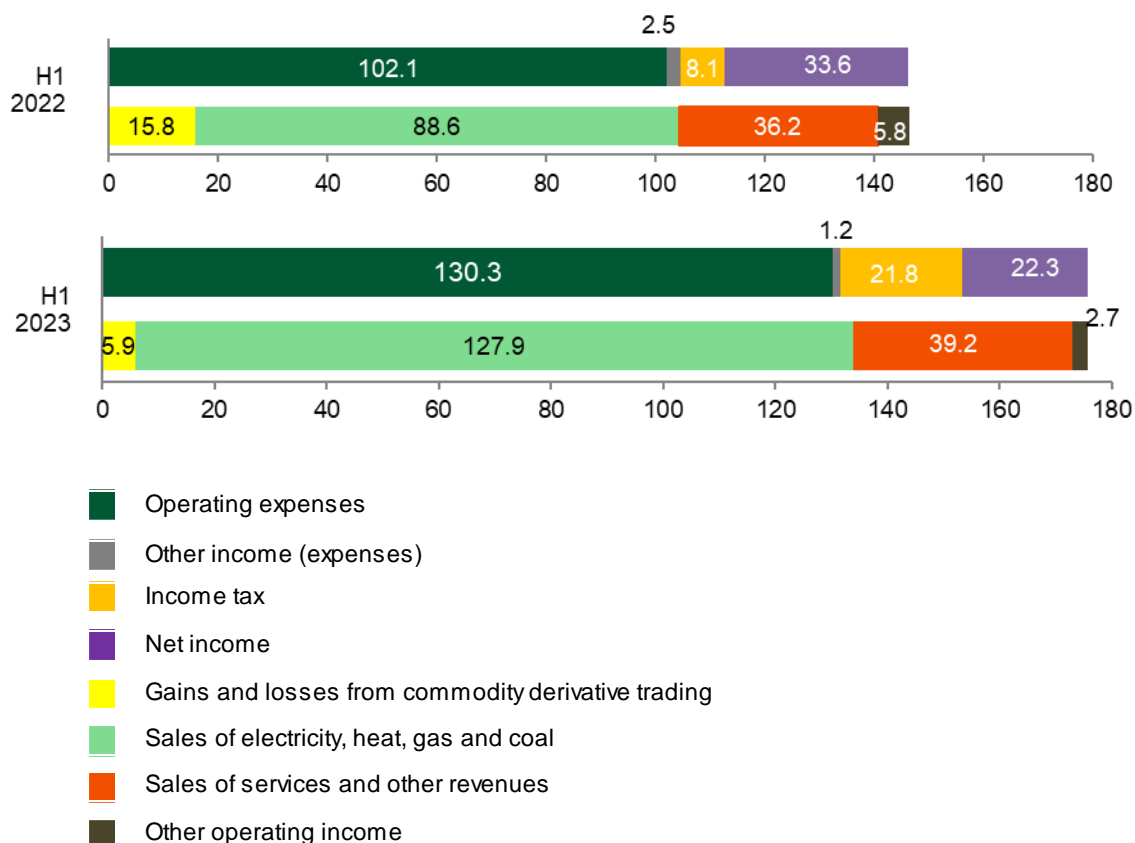
ETS Efficient Technical Solutions GmbH
ETS Efficient Technical Solutions
Shanghai Co. Ltd.
ETS Engineering Kft.
Euroklimat sp. z o.o.
FDLnet.CZ, s.r.o.
GESPA GmbH
Green energy capital, a.s.
GWE Verwaltungs GmbH
GWE Wärme- und Energietechnik GmbH
HA.EM OSTRAVA, s.r.o.
Hermos AG
HERMOS International GmbH
HERMOS SDN. BHD
Hermos Schaltanlagen GmbH
Hermos Signaltechnik GmbH
Hermos sp. z o.o.
Hermos Systems GmbH
High-Tech Clima S.A.
Hofmockel Verwaltungsgesellschaft mit
beschränkter Haftung
HORMEN CE a.s.
Hybridkraftwerk Culemeyerstraße Projekt GmbH
IBP Ingenieure GmbH
IBP Verwaltungs GmbH
inewa consulting Srl
inewa Srl
INTERNEXT 2000, s.r.o.
Inven Capital, SICAV, a.s.
KABELOVÁ TELEVIZE CZ s.r.o.
KART, spol. s r.o.
Kofler Energies Energieeffizienz GmbH
Kofler Energies Ingenieurgesellschaft mbH
Kofler Energies Systems GmbH
M&P Real GmbH
Magnalink, a.s.
Metrolog sp. z o.o.
Moser & Partner Ingenieurbüro GmbH
NEK Facility Management GmbH
OEM Energy sp. z o.o.
Optické sítě s.r.o.
Peil und Partner Ingenieure GmbH
PIPE SYSTEMS s.r.o.
Rudolf Fritz GmbH
SOCIETA' AGRICOLA B.T.C. S.R.L.
SOCIETA' AGRICOLA DEF S.R.L.
Solární servis, s.r.o.
SPRAVBYTKOMFORT, a.s. Prešov
SYNECO PROJECT S.r.l.
Syneco tec GmbH
SYNECOTEC Deutschland GmbH
Telco Infrastructure, s.r.o.
Telco Pro Services, a. s.
TENAUR, s.r.o.
Teplo Klášterec s.r.o.
Wagner Consult GmbH
Web4Soft Internet s.r.o.
ZOHD Groep B.V.
Zonnepanelen op het Dak B.V.
Zonnepanelen op het Dak Installaties B.V.

Bytkomfort, s.r.o. *)
Elevion Co-Investment GmbH & Co. KG *)
KLF-Distribúcia, s.r.o. *)
Sakarya Elektrik Perakende Satis A.S. *)
Sepas Akıllı Cözümler A.S. *)
Tepelné hospodárství města Ústí nad
Labem s.r.o. *)

*) *Joint venture or associate*

Changes in revenues, expenses, and income

CEZ Group's net income breakdown (in CZK billions)



Net income (after-tax income) in the first half of 2023 amounted to CZK 22.3 billion, which is a year-on-year decrease of CZK 11.3 billion. The decrease was mainly caused by the newly introduced windfall tax in Czechia, in the amount of 60%, from January 1, 2023, which burdened the costs with an amount exceeding CZK 13 billion.

Operating revenues rose year-on-year by CZK 39.2 billion, to the level of CZK 169.7 billion, due to higher revenues from the sale of electricity, heat, gas and coal, mainly as a result of the increase in the selling prices of electricity and gas.

The item Gains and losses from commodity derivative trading was lower by CZK 9.9 billion year-on-year as a result of the record-high profit from speculative commodities trading in the first half of 2022 and the effect of revaluation of derivative trades hedging the production and sales for the next period (especially gas procurement contracts in 2022).

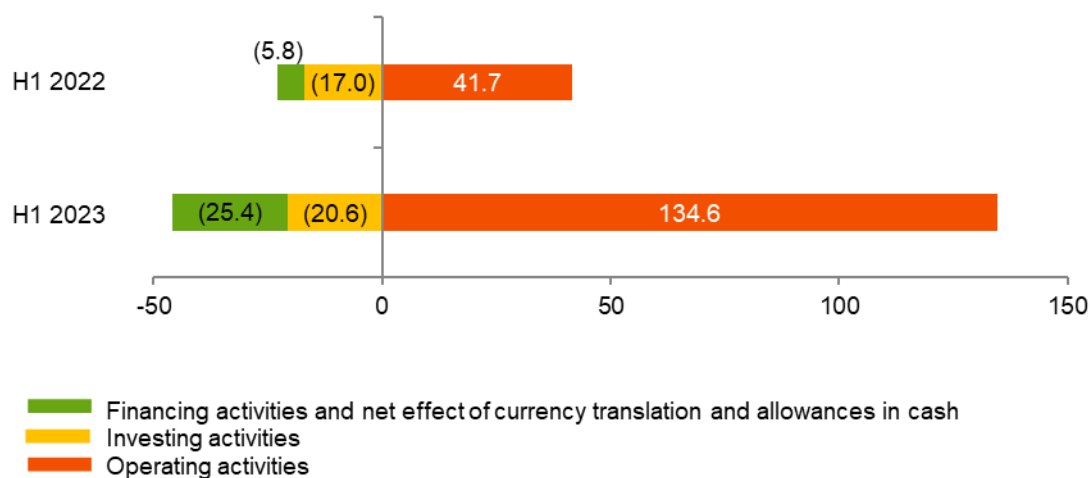
Operating expenses increased by CZK 28.2 billion year-on-year to CZK 130.3 billion. They also included the newly introduced levies from excessive generation income in Czechia, which amounted to CZK 11.1 billion in the first half of 2023. Furthermore, the costs of purchasing electricity, gas and other energies increased (CZK -10.0 billion), just like the costs of services (CZK -2.8 billion), salaries and wages (CZK -2.0 billion), materials (CZK -1.8 billion), and depreciation and amortization (CZK -1.9 billion).

The costs of fuel and emission allowances decreased by CZK 1.2 billion year-on-year.

The lower other expenses and income increased the net income by CZK 1.3 billion year-on-year. Income tax increased by CZK 13.7 billion mainly due to the windfall tax, newly introduced in Czechia from 2023.

Cash flow

CEZ Group's cash flows (in CZK billions)



Cash obtained from operations increased (CZK +92.9 billion) year-on-year to CZK 134.6 billion. Profit before tax adjusted for non-cash operations decreased year-on-year (CZK -26.9 billion). Interest paid increased (CZK -2.4 billion), income tax paid increased (CZK -0.9 billion), and on the contrary, interest received was higher (CZK +3.0 billion). However, the change in of assets and liabilities had a fundamental influence on the cash flows of the first half of the year, which had a very positive impact year-on-year (CZK +120.0 billion) in connection with the stabilization of the energy markets. In that case, the most significant item was the change in margin deposits on commodity exchanges and with commodity traders (CZK +58.0 billion), and other items also recorded significant positive changes: change in receivables and payables from derivatives (CZK +21.6 billion), change in trade receivables and payables (CZK +14.3 billion), change in emission allowances (CZK +14.0 billion) and smaller change in stocks of materials and fossil fuels (CZK +12.0 billion), mainly gas.

Cash used for investment activities increased (CZK -3.6 billion) to CZK -20.6 billion. The main reason was the higher acquisition of fixed assets (CZK -4.4 billion), in particular higher acquisition of tangible and intangible assets (CAPEX). Revenues from the sale of fixed assets (CZK -0.6 billion) and repayments of granted loans (CZK -0.3 billion) decreased, while granted loans increased (CZK -0.1 billion). On the contrary, lower acquisitions of subsidiaries, associates and joint ventures (CZK +1.5 billion) and change in financial assets with limited availability (CZK +0.2 billion) had an opposite effect.

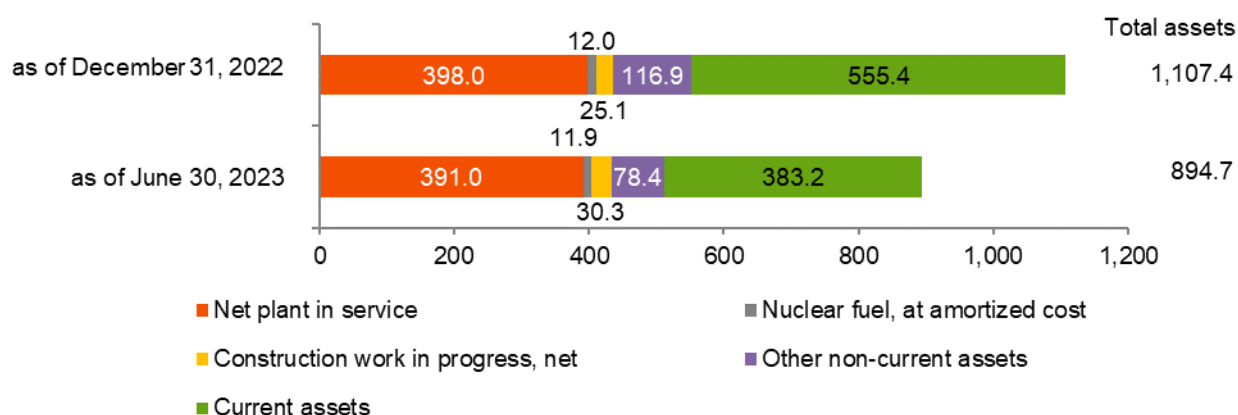
Net cash flow from financial operations decreased year-on-year by CZK 19.0 billion to CZK -24.7 billion. The main reason was the year-on-year difference in the utilization and repayment of credits and loans (CZK -16.5 billion). The payment of other long-term payables was higher (CZK -2.4 billion).

The net effect of currency translation and impairments on cash had a negative effect (CZK -0.6 billion).

Structure of assets & equity and liabilities

The value of the CEZ Group's consolidated assets & equity and liabilities decreased by CZK 212.7 billion to CZK 894.7 billion in the first half of 2023.

Structure of CEZ Group's assets (in CZK billions)



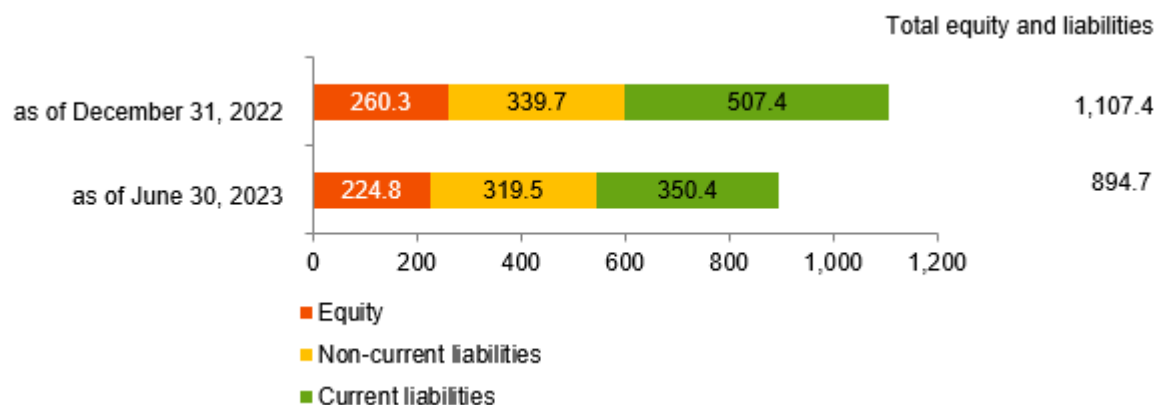
Fixed assets fell by CZK 40.4 billion to CZK 511.6 billion.

The value of property, plant, and equipment, nuclear fuel, and construction work in progress decreased by CZK 1.9 billion to CZK 433.2 billion. Gross property, plant, and equipment and construction work in progress increased (CZK +11.7 billion) and adjustments and impairments increased (CZK -13.5 billion). Nuclear fuel decreased (CZK -0.1 billion).

Other fixed assets decreased by CZK 38.5 billion to CZK 78.4 billion. In the first half of 2023, deferred tax assets decreased (CZK -49.5 billion) and other long-term financial assets increased (CZK +9.0 billion), of which long-term receivables from derivative operations grew (CZK +5.1 billion), long-term receivables increased (CZK +3.1 billion) and equity securities acquired by Inven Capital increased (CZK +0.4 billion). Fixed assets further increased because of an increase in financial assets with limited availability (CZK +1.9 billion) and an increase in intangible assets (CZK +0.1 billion).

Current assets fell by CZK 172.2 billion to CZK 383.2 billion. Receivables from derivatives, including options, contributed the most to the decrease in current assets (CZK -145.0 billion), mainly due to temporary changes in the fair value of commodity trades as a result of the high volatility of commodity prices in 2022. Receivables from margin deposits on energy exchanges and with commodity traders also decreased (CZK -53.6 billion), trade receivables fell (CZK -38.5 billion), just like emission allowances (CZK -22.8 billion), in particular allowances intended for consumption, material stocks (CZK -2.9 billion) and short-term debt securities (CZK -2.7 billion). Conversely, cash and cash equivalents (CZK +88.7 billion), other current assets (CZK +2.7 billion), fossil fuel stocks (CZK +0.8 billion), income tax receivables (CZK +0.8 billion) and other items of current assets (CZK +0.3 billion) increased.

Structure of the CEZ Group's equity and liabilities (in CZK billions)



Equity, including non-controlling interests, decreased by CZK 35.4 billion to CZK 224.8 billion in the first half of 2023. The decrease was caused by dividends awarded to shareholders (CZK -77.8 billion). In contrast, the net income created in the first half of 2023 increased equity (CZK +22.3 billion) and the other comprehensive income (CZK +20.2 billion) also had a positive effect.

Long-term payables fell by CZK 20.3 billion to CZK 319.5 billion. The decline was mainly due to lower long-term payables from derivatives (CZK -24.8 billion) and lower long-term debts without the short-term part (CZK -19.3 billion). Long-term provisions (CZK +2.9 billion) and deferred tax liability (CZK +21.5 billion) increased. Other items decreased (CZK -0.6 billion).

Current liabilities decreased by CZK 157.0 billion to CZK 350.4 billion. The decrease was mainly caused by a reduction in short-term payables from derivatives (CZK -178.1 billion), mainly due to temporary changes in the fair value of commodity trades as a result of the high volatility of commodity prices in 2022. Trade payables (CZK -37.3 billion), short-term loans (CZK -26.2 billion) and short-term provisions (CZK -12.7 billion), especially the reserve for greenhouse gas emissions, also fell. On the other hand, there was an increase in payables to shareholders during profit distribution (CZK +77.7 billion) from the granted dividends, the short-term part of long-term debts (CZK +18.7 billion) and advances received (CZK +1.5 billion). Other items decreased (CZK -0.6 billion).

Comprehensive Income

The after-tax comprehensive income for the first half of 2023 reached CZK 42.4 billion and was CZK 74.0 billion higher year-on-year.

The net income of CZK 22.3 billion decreased year-on-year by CZK 11.3 billion, and other comprehensive income of CZK 20.2 billion increased by CZK 85.3 billion. Other comprehensive income was positively affected year-on-year mainly by change in the fair value of financial instruments hedging cash flows (CZK +163.7 billion) and by change in the fair value of debt instruments (CZK +2.8 billion). Change in deferred tax related to other comprehensive income (CZK -64.8 billion), derecognition of cash flow hedging to financial results (CZK -15.9 billion) and differences from exchange rate translations of subsidiaries, associates and joint ventures (CZK -0.4 billion) had a negative impact.

Net debt

CEZ Group's net debt (in CZK billions)

	as of December 31, 2022	as of June 30, 2023
Long-term debt, net current portion	140.2	120.9
Current portion of long-term debt	8.9	27.6
Short-term loans	53.1	26.8
Total debt	202.1	175.4
Cash and cash equivalents	36.6	125.3
Highly liquid financial assets	9.9	7.4
Net debt	155.7	42.7
EBITDA (in preceding 12 months)	131.6	134.7
Net debt / EBITDA	1.18	0.32

Note: Between July and August, three significant payments in the total amount of CZK 117 billion were paid consecutively: dividends (approx. CZK 78 billion), ČEZ's income tax surcharge for 2022 (approx. CZK 15 billion) and repayment of EUR 1 billion from a loan from the Czech state (approx. CZK 24 billion).

Financial results of the CEZ Group by segments

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

Segments and their contributions into the CEZ Group's financial performance

	Operating revenues	EBITDA	Net income	Workforce headcount as of June 30
	(CZK billions)	(CZK billions)	(CZK billions)	('000 persons)
GENERATION				
H1 2022	95.5	46.0	33.2	10.6
H1 2023	125.8	45.5	21.4	12.0
MINING				
H1 2022	6.2	3.1	1.9	4.3
H1 2023	9.9	5.6	3.7	4.3
DISTRIBUTION				
H1 2022	18.0	9.5	4.9	4.6
H1 2023	18.0	9.0	4.5	4.6
SALES				
H1 2022	66.9	0.7	(0.0)	7.9
H1 2023	114.3	3.2	2.6	8.4
Elimination between segments				
H1 2022	(56.1)	(0.1)	(6.5)	–
H1 2023	(98.3)	(0.9)	(9.8)	–
CEZ Group total				
H1 2022	130.5	59.3	33.6	27.3
H1 2023	169.7	62.4	22.3	29.4

The GENERATION Segment's net income decreased by CZK 11.8 billion year-on-year. In Czechia, the segment's net income fell by CZK 12.4 billion year-on-year, which was mainly caused by an increase in income tax (CZK -13.2 billion) due to the newly introduced 60% windfall tax. EBITDA (CZK -1.2 billion), higher depreciation and amortization (CZK -1.3 billion) and higher interest from nuclear and other provisions (CZK -2.1 billion) also had a negative impact. Conversely, higher received dividends (CZK +3.6 billion) and exchange rate effects and revaluation of financial derivatives (CZK +1.7 billion) had a positive effect. In Poland, the segment's net income increased by CZK 0.3 billion mainly as a consequence of higher EBITDA (CZK +0.5 billion). In the other countries of the segment, net income increased by CZK 0.3 billion because of the higher profit of CEZ Hungary.

The net income of the MINING Segment increased by CZK 1.7 billion mainly thanks to higher EBITDA (CZK +2.5 billion). Higher depreciation and amortization (CZK -0.2 billion), impairments of fixed assets (CZK -0.2 billion) and higher income tax (CZK -0.4 billion) had a negative impact.

The net income of the DISTRIBUTION Segment decreased year-on-year by CZK 0.5 billion, of which CZK 0.7 billion in Czechia due to lower EBITDA (CZK -0.5 billion) and higher depreciation and amortization (CZK -0.3 billion). In Turkey, net income increased by CZK 0.3 billion.

The net income of the SALES Segment increased by CZK 2.6 billion, of which CZK 1.9 billion in Czechia thanks to the increase in EBITDA (CZK +2.2 billion) and the related higher income tax (CZK -0.3 billion). Abroad, net income increased overall by CZK 0.7 billion, of which in Poland (CZK +0.1 billion), in Germany (CZK +0.2 billion), in Turkey (CZK +0.3 billion) and in other countries (CZK +0.1 billion).

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

In the largest segment, GENERATION, the indicator decreased by CZK 0.5 billion to CZK 45.5 billion. In Czechia, the indicator decreased by CZK 1.2 billion. The higher gross margin from generation as a result of the increase in the realized prices of electricity and the change in the purchase prices of emission allowances and gas (CZK +13.0 billion) was almost eliminated by the newly introduced levies from excessive generation income in Czechia (CZK -11.1 billion). The year-on-year decrease was mainly caused by the lower contribution of the Trading sub-segment (CZK -2.4 billion), especially with regard to the record-high income from commodity trading in 2022 and the effect of the revaluation of derivative trades hedging generation and sales positions for the next period. Other effects reduced the indicator by CZK 0.7 billion, mainly due to the increase in fixed generation costs. In Poland, the indicator increased (CZK +0.5 billion) mainly due to higher sales of heat and electricity. In other countries, the indicator increased (CZK +0.3 billion) thanks to CEZ Hungary.

In the MINING Segment, the indicator increased by CZK 2.5 billion to CZK 5.6 billion. Revenues from coal deliveries to the CEZ Group (CZK +2.2 billion) and external revenues (CZK +1.5 billion) increased, in both cases mainly due to the increase in coal prices. At the same time, fixed operating expenses increased (CZK -1.0 billion), mainly as a result of the increase in energy prices.

In the DISTRIBUTION segment, the indicator decreased by CZK 0.5 billion to CZK 9.0 billion. The lower year-on-year gross margin from electricity distribution (CZK -0.2 billion) is a consequence of the lower volume of distributed electricity (reflecting a reduction in customer consumption due to high commodity prices). Fixed operating expenses were higher (CZK -0.4 billion), as were revenues from ensuring input power and connection (CZK +0.1 billion).

The SALES Segment reported an EBITDA of CZK 3.2 billion, i.e. CZK 2.4 billion more year-on-year. Of this, the indicator increased (CZK +2.2 billion) in Czechia. The main reason was the income from legal disputes with the Railway Administration regarding electricity supply in 2010 and 2011 (CZK +1.2 billion), a higher margin from the purchase of electricity from RES sources as a result of long-term contracts and the development of market electricity prices (CZK +0.8 billion) and higher margins from non-commodity products, in particular from the installation of photovoltaic power plants and heat pumps (CZK +0.2 billion). In Poland, the indicator increased (CZK +0.1 billion) thanks to higher profitability of contracts in energy services. For the same reason, the indicator also increased in Germany (CZK +0.1 billion).

Related parties

Overview of receivables from and payables to related parties (in CZK millions)

	Receivables		Payables	
	as of December 31, 2022	as of June 30, 2023	as of December 31, 2022	as of June 30, 2023
Bytkomfort, s.r.o.	-	23	-	-
ČEZ Recyklace, s.r.o.	125	155	3	-
Elevion Co-Investment GmbH & Co. KG	-	-	65	67
GP JOULE PP1 GmbH & Co. KG	34	51	-	-
In PROJEKT LOUNY ENGINEERING s.r.o.	-	11	15	7
LOMY MORINA spol. s r.o.	24	17	40	7
Tepelné hospodářství města Ústí nad Labem s.r.o.	69	19	-	-
Výzkumný a zkušební ústav Plzeň s.r.o.	4	21	8	12
Windpark Berka GmbH & Co. KG	10	10	-	-
GEOMET s.r.o.	2	127	-	-
Others	19	23	24	9
Total	287	457	155	102

Sales to and purchases from related parties (in CZK millions)

	Sales to related parties		Purchases from related parties	
	H1 2022	H1 2023	H1 2022	H1 2023
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	–	15	190	21
In PROJEKT LOUNY ENGINEERING s.r.o.	24	18	12	11
Jadrová energetická spoločnosť Slovenska, a. s.	9	7	–	–
LOMY MORINA spol. s r.o.	72	76	157	158
Tepelné hospodárství města Ústí nad Labem s.r.o.	195	240	1	1
VLTAVOTÝNSKÁ TEPLÁRENSKÁ a.s.	14	17	–	–
Výzkumný a zkušební ústav Plzeň s.r.o.	1	5	3	18
Others	3	7	11	18
Total	318	385	374	227

Interest, other financial income and income from received profit shares from related parties (in CZK millions)

	Interest and other financial expenses		Interest and other financial income		Interest on received profit shares	
	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
Akcez Enerji Yatirimlari Sanayi ve Ticaret A.Ş.	–	–	5	4	–	–
Akenerji Elektrik Enerjisi Ithalat Ihracat ve Toptan Ticaret A.S.	–	–	171	–	–	–
Bytkomfort, s.r.o.	–	–	–	–	8	23
Tepelné hospodárství města Ústí nad Labem s.r.o.	–	–	–	–	8	3
Výzkumný ústav pro hnědé uhlí a.s.	–	–	–	–	2	8
Others	1	2	3	4	5	2
Total	1	2	179	8	23	36

Economic and financial outlook for 2023

As of August 10, 2023, the CEZ Group expected to achieve a consolidated EBITDA for the entire year 2023 in the amount of CZK 105 to 115 billion and a consolidated net income adjusted for extraordinary effects in the amount of CZK 33 to 37 billion. Compared to the actual results of 2022, this is a decrease in EBITDA by CZK 17 to 27 billion and a decrease in net income adjusted for extraordinary effects by CZK 41 to 45 billion.

The higher gross margin from generation in Czechia due to the increase in the realized prices of electricity and the change in the purchase prices of emission allowances and gas will be almost eliminated by higher state levies from excessive generation income in Czechia. The main reason for the predicted year-on-year decline in EBITDA is the unprecedented record-high profit from commodity trading in 2022 (CZK -20 billion). In addition, at the level of net income, the newly introduced windfall tax in Czechia in 2023 (CZK -22 to -30 billion) has a negative effect on the year-on-year comparison.

The major causes of the year-on-year change in operating financial performance in individual business segments are listed below to indicate the CEZ Group's expected financial position in 2023.

The GENERATION Segment is expected to decrease by CZK 20 to 30 billion year-on-year. In the area of generating facilities (CZK -12 to -2 billion), the higher realized prices of electricity in particular have a positive effect, including hedging, while higher levies from excessive generation income in Czechia, lower deployment of emission sources, lower availability of nuclear facilities and higher fixed operating expenses have a negative effect. In the area of trading (CZK -20 to -15 billion), the expected decrease is mainly caused by the unprecedented profit from trading in 2022, and the year-on-year development will be affected by the uncertain amount of profit from trading in 2023 and the revaluation of derivatives.

In the MINING Segment, a year-on-year increase of CZK 3 to 6 billion is expected. Higher sales of coal, especially because of higher realized prices, have a positive effect, while higher fixed operating expenses, especially for energy, have a negative effect.

In the DISTRIBUTION Segment, a year-on-year change in the range of CZK -2 billion to 0 billion is expected, while higher fixed operating expenses and the influence of correction factors have a negative effect; higher permitted revenues have a positive effect.

In the SALES Segment, a year-on-year change in the range of CZK 0 to +2 billion is expected, while acquisition-induced and organic growth in the area of energy services and higher margins from the

purchase of electricity from renewable energy sources have a positive effect. Higher purchase costs of electricity and gas for customers have an opposite effect.

The elimination of relationships between the segments will reduce EBITDA by CZK 1 to 2 billion year-on-year. This mainly involves the elimination of the currency risk hedging effect of ČEZ ESCO (SALES Segment) through ČEZ (GENERATION Segment), caused by the significant strengthening of the CZK against the EUR. Within ČEZ, this effect is reported as part of exchange rate gains and losses (i.e. outside of EBITDA).

Selected risks and forecast opportunities include: availability of generating facilities, uncertain amount of profit from commodity trading and derivative revaluation, realized price of generated electricity and amount of windfall tax.

Investments in the fixed assets of the CEZ Group are expected to amount to CZK 48 billion in 2023, most of which are planned to go into generation and distribution assets in Czechia.

The net income of the parent company ČEZ, a. s. is expected in the amount of CZK 23 to 27 billion in 2023, the year-on-year decrease is mainly due to the newly introduced windfall tax in the amount of 60%.

Investments

Total investments (in CZK billions)

	H1 2022	H1 2023
Additions to non current assets, including capitalized interest	14.6	19.0
Additions to property, plant and equipment	11.5	16.1
Of which: Nuclear fuel procurement	0.8	3.4
Additions to intangibles	0.6	0.8
Additions to non-current financial assets	1.4	0.4
Change in balance of liabilities attributable to capital expenditure	1.1	1.7
Financial investments ¹⁾	2.0	0.5
Total capital expenditures	16.7	19.5

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

Impact of the conflict in Ukraine on business

The impact of the ongoing armed conflict in Ukraine and the ensuing sanctions and measures in Europe and the world on the CEZ Group's business is significant, as it has a major impact on the wholesale electricity and natural gas markets, on supplier relations, payments, on macroeconomic development, on the regulatory measures taken by countries and especially on the growth of inflation in Europe.

The root cause of the extreme rise in electricity prices associated with the shortage and uncertainty of natural gas supplies from Russia has already been largely eliminated. In addition, the reduction of supplies from Russia had an effect on ČEZ mainly through the impacts on the electricity market. Natural gas supplies through gas pipelines from Russia have been replaced by seaborne LNG supplies, and consumption-level austerity measures have been adopted. The insufficient capacities of European LNG terminals have been and are continuously being expanded, thereby gradually reducing the risk of dependence on Russian supplies.

The damage caused to ČEZ, a. s., resulting from the reduction of gas supplies in 2022 from Gazprom Export, based in the Russian Federation, is currently the subject of arbitration. These contracts were concluded prior to the imposition of sanctions, notably in 2021.

The risks for predicting financial results and, in general, the sources of risks and opportunities for the CEZ Group's business in the context of the conflict in Ukraine include:

- 1) Significant and unpredictable price movements in the wholesale electricity market, in both directions. Their direct consequence is an increased liquidity risk for ČEZ, as a seller of generated electricity, which, at a time of extremely high prices, was forced to place very high deposits (margin deposits) on stock exchanges and with business counterparties due to continuous pre-sales of expected generation.
- 2) Limited economic development in Europe and influence on political changes consisting in higher regulation or specific taxation of selected business areas. Impaired possibility and availability of ensuring the maintenance of generating facilities and supplies of nuclear fuel with regard to the impact of sanctions and measures limiting the supply of services and material from selected countries and regions.
- 3) Possibility of unpredictable actions by foreign states in relation to contracted capacities, stored inventories, and transport routes of natural gas and oil from abroad to Czechia.
- 4) Risk of escalation of the military conflict or internal instability from Ukraine to other countries in Europe and the associated increase in uncertainty, adoption of restrictive measures to strengthen internal security and restrictions on markets, including the imposition of additional sanctions and measures by the European Union states or Russia, which may further restrict mutual trade, commodity supply, transport routes and cross-border payment methods.

International sanctions

The CEZ Group has been systematically and regularly checking selected suppliers on the EU's international sanctions lists, as well as on the US (OFAC) and UK (HMT) lists, for a long time. In 2022, in connection with the tightening of the EU's international sanctions lists, payments to the accounts of potential sanctioned entities were temporarily suspended by ČEZ, a. s. and selected subsidiaries, and robust control mechanisms were set up to ensure compliance with international sanctions. In total, more than 155,000 CEZ Group trading partners were examined as part of the established controls.

In the case of irreplaceable key suppliers and within the framework of the performance of several public contracts, the CEZ Group applied for an exemption with the Financial Analysis Office (FAO). All these requests were granted by the FAO.

4. Business of the CEZ Group – other areas

Safety and security

Safety is the top priority for the CEZ Group. The principles of managing and ensuring safety and environmental protection are defined in the Safety and Environmental Protection Policy, which is linked to the strategic priorities of the CEZ Group.

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

The top governing document of the CEZ Group's security management system is the "CEZ Group Security Policy", which, among other things, defines the vision, objectives, and scope of the CEZ Group's security management system in accordance with the requirements of regulations, laws, and international standards and recommendations, in particular Regulation (EU) 2016/679, the General Data Protection Regulation (GDPR), the Atomic Energy Act, laws on cyber security, on the protection of classified information, and security clearance, ISO 27000 and ISO 22301 standards, and recommendations of the International Atomic Energy Agency (IAEA).

In accordance with the expectations of stakeholders and following the declared interest of the CEZ Group in the Unified Management System, management systems are being implemented in accordance with the Safe Enterprise program, or in accordance with the ČSN ISO 45001 standard to support safety management in CEZ Group companies. These companies are certified by accredited certification bodies, or verified by independent bodies. The system approach to safety management contributes to the effective fulfillment of the requirements of legal regulations and other requirements based on international standards for management systems in the areas of fire protection, emergency preparedness and occupational health and safety (OHS).

Safety

Safety of operated nuclear power plants

ČEZ's nuclear power plants were operated in compliance with applicable nuclear energy legislation in the first half of 2023, fulfilling the conditions of their valid licenses. In April, following the Nuclear Activities Safety Policy, Plans for improving the safety of nuclear power plants were evaluated and updated.

At both nuclear sites, an adequate regime of physical protection and cyber security is continuously evaluated and applied in accordance with the defined procedures.

Preparation for the WANO Corporate Peer Review 2023 (WCPR) continues, the Advanced Information Package and the mission schedule have already been prepared. Both power plants were transferred from the Moscow center to the Paris WANO center on January 1, 2023. The new inclusion also brings a new method of interaction between nuclear power plants and the WANO regional center (working versus executive level), including the preparation and conduct of missions (expert mission, assistance visit or benchmarking).

Scheduled emergency response drills (emergency drills) are performed at both nuclear sites.

An internal audit of the OHS management system was conducted at both power plants in March 2023, focusing on the topic of Ensuring the safe execution of work at heights. The team of auditors stated that the safety management system is set up and implemented in accordance with the requirements of the Safe Enterprise program.

In all units of the Dukovany Nuclear Power Plant, a periodic safety report is carried out after 10 years of operation – PSR EDU 40. Significant safety deviations have not yet been identified.

The Police of the Czech Republic and the Regional Occupational Safety Inspectorate are investigating a fatal accident involving two people, which occurred during tests of the hot water piping from the Temelín Nuclear Power Plant to České Budějovice. This event is not related to the operation of the power plant.

Protection

Physical protection

This provides a specified level of protection of the CEZ Group's facilities, nuclear materials and nuclear installations, persons and property adequate to the risks arising from the current security situation and the defined design-basis threats to nuclear materials and nuclear installations in the territory of Czechia.

In the first half of 2023, no safety-significant deviations from the normal state of physical protection were observed in the CEZ Group, including both nuclear power plants. The conclusions of the inspections carried out by the State Office for Nuclear Safety (SONS) stated that the method of ensuring physical protection of nuclear installations and nuclear materials at the Temelín NPP and the Dukovany NPP corresponds to, and is carried out in accordance with, the legislative requirements for this area. In cooperation with the Czech Army, the planned exercise SAFEGUARD Temelín 2023 took place in June 2023, testing comprehensively the preparedness of the Czech Army, the Police of the Czech Republic and ČEZ, a. s. to ensure external protection of the Temelín Nuclear Power Plant.

Information and cyber security

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

In 2023, CEZ Group companies continuously responded to current cyber threats and resolved security events and incidents occurring on the assets they manage.

In response to the inspection of the National Cyber and Information Security Agency (NCISA) at the Temelín NPP, conducted in 2022, and the results of internal and external audits, ČEZ, a. s. takes corrective measures based on the individual findings and recommendations.

In 2023, ČEZ, a.s. launched the multi-year NIS2 Implementation Program for the entire CEZ Group, i.e. an updated version of the NIS (Network and Information Security) Directive, in the CEZ Group, responding to the revision of Directive (EU) 2016/1148 of the European Parliament and of the Council, concerning measures for a high common level of security of network and information systems across the Union (NIS), and the expected new Czech Act on Cyber Security. The program includes all the necessary preparation both at the level of organization and management, personnel and technology, to meet the new legislative requirements.

Business continuity management and crisis management

The area of business continuity management and crisis management was provided for in the first half of 2023 in accordance with legislative requirements and internal managing documentation.

During that time, the CEZ Group implemented internal preparatory steps responding to the revision of Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities (Critical Entities Resilience – CER), and representatives of the CEZ Group were actively involved in the preparation of the transposition of the CER Directive into the Czech legal system.

Representatives of ČEZ and ČEZ Distribuce, under the direction of the Directorate General of the Fire Rescue Service of the Czech Republic, took part in the preparations for assigning stress tests of critical infrastructure used to verify the resilience of Czechia's electricity system against possible threat scenarios resulting from the current geopolitical situation in Europe. Implementation of the stress tests as such is planned for September 2023.

Environment

Reducing the environmental impacts of generating facilities is one of the CEZ Group's long-term strategic goals.

Selected events and measures in the first half of 2023

Extensive demolition of the Prunéřov I coal-fired power plant continued; it was preceded by a pre-demolition screening to identify hazardous and recoverable waste. The demolition will be completed in the second half of 2023. Further demolitions of decommissioned coal units are being prepared.

The CEZ Group's generating facilities were operated without significant fluctuations and incidents; there were also no external effects on the operation of facilities nor their environmental impacts recorded.

One recorded incident involved the leakage of approximately 200 l of fuel oil in the Dvůr Králové nad Labem heating plant, which occurred on July 17, 2023 and was associated with a technical fault in the oil distribution system. The oil was contained in the sewers of the heating plant; some of it leaked into the city sewer, where it was contained in the city's wastewater treatment plant, without significantly affecting its operation. There was no oil spillage into the waterways.

Research, development, and innovation

Research and development

In the first half of 2023, two comprehensive six-year projects supported by the Technology Agency of the Czech Republic, as part the National Competence Centers II program, were successfully launched with the participation of ČEZ. The first project involves the National Energy Center II (coordinated by VSB – Technical University of Ostrava), focusing on a wide variety of topics – decarbonization, high-temperature energy storage, new thermodynamic cycles, alternative fuels, hydrogen technologies, or transmission and distribution of electrical energy. The second project fully focuses on nuclear energy (Advanced Nuclear Technology Center II, coordinated by the University of West Bohemia in Plzeň) and deals with nuclear fuel, new materials, control systems, radioactive waste and advanced nuclear systems.

ČEZ, a. s. also participates in a number of other research and development projects supported by the Technology Agency of the Czech Republic, especially in the THETA program. In the first half of 2023, a project focused on functional coatings applied by mobile hot spraying technology was launched, the goal of which is the development and verification of deposition technology and the preparation of optimal composition of coatings to increase the resistance and service life of energy equipment components. The implementation of other projects in nuclear (repair technologies, nuclear fuel cladding, etc.) and non-nuclear energy (advanced diagnostic methods, energy storage, renewable energy sources, etc.) also continued. An important research and development project is the pilot implementation of a hydrogen unit in Mníšek pod Brdy. The goal is to build and operate a hydrogen production plant (hydrogen to be produced from renewable electricity by electrolysis) with storage capacity and a filling station for regional bus transport.

Investments in new technologies

Inven Capital, SICAV

Inven Capital, SICAV, a.s., is a joint-stock company with variable stated capital that manages four subfunds: Inven Capital – Subfund A, Inven Capital – Subfund B, Inven Capital – Subfund C, and Inven Capital – Subfund D, which was established on January 1, 2023. The holder of founder's shares in Inven Capital, SICAV, a.s., is ČEZ, a. s. Investment shares of Subfunds A and C are held by the CEZ Group, and investment shares of Subfunds B and D are held by the European Investment Bank.

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

In the first half of 2023, a new investment was made in the Israeli company Wint, which develops software for the early detection of water leaks in buildings, thereby significantly reducing damage in these structures and at the same time saving water consumption. The investment was made only from Subfund C. The investment period of Subfunds A and B ended on December 31, 2022 and they may only invest in existing portfolio companies, and Subfund D only invests in EU countries.

Supporting innovation

Promoting innovation corresponds with the fulfillment of goals within the VISION 2030 – Clean Energy of Tomorrow strategy.

Important areas of innovation include the topics of decarbonization, primary energy savings and strengthening the role of active customers. The Carbon Footprint Reduction Certificate can be cited as an example of the successful implementation of a decarbonization project within the CEZ Group's product range. This product was created in close cooperation between ČEZ and ČEZ ESCO and was officially verified by the Bureau Veritas certification service.

Electromobility

Infrastructure

ČEZ focuses on a high-quality selection of sites for the expansion of charging infrastructure – especially fast-charging stations concentrated in larger charging hubs. High-quality preparation and the increasing pace of construction closed the first half of 2023 with a total of 571 installed charging stations, offering a total installed capacity of 38.6 MW.

The infrastructure is growing at a fast pace thanks to the funds allocated by the Operational Program Transport (OPT), a European grant from the Connecting Europe Facility (CEF) and from the CEZ Group's own resources. Two subsidy projects from the OPT II program were completed:

- as of December 31, 2022, “Supplementary network of ČEZ charging stations” comprising 63 public AC stations with a total capacity of 1.4 MW,
- as of March 31, 2023 “Supplementary network of ČEZ charging stations II” comprising 51 DC stations with a total capacity of 3.7 MW.

Great progress in increasing the quality and speed of charging has been achieved mainly due to the unprecedented rapid growth in the number of ultra-fast charging stations (HPC) with capacities from 150 to 360 kW. At the end of the first half of 2023, the CEZ Group had 18 HPC stations in operation, which meant 50% more than at the beginning of the year and up to 200% more than at the end of June 2022. The most powerful charging stand for electric cars in Czechia so far was also put into operation – it is located in Mladá Boleslav and boasts a capacity of 360 kW.

Charging service

During the first half of the year, drivers purchased a record-high 2.3 million kWh of green emission-free electricity from ČEZ, accounting for a year-on-year increase of 12%. The increase in charging volumes, which was lower than the pace of infrastructure construction, points to the fact that the CEZ Group, with its development activities in electromobility, is ahead of the development of the electric vehicle market itself, thereby creating ideal conditions for end users.

National roaming, i.e. two-way connection of the charging infrastructure with other operators of charging stations in Czechia, was launched by ČEZ for its customers in February this year. At the same time, work is underway on VAT registrations abroad, after which it will also be possible to recharge in neighboring countries.

ČEZ is now offering the “charging station management” service, which includes a client tool/interface for managing the clients' own (i.e. non-public) charging points, e.g. in their garages near offices or in residential buildings of employees who use electric company cars. The uniqueness of the service consists in the integration of public and private charging into one statement or one invoice for the entire car fleet.

Internal electromobility strategy

The CEZ Group has decided to create a new internal electromobility strategy, which will result in a fundamental transformation of its car fleet. From January 1, 2024, all newly acquired vehicles intended as a benefit for employees and managers, as well as some cars intended for shared use (reference vehicles), will be electric. The only exception will be a smaller group of vehicles directly ensuring the operation of critical infrastructure. Some commercial vehicles will also be electrified.

Innovation in electromobility

ČEZ ESCO focuses on the development of a comprehensive solution for corporate fleets, which includes recharging at company headquarters, at their branches, at public stations and at the place of residence of employees. Examples of these innovative solutions include:

- construction of tailor-made private infrastructure for electric car fleets,
- hardware development, such as a smart charging cable for home charging, which is automatically connected to the client's reporting systems and is suitable for managing fleet charging,
- development and construction of special infrastructure, such as charging infrastructure for electric buses in Kladno, with a total capacity of 1.35 MW.

The CEZ Group is working on connecting charging stations with battery storage, photovoltaic power plants and power control. A great example is our cooperation with Škoda Auto in the utilization of used batteries from electric cars for the energy industry or the use of electric cars as batteries to stabilize the distribution network.

Litigation and other proceedings

Litigation

Czechia

ČEZ, a. s.

1. Minority shareholders are in dispute with ČEZ and Severočeské doly a.s. to determine the adequacy of consideration for the redemption of participating securities based on a lawsuit filed in 2006. Should the plaintiffs win, the total additional payment could be in the order of hundreds of millions of CZK. The case is heard at first instance. The outcome of the proceedings is impossible to predict.
2. ČEZ is in a lawsuit against ŠKODA JS a.s. based on an action ČEZ filed in 2016. The issue in dispute is damages for lost profits due to wrongly performed radiographic inspections of welded joints at the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant. The amount originally claimed was CZK 611 million plus interest and costs back in 2016 but, after negotiations over an out-of-court settlement of the dispute failed, a motion was filed to extend the action to a total of CZK 2,759 million in February 2020. The amount currently claimed includes full damages for lost profits. The litigation is before the court of first instance and was discontinued in October 2022 on the basis of a motion by both parties to the proceedings. Since ŠKODA JS a.s. was acquired by ČEZ, a. s. in 2022, this dispute is the subject of further negotiations between the parties.
3. In the insolvency proceedings conducted against TENZA, a.s., ČEZ filed claims in the total amount of over CZK 1,327 million in March 2021, and subsequently in April 2021 other claims in the total amount of almost CZK 203 million. The vast majority of the claims resulted from contractual penalties and damages, as well as from related costs associated with the breach of work contracts for the construction of the Temelín Nuclear Power Plant (TPP) thermal feeder and the reconstruction of the unit heat exchanger plant at the Temelín NPP. TENZA, a.s. breached its contractual obligation to complete the work and hand it over in a proper and timely manner. Most of the claims in both applications were denied by the insolvency administrator and the debtor as to their authenticity and, to a limited extent, as to their amount. For this reason, ČEZ filed 6 injunctive actions in June 2021. The actions were followed by in-court proceedings. ČEZ withdrew parts of its partial claim applied for in the insolvency proceedings, amounting to CZK 30 million and to CZK 144 million, when the claim was paid up at the stated amounts from bank guarantees opened by TENZA, a.s. At the same time, negotiations were conducted between ČEZ, the insolvency administrator of TENZA, a.s., and its subcontractors, on the basis of which a settlement agreement was concluded between these parties (after court approval at the end of March 2022). Following this agreement, the disputes between the insolvency administrator and ČEZ, as well as between other creditors – former subcontractors of TENZA, a.s. – were terminated. On the basis of the settlement agreement, the insolvency administrator recognized all the claims filed by ČEZ as being filed in accordance with the law, and most of these claims of ČEZ became subordinated claims. The insolvency proceedings are still underway. Hedged creditors are being satisfied and the assets of TENZA, a.s. are being monetized. In its resolution dated December 27, 2022, the insolvency court gave its consent for the insolvency administrator to sell part of the property of TENZA, a.s. to ČEZ as a sale out of auction (taking into account the specificity of use). Asset monetization still continues. The last decision in this matter is dated May 3, 2023, when the competent insolvency court approved the settlement agreement concluded between the insolvency administrator and the companies TENZA and MH Teplárenský holding, a.s., and MORAVA, s.r.o., TENZA Slovakia, spol. s.r.o. “v konkurze”.

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

4. SPR a.s. is in dispute with ČEZ Distribuce for the payment of CZK 213 million with accessories based on an action filed in May 2013. The dispute is based on the plaintiff's claim of existence of damage that should have arisen due to the alleged breach of obligations by ČEZ Distribuce with regard to the connection of the Dubí PV plant to the distribution system – alleged unequal approach to applicants for connection in 2010. The plaintiff seeks the imposition of a disclosure obligation, which was repeatedly rejected by the court of first instance and the plaintiff appealed accordingly. The proceedings themselves are before the court of first instance. Currently, the proceedings are still in the evidence phase. The outcome of the proceedings is impossible to predict.

5. Four electricity producers/local distribution system operators carry on significant lawsuits against ČEZ Distribuce based on actions filed in 2015, 2016, and 2017. The subject matter in dispute is a claim for recovery of unjust enrichment consisting in the electricity distribution price component to cover costs associated with renewable electricity support that was allegedly incorrectly billed but duly paid by the plaintiffs in relation to their internal electricity consumption from January 1, 2013, to October 1, 2013. The total payment claimed from ČEZ Distribuce exceeds CZK 1 billion plus interest and costs. Following a special panel's decision on conflict of jurisdiction, court proceedings in all of the lawsuits were discontinued in 2019 and the matter was referred to the Energy Regulatory Office (hereinafter referred to as the "ERO"). The ERO has already made a final decision to reject the motion to release unjust enrichment for the time being in all four cases. In three cases, the subsequent action under Part V of the Code of Civil Procedure was also dismissed and an appeal was filed. The outcomes of the proceedings are impossible to predict.
6. ČEZ Distribuce is party to 2 disputes with the electricity market operator OTE, a.s., in which OTE demands the release of unjust enrichment in the amount of CZK 7.6 billion with accessories, consisting of a component of the price for electricity distribution incorrectly invoiced and duly paid by ČEZ Distribuce to cover costs associated with supporting electricity from renewable energy sources from January 1, 2013 to December 31, 2013, based on actions filed in 2016 and 2017. Both motions for claims for the period from January 1, 2013 to October 1, 2013 and claims for the period from October 2, 2013 to December 31, 2013 were rejected by the ERO and the ERO Board, and in both cases actions were filed under Part V of the Code of Civil Procedure. In the case of the claim for the period of January 1, 2013 to October 1, 2013, the court rejected the claim in its entirety and the Court of Appeal confirmed this decision as correct. An appellate review was filed. As regards the claim for the period from October 2, 2013 to December 31, 2013, the court also rejected the claim in its entirety. An appeal was filed. The outcomes of the proceedings are impossible to predict.
7. ČEZ Distribuce is in dispute with ŠKO-ENERGO, s.r.o., demanding the payment of CZK 113 million with accessories based on an action filed in May 2016. The subject matter in dispute is additional payment of the electricity distribution price component to cover costs associated with electricity support for the period from April 1, 2013, to October 1, 2013. The ERO dismissed the claim of ČEZ Distribuce in the first instance. The first-instance decision was annulled by the ERO Board in January 2020 on the basis of a remonstrance submitted by ČEZ Distribuce, and the matter was returned to the first instance. In May 2020, the ERO decided again to reject ČEZ Distribuce's motion. A remonstrance was filed against the decision, followed by an action under Part V of the Code of Civil Procedure, which the court rejected. ČEZ Distribuce filed an appeal, on the basis of which the Court of Appeal annulled the previous decision and replaced it with a new decision, which upheld ČEZ Distribuce's claim in its entirety and ordered ŠKO-ENERGO to pay the defendant the amount of the claim, including accessories. ŠKO-ENERGO filed an appellate review. The outcome of the proceedings is impossible to predict.
8. ČEZ Distribuce is in dispute with Liberty Ostrava a.s. (formerly ArcelorMittal Ostrava a.s.) for CZK 225 million with accessories based on an action filed in 2019. The subject matter in dispute is unreceived payments for system services for the period from February 2016 to November 2018 which ČEZ Distribuce invoiced to ArcelorMittal Ostrava a.s. (i.e. action SYS II). The case is heard at first instance and has been suspended. The dispute outcome depends on the decision in other proceedings for January 2016 (i.e., action SYS I), which has already been finally terminated in favor of ČEZ Distribuce. The appellate review by Liberty Ostrava a.s. was decided in favor of ČEZ Distribuce (the review was rejected). Liberty Ostrava a.s. filed a constitutional complaint, the outcome of which is awaited. In November 2021, an action against Liberty Ostrava a.s. was filed in the same case for fear of the impending statute of limitations, with the amount concerned being CZK 132 million with accessories, and CZK 169 million with accessories after the extension of the action. The subject matter of the newly initiated lawsuit is payments for system services from December 2018 to December 2021 (i.e., action SYS III). The outcomes of the proceedings are impossible to predict.
9. ČEZ Distribuce, a. s., is in dispute with ORLEN Unipetrol RPA s.r.o. for CZK 159 million with accessories on the basis of an action filed with the arbitration court in 2022. The subject matter in dispute is the unpaid payments for system services from January 2019 to June 2021, invoiced by ČEZ Distribuce, a. s. to ORLEN Unipetrol RPA s.r.o. The proceedings are suspended. The outcome of the proceedings is impossible to predict. Payments for the previous period, January 2016 to December 2018, are covered by a memorandum which, among other things, extends the limitation period for individual claims beyond the statutory limitation period so that they do not have to be sued in the meantime.

10. In the insolvency proceedings conducted against Česká energie, a.s., ČEZ Distribuce registered an unsecured claim in the amount of CZK 138 million with accessories, arising from failure to pay for distribution system services in accordance with a contract. The insolvency proceedings were initiated in December 2016 and are still underway. The outcome of the proceedings is impossible to predict.
11. ČEZ Distribuce filed an insolvency petition combined with a bankruptcy petition against SCP first payment of receivables s.r.o. (formerly ENWOX ENERGY s.r.o.) in December 2017, submitting its matured unsecured claim of CZK 115 million with accessories. The claim arose from failure to pay for distribution system services under a contract. The insolvency proceedings are underway. The outcome of the proceedings is impossible to predict.

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

12. ČEZ Prodej is in dispute with the state organization Správa železnic (Railway Infrastructure Administration hereinafter referred to as "SŽ"; formerly Správa železniční dopravní cesty, state organization, abbreviated SŽDC) for damages in the amount of CZK 805 million with accessories based on an action filed in 2010. The subject matter in dispute is an alleged breach of an electricity supply contract by SŽ, consisting in failure to take deliveries of the agreed amount of electricity in 2010, and the resulting loss. After complicated procedural developments in the previous years, a hearing took place in September 2022, during which the court accepted the claim of ČEZ Prodej in the amount of CZK 765 million and rejected the claim in the amount of CZK 40 million. Both parties appealed the decision. The outcome of the proceedings is impossible to predict. SŽ, which paid the sued amount in 2017 on the basis of a judgment that was later annulled, filed an action against ČEZ Prodej for the release of unjust enrichment in the amount of the paid amount of CZK 1,116 million with accessories (for details of the proceedings see point 13).
13. SŽ, which paid the sued amount in connection with the proceedings mentioned in point 12 (on the basis of a judgment that was later annulled), filed an action in 2017 claiming unjust enrichment. The court of first instance upheld the action. The Court of Appeal upheld the judgment of the court of first instance. ČEZ Prodej paid the sued amount, including accessories, after the decision became legally binding, and filed an appellate review in the matter. The Supreme Court of the Czech Republic decided to annul the judgment of the Court of Appeal and sent the matter back to it for further proceedings. SŽ was ordered to repay the amount paid in full, which it refused to do. Subsequently, the Court of Appeal overturned the judgment of the court of first instance and returned the case to the court of first instance for further proceedings. ČEZ Prodej's mutual proposal to release the amount (unjust enrichment) that SŽ refused to return was filed in October 2022. ČEZ Prodej also filed a motion to suspend the proceedings until the final conclusion of the dispute referred to in point 12. The court granted this motion and suspended the proceedings. SŽ filed an appeal against the decision to suspend the proceedings. The outcome of the proceedings is impossible to predict.
14. ČEZ Prodej is in dispute with SŽ based on an action filed in 2013, seeking damages in the amount of CZK 858 million with accessories. The subject matter in dispute is the alleged breach of an electricity supply contract by SŽ, consisting in failure to take deliveries of the agreed amount of electricity in 2011, and the resulting loss. At the hearing in January 2022, the court of first instance accepted the filed action in full. SŽ filed an appeal against the decision. In February 2023, a meeting of the Court of Appeal (Supreme Court in Prague) took place and announced its judgment, confirming the original first-instance judgment up to the amount of CZK 727 million, but rejecting the claim in the amount of CZK 131 million. SŽ paid the principal amount of the debt and, together with the appellate review, filed a motion to postpone the enforceability of the judgment on the payment of interest (which almost reaches the value of the assigned amount of the principal) until the decision on the appeal is made. ČEZ Prodej also filed an appellate review in the amount of CZK 131 million (against the rejection verdict). The outcome of the proceedings is impossible to predict.
15. ČEZ Prodej is in dispute with ACTHERM, spol. s r.o. (distribution system operator) for damages in an amount exceeding CZK 185 million with accessories, based on an action filed in 2016 (CZK 124 million) and its extension in 2017 for damage incurred in the subsequent period (CZK 61 million). The subject matter of the dispute is the damage caused by the steps of ACTHERM, spol. s r.o. during the registration of three photovoltaic producers in the market operator's system and during the transfer of the data of this registration to ČEZ Prodej. In May 2021, ČEZ Prodej received a resolution to stop the proceedings and refer the matter to the ERO. ČEZ Prodej filed an

appeal against the resolution, which the Court of Appeal upheld. The court of first instance subsequently upheld the action brought by ČEZ Prodej by judgment made in November 2021. An appeal was filed against this judgment. The Court of Appeal changed the judgment and dismissed the action of ČEZ Prodej. ČEZ Prodej filed an appellate review against the dismissal decision, which has not yet been decided. The outcome of the proceedings is impossible to predict.

16. ČEZ Prodej is in three disputes with photovoltaic producers regarding the release of unjust enrichment in the amount of CZK 160 million based on actions filed in March 2017. Unjust enrichment consists in the collection of higher purchase prices than reimbursed to ČEZ Prodej by OTE, a.s. In all three disputes, the court of first instance stopped the proceedings and forwarded them to the ERO for further consideration. In all cases, the ERO issued a decision ordering the producers to pay the amount owed, with accessories. The ERO Board rejected the remonstrances of the producers and confirmed the first-instance decision. All producers filed actions under Part V of the Code of Civil Procedure. The outcomes of the proceedings are impossible to predict.
17. OTE, a.s. is in dispute with ČEZ Prodej for the payment of CZK 104 million with accessories based on an action filed in May 2018. The legal ground for the claimed amount is the payment of the difference between the purchase price and the hourly price paid by OTE, a.s. to ČEZ Prodej, which compulsorily purchases electricity from solar electricity producers. The difference arose in the period of January 1, 2013 to April 30, 2018. The court of first instance decided to stop the proceedings and refer the matter to the ERO. The ERO's decision rejected the demand of OTE, a.s. OTE, a.s. filed a remonstrance against the rejection decision, which was rejected by decision of the ERO Board and the decision was confirmed. OTE, a.s., filed an action under Part V of the Code of Civil Procedure, which is being investigated by the District Court for Prague 4; the court linked these proceedings with the proceedings in the case of another producer, for the amount of CZK 52 million. By judgment of May 3, 2023, the court rejected the action of OTE, a.s. An appeal was filed against the rejection judgment. The outcome of the proceedings is impossible to predict.
18. OTE, a.s. conducts two administrative proceedings against ČEZ Prodej regarding the release of unjust enrichment in the total amount of CZK 327 million before the ERO on the basis of motions submitted in July 2019. The legal ground for the amount claimed is recovery of the difference between the purchase price and the hourly price paid by OTE, a.s. to ČEZ Prodej as a mandatory purchaser in the period of January 1, 2013 to May 31, 2018. The ERO's decisions rejected the motions of OTE, a.s. OTE, a.s. filed remonstrances against the rejection decisions, which were rejected by decisions of the ERO Board and the original decisions were confirmed. OTE, a.s., filed actions under Part V of the Code of Civil Procedure. The courts rejected the actions of OTE, a.s. The outcome of the proceedings is impossible to predict.
19. Three producers of solar electricity initiated three administration proceedings against ČEZ Prodej in December 2020, seeking the payment of CZK 475 million with accessories. According to the producers, the claimed amount constitutes support owed in the form of purchase prices valid for generating facilities put into operation in 2010 (or the difference between 2010 and 2011) for electricity produced in the period from May 1, 2018, or June 1, 2018, until November 30, 2020. For the period from May 1, 2018 and February 28, 2019, the producers only claim the difference between the purchase prices valid for generating facilities put into operation in 2010 and 2011, and for the period from March 1, 2019 to November 30, 2020 they claim purchase prices valid for generating facilities put into operation in 2010 in full. Three separate administration proceedings are related to these proceedings, where the same producers claim the financial aid totaling CZK 70 million with accessories. According to the producers, the claimed amount in these proceedings constitutes support owed in the form of purchase prices valid for generating facilities put into operation in 2011, namely for electricity produced in the period from May 1, 2018, or June 1, 2018, until February 28, 2019. In all proceedings, the producers' motions were rejected, and remonstrances were filed against the rejection. By decisions of the ERO Board, all remonstrances were rejected and the decisions of the ERO were confirmed. The producers file actions under Part V of the Code of Civil Procedure. The outcomes of the proceedings are impossible to predict.
20. OTE, a.s., is conducting proceedings against ČEZ Prodej for the payment of approx. CZK 129.5 million. The legal reason is the payment of the difference between the purchase price and the hourly price paid by OTE, a.s. to ČEZ Prodej, which compulsorily purchases electricity from solar electricity producers. The difference arose in the period of January 1, 2013 to December 31, 2018. The proceedings were initiated in December 2022 and are conducted before the District Court for Prague 4. By resolution, the court decided to stop the proceedings and refer the matter to the ERO. The outcome of the proceedings is impossible to predict.

ŠKODA JS a.s.

21. In November 2016, ČEZ, a. s. filed an action for compensation for damages which ČEZ incurred in the form of lost profits as a result of defective radiographic inspections of welded joints at the Dukovany Nuclear Power Plant. In its statement on the action, ŠKODA JS a.s. rejected the claim by ČEZ, a. s. The amount originally claimed in 2016 was CZK 611 million with accessories but, after negotiations over an out-of-court settlement of the dispute failed, a motion was filed by ČEZ, a. s. to extend the action to a total of CZK 2,759 million in February 2020. The amount currently claimed includes full damages for lost profits. The litigation is before the court of first instance and was discontinued in October 2022 on the basis of a motion by both parties to the proceedings. Since ŠKODA JS a.s. was acquired by ČEZ, a. s. in 2022, this dispute is the subject of further negotiations between the parties.
22. In connection with the case mentioned in points 2 and 21, out of caution and due to the threatening statutory limitation of claims, ŠKODA JS a.s. filed an action against its supplier of part of the performed radiographic inspections of welded joints at the Dukovany NPP, the company Tediko, s.r.o., for compensation of damages in the amount of CZK 611 million. This is a potential retroactive claim against the supplier, which is suspended until the end of the above-mentioned dispute between ŠKODA JS a.s. and ČEZ, a. s. (see points 2 and 21).
23. The public prosecutor accused former managers of ŠKODA JS a.s. for economic crimes. These proceedings are in the main trial phase. With regard to the running statutes of limitations, ŠKODA JS a.s. filed civil-law actions against these former managers (out of caution and under the principles of good care and diligence) on the grounds of breach of the defendants' duty to act with good care and diligence when performing their previous positions on the plaintiff's Board of Directors, in a total amount exceeding CZK 400 million.

ČEZ Obnovitelné zdroje, s.r.o.

24. As a result of the criminal proceedings concerning the putting into operation of the Čekanice PV plant, which were legally terminated by the conviction of the defendants, the ERO ex officio ordered renewal of the proceedings on the request of ČEZ Obnovitelné zdroje, s.r.o. (hereinafter referred to as "ČOZ") from 2009 on the change of the decision on the granting of a license in respect of the Čekanice PVP. On October 15, 2020, the ERO issued a new decision in the renewed proceedings on the granting of a license for the Čekanice PV plant with effect from the date of legal effect of the decision (Verdict I), and at the same time canceled the original decision on the granting of a license for the Čekanice PV plant with retroactive effects as of December 30, 2009 (Verdict II). Based on a remonstrance submitted by ČOZ, the ERO Board decided in May 2021 to annul Verdict II and return it for a new decision. Following the aforementioned decision of the ERO Board on the remonstrance, Verdict I became legally binding and electricity generation was resumed at the Čekanice PVP in May 2021, without RES support. In October 2021, the ERO decided on the verdict previously annulled by the ERO Board, by once again annulling the original decision on the granting of a license for the Čekanice PV plant retroactively as of December 30, 2009. ČOZ filed a remonstrance against this decision, which was rejected by the ERO Board in June 2022. After that, on August 30, 2022, ČOZ filed an administrative action as an extraordinary remedy, which was granted suspensory effect. The proceedings have not yet been concluded.

Germany

25. CEZ Erneuerbare Energien Beteiligungs II GmbH, together with CEZ MH B.V. and other interested parties within the CEZ Group, pursue claims against a group of persons (and related companies), who are subject to a criminal proceedings on the basis of a suspicion that these accused persons, acting as an organized group, committed fraud, forged documents and committed bribery in relation to the sale of wind farm projects to institutional and other investors across Europe (Holt Holding case). The total amount exercised by CEZ Group companies was EUR 5.7 million without accessories. More than EUR 1 million was recovered by 2020. The lawsuit with the defendants began in August 2021 and the sentences were announced in May 2022. The defendants were sentenced to terms of imprisonment ranging from 3 to 7.5 years. CEZ Group companies registered their claims against the assets of the perpetrators in bankruptcy proceedings. The outcomes of these proceedings are impossible to predict.
26. In December 2020, GMH Gebäudemanagement Hamburg GmbH (a subsidiary of the Free and Hanseatic City of Hamburg) filed an action against Kofler Energies Ingenieurgesellschaft mbH. In the action it demands the issuance of an interim judgment, which will only decide only on the essence of the case, i.e. determine the validity of the liability of the defendant company for

damages caused during the delivery of design work for the construction of buildings of the University of Hamburg in 2013–2017 (i.e., before the acquisition of the defendant company by the CEZ Group). Although no specific amount is being sued for now, it is clear that the dispute will be in the order of tens of millions of EUR. If the plaintiff succeeds to the extent that the awarded amount would not be covered by the defendant's liability insurance, the sum will be claimed by the CEZ Group against the sellers, as it is stipulated in the transaction documentation on the basis of which the defendant became a member of the CEZ Group. Kofler Energies Ingenieurgesellschaft mbH filed a statement on the action. In the meantime, the plaintiff extended the action to other parties involved in the planning of the buildings of the University of Hamburg. A hearing (as a mandatory condition for a judgment) can be expected to take place in 2024. The outcome of the lawsuit cannot presently be predicted.

Poland

27. In 2009, Agrowind Kończewo sp. z o.o. (AWK) initiated legal proceedings against seven companies, jointly and severally sued, one of which is Eco-Wind Construction S. A. (a member of the CEZ Group, now Eco-Wind Construction Sp. z o.o. w likwidacji). It demands payment of compensation in the amount of PLN 22.7 million (approx. CZK 122 million) with accessories for preventing the installation of wind turbines and transformer stations on land that, according to the claim, was held by AWK. In December 2012, the claim was expanded to a total of PLN 112.7 million with accessories. Subsequently, the proceedings against Eco-Wind Construction S.A. were suspended due to the company's bankruptcy. In relation to the other defendants (outside the CEZ Group), the proceedings continued and ended with a final decision, which was honored by the obliged persons. Since the bankruptcy proceedings against Eco-Wind Construction S. A. (which changed its legal form to sp. z o.o. and went into liquidation) were terminated at the end of 2021, the court renewed the proceedings against this company. The outcome of the proceedings is impossible to predict. On July 5, 2023, the registration court decided to delete Eco-Wind Construction sp. z o.o. w likwidacji from the commercial register.
28. CEZ Skawina S.A. (a member of the CEZ Group) filed an action against the Polish state – the Minister of Climate and the Environment (Skarb Państwa – Minister Klimatu i Środowiska) in November 2021, the subject matter of which is the demand for the payment of an amount of PLN 47 million, or other damages by virtue of compensation for the non-issuance of 176,197 t worth of greenhouse gas emission allowances, which it should have received because it fulfilled an investment task included in the National Investment Plan. The right of CEZ Skawina S.A. to free emission allowances is based on Polish national law. However, as a result of the alleged inconsistency of the Polish national law with Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (EU ETS Directive), the Minister of Climate and the Environment refused to issue the emission allowances, referring to the relevant opinion of the European Commission. The case is currently before the court of first instance. In the defense, it was argued that CEZ Skawina's claim is unfounded, in particular with regard to the question of compatibility of the law with EU legislation, where compensation for damages would constitute unlawful state aid. In view of the need to comment on the defendant's arguments, the legal counsel for CEZ Skawina applied for admission to submit a statement of defense. This motion has not been discussed yet. Witnesses, employees of CEZ Skawina and CEZ Chorzów were heard during the trial on August 9, 2023. The next trial hearing was set at June 13, 2024. The outcome of the proceedings is impossible to predict.

Turkey

29. Yılmaz Elektrik A.S. was one of the largest suppliers of SEDAS (a member of the CEZ Group), which performed investment work in the field of distribution. However, due to non-fulfillment of contractual obligations, SEDAS terminated the existing contract with Yılmaz Elektrik in March 2022. However, Yılmaz Elektrik did not return the various types of materials (e.g., concrete columns, transformers, cables) provided as SEDAS property for investment work. Therefore, SEDAS obtained a preliminary injunction from the Commercial Court of the Sakarya Region and collected some of these materials from Yılmaz Elektrik's construction sites and warehouses. Subsequently, in accordance with the law, an action was filed against Yılmaz Elektrik within two weeks of the issuance of the preliminary injunction for the return of the remaining materials and, if return is not possible, for their full payment. The current market value of the materials concerned is TRY 120 million. In relation to Yılmaz Elektrik, insolvency proceedings were initiated in the same year. Due to the fact that the time for the use of the relevant materials is limited, a request for the possibility of their use was made as part of a preliminary measure. The court granted the request

under the condition that SEDAS provides a guarantee in the form of a Letter of Guarantee, amounting to TRY 35 million.

Italy

30. ENERGYKA ELECTROSYSTEM SRL submitted claims, in an action against Belectric Italia S.r.l. (a member of the CEZ Group) filed in May 2020, for a reward arising from an agreement on the brokerage of an investment opportunity concluded between these companies in 2016, in the amount of EUR 11 million. The subject matter of this agreement was in particular the commitment to broker investment opportunities by ENERGYKA ELECTROSYSTEM SRL in the field of photovoltaic projects in Italy. Belectric Italia S.r.l. was taken over by CEZ ESCO II GmbH (a member of the CEZ Group) in December 2021. Several hearings have already taken place, for example on September 26 and December 5, 2022, where the witnesses heard confirmed the facts claimed by Belectric Italia. Another hearing took place on July 3, 2023, to which a former employee of Belectric Italia was summoned by ENERGYKA ELECTROSYSTEM SRL. However, this witness could not be present, so the next hearing was postponed until September 25, 2023.

Other proceedings

Bulgaria

31. In July 2016, ČEZ filed a Request for Arbitration with the International Center for Settlement of Investment Disputes (ICSID), officially commencing international investment arbitration against the Republic of Bulgaria under the Energy Charter Treaty on the grounds of non-protection of investment. The place of arbitration is Washington, D.C., USA, in accordance with the rules of the International Center for Settlement of Investment Disputes (ICSID). The claim amounts to hundreds of millions of EUR. In the first place, a jurisdictional objection of the Republic of Bulgaria was resolved, i.e. the question of the jurisdiction of the arbitration tribunal to decide the dispute; the arbitration tribunal rejected this objection in its award of March 2, 2021. The arbitration proceedings thus moved to the merits stage. After the parties submitted their written statements on the merits to the tribunal, a hearing took place at the turn of April and May 2023. Another hearing can be expected, possibly as early as in 2023. The outcome of the proceedings is impossible to predict.

Russia

32. In the period from June to December 2022, Gazprom Export LLC (GPE) significantly reduced the supply of natural gas that ČEZ, a. s. had previously ordered from it. GPE justified its action by claiming that force majeure prevented it from supplying more. ČEZ repeatedly rejected this argument and demanded that GPE compensate for the damage caused to ČEZ by the failure to deliver the gas, which GPE refused. ČEZ is therefore demanding payment of damages – calculated at approximately CZK 1 billion – through an arbitration action filed against GPE in February 2023. The arbitration is being conducted in Geneva, Switzerland under the rules of the International Chamber of Commerce (ICC); it is currently in the process of establishing the tribunal at present and its outcome cannot be predicted.

Regulatory and legislative developments in the sector

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

European Union

Fit for 55 package

In 2023, discussions on key legislative acts from the Fit for 55 package, introduced in 2021, continued. In particular, they dealt with the modification of directives on the setup of a system for trading greenhouse gas emission allowances, on the promotion of the use of energy from renewable energy sources and on energy efficiency.

Revision of the EU ETS Directive

At the end of 2022, negotiations for the revision of the EU ETS Directive finished, and the text was legally finalized in the first weeks of 2023. The agreement envisages, among other things, the creation of a parallel system for trading greenhouse gas emissions for buildings and transport, an increase in the linear reduction factor to 4.3% for the period of 2024–2027 and 4.4% for the years 2028–2030, adjustments to the market stabilization mechanism or of the Innovation and Modernization Fund rules. The income from allowances should be used for energy-climate purposes. As regards the existing coal assets of the CEZ Group, the new Directive will have an impact in terms of the expected increase in the value of emission allowances and a change in the conditions for using the Modernization Fund.

Package promoting sustainable finance

In June 2023, the European Commission issued a package promoting sustainable finance to stimulate the flow of investment into activities contributing to the low-carbon transition. The package includes new acts related to these 4 environmental objectives:

- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems.

The package includes a draft regulation on Environmental, Social and Governance (ESG) rating providers to ensure greater transparency in this area, which will also affect the CEZ Group as an entity obliged to report the fulfillment of ESG goals.

Gas package

The proposed Directive 2021/0425(COD) and Regulation 2021/0424(COD), which are to replace similar documents from 2009, aim to decarbonize the EU gas market and facilitate the deployment of renewable and low-carbon gases, including hydrogen. Another line of adjustments of the gas package is the response to the Russian invasion of Ukraine, the main goal of which is to guarantee security and limit dependence on gas supplies from Russia. For the CEZ Group, the new legislation in the area of low-carbon and renewable gases can be an opportunity for greater involvement of the Group in the hydrogen supply chain.

Fluorinated Greenhouse Gases (F-gases) Regulation

In April 2022, the European Commission published a proposal for a Regulation of the European Parliament and of the Council (EU) on fluorinated greenhouse gases, amending Directive (EU) 2019/1937 and repealing Regulation (EU) No. 517/2014. The primary objective of this Regulation is to further tighten control and gradually push equipment containing fluorocarbons (HFCs) and especially fluorinated greenhouse gases (F-gases) out of the market through various restrictions and bans. This Regulation affects technological equipment containing F-gases used by the CEZ Group in the electricity generation and distribution sector.

Methane Emissions Reduction Regulation

The proposal for a Regulation of the European Parliament and of the Council (EU) on methane emissions reduction in the energy sector and amending Regulation (EU) 2019/942 was published by the European Commission in December 2021. It introduces new requirements for the oil, gas and coal industries to measure, report and verify methane emissions.

Revision of the Industrial Emissions Directive

In April 2022, the European Commission presented a proposal for a revision of the Industrial Emissions Directive (IED), which deals with the prevention and control of pollution in large industrial installations. Its goal is to motivate investment in the industry to drive transformation to a climate-neutral economy. It proposes changes to integrated licensing (instead of automatically permitting the upper limit of the best available technology limit interval, each device should be assessed for the possibility of reaching the lower limit) and tightening of the rules for granting exemptions. In order to achieve the EU's ambitions in the areas of zero pollution by 2050, circular economy and decarbonization, operators will have to develop transformation plans for their operations by 2030, or 2034. Similar to the EU ETS Directive, the IED is key EU legislation for the CEZ Group's generating facilities that require an integrated license (conventional coal-fired power plants and heating plants).

Regulation of the wholesale electricity, natural gas and commodity derivatives market

Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (hereinafter referred to as the "REMIT Regulation") has been in force since December 2011, imposing on market participants the obligation to publish effectively and on time certain inside information on the participant's enterprise, the prohibition of unfair trading practices, the obligation to register the company in the register of market participants and to report transactions made on the wholesale energy market. This REMIT Regulation has been under review since March, with the aim of preventing market manipulation and increasing transparency.

Proposal for a Regulation to improve the electricity market design

On March 14, 2023, the European Commission presented a proposal for a Regulation amending the rules for the functioning of the electricity market in the EU (in accordance with Regulation 2019/943 and Directive 2019/944/EU). The need to change the recently adopted electricity market design was prompted by the high prices of electricity and gas in the fall 2022 markets. The proposal seeks to ensure sufficient liquidity in long-term markets, supports new investments by introducing long-term power purchase agreements (PPAs) and contracts for difference (CfD). It also strengthens consumer protection by giving the Commission the ability to declare a price crisis and, last but not least, supports the protection of electricity suppliers against price fluctuations in long-term markets. This legislative amendment will have an impact in particular on the CEZ Group's business activities on wholesale markets, including the sale of electricity to end-use customers.

Due Diligence Directive

In February 2022, the European Commission presented a proposal for a Directive on corporate sustainability due diligence, which sets out rules on companies' obligations regarding actual and potential adverse impacts on human rights and adverse impacts on the environment throughout the value chain (i.e. direct suppliers as well as customers). The aforementioned Directive will have an impact on the ESG activities of the CEZ Group.

Critical Raw Materials Act (CRMA)

The proposal for a new Regulation establishing a framework for ensuring a secure and sustainable supply of critical raw materials (and amending Regulations (EU) 168/2013, (EU) 2018/858, 2018/1724 and (EU) 2019/1020) was published by the European Commission on March 16, 2023. The Regulation introduces a comprehensive set of activities to ensure EU access to secure, diversified, affordable and sustainable supplies of critical raw materials indispensable for strategic industries. Among other things, lithium is included as a strategic raw material, so we assume that it will also apply to lithium mining projects in the EU.

Net Zero Industry Act (NZIA)

On March 16, 2023, a related proposal for a Regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem was also published. The aim is to reach the total strategic capacity for the production of at least 40% of the necessary technologies with zero-net emissions in the Union by 2030, or at least to get close to this goal. In the original proposal of the Regulation, "zero-net emission technologies" also included advanced technologies for generating energy from nuclear processes with minimal waste from the fuel cycle, small modular reactors and related top-grade fuels. A wider inclusion of nuclear technologies under this Regulation could help support the nuclear industry in the EU in the future.

Network Code on Interoperability

The first half of 2023 saw the adoption of the Commission's implementing regulation on interoperability requirements and non-discriminatory and transparent access for metering and consumption data. The Regulation follows on from Directive 2019/944, and the CEZ Group will be required to implement some of the processes specified in the Regulation, especially with regard to consent for the use of customer data.

Czechia

Legislation in Czechia

In the first half of 2023, the following laws were adopted or became effective:

- On January 24, 2023, the amendment to the Energy Act, the so-called Lex RES I, which was implemented by Act No. 19/2023 Coll., entered into force. With this amendment, the institute of last resort supply was modified in particular, enabling an agreement between several license holders within one business group to fulfill the obligations of the supplier of last resort, the capacity of generating facilities using renewable energy sources whose operation does not require a license was increased, government tools were added to provide financial assistance during extraordinary market situations, etc. Act No. 19/2023 Coll. also amended the relevant provisions of the Building Act, the Act on Subsidized Energy Sources and some other laws, always with the aim of accelerating the development of renewable energy sources.
- On January 1, 2023, Act No. 366/2022 Coll. entered into force, introducing the windfall tax in the amount of 60% as a tax surcharge on excessive profit into Act No. 586/1992 Coll., on Income Taxes; the windfall tax is valid the period of 2023 to 2025. In the energy sector, this new tax obligation will apply to producers of electricity and gas and to operators of electricity transmission and distribution systems and gas pipeline transport as well as gas distribution, with a reference income for the purposes of the windfall tax being at least CZK 50 million.
- On June 30, 2023, Act No. 202/2023 Coll., amending, among other things, Act No. 127/2005 Coll., on Electronic Communications came into force. The amended act introduces the institute of a person with special social needs (disabled person or low-income person) to whom operators in electronic communications provide a special advantage or a price advantage as part of the provision of a universal service. This act has been partly in effect since July 1, 2023.
- On June 23, 2023, Act No. 179/2023 Coll., amending Act No. 61/1988 Coll., on Mining, Explosives and State Mining Administration, as amended, entered into force. The amended act introduces new measures in the import, export and handling of explosives and greater supervision by state authorities (customs administration). This act is effective from July 1, 2023.
- On June 5, 2023, a major substantive amendment to the Building Act (152/2023 Coll.), the Act on a Single Environmental Opinion (148/2023 Coll.) and the accompanying Act (149/2023 Coll.) were published in the Collection of Laws. In accordance with the political mandate, the amendment canceled the separation of building administration into a separate office, which will therefore not be created. At the same time, there will be no integration of officials issuing binding opinions into building authorities. However, the authority (a municipality with extended competence or a regional authority) must ensure that the opinions issued in this way are combined into a single coordinated binding opinion, i.e. the coordination of conflicting opinions, if any. Maintaining the rule of assumed consent in the absence of an opinion increases the pressure on the timely actions of officials. From the original state building administration, only the Transport and Energy Building Authority ("TEBA") will remain in existence; it will decide on reserved construction projects (typically highways, large power plants, etc.). The Single Environmental Opinion (SEO) should represent a unified basis for management under the Building Act to evaluate the environmental effects of a project. The competent body for issuing the SEO should be the general environmental protection authority (most often the municipal office of the municipality with extended competence or the regional authority), which will be obliged to request the expert opinion of the relevant public administration body concerned (if needed for the issuance of the SEO). The application of the new legal regulation is set for reserved buildings at January 1, 2024, in the case of other buildings it will apply from July 1, 2024.

In the first half of 2023, the following implementing legal regulations were adopted or amended:

- Government Regulation No. 298/2022 Coll., on the determination of electricity and gas prices in an extraordinary market situation and on the determination of the related highest permissible range of the customer's financial benefit, which was valid from October 7, 2022 (one part of Section 12 of this Government Regulation already came into effect on November 1, 2022), came into effect on January 1, 2023. The aforementioned Government Regulation introduced maximum prices (price capping) for electricity and gas for various categories of customers, and its ongoing amended provisions also set a ceiling for the highest permissible financial benefit. Due to the seriousness, societal impact and turbulent changes on the market, this Government Regulation was repeatedly amended (by Government Regulations No. 343/2022 Coll., No. 442/2022 Coll., No. 28/2023 Coll. and No. 77/2023 Coll.).
- On January 12, 2023, Government Regulation No. 5/2023 Coll., on compensations provided for the supply of electricity and gas at set prices, entered into effect. In accordance with the amended Energy Act, compensation was introduced for demonstrable losses arising from the supply of electricity or gas at a set price in an extraordinary market situation in the form of a compensation mechanism for market participants (electricity, gas traders or producers), depending on the type of contracts concluded with customers. This Government Regulation was also repeatedly amended during the first half of 2023 (by Government Regulations 65/2023 Coll. and 77/2023 Coll.).
- On February 11, 2023, Government Regulation No. 36/2023 Coll., on the format and template of forms submitted for levies from excessive income, entered into effect.
- On February 14, 2023, Decree of the Ministry of Industry and Trade No. 37/2023 Coll., amending Decree No. 344/2012 Coll., on the state of emergency in the gas industry and on the method of ensuring the safety standard of gas supply, as amended, entered into force. The amendment expands the categories of consumption levels in the gas industry, introduces new procedures for providing and receiving international assistance in crisis situations in the gas industry, and regulates the obligations of system operators in emergency situations and emergency prevention.
- On April 28, 2023, Decree of the Ministry of Industry and Trade No. 114/2023 Coll., on requirements for the safe installation of electricity generating facilities using renewable energy sources with an installed capacity of up to 50 kW, entered into force. This Decree establishes the material and technical requirements for the installation of electricity generating facilities using renewable energy sources.
- On June 15, 2023, Decree No. 161/2023 Coll. of the Czech Mining Office, on the fee declaration for fees for depositing carbon dioxide in natural rock structures, entered into force.
- On June 23, 2023, Decree of the Ministry of Industry and Trade No. 193/2023 Coll., on the state of emergency in the electricity sector and on the contents of the emergency plan, came into force, replacing the original Decree No. 80/2010 Coll.
- On June 23, 2023, Decree of the Ministry of Industry and Trade No. 194/2023 Coll., amending Decree No. 79/2010 Coll., on the dispatch of the electricity system and on the transmission of data for dispatch, as amended by Decree No. 388/2012 Coll., came into force. With this Decree, compliance with the requirements of European legislation was achieved.

Other significant non-legislation documents having impact on the Czech energy market:

Other significant non-legislation documents having impact on the Czech energy market include price decisions approved by the Energy Regulatory Office, which set regulated prices in the electricity, gas and heating sectors and for the promotion of supported energy sources.

Gas industry:

- On June 2, 2023, Price Decision No. 1/2023 of the Energy Regulatory Office was issued on regulated prices related to gas supply. This Price Decision substantially increased the prices for reserved capacity at exit points from the system. The prices at the entry points to the system increased only slightly.

Germany

The energy policy in Germany has long been based on the essential principles of transformation of the German energy industry, Energiewende, aiming at ensuring clean, affordable and safe electricity generation by moving away from coal and nuclear production to renewable energy sources. The construction of solar power plants and wind farms therefore continues to play a key role in the transformation of the German energy sector.

As of January 1, 2023, the remaining parts of the comprehensive EEG (Erneuerbare Energien Gesetz) amendment of July 2022 came into effect, one of the biggest changes to German energy policy in the last decade. Based on this law, at least 80% of the electricity consumed in Germany is to come from renewable energy sources by 2030. EEG 2023 creates the necessary framework conditions for this process to help accelerate the construction of renewable energy sources. Among other things, the law anchors the principle of development of renewable energy sources in the public interest and safety and prioritizes this interest over other considered interests in planning processes.

On March 3, 2023, the Bundestag and the Bundesrat adopted implementing rules for the EU regulation on emergency measures (EU Regulation 2022/2577). Their introduction will further speed up the procedures for an expansion of renewable energy sources and electrical networks. At the same time as the amendment to the Land Use Planning Act, the relevant rules were implemented in the Act on the Need for Wind Energy Sites, the Offshore Wind Energy Act, the Energy Act and the Environmental Impact Assessment Act.

In Germany, 225 TWh of electricity was produced in the first six months of 2023, of which 130 TWh came from renewable energy sources; their share in generation was 57.7%. Electricity generation wind and solar energy contributed the most to this result. The last three German nuclear power plants, whose operation was terminated on April 15, 2023, produced 6.7 TWh. Generation in brown-coal and black-coal power plants fell by more than 20% year-on-year, generation from natural gas by 4%.

In the first half of the year, 2 auctions were held to determine support for the generation of electricity from onshore wind sources. The Federal Network Agency (Bundesnetzagentur - BNetzA) offered a total of 6,076 MW of power for the competition. Support was granted to 239 projects with a total capacity of 2,977 MW. The average value of the granted support was 7.34 ct/kWh in both auction rounds.

Furthermore, 1 auction was held for the construction of solar energy sources. BNetzA offered a total of 1,950 MW of capacity for auctions. Support was granted to 245 projects with a total capacity of 1,952 MW. The average value of the granted support reached 7.03 ct/kWh; compared to the previous year, the maximum value of the support increased to 7.37 ct/kWh in order to take into account increased generation costs. The next auction round took place in July 2023. The deadline for the submission of bids was July 3, 2023. A total of 1,611 MW is being competed for. The results are not yet known.

France

Due to the urgent need to take measures in the field of energy, the French government is trying to speed up the process of developing renewable energy sources. In February 2023, the Parliament passed a law to accelerate generation from renewable energy sources. The law should help meet the milestones set by the President of the Republic, Emmanuel Macron, i.e. to increase the country's solar power generation capacity tenfold by 2050 (to exceed 100 GW installed capacity), to double onshore wind capacity (to 40 GW) and to commission 50 offshore wind farms (to reach the capacity of 40 GW). To this end, the law simplifies the licensing process for the construction of RES (with the aim of cutting the duration of the processes in half), gives essential project planning powers to local governments, targets the use of photovoltaic power plants in industrially developed areas, and improves the conditions for regional support in areas that will support the construction of RES.

In the first half of 2023, the results of 1 auction for onshore wind farms were announced. Support for a total of 925 MW was tendered as part of the auction. However, out of a total of 60 bids, support was granted to only 4 projects with a total capacity of 54 MW. The average price in the auction was at the level of 76.4 EUR per MWh.

Poland

Government work is underway to update the Polish Energy Policy 2040 and the National Energy and Climate Plan – both documents are currently in the public consultation process.

The following acts are in the stage of parliamentary work:

- a major amendment to the Energy Act, which should result in the implementation of Market Directive 2019/944,
- an amendment to the Act on Emergency Measures, which has introduced the obligation to pay a write-off into the Price Difference Payment Fund (FWRC),
- an amendment to the Act on Renewable Energy Sources, which should result in the implementation of the RED II Directive (Directive 2018/2001),
- an amendment to the Act on Biocomponents and Liquid Biofuels,
- an amendment to the Act on the Preparation and Implementation of Strategic Investments in Transmission Networks (for the purpose of facilitating investments in the transmission system and extending it to include investments in distribution networks).

The Ministry of Climate and the Environment is planning further amendments to the tariff regulation for heat, which is expected to be finalized in July 2023.

After the abolition of the obligation to sell all energy produced by domestic power plants through the Polish Energy Exchange TGE, a significant increase in the volume of trades on the SPOT market and a decrease in futures trades on the Polish Energy Exchange are observed. Electricity tariffs for residential customers and distribution charges are regulated. Prices on the heat market are based on a tariff system.

Laws on emergency measures and price interventions for electricity, heat and gas had a significant impact on the functioning of the Polish energy and heat market. These measures are to be applied until the end of 2023.

Under the Act of October 7, 2022 on Special Solutions for the Protection of Electricity Consumers in 2023, adopted due to the electricity market situation, electricity prices for eligible consumers (mainly residential customers) were frozen at the 2022 tariff price level.

The Act of October 27, 2022 on Emergency Measures, aimed at limiting electricity prices and support for certain customers in 2023, introduced maximum electricity prices for protected consumers (including small and medium-sized enterprises). Sellers who exercise the maximum price are eligible for compensation. In addition, electricity producers and trading companies were obliged to pay a write-off to the Price Difference Payment Fund (FWRC) – the windfall tax.

Interventions on the heat market are taken on the basis of the frequently amended Act of September 15, 2022 on Extraordinary Activities for Selected Heat Sources in connection with the fuel market situation. The Act establishes the maximum price of heat for eligible customers, which is to apply until the end of 2023. Sellers who charge the maximum price to eligible entities (including residential customers) are entitled to compensation.

Turkey

Turkey (especially the city of Gaziantep) and part of Syria were hit by a very strong earthquake on February 6, 2023, causing significant material damage to local industry as well. During this earthquake, no generation or distribution facilities co-owned by the CEZ Group were seriously damaged.

Parliamentary and presidential elections were held in May 2023, when the ruling AKP party defended the parliamentary majority and the presidential post was defended in the second round by the current president, Recep Tayyip Erdoğan. In the first half of the year, CPI inflation in Turkey gradually decreased from 58% in January to 38% at the end of June. The Turkish currency was initially stable at the levels of 19-20 TRY/USD in the first half of the year, mostly thanks to the measures introduced by the central bank (sale of foreign exchange reserves). After the May elections, there was a gradual attenuation of these sales, and subsequently the lira devalued sharply to the level of 26 TRY/USD in June. Overall, in the first half of 2023, the Turkish lira weakened by 39% against the dollar, which had a highly negative effect on companies that are financed by loans denominated in US dollars. The benchmark interest rate of the Turkish central bank was cut by 0.5% to 8.5% in the first half of 2023, but the rate was raised to 15% at the end of June after the appointment of a new central bank

governor. Turkey prioritizes GDP growth over price stability as part of its economic policy, but the new government could bring a return to traditional monetary policy tools.

Credit rating agencies uniformly place Turkey's creditworthiness in the speculative zone. Moody's B3, with a stable outlook, and Standard & Poor's B, with a stable outlook.

Changes in ownership interests

Czechia

- January 1 – ČEZ LDS s.r.o. (a subsidiary of ČEZ ESCO, a.s.) ceased to exist by merging by acquisition with its sister company ČEZ Energetické služby, s.r.o.,
- January 1 – ČEZ Bohunice a.s. changed its name to ČEZ Invest Slovensko, a.s.,
- January 1 – Elektrárna Dětmárovice, a.s. ceased to exist by merging by acquisition with its parent company ČEZ, a. s.,
- January 31 – Telco Pro Services, a. s. acquired a 100% stake in Web4Soft Internet s.r.o.,
- February 1 – ČEZ, a. s. acquired a 17.39% stake in ÚJV Řež, a. s. from ŠKODA JS a.s. (the stake of ČEZ, a. s. after the transaction is 69.85%),
- February 28 – ČEZ ENERGOSEVIS spol. s r.o. acquired a 100% stake in SALLEKO, spol. s r.o.,
- March 31 – ČEZ ENERGOSEVIS spol. s r.o. acquired a 100% stake in MD Projekt s.r.o.,
- May 11 – a Memorandum of Association dated April 27 established a new company, Grid design, s.r.o., in which ČEZ Distribuce, a. s. has a 51% stake (the other member is ENERGO Grid, s.r.o., with a 49% stake),
- May 15 – ÚJV Řež, a. s. acquired a 100% stake in RadioMedic s.r.o.,
- June 1 – ČEZ Energetické služby, s.r.o. (a subsidiary of ČEZ ESCO, a.s.) acquired a 100% stake in IVITAS, a.s.,
- June 30 – EP Rožnov, a.s. acquired a 10% stake in PIPE SYSTEMS s.r.o., thereby becoming its sole member,
- July 1 – FDLnet.CZ, s.r.o. (a subsidiary of Telco Pro Services, a. s.) ceased to exist by division, spin-off and merger with sister companies ČEZNET s.r.o. and Telco Infrastructure, s.r.o.,
- July 1 – ADAPTIVITY s.r.o. (a 100% subsidiary of Telco Pro Services, a. s.) ceased to exist as a result of merger with INTERNEXT 2000, s.r.o. (a 100% subsidiary of Telco Pro Services, a. s. after the merger).

Italy

- January 10 – Belectric Italia S.r.l. acquired a 100% stake in CDR MP S.r.l.,
- April 6 – Belectric Italia S.r.l. acquired a 100% stake in MP SOLAR 4 S.r.l.,
- June 1 – Belectric Italia S.r.l. acquired a 100% stake in UNISOLAR S.R.L., MP SOLAR 5 S.R.L., MP SOLAR 2 S.R.L.,
- July 4 – Articles of Organization dated June 19 established a new company, SOCIETA' AGRICOLA FALGAS S.R.L., whose 100% owner is inewa S.r.l.,
- July 13 – Articles of Organization dated July 3 established new companies Bainsizza Solare 1 S.r.l. and Bainsizza Solare 2 S.r.l., whose 100% owner is Belectric Italia S.r.l.

Israel

- March 14 – Inven Capital, SICAV, a.s., namely its Subfund C, acquired a minority stake in Wint - Wi Ltd.

Hungary

- February 27 – within the CEZ Group, a 100% stake in ETS Engineering Kft. was transferred from Elevation Group B.V. to ETS Efficient Technical Solutions GmbH.

Germany

- January 2 – the transfer of stakes of 1.847% and 1.478% resulted in a decrease of the limited partnership interest of Elevion Group B.V. in Elevion Co-Investment GmbH & Co. KG from 37.5% to 34.175%,
- February 27 – within the CEZ Group, a 100% stake in ETS Engineering Kft. was transferred from Elevion Group B.V. to ETS Efficient Technical Solutions GmbH,
- March 28 – Elevion Energy & Engineering Solutions GmbH acquired a 75.1% stake in GESPA GmbH,
- April 19 – within the CEZ Group, a 100% stake in Elevion Vorrats GmbH was transferred from Elevion GmbH to Elevion Energy & Engineering Solutions GmbH,
- April 20 – Hermos AG (a 100% subsidiary of Elevion GmbH) acquired a 100% limited partnership interest in Elektro Hofmockel GmbH & Co. Elektroanlagen KG,
- April 20 – Hermos AG (a 100% subsidiary of Elevion GmbH) acquired a 100% stake in Elektro Hofmockel Verwaltungsgesellschaft mbH,
- May 22 – BELECTRIC GmbH acquired a 100% stake in Belectric SP 105 Verwaltungs-GmbH, Belectric SP 106 Verwaltungs-GmbH, Belectric SP 107 Verwaltungs-GmbH, Belectric SP 108 Verwaltungs-GmbH, Belectric SP 109 Verwaltungs-GmbH,
- May 22 – BELECTRIC GmbH acquired a 100% limited partnership interest in the limited partnerships Belectric SP 106 GmbH & Co. KG, Belectric SP 107 GmbH & Co. KG and Belectric SP 108 GmbH & Co. KG; their sole general partners are Belectric SP 106 Verwaltungs-GmbH, Belectric SP 107 Verwaltungs-GmbH, Belectric SP 108 Verwaltungs-GmbH,
- May 31 – BELECTRIC GmbH acquired a 100% limited partnership interest in the limited partnerships Belectric SP 105 GmbH & Co. KG and Belectric SP 109 GmbH & Co. KG; their sole general partners are Belectric SP 105 Verwaltungs-GmbH and Belectric SP 109 Verwaltungs-GmbH,
- July 7 – Elevion GmbH acquired a 100% stake in Alexander Ochs Wärmetechnik GmbH and, through that company, also a 100% stake in Bechem & Post Wärmetechnik Kundendienst GmbH.

Netherlands

- May 1 – CEZ Finance B.V. was dissolved and entered into liquidation.

Poland

- June 22 – Baltic Green VI sp. z o.o. w likwidacji was dissolved due to completion of liquidation,
- June 29 – Baltic Green II sp. z o.o. w likwidacji was dissolved due to completion of liquidation.

Slovakia

- November 12, 2022 – the new company JESS OZE s.r.o. was established; Jadrová energetická spoločnosť Slovenska, a. s., (JESS) holds a 100% stake in it,
- December 29, 2022 – the new company JESS Projects s.r.o. was established; Jadrová energetická spoločnosť Slovenska, a. s., (JESS) holds a 100% stake in it,
- June 19, 2023 – ESCO Slovensko, a.s. acquired a 49% stake in e-Dome a. s., becoming its sole shareholder.

5. Financial part

Interim consolidated financial statements

CEZ GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

CEZ GROUP
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2023

In CZK Millions

	Note	June 30, 2023	December 31, 2022
ASSETS:			
Plant in service		910,054	903,545
Less accumulated depreciation and impairment		(519,093)	(505,564)
Net plant in service		390,961	397,981
Nuclear fuel, at amortized cost		11,914	11,993
Construction work in progress, net		30,348	25,145
Total property, plant and equipment		433,223	435,119
Investments in associates and joint-ventures		3,690	3,743
Restricted financial assets, net		23,507	21,561
Other non-current financial assets, net	5	25,704	16,715
Intangible assets, net		24,543	24,423
Deferred tax assets		912	50,432
Total other non-current assets		78,356	116,874
Total non-current assets		511,579	551,993
Cash and cash equivalents, net		125,290	36,609
Trade receivables, net		75,252	167,346
Income tax receivable		1,697	896
Materials and supplies, net		20,934	23,790
Fossil fuel stocks, net		2,328	1,551
Emission rights	6	6,835	29,668
Other current financial assets, net	5	131,048	278,509
Other current assets, net		19,767	17,018
Total current assets		383,151	555,387
Total assets		894,730	1,107,380

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

continued

	Note	June 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		170,975	206,421
Total equity attributable to equity holders of the parent		223,440	258,886
Non-controlling interests		1,382	1,375
Total equity		224,822	260,261
Long-term debt, net of current portion	8	120,948	140,234
Provisions		149,007	146,094
Other long-term financial liabilities	9	14,282	39,618
Deferred tax liability		35,229	13,768
Other long-term liabilities		29	31
Total non-current liabilities		319,495	339,745
Short-term loans	10	26,833	53,056
Current portion of long-term debt	8	27,589	8,856
Trade payables		47,417	84,713
Income tax payable		15,247	16,525
Provisions		18,243	30,923
Other short-term financial liabilities	9	193,295	294,631
Other short-term liabilities		21,789	18,670
Total current liabilities		350,413	507,374
Total equity and liabilities		894,730	1,107,380

CEZ GROUP

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

In CZK Millions

	Note	1-6/2023	1-6/2022	4-6/2023	4-6/2022
Sales of electricity, heat, gas and coal		127,858	88,578	54,686	35,946
Sales of services and other revenues		39,185	36,163	19,580	17,865
Other operating income		2,654	5,779	2,051	712
Total revenues and other operating income	11	169,697	130,520	76,317	54,523
Gains and losses from commodity derivative trading	12	5,931	15,787	5,194	2,696
Purchase of electricity, gas and other energies		(41,167)	(31,185)	(20,515)	(13,552)
Fuel and emission rights		(19,608)	(20,853)	(7,978)	(9,327)
Services		(16,539)	(13,783)	(9,102)	(7,170)
Salaries and wages		(16,984)	(14,957)	(9,037)	(7,849)
Material and supplies		(8,322)	(6,572)	(4,379)	(3,709)
Capitalization of expenses to the cost of assets and change in own inventories		3,033	2,607	1,617	1,091
Depreciation and amortization		(17,014)	(15,163)	(8,657)	(7,594)
Impairment of property, plant and equipment and intangible assets		(221)	(28)	(235)	(28)
Impairment of trade and other receivables		(47)	235	(188)	12
Other operating expenses	13	(13,441)	(2,379)	(2,017)	(1,032)
Income before other income (expenses) and income taxes		45,318	44,229	21,020	8,061
Interest on debt		(3,758)	(1,752)	(1,767)	(903)
Interest on provisions		(3,647)	(1,289)	(1,823)	(645)
Interest income		4,021	994	2,370	688
Share of profit (loss) from associates and joint-ventures		493	596	108	68
Impairment of financial assets		34	(547)	269	(25)
Other financial expenses		(676)	(1,753)	(121)	734
Other financial income		2,286	1,213	(378)	320
Total other income (expenses)		(1,247)	(2,538)	(1,342)	237
Income before income taxes		44,071	41,691	19,678	8,298
Income taxes		(21,790)	(8,089)	(8,218)	(1,403)
Net income		22,281	33,602	11,460	6,895
Net income attributable to:					
Equity holders of the parent		22,230	33,634	11,458	6,925
Non-controlling interests		51	(32)	2	(30)
Net income per share attributable to equity holders of the parent (CZK per share):					
Basic		41.4	62.7	21.3	12.9
Diluted		41.4	62.7	21.3	12.9

CEZ GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2023

In CZK Millions

	Note	1-6/2023	1-6/2022	4-6/2023	4-6/2022
Net income		22,281	33,602	11,460	6,895
Change in fair value of cash flow hedges		53,830	(109,900)	6,306	(68,190)
Cash flow hedges reclassified to statement of income		15,312	31,260	4,623	16,591
Change in fair value of debt instruments		1,060	(1,703)	560	(919)
Disposal of debt instruments		24	(1)	1	-
Translation differences – subsidiaries		(122)	(74)	255	165
Translation differences – associates and joint-ventures		(327)	(10)	(202)	44
Disposal of translation differences		(15)	(17)	(15)	2
Share on other equity movements of associates and joint-ventures		(60)	(10)	1	(6)
Deferred tax related to other comprehensive income	14	(49,548)	15,267	(7,586)	9,979
Net other comprehensive income that may be reclassified to statement of income or to assets in subsequent periods		20,154	(65,188)	3,943	(42,334)
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		20,154	(65,187)	3,943	(42,334)
Total comprehensive income, net of tax		42,435	(31,585)	15,403	(35,439)
Total comprehensive income attributable to:					
Equity holders of the parent		42,399	(31,545)	15,388	(35,422)
Non-controlling interests		36	(40)	15	(17)

**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 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		-	-	-	-	-	-	33,634	33,634	(32)	33,602
Other comprehensive income		-	-	(93)	(63,698)	(1,379)	1	(10)	(65,179)	(8)	(65,187)
Total comprehensive income		-	-	(93)	(63,698)	(1,379)	1	33,624	(31,545)	(40)	(31,585)
Dividends		-	-	-	-	-	-	(25,767)	(25,767)	(14)	(25,781)
Sale of treasury shares		-	69	-	-	-	-	(37)	32	-	32
Exercised and forfeited share options		-	-	-	-	-	(3)	3	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	(115)	(115)	(4)	(119)
Put options held by non-controlling interests		-	-	(2)	-	-	-	64	62	37	99
Balance as at June 30, 2022		<u>53,799</u>	<u>(1,354)</u>	<u>(4,732)</u>	<u>(130,910)</u>	<u>(2,026)</u>	<u>(1,723)</u>	<u>190,711</u>	<u>103,765</u>	<u>1,721</u>	<u>105,486</u>

**CEZ GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 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		-	-	-	-	-	-	22,230	22,230	51	22,281
Other comprehensive income		-	-	(448)	19,794	884	-	(61)	20,169	(15)	20,154
Total comprehensive income		-	-	(448)	19,794	884	-	22,169	42,399	36	42,435
Dividends	7	-	-	-	-	-	-	(77,838)	(77,838)	(9)	(77,847)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	(3)	(3)
Acquisition of non-controlling interests		-	-	-	-	-	-	(3)	(3)	(23)	(26)
Disposal of non-controlling interests		-	-	1	-	-	-	(11)	(10)	11	1
Put options held by non-controlling interests		-	-	(1)	-	-	-	7	6	(5)	1
Balance as at June 30, 2023		53,799	(1,334)	(5,625)	(2,464)	(791)	(2,020)	181,875	223,440	1,382	224,822

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2023

In CZK Millions

	Note	1-6/2023	1-6/2022
OPERATING ACTIVITIES:			
Income before income taxes		44,071	41,691
Adjustments of income before income taxes to cash generated from operations:			
Depreciation and amortization		17,014	15,163
Amortization of nuclear fuel		1,861	1,949
(Gains) and losses on non-current asset retirements		22	(122)
Foreign exchange rate loss (gain)		195	1,652
Interest expense, interest income and dividend income		(274)	748
Provisions		(9,872)	1,621
Impairment of property, plant and equipment and intangible assets		221	28
Other non-cash expenses and income		14,621	32,093
Share of (profit) loss from associates and joint-ventures		(493)	(596)
Changes in assets and liabilities:			
Receivables and contract assets		83,666	114
Materials, supplies and fossil fuel stocks		2,245	(9,761)
Receivables and payables from derivatives		(10,865)	(32,469)
Other assets		28,116	9,974
Trade payables		(35,865)	(21,853)
Other liabilities		3,023	4,332
Cash from operations		137,686	44,564
Income taxes paid		(2,468)	(1,607)
Interest paid, net of capitalized interest		(4,629)	(2,242)
Interest received		4,010	980
Dividends received		31	7
Net cash flow from operating activities		134,630	41,702
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, associates and joint-ventures, net of cash acquired	4	(513)	(2,029)
Disposal of subsidiaries, associates and joint-ventures, net of cash disposed of		11	(8)
Additions to non-current assets, including capitalized interest		(18,993)	(14,634)
Proceeds from sale of non-current assets		222	772
Loans made		(153)	(13)
Repayment of loans		20	280
Change in restricted financial assets		(1,168)	(1,381)
Total cash used in investing activities		(20,574)	(17,013)

CEZ GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2023

continued

	<u>Note</u>	<u>1-6/2023</u>	<u>1-6/2022</u>
FINANCING ACTIVITIES:			
Proceeds from borrowings		66,366	102,438
Payments of borrowings		(88,144)	(107,716)
Payments of lease liabilities		(362)	(335)
Proceeds from other long-term liabilities		38	58
Payments of other long-term liabilities		(2,444)	(7)
Dividends paid to Company's shareholders		(133)	(71)
Dividends paid to non-controlling interests		(7)	(13)
Sale of treasury shares		-	32
(Acquisition) sale of non-controlling interests, net		(25)	(119)
Net cash used in financing activities		<u>(24,711)</u>	<u>(5,733)</u>
Net effect of currency translation and allowances in cash		(664)	(77)
Net increase in cash and cash equivalents		88,681	18,879
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>125,290</u></u>	<u><u>45,519</u></u>
Supplementary cash flow information:			
Total cash paid for interest		4,914	2,415

CEZ GROUP

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 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 June 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 six months ended June 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 six months of 2023 (in CZK millions):

Cash outflow on acquisition of the subsidiaries	305
Cash outflow on acquisitions of the subsidiaries, which were not part of consolidation	105
Cash contributions to joint-ventures	85
Payments of payables from acquisitions of previous periods	52
Less:	
Cash and cash equivalents acquired on acquisition of the subsidiaries	<u>(34)</u>
Total cash outflows on acquisitions	<u><u>513</u></u>

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

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

On March 28, 2023, the Group acquired a 75% interest in the German company GESPA GmbH 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) which focus on services in the field automatization of treatment of wastewater. Industrial companies and municipalities are the main customers.

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):

	Web4Soft Internet	GESPA	Hofmockel entities	Total
Share of the Group being acquired	100 %	75 %	100 %	
Property, plant and equipment, net	17	2	23	42
Other non-current assets	-	28	112	140
Cash and cash equivalents	9	13	12	34
Materials and supplies, net	3	9	132	144
Trade receivables	-	5	5	10
Other current assets	1	2	3	6
Long-term debt, net of current portion	-	-	(7)	(7)
Other long-term payables	-	(8)	(34)	(42)
Trade payables	(1)	(23)	(24)	(48)
Other short-term financial payables	-	(39)	(8)	(47)
Other current liabilities	(1)	(1)	(137)	(139)
Total net assets	28	(12)	77	93
Share of net assets acquired	28	(9)	77	96
Goodwill	36	78	198	312
Total purchase consideration	64	69	275	408
Liabilities from acquisition of the subsidiary	(1)	(68)	(34)	(103)
Cash outflow on acquisition in 2023	63	1	241	305
Less: Cash and cash equivalents in the subsidiary acquired	(9)	(13)	(12)	(34)
Cash outflow in 2023, net	54	(12)	229	271

If the acquisitions had taken place at the beginning of the year 2023, net income for CEZ Group as of June 30, 2023 would have been CZK 22,279 million and the revenues and other operating income from continuing operations would have been CZK 169,808 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):

	Web4Soft Internet	GESPA	Hofmockel entities
Revenues and other operating income	13	23	43
Income before other income (expense) and income taxes	3	(6)	6
Net income	3	(6)	5
Net income attributable:			
Equity holders of the parent	3	(4)	4
Non-controlling interests	-	(2)	1

5. Other Financial Assets, Net

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

	June 30, 2023		December 31, 2022			
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Term deposits	3	353	356	-	100	100
Other financial receivables	5,973	39	6,012	2,728	31	2,759
Receivables from sale of subsidiaries, associates and joint-ventures	-	2,478	2,478	-	2,450	2,450
Investment in finance lease	194	46	240	200	46	246
Total financial assets at amortized cost	6,170	2,916	9,086	2,928	2,627	5,555
Equity financial assets – investments in Inven Capital, SICAV, a.s., ĀEZ sub-funds	4,255	-	4,255	3,840	-	3,840
Commodity and other derivatives	277	112,786	113,063	446	262,159	262,605
Total financial assets at fair value through profit or loss	4,532	112,786	117,318	4,286	262,159	266,445
Veolia Energie ĀR, a.s.	709	-	709	709	-	709
Other financial assets	396	-	396	178	-	178
Total equity financial assets	1,105	-	1,105	887	-	887
Fair value of cash flow hedge derivatives	13,894	8,320	22,214	8,612	3,971	12,583
Investments in progress	3	-	3	2	-	2
Debt financial assets	-	7,026	7,026	-	9,752	9,752
Total financial assets at fair value through other comprehensive income	15,002	15,346	30,348	9,501	13,723	23,224
Total	25,704	131,048	156,752	16,715	278,509	295,224

The decrease of short-term commodity derivatives in the first six months of 2023 is caused by physical delivery of the commodity or by the financial settlement. The decrease in the first six 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 June 30, 2023 and December 31, 2022 (in CZK millions):

	June 30, 2023			December 31, 2022		
	Non-current	Current	Total	Non-current	Current	Total
Emission rights for own use	5	3,029	3,034	-	23,093	23,093
Emission rights held for trading	-	3,651	3,651	-	6,408	6,408
Green and similar certificates	-	155	155	-	167	167
Total	5	6,835	6,840	-	29,668	29,668

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

7. Equity

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.

8. Long-term Debt

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

	June 30, 2023	December 31, 2022
3.005% Eurobonds, due 2038 (JPY 12,000 million)	1,823	2,071
2.845% Eurobonds, due 2039 (JPY 8,000 million)	1,216	1,382
4.875% Eurobonds, due 2025 (EUR 750 million)	17,962	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)	1,217	1,209
4.500% Eurobonds, due 2047 (EUR 50 million)	1,215	1,207
4.383% Eurobonds, due 2047 (EUR 80 million)	1,967	1,957
3.000% Eurobonds, due 2028 (EUR 725 million)	17,454	18,024
0.875% Eurobonds, due 2026 (EUR 750 million)	17,783	17,978
2.375% Eurobonds, due 2027 (EUR 600 million)	14,234	14,628
5.625% U.S. bonds, due 2042 (USD 300 million)	6,589	6,824
4.500% Registered bonds, due 2030 (EUR 40 million)	965	958
4.750% Registered bonds, due 2023 (EUR 40 million)	-	1,006
4.700% Registered bonds, due 2032 (EUR 40 million)	957	995
4.270% Registered bonds, due 2047 (EUR 61 million)	1,463	1,456
3.550% Registered bonds, due 2038 (EUR 30 million)	716	741
Total bonds and debentures	85,561	92,406
Less: Current portion	(734)	(5,725)
Bonds and debentures, net of current portion	84,827	86,681
Long-term bank and other loans, lease liabilities:	62,976	56,684
Less: Current portion	(26,855)	(3,131)
Long-term bank and other loans, lease payables, net of current portion	36,121	53,553
Total long-term debt	148,537	149,090
Less: Current portion	(27,589)	(8,856)
Total long-term debt, net of current portion	120,948	140,234

9. Other Financial Liabilities

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

	June 30, 2023		
	Long-term liabilities	Short-term liabilities	Total
Payables from non-current assets purchase	314	-	314
Payables to owners for profit distribution	-	78,192	78,192
Other	953	1,584	2,537
Financial liabilities at amortized cost	1,267	79,776	81,043
Cash flow hedge derivatives	11,822	15,857	27,679
Commodity and other derivatives	284	97,393	97,677
Liabilities from put options held by non-controlling interests	499	-	499
Contingent consideration from the acquisition of subsidiaries	410	269	679
Financial liabilities at fair value	13,015	113,519	126,534
Total	14,282	193,295	207,577

	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 six months of 2023 is caused by physical delivery of the commodity or by the financial settlement. The decrease in the first six 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 June 30, 2023 and December 31, 2022 are as follows (in CZK millions):

	June 30, 2023	December 31, 2022
Bank loans	2,896	4,805
Other loans	23,802	48,230
Bank overdrafts	135	21
Total	26,833	53,056

11. Revenues and Other Operating Income

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

	1-6/2023	1-6/2022
<u>Sales of electricity:</u>		
Sales of electricity to end customers	61,424	36,213
Sales of electricity through energy exchange and other organized markets	26,992	43,488
Sales of electricity to traders	19,704	18,171
Sales to distribution and transmission companies	91	253
Other sales of electricity	6,305	5,555
Effect of hedging – presales of electricity	(15,894)	(31,205)
Effect of hedging – currency risk hedging	919	(410)
Total sales of electricity	99,541	72,065
<u>Sales of gas, coal and heat:</u>		
Sales of gas	17,407	8,704
Sales of coal	3,798	2,323
Sales of heat	7,112	5,486
Total sales of gas, coal and heat	28,317	16,513
Total sales of electricity, heat, gas and coal	127,858	88,578
<u>Sales of services and other revenues:</u>		
Distribution services	17,944	17,786
Other services	18,694	16,685
Rental income	90	86
Revenues from goods sold	559	656
Other revenues	1,898	950
Total sales of services and other revenues	39,185	36,163
<u>Other operating income:</u>		
Gain on sale of emission rights	-	4,292
Granted green and similar certificates	64	81
Contractual fines and interest fees for delays	759	284
Gain on sale of property, plant and equipment	186	142
Gain on sale of material	181	92
Other	1,464	888
Total other operating income	2,654	5,779
Total revenues and other operating income	169,697	130,520

Revenues from contracts with customers for the six months ended June 30, 2023 and 2022 were CZK 181,928 million and CZK 156,270 million, respectively, and can be linked to the above figures as follows:

	<u>1-6/2023</u>	<u>1-6/2022</u>
Sales of electricity, heat, gas and coal	127,858	88,578
Sales of services and other revenues	39,185	36,163
Total revenues	<u>167,043</u>	<u>124,741</u>
Adjustments:		
Effect of hedging – presales of electricity	15,894	31,205
Effect of hedging – currency risk hedging	(919)	410
Rental income	(90)	(86)
Revenues from contracts with customers	<u><u>181,928</u></u>	<u><u>156,270</u></u>

12. Gains and Losses from Commodity Derivative Trading

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

	<u>1-6/2023</u>	<u>1-6/2022</u>
Gain (loss) from electricity derivative trading	5,178	(1,319)
Gain (loss) from gas derivative trading	(307)	13,356
Gain (loss) from oil derivative trading	(7)	2
Gain (loss) from coal derivative trading	21	(1)
Gain from emission rights derivative trading	1,046	3,749
Total gains and losses from commodity derivative trading	<u><u>5,931</u></u>	<u><u>15,787</u></u>

Reported gains and losses from derivative trading consist of trades with commodities for the purpose of speculative trading, but also trades concluded for the purpose of hedging the gross margin from electricity generation, where changes in their fair value do not enter the hedge accounting scheme 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. Other Operating Expenses

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

	<u>1-6/2023</u>	<u>1-6/2022</u>
Change in provisions	1,597	1,073
Levy on revenues above price caps	(11,149)	-
Other taxes and fees	(1,459)	(1,456)
Other	(2,430)	(1,996)
Total other operating expenses	<u><u>(13,441)</u></u>	<u><u>(2,379)</u></u>

14. Income Taxes

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

	1-6/2023			1-6/2022		
	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	53,830	(39,424)	14,406	(109,900)	20,873	(89,027)
Cash flow hedges reclassified to statement of income	15,312	(9,923)	5,389	31,260	(5,931)	25,329
Change in fair value of debt instruments	1,060	(191)	869	(1,703)	325	(1,378)
Disposal of debt instruments	24	(10)	14	(1)	-	(1)
Translation differences – subsidiaries	(122)	-	(122)	(74)	-	(74)
Translation differences – associates and joint-ventures	(327)	-	(327)	(10)	-	(10)
Disposal of translation differences	(15)	-	(15)	(17)	-	(17)
Share on other equity movements of associates and joint-ventures	(60)	-	(60)	(10)	-	(10)
Change in fair value of equity instruments	-	-	-	1	-	1
Total	69,702	(49,548)	20,154	(80,454)	15,267	(65,187)

15. 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 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):

	1-6/2023	1-6/2022
Income before other income (expenses) and income taxes (EBIT)	45,318	44,229
Depreciation and amortization	17,014	15,163
Impairment of property, plant and equipment and intangible assets	221	28
Gains and losses on sale of property, plant and equipment, net ¹⁾	(185)	(140)
EBITDA	62,368	59,280

- 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):

	1-6/2023	1-6/2022
Operating income	169,697	130,520
Gains and losses from commodity derivative trading	5,931	15,787
Purchase of electricity, gas and other energies	(41,167)	(31,185)
Fuel and emission rights	(19,608)	(20,853)
Services	(16,539)	(13,783)
Capitalization of expenses to the cost of assets and change in own inventories	3,033	2,607
Levy on revenues above price caps ¹⁾	(11,149)	-
Other ²⁾	(2,034)	(734)
Gross margin	88,164	82,359

- 1) Levy on revenues above price caps is part of the statement of income line-item Other operating expenses (Note 13).

- 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 six months ended June 30, 2023 and 2022 and at December 31, 2022 (in CZK millions):

June 30, 2023:

	Gene-ration	Distribu-tion	Sales	Mining	Combined	Elimina-tion	Consoli-dated
Revenues and other operating income – other than intersegment	47,537	17,890	100,161	4,109	169,697	-	169,697
Revenues and other operating income – intersegment	78,245	131	14,104	5,788	98,268	(98,268)	-
Total revenues and other operating income	125,782	18,021	114,265	9,897	267,965	(98,268)	169,697
Thereof:							
Sales of electricity, heat, gas and coal	118,169	-	95,177	9,225	222,571	(94,713)	127,858
Sales of services and other revenues	6,846	17,872	17,262	637	42,617	(3,432)	39,185
Other operating income	767	149	1,826	35	2,777	(123)	2,654
Revenues and other operating income, including result from commodity derivative trading	131,976	18,021	114,616	9,897	274,510	(98,882)	175,628
Total sales of electricity, including the result of electricity trading ¹⁾	101,678	-	72,819	-	174,497	(69,778)	104,719
Gross margin	57,707	14,047	11,302	9,679	92,735	(4,571)	88,164
EBITDA	45,489	9,004	3,164	5,649	63,306	(938)	62,368
Depreciation and amortization	(11,398)	(3,568)	(1,070)	(978)	(17,014)	-	(17,014)
Impairment of property, plant and equipment and intangible assets	(1)	(7)	-	(213)	(221)	-	(221)
EBIT	34,213	5,462	2,103	4,478	46,256	(938)	45,318
Interest on debt and provisions	(6,838)	(613)	(206)	(329)	(7,986)	581	(7,405)
Interest income	3,242	366	657	337	4,602	(581)	4,021
Share of profit (loss) from associates and joint-ventures	(27)	177	390	(47)	493	-	493
Income taxes	(19,592)	(991)	(294)	(875)	(21,752)	(38)	(21,790)
Net income	21,428	4,467	2,565	3,661	32,121	(9,840)	22,281
Identifiable assets	275,934	129,594	11,809	16,085	433,422	(199)	433,223
Investment in associates and joint-ventures	2,563	-	427	700	3,690	-	3,690
Unallocated assets							457,817
Total assets							894,730
Capital expenditure	7,975	7,178	1,073	820	17,046	(118)	16,928

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

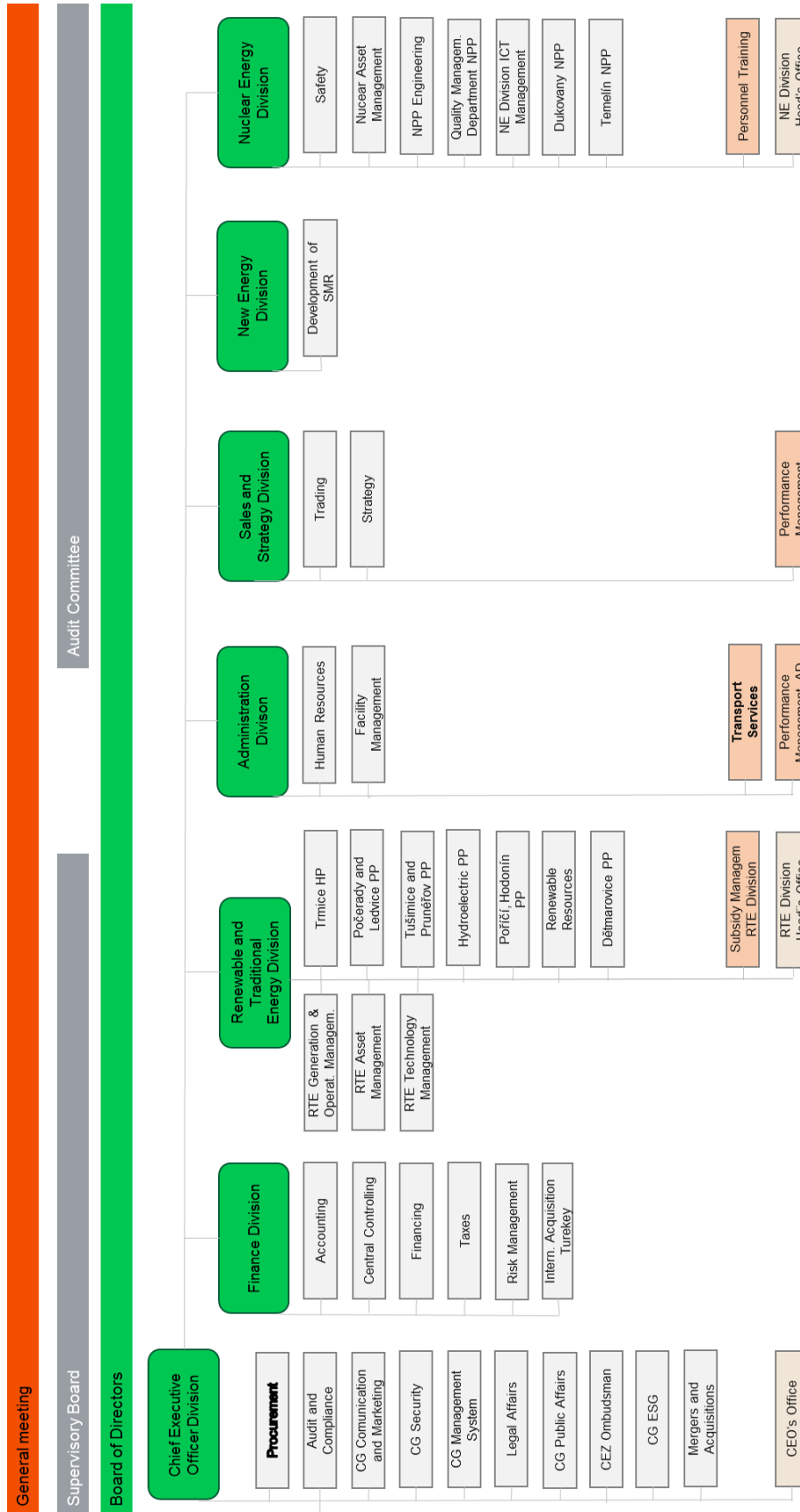
June 30, 2022:

	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Revenues and other operating income – other than intersegment	50,489	17,783	59,626	2,622	130,520	-	130,520
Revenues and other operating income – intersegment	45,033	173	7,301	3,594	56,101	(56,101)	-
Total revenues and other operating income	95,522	17,956	66,927	6,216	186,621	(56,101)	130,520
Thereof:							
Sales of electricity, heat, gas and coal	83,330	-	52,490	5,534	141,354	(52,776)	88,578
Sales of services and other revenues	6,991	17,800	13,782	615	39,188	(3,025)	36,163
Other operating income	5,201	156	655	67	6,079	(300)	5,779
Revenues and other operating income, including result from commodity derivative trading	111,272	17,956	66,965	6,215	202,408	(56,101)	146,307
Total sales of electricity, including the result of electricity trading ¹⁾	67,005	-	41,809	-	108,814	(38,068)	70,746
Gross margin	57,097	13,995	8,049	6,205	85,346	(2,987)	82,359
EBITDA	45,962	9,542	729	3,113	59,346	(66)	59,280
Depreciation and amortization	(10,096)	(3,282)	(1,020)	(765)	(15,163)	-	(15,163)
Impairment of property, plant and equipment and intangible assets	(10)	(10)	(16)	8	(28)	-	(28)
EBIT	35,932	6,296	(303)	2,370	44,295	(66)	44,229
Interest on debt and provisions	(2,770)	(383)	(146)	(143)	(3,442)	401	(3,041)
Interest income	803	170	310	112	1,395	(401)	994
Share of profit (loss) from associates and joint-ventures	(12)	549	94	(35)	596	-	596
Income taxes	(6,335)	(1,145)	(165)	(444)	(8,089)	-	(8,089)
Net income	33,234	4,923	(17)	1,934	40,074	(6,472)	33,602
Capital expenditure	3,881	6,613	927	739	12,160	(78)	12,082
December 31, 2022:							
Identifiable assets	Gene- ration	Distribu- tion	Sales	Mining	Combined	Elimina- tion	Consoli- dated
Investment in associates and joint-ventures	281,176	125,898	11,751	16,458	435,283	(164)	435,119
Unallocated assets	2,630	-	451	662	3,743	-	3,743
Total assets							<u>1,107,380</u>

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

6. Other information

Basic organizational chart of ČEZ as of August 1, 2023



Definitions and calculations of indicators unspecified in IFRS

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

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

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

Highly Liquid Financial Assets—component of Net Debt indicator (CZK billions):

	As at Dec 31, 2022	As at Jun 30, 2023
Current debt financial assets	9.8	7.0
Non-current debt financial assets	-	-
Current term deposits	0.1	0.3
Non-current term deposits	-	-
Short-term equity securities	0.0	0.0
Highly liquid financial assets, total	9.9	7.4

Adjusted Net Income indicator—calculation for periods in question:

Adjusted Net Income (After-Tax Income, Adjusted)	Unit	Q1 - Q2 2022	Q1 - Q2 2023
Net income	CZK billions	33.6	22.3
Impairments of property, plant, and equipment and intangible assets (including goodwill write-off) ¹⁾	CZK billions	0.0	0.2
Impairments of developed projects ²⁾	CZK billions	-	-
Effects of additions to or reversals of impairments on income tax ³⁾	CZK billions	-0.0	-0.0
Other extraordinary effects	CZK billions	-	-
Adjusted net income	CZK billions	33.6	22.5

1) Corresponds to the total value reported in the row Impairment of Property, Plant and Equipment and Intangible Assets in the Consolidated Statement of Income

2) Included in the row Other operating expenses in the Consolidated Statement of Income

3) Included in the row Income taxes in the Consolidated Statement of Income

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

Terms and abbreviations

Term	Comment
AC station	A charging station for electric cars where charging takes place using alternating current.
CPI	Consumer price index
DC station	A charging station for electric cars in which charging takes place using direct current and which can transmit high power in a short time.
charging hub	Public charging stations for electric cars. They can contain one or more charging points (stands). (Electric Vehicle Charging Hub)
EdF	Electricité de France, Société Anonyme
EDU	Dukovany Power Plant (nuclear)
ESG	ESG constitutes a set of non-financial criteria that investors use to assess and evaluate the performance of the entity in which they invest. E refers to Environmental criteria, i.e. the entity's behavior towards the environment, S refers to Social criteria, i.e. behavior towards employees, suppliers and communities in the place of business, G refers to Governance criteria, i.e. the method of its management, internal controls and shareholders' rights.
ETE	Temelín Power Plant (nuclear)
HVAC	Heating, ventilation and air-conditioning. It refers to the use of various technologies to control the temperature, humidity and cleanliness of the air in an enclosed space. (Heating, Ventilation and Air Conditioning)
NPP	Nuclear power plant
Net Promoter Score	Net Promoter Score, registered trademark. A marketing methodology that determines the likelihood that a respondent recommends a product or service to other people.
offshore	On the sea; a term used to describe the location of wind farms.
onshore	On land; a term used to describe the location of wind farms.

Term	Comment
floating Štěchovice PVPP	Solar panels with a total installed capacity of 87.36 kWp, floating on the surface of the water, held by air-filled floats. To accommodate the constant movement of the reservoir water level, which is determined by the operation of the pumped-storage station, the entire structure is fixed by skids attached to the walls of the reservoir.
SŽ	<p>Railway Administration, state organization</p> <p>A state organization in Czechia which ensures the operation of the railway transport infrastructure and its operational ability, including maintenance and modernization. Currently, the state, represented by this organization, owns most of the railway lines in Czechia.</p> <p>(formerly Railway Infrastructure Administration, state organization)</p>

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Identification of ČEZ, a. s.



Fig. Construction of a new transformer station in Dětmarovice, Czechia

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Czechia

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

Established: 1992
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